



## Natick Finance Committee

Pursuant to Chapter 40, Section 3 of the Town of Natick By-Laws, I attest that the attached copy is the approved copy of the minutes for the following meeting:

### **Town of Natick Finance Committee**

**Meeting Date: August 30, 2018**

The minutes were approved through the following action:

Motion:	Move Approval, as amended
Made by:	Ms. Collins
Seconded by:	Mr. McCauley
Vote:	8 – 0 – 4
Date:	9 – 25 – 18

Respectfully submitted,

Bruce Evans

Secretary

Natick Finance Committee

**NATICK FINANCE COMMITTEE MEETING MINUTES**

**August 30, 2018  
Natick Town Hall  
School Committee Meeting Room, Third Floor**

This meeting has been properly posted as required by law.

**MEMBERS PRESENT:**

Dirk Coburn	Dave Coffey	Cathi Collins
Jeff DeLuca	Bruce Evans	Patrick Hayes
Mike Linehan	Robert McCauley	Philip Rooney
Jim Scurlock	Dan Sullivan	Lynn Tinney (7:38 pm)

**MEMBERS ABSENT:**

David Gallo	Kristine Van Amsterdam	Linda Wollschlager
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1. **PublicConcerns/Comments**
  - a) Resident and Taxpayer Concerns and Comments
  
2. **NewBusiness**
  - b) FY'18 Financial and Budget Review with Town Administrator
  - c) Town Administrators FY'19 Strategic Assessment and Focus
  
- 2
  
3. **2018 Fall Town Meeting Warrant Articles - Public Hearing**
  - a. [Article 2 - Stabilization Fund](#)
  
  - b. [Article 3 - Operational/Rainy Day Stabilization Fund](#)
  
  - c. [Article 4 - Capital Stabilization Fund](#)
  
  - d. [Article 5 - Other Post-Employment Benefits \(OPEB\) Appropriation or Transfer of Funds](#)
  
  - e. [Article 6 - Appropriate Funds for the Family of Michael McDaniel Jr.](#)

- f. [Article 7 - Transfer of Unexpended Bond Proceeds](#)
- g. [Article 15 - West Natick Fire Station Appropriation of Funding](#)
- h. [Article 16 - West Natick Fire Station Land Disposition](#)
- i. [Article 25 - Amend the South Middlesex Regional Vocation School Agreement](#)
- j. [Article 29 - Amend Article 2 of the Town of Natick Home Rule Charter](#)

**Mr. Hayes (revised agenda):** Items to discuss under new business is possible reorganization of Finance Committee leadership, update from Town Administrator on FY'18 financials and close of operating budgets, FY'19 strategic assessment and focus. Articles to be heard this evening for 2018 Fall Town Meeting are Warrant Articles 2, 3, 4, 6, 15, 16, 25. Articles 5, 7, 29 will be heard at a forthcoming meeting, date to be determined.

**Public Concerns/Comments:**

**Mr. Evans:** Announced that Maureen McCaul will provide secretarial support for the Fall Finance Committee meetings.

**Ms. Collins:** Reminder to voters that the primary is Tuesday, September 4<sup>th</sup>.

**New Business:**

**Mr. Hayes:** Reorganization of the Finance Committee leadership. Positions up for consideration are Chair, Vice-Chair and Secretary.

Ms. Collins nominated Mr. Hayes as Chair of the Finance Committee for the next fiscal finance committee year, seconded by Mr. Coffey, Voted 11- 0- 0

Mr. Evans nominated Ms. Collins for Vice-Chair of the Finance Committee for the next fiscal finance committee year, seconded by Mr. Sullivan, Voted 11-0-0

Mr. Hayes nominated Mr. Evans as Secretary of the Finance Committee for the next fiscal finance committee year, seconded by Mr. Linehan, Voted 11-0-0

**Town Administrator's FY 2018 Financial and Budget Review Update:**

**Ms. Melissa Malone, Town Administrator**

Ms. Malone stated that within the coming week, we expect to close out FY '18 and have an estimated free cash number along with projections to share. Late September/early October Department of Revenue (DOR) will certify that amount which will provide the actual figure. The presentation that was distributed to the Committee includes some allocations for stabilization funds and although attempting

to meet town deadlines, currently we have only estimations so ask for your indulgence should anything change dramatically and adjustments are necessary.

### **Town Administrator's FY 2019 Strategic Assessment and Focus:**

**Ms. Malone:** In planning the budget for FY '20 and FY '19, the Board of Selectmen with the administration is refining and looking at everything from capital, staffing, to needs of the town. It is a very thorough and time-intensive process. I have started to reach out to our neighboring communities such as Needham. Additionally, the directors are taking their charge very seriously. All are devoted to Natick and have great fiduciary diligence but we have seen in my first presentation before the board growth and are trying to understand where it is. Questions from the community, particularly this committee of where the growth is, where the numbers are and what the response to it is. We are working on that and will have specific information to share on the Town Meeting articles and additional information you have requested via the Chair.

