



VILLAGE OF ESSEX JUNCTION TRUSTEES
TOWN OF ESSEX SELECTBOARD
Subcommittee on Governance
Special Meeting Agenda

2 Lincoln Street
Essex Junction, VT 05452
Thurs., Dec. 19 2019
7:00 PM

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The Governance Subcommittee consists of two members of the Essex Junction Board of Trustees and two members of the Essex Selectboard. The members will not discuss or take action on any issue outside of the scope of the subcommittee and shall not act as the Town Selectboard or Village Board of Trustees at the meeting.

1. **CALL TO ORDER** [7:00 PM]
2. **AGENDA ADDITIONS/CHANGES**
3. **APPROVE AGENDA**
4. **PUBLIC TO BE HEARD**
5. **BUSINESS ITEMS**
 - a. Discuss Taxation with Attorney Dan Richardson
 - b. Discuss Representation with Attorney Dan Richardson
 - c. Discuss Charter Drafting with Attorney Dan Richardson
 - d. Schedule January-February Meetings
 - e. Approve minutes: December 12, 2019
6. **ADJOURN**

Members of the public are encouraged to speak during the Public to Be Heard agenda item, during a Public Hearing, or, when recognized by the Chair or President, during consideration of a specific agenda item. The public will not be permitted to participate when a motion is being discussed except when specifically requested by the Chair or President. This agenda is available in alternative formats upon request. Meetings, like all programs and activities of the Village of Essex Junction and the Town of Essex, are accessible to people with disabilities. For information on accessibility or this agenda, call the Unified Manager's office at 878-1341.

Certification: 12/17/2019 

Memorandum

To: Governance Subcommittee; Evan Teich, Unified Manager

CC: Greg Duggan, Deputy Manager, Sarah Macy, Finance Director and Assistant Manager

From: Ann Janda, Project Manager

Re: Discuss (5a)Taxation, (5b) Representation, and (5c) Charter Drafting with Attorney, Dan Richardson

Date: December 19, 2019

Issue

At its 12/12 meeting the Governance Subcommittee discussed the issues of taxation, representation, and charter drafting.

Discussion

5a - Taxation: Subcommittee members would like to propose 12 years to get to one tax rate as it aligns best with Village debt. They would also like to explore the idea of a Village of Essex Junction sidewalk district. Members would like to know if both of these taxation mechanisms will be acceptable to the state legislature as part of the transition provisions and what the next steps should be. For further detail on these concepts, see attachments prepared by Sarah Macy, Finance Director and Village Assistant Manager.

5b - Representation: Subcommittee members would like to propose a 7-member board with:

- 2 representatives from the unincorporated Village district,
- 2 representatives from the Town outside the Village, and
- 3 representatives at large

This representation structure would sunset back to all at-large 7 years after merger.

Members would like to know if this would stand up to legal challenges of proportionality and how it should be drafted given that new Census numbers will be available in April 2021 – after the merger vote. Guidance from City of Burlington on proportionality: *U.S. Supreme Court and other precedent have established that for municipal election purposes, when the actual district population (defined by the most recent Census) is within ten percent (10%) of the Ideal Population, the district provides equal representation. Deviations greater than 10% may be acceptable if needed to meet other important representational goals, but the intent is to keep the variation as close to or below 10% as possible. In legal challenges, the courts use Overall Plan Deviation to evaluate redistricting plans, which must be 10% or less to qualify as equal representation.*

5c - Charter Drafting: Subcommittee members would like to ask questions about a merger plan and charter drafting.

Cost

NA

Recommendation

Staff recommends that the Governance Subcommittee discuss these issues with Attorney Dan Richardson and determine next steps.

Detailed Taxation Plan Options

The following details the two taxation plan options being considered by the Governance Subcommittee for recommendation to the full board and for public input at Annual Meeting. Regardless of the method chosen or the timeline chosen, without the introduction of new revenue sources or reduction of expenditures, the net change in taxes is the same. Expanding the timeline reduces that average annual increase over time by increasing the time over which the change is averaged.

Village debt assessment district - This temporary, special district created in the charter is a way to assign the exiting Village general fund debt to Village residents who voted for it, without encumbering the entire Town. It would be exclusive to the Village’s pre-merger debt and would sunset when the debt is retired.

