

Minutes
Lincoln Finance Committee
Town Offices 2nd Floor Meeting Room
June 05, 2018
7:30 pm

Present: Gina Halsted, Jim Hutchinson (Chair), Nancy Marshall, Andy Payne (vice-Chair), Tom Sander and Elisa Sartori

Absent: Jeff Birchby

Also in attendance: Buck Creel, Administrator for Business and Finance, Lincoln Public Schools; Colleen Wilkins, Finance Director

The meeting commenced at 7:30pm

First topic of consideration was a request from the Lincoln Public Schools to use funds remaining in the FY 18 school operational budget to fund 25 radios that were not approved in the FY19 Capital Request. Buck Creel explained how the radios were needed for security and safety purposes. The original capital request for 62 radios totaled \$55,978. The Capitol Committee had approved the most critical 37 radios for an amount of \$39,104, which was approved at March Town Meeting. The school believes it will have funds remaining in their FY18 operational budget and will be returning \$150-\$200K to the town, which will go into Free Cash. The school was requesting to use \$16,874 of those funds to purchase the remaining 25 radios that were cut from the original request. Mr. Creel noted that the School Committee had endorsed this request and use of funds for the purchase of radios pending approval by the Capital Committee and the Finance Committee. After the committee discussed alternatives and options for the excess operational funds, and agreed in favor of the action, since any capital expenditures that can be done this fiscal year will be beneficial in light of the large capital projects scheduled for next year. After a motion duly moved and seconded, the request was unanimously approved.

Colleen Wilkins shared that the preliminary state Equalized Valuations (EQVs) had just been received and were higher than anticipated. The higher EQV will raise the Town's debt limit by an additional \$10M-\$11M when the EQV is certified in January, 2019. The committee discussed the process that occurs between receiving preliminary and certified EQVs from the State and agreed to update the Special Town Meeting slides and the Frequently Asked Questions to reflect the new information.

The next item on the agenda was a discussion of the June 9th Special Town Meeting. Jim Hutchinson presented the proposed slide deck, which was essentially the same as the slides presented at the May 15 SBC workshop. Committee members provided input and suggested a few wording changes. Gina Halsted requested that slide showing estimated room available under 5% Debt Limit be updated to reflect the preliminary EQV values.

The committee discussed additional questions for the School Building Committee's FAQs. Andy Payne will collect input from committee members and will integrate the edits to the

document.

Elisa Sartori suggested that the Fincom web page have a pointer to the FAQs on the SBC site, Ms. Wilkins will handle.

The suggestion was made to post the Fincom FAQs on the Special Town Meeting web site.

Ms. Sartori presented analysis of escalation rate sensitivity. Ms. Sartori was concerned that the 5% escalation rate assumption for construction costs used in the detailed cost analysis for the five school concepts was too low, although she noted that the SBC cost estimates included a 10% pricing contingency for hard costs. Her analysis determined the escalation sensitivity if hard costs came in as estimated, if they were 5% higher than estimated and if they were 10% higher than estimated (which therefore equals the SBC cost estimates). Her observations were:

- If hard costs come in exactly as estimated, the L3 and C cost will exceed \$97.8M if escalation rate meets or exceeds approximately 9.5% per year.
- If hard costs come in 5% higher than estimated, the \$97.8M budget will be exceeded if the escalation rate meets or exceeds approx. 8% per year.
- If the hard costs come in 10% higher than estimated, the projects will exceed the budget if the escalation rate meets or exceeds approx. 6.5% per year.

The committee thanked Ms. Sartori for the analysis and discussed its implications. The committee concluded that the project is within a reasonable risk profile between now and December.

This prompted a discussion of Fincom's role in the school project going forward. Mr. Payne suggested that escalation analysis will be one of the important blocks of due diligence for the schematic design portion of the project. The committee began discussions about the timing of guidance in the fall. Other decisions will include how we should use stabilization, whether we should delay bonding or lock it in and whether two trenches are preferable over one.

The Minutes of May 22, 2018 were approved as amended.

The meeting adjourned at 9:15pm

Submitted by: Gina Halsted

Approved: