

TOWN OF WINCHENDON
BOARD OF SELECTMEN MINUTES
MONDAY, October 6, 2014
Town Hall, 2nd Floor Auditorium
109 Front Street, Winchendon, Mass.

Present: C. Jackson Blair, Chairman
Beth Hunt, Vice-Chair
Keith Barrows
Robert O'Keefe

James M. Kreidler, Jr., Town Manager
Linda A. Daigle, Executive Assistant

Absent: Fedor Berndt

List of Documents Presented at Meeting:

- Boot Drive Application – Winchendon Lion's Club for Oct. 11, 2014 (filed)
 - M.J. Galat- Ban the Pipeline Presentation (filed)
 - Kinder Morgan Tennessee Gas Line Presentation (filed)
 - Ms. Langdon's complaint letter and Town Manager's response (filed)
 - Town Manager's Report (attached)
 - Minutes of 9/22/14 (passed over)
 - Warrant for the State Election (attached)
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Chairman Blair called the meeting to order at 6:20 p.m. with the Pledge of Allegiance to the Flag of the United States of America. The meeting aired live on local cable access channel 8.

Disclosure of Audio/Video Recording – Doneen Durling announced that she would be recording.

SELECTMEN'S COMMENTS

Halloween Trick or Treat was set for Friday, October 31st from 5:30 pm. – 7:30 p.m. by the Board of Selectmen.

PUBLIC COMMENTS AND ANNOUNCEMENTS: Chairman Blair asked for comments not associated with the audit, deficit, budget or pipeline. He will allow public comments after each presentation.

Stacey Halkiadakis, - Stacy, of Kwik Stop Liquors, came before the Board because she heard Kwik Stop was discussed at the last Board of Selectmen meeting and she was concerned that she hadn't been asked to come. The Board informed her they had just wanted to see if there was an update from the ABCC which there hasn't been. Chairman Blair said they had been concerned about the delay for her opportunity to do business. Stacy then read a state-ment that she had prepared explaining how difficult it has been for her. Noting the recent turmoil in the town, where allegations were made and not proven just like the allegations made against Kwik Stop Liquors. She hoped the ABCC comes through and she will be able to open her store again. She said she loves Winchendon. She thanked the Board of Selectmen for their time.

Chairman Blair told her that they didn't forget her and they were as disappointed as she is that they haven't received a decision as of yet but will still pursue it.

Brian Dickens – Came before the Board of Selectmen to let them know that he will be moving out of town and will not be able to fulfill his appointments on the Parks and Recreation Committee as well as the Master Plan Review Committee. He stated that he loved working on these committees and he thanked the Board of Selectmen and hoped to one day come back to the Town. Chairman Blair thanked him for his service and hopes that he would be back one day.

Mark Desmarais- President of the Winchendon's Lions club. He said that he believed he is on the agenda later but that he had to go to another meeting. He said he had all of the required signed sheets from the members participating in the voluntary Boot Drive to be held this weekend, October 11th. He mentioned that they have all the vest and protected gear. Selectmen Barrows moved for the applicant. O'Keefe seconded the motion. By a vote of all aye, the motion carried unanimously.

Audrey Labrie – Audrey said that she would like to commend Brian Dickens. She said that he has stepped forward to be on the Parks and Recreation Committee and that he is very active in music. She would like to ask all the young people to step forward. They are the future of Winchendon and she said we need more young people like Brian Dickens. There was a round of applause for Brian.

APPOINTMENTS/RESIGNATION:

Bob O'Keefe accepted Brian Dickens' verbal resignation. Keith second the motion. By a vote of aye, the motion carried unanimously.

TOWN ACCOUNTANT MONTHLY UPDATE

Donna Allard stated that it has been a very busy couple of weeks. She said they had a joint meeting last Thursday, Sept. 30, with the Department of Revenue and the financial team of the town and some school members as well as a consultant member from the school. Out of that came a plan to really take care of some of the problems that we have been having. She felt that it was very helpful. She noted that she had a follow up conversation today going over the plans that the DOR would like to have instituted and some work that they would like to have done right away. The cash receipts are all in for the month of July which was something that they needed to get done.

Donna told the Board that they have a Purchase Order system in place for purchases \$250.00 and over as well as a spending freeze that is in full affect for \$250.00 and over. She is also hoping that the school will comply as well.

Donna said that Harpers payroll started Monday and the Town's side went very well and they are pleased with the transition that occurred.

Donna mentioned that there is another meeting with DOR this coming Wednesday along with the Treasurer/Collector and UniBank to work out a cash flow program. She said that we are definitely getting a lot of support from DOR and felt that things were moving in a positive direction.

Selectwoman Hunt asked about the Purchase Order system. Donna said it was adopted at their last meeting and she plans on keeping it and hoped that at some point, they can raise the threshold; but for now they are working with the \$250.00 and having them signed by the Town Manager. Beth said with this system working on the Town side, could the school side adapt it and help with their needs. The Accountant said she cannot speak for the school but as the Chief Financial Officer she said she sees no reason why it can't be implemented by the school. Donna did say that the school uses PO's but not at the threshold that we do but we hope that will take place. She said that it was very enlightening for us when the DOR stated that the school system is just another department of the town. So yes they should be cooperating.

There was some more discussion on the Purchase Order system. Donna said it is a little micromanaging right now but feels we will see the benefit of this. Beth thanked the Accountant

New Business –

Chairman Blair spoke about having a special meeting this month with the sole topic being the discussion of the FY13 Audit, what's planned, where we are, how far along we are and what we need to do. Invite the auditors, Board of Selectmen, Accountant, any interested people in town who want to come and listen. The meeting was scheduled for Wednesday, October 15 at 7:00PM. Chairman Blair asked the Accountant to invite Auditors with a sense of urgency. Linda asked if the School Committee should be invited. Chairman Blair said to invite the School Chairman and Dr. Khelfaoui and if the rest of the School Committee wants to come they won't have a position on the program but he said that he will mention it to Mike Niles. Bob asked to invite the Finance Committee. Jack said if we post 48 hours ahead and the Courier can put it in on Friday, everybody that needs to know should know. He said that nobody needs a special invitation to sit in the audience. We just need to be sure that the ones that are going to make presentations are available.

