

HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Meeting
March 29, 2017

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

Others Present: Jeff Hubbard, Michael Lombardo, Marisa Batista, John McWane, and Marc Johnson

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

Warrant Articles.

5.2 and 5.6 had not been voted upon. The FinCom considered Article 5.2 senior citizen tax write off and noted that they had received the necessary information. No further discussion ensued.

Motion made to recommend Article 5.2 by Darcy Dale.

Second by John Pruellage.

Vote: Unanimous in favor.

Article 5-6 Patton Homestead. David Wanger no longer had questions. Michael Lombardo said he and Marisa Batista were trying to determine if it could be accomplished via Munis or a special account to isolate funds to determine where the funds were coming from and going to. Mr. Lombardo had concerns about governing. The motion would be the binding context according to David Wanger rather than the language of the article. The motion was in regard to the establishment of a special fund by legislative action to receive revenues so for Mr. Wanger, it was clear and more concise in terms of purpose. Nick Tensen thought it was well presented.

John Pruellage, Phil Stearns and Darcy Dale agreed that the Town was voting on a fund to track the expenditures and revenues.

Motion made to recommend Article 5-6 by Darcy Dale.

Nick Tensen seconded.

Vote: Unanimous to approve.

Discussion of Presentation and Roles for Town Meeting.

The Board discussed the two outstanding bills from Staples.

Article 2-2 Compensation Table. David Wanger wanted to understand adopting changes. There was a 2% COLA and the Town Manager continued to negotiate contracts. There was a need to

migrate to the new classification table, which had been adopted, according to Michael Lombardo.

Article 2-3. Phil Stearns noted the difference due to debt and suggested talking about level services with minimal increases.

Article 2-4 Water Enterprise. Michael Lombardo announced that the discussion would come at Fall Town Meeting as there were some issues with the water plant which were being worked out. The Town might ask for some of the second \$5M authorized for distribution to use on the plant. The pipes were 60 to 70 year old pipes. 40% of the system pipes were 40 to 50 years old. Tim Olson would decide how much would be spent for distribution and when to come back for water plant issues.

Article 2-5. Customary and Usual Transfers. Michael Lombardo explained the transfers were for industry formula calculations of how much time out was taken out of the General Fund Budget for Mr. Lombardo and Marisa Batista, while working on the Water Enterprise.

Article 2-7. John Pruellage would present. Michael Lombardo and Marisa Batista agreed it would change, not be approved on annual basis, and there was a need to change the By-law. The spending limit was 1% of the total tax amount. There were maximum amounts that could be spent for that particular fund. Ms. Batista had a spread sheet with balances for the previous year.

Article 2-9 OPEB would be handled by David Wanger. There would be an actuarial study this year as it was required every three years.

Article 2-10 included the application of bond premium, which was an article was requested by bond counsel to bring into conformity with new legislation, the Municipal Modernization Act, which went into effect November 7, 2016. Prior to the act, any bond premiums were General Fund revenue, which was no longer the case. Currently the Town would apply premiums to the bonds or keep the premium in a separate capital account to be used for future capital projects. Michael Lombardo explained that premiums were when the Town was paid to borrow money as a way to make an offer more attractive without changing the interest rate.

Article 3-1. Appendix G was available on-line.

Article 4-1 was in correlation to Article 2-7. John Pruellage would make a motion and discuss. Town Counsel would assist with any legal questions.

Article 5-1. John Pruellage stated that he was comfortable eliminating the Enterprise Fund. David Wanger said he would mention the fund in his report but did not want to give up analyzing the data even though it was not a true Enterprise Fund. It was subsidized up to \$400,000 the previous year. Michael Lombardo said it would be hard to cover hard costs and tipping fees as they would need to weigh trash on the truck to charge customers. Marisa Batista noted the General Fund was subsidizing the Waste Enterprise Fund by 89%.

Article 5-2 Senior Work Off was discussed. David Wanger had questions increasing this from \$1,000 to \$1,500 and asked if there was a current limit of ten participants. There were nine participant last year. Not all workers worked the full hours. A few participants made the \$1,000. Last year \$7,800 was spent. Michael Lombardo said if the workers can't work at the minimum wage to pay off their taxes, the numbers would increase because someone would need to be hired.

Article 5-4. The By-law states that the FinCom cannot participate as a member of the study

committee, however they would have liaison privileges but could not vote. Mr. Wanger wanted to discuss the fact that these parcels currently generated a tax of about \$39,000 while the schools have 86 acres already, which otherwise might produce tax. Harborlight valued the property at \$4M. Mr. Wanger wondered who would pay for the acquisition. The school capital improvement plan forecast would be \$18M or \$9M without the turf fields. These amounts did not include projected cost to acquire the Longmeadow properties. The school district would also be facing the \$25M OPEB responsibility.

