

BILLERICA FINANCE COMMITTEE MINUTES
August 20, 2020

A Meeting/Work Session of the Billerica Finance Committee was held on Thursday August 20, 2020 at 6:30 p.m. via Zoom Video Conferencing Communication App.

Present: David Gagliardi, Chairman; Mary McBride, Secretary; Donald Damon, Member; Rino Moriconi, Member; Doug Fogerty, Member; Philip Newfell, Member; John Kleschinsky, Member; Patrick Logue, Member; Kelley Sardina, 1st Associate; Sharon Healey, 2nd Associate; Town Accountant Paul Watson, Ex-Officio; and Joyce MacMillan, Recording Clerk.

Excused Absence – Douglas Meagher, Vice Chairman and Cheri Gargalianos, Member
Absent – John Mulloy, Member

CALL TO ORDER:

Chairman David Gagliardi called the meeting to order at 6:30 p.m.

PUBLIC COMMENT:

N/A

TOPICS:

Discuss Free Cash Strategy

John Curran, Town Manager

Mr. Curran showed a slide to help explain what is recommended by the MA Department of Revenue (DOR) and what the General Accounting Principles are regarding Free Cash.

Free Cash typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line items for the year just ended, plus any unexpended free cash from the previous year. Free Cash is not available for use until the Department of Local Services (DLS) Director of Accounts certifies the number submitted.

The DOR recommends the community understand the role Free Cash plays in helping to ensure the Town maintains a good credit rating. Some people think it should go back to the taxpayer; however, it is there to use as part of that margin of error to keep the Town from going into the red. You never want to go into the red, it would hurt the credit rating. There are creative things that can be done with Free Cash. However, it is recommended that it be used as a one-time expenditure for capital purposes such as replenishing reserves. This year we are planning on leaving funds in the Free Cash Account to help fund FY 2022 if needed, since things are still in the air as far as COVID-19 is concerned.

Chairman Gagliardi opened the floor to the committee for questions or concerns. There were a few questions such as what is the plan for any left-over Free Cash? It can be used to balance the budget next year if needed. Other possible uses could be the Police

Contract, maybe the Peggy Hannon Rizza project (PHR) if the Community Preservation Committee brings it back for Fall Town Meeting, etc. Any amount unallocated would remain in Free Cash. Will we be voting one at a time or all at once? Is there a portion of Free Cash put aside for Other Post-Employment Benefits (OPEB)? OPEB is part of appropriations now.

Discuss Accountant Role – Paul Watson, Town Accountant

The duties of a Municipal Town Accountant can be found in the Mass General Laws (MGL) Chapter 40 Powers and Duties of Cities and Towns. The Town Accountants office has two clerks and one accountant. Some of what Mr. Watson's office handles is accounts payable and receivables, running warrants, the handling of debt, and financial reporting for the Town to the state, which is where the state gets the figures from to determine the Town's certified Free Cash figure.

Chairman Gagliardi opened the floor to the committee for questions or concerns. Some questions were regarding Free Cash: When will we know the figure for this year, when the figure comes in will it determine what is done at Town Meeting and what will it be going towards? It will not be fully known until the Town gets the certified Free Cash number from the state.

Discuss Treasurer Role – John Clark, Town Treasurer

Mr. Clark is also the Town Tax Collector. All the Real Estate and Personal Property, Excise, Water and Sewer receipts come through the Treasurer's office. The Treasurer takes those funds and banks it and invests it to maximize its' earning power. No bills can be paid, and no funds borrowed without the Treasurer's signature. The Treasurer's Office also takes care of the payroll and unemployment for all the municipal employees as well as all the insurance for the Town and its employees. They also deal with the retiring employees. There is also financial reporting as well. As for OPEB, the Treasurer works with an actuary to put it together.

Chairman Gagliardi opened the floor to the committee for questions or concerns. There were no questions at this time.

