

JOHNSON SELECTBOARD MEETING MINUTES
JOHNSON MUNICIPAL BUILDING
MONDAY, JANUARY 22, 2015

Present:

Selectboard Members: Kathy Black, Nat Kinney, Doug Molde, Eric Osgood, Howard Romero
Others: Duncan Hastings (Manager), Rosemary Audibert (Clerk)

Note: All votes taken are unanimous unless otherwise noted.

1. Call to Order

Eric called the meeting to order at 4:11.

2. Additions, Changes to Agenda

No changes were suggested.

3. Review of First Draft Town Budget

Duncan showed an example of a summary page that could be included in the town report. Board members thought it looked great. Kathy wondered if it could be condensed even more. (*Nat arrived at 4:16.*) Eric suggested going with this for this year and seeing what feedback we get.

Duncan said since the last meeting he had Susan go through the budget spreadsheet carefully. She found a couple of errors that unfortunately decreased cash on hand when corrected. He hadn't had the correct estimated year end figures for retirement and social security. Other than that, there were just a couple of small changes with little impact.

This budget has us bringing in \$25K from the bridge and culvert reserve fund to offset expenses for the Coddling Hollow and College Hill work. We will be reimbursed for most of those expenses. We would use \$12K from the bridge and culvert reserve fund to offset 50% of our 20% match for the College Hill structures grant and \$13K to offset Coddling Hollow engineering costs.

Kathy asked if that is how we would normally pay the match on a structures grant. Eric said this is probably the first year we will do a project that doesn't have a fund dedicated for that project. Eighty-two percent of the Coddling Hollow expense will be reimbursed, but he doesn't know how long it will take. Kathy said the Coddling Hollow work was unplanned and due to an emergency, so tapping into the bridge and culvert fund makes sense, but the College Hill work is something we planned. When we voted to do that, where were we thinking the money would come from? Duncan said we submitted the grant application and didn't discuss where our match would come from. We can reimburse the bridge and culvert fund. Eric said typically we would use our construction line item. Duncan said past grants have been much smaller, however.

Duncan said this budget still has the town raising the full amount for the principal and interest on the Historical Society building. The Historical Society has not formally voted on it but Dean has informally polled members and everyone is comfortable with contributing 50% this budget year if it is needed. If the Historical Society makes that contribution then he

would add about \$26K in income. Doug said he thinks it would be good to present to voters that the Historical Society has started paying for the house and it would work well with the budget. He thinks it would be good for the Historical Society not to defer payment. Others agreed.

Duncan said that change to the budget has a real impact on taxes. It changes the percentage increase in taxes to 4.1%. For a \$100K house, the tax increase would change from \$40.62 to \$28.17. The budget percentage increase would stay the same, but revenue would increase.

Duncan noted that the base paving budget was increased from \$90K to \$100K. Then the Class II paving grant money we know we will get was added. If we want savings, we could take out the \$10K increase.

Eric said we had talked about reducing the capital equipment fund contribution by \$5K because the balance is looking good. He said estimated cash on hand is slowly getting to the point where it will be almost nothing. The estimated year end balance is \$59K. If we don't have that amount left over it will be too late to make a correction and we will have to make a cut from the budget. We haven't contributed anything to the tax anticipation reserve fund in recent years. If we dedicated something to that fund in the budget, then if we came up short of cash we could make a transfer from that fund. There is \$192,933 in there now, which is less than the 10% maximum we can have.

Duncan said we haven't had to tap into the tax anticipation reserve fund. His recommendation is to budget a general contingency amount annually. Eric asked, if we have the tax anticipation reserve fund, do we need a contingency fund? Or can we use the tax anticipation fund as a contingency fund? The tax anticipation fund was set up because we don't have tax revenues coming in until August, but bills start coming in July 1. The fund could be used to pay bills before taxes come in. Then when taxes come in, the fund could be reimbursed. Rosemary said she does use the fund for that purpose. It is part of cash on hand. By law, we could have \$250,400 in it. Kathy said the tax anticipation fund prevents us from having to go to a credit line, but with the cost of borrowing does it make sense to have that much in a reserve fund not earning interest? Duncan said he doesn't think it matters a lot whether we use a contingency fund or the tax anticipation reserve fund. The board proposed to voters having no more than 10% of budget in the tax anticipation reserve.

Eric said Duncan has to estimate year end cash on hand 6 months out. We are planning to dedicate all our cash on hand to reduce taxes. If we end up with no cash on hand there won't be time to correct it. Duncan said in that case the money could come out of the tax anticipation reserve fund. Doug said he doesn't understand. He thought the tax anticipation reserve fund was available as a bridge loan and had to be reimbursed the same year from taxes. Is it part of our budget that we can spend down? Duncan said he thinks we can use it if we get to the end of the budget year and are short on cash on hand. Kathy said if that is the case it doesn't seem necessary to set up an additional contingency fund.

