

Town of Lunenburg



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Finance Committee:
 Mark Erickson, Chairman
 Terri Burchfield, Vice-Chairman
 John Henshaw, Secretary
 Karin Menard
 Jay Simeone

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Lunenburg Finance Committee
 Minutes January 28, 2016

FEB 12 2016

LUNENBURG TOWN
 CLERK OFFICE

Location: Town Hall
 Present: Mark Erickson, Terri Burchfield, Jay Simeone, John Henshaw
 Absent: Karin Menard
 Also Present: Kerry Lafleur, Town Manager, Karen Brochu, Town Accountant, Dennis Mannone, Capital Planning Committee Vice-Chairman, Jamie Toale, Board of Selectmen Chairman, Tom Alonzo, Board of Selectmen Clerk.

1. Mark called the meeting to order at 7:00 pm. The meeting is being broadcast on Lunenburg Public Access Cable and a video recording of the meeting will be available for viewing at Lunenburg Public Access at <https://www.youtube.com/user/LunenburgAccess>.
2. Comments:
 - a. Public: None
 - b. Committee: We still have two vacancies and tonight we just have a quorum. To anyone viewing tonight who is interested in becoming a member of the Finance Committee it is a great time to join and learn as the committee works on the annual budget process, which is just about to begin.
3. Capital Planning Committee [CPC] Report presented by Dennis Mannone, Vice-Chair, CPC:
 - a. The CPC extended the plan horizon to 15 years consider long term capital needs.
 - b. Capital requests for FY2017 from all departments totaled \$1.6 million. The committee recommends funding 12 projects, at a total cost of \$781,975.
 - The CPC arranged these requests in priority and the Town will allocate monies to fund requests in order of priority.
 - c. Based on local aid amounts in the governor's budget, Kerry estimates that the Town will have between \$600,000 and \$700,000 to fund capital improvements. At the lower end of this range, funding would pay for the first ten projects; at the higher end the Town allocate monies for the THMS asbestos abatement project.
 - Per Mark's question, the committee did not assign priorities to those projects not recommended for funding in FY2017.
 - The following table gives details of the projects recommended for funding.

Capital Requests Recommended for Funding in FY2017 in Priority Order				
Project #	Priority	Description	Cost	Running Total Cost
PD16-12	1	Police Vehicles (2), Units 207 & 210	\$107,000	\$107,000
PD16-07	2	Bulletproof Vests 29 Officers	\$17,500	\$124,500

LPS16-21	3	THMS Phone System Replacement	\$22,000	\$146,500
LPS16-20	4	THMS Intercom Replacement	\$22,000	\$168,500
DPW17-01	5	Townsend Harbor Road Bridge	\$15,000	\$183,500
DPW16-11	6	Catch Basin Cleaner Attachment	\$87,125	\$270,625
DPW17-04	7	Mack Dump 6 Wheel, plow and sander	\$194,750	\$465,375
DPW16-07	8	GMC Dump 350 (1 ton with plow)	\$53,300	\$518,675
TECH16-25	9	Town Departments Technology	\$30,800	\$549,475
FD16-13	10	Pick-Up 4x4 (M1) Replacement (2003)	\$70,000	\$619,475
LPS16-19	11	THMS Asbestos Abatement, Ceiling Replacement.	\$145,000	\$764,475
PD16-16	12	4-Wheel Drive All-Terrain Off-Road Enforcement Vehicle	\$16,500	\$780,975
Source: This is an extract from <i>Capital Planning Committee All Requests, FY2017-2031</i> . December 17, 2015. Compiled by Kerry A. Lafleur				

d. Issues, Questions, Clarifications:

- Turkey Hill Middle School (THMS) Repairs and asbestos abatement.
 - This project spans several years and costs enough that funding it would consume all the capital budget over several years. So it is a candidate for a funding source outside the capital budget.
 - Mark stated that moving this project out will increase its costs as construction costs increase.
 - The asbestos abatement project is in three phases—done over summer break.
- Re-use or trade-in Vehicles Policy
 - Kerry has a process the Town follows on a case-by-case base.
 - Mark said Chief Marino’s plan for vehicle rotation and replacement is to replace two vehicles a year for three years and then one vehicle a year for two years. Thus over a five-year period they would replace its entire eight vehicle fleet.
- Fire Engine #4: The Fire Dept. requested it be replaced in FY2017.
 - It is ageing but the intent is to time the replacement to coincide with when debt incurred for another fire truck has been paid off. This is a case of managing the Town’s debt service costs.
- Replacement pick-up for the fire department. Jay pointed out that, at \$70,000 this pick-up costs about twice as much as the price of similar pick-up trucks. Dennis said the CPC had the same concerns and that Chief Sullivan provided a detailed quotation that tallied the costs of outfitting the pick-up for use by the fire department, including a 5% price escalator as the truck would be purchased in 2017. The truck it would replace is 12 years old.