Discuss Capital Planning Strategy – Mr. Curran and Mr. Watson

The Town has two Capital Budgets that run from the General Fund, and are in the Operating Budget. \$500,000 is used for annual short-term capital for items we call five-year capital and there is a capital infrastructure account which is at \$1.5 million. We also receive about \$1.2 million from Chapter 90 road work. There is additional road work with sewer bonds. The Town has many different capital needs studies that show how they are to be funded and what they are to be spent on along with what the needs are. There are also capital funds for Waster Water Management (sewer) and Water Capital Improvements and there was a school study. The last piece of the capital structure is the debt stabilization policy, where the Town puts away \$1.8 million a year, which is now over \$20 million. Each year there is money taken out of there to help reduce taxes on all our capital projects, including Sewer projects and School projects. This comprehensive report is in the back of the budget book every year for your review.

Chairman Gagliardi opened the floor to the committee for questions or concerns. There were no questions at this time.

Discuss OPEB Strategy - Mr. Curran, Mr. Watson, and Mr. Clark

OPEB (Other post-employment benefits)

There are three components to OPEB. In 2013 we started the OPEB Trust Fund. In 2018 the Town added the second component, \$1 million dollars and we increase that number by 15% each year in the budget appropriation. The Board also reduced the commitment of the Town's contribution of insurance for retirees from 90% to 70% for new hires after July 2016. There is close to \$7 million in the OPEB fund including this year's appropriations. Chairman Gagliardi opened the floor to the committee for questions or concerns. What is the overall exposure right now as far as what the Town owes? The actuaries and rating agencies will look at it for reporting purposes. The Town is currently in good shape. Are there any towns in the area that have met their OPEB goal? Not that they know of.

Discuss Water and Wastewater Enterprise Fund Strategy / Operations - Mr. Curran, Mr. Watson, and Mr. Clark

This falls under the same umbrella as Free Cash and Retained Earning Accounts for Water and Wastewater Enterprise Accounts, hovering around \$1 to \$2 million each year. Money is taken out each year, a half million from Wastewater for Debt Stabilization Fund and smaller projects from water while still maintaining a decent cushion so the Town does not find itself in a situation of running in the red. Basically, both Water and Wastewater are at a point where the Town is covering all its direct costs. There is still general fund money going into Sewer Enterprise fund

Chairman Gagliardi opened the floor to the committee for questions or concerns. Are Sewer funds being used for sewer projects or for direct cost? There is still a substantial subsidy from the General Fund into the WasteWater Enterprise Fund for past capital projects. New construction is not being fully funded by sewer revenue. How much of the Town is hooked up into the sewer? Mr. Curran said the percentage is in 80's. There was some discussion regarding the residents that do not have sewer hookup yet. The Water Enterprise Fund is a lot stronger than the Wastewater Fund as far as being closer to self-sufficient because there is so much debt from WasteWater sewer expansion.

Recap Sheet – Mr. Watson

The Recap sheet is snapshot of the complete budget process as it relates to the municipality for the year. It includes all revenue sources and all expenditures. It has the form that goes into the DOR which is 4 pages long. Page 4 shows all Town Meeting Activity, page 3 deals with estimated receipts, page 2 gives you the actual overall budget where all the money comes in and all goes out which all flows into page 1 where it takes all the accessed information and determines the tax rate for the parcels. There are four basic sources of funding: Levies, Local Aid, General Government Available Money, and Local Receipts.

Chairman Gagliardi opened the floor to the committee for questions or concerns. There were no questions at this time.

MISCELLANEOUS CORRESPONDENCE – not subject to discussion

Rino stated that maybe the new members should have a copy of the Finance Committee handbook. He refers to his often and finds it very helpful. Mary said she would get a copy to them.

Mary wanted to remind everyone that since they do not have an official date for Town Meeting yet but possibly Oct 3, and they should be receiving the printed version of the Preliminary Warrant by Thursday, they will have to meet to go over all the warrants. Rino asked about when the group can meet in person again? There is no clear answer for this yet.

ADJOURNMENT:

Mary McBride seconded by Don Damon made a motion to adjourn.

A roll call vote was taken
It was voted 10-0:

John Kleschinsky - Aye
Rino Moriconi – Aye
Don Damon – Aye
Sharon Healey - Aye
Kelley Sardina - Aye
Mary McBride – Aye
Doug Fogerty - Aye
Patrick Logue – Aye
Phil Newfell – Aye
Dave Gagliardi – Aye

Chairman David Gagliardi adjourned the meeting at 7:36 pm.

Joyce MacMillan, Recording Clerk