

## HAMILTON FINANCE AND ADVISORY COMMITTEE

### Minutes of Joint Meeting

January 8, 2020

Members present: Valerie McCormack, John Pruellage, Christina Schenk-Hargrove, Nick Tensen, and David Wanger (Chair).

Others present: Marisa Batista

This Hamilton Finance and Advisory Committee (FinCom) meeting was called to order at 7:02 pm at the Council on Aging Building, Bay Road, Hamilton.

### **Public Comment**

#### **Presentation by Rick Mitchell regarding the Hamilton Development Corporation (HDC).**

Rick Mitchell was present. Mr. Mitchell recalled that during the previous fall, the HDC was before the Planning Board for an 18 unit site plan approval at 59 – 63 Willow St. While the Planning Board unanimously approved the project, there was a question as to the validity of the By-law. The Attorney General had sent a letter indicating that the By-law was appropriately approved. The HDC had since developed a Request for Proposal (RFP), which had been sent to their attorney for review. Once reviewed, the RFP would be issued to the development community. HDC board members would supply names of developers and other interested parties and the RFP would be posted on the State's website. A bidders' meeting would be held to answer questions. Proposals would be due in the end of February and would be evaluated in March. A decision would be made in April. According to Mr. Mitchell, the minimum \$1M purchase price allowed for a tight profit margin. The highest and best value for the project would be considered. The current mortgage was \$460,000. A line of credit was also available to the HDC. \$100,000 had been spent for engineering, design, and legal fees. An additional \$7,500 was spent on a peer review for drainage and septic concerns noted by the neighbors. Once developed, the project should add \$5M to the Town's assessed valuation, based on a construction cost at \$200 a square foot.

Rick Mitchell explained that the Planning Board had voted unanimously to support the Mixed-Use By-law, which allowed for the by right use of the development. The Planning Board was not able to deny a project under Site Plan Review but could condition it. The last traffic study for downtown had been conducted in 1983. The HDC wanted to be supportive (financially) of another study as parking had been noted as a problem. Rick Mitchell said no scope had been determined to date so no budget had been set. The first traffic/parking meeting had occurred with a parking/traffic study to occur sometime around mid-year. Mr. Mitchell said the project was not contingent on the study and that four extra parking spaces and a fire truck turn around had been added to the plan. Neighbors had asked to retain the Mac's Shoe building as a visual barrier from houses across the street, which was made a priority. The HDC would not be able to restrict a buyer but would maintain a strong preference for the building to be retained. If the developer

chose to sell the building, the abutters would have first refusal. If the building were to be torn down, an aggressive planting program would need to be in place to create a visual barrier, according to Mr. Mitchell.

In response to David Wanger's question if the project would be economically viable with fewer than 18 units, Rick Mitchell responded that the more units built, the more income. Mr. Mitchell added that the deal would likely be all cash as banks would find it difficult to support financing in the current configuration. Mr. Mitchell said the development was not something people would flock to. Two HDC members had reportedly assessed the project.

David Wanger said a supplemental Town Counsel opinion would be forthcoming as the Attorney General's letter did not satisfy the needs of one or more interested parties. Town Counsel's opinion would supplement the Attorney General's opinion. Once received, a neighbors' meeting would be scheduled. Jeff Hubbard had asked Mr. Wanger to moderate the discussions. Mr. Wanger suggested that a neighborhood representative become involved with the project's process, which could be used as a template for future development.

Discussion ensued regarding potential changes to the Mixed Use By-law, which would restrict density. Rick Mitchell said changes would be applicable to previously approved projects but the HDC planned on applying for a building permit, which would preclude the project from needing to follow newly approved restrictions or requirements. As soon as a building permit was issued, construction was considered to be underway. The permit would be good for two years and eligible to be renewed indefinitely.

Rick Mitchell said the HDC welcomed questions from the FinCom as their support at Town Meeting was important. Mr. Mitchell recalled that the Meal's Tax appropriation was supported by the FinCom for the last eight years. David Wanger suggested that the HDC prepare a summary to educate Town Meeting. Mr. Wanger further noted that the tax base was problematic and finding new sources of revenue was important as the general population did not understand the Town's critical situation. John Pruellage and Mr. Wanger agreed that having the Planning Board generate a change to the Mixed Use By-law with informed discussions may be better than having a Citizen Petition presented on the same topic. Mr. Mitchell said he would make the suggestion to the Planning Board.

**Discussion with Finance Director and/or Town Manager regarding:**

Marisa Batista was present. David Wanger distributed an e-mail from Joe Domelowicz who was absent due to an illness.

