

MEDWAY BOARD OF SELECTMEN
155 VILLAGE STREET • MEDWAY, MASSACHUSETTS 02053
(508) 533-3264 • FAX: (508) 533-3281

*Glenn Trindade, Chairman
Dennis Crowley, Vice Chairman
Richard D'Innocenzo, Clerk
John Foresto, Member
Mary Jane White, Member*

Board of Selectmen's Meeting Minutes

May 13, 2014, 7:00 AM

Sanford Hall

Town Hall, 155 Village Street

Present: Chairman Glenn Trindade (7:37AM); Selectmen Dennis Crowley, John Foresto and Maryjane White; and Town Administrator Suzanne Kennedy.

Also in Attendance: Collector/Treasurer Melanie Phillips.

At 7:20 AM, Vice-Chairman Crowley called the meeting to order and led in the Pledge of Allegiance.

Public Comments: None

Presentation – ICMA Performance Indicators – Melanie Phillips, Finance Director:

Ms. Kennedy introduced the presentation by stating that work on it was initially undertaken two years ago as a project for an intern to complete. It is an ICMA template of financial indicators.

Ms. Phillips said that the template uses data that is also used by ratings agencies. She noted that because Massachusetts has Proposition 2 ½ in place, some of the data is not as relevant, but still worth looking at.

Slide 1 – Sources of Revenue – FY14 (as budgeted)

There was discussion about how much levy capacity was available. Ms. Phillips stated that there is approximately \$300,000 and this can be fully picked up in any year. Ms. Kennedy stated that the excess capacity will be around \$500,000 in fiscal year 2015. Mr. Crowley said he would like to phase in use of the excess capacity.

Mr. Foresto suggested gaining additional revenue through the local surcharge on the meals tax. Ms. Phillips recommended some of that revenue source be allocated to the Town's OPEB liability.

Slide 2 – Current Expenditures – FY14

Slide 3 – Property Tax Revenue

Ms. Phillips again stated the limited validity of this due data to Prop 2 ½. She also stated that her reference source for this information was the Dept. of Revenue website. She wanted to get all of the information from the same source for consistency.

Mr. Foresto asked about the inflation factor. Ms. Phillips replied it is based on Consumer Price Index.

Slide 4 – Uncollected Property Taxes – 2006-2013

Ms. Phillips noted that the uncollected taxes in 2006 were due in large part to the lateness of the tax billing. For that reason, she did not include this in the trend analysis and stated that the trend was favorable. She also noted that there still would have been a deficit in 2006 even if the tax bills were mailed on time.

Slide 5 – State Aid in Constant Dollars

Ms. Phillips noted the Town is losing ground in constant dollars. Mr. Foresto would like the impact of state mandated expenditures reflected in the local budget, at least those with the largest costs.

Slide 6 – State Aid as a Percentage of Operating Revenue

This is a relatively constant percentage. The trend is favorable. Mr. Foresto asked if this was looked at more globally, for instance as compared to GNP. Ms. Phillips responded that the debt exclusions impact the property taxes, which skews this a bit.

Mr. Trindade arrived at 7:37 AM.

Mr. Crowley noticed that the state aid was about the same in 2009 as it was in 2013. Ms. Kennedy responded that the state is keeping dollars to fund increases in Medicaid and other similar state programs. Mr. Crowley stated he would like to get educate the public about the flat state aid numbers.

Slide 7 – Revenues Related to Economic Growth

Ms. Phillips stated this is declining and it is an unfavorable trend.

Slide 8 – Revenue per Capita – 2003-2013

Ms. Phillips noted that 80% of debt in Medway was debt excluded when she first came to Medway; it is now 64%. Declining revenue is an issue. Ms. Kennedy stated flat state aid is also an issue.

Mr. Foresto asked about the large increases in tax per capita. Ms. Phillips commented that the debt exclusions would impact it and removing these would normalize the per capita numbers.

Slide 9 – Revenue per Capita – Constant Dollars

Decreasing revenues per capita is a warning. The trend is favorable/marginal.

Slide 10 – Operating Expenditures per Capita

In constant dollars, this has been steady since 2005. The trend is favorable. The Town is offering the same services for constant dollars.

Slide 11 – Expenditure Growth by Category – Actual

The trend is favorable. The expenditures are constant from 2006 to 2012.

Slide 11B – Relative Growth by Expenditures
Education is the largest increase. The trend is favorable.

Slide 12 – Expenditure Growth by Category – Constant Dollars
The biggest increase is in debt service and fixed costs. Ms. Phillips reviewed the projects contributing to the debt service. She stated the second biggest increase is in education. Ms. Kennedy pointed out that the Town is still within the recommended range of debt. Ms. Phillips said expenses have been held in check and the largest expenditures are going to education and capital investment.

Slide 13 – Debt Service
The charts show debt service as percentage of general fund revenue and per capita/per household. Ms. Phillips noted there is a small period in which the Town exceeds ten percent, but otherwise the Town is under and on track. The trend is favorable.

