



Canton Finance Committee
801 Washington Street
Canton, MA 02021

Minutes Voted on: 10/26/21
Vote: 8-0-0

Meeting Minutes
October 13, 2021

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

Finance Committee Members Absent: All members were present.

Guests Present:

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

Opening: Chair McKenna called the Zoom virtual meeting to order at 7:00 p.m.

Approval of Agenda: Mr. McKenna announced that the main purpose of the meeting was to discuss Special Town Meeting Article 3 – Appropriation for the Metropolis Rink Reconstruction Project and other items .

New Business

Welcome – New Finance Committee Member – Karen Foley – Ms. Foley stated that that she has lived in Canton for 25 years, is the CFO at Symmons Industries in Braintree (a plumbing manufacturer), owned with spouse Foley's Backstreet Grille up until a few years ago, and have four children with one child still in college. Karen is happy to join the Finance Committee and help out the Town.

Mr. Emery joined the Committee in the summer. Mr. Emery stated that he has lived in Canton for two years. Has been in the area for nine years, has strong financial/accounting background working for Bain Capital Credit (started by Mitt Romney) for about seven years. Tom is the proud father of two children. He is looking forward to contributing back to the community.

Chair McKenna and the Committee accept with regret the resignation of Wai Wong due to other scheduling conflicts.

Special Town Meeting (STM) 2021 - Timeline – December 1, 2021

Mr. Scollins reviewed some of the highlights of the upcoming Special Town Meeting Calendar:

- The warrant has been distributed to the Committee.
- The goal for the Finance Committee is to have a complete draft of their Recommendations sent to Town Counsel by November 1 for his review of the motions and narrative.
- The Recommendations need to be to the voters by November 17.
- There is the possibility of a Special Election on December 11. The Town Clerk is expecting direction by the end of the month regarding the Special Election.
- There could be a debt exclusion at the Special Election. Options are being left open.

Mr. Scollins informed the Committee that the Select Board ratified the warrant at their meeting on October 12. There are three articles for STM. Article 1 will allow the Moderator to develop the procedures for Special Town Meeting. Article 2 relates to a real estate acquisition of St. Gerard's. Mr. Scollins read items a) through d) of Article 2 as follows:

- a. to authorize the Canton Select Board to acquire by purchase, gift or eminent domain, for general municipal purposes, the real estate consisting of land and buildings known as St. Gerard Majella Catholic Church, located at 1860 Washington Street, Assessor's Map 64, parcel 37, in the Town of Canton;**
- b. further to authorize the Canton Select Board to enter into such contracts and to engage such consultants (such as but not limited to engineers, surveyors, appraisers, financial advisors and the like) as in the Board's judgment are advantageous to assist the Town in carrying out the foregoing; and**
- c. further to raise and appropriate, borrow pursuant to any applicable statute or transfer from available funds, or some combination of the foregoing, a sum of money for the Canton Select Board to use for the foregoing purposes; or**
- d. to take any other action related thereto.**

After reading Article 2, Mr. Scollins made the following statement:

Given that this is an article about the acquisition of property, in order to position the Town in the best possible negotiating posture, all discussion from here leading up to the Special Town Meeting regarding this article will be held in Executive Session as is allowed.

Once in Executive Session everything that is discussed in Executive Session will be in confidence. Until the minutes for the Executive Session are voted on by the Finance Committee and are released that all discussions in Executive Session are confidential and are to remain in confidence, meaning not to be discussed with anyone. The purpose of this is to protect the Town's negotiating position, which ultimately protects the taxpayer. The Finance Committee will go into Executive Session as the last agenda item for the meeting schedule for October 14.

Chair McKenna confirmed that the Zoom meeting would be closed and not open to cable TV. Mr. Scollins will check with Town Counsel if the Executive Session of the meeting will be recorded.

