

TOWN OF HAMILTON  
FINANCE & ADVISORY COMMITTEE  
JANUARY 11, 2014

2014 JUL 2 PM 12 37

The Finance & Advisory Committee met at Hamilton Town Hall at 8:30 a.m. on Saturday, January 11, 2014 with Chair John McWane, Charles Chivakos, Rick Sprenkle, Nancy Gerardi-Walsh and Jeff Stinson present. Town Manager Michael Lombardo, Finance Director Deborah Nippes-Mena, Board of Selectmen liaison Scott Maddern, and Selectman Jeff Hubbard also present.

**Call to order**

Chair John McWane called the meeting to order at 8:35 a.m. and noted that Richard Boroff was recording the meeting.

McWane entertained a motion to go into Executive Session at 8:35 a.m. to return to Open Session. Rick Sprenkle so moved. Nancy Gerardi-Walsh seconded the motion. Roll call vote: John McWane, yes, Nancy Gerardi-Walsh, yes, Rick Sprenkle, yes, Jeff Stinson, yes, Charles Chivakos, yes.

The Committee resumed Open Session at 8:50 a.m.

**Review draft of FY 2015 Town budget**

Finance Director Deborah Nippes-Mena summarized revenue for the Town consisting of actuals for FY'13, recap for FY'14 and local receipts for FY'15. She explained that there would be a significant difference in penalties and interest (\$100,000) on taxes for the FY'15 budget as compared to the prior fiscal year budget since two major property owners in Town had their properties in tax title while they were for sale. This resulted in one-time large income when property taxes in arrears were paid to Hamilton when these properties were sold.

Discussion ensued about payment for water from Manchester for fiscal year 2012. Also, that Wenham is responsible to pay a percentage toward ECO retirees that retired before Wenham left the ECO and they will also be responsible to pay for a percentage of retirement benefit for current ECO employees that are vested.

Another change is building permits year to date that have brought in \$70,000 but this is not expected moving forward. The Canterbrook project and Patton Homestead projects are still pending. So level projected budgeting is being

*Conservation Commission* – Discussion ensued about information gathering on possible increase of \$1,600 for Chebacco Woods, and 2% wage increase.

*Council on Aging* – \$85,000 to \$83,000 – Town is starting out with full time director and reallocating funding to do support programs (i.e., five day operation versus Wednesday lunch). The reduction is due to not filling a part time administrative staff position. Part of the FTE salary is paid for with grant funds.

*Debt Service* – Going down to \$852,000 and this is mostly library. Discussion ensued about whether or not the Town will bond or carry BANS for 10 years in consideration of a greater spend down for Hamilton's water infrastructure debt especially relative to low interest rates, and that the public safety building has two bonds. Also addressed was Town's bond rating and that it is likely to be upgraded especially since the Town's books look good and HWRSD bond rating went up where Hamilton pays 70% of the regional school district bill. Also mentioned was consideration of bonding interest rates and how this would apply to Patton Park pool proposal and landfill capping project. The cost of bonding is covered by premiums and this applies as well to BANS interest.

In addition, Town officials reviewed school district debt although the Town has not received a budget figure from HWRSD yet or from the vocational technical school. The shift in costs to support HWRSD is to Wenham.

*Elder van* – Zero cost since the van is no longer supported by Town, Beauport is providing this transportation service for seniors, or savings of \$32,000 that is applied to COA director position to FTE.

*Election Registration* – increase from \$23,600 to \$44,000 due to two more elections this year. Discussion ensued about conscientious budgeting with state revenue of \$2,000 a year that resides in special revenue fund to be saved so the Town would not have to pay for the replacement of ballot boxes. Hamilton has \$27,000 in the fund and the Town Clerk will be buying three new election boxes as well as a maintenance program this spring.

*Emergency Management* – nominal costs for public health nurse and shelter supplies.

*Emergency Dispatch Center* -- \$254,000 to \$280,000 due to FLSA and step increases for permanent part time employees, and the department has four FTEs. Discussion ensued about how the Town has a bid for an inner operability study

*Finance & Advisory Committee Reserve Fund* – Remains the same at \$100,000.

*Finance Director* – \$301,000 down to \$297,000 due to \$10,000 drop in MIS services for startup cost for GIS. Funds are being budgeted for every three-year actuarial costs associated with GASB45 from \$35,000 to \$40,000. Discussion was about replacement cost of \$14,500 for server at the public safety building that will be addressed in FinCom reserve fund transfer.

Discussion ensued about \$343,000 remaining flat and that could be reduced by \$30,000 in Town revenues since Hamilton has finished paying for compost and black trash bins. Also addressed was that Hamilton's waste program is working relative to waste enterprise budget, if cost for blue bags could be raised and that the Town is already receiving revenue from bag sales.

*OPEB*: Discussion ensued about how Hamilton has been putting \$25,000 annually toward OPEB for three or four years, and if this dollar amount should be increased annually it could depend upon amount of the Town's Free Cash. Discussion addressed how the Town will be held to this liability and that the state could eventually assist by changing terms related to healthcare (the Legislation would have to be changed and presently bonding is not allowed by the Commonwealth for this OPEB expense) but the long term liability is not going away especially for existing employees. Also mentioned was that this is a long term issue for Hamilton relative to healthcare and Town's history of having entry level positions filled for decades.

In addition, the Town officials acknowledged that OPEB responsibility for the school department will shift to the Town. Discussion addressed how some communities have used a Home Rule petition to push the Legislature to allow for bonding to get a low interest rate to fund OPEB while earning a higher investment interest rate. Discussion was about if the Town is ready to absorb the cost especially in consideration of Hamilton's tax rate. Town officials characterized this as mortgaging Hamilton's future and noted that the unfunded liability was the result of Town's past decisions.

