The Chair opens the meeting

- Meeting was opened at 6:00 PM in the Upstairs Meeting Room
- **Selectboard Members present:** Christopher Boutwell and Michael Nelson. Richard Kuklewicz was absent.
- **Finance Committee members present**: Michael Naughton, Jen Audley, Greg Garrison, Fred Bowman (left at 6:20 PM), Richard Widmer and John Hanold. Chris Menegoni was absent.
- **Others present:** Town Administrator Steve Ellis, Town Accountant Carolyn Olsen, Director of Assessing Karen Tonelli, and WPCF Superintendent Robert McDonald.
- 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 January 31, 2018.

Vote: 5 In Favor 0 Opposed 0 Abstained

Mr. Widmer arrived at 6:03PM.

Selectboard Moved:

To approve the minutes of January 24, 2018.

Vote: 2 In Favor 0 Opposed 0 Abstained

Reserve Fund Transfer Request: The Board of assessors is requesting a transfer of $8,500 into their legal budget to cover the cost of attorney briefs for the Appellate Tax Board case. This cost was not known prior to submitting the Fiscal Year 2018 Budget.

Mr. Naughton asked if there was any update on the Appellate Tax Board cases. The decision for Fiscal Year 2014 was settled in Montague's favor, meaning that Montague's valuation was proper. It would be unusual for this decision to be appealed. Cases for Fiscal Years 2015, 2016, (these have the same values as Fiscal Year 2014) and 2017 are pending. We will find out soon if First Light is also appealing FY2018. There will be a meeting later this month with our attorney, representatives from Montague, Gill and the Turners Falls Fire District, to discuss strategy for moving forward with the Fiscal Year 2015-2017 pending ATB cases.

The current bill is for post-trial work on briefs. The total cost for attorney fees has been about $30,000 and appraisal consultant fees were about $18,000. Gill will be paying 20% of the attorney fees and 10% of the consultant fees.

Finance Committee Moved:

> To transfer $8,500 from the Reserve Fund to the Board of Assessors' legal budget, account number 001-5-141-5302.
>
> Vote: 6 In Favor 0 Opposed 0 Abstained

WPCF Budget

Previously submitted responses to Finance Committee questions:

<u>Process & Staffing</u>

1) It was recently reported that the potential new operator of the Southworth Mill is no longer interested. How does this affect your revenue and spending plans (esp. impact of changed inflow character)?

   <u>It does not change the revenue/spending estimates because it was not include for FY2019. As far as how it affects the treatment plant, less flow and less solids coming into the plant does reduce operational costs. The paper mill delivers a lot paper pulp that is not a good food source for bugs.</u>

2) Is the staff reduction consistent with DEP staffing recommendations?

   <u>My goal is to be at 5 employees (including myself) by August of 2018. The Montague Process requires more than 5 operators but running the plant as a conventional aeration facility a staff of 5 with temp summer help would be sufficient. The DEP suggests a</u>

larger staff because the pump stations require daily checks, we are in the process of upgrading the SCADA to each station to reduce the required man power/ time.

3) The request appears to assume no resumption of the "Montague Process" through June 2019. Is that still likely, and what are the prospects for a re-start in the future?

   The FY2019 budget assumes no Montague Process (no loads in/revenue) but the DEP is open for some type of modification to the sludge reduction process that would include/insure a good water discharge quality.

4) You have noted both a disappointing result from a sludge reduction pilot and a chance to join Greenfield in an anaerobic digester. Where do these issues stand, and do they alter the current request?

   The COOP Anaerobic Digester with Greenfield is still moving forward, currently there are four to five communities involved with Greenfield and Montague taking the lead. We have met with Mass DEP twice in the last 30 days who have been very supportive plus informative. This will not alter the current request for FY-19 , a feasibility study and engineering study will be done in the next 12 months to understand cost associated with this project.

Other Operating Assumptions

1) How are you addressing FY2018 cost reductions, in prep for FY2019?

   Plan is to tighten O&M expenses and go with a smaller staff.

