

JOHNSON SELECTBOARD MEETING MINUTES
JOHNSON MUNICIPAL BUILDING
MONDAY, OCTOBER 1, 2018

Present:

Selectboard Members: Mike Dunham, Doug Molde, Kyle Nuse, Eric Osgood

Others: Brian Story, Rosemary Audibert, Duncan Hastings, Walter Pomroy

Note: All votes taken are unanimous unless otherwise noted.

1. *Call to Order*

Eric called the meeting to order at 7:00.

2. *Additions, Changes to Agenda*

Doug added discussion about looking at the village charter and deciding what we think works and doesn't work with that. Mike said he wants to talk about merger study timing.

3. *Recreation Committee Soccer Tournament Donation Letter*

Brian said the Recreation Committee regularly asks for donations from local businesses. A few businesses have asked for something more formal, expressing concerns that the Recreation Committee might be keeping or reselling the donated goods. He felt a letter from the town might carry some weight. He showed the board the letter he had drafted supporting the Recreation Committee's requests for donations. Doug had a wording suggestion. The board agreed Brian could send the letter.

4. *Review Revolving Loan Fund Guidelines*

Eric asked if the state is comfortable with where we are. Duncan said he and Brian haven't had further conversations with them, other than an email exchange when Duncan asked if they had a formal definition of working capital. They don't. They specifically include equipment purchase as working capital in their documents.

Duncan said he wants the board to review the most recent draft of the guidelines and then he recommends it be sent to the Vermont Community Development Program and John Mandeville. He also created 3 application forms, one for housing related loans, one for business working capital only and one for business loans that would be beyond working capital.

Walter said he would be interested in seeing the forms. He feels the town and village should be using the same application forms.

Duncan reviewed the draft guidelines. The first significant changes are under the Purpose section. Duncan broke it down by loan type. For housing related loans his intent was to be clear that the funds would only be used in situations where the applicant made an application and got preliminary or conditional approval from another funding entity. Our funds could be used to supplement other funds or in some cases we could loan the full amount. The applicant has to go through an entity empowered to deal with these loan applications. If they do they will pretty much automatically be meeting the minimum requirements for use of federal money. That takes out all of the major work of loaning to an individual. That was a strong recommendation from VCDP.

Doug asked if housing, business, economic development and disaster recovery are the only areas we loan for. Duncan said pretty much. Doug said he wonders if we should say that. Duncan said he thinks that is a good point. We could make a statement at the beginning of the purpose statement saying which areas we loan for.

Walter said the downtown center designation allows people to get tax credits rather than loans. He wants to make sure a business like Marvin's would be able to use the town fund if they were only getting tax credits. That is not really a loan but it has to go through a state process. Can the wording allow for that too?

Brian said he doesn't think the tax credits have the same reporting requirements. Walter said you have to apply to state agencies and they have to approve the project. Brian said we want to tie onto someone else who is insuring that specific requirements for housing loans are met. He thinks it is worth finding out for sure but he doesn't think tax credits have to meet those federal requirements because he doesn't think federal funding is involved.

Duncan said the guidelines say if a project doesn't comply with federal requirements the applicant must show how the loan will comply with the requirements. His guess is if that if someone were doing a project with a significant housing component they would be looking for as many other funding sources as possible and one of them would probably be what we want. He doesn't know that we need to differentiate between loans and tax credits. Tax credits are technically not a funding source but a way to reduce the project cost. He feels Walter's point is a good one but he is not sure this document needs to differentiate.

Doug said the guidelines say the applicant has to show us how their project qualifies. Isn't that where we don't want to be? Duncan said if an applicant looks at what they have to demonstrate they will most likely decide it is not worth their time. Walter said they are likely to go to the village first. His worry is if the project is too big and the village can't handle it. Duncan said if it is that big he believes they would be looking for funding from some other entity and then that would free up the funds.

Duncan said we might at times want to loan someone the entire amount needed for their project after they met the qualifications and received approval for funding from another source but were not going to get the money for a while. They would have demonstrated compliance with all federal requirements. This draft does allow the town flexibility to pay all or a portion of funding.

The biggest change is in the Business, Economic Development and Disaster Recovery Loans section. The Vermont Community Development Program strongly encouraged smaller loans for working capital only. Duncan's suggestion is to have the definition of working capital be fairly broad so the town can be as generous as possible with those loans. Loans for \$5-20K would be only for working capital. For loans of \$20-50K there would be the potential for the applicant to say they were willing to go through all the reviews needed to get a loan for something other than working capital. The town would still want to encourage loans for working capital in those scenarios and many people won't want to jump through the hoops for anything else. Federal funds can't be used for direct construction related activities but someone could have several sources of funding with our revolving loan fund only for the working capital part of the project.

