

JOINT FINANCE COMMITTEE AND CAPITAL IMPROVEMENTS COMMITTEE
MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, DECEMBER 13, 2017
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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 were absent. THERE WAS NO QUORUM.
- **Capital Improvements Committee (CIC) members present:** Steve Ellis, Greg Garrison and Fred Bowman.
- **Finance Committee members present:** Jen Audley, Fred Bowman, John Hanold, Greg Garrison, and Michael Naughton. Chris Menegoni and Richard Widmer were absent.
- **Others Present:** Town Administrator Steve Ellis, Town Accountant Carolyn Olsen, and GMRSD Director of Business and Operations Joanne Blier.
- 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 –

Finance Committee Moved:

To approve the minutes of December 6, 2017.

Vote: 5 In Favor 0 Opposed 0 Abstained

Preliminary Revenue Estimates

- The PILOT payment previously included in estimated receipts has been removed. It turned out that this is really a tax agreement rather than a payment in lieu of taxes and the revenue generated will be part of the tax levy.
- Regarding the Kearsarge lease payment of \$155,922, last week's meeting discussed several options for how to treat the lease payments. Discussion included how much of this revenue to include in general revenue for the affordable assessment (AA) calculation, how much should be set aside in stabilization funds, and further, whether any amount set aside in stabilization funds should be allocated between the GMRSD Stabilization Fund and the Town Capital Stabilization Fund according to the 48.5%/51.5% revenue allocation used for the AA.
- Mr. Naughton contacted GMRSD Superintendent for his input. Mr. Sullivan's response was that he favored some of the lease revenue to be directed outside of the operating budget.
- Mr. Widmer e-mailed the chairman that his preference was to put the entire lease payment into stabilization funds, split between the GMRSD Stabilization Fund and Town Capital Stabilization Fund in the 48.5%/51.5% ratio, with the GMRSD Stabilization Fund to be the funding for school general needs beyond the AA calculation, and the Town Capital Stabilization Fund to be the funding for school capital needs. While this is his first choice, he said he would be happy with any decision.
- Mr. Hanold asked Ms. Blier what the school administration's preference would be. The school administration would like all of the money to stabilization or the assessment, but that a 50/50 split would make the most sense. Ms. Blier noted that since the existing GMRSD Stabilization Fund was used for both capital and extra operating expense, she would hope the same uses would continue. Putting money into a combined stabilization fund would be fine with the understanding that this could be used for both school capital and operating expenses.

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- Mr. Naughton sees the main question as whether the lease should be split along the ratio used for the AA.
- Mr. Ellis said he had brought forward the idea of putting some into reserves because he didn't want a sharp drop in revenue at the end of the 25 years.
- Mr. Bowman would like to see some of the extra Kearsarge money go into educational programming, specifically to reduce number of choice out students.
- Ms. Blier was asked about capital project requests for the high school over next five years. Ms. Blier first noted that the major renovation project is almost 15 years old and that maintenance needs are cropping up, and some will be submitted to the CIC for Fiscal Year 2019. Notably, the sidewalks need repair and the control system for HVAC is in need of updating/replacement to ensure we can control the temperature in the building in the future. On the operating side, support from a stabilization fund would be useful for specific technology needs.
- Mr. Naughton noted Montague can use our stabilization funds for projects for the town-owned elementary schools with no input from Gill, but any stabilization appropriations for the high school building or operating expenses should only be for Montague's share of those costs and Gill will still need to be responsible for their share.
- Ms. Audley has given this a lot of thought and feels pretty strongly that the revenue needs to be split with the district. If we decide to split the funds using the 48.5/51.5 ratio, it's a question of whether the money goes into the AA or stabilization. Putting the money into the AA provides ultimate flexibility for the district. It seems we can use stabilization funds as a way to direct use of funds by the school outside of the assessment. Ms. Audley is interested in knowing the most direct way to affect positive change in district this year. Several things are cooking that may pay off in a few years. Asked Ms. Blier if there were any specific things this year outside of the AA that the district wants. Ms. Blier reiterated the need for repairs and significant technology expenditures.
- Mr. Hanold said that his recommendation is to not include the lease payments in general revenue so that operating budgets are not affected, and distributed a handout outlining his reasons. Mr. Hanold bases his recommendation on the position that the lease revenue is only available for a limited time.
 - This new revenue does not divert existing revenues from the AA, and therefore does no harm to the school district.
 - The new revenue source could be used to support the much needed capital expenses for both the town and district.
 - Considering this as general operating revenue and using it for operating expenses creates an eventual drop in operating revenues that would then have to be made up from other new sources or budget.
 - Mr. Hanold further sees no need to use separate stabilization funds. The Capital Improvements Committee has always evaluated all needs jointly and the town has consistently appropriated funds from town stabilization funds for projects benefiting the district when no funds were available in a GMRSD stabilization fund.
 - There is a serious need for funding for capital projects. Putting the revenue from the Kearsarge lease directly into the Town Capital Stabilization Fund is an opportunity to provide for many needs without requiring long-term debt and resulting interest costs. Setting aside this revenue for capital projects avoids a potential future impact on operating expenses if capital needs are deemed a higher priority.
 - Overlay surplus is generated by property tax revenues levied in excess of the final need. When the last large amount was released, it was appropriated into stabilization funds rather than being used for operating expenses.

