

**West Newbury Finance Committee  
Minutes of the Meeting  
Monday, October 16, 2017**

**Finance Committee Meeting**

Ms. Grammer called the Finance Committee meeting to order at 7:00 p.m. in the second floor hearing room of the 1910 Building with Dr. Beaudoin, Mr. Durey, and Mr. McGrath in attendance. Chairman DeLena joined the meeting subsequently.

There being no public comment, the Committee considered its agenda.

**Transfer request**

None.

**Discussion on Free Cash and Stabilization**

The Committee discussed how to present to the Selectmen this evening and identified issues of agreement. Members raised questions regarding the allocation of Free Cash. An example being the percentage of excessive Free Cash directed toward a tax buy down and/or to stabilization. Mr. McGrath stated directing Free Cash to School Stabilization is not necessarily the most appropriate method to populate the fund. He stated, last year, the town agreed to *raise and appropriate* monies for the School Stabilization Fund.

Mr. McGrath suggested his proposed bylaw allows for timely tax buy downs and managing appropriation amounts of Free Cash. FinCom members agreed they have not been able to study Mr. McGrath's proposal and plan to discuss it later.

Mr. Durey queried if the committee agrees that the goal of 7% Free Cash is desirable. Mr. McGrath remarked 7% is an arbitrary figure. He continued, stating a review of past budgets would lead to deriving an accurate percentage of Free Cash necessary for the town of West Newbury. Mr. McGrath stated the town has carried excess amounts of Free Cash for over a decade. Review of past budgets can provide a clearer answer to a realistic Free Cash amount. Mr. McGrath added thorough research is important. One suggestion is to develop a financial spreadsheet reflecting monetary amounts at 3, 4, 5, 6, and 7%. After careful planning, a proposed solution will be presented at Spring Town Meeting.

Fiscal Management is the responsibility of the Finance Committee. However, careful review of both the data accumulated from studies of similar communities and studying West Newbury omnibus spreadsheets from past years, including turn backs, is necessary to come to an informed decision. Ms. Grammer stated disbursement of funds, including stabilization needs further study. A clearer understanding of necessary deposit amounts and a more concise calendar of timing of the withdrawal of funds need to be determined. This process will allow the development of a ladder investment program.

Mr. McGrath has prepared his proposal as a bylaw. He stated the Board of Selectmen's (BOS) main concern is maintaining a stable tax rate. He believes monetary excesses beyond operating expenses,

contributions to stabilization, and reservation of a set range of Free Cash should be returned to the citizens of West Newbury. Mr. McGrath remarked Fall Meeting is not the forum for contemplation of major purchases with the exception of emergency circumstances. In such a case, Free Cash is used. Ms. Grammer commented use of Free Cash undermines stabilization and does not offer enough transparency.

Chairman DeLena stated the importance of Finance Committee members approaching Free Cash-Stabilization management in total agreement. He further remarked FinCom could not be functional if the Capital Investment Committee (CIC) is not functional. Currently, West Newbury has no laddering of investments.

Mr. Durey stated the driver of excessive Free Cash, both underestimated revenues and budget turn backs, have become part of the environment. Ms. Grammer stated FinCom has begun to work on reducing overbudgeting by requesting turn backs be included in the budget report of every department. Mr. Durey added that a working plan should include steps to reduce excess Free Cash and thus annual tax buy downs. Mr. McGrath stated cash management is a long-term process.

Chairman DeLena suggested, during the BOS Meeting this evening, Fin Com propose to the BOS there is a need for change in the approach to Free Cash and Stabilization. Following a period of research, Fin Com plans to develop a defined proposal for the Town Spring Meeting. In the interim, Fin Com will request additional meetings between Fin Com and the BOS. Currently, it is too premature to propose specific changes. Fin Com will build a model to address three points for stabilization: over taxation, undermining stabilization, and transparency in spending. The detailed proposal may be in the form of a bylaw or policy change.

Dr. Beaudoin stated the importance of developing a mission purpose, bulleting three or four of the previous points. Currently, Ms. Grammer remarked CIC Bylaws are not followed. Previously, Mr. Durey had enlisted the assistance of the Massachusetts Division of Local Services (DLS) to obtain data from surrounding communities. Members spoke of consulting the DLS regarding taking concrete steps to solve excessive Free Cash and stabilization issues. Ms. Grammer expressed concern about the timeline. How quickly is a meeting with the DLS possible?

### **Investment Policy Committee**

Chairman DeLena summarized the Investment Policy Committee meeting, which took place on Thursday, October 12, 2017. He reported the Selectman Joe Anderson stated he would be interested in assistance from the DLS regarding Capital Improvement Committee's stabilization and function and other financial management issues. Chairman DeLena suggested if a meeting is scheduled with the DLS, perhaps FinCom could participate.

Chairman DeLena also reported the Investment Policy Committee distribution list had not been updated. He learned of the meeting shortly before it took place. Many of the members of the committee are Chartered Financial Analysts (CFA). To date, they have focused on retiree health insurance costs (OPEB), which had been fully funded but, with the latest report, is currently very slightly underfunded.

Stabilization accountss involving other long-term investments were not been discussed.