*Agency fund for HDC*: Discussion about Hamilton Development Corporation and its anticipation of receiving Meals Tax revenue of \$65,000 where funds come in monthly and transfer of funds occurred in July for FY'14. Lombardo commented on how HDC staffing is a problem, suggested that Selectmen should participate more, and that he was not enamored with how the HDC is structured or funded.

*Medicare tax* – \$65,000 flat.

*Parks and Grounds* – \$141,000 to \$86,000 due to moving staff around to create public works' pool of employees rather than maintaining silos for job responsibilities.

*Planning* – \$79,084 was budgeted for Step 2 Planning Director position that could be recruited next month.

*Police* -- \$1,400,000 to \$1,408,000 includes \$5,000 for Hamilton Police Department to join mutual aid organization.

*Public Works* – \$286,000 to \$294,000 due in part to salaries.

*Recreation* – \$109,000 to \$105,000 since the administrative assistant was replaced at a lower pay scale. Wenham pays 35% of this budget reflected in revenue section of Town's budget.

*Retirement Fund* – \$685,000 to \$718,000.

*Sanitation* – \$20,000 flat, part of Inspectional Services.

*Selectmen* – \$3,600 flat.

*Snow Removal* – \$210,000 to \$212,000 reflects stipend increase. This does not include funds for overages.

*State Assessment* – \$230,000 flat.

*Street Lights* – \$56,000. Discussion ensued about effort to convert street lights to LED lamps and that National Grid believes Hamilton owns the utility poles although Town does not have any supporting documentation.

*Town Clerk* – \$115,000 to \$120,000 due to request to increase administrative assistant's hours to five more a week to make the position full time. Discussion ensued about how there is seasonal demand for more hours and need for Town to analyze wage and classification system since there are positions that are way above market that could be redlined based on workload and that reorganization using cross training would facilitate not adding FTEs. Lombardo suggested in the Town Clerk's office there could be a challenge with delegation and

## Town Budget Rollup

Discussion ensued about the current tax rate of \$17.40 and expected tax rate of \$18.02 not including increases for the HWRSD. Discussion addressed how there are opportunities for costs to come down (i.e., public works), that Town expenses are up 2.4% and there is a loss of expected revenue of \$341,200, and discussion needs to occur about how Free Cash could be applied towards tax rate.

## Proposals to Hamilton-Wenham Regional School Committee

McWane explained that the HWRSD has \$2.7 million of unallocated funds and of that \$900,000 is 3% Excess & Deficiency, \$200,000 for Circuit Breaker uncertainties, with about \$1.6 million left. The HWRSD certified its Free Cash and it is \$654,000 over the 3% and in general the policy has been that the overage would go back to the supporting communities.

In addition, the HWRSD expects to underspend the current budget by \$1 million since the health insurance estimates came in lower than what was budgeted due to: a better deal and for some time HWRSD had only been charging the staff for 32% versus 40% of the cost.

McWane summarized how the HW Regional School Committee voted down giving the \$1.6 million back to the towns. The HWRSD cannot spend that money. McWane and his counterpart in Wenham had a discussion with school superintendent who did not support giving the funds back to the towns. The finance personnel and Board of Selectmen chairs for the two towns have concurred and asserted to the school personnel that the money should be returned to the supporting municipalities.

McWane explained that in the current school budget proposal \$1.5 million of E&D has been applied toward FY'15 budget leaving a shortfall in FY'16 HWRSD budget. Discussions have occurred with the school personnel about how this is not revenue but an offset to the towns' expenses. McWane spoke to his reformatted preliminary school budget to address a number of errors and did not distribute his copy to audience members stating this is a working document.

He noted that the net operating expense has a decrease of \$149,000 due to \$1 million over budgeted in the current budget due to healthcare. HWRSD's proposed three levels of increased spending include placeholders for recurring

addition, the communities do not want the HWRSD treating surpluses as found money (i.e., for a school master plan).

McWane explained that the school officials agreed in principle with the proper process for funding projects (i.e., school master plan). But there was misunderstanding about E&D being an emergency fund that should be used as a buffer for unforeseen expenses by the school department (i.e., teacher contract increases) if not enough money is budgeted by HWRSD.

Discussion ensued about 3% increase from year to year being considered reasonable budgeting, reiteration of need for fair play and transparency in school budget process and use of E&D when there were unexpected expenses. As well as consideration of the current economic environment with Hamilton taxpayers stressed about high tax rate when there are quality school systems in nearby communities that have lower tax rates.

Also noted was if the School Committee had agreed to return \$500,000 to Hamilton before the tax rate was set it could have been less than \$17. McWane said there is interest in establishing practices and policies that the School Committee will follow to assure the towns do not overpay for HWRSD while ensuring the schools have funds for what is proposed but resistance is occurring between HWRSD and School Committee. He suggested that School Committee members could benefit from educational training about how school district is financed especially since there are many new members.

Discussion ensued about how as of July 1<sup>st</sup> the school's E&D and Town's Free Cash is no longer available to use until it is certified by the state. Also, that possibly in February, the state would certified \$1 million in E&D for FY'13 for the HWRSD but it could only be used until July 1<sup>st</sup>.

#### **Approve Reserve Fund transfer for a Public Safety Server (est. \$14,500)**

McWane entertained a motion for the Finance and Advisory Committee to approve a FinCom Reserve Fund transfer for a Public Safety Server for an estimated \$14,500.

Rick Sprenkle moved to approve a transfer of \$14,472 from FinCom Reserve Fund to account line 15135-50072 to replace the Public Safety Building server. Charles Chivakos seconded the motion. VOTE: Unanimous.

