

HAMILTON FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting

November 15, 2017

Members Present: Darcy Dale, John Pruellage, Phil Stearns, Nick Tensen, and David Wanger (Chair)

Others Present: Marisa Batista (Finance Director) and Jeff Hubbard (Selectmen)

This Hamilton Finance and Advisory Committee meeting was called to order at 7:00 pm at the Public Safety Building.

Public Comments

None.

Review and discussion regarding takeaways from Special Town Meeting.

The editorial in the Chronicle was discussed. David Wanger had written a response as a citizen. Mr. Wanger made the point that the paper did not reference the resolution that was read at the beginning at the Town Meeting, which was opposite the concept the newspaper had presented in their editorial.

Darcy Dale thought the Moderator did a great job and the information from the Planning Board was so new that it could not be digested. David Wanger suggested conveying knowledge as soon as possible in advance of Town Meeting. Ipswich and Wenham distributed books for Annual Town Meeting that were educational. John Pruellage noted the Planning Board devoted a lot of time at their last meeting discussing what they should have done and determined too much had been saved for the last minute causing a failure.

David Wanger thought the tax relief for affordable housing land under Mass Municipal Association suggestion was defeated because it lacked explanation and was negatively viewed.

While Nick Tensen thought only a few interested parties were knowledgeable, Mr. Wanger thought the FinCom could stimulate interest. Mr. Tensen suggested using social media and newspaper articles to keep the information in front of the public similar to the trash topic. Jeff Hubbard noted that there were at least 220 comments, which were primarily in opposition regarding cottage housing on the Hamilton Wenham Residents Facebook page. Mr. Hubbard added that anything posted on Facebook should also be printed in the newspaper. Phil Stearns said all deliberations would need to be in a public meeting before posting information. Each member of the Committee would send their ideas to Darcy Dale who would write an introductory article to be discussed in a public meeting.

Review of FY18 First Quarter Reports

Marisa Batista reported that the Town was at 25.19% for FY18 while the Town was at 25.5% for the first quarter of FY16. Expenditures were 26.83% in FY18 versus 26% for first quarter of FY17. Much of the expenditures were large seasonal bills for first quarter while some of the

large bills were not due until the last quarter. Marisa Batista said if one compared fiscal year to fiscal year, rather than by quarters, the expenditures seemed normal. Ms. Batista found no anomalies in revenue with 25.19% received in FY18 versus 25.5% for FY17. Ms. Batista said she was starting to work on the tax recap for FY18, which she thought was by bottom line, but was in actuality was line by line so Ms. Batista would need to adjust revenue budgets. Year-end actuals were known and the FY17 actual revenue budgets were higher than the actuals received, creating an unfavorable situation. Waste Enterprise collections were higher, while Inspectional Services were much lower than budgeted for FY18. Ms. Batista thought that some budget numbers might need to change.

Jeff Hubbard suggested tracking the budget compared to actuals on a monthly basis. Phil Stearns thought it would be a useful tool, but would require having departments "calendarizing" the budget by the month and there were not sufficient resources to put the time and energy into the study. David Wanger thought the conclusions might be misleading compared to a twelve month totality. Ms. Batista said Munis was an annual budget and the quarterly reports were completed via excel. Ms. Batista ran a report from period one to three and dropped the number into the Quarterly Report. In response to Mr. Wanger's request for generic percentages of receipts and expenditures, Marisa Batista said anything could change in the fiscal year. The Selectmen receipts were zero as Gordon Conwell had not given their gift. David Wanger looked for skewed percentages beyond the 25% mark.

Marisa Batista discussed how timing within the calendar affected the Quarterly Report and referred to retirement as a 100% expenditure. Finance expenses were at 44% in the first quarter due to payments for the Finance Committee Association (\$180), payment for the audit (44%) and IT for the replacement of computers, laptops and printers.

David Wanger noted the \$100,000 which was not in the finance fund. Mr. Wanger gave Marisa Batista a list of questions. Police expenses were at 39.5%, the emergency center expenses were at 78.5%, animal control expenses were at 43%, council on aging salaries for 31%, Veteran services expenses were at 99%, funded debt expenses were at 4%, medicare tax and undistributed benefits expenses were at 53%, and undistributed other expenses were at 90%. Mr. Wanger requested explanations to the expenses. Phil Stearns noted that health insurance costs, on page 16, were up 20% from the previous year.

