

**TOWN OF HAMILTON
FINANCE & ADVISORY COMMITTEE
DECEMBER 13, 2012**

The Finance & Advisory Committee met at Hamilton Town Hall at 7:02 p.m. on Thursday, December 13, 2012 with Chair John McWane, Scott Maddern, Nancy Gerardi-Walsh, Rick Sprenkle, and Charles Chivakos 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 7:02 p.m. He noted that Richard Boroff was recording the meeting. McWane noted allegation of Open Meeting Law violation for the Finance & Advisory Committee meeting on November 9, 2012. Town Manager Michael Lombardo recommended the FinCom acknowledge this and schedule it for discussion at its next meeting. McWane acknowledged that he was found for an OML violation allegation and it would be discussed at the FinCom's next meeting.

Reviewing Hamilton Town Budget

McWane asked Committee members to raise any questions they had from their participation working with Town departments on the Hamilton Town budget. In response to Rick Sprenkle, Finance Director Deborah Nippes-Mena said the Town does not have any revolving accounts in the public works department. Addressed specifically was when work is done by the Town's DPW personnel for the HWRSD the billing is contracted for but this is not considered a revolving account.

Lombardo explained that discussion would be required to debate the merits of a revolving account and he did not think the current arrangement with the school district warranted such an account. He added that for budgeting purposes this work was defined in a separate cost center based on what work is expected in the next fiscal year and offsetting revenues was budgeted in local receipts.

He mentioned uncontrollable costs in the budget such as colas, healthcare, pensions as well as the shift in dollars from Wenham leaving the ECO, and noted that decisions need to be made by Town officials regarding the Town's dispatch center whether the Town goes it alone or joins regional dispatch center. The

increase in cost (i.e., \$240,000) if Hamilton decided to run the ECO alone is likely not sustainable by the Town with its nearly subsistence budget and Nippes-Mena has done a comparative analysis in preparation for the discussion.

Discussion ensued about how the facilities collaboration numbers would be easily identifiable in the Town's budget with offsetting revenues. In response to McWane, Lombardo said he had not seen the HWRSD budget yet so he did not know if the schools would budget for this collaboration. He added that he did not know what the school district budgeted for in this regard but he suggested it could be for staff time and replacement parts.

Also addressed was that the Town would find out in January if it is going to get a grant for technical assistance and that work would start in early February. Discussion ensued about how details would be worked on during the summer and Lombardo thought at best change would occur during second quarter of the next fiscal year. He noted that there is still the ability to collaborate and no additional staffing (i.e., hiring tradesmen) is expected especially in light of the fact that there is no long term agreement.

Nancy Gerardi-Walsh presented her observations about general government budgeting including personnel costs for longevity and \$25,000 the Town pays in stipends to volunteer board members such as Selectmen, Planning Board and Zoning Board of Appeals, Board of Assessors, and Board of Health.

She noted that department budgets were lean, and that building department is expecting an uptick in building permit fees. Gerardi-Walsh questioned some general government staff positions and opportunities for cross training and noted that Lombardo is working on this. Also, that the MIS consultant is extremely expensive and bidding process for telephone system where in both cases there are opportunities for savings.

Discussion ensued about the Town clerk's position not having a very high salary and that the administrative assistant's position in the Town clerk's department was cut by \$5,000 years ago and Town Clerk Jane Wetson has been working on weekends to complete work for department. Gerardi-Walsh suggested the money could be added back to the assistant's position to train the current employee. Lombardo noted that there are broader considerations and challenges with similar union positions in other departments so he was not inclined to add hours in Town clerk's department as part of balancing entire organization.

Nippes-Mena mentioned that her summer intern position has been cut in the FY'14 budget although the interns currently working for the Town are not doing clerical work but are doing specific projects for which they are paid.

Discussion ensued about how Lombardo is evaluating reorganization of local government but that challenges are structural changes required in the building that are not affordable.

Discussion addressed need to replace telephone system bid and possibility of system that would be used across school and municipal offices. Chivakos offered his expertise in this area. Lombardo noted that this goal emphasizes the need for a local MIS consultant and someone to manage the phone system. He said there would be upfront costs with expected eventual savings. It was noted that ideally there would be an integrated voice/data network. Lombardo said HWRSD had a large IT conversion this summer.

