

Minutes of Finance Committee-Final

DATE: January 16, 2008

LOCATION: Medway High School: Library
155 Summer Street
Medway, MA 02053

PRESENT: Frank Faist, Joy Smith Dahl, Phil Giangarra, Phyllis Cerel, Ned Myers, Robert Kenney, Paul Marble, Eric Arbeene, Jan Fish

ABSENT: Mark Brown, Larry Ellsworth

GUESTS: Suzanne Kennedy, Dennis Crowley, Melanie Phillips, Barbara Durand, John Forresto, Dawn Rice Norton

PURPOSE: Regularly scheduled monthly Finance Committee meeting, review proposed Free cash data

Robert Kenney called the Finance Committee (Fin Com) meeting to order at 7:05pm.

Review on November 29, 2007 meeting minutes submitted by past secretary Liz Langley. Corrections/changes were read.

Robert called for a motion to accept 11/29/07 minutes. Frank made a motion to approve the 11/29/07 minutes, which were seconded and approved, all in favor.

- Robert read the outgoing secretary's letter of resignation. A request to approve and pay outstanding time sheets for Liz Langley 74.94 hours totaling \$632.26.

Robert called for a motion to accept Liz Langley's time sheet and pay. Joy made a motion to approve Liz Langley's time sheets for 74.94 hours totaling \$632.26. Second by Phyllis, all in favor.

- Time sheets for incoming secretary (Wendy Harrington) were tabled to the next regular meeting of the Fin Com. Hourly rate for Wendy Harrington was unknown at time of the meeting.
- Introduction of new Fin Com members: Eric Arbeene, Mark Brown, Paul Marble and Jan Fish
- \$5,623.09 Emergency Transfer Request (ETR) for police and fire outside details.
 - Barbara Durand explained that this has been outstanding on the audit statement for a few years. There are no invoices and is a remaining balance in the general ledger balance and need the ETR to balance the files.
 - Police have already been paid, this could be 10 years old
 - Question as to why ETR now? Was not known at the last town meeting, as books were not closed, this is an unforeseen expenditure. It will show on the audit report again if not paid before the end of the year.
 - Question as to why it can't wait? Town accountant not sure what money will be available at the end of the year and would like to take care of it now. Suggestion was made to hold off and leave on the Audit report. The Town accountant explained she would like to put on the books out of the Fin Com reserve.

- Question as to the impact of having this item on the Audit report again. It was explained that if it remains the bonding agency will see it as a recurring item and auditors will see it as a "ding" in our performance.
- It was stated that there is a balance of \$98,000 in Fin Com Reserve.
- Suzanne Kennedy advised that she may have an alternative and it was decided to hold discussion until Suzanne has alternatives to discuss.

Robert called for a motion to table. Joy made a motion to table the ETR to the next Fin Com meeting. Second by Ned. All in favor

Status on revenues, year to date:

- 48.26% of collections, should be 50%-slightly better in revenues this year than last.
 - Suzanne and Barbara think this is good news
 - Prediction still on track

Review of 2008 Fin Com Meeting Schedule

- March 12-May 5 there will be multiple Fin Com meetings
- Discussion was had with Dennis Crowley (BOS) regarding the budget process. It was decided that BOS/Fin Com should pick a Saturday date/s to spend 4-8 hours meeting with department heads and Suzanne to discuss their budget requests.
- BOS gets budget to Fin Com 3/10/08. Dennis suggested as Saturday after 3/10/08

Review of Proposed/Draft FY 2008 Budget and Town Meeting Warrant Calendar

- Suzanne will review dates and follow-up

Discussion on new member information and a disk that is available. A glossary of terms is on the disk that would be helpful to new members. This will be made available ASAP to new Fin Com members. A paper copy of the Finance Committee Handbook was handed out and reviewed (see attached).

Fin Com Web-site: Joy and Wendy will work on being trained on the operation of the web-site and a memo on what should be included was distributed to Fin Com for comments. Changes and suggestions noted on the attached memorandum. Hope to update the web-site by 2/15/08.

Free Cash Discussion: What to do with "Free Cash" as it pertains to current operations.

- A letter was handed out by Dennis Crowley (BOS) from Andy Espinosa with his opinion on the "Free Cash". His letter dated 1/14/08 is attached. Dennis explained a 3-2 vote at the 1/15/08 BOS meeting decided to put "Free Cash" on the Special Town Meeting warrant
- Attached are:
 - Free Cash FY08 document created by Barbara Durand which explains where the Free Cash came from.
 - Letter from DOR 1/8/08 certification of "free cash" amount
 - Analysis from Melanie a calculation of potential borrowing capacity
 - Town of Medway FY08 Budget vs Actual Revenues info as of 12/31/07

There were numerous discussions had throughout the meeting regarding the "free cash". Below is a list of statements that were derived from the discussions.

