

FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 1 of 9

The Chair opens the meeting

- Meeting was opened at 6:00 PM in the Upstairs Meeting Room
- **Finance Committee members present:** Fred Bowman, Michael Naughton, John Hanold, Richard Widmer, and Jen Audley. Greg Garrison 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**

Finance Committee Moved:

To approve the minutes of June 6, 2018.

Vote:   5   In Favor        0   Opposed        0   Abstained

**Reserve Fund Transfers**

The Police Department is requesting a reserve fund transfer of \$1,903 to the Dispatch overtime account. Due to a delay in the new dispatcher working independently, additional overtime costs were incurred beyond what was expected at the time of the previous Reserve Fund Transfer.

Finance Committee Moved:

To transfer \$1,910 from the Reserve Fund to the Dispatch Overtime budget, account number 001-5-211-5132.

Vote:   5   In Favor        0   Opposed        0   Abstained

**MGL Chapter 44 §33(b) Transfers**

There are two issues regarding the requested transfers. The first is a simple appropriation issue. Due to higher than expected use of sludge disposal services, the WPCF needs

FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 2 of 9

additional funding for their operating budget, but still has a surplus balance in their debt budget. The second is that revenues have not met the budgeted expectations, so without additional funding from the General Fund, there will be a deficit of about \$110,000 that will need to be raised in next year's sewer rate. The FY19 sewer rate is already expected to rise almost 75% and having to raise an additional \$110,000 for a deficit would cause the increase to be closer to 85%. To avoid a WPCF deficit, two appropriation transfers are required because there is no single department in the General Fund with a sufficient balance. Transfers are requested from the Veteran's Benefits budget (with an unexpended balance of \$48,630) and from the Employee Benefits budget (with an unexpended balance of \$74,816). These transfers will be made to the General Fund's Transfer to WPCF Enterprise Fund account.

The first MGL Chapter 44 §33(b) transfer request would increase the WPCF Operating Budget by reducing the WPCF Debt Budget.

Finance Committee Moved:

To transfer \$20,000 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

The second two MGL Chapter 44 §33(b) transfer requests would increase the WPCF revenues by allowing additional transfers in from the General Fund.

Mr. Naughton would like to see the \$110,000 transfer repaid to the general fund over a period of 5 years starting with FY2020, noting that the Town will have needs for that money. Mr. Naughton feels that the enterprise fund should be fully self-supporting, and not require any subsidy from taxpayers.

Mr. Ellis noted that this transfer will reduce the Fiscal Year 2019 Free Cash amount.

Finance Committee Moved:

To transfer \$45,000 from the Veterans Benefits budget, account number 001-5-543-5711, to the Transfer to WPCF Enterprise Fund budget, account number 001-5-995-5965.

Vote:   5   In Favor        0   Opposed        0   Abstained

FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 3 of 9

Finance Committee Moved:

To transfer \$65,000 from the Employee Health Insurance budget, account number 001-5-910-5174, to the Transfer to WPCF Enterprise Fund budget, account number 001-5-995-5965.

Vote:   5   In Favor        0   Opposed        0   Abstained

Finance Committee Moved:

To request that the Selectboard include, beginning in the Fiscal Year 2021 budget, a 5 year repayment plan from the WPCF to the town for this transfer. This is expected to be done as a \$22,000 annual decrease in the taxation subsidy of the annual WPCF budget.

Vote:   5   In Favor        0   Opposed        0   Abstained

**Review FY2018 Discretionary Account Expenditures**

Printouts of the activity in these accounts were reviewed.

**Review Edited Open Letter to Legislature from Civic Leaders**

The subcommittee within the Civic Leaders group responsible for the wording of this letter has made some changes and is requesting endorsement of the letter by Montague's Finance Committee.

Finance Committee Moved:

To endorse the revised letter from the Civic Leaders group to our state legislators.

Vote:   5   In Favor        0   Opposed        0   Abstained

**Set Summer/Fall Meeting Schedule**

It was noted that members' schedules have changed, so a final meeting schedule will not be provided until after updates are received. Mr. Hanold hopes to have regular bi-weekly meetings.

FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 4 of 9

**Finance Committee Reorganization**

Nominations were requested for Chair, Vice-Chair, and Clerk. Mr. Hanold asked that the Chair be selected by paper ballot. The result of the paper ballot was the selection of Mr. Hanold as Chair. Mr. Hanold accepted the position but beseeched and entreated the committee to continue to consider alternative officers going forward.

Finance Committee Moved:

To elect John Hanold as Chair, Michael Naughton as Vice-Chair, and Richard Widmer as Clerk for Fiscal Year 2019.

Vote:   5   In Favor        0   Opposed        0   Abstained

**Review Current Stipends and Start Conversation**

Ms. Olsen earlier provided a summary of stipend information from the FY2018 Franklin Regional Council of Governments Wage Survey.

Mr. Naughton presented some thoughts.

