

**TOWN OF HAMILTON
FINANCE & ADVISORY COMMITTEE
JANUARY 30, 2016**

The Hamilton Finance & Advisory Committee: Rick Sprenkle, Nick Tensen, David Wanger, and Joe Hughes met at the Hamilton Town Hall at 9:00 a.m. on Saturday, January 30, 2016. Town Manager Michael Lombardo, Selectman Bill Wilson, Finance Director Brian Connolly, DPW Director Bill Redford also present.

Call to order

Rick Sprenkle called the Hamilton Finance & Advisory Committee meeting to order at 9:00 a.m.

Public Comment

None.

Finalize FY'17 town expense budgets

Discussion ensued about how \$500,000 to \$625,000 would have to be cut from the budget or revenues raised to keep the budget flat from FY'16 to FY'17 rather than increase amount of funding needed for level service and expected budget increase is 2%. Hamilton has 68 full time employees and the average cost per employee is \$58,000 to \$62,000. So this would amount to cutting 10 full time positions if the budget were kept flat.

Discussion was on how growth is expected in Town and consideration of use of Free Cash (\$500,000) as well as making waste enterprise self sustainable. It was noted that most roadway work is paid for with Chapter 90 funds with the exception of staffing. The Town is investigating healthcare insurance costs and savings could be realized through using higher deductibles. Also noted was how the HWRSD is three years behind in its OPEB calculation with dollar amount equivalent to the School district's annual budget. This could result in deeper cuts if HWRSD starts budgeting seriously to fund this unfunded liability. Another cost the Town is incurring is replacement of decades old water infrastructure.

Discussion addressed how the Town is 94% residential making it difficult to raise revenue. Also mentioned was whether or not the former landfill on Chebacco Road could be leased although it has been found to not be commercially viable since it is too far off of Route 128. A RFP is underway for solar field at the landfill site and should be out in February. A state grant allowed the Town to hire an owner's agent familiar with the solar market and credits to structure the RFP. There will be a land lease component and possibly electrical component. Solar is also being considered for the public safety building to lower electrical cost. This discussion is occurring with HW School Committee relative to new roof on school building. For FY'17 this is the last year that any excess

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E&D will come back to the Town from the HWRSD. The Town is proposing conservative use of Free Cash, and budgeting closer to actual versus conservative estimated costs.

Discussion was on how housing development and growth should be balanced so increased revenue would be the same or more than corresponding HWRSD increased school costs. Also discussed was efficient attrition of employees in the Town (where there is a handful of positions that turnover) and school district (which has a 2.5% negotiated COLA rate).

In addition, the Town brought in a lot more grants in the last five years (i.e., owner agent for solar proposal) but these grants are not buying down operating costs. Also mentioned was how COLA should reflect economic reality/affordability relative to inflation as part of union contract negotiations. The new wage and classification study could help this scenario once it is implemented. Also noted was that a subcommittee could be formed within FinCom after budget season to focus on revenue outside of property tax, collaboration with Wenham to analyze and facilitate communication about school district cost and sharing services to realize savings, waste management, P.I.L.O.T.

Waste Enterprise

Discussion was on how the Town has been subsidizing the waste enterprise with \$300,000 annually from the general fund. Also, how Pay As You Throw is equitable across households based on amount of solid waste versus recycled material thrown out per household. Many towns the size of Hamilton use a transfer station versus using curbside trash pick-up. The Town has to run the waste enterprise fund as self sustaining or the service could be shifted to the general fund. Hamilton could also change its approach to trash pickup in the service it provides. A sticker program is the only way to track trash pickup per household.

Discussion ensued on determining what it costs in tax dollars to support waste hauling. Hamilton has 3,200 households and each individual residence spends approximately \$150 a year for trash pickup via the real estate tax bill. Also mentioned was how much use and revenue is derived from the municipality selling blue bags to residents (\$80,000 annually). In addition, that annual trash hauling includes compost pick up via green barrels and leaf pickup in brown bags delivered to Brick Ends Farm. It costs the Town \$278,000 a year for trash pick-up/hauling and \$81,000 for tipping fee for solid waste disposal. The Town has been amortizing \$\$250,000 in barrel fees over three years. The Town saves \$118,000 a year due to increase in blue bag revenue and decrease in tipping fees and waste hauling contract.

Discussion addressed how large items could be required to be bagged or stickered (i.e., \$10 an item) to determine this trash hauling cost for the Town. What approach to take with trash hauling (i.e., quarterly fee, PAYT, making waste enterprise fund self-sustaining, cost of disposing of a bag and/or large item and associated administrative cost for sticker system) for Hamilton will be discussed at a joint meeting with the

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Selectmen. Also noted was that waste hauling is done jointly with Wenham although that municipality uses more service with once a week solid waste pickup. In addition, that some large users in Town (i.e., Hamilton Housing Authority) have trash picked up by Hamilton and there is no commercial tax rate where a surcharge could be imposed.

