

Budget/Management Committee Minutes
Town Hall Council Chambers
March 18, 2024, 6:00 p.m.

Present: Greg Shanahan, Chairperson
Pascale Burga, Vice Chairperson
Rick Coughlin
Gary MacDougall

Absent: Maureen Kiely

Also Present: Ted Langill, Chief of Staff
John MacLeod, Director of Asset Management
Scott McIntire, CPA/Marcum L.L.P.
Brian Connolly, Town Auditor

Recording Secretary: Kim McCutcheon

Chair Shanahan called the Budget/Management Committee meeting to order at 6:00 p.m.

Measure # 24 009 Emery Estate Revolving Account

Chief of Staff Langill stated that the town has been collecting revenue from renting the Emery Estate, mostly for the paranormal tours. In 2023, the Town collected just over \$6700.00, and so far in 2024, almost \$8400.00. The measure looks to create a revenue fund (account number forthcoming) dedicated for expenses at the Emery Estate. The fund will be part of the annual budget, similar to other revolving funds.

Mr. Langill provided details on current expenses: electricity is \$1200.00 (budget of \$3500.00), heat/gas is \$2000 (which is over the budget of \$2300, down from last year at \$3600.00), phone/internet which was \$1300.00 last year and alarm services are between \$1000.00 and \$2000.00. The fund will ensure that revenue is captured and spent on those items. Those amounts can be lowered in the operating budget as well.

Chair Shanahan asked if the revenue received was solely from the paranormal tours. Mr. Langill confirmed yes and that it is very popular.

Councilor MacDougall asked Mr. Langill to confirm if the account was being created for only incoming revenue to which Mr. Langill responded that yes, it would be dedicated to incoming revenue for expenses associated with the house.

Councilor Burga stated she thought the events were a creative way to generate revenue to fund the Emery Estate that has been sitting there for some time. Councilor Burga asked if the activities are growing in popularity. Mr. Langill responded yes, it seems to be from a revenue

standpoint and will as they make upgrades to be able to have more people and events held there. There was repair to a ramp for accessibility, so the better shape that it is in the more activity will be able to take place.

Councilor Burga followed up with a question asking where the Town stands with the Emery Estate, as there is a committee formed that has been reviewing ideas but where does the Town stand on what it plans on doing for the future of the Emery Estate?

Mr. Langill responded the Town is drafting an agreement with the Historical Society to be able to conduct some museum tours. There is still work being done to make sure there is enough first floor access and then other floors would possibly be made accessible if they were not being used for storage. Many of the bigger things people were thinking about doing was just not feasible so he believes it will be smaller endeavors that will end up going on there.

Councilor MacDougall asked if the money being deposited to the account would be exclusively used for the Emery Estate. Mr. Langill stated yes and the creation of the fund would make it so the money could not be used elsewhere.

Councilor Coughlin asked if the Town has looked into other things like licensing for vendors during events. Mr. Langill responded that there is a separation between the park and the house itself. Creation of this fund would be for the house and revenue collected for the park, for example, pavilion rental is a separate recreational account that can be used for those events. Councilor Coughlin asked for clarification that the fund is only for the house. Mr. Langill confirmed, yes.

Chair Shanahan stated he agreed with Councilor Burga that the events were a creative use of the space and is a big event that take place there. He believes the Town does an incredible job of combining history and community functionality and it is an inviting place for all in town. He passed along that he only hears positive things about maintenance and upkeep of the area and has never received a negative report on any event held.

Mr. Langill stated there was an event at the pavilion and he offered a tour of the house itself and everyone was very excited to do that so he believes it is something that can be built on, the more put into it as far as fixing it up the more that will be able to be done there.

Councilor Burga made a motion to refer to the full Town Council **Measure #24 009 Emery Estate Revolving Account** to the full Town Council with favorable action. Motion seconded by Councilor Coughlin and UNANIMOUSLY VOTED.