Audrey Labrie, point of information, asked what they can expect at that meeting as citizens. Is it going to be a presentation by the auditors, discussion of the discrepancies? Chairman Blair said that all of those topics are open. He said that everybody is talking about this in the newspapers and the coffee shops, let's just all get together in one room where everybody is facing each other and hear what everybody has to say and ask the questions that you might have. He feels that frankly the auditors owe us an explanation of the audit and the Town Manager has an opportunity to respond to anything that they say and the Board has an opportunity to ask questions. Audrey asked if the public would have the right to ask questions. Jack said that we can have public comments after the presentations otherwise we will be going over the same ground. It will be a one agenda item as all the time will be devoted to that.

MJ Galat – Ban the Pipeline Presentation

M.J. Galat and Ken Berthiaume presented a power point presentation against the Kinder Morgan pipeline project. Some of their concerns were the pipeline going through the Town of Winchendon, imminent domain on property, where meter stations or compressor station will be, effect on waterways, potential accidents and release of methane, costs associated with the pipeline as well as the need for the gas.

Ken stated that we do not need the gas as we have other alternative sources some of which are wind, solar & hydro. He also mentioned that we have some of the oldest infrastructure in the nation and that is leaking methane. He believes if we fixed our old pipes it would bring enough additional capacity to another 90,000 to 140,000 additional houses.

M.J. finished the presentation saying that on September 15, Kinder Morgan entered their request to pre-file with FERC. She urged those present to visit the Federal Energy Resource Commission website at FERC.gov and look up the preliminary paperwork filed by Kinder Morgan. The docket number is PF14-22. It gives information and a chance for comment. M.J. encouraged everyone to let our Conservation Commission, Agricultural Commission and the Board of Selectmen and the town to file and intervene and hear our cries.

Chairman Blair thanked them for the fine presentation.

Garrett Daveiau, Chairman of the Conservation Commission, came before the Board to make a statement. He said that this project doesn't come without risks. He proposed that any landowner that has a well get it tested before the pipeline happens because if something happened to your well water during or after this project, you would be able to prove the quality of water beforehand. Get a baseline of your well. Someone in the audience asked what to test for. Garrett said he imagines that there is going to be blasting so you have chemicals in the blasting material and possible leaking pipes.

FIRE ALARM went off. Everyone evacuated the building. There was a 15 minute delay in the meeting while the Fire Dept. responded to the alarm.

Chairman Blair asked everyone to take their seats so we could move on with the meeting.

Garret finished what he had to say which was to find a lab that conducts water testing and ask for a comprehensive test which identifies organics and VOC's. He also said to check your foundations on your homes. If there is blasting keep in mind shock could impact your foundations. Make sure you take pictures of your foundations as well.

Corey Bohan came up to reiterate what we talked about at Town Meeting. The Historic Commission also has interest in the anti-pipeline movement. They have several Historic, possibly pre-Columbian areas, that are directly affected by the route of the pipeline and the compression station that is right on top of more than two dozen grave sites that are at least 300 to 500 years old. They are in the process of working with the Mass. Historic Commission as well as the United States Department Bureau of Indian Affairs to have the site certified as Native American burial sites and spiritual sites. They are also trying to file applications with the United States Department of Historic Places. He feels this is one of the strongest caveats to fight the pipeline. He asked everyone to rally together and fight against this pipeline.

Warrant for State Election – Chairman Blair asked for a motion to approve the warrant for the state election. Barrows made the motion and Beth seconded. By a vote of all Aye the motion carried unanimously.

Kinder Morgan – Allen Fore, Vice President, introduced his staff that was with him and said that they would be able to answer questions tonight in various disciplines that cover construction and operation of the pipeline. Haddy McCracken from their environmental team, Mark Hamrick, Project Manager Construction, Jim Hartman, Land Manager and Mike Lennon also Land Manager and Rick Charbonnier from their public affairs team were introduced. They gave a slide presentation.

Allen Fore said that they have done 38 town hall meetings across Massachusetts about this project as well as NH. He said that Kinder Morgan is a transportation and storage company and they don't drill or sell gas. They transport it from one point to another. They bring their project to specific companies. They charge a toll to those companies for transporting the gas.

Allen said that natural gas is becoming more of an important part of your energy infrastructure and your network. Numbers for natural gas are expected to go up. Renewables will go up. More natural gas is needed.

He then went over the project and the current situation. He said that there are constraints on the pipes existing now and we need more. He felt that led to us having the highest gas prices in America and that there was not enough natural gas to provide to the needs of the region. He said that their project is an expansion of the existing pipeline in this region.

Allen said that right now they are just at the beginning of their oversight process which is the pre-filing piece. There will be a review of their proposal over the next year and that doesn't mean it will be approved. He said that they won't be filing for permits for this project until early next year.

He said there will be open houses for people to come in and learn more about the project in more detail and specifics. There will be a scoping meeting as well.

The next step in the process is the actual filing which will be in the fall of 2015. Then the Federal and State governments will begin review of the project where they would anticipate action on their permit sometime in fourth quarter of 2016 and the pipeline being finished in 2018. Construction is to begin sometime in early 2017.

He also encourages everyone to log onto the FERC website and sign up for docket number PF14-22-000. He said that this is a way for you to keep update real time on anything that is happening on their project and that it is a free service.

He mentioned that they are trying to create, define and modify a route for this pipeline that will service customers where they are delivering to but also take into account concerns that were brought up tonight and concerns that have been provided to them in the last few months and adjust the route. He said that the map is not official and it has not been approved and it is not final. He said that it is proposed and the purpose of the next year is to redefine this further to file for in the fall of 2015.

Allen said that there are some project benefits. There are economic benefits in addition to the gas delivery. They expect to pay 25 million dollars a year in property taxes and these will be paid to the taxing body that are in the geographic area that they pass through. He also mentioned that this is a union project and they expect about 3,000 union construction jobs to be part of the project. They have signed an agreement with the laborers union to utilize local union labor for the project.

Allen said that Kinder Morgan works hard to be good partners in a community. They partner with Emergency responders, parks and schools and partnership with non-government organization as well. Kinder Morgan also has a foundation that donates to the schools and arts organizations and they certainly want to be a partner in that way as well.

Chairman Blair thanked them for bringing all the people that they did and he was sure that was to cover all the questions that would come up.

Questions from the Audience:

Cindy Cloutier –

QUESTION: “Out of all the 37 other towns that you made a presentation to how many are in favor of what you do?”

