

HAMILTON BOARD OF SELECTMEN &
FINANCE ADVISORY COMMITTEE
MINUTES OF JOINT MEETING

September 12, 2017

Selectmen Present: Chair Bill Wilson, Shawn Farrell, Allison Jenkins, Scott Maddern

Finance Committee Members: Chair David Wanger, Nicholas Tensen, Phillips Stearns,
John Pruellage, Darcy Dale

Town Staff Present: Town Manager Michael Lombardo, Finance Director Marisa Batista

Bill Wilson called the joint meeting to order at 6:36 p.m. He said Jeff Hubbard had a work commitment and would be arriving late if he were able to make it. He said Allison Jenkins would be late due to work, as well, but she arrived at 6:40.

Review and discuss FY17 budget vs. actual spending

Town Manager Michael Lombardo distributed the year-to-date budget report, first looking at **expenditures**. He said there was a lot of "churning," many cases in which a position was left open until someone was hired to fill it. He highlighted items like this, as he went through the report, showing differences between what was budgeted and what was spent. Under the Board of Selectmen category, for example, this included the Social Media Specialist Robert Gates' time and hours for a minutes-taker that weren't used. / Under the Town Manager's Health and Human services category, the Town made a \$3,000 commitment to HAWC in Salem (Help for Abused Women and their Children) last fiscal year and due to an oversight, weren't invoiced, resulting in an overage. / The Town Manager's Administrative Assistant position was open for four months and someone was hired at a lower rate. / There was a little residual in consulting services. / The Finance Director position was open for six months, so there were permanent wages not used. / There was a prior-year encumbrance of \$69K for a digitization project. He said they had thought about re-appropriating it this fall, but he and Ms. Batista were still looking for the right vendor. / Under Treasurer/Collector, an accounts receivables position was open a short time and then someone was hired at a lower rate. / Not as many properties went to Land Court, so litigator costs went down. / The Town Clerk had budgeted for five bulk mailings and only had a couple. / The budget for postage, which had a surplus of \$9,797.64, seemed high. He said that needs a look. / Under Public Buildings and Maintenance, Vicky Masone, the part-time energy manager, is shared with the two towns and the school

district. She did not work the number of hours she was budgeted for at the schools, although she is doing a fair amount of work for Hamilton. / The Town has gone through three rounds of questioning from the State public utilities department to get a lower energy rate. / Under the Police Department—Marisa Batista, Phil Stearns and Chief Russell Stevens were looking at what they felt was inflated budgeting likely due to an inherited formula from the prior finance director. They will be giving a budget deduction based on actual costs and trends. / Overtime wages for police and fire were up. There was some discussion among the group about a grant that they don't appear to be getting since they haven't heard yet. / Inspectional Services went through some turnover with the Building Inspector, Fire Inspector, Plumbing and Gas Inspector positions and unforeseen death of the administrative assistant. / The Animal Control budget was flagged because the budget was overspent by \$11,538. / He doesn't have a good handle on the school's overage of \$102K and needs additional information. / In response to a question from David Wanger, he explained a line item that was the Town's share of the Hamilton/Wenham Regional School District's budget. The tech school, which is a separate line item, has one less student last year than the prior year, which is a savings. Ms. Batista said she thinks there will be a \$10K savings for FY18/ The Director of Public Works position was open for six months. Under the Highway category, Greg Stevens retired and Peter Cobb was promoted to supervisor, so there was some bumping that promulgated a savings. / Under Parks, Fields and Grounds' permanent wages, the budget was prepared under the higher rates of previous positions, explained Ms. Batista.

Mr. Lombardo noted Ms. Batista had some thoughts on a cleaner, easier way to budget public works and make it consistent and easier to follow.

Mr. Wilson asked about and Mr. Lombardo explained that everybody is on the new wage and classification system except for the Police. Ms. Batista said there will be an article at Special Town meeting to transfer reserves to their individual departments. She doesn't have the authority to do that.

Ms. Jenkins inquired about sanitation inspectional services, which are the landfill monitoring costs. / Mr. Lombardo had a question regarding debt service. Ms. Batista speculated perhaps they hadn't budgeted for interest costs on Sagamore Hill. / Regarding Group Health and Life insurance, they went to a new plan structure and saw a savings as a result. If they pay their insurance by a certain date, there's a 2% discounted rate. Mr. Lombardo said every year the Town pays early, so they should budget at the lower rate. / An anticipated increase in utilities costs did not happen. They are also working on a sizable credit from National Grid for the conversion to LED streetlights.

