

HAMILTON FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting

November 19, 2018

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

This Hamilton Finance and Advisory Committee meeting was called to order at 7:56 pm at the Memorial Room, Hamilton Town Hall. The meeting was called to order as a joint meeting with the Selectmen.

1st Quarter FY19 Report with the Board of Selectmen

Marisa Batista presented a high level summary of the report. Page two featured revenues with a comparison to the prior year's first quarter. Ms. Batista said the Town was on target. In FY18, the Town experienced 25.19% of revenues received while in FY19, the Town experienced 24.86%. Ms. Batista noted the increase during the first quarter for licenses and permits, adding it was a good first quarter for building permits. The FEMA reimbursement, under miscellaneous was similar in comparison to the prior year.

Expenditures were listed on page 11 of the report. FY18 experienced 26.83% of expenses paid while FY19 experienced 26.58%. Marisa Batista explained that some departments or functions were lower than the previous year due to employee turnovers. Free cash, which was certified on September 20, 2018 for \$2.7M was listed on page 15. The Finance Committee Reserve Fund of \$100,000 had not been used. Ms. Batista said the list of special revenue and revolving funds and grants were getting shorter as she had been cleaning up old grants that had not had activity for five to eight years. Ms. Batista expected to propose an article at Annual Town Meeting for grants that were in deficit. The Stabilization funds had not changed but had accrued interest.

David Wanger referred to Other Post-Employment Benefits (OPEB) funding and the issue regarding the need for the funds to be in an irrevocable trust. Marisa Batista explained that when the law was passed, it was not clear that an irrevocable trust was needed. Some firms thought if a town didn't create an irrevocable trust, there was a risk that the funds could be transferred out of the fund. Hamilton's auditors had a strict view and did not consider the \$500,000 as plan assets when they reviewed the Town's financial statements. Parker Elmore, who did the actuarial evaluation of the Town had indicated that the State was working on an intergovernmental review that would prove if a town had established an OPEB trust fund and adopted Massachusetts General Law, it was assumed to be an irrevocable trust. Ms. Batista was in the process of exploring the establishment of an irrevocable trust to ensure the funds were set aside for OPEB only.

Marisa Batista said she was proposing to transfer money into the Stabilization Fund as she believed it was too low and establish and fund the Capital Stabilization Fund. Joe Domelowicz

referred to the Financial Policies and suggested transferring money from free cash into the Capital Stabilization Fund.

Marisa Batista said the cost of waste continued to increase. Recycling was currently paid at \$8,000 per month. Shawn Farrell suggested having a conversation about the cost of recycling versus regular trash if the tipping fee was less or the same as the cost of recycling. It was agreed that if residents composted more frequently, the cost of trash would decrease. Ms. Batista said some costs were fixed in the ten-year contract. Scott Maddern asked about the \$15 large item fee. Ms. Batista responded that it was listed on page 3 under "other charges for services" and raised \$1,365 for the prior year. There was a deficit for the blue bags as collection had reverted to a weekly pick up schedule.

Scott Maddern asked about the \$75,000 reimbursement for the Bridge St. culvert project. The Capital Projects Fund on page 17 listed the Bridge St. culvert as a deficit of \$163,000. The Town was hoping to obtain additional FEMA funding, according to Marisa Batista but it appeared to be a low possibility. Ms. Batista said the two options included using Chapter 90 funds or paying for the project with free cash. Ms. Batista said \$1M had accumulated in the Chapter 90 fund but she wanted to speak with Tim Olson as he used Chapter 90 funding for roads and sidewalks. The Town did not want to use Chapter 90 funds if FEMA would reimburse the cost. Joe Domelowicz said Tim Olson would propose the use of \$18,000 to update the DPW plan, which would be paid for out of the DPW budget. The process would take eight to ten months with FEMA offering their approval two months after the plan was completed. Mr. Maddern suggested using both Chapter 90 funds and free cash.

The Green Communities grant was listed on page 18. The Town was waiting for reimbursement, according to Marisa Batista. Green Communities would come to the town to review the project and reimburse the Town before year end. The grant was set up to offer 25% reimbursement after a percentage of work was completed, then 50% after another percentage was completed. The final payment was due.

Budget Calendar

According to Joe Domelowicz, his assistant would start getting department heads' meetings set up. David Wanger suggested that the end product be a separate book of FinCom recommendations. John Pruellage discussed if the recommendations should accompany the Warrant or be a separate mailing. Mr. Pruellage did not want to incur mailing costs for a second mailing even though it would give the FinCom an extra week to make recommendations. Scott Maddern considered the use of on-line information and handouts at Town Meeting. Mr. Maddern and Shawn Farrell agreed that the FinCom should go with recommendations in the Warrant even if the FinCom recommendations changed after release. Mr. Wanger envisioned substantive rationale and recommendations being offered together for each item. Mr. Pruellage suggested that if the recommendations needed to be presented a week later to be more informative, it would be a separate mailing even though the best case scenario would be to have

the recommendations part of the Warrant. Mr. Farrell added that the process should be fluid. Mr. Pruellage noted that having the recommendation arrive to residents' homes a week after the Warrant, would serve as an additional reminder that Town Meeting was forthcoming. Joe Domelowicz said that most articles could be voted upon early and that rushing should not be occurring on all articles. Mr. Farrell suggested leaving the process as it presently stood.

FY 20 Budget Discussion and Guidance

Scott Maddern considered the Town Operating and School Budget to be two separate dimensions. In the previous year, the Town Budget had a less than 1% increase, which was the lowest increase in many years. Previously, after analyzing assessor data, a 4-5% increase had been experienced. Since the last recession, the growth rate had been stable. The target had previously been set at 3% even though 1% had been achieved. David Wanger stated that two-thirds of the municipal budget was personnel related. Previously the Town allowed a 2% cost of living adjustment (COLA) whereas the Schools allowed a 2.5% increase. While the FinCom had not been informed regarding the new School contract, if it allowed for more than a 2% increase, it would be the second three-year contract that allowed an increase of more than 2%. Mr. Wanger noted that the Town employees would fall behind, which he believed the group should consider. The contract agreement would also put pressure on the budget.

Joe Domelowicz and Marisa Batista had previously discussed the drivers for the budget season with the FinCom. Drivers included the new contracts and upgrades for Vision and MUNIS software. Mr. Domelowicz and Ms. Batista would meet with Patricia Sullivan (MIIA) to discuss the property and casualty liability insurance. Health insurance would increase 10% and Workers' Compensation had increased 16% the previous year with an anticipated increase of 25% expected. Three union contracts were up for negotiations this year, including trash and recycling,

It was agreed that if the Town wanted to keep a 1% increase, cuts would need to occur as 65% of the budget was due to employee costs. The 1% budget was due to a "Perfect Storm" as titled by Shawn Farrell as turnovers had occurred and projects had not been completed during the year, which all caused a lower percentage increase. A typical increase of 2% to 3% was expected. MIIA had programs, such as nutritionists to lower insurance rates and trainings to lower property and casualty rates due to increased safety in the workplace. Marisa Batista recalled that the Town already received MIIA awards. Joe Domelowicz said the Town had a broker for insurance who would also speak with employees to keep costs down.

Joe Domelowicz said changes included additional personnel in DPW and human resources, both of which would reduce long-term costs. Mr. Domelowicz considered the positions as needs rather than wants. Mr. Domelowicz was working with other communities to share services for the Human Resource position. Scott Maddern said the DPW staff was lower than other comparative towns. Mr. Maddern was not concerned about employee morale with the potential school increases because he believed the Town employees were not falling behind. Mr. Maddern

pointed to the salary studies that had been conducted and wanted to default to best management practices. David Wanger responded that the Town had the responsibility to treat their employees equitably and that unions may look to the Schools contracts for an argument for fairness. Mr. Wanger added that if the previous contracts allowed for a 1.5% lag and another contract allowed for a second 1.5% lag, there would be 3% delta.

Jeff Hubbard wondered what a 3% increase would have on the tax rate. Joe Domelowicz responded that there were many things to negotiate but that he would do an analysis of what different points would do to the tax rate. David Wanger wanted to inform the public that the School budget was two-thirds of the town budget and that two thirds of the School budget was devoted to personnel. Shawn Farrell said that the 1% tax rate increase was due to the School spending increasing while the Town had actually cut spending. Marisa Batista added that free cash had also been used. Mr. Hubbard noted that now that taxes collected reflected funds spent, free cash would be minimalized. Mr. Domelowicz said money in reserves was preferable with capital planning being based on the Capital Stabilization Plan.

FY20 Budget School Asks

School "asks" included OPEB, school resource officer, the FY20 Budget, target run rate, new services, three to five year Operating Budget, Capital Stabilization Fund, Facilities Master Plan, priorities from the failed bond issue, the update on the special needs initiative, the update on the current collective bargaining agreement, shared services, Information Technology and purchasing, etc. It was agreed that if there were a level budget, cuts would need to occur.

In response to Darcy Dale calling the school resource officer an unfunded mandate from the State, Joe Domelowicz said the Police Department had previously filed a waiver for not having one. Now the Host Community Agreement was supplying funding for the position. Ms. Dale requested the Town investigate funds for the use. Ms. Dale added that the position did not need to be a police officer but could be a child psychologist or counselor. Scott Maddern responded that the Town now had the funding and that it was not taxpayer money. The Schools were previously concerned that the need would cost them money but it would not. Ms. Dale thought the funding should go to the Town and the Schools should request an officer through their budget with Wenham paying a portion of the cost. Bill Olson said if there were no resource officer, the Town would not receive the funds from Green Meadows Farm. Ms. Dale and Mr. Olson debated the discussion time devoted to the topic. Mr. Olson said the public documents had been discussed in public meetings. David Wanger said the FinCom did not have the opportunity to discuss it on their own agenda with information provided to them as a Town body.

Scott Maddern said the FinCom was responsible to work with the School Committee and District by statute. OPEB was a perennial "ask" for years. The Town had started their funding of the OPEB obligation but the Schools had not. When the Town began funding the obligation, they educated taxpayers as to the importance and members thought it might be necessary to be proactive about the Schools as the obligation would flow down to the Town in the Schools'

absence of fulfilling their obligation to dedicated money to the fund. Placing an article on the Town Warrant to educate taxpayers of the implication of the fund risk was considered.

David Wanger wanted to discuss the budget process of the Schools. Mr. Wanger recalled previously fighting about the agenda and that the Schools sat mute in the joint meeting with Hamilton and Wenham. Mr. Wanger wanted to have the public understand that the Schools' Budget was the public's money rather than a separate source. Mr. Wanger hoped the joint meeting of December 4, 2018 would allow for open discussion regarding items even if that had not occurred in the past. Mr. Wanger added that the Schools and Towns had a joint responsibility to inform the public. Jeff Sands had reportedly said the Schools were not dealing with OPEB currently but once bonds rolled off, the Schools would put in \$1M for 32 years. Shawn Farrell hoped to see a comprehensive plan to work toward an attainable goal. Scott Maddern said the School Committee had a goal to communicate more with boards in each Town. Mr. Maddern suggested inviting the Superintendent during the budget process to discuss questions and concerns. Mr. Maddern recalled the solution the previous year was to place the budget requests into two articles. Mr. Wanger noted the 82 votes that were either not counted or that residents did not vote on a School article. Mr. Wanger added that if those votes had been cast or counted, the result might have been similar to the defeated bond issue. Mr. Wanger reiterated the need to educate the public.

Scott Maddern referred to items such as the generator at Buker School, which disrupted an article. Capital items needed to get done even if they were not approved but no one had the opportunity to understand the list of "asks." Darcy Dale recalled that during the previous year, David Wanger had asked if the Schools could remove some items and show what was important but the School Committee did not do so. Mr. Maddern suggested they focus on a few real capital needs. Shawn Farrell suggested a Capital Improvement Plan such as Hamilton's. The Hamilton Capital Improvement Plan had several large items forthcoming, including the Patton Homestead and Town Hall. If Hamilton, Wenham, and the Schools each had a Capital Improvement Plan, the items could be meshed together so each entity would not be requesting funding during the same year. Mr. Farrell suggested folding in the School Administration in the same manner as department heads reporting at Selectmen meetings.

Nick Tensen said the School "ask" list had no focus with so much on it. John Pruellage noted the lack of timing as one of the details. David Wanger suggested having the list sent to the Schools ahead of the December 4, 2018 meeting and ask them to be prepared to engage in discussion on the items. Mr. Pruellage and Joe Domelowicz would formulate the list of discussion items for the Schools.

Gene Lee (School Committee) was present in the audience but could not speak on behalf of the School Committee, according to Scott Maddern. Mr. Lee would communicate the concepts back with other School Committee members.

FinCom's role at Town Meeting.

Joe Domelowicz said he heard the FinCom's desire to make sure their recommendations and reasoning were heard by Town Meeting. Mr. Domelowicz referred to Swampscott where the Moderator would read the article then the FinCom would say they had met, discussed, and voted on the article. The FinCom would then move the article opening up discussion on the item. Town Meeting would be voting on the support of the FinCom, which would give the FinCom an opportunity to explain why they made their recommendation but also left the debate open. Mr. Domelowicz said the process worked well. Bill Olson thought the person who proposed the article should be able to introduce the article to include his opinion. Town Meeting would have the opportunity to understand the social and financial background. David Wanger responded that the FinCom's relationship to Town Meeting went beyond financial items by statute. Mr. Wanger added that both Wenham and Ipswich present FinCom generated booklets to Town Meeting. Mr. Domelowicz said even if others, such as the Community Preservation Committee sponsored and introduced an article, Town Meeting should hear the FinCom's recommendations. Scott Maddern said he liked the written opinion idea but the process did not need to be more complicated than their offering their recommendation. Mr. Olson said the person who proposed the article should speak first then the FinCom could offer their recommendation second. Shawn Farrell did not think the order mattered. John Pruellage agreed as long as the recommendations were heard and that the residents would have received the booklet with available recommendations first. Mr. Pruellage suggested that if an article was sponsored by one group or citizen then the proponent could speak first but if it were a housekeeping or financial article, the FinCom should speak first.

Adjournment


David Wanger made motion to adjourn the meeting.

Seconded by Darcy Dale.

Vote Unanimous to adjourn at 9:18 pm.

Prepared by:

Marcie Ricker



Attest

Date