TOWN OF MEDFIELD

Office of

BOARD OF SELECTMEN

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Kristine Trierweiler
Town Administrator

To: Board of Selectmen
School Committee
Town Departments

From: Kristine Trierweiler, Town Administrator
Financial Team

Date: December 3, 2019

RE: Moody's Bond Rating

This past September we received a call from Nicholas Lehman from Moody's Investments. This call was to discuss some concerns that Mr. Lehman had regarding the FY2018 and FY2019 financial statements and the Town's overall financial position.

The concerns centered on the Town's ability to maintain our fund balance levels and in turn sustain our current bond rating. Mr. Lehman was concerned about the amount of free cash that had been used to balance the budget in in FY2018 and FY2019 as well as our declining reserves. He felt that it had impacted our prior "sound financial position." In particular, the Town did not appear to be addressing the declining reserves, specifically the School Building Authority reimbursement funds from the original High School/Middle School projects which will be fully depleted in 2023.

Mr. Lehman strongly cautioned that if Moody's saw further decline in available reserves the Town would no longer be considered of sound financial positon. Further, the Town's bond rating would surely be lowered for the next planned debt exclusion override and borrowing for the Dale Street School Project. Mr. Lehman cautioned the Town would need to demonstrate active replenishment of these reserve accounts prior to the Dale Street Project.

We presented Mr. Lehman with the new financial policy adopted by the Board of Selectmen and utilized for FY2020. We demonstrated our adherence to the policy with limited use of free cash to balance the operating budget, the commitment of proceeds from sale of land to be added to the

stabilization fund, a five-year capital plan strategy as well as the creation of the municipal building stabilization fund.

As we begin to prepare the FY2021 budgets and discuss our approach to funding our capital expenditures we cannot stress enough how important it is to continue to reduce our reliance on free cash to balance the budget and strictly adhere to the Financial Policy if we are to maintain our AA1 bond rating.