

Tri-Board Meeting

June 4, 2019 7:30 PM EST
Veterans Memorial Building, Room #130
900 Main Street
Millis, MA 02054

In Attendance:

Finance Committee

Jodie Garzon, Chairman
Peter Berube, Vice Chairman
Doug Riley, Clerk
Joyce Boiardi
Jim Bullion

Board of Selectmen

James McCaffrey, Vice Chairman
Peter Jurmain, Clerk

School Committee

Marc Conroy, Chairman
Robyn Briggs, Secretary
Steven Catalano

Invited Guest:

Michael Guzinski, Town Administrator (at 8:00 PM)
Carol Johnston, Finance Director
Nancy Gustafson, School Superintendent
Terry Wiggins, School Business Manager
Cinder McNerney, Managing Director Hilltop Securities, Inc.
Lisa Driscoll, Hilltop Securities, Inc.

Jim McCaffrey called the Board of Selectmen Meeting to order at 7:39 PM.

Jodie Garzon called the Finance Committee Meeting to order at 7:39 PM.

Marc Conroy called the School Committee Meeting to order at 7:39 PM.

Opening Remarks:

Jim McCaffrey noted that this is the third Tri-Board Meeting of the three-policy making board and committees in 2019. He thanked the Millis Community Cable staff for recording the meeting to be aired at a later date. He noted that these meetings are mutually beneficial to the board and committees in preparation for Town Meetings. The meeting's guest speaker is Cinder McNerney, the town's Financial Advisor.

Financial Presentation:

Cinder McNerney, Managing Director of Hilltop Securities, Inc. introduced herself and her assistant Lisa Driscoll. Hilltop Securities, Inc. serves most municipalities in the commonwealth and assists town's in structuring debt to improve their credit rating. An official statement for a \$887,545.00 General Obligation Bond Anticipation Note (BAN) was presented for the group's review. The lengthy statement demonstrated what financial information is used to determine the bond rating. The BAN presented is for the second phase of the Dover Road Water Main Project.

Rating agencies evaluate the last five years of financial trends, future challenges and retirement and OPEB obligations. Millis has a very good rating and is trending toward an Aa2 rating.

A Credit Comparison with similar communities was provided. Four of the twelve communities had a split rating (Moody's/S & P). If the town had a split rating, bonds would be priced to the lower rate. Historically the town has been rated by Moody's only. Millis' General Obligation Bonded Debt outstanding is \$44,045,000.00. The Bonded Per Capita is \$5,420.00 and 53% of the principal will be retired within ten years

Cinder McNerney provided a Moody's Credit Opinion for the Town of Millis. In summary, Millis' rating Aa3 reflects a conservatively managed financial position, stable tax base with above average wealth levels and increasing but manageable debt burden and pension liability. Credit strengths include: strong socio-economic metrics, very solid financial metrics, substantial portion

of debt is exempt from Prop 2 ½ and experienced management team. The credit challenges include: moderately high debt burden, elevated pension expense and limited operating flexibility under Prop 2 ½. Factors that could lead to a rating upgrade include: increased fund balance and improved financial metrics, substantial increase in property value and reduced debt burden. Factors that could lead to a downgrade include: weakening of local economy or deterioration of the tax base, trend of operating deficits resulting in a material decline in reserves of liquidity and an increase in debt burden beyond current expectations.

Before switching from Moody's to Standard and Poors' (S & P), the Board of Selectmen would need to establish a debt policy and other fiscal policies to meet their requirements. In doing so, the town must also adhere to such policies.

The town is rated and pays for the rating every time it enters into debt. On average, the cost for the rating is \$20,000.00 for a \$10 million bond.

S & P's top ten management characteristics are:

1. Focus on structural balance
2. Strong liquidity management
3. Regular economic and revenue updates to identify shortfalls early
4. An established rainy day/budget stabilization reserve
5. Prioritized spending plans and established contingency plans for operating budgets
6. Strong long-term and contingent liability management
7. A multi-year financial plan in place that considers the affordability of actions or plans before they are part of the annual budget
8. A formal debt management policy in place to evaluate future debt profile
9. A capital planning process
10. A well-defined and coordinated economic development strategy

The group acknowledged the town should take steps to institute policies to get a better bond rating which in turn means lower interest rates in the future.

Municipal debt can be structured in different ways. Millis has made investments in town with a new Library, Police and Fire stations and the Clyde Brown Elementary School.

Moody's Rating Methodology is based on 30% Economy/Tax Base, 30% Finances, 20% Management and 20% Debt/Pensions.

The Economy percentage is based on Local, Regional, National and Global Economies, Tax Base, Employment, Demographics and Home Values. The Management percentage is based on Managers' Qualifications and Experience, Procedures and Policies: Budgeting, Forecasting, Capital Planning and Reserve, Debt and Investment Policies. The Finances percentage is based on the amount and type of reserves such as Stabilization Fund and Unassigned General Fund Balances and Structural Balance – recurring revenues and expenditures. Debt and Long-Term Obligations are considered as well.

The town has a Stabilization Fund Policy, General Investment Policy, OPEB (Other Post-Employment Benefits) Policy, Free Cash Policy and Capital Improvements Plan. A Debt Policy should be established to determine the percentage of debt the town carries and how soon the debts are paid off. Cinder McNerney will provide examples of financial policies to Mike Guzinski and Carol Johnston to review. The Board of Selectmen approve all the town's policies.

