

## **FINANCE COMMITTEE**

### **MEETING, May 8, 2019**

A scheduled meeting convened at 7:00 p.m. in Room 5.

Members of the Committee in attendance: Mr. Creighton, Mr. Pratt, Mr. Oldeman, Ms. Mellish and Mr. Even. Mr. Weld and Ms. Harrison were not in attendance.

Town Administrator, Mr. Federspiel, Finance Committee Clerk, Ms. Hunter and Town Accountant, Ms. Mainville were also in attendance.

Mr. Creighton called the Finance Committee meeting to order.

#### **Review of Meeting Minutes – Minutes for April 10, 2019**

*Ms. Mellish moved to approve the minutes of April 10, 2019 with one edit; Mr. Oldeman seconded the motion. The motion passed unanimously.*

#### **Follow Up Powers & Sullivan and Mr. Sherman Presentations –**

Mr. Creighton stated the presentations highlighted somethings he was not aware of related to reserve funds.

Mr. Pratt mentioned funds in the Stabilization Account and the fund's investments which lost money. Ms. Mellish stated she did not understand how the Town lost money in the funds during FY 18 and believes it was due to fees charged by the management company. Mr. Pratt believes the funds should be invested in solid no risk funds.

Mr. Pratt went on to ask the primary purpose of the Stabilization Account. Ms. Mellish stated it was a savings account. Mr. Oldeman pointed out funds in the Stabilization Account required a two-thirds vote at Town Meeting and the amount of funds held in the account is recommended by the state and used by credit agency to establish the Town's credit rating. Ms. Mellish indicated she has been on the Finance Committee since 2011 and the Stabilization Account has not been touched during her tenure. Mr. Creighton agreed he could not recall funds ever being withdrawn from Stabilization.

Mr. Federspiel suggested the Committee review the Town's investment policy and meet with Bartholomew & Company an investment firm specializing in Municipality Investment Services. Ms. Mellish requested quarterly reports from the company. Funds in the Stabilization Account total \$1.7M, according to Ms. Mainville.

The Committee discussed the possibility of moving the Town's funds to a company like Fidelity and establishing a single relationship for all Town business. Ms. Mainville indicated the Town had funds in multiple banks: Century, Unibank and People's United Bank. Mr. Pratt mentioned MMDT as a recommended resource through his contacts in the banking industry.

Mr. Even indicated Unibank had a specialized function mentioning the Town's water bills. Ms. Mellish asked what the float was through Unibank? Mr. Even pointed out the Town's liquid assets were likely \$10M to \$12M and suggested the Committee review the different buckets, define where they were, what the costs and identify the yield on the accounts.

Mr. Creighton was surprised to hear from Mr. Sherman that the Town could be clear of its OPEB obligation in 18 years vs. the anticipated 30 years. Ms. Mellish thought it may be a wise move to review the annual contribution to OPEB more carefully and consider putting in more and be fully funded in 8 years. Ms. Mellish also stated it was possible to put in entire Health Insurance amount to pay premiums into OPEB Trust.

Mr. Creighton mentioned the glowing recommendation from the Auditors about the CAFR award and Ms. Mainville's contribution to the Town. Mr. Creighton asked what percentage of Towns had achieved the CAFR rating and if any of the Towns used as benchmark communities were CAFR Towns. Ms. Mainville will follow up.

### **Budgeting -- Receipts, Revenues and Reserves**

Ms. Mellish indicated she would like to talk about receipts and revenue and assumptions for the FY 21 Budget. She believes growth numbers for previous year should be available prior to the budget cycle. She specifically mentioned property assessments which are completed by the end of July. She also thought open permits remained on the books for an extended period of time once projects were completed and does not think the Town is as tight as it could be in this area.

Local receipts also include excise taxes, permit fees, licenses, ambulance fees and beach stickers. The total is traditionally underestimated in the budget process. Mr. Pratt suggested using the previous year's local receipt figure for budget estimating purposes. Mr. Oldeman stated the Committee has discussed underestimating receipts in the past and concluded it made sense to be conservative to a point, the Town does not want to be caught with insufficient funds.

Mr. Federspiel stated the real question is dollars for tax relief or capital projects in the future. Ms. Mellish strongly supports tax relief. Mr. Oldeman stated the Committee could do a better job communicating information regarding funding of capital projects. Ms. Mellish pointed out the Town has a limited capacity for capital projects. Mr. Federspiel stated there are capital

projects outside of construction and mentioned Senior Center, Sea Walls and in the future a new Town Hall.

Ms. Mellish would like for taxpayers to be given the option and believes current budgeting provides an unrealistic picture and the Town is stock piling money and taxpayers do not have a realistic picture. Mr. Oldeman stated we've not been as careful as we could have been with planning and conveying information to the Town, mentioning articles that appear in the *Cricket* stating taxes have doubled.

Mr. Federspiel asked the Committee how you transition? While capturing dollars for what is anticipated. Ms. Mellish stated we have a capital plan additional items can be added to the plan, keep 10% in reserves if the Town hits 8% - 9% rebuild reserves. Effort to be more realistic in the revenue budgeting for receipts.

Mr. Federspiel is concerned if we tighten the budget the Town will start yo-yoing on taxes and recognizes that is a policy decision. Ms. Mellish suggested any big project can be handled as an override. Mr. Oldeman indicated the Board of Selectmen had expressed concern about funding for the Memorial School and would like to use reserve fund to soften the blow.

Mr. Creighton stated budgeting is a timing issue, budgets are constructed in six months and come into play 18 months later. Mr. Creighton went onto summarized local receipts and the Committee concluded the variability in local receipts maybe 10% year to year. Mr. Federspiel indicated local receipts track to the economy.

Current projected use of reserve funds:

- Water repairs this year \$1M
- Water repairs completed next year \$1M
- Senior Center \$1M
- Tax relief for Memorial School \$300 - \$400
- Capital Exclusions \$300K - \$400K

Mr. Creighton indicated the Committee was framing up ideas. While receipts are not increasing, target for reserves is 10%, the Town is currently at 16%. To reach 10% will be a 3 to 4-year effort, although if all projects above are approved and funded it could be 1 to 2-year process.

#### **Review – Carry Overs Funding and Projects from Prior Year**

Ms. Mainville reported on carry overs and stated carry overs are reviewed with Department Heads. The carry over for Capital Projects is \$2.7M, CPC has a total of \$464K in project funding, remaining bond money is \$4.1M and AFHT has \$136K in funding. The Operating budget has

\$141K for services rendered prior to 6/30 however; invoices are anticipated to be received in July.

Ms. Mellish is interested in funding for Capital Projects which projects have funds left over from previous year and how or when will the Town be spending those funds. She is interested in being assured if the funds are being spent for other projects those projects are being approved. Mr. Federspiel suggested a tracking report for Capital Projects. Ms. Mellish agreed.

**Reserve Fund Transfers –**

*Mr. Oldeman moved to approve a reserve fund transfer of \$6K to unemployment insurance and a reserve fund transfer of \$6K to workers compensation; Ms. Mellish seconded the motion. The motion passed unanimously.*

*Mr. Pratt moved to approve \$718.00 from principal to interest; Ms. Mellish seconded the motion. The motion passes unanimously.*

**Other business that comes before the Finance Committee, discussion only.** There was no additional business before the Committee.

**Adjourn:** *Ms. Mellish moved to adjourn the meeting, Mr. Even seconded the motion. The motion passed unanimously.*

**Meetings Scheduled for Finance Committee:**

June 24, 2019

**Meeting Materials:**

- Minutes for April 10, 2019
- Reserve Fund Transfer Requests