2) Spending to date in FY2018, for sludge disposal, should justify a lower FY2019 forecast. Is there another influence at work?

   Sludge disposal for **FY2019 is projecting to be much higher than FY2018**. We will be shipping sludge out the entire year.

3) What other cost controls, beyond solar power, are incorporated in the request? Operational supplies seem to be going in the opposite direction.

   Sludge disposal increased to $350,000, Staff size reduced from 8 to 5 people, overtime, Professional Services and equipment.

4) Given staffing changes in FY2018, increase in uniforms for FY2019 seems unusual. Can you tell more?

   Nope, oversight on my part.

5) Professional Services in the past has been associated with Grant Weaver of Water Planet? Is this service continuing, and where are the services focused?

   Professional Services covers many other people, mandatory Inspections, calibration services, IT Tech (SCADA) and Grant Weaver is still a valuable asset to Montague WPCF, he helps not only with complicated process decisions but financial forecasting.

Conclusion:

FY2019 is going to be very challenging financially, with the loss in revenue and the increase in sludge disposal costs it will result most likely result in a very large sewer rate hike.

Further discussion at meeting:

First, for context, some background about the “Montague Process” that was not actually spoken about at the meeting. This was a process developed by staff after John Little (Ret.) was introduced to this type process during a trip to Germany. While traditional wastewater treatment uses an aerobic process, this new option was an anaerobic process by which the staff used “bugs”, or specific bacteria, which ate the solids in the sludge. The final result was water and gasses, with little if any remaining solids. As an addition to the process, the staff began composting the remaining sludge. This resulted in two very significant things. First, the cost of disposing of sludge went from over $130,000 in Fiscal Year 2013 to around $20,000 for Fiscal Years 2014 through 2016. Second, the plant began taking in sludge from other towns to feed the process and provide disposal of sludge for those towns at marketable fee. These fees were just under $50,000 in Fiscal Year 2013, but grew to over $475,000 in Fiscal Year 2016. The net gain of these two items was a net increase in sewer revenues of over $500,000 between Fiscal Years 2013 and 2016. In the interim, the MA Department of Environmental Protection (DEP) had concerns about the process and the lack of documentation of both how the process was implemented and how it physically worked. Towards the end of Fiscal Year 2016 the process was shut down so that maintenance could be done. It was determined that when the process was restarted, it would be done within the parameters of a Pilot Test, overseen by the DEP, in which the process would be analyzed and documented.

Mr. McDonald provided background for the changes taking place at the Water Pollution Control Facility (WPCF):

In January 2017, we started to receive loads from other towns to restart the sludge reduction process. Results were not good despite all efforts. The person responsible for most of the conceptual design had retired, but current staff did their best to recreate the results of 2015. We violated our effluent permit every month after we restarted the process, meaning we were discharging insufficiently treated wastewater into the river. It got to the point that the state required us to return to conventional treatment methods. Part of the problem was that the original process was implemented gradually over a period of years but the pilot study required starting the process from scratch to completion in a six month period of time. One major result is that we lost the revenue from sludge coming in from other towns.

A second issue is that we had a permit to compost the sludge from the anaerobic process, but once we switched to conventional treatment, we were no longer able to continue composting under the original permit. The composting permit is based on the analysis of sludge being treated, so the previous permit was based on the composition of sludge received from other towns. We do expect to get a new composting permit that will allow us to compost our current sludge, but in the meantime we have to truck the sludge out daily at a cost of about $6,000 each week.

The Montague process used an anaerobic process, which is very difficult to control. The new bugs were not consuming as much as the 2015 bugs were. We were not able to recreate the 2015 organisms. Starting with lower load volumes may have allowed a better result.

Fred Bowman left the meeting at 6:20 PM.

Mr. Naughton said that over the last few years we were told we had a great process, it was working really well, and bringing in significant revenues. Questions were raised at the time about documentation of the process and how confident we were about the sustainability of the process. Is there a chance to re-start the process and get the same result? Mr. Ellis pointed out that there was no functioning process when Mr. McDonald arrived and DEP was concerned about the Montague process and wanted documentation. We brought in outside consultants and engineers, and the results were not promising. We have no way of knowing or understanding why the process worked before but does not work now because there was no documentation or procedures that we could compare. Mr. Naughton thinks it is the Finance Committee’s responsibility to understand what happened.

