



# The TOWN OF NORWOOD

Commonwealth of Massachusetts

## FINANCE COMMISSION

JOHN W. HAYES  
JOSEPH P. GREELEY

JUDITH A. LANGONE  
CHAIR

ANNE MARIE HALEY  
ALAN D. SLATER

### ***FINANCE COMMISSION MEETING***

Meeting, Wednesday, February 22, 2017 at 5:30 pm in the Robert M. Thornton Room,  
Town Hall, 566 Washington Street, Norwood, Massachusetts.

#### A G E N D A

- 5:30 pm Acceptance of minutes from Tuesday, February 14, 2017
- 5:30 pm Meeting with auditors Frank Biron and Jennifer Reddington of Melanson Heath
- 6:15 pm Discussion of need for Interest Appropriation for Fiscal 2017
- 6:25 pm Discussion of recommendation for Fiscal 2018 Capital Outlay Target
- 6:35 pm Other business

#### **RESERVE FUND**

Reserve Fund ATM Appropriation:	\$125,000
Treasurer Departmental Salaries	(15,340)
Wiring Inspector Salary	<u>(2,000)</u>
Current balance	<u>\$107,660</u>

#### Information handouts:

Letter to Board of Selectmen related to Interest Appropriation

#### Personnel Board Information:

- Notice of Hearing on Proposed Travel Policy
- Updated Position Descriptions
- Library Comparable Towns
- Water Meter Repairman Reclassification



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DRAFT

### **FINANCE COMMISSION MEETING Tuesday, February 14, 2017 MINUTES OF MEETING**

A meeting of the Finance Commission was held at 3:15 pm, Tuesday February 14, 2017 in the Robert M. Thornton Room, Town Hall. Attending the meeting were members Judith Langone, Chair, Alan Slater, Vice-Chair, Anne Haley and Joseph Greeley supported by Tom McQuaid, Clerk to the Finance Commission. The purpose of the meeting was to hold budget hearings for the Norwood Public Schools for the Fiscal 2018 budget.

Ms. Haley asked for a change to the wording in the minutes of 2/2/2017 within the building inspector discussion. Change is "inspector" to "personnel" twice in a sentence. On a motion by Mrs. Haley, seconded by Mr. Slater the 2/2/2017 Minutes as amended were

***unanimously approved 4-0.***

On a motion by Mr. Greeley, seconded by Mr. Slater, the minutes of 2/8/17 were

***unanimously approved 4-0.***

Jim Gormley, School Committee Chairman was accompanied by Board Members Maev Bodenhoffer & Patrick McDonough and Jim Hayden, Superintendent of Schools. Mr. Hayden led the presentation of the budget proposal and delineated reductions in the request that have already been made.

Revenues available to the Schools for the Fiscal 2018 budget currently are \$42,412,864. This represents an increase of 3.7% over the Fiscal 2017 budget. The initial request of the Schools was \$44,757,799 therefore the School Committee must reduce its request by \$2,344,935. To date, the School Committee has identified \$561,854 of cuts.

The current School Committee proposal anticipates \$1,300,000 in Circuit Breaker money from the State. These are the funds that help to mitigate out-of-district tuition costs for Special Education. The Finance Commission feels this assumption is too conservative and they have asked the School Committee to increase the projection. Any increase in Circuit Breaker translates to less cost cutting in the Fiscal 2018 budget. If the Finance Commission agrees the



increased assumptions are reasonable, the Commission is willing to guarantee the funds up to that amount.

The School Committee is scheduled to meet Wednesday March 1, 2017 to vote on additional cuts. Those numbers will be reported to the Budget Balancing Committee at its Monday, March 6, 2017 meeting.

Mrs. Langone is still hopeful some additional funds (or cuts in shared costs) will materialize in the coming weeks.

After thanking the School Committee for coming, the Commission began a discussion of setting targets for Capital Outlay Expenditures. Mr. McQuaid stated that currently the Schools are requesting \$1.1 million, General Government \$2.9 million, St Gabriel's Chapel \$1.5 million for a total request of \$5.5 million. Mr. McQuaid suggested that the Chapel be deferred for a few years until the Community Preservation Act generates funds. Mr. Hall was recognized from the audience and he stated that is not a practical solution as only \$650,000 might be available in Fiscal 2019 and that amount must cover historical, recreational and open space.

