

HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Meeting
February 5, 2020

Members present: Valerie McCormack, John Pruellage, Nick Tensen, and David Wanger (Chair).
Others present: Marisa Batista (Finance Director), Rick Mitchell (Planning Board), Tim Olson (DPW Director), and Larry Sargent (resident)

This Hamilton Finance and Advisory Committee (FinCom) meeting was called to order at 7:00 pm at the Council on Aging Building, 299 Bay Road, Hamilton.

Public Comment

Discussion with Finance Director and/or Town Manager regarding any ATM or finance related updates.

Marisa Batista announced the FY21 tax capacity (\$29,834,209) was calculated by using \$28M from the prior year multiplied by 2.5% and adding \$200,000 in new growth. The Director of Assessing determined the value of new growth based on the value of new properties.

Discussion regarding FY21 Budget, including:

Discussion regarding meeting with HWRSD School Committee and any updates regarding its budget process.

The Town's budget increased 2% (\$272,362) with final payments having been made for some of the bonds in FY20. The Schools had presented a budget with a 12.66% (\$1.4M) increase. It was suggested that one Warrant Article could allow for a 5% (\$934,321) increase for the School budget with a second Warrant Article allowing for a 7.5% increase, which would total the Schools' requested 12.66%. Ms. Batista noted that if the Town's increased its budget by 2% and the Schools increased their budget 5% the total would be \$1.2M and the tax rate would be 17.07. A 9% increase would create a tax rate of 17.5. A 12.66% increase would create a tax rate of 17.89. Estimates were based on a 2.5% evaluation increase.

The Schools were considering three budget increase ranges: 12.8%, 9 to 10%, and 7.5 to 8%. An override would not need to occur with an increase of 8.5% but all capacity would be used. The following year, an override would need to occur as it was assumed the School budget would not be reduced. A 9% increase could be accomplished without an override if reserves were used. The safe harbor accomplished for FY21 would become the base for the following years. John Pruellage said he did not believe the Schools would stay within the 2.5% increase threshold for every year thereafter. David Wanger said communication with the public was essential to have everyone understand the situation.

Other Post Employment Obligations (OPEB) included health and life insurance for retired employees. The \$32M obligation had not been funded. The Schools' capital plan was \$11.7M and the Town's capital plan was \$27.5M for a total of \$39.2M. The total included Town Hall improvements. The tax impact of fully funding the capital plan had not been calculated as too many variables such as length of bond life could not be assumed. Based on a quick calculation for a \$1M bond, using today's interest rates for 15 years, principal and interest would total \$110,000 per year. Each \$100,000 added \$.65 onto the tax dollar. The Capital Committee had not approved the list of projects. The Schools had not listed facilities to date. Members discussed communication barriers, which should be brought to the public's attention. Rick Mitchell suggested that a second operational audit be conducted to determine if any savings could be found. The proposed budget would cause an \$800 per year tax increase for the average house. Mr. Mitchell said he was frightened of the Town's future financial sustainability. Mr. Mitchell added that if the operational audit verified that funds were needed it would be more acceptable.

David Wanger recalled the conversation at the Joint (Schools, Wenham, and Hamilton) Meeting that it was a possibility that the Towns could not afford to maintain the Schools and other options to meet educational obligations may need to be considered. It was understood that the School administration would offer a convincing oratory to a sympathetic audience. The FinCom would attempt to convey the urgency of the situation with the public before Town Meeting. John Pruellage added that the Town did not have the revenue. Larry Sargent said the Schools only presented a level services not a level funding budget for a declining (except kindergarten) population. Mr. Sargent suggested using stronger terms such as "funding crisis" rather than softer terms such as "sustainable." The importance of pre-Town Meeting communication was noted. Reportedly, the School Committee and not the administration were bringing the budget increase proposal forward.

