

HAMILTON FINANCE AND ADVISORY COMMITTEE
JOINT MEETING WITH THE HAMILTON WENHAM SCHOOL COMMITTEE AND
THE WENHAM FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting
November 17, 2016

Members Present: David Wanger (Chair), John Pruellage, Phil Stearns, and Nick Tensen

Others Present: School Committee: Stacey Metternick (Chair), Michelle Bailey, Jeanise Bertrand, Deb Evans, Josh Liebow, and David Polito.
HWRSD Superintendent, Michael Harvey and Jeff Sands
Wenham Finance Committee: Michael Lucy (Chair), Alex Begin, Ned Flynn, Rick Quinn, and Mike Therrien.
Wenham Town Manager, Peter Lombardi.

This meeting was called to order at 6:35 pm at the Hamilton Wenham Regional High School.

Budget Dialogue

Wenham Report

Peter Lombardi discussed long range budget forecasting, noting that FY17 was going to be a challenge with FY18 and beyond becoming even more difficult. Mr. Lombardi said he was projecting a \$500,000 shortfall to the budget. The Town of Wenham had been working with Department Heads requesting a very bare bones budget. The 2.5% COLA had been negotiated with the union for all departments. Mr. Lombardi said the Town of Wenham would be using \$750,000 of free cash to balance the budget.

Peter Lombardi said new growth was \$27,000, which was in line with FY16 actuals. Local receipts were up by \$56,000. State aid was static. Expense drivers included personnel with a 2.5% (\$75,000) in COLA, health insurance (7% placeholder), pension which had increased 7%, trash which was a 50% increase (10 year contract brought it down \$15,000), and Stormwater compliance permits. Stormwater management was a new federal permit incurring a \$90,000 cost in year one to be in compliance of a five year permit. According to Mr. Lombardi, the school enrollment shift was a major driver causing a \$300,000 increase. The Town had included a placeholder for school cost to include an increase of 2.5% or \$250,000 in the Town budget.

Mr. Lombardi described the enrollment trends for the last five fiscal years in which the Town of Hamilton lost 160 students and Wenham added 50 students. The Town of Wenham experienced a 9% increase over the last five fiscal years while there was a 10% increase for the schools.

There was a 2.2 – 2.7% average increase each year. According to Mr. Lombardi, there was an educational assessment or enrollment shift during that period, which caused a \$448,000 increase in the Town of Wenham expenses.

In Wenham there was \$17M in estimated revenue for FY18 with \$18.3M in spending, for which the Town would use free cash to balance. The Town of Wenham has already cut \$81,000. The Town of Wenham was projecting a school increase of \$590,000 of which \$570,000 would be

dedicated to HWRSD and \$20,000 for Essex Tech, as they were anticipating one more student in 2017: With \$314,000 in the enrollment shift it would leave \$216,000 to accommodate the school system and Town of Wenham operating expense increases while staying within the Town levy limit.

Historically free cash had been used to offset the tax rate but the Town of Wenham would need to use free cash to supplement the Town operating budget. Free cash levels would not be as high in the future. Peter Lombardi stated that a 5% increase was not sustainable and would not allow for a balanced budget so the HWRSD needed to come in with a lower number. Mr. Lombardi suggested the school district get below 2% and closer to 1% if they wanted to balance the budget and not have an override for FY18.

Hamilton Report

John Pruellage distributed The Hamilton Finance Committee Report. David Wanger said Hamilton was not as far along as Wenham in the budget process but wanted to share information with the handout forming the context. Mr. Wanger reviewed the role of the FinCom who he said were charged with making recommendations on a whole range of issues, which was a broad statutory foundation. Included in that range was the budget process, of which a sub part was the school budget. The FinCom would make recommendations and then Town Meeting would vote on the budget. Mr. Wanger noted that in formulating the report, the FinCom didn't want to be reactive and continued that the more information was shared, the easier it would be to gain knowledge rather than work their way backwards. Mr. Wanger wanted to share information in a collegial way, not only in January, but at other intervals. Mr. Wanger concluded that if the Committees remained in the loop rather than needing to react after the fact, it would avoid negativity because the same concerns were shared with all three groups.

David Wanger recalled that prior practice of the respective FinCom chairs had met with the School Administration well in advance of the current meeting but there was a unilateral withdrawal of the opportunity, sending signals.

