

Sturbridge Finance Committee  
Meeting Minutes  
May 29, 2014 ~ Sturbridge Town Hall  
7:00pm

Call to Order:

The BOS chairman called the meeting to order at 7:00pm with the following BOS members present: Mary Blanchard, Chair (MB); Mary Dowling (MD); Mary Redetzke (MR); Craig Moran (CM). Absent: Priscilla Gimás (PG)

Finance Committee members present: Kevin Smith, Chair (KS); Mike Serio (MS); Joni Light (JL); Alex Athans (AA); Larry Morrison (LM); Bob Jepson (BJ); Kathy Neal (KN). Absent: Arnold Wilson (AW)

Guests: Shaun Suhoski (SS); Barbara Barry (BB); Greg Morse (GM); Judy Knowles (JK)

The BOS chair, MB, opened the meeting and handed over the discussion to SS who reviewed the document details that were passed out to all members and guests. Please note that since this is a BOS meeting, the discussion is also detailed in the BOS meeting minutes.

As SS noted, the town has received only one formal bid proposal (Veolia), which is currently under review and will be discussed at subsequent BOS meetings. Until such time, however, the town needs to establish an appropriation to continue water and sewer operations as of July 1, 2014. The recommendation presented by the town administrator, the finance director and the DPW director is as follows:

- Utilize \$150,000.00 from the Water Fund Balance to put the FY15 rate at \$6.16; an increase of approximately \$0.98, or 18.9%.
- Utilize \$50,000.00 from Sewer Fund Balance to put the FY15 rate at \$9.54; an increase of approximately \$0.66, or 7.4%.

If these recommendations are approved and the articles pass at the town meeting, the Water Fund Balance will be \$763,728.00, and the Sewer Fund Balance will be \$700,391.00.

In reviewing the details for each warrant article, MR was curious to know why there was a huge increase in contract operations between FY14 and FY15. Both GM and SS confirmed that increased staffing costs are a large portion of the surge. SS continued that the RFP requested that the chemicals, testing and diesel charges are included in the contract operations total as it has previously been identified on a separate line account. Lengthy discussion continued around staffing.

MD noted that the fund balances will now be lower than \$1M if these rates are approved, a figure that the town has historically preferred to maintain if ever the need to cover catastrophic costs should infrastructure fail. MD continued discussion around the subsidy and how the larger subsidy would keep the rate at a lower amount. KS asked if there were studies on what the average water and sewer bill would be for an average household. Yet, BB noted it was not an easy thing to establish as everyone's usage is individual and there are always fluctuations depending on their lifestyle. GM noted that he did have some figures, but confirmed BB's comment that it varies and fluctuates from home to home.

Noting that the discussion was moving into more of the contract terms, MB commented that there will be extensive talks with Veolia before any contract is signed, and that the meeting tonight is to discuss and set the water and sewer rates for town meeting.

KS asked about the revenues being taken in by water and sewer, specifically the revenues generated by sludge removals. GM stated that the intake for septage covers that cost of sludge removal, and last year revenues were approximately \$288,000.00. KS then wanted to know if the revenue can be used to

increase the fund balances. SS said that it could be, but as BB noted, there is more money being taken out of the fund than what is being put back in.

MS asked more specifically on the methods of how the costs are formulated to rate payers, and if a household did not use any water or sewer, would their cost be the \$190.00 flat rate. GM explained how rate payers pay for water coming in and going out, yet some households may not have both water and sewer, which also adds to the fluctuation in trying to determine an average usage amount. MS continued and asked if the town could essentially borrow to cover such a catastrophic event. GM and BB both noted that the town can borrow, but it's preferable to have user fees cover the costs so it's not driven back to the tax rate, which it would be (debt services) if the town were to borrow.

MD asked for confirmation if the BOS could change the rate prior to contract negotiations, as the discussion tonight is being based upon this one contract proposal from Veolia. BB explained how the rate taken from tonight's discussion will likely be the rate for the July water and sewer bills, and if there was no rate adopted the July bills would be much higher as April, May, June is paid at the new FY rates, even though the water was used in FY14. However, BB also noted that if there was a new proposal accepted and the rates were changed to reflect that proposal it could affect the July bills. The only way to effectively reduce the town subsidy to lower the cost is to get more people to tie into the water and sewer to share the cost.