**Review of FY20 status**

Marisa Batista reported that 55% of the budget had been spent while last year at this time, 50% had been spent. Ms. Batista said the tax recap and tax rate had been approved. The FY19 audit was complete and hard copies had been distributed to members. The auditors' exit conference

would occur at the next Selectmen's meeting. Ms. Batista said FY20 was going well and she had not heard from any departments that deficits would occur. Encumbrances were defined as contracts that have not been completely spent. It was assumed that part of the School encumbrances included salaries. \$6M was yet to be spent from the School budget. Ms. Batista said the Town was told that the Schools had started their year at a deficit so there must be items that were not encumbered. Joe Domelowicz had reportedly been told that the Schools' Excess and Deficiencies (E&D) were \$1M. Ms. Batista would get clarification.

#### Review of legal fees in FY20.

Marisa Batista had two months of invoices (\$22,000), which illustrated the accounting system of what was paid. Multiple invoices had not been paid as there was a problem with invoicing. Town Counsel received a \$90,000 retainer per year plus hourly general legal services and litigation fees of \$200 per hour. Joe Domelowicz would meet with the law firm to discuss if the retainer was set at the proper amount. Ms. Batista said it was difficult to breakdown which items should be paid from various accounts such as CPC or water funding. Ms. Batista said she needed to wait until the Town Manager's office determined which items were part of litigation services and which services were part of the retainer. Members deciphered the monthly retainer fee from other services on the invoices. A copy of the signed agreement would be sent to the FinCom.

#### FY21 Budget process for the Town and HWRSD

Preliminary numbers indicated a 3% Town budget increase not including transfers to specific funds. Marisa Batista said she didn't see how she could balance the budget given the assumption the School Budget would increase 13.6%. There was no capacity in the tax levy unless Town reserves, an override, a budget cut, or a combination of all three was implemented. Joe Domelowicz reportedly said even if the School budget was decreased to an 8% or 9% increase, it would be a problem. The current tax rate and valuation would not produce enough money requiring an override or use of reserves. An override might be needed as the tax rate could not increase more than a certain limit. Ms. Batista explained she needed to start with the previous levy limit, add 2.5%, then add estimated new growth, which became the current levy limit. The proposed budget would use up all unused capacity (\$900,000). A significant tax rate increase would be needed. Ms. Batista said one option would be for the Town to use its reserves to balance the budget but a larger need would occur the following year. To balance the budget, \$1.5M in reserves and \$900,000 from taxes (\$2.4M total) would be needed. Wenham's tax rate was in the 20's and they were trying to cut as much from their budget as possible.

David Wanger said Joe Domelowicz had taken personnel complement concerns seriously but would be hiring another fire fighter. Other line item increases might need to be scrubbed but the 3% increase was basically due to salaries. Marisa Batista said some capital items may not have been critical and could possibly be delayed until another year. Nick Tensen suggested this would be an appropriate time to combine Hamilton and Wenham Police Departments. While 25

policemen were needed for two towns now, only 20 would be needed to cover both towns if they were combined. At \$100,000 per policeman, significant savings could occur.

Marisa Batista added that the Schools were increasing 13%, which was 60% of the Town budget. Ms. Batista wondered if it was appropriate to lay off Town employees so the School could continue to grow at a high rate. The FinCom and department heads may meet again to cut and make changes. Christina Schenk-Hargrove would speak with the Schools to learn about their budget. The Town had 2.5 months to develop a strategy and alert the public to what was happening. The Schools reportedly started their FY20 budget with a \$1M deficit then added 2.5 or 3% salary increases. Ms. Batista recalled that in the second week of July, Jeff Sands projected the \$1M deficit. David Wanger said the Towns needed to come together to form a concerted approach to the budget. Ms. Batista and Mr. Wanger agreed using all reserves to fund one year and be in a worse situation the following year was not acceptable.

Nick Tensen recalled that Phil Stearns had met with long term residents who had historically opposed combining the Towns but were now open to combining the towns to save money. Mr. Tensen said he did not believe new residents had long held sentiments. Valerie McCormack said she believed most people thought it was one town. Christina Schenk-Hargrove thought parents would support the School budget because a certain number of teachers were needed and the Schools did not appear extravagant. Ms. McCormack said she had never heard the Town was in peril and the Schools were better at communicating with the community. Ms. Schenk-Hargrove said the situation should be presented that if the School budget was approved, the Council on Aging would be closed or the Fire Department would be minimized as a concrete example of what could happen. Explaining that roads would not be fixed, water would not be improved, or trash would not be picked up were other examples to be used. John Pruellage recalled the political strategy of two years past when the budget was passed after the Warrant was split using sports funding to entice parents to attend Town Meeting.

Marisa Batista said she found it difficult for the School budget not to pass as residents moved to Hamilton to be a part of the School District. Ms. Batista said education should include the compromise of not having trash, fixing the roads, or laying people off as it would be impossible to maintain the same services. John Pruellage said the situation had been coming for years and that the fact that using reserves would cause the same situation next year should be highlighted. Mr. Pruellage said the tax rate would be increased even if reserves were used. The Town would need to educate the residents regarding the budget. Ms. Batista said more discussions should be held with the School and she would speak with the School Finance Director. Valerie McCormack reiterated that the School had a communication system that the Town did not have. Facebook and the FinCom report would be used to highlight the situation.

