

Town Council Finance Sub-committee Meeting Minutes
LARGE CONFERENCE ROOM
Second Floor
Falmouth Town Hall
October 4th, 2017 – 5:30PM

Members Attendance: Ned Kitchel, Andy Jones

Others in Attendance: Caleb Hemphill (Council Chair), Claudia King (Town Council)

Nathan Poore (Town Manager), Peter McHugh (Finance Director), Susan Gibney (Accountant), Amy Lamontagne (Assistant Town Manager)

The meeting was called to order @ 5:40PM

- Elect a Chairperson
Councilor Andy Jones nominated Councilor Ned Kitchel to serve as Chairperson, Councilor Kitchel seconded. Councilor Ned Kitchel was elected Chair of the Finance Committee.
- Audit RFP Review and Discussion
 - a. Finance Director Peter McHugh presented the Audit Procurement Policy adopted by the Finance Committee last year
 - i. Policy calls for a competitive bidding process every five years at a minimum.
 - ii. Existing audit firms can participate in the bid provided a different partner of the firm leads the audit.
 - iii. Partners leading the audit should be changed every three years at a minimum.
 - b. The group discussed the qualifications of Runyon, Kersteen and Ouellette (RKO) and the current lead partner Hank Farrah
 - i. The group felt Mr. Farrah was doing a great job and has excellent credentials. He has been the audit lead for 2 years. The Committee could decide to go one more year under Mr. Farrah and still comply with the Audit Procurement Policy.
 - ii. School Finance and Operations Director Dan O'Shea was unable to make the meeting tonight but submitted an email with his thoughts. Dan mentioned it was difficult to find auditors as qualified as RKO. He mentioned that we have had multiple partners serve as the audit lead over the last 8 years and that RKO did some great work getting the Town's fund accounting in order, including capital funding allocations. Finally, Dan recommended staying with RKO.
 - iii. Peter McHugh mentioned that going to a new firm could cost the Town more money based on his informal survey of some other audit firms in the area.
 - c. The group discussed the draft RFP and reviewed the selection criteria.
 - d. There was much discussion of the pros and cons of waiting one more year to issue an RFP.
 - e. Councilor Jones moved to retain RKO and Mr. Farrah for one more year but to issue an RFP for audit services in October 2018.
 - i. Councilor Kitchel seconded. Motion passed.

- Review of Budget Development Schedule
 - a. The group reviewed the proposed Finance Committee meeting schedule for the remainder of the fiscal year including agenda topics and timing.
 - i. The group agreed that the schedule looked good.
 - ii. Councilor Hemphill suggested that a meeting invite to all councilors would be a good idea to ensure the meetings were on everyone's calendar.
 - 1. Peter McHugh agreed to send the invites to everyone the following day.
- Presentation of Preliminary FY17 unaudited results
 - a. Peter McHugh presented the FY17 financial results
 - i. Highlights include:
 - ii. Revenues exceeded budget by \$164K due to favorable growth-related permits and fee revenue, favorable excise taxes and investment earnings.
 - iii. Total expenditures were \$237K lower than budget.
 - iv. There were \$215K in supplemental appropriations in FY17.
 - v. Uncommitted fund balance increased by \$187K for a new balance of \$12,253,162 or 26.2% of annual total expenditures.
 - b. The group discussed uncommitted fund balance and its relation to the Town's Bond Rating.
 - i. Peter McHugh mentioned that the FY18 Budget included the use of \$660K in uncommitted funds for the new Tower Truck purchased by the Fire Department. This fund balance usage was to avoid issuing a bond to pay for the truck.
 - ii. The group also talked about using \$350K for school safety improvements in FY18 out of uncommitted funds.
 - iii. Based on the 2 uses of funds above, the % uncommitted funds to expenditures would drop to 24% assuming no budget surplus for FY18.
 - 1. Peter McHugh stated that budgeted uses of uncommitted funds was something the rating agencies would be OK with and that there was little concern that the Town's bond rating would be impacted.
- Other Items
 - a. The group reviewed the proposed refinancing of \$18,850,000 of the 2011 Elementary school Bonds.
 - i. Bonds are callable in 2021 and this refinancing would reduce the average interest rate from 3.93% to an estimate of 2.26%
 - ii. Net interest savings would be \$1,025,000 after issuance costs.
 - iii. The State reimburses the Town for 84% of principal and interest for this loan. The State savings would be \$863K and the Town would save \$162K due to this refinancing.
 - b. Nathan Poore then discussed the potential Van Der Mast property acquisition with the group.
- Adjourn
 - a. The meeting adjourned at 6:45PM.

Respectfully submitted by Peter McHugh