Town of Wayland
Massachusetts

Finance Committee
Nancy Funkhouser
Thomas Greenaway
David J. Gutschenritter
Cherry C. Karlson
Steve Lesser
Carol Martin
Bill Steinberg (Chair)

Finance Committee
Meeting Minutes, February 11, 2013

Attendance: C. Karlson, B. Steinberg (Chair), D. Gutschenritter, N. Funkhouser and S. Lesser. Nancy Funkhouser arrived at approximately 8:20 PM (during the presentation to the Board of Selectmen). Tom Greenaway and Carol Martin were not in attendance.

I. Call to Order

The meeting was called to order at 7:07 PM in the Senior Center of the Wayland Town building. The Chair announced that the meeting is being recorded.

II. Public Comment

Betty Salzburg asked what the status is of the proposed new facility for the library and the Council on Aging/Senior Center. The Committee responded that the proposal has been postponed to await the results of the facilities study that is in process and to wait for a better economic climate.
Anette Lewis commented that she would like information regarding "carry forwards" to be more available and explained to residents. She also noted that there is a discrepancy between salaries and overtime in the Fiscal Year 2012 budget versus actual for the Facilities Department. The total expenditures appear to be comparable between budget and actual accounts.

III. Discussion and vote on the use of Non-exempt Debt to Fund the DPW Garage

The Finance Committee discussed the impact of and process of using exempt debt to fund the proposed DPW Garage. There was discussion of the difference between using non-exempt debt vs. exempt debt, with the most significant impact being that using non-exempt debt would lead the Town to an override vote on the operating budget sooner (possibly in 2016). We discussed the past impacts of an override vote. We also discussed the fact that historically, large capital projects, in keeping with the Finance Committee Debt Management Policy, have been funded with exempt debt.

A motion was made by David Gutschenritter to fund the DPW Garage and related infrastructure with exempt debt in the amount of $11.4mm in the 2014 budget. The motion was seconded by Steve Lesser. The motion was approved by a vote of 4 – 0.

IV. Meeting Minutes

The minutes from the Finance Committee meeting of January 28, 2013 and February 4, 2013 were submitted for approval. A motion was made and seconded to approve both as amended. Each was approved by a vote of 4-0.

V. Presentation To The Board Of Selectmen Regarding The Finance Committee's Recommendation to Finance the Proposed DPW Garage Using Exempt Debt In The Amount of $11.4mm.

Mr. Steinberg made the presentation to the Board of Selectmen consistent with the vote of the Finance Committee as described above. A memorandum outlining the rationale of that vote, along with supporting facts was presented (attached hereto). Selectmen Collins questioned the rationale for this recommendation given that there are open issues regarding the reconstruction of the road into the facility from Route 20, which requires approvals from the Conservation Commission. Selectmen Leard questioned the rationale for this recommendation given that there is methane in the nearby soils and there could be an explosion. Selectmen Bladon and Correia spoke in favor of the recommendation.

VI. Review of Article Write-Ups for ATM Warrant.

is responsible for the articles pertaining to the proposed River's Edge housing project and questioned whether the Finance Committee should be providing a write-up for both of these articles. Following discussion, it was decided that we should do so, as both pertain to a proposal that would have a material economic impact on the Town.

Members discussed having draft article write-ups prepared for our next meeting and possible vote at that time.

VII. Discussion of Items From the Prior Meeting's Budget Presentation.

There was a brief discussion of several open items and the chair will be communicating with Mr. Turkington in order to finalize open issues. Mr. Senchyshyn will be going through the Unclassified Budget in the next week or two with updated information.
Cherry Karlson provided a corrected amount for the Minuteman budget, which is $212,417.

VIII. Finance Committee Schedule For Remainder of February and Early March

Members agreed that we will next meet on Wednesday, February 20th, followed by a meeting on Monday February 25th. Depending upon the progress with articles, we may need a meeting on either the 27th or 28th of February and then meet on March 4th.

IX. Adjourn.

A motion for adjournment was made, and voted upon unanimously. The meeting was adjourned at 9:31PM.

Respectfully submitted,

William Steinberg

Documents:

Finance Committee Recommendation to Board of Selectmen Regarding Exempt Debt for the DPW Garage, along with supporting documentation.

To: Board of Selectmen
From: Finance Committee
Date: February 11, 2013
Subject: FY14 Debt Exclusion Recommendation

At our February 11, 2013 meeting, the Finance Committee voted 4 - 0 to recommend an $11,400,000 debt exclusion for FY14 to fund construction of a new DPW garage and related infrastructure.

