

**Advisory Committee
Meeting Minutes
2/23/2016**

In attendance: Committee Members Anderson, Baltera, Belyea, Coughlin, Hancock, Haskell, Kelley, Kutsch, MacKay, Pyles, Reale, Sharkansky, Smallwood, and Taylor, and Town Accountant Nickerson.

Chairman Pyles called the meeting to order at 7:30 PM.

Questions from the Public on Items Not on the Agenda: None

Approval of Minutes:

The minutes of the regular meeting on February 9, 2016 were approved as amended by a vote of 12-0-0. Dan Coughlin was not present for this vote due to a conflicting committee meeting.

The minutes of the regular meeting on February 11, 2016 were approved as amended by a vote of 11-0-1. Linda Kutsch abstained, as she was absent for most of the 2/11 meeting due to a conflicting committee meeting. Dan Coughlin was not present for this vote due to a conflicting committee meeting.

Education Subcommittee Recommendation for the School Budget

NB: Victor Baltera recused himself for the discussion of the School budget. Guests included School Superintendent Dorothy Galo, School Business Manager John Ferris, School Committee Chairman Andy Shafter, and School Committee Members Liza O'Reilly, Ray Estes, Carol Falvey, and Cynthia Galko.

Linda Kutsch presented the Advisory Committee Education Subcommittee recommendation and thanked members Jim Taylor, Donna Smallwood, and Dan Coughlin for their work. The Subcommittee voted the budget earlier in the evening, but one member was unable to vote, so Linda re-opened the budget, and all four members voted 4-0 in favor of the recommendation. The recommended budget is \$47,613,721. This is a \$2.2M increase in the overall School budget over the FY 2016 amount, representing a 4.8% increase. This budget is \$410,727 below the School Administration's proposed budget and \$172,324 below what we consider to be the base level services budget. Linda explained that the School Department prepared a needs-based budget, and the Subcommittee backed into a level services budget, with help from the School Department. The Subcommittee did not include any of the additional requests for funding, with the exception of a \$30,000 upgrade to an existing SPED position in order to include administrative duties. This was originally a new position but is now an enhancement.

Personnel costs comprise about 80% of the School budget. Jim Taylor explained the system of steps and lanes that govern salary increases. Step increases are based on the years of service, and lane increases are based on additional education. On an annual basis, the total increase in salaries is greater than 5%, based on the current contract. There are approximately 350 professionals in the contract. Retirements and leaves of absence have a significant impact on personnel costs. New hires are starting in a higher lane due to their educational status, and teachers are moving through steps and lanes quickly.

Jim Sharkansky asked if salary increases are based on merit, and he observed that a teacher could leave the system and return with a master's degree thereby qualifying for a higher lane. He noted that workers in the private sector rarely receive a 5% raise if they stay in the same job grade. Andy Shafter responded that teachers generally receive raises every year regardless of merit, but teacher evaluations do exist. He noted that there are more demands on teachers now than in the past, and that teachers have more accountability now. The School Department cannot change the union contracts that are in place. Dorothy Galo remarked that the same system exists in other Massachusetts towns and in other states.

Meeting participants engaged in a lengthy discussion about School contracts. Liza O'Reilly pointed out that the Town and the employees share the costs of the School health care package 50/50. Only a small percentage of the teachers take this package. Many other towns offer more attractive package, e.g., an 80/20 arrangement. When talking about total compensation, it is important to include the health care piece. The Hingham School Department now has a younger workforce and is focused on maintaining a high quality staff. Jim Taylor commented that when Hingham is compared to its 20 peer towns, it is near the bottom with regard to expenditures per student, i.e., 19 out of 20.

Tom Pyles noted that a 4.8% increase in the School budget is unlikely in future years. AdCom and School Committee members will have a series of meetings to discuss how to manage expenses in upcoming years. This is a long-term problem, as Town revenues are decreasing. He commented that it is discouraging that we cannot accommodate all School needs in FY 2017. Tom and Andy thanked everyone for their efforts and assistance.

Warrant Articles

Prior to hearing various Warrant Articles, AdCom members engaged in a brief discussion of the current budget situation. Tom Pyles announced that we are starting the discussion of the "money" Articles. Some may require the issuance of debt; some may require the use of Unassigned Fund Balance. At this point, we cannot assign a dollar amount to Article M (Transfer Funds to the Reserve Fund). We will hear the merits of each Article, regardless of how it is to be funded. We will end up with a balanced budget, with no expectation of a significant surplus to put into Fund Balance. At the end of FY 2016, the ratio of Unassigned Fund Balance to Total Annual Expenditures may be closer to 21% than 23%. Jim Sharkansky commented that it is difficult to fund "money" Articles when we have such a large potential budget deficit.

