

HAMILTON FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting

December 20, 2017

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

Others Present: Jeff Hubbard.

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

Public Comments

None.

Discussion regarding FY19 budget, including:

Discussion regarding joint meeting with BOS and HWRSD that occurred on December 7, 2017 and other school related budget items.

The School budget presentation had been postponed. The School Warrant would open and close on January 5, 2018 with another joint meeting with the School planned shortly thereafter. David Wanger discussed the plans for meeting with Jeff Sands. Scott Maddern had reportedly emailed Peter Lombardi about the apportionment issue but Mr. Wanger did not receive a response. Jeff Hubbard said there was no more response other than what had been discussed at the Joint Meeting when both towns presented without the School presenting anything of substance. 60% of Hamilton's budget was being considered without their participation in the budget process.

It was agreed that Wenham found a way to avoid an override if the School stayed within 2%.

Phil Stearns said the only recourse the towns had was to vote down the budget if the towns decided to do so. David Wanger noted the FinCom could not be pro-active but the School circumventing any collaboration from a bargaining standpoint or not offering information to the taxpayers was relevant and not collaborative, especially as the School was consuming more than 50% of the Town's budget. Mr. Wanger suggested that there may be a time to share that information in the newspaper.

Discussion and de-briefing of individual department budget meetings.

David Wanger had met with Russ Stevens (Police, ECO, animal control) and thought the work completed in FY18 had set a good foundation. According to Mr. Wanger, the primary movers in terms of money for both police and fire were personnel costs. COLA increases plus movement of workers on the grid equaled 4%, which were not considered excessive. A grant for electronics computer system, which had been used in prior years, was being revised and appeared to cause a 1000% increase. Gas estimates were previously set at \$2.25, but were increased to \$2.50 a gallon for the police, which caused a significant increase. Michael Lombardo had looked at projection data that supported \$2.50 a gallon. Phil Stevens had reportedly estimated the need for call fire fighters and noted that each year it became increasingly difficult to attract them.

Ultimately if the Town did not partner with other communities, permanent staff would need to be employed, which would be a significant increase in the budget. John Pruellage noted the apparent potential dip in costs as workers were unavailable, but then a potential spike in costs when the department shifted to full time workers. Mutual aid would be limited because other communities were facing the same diminishment, according to David Wanger. Jeff Hubbard wanted to explore the ambulance concept as workers were leaning less toward firefighter and more toward EMT where the need was. Having an ambulance service could be a money maker and might attract more workers, according to Mr. Hubbard.

David Wanger noted that the Town of Winchester had acquired an ambulance and paramedics were hired in a dual civil service capacity to provide for both fire and ambulance services. The increased skills of workers would demand higher compensation. Wenham's trial would be noted

once service started. Darcy Dale said Wenham would provide basic life support and if there was a need for paramedics, Lyons would be called. According to Phil Stearns, the ambulance purchase in Wenham, did not go through the Selectmen or the General Fund but had been paid through donation money raised by the Fire Department. Mr. Wanger said Michael Lombardo was quizzical about the profitability and was not inclined to be supportive at the moment. Mr. Stearns said ambulance services, such as Lyons were billing insurance companies and making money. Ms. Dale recalled that the Town of Hamilton use to have their own ambulance and thought the police had made money with it. Mr. Wanger added that in Winchester, ambulance service was profitable and supported the fire suppression service. John Pruellage said that even if the service was cash neutral, it would support the firefighter service. Jeff Hubbard thought the Board of Selectmen would be open to the topic but would watch Wenham's experience or pay for a study. Ms. Dale suggested finding the records from the previous ambulance service in Hamilton. Mr. Pruellage would pursue the topic with Phil Stevens.

David Wanger said there were no issues with the police budget or function. The Council on Aging Director met with Mr. Wanger and the only changes were in salary. There was a capital expense item of \$350,000, which Mr. Wanger said was not gaining traction.

Darcy Dale met with Michael Lombardo and Marisa Batista. Ms. Dale noted the \$5,000, which was removed from the Finance budget and put back in the Board of Selectmen's budget for financial policy interpretation. Phil Stearns said the money might be needed for software upgrades and if it wasn't needed, it didn't need to be spent. The Finance Department budget was now \$381,460.97. Ms. Batista had requested increasing the 26 hour position to a full time position, which would add \$20,000 to the budget plus benefits. Ms. Batista had indicated that the Finance Director's job included being the Town Accountant. Ms. Batista needed the extra help to get the work done. The part time person had a dual degree in IT and had a superior work ethic. It was Ms. Batista's opinion to retain top talent when available and that if the position were not increased to full time, the current employee might leave. Ms. Dale was worried that if Ms. Batista did not obtain help, she might leave. Michael Lombardo reportedly agreed with the need to keep both of them. Phil Stearns said Ms. Batista's skills were better used in Finance than accounting and the part time person could do the accounting. John Pruellage thought it was money well spent.

Accounting was reporting, data entry, and issuing checks, which were backward looking while Finance was borrowing, grants, policies, and planning. The treasurer had an accounting background but was involved with the movement of cash and money, according to John Pruellage. Phil Stearns and Darcy Dale added that the Treasurer was responsible for the collection of taxes and investment of money. Bonds were done by Michael Lombardo and Marisa Batista. Jeff Hubbard noted that the Finance Department's budget was 4% of the Town's budget. John Pruellage suggested a comparative analysis of other Towns to determine what they were spending on Finance Department budgets as a percentage of Town budgets. Phil Stearns noted that the Warrant book would be part of the Finance budget. Mr. Pruellage said half of the budget were personnel costs.

Darcy Dale tried to calculate variances and heard that things were in flux due to steps that were covered in a calendar year but were reported in the six months of a fiscal year. MUNIS tracked all. The longevity bonuses were for union employees but five employees who had worked for over 18 years did not receive them and felt slighted. Offering the bonus would make employees feel valued. Michael Lombardo had signaled approval that he was willing to consider it.

The Board of Health was discussed, noting the increase for the post-partum nurse for \$200 in FY18 and \$400 in FY19. The increase in hours caused a 12% increase for part time wages. Training comprised 31.6% of the budget while travel increased by 10.6%. While considering animal control under the Board of Health, Darcy Dale suggested looking at the cost of licensing dogs versus horses, which were only \$5. Ms. Dale suggested a flat rate for a certain number of horses. Ms. Dale noted that when a dog was loose, it went to jail but when a horse was loose, the police and fire were called to help with public safety. Equine training, which the taxpayers paid for was scheduled for every other year. According to Ms. Dale, Patrick Reffett was interested in pursuing the increase.

The Conservation Commission had a cost of \$3,500 for a land survey of the Central Ave. parcel and \$2,500 for Chebacco Woods maintenance and repair at the entrance on Essex St. Darcy Dale noted the several loads of gravel to be used on the pathways was still there impeding access to the entrance. The open space was maintained by volunteers with the \$2,500 possibly being dedicated to supplies.

would begin making judgements about the Budget and Warrant articles. David Wanger wanted a calendar progression to give recommendations but also to get information to the town prior to town meeting. Phil Stearns wanted to add a line about impacts to the budget in the booklet.

Other discussion and presentation of MMA Finance Committee Handbook topics.

John Pruellage offered the background of Proposition 2 ½ which was 40 years old. The Proposition worked under two restriction on how a Town could levy taxes. The levy ceiling must not be more than 2.5% of real and personal property values. The levy limit must not be increased by more than 2.5% each year and must not exceed the levy ceiling. Mr. Pruellage noted that Hamilton's levy ceiling was \$25 per thousand approximately. Unused capacity was a percent, which was highest in FY15 and now 11.3%, according to Phil Stearns. Wenham was close to the levy limit with a tax rate of 18.60. Mr. Stearns noted that small towns were at 18 to 20 per thousand with average house values of \$325,000. Mr. Pruellage noted that unused capacity could grow from year to year and could not be added to the next year. Mr. Stearns recalled that some towns grew up to 2 to 2.5% each year instead of following a zero forecasting model as Hamilton did.

The levy limit would increase due to development growth such as additions, which added to assets. Re-evaluation did not count for the year as they were not considered new growth, according to John Pruellage. If property values went up and then fell flat, it would create a bad situation because the Town would not have revenues and taxes would go up. David Wanger asked how the new Federal tax legislation would affect property values. Phil Stearns responded that if a homeowner could not deduct their taxes, they would want to minimize them. Jeff Hubbard was unable to determine how the tax legislation would affect property values but thought if there were more taxes, it would create less value. Mr. Pruellage compared the situation to a rise in interest rates. Mr. Wanger added that while the FinCom had no control over the School budget, parents' enthusiasm may be dulled by the tax legislation impacts. Mr. Stearns added that the interest rate was projected to increase by .25% per quarter.

The mechanisms for going beyond the levy limit were overrides and exclusions, which would be completed at elections. An override would increase the levy limit to whatever was set on the ballot question, creating a permanent increase to be built upon each year. From a marketing perspective, it would not be sold as a permanent increase, but might work as a good tool to permanently increase the budget. The Board of Selectmen put the question on the ballot and a majority of voters would be needed to approve it. If the funds were used for the Stabilization Fund, a 2/3's vote of the Board of Selectmen would be required each year, according to John Pruellage. The overrides cannot exceed the levy ceiling.

Exclusions would be temporary and/or one time increases to the levy limit. Capital expenditures could be funded but not operating costs. To avoid debt, such as for a water treatment plant, exclusions required a 2/3's vote of the Board of Selectmen. Capital outlay could be spent all in one year such as a debt exclusion, or could be used as debt service over a couple of years.

If increased costs occurred, the debt exclusion can only cover the amount approved with additional expenses needing to be covered through the General Fund or under another vote. The exclusions could be adjusted for premiums, State and Federal reimbursements that might be received, local revenues, or user fees to pay off the debt.

Town capital or regional capital do not require voter approval to increase debt service for items such as water or sewer treatment that would be offset by rates to consumers. Town or regional capital expenditures would not be exclusions to be voted upon by the citizens of the town. Some Towns use the system to pay for Board of Health initiatives to help residents pay for environmental remediation. When a Town paid for a repair and were paid back, it would be excluded from the levy limit and not require a citizen vote. Exclusions would not raise the levy limit therefore, total debt exclusions could temporarily go above the levy ceiling.

An Underride concept would occur as a vote in a special election to reduce the levy limit based on the Board of Selectmen or citizen initiative, if allowed by law.

According to John Pruellage, Proposition 2 ½ was all about what a Town could levy in taxes but would not do anything to limit appropriations. A budget could be passed in spring, but in fall, based on valuations or a new tax rate, a Town could be close to the levy limit and need an override, exclusion, or cut spending. Hamilton had the flexibility of a Special Town Meeting in fall. Proposition 2 ½ applied to levying of taxes and if appropriate, it could be spent if the town did not rescind the approval. If the item required an override and it was not rejected, the Town

would need to cut spending.

The concept of contingent appropriations was discussed. Appropriations would be made at Town Meeting, contingent upon approval under a Proposition 2 ½ vote at election. Any part of the budget could be contingent upon a vote. If the Town was in trouble and an override was needed, the town could pass a balanced budget at Town Meeting with a need for additional appropriation allowed if a vote was passed. Funds could not be spent until the vote passed the appropriation and if no vote occurred, the amount would never be appropriated. The appropriation would be limited by time. Annual Town Meeting would have until September 15 for a vote and Special Town Meeting would have 90 days for a vote.

A Warrant Article could specify a request but any appropriation could be made as contingent on Town Meeting floor. The Board of Selectmen would control putting the question on the ballot. If Town Meeting made an appropriation contingent, the Board of Selectmen would put it on the ballot and if they didn't, it would fail. The Board of Selectmen could reduce the amount on the ballot from what was appropriated.

Regional Schools and turf fields were discussed. School appropriation decisions were binary with either an approval or denial of the budget being the only options. If a portion was approved at Town Meeting, the portion of the budget would continue rather than having a complete fail or pass. No further Town Meeting action would be required under a contingency approval.

Wenham had indicated that they would approve up to a 2% increase and anything above that would be contingent upon the vote. The School could then decide to rebudget or take the money out

David Wanger wondered how to use the vehicle to allow the FinCom to become more substantively involved in the School Budget process. John Pruellage would think about how to educate the public as to the process. Phil Stearns recalled that the School Committee talked about the turf field at the Joint Meeting, using the phrase "debt exclusion" to borrow, which would not show up in their budget in an effort not to approach 2 ½.

Vetoing down the debt would be a Town Meeting appropriation. The vote itself would not be a disapproval of the borrowing. Best practice included having an election before Town meeting. If the vote failed, the town could formally reject the borrowing at Town Meeting. Temporary debt exclusions could last 20 years. It would be the town's action to reject their borrowing or if the town made it contingent and didn't get the vote, the School could say the town didn't reject the borrowing within 60 days and move forward. David Wanger suggested sending a message to the School Committee that the FinCom and the Board of Selectmen were educating themselves on the topic of Proposition 2 ½. John Pruellage noted that Hamilton was not up against the limit so strategic concepts were not as relevant to Hamilton as they would be in Wenham.

Forecasting was discussed. John Pruellage said it emphasized that the FinCom was doing the right things. Some towns passed formal By-laws that capital improvement programs were reviewed annually. Hamilton just started the five year capital plan, which had not been updated for a few years.

Most forecasts only extend three years or less with caution offered not to go beyond five years, according to John Pruellage. Summary roll ups had a big picture look as well as details. Having a big picture for departments and line items at a high level made it easy to digest. Forecasting would dovetail with financial policies for free cash and reserves. Political variables should not be assumed. Rather than forecasting by department with percentage increases, looking at purchasing and personnel costs were preferred. Towns should have budgets within 5%. While the school was within 5% of the budget, the school did not forecast.

An introductory article, a budgeting article, and then a Proposition 2 ½ article would be written by Darcy Dale.

Other topics not reasonably anticipated as determined by the Chairmn

In terms of furthering collaboration with the Selectmen without constraints of the Open Meeting Law, David Wanger suggested two members from each committee meet for breakfast to informally chat. Mr. Wanger recalled that he had spoken with the Director of the Library who said Wenham had a citizen academy. Monthly meetings were open to the public and a public official was present to discuss topics of interest. The Planning Board coordinated the meetings in Wenham. Darcy Dale was a member of the League of Women Voters and recalled the

Citizenship Bee, which was held each year. Mr. Wanger wanted to involve and educate the public.

Selectmen Sean Farrell and Bill Wilson were up for election. It was agreed that Bill Wilson would not run for re-election. Allison Jenkins said she would not run but had another year. On January 8, 2018 nomination papers would be available.

Minutes

Motion made by Darcy Dale to approve the minutes of November 15, 2017 and November 21, 2017.

Seconded by John Pruellage.

Vote: Unanimous in favor.

Adjournment

John Pruellage made motion to adjourn the meeting.

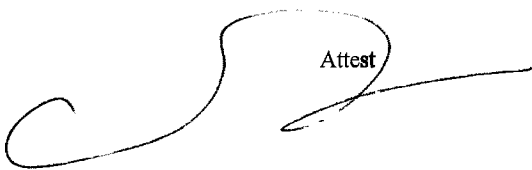
Seconded by Darcy Dale.

Vote Unanimous to adjourn at 9:16 pm.

Prepared by:

Marcie Ricker

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 A large, stylized handwritten signature in black ink, appearing to be 'S' followed by a long horizontal stroke.

Attest

Date

5/17/18