

Finance Committee Meeting
 Judge Welsh Meeting Room
 Called to Order: Wednesday, July 16th, 2008 @ 4pm

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"/>	Ruth Gilbert, Vice Chair	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robert Vetrick	
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Virginia Ross	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Thomas Thurston	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Walt Winnowski	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Edward Gage	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Frederic Biddle	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Philip Gaudio	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Gabrielle Hanna, Alternate	<input type="checkbox"/> Voting
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Alfred Tedesco, Alternate	<input type="checkbox"/> Voting

Also Present:

Rex McKinsey, Harbormaster/Pier
 Mgr.
 L. Clingham, Chair., BOD-PPPC
 A. Tarver, Member BOD-PPPC

Order of Business:

1. To continue Fin Com's review of the Provincetown Public Pier Corporation's (PPPC) finances.
2. To review prior meeting minutes.
3. To consider any other business which may legally come before the Finance Committee.

Introduction:

After each committee chair introduced the members present, Mr. Coen outlined the format of the meeting. The topics, in order of discussion, are:

- Topic #1- Questions for the Provincetown Public Pier Corporation (PPPC), as prepared by the Finance Committee workgroup.
- Topic #2- Items for Discussion – PPPC, as prepared by Mr. Gaudiano & presented at the Finance Committee’s June 27th 2008 meeting.

Note: For both topics, the questions & answers presented within the body of this document are as received by the Finance Committee from the PPPC on July 16th 2008. Mr. McKinsey presented the answers to all questions with other PPPC board members providing clarification as necessary. Any comments or discussion by Fin Com members relating to a particular question are footnoted as “FIN COM DISCUSSION”.

Topic #1 -Questions for the Provincetown Public Pier Corporation/Town Finance Director

Prepared by Finance Committee workgroup members Robert Vetrick, Ruth Gilbert, Phil Gaudiano & Tom Coen, July 7, 2008

- 1) **Please Note:** These questions are in addition to those presented by Phil Gaudiano at the Finance Committee’s June 27, 2008 meeting.
- 2) On page 150 of the 2007 Annual Town Report, under Bonded Debt, “USDA - Pier Reconstruction 1,799,734” is listed. Is there other pier reconstruction debt? If so, how much and in which line item is it included?
 - a) On page 148, just below the cited reference there is 2002 general obligation debt of 1,910,000. The USDA was borrowed as anticipated by Chapter 134 of the Acts of 2000 over 40 years of level payments. The GO debt is structured on a declining balance over 17 years. The effect is to raise the cost of borrowing in the early years. These borrowing decisions were not made by the PPPC. As shown on the graph of debt service vs. rent, we do catch up with the debt payments yielding \$1.7 million surplus.
- 3) How many tenants are there on the pier by category (fishermen, commercial, recreational)? What are the dockage fees for each category?
 - a) 2 ferry companies with five-year contracts worth \$35,239 each. They have annual Consumer Price Index increases (CPI) built in.
 - b) 9 float space licenses with a base rate of \$8548 and additional \$75 per passenger seat for vessels over 49 passenger capacities as listed on the Coast Guard Cert. Of Inspection- the only boats with the additional charge are the whale watch boats. The whale watch spaces range from \$18-32,000 each. This is the only tenant group with an option of sub-letting their spaces. PPPC has no control over the sub-let rates they charge and derives no additional rent from this practice.

The license holders have the ability to sell the licensed corporations with little right of the town to refuse and no additional income from the transaction.¹

- c) 38 commercial fishers in the floating docks pay \$53.43 per foot with a 40-foot minimum.
- d) 19 commercial fishers on the fixed piers pay \$38.47 per foot. A second vessel rafted to the first pays \$21.37 per foot.
- e) There are also trapshed artists, dinghy dock tenants, transient vessels, offloading, vending and events.

Please note the odd numbers for rates reflect the PPPC decision several years ago to add an annual CPI formula to these rates. Although there was a recreational rate, everyone on the pier qualifies for commercial rates under the regulations as written.