The DEP is not opposed to our trying to restart sludge reduction in the future, but we have to work conventionally with no permit violations before that is allowed. Mr. McDonald wishes that the revenues from sludge reduction had never been used to offset sewer rates. They were trying to make a conventional plant do something it was never meant to do. They may have made magic, but that doesn't mean it was sustainable. Meanwhile, some of what they were doing to make the process worked jeopardized other parts of the process. It would be more advantageous to re-start the process (with proper documentation) with the intention of taking several years to gradually increase the quantity.

The submitted budget assumes that the conventional process is used through Fiscal Year 2019. They may try to take initial steps to restart the process, but the main focus will be to start composting, and pressing sludge to reduce disposal costs. Trucking out liquid sludge would cost $400-500K per year. If we can compost, this would be drastically reduced, but this has to be approved and we are still waiting for the approval.

Mr. McDonald was asked if the plant has capacity to accept loads from other towns now that the Strathmore paper mill has closed. The plant does have the capacity, but when you bring in raw sewage, which is a lot of solids, you generate more waste going out. So until you can reduce the final product so it can be caked or composted there won't be enough of a profit.

Mr. Hanold asked if the treatment process is easier without the paper mill inflow. It is, because the flow is more consistent now. Also paper pulp is not a good food source and is difficult to break down.

When asked if the proposed staff reductions for next year will leave sufficient staff to operate the plant, Mr. McDonald said that we are currently slightly over-staffed for operating conventionally. Mr. Naughton asked how the state would react to the reduction to 5 employees. The state makes recommendations for staffing, but does not actually regulate it. By not doing the process and by tying all of the pump stations into SCADA (which will eliminate daily trips to each pump station) the required man power is reduced. Mr. McDonald noted that Gardner has a grade 7 treatment plant, which is privately run by Suez, and only 4 operators. The state thinks that's ok because the contractor has additional employees that can be mobilized if needed. Mr. McDonald is working to reduce any complications at the plant that require more manpower.

Mr. Hanold asked about the potential for a regional cooperative digester. The next 12 months will be used for planning, evaluation, funding, and getting state and political support. DEP is on board and says they will help with permitting. They have applied for grants to pay for a feasibility study, engineering study, and research by UMass. The idea is that Greenfield isn't looking to make money, but rather is looking to have somewhere for sludge to go and be processed without the current expense of trucking it long distances to other facilities. All local towns are on board, with each to provide a percentage of the costs. The final by-product will come to Montague for composting. If we can build the digester for $5-$6 million and our share is $1-$2 million, our payback would be about 5 years. The whole issue is cost avoidance. Greenfield will supply manpower and they would generate electricity from the methane gas produced. They expect a final result of a nutrient rich 20% residual sludge, which will come to Montague for composting.

Mr. Hanold asked if there were any budget items that Mr. McDonald thought he was taking a notable risk with. Mr. McDonald noted that a lot of numbers were carried over from Fiscal Year 2018.

Ms. Olsen did a broad overview of the things that lead to the current budget deficit for Fiscal Year 2019. These include estimates of $200,000 in lost revenue from the closing of Strathmore, $345,000 in lost revenue from the Montague process, $100,000 of residential sewer revenue that had been overly optimistic, and $95,000 in net budget increases. Ms. Olsen emphasized that the deficit is structural in nature, and that even a drastic rate increase will not be enough to balance the budget.

Mr. Ellis added that some of the ways to close the gap are further staff reductions and working on ways to reduce sludge expenses, but noted that even budget cuts combined with a 30% rate increase would not close the gap, which will delay further capital investments. Using stabilization funds to fund the shortfall is problematic as they are not easily replaced. Mr. Ellis further noted that we will be adding an additional $300,000 per year in debt expenses beginning in Fiscal Year 2020 as the result of permanently financing projects previously appropriated and completed items, including the 2 pump stations, 3 years of sewer line inspection and re-lining, and the 2013 Industrial Park repair.

