JOHNSON SELECTBOARD MEETING MINUTES

JOHNSON MUNICIPAL BUILDING

## MONDAY, FEBRUARY 12, 2018

**Present:**

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

Others: Brian Story, Rosemary Audibert, Brian Krause, Ken Gibbons, Duncan Hastings

**Note: All votes taken are unanimous unless otherwise noted.**

1. ***Call to Order***

Eric called the meeting to order at 7:00.

1. ***Additions, Changes to Agenda***

Brian added signing of documents related to the highway mileage certificate. Eric added an ice jam update.

1. ***Discuss Options for the Operation of Town Revolving Loan Fund***

Eric said we now have about $250K and we have to figure out how to loan it out. There are some guidelines that were part of the closeout agreement between the Agency of Commerce and Community Development and the town. The town also set up a preliminary loaning policy but it is somewhat outdated because when we created it we thought we would have a smaller amount to loan initially. Eric and Brian met with Ken Gibbons and explained that we first have to decide if we want to manage the loan fund in house. The board is leaning in that direction. At least we want to look into it.

Eric asked Ken if we should give thought to managing it in house. Ken said as he read the closeout agreement, which is not very clear, he came up with a lot of questions that need to be addressed. Are these the current set of rules or were they put into effect before they knew how quickly the loan would be paid off? In general, revolving loan funds are good. They also have a high loss ratio. The bank he worked for does some servicing of loans but just the accounting side – calculating interest, sending out notices, giving reports on payments received, etc.

He has some feedback on the original policy document. He thinks there are some things the board might want to think about modifying. Currently it states that the maximum loan amount is $5K. With $250K that means the town will be putting out at least 50 loans. He thinks it would be difficult to get the loans out. There will be a lot of people who want the money but the town has to have some underwriting criteria.

Underwriting and staying on top of regulations is the difficult part of managing a loan fund. Are the loans all to be commercially oriented as opposed to consumer oriented? There are some rules governing whether the town has to be a licensed lender or not. The board will need to find out if the town has to become a licensed lender. That is required if you do more than 25 loans. He doesn’t think the town will do that many, but it could.

Nat said he thinks we all know we need to raise the maximum loan amount above $5K.

Ken said he thinks the town should make sure the loans are just commercial transactions. If the town lends money to someone wants to renovate their home and takes a mortgage on the property then the town has to follow all consumer rules on mortgages. The legal fees to ensure that will be very expensive. There is a carveout for commercial loans.

He would be concerned about saying the town could handle the whole thing itself. He hadn’t seen these documents yet when he first met with Eric and Brian. These documents are fairly defined. A question he would have is whether all these rules still apply. This was done 3 years ago. That is the first thing we need to know.

Are we required to use an NCDO? Did the town use an NCDO when giving the loan to Sterling Market? Who prepared the documents for the loan? Rosemary said she thinks we used templates the village used. Ken said the town has to be prepared to put the documents together and if the town is taking a security interest in the property somebody should do a title search on it. If the town is only loaning $5-10K probably it can be done in house but if we are going to give a $50K loan on a business property he would suggest finding out if any NCDO’s might be interested in working with the town and what their fees are.

Brian said we did talk to a couple of NCDO’s. We had Community Capital visit us. Their fee was on the high side. Eric said if we used them the fund would never grow because they would get the interest.

Ken said he would suggest looking at the interest rate. It needs to be defined. It says “half of prime.” Is that at the time of the loan? Is it fixed or variable? He would suggest because these are short term loans making them all fixed at the time the loan is closed. If there were going to be a larger loan then the town could look at making the rate variable but the town is not in it to make money.

Ken suggests looking at the 2-year term. With a 2-year term and a $5K loan the minimum monthly payment is $230. The town doesn’t want to make any loans less than $1000.

Eric asked if Ken has ever dealt with a similar fund amount and knows what a typical maximum loan amount is. Ken said a revolving loan fund he knows of had some $50K loans and maybe even more over the years.

Ken said the bank he used to work for could handle the monthly billing process. He thinks the charge is about $3 per account per month. He would suggest looking at increasing the maximum loan amount and asking the state to confirm that these are the rules that are currently set. The town may want to use an NCDO to manage the fund, at least initially, but he thinks that will be expensive, so we should look at the interest rate. He thinks our interest rate is too low.

