

**TOWN OF HAMILTON
FINANCE & ADVISORY COMMITTEE
NOVEMBER 14, 2012**

The Finance & Advisory Committee met at Hamilton Town Hall at 7:05 p.m. on Wednesday, November 14, 2012 with Chair John McWane, Scott Maddern, Nancy Gerardi-Walsh, Rick Sprenkle, Charles Chivakos and Scott Maddern 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 7:05 p.m.

Review Town Budget development schedule

Discussion ensued about availability of Town budget books for Finance & Advisory Committee members. Town Manager Michael Lombardo noted that the level of budget detail would be consistent in all spreadsheets presented by Town departments.

Also addressed was that a joint Finance Committee budget meeting with Hamilton Town officials, Wenham and HWRSD representatives would be held on Saturday morning, December 8. In addition, it was noted that the Hamilton Annual Town Meeting warrant will be opened on Monday, December 10 for the April 6th ATM.

The next capital review for the budget with FinCom and Board of Selectmen would be discussed on January 14, a budget meeting is scheduled for January 19th and by-law public hearings will be completed by January 28th. The ATM warrant will close on February 4th and HWRSD will host a public hearing on the budget on February 7th. FinCom recommendations for all ATM articles will be voted on February 13th. Article language review with Town Moderator and Town Counsel is February 14th. School Committee will vote its budget on February 25th. FinCom and Board of Selectmen will vote the final budget on February 26th. Warrant and ballot go to the printer on March 1st.

Review Hamilton budget forecast model

Discussion ensued about budget forecast model that McWane had developed and whether or not the numbers were correct and that tax rate number for FY'12 actual budget does not include the valuation for fiscal year 2012. Finance Director Deborah Nippes-Mena said the actuals reflect what was spent and that the budget determines the tax rate.

Town officials agreed that the model was clear and then debated growth factors such as 1.9% for CPI and 3.4% for the schools as well as forecasting items including excise tax, state cherry sheet and Town valuation.

Relevant to valuations and demographics, the MAPC is working on revising the Town's housing production plan that addresses a shift in Hamilton's primary wage earner from age 35 to 60 years old noting that the Town's residents are getting older. Town Manager Michael Lombardo said the percentage of Hamilton residents that have a mortgage or are paying for their home and are moderately or severely burdened with 50% of their income allocated for this expense is amounting to almost 50% so there is an issue for these residents who are experiencing fiscal distress.

He referred to information from the Mass. Taxation Foundation that projects broader revenues for the state as not good and MMA Beacon newsletter agrees that state revenues are off by as much as \$150 million. He noted that the cherry sheet would likely not be adjusted down this year with no expected increases next year. Lombardo said a level-funded cherry sheet is the best the Town could hope for from the state and he does not expect any growth in the local economy with local receipts dropping off by as much as \$35,000.

Discussion ensued about revenues at zero, variances from one-time revenues the Town realized in the past, and the importance of incorporating fundamental assumptions into Hamilton's budget, and how they change year to year including growth factor, all part of an ongoing effort to build community support for the Town's budget process.

Discussion continued about the assumptions including health insurance and retirement, that the budget forecast process was prompted by Selectmen to identify opportunities for savings and that the HWRSD expense drives the Town budget as do the warrant articles (i.e., discretionary spending such as \$50,000 on sidewalk analysis) and that a recommended free cash number would be added

back into the budget. Lombardo noted that due to the fiscal direction where the Town is heading, he questions Hamilton's ability to fund warrant articles and capital expenses.

McWane reiterated the need to emphasize to Selectmen their role with the warrant articles and impact on the Town's level service budget. Also, that Hamilton is carrying \$1.8 million in debt expense.

Discussion addressed replacing items above a level service budget such as public safety vehicles. This year due to an unfortunate accident, one of the Town's police cruisers will be replaced this year rather than next year as part of operating capital. DPW vehicles have been replaced annually for the last four years. The intent is to keep rolling stock in good repair.