Article X – Senior Tax Work-Off Program

Donna Smallwood introduced this Article and provided background information on the work-off program and the proposed change. Barbara Farnsworth (Director of Elder Services) and Gretchen Condon (Chairman of the Council on Aging) attended the meeting. The Article proposes that the Town adopt the 125-hour maximum limit (number of hours worked per person). Barbara explained that the proposed change might cause an increase in the number of participants in the program. If it becomes necessary to raise the \$60K cap, Elder Services will ask the Board of Selectmen for permission to do so. In the past, people were rotated off the program after five years so all interested parties could participate, and this practice may begin again. The source of funding for this program is the Overlay Account, as the tax work-off program is a type of abatement. AdCom members approved this Article by a vote of 13-0.

Article FF – Town Administrator Special Act

Dan Coughlin introduced this Article. The following members of the Town Administrator By-Law Committee attended the meeting: Karen Johnson, Charlie Cristello (former Hingham Town Administrator), Tom Carey, and David Pace. (Nelson Ross, the fifth committee member, was not present.) Karen Johnson talked about the reasons for the Special Act and referred to the TA By-Law Article from last year. Codifying the TA role will be viewed favorably by the credit rating agencies, especially as the Town wants to maintain its AAA rating. (No credit rating agencies have expressed concern, yet, about Hingham having a TA By-Law and not a Special Act, but rating agencies are now looking at management stability as much as financial condition.) Benchmarking indicates that most other comparable communities in Massachusetts have adopted a Special Act or a Charter that defines the role of Town Administrator or Town Manager. A Special Act will codify the By-Law that was enacted last year.

Charlie Cristello handed out a document listing the Trends in Management in Massachusetts Communities. He explained that it is important to have certainty in the TA role for the person filling this role. The Special Act will ensure clear responsibilities that will not change when the Board of Selectmen changes. BOS

members often have full-time jobs and limited time for Town management. The Special Act will help the Town to attract high caliber candidates for the TA position and also for the BOS. As in the current situation, the BOS will have the authority to hire, supervise, and fire the TA or not renew his/her contract. TA By-Law Committee members noted that it is more difficult to hire the right TA than to fire the TA.

Tom Carey explained that the difference between a town administrator and a town manager is mostly semantics. A town manager has more independent authority, but the role is not that different. The State Special Act will codify the TA By-Law and will keep the "Town Administrator" name. No additional authority is being requested in this Article. The Special Act guarantees that professional management of the Town is a given. Some people think that the Special Act will delegate power from elected officials (BOS) to an appointed official (TA). TA By-Law Committee members provided assurance that the Act will not threaten the BOS or concentrate power in one position. The BOS will continue to set policy, and the TA will execute the policy.

The request for a Special Act is appearing only a year after approval of the TA By-Law because it may take a year or more to enact the Special Act, and members of the TA By-Law Committee want to get the process started. The AdCom vote on this Article will occur at a subsequent meeting.

Article DD – Lincoln School Apartments Capital Requirements

Dave Anderson presented this Article. Gretchen Condon (member of the LSA Board of Managers) attended the meeting. When the Town purchased the LSA in 2008, the expectation was that the LSA would be able to accumulate funds to use on capital improvements, but the planned 30-year borrowing was compressed to 20 years. The rental amount paid by Hingham Affordable Housing Trust has left very limited funds for capital expenditures. The LSA Board recently completed a Capital Needs Assessment that identifies a total of \$2M of capital needs over the next 20 years. Chief among the needs are window replacements and interior upgrades in the entrance, in hallways, and in residents' units.

Article DD proposes that the Town lend the LSA up to \$1M over the next 10 years to be expended by the HAHT for capital improvements to the LSA. If this Article is approved, the Town immediately will restrict \$1M in Fund Balance, and the HAHT rental payments will increase to incorporate capital loans, as they occur. (There will be no need to incur the expense of going back to the bond market.) The LSA will have 10 years to draw down the \$1M but may not need this much funding. The interest rate will be what the Town is earning on cash. Payback of the capital loan may extend more than 10 years. The ability of the LSA to pay for capital improvements and/or pay off the loan will increase in the future as the payment amounts for the original debt decrease. (Note that there is no plan to increase the rental amounts paid by LSA residents.)