Mike asked what Ken thinks the interest rate should be. Ken said he thinks it should be at least the prime rate. People would think prime was cheap. The prime rate is 4.75 % now. Rosemary said the village’s rate is prime minus 2.

Doug asked how much money the village has in its loan fund. Rosemary said over $200K. Doug said when we get to discussing goals we might want to take into consideration what the village is doing.

Ken said the town needs to decide whether to take a mortgage on a primary residence. If someone is using loan funds for ADA improvements for a family member that is not a commercial use. The policy currently says the money can be loaned to do improvements on property. He is assuming that is rental property. The defining factor is whether the property is owner-occupied. He doesn’t think there is any carveout that revolving loan funds don’t have to follow consumer rules.

The policy says people will make monthly payments but we may want to consider making seasonal loans to someone who may not get paid monthly – say someone who makes products for another company and holds inventory for a while before getting paid for it all. The town could make a 6 month loan and trust them for the money if they have a track record.

Ken said it is better to not make exceptions when lending money. He thought an application fee was probably a good idea. Under Loan Rejection, he thinks we need to add to the reasons for rejection that are already listed “Other reasons the selectboard deems appropriate.” We could get exact wording from an attorney. We don’t want to have only the 4 listed reasons to deny a loan.

Doug asked if we can get help in deciding credit worthiness. Ken said that is a tough one. LEDC has 2 revolving loan funds and also handles Morristown’s revolving loan fund. They have people from the community serve on a committee. The committee makes credit determinations. That is probably the format Johnson would use. It hasn’t been unwieldy. He thinks that is the way Hyde Park does it. He thinks the majority of revolving loan funds have a small committee with local people on it, mostly business people.

Eric said he thinks if we did it in house we would have a committee that would do all the vetting. He thinks they would come to the selectboard with a recommendation.

Doug asked if the communities had difficulty putting together committees. Ken said sometimes. A lot has to do with board members reaching out. Ken said he believes in revolving loan funds but he doesn’t really want to get involved on the committee.

Eric said we have a very active business organization – Johnson Works. They might have good candidates to serve on the loan committee.

Ken said he thinks we need to get our state contact to lay out what the real rules are. He found the closeout document confusing. Brian said when he has spoken with her she has indicated this is the document we need to abide by. Ken suggested getting her in to explain it.

Eric asked if Ken thinks managing the fund is achievable for us. Ken said yes, but the board needs to get a couple of people who are willing to spend some time with him and probably Rosemary and Cassie Bell from the state going through the requirements.

Eric said he thinks we are struggling on how we get started. Should we be hiring a part time person to take the lead on this? Ken said the town needs a point person. It will be tough to manage the fund but a bank can do the accounting side. The town needs to get the criteria laid out and get a set of instructions that make sense. Someone will need to understand and interpret the rules.

Doug suggested Duncan Hastings would be ideal as a point person. Ken said the town could give him a stipend to do it. Doug suggested asking Cassie if we can spend money from the fund to set it up. He said he would rather send one person to meet with Cassie than have her meet with the whole board.

Ken said the town doesn’t want to give the money back. Mike asked, why not? Ken said because it can be used in Johnson.

Mike said he doesn’t think we should be in the business of banking. Ken said the town would not be trying to do that. The town would be creating gap financing or financing for a person who might be less bankable but has a good idea. A revolving loan fund gets more bad loans than a bank does but revolving loan funds have lent a lot of money out to businesses that have been very successful. The board should not feel the town would be competing with banks. Banks have no problem with revolving loan funds. They like them. They let the banks take less risk. They provide gap financing, which has done a lot of good. A lot of successful businesses in Lamoille County have used these loans.

Eric said it’s the one time something like this has ever come to the town. We have the money now and he doesn’t think we should waste it. It’s a good thing to have it and have the ability to use it to help move the town forward.

Ken said if Cassie doesn’t provide leadership the town should find someone locally to get organized and push her. He said if the town has to give the fund to an NCDO they still have to follow the rules, but he doesn’t like them because they take a good chunk of the money.