- 4) How many non-resident fishermen are docked on the east side of the Pier? Are they eligible for the fisherman's rate subsidized by Provincetown? If so, why?
 - a) There is not a residency requirement for the commercial fishers. Previously, there had been "Provincetown based fishers", defined as "living in Provincetown or Truro". The requirement was adjusted during negotiations with BoS/ProFish to "living within 30 minutes of the pier" in recognition of the changing demographics.²
- 5) There are currently several charter fishing boats docked on the east (fisherman's) side of the pier. Please explain the point system that is used to determine their dockage fees and eligibility for docking on the east side.
 - a) The point system, adapted from ProFish, is used to assign boat slips and prioritize new applicants to the floating docks. The goal is to award slips to the commercial vessels most invested in the business. Points are awarded for and confirm valid fishing permits, insurance, commercial registration and activity (or amount of time the boat is out working). Additional points are awarded to vessels with insurance and whose owners live closest to the pier. The requirements are for commercial fishing. The charter boats on the east side are all fishing. There are no charter boats doing birding or non-profit charters from the floating docks.
- 6) How much are we subsidizing the fishermen's ice? How do our rates compare to other piers?
 - a) We are not subsidizing commercial ice. Crystal Ice charges \$56 per ton in New Bedford compared to our \$60 per ton for resident fleet and \$80 for transients. Chatham sells ice by the tote for \$6 while our tote price is \$5.
We also sell ice to bass fishers based on cooler size at \$5-10-15. This segment has been adversely affected by the beach closures for piping plovers.
- 7) What is the fee schedule for special events on the Pier? How many events does the Pier host each year?
 - a) Rates are based on date and either large events up to half the "Tee" or pavilion events. We are promoting the use of the pavilion for smaller events lessening negative impact on the other users of the pier. The pavilion was acquired with grant money and constructed last year. Currently booked or in negotiation are 4 large events (PPPC co-sponsors Blessing of the Fleet and Schooner Regatta) and 8 pavilion events including a wedding in September. Last winter

¹ 3) (b) FIN COM DISCUSSION- Existing Chapter 91 Licenses, 99 year lease agreements, 50% of this tenant group sub-let their float spaces with the typical lease period running 4/1 through 11/30.

² 4) (a) FIN COM DISCUSSION- Possibility of Floating Dock expansion on the east side of the pier. "Regional Pier" philosophy. Mr. Biddle questioned the feasibility of assessing rates based on town usage.

we successfully streamlined the permitting process through Licensing and ZBA to help capture smaller events.

Fee schedule on next page

	Large events	Pavilion events
July 4th week	\$5000	\$1000
High season	\$2500	\$500
Shoulder season	\$1000	\$250

- 8) What is the 2005 baseline mooring fees amount referred to in the lease? What are the CPI adjusted amounts for 2006 – 2008? Do these amounts match what was deposited into the Town’s Municipal Waterways Fund?
- a) The concept was to reward the PPPC for any additional income made from our management of the moorings fees. While we have produced increased mooring fee revenue for the Town, the credit amount would be negligible to us. This year the credit to our account would be less than \$3000. We have not exercised the credit.
 We turn the amounts over to the Town. They are distinctly labeled as mooring fees.³
- 9) Is it legal and appropriate for the Town to appropriate money from the Municipal Waterways Fund (mooring fees) to pay the PPPC for providing Marine Services (often referred to as the Pier Management Fee) as agreed in the Pier lease? Is it allowable for these funds to be used to cover reasonable associated management and administrative costs?
- a) Yes. Right, this qualifies under maintenance, law enforcement, moorings and harbors. In fact, if the Town did not appropriate the money in this way, the Town could not access it otherwise. Unless the Town took on another capital project for the harbor, beaches, piers or wharves.
- 10) Does line item 6006 (Sewage) in the 2007 P&L include both betterment and usage? If the betterment is not included, is the Town (DPW) paying it?
- a) No, 6006 is usage. The grants we were awarded covered the cost to construct these discrete connections so there was no need to finance betterment over 20 years.⁴
- 11) Please explain the Pier’s Capital Asset Replacement Reserve fund accounting.⁵ What is the target balance? How is the reserve fund replenished? What type of capital expenses can be charged to the fund? What is the approval process? Is the fund segregated from other funds in a separate cash account?
- a) The answers to these questions were provided in your binders under master planning process, board policy papers section. (Refer: Provincetown Public Pier Corporation, Capital Reserve Expenses Policy & Procedure)

