

JOHNSON SELECTBOARD MEETING MINUTES
JOHNSON MUNICIPAL BUILDING
FRIDAY, JANUARY 20, 2017

Present:

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

Others: Brian Story (Manager), Rosemary Audibert (Clerk)

Note: All votes taken are unanimous unless otherwise noted.

1. Call to Order

Eric called the meeting to order at 4:03.

2. Additions, Changes to Agenda

At Eric's suggestion, the board agreed to reverse the order of the items and discuss the budget first.

3. Review the 2017-2018 Budget

Eric said Brian, Duncan and Rosemary got rid of most of the \$200K surplus Brian had previously predicted for the end of this fiscal year. The budget being presented tonight does not include a fifth highway department employee. Eric told Brian not to include that cost. With the increase we are looking at, he doesn't see how we could have gone to the voters with that. Brian had previously included both the expense of reopening the gravel pit and the expense of buying gravel, in case we were unsuccessful in reopening the pit. This version of the budget does not include the cost of buying gravel. Eric said the anticipated amount of cash on hand at the end of the year is \$125K. It is proposed to use \$107K of that to reduce taxes, to put \$7K into the tax anticipation reserve fund and to hold back \$10K as undesignated in case estimates are off. The increase in the amount to be raised by taxes is about \$50K, which represents about 2 and a half cents on the tax rate.

It would add about \$75K to the budget if we wanted to add back salary and benefits for a fifth highway department employee. Kyle asked if Brian Krause is okay with not budgeting for a fifth person. Brian S. said yes, he talked to him about it. Both of them are pretty comfortable with this. The need for a fifth employee will come up soon. We don't have enough people now to do all the work we have to do. But we haven't written a work plan yet for the Municipal Roads General Permit so they don't feel we can easily justify to voters the need for a fifth employee. We are ahead of the state average on developing a plan. It should be okay to delay hiring a fifth person until the next budget year. But Brian thinks by the next budget year we will no longer be able to avoid it. Eric said he thinks we should inform voters at town meeting that we expect we will have to increase highway department expenses for next year.

Brian reviewed budgeted revenues. He budgeted \$3K for overrun stone income, a little low compared to past years. He expects us to be able to get into the gravel pit in the next fiscal year but we might not have a full fiscal year with it. Our reserve piles are down so he doesn't think we will have much excess for the first year or so.

Mike asked what the easiest way is to trim \$50K from the budget so we don't have any tax increase. Eric said it would probably be very difficult without reducing any services. Probably the easiest thing to cut would be overtime but that would be politically difficult.

Mike said he would like to see overtime as a separate line item in the budget. He would like the townspeople to see how much is being spent every year on overtime. Eric said if we were going to show overtime for highway department employees we should also separate out overtime for office staff. To date, we have never done that. Mike said he thinks we should do it for office staff as well. Eric asked how difficult it would be to split that out. Brian said it would not be difficult to do in the budget. Rosemary said it would not be difficult from an accounting standpoint. Brian said for an insurance line item the board decided just to report on the different types of insurance that contributed to that line item rather than separating it into multiple lines. We could do that for salaries and overtime as well. The board agreed to that.

Brian said he took everything obvious out of the budget. It would be hard to find more to cut. Nat said in the last few years it seems like we have gotten to this point and then challenged ourselves to shave a penny off the tax rate. That is equivalent to \$20K in the budget. He likes the exercise of going through the budget a final time and trying to shave off what we can.

Eric said this budget doesn't show any revenue this year from the reappraisal reserve fund, but we could decide to pull in some money from the reserve fund. Last year we used \$8K. That would take \$8K off the amount to be raised by taxes. Mike said he is in favor of that. Doug said that is gambling with whether we will need to do a reappraisal. Rosemary said we are doing a rolling reappraisal now. Doug said unless we hit a trigger that makes a complete reappraisal required. Rosemary said we are not close to a trigger. Our CLA went down a little, to 105% from 107%. We are required to do a reappraisal when CLA falls to 80%. She doesn't know about the trigger on the higher end. Eric said it used to be that property values were always increasing. They never had a trigger for CLA that was too high because 2008 was the first time ever that assessed values were over selling values.