Eric said as he understood it we could set certain guidelines with an NCDO but we may not be able to predict tomorrow’s needs today. If we handled the loan fund ourselves we could evolve to meet changes.

Kyle said the NCDO came with services too. Eric said they admitted that even if we administered the loan fund in house anyone who came to us for a loan would be eligible to go to them as well.

Eric said we probably need a point person. We need answers from Cassie. Ken said he can go over things with the point person.

Mike said if we are going to get involved in managing the fund we have to raise the $5K limit on loans. But he is still not really convinced. He doesn’t think we should be in the banking business. He doesn’t think the loan committee should be a part of this board. It should make all decisions and bring them to the board for final approval. Others agreed.

Mike said we have to give out $20K loans or find a way to loan ourselves money – for the industrial park, for instance. Eric said he thinks we would need advice on that, but his understanding is that there might be opportunities for us to lend some amount of money to ourselves to develop the property.

Nat said he thinks we should have a broader coalition than just Duncan. Eric said he thinks Duncan would just be the point person to start a discussion with Cassie. He would not necessarily even be on the committee.

Mike asked if it would be a lot more work for Rosemary. Rosemary said she would have to deal with the loan documents. Even with templates every loan is different.

Eric asked how many loans the village typically does per year. Rosemary said last year they did one to themselves and one other one. For a lot of years they didn’t do any.

Doug suggested having Brian write up a blurb for Front Porch Forum explaining that we have the money and are looking for a point person to help set up the loan fund and people who are willing to assist that person in starting it up.

Duncan arrived. Doug explained to Duncan that the board needs someone to be a point person to get started setting up the town’s revolving loan fund and dealing with the state and that he and Eric thought Duncan would have enough experience to go to the state and get clarification.

Eric asked Duncan if he had any thoughts. Duncan said he personally likes the idea of trying to keep the money in Johnson rather than shipping it to the state to be part of a giant revolving loan fund. He doesn’t know if an application and credit review committee would get wrapped up into an overall economic development committee. Those two things may be different. He thinks a loan application review committee is critical for the revolving loan fund to be successful.

Doug said he would suggest that in the beginning when we are setting policy we should have some selectboard members working with community members. Then when the policy is done the community members will continue to be there to make credit decisions.

Duncan said maybe what would make sense would be for him to sit down with Eric and Brian and get a better understanding of what the board is looking for in a point person. He would be interested.

The board agreed that Brian should put something on Front Porch Forum about the board’s need for a point person and other interested people to work with the loan fund. *(Rosemary left at 8:02.)*

1. ***Review and Discussion of Draft Public Works Employee Pay Scale and Associated Policies***

Brian said he had developed two possible pay scales. Since last time he reduced the number of essential skills. He changed some terminology. The first two levels are now CDL and Operator rather than CDL and CDL Plus. An Operator would be a regular highway department employee who can operate all our equipment and meet the minimum requirements for the job. Someone at the CDL level has the certifications that are required for the job but not experience with the specifics of the job. In these schedules, pay steadily increases for the first 5 years, then increases again in year 5, year 7, year 10 and every 5 years thereafter. These increases would be in addition to the basic cost of living annual adjustment. It might make sense to split the cost of living adjustment with other increases.

Eric said one problem with splitting it would be that if we were going to give a 2% pay raise to joint employees but only a 1% increase to highway employees because of their step increases, then an employee who was on an off year and not getting a step increase would get less.

Doug said if some people are only getting cost of living increases they will know they are being treated differently and may feel it is because their job is less valuable. Brian said he thinks we have a little time to come up with a similar scale for office employees, but not a lot. There will be pressure from them to give them something similar. Eric said that is true, but giving them a different pay scale is not as simple because it is not just up to the selectboard to approve it.

Brian said in the meantime he thinks it is worth considering not necessarily giving the same increases to highway employees and office employees. When office employees are not on a scale we may want to give them additional incentive. But we don’t need to make that decision today.

Eric said he and Brian had talked about adjusting the scale so where current employees are placed won’t break the budget. Has that change been made?

