

Finance Committee Members Present:

Christos Arsondiadis, Rob Barker, Dan Cole, Emilio Mauro, Tim McKenna, Cindy Thomas and Wai Wong.

Finance Committee Members Absent: Cynthia Holcombe and Barbara Saint André.

Guests Present:

Stacey Gorman, Chair, Canton Community Preservation Committee (CCPC)

Lisa Lopez, Vice Chair, Canton Community Preservation Committee

Jim Murgia, Finance Director

Ellen Jones, Finance Committee Secretary

Opening: A meeting of the Canton Finance Committee was called to order by Chairman Barker at 7:03 pm. on Thursday, January 17, 2019 in the Salah Meeting Room of Town Hall.

A. Approval of Agenda

Chairman Barker reviewed the items on the agenda which included a discussion with members of the Community Preservation Committee, a review of the Finance Committee budget, a review of the Reserve Fund budget and a first glimpse at the Municipal and School Department budget requests for FY20.

B. Announcements

Chairman Barker stated that the Finance Committee would not be taking positions on budgets because the final revenue numbers would not be available until early in February. He also stated that the Finance Committee was grateful for the CCPC's attendance at the meeting because it was essentially a courtesy visit to the Finance Committee and that the CCPC's motions for Town Meeting were the CCPC's recommendations and not the Finance Committee's.

C. New Business

Canton Community Preservation Committee – FY20 CPA Recommendations to ATM 2019

Stacey Gorman introduced herself as the Chair of the Community Preservation Committee and Lisa Lopez as the Vice Chair. Because there are a few new members on the Finance Committee Ms. Gorman briefly explained the background of the CCPC as follows:

- Preliminary applications were due in September.
- The CCPC vets the applications for meeting the requirements of the CPA statute.
- Once approved, applicants applied for final applications which were due in November.
- Approved applications were then set for a public hearing.
- CCPC voted to determine which applications to recommend for funding.
- \$600,000 has been budgeted for funding from the CPA surcharge along with a state fund match (which has ranged from 9% to 19%). Funds encumbered but not yet spent earn interest which also contributes to the funding source for projects.

Ms. Gorman referred to the meeting documents, specifically the CPA revenue trend ranging from \$480,000 for FY2014 through to approximately \$600,000 for FY 2018. She further stated that after consultation with Mr. Murgia the CCPC changed the annual allocation from \$600,000 to \$650,000, thus changing the allocations to the various

spending categories of open space, housing and historic (10% to each category). The amount allocated for administrative expenses for FY20 will remain the same at \$30,000 per year.

The carryover from the prior fiscal year was approximately \$580,000 (unencumbered funds).

Ms. Gorman provided the following information regarding the applications the CCPC received for FY20:

- The CCPC received 10 applications for FY20 and acted on nine of those applications.
- The CCPC expects the land purchase at the Paul Revere Heritage site will close in the next few months. Funding for this land will be paid through a bond with CPA funds. This will be the first year that the Town will have to allocate funds for the annual debt payment of approximately \$290,000 which will decrease over the next 10 years to approximately \$215,000.
- An application from the American Legion was not approved by the CCPC because the building had not yet been deemed a historic building, even though their request was worthy of consideration.

The CCPC recommended the following projects for FY20 (see meeting documents):

