



Finance Committee

Finance Committee Meeting Minutes
Wednesday, October 28, 2009 @ 10:00 am
The Rice Library at the Provincetown Center for Coastal Studies
Called to Order: 10:00 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"/>	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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	David McChesney	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Erik Yingling, Alternate	<input type="checkbox"/> Voting
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Oliver Kamm, Alternate	<input checked="" 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:	
Sharon Lynn, Town Manager	Michael Leger, Chair of the Airport Commission
Alix Heilala, Finance Director	Arthur "Butch" Lisenby, Director of Airport Operations

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| <p>Order of Business:</p> <ol style="list-style-type: none"> To hear public statements. To meet with the Chair of the Airport Commission to discuss the possibility of an airport passenger departure fee. To review the draft Debt Management Policy. |
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4. To review the draft Reserves Policies.
5. To review the minutes of prior meetings, as time permits.
6. To consider any other business that may legally come before the Finance Committee.

Public Statements

(There were no public statements.)

Airport Passenger Departure Fee

(Ms. Lynn and Messrs. Leger and Lisenby joined the Committee at the table.)

Mr. Coen noted that this discussion was triggered by a recommendation made by the Committee for the Town to look into the feasibility of implementing an airport departure fee to cover the full cost of Transportation Safety Authority (TSA) mandated police details. The TSA caps reimbursement at \$24.97 per hour versus the \$35 rate negotiated with the police. The difference amounts to approximately \$19,000 annually that the Town has to cover.

Mr. Leger told the Committee that he and the Town Manager had discussed the possibility of a fee with Cape Air CEO Dan Wolf. Mr. Wolf indicated that he was open to the possibility of financial assistance to the Town. However, the implementation of a passenger service charge (PSC) for this purpose is not allowable. Proceeds of a PSC must be used for a specific project, not for general operating costs.

Ms. Lynn noted that the Town has had conversations with TSA, federal and local officials to try to address the funding gap problem. None of them seem interested in picking up the cause. On the plus side, the Town has negotiated a flexible response system with the TSA that runs from December 1 to April. Under that agreement, the Provincetown police guarantee a 15 minute maximum response to any incident at the airport.

Mr. Coen asked whether police airport details could be staffed as part of the regular schedule if police dept were fully staffed. Ms. Lynn responded that it would depend on the police department staffing levels. Ms. Lynn and Mr. Coen agreed that this would be could be a point of discussion during the upcoming budget hearings.

A number of other topics were touched on during the discussion, including:

- Airport's 10 year master plan:
 - 5-years into the plan we have received more than \$2M in grants for environment studies and other improvements.
 - Over the next 5 years, \$8M in federal grants is anticipated under the FAA's Airport Improvement Program (AIP).
 - TSA has picked up all of the approved airport security improvements for the next 5 years – roughly \$514K per year.
- Cape Air's ridership:
 - 9/11 and the introduction of high speed ferries has had a negative affect.
 - The airport needs to maintain at least 10,000 annual passengers to qualify for AIP funds. We are hovering around that number.
- Cape Air's 20 year lease:
 - It was signed in 1997.
 - Cape Air put up \$170K for terminal reconstruction.
 - Cape Air pays \$1200/month fixed fee + \$2,000/month rent, linked to the CPI. The current monthly payment is approximately \$3,500.
 - Installation of the fuel farm is being financed the same way as the terminal reconstruction.

Debt Management Policy

The Committee reviewed the draft Debt Management Policy document (*attached*) and agreed on several revisions.

Reserves Policies

The Committee also reviewed the draft Reserves Policies (*attached*) and agreed on several revisions. The most significant was to include a section on

Enterprise Funds’ Emergency Reserves which are equivalent to the General Fund Reserve Fund that the Finance Committee administers. It was also agreed to add explanatory information for each type of reserve.

Mr. Coen will incorporate the revisions to both policies into “final” drafts and circulate them to the Committee members, the Town Manager and Finance Director for comment. The “final” versions will be included in the Board of Selectmen’s packet for the joint meeting on November 9th.

Minutes

Motion # 1: To approve the minutes of the October 21 st meeting, as amended.			
Motion By: Ann Maguire		Second By: Gabrielle Hanna	
For: 4	Against: 0	Abstain: 3	Recuse:

Other Business

Year-to-date Revenue Budgets Update

Ms. Heilala reviews the reports on the Town’s year-to-date actual versus estimated local receipts and quarterly rooms tax receipts (*attached*). With regard to estimated local receipts – motor vehicle excise taxes, Truro tuition payments and investment income will likely come up short. First quarter rooms tax receipts are also off from last year by 6.21%.

