

HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Meeting
November 21, 2017

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

This Hamilton Finance and Advisory Committee meeting was called to order at 7:00 pm at the Council on Aging Building.

Public Comments

None.

Discuss MMA Finance Committee Handbook and other materials.

Phil Stearns presented the information. The Handbook was referenced at the Town Finance Committees' Meeting that Mr. Stearns attended. Darcy Dale had volunteered to do an article for the Hamilton Wenham Chronicle about the Finance Committee and Mr. Stearns thought it would be best to define the Committee and their role, which would be found in the Handbook. David Wanger said he had spoken with the editor regarding the article and the editor was receptive.

According to Phil Stearns, the Handbook made the point of separation of executive (Board of Selectmen and Town Manager) and legislative (Finance Committee) powers in Town and Federal Government. The Handbook noted MGL Ch36 S16 by stating the FinCom shall consider all recommendations for the Town. The Board of Selectmen did not have a statutory role in the preparation of the budget. The Handbook indicated that the Finance Committee was responsible for preparing, submitting, and distributing the budget under Mass General Law. The Ipswich booklet said the FinCom was pleased to submit the report. David Wanger noted that it was the FinCom's jurisdiction unless by Town By-law was inclusive of the Town Manager. In Hamilton working in conjunction or cooperation between the FinCom and the Town Manager was part of the By-law, according to Mr. Wanger.

Phil Stearns announced the budget document was four parts: a policy document, a financial plan, an operations guide and a communications device. Policy identified challenges, programs, financial goals, and policies. Mr. Stearns said the Town was working on Finance Policies and they would be completed by April. Challenges were sometimes identified. Specific Warrant articles were identified. Long term goals, other than capital plans were not discussed by the FinCom. Goals were part of policies. Mr. Stearns said Wenham had a minimum floor of \$250,000 for free cash, which he thought was perilously close. Mr. Stearns questioned what would make sense for Hamilton.

The Financial Plan would present the current conditions, which was close to what Marisa Batista had presented as it compared revenue and expenses for prior, current, and upcoming years. The economic assumptions were stated tangentially in escalation factors of 3%, 5%, and 10%.

While inflation was currently low, it was important to think further out and project the Town's

financial condition at the end of the period. The document should have a qualitative paragraph. Phil Stearns said he liked the way Hamilton did it, but the escalation factors could be criticized. There was no paragraph defining the current situation. It was recalled that the Town Manager announced that the Town's financial strength was good and the policy would be to maintain or enhance that strength and grow the town in the area where townspeople wanted it to grow.

The current conditions expected to continue for the next few years but there was a need to be prepared in case inflation occurred or if there was a downturn in the economy. Nick Tensen suggested doing the assumptions for a flat inflation or by a percentage it might increase. David Wanger referred to the positive financial condition and carrying that forward with representation regarding mitigation of the tax rate cut and concern about other facts unless the Town developed financial policies to utilize funds in other ways other than direct tax rate mitigation in the long run to avoid a tax rate increase as an urgent reaction to the tax rate. Mr. Tensen recalled the funding of OPEB as a long term consideration.

The budget documents and operations guide were discussed. The guide described municipal services such as police, fire, education, parks, water, and sewer systems as well as the identifying measure of activities, effectiveness and efficiency of individual programs, and departments. The Quarterly Reports covered the summary. Nick Tensen referred to the Town Manager's report as an information guide to activity in the Town. The Annual Town report also had descriptions by department for function, according to David Wanger. John Pruellage suggested looking to the four criteria for awards from the Government Finance Officers' Association such as who received the distinguished budget presentation award as a guidance tool.

The communications device included articulating a community's challenges for the coming year and summarizing the information for the taxpayers as to how the Town would meet the challenges and accomplish the goals, which would be accomplished in the Annual Report rather than the budget. The Committee discussed the FinCom section at the end of the Town Report and the need to become involved earlier in the process.

Phil Stearns discussed stabilization funds, which did not need a two-thirds vote to put money into but did need a two-thirds vote to take money out. A municipality may approve an override to approve a stabilization fund and Mr. Stearns thought if some need were coming up, it might make sense. David Wanger did not think that it would be needed. The Fire Chief reportedly remarked that the department would need a \$550,000 pumper truck in 2019, which was in the Capital Improvement Plan. Nick Tensen added the cost of the filtration plant increased from \$70,000 to \$1.2M.

The essence of the Finance Committee's charge was the preparing of the spending plan, analyzing the consequences, and presenting and recommending to the Town Meeting. Each community should develop a five year Capital Plan. The Board of Selectmen were responsible for issuing the budget guidelines, preparing the requests and putting the request into a comprehensive review. The FinCom was responsible for reviewing, analyzing and recommending a budget to Town Meeting. David Wanger thought the Town By-law would insert the Fincom in some of the bullet points.

