

Minutes  
Lincoln Finance Committee  
Town Offices 2<sup>nd</sup> Floor Meeting Room  
April 29, 2019  
7:30 pm

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**Present:** Jim Hutchinson, Chair; Andy Payne, Vice Chair; Gina Halsted, Nancy Marshall, Paul Blanchfield

**Absent:** Tom Sander. Elisa Sartori

**Also in attendance:** Colleen Wilkins, Town Finance Director

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The meeting was called to order at 7:34pm. Items in **bold** are in line with the items as ordered on the agenda.

**Elect New Chair.** Jim Hutchinson nominated Andy Payne to become the new Chair, Gina Halsted seconded. Mr. Payne was duly elected unanimously. Mr. Payne then nominated Jim Hutchinson as Vice Chair, Gina Halsted seconded. Mr. Hutchinson was duly elected by unanimous vote.

Mr. Hutchinson then welcomed Paul Blanchfield as a newly appointed Finance Committee (FinCom) member. Mr. Blanchfield noted he was not yet sworn in (and therefore was unable to participate in votes during this meeting).

**Discuss ongoing role of FinCom in School Building Project.** Gina Halsted spoke with regard to the current phase in the school building process. The contingency level has been reduced while the budget has remained constant, an indication that something else has increased in cost. Jim also mentioned that Andy is seeking a regular financial reporting process from Kim Bodnar and Buck Creel as the planning, bidding, and building process proceeds. Allowing the SBC to provide financial transparency to the FinCom and the town in updates and financial reporting is the aim. Regular monthly financial reporting, even what is being generated monthly and reported to the SBC and copied to the FinCom is seen as fair and fine by the Finance Committee.

Andy and Jim reiterated that we are seeking to obtain a summary of invoice detail, at an executive summary level of construction expenses; the intent is to not make additional work for the design team, OPM, CMR, or town staff such as Buck Creel. A suggestion was reporting along the lines of what Daedalus provides to the MSBA as a matter of course for their MSBA-pipeline projects. The Finance Committee supported this idea.

Andy moved to give Jim Hutchinson the authority to draft the memo to the SBC requesting regular financial reporting to the Finance Committee. Nancy Marshall seconded. The motion

was supported unanimously. Jim will draft a memo to this effect to send to SBC Chair Chris Fasciano.

**Review Town FY18 Financial Statements and Management Letter.** Colleen Wilkins walked the FinCom through the above, providing a PowerPoint presentation, which is attached with these minutes. She noted the government-wide financial statements differ from private sector financial statements. She reviewed the definitions and practices for Town Fund Financial Statements.

Colleen then reviewed Free Cash and Stabilization and their locations in the Financial Statements, the Water Enterprise Fund (distinct from the Town's), Trust Funds, and OPEB. Jim queried how a Power Purchase Agreement (PPA) would be accounted for in the Financial Statements. Colleen responded that if a PPA is created for the school, the funding will fall under another GASB standard, GASB statement 85 insofar as leases, reporting and their financial effects going forward.

Components of the fund statements were outlined and explained, as was the calculation that gives the town its certified free cash number, and then the certified free cash remaining following Annual Town Meeting votes authorizing the further expenditure of free cash. She then provided the Financial Metrics as offered by the Rating Agency 2011-2018, which included budgetary flexibility, liquidity, and budgetary performance. Andy asked when the ratings agency will review the town again, and the answer is in two years' time, when the second financing tranche (bonding) will be pursued for the School Building Project.

Major changes that Colleen highlighted included \$2 million increases to the unassigned fund balance; net position increase for the Town of \$12 million due to OPEB plan design change that reduced the liability there; that the full OPEB liability is now reported in the statement of net position, although the OPEB liability decreased by \$22 million thanks primarily to the aforementioned plan design changes; and that the deficit in unrestricted net assets is due to the pension and OPEB liability, however it is not as significant as anticipated due to positive impact from the OPEB changes.

Jim questioned the value of the new actuary versus the new GASB standards in the Town obtaining the positive OPEB liability change. Colleen suggested that Angel Pension, the prior actuary, would have been more conservative. Odyssey has the advantage of reporting multiple Massachusetts municipalities, and is more in touch with best practices.