Mr. Clough inquired if the Executive Session minutes would be approved by Special Town Meeting or would the Committee be precluded from talking about anything. Mr. Scollins did not have a definitive answer for Mr. Clough but his initial response is possibly no. Mr. Scollins was hesitant to answer any procedural questions at the time of the meeting.

STM Article 3 – Appropriation for the Metropolis Rink Reconstruction Project

Mr. Scollins projected on the screen a copy of Article 3, ***“To see if the town will vote to raise and appropriate, borrow pursuant to any applicable statute, or transfer from available funds or by transfer from Free Cash, a sum of money for the Metropolis Rink Reconstruction Project; or to take any action related thereto.”***

In brief Mr. Scollins stated that the Rink has a revenue deficit in the Rink project.

- The project was well managed by the Buildings Renovation Committee and its Chair Bob McCarthy. The project budget was \$11,000,000.
- The Town was expecting more in insurance, but the Town did not receive all of the insurance funds that the Town was anticipating. It was specifically related to code upgrades.
- The insurance company did not pay out \$1,000,000 that the Town was expecting. The primary reason for that was the original rink had a wood frame. This frame was replaced with a preferred construction of a steel frame. The insurance company determined that the steel frame was going above and beyond what was there and what code would have required. The Town lost approximately \$465,000 out of the \$1,000,000.
- The net revenue deficit/shortfall was \$367,000.
- There are still approximately \$200,000 expenses remaining (second Zamboni) which will be shared with the Committee at the meeting on October 14.

Mr. Scollins will be recommending to the Committee a transfer from the Pool project surplus. The surplus is \$750,000 but the Pool is still not fully complete leaving approximately \$600,000. The amount that will be transferred from the Pool project to the Rink project will be approximately \$200,000 a \$400,000 surplus overall for the two projects.

Funds left over from one capital project can be transferred to another capital project as long as the project is for an equal or longer useful life. The Pool project was a debt exclusion, therefore, any funds that are voted at Special Town Meeting to move from the Pool project to the Rink project will be a reduction over the remaining bond in the excluded tax, because it is no longer being used for that excluded purpose.

The remaining \$400,000 cannot be spent unless there is a Town Meeting appropriation for another purpose. The Town will have approximately \$400,000 for consideration for capital projects going forward.

The Committee will be voting on a specific motion for Article 3. The narrative of the Finance Committee will explain the reason for the transfer.

The debt cannot be canceled for repaying the \$400,000 on the terms that the Town borrowed for. The funds would stay in the account and would not be moved until the Finance Committee came forward with a warrant article to transfer the funds to another appropriate capital project. The capital project needs to be an asset that has the same or longer depreciable life as per the states' guidance.

Mr. Scollins will share with the Committee at their meeting on October 14 a list of specific items that are outstanding with the Rink Project.

Establish Finance Sub-Committee- to study Elected Officials Stipends

Stipends for Elected Officials are voted at the Annual Town Meeting. There have been questions about the differing amounts for different elected officials.

Ms. Schutt volunteered to be involved in this Sub-Committee,

Ms. Thomas questioned if there was a need for any engagement of the Select Board in these discussions. Mr. Scollins thought that they should be involved for an educational point of view as to how the stipends were determined and to obtain feedback.

The Sub-Committee would want to complete their work by the end of March or first week in April.

A motion made by Ms. Schutt that the Finance Committee create a Sub-Committee to study Elected Officials stipends was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 8-0-0.

Finance Committee Liaisons – Ms. Thomas stated that the focus for liaisons is on changes and new budget requests within the department's budgets and to look at their liaison budgets and to share with the rest of the Committee. Liaisons should be cognizant if there are any conflicts of interest (such as a family members working for a department). Mr. Clough requested to be moved as the liaison from the Blue Hills Regional School to the Buildings Renovations Committee. Ms. Thomas asked to be removed as the alternate on the Police Department. Mr. McKenna would hand over the Department of Public Works if another member is interested in being the liaison. Chair McKenna asked that the Committee members send their requests to the Finance Committee recording secretary.

