



Canton Finance Committee
801 Washington Street
Canton, MA 02021

Minutes Voted on: 2/1/23
Vote: 8-0-0

Meeting Minutes
January 25, 2023

Finance Committee Members Present: Dave Clough, Dan Cole, Karen Foley, Emilio Mauro, Tim McKenna, Maureen Menconi, Reuki Schutt and Cindy Thomas.

Finance Committee Members Absent: All members present.

Guests Present:

Charlie Doody, Town Administrator
Paul Gargano, Partner, Roselli, Clark & Associates
Ellen Jones, Finance Committee Recording Secretary
Lisa Lopez, Vice Chair, Select Board
Tony Roselli, Partner, Roselli, Clark & Associates
Randy Scollins, Finance Director

Call Meeting to Order: Ms. Thomas called the virtual meeting to order at 7:01 p.m. She stated the purpose of the meeting was to hear the FY22 Auditor's Report, to hear the Finance Director's review of the FY24 Municipal Operating Budget Requests and to discuss the preliminary report of the Sub-Committee regarding elected official's compensation.

In Memorium

Dr. Rob Barker, a member of the Finance Committee, recently passed away. Committee members took a few moments to reminisce about his many significant contributions to the School Committee, the Finance Committee and the community. Dr. Barker would ask questions at Finance Committee meetings that he full well knew the answers to, but the answers were for the benefit of the TV viewers and the residents tuning in to the meetings. It was because of Dr. Barker's devotion and commitment to transparency that he continued to inquire. He is deeply missed and may he rest in peace.

Welcome New Member Maureen Menconi

Ms. Thomas welcomed new member Maureen Menconi to the Finance Committee. Maureen stated she has been a resident of Canton for 25 years and raised her four children in Canton. She is a Finance Manager for South Boston Neighborhood Development Corporation, a non-profit company in South Boston that maintains 165 affordable housing units in South Boston. The Corporation is committed to providing affordable units for residents, the elderly and veterans who might not otherwise be able to afford to live in the city. The Finance Director and the members of the Committee introduced themselves to Maureen.

Auditor's Report FY22 – Roselli, Clark & Associates

Mr. Scollins introduced Tony Roselli and Paul Gargano, partners of Roselli, Clark & Associates. The following are some of the highlights of the PowerPoint presentation and the discussion:

- The Town completed its Annual Comprehensive Finance Report by the December 31, 2022 deadline. This report was submitted to the Government Finance Officers Association (GFOA) where it is graded. The Town once again received an award for their excellence in financial reporting from the GFOA. This is the 16th year the Town has received this award. Mr. Roselli acknowledged that the excellence in financial reporting process was first started by the former Finance Director, Jim Murgia.
- The Town has maintained its AAA bond rating for 12 consecutive years.
- The auditors performed a sample audit of major transaction types – assessing risk, determining if risk is tolerable and testing transactions to determine if their initial assessment is accurate. The auditors review receipts, payrolls and disbursements. The audit is not a forensic audit. The audit is performed in accordance with Generally Accepted Government Accounting Standards (GAGAS).
- Because the Town receives more than \$750,000 in annual financial assistance (grants) the auditors perform a single audit.

- Because Canton follows all of the accounting standards, the auditors issued a clean opinion as opposed to a qualified opinion
- The Statement of Auditing Standards #115 (SAS #15) – The auditor determined Canton did not have any material weaknesses or deficiencies.
- **Economic Trends** – Canton’s reserve balances are well over \$20 million and is continuing an upward trend which helps the Town maintain their AAA bond rating.
- **Reserve Ratio** – The rating agencies look for a reserve ratio of approximately 15%. The reserve ratio is the reserves in the undesignated and general fund plus the stabilization funds divided by the expenses. Canton’s reserve ratio is a little over 21-22%. The metric that Standard & Poor’s looks for is 15%. The state average is approximately 10% which Canton is well above.

Mr. Scollins commented that being above 15% for the reserve ratio allows the Town to use the excess reserves to address one-time priorities, as determined by policymakers, that are brought forward. These would be items funded from free cash or deposits into the capitalization fund or SPED reserve fund.

- Revenues beat the revenue forecast by \$3.5 million. Expenditures beat the budget by \$2.6 million.
- With respect to investment appeal, Canton’s excellent financial stability places Canton in the top 10% of Massachusetts communities for financial appeal.

Mr. Mauro inquired if there were any pitfalls with a Town’s reserve ratio being unusually high. Mr. Roselli stated that the bond rating agencies will let a Town go as high as they want to with a reserve ratio. However, Mr. Roselli stated that there are liabilities not stated on the balance sheet such as the Other Post-Employment Benefits (OPEB) which is a liability that is greater than \$90 million. Having reserves that continue to grow is not a negative. The pension liability will be paid off through the statutory assessment but the OPEB liability is optional. The state does not have a statutory rule for funding the OPEB liability. Mr. Roselli does not see any pitfalls for the Town having a high reserve balance other than constituents being concerned with the high reserve balance.

