

**TOWN COUNCIL MINUTES
BUDGET/MANAGEMENT COMMITTEE
Town Hall Council Chambers
February 19, 2013, Tuesday**

Present: Kenneth DiFazio, Chairman
Patrick O'Connor, Vice Chairman
Arthur Mathews, Councilor
Michael Molisse, Councilor
Michael Smart, Councilor

Also Present: William McKinney, Chief Financial Officer
Richard Swanson, Town Auditor
James Clarke, Director of Planning and Community
Development
Walter Flynn, Chair, Community Preservation Committee

Recording Secretary: Mary Barker

Chairman DiFazio called the meeting to order at 6:15 PM.

13 002-Process to Contract for Independent Audit

Auditor Swanson again addressed the committee. The measure was referred on January 21, 2013, and the Budget/Management Committee previously deliberated on February 4, 2013, at which time it was continued. Auditor Swanson reviewed the measure. He had provided an outline to the committee that the Council could follow under MGL procurement procedures to select an independent audit firm for FY13-15. Since 2000, this is the manner in which Weymouth has solicited audit firms. Under Ch. 30-B, the Council is not required to solicit bids. The committee was provided with the procurement guide from the Inspector General which outlines the procurement process. The town is exempt from soliciting sealed bids but can request quotes for independent audit service. The CPA exemption applies to Weymouth's annual single audit. After considerable thought Mr. Swanson did not believe any benefit would be gained by soliciting sealed bids.

Chairman DiFazio asked if the original request is still in place. Auditor Swanson responded yes. Chairman DiFazio asked if the auditor intends to solicit to obtain three qualifying quotes. Auditor Swanson responded yes, but that he could obtain more. Councilor Mathews thanked Mr. Swanson for the information he provided. He has completed additional research and he reviewed prior minutes for audit selection. In previous years, five firms have been selected. He also noted that the Inspector General's information includes a recommendation that quotes can also be solicited via the town's website. Those are the only two changes he would recommend.

Chairman DiFazio noted the change for five solicited quotes, the addition of the request on the town website for advertisement, and the rest of the information remain the same.

Councilor Mathews also noted that he would prefer the auditor rate five selected proposals to recommend to the committee, as was the process in the past.

There was a brief discussion; no vote needed at this time if the committee comes to a consensus. Once a firm is selected, then a recommendation to Council can be voted.

The committee agreed by consensus to proceed with the process as amended. Auditor Swanson will revise the outline and provide the committee with the amended version.

13 003-Special Purpose Stabilization Fund-Sidewalk Repairs

Chief Financial Officer William McKinney and Town Engineer Chip Fontaine presented the request for \$150,000 from the Special Purpose Stabilization Fund for Capital Projects for the purpose of funding the costs associated with the repairing of town sidewalks. DPW Director Jeff Bina was unable to be present. He had prepared a preliminary list with the measure that includes identified locations in town as candidates for improvement, based on their potential for pedestrian use and proximity to roads with high traffic volumes. The goal is to provide a safe means for pedestrians and to encourage walking. These funds will be combined with \$150,000 from the last bond issue for total work with a combined estimated cost of \$300,000.

Chairman DiFazio asked if the town has already spent \$150,000 on sidewalks? CFO McKinney responded no; the funds have been bonded but not yet expended. Chairman DiFazio asked who determined what sidewalks should be included on the list? Chip Fontaine responded that it was his understanding that the list is preliminary and based on criteria outlined earlier; to give the committee an idea of what the town can accomplish with this funding. The work will be done with current bid pricing and is scheduled for this construction year (spring/summer/fall of 2013). Councilor Molisse asked when the list will be made available for viewing. CFO McKinney was unsure, but it will need to be soon to meet the construction schedule. Councilor Molisse asked how the list was determined. Chip Fontaine responded that Jeff Bina reviewed traffic levels and the areas in town with high pedestrian volume.

Councilor Smart asked how the committee should vote without having the specific list. Chip Fontaine responded that it was his understanding that the list is identified as preliminary, but most of the list will probably be what gets done unless a more urgent need is identified. Councilor Smart responded that the committee allocated Host Community funds when they crafted the mitigation list for sidewalk repairs, and he is not comfortable voting a list without knowledge of the specifics involved. Councilor Mathews responded that a public hearing is also scheduled for the Council meeting later in the evening.

