

MONKTON SELECTBOARD SPECIAL MEETING MINUTES

Tuesday, May 7th, 2025

Final

The meeting was called to order by the Chair, Jessica Demeritt, at 9:01am.

ATTENDANCE

Members in attendance: Jessica Demeritt (Chair), Walter Crandall (Vice-Chair), Joe Szarejko, Sam Peisch, John Dunham

Members absent: None

Others in attendance: Bill Joos (Treasurer), Stan Wilbur (Town Administrator), Jaime Schulte (Acting Recording Secretary), Stephen Pilcher, Tom Steadman, Candy Steadman, Jane Steadman, Don Mannigan (on Zoom), Betsy Brown (Zoom), Adam McGowan (Zoom), Paul Low, Randy Charboneau, Sam Burr, Tom Kenyon, Anthony DelGreco, Bill Martin, Tom Charnley, Marilyn Cargill, Buzz Kuhns, Carroll Maxwell, Lisa Burns, Paul Low, Robert Fogg, Andrew Tracy, Jennifer Lowell, David Lucey, Roger Wallace, Harry Atkinson, Lisa Marchetti.

PUBLIC COMMENT (15 minutes)

The Chair described to the attendees that we have a new Board and they are learning about the budget. A majority of the Board wants to talk with the Treasurer about the budget and that requires a public meeting. The format will be Public Comment first, followed by the Board discussing the budget with the Treasurer without public discussion, and then additional Public Comment at the end.

There was no Public Comment offered to start.

CURRENT BUDGET WITH TOWN TREASURER

J. Szarejko asked B. Joos about the Tax Anticipation Note (known as a "TAN") that may be needed. B. Joos explained that this is a short-term loan or line of credit, obtained via bids from banks, to cover revenues needed until taxes are received later in the year, beginning in August. It is needed and bids are in-progress now for a TAN. The amount needed to cover the town's cash flows from May through the end of August is \$629,000, when we start to receive tax revenues. The TAN is repaid when taxes come in. Expenses are ongoing through the year, but revenues are not as continuous, so gaps can be covered short-term with a TAN.

J. Demeritt noted that a TAN was not needed last year, but was expected this year and noted in the town report. B. Joos noted that the town had extra funds on hand during the last couple of years due to ARPA, so we didn't need to borrow.

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J. Dunham asked B. Joos about the budget spreadsheet - should all of the revenue and expenses add up to zero? B. Joos explained that the town operates on a modified cash basis. Expenses and revenues are recognized when they are received. We know we are going to raise a certain amount in taxes, but until that money is in the bank we can't use it. One reason we need this TAN is because of a substantial paving project this summer. We expect to get some funds for that, but may need to pay for the work before that funding is received.

J. Szarejko asked if getting a TAN is a guaranteed thing. B. Joos said nothing is 100% certain, but based on the strong relationships we have with area banks we will almost certainly get one. The banks want to work with municipalities. We have received notes for trucks, the firestation. We have very good credit, we pay our bills, and are in a very good position to receive this TAN.

In March the town approved the purchase of a new dump truck, for instance. The process is to obtain quotes and then line up an equipment note to cover the cost approved by the voters for the truck when the truck is expected to be ready. There is then a process to get funds from the town, through a check warrant approved by the Select Board.

S. Peisch asked if the TAN must be paid back within a year by statute. B. Joos does not know that, but as a matter of practice we pay them back in the same tax year. We have requested bids for a TAN and will pay it back in 2025 with upcoming tax revenues. We also took a TAN in 2014 to cover similar revenue timing.

In 2020 the town did a Bond Anticipation Note for the construction of the new Town Hall, to pay for contractor work done prior to receiving the actual bond for the construction.

J. Dunham asked if the planned \$629,000 TAN would be taken all at once or only in part. B. Joos clarified that it would be taken all at once. It can be repaid early.

J. Szarejko mentioned that the process of obtaining FEMA funds is on-going, but it is unclear when (or if) that will happen. If FEMA funds do not materialize will this TAN cover the work done so far? It would not, because the TAN amount was set up based on expected revenues needed over the summer. We are not taking the TAN to cover FEMA projects. If those funds are not received from FEMA we would have a significant deficit at the end of this year.

