



Town of Wilmington

Finance Committee

Meeting Minutes
Tuesday, June 26, 2018

Finance Committee Chairman, Theresa M. Manganelli, called the meeting to order at 7:00 pm in Room 9 of Town Hall and welcomed new member, Hirak Shah, to the Committee. Members present were Neal Couture, John F. Doherty III, Marianne Gallezzo, Michele Kincaid, Bernard P. Nally, Hirak Shah, and Kevin Stokes. Excused: Leigh Martinson.

STANDARD & POOR'S RATING UPDATE

PRESENT IN INTEREST: Jeffrey M. Hull, Town Manager; Denise Y. Casey, Assistant Town Manager; Michael Morris, Town Accountant.

Town Manager Hull stated that the Town maintained its AA+ Standard & Poor's (S&P) rating. Precluding the AAA rating were the same issues raised in the previous review: the demographics of the Town and the per capita average income; Other Post Employment Benefits (OPEB); and pension liabilities. Though the income level of the Town increased, so did the income levels of other AAA-rated communities. Favorable elements of the Town's financial conditions include: strong financial reserves; strong financial flexibility; and the Town's management of finances.

S&P expressed disagreement with the Middlesex County Retirement System's (MCRS) estimated rate of return of 7.75%. Mr. Hull noted that Pamela MacKenzie, Town Treasurer and Tax Collector, believes the rate of return should be approximately 7.5%, and S&P feels it should be closer to 7%. The concern with lowering the projected rate of return is the affect it may have on the assessments that member communities pay. MCRS is trying to adjust the projected rate in a deliberate manner, so as not to deliver a shock to the individual communities. S&P also expressed concern that the Town's funded portion of the pension at 45.5% should be higher. The requirement is to have the liability paid off by 2035 and there is concern about meeting that obligation.

There have been four Other Post Employment Benefits (OPEB) actuarial evaluations performed every two years. When the first actuarial evaluation was performed, the Town's liability was approximately \$137 million, \$133 million at the second evaluation, \$119 million at the third evaluation, and \$105 million at the most recent evaluation. Each year the Town has had an actuarial review, the liability has decreased, which is typically a positive factor. However, as the standards change, so may the standards of assessing the liability, and that figure may be increased. The other concern S&P had is the Town's reliance on using available funds to pay down the liability. One item S&P noted specifically was a perceived lack of the Town's plan. Mr. Hull stated that he disagreed with that opinion, as the Town does have a plan for using funds from free cash or the levy limit to address this liability. However, S&P may be looking for a more specific funding plan with deadlines.

Mr. Morris noted the same positive factors outlined by Mr. Hull and added that the Town is below the levy limit and Massachusetts has a very strong economy. S&P was very complementary on the Town's

strong management and policies, consecutive years with strong budgetary performance, dependable revenue collected, strong liquidity of free cash, strong reserves and stabilization funds, adequate debt and liability profile, broad and diverse industrial values, and long-term budget plan forecast. Mr. Morris noted that the concern of the MCRS estimate of 7.75% is too high because the national average 6.88%. S&P was pleased that the Town is pre-paying retirement, but was not satisfied with using the stabilization fund to do it. Prepayment is aggressive and not many other towns are taking the initiative. Another concern of S&P is that a recession is overdue. Mr. Hull noted that in the event the economy hits another downturn, the Town will not be in a position to add to free cash and may need to draw on it to support the operating budget. He speculated the concern of S&P is that using those funds to pay liability could be another stressor on the system.

Mr. Nally asked how Wilmington compared to other AAA rated towns. Mr. Hull stated that Parker Elmore, who performs actuarial reviews of other towns, pointed out that Chelmsford has Blue Cross and Blue Shield for insurance and their plans are cheaper than Wilmington's. As a result, their OPEB liability may have been reduced. Mr. Morris listed other AAA rated towns including: Reading, North Andover, and Andover, all of whose per capita income is in excess of 160%. Mr. Hull noted that Reading regularly has to pursue overrides to support its operating budget, but the higher average income may have more impact on the AAA rating.

Ms. Manganelli noted that she was pleased with overall positivity of the report and the positive factors that Mr. Hull and Mr. Morris outlined. She suggested that in the future, rather than add a full-time employee to meet work demands, explore using more part time employees instead of adding another full-time employee to the retirement burden. She also noted that the public does not seem to understand the importance of keeping free cash at a certain level. People think of it as a big savings account and the Town should be drawing from free cash instead of increasing taxes. Mr. Hull noted that there are a number of different burdens. When negotiating with unions, they reference free cash and think the Town can afford to pay employees more. Free cash is not for that purpose. Among other things, it helps keep the Town in a good financial position, helps with the S&P rating, and can reserve funds for capital projects.

Mr. Stokes asked how the S&P report is distributed, and how it can be used to better educate the public that there are key factors the Town needs to manage in order meet its obligations and goals. Ms. Manganelli suggested compiling a brief question and answer article for the newspaper which outlines what the report means, what the Town plans to do to address the issues raised, and emphasize the positive elements. Mr. Hull stated that it will also be posted to the Town's website.