ANSWER: Allen Fore said most are not. Most have passed resolutions not supporting configurations. Question: How come Kinder Morgan wants to take properties? How come you want to do eminent domain?

ANSWER: Allen said that the company has no eminent domain authority. They are a private company. He said they build pipelines. The Federal Government has the authority and the ability to that as the last result would be to use eminent domain. Their goal is to work out if possible a voluntary agreement with the landowner.

Ken Hartman, Land Department, spoke about this a little more. He said that he will commit to us that they will do everything they can to try and reach an amicable agreement. But at the end of the day, if they can't resolve our issues then they would have to exercise or authorize companies if they meet certain qualifications and certain standards and get certain approval to utilize that authority on a limited basis.

QUESTION: “With small towns like ours, some of us have concerns about our own infrastructure with the fire department, etc. If the gas pipe blew up, how would we be able to fight it with our small town community fire apparatus?”

ANSWER: Jim Hartman said that they have a group in the company called Damage Prevention who have has several roles. They work with third party contractors. The damage prevention team goes out and works with those contractors to make sure that the pipeline is safe because that is the highest potential for ruptures is by 3rd parties. That team also goes out and works with emergency responders, police and fire, and helps train them on what to do in the event of an incident. They also do mock emergencies. They do a lot of training to make sure that our emergency responders know what to do.

Guy Corbosiero -

QUESTION: “If negotiations don't go well and there is a need for eminent domain, who would be responsible for the cost? Whose lawyers would pay for it?”

ANSWER: Jim Hartman noted that he is not a lawyer so he is not giving legal advice but if you choose to go that route, that responsibility for the lawyers would be the homeowners.

Audrey LaBrie -

QUESTION: “Will any of the towns the pipeline is going through benefit?”

ANSWER: Allen Fore said that many of them will. It depends on the particular town. Their piece of this is the delivery of gas to the utility or local distribution center. They then need to make the decisions on whether they

want to expand their customer gas. This will be up to the distribution companies that are in the business to provide gas to the consumer. They are a mid-stream company.

Maureen Blasco -

QUESTION: She asked who they are giving gas to and where were they located? She thought that two of them were in Connecticut.

ANSWER: Mr. Fore said that there were six of them. He said that they have 12 companies that they are in commercial agreement with but only six of them have authorized them to disclose their names. Others will be part of the public process very soon.

Somebody in the audience asked if they could make the presentation available on the town's website and the Chairman said OK.

QUESTION: What would be available at the open house?

ANSWER: Allen said that the open houses are much like an informal ability to talk to several folks in different disciplines on the project. He said that they will have their environmental team, safety team and operation team as well as their engineers and project management. Detailed maps will be available. There will be stations around the room. He anticipates that people will be there from FERC and very likely representation from state agencies. Allen said that there will be 12 of these open houses and will send us a copy of when the meetings will be and where.

Garrett Davieu -

QUESTION: When the pipe goes in and all is said and done, what is allowed to grow above the pipeline?

ANSWER: Jim Hartman said they do have limitation on surface and asked what he would like to talk about wetland or regular property. Garret said regular property. Jim said that they restrict the landscaping over the easement. Permanent right of way is 50 feet. 25 feet on either side of the pipeline. They restrict shrubbery trees a lot because of root damage. Generally restricted to woody vegetation.

QUESTION: How do you take care of land unmanaged where the line is running through?

ANSWER: Jim said that they mow it with a tractor. They do not use chemicals.

Corey Bohlen -

QUESTON: He said that some email from National Grid has said that electric services are going up 77% to fund the Kinder Morgan project because they don't want to pay for it themselves. He wanted to know if that was true.

ANSWER: Allen said no. He said their ability to build a project like this is based upon their individual customers and them signing up for this agreement. National Grid is one of them. Allen said the entire revenue stream that they get from all of their pipeline is all regulated by a tariff system. So they charge a regulated fee to national grid that is approved by FERC that says that you can charge a company so much to transport your product from point A to point B. They get the transportation charge.

Corey said that they will pass that along to their rate payers. Chairman Blair said that these businesses are all in business to make money

Elaine Mroz -

QUESTION: "Is a valve station the same as a metering station?"

ANSWER: Another gentleman from Kinder Morgan said that a valve station is not the same as a metering station. A valve station is spaced anywhere from 8 to 15 miles apart across the state and they have not finalized any locations as of yet.

QUESTION: "Is the metering station what is being proposed for Winchendon?"

ANSWER: The gentlemen said that there is a metering station proposed for Winchendon but the location is still in the works. They need about 2 acres properly zoned so that they can install it next to that pipeline.

QUESTION: "When their resource reports come out in the next 30 days, will it be available in digital format?"

ANSWER: Digital will not be part of the resource reports. They haven't got control of how to control the mapping.

M.J. Galat -

QUESTION: "What is the need that Massachusetts has that requires the build out of this mass 100 year old infrastructure?"

ANSWER: Allen said that we were facing at some point on peak times additional requests for 1 billion cubic feet per day. Some analyst and forecasters said there was a need for 2 billion more in capacity, maybe more depending. Their proposal could produce around 2 billion cubic feet a day fully expanded. How and why do we do these things as far as size and scope of a project is based on how much is needed out there. There is a big cost difference between 30 and 36 inches of pipe and how many miles of pipe you have. Kinder Morgan finances this 100 percent privately. Their investment is 4 billion dollars. They get paid back from that system from those contracts. If they don't have the contracts signed from these various companies to build this, they won't build it.

QUESTION: "What is the shortfall that tells her that we need this infrastructure because everything she reads refutes his facts?" She said that we have more than enough capacity. We loan out to some of our neighboring states. "In respect, how much of this pipe is for the local distribution channels and how much is export because that is where it is going? "

ANSWER: Allen said that the good thing about this process is that it is very transparent and lots of folks can speculate about what might happen. The way they operate their company is on fixed firm agreements. They don't build pipelines and hope that someday someone will use them. MJ said what about your contract with Japan. He said that they didn't have any contract period.

Carolyn –

QUESTION: She heard that you don't use the same pipe in rural areas and cities and she would like them to talk about that.