- Lump sum payment to stabilization is what DOR suggests rather than paying year after year out of operating cash.
- Don't want to use to put in operating, pay where we have holes frees up operating budget.
- Question to Dennis Crowley: Can we pay off bond with that money? No answer from DOR to date.
- Pay off stabilization to required maximum and earlier than we have to.
- Stabilization goal is \$2 Million, which is 5-10% of annual budget. Deficit financing looming for the next 8 years. By getting to 5% it will help with bond rating next time.
- Re: \$525,000 DOR recommends not spending "free cash" down to \$0.00, they suggest keep a balance of \$200,000-\$250,000.
- DOR and Moody suggests don't use "free cash" to operate.
- If creative enough we can start a reserve and free up operating money for 2009.
- One time contribution to Stabilization and Fiscal Stability could free up cash for '09.
- Question was asked if the Governor's number would change if they see we have "free cash". Suzanne explained there is no relation between our financial position and the amount of money we get. Barbara explained that if there were a substantial amount of money in "free cash" the bonding wouldn't look good.
- Having no money or not enough money in stabilization is dangerous.
- Suzanne explained that Snow and Ice budget are over this year. She suggests considering to prepay Deficit Financing bond payment for FY09. Suzanne also suggested considering putting money into Fin Com reserve we would have the flexibility to apply the balance to other places or storm reserve fund.
- If payoff we are still not out from under the state's watch.

All Fin Com members agreed that not using the "free cash" for operating is a good thing.

Melanie Phillips discussed Debt Service Analysis on the extra \$525,000. (See attached) Melanie believes that an increase in our reserve funds will positively help increase our bond rating.

Dennis Crowley explained that the Board of Selectmen has not discussed the \$525,000 and what should be done with it. It was explained that it is OK to keep the \$525,000 in "free cash". Any use of the "free cash" would need to be voted on at Town Meeting

Suzanne explained for any money to be put into or removed from a Stabilization fund would require a 2/3 Town Meeting vote.

A discussion was had regarding the broken sidewalk plow:

Sidewalk plow facts: Presented by Dennis Crowley (BOS) facts to look at

- Snow this week, sidewalks didn't get plowed
- Unit is out being repaired
- Possible cost to repair \$5,000-\$8,000
- May not be repaired until April, IF it can be repaired
- No option to borrow a unit, last time we broke the one we borrowed
- No machines available to purchase until April or May
- Cost for new one \$88,000 plus 3 attachments (blower, plow and sander) totaling \$125,000
- If can't be repaired and no new machine available, no decision. If a new one is available there needs to be a discussion and/or put up for the town to vote on.

Sidewalk plow added facts: Presented by Suzanne Kennedy:

- Can't find one to lease or purchase, none in inventory

- We are not required by state law to shovel sidewalks, tradition expects it
- Snow and ice policy was published as a result of public concern

Summary of options on "free cash" discussed: Reiterated by Robert Kenney

1. Pay off deficit financing-one time, agreed not to use for operating
2. Fiscal '09 Capital Projects
3. Replenishment of reserves; Stabilization \$923,000, Fiscal stability \$417,000
4. \$525,000 balance BOS/Fin Com needs a joint discussion. Possibly recommend \$250,000 stay in "free cash", \$150,000 Fin Com reserve, \$100,000 balance what to do with it?

Motion by Joy to support Option 3 Fund The Stabilization Fund \$923,000
Fiscal Stability Reserve \$417,000
\$525,000 to be determined at a later date

Second by Phyllis, all in favor.

- Dennis mentioned that the Fire Dept. is almost over budget. Town Administrator and Chief recently had a meeting to discuss. The Chief is working on budget changes to bring into line. The Fire Chief did get his new car, he had a budget of \$10,000, Dennis was not sure how much he spent on the vehicle.
- Dennis suggested a joint Fin Com/BOS meeting to discuss what to do with the \$525,000 "free cash". Meeting to be 1/22/08 or 1/23/08. BOS will set up and will contact Fin Com with details.

Motion to adjourn by Robert, second by Phyllis, approved by all present 9:20pm.

Respectfully submitted,

Wendy Harrington
Finance Committee Secretary