

MONTAGUE FINANCE COMMITTEE MEETING

Wednesday, March 1, 2023 at 6:00 p.m.

This meeting was held via Zoom and recorded: <https://vimeo.com/804171936>

Chair Francia Wisnewski called the meeting to order at 6:00 PM.

Finance Committee members present in person: Chair Francia Wisnewski, Chris Menegoni, and Fred Bowman

Finance Committee members present remotely: Vice Chair Gregory Garrison, Clerk Dorinda Bell-Upp, and members John Hanold and Jennifer Waryas (arrived at 7:04)

Others present in person: Town Administrator Steve Ellis and Town Accountant Carolyn Olsen

Others present in remotely: none

The meeting is being aired on MCTV as well as recorded by Carolyn Olsen.

Meeting minutes:

Chris Menegoni makes the motion to approve the Finance Committee minutes from February 22, 2023 as presented. Seconded by John Hanold, and approved.

Bell-Upp – Aye, Bowman – Aye, Garrison – Aye, Hanold – Aye, Menegoni – Aye, Waryas – Aye, and Wisnewski – Aye

FY24 budget deliberation

- Ms. Olsen reviewed the changes to the current budget file, which included funding the proposed Collection System Lead Operator position entirely in the Town's budget and the actual proposed FCTS assessments.
- Mr. Ellis explained the rationale behind the Selectboard's decision to fund the new Collection System Lead Operator fully from taxation. The two driving forces were:
 - This position would deal with sewer collection pipes, stormwater pipes, and pipes that hold both sewage and stormwater. Splitting the cost between the Town and Clean Water Facility (CWF) reasonably would require historical knowledge of how much time the employee spends in each area. Since we won't have this data for a few years, and because this employee would be deployed within the DPW when not working on the collection system, it makes sense to fund the position within the Town budget.
 - Because taxation is a much larger funding source, expenses are spread out among a larger base, in this case property values, making the cost lower per taxpayer. Sewer user fees provide a much smaller funding source and therefore even relatively modest increases in budgets have a larger impact on sewer bills. The Selectboard, as Sewer Commissioners, are sensitive to the rate impact this additional expense would have to sewer users if even only 50% of the position was funded in the CWF budget. Combined with not having accurate data on how much time will be spent in each department, the Selectboard prefers to shield sewer users from what could easily be too high of a charge, and will likely readdress this issue in a few years when we know more.

- Ms. Waryas asked about if there is a way to control overtime costs. Ms. Olsen and Mr. Ellis jointly explained that only a small amount of overtime is strictly scheduled, and most is based on the weather, emergencies, or other items that aren't subject to scheduling.
- Ms. Wisnewski asked Mr. Ellis and committee member their thoughts on the budget.
- Regarding the earlier vote on Mr. Hanold's proposal to determine how much excess capacity to budget, and the subsequent revenue budget, he asked if anyone wished to revisit it. Ms. Olsen noted that it would be difficult to make all necessary adjustments if it were changed now, while Ms. Bell-Upp thinks it's important to revisit the budgeted excess capacity issue later to perhaps form a policy.
- Ms. Wisnewski asked if there were other questions, or if the committee needs more information on anything. Mr. Garrison thinks we've reviewed everything we need to review.
- Ms. Bell-Upp asked Mr. Ellis if there was anything else we need to know about the screw pumps for tomorrow's Special Town Meeting. He will address that in his Town Administrator's Report.
- Mr. Hanold has given a fair amount of attention to the Moderator and Town Clerk budgets. While he agrees with parts of each, he has a philosophical issue with stipend increase. After having hammered out the stipend schedule in detail a few years ago he finds it awkward to pick and choose which ones to modify now rather than on the schedule, which would be reviewed for FY25.
- Ms. Waryas asked about rationale behind the FY2020 stipend recommendations. Mr. Hanold said that the deliberations went in a lot of different directions, but the general intent was to give relevant importance to larger board stipends. Mr. Hanold also noted that it was still necessarily somewhat arbitrary and without specific rationale, but at the time the Finance Committee felt it would be helpful to set it in place for 5 years and then readdress them all at once and reevaluate equity at that time, with one broad and harmonious review.
- Mr. Garrison agreed that we wanted to put everything on a schedule to eliminate certain boards to come to the Finance Committee arbitrarily with various requests due to changes in their work. Mr. Garrison thinks approving increases outside of the schedule is likely to result in annual requests and considerations.
- Mr. Bowman spoke about the Registrars and their expanded duties under new election laws and noted that the requested increases are small and a very small part of total budget.
- Mr. Menegoni thinks the current cycle of reviewing stipends every five years should remain, but if there is a significant change in the tasks/workload, that would be a valid reason to discuss raising a stipend. Otherwise, the job is the same and if you agreed to do the job for that amount, the stipend should stay the same until the next scheduled review. It was noted this was an annual discussion until the FY20 review with intent to revisit for FY25.
- Mr. Hanold asked if, when we reconcile budgets with the Selectboard on March 22nd, will we approve the Selectboard budget or offer alternatives. Mr. Ellis stated that the Selectboard chose not to propose specific budget amounts and allocations, but to give their opinion on the new items. It was previously discussed that the Selectboard approved all requested new positions and other payroll increases.