ANSWER: Kinder Morgan representative said that as far as the pipe quality is concerned, it is the same. They use high quality steel pipe in all areas. Part of the pipeline DOT safety standards and design standards is that there are different classifications of pipe. Class 1 locations have a different wall thickness of pipe than do Class II and Class III. According to code, a pipe that would be more in a city through a more densely populated area may have thicker pipe than the pipe in a rural area. That does not mean it is not safe or less quality. All pipe is tested with water before installed. He said that it is risk based. One of the risks of pipelines is third party damages. Putting in a water way or roadway where there is more activity near the pipeline. The primary reason for the extra wall thickness is if there is a strike against the pipe by a third party. It has nothing to do with not being safe between the rural areas and the less popular areas.

Kevin Morneau -

QUESTION: "How do you address corrosion issues?"

ANSWER: Kinder Morgan said that the coating used is different and is high strength yield. You also have to make sure when you trench the pipeline, you have to make sure you pad it with good soil and the installation process is key.

QUESTION:

'What kind of leak detection system?"

ANSWER: Kinder Morgan said they don't have any kind of electronic leak detection proposed but we do gas leak surveys on a certain frequency once a year in certain areas and they walk the line with a machine to make sure there are no leaks. Also this gas will be odorized so when they do the walk through they can smell it. At all these metering stations, they have gas controls that monitor the pressure of the whole system. That is a 24-7 monitor.

Felecia Nurmsen -

QUESTION: "What is the projection in revenue that Kinder Morgan will realize?"

ANSWER: Allen said that he is sure that there are projections for that and Kinder Morgan will be paid back for the 4 ½ billion investment they put into this. It will be privately funded and you will be able to see for public inspection what they are authorized to charge their customers for transportation.

QUESTION: "What percentage goes to community projects and do you have a Kinder Morgan Foundation that oversees those funds."

ANSWER: Allen said that they have a Kinder Morgan foundation that donates to schools or arts organizations.

Jack Blair asked Allen if he knew what the overall revenue was last year.

ANSWER: Allen said that he was not sure. Also, he said that they work in the community investment areas and they donate to schools and help fire or police departments with equipment. He said that would be a discussion with the community that they are doing the project in.

Russ Gaulin – He disclosed he works for the Commonwealth but is here to represent himself as a resident.

QUESTION: Russ said that the purpose of this pipeline is for electrical generation so how many megawatts will these companies produce?

ANSWER: Allen said that these companies have signed up on their natural gas part of this business. He said that they don't have any contracts yet for the power side. But they are pursuing those.

QUESTION: "How do you secure your above ground facilities against terrorist attacks?"

ANSWER: Kinder Morgan said that they have fencing and all valve locations and compressor stations are fenced in and monitored. Most are manned, but all are monitored.

Paster Barry Risto, Cornerstone Church-

QUESTION: Pastor Risto was concerned about the pipeline going through some of their property and take up parking spaces as well as a playground area that they are hoping to rebuild. Also they have geothermal running the church. He asked if blasting would upset their geothermal well and does Kinder Morgan make compensation for that. If you take out parking spaces would you make them in another area?

ANSWER: Allen said the short answer is yes. He said that any impacts that they believe they would have on the property they would talk to them about. They would be willing to pay for any expenses related to that.

Cindy Boucher –

QUESTION: Cindy noted that Mr. Kreidler made a proposal to a Kinder Morgan representative about using abandon right of ways that would take the pipeline from Lake Dennison over the right of way and would not go through personal property. She said that that proposal was rejected outright.

ANSWER: Kinder Morgan representative replied they have made hundreds of adjustments across the state and this particular one they looked at and it got them going part way across the town but not where they needed to be at the end.

The Town Manger said that back on March 4 he did forward this to Kennan Brennan who was their representative at the time and he took it back and the only thing he received back was a phone call that they would have to notify to many new property owners and particularly where it goes into the core center of downtown, the density of the parcels would create a great amount of work for them to begin the notification over. Kinder Morgan said they will revisit it. Chairman Blair asked them to relook at it and respond back to us in writing

Audrey Labrie -

QUESTION: "What type of agricultural activity is allowed on the easements?"

ANSWER: Kinder Morgan said quite a lot actually. He will send by email a developer handbook in electronic form to us to make available to people.

Chairman Blair said that the remainder of this evening includes Ms. Langdon's complaint letter, the Town Manager report, personal update, financial update, deficit discussion and then adjournment so those interested in the rest, he encouraged to stay and those that were here just for the presentation will be free to leave.

Chairman Blair thanked M.J and their group and Kinder Morgan for a very nice presentation and he thanked the audience for their respect.

The Board took a 5 MINUTES RECESS and reconvened at 8:38PM.

Chairman Blair announced the audit is now final for those that would like their own personal copy. It will be available in Donna's office on the fourth floor or on the Town's website.

Langdon Complaint Letter – Ms. Langdon came before the board to ask them to answer her complaint letter that she wrote to the BOS on June 3, 2014 regarding the Town Manager. The Chairman said that we turned that over to the vice chair and he believed the two of them have talked. Beth said Terry's calls in were recorded and turned over to Mr. Kreidler. Did Mr. Kreidler respond efficiently and effectively? Beth said the concern was not as much as effectively but more in time management efficiency. She said that if Terry did call that Mr. Kreidler's staff took the minutes of when she called, what the intent was, and turned it over to him. In that sense it was documented when she called and what the response was and where it needed to go. Beth said that there were at least 10 phone calls that took place on this one topic of underground storage tanks to Mr. Kreidler. Beth stated that Terry was satisfied with her needs being met as far as the underground tanks but from the beginning of the request to the end product she wasn't happy with the time line of the response. Some discussion took place on this topic.

Mr. Kreidler said that he doesn't think the issues were what happened out of the bylaw but that Ms. Langdon did not get good treatment "at his hand". Ms. Langdon agreed. Mr. Kreidler told the Board of Selectmen to look at the document that he provided in their packets that included the messages that Beth was referring to along with emails at each step of the way that occurred between the parties and also minutes from meetings that Ms. Langdon came to. Mr. Kreidler said that this was a prime example of priorities not aligning. This was a high priority for Ms. Langdon and he does not dispute that. She lives in an area where there are underground storage tanks. There is a property adjacent to her that is abandoned and she has concern. What he made clear to Ms. Langdon was that this would require being a bylaw before annual town meeting and that he would work with her toward that. He said that Ms. Langdon wasn't satisfied with that; he wasn't paying enough attention to her acute concern during the lead up to our special town meeting.

