

HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Meeting
January 4, 2017

Members Present: David Wanger (Chair), John Pruellage, Phil Stearns, and Nick Tensen,
Jeff Hubbard (Selectmen and Liaison), Darcy Dale, and Bob Woodbury (ex-officio).

This Hamilton Finance and Advisory Committee meeting was called to order at 7:00 pm at the COA building 299 Bay Road.

Public Comments

None

FY 18 Budget

Discussion of budget making process

There had been many jurisdictional views, including some ill-tempered comments which generated some interest on the Board of Selectmen. Scott Maddern (Chair), Jeff Hubbard (FinCom liaison), the Town Manager, and David Wanger would meet the following Friday. The FinCom was interested in having a FinCom liaison meet informally with department heads and inquire about the FY16 and FY17 experience and the Town Manager had opposed the opportunity. The opportunity was back on the calendar currently. As the Town Manager was on the AllFinCom mail group, the FinCom requested to be on all financial e-mails to Department Heads, to which the Town Manager had responded that it was an insult and intrusion into his province. Mr. Wanger thought the FinCom should have access to financial issues.

According to David Wanger, the letter written was based on a consensus of the Committee. Nick Tensen wondered if receipt of such e-mails might have been overwhelming. Mr. Wanger asked if the FinCom was the appropriate party to debate the going back and forth discussing the Budget. Mr. Tensen said he believed the FinCom should be involved in the Budget, and know where things were going and why, but some discussions could be benign and minor, causing voluminous emails. Phil Stearns said he saw Mr. Tensen's point from a business standpoint. If there were formal Budget requests, the FinCom could be copied, but not every single e-mail should be sent. In response to Mr. Wanger's question as to where the line was, Mr. Stearns, John Pruellage and Mr. Tensen agreed that they didn't want all the e-mails but were willing to discuss.

The FinCom wanted to see the Departmental Budgets as early as available. Phil Stearns looked forward to receiving the FY16 and FY17 actuals, to see where the variances were. Bob Woodbury had heard that both sides were inundated with details and while he didn't know the history, seeing it would be helpful. David Wanger recalled what prompted the approach, which was a letter written as a matter of consensus and what he thought drove the urge to be more involved. It wasn't a quantitative burden but was a factor of bloat in the FY 16 budget and inability to probe FY17 to see if FY16 mistakes were repeated. The FinCom wanted to avoid a repetition of the mistakes in FY18. Nick Tensen said the goal was to go back to the FY16

Budget and FY17 actuals and drill down on where the variances occurred. Marisa Batista needed to understand the variances too in what was making up the accounts. Not every line needed to be probed necessarily.

David Wanger said that looking at variances could not be done because, despite trying for months, it was not available. Marisa Batista hadn't added in any changes. While the FinCom didn't want a massaged budget, only the proposed budget, it was noted by Mr. Wanger that the record keeping had been disheveled. The Committee did not want to head into FY18 without the grasp of what happened between FY16 and FY17. Phil Stearns recalled that much of the FY16 variance had been explained but there was no documentation. DPW work and fuel costs were responsible for a portion of the variance. Mr. Stearns wanted to compare the FY16 Budget, FY16 actuals, with the FY17 Budget because that was where the emphasis of getting the data would be originated to put into a useful form. It was decided to meet with departments then delve down.

Nick Tensen said he thought the Town should have the information and what was missing and why. Mr. Tensen added that the FinCom had refined their information request. The Town was unable to provide FY17 actuals even though half the year had passed. David Wanger had asked twice for the Budgets. As Marisa Batista had been asked with sufficient frequency, it was concluded that the information may not be there at the moment. John Pruellage thought that was frightening in and of itself. Mr. Wanger believed the information as to what was appropriated line by line was somewhere to be found.

David Wanger went through FY16 in terms of expenditures and looked for anything 90% or more that was 10% over or under and further refine what resulted in over \$500 in unencumbered, unexpended funds, but had not heard back in terms of whether the methodology was appropriated. Mr. Wanger wanted to check the same plan against the FY17 Budget. The matter would be pursued during the Friday meeting. Everyone agreed. Phil Stearns said the FinCom could not do their job without it. Considering the wide view of 90% or \$500 format in a \$10M Budget might require a need to set the bar a bit higher with maybe \$5,000 to look for a variance within a department, according to Mr. Stearns.

