

MONTAGUE FINANCE COMMITTEE

Wednesday, January 24, 2024 at 6:00 p.m.

This meeting was held in person and with public participation via Zoom and recorded:

<https://vimeo.com/906215959>

Finance Committee Vice Chair Dorinda Bell-Upp called the meeting to order at 6:00 PM.

Finance Committee members present: Vice Chair Dorinda Bell-Upp, Clerk Fred Bowman and members Greg Garrison, John Hanold, Chris Menegoni (arrived at 6:11 PM), and Jennifer Waryas

Finance Committee members absent: Chair Francia Wisnewski

Others present: Town Administrator Steven Ellis, Assistant Town Administrator Walter Ramsey, DPW Superintendent Tom Bergeron, and Town Accountant Carolyn Olsen

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

Meeting minutes:

Mr. Hanold moved to approve the minutes of January 17, 2024. Seconded by Mr. Bowman and approved.

Bell-Upp – Aye, Bowman- Aye, Garrison– Aye Hanold – Aye, Waryas – Aye,

DPW Departments FY2025 Requests

Ms. Wisnewski had the following questions:

- A question for the DPW is, in general, if we were promised that with the new facility and in-house budget, there were going to be savings, how are those savings represented in the last year or this fiscal year? Mr. Bergeron said the savings are difficult to calculate as they mostly relate to the extended life of vehicles and equipment which are now stored inside. There are still issues with the mini-split's control system, but this is being worked on and Mr. Ellis added that we are still trying to hold the vendor responsible. Mr. Ellis also noted that there were never any expectations of actual savings on utility costs, as the new facility is much larger than the previous facility, but there is a much higher level of energy efficiency in the new facility.
- Please explain the procurement process that you have carried forward. Are 100% of businesses in the DPW related to businesses and vehicles in compliance with the procurement process? If so, are those lists available to the public? I am interested in this question as I would like to see what happens when an article is approved and how the money was spent on the delivery. I had this question after the conversation about the skid steer terrain vehicle. Mr. Bergeron replied that the town uses state bid lists when purchasing vehicles and equipment. He also tries to keep the same brand and model where he can as this provides efficiency by being able to use the same parts for multiple vehicles. Mr. Ramsey noted that there are multiple state bid lists with individual requirements, so there is more to the process than just selecting an item from a list. Mr. Ellis added that the Governor has recently proposed reforms

to the state procurement laws. Mr. Ellis stated that the town has not maintained a separate list of bid awards.

- Mr. Menegoni arrived at 6:11 PM.

Ms. Bell-Upp asked if the \$90,000 request for a Skid Steer included any attachments. Mr. Bergeron said that it comes with the bucket. The intent is to buy forks and mowing heads from other funding sources as needed.

Ms. Waryas asked if the relining of manhole covers and sewer pipes would be a continuing project, and if so, whether the cost would be included in the operating budget going forward or continue to be individual special articles each year. Mr. Bergeron stated the immediate need is for emergency repairs, but it is an ongoing project and he is trying to get a cost for doing most of it at once. Mr. Ramsey said the Capital Improvements Committee (CIC) had identified the need for sewer lining and the current plan is to do a sizable chunk each year until it is completed but is still scoping how much the full project will cost. The CIC is also looking into the option of doing this as one large, bonded project so that the cost can be spread over more years.

Ms. Waryas asked about the level funding of gas and diesel given the currently low cost of fuel. Mr. Bergeron explained that the town participates in annual fuel bids through the Franklin Regional Council of Governments (FRCOG.) When there are large fluctuations in fuel prices this can strongly favor either the vendor or the towns. In these cases, it is not uncommon for the FRCOG to work with the vendors to smooth out the bumps and generally both sides are willing to adjust the price.

Mr. Hanold noted that there are still several vacant positions and asked what contributes to the turnover. Mr. Bergeron said that employers like Warner Brothers Construction and Mass DOT are also hurting for employees and have increase their starting wages to \$28-\$29 per hour. The town has lost 2 employees to Warner Brothers and 3 to Mass DOT in the last few years. Mr. Bergeron hopes that the newly requested position of Truck Driver/Laborer in training will help the town to fill the vacancies. The new position would not require a CDL at hiring but would allow the person to work for the town for six month and, if they appear to work out well, the town will then pay for their CDL training. Mr. Ellis added that towns used to be able to do their own training, but the state now requires the training to be done by a certified school.

Town Administrator Updates:

Mr. Ellis noted that there are still a few significant budget numbers that are not final. The Franklin County Technical School assessment, health insurance costs, and the Inflow & Infiltration assessment are still unknown, but we should most of these numbers within a few weeks.

The Governor is committed to using Fair Share revenues to extend funding of Chapter 90. This year Mr. Bergeron plans to use up to \$178K for guardrail replacement and to purchase a new steam roller ahead of its planned replacement to allow the DPW to work on the summer paving project.

