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1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 1 of 16

The Chair opens the meeting

- Meeting was opened at 6:00 PM in the Upstairs Meeting Room
- **Selectboard Members present:** Michael Nelson, Richard Kuklewicz and Christopher Boutwell.
- **Capital Improvements Committee members present:** Steve Ellis, Josh Lively and Fred Bowman.
- **Finance Committee members present:** Fred Bowman, John Hanold, and Michael Naughton. Richard Widmer, Chris Menegoni, and Greg Garrison were absent. **THERE WAS NO QUORUM.**
- **Public Works Facility Planning Committee members present:** Bob Macewicz, Jay DiPucchio, and Ken Morin. Mark Williams arrived at 6:22 PM and created a quorum.
- **Others Present:** Town Administrator Steve Ellis, Town Accountant Carolyn Olsen, Town Planner and Conservation Agent Walter Ramsey, DPW Superintendent Tom Bergeron and soon to be appointed Finance Committee member Jen Audley.
- The Finance Committee Chair announced that the meeting is being recorded by MCCI, and asked if anyone else was recording the meeting. No one else was recording the meeting.

Minutes –

Selectboard Moved:

To approve the minutes of August 23, 2017.

Vote: 3 In Favor 0 Opposed 0 Abstained

Public Works Facility Planning Committee (PWFPC)

Chairman Ken Morin presented the latest design for the facility, which the committee accepted on October 11, 2017.

- The facility will be approximately 25,000 square feet, including a covered canopy for vehicle parking that will be an extension of the roof.
- The recommended location is behind the fire department off of Turners Falls Rd. This site is adjacent to a gravel road that provides access to locations frequently used by the DPW. The previously considered location at the old burn dump had a lot of contingency issues. The change in location will also allow more area for a solar array at the old burn dump site and preserves more potential sites in the proposed Industrial Park.
- The current plan is to close the current DPW facilities at 500 Ave A and 1 Ave A. The committee thinks 500 Ave A will be quite marketable, and that returning it to the tax rolls makes more sense than using it for cold storage.
- The next step in the process is outreach meetings in Turners Falls, Millers Falls and Montague Center between now and the end of January so that a formal presentation can be made in

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 2 of 16

February. They will try to coordinate this with a Selectboard meeting already planned for January in Montague Center.

- The current plan has a price tag of \$11,146,762, which includes \$8,907,937 for construction and \$2,238,825 for design, management, and construction contingency. The total cost includes over 1 million in various contingency allowances and almost \$750,000 for market adjustments and escalation costs.
- The facility is expected to provide 50 years of service.
- The current plans provide for covered storage of all current inventory.
- One idea for additional savings is to use an external wash down pad, which would use a pressure washer to clean vehicles, rather than the currently designed wash bay. Both options would provide washing facilities that are compliant with existing regulations. Using the external wash down pad would both save money and provide space for another mechanic's bay for vehicle repair. Mr. Bergeron noted that this space could potentially be used to by the DPW to service police vehicles to save money.
- There is a mezzanine above the office area for enclosed storage.
- The site has plenty of room for potential expansion as the facility will only take up about 5 of the 26 acres in the parcel
- Mr. Williams arrived at 6:22 PM and created a quorum of the Public Works Facility Planning Committee.
- While it may appear that some of the areas are generous in size, most of the areas are required by laws or regulations, notably the large areas for male and female bathrooms and shower facilities. Mr. Bergeron noted that towns that have deliberately reduced the size of some areas have ended up with computer rooms that will only fit two or three people and breakrooms too small for the whole staff. The committee will continue to spend time looking at other similar buildings in other towns to determine the best finishes and other details, using the experience of others to make the best decisions.
- Mr. Bowman suggested moving the fuel tanks/fuel depot during the building process rather than at a later date.
- Mr. Naughton asked what the additional cost is for the different rules that municipalities have to use. One cost is that municipal law requires that a second engineer has to be hired for projects over \$150,000. Towns are also held to prevailing wage standards, but there is no easy way to calculate the additional costs due to prevailing wage. Mr. Naughton noted that specifics about these additional costs, where possible, would be helpful.
- Estimated debt schedules for a 25 year term were distributed. The estimated annual impact on the median residential tax bill is \$150 for level debt payments. Level principal payments would have an impact of \$190 the first year, but drop to less than \$100 for the final payments.
- Mr. Bowman suggested that the cost be presented, not as an \$11 million project, but as an annual cost, or even a weekly or daily cost and comparing that to a similar daily expense that the average person can relate to. The typical weekly cost using level debt payments is less than \$3.