The Munis report for FY16 and a sheet of encumbrances were reviewed by David Wanger who noted there was no purchase order system tied into the Munis Report. The system would give the FinCom a more relevant view, according to Phil Stearns. Mr. Wanger inserted the sheet of encumbrances into the FY16 Budget and then applied the 90% \$500 threshold. Nick Tensen said it might include money budgeted and kept available, such as the John Deere purchased prior to July. It was suggested that it was paid over time causing an encumbrance over the rest of the year. Jeff Hubbard printed out forward commitments.

David Wanger and Jeff Hubbard would pursue a greater flow of information. Mr. Wanger said Marisa Batista was flooded with work. Mr. Hubbard stated getting information to the FinCom was a priority. The Board of Selectmen were aware of the problem and one colleague was concerned about what happened and would like to pursue this as an official complaint and pursue addressing the issue through an executive session meeting with the Town Manager. Mr. Hubbard spoke with Scott Maddern and it would be on the agenda. Mr. Wanger wondered if the discussion, which would be in a privileged setting, would be a personal critique or a curative approach in terms of problems. Mr. Hubbard responded that his sense would be it would be sharing concerns, collecting information, and seeing what responses were heard back. According to Massachusetts General Laws, a complaint needed to be addressed with the employee in executive session. Mr. Hubbard and his colleague were concerned because it was a part of a pattern, which was most concerning.

One of the projects was finding sources of revenue other than tax increases. FinCom was starting to look at fines, fees, and interest. David Wanger suggested hiring an intern to begin to delve into fines, fees and interest. Wenham had been using an intern from a college. Jeff Hubbard thought it was a wonderful idea as other committees had an assistant to get administrative work done. The Community Preservation Committee had a budget and paid administrative costs from it. Mr. Wanger recalled that the FinCom had an untapped budget.

Nick Tensen recalled when he was in graduate school, he wrote cases and perhaps public administration students or professors would be looking for employment or looking to do research. David Wanger asked if the FinCom had the authority to interview and engage someone but John Pruellage said the FinCom should not be making an expenditure without asking the Board of Selectmen. Wenham had an uncompensated intern and Hamilton used the senior tax rate reduction workers. Mr. Wanger and Mr. Pruellage agreed that policies, fine fees and interest were important and there was a need for an intern to do the work.

Discussion of FY18 Budget Calendar

David Wanger distributed the copies of the calendar. The school would present the Budget to the Town during the week. Phil Stearns said they would mail it to the Towns and advertise for the FY18 public hearing. There would be a joint meeting with Wenham on January 11, 2017. The Warrant for ATM would open January 9, 2017. All By-law public hearings would be completed by January 7, 2017. On January 26, there would be a tripartite meeting at Buker. Department meetings would be with the Town Manager, Marisa Batista and the FinCom liaison.

The liaison for COA, Inspector, Planning, Treasurer, Assessors, Town Clerk, and Elections would be David Wanger. Darcy Dale would do Public Health. Emergency Center Operations, Police, and Fire would meet with John Pruellage. Public Works would meet with Nick Tensen on January 24, 2017. The Recreation Department, which was self-funding, would also meet with Mr. Tensen. Jeff Hubbard said the management letter from the auditor, included repetitive concerns that came up every year in the audit were in regard to the recreation department funds.

The School Committee would vote for the Budget on February 2, 2017. The Hamilton Warrant would be voted and closed on February 2, 2017. Recommendations would be done at that time. David Wanger referred back to the issue of needing ample time to debate articles as the Board of Selectmen would want FinCom recommendation on February 13, 2017. Mr. Wanger thought dates were askew if recommendation would be printed in the Warrant book. Phil Stearns had a copy from Marisa Batista's office and some dates were changed.

