

**Minutes of the Lincoln Finance Committee Meeting
Hearing Room, Lincoln Town Offices
Monday, June 25, 2018**

The meeting was called to order at 7:30pm.

In attendance were Jim Hutchinson (Chair), Andy Payne (Vice-Chair), Elisa Sartori, Gina Halsted, and Nancy Marshall. Jeff Birchby attended remotely by phone. Tom Sander was absent.

Also in attendance were Colleen Wilkins, Town Finance Director, Terry Green, Pam Weismann, both of the Pierce House Committee, and Nancy Beach, Pierce House Manager. Peter Sugar and Barbara Myles attended on behalf of the Lincoln Public Library.

Pierce House Update

The Pierce House Committee, Gina and Ms. Beach provided an update to the Finance Committee. Gina provided handouts which are attached.

One year ago, Terry Green and Pam Weismann came to the FinCom to request a fund transfer to support a financial shortfall. The FinCom voted to support the transfer at that time and requested a re-visit and report on the fiscal health of Pierce House operations in a year.

Presently, the financial picture is quite strong. Events provide Pierce House with the majority of their revenue. \$7-8k is generated annually by the trust fund established by John Pierce through his bequest to the town. \$40k from the town general fund is allocated to Nancy Beach's salary. 63 free events, which are Lincoln Town events, and 59 paid events occurred in FY18. There was a jump in paid events in 2017. Nancy began her tenure in January of 2017.

Outgoings are for Pierce House operations, maintenance and repairs to the historic Pierce House, and some requests have been made to both the CapCom and CPC over the years. Michael Haynes is responsible for capital planning and funding requests. Landscaping and utilities are also expenses.

Pam Weismann reviewed the events leading to today, as outlined in the handout. The reserve fund transfer in 2017 was \$25,000 to cover expenses and to allow a smoother cash flow as Nancy began her work and events began under her tenure, as cash balances had dwindled to a very low level in the last year of the prior management. Many new practices are now in place, including active marketing via a number of outlets, 77 more events have occurred over 2016, and Pierce House has seen a \$77,000 increase in annual revenue, up 43%. Following a long-overdue renovation, a routine, annual assessment of the Manager's apartment and preventative maintenance now takes place. A formal lease is now in place for the apartment and Nancy is considered as a town employee. Nancy was commended for her professionalism, effectiveness and her positive demeanor. There was a \$122,207.61 ending balances for Pierce House for FY18.

Lincoln funded a significant amount of work on Pierce House; Nancy managed the budget and landscaping and worked to establish a good base to get a strong snapshot of what to expect going forward. First Day was cancelled, in great part because of the \$25k fund transfer earlier and a cost of \$5k to run First Day. The town came together to fiscally support the event; reevaluation is taking place going forward for First Day, likely to include support from other town organizations.

4 households have been upset by the noise from events at Pierce House, two of whom are direct abutters. A noise assessment has been conducted and the report has been submitted to the Pierce House Committee for review at their next meeting, with mitigation measures recommended therein. The abutters have requested a revisit to the mission of Pierce House and requested a conclusion of music at 8pm, the latter of which which poses a threat to revenue for the facility. The Pierce House Committee has responded that they wish to be good neighbors and is working on the concern. State noise ordinance is 10db above ambient noise and Nancy is testing events at their peak to assess whether the music is in compliance. Going forward, for any new bookings, the hours will be adjusted to conclude music for 10pm on weekends and holidays. Finally, Nancy Beach has been encouraged by the Pierce House Committee to promote a wide array of alternative events to use the facilities and she is receiving new bookings because of her efforts.