Mr. Scollins informed the Committee that on January 23rd the Town sold \$11.9 million of bonds. The Town received 11 bids with a rate of 3.07% which was substantially lower than he had anticipated in this market. He had anticipated the rate would be 3.75% to 4.0%.

- **Long Term Obligations** - Canton’s unfunded liability for pension (pensions owed to retirees) is \$27.8 million which is a \$10.6 million decrease over the prior year due to a tremendous market performance in 2021. Canton’s pension liability is 80% funded compared to the state average of 70%. The pension is expected to be fully funded by 2030.
- Canton’s **unfunded liability for OPEB is \$96.7 million**. This is an increase of \$9.8 million over the prior year. OPEB is measured on June 30, unlike the pension which is measured on December 31. June 30 was the lowest the market has been this year. The Town’s investment loss was \$1.5 million which was the Town’s highest ever. Canton still has over \$1 million in aggregate investment income which means Canton is ahead by \$1 million versus keeping it in a savings bank. The Town has instructed its OPEB actuary to incorporate the pension assessment savings into the OPEB funding liability beginning in 2030. The goal is to be fully funded with the pension liability by 2030 and fully funded with OPEB by 2040. He did state that this is a policy decision to direct these funds (the pension windfall) towards OPEB. He stated that his colleagues are doing this as well to catch up on the OPEB liability.
- **ARPA** – The award to Canton was \$7 million. Direct to the Town was \$2.5 million to be spent on any municipal purpose. The Town has received the \$2.5 million funds and the Select Board has voted to 10 different projects, which are in various stages of completion. Approximately \$70,000 had been spent thru June 30, 2022. \$4.5 million passes through Norfolk County with extra reporting involved. The Town has hired an ARPA specialist to assist with the filings. Matt Sirigu of KP Law is helping the Town with difficult applications through Norfolk County. The Select Board has authorized all of the funds for 10 more projects that the Town and KP Law is “slogging through” with the County. The County has approved 2 projects to date: \$350,00 for sewer SCADA work, \$1.1 million for PFAS carbon filtering at the Moran Water Treatment facility and \$400,00 request for museum design services. ARPA funds need to be allocated by December 2024 and spent by December 2026 (calendar years).
- **Informational Items** – Mr. Roselli stated that he puts one informational item in every year – Network Security. He could not emphasize enough to provide training to everyone on a periodic basis, about changing passwords and avoiding phishing scams. The Federal Open Market Committee (FOMC) is attempting to tame inflation by increasing interest rates, which has been going on for the past 9-10 months. Mr. Roselli suggested the Town may want to look at investing in Treasury Bills for 12 or less months which are yielding 4-5%. The Town has some investments in Massachusetts Municipal Depository Trust (MMDT) which is yielding 4.54% interest.

- **Assessors Overlay** – Mr. Gargano presented information regarding the Assessors Overlay Account. This is the account where the Town sets aside money for potential abatements on unpaid real estate and personal property tax bills and also any paid bills that may be appealed with the Appellate Tax Board (ATB). Any residential or commercial taxpayer unsatisfied with the valuation of their property may file an appeal to the ATB. The Assessors Overlay reserve at the end of FY22 was over \$6 million. The conservative estimate for the potential liabilities on the financial statements was \$3 million. The amount that the Town will pay out for abatements will most likely be less than \$3 million. There appears to be a surplus in the Assessors Overlay account of a minimum of \$3 million, therefore, the auditors and the finance team are recommending the account be reviewed to determine if there is an amount designated for releasing. Once the funds are released they become available as free cash or the Town can appropriate for one-time items or put directly into other reserves such as the Stabilization Fund or towards OPEB.

Ms. Thomas acknowledged Mr. Scollins and the Finance Department team for all of their professionalism and hard work that allows the Town to be in such good financial standing

FY24 Municipal Operating Budget Requests – Randy Scollins

Mr. Scollins updated the Committee regarding the Milestone Calendar. The Capital Planning Committee has all of the capital requests and will be reviewing the capital requests with department heads starting on Monday, January 30. The Finance Committee has all of the department FY24 budget requests. Department heads will be scheduled to meet with the Finance Committee in the near future. Internal reviews of the budget requests by Mr. Scollins, the Town Administrator and department heads have been on going. Department heads will be presenting to the Select Board and in parallel to the Finance Committee.

