



Finance Committee

Finance Committee Meeting Minutes
Tuesday, December 1, 2009 @ 5:00 pm
Larkin Hall at the Provincetown Center for Coastal Studies
Called to Order: 5:00 pm

Membership:

P	E	U	Name	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Thomas Coen, Chair	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ann Maguire, Vice Chair	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Virginia Ross	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Thomas Thurston	
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Frederic Biddle	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Philip Gaudiano	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Gabrielle Hanna	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Daniel Hoort	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	David McChesney	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Erik Yingling, Alternate	<input checked="" type="checkbox"/> Voting
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Oliver Kamm, Alternate	<input type="checkbox"/> Voting

(Note: **P** = Present **E** = Excused **U** = Unexcused)

These minutes are in brief format. This meeting was filmed and is available on DVD at the Provincetown Television office.

Also Present:

Michele Couture, BoS Chair	Mary-Jo Avellar, BoS
David Bedard, BoS Vice Chair	Sharon Lynn, Town Manager
Elaine Anderson, BoS	David Gardner, Asst. Town Mgr.
Austin Knight, BoS	Alix Heilala, Finance Director

Order of Business:

1. To review proposed financial policies.
2. To have a preliminary discussion about the FY11 budget.
3. To consider any other business that may legally come before the Finance Committee.

FY11 Budget

Ms. Couture opened the discussion by saying that we do not yet have all of the departmental budgets so it is premature to get into a detailed discussion.

Ms. Lynn gave a brief update on where we stand on the FY11 budget. Department heads have been instructed to submit a level funded budget. She conducted the first departmental budget review this afternoon.

Mr. Knight asked when the FY09 auditor's report will be available. Ms. Lynn said in the February/March timeframe.

Mr. Coen asked when we can expect the school budget request. Ms. Lynn expects to receive it toward the end of the month.

Financial Policies

Cash Reserves Policies

Ms. Couture opened the discussion by saying that the markups in the drafts make it clear what the changes are. She then turned it over to questions and comments from the other selectmen.

Ms. Anderson asked for clarification on stabilization fund limits stated in the first paragraph of the Stabilization Fund Policy. Mr. Coen explained that there are two different legal limits. The first limits the amount that a town can put into its stabilization funds in any one year. The second limits the total amount of stabilization funds' balances at any given time.

Ms. Avellar raised a concern about Town Meeting reaction if we are not able to meet the targets set out in the policies. Ms. Lynn recommended leaving the policies as is since we don't yet know what the budget situation will be.

Mr. Coen noted that the policies act as long-term goals; are consistent with the Department of Revenue and the Government Financial Officers Association's recommendations; and that the voters will likely look on

adoption of these policies as a positive even if we have to deviate from them in practice. Ms. Maguire also noted that the policies should be considered independently of the budget.

At the end of the discussion the consensus was to move forward. It was agreed procedurally that the Committee would vote to recommend, followed by a vote of the selectmen to adopt. Mr. Coen noted that he would make editorial changes to the final version including striking the word “draft”, changing the dates and inserting the final votes.

Motion # 1: To recommend that the Board of Selectmen adopt the Cash Reserves Policies.			
Motion By: Ann Maguire		Second By: Erik Yingling	
For: 5	Against: 0	Abstain: 0	Recuse:

The Board of Selectmen voted 5-0-0 to adopt the policies.

Debt Management Policy

There were no issues or discussion so the voting process moved forward.

Motion # 2: To recommend that the Board of Selectmen adopt the Debt Management Policy.			
Motion By: Gabrielle Hanna		Second By: Philip Gaudio	
For: 5	Against: 0	Abstain: 0	Recuse:

The Board of Selectmen voted 5-0-0 to adopt the policy.

(Copies of the final versions of the policies are attached).

Mr. Bedard thanked the Committee for its work on the policies.

Mr. Coen recommended that the policies be published on the Town’s website in the Finance section. All agreed.

(The Board of Selectmen voted to adjourn).

Other Business

Next Meeting

Mr. Coen suggested that the Committee meet ½ hour earlier (5:00 pm) prior to the December 7 Special Town Meeting to catch up on the review of minutes. Members agreed. Mr. Coen will change the agenda and send out a notice to the Committee members.

STM Article 1 Vote

Mr. Yingling expressed his opposition to STM Article 1 and asked for reconsideration. Mr. Coen explained that this would have to be requested by a member of the Committee who had previously voted to recommend the article. No motion to reconsider was forthcoming. Since the Committee has voted unanimously to support the article, members suggested that Mr. Yingling could express his opposition to the article on the floor of Town Meeting as a private citizen

Next Meeting:	Monday, December 7, 2009 @ 5:00 pm
Adjourn:	5:25 pm
Minutes by:	Thomas Coen

Approved by  on December 8, 2009
 Thomas Coen, Chair



Town of Provincetown Cash Reserves Policies

Policy Goals

The financial health of the Town of Provincetown is of paramount importance to its residents who receive essential services; to its bondholders who provide funding for long-term Town projects; to its vendors who provide services and equipment to the Town; and to its current and retired employees. The Board of Selectmen of the Town of Provincetown has adopted these policies on cash reserves to protect the community from sudden and unexpected changes in revenues or expenses.