Jim expressed his thanks and that of the FinCom and praised the efforts by the Pierce House Committee and Nancy Beach. He asked whether revenues are likely to increase for FY19. Nancy has struck a new agreement with the tent vendor to receive 20% of all event rental for the tent, she has raised the rates for property rental and kitchen use fees, to be highly competitive with other venues in the area. Question from Jim is whether the Pierce House can sustainably fund the salary for Nancy Beach. Gina reported that Pierce House was self-sustaining until 2005, at which point funds for the manager's salary were requested from the town. The town expressed a desire for Pierce House to be available for Town events, and thus since 2005, \$40k was provided by the town to fund the salary for the manager. A question as to whether Pierce House could return to self-sustenance was asked. Improved financial performance by Pierce House, should it continue, will cover deferred maintenance, including repairing the culvert and re-paving the driveway. In addition, the pond is filling in and creating a need for resolution, and remediation pursuant to the noise assessment will have a cost.

Jim asked for a sense of annual obligated funding for Pierce House, an aggregate amount and time line for capital projects and an actual budget for FY20. 42% of FY2019 weddings are already booked. A request for a return again in June 2019 to cast a longer lens on costs and budgets, and capital expenditures that are on the horizon, with a long-term aspirational goal of a financially self-reliant operation.

Library Reserve Fund Transfer for FY19

Peter Sugar, Library Trustee, and Barbara Myles, Library Director, spoke to the Committee regarding the cracks in the mortar and parapet discs at the Library, causing leaks and interior damage. A quote was obtained for water testing of the parapets and flashing by a building envelope specialist, at a cost of \$7,200 for work over the summer. The library cannot engage in repairs until the source of the leak is determined. Jim and Andy asked what the likely repair expenses may be. Repairs to the parapet are pending the findings of the building envelope specialist, as the flashing may or may not need to be included. Monies may be sought via CPA funds, CPC or reserve fund transfer for one or both projects in the fall.

Jeff Birchby queried why funds from the Library maintenance fund not be spent on this examination of the building, utilizing budgeted funds first and then a reserve fund transfer. Maintenance budgets are due Sept/Oct of prior fiscal year at the commencement of Capital Planning Committee meetings and requests for proposals.

Support for the transfer was voiced, but on a one-time basis, with a suggestion for contingent funds to be embedded into the Library's maintenance budget going forward, particularly given the frequency of annual line item transfer requests from the Library.

Jeff commented that he felt there could be funding already included within the budget to assist in this proposal.

Jim moved that we approve the request, Elisa seconded. A friendly amendment was offered by Jim to request that the Library adjust their budget to increase the line item for maintenance for FY20. Gina seconded. A roll call vote was requested and amended motion for the line item transfer was approved unanimously. Processing for paperwork for the transfer was discussed and resolved.

Reviewing FY17 Audited Financials

Colleen reviewed the types of financial statements, Government wide and Fund and presented a PowerPoint to outline.

GASB 75 regulation governing balances and reporting was discussed. OPEB has its own statement of net position as does the pension obligation statement.

Colleen said that our financial statements are utilized for determining the bond rating for the Town. Jim spoke to the shift that will occur when the bonding passes and the ratings category for management of the bonding will be a strong counterpoint to the drop in liquidity, another ratings category, for the town at that time.

Colleen also spoke to the strategies necessary to be put in place to strengthen the Town's rating score, and listed a set of policies that need to be put into writing. The bond advisor will review and comment on the strategies prior to submission to ratings agencies in the fall. Elisa Sartori offered to assist Colleen in these efforts. Jim commented to the time pressures necessary to codify the policies in time for the bonding vote as well as for the credit rating requirements. A suggestion was offered by Jim for Colleen to draft and/or delegate drafting of the policies by end of summer, for review by the FinCom and vote soon after. The FinCom will then refer the policies to the Board of Selectmen.

Elisa commented positively on the Management Letter and complimented Colleen and the Town for their responsiveness. She raised a few questions regarding clarification of position for the Town relative to the recommendations in the letter.

Elisa queried the CPA firm, whether there is bidding for renewal or whether we have retained them on an ongoing basis. Colleen spoke highly of the firm, of their ready availability and the competitive pricing of their work.