Mr. Scollins reported that the new Governor is allowed extra time to present the proposed budget and has until March 1. The Town would have received the Governor's new budget by the time of the Revenue Forecast Committee meeting in early February. The March 1 date presents a bit of a challenge for the Revenue Forecast Committee which is scheduled to meeting on February 7 to discuss and vote the revenue estimates for FY24.

He also stated that Town Counsel's preference is to receive the motions a month prior to the Finance Committee sending their document to the printer.

Ms. Thomas announced that the Finance Committee will be meeting on Wednesdays and that any absences should be reported to the Finance Committee secretary. The Committee will be meeting during school vacation. If the Committee needs to meet in addition to Wednesday, the Committee will meet on Monday nights.

The Select Board will be reviewing and voting the Annual Town Meeting Warrant on Tuesday, January 31. If that occurs the Finance Committee will have it available to them for their meeting on Wednesday, February 1.

Mr. Scollins reviewed a draft of the FY24 Municipal Operating Budgets Summary as of January 17. These department head requests are prior to any review by the Town Administrator and the Finance Director. Some of the highlights of the draft Budgets Summary are as follows:

- The Police Department is requesting a total budget increase of \$889,811 for four additional patrol officers and increases to various overtime budgets.
- The Fire Department is requesting an increase of \$323,448 for a new Deputy Fire Chief and contractual increases.
- The Department of Public Works is requesting an increase of \$119,053 that is related to an additional Heavy Equipment Operator and contractual increases. The Town may be proposing one or two additional positions in addition to the Heavy Equipment Operator – a Director of Facilities who will have the expertise and oversight for the maintenance of all of the Town's buildings and facilities. The Finance Director and the Town Administrator will be "harvesting" all of the building and utility expense lines/budgets and all of the building repair expense lines/budgets within the various budgets (Police Department and Fire Department etc.) and moving them to centralized maintenance budget.
- Parks and Recreation is requesting increased maintenance staff for fields they are responsible for.
- Assessor are seeking to increase a position from 35 hours to 40 hours using funds within the budget.
- The Health Department is seeking a reduction for a public health nurse. The department is utilizing ARPA funds for this position.
- The Veterans' Agent is requesting a part-time assistant.
- The Library is requesting a part-time young adult assistant.

Overall, the budget requests represent a 9.14% budget increase over the current FY23 voted budget and a 6.6% increase over the FY24 base budget. The contractual obligations represent a 2.5% increase.

Fixed Costs and State and County Assessments FY24

Mr. Scollins stated that there are three budget items that he is uncertain about: Reserve Fund, Blue Hills Regional Assessment and State Assessments. The Finance Committee's Reserve Fund is the "contingency" for general fund budgets that may need a budget supplement at the end of the fiscal year. If the Reserve Fund is not used it will fall out to the undesignated fund balance also known as free cash. In the last few years \$200,000-\$400,000 range has been transferred from the Reserve Fund. In 2020 the Reserve Fund was increased to \$700,000 because of uncertainties with the recycling portion of the Trash Collection budget but the Finance Director estimated that \$600,000 was a more reasonable amount.

The Town is waiting for the Blue Hills Regional Assessment amount. The State Assessments budget is also not known at this time.

Overall the increase for FY24 to the Fixed Costs budget is 2.5%.

Water Sewer and Rink Enterprise Fund Operating Budget Requests for FY24

These are self-supporting funds. Because the Town has not received notification from MWRA for the FY24 assessments Mr. Scollins stated that he has kept the FY24 budgets for the water and sewer MWRA assessment the same as the FY23 assessment for now.

The water revenue for FY21 was \$7.87 million. A decrease in FY22 of approximately \$700,000 in water revenue impacted the water enterprise undesignated fund/retained earnings or free cash reserve balance. The reason for this significant decrease in water revenues was due to a wet summer affecting the irrigation revenues to not be as strong. The FY23 budget continued along its capital plan with spending for capital projects while the debt service spending continued to increase. In order for the budget to balance for FY24 Mr. Scollins stated that a 21% increase would be needed for water revenues. The Select Board voted, at the Water and Sewer Rate and Policy Committee's recommendations, a 6% water rate increase for FY23. Mr. Cole inquired that if water usage decreased would the MWRA assessment decrease as well. Mr. Scollins explained that the Town is in the process of water tank maintenance under a 15-year contract. Draining and refilling the tanks for the maintenance work could affect the Town's MWRA usage.