Eric said anyone who would come for a loan for development on the Jewett property will probably be a startup business. Moving would be a major investment. More than likely they would have already gotten other loans that put them in compliance with state and federal requirements. Duncan said they would probably have gone through a fairly significant level of review if any federal funds were involved. Eric said he wants the guidelines to be generous enough that our hands aren't tied for anything related to the Jewett property. We want to be able to use the revolving loan fund to help the industrial park be successful.

Duncan said he would think working capital probably could not ever be considered part of a startup business. Doug asked why a startup business couldn't have working capital. Walter said he disagrees with Duncan's definition of working capital. He feels working capital is what you need to fund operations. If you are opening a restaurant you need inventory on the shelves and money to pay the cook even before you open your doors. You need to buy napkins. All that is working capital, whether for a startup or an existing business.

Doug suggested saying we can loan to help businesses retrofit, open or expand. It seems to him than an expansion of an existing business with a track record may be more likely to be successful than a startup.

Walter said the downside of loaning for working capital is that that is what our collateral will be. We can't get back paychecks that went to employees. We will be last in line behind equipment companies, etc.

Mike said Duncan had mentioned people not wanting to go through the hoops and probably going elsewhere for funding. So why are we even bothering with this in the first place? Duncan said what will attract someone is the interest rates and the availability. A conventional lender may not be convinced they will get their money back. Mike said we aren't either. Duncan said the difference with us is that the money we are using is money we got because we took a chance on making a loan. The purpose of the money is try to put it into the community and try to make businesses grow.

Kyle said her feeling is that we should be a little bit more lenient about our working capital definition and leave it to the review committee to make the final decision and not make it too hard for a startup to get a loan.

It was agreed to include "or a business startup" along with the language about funding enabling a business to retrofit or expand.

The guidelines say the minimum loan amount is \$5K but Duncan put in a footnote saying that loan requests for amounts under \$5K are strongly discouraged but may be considered. Loan requests under \$1K will not be considered. Eric said he found the wording a little confusing. It may need some changes.

Duncan said he incorporated John Mandeville's suggestion regarding loan rates. John strongly feels the loan terms are too generous. Duncan explained to him that the purpose of this is not for the fund to make money but to get the money out into the community. John's comment was that

the loan fund won't keep up with inflation. Duncan suggested saying that in no case would the loan rate be less than the rate of inflation over the previous 12 months. John thought that would be better. This draft says that interest rates shall not be less than 1.5% but the rate also shall not be less than the previous 12-month average rate of inflation as measured by the Consumer Price Index of the Bureau of Labor Statistics unless specifically approved by the selectboard.

Doug asked if the second bulleted item under Rates and Terms applies to small loans as the first item does. Duncan said yes. Brian suggested we might want to change the format of that section, separating out things that apply to small loans, large loans and all loans.

Walter said if interest rates were going up this loan fund could be a great tool to keep businesses moving forward. He suggested that the board think about that if they want to keep this language in.

Doug asked what we mean by Johnson residents and businesses. Eric said that means the building they are getting the loan for is physically located within Johnson. Duncan said there could be a landlord who owns properties in Johnson and lives in Hardwick. His take is that it's the property the loan is for, not the residency. Doug said the business could be headquartered in Johnson but all the jobs could be elsewhere. Walter said in that case the town might say no to the loan. Brian said he thinks we are protected by the line about the loan being for the betterment of the community if someone who is technically a resident wants money for something we don't think serves a community purpose.

It was agreed that Duncan should make the changes discussed and then the document should be sent on to the state.

5. *Review Revolving Loan Fund Applications*

Duncan developed 3 draft applications for different purposes. Doug said he would defer to John Mandeville's opinion on the applications. The board agreed to seek review and comments on the applications from John Mandeville.

Walter said the town needs some application information that the village doesn't need but he doesn't want different forms. The forms could be rearranged so applicants could skip certain parts if they were only applying for a village loan.

Eric asked if the village has given thought to using John Mandeville for loan administration. Walter said the basic feeling of the trustees is that they would rather keep it in-house but they definitely want to make sure it is clear to John and the loan review committee that the village wants to be part of the process, especially for larger projects. For many projects Brian may steer people to the village first.

Duncan said he wanted to have a checklist for those who need all the reviews because they are applying for a larger loan. He wants to give people an explanation of what all the reviews entail. That could save Brian time explaining it to people. Eric said it is also helpful to the applicant. Kyle agreed.

Duncan suggested deferring work on additional forms until we get feedback on what we have.

