

HAMILTON BOARD OF SELECTMEN/FINANCE COMMITTEE

PUBLIC SAFETY BUILDING

MINUTES OF MEETING

October 26, 2016

BOS Members Present: Allison Jenkins, Jeff Hubbard, Scott Maddern, and Bill Wilson

FIN/COM Members Present: John Pruellage, Phil Stearns, Nicholas Tensen, and David Wanger

Town Manager: Michael Lombardo

Others Present: Christy Scott

This Board of Selectmen meeting was called to order at 5:34 pm by Scott Maddern

This Finance Committee meeting was called to order at 5:34 pm by David Wanger

**Review Three year forecast**

David Wanger referred to the distributed documents and asked how the documents could be used and what the goal was to achieve. Scott Maddern wanted to focus on Key Drivers. Phil Stearns said the Hamilton Budget Forecast spreadsheets which were only as good as the data but the numbers were different everywhere he looked. FY'16 were actual, but there was a question if FY'14 and FY'15 were actuals or estimates, which made growth projections for FY'18 and FY'19 difficult. Mr. Stearns was using FY'16 actuals and FY'17 proposed and then made projections for FY'18 and FY'19. The current revision was dated, 161025 (YYMMDD) for computer sorting purposes to find the most recent version.

Phil Stearns debated the use of CPA funds versus Patton funds for Patton property use. Mr. Stearns said he wanted to track pockets of funds used for specific purposes, including Patton, water, or turf fields, and would consider money for specific funds be considered free cash because if the funds didn't pay for the specific items, they would come out of the Operating Budget. David Wanger wondered what would happen to the \$250,000 if the Patton property project went foul to which Michael Lombardo responded that Town Meeting would vote upon the decision. Patton Funds could be treated as a cash account, included in the Town Revenue, according to Mr. Lombardo.

Personnel Expenses were discussed and it was decided that there should be an FTE employee head count by department because personnel was the majority of the budget. If level services was the goal, it would be impossible to hire five new employees. Michael Lombardo suggested including the new compensation table in the budget, which currently included 1.5% increases.

David Wanger wanted to make sure the FY'16 budget, where the revenues were too conservative and expenses over forecasted, was not repeated. Michael Lombardo would provide actuals for FY'14 and FY'15. The budget would need to be completed by February, according to Mr. Lombardo. Mr. Wanger said the Finance Committee would take the lead and periodically report to the Town Manager and Selectmen. Bill Wilson said a full time employee should own the future of the project and report to the Finance Committee. Michael Lombardo said the growth factor should be determined by the actuals as determined via Munis data, and not just a 2%. Bill Wilson said that would be when trends would be noticed. FY'16 actuals, with revenues and expenses, tied with forecast FY'17 with revenue and expenses as well as free cash in the spreadsheet that was created by Phil Stearns. Scott Maddern said the Selectmen would meet on

November 21, 2016 so the Finance Committee could review forecast assumptions at that time with historical information and actuals in place or the Selectmen could come to the FinCom meeting on the 16<sup>th</sup> with schools on the 17<sup>th</sup>. The meeting would be at 6:00 pm on the 16<sup>th</sup> at the Senior Center.

### **Discuss Key Drivers and Target Tax Rate**

Free Cash: Scott Maddern wanted to talk about key items on the distributed list. Michael Lombardo referred to the policy of having free cash of 5% which created a AAA bond rating.

Scott Maddern wanted to ensure that the lowering of the percentage of free cash not be sudden to maintain a consistent tax rate. Michael Lombardo said there was an operation surplus of \$200,000 to \$300,000 so there would not be an upside situation on the budget. Bill Wilson noted healthcare costs. Mr. Maddern inquired as to the school's potential increase to which Mr. Lombardo responded it would be 2.5 – 3% and added that school funding did not come out of free cash. Bill Wilson wanted layers of funding, such as the Stabilization Fund to pay expenditures. Currently there was 10% in free cash, which could be used if there were a terrible winter.

OPEB/GASP The figures increased from 25 – 50 – 75, according to Nick Tensen who said capital funding was important and it was fully funded until 2030 or 35. OPEB did not have state mandates so the Town was ahead of the curve, according to David Wanger. Mr. Wanger noted that Wenham was thinking strategically and Hamilton should consider what the Town wanted.

Mr. Tensen stated that Wenham still owed money for recreation and thought the Town should discuss the whole relationship because that would be why they wanted to change the agreement.

Allison Jenkins said that Hamilton paid a higher share and now that the population had changed, they wanted to change it to their advantage. Along with discussion of student population, there was talk regarding changing the proportional payment based on households.

David Wanger said the school budget was up 2.5 to 3% so using free cash to accommodate for the increase was reasonable. Bill Wilson was concerned about using free cash to fund an operating expense. Scott Maddern responded that there was 1.3 times more than was needed.

Allison Jenkins wanted to see the policy that indicated the Town needed to keep 5%. Ms Jenkins wanted to know if the reserve were lowered to 3%, would the AAA rating disappear.

Jeff Hubbard said the free cash should be reviewed after the revenue and expenses were plugged into the budget. Scott Maddern wanted to look at free cash applications and prioritize them.

David Wanger asked the Town Manager if the funds produced at STM by amending the FY17 budget, revenue increases, and appropriation reductions, would be used to reduce the tax rate for the third and fourth quarters of FY17. The Town Manager said yes, and he would so inform the Assessors to achieve that result.