Auditor Swanson reported that he reviewed the accounts and confirmed there are sufficient funds to support the request. He was asked to check that \$200,000 was spent in 2006—which he confirmed.

Councilor Hackett asked if the HCA list in 2004 had allocations of \$400,000 for sidewalks. The response was yes, and that \$200,000 had been spent, according to the report from Auditor Swanson.

Chairman DiFazio asked for confirmation that this list was not crafted as a result of prioritizing resident complaints. Chip Fontaine responded that it was designed by concentrating on those areas with high pedestrian traffic and not from complaints, and that it would stand to reason that the sidewalks on the list would be those in poor condition; they would not be replacing sidewalks in good condition. Councilor Molisse noted most of the areas on the list appear to be in school areas. Councilor Mathews stated that he would like to see additional measures forwarded during this fiscal year for sidewalk work while bid pricing is locked.

A MOTION was made by Councilor Mathews to forward item 13 003-Special Purpose Stabilization Fund-Sidewalk Repairs to the full Town Council with a recommendation for favorable action and was and was seconded by Councilor Molisse. UNANIMOUSLY VOTED.

13 004-Community Preservation Committee-Emery Estate Access and Parking Design

Jim Clarke and Walter Flynn presented the request for \$90,000 for design and potential construction of a new access way and additional parking at the Emery Estate, based on the information provided in the feasibility study, conducted by the Cecil Group, and the concerns brought forward in public meetings. The committee was provided with a packet that outlines the scope of work, goals, objectives and tasks. The will expand on the Cecil Group report and move forward.

Auditor Swanson reported that he reviewed the accounts and the CPC Open Space set aside line has sufficient funds to accommodate the request. He also reviewed the RFP and noted it will require a sealed bid process for procurement.

Chairman DiFazio asked how they determined the cost at \$90,000. Jim Clarke responded that it is based on 12% of the estimated combined costs for parking and access. They will ask to phase the work out into two parts. Chairman DiFazio asked if the work could inhibit any planned eventual use of the property. Mr. Clarke responded that the parking might, but that access is necessary for any use.

A MOTION was made by Councilor Mathews to forward item 13 004-Community Preservation Committee-Emery Estate Access and Parking Design to the full Town Council with a recommendation for favorable action and was and was seconded by Councilor Molisse. UNANIMOUSLY VOTED.

13 009-Fiscal Year 2012 Financial Statements and Management Letter

Richard Swanson, Town Auditor, and Frank Biron, President of Melanson & Heath addressed the committee. Auditor Swanson presented the highlights of the FY12 audited Financial Statements/Management Letter in the following presentation:

TOWN COUNCIL AND BUDGET/MANAGEMENT COMMITTEE MEETINGS FEBRUARY 19, 2013

HIGHLIGHTS ON THE FISCAL YEAR 2012 AUDITED FINANCIAL STATEMENTS/MANAGEMENT LETTER

PRESENTED BY RICHARD SWANSON, TOWN AUDITOR

- A. Our auditors issued a "clean audit opinion" on the Financial Statements, which is excellent, as it means no material discrepancies were found during the audit of the books & records of the Town for FY 2012.*
- B. At the end of the year, total assets exceeded liabilities by \$109,233,000 and the current ratio was 4.1 to 1, which is outstanding. This means there is \$4.10 in assets to cover \$1.00 in liabilities.*
- C. Total Bonds Payable Debt at year-end was \$91,153,478 an increase of \$19,246,655 from FY 2011. The significant increase resulted from converting Anticipation Notes Payable of \$21,100,000 {shown as a current liability in FY 2011} to Long Term Bond Debt in FY 2012.*
- D. The Water & Sewer Enterprise funds increased Retained Earnings by \$4,499,000 due to profits from their operations. These monies are available to appropriate for Capital Improvements or Equipment within these enterprise funds.*
- E. Total Revenue in FY 2012 increased by \$5,677,000 over FY2011, mainly due to a \$2,989,000 increase in Property Taxes and an increase of \$3,356,000 in Operating Grants & Contributions. Other types of Revenue decreased by \$668,000 resulting in the net increase of \$5,677,000.*
- F. Total investment in Capital Assets at year-end was \$187,907,448 {net of depreciation}, an increase of \$4,644,465 compared to the prior year. The two significant increases were:
 - a. \$1,900,000 Purchase of King Oak Hill property*
 - b. \$1,254,713 for the New Great Pond Water Treatment Plant**
- G. The Management Letter contains one new recommendation regarding the need for Town Government to start planning for the implementation of GASB 68*

