



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, Thursday, March 16, 2017 at 5:30 pm in the Robert M. Thornton Room, Town Hall, 566 Washington Street, Norwood, MA 02062

A G E N D A

- 5:30 pm Acceptance of minutes from Wednesday, February 22, 2017
- 5:30 pm Budget Hearing – Blue Hills Regional School
- 6:00 pm Reserve Fund Transfer Request for Snow Removal at Airport
- 6:05 pm Review of Budget Balancing Committee decisions of March 6
- 6:30 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>



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FINANCE COMMISSION MEETING Wednesday, February 22, 2017 MINUTES OF MEETING

A meeting of the Finance Commission was held at 5:30 pm, Wednesday February 22, 2017 in the Robert M. Thornton Room, Town Hall. Attending the meeting were members Judith Langone, Chair, Anne Haley and Joseph Greeley supported by Tom McQuaid, Clerk to the Finance Commission. The main purpose of the meeting was to discuss the results of the Fiscal 2016 with auditors Frank Biron and Jen Reddington from Melanson Heath.

On a motion by Mr. Greeley, seconded by Mrs. Haley the 2/14/2017 Minutes were
unanimously approved 4-0.

Frank Biron, President and Jen Reddington, Manager made the presentation of the audit results to the Finance Commission. Ms. Reddington stated that the Town had received a "clean" opinion which is the best possible result. Page 12 of the audit shows the position of the Town in a one-day snap shop in accordance with Generally Accepted Accounting Principles (GAAP). The auditors highlighted the Other Post-Employment Benefits due employees of \$36,828,959. This is the promise of Health and Dental payments for future retirees that exceed the balance funded. Additionally, the excess pension liability is \$43,181,633. The components of these liabilities are more fully explained in the footnotes beginning on page 48.

Page 14 indicates the most important number on the financial statements, Fund Balances Unassigned of \$8,204,008. This is the beginning number in the calculation of Free Cash. It represents the amount of funds the Town has that are not specifically reserved for other specific items. This figure is made up of the Stabilization fund of \$3,589,000 and other funds. The \$8,204,000 is 6.7% of the annual operating budget (not including utilities) and is within the 5-10% range desired by bond rating agencies.

Page 18 shows that the Town used \$2,172,626 of Free Cash during Fiscal 2016. It also shows the Town turned back \$2,010,759 of unused funds that included \$499,999 related to debt service. Page 19 shows the year-end snapshot of assets and liabilities of the Light Department and Broadband. Page 20 shows income and expense on a GAAP basis for Light and Broadband. "Transfers out" to General Operations was \$8,772,747 which includes \$1,100,000 of Payments in Lieu of Taxes (PILOT).

The auditors next gave the Commission an update on its side-letter recommendations to Management related to the Fiscal 2015 audit. Those recommendations included:

Develop Departmental Receipts Policies and Procedures – This task was completed and implemented in Fiscal 2016. Require Dual signatures – This was implemented in most cases but more work is needed in the Treasurer's office. Additionally two entries were made within the Accounting Department without a second signature. Light / Broadband handling of deposits should be improved. Management took care of this by having all payments go directly to the Treasurer's office. Several issues in the Treasurer's area were addressed and corrected by management. The Deputy Collector currently collects fees directly and the auditors prefer the payments go through the Warrant process like all other invoices. Management is designing a plan to implement this in Fiscal 2017. Recreation pool passes should be pre numbered – This was instituted for Fiscal 2016. The auditors recommended, and management implemented a system that prohibits reimbursement from petty cash without prior permission to spend funds. The auditors found the Recreation Department had not fully complied. Management will revisit this in Fiscal 2017. The Contributory Retirement Board received several recommendations which have not been fully implemented. Management will address these issues in Fiscal 2017. The auditors pointed out that Department Directors should not be approving their own reimbursements. Management fixed this problem in Fiscal 2016 by the adoption of an expense reimbursement policy.

