

**West Newbury Finance Committee
Minutes of the Meeting
Monday, November 6, 2017**

Finance Committee Meeting

Vice Chairman Ellis called the Finance Committee meeting to order at 7:01 p.m. in the second floor hearing room of the 1910 Building with Ms. Grammer, Dr. Beaudoin, Mr. Durey, and Mr. McGrath in attendance.

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

Transfer request

None.

Finance Committee Business

Vice Chairman Ellis stated the first order of business was to elect a new Chairman of the Finance Committee. Among the duties of the chairman are: preside over meetings, interface with the Board of Selectmen (BOS) and the department heads, assist in formulating an agenda, and guide members to remain on topic.

Prior to nominations, members discussed the options. Members agreed new members Dr. Beaudoin and Mr. Durey have not previously been involved with the budget season process. Therefore, it is best for them to experience this season as a learning process without the added duties of the chair.

Vice Chairman Ellis expressed some reluctance in moving on as the Finance Committee Chairman. Ms. Grammer stated she would gladly assist in the paperwork. Mr. McGrath added the possibility of the chair being administrative, deferring specific projects or topics to individual members. *Additionally, members agreed to set the agenda for the next meeting at the end of an ongoing meeting.* Thereby, allowing a clearer focus on the topics needing discussion.

Mr. Durey queried other members if anyone had spoken with suitable candidates to fill the sixth position on the Finance Committee. To date, no new candidates have surfaced.

FinCom members voted to approve Mr. Ellis as Chairman of the West Newbury Finance Committee, 5, 0, 0.

FinCom members voted to approve Dr. Beaudoin as Vice Chairman of the West Newbury Finance Committee, 5, 0, 0.

FinCom members voted to approve Mr. McGrath as the FinCom representative on the Investment Policy Committee (IPC), 5, 0, 0.

Roberts Rules of Order

Members discussed the use of following Roberts Rules of Order when preparing and organizing concrete proposals such as a policy or set of motions regarding Free Cash and Stabilization.

Meeting Minutes

FinCom members voted to approve amended minutes of October 30, 2017, 4, 0, 1, Durey abstaining.

Free Cash and Stabilization Funds

Ms. Grammer reported information from the BOS leads her to believe conversations with the Division of Local Services (DLS) will include both Free Cash and Stabilization Fund discussions. Dr. Beaudoin stated he contacted a Marblehead town official regarding their high amount of Free Cash. The official said there was no reason for the town's large amount of Free Cash. The official noted the town applies excess Free Cash to the following year's budget. On closer examination, Dr. Beaudoin discovered the town uses excess Free Cash in Marblehead to buy down the tax rate.

Ms. Grammer added DLS best policy to reduce Free Cash is returning money back to the taxpayer. She stated the BOS will add to the agenda of the yet to be scheduled meeting with DLS.

Mr. Durey reported there has been a delay in the preparation of his report comparing finances of similar towns in Massachusetts. One report does not contain all of the data sets but rather are gleaned from multiple reports. Currently, he is gathering information from the Financial Guidance Forecast of eight to ten towns. *Mr. Durey will complete the report and add it to FinCom Drop Box by the end of day on Wednesday.*

Mr. Durey remarked the state recommended target for Free Cash is in the range of 3 to 5%. He added in one town report, a recommendation stated it is not best practice using excess Free Cash to buy down the tax rate. Mr. Durey stated this sentiment was in one report only.

Mr. McGrath stated all towns run with varying degrees of fiscal efficiency. West Newbury manages quite well regarding fiscal efficiency. He added there is no concerted knowledge base for all towns. It is important for the Finance Committee to develop good decisions for financial needs of West Newbury. Some studies recommend practices work well in one town but not in another.

Chairman Ellis stated he is looking forward to learn how other towns manage their fiscal responsibilities. Mr. Durey summarized common topics in all the reports. DLS suggests the following:

- The recommended range of Free Cash is 3 to 5% of the total operating budget.
- Stabilization Funds range from 5 to 10%.
- The total town reserve ranges from 8 to 15%.

Ms. Grammer inquired if this includes OPEB. Mr. Durey replied in the affirmative. Mr. Durey also stated the tax rate in West Newbury was above the median but not in the top third.

Mr. McGrath remarked stabilization funds vary from town to town. Topsfield bases their stabilization funds on a five-year plan, whereas West Newbury runs on a ten-year plan. Types of Stabilization Funds will also vary from town to town.

Mr. McGrath continued stating he believed the Finance Committee was in agreement to limit Free Cash to 5% and excess be applied to a tax buy down. Mr. Durey, who was not present at the

previous meeting, stated he agreed on the 5% but not on all the excess going to a tax buy down. Mr. Durey added there is an order of priority in which excess Free Cash is applied.