CM commented that this last minute bid process is unacceptable and has not given adequate time to the finance committee to thoroughly review the warrant, and is very difficult to explain this to the town residents in such a way that they would also thoroughly understand the impact. As a result of the drawn out bidding process KS was curious to know if it may be cheaper overall if water and sewer were kept "in house" rather than contracted out. SS noted that there had been no study but it may be worth understanding all options.

MD moved the motion to adopt the proposed FY15 water and sewer rates as presented by the town administrator, the finance director and the DPW director; MB seconds. Motion is defeated 2-2-0; MR and CM opposed.

CM raised concerns over how to communicate the rate increase to residents as it is confusing and there are a lot of issues to take into consideration. For example, explaining why the April, May and June water and sewer usage is reflected in FY15 rates is difficult and seems unfair. MS noted that it may be only the first year of the contract to be costly as the remaining contract years are tied in or "capped" by the CPI. MS continued that perhaps the town should think about other pricing strategies going forward as there may be other ways to calculate costs more efficiently.

CM moved the same motion as previously recommended by MD: to adopt the proposed FY15 water and sewer rates as presented by the town administrator, the finance director and the DPW director; MR seconds. Motion accepted 4-0-0.

MD moved the motion to place the Proposed Substitute Motion to Article 7 Water Department to the Town Meeting; MB seconds. Motion accepted 4-0-0.

MD moved the motion to place the Proposed Substitute Motion to Article 8 Sewer Department to the Town Meeting; MB seconds. Motion accepted 4-0-0.

BOS adjourned their meeting. Finance committee members continued their meeting after a brief recess. Brian Amedy (BA) and Alix McNitt(AM) were guests.

SS asked that the finance committee consider changing the language in the proposed articles for Water and Sewer to reflect the wording recommendation of town counsel as follows:

“ . . . ,to authorize the Board of Selectmen to enter into a contract or contracts in excess of three years for the operation and maintenance of the water department facilities; or take any action in relation thereto.”

LM moved the motion to reconsider Article 7 Water Department; MS seconds. Motion to reconsider accepted 7-0-0.

LM moved the motion to accept the substitute motion for Article 7 Water Department as written but with the revised language of “ . . . ,to authorize the Board of Selectmen to enter into a contract or contracts in excess of three years for the operation and maintenance of the water department facilities; or take any action in relation thereto.”; MS seconds. Motion accepted 7-0-0.

LM moved the motion to reconsider Article 8 Sewer Department; MS seconds. Motion to reconsider accepted 7-0-0.

LM moved the motion to accept the substitute motion for Article 8 Sewer Department as written but with the revised language of “ . . . ,to authorize the Board of Selectmen to enter into a contract or contracts in excess of three years for the operation and maintenance of the water department facilities; or take any action in relation thereto.”; MS seconds. Motion accepted 7-0-0.

#### Reserve Fund Transfer – Veteran’s Services:

A reserve fund transfer (RFT) from free cash to the Veteran’s Benefits account (15432-57700) was made by Barbara Barry to cover funeral expenses for a veteran.

MS moved the motion to transfer \$2,000.00 from Free Cash to Veteran’s Benefits account (15432-57700); BJ seconds. Motion accepted 7-0-0.

#### Sturbridge Tourist Association:

Brian Amedy (BA) came before the committee as one of only three members of the Sturbridge Tourist Association, and currently chairman, secretary and treasurer. BA detailed the process he went through that lead him to his proposed six-month budget of the STA for \$77,000.00. BA explained that the finance committee proposal of \$33,000.00 was too restrictive given the details of events planned by the Chamber of Commerce. KS noted that there are currently only three members, and that until the STA is fully appointed, a quorum can never be reached. Funding will not be approved for allocation except for the required billings belonging to the Route 20 restrooms and Information Center maintenance. SS noted that he has an interested citizen-at-large, and confirmed that the funds cannot be dispersed until the committee meets and approves funding requests. KS moved the discussion to the whole “tourism” debate, and commented that perhaps it’s time to change the word to “economic development”. He further confirmed that the finance committee was comfortable with the budget in its current state. SS said he’d like to see the STA given the ability to market the town, and it made sense to keep the STA on tourism endeavors.

