

**SPECIAL TOWN MEETING
TOWN OF MONTAGUE
COMMONWEALTH OF MASSACHUSETTS
MARCH 5, 2020**

Background Information

ARTICLE 1. This article reflects the need to approve a contractual obligation in the Police Lieutenant's contract, as executed by the Montague Selectboard on February 3, 2020. The Police Department IT Administrator stipend recognizes additional work and expertise that the department requires which is fulfilled by the present lieutenant at a substantial cost savings to the Town. There is sufficient funding in the Police budget, so no additional appropriation is required, but the change to Schedule II must be approved by Town Meeting.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 2. Substantial analysis of available incentives that were a primary mechanism for the return on investment associated with the Water Pollution Control Facility's planned solar project revealed that the project would not be financially beneficial. This was in large part the outcome of high demand for the state's SMART program incentives, which provided the greatest benefits to early entrants to the program, of which Montague was not one. We are therefore requesting rescission of the borrowing authority granted under the original article.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 3. The current voting booths are old, cumbersome, wobbly, rickety, and a tripping hazard. But most importantly, they are not ADA compliant/handicapped accessible. There is an ADA voting machine, but people don't want to use it, they want to vote at a regular booth. The size of the current booths also make quarters very cramped, especially now that we've had to have two precincts voting at one polling place since we can no longer use the schools. This appropriation would purchase 20 round tables that each create 4 ADA voter booths.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 4. This request is required by unexpected staff turnover. One dispatcher left in mid-September and another left at the end of October. Two new dispatchers have

been hired and one has already completed training. During the training periods, the vacant shifts were by necessity covered by full-time dispatchers working overtime and per diems. Due to the lengths of vacancies and training time, this budget will run short on both overtime and part time wages. Our best estimate is that an additional \$12,000 is needed to cover these shortfalls.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 5. In the last week of January, the WPCF received a bill for \$881 from May 2019. The bill was researched and is valid. It is unknown why the company waited so long to pursue payment. Then on February 4th another FY19 bill for \$467 from a different company was received, bringing the total to \$1,348.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 6. The WPCF has had unexpected increases in certain costs, notably general insurance, heating oil, solid waste disposal, pump station expenses, and equipment expenses. Among these, the largest single expense was \$60,000 to reduce the total solids held in the plant in accordance with DEP requirements. At this time, it is reasonably estimated that a total of \$130,000 is needed for the balance of FY20.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 7. The Water Pollution Control Facility (WPCF) upgrade of 1980 resulted in the installation of 2 underground fuel oil storage tanks enclosed in concrete vaults. One of these, a 4,000 gallon tank located at the front door of the Administration Building requires immediate replacement and removal. In September 2019 it was discovered that there was a mixture of #2 fuel oil and water contained in this vault outside of the 4,000 gallon tank. Since that time we have removed the oil/water mixture to evaluate the integrity of the system, tank, supply and return fuel lines, and the vault. Soil borings results indicated that there was no migration of fuel into the surrounding soils outside of the vault at that time. The State DEP was notified and a Licensed Site Professional was retained to support our response efforts and to monitor the situation.

As a result of the condition of the fuel system, a new 1,240 gallon above ground storage tank system was installed in December 2019 in the Administration Building spare parts room by the garage. The next step is the complete removal of the tank, concrete vault and all supply, return, fill and vent lines. It is our intent to perform the removal as soon

as possible to minimize any risk of fuel oil migration through the concrete vault into the surrounding soil, and thereby forestall a much larger and more expensive project cost.

The total cost of this project includes \$25,000 that has already been expended to install the new tanks and conduct testing as above, with an additional \$50,000 estimated to complete removal of the old structures and to complete required testing.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0
Capital Improvement Committee Recommends 3-0

ARTICLE 8. During 2019 Montague reached an agreement with FirstLight on the valuation of their utility assets for the years 2014 - 2021. As a result of this settlement, the Board of Assessors has released \$800,000 of Overlay to Overlay Surplus, which is now available for appropriation. If it is not appropriated by June 30, 2020, it will become part of next year's Free Cash. The Selectboard and Finance Committee recommend it be added to the town's Capital Stabilization fund. It will then be available for use to fund capital improvements to town-owned buildings.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLES 9-12: Montague now receives two types of cannabis revenue, and would like to make sure that they are allocated separately to reserves and not simply flow into general revenues. The reasons for this are described below.

