

AD HOC COMMITTEE—FINANCIAL POLICIES

22-MAY-2014

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Chairman Philip Curran called the Committee meeting to order at 5:40pm.

COMMITTEE MEMBERS PRESENT: Chairman Philip Curran, John Priola, and Benjamin Chianese.

COMMITTEE MEMBERS ABSENT: None

ALSO PRESENT: David St. Hilaire, Director of Finance; Dan Garrick, Assistant Director of Finance; and Laszlo Pinter, Deputy Corporation Counsel.

After making introductions Chairman Curran stated that the purpose of the meeting was to review the Financial Policy and make a recommendation on adoption.

Chairman Curran asked Mr. St. Hilaire to review the policies. Mr. St. Hilaire gave an overview of the policies and stated that the overall goal is to establish policies that are compliant with Governmental Accounting Standards Board (GASB) and requirements of the rating agencies. He continued that many of the provisions are currently in practice, but these policies formalize these standards and requirements. Finally he stated that there are 4 policies before the committee.

Before reviewing the individual policies, Mr. St. Hilaire referenced information from PFM Group and Phoenix Advisors as they relate to the policies and the rating of the City. The rating of the City affects the Bond interest rates.

Fund Balance Policy (referenced as 6b): Mr. St. Hilaire stated that the purpose of this policy is to define the types of funding following GASB standards, and the policy set ranges for each type of funding. A brief discussion regarding the details took place. Mr. St. Hilaire stated that this policy is in practice but was not in the recently adopted budget.

Other Post Employment Benefits (OPEB) Funding Policy (referenced as 6c): Mr. St. Hilaire discussed the historical perspective and the current method of funding retirement benefits. He noted that the number of retirees will continue to grow for a number of years making this obligation larger. There is currently a gap between the funding and the pay out. This policy acknowledges the trust that was established 7 years ago and establishes options for closing the gap. A brief discussion took place regarding the specifics. Councilman Chianese asked about the penalty for non-compliance of this policy. Mr. St. Hilaire stated that the rating agencies use a formula when determining a rating. If the City is not compliant with this or another policy they would be graded down for that area but not necessarily the total rating. He added that if there is non-compliance for one or two years but a plan for becoming compliant is in place, it is more favorable.

Debt Management Policy (reference as 6d): Mr. St. Hilaire gave a brief overview of how the rating agencies give ratings. He noted that one event can make your rating go down, but it takes a long time of consistency to achieve a higher rating. He stated that this policy sets conditions and limitations for debt. Councilman Chianese asked for clarification regarding the Debt Benchmark Ratios. A discussion ensued, and it was determined that the correct amount in paragraph B.1 should state 10% rather than 3%. Mr. St. Hilaire stated that the City is currently compliant with this policy and it is reviewed annually.

Balanced Budget Policy: Mr. St. Hilaire stated that this policy ties revenue to expenses and establishes a plan to have a balanced budget. It defines recurring revenues and expenses and how these items should be managed. Councilman Chianese asked for clarification of how avoiding using fund balancing to balance the budget would work. Mr. St. Hilaire stated that this policy establishes that need to use non-recurring funding as temporary and requires that a plan is established to avoid this type of funding. A discussion of methods for complying with this policy took place.

Councilman Priola made a motion to recommend the adoption of the formal Financial Policies as presented, make the changes as discussed and to take effect 7/1/2014. The motions was seconded by Ben Chianese. Vote, all in favor, motion unanimously approved.

There being no further business before the committee, Councilman Priola moved to adjourn. Councilman Chianese seconded the motion. Vote, all in favor, the meeting adjourned at 6:34pm

Respectfully Submitted,

Philip Curran, Committee Chairman

John Priola

Benjamin Chianese