TOWN OF HAMILTON
BOARD OF SELECTMEN
FINANCE AND ADVISORY COMMITTEE
FEBRUARY 1, 2013

The Board of Selectmen and Finance and Advisory Committee met at Hamilton Town Hall at 4:00 p.m. on Friday, February 1, 2013 with David Neill, Marc Johnson, Jennifer Scuteri, Jeff Stinson, Jeff Hubbard, John McWane, Rick Sprenkle, Scott Maddern, Charlie Chivakos and Nancy Gerardi-Walsh present. Town Manager Michael Lombardo and Finance Director Deborah Nippes-Mena also present.

Call to order

Selectmen Chair David Neill called the meeting to order at 4:05 p.m. FinCom Chair John McWane opened the meeting for his committee.

FY'14 Budget Discussion

McWane said the FinCom believes the FY'14 budget is ready to go forward. The largest outstanding issue is the HWRSD budget. He reported that the HWRSD does not have any offsetting funds to apply toward the school costs from E&D or otherwise but some might be forthcoming, and the current fiscal year budget has been under spent by nearly $1 million. In addition, the HWRSD has discovered a number of positions, as many as 10, that were funded but not filled. A final school budget will be voted on February 14. The Town will include a budget number in its warrant when it is printed on March 6. He noted that the HWRSD is continually reviewing the budget to identify any other areas for savings.

McWane explained that the spending decrease for HWRSD is $759,000 but in the current year budget there was $1 million of one-time expenditures. The net operating budget for the schools went up $189,000. He explained that in the last two years HWRSD returned excess funds as much as $7 million. This year HWRSD has investigated whether or not school district has over-budgeted. In addition, once there is a permanent principal at the HWRHS structural changes will occur to increase efficiencies. At the end of the year there will be a strategy plan for recommendations for savings.

Town Manager Michael Lombardo explained that DPW employee Paul Rigol is retiring and DPW Director John Tomasz had reviewed what Rigol's job entailed

with the bulk of the job being snowplowing and mowing relative to if any of the responsibilities could be outsourced. He said plowing contracts are double what the Town pays on an hourly rate because they provide equipment. Also with mowing commercial grade equipment would be required so this would be subject to prevailing wage. In addition to the work required to maintain Patton Park pool.

Lombardo said he was committed to analyzing whether or not that work could be outsourced while leaving the position in the budget. So if the position is not filled, the money could be applied back in the tax recap so it would not hit the tax base. He said the position had many varied tasks so there is no ready solution and there is additional complexity due to Tomasz moving on to a new jurisdiction.

Discussion ensued with Jeff Hubbard disagreeing saying if the Town were to hire a landscaper paying prevailing wage would not be required. He said he is experiencing resistance from Lombardo when he suggests areas that could be cut in the Town's budget. Lombardo said he would assess the Selectmen's and FinCom's appetites for proposed cuts and said Mass. General Law is clear about how the work cannot be contracted to a landscaper and it is subject to prevailing wage. Hubbard continued to be in disagreement.

Jeff Stinson acknowledged that Paul Rigol had given 30 years of service to the Town and Town officials concurred that he had done a good job for Hamilton.

Nancy Gerardi-Walsh suggested that an inquiry could be made with the Inspector General's office to get a letter about their assessment of the prevailing wage requirement in this situation. Lombardo noted that Town Counsel Donna Brewer had done that legwork and that is the information that he had reported on the topic. He said the Town did not have a letter from a formal petition but the conversation has been that the case law is not clear cut. Gerardi-Walsh explained that Lombardo could send a letter to IG and get a letter back. Stinson said there are three bills being considered by the Legislature regarding prevailing wage and market rate. He thought Lombardo was correct on the topic.

Hubbard suggested investigation be done on costs since the Town is paying $103,000 to maintain Patton Park and above and beyond the user fees, the sports organizations are spending $40,000 and he thought this was expensive. Neill noted that when a retirement occurs with a Town employee analysis can be done to evaluate the value of position. He added that Tomasz had told the Board that

taking the parks position away from the public works department would not save Hamilton money. Lombardo will investigate this with the new public works director and they will seek efficiencies. Neill concurred with option to keep the position's salary in the budget. Lombardo said the position would not be filled until analysis is done. Hubbard said he wanted a factual discussion on best, cost-effective process moving forward to maintain Patton Park.

Lombardo addressed the allocation of free cash and strategy for applying $350,000 of $805,000 to under write this year's budget and offset taxes. The $805,000 is due to a large number of one-time monies received by Hamilton for tax payments that were in arrears.

He is asking that an additional $75,000 go to OPEB. The Town pays $25,000 annually so the proposal is for $100,000. This affects the Town's bond rating and it should be allocating $250,000 a year to close the $3 million unfunded liability (not including HWRSD liability) toward current retirees, soon to be retirees and future retirees from new hire replacements.

