

**TOWN OF HAMILTON
FINANCE & ADVISORY COMMITTEE
MARCH 31, 2015**

The Finance & Advisory Committee met at the Hamilton Senior Center at 6:46 p.m. on Tuesday, March 31, 2015 with Rick Sprenkle, Charles Chivakos and Nick Tensen present. Finance Director Deborah Nippes-Mena and BOS Chair Scott Maddern also present.

Call to order

Rick Sprenkle called the meeting to order at 6:46 p.m. The Wenham Finance Committee did not meet jointly with Hamilton's Finance and Advisory Committee tonight.

Approve minutes from prior meetings

This was tabled to a future meeting.

Review the fiscal 2014 Financial Audit

An overview of FY'14 Financial Audit of the Town done by auditing firm Clifton Allen Larson was presented. The financial statements will be issued once a legal letter is received from the Town that identifies if there are any financial liabilities. GASB65 defines terminology in the financial statements. The auditing firm's opinion will go unmodified demonstrating that the financial statements were presented fairly. The HDC is a separate entity but is a component accounting unit of Town under Governmental Activities in financial statements.

Unrestricted net position (accumulated surplus) as of June 30th for Hamilton consisted of net investment in capital assets \$11 million with restricted amounts of \$4 million (\$2.6 million in CPA funds and \$3 million unrestricted). There was mention of many municipalities having long term reserves consumed by net OPEB obligation.

Next year there will be a new standard related to net pension obligation (contractual payment to Essex Regional Retirement System 3% share currently) of \$9 million liability on the Town's books. ERRS has a funding schedule where the liability will be fully funded by 2035.

Total fund balance in General Fund is \$5.2 million (restricted related to OPEB, committed used to fund FY'15 budget, assigned amount is encumbrances, and

unassigned balance is residual, 13.9%, and includes Stabilization Fund). The Town has come a long way in six years to create reserves. Net change in fund balance for year was \$950,000 in General Fund primarily due to HWRSD turnback of \$1 million last year. This was offset by \$1.1 million to fund FY'14 budget. At the end of the year CPA fund had \$2.4 million. Also noted was landfill capping deficit (\$503,000) associated with long term debt payment where deficit will become a positive and liquidated. This will be part of bonding the Town is doing in May.

In regard to the Proprietary Fund statement, restricted cash represents short term cash from BANs and includes water and waste removal enterprises with General Fund subsidies. For Governmental Activities the liabilities will be paid from General Fund except CPA debt. For Business Activities related to water with \$1.2 million in outstanding debt. For net OPEB obligation, an actuarial study has to be done to identify liability, FY'14 is the sixth year Hamilton has been recording this liability up to a total of \$2.1 million. This liability increases up to as much as \$475,000 a year. Hamilton is currently paying 27% of what it should be paying if it were funding OPEB over a 30 year period as part of annual required contribution defined by actuarial study. In FY'14, Hamilton paid \$173,000 for health insurance if it were funding OPEB it should have paid \$640,000 or an additional \$450,000 to bring liability down.

Discussion ensued about discount rates that are tied to liability and investment rate of return (i.e., 7%) that impacts actuarial accrued liability and unfunded liability. Today's costs are less expensive than 30 years from now. If costs had been matched to service all along there would not be a liability situation. OPEB costs are larger than pension costs. The liability is not sustainable so some cities and towns have changed plans as much as possible under statute and with collective bargaining to reduce exposure. Hamilton is funding its pension costs and in 2035 will be paying ERRS service costs. Accounting standards allow for a discount rate (i.e., 3% to 4% for Hamilton) even with an unfunded plan. Discussion addressed increasing annual set aside for OPEB (i.e., \$100,000) offset with growth in Town (i.e., Patton land sale/housing development). In the next few years Hamilton will have \$15 million in liabilities to be accounted for due to pension and OPEB standards. This will bring the Town's net position to neutral or negative with unrestricted piece down by as much as \$12 million. Financial advisors will look at reserves in General Fund, if Stabilization Funds are being set aside, are enterprise funds self-supporting (i.e., Hamilton's waste removal is not self-supporting) all part of Town's net position.

There were no findings found in the Internal Controls report. For the management letter findings included: permanent deficit of \$4,600 associated with Chapter 90 grant (this incorrect submission should have gone to the General Fund), permanent deficit of

\$5,000 associated with ECO grant (the Town has been waiting since 2012 for reimbursements), timing of capital inventory and database, approval of water bill abatements has control turned off allowing unsecured access for manual bill adjustments (there is a paper trail on adjustments voted by BOS and approval could move to Finance Director), at the Recreation Department pre-numbered registration forms are not used (small amount of cash is being used so this was taken off of letter), there is no financial policies and procedures manual, as well as a risk assessment monitoring program that should be put in place. Also mentioned was that auditing firm now provides IT auditing and a service sheet will be sent to Finance Director for Town's consideration of this service. In the FY'16 the Town will be replacing its computers and software. At 8:06 p.m. the FinCom took a break. It reconvened at 8:11 p.m.

Continued review of the outstanding warrant articles for recommended action at Town Meeting

Article 2-9: Stabilization Fund for Patton Proceeds. Discussion ensued about creating Stabilization Fund but not yet assigning what funds would be used for (i.e., recreation fields, to ensure fair share is paid by Town as well as by community partners Wenham and HWRSD). Charles Chivakos moved for the Finance and Advisory Committee to recommend favorable action on Article 2-9. Nick Tensen seconded the motion. VOTE: Unanimous.