4. Town Manager's Report:

- a. Governor's budget was just released yesterday, January 27th and local aid estimates for Lunenburg are very favorable.
 - In this budget Chapter 70 funding would be \$20 per student. Further the budget makes provisions for additional aid for towns and cities like Lunenburg that are above effort communities. Kerry advised that the legislature may have different educational funding priorities. She also stated that further information on this may be available next Thursday, February 4 at 7:00 when there will be a televised workshop on education funding. Both the school committee and the finance committee will attend this workshop.
 - The Governor's budget also increases Unrestricted General Government Aid (UGGA) amount by \$42,000. But this account was cut by around \$300,000 in FY2006 or FY2007, so even with the \$42,000 increase UGGA remains below what it was ten years ago.
- b. Kerry will send out a spreadsheet of the Town's FY17 budget before her February 11th presentation.
- c. Town Health Insurance costs for most employees will likely increase on the high end of the allowable increase, but lower increased costs for Town retirees who are 65 + years old, (two-thirds of the total) attenuates the increase.
- d. There will be no financing of capital purchases in FY17 as the Town needs to limit debt service costs from regular borrowing because we need to finance expensive capital improvements in future fiscal years.
- e. The Town put two bond issues that were callable out to bid—in essence refinancing debt—which lowered the Town's interest rates, which in turn will save the Town \$20,000 per year or \$180,000 in total over the nine-year debt service period.
 - Mark observed that this is a result of sound fiscal management and the Town's AA+ bond rating.
- f. S & P Rating Services has confirmed the Town's AA+ rating with a stable outlook. Their report mentioned a lot of outstanding debt. But the Town has a high amortization rate: The rate of paying off principal is high; Kerry projected it at close to 50% in ten years. Further their report stated that the Town had incurred debt service expenses that exceeded the 3% of revenues as stated in our financial policy.
 - Mark stated that was a mistaken interpretation of the Town's financial policy regarding debt service costs. The financial policy states that debt service expenses will not exceed three percent of the Town's budget.
 - Kerry said that the rating agency only looks at debt as a ratio (e.g. total outstanding debt to the Town's debt limit or total outstanding debt to the annual revenues) and the rating agency does not distinguish between excluded debt and non-excluded (regular) debt.
 - During the rating process the agency gave Kerry an hour to look over the rating document and that she did not see the error during that hour. In the near term future there will be another opportunity to correct this error when the Town goes through another rating process.
 - Mark offered the committee's congratulations and appreciation to Kerry, Karen Brochu, and their staffs for their sound management of the Town's fiscal affairs.
 - Kerry said the fact that the Town has financial policies and adheres to them is a positive factor when dealing with the rating agency and the auditors.
- g. The Q2 budget update on revenues is positive: Property taxes, meals tax, and ambulance receipts are above budget, and on expenditures, snow and ice expenditures are more manageable than in the recent past. Right now it looks like the Town may well not have to make up a deficit in this account in FY17.

5. Minutes: Terri made a motion to approve the minutes of the January 14, 2016 meeting. John seconded the motion. The motion carried 3-0. Jay abstained as he did not attend the meeting.
6. Budget Goals and Opportunities—no discussion.
7. Committee Updates:

<u>Committee/Department</u>	<u>Update</u>
DPW—John H.	The Town increased the snow and ice removal budget to \$275,000 in FY 2017. Through last week we have spent a little over \$165,000 not including some bills we have not yet received from private contractors.
Capital Planning—John H.	Please see point 3 above for the list of capital project requests the Capital Planning Committee recommends that the Town fund in FY2017.
Public Access Cable—John H.	PACC will meet on Monday, February 8.
Library—Terri B.	No report.
Public Safety—Terri B.	No report.
Schools—Karin M.	No report.
Monty Tech—Karin M.	No report.
Council on Aging—Karin M.	No report.
Sewer Commission—Jay S.	Jay invited Carl Luck to report: Carl said the budget looks good and they are working on the debt side right now.
Green Task Force—Jay S.	No report.
School Bldg. Comm.--Mark E.	Mark was not at the meeting with the Board of Selectmen. There was concern as to how to spend whatever monies that may remain in the contingency account associated with the new school construction project.
Building Re-Use—Mark E.	The building re-use committee will present their recommendations to the Board of Selectmen at the Tuesday, February 2 BOS meeting.

8. Ongoing business:
 - a. The committee will hear about the Pavement Management Plan shortly.
9. The next three meetings:
 - a. February 4—Special Meeting at Town Hall. Chapter 70 Workshop—as a joint meeting with the school committee and the Board of Selectmen. This will be televised.
 - b. February 11--Town Manager's FY17 Budget presentation.
 - c. February 25—The Police and Fire Departments will present their FY2017 budgets.
10. Meeting Adjourned: Terri moved to adjourn the meeting and Jay seconded the motion. The board voted 4-0 in favor; the meeting adjourned at 8:08.

Respectfully submitted by John Henshaw February 2, 2016