Mr. Foresto asked where bonding agencies get their data. Ms. Phillips responded that the municipality provides the data, which if followed up with a phone conversation to answer any additional questions.

Ms. Kennedy said this can be an annual report to the Board.

Slide 14 – Long-term Debt
This slide shows the debt as a percentage of assessed valuation or per capita. The trend is favorable.

Slide 14A – Long-term Debt – Excluded Debt as a Percentage of Tax Levy

Slide 15 – Revenue Per Capita – Actual v Constant Dollars
Ms. Phillips noted this is similar to other slides already presented. The trend is favorable/marginal. She stated that even without Prop 2 ½, the Town is conservative. She noted state aid is flat and there is a lack of new growth in local receipts.

Slide 16 – Reserves and Fund Balance
Ms. Phillips stated 2004-2006 was a challenge and this period was discounted for this trend analysis. The trend is very favorable. There are strong free cash reserves, which is important to the rating agencies.

Ms. Kennedy asked if Ms. Phillips would share this with the rating agencies and Ms. Phillips responded that she would not due to the trend in growth revenues. She stated that the positive financial situation for the Town is a direct result from the 2007 fiscal policies adopted by the Selectmen.

Mr. Foresto asked if the Board should make it a policy to increase the reserves on an annual basis. Ms. Kennedy replied that some money should be put aside each year. She

recommended not using all of the free cash each year, even for capital projects. Some should be saved. Ms. Phillips reminded the Board of the OPEB liability. Ms. Kennedy said the meal tax could support this. A policy that directs a percentage of a specific revenue source to fund the liability should be established. That should satisfy the rating agencies as long as a minimum of \$75,000 to \$100,000 is set aside annually.

Mr. Trindade thought that the various funds should be renamed to better indicate their purpose and to clearly identify the stabilization fund as not to be touched.

Answering a question about enterprise fund debt, Ms. Phillips stated that the rating agencies assume these funds to be self-supporting and do not consider the debt. That is not the case for Community Preservation Act funds due to the fact the state reimburses the Town a portion and the percentages are variable.

Mr. Crowley asked where the state gets the funds it distributes to the CPA communities. Ms. Kennedy speculated it is through the deeds excise. The Board asked for that to be confirmed.

There was a brief break in the presentation to discuss the Special and Annual Town Meetings on May 12.

Slide 17 – Rates by Purpose

This slide was a tax, water and sewer rate analysis for 2014. This is not part of the ICMA template. Ms. Phillips developed it to show how the money is allocated. It would be an informative slide for the State of the Town.

Mr. Foresto asked to see this data for a five-year period.

Slide 18 – 2014 Tax Rate

This showed the allocation of the tax rate by budget appropriation.

Slide 19 – Debt Service for Debt Exclusions

This slide showed that of the \$1.09 of the tax rate dedicated to this debt service, \$0.99 was for school projects. The other categories were library and sewer projects.

Slide 20 – 2014 Water Rate (\$5.61) Cost Analysis

Debt service for water mains is the largest portion of the associated costs for water. Mr. Crowley asked for a five-year analysis.

Slide 21 – 2014 Sewer Rate (\$3.53) Cost Analysis

The Charles River Pollution Control District receives 43.9% of the rate, and this cost will be rising.

Mr. Trindade asked that this presentation be given to the Finance Committee.

Mr. Foresto asked what the process for implementing the local option meals tax is. Ms. Phillips responded that it would require a vote of town meeting. Mr. Foresto asked if there is any data on anticipated revenues. Ms. Phillips stated that when the local option was first introduced estimates were provided. She recalled it being approximately \$150,000. Mr. Foresto asked who is more impacted by it, the residents or those from out of town. There was a discussion about how it is collected and distributed. Mr. Crowley asked for information about towns that have implemented it.

Ms. Phillips concluded by summarizing that new growth revenues are the biggest concern. Mr. Crowley added that the Town cannot rely on standard new growth to build up the tax base. Ms. Phillips remarked that the Town will ultimately be facing cuts without substantial new growth. The Board asked for a projection of how soon this situation will become critical assuming the town maintains level services.

Mr. Foresto stated that this should be communicated to Town Meeting. Mr. Trindade agreed that now is the time to begin educating the community about the situation.

The Board returned to its discussion about Town Meeting. It felt that communication on major projects was done well. They were concerned that some were unaware of the Registered Marijuana Dispensary zoning. There was discussion about how to reach more of the Town. Ideas included social media and newsletters inserted with trash or water bills.

Ms. Kennedy recommended the Board consider creating an enterprise account for the new turf athletic fields. She said Ashland had special legislation enacted to allow for this.

Mr. Crowley thought there should be more work done to explain the warrant articles for Town Meeting attendees.

At 8:35 AM, Mr. Foresto moved to adjourn, seconded by Ms. White, and it was unanimously voted (3-0-0; Mr. Trindade departed prior to the vote).