Measure # 24 010 Free Cash Transfer for Improvements to 111 Middle Street

Mr. Langill stated that school administration had vacated 111 Middle Street in 2023. A feasibility study was conducted to see if the building was still needed. The building was no longer needed and became surplus which was given to the town. The plan is to move all departments from the McCullough building, with the exception of Veterans Affairs and Elder

Services to 111 Middle Street. Human Resources, Finance, Treasury, and accounting will move from McCullough to 111 Middle Street. The IT department currently at Town Hall will also move. The space works well and there is little work to be done to make room for those departments. The move will take place in phases with all moves completed by July 1st, 2024. This will also create more space for senior needs as well as storage at McCulloch.

Chair Shanahan asked Mr. Langill if there is adequate parking available. Mr. Langill responded yes and there would also be available space in the Adam's school parking lot even with the addition of the Early Childhood Center moving to Adam's in the fall.

Councilor Coughlin asked for confirmation that there are no issues with handicap access. Mr. Langill stated any issues are being repaired, a hallway wall may need to be opened up to allow a bathroom to be fully accessible.

Councilor Burga stated she thought the move was a great idea and makes sense to have everyone centralized. She also knows that the McCullough building is at capacity and the director will appreciate the extra space for Elder Services.

Councilor Burga made a motion to refer to the full Town Council **Measure #24 010 Free Cash Transfer for Improvements to 111 Middle Street** with favorable action. Motion seconded by Councilor MacDougall. UNANIMOUSLY VOTED.

Measure # 24 022 Appointment to Community Events Committee – Katie Keefe

Chair Shanahan stated that Ms. Keefe was unable to attend the meeting but the committee would be going ahead with her appointment. The committee had reviewed Ms. Keefe's resume. There were no questions or concerns regarding her appointment.

Vice Chair Burga made a motion for favorable action to the full Town Council and was seconded by Councilor MacDougall. VOTED UNANIMOUSLY.

Measure # 24 019 FY22 Financial Statements

Town Auditor Brian Connolly and CPA Scott McIntire from Marcum L.L.P. presented an overview of the FY22 Financial Statements. Mr. Connolly stated Mr. McIntire had to make some required statements as part of his presentation and it will also provide an update on the Retirement Board piece of the audit.

Mr. McIntire stated he would be providing a quick overview of the audit of financial statements for the year ending June 30th, 2022. He suspected that there were a number of people waiting for the conclusion of this audit for some time. The Retirement System, and getting that part of the overall financial statement audit completed was quite the task. Marcum L.L.P. was engaged around the end of November or early December and most of the work was completed in early February. Mr. McIntire provided the high points of the report and advised that if anyone on

Council wanted to review a specific page of the report, please ask him at the end of his presentation.

As Mr. Connolly indicated, there was required communication that Mr. McIntire was required to make as part of the audit process what is known as professional standards are those charged with governance of the entity of the Town of Weymouth. Mr. McIntire narrowed it down to three areas. One, their audit of the Town's financial statements went very well. The audit review of the Town's books and records were found to be in good working order, key reconciliations were performed on a regular and timely basis. The Retirement System is what held the audit up. The execution of the Town piece of the audit had been essentially completed for a year at this point and Mr. McIntire wanted to make that clarification for the Town side. Two, there were no disagreements between the management of the Town of Weymouth and the firm Marcum L.L.P. on how to apply generally accepted accounting principles. And third, deal with accounting estimates. There are estimates in the financial statements, the largest of which are net pension liability, net OPEB liability and the related accounts that go along with them, called the outflows of resources and deferred inflows of resources. Other estimates include the estimated useful life of capital assets and any allowance for uncollectible accounts receivable, those are all estimates. The pension estimates and the OPEB estimates are actuarially determined. Part of the audit process involves reviewing those estimates and those estimates are very consistent with about every community in the Commonwealth when it comes to discount rates and mortality tables.