Discussion of HWRSD Budget and Process

Phil Stearns said Mike Harvey offered an excellent presentation and distributed a hard copy of the document. Page 2 illustrated the recommendation of the level service Budget. FY18, which featured a 1.3% increase in assessments to the Towns with an increase of gross operating expense of \$1M. The assessment to the Towns was \$300,000. The key assumptions page showed constraints like COLA with three unions involving other contract obligations. There were full time equivalent staff reductions causing salary savings. Some of the expense increase was due to out of district costs with an increase of 25% for special needs students. Special education transport cost increased. OPEB increased 100% because last year there was nothing.

Other increases were due to post-employment benefits. An actuarial study had been done to determine funding for OPEB for the Town. Phil Stearns was very impressed with Jeff Sands and thought it was a polished budget. When the tripartite meeting happened, the FinCom could dig in and ask questions.

The District total page showed allocations between Hamilton and Wenham. Wenham was up \$432,000 and Hamilton was down Wenham was up \$319,000 up due to the enrollment shift.

There was an approximate \$100,000 savings for Hamilton. Excesses and Deficiency were used like free cash, not money in an account, but excesses from previous years' budget. David Wanger noted that taxpayers funded the excess. There had been a history of a large numbers until the operational budget audit. There was a policy to maintain a \$1.7M target or 3% in the fund and when amounts went over that, they would be returned to the Towns, according to Phil Stearns. Of the excess, \$569,000 would be used for the FY18 Budget and the rest would be carried forward. This was the preliminary budget from Jeff Sands and Michael Harvey. The school committee would have the opportunity to change or massage it. According to Mr. Stearns this was just the first pass, the next Budget might be different. The total liability for OPEB was \$25M.

Funding sources needed to be identified for FY19 and beyond. One key assumption was the five year capital improvement plan would be updated. The School Committee tried to put it out there to put people on notice that this may be coming. The capital improvements would require \$200,000 to \$2M next year. The turf field had a place holder. \$3M was needed for a new roof. Nick Tensen stated the biggest thing was next year's capital expenditures. David Wanger noted that capital projects could be bonded. Jeff Hubbard hoped for fund raising for the turf field. Of the \$1.4M, \$600,000 in FY19 would be for a fire suppression system and \$800,000 would be for classroom furniture. \$21,000 was needed to replace sprinkler heads in FY20. John Pruellege said his first impression was positive. Phil Stearns thought the capital improvements in the future were high. If the FinCom took these numbers and added them to the Hamilton numbers, the Committee should be able to forecast the tax rate for the next few years,

Discussion on Development of Fiscal Policies (E.g. Reserve, Free Cash, Capital Improvement Plan)

John Pruellege asked about a collaborate approach to decide what policies were most important. Phil Stearns said the big one would be to go with financial policies and procedures. David Wanger wanted to capture subparts and titles. Mr. Wanger noted that the FinCom's job was to make recommendations and participate substantively. If the FinCom had all the policies developed and researched, that should be the recommendation, according to Mr. Wanger. While progress seemed slow in a lot of areas in Hamilton, the FinCom wanted to make a comprehensive report and comprehensive recommendations. Mr. Pruellege wanted to communicate with the Finance Department to avoid duplication and not exceed the FinCom's bounds. David Wanger responded that he did not think the Committee was exceeding their bounds, but were within their purview. Marisa Batista could be a huge help having seen the Town from the auditors side.

Discussion of PILOT Findings and Draft Recommendations

In response to why Gordon College's PILOT donation varied from year to year, Jeff Hubbard said the PILOT started at \$25,000, which was calculated on students. The payment went away for a few years then came back several years ago after the burden of 43 students was mentioned. Gordon College's solution was to send their children to a Christian school in Beverly at a cost of \$2,000 per student and they were told, if they could afford that amount, they could contribute the same amount to the Town. The payment currently, according to Mr. Hubbard was \$75,000, but John Pruellege thought it was \$46,000. Jeff Hubbard referred to the student cost binder at the library and noted that after reimbursement, the taxpayer was responsible for \$8,000 per student. There were 60 students from Gordon College. School choice would pay \$5,000 per student. The seminary made clear that they didn't have the money and even if they did, it wouldn't make financial sense to contribute because it only reflected a small portion of their student body. They would spend the money on something that would benefit the whole population. Jeff Hubbard thought there might be other ways to decrease the burden.

