

**TOWN COUNCIL MINUTES
BUDGET/MANAGEMENT COMMITTEE
Town Hall Council Chambers
March 5, 2018, Monday**

Present: Michael Molisse, Chairman
Thomas J Lacey, Vice Chairman
Jane Hackett, Councilor
Christopher Heffernan, Councilor

Absent: Brian McDonald, Councilor

Also Present: Brian Connolly, Chief Financial Officer
Richard Swanson, Town Auditor
Joseph Callanan, Town Solicitor

Recording Secretary: Mary Barker

Chairman Molisse called the meeting to order at 5:45 PM.

18 009-Application of Bond Premium

This matter was referred to the Budget/Management Committee on February 5, 2018.

CFO Brian Connolly presented the measure. He reported that one of the changes under the Municipal Modernization Act affects bond premiums received by municipalities that issue debt. In the past, bond premiums would be captured as local receipts and fall to free cash at end of the year. The Act changed it so that any premiums that are earned as a result of projects that are going out to bond, stay with the project or are assigned to a like project in accordance with debt issuance terms. One of the reasons for this change is that too many communities were relying on bond premiums as a local receipt each year, and is revenue earned as a result of capital spending and projects and not a true local receipt in the traditional sense. This change allows them to keep the premium with the project or assign to a like project going forward.

Councilor Hackett asked how much money this refers to. Mr. Connolly responded that this year the town will have \$590,000 in gross premium proceeds. The net after cost of issuance: law firm, advertising, underwriting and administrative fees are \$520,000. Councilor Hackett asked if this is an option or if it is mandatory. Mr. Connolly responded that it is mandatory. Monies cannot drop to free cash. He provided a handout of examples from prior years for the committee.

Vice Chairman Lacey asked for a definition of “like project.” For example, a lifespan of a parks & field project might have a lifespan of 20-30 years; they could allocate to another improvement project with a similar timeline.

Councilor Hackett asked if Council approval is required to approve and appropriate from it. Mr. Connolly responded that he is unsure, but will research it. Chairman Molisse suggested that they could have a member of bond counsel address if they request.

Councilor Hackett noted her concerns:

1. They have budgeted bond premiums yearly into local receipts, so they don't always fall to free cash.
2. Is this requiring they retroactively apply to previous bond issuances? Mr. Connolly responded that they didn't have this language the last few years but this will cover those past issuances.

Vice Chairman Lacey asked for a list of activity of premiums for the last three years to determine the amount that falls to free cash. He would like to see a historical view of bond balances to determine the impact. Councilor Hackett noted her surprise that the language reads "like project." It's a lot of money to not have legislative control. Mr. Connolly responded that it fluctuates year to year and this year was significant and their credit rating is strong. He will request attendance by the bond counsel for a future meeting.

A Motion was made by Vice Chairman Lacey to keep the matter in committee and was seconded by Councilor Hackett. UNANIMOUSLY VOTED.

ADJOURNMENT

At 5:55 PM, there being no further business, a MOTION was made by Councilor Lacey to adjourn and was seconded by Councilor Hackett and UNANIMOUSLY VOTED.

Respectfully Submitted by Mary Barker as Recording Secretary.

Approved by Michael Molisse as Budget/Management Committee Chairman
Voted unanimously on 2 April 2018