Brian said yes. The difference between the two pay scales he developed has to do with this coming year’s increase. If we start employees at $17/hour and base all other steps on that baseline we won’t blow our budget if employees get no increases this year. If we back out the annual increase and make the starting salary $16.59/hr then we could give employees annual increases on July 1 and January 1 as planned and stay within our budget.

Brian K. said he likes the idea of starting employees at $17 even though they wouldn’t get a bump in July and January. He is concerned about the quality of employee we will get if we hire at $16.59.

Brian said he thinks we could still give the January increase even if we started at $17.

Eric said if we went with the scale that starts at $17 employees would still get increases due to their placement on the new pay scale. Employees will see an increase with either pay scale. He asked what adopting a new pay scale will do to our current budget. Brian S. said it will hurt it. We would be within our rights to save the whole thing until January 1 with the exception of bringing in a new hire at the new rate. We will be fine for next year with either plan, it’s just the remainder of this year that is a concern.

Eric asked if the fifth employee is included in Brian’s calculations. Brian said yes. We can afford the fifth employee under either scale.

Mike asked how this will affect Brian K., who is salaried. Brian K. said it would shrink the difference between his salary and the other employees’ pay. Mike asked if he is comfortable with that. Brian K. said not necessarily.

Nat asked if we have objective criteria for all these essential skills. Brian S. said we have some objective criteria. For grader operator he and Brian Krause discussed that there is a difference between someone who has completed coursework on operating a grader and someone who has practical experience. They were thinking of saying that to be considered a grader operator an employee would have to have completed coursework and also have a minimum amount of practice annually. He doesn’t think that requirement will end up forcing us to take that status away from anyone, though it could. He asked if Doug feels that would open us up for someone to complain.

Doug said he would change the requirement to 80 hours of grading practice that is deemed satisfactory by the supervisor, not just 80 hours, so a person is not automatically considered competent if they have 80 hours of poor driving.

Eric said advanced mechanics and welding are probably more subjective. Brian K. said welding is not too subjective, but advanced mechanics is.

Mike said moving to the new pay scale will shrink the foreman pay differential and we will have to look at giving Brian K. a raise. Brian K. said he would agree. Doug said Brian S. is another example of a pay differential that will be changing. This new pay scale will bump our whole budget.

Brian K. said he thinks the new pay scale is a very good idea. There should be some benefit to having and using skills and going to classes and understanding what we are trying to achieve and how to achieve it best vs. just putting in the hours. Eric said in the past there was no incentive to gain skills.

Eric asked if supervisor evaluation will determine whether someone has the advanced mechanics skill. Brian K. said he thinks so. He doesn’t know how else we would do it.

Nat said he thinks all our criteria should be objective. He said he has the utmost faith in Brian K.’s ability to evaluate employees effectively but we might not always have that kind of supervisor. We might have one who sees himself as an advocate for employees, trying to help them make more money. Eric said there could be one who picks his favorite employee. Nat said he likes the criteria to be black and white. Mike said some things are black and white and some aren’t.

Doug asked, can we say the determination is made by the selectboard’s designee so we could go outside our organization to determine whether someone has the skill? Eric said he thinks the one that would know the employee best would be their direct supervisor. He said there are ways for a supervisor to evaluate employees. He thinks Brian should be able to do that and determine if someone should be identified as an advanced mechanic.

Doug said maybe it’s our problem if the person in the supervisor position can’t evaluate employees fairly. Mike said in the future if there seems to be favoritism or some issue, if an employee feels grieved they can come to the board with their concerns. Brian S. said he agrees that if we are having evaluation problems with a supervisor we have to deal with that anyway. He and Brian K. have talked about documenting some of this. If the supervisor is going to say an employee is an advanced mechanic they should create a note stating what tasks they have seen the employee do on what days. That provides documentation even though it is subjective.

Brian K. said he thinks welding can be more objective with clear written goals the employee has to meet. Mechanic is the most subjective.

Eric asked Brian K. if he feels comfortable giving an employee a pay bump after reaching Level 2 of the Roads Scholar program rather than Level 1. Brian said yes.