REVIEW BORROWING SCHEDULE

PRESENT IN INTEREST: Jeffrey M. Hull, Town Manager; Denise Y. Casey, Assistant Town Manager; Michael Morris, Town Accountant.

Mr. Morris reviewed his memo to the Committee which stated that the Town borrowed \$5,764,000 in FY 2018. As a result, the Town received a net premium of \$458,000 resulting in a net issuance of \$5,306,000. Borrowing for projects included: \$4,400,000 for Yentile Farm Recreational Facility with a

thirteen year term; \$650,000 for a Fire Pumper with a ten year term; \$714,000 for two water main improvement projects with a fifteen year term, which will be paid from the water fund. The true interest cost came out to 2.522919% for the issue.

Ms. Manganelli asked why the repayment term for the water main improvements was for fifteen years, while the fire pumper repayment term was for ten years. Mr. Morris stated that though borrowing for water projects can be for thirty-year terms, it is not a good idea as more water debt is likely to occur in the next few years and it is advisable to pay off loans before incurring more debt. Mr. Hull stated that for the Ballardvale Street water main improvement project, \$611,000 came from a 0% interest, ten-year loan from the Massachusetts Water Resources Authority (MWRA). The Town borrowed the remaining \$439,000 balance for the project. The Middlesex Avenue water main improvement was \$275,000. Mr. Morris noted that these borrowing figures were not included in the most recent budget book as the debt tables were not yet available, but they will be included in the debt tables of next year's budget book.

Mr. Nally asked if the ten-year term for the fire pumper would match the life expectancy of the truck. Mr. Morris stated that the trucks typically last fifteen years before they start having problems.

OVERVIEW OF FY 2020 BUDGET EXPECTATIONS

PRESENT IN INTEREST: Jeffrey M. Hull, Town Manager; Denise Y. Casey, Assistant Town Manager; Michael Morris, Town Accountant.

Town Manager Hull asked the Committee for feedback regarding the FY 2019 budget presentations, and how presentations might be adjusted during the FY 2020 budget process. Ms. Manganelli stated that the consensus was the Committee appreciated the effort put into the PowerPoint presentations, but the strength of the budget meeting is having the opportunity to interact directly with Department Heads. PowerPoints can be helpful, especially for the kick-off meeting where a lot of budgetary information is presented, but there was a lot of extra content that lengthened the meetings, and having the screen was a distraction that diminished the opportunity for direct interactions.

Mr. Couture stated that, as a new member of the Committee this year, he found all the information helpful, but would not need to see it again. Mr. Stokes stated that he appreciated some of the extra context, as it helped him to understand the numbers. Ms. Kincaid agreed that it provided more detail in certain areas, provided detail into numbers that are not normally presented, and stated that she learned more about some departments' strengths and challenges (e.g. staffing).

Mr. Hull asked if it would be helpful to present statistical information over the past five years that shows levels of service. Ms. Manganelli stated that some measures are more meaningful for some departments, but not for others, for example, the number of people who enrolled in Recreation programs, as opposed to the number of phone calls that were received. Mr. Doherty asked if the Committee could get information, such as how many seniors there are in Town, how many are not utilizing the senior center, and why. Ms. Manganelli noted that Terri Marciello, Director of Elderly Services, saw a 24% increase in attendance at the center since last year, and that the center was already encountering space issues to accommodate all the people and activities.

Mr. Stokes asked about contract negotiations, and whether the Finance Committee is involved in the process. Mr. Hull stated that the School Department handles its own contracts, and the Town is involved in negotiations with three unions whose contracts expired at the end of FY 2018: IAFF (Firefighters), AFSCME I (Public Buildings staff), and AFSCME II (DPW, Library, and Clerical staff). Ms. Manganelli noted that during budget meetings, the School Committee explained that health insurance is a factor which needs to be considered in total employee cost, and Wilmington's health insurance is significantly better than other communities. She stated that this needs to be reinforced when negotiating and hiring, and asked how that information is communicated. Ms. Casey stated that the collective bargaining process is confidential until complete, however, she and Mr. Hull did see the School's analysis. She noted that the School Department used the most recent contract negotiations to initiate that discussion and educate the employees that the total value and compensation of the employee includes health care.

Ms. Gallezzo asked if the new School Superintendent, Dr. Glenn Brand, plans to meet with the Committee. Ms. Manganelli noted that she received an email requesting a possible meeting over the summer. It was unclear if the request was to meet with just the Chair, or the whole Committee, and it may be difficult to meet over the summer due to scheduled vacations. Mr. Hull asked if the Committee would still like to schedule a meeting with Town and School Information Technology (IT) departments to discuss the possibility of consolidating resources. The Committee agreed that Dr. Brand may wish to be present during the IT discussion, but that may need to be a separate meeting dedicated solely to IT infrastructure. The new Fire Chief, Joseph McMahon, also indicated that he would like to have a dedicated meeting with the Finance Committee in the fall to discuss the status and needs of the department. Ms. Casey stated that she will work with the School Department to find out Dr. Brand's wishes and availability.

Ms. Gallezzo asked if it would be possible for the Committee to see the balances of all accounts. Mr. Morris confirmed he would make that information available to the Committee.

