



Town of Nantucket Finance Committee

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Committee Members: James Kelly (Chair), Clifford Williams (Vice-chair), Matthew T. Mulcahy, John Tiffany, David Worth, Stephen Maury, Craig Spery, Joseph T. Grause Jr.; Peter McEachern

MINUTES

Monday, January 25, 2016

4 Fairgrounds Road, Training Room – 4:00 p.m.

Called to order at 4:00 p.m.

Staff in attendance: Brian Turbitt, Director of Finance; Lynell Vollans, Assistant Director of Finance; Tom Rafter, Airport Manager; Rachel Chretien, OIH Manager; Terry Norton, Town Minutes Taker

Attending Members: Kelly, Mulcahy, Tiffany, Worth, Maury, Grause

Absent Members: Williams, Spery, McEachern

Late Arrivals: Mulcahy, 4:01 p.m.

Early Departures: None

Documents used: Our Island Home (OIH) FY2017 proposed budget; Airport FY2017 proposed budgets; Memorandum of Understanding (MOU) Between The Nantucket Board of Selectmen and The Nantucket Airport Commission; Citizen Warrant Articles for 2016 Annual Town Meeting.

I. PUBLIC COMMENTS – Any member of the public may address committee at this time

1. None

II. APPROVAL OF PRIOR MEETING MINUTES

1. None

III. REVIEW OUR ISLAND HOME (OIH) ENTERPRISE FUND FY2017 BUDGET

Sitting Kelly, Mulcahy, Tiffany, Worth, Maury, Grause

Recused None

Discussion **Chretien** – Working on a Quality Program which is becoming State-mandated. Department of Public Health surveyors could request access to the documents if they note shortfalls. The care planning surveyor team is now looking at dementia care and the minimum dataset for Medicaid. Explained what training is being implemented at OIH to meet those two new areas. Reviewed initiatives and accomplishments. The north roof has been repaired and mechanical upgrades should start in February. Priorities for FY2016: Assistant Administrator Erin Kopecki will begin training as a Licensed Administrator; train a new Director of Nursing to replace the retiring incumbent; certification of the activity director; full implementation of Electronic Medical Records, and maintaining a viable census. Emergency preparedness will soon be mandated to be up to date. A number of long-time staff will be retiring in FY2017 so this budget proposal adds additional funding to accommodate their required payouts. Looking at instituting a Care Model by which to determine the staffing for the current location and alternate location potentially at Sherburne Commons; this study could result in OIH providing other services.

Tiffany – Asked what assumptions were made to come up with revenue numbers.

Chretien – Our FY2017 revenue is based upon FY2016 actuals as determined by the Department of Revenue (DOR); unlike a private institutions, OIH can't increase its revenue at its discretion.

Kelly – Asked how the revenue might be built.

Chretien – Reiterated it is based on FY2016 actuals. Certified Retained Earnings for FY2016 will be less. Looking into a way to adjust that now.

Turbitt – Working on a solution that enables bringing numbers down some and covering any deficit.

Grause – Asked what the patient census is.

Chretien – About 23% are private patients; Mass Health and Medicaid makes up the rest.

Kelly – Asked how FY2016 compares to FY2015 in pulling in Medicare revenue.

Chretien – We have more Medicare B patients; a new Physical Therapist enables OIH to take care of more Medicare B patients. Medicare A has not changed much.

Turbitt – Year to date Medicare revenue is about \$250,000 to \$255,000 but that's not confirmed. Internally, they are looking at a way to bring that down and close the gap.

Chretien – In the first quarter of FY2015, we were at \$230,000; in the first quarter of FY2016 we were at \$118,000.

Kelly – Relayed questions from Mr. McEachern, who asked why there is an 8.9% increase in payroll.

Chretien – There were positions in FY2016 not reflected in that budget; also 50% of her salary has to be accounted for in the OIH budget, which it wasn't in FY2015. There were also increases in hours for several positions as well as staff development hours. Noted that Medicaid A revenue used to date is \$213,923 and Medicaid B \$13,614. Secondary insurance is at \$76,000.

Kelly – Asked about the increase of the Contractual Obligation line item.

Chretien – \$50,000 is for the general contract increases as negotiated; the additional amount is the payout benefit mentioned earlier.

Worth – Asked if there will be lower salary budget as retirees are replaced.

Chretien – She suspects so; the majority of her staff are at the top end of the scale and several are over 20 years.

Grause – Asked if the facility is allowed to raise charitable funds.

Chretien – Friends of OIH started fund raising but that group has faded. The staff, as Town, employees cannot do fund raising.

Tiffany – Over the last few years, there has been discussion about the physical state of the facility; asked Ms Chretien about that.

Chretien – The facility is still in a sub-standard condition and cannot be upgraded. The roof is fixed and mechanicals will be fixed. There are currently no heating issues. As long as there is momentum on a new facility, we aren't being cited, deficiency-wise.

Worth – Asked where disability payments are charged.

Turbitt – Workers Comp Trust Fund, they are paid out of that and quarterly all departments and Enterprise Funds are charged back for their portion.

IV. REVIEW AIRPORT ENTERPRISE FUND FY2017 BUDGETS

Sitting Kelly, Mulcahy, Tiffany, Worth, Maury, Grause

Recused None

Discussion **Rafter** – There is a budget which has been approved by the Airport Commission; however, since Island Air declared bankruptcy, there is a revised budget which has not yet been reviewed by the Airport Commission. He will come back before FinCom with that revised budget once it's approved by the Airport Commission.
Consensus of the board is to wait to review the final budget.