Article 3-1: Amendment to Senior Housing Zoning By-law. Discussion ensued about how this adds two-family dwelling language to Senior Housing Zoning By-law. Chivakos moved for the Finance and Advisory Committee to recommend favorable action for Article 3-1. Tensen seconded the motion. VOTE: Unanimous.

Article 3-3: Site Plan Review to Planning Board, and Article 3-4: Citizens' Petition to Site Plan Review to Planning Board. Discussion ensued about BOS decision relative to Planning Board going through formal public hearing process and creation of legal warrant article based on intent of Citizens' Petition. Chivakos moved for the Finance and Advisory Committee to make no recommendation on Articles 3-3 and 3-4. Tensen seconded the motion. VOTE: Unanimous.

Article 4-2: Plastic Bag Reduction and Prohibition of Expanded Polystyrene Food and Beverage Containers. Discussion ensued about article relative to work-arounds being available to retailers and if there would be any additional cost to consumers if one-time-use plastic bags and expanded polystyrene containers are no longer provided at Hamilton's retail establishments. Chivakos moved for the Finance and Advisory Committee to

recommend favorable action for Article 4-2. Tensen seconded the motion. VOTE: Unanimous.

Article 4-3: Water Runoff to Roadway Prohibited. Discussion ensued about how this is a public safety issue and a permit would be required from DPW for a resident to discharge water into roadway during the colder six months of the year. Tensen moved that the Finance and Advisory Committee recommend favorable action on Article 4-3. Chivakos seconded the motion. VOTE: Unanimous.

Review of the preliminary compensation data for the library and budget impact

Discussion addressed how the wage and classification study being done by Hamilton is still outstanding since Town officials are waiting for data to come back from two participating communities. The intent of the study is to ensure there is an overall compensation plan for every position in the municipality including library employees. Hamilton agreed to support a 3% increase for library salaries (2% COLA and 1% increase in overall bases, library is part of study done by Hamilton). Once the Hamilton study is done and both towns agree to it, employees would be migrated into the system and retroactive pay would be done for FY'15 and there would be a basis for going forward for FY'16. Anticipation is that Hamilton will have an 18-grade system for all employees. Once crossover is identified in positions some consolidation could occur. There is little upper management in the municipal government structure. Salary survey data is outstanding from two communities that have large libraries so this data will be valuable to Hamilton's study. The study includes headcount in position as well as current rate, titles, and potential grades for library. Information was also provide on the salary survey done by Wenham (10-step system with 2% variance between each step, gradations is not consistent between grades). Discussion was on current maximum pay per incumbent and mean hourly maximum is less than what incumbents are making now according to five communities surveyed in Wenham's study. The Metropolitan Statistical Area data (Peabody) for like titles corresponding with title especially where library has difficulty with employee turnover is being analyzed.

Discussion ensued about Wenham study's 10-step plan that did not have timing associated with steps. Analysis was done for Hamilton's study for an overall compensation plan (including library positions) on the most expensive view using MSA data to populate titles/grades and spread distance between grades from Wenham's study to apply to Hamilton's grades to identify potential cost impact and understand what plan would look like. Previous discussion with Hamilton Town officials had been to recommend an 8-step plan with each step referring to one year with 2% increase between steps. COLA would be applied to minimum and maximum positions in range

at the same percentage since there is no performance merit so focus is on equal pay for equal work to ensure salary dollars are used equitably. The results of Hamilton's study will identify what salaries and ranges should be long term that can be applied to union contract negotiations. The outcome of the dollars could be greater or less than the study shows but the grade would not change; especially since there is no merit or appraisal system. COLA is agreed to year by year. Discussion addressed how 2% spread is recommended for steps versus the current 4% or 6% for some of the existing positions. The majority of the Town's employees are at the top of the steps and they are only getting COLAs. In addition, returning minimum wage employees get COLAs at the library and in recreation program.

Discussion was on establishing mean maximum (i.e., \$19.66 an hour) until final wage study is done. Many of the library employees have master degrees and a promotion is needed to move up a grade. The value of the regional public library and supportive management was acknowledged. A retroactive payment for library employee salaries (extending back to July 1) would result in a maximum shortfall of \$50,000 for Hamilton and Wenham for FY'15 and FY'16. The worst case \$43,000 shortfall for FY'15 budget could be funded from FinCom reserve, other areas of Town budget or at fall Town Meeting. Town officials concluded the conceptual discussion and provision of directional input on salary survey for all positions with grade level being identified by Hamilton's consultant for titles and job functions for all Town and library positions. The FinCom expressed support for proposal for an 8-step system with one year 2% steps and 2% annual COLAs as well as adding MSA data to local and other data points. Analysis will be done on survey data relative to library director's salary and grade. The directional input will be communicated to wage/classification study consultant and Town Manager Michael Lombardo.

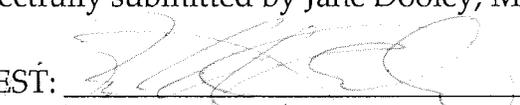
Determine next meeting agenda items

Discussion was on topics for Town Meeting presentation and future FinCom meetings such as revisiting long term plan, and annual FinCom report.

Tensen moved to adjourn at 9:50 a.m. Chivakos seconded the motion. VOTE:
Unanimous.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST:


Rick Sprenkle, Chairman

