



TOWN OF EAST LONGMEADOW
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TOWN COUNCIL

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FINANCIAL OVERSIGHT COMMITTEE MEETING MINUTES

June 10, 2019 at 11:00 A.M

Council on Aging Conference Room, 60 Center Square
East Longmeadow, Massachusetts 01028

Present: Committee Chair Christine Saulnier, Jim Broderick, Councilor Tom O'Connor, Council President Kathy Hill

Chair Saulnier opened the meeting at 11:00 a.m.

Chair Saulnier said she would like the Committee to approve the minutes for the following meetings: April 18, 22, and 26, and May 3, 6, 8, and 13. Mr. Broderick said he has not had a chance to review the minutes, nor had Councilor O'Connor. The Committee tabled the approval of those minutes until Vice President Kane could be present and they were able to be reviewed by Mr. Broderick and Councilor O'Connor.

Chair Saulnier said at this meeting the Committee will discuss the budget motions that were to be read at the Town Council meeting that evening. She commented to "raise and appropriate" means the money is coming from taxation, and the source has to be named. Motion #11 reads "I move the Town Council vote to raise and appropriate \$56,712.86 to be added to the Stabilization Fund Account (#8216) for the purpose of setting aside funds for future expenditures." Chair Saulnier said the source is not named; whether it's being taken from taxation or free cash.

President Hill said that was a good point. She said when she and Town Clerk/Clerk of the Council Tom Florence were reviewing the motion, Town Manager Denise Menard had joined them and they had discussed this. President Hill said, unless she's looking at the motion incorrectly, she always thought the stabilization account was like a rainy day fund, and used if needed. She also said that she made it clear to Ms. D. Menard that she is taking direction from the Financial Oversight Committee, and will stay with its recommendations.

Chair Saulnier said, regarding Motion #11, she wouldn't want to raise the money from taxation, and would suggest it come from free cash. Mr. Broderick said he didn't have an issue with that. The advantage in stabilization is it's actually an account and is made available to the Town, without waiting for certification and doesn't disappear.

Councilor O'Connor said he is not in favor mainly because this was part of some last minute information received. The Financial Oversight Committee was not notified of this earlier, and now they are getting another motion late to fix a problem that doesn't exist. Mr. Broderick commented that it was done at the "eleventh hour" by circumstances of balancing the budget. Chair Saulnier said that when they were trying

to finalize their recommendations Finance Director Sara Menard wasn't available. Again, she would suggest taking the money from free cash, and President Hill agreed.

Councilor O'Connor asked if that would affect the decision they already made to appropriate funds from free cash for the police station feasibility study and the voting machines. Chair Saulnier replied no, this would be in addition to that. Councilor O'Connor then said Motion #11 doesn't stand as it is, and President Hill said it needs to be changed. Chair Saulnier said that Motion #11 should say "vote from free cash", not "raise and appropriate".

Chair Saulnier said, in the spirit of compromise and thinking of the \$1.5M for the Other Post-Employment Benefits (OPEB), Ms. S. Menard hinted that turn backs from departments would not be as substantial as past years. Therefore, would they be better off to leave a cushion of \$100K so when Ms. S. Menard does Schedule A it will show that amount of money. The Committee agreed to discuss this when Ms. S. Menard joined them at this meeting, and began to review the motions to be presented to the Council at their June 11 meeting.

Motion #1 - I move the Town Council vote to appropriate \$116,158.00 by borrowing or otherwise for the construction, reconstruction and/or maintenance of public ways, to be expended under the jurisdiction of the Department of Public Works and said sum to be reimbursed by the Commonwealth of Massachusetts.

Chair Saulnier said she is assuming this is referring to extra Chapter 90 money, and President Hill replied, yes. Chair Saulnier then said the money has to be appropriated before the Town gets reimbursed, and this money is in addition to \$538K.