The auditors briefly explained the contents of the Fiscal 2016 side letter which is currently awaiting management's response. Topic included:

Dual signatures for approval

Timeliness of bank reconciliations

Being prepared for the implementation of GASB 74 and 75 for OPEB

Preparing for New Single Audit Guidelines over Procurement

Documenting Policies and Procedures over Federal Awards

Other issues in Light / Broadband, Treasurer Collector, Recreation, and Council on Aging, Contributory Retirement, centralization of procurement documents and reconciliation of street betterments

Mrs. Langone asked the auditors how Norwood's accounting and software systems compare to other Towns. Mr. Biron explained that it will be necessary for Norwood to move to State mandated Uniform Massachusetts Accounting System (UMAS) accounting system which segregates activities by fund. Norwood is still on the Statutory Accounting System which most towns moved away from starting in the 1970s. Additionally, most Towns have moved to commercially produced integrated accounting packages such as MUNIS.

Mr. McQuaid stated that the School Department has been urging the Town to move to the MUNIS system as it fully complies with DESE requirements. According to Ann Marie Ellis, Director of Finances for the Schools, in Fiscal 2019 DESE will require automatic population of its

reports from School financial systems. Currently the Town's system is not set up to comply with this requirement. Mr. Biron suggested that Norwood consider hiring a consultant that specialized in systems to help the Town to create, articulate and implement a path moving forward.

Mrs. Langone asked Melanson Heath to incorporate those recommendations into the side letter. She thanked Mr. Biron and Ms. Reddington for its excellent report and service to the Town.

The Finance Commission turned its attention to a letter from Treasurer Robert Marsh which expressed the need for a Special Town Meeting Article to appropriated \$395,000 for interest in Fiscal 2017. This is due to early interest created during a refunding process that saved the Town \$5.2 million. In effect, due to record-low interest rates, First Southwest, the Town's bond financial advisor recommended we borrow for those items authorized at May's Annual Town Meeting. Ordinarily those items would not be borrowed until after January 1, thereby delaying principal and interest payments. Earlier in the minutes we noted that the Treasurer turned back \$499,999 related to Debt Service at the end of Fiscal 2016. Had all facts been known, we could have held those funds for this use.

Selectman Tom Maloney attended the entire FINCOM Meeting and joined the group to discuss the upcoming Capital Outlay meeting. In general the consensus is to borrow as little as possible as Fiscal 2018 already contains a \$900,000 increase over the current year.

There being no other business, on a motion by Mrs. Haley, seconded by Mr. Greeley it was ***Voted Unanimously 3-0*** to adjourn at 7:55 pm.

A True Copy

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



The TOWN OF NORWOOD

Commonwealth of Massachusetts

THE SELECTMEN

Allan D. Howard, *Chairman*

William J. Plasko

Helen Abdallah Donohue

Paul A. Bishop

Thomas F. Maloney

Frances L. Jessoe, *Clerk*

February 22, 2017

*Chairman Judith A. Langone
Finance Commission
Norwood, MA*


Dear Ms. Langone:

The Board of Selectmen in meeting of Tuesday, February 21, 2107, voted to approve the request of Russ Maguire, Manager, Norwood Memorial Airport, on behalf of the Norwood Airport Commission for a Reserve Fund Transfer of \$20,000 to cover snow removal costs additional to the remaining funds in their snow and ice budget as per the attached.

Very truly yours,

BOARD OF SELECTMEN

By


Administrative Assistant

fj

cc: *Russ Maguire, Manager, Norwood Memorial Airport
Thomas J. McQuaid, Town Clerk & Accountant
Linda Laridis, Asst. Town Accountant*