- **Historic – Copper Roof Replacement at Town Hall** - Amount requested was \$25,000. CCPC approved \$28,000 which was more than the requested amount in order to allow for a contingency amount. The Department of Public Works will be providing services to complete the project.
- **Historic – Stoughton Ancient Records Preservation & Digitization Project** – This is to preserve Volume 1 of 3 volumes. The Historical Society will be funding 20% or approximately \$9,000 for the project. The total cost of the project is \$46,400. CCPC recommended \$37,120 for the project.
- **Community Housing – Siding Replacement at Brayton Circle Housing Complex** – The CCPC recommended \$74,000 towards the \$148,000 total cost of the project. The Canton Housing Authority will fund the remaining \$74,000.
- **Open Space & Recreation – Embankment Slide at the Luce Elementary School** – CCPC recommended \$35,000 for this project. The slide will provide access to the lower playground. The school will raise the \$3,000 difference through grant money or through donations.
- **Open Space & Recreation – Renovation and Overhaul of Kennedy School Basketball Courts** - CCPC recommended \$50,000 for this project with the School Department funding any project costs in excess of the \$50,000.
- **Open Space & Recreation – Paul Revere Heritage Site – Interpretive Signage** – The amount requested for the project by the Paul Revere Heritage Commission was \$71,783. CCPC recommended \$55,000 for the project. The signs will cover such items as flora and fauna, history of the site etc. The applicant received a grant for \$10,000 for the project as well as a commitment (approximately \$7,000) from the DPW to install the signage.
- **Open Space & Recreation – Field Reconstruction – Baseball & Softball fields (various locations)** – The \$80,000 requested by the applicant (Canton Little League) was recommended in full by the CCPC.
- **Open Space & Recreation – Earl Newhouse Waterfront Design & Engineering** – The CCPC recommended the full amount of \$62,171.56 requested by the applicant (Board of Selectmen).
- **Open Space & Recreation – Bolivar Pool** – The Playground & Recreation Commission requested \$500,000. Realizing that the Town has the commitment of the upcoming obligation of the debt payment out of the CPA funds for the Paul Revere Heritage land, the CCPC recommended \$200,000 towards the project to at least show their support for the replacement of the Bolivar Pool. The total replacement cost of the pool would exceed \$4.6 million and would have to be addressed through a debt exclusion override.

Chairman Barker inquired about the historical project for funding the steeple of the Congregational Church. Vice Chair Lopez stated that the time required to negotiate the statutorily-required preservation restriction between the Town, the Church and the Massachusetts Historical Commission took longer than expected. A contractor has been engaged. Additional work was recommended and the Church decided that it would finance this on its own. The steeple jack is preparing the final report that will help identify the milestones that the Town will use to pay against the completed work. Work will start aggressively in the spring of 2020.

Mr. Cole questioned the difference between the annual allocation of \$650,000 and the CCPC recommendation of \$621,291. Ms. Gorman explained that the spreadsheet did not include the \$290,000 bond payment for the PRHS land. In addition to the \$621,291 of the \$650,000 is the \$30,000 which is allocated towards administrative costs. Funds in the reserve will help to pay for the bond payment. On a go forward basis the CCPC will have to plan for the bond payment out of the \$650,000 annual allocation. The bond will be in the May 1, 2019 bond issue with the first interest payment occurring six months later (November 2019) and then another payment in May 2020. There will be a motion in the ATM 2019 warrant for funding debt service for the land payment. There will be an estimate which will then be amended on the floor of Town Meeting because by then the Town will have an exact amount that will need to be appropriated.

Ms. Lopez stated that in every year the Town has allocated CPA funds on a conservative basis. Based on the revenue expected as compared to the revenue received the Town has had a carryover balance in the CPA fund. Ms. Gorman believes that the carryover from last year was approximately \$587,000.

Ms. Thomas requested that the Finance Committee receive the details of the balances along with the interest on the reserves so that they could have a “bigger picture” of the CPA reserves. Of the \$587,000 approximately \$60,000-\$70,000 was in the historic category, \$68,000-\$71,000 in housing and the remaining in the undesignated category. In response to Chairman Barker’s question about the funds remaining in the category that they were originally designated to, Ms. Lopez stated that there is a motion in the warrant that specifically designates the amount (based on the required percentages) to each spending category. The amounts remain in the spending categories until they have been designated and spent. Any remaining unspent funds for a project under a specific category remain in that category to be allocated and spent in the future.

Vice Chair McKenna questioned if it was feasible to use CPA funds to cover the entire cost of the Bolivar Pool project. Ms. Gorman stated that the pool does not yet have a final design for the project so there is no known total cost for the project at this time. If it is determined that the cost of the project is estimated to be around the \$4.6 million previously estimated, CCPC expects the bonding costs of \$4.6 million over 20 years for the bond payment may not be feasible at the \$650,000 annual allocation amount to do both bond payments and work it within the required spending categories. There was concern with the CCPC of obligating funds for ten years and 20 years which might consume 70-95% of the undesignated funds, if not more.

Finance Committee (#131) FY20 Budget Request – A motion made by Mr. McKenna to recommend an FY20 Finance Committee budget of \$11,500 was seconded by Ms. Thomas. Vote: 7-0-0.