Mr. McIntire provided an overview of page one of the financial statements which is the independent auditor's report. The opinion of the independent auditor was that the Town's financial statements are in accordance with generally accepted accounting principles for local governments in the United States. A paragraph provided in the report discussed the basis of their opinion; Marcum L.L.P. followed two sets of auditing standards, one being generally accepted auditing standards and the other generally accepted government auditing standards. Both are similar but have some differences and they are required to follow both. The conclusion is that based on procedures performed, the Town's financial statements are in accordance with both principles, technically called the unmodified opinion or clean audit opinion.

He pointed out the page that was the management's discussion and analysis, sometimes referred to as MD&A and is a great resource to see why certain account balances may have changed.

On page 14, there were two sets of financial statements, a long-term and a short-term perspective. Pages 13 and 14 are the long-term perspective which covers capital assets recorded as well as long term liabilities. Net pension liability was just over \$61M. Mr. McIntire reminded the committee that the pension system is by calendar year, so the June 2022 statements reflect pension liabilities as of December 31st, 2021. The net pension liability had dropped from the previous year. The fair value of most retirement systems assets dipped in calendar year 2022, from 2021. This amount will go back up in the next audit looking at the December 31st, 2022 liability due to the fair value of investments in the system. The OPEB liability was a little over \$350M, also down from the prior year from \$420M. The reason behind this is a timing issue regarding the discount rate. For the present year the discount rate is 3.6% and in the past only 2.2%. As the discount rate goes up, the liability is going to go down because earnings of the trust are expected.

Mr. McIntire stated he wanted to go back and speak regarding the pension again to make sure he spoke about the liability in the proper context. The \$61M liability reported is down \$20M, but it is suggested when the June 2023 statements come out that number will be back up. It is important to remember that the Town is on a funding schedule that is approved by PERAC, the state oversight agency for all retirement systems. There is a required annual contribution into the system required every year until fully funded. Mr. McIntire reviewed the approved funding schedule approved by PERAC and if all assumptions hold true, the Town's system will be fully funded in 2034, although that is always subject to change legislatively.

Page 17 reported the short-term financial statements, almost a cash basis set of statements; technically called the modified accrual basis, but it is very similar to cash. Focusing on the general fund and unassigned fund balances of June 30th, 2022 there was a balance of \$10.9M, down from about \$14M a year prior. That \$10.9M represents 6% of expenditures and is a fairly healthy balance as of June 30th, 2022. In the Town's accounting ledgers, there is a general fund and a stabilization fund, there are separate distinct funds/entities required by the Department of Revenue Division of Local Services in Massachusetts, but for GAAP purposes it is required those are combined. The \$10.9M represents about \$2.9M in the unassigned account balance of the general fund which is the starting point for how the Department of Revenue will certify free cash, the other \$8M is the general stabilization account as of June 30th, 2022. Also, on page 17 there was an account balance of just over \$10M called Committed. The Committed fund balance is from monies that came in fiscal year 2021, the Enbridge mitigation money, that is committed for a particular purpose' this is why it was shown separately or has its own separate classification on the general fund balance sheet.

Lastly, Mr. McIntire referred back to the MD&A on page 9 and the unassigned fund balance of \$10.9M as of June 30th, 2022 and stated that was a \$3M reduction from June 30th, 2021. The paragraph starting with "Chief Operating Fund" explained why the balance was down \$3M. The Town had very strong budgetary results, budget versus actual had favorable results of about \$5M as revenue came in greater than anticipated in the budget and expenditures, and expenditures and encumbrances were less than the amounts appropriated to town departments. The additional revenue and unspent expenditures combined were just over \$5M, but also during the fiscal year the town used some of its free cash for various purposes a lot of which went into capital. Taking the \$5M in favorable results and subtract the \$9M in free cash used you have minus \$4M which is why the unassigned fund balance went down \$3M and see a drop in the unassigned fund balance from fiscal year 21 to 22. Mr. McIntire concluded with offering to answer any questions from the committee.