Budget formats included different ways budgets could be presented and correlated with control and/or efficiency and measuring for results. Phil Stearns described how line item budgets would go through each line item and give the Committee the most control as each manager was responsible for their department and would need to justify moving items from one line to another. The format focused on expenditures and not on the results of the expenditures, according to Mr. Stearns. A reward would be given for not overspending the budget even though it could have been done more efficiently but there were no incentives to do so. David Wanger

recalled that Marisa Batista said there was pressure not to spend what was in the budget as work was not being completed. Ms. Batista had found a grant and would have funds left in her department but it would have appeared that she over appropriated. Mr. Wanger added that if one said the Town appropriated more than needed because there was excess, it would be a disincentive for proper managing. The Committee needed to find a way to communicate the tight budget but also find ways to conserve, which would be a subject of positive comment rather than negative year end assessment if goals were accomplished. Mr. Stearns recalled the "use it or lose it" philosophy of marketing budgets in the corporate world.

Categorical and single appropriation budgets were presented by Phil Stearns. Group or departmental appropriation budgets offered the maximum flexibility. Nick Tensen suggested explaining what a department spent the previous year and allowing the department to spend a specific amount less however they needed to stay within the budget to get the job done. This concept was in opposition to micromanaging the departmental budget. David Wanger recalled 65% was personnel related. Mr. Tensen said it was a misnomer because of turnovers, which gave 1% to 2% for a gap for a month between filled positions who would also be on a lower step. Mr. Wanger said the Town Manager thought the Town was currently close to what was needed for Town services.

David Wanger thought MUNIS might have something to do with the formatting. Phil Stearns said the budget at Town meeting was at a line item level but could be moved around if not approved. The Committee agreed that the Town Manager should have the ability to use money as he was responsible for moving funds from one place to another to generate efficiency. Mr. Wanger said in Part B of the By-law, the FinCom had the discretion to review, at any time during the year, the operation and the records of the Town Manager for changes to revenue, borrowing, and expenditures. Nick Tensen said the Committee was doing that with Marisa Batista as she was providing tools with the Quarterly Reports, reviews, and forecasting.

The Committee discussed the budget calendar and that the three dates were covered by various members. The Committee would meet as liaisons or divide up by availability.

David Wanger said the eventual goal was to provide a presentation book to the public. Nick Tensen thought it would not be different from the Warrant. Phil Stearns thought adding the financial impact and brief summary was important. Mr. Wanger wanted to include the rationale for recommendation. Mr. Tensen wanted to include the votes and John Pruellage said he thought a yes or no recommendation was too binary and the discussions for close calls should be included. Phil Stearns added that if the Planning Board had offered the information, the Cottage By-law and Estate By-law might have passed. Mr. Tensen said residents looked for information when they arrived at Town Meeting rather than attending meetings. Mr. Wanger thought the Planning Board articles were subjective assessments and emotions, encrusted with perceptions beyond tax impact.

According to Phil Stearns, State law allowed for the School Budget to be presented as a single amount at Town Meeting. Town Meeting did not have the authority to provide single elements of the school department's budget, make line item amendments, or direct expenditures for specific purposes within the budget. An appropriation for any amount for less than the Regional School District proposes would constitute rejection of the Regional School Budget.

Special Education circuit breaker money was reimbursed from the State. The Handbook indicated that that the Finance Committee should review the actual revenues and expenditures to see how well they matched estimates. Another worthwhile practice was to allow the Special Education circuit breaker reimbursement fund to accumulate a balance so it could be drawn upon when unexpected special education costs arose. Current Department of Special Education

regulations allowed school districts to carry one year of reimbursement forward into the next fiscal year. It appeared to be at the sole discretion of the school district, according to Phil Stearns. The Finance Committee decided to review. David Wanger and Mr. Stearns thought the best action would be to become active at the Budget meeting with the Schools.

The Committee discussed that the Schools intended to listen to the strengths and weaknesses of the Towns at the joint meeting. David Wanger wanted an equivalency of participation. It was noted that the Wenham Town Administrator had been speaking with the Schools regarding Wenham's financial situation. Mr. Wanger said Hamilton had a letter regarding school district salaries, which should not exceed 2% and non-salaried items should not exceed the cost of living which was identified in the letter as 1.5%. Mr. Wanger was concerned about image and status in terms of influence to be subservient to another entity in terms of joint undertakings. Nick Tensen said the situation did not trouble him as the Town was only giving guidance. Phil Stearns said if the Finance Committee did not support the School Committee, they might threaten to lay off teachers and the parents would rally behind the Schools. Mr. Stearns did not feel the position was collaborative. Mr. Wanger asked each member to write down questions for the meeting. Mr. Tensen noted that School Committee meetings were public and comments might be issued during those times.

