

TOWN COUNCIL MINUTES
BUDGET/MANAGEMENT COMMITTEE
May 18, 2020, Monday
Via Zoom #854 4709 8643

Present: Michael Molisse, Chairman
Jane Hackett, Vice Chairman
Pascale Burga, Councilor
Christopher Heffernan, Councilor
Maureen Kiely, Councilor

Also Present: Richard Swanson, Town Auditor
Joseph Callanan, Town Solicitor
Robert Luongo, Director of Planning
Erica Lussier, Melanson Heath & Co.

Recording Secretary: Mary Barker

Chair Molisse called the meeting to order at 6:00 PM.

20 037- FY 2019 Audited Financial Statements & Management Letter

This measure was referred to the committee on April 13, 2020. Erica Lussier of the audit firm Melanson Heath & Co. presented the results of the findings and recommendations to the Budget/Management Committee on May 18, 2020. Highlights from Auditor Swanson were:

- 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 and records of the town for FY2019.
- B. At the end of the year, total current assets were \$97,710,992 and current liabilities were \$46,280,983; therefore, assets exceeded liabilities by \$51,430,009. This results in a current ratio of \$2.11 in current assets to cover each \$1.00 in current liabilities.
- C. Cash and investments as of June 30, 2019 totaled \$77,522,449 compared to \$77,058,059 in fiscal 2018, resulting in a nominal increase of \$464,390.
- D. Total bonds payable debt at year end was \$65,592,815 compared to \$65,968,323 at the end of fiscal 2018. This reflects a nominal decrease of \$375,508 from fiscal 2018. This decrease is a net of pay down and refinancing of the debt and the issuance of new bond debt.

- E. The Water & Sewer Enterprise funds operating revenue for fiscal 2019 was \$26,540,847 and operating expenses were \$24,352,439, resulting in a net operating income of \$2,188,408. A significant portion of the operating income was used to pay interest expense of \$825,495.

- F. Total investment in capital assets at year end was \$235,860,000 compared to FY18 of \$222,015,000 (net of depreciation), an increase of \$13,845,000 compared to the prior year. The major additions to capital assets were:
 - a. \$2,502,926 Improvements to Roadways & Sidewalks
 - b. \$4,840,337 Public Library Construction
 - c. \$1,443,885 School Boiler Replacements
 - d. \$1,439,131 Smelt Brook Repair

- G. Total fiscal year 2019 revenue for the General Fund was \$161,692,698, which exceeded the budget by \$3,771,896. The principal drivers of higher revenue were:
 - a. \$688,912 Licenses & permits
 - b. \$1,360,440 Excise taxes
 - c. \$659,388 Intergovernmental

Total expenditures for fiscal year 2019 were \$165,070,430, which were \$1,977,867 under budget. The principal drivers of lower expenditures were:

 - a. \$694,698 public safety
 - b. \$654,632 general government
 - c. \$277,681 employee benefits

- H. Contained within the Melanson Heath 2019 Management Letter are two prior year recommendations that were resolved by Auditor Swanson and Municipal Finance. For FY19 there were no issues reported by our independent auditors. There only is one informational recommendation regarding Accounting Changes.

Erica Lussier echoed the findings and suggested the Councilors read the management letter highlights provided by Melanson Heath. It doesn't just look at the numbers but reviews the policies and controls. The two prior year comments were resolved and the informational one is to prepare for GASB-84 and GASB-87. GASB 84 will give more directions (reclassified or categorized differently) and 87 deals with ongoing leases, including current ones, for items such as copiers. Going forward, they will need to be captured. Compliance dates have been moved as a result of COVID-19 (a one-year delay on implementation). Single audit encompasses Title 1 and School Lunch Program, and they are being wrapped up now (also required extension due to COVID-19).

Vice Chair Hackett asked what the \$650 intergovernmental represented? Auditor Swanson reported that he didn't have the detail with him, but will provide it. She asked why there is \$1.3 million more in excise than originally budgeted? \$688,000 was

licensing, employee benefits and other costs- was that predominantly health insurance? He will research and report back to the committee.

Ms. Lussier noted the Auditor summarized the findings.

She reiterated that the independent auditor's reports are a clean opinion, which means the financial statements were presented in accordance with general accounting standards.

- MDNA section-is a narrative form of some of the highlights of the financial statements.
- Statement of Net assets –consolidates all of the towns funds on an accrual basis – and includes the assets/liabilities
 - Capital assets (land, projects)
 - Net pension liability
 - Net OPEB liability – town has trust fund that reduced this
 - Unrestricted net position – Deficit – the liabilities above are the main drivers

Governmental funds balance sheet was presented the way the town maintains its books. Two major funds General Fund – Library Construction and capital articles, and non-major governmental trust funds, grants, etc.

Unassigned fund balance- unassigned fund balance from the general fund \$9 million in the general stabilization fund- \$7 million (increased by \$2.9 million from previous year). It should be 5-10% of annual expenditures (bond rating agencies look at) town used \$5.1 million free cash but was still able to maintain strong unassigned balance, and increase it.

Erica reviewed the Budget vs. Actual for the General Fund. The town used free cash of \$5.1 million –the town expanded on this last year to get a better idea what free cash is being used for; typically not the operating budget, but one-time items. What they use they should be able to recoup, and in this case it was used for snow removal costs and general fund reserves-which are reasonable use of the funds. The town used \$5.1 million and recouped \$5.7 million in free cash– bond agencies like to see this.

Proprietary Funds Statement of Net Position– Enterprise Funds

- Consistent with the prior year
- Amount of free cash certified amount decreased from prior year- and free cash was used during the course of the year (emergency repairs/pump station repairs) but still had a strong balance.