Fiscal Year:	2014 Bond 81.9%	
	Principal	Interest
2020	135,135	70,582
2021	135,135	67,599
2022	135,135	64,190
2023	135,135	60,415
2024	135,135	56,344
2025	135,135	52,070
2026	135,135	47,646
2027	135,135	43,082
2028	135,135	38,388
2029	135,135	33,581
2030	135,135	28,677
2031	135,135	23,673
2032	135,135	18,554
2033	135,135	13,348
2034	135,135	8,060
2035	135,135	2,698
2036	-	-
Totals	2,162,160	628,907

The amortization schedule for the Village debt assessment district debt is listed to the left. The 2014 Bond Series was approved by Village voters in April 2014 in the amount of \$3,300,000. This bond paid for five infrastructure projects – the School Street South Roadway, Water and Sewer Line Project; the Hillcrest Drainage Project; the Main Street Drainage Project; the Maple Street Culvert and Water Line Project; and the Briar Lane Roadway, Sidewalk and Water Line Project. Upon completion of these projects, it was determined that 81.9% of the total costs are General Fund related and the remaining 18.1% are funded by the Water Fund. It is the General Fund portion of this debt that would be serviced by the Village debt assessment district.

Given the final debt payment is in FY35 and assuming the first merged year is FY23, the debt assessment district would be in existence for 13 years. It is recommended that the general fund unassigned fund balance of the Village be designated for a debt sinking fund which would help to pay the remaining

debt payments. This bond is not eligible for pre-payment as required by the issuer.

DECISION POINT: A decision needs to be made (A) should the Village fund balance be used for a sinking fund, (B) how much of the fund balance should be used for that purpose and (C) what will the sinking fund do? Depending on the amount assigned, the sinking fund could be designated to pay the final few years of bond payments, effectively shortening the life of the debt assessment district. Alternatively, it could be used to pay the remaining interest payments, making the annual assessment district tax levy stable during the transitional period.

Taxation Plan 1 – Straight-line phase in

The straight-line phase in takes the total amount of money raised by the Village tax levy, subtracts the amount included in the tax levy for the Village general fund debt and divides it by the transitional period. The amount of the Village tax levy decreases incrementally by this amount each year during the transitional period. All other amounts are raised by the Town-wide tax levy. At the end of the transitional period, only one tax rate remains. **DECISION POINT:** How long is the transitional period?

In the first year of the transitional period, the tax rate structure would be simplified by eliminating the Town Outside the Village Highway tax of 0.0110 and eliminating the Village Economic Development tax of 0.0100 (if either hasn't already been eliminated).

Taxation Plan 2 – Temporary Village District

The Village District plan utilizes the same basic method as the straight-line phase in but instead of phasing in the entire Village tax levy less Village debt, a certain amount will be held-back during the transitional period. The amount that will be held back would be the annual Village transfer to the Village's capital fund and amounts in the Village general fund budget specific to Village sidewalk maintenance. These items amount to approximately \$490,000 in FY20 dollars. The temporary Village District could sunset after the transitional period causing one additional year to be added to the transitional period to move to one tax rate or could sunset with the transitional period. Either way the sunset of the temporary Village District will cause a bump in the Town-wide tax rate. **DECISION POINTS:** (A) How long is the transitional period? (B) Which costs will be included in the hold-back amount?

In the first year of the transitional period, the tax rate structure would be simplified by eliminating the Town Outside the Village Highway tax of 0.0110 and eliminating the Village Economic Development tax of 0.0100 (if either hasn't already been eliminated).

VILLAGE OF ESSEX JUNCTION TRUSTEES
TOWN OF ESSEX SELECTBOARD
SUBCOMMITTEE ON GOVERNANCE - SPECIAL MEETING
December 12, 2019

SUBCOMMITTEE MEMBERS: George Tyler, Chair; Raj Chawla; Max Levy; Andy Watts.

ADMINISTRATION: Evan Teich, Unified Manager; Ann Janda, Project Manager; Sarah Macy, Finance Director/Assistant Manager; Greg Duggan, Deputy Manager;

OTHERS PRESENT: Irene Wrenner, Ken Signorello, Betsy Dunn, Brian Sheldon.

1. CALL TO ORDER

George Tyler called the meeting of the Village of Essex Junction Trustees and Town of Essex Selectboard Subcommittee on Governance (hereafter referred to as “Subcommittee on Governance”) to order at 7:02pm.

2. AGENDA ADDITIONS/CHANGES

Ann Janda suggested adding an item to the meeting to discuss the future meeting schedule. This item will be added to the agenda as Agenda Item 5F.

