

**Shutesbury Finance Committee Minutes**  
**Wednesday, November 16, 2011, 5:30pm**

**Finance Committee Members Present:** Lori Tuominen, Eric Stocker, Weezie Houle, Al Hanson, Rus Wilson and George Arvanitis; **Finance Committee Members Absent:** Gary Hirshfield;  
**Non-Committee members present:** Dale Houle, Becky Torres

- 1) Meeting called to order at 5:45pm.
- 2) Discussion and preparation of the Finance Committee response to various mailings to town residents.
- 3) Eric Stocker read his prepared notes which will be read at the Select Board meeting:
  - a) The Finance Committee has in the past voted to endorse the building of a new library but we have not taken any kind of position with regard to whether or not there should be another override election to fund it.
  - b) We would like to respond to a perception that the Finance Committee has acted irresponsibly in supporting the library. We would also like to present our view of the town's finances which is vastly different from what we would consider misinformation that has been circulated in town.
  - c) The Finance Committee has traditionally been very conservative and frugal with the town's resources. That is why we have \$834,000 in Free Cash and \$368,000 in Stabilization. That is a total of over \$1.2 million in cash reserves. If you look around us at other cities and towns you will find that we are in better shape than most. The Finance Committee and cooperating town committees and departments have worked very hard to build up Free Cash. We are well aware that it is needed by the Treasurer for cash flow reasons. Contrary to information that has been presented the current library plan will have little or no impact on Free Cash.
  - d) The Finance Committee questions very seriously any plan that requires that we go into debt. However, just as homeowners may need to borrow money to pay for a house or a car, the town may need from time to time to borrow money prudently.
  - e) The Finance Committee has begun to look at, will continue to look at, and I would assume recommend that we start funding the so called OPEB Fund. (Post Employment Benefits Other Than Pension). Before anything is done we first need to have a new actuarial study done to see what our current contributions should be. There is a common misconception that there is now a requirement to fund these liabilities. There is not. We have no indication that we immediately need to fund the entire obligation. That is not to say that something shouldn't be done in this regard. In FY13, the Treasurer has suggested that we start the fund by putting \$50,000 into it. While the Finance Committee has not discussed this particular request we are aware that this obligation exists, plan to address the issue, and I would suspect follow the Treasurer's suggestion to start this fund. We will likely continue to fund it over at least a fifteen year period. It is not something that has been ignored for the last decade as suggested, nor is it something that needs to be completely funded immediately.
  - f) It has been stated that there is a legal need for an annual audit if the town borrows \$1,000,000 or more. Unless this is Federal money, there is not. If the town were to borrow that much in the private market we will be required to have an audit in the year prior to bonding and most likely a biannual audit after that. The town now has a full audit every three years anyway so presumably at least some of these audits are already accounted for in the budget. It is worth noting that the notion of having a yearly audit (as opposed to every three years) has been discussed by the Finance Committee in the past and was in fact suggested by our former accountant David Kielson. In his view since the town's budget now far exceeds \$5 Million and we have other monies in revolving accounts a yearly audit is something to consider. The Finance Committee will again be considering increasing our audit frequency in the near future.

- g) The Capital Planning Committee reviews and recommends all expenditures that relate to purchase of equipment or large repairs to our existing buildings. They are clear that there is no “cast in stone” vehicle, building, or other equipment replacement schedule. For planning purposes they are in the process of adopting a more frugal “need based” model. In other words, equipment is not automatically replaced without first looking at repair records and equipment usage. If in the eyes of Capital Planning we need something like a fire truck or a school roof replacement, these are things that have historically been borrowed for at least in part to spread the financial burden of these purchases to taxpayers who will benefit from them in the future. Again, the Finance Committee does not take the notion of borrowing lightly. We considered these needs in our projections about the town’s ability to carry debt. This is built into the town’s current tax levy.
  - h) There has been discussion about the need for a new roof for the school. At this point there have been no estimates or quotes about the cost of this project. Suggestions that the cost would be \$700,000 to \$1,000,000 are purely speculation. We do know that when the roof does need to be replaced it will likely be eligible for state grants. The Town of New Salem, for example, is now fixing the roof on their school and they are being reimbursed at a rate of 60% for their cost. We also know that relatively recently, when solar panels were installed, approximately 15% of the present roof was replaced with 50 year shingles.
  - i) The Fire Station cleanup is ongoing. At this point the state has not given us a payback schedule for the money we now owe them. It is likely that we will pay back the \$200,000 that we owe to the state over several years at a low or 0% interest rate. Just a few days ago the Town received a quote for about \$40,000 for the next phase of this cleanup. This is a far lower number than the \$200,000 figure that has been mentioned. The Finance Committee has long been aware of the need to cleanup the Fire Station. It has, in fact, been planning for such an eventuality and warning the town about our obligations for several years.
  - j) In general, it has been suggested that the Town will need to spend over \$5.2 million dollars on capital or non-reoccurring items over the next 5 years. This is incorrect. The Finance Committee estimates this number to be approximately \$1.3 million dollars or less during the same period. It is important to realize that in the Finance Committee’s opinion the Town will be able to afford all these expenses (with the exception of the library building) within our current tax structure.
  - k) We have recommended that the new library be funded as a “debt exclusion” which will add an estimated 1.5% to a household tax bill for the life of the bond which will be twenty years.
- 4) Adjourned at 7pm
- 5) Respectfully submitted, *Weezie Houle*