

HAMILTON BOARD OF SELECTMEN/FINANCE COMMITTEE

COUNCIL ON AGING BUILDING

MINUTES OF MEETING

November 16, 2016

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

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

Town Manager: Russ Stevens (Acting Town Manager)

Others Present: Robert and Carol Curry Sallie and Conway Felton, and Russ Tanzer.

This Board of Selectmen meeting was called to order at 6:05 pm by Scott Maddern

This Finance Committee meeting was called to order at 6:05 pm by David Wanger

Review Three year forecast

The Boards agreed that they were situated where they were two weeks before and there was a need to pursue information. Phil Stearns had devoted time to provide something to put on the screen to determine where the budget analysis inconsistencies were. Mr. Stearns said he had received some data on Monday. The Capital Improvement Plan was sent in the form of excel which linked to other files that Mr. Stearns didn't have. Much of the cash accounts were missing. Free cash was found in data from the past. 2016 actuals for the Stabilization Fund were real numbers. The Patton Fund was never confirmed but \$250,000 was plugged in. Mr. Stearns totaled the Town revenue by department and then combined them together on the summary page.

The columns included FY14, FY15, the difference between them, FY16 budget, FY16 actuals, the difference between them, FY16 actuals and FY15 actuals, the difference between them, and the budget for FY17 and the difference between FY16 actual and the FY17 budget. The real estate tax revenue number was highlighted in yellow. Mr. Stearns plugged in a little more revenue than experienced in FY16 for FY17. It was determined that the Munis spreadsheet for FY17 year to date, must be accurate as of the first quarter. The FY18 projection had the same numbers as the FY17 budget. Mr. Stearns said he would create a column to put in a % increase for line items such as utilities and come up with projections for FY18 and FY19. All % increases were 0 for now.

The FY16 budget showed a calculator for a tax rate of \$17.55 but was currently \$17.25. Capital improvement was missing. Phil Stearns said he needed to go line by line for free cash, budget, or bonded amounts. Due to links to spreadsheets, Mr. Stearns was unable to go through line by line. The FY17 column indicated that none of those expenses were represented. Allison Jenkins said there were no actual numbers. David Wanger stated that if Mr. Stearns hadn't been able to make progress with this information, what information would the Committee need to obtain to make progress. Mr. Wanger asked the Selectmen to make a joint request to identify what Mr. Stearns needed to create actual figures rather than a hypothesis. Mr. Stearns said if the current numbers were real, they wouldn't calculate correctly, so something was missing.

Scott Maddern said he had spoken to DOR and their recommendation was the Town Manager be responsible to eye indicators and drivers. Phil Stearns said he was happy to keep working on the

project but needed real time with either the Finance Director or the Town Manager. David Wanger and Bill Wilson agreed that the FinCom could help with the transition but the responsibility would be the Town Manager.

Bill Wilson wanted a quarterly review. Nick Tensen said there needed to be resources to make it happen. David Wanger wanted a participatory role in the FY18 budget rather than a retrospective view. Russ Stevens said the Finance Director, Marissa Batista would start December 1, 2016. Mr. Wanger observed that FY16 year-end situation of underestimated revenues and expenditures produced \$1M in free cash but taxpayers were still paying unnecessary amounts. Mr. Wanger wondered if the Town was facing the same situation for FY17. By comparing FY17 with FY16 actuals, the Committee could see that comparison. The expenses for FY17 were 12% over the FY16 actuals and revenue for FY17 budget appeared to be 6% over the FY16 actuals, to which Phil Stearns said there should be no overage.

Phil Stearns asked what buckets the Committee might want when he sat down with the Munis reports to find the information. The Accountant could code controllable expenses in the future.

Russ Stevens said the Police Department separated the department budget from salary and wages, including the base rate, over the year, and vacation time. The Police Department had variable costs such as fuel, which were built into the budget as fuel costs and traditionally vary. Mr. Stevens suggested looking at each department and what they turn back to the Town and why. The DPW had budgeted items but the work was never done so there was a spike in return this year for items that weren't completed.

David Wanger suggested a logical approach by using the Bureau of Technical Assistance from the DOR who could sit with the Town going forward. Jeff Hubbard, as the Selectmen liaison to the FinCom, recalled that the committee had asked for a balance sheet with cash flow and actuals for the last few years, and continued that the simple information should have been something available as a print out from the computer. Mr. Hubbard said he believed that the FinCom was the most important of all Town committees. Mr. Hubbard was concerned that for the last two to three months, the FinCom has been in the dark and thought it was not healthy that the Town Manager was not giving the numbers to the Committee.