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 3 of 16

Mr. Bowman also noted that if people can afford a \$400,000 house, they can likely afford a \$500 annual increase in their real estate tax bill.

- Mr. Naughton noted that we also need to consider the additional financial impact of other projects needed – library, senior center, etc. Mr. Morin noted that there are safety issues with the DPW facility that are not present with the other projects.
- Mr. Naughton said he’s sold that we need a new facility, but what needs to be sold is that the \$11 million project is what we need and the best price. Mr. DiPucchio replied that this is what they consider the minimum project that meets the basic needs of a department that is an underpinning of the town.
- It would be helpful for the PWFPC to get advice on how to present the project other than “this is what we need”. Mr. Hanold suggested showing specific cost savings on some of the specific choices such as the wash pad vs. wash bay, and sharing examples of what they decided we didn’t need after viewing other facilities, so that the public is aware of what costs have already been reduced.
- Mr. Bowman feels strongly that this project is affordable for most people in this town. Postponing the project because people don’t like the cost will only add to the eventual cost when it’s finally done. We need to get this built before we’re told to close down the current facility for not complying with building standards or safety regulations.
- Ms. Audley agrees on the need to do this now but while we can make an argument based on fear, it’s innately motivating for people to feel they’re getting something. How will the facility help to address current areas of complaints? Come up with positive reasons to make an investment in the town rather than fixing a mistake other people made by not maintaining the facility. Will streets get plowed faster, are there are some current costs now that will be eliminated? How much will it save on heating costs to close the DPW annex at the Town Hall? While construction will increase taxes, show what the savings in other areas might be, even if that’s just a lower increase.
- Mr. Naughton noted that we have to get a debt exclusion approved to fund this project, so it’s important to get answers to the questions raised tonight.
- The PWFPC plans to request the full funding for design and construction rather than ask for \$1 million for the design and then have to come back and ask for another \$10 million for the actual facility.
- Mr. Ellis noted that there is no significant relief in debt service costs until Fiscal Year 2026 when the school renovation project is paid off. When that’s paid off our debt costs will drop by about \$130,000. The approximately \$400,000 in annual debt service for the Public Safety Facility will continue through Fiscal Year 2028.
- Mr. Naughton suggested that the committee request MCTV to film a presentation that includes going over all of the potential questions and answers.

7:20 PM – The PWFPC and Josh Lively left. The CIC adjourned at 7:20 PM.

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 4 of 16

Town Administrator Budget Message

Mr. Ellis distributed his Budget Discussion and Recommendations (provided at the end of the minutes) along with some supplemental information. The focus is on the current budget year and revenue projections for Fiscal Year 2019.

- Departments will be asked for explanations for all budget changes.
- Departments will be requested to separately articulate any needs outside of level services, such as ongoing town support for RiverCulture.
- There are new forms for Capital Requests, Non-Capital Special Articles, and Non-Monetary Special Article requests. Hopefully the forms will be easy to complete and provide better information to reviewing committees.

Reflections on Fiscal Year 2018

- The Fiscal Year 2018 budget reflected a generally positive revenue picture due to two major reasons. First, state revenue projections were rosier, before the later reality of revenue estimates not being met. The second revenue boost was a large increase in new growth midway through the budget process due to utility company value increases.
- The most substantial spending increase was in education funding, including a 13% increase in the FCTS assessment and a 5.7 % increase for the GMRSD after new growth increased the affordable assessment.
- The WPCF made substantial cuts in response to decreased ability to take in biosolids from other towns and the closure of the Southworth mill.
- One last thing to note is that \$302,395 of special articulated spending was directed into stabilization accounts at the annual town meeting, although \$200,000 intended for the WPCF Capital Stabilization Fund was rescinded as part of the October effort to balance the WPCF Fiscal year 2018 budget.

