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TOWN OF HAMILTON
FINANCE & ADVISORY COMMITTEE
FEBRUARY 11, 2014

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The Finance & Advisory Committee met at Hamilton Town Hall at 7:05 p.m. on Tuesday, February 11, 2014 with Chair John McWane, Charles Chivakos, Rick Sprenkle present. Town Manager Michael Lombardo, Finance Director Deborah Nippes-Mena, Board of Selectmen liaison Scott Maddern, and Selectman Chair Marc Johnson also present.

Call to order

Chair John McWane called the meeting to order at 7:05 p.m. and noted that Richard Boroff was recording the meeting.

Review joint program budgets

Recreation budget

Finance Director Deborah Nippes-Mena summarized \$11,000 savings since administrative assistant was replaced. Also consultant services have gone down by \$5,000. Discussion ensued relative to the cost share the supporting communities pay for expenses based on assessed values for Hamilton and Wenham.

For the recreation revolving fund revenue, there is zero expense for FY'15 since there will be no pool or lifeguard costs. If the pool is built and opened sooner, budget adjustments would be done at STM in the fall. The reserve is \$224,456 and accrues funds for field acquisition and field repair. When some of operating budget was shifted back to the general fund so it was shared with Wenham, this reserve has been growing and there is a turf project coming up and significant field maintenance needed. Discussion addressed how money from the revolving fund could be allocated to a turf field at the High School. It was noted that funds have not been budgeted for deck chairs and tables.

Discussion ensued with Selectmen Chair Marc Johnson about listening to Finance & Advisory Committee's recommendation after the joint board meeting especially regarding the recreation budget.

Library budget

Discussion ensued about actual departmental expense being up 10.33% and this does not include insurance and percentage differences. Also addressed was concern about salary changes without wage classification study since there are questions about almost all positions topping out well above market. Town officials noted that this is \$130,000 and 15% increase due to more expensive health insurance and retirement costs (discussion addressed market losses in 2002 and 2008 as well as unfunded liability).

Discussion was on unfunded liability for early retirees and 2035 schedule to fund liability. Also mentioned was whether or not bonding would be allowed and that Hamilton deals with pension eligible wages for the year. In addition, Town officials noted the library revenue of \$6,000 from book replacement and copies.

Discussion reiterated the unprecedented 15% increase (salaries and retirement costs related to unfunded liability) \$130,000 with Town Manager Michael Lombardo recommending that the wage and classification study being completed with market and wage increases scheduled for STM with retroactive pay. Also mentioned was that bonding could not be used to fund unfunded retirement cost liability and that pension costs are a defined contribution based on eligible employees and salary formula.

Discussion was on data that Library personnel had compiled for comparable wages for library positions from neighboring towns where rationale was questioned on suggested increases for positions. At the most recent STM all library employees were given a total of \$29,000 for a half a year with \$58,000 for the year going into effect as of July 1. Town officials noted that agreement has not been reached about the proposed wage increase amount: 2% for bridge and 2% COLA and first step increase based on wage and classification table (i.e., 6%).

Discussion ensued with BOS library liaison Scott Maddern about how Wenham had budgeted \$3,000 to participate in wage and classification study that could be done with Hamilton and that this is a lean amount to accomplish the goal. Hamilton has budgeted \$40,000 to analyze 62 positions including police and fire. Town officials thought Wenham should budget close to \$10,000 for its share of this process including all of that municipality's employees. Also mentioned was that the administrative fee for the library had been negotiated down from \$50,000 to \$19,000. Discussion was on how details were missing from the budget

information provided by library personnel (i.e., fully allocated versus departmental budget).

School budget

Discussion ensued about HWRSD expecting \$43,000 more in Chapter 70 funds, and that school department is expecting to under spend by \$900,000 in FY'14 due to decrease in health insurance costs. Offsets in revolving accounts include revenues from kindergarten and choice tuition. HWRSD increase its spending by \$1.2 million or a 4.62%. The recommended new expenses (\$725,000) include 2.5 maintenance people for \$195,000. The assessment to the towns with this budget will be an increase of 5.2%.

Discussion addressed Hamilton's tax revenue increases of \$785,000 that could be given to the HWRSD that is asking to increase net spending by \$1.2 million. Discussion was on whether or not some of these increases could be absorbed in the school's level services budget and consideration of trying to reduce gap between HWRSD per pupil cost relative to other communities offering more services than HWRSD. Also addressed was that there is a \$2 million surplus in the tax levy reserve relative to annual Proposition 2 ½ amount and the Town's capacity and what tax payers want in the budget and can afford.

Also mentioned was that HWRSD continues to view excess E&D as revenue when it is actually an offset to the assessment. In addition, the BOS has recommended the school assessment go up 4% or \$941,000 not \$1.2 million since that is what the towns can support for next year. Discussion addressed that this is for improved services and it is above the Town's expected growth rate. Also noted was HWRSD's interest in hiring 2.5 maintenance workers and that Town has underfunded maintenance and after CIP is implemented the expense increase for the Town could be as much as 4%. Discussion ensued about how HWRSD could find \$267,000 in savings without requiring bargaining.

Discussion addressed how there is more transparency in the school budget and the hope is for moderate long term growth relative to choice and maintenance. Also, that 3% is reasonable for HWRSD for level service budget especially if more programs are being added such as full-day kindergarten. Discussion was on how HWRSD's per pupil cost is \$1,000 more per student than neighboring communities with comparable or better school systems and that has not been explained since Blue Ribbon Committee asked for this information seven years

ago. This amounts to \$500 a year in property taxes for the median priced home in Hamilton.

Also, that HWRSD has lost 300 students since 2005. Discussion ensued about how there is room for new programs and that the school budget is being underspent by \$1 million. In addition, how Manchester/Essex allocates costs to the supporting communities 75% based on variable costs and 25% on fixed costs while HWRSD does its cost allocation on number of students. Town officials expressed interest in learning from HWRSD how it is tackling declining enrollment (connected to demographic trend of baby boomers) relative to long term growth. Discussion addressed how much other school systems are paying teachers since other school systems are providing equally good services for \$1,000 less than HWRSD.

Discussion addressed how HWRSD should return \$1,500,000 in E&D funds back to the towns and that HW School Committee voted down returning \$1,500,000 to the towns and discussed how to spend the excess funds. The chairs for the Fin Coms from the two towns suggested the School Committee should have a policy about how to return the excess E&D. Also, that FY'16 budget consideration effected HWRSD's idea about how much money to spend on new programs and absorbing \$427,000 into the level services school budget.

The latest expectation is for the HWRSD to give \$1.5 million back to the towns for FY'14 and no funds would be available to reduce assessment for FY'15. Discussion was on how the return of excess funds via a lower assessment would have allowed the town to certify Free Cash and apply it to reducing the tax rate. Also addressed was if the \$1.5 million is given back to the Town the money collected from the taxpayers would go to Free Cash that would be certified in the fall and this would be reflected in the tax rate if Town Meeting votes to reduce the tax rate by applying the Free Cash to the budget.

Discussion reiterated how the school budget that considers growth (increased healthcare and energy costs) within level services needs to be compatible with Hamilton's revenue increases (i.e., possibly 3.2% although this could be unrealistic over long periods and an override is expected at certain times). Also mentioned was that HWRSD is asking to add services but the school budget is currently high as is the per pupil cost relative to existing services. Also noted was the ongoing importance for the Town to grow its revenue base to address long term increases in expenses and inflation in concert with the HWRSD managing costs while maintaining a good school system.

