

JOINT FINANCE COMMITTEE AND SELECTBOARD MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, June 6, 2018
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The Chair opens the meeting

- Meeting was opened at 6:00 PM in the Upstairs Meeting Room
- **Selectboard Members present:** Christopher Boutwell and Richard Kuklewicz. Michael Nelson was absent.
- **Finance Committee members present:** Fred Bowman, Greg Garrison, John Hanold, Richard Widmer, and Jen Audley. Michael Naughton and Chris Menegoni were absent.
- **Others present:** Town Administrator Steve Ellis and Town Accountant Carolyn Olsen.
- 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 April 4, 2018.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To approve the minutes of April 18, 2018.

Vote: 5 In Favor 0 Opposed 0 Abstained

Reserve Fund Transfers

The Police Department is requesting a reserve fund transfer of \$383.74 to the Animal Control Vehicle account. Due to a delay in purchasing the new Animal Control vehicle, the actual cost (and therefore Montague's share) exceeded the original appropriation.

Selectboard Moved:

To recommend a transfer of \$383.74 from the Reserve Fund to the Animal Control Vehicle budget, account number 001-5-292-5800.

Vote: 2 In Favor 0 Opposed 0 Abstained

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Finance Committee Moved:

To transfer \$383.74 from the Reserve Fund to the Animal Control Vehicle budget, account number 001-5-292-5800.

Vote: 5 In Favor 0 Opposed 0 Abstained

The Dispatch budget is likely to be short by about \$9,000 due to an extended staff illness followed by a resignation and the cost of filling those shifts and training a new employee.

Selectboard Moved:

To recommend a transfer of \$9,000 from the Reserve Fund to the Dispatch budget, account number 001-5-212-5112.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To transfer \$9,000 from the Reserve Fund to the Dispatch budget, account number 001-5-212-5112.

Vote: 5 In Favor 0 Opposed 0 Abstained

The Town Meeting budget will be short by \$100 due to the mailing costs for an unexpected 4th Town Meeting in Fiscal Year 2018.

Selectboard Moved:

To recommend a transfer of \$100 from the Reserve Fund to the Town Meeting budget, account number 001-5-113-5344.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To transfer \$100 from the Reserve Fund to the Town Meeting budget, account number 001-5-113-5344.

Vote: 5 In Favor 0 Opposed 0 Abstained

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The Selectmen's budget will need an additional amount due to the \$9,000 expenditure for legal/investigative services.

Selectboard Moved:

To recommend a transfer of \$6,600 from the Reserve Fund to the Selectboard budget, account number 001-5-122-5310.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To transfer \$6,600 from the Reserve Fund to the Selectboard budget account number 001-5-122-5310.

Vote: 5 In Favor 0 Opposed 0 Abstained

The General Insurance budget will be short by \$1,066 due to unanticipated policy changes/endorsements.

Selectboard Moved:

To recommend a transfer of \$1,066 from the Reserve Fund to the General Insurance budget, account number 001-5-946-5740.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To transfer \$1,066 from the Reserve Fund to the General Insurance budget, account number 001-5-946-5740.

Vote: 5 In Favor 0 Opposed 0 Abstained

MGL Chapter 44 §33(b) Transfer

The WPCF needs additional funding for their operating budget, but has a surplus balance in their debt budget. The requirement to stop the Montague Process resulted in significant and unanticipated increases in the cost to truck out sludge. That account currently has a deficit of \$84,047. Meanwhile, debt was anticipated to include payments towards long term debt that has not yet been issued.

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Selectboard Moved:

To transfer \$30,000 from the WPCF Debt budget, account number 661-5-710-5941, to the WPCF Operating budget, account number 661-5-440-5280.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

To transfer \$30,000 from the WPCF Debt budget, account number 661-5-710-5941, to the WPCF Operating budget, account number 661-5-440-5280.

Vote: 5 In Favor 0 Opposed 0 Abstained

Mr. Ellis noted that there will be a meeting on June 18th between the Sewer Commissioners and WPCF Superintendent McDonald regarding ongoing financial issues of the treatment plant.

Letter to Legislature from Civic Leaders

A subcommittee within the Civic Leaders group is particularly interested in school finance, and especially the cap on local contributions for Chapter 70. This subcommittee has drafted a letter to the legislators detailing the inequities in the current formula for education funding by the state.

