

Devens Economic Analysis Team (“DEAT”)

Minutes of April 24, 2015 Meeting

8:00 AM

Hildreth House

Paul Green, Secretary

Members Present: Victor Normand, Paul Green, and Christopher Roy.

Members Absent: Steve Finnegan (vacation).

Victor Normand, Chairman of DEAT, call the meeting to order at 8 am.

Old Business

Approval of Minutes

Chris Roy moved, and Paul Green seconded, a motion to approve the minutes of the DEAT meeting of February 6 and April 3. The committee unanimously approved the motion.

Discussion of Devens Financials

Victor passed out a copy of his financial worksheet (see attachment). He explained the implications of the Devens tax revenue structure for a future enlarged Harvard that includes its historic portion of Devens.

Devens has a split tax rate. Because Prop 2½ limits the ability of a town to increase its taxes, because a split rate shifts a portion of the town tax revenue from residential to commercial sources, because new growth is exempt from Prop 2 ½, and assuming (a) that tax revenue from Devens will cover the additional expenses associated with resuming jurisdiction over Harvard’s portion of Devens, and (b) that Harvard exercises a level of discipline on spending, if and when Harvard resumes jurisdiction of its portion of Devens, the Harvard residential tax rate could go down due to the effects of a split rate, new growth, and the addition of Devens.

Restoring the historic boundaries of Harvard by resuming jurisdiction of Devens would probably not lead to zoning changes, because areas already developed would need to retain their existing zoning, and we believe that we won’t be able to resume jurisdiction until all, or nearly all, of the land owned by MassDevelopment is sold.

One aspect of a split tax rate would be its impact on businesses that are located in the current boundaries of Harvard. The Selectmen, who set the tax rate, would need to show that implementing a split tax rate would not significantly increase their taxes. The Selectmen (and Town Meeting) would need to cover the additional expense of providing public services to the enlarged Harvard.

There are practical limits to the difference that a town can implement in a split tax rate. If the C/I rate is too high versus other towns, it will discourage businesses from locating there. Worcester is in the process of lowering its C/I rate, slowly, over time, for this reason.

Victor feels that there is a realistic potential for increased valuations at Devens because zoning and the utility infrastructure is in place; it is easy for businesses to locate there, and once there, to expand.

The tax base at Devens is now fairly diverse; it is not just a single industry. There is a movie studio, healthcare, high tech, warehouses, hotels, etc. Because we are all subject to the whims of the economy, and because different businesses react differently when the economy grows or shrinks, having a diverse tax base is a good defense against changes in the economy.

For this year's report, we should keep pushing on the idea of a super utility. We can refer to the 2014 report for details. We should stress the benefit of having all utilities under one operation, and the importance of funding of reserves. The utility can be well funded, and this will ensure that the Towns have a good chance of receiving a yearly PILOT.

Chris reported that he attended the Harvard Energy Advisory Committee on Wednesday. The energy market is in turmoil. This has primarily affected investor-owned utilities; municipal utilities have escaped the turmoil. A muni can react faster because all that is needed to change is to convince a group of town citizens (voters); you do not need to change laws or regulations.

Paul said that it was interesting to speculate how Devens Utilities would have worked out if it had been privatized from the start.

Victor said that it was a very speculative operation at the start. It wasn't clear that private companies could have justified the spending needed to bring the plant up-to-date. Chapter 498 allowed MassDevelopment to take risks that an investor-owned utility would not take.

Chris said that an investor-owned utility's business plan had to reflect the desire by its owners to make a profit; this is untrue of a muni.

Paul noted the example of the leaky natural gas delivery system in our state. Instead of fixing it out of their normal expenses, they are asking for a rate increase so that the ratepayers will foot the bill.

Paul asked if Harvard could build its own underground utility system? Chris said that it was possible. Victor felt it would be easier to expand Devens Utilities into Harvard once it was proven to be a success.

Chris noted that Devens Utilities is a pretty simple operation. It consists of Jim Moore and 2 engineers; most of the actual work is subcontracted out to Wellesley Electric.

Victor noted that when the Army was running the base, they had their own in-house public works department, but to keep everyone on their toes, they also put the public works projects out to bid, and the in-house team had to submit a bid as well. It worked well.

Victor felt that local government is more accountable to the people than investor-owned utilities, which can simply pass on costs to their ratepayers.

Select Future Meeting Dates and Locations

The next meeting date was set for Friday, May 15, 2015, at 8am in Hildreth House.

Adjourn

The meeting adjourned at 9:30 am.