

**TOWN OF HAMILTON
FINANCE & ADVISORY COMMITTEE
FEBRUARY 20, 2013**

The Finance & Advisory Committee met at Hamilton Town Hall at 6:30 p.m. on Wednesday, February 20, 2013 with Chair John McWane, Scott Maddern, Nancy Gerardi-Walsh, Charles Chivako and Rick Sprenkle present. Town Manager Michael Lombardo and Finance Director Deborah Nippes-Mena also present.

Call to order

Chair John McWane called the meeting to order at 6:30 p.m. He announced that the meeting would be recorded by Richard Boroff.

Review and recommend FY2014 HWRSD budget

McWane explained that for FY'12 the HWRSD had \$651,000 in E&D and the projection for the end of this year is the school district will have more than \$1 million in E&D. However, until that is certified the HWRSD cannot give the excess back to the supporting communities. The school district maintains 3% E&D equaling \$800,000 to \$900,000. HWRSD can give back the \$651,000 of FY'12 money. Once under spending of budget by school department is fully understood, the HWRSD has agreed to use \$400,000 of E&D to reduce its budget with \$300,000 going towards Hamilton's assessment.

Review and recommend FY2014 Joint Program budgets

Finance Director Deborah Nippes-Mena addressed proposed HW Library budget and senior van budget. Discussion ensued about timeframe for the full allocation budget for library being unknown so Nippes-Mena is level funding and FY'13 budget was \$732,000. She noted that there would be a significant jump in healthcare and pension costs. Lombardo mentioned that Town officials are trying to get a final budget from Wenham so a joint meeting could be scheduled.

Discussion also addressed FinCom administrative costs and revenue offsets. McWane described how a joint meeting would be held to make recommendations on warrant articles and timing for printing of warrant book on March 8. McWane offered to follow up with his Wenham FinCom counterpart.

Discussion ensued about Council on Aging van where joint agreement with Wenham expires in November. Lombardo is recommending that Hamilton pursue its own transportation service for senior citizens independent of Wenham and the COA van. He said if Wenham is willing to cease the agreement on July 1 then Hamilton could move forward separately sooner than November. If Wenham does not want to do that, Hamilton will budget funds until the agreement expires in November. Lombardo explained that he is meeting with the service provider for transportation next week. He added that 29 people in the two towns are using the existing senior van service. Discussion ensued about if volunteer drivers would be used in the interim.

Also addressed was that in the last six months the shared COA director was working on separate programs for both communities and this is counter to the intended direction for the shared director. Lombardo explained that money saved from using alternative transportation service than the senior van jointly with Wenham could provide the extra funds for Hamilton to bring COA Director Mary Beth Lawton on as a full time employee in Town. This is not reflected in the budget yet. The joint agreement with Wenham for the COA director expires in June. The Board of Selectmen would vote on this decision. Scott Maddern explained how Hamilton officials had tried to work with Wenham officials on this issue and it became apparent that the two towns have varying interests. Lombardo noted that transportation will definitely continue to be provided for the elderly if Hamilton's use of the van is eliminated.

Review and recommend Joint Program Administrative Fee formula

Discussion ensued about how for 10 years the administrative fee for lead town in joint agreements between Hamilton and Wenham has been 10%. McWane noted that the conversation with Wenham that is proposed annually to discuss whether or not this is a fair amount is deferred by that municipality. He added that Wenham is receiving \$50,000 annually from Hamilton to manage the accounting for the HW Public Library.

Maddern described the results of a meeting on this issue that occurred last Friday. He referred to a suggestion from Nippes-Mena about mechanism relative to allocating costs for the work actually performed. He noted that Wenham had not followed through on that until recently in an email that analyzes costs for line items/joint programs. Maddern added that the library is 5% cost of Wenham's total general fund. Therefore, 5% of these various categories of costs are what ought to be what is in the administrative fee so it is \$26,000 compared to

\$50,000 that Hamilton has been paying annually for years. Nippes-Mena explained that calculated list of administrative fees should be on allocated costs on percentage of budget rather than the full budget. She added that based on the percent allocation Hamilton pays for the total library budget the Town would only have to pay \$16,716.

Maddern noted that historically the 10% fee was based on the total budget. It was supposed to be revisited annually and this action was never done. Nippes-Mena said the prior formula was 10% of the Town's allocation excluding benefits and retirement. She added that all costs beyond general fund such as grants and trusts should be used for the library administrative fee. Lombardo mentioned that he thinks Wenham believes it would charge Hamilton the full \$26,000. He added that there is agreement that the \$50,000 is much higher than it needed to be with a reasonable formula. McWane said Hamilton's responsibility for its share for the joint library is 5% of Wenham's total budget, town budget and school allocation.