Mr. Naughton asked if Mr. McDonald would still be asking for $85,000 to fund a feasibility study. This will not be requested, as it was contingent on having a positive result with the pilot study.

Mr. Garrison said that when something like this occurs, the most important thing to do is to really get in and stabilize operations, dial into numbers, and reset. It is key to understand where the expenses are going to be so we can then look at possibly augmenting revenues.

There are six years left on contract with Erving for treating our Millers Falls flow that goes to their plant at a cost of over $200,000 per year. One possible option is to install our own mini-plant. This may cost $1-$2 million to install, but would pay for itself in less than 10 years. This may be a sensitive issue as our arrangement with Erving has been in place since the 1970s.

Mr. McDonald also noted that the Connecticut River now has new nutrient rules and while our 2013 permit still hasn't been renewed, it's assumed that we will have new rules for nutrient renewal when we get our next permit. The plant isn't designed for nutrient removal, so there is a potential significant capital expense to meet these expected new requirements.

Mr. Hanold asked where the money will come from to close the gap. Mr. Ellis provided some options for closing the gap. We have sewer user fees, retained earnings, the WPCF Capital Stabilization Fund, The town stabilization accounts, taxation, and strategic borrowing that might provide net-positive revenue. Mr. Ellis said we now have a much clearer idea about the situation. When we were unsure of revenue we conserved staff capacity with continuing the process in mind. We'll have to cobble something together for Fiscal Year 2019 that does the least harm to the residents, the treatment plan, and our operating budget. We need to operate a WPCF in such a way that it safeguards the river while being mindful of any impact on ratepayers and taxpayers. There is no quick fix; the goal is to come up with a scenario with an effective set of long term options that will allow us to patch things together. At this point we feel that beyond reducing staffing as already planned, there are limited places for further budget cuts without affecting operations. Most departments have some resilience built in, but the WPCF's resilience was taken away first by revenue shortfalls and then with the items used to close the Fiscal Year 2018 shortfall.

Mr. Ellis noted that the $385,000 sewer lining article that would impact the sewer debt budget was withdrawn. We think it is safe to do so but not ideal.

Mr. McDonald noted that we have 10 months to get a report to DEP on how we will mitigate our Inflow & Infiltration. We've done a lot in the last few years, but they always want us to do more.

Mr. Naughton looks forward to what they come up with, and noted that Enterprise funds should be self-supported. If taxation or town stabilization funds are used, they would have to be used very carefully. This is a good time to tell people that we're facing several bad situations at once. Southworth closing and the inability to conduct the Montague process have reduced revenues and increased solid waste expenses, leaving us with less money coming in and expenses going up. If rates go up, it'll be better that people understand why. It would have been better if the Montague Process revenue had not been used to reduce rates but had gone into the WPCF Capital Stabilization Fund. Mr. Naughton sees rate increases as a better option than cobbling something together that is not sustainable. The quicker we bite the bullet the better off we'll be. Being honest and realistic about rate increases will make it easier for people to understand.

Mr. Ellis offered a caution from last year's tweaking of revenues. We increased our septage rates to help increase our revenue, but we ended up losing revenue because our clients went elsewhere. So one thing we're looking at is reducing those rates again, in hope of regaining revenues by increasing the volume received.

Mr. Ellis said we don't want sewer rates to prevent an industry from coming into or staying in the community. If we lose more large sewer users it will only exacerbate our situation.

Mr. Nelson said the Selectmen need to discuss the potential solutions as Sewer Commissioners.

Mr. Naughton asked about the large increase in the operational supplies account. Mr. McDonald budget this amount by analyzing the Fiscal Year 2017 actual expenses and the Fiscal Year 2018 year to date expenses. This account includes expenses for oils, machine parts, chemicals, etc.