David Wanger described his efforts to meet with Jeff Sands and that the response was not one that fostered confidence for a collaborative approach. Phil Stearns responded that the School Committee was autonomous with State approval. Darcy Dale recalled that at the MMA meeting, she was instructed to leave Schools alone. Mr. Wanger indicated that the Department of Revenue had said the Schools were not inter-related to the budget. The Chapter on Schools in the Handbook would be read by all members before the next meeting. The circuit breaker would be one place for discussion as would be collective bargaining. Chapter 150E allowed a Town's Chief Executive Officer (CEO) to participate and vote as a member of the school committee in collective bargaining. In a regional system, the superintendent must notify the CEO at least 21 days prior to the start of negotiations. Phil Stearns wondered if this had ever happened. Unless the school committee chair appointed the municipal representative to the negotiating committee, the municipal representative would not have a seat at the bargaining table. The representative could vote as member of the school committee, but could not be in the room for negotiation unless he was appointed. David Wanger would pose the topic to the Town Manager.

The Capital Plan should include a recommended source of funds, which were not received the previous year. The information would be received and the Committee would see how it applied to the budget and determine what would be bonded or funded through Chapter 90 funds. The Committee agreed that they were ahead of last year and wanted to keep the momentum going. John Pruellage suggested meeting with the Wenham FinCom to understand their presentation before meeting with the Schools even if that was defined as Peter Lombardi meeting with Michael Lombardo. David Wanger requested viewing the agenda for the joint Selectmen meeting as well as the joint school committee meeting, but had not been able to see either one.

All members would read the school portion of the Handbook. Nick Tensen was interested in the capital budgets and the funding of those borrowing capital improvement plan. Forecasting would be the responsibility of John Pruellage (Chapters 6 and 7). Darcy Dale would review Chapters 8 and 9 Phil Stearns would study Chapter 10, municipal accounting and auditing. Mr. Stearns discussed Proposition 2.5, which was not as simple as he originally thought. There was an absolute ceiling of \$25 per \$1,000 and taxes could not exceed 2.5% evaluation. David Wanger would study Chapters 13, 14, and 15. John Pruellage would also investigate the checklist.

Topics for future meetings.

The next meeting would be December 6, 2017. David Wanger wanted to discuss the

preparations for the school committee meeting, various projects, and Patrick Reffett's schedule. Nick Tensen and John Pruellage would discuss PILOT. Mr. Wanger wanted to consider tax rate mitigation for those in need. Darcy Dale said she had spoken with Jen Scuteri who said there was a \$3,000 a year abatement program for residents in need. Ms. Dale would follow up with Ms. Scuteri.

Nick Tensen said he was frustrated with follow up to Gordon Conwell when they had fewer resources than Pingree School in regard to the PILOT. David Wanger responded that it was Gordon Conwell that had generated entrepreneurial activity. Mr. Tensen wondered if Pingree could take weight off the schools to reduce the budget in the same manner that Landmark had done for Beverly. Mr. Tensen suggested a magnet special education program that might mitigate the increasing costs. Phil Stearns said the School Committee had discussed the topic year ago, but that no further discussion had ensued.

Items not anticipated by the Chairman

David Wanger said he was unhappy that the Joint Meeting between the Selectmen and the FinCom had been minimized to a 30 minute slot at the Selectmen's meeting under the heading of a Joint FinCom/Selectmen meeting. Mr. Wanger asked if members wanted to pursue the 30 minute time slot or meet on December 4, 2017 for a full meeting with a full agenda. Everyone but Phil Stearns would be available on the full meeting date. The Committee discussed manners in which the Selectmen and FinCom could communicate better. Mr. Wanger and Nick Tensen agreed that the two boards needed to work cooperatively. Mr. Tensen appreciated Mr. Wanger's strength while Mr. Wanger appreciated Mr. Tensen's view and position as a leveler. Mr. Wanger added that efforts had been made to establish FinCom as to what the committee should be and thought it was important to maintain their position. The FinCom had asserted their rightful role in the Town governance in terms of statute and By-law.

David Wanger would communicate with Bill Wilson about December 4, 2017 and talk with the Town manager about questions raised from the Handbook presentation. Mr. Wanger would communicate with the Schools regarding the joint meeting with December 7, 13, or 14, 2017 as potential dates.

Adjournment

Nick Tensen made motion to adjourn the meeting.

Seconded by Darcy Dale. .

Vote Unanimous to adjourn at 8:30 pm.

Prepared by:

Marcie Ricker

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Attest

Date

5/17/18