Lombardo mentioned that the Town is trying to get caught up on infrastructure. Discussion continued on importance of control funding for warrant articles in these tight budget times (i.e., sidewalks for \$750,000 on Essex Street that is thought to be proposed to be funded through free cash by a resident group.)

Lombardo described a spreadsheet that identified trends in valuations, reiterated in MAPC housing data, and how Planning Board has severely restricted development in Hamilton where five houses have been built in Town since 2010. Also, that the Town does not have enough rental or senior housing. In addition, the shift to an older population in Town does not provide enough economy of scale to support HWRSD that is likely to become more expensive.

Lombardo noted that the spreadsheet illustrates that 30% of housing over \$1 million in Hamilton has lost considerable value negating nominal gains from houses valued from \$300,000 to \$500,000. Discussion addressed how the valuation affects the tax rate not the tax bill. Also, that since fiscal year 2007 the median value has decreased from \$473,600 to \$390,600 due to the shift in tax burden, growth in overall budget and lack of development.

Discussion ensued about depreciation in housing value of 2% to 3% and importance to maintain level valuations, variability of valuation of open space between Hamilton and Wenham, three-year lag in market sale numbers and effect on valuation due to assessing function, and reiteration of need to summarize and educate public about influence of warrant articles on the long term budget.

Discussion continued about tax rate and that neighboring towns are approaching a similar tax rate number as Hamilton's. Lombardo said the Town is at a crossroads where the Town needs a broader community dialogue to communicate to residents if they accept the cost of doing business with robust services they have to understanding that reasonable growth has to be fostered to improve the revenue situation. Especially in consideration of increasing costs such as retirement and healthcare as well as salary increases for staff.

Town officials noted that proposals to offset costs could be a full pay as you throw trash program, modification of standards for snowplowing where snow is not removed until four inches is on the road and that residents could be held responsible to shovel sidewalks, and closure of landfill followed by implementation of anaerobic digester.

Discussion ensued about HWRSD budget and that School Committee needs to provide budget direction to the superintendent. McWane noted that the HWRSD has increased its level-service budget by \$1.2 million annually for the last several years. He expects school department to have a \$1.7 million increase for the next fiscal year with a flat student population and budget process to make up \$400,000 Hamilton and Wenham were not assessed last year. Also, that Hamilton has 70% of the student population this year so its cost to support the school will be \$1.2 million resulting in the tax rate going up \$1 per \$1,000 of valuation.

Discussion continued on how HWRSD is spending \$15,000 a student and other school districts are spending \$2,000 less a year per student. McWane said Superintendent of Schools Michael Harvey has a reputation for finding efficiencies so hopefully he'll do so to bring the per student cost down in the HWRSD budget.

Discussion also addressed impact of school department having 13 steps for teachers and that it takes 13 years for beginning teachers hired inexpensively to get to the top salary (i.e., \$40,000 to \$75,000 annually). It was noted that 60% of teachers in the school district are at the top step, that colas, columns and longevity were built in to the teachers' union contract and that the model was not going to change.

Lombardo noted that Harvey was interested in good fiscal management moving forward and the hope was to achieve 3% increases for personnel but School Committee goals and level funding have yet to be defined. Discussion addressed shift in enrollment with more students in Hamilton resulting in an increased

percentage of 70% of the school budget where the Town will be required to pay \$153,000 more than the last fiscal year. Also discussed was that with declining enrollment there should be a declining number of teachers and that the HWRSD budget is driven by the number of teachers.

McWane mentioned that school department's Excess & Deficiency number after an audit was done is less than 3% so the HWRSD needs to build up that fund. Also that HWRSD has to pay wages comparable to other surrounding towns to keep quality teachers and impact on the budget, and that an aspired to annual increase would be 3%.