Non-Capital Monetary Special Article Requests Received to Date:

- $6,000 for an automatic door to allow handicapped access to the Senior Center. This is no longer needed because it will be done through the Community Development Block Grant.

- $15,000 for IT Discretionary- Mr. Naughton requested the expenditure detail for the current year and an explanation of why it needs to be a special article rather than a line item in the budget.

- \$24,090 for 2nd lease payment on Flail Mower. This can either be a special article or a capital outlay expense in the DPW budget. If shown as Capital Outlay in the budget, it would be voted on as a separate amount by town meeting, and it would be shown specifically as a mower lease and the payment number. The Finance Committee agreed to show the flail mower lease as capital outlay in the DPW budget.

    - \$12,000 for a double door security entrance with window or camera system at Hillcrest Elementary School. Mr. Ellis reported that the school's concern is that people in the office cannot see who they are buzzing into the building. Once someone is buzzed into the vestibule, they have access to all parts of the building. It has been recommended, for security, that an observation window be installed in the office wall between the internal and external door sets. Mr. Ellis has requested that the school obtain an actual estimate. Ms. Audley strongly prefers the security door as opposed to a camera. It can be very daunting to come up to a building with a buzzer, a click, and no visible person. If a goal is to make the district more welcoming, the ability to walk into the building and see a person is a much more positive experience. Ms. Audley sees this as a customer service upgrade. Mr. Naughton has been moved to wonder why a district with their enrollment operates 4 separate buildings and wonders if a building consolidation could be part of the future of the district. Mr. Naughton is concerned with expense of improvements if the school may not be used in the future. Ms. Audley noted that enrollment has been up in these buildings, and added that schools are designed for size of students. The High School is not designed for and would not work for smaller students. Mr. Widmer said that the student population in elementary schools is increasing, making it less likely that those buildings would be closed. Mr. Ellis will take responsibility for getting a proper cost estimate for this project.

- \$7,000 for the Master Plan phase of the Montague Center park improvements

- \$30,000 for a map storage system for all town maps (planning, DPW, WPCF, etc.). This can be broken into two separate articles, \$15,000 for Town Hall, and \$15,000 for the DPW and WPCF maps. The Finance Committee would like to meet with the Town Clerk for further information on exactly what we will be getting. Ms. Audley wonders how the scope and immediacy of this project compares to the previous project for storage of town records. Mr. Naughton asked if maps to be stored were current or historical maps. Both types would be included as both are used.

Topics not anticipated within in the 48 hour posting requirements

Mr. Hanold noted that due to the cancellation of last week's meeting, we did not meet with the Board of Health or the Treasurer/Tax Collector. Since the answers provided to questions were comprehensive, is there a need to reschedule those meetings? The Finance Committee members are content with the answers given.

Mr. Naughton would like the IT budget put on the agenda.

Mr. Hanold made another requests for any additional department questions to be sent to him.

Mr. Ellis noted that the next bankruptcy hearing about Southworth is tomorrow. The building and contents are expected to go to auction. Mr. Naughton suggested this would be an opportunity for the town to take the canal-side road by eminent domain. This cannot be done while a property is in bankruptcy.

Meeting adjourned at 8:20 PM

List of Documents and Exhibits:

- Minutes of January 31, 2017
- 440 Department Budget
- 440 Department Budget Questions & Answers
- 449 Department Budget
- WPCF revenue history

Next Meeting Dates:

February 21, 2018	Airport, FCTS, review March 15, 2018 Special Town Meeting articles
February 28, 2018	Map Storage Article, Final New Growth, Revenue Estimates, Affordable Assessment, March 15, 2018 Special Town Meeting article recommendations
March 7, 2018	Libraries, RiverCulture, and IT Budgets

March 14, 2018	Preliminary budget recommendations
March 21, 2018	CIC Recommendations
March 28, 2018	Final Budget Recommendations
April 4, 2018	Draft FC Report, Policy actions
April 11, 2018	Revise FC Report, vote on articles
April 18, 218	final re-votes, if required, approve FC Report
EOY Recap	How beneficial/useful were the department narratives?