



Financial Planning Meeting
Tuesday, September 25, 2018 at 7:00pm
O'Brien Meeting Room, Town Hall

Board/Committee members in attendance

- Mike Butler
- Mayanne Briggs
- Jim MacDonald
- et. al.

Agenda

- Investment Policy
- Debt Management Policy
- Capital Policy
- Stabilization Fund
- Next Steps

Investment Policy

- Reviewing markups to investment policy document
- Some change asking for collateral
 - 102% - extra 2% for fluctuation
- New language from state law that prevents having an account with a bank that makes up >60% of their total holdings – avoid being the only depositor at a small bank
- Diversification – no more than 25% of the town's cash to be invested with a single financial institution
 - Differentiated between investment and cash
 - MMDT – not collateralized, an investment
 - Cash = deposits from tax payments and other sources that are used for day to day operations
- Reporting requirements – treasurer collector put something in writing each year in the town's annual report
 - Don't want to list all accounts/securities – too many
 - Will this be available on the transparency module? (probably not, could offer periodically as applicable due to level of interest)

- Transparency module – part of town-wide initiative, for greater transparency on town finance information
- Custodial credit risk
 - Came from suggestion of auditors
- Vote to recommend adoption of investment policy
 - Unanimous in favor

Debt Management Policy

- Reviewing markups to debt management policy
- Capital items costing <\$25k need not be included in the capital improvement plan
 - Previous limit was \$10k
 - May be paid with free cash
- Improvements to buildings and other large expenses (>\$250k) may be paid for by borrowing
- Projects >\$10m may be paid for by borrowing paid from debt exclusion, regularly budgeted debt service, town reserves, or the Robin Reyes Major Capital Stabilization Fund
 - Previously \$4m – came from smallest project at the time (senior citizen center)
 - Next smallest project is unlikely to be <\$10m, need to assess future projects
 - Might not even need a number, might limit options later
 - i.e. phased project broken up into chunks with smaller individual dollar amounts
 - Revised language to list all of the payment options in the first sentence, including the Robin Reyes fund and eliminated dollar amount threshold. Maximize flexibility
 - Add a sentence about the purpose of the Robin Reyes fund – clarify its purpose (large brick and mortar building projects), make sure it doesn't get used for things it's not supposed to
- Ability to fund has increased a lot over last 6 years
 - Free cash – likely won't continue to be there
 - Robin Reyes fund – will be there
- Debt limitations
 - Debt service ceiling for non-excluded debt = 10%
 - Debt service floor = 2%, promote continued investment
 - Not high enough, last year's operating budget was ~6-7%
 - Recommend changing to 5% - increase current amount which is definitely too low, but leave margin to current levels
 - Forecasting debt
 - Excluded debt is rolling off
 - Debt service will increase as projects complete (Town Hall, Public Safety Building, ECEC)
 - Need to double check ceiling and make sure it's high enough
- Motion to vote on debt management policy
 - Unanimous in favor

Capital Policy

- Change dollar amount from 10k to 25k

- Discussion about defining what qualifies as capital
 - Large line items that an individual department doesn't want to absorb as an operating cost
 - i.e. traffic studies
 - Bundling of smaller dollar value items
- Add language about the Robin Reyes fund
- Language change – town administrator to town manager
- Motion to approve capital policy with proposed changes
 - Unanimous in favor

Stabilization fund

- 6-7m (~6-7%)
- Where does interest on the fund go? (Reinvested, stays with the fund)
- Amount in the fund grows due to interest accumulation without town meeting voting to put any more in it
- Might want to consider actively putting money in to maintain AAA rating
 - What are the rating agencies actually looking at? Percentage of operating budget? Account activity?
- Considering putting floor on the stabilization fund (5% of operating budget)
- Under what circumstances would the stabilization fund actually be touched?
- Schedule meeting for 10/11 at 6pm to finalize the financial policy documents

Meeting adjourned (unanimous in favor)

Open Discussion/Public Comment

No open discussion/public comment

Notes taken by Justin Reiter

Notes reviewed by Heather Springer

Keywords: Stabilization Fund, Capitalization, Debt Management, Investments

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