

MINUTES
MILLIS FINANCIAL MANAGEMENT COMMITTEE
DECEMBER 10, 2012
900 MAIN ST. MILLIS MA ROOM 206 6:30 PM

PRESENT:

Jennifer Soule
Jeffrey Cannon
Christopher Smith
Lawrence Bouret
Charles Aspinwall

Mr. Aspinwall called the meeting to order at 6:50 PM to discuss the development of a stabilization fund policy.

Mr. Aspinwall reviewed the documents prepared by Kathleen LaPlant, Millis' Finance Director, which detailed our auditor's recommendations regarding bond rating agency recommendations for stabilization fund balance. The auditors at Melanson & Heath recommended that we base the stabilization fund and undesignated fund balance that we count as reserves on total general fund expenditures which includes the amount paid by the state for the town's teacher retirement system costs.

Mr. Smith pointed out that the undesignated fund balance or free cash balance only lasts until it is appropriated and we use some of that funding at the November Annual Town Meeting so perhaps we should look at the free cash number as of January 1 for Free Cash generated during the previous fiscal year.

Mr. Cannon was asked to check with the state to find out how fast the retired teachers costs rise per year and there was an acknowledgement that the town needed to account for budget growth in the policy under consideration. Mr. Smith said that 3% budget growth would require a contribution of about \$40,000.00 per year to the fund.

Ms. Soule said that it is important that the town demonstrate financial management to bond rating agencies by producing a plan for building and maintaining the stabilization fund balance and that there be a demonstration that the town follows the plan and that if, for unforeseen reasons, the town uses the stabilization fund that the plan include provisions for replenishing the balance.

Mr. Aspinwall said that \$50,000 could be put in the fund annually even when Free Cash is at a lower level.

The Committee discussed the following policy parameters:

- Schedule A General Fund Expenditures less transfer to other funds plus the Massachusetts Teacher Retirement System paid on behalf of the town, shall be known as Total General Fund Expenditures and will be the base upon which the selected Stabilization fund/Free Cash reserve will be calculated.
- The annual calculation for the Stabilization Fund/Free Cash reserve shall be made on January 1 of each calendar year.
- The Town's goal shall be to have at least 5% of Total General Fund Expenditures on hand in the combination of the Stabilization Fund and in Free Cash as of January 1 of each year.
- If the Town does not meet the 5% goal, then funds shall be appropriated in subsequent Town Meetings to replenish the Stabilization account to the 5% level. A minimum of \$50,000 of Free cash per town meeting shall be appropriated to the Stabilization fund to reach the 5% goal; provided however, that \$200,000 of Free Cash be set aside first for fixed lease and other costs.
- If the 5% goal is met, then the \$50,000 shall be appropriated to the OPEB stabilization fund. If only a portion of the \$50,000 is needed for the Stabilization fund then the balance of the funds will be appropriated to the OPEB stabilization fund.
- The Stabilization Fund may be used for any lawful purpose but should typically be used only for unforeseen and emergency purposes.

The Committee agreed to consider the policy and discuss it at the next committee meeting. The next meeting was scheduled for January 14, 2013 at 6:30 PM.

Mr. Aspinwall made a motion to adjourn at 7:30 PM, seconded by Ms. Soule, vote: unanimous.

Respectfully submitted,



Charles J. Aspinwall