Chivakos reported on his meetings with public safety officials and said he was satisfied with the police and fire budgets as presented. He concurred with plan to keep the police fleet up-to-date. He noted that ECO was the largest item that needs discussion as well as replacement of 1985 pumper truck in the Fire Department. Lombardo said Capital Management Committee is targeting to have recommendations by mid-January. He noted that the liquid salt used on the state highway is eroding internal panels of pumper truck and replacement should be done in one to three years for \$350,000, a used vehicle would be investigated.

Lombardo noted that \$14 million was identified in infrastructure and capital and this needs to be prioritized by CMC to balance needs of Hamilton, Wenham and HWRSD including the pumper truck. Also mentioned is that the used ladder truck needs work. Discussion ensued about how Hamilton and Wenham do not have a joint fire department so rolling stock is not purchased cooperatively. McWane noted that when Wenham bought a ladder truck, Gordon College contributed since it had the buildings that required it. In Hamilton, the Gordon Conwell Theological Seminary requires the Town to have a ladder truck. Discussion addressed whether GCTS should be approached for funding for the ladder truck and how both towns need ladder trucks. Lombardo also addressed the challenge of finding and keeping call firefighters and how this is becoming increasingly difficult.

Discussion ensued about ECO and how Lombardo is meeting with state officials to learn more about regional dispatch center and his concerns about the \$16.26 per capita rate through 2013 and the funding model relative to long term costs. He noted that the additional costs for the ECO if Hamilton were to go it alone are in his opinion not affordable.

Nippes-Mena summarized comparison between cost of ECO with another entity and the Town going it alone. For Hamilton to staff the ECO without supervision other than the police department would require 4.5 people for 24 hours, seven days a week. So the cost based on the current contractual agreement would be \$228,552 in wages and salaries, \$122,858.70 for benefits and taxes for a total cost to the Town of \$351,000 in personnel expenses. The operating expense for the ECO to maintain the computers, equipment and CTY and cleaning the space would be \$69,926 so the full budget to run the Hamilton ECO is \$421,336.79. This is \$60,000 less than what the Town currently pays since the supervisor salary would be removed due to the employee retiring.

Lombardo said with Wenham leaving, Hamilton loses revenues and gains expenses. This includes \$125,000 from Wenham and \$120,000 from the state as losses in revenue. He added that the Selectmen will discuss if the Town will or will not choose to move ECO responsibility to Middleton regional dispatch.

Discussion ensued about Police Chief Russell Stevens concern about foot traffic in the public safety building that is addressed by ECO and if dispatch services were covered by Middleton, no employees would be at the window from 4 to 8 p.m. five days a week and some hours on the weekend. Lombardo concurred that some staffing should be considered and that technology could be used to get police officers to the building in minutes.

Nippes-Mena said the Police Department is looking for an additional \$65,925 for personnel costs to bring the administrative assistant's hours up to 40 a week and to use police reserve officers to staff building from 4 to 8 p.m. Also mentioned was the ongoing cost of existing ECO retirees that has to be shared with Wenham.

She also mentioned that the retirement allocation runs three years in arrears and the percentage of Essex Regional Retirement System allocation would not drop due to the loss of salaries in ECO until 2017. At that time the two towns would share the unfunded retirement liability for the current active employees. She

noted that for one employee with 12 years of service with a 30 year pension liability, Wenham would owe 40% of that cost.

In addition, the Town would still have the reverse 911 expense. It would cost \$130,000 for Hamilton to join the regional dispatch center in Middleton. Discussion ensued about how local public safety officials would serve on user group committees for the Middleton facility but that the sheriff's department would ultimately make budget decisions about regional center. Lombardo said work is underway to understand the details associated with a cost benefit analysis of joining regional ECO. Also mentioned was that surrounding communities pursued to join Hamilton's ECO were not interested in collaborating at this time.