President Hill said this is what happens when you depend on department heads to build an agenda for the Town Council. The motions appear the Friday before a Tuesday meeting. She has had discussions with Ms. D. Menard about this; that when you have an agenda item with a motion, back up documents should be provided. President Hill felt that the department heads need basic instruction for motions. It is very technical and one word can destroy the intent of a project.

Motion #2 - I move to approve that the Town enter into copier lease contracts up to five years in accordance with MGL Chapter 30B Section 12(b).

Councilor O'Connor asked for what purpose is this motion, and President Hill replied that when there is a lease for five years, consent from the appropriate authority is required by the state. You get a better deal with a five year lease. Councilor O'Connor said in the past there have always been escalation costs, and he thought long term leases aren't always the best deal. Mr. Broderick commented that the motion is just to grant authority to go to a five year lease if it's a better deal.

Chair Saulnier set Motion #3 aside until Ms. S. Menard was able to join them.

Motion #4 - I move the Town Council vote to fund from Sewer Free Cash \$149,500.00 for the Springfield Water and Sewer true-up.

President Hill said this is a reconciliation of what the Town gets billed. Councilor O'Connor asked if this had anything to do with the bill that was late. Chair Saulnier said this is a reconciliation of billing and just housekeeping for the bookkeeping. Councilor O'Connor felt he still wanted an explanation.

Motion #5 - I move the Town Council vote to approve the Water, Sewer, Stormwater Services Asset Management Plan Development project for \$140,000.00.

Mr. Broderick said this looks as though this motion is related to Motion #6. President Hill said they have to establish and approve the plan, and then appropriate the funding, which is in Motion #6. She told Ms. S. Menard that this is a new topic for the Council and should've come to them in April.

Motion #6 - I move the Town Council vote and appropriate from Sewer Free Cash \$140,000.00 for the Water, Sewer, Stormwater Services Asset Management Plan Development project.
See Motion #5.

Motion #7 - I move the Town Council vote and appropriate from MGM Casino Mitigation Funds \$45,000.00 to purchase and equip a pick-up truck for the Police department.
President Hill said this motion had been forgotten at the Council's last meeting.

Motion #8 - I move the Town Council vote and appropriate from Free Cash \$25,000.00 to fund a feasibility study of the expansion/renovation of the police department building at 160 Somers Road.
No comments from the Committee

Motion #9 - I move the Town Council vote from Free Cash \$26,000.00 to purchase and equip five voting machines with cases, warranties, and training, net of trade-in credits.
No comments from the Committee

The Committee discussed free cash and the funding from free cash for the police station feasibility study and the voting machines. President Hill said once those motions are approved, she would instruct the Clerk to move forward with the purchase of the machines and Police Chief Jeff Dalessio to move forward with the feasibility study.

Motion #10 – I approve that the Town enter into leasing agreements of tower sites for wireless service antennas up to 5 years, with the right to extend the agreement for additional five-year terms, in accordance with MGL Chapter 30B Section 12(b).

Mr. Broderick commented that this was a "sister motion" to the copier lease. Chair Saulnier thought the lease was just renewed, and asked who would have done that. President Hill replied that it might be the Town Manager. Chair Saulnier asked if there was an escalation clause, and President Hill said she didn't know, and per the Charter, the Town Manager negotiates contracts.

Chair Saulnier said she didn't want the Town to end up short, and the lease should go up 2-2.5% each year. Mr. Broderick said the Town Council authorizes the money, but asked does the Town Manager then do the negotiations, and approve and execute the contract? President Hill said the Town Manager could negotiate, but it would be nice to see the contract in executive session to see what's been done. She added that there are no checks and balances in the Charter.

Regarding Motion #11, Mr. Broderick commented that this is where he was off by \$60K in his calculations for deferred positions. Councilor O'Connor said he is not in favor of last minute changes, and it's not the way a \$60M business should be run.