David Wanger also noted the philosophical issue of public money used to shield a neighborhood from affordable housing. Michael Lombardo discussed the subtle difference between the motion that no public funds be “used” versus “appropriated” for the study. Phil Stearns recalled that it was the same group that stood up during the CPC presentation and asked that no Town money be used to study Longmeadow. Phil Stearns noted that if this mitigated the need for a \$9M turf field, it was not a bad deal but that it was not likely to happen. If two or three fields could be developed out of this, it would mitigate the need for a turf field. Mr. Lombardo thought that if the group needed legal or professional guidance, they would need to ask the Selectmen for funds.

Phil Stearns thought more information would help do a better study and Nick Tensen said it was a Town study and it should be left open. If the group returns, the Committee would have a decision to make whether it was worth pursuing. John Pruellage added that with stronger language there would be no way to use public funds. Darcy Dale felt the same way as Mr. Stearns in that it might save money because the turf field was expensive. Mr. Tensen stated the group were not asking for funds, so they would need to come back and ask for funds, giving the Town the option to decide. David Wanger responded that if the motion carried and during the course of the study, they had a need for a resource that cost money, they wouldn't seek an appropriation but might seek a transfer. Michael Lombardo said the request would go to the Selectmen to determine if there was room in the Budget to allocate money. Mr. Lombardo added that he had the ability to move minor amounts of money, or the study group could go to the FinCom for a higher amount, or go to the Selectmen for the biggest request.

Phil Stearns suggested that any request for future requests for money from this committee needed to be approved by the Board of Selectmen in Hamilton, the Board of Selectmen in Wenham and the School Committee with everyone having veto power. Impropriety was still noted by David Wanger. Darcy Dale thought it would not stop a hostile 40B from being approved while the study was being done.

Article 5-6 would be presented by Marc Johnson.

Article 6-1 regarding free cash would be covered under opening remarks. The Warrant was printed with \$650,000 as the free cash request but \$500,000 would be the expected request.

The tax rate reduction was highlighted as the median home had increased in value. The tax rate would be set in the fall. Evaluations would be due in September for State certification. The tax rate was based on evaluations currently, according to Michael Lombardo. If something changed, the rate would be changed. David Wanger would explain the certification effect on the tax rate with the current rate being 16.81 until the middle of the year. Nick Tensen suggested not giving the impression that taxes were going down. Marisa Batista responded that the tax rate was going down while evaluations were up. Mr. Tensen said the Budget was going up so the bill would go up proportionally. The driver was the budget. Mr. Wanger added the need for non-tax revenue. Mr. Tensen added that the presentation should not spin it so it sounds like the Town was not spending more money. Mr. Wanger responded that it was shown in the slides.

Budget Wrap Up

There were some changes to Appendix B, which did not change the bottom line. Salary reserve was previously shown to be \$176,000 and was \$83,988 currently due to starting with the original Budget from the previous year, but some transfers had been conducted. The totals did not change. The Budget was at \$176,000 but once collective bargaining agreements were settled, the money must be transferred to the department. In total nothing changed just allocation into line items, according to Marisa Batista.

Marisa Batista put together a spreadsheet that showed the increase from FY16 to FY17. David Wanger suggested reviewing after town meeting. Some projects were unfinished in FY16, which was part of the difference. There was an increase of 16.7%, however if one excluded capital expenditures of \$191,000 in FY16 and compared them to \$551,000 in the FY18 Budget, waste funding (75.6% increase due to change in vendors), would appear to be the main reason. Jeff Hubbard would compare the chart he completed, which indicated an increase of 16% without debt or capital expenditures. Ms. Batista referred to operating expenses alone, excluding debt service, retirement, unemployment, and health insurance, which could not be controlled. One item was the FinCom reserve with \$67,000 remaining in FY16 but was currently at \$100,000 for FY18. Snow and ice and landfill monitoring didn't get closed out in FY16 but the Town would need them for FY18. Mr. Hubbard noted that the Budget grew by almost \$1.7M in that period time.

David Wanger's report

David Wanger would go through the budget highlights, discuss how Budget making occurred, explore the concept of free cash, (free cash would be certified before the tax recap certification, separate measure), explain that 16.80 was a placeholder due to factors, mention the complication of the fire department grant, note the positive fiscal condition, explain the AAA rating, and note the \$3M in reserves.