Discussion ensued about how Town Meeting had voted previously giving Selectmen the authority to make the decision about ECO moving forward. McWane suggested Town Meeting voters should weigh in on the decision. Lombardo thought this was a business decision that could be made by the Selectmen. In response to Scott Maddern, Lombardo said if the Town opts to join the regional dispatch center the ECO repeaters would be used but a lot of the other equipment would be defunct.

Discussion ensued about the lack of growth in Town and Hamilton is already in a tight budget situation as strong reasons why going alone with the ECO is not doable financially resulting in the need to look at regionalization although a lot of information is still needed to make dispatch service decision. Nippes-Mena suggested that \$65,000 for additional man hours at public safety building if Town chooses to join regional dispatch center needs to be analyzed as to whether or not that is the best solution.

Maddern provide his observations after speaking to joint departments and said there were no surprises in Recreation budget. Lombardo said he is waiting for library budget. Discussion ensued about what Council on Aging budget can support, initiative to expand kitchen at senior center and what is offered at the Community House (i.e., kitchen) relative to SeniorCare grants and Meals on Wheels, and that the trips offered by the Community House are generally more expensive than those provided through the COA.

Also, that low pay is provided for Recreation director resulting in candidates for position being inexperienced managers in their early careers. Maddern said in concurrence with McWane the programs need to support the demographic needs

in the community the best it can within budget constraints given the numbers of people involved.

Lombardo mentioned that he thought public health should not be addressed at the local level and it should be a broader regional function supported with full time staff and championed at the state level. Since the existing model is not cost effective although the job gets done locally regarding mosquito control district, management of septic system requirements and public health issues.

Discussion ensued about Town counsel working on draft insurance policy for Patton property and Gerardi-Walsh offered to provide leads on what organizations could provide insurance bids.

McWane then reviewed the budget summary for the Town with department expenses budget up 2% and source of funds is down \$170,000 due to ECO. Lombardo mentioned that the trend with staff is to zero-based budgeting.

Town officials then addressed the HWRSD budget with an increased cost of \$1,758,938, almost 12%. McWane noted that bulk of that was due to no offset of Excess and Deficiency funds as has been done in the past. Also, that there has been no conversations about efficiencies. He added that School Committee Chair Roger Kuebel and Superintendent of Schools Michael Harvey had reported that school district budget is level services and provides a base point to identify potential savings.

McWane explained that the superintendent would send a letter to the School Committee noting that the base budget needs analysis for efficiencies and savings. Lombardo concurred that Harvey had noted that there are one to two grant funded positions which would impact revenue requirement.

McWane said the two areas challenged through the years are SPED and High School staffing where budget efficiencies could be realized. Discussion ensued about state website DART that includes data on surrounding towns (i.e., Lynnfield, Ipswich, Manchester, and Essex) and comparison of per pupil cost to HWRSD. He added that related questions from Selectman Jennifer Scuteri have been forwarded to Harvey for answers. McWane said Harvey acknowledged the goal to develop a plan to get to per pupil cost comparable to other towns. Town officials said they believe the HWRSD is committed to provide a comprehensive budget moving forward.

McWane described how the Town is \$1,925,000 under the levy limit for 2013 so a \$2 million increase from the HWRSD could be absorbed without an override. He noted that his counterpart in Wenham did not know if that community would require an override for the school budget.

Discussion ensued about how the Town has \$1.2 million in debt service with a number of years remaining and debt coming including the water infrastructure bonds and for the landfill closure and development.

Discussion ensued about tax rate going from \$17.17 to \$18.79 if the HWRSD budget remains the same and this is based on flat property tax valuation. Wenham's tax rate is already above \$18. Also addressed was resident ability to pay taxes with 25% of Hamiltonians in arrears on their tax payments relative to median house cost at \$390,000 with 30% of property value loss realized for properties over a \$1 million in Town.

McWane noted that a potential increase in the tax rate of \$1.62 from HWRSD budget increase results in \$650 annual increase in taxes for residents with properties valued at \$400,000. He added that Selectmen would like to keep the tax rate below \$18 but he thought that was unrealistic for the school department budget. Nippes-Mena noted that the police cruiser is the only capital in the Town budget thus far and there is a warrant article to give the Hamilton Development Corporation money from the Meals Tax.