General Fund's Fiscal 2021 Operating Results

Mr. Scollins presented information regarding the General Fund Fiscal 2021 operating results as follows:

- Good year. Revenue netted out to \$4.6 million to the positive –
- Local receipts - \$1.5 million.
- Property Tax Revenue - \$1,056,867 - \$475,000 was due to new growth. Real Estate and Personal Property new growth taxes were \$319,000 and \$156,000 better than planned respectively.
- State Aid - \$869,669.
- Tax Title - \$221,451.
- Transfers from Other Funds, Solar Facility \$69,001.
- Unspent appropriations of \$1,034,140 (municipal budgets and fixed costs).
- State Assessments of -\$198,2117 (Cherry Sheet higher than originally estimated).

Property tax revenue collections for FY 2021 were \$1.06MM better than plan. ~\$475K of this increase was due to "New Growth" coming in higher than plan. Real Estate and Personal Property New Growth taxes were \$319K and \$156K better than plan, respectively. Changes in how utility valuations are calculated impacted Personal Property New Growth.

Collections were negatively impacted in the prior year, FY 2020, primarily by the Select Board's decision to adopt the unique MGL statute allowed by the legislature as a form of relief to provide taxpayers until June 30 to pay their 4th quarter tax bills, usually due May 1st. However, over 80% of these FY 2020 taxes, or \$1.38MM were collected in FY 2021.

The collection rate of 99.35% on FY '21 property taxes in FY '21 was 1.25% better than FY '20. The collection rate is typically over 99%. As of this writing the FY '21 collection rate is 99.89%

Local Receipts rebounded nicely in FY '21, beating budget by \$1.59MM and prior year by \$927K. The expectation is that at least \$1.5MM in excess local receipts are collected, consistent with prior financial plans in order to "recharge" Free Cash.

Building Permits beat budget by \$1.04MM. Motor Vehicle Excise (MVE) tax was the other category that rebounded, beating budget by \$600K.

State Aid came in \$870K higher than budget. The Governor and the legislature decided to use CARES Act funds to commit to what the Governor had originally proposed in January of 2020 for the FY '21 budget. That decision wasn't made until well into FY '21, in December of 2020. In lieu of a firm commitment on State Aid, many municipalities revised their State Aid budget estimates downward by 10%, which is exactly what Canton did when the budget was finally set in June of 2020.

At the May 2021 Annual Town Meeting, it was voted to use \$1MM of these surplus revenues for: SPED Stabilization Reserve (\$660K); School Revolving Account Replenishment (\$140K); and to cover the Snow & Ice deficit (\$200K).

Mr. Clough inquired about the reduction of the contribution to the Other Post-Employment Benefits (OPEB) budget. Mr. Scollins stated that there was a reduction of \$136,000 for the contribution to the OPEB budget. Instead of the \$1,050,000 contribution to OPEB the Town contributed \$914,000. Mr. Scollins stated that the Finance Committee could decide to commit the \$136,000 back into the OPEB budget.

On the expenditure side, it was another positive year with \$1.03MM in appropriation turn backs with the top six returning the following:

Police Department & Animal Control	\$236,766
Assessors	224,026
Fire Department (<i>COVID-related expenses funded by FEMA/Cares</i>)	200,604
FinCom Reserve Fund	162,829
School Department	153,921
Debt Service	128,951
All Other Departments	-72,958
Total Appropriation Turn Backs	<u>\$1,034,140</u>

We estimate the general fund's free cash reserve to be approximately \$8.0 million as of June 30, 2021. Please know that the final determination as to our free cash reserve is made by the Department of Revenue. The Town Accountant has not submitted it yet to the DOR for certification.