David Wanger would also refer to the school budget and that while the FinCom recommended the Budget for FY18, they did so with concerns due to the fact it was 60% of the Town's Budget. The School's Budget went up 3% with their free cash up 1.3%. The Town's assessment was reduced by .5% not due to budget restraint. Mr. Wanger's concern was that the school didn't raise money, it just spent it. The per pupil cost was estimated at \$16,000. Taxes produced by a median home comparison would not support 65% of one student's cost creating a non-sustainable situation. Using E&D would not be guaranteed year to year. The capital budget forecast was at \$19M or \$9M without the turf fields. Mr. Wanger would mention OPEB and that the schools had just begun to fund it initially by \$50,000 which was reduced to \$40,000 to pay for a playground. The school property consumed 86 acres with land values at \$61M, which would have produced \$300,000 in tax revenue or \$.21 on the tax rate. Hamilton supported the schools in more than just taxes. In addition of the 65% of the school budget, there was a loss of revenue.

Michael Lombardo announced that he had learned the schools had known for years that they needed to put in a sprinkler system and instead of funding the project with E&D, they wanted to come back in the fall and have an appropriation of the Towns. Phil Stearns said it was in the Capital Plan for next year at \$600,000. The school district argued that the renovations didn't trigger it, but the State Marshall said it did. They could have easily paid for it out of E&D, but Mr. Stearns argued that they gave the money back to the town. Mr. Wanger recognized the essential nature of their education mission and value to the community and society, but continually raising their budget and not making decisions to constrain that trend would be counterproductive and could not be sustained.

Young families would not be able to move here if the tax rate increased and municipal services would be sacrificed to fund the schools. Families might become dissatisfied with municipal

services. The schools should not assume a 3% increase from year to year when E&D could not be relied upon. The FinCom was ready to work with the school committee.

The tax rate bill comparison would be explained. Raising money was yet to be explored. Phil Stearns was working on past budget analysis. Darcy Dale was working on a study of fines, fees, and interest as well as solar power. A study of shared services and metrics of other towns would be completed. John Pruellage and Nick Tensen were working on a summary of the PILOT program. There might a recommendation of a Warrant Article to reflect the public will that Gordon Conwell and Pingree School, both of which use our DPW or public safety services, provide payments.

Fincom's involvement with the \$250,000 finding and recap submission and analysis of FY16 Budget led to a more careful review of FY18. Mr. Wanger would end his report to the Town by offering that the form of government was of citizen's participation and suggested that residents start by picking up the trash and helping with the affordable housing conundrum.

Nick Tensen and Michael Lombardo discussed revenue generation via housing and commercial development. David Wanger recalled that commercial development had been stalled by citizen objection. Phil Stearns noted special education as being expensive and noted that the School Committee mentioned the possibility of promoting the schools as a center for special education. Mr. Tensen thought it might generate revenue. Mr. Lombardo recalled that years ago, there was potential to sue the state with a formula based amount per student but because of demographic factors, the Town pays money out. There was a core amount the Town must spend per student and the Town was supposed to get State funds to cover that but we do not, according to Mr. Lombardo.

Discussion of Post ATM Projects

Fees, fines, and interest and PILOT should be ready to be presented to the Selectmen for their views. An unpaid intern was discussed from a graduate school. Michael Lombardo suggested offering academic credit. It had been done via the Boston Architectural College and an MBA candidate in the past. Mr. Lombardo suggested the FinCom put together a scope of what they were looking for.

Reports

Michael Lombardo would have a report draft of analysis with sharing dispatch with Danvers within two months. Shared services would be discussed with Wenham. Mr. Lombardo asked MAPC to assign a staff person to shepherd the project for the Towns.

Mike Lucy and others were supportive of a serious exploration, but three were leaving the Wenham FinCom. Nick Tensen did not think it looked economically feasible, but in the long run it might be.

Adjournment

John Pruellage made motion to adjourn the meeting.
Seconded Darcy Dale.
Vote Unanimous to adjourn at 8:55 pm.

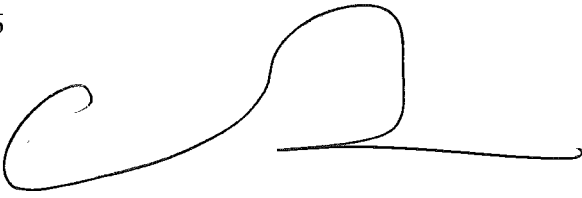
Prepared by:

Marcie Ricker

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Attest

Date

A handwritten signature in black ink, consisting of a large, stylized 'M' followed by a horizontal line extending to the right.

6/03/07