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Town of Danville
Board of Selectmen
EMERGENCY MEETING
Wednesday, November 2, 2022
7:00 PM

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Meeting is Video-Recorded

Selectmen Present: Shawn O'Neil, Chair; Dottie Billbrough, Vice-Chair; Steve Woitkun, Sheila Johannesen, and Dennis Griffiths

Others Present: Kimberly Burnham, Selectmen Administrator; Resident: Dave Drislane

Mr. Drislane confirms that there will not be a Delegate Session at this meeting.

Shawn called the meeting to order at 7:00 PM, explaining that the emergency meeting has been called regarding the Town's tax rate and how it was set. He explains that the Town tax rate has been set, but that some members of the BOS are questioning it. The issue is how the BOS applies the Town's Unreserved Fund balance to offset or "buy down" the tax rate. Shawn states that Sheila requested the meeting and asks her to start the discussion.

Sheila begins the discussion by stating that Shawn "made a mistake." She states that each year, the BOS discusses how much they will use from the Unreserved Fund to offset the tax rate. Shawn asks her how much the BOS usually uses. Sheila states that "she will not answer that question, that Shawn is not going to put her on the spot and make her look like a jerk." There is a heated exchange between Sheila and Shawn.

Sheila states that the tax rate was set on Tuesday, November 1, after Monday night's BOS meeting. "Part of the process is the rate is set by the DRA (Department of Revenue Administration). The tax rate went down, which is great, but the Town also has money in Unreserved Funds that can be used to offset taxes and this is discussed every year." Sheila states this was not discussed as a board this year, "therefore the request was made to take more money from the Unreserved Fund and put it towards the taxes so the tax bills can go down further so that residents who are paying through the nose with everything else in life can have a few extra pennies in their pocket to pay a bill that might come up. That's why we're here."

Sheila states that "Shawn wanted to wait until Monday and that was fine, but the bills don't go out until...." Shawn states that he won't be at Monday's meeting and that he believes everyone knew that. Sheila and Dottie deny knowing this. Sheila reiterates that they "are at the special meeting to move more money into the taxes." Shawn asks if they are going to do this after the tax rate is already set. He asks how the BOS can do this without going back to the DRA and starting the process all over again, and if that is even possible. Sheila states that the BOS "has messed up." Dottie agrees, stating the board always discusses this and that she doesn't understand why it wasn't discussed this year.

Shawn explains that, as discussed at previous meetings, the BOS tries to keep \$650,000 remaining in the Unreserved Fund after they "buy down the tax rate" because that would be the amount needed to maintain the Town's cash flow. He states that "normally, the BOS gets the audit...." Shawn asks how much the BOS used last year. One of the documents he passed out to the BOS is the closing balance on December 31, 2021 from the auditor's report. In 2020, the Town had \$910,000 in the Unreserved Fund. The BOS used \$314,000 to reduce the tax rate in 2021. He explains that the amount in the Unreserved Fund reflected in the document he received almost matched the 2020 Unreserved Fund balance and was over \$14,000 more than the expected revenue.

Shawn states that according to the 2021 audit there was \$361,000 of unspent budget money. He explains that he was concerned because the fund is usually around \$900,000 noting the Town usually has between \$300,00 and \$350,000 of unspent funds from the Operation budget that is added to the Unreserved Fund base of \$650,000. Those unspent funds are then used to buy down the tax rate. Shawn states that he has had discussions with the BOS regarding ongoing issues with the DRA and the DOE (Dept. of Education) because of issues with the School District. This has resulted in delays in setting the tax rate. Every delay means a delay in the tax bill due date. This results in the Town getting into a “cash crunch” as the due dates get further into December.

Shawn states that his viewpoint is that (the Town) needs to get the tax rate set. He looked at the numbers without buying the tax rate down and the rate is .27 lower than last year. The amount of all of the taxes (County, State, etc.) across the board is approximately \$19.00 this year, it was \$20.20 last year, so the overall amount of the tax rate is also down and the Town is doing better than it was last year. According to the information he had, the balance of the Unreserved Fund was \$1.265M. Shawn states that was almost twice the usual amount (over the \$650,000 they hold in reserve) and didn’t make sense. He first questioned if the DRA did not calculate the Town’s use of the Unreserved Fund monies last year, and believed the balance shown was an error. Shawn explains that if he tried to figure out what and where the error was, it would have delayed the tax bills even more, and he was concerned because he will not be in Town next week. This would have meant that the tax rate wouldn’t be set until the end of November. He made the decision to figure out if there was an error afterward since the tax rate was already lower than last year. Shawn notes that the Unreserved fund monies “aren’t going anywhere and can be used when setting next year’s tax rate.” That was “the decision that he had to make and he had to make it that quick.” Shawn expresses his anger “at sitting at a meeting justifying this decision, where he had to drag everyone in for the meeting when a simple ask would have answered the question.” He states that the “refusal to sign is sheer lunacy and that he will give Dottie credit that when the Finance Director left, she took on the job of doing this stuff.” Shawn expresses his anger at board members complaining and “dropping a grenade, walking away, and watching the explosion in the rear-view mirror, he’s sick of it and he’s calling it out and that’s why he wanted it on camera.”