Nat asked, do we need 5 grader operators? Is everyone eligible for that? Brian K. said we really need 2 grader operators. He doesn’t think we want to have everyone getting paid for operating the grader. That is one reason he and Brian S. came up with the 80 hours requirement. It would be nice to have someone who is getting training and operates the grader sometimes, but wouldn’t be called a grader operator.

**Mike moved to adopt the public works department pay scale that has $17/hour as the starting rate, with essential skills as proposed, effective July 1, with any new hire before July 1 starting at $17/hour, seconded by Doug.**

Brian S. said he thinks we have the freedom to pay a new employee a higher rate for previous experience without having the new pay scale in place. We need to come up with a policy for how to address previous experience.

Brian K. said he doesn’t know that it would be fair if someone had 5 years experience somewhere else to put them on the 5 year step here. That would not be fair to the other employees. Eric said we might want to recognize their previous experience to some extent.

There was discussion about whether a new employee with previous experience should be placed anywhere other than the first year. Brian K. said he thinks it is important for the year steps to be our years, not previous years’ experience. He thinks we need to be careful to be sure they worthy of moving to a higher step based on skills before telling them we will hire them at a higher rate. It was suggested that new employees could be brought on at the CDL level and then at the end of the probationary period they would get placed on the appropriate step based on skills. Brian K. said he thinks that would be most appropriate. Maybe if someone was exceptional they could start out at the Operator level. Brian S. and Eric said it will make it harder to get experienced candidates if placement is based only on our years and not years elsewhere. Brian K. asked, if a candidate comes with verified experience and good references does the board have leeway to adjust starting pay? Brian S. said he likes the idea of placing a new employee on the pay scale based on relevant experience rather than years.

Nat suggested getting all the policies on paper before voting. Brian S. said if the board approves the pay scale table or at least says new hires will start at $17/hr then he can start posting for the upcoming opening. Eric said we can approve the pay scale tonight and later make changes to the year column.

Doug moved to amend the motion to add that the definition of the year column should be years of service to Johnson or equivalent years as determined by the supervisor. Mike said the year steps should be our years. Eric said maybe the policy should be that entry level placement could be at a year level determined by the experience the employee comes in with. Brian S. said he thinks Doug’s suggestion is probably the simplest but he doesn’t know that it would be the supervisor who would make the determination. He doesn’t think we should leave it all on Brian K. The motion was not seconded and died.

Nat said board members are pretty much in favor of Mike’s motion but want more detail and definition. Can we by consent give Brian the ability to move forward with posting the position and then come back to this next week with policies written in black and white?

**Mike moved to call the question. The motion failed with only Mike voting in favor.**

Kyle said she thinks it would be cleaner if we had exactly what we are talking about in front of us.

Brian S. said the minimum he needs is authorization to post the position and say pay will start at $17/hr. He will quickly get questions about the whole pay scale. He can either share the one that is in progress or tell prospective employees the pay scale is in progress and have them wait a few days for it.

**The motion was passed.**

Brian K. asked, so there will not be a pay increase in July for highway employees? Brian S. said the new pay scale will take effect in July so there will be a bump for employees then, not the 2.5% increase the board is giving to other employees but much more. And he believes the January bump is in the budget.

1. ***Discuss Subcommittee Options for Revolving Loan Fund and Public Works Pay Scale***

Eric said a pay scale subcommittee is not needed. It sounds like we may need a loan subcommittee at some point in the future. Brian S. said if anyone wants to review policies for the highway department he would welcome that.

1. ***Discussion Regarding Legal Counsel***

Eric said Dave Barra has been appointed a judge so he will no longer be able to serve as the town’s attorney. He has offered to provide referrals of other attorneys and we can also solicit names from VLCT. When we chose Dave we interviewed him at a selectboard meeting. One reason we selected him was to get someone from outside this county. Our previous attorney occasionally had a conflict of interest.

Brian S. said Dave Barra offered one referral. We will ask him to provide multiple names, not just one. And we will ask organizations and neighboring towns.

Kyle asked, does this mean we have no attorney? Brian said we have a few days left.

Doug said he thinks we should send Dave Barra a thank you letter and also ask him to send his files. Lawyers hate copying files but they belong to the client.