“Accounting and Financial Reporting for Pensions”, which is required to be applied in FY 2015.

Councilor DiFazio asked if the Enterprise Funds included any one-time payments from Tri-Town. Mr. Swanson responded no. He then introduced Frank Biron, President of Melanson & Heath to present the financial statement and management letter.

Mr. Biron reviewed the financial statement, which was reviewed in depth at the Budget/Management Committee meeting earlier in the evening. They have issued a clean opinion with no exceptions, which is the best outcome. The firm did not audit the noncontributory retirement, nor provided an opinion on it-- but it was included. He reported that the government and enterprise activities were presented on a full accrual basis, and long-term assets and liabilities were reported here. They include capital assets and other depreciating long-term liabilities.

He also reviewed the large and growing liability, GASBY45, which is comprised of post-employment benefits for retirees with its thirty year funding schedule. The liability is now \$41 million and growing. The town funded \$1million of it this year, and the bond rating agencies will reflect favorably on this.

He then reviewed the General Fund. He noted the unassigned fund balance, which is 3% of the budget is a little short of where it should be, and is the starting point at which the DOR calculates the free cash. Last year the town had a free cash balance of \$3.228 million. It also looks to see that if free cash is used as a funding source the town rebuilds its reserves, which the town was able to do. It results in the revenues beating the budget. He noted that the unspent funds turned back added to revenue surplus was about equal to the amount of free cash spent during the year. He then reviewed the enterprise funds, which reflect strong balances.

Mr. Biron noted the investment income reflected a loss during 2011 and noted it was not a good year in the stock market, but this was consistent with other contributory retirement systems. He expects a better performance will be realized in 2012. He noted the stabilization fund has increased.

Mr. Biron summarized the Management Letter. It looks at areas where internal controls can be improved upon and noted them in the following six comments, five of which were followed up from the previous year's management letter:

1. Document reconciliation procedures-since the town has begun implementing this, it is now considered a closed issue.
2. Formalize its risk assessment policy-look out areas at risk for fraud or other irregularities/segregation of duties- recommend going forward documentation and implementation of a fraud policy-a draft was prepared, but has not been formally implemented and distributed to employees and it is recommended.
3. Accounting controls and records- since the town has its own internal auditor, it is being pro-active, but they do recommend providing additional guidance.

4. Recommend being more aggressive in collection of receivables and lien on unpaid property taxes-recommend continuing to actively pursue.
5. Improve tracking of capital assets and correcting fixed errors; the town has upgraded existing software and corrected fixed errors, so the issue is considered closed.
6. This is a new comment. The town should begin to prepare for the GASBY68 standard. The new audit standard requires the unfunded post-employment benefits liability be added to the balance sheet and all at once in FY15.

Councilor Mathews suggested that any members with questions on the report bring them forward when the presentation is made before full Council. Councilor Smart asked how other communities are preparing for the GASBY68 implementation. Mr. Biron responded that it is included in the comments to make the town aware of it. There is less impact to Weymouth than there would be to other communities that are part of county contributors.

A MOTION was made by Vice Chairman O'Connor to forward item 13 009-Fiscal Year 2012 Financial Statements and Management Letter to the full Town Council with a recommendation for favorable action and was seconded by Councilor Molisse.
UNANIMOUSLY VOTED.

At 7:31 PM; there being no further business, a MOTION was made by Vice Chairman O'Connor to ADJOURN the meeting and was seconded by Councilor Smart.
UNANIMOUSLY VOTED.

Respectfully submitted by Mary Barker as Recording Secretary

Approved by Kenneth DiFazio
Chairman Budget/Management Committee