Sheila states that she wanted it on camera as well, stating that “the BOS needs to do these things.” Shawn states that Sheila never asked anything about the DRA. Sheila states that Shawn is supposed to keep the board informed. There is more heated discussion. Sheila accuses Shawn of not explaining the situation and “shame on him for not explaining it.” Shawn states this happened yesterday (Tuesday, November 1), and today is Wednesday (November 2). Sheila states that if he was having issues with DRA regarding the amount in the Unreserved Fund, he never said anything to the board about it. Shawn reiterates that he saw what he believed was an error on Tuesday when the DRA gave them the new tax rate. Dottie believes that generally, the BOS discussed this earlier in the season and not at the last minute. Sheila agrees.

Kim explains that the Town can’t know how much (of the Unreserved Fund) to put towards the tax rate until the tax rate is set. Once the tax rate is set, and the BOS determines how much of the Unreserved Fund to use, that will reduce the tax rate. Dottie explains that the BOS knows what the tax rate is, they found out yesterday (Tuesday), and now they (Dottie and Sheila) are asking to reduce it even more. Shawn explains that at this point, the BOS can’t reduce the tax rate anymore. Kim explains that the tax revenue is \$250,000 less than the July 1st tax bills. The residents are saving over \$250,000 with the new tax rate. She notes that she believes this is a “great savings.” She explains that if the BOS spends \$650,000 from the Unreserved Fund, it would only reduce the tax rate by .07 per thousand and doesn’t make much sense. She also notes that she printed the tax bills today (Wednesday).

Shawn states that he’s fully aware that he’s “taking the hit for his decision, and he’s not trying to duck it, but what confused everything was that the Town had far more revenue than anticipated.” He notes that the BOS has generally estimated Town revenue “pretty accurately” but apparently 2021 was a “great year for the vehicle excise tax.” He explains that he was not aware of that significant amount of revenue and that this was the reason for the large increase in the Unreserved Fund from \$900,000 to \$1.2M. Shawn reiterates that he was concerned that someone had made an error and if he used that extra \$600,000 to reduce the taxes, and that amount really was an error, the bills would be going out and money would be spent (from the Unreserved Fund) that was never intended to be spent. Shawn again states that he made the best decision that he could looking at the dollar amount of the Town’s

taxes, and the dollar amount of all the taxes, and that because both were lower, he felt the best thing to do was nothing.

Shawn reminds the BOS that the Town holds a very low Unreserved Fund balance. The DRA allows municipalities to hold between 5%-17% in that balance and Danville stays around the 5% level. The DRA has often urged the Town to increase that amount. Shawn reiterates his concern if the report reflected an accurate amount in that fund. He again states that he stands by his decision, but can ask if the DRA can redo the tax rate, noting that it will delay the tax revenues coming in to pay the Town's year-end bills. He states that "he would be the one worrying about it and that he's the one that takes all the issues and has to deal with them all while you guys just have to show up here on Monday." Dottie asks him if he believes that (other members of the BOS) "aren't worrying about things?" Dottie reminds him that he's not alone in worrying about Town issues.

Shawn reiterates that the BOS can redo the tax rate, but his recommendation is not to do that. Dottie asks Steve for his opinion. Steve expresses his concern that the process would be complicated. He notes that the "money isn't going anywhere and could be added to 2022 revenues for a substantial tax rate reduction (next year)." Steve asks for clarification on when the BOS can decide how much money to use from the Unreserved Fund to reduce the tax rate. Kim explains that once the DRA sets the tax rate (yesterday), there is a calculation done with how much money from the Unreserved Fund will be used and this will determine how much further the tax rate can be reduced. She explains that if the Town used \$700,000, it would reduce the tax rate from \$19.61 to \$18.41. She notes that means the surplus in the Unreserved Fund would be gone, but would not have made much difference because the new tax rate is already .30 less than last year.

Dave Drislane suggests that if the Town has that much surplus in 2023, that may be the year to use it because the Town doesn't "know what they're walking into." Shawn states that he spoke with Town Auditors today trying to get more information, and they suggested that the Town may not see the kind of increase in revenues that it has over the past couple of years, explaining that most vehicle leases are on the same three (3) year cycle that often results in revenue spikes every three (3) years. Sheila notes that "there probably won't be a spike in revenue this year because it's pretty tough for people to get vehicles right now."

Steve answers Dottie's question stating that now that it's been explained to him and he understands it, he would recommend leaving the tax rate alone. Dottie agrees, noting the tax rate was set so late that the BOS did not have an opportunity to make a decision. Steve expresses his concern that trying to adjust the tax rate now would seriously delay (incoming tax) revenue.

Shawn reassures the BOS and the public that there is no "sinister intent. He was trying to apply funds and looking at the Unreserved Fund balance and it just didn't make sense. And because everything else looked good, he didn't want to touch it until he could look into it more, which he had started to do until he was called out for it." He reiterates again that the Unreserved Fund balance amount didn't make sense to him, so he didn't want to spend it in case the Town actually didn't have those funds because that would be really detrimental to the Town.

Shawn states that the document from the DRA needs at least three (3) BOS signatures. Steve confirms that by signing the document, the BOS is approving the tax rate.

The document is passed around for the signatures of the remaining BOS members.

Shawn adjourns the Emergency Meeting at 7:21 PM.

Minutes derived by video provided on the Town of Danville website.

Respectfully Submitted
Deborah A. Christie