Commission Members expressed the desire to use Free Cash for a high proportion of capital expenditures to ease the burden on debt service. Since debt service is a shared cost all non-utility debt reduces the funds available to schools by 55% and general government 45%. Further discussion is warranted.

Mr. McQuaid distributed a Fiscal 2017 projection of activities for the Airport. This had been requested by the Finance Commission at its budget hearing. The report projects revenues of \$346,827 and expenses of \$344,316. In addition, the Airport has \$861,950 in active grants from federal and state sources.

There being no other business, on a motion by Mr. Slater, seconded by Mrs. Haley it was ***Voted Unanimously 4-0*** to adjourn at 4:59 pm.

A True Copy

Attest: \_\_\_\_\_  
Thomas J. McQuaid, CPA, Clerk-Finance Commission



# The TOWN OF NORWOOD

*Commonwealth of Massachusetts*

TREASURER AND COLLECTOR

Robert J. Marsh

ASSISTANT TREASURER

Eileen P. Hickey

February 14, 2017

Allan Howard, Chairman  
Board of Selectmen  
Town of Norwood  
566 Washington Street  
Norwood, MA 02062

Dear Mr. Howard,

I am writing to the Board of Selectmen to make you aware that we have a shortfall of approximately \$395,000 in the interest budget for the present Fiscal Year 2017. This is related to the \$43.1m bond deal that we completed in July 2016.

As a result of historically low interest rates First Southwest, our financial adviser, recommended we role the amounts authorized at the May 2016 Annual Town Meeting (new money) into the borrowing (refinancing existing bonds and bond anticipation notes) that occurred July 28, 2016. This new money caused us to incur interest expense in January 2017 that was not anticipated during the Fiscal 2017 budget approval process. Ordinarily, when we authorize borrowing at the Annual Town Meeting we purposely do not borrow until after midway through the next fiscal year. By using this borrowing delay tactic we can avoid both principal and interest payments during the subsequent fiscal year.

Unfortunately, when First Southwest made the recommendation to borrow the additional funds they did not effectively communicate to us that additional funds would need to be appropriated during Fiscal 2017. If they had, we could have encumbered the unspent interest appropriation of \$491,657 that we turned back at the end of Fiscal 2016 as a result of delaying this bond deal into Fiscal 2017.

FYI, our Financial Adviser, Peter Frazier, consulted with bond counsel at Locke Lord, LLP who informed us that MGL Chapter 44, Section 19 authorizes payment of interest in advance of an appropriation. Please see attachments from Bond Counsel. We are making the current interest payment to maintain our record of paying debt service in a timely manner. We are current with all bond payments.





# The TOWN OF NORWOOD

*Commonwealth of Massachusetts*

TREASURER AND COLLECTOR

Robert J. Marsh

ASSISTANT TREASURER

Eileen P. Hickey

I have consulted with Tom McQuaid, Town Clerk & Accountant and he recommends we appropriate the additional funds from Free Cash that we returned from the unspent interest appropriation from Fiscal 2016 at the upcoming May Special Town Meeting. This opinion is supported in Peter Frazier's letter as he discussed the issue with the Department of Revenue's Bill Arrigal.

I am seeking an article at the May Special Town Meeting in the amount of Interest Expense of \$395,000. I am available should you have any further questions.