Duncan said many, if not most, towns do not have the luxury of having a reserve fund for that purpose. If we didn't have that fund, he would definitely encourage a contingency fund.

If it is not used it is returned to taxpayers or rebudgeted. We have had both healthy surpluses and a reserve fund amount. But soon we will no longer have the surpluses to offset the amount to be raised by taxes.

Doug suggested that we could leave in the \$5K for equipment and the other \$10K that had been mentioned as possible reductions and treat it as money we might spend but don't have to. Kathy asked how many emergency funds we have. Duncan pointed out the different funds listed at the bottom of the budget. Kathy said those are all a cushion for the unexpected.

Kathy asked how it would affect the tax rate if we cut the \$15K that had been discussed earlier. Eric said \$20K is about a penny on the tax rate. Duncan said if the budget were cut by \$20K that would be a 2.7% increase (1.87 cents) over the previous year. That assumes the article for the Clarina Howard Nichols center increase will be approved.

Duncan said we could drop \$10K from the paving budget. Steve wanted \$30K under capital construction for mud abatement and he dropped that to \$25K. Kathy said we know whatever we spend on mud abatement will reduce spending in the future – or is that the case? Duncan said he is sure we would have put many yards of material on French Hill if we hadn't done the mud abatement work there. Kathy said she wouldn't cut that budget item because it will save money in the future. Duncan said he doesn't think it would hurt at all to drop the contribution to the capital reserve fund from \$95K to \$90K. We could take \$10K out of paving but he hates to advocate for that. Eric said we are losing ground with paving and need to do more. Duncan said if the budget is reduced by \$10K that is a 3.4% increase.

Kathy asked if there are any places we might have underestimated income.

Duncan said Steve asked for an increase from \$8300 to \$10K for tree and brush trimming. We could probably cut that back a bit. Nat asked why that line item is more than it used to be. Duncan said Steve is contracting out more of it. Nat asked why. Duncan said there are areas where we have a lot more guardrail than we used to and we can't use our equipment where there are guardrails.

Doug said he thought it would be good to get the budget increase below 3%. Duncan said if we found \$15K of savings the increase would be right at 3%. Eric suggested reducing the capital equipment fund contribution by \$5K and reducing paving by \$5K. Rosemary said we could probably add some to delinquent tax penalty and interest. That added \$5K to revenue. Duncan said he thinks we could reduce the amount budgeted for culverts based on the 5-year average of expenditures. All the changes discussed resulted in a budget that would mean a 2.7% increase in the tax rate (1.87 cents.) The total tax bill on a \$200K home would increase by \$37.50.

Doug moved and Howard seconded to approve a budget of \$2,490,023, resulting in an estimated 2.7% change in the tax rate, authorizing Duncan and Rosemary to make small adjustments or corrections as long as these minor changes do not increase the tax rate by more than 0.1 percent, and the motion was passed.

The board reviewed a draft warning for town meeting. Duncan said he spoke with Dave Barra about tax exempt status for Holcomb House and Dave Barra suspects Stearns Allen is right and the non-public use part of the building can be taxed. If the voters to approve tax exempt status we will still have to pay the school tax.

It was agreed to include an article asking the voters to hear a report from the committee on form based code.

Duncan suggested wording for an article about tax exempt status for Holcomb House. He said he doesn't see any harm in asking voters to exempt the whole parcel. The board agreed to that. Duncan said he will run it by Dave Barra. If the article doesn't pass, Duncan thinks the listers would be at liberty to assess 100% of the school value and he thinks they would probably follow Stearns Allen's advice and tax the non-public part for town taxes. He thinks the school tax will still be due whether or not it is voted tax exempt. Kathy asked, is it correct that 80% of the building is exempt already from school tax, and that we can only ask the voters to make the other 20% exempt from town taxes, which is money we pay ourselves so we would save ourselves only paperwork, but there is no way to exempt the 20% from school taxes? Eric said he believes that is correct. Duncan said he thinks part of the reason for asking the voters to approve tax exempt status is that it gives the listers clarity. Eric asked if the reason the apartments are not tax exempt is that they are revenue generating or if it is because they are not used for public purposes. Duncan said it is because they are used for other than public purposes. Duncan said he thinks without tax exempt status the listers could assess 20% of the value of water, sewer, etc., though he doesn't think they would.

Kathy moved to approve in concept an article asking the voters to approve tax exempt status for the Holcomb House, either referring to the whole property or the commercial part only as advised by our lawyer, with language to be updated prior to printing based on legal advice, Howard seconded, and the motion was passed.

Kathy moved to approve the town meeting warning as presented, with the final wording of Article 8 to be determined as expressed in the previous motion, Nat seconded, and the motion was passed.

4. ***Adjourn***

The meeting was adjourned at 5:52.

Minutes submitted by Donna Griffiths