³ 8) (a) FIN COM DISCUSSION- Mr. Gaudio indicated that Mooring Fees had been recorded into income resulting in PPPC’s income overstated. They in fact should be on the Balance Sheet in a “Due to” account.

⁴ 10) (a) FIN COM DISCUSSION- Mr. McKinsey clarified that Sewer Betterments are covered through grants coming from primarily transportation & Federal EPA programs.

⁵ 11) FIN COM DISCUSSION- Reserve fund is a separate cash fund controlled by the town’s Treasurer’s office maintaining specific reserve balance levels.

Topic #2 - ITEMS FOR DISCUSSION - Provincetown Public Pier Corp.

(As prepared by Mr. Gaudio & presented at the Finance Committee's June 27th 2008 meeting)

Reports used in review:

- 1. Auditors report and statements for 6/30/07.**
- 2. PPPC statement as of 6/2/08**
- 3. Detail accounts receivable listing as of 5/30/08**

Comments:

Cash – Use of term – Cash & Cash equivalents – a/c 1050 – Premium Public – make up of balance at 6/2/08 - \$241,611.23 (at cost or market)

These are generic terms. For us, they are both bank accounts. The Premium Public is a money market account with a slightly higher interest rate. Both accounts are with BankNorth. Interest is credited when earned. Only the Town Treasurer has access to these accounts. Our enabling legislation restricts investments we can make to those of MGL Chapter 44 such as guaranteed by the US Government.

Accounts Receivable

a/c 1700 – Due from Town – Grant Money 6/02/08 - \$20,947.47

Same amount shown as Grant Revenue Y/E 6/30/07 – What for? ⁶

That is correct. This is an amount due from a Clean Vessel Act grant (CVA) in a previous year. We expended the funds from our accounts. The Town received the revenue from the grant but had a problem reimbursing us. This problem carried on for a couple of years. Currently, we post directly to the Town G/L code for that grant.

Sufficiency of allowance for Doubtful Accounts - \$10,000

As of 5/30/08 – Adjusted A/R \$331,142. over 90 days

\$42,537. (12.8% of total) – Chico-Jess

The allowance represents an acknowledgment of the board that some balances must be written off in a given year. The auditors opinion is that the amount is reasonable. This past year write offs were \$7717. In 2006, \$11.300 was written off. Some of those were

⁶ FIN COM DISCUSSION- Accounts Receivable A/C#1700, Mr. Gaudio questioned how this was reflected on the town's balance sheet. Item requires follow-up with Ms. Heilala, Finance Director.

old accounts inherited from Town. Chico Jess will be paid in full- waiting on paperwork, money in escrow with broker.

Other Current Assets

a/c 1399 – Due from Other Governments \$43,399 (6/2/08)

What is it??? (6/30/07 - \$22,451) Is \$20,948 (above) also included?

You are still seeing the CVA grants building from three previous years. As noted above, we have agreed with the Town to change how they are posted. It is still unresolved for these balances. The \$20,948 is included. There is also \$1503.65 taken by the town in excess of costs incurred in '07 in that total.

a/c 1499 – Undeposited Fund \$3,548.

Why????

These are deposits in transit between us in our turnovers and Town making the deposit and giving us the receipt. That transaction was not complete at the time the report was run.⁷

Fixed Assets

a/c 1690 - \$45,833 – Capital Asset Replacement Reserve

Same as depreciation ???