David Wanger said they were given a sheet that showed a reserves and stabilization fund with \$750,000 in it. Mr. Wanger said the Committee was then told that \$500,000 of it was reserved for the turf field. The free cash analysis was based on \$750,000. Mr. Wanger said the turf field illustration was a good example of why the communication issue was important. Bill Wilson said the funds for the turf field should be its own reserve as a line item encumbered reserve or a stabilization fund entitled "field maintenance." The budget process should start very soon, right after Thanksgiving. According to Russ Stevens, the Finance Director would schedule it out.

Target Tax Rate

Scott Maddern described the topic background with tax increases each year, except this year when taxes dipped just under 17. Mr. Maddern said the Town Manager had indicated that there might be further downward movement due to new growth. Mr. Maddern thought a target tax rate was important as an anchor that indicated continued downward trends of the tax rate. The tax rate had been hovering just above 17 for three years. David Wanger suggested level service coming as close to level funding as possible. Bill Wilson recalled that there were two jobs that would be filled and projects that weren't completed last year, which would increase costs for this year.

According to Jeff Hubbard, to get to the tax rate, the Town needed to obtain the actuals from the past and determine where the Town was now as a basis for the three year forecast. \$10M was the budget. The year forecast was based on the value of real estate and the expenses of the Town.

Expenses have increased which was a good foundation to launch from to do the three year forecast. A tax rate of \$16.50 with a capital cost might go up to \$16.75. John Pruellage suggested looking out to FY18, FY19, and FY20 to determine where the Town wanted the stable tax rate to be.

David Wanger said the Town Manager needed to be layered in and the Committee should not just give the Finance Director a list. It was agreed that a target tax rate would not be determined at this time. Scott Maddern said he would obtain the Assessor's input in a couple of weeks. There was a goal of level service and budget guidance. Bill Wilson agreed with Jeff Hubbard to focus on the \$10M Town Budget. David Wanger wanted to prioritize the FY16 and FY17 actuals.

Discuss Department of Revenue (DOR) recommended Financial Policies

Scott Maddern had sent the information around prior to the meeting, guided by the Finance Director's availability to prioritize the policies. Mr. Maddern said the guidelines would help the Town through the process of the application of free cash by setting priorities. According to Mr. Maddern, the Town Manager should hear the input as to what would be the most important things to do. David Wanger and John Pruellage agreed FY16 and FY17 were important. Shawn Farrell and Bill Wilson agreed that a free cash policy was really needed. In response to Allison Jenkin's question as to who was responsible for the policy, Bill Wilson responded it should be the Town Manager. Scott Maddern suggested focusing on the FY16 and FY17 analysis to generate a three year forecast before the policies. Mr. Wanger added that it could tie into the Selectmen School information to tap into policy templates.

Topics in the next joint Selectmen/FinCom meeting included the DOR set of policies. All budgeting and financial controls could be reviewed and made more harmonious. Priorities for the Finance Director on FY16 and FY17 budget and actuals, through 1st quarter of FY17 could be set, then the group could discuss policies. Bill Wilson compared starting with the \$10M versus looking at 2.5% and finding where increases were with where the Town could balance the negatives. A calendar would be set as well.

Phil Stearns mentioned the anomaly of a \$100,000 FinCom reserve fund listed under expenses and wondered why it was listed as an expense. Mr. Stearns noted how listing this fund as an expense would skew the tax rate calculations.

Discuss DOR's 2008 Financial Review of Hamilton

The DOR did a financial review in 2008. Some things had been done before the Town Manager was in place. Scott Maddern asked if the Town should look at what still needed to be done or ask for a second review. Nick Tensen said that internal audits gave a nice "to do" list for best practices. David Wanger suggested Scott Maddern circulate the review and it could be discussed as a preface. Information could be found at the DOR technical assistant website.

HWRSD – Budget and Approach for FY18

David Wanger and Scott Maddern discussed the benefits and disadvantages of meeting with the School Committee the following evening. Scott Maddern said he had expressed to the School Committee how the Town needed to be integrated into the School Budget process. Budget discussions were often led by Hamilton in the past because it was the larger spender. Currently, Wenham would carry a strong message that they needed to communicate. Scott Maddern offered a draft of what the FinCom might share with the HWRSD.

Bill Wilson said sitting with all three entities was a benefit. Wenham was in financial dire straits.

