



## Town of Nantucket Finance Committee

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**Committee Members:** James Kelly (Chair), Clifford Williams (Vice-chair), Matthew T. Mulcahy, John Tiffany, David Worth, Stephen Maury, Craig Spery, Joseph T. Grause Jr.; Peter McEachern

### MINUTES

**Thursday, January 28, 2016**

4 Fairgrounds Road, Community Room – 4:00 p.m.

Called to order at 4:04 p.m.

Staff in attendance: Libby Gibson, Town Manager; Brian Turbitt, Director of Finance; Lynell Vollans, Assistant Director of Finance; Kara, ; Terry Norton, Town Minutes Taker

Attending Members: Kelly, Williams, Tiffany, Worth, Maury, Spery

Absent Members: Mulcahy, Grause, McEachern

Late Arrivals: None

Early Departures: None

Documents used: Debt Service spreadsheet; Warrant Articles for 2016 Annual Town Meeting

### I. PUBLIC COMMENTS – Any member of the public may address committee at this time

1. None

### II. APPROVAL OF PRIOR MEETING MINUTES

1. None

### III. REVIEW OF DEBT SERVICE PROJECTIONS

Sitting Kelly, Williams, Tiffany, Worth, Maury, Spery

Recused None

Discussion **Turbitt** – In FY2017 budget amount is \$5.5 million in debt service principle and \$1.5 million in interest. The debt service amortization schedule doesn't include: the Easy Street Bulkhead project and \$200,000 for short-term interest and bond issue costs. On the amortization schedule in FY2017, the Nobadeer Playing Fields bond is paid out of the Community Preservation Committee. Majority of the debt is funded by debt exclusion. In 2018, we will start to see large drops in debt.

**Kelly** – Asked Mr. Turbitt his conclusion on the financial position of the Town.

**Turbitt** – Low amount of debt in general fund and not a lot of stress on the levy limit. Looking to consider how to structure some non-exclusive debt. The debt for Easy Street was not voted as a debt exclusion so will be within normal operating limit. Also the \$1 million appropriation from the November 2015 Special Town Meeting (STM) for Our Island Home was not included.

**Williams** – Asked if debt would be offset by the fire station construction, etc.

**Turbitt** – It takes that into consideration.

**Tiffany** – Confirmed that what is here represents exactly what's owed as of today.

**Turbitt** – Yes.

#### IV. DISCUSSION OF SEWER PROJECT

Sitting Kelly, Williams, Tiffany, Worth, Maury, Spery

Recused None

Discussion **Kelly** – At the BOS meeting last night discussed FinCom’s request to hold a STM within the (4:11) ATM for the additional sewer project that is not included in the ATM warrant. The BOS discussed factors leading to the decision. In the end, the consensus was that issues related to the election would be required subsequent to STM for the additional sewer project were complex and the BOS doesn’t want to pursue that avenue. One selectmen asked FinCom to consider the split between benefitted properties and the tax base. Said several people he has spoken to agree that FinCom’s financial considerations are important. Asked Mr. Worth to talk about the Sewer Planning Workgroup’s (SPW) reasoning for the general fund/tax split.

**Gibson** – Stated that the BOS was established in their position. Talked about STM in the fall. Explained about the difficulties of setting up a special election.

**Worth** – The SPW spent time discussing how to arrive at an equitable split; the range of input was from 100% on the property value to 100% on the tax rate. Water quality is a primary driver of these projects. They started at 40/60 and worked to 75/25 with all votes 6 to 2. They sought a unanimous position which was the 50/50 split. The SPW submitted that report and disbanded. A couple of weeks ago, the group came back together to look at the new numbers and study the actual impact. If 100% went onto the tax payers, the \$1.7 million assessment ends up being about \$500 annually on the average tax bill. The BOS voted on the 40/60.

**Kelly** – It is hard to talk about the split without addressing the range of issues for people affected by this. Talked about this as a political issue and outreach issue and understanding the needs of voters.