Upcoming Meetings

The Board of Selectmen recently voted to hold another Special Town Meeting on December 7th. The main article will be to eliminate the Civil Service requirement for Police Department employees.

The Town Charter requires that the Committee hold a public hearing on the warrant articles that must be posted at least 14 days in advance. The Committee must also publish its report and recommendations to the voters no

later than seven days prior to a Town Meeting. Due to the Thanksgiving holiday, this means that the booklet must be completed by Wednesday, November 25th.

After some discussion, the Committee agreed to hold the required public hearing on Monday, November 23rd, at 3:30 pm. This will also allow for another joint meeting with the Board of Selectmen on the draft policies at 5:00 pm the same evening, if possible.

Next Meeting:	Monday, November 9, 2009 @ 3:30 pm
Adjourn:	11:18 am
Minutes by:	Thomas Coen

Approved by  on December 8, 2009
Thomas Coen, Chair

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 have 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 and water and sewer projects, the Town 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 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 10 years.
- The Town will retire bond anticipation debt within six months after completion of the project.

Debt Limits

- The Town will limit total debt service, including debt exclusions and self supporting debt, to 10 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 these 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 and the Finance Committee will review this policy periodically, and amend it as appropriate.
- Amendments to this policy document will require a majority vote of the Board of Selectmen and a majority vote of the Finance Committee.

Recommended by the Finance Committee on _____ by a vote of _____

Adopted by the Board of Selectmen on _____ by a vote of _____

Cash Reserves Policies

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. These policies on cash reserves are designed to protect the community from sudden and unexpected changes in revenues or expenses.

Stabilization Fund Policy

1. The Town will endeavor to maintain in the Stabilization Fund a minimum amount equal to five percent (5%) of general fund operating revenues.
2. In accordance with ~~MGL _____~~, MGL Ch. 40 §5B - Stabilization Fund, transfers into the Stabilization Fund will require a two-thirds (2/3s) vote of Town Meeting.
3. The Town will not use the Stabilization Fund as a source of funding for the annual operating budget.
4. 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.
5. 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.
6. In accordance with ~~MGL _____~~, MGL Ch. 40 §5B - Stabilization Fund, withdrawals from the Stabilization Fund will require a two-thirds (2/3s) vote of Town Meeting.
7. In the event of a fiscal emergency requiring an immediate withdrawal from the Stabilization Fund, the Town will call an emergency Town Meeting ~~within two weeks,~~ ~~or as quickly as possible in compliance with state law~~ and the Town Charter.
8. 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.
9. Interest earned on Stabilization Fund balances will be retained in the Stabilization Fund.

10. Amendments to this policy will require a majority vote of the Board of Selectmen and a majority vote of the Finance Committee.

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, Section 6. Under the provisions of the law, only the Finance Committee can approve transfers from the fund.

1. The Town will endeavor to fund the Reserve Fund at a minimum level equal to ½ percent (.5%) of the prior year's net revenue, preferably from free cash.
1. 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.
2. The Finance Committee will not consider any request that is contrary to a decision of Town Meeting.
3. Prior to submitting a request for a transfer from the Reserve Fund, the Finance Director will endeavor to identify other available funding sources.
4. The Town Manager and the Finance Director must approve all requests for transfers from the Reserve Fund, in writing, before the Finance Committee will consider them.
5. 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.
6. Amendments to this policy document will require a majority vote of the Finance Committee.

Free Cash Policy

1. The Town will endeavor to generate annually a certified Free Cash balance equal to at least five percent (5%) general fund operating revenues.
2. The Town will avoid relying on Free Cash to fund on-going operating expenses.
3. 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; appropriate it to the Stabilization Fund; or appropriate it to the Reserve Fund.

4. At the Annual Town Meeting, the Town will appropriate all, or a substantial portion, of remaining available Free Cash for the Stabilization Fund; the Town's adopted Capital Improvements Program that will be paid for in cash; or the Reserve Fund.
5. Amendments to this policy will require a majority vote of the Board of Selectmen and a majority vote of the Finance Committee.