Water Enterprise

This is a true enterprise fund and water rates were adjusted to cover costs including some debt and a nominal amount is being put aside for capital costs (i.e., trucks). The Town will not be asking taxpayers for more funding for water infrastructure for now after \$10 million was approved for that purpose.

Discussion was on investigation being done with Manchester relative to water source and safe yield versus plant capacity and if Hamilton can seek this as an alternative supply. There are permitting issues that municipality is sorting out with DEP. Also if Hamilton should consider putting a well on Gravelly pond for additional groundwater. Analysis will be done on storage tank at the top of hill at Gordon Conwell Theological Seminary (GCTS) site. Analysis will also be done on water treatment plant to determine the useful life of plant and when an overhaul is anticipated. No additional water rate adjustments are expected. David Wanger left the meeting at 10:46 a.m.

Discussion addressed how collaboration with Wenham on water supply would not be a cost savings opportunity. Funding budgeted for consulting is for analysis of water treatment plant. Also noted was that Town official administrative time cost is built into this budget. Discussion was on how much overtime cost was budgeted for water treatment plant employees (\$70,000) and FLSA formula relative to applying correct rates for employees. Blended rates are being investigated for employees that work across departments. The Town is still having a small number of issues with customers in Essex and Wenham who are not paying water bills in a timely fashion.

Health insurance

Discussion ensued about three health insurance plans available to Town employees (cost share of 75% paid by Hamilton) and retirees (cost share of 55% paid by Hamilton). After meeting with MIIA the Town is projecting a 11% rate increase in the cost of healthcare insurance for FY'17. The projected annual cost per plan for FY'17 for the Town for an employee enrolled in a family health insurance plan is \$19,000 and for an individual \$7,300. Discussion addressed how the Town is not currently pursuing a lower cost share split between the Town and the employees. Also, how General Insurance Commission (GIC) state plan is being used by communities but it offers lower coverage and costs are going up at a higher rate than MIIA. The Town is using an agent to gather rate information from health insurance providers (i.e., Harvard Pilgrim, Tufts, Fallon).

Discussion addressed whether or not health savings accounts should be offered to employees. Also, if deductibles could be increased in light of union contract negotiations and collective bargaining. In consideration of affordability, a change in cost share could

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be a discussion possibility. It was noted that employees working fewer than 20 hours a week are not eligible for health insurance. How Hamilton can manage its health insurance costs will be discussed in a future executive session with the Board of Selectmen.

Local receipts

Discussion ensued on FY'17 estimate of \$1,010,000 for local receipts. Also mentioned was how the meals tax revenue comes directly from the state, that in FY'17 the gift from GCTS is expected to be \$75,000 which is lower than a few years ago due to declining enrollment, that P.I.L.O.T. is paid by Manchester for land that it owns in Hamilton, and the state pays the Town for the observatory. Discussion addressed how the Town should know the number of children of GCTS seminarian students that attend the HWRSD public schools. It was noted that Pingree School does not pay P.I.L.O.T. and the Town's youth sports leagues pay to rent the School's playing fields.

Discussion was on how the building permit revenue is estimated at \$135,000. Also mentioned was expenses for the Patton Homestead totaling nearly \$100,000 annually for personnel and insurance. It was noted that the Patton Homestead non-profit needs to hire a director to accept and manage funding from the Town.

In addition, that Wenham is still being held responsible for its portion of ongoing retiree costs for the ECO. Also to be investigated is billing related to how Wenham pays 10% of its fee for administrative costs for Recreation Department according to the agreement and Hamilton pays 10% of total cost for the HW Library. The Town gets a portion of state aid for the library which appears on the cherry sheet.

Also discussed was how the Town pays an actuarial assessment to Essex Regional Retirement System for its annual retirement cost. ERRS has an unfunded liability that assessments from member communities and investment of retirement system funds are paying toward to reach full funding by 2035. Hamilton pays \$800,000 a year for the defined benefit plan which has an 11% annual increase for current retirees and prospective retirees.

Discussion ensued about the Patton Park pool and how no expenses or revenue have been budgeted for FY'17. There is a pool revolving fund so expenses (i.e., lifeguard pay) and revenue can be tracked and intent is for the pool to cover its own costs. Town officials from both Hamilton and Wenham are considering how some monies from Recreation Revolving Fund may have to be directed to the pool expenses this year until user passes are sold. Discussion addressed how Hamilton is the managing community for the Recreation Department.

Also mentioned was that all Town and School debt is included in one budget category and that debt schedule information will be defined to illustrate what is being paid out of the General Fund.

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Sprenkle entertained a motion for the FinCom to adjourn at 12:47 p.m. Nick Tensen so moved. Joe Hughes seconded the motion. VOTE: Unanimous.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST:  4/13/2016
Rick Sprenkle, Chairman