Mr. Broderick said he has a slightly different take, and said they never discussed the pros and cons of funding \$1M (for OPEB). Ms. S. Menard had plugged in that figure and that is what the Town Council approved last year. Mr. Broderick said Ms. S. Menard would analyze this every year to decide how much to transfer and was looking at the Committee's recommendation to zero it out of the operating budget. He assumed she would have made some kind of analysis for this year. Councilor O'Connor said it is still a timing issue that he is not willing to waive.

Chair Saulnier asked President Hill if she had received any information regarding OPEB and President Hill replied that she did not. Councilor O'Connor said moving \$1.1M was approved and voted on.

At this point, Ms. S. Menard arrived at the meeting. Chair Saulnier asked Ms. S. Menard about Motion #3, and asked her why she thought \$2M is safe to transfer, and the Committee had already approved \$1.1M.

Ms. S. Menard said she typically transfers \$1M but hadn't done a recommendation for the current year. She added that last year she had also requested \$2M but the Town Council had decided only to transfer \$1M. This is the third year in a row there is an extra \$1M in free cash, so rather than have the money sit there, she wants to transfer it to OPEB so the trust can grow a lot faster. She said the Town has barely spent anything this year from free cash, and there is still a very healthy cushion in 2020. If \$2.7M remained there, whatever is turned back will be a huge amount, and she didn't think it was financially responsible to do that.

Ms. S. Menard continued and said by putting money in the trust now, it saves taxpayers' money down the road. Money can be taken out at any time as long as it relates to retirees' expenses, but that wouldn't be financially responsible. We want the money to grow and be self-funding, and she is trying to plan for the long term. She felt that transferring \$2M to OPEB would be financially prudent in planning for the long term.

Chris Saulnier asked Ms. S. Menard if she felt confident with her prediction of low turn backs from the departments, and a balance of \$540K in free cash. Ms. S. Menard said if they get \$0 back, there is still \$540K and it has barely been touched. Realistically, it wouldn't be putting the Town in a bad spot, and they still have the stabilization fund. It's not like last year when there were contracts being budgeted after the fact, and there is nothing unusual at this point that she can see.

President Hill said that last year there were turn backs, and Ms. S. Menard said she didn't think they'll be as large as last year, but did she have a sense of what they would be. Ms. S. Menard replied no, and in year-end training she encouraged departments to spend only on necessary items until June 30. She won't have a good sense of turn backs until more of the invoices are in. There will be a little cushion in Human Resources, but she doesn't know how much.

Chair Saulnier asked Ms. S. Menard if the Town Council was not amenable to the \$2M, would she be amenable to \$1.5M. Ms. S. Menard asked Chair Saulnier what is the justification of \$1.5M. Chair Saulnier replied to have money in free cash when Ms. S. Menard does Schedule A. She had read recently in the DLS City & Town publication that you should be at 5% for free cash and the stabilization fund. Mr. Broderick had done an analysis and came up with 5.5%, which is good. Chair Saulnier said that was the only reason she was raising the question. Ms. S. Menard said even with her \$2M recommendation, the Town is not hurting in any way.

Mr. Broderick suggested doing the transfer in two steps, and asked if it made sense do a transfer twice, or a supplemental transfer. Ms. S. Menard said you can do the transfer any time, but the Town Council doesn't seem like they are comfortable making an OPEB transfer half way through the year. July 1 is the valuation date for actuarial calculations. Mr. Broderick said if \$500K is put in after certification in the fall, you won't get credit until the next July. Ms. S. Menard said when she did bonding in the fall and met with Moody's, she was told East Longmeadow is a model community of how OPEB is being funded. Especially compared to neighboring communities, East Longmeadow is in a much better spot, and she doesn't want to lose that momentum.

Councilor O'Connor asked why it grows differently than free cash; is there different interest? Ms. S. Menard replied that OPEB is invested differently because it is a longer term investment and the interest stays with it, and that is why free cash does not grow. Councilor O'Connor then asked where does the interest earned show up, and Ms. S. Menard said on Page 3 of the budget submitted on April 29 in the Bank Interest line. Part of the \$90K for the FY20 recommended amount is where the interest would go.