Stabilization Fund Policy

A stabilization fund is a fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes. In any one year, a community may appropriate into them an amount not to exceed, in total for all stabilization funds, ten percent (10%) of the prior year's tax levy. In addition, the total of all stabilization fund balances cannot exceed ten percent (10%) of the community's equalized property value. Any interest is added to and becomes a part of the funds. The Town will endeavor to maintain in the Stabilization Fund a minimum amount equal to five percent (5%) of general fund operating revenues.

- In accordance with MGL Ch. 40 §5B - Stabilization Fund, transfers into the Stabilization Fund will require a two-thirds (2/3s) vote of Town Meeting.
- The Town will not use the Stabilization Fund as a source of funding for the annual operating budget, except as a last resort.
- The Town may make withdrawals from the Stabilization Fund for adopted Capital Improvement Projects, provided that they cannot be funded using other available sources; and that such Capital Improvements will be paid for in cash; and that such withdrawals will not bring the balance of the fund below the 5% target.
- The Town may make withdrawals from the Stabilization Fund that will reduce the balance of the fund below the 5% target only in response to extraordinary and unforeseen financial obligations that *pose an immediate threat to the Town's financial stability*, and that cannot be funded in cash using other available sources.

- In accordance with MGL Ch. 40 §5B - Stabilization Fund, withdrawals from the Stabilization Fund will require a two-thirds (2/3s) vote of Town Meeting.
- In the event of a fiscal emergency requiring an immediate withdrawal from the Stabilization Fund, the Town will call an Emergency Town Meeting as quickly as allowed by the Town Charter.
- If and when the Town draws monies from the Stabilization Fund that would reduce the balance of the fund below the 5% target, the Town must also present a plan for replenishing the fund.
- In accordance with MGL Ch. 40 §5B - Stabilization Fund, interest earned on Stabilization Fund balances will be retained in the Stabilization Fund.

General Fund Reserve Fund Policy

To respond to extraordinary and unforeseen financial obligations, the Town has established an annual budget reserve in accordance with the provisions of Massachusetts General Law, Chapter 40, §6. The amount set aside annually within the budget of a town cannot exceed five percent of the tax levy for the preceding year. Only the Finance Committee can approve transfers from the fund.

- The Town will endeavor to fund the Reserve Fund at a minimum level equal to ½ percent (.5%) of the prior year's tax levy, preferably from free cash.
- The Finance Committee will only consider requests for transfers from the Reserve Fund in response to extraordinary and unforeseen financial obligations that must be responded to immediately, and that cannot be deferred until the next scheduled Town Meeting.
- The Finance Committee will not consider any request that is contrary to a decision of Town Meeting.
- Prior to submitting a request for a transfer from the Reserve Fund, the Finance Director will endeavor to identify other available funding sources.
- The Town Manager and the Finance Director will approve all requests for transfers from the Reserve Fund, in writing, before the Finance Committee will consider them.
- The Finance Committee will turn back any unexpended balance at the end of the fiscal year to be included in the calculation of the next fiscal year's free cash.

Free Cash Policy

Free cash is a revenue source which results from the calculation, as of July 1, of a community's remaining, unrestricted funds from operations of the previous fiscal year based on the balance sheet as of June 30. It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line-items for the year just ending, plus unexpended free cash from the previous year. Free cash is offset by property tax receivables and certain deficits, and as a result, can be a negative number.

Cities and towns generally use free cash to support current year operations or as a revenue source for the ensuing year's budget. However, until a balance sheet for the prior year is submitted by Town's auditor and free cash is certified by the Department of Revenue's Director of Accounts, it is not available for use.

- The Town will endeavor to generate annually a certified Free Cash balance equal to at least five percent (5%) general fund operating revenues.
- The Town will avoid relying on Free Cash to fund on-going operating expenses.
- During the current fiscal year, the Town will use Free Cash in excess of the 5% target for non-recurring emergency expenditures; the Town's adopted Capital Improvements Program that will be paid for in cash; or appropriate it to the Stabilization Fund.
- At the Annual Town Meeting, the Town will appropriate all, or a substantial portion, of remaining available Free Cash to the Stabilization Fund; the Town's adopted Capital Improvements Program that will be paid for in cash in the ensuing year; or to the ensuing year's Reserve Fund.

One Time Revenues Policy

By definition, one-time revenues cannot be relied on in future budget periods. A policy on the use of one-time revenues provides guidance to minimize disruptive effects on services due to non-recurrence of these sources.

- The Town will use one-time revenues for the Town's Capital Improvements Program that will be paid for in cash; additions to Stabilization Fund; or as legally restricted to a specific purpose.

Overlay Reserve Fund Policy

Per the requirements of MGL Chapter 59, Section 25, the Overlay is used as a reserve, under the direction of the Board of Assessors, to fund property tax exemptions and abatements resulting from adjustments in valuation.