Reserve Balances

Mr. McKenna inquired about the Town's reserve balances. Mr. Scollins stated that the Town's Free Cash or Undesignated Reserve Account balance is \$8.9 million. The Town's core Stabilization Fund (does not include the \$1,000,000 capital stabilization that was set aside for the Galvin Middle School project at 2022 ATM) balance is \$10 million. The benchmark for the core Stabilization Fund is 5%. The Town is double that percentage. In 2008 during the mortgage-backed industry scandal the reporting regulations around government finance changed dramatically. Any use of your core Stabilization fund was a disclosure event to the rating agencies. It was perceived as a weakness. That is why the Stabilization Fund is not "tapped" unless the Town is having a very hard time financially. Mr. Scollins does not think the Town needs to contribute to the core Stabilization Fund for quite some time. The Town's budget would have to reach \$200 million and currently the Town's budget is at approximately \$109 million. The third component of the Town's reserves is the Assessor's Overlay Account. That includes the Town's excess Overlay Reserve. This is conservatively included on the Town's accounting statements.

Discussion – Preliminary Report and Recommendations regarding Elected Officials Compensation

Ms. Thomas stated that it was the Sub-Committee's intention to provide the Finance Committee an overview and their recommendations for elected officials compensation. The Sub-Committee was not prepared for any public comment on their report at the meeting.

Mr. Scollins screen shared the Sub-Committee's report. Ms. Thomas gave an overview of the recommendations (see Draft report). The Sub-Committee wanted to address the inequities with the compensation – why some officials received compensation and others did not. Eliminating compensation for elected officials was taken off the table, given the consensus of prior Annual Town Meetings and the agreement of the Sub-Committee members.

The Sub-Committee also looked at a 2015 compensation study comparing Canton with 12 other communities. The Sub-Committee reviewed related benefits for elected officials under a 2003 policy that was approved by the Select Board and the financial liability of medical, dental and life insurance for both elected officials and retired elected officials.

The Sub-Committee recommended that the current compensation schedule be modified to include compensation for all elected officials and that the stipend levels be nominal and not considered as compensation. The compensation would be structured in a manner so that it no longer leads to “vesting” after 10 years of service, eliminating any future pension and retiree health insurance liability for the Town. Elected officials and retirees currently receiving insurance benefits would be grandfathered in. The Sub-Committee understands that they would need to work with the Select Board regarding a policy. Because it was the intention of the Finance Committee to move forward with the Sub-Committee’s recommendations the topic would be placed on a future Finance Committee agenda at which time elected officials would be invited to the meeting to give their perspective.

The next steps would be to seek the advisement of Town Counsel, invite elected officials to an upcoming Finance Committee meeting and present a modeling compensation chart based on several items the Sub-Committee thought should be taken into consideration when setting the compensation.

Ms. Thomas stated that “policy is not made on individuals but that policy should be made on what is financially good for the Town.”

Liaison List – Ms. Thomas asked the Committee members to review the list for discussion at the next meeting.

Approval of Minutes – A motion made by Mr. Mauro to approve the minutes for September 19, 2022 was seconded by Mr. Clough.

Roll Call Vote:

Ms. Schutt	Abstain	Mr. Mauro	Aye
Mr. McKenna	Aye	Ms. Thomas	Aye
Mr. Clough	Aye	Ms. Menconi	Abstain
Ms. Foley	Aye	Mr. Cole	Aye

The September 19, 2022 minutes were approved 6-0-2.

The Sub-Committee minutes for January 18, 2023 would be discussed at the next Finance Committee meeting.

Next Meeting Date: Wednesday, February 1, 2023

A motion made by Ms. Schutt to adjourn the meeting at 9:01 p.m. was seconded by Mr. McKenna.

Roll Call Vote:

Ms. Menconi	Aye	Mr. Clough	Aye
Ms. Foley	Aye	Ms. Schutt	Aye
Ms. Thomas	Aye	Mr. Mauro	Aye
Mr. Cole	Aye	Mr. McKenna	Aye

The meeting adjourned at 9:01 p.m.

Minutes reviewed by: Cindy Thomas

Respectfully submitted,

DocuSigned by:



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Cindy Thomas

Chair, Canton Finance Committee

Chair, Sub-Committee to Review Compensation of Elected Officials

**Finance Committee
Meeting Documents
January 25, 2023**

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

Agenda for January 25, 2023.

Audit Exit Conference – Roselli, Clark & Associates, January 25, 2023 (10 pages).

Elected Official Compensation Sub-Committee DRAFT Preliminary Report and Recommendations (4 pages).

FY 2024 Budget Milestone Calendar – 1/25/23.

Draft – FY24 Municipal Operating Budgets Summary – 1/17/2023 (3 pages).

Draft – Fixed Costs and State and County Assessments – 1/20/2023 (1 page).

Draft – Water Sewer and Rink Enterprise Fund Operating Budgets – 1/20/23 (1 page).

Draft – Canton Finance Committee – Liaisons List – 1/20/23 (1 page).