The Civic Leaders group is requesting endorsement of the letter by Montague's Selectboard and Finance Committee. The intent of the letter was reviewed. There was some discomfort with the tone of the final paragraph, but it was noted that the letter was not presented for further edits.

Selectboard Moved:

To endorse the concepts in the letter from the Civic Leaders group to our state legislators, noting concern by some members about the tone of the final paragraph.

Vote: 2 In Favor 0 Opposed 0 Abstained

Finance Committee Moved:

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To endorse the concepts in the letter from the Civic Leaders group to our state legislators, noting concern by some members about the tone of the final paragraph.

Vote: 5 In Favor 0 Opposed 0 Abstained

Review Open Concerns

Mr. Naughton provided Mr. Hanold with some items:

- Review documentation for IT Consultant's time and review job description and baseline metrics for Cultural Coordinator position.

Mr. Garrison feels we don't need to address these issues at all – it's getting into personnel management. Mr. Kuklewicz said that if you're going to ask this of 2 individuals, you should ask it of everyone. Department heads are already directed to oversee these items. Mr. Ellis noted that the RiverCulture Coordinator is regularly before the Selectboard discussing outcomes. The Cultural Coordinator is now a union position, and cannot be modified without union approval. The IT Consultant is not a town position. We have a scope of work in place, and as per Mr. Naughton's suggestion we are receiving bi-weekly accounts of the consultant's activity. Mr. Ellis feels like we have accountability in place.

- Another issue is a suggestion to review what discretionary funds have been spent on and the plans for the future at the end of the fiscal year rather than during budget season. What is unspent balance, what were expenditures during last year, what are plans for next fiscal year. There was general agreement that this information is useful, and it was noted that these questions are already part of the narrative request. Ellis noted process may be asking for annual justification. Suggestion to keep current budget process, but also provide an updated printout of activity at the end of each year.
- Taxation subsidy to WPCF to cover cost of treating inflow & infiltration. Mr. McDonald has been asked to come up with a simple calculation to justify the amount, but due to ongoing issues at the WPCF there has not been time to analyze this. The Selectboard is encouraged to pursue this issue when time permits.

Mr. Hanold said that our Finance Committee Report to Town Meeting contains a comment that our debt is lower than ideal. Mr. Hanold thinks we have plenty of debt, and this confirms that we are paying attention to our infrastructure. We have also been spending operating funds to maintain buildings without using debt. Mr. Kuklewicz noted that our districts have additional

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debt that would be town debt in other municipalities. This debt is not shown on our balance sheet. Mr. Hanold suggested that we not be alarmed by this external judgement that our debt is too low and perhaps adding further explanation to the next Finance Committee Report to Town Meeting.

Ms. Audley remembers a decision we made to re-visit and review stipends over the summer. This process will including coming up with a rationale for the amounts of each stipend. This will go on an agenda over the summer. Mr. Hanold suggested coming up with a framework before reviewing stipends with the Selectboard. Mr. Kuklewicz noted that some stipends are a thank you and some provide compensation for a specific amount of work. Mr. Kuklewicz further suggested this second group receive periodic cola updates. Items to look at are responsibilities, training requirements, authority, and time commitment.

Set Summer/Fall Meeting Schedule

Next Meeting Date: June 27th - additional reserve fund transfers and setting the summer schedule. Members to let Mr. Hanold know their availability.

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

Meeting adjourned at 7:30 PM

List of Documents and Exhibits:

- Minutes of April 18, 2017
- Reserve Fund Transfer Request for Animal Control
- Reserve Fund Transfer Request for Dispatch
- Reserve Fund Transfer Request for Town Meeting
- Reserve Fund Transfer Request for Selectboard
- Reserve Fund Transfer Request for General Insurance
- MGL Chapter 44 Section 33(b) Transfer Request for WPCF
- Letter from Civic Leaders to state legislators (attached below)

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Chapter 70 Funding Formula Taxes Poorer Communities

In their search for ways to increase education funding, particularly for poorer and rural districts, the legislature should consider eliminating -- or at least reducing -- a glaring inequity in the current system, namely the provision that forces poorer towns to pay into the system at a higher rate so that wealthier towns may pay at a lower one.