Reserve Fund (#132) FY20 Budget Request – Mr. Barker explained that the purpose of the fund was for unforeseen budget shortfalls or emergencies that occur during the fiscal year. Items that this fund has been spent on include such items as Fire Department overtime, Police Station roof repairs and snow & ice expenses. Any balances remaining at the end of the fiscal year would “fall out” as free cash for the following year. The Town will vote on an FY20 budget of \$500,000 and the Finance Committee will review and vote on future requests for transfers from this budget.

In response to Mr. Wong’s inquiry about the average amount spent from the Reserve Fund over the past few years and the balances that remained at the end of fiscal years, Mr. Murgia stated that last year there was \$220,000 that was spent out of the total amount of \$500,000. In FY16 there was \$142,000 that was unspent. So far in FY19, out of the total \$500,000 Reserve Fund budget \$45,000 was transferred to the Property Maintenance budget for Police Station roof repairs.

Mr. Cole inquired about all the other balances of contingencies and mitigation funds that might be available. Mr. Murgia stated that these funds were controlled by the BOS.

A motion made by Ms. Thomas to recommend an FY20 Reserve Fund budget of \$500,000 was seconded by Mr. McKenna. Vote: 7-0-0.

Discussion of Preliminary FY20 Budget Requests – Mr. Murgia provided an overview of the FY20 budget requests thus far (see meeting documents). The FY20 base budget was established as level funded from the FY19 budget except for salary increases for which equity adjustments, step increases and cost of living adjustments were factored in. Contract costs for FY20 for just the municipal departments will cost \$479,123. The total Municipal base budget for FY20 is \$21,355,525 which represents an increase of \$479,123 or 6.5% over the FY19 voted budget of \$20,876,402.

Mr. Murgia referred the Finance Committee to the FY20 budget summary sheets that summarizes the municipal budget requests for FY20. The Police Department is seeking an additional school resource officer. The Library is seeking a building maintenance foreman position. The next step in the budget process would be the Revenue Forecasting Committee meeting that would determine the new growth for FY20. In February the Municipal department heads are scheduled to meet with the Board of Selectmen to review their budget requests. Mr. Murgia commented that he was surprised at the municipal budget request for FY20 because the Town has done a great job in meeting all the recent needs of the municipal departments. He further stated that the Town would not be able to fund all of the municipal budget requests for FY20 and that adjustments to the requests would have to be made.

Mr. Murgia reviewed the School Department FY20 budget request of \$44,705,401 which represents a 5.45% increase. The FY20 School contracts costs amount to \$1.4 million.

Mr. Murgia summarized the Fixed Costs budget requests for FY20 as follows:

- **#433 Trash Collection** – The recycling market used to be a good market, however, China has become particular and fussy as to what they will accept as recycling trash. Republic Services has tried to realize revenue from the recycling portion to offset the cost of the contract. The Town has a fixed contract with Republic Services in which the Town has agreed to pay them a fixed cost for trash pickup.
- **#914 Health Insurance Budget** – The Town is allowed to make plan design changes to the health insurance budgets after meeting with union representatives on the PEC Committee. These changes would save the Town money while costing the employees more money (with a likely increase to out-of-pocket costs). The current agreement with the employees was designed by the Town working with Blue Cross Blue Shield.

Mr. Murgia stated that some of these budgets, such as the trash budget and health insurance budget, could change over the next month or two as negotiations proceed.

Chairman Barker spoke about the special education budget being the “wild card” in the School Department budget. If a special needs student comes into the district prior to April the Town is responsible for their costs. If the enrollment is after April the sending community is responsible for the special education costs and the Town of Canton would be responsible for the costs the following year. The cost for a student could range in the hundreds of thousands of dollars. The School Department has an annual budget number that they budget for special education students but are not able to specifically target a budget number due to the fluctuation of students entering and/or leaving the special education program.

Chairman Barker reminded the Committee that under Prop 2½ the budgets can increase by 2½% and that new growth can be added to that, which essentially becomes the new bottom line. If the maximum levy capacity is not used for budgeting purposes then the following year the Town would have an unused tax levy which could be used to reduce property taxes.

Mr. Murgia gave a brief overview on the Enterprise Fund budgets for FY20 as follows:

- The Water Enterprise budget request for FY20 is \$120,000 (2% increase) more than the current year.
- The Sewer Enterprise budget request for FY20 is approximately \$139,000 (2% decrease) less than the current year budget.

