



**Meeting Minutes**  
**April 2, 2020**

**Finance Committee Members Present:** David Clough, Dan Cole, Emilio Mauro, Tim McKenna, Barbara Saint André, Cindy Thomas and Wai Wong.

**Finance Committee Members Absent:** Christos Arsoniadis and Rob Barker.

**Guests Present:**

Charles Aspinwall, Town Administrator  
Chris Connelly, Chair, Board of Selectmen  
Dave Emhardt, Chair, Capital Planning Committee  
Alan Hines, Current Moderator and Resident  
Mike Loughran, Board of Selectmen  
Bob Panico, Capital Planning Committee  
Mark Porter, Board of Selectmen  
Randy Scollins, Finance Director  
Ellen Jones, Finance Committee Secretary

**Opening:** Chair McKenna called the meeting to order at 6:32 p.m. via Zoom virtual meeting.

**Approval of Agenda:** Chair McKenna reviewed the agenda.

**New Business:**

**Discussion FY21 Budget – Potential Risks**

There was no formal budget presentation by the School Committee or Board of Selectmen. No School Committee members were present at the meeting. Chair McKenna suggested that Mr. Scollins present his timeline/schedule. Because the draft timeline is relevant to any budget actions that might be taken, Mr. Scollins presented his opinions to the Finance Committee "Potential Risks for FY 2021 General Fund Funding Sources – An Early ReAssessment – March 27, 2020". This included the following four primary components of funding sources:

- **Property Tax Revenue(80.3%)** - Mr. Scollins is not anticipating any budgetary impact for next year. The Finance Director stated that new growth taxes is the only item that may pose some risk but that new growth was conservatively forecasted and that the Board of Assessors are still confident in achieving the \$800,000 being forecasted. Mr. Scollins stated that a 1% drop in property tax collections could impact cash flow by \$600,000. In response to a Committee member's concern about the scenario if taxpayers were unable to pay taxes, Mr. Scollins further stated that he is confident that the Town has enough cash on hand to manage a lower collection rate even if the uncollected taxes were \$2-3 million.

In response to a Board of Selectman's inquiry about the tax due date, Mr. Scollins stated that the legislature was considering a tax grace period to June 1. Mr. Scollins is not concerned at the collectability of business taxes because of the method in which they are assessed. There could be downward valuations for business properties but because the way Prop. 2 ½ works, the tax levy is still levyable and would be spread out over all taxpayers.

There was a difference of opinion on the budget impact with regard to revenue. Mr. Emhardt and Mr. Panico expressed their personal opinions (not the opinions of the Capital Planning Committee) that there will be an impact given the current economic conditions. Mr. Scollins stated that the Assessors Overlay Reserve was healthy enough to cover any increase in tax abatements and until the Town had further information it is difficult to predict the impact.

Chair McKenna requested Mr. Scollins to continue with his presentation, open the discussion with questions from the Finance Committee and address comments and questions from the public at the end.

- **Staid Aid (9.4%)** – Mr. Scollins is predicting a minimal impact to the Town's state aid for next year. The state's revenue committee was reconvening and would be reviewing state aid. There is no indication that they would be reducing state aid.

- **Local Receipts (7.3%)** – Mr. Scollins stated that the line items in the budget that most likely could be impacted included motor vehicle excise tax, hotels and meals tax, interest income, penalties and interest (the Town could be waiving fees if the State permits it), permits, other departmental revenue and fees. His estimate is a \$955,719 shortfall.
- **Transfers from Other Funds (3%)** – Mr. Scollins stated that there will be an impact in the funding source. Chief Doody indicated to him that there is a reduction in ambulance runs which could mean a reduction in approximately \$200,000 of ambulance receipts which would, therefore, be unavailable for appropriations at Town Meeting.

The School Lunch Fund transfers into the General Fund approximately \$160,000 per year. Because the School Lunch Program is not taking in any revenue now but is still spending funds on providing food services to residents in need of meals, Mr. Nectow, School Business Administrator, indicated to Mr. Scollins that the School Committee could not commit to a transfer of \$160,000 for FY21.

In summary, Mr. Scollins' preliminary estimated FY21 General Fund funding impact is \$1.31 million. Local Receipts are budgeted conservatively to recharge free cash by \$1.5 million. Because there is a budget for local receipts each year to fund the budgets, there is also a budget of savings associated with local receipts because the Town does not appropriate all the local receipts that the Town anticipates receiving. A recharge of \$1.5 million of local receipts is targeted over and above what is needed to fund the budget. The recharge could be impacted by an estimated reduction of \$955,719 in local receipts.