Fiscal Year 2019 revenue expectations

- Montague historically taxes to levy limit each year, and the Finance Committee and Selectboard recently voted to support this practice.
- The Fiscal Year 2017 levy limit is expected to increase by 6.9%. This calculation includes \$250,000 in new growth rather than the more typical estimate of \$120,000-\$130,000. There is overall growth in valuation as real estate markets improve.
- There will not be a major reduction in excluded debt costs until Fiscal Year 2026 (school building project) and Fiscal Year 2028 (public safety facility).
- The discussion jumped to questions about new revenues expected from Kearsarge in Fiscal Year 2018 for Payment in Lieu of Taxes (PILOT) and lease payments.
 - The agreement with Kearsarge provides for the semi-annual payment of a PILOT in the amount of \$55,000 per year for 10 years. This is expected to be treated as general revenue. The town expects to receive at least half of this annual amount in Fiscal Year

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 5 of 16

- 2019, and this is reflected in the estimated receipts. The town is meeting proactively with Eversource to get the solar array connected in Fiscal Year 2018, which would provide a larger payment for Fiscal Year 2019.
- There is also a 20 year annual lease payment, starting at \$155,000 and with a 1.8% annual escalator, which can be treated a few different ways.
 - Town Meeting can vote to direct part of all of this revenue directly to a specific fund such as the Town General Stabilization Fund.
 - The town could opt to have an annual special article directing an amount equal to all or part of the lease payment to a specific stabilization fund.
 - The town could include all of the revenue as part of estimated receipts. This is currently reflected in the Charges for Service section of estimated receipts and there is a placeholder for an equal amount to be transferred to the Town Capital Stabilization Fund.
 - Mr. Kuklewicz asked if there was a way to use this money to pay for the debt service for the Public Works Facility. Since that debt will be authorized through a debt exclusion vote, the debt will be paid from additional taxes.
 - Mr. Naughton asked how the new revenue, or diversion thereof, would impact the affordable assessment. This will be discussed at our next meeting.
 - Mr. Ellis noted that Kearsarge had to pay significant permit fees for a project that would require the town to cap our burn dump. Capping the burn dump is estimated to cost \$2 million, but the cost may be reduced by Kearsarge's payment for the next solar array. So the new agreement may provide less revenue but avoid the capital project and debt.
 - State aid used to provide increases of \$100,000 per year, but only recently returned to Fiscal Year 2009 levels. State growth projections have failed to materialize for the last 2 years in a row with municipalities held harmless. John Robertson of the MMA notes this is an election year and a 2.5 % increase is a good, conservative planning figure for Unrestricted General Government Aid.
 - Mr. Ellis also provided information showing the certified free cash amount, appropriations made from free cash in October, and potential uses at a winter Special Town Meeting, which does not include \$45,000 to fix the Shea roof. This will leave just over \$310,000 of available free cash for Fiscal Year 2019.
 - Mr. Hanold noted that Gill-Montague may be hard pressed to meet the affordable assessment, and any reduction in use of free cash for the operating budget may increase pressure on them
 - Mr. Ellis is optimistic that we'll eventually receive \$230,000 for Strathmore's unpaid sewer bills. These are fully liened and are first in line for payment. The town could also get \$60,000 in back taxes. We could know for certain as early as January or still be wondering in May.

Notable risks and opportunities

- The First Light Appellate Tax Board case is only for Fiscal Year 2014, but should act as the foundation for what happens with Fiscal Year 2015 and Fiscal Year 2016. Our current overlay

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 6 of 16

balance is just under \$1.5 million, which could leave us with significant reserves or a serious shortfall. The variance in valuation between the town and First Light for Fiscal Years 2017 and 2018 is even larger than the gap in previous years.