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S. Peisch asked B. Joos to talk about why this year is unique. B. Joos said the FEMA money not yet received is a big part of it. We also usually get something like \$41,500 each quarter from the Department of Transportation. The state runs on a normal fiscal year that starts July 1st, but the town runs on a calendar year. In 2024 we actually received six payments from the state, due to the calendars, but in 2025 we will only receive two, in the second half of this year. So the next one will come in July, but we need to cover expenses until then.

J. Demeritt asked B. Joos about the challenging cash flow in the summer and whether he has had a discussion with the Road Foreman or with J. Szarejko on how the highway department could work in a way that is more compatible with the revenue timeline, perhaps delaying some expenses. B. Joos said his role is to make sure funds are available. Past Treasurers would sometimes ask departments to be frugal until funds came in November. B. Joos hasn't done that, to allow normal operations to happen when the weather is cooperating. Much of the highway department's work happens in the warmer months. The biggest item is paving. There is some \$425,000 of paving expected this year, which is the biggest part of the \$629,000 TAN. It is a conversation that could happen with the highway department, but it isn't how B. Joos thinks it is best to operate. He added that the numbers used to create the TAN are educated guesses in terms of our current budget and what we spent in various accounts and some "wiggle room" in case there is another damaging storm or similar this summer.

J. Demeritt asked B. Joos about the cash flow analysis he did for the Board, which was helpful. Was that to size the amount of the TAN correctly or is it an on-going thing? It was just to size the TAN correctly.

S. Peisch asked B. Joos what he expects the interest rate quotes to be. B. Joos expects it to be something like 4-6%. The repayment would be over about seven months. Taken in May and repaid by December. We could pay it off on November 16th, if it makes sense to do so.

The Board had no further questions for B. Joos at this time.

PUBLIC COMMENT, continued

R. Charboneau asked B. Joos about the option of asking departments and committees to be frugal over the summer. Is this note enough to cover all of the restricted funds if all of the budget items for committees are requested short-term? No, it is to cover anticipated expenses through August. ANAC, for example, has a balance of \$203,000. If they have a project this summer we might not have the cash on hand, so would need additional funds or to use tax

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proceeds. The town can use other fund balances temporarily to cover. Those ANAC funds are likely to be used by the highway department temporarily and restored later as tax revenues come in. If a committee wants to spend funds they go to the Select Board who reviews and approves the request or not. If the Select Board wants to proceed with approving funds they would authorize the Treasurer to borrow funds, in that example. J. Demeritt said that ANAC routinely informs the Select Board months in advance of requests for funds, to help with the timing.

S. Pilcher noted that it has been stated that only one tax anticipation note took place in 2014. In 2020 we also had one for \$150,000 at 1.7%, which cost us about \$1,000 in interest. Also did one in 2008. He described the annual budget and revenue cycle. We approve a budget in March and get revenue later in the year, but meanwhile have been operating and spending money since January. It is complex and things do not always line up exactly, so a TAN can be needed.

S. Pilcher asked if we bid out the paving jobs or just go to Pike? There is a bidding process. S. Pilcher referred to the highway budget for 2025 and mentioned that it includes covering a \$35,000 budget shortfall from 2024.

J. Dunham asked S. Pilcher, if the cash on hand on December 31st would equal the sum of all the fund balances. It would not if there are outstanding checks.

T. Steadman asked B. Joos if it is correct that ordinarily at this time of year we would be operating the town on the tax revenues from November of 2024. B. Joos said yes, along with some other revenue sources that are smaller. T. Steadman clarified that the 2025 budget approved in March doesn't come in as taxes until this fall, so we are operating on 2024 funds. B. Joos said that we start to spend for 2025 in January. The 2025 budget amount approved in March is larger than tax revenue from 2024, however, so we have a shortfall which the TAN is making up until we start to receive 2025 taxes. T. Steadman estimated that we will use \$1,000,000 of funds approved in March 2025 by the time taxes come in this fall. B. Joos noted that we expect grant funds to cover the \$425,000 paving bill this summer, but may need to cover it from town funds initially until that grant comes in. That is part of the current 2025 budget and part of the future tax collection, but we aren't going to wait until December to pave or after we receive the money, so the bank will help us by getting the necessary funds sooner when it is the right season for paving.

