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HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Meeting
September 19, 2018

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

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

Public Comments

Bartholomew & Co., Inc. for investment update and presentation.

Joshua Paul and Brian Jamros (Bartholomew) were present to discuss the Town's investment accounts. A resource guide was distributed. According to Mr. Jamros, as of June 30, 2018, Bartholomew managed \$1.83B in assets of which \$1.1B were from cities and towns within MA. The State dictated what funds could be invested in for accounts such as scholarships, stabilization funds, and trust funds. OPEB funds for 140 municipalities across MA accounted for \$186M with another \$66M managed under prudent investment funds, which were approved by Home Rule or legal opinion. While Bartholomew had 25 employees, ten of which would touch Hamilton's account, Commonwealth Financial Network was used to manage the firm's information technology, legal, and compliance issues as well as being a broker to place trades. Commonwealth Financial Network was an independent broker dealer with access to all markets. Hamilton had three trust funds including the stabilization, CPA, and OPEB accounts.

Joshua Paul described the thesis that mandated how funds would be invested. Every community had different needs. The trust fund and stabilization fund had a balance of \$1.9M as of the end of the fiscal year. There were 25 to 30 equity stock names that were among the choices for investment with strict stipulations on what could be added to the list of stocks. Mr. Paul said 20% was invested in common stocks with the remainder invested in places with little volatility to allow for quick access to cash. The goal was to earn reasonable interest on the money. There were six different categories for corporate bonds with 20 to 25% in common stock and the rest in government agencies such as FREDDIE MAC or FANNIE MAE, which were controlled by the government. Treasury bonds had low yields as they were more liquid. There were varying lengths of treasury notes with escalating rates scaled to the longer length of time. As rates increased, shorter terms were preferred. As of August 2018, treasury notes were 2% of the investment. Common stocks were used to keep up with inflation. Scholarship interest was invested in

stocks.

Joshua Paul explained that the software took the estimated annual income column figure and divided it into the current market figure to determine the current yield. The expected income was over the current value or price. In response to Scott Maddern's question regarding how Hamilton compared to other towns, Brian Jamros responded that most would not go over 10 to 20% equities so they were similar.

John Pruellage asked how quickly the portfolio could be rebalanced in the event of a sudden downturn. Brian Jamros responded the trade could be completed the same day. The account was fee based rather than transaction based. Mr. Jamros warned against jumping out of the market at the bottom and trying to get back in but rather to expect a long term investment. Mr. Jamros added that ultimately it was the Town's money and Bartholomew would respond to their requests. Equities were not in the portfolio until 2013 when bonds were not earning enough. The account was opened in 2008.

All funds were comingled into one account in the booklet. The beginning principal for FY18 that could be non-expendable was \$359,000. CPA funds were \$650,000 as of August 31, 2018 with no common stock in the portfolio because the committee's intentions were to keep the account accessible. 50% was in a money market account and 50% was invested in a fix income or bond funds, currently yielding 1.8%. Cheryl Booth said the committee indicated they did not want to invest a portion of the fund. The CPA funds would stay within the account until the project was being done rather than when a project was approved. Ms. Booth added that the Town also had an account with a local bank that could be used in transition.

Nick Tensen noted the historical gains since 2008 to be \$109,000 with a \$1,000 gain since 2017 to the end of FY 18. Brian Jamros explained that as rates increased, bond prices decreased. Mr. Jamros added that at the maturity date, the investment would always go back to par.

The OPEB account had \$400,000. The brown line on the graph indicated withdraws and additions to the fund while the blue line showed the market value. The fund was originally conservative but was now more aggressive. The cash balance was kept to 1% to pay fees on an annual basis. The fund experienced a rate of 5.4% percent with an average rate of 6% since inception. The more aggressive portfolio was approved by the finance director (Debra Mena) on October 15, 2013.

Joshua Paul said the focus was to experience competitive rates without losing money.