- The WPCF revenue stream is dealing with serious issues caused by the dramatic reduction in revenue from biosolids processing and the loss of revenue from Strathmore. The Sewer Commission has received a proposal for scaled back approach for biosolids processing. There is no clear indication of whether the mill will have new owner, and if so whether the resulting income will be consistent with that received from Strathmore, lower or higher. Mr. Naughton suggested that we not count on any revenue from biosolids in the budget process. Mr. Kuklewicz said that any biosolids revenue should go into the WPCF Capital Stabilization Fund. Mr. Ellis said there is currently a plan to put solids in a holding tank and to divert them to the biosolids process while the rest of the intake is treated conventionally. Some planned retrofits may avoid some future capital expenses.
- Regarding the GMRSD affordable assessment, Mr. Ellis noted the high level of transparency on both sides, with Montague promptly notifying the district about the affordable assessment increase, and the school notifying the town about their Medicare issue. Mr. Hanold noted that one purpose of the original compact was that neither party cannibalize the other. If we get to the point where the affordable assessment no longer works, the town could be the party being cannibalized. Mr. Kuklewicz noted efforts towards collaboration between Gill-Montague, Franklin County Technical School, and the Pioneer school district, and also noted a reduction in enrollment/student population at Gill-Montague. Ms. Audley said the school has been transparent about their fiscal responsibility, but doesn't think the school has much information on what the town has for available funds.
- Regarding department narratives:
 - Mr. Ellis would like department narratives to focus or reflect on major successes or challenges and how the budget either supports success or meets challenges.
 - Mr. Hanold suggested that narratives should focus on what's different from last year and why, which is now part of the budget from, and focusing on large things.
 - Mr. Naughton would like narratives to address the issue of how the department measures success and/or determine if it is successful.
 - Mr. Kuklewicz would ask what have you done differently than normal and what was the benefit? Basic statistics like how often you were called out to plow – which is in the town report.

Preliminary Use of Reserves –

Mr. Naughton said that instead of the Finance Committee telling the Capital Improvements Committee (CIC) how much money they can spend, he would prefer that the CIC provide a 5 year plan that would set out annual funds needed.

The general discussion around the use of reserves was tabled until the next meeting.

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 7 of 16

Review Budget Schedule – no changes needed at this time

Topics not anticipated within in the 48 hour posting requirements - none

BOS Meeting adjourned at 9:05 PM

List of Documents and Exhibits:

- November 1, 2017 Minutes
- 2 handouts for DPW Facility – cost breakdown, and debt expense spreadsheet
- Town Administrator’s Budget Discussion and Recommendations
- Preliminary revenue estimates for Fiscal Year 2019
- Expected Free Cash appropriations
- New special article forms for capital expenses, non-capital expenses, and articles that require no appropriation

Next Meeting Dates:

- | | |
|-------------------|--|
| December 6, 2017 | Revenue estimates, how to treat the Kearsarge lease revenue (set out options) impact on Affordable Assessment (general and treatment of Kearsarge), preliminary allocation of reserves |
| December 13, 2017 | Determine preliminary revenue estimates, preliminary Affordable Assessment, and allocation of reserves |
| January 10, 2018 | Review requests, select additional questions for departments, discuss/determine recommended stipends |

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 8 of 16

Montague Town Administrator's
Budget Review and Revenue Projections

November 29, 2017

Discussion Overview

The Montague Town Administrator's Budget Review and Revenue Projections presentation is intended to provide the Board of Selectmen and the Finance Committee with some reflection on the current budget year and to outline the thinking of the Town Administrator, working in concert with other professional staff, relative to assumptions appropriate to preliminary town budget for fiscal year 2019 (FY19).

