

Cotuit Fire District  
Prudential Committee  
22 August 2016  
5:00 PM

Fran: I'm going to call the August 22, 2016 meeting to the Fire District Prudential Committee to order. First we'll start with ... is anyone recording? Amy Kates is recording. Could we have introductions, starting with Mr. Daley.

Michael Daley, Treasurer.

Laurie Hadley, Prudential Committee.

Stan Goldstein, Prudential Committee.

Fran: Fran Parks, Prudential Committee. Is there any public comment? No public comment. Okay the first thing, did everyone get a chance to review the Fire District Treasurer position description?

Laurie: I looked at it. I didn't bring anything with me.

Stan: I just have a couple of questions.

Fran: Go ahead.

Stan: Bond issues ... and I know that you've been involved in doing bonds and stuff for us, for the water projects that we've done. Is that covered under the general purpose description or another specific ...

Michael: I don't know, I'd have to look.

Laurie: All I know Stan is when I was Treasurer for 6 months, I had to do a bond issue, and I didn't have a clue what I was doing.

Mike: In the general purpose it talks about debt management.

Stan: Yes.

Mike: That would be the coverall for that.

Stan: Yeah including issue of new issues and stuff like that?

Mike: Sure, any debt. I mean managing debt is everything from selling, buying, or doing whatever else in between. I think it would be under there ... I'd say that's where it's covered under that.

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Stan: The other question is under key relationships, third paragraph, it talks about the Treasurer consulting with ... you mention specifically the prior chief. Do we want to put waters? I know West Barnstable doesn't have a water system.

Mike: All right, where are you now?

Stan: Second page, key relationships, third paragraph.

Mike: And other department head.

Stan: Yeah, but I thought maybe we'd want to say -

Mike: You can have your own custom one. When they're done, we'll customize it for you.

Stan: Okay.

Mike: It's being drafted to fit two houses at once, but I had already told the other boy ... first of all, as we see I don't have one. They're in the review process as well and they're funneling it to their committee person if you will, who was formally the Chairman but is no longer the Chairman, they change it the first of each fiscal year. Dan's going to receive comments from his board, I assume you will do the same thing, and then when the 2 boards get together again with the writers, if you will, we can bring the edits in at that point in time and bring one to markup because it's going to be marked up in committee again, I guess.

Stan: Okay.

Stan: Now did I not see that West Barnstable does have a water commissioner?

Mike: No we have 3 water commissioners.

Stan: Oh you have 3. You do have water commissioners.

Mike: Yes. we have them. We do.

Stan: Yes okay, even though you don't have a water -

Mike: Well they drive us to keep water out of the district ... and they do a good job.

Laurie: Yes they do.

Mike: There may be a department head at some point in that district. I mean there are lots of discussions going on right now with 2 water districts about water. It's written, it'll fit the bill, it makes reference to chiefs. That District of Chief is the CEO, so there's a big difference between your district and their district. They have 1 board. They

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already have defined the CEO of the district. They have basically defined the FO of the district and that's all they have, is the CEO and a CFO and a bunch of labor.

Here you have boards and department heads and it gets a little bit convoluted as to who's in charge and what each role is. One of the things I've recommended and I'll keep recommending is 1 board and the Chief Executive Officer, and yours may evolve into a CEO because that may be your root to getting some kind of centralized management in place that will stabilize this district and keep it from the ups and downs that it goes through depending on the talent pool that is in the policy making side because quite frankly, you don't really have an Executive Officer.

I think that, the other board I mentioned to them that your final, final may be a little bit of a variance on theirs as theirs may be, but for the time being those subjects -

Laurie: They are 2 separate contracts.

Mike: Well, they may hire somebody, you may do a contract. The next phase is to -

Laurie: It would be an employee contract or whatever ...

Mike: They made a contract with me, I'm an independent contractor.

Laurie: Okay.

Mike: I mean, that's an example. They're not close minded to have an employee. The next step is ... defining the marketing mechanism. The ad may look for either an employee or an independent contractor, that's what I think the vision is at the moment.

Stan: If we had an employee, who would that employee report to?

Mike: Prudential Counsel. You're the appointing -

Stan: A committee? Managing a person?

Laurie: I'm all for independent contractors.

Mike: Committees manage the world. There's boards of directors in corporate world.

Stan: Yeah you've seen that comic thing where the zebra is designed by a committee, right.

Mike: Or a camel was basically a horse designed by a committee, but the bottom line is, you have a charter, you have a set of bylaws that says you have to have something. Now, surprise, surprise, the great municipal modernization Act of Massachusetts has been signed, well one of the things in there that's finally been done is that, it doesn't go so much to your question, but it allows committees to now have representatives to sign

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warrants, and bills payable, and so on and so forth so that those of us that toil in the world of trying to comply, don't have to go knocking on doors across the towns to try and get signatures before we pay freaking bills.

You have to have some common sense that ... you can't wait for the superintendent to chase down his 4 school committee members in the city and town environment. They're making it easier to get bills paid as part of this legislation as well, but ... you appoint the treasurer. Have and always will until you change your bylaws. If you make the position a CE/CFO position, then you'll appoint a single person and they can provide you with both executive services from the executive office and financial services from the financial office. They're probably the best way to go.

