



**Canton Finance Committee
801 Washington Street
Canton, MA 02021**

Minutes Voted on: 2/9/22
Vote: 8-0-0

**Meeting Minutes
January 26, 2022**

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

Finance Committee Members Absent: All members were present for the meeting.

Guests Present:

Ellen Jones, Finance Committee Recording Secretary
Randy Scollins, Finance Director

Call Meeting to Order: Chair McKenna called the virtual meeting to order at 7:01 p.m.

Discussion – Municipal FY23 Operating Budget Requests – Randy Scollins

#133 - Director of Finance – Mr. Scollins gave a summary of the budget requests for the Director of Finance budget as follows:

- The Finance Director's new 3-year personal contract is effective 1/1/22 with a 3% increase.
- Expenses are increasing a total of \$780 for FY23.
- Two line-items (Surety Bond and Other Employee Benefits) are decreasing for FY23.
- Telephone is increasing from \$400 to \$800 because of a new \$400 phone stipend for Mr. Scollins.
- In-state travel is increasing from \$200 to \$600 to account for Mr. Scollins' travel costs to the Massachusetts Collector/Treasurer Association (MCTA) School in Amherst.
- The meetings line item request for an increase from \$100 to \$285 is to cover a Zoom subscription.
- In response to Ms. Thomas' inquiry regarding Zoom subscriptions, Mr. Scollins stated that Zoom subscriptions are individual and if departments were going to use these on a regular basis they would be incorporated into their departmental budgets. He further stated that the Information Technology Manager, Louis Jutras, has acquired several Zoom subscriptions and has parceled out these costs to various departments.

#710 – Debt Service – Mr. Scollins provided detailed information regarding the Town's principal debt service as follows:

- The budget request for FY23 is increasing by \$233,062 from \$3,544,621 to \$3,777,683.
- Some of the reason for the budget increase is the \$351,200 request for total principal payment for nine debt service projects that Mr. Scollins will be borrowing for in a bond sale to take place in March 2022.
- One project outside the levy is for the St. Gerard's property acquisition with a principal payment amount of \$165,250. St. Gerard's will not be included in the bond offering in March 2022.
- Some bonds have been refinanced in the past year, also known as refunding. Two line items, \$170,000 and \$124,000 are now reduced to zero for an FY23 budget request. These were refinanced in May 2021 into new bonds at a lower interest rate. These are included in the line item for an FY23 request of \$386,000.

#751 – Interest – Long Term Debt – Mr. Scollins provided detailed information regarding the Town's long-term debt interest payments budget for FY23 as follows:

- The budget request for FY23 is increasing by \$155,426 from \$802,296 to \$957,722
- The nine debt service projects that Mr. Scollins will be borrowing for at the March 2022 bond sale will be for an approximate interest payment of \$138,720.
- The March 2022 borrowings assume a 4% interest rate. Accounts for shorter amortization may be for lower interest rates. Mr. Scollins is hoping for an interest rate of around 2%.
- If a short term borrowing is done the Bond Anticipation Note (BAN) may be at a 2.5% interest rate.
- When it's time to borrow for larger projects such as the Galvin Middle School Mr. Scollins stated that he would most likely not borrow for the entire constructions costs.
- On the detailed spreadsheet list for all of the debt service payments for FY 23 the Type "I" represents included debt, Type "E" represents excluded debt, and "A" is funded from ambulance receipts.

In response to Mr. Clough's question about how much debt the Town refunded, Mr. Scollins stated that \$8 million of debt was refunded and that \$386,000 is the first year's principal payment on a 10-year schedule for included debt for

General Obligation Bonds for the general fund. Mr. Scollins volunteered to the Finance Committee members that he is available at any time to meet with any member to go over the Town's debt portfolio.

#752 – Interest – Short Term Debt – There are no FY23 budget requests for the short-term interest payments budget.

Mr. Mauro inquired as to how the refinancing of public bonds works, what costs there might be, and if there are special rules that apply for public sector refinancing versus private sector refinancing. Mr. Scollins explained that municipal bonds cannot be refinanced until the bonds have reached at least 10 years of maturity and then the Town can be refinanced at lower interest rates. Certain rates of refinancing have to be met as well. In order for refunding to pass "muster" the bonds must reach a certain payback.