Nick Tensen suggested a step approach (5% per year) to the budget increase, which would also require an override at some future time. Marisa Batista agreed that future School budgets would not be limited to 5% increases. Larry Sargent said if the Schools did not negotiate and constrain the upcoming teacher contracts, there would not be an improvement. Rick Mitchell responded that understanding the decline in population was another reason for an operation audit. Mr. Mitchell added that as a substitute teacher at the high school, he did not find the teachers to be overworked or overwhelmed. Mr. Mitchell wondered if there were things that were being done that did not need to be done. Jay Burnham's contact list would be used to inform the public as to the pending financial crisis. Recommendations from the 2011 audit had not been implemented.

David Wanger referred to Vincent Leone's half year report, which estimated a \$234,000 deficit. Marisa Batista would review the report. Twenty percent of the salaries were not listed as encumbrances as the hourly wages were variable unlike those with set schedules or contracts. The amounts were listed in the budget but not within the encumbrances. Nick Tensen suggested

the \$100,000 cost could be estimated and footnoted. Other unencumbered costs included health insurance and utility bills.

Discussion regarding any potential or proposed warrant articles for ATM

Nick Tensen hoped the Capital Committee would review the impact of proposed projects. Members agreed that \$40M in capital projects would not be accomplished within five years. Marisa Batista said most items were regular articles such as transfers (stabilization and capitalization funds, HDC, enterprise budgets, OPEB, and Patton Homestead) and CPC funding. Personnel and service union contracts would be negotiated. The CPC intended to present one article for the Town Hall project (\$2M). Tim Olson said the Town Hall Building Committee intended to present an update and the CPC/Town Hall funding would have a sunset clause on it.

One article was in regard to the process of bond premiums. Previously the Town would borrow \$1M with a \$200,000 premium or refund to the Town. The article allowed for the Town to borrow \$1M and allowed the \$200,000 be placed in a reserve fund for future debt rather than the General Fund. The Town would also have the option of borrowing the \$800,000 alone.

Another article was in regard to the last two Acts of 2010, Chapter 91. The previous exemption allowed for a 50% reduction to real estate taxes based on a certain income limit. The \$300,000 total Town exemption was passed in 2010 and could no longer be sustained. The Board of Assessors would develop a list of recommendations with Town Counsel, which would affect the 30 residents who had benefited from the previously approved program.

Tim Olson said the Town had put out a Request for Proposal (RFP) for the landfill area with the Marsh Rats skeet shooting club being a respondent. The Master Plan request and capital items were also on the Warrant. Rosemary Kennedy was promoting a Wetlands Protection local By-law. Ms. Kennedy had been asked to supply a brief description of the proposed changes and would be invited to the FinCom to present her proposal. John Pruellage hoped to understand how the changes would affect current land use.

Discussion regarding budget process and schedule, including schedule for drafting ATM warrant and commentary

The Warrant and FinCom publication would be printed the third week in March. The public would be informed about the Schools' proposal. Tim Olson said the Town Hall Building Committee would present their findings but would be requesting funding in the fall. The CPC vote would show the Town's commitment to the project. David Wanger suggested waiting for Fall Town meeting as Annual Town Meeting would present a dire fiscal scenario. Rosemary Kennedy, the Director of Assessors, Joe Domelowicz, and the Planning Board would be invited to discuss proposed articles. Marisa Batista said the tax impact for individual articles should be presented.

Discussion regarding change in water rates and other changes; potential vote on recommendation.

Tim Olson distributed four options to cover the operational and capital costs. Five tiers were kept. Nick Tensen noted that Patton Ridge was charged the highest rate because they were metered before the community as a whole. Mr. Olson said Patton Ridge was only tier 5 in summer when irrigation was used. Mr. Olson said neither Patton Ridge nor Asbury Grove were factored into the equations.

Proposed options included 1) increasing the infrastructure charge from \$60 to \$80 with a 20% increase in rates; 2) would allow for the same rate increase using \$50,000 in retained earnings; 3) raising infrastructure costs to \$100 not using retained earnings; and 4) keeping infrastructure at \$60. Marisa Batista said one authorized water project had not yet been bonded the \$1.2M. \$300,000 had been bonded. Tim Olson said the Town had been tapping into retained earnings that had been built up to cover capital projects. David Wanger suggested staying as close to balancing the revenues with the expenditure given the fiscal constraints discussed at Town Meeting. John Pruellage thought a cushion should be established.