Gordon Conwell could come up with a different way to contribute as it was the only non-profit

to have students. Pingree did not provide PILOT but their tuition was significant, about \$40,000. Harvard owned land. Jeff Hubbard said if it were not for the seminary, the Town wouldn't need a ladder truck. Mr. Hubbard suggested using Pingree's athletic fields for youth sports and use fees for joining. Currently, the Town paid market rate so a reduced rate for PILOT could be appropriate. John Pruellege said Pingree had no need to bargain with the Town. David Wanger suggested gentle persuasion and that the FinCom should add a Warrant article to how it would be implemented. If the whole Town adopted this approach, it might be more persuasive in terms of negotiating as the whole town would agree that these institutions should pay something to the Town.

Darcy Dale said non-profits were acting like profit centers and may feel the pressure. David Wanger suggested that the PILOT recommendations should be converted to a Warrant Article for Town Meeting adoption. The article would become public encouragement. A universal program that included churches would allow for a facility contribution if they could not make a dollar contribution, creating a uniform appeal to tax exempt properties. Religious institutions needed waste removal, DPW and police and fire, so David Wanger asked why differentiate. John Pruellege said it was a good point. Other big environmental groups like Audubon could offer a use of their land. Conservation trustees charge so maybe lessen the charge for Hamilton residents. The more widespread it was, the more equitable. This was what Andover was doing with the \$4M exemption. John Pruellege said it increased the cost to other towns so anyone outside their properties would be paying for it. David Wanger stated the whole topic was subject to resistance.

David Wanger proposed a start date at the beginning of the organization's next fiscal year. John Pruellege thought it was unnecessary because it would be a negotiation. Plowing and trash would be privately done. According to Mr. Wanger the Chiefs provided training and fire prevention which were valuable aspects of public service. Jeff Hubbard said no one was paying anything other than Gordon Conwell. There was a legal distinction of the facility which may have certain taxable aspects of their operation such as the lease apartments at Gordon Conwell. Darcy Dale recalled that when they first built the apartments, they provided the Town with a well, and said they would only rent to full time students, but currently rent to part time student. Reportedly Gordon Conwell also by-passed the water meter stealing \$1,000 worth of water, deliberately abusing the Town. In response to Phil Stearns question if any part of the agreement was written, Jeff Hubbard responded that it was in the reference desk at the library. Ms. Dale said Gordon Conwell made a lot of money on rents and a student only needed to take one course to be able to live there. Mr. Wanger said that would violate the contract. Ms. Dale responded that Building Inspectors had been shy about enforcing the contract.

Jeff Hubbard said their lawyers had written that children would be homeschooled or sent outside of Hamilton schools because, if they had to pay, it would impede their mission. They came to the solution and then the Superintendent went to the Trustees who said there were no additional cost to the schools.

Phil Stearns asked if the State controlled the Housing Authority, which comprised 2.5 acres on Railroad Ave. It was decided that it was State run. John Pruellege would redraft the document.

Approve Minutes from Prior Meetings (10/26, 11/2, 11/16, 11/17, and 11/30)

John Puellage moved to accept the minutes of October 26, 2016, November 16, 2016, November 17, 2016, and November 30, 2016.

Nick Tensen seconded.

Vote: Unanimous to approve..

Determine Agenda and confirm FinCom schedule for January through March 2017

Next meeting would be in two weeks at the COA. There was a question regarding the new tax revenue from the homes at the Patton property.

Other Matters Not Reasonably for next meeting Anticipated by Chair

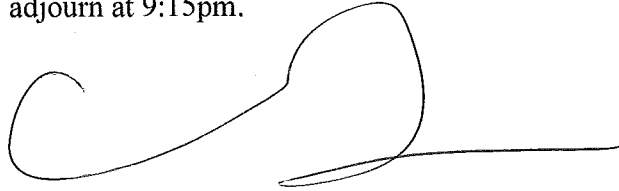
None

John Pruellage made motion to adjourn the meeting.

Nick Tensen seconded.

Vote Unanimous to adjourn at 9:15pm.

Prepared by:



2/17/07

Marcie Ricker

Attest

Date