Use of Overlay Surplus and remaining Free Cash

- The Board of Assessors released \$250,000 of Overlay in July. Any amount not appropriated by June 30, 2023 will flow into Free Cash for FY24. Based on current budget submissions and use assumptions, there will also be about \$2 million of Free Cash available.
 - The Town has historically transferred unused balances of Overlay Surplus and Free Cash to reserves at annual town meeting. These funds typically go into the Other Post-Employment Benefits (OPEB) Trust Fund and/or the Town Capital Stabilization Fund. Transfers into the first will reduce the future liability of OPEB costs while transfers into the latter will provide much needed funding for capital projects.
 - The OPEB Trust Fund has a current balance of just over \$1 million, and the unfunded liability as of 6/30/22 was estimated at just under \$11 million.
 - The Town Capital Stabilization Fund has an expected balance of \$1.2 million at the end of the annual town meeting (assuming the Montague Center Park improvements are funded from this, and after the taxation transfer into this fund), and the needs for capital improvements are endless.
- Ms. Bell-Upp thinks we should save as much as possible for the potential school project.
- Mr. Hanold wants to use non-recurring money towards unfunded liabilities and supports using all of the overlay surplus towards OPEB, and he is also open to moving 25% of the unused Free Cash to OPEB, noting that the capital needs are never ending. Mr. Hanold added that picking the right proportion is like throwing dart and that if he had to do it himself, he would have agonized over it and come up to within 5% of the sample allocation. Mr. Menegoni agreed.
- Ms. Bell-up asked about historical interest rates. Mr. Ellis noted loans through USDA tend to have the lowest interest rates, but in general rates have been 3-4% in recent years. Mr. Ellis added that our bond counsel guides us to borrow in a way that gets the best possible rate. Mr. Hanold also noted that our good bond rating also keeps interest rates down.
- Someone asked about appropriating Free Cash into the CWF Capital Stabilization Fund.
 - Ms. Olsen said that historically, town meeting has only been willing to use taxation for expenses of the CWF as part of paying for the cost of treating stormwater.
 - Ms. Bell-Upp thinks people still reeling from recent sewer rate increases.
 - Mr. Ellis thinks this is important issue and doesn't think sewer rates will be sustainable if they are required to pay for all of their needed improvements entirely from user fees. Our policies and traditions are thoughtful, but our convention may change as the main industrial sewer users have departed but that this hasn't reduced the needs for capital improvement. Mr. Ellis supports the Finance Committee if they want to put some of the Free Cash into the CWF Capital Stabilization Fund.

Updates from Town Administrator

Open Meeting Law

- Tonight's hybrid meeting is partly because of potential legislation that could codify this requirement in the Open Meeting Law.
- Turning off a camera during a meeting would likely violate the Open Meeting Law.
- There is a strong movement to extend current regulations allowing remote, in person or hybrid meetings at the discretion of the board or committee through 3/31/2025.