The first step is to create a new Stabilization Fund for the Cannabis Impact Fee revenue, which will be accomplished through Article 9. The next step, implemented through the adoption of language in Article 10, allows the town to direct specified revenues to specific stabilization funds. Articles 11 and 12 then specify that the excise (sales tax) revenues go directly to the Town Capital Stabilization Fund and that the impact fee revenues go directly to the new Cannabis Impact Fee Stabilization Fund, respectively. The following "Cannabis Revenue Cheat Sheet" provides a little more detail.

Cannabis Revenue Cheat Sheet

Two types of revenue result from 253 Pharmacy's operation in Montague:

1. Local Retail Sales (Excise) Tax

- a. Montague Town Meeting has adopted a 3% local sales tax on all sales in town, as typical of communities that host cannabis establishments.

- b. This is paid to the Commonwealth, and redistributed to the town based on reported sales four (4) times a year, much like the local meals sales tax.

2. Community Impact Fee

- a. A Host Community Agreement (HCA) between a town and each cannabis establishment is required by the Cannabis Control Commission. These revenues are paid directly to the town, and may only be used to mitigate the financial impact of having the store in the community.
- b. Examples of financial impacts may include: increased administrative process, traffic and public safety, prevention and substance abuse mitigation, required infrastructure, legal fees, etc.
- c. Town expenditures of impact fees must be publicly documented and will be monitored.
- d. The term of an HCA is limited to five years from date of commercial operation. It is unclear whether HCAs are likely or will even be allowed to be extended beyond their original term.
- e. The Town's host agreement with 253 Farmacy includes an impact fee of 3% of gross retail sales and an escalating fee up to 3% for wholesale sales they may generate in the future.

What happens to the revenue?

Both are treated as general fund revenues unless Town Meeting adopts Article 9-12 and specifically votes to put some or all of the money into one or more stabilization funds.

Our plans and the rationale behind them:

1. Local sales (excise) tax. This revenue is new and it is unclear how much the annual revenues will be and, perhaps more importantly, how long and at what level the revenue stream will continue. The uncertainty is in part because there are many more retail establishments in the state's approval pipeline. The uncertainty also reflects our awareness that surrounding states will also legalize recreational marijuana sales.

Each of these possibilities could dramatically impact the sale of recreational marijuana in Montague. You simply should not build unreliable revenue streams into the Town's general operating budget. Accordingly, our plan is to segregate this revenue by directing it into the Capital Stabilization fund, where it can later be used, with Town Meeting consent, to fund capital equipment and repair needs or otherwise appropriated for other uses.

2. Community Impact Fee. As explained, this is a short term (5 year) revenue stream, by definition, and that is one reason why we would not plan to include it

in general revenue available for annual operating budgets. As importantly, these funds can only be used for specific purposes and must be carefully accounted for. Accordingly, our plan is to segregate these revenues into a new stabilization fund, from which they can then be used to fund specific, allowable expenses. We are actively discussing best practices relative to spending and accounting with other communities that are similarly positioned.

3. Since this is the first year the town is receiving these revenues, we don't have a firm estimate of annual amounts, but the first payment we received for the excise/sales tax was \$15,252 for September through October and the first payment for the impact fee was \$35,791 for the period of September through December.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 10. This article allows all (or a percentage of at least 25%) of specified revenues to automatically go to specified stabilization funds. The specific revenues, the percentage go to a stabilization fund, and the specific stabilization fund to receive the revenues, are voted separately in the next two articles.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 11. Approval of this article would direct all of the cannabis **sales (excise) tax** revenue to be deposited directly into the Town Capital Stabilization Fund. As stated above, the reason for this request is twofold. First, it keeps a potentially volatile revenue stream out of the regular budget process. Secondly, it provides much needed funding for our capital needs. Once the revenue becomes more predictable, the town may choose to rescind this article and allow the revenues to be general estimated receipts and be part of the budget process. The town may also choose to continue to segregate this revenue to fund capital projects.

Selectboard Recommends 3-0
Finance Committee Recommends 6-0

ARTICLE 12. Approval of this article would direct all of the cannabis **impact fee** revenue to be deposited directly into the newly created Cannabis Impact Fee Stabilization Fund. As stated above, these revenues will only be received for 5 years, and must be used for specific purposes. Segregating these fees into their own stabilization fund makes it clear that they are spent on approved purposes.