- I. Review of Fiscal Year 2018 Budget
- II. Fiscal Year 2019 Revenue Expectations and Plan
- III. Notable Risks and Opportunities in FY19

I. Review Fiscal Year 2018 Budget

- A. The FY 2018 budget, as initially voted at the annual town meeting and modified at the October 5, 2017 special town meeting, reflects a positive revenue picture, relative to expenses, with robust new growth that is best considered a single-year phenomenon, as well as emerging risk associated with the Sewer Enterprise Fund and the GMRSD assessment.
- B. The FY18 budget included an assumed growth in unrestricted government aid of 2.6%. This would prove to be a conservative estimate, as the actual increase in this line was 3.9% or \$53,741. This was only slightly less than the previous year's growth of 4.3% or \$56,810. The 3.9% figure reflected the Governor's commitment to link municipal aid to state revenue projections. It is notable that for the second consecutive year, municipalities benefited from a projection based aid level that exceeded actual state revenue growth.
- C. FY18 was exceptional with regard to the Town's realized new growth, which climbed to \$611,390 due largely to unanticipated utility company valuation increases. This increase allowed the Town to continue to build a responsible level of reserves while adequately funding the Town and GMRSD budgets, the latter of which unraveled late in the spring following the

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 9 of 16

identification of errors in its Medicaid reimbursement billing that resulted in reductions in district staffing.

Note that the initial FY18 budget estimate of \$130,000 in new growth reflected levels in FY15 and FY16, with a late and unexpected spike in FY17 growth of \$264,355 considered an anomaly. This conservative estimate was warranted not only by historical trends but by the Finance Committee’s decision to only consider new growth identified by the Assessor’s Office as of March 1. This approach reduces speculation and unexpected shifts in revenue assumptions late in the budget process, and is expected to continue in FY19.

- D. Following annual town meeting and the October 5, 2017 special town meeting, the Town’s total FY18 budget, inclusive of new borrowing and enterprise fund user fees, is \$23,124,333, an increase of 1.1% from FY17. Excluding new borrowing and user fees, FY18 general town budget revenue is expected to total \$20,078,361, an increase of 4.9%, largely as a result of new growth.
- E. A view of spending by budget category is presented in the table below. General fund expenses rose only modestly, with increased employee benefit costs being the driver of increases in a year that saw several retirements offsetting costs associated with new union agreements (though the police sergeants and patrolmen’s unions remain without agreement as of this time).
 - Within the education line, assessments from both institutions increased, with GMRSD presenting an Affordable Assessment-based increase of 5.7% and FCTS a 13.3% increase that was largely attributable to increased population of Montague students attending the school.

FY18 Planned Spending by Category			
	Total	Change from FY17	
General Fund	\$9,001,776	\$249,080	2.8%
Education	\$10,103,900	\$592,430	6.2%
WPCF	\$2,185,683	(\$146,050)	-6.2%
Airport	\$49,925	\$905	1.8%
Special Articles	\$1,235,492	(\$1,073,025)	-46.5%

- The FY18 budget for WPCF operations was sharply reduced in FY18, with substantial reductions made at the October 5, 2017 special town meeting made in response to a

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 10 of 16

substantial curtailment of the plant's intake of other municipalities' biosolids and the sudden closure of the Turners Falls Paper Company in August. FY18 Airport spending remained level and changes in snow and ice removal contracts have been made to help avoid unexpected overages in that budget line.

- FY 18 appropriations for special articles declined sharply in comparison to FY17, which included a \$1M project to repair the syphon drain lines under the Turners Falls power canal. Spending levels also reflect reductions made at special town meeting, when special articles appropriating money for WPCF stabilization (\$200,000) and a feasibility study related to the Montague Process (\$85,000) were rescinded as an emergency budget reduction measure. It is noteworthy that \$302,395, nearly a fourth of spending, was directed to stabilization in an effort to build those accounts to levels recommended by Town financial policies.