3. AGENDA APPROVAL

MAX LEVY made a motion, and RAJ CHAWLA seconded, that the Subcommittee on Governance approve the agenda as amended. Motion passed 4-0.

4. PUBLIC TO BE HEARD

Betsy Dunn asked, regarding the draft representation proposal, what type of majority would be used for voting. She also asked about the use of “temporary” when describing the model in the chart. Mr. Tyler replied that the Village’s attorney advised that the charter explicitly state that this is a temporary model and will revert to another, yet to be determined model, after a fixed period of time. Ms. Dunn asked why at large representation was chosen for the proposed model, and Mr. Tyler replied that the proposal includes a hybrid model of representation, to reflect the mixed results from the KSV-fielded survey.

Ken Signorello further questioned the Subcommittee’s interpretation of certain survey results. Mr. Tyler responded that the draft proposal is a recommendation to the Joint Boards and that it would be a temporary and transitional model. Andy Watts added that KSV’s findings stated that it looked like the model with the most support in the survey would be a mixed representation model of at-large and district representation, which is in alignment with this proposal.

Brian Sheldon voiced concerns with any approach that would divide rather than unite the community, and also stated that the current proposal may not be legal, according to voter rolls in each district as currently laid out.

45 Irene Wrenner noted that the oath that elected representatives need to take when being sworn in
46 does not contain language promising that the member will represent their constituency, and that
47 caution should be used when discussing that oath in this context.
48

49 **5. BUSINESS ITEMS**

50 **a. Discuss taxation proposal and consider next steps**

51 Mr. Watts recused himself from this discussion due to the appearance of conflict of interest with
52 his employment.
53

54 Mr. Tyler introduced the topic, stating that the subcommittee is looking at a phase-in option for
55 tax reconciliation and the idea that the phase-in of the grand lists will occur over either a 7 or 12
56 year period. He further stated that the subcommittee and staff are looking at ways to reduce the
57 impact to the Town outside the Village residents. One proposal included creating a special tax
58 district within the Village so that certain costs are not transferred from that district until after the
59 end of the tax phase-in. This proposal targets Village capital expenditures, which would amount
60 to around \$490,000, and only includes capital projects that the Village would pay for.
61

62 Sarah Macy walked the subcommittee through a presentation on Comparative Taxation Plans,
63 which included several models, looking at either a 7-year phase-in or a 12-year phase in, both
64 with and without the creation of a special tax district. She noted that the total amount of change
65 to the Town outside the Village is around \$330 per household. She explained that figures were
66 developed by compared the average amount over the projected timeframe. The total amount ends
67 up being the same whether the scenario includes the district or not, and same average, whether
68 the scenario includes the districts or not. One assumption is that none of the projected figures
69 factors in changes in grand list or changes in budget.
70

71 Mr. Tyler suggested that the subcommittee discuss the tax issue and the representational model
72 and develop several recommendations to bring to the Joint Boards. He also suggested that the tax
73 issue could be discussed independent of the merger proposal and the Boards could potentially
74 solicit community feedback on it.
75

76 Ms. Janda noted that Dan Richardson, the Village's general counsel, expressed concern about the
77 proposed lengths of transition periods, and that it may be difficult to pass through the legislature.
78 She noted that it would also be more difficult to get these changes through legislatively if it the
79 transition can't be tied to a specified period of time.
80

81 Raj Chawla expressed a preference for a shorter amount of time for tax equalization, but noted
82 that while a 12-year plan would sync up with the Village's debt repayment timeline, he does not
83 see a marked difference between the two timeline options.
84

85 Max Levy echoed that, stating that he couldn't see a clear difference between a 7 year and a 12
86 year plan, but that it would be good to ensure that any tax equalization timeline matched up with
87 other Village timelines (such as the debt repayment timeline or any potential transitional
88 representation sunset). Ultimately, Mr. Levy and Mr. Chawla agreed that a tax equalization
89 proposal should align with the Village's debt repayment timeline and other subcommittee
90 members concurred.

91

92 Mr. Tyler requested that staff draft a proposal based on the above discussion for Dan
93 Richardson's consideration the following week.

94

95 **b. Discuss representation proposal and consider next steps**

96 This item has been combined with Item 5C below.

97

98 Mr. Tyler began the discussion, noting that the current representation proposal is looking at a 7-
99 year transition period for representation, if the merger goes forward. The current proposal
100 recommends a mix of district and at-large member elected to a governing Board, with the
101 potential for transitioning to a new model after 7 years.