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- The projected fiscal year 2019 AA shows a 3.75% increase using no Kearsarge revenue. This is consistent with historical increases. As the economy has improved, the district has been able to budget within the AA.
- Mr. Hanold said that he just received notice that our FCTS assessment will be increasing by over \$200,000 in fiscal year 2019 due to a sharp increase in enrollment of Montague students.
- Mr. Hanold is very reluctant to put this money towards operating or programming expenses since those tend to become entrenched in the budget.
- Ms. Blier has a capital plan as well as a separate long-term technology plan. If the Kearsarge lease revenue goes to a stabilization fund rather than to the AA, technology costs could be pulled from the operating budget and funded from stabilization. Larger expenses like this and \$50,000 repairs are the first to get cut from a budget.
- Mr. Naughton doesn't feel the allocation should be done based on the specific needs of the town and school. He thinks the lease revenue is money coming in with no other designated purpose and should be included in the AA calculation. This is different from considering it as operating revenue because town can identify "their" share and put that amount into stabilization rather than using it as town operating revenues. Mr. Naughton is less concerned about the 25 year lease as this gives plenty of time to plan for the future loss of revenue.
- Mr. Garrison sees no clear direction of it being general revenue or one time revenue. He sees it as the result of a town managed investment in the town economy. From that effort, energy and commitment, we got the lease. So he sees it as revenue specifically resulting from a town project created by a town initiative and further noted that not every community can do this.
- Mr. Hanold doesn't feel a town meeting vote is essential for allocating the lease revenue to stabilization. But he feels the revenue is different enough to fence it off from going into operational expenses and ensure we have capital money for both organizations.
- Ms. Audley asked how various town-owned properties that generate income are treated and how that compares to the Kearsarge lease revenue. The Colle building is owned by the town and leased out. That revenue, as well as the building expenses, is in a separate fund because of restrictions in the grant that provided the revenue used to rehabilitate the building. Therefore it is not general fund revenue and is not included in the AA calculation. The WPCF's specific revenue from processing sludge does not come to the general fund because there is a sewer enterprise fund and all revenues of the WPCF stay in that fund. The airport is also a separate enterprise fund, so the lease revenue from a house on airport property stays with that fund. This situation is different because we don't have to do any required maintenance that directly relates to the site. Mr. Ellis noted that permitting of the Kearsarge project included the DEP requiring the town to finally cap the burn dump, and that it is possible that we may have some financial burden for this.
- Ms. Audley asked if we're setting precedent by saying this is distinct revenue. Ms. Audley doesn't think the issue of the 25 year lease is important, and is reluctant to make current decisions based on future projections.
- The issue comes down to the question of whether there is a compelling reason to exclude the Kearsarge lease revenue from general revenues for the purpose of calculating the AA. Mr. Naughton thinks there isn't, Mr. Hanold thinks there is.
- Mr. Hanold prefers using a single capital stabilization fund for both town and school needs. Mr. Naughton thinks it makes a difference to have a separate school stabilization fund. He feels that the separate GMRSD Stabilization fund made the school more comfortable asking for additional money and town meeting more comfortable granting it.
- Ms. Audley noted Mr. Hanold's point that the district has recently met the AA. She wanted to make sure it's on record that for the district to meet the AA they have to cut budgets and the first things cut are large repairs

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and maintenance items. If we're inclined to direct Kearsarge to stabilization funds we're basically telling school we're earmarking this; if it goes to the AA it would be spent at the discretion of school committee.

- Mr. Ellis said it seems unreasonable for us to decide whether school really needs one more guidance counselor instead of updating the HVAC controller. As a manager and town resident he is most concerned about the school being viable and prefers the school to have more discretion then less about how to spend money.

Finance Committee Moved:

To allocate 50% of the Kearsarge lease revenue as general revenue to be included in the affordable assessment calculation. The remaining 50% will be split 48.5% to the GMRSD Stabilization Fund and 51.5% percent to the Town Capital Stabilization Fund. The Finance Committee shall then increase the appropriation to the Town Capital Stabilization Fund by our 51.5% of the 50% of general revenue. The GMRSD will end up with 48.5% of the total Kearsarge lease revenue, half of the 48.5% in affordable assessment and half of the 48.5% in the GMRSD Stabilization Fund. The town ends up with 51.5% of the total lease revenue in the Town Capital Stabilization Fund.

Vote: 4 In Favor 1 Opposed 0 Abstained

Finance Committee Moved:

To use \$150,000 of Free Cash for operating budgets.

Vote: 5 In Favor 0 Opposed 0 Abstained

Set the preliminary Affordable Assessment

Using the revenue estimates agreed on, the preliminary Fiscal Year 2019 affordable assessment for the GMRSD is \$9,745,317

Finance Committee Moved:

To set the preliminary affordable assessment amount at \$9,745,317 as supported by the provided details.

Vote: 5 In Favor 0 Opposed 0 Abstained

Set the amount of funding available for capital expenses (excluding borrowing). The Financial Policies recommend \$342,548 for Fiscal Year 2019 pay-as-you-go capital expenses.

Finance Committee Moved:

To recommend a capital spending cap of \$345,000 to the CIC.

Vote: 5 In Favor 0 Opposed 0 Abstained

Topics not anticipated within in the 48 hour posting requirements

Finance Committee Moved:

To authorize Mr. Hanold to issue invitations to appropriate department heads for budget hearings.

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Vote: 5 In Favor 0 Opposed 0 Abstained

Meeting adjourned at 7:55 PM

List of Documents and Exhibits:

- December 6, 2017 Minutes
- Fiscal Year 2019 revenue estimates
- Various affordable assessment calculations using various amounts of free cash and Kearsarge lease payments
- Financial Policies calculated recommendation for pay-as-you-go-capital expenditures for Fiscal Year 2019.

Next Meeting Dates:

January 10, 2018 Review requests, select additional questions for departments, discuss/determine recommended stipends
January 17, 2018 DPW? Approve Schedules I & II