



Canton Finance Committee
801 Washington Street
Canton, MA 02021

Minutes Voted on: 7-30-20
Vote: 6-0-1

Meeting Minutes
Thursday, June 4, 2020

Finance Committee Members Present: Christos Arsondiadis, Dan Cole, Emilio Mauro, Tim McKenna, Cindy Thomas, and Wai Wong.

Finance Committee Members Absent: Rob Barker, David Cough, and Barbara Saint André.

Guests Present:

Charlie Aspinwall, Town Administrator
Dave Emhardt, Chair, Capital Planning Committee
Paul Gargano, Roselli, Clark & Associates
Stacy Gorman, Chair, Community Preservation Committee
Ellen Jones, Finance Committee Secretary
Lisa Lopez, Vice Chair, Community Preservation Committee
Kristen Phelps, Administrator, Community Preservation Committee
Tony Roselli, Roselli, Clark & Associates
Randy Scollins, Finance Director

Opening: Chair McKenna called the virtual meeting via Zoom to order at 7:04 p.m.

Approval of Agenda: Chair McKenna reviewed the agenda items, which included the most recently completed financial statements and a discussion of all aspects of the 2020 Annual Town Meeting (ATM) and Special Town Meeting (STM).

New Business

Auditor's Review of FY 2019 Financials – Mr. Scollins introduced the auditors, Tony Roselli and Paul Gargano. Mr. Scollins shared on his computer the Audit Exit Conference PowerPoint presentation for the members and the viewing audience.

Mr. Roselli stated that the audit was completed several months ago and the Single Audit was completed in February/March 2020. The audit exit was delayed because of the COVID-19 situation. Mr. Roselli reviewed economic trends, the bond rating, and COVID-19. Some of the highlights of the discussion included the following:

Introduction – Mr. Roselli reviewed some of the basics of the audit for the new Finance Committee members. The audit is not a forensic audit. The audit is done because the Town issues securities in excess of \$10 million, the Single Audit is conducted because the Town receives more than \$700,000 in federal funds and the yellow-book audit is done because the Town is a government entity. The Single Audit terminology comes from the single process done for all grants grouped together. The findings of the Single Audit are reported to the federal government, which could put a grant in jeopardy if all is not in order.

The audit included a review of the major transactions which included revenue cycle, disbursement cycle, and payroll cycle. Mr. Roselli stated that they had recently completed an audit remotely for a town in Western Massachusetts. The Comprehensive Annual Financial Report (CAFR) can be completed remotely if need be. Other portions of the audit may have to be conducted in person, such as interviews and the pulling of accounting documentation.

Risk Assessment – Bank statements and reconciliations are reviewed as well as checking that records for the Treasurer's Office and Town Accountant are in agreement.

At the end of an audit either a "clean opinion" or "qualified opinion" is issued. Qualified opinion is given if the auditors have found something wrong. Mr. Roselli stated he has never issued a qualified opinion to Canton.

Statement of Auditing Standards (SAS) 115 requires the auditors to communicate material weaknesses and significant deficiencies. Mr. Roselli found none of these weaknesses or deficiencies with the Canton audit.

Economic Trends – Mr. Roselli stated there has been a flattening of the reserves, which means the Town is meeting the metric of 15% reserves that the bond rating agencies are looking for while not being excessively conservative with its spending. The reserves flattened because the Town increased its contribution to Other Post Employment Benefits (OPEB), which is a positive action taken. Tier one metric is the bond ratings gold standard, which is a 15% reserve

ratio. Canton's 19% reserve is above the bond ratings gold standard. Such a rating, is also above the state's average of 10%. The Town has maintained its AAA bond rating for over 10 years. The CAFR was completed for the 11-12th straight year. Canton is among the top ten communities in the Commonwealth with respect to investment appeal.

Bond Rating - Mr. Roselli reported that if communities use their free cash during the COVID-19 crisis they will not necessarily be punished by the bond rating agencies, as long as a Town has a plan in place to replenish free cash. In normal situations, the free cash should only be used for one-time expenditures and not for routine operating salaries and budgets. He recommended that the Town should continue to forecast revenues conservatively, enhance revenues, monitor budgets aggressively, and turn back unused funds to surplus.