Colleen closed by noting that FY19 would include use of Free Cash and Stabilization for the school building project, which will reduce the Unassigned Fund Balance, although we anticipate that Budgetary Flexibility will remain > 20% as desired and bonds payable will increase \$80 million. In future years, Capital Assets will increase as funds are spent on the School Building Project, with no depreciation until the building is formally opened.

Jim mentioned the possibility that some Town asset could be transferred to the OPEB Trust to fund the Town's obligation instead of assessing taxes. This approach might be attractive particularly if that asset generated income, or if it was under-utilized and could be put to a better and higher value use. This type of transfer could reduce the tax burden to residents, but it would not reduce the Town's Net Position, it would merely offset a credit and a debit. Andy

has done a review of top Town land & building assets and their values, and he opined that there is not a lot of underutilized property in the Town that could provide such an income.

Andy spoke to the management letter and internal controls, as well as the personal property write-off.

**Review special revenue sources and handling.** In support of the proposal from the Planning Board for a fund to allow routine maintenance and improvements to the South Lincoln Town administered parking, Colleen reviewed the current usage of General Fund vs Special Revenue Funds in the Town (see attached Powerpoint). The General Fund is where all revenues collected are deposited, and on which the town funds its operations. Special Revenue funds, such as stabilization, gifts, Federal/State grants, revolving funds, etc., are restricted and allowed to be segregated by statute. She provided a list of restricted funds and the MGL Governing basis for allowing them to be restricted. There are spending limits by fund and revenue receipt limits for all revolving funds, above which excess revenues go to the general fund. Jim questioned whether there was any reason to limit the number of funds. Colleen responded that the accounting for certain grants and gifts is made easier by establishing new instances of existing funds, and it is not a huge burden to do so, although dormant funds, gift accounts, etc., all require due diligence. Jim reviewed the SLIPC/Planning Board proposal about creating a parking district fund for use by the above for improvements to the Town Parking area. A comparison was made to the Affordable Housing Trust, which has funds available as needed and needs to move quickly when houses become available, which would not fit into the typical CapCom / Town Meeting process. Jim asked whether there were any other funds more in line with what is being sought by the Planning Board. Colleen responded there were not. Paul questioned whether there could be a sunset clause to an allowance for utilization of funds. The question of precedent continued to be discussed. There is now a MA statute permitting a parking district, governed by the Planning Board with no required vote or appropriation by the Town. FinCom members discussed their views on the Planning Board's oversight of the parking revenue utilization approach. Andy suggested that the Planning Department bring their proposal, and specifically the benefit to the town of this initiative, to the Finance Committee at a future meeting. Generating more revenue from the parking area should be a definite goal for the Planning Department, regardless of whether a Special Revenue Fund is created or not. Suggested is to have the Planning Dept present before October, to allow them time to enter the CapCom pipeline should that be the chosen route.

**Municipal Relief Act.** Colleen sought from the FinCom support for making transfers in May/June to shore up small deficits in non-school departments. Andy moved to accept the provisions of the Municipal Relief Act (Ch.44§33B) for the fiscal year 2019, authorizing the Finance Director/Town Accountant to make year-end transfers. Jim seconded, and the motion was supported unanimously.

**Liaison Assignments for FY20** Andy asked the Committee prior to the meeting for their preferences about liaison assignments. The Committee discussed FY19 to FY20 liaison transitions, given members rolling off and new membership. Andy reviewed the list and will loop back to members with a draft. Once determined, Andy as Chair will notify Town Boards and Committees of their FinCom liaison.

**Minutes from March 6** Jim noted two amendments to the minutes, and moved approval of the minutes as amended, seconded by Andy. The minutes were approved by unanimous vote.

**Next Meeting** will be scheduled for late May for reserve fund transfers, to hear from Pierce House, and general year-end housekeeping. Nancy Marshall reviewed discussions regarding finding a means to secure better and earlier projections for the LSRHS budget in line with the Statutory Method for apportionment of the LSRHS budget. The general consensus of the FinCom is to facilitate this calculation somehow in early fall.

Motion to adjourn was offered by Jim Hutchinson, seconded by Andy Payne, and the meeting was adjourned with a unanimous vote at 9:15pm.

Respectfully submitted,

Nancy Marshall