### **Members Questions/Answers:**

**Mr. Rooney:** When you reach out to surrounding communities for information is it for the purposes of understanding and contrasting with those of Natick?

**Ms. Malone:** It is used to see what is happening in the region to help Natick but it is not necessarily apples-to-apples.

**Mr. Rooney:** Do you take into account the level and types of services being provided and compare size of staffing budgets?

**Ms. Malone:** Correct, as well as different changes of roads, buildings, infrastructures, etc.

**Mr. Hayes:** Members who forwarded questions to me within the past few weeks, including ones on the parking garage study are the open items that the Town Administrator referred to earlier and will get back to within a week or two.

***Ms. Collins moved to open the public hearing for 2018 Fall Town Meeting Warrant Articles, seconded by Mr. Linehan, Voted 11- 0- 0***

**Ms. Malone:** Colleague Introductions

**Mr. John Townsend:** Deputy Town Administrator -Finance

**Mr. Michael Chenard:** Deputy Town Administrator - Operations

**Mr. Sean O'Brien:** Special Assistant to Finance Director

### **2018 Fall Town Meeting Warrant Articles:**

**Mr. Hayes:** Motion of record on screen and posted on [NovusAGENDA](#)

Ms. Malone provided an overview of Articles 2 through 6. She indicated that the town is committed to following Financial Management Principles set out by the BoS and last revised in 2016, and available to

the public on the town of Natick's web site. These principles have helped to ensure Natick's AAA-bond rating that has enabled the town to borrow money on the most favorable terms. Ms. Malone reviewed the balances of the General Stabilization Fund (beginning balance of \$4,289,775 in 2014 and \$4,570,303 in 2018) and Operational / Rainy Day Fund (\$ 856,478 in 2014 and \$ 3,070,495 in 2018). Ms. Malone handed out copies of this presentation as well as copies of the current financial management principles. The KMS project has been approved and the town will be bonding that project, along with the West Natick Fire Station project. Given that we are going to be speaking with bonding agencies and that this fund is for catastrophic downturns, we are recommending that \$250,000 be put into the General Stabilization Fund this year. We have spoken to the town's financial advisor and they concur that this figure is an acceptable figure to put into this fund. Article 3, the Rainy Day / Stabilization Fund is designed to address sustained economic downturns. The economic downturn from 2006 through 2008 took many communities by surprise. This fund enables the town to operate in the event of a sustained economic downturn and ensure that we can continue to provide the vital services to the community. We recommend that we put \$250,000 into this fund as well, consistent with the Financial Management Principles of the town. The Hotel and Meals local option taxes generate approximately \$1.4 million per year, and enables us to partially fund the capital needs of the town, including both capital and debt service payments and includes everything from vehicles to roads to equipment. We're recommending a little over \$1.4 million again this year. We're not speaking about Article 5 tonight. However, once we know our certified free cash amount, we will be in a position to review what we plan to add to the OPEB Trust Fund. This chart shows that the funding has increased from \$730,807 to \$3,260,603 in the past three years. We will then be able to come back to tell you what our balances are. Although we've set aside \$3 million, which is more than many communities, given the increasing health care costs, there is continued need to increase the balance of the OPEB Trust Fund. Many of the bonding agencies look at this particular account and this is getting increased national attention. It is vital to be able to show continued investment in this Trust Fund. Finally, the Kathleen McDaniel Educational Trust fund was created to help pay for the college education of the daughter of Michael McDaniel, a town employee who was killed in the line of duty in February 2014 (Ms. McDaniel is the widow of Mr. McDaniel). The \$150,000 was appropriated at a previous Town Meeting. However, the town did not create this 529 Plan and money was not invested by as expected. The \$36,622.20 is the amount of interest that would have accrued in a 529 investment plan had the funds been invested at this time. Unfortunately, these funds were not invested, so this is an attempt to catch up on the investment income that would have accrued during the intervening period. Article 25 pertains to Keefe Tech High School is a change to the name of one of the member communities (Framingham). However, other member towns either do not have Fall Town Meeting or have not had an opportunity for Counsel to review this, so Superintendent Evans of Keefe Tech has requested No Action and asked that we put this on the Spring 2019 Annual Town Meeting warrant.

## **Article 2 – Stabilization Fund**

### **Proposed Motion:**

“Move that the Town vote to appropriate \$300,000 from free cash for the purpose of supplementing the Stabilization Fund established under Article 22 of the warrant for Annual Town Meeting of 1961, as authorized by Chapter 40, Section 5B of the General Laws, as amended.”