David Wanger noted that the initial agenda was focused on listening to Hamilton and Wenham with the school participating but Mr. Wilson added there should be full participation by all parties. Mr. Wilson suggested bringing the FY17 budget and explain level spending. The

Facility Master Plan may be layered on top, according to Mr. Wilson. It was agreed upon that referring to what was approved last year and then offer that the Town was looking for a similar view.

Scott Maddern expressed his opinion that it was a public meeting with three sides to budget and background information. Wenham committee members would not know what was happening in Hamilton. Hamilton has changed in population by getting older faster than Wenham, resulting in a decrease in Hamilton school enrollment. Hamilton was financially sound, spending less in all departments but investing heavily in the schools with 70+% of the budget devoted to school costs. There was an opportunity to find more regionalization opportunities. Bill Wilson referred to the Town survey where the number one concern was the tax rate. The Town looked at all departments and had been trying to drive the tax rate down to 16 something. Nick Tensen and Shawn Farrell agreed that creating a dialogue was most important.

A prior District Agreement had a proportional formula, which allocated member seats from each town based on population. It was questioned whether amending the District Agreement required a School Committee approval. Scott Maddern would ask Town Counsel and the Town Manager.

Affordable Housing Trust-Review of Process and Status

Bill Wilson reviewed Affordable Housing. Mr. Wilson described Longmeadow Way as a 108 unit development which was determined to be too big so the Affordable Housing Trust (AHT) created a basket of multiple sites. The AHT also signed a Community Host Agreement. The AHT would bring three options to the Board of Selectmen the following Monday. The properties to be brought forth included 13 Essex St., Gordon Conwell, and Longmeadow. Mr. Wilson said the Council on Aging site was not ready to be brought forward.

Nick Tensen noted that Peter Britton had explained the basket of properties to the FinCom at a previous meeting. Money decisions would be made at Town Meeting (April 10, 2017), according to Scott Maddern. The number of residents accepted into a project was determined by the Town's contribution. Jeff Hubbard wanted to acknowledge how much money the Town would need to contribute for each property. Mr. Hubbard noted very limited CPA funds and didn't want to put affordable housing costs on the tax roll. Bill Wilson said he didn't want the proposals to appear further along than they were and suggested building an Affordable Housing Fund.

The 108 units at the Longmeadow site would require \$1.5 M from the Town but Bill Wilson said the Board of Selectmen had said no to that project because it was too big. Jeff Hubbard said the Town was proposing to spend millions for a friendly developer and residents should be aware of the costs. Bill Wilson said he would bring it up and ask what would be the Town's tolerance for funding properties. According to Mr. Wilson, for an above 70% local preference, a contribution was needed so a tolerance for cost versus need should be determined. Mr. Hubbard referred to The Junction affordable housing site and asked how many Hamilton residents lived on site.

Shawn Farrell asked about the Habitat for Humanity site at 270 Asbury St. and wondered how many residents would apply from Hamilton. Phil Stearns said he met with Andrew DeFranza who said funding came from CPA, Home Funds and the Affordable Housing Trust. The Home Fund would be a little less than \$10,000 per year.

Allison Jenkins thanked Russ Stevens for his DPW work for the Town and continued that he had done a phenomenal job. Ms Jenkins also stated that Dyan Katz needed thanks as well.

Board of Selectmen motion to adjourn made by Bill Wilson.

Seconded by Shawn Farrell.

Unanimous to adjourn at 7:53pm.

The FinCom continued their discussions regarding their presentation to the School Committee. Nick Tensen suggested using a visual to enhance the discussion with School Committee members and noted that the tax rate was a priority of the town survey. Phil Stearns said the goal of the FinCom was to get the tax rate to less than 17 and all departments were focused on keeping their costs low.

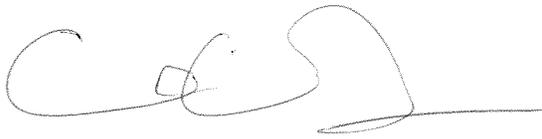
David Wanger discussed the proportional rate and expressed his desire to talk with Wenham about a cooperative discourse. Nick Tensen said there were opportunities for School/Town cooperative savings. According to Mr. Wanger, the Schools had historically not been interested in IT sharing. Phil Stearns said there were no savings between Hamilton and Wenham, but a regional share might create savings.

Finance Committee motion to adjourn made by Nick Tensen
Seconded by John Pruellage
Unanimous to adjourn at 8:16

Prepared by:

Marcie Ricker

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Attest

Date

1/5/17