Our Debt Management Policy states that all building repairs, field improvements and major equipment and vehicles costing over $100,000 should be funded as a debt exclusion. The proposed DPW garage that is the subject of this funding has been planned and vetted over at least the past three years through many public meetings and multiple Boards and Committees of the Town of Wayland. Funding for the design of the project was approved at Annual Town Meeting in the spring of 2012.

The Finance Committee has met with the Facilities Director, a Member of the Permanent Municipal Building Committee, the Director of the Department of Public Works, and via liaisons, the Planning Director with regard to this project over the course of the past year and additionally over the past three years, as this project has progressed. The impact of the issuance of exempt debt has not been discussed directly with other Boards and Committees in Wayland; however through the use of the Capital Improvement Plan, the Finance Committee is aware of the capital needs of all departments in the Town and has been able to project future capital needs as they would relate to this project (a chart of Past and Projected Debt Service Payments is attached hereto).

This recommended debt exclusion question will cause taxes to increase in Fiscal Year 2015 by an estimated amount of $652,500. The recommended debt exclusion is the following:

DPW – Development of a New Garage Facility w/Related Amenities (offices space, wash bays, workshops, etc.)	$11,400,000
Total	$11,400,000

We will make a presentation at your February 11, 2013 meeting supporting this recommendation.

Finance Committee:

Nancy Funkhouser
Tom Greenaway (Vice Chair)
David Gutschenritter
Cherry Karlson
Steve Lesser
Carol Martin

Bill Steinberg (Chair)

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aaa rating to Wayland's (MA) $4.1 million G.O. bonds; outlook is stable

Global Credit Research - 24 Jan 2013

Affirms Aaa rating on $73.5 million of outstanding parity debt

WAYLAND (TOWN OF) MA
Cities (including Towns, Villages and Townships)
MA

Moody's Rating

ISSUE		RATING
General Obligation Municipal Purpose Loan of 2013 Bonds		Aaa
Sale Amount	$4,127,000	
Expected Sale Date	02/01/13	
Rating Description	General Obligation	

Moody's Outlook STA

Opinion

NEW YORK, January 24, 2013 --Moody's Investors Service has assigned a Aaa rating to the Town of Wayland's (MA) $4.1 million General Obligation Municipal Purpose Loan of 2013 Bonds. Concurrently, Moody's has affirmed the Aaa rating assigned to the town's $73.5 million of outstanding long-term general obligation debt. Of the town's total outstanding debt, approximately $51.8 million is secured by the town's unlimited general obligation tax pledge, as debt service has been voted exempt from the levy limitations of Proposition 2 ½. The remaining $25.8 million, including this issue, is not excluded from Proposition 2 ½, and is secured by the town's general obligation limited tax pledge. Approximately $1.6 million of the 2013 bonds are being issued to refund portions of the town's Series 2001 and 2002 bonds for a net present value savings of roughly 14%, with no extension of maturity. The remaining $2.5 million of the 2013 bonds are being issued to finance various town, school, and sewer projects.

SUMMARY RATING RATIONALE

The Aaa rating reflects the town's stable financial position, characterized by healthy reserve levels and a satisfactory plan to address long-term liabilities for pension and OPEB. In addition, the rating incorporates the town's stable tax base with wealth and income levels that far exceed state medians, and a manageable debt position.

STRENGTHS

-- Stable financial position with healthy reserve levels

-- Sizeable, affluent tax base in close proximity to a major metropolitan area

CHALLENGES

-- Modest tax base declines in recent years

-- History of reserve appropriations to supplement the operating budget

-- Significant liabilities for pension and OPEB

DETAILED CREDIT DISCUSSION

FINANCIAL POSITION REMAINS STRONG DESPITE RECENT PLANNED RESERVE REDUCTIONS

Wayland's financial position is expected to remain healthy due to the town's strong reserve levels and management's demonstrated ability to control expenditures. The town finished fiscal 2012 with a $2.6 million reserve reduction, marking the first decline in General Fund balance since 2005. The use of reserves reflects a planned free cash appropriation of $7 million, in an effort to reduce the property tax. The town was able to replenish a portion of the appropriation through prudent budget management, with the town recognizing savings in almost every expenditure category. At the end of the fiscal year, Wayland had a total General Fund balance of $20.4 million, or a healthy 28.4% of revenues, down from $22.9 million, or 31.9%, in fiscal 2011.

The town's fiscal 2013 budget included a $4.5 million appropriation of free cash for operations and a reduction to the residential tax rate to 17.89 mills, down from 19.01 mills in 2012. Wayland has historically had one of the highest tax rates in the commonwealth, and has decided to lower its mill rate and appropriate reserves to supplement its operating and capital budgets. While the town continues to exhibit strong credit characteristics, the size and frequency of free cash appropriations, as well as the town's ability to maintain healthy reserve levels, will be important factors in maintaining long-term credit strength.