### **MEMBER QUESTIONS/ANSWERS:**

**Mr. Coffey:** Is there a ball park figure of how much will be in free cash?

**Ms. Malone:** Somewhere between \$2,000,000 and \$6,000,000

**Mr. Rooney:** Can you give us an estimate of what percentage of revenues this balance would be?

**Ms. Malone:** The target is 5% of general revenue for FY '18 which is an estimate of \$7,000,005. Our current funding limit is \$4,000,005.

**Ms. Collins:** Is it correct, according to your statement, there are financial principles that have only been adopted by the Board of Selectmen? To clarify, Town Meeting has not adopted them nor is it bound by them.

**Ms. Malone:** I believe so and it was October of 2016 which I will confirm.

**Mr. Sullivan:** Confirmed October 17, 2016.

**Ms. Collins to the Chairman:** For articles that are not straight-forward, have we abandoned the questionnaire approach and we will see it on other articles besides citizen petition articles?

**Mr. Hayes:** The questionnaire approach has not be abandoned and will be included with the other articles and citizen's petition articles.

**Mr. McCauley:** We have not touched this fund in the past 4-5 years and they have grown with investment income. Is there a downside to doing nothing with this fund for a fifth year? What is the approximate dollar amount of the 5%?

**Ms. Malone:** We are well below the target for this particular fund and the current target is 5% of general revenue. Our current level is only 4.5%, which is 60% of our target; however we are not there yet so it is virtually impossible to meet the target in one swoop. We would be contributing to this again when we have opportunity. This is for unforeseen catastrophic, similar to planning principles that ensure individuals have enough money for a certain period of time to make particular payments should they be unable to work. The recommendation remains until we hit that target and slowly increase to reach that point. The dollar amount is of the 5% is 7.5%.

**Mr. Sullivan:** The principles were initially adopted in 2011, and have had four revisions since, the most recent being fall 2016. What is your general interpretation of these principles and those that may require an adjustment down the road?

**Ms. Malone:** Natick has documented a policy that is cogent and reviewed annually and consistently for improvement and is one of the best practices that the community has. . This policy provides specific funds so they are not lumped into one vortex where no one knows where it is or what it is for. Having a written policy answers frequent questions such as what are the principles, shows where the money is, what has been done historically and likes to see stability. That stability helps bring down rate borrowing when doing analysis. No policy is perfect, as time progresses things may change in the market that may require shifts, meaning more funding. Some employers are seeing health care increases of 10% to 25% annually. An example is OPEB (Other Post-Employment Benefits), our largest increase is healthcare for

retirees. The fact we have articulated principles and have been thoughtful bodes well for the community and is something people are looking to Natick for leadership.

**Mr. Scurlock:** Based upon principles discussed and knowledge collaborated collectively regarding upcoming contracts and capital expansion programs, will these principles stand? My reason being they may need to be adjusted moving forward on an on-going basis. Will we be able to adhere to contracts we have today over the next two to three years or will that adjustment need to come sooner?

**Ms. Malone:** The adjustment necessarily does not have to come sooner. However the town should think critically about capital planning. Our financial advisor Bartholomew and Company, Inc. is excellent. The town has historically leveled principal financing for all capital projects. Municipalities in the state that have not operated that way have not gotten any brownie points. As times change, it is important to look at things through a new lens, however I do not see anything that is glaring or immediate. If there is another downturn in the market I can see a 5% being adjusted up after that correction to 7% because of the way things happen in the world.

**Mr. DeLuca:** Given the stabilization fund's purpose of investment income, it looks to have been between 2014 and 2018 .3% to .9%, what is that invested in and are they secure? Based on liquidity of what this fund is for, how liquid are the investments and where we stand at .9% what are we looking at for maturity terms?

**Ms. Malone:** The fund increased \$39,654.

**Mr. Townsend:** Particular funds are invested with our financial advisor Bartholomew and Company, Inc. from Worcester, MA. We are bound by state statute limitations of what we can invest in, (no hedge funds); we have to invest from a list the Bank Commission provides, so based on that recommendation investments are invested by our advisors. Our investments are all secure. We speak to our investors to make sure funds are available when needed. The town has a wide variety of funds invested at various particular intervals so we have flexibility to move things around should we need funds quickly.

**Mr. DeLuca:** How easy it is to access these funds for catastrophic purposes tomorrow without any penalties? Would it be ideal instead of setting revenues to set a baseline to where we should be at a bare minimum?