Finance Director Deborah Nippes-Mena explained that the pay as you go system for retirement benefits is built on a ratio that doesn't exist anymore so this has created the huge unfunded liability. So this takes more and more tax dollars. Discussion ensued about a handful of communities closing the gap or becoming fully paid. Also discussed was the cost share with other communities for new retirees who have previously worked for municipalities besides Hamilton.

In addition, Town officials are suggesting use of $130,000 of free cash instead of bonding for truck purchase and paying off RANs for culvert project on Linden Street. Also, a three to five-year capital plan will be ready for fall Town Meeting and discussed during budget work sessions throughout the summer. So $250,000 could remain in free cash and in fall applied to one-time capital needs.

Discussion ensued about what state wants towns to do to pay off unfunded liability, if state would bail this system out or if municipality would use bonding. McWane noted that discussion had ensued about getting tax rate under $18 per $1,000 possibly through using $350,000 of free cash. Lombardo said the goal is to balance what the Town does now and in the future and that there are cost drivers beyond the Town's control.

He added that capital infrastructure projects have to be recommended by the Capital Management Committee and planned for in the fall. Also, that Town is

considering if funds should be set aside for a pumper truck. Discussion ensued about matching capacity in terms of debt and operating aspects of equipment and infrastructure for community. It was noted that there is still many years of debt to be paid on public safety building and Miles River Middle School. Discussion included not using free cash to offset a new position or operating budget. McWane said the $805,000 is over and above the $1.3 million of 5% in free cash reserves. He added that the Town had built up its free cash in the last few years. Neill left the meeting.

Stinson requested that Town officials be given actual versus budgeted numbers such as $100,000 for legal services and $21,000 for Town counsel retainer. Lombardo said the legal budget line item is one area where it is prudent to have a contingency for labor or any unforeseen litigation. Marc Johnson said the actual numbers identify the line items that are running high or low and it is acknowledged that this is not a spending pattern. Lombardo agreed to provide Town officials with an actual budget numbers report.

Nippes-Mena said she knows what number that certified cash will come in at and noted that the Town had another major land and foreclosure debt paid off this week but it is not part of FY'13 revenue stream calculation. She is interested in focusing on one time dollars for one time expenses rather than putting too much money into under writing operating expense.

Discussion ensued about how at the end of the fiscal year, the Town would have 5% free cash plus $350,000. The budget would be under expense by $100,000 possibly due to snow budget. In addition, the Town has still not hired a planning director and Rigol's position is not filled. The overage can be accommodated in the fall on the tax recap. Nippes-Mena said the tax title receivables are coming into realignment and she suggested overages could support Town Meeting warrant articles for operating budget.

Scuteri mentioned that if tax rate is lower it would increase home buyers in Town and drive property values up. Lombardo noted that tax rate lags sales by three years. Discussion ensued about how tax rate includes the $350,000 and that valuations would be known in October and that property values are expected to be down by 1.5%, although there is some growth in Town.

Hubbard revisited legal expense for the last three years with $100,000 budgeted each year and each year the total amount budgeted was not spent. Lombardo said $100,000 is a safe amount in case the Town is facing an expensive lawsuit.

McWane said budgeting is conservative and if some funds are not spent that money goes to free cash. Stinson suggested the money should be reserved for the line item for the future year. Lombardo said after if flows to free cash it would be re-appropriated for the line item the next year. McWane said the FinCom would weigh in on whether or not $100,000 was reasonable for the legal line item and how much the Town wants to reduce the tax rate. Discussion ensued about how HWRSD handles its legal budget relative to contract negotiations, central office and SPED.

Hubbard asked for job description of Planning Director. Lombardo responded that details associated with position would be resolved in as many as eight weeks. He summarized that the director would oversee land use staff, would coordinate development review process, would help facilitate economic development and be liaison with Hamilton Development Corporation to ensure work is completed, and work with Affordable Housing Trust to move agenda forward, create management structure and direct energy toward what would bring Town more revenue.

Hubbard mentioned the $70,000 salary and said it is at the same hierarchy as Finance Director's position. He noted that the finance office budget is $289,000 and Town manager's office budget is $250,000 and adding this new Director's position could cost $250,000 for the planning department. He suggested that the HDC could hire the Planning Director.

Lombardo said he has too many direct reports (15) and explained that changes need to occur related to function and levels of management. Stinson suggested that there should be an overall operations plan for the Town to bring efficiencies to the Town's workload before a new person is hired and that some state groups can help with development.

Johnson believes having HDC hire a person would not work as he cited scenario that occurred in Town where a developer who had identified a site for cottage housing had visited Hamilton. The Planning Coordinator explained the Town's by-laws and the conversation ended. He said a higher level of management would have enabled the conversation with the developer and he believes the HDC should not carry out that role. Charles Chivakos suggested a Planning Director would help foster development and raise revenue for the Town. In response to Hubbard, Lombardo described how the HDC would not be doing the Town operations. He added that more time needs to be spent on workload data and what that means for Town's positions.