Ms. Thomas inquired about free cash, the use of it and any consequence to the Town regarding the bond rating and the Town's cost for borrowing. Mr. Scollins stated that in his prior community (Foxborough) it was not just about planning for the immediate fiscal year but planning for multiple years because of the uncertainty of the duration of the economic crisis during the Great Recession that started around 2007 or 2008. The strategy used then should be the strategy again today, which is that the Town should still continue to conserve its free cash as best the Town can, not spend it that free cash if the Town does not have to do so, with the expectation that the Town may need to rely on dipping into these funds for multiple years, which was the case in the last fiscal crisis. It was about four years after the start of the last recession before everything started to bounce back strongly when the Town was able to reduce or eliminate its reliance on free cash. Mr. Scollins is less concerned about how the bond rating will be affected but he is more concerned with how to preserve the free cash so the Town can maintain services. Mr. Scollins stated it is about keeping a strong undesignated fund balance in order to help maintain the operating services. Mr. Scollins did not recommend "burning through" free cash.

Mr. Roselli suggested the Town look at its budget, its critical services, the needs of the School Department and its wish list of projects to see if any items could be done at a future date. Capital projects not related to the safety of the community or otherwise essential should be delayed. Mr. Roselli spoke with Parker Elmore, the Town's OPEB actuary, who stated if a Town were to skip a year of contributions to the OPEB fund, it would not adversely impact the discount rate. However, Mr. Roselli did state that funding OPEB is an important commitment for the Town.

COVID-19 – \$2.5 billion has been allocated to the state of Massachusetts which was based on population with 45% of the \$2.5 billion allocated to cities and towns and 55% allocated to the state. Mr. Scollins stated that Canton does not have to apply in round one for funds because the Town will be able to absorb all of the spending on COVID-19-related expenses without having a deficit. With new accounting procedures released June 3rd the Town will be pushing the funds over to special revenue funds and it will not be affecting free cash. If the rules are changed for the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on how to use the CARES Act funds for revenue placement, Canton's allotment is \$2.1 million, which could be a very significant piece of keeping the budget balanced without having to dip into reserves. Canton's first CARES Act allotment was \$2,083,000. Mr. Roselli stated that the CARES Act is not an expense driven problem but a revenue driven problem primarily because of revenues not coming in due to the COVID-19 situation. To date, Canton's COVID-19-related expenses are approximately \$300,000 including payroll. The School Department has received approximately \$80,000 of Elementary and Secondary School Emergency Relief (ESSER) funds which could be used for Chromebooks or some other remote learning costs directly related to COVID-19.

Mr. Scollins stated that on June 3rd the Massachusetts Department of Revenue (DOR) directed municipalities to move all COVID-19 expenses out of the general fund to special revenue accounts. This relieves the expense from the general fund, therefore, the spending that occurred is no longer in the general fund. Deficits in the special revenue funds will be eligible for reimbursement. The state will not deduct deficits in the special revenue funds from free cash certification.

COVID-19 – Revenue Replacement – Mr. Roselli stated there is a pending bill before the United States Senate called the Coronavirus Relief Fund Flexibility Act to change the language in the CARES Act addressing the use of funds not used for expenses under the CARES Act for revenue relief. Communities are awaiting the decision on the legislation with the hope that funds could be used for any budget gap.

Mr. Mauro inquired about the timing of the Town receiving funds under the CARES Act. Mr. Roselli stated that this could be a multi-year process and the Town could continue to receive funds over to 2022.

Mr. Mauro also inquired as to how narrowly defined expenditures are under the CARES Act. Mr. Scollins stated that the Federal Emergency Management Agency (FEMA) process is very restrictive and must be directly related to the pandemic emergency. The CARES Act is more expansive and flexible. If Public Safety or the Board of Health needed to purchase laptops in order to conduct essential public safety and protection services, this would be covered by FEMA. The CARES Act would cover indirect needs for laptops for payroll staff or other essential personnel to conduct business at home. If expenses are covered 75% by FEMA the remaining 25% could be covered by the CARES Act. If FEMA does not cover an expense at all, but it is listed under the CARES Act, the CARES Act would cover it 100%. This is beneficial for expenses but is not useful for revenue impacts.