### **FY 2021 Budget Reductions Scenarios**

Mr. Scollins stated that he collaborated with Mr. Aspinwall on three budget reductions scenarios (A, B and C). One area that they identified to reduce the budget was the utilization of free cash for special articles. The highlights of the three scenarios are as follows:

- The intent was to reduce by \$1,019,130 the use of the savings for special projects such as intersection improvements at Sherman, Angela & Pleasant Street, improvements to the Earl Newhouse Waterfront, a school bus and removal of weeds and vegetation at Old Shepard's Pond. The reduction of free cash new savings by the use of on-hand savings (free cash reserves) would essentially be a net impact of "0" to free cash reserves.
- \$100,000 of free cash would fund the operating budget instead of a transfer into the Solar Stabilization Fund.
- **Scenario A** includes a further Scenario 1 and Scenario 2 (see meeting document for specific reductions) for reducing the Town's operating budget by \$150,348 and Scenario 1 for reducing the School operating budget by \$50,000. Scenario 1 would include a \$79,392 reduction to the DPW Operations Manager position, a \$54,512 reduction to the COA request for a new Outreach Worker & additional van driver hours and a \$16,444 reduction to the Conservation request for additional hours for support staff.
- **Scenario B** includes \$310,000 capital budget reductions, split \$150,000 reduction from School capital requests and \$160,000 from three Municipal capital requests.
- **Scenario C** includes a Scenario 1 for a \$50,000 Municipal budget reduction to the DPW Operations Manager position (currently unfilled), \$150,000 reduction to the School capital requests and \$100,000 reduction to two Municipal capital requests.

In summary these budget reduction scenarios would free up \$1.4 million. Mr. Scollins credited Mr. Aspinwall for coming up with these three scenarios.

In response to a Committee members' concern about the Town being able to make debt service payments, Mr. Scollins stated that the Town would not have difficulties making debt service payments because of the Town's strong stabilization fund. Water debt service payments would be funded by the Water Enterprise Fund which is funded through the water rates.

Chair McKenna noted that there were a couple of Board of Selectmen members in attendance at the virtual meeting and that perhaps the BOS would comment on other available sources of funds.

Mr. Porter commented that there was a quorum of BOS members at the meeting. Mr. Aspinwall stated that two of the BOS members could comment without violating the open meeting law. Mr. Porter stated as one member of the BOS that there is some flexibility with regard to the use of mitigation funds in keeping with the intention of the use of those funds, however, he further stated that as one member he could not support the use of \$665,000 out of the mitigation

funds. Mr. Porter stated that he could lobby his fellow Selectman at a public meeting his support of a lower amount. Mr. Scollins projected on the shared screen a spreadsheet of the Mitigation Fund Summary as of 4/3/20 showing a balance of \$2,615,901.73 (see meeting documents).

### **Cash Reserve Balances – Three Scenarios**

Mr. Scollins presented three cash reserve balance scenarios – Worst, Best and Middle (see meeting documents). The purpose and focus of these scenarios was to see the impact on the reserve balances for three years (FY20, FY21 and FY22) with the use of various reserves for Town Meeting appropriations and the effect on the Town's target of 15% reserves.

- **Worst Case Scenario** – The cash reserves as a percentage of general fund expenses would be reduced from 15% in FY20 to less than 12% in FY22 assuming \$4.64 million use of reserves and \$1 million of free cash recharge over three budget cycles (\$500,000 in FY20, zero in FY21 and \$500,000 in FY22). In response to one of the banks informing Mr. Scollins that they dropped their interest rate from 1.5% to 0.1%, Mr. Scollins transferred over \$2 million to an account with the Bank of Canton which is yielding an interest rate of 1.4%. Mr. Scollins confirmed for Mr. McKenna that in the worst case scenario there is "erosion" to revenues but spending is as usual.
- **Best Case Scenario** – Mr. Scollins assumed a \$1.019 million reduction of use of free cash for special articles in FY20 to \$619,700 but the use of \$3 million use of reserves and a free cash recharge of \$3 million over three budget cycles. This scenario would main the reserves percentage ratio of 16.54% in FY20 to 15.05% in FY22. The decrease in the ratio will be the result of the budget expenses growing.
- **Middle Case Scenario** – This scenario assumes the use of \$2 million of reserves over three years with a \$2 million recharge of free cash over the 3-year budget cycle.