David Wanger requested the amount of free cash available post Special Town Meeting. There were no expenditures in FY17. Mr. Wanger questioned the missing \$100,000 that FinCom contributed. Whatever was expended would be transferred out and would have been part of FY17 because the transfer happened before July 1.

According to David Wanger, water rates were set in February of 2015. Nick Tensen said the rates were set to remain for three years to create a reserve, after which they would be reassessed. Mr. Wanger asked if the rates were established three years ago to create a reserve, why did FinCom need to transfer \$100,000. Marisa Batista said the reserve was built up but did not cover the costs. Mr. Wanger noted there was no emergency. Nick Tensen said the FinCom had not been presented with all the facts. John Pruellage added that it should have been an extreme circumstances before going to the General Fund versus using the Water Enterprise Fund. Discussion ensued regarding raising water rates versus tax rates. Phil Stearns noted that the reserve would have turned back into free cash at the end of the fiscal year. Jeff Hubbard said that the Town Manager had reported the material would be in storage until January 2018.

The FinCom applauded the efforts of Marisa Batista in her creation of the Quarterly Report. Ms. Batista said she did not see any issues, but that timing was important as it related to specific

warrants and bills paid after the issuance of the report such as health insurance. Ms. Batista thought there was a higher percentage of items paid during the first quarter, such as retirement, insurance, Veteran's salaries, and library expenses.

Town Counsel fees were not billed on a monthly basis. The retainer had been paid at 12% during the first quarter. Jeff Hubbard noted that the Planning Board had four active litigations, including the cell tower, 227 Willow St., and Meyer Road. Labor Counsel and litigation counsel were also under the line item.

Review of the Three Year Forecast.

Revisions had not been made by the Selectmen. Marisa Batista was asked to move the capital improvement expense line to the bottom of the schedule to have a footnote showing the number of free cash used in the past and to add a line item that would have a target tax rate with a line above it to indicate the reduction of the budget to meet the tax rate. Ms. Batista said the growth factor was based on the average below most of the previous average. On average general government increased 7%. Ms. Batista wondered what effect a conservative factor of 3% would do to the projected budget. Nick Tensen suggested doing both.

Marisa Batista discussed salaries, which were based on collective bargaining agreements and the salary wage sheets. The wage grid was based on a COLA of 2%, but steps were not included.

Ms. Batista suggested looking at the average for the past few years and determining why they were low or high and think about what the Town wanted to do in the future. Ms. Batista needed feedback as she might not know about projects coming in the future. The data showed history and averages based on current information, which would help determine what could be expected in the next three years.

Marisa Batista noted that once the OPEB fund was brought up to \$125,000 it would be 0%. Personnel accounted for 64.2% of the Town Budget, according to Phil Stearns. Retirement was under operating expenses. While Ms. Batista listed 6% for health insurance, the average was about 5.97%. Marisa Batista said the intent was to have the forecast on Excel at the Selectmen's Meeting but the computer didn't have excel so could not be presented. The document was intended to be a working tool.

Jeff Hubbard said the average growth for total Town expenses was 5.32%, except for FY15 which was closer to 6, 7, or 8%. The Schools averaged 1, 2.7, and .6%, except for FY14 when growth was 11%. Discussion ensued regarding end of the year excesses. Marisa Batista offered the example of obtaining a grant for financial policies to save \$25,000, which would be turned back at the end of the year. Ms. Batista was afraid some department would spend their excess rather than turn it back. David Wanger said it was the FinCom's responsibility to analyze budget trends year to year and recognize initiative by Department Heads who were saving money.

Phil Stearns thought the Three Year Forecast was a helpful tool and recalled that he and Jeff Hubbard were hoping for such a document last year. Mr. Stearns said the tax rate could be kept flat by spending \$1M and taking out a loan for the remainder of items in the capital improvements expenses. Marisa Batista described debt service payments by adding a couple of lines in the revenues such as free cash \$400,000 every year and general revenues. If the Town took the capital improvement expenditures, free cash, and other funding sources, the result would have excess revenue of \$526,000, which was the middle line general revenues. If the Town used \$400,000 of free cash and \$526,000 it would still need \$426,000 and that could be comprised of bond proceeds or transfers from CPA, which Ms. Batista plugged in to make work. The Town would need to find funding if it funded 100% of expenditures. In FY19 if cap expenditures were taken out, the Town could fund \$1M, bond \$750,000, and pay \$250,000. By putting \$250,000 in

capital expenditures, the \$750,000 would be a debt service payment rather than the actual expenditure. The Town would pay \$20,000 per year.