This includes:

- Capital projects
- Stabilization
- Protection of citizenry from nontransparent government

Mr. McGrath stated initially Free Cash is from “raise and appropriate” voted at town meeting, which is on the tax rate. If Free Cash then moves into stabilization, a lack of transparency exists.

Ms. Grammer stated the importance of gathering and understanding information from other towns in order to develop questions to ask the DLS regarding Free Cash and long range planning (Stabilization).

Ms. Grammer requested members read and offer feedback on the draft motions regarding Free Cash and Stabilization she authored. She suggested the continued development of the motions in preparation of the DSL meeting. Preparation of pro and con arguments are an important part of the loop.

Mr. McGrath stated the importance of the Finance Committee developing a series of steps to propose managing Free Cash and Stabilization. Ms. Grammer stated the need to work alongside of the BOS. By doing so, there is also a need for the Finance Committee to work with the DLS. Chairman Ellis added the management of Free Cash and Stabilization is a living process in which the DLS recommendation would be helpful.

Mr. Durey stated the paradigm has shifted due to the involvement of the DLS. Hence, a possible alteration of the timetable. Ultimately, it is the task of the BOS to establish a policy or bylaw. Ms. Grammer stated the importance of developing motions in order to assure they be to the DLS agenda. Originally, FinCom suggested to the BOS the Finance Committee would present a proposal regarding Free Cash and Stabilization by mid-January. Chairman Ellis asked if that timeline remains in place. Ms. Grammer stated the Finance Committee should complete the motions prior to the DLS meeting.

Moving Forward

Mr. Durey will identify and consolidate other towns' best practices, both those that are common and variances.

Concerning Free Cash, Mr. Durey cited the town of Ipswich as an example. The operating budget of the town is \$58M with \$800,000.00 in Free Cash. This translates to approximately 3.2% in Free Cash.

Chairman Ellis summarized:

- *Mr. Durey will consolidate information from 8 to 10 towns concentrating on three areas:*
 - *%Free Cash*
 - *% Stabilization*

- *Long term financial planning*

Ms. Grammer suggested the product of the Finance Committee are the motions. It is important to frame the motions prior to the time for the meeting with DLS. Mr. Durey inquired if there was a timeframe for the DLS meeting. After speaking with the DLS Ms. Grammer believes once, the DSL processes the application they will move quickly to set up a meeting. Mr. Durey added it is important to be clear because the DSL writes specific policies. *Chairman Ellis will communicate with Selectman Anderson the importance of including the Finance Committee in every step of the process leading up to the meeting with DLS.*

Dr. Beaudoin inquired if the Finance Committee should put a policy in place for January in lieu of the meeting with DLS. Ms. Grammer suggested having solid motions in place initially. An important part of the FinCom meetings is to develop both a clear expression of concerns and how to address them. The Finance Committee will further discuss and have a product written by the end of the meeting on November 20, 2017.

Chairman Ellis requested Finance Committee members to:

- *Carefully review Mr. Durey's report prior to the next FinCom meeting.*
- *Review Ms. Grammer's draft motions regarding Free Cash and Stabilization.*

In order to plan a spring meeting schedule, Ms. Grammer will forward last year's calendar.

Chairman Ellis remarked Selectman Anderson and Mr. McGrath have made inquiries regarding the capital needs of both the Fire and Water Departments. Ms. Grammer added that Mr. McGrath will also be conferring with the Department of Public Works (DPW). Ms. Grammer noted that, although well run, DPW capital purchases are often purchased outside of Stabilization.

As the Finance Committee plans the budget season, Ms. Grammer suggested setting time limits for agenda items meetings, particularly as concerns department presentations. In the past, some department presentations ran overtime. Moving forward, FinCom agendas will include an estimated time for each department presentation and discussion item.

Mr. Ellis suggested, prior to the BOS meeting on November 13, 2017, members meet as usual in the second floor meeting room to review the upcoming Town Meeting schedule and ATM planning. During the Finance Committee Meeting, members will prepare a schedule and discussion points. Also, with respect to the Free Cash & Stabilization motions, they will compare points of agreement or disagreement. Members are also encouraged to seek out a sixth member for the Finance Committee.

Tentative Agenda for Monday, November 13, 2017

- Review transfers
- Review minutes
- Consider the upcoming schedule for Town Meeting
- Discuss policies for Town Meeting

- Update points of agreement/disagreement regarding the draft motions regarding Free Cash & Stabilization

Upcoming Meetings

Monday, November 13, 2017: 7:00pm—Joint Meeting with the BOS

Monday, November 20, 2017: 7:00pm—Develop product regarding Free Cash and Stabilization

The meeting adjourned at 8:55 p.m.

Respectfully submitted,

Elisa Grammer
Secretary

Meeting materials:

11.03.2017 Description DLS re: WN Financial Planning

2014 FinCom Handbook Excerpts-Free Cash

Free Cash-DLS overview

Draft Motions Free Cash & Stabilization

Draft minutes October 30, 2017