MONTAGUE FINANCE COMMITTEE
Wednesday, April 26, 2023 at 6:00 p.m.
This meeting was held via Zoom and recorded:
https://vimeo.com/821488489

Finance Committee Chair Francia Wisnewski called the meeting to order at 6:00 PM.
Finance Committee members present: Chair Francia Wisnewski, Vice Chair Gregory Garrison, Clerk Dorinda Bell-Upp and members John Hanold, Jennifer Waryas, and Fred Bowman

Finance Committee member absent: Chris Menegoni

Others present: Town Administrator Steven Ellis and Town Accountant Carolyn Olsen

The meeting was recorded by MCTV as well as by Carolyn Olsen.

Meeting minutes:
Ms. Olsen forgot to send out minutes from the last meeting, so they will be approved at the next meeting.

Annual Town Meeting Preparation
Ms. Wisnewski and Mr. Garrison will be unable to attend the Annual Town Meeting.

Ms. Olsen noted that, rather than have each member assigned specific articles to answer questions about, given that historically few questions are directed to the Finance Committee, the Moderator will direct any questions for the Finance Committee to Mr. Hanold, who can answer or redirect the question to another committee member at his discretion.

The only discussion was how to present the Finance Committee's rationale for the recommendations for funding the Other Post Employment Benefits (OPEB) Trust Fund.

Ms. Bell-Upp asked what the presentation for funding OPEB looks like, as she thinks that seems like the most potentially controversial issue. She doesn't feel our argument is clear, and isn't sure we've explained why this is more important than funding something else.

Ms. Olsen plans to make the following points in her presentation:

- We are required to fund retiree health insurance. Whether the liability is funded or not, the town must pay the bill. Capital projects, while no less important, can be often be delayed for at least short periods of time and you can borrow for larger projects.
- The issue of compound interest from invested funds to decrease the future OPEB liability versus the lower cost of borrowing for capital projects may not be important to everyone.
- The main point is we have an incredibly fortunate windfall of both $250,000 of Overlay Surplus and $2M of unused Free Cash. The two main places to put it are the OPEB Trust Fund and the Town Capital Stabilization Fund. After discussing at length how to allocate funds between the two, the committee realized there was no real rationale to split the funds in a specific way. So, the committee made a decision to recommend the annual appropriations from Taxation, put

the smaller Overlay Surplus amount entirely into the OPEB Trust Fund, and split the Free Cash 25/75 with $500,000 going to the OPEB Trust Funds and $1.5M going to the Town Capital Stabilization Fund.

- It's not that there was "we have to put this amount here and that amount there because of XYZ". It was "we have this much available, and we can put it in these two places." We could easily have done a 50/50 split, but we have so many compelling capital needs that it makes sense to put more towards those, but it also makes sense to put as much as we can reasonably afford to into OPEB.

Mr. Hanold noted it is significant that funds into put OPEB may get a higher interest rate, but they can't be reappropriated later. It's a final decision, which is why we're only putting 25% of the Free Cash towards funding OPEB and putting the most significant portion into Town Capital Stabilization. People can talk about what the split should be, but our split is as good as any.

Ms. Waryas is cautious about putting that much into an irrevocable fund.

Ms. Bell-Upp suggested pre-gaming this at the pre-town meeting.

Mr. Bowman feels that there won't be a lot of discussion with the article happening at the end of the meeting.

Ms. Olsen is not inclined to present this as a definite, "this is the only way to do this", but rather as "this is what we recommend, but we understand that some people may prefer a different allocation." It's not a hill anyone's going to die on. The important thing is to put the money into reserves.

Mr. Ellis acknowledged that this is a judgement call and a balancing of interests. Mr. Ellis noted that our total unfunded OPEB liability has actually decreased due to revised valuation requirements. While we've started to tuck money into it, we are only about 10% funded. When it comes down to it, it's a judgement about whether we think this fairly extraordinary windfall allows us to begin to accumulate towards something we know and understand to be a required obligation. There was a time when we were not required to fund the retirement system, but then we were. And there is going to be a moment when they mandate that we fund OPEB. Putting in $50K a year is not sufficient relative to the new liability we're incurring over time. We'd love to take the opportunity to balance our interests and make a little bit of progress rather than slip relative to what those obligations are. If we decide to go about it differently, that's okay. Someday we could take money from Stabilization and put it into OPEB. He doesn't foresee that unless we get a sudden mandate to fund OPEB, and then we might wish we had that money growing over a period of time.

Mr. Hanold is not anticipating a large conversation. His optimism was appreciated. Ms. Bell-Upp remembers her first town meeting having a lengthy discussion about whether to put $100,000 or $200,000 into OPEB and notes that this is a much more significant amount.

Mr. Garrison noted that in the past the town has not been in the financial position to do a lot of anything, especially with capital improvements. We are very fortunate that our current financial situation allows us to do this, and this is good money spent now, because in the future we cannot

guarantee we will have this type of available revenue to fund capital projects or other expenses. At some point OPEB is going to become something that every community has to deal with and will become a bigger issue. We're being very fiscally responsible, the allocation is very justified, and he hopes that the discussion will demonstrate that we have thought about this, we feel that this appropriation is more than appropriate because it shields town in future against those future liabilities that can be very detrimental for the town. Investing today will pay dividends in the future when the town may not be as fortunate in its revenue streams.

Mr. Ellis added that one thing we need to be prepared for is the question of why we suddenly have all this money. He and Ms. Olsen will be prepared to speak to this, and Mr. Ellis noted the extraordinarily unusual revenue in FY22 and that the large Free Cash certification was not a result of overtaxing, but rather unusual phenomena.

Ms. Wisnewski asked if Mr. Hanold, or anyone else, should write an article for the Reporter to provide early information about OPEB and the rationale for the articles. Mr. Hanold agreed to write an article explaining about OPEB in advance of Town Meeting.

Town Administrator Report

- The Selectboard has examined a proposal for American Recovery Program Act (ARPA) spending which includes funding the 3 Clean Water Facility requests currently on the Annual Town Meeting (ATM) warrant. The Selectboard will vote on this at next Monday's meeting, and if approved, a **NO** vote will be requested for those articles at the ATM.
- The Town has submitted a $2M request for direct congressional funding for Combined Sewer Overflow (CSO) improvements.
- Ryan Paxton has been hired as the New Director of Health. His first day will be May 8th.
- Mr. Ellis has been selected to serve as one of 25 members of the Governor's Economic Development Planning Council

Future meetings –

- May 10th - Annual Town Meeting debrief, Reserve Fund Transfers, Ch 44 S33B Transfer, CIC 5 Year Plan presentation, committee transition plan

Topics not anticipated within 48 hours of posting –

Finance Committee Adjournment

Mr. Bowman makes the motion to adjourn at 6:56 PM. Seconded by Mr. Garrison and approved.

Bell-Up – Aye, Bowman – Aye, Garrison – Aye, Hanold – Aye, Waryas – Aye, and Wisnewski – Aye

Respectfully submitted,
Carolyn Olsen