

## **Audit Committee Meeting Minutes**

Monday, April 11<sup>th</sup>, 2016, 6:30 PM at Town Hall Meeting Room

### Attendees:

Voting Members: Charlie McAlister, John Spinney, Gary Whitehouse

Ex-Officio Members: Bill Keegan, Randy Scollins

Guests: Bernie Dumont, Lorraine Newell, Lisa Sinkus, Bill Yukna

### Absent:

Voting Members: Larry Thomas, Brian Walton

Ex-Officio Members: Debbie Spinelli

The meeting was called to order at 6:31pm.

It was announced that Brian Walton was relocating out of the area and would not be able to complete his term as Chair of the Audit Committee. The Committee was in agreement that they would wait until July to announce a new Chair and add a fifth member. There will be four voting members until then.

The Committee reviewed and unanimously accepted the January 11<sup>th</sup> meeting minutes. This motion was made by Charlie and seconded by Gary.

The bulk of the meeting was dedicated to reviewing a draft of the Town's proposed financial policies. These policies have been in the planning process for quite some time now, and are finally coming to fruition for the following reasons:

- Bond rating agencies have noted their absence and we have been planning to have them adopted before we go out to borrow later this Spring;
- Foxborough recently signed a Community Compact with the Commonwealth of Massachusetts, wherein the Town of Foxborough pledges to adopt the following best practice:
  - Financial Policies: There are documented fiscal policies including reserve levels, capital financing, and use of Free Cash.

The draft package that was distributed contained the 10 page financial policy document and "Scorecards" (Debt & Reserves Status Updates) for FY2014 and 2015. Also included for reference were: Reserve Fund Balance Trends FY2002-15; Debt Service FY2005-16; Annual Town Meeting Appropriations FY1997-2016; and Free Cash Certifications & Uses FY2006-16. The Town Treasurer's Investment Policy, the Town OPEB Trust Investment Policy Statement and Selectmen's Policy on Local Option Meals Tax were also included for the Committee's information.

The Board noted that the word "shall" was used consistently throughout the document and there was some concern that this would tie our hands. Randy noted that in some cases it was used purposefully, while other instances could probably be changed to "may". This would be reflected in the revised draft.

The following aspects of the financial policies were discussed during the meeting, with Randy providing clarification on the specifics as they pertain to our internal policies and in relation to what ratings agencies are typically looking for:

- Free Cash
  - An explanation of and the history of its use
  - “Recharge” from uncommitted local receipts
- Capital & Core Stabilization
  - Sources and Uses
  - Service cuts and/or reducing for capital to repay - must generate free cash
  - Any “tapping” of Core Stabilization is a disclosure event
  - \$100K in capital stabilization seems low
  - Bill Keegan would like to start a Capital Building Fund
- OPEB contributions
  - Good use of meal’s tax
  - Planning to increase our contribution in FY ‘17
  - Foxborough balances are higher than most other towns
  - Actuarial updates required every two years
  - Fully funded by 2038
- Overlay Reserves
  - Currently a fixed dollar amount, not a percentage, and is year specific
  - Driven by real costs: exemptions and abatements
  - Add D) to “Surplus overlay funds shall only be appropriated for the following one-time purposes:
    - “Consulting for Assessors/Re-Valuation
  - Why such a large range? Set by Finance Director and Board of Assessors
    - New growth is variable: Never truly know until it’s certified in the Fall
- Ambulance Receipts
  - Currently set based on a % above Medicare rates
  - Keeps our ambulances running and prevents them from being a capital drain on the Town
  - Department is dependent; Contract could be re-negotiated if levels fall
- Debt Management Policy
  - Lengthy discussion about debt as a % of EQV
  - 2.5% is a standard “ceiling” threshold which should not concern ratings agencies
  - Our new possible “ceiling” would be \$65M if we maxed out
  - Excluded debt range stays at between 2-7% (removing not-to-exceed 8%)
    - Even with Burrell School renovations, we would only be at 4.8%
  - Leaving included debt at between 0-2%
    - At 1.3% with new Town Hall
  - Total equalized value of assessed property in Foxborough totaled \$2.7B in FY15

The policies will be updated to incorporate these changes and distributed prior to our next scheduled meeting on Tuesday, April 26<sup>th</sup>, at 6:30pm in the Selectmen's Meeting Room. A vote to endorse the policies will be taken at that time.

With that, the policies will be presented to the Advisory Committee in April, the School Committee and Board of Selectmen in May for their endorsement. We are targeting to complete this process before we go out to borrow in early June.

Charlie McAllister moved to adjourn the meeting at 8:25; seconded by Gary Whitehouse.

Accepted on 4-26-16 by vote of 2-0-1