Councilor O'Connor referred to the police station feasibility study and voting machines coming from free cash that total \$51K, and asked if that would affect the OPEB transfer. If another \$900K is taken from free cash does it affect the funding, and Ms. S. Menard said it did not. Councilor O'Connor then stated that they are not going to vote again. They would accept the Financial Oversight Committee's recommendation given to the Council on May 21. Ms. S. Menard said the Town Council did not vote on the OPEB transfer.

Mr. Broderick said he did not look at it the same way Councilor O'Connor did. The recommendation was more informational, and the Town Council approved the Committee's recommendation, but the \$1.1M recommendation wasn't considered a hard vote. Mr. Broderick said the motion would have to be \$2M from free cash, and Ms. S. Menard said she didn't want to mess up the template packet, which is why she put \$0 for the amount in the first set of motions presented to the Council on May 28.

There was discussion about the format of the motion going forward, and Chair Saulnier said the Town Council has to concur tomorrow night what amount they want to transfer. Councilor O'Connor said that is true, but the Committee had voted on \$1.1 during discussion and now it's \$2M. Mr. Broderick said he thought it was good rationale as to why it's different. President Hill said the Council can explain the difference in the amount once it's on the table, and Ms. S. Menard can explain the rationale.

Chair Saulnier said if there's \$600K left in free cash and it rolls over at some point, she would feel better if there would be another \$1.5M in free cash next year. That is why she asked for any ideas of projections. Mr. Broderick said, for him, he would be very comfortable at \$1.6M, and he has always been more conservative. However, he could go with the \$2M transfer, as well.

Referring to Motion #4, Councilor O'Connor said that should have been paid in November, and they're just getting it now. Ms. S. Menard said it's a true –up and it is not late. The Town has been paying bills all along. This bill was discussed in the fall, and again in January when going over unexpected things while talking about the financial status of the Town. Councilor O'Connor asked where it came from, and Ms. S. Menard said it was this year. It does not affect the operating budget's free cash, but affects sewer's free cash. It has to be taken care of before June 30, and she will explain this to the Council tomorrow night. Mr. Broderick said, based on that, he is okay with the motion.

There was discussion regarding Motion #11, and Ms. S. Menard said it was her recommendation to raise and appropriate so it all stays together, but if the Financial Oversight Committee or the Town Council wants to recommend from free cash, that is okay.

Chair Saulnier said the Council had voted to raise and appropriate \$43K for the stabilization fund instead of \$100K. Mr. Broderick said it's really a question of if you leave it and don't fund \$100K like it's done every year. He added that it's the Committee's preference to have it come from free cash.

President Hill said she will convey to the Council that the Financial Oversight Committee is now recommending the \$2M transfer to OPEB.

Referring to Motion #5 which raised and appropriated various funds for capital projects voted on at the May 28 meeting, Chair Saulnier asked if that vote should have had any clarification. Ms. S. Menard said within that vote there is a phrase that "set forth in the chart published with the Presentation, a copy of which is attached to this motion and is made a part hereof by reference", which is sufficient for clarification.

Relative to the voting machines and police station feasibility study being purchased from free cash, President Hill said that Town Clerk/Clerk of the Council Tom Florence and Police Chief Jeff Dalessio can

initiate those purchases the day after the Council approves them. Ms. S. Menard said they still have to follow all the procurement rules, but yes, they can start looking at those and start gathering information.

Chair Saulnier asked about the items funded by the casino mitigation funds, and Ms. S. Menard said the same as the voting machines and feasibility study; those projects can be initiated once approved. However, she wanted to stress that because the requested procurement manager position was cut, a lot of those processes are changing significantly. President Hill commented that the department heads will have to work closely with Ms. S. Menard when pursuing those approved purchases.

Motion: Mr. Broderick made a motion to adjourn at 12:26 p.m. Councilor O'Connor seconded and all were in favor.

Respectfully submitted,

Jeanne R. Quaglietti
Assistant Town Clerk