After some more discussion, Chairman Blair apologized for the Town for the way she felt that she was treated and how upset she has been. He said that he was particularly impressed about how often she has come back to present her case. He said that it is the Board of Selectmen's responsibility to review and evaluate the Town Manager which they do on an annual basis to contract the Town Manager. All of the compliments and criticisms are taking into consideration at that time.

Chairman Blair said we now know this happened. Ms. Hunt has been through it with you in detail. The Town Manager has responded with his point of view. There is really nothing to be done here now but for us to keep that in mind when we go into negotiations with the Town Manager. Chairman Blair asked if that was an acceptable response. Ms. Langdon said that that would be good enough.

Town Manager's Report – Mr. Kreidler said that the entirety of the report centers on financial as was the case last week. Blair asked him to keep in mind that they set up the special meeting for next week maybe you could be

briefly than you would otherwise as you are going to have to do this all over again. Mr. Kreidler said that you will find that there is little to no commentary on the audit. This is a recap of everything that was expected to occur and did occur in the meeting of last Thursday with DOR.

At this point Jim read from his report which is included in its entirety in these minutes due to the serious nature of the financial situation of the town and the important information it provides. Comments or discussion held within his report are in blue italic font.

Report of the Town Manager

October 6, 2014

Financial Updates-

As earlier informed, DOR was in town hall last Thursday to review our current financial situation. The DOR staff members were extremely gracious and very helpful to us in their review, questions and analysis. Our DOR Account Representative Deb Wagner and her co-worker Dennis Mountain met with Town Accountant Donna Allard, Town Collector Treasurer Donna Spellman and me for the first part of the discussion.

They sought, received and reviewed all town financial documents. The discussion was chiefly between the DOR and Donna Allard as related to the town's books. For the review of the town's bank accounts and trust funds the conversation turned to Donna Spellman. The discussion with me focused on the history of various expenses that led to the current deficit (health insurance and veterans particularly).

[I will discuss Veteran's Benefits and update the Board on the status of the Health Insurance program moving forward on Monday night]

At the end of the day the numbers as relate to the general fund deficits remained the same, pending a review after the FY14 closing and audit so the numbers we've been discussing are still the numbers on the table. *The review is scheduled to take place later this month. The Town Manager said the point he makes is that the numbers we have been hearing a week ago, \$2.3 million or \$2.7million depending on whether we get credit for some of the revenues on the table or some of the ability to transfer funds from the enterprise funds, those numbers haven't changed at this point in discussion.*

Let me preface the next part of this email by saying that this information from Thursday's meeting was preliminary in nature and was based upon DOR's review of the actual accounts and resulting discussion regarding the numbers on the school side of the ledger.

Mr. Mountain advised that someone from Town had called the DOR and asked them to pay particular attention to the Murdock Trust so we began there.

At this point Mark Capulis from the School Department's consulting firm TMS was asked to come into the meeting. After a brief overview it was determined that it would likely be best if Superintendent Dr. Khelfaoui was asked to come to the Town Hall to hear the information directly from DOR so as to not allow for any misunderstanding. Once Dr. Khelfaoui arrived Mr. Mountain advised him that a review of all of the information relating to the Murdock Trust determined that for FY14, while the Superintendent's and School Committee's presented school budget told the town that they were planning to use \$160,000 in Murdock Trust funds in FY14 that the actual expenses put through, signed by the Business Manager and/or Superintendent and approved by the School Committee for Murdock Trust funds in FY14 exceeded \$617,000.

Kreidler said there has been a lot of discussion the last couple of weeks that the Town Manager has done dastardly things with the Murdock Trust Fund. Let's lay that to rest tonight. With this information coming right from DOR and confirmed by them, the fact of the matter is a budget that was meant to spend \$160,000 was met with actual year end expenditures of \$617,000, putting the trust into deficit.

This quite clearly put the Murdock Trust Fund into a deficit for FY14. This situation is made all the worse by the School department putting an additional \$200,000 of expenditure for the I-Pads through in FY15. Accordingly, the net deficit in the Murdock Trust due to the over-expenditure of the School Department, once the I-Pads are reversed, back into the FY15 School Budget will be \$600,000.

Additional attention was paid to the School Department's Circuit Breaker Account. In FY14 the Superintendent's and School Committee's presented budget told the Town they were going to spend \$397,042 out of Circuit Breaker. The actual expenses put through, signed by the Business Manager and/or Superintendent and approved by the School Committee for Circuit Breaker funds in FY14 also exceeded \$550,000+/- . At this time DOR advised that the net deficit in the School Department's Circuit Breaker account for the end of FY14 approximately \$400,000.

Some of this deficit may be able to be offset by a school department FY14 end of year encumbrance of \$105,000 for salaries that is not valid given the fact that the salaries were already paid and by a remaining balance in their FY budget of \$97,000 unspent funds.

The Town Manager said at the end of the year if you have funds left on the table and you have expenses that you are going to pay but you haven't had the opportunity to pay them there is a process that would allow you to encumber those funds and hold them.. In this case there was \$105,000 encumbrance for salaries. The way it was presented in the discussion with DOR was that the salaries had already been paid so that encumbrance was inappropriate.

There still is the opportunity to potentially use those encumbered funds for other purposes for potentially offsetting the deficit. That is work that is now being done in the Accountant's office. Additional there was a remaining balance in the school budget of \$97,000 unspent funds. Those too may also be brought to bear against the deficit.

In This case there was an encumbrance o of \$105,000 for salaries that is not valid given the fact that the salaries were already paid and by a remaining balance in their FY budget of \$97,000 unspent funds.

An additional and significant concern was raised by DOR regarding the School Department's FY15 budget given the fact that the Circuit Breaker and Murdock Trusts were run into deficit in FY14 and the Superintendent's FY15 budget was relying upon \$880,000 from those accounts to be balanced.

Preliminary bottom-line for the School Budget is that FY14 ended at \$1,000,000+/-in deficit (\$600,000 Murdock Trust and \$400,000 Circuit Breaker) and FY15 is also in excess of \$1,000,000 in deficit (\$880,000 expected but unavailable Murdock Trust and Circuit Breaker funds and the \$200,000 I-Pad expense).

The Takeaway:

As earlier reported, I have been working in conjunction with Department Heads to cover an anticipated \$2,100,000 Health Insurance Deficit (\$1,617,000 schools share and \$483,000 general government share) and a FY14 \$218,000 general government budget net deficit through a combination of targeted governmental budget cuts, structural changes and in town reserves.