Ms. Bell-Upp asked if the butler building by the town hall could be reused, perhaps by the CWF or Airport, after it is removed for the town hall parking lot project. Mr. Ramsey said the only thing of

value is the 40-year-old frame and noted that it would be quite expensive to move the building when compared to the cost of a new building with a warranty. Mr. Ramsey added that the Farren garage would be a much better option for the CWF needs. Mr. Ellis added that the building was offered for free to several local towns, two of which took a look at the building. There were no takers.

Airport Revenue Shortfall Issue

As a follow-up to last week's discussion, Mr. Ellis presented two options for FY24 and FY25 (see below), using the amount of \$172K as the total needed for FY24. This amount includes an additional \$10K to increase the Airport budget. Both options for each year provide the same total revenue assistance, but the sources differ. The simpler option is to entirely use Free Cash for FY24 and Taxation for FY25 and beyond. The second option, which Mr. Ellis prefers, funds the capital outlay budget with Town Capital Stabilization Fund and uses Sale of Real Estate to fund that portion of the Pioneer Debt Service not already funded by the FAA Grant. Using multiple revenue sources allows more flexibility to use Free Cash for other needs in FY24 and reduces the potential need to use additional taxation in FY25.

Mr. Hanold is attracted to using multiple funds as it reduces the impact to Free Cash, but asked if the other sources would continue to be used going forward. Mr. Ellis said that the debt cost would be ongoing and that the capital outlay cost would increase to \$18,125 in FY25 before jumping to \$130,000 for FY26. Those two capital costs would complete the current project, but that does not mean there would not be more projects in future years.

Mr. Hanold doesn't like the idea of shielding bad news from the town in general by squirreling away reductions in Capital Stabilization or other funds and prefers funding from Taxation.

Ms. Bell-Upp prefers the mixed funding source approach for FY24 and maybe funding fully from taxation for FY25.

Mr. Garrison agrees but is concerned with getting clarity on the long-term costs of operating the airport. Feels like the solar lease was a hail Mary pass that failed.

Ms. Waryas was in favor of the Pioneer property purchase, but the airport seems to be needing more and more each year and asked how we keep it fiscally responsible.

Mr. Hanold noted that this is a sensitive issue for many people and may need additional explanation.

Mr. Bowman asked how long this situation would last. Mr. Ellis said it would last for several year as expenses continue to rise. Mr. Bowman said it would once again be important to explain to Town Meeting why we can't just shut down the airport.

Eversource Interconnection

Mr. Hanold asked if there was any likelihood that Eversource would adapt its point of view regarding who pays for these interconnection costs. Mr. Ellis said that legislators are concerned that interconnection and capacity issues in general will get in the way of the state's move to clean energy. Mr. Garrison explained that current tariffs, which are legally binding documents, meaning any changes

to the tariff have to go through the Department of Public Utilities (DPU) and noted that some legislation passed in 2022 is still being reviewed by DPU over a year later. The utilities are allowed to charge a developer for the infrastructure upgrades that are required to site the system, not only to absorb the energy from the system but also to upgrade all of the infrastructure associated with it, which is how you end up with a \$16M bill. They want to put in a new substation, they want to put in new feeders and anything else so they can have the whole thing taken care of and they don't have to put it on their books, which also means they don't have to pay the taxes on the value of the improvements. This is a common tactic even with smaller projects. Mr. Garrison noted that the best opportunity to move forward with this project would be for the utility to agree to a much smaller upgrade rather than redoing the infrastructure for the entire industrial park. There may be a solution without tying into the industrial park loop.

Regarding the effect on the FY25 budget, Mr. Ellis said the arguments are similar, but that if we increase the total amount of taxation to be used it has a commensurate impact on the Affordable Assessment. This would be beneficial to the school district but require more use of the Excess Capacity.

Mr. Ellis noted that using Town Capital Stabilization for the town share of the airport's project would be within the intended use of that fund and will also make it easier to absorb the cost when it goes to six figures.

Mr. Menegoni said he wasn't happy when the town had to pay \$14K from taxation for the airport but was happy to later hear that they were going to be self-supporting. A 95% match for projects is a great deal, but this sudden significant funding need feels like we were sold a bill of goods. Mr. Menegoni understands that the airport has to be functioning, but we need to look at what is really necessary in terms of upgrades. It looks like large amounts of taxation funding aren't going to go away.

The committee is generally in favor of using the multiple sources for FY24. Ms. Waryas doesn't care which method is used but wants to be more visibly transparent and thinks that the single source option would provide that.

Mr. Menegoni suggested a compromise for FY25 which would just fund part of the Pioneer debt service from Sale of Real Estate, with the rest from taxation.

Ms. Waryas asked what would happen if Town Meeting failed to approve the additional funding for the airport. Ms. Olsen explained this would preclude the Finance Committee from transferring any Reserve Funds to the airport, or making any end-of-year transfers as the Finance Committee cannot go against the vote of Town Meeting. If Town Meeting refused to make up the lost revenue, there would be a revenue deficit at the end of FY24 which would have to be funded, most likely via taxation, as part of the FY25 tax rate setting process. This would negate the effect of a town meeting vote against funding the revenue shortfall and would effectively cause a double whammy, adding funding the FY24 airport shortfall to the taxation share of the FY25 airport budget, all in FY25. Ms. Waryas noted this was an important piece of education for town meeting members. It was suggested that this information be made available for town meeting members.