HEROES Act – Mr. Roselli stated that the Health and Economic Recovery Omnibus Emergency Solutions Act (HEROES Act) is a \$3 trillion stimulus plan (Stimulus 4) with \$1 trillion for state and local governments. Unfortunately, this plan was “dead on arrival” to the GOP and is many weeks away for final language to be accepted.

Ms. Lopez inquired, as a resident, if the Town were to bear the expense of mail-in ballots for the September and November 2020 elections as well as the expense of sending applications to voters to make it easier for participating in the elections, would these expenses be considered COVID-19 expenses. Mr. Roselli stated that he believes there is a specific section of the CARES Act (an 862-page document) devoted to voting that may cover some of these expenses.

Mr. Cole inquired if the auditors would be reviewing the CAFRA report. Mr. Cole was referring to page 3 of the Single Audit report. Mr. Cole inquired if there was a problem with “the basis for a qualified opinion on Special Education [SPED]”. Mr. Gargano stated that it was related to period performance. There is a start date and an end date to a grant and all the expenditures have to happen within that period. In many communities there has been a lag in approving the grants that the grant administrators are not used to. The administrators are used to the grants starting on September 1st. Canton’s grant was not approved until October, so some of the September invoices were charged to the grant that started in October. Mr. Gargano anticipates that this is a one-year only problem and plans have been made by the School Department to correct this going forward. Approximately one quarter of Roselli & Clark’s Single Audits have experienced this similar problem. On the SPED grant, a qualified opinion was issued only for period of performance.

The discussion with the auditors ended at approximately 8:00 p.m.

Discussion of ATM and STM Articles - Essential and Non-Essential Articles Voted by the BOS on June 3rd.

Mr. McKenna stated that the Annual Town Meeting would take place on June 22nd, would be held outdoors, and would start at the earlier time of 6:00 p.m. A virtual informational session would be held on June 15th to allow voters to ask specific questions and obtain information about the ATM and STM articles. In an effort to keep the length of the meeting for the ATM and STM as short as possible while following the guidelines for social distancing, it was decided by the Town Moderator, Finance Director, Board of Selectmen (BOS), and various boards and committees that the 54 ATM articles and 8 STM articles would be designated as essential or non-essential. The essential articles would be those articles considered as urgent and necessary for the safety and operation of the Town. The non-essential items could be delayed without any adverse or immediate impact to the Town.

Mr. Scollins shared Version 6 of the list of essential and non-essential ATM and STM articles with the Finance Committee. Articles considered as essential and to be voted on individually included Articles 1, 2, 12, 22, 33, 52 and 54.

Articles to be considered in the ATM Consent Agenda included: 7, 8, 11, 15, 18, 20, 23, 28, 29, 31, 34, 36, 39 and 42.

A separate STM Consent Agenda might include: Articles 2, 3, 4, 5, 7 and 8 but would need further discussion.

There was some discussion on whether to move all of the zoning articles into their own consent agenda and include them among the essential articles to be considered at the ATM. Mr. Aspinwall stated that Town Counsel confirmed that a second hearing for the zoning articles would not be necessary if those articles were deferred to a future town meeting. The Planning Board would not have to hold additional hearings and the articles could be brought before a future town meeting at any time in the future.

Mr. McKenna confirmed for Ms. Thomas that the non-essential articles would not be addressed by the Moderator at Town Meeting and the Finance Committee motions for those articles would remain the same. The zoning articles would be addressed in the future.

Ms. Lopez initially thought that the Community Preservation Committee (CCPC) articles should be included in the ATM Consent Agenda. However, after a discussion with the Town Moderator earlier in the day, she recommended that these articles should not be included in the Consent Agenda. Rather, CCPC had a new request of the Moderator to treat Article 22 Motions 1-10 as a whole and, if there are no objections from seven voters, the article would be moved and voted as one motion. The CCPC will be holding a public virtual informational session for CPA articles only on June 11th at 6:30 p.m. Ms. Lopez stated the Town received a state grant for the Earl Newhouse project being considered jointly under both Article 33 and Article 22 Motion 4.