II. Fiscal Year 2019 Revenue Expectations and Plan

A. Property Taxes

- The Town of Montague has historically taxed to its 2.5% levy limit each year and the Finance Committee affirmed its belief that this is in the best interest of the Town's prosperity following deliberations in spring of 2017. The levy limit for FY18 will be 16,267,561, an increase of 6.5% over FY17 (\$15,274,313) providing a good foundation for the Town budget.
- The Town unexpectedly realized \$611,390 in "new growth" in FY 17, which was available to support the FY18 budget. This growth was largely due to utility infrastructure improvements. While we cannot expect a similar increase in FY18 valuations, the Director of Assessing suggests new growth will be better than usual, recommending \$250,000. This is due to increases in valuations, overall, and the planned completion of a 5MW solar installation by Eversource.

Note that March 1st will again serve as the cut-off date for new growth estimates to be included in the FY19 budget. Expectations may be adjusted up until that time.

- Debt service costs associated with the implementation of large capital projects (High School/Middle School, Sewer Separation, and Police Station) are included in the tax levy portion of the budget in the debt exclusion line. The Town will not see a substantial reduction in payments against these projects for several years. Viewing excluded debt, the largest projects include the Public Safety Complex (\$396,200) and the TFHS high school building project (\$132,759), which will be retired in FY28 and FY26, respectively.

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 11 of 16

The Town is actively considering two projects that would require debt exclusion votes. A new DPW facility is proposed at a cost of \$11.15M, which, if approved, could impact the Town budget in FY19, but would likely appear in the short term borrowing line. Estimates suggest the tax impact of the completed project would be approximately \$150 on a median value (\$198,000) residence over a 25 year term. The cost and tax impact are believed to be conservative—not to exceed—estimates and factor in a 4.5% interest rate with level payments over a 25 year term.

The Town is also under order to cap its burn dump, which would cost in the vicinity of \$2M, but is negotiating with Kearsarge Energy to assume this cost as part of its development of a solar array on that site.

B. State Aid

- In good years State Aid could once be counted upon to provide approximately \$100,000 each year in revenue growth. During the “Great Recession” years the town actually experienced major cuts in its state aid, losing up to one third of its previous total. It was not until FY17 that state aid levels had finally recovered to their 2009 levels.
- After growth of 3.9% in unrestricted aid in FY18, which resulted in an increase of \$53,741 available to the Town, analysts are more cautious about FY19. The Massachusetts Municipal Association’s chief fiscal policy analyst, John Robertson, indicates the state revenue forecasting process will begin in December at a Consensus Revenue Hearing, at which the Governor and members of the legislature meet with economists to forecast growth in the state economy. A consensus figure would not immediately be arrived upon, but should be known by early January, when it serves as a basis for the Governor’s House One budget. Governor Baker is expected to use the consensus figure as the basis for his increase in unrestricted aid, as has been his practice, but is not obligated to do so. While some suggest that he and the legislature could choose a more conservative figure due to revenue shortfalls in the past two years, the fact that FY19 is an election year is expected to moderate this caution.

After some consideration, the 2.5% increase proposed in the preliminary FY19 Town Budget was recommended as an appropriately cautious basis for budgeting at the present time.

C. Local Estimated Receipts

- The Town is expecting growth of 12% in Local Receipts in 2019, bringing the total to \$1,515,984. While this is an increase relative to FY18’s expected receipts, it is slightly less

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 12 of 16

than receipts realized in FY17. Three lines within this portion of the budget are notable for their increase or decrease.