Nat asked why there is more in the reappraisal reserve fund than the year before. Rosemary said because the state gives us money, usually about \$12K. They give so many dollars per parcel for reappraisals. We usually put \$9K into the reserve fund and use the rest for current expenses. Eric said last year we decided not to contribute to the reserve fund for the current fiscal year.

Eric said all our reserve funds total \$560K. Mike asked if we have that amount in actual cash. Rosemary said no. We need to subtract out delinquent taxes. Brian said that is \$222K. Mike said we have about \$340K in cash in hand then. He thinks we ought to be able to find \$50K in that so there doesn't need to be a tax increase. Eric said we can't just pull money out of those funds unless it is for the dedicated reasons those funds were established by the voters. Mike asked if there are any other places besides the reappraisal reserve fund where we can pull money out of reserves to offset budget expenses and not have an increase in taxes. He said a lot of townspeople don't understand why we can't use this money to keep taxes from going up.

Brian said one of our largest funds is our tax anticipation fund. We use that fund throughout the year so we can spend before we get taxes. That saves us quite a bit of money. Other towns have to borrow instead. He actually wants to increase the amount in that fund so we will have a safer cushion and less potential for issues before we get our first quarter tax payments. There is a reason for all these funds and usually it is to save us money somewhere else. We will eventually bring the reappraisal fund down to zero and close it out because we don't believe it serves a purpose anymore. All the others save us money somewhere else.

Nat said we are talking about drawing money from the reappraisal fund. If we can only spend it on expenses related to reappraisal, where are we spending it? Eric said now that we have the assessors instead of the listers they will be doing a rolling reappraisal, so we can apply some of the money from the reappraisal fund to the cost of having assessors. This the last year the reappraisal fund will be growing. Nat said he doesn't see that we should be growing that account. Rosemary and Eric said after this year we won't.

Nat asked if we can dedicate \$9K from the reappraisal fund to the assessor line. Eric said we can.

Doug asked how many years the rolling reappraisal will take. Brian said four years. Doug asked how much a reappraisal costs. Rosemary said the last one cost \$100K. That was 10 years ago. Eric said we could estimate \$125K. Doug asked if it is possible we will have to hire someone other than our assessor to do a reappraisal. Rosemary said we shouldn't have to. Doug asked, what if we have to do it all in one year? Rosemary said the assessors have already started. They are going to do some every year. Doug said if we can ask them to do more than originally planned in the case we hit a trigger and have to do a complete reappraisal, then he thinks we can take out an amount proportional to the portion of the assessment to be completed in one year, rather than taking out just \$9K.

Eric said there are a lot of options. We can ask the voters to apply all the money in the fund to reducing taxes. We can take a little out each year and see how the rolling reappraisal works. Mike said he likes the first option Eric mentioned. Eric said he would be cautious of that. Nat said it could be a problem if the voters decide to drain the fund and then we have to do a reappraisal. Rosemary said if we had to do a reappraisal with no money in the reserve fund then we would need a 10 cent increase in taxes. Doug said he thinks it is reasonable to hedge our bets and take out about 25% of the fund. Eric said if the voters decided to deplete the fund it would reduce taxes this year but then it would be a problem if the next year we needed a townwide reappraisal. Mike said we can explain the choice to the voters. Kyle said part of the selectboard's job is to act in the voters' best interest and short term quick gain isn't always in their best interest. Eric said if 5 years from now we had to do a townwide reappraisal and had to raise taxes to pay for it people would hate us. Mike said he thinks people need to hear both sides and be given the choice whether or not they want an increase in taxes.

Nat asked if someone would be able to stand up at town meeting and move to drain a particular reserve fund. Eric said no, not from the floor. It would have to be warned. Doug

said the voters could vote to reduce the budget by a certain amount. Eric said if we were going to do something like this, next year would be the year to do it, if we are going to go in with a budget that includes a fifth highway department employee. But that would just give one year of relief and then the next year the budget would go up the \$75K for the fifth employee plus whatever other increase there was. Brian said look how we felt when the sheriff's department did that to us. Eric said people are generally okay with budget increases that are the same as the rate of inflation.

