

Memorandum

To: Selectboard
Cc: Katherine Sonnick, Community Development Director
Aaron Martin, Director of Public Works
Daniel Roy, Finance Director
Adriane Martin, Parks and Recreation Director
From: Greg Duggan, Town Manager; Karen Adams, Deputy Manager
Re: Review and provide input on draft plan for 80-90 Upper Main Street matching grant funds
Date: 10/23/2025

Issue

The issue is for the Selectboard to provide input on staff's draft recommendation for funding the grant match required for the 80-90 Upper Main Street Project, with consideration of approval to come at a future meeting.

Discussion

In spring 2025 the Selectboard voted to authorize the Town Manager to accept a \$500,000 grant from the Northern Borders Regional Commission (NBRC) with the condition staff return within one year with a proposal on how to fund the required \$1 million match. Since the original application to NBRC in fall 2024, the Town has finalized the conceptual plan for the property, allowing for more precise budgeting based on the approved conceptual roadway lengths, land uses and densities. These funds would go to perform the engineering and permitting tasks associated with designing the roadway, stormwater, sewer, water, and other infrastructure to be located in the new public right-of-way (ROW) onsite. It would not include any tasks associated with individual sites to be served by this infrastructure. Town staff have collaborated to develop a proposal that recommends specific funding sources, as described below.

Key context for this recommendation:

- This project is expected to take three years to complete, so staff has developed a proposal to identify the \$333,333 that will be needed as grant match in each of FY27, 28, and 29.
- The \$1.5 million project estimate includes approximately \$300,000 in contingency funds. This was requested specifically to account for unanticipated project costs and address concerns about inflation costs for services between the estimate being developed and a contract being eventually signed.
- Staff would recommend requesting bids for engineering services to ensure the community is getting the best value. This could lead to a contract value lower than the estimate, given the need for a much smaller contingency when entering into a contract for services.
- On a parallel track as the design work will be a public outreach campaign in support of the Selectboard's FY26 goal "that progress is made toward the community's vision and will for construction of a new municipal complex." This may evolve into staff recommending an advisory vote on an upcoming ballot to collect needed input from voters.
- Should the Selectboard consider asking voters to adopt a Local Option Tax and it be approved by voters, staff would strongly recommend dedicating those revenues to provide the matching grant funds. The recommendations below do not include any funding from a Local Option Tax.

Funding Recommendation FY27:

- \$200,000 to come from water/sewer reserve funds. Water/sewer related design costs are estimated to be approximately \$452,400 over the life of the project. Staff is recommending this contribution be split across the first two years to acknowledge that the project's scope has expanded beyond W/S systems and those portions of the project should be funded by other sources. Utilizing this source of funding in this manner is supported by the Public Works Director and Finance Director, who reports after the full contribution amount from water/sewer funds is provided to this project, the unrestricted funds within the Water & Sewer fund will continue to exceed \$2 million.
- \$133,333 to come from municipal complex capital funds. The expected FY27 beginning balance for this fund is \$135,096.
- Staff would also propose assigning FY27 interest revenue from the Capital Projects Fund to the municipal complex capital fund, and assigning \$50,000 of FY27 capital tax revenues to this fund; both as part of the proposed FY27 Capital Budget to lay the groundwork for FY28.

Funding Recommendation FY28.

- Use water/sewer reserve funds (\$252,400) for the remaining cost of water/sewer design.
- Use remaining funds available within the municipal complex capital fund, which if recommendations above are accepted, would have an estimated total balance of \$100,000 available for match at the start of FY28. This is \$20,000 more than needed.
- Staff would also propose assigning FY28 interest revenue from capital investments to the municipal complex capital fund, and assigning \$50,000 of FY28 capital tax revenues to this fund; as part of the proposed FY28 Capital Budget to lay the groundwork for FY29.