Marisa Batista said her biggest concern was that the Town could not balance the FY21 budget until the School budget was presented. Ms. Batista would meet with Joe Domelowicz to determine the second set of meetings and see what could be cut. Christine Schenk-Hargrove said

adding a person to save money could not be done without having enough money to hire them. Ms. Batista said the Town could revisit DPW capital expenditures for another year.

Water rate versus infrastructure increases were discussed as a source of additional revenue. Marisa Batista said she could not balance the water budget without using reserves. Potentially \$200,000 in reserves and a water rate increase were considered to fund the deficit. Water project debt was increasing over the years. Nick Tensen suggested having three to five years of modest rate increases and using existing reserves to offset potential deficits. The goal would be that at the end of five years the water rates should rise sufficiently to cover water enterprise expenses. Ms. Batista said the \$1.5M capital improvement for water distribution was not even part of the FY21 calculations. Ms. Batista said the Town had approved a water project every year that she had been employed with the Town. The Town had not started to pay the 20 year debt for those that had already been approved. It was agreed that paying for Town Hall renovations would be difficult to approve. It was agreed that trash was an issue for many towns.

**Discussion regarding CPA funding: comparison with cost of borrowing.**

David Wanger asked Ms. Batista to analyze if increasing CPC funding to 3% and its potential State matching grants would offset the cost of borrowing the same amount of money for a given project. Mr. Wanger said he had heard the CPC might ask for the increase and the comparison would be helpful. The assumption would be that there would be a State match and presupposes there would always be projects that would require the funding.

**Budget schedule**

The Joint Meeting with the Board of Selectmen and FinCom would occur on February 3, 2020. Marisa Batista said there might be surplus from FY20 due to personnel vacancies and insurance savings. The Joint programs meetings had not yet been scheduled.

**Committee Member and Liaison Updates.**

David Wanger said he attended the Town Hall Building Committee meeting to find the group considering a newly modified Plan B with an external portion of the building housing an elevator and stairs. Doug Trees reportedly discussed having minimal renovations to the building as part of Plan C. As the architects thought Town Meeting was later than April date, the committee doubted they would only be able to request a “not to exceed” number for funding. John Pruellage thought the committee should wait for Special Town Meeting as Annual Town Meeting would experience budget discussions that would not include Town Hall renovations. The committee would be asked to delay their presentation and request.

David Wanger said he was working to mitigate the neighbors’ issue with the Willow St. proposal. Mr. Wanger said no one wanted to destroy the atmosphere of downtown. Nick Tensen added that the proposal created needed density to increase the tax base without adding service burdens. Mr. Tensen said the proposal was a real opportunity to see how development would work adding that another place for housing development was the industrial area behind the

community center. While the Winthrop School lease would lapse in four to five years, the lack of School facility planning would force the facility to remain open, according to Mr. Tensen. David Wanger said the Schools hoped to construct a new elementary school. Mr. Tensen said that would take ten years. Mr. Wanger suggested a year to year lease be signed. John Pruellage said the teachers in the system had great reputations, but the facilities were in need of repair.

Valerie McCormack reported on the Patton Homestead noting that nothing had changed. Ms. McCormack said she met with Ed Howard (HHDC) who had an issue with cell tower legal fee reimbursement and the need for a kiosk. Mr. Howard reportedly said Town Meeting had approved reimbursing Planning Board member Peter Clark for his legal fees, but he had not been reimbursed. Mr. Howard wanted to have the CPC coordinator position filled as number one priority. David Wanger said he met with Ed Howard and Peter Clark to mediate the cell tower issue. Mr. Wanger said Varsity Wireless might have additional money to spend to develop an idea or suggestions to achieve something positive such as reimbursing legal fees of constructing a kiosk to replace the temporary police sign. Peter Clark, who lost the appeal, reportedly said the opposing group would be approaching the courts through the State Historic Commission. Mr. Wanger would meet with the group again. Ms. McCormack said the HHDC was given funding to write By-laws or Guidelines for Historic District homes.

David Wanger reminded Valerie McCormack and John Pruellage to take the Ethics test.

**Minutes of November 20, 2019.**

**Determine/Discuss agenda for next meeting**

**Other topics not reasonably anticipated as determined by the chair.**

**Adjournment**

John Pruellage made motion to adjourn.

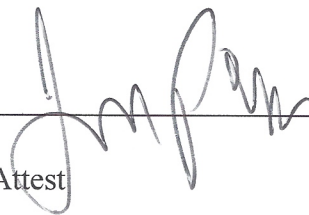
Seconded by Nick Tensen.

Vote: Unanimous in favor to adjourn at 9:09 pm.

Prepared by:

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Marcie Ricker

  
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Attest

1/23/20

Date