In conclusion, Mr. Lombardo said when you put all of the figures into the churn, the Town ended up with an \$850K surplus of actual spend vs. budget.

Mr. Wanger asked about Hamilton's share of the school budget and noted there was \$2 left. He wondered if that raised questions. Mr. Lombardo responded that the schools had a lot of latitude to move funds around to where they need them while the Town doesn't have that option. Ms. Jenkins noted the schools can prepay special education costs for the first quarter of the next year. They can take money left over and move it where it's needed.

Mr. Wilson asked if they could have a higher-level look at the Town budget, perhaps a one-page report showing the explainable variances. Now that the Town is fully staffed, he said it should be funded at the right rate so there won't be those variances next year.

Mr. Lombardo recommended having a short meeting to discuss what their philosophy should be regarding the use of free cash to support the tax rate and to look at capital reserve fund projects they want to get done this year. Based on the Town efforts, over the next few years, after time to ride out overages, he predicts they will get to a comfort range of having about 100K of surplus.

Mr. Wanger asked for a listing of "reserves." Ms. Batista supplied the following:

- Stabilization Fund: \$800K
- The Reserve Fund: \$100K
- Free Cash: \$1.9 million is left. She is working on free cash certification this week. Then if they want to put in an article at Special Town meeting, they can do so.

Ms. Batista said towns the size of Hamilton generally carry about 5% of their budget in reserves. The auditors expect to see 5% to 10% in reserves, she noted; the 10% would include the stabilization fund. She had the idea of using a capital reserve fund as a way to save for large projects, such as Town Hall renovations or solving Water Treatment Plant issues. Shawn Farrell asked whether free cash could be transferred into capital improvement fund. Mr. Lombardo said yes, that Town Meeting can do that. Mr. Wilson asked if the transfer had to be specific. Mr. Lombardo said yes and that Massachusetts doesn't make it easy to use discretion to move funds around.

Mr. Lombardo then reviewed **revenues** on the report: 100K is the vehicle excise tax. He said his theory about this tax is evolving because it exceeded the Town's expectations. / Mr. Wilson asked what "in lieu of taxes" referred to. That is the Air Force Observatory and the Housing Authority. Payment from Gordon-Conwell is considered a gift and doesn't factor in.

Mr. Wanger noted there are apparently some profit-making activities at the Gordon-Conwell, such as a day care center. Mr. Lombardo talked about the issue of putting the college on notice about this via a letter from the assessors. Mr. Wanger said one of the Finance Committee's projects is to analyze what comparable communities, such as Beverly, are doing in these cases. They discussed how to approach the college at length, then

brought the discussion back to the agenda and decided to table the discussion to a future meeting.

Ms. Batista defined "OFS" as non-recurring revenue, which are FEMA reimbursements she's been getting for old projects, some dating back to 2007. / Ms. Jenkins questioned why the DPW receipts dropped. Ms. Batista is going to take a look. Some issues regarding public works were discussed. Mr. Lombardo said they should see a healthy increase in FY18, as the new Building Inspector is finding things that were not permitted. The Finance Committee will work with Director of Planning and Inspections Patrick Reffett to adjust their rates on permits.

Mr. Lombardo then passed out the **appendix** showing budgeted increases. He said the tax rate is fairly stable and they should celebrate that. He has budgeted a growth factor based on the last few years—a 3% increase from FY18 to FY19.

Ms. Batista pointed out that the appendix is still a work in progress. She has requested information from the schools. She will be updating FY17 from budget to actual numbers. Mr. Lombardo said if anyone wants to play with the numbers, they can bake that in and see what it looks like. He wants to get the actuals loaded in and they can also put in the capital expenses or figure out what the debt service will be. The Town will see a 100K drop in 2021. The next big drop will be in 2027.

Scott Maddern said some local economists are forecasting a decline in revenue, and the Town needs to look long-term at potential future issues, such as declining school enrollment. He's in favor of not hoarding capital but in being as conservative as possible regarding spending so there are funds to meet the needs. He suggested they consider a couple of budgeting scenarios, such as a normal one and a conservative one. Mr. Lombardo said how they use the tool is a collaborative effort and welcomed everyone's input and guidance.

Ms. Jenkins suggested adding a date to the document and perhaps a watermark to show it's a draft.

Mr. Farrell said he thinks the growth factor under revenue is fairly conservative already. He's heard health costs will see a 25% increase. Mr. Lombardo said they're working on that. Wenham employees are on GIC insurance; the schools are on Harvard Pilgrim. Perhaps some sharing of plans could happen.

