



Finance Committee

Finance Committee Meeting
July 25, 2008 @ 8:30 am
Judge Welsh Meeting Room
Called to Order: 8:30 am

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 checked="" type="checkbox"/>	<input type="checkbox"/>	Virginia Ross	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Thomas Thurston	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Walt Winnowski	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Edward Gage	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Frederic Biddle	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Philip Gaudiano	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Gabrielle Hanna, Alternate	<input type="checkbox"/> Voting
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(Open), Alternate	<input type="checkbox"/> Voting

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

Also Present:

Alix Heilala, Finance Director

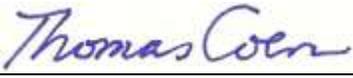
Order of Business:

1. To prepare a draft report on the Committee's findings and recommendations regarding the finances of the Provincetown Public Pier Corporation.

PPPC Report Draft

The Committee's Pier Workgroup reviewed the outline prepared by Mr. Coen and suggested various changes. *(A copy of the updated draft is attached).*

Next Meeting:	August 19, 2008, @ 4:00 pm
Adjourn:	10:00 am
Minutes by:	Thomas Coen

Approved by  on January 7, 2010
Thomas Coen, Chair

Introduction

This section is a placeholder

Special thanks to

Summary

There has been 3 years of sloppy bookkeeping going on with the PCC. Their bookkeeping practices need to be corrected immediately and their reports need to be timely and professional in every aspect

Transparency is essential in everything that goes on at the pier, including their bookkeeping

There is no hidden pockets of money and there is no money missing

Let the PPC get back to work, their entire year has been disrupted by these allegations

We do not recommend that the PCC be dissolved, and we believe that even presently, they are doing a better job of managing the pier that the Selectmen could do, and I say that with all due respect to the Selectmen.

Throughout the process, the Pier has been cooperative

Background

On March 12, 2008 the Finance Committee received a request from the Town Manager to review the financial operation of the Provincetown Public Pier Corporation. This request came about as a result of charges brought by a group of citizens who were concerned about various aspects of the Provincetown Public Pier Corporation's operations. The Committee was in the middle of the FY09 budget review process and did not have the time to immediately undertake a review. The Committee also had concerns about its legal standing to undertake such a review. Therefore, it requested clarification from Town Counsel who later confirmed that the Committee does have legal standing to review the Pier's finances under Massachusetts law.

At the April 2008 Annual Town Meeting, petitioned Article 34 requested that Board of Selectmen dissolve the Provincetown Public Pier Corporation. It failed to pass by a vote of 63 for and 85 against. Nevertheless, the Board of Selectmen believed that the issues raised had sufficient merit to request that the Finance Committee examine the Pier's finances.

In a letter dated April 22, the Town Manager, on behalf of the Board of Selectman, wrote a letter to the Chair of the Pier's Board of Directors requesting the Board's permission to proceed. At its meeting on May 8 the Board agreed to allow the Finance Committee to review its finances by a vote of 5 to 0.

On May 16th, the Chair and the Vice-Chair of the Finance Committee; the Chair and the Treasurer of the Pier's Board of Directors; and the Harbor Master met to agree what background

material the Pier needed to supply to the Committee prior to its first Public Hearing. As requested, we received nine copies of the materials, packaged in 2 ½ " binders, one week prior to the meeting. In addition, we received the following documents

- “The Provincetown Public Pier Corporation - A Failed Experiment” from Ms. Candace Nagle, who is a Pier tenant; and
- A lengthy, untitled document from Mr. Duane Steele, who is a Pier employee.

Copies of these documents were distributed to the members of the Committee to review in preparation for the first Public Hearing.

The Finance Committee held two Public Hearings – the first on June 6th; the second on June 27th. Each meeting lasted approximately 2 hours. All members of the public had ample to speak. In addition to verbal public statements, the Finance Committee received the following:

- An addendum to her earlier document from Ms. Nagle;
- 2 letters from part-time resident Ms. Charlotte Walker via email;
- 1 letter from Mr. Martin Huey, who is a former employee of the Pier, via email; and
- A letter from 35 current tenants of the Pier.

All of these documents are available for review at Town Hall in the Town Clerk’s office.

At the end of the second meeting, the Finance Committee appointed a workgroup to distill all of the charges and concerns into a single document. The workgroup met in public at Town Hall on July 7th to compile the list of questions. These were circulated among the Committee members for comments and suggestions and then submitted to the Pier via email 7 days prior to the next meeting.

The Committee’s third meeting with the Pier took place on July 16th and lasted for two hours. Immediately prior to the meeting the Pier delivered the answers to the workgroup’s questions in writing. Copies were made available to the public. Each of the questions and answers were reviewed and discussed.

At the end of the meeting, the Committee agreed the fact finding phase of its review was substantially complete. The Committee charged the workgroup with drafting its final report and following up on any open issues. The workgroup met on July 25th for two hours to begin that process.

(This section will be updated with the rest of the story).

Throughout the process, the Committee has continued to receive new concerns and requests for information from Ms. Nagle via email. The Committee made its best effort to review, investigate and respond to these requests along the way.

In total, the Finance Committee has spent ____ Total number of hours Individual members has spent additional time with the Town Finance Director, and all members spent on emails, reviewing docs, etc.

Detailed Findings & Recommendations

From the outset, the Finance Committee had made it clear that it would deal only those issues that have financial implications.

Pier Revenue Projections

Charge: Pier revenues have never met the original targets set in either the original 1997 Business Plan or the 2001 Ten Year Fiscal Policy Plan.