Mr. Scollins stated that there was "no right or wrong" with regard to these scenarios but "how much risk the Town was willing to take" with regard to its reserves.

Mr. Panico confirmed that under the various budget scenarios the intersection improvements for Sherman Street, Angela Street and Pleasant Street was no being abandoned and that \$85,000 would be appropriated for this year for design work and next year funding would be revisited for the project. Mr. Scollins concurred.

Mr. Porter stated that he did not have a desire to litigate budget scenarios on Town Meeting floor. He further stated that the BOS would not do anything to risk personnel cuts even in the worst case scenario. At the time the Town achieved its AAA bond rating in 2010 the Town did not have 15% in cash reserves in 2011. While the 15% piece is important in obtaining the AAA bond rating it is not the only piece that is considered in the whole equation for the bond rating. Mr. Porter praised Mr. Scollins for compiling these spreadsheets. Mr. Porter spoke in support of spending more this year on one-time cash capital projects and free cash projects with the intention of spending nothing or a bit less on projects in the next year if the economy were to considerably decline. Mr. Porter offered a scenario under the worst case scenario that if the two out years use of free cash was cut from \$1.5 million to \$750,000 for each year, and reduced the cash capital requests for this year by \$500,000 from \$1.64 million to \$1.1 million the Town would have a cash reserve level of 13.6% in 7/1/22. Mr. Porter would not be in support of going below 12% for reserves.

Mr. Emhardt spoke in support of Scenario B or C. He stated that the Town needed to "get ahead of the curve" and that the Town could cut the capital requests so that if the Town were in a situation the operating budget would not have to be cut. He does not agree with all of the assumptions presented but is in support of the design of the Angela Street intersection. He was concerned that the Overlay Reserve column estimated that business was as usual and that it did not consider a downward trend for businesses. The abatements for the out years essentially equaled the addition of funds to the overlay and that given the economy the Town could be faced with additional businesses seeking abatements. Ms. Scollins explained that there was still a balance of \$1.5 million in the Overlay Reserve fund.

Mr. Hines commended Mr. Scollins for all of the work he did on the spreadsheets. He inquired if Mr. Scollins had considered borrowing for some of the projects instead of using free cash reserves in particular the Angela Street intersection, especially given the low interest rates for borrowing. Mr. Scollins stated that this could be done but it will exceed the amount of debt capacity in this year as well as a reduction in the out-year borrowing or future debt capacity. Mr. Scollins equates to adding more debt to "putting more on the credit card" when you do not have the money.

Mr. Panico reminded the meeting attendees that every year capital project requests always exceed the capital and debt available and that by the time the requests reach Town Meeting the Capital Planning Committee has reviewed, vetted and cut requests so as not to exceed available spending limits.

Mr. Scollins agreed with Mr. Cole's suggestion for borrowing since the interest rates for borrowing are so low and that the borrowing for a project such as the Angela Street intersection the Town would not be borrowing for the project until next fiscal year.

Chair McKenna inquired of Mr. Porter if the Finance Committee could expect the BOS consideration of using mitigation funds and would there be a formal decision made by them. Mr. Porter stated that this would not be addressed at Town Meeting and that the discussion and use of mitigation funds would be at a publicly-advertised BOS meeting. Mr. Porter stated that if the Finance Committee were comfortable for example funding \$300,000 and suggested this to the BOS, then the BOS might then decide to use mitigation funds. Given the broader sense that the Finance Committee has than the BOS, the BOS would take the lead from the Finance Committee if the Finance Committee thought the project was feasible.

**Suggested Meeting Calendar & Important Dates** – Mr. Scollins stated that the calendar (see meeting documents) as presented would not be compliant with the Town's target date for Town Meeting of June 22 since the legislature has not yet allowed municipalities to move their Town Meeting dates by more than 30 days. Mr. Scollins stated the articles for reconsideration: Article 12, Motion 2 (municipal cash capital), Motion 2 (school cash capital), Motion 4 (school safety and security transport), Article 21 (solar stabilization), Article 31 (intersection improvements – Sherman, Angela and Pleasant Streets), Article 32 (removal of weeds & vegetation at Old Shepards Pond, Article 33, (Earl Newhouse Waterfront improvements) and Article 54 (budget article). The final warrant would be sent to the printer by Monday, May 18. Mr. Emhardt stated that his only concern were the municipal and school cash capital requests. Mr. Scollins stated the School Business Administrator had already indicated to him the items that would be cut from the school requests and would forward this information to Mr. Emhardt.