No, this is not the same as depreciation right above it on the balance sheet at 1680.

QuickBooks does not provide for multiple funds, yet we are required to have separate fund for the reserve. We also want to show the monthly accrual on our P&L for our budget. This is reflected in a monthly accrual of 1/12 of \$50,000 to the expense line 6901. The offsetting entry for this accrual is found on the balance sheet at 1690. It is a negative number until the year-end adjustments are made to reclassify it in Balance sheet equity at 3901. While cumbersome, this provides transparency and at year-end is placed in its proper line. Otherwise, this non-income account would not appear on the P&L.

Liabilities

a/c 2005 – Accrued Expense - \$26,475

Same balance as of 6/30/07 – Why?

What does this include

⁷ FIN COM DISCUSSION- Undeposited Funds, A/C#1499, through information coming from Ms. Heilala, Ms. Gilbert indicated that credit card receipts go directly into the General Fund. Requires clarification through Ms. Heilala, Finance Director.

Any list of Accounts Payable?

This is our accrual of benefits in previous years that the Town has not taken. They are medicare/health/retire.

Other Current Liabilities

2050 – Due to other governments	\$25,779
Who?	
2069 – Accrued Payroll	\$7,010.63
2072 – Accrued Retirement Benefits	\$37,733
No change in these accounts from 6/30/07 to 6/2/08	

The two governments in our due to/ due from are us and the Town.

2050 was mooring reimbursement in transit

2069 payroll ended June 30 but not paid until July 14th.

2072 is an accrual for Barnstable County Retirement. This is only an estimate of 10% based on what Town charged us initially. They have not charged us since, but we continued to accrue it.⁸

Profit and Loss

a/c 4060 – Moorings	\$75,050 (6/08)
Not to Town????	

Yes, it goes to Town. We have to account for it because we handle it. It shows up on our income side at 4060. We periodically expense to the Town at 6150. Our year-end adjustments include zero'ing out these two line items because it is not our income.⁹

a/c 4700 – Grant Revenue	\$41,894.95
Related to a/c 1395 – Due from Other Governments	

Correct, this is that grant revenue earned but not received from the town.

a/c 5550 – Management Salaries and a/c 5560 Payroll expenses – staff
List of individuals, responsibility, and amount (YTD)

Harbormaster/MacMillan Pier Manager Grade 11- formerly Marine Superintendent

⁸ FIN COM DISCUSSION- Accrual Accounting issues, does not appear that the Town is collecting on these items with no change in the amounts in almost a 12 month period. Requires clarification through Ms. Heilala, Finance Director.

⁹ FIN COM DISCUSSION- Moorings, A/C# 4060, clarification on an accounting issue, as previous discussed, these are funds due the town & should be reflected on the balance sheet in a “Due To” account.

Rex McKinsey FY08 \$49,000

Administrative Assistant

John Davidson- pay grade F \$16.50 FY08 \$35,130

Assistant Harbormasters without Police Powers Grade F

Duane Steele	\$17.44	Full time year round	FY08 \$39,415
Luis Ribas	\$16.50	Full time year round	FY08 \$34,954

All the following staff works less than 40 hours per week (3-4 shifts ea.)

Rick Silva	\$14.00	Seasonal Assistant relief	FY08 \$15,075
Scott Campbell	\$14.00	Seasonal Assistant	FY08 \$11,436
Warren Costa	\$14.00	Seasonal Assistant	FY08 \$ 3,864

These new hires this season start at the Town Meeting approved Grade F rate

Arthur Reis	\$14.43	Seasonal Assistant	FY08 \$ 1,164
Dick Silva	\$14.43	Seasonal Assistant	FY08 \$ 1,164
John DeMatteis	\$14.43	Seasonal Assistant	FY08 \$ 1,164

Night Watch

Lowell Brundage	\$14.43	Night Watch	FY08 \$ 144
Dan DeGruttola	\$14.43	Night Watch	FY08 \$ 144

When counting staff listed in the Town’s annual report, please note that some members cross from one year to the next in the book, but may not have actually worked both seasons. There are also errors in listing whether seasonal or full time.

a/c 6300 – Lease/Rental payment - \$97,166 (also in accts payable – (6/2/08) –
How determined?