It was agreed that Brian will send the guidelines to the state and John Mandeville and the application forms to John Mandeville. Duncan asked if he should be in the email loop in case the state recommends changes. Eric said yes. (*Walter left at 8:07.*)

6. Discussion on Village Charter and Merger Study

Doug said we are planning on hiring someone to study the merger question. The village trustee minutes indicate the village is interested in amending the village charter. He thinks the two things should be symbiotic. He thinks if we are going to continue without a merger the village charter should not be as dysfunctional as the current charter. If there is a merger that might necessitate charter amendment.

Mike said we have done nothing as far as the merger study. We have to get it moving. Brian said he drafted an RFP but there wasn't agreement on it and he hasn't devoted enough of his energy to move it ahead. Mike said the vote was clear. We have to have something for the town for town meeting day. Brian said his goal is to have an updated RFP that at least he and Meredith can agree on. They haven't been able to agree.

Mike said he doesn't think this should be predicated on the village. They will drag their feet as much as they can. We have to do something without them. Doug asked, aren't they contributing money too? Brian said they are. We don't want to end up with each entity funding a separate study. Our mandate is very broad. We have to do something about it and we don't have a cap. We should take a more active leadership role than we have done so far in drafting the language. Brian and Meredith have each come up with a draft RFP and neither liked the other's language. Meredith is also on board with having an RFP to give to both boards in October.

Eric said he thought looking at a charter change was putting the cart before the horse. There might not be a charter if the town and village are going to merge. If they do not merge then the village can go forward with the charter change.

Doug said there is discussion about charter changes in the village so even if we think it is premature we should discuss now how we would like the village charter to be different. Perhaps we could have agreement that there will be no movement towards making the charter change until we have decided about a merger.

Brian said he thinks the village's discussion of changing the charter started with the compost facility. There was an issue with the charter. Mike said he thinks it started when a selectboard member wanted to be on the trustee board. Donna suggested that selectboard members read the trustee board minutes for a better understanding of the reasons behind the village's interest in a new charter.

Duncan said the village bylaw language regarding the water and light commissioner is problematic with regard to Meredith. His suggestion was to amend the bylaws. But that is not a charter change. When the village was looking at changing the way officials were elected the village's attorney said the trustees alone could amend the bylaws. Duncan questioned that. That would mean they could change the bylaws to allow life appointment of trustees or to say that trustees don't have to pay taxes. He asked the trustees to have their attorney revisit that opinion. To his knowledge they never did that. He completely disagrees with the village attorney's opinion that the village doesn't have a charter because it isn't in the book. Duncan feels they do

have a charter. They don't have one in the sense of modern day charters. But all of the things they refer to as the charter were adopted by prior legislators. Doug said collectively this is a charter. Duncan said there is nothing that can be undone about it. It sets the parameters under which the village operates.

Doug said he feels we should work on the merger study and find out if the trustees intend to pursue changes to their charter. If they do that prematurely, before the merger study, we should be prepared.

Eric said he understands that the discussion about the charter change was happening even before the merger question came before the voters. He understood that the village was going to try to get a citizens' committee together. That hasn't happened. The village charter impacts the town.

Duncan suggested it would be worth getting a legal opinion on what role the town would have in a revised village charter. For instance, if the village decides they wanted 25% of the grand list can they just go to the legislature with that or does the town get to weigh in? Eric said they can go to the legislature with that. So far when the legislature has heard different opinions from a town and a village they have declined to do anything. They have said the town and village need to agree. If the town comes with an opposing view to some part of the proposed village charter he guesses the legislature won't adopt it. We will know about it and will be there. What the legislature approves doesn't have to be what the village presents. They can approve anything. It is political. Duncan said he thinks it would be prudent to understand exactly what that process would entail. And to have a position, said Doug.

Eric said he thinks the charter question should come after the merger question. Doug said it should, but that's not in our control. Duncan asked if it would be possible to formally ask the trustees to postpone their discussion on charter changes until the merger question is settled. They could spend a lot of time on the charter and then find out that there is a lot of interest in a merger. Eric asked Brian to talk to Meredith and say that the selectboard wants to move on the merger study and ask if she can say where the village's discussion on the charter is and what their timeline is.

Duncan he is willing to help with any questions about the statutory provisions of the charter. He has good knowledge about that document. (*Duncan left at 8:28.*)

7. *Executive Session to Review Attorney Communication*

Mike moved to go into executive session to review communication with the town's attorney, inviting Rosemary and Brian to remain, under the provisions of 1 V.S.A. § 313(a)(1) because premature disclosure of the communication could disadvantage the town, Doug seconded, the motion was passed and the board entered executive session at 8:29. The board came out of executive session at 8:45.

Brian was instructed to update the letter to Dollar General regarding their sign.

8. *Adjourn*

The meeting was adjourned at 8:46.

Minutes submitted by Donna Griffiths