Phil Stearns noted that Ipswich indicated how every capital improvement plan line item would be funded. David Wanger said it was important to first decide which capital projects would be undertaken. Debt Service payments would be shown as expenses rather than the total expense of the capital improvement items.

Marisa Batista said listing the total would cause confusion because the Town would never spend \$7M in one year in capital. John Pruellage said understanding the mechanics of debt carrying costs would tell the true story of borrowing capacity. A scenario analysis would be useful to make projections with debt service staying steady and how much would be needed to meet the assumptions.

Discussion regarding joint meeting with BOS and joint meeting among Hamilton and Wenham FINCOMS and the HWRSD School Committee

David Wanger said he was scheduling a joint meeting with the Schools and needed to communicate what was happening with FY19 as well as what the Town expected them to do.

The Selectmen also wanted to present the Five Year Forecast. Nick Tensen said the operating budget was driven by their population. Mr. Tensen suggested looking out five years and determining where the Schools and Town were going and how it would be funded. David Wanger asked what should be presented to the District prior to and at the meeting. Mr. Tensen suggested taking the Schools' expectations for capital budgets and putting it in to see the impact.

Marisa Batista said she had asked Jeff Sands for the school debt service per school. For FY 19 there was \$623,507 on existing debt. Once they determined their capital expenditures, they would have bond issuances. School debt service expected to increase significantly due to debt service on capital improvements as a footnote, according to Ms. Batista.

David Wanger said Bill Wilson and Michael Lombardo would discuss what was being presented.

Phil Stearns recalled the previous year when Wenham presented the key items of their budget for revenue and expenses and what was allocated for the school and if it was over that amount, an override would be called or a defeat of the school budget would occur. Wenham's Town Administrator had taken the lead communicating with the School Board. Mr. Stearns said the Schools were looking for Town guidance. Mr. Stearns noted that Hamilton went up in school population this year. Marisa Batista recalled that some school employees received significant raises when the town employees received 2%. The point would be made in a public meeting.

Discussion of budget preparation, warrant article process and scheduling for 2018 ATM, including preparation and dissemination of substantive treatment of warrant articles.

The November 7, 2017 guidance letter from the Town Administrator to Department Heads was discussed. Level services and CPI for expense of no greater than 1.5% was noted. Phil Stearns and Nick Tensen agreed it was reasonable. Mr. Stearns said he was proud of the Town Manager for his very warm collaborative offer to get involved early. Department Head meetings would occur on December 18, 19, and 20, 2017.

The goal was to have information in the mail to the town as soon as possible prior to the schedule Town Meeting. Phil Stearns referred to the Ipswich booklet, which was produced six weeks before Town Meeting. The book not only described the article, but offered a brief summary explaining the article, the FinCom and Board of Selectmen's support, and financial impact. David Wanger was supportive of the goal but Marisa Batista said she could not put it together. It was determined that the Finance Committee would produce the document as part of their role in conjunction with the Board of Selectmen.

John Pruellage said the opening and closing of the Warrant and timing of articles would be a good topic for the Joint Selectmen/FinCom meeting. The current schedule including opening the Warrant on January 8, 2018 and closing four weeks later. The Committee agreed that recreating the Ipswich model for some articles would be beneficial.

Departments would submit their budgets by November 30, 2017. Health insurance and retirement would not be provided by the November 30, 2017. No contracts were being negotiated. All joint programs with indirect cost calculations could not be put into the budget. November 27, 2017 was to be the joint meeting with the Board of Selectmen. David Wanger wanted to have a Saturday FinCom retreat where issues could be discussed, which would be open to the public and posted. Phil Stearns was prepared to give a presentation on the first 40 pages of the 160 page document that he had read from the FinCom Association. The presentation would occur at the next meeting.