Elementary and secondary public education in Massachusetts is funded under legislation referred to as Chapter 70. That law establishes "foundation budgets" for each town and school district that represent the minimum expenditures considered necessary to provide an adequate education for our children. The law further provides that, on a state-wide basis, the towns shall provide "local contributions" equaling 59% of those foundation budgets, and the state shall provide the rest.

The Chapter 70 formula is complicated, but in broad outline it calculates local contributions for every town by applying one percentage number (similar to a tax rate) to the town's property wealth and another percentage number to its income wealth. These percentages are calibrated so that, statewide, the total property wealth and income wealth contributions are the same, and together they add up to the 59% requirement. Since the same percentages are applied to the two wealth figures of every town in the state, there is an equitable distribution of local burden for public education costs based on the relative wealth of the towns of the Commonwealth. So far so good.

However, Chapter 70 has a further provision that limits (or "caps") each town's local contribution to 82.5% of the town's foundation budget. This means that whatever the earlier calculation shows, no town's local contribution can be greater than the cap, and any excess is simply ignored. This in effect means that more than 140 towns (out of 351) contribute at lower percentage rates than towns with lower wealth figures that do not reach the 82.5% cap. Since the total of local contributions in the state must equal 59% of the state-wide foundation budget, the reduced contributions from wealthier towns must be offset by increased contributions from less wealthy towns. Thus, the original percentages have to be raised, but the raise only affects those towns which to not meet the 82.5% cap. This results in a clear subsidy of the affluent by the less affluent.

As an example, consider the towns of Greenfield and Weston. In FY2018, each is educating roughly 2,000 students and has a foundation budget of a little over \$20 million. However, while Greenfield's calculated local contribution is just over \$10 million, Weston's is more than \$78 million. In the end, Weston's contribution of more than \$17 million to its foundation budget is less than 25% of its calculated local contribution, while Greenfield's contribution is close to 100%. Poorer towns pay the full rate; wealthier towns do not.

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It should be noted that if there were no cap on local contributions, many of the richer towns would be required to contribute above and beyond their own foundation budgets, and they would thus help fund the public education costs of other towns. This is not possible under the current law because there is no mechanism for collecting and distributing the portion a town's local contribution that exceeds its foundation budget. However, the magnitude of the inequity built into the current law is indicated by the fact that, for FY18, if there were no cap whatever on local contributions and instead there were a process for collecting and redistributing all excess local contributions calculated on a purely equitable basis, towns currently benefiting from the 82.5% cap would contribute approximately \$1.7 billion more to the system, resulting in towns not benefitting from that cap being relieved of that burden. Given that the statewide local contribution target is about \$6.1 billion, this is truly a huge degree of inequality placed by Chapter 70 on less affluent towns and their taxpayers.

Although there is no redistribution mechanism that would allow for the total removal of the cap on local contributions, the current system will allow increasing the cap to 100% of a town's foundation budget. If that change were accomplished, only those towns for which the wealth-based calculation indicated a local contribution above 100% of their foundation budgets would receive favored treatment. This would not entirely cure the deep inequity built into the Chapter 70 law, but it would result in a substantial improvement: for FY18, it would have reduced the additional burden assumed by less affluent towns by about \$550 million.

It should be noted that to the extent a town's local contribution is decreased by the application of a cap in the formula, its school districts' Chapter 70 funding from the state is increased. Thus, we have the school districts of wealthy towns receiving Chapter 70 aid which they would not receive if the Chapter 70 system were administered more equitably. A 100% cap would eliminate this subsidy to wealthier towns.

The unfairness and inequity in the current system are obvious. We as Americans and citizens of a highly progressive state should reject a government mandated system that collects funds for public purposes on a basis that requires poor people to pay disproportionately more than rich people. We can conceive of no rationale or justification for the current system that would stand up to the daylight of public scrutiny. As citizens, we can and do debate the uses to which our public funds are put, and we certainly don't always agree. But once the decisions have been made, all of us, rich and poor, owe it to our fellow citizens to step up and pay our fair share. When it is discovered that that, in fact, is not happening, our legislators and the governor should have no choice but to rectify the situation as quickly as possible.