V. REVIEW OF MOU BETWEEN TOWN OF NANTUCKET AND AIRPORT FOR THE PAYBACK OF SUBSIDY FUNDS

Sitting Kelly, Mulcahy, Tiffany, Worth, Maury, Grause

Recused None

- Discussion **Turbitt** – Reviewed the background leading to the MOU for the payback of the \$4.6 million Town subsidy to the Airport without putting undue stress on the Airport’s ability to operate. There is a construction project that will generate useable material so there has been discussion about using it internally and off-setting the amount the Airport owes; explained how that would work.
- Rafter** – He was told the stockpile of material is worth about \$320,000. This is milling from the torn up ramp that the Department of Public Works (DPW) would reuse on roads.
- Turbitt** – Also the agreement has been reworked to allow the Airport to request a change in the payment date in the event something catastrophic occurs that might prevent meeting the payment date.
- Rafter** – Told the board that the terms of the MOU and any changes are subject to Federal Aviation Administration (FAA) and DOR approval.
- Grause** – Asked Mr. Rafter if he is confident in being able to afford the \$223,000 over the next 19 years.
- Rafter** – He is confident about meeting payments because of land that is coming available to them for rental, rate increases, and debt service roll off. One of his goals is a stable financial plan.
- Worth** – His concern is that the in-kind services would replace the cash repayment of the loan.
- Turbitt** – The in-kind service is a cost avoidance for the Town. Absent that, the Town would have to acquire the material.
- Rafter** – Noted that the milling material is generated every several years.
- Worth** – Asked if that cost would be accounted to Chapter 90.
- Turbitt** – It would be done through Chapter 90 or supplemental funding.
- Kelly** – The loan came from free cash and it needs to go back to free cash.
- Turbitt** – Noted that there is no reason the Airport can’t make the payment on top of the in-kind service.
- Tiffany** – Doesn’t understand the concern as there is nothing wrong with in-kind service; he is comfortable with Kara Buzanoski, Director DPW, having set the price.
- Maury** – His concern is that we have only one value set on the material.
- Turbitt** – The MOU states that any in-kind service will be set at a fair-market price.
- Mulcahy** – There should be a way to quantify that number.
- Rafter** – He can check it against off-island prices; he could also check with Victor Paving. Ms Buzanoski said that they gave her the \$320,000 assessment.
- Worth** – Suggested making a condition that only 50% of the yearly payment can be attributed to in-kind services.
- Kelly** – The voters were told by FinCom the airport will pay the Town back with cash, which will go into the General Fund; we should stick to that. The accounting would be cleaner to sell the material.
- Maury** – If the Airport sells it, it is at wholesale prices; when we buy it, it is at retail prices.
- Mulcahy** – It would fall on Mr. Turbitt to ensure all parties are negotiating with the best interest of the taxpayer in mind. He doesn’t believe the taxpayer would mind the in-kind payback; it just has to be quantified.
- Turbitt** – This makes sense as the DPW would either have to buy the material or get it from the Airport and account for it at a fair-market value between the Airport and the DPW.
- Worth** – If he were on the Airport Commission and he had an opportunity to build up the cash reserve by way of in-kind services, he would do that rather than a cash payment.
- Kelly** – The question on the table is in-kind services; asked for a motion.
- Discussion on the motion.
- Worth** – Asked if this resurfacing project is reimbursed and whether or not disposal of material is built into that.
- Rafter** – We retain the material but have no use for it. The amount presently stockpiled is about 3 years worth.

Grause – He’s not concerned as long as the value of the material is fair-market; it saves the Town money.

Worth – If they build up a fund balance, there is no way for the Town to force a transfer of money out of the Enterprise Fund without approval by the Airport Commission. The operation of the Airport has come to the point where it can absorb the reimbursement payment. He is skeptical that five years down the road, any cash will have changed hands if in-kind service offset is permitted.

Grause – Suggested a clause that to use an in-kind payment, they have to come to the FinCom for approval.

Worth – He thought the Passenger Facility Charge was aimed at providing revenue to pay the capital costs of work done at the Airport. Now we are looking at other ways not to have to pay in cash the obligations.

Rafter – That is not allowed. The Passenger Facility Charge is dedicated to reimbursing the eligible item, which is only the terminal; a lot of the debt is associated with the General Aviation building. We have \$2.2 million in retained earnings, \$1.1 million in the Fuel Revolver Fund. Discussion about quantifying the value of the millings and use in off-setting the payment and a reflection of its acquisition as a reduction in the DPW budget.

Kelly – Asked if the interest rate could be reopened and changed so that the in-kind service would be used as interest on the loan. The loan is currently interest free.

Turbitt – It would be very difficult to get the DOR to approve that.

Maury – He would like to see the offset come off the back end.

Kelly – Suggested a friendly amendment that the in-kind service would be used at the back end of the loan.

Turbitt – Explained how that would work.

Mulcahy – Seconded the friendly amendment.

Motion **Motion to Recommend that the MOU be approved with the amendment that the current language on in-kind services be struck and replaced with, “fair market value of in-kind services will be approved to be paid and credited at the back end of the loan.”** (made by: Worth) (seconded by: Grause)

Vote Carried 5-1/Tiffany opposed

VI. NEXT MEETING DATE/ADJOURNMENT

Date: Tuesday, January 26, 2016; 4:30 p.m.; Nantucket High School Cafeteria, 10 Surfside Road

Topics: Add to January 28 agenda further discussion of sewer project.

Adjourned 5:52 p.m.

Submitted by:

Terry L. Norton