Discussion ensued about how there are as many as 125 choice students in the school district, the tuition cost set in the 1980s is \$5,000 per student, benefit of diversity and number of students enabling school district to offer additional courses.

Also addressed was analysis being done by Roger Kuebel of the School Committee to understand real costs of the HWRSD, especially if money was difficult to track in the HWRSD budget in the last five years, and if there are too many people working for the school department. In addition, discussion focused on the cost for schools increasing as much as 5% annually which is not sustainable, nor is increasing the tax rate to \$18.

Discussion ensued about lack of multiple foreign languages and AP courses in the HWRSD where no explanation has been given as to how this compares to other communities that are offering these for \$2,000 less a year and that there could be a need to eliminate staff. Emphasis was on the importance of the HWRSD communicating with the supporting communities as to why education is costing more in these towns compared to neighboring municipalities with better offerings.

Discussion continued about importance of having the school budget match what residents can afford to pay while providing a good education to the children since people's ability to pay is decreasing. Also reiterated was necessity of growing revenue in the budget by adding houses in Town and Lombardo suggested that consideration should be given to appointing rather than electing Town officials who control development in Hamilton. Nippes-Mena stressed that as many as 200 students need to be added to the school district to restore the economy of scale.

Also mentioned was that preliminary budget numbers would be presented to the Selectmen at its next upcoming meeting to communicate future expense/revenue reality and predictions and that McWane was available to attend a Selectmen's meeting on December 3rd to address the FY'14 budget.

Review results of town's maintenance work for the HWRSD buildings

Lombardo noted that a report on what maintenance work was done this summer on the HWRSD buildings would be completed and given to the FinCom this calendar year.

Discuss scope of grant proposal to analyze potential joint DPW/School Facilities' organization

Lombardo summarized that purpose of grant proposal was for technical assistance to help the communities and school district explore options for restructuring its public works departments (i.e., buildings, grounds and possibly more). When the grant application is drafted it will be submitted to the FinCom for its information. Selectmen have approved submitting the grant application.

He noted that the detail information on the proposal is expected to be done by Thanksgiving and it would be provided to the FinCom at that time. Lombardo noted that the three entities are asking for grant funds to discover options for structure and are pricing what technical assistance would cost relative to technical equipment and consulting time. The intent is to look at how barriers could be overcome across the three jurisdictions to operate more effectively and save money in the public works function.

Reserve Fund Transfers

None.

Continued Discussion of the Forecast Model

Discussion ensued about \$100,000 that the HWRSD received more than was budgeted last year and if the municipalities expect to get this money back in a lower assessment and the impact on the school district's E&D level. McWane said historically the School Committee gave back money that was in excess than what was budgeted and that this practice has been dropped. Also addressed was

how the school district funded the Cutler School boiler that was paid for from available funds and then bonding was used that has been paid off.

McWane explained that school district used capital account for the funds and a correction was done for related audit, and the use of E&D funds to pay for boiler should have been agreed to by Selectmen in both municipalities. McWane noted that this would be discussed at the School Committee meeting on November 29th and he and other FinCom members thought the towns should get the additional \$100,000 back that the HWRSD received from the state. Discussion ensued about using this scenario to communicate with School Committee on how the HWRSD plans to handle similar situations moving forward.

Town officials also agreed that at a subsequent FinCom meeting there should be a policy decision reached regarding percentage of Town's free cash (i.e., 5%), that is expected to be certified at the end of January, that could be included in the FY'14 budget.

Approve meeting minutes

McWane moved to approve the October 24, 2012 Finance & Advisory Committee regular session meeting minutes. Charles Chivakos seconded the motion. VOTE: Unanimous.

Set next meeting date

The Finance & Advisory Committee will meet next on December 19.

McWane entertained a motion for the Finance & Advisory Committee to adjourn at 9:24 p.m. Rick Sprenkle so moved. Scott Maddern seconded motion. VOTE: Unanimous.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST: John McWane, Chairman
Clerk