Discussion ensued about the importance of Hamilton bringing in revenue. Jennifer Scuteri suggested that $2 million a year in revenue is needed to bring the average tax bill down by $1,000 a year and that development should occur in the outskirts of Town under the direction of a gatekeeper and if Hamilton's by-laws are not working for developers then a different direction is needed. Lombardo said the hope is to find someone with the skills and abilities to facilitate action with the land use boards so development would be accomplished in Town.

Discussion ensued about importance for Town to have more than a Master Plan on land use including a strategy to address Town's lack of revenue. Chivakos said Hamilton needs an advocate for changes that could be made in Town while considering environmental protection and importance of the multiple requirements for developers that can discourage moving forward with development. Lombardo said Planning Board is looking to hire candidate for director's position. Hubbard said he was in favor of development but questioned cost of director's position.

Discussion ensued about public building maintenance where $258,000 was budgeted for FY'13 and FY'14 cost is $201,000 and that custodial cost for Patton property needs to be added to that amount. Also, that this year's expense budgeting for trees for downtown and sidewalk survey was included in highway costs. Another item was snow removal deficit and if it hits tax rate. McWane said Town budgets for FY'13 overruns in FY'14 and that could change in the next couple of months. Lombardo said the budget is lean to be practical, provide existing level of services and for what ifs. Scuteri reiterated her interest in maintaining the Town's tax rate under $18 per $1,000. McWane said the FinCom is satisfied with the department budgets but wants to make sure they are not over-budgeting.

Hubbard revisited areas where Town could save as much as $220,000 given its current fiscal situation in part through outsourcing the Recreation department. Lombardo said the Town has to analyze if it is providing more services than it can afford. He said outsourcing is not going to save a lot of money the real discussion is level of service Hamilton wants to provide. Johnson suggested the real way for the Town to save money is to merge police, fire, Council on Aging and ECO services.

Discussion ensued about how Hamilton and Wenham have to move away from current construct for sharing a director who manages two separate programs for Hamilton and Wenham to bring the two programs into alignment. Scott

Maddern said he wasn't sure that Wenham would enter into another municipal agreement for a shared director again. He was concerned about whether or not the Town was providing enough benefits for seniors. Lombardo explained that the current transportation for seniors is very expensive so it is being analyzed for a more creative, cost-effective approach.

Discussion also addressed how after Town Meeting there should be an annual regionalization conversation with Wenham about sharing equipment and services. Lombardo noted that this conversation should occur when positions open. He believes that public health services should be addressed with state representatives since these services should be provided, more effectively, at the state level and the Town could work towards championing that.

McWane said the FinCom would take budget comments under advisement and analyze them at future Committee meetings. He added that HWRSD spending is not expected to change, the budget cap would be voted on February 14 and there could be a subsequent vote to reduce that.

Gerardi-Walsh mentioned how school choice had 111 students and transportation calculation relative to Town's reimbursement from state. She added that 15 HWRSD positions were cut by the Superintendent of Schools and that revenue number for school department needs to be updated.

Gerardi-Walsh also asked about the operational audit relative to number of staff at the central office and recommendation that those employees (six rather than 11) be moved to the High School building. She also inquired about the difference in cost of utilities and insurance for the central office building as specified in the audit. She suggested that could be revisited and noted that the lease for the building runs out in 2015 and the lease renew would be for 20 years. Discussion ensued about Town's responsibility for normal wear and tear on the building.

Discussion addressed if another consultant would be brought in by HWRSD to analyze if the towns only require two versus three elementary schools. Town officials questioned the quality of data used in the operational audit and information provided to the state by the school department. Gerardi-Walsh reiterated that consideration should be given to moving administration to the high school building.

Discussion was on Hamilton's two operating contingencies for routine and non-routine items and what could be agreed to by FinCom. McWane explained that

FinCom reserve is to pay for unforeseen expenses and if a department overspends its budget then it is absorbed within system (i.e., totaled police cruiser and Mother's Day storms).

Lombardo reminded Town officials that the ATM meeting warrant was closing on Monday so McWane said the FinCom would meet and report their decisions to him. Also discussed was future budget meetings with FinCom meeting on February 20 and possibly a joint meeting with the two boards on February 25.

McWane entertained a motion for the Finance & Advisory Committee to adjourn at 5:40 p.m. Charles Chivakos so moved. Rick Sprenkle seconded motion. VOTE: Unanimous.

Johnson entertained a motion for the Selectmen to adjourn at 5:40 p.m. Scuteri so moved. Hubbard seconded motion. VOTE: 4-0-1 with Neill abstaining since he left meeting early.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST: _____ 8/29/13
Clerk