In most small towns, the evolution went from a full-time board of selectmen to what was called an Executive Secretary. Most of the early executive secretaries in the [counter 08:34] laws of Massachusetts were town accountants, who became executive secretaries because they knew how to do the budget, they knew how to keep the books, and they knew the comings and goings of the administrative organization. Not big towns, you had mayors in the cities and so forth, but you'll be fine. Any corrections or changes or alterations, it's going to get a re-go once more with the committee, the job description. If you have, you want to make those comments and put them in ... are you going to stay on the committee?

Laurie: Yes.

Mike: Their expectation is that there'll be a meeting in the next, you know, not necessarily this week, but in the next week they've got another meeting ... they're the third Wednesday, you're on the fourth Monday. Wednesday night they look at this and now you're looking at it. Once you ... we'll get you and Van and Joe together again and we can bang on this out and then start working on how the marketing materials roll out. If there's a newspaper ad or display ad, circulate to the MMA or who is going to get all of the notices.

Mike: Thank you.

Fran: I only found one typo so ... no resend.

Mike: You can bring that to the meeting and we'll fix that too. See that Joe's [inaudible 09:59] that, I don't know which one, but we're the only 2 that plays with it. We actually have the original which just pretty recently came -

Fran: Okay. The trees at the east end of the parking lot, guess what, the dead ones in front of the house ... belong to us.

Laurie: Oh great.

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Fran: Yes.

Laurie: They're not coming down with the house?

Fran: Well, no, I had a call from Mr. LaPoint last week. First of all he thanked us for not objecting to his project so we don't have any objections. It seems those dead, although I'm assuming they were either arborvitae or cedars, were probably planted the same time the hall shrubs were planted the side of the building, so those trees, sadly belong to us. I very rashly said, well he said he wants to do fence and he want to trees in front of the fence, and I said "Maybe we could help pay for taking the trees down and planting the new ones". Then I got home and started thinking, trees ... need water. Someone's going to have to water those trees.

Stan: At least in the first year.

Fran: Somebody is going to have to take care of those trees. I don't really want to do that.

Laurie: I think we can take down the dead trees and let him put up his own trees.

Fran: Well he wants to put up his own trees on our property.

Laurie: Oh. Okay.

Fran: That's the whole ... which does actually, if you get out there and walk under those trees, you'll see that there's quite a lot of debris under those trees that are actually covering up part of our parking lot because of all the stuff. I'd like to suggest, after thinking about this for some time, that if they want to take down the trees, we'll reimburse them for removing the trees. Can we do that Mike?

Mike: You're going to reimburse him for taking down trees on our property?

Fran: Yes. That's it.

Mike: That's it? Yes, seeing it's really cautionary in getting him to split the ... does he got to have a contractor to do it?

Fran: Yes.

Mike: When the contractor does it, let's split the tab or something with him.

Laurie: Yes.

Fran: I really don't ... I mean if he wants ... how do we feel about him putting up more trees on our property.

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- Laurie: No. Not if they're interfering with the parking lot.
- Mike: I agree. It leads to misunderstandings down the road. He goes away, he sells the house, who's trees are they, and then you get into all kinds of land court. I think it just best, not to be hard asses about it, but I think it's just best to keep it, this is our property, we'll take care of it.
- Fran: I agree. He also asked about transporting stuff across, for the building project, across our parking lot. I said no because one little truck going across is all of a sudden turn into a front loader to a ... without somebody watching all the time.
- Mike: Is he own the right of way to the road?
- Fran: No he doesn't.
- Laurie: Across our parking lot?
- Fran: No.
- Mike: He's an end lot.
- Fran: No he has a driveway on the other side of the masonic lodge.
- Mike: Oh okay.
- Fran: There's a road there. Even though somebody put up a garage that was an entrance from this parking lot, they don't have a right of way.
- Laurie: Well that was year, and years, and years and years ago, when we all got along very nicely.
- Fran: Just the other thing, so that you know, there is a sign on the side of the building here that says no parking.
- Laurie: While we're on free to park, can I say something?
- Fran: Sure.
- Laurie: Because I just made a decision in the last week or so. We had a homeowner's association that was meeting sporadically on Thursdays, and we got a group that wanted to rent the hall every Thursday night and because the homeowners association was not paying and they had 6 other days of the week they could pick from, and because the other group were paying, even if they take off Christmas and Thanksgiving, to me \$50 a week came out to about \$2,500. It made a lot more sense to me to take the \$2,500, so that's what I did.

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Fran: Okay. Can I have a motion to pay for having the trees removed but declining the offer to have new trees planted?

Laurie: I move that we pay at least in part for having the trees removed and decline the offer of new trees.

Stan: Second.

Fran: All those in favor. So Moved

Fran: Did everybody have an opportunity to review the minutes of the 25th of July?