**Ms. Malone:** We can come back regarding specifics whether it's a treasury or mutual fund. Some mutual funds settle in a day and are based off the government's own rate. We will provide more specifics as to where the 4.5% is as to the particular allocation of it. It is in a secure account in the sense it is not in a commodity or equity stock. The general stabilization fund is for catastrophic or unforeseen which is different than the operation stabilization fund. The financial principle is if you needed money immediately how would you pay for it if you cannot go out to market? Currently the 5% is where the best practice is and is not cast in stone forever. It may fluctuate up and down and once you reach 5% depending where you are in other funds you can definitely adjust it. There is nothing to preclude that adjustment if it is needed but the 5% is a general gauge as to where to be.

**Mr. Rooney:** Where should we direct further questions?

**Ms. Malone:** Please direct them to me and I will speak to Board of Selectmen.

**Mr. McCauley:** Would it be viewed extremely negatively by the financial markets if we were ever to tap these funds? Would it be different tapping the operational fund for an operational matter?

**Ms. Malone:** General stabilization is for catastrophic or unforeseen emergencies and do not think the financial markets would look upon us negatively if we are tapping this fund. I doubt any financial market would have penalized New Orleans when Katrina made landfall in New Orleans for tapping money for providing emergency services needed at the time. We can only plan for so much that is unforeseen and have the ability to help ourselves while we work with other agencies and communities to receive funding relief. It would be viewed as negative regarding tapping the operational fund because it is an operational problem.

Motions:

*Mr. Evans moved that the town appropriate \$250,000 from free cash for the purpose of supplementing the Stabilization Fund established under Article 22 of the warrant for annual Town Meeting of 1961 as authorized by Chapter 40 Section 5B of general laws as amended, seconded by Ms. Collins, Voted 12.0.0*

*Mr. Coffey move to postpone consideration of Article 2 until September 27, 2018, no seconder.*

Debates:

**Mr. Evans:** Kudos to continuing down this path of conservative investment. I like the returns and liquidity when we need funds they are available. I'm comfortable with the number as it is not egregious.

**Ms. Collins:** Having stabilization funds is important to a town's financial health. What I think is the members' concern if we get later into the process and find out the DOR disqualifies a huge amount of what we submitted in free cash we can always revisit it. Although it has not happened in my extensive tenure, if that occurs we have the right to reconsider based on new information. I am comfortable moving forward with this now.

**Mr. Coburn:** Would the Chair consider the knowledge of the actual amount of free cash certified to be sufficient new information to admit a motion for reconsideration? I am happy to support this measure and may, depending on what we learn about free cash be interested in supporting reconsideration.

**Mr. Hayes:** Correct

**Mr. Coffey:** I am in favor of this motion, however my concern is when I asked about the free cash numbers it could be as low as \$2,000,000. We are looking at \$1,940,000 tonight in expenditures of free cash which if it came in at a low of \$2,000,000, it would not leave us any free cash only free change which is why I am reluctant to spend it all now not knowing where we are at.

**Article 3 – Operational/Rainy Day Stabilization Fund**

*Proposed Motion: "Move that the Town vote to appropriate \$250,000 from free cash for the purpose of supplementing the Stabilization Fund established under Article 4 of the warrant for 2011 Spring Annual Town Meeting, as authorized by Chapter 40, Section 5B of the General Laws, as amended."*

**MEMBER QUESTIONS/ANSWERS:**



Ms. Collins expressed concern about the name of the fund. She looked back at 2014 and was unable to find a vote in 2015. My concern is the Stabilization Fund, and although realize it is identified further by the vote and when it was created but in previous years it is always referred to as the Operational Stabilization Fund or the Operation/Rainy Day Stabilization Fund. I recommend that we change it to Operational / Rainy Day Stabilization Fund. Does this make it clear or is there any problem from your perspective? Mr. Townsend agreed to make this change for clarity.

Mr. Rooney asked whether the proposed increase in the balance allows them to provide a rough estimate of the percentage of state aid revenues that these estimated receipts represents? Ms. Malone indicated that the current balance is over \$3,000,000, target and the target is \$6,100,000. The last three years of state aid plus the cumulative sum of 5% of the last three years of local receipts is \$6,100,000.

Mr. Scurlock noted that ending balances are going up and investment income is going down and requested that the Committee get an explanation in the near future. Ms. Malone agreed to provide that information to the Committee.

*Ms. Collins moved to recommend Favorable Action on Article "Move that the town appropriate \$250,000 from free cash for the purpose of supplementing the Operational/Rainy Day Stabilization Fund established under Article 4 of the warrant for 2011 Spring annual Town Meeting as authorized by Chapter 40, Section 5B of the general laws as amended, seconded by Mr. Sullivan, Voted 12-0-0.*

#### **DEBATE:**

**Ms. Collins:** This clarifies it for Town Meeting and for anyone going back at a later date to not have to trace it way back in the past. I support the amount and appropriation allocation.