Chair Shanahan asked Mr. Connolly if he had any questions to which he answered he did not due to his extensive review and discussion regarding the report. Chair Shanahan then asked Mr. McIntire to explain the concept of the committed funds coming from Enbridge.

Mr. McIntire explained that in fiscal year 2021 the town collected \$10M. On page 17 of the report, he focused on the hierarchy of the Fund Balances section, starting with the items listed as unassigned and assigned. Unassigned means there are no constraints on those dollars, and assigned have some constraints, on June 30th 2002 the town had outstanding purchase orders and

encumbrances, those funds are assigned. The next two figures committed and restricted, committed means it is committed for a particular purpose by the appropriating body of a government and for this reason, the classification of the Enbridge mitigation monies received in the prior fiscal year are best shown as committed, there being constraints on those dollars.

Chair Shanahan understood the reason he had never seen that line item is because it was a one-time negotiation, mitigation money for the compressor station.

Mr. Langill stated when the monies were received it was considered general revenue funding and could be spent that fiscal year because it was received after the tax rate had been set, so it fell to free cash. The monies are kept within free cash, but internally that balance is separate from the regular free cash. It is accurate to say that when assigned to specific expenses it is called North Weymouth expenses, it does come in the form of free cash and the balance rolls over.

Vice Chair Burga stated to Mr. Langill that the residents of her district want to know if there is an actual committed project that the \$10M is being spent on. Where is the \$10M going? When Mr. Langill states that it is committed, it seems to be to a particular project.

Mr. Langill responded that “yes”, over time those funds will be spent as they identify those projects. One of the first ones was public safety and fire equipment that was purchased.

As a follow up question Vice Chair Burga questioned Mr. Langill if as the money goes into the general fund because it is considered free cash it can be spent as the Town deems necessary.

Mr. Langill responded that Town Council approved is required to spend free cash which is one of the reasons he left it in free cash. The funds could have been put into a separate account with Town Council approval, but so far it has been left in free cash. There may be some future risks to that because if other balances go negative that will take from what is in the positive balance, but overall, it is free cash on a yearly basis depending on how much of it is spent. There is \$6.5M of the \$10M in free cash.

Mr. Connolly asked to go back to Mr. Langill’s comment about the risk of leaving the monies in free cash. When the Department of revenue does a certification, any dip in balances resulting in a deficit can be made up using free cash, so that balance could be slashed.

Mr. Langill responded by saying that using this year as an example there is \$12.9M in free cash with a little over half being the mitigation funds, so the Town still had over \$6M of free cash and there was not an issue having to use that. The free cash numbers have been healthy but as budgets get tighter in the next couple of years the Town may want to look at placing that money into a different special revenue fund.

Vice Chair Burga thanked Mr. Langill and Mr. Connolly for their responses and then asked them to talk more to the opening statement made about the Retirement Board and the hold up with the audit process.

Mr. Connolly stated that approvals were received by the administration to engage Marcum L.L.P. to perform the audit for the Retirement Board because they didn’t get another firm for

various reasons. That approval was verbally received in June. Marcum L.L.P. was going through their own internal process and they have other clients. They were officially able to start the audit process once they were able to get the change order signed. They had a couple of internal issues especially in New York, and no longer being a small firm, signatures do not come back as quickly as they once had, so the audit started much later after the approval from administration. There were also delays in receiving reports.

Mr. McIntire stated that in the June 30th, 2022 statements are the December 31st, 2021 Retirement System balances. Prior to that in 2023 when presenting the 2021 statements the calendar year 2023 Retirement System numbers were included. Included in the other firms audit of the retirement system was a material weakness because there were some accounts where transactions weren't recorded in the statements on a timely basis and that caused a fair amount of concern. When an organization has material weakness the audit firm looks at those and has to decide whether or not they want to engage with that organization, so there was some time involved coming to that conclusion. The transaction that was not recorded was a large dollar value, but when you're speaking of hundreds of millions of dollars in assets, it really turned out to be 1% of them. The firm was then hired and began the audit process. The audit went quite well and the transaction that had been omitted from the 2020 financial statements was recorded in 2021. The process took a lot of time but it was successfully completed in good order.