Mr. Paul thought the economy would continue but the geopolitical risk was noted. Bartholomew would contact the Town if they felt a change. All communication would go through Cheryl Booth with whom they met with twice a year. Ms. Booth could preauthorize them to make a change if something were to happen.

Discussion ensued regarding the new legislation (32B20) regarding trust agreements. Trust agreements made before 2016 were grandfathered. The Department of Revenue had not developed an Informational Guideline Release (IGR) that was not contradictory. A template would be provided for a general trust document. Brian Jamros said Bartholomew had 13 regional schools with OPEB trust funds. Scott Maddern noted that Hamilton's regional school system had not yet pursued an OPEB trust fund.

Review FY18 Quarterly Report as of June 30, 2018

Marisa Batista was present and distributed the report noting the \$10.58M in operating reserves. \$301,000 was attributed to tax liens, motor vehicle revenue, and misc. nonrecurring items such as FEMA receipts for old storms. Ms. Batista said she was cleaning up old capital project funds and old grants that had not experienced any activity, which went into the General Fund. One account had a deficit so would need to go to Town Meeting to close the account as was done at the previous Town Meeting for five or six deficit accounts. The revenue percentage increase was 1.65% as there were no new revenue sources.

The General Fund expenditures totaled \$411,817 with fewer turnovers due to a tighter budget. \$143,000 was turned back. \$25,000 was from financial policies that were done via a grant, the non-purchase of the module, town clerk salary due to a vacancy, and the energy manager having fewer hours than anticipated. The Selectmen did not use any money for travel. Other savings were from the treasurer and collector and police and firefighter salaries, overtime and training. The Public Works Department turned over \$123,000 for work related to highway, a few vacant positions, and other highway expense including repairs and maintenance such as paving, marking, and sidewalks. Marisa Batista said there was \$5,000 not used for sidewalks. The higher level expenditure percentages increase of 2017 was 2.46% higher than revenue. 98.61% of the budget had been used.

The Water and Sewer Enterprise Fund revenue showed a deficit of \$145,000 with expenditure turn backs of \$154,000. The deficit was caused by a decrease in consumption and a high revenue estimate. The estimate was decreased for FY19. The turn back was related to savings related to the water plant and distribution. A couple of items had been budgeted for but it was later decided to do the big project so the items

ended up in the capital water fund. There was \$1M in the surplus fund. Marisa Batista said she was waiting for free cash certification from the Department of Revenue. Ms. Batista noted the deficit for the Bridge St. project (\$163,000) and said she was hoping FEMA would approve additional funding for the project. The Bridge St. project was paid for with Chapter 90 money (25%) and FEMA (75%).

Marisa Batista said she was cleaning up special revenue funds such as CPA trust funds, stabilization funds, and the Affordable Housing Trust funds.

Discussion of Special Town Meeting Warrant Articles

Scott Maddern requested that the FinCom provide an explanation of the financial implications, including school costs of the \$1M trade-off at Longmeadow Way. The trade-off was for the \$1M pay out to Harborlight to lessen the number of affordable units. Nick Tensen responded that the variable assumptions such as number of units would make the analysis difficult. Mr. Maddern suggested starting with the number of children per unit and the cost per student. Darcy Dale responded that nothing was in place and only words were being proposed. Mr. Maddern said the Selectmen had looked at trade-offs and wanted to develop goal posts. Mr. Maddern said to look at the middle range of impacts between \$200,000 and \$2M per year. Ms. Dale said that it was not reasonable to vote for something that was not defined adding that the Town could not get the money back.

John Pruellage stated there was no objective answer if the Town didn't spend \$1M because 200 units could not be guaranteed. The risk would be for the applicant who would go to the ZBA for septic or financial burden. Mr. Pruellage added that 200 units could just be an idle threat and if the Town spent \$1M, it might not avoid the 200 unit complex. Scott Maddern reiterated that he wanted the FinCom to determine what might happen if the Town spent \$1M and what might happen if the Town didn't. Nick Tensen asked if the Town agreed to 45 units what the cost would be. Mr. Tensen said discrepancies occurred as it related to the number of students and how many of each demographic. Joe Domelowicz suggested amending the motion at Town Meeting allowing for the authorization of the Town Manager to spend up to a certain amount of money conditioned upon specific items and if no signed documents were provided, it would not apply.