Maddern said this is good progress for FY'14. He suggested that discussion with Wenham could include that 5% should be applied to FY'13 and is a good basis for FY'14. Nippes-Mena said they need to apply the valuation allocation to this number. A reminder to Wenham from Lombardo about how the agreement is supposed to work will be included in a letter to Wenham.

McWane entertained a motion to accept the Wenham proposal for allocating administrative costs for the library. Charles Chivakos so moved. Maddern seconded the motion. Discussion was about including information about the allocation that is part of the agreement relative to Wenham's proposed formula in the letter. Lombardo said he would have Town Counsel Donna Brewer review the letter to make sure it is in keeping with the agreement on the administrative rate. The letter would be an addendum to the regional agreement. Maddern explained that there had to be agreement amongst the FinComs for the two towns about the valid offer regarding the 5%. Lombardo said the letter would clearly define the offer, that there would be provision for it to fluctuate and the 10% would be amended for FY'13. VOTE: Unanimous.

Review and recommend reserve fund guidelines

Nippes-Mena explained that she had revised the opening statement in the reserve fund guidelines. Also that information includes 5% as the minimum balance in the annual pool of revenue gross budget. It does not contain free cash,

no transfers from trust, no already owned money from other funding sources. It includes all new money listed as revenues such as local receipts and other pooled cash such as Chapter 90. Discussion ensued about reserve fund as a revenue reserve that is used to operate the budget.

Also discussed was that Town Meeting would vote on use of free cash to offset the tax rate relative to Town manager recommending allocation of portion of reserves to reduce the budget and FinCom making a recommendation. Language for this was discussed by Town officials and FinCom members where they agreed for clarity to the following verbiage: Town manager may recommend all of or a portion of the reserves in excess of the 5% to reduce the subsequent year's capital budget appropriation or transfer to other reserve funds. These allocations require Town Meeting approval.

McWane entertained a motion. Maddern moved to accept the revised language on the general operating fund balance operating policy. Chivakos seconded the motion. VOTE: Unanimous.

Review and recommend options for ECO for FY2014

Lombardo said Town officials are working on the dissolution of joint ECO with Wenham since that municipality would no longer be participating in regional ECO between Hamilton and Wenham. He described how there were inconsistent expectations by Wenham. Lombardo explained how the regional agreement between the two towns describes how the equipment assets in the ECO belong to the Town of Hamilton. He said that Wenham is making the claim that it has stranded assets because it was listed on the grant and they have ownership, research does not bear that out. He added that Hamilton is not trying to make a claim on Wenham's assets. He added that Wenham did not realize that it had an ongoing obligation for retirement costs for ECO employees.

Discussion ensued about how it is unknown who in Wenham was responsible for the proposal about stranded assets and that the municipality is experiencing budget pressures so any issues with agreements are critical.

Discussion ensued about communication Lombardo had with Danvers about joining Hamilton's ECO and how he is continuing dialog with Ipswich and Manchester for the same purpose.

Lombardo described how the state has plans in five years for a unified dispatch system as part of its Middleton regional dispatch facility and he had asked ECC representatives if these associated costs would be stated in a written agreement but that was inconclusive. He added that the state has not accounted for the capital costs.

Discussion ensued about changes in Hamilton's FY'14 budget with \$30,000 from 911 access grant for ECO that was added to \$9,000 for elder affairs. The grant number has been reduced from \$168,000 since the ECO is no longer regional with Wenham leaving. Also addressed was reducing the projected expense line for legal to \$70,000 versus \$100,000 and that Town could come to FinCom for reserve fund transfer if necessary. In addition, that there could be as much as \$70,000 left in snow removal budget. Also, that \$112,000 has been removed from debt for truck and Howard Street culvert where these items will be paid for with cash as described in an ATM warrant article.

Discussion ensued about property values and tax rate ranging from \$18.13 to \$18.41 with a 1.5% change assuming valuations are the same. Also discussed was Selectmen Chair David Neill planning to meet with Gordon Conwell Theological Seminary about costs from tax exempt entity resulting from educating seminarians' children in the public schools, and that the Selectmen are addressing a right of first refusal for the Pirie property in a 120 day timeframe and that Town manager is waiting for response on value of Pirie chapter land. Discussion also addressed how Assessors could present FinCom with up-to-date information on valuations. It was noted that the HWRSD FY'14 budget has not changed from what was previously presented. Nancy Gerardi-Walsh mentioned that FY12 figures for Chapter 70 funds were used in school budget.

