

Chelsea, Massachusetts May 9th, 2023

ACCEPTED AND FILED

A Sub-Committee on Conference was held at Chelsea City Hall, Conference Room #305, located at 500 Broadway, Chelsea, MA 02150. The following Councilors were present: Councilors Brown, Lopez, Robinson, De Jesus, Hatleberg, and Vega. Councilors J. Garcia, T. Garcia, Recupero, Vidot, and Taylor were absent. Council President Robinson presided over the meeting. The meeting opened at 6:02 PM.

The following subject matter was discussed: to discuss the FY21 Audit.

The following officials were invited to attend the Sub-Committee meeting:

- Ned Keefe, Acting City Manager
- Ed Dunn, City Auditor
- Paul Gargano, Roselli, Clark and Associates
- Tony Roselli, , Roselli, Clark and Associates
- All Members of the Chelsea City Council
- All Members of the Public.

The meeting was opened by Council President Robinson, chair of the Sub-Committee on Conference. City Auditor Ed Dunn provided opening remarks, turning over the presentation to Paul Gargano and Tony Roselli – partners with the auditing firm Roselli, Clark and Associates.

No material weaknesses were found in the Fiscal Year 2021 Audit. The yearly audit requires a review of internal control over major financial transactions, as well as review risk assessment and enhanced procedures in certain identified material areas.

A “clean” opinion requires an auditor to state that the financial condition, position and operations are fairly presented in financial statements, while a “qualified” opinion implies the financial statements appear to contain a small deviation but are otherwise presented well.

The City’s Reserve Balances have seen a steady climb since 2010, with minor dips in 2018 and 2021. Spikes and dips are signs of a health reserve. The Reserve Ratio (reserves divided by expenses) sits at just under 28%, which double the State average and well above S&P Tier 1. Current bond rating is AA, one grade below top investment grade.

In order to maintain the current Bond Rating, it is recommended the City: conserve Free Cash for one-time expenses, make efforts to continually replenish Free Cash, continue to prepare long-term financial forecasts, enforce financial reserve policies and continue funding OPEB.

The City’s current outstanding OPEB liability is \$120.8 million, a reduction of \$40 million from the prior year due to favorable market returns and Medicare premiums.

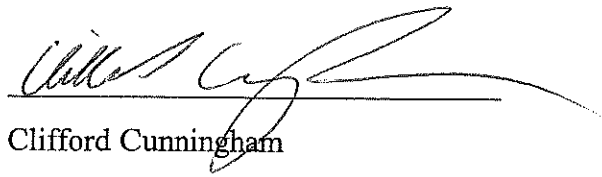
Chelsea will fully fund its pension liability by 2028, currently funded at 83.2% - a rate far ahead of most other local municipalities (state average is 70% funded). Given the average age of a City employee is 47 years old, there will be issues related to pensions and OPEB in the next 15-20 years.

Current issues that need observation: parking ticket receivables, fire detail receivables, student activities funds, and stagnant special revenue accounts.

A discussion on the risk to City investments given the recent collapse of a pair of banks. The auditing firm ensured the Council that the City's investment practices – specifically where it chooses to invest – are fully in line with other municipalities.

The meeting adjourned at 6:55 PM.

Respectfully Submitted,



Clifford Cunningham

Clerk, Chelsea City Council

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CLERK
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