December 16, 2019 Minutes

Finance Committee Meeting

**Present:** Daniel Lewenberg, Patricia-Lee Achorn, Anja Bernier, William Brack, Charles Goodman, Gordon Gladstone, Ira Miller, Edward Philips and Anil Ramoju.

**Absent:** Arnold Cohen,Ann Keitner

Also present: Fred Turkington, Town Administrator and Krishan Gupta, Director of Finance

1. **Discussion of Town Financial Position & Strategy in Advance of Capital Borrowing- Hilltop Securities, Financial Advisor:**

* Kristy Tofuri of Hilltop Securities presented three different structuring options for Town of Sharon’s library and high school debt:
  + Equal Principal versus Level Debt options were compared for borrowing periods of 20 years, 25 years and 30 years:
    1. Total interest costs were estimated for life of the loan for Equal Principal structuring:
       1. 20 years at 2.25% interest rate = $27,168,750 interest
       2. 25 years at 2.50% interest rate = $37,375,000 interest
       3. 30 years at 2.75% interest rate = $49,005,000 interest
    2. Total interest costs were estimated for life of the loan for Level Debt structuring:
       1. 20 years at 2.25% interest rate = $29,078,325 interest
       2. 25 years at 2.50% interest rate = $41,043,875 interest
       3. 30 years at 2.75% interest rate = $55,375,788 interest
    3. A third Hybrid borrowing structure was presented:
       1. 20 year bonds dated 2020 estimated at 2.25% 2021 at 2.75% and 2022 at 3.25% interest rates
       2. Interest = $31,839,575
       3. Interest rates in future years are unknowable, these are estimates
  + Discussion that lower interest rates are achieved by borrowing for a shorter term period, similar to financing a home mortgage.
  + Most of Town’s existing debt has been structured on an Equal Principal basis.
  + Equal Principal is the least cost alternative although it has a heavier burden up front for the beginning years of repayment.
  + Loan calculator that was published is based on a 20-year repayment.
  + Discussion regarding anticipated borrowing for future projects:
    1. Latest enrollment studies end in 2026 and schools feel they can absorb enrollment increases through 2026
    2. Should only have small renovations to DPW, and all other projects including Town Hall and Public Safety are completed
    3. Included in the plan is $2.2 million for converting existing space to classrooms in buildings if needed
  + Current model is to spend the borrowed money and submit for reimbursement monthly from MSBA. Construction contractors will be paid in full over the next 3-5 years until construction is complete, and all funds will be spent within the allowed time limits.
  + Hybrid model allows Town to take advantage of historically low interest rates while spreading out the principal and never exceeding tax target given to taxpayers. Unable to lock in interest rates in this model for the two future borrowings. It is possible interest rates will go up. A prospectus would be issued each year for each borrowing.
  + Target date for borrowing is February 21, 2020.
  + Committee discussed that their responsibility is to make prudent financial decisions for the Town.
    1. Committee members would like to see specific numbers that taxpayers would pay for each of these models.
    2. Krishan Gupta and Fred Turkington stated they would get those numbers and send to the committee.
  + Sharon has a strong bond rating and interest rates are at historic lows. Moody’s and S&P Global Ratings:
    1. Moody’s: Town of Sharon is rated at Aa3
    2. S&P Global Ratings: Town of Sharon is rated at AA

1. **Town Clerk Budget Presentation - Marlene Chused, Town Clerk:**

Ms. Chused was first elected to Town Clerk in 1999 and was the Assistant to the Town Clerk for the 7 years previous to that. She announced that she will be retiring and will not be seeking reelection in 2020.