- PILOT revenues, those funds paid to the Town in lieu of taxes, are expected to increase from \$5000 to \$32,500. This is due to a contractual obligation that Kearsarge Energy has made to the Town to make at least a one-half payment (\$27,500) during FY19 on its 20 year PILOT agreement for the solar installation currently under construction at Sandy Lane. Through an arrangement negotiated by the Assessors, PILOT payments will be \$55,000 annually for each of the first ten years, after which time they will reduce to \$22,500, for a total of \$775,000.
- Other Charges for Service, which typically includes routine administrative fees and charges for shared services, will see a dramatic increase (from \$50,760 to \$206,682) resulting from the first of Kearsarge Energy's annual lease payments, which is due by contract in FY19. This lease runs for 25 years, with an escalator of 1.8% per year and a final payment of \$239,251.
- Miscellaneous Recurring revenues, which typically include sales of certain items by the town, inter-agency fees, and other miscellaneous revenue are forecast to decline this year follow the sale of DPW surplus equipment and recycling bins, payments for certain shared retirement obligations, et cetera. The total reduction is approximately \$20,000 on a line that has shown high variability in recent years.
- Montague has historically been conservative in the estimation of local receipts to avoid potential end-of-year deficits in these unpredictable lines. This is a wise policy; and allows for flexibility in the budget. It is possible that some additional growth in local receipts could occur if the economy continues to improve.

D. Free Cash

- This year the State Department of Revenue certified the Town's Free Cash at \$515,391 as of July 1, 2017. Based on historical averages this would be considered a moderate balance with which to start the fiscal year. The October 5, 2017 special town meeting appropriated a total of \$68,175 from free cash, leaving a balance of \$447,216. We anticipate a winter STM that may include articles totaling as much as \$82,450, leaving some \$364,766 available.
- While some portion of the remaining free cash will be embedded in the Town's FY19 budget, we hope to continue to reduce reliance on it for operating expense. Reliance on free cash to balance the Town budget declined from \$250,000 in FY17 to \$200,000 in FY18. Ideally, reliance would further diminish to \$150,000, but this reduction will be hollow if it comes at the expense of stabilization accounts.

JOINT CAPITAL IMPROVEMENTS COMMITTEE,
PUBLIC WORKS FACILITY PLANNING COMMITTEE,
AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 13 of 16

E. Stabilization Funds

- The current balance in the General Stabilization Fund is \$836,083. This balance fall short of the target established under the Town Financial Policies, which is \$903,593 or 5% of Gross Operating Revenue, leaving a gap of \$67,510.00.
- In addition to General Stabilization, the Town maintains a Capital Stabilization account, which is intended to be a source for unforeseen capital expenses. Town financial policies suggest a minimum balance of \$25,000 should be maintained with planned annual appropriations of 0.2% of Gross Operating Revenue (about \$36,144.00). The current balance is \$59,919.
- The Town maintains a WPCF Stabilization account to provide budget stability in that very capital intensive operation. This is particularly important in an era of constrained sewer budgets, where the Sewer Commissioners face pressure to return retained earnings to customers. The WPCF Capital Stabilization fund stands at \$200,185, which would have nearly doubled if FY18 revenue shortfalls had not necessitated rescinding a \$200,000 appropriation to that fund at the FY18 annual town meeting in order to stabilize sewer rates.
- Finally, the Town maintains a Franklin County Technical School Stabilization Fund, which is intended to serve as a hedge not only against unexpected capital expenses, but sharp increases in enrollment that can sometimes occur in this county-wide school. The present balance of that account is sufficiently funded at \$99,455.

F. Other Available Funds

- Sewer Retained Earnings – The Town currently has a zero balance in its sewer retained earnings account, which is of substantial concern. There is an expectation that the Town will receive payment for approximately \$235,000 in unpaid sewer user fees from Turners Falls Paper through its ongoing bankruptcy process; this in addition to some \$64,500 in back taxes. Payment of these user fees would substantially replenish the WPCF retained earnings account and the Town is optimistic this will occur.
- A balance of \$7,517 exists in the Airport Retained Earnings Account. This is a substantial improvement over November of FY17 when just over \$1,500 was in this account. New Airport Manager Bryan Camden is working diligently to increase revenue opportunities.

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AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 14 of 16

- Colle Receipts Reserved - the Colle Operations account presently has a cash balance approach \$349,000. The Town has an annual maintenance and repair budget of \$30,000 for this building and is actively making improvements consistent with the lessee's needs, while considering long term improvement opportunities. The Town is in the final years retiring debt for this facility, which is fully occupied by the Center for Responsive Schools.

