

Minutes

Lincoln Finance Committee

September 10, 2018

7:30 p.m.

Present: Jeff Birchby, Gina Halsted, Jim Hutchinson (chair), Nancy Marshall, Tom Sander, Andy Payne and Elisa Sartori.

Also in attendance: Town Finance Director, Colleen Wilkins.

The meeting was called to order by Mr. Hutchinson at 7:33 p.m. in the Town Offices, 2nd floor Hearing Room.

FinCom discussion of role in School Project: The view was expressed that people in town are looking for FinCom to lay out a process to track and monitor school spending. FinCom agreed with this sentiment but also noted we should be wary of overpromising what we can do.

- We agreed that the \$750,000 Feasibility Study is far along and Colleen is already checking invoices against the budget. Gina Halsted reported that they are still within budget but there has been insufficient headroom within the Feasibility Study to cover certain larger expenses like further studies on geothermal and hiring a PV installation consultant (expenses not envisioned in original Feasibility Study budget).
- As to expenses once a town approved a project, FinCom is interested in tracking items like cash flow monitoring and how project costs and anticipated costs compare to budget, “scope creep” (e.g., changes in scope order or changes in work), whether the town and workers have the right kinds of insurance, understanding the process of hiring a Commissioning Agent, etc. [It was noted that the Commissioning Agent, who makes sure that the various systems like HVAC, etc. work with one another, was brought on to the Town Building Project too late in the designing and there were problems with system operation.] Jim Hutchinson agreed to share with SBC our interest in tracking such items and will attend a future SBC meeting to let them know that we want to know what reports they are getting and will get, to assess whether FinCom feels that is sufficient, to compare with the level of oversight on an MSBA-funded project, and ensure FinCom is in the information flow. We also will need to have a monitoring plan to report to the town by the December special town meeting. Colleen will continue to monitor disbursements on the Feasibility Study and a future school building project, but we agreed that monitoring by FinCom needs to focus not only on current expenditures which Colleen does but on future forecasts. We agreed that it should be easy for OPM to generate the types of reports that it would typically send MSBA (on an MSBA-funded project), if such reporting is not being done or is not currently planned and FinCom deems it necessary. The goal is not to reinvent reporting or

complicate financial reporting. FinCom agreed that FinCom as a full committee should be reviewing whatever reports it receives in full committee, and if it finds issues of concern, make those concerns known both to SBC and to BOS to consider potential action. We agreed that FinCom should be prepared to give its opinion at the end of cost estimation period and also at special town meeting in December.

- Value Engineering: Various members of FinCom were interested in attending. FinCom will plan an October meeting (see below) to discuss the value engineering reports so that FinCom representatives will be able to discuss these reports with SBC.
- We discussed whether FinCom should have a position on SBC reducing the cost of the school building project. FinCom reaffirmed that we strongly support taking any action to lower the *lifetime* costs of building and maintaining the school building project.
- FinCom also agreed that we should make efforts to find non-appropriated dollars to partially offset some of the school building fund costs. Ideas here include Green Energy committee applying for various funds, encouraging a representative from BOS to approach a senior aide to Rep. Stanley and discuss legislative items coming in the Mass. Legislative calendar that might hold hope for offsetting some of the school building project (based on Stanley's success in getting Lexington a \$1m for their greenway connector idea), considering CPC funding, and possibly considering the \$1m of permitting fees that will come available to Lincoln from the Minuteman construction project once free cash is certified. FinCom members noted that it is possible that the school project might need to be tweaked in order to get such funding and we should consider this as a town. FinCom members did not think it was desirable (even if we could get permission) to divert Chapter 90 funds to be used for the Ballfield Rd. campus since we already have insufficient Ch. 90 funds to maintain other Lincoln roads so this would not create any new additional funding. Andy Payne agreed to talk with Chris Fasciano from CPC to get him thinking about portions of the school building that might be funded by CPC. Jim Hutchinson agreed to talk with Jennifer Glass regarding Rep. Stanley. Colleen noted that were we to use CPC funds, the bonds would have to be drafted in such a way that qualified for CPC funding and note CPC as a funding source. FinCom agreed that using free cash (other than the non-recurring Minuteman fees) would be inadvisable or will dig ourselves into a larger funding hole that we will subsequently have to tax more heavily or seriously cut expenses to get out of.
- Finally, FinCom agreed closer to December to revisit interest rates. Current 30 year AAA muni bond rates are running lower than our financial projections back in March. Based on a decision of when we will bond and whether we will bond in one tranche or two, we may be able to lower our financial forecast, thus lowering the cost to taxpayers.