Fiduciary Funds

- Pension and OPEB funds \$4.2 million (net position – how much is applicable to each)
- Private purpose trust fund- scholarships
- Agency funds- student activity funds, public safety-police and fire details, performance bonds, etc.

There are various GASB change additions coming and one will impact the fiduciary agency fund.

She reviewed the Management Letter-they reviewed the town's internal controls, policies and procedures to make sure they are operating effectively. The prior year comments were satisfactorily resolved.

Prior year comments-

- expand departmental receipt policy
- implement the new single audit requirements – policies and procedures for federal awards

There is an informational one as well; to prepare for GASB 84 – fiduciary funds (items in agency funds, such as student activity, etc.) –and determine whether they should be classified as agency or a special revenue fund. They are not required to report revenues and expenditures currently, but GASB 84 will change that.

GASB 87- The town is required to report operating leases on an entity-wide financial statements but going forward they will need to include capital leases. Any leases entered into to determine whether reporting is needed for them. Deadlines for these standards were extended by one year due to COVID-19.

She reviewed one other report- the Single Audit Report- this was required to be done because the town receives and spends federal funds beyond a certain threshold. Both are school programs- School Lunch and Title 1 are being done. The deadline for the audit was March 31st but was extended by 6 months.

Vice Chair Hackett noted some of the points were redundant; some of it can be cut when reporting out to the full Town Council.

Chair Molisse asked about the leases? Ms. Lussier reviewed that there is a change with the newest GASB standards that will require the town to include operating leases, in addition to the capital leases that are currently required to be reported. This includes copiers, school busses or any other item that is not considered a capital asset. More guidance will be out, but the department should start looking at their leases to prepare for it.

A motion was made by Vice Chair Hackett to forward measure 20 037 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Kiely.

A roll call vote was taken: Councilor Burga-Yes, Councilor Heffernan-Yes, Councilor Kiely-Yes, Vice Chair Hackett-Yes, Chair Molisse-Yes. UNANIMOUSLY VOTED.

Solicitor Callanan presented the next three measures together. Their purpose is to protect the town's 40B Safe Harbor status by acquiring land for affordable housing to maintain 1.5% land area. The property is located behind the CVS property at Routes 18 and 53. He reviewed the history of the land. Nothing has occurred on it since the early 90's.

The funds will be used to acquire the mortgage, foreclose and take, then to clear title and restrict for affordable housing. There is a 40B application in town that was previously denied. A project eligibility letter was sought but denied once. Based on the decision of the Appeals Committee in 2003, with the 1.9% land area the town had it should have been more than was needed, but DCHD changed the criteria and so they are now short. While the previous decision should be binding, with more land they can claim there is sufficient to meet the new guidelines. He doesn't have all the detail, but this is the start of the process, which will be a public one and will come back to Town Council several times; for a zoning change, RFP, and disposing of the property by a developer. He will be back before the Council once he has more detail. The next 8-9 steps were laid out in PPP last time. This is to authorize the first step.

He noted that a constituent had reached out and mentioned his understanding of the access, which is incorrect; there is a 40' right of way. There was also discussions with an abutter for access if this access should prove insufficient. There are various scenarios for the cleanup; the plan is for the developer to handle, but if there are no responsive bidders to the RFP (too restrictive, for example), the town will have to make a decision as to if there are too many restrictions and determine which is more important. The public will have the chance to weigh in before a plan is in place.

Auditor Swanson reported that the fund balance for CPA - Community Housing is sufficient to support the measures.

20 021-CPA Funding Request for acquisition of Land for Affordable Housing

This measure was referred to the Budget/Management Committee on February 18, 2020. A public hearing was conducted on May 4, 2020.

A motion was made by Vice Chair Hackett to forward measure 20 021 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Kiely.

A roll call vote was taken: Councilor Burga-Yes, Councilor Heffernan-Yes, Councilor Kiely-Yes, Vice Chair Hackett-Yes, Chair Molisse-Yes. UNANIMOUSLY VOTED.

20 023-Purchase, Foreclosure and Acceptance of 13 Acres of Land, 420 Washington Street

This measure was referred to the Budget/Management Committee on February 18, 2020. A public hearing was conducted on May 4, 2020.

A motion was made by Vice Chair Hackett to forward measure 20 023 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Kiely.

A roll call vote was taken: Councilor Burga-Yes, Councilor Heffernan-Yes, Councilor Kiely-Yes, Vice Chair Hackett-Yes, Chair Molisse-Yes. UNANIMOUSLY VOTED.

20 024-Taking and Restricting for Affordable Housing Purposes, 13 Acres of Land, 420 Washington Street

This measure was referred to the Budget/Management Committee on February 18, 2020. A public hearing was conducted on May 4, 2020.

A motion was made by Vice Chair Hackett to forward measure 20 024 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Kiely.

A roll call vote was taken: Councilor Burga-Yes, Councilor Heffernan-Yes, Councilor Kiely-Yes, Vice Chair Hackett-Yes, Chair Molisse-Yes. UNANIMOUSLY VOTED.

ADJOURNMENT

At 6:40 PM, there being no further business, a motion was made by Vice Chair Hackett to adjourn and was seconded by Councilor Kiely.

A roll call vote was taken: Councilor Burga-Yes, Councilor Heffernan-Yes, Councilor Kiely-Yes, Vice Chair Hackett-Yes, Chair Molisse-Yes. UNANIMOUSLY VOTED.

Respectfully Submitted by Mary Barker as Recording Secretary

Approved by Michael Molisse as Budget/Management Committee Chairman
Voted unanimously on 7 July 2020