**Mr. Sullivan:** This is In keeping with our financial management principles that have been endorsed. I'm pleased to hear the positive reception we've had with our new Town Administrator understanding. We were given a potential free cash range between \$2,000,000 and \$6,000,000. We'd all agree that if Free Cash came in at the low end of the range, Articles 2 and 3 would probably be numbers 1 and 2 on our list of priorities in order to stay in line with our financial management principles. In level of prioritization, it is particularly important even if we have sparse free cash numbers we allocate them to the motions highlighted in our financial management principles.

**Mr. McCauley:** I'm concerned that we might be funding an account that we can never touch unless it is like the apocalypse. Hearing the testimony of the Town Administrator of where we are at and where we should be under these financial principles I think this is a measured approach and for that reason I am going to support this motion.

**Mr. DeLuca:** I want to reiterate the Operation Stabilization Fund directly corresponds to bond rating for the town so keeping this in good standing along with the financial principles ultimately affects the debt and payments for the town.

*Ms. Collins moved to recommend Favorable Action on Article "Move that the town appropriate \$250,000 from free cash for the purpose of supplementing the Operational/Rainy Day Stabilization Fund*

*established under Article 4 of the warrant for 2011 Spring annual Town Meeting as authorized by Chapter 40, Section 5B of the general laws as amended, seconded by Mr. Sullivan, Voted 12-0-0.*

#### **Article 4 – Capital Stabilization Fund**

*PROPOSED MOTION: (Requires two thirds vote at Town Meeting) “Move that the Town vote to appropriate \$1,409,678 from free cash for the purpose of supplementing the Capital Stabilization Fund established by the vote of Article 2 of the 2010 Fall Annual town Meeting, as authorized by chapter 40, Section 5B of the General Laws, as amended.”*

#### **Questions from the Committee**

Ms. Collins asked what percentage of this is from hotel and meals tax. Mr. Chenard confirmed it is 100% of the balance from hotel and meals tax. Ms. Malone added that this appropriation includes \$455,000 for the modular classrooms that will be needed at Kennedy Middle School during the construction phase while the new school is being built, as well as requests for \$25,000 in high school furniture requests. It does cover a broad spectrum of activities that are needed within the town.

Mr Linehan asked for the definition of capital, and whether it was bond proceeds that funded the purchase of capital equipment that would have a long useful life. Mr. Hayes stated that this is more a question of how we will spend these monies the capital stabilization fund. That’s a conversation that we will have the later in the review of the warrant articles.

McCauley asked whether it’s a standing policy to use to utilize 100% of this fund since the hotel and meals tax was created. Mr Chenard confirmed that this was the policy since inception.  
*Ms.Collins moved “Move that the Town vote to appropriate \$1,409,678 from free cash for the purpose of supplementing the Capital Stabilization Fund established by the vote of Article 2 of the 2010 Fall Annual Town Meeting, as authorized by chapter 40, Section 5B of the General Laws, as amended.”, seconded by Mr. Evans , Voted 12-0-0.*

#### **Debate:**

Ms Collins noted that Town Meeting requires two thirds vote to spend any money that exists in these stabilization funds.

Mr. Evans stated that this is part one of a multi-part story. Capital requester typically made in the fall because we ever clearer idea of the free cash position and whether we can fund the capital investment required or whether we should defer to another year. The hotel and meals taxes were put in place because we had had several years of decreased capital investment and needed to make up ground.

#### **Article 6 – Appropriate Funds for the Family of Michael McDaniel Jr.**

*Mr. Sullivan moved “Move to appropriate the sum of \$36,622.20 in addition to \$100,000 appropriated under Article 1 of the 2014 Spring Annual Town Meeting and the \$50,000 appropriated under Article 1 of the 2015 Spring Annual Town Meeting, said sum to be deposited to a “529 Educational Savings Plan” to be held in the name of The Kathleen McDaniel Educational Trust, Kathleen McDaniel being the widow of*

*Michael McDaniel Jr., long time employee of the Town of Natick Department of Public Works, killed in the line of duty on February 4, 2014, seconded by Mr. Coburn, **Voted 12-0-0***

Questions from the Committee:

Mr. Evans asked what the source of funding is – Ms. Malone confirmed it's from free cash and will amend the motion to add the phrase “, sourced from free cash” after the “sum of \$36,622.20”.

Ms. Collins asked what happened to the \$150,000 appropriated by Town Meeting. Ms. Malone said that these funds were not invested in a Trust Fund as they should have. These types of funds typically invest on the basis of the age of the child, investing in relatively riskier, higher yield returns in the earlier years and more conservative investments as the child approaches college age. Had these funds been invested, this is the return that our financial advisors indicate that they “would have” received.

