

HAMILTON FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting

January 23, 2019

Members Present: Darcy Dale, Phil Stearns (Chair), and Nick Tensen.

Others Present: Marisa Batista (Finance Director)

This Hamilton Finance and Advisory Committee meeting was called to order at 7:22 pm at the Council on Aging Building.

Public Comment

Status update regarding establishment of an OPEB Irrevocable Trust Fund.

According to Marisa Batista, the attorney in Town Counsel's office sent language for the Warrant Article in order for the town to adopt the MGL and create the irrevocable trust. The Selectmen were reportedly in support but the article needed to go to Town Meeting. David Wanger had originally brought the issue up in an effort to have the process done correctly.

Town Budget Discussion

Marisa Batista distributed the books, which were similar to the previous year. The first section included the Estimated Tax Rate, which was a summary of expenditures and revenues. The estimated rate was based on property values, which increased by over 3%. Ms. Batista said the tax rate number could change based on valuations.

The General Fund Revenue was a summary version of what was estimated for the local receipts, including actuals for the last three years and estimates for FY19. Details with budgets for each subcategory, actuals for the past three years, prior years' budgets, and estimates for FY20 were included.

General Fund Expenditures included the compensation classification table, which would be offered as an appendix to Town Meeting and the Warrant. Marisa Batista included the information as part of the book so questions regarding employee placements in relationship to the wage grid could be answered. Two new, proposed positions were highlighted. The General Fund Budget summary was usually seen in the Town Warrant, which included the summary of personnel and the operating expenses by department. Detail was given for all accounts behind the categories. The General Fund MUNIS report illustrated all accounts with descriptions of the inclusions. Part-time permanent wages

including the minutes secretary (628 hours per year) and the social media specialist (468 hours per year) were illustrated. The report indicated who paid for what under each line item. The School Budget presentation was included.

The Capital Budget included what was proposed for FY20 and the next four years of the five year Capital Plan. Both the Operating Budget and what was bonded were included. According to Marisa Batista, \$1.7M was bonded with \$3M being bonded for water. The Chebacco Road paving project (entire road, paving and water main) would be \$2.5M. There was a potential to tap into the Manchester water supply. Ms. Batista did not have details on the water treatment plant. Tim Olson would be available at the joint FinCom/ Selectmen meeting the following Saturday as he was requesting another employee and much of the budget was devoted to the DPW. Phil Stearns noted that the design phase for Town Hall renovations would be \$700,000 and thought \$150,000 would be requested from the Community Preservation Fund. It was unclear if the group would go to Town Meeting this year for a request.

The Water Enterprise Fund Summary included prior actuals for the previous year, proposed FY19, and proposed FY20. Marisa Batista thought rates might increase the following year as it was promised at the last increase, that rates would not be increased for five years. In an effort to balance the account, \$166,000 was taken from retained earnings. \$1.002M remained for FY20. Phil Stearns noted that using retained earnings for operating expenses would be a long term disaster. Ms. Batista said there was no financial policy for retained earnings for the Water Enterprise Fund but it was good to have money available for emergencies. Only interest had been paid to date for the Chebacco Road project (\$2.5M), with the first principal payment (\$300,000) due next year. Ms. Batista said a good percentage was needed to remain in the fund even though there was no policy.

The MUNIS Report regarding estimated revenues, expenditures, and calculations for the Water Enterprise indirect and direct costs was discussed. The estimates were based on an indirect cost policy. Employee salaries were listed as 64.29% (nine employees) in public works and 35.71% (five employees) in the Water Enterprise. Tim Olson would provide information on exact job descriptions.

The Patton Homestead used the same format as the Water Enterprise. The Operating Budget did not represent capital costs. A grant was submitted but it was unclear if it was a matching grant. A transfer for \$101,491 was requested from the General Fund for operating costs. It was estimated the Homestead would collect \$36,000 in revenue, use \$30,000 from the unreserved fund balance from the prior year and the \$101,491 transfer

new in reference to the \$850,000 for fire suppression at the Winthrop School. The estimated tax rate increased 12.6% due to the shift to reserve funds rather than an operating increase. \$1M would be transferred to the Stabilization and Capital Stabilization Funds. Ms. Batista said the Town was spending less funded through the tax rate but was bonding some items that were not listed under Capital but were listed under debt service.