BOS Chair Chris Connelly stated that Town Counsel confirmed that if the legislature allows municipalities to move the Town Meeting date to a future, the Moderator would still have to meet on May 11<sup>th</sup> as if Town Meeting were convened and then declare it be postponed to June 22. The Finance Committee Recommendations would have to be ready for the May 11 Town Meeting date.

#### **Articles for Reconsideration**

**Article 31 – Intersection Improvements (Sherman, Angela, Pleasant Streets)** – Ms. Thomas sought clarification on the timing of this intersection project. Mr. Aspinwall stated that the design phase for the project would take six months and the Town would not start construction on the project in December and the earliest start time for the project would be March 1, 2021. It could go out to bid before Town Meeting in 2021.

Mr. Scollins will coordinate the reductions to the school cash capital article with Mr. Nectow. Mr. Emhardt asked the Chair if there was a sense of the Finance Committee if they supported Scenario 1 or 2 for reductions to the municipal operating budget.

Chair McKenna asked for any further comments from Finance Committee members with regard to the budget, articles etc.

Ms. Saint André inquired about the difference between the \$79,392 reduction under Scenario A versus the \$50,000 reduction under Scenario B for the DPW Operations Manager position. Mr. Scollins stated that the \$79,392 was a fraction of the budget salary for that position that is open and not the entirety of it. The intent of the budget request was that the position is unfilled and that a portion of those funds would be used to do the required new stormwater reporting starting next year. The difference between these two amounts will make it less difficult to add back the full salary when the position is filled in a future year. The assumption under Scenario C is to take \$50,000 out of the budget. The \$29,392 will be left in since there are new reporting costs next year that the DPW Superintendent will need funds for. Ms. Saint André questioned that if the Finance Committee were to recommend the removal of \$79,392 from the DPW budget under Scenario A. She is concerned that the department would not have enough funds for the reporting requirements.

#### **Vote – Budget Reduction**

**A motion made by Mr. Mauro to remove Scenario A for consideration from the FY 2021 Budget Reduction Scenarios as written was seconded by Mr. Wong.**

**Roll Call Vote:**

<b>Ms. Thomas</b>	<b>Aye</b>	<b>Ms. Saint André</b>	<b>Aye</b>
<b>Mr. Clough</b>	<b>Aye</b>	<b>Mr. Cole</b>	<b>Aye</b>
<b>Mr. Mauro</b>	<b>Aye</b>	<b>Mr. McKenna</b>	<b>Aye</b>
<b>Mr. Wong</b>	<b>Aye</b>		

**The motion passed 7-0-0.**

**Public Comments** - There were no public comments.

**Announcements** – There were no announcements at the meeting.

**Next Meeting Date** - The Finance Committee will meet again the week of April 20<sup>th</sup>.

**Approval of Minutes** – There were no minutes approved at the meeting.

**Adjournment: A motion made by Ms. Saint André to adjourn the meeting at 8:50 p.m. was seconded by Mr. Wong.**

**Roll Call Vote:**

<b>Mr. Cole</b>	<b>Aye</b>	<b>Ms. Saint André</b>	<b>Aye</b>
<b>Ms. Thomas</b>	<b>Aye</b>	<b>Mr. Mauro</b>	<b>Aye</b>
<b>Mr. Wong</b>	<b>Aye</b>	<b>Mr. McKenna</b>	<b>Aye</b>
<b>Mr. Clough</b>	<b>Aye</b>		

**The motion to adjourn at 8:50 p.m. passed 7-0-0.**

Minutes reviewed by: Committee Members

Respectfully submitted,

Timothy McKenna  
Chair, Canton Finance Committee

**Canton Finance Committee Meeting  
April 2, 2020  
Meeting Documents**

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

**For information regarding department budget requests please follow the below link:**

<https://www.town.canton.ma.us/DocumentCenter/View/5658/FY21-Municipal-Budget---Dept-Requests---Jan-2020>

Agenda for April 2, 2020 (1 page).

Potential Risks for FY 2021 General Fund Funding Sources – An Early ReAssessment – March 27, 2020 (1 page).

FY 2021 Budget Reductions Scenarios – A, B and C, provided by Director of Finance, dated 3/31/20 (1 page).

Cash Reserve Balances – Worst, Best & Middle, provided by the Director of Finance, dated 4/2/20 (3 pages).

Mitigation Fund Summary as of April 3, 2020 (1 page).

ATM Articles For Reconsideration and Suggested Meeting Calendar & Important Dates as of April 1, 2020 (1 page).