Select Board and Trustee Subcommittee on Governance
October 29, 2018 Special Meeting Minutes
2 Lincoln Street, Essex Junction, VT

Subcommittee Members Present: Max Levy
                            Elaine Sopchak
                            George Tyler
                            Irene Wrenner

Staff Present: Greg Duggan
              Lauren Morrisseau
              Evan Teich

Members of the Public Present: Barbara Higgins
                               Margaret Smith

1. CALL TO ORDER
George Tyler called the meeting to order at 8:30 a.m.

2. AGENDA ADDITIONS/CHANGES
3. APPROVE AGENDA

Mr. Tyler shared materials from Select Board member Andy Watts, to be added to the discussion of items 5b and 5c. Irene Wrenner moved and Max Levy seconded the addition. The motion passed 4-0.

Mr. Tyler confirmed that during this meeting Finance Director Lauren Morrisseau would present financial data previously requested by the Subcommittee. Ms. Wrenner moved to add the presentation to the agenda as item 5b. Mr. Levy seconded, and the motion passed 4-0.

Mr. Tyler reminded members, staff, and the audience that the Subcommittee does not have the authority to make binding decisions for either municipal board, and asked that this message be included in the warnings and agendas for future meetings of the Subcommittee. Audience member Barbara Higgins added that state statute says that subcommittees are advisory only.

Unified Manager Evan Teich read aloud an opinion provided by special counsel to the Subcommittee Dan Richardson:

This subcommittee is a public committee and a creature of both the Town and the Village. Its meetings are public and should be publicly warned. They are also
discussing issues that are not specifically “the business of the town” but could be qualified as such under a broad definition of the term. The safest course of action would be to indicate in the warning for the subcommittee as a note that a majority of the selectboard will be present solely in their capacity as subcommittee members, and that they will not discuss or take action on any issue outside of the scope of the subcommittee and shall not act as a selectboard at the meeting. The other part of that is that the selectboard members must abide by this limitation and keep their subcommittee hat on at all times.

4. PUBLIC TO BE HEARD
There were no comments from the public on items not on the agenda.

5. BUSINESS ITEMS

a. Review, amend, approve minutes of September 19, 2018
Mr. Tyler moved and Elaine Sopchak seconded the approval of the minutes. The minutes were approved 3-0-1 (Mr. Levy abstained) with the following amendments:

- Line 39: Change “Mr. Tyler” to “Ms. Wrenner.”
- Line 112: Change “He” to “Mr. Tyler.”

b. Presentation of financial data
Ms. Morrisseau shared a series of charts in answer to requests for data made by Mr. Tyler at a previous meeting. Mr. Levy emphasized that the purpose of the information shared is to help the Subcommittee understand the communities’ full financial picture, and will not be used as the sole basis for any decisions by the Subcommittee. Mr. Tyler noted that the information shared will help illustrate the flow of funds between the Village and the Town and highlight what is being shared.

Ms. Morrisseau handed out a residential tax rate history—a chronological chart of all Town and Village tax rates, both municipal and school, dating from 1951 through 2019. She explained the chart demonstrates that currently the Village tax rate is approximately $.31 higher than the Town’s.

Ms. Morrisseau next reviewed nine charts that corresponded to specific data requests made by the Subcommittee.

1. FY19 Tax Type & Tax Rate itemizes the totals and distribution for the grand lists of both the Town and Village for residential, Global Foundries, and non-residential.
2. **Town General Fund Budget** shows the distribution of contributions to the Town general fund budget by Village residents (32%), Town residents (40%), Global Foundries (3%), non-Global Foundries non-residents (18%), and non-tax revenues (8%).

3. **Town Capital Fund Contributions** illustrates the transfers from the Town FY19 general fund to various departments including assessor, community development, fire, highways, recreation, and IT. It also broke down the percentage of these transfers that are paid for by Village residents, Town residents, Global Foundries, and non-Global Foundries non-residents. This chart also showed the amount spent from the Town capital fund on stormwater projects and the percentage of Town capital funds spent on Village projects in FY18 (1.6%). This amount is expected to increase due to upcoming stormwater projects.

4. **Town Rolling Stock Fund** indicates that the Town does not have a rolling stock fund but instead funds such purchases from its capital reserve fund. Ms. Morrisseau explained that though the FY19 general fund transfer to the capital fund was almost equal to the amount of Town highway tax collected, the two items are not connected. She also explained that the Town highway tax has over time been reduced to the point that it now just about covers the capital transfer. Finally, the chart shows the amounts contributed to the Town highway tax by Town-outside-the-Village residents, Global Foundries, and non-Global Foundries non-residents. Village residents do not contribute to the Town highway tax.

5. **Village General Fund Budget** shows the amounts contributed to the Village general fund budget by Village residents (64%), Town-outside-the-Village residents (9%), Global Foundries (6%), Village non-residents (8%), Town-outside-the-Village non-residents (3%), and non-tax revenues (9%). Ms. Morrisseau explained that this chart does not include payroll costs for shared staff or transfers from the Village. The Subcommittee asked her to provide an updated version that includes those figures.

6. **Village Capital Fund Transfer FYE19** indicates the percentage contributed to the Village’s capital fund by Town-outside-the-Village residents (9%), Town-outside-the-Village non-residents (3%), and the percentage of the Village capital fund contributed to the Town (0%).