We have been working through a combination of targeted budget cuts and allocation in town reserves. The Town Manager said that the Board should have received an email that would have had a spreadsheet on the back that would have shown that at \$2.318 million the than known cumulative deficit, with target budget cuts in the town budget and a targeted budget cut of \$250,000 in the school budget, which in a meeting between the Finance Committee Chair, Dr. Khelfaoui and himself that the Superintendent committed to supporting. He did say that he could not commit a vote of the school committee but he did commit that he would support it. Add to that the fact that

he (Town Manager) was able to negotiate with Mass Water Pollution Abatement Trust an early prepayment of the last remaining 5 payments on the infrastructure investment account for the landfill closing, additionally able to get the group to waive the subsidies that they would have been able to charge for the final payoff. The Town Manager said that he earlier reported that we would be able to pay the note off for \$406,000 but in fact we will be able to pay the note off for \$254,000. That will leave roughly \$750,000 available from that fund. Note further in his earlier report there was consideration of \$100,000 conversion of capital expense to debt versus the way they are currently voted at the last town meeting which was direct capital purchase.

Jim said that he then has taken the additional step of considering what is going on with the health insurance for FY15. For the first half of FY15 we will be under the same health insurance that we have been for the last roughly nine years which was a self-insured system. Effective January 1st we will be transitioning to a premium based program where all of the risk associated with health insurance claims runs to the carrier. If the plan stayed the same, rates will be significantly higher. So there would be a combination of change to plan that is premium and redesign of the whole plan and bringing it closer to a GIC model in order to come into January 1 with a plan that is affordable within budget. The expectation of the consultant that is doing this preplanning and getting set to put a request for proposals on the street is that we should be able to get within the existing budget for the last six months of the year within roughly \$100,000 +/- at the end of the year. Jim also said that he will also take another \$125,000 projected deficit for FY15 to be safe.

At this point the Town Manager is now net down to \$1,100,000 and that is before consideration of an override or the use of stabilization. We currently have \$1.59 million in stabilization Jim said that even if we went the entire \$1.1 out of stabilization we would have approximately a half a million left in stabilization and have handled the entire deficit internally in town without any need or intervention from the Commonwealth.

The reason he just spent that time revisiting that with the Board is because clearly after the report with DOR this Thursday we are looking at an additional for FY 14 roughly a million dollar deficit from the school department; Murdock Trust, and Circuit Breaker getting added to the top. So now even if we drained the stabilization entirely, we would still be half a million shy. He thought it would be unreasonable to expect the school department to be able to absorb a million dollar cut in this year's budget at this point in time. So instead of requiring it to be reduced through cuts to come into balance, we just add it on.

The Town Manager said that when he spoke with DOR this past Friday and sent the Board a follow up email shortly thereafter, the position now that we know that we are not going to get out of this alone, their position is any effort that you make to go to the legislature for deficit revenue bond, you should ask high because you want to make certain that when the dust settles the authorization is high enough to meet your needs. You are not obligated to borrow the complete authorization but you should always aim high. Toward that end when he spoke with DOR on Friday morning, again the effort was made to round up. For instance, if the health insurance trust fund deficit is \$1.8 let's call it \$2 million is what he was being told. If in fact the Murdock Trust and Circuit Breaker deficit is \$870,000 we might as well call it a million. So the rounding up process was presented to the Town Manager as the most conservative way to go about establishing a base number to seek authorization from the legislature on.

Chairman Blair asked the Town Manager if the Board was to understand that Dr. Khelfaoui and his consultant were present and therefore have the same statistics and figures. The Town Manager said that was correct. Chairman Blair said so we would expect at our meeting a week from Wednesday that they would have an opportunity to respond to those figures and they can present their case.

Donna Allard interjected and said that what DOR has clearly stated in front of Salah and the consultant is that the figures do not lie and so they don't really have a case to present. Donna said that what DOR has said to her today is that they have spent a couple of days working out what the transfers were for her to take and do to the Murdock Trust and to the Circuit Breaker to really bring it to what was voted at town meeting for expenditures. Therefore they have asked her to reverse the expenditures back to the general operating budget of the school and that is per their... Jack interrupted and said that figures don't lie but we have just been going over a process over many weeks

where decisions were made on figures that were inaccurate and we found out where they were inaccurate and we found ways in which we hope we can cure them. All he is saying is that they should have the same right to be here saying to us “this is why is happened to us,” “this is how it happened” or “this is how we didn’t know”.

Jack wanted people to understand rounding up. He said typically towns get one chance to go to the State and say bail us out. There will not be another opportunity to go back so the advice that they were giving the Town Manager is if you have a \$3.9 million problem ask for \$5 million. You don’t have to use the five but if you don’t ask for it and turns out you that your \$3.9 million dollar problem is really a \$4.8 million dollar problem then you are in trouble.

Chairman Blair said that the other thing that the Town Manager was saying was that all of the plans that we have been working on in terms of how to do this without having to go to the State, are not possible. There is just no way we could raid the funds we have and meet this problem. He hopes that everyone understands that and why he believes the Wednesday meeting is going to be very important.

The Town Manger continued. He said that while walking into the meeting last week he had a folder and had a way of managing his way out of this which would still require a number of town meeting actions. They could have been voted either way but at least there was a clear path. The point he is making now is that that path no longer exists. He said that there was the additional million school deficit for FY14 and the potential to add another million or million and a half and still another number that he wasn’t about to get his hands on that relates to the trust that may get added to the top. The way that it was being increased and rounded up was concerning to him. Because he knows that it may make sense strategically to go high and go once but we also want to have an accurate accounting and we don’t want to have some number that isn’t the real number so we should be very cognizant of having two parallel conversations. One is about the safety and the other one about the number.

Additionally, he continued, we perennially spend for veterans services on amounts that exceed what we appropriate. Each year we appropriate more. Each year the lion’s share of the reserve funds goes to veteran’s benefits. These are legitimate, legal and worthy expenditures. In the last ten years, a line item budget for veteran’s services has gone from \$10,000 annually to \$475,000 annually. A lot has taken place in those ten years. He is not suggesting that there is anything wrong about it but when you look at a budget the size of ours and a swing from \$10,000 to just under a half a million, it is significant. Toward that end, DOR said let’s throw in another \$100,000 for Veteran’s while we are at it.