The town contributes to the Middlesex Regional Retirement System, a multi-employer cost-sharing plan. The plan was just 47.1% funded as of January 1, 2010. The town is required to fully fund its Annually Required Contribution (ARC), which was $3.4 million in 2012, representing a manageable 4.6% of General Fund expenditures. The town fully funded its annual OPEB from 2009 through 2012, indicating a willingness of the town to begin addressing the long term liability. In fiscal 2013, however, the town voted to fund 0% of the 2013 OPEB ARC, as a means to free up additional funds for operations. The town plans to return to full funding in fiscal 2014. Although the town's failure to pay the full OPEB ARC is not expected to immediately impact its financial position, a failure to contribute in future years will result in an increased liability and additional fiscal challenges. The town's OPEB liability was funded at 7.6%, with a total Unfunded Actuarial Accrued Liability (UAAL) of $45.7 million, as of December 31, 2010.

AFFLUENT TAX BASE EXPECTED TO REMAIN STABLE

Wayland's tax base is expected to remain stable given recent signs of stability in the regional housing markets. In addition, Wayland continues to benefit from its favorable location 18 miles west of Boston (G.O. rated Aaa/stable), and its affluent population with strong home values. The fiscal 2012 property assessments (values as of January 1, 2011) reflect the town's first year of assessed value appreciation, after five consecutive years of decline. The towns six-year average annual assessed value growth rate is negative 2.3%, which is a substantial decline from a high average of 9.9% in 2006. Wayland's town center project, a commercial and residential development, has begun construction after a long period of stagnation. The first phases of the estimated $100 million project are being completed, including a new restaurant and supermarket which are now operational. Wealth levels in the town are well above national medians with per capita income and median family income representing 244.2% and 227.1% of the nation, respectively. Due to its favorable location and easy access to major employment centers, unemployment levels of 4.2% (October 2012) were well below the state (6.2%) and national (7.5%) averages.

MANAGEABLE DEBT PROFILE WITH MODERATE FUTURE BORROWING PLANS

Wayland's debt position is expected to remain affordable given currently manageable debt profile and moderate future borrowing plans. Incorporating the current issuance, Wayland's debt burden remains slightly above the commonwealth median at 2% of fiscal 2012 full value. Fiscal 2012 debt service as a percent of expenditures represented an above average, but manageable 10.4% of General Fund expenditures. Future borrowing plans include a $9 to $11 million issuance for a new Department of Public Works building, which the town will seek a Proposition 2 ½ debt exclusion. The town's principal payout on outstanding debt is below average, with 61.2% retired within 10 years. The town has no variable rate debt or swaps, and is not party to any derivative agreements.

OUTLOOK

The outlook remains stable, reflecting Moody's expectation that the town's financial position will remain healthy, despite recent draws on fund balance. In addition, we anticipate that the town's tax base will remain stable given its affluent population, close proximity to a major city, and modest ongoing development.

WHAT COULD CHANGE THE RATING DOWN

-- Continued reduction of General Fund Balance and free cash

-- Failure to address long-term liabilities for pension and OPEB

-- Deterioration of the town's tax base and demographic profile

-- Significant increase in the town's debt burden

KEY STATISTICS:

2010 Population: 12,994 (-0.8% since 2000)

2012 Equalized Valuation: $3.3 billion

Proposed 2013 Equalized Valuation: $3.1 billion

2012 Equalized Value Per Capita: $253,042

Equalized Value Six-Year Average Annual Growth (2007-2012): 1.4%

Fiscal 2012 General Fund balance: $20.4 million (28.4% of General Fund Revenues)

Fiscal 2012 Unassigned General Fund balance: $8 million (11.1% of General Fund Revenues)

2012 Net Direct Debt: 2%

Principal Payout (10 years): 61.2%

1999 Per Capita Income (as % of MA and US): $52,717 (203.1 % and 244.2%)

1999 Median Family Income (as % of MA and US): $113,671 (184.3% and 227.1%)

Post-Sale General Obligation Long Term Debt Outstanding: $77.7 Million

RATING METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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MOODY'S
INVESTORS SERVICE

Town of Wayland
Massachusetts

FACT SHEET: DPW GARAGE

The Wayland Finance Committee has considered the funding for the proposed DPW Garage project and has voted to support funding the project through the use of exempt debt. The reasons for this are the following:

<u>Background</u>

- The DPW has demonstrated the need for a facility to replace the existing one that is situated on Cochituate Road (Rte 27) by the Wayland Middle School. The current facility has significant physical defects that would be prohibitively expensive to rectify. Moreover, the size and configuration of the current facility, which was developed at a time when the Town's needs were very different from what they are today, does not meet the needs of today's DPW.
- ATM 2012 showed its support for the project through passage of three related Articles.
    - Article 10 to amend the zoning bylaw related to the definition of a refuse disposal district,
    - Article 11, a resolution, to designate the River Road parcel as a site for the future DPW facility, and
    - Article 12 to appropriate $725,000 for construction documents and bidding of new DPW maintenance and storage facility.
- The Permanent Building Committee has worked on this project since last Annual Town Meeting and through value engineering has reduced the estimated building price from approximately $13 million to an estimated $11.4 million.
- The project is currently out to bid with bid documents due back in March 2013. Annual Town Meeting will have a firm bid number on which to vote.