- The Rink Enterprise budget request for FY20 is \$13,250 which is \$2,180 less than the current year. The reason for this decrease is because there are no more debt service payments for FY20 because the bonds are being paid off in FY19.

Mr. Murgia reported that DPW Superintendent Mike Trotta had recently attended an MWRA (Massachusetts Water Resources Authority) meeting. The Town would not receive the Town's preliminary water budget assessment until approximately February 20. Final numbers are not issued until June too late for budgeting purposes for FY20.

The discussion of the budgets ended at approximately 8:15 p.m.

Presentation and Discussion of Monthly Year to Date Budget Reports – Mr. Murgia and Ms. Butters spent a considerable amount of time explaining all of the following reports that are issued on a monthly basis by Kathy Butters, Town Accountant:

- Report #1 – General Fund Revenue as of December 31, 2018
- Report #2 – Dept. Articles as of December 31, 2018
- Report #3 – Operating Expenses as of December 31, 2018
- Report #4 – School Dept. Operating Expenses as of December 31, 2018
- Report #5 – Revenue Expenses as of December 31, 2018
- Balance Sheet as of December 31, 2018
- Operating Expenses by Voting Category as of December 31, 2018
- Summary of Revenue Accounts as of December 31, 2018

These reports are emailed to Town departments for their review. These unaudited reports are not available on the Town's website for public inspection, however, Mr. Murgia's quarterly operating result reports are available on the Town's Finance Department website and in the Documents Center on the website.

While there was a delay in adjusting the laptop for Mr. Murgia's presentation, Ms. Butters gave a brief overview of her Accounting Division (a division within the Finance Department) consisting of one full-time payroll employee, one full-time accounts payable employee and herself as the Town Accountant. She stated that next year she would be requesting a fourth employee for the Accounting division for a part-time accounts payable position. She further explained that the School Department has their own payroll employee as well as an accounts payable employee who handle all the School Department invoices and payroll processing prior to the Town's Accounting Division handling the final proof/check run. Ms. Butters stated that her office reviews the final payroll and accounts payable warrant, monitors grants, are the ATM article watchdogs, reconcile the Town's cash with the Treasurer's office and processes payroll and W2s.

A few highlights of the discussion regarding the monthly budget reports include some of the following:

- The School Budget report is totaled by function code. This is similar to how the Department of Education prefers the budget be categorized.
- **#115 Bond Premiums and Issuance Costs** – Mr. Murgia explained that the reason there was a \$223,770 balance in this fund was because funds came in relating to the Hansen School debt exclusion borrowing. If the Town receives bond premiums for a project that was done through an override the Department of Revenue requires that the Town maintain these funds in a separate fund. If the Town receives bond premiums for a non-debt exclusion project the excess bond premiums may be used to lower the cost of the borrowing.
- **#116 Plymouth Rubber DIF (District Improvement Financing)** – This new fund is as a result of the Development Agreement that was negotiated approximately four years ago for the Paul Revere Heritage Site. When the Town receives taxes in excess of certain benchmarks reached during construction the excess revenue goes into a separate fund. When the Town is asked to purchase the infrastructure improvements that are being done to the site this fund will be used to pay for those infrastructure costs.