Marisa Batista explained that the Town did not borrow funds until it was within two years of spending the funds without penalty. Ms. Batista suggested raising infrastructure costs \$5 each year. Estimated FY21 retained earnings were \$545,000. The town was using \$307,000 of the retained earnings to balance the FY21 water budget. Ms. Batista said the financial policy for enterprise funds included retaining 20% (\$400,000) of the water budget. Tim Olson noted that residents had conserved water over the last few years and the lack of snow meant the summer would likely have a water ban. Both factors would reduce revenue. Ms. Batista said consumption had been reduced over the last three years. Revenues had not met projections by \$150,000.

David Wanger said Option 1 balanced the goals set aside for capital funding by increasing the infrastructure fee from \$60 to \$80, which repeated the five year old increase. The option did not use the retained earnings. John Pruellage said the infrastructure cost should increase with capital expense. Tim Olson said 90% of the town was with the first and second tier of usage with an average of 13,000 gallons per quarter. By charging an \$80 infrastructure fee, a revenue of \$80,000 would be experienced, which would cover the debt service. A 20% increase in use would cover the operating costs. Tim Olson said the Town was taking a break on water capital expenditures this year.

It was decided to have the infrastructure fee at \$80 per quarter unless \$85 was needed for the following year. Rates would cover the operating costs while infrastructure fees would cover the debt services.

Motion made by Nick Tensen to approve Option 1 understanding an infrastructure fee of \$80 and a 20% usage increase, which might change if a smaller portion of retained earnings was used and that infrastructure would be in relationship to whatever the estimated debt service was.

Seconded by John Pruellage.

Vote: Unanimous in favor.

Tim Olson added that the reason five tiers were retained was due to the fact that those who use the least amount would be placed in a higher tier if there were only three, which would increase their costs.

Committee Member and Liaison Updates

Nick Tensen reported that the Police Department decided not to add an extra person while the Fire Department would be hiring another employee. The Schools would assume the cost of the School Resource Office. The Police Chief reportedly said no one was driving the process of a traffic study in the downtown area. David Wanger said the Willow St. neighbors wanted to have the study done. Mr. Tensen said the School budget included \$300,000 for security, for which the Police Department did not have input. The Police Chief had reportedly said 25 employees were needed for two Police Department while only 20 would be needed for a combined department.

Valerie McCormack reported on her conversation with John McWane regarding the Patton Homestead. Mr. McWane reportedly put together a business plan, which focused on weddings and large events. Money would be needed for landscaping to make the business be profitable. Mr. McWane would contact Kaleigh Pare. It was reported that Patton Homestead, Inc. had hired a marketing professional. More money was needed for renovations but Ms. Pare was unsure if money could be spent without triggering the need for ADA compliance. The \$200,000 in the budget would need to be spent on ADA compliance issues. Mr. McWane was reportedly concerned with the steep slope of the back yard. John Pruellage suggested contacting a wedding planner to determine if it was a legitimate venue for outdoor weddings. Ms. McCormack said value would be determined by price point.

Nick Tensen said unless the Town put money into the project, revenue could not be generated. David Wanger said John McWane had fundraising ideas and that Patton Homestead, Inc. had not been aggressive about raising funds. No one wanted to put money into an entity that could be sold. Valerie McCormack said appeal would be limited to those interested in General Patton. John Pruellage said the Town was committed for FY21, which would give Kaleigh Pare a softer landing. Ms. McCormack said a RFP for another management company would be beneficial as having the Town manage the site created many barriers. Mr. Wanger recalled that 50% of the sale proceeds would come to the Town. Along with the cost for Ms. Pare, the Town needed to continue to maintain the building and grounds. Members agreed to recommend the article, under the assumption that other options would be considered in the future. Joe Domelowicz would speak with Ms. Pare before Town Meeting to alert her to concerns. The building was last occupied in 2012 and the value of the property was unknown.

David Wanger finished the Town Report and discussed that the third week of March would be the deadline to submit the FinCom's written report for Town Meeting. The report would be sent out in advance of Town Meeting to give residents time to understand it.

Agenda Items for the Next Meeting.

The Committee