1. ***Discussion about Executive Session***

Eric said he had asked Brian to add a discussion of executive session to the agenda. Duncan filed a complaint of Open Meeting Law violations by the village, alleging they were abusing executive sessions. Eric thinks this is a good time for us to talk about executive session and look at our practices. He doesn’t think we abuse it but one thing we are a little exposed on is the specific wording we are supposed to use when we enter executive session. He would like Brian to provide that for all of us so we have it available and use the correct language.

Eric said one item discussed in executive session at the last meeting was a letter sent to Paul McClure and his conversation with him. That probably wouldn’t have had to be in executive session. Another executive session was about a joint employee who expressed some concern with some village departments. He thinks that also could have been stated in general enough terms that it would not have needed to be in executive session.

Mike said he prefers never to go into executive session unless absolutely necessary.

1. ***Ice Jam Update***

Eric said there was a conference call today with Vermont Emergency Management, Morrisville Water & Light and some experts on ice. We asked about a release from the Green River Reservoir. There would be costs. Morrisville would be looking to get compensated for the loss of revenue potential. They would be able to draw down a maximum of five feet in five days. That would roughly double the flow of the Lamoille. The temperature of the reservoir water is 36 degrees. The optimum time to do the release would be when ice is pretty much cleared out between Dog’s Head and Morrisville and there is a sunny day so the water can absorb heat from the sun. After water is released from the dam once it hits ice it starts melting it and then it cools.

We are also having Tatro give us a proposal for what they could do for us and what it would cost. A rough estimate of the cost of a Green River Reservoir release is $50K. Eric guesses Tatro might charge about $25K. We have about $25K in our reserve fund. We have anticipated cash on hand of about $50K that we have allocated for the tax anticipation reserve fund. We could divert that.

Gordy and Eric plan to get all department heads and agencies together and ask them to develop a plan of what to do if we have a flood event like the 1927 flood. In an event like that the town will be split in half. How will we divide resources and have equipment on the French Hill side and the Clay Hill side? If the ice doesn’t go out and we have a rapid warm up there is potential for a ‘27 flood event. They don’t think that is likely but he and Gordy feel there could possibly be an event like the 1995 flood. He has been told that in the ’27 flood there was ten feet of water in front of Beard’s Hardware on Main Street. Main Street, Railroad Street and School Street would be shut down. We need to think about where to get gravel from if we can’t get to Nadeau’s. Maybe we could reach out to gravel pits in Eden.

There will be another conference call in two weeks about the ice jam situation. LCPC has models of the river that may be helpful. We will see if we can have a drone fly over the river from Dog’s Head at least to Morrisville.

Doug said it was interesting that people said if they knew the depth of ice and percentage of ice cover they could do a calculation of the efficiency of releasing from the reservoir. The release would be like flushing a toilet with a blockage. We need to be successful in melting the ice because we don’t want to compound the flood risk. If Tatro excavates they can give us more information about the blockages.

Nat asked if there are state or federal funds available for helping us break up the ice. Eric said we haven’t reached out about that. But Vermont Emergency Management was on the call and they didn’t volunteer any resources. Brian said he has had some discussion with LCPC about that. They haven’t yet identified any available funds.

Doug said he thinks we should move as rapidly as we can.

Eric said they ice is still forming now. In about 4 weeks we will start losing ice. We have to be careful about getting in with an excavator when the ice is not melting yet because the ice will just move somewhere else.

Mike asked if they thought a Green River Reservoir release would be effective. Eric said they would like to see us try it and see what effect it would have. It has not really been tried before. Doug said a scientist wanted to run a model and see if it would work.

Eric said we need to look at risk and cost vs. benefit. Even if it would work we may decide $50K would be too much to spend. That is probably the maximum amount it would cost. Maybe we don’t need to bring the reservoir down 5 feet.

1. ***Signing of Documents Related to Highway Mileage Certificate***

Brian had the board sign the minutes of the meeting when the board visited Mine Road, the minutes of the meeting when the highway certificate letter was approve and the highway certificate itself.

1. ***Adjourn***

The meeting was adjourned at 9:35.

*Minutes submitted by Donna Griffiths*