

Minutes

Town of Norwich Finance Committee Meeting Tuesday, January 18, 2011 Tracy Hall, Norwich, Vermont

Members present: Cheryl Lindberg (Chair), Jim Mackall, Keith Moran (Vice Chair), James Dwinell, Stephen Flanders (Secretary), Christopher Rhim

Members absent: Evan Pierce

Also Present: Pete Webster (Town Manager), Neil Fulton, Henry Scheier, and Robert Gurwitt

Chair Lindberg called the meeting to order at 4 PM.

Agenda Items Discussed

1. Review/Amendment of Agenda:

Chair Lindberg welcomed new member, Christopher Rhim. She noted that the Norwich Energy Committee was not prepared to meet this time and went over the other items on the Agenda.

2. Review/Approval of November 16 and December 21, 2010 Minutes:

Motion: Flanders moved Mackall seconded that the November 16 minutes be approved.

The motion passed 5 in favor, none opposed and Rhim abstaining.

Motion: Flanders moved Mackall seconded that the December 21 minutes be approved.

The motion passed 5 in favor, none opposed and Rhim abstaining.

3. Public Comments of Items not on the Agenda:

None were offered.

4. Town Eating Day:

Gurwitt introduced the Town Eating Day (TED), scheduled for 26 February, the weekend before Town Meeting.

- The organizers devote the morning of TED to town boards, commissions, etc. The aim is to allow members to engage with townspeople in an informal way.
- Then comes lunch, which allows informal interaction among people who they may not see ordinarily.
- The afternoon will be “coffee, tea, and conversation” on a broader topic.

This year’s focus will be on 50-minute sessions, which should lead to citizen interest in participating in town committees. Discussion will be about how do we, as a town, improve engagement from the townspeople in our work? For the NFC are there issues that it should cover but isn’t. Discussion should develop a sense of what’s on the minds of the NFC and of the people interested in the NFC. TED organizers will moderate the sessions.

Lindberg asked whether there would be anything in writing? Gurwitt agreed to provide specific information when it becomes available. Two other committees will be occurring at the same time slot. Time slot will be either 10 or 11 AM. The organizers discourage the use of handouts.

5. Energy Committee:

Lindberg noted that a visit from the NEC had been postponed to a future meeting. Flanders requested that the NEC provide read-ahead material. He would especially welcome spreadsheet information in electronic form.

6. Replacement Grader:

Background – Moran recapped that Norwich obtained a grader at minimal cost to back up the capacity of the primary grader. Prior to that acquisition, the town had used just one grader. The department head of Public Works had prepared a decision paper, which explained his rationale for replacement of the second grader. Moran did an analysis that suggested that a second grader is not justified. Webster hosted a meeting a few weeks ago that aired the opinions of various stakeholders on this subject, including the department head and concerned citizens. It was suggested that the NFC should provide insight on which analysis was more supportable.

NFC discussion – The following points were made in discussing the NFC’s role in the decision to replace the second grader:

- Webster noted that the highway equipment fund has more than sufficient funds for the grader replacement. He noted that, at times, hiring a second grader was necessary. Now it’s a question of buy versus rent. Webster expressed concern about the quality of unsurfaced-road maintenance. He feels that the second grader is not a “luxury.”
- Moran cited a source claiming that prior to the acquisition of the grader, the town had contracted a total of 18 hours for the second grader. Moran feels from his analysis that the town will spend funds unnecessarily by purchasing the grader. Moran said his assumptions differed from Webster’s by including the running and maintenance of the machine, plus deposits in the sinking fund to fund the next replacement. His analysis showed a \$47-K annual cost of acquiring the grader versus the \$21-K, assumed by management.
- Mackall asked about the contingency for an unexpected failure of an equipment item. Webster explained that such expenses come from the Undesignated Fund.
- Flanders thanked Andy Hodgdon for his detailed justification for the grader and NFC member Keith Moran for his detailed cost analysis that weighs against the purchase of a grader. He recommended that the purchase of town capital equipment be delayed in each department until the Selectboard receives and approves a plan for such replacement that includes
 - a) A complete inventory of capital equipment in the department with a description of usage in support of the department’s mission.
 - b) A schedule for replacement that includes an analysis of purchase new, second hand, lease, contract services, versus non-replacement. The plan should account for the price index for the increasing costs of equipment and identify the rate of replenishment of

the capital purchase fund for the department that would sustain the replacement schedule.

He suggested that, in the absence of such a plan from a citizen-based panel, the plan should originate from each of the department heads.

- Fulton noted that a third analysis is being done which includes usage data, based on a U.S. Army Corps of Engineers methodology. Hodgdon has assembled usage data on each of the graders that show the level of service requires two graders. Fulton explained that the expected level of in town would drive the results of the study on whether a second grader would be justified. Flanders expressed confidence in the validity of Fulton's approach.

Motion: Moran moved and Mackall seconded that the Selectboard place a moratorium on the replacement of the grader for one year.