Ms. Collins stated that there are many accounts where Town Meeting appropriates money and that money disappears into an account somewhere and asked whether this is what happened here. Ms. Malone said that, in addition to this issue, town administration is going through all those accounts to search for other unexpended monies and will be back before this Committee as that work progresses.

Ms. Collins asked how the figure for this article was determined and whether the town looked at multiple investment portfolios among different companies. Ms. Malone said that of 529 plan is similar to a 401-K plan that has a target date. Investments are made to achieve to achieve the investment objectives. As the 529 plan gets closer to maturity, the investments change to preserve principal. The calculation was based on the date of the Town Meeting votes and includes the amount that would have accumulated were the investments made at this time. Mr. Townsend said that the investment was for a John Hancock 529 Fund.

Mr. Scurlock asked who is responsible for these type of investments. Mr. Townsend said these funds are managed by the person who manages the town employees deferred compensation investments. Ms. Malone added that her understanding was that Town Meeting directed investment in the John Hancock 529 plan.

Mr. Rooney asked whether these funds are considered managed by the town or managed by a third party on the town's behalf? Ms. Malone said that it is managed by a third-party, John Hancock. As stated earlier, we are hourly scrutinizing our financial accounts to find abnormalities and correcting them with the review of the Finance Committee. In hindsight, Ms. Malone said having the town Treasurer manage this investment might not have been the best approach, since towns do not typically manage individual investment plans.

Ms. Collins quoted the motion from the 2014 Spring Annual Town Meeting:

ARTICLE 1: Appropriate Funds for the Family of Michael McDaniel, Jr.

(Town Administrator)

To see if the Town will vote to appropriate from Free Cash the sum of \$100,000 to be deposited in a “529 Educational Savings Plan” said Plan to be held in the name of the Kathleen McDaniel, Educational Trust, Kathleen McDaniel being the widow of Michael McDaniel Jr., long time employee of the Town of Natick Department of Public Works, killed in the line of duty on February 4, 2014; said fund to be administered by co-trustees Kathleen McDaniel and the Treasurer of the Town of Natick, MA; and said

funds, including interest, to be used for the sole purpose of funding post-secondary educational costs for Caroline McDaniel, daughter of Kathleen McDaniel and the late Michael McDaniel Jr.; provided, however, that in the event that Caroline McDaniel does not commence post-secondary education by her 25th birthday, all funds in said 529 Educational Savings Plan, including interest, shall revert to the Town of Natick.

Mr. Townsend noted that the paperwork for the John Hancock 529 plan was signed by Kathleen McDaniel. However, if the Treasurer was listed as the co-trustee, how was this trust fund not set up, and now costs the amount of this motion? Ms. Malone stated that typically a check is cut and the money is sent to be invested. In this case, the intent was to open an account that had a quote “reverter” function in it whereby should Caroline McDaniel opt not to pursue postsecondary education by her 25<sup>th</sup> birthday the funds would revert to the town. Ms. Collins requested that it be noted that the town should follow up with Ms. McDaniel as to her plans once she is nearing her 25<sup>th</sup> birthday.

Mr. McCauley asked who was responsible for creating this trust. Ms. Malone stated that Town Counsel was approached about this issue and asked to create a trust to include this 529 plan and created this trust, in the last month. Until that time, we did not have a trust fund into which we could put these funds.

#### **Debate:**

Mr. Sullivan thanked the new administration for bringing this to the Finance Committee’s attention to rectify this matter, and that one fo the first things our new Town Administrator has brought to us is a thorny issue for which she has provided an appropriate solution. He also suggested that the finance committee needs to be braced for corrections that may occur as this investigation proceeds. It’s not appropriate to ask for a pound of flesh from the new Town Administrator for every mistake that was made in previous administrations. By the letter of the law, the town may not have the legal obligation to make up this funding. However, the town does have a moral obligation to do so.

Mr. Coburn stated that as the Town Administrator noted, this is a highly unusual arrangement. The residual interest of the town should the money revert also makes it an unusual situation that needs to be monitored by the town.

Mr Coffey thanked Town Administration for their work getting this article and motion before the Finance Committee.

Ms. Collins stated that she is very appreciative of the efforts to establish this trust fund and is gratified that discovered now and not several years down the road when it would have been more costly to the town.

Mr. Evans stated that when a new administration comes in, they are tasked with looking at everything in close detail. I’m reminded of when I have packed things up for a move and discovered things that I didn’t remember having, that things fall through the cracks, but the greater good is to make sure that Mr. McDaniel’s daughter has the opportunity that he wanted to provide for her education.