<u>Financing</u>

- The Finance Committee's Debt Management Policy prefers the use of exempt debt for large building projects (see attached document). The Finance Committee voted to support a debt exclusion for this project.
- A debt exclusion is a temporary increase in the tax levy for the life of the project. When payments are completed, the increase expires.
- It is anticipated that approximately $2 million dollars will be available from previously borrowed but unused funds from the High School Building project. According to bond counsel, these funds can be used for major capital projects of

similar duration, e.g. the DPW building. These monies may be used beginning in May 2013 to begin site work and early construction of the building until borrowed funds are available in February 2014. Using the funds from the HS project will save the cost of temporary borrowings.

- The amount to be financed is approximately $9.0 million for 20 years at an anticipated rate of 2.25%.
- The Town's cost of capital is much lower than the average citizen's cost of capital.
- Bonds to finance the project will be issued in February 2014 with the first payment due in Fiscal Year 2015; therefore, there is no tax impact from this project in next year's budget, FY2014, and our estimate shows that FY2015 will be debt neutral.
- Beginning in FY2015, assuming a borrowing rate of 2.25%, the estimated tax impact on a house valued at $641,700 is $143 in the first year. The Town's total annual payments start at about $652,500 and decline each year.
- We have already reached the peak of the debt payments on the new High School Building and the debt payments have started to decline.
- A chart is attached layering the debt payments of the High School project with those of the DPW building.
- This project is being approved at a time when taxpayers are very concerned about the level of property taxes in Wayland and have carefully scrutinized all aspects of the budget. The project has been thoroughly vetted and has broad based support of those residents who have followed its progress.

<u>Town's Financial Picture</u>

- The Town's finances are strong. Moody's affirmed the Town's Aaa bond rating this month stating that it "reflects the town's stable financial position, characterized by healthy reserve levels and a satisfactory plan to address long-term liabilities for pension and OPEB. In addition, the rating incorporates the town's stable tax base with wealth and income levels that far exceed state medians, and a manageable debt position."
- The Moody's Report (Moody's Investor's Services Global Credit Research for Wayland, MA, dated 24 Jan. 2013) is attached as an exhibit hereto and anticipates the borrowing as exempt debt.
- There has been a suggestion by some residents that the project should be funded via non-exempt debt, in which case the funds would become part of the Town's general obligation limited tax pledge, see the Moody's Report. In addition, if the project is funded with non-exempt debt, it is anticipated that the Town would be in a position of needing to fund its operating budget as soon as Fiscal Year 2016 via an override of the levy limitations of Proposition 2½, which could impact the perspective of the rating agencies.

TOWN OF WAYLAND

Debt Management Policy

Purpose:

- To establish a criteria for the issuance of debt obligations so as not to exceed acceptable levels of indebtedness,
- To provide consistency and continuity to public policy development through the Town's Capital Improvement Plan, a mechanism that provides evidence of a commitment to meet infrastructure needs through a planned program of future financing,
- To transmit a message to investors and rating agencies who value such evidence of a community's commitment to financial management, and
- To state the guiding principles and general policies related to debt management.

1. Capital items must be $10,000 or greater to issue debt to finance the project.

2. Debt will not be issued for a term longer than the expected useful life of the asset.

3. Total net debt service should not exceed ten percent of the total general fund expenditures.

4. On an overall basis, all general obligation debt should be structured to retire approximately seventy five percent of the Town's indebtedness within 10 years.

5. All street reconstruction, building repairs, improvements, design and related expenditures should be subject to a debt exclusion vote.

6. All land purchases from the general fund should be subject to a debt exclusion vote.

7. All equipment purchases/repairs $100,000 or greater should be subject to a debt exclusion vote.

8. Other items will be reviewed on an individual basis to be considered for inclusion in a debt exclusion vote.

9. All police cruisers are deemed to be operating expenditures, not capital.

10. All passenger vehicles and small ticket equipment should be financed with cash capital and not financed by issuing debt (for example, inspection or other staff vehicles).

11. In order to maintain the highest bond rating, AAA, general fund reserve levels should be in the range of 5 – 10 % of operating expenditures.