Discussion revolved around whether the NFC had reviewed the analysis sufficiently to recommend the delay of the purchase. Moran withdrew his motion with the agreement that the matter would be discussed in more detail next time.

7. Norwich School District: (This item was discussed after Item 8.)

Flanders noted that the Norwich School Board (NSB) public hearing and adoption of the budget occurs on Tuesday, 25 September. At this point, the NFC can reiterate its guidance, which it provided earlier. He noted that:

- NFC had voted unanimously in its September 21 meeting the following guidance to the Norwich School Board: "The Norwich Finance Committee requests that the Norwich School Board achieve a budget in the Norwich School District (NSD) that causes no increase in education taxes on a given property."
- The NSD budget includes an assessment from the Dresden School District, which is set in part by the NSB He suggested that, since the NSB has a role in budget setting within the NSD that includes seats on the DSB which sets that budget and assessment.
- Since to date, the NSB has achieved a combined Marion Cross and Dresden assessment that has produced an estimated 5% increase in property taxes, the NFC goal has not yet been met.¹
- The NSB has not reached a labor contract agreement with the Norwich teachers' union.

Mackall said that the current estimated tax rate is closer to 3%.²

Scheier observed that the NSB had several reserve funds at its disposal, but noted that there was ambiguity as to what constituted legitimate grounds for drawing against them. He was

¹ 4.74%, according to the SAU 70 document dated 1/19/2011:
http://www.sau70.org/budgets/11-12_budget/norwich_budg_11-12/nor_tax_rate_01-19-11.pdf

² 2.79%, according to the NSD budget package for 1/12/2011:
http://www.sau70.org/budgets/11-12_budget/norwich_budg_11-12/nor_draft_budg_11-12.pdf

concerned that there is a temptation in times of economic stress for the NSB to draw on them, thereby compromising their intended purpose.

Moran suggested that the plan for the \$130-K FY 2010-11 deficit is to have a separate warrant article to retire it in two years.

8. Town of Norwich:

Lindberg asked for an update on the town budget from Webster.

Webster summary – He said the total expenditure budget is a 3.92% increase over last year. Acorn didn't submit a request to be included in the Other Monetary Articles. There were fewer voter-approved requests. The 4% increase in wages for non-union employees is included and the 17% increase in health benefits.

NFC guidance – Flanders noted that the NFC voted unanimously that “The Selectboard ask the Town Manager to present two side-by-side budgets, one with the minimum budget necessary to maintain the current level of services, the other with an overall reduction of 5% from the current year expenditure budget all with a goal of no increase in the Town Tax Rate.” He suggested that, since the town manager has produced a budget matching that goal, the NFC should support that budget.

NFC discussion – The following discussion ensued:

- Moran noted that the public works budget is up by 6%. Webster noted that the net effect is 2.5% with income from the bridge grant. Webster noted that capital equipment replenishment was backed out for the upcoming fiscal year.
- Lindberg asked where did we cut back if the Public Works budget has increased? Webster emphasized that the increase was to accommodate a bridge-replacement grant. She felt that the 4% pay increase was inappropriate at this point. She noted that the intent was to grant non-union employees the same increase as those with a negotiated contract. She felt that management or the employees should not assume that the union contract provisions provide a model for their compensation. She noted that, compared with other benefit increases (e.g. the Social Security COLA, which was zero), 4% is out of line.
- Lindberg also felt that the Selectboard had suppressed citizen input during the departmental budget discussions and then held a single session on the budget for public input, when a major snowstorm was in progress.
- Moran was skeptical that a 4% increase in expenditure budget would not result in higher taxes. Webster cited the increase in the Grand List from new construction

Grand List – Fulton reported a \$24-M (3.4%) increase in the grand list, which represents about a 3.4% increase.³ He praised how well the town departments managed execution of the FY 2010-11 budget, which resulted in savings. He noted that a one-time appropriation for settlement of litigation in that budget was not required in the new budget.

³ Town officials were working on the assumption that the Grand List had grown from the April 1, 2010 of \$704,195,400 to the December 31, 2010 value of \$728,424,100. This turned out to be in error, according to the Listers Department. The December 2010 Municipal Grand List is: \$702,033,300.

Motion: Flanders moved and Mackall seconded that we support the town budget as approved by the Select Board.

Moran asked whether the tax rate would go up. Webster said no, thanks largely to the increase in the Municipal Grand List. Lindberg emphasized her opposition because of the 4% raise. Flanders felt that the NFC guidelines had been met with no tax increase.

The vote was 5 in favor to 1 against (Lindberg).

Action: Flanders and Lindberg to prepare the Norwich Finance Committee statement on the budget by deadline 21 December and forward it to Fulton.

9. Statement of Purpose:

This topic was tabled, pending a future meeting.

10. Other Topics Discussed:

None were discussed.

11. Items for the next agenda:

None were discussed.

12. Adjournment:

Motion: Mackall moved and Dwinell seconded that the NFC adjourn

The motion passed unanimously.

Adjournment: 5:40 PM

Tentative future meeting date (5 PM in Tracy Hall):

Tuesday, January 18, 2011