7. **Village Rolling Stock Fund Transfer FYE19** shows the percentages of Town-outside-the-Village contributions to Village rolling stock (which are the same as in table 6—9% and 3%). It also shows the amounts contributed by both Village and Town residents and non-residents to the purchase of the ladder truck.

8. **Essex Town – Percent of 2019 Operating Budgets Contributed by TIV** shows a breakdown of Village contributions to Town departments that have not yet been consolidated—community development (34%), recreation (36%), library (41%), fire (41%), economic development (41%).
9. Essex Junction – Percent of 2019 Operating Budgets Contributed by TOV shows a breakdown of Town-outside-the-Village contributions to Village departments that have not yet been consolidated—community development (0%), recreation (0%), library (<2%), fire (0%), economic development (0%).

After reviewing the charts, Mr. Teich pointed out that the analysis will be helpful in calculating a balanced way of paying for shared personnel. It will also help the boards better understand the financial impacts of consolidation, department by department.

Mr. Teich also stated that the analysis revealed a policy-based inconsistency that the boards may want to consider. He explained that the Town’s policy on fund balance is to transfer unrestricted surplus to reserve. Based on this analysis, approximately 33-35% of any surplus is contributed by Village residents, but that amount has never in the past been returned to the Village. He suggested that the Select Board could review the Town fund balance policy and consider whether to transfer a percentage of fund balance back to the Village for capital or other reserve use (not for operations).

Mr. Tyler added that this analysis is helpful in quantifying how much tax revenue comes to the Town and Village from businesses and other non-residential entities.

Ms. Wrenner requested that, in each of the charts presented, the term “Town” be changed to “Town outside the Village” or “TOV.”

Ms. Morrisseau stated that she will send an updated version of all of the charts to the Subcommittee. Ms. Higgins, referring to the Essex Community Residential Tax Rate chart, asked whether the “T.HGHY” column showed that only Town-outside-the-Village residents pay this tax. Ms. Morrisseau said she believed it did but that she would confirm this. Mr. Teich requested that Subcommittee members send additional questions to Ms. Morrisseau.

c. Consideration of Additional Questions for Dan Richardson

Mr. Tyler reviewed the document “Additional Questions to Consider Sending to Dan Richardson.” Mr. Teich provided printed copies of an updated version that contained brief answers from Mr. Richardson to these questions.

The Subcommittee then reviewed three emails from Mr. Watts, each containing both feedback and questions. Mr. Watts’ questions were added to the primary list of questions about governance scenarios, along with questions submitted by other board members.
d. **Review and Prepare Governance Scenario Questions for Dan Richardson**

Mr. Tyler called for a brief recess. The Subcommittee paused at 10:03 a.m. and reconvened at 10:13 a.m.

The following changes were made to the document “Potential Governance Options:”

- **Scenario A:** Ms. Wrenner asked that a new bullet be added to include the possibility of a committee within a committee model similar to that used by CCRPC and MPO. She also requested a second new bullet as follows: “The Select Board would continue to meet bimonthly and the business of the 5-member sub-boards would occur during these meetings if necessary.”

- **Scenario B:** Mr. Levy requested the term “Rural Essex” be changed to “TOV.”

Ms. Wrenner emphasized that the proposed scenarios should meet the goals established by the Subcommittee at its first meeting.

- **Scenario E:** The committee determined that this scenario could be clarified by adding an additional bullet: “Dissolve both the Town and Village charters and create a new, single charter.”

- **Scenario F:** The Subcommittee clarified the second bullet by adding “using wards or districts” at the end of the sentence.

- **Scenario I:** Subcommittee members decided to clarify this scenario by adding a bullet indicating that this is the current status quo.

- **Scenario J:** A scenario was added to reflect Trustee Houghton’s suggested scenario of separation of the Village from the Town.

The Subcommittee considered Mr. Watts’ suggested Scenario K and concluded they needed more specific information from him before including it as a scenario. Mr. Tyler will reach out to him.

The Subcommittee considered Mr. Watts’ suggested Scenario L regarding annexation. They discussed the example of a landowner who successfully petitioned to remove his property from within a municipal boundary. Mr. Teich stated that in most cases that property must be contiguous with a municipal boundary, and that the entity receiving the new property must first accept it.

Ms. Sopchak asked if any of the scenarios addressed the possibility of Village residents voting to dissolve the Village charter. This scenario would allow Village residents, but not Town-outside-the-Village residents, to decide whether to continue paying taxes to two municipalities. The
Subcommittee decided to add this as a bullet to Scenario F. Mr. Teich noted that this scenario would require creating a special taxing district to address existing debt.

The Subcommittee reviewed the remaining questions. Mr. Teich asked for members to send him any additional questions. He said he would then forward all of the questions to Mr. Richardson.

e. **Schedule Next Meeting and Discuss Progress Report for Next Joint Board Meeting**

Mr. Tyler requested that the Subcommittee meet again before Thanksgiving for the purpose of compiling a report to be submitted to both boards prior to their joint meeting on December 5th. The format of the report will be an executive summary and an appendix of backup materials. Mr. Tyler requested and the Subcommittee agreed that Mr. Richardson attend the joint meeting. Ms. Sopchak will send out a date poll to schedule the next Subcommittee meeting.

Ms. Wrenner moved to adjourn and Mr. Levy seconded. The meeting adjourned at 11:24 a.m.

Submitted by Elaine Haney Sopchak, Subcommittee Secretary