Sincerely,

Robert Marsh  
Treasurer and Collector

cc: John Carroll  
Bernie Cooper  
Thomas McQuaid  
Judith Langone

Town of Norwood  
\$43.1 M Bond Deal  
July 2016

		Millions \$ Income (Expense)
July 2016	Bond Sale of \$43.1m - including Refinance Bonds, BANs and New Money Bonds (Historically low interest rates and synergy of combining these bonds produced income to the town as listed below)	
	1 Refinancing bond income (reduced rates over remaining life of loan)	3.0
	2 Bond Premium income (to free cash effective in Fiscal 2018)	1.7
	3 Rolling Bond deal from Fiscal 2016 to Fiscal 2017 produced unspent interest (free cash) (Should have been encumbered to fund Unbudgeted Interest for 'New Money' below)	0.5
	Total Income to Town	<u>5.2</u>
February 2017 May 2017	Unbudgeted Interest for 'New Money' from \$43.1m Bond Deal in July 2016 (Will require a STM Appropriation from Free Cash in May 2017)	-0.4
	Total Net Bond Deal Income to the Town of Norwood	<u><u>4.8</u></u>

## Peter Frazier (HTS)

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**From:** McDonough, Brenda <Brenda.McDonough@lockelord.com>  
**Sent:** Friday, February 10, 2017 5:35 PM  
**To:** Peter Frazier (HTS)  
**Cc:** Adams, Kara; Manley, Richard  
**Subject:** Payment of Debt Service [ED-01.FID1018712]  
**Attachments:** 65530340\_1-Payment of Debt Service without appropriation.DOCX

Peter – I am attaching the relevant sections of law, and have highlighted what is the most important. The premise is that the assessors shall include debt service on bonds in the levy, such that if the levy was insufficient, I believe it would have to come from some other budget item. Cities and towns are directed to provide for the payment of their debts in annual amounts, which amounts shall without further vote be assessed until the debt is extinguished. Pursuant to these provisions, debt service is part of the levy whether specified or not. I am ccing Rick here in case he looks at his email over the weekend; perhaps he could be more eloquent on this point! Let me know if you need anything further. Feel free to call my cell if you need to (774)254-6839.

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"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns since the last preceding annual assessment and not provided for therein, of all amounts required by law to be raised by taxation by said towns during said year, of all debt and interest charges matured and maturing during the next fiscal year ..." Ch. 59, Sec. 23

"Cities, towns and districts shall not issue any notes payable on demand, but shall provide for the payment of all debts . . . by annual payments that will extinguish the same at maturity . . . and these annual amounts, together with the interest on all debts, shall, without further vote, be assessed until the debt is extinguished." Ch. 44, Sec. 19

"The auditor or similar officer in cities, the town accountant in towns having such an officer, the treasurer in all other towns, or the prudential committee, if any, otherwise the commissioners in a district, shall, not later than May first of each year, notify the board of assessors in writing of the amount of debt falling due during the next financial year, the sinking fund requirements, if any, and what provision has been made for meeting such requirements; and the board shall make such provision for meeting said debt and sinking fund requirements in the tax levy of that year as in its judgment may be necessary." Ch. 44, Sec. 16'



# FirstSouthwest



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617-619-4411 Fax

Peter Frazier  
Managing Director

[peter.frazier@hilltopsecurities.com](mailto:peter.frazier@hilltopsecurities.com)

February 13, 2017

Mr. Robert Marsh  
Town Treasurer  
Town Offices  
566 Washington Street  
Norwood, Massachusetts 02062

**Subj: Payment of Unbudgeted Debt Service**

Dear Mr. Marsh:

As discussed, the Town issued bonds in July 2016, after the 2017 budget was passed, that have a payment due in fiscal year 2017. In order to properly provide for the unbudgeted payment of \$394,893.55, Bill Arrigal, Massachusetts Department of Revenue, indicated that the Town should appropriate an amount sufficient to cover the deficit from available funds (Free Cash or Stabilization Funds) at their next town meeting.

As you recall, historically low interest rates prevailing in the summer of 2016 provided the Town with an opportunity to refinance portions of a bond issue originally issued in 2009 and generate debt service savings of approximately \$2,988,173 over the remaining life of the 2009 bonds. In order to further take advantage of the low interest rate environment, the Town chose to accelerate the issuance of bonds for new money projects totaling \$21,715,200 after town meeting had passed the budget for fiscal year 2017. By issuing bonds in July of 2016 instead of the originally planned issuance in January 2017, a first net semi-annual interest payment of approximately \$352,368 was payable in January 2017 (fiscal year 2017) instead of July 2017 (fiscal year 2018). In addition, we encountered \$42,525.55 of interest on miscellaneous items.

