



FINANCIAL PLANNING COMMITTEE

MEETING MINUTES

Thursday, March 27, 2014
Selectmen's Meeting Room
7:00 p.m.

Financial Planning Committee

March 27, 2014
Conference Room B

Present:

Jason Perreault, Chair
Richard Smith, Vice-Chair
Heidi Bourque-Gleason
David DeVry's
Michael Hodge
Roger Leland

Also Present:

John Coderre, Town Administrator
June Hubbard-Ward, Town Finance Director

Meeting convened at 7:00 pm by Chairman Perreault.

Approval of Meeting Minutes

February 20, 2014 joint meeting with Appropriations Committee regarding Water Master Plan - Motion to approve (DeVries) was seconded (Leland) and passed 5-0.

March 20 2014 regular meeting - Motion to approve (DeVries) was seconded (Leland) and passed 4-0-1 with Mr. Hodge abstaining.

Ms. Bourque-Gleason arrived at 7:08.

Agenda item was taken out of order to accommodate Mr. Coderre.

Next Meeting Dates and Committee Meeting Schedule

Mr. Coderre noted that the Committee has placeholders in its meeting schedule for Thursday, April 10 and Thursday, April 17. No meetings are currently scheduled, but he suggested using one of these dates to hold a joint meeting with the Appropriations Committee. The meeting will be held at the Fire Station, and will include a tour of the facility with Fire Chief Durgin, followed by a review of the Pavement Management Plan with DPW Director Dan Nason. Consensus of the Committee is that April 17 is the better of the two dates. Mr. Coderre will coordinate with Appropriations to settle on a date.

Mr. Coderre left the meeting to join the Appropriations Committee meeting in progress in the Selectmen's Meeting Room.

Finance Director June Hubbard-Ward on Debt Policy

Ms. Hubbard-Ward distributed a number of handouts pertaining to the Town's debt position. Highlights:

- Total issued and outstanding long term debt principal as of June 30, 2013 is \$23.0M, significantly below the Town's statutory debt limit of \$133M (5% of Town's \$2.7B equalized valuation).
- Favorable Moody's bond rating of Aa2 (up from Aa3 due to recalibration to a global scale).
- FY15 debt service budget is \$2.05M, a decrease of \$296K attributable largely to the use of Free Cash over the last four years to pay for small capital items, instead of financing them with debt.
- Net and Gross Debt Ratios (debt as percentage of annual budget), at 5.97% and 6.71% for FY14, are well below Debt Policy thresholds of 8-10% and 15% respectively, and are projected to decline further before rising to between 8-9% in FY20, still well within the thresholds. This projection assumes debt financing for renovations of Lincoln Street School, Fire Station, and Peaslee School.
- Analysis showing additional \$500K impact if the FY12-FY15 capital items funded with Free Cash had instead been financed with debt. (5-year term, 4% bond interest, 2% 1-year BAN interest.)
- Status of Debt Authorizations 2000-2013. Of note are the many small capital items funded with debt from 2000-2010 which now are purchased using Free Cash per the Free Cash Policy.

There was some discussion that a very low debt-to-budget ratio can be a warning sign to bond rating agencies that a municipality is not making sufficient investment to preserve and maintain its capital assets. Mr. DeVries suggested that the Debt Policy may need to be revised to add a metric for a lower bond on debt ratio. Mr. Smith and Ms. Hubbard-Ward cautioned that a distinction is needed between debt policy and capital investment policy: our debt ratios are trending lower in part because we are transitioning from debt to cash as the means of financing smaller capital items. To gauge whether our level of capital investment is sufficient, we have to consider both debt-financed and cash-financed items.

The Committee thanked Ms. Hubbard-Ward for the very detailed information she presented which clearly and completely illustrated the Town's debt standing.

Review of Final CIP Report

Following the Committee's review of the draft report at the prior meeting on March 20 2014, Mr. Perreault had revised the report per members' input and emailed for final review. No further comments were submitted. The Committee's report has been incorporated into the Capital Improvement Plan section of the FY15 Town Budget document.

Any other business to come before the Committee

None.

Meeting adjourned at 8:08pm.

Respectfully submitted,

Jason Perreault
Chairman