

FINANCE COMMITTEE MEETING MINUTES
UPSTAIRS MEETING ROOM
1 AVENUE A, TURNERS FALLS, MA
WEDNESDAY, NOVEMBER 7, 2018
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The Chair opens the meeting

- Meeting was opened at 6:02 PM in the Upstairs Meeting Room
- **Finance Committee members present:** Jen Audley, Fred Bowman, Michael Naughton, and Richard Widmer. Greg Garrison, John Hanold and Chris Menegoni were absent.
- **Selectboard members present:** none
- **Others present:** 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 October 17, 2018.

Vote: 4 In Favor 0 Opposed 0 Abstained

Inclusion of the GMRSD Stabilization Fund in Town Stabilization Funds for purposes of calculations for Financial Policies

The Financial Management and Policies and Objectives, in Section IV Reserves, states: Town's total Reserves, including the Town's combined Stabilization Funds and Free Cash, should be maintained at between 5% and 10% of the Town's Prior Year General Operating Revenues.

Past practice has been to include the Town General Stabilization Fund and the Town Capital Stabilization Fund in the "Town's combined Stabilization Funds" amount, but to exclude the balances of the FCTS Stabilization Fund and the GMRSD Stabilization Fund. Last week the Finance Committee voted to include the FCTS Stabilization Fund in the "Town's Combined Stabilization Funds and Free Cash."

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Mr. Naughton noted that the only funds in the GMRSD Stabilization are the funds that were specifically allocated from the Kearsarge lease payments, and that there was an understanding that the district would determine how to use these funds. He feels this is not the same as money earmarked for the Franklin County Tech School for our convenience in funding volatile assessments, but rather is money set aside specifically for the use of the GMRSD, and that because of this the GMRSD Stabilization Fund should not be included in the Town's "combined Stabilization Funds" for the purpose of the Financial Policies.

Finance Committee Moved:

To exclude the GMRSD Stabilization Fund in the total town stabilization funds amount for calculations in the Financial Policies.

Vote: 4 In Favor 0 Opposed 0 Abstained

Input into Town Administrator's Budget Message

This is the Finance Committee's opportunity to request that specific items are included in the Town Administrator's Budget Message.

- Mr. Widmer suggested a request that departments, especially RiverCulture, Libraries, and Parks and Recreation, include a consideration as to how they can work with the GMRSD and/or FCTS to improve the schools and learning environments or better serve the citizens of Montague.
- Ms. Audley suggested requesting details about the specific recent uses of discretionary funds to see if they match the intended use.
- Mr. Naughton suggested changes to the budget narratives. While he likes the increase in structure, he sees a lot of wasted space as not every section applies to all departments. Mr. Naughton suggests providing departments with a narrative form as an outline to eliminate empty boxes.
- Mr. Bowman asked for clear and concise narratives.
- There was agreement that having a place on the actual budget form for explanations of line item changes was very helpful, but not all departments were diligent with explanations. Perhaps the budget message could include directions to address this concern.

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Preliminary Affordable Assessment Calculation

Ms. Olsen presented her preliminary revenue estimates for Fiscal Year 2020 and the resulting Affordable Assessment amount. Revenue assumptions include \$75,000 in new growth, returning to a more “normal” amount per the Director of Assessing, level funded state aid, local receipts comparable to the estimate used for the Fiscal Year 2019 budget, and the \$100,000 of Free Cash previously voted for the Fiscal Year 2020 operating budgets. The resulting preliminary Affordable Assessment is \$10,119,504, which is an increase of \$308,344 or 3.1%.

Finance Committee Moved:

To approve the preliminary GMRSD Affordable Assessment of \$10,119,504 and notify the GMRSD of this preliminary amount.

Vote: 4 In Favor 0 Opposed 0 Abstained

Ms. Olsen will notify the GMRSD on November 8, 2018.

Consider increasing taxation portion of WPCF Budget for Fiscal Year 2020

The sharp increase in Fiscal Year 2019 sewer rates, combined with the notable increase in sewer debt service for Fiscal Year 2020, has led to the question of whether the town should increase its support of the WPCF budget by increasing the amount of taxation used. The taxation portion has historically been tied to the cost of treating inflow and infiltration as that cost was determined to legitimately be the responsibility of all taxpayers and not just sewer users. Due to the complexity of the calculation and the timing of information needed in relation to the budget process, for Fiscal Year 2014 the amount was set at \$200,000 as an annual estimate. The intention was to compare this amount to actual costs over a period of years and adjust when warranted by the variance. At this point, there are two questions. The first is whether Superintendent has the time needed to work through the calculation in time to have an amount for the Fiscal Year 2020 budget, and the second is whether, in light of the fiscal situation of the WPCF, it makes more sense to simply arbitrarily increase the amount of taxation used to support the WPCF budget in order to offer even a small relief to sewer users. The justification for this would be that the town as a whole benefits from having a sewer facility, and the impact of, for example, \$100,000 on a tax bill is much smaller than the impact of \$100,000 on an average sewer bill.

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- Mr. Bowman feels we have to increase the taxation amount because he wants to see some stabilization in the sewer rates.
- Ms. Olsen noted that there will be a \$370,000 increase in sewer debt service, which could result in an additional 30% rate increase for FY2020. (Later calculations indicate this would be closer to 20%.)
- One possibility is to re-vote some of the sewer debt to be paid from taxation.
- Ms. Audley thinks the committee should not just pick a number out of the air for the I&I treatment cost estimate, but instead should have a basis for it that can be defended.

Mr. Naughton is open to idea that the WPCF is important to all residents, and that some subsidy of its budget through taxation is therefore appropriate. On the other hand, we aren't allowed to just increase our total tax revenues, so any increase given to the WPCF will mean that less money is available for the town's other needs.

- The general consensus is they need a rationale for whatever number is used. Ask WPCF Bob McDonald if he has any ideas of other ways to determine taxation subsidy.

Topics not anticipated within in the 48 hour posting requirements –

Next Meeting Date: November 28th – Town Administrator budget message and revenue assumptions.

Meeting adjourned at 7:20 PM

List of Documents and Exhibits:

- Minutes of October 17, 2018
- Preliminary revenue estimates for FY2020
- Preliminary calculation of the FY2020 Affordable Assessment