Nick Tensen said a lot can happen between now and when a decision regarding how many units would be built. Mr. Tensen wondered why waiting was not acceptable. According to Mr. Domelowicz, Harborlight would start a process to build on the site and once they started down that path, that would be the path they stayed on. Mr. Domelowicz

said Andrew DeFranza verbally said yes to the terms and if the vote was conditioned upon the items and he didn't sign the agreement, he could just go off and do what he wanted to do anyway. If Mr. DeFranza did agree, then the Town had successfully limited the number of units that Town Meeting authorized. Scott Maddern presented a chart of possible combinations. John Pruellage noted the Town was being extorted for \$1M and Darcy Dale asked Mr. Maddern why he was pushing so hard for it. Scott Maddern replied that he couldn't believe that the Fincom were not being more "charitable" to the homeless. Ms. Dale told him that Hamilton did not have a homeless population to house and serve, but that the town did have a dire need for Senior Affordable Housing and Work-force Housing which was in the upper tier of subsidized housing parameters.

John Pruellage asked what would stop another developer from extorting more money and adding more school children from another development. Darcy Dale stated Harborlight catered to the lower end of the population as well as homeless people. Ms. Dale wanted to take care of the Town's own populations including, young families in the upper end of the spectrum and elderly. Nick Tensen said many didn't believe there would be 200 units so what was the benefit of giving Harborlight the money.

John Pruellage said that in terms of objective fact, there was a problem with weighted probability analysis as it became more subjective with an advocacy for a position, which allowed for the numbers to say many different things. Nick Tensen suggested using a scale of one, five, 20 or 100 units to determine impact. Scott Maddern responded that two units would not change the school budget but 50 units might. There should be a step increase. Mr. Tensen did not want to present information that became advocacy. Darcy Dale asked if the developer should be doing traffic and school mitigation studies. It was suggested that the Affordable Housing Trust might do the analysis.

John Pruellage said the whole issue was multifaceted and did not think it was a wise way to spend money. Darcy Dale referred to the Winthrop School's lease expiration and the superintendent's study for a Cutler School expansion. Ms. Dale did not want to rush into anything when useful land would be available. Ms. Dale recalled the Doug Trees' plan would allow for the construction of 20 units between the Winthrop School and the Public Safety Building. While Mr. Pruellage said the construction of 200 units would solve the Town's compliance issue, Nick Tensen and Ms. Dale noted the size and wetness of the site. The conclusion to the discussion was that the FinCom was not going to change their vote and that they were firm in their belief that since there was no data, no agreement, no facts, nothing in writing, they did not want to give the impression that they were advocating for this developer in any way. Hence, they would not participate in any analysis of any kind.

Committee member reports on liaison assignment and other projects

John Pruellage said the School Committee adopted and renewed a myriad of policies but the budget policies were unchanged.

Oher topics not reasonably anticipated by the Chair.

Review and Approve Minutes from August 22, 2018, September 5, 2018 and September 11, 2018.

Motion made by Darcy Dale to adopt the minutes of September 5, 2018 and September 11, 2018.

Nick Tensen seconded.

Vote: Unanimous in favor.

Discuss/determine agenda for next meeting.

Discussion of article 2-6 and Special Town Meeting preparation would occur.

Adjournment

Darcy Dale made motion to adjourn the meeting.

Seconded by Nick Tensen.

Vote Unanimous to adjourn at 8:53 pm.

Prepared by:

Marcie Ricker

Attest

Date

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Other topics not reasonably anticipated by the Chair.

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Nick Tensen seconded.

Vote: Unanimous in favor.

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Adjournment

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Seconded by Nick Tensen.

Vote Unanimous to adjourn at 8:53 pm.

Prepared by:

Marcie Ricker



Attest

10-18-18

Date