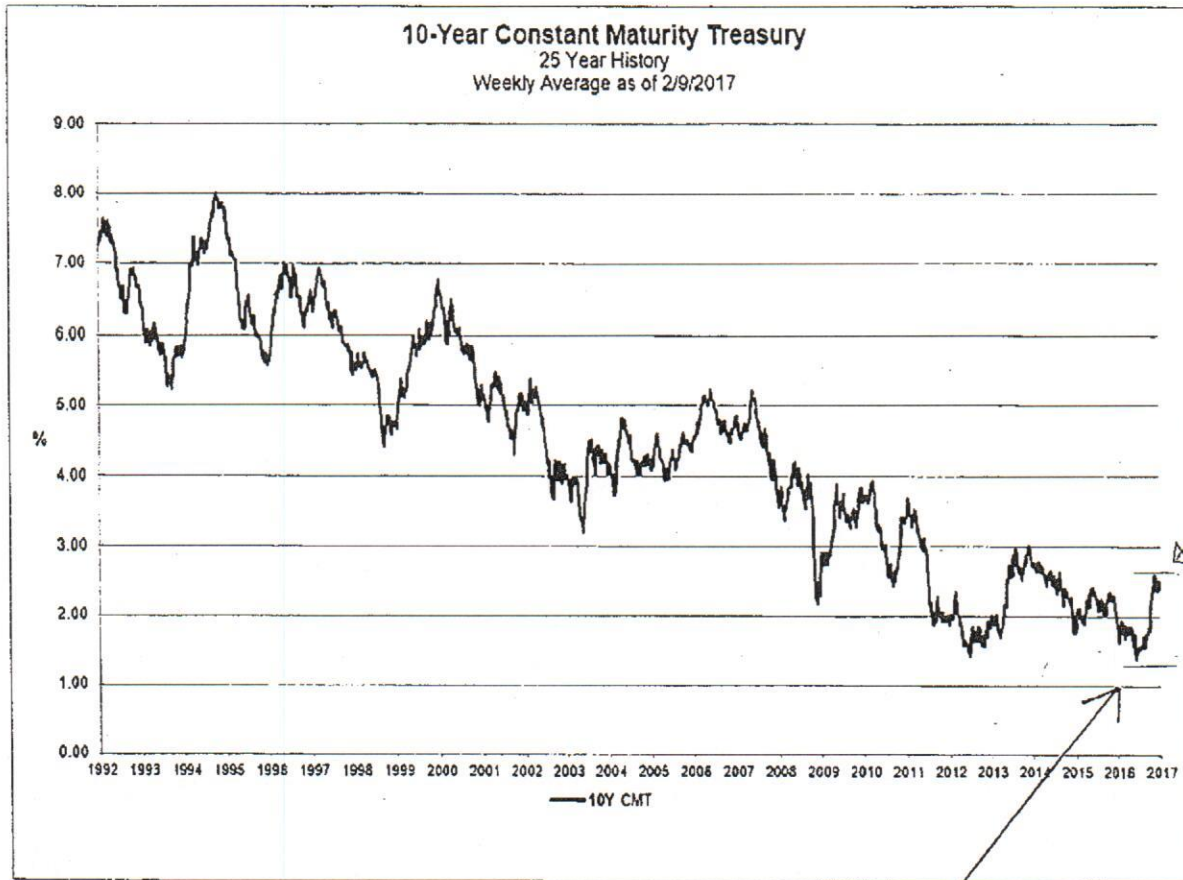
Had the Town opted to issue the new money bonds now, in a higher interest rate environment, instead of last summer, it is estimated that the Town would pay approximately \$655,000 in additional interest over the life of the new money bonds.

I have attached emails from Locke Lord, the Town's Bond Counsel, concerning the authority to make debt service payments whether or not the payments have been budgeted.

Please call with any questions.

Sincerely yours,

Peter Frazier  
Managing Director



RATES HAVE RISEN SINCE BEGINNING  
February 2017

TOWN BORROWING at lowest interest Rate  
July 2016