One Time Revenues Policy

1. The Town will use one-time revenues for the Town's Capital Improvements Program that will be paid for in cash; additions to Reserve 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.

1. 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.
2. 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.
3. Amendments to this policy document will require a majority vote of the Board of Selectmen and a majority vote of the Finance Committee.

Enterprise Fund Emergency Reserves

Emergency reserve, like the general fund reserve fund (MGL 40, Section 5A or Section 6), the is an appropriation available to meet unanticipated spending needs that may arise during the course of the year and require immediate action. Following the same guidelines set forth in the general fund, the reserve may be transferred by the city council/finance committee action rather than having to wait for the next scheduled legislative meeting. There should be no direct charge for the emergency reserve rather the auditor/accountant should transfer the amounts to the line item as stated in the approved transfer. At the close of the fiscal year, any remaining balance in this emergency reserve would close to the enterprise fund balance.

AS of 23rd.
Oct.

26-Oct

Estimated Local Receipts

	FY08 Actual	FY09 Actual	FY10 Estimate	FY10 YTD	Comments
1 Motor Vehicle excise	469,356.84	399,239.81	400,000.00	36,900.44	estimate short; need to evaluate for FY2010
2 Other excise	382,311.87	374,345.67	375,000.00	144,583.64	Boat Excise & Rooms Tax
3 Penalties and interest on taxes/excise	99,842.84	99,151.20	95,000.00	47,060.69	
4 Payment in Lieu	1,633.00	6,651.24	6,000.00	2,980.33	
5 Charges for Services-water	-	-	-	-	
6 Charges for Services-sewer	-	-	-	-	
7 Charges for Services-hospital	11,091.04	5,000.00	-	-	Not expecting any additional payments
8 Charges for Services-trash disposal	258,198.19	286,121.87	295,000.00	150,879.92	2 payments in FY08; probable to rcv 2 in FY10
9 Charges for Services-other	12,600.00	-	6,300.00	-	
10 Fees	10,202.08	7,462.86	7,500.00	3,685.35	
11 Rentals	123,648.06	166,288.62	160,000.00	22,577.32	
12 Departmental Revenue; School	580,302.96	529,452.84	265,000.00	43,882.80	will only be 180,000
13 Departmental Revenue; Libraries	3,987.70	5,079.60	5,000.00	1,668.00	Transition
14 Departmental Revenue; Cemeteries	12,000.00	10,250.00	7,500.00	1,525.00	
15 Departmental Revenue; Recreation	-	-	-	-	
16 Other Departmental Revenue	1,491,462.29	1,558,913.04	1,500,000.00	1,032,007.18	Parking = 1,350,000
17 Licenses and permits	581,959.23	536,703.66	535,000.00	133,661.53	
18 Special Assessments	-	-	-	-	
19 Fines and Forfeits	176,319.53	191,649.55	190,000.00	95,441.64	
20 Investment Income	167,671.00	107,536.98	105,000.00	13,217.31	estimate short; need to evaluate for FY2010
21 Miscellaneous recurring	3,565.04	16,759.14	7,000.00	2,227.38	
22 Miscellaneous non-recurring	158,879.00	474,142.36	119,500.00	52,810.20	
Total Unallocated Receipts	4,545,030.67	4,774,748.44	4,078,800.00	1,785,108.73	

Year to Date Rooms Tax Receipts

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	\$ 09-10	% 09-10
September	392,096	394,096	\$403,556	\$393,020	\$449,645	\$429,018	\$402,379	-26,639	-6.21%
December	433,186	458,126	432,684	418,955	455,940	497,247		-497,247	-100.00%
March	70,572	54,134	79,011	51,293	91,411	41,718		-41,718	-100.00%
June	53,903	41,043	48,312	70,619	48,002	54,745		-54,745	-100.00%
TOTAL	\$949,759	\$947,399	\$963,563	\$933,887	\$1,044,998	\$1,022,728	\$402,379	(\$620,349)	-59.36%

Allocations

WWEF	\$181,641.41	\$181,190.06	\$184,281.42	\$178,605.89	\$199,855.87	\$195,596.73	\$76,954.98
VSB	\$427,391.55	\$425,329.55	\$433,603.35	\$420,249.15	\$470,249.10	\$460,227.60	\$181,070.55
GenFund	\$340,726.04	\$339,879.39	\$345,678.23	\$335,031.96	\$374,893.03	\$366,903.67	\$144,353.47