Mr. Hanold suggested deferring the discussion of FY25 airport funding to the February 21st meeting with the Airport Manager.

Mr. Ellis stated that an amended Selectboard budget will be voted on Monday.

Topics not anticipated within 48 hours of posting: none

Finance Committee Adjournment

Mr. Bowman makes the motion to adjourn at 7:56 PM. Seconded by Mr. Hanold and approved.

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

Respectfully submitted,
Carolyn Olsen

Next Meeting – January 31, 2024 - CWF

Documents and exhibits:

Minutes of January 17, 2024

DPW FY25 Budget Requests

FY24 and FY25 Revenue Options for Airport

FY24 Airport Revenue Shortfall: Gap Funding Option 1 (Mixed Sources)

March Special Town Meeting Action

Description		Free Cash	Airport	RRA Sale of	Town
			Retained Earnings	Real Estate	Capital Stabilization
STM	Balance before meeting	497,041	1,263	575,445	2,720,261
	PY Out of Grade	(1,974)			
	PY Longevity	(300)			
	Bldg Insp Budget	(8,481)			
	Selectboard Budget	(23,000)			
	Funds for Airport Unexpected Expenses (SB Vote)	(10,000)			
	Transfer to Airport for Capital Outlay				(10,000)
	Transfer to Airport for Debt			(24,261)	
	Transfer to Airport (Rev Deficit)	(128,000)			
	WW Asset Vulnerability Study (\$150k source TBD)				
	DPW Skid Steer				(90,000)
	Ferry Rd Culvert				(220,880)
	Reserve for ATM - funds not yet assigned	(300,000)			
	Ending Balance	<u>25,286</u>	<u>1,263</u>	<u>551,184</u>	<u>2,399,381</u>
	Additional Revenue to Airport	(172,261)			
<p>Free Cash = Unrestricted funds from operations of the previous fiscal year that are certified by the Director of Accounts as available appropriation. Remaining funds include unexpended free cash from the previous year, receipts in excess of estimates shown on the tax recap, and unspent appropriations.</p>					
<p>Stabilization Fund = A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose.</p>					

FY24 Airport Revenue Shortfall: Gap Funding Option 2 (All Free Cash)

March Special Town Meeting Action

			Airport		Town
			Retained	RRA Sale of	Capital
Description		Free Cash	Earnings	Real Estate	Stabilization
STM	Balance before meeting	497,041	1,263	575,445	2,720,261
	PY Out of Grade	(1,974)			
	PY Longevity	(300)			
	Bldg Insp Budget	(8,481)			
	Selectboard Budget	(23,000)			
	Funds for Airport Unexpected Expenses (SB Vote)	(10,000)			
	Transfer to Airport for Capital Outlay	(10,000)			
	Transfer to Airport for Debt	(24,261)			
	Transfer to Airport (Rev Deficit)	(128,000)			
	WW Asset Vulnerability Study (\$150k source TBD)				
	DPW Skid Steer				(90,000)
	Ferry Rd Culvert				(220,880)
	Reserve for ATM - funds not yet assigned	(300,000)			
	Ending Balance	(8,975)	1,263	575,445	2,409,381
	Additional Revenue to Airport	(172,261)			
<p>Free Cash = Unrestricted funds from operations of the previous fiscal year that are certified by the Director of Accounts as available appropriation. Remaining funds include unexpended free cash from the previous year, receipts in excess of estimates shown on the tax recap, and unspent appropriations.</p>					
<p>Stabilization Fund = A fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose.</p>					

FY25 Airport Revenue Shortfall and Payment Options
Annual Town Meeting Decision

Airport FY25 Budget and Revenue Data 01.16.24

600 482 Airport	258,917
600 700 Airport Debt	102,775
600 900 Airport Benefits	61,201
Total	422,893
Expected Revenues	286,043
Budget Gap	136,850

Possible Sources	Taxation	RRA Sale of Real Estate*	Town Capital Stabilization**
Option 1 (Blended)	98,309	26,041	12,500
Option 2 (All Taxation)	136,850		

* FY25 Pioneer Aviation Purchase Debt Payment less grant is 97,045 - 71,004 = 26,041 Airport Net Debt Balance

** FY25 Capital Outlay for Grant Match on Airport Improvement Project is \$12,500

Affordable Assessment Impact		Added Taxation	Required	Total EC
<i>Available taxation as of 01.22.24</i>		Required	AA Increase***	
Current Estimate Available Taxation	76,916			
Required Taxation Option 1 (Blended)	98,309	21,393	20,147	41,540
Required Taxation Option 2	136,850	59,934	56,443	116,377

*** 48.5% of revenue required by Affordable Assessment rules.