BA offered more details to the planned events and marketing efforts of the Chamber, and how they are trying to collaborate with events at Old Sturbridge Village, such as the Antique Car Show. He’s open to additional ideas to help market local business. AM responded to questions around the Chamber’s marketing plans, and explained how they have advertisements with Hartford and Albany, and other social media avenues. AM felt that there have been a lot of missed opportunities for the town and some of the money previously spent could have been used better for a variety of reasons, but didn’t go

into specifics. BJ stated to AM that it is of the opinion of some people that the Chamber only allows Chamber members to participate in their events so why should the town give the Chamber funding for events that will exclude other Sturbridge businesses? AM assured the committee that the Chamber allows non-Chamber businesses to participate in their events, but for a fee. In some instances the fees paid were put towards a Chamber of Commerce membership to incent them to participate. KS curiously added that these businesses have already made a decision to either join or not join the Chamber so why would that be an incentive for their participation? JL further enhanced the point made by KS and asked why non-Chamber members would have to pay a fee to participate in a town sponsored event when Chamber members do not, and the funding is from the revenues very likely generated by these businesses. JL commented that the STA funds are generated by Sturbridge businesses and should be used for the town and town businesses equally, and town businesses should not be excluded if the STA is funding such events for the Chamber. The original proposed six month budget was merely a Chamber budget that noted it was going to Chamber memberships, and in JL's view the town should not allow for the funding to be earmarked solely for the Chamber's use, especially when non-Chamber business are not treated equally with respect to participation. JL continued with the funding proposals of the recreation department and their concert series, as well as trail events, and how these should be paramount in STA funding decisions as they are for the benefit of the entire community and single out no one.

SS noted that the BOS is of the mindset that the STA should be more collaborative with the Chamber of Commerce if it is to become a more functional committee. KS stated that it was already dysfunctional, and that there is no specific plan in place to make it more functional. There is not even an established criterion of how often the committee should meet. Further, KS stated that this should be resolved quickly and a date needs to be put in place.

LM stated that there are consequences, and to make it work or not work, criteria should have been defined to make this determination. STA makes very subjective decisions without defined criteria and this is not good yet the intent to do "good" is present. The functionality of the STA is lacking; nothing is measurable, so why public funds should be put to non-use? LM continued that it is hard to have a committee to fund Chamber and non-Chamber events as it would come down to whether or not a business should bother to pay to be a Chamber member if the STA is paying the way.

AM and BA both discussed their views on how the beginning days of the STA were very tough and there were essentially no guidelines, no mission, no definition. Coupled with the personality issues that plagued the committee, it was difficult to continue as a functional committee from the beginning. LM agreed that it had to change. MS explained how the finance committee discussed at length the issues around Chamber and non-Chamber events, Sturbridge and non-Sturbridge events. There were several votes on the budget before compromising to the current budget. MS asked whether or not there is proper oversight to the committee and to how the funds are being used, outside of the restrooms. He asked if BA felt there was enough oversight to the budget if it were \$77,000.00, and if there were enough controls on the funds. BA felt there was adequate oversight.

MS moved the motion to reconsider the STA budget; AA seconds. Motion is defeated 2-3-1. LM, KN, JL opposed and KS abstained.

#### Old Business/New Business:

KN noted that the Stipend Committee met and will be providing a substitute motion at town meeting for the Stipend Warrant Article. The committee felt that it should be voted solely by the residents and this would give them that opportunity.

KS noted that he would schedule a meeting for 6:30pm on Monday, June 2 should anything need to come before the committee prior to the town meeting at 7:00pm.

A motion to adjourn was made by LM: MS seconds. Meeting adjourned at 9:58pm.

/jml