SBC Milestones and FinCom Schedule

Gina spoke to the SBC process being extremely busy over the summer. It is anticipated that schematic design will be in place by the end of the summer, in time to solicit bids in September and bid deadline will be October 17. Each SBC meeting will include a structured format, to facilitate an iterative set of details after each meeting to provide to the architects, which in turn will be the basis for financial estimates for the next meeting.

The value engineering aspect of the process was discussed. The SBC has received a tremendous amount of feedback from citizens that value engineering is a must, with the hope for a possible reduction in overall cost. The question of whether the SBC will be providing value to meet the cost voted or value engineering and possibly reducing the cost was raised and Gina reported that the SBC has not determined which path they will pursue.

Gina also reported that the SBC wants a schedule of FinCom decision-making in parallel to their summer process. Elisa spoke to having consulted the MSBA website, given the FinCom will monitor the building project in a position akin to what the MSBA would have done. There are specified steps in the process and accountability of the OPM to the FinCom to update the FinCom with some regularity. The MSBA is the watchdog for the Commonwealth's majority of school building project. A request that all cost estimation information be shared with the FinCom via Gina as liaison will be lodged with the SBC.

The FinCom will offer an opinion as to how the bonding should proceed, including structuring and frequency to the market. i.e. how many stages of bonding may be optimal. An informal Bonding Group will be assembled to produce draft recommendations for the full FinCom to consider. The SBC had also provided a schedule of payments at one of their meetings, and the FinCom will use that to inform their discussions. The Bonding Group will not need to report back to the FinCom until fall. Jim asked for volunteers for the Bonding Group, aside from him. Elisa volunteered.

FinCom should also continue to "scrub the numbers" on the school building design as December Town meeting looms. Cost estimation review will be ongoing. A process should be established and articulated whereby feedback from those who "scrub the numbers" is given to the SBC and OPM. Andy proposed two workshops, where the preliminary cost estimates are presented from the schematic design, which would be subject to review in Open Meeting, deliberate and allow responses to each of the iterations. Alternatively, Jim suggested that FinCom attend SBC meetings, remain on top of their discussions, and provide real time feedback. He then qualified the suggestion by saying FinCom meetings be called if and when issues arise that require Committee deliberation before providing feedback. The Committee agreed to proceed on this basis.

Elisa volunteered to assist by attending the SBC meetings, and Andy and Jim will provide shared attendance. A digest of salient discussion points will be reported back to Jim by those attending for distribution to the Committee.

Discussion of SBC idea to split school into 2 or 3 pieces for flexibility in financing and future code compliance

Jonathan Dwyer, as a citizen, asked the possibility to consider this proposal. The SBC has offered that the building option voted on June 9 for a single building and the December meeting will be on that basis. There was no appetite for Jonathan's proposal from the SBC given what was voted. Furthermore, it was decided that the FinCom will offer no comment at this time.

Minutes of June 5, 2018

Nancy Marshall moved and Jim seconded approval of the minutes. Elisa asked for a revision of wording to reflect that the 10% cost contingency embedded in SBC estimates was factored into her analysis. Jim will amend the minutes as requested. The minutes, as amended, were approved unanimously.

DeCordova Working Group

Nancy reported that the first meeting had taken place and that everyone had homework assigned about history, Julian DeCordova's bequest, the proposal for merger between the DeCordova and Trustees of Reservations, and assuring the Town's best interest are upheld.

Sub-Committee/Liaisons

Discussion took place about FinCom member assignments and responsibilities. Members were encouraged to speak with the prior holder(s) of that assignment to best determine how to handle the assignment.

CPC Update

Andy has contacted Eric Zimmerman to start the discussion regarding possible use of CPC funds for the school building project.

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Andy Payne moved for adjournment, Jim Hutchinson seconded. The vote was unanimous. The meeting adjourned at 10:09pm.

Respectfully submitted, Nancy Marshall