Jim Sharkansky asked if the HAHT could use monies from the Opportunity Funding Program to finance LSA capital improvements. The Town made the decision in 2008 that the LSA would be self-sufficient, but the debt payments were larger than expected due to the terms of the bond issuance. Now the LSA is asking for more funds. We need to take care of the elderly residents, but the Town should not have to shell out more money.

AdCom members approved this Article by a vote of 13-0.

Article V – Road Building

The AdCom hearing on this Article occurred on 2/9/16. AdCom members engaged in further discussion about the road building and the length of the program. Town resident Robert Blucke was present for the discussion. During the 2/9 meeting, AdCom members expressed concern about the implication that operating costs were included in this Article, but Town officials have made it clear that the personnel funding will be used to hire a contractor to serve as a project manager. This would eliminate the need to

hire a new Town employee in the Engineering Department in FY 2017. The project manager costs would be rolled into the debt with the capital costs. The Engineering Department may return to the Town in five years to ask for a full-time employee, but this is not a certainty.

The BOS voted to bond this project, i.e., to use non-excluded debt to finance the road building. AdCom members asked about the impact of Article V on the Town's taxes. Debt service (interest and principal payments) is part of the operating budget, so taxes will not increase more than 2.5% because of Article V, but debt service will increase due to the debt issuance. Other budget items may be reduced because of the additional debt. The Town is already above its debt service level, per the Financial Policy. If we add the debt for Article V, the total amount of the Town's debt service will decrease more slowly than otherwise. The Town has the option to use BANs (short-term borrowing) with very little interest versus bonds (long-term borrowing).

Tom Belyea presented the recommended motion for Article V. It specified that the Town appropriate \$2,242,000 for a five-year road-building program, specifying bonding as the funding mechanism. Eric Haskell proposed an amendment to complete the program by 12/31/2018. The AdCom vote on the amendment was 1-12, so the amendment failed. AdCom members approved the original motion as stated by a vote of 13-0. Tom Belyea agreed to add language to the Comment concerning the need for a two-thirds vote on this Article by Town Meeting.

Article BB – Kress Field Playground – PARC Grant Program

Eryn Kelley distributed copies of Article BB. Mark Thorell (Director of the Recreation Department) attended the meeting. Eryn explained that the Article authorizes the Board of Selectmen to accept a State grant of \$50K for partial reimbursement of the cost of renovating the Kress Field Playground, which is a 2016 CPA project. Upon completion of the project, the State will send the grant money to the Town for deposit in the Community Preservation General Fund. AdCom members approved this Article by a vote of 10-0. Tom Belyea, Victor Baltera, and Craig MacKay were not present for this vote.

Article Z – Hingham Harbor Park Project and Building

Chris Reale presented this Article, which authorizes the Board of Selectmen to petition the State legislature for approval to erect a building exceeding 600 square feet on the parcel known as 0 Otis Street. The town has received official approval from the Seaport Economic Council of the request for a \$700K grant for construction of a multi-purpose maritime building. AdCom members approved this Article by a vote of 13-0.

Article AA – Bathing Beach Bathhouse and Refreshment Stand

Chris Reale presented this Article. AdCom members approved this Article by a vote of 13-0.

Miscellaneous Comments from the Chairman

Tom Pyles asked AdCom members to review the Forecast dated 2/18/2016 that was in their folders. He noted the \$2,648,298 deficit and outlined how that could be eliminated. Approval of the budget is on the agenda for the 2/25 AdCom meeting.

Matters Not Anticipated within 48 Hours: None

Adjournment

The meeting was adjourned at 11:00 PM by a vote of 13-0.

Respectfully Submitted,

Lucy N. Hancock
Secretary

List of Documents Distributed at the 2/23/2016 Meeting:

Agenda for AdCom Meeting of 2/23/2016
Draft Minutes from 2/9/2016 AdCom Meeting
Draft Minutes from 2/11/2016 AdCom Meeting
Five Year Forecast dated 2/18/2016 (4 pages)
WASS dated 2/18/2016
AdCom Schedule dated 2/21/2016
Article V (Road Building)
Article X (Senior Tax Work-Off Program)
Article Z (Hingham Harbor Park Project and Building)
Article AA (Bathing Beach Bathhouse and Refreshment Stand)
Article BB (Kress Field Playground) (original copy in folder and revised copy handed out at meeting)
Article DD (Lincoln School Apartments Capital Requirements)
Article FF (Town Administrator Special Act) (Clean version and version with edits highlighted)
Trends in Management of Massachusetts Communities (from Charlie Cristello)
Revised Article CC (Amend CPC Composition)