Stan: I did and have a question for Mike. As part ... in the description of what was going on with the water tank, some of the funding came in \$25,000 under what we needed and you said that really wasn't a problem because we forgot a way to fund it. That question leads to free cash and reserve fund, so we can ... and I know one of them needs a vote by the citizens and one of them we can transfer?

Mike: Yes but you're not going to be doing either.

Stan: No? Okay.

Mike: I'm not even sure where the \$25,000 fits in, but the original project authorities for the projects that were sought was \$25,000 more than what the grant application that went in had.

Stan: Yeah that's what they said.

Mike: The water department will deal with that. We still have the authority to borrow the \$25,000. We just won't borrow it from the Fed ... do you understand? It's not like we're short money, it's just that grant won't be able to fully provide for all 3 projects 100 percent. We may have to take a note from a bank for a year for \$25,000 and then pay that off.

Stan: Let me ask you this, I know we have a lot of reserves, like \$600,000 or something like that. Wouldn't we want to just -

Mike: It's not what the district did when it voted to use debt.

Stan: Okay.

Mike: Those projects are all authorizing the use of debt and the Fed's willing to give us some money, cash, so we don't issue \$500,000 worth of debt, so that's just free money. The \$2,525,000 that we would have borrowed, they're going to lend us \$2,000,000

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towards and we'll go to a bank and get the other \$25,000 and we'll have our \$2,025,000. There's nothing to get concerned about. If you want to change the vote from the district meeting from using debt to using cash, then the district meeting would have to do that. Once we borrow the money, the horse is out of the barn.

Stan: It's my ignorance of how the flow ... I guess free cash is just that we -

Stan: Free cash is your equity. It's your liquid equity.

Stan: I guess over time we've collected more in taxes than in expenses were -

Mike: Right, right. Every year ... I'll be giving you next month a statement. An income statement, an appropriations expenditure statement, a balance sheet. Every year, the revenue generally exceeds the budgeted revenue, so we'll take in some surplus revenue. Every year, we don't spend exactly what we've budgeted to spend, so we have turn backs. Every year, the district generally generates a revenue surplus and underspends it's budgeted expenses because you had a break even budget. If you have a break even budget and you take money than you expected and you spend less than you expected, you contribute to your fund equity from 2 directions.

That trickles down to the balance sheet and it settles in your equity position. Then the DOR makes some magic with that, looks at your receivables and adjusts your liquid equity by your receivables and they call that pre-cash. Which is nothing more than them saying "you have permission to spend your own equity", right? "You can't spend all your equity because we're going to keep you from being able to spend it all because we don't like the fact that you have any receivables". Free cash is always there ... but this is not something to get concerned about.

Stan: No it's more of a technical thing in my estimate ... why go out and go to a bank and get -

Mike: Well we've already done that ... okay. These were voted over a period of 2 or 3 years worth of meetings, so now I accumulated them all up, I got your \$500,000 of free money, so you were originally going to issue \$2,525,000 of debt, now you're going to issue \$2,025,000. You're only going to get \$2,000,000 at the cheap rate from the Fed.

Stan: Okay because that's the USDA -

Mike: That's all they ponied up. If the engineer had made it for \$2,525,000 then we would get all-in-one stop shop from the Federal Bank, but we're not going to do that. When the last \$25 ... they haven't even started the significant portion of the security system because they're waiting for this high-speed internet bat phone that's going to run up and down the Cape, whatever it's called. Cape Net or Open Cape. They're waiting for that to be in position so they can put the security systems in the well fields and tie it

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into that high-speed internet, because right now, they can't transmit pictures from your well sites, and your tanks because you don't have hot-spots on your sites.

That's going to enable them, I believe, use some kind of router system that will link them to this high speed internet and let their cameras roll. When the water department goes through that process of spending that, they have \$200,000, they borrowed \$20 for engineering and they have spent about \$18, so they have a couple of grand in cash, and we still have to borrow \$180,000. It'll be the last thing we do. The feds won't give us the \$180,000 because they won't have \$25 and we'll just grab that from a local bank. We'll pay that note off and we'll probably do it during the period while it's being processed. It's really nothing hung up about.

Stan: I'm not alarmed, I'm just not ... I'm ignorant about how thing close.

Mike: Right. When you go to the district meeting and you work on a budget and the water people are famous for just showing up at your open mic night almost, and telling you "Well, we wanted a \$2,000,000 bond" or "We want \$150,000,000 for cash", those need to be more thought out and sometimes that's where you need to say "Okay, you guys think that debt might be the way to go but let's all get together and talk about what a good financial planner is". That's what hasn't always been happening here.

You got the board X, the board Y, and the board Z all going in different directions and never sitting down and trying to get them all in the boat going this way.

Stan: That was my question on the minutes.

Mike: The minutes are fine, and there is a \$25,000 matter that the Feds piece didn't cover but it's not of particular importance.

Fran: Okay, so that's it. Motion to adjourn?

Laurie: I make the motion we approve the minutes of 25 July 2016.

Fran: All those in favor. So moved

Speaker 1: Motion to adjourn. Unanimous Adjourned.