Phil Stearns said looking at how the Town should spend the excess money would be the last thing they should do. Mr. Stearns wanted to understand what would drive the expenses and when this was known, what expenses and revenue existed, then the Town could worry about free cash. Michael Lombardo said free cash would fill the gap, but Bill Wilson responded that the budget assumptions were high which was the cause of the free cash. Both the Board of Selectmen and the Finance Committee agreed that they wanted to maintain services with close to no increase in cost.

Phil Stearns stated that there was a 3 – 4% increase in the classification study, which must come out of something to make a level budget. Mr. Stearns asked about the Town-wide survey and the responses regarding satisfaction of Town services to which he was told by Michael Lombardo that 61.2% of residents were satisfied and 20% were neutral with the level of Town services.

There were revenue generators planned such as cell towers on Town-owned land and 5-7 acres of solar panels at the landfill, according to Michael Lombardo. After analyzing the chart, it appeared that state aid to other towns was only 2% for Hamilton while it was 6% for comparable towns such as Boxford or Topsfield. David Wanger noted it was part of their overall budget.

**Personnel Expenses:** There were 70 FTE employees in the Town with average benefit packages. Michael Lombardo said the Town was understaffed in the DPW. Scott Maddern said the Town was underspending compared to other towns. Bill Wilson considered shared services with Wenham. Michael Lombardo said the Town mowed the schools in the summer, which created a situation where the DPW was behind in their summer tasks such as cleaning catch basins.

Water rates as a source of revenue were discussed. Allison Jenkins stated rates were a tiered structure. Michael Lombardo said an expensive highest tier could be implemented as a tool that would be better legally than a fine for watering during the water ban. Ms. Jenkins said increased DPW technology was a workflow tool that would save money. Facility Dude was an online app that would expedite workloads, but the Town workers did not have the necessary iphones or ipads to use it.

David Wanger wondered about sharing IT services with the schools, but the schools had declined. Wenham had shown an interest in sharing IT services, according to Michael Lombardo. There was an opportunity with Danvers to share their inspectional services by hiring their staff. There was a chance to work with Wenham and Manchester to hire one full time person. There might be an opportunity to merge with the Danvers call center for public safety in FY'19, according to Mr. Lombardo.

Michael Lombardo said he had met with MAPC to collaborate public health services such as Title V inspections, restaurant inspections, a public health nurse for infectious disease, and a farm inspector for swine, goats and horses. Mr. Lombardo wanted to have a regional approach with a full time agent juggling towns.

Allison Jenkins wanted to have documents on-line but there was no CPA funding for time expenses to have the Town move forward in obtaining the program. The benefit of having e-copies rather than hard copies would allow employees to scan and set up a file folder in the cloud, then search and find things efficiently. Michael Lombardo agreed that the IT piece would be helpful. Nick Tensen said it would cost \$250,000 for programming and equipment. Mr. Lombardo said the journaling would be via an outside agency who would create the framework. Ms. Jenkins said there could be a large screen TV which would show plans on the screen to review.

Operating Expenses: Level services for equipment, gasoline, and contracts would apply to everything but personnel and healthcare.

Property Valuations: The property evaluations had been going up the last two years by 5% so 3-5% was reasonable. 2016 real estate escalated by 2% and the numbers presented by the Town Assessor were real numbers.

### **Discuss Level Services and Level spending FY'18**

Level Services and Level Spending were discussed with Scott Maddern saying variable costs were due to personnel as some cost reductions were due to unfilled jobs. There was a \$600,000 to \$700,000 cut out of the budget last year, according to Michael Lombardo. Allison Jenkins added that retirement buy back was 25% for sick and vacation time, which was not budgeted. Nick Tensen suggested that there be a reserve fund set up for retirement buy back. Ms. Jenkins

also said that the Town Mechanic was about to retire and the Town would need to purchase his \$200,000 worth of tools. Ms Jenkins said the Town currently offered 15 days of sick time, which was accruable but did not offer short or long term disability. David Wanger suggested that this was a topic to negotiate with the union.

**Discuss Key Potential New Projects and Capital Plans**

Scott Maddern said the Town Hall would need to be considered as well as affordable housing and a turf field at the high school. Phil Stearns mentioned IT and Nick Tensen added automation. Bill Wilson thought the schools would come forward with capital improvement projects. Mr. Tensen said the Longmeadow project would become a Town expense to which Ms. Maddern responded that it would depend on Harborlight's support of infrastructure. Allison Jenkins said Harborlight was looking for money to decrease the density. Bill Wilson stated that Town funding would increase local preference for Hamilton seniors and would become an upfront cost. Mr. Tensen said Harborlight would cause ongoing expenses such as police and school while paying reduced taxes.

David Wanger asked about turf fields to which Michael Lombardo responded that it would cost \$500,000 from the reserve fund or possibly the stabilization fund. Allison Jenkins said turf fields only lasted 3-5 years but Scott Maddern responded that they lasted 10 years. Mr. Wanger wanted to know what the unencumbered funds were in the stabilization fund.

David Wanger said the FinCom would reconvene at 6:00 pm November 16 as well as November 30, 2016. Mr. Wanger wanted to ensure that budgeting for FY' 18 was not a repeat of the overestimated budget.

Finance Committee motion to adjourn made by John Pruellege  
Nick Tensen seconded  
Unanimous to adjourn at 8:00.

Selectmen motion to adjourn made by Bill Wilson.  
Allison Jenkins seconded.  
Unanimous to adjourn at 8:00.

Prepared by:

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Marcie Ricker  
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Attest

Date

11/16/17