- Do the stipends for each position represent a thank you or compensation for time and effort?
- Stipends for the Selectboard, Board of Assessors, Board of Health, Tree Warden, Emergency Management Director and Clerk to the Board of Registrars seem like thank yous rather than compensation for the amount of work done.
- Stipends for all inspectors, IT Administrator and Forest Warden seem more like payment for work done. Could a per-effort payment (IE inspection or hearing) be implemented for the Tree Warden, Barn Inspector, and Animal Inspector?

Mr. Hanold presented some thoughts.

- A separate stipend for a board chair is unnecessary.
- Stipends should not be used to recruit or entice people to serve the community.

FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 5 of 9

- An annual review or wage adjustment is not required, and a triannual review or wage adjustment is adequate.
- What is the specific caseload for barn and animal inspectors, forest warden, and board of health members doing actual inspections?
- Consider separating those position that are an extension of an existing job. A few that straddle the line are the Tree Warden, since the actual work is done by DPW workers, while the Warden function is more administrative (Mr. Ellis noted that the Tree Warden also attends Tree Advisory Committee meetings). The IT coordinator and Emergency Management Director (EMD) do most of their work during their normal work hours.

Ms. Audley noted that many towns have the EMD position filled by either the Police Chief or Fire Chief.

Mr. Ellis noted that the EMD position goes beyond the fire department responsibilities during times like extreme weather events and that Chief Zellman would like to speak to the board to share information on the EMD position.

Mr. Hanold noted that some employees or board members are also paid by other districts or boards, which may or may not be related to their town position and additional time spent working for the other board or district outside of town employment hours.

Mr. Bowman is concerned that some board members risk losing pay from their full-time job in order to serve on town boards. Mr. Bowman said we need to understand that many board members do not serve on the board for the stipend, as the actual value for time worked is quite minimal.

Mr. Hanold noted that some of the responsibilities of some board are really done by staff and signed off on by the board.

Ms. Audley wants to remember that our goal is to have a unified and easy to articulate approach to respond to requests for increases and have a planned process for determining future increases. Ms. Audley also noted that people who serves on boards and committees are usually those who can afford to do so. Ms. Audley would like opportunities to serve be open to more community members and asks what, besides offering nominal stipends, would make it possible for a more diverse array of community members able to serve. Child care and transportation can also be issues. Mr. Naughton noted that while Selectmen sometimes need to meet during the work day and on weekends, most boards meet outside of normal business

FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 6 of 9

hours unless they choose to do so. This makes child care and transportation more of an issue than compensation for lost wages.

Mr. Naughton feels it's worth paying stipends for either a great deal of responsibility or a large time requirement.

Mr. Naughton, in looking at differences between chair stipends and stipends for other members, noted that not only do many local towns do that, but that Montague also did this until across the board cuts were made to stipends.

Mr. Ellis noted that the committee needs to speak to the building inspector before discussing the wages for the inspectors.

For the next meeting Mr. Hanold proposed that individual members contact the building inspector and other individuals to get more information. Mr. Hanold will pursue discussion of the role of the Town Clerk as clerk to the Board of Registrars. Mr. Bowman will speak to Director of Health Gina McNeely regarding the barn and animal inspections as well as the inspections done by the Board of Health. Mr. Naughton will to speak to the Building Inspector.

**Next Meeting Date:** July 25<sup>th</sup>, Mr. Naughton would like to focus on answering the questions of "thank you" versus payment-for-service and whether stipends for the chair should be higher than stipends for other members. The committee will also consider if they want to maintain a hierarchy for the 3 principal boards.

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

**Meeting adjourned at 7:51 PM**

**List of Documents and Exhibits:**

- Minutes of June 6, 2018
- Itemized expenditures from Discretionary Accounts
- WPCF FY2018 Revenue Budget vs. Actual Report
- WPCF FY2018 Department 440 Expense Budget vs. Actual Report
- Summary of WPCF revenue and expense estimates for FY2019, with the calculated rate increase needed.

FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 7 of 9

- Edited Letter to Legislators from Civic Leaders Group (shown below)
- Reserve Fund Transfer Request for Dispatch
- MGL Chapter 44 Section 33(b) Transfer Requests (3) for WPCF
- Summary of Stipend wages in Franklin County

FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 8 of 9

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 do 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.



FINANCE COMMITTEE MEETING MINUTES  
UPSTAIRS MEETING ROOM  
1 AVENUE A, TURNERS FALLS, MA  
WEDNESDAY, July 11, 2018  
Page 9 of 9

It should be noted that if there were no cap on local contributions, many of the more affluent 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 benefiting 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 should reject a system that collects funds for public purposes on a basis that requires economically disadvantaged communities to pay disproportionately more than their wealthiest counterparts. 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 owe it to our fellow citizens to step up and pay our fair share. When it is discovered that this, in fact, is not happening, our legislators and the governor should have no choice but to rectify the situation as quickly as possible.