FinCom Scheduling: we agreed more frequent meetings will be needed this year. Additional meetings will be set: a) between Sept 26-Oct 11 meeting (to review Lincoln Sudbury Special Ed proposal; to go into Exec Session on DeCordova; and to review SBC Value Engineering information); b) a meeting shortly before Oct 17 to do budget setting guidelines and to discuss school building cost estimates before the School Building Committee on Oct 17; c) a Mid-Nov. meeting (to set the content for Dec. Special town meeting, set guidelines for monitoring School costs, and discuss interest rates); d) a meeting the week of Dec. Special Town Meeting (that we can cancel if not needed); e) a First Budget Workshop in 2nd week of

December; and f) a second Budget Workshop: mid- to late-January 2019. Andy Payne agreed to use Doodle Poll to find dates that work well with committee members and Jim Hutchinson and Colleen will check town calendars to find a good date for budget workshops. Nancy Marshall will gather information on the L-S budgeting process to try to ensure that they would have a budget before our second budget workshop.

Meeting with Sudbury FinCom folks: FinCom made an effort last year to reach out to them multiple times about meeting, but not much interest shown on their side. FinCom agreed the ball is in their court if they think a meeting would be helpful.

Recording management policies to boost Lincoln's credit rating. These draft policies (Budget Oversight, Debt Management, Emergency Reserves, Financial Forecasting, and Fraud Policy) are largely trying to document existing practices, although the fraud policy is a new policy (although an implicit practice before). One newer FinCom member noted that it was also helpful for new members to see the process used. We discussed the draft policies circulated. There was some discussion on the Debt Management policy whether the language of provision #4 would limit the ability to repay debts more aggressively on large projects in cases even when the debt levels were not high. Some felt the town should aggressively repay debts where it can; another noted that it is more equitable to have the payment of the costs of long-term projects spread out across the period of time that town residents would benefit from the project. The goal of the policy is not only to help S&P see what we also to give guidance to future FinComs. It was noted that these policies can be tweaked in the future if they do not serve the town or FinCom can choose not to follow their policy, noting why they didn't follow it. It was noted on Financial Forecasting policy that with a school building project we would be violating 3 of 14 stated goals (these terms related to debt levels). We agreed to cite S&P and Moody's documents that note these terms and definitions. Jim Hutchinson moved to adopt the policy drafts as circulated in advance of meeting with the removal of language in section 9 on Debt Management that commits us to 3% debt levels (and notes only that town will provide adequate funding) and on Financial Forecasting we will cite S&P and Moody's document. Colleen Wilkins will finalize Fraud policy (adding a provision on cyber security with Elisa Sartori's help) and Jim Hutchinson will review final Fraud policy. FinCom will adopt any changes to this recommended by Cinder McNerney, town Bond Advisor. Tom Sander seconded. FinCom approved unanimously.

Senior Tax Relief Programs discussion was pushed to next FinCom meeting.

DeCordova update: The DeCordova is struggling financially. Options available to the Town were discussed. Next DeCordova working group meeting will be on September 20th at which time they will go into Exec Session for negotiations. A number of Town Boards have been invited to the meeting to provide input. The ultimate goal is protecting town interests and trying to keep DeCordova operating.

Jim Hutchinson moved we approve **minutes of FinCom of June 25, 2018**. Andy Payne seconded. The minutes were unanimously approved.

Colleen Wilkins provided several **brief financial updates**. There may be a possible reserve fund transfer from two sources: 1) Excessive fire department overtime to make up for 3 personnel who are out (one

on admin leave, two(?) injured on duty), the total extent of this is as of yet unknown; 2) higher than budget (\$20,000-30,000) Building Department subtrades fees that correspond to the \$1m in fees received in FY 2018 from Minuteman, although these subtrade fees are occurring in FY2019. She noted that tax rates will be set tonight. OPEB updated information was sent to actuary; the town should have new valuation by mid-October. Colleen is working on the Balance Sheet.

There being no further business, the meeting was adjourned at 10:03 p.m. (motion by Jim Hutchinson, seconded by Andy Payne, unanimously approved).

Submitted by: Thomas Sander

Approved: