

HAMILTON FINANCE AND ADVISORY COMMITTEE  
Minutes of Meeting  
May 2, 2018

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

Others Present: Marisa Batista (Finance Director), Shawn Farrell (Selectmen 9:08), and Russ Stevens (Acting Town Manager 9:08).

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

**Public Comments**

**Discussion regarding interim Town Manager selection process and use of FINCOM reserve fund to fund former Town Manager separation agreement payments**

The Board of Selectmen were discussing the topic at the same time as the current FinCom meeting. A liaison, Darcy Dale would be appointed to the committee. A schedule had been posted on the Town website.

The employment contract, separation agreement, and sheet for comp time had been distributed. There would be no more funds for the previous, interim, or acting Town Manager from the FinCom reserve fund. The current \$58,000 request would result in a balance of \$42,000. The language of the law governing the use of funds would allow the FinCom to exercise its discretion. Section 6, Chapter 40 of the General Laws said to provide for extraordinary or unforeseen expenditures the FinCom would have the discretion under the same standards as Town Meeting. The standards were to provide for extraordinary or unforeseen expenditures.

Phil Stearns understood the previous Town Manager had already been paid. Reportedly Allison Jenkins had indicated that the separation had been negotiated and the only choice was where the money was coming from. Marisa Batista reaffirmed that the previous Town Manager had been paid on his last day. Nick Tensen suggested delaying the determination until the School presented their E&D or to see if there was additional free cash at the end of the year. Ms. Batista said she wanted free cash certified as it was after the fiscal year end and the costs needed to be funded by June 30, 2018. Ms. Batista was looking to all departments to see if there were savings, which might be applied to payout for the Town Manager or pay for the interim Town Manager. John Pruellage said he would rather fund it out of the FinCom reserve because it was an extraordinary circumstance. David Wanger added that if the Committee decided to fund and transfer the amount, it would give them leverage in terms of making recommendations as to the content of the new contract.

Nick Tensen said the Selectmen had learned some things that would be applied to the new contract but the lessons had not yet been discussed. David Wanger thought the contract might have been loose in terms of terms. The FinCom would make recommendations going forward as improvident agreements might have been made. John Pruellage had read the separation agreement and did not find fault with it. The Board of Selectmen reportedly thought it was a fair deal. Mr. Pruellage thought there was ambiguity in the employment agreement and was surprised how it was written, which put the Board in a position that they had to agree to the separation agreement for items such as comp time as it was less than clear in the employment agreement. Mr. Pruellage added that it may have been in accordance with MA law or contract law.

Motion made by John Pruellage to approve the signing of the transfer order for \$57,548.86 to be used to supplement the pay out of Town Manager 's severance pay per the employment

termination agreement dated, April 2, 2018.

Nick Tensen seconded.

Vote: Unanimous in favor.

Marisa Batista announced there was a \$36,698 deficit in the DPW tree account due to necessary tree work. The account was currently in deficit by \$16,491 and new invoices from the March 2, 2018 storm, accounted for the difference. While the Town was hoping for State reimbursement, it would not be received during this fiscal year, similar to the FEMA payment. Ms. Batista was asking for a reserve fund transfer to cover the costs. In response to John Pruellage's question as to the budget balance of the snow removal account, Ms. Batista answered that there was a \$5,000 surplus. The invoices needed to be paid by June 30, 2018. Phil Stearns suggested a need for a preventative maintenance account, which had been minimized.

Motion made by Darcy Dale to transfer from the FinCom Reserve \$36,698 to cover the account deficit as a result of the October storm and pay outstanding Mayer invoices for services provided during the March Nor'easter. This would be a transfer to line item 154-22-520048 in the department of public works.

John Pruellage seconded.

Vote: Unanimous in favor.

**Further review of FY18 3rd Quarter results, outstanding items for 4<sup>th</sup> Quarter, and year-end transfers.**

Phil Stearns subtracted the \$375,000 of free cash approved at ATM from \$2,585,000 to get \$2,210,000, which was about 7.5% of the total budget while financial policies suggested 3 to 5%.

Marisa Batista responded that the Town was short on the stabilization fund. The policies indicated an 8 to 12% total for free cash and capital stabilization funds. While the policies did not mention the \$100,000 FinCom reserve fund, Marisa Batista noted the fund was governed by Massachusetts General Law (MGL). The stabilization fund had \$815,000 currently, but the need was \$1,750,000 (5%). David Wanger said there would be a year to year infusion. John Pruellage noted that the total was important. The stabilization fund needed a 2/3rds vote at Town Meeting to remove money, while free cash did not. The stabilization fund was safer.

Marisa Batista said small deficits could be absorbed. There would be a surplus due to health insurance rates being budgeted at 10%, but realized at 7.2%. Ms. Batista was waiting for fire department information, which was traditionally based on estimates, but realized by the number of actual call hours. Ms. Batista recalled that last year, the fire department had a big turn back.

Phil Stearns summarized that if the Town decided to have 5% in free cash and stabilization funds each, the total would be \$2,950,000 minus the \$375,200, which would leave the Town \$700,000 short of the 5% goal. David Wanger responded that the 5% goal would be achieved over the years.

**Discussion regarding draft financial policies.**

David Wanger had circulated suggested prioritization of subjects. There would be a joint meeting with the Selectmen on three topics, the audit, OPEB, and policies. Marisa Batista noted that the first comment of the Management Letter was incorrect as the original fund was adopted under the wrong MGL, but Annual Town Meeting corrected the error. Ms. Batista said if the Town wanted to follow the second comment, it would need to be adopted at Town Meeting first.

The second comment was discretionary, according to David Wanger. Ms. Batista would investigate and obtain a copy of the original vote to establish OPEB. The Committee discussed the Prudent Investor Rule, which was not limited to OPEB. Ms. Batista said the Treasurer/Collector was responsible for investing with Bartholomew. The designation of the Treasurer/Collected would need to be completed.

A GASB compliant trust must be irrevocable. Marisa Batista noted the OPEB account was in compliance with MGL, but not with GASB as it needed to be an irrevocable trust. Money cannot be transferred out of an irrevocable trust. John Pruellage would review Town Meeting minutes and video to see if there was a debate. Ms. Batista would speak with Donna Brewer.

David Wanger recommended determining if accepting Section 20 would be enough for a Town Meeting vote. Ms. Brewer would be asked. Mr. Wanger also recommended adoption of the Prudent Investor Rule. Nick Tensen would investigate.

It was the Treasurer/Collector's responsibility to take care of tailings. It was reported by Marisa Batista that she had been doing a good job. The Treasurer/Collector had been provided with a

copy of the recommended policies and would provide feedback. David Wanger said the policies would be in effect for perpetuity, regardless of those in office and thought it might make sense to adopt the policy. Ms. Batista responded that there was not enough staff to implement the policies.

Marisa Batista had prioritized the policies by grouping them into three categories: operational, budgeting, and other policies. Operational policies were ones that affected the daily operations, including disbursements, revenue turnovers, reconciliations, travel reimbursement, grant management, procurement, conflict of interests, and tailings. Budgeting policies included financial reserves, capital planning, debt management, forecasting, and indirect cost allocation.

Other policies included items such as anti-fraud. Ms. Batista categorized policies based on weakness, strength, and if there was staff to implement them. Anti-fraud should be a number one policy but due to the lack of a Town Manager, could not be a priority as there was no one to implement it. Ms. Batista suggested approaching those that were needed for daily operations.

Marisa Batista said operations needed to go smoothly and budget policies would only be applied once a year. Nick Tensen wondered which policy would be the highest risk. Ms. Batista responded that operational ones were the highest risk and that there was not much risk in budget policies. Phil Stearns said the budget was just completed and that operation policies would have the greatest effect. John Pruellage and Mr. Stearns agreed with Ms. Batista after considering.

Mr. Tensen recalled that the Committee wanted money for capital items, but the Selectmen wanted to have a policy first.

According to Phil Stearns, the financial reserves could be considered first, then the operational items. Mr. Stearns was shocked that the Town didn't have a policy for disbursements or procurement conflict of interest. While ethics testing was done, David Wanger said there were practices used but they had not been reduced to writing.

The FinCom discussed disbursements. Marisa Batista was working with the Treasurer/Collector and noted that annual step increases were not listed on policy. New contracts showing procurement requirements had been met, which needed to happen upon submittal. The procurement officer was the Town Manager and requests should be submitted to the Town when going through procurement. It was noted by Phil Stearns that the policy would clearly prevent Ms. Batista from writing a check for the Planning Board lawyer as no disbursement could be issued without prior approval from the Finance Director and Town Manager. While Ms. Batista said the process was burdensome, the Town followed most steps including reviewing invoices, reviewing batches, preparing batches, and signatures signed by the Finance Director and Town Manager. Ms. Batista said a department head could deficit spend in the case of an emergency, then transfer from another line item within the departmental budget. John Pruellage added that the amount could be spent, but a check could not be released until the Town Manager and Finance Director signed it. Ms. Batista said the process already existed, but nothing was in writing as an adopted policy. Petty cash was discussed and it was agreed that \$250 was an appropriate amount.

The policy referred to a payroll coordinator, whose responsibilities were currently handled by the Assistant Treasurer/Collector. Marisa Batista thought there was a need for the Town to have payroll and benefits together. While Human Resources would require an additional half-time person, the combination of payroll and benefits would not require a new position. David Wanger did not want policies that identified positions that didn't exist.

The annual manpower summary was part of the budget packet. The summary was the salary sheet, which showed all employee time and pay information. David Wanger requested a reference to the collective bargaining agreement and a definition as to what the summary was and how it was derived. Mr. Wanger asked who had the responsibility to determine such things as liability, legal purpose, legal, accounts payable, and expenses for legal purpose. Marisa Batista said that department heads reviewed employee hours submitted for payment. Harpers was the third party company that processed payroll.

Marisa Batista thought the process and priority list would be decided on May 21, 2018 and wanted to wait for the Treasurer/Collector's comments.

The Committee discussed Operational Grant Management. Phil Stearns thought the Committee should be aware of what could be done to encourage someone to apply for a grant and what the requirements of the grant would be. Darcy Dale thought a competent grant writer would pay for themselves. Marisa Batista responded that big cities had a grant writer and that only a few grants

were available to a small town. Currently grants were the responsibility of department heads.

The previous Town Manager wrote grants. David Wanger requested that the FinCom be added as it applied to the grant writing responsibilities. In response to wondering how to encourage department heads to look for potential grant opportunities, Ms. Dale said one way would be to not take away funds if the grant was awarded, even if it appeared to be a surplus. Nick Tensen suggested a contractual grant writer and Ms. Dale suggested sharing one with Wenham. Ms. Dale suggested having citizens and students involved. A plaque or Town Meeting announcement could be provided to successful grant seekers. Mr. Tensen noted it was more implementation than policy. Marisa Batista said it could be added as part of capital planning.

Indirect cost policy had three options but Marisa Batista said she needed to do research. While the Management Letter encouraged the adoption of the policy, there would be more comments in future Management Letters if the policy was adopted but not implemented, which would be a bad reflection on a department, according to Ms. Batista. David Wanger said the FinCom would support Ms. Batista if the Selectmen gave her pressure regarding the adoption of policies.

Marisa Batista thought the procurement conflict of interest policy was incomplete. Ms. Batista suggested having a procurement policy by itself. The policy would describe the process, who did procurement purchase orders, and the threshold. Darcy Dale said a purchase order system would be beneficial to the Town. Ms. Batista would search procurement policies from other communities. Ms. Dale thought procurement could tie into the anti-fraud.

Reconciliation was being completed in an untimely fashion. Marisa Batista thought there would be push back on the aggressive policy. Having all accounts reconciled within five days, the Treasurer/Collector's cash book section, receivables, and having monthly reconciliations instead of quarterly might be onerous. Reconciliation would be between the Treasurer's office and the general ledger. Accounts receivable covered police details, taxes, water, and the septic program (loans to taxpayers). David Wanger referred to Part F, timeframes and documentation central list of where the free cash, stabilization, and OPEB funds were invested. Ms. Batista said monthly reconciliation would allow for easier solutions to finding errors. Nick Tensen suggested having monthly reconciliation for busier accounts and quarterly for less active accounts. Ms. Batista said real estate and motor vehicles were large with frequent issues.

Revenue turnover was discussed. The policy indicated turnovers be provided weekly or when revenue exceeded \$100 or more. Ms. Batista referred to situations when departments would retain checks that were 90 days or more and said she loved the policy. Phil Stearns suggested that part of employee performance reviews could relate to policies. Ms. Batista questioned the \$100 amount and 11:00 am submittal time. The use of pre-numbered receipt books was considered. While most departments preferred credit card or check payments, other departments such as recreation needed to accept cash for situations such as drop-in fees at the pool. David Wanger thought offering receipts was a better practice for dealing with public monies. Nick Tensen thought risk ran in cash and the risk could be mitigated if procedures were set up to reconcile receipts in a more scrupulous manner.

Marisa Batista explained that when revenue was turned over, accounting received a copy of the turnover to accompany the account money. There was a need for an independent source to reconcile. Policy mentioned the posting of miscellaneous cash receipts on a monthly basis but Ms. Batista suggested a weekly posting. The Treasurer might say the office did not have the manpower to provide the posting on a weekly basis. Legally, cash must be accepted for payment of taxes. Trash bins and burn permit fees only accepted checks. Policy included that receipts be counted in front of the appropriate employee. The Treasurer's office stamped bills as paid. Ms. Batista added that there was a \$25 return check fee, which seemed excessive for a \$10 dog license.

Tailings were a Town Meeting issue, according to David Wanger. Tailings were checks that had been disbursed but uncashed. Marisa Batista said the money was advertised for a certain number of days, which was paid by the Town. Ms. Batista recommended adoption of the law. If no response, the money would be received as miscellaneous revenue after a long process. The money waited in a liability account until the process was completed. Nick Tensen wondered if electronic ways to advertise would be beneficial.

Travel reimbursement was discussed. David Wanger was surprised at the dollar limit for meals. The reimbursements were only in effect after 24 hours away. Marisa Batista said the Selectmen had approved a travel reimbursement policy under the personnel policies and that there was no need to have two. John Pruellage suggested comparing the two.

David Wanger asked what the expectation was for the May 21, 2018 joint Selectmen/FinCom meeting. Shawn Farrell responded that a list was provided of Marisa Batista's priorities. The group would take a handful of priorities and then go down the list. On May 21, 2018, the priorities would be discussed as a big overview of the hot topics. Mr. Wanger recalled that Ms. Batista needed to wait for employee responses.

Darcy Dale would be the liaison to the Town Manager Selection Committee. Russ Stevens distributed a proposal with a timeline from Bernie Lynch, the company hired to do the search for the Town Manager position. All steps would be discussed at the meeting of May 7, 2018.

Public forums would be held for public participation. According to Chief Stevens, a five to seven person screening committee would be involved. The Selectmen would decide who would be on the committee to include a former selectmen, a businessperson, and a town hall department head. Mr. Lynch would meet with department heads and then employees. David Wanger strongly suggested engaging with the union people at this stage. Chief Stevens said the union presence would be felt.

David Wanger offered to have Bernie Lynch attend a FinCom meeting. Russ Stevens wanted to ensure that lines were not crossed and that he was being paid a contracted rate for a set number of visits. Shawn Farrell suggested members of the FinCom attend the public forum. The timeline would be 16 weeks. The interim candidate selection was described by Mr. Farrell. Mr. Farrell said one candidate wanted 40 hours a week, while another wanted 20 hours. The Selectmen were prioritizing projects to determine which candidate would be best to keep projects moving along. Darcy Dale asked if anyone had contacted Candace Wheeler, the Town Administrator before the previous Town Manager. Mr. Farrell responded no. Mr. Wanger said the FinCom could be helpful and offered to participate in the Town Manager selection process. Mr. Farrell said he was not being oppositional but was trying to maximize Mr. Lynch's time by suggesting the FinCom go to the public forum or possibly piggy back a meeting during another visit.

The FinCom would discuss budget policies at its next meeting.

**Adjournment**

John Pruellage made motion to adjourn the meeting.

Seconded by Darcy Dale.

Vote Unanimous to adjourn at 9:25 pm.

Prepared by:

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Marcie Ricker

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Attest

Date

A large, handwritten signature in black ink is written across the 'Attest' and 'Date' fields. The signature is cursive and appears to be 'M. Ricker'. To the right of the signature, the date '5/17/18' is handwritten in black ink.