* The only change she has made to the Town Clerk’s budget is a recommendation that $1,000 be added for travel and conference fees for the next Town Clerk to be certified and receive training.
* Ms. Chused thanked the committee and the public for their support over the years.
* The Town Clerk’s office has completed all outstanding projects including preservation of books and rolling shelves in the new Town Hall.
* Stated that there are few ways to increase revenue for this office, as specific charges are mandated by law. Her office has recently offered dog licenses online and this has resulted in fewer late fees by dog owners. Early voting has had the biggest impact for the Town Clerk’s office in terms of time and expenses and will be offering early voting again in February of 2020 for the presidential primary elections and November of 2020 for the presidential elections.
* The Town Clerk position is open to the public. It is required to be filled by a registered voter in the Town of Sharon.

1. **FY2020 YTD Budget to Actual Update - Krishan Gupta, Finance Director**

5 month budget analysis for FY20 July through November was presented to the committee:

* 1. Expenditures are estimated to be approximately 42% of the budget.
  2. Lake Management department has an anticipated short fall because bills for contracted services came in above anticipated.
  3. Veterans Benefits increased substantially due to providing services to an expanded number of veterans. Providing reimbursements to local veterans for medications, housing assistance and funeral costs, etc. is need based and mandated by state law.
  4. Able to absorb the costs of these overages from other departments.
  5. Last fiscal year there was a give back from the Fire / Ambulance department, the Library and Police and this is anticipated again this year.
  6. Overall the Town is expecting to have a balanced budget for this fiscal year.

1. **Update on Independent School Investigation - Fred Turkington, Town Administrator**

* No new updates from the Special Investigation.
* Bills received so far are $11,300, plus $17,700 from Sarah Worley, for a total of $29,000 received and paid.
* Review of draft report and drafting the executive summary will increase the total investigation to approximately $80,000.
* When total bills are received schools will determine if they can fund it completely.
* Discussion of who is allowed to view the final reports once they are completed. There will be a public summary that will be scrubbed of information that identifies individuals such as potential victims and witnesses so as to be in compliance with HIPAA and other privacy and employment laws.
* Goal is to investigate allegations and determine if procedures were followed. If procedures were followed but were inadequate, there will be a recommendation for best practices going forward.

1. **Preliminary Priorities Committee Update – Fred Turkington and Daniel Lewenberg:**

* The number arrived at to increase sector budgets is 2.94%.
* Dan Lewenberg discussed that Jonathon Hitter of the School Committee recommended having a philosophical discussion regarding what to do with new revenues. One idea is to use half of the revenue to offset capital borrowings. This would be one-time, and not a sustainable practice or a consistent way to withhold the operating budget.
* Need to establish policies around what to do with the new revenues such as from the Gallery, marijuana dispensary, etc. Marijuana community impact fees can only be used for specific purposes.
* Committee would like to look at different models and discuss this further in the future.

# Liaison Updates:

## Sharon Schools - Bill Brack:

* Currently in negotiations for contract that ends in June. Teachers are currently operating under the old agreement because their contract has expired.
  1. Library - Charles Goodman:
* $1.5 million has been collected from MBLC and $221,418 has been spent. Haven’t borrowed yet.
  1. Planning Board
* No updates.
  1. Standing Building Committee - Gordon Gladstone
* No updates.

# Documents Distributed Since the Last Meeting

## S&P Global Ratings: Town of Sharon 2/4/19

* 1. Town Hall Dedication & Open House Dec 19
  2. Estimate for Heights Elementary School Generator Installation
  3. Tax Certificate from New Sharon Bonds 3/6/18
  4. Private Use Memoranda
  5. Archived Benchmarking Files
  6. Materials from Dec 5th Priorities Committee meeting

# Minutes to be Voted: November 25, 2019

Change to meeting minutes: Edward Philips motioned to end the meeting instead of Anil Ramoju.

**Motioned to approve minutes as amended by the chair:** by Patricia-Lee Achorn **Seconded:** William Brack to approve the November 25, 2019 minutes **Voted:** 8-0-0.

# Topics not reasonably anticipated by the Chair in 48 hours

None.

# Adjournment

**Motion:** by Patricia-Lee Achorn **Seconded:** by William Brack to adjourn **Voted:** 8-0-0.

The meeting was adjourned at 10:05 pm.