Discussion: Guidelines for achieving and maintaining Town's Free Cash

McWane noted that HWRSD maintains 3% in E&D and Town has discussed maintaining 5% Free Cash (as specified by Moody's). Nippes-Mena summarized work she has done to date on reserve policies including general operating fund balance, general fund reserve account (\$100,000 or 1.5% of Town's operating budget based on national recommendation to manage growth of reserves), recommendation for ongoing number to establish capital reserve fund.

Discussion ensued about getting to a certain point with the Town's reserves by setting floor and range that the Board of Selectmen could use to govern the Town to create stability. Nippes-Mena recommends working toward 1.5% in the FinCom reserve fund on \$ 8 million and tightening up on local receipts.

Discussion addressed putting money into reserves to pay for capital and long term liability and that the Town is not growing enough to take care of unfunded

liability and that Hamilton along with Wenham is responsible for HWRSD's huge OPEB number.

Nippes-Mena summarized that the Free Cash number would include \$81,000 to be transferred to HDC from Meals Tax, 5% for FY'13 until finalize FY'14 budget to determine the amount for Free Cash as the number of Free Cash available for Selectmen, Town manager and FinCom to decide how to use it. She suggested Free Cash should be invested for the long term and used for capital to address wide range of Town's needs.

McWane said he concurred with Lombardo that guidelines should be set for Free Cash number noting 5% recommended by Moody's. That the FinCom Reserve Fund set at 1.5% would be used for unanticipated expenses (i.e., police cruiser) and Stabilization Fund is at \$700,000 and would have to be \$1.2 M to reach 5%.

Discussion ensued about how Town would use Stabilization Fund (for severe economic downturns or catastrophe) if it did not have Free Cash to use. Nippes-Mena said communities with a Stabilization Fund of 10% and higher kept taxes lower for residents and preserved services. This could not be done in Hamilton. She said between 2002 and 2006 the Town's reserves were drawn down to nothing but the Town managed well to maintain services and keep costs low.

In response to Chivakos, Nippes-Mena suggested that she would pay for the cruiser from reserves rather than include it in the budget. She and Lombardo agreed that they differ on the amount to be allocated to OPEB. Lombardo expressed interest in seeing the capital budget first. Also, he thought the state of Massachusetts is going to have to step in to solve the OPEB issue. Discussion ensued about agreement that legislative change would be required and that there would still be a grandfathered group that the Town would be responsible for.

Lombardo mentioned that large percentage of the Town's water infrastructure is 60 years old or older and that clean potable water and keeping streets in good repair are part of capital needs.

Discussion ensued about the schools hitting the tax rate with a bigger number this year and that consideration has to be given to lowering the number relative to capital impact priorities. Also, 506 Hamilton taxpayers are in arrears but this number is down from last year and some households forget to pay their second quarter bills.

Discussion continued on how a recommended policy of 5% of the budget for the year as the Free Cash number would serve as a guideline. Lombardo said there would be discretion to go against the policy that would be used by the FinCom. This policy will be voted on by the FinCom at its next meeting.

Reserve Fund Transfer – Horsepower drive replacement for HVAC system at Public Safety Building

McWane entertained a motion for the Finance Committee to transfer from Reserve Fund \$4,522.68 to Facility Management – Building Supplies for replacement horsepower drive for Public Safety Building’s HVAC system. Maddern so moved. Chivakos seconded the motion. VOTE: 4-0-1 with Sprenkle abstaining since he left the meeting early.

Meeting Minutes Approval

Committee will address outstanding FinCom meeting minutes’ approval at its next meeting.

Schedule Next Meeting

Some FinCom members will attend Selectmen’s meeting on December 17th. Discussion ensued about tentative schedule for five board meeting in January. The FinCom tentatively scheduled its next meeting for Wednesday, January 16th in the Memorial Room.

McWane entertained a motion for the FinCom to adjourn at 9:05 p.m. Maddern so moved. Chivakos seconded motion. VOTE: 4-0-1 with Sprenkle abstaining since he left the meeting early.

Respectfully submitted by Jane Dooley, Minutes Secretary

ATTEST: John McWane, Chairman
Clerk