The lease rental payment was determined in the negotiated five-year proforma attached to the lease. The above number represents 11/12th of the total rent payment at the time the report was run in June.

a/c 6896 – Bad Debt - \$7,717 – why not to Reserve?

This is the actual write offs for the year. Most of this is interest charged to very old accounts. We could charge to the reserve at 1115. This way was considered more transparent by the board and auditor. The year-end adjustments will move this.¹⁰

a/c 6900 – Capital Budget Expenses

6901 – Transfer to Cap Replacement Reserve - \$45,833.26

6904 – Trap Shed \$25,350

6906 – Mooring Barge - \$23,860

Should a/c 6904 and 6906 be in Fixed Assets?

Capital reserve has been addressed above. Yes, Trap Shed and Mooring Barge are fixed assets, but during the year, we want to see those items as the separate distinct projects that they are. This was a policy decision of the board. Year –end adjustments move them to fixed assets that will begin their depreciation cycles.

Topic: Management Letter – 6/30/07

Presented by: Mr. McKinsey

Discussion: Status of Previous Year’s Comments & Suggestions

- I. Reconcile activity and record bank accounts with Town on a monthly basis.
Has been on a haphazard basis
Recommendation:
 - 1. Reconciliation process completed on a monthly basis within 30 days of month’s end.
 - 2. Performed on a joint basis to avoid confusion and misinformation
 - 3. All costs being transferred were identified and agreed upon and documented upon presentation for payment.

Also – reconcile cash balances and bank statements on a monthly basis.

Account for all costs incurred by the Town on behalf of the Corporation –
Town’s reconciliation of amounts paid on behalf of Corp. not always complete also not in agreement with Pier Corp. – Amounts to be paid for retirement costs. Pier Corp. should accrue these on a monthly basis.

- II. Minimize use of credit cards by employees
O.K. discontinued use of credit cards.

¹⁰ FIN COM DISCUSSION- Bad Debt, A/C#6896, clarification on an accounting issue, typically this would be a charge against a reserve account.

- III. Continue efforts to provide internal control over cash receipts, billings & collections.

Originally mentioned on 11/10/04.

Limited staff precludes ideal internal control of cash receipts. Have the Board of Directors review commitment of billing, periodic review of accounts receivable, etc.

Internal control over cash receipts will always be a high risk area.

2007 Comments & Suggestions

- IV. Formalize policy for past due accounts and writing off of Bad Debts: Corporation should formalize and document its policies regarding late fees and write off of uncollectible accounts. Should be some level of Board approval.
- V. Review the need for employees to be bonded – Review the need for this coverage and determine if there is coverage at the Town level.
- VI. Policies and procedures of maintenance reserve – Expenditures restricted to “maintenance” expenses which provides a wide interpretation of charges to the reserve. Policy should be documented as to which expenses should be charged to the reserve. Board should be involved in approval of the activity in this account.
- VII. Provide for routine, off-site back up of data. No back up of key data on a routine basis and back-up not always maintained off site. Corp. should review practices and provide for off-site storage of data, backed up on a routine basis.
- VIII. Improve accounting practices on in kind contribution. Not material now, but could be and should be recorded on the books.
- IX. Review liability for compensated absences. Immaterial for 6/30/07, but could be in future. Procedures should be adopted for proper recording of these potential compensated absence liabilities.
- X. Implement of GASB Statement 45 – Work with the Town to see if the calculated liability can be apportioned to the Pier Corporation, as appropriate.

QUESTION – WHAT IS STATUS OF IMPLEMENTING THESE SUGGESTIONS???

Most of these suggestions have been implemented. We share the goal of regular and timely reconciliations with the Town. This can be difficult as the Town Accounting Department has many other responsibilities requiring their attention.