As an outcome of the operating results from fiscal 2021, the Town's cash reserves have increased to an estimated \$21.2 million as follows:

Stabilization Fund	\$10,060,653
Free Cash Reserve	8,000,000
Surplus Overlay Reserve (<i>net of pending ATB cases</i>)	<u>3,170,257</u>
Total	\$21,230,910

These reserves amount to 19.3% of fiscal 2022's budget. In efforts to maintain our AAA bond rating we target our reserves to be 15% of budget (the Town's current policy %) and we have achieved that goal again in fiscal 2021. The 4.3% increase equates to approximately \$4.5 million of funds that available for the Town to keep as reserves or for appropriation. If the \$4.5 million were used it would not jeopardize the Town's 15% target for credit rating purposes. Mr. Scollins stated that in his two years with the Town he has noticed that the Town typically uses the increase in the free cash reserves to fund special articles at Annual Town Meeting.

Chair McKenna mentioned the Revenue Committee takes a conservative approach to estimating revenues and he is glad to see that the revenue has come in higher than estimated.

Mr. Emery inquired about the 15% target number if this was what the rating agencies required. Mr. Scollins stated that it is a target for top-rated communities by the rating agencies and is not a requirement by any means. Years ago the Town was not at the 15% level and a conscious decision was made to move in that direction to increase the Town's credit rating and therefore reduce the Town's borrowing and interest costs.

Enterprise Funds' Fiscal 2021 Operating Results

The Town has three Enterprise Funds: Water Enterprise, Sewer Enterprise and Rink Enterprise. Mr. Scollins has a request in for a Chart of Accounts redesign to reduce the existing 246 funds to less than 36 funds.

All of the funds that accrue to the Water, Sewer and Rink funds stay with those Enterprise funds and continue on. Any revenues and expenses are within the funds. The water and sewer rates have to sustain the expenses within the Enterprise funds. Canton is lucky that it has both MWRA and also its own wells. The more water the Town uses from its own wells the less it pays to the MWRA..

Mr. Scollins presented information regarding the Enterprise Funds' Fiscal 2021 operating results as follows:

The water enterprise's budgeted deficit of \$65,700 was due to retained earnings appropriated for capital projects. The actual fiscal 2021 operating surplus was \$970,137. One of the primary drivers of the \$401K revenue surplus is a result of fiscal 2020 revenues received in FY '21. Collections were negatively impacted in FY '20 primarily by the decision to adopt the unique MGL statute allowed by the legislature and adopted by the Select Board to provide rate payers until June 30 to pay their water bills received during the 4th quarter of the fiscal year, as a form of relief. In addition, the MWRA assessment was \$500K less than budget.

Fiscal 2021's results have the water enterprise fund ending the year with an estimated cash reserve of \$1.3 million which is 16% of expenses. The current target is 50% of expenses.

Mr. Scollins stated that the Town would have to continue to target 50% of expenses as the targeted fund balance for both water and sewer funds. The Town will need to increase the 16% if the Town is looking to not utilize debt as much as it has been in the past.

The sewer enterprise's budgeted deficit of \$13,500 was due to retained earnings earmarked for cash capital. The actual fiscal 2021 operating surplus was \$952,434 primarily due to revenue coming in higher than budget by \$812K. Sewer's end of year cash reserve is estimated to be \$3.1 million which is 47% of expenses. The current target is 50% of expenses.

The rink enterprise's budgeted deficit of \$77,499 was due to \$17,000 in cash reserves used to fund a new skate sharpener, along with expenses budgeted at ~\$60,000K more than anticipated revenue as a function of a shortened season due to COVID19. However, despite revenue coming in \$69,000 less than budget, the rink enterprise was still able to come in \$2,721 ahead of plan as a result of excellent expense management. The rink's end of year cash reserve amounted to an estimated \$104,000.

Chair McKenna inquired about the use of an enterprise fund for the Stormwater Management Program. In order for the Town to be compliant with the stormwater regulations the Town needs to invest more in stormwater management which is approximately \$1,000,000. There would need to be a fee structure set up based on the square footage of pavement that property owner's have (not definitive). The approach this year is to hire a Stormwater Manager that would articulate what would need to be done beyond what the Town is doing today in order to maintain compliance and what costs would that add to the Town's burden and how would that be funded.