#840 – Blue Hills Regional School – Mr. Scollins is assuming a 5% increase for the FY23 Blue Hills Regional School budget. The Town has not yet received the FY23 budget request from Blue Hills. In response to Mr. Clough's inquiry if the ESSR 1 or ESSR 2 contribution to lower the participating town's assessments was taken into account for the FY23 budget, Mr. Scollins stated that it was not and that he is assuming a 5% increase to the Town's assessment for FY23. Blue Hills Regional School administration will be invited to a future Finance Committee meeting.

#841 – Norfolk County Agricultural School – The Norfolk County Agricultural School is estimated to increase 150% from \$20,000 to \$50,000 for FY23. This supplemental budget ask falls under an old law from the 1970's that allows agricultural schools in Massachusetts (currently there are three agricultural schools) for a supplement to their budget without restrictions. Currently, there is a state assessment included in the Norfolk County Tax which a portion of this tax goes to support the Norfolk County Agricultural School. Mr. Mauro inquired if the Finance Committee should invite Norfolk County Commissioner Richard Staiti to a future meeting to discuss the justification for the 150% increase. Mr. Scollins thought it would be prudent if the increase is put into effect and that the appropriation for this budget is up to the Finance Committee.

#911 – Retirement Benefits – The FY23 budget for Norfolk County Retirement System (NCRS) assessment is \$6,929,184. This represents an increase of \$469,112 or 7% over the FY22 budget. This assessment is based on NCRS' actuarial study. The goal of NCRS is to be fully funded by 2030. The assessment will increase every year up until 2030 with the annual assessment reaching as high as \$10 million. The majority of this assessment is to pay for unfunded liabilities. Once the pension fund is fully funded the Town's assessment should drop dramatically by as much as 2/3 or more. Mr. Scollins is recommending that the entirety of the savings from the NCRS assessment be redirected to the Town's OPEB liability. The NCRS assessment does include both town employees and school employees who are non-educators. Most of the school employees are in Massachusetts Teacher's Retirement System (MTRS). The state pays the equivalent of retirement assessment for Teachers. The Town does not contribute into the MTRS.

#914 – Employer Share – Health Insurance – Mr. Scollins is recommending a \$98,794 decrease for the FY23 Employer Share Health Insurance Budget from \$13,143,953 for FY22 to \$13,045,159 for FY23. One of the reasons for the decrease is due to the subscriber numbers leveling off or the number of participants decreasing slightly. Another reason is that the Town's health insurance is self-insured and that there are fewer participants accessing health care services for a variety of reasons. Mr. Scollins is not seeing cost increases in the double digits for this budget. Mr. Scollins will be recommending that there be no increase to the premiums for subscribers. He stated that the health claims trust has a very healthy balance of \$7.5 million as of October 2021. In response to Ms. Foley's inquiry about the cost sharing ratio, Mr. Scollins stated that the Town pays 75% of premium costs while the employees and retirees pay 25% of premium costs. The Town offers an HMO plan and is required to offer a PPO indemnity plan. The Town could not be self-insured without reserves. Mr. Scollins stated that if it were private insurance the premiums would be higher and would escalate. His colleagues that are members of the Massachusetts Interlocal Insurance Association (MIA) saw increases for premiums last year. Mr. Emery inquired if the Town was allowed to have a higher deductible than the \$500 currently offered. Mr. Scollins stated that any change to the insurance plans including a change in the deductible must be negotiated across all employee union groups. Mr. Scollins explained that last year the Town was encouraged to increase premiums by Blue Cross administration, but the Town did not because of the healthy trust reserves. The Health Insurance Trust is a "designated" reserve unlike other Town reserves that are undesignated. The Trust Fund does earn interest. Mr. Scollins predicted that the Health Insurance Trust Fund may be \$7.886 million at the end of December.

#915 – Employer Share – Life Insurance - There is no budget increase being requested for FY23 for the \$62,250 Employer Share Life Insurance budget. This is an opt-in insurance offered to employees and retirees and has the same cost sharing arrangement as health and dental insurance with 75% paid by the Town and 25% paid by the employee/retiree.