Mike said he still feels a vote on using money from the reappraisal reserve fund should be warned. Kyle said we don't want people to shoot themselves in the foot. Mike said she is saying she is not putting much faith in the townspeople to make the proper decision. Eric said it would put the board in an awkward position because there would be an article giving people the opportunity to deplete the reserve fund but the board would probably have a recommendation not to vote for it. Mike said he thinks the voters should be given the opportunity. It would put to rest any concerns people may have that we are holding a lot of money in reserve and still increasing taxes. Doug said he suspects not. People will still wonder why we have the other reserve funds. Mike said we can tell them that this is the only one we feel in good conscience could be depleted. Eric said he couldn't say that in good conscience. Kyle agreed. Eric said he feels we could take some money out of that fund, but not all of it until we see how the rolling reappraisal will work. He feels it may not work. Mike said giving people the opportunity to vote makes them feel part of the process. Eric said we won't have time to explain all the pros and cons of the decision. It is our job to understand all of that. If we become comfortable with it then we can bring it to the voters and let them decide.

Doug suggested using 20-25% of the reappraisal fund. Brian said 25% is \$23K. Eric said \$20K is about a penny on the tax rate. The board agreed to use \$20K from the reappraisal fund to pay the assessors.

Brian and the board continued reviewing revenues. There was discussion about the rec committee's plan to spend \$4K on a play structure. Nat said he believes the plan was to spend rec committee revenues that were left unspent from other areas. Brian said rec committee expenditures were over budget, but revenue was also over budget. Eric said it appears the rec committee will have a surplus as they predicted.

Nat said there is \$25K in the rec committee reserve fund. There are baseball fields that desperately need to be redone. That could use up a significant chunk of that money. A big chunk of the reserve fund was used to do the basketball court at the school. A couple of projects can deplete that money quickly. That is how he would defend that surplus.

Nat asked how conservative Brian was about PILOT revenue. Brian said he was less conservative than we have been, but still conservative. That area is vulnerable to changes so he wouldn't want to increase it more.

Brian reviewed budgeted expenses. This year we paid Duncan for vacation and sick hours he had banked when he retired. That is why the projected end of year holiday, sick and vacation

leave expenses for this fiscal year are higher than what is budgeted for next year. Eric asked if we could lower the amount budgeted for next year. Brian said no, it is a function of the salary we pay.

Doug asked, if we budget so much for vacation and people don't use it, do we set it aside for when they cash out? Eric said we never have. That is why we were hit so hard when Duncan left. Brian said if we spend less than budgeted it goes into cash that can be used at the end of the year to lower taxes.

Eric said if we encouraged employees to take their vacation then we wouldn't get such a hit when they retire. Mike asked, if people can bank 12 weeks, what's to say they can't take off for 3 months? Rosemary and Eric said they could. Doug said they could, but people who work here have been loyal and have felt their job was more important. Eric said because the amount of vacation employees can bank is capped at 12 weeks, some people have vacation they never use that they will never get paid for. With Duncan and Rosemary, because they had more than 12 weeks of unused vacation, we got extra work from them that we didn't have to pay for.

Mike said he doesn't think employees should lose unused time. He thinks they should get a percentage of it when they leave. Board members explained that they do. Mike said he used to work at a place where employees got 35% of their banked sick leave when they left. Do we have a policy like that? Rosemary said yes, employees get 25% of their banked sick leave. Mike said it is good of the town to do that.

Brian said he is budgeting a little more conservatively for skate park salary. Casey is okay with that. The skate park committee budgeted \$4050 for salary so he took that line item down to \$4000.

Eric suggested getting rid of a couple of lines that have not been used in years.

The board agreed to budget money for volunteer appreciation.

Brian said he reduced the amount budgeted for the Planning Commission. They are doing work other than form based code, but he is not sure what they are doing that costs money. Doug asked, aren't they going to work on the energy plan? Brian said we need to talk about that. LCPC doesn't have time to work on it with us. His thought is not to try to do it ourselves without expert assistance but to wait a year or two and do it with LCPC's help after they have had experience helping another town through it. Kyle asked what the deadline is for energy plans. Brian said he doesn't believe a plan has to be submitted by a certain date. Doug said we are only too late if someone wants to site an energy project and we don't have a plan in place.

The board discussed whether to reduce the \$4K amount budgeted for beautification. Mike suggested reducing \$2K. Doug recommended keeping it at \$4K. Eric suggested that if Brian spent \$2K in the coming fiscal year then we could increase the amount to \$4K the next year. Nat said money spent on beautification will directly impact home values. Doug said it is an

important subject. Kyle said she would like to keep the amount at \$4K with a commitment that we will do something with it. Nat said he would like to keep the amount at \$4K but if it doesn't get spent in the upcoming year the board will have a hard time keeping the amount that high. Eric said with 3 board members in favor of \$4K that amount should be left in.