Mr. Emhardt, Chair of the Capital Planning Committee, spoke in support of having Article 12 (capital spending article) voted in one motion. He volunteered to address in detail the capital articles at the informational meeting on June 15th.

Mr. Mauro expressed concern that if the CPA and capital articles were to be included in the ATM Consent Agenda there could be confusion for the voters given that there are many funding sources for the various projects involved. The June 15th meeting should explain to voters how the articles will be addressed at ATM. If any articles are placed

into the Consent Agenda, the Moderator would allow any voter to place a hold on an article or a sub-component of an article.

Reconsideration and Vote – Article 4 - Consent Agenda

A motion made by Ms. Thomas to reconsider the Finance Committee’s previous vote taken for Article 4, Consent Article, was seconded by Mr. Mauro. Mr. Scollins explained to the Committee that they would essentially be reconsidering the Consent Agenda as a “blank container” with Article 23 being the only article that had been previously included in the Consent Agenda that was sent to voters.

Roll Call Vote:

Mr. Wong	Aye	Mr. Arsondiadis	Aye
Mr. Mauro	Aye	Ms. Thomas	Aye
Mr. Cole	Aye	Mr. McKenna	Aye

The motion passed 6-0-0.

Mr. McKenna spoke in support of moving the Capital Article into the Consent Agenda. Mr. Aspinwall explained that the Consent Agenda would need to be unanimous at ATM because some of the Capital Article motions included motions for borrowing which requires at least a 2/3 vote. Ms. Thomas spoke in support of keeping the Capital Article out of the Consent Agenda. Mr. Scollins stated that Town Counsel had advised that if there is any objection to any of the sub-components within the Capital Article seven voters would have an opportunity to express that objection to remove a specific motion. Mr. Scollins stated that Town Counsel was okay with the Capital Article being included in the Consent Agenda.

Mr. Staiti, the Moderator, joined the Finance Committee meeting at approximately 9:02 p.m. This meeting was his third Zoom meeting of the evening. Mr. Staiti confirmed that in a prior memo he had issued he did not have the Capital Article in the Consent Agenda. Mr. Scollins stated that the Sandwich (MA) Town Meeting had included their Capital Article in the Consent Agenda and that our Town Counsel was okay with this as well. Mr. Staiti respectfully clarified that the Moderator is in control of Town Meeting and that Town Counsel is an advisor, and that Town Counsel may have facetiously stated that everything could go into the Consent Agenda. Mr. Staiti was never in agreement with the Capital Article being in the Consent Agenda and he recommended that all of the motions under the Capital Article would be voted as one motion with one total amount. Mr. Staiti received an opinion from Town Counsel that if a Zoning Article were not acted upon at Town Meeting, the Zoning Board would not have to go through the publication, advertising or hearing process again.

Mr. Aspinwall reminded attendees that a goal of Town Meeting was to “get people in and out” and to avoid contact and that discussion of the articles would take place at the informational meeting on June 15th.

Mr. Staiti reminded the meeting attendees that the Town’s by-law states that the Consent Agenda has to be agreed upon by three parties: the Board of Selectmen, the Finance Committee, and the Moderator.

Vote – Article 4 – Consent Agenda – Replaces Consent Agenda mailed to the Voters

A motion made by Ms. Thomas that Annual Town Meeting articles indicated in green on Version 6 of the Annual Town Meeting article listing are to be considered as essential articles, which includes Articles 7, 8, 11, 15, 18, 20, 23, 28, 29, 31, 34, 36, 39 and 42, was seconded by Mr. Mauro.

Roll Call Vote:

Mr. Wong	Aye	Mr. Arsondiadis	Aye
Mr. Mauro	Aye	Ms. Thomas	Aye
Mr. Cole	Aye	Mr. McKenna	Aye

The motion passed 6-0-0.

Vote – STM – Consent Agenda - New

A motion made by Mr. Mauro that a new Consent Agenda be created for the Special Town Meeting that would include essential articles 2, 3, 5 and 7 was seconded by Ms. Thomas.

Article 4 was not included in the STM Consent Agenda because there was concern that it would need a 2/3 vote. STM Article 8 was still being considered for recommendation by the Finance Committee. It was stated to the Finance Committee that there were differing opinions among the BOS for Article 8.