#993 – Other Post-Employment Benefits (OPEB) – Mr. Scollins reported that the plan for the Town is to increase the OPEB Trust Fund by \$100,000 increasing the annual transfer from \$1,050,000 for FY22 to \$1,150,000 for FY23 and by increasing the annual transfer by \$100,000 for the next 4-5 years bringing the annual contribution up to \$1.5 million. Mr. Clough inquired as to what the reason was for the difference between the OPEB liability and the NCRS

liability. The NCRS pension assessment is a federal mandate and was required to be fully funded by 2026. In 2008 the schedule for NCRS to be fully funded was changed from 2026 to 2030. Most states passed a law to change the date. The mandate for the NCRS assessment was to be fully funded in 40 years. Mr. Scollins further stated OPEB has only come on the “radar” nationally in the last 10-15 years. OPEB regulations state that municipalities have to disclose the OPEB liability on their financial statements but there are no regulations in place requiring municipalities to fund OPEB.

The bond rating agencies are focused on pension and OPEB liabilities. If the Committee does not address the OPEB liability the rating agencies would likely penalize the Town with a lower bond rating which would cause the Town to have higher interest rates. If the Town chose not to fund OPEB this year in the budget it could cause a change in the Town’s ratings. In response to Mr. Cough’s inquiry regarding what percentage the Town has funded for its unfunded liabilities, Mr. Scollins stated that the NCRS pension is 50-60% funded while the OPEB is funded only in the single digit percentage range. In response to Mr. Emery’s and Mr. Cole’s inquiry regarding the Town’s unfunded liability for OPEB, Mr. Scollins reported that the Town’s total unfunded OPEB liability is \$80 million and that in the future the Town will be able to redirect NCRS assessment savings to the OPEB fund. As funding improves the liability discount rate of 5½% to 6% can improve to 7% if on a fully funded schedule. The Town is on a “pay as we go” basis for the OPEB liability with moderate contributions to the unfunded liability.

#990 – Transfers – Mr. Scollins is recommending a \$656,011 Special Revenue Fund Transfer. This amount is related to the Town’s Plymouth Rubber District Improvement Fund (DIF) with Canton Development or Canton Holdings. The \$656,011 represents the net increased tax revenues for FY22. The net increased tax revenues increased from \$96,106 in FY21 to \$656,011 in FY22. Mr. Scollins provided a detailed spreadsheet on how the \$656,011 figure was calculated.

The Town is required annually by the DIF agreement to put away a set amount of funds each year based on a formula into a “sinking fund”. No more than 30% is to go to the first year’s debt service when the associated bonds are issued. The real estate taxes collected from the properties increased from \$255,104 in FY21 to \$835,812 in FY22. The formula deducts both school operating costs (increase 4% annually per the DIF agreement) and municipal operating costs (increase 3% annually per the DIF agreement). As of July 1, 2022 the fund will have a balance of \$913,890 to be used for debt service. The net increased tax revenues must be on the books by July 1 in order to pay the first year’s debt service on the bond. This debt service payment will be used towards acquiring the Rolling Mill building and the Barn building and related land. In response to Ms. Foley’s inquiry as to why the net increased tax revenues decreased from \$94,885 in 2019 to \$50,970 in FY2020 Mr. Scollins stated that there were no occupants and the values changed. The Finance Department has been tracking parcels from the very beginning.

#602 – Sewer Enterprise (Debt Service) – Mr. Scollins is recommending a decrease of \$39,541 from a total budget of \$599,131 for FY22 to a total budget of \$559,590 for the FY23 Sewer Enterprise Debt Service budget. Mr. Scollins provided a detailed schedule of the Sewer Enterprise Fund debt service payments for FY23.

#642 – Water Enterprise (Debt Service) – Mr. Scollins is recommending an increase of \$594,303 for the FY23 Water Enterprise Fund Debt Service budget from a total budget of \$2,734,995 for FY22 to a total budget of \$3,329,298 for the FY23. Mr. Scollins provided a detailed schedule of the Water Enterprise Fund debt service payments for FY23.