Mr. Doherty asked about the status of monthly reports. Mr. Hull stated that there was discussion of reformatting them, as the way they are currently submitted does not seem to be helpful. Ms. Manganelli noted that a quarterly report was suggested, as monthly reports may put a burden on department heads to compile them. The reports were interesting when they were first issued, but they do not offer much meaningful information. Past statistical trends are not as important as current issues. She requested that the reports address topics discussed in budget meetings, such as overtime with Fire Department, how much and why.

Mr. Doherty inquired about the status of Ristuccia Arena. Mr. Hull stated that the litigation is concluding. Bernard Ristuccia, the current owner, and Rotondo Enterprises, the current lessee of the arena, agreed on a five year extension of the lease. The Town had intervened to try to acquire the rink, however, Mr. Rotondo took legal action, as he believed he had the right of first refusal to purchase the property. Though litigation is ongoing, Wilmington Youth Hockey will not lose ice time. Ms. Kincaid noted that Wilmington High School hockey plays in Stoneham and parents are not happy about the situation. Ms. Gallezzo asked if the Town could put pressure on the management of the arena to get Wilmington High Hockey more ice time. Mr. Hull stated that he would have a conversation with Tim Alberts, Athletic Director for Wilmington Public Schools, with regards to ice time. He also mentioned

there is concern in purchasing the rink that was built in 1984, making it 34 years old, and there have been very few improvements made to its infrastructure.

Mr. Doherty inquired about the status of Sciarappa Farm. Mr. Hull stated that he was unaware of any further discussions between the Sciarappa family and Michael Welch, the contractor with whom the family had been working to develop the property prior to this year's Town Meeting. He has attempted to contact Bill Crowley, counsel for the Sciarappa family, since Town Meeting to inquire if they are still interested in working with the Town. He recalled a conversation with Mr. Crowley prior to Town Meeting where he expressed frustration with some of the conversations relative to the property at Board of Selectmen meetings. Mr. Crowley asked for discussions to be stopped until after Town Meeting. Mr. Hull noted that the family was exercising a right to which they were entitled.

Mr. Doherty asked about the Tax Increment Financing (TIF) Policy. Ms. Casey noted that the TIF Task Force is currently working on the TIF Policy.

Mr. Stokes inquired about the status of Textron and noted that the conditions of the field and tennis courts appear to be deteriorating. Mr. Hull stated that he has been trying to reach out to the latest individual serving as General Manager for the site to find out what is happening with staffing, and whether they have plans for the tennis courts.

Mr. Nally asked about the status of Analog Devices and their recent Tax Increment Finance agreement. Mr. Hull stated that the Economic Assistance Coordinating Council (EACC), the state agency responsible for overseeing TIFs, voted last week to approve the TIF agreement between Analog Devices and Wilmington. An invitation to the groundbreaking ceremony on July 11, 2018 will be sent out shortly.

Mr. Doherty asked whether the water main replacement project on Ballardvale Street was complete. Mr. Hull said he believed it was, but would confirm with Michael Woods, DPW Director.

APPROVAL OF MINUTES

The Finance Committee reviewed the Minutes from April 25, 2018. A motion was made by Mr. Doherty, seconded by Ms. Gallezzo, and by the affirmative vote of all, with Mr. Couture, Mr. Stokes, and Mr. Shah abstaining, it was:

VOTED: To approve the minutes from April 25, 2018.

NEW BUSINESS

Ms. Manganelli stated there is no new business.

OLD BUSINESS

Ms. Manganelli stated there is no old business.

REORGANIZATION

Ms. Manganelli stated that she had the honor of being Chair of the Committee for three years, but would like to assume a less prominent role. She thanked the Committee members for their support and encouragement during her time as Chair, and nominated Mr. Doherty to assume the role as Chairman citing his twenty-nine years of experience on the Committee, and past experience serving as Chairman. Mr. Nally seconded the nomination, and by the affirmative vote of all, it was

VOTED: That John F. Doherty, III serve as the Chairman of the Finance Committee.

Mr. Doherty nominated Theresa Manganelli for Vice Chairman. Mr. Nally stated that he had no objection and supported the nomination. Mr. Couture seconded the nomination, and by the affirmative vote of all, it was

VOTED: That Theresa Manganelli serve as the Vice Chairman of the Finance Committee.

Ms. Manganelli nominated Bernard Nally for Secretary. Mr. Nally thanked her for the nomination, but declined. Following discussion of the role and its responsibilities to include ensuring that minutes are completed and presented in a timely manner and voted on, and approved minutes have been uploaded to the website. Ms. Manganelli nominated Neal Couture for Secretary. Ms. Gallezzo seconded the nomination, and by the affirmative vote of all, it was

VOTED: That Neal Couture serve as the Secretary of the Finance Committee.

At the conclusion of the discussion, and there being no further business to come before the Committee, a motion was made by Mr. Doherty, seconded by Ms. Gallezzo, and by the affirmative vote of all, it was

VOTED: That the Finance Committee adjourn.

Meeting adjourned at 8:43 pm.

Respectfully submitted,

Recording Secretary