Free Cash discussion

Discussion ensued about how the Town expects to have \$800,000 above the 5% in free cash with \$350,000 recommended to be allocated to reduce the tax rate. Lombardo has suggested that OPEB contribution could be raised to \$75,000 as well as \$250,000 to be applied toward the capital reserve, which has not been done before. McWane was inclined to put the \$75,000 towards the operating budget. He also thought it was reasonable to apply \$112,000 to pay for truck and culvert outright rather than incurring debt.

Also addressed was if the Town applies too much money from free cash to this fiscal year's budget that amount would have to be made up in next year's

budget. Nippes-Mena noted that revenue would be \$300,000 over projections for this year since a property in Town came out of foreclosure, and Pingree School paid for all permit fees upfront. Also, motor vehicle commitment came in significantly higher than expected which was not included in the 70% of revenue collected by the Town for year. So \$300,000 to \$350,000 could be used for free cash next year.

Also discussed was the release of funds of \$150,000 from Verizon that is being applied to warrant articles. In addition, funds are going to be needed in the fall for a pumper truck. Discussion ensued about how \$250,000 is not a pattern for carrying cost for capital. Lombardo suggested the Town pay now for one-time expenditure (i.e., annual police cruiser purchase) to offset what could be bonded.

Rick Sprenkle suggested that a trailing average could be used as a guide to avoid borrowing for capital expenses. Lombardo explained that there is a goal for the Town to develop a three to five year plan that could help define funding needs through capital operating expense or bonding. He said the \$250,000 was a low number to start. Maddern said this is based on the long term capital projects list. Discussion ensued about capital fund concept and lack of policy about what Town wants to do relative to level of expenditure and borrowing. McWane suggested \$100,000 could be the seed amount in a capital account.

Discussion also addressed what actions Hamilton can take today using free cash to offset tax rate and long term impact from using free cash this fiscal year on future budgets. Discussion included Town's use of rolling BANs and importance of free cash especially since there is a revenue shortfall from HWRSD that is built in due to school district billing municipalities monthly while property tax bills are paid quarterly.

FinCom members debated whether or not \$250,000 should be put aside for capital expenses especially when it might be used at fall STM for pumper truck or in future fiscal years. McWane agreed with the concept but thought \$250,000 as an entry level number was too high when some of this could be used to offset the tax rate in these tough economic times. Nippes-Mena mentioned how the allowance and abatement surplus could fund FY'14 senior tax program. Gerardi-Walsh mentioned that it was hard to make decisions when budget numbers such as from the school district are not final.

Discussion ensued on whether or not \$125,000 was perhaps a more appropriate number to protect the tax rate in light of the fact that a higher amount might not be the right decision for future tax rate.

Another discussion was on OPEB and if state would resolve the unfunded liability issue, and that the Town has historically been allocating \$25,000 a year for this purpose. The Town's unfunded liability could impact the Town's bond rating and the Town's obligation is \$20 million. FinCom members weighed in on what they thought should be allocated for the fiscal year for capital fund and OPEB. Sprenkle, Chivakos, Gerardi-Walsh and Maddern supported \$250,000 for capital fund and thought OPEB should be \$25,000; McWane thought \$125,000 was adequate for capital fund with \$200,000 put toward free cash. Town officials agreed that they should be unified on decision when presenting information at Town Meeting. Discussion ensued about how \$250,000 would likely be appropriated at STM in the fall.

McWane entertained a motion for the Town to add to the ATM warrant an article to appropriate \$112,000 from Free Cash to pay for capital projects (Howard Street culvert and truck). Sprenkle so moved. Chivakos seconded motion. VOTE: Unanimous.

Also discussed was for the Town to increase the Free Cash number from \$350,000 to \$443,000. Discussion ensued about importance of not deferring capital projects relative to proposed \$250,000 allocation. Also, if 1% should be put toward Community Preservation Act and 1% toward capital rather than the current 2% CPA property tax surcharge as a future consideration. If this were done, the Town would lose the 30% match from the state.

Review and recommend FY2014 warrant articles

FinCom deferred making any recommendations until the Committee's next meeting on March 2.

Approve minutes of previous meetings

McWane entertained a motion for the Finance Committee to approve meeting minutes from November 14, 2012, December 13, 2012 and January 15, 2012. Sprenkle so moved. Maddern seconded motion. VOTE: Unanimous.