T. Steadman said we might spend \$100,000 per month to operate the town as a general number. Doesn't that mean we end the year with nothing for next year? B. Joos said it doesn't work that way. We're not guessing at anything. We know the amount of budgeted expenses and the amount of taxes. There can be unexpected costs, like the storms from July 2024, but in general we have a

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strong sense of what we will spend and what is needed to cover those expenses. The reason for a TAN is to address the timing of that revenue. We expect the grants for paving at a later date, for example. There are tools available to the town to manage these timing issues (TAN). Using those tools is a matter of trust and B. Joos has no concern about the town's ability to honor its obligations through the end of the year. We will spend amounts in line with the budget.

R. Wallace said that he got a call yesterday stating that the town is in a financial crisis. He listened and realized that there was a misunderstanding. To explain that he described a scenario of a new town that approves its first budget early in the year, but doesn't collect taxes until the end of the year. That town clearly has to borrow money to operate for that first year. In the example of that new town in its first year they would go back to zero, if they spent their budget exactly and raised that same amount. Monkton is a lot older than that. Over time the actual vs. budgets are not exactly the same from year to year. Every year in Monkton we authorize the Town to borrow with a TAN, if needed, to address revenue vs. expense timing. It gets a lot more complicated over time, especially for a town that only collects taxes once a year...not quarterly like some towns. R. Wallace stated that the premise that there is a fiscal crisis in the town is not correct. Everything he has heard today sounds like typical operations for a town with our age and complexity.

S. Pilcher agreed with R. Wallace's characterization. If our revenues match with budgeted expenses we will be at zero, but obviously there are timing issues with reserve funds and different budget amounts from year to year.

B. Martin asked about the concept of dating for large purchases. In a bid you say you will pay on a certain date in the future (such as November 15th). Has the town considered that to avoid needing a tax anticipation note over the summer?

L. Burns said she agrees with R. Wallace and it is a credit to the Town of Monkton that we honor our obligations. That is evidenced by the fact that the banks are very willing to work with us. This is not the case with every town and we are doing a good job of managing and honoring our obligations. C. Maxwell agreed with L. Burns' remarks.

A. Hodgetts asked if the taxes we raise in November are supposed to cover the upcoming year and how do we avoid needing this tool every year? B. Joos said we work with vendors on the timing of large bills and have had ARPA funds over the past couple of years. Sometimes unexpected funds come in, such as for the hardcourt project, which can mean we have additional funds in the account.

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B. Martin asked if towns with quarterly tax payments avoid needing TANs. B. Joos believes it does help. L. Burns added that it does smooth out cash flow, but the mechanics of calculating bills, sending bills, etc., is higher. S. Peisch added that the taxpayers are used to an annual bill and it would be challenging to transition the community to quarterly. You might need to raise 18 months worth of taxes in 12 months, getting six months ahead, to make it work. H. Atkinson thought it would be easier for individuals to pay tax bills quarterly. R. Wallace is happy that the town does this on a yearly basis, even though he mentioned quarterly. The town can borrow with less expense than individuals, so this helps the taxpayers. B. Martin noted that people are welcome to send in their (anticipated) tax payments early in installments. S. Pilcher said managing revenue vs. expenses is easier to do if you are on the state's fiscal year calendar when you pass a budget in March and the year starts in July, but our timeline gap is longer. B. Joos added that semi-annual or quarterly tax payments would help cash flow, but might increase the rate of delinquent tax payments.

There were no further questions from the public.

ADJOURNMENT

J. Dunham moved to adjourn the meeting at 10:21am. J. Szarejko seconded. The vote passed, 5-0-0.

B. Joos noted, immediately after adjournment, that this meeting started as a couple of Select Board members with questions for the Treasurer and expanded to this larger community group. He offers to meet with anyone who has questions and to have more sessions like this one, if that would be helpful.

Respectfully submitted,
Jaime Schulte