- Mr. Menegoni noted that if he attends remotely he doesn't have access to a camera.
- Mr. Ellis noted that others have concerns about in person meetings.

Tomorrow's Special Town Meeting

- Ms. Little will be doing a presentation with handouts as background for the Screw Pump Project.
- The USDA Rural Development Program, from which we will request a combination of a grant and low-interest (2.5%) loan, has somewhat vague guidelines. The grants range from 0-75% of the total project cost. The low end of 0% is for communities who want access to the loan program but don't qualify for the grant. We were told that a grant of 40% was likely, and we've been using 30% as reasonable estimate. That's as precise as we can get.
- There's also the question of whether and how to use ARPA funds for the project. The Town is required to disclose other funding sources when applying for the grant, and that will reduce the amount eligible for both the grant and loan. So if we allocate \$800,000 of ARPA up front towards a \$2.5M project, the grant amount would be a percentage of 2.5M-800K (1.7M), or \$510,000 if our grant was 30% of the 1.7M. Using these figures, the final allocation would be \$800K from ARPA, \$510K from the USDA grant, and a USDA loan of \$1.19M. On the plus side, we can prepay the loan. But you can't use ARPA fund to pay debt. So our most cost effective option is to NOT use ARPA. Then, again using a 30% grant amount and total project of \$2.5M, we would be eligible for a grant of \$750,000 and a low interest loan of \$1.75M. We could then potentially use ARPA for other projects and use the funds that would have paid for those other projects to prepay the loan.
- Mr. Waryas noted that the meeting materials seemed misleading due to the statement that the Town could pay as little as zero but the materials did not say that the Town could also pay \$2.5 million because there's no guaranteed that we will receive the grant or loan.
- Mr. Ellis clarified that the grant is for up to 30% of project, and what's not covered by the grant would be eligible for a loan at 2.5%. If USDA only provides 0% as a grant, we would look at alternate sources for borrowing. A quick calculation shows that getting a 30% grant and 2.5% loan for the balance would cost around \$66K per year for debt service. This is a lot, but not a game changer.
- Mr. Ellis noted that if the screw pumps fail it's both environmental and economic disaster. Ms. Waryas is not opposed to the article, but just wants to make sure everyone knows we could end up paying \$2.5M.

Local Lodging Tax

- 5 years ago, we adopted the local meals tax and at the same time considered adopting the short-term rental tax. At time it was thought there weren't enough places to stay in Montague and the Selectboard didn't want to discourage visitors.
- Recently the FRCOG shared what other FC communities get from the local lodging tax. Most towns who adopted the option chose to tax at the maximum 6%.
- Because there is also a state lodging tax we know where they locations are, but because of confidentiality we don't know what their revenues are. But Deerfield has 27 units and \$247K in revenue, and Greenfield has 43 units and \$282K in revenue. These revenue amounts could reflect length of stays or volume of activity.

- This may be worth considering as additional revenue source.
- Mr. Ellis's initial thought is that we are outliers. Noted we only have 15 days before warrant closes if there's interest in putting this on the 5/6/23 ATM warrant. Mr. Ellis's concern is around process. We need to have a conversation, and he's not sure if people want to have it in a week and a half.
- Mr. Hanold noted that while we have 23 units, Deerfield and Greenfield have hotels of some size, and doesn't think that Montague would generate as much revenue and that this is not worth pursuing for this ATM.
- Mr. Ellis will confirm whether hotels/motels are included in this data.

Future meeting topics –

- Continue the conversation about use of overlay surplus/free cash and make decision so it can be provided to SB prior to our meeting with them
- Have final vote on Schedules I & II

Topics not anticipated within 48 hours of posting - None

Adjournment

Mr. Menegoni makes the motion to adjourn at 7:47 PM. Seconded by Mr. Bowman, and approved.

Bell-Upp – Aye, Bowman – Aye, Garrison – Aye, Hanold – Aye, Menegoni – Aye, Waryas – Aye,
and Wisnewski – Aye

Respectfully submitted,

Carolyn Olsen