Approximately one year ago, West Newbury transitioned from Bartholomew & Company, Inc. to Cambridge Trust Company as financial advisors. The Committee meets quarterly. They plan to invite Cambridge Trust in for a discussion of long-term investments. Another potential matter concerning cash management could involve Community Preservation funds, which currently come to almost \$2.5M.

Mr. McGrath suggested the school stabilization should not be with Cambridge but rather be placed in 1 or 2 year Certifications of Deposits (CD). This would save financial management costs but still provide returns better than cash.

### **Discussion prior to BOS Meeting**

FinCom members contemplated procedures to address excessive amounts of Free Cash. Mr. Durey suggested moving the deadline for department turn backs from September to August 30. Ms. Grammer added DLS knows what other towns have found.

Ms. Grammer inquired if FinCom has a mission product. Chairman DeLena proposed FinCom would have a proposed policy or bylaw for Spring Meeting. In order to research the issues, Mr. McGrath suggested no time line be set. Ms. Grammer remarked the spring budget season is approaching. Mr. McGrath stated a target date to complete budget reviews be February 1. He added allocation of FY18 surplus be included at the Special Town Meeting in the spring.

FinCom members proceeded to the first floor hearing room to meet with the BOS at 8:15 p.m. During the meeting, Selectman Anderson had also expressed interest in seeking the advice of the DLS.

FinCom resumed their meeting in the second floor hearing room at 8:45 p.m.

### **Post BOS Meeting Discussion**

Ms. Grammer remarked Selectman Anderson would speak with the DLS to engage on multiple fronts. Ms. Grammer reported there is \$2.5M in the Community Preservation Committee (CPC) fund. Chairman DeLena stated the CIC only addressed OPEB at the first policy meeting. Ms. Grammer remarked there are, currently, four stabilization funds. These include school General Town stabilization, OPEB (retired employees health insurance—this is really a trust fund), and Pension Stabilization.

### **Improving Estimated Revenues**

With regard to new growth, Mr. McGrath stated there are different stages of assessment. An initial assessment is determined on the land, assessment of the actual building follows. Mr. Durey reported the projected real estate growth was \$12.7M but in reality is \$14.8M. Mr. McGrath added excessive amounts of Free Cash have been cumulative. He stated it took 12 years for the Free Cash amount to increase from \$1.2M to \$1.8M. He concluded it is important to address excesses in the same fiscal year. Mr. Durey stated Free Cash was valued at \$1.1M at the end of FY17. Following

certification, Free Cash was valued at \$1.8M. The difference was the result of turn backs and revenues in excess of estimates.

### **Possible Meeting with DLS**

Due to a short time frame, Ms. Grammer proposed the compilation of questions should a meeting come to fruition.

Question 1: Is West Newbury in need of improvement on over-estimating budgets/ under-estimating revenues or simply in need of better mechanism to flush out Free Cash back to taxpayers?

Mr. McGrath reiterated the importance of recycling Free Cash within the fiscal year by returning the excess. Chairman DeLena remarked the tax rate is determined after the omnibus budget is set. Mr. Durey stated 95% of Massachusetts towns carry less Free Cash than West Newbury. *Mr. Durey will research revenue estimates of other towns.*

Question 2: How do other towns develop revenue estimates?

Mr. Durey stated the DLS would provide answers to both questions. Mr. McGrath restated the importance of conducting a thorough internal examination of funds.

Question 3: What range of mechanisms do other town utilize to perform flush outs, i.e. tax buy downs, Articles and bylaws?

Question 4: What is the impact of tax buy downs on tax rate stability?

### **Future FinCom Actions**

Chairman DeLena suggested meeting with the BOS another day to discuss the issues. *Chairman DeLena will reach out to Selectman Anderson to determine the process involved with a DLS interaction.* Ms. Grammer queried if the committee should wait to speak with the DLS. Mr. Durey did speak with representatives of the DLS while compiling his information. He sensed they are open to questions. *It was generally agreed that the committee members would contact DLS as needed to research various issues.*

Committee members were unclear as to how and when funds can be withdrawn from stabilization funds. For example, the school stabilization fund. If the school building does not take place, what happens to the funds? *Chairman DeLena will pass on a summary of the discussion to the BOS.*

### **School Building Update**

Ms. Grammer reported the School Building Committee agreed to pursue Leadership in Energy and Environmental Design (LEED) certification. It has yet to be determined if the construction manager will act as project manager or if electrical and plumbing will be sent out as separate bids. The Massachusetts School Building Authority (MSBA) will have the final say in the process.

### **Meeting Minutes**

*FinCom members voted to approve minutes of October 2, 2017, 3 - 0 -2, Durey and McGrath abstaining.*

### **Upcoming Meetings**

Monday, October 23, 2017: 6:00 p.m. in Town Annex

Monday, October 23, 2017: 7:00 p.m. Fall Town Meeting in Annex

Monday, October 30, 2017: Discuss FinCom calendar for budget season, develop task assignments, and continue composing questions for DLS.

The meeting adjourned at 10:00 p.m.

Respectfully submitted,

Elisa Grammer  
Secretary

*Meeting materials:*

Draft minutes October 2, 2017

Report of Planning Board Vote on amendment of Zoning Bylaws

McGrath statement of position regarding Free Cash

Grammer outline regarding Free Cash and Stabilization based on minutes