Marisa Batista said the unclassified funding was for three contracts to be negotiated. Ms. Batista intended to have it as a separate Article in the event any funds were left over as they would roll into the following year rather than going into Free Cash and needing to be re-appropriated. The retirement assessment increased about \$76,000. OPEB was only for medical insurance. Essex Country Retirement did an actuarial report and each community paid an assessment to fund it, according to Ms. Batista.

The Town Manager had requested a Human Resource position to be shared with other communities with the position being a Hamilton Town employee. The School Resource Officer continued to be in the School Budget. The Historic District Commission requested \$16,500 under the Planning Department for a Guidelines procedures project. Finance Operating Expenses included \$30,000 for an upgrade to the VISION (assessor's) software and \$11,000 for the OPEB actuarial study. The Police Department budget included a retirement buy-out as well as training wages and Tazer training. The \$78,000 increase in the Fire Department included the \$65,000 per year fire truck lease, fuel, and uniforms. Savings were expected in the Inspectional Department but due to the assessment cost from Wenham, there was an increase of \$19,000. The \$12,000 decrease was due to the previous year approval of \$12,000 for software that would be purchased in FY19. The expected revenue from permits was not experienced. Ms. Batista discussed the joint (Manchester) Animal Control Officer position. Ms. Batista requested that the employee be paid through Hamilton and reimbursed from Manchester. The new DPW position would be funded at \$83,000 and the new Human Resource position would be paid \$91,000. There would be a 6% (\$45,000) estimated increase for the library assessment. Salary Reserve for retirement would increase \$76,000 and health and life insurance would increase \$39,000. Property and casualty insurance were noted as increasing but the numbers were not specified.

The Capital Plan included a new pick-up truck for \$48,000. While the new fire truck was paid via a lease-to-own, the previous vehicle was 24 years old and was fully depreciated, according to Darcy Dale. Marisa Batista said debt payments for the ladder truck would be paid until 2027. There was \$48M in governmental debt outstanding, which would increase as the Town moved forward with capital projects, according to Ms. Batista.

FY18 Annual Report discussion

Marisa Batista suggested the percentages in Paragraph 4 be checked. The average home value was \$566,413, according to Ms. Batista. \$2.2M was Certified Free Cash in the end of FY18. \$2.7M was certified in the end of FY19. Ms. Batista said the report had the appearance of over-budgeting and it would be an improvement in the document to state that the Town: "Generated Free Cash due to actual receipts in excess of revenue estimates and unspent amount of departmental budget line items." Free Cash had been generated due to personnel turnover and uncompleted projects. Ms. Batista noted that the School and Town numbers for FY20 were exactly as hers indicated but FY19 were different. 6.2% versus 6.9% might have been different due to different versions of the budget.

Phil Stearns would receive comments and incorporate them into another version to be distributed and discussed at the next meeting. Marisa Batista would ask about a hard deadline. Darcy Dale requested that information about the Patton Homestead, including benchmarks requested regarding their program, be added to let townspeople know the FinCom was paying attention and focusing on making things happen. Ms. Dale noted that seven years had passed without fundraising or movement. Nick Tensen responded that headwind had been created to block movement. Ms. Dale requested that the Council on Aging and solar conversion be reported.

Nick Tensen said the 1.6% tax increase was misleading as taxes increased 8% due to the valuations increasing. Discussion ensued regarding how much the valuations increased and the average house value. Marissa Batista said the assessor had stated the average house was valued at \$566,000. Mr. Tensen wondered if the taxes increased 8% and the Budget did not increase 8%, where did the missing money go. Ms. Batista said the estimated tax rate tab showed the calculation with net Town expenses to raise. Last year 0% was raised in excess but then the numbers changed, the valuations changed, and the calculation showed a raise of \$7,000. Ms. Batista noted the estimated number was based on assuming the valuations would increase 3% but they actually increased 5%. The \$33.096M Budget depended on State aid and local receipts, which all affected the number. Last year, the Town raised \$27.5M plus revenue and spent \$30.8M.

Marisa Batista discussed unused capacity, which was dropping. The Town was hitting close to the 2.5% limit. Ms. Batista said new growth could change the rate. The previous year, \$350,000 was experienced in new growth. This year, \$150,000 was estimated but only \$145,000 was reached. While Canterbrook and Green Meadows Farm would create future tax revenue, Ms. Batista suggested the Town be conservative in revenue

estimating. The Town worked hard using free cash to lower the base, which affected the capacity. The capacity was down \$1.1M, according to Ms. Batista. Nick Tensen suggested testing the theory by plugging in different numbers and determining the impact for future years. Wenham would need to vote upon an operational override to budget their town. It was suggested that both Towns split the Schools Capital Plan for Town Meeting vote.

The fire truck was leased as there was no other project to bond for at the time. Marisa Batista said it would have needed to go to ballot as not all debt was excluded. Ms. Batista would determine which debt was excluded. Ms. Batista noted that some communities' capacity was as low as \$13,000, which made it difficult to balance the budget. Ms. Batista recalled that at the end of last year, the Town was \$50,000 off and if it only had \$13,000 in capacity, the Town could not balance its revenue deficit. It was assumed the AAA rating was in part due to the financial reserves and unused capacity. The capacity had been cut in half due to the Town and School increases for FY20.

The Capital Stabilization Fund was discussed. The fund could be used for expected items such as a fire truck. Funds could be spent via a two-thirds vote at Town Meeting. Marisa Batista said the Capital Budget had a column for a funding source and the Capital Stabilization would be listed. Using Free Cash as the source of funding was considered to be less restrictive as the Capital Stabilization Fund it would be used for a special purpose similar to the OPEB fund.

Preparation for the FinCom/BOS Joint Meeting on January 26, 2019

Updates on liaison assignments and committees

Darcy Dale recalled that she contacted Mary Beth (COA) on behalf of David Wanger. Ms. Dale also met with a Wenham FinCom member to discuss the Schools and their Budget. Phil Stearns said he met with Alex Begin to discuss the School Budget. Mr. Stearns had also met with John Pruellage, Mike Harvey, and Jeff Sands to gain a better understanding of the School Budget. Mr. Stearns thought the Budget had been scrubbed and that only 15% could be considered discretionary. Mr. Stearns noted that Jeff Sands could not answer specific utility questions regarding individual schools but knew overall school utility expenses. Discussion ensued regarding what the Schools might do in the event of being required to have level funding. It was assumed the Schools would not perform the exercise but if the School Committee were to push the issue, it might occur. Mr. Stearns said he had met with a School Committee member to go through the administration's budget presentation line by line, which gave him a good source of information for questions when he met with the administration. The greatest unknown

was the Capital Plan for the Schools.

The School's potential acquisition of Longmeadow was discussed. Darcy Dale thought it was a good idea as it was contiguous to the high school and would be a good opportunity for a consolidated elementary school, playing fields, and room for expansion. In response to Nick Tensen's question as to what would be done with the Winthrop and Cutler Schools, it was agreed that the sites could become senior or affordable housing.

Phil Stearns said Design Techniques and LLB (architects) had documented the Town Hall building and provided floor plans and elevations. A structural engineer had conducted a preliminary observation study to state that there were no major issues. Sub-consultant reports were pending. All employees had been interviewed to determine what space was needed. Three preliminary floor plan designs had been submitted with each one including an addition on the back of the building. Designers had been further challenged to keep the same footprint. Employees would not want to be in the basement. Outside consultants were obtained to do a site survey using the DPW yard in the back for parking. A geotechnical investigation for soil boring on the east side of Town Hall was conducted. HAZMAT consulting was being done.

Review and Approve Minutes from January 7, 2019 and the Joint Meeting with the Selectmen and Superintendent of Schools January 9, 2019

Motion made by Darcy Dale to approve the minutes of January 7 and January 9, 2019.

Seconded by Nick Tensen.

Vote: Unanimous in favor.

Other Topics Not Reasonably Anticipated by the Chair

Discuss/Determine Agenda for Next Meeting,

Town Budget discussions would include School Budget discussions. Debriefing of the next joint meeting. Minutes from January 23, and January 26, 2019 would be approved.

Adjournment

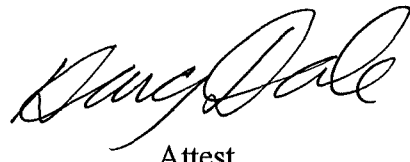
Darcy Dale made motion to adjourn.

Seconded by Nick Tensen.

Vote: Unanimous to adjourn at 9:26 pm.

Prepared by:

Marcie Ricker



Attest

03-07-19

Date