**Worth** – The SPW felt they had to come to a political solution on this. The question addressed was how to start something that recognizes the situation with the septic systems, recognizes that some people have made significant investments at the requirement of the Health Department, recognizes there are many people still out of compliance, and recognizes equity across all properties. Suggested that for people on septic systems perhaps there is a rebate given if the system is inspected every 2 years that show it in good working condition.

**Kelly** – The vehicle for bringing this to ATM is the motion and comment related to Nantucket Harbor Shimmo.

**Williams** – The money spent to increase capacity of the wastewater facilities; asked if the capacity and revenue from that would offset the need for the Privilege Fee.

**Buzanoski** – The SPW talked about money has been brought in; it was clear that only about 50% of the anticipated connections came in. She can look at how much has been brought in. The Privilege Fee addresses the upgrade to the wastewater treatment plant; the betterment is for construction of the sewer piping.

**Williams** – Thought some people had paid those fees up front.

**Buzanoski** – Those fees were segregated on paper; the Privilege Fee wasn’t enough to cover the full amount so the Enterprise Fund had to cover the balance.

**Kelly** – There is continued revenue stream of about \$6300 per connection. Asked about the need for the Privilege Fee if the plant doesn’t need to be expanded.

**Buzanoski** – The debt schedule, for the \$46 million to upgrade the facility in 2009, goes out 20 years.

**Williams** – This would bring new connections up to 800 new connections; asked about the effect on capacity.

**Buzanoski** – Not an impact.

**Spery** – When the projection for 60/40 was done, asked if the 40% was \$200 for an increase on the average tax bill.

- Turbitt** – At 100% on the tax base, for a home assessed \$1.7 million, it would be \$535; at 60/40 it would be about \$214.
- Spery** – It was clear the BOS were hesitant about putting both projects forward and elected to go forward with Monomoy and put Madaket on a fall STM. It sounded like there wasn't a lot of support for putting both on; the concern being they would both fail.
- Worth** – They might still fail separately. This has been a long discussion.
- Kelly** – The BOS said whatever the split put forward at this ATM, it will be the split for all future projects.
- Worth** – There aren't a lot of voters in Shimmo & Monomoy. He is sure non-resident property owners will find grounds for litigation if it goes forward as a 60/40 split.
- Spety** – Asked if it was put on the entire tax base would it be unworkable.
- Worth** – There was support for a fair amount to go on the tax base so the SPW looked at a way to lessen the burden. Everyone benefits from clean water in the harbor.
- Tiffany** – His view on fairness is that if there is some way to figure out how to spread the cost across the whole tax base, it could be mitigated with some type of rebate for people on septic. This would also ensure that people pay attention to the functioning of their septic systems.
- Maury** – Agrees with Mr. Tiffany and Mr. Worth about a rebate system; the Town can afford that. If only one of these two projects is approved, the other will be more expensive next year and won't be able to afford septic testing and rebates. It needs to be looked at in the context of when, not if.
- Tiffany** – This is the best time to do this, from a borrowing point of view.
- Kelly** – Our recommendation was based on solid ground. Doesn't know what the consolation will be for the various groups.
- Worth** – Many people have made a fair amount of investment to their upgrade septic.
- Kelly** – Another constituency would be retired people and those on fixed income.
- Worth** – Could design something; but a fixed-income person is better off with the 100% on the tax base.
- Spery** – It is conceivable this could pass for Shimmo but get shot down for Madaket; Madaket has more voters.
- Worth** – Asked if an amendment could be made on the floor to increase the appropriation to \$100 million.
- Gibson** – That is outside the scope.
- Maury** – Asked views on the idea of requesting a STM during ATM.
- Tiffany** – We are stuck with the deal the BOS made; we have to figure out what to do to make it palatable and fair.
- Spery** – These are two huge projects; the Town boards need to come at it unified.
- Kelly** – The vote was 3-2 on the action the BOS took. Two wanted the two projects to go together.
- Worth** – The best thing FinCom can do is put forward a plan that would sell the 1<sup>st</sup> phase with confidence it will be carried forth in the 2<sup>nd</sup> phase.
- Kelly** – Asked for a vote on pursuing an STM within ATM: 3 no, 3 yes. He feels the STM proposal is the best course of action.
- Maury** – If these two projects aren't together, voters will stop the second.
- Worth** – He believes it should be made clear at the meeting that while one project is before ATM the funding split decision is for both project. People will figure out quickly that the split is for both projects.
- Maury** – The BOS has made it clear they don't believe people will think that far ahead. If we don't push for STM now, we are agreeing to pay the higher price later.
- Spery** – Asked if BOS came out against putting it on the general tax base.
- Gibson** – There was discussion about all options; they went with the recommendation to split.
- Tiffany** – Believes it should be kept simple and STM within ATM becomes too complicated.