Funding Recommendation FY29:

Staff is aware that this current Selectboard cannot truly commit to future year budget allocations at this time. The possible match sources presented below in totality far exceed the \$333,333 required and represent a range of options that staff expects to be available to the future Board considering this designation. They are listed in order of staff's recommended priority with details provided for additional context. Staff has assumed the Town does not wish to take on debt for the match; more thoughts on that option are noted later in this memo.

Possible Funding Source	Max Amount Available	Justification	Tradeoffs
1. Local Option Tax Revenues	\$1,000,000+	Non-tax revenue is most preferable, and this expands contributions to those living outside Essex.	Opportunity cost of what could otherwise be funded by \$333,333 of LOT revenue
2. FY29 Municipal Complex Capital Fund Expense	\$100,000-120,000	If SB approved the FY28 capital budget with the recommendations above (\$50k allocation of capital tax + interest revenue generated by FY28 capital investments) this money would then be available July 1, 2028. Range provided due to uncertainty with interest rates 2 years out.	Could fully deplete fund.
3. FY29 Interest Revenue	\$50,000-400,000	The Selectboard could decide to apply interest revenue from capital investments made in FY29, or all investments in FY29, to fund the project. Secure funding, amount variable: range provided from the minimum amount expected from capital tax investments, to the maximum expected for all Town investments.	Opportunity cost
4. Undesignated Capital Fund	\$1,000,000+	This funding source is undesignated and in hand. Staff would not recommend this fund's balance being lower than \$1 million at any time, so amount available would be variable (current projected beginning FY28 balance is \$1,121,036).	Opportunity cost; Funding source is backstop to all capital funding
5. FY29 Assignment from Capital Tax Revenues	\$1,500,000+	Secure and predicable source of revenue, ability to program into and plan for within upcoming Capital Budgets, and maximum amount required would be approximately \$233,333 if Source 2 utilized above.	Opportunity cost
6. Fund Balance Assignment, either FY25, FY26, or FY27	Unknown	Traditionally these funds in excess of the 15 percent unallocated reserve have been used to cover one-time expenses and capital costs.	Unclear whether there will be moneys to distribute from this source, as we plan budgets to not create it.
7. Additional Grants	Unknown	Undefined and insecure source of funding, but would reduce costs. Grants for all planned projects are sought by staff at every practical opportunity.	Staff time spent on grant applications that are ultimately not awarded.
8. Impact Fees	Approx \$30,000	Impact fees are able to be used on projects that will ultimately turn into a capital asset. Eligible expenses are limited to proportion of project directly supporting recreation, fire or other areas where impact fees may be in effect.	Likely need professional guidance to determine the amount of eligible costs to ensure compliance with statute. Opportunity cost.
9. Operating Budget Allocations	Unknown, but estimated \$30,000 total	Areas like professional services for the Selectboard, Manager's office, Community Development, or Public Works would traditionally be used to fund design services for Town projects in these amounts, and are a potential source of funding here.	Increase in taxes or reduction in services with redirected funding would be required to cover this expense

10. Borrow Against Water/Sewer Unrestricted Reserves	Up to \$2 million	The Selectboard could opt to borrow funds from the Water/Sewer Unrestricted reserves, which as of October 2025 exceed \$2 million.	Would need to be backfilled, and while this isn't uncommon we would want to seek signoff from auditors.
11. Donations	Unknown	Insecure funding source but exploring a donations policy is consistent with the FY26 Selectboard goal of "Ensure the full spectrum of Essex's capital needs are understood and fully funded, with an exploration of all possible funding mechanisms."	Donation fatigue?

Alternative sources of funding in any of the fiscal years, in addition to a local options tax, could include the following:

- A bond vote for up to \$1 million for the design and engineering costs
- Greater use of fund balance for any amounts available above the 15 percent unallocated reserve
- Using unallocated fund balance, and allowing the amount to go below 15 percent of operating costs
- Sale of parcels at 80-90 Upper Main St after subdivision of the site in pursuit of the project

Cost

\$1 Million, possibly less depending on actual design costs.

Recommendation

This memo is for discussion. After Selectboard feedback, staff will develop a specific proposal that can be considered for approval at a future meeting.

Attachments: None