The town's FY20 Budget Document has a tab with Financial Policies and Revenue Projections. Establishing financial policies with input from the School Department and Finance Committee will have a positive impact on the town's bond rating.

Jim McCaffrey thanked Cinder and Lisa for their attendance and for providing meeting materials.

Consolidation of Finance Function Update:

The Board of Selectmen and School Committee agreed to consolidate the functions of the town's finances under one Finance Director. One of the goals is to segregate out the Human Resources functions from the Finance Department; funding for additional staff to meet this goal is not available. The group recognized the need for Human Resources staff that would benefit both the school and municipal departments. Funding for additional staff should be available in FY21. Cross training of the School Department's Accounts Payable staff has begun. The Municipal Departments A/P staff training will roll out in FY20.

The town was awarded a \$123,020.00 Community Compact Efficiency and Regionalization Grant and is waiting for the contract to be executed by the Department of Revenue. The grant will be used to purchase additional MUNIS software licenses and design a Chart of Accounts in compliance with reporting requirements of the Department of Elementary and Secondary Education and Uniform Municipal Accounting System of the commonwealth. The timing of this endeavor is approximately two months.

Carol Johnston provided documentation demonstrating the current Finance Department's structure and the proposed structure. Specifically, promoting the Assistant Town Accountant to Town Accountant. The Town Accountant's responsibilities will be to oversee the general ledger, payroll, accounts payable, cash receipts and month-end reconciliations. The proposal would eliminate accounts payable input in the Finance Department and redistribute that workload to the school and municipal departments. There is no net savings with the restructure, it would simply shift workload to free up the Assistant Town Accountant to perform higher level functions previously performed by the Finance Director. The town hopes to bargain in good faith with the SEIU (Service Employees International Union) to make this change in staffing/positions.

Developing Financial Forecasts: Review 5-Year Projection in Town Budget Document:

Carol Johnston provided Section 8, Financial Forecast, from the town's FY20 Budget Document. A five-year revenue forecast was included reflecting \$668,536.00 in New Growth for FY20. The Operating Budget was in draft form and had not been updated to reflect the FY20 figures. Collective Bargaining Agreements have been ratified for the Police, Fire, Dispatch, Teachers and School Clerical unions. SEIU and AFSCME (American Federation of State, County and Municipal Employees) are in negotiations. Once agreements have been reached a better projection of staff salaries can be incorporated into the budget projections. The Board of Selectmen are working to establish a policy for revenue and operating cost projections. In order to have a full understating of the forecast, a list of assumptions to the forecast was requested.

The 3% HCA (Host Community Agreement) revenue will be used to pay for the impact on the Police, Fire and School departments. Refining the exact cost will be reviewed with department heads. Obviously, it will fund a full time SRO (School Resource Officer). The 3% Sales Tax will be turned back to Free Cash at the end of the fiscal year. The impact of having marijuana facilities in the town will not be determined until about one year after opening.

Known Public Safety costs to train (2) Highly Trained Drug Enforcement Personnel is approximately \$25,000.00. This cost will be incurred prior to any revenue recognition requiring an infusion of funds to the Police Department budget for FY20. During the training sessions, overtime costs will be incurred to cover the necessary shifts. These funds will be appropriated at the November Town Meeting.

Policies for both HCA and Sales Tax revenues need to be established. The CCC (Cannabis Control Commission) has not issued a license for the cultivating facility.

The group agreed the town should gather information from towns who have already opened marijuana facilities to have an idea of the impact made to the community, establish a timeline to address the needs and project anticipated costs.

Mike Guzinski noted that other than Police Department training there should be no impact on the FY20 Operating Budget pending the opening of the marijuana facilities. The School and

Recreation departments will require additional funding for FY21. The Board of Health will review their needs over the summer to determine what additional funding they may require for FY21. The group was reassured that the town has the resources to deal with the opening of marijuana facilities.

The Department of Revenue (DOR) does not allow marijuana revenues to be included in 5-year revenue forecasts; revenues are unknown.

65/35 Revenue Allocation Review:

The Board of Selectmen would like to form a subcommittee to review/analyze how the town's revenues are split between the municipal departments and schools. The current split is 65% School and 35% municipal departments. That percentage has been in place for several decades and with changing times may need to be adjusted. The Board of Selectmen are hoping to establish a policy for the revenue allocation. The subcommittee will work to make recommendations to the boards and committees to establish a mutual allocation agreement. Marc Conroy will represent the School Committee, Craig Schultze will represent the Finance Committee and Loring Barnes will represent the Board of Selectmen. The Town Administrator, Finance Director, Superintendent and School Business Manager will be included in the subcommittee's meetings. In order to not violate Open Meeting Laws, no more than (1) Board of Selectmen, (2) School Committee members and (4) Finance Committee members can participate in the subcommittee's meetings.

Tri-Board Meeting Schedule:

The board and committees agreed to meet quarterly beginning in September in preparation of the November Fall Town Meeting and the Spring May Town Meeting.

Adjourn:

Jim McCaffrey made a motion to adjourn the Board of Selectmen Meeting at 9:50 PM; Pete Jurmain seconded. Vote 2/0 motion carries unanimously.

Jodie Garzon made a motion to adjourn the Finance Committee Meeting at 9:50 PM; Peter Berube seconded. Vote: 5/0 motion carries unanimously.

Marc Conroy made a motion to adjourn the School Committee Meeting at 9:50 PM; Robyn Briggs seconded. Vote: 3/0 motion carries.

Respectfully submitted,
Deirdre Gilmore