TOWN OF NORWOOD
CONSIDERATIONS FOR BUDGET BALANCING COMMITTEE

	<u>Total</u>	FY2017 Approp for FY2018 <u>Prepaid</u>	Effect on FY2018 Schools <u>Budget</u>	FY2018 Gen Gov't <u>Budget</u>	Effect on FY2017 OPEB <u>Budget</u>
3-6-16 School Committee Budget Gap / OPEB			\$ (902,818)		\$ 250,000
Budget Balancing Authorizes use of Free Cash Used to Prepay FY2018 SPED	300,000 -	300,000 (300,000)	300,000		-
Fiscal 2017 GIC savings over budget Used to Prepay FY2018 SPED	\$ 295,000	\$ 295,000 (295,000)	295,000		
Fiscal 2017 receipt of Medicare Part D Subsidy Used to Prepay FY2018 SPED	208,158	108,158 (108,158)	108,158		\$ 100,000
Reduction in Health insurance Estimate	<u>540,000</u>		<u>297,000</u>	<u>243,000</u>	
Total appropriation		\$ -	<u>1,000,158</u>	<u>243,000</u>	<u>100,000</u>
Remaining Fiscal 2018 Budget Gap / OPEB		<u>\$ -</u>	<u>\$ 97,340</u>	<u>\$ 243,000</u>	<u>\$ 350,000</u>

**TOWN OF NORWOOD
PROGRESSION OF FY2018 BUDGET**

	<u>Schools</u>	<u>General</u>	<u>Total</u>
Pass #1	\$41,401,023	\$33,873,565	\$75,274,588
Pass #2	1,011,841	827,870	1,839,711
Pass #3	<u>297,000</u>	<u>243,000</u>	<u>540,000</u>
Fiscal 2018 Budget	42,709,864	34,944,435	77,654,299
FY2017 Prepaid SPED	<u>703,158</u>	-	<u>703,158</u>
FY2018 Available Funds	43,413,022	34,944,435	78,357,457
	55.4%	44.6%	
Final Fiscal 2017 Budget	<u>40,933,188</u>	<u>33,624,878</u>	<u>74,558,066</u>
Additional over Fiscal 2017	<u>\$ 2,479,834</u>	<u>\$ 1,319,557</u>	<u>\$ 3,799,391</u>
	6.1%	3.9%	5.1%

BUDGET BALANCING COMMITTEE

Closing School Budget Gap

CLOSING SCHOOL BUDGET GAP

▲ Gap as of 3/1/17 \$(902,818)

▲ STM Approp \$300,000 from
Free Cash for FY 2017 Schools
To Prepay FY2018 SPED

300,000

Gap reduced to \$(602,818)

CLOSING SCHOOL BUDGET GAP

► Adjusted Gap \$(602,818)

► STM Approp \$295,000 from
FY2017 GIC Savings for FY2017
Schools to Prepay FY2018
SPED Tuitions

295,000

\$(307,818)

Gap reduced to

CLOSING SCHOOL BUDGET GAP

▶ Adjusted Gap $\$(307,818)$

▶ STM Approp \$108,158 from
FY2017 Medicare Part D
To FY2017 Schools to Prepay
FY2018 SPED tuitions
Gap reduced to

108,158

$\$(199,660)$

CLOSING SCHOOL BUDGET GAP

▶ Adjusted Gap \$ (199,660)

▶ FY2018 GLC Savings generated
based upon rates published
Thursday, March 2, 2017 - 55%
to Schools FY2018 Budget
Cuts to be restored by schools

297,000

\$97,340

TOWN OF NORWOOD
PROJECTION OF FUNDS AVAILABLE FOR CAPITAL ITEMS
FOR FISCAL 2018 BUDGET

	Balances As of <u>03/01/17</u>
FREE CASH as originally ctfd. 11/22/16	\$4,342,245
STM 10/24/2016	(175,520)
Estimated snow and ice deficit for Fiscal 2017	(500,000)
May 9, 2017 STM for Fiscal 2017 Prepayment of FY2018 SPED	(300,000)
May 9, 2017 STM for Fiscal 2017 Interest	(395,000)
May 9, 2018 ATM used to balance the FY2018 Budget	(1,000,000)
Proposed minimum level of Free Cash	<u>(500,000)</u>
 Free Cash Projection in excess of \$500,000 reserve	 <u>\$1,471,725</u>