Jack asked the Town Manager and the Town Accountant if they don’t anticipate them finding anything else and that there is not likely going to be another shoe dropped on us. Jim said that he didn’t say that. If it is being publicly reported by public officials that it could be \$3 to \$5 million and one public official is saying all he is seeing is \$2.3 million and that same official gets in a room with people with bigger sticks and they say it is closer to \$3.8 million, he is going to report that.

Jack said if we don’t know for sure he suggests that we wait until we are surer of what the number would be. He would hate to ask for five and find out that we were short two. Jack said the other side of this is that we borrow this money from the State and there is some kind of amortization schedule. This would mean that for some time into the future we are going to have to be making payments to reduce whatever it is that they have given to us and that will impact each year’s budget as we move forward in terms of services and the size of our employee force. So it is a commitment that is going to have a negative impact on the school budget as well as on the Town Budget and we have to be thankful that we have an opportunity to find it somewhere.

The Town Manger said that the reason he would not say that there is not another shoe left to drop is because DOR has been very clear what they have reported to you that this is very preliminary because the FY14 audit has not been finalized and there could yet be something that comes there. Bob OKeefe asked when it will be finalized. Donna said that she is not sure of the target date. She said that we have to start working on the recap and that there are certain procedures that have to take place. Donna said that we are waiting for some very crucial information from the school and DOR asked today for some deadlines to be met. Those deadlines were not met. She said they were met on the town side but not on the school side and she has received no response as to why. Donna stated that this

is very, very important to be able to proceed with the closing of FY14 and DOR said that they were not giving us any wiggle room on this. So, this could possibly hold her up on a deadline that she has for Wednesday but she will try to get as much as she can to them.

Donna said the auditors have started their field work and they are going to come back on site with five of their staff and bring them onto our project. This will probably happen within the next couple of weeks. Jack asked if it would be fair to say that the Board of Selectmen now know everything that the Town Manager knows. Jim said that there is one more piece coming but you will know tonight. The deficits that they have been talking about include what we believe to be the FY14 deficits based on how the books closed. Donna said that was correct. Jim said that they have not been audited yet so there could yet be some other accounting convention that is different. Donna said that the way it stands right now is the deficits that would be the raise and appropriate deficits. She said that there are some other deficits that are not raise and appropriate deficits that will affect our free cash. So let's just put it into two different categories.

Jack asked if there were any other questions on the report.

Beth Hunt asked Jim to clarify the quarter of a million that he was talking about with the school and to Dr. Khelfaoui. Did he say that he added that in to the town government end? Jim said, no, what he was saying is back two weeks ago today when he met with Dr. Khelfaoui and Mr. Kane, the Finance Committee Chairman, that they believed the deficit was set at \$2.314 million. In that conversation, he was looking to do targeted cuts in the FY15 general government budget of \$250,000 and asked Dr. Khelfaoui to consider the same. He said that he would support that. They spent time talking about the fact that it would not impact net school spending. Subsequently the Town Manager learned that at the school committee meeting two nights later Dr. Khelfaoui no longer supported that position. Dr. Khelfaoui had not reported that to him directly but he communicated it publicly that night that the school budget is the school budget. Basically it was an island on to itself and that it is the Town's problem while they can have empathy, they are not helping. They had no moral, no legal or other obligation to do so.

This was made somewhat more difficult given the fact that while the Superintendent had committed to support (though he stated that he could not guarantee a vote of the School Committee) a school contribution toward the deficit of \$250,000 in my meeting with him and the Finance Committee Chairman on Monday September 22, 2014, I learned via his comments at the School Committee two days later that he no longer believed that the school department should assist at all.

Beth said that she would have to probably agree with Dr. Khelfaoui as this has just surfaced after that meeting. Donna Allard informed her that this has not just surfaced. She gave Dr. Khelfaoui that information months ago as to the status of some of those accounts as well as when TMS consultants called her. Donna said that this isn't anything new. It is just new that it is being brought out and being put out to the public and the newspapers. Donna said as a matter of fact, her concern on those trusts was downgraded due to speaking with the consulting firm and talking to Dr. Khelfaoui saying that "no those deficits didn't exist". They tried to reason it away. Donna said that you can't reason away pages of expenditures that are put to these trusts. These are factual. Beth said that she would have to renege on that if she were him because they know now that they are \$2 million in the hole.

Jim said that Dr Khelfaoui didn't know that at the time; it was a week later. He backed away from his commitment to him Thursday night and then a week later on a Thursday morning he had DOR tell him this. Jim said that he was the one that asked if they could have a time out and have Dr. Khelfaoui come to the meeting because he was the one hearing the information from DOR and if he had to convey it across the street, it wouldn't have been heard. Donna, Jack and Beth agreed saying it was a good call. Jack said that we were going to have a complete look at this a week from Wednesday.

Jim spoke about the cash flow problem. He said obviously when accounts are spent into deficit and bills are actually paid any of our cash flow reserve is going to have been dissipated. So if we are carrying \$2 million dollars as our cash flow cushion and we pay two million dollars worth of bills believing there are funds there but in fact there are

not, cash flow becomes a problem. Our cash flow in the office downstairs is cyclical. We send out tax bills, we get an influx. We then send out water bills and we get an influx. We get our monthly payments from the state in local aid that influx. Cash flow is critical right now. So the recommendation from DOR this morning was to come before the Select Board this evening. Jim asked Donna Spellman, the Town's Collector/Treasurer, to come up before the Board. Donna was present to ask their consideration on something that we have done not every year but not infrequently which is when cash flow is an issue seeking the authorization of the Select Board to borrow internally against stabilization until cash flow comes back. Jim said that Donna did have the form for them this evening to ask to borrow internally up to the max that is in stabilization which is the \$1.59 million. Beth asked when we would be getting it back. Donna Allard said that this was an internal borrowing and that we have to have it back by June 30. Donna Spellman is requesting that we borrow \$1,581,278.86. That is the balance of what we have in the stabilization fund. Jack asked if we weren't to do this what would the consequence be. Donna Spellman said that bills and payroll would not go through. Beth asked how can we pay it back by June 30th. Donna Allard said that we would have to rely on tax income. Donna S said that in February we get a lot of real estate tax because we have the water liens and the sewer liens and betterments attached to it so that is a larger receivable that we get. Donna Allard said that right now we are in a little bit of a dry spell. We won't get any tax revenue until late October and we currently have some warrants that are waiting and we need to be able to pay these. Donna A. said that she had talked about it with Donna Spellman and they ran it by DOR and they agreed.