The board continued to review expenses and made adjustments to some line items.

Eric noted that law enforcement and dispatch expenses are up by over 3%. That is a big budget driver. If we tried to level fund the overall budget with that penny and a half increase, it would mean we would need to decrease services by the same amount.

The budget includes an MRGP line item. Brian put \$4K in there for the next fiscal year. At least for the next year or two, he thinks expenses assigned to this line will be subtracted from some other line, so the amount could probably be reduced. Mike suggested reducing it to \$3K and the board agreed to that.

The equipment outside repairs line item is going up due to repairs that will be needed for the tandem truck which we will have for another year. Small equipment is up due to the planned purchase of a discer. The contribution to the capital reserve fund was planned to be increased to \$100K in the upcoming year. Brian increased it to \$102K, which lets the reserve fund stay solvent for longer. Over the course of the next 11 years it looks we will be about \$8K short of the money needed for the planned purchases, but Brian is pretty sure most of the estimates for those purchases are high. He would not want to take the extra \$2K out but he doesn't think we need to worry about needing more than that.

Eric noted that highway department expenses are 41% of our budget. The 10% increase in that area is driving a lot of the overall increase.

Brian said the amount to be raised by taxes is \$1,580,499.92. That is an increase of a little over \$40K (2 cents on the tax rate.) Doug said that is not bad when there is such a substantial public safety increase.

Brian said the estimated year end cash on hand is now \$126,143.90. Eric reviewed what had been proposed: applying almost \$108K of that to reduce taxes, using \$7.4K for the tax anticipation reserve fund and keeping \$10K undesignated. Brian said if we don't do anything with it, it goes back into reducing taxes or cash on hand. Eric said we are a little less likely to end in deficit if we have a small amount undesignated. We could put it in contingency. He said half a million dollars of our budget comes from state and federal funding. The state doesn't know what the federal government will do. We are very exposed due to health care waivers. Rich Westman was very concerned we wouldn't get the same amount of money from the federal government. The state won't know until fall what they will get. They are saying in Montpelier that they will have to come back in fall and adjust their budget. They may adjust it in ways that impact us. We are exposed by half a million dollars, which is a lot for a town our size. He would go along with Brian's recommendation to leave \$10K undesignated. Brian said if we use \$108K to reduce taxes and put \$7.4K into the tax

anticipation reserve fund, that leaves \$10,700.67. The board agreed to leave that amount undesignated.

Eric asked that if any small arithmetic errors are found the board authorize the chair to approve the necessary changes to the budget. If there are any mistakes or changes that are significant he would pull the board back together to approve them. Board members agreed that changes of \$5K are above would be considered significant.

Mike moved to accept the FY17-18 budget as presented, authorizing Eric to approve any changes found necessary due to small errors that are under \$5000, Kyle seconded and the motion was passed.

Eric asked if there should be any article on the Jewett property on the town meeting warning, to get direction from the voters. Brian said we won't have a lot of time in between town meeting and when the option on the Jewett property is up for renewal. We took the option out of the budget. Nat said we decided that without taxpayer approval. Eric said he thinks the board's thoughts were that we would still continue to look into buying the Jewett property. Mike asked how much has been spent in consulting for prints, etc. Eric said that work was all grant-funded. Mike asked, so there has been no cash outlay for the Jewett property other than not collecting taxes from that property? Eric said he not aware of any. What we paid them was about what they paid in taxes. Mike said that is kind of like losing tax revenue. Eric said it doesn't sound like there is interest in an article related to the Jewett property.

4. Executive Session to Discuss Advice from Lawyer on Compost Facility

Doug moved to enter executive session to discuss information from the town's lawyer on the compost facility, Kyle seconded and the motion was passed at 6:30. The board came out of executive session at 6:37.

5. Other Business

The third Monday of February is Presidents' Day. The board agreed to move the February meeting to the third Tuesday instead.

Brian said he will send out the proposed warning and the board can meet if any discussion is desired. Otherwise he will send it to our lawyer.

6. Adjourn

The meeting was adjourned at 6:41.

Minutes submitted by Donna Griffiths