Mr. Connolly stated he understands the importance of a timely audit and explained again there was a delay with Marcum L.L.P. while they assessed the risk of handling an audit with material weakness. They currently already have the numbers for FY23 and will audit and they are going to jump into reviewing and are trying to get closer to being back on track.

Councilor MacDougall asked Mr. McIntire to summarize governmental activities are far as the capital grants and contributions.

Mr. McIntire stated he would first speak about the statement of activities in which the government model (which will change in the future) starts with expenditures and then related revenues are subtracted to come up with the net cost of providing a service (public safety, education, etc.) that are borne by general property tax revenue, motor vehicle excise, unrestricted revenues that aren't for a particular purpose. There are expenses, charges for services, operating grants and contributions, and capital grants and contributions. Mr. McIntire suspected Councilor MacDougall was asking about the \$23M listed under education, that would be MSBA money for the Chapman School construction.

Councilor Coughlin asked Mr. Langill to confirm the amount of funds available funds from Enbridge and what the funds can be used for. Mr. Langill confirmed that \$6.5M out of the \$12.9M in available free cash is free cash are Enbridge funds and they are to be used for public safety for North Weymouth.

Councilor Coughlin stated that protecting those funds is something that will need to be thought about over the next year or so.

Mr. Langill responded that as budgets get tighter and free cash will get small, but those funds will always be there, but as regular free cash gets smaller and there are deficits in those other funds, it will eat into the remaining funds.

Councilor Coughlin asked Mr. McIntire to clarify the material weakness he mentioned in his presentation. Mr. McIntire explained that they were not the auditors for that particular audit, but he spoke to the firm who handled the audit and the issue was unrealized gains and losses that were not recorded into the accounting system. He followed up asking if the issues had been resolved, Mr. McIntire responded “yes”. Mr. Connolly noted it was called a bookkeeping error.

Councilor MacDougall asked for clarification whether or not the Enbridge funds went into the general fund or the stabilization fund. Mr. Langill stated it was general fund revenue when it was received because it was received after the tax rate had been set. Had the funds been received before a supplemental budget could have been done with that \$10M and captured within the tax rate, so it had to stay within general revenue and could not be spent and in turn it fell to free cash. Councilor MacDougall asked if it made sense to create a separate account for that particular money because it’s targeted for a specific part of town, as they did for the Emery Estate.

Mr. Langill stated it is separate on paper, there is \$12.9M in free cash, \$6.6 of that being Enbridge money and \$6.3 being general. When the Council receives the capital plan administration is only using the \$6.3M unless it is something for North Weymouth such as the Wessagusset school parking lot that was \$120-\$130k and the fire equipment. The measure saves free cash but there is a note on it providing a balance. Mr. Langill does not want the \$6.3M in jeopardy with tighter budgets because or free cash balance at the end of the year are offset by any negative fund balances. The last couple of years it has not been an issue because there was plenty of free cash to absorb the negative balances, but if budgets get really tight then we could go into that \$6.3M and administration is keeping an eye on it.

Chair Shanahan asked if there were any further questions from the committee, to which there were none.

Vice Chair Burga made a motion for favorable action to the full Town Council **Measure #24 022 FY22 Financial Statements** and was seconded by Councilor MacDougall. UNANIMOUSLY VOTED.

At 6:47 p.m., there being no further business, Chair Shanahan entertained a motion to adjourn. Councilor Coughlin made a motion to adjourn which was seconded by Councilor MacDougall. UNANIMOUSLY VOTED.

Respectfully submitted by Kim McCutcheon as Recording Secretary

Approved by Chair Greg Shanahan
Voted unanimously on 22 April 2024