102

103 Evan Teich noted that if districts are redrawn based on this proposal, the Town and Village need
104 to consider potential voter confusion, as residents may not know which district they live in if
105 district lines change. Mr. Watts also voiced concern about potential discrepancies between any
106 new local district lines and state-designated district lines.

107

108 Mr. Levy confirmed that the system would revert to all at-large representation if the transitional
109 representation period sunsets without a replacement model in place.

110

111 The subcommittee also discussed the potential of forming neighborhoods from which
112 representatives could be drawn, such as a ward system similar to that of Burlington. Ms. Janda
113 noted that such a system could be researched and explored during the transition period. Mr.
114 Chawla and Mr. Watts asked what constitutes a neighborhood, with Mr. Watts noting that more
115 rural areas don't necessarily need or have a sense of neighborhood.

116

117 Mr. Watts asked why the discussion of Town and Village governance is linked to the discussion
118 about the merger. Mr. Tyler replied that this decision entails not just a large revision of the
119 Town's charter but the merging of the Town and Village charters, which would need to include
120 details of the representational model for governance. Ms. Janda noted that an approach that
121 considered these two actions separately would be more complex and would run counter to the
122 current course of action. Mr. Tyler stated that considering a change in the current approach is
123 beyond the scope of this subcommittee, which was tasked with issuing recommendations for a
124 new community charter to the Joint Boards.

125

126 Mr. Chawla added that many outstanding questions have been put on hold for years in order to
127 discuss and determine how a merger could take place, with the understanding that a potential
128 merger could impact those other outstanding issues. He stated that these other issues, such as the
129 question of Australian ballots and of governance are still being considered, but have been
130 incorporated into the merger conversation.

131

132 Mr. Tyler will present an update on progress to date by this subcommittee to the Town
133 Selectboard on Monday, December 16. He proposed reviewing draft recommendations and
134 outstanding questions on representative models and taxation with Mr. Richardson next week,
135 after which the drafts will be combined into a report and presented to the Joint Boards.

136

**SUBCOMMITTEE ON GOVERNANCE
(DRAFT)**

December 12, 2019

137 **c. Review and consider approval of draft report on representation proposal**

138 This item was combined with Item 5B above.

139

140 **d. Review updated infographic and consider approval**

141 Ann Janda walked through changes to the proposed infographic, stating that she would like to
142 use the infographic in both the annual reports as part of advertisement for annual meetings as
143 well as presentations given by the subcommittee chair on the possible merger proposal. Changes
144 included bringing in language that both Boards approved, changing “why merge” statements to
145 “why explore merger”, and creating icons. She requested that this group send her any additional
146 edits they have around the infographic.

147

148 **e. Approval of minutes**

149 *November 14, 2019:*

150 **MAX LEVY made a motion, and ANDY WATTS seconded, to approve the Subcommittee**
151 **on Governance meeting minutes from November 14, 2019 as written. Motion passed 4-0.**

152

153 *November 19, 2019:*

154 **MAX LEVY made a motion, and RAJ CHAWLA seconded, to approve the Subcommittee**
155 **on Governance meeting minutes from November 19, 2019 as written. Motion passed 4-0.**

156

157 **f. Discussion of next week’s meeting:**

158 The next meeting of this Subcommittee will be on December 19, 2019 at 7:00pm at 2 Lincoln
159 Street.

160

161 Reading file:

162 a. Draft charter for merged municipality with boilerplate language

163 Ms. Janda described the sources used to draft the charter included in the reading file. Her
164 approach was to take current charter language or language from charters of other comparable
165 communities, match transitional provisions to the 2006 proposal where it made sense, and
166 proposed draft language where gaps remained. She stated that there are still some gaps where
167 content is not yet available. She then stated that this document is a draft for this subcommittee to
168 react to.

169

170 **6. ADJOURN:**

171

172 **GEORGE TYLER made a motion, and RAJ CHAWLA seconded, to adjourn the meeting.**
173 **Motion passed 4-0. The meeting adjourned at 8:53pm.**

174

175 Respectfully Submitted,

176 Amy Coonradt

177 Recording Secretary

178

179

180 Approved this _____ day of _____, 2019

181

182 (see minutes of this day for corrections, if any)