III. Notable Risks and Opportunities in FY19

A. First Light Valuation

The Town remains in limbo relative to the settlement of valuations for First Light and Power Company's real estate and property dating back to FY14. It was assumed that the Appellate Tax Board (ATB) would make a ruling on this case in June 2017, resolving the FY14 dispute, and that that finding would lead to concurrent settlement of FY15 and FY16, for which years the valuation determined by the Town was identical to FY14. It was further expected that this would form a basis for meaningful negotiation and perhaps settlement outside ATB relative to the value determined for FY17, which is also the basis for taxation in FY18.

Unfortunately, the ATB did not make a ruling in June, requesting additional briefs be submitted in the early fall, and then granted opportunity for further rebuttal of those briefs. The Town is hopeful that the case will be settled this winter and is confident in the quality of its experts that determined the valuations in question. A favorable finding that leads to quick settlement of all years in dispute could free up some or all of the extraordinary balance in its overlay account, which is presently \$1.49M.

It is the opinion of the Town Administrator that complete resolution is highly unlikely and that maintenance of an extraordinary overlay balance may need to continue. In the meantime, the preliminary FY19 budget again includes a \$450,000 investment into overlay, to account for current year valuations that remain in dispute.

B. Water Pollution Control Facility Revenue Risks

The WPCF budget is experiencing substantial budget issues caused by the concurrent challenges. First, the Montague Process has been relied upon to produce substantial revenues in recent budget years. These revenues were generated through acceptance of bio-solids/sludge from other area towns, who sought to avoid the high cost of trucking their sludge to facilities in Lowell, Cranston RI and other distant locations.

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AND BOARD OF SELECTMEN
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 15 of 16

After a self-imposed shutdown in the previous fiscal year, the Montague Process was re-initiated in February 2017 under the auspices of a pilot project funded by the MA Clean Energy Center, with the cooperation of the MA DEP. Reestablishing the complex biology that allowed Montague's WPCF to consume sludge with exceptional efficiency has proven a challenge and the plant has taken several pauses to re-evaluate and re-implement since last February. This has led to a steep decline in bio-solids revenue.

While the Town is optimistic that the Montague Process will ultimately be reestablished, predicting the efficiency of the process and therefore both the timing and scope of revenues that can be derived from it is proving difficult. The plant is presently being re-structured to provide a better and more efficient platform for the process and results will be informative to the coming year's budget planning, but are not yet in.

The second major concern related to WPCF revenues is the abrupt closure of Turners Falls Paper Company in August 2017. Accounting for approximately \$250,000 in sewer revenues each year, the facility was a foundational piece for the economic model upon which the WPCF budget was constructed. The company is presently in bankruptcy and last known indications were that it would be difficult to dis-assemble and move the company's plant and equipment, and that the facility had value to others in the paper industry. The Town is hopeful, but cannot be sure, that the building will come back into use as a paper manufacturing facility.

The above challenges highlight the precarious context in which the WPCF is operating at present and budget contingencies will need to be developed in response to emerging understanding of the revenue outlooks as relates to bio-solids intake and paper manufacturing. However, at present, it would be equally dangerous to move precipitously in ways that might reduce plant capacity to maintain these revenue streams, should they prove viable.

C. Gill/Montague Regional School District Affordable Assessment

Town-School relationships remain very positive and cooperative, with transparency being a hallmark of the budget process in FY18. The Town is currently engaged in a strategy group convened by the district to look at issues of long-term sustainability in a period of declining enrollment. We are presently optimistic that the Compact that birthed the Affordable Assessment will be maintained, we acknowledge the challenges that discipline has enforced on both the town and GMRSD.

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MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 29, 2017
Page 16 of 16

D. Construction of a new DPW Facility

The preliminary budget does not yet account for any new debt exclusion that might be assumed in FY19, but it is expected that the DPW Building Committee's recommendation for construction of an \$11.14M facility will come to a Special Town Meeting vote that is expected in February. If passed, it would go to a debt exclusion vote at the annual town election in May.