#### **Article 15 – West Natick Fire Station Appropriation of Funding**

Mr. Hayes noted that the Committee heard an overview from Ms. Malone on this topic and will open it up for questions.

## Questions from the Committee

Ms. Collins asked whether DOR requires

Mr. Coffey asked whether combining the borrowings for the two projects saves to the town money and what that amount might be. Ms. Malone confirmed that it does save the town money and would get back to the committee with those figures. If we were to go to a bonding agency with two separate projects, there is more cost because there are two bond transactions rather than one. Mr. Coffey said that given the indicators that the Fed reserve plans to have rate increases when we are going out to borrow, is it more likely is it likely that these interest rates might go up. Ms. Malone confirmed that it is a strong possibility.

Mr. McCauley asked what the Plan B is if the voters decide not to vote for the debt exclusion for these projects. Ms. Malone said there is no ability to fund these projects within the Natick town budget. Mr. McCauley recalled that there was a hybrid funding model that consisted of some money from capital stabilization sum from free cash and some from bonds borrowing and ask whether that was off the table. Ms. Malone confirmed that this was no longer being considered because there are a number of projects that need to be funded from capital stabilization and free cash.

Mr. DeLuca asked how the estimated project cost was calculated and saw that project cost was initially \$7 million and is now \$15 million. Does it include Construction cost and an expanded scope of the functionality of West Natick fire station. Mr. Chenard said that it was a combination of both those items, driven by project scope and anticipated construction costs. Our estimators are seeing a scary escalation of construction costs, so the sooner we do this project, the better.

Mr. Sullivan noted that in his research on fire station costs, he saw that the town of Burlington had project that they had originally budgeted for \$8.5 million in the bids came in at roughly \$6.8 million. My gut feeling is that it's an outlier but it's worth investigating what they did in the project scope. Mr. Chenard noted that the had to look specifically at Burlington, but the Building Committee has looked at a number of other communities where the trend runs counter to that with significant anticipated project cost escalation. The Architects and project managers for both the West Natick Fire Station and the Kennedy Middle School have seen significant escalations in their recent projects.

Mr. Hayes read the motion for article 15, as below:

Mr. Hayes moved, as amended: (Requires a two-thirds majority)

“Move that the Town of Natick vote to appropriate the sum of \$15,560,000 for the purpose of paying costs to design, develop, construct, furnish and equip a new West Natick Fire Station (Fire station #4), located at the site of the current Fire Station #4 and adjoining Town owned properties, including all related facilities, buildings, appurtenant structures, site improvements, and grounds, said sum to be expended under the direction of the Board of Selectmen, and to meet said appropriation the Treasurer, with the approval of the Board of Selectmen, is authorized to borrow said sum under M.G.L. Chapter 44, or any other enabling authority; provided that any appropriation hereunder shall be subject to and contingent upon an affirmative vote of the Town to exempt the amounts required for the payment of interest and principal on said borrowing from the limitations on taxes imposed by M.G.L. Chapter 59, Section 21C (Proposition 2 1/2). Any premium received upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes,

may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.”, seconded by Mr. Evans, **Voted 12-0-0**

**Debate:**

Ms. Collins expressed concern that we might be mixing apples and oranges since we were referring to section 21C that talks about Proposition 2 ½, rather than section 21 C.j that talks about debt exclusion. Mr. Chenard said that the subsections of MGL are not typically used in the text of motions. Ms. Malone indicated that she would change the text after section 21C to be (debt exclusion) to clarify.

Mr. Hayes stated that he’s a member of the West Natick Fire Station Building Committee. This project is about as important a project as any being completed in the community. Nearly 50% of the emergency calls handled in this community are handled by Station 4. The increased density of the buildings (office, retail, or commercial) served by the West Natick Fire Station necessitates the building of this fire station. I would urge members to vote for this and encourage voters listening at home to vote for this in November.

Mr. Evans said that he is a member of the Kennedy middle school building committee and has seen the cost escalation that Mr. Chenard talked about earlier. It’s a seller’s market where the seller is the builder. There are many projects for companies to choose from and that, along with construction materials cost increases in jacking up the cost of these projects. The choice is whether you reduce the scope of the project to save money or whether you take a longer-term view and get a fire station that meets the needs of the community now and well into the future. In both the West Natick Fire Station in the Kennedy middle school, were making the right decision by taking the long-term view so that we have facilities that will serve us well into the future. I would urge all voters to support it as well.

Mr. Coffey urged voters to support this project also. This project has been studied extensively. The firefighting professionals who were part of this Committee stressed. The way the state financing school buildings caps the costs at a certain level based on a conservative amount of growth and this may lead to schools becoming overcrowded sooner. Let’s not make the same mistake with the West Natick Fire Station by building a fire station that can be expanded down the line, as needed. Burlington is only a 3-bay fire station – that accounts for the relatively lower cost. By combining this with the school borrowing, we will be able to reduce the amount that we need to spend on both these projects. This is the right time to spend for the right purpose.