Ms. Batista discussed concerns about the current purchase order system, how to implement and maintain it. She explained that sometimes a purchase order isn't prepared until they get the invoice. Mr. Wilson advised that the auditors look at whether the town is using best practices. Ms. Batista noted that Department of Public Works (DPW) Director

Tim Olson does do purchase orders. Ms. Jenkins asked if check and balances are missing between what is signed on the contract and what is actually billed? Ms. Batista said no, she can tell how much was contracted vs. how much was spent. Mr. Wilson asked if there are systems and technology that could be explored to make things easier. Mr. Lombardo said right now, they're doing what they can with the tools they have.

Ms. Jenkins asked if having a UNIS payroll module would help with budgeting. Now they're doing an Excel spreadsheet. Ms. Batista asked if she were suggesting bringing payroll in house. Right now the input and building the budget for payroll are in-house but the rest is outsourced.

Mr. Lombardo said he'd like to have an end user document for the public to consume.

Mr. Wanger brought up the interest of the Finance Committee in shared services with Wenham, perhaps concerning fire dept. services. Mr. Lombardo mentioned regional inspectional and IT services. Mr. Farrell said that while Mr. Lombardo was out, they had looked into grant funding whereby the State provides resources for best practices.

Mr. Maddern said that Wenham could be the Town's best partner but he recommended that individuals not approach the Town because this needs to be done gracefully and strategically and not working at cross purposes. Mr. Stearns said there is opportunity to meet and to educate on both sides. The group then spent time talking about how to improve the relationship with Wenham that has often closed up a bit. Ms. Jenkins also brought up the topic of improving the relationship with the schools as far as shared services as well.

Mr. Maddern said it might be good to give some topics to the school officials to think about over the summer and then meet in the fall to have them give the numbers. Regular meetings with Wenham were suggested, perhaps meeting at the close of each fiscal year and quarterly meetings in some cadence with quarterly reports. Mr. Lombardo said that would be a challenge to produce them as timely as needed.

Other topics discussed included the Board of Selectmen's decision not to pursue regionalization of MRI dispatch.

Darcy Dale was asked to talk about her work on solar projects. She said she's been sitting down with Energy Manager Ms. Masone and DPW Director Mr. Olson and will be putting numbers together to present to the Board of Selectmen. She said that other communities are getting huge grants for solar and with many roofs needing to be replaced on public buildings, it is something to look at. Unfortunately, many of the buildings are historic, which isn't conducive to solar.

Regarding sharing services with Wenham, Ms. Jenkins suggested the Town could do the hazardous waste drop-off with them or perhaps merge some of the services of the two Councils on Aging. Means of increased revenue might also come from increasing cemetery pricing or charging for the monitoring of alarms. Ms. Batista is helping to track revenue regarding waste, which is a large budget item for the town. Mr. Farrell suggested they break down what is spent on services per household (police, fire, schools, trash collection...) and provide that information to the taxpayers.

There was more discussion on Gordon-Conwell and the fact that the Town could benefit from tax revenue there, but the law doesn't allow it. The group consensus was that having a frank conversation over coffee was a better approach than a warrant. The college can opt to make a gift to the Town.

Town Hall renovations and the potential to switch buildings around were discussed. The building needs to be evaluated structurally.

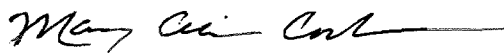
Water sources and the need to diversify away from the Ipswich River and into the coastal basin were discussed.

Mr. Wanger asked for input regarding a warrant item that would be a community condemnation of bigotry and acceptances of differences as a way of coping with societal tensions. He said it would be nice to do, but might have trapped doors that make it unwise. Mr. Maddern said they should focus on the warrants already there. Mr. Wilson suggested making it a proclamation rather than a warrant item. Mr. Wanger said he welcomed participation in the approach. He asked for a copy of the proposed warrant list. Mr. Lombardo said he will email it to all of them.

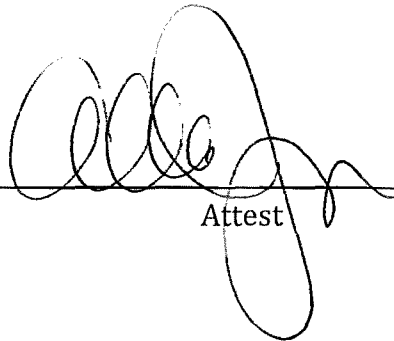
ADJOURNMENT

Mr. Lombardo made a motion to adjourn the meeting. Ms. Jenkins seconded the motion. The boards voted unanimously to adjourn the meeting at 9:38 p.m.

Prepared by:



Mary Alice Cookson



Attest

10/20/17
Date