**Kelly** – He has gone on record with the BOS about STM within ATM and they didn't vote. We can recommend in a motion to support them, do STM within ATM, note these all have to be figured out and attach to the motion, and wait for a fall STM.

**Tiffany** – Suggested a subcommittee of a couple of people to study the options and present a plan in detail.

**Kelly** – This is important and needs to be discussed as the whole committee. Asked Mr. Turbitt to look at the various mitigation suggestions and bring that plan to the board.

**Turbitt** – He will look into whether or not there are any Massachusetts General Laws that would make this permissible or would it have to go to the State Legislature. The number, which is very large, will put pressure on everything in the budget and has to come from somewhere.

**Tiffany** – Asked if there has been any thought about a rebate system.

**Turbitt** – No. He would need direction on what the Committee is thinking.

**Kelly** – The model is that people who would never be on sewer would get 50% rebate of the increase in their taxes if inspections are completed every 2 years. People who might be put on sewer could not participate in this program. It would be based on 100% of the tax base. Asked when septs are inspected.

**Buzanoski** – Right now a system is inspected when property is sold. The BOH is discussing a requirement for mandated inspections. She believes an inspection every 5 years would be good. Noted the SPW discussed all these; they felt the rebate difficult to define and implement. They feel people who had made an upgrade could be assessed a betterment but not required to connect. The BOH requires that the individual connect to the sewer within 6 months to 2 years depending on their location.

**Kelly** – If we do the 100% and let them stay with what they have for a period of time, asked if that would be amenable.

**Worth** – On any inspection regime, that is the responsibility of the homeowner. Only after the inspection report is brought in would they be eligible for the rebate.

**Kelly** – We will model 100% on the septic folks, 50% on the rebate folks, and 100% on the participation.

**Maury** – Asked if there is a sunset date on the rebates: when the system reaches the end of its functional life or a specific number of years.

**Worth** – Asked Mr. Turbitt about the incentive program to get people to connect to sewer.

**Turbitt** – That was done to encourage hook ups.

**Worth** – The rebate would be for people with new systems or with I/A systems.

**Buzanoski** – The reason for the sewer extension is to improve water quality; the longer someone is on sewer the water is not improving. The BOH implemented an Administrative Consent Order program that creates an account a homeowner can use to hook up or upgrade the system. It has been in place in Madaket for about 3 years; it was intended to last 5 years.

**Kelly** – We will pick six years; that can be changed.

**Turbitt** – Putting this together is going to take time to get it somewhat accurate; he might have this by the February 4 meeting at the earliest. Asked for a flat number.

**Kelly** – Picked \$150 for an incentive.

**V. REVIEW OF WARRANT ARTICLES FOR 2016 ANNUAL TOWN MEETING (ATM)**

1. No discussion on these at this meeting.

**VI. NEXT MEETING DATE/ADJOURNMENT**

Date: Monday, February 1, 2016; 4:00 p.m.; 4 Fairgrounds Road Community Room

Topics: Zoning and Real Estate articles.

Adjourned 5:38 p.m.

Submitted by:

Terry L. Norton