We use triplicate cash receipts and a transaction log as suggested by our auditor. We have a locked drop box for cash and receipts. Access to those keys is limited.

At this point in the meeting, Mr. McKinsey introduced and read the following statement,

Accomplishments of the Pier Corporation

No discussion of the finances and management of this organization would be complete without a look at what we have done. These are the things that may not have happened otherwise. Much of what we do may not directly affect our finances, but relate to the overall financial health of the town.

- We raised rates on the pier. Proper due diligence in our market research allowed us to win when sued over the rate increases. Rates on the pier had not changed in 17 years.
- We instituted automatic CPI indexed increases. This eliminated periodic and contentious rate increase hearings. This also provides our tenants with some certainty for their own planning purposes.
- We have settled the issue of retail on the pier. The concerns of our Lopes Square neighbors were considered and we now promote the arts colony aspect of Provincetown.
- We are changing the reputation of Provincetown Harbor. Once considered unfriendly, changes in staff training, promotional materials and infrastructure improvements have vastly improved the perceptions of the boating public.
- We are responsible for over \$800,000 in grant awards. Ranging from restrooms and transportation terminal to homeland security and environmental projects.
- We have attracted new clients and revenue streams.
- Proactive coordination with other departments and organizations. We are members of the Chamber, PBG, Mass. Marine Trades and Cape & Islands Harbormasters Assoc. These connections leverage our goals.
- We support community building events such as Swim for Life, Portuguese Fest and Schooner Regatta among others.
- We changed the job description of our staff and increased training. This increases our ability to provide in house maintenance, customer service and emergency response.
- We streamlined the permitting process for events on the pier resulting in more events and the income from them.

We have settled so much, but there are real issues that still need our attention. The difficulty comes with our mandate to operate like a business yet being encumbered by the fact that we are a governmental entity.

- The definition of real commercial fishers and real excursion businesses needs more work to ensure the public uses of this pier are in keeping with the commercial needs of the town. Short of requiring tax records, it is difficult to agree on one definition that works without unintended consequences.

- The regulations concerning private transfer of excursion float licenses should be reviewed. The corporations holding those licenses for the excursion float spaces can be transferred or sold privately and the town has little right to refuse or ensure the proper use of the license. The unintended consequence allows trophy homeowners to buy space for trophy boats diluting the attractive mix of boating options for the general public. Additionally, the town derives no financial benefit from the profit of those private transfers. DEP shares our concern for the gentrification of the waterfront and loss of public access to the waters of the Commonwealth.
- Additional retail enhancements are needed both for rental income and adding to the mix of attractions for the public.
- We must continue our diligent efforts to provide for the maintenance of the physical plant.
- We must continue look for savings on the expense side. This includes pursuing green power options, as electricity is a major expense.

Thank you for the time and consideration you have provided during this review.

Closing comments/discussion-

- Ms. Gilbert made a recommendation that Mark Abrahams be utilized in determining whether or not PPPC could move from its Quick Books accounting system to the town’s Munis system.
- Mr. Clingham, on behalf of the PPPC, thanked the Finance Committee for its time and effort extended in this review process as well as acknowledging that certain bookkeeping aspects need correction.
- It was the consensus of the committee that the fact finding portion of the PPPC financial review was substantially complete. Mr. Coen stated that the working group, after receiving comments/recommendations from the Finance Committee at large, would meet (beginning of August) to draft a Final Recommendations/Report on the PPPC review process that has taken place. The final report would then be presented to the Board of Selectmen.
- Mr. Coen thanked Mr. Gage, who is stepping down from the Finance Committee as of August 1st, for his time and service to the committee.

Motion # 1: Motion to Adjourn.			
Motion By: R. Vetrick		Second By: P. Gaudio	
For: 7	Against: 0	Abstain: 0	Recuse: 0

Next Meeting:	Not scheduled
Adjourn:	6:51 pm
Minutes by:	W. Winnowski

Approved by _____ on _____, 2008
Thomas Coen, Chair