Roll Call Vote:

Mr. Wong	Aye	Mr. Arsondiadis	Aye
Mr. Mauro	Aye	Ms. Thomas	Aye
Mr. Cole	Aye	Mr. McKenna	Aye

The motion passed 6-0-0.

ATM & STM Informational Meeting – June 15th – Mr. Staiti asked attendees to notify Ms. Kemalian of the BOS office of their availability for the meeting on June 15th. Voters would be notified by Cable TV, newspaper advertisement, Town’s website, reverse 911 calls, and a posting at the Library signboard.

Discussion regarding Reductions in the Budget and Estimates for State Aid – Mr. Scollins stated that as of June 4th the Town had nothing definitive and no commitment from the state as to what the Town's state aid would be for Fiscal Year 2021. There has been chatter that there could be a 10-15% reduction in state aid unless something happens, such as a language change in the CARES Act to allow funds to be used for revenue relief. Mr. Scollins further stated that a discussion would take place with the Board of Selectmen to make further budget adjustments that would be voted at Town Meeting. The Finance Committee may need to meet again prior to Town Meeting to discuss budget adjustments downward if there is no news from the state.

Ms. Thomas inquired if further adjustments were being made with the Canton Public Schools budget. Mr. Scollins is in preliminary discussions with the School Business Administrator, Mr. Barry Nectow, and they are awaiting guidance from the Massachusetts Department of Elementary and Secondary Education (DESE) in particular on how the effect of transportation costs could add dramatically to their costs.

The Finance Committee had previously voted \$1.4 million in reductions for the revenue side and appropriations side. If there were a 10% cut in state aid, this could mean a reduction of approximately \$1 million in state aid to the Town.

Mr. Scollins stated the Town is in great shape with regard to tax receipts and are at over a 97% collection rate at the end of May for property taxes. With the tax due date extension to June 30th voted by the Board of Selectmen, Mr. Scollins predicts the Town will surpass the 98% collection rate, which was similar to the collection rate in 2010. At the end of last year the Town had a 99.4% collection rate. Mr. Scollins does not anticipate any cash flow problems at the end of Fiscal Year 2020.

The Block (Former Reebok Property) – Ms. Thomas inquired if there would be any tax implications for the Town with regard to the latest purchase of the Reebok site by Tufts/Harvard Pilgrim. Mr. Scollins stated that this is an evolving situation. Mr. Aspinwall stated that this agreement between the Town and the potential owners was still being determined.

Phase 2 – COVID-19 - Mr. Aspinwall announced that the Governor Charlie Baker's recommendation may be to move to Phase 2 effective Monday, June 8th and that Memorial Hall, Pequitside and the Armando Center would then be open to the public starting on June 8th. Notices will be placed on the Town's website, Twitter, Facebook, and Cable TV. This will all be dependent upon the Governor's announcement. Town Hall will not be limited as to the number of visitors. Employees and visitors will be required to wear face masks.

Next Meeting Date: A virtual informational meeting regarding ATM and STM articles is scheduled to take place on June 15th at 7:00 p.m.

Approval of Minutes – The Finance Committee postponed the review of the minutes listed on the agenda.

Adjournment: A motion made by Ms. Thomas to adjourn the meeting at 9:46 p.m. was seconded by Mr. Mauro.

Roll Call Vote:

Mr. McKenna	Aye	Mr. Cole	Aye
Ms. Thomas	Aye	Mr. Mauro	Aye
Mr. Arsondiadis	Aye	Mr. Wong	Aye

The motion to adjourn at 9:46 p.m. passed 6-0-0.

Minutes reviewed by: Committee Members

Respectfully submitted,


Timothy McKenna
Chair, Canton Finance Committee

**Town of Canton Finance Committee Meeting
Meeting Documents
June 4, 2020**

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 link below:

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

Agenda for June 4, 2020.

Roselli, Clark & Associates – PowerPoint Presentation – Audit Exit Conference - FY 2019 (14 pages).

Federal Award Reports, Pursuant to the Uniform Guidance, Year Ended June 30, 2019 (13 pages).

Version 6 – Annual Town Meeting and Special Town Meeting – Listing of Essential and Non-Essential Articles (1 page).