This budget increase is due to six new bond issues: water main replacement on Elm/Greenlodge/Dedham Streets, granular activated carbon filtering system, storage tank maintenance, water main replacements on seven streets, water design for Randolph/South Streets and the purchase of a front end loader. The combined interest and principal payment for these new issues is \$858,380 in FY23. The \$858,380 is built into the rate plan for the water rates.

#700 – Rink Enterprise (Debt Service) – Mr. Scollins is recommending an increase of \$13,342 for the Rink Enterprise transfer to the General fund from \$14,829 for FY22 to \$28,171 for FY23. He is also recommending a \$53,000 principal debt service payment budget and a \$56,351 interest debt service payment budget for FY23. These payments are for the bond issued in May 2020 for repairs to the rink.

#433 – Trash Collection – For FY23 Mr. Scollins reported good news that he is recommending no increase for the \$2,447,500 Trash Collection budget. In FY22 the Town Administrator negotiated a new trash contract. The estimates are favorable for the Town of Canton and the FY22 budget is trending below the amount budgeted. Prior to the new contract Republic handled both the Town’s trash collection and recycling collection. In 2020 to 2021 there were concerns about the recycling market. Mr. Aspinwall negotiated a new contract with Waste Management for recycling at market rates and Republic for trash collection. Currently the Town has a credit in the recycling budget. For FY23 Mr. Scollins is recommending a decrease of approximately \$50,000 for the recycling budget from a budget of \$200,000 for FY22 to a budget of \$151,000 for FY23. For the trash collection budget he is recommending an increase of \$15,000 from \$1,500,000 for FY22 to \$1,515,000 for FY23 based on 4% consumer price index (CPI). The solid waste budget is also based on 4% CPI. The term of the contracts are three years. At the end of the term the Town will be in a better position as they will own all of the barrels. This will eliminate barrel acquisition costs if the Town were to change carriers. Ms. Thomas congratulated the Town officials for negotiating these contracts.

Approval of Minutes:

Mr. Scollins stated that Town Counsel confirmed the Finance Committee could approve Executive Session minutes in an open Finance Committee meeting but these Executive Session minutes could not be released until the St. Gerard's property acquisition has been fully consummated.

A motion made by Ms. Thomas to approve the October 14, 2021 Executive Session minutes but not to be released until after the St. Gerard's property acquisition has been completed was seconded by Ms. Schutt.

Roll Call Vote:

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

The motion passed 8-0-0.

A motion made by Ms. Schutt to approve the October 26, 2021 Open Session minutes was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 8-0-0.

A motion made by Ms. Schutt to approve the October 26, 2021 Executive Session minutes but not to be released until after the St. Gerard's property acquisition has been completed was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 8-0-0.

A motion made by Ms. Schutt to approve the October 27, 2021 Open Session minutes was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 8-0-0.

A motion made by Ms. Schutt to approve the October 27, 2021 Executive Session minutes but not to be released until after the St. Gerard's property acquisition has been completed was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 8-0-0.

A motion made by Ms. Schutt to approve the November 29, 2021 Open Session minutes was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 7-0-1.

A motion made by Ms. Schutt to approve the November 29, 2021 Executive Session minutes but not to be released until after the St. Gerard's property acquisition has been completed was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 7-0-1.

A motion made by Ms. Schutt to approve the December 1, 2021 Executive Session minutes but not to be released until after the St. Gerard's property acquisition has been completed was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 6-0-2.

Next Meeting Date: The Finance Committee will be meeting on Wednesday, February 2, 2022. Mr. Scollins stated that he and Charlie Aspinwall, Town Administrator, would be meeting with municipal departments to review their FY23 operating requests and that a few departments could be scheduled for the February 2 Finance Committee meeting.

A motion made by Ms. Schutt to adjourn the meeting at 8:44 p.m. was seconded by Mr. Clough.

Roll Call Vote:

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

The motion to adjourn the meeting at 8:44 p.m. passed 8-0-0.

Minutes reviewed by: Karen Foley

Respectfully submitted,



Timothy McKenna
Chair, Canton Finance Committee

**Canton Finance Committee Meeting
Meeting Documents
January 26, 2022**

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

Information regarding the FY23 Municipal Budget may be found at the following link:

<https://www.town.canton.ma.us/407/Municipal-Budget-Capital-Information>

Agenda for January 26, 2022 (1 page).