Mr. Clough suggested to Mr. Scollins to update the budget department name from Board of Selectmen to Select Board.

Mr. Mauro inquired with regard to the water and sewer target reserves if there was a certain timeframe to achieve those targets. Mr. Scollins stated that in the modeling that has been done so far regarding this, the goal to get there is over an approximately four-year timeframe - this will be needed on the water side. On the sewer side the Water & Sewer Rate & Policy Committee will reevaluate to see if the current trend will sustain the Town at where the Town is currently at, which is just about target. With regard to the Rink Enterprise having had a deficit, if the season had been a normal season the Rink would not have had a deficit balance. Mr. Scollins was very pleased with how the Rink expenses were managed by Liz Francis, Parks & Recreation Director, and her team.

Mr. Mauro inquired about the Water Enterprise budget for MWRA being less than budgeted and if that had any effect on the MWRA sewer rates. Mr. Scollins confirmed that the MWRA water rates and MWRA sewer rates are separate assessments. The sewer budget came in close to what the Town had budgeted.

Chair McKenna confirmed that Mr. Mauro would be able to join the Finance Committee on October 14 at approximately 8:00 p.m. after the Master Plan Committee (for which Mr. Mauro Chairs) has concluded. The Finance Committee will open the meeting at 7:00 p.m., adjourn until 7:30 p.m. and will reopen the meeting at 7:30 p.m. The Committee will then go into Executive Session.

Inquiry Regarding the Finance Committee's Narratives/Discussions for the STM Finance Committee Recommendations to the Voters

Mr. Clough inquired as to how the Finance Committee would write the discussions/narratives for the STM Finance Committee Recommendations document prior to approving the minutes for the Executive Session.

Mr. Scollins stated that this would be discussed in Executive Session. Mr. Scollins also stated that they would assure that whoever is writing the narrative for the STM articles would not be in violation. Town Counsel will review the motions and narratives. Ms. Schutt stated that there eventually needs to be a discussion on Special Town Meeting floor so that all of this becomes transparent for STM voters to be able to make their decisions. Ms. Schutt also agreed that the Committee will have to proceed as recommended by Town Counsel. Mr. Scollins stated that

everything's a negotiation even with eminent domain there needs to be a fair price so any discussion would have to take place in Executive Session.

Approval of Minutes

A motion made by Mr. Mauro to approve the July 7, 2021 meeting minutes as amended was seconded by Ms. Thomas.

Roll Call Vote:

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

The motion passed 6-0-1. Ms. Foley did not vote on the minutes.

ATFC Annual Meeting Webinar Series via Zoom – The deadline for registering for the Zoom series is October 20.

Next Meeting Date – The next Finance Committee meeting would take place on October 14, 2021. Due to conflicts of some individuals attending the meeting the Finance Committee would open up the meeting at 7:00, go into a one-half hour recess and would reconvene at 7:30 p.m. to discuss the Rink. The Committee would then enter into Executive Session.

Adjournment - A motion made by Mr. Clough to adjourn the meeting at 8:42 p.m. was seconded by Mr. Mauro.

Roll Call Vote:

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

The motion passed 8-0-0.

Minutes reviewed by: Dave Clough

Respectfully submitted,



Timothy McKenna
Chair, Canton Finance Committee

**Canton Finance Committee Meeting
Meeting Minutes – Meeting Documents
October 13, 2021**

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

Agenda for October 13, 2021 (1 page).

Special Town Meeting 2021 – Timeline, December 1, 2021.

Memorandum from Randy Scollins to the Select Board regarding the General Fund’s Fiscal 2021 Operating Results dated September 15, 2021 (11 pages).

Memorandum from Randy Scollins to the Select Board regarding the Enterprise Funds’ Fiscal 2021 Operating Results dated September 15, 2021 (3 pages).