Mr. Scurlock noted that the West Natick fire station will serve the entirety of the Natick community – it’s a town-wide fire station that happens to be located in West Natick. We’ve heard that the hybrid financing model is not feasible; there are many things coming up that will require investment that are in our current fiscal plans, so borrowing is the most cost-effective approach.

Mr. Sullivan noted that, years ago, there was a three-alarm fire at his house and every fire truck and crew was needed to put that fire out. The firefighters from the West Natick fire station were second on the scene and my house would be considered South Natick. Relative to our peers in other communities, we have a relatively low tax rate, due primarily to the strong commercial and retail environment in Natick to contribute a significant amount of tax taxes to the town, without putting any children into our schools. They really ask only two things – good roads and responsive police and fire services. We are servicing 2018 Natick with a 1950s era fire station – this investment will pay off for the town.

Mr. McCauley noted that he has concerns about the scope of the fire station. Previously, the design was reduced to a four base station and cost around \$12 million and it might fit under tax Levy borrowing. Subsequently we decided to listen through the firefighting professionals and understand their requirements for this fire station and this couldn't be done under tax Levy. I'm concerned that there is no backup plan to finance this station and that voters may be getting fatigued by debt exclusions.

Mr. Coburn noted that this is part of a network of fire stations that covers the town and the region. This fire station is located in a part of town that is most likely to receive multiple, simultaneous calls and having the capacity to address this is imperative.

Ms. Collins thanked the BOS for reconsidering the financing mechanism. I'm torn because we are being asked to pay for an appropriation to fund the fire station. However, we are not being asked whether we should pay this by level payment or level principal, which should be a Town Meeting decision. As a homeowner, level principal means that I take a financial hit now, but provides a gradual reduction in my obligation over time. Level payment means that there will be no reduction in my obligation over time. Although we were told by bond counsel that "anti-arbitrage" isn't an issue, I continue to have concerns about this. If we run afoul of this, then it's no longer a tax-exempt bond and the town would need to make the investors whole through increased payments. This project is vital, but as a Finance Committee member, I am concerned about the financing mechanism.

Mr. Rooney said that he shares some of Ms. Collins' concerns, but noted that there is sizable opportunity cost associated with not moving forward with this project. I'm comfortable with the guidance of the new town administrator and urge us to move ahead with this project and that there will be hard numbers available to Town Meeting members.

Mr. Coffey urged members to vote positively on this motion to send a clear message to Town Meeting and voters that, after careful consideration, the entire Finance Committee feels this project is a must. It's unfair to hold this administration responsible for past mistakes that may have been made by prior administrations.

Mr. Hayes stated that the Recommendation Book will clearly note that the Finance Committee is recommending debt exclusion for the project, not on the financing mechanism. We could include information on the town administration's financing approach as additional information for Town Meeting to consider, not to be construed as approval / disapproval of the financing mechanism and approach. This would be presented as propose include the TA's proposed contain a table that shows TA's proposal of financing approach under debt exclusion which is not a recommendation but information for Town Meeting members.

#### **Article 16 – Disposition of land for West Natick Fire Station**

Mr. Hayes said based on conversations with the Town Administrator that they are not ready to provide a motion for Article 16 at this time, awaiting Town Counsel approval, so we will table this Article to a further date.

#### **Article 25 – Amend the South Middlesex Regional Vocational School**

*Mr. Linehan moved "No Action" to amend the agreement with Middlesex Regional Vocational School of South, seconded Ms. Collins, **Voted 12-0-0***

**Debate:**

Ms. Collins said, as a member of the Education Subcommittee, Mr Evans of Keefe Tech and Ms. Malone are ready to move forward, but Keefe Tech's council had concerns that not all towns were ready for this change so they requested no action so that it could get all of the towns on board in the spring. This will not affect Keefe Tech's ability to operate.

***Ms. Collins, moved to Close Public Hearing, seconded by Mr. Evans, Voted 12-0-0***

**Mr. Hayes:** We are scheduled to meet Tuesday, September 4, 2018 at 8:15 pm. There is an open question on whether Articles 33, 38 and 39 slated to be heard. In part, we are waiting to get an answer on whether a change to the zoning by-law or change to the charter is a zoning board or planning board activity. State law prohibits a planning board or zoning board of appeals to hear zoning articles on the evening of a town election. Town Clerk questions Town Counsel as to whether this is permitted. Assume we are meeting unless you receive an email from me we are not.

***Mr. Coburn moved to adjourn, seconded by Ms. Collins, Voted 12-0-0***