- **#125 Police Special Details Fund** – When a private vendor such as Verizon requires a private police detail, the Town invoices the vendor, collects payments from the vendor, deposits the payments into this fund and then compensates the police officer for his services provided. Ms. Butters explained that this fund runs in the deficit because the police officer is paid for his services prior to the Town billing the vendor. The balance is high at the present time because of the compensation paid to police officers related to the details for the National Grid strike. These strike details were paid at a higher rate of pay.
- **#135 Greenlodge Street Parking Fund** – Residents pay parking fees to the Treasurer/Collectors office for passes for parking on Greenlodge Street. This revolving fund is used to balance the budget.
- **#145 Traffic Management Fund** – This Fund was established at ATM 2018 with \$50,000. There has been no activity in the fund to date.
- **Mitigation Fund – Billboard Donations Fund** – A billboard is located on private property along Route 95. The Town receives approximately \$75,000 per year from the property owner. The BOS maintains control of this mitigation fund. Ms. Butters explained that there is no budget for mitigation funds. If there is no budget and no activity it does not show up. It does not mean that the funds are not there. That is why the balance is higher.
- **Mitigation Fund – University Station** – The Town received mitigation funds from the developer when the Westwood Station project at University Avenue was being done. This fund was identified by the BOS as a source of \$140,000 for use for the design of the Bolivar Pool. The Finance Committee also approved a \$200,000 Reserve Fund Transfer Request to which was added to the \$140,000 for the design phase.
- **#160 SPED Circuit Breaker Fund** – The School Department receives funds from the state for special education costs associated with SPED students. At the end of the December the fund had in excess of \$1.1 million. While the School Department budget might be \$3 million in a deficit, they can access these funds to reduce this deficit. Funds from the state come in quarterly. The School Department will receive another \$900,000 in FY19 for circuit breaker.
- **#170 Ambulance Services Fund** – This fund collects ambulance receipts and is reserved for appropriation by Town Meeting. Last year ATM 2018 authorized \$1,119,000 of borrowing for various Fire Department equipment. This transfer is done through the budget transfer article. Debt service is being paid for by the Ambulance Fund. The Ambulance Fund also annually pays for operating costs.
- **#246 Community Preservation Fund** – The revenue for this fund through December is approximately \$418,000 which is on track to meet the revenue that was budgeted for. Most CPA projects are coming in under budget. The reason the fund has a deficit fund balance is because the \$2.1 million check has been generated for the land purchase at the Paul Revere Heritage Site, but the Town Accountant is holding the check. The Town will be borrowing for these funds in April or May. Once the Town receives the bond proceeds they will be credited as revenue to this fund.
- **#250 – Special Education (SPED) Reserve Account** – This is a new fund which was established through a \$700,000 Town Meeting transfer. The current balance is approximately \$811,000. This fund can be used to fund the \$300,000 deficit in the SPED circuit breaker account.

The presentation by Mr. Murgia and Ms. Butters ended at approximately 9:15 p.m.

D. Other Business/Open Issues

The Finance Committee postponed action on the posting of the FY2019 Base Annual Salary Report and would discuss it at their next meeting. There was no discussion regarding the Liaison List.

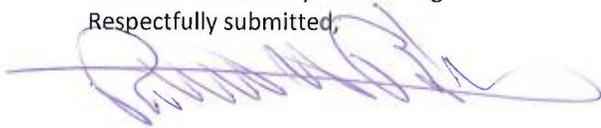
E. Approval of Minutes

A motion made by Ms. Thomas to approve the minutes of November 8, 2018 as written was seconded by Mr. Mauro. Vote: 7-0-0.

F. Next Meeting Date: The next Finance Committee meetings would take place on February 11, 2019 and February 13, 2019.

Adjournment: A motion made by Ms. Thomas to adjourn the meeting at 9:47 p.m. was seconded by Mr. McKenna. Vote: 7-0-0.

Minutes reviewed by: Wai Wong
Respectfully submitted,



Rob Barker
Chairman, Canton Finance Committee

**Canton Finance Committee Meeting
Thursday, January 17, 2019
Meeting Documents**

Please note: These meeting documents may also be found on the Town's website under the Posted Minutes section (Laser Fiche).

Some of the budget or Annual Town Meeting documents referred to in meetings may be found on the Finance Committee page of the Town's website.

Agenda dated Thursday, January 17, 2019. (1 page).

CPA Fund Revenue through FY18 1/16/19 (1 page).

FY20 CPA Project Recommendations Summary 1/16/19. (1 page).

FY29 CPA Project Recommendations (3 pages).

FY20 Municipal Operating Budgets 1/17/19 (2 pages).

Fixed Costs and State & County Charges 1/16/19 (1 page).

Enterprise Funds' Operating Budgets 1/16/19 (1 page).

FY20 School Operating Budget 1/16/19 (7 pages).

FY20 School Budget Request Summary (8 pages).

General Fund's Operating Results as of December 31, 2018, Memorandum from Finance Director to Board of Selectmen, dated 1/16/19 (8 pages).

Enterprise Funds' Operating Results as of December 31, 2018, Memorandum from Finance Director to Board of Selectmen, dated 1/15/19 (2 pages).

Active Employees – Annual Base and Gross Pay Salary – 2018, dated 1/14/19 (25 pages).

Finance Committee Liaison List dated 1/17/19 (1 page).