David Wanger would e-mail Anabella Batista with topics including the budget recap strategy the for School joint meeting, ATM, first quarter report, Five Year Forecast discussion, and lessons from Ipswich. Darcy Dale wondered if the Committee should talk about water. The Town Manager's report indicated that the DPW was searching for sources and currently drilling as well as investigating Manchester as a source.

Committee member comments/reports. Review of liaison assignments

Nick Tensen reported on the bulky item update. The program would start on December 6, 2017. The bulky item would be limited to 50 lbs. Patrick Reffett reportedly overhauled fees, fines and permit costs, according to Darcy Dale, who continued that the Fincom Handbook indicated that those revenues could account for up to 20% of a Town's revenues. Mr. Reffett would be asked to present his proposal to the FinCom for recommendation, then the Building Inspector and Board of Selectmen for final approval.

A Request for Qualification was expected to be signed for work not to exceed \$500,000 at the Patton Homestead. Funding through the MA Cultural Council grant for \$225,000 and a \$15,000 matching grant were being sought, according to Nick Tensen. The parking lot was nearing completion and the Director position was still open. The special act was before the legislation.

John Pruellage described the Planning Board's discussion regarding Town Meeting failure to approve Planning articles. The Planning Board reportedly would investigate what the town really wanted and what need was being solved. The Board had discussed the survey when 70% of the 800 people who responded indicated they wanted cottage housing but no details were offered about it. The Board thought they might focus on cluster rather than cottage housing and that study into the Master Plan would determine needs on a macro level. The Planning Board considered co-sponsoring articles with the Selectmen to increase attendance for discussion of articles.

Phil Stearns said the Schools had discussed the superintendent goals and designer services for a contract to upgrade the HVAC system with an energy resources grant for \$5,000 incurring no cost to the town. Turf fields were discussed with Phase I (\$3.5M) for track field and lights. Mr. Stearns noted the order of events for fundraising. The Schools would be looking for approval of Phase I at Town Meeting. If funded with debt exclusion, the Schools would need 2/3's vote by both towns. The proposal was in the budget for 2022 or 2023. The Schools needed to create a 503C for fund raising but would need to go to Town Meeting as they would need two years for fund raising before returning to the towns for funds. The Schools had also discussed Winthrop School playground and the Longmeadow parcel, which would take 1.5 years to look for grant

funds before a decision as to whether they were interested in the land would be issued.

Phil Stearns updated the Committee as to the Affordable Housing Trust and the \$300,000 to be offered to Willow St. Harborlight had linked Willow St. to Longmeadow as the numbers for Willow St. alone did not work. Longmeadow would likely have a lawsuit and the linkage could cause Willow St. to remain undeveloped. The Affordable Housing Trust would ask for another \$100,000 from the Community Preservation Committee in the event another opportunity became available. The Town Hall Building Committee had been approved for funding for an Owner Project Manager but had not progressed.

Darcy Dale stated the Ameresco field on Chebacco Road was in the process of having a contract signed but smart regulations were not as lucrative as they were previously. Ms. Dale thought it might be more lucrative to put solar panels on Town-owned buildings. Ms. Dale said the Police and Fire Chiefs had offered their reports to the Board of Selectmen. The benefits of a merged emergency service departments were discussed. While Ms. Dale thought the town would be giving up response time, Phil Stearns noted there was no cost savings in merging if on-call fire fighters were used. Full time fire departments might be viable if merged.

Darcy Dale reported that the Board of Selectmen thought they needed to have more joint meetings for Warrant articles and advertise more for hearings. Attendance might be improved by contacting the Recreation Department to determine high use Saturdays when parents of players might not be available. Discussion ensued regarding the need for a special Town Meeting compared to having an Annual Town Meeting alone.

David Wanger suggested reminding Michael Lombardo as to the other taxable activities at Gordon Conwell. The Committee wondered what evidence they had to prove the uses. Darcy Dale noted the daycare for profit and advertisement for the insurance company. Ms. Dale thought Pingree School was benefiting from the solar sell back and should be pursued.

Review and approval of any available minutes

Motion made by John Pruellage to approve the minutes of November 1, and November 4, 2017.

Seconded by Darcy Dale.

Vote: Unanimous in favor.

Adjournment

Nick Tensen made motion to adjourn the meeting.

Seconded by Darcy Dale.

Vote Unanimous to adjourn at 10:35 pm.

Prepared by:

Marcie Ricker

Attest

Date