David Wanger presented an overview where Hamilton was at the moment, highlighting the demographic aged population causing a school enrollment decline. Mr. Wanger defined the dynamic set up that presented problems for electoral trends to where tax dollars would be invested, in particular a change in perception as to where tax dollars should be sent. Mr. Wanger referred to the Town-wide survey where the tax rate was the most significant item of concern, which was also illustrated at Town Meeting last October. Despite a positive trend related to the tax rate reduction over last half of this fiscal year and the Selectmen recommendations for all and FinCom recommendations of most of the items, Town meeting rejected some expense proposals. The tax rate was moderating and town leadership was favorably inclined, but the Town rejected the cost items, making their own cost benefit assessment. Mr. Wanger stated that Town Meeting would be governed by what would benefit the majority of taxpayers. Competition was changing the landscape. Mr. Wanger suggested being sensitive to issues such as OPEB, infrastructure and affordable housing.

David Wanger said the Town of Hamilton was interested in level service approaching as close as possible level funding, allowing for compensation needs to be offset by other cuts and suggested the Committees confront the reality that Spring Town Meeting would not be more generous than the October Fall Meeting. Mr. Wanger asked the School Committee to follow the guidelines of the Town with level service and close to level spending, including locating budget places to offset budget increases.

Measurement standards should be considered to see where the School stood as a district compared to other districts. David Wanger recalled the Superintendent's statements in his

presentation to Board of Selectmen prior to ATM that the OPEB issue would be addressed after the budget was approved and that the Superintendent would keep the BOS/FinCom informed, and no further information has been forthcoming. Mr. Wanger suggested that the tax rate issue was a predominate concern or impediment to younger families moving into Hamilton even though younger people moving in with children would increase enrollment. Mr. Wanger did not believe it created a good trend for the culture of the schools or the Town.

HWRSD Report

The School Committee distributed a handout and announced that the budget leadership team, school principals, and directors of departments had been consulted and on December 15 the School Superintendent would make his presentation at which time they would share information with both Towns. Michael Harvey said beginning on December 15th and making up a significant portion of every meeting until February 6th, meetings would reveal more detailed presentations. Mr. Harvey said there would be joint meetings for the fourth year in a row and the Committee expected to follow that process. The process started with the School Committee and Superintendent.

Michael Harvey said the Committee would look at level funding and level services but would look at different scenarios through the process. Ned Flynn suggested having the departments prioritize their needs as a great exercise. The response was to respect the process and take direction from the School Committee. Mr. Flynn said the alternate would provide choices rather than one budget. Jeff Sands said the school system did the prioritizing every day to repurpose existing money. Stacey Metternick announced that the Towns had received money back because of the savings.

There was a \$425,000 increase due to contract negotiation after the budget was produced that was absorbed. School increases were half the rate of the average in the state. Ned Flynn said in Weston the school district and Selectmen were involved in more discussion. Stacey Metternick said it was different because Weston was not a regional district and continued that there was a proportion change even if the schools spent the same amount of money. Mr. Flynn responded that he was aware of proportions. Peter Lombardi repeated that the Town of Wenham had \$250,000 in revenues to fund the net school operating costs. If there were more than a 1 to 2 % increase, there would be an override that Town Meeting would need to approve.

Jeff Sands said the Committee would take in all the drivers and go through the process while doing what the school needed to do and go from there to be inclusive with everyone. Mr. Sands repeated that the process started with the School Committee. Mike Harvey recalled that during his first budget process, he felt in the dark with no input from either Town.

David Wanger added that the school portion of the Hamilton budget was close to 70% to which the School Committee responded that the percentage was commonplace across the state.

Mike Harvey announced the teacher's contract with 3% steps, and degree change requests for degree changes due by December 1st. Essex Retirement Pension Fund appropriation had increased every year. Mr. Harvey added the cost of district tuitions, which were skyrocketing for placements of the most needy students included transportation costs. Another concern was OPEB. Actuarial evaluation with OPEB was \$25M. Enrollment shift included a 1.2% increase to Wenham. Jeff Sands, due to enrollment change there would be a staff headcount. Michael Harvey said if there were cuts, it would be in staff. In accordance with the Budget Calendar, the recommendations were 85 – 90% complete. The budget would be brought together the last week of November or first of week of December, based on the feedback to make deeper cuts or recommendations. The Committee would hear the proposal first, then the community.

David Wanger asked about shared service analysis, including equipment, grounds keeping, or IT that have common application with the Town. Mike Harvey said the needs for services were not common. Jeff Sands recalled there was a maintenance agreement to include snowplowing with the Towns, which were paid by the Schools. Even though there was not an IMA, the Schools said they were generous by providing IT expertise to the Town of Hamilton, for a new phone system, with the School IT Director spending five to six months setting up the service.

Stacey Metternick suggested the next follow up meeting would be in January.

John Pruellage made motion to adjourn

Nick Tensen seconded

Vote Unanimous to adjourn at 7:32 pm

Prepared by:

Marcie Ricker

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Attest

Date

1/5/17