- The Board of Selectmen will, at the conclusion of each fiscal year, require the Board of Assessors to submit an update of the Overlay reserve for each fiscal year, including, but not limited to, the current balances, amounts of potential abatements, and any transfers between accounts.
- If the balance of any fiscal year overlay exceeds the amount of potential abatements, the Board of Selectmen will request the Board of Assessors to declare those balances surplus, for use in the Town’s Capital Improvement Plan (CIP) or for any other one-time expense.

Review and Amendments to these Policies

- The Board of Selectmen, in cooperation with the Town Manager, the Finance Director and the Finance Committee, will review this policy annually, and make amendments as necessary.
- The Finance Committee will make its recommendation to the Board of Selectmen on any proposed amendments to this policy.
- Adoption of amendments to this policy will require a majority vote of the Board of Selectmen.

Recommended by the Finance Committee on December 1, 2009, by a vote of 5-0-0.

Adopted by the Board of Selectmen on December 1, 2009, by a vote of 5-0-0.

Revision History	
Date Adopted	Summary of Changes
December 1, 2009	Initial version. Finance Committee vote: 5-0-0 Board of Selectmen vote: 5-0-0



Town of Provincetown Debt Management Policy

Policy Goals

Debt is an effective way to finance capital improvements or to even out short-term revenue flows. Properly managed debt preserves our credit rating, provides flexibility in current and future operating budgets, and provides us with long-term assets that maintain or improve our quality of life. To provide for the appropriate issuance and responsible use of debt, the Board of Selectmen of the Town of Provincetown has adopted the following debt management policies.

Use of Debt Financing

- The Town will issue long-term debt only for objects or purposes authorized by state law.
- The Town will not use the proceeds of long-term debt to fund current, ongoing operations.
- The Town may issue short-term debt to finance current operating expenditures only in the event of an extreme financial emergency.
- The Town will confine long-term borrowing to capital improvements and projects that cost at least \$30,000; cannot be financed from current revenues; and have a useful life of at least five years, or will prolong the useful life of a capital asset by at least five years.
- The Town will authorize no new long-term debt without a clear identification of its financing sources.
- On all debt-financed projects, the Town will, to the extent possible, use available funds to reduce the amount of borrowing.
- The Town will fund the remaining balance through a Proposition 2 ½ debt exclusion, not out of General Fund revenues.

- Where possible, the Town will use special assessment, revenues or other self supporting bonds, instead of general obligation bonds.
- To the extent practicable, the Town will set user fees to cover the capital costs of enterprise type services or activities - whether purchased on a pay-as-you-go basis or through debt financing - to avoid imposing a burden on the property tax levy.

Structure and Term of Debt

- When the Town finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project.
- Except for major buildings; water and sewer projects; and land acquisition, the Town will limit bond maturities to no more than ten years.
- The Town will authorize all debt service to have level or declining annual principal payments unless there is a more financially advantageous schedule.
- The Town will attempt to maintain a long-term debt schedule so that at least 50% of outstanding principal will be paid within ten years.
- The Town will retire bond anticipation debt within six months after completion of the project, unless it is financially advantageous to do otherwise.

Debt Limits

- The Town will limit its total debt service, including debt exclusions and self supporting debt, to ten percent of gross revenues.
- The Town will limit total general obligation debt to a maximum of 2.5% of the total assessed value of property in the Town.
- The Town's Finance Director and Treasurer will calculate debt limits established by law and policy at least once each year and whenever otherwise requested or appropriate.

Protection of Bond Rating

- The Town will maintain good communications with bond rating agencies, bond counsel, banks, financial advisors and others involved in debt issuance and management.
- The Town will follow a policy of full disclosure on every financial report and bond prospectus.
- The Town will limit annual increases in debt service to a level that will not materially jeopardize the Town's credit rating.
- The Town will attempt to limit bond sales in any calendar year to \$10,000,000 in order to maintain bank qualifications and thereby receive lower interest rates on bonded debt.

Capital Project Closeout

- The Town will endeavor to closeout all capital projects within six months of completion.
- For those previously authorized bonded projects with residual balances, the Town Manager will propose the reallocation of any balances for other capital projects in conformance with MGL Chapter 44, Section 20.
- For those previously authorized projects funded with available revenue (tax levy or reserves), that have residual balances in excess of \$5,000, the Town Manager will propose the reallocation of these balances for other future capital projects in conformance with MGL Chapter 44, Section 33B.
- For those previously authorized projects funded with available revenue (tax levy or reserves), with residual balances of less than \$5,000, the Finance Director is authorized to close these balances to the appropriate fund surplus.

Annual Reporting

- The Town's annual Town Report; the Town Manager's Budget Request; the Town Manager's Five Year Fiscal Policy Plan; and the Finance Committee's report to the Annual Town Meeting will include comprehensive summaries of the debt obligations of the Town.

Review and Amendments to this Policy

- The Board of Selectmen, in cooperation with the Town Manager, the Finance Director and the Finance Committee, will review this policy annually, and make amendments as necessary.
- The Finance Committee will make its recommendation to the Board of Selectmen on any proposed amendments to this policy.
- Adoption of amendments to this policy will require a majority vote of the Board of Selectmen.

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