O'Keefe said that we have a cash flow problem because of deficits. Once the deficits are resolved later this year, whether it is through stabilization or an act of the legislature, or we borrow that money and fix the deficit that is the cash that is coming back in. The reason we have a cash flow problem right now is that we spent money the last few years that we didn't have. So we drained the accounts down so we are temporarily borrowing the money to replenish the accounts but when we get this deficit act late this year, that is the one that is truly replenishing the account. In this internal borrowing it isn't something we do often but something we do often is revenue anticipation borrowing. This is just something that we do internally. The Town Manager added we don't pay interest on this.

A lady in the audience asked if they could confidently say by June 30th that they will be able to pay back this money. Mr. O'Keefe said on the books of the town that deficit money is spent and the cash is gone but when we balance FY14 later this year, whether it is through stabilization or more likely we are going to borrow the money from the state, that cash isn't actually spoken for. Because the deficit had already occurred the cash had already been spent. This cash will go into our account to replace the cash that is missing which has led us into this cash flow issue.

Jim asked for a vote to authorize the Collector/Treasurer to borrow internally up to the max in the stabilization which is \$1,581,278.86 to fund to pay the bills. Bob moved the motion and Beth seconded. By a vote of all aye, the motion carried unanimously.

Jim did not read the rest of the report. He told the Board that he would be emailing them later that evening a draft of the tax receivable policy. He said that it comes in two pieces and he would like very much to have the Board's comments on the second piece more than the first. He said the first is pretty standard and it is what we are doing now. The second is the part that we have never done but some towns are doing. Jim said that is far more aggressive and as less citizen friendly. It talks about tax foreclosure auctions, tax collector deed sales, and tax lien assignments. These are companies that are investment companies that buy that receivable. They will pay the cash, we get the cash through the door, and they then become the collection agency on the back side.

Beth said she knows that on the Redevelopment Authority they put properties up for collateral. Would this impact that? The Town Manager replied that any land that has been transferred to the Redevelopment Authority is forever until you dispose of it in the custody of the Redevelopment Authority.

Jim said that what this is talking about is we currently have an amount of money do for taxes. It is our real estate tax receivable. The next phase is that for people that owe more and for a longer period of time, we put into tax title. There are companies that will come in and buy that. So we will put a list together that will say this map, this parcel,

this description, this is what is owed including all fees to date. Companies will get a copy of the Request For Proposals. They will scan it and will say which ones they want to bid on. They have to bid 100% including all fees and interest in order to take possession. They will buy them. They then own that receivable, we get the cash. The one thing that he asked the Board to comment on, philosophically it is a different game. Right now Mrs. Jones can come to the counter and we know the story and a payment arrangement can be done. Jack said if he remembered correctly we showed about a million dollars that we didn't collect that we should have Jack said in the situation we are in now, we can't do the same thing that we have done.

The rest of the Town Manger's Report is below.

Then, as of Thursday, I became greatly concerned that with the addition of this \$1,000,000 FY14 School Budget Deficit added on top of our already existing deficit that a "local only" way out would now appear to be out of reach.

Toward that end, I have spoken to State Senator Steve Brewer and State Representative Jon Zlotnik regarding the possibility of pursuing a revenue deficit bond through the legislature. They assure me that they will be of support and service on the issue moving forward.

UPDATE FRIDAY 12:00 PM-

I have just now finished calls with the two DOR reps from our meeting last Thursday and then a call with Gerry Perry the Director of Accounts and Robert Nunes, the Director of Local Services at DOR.

In each call it was made clear that the numbers being discussed were **still preliminary**. This was stressed. They further explained that in a situation in which deficit legislation is being sought that it is customary to seek a legislative authorization for the highest estimated number because once you get authorization you cannot come back. Toward that end, according to DOR, they used a lot of rounding up in this preliminary discussion.

Further, you are allowed to borrow just what you need and do not have to borrow the full amount authorized.

The DOR reps cited the town of Orange deficit legislation as a possible model.

So, taking it in pieces, the earlier identified FY14 deficits, if we are not allowed to net down the deficit to this number by available FY14 sources on the table, sit at \$2,700,000+/- (\$2,318,000 as reported out last week if we are allowed to net).

At a minimum, the \$870,000 school department FY14 deficit from the Murdock Trust Fund and Circuit Breaker will be added to the total.

Beyond that there is additional consideration being given to possibly adding the FY15 \$1 to \$1.5 million projected school deficit resulting from the school budget relying upon Murdock and Circuit Breaker funds that are not available given the fact that they spent them into deficit in FY14.

Lastly, the earlier discussed potential FY15 health appropriation deficit of \$100,000 which was based on preliminary analysis by the health insurance consultant will likely be deemed low by DOR so a number to cover their conservative estimate of FY15 Health may enter the equation as well.

In closing, the health and general government deficit numbers from two weeks ago did not change but the additional \$870,000 FY14 school deficit will at a minimum be added to the total.

Accordingly, the following breakdown illustrates the current and still preliminary state of affairs. It is broken out into general government and school columns as we also need to keep track of the Net School Spending implications.

GENERAL		SCHOOL
\$ 529,000.00	FY14 HEALTH	\$ 1,771,000.00
\$ 700,000.00	FY14 GENERAL	\$ 870,000.00
	FY14 SCHOOL	
<hr/>		<hr/>
\$ 1,229,000.00		\$ 2,641,000.00

\$3,870,000.00
TOTAL

MINUTES – Beth asked if the Board didn’t mind she had just received the minutes of the meeting of 9/22 if they could wait until the next meeting to approve. The Board agreed.

Selectmen Barrows moved the Board enter into executive session Exemption No. 2 which is to conduct strategy sessions in preparation for negotiations with non-union personnel or to conduct collective bargaining sessions or contract negotiations with non-union personnel; Subject: Town Manager’s contract. The Board will reconvene in public session for the sole purpose of adjournment. Bob seconded the motion. By roll call vote of all aye, the motion carried and the Board adjourned for Executive Session at 10:12 p.m.

Respectfully submitted,

Margaret Giacobone
Administrative Assistant