

**TOWN COUNCIL MINUTES
BUDGET/MANAGEMENT COMMITTEE
Town Hall Council Chambers
March 18, 2019, Monday**

Present: Michael Molisse, Chairman
Jane Hackett, Vice Chairman
Christopher Heffernan, Councilor
Maureen Kiely, Councilor
Brian McDonald, Councilor

Also Present: Richard Swanson, Town Auditor
John MacLeod, Director of Asset Management
Steve Reilly, Recreation Director

Recording Secretary: Mary Barker

Chair Molisse called the meeting to order at 6:01 PM.

19 019-Fiscal Year 2018 Audited Financial Statements and Management Letter

This measure was referred to the Budget/Management Committee on March 4, 2019. Mr. Frank Biron, President and Sr. Partner, and Erica Lussier, Manager, Melanson Heath & Co. and Auditor Swanson presented the report from the FY2018 Audited Financial Statements and Management Letter. Auditor Swanson read a prepared statement reviewing the report. Two items were identified in the management letter; down from previous years. Both items are being addressed for response by the Chief Financial Officer.

During the review, Councilor Kiely arrived, at 6:05 PM.

Mr. Biron reviewed the highlighted information in the Financial Statements and Independent Auditor Report:

- clean opinion, consistent with past years
- Statement of net position- consolidates the town's funds and reported on accrual basis
- Business type are water and sewer
- Focus on key numbers- most significant change- under liabilities, net OPEB liability – have been prepping for GASB75- other post-employment. Higher than what was reported in prior years. In past, item was noted in increments. Whatever town did not fund would raise the liability. With the standard changed they will be required to report the whole liability at one time.
- Town has a trust fund- \$3.8M set aside – equal to about 1% of liability. It's a Pool – Plymouth County. Net Pension liability is 32% unfunded portion- 68% funded (down 15% from previous year, retirement had a good investment year.) Liability dependent on how the stock market performs.
- Net position in deficit- liabilities exceed because of unfunded liabilities. Councilor Hackett noted that comparatively, Weymouth is not unique. Mr. Biron responded that Weymouth is generous with health insurance, so the average may be higher within the state. (most 50-50). Councilor Hackett took exception to the word "generous" and suggested they are "appreciative." The town joined GIC to help with the offset. 50/50 was impact bargaining; it used to be 90/10. This changed 3 yrs ago. Mr. Biron noted that

it also helped that the town started funding the OPEB liability. The more set aside, the better the discount rate. Without funding, it would be closer to the municipal bond rate. Common municipal bond rate is 3.9%. Councilor McDonald suggested that they try to put more into the established fund if the bond agencies look at this.

- Governmental funds- Unassigned fund balance is consistent year to year. The goal is to range 8-10%; at 10%. General Fund balance was used to determine free cash. Stabilization plus general add up to a good reserve. 5-10% range balance to budget is good. Most towns strive for this.
- Budget- original vs. final- actual vs. variances. Total revenues beat the budget (very positive and consistent with last few years.) Turnbacks plus revenues adds to free cash balance. Used some free cash – some to fund stabilization. Also put some into OPEB trust fund. Remainder for snow and ice overages, and capital items as the bond rating looks at this favorably. Able to make up free cash used.
- Enterprise funds- accrual basis of accounting. Unrestricted net position- water- shows in deficit- net pension and OPEB liabilities. Councilor Hackett noted the GASBY 75 is fully disclosed. Mr. Biron responded that when determining free cash, the DOR doesn't look at percentages. Free cash determined for water and sewer about \$4M – as in prior years. Councilor Hackett noted that this year they will have used a lot. Mr. Biron responded there is no real standard for enterprise funds. The numbers show they have been consistent.
- Breakdown of pension and OPEB trust funds-balance sheet and income statement. Pension is reported as of previous December and was incorporated from other auditors. Contributory retirement 68% funded- on the better side compared to other cities/towns in MA. Net investment income- equal to about 15% return on investment (stock market good). 2018 will be a different story. OPEB trust fund- Plymouth country- as of June 30th. Income statement- employer contributions / deductions – actuarially determined numbers. Determine what the annual costs for employees. The OPEB trust went up- (11% return on investment).
- Clean opinion, general fund and free cash is in good shape. There were turnbacks from operating budget and the town was able to recoup free cash used. The only issue is OPEB, but Weymouth is not alone. S&P bond rating- mentioned personnel is good; they are in a strong economic region; the negatives- OPEB. They will continue to keep an eye on it to make sure Weymouth continues to fund.

Ms. Lussier reviewed the Management Letter; few items were highlighted for improvement of efficiencies and controls. Two comments prior year recommendations-- Expand on policies and receipts on departmental level and address audit controls, uniform receipt log, audit trail. Town will look into and has provided a response to each comment. Implementation was discussed in a conference call with the town Auditor and CFO as an Addendum to policies and procedures. CDBG and SPED were reviewed in the single audit and there were no findings. Councilor Hackett asked which was reviewed last year. It was School Lunch program.

Government standards are changing. GASB 84 addresses fiduciary funds and 87 addresses operating leases – and how they will be required to be reported.

Last year there were eight comments; this year only two.

A motion was made by Vice Chairman Hackett to forward measure 19 019 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Heffernan. Councilor Hackett noted this was a phenomenal job by the auditor. UNANIMOUSLY VOTED.

19 020-Free Cash for Field and Park Improvements

Recreation Director Steve Reilly and John MacLeod presented the request for \$415,988 from Free Cash for field and park improvements. Auditor Swanson submitted questions to the presenters in advance and Mr. Reilly submitted responses to each. This amount will finish all off. Irrigation issues identified last year, retainage and close out the smaller parks

Councilor Hackett noted there were several meetings and the project was a large undertaking. As things moved along, items were identified (ledge, drainage). There was some misunderstanding of what items were included (bathroom facilities). Some were cost prohibitive and some unavoidable. Mr. MacLeod responded that they were able to leverage economy of scale.

Auditor Swanson provided a list of questions. Mr. Reilly provided responses to each.

Councilor Hackett noted that they did unbelievable with the conditions. Major fields were brought on line a year ahead of schedule.

A motion was made by Vice Chair Hackett to forward measure 19 019 to the full Town Council with a recommendation for favorable action and was seconded by Councilor Heffernan. UNANIMOUSLY VOTED.

ADJOURNMENT

At 7:01 PM, there being no further business, a motion was made by Vice Chair Hackett to adjourn and was seconded by Councilor Heffernan. UNANIMOUSLY VOTED.

Respectfully Submitted by Mary Barker as Recording Secretary.

Approved by Michael Molisse as Budget/Management Committee Chairman
Voted unanimously on 16 April 2019