Conclusion: TRUE, but ...

Several key assumptions in these documents turned out to be incorrect. Specifically:

- The Fishing industry has not recovered as expected, nor is it likely to do so in the near future;
- Docking fees for fishermen have not risen to market rates. Instead, they continue to be subsidized, as agreed by the Board of Selectmen, Pro-Fish and local fishermen; and
- The ten year fiscal policy plan projected \$150K of “other revenue” with no substantiation whatsoever.

Pier Debt Service

Charge: Rent from the Pier to the Town does not cover the cost of the annual debt service paid by the Town for the rehabilitation of MacMillan Pier as originally envisioned.

Conclusion: TRUE, but ...

The 1997 Business Plan estimated that the Town’s share of the project would be \$2.8M; that annual debt service would be \$150K per year over 40 years; and that the Pier’s projected revenues would be sufficient to pay it in full each year.

All three assumptions turned out to be false. Specifically:

- The Town’s contribution to the rehabilitation project was \$1M more than estimated original business plan -- \$3.8M instead of \$2.8M;
- Instead of financing the debt over 40 years, the Town financed part of it over 17 years on a declining balance basis; and the rest on a straight-line amortization basis over 40 years. As a result, the 17 year loan which runs from 2003 to 2019 has much higher payments in

the early years than in the later years. In the real world, this meant that in the first year the total debt service payment was \$399K, not \$150K as originally projected; and

- As pointed out in the “Pier Revenue Projections” section above, the Pier’s revenues were lower originally projected making it impossible for the Pier to cover the annual debt service payments.

It is important to point out that the Town owns the pier, *not* the Provincetown Public Pier Corporation. Therefore, the debt service is an obligation of the Town *not* the Pier. It is also important to point out that the projected future rent payments by the Pier *will* cover the entire cost of the debt service over 40 years in nominal dollars, but *not* when adjusted for inflation.

Governance Model

Charge: No one from Town Government is adequately overseeing the Provincetown Public Pier Corporation finances.

Conclusion: TRUE

This is a valid charge. In our concluding recommendations, we will make specific recommendations.

In the original enabling legislation – the language was loose – 1 annual meeting with Board of Selectmen required. The Fin Com should then have quarterly reviews of their budget

The PCC should have a budget that comes before fin Com at budget time

Board of Selectmen should take a more active consultative role on policy issues and resolution of management disputes

Mooring Fees

Charge: Mooring Fees are not all being collected and paid to the Town in full. There were questions about the accounting for both credit card payments and cash.

Conclusion: FALSE

Since 2006 all credit card payments go directly into the General Fund. Cash payments, which are less than 20% of the total, are collected at the Harbormaster’s Office and turned over to the Town on a weekly basis, at a minimum. In addition, each payment must be recorded on a triplicate, serialized cash receipt book. All monies are properly accounted for.

Transferred into Municipal Waterways Fund by State Law.

Pier Management Fee

Charge: Mooring Fees are being illegally used pay the Provincetown Public Pier Corporation for providing Harbormaster Services.

Mooring fees are transferred out of the Municipal Waterways fund by a vote of Town Meeting.

The Municipal Waterways Act (all mooring fees and ½ boat excise tax) perfectly legal and appropriate.

Staffing Levels

Charge: Staffing levels on the Pier have ballooned since formation of the Provincetown Public Pier Corporation.

Conclusion: The only addition that has been made since Provincetown Public Pier Corporation is 1 new FT employee (titled admin/bookkeeper).

Has been restored Restoration of the Night Watch staffing during season at request of the Pier Tenants.

Rent Payments

Charge:

Defined in schedule C of lease

Payments have been made

This year pier paid more

Ice?

Bookkeeping

the PPC should immediately hire Mark Abrahams to show them how to convert their QuickBooks accounting system to the MUNIS system that the rest of town uses

It should be determined whether or not the current “administrative assistant” has any qualifications for this job, if not he should be let go and a competent bookkeeper hired

The auditors should not be reconciling the books, this should be being done monthly by the bookkeeper

Look into a collection agency to collect on aged debts from unpaid mooring and dockage fees1. Checks & Balances- That a better system of checks & balances be instituted between instituted & the town's Finance Department. Their reports reviewed more frequently & that better audit trials from both parties be instituted.

2. MUNIS System- That every effort be made to see that Provincetown Public Pier Corporation can utilize the MUNIS System. If not, that their current accounting system (QuickBooks) be reviewed thoroughly to see that they are utilizing it to its fullest & that the town's Finance Department be part of this review.

3. P&L- If they are going to continue to issue interim reports (as they should), that any "pass through" monies (i.e. Mooring Fees) due the town or anyone else for that matter not be run through their P&L Statements. Only income that is due the Provincetown Public Pier Corporation should be reflected in their P&L.

Capital Reserve Fund

Management Issues

Start ticketing illegally parked vehicles on the pier, that revenue should go to the town

Conclusion

Provincetown Public Pier Corporation required by State & Federal agencies (move to conclusion)

Mass development consulting report recommended Provincetown Public Pier Corporation

Private management would not be profitable

Public mission, not private enterprise

Total \$ grants versus Town

In closing, we have now spent, as a full committee or a working group, 4 meetings totaling 10 hours on this complaint. I have spent an additional 2.5 hours with Alex on this, and I am sure that we have all spent 2-3 hours personally compiling our thoughts and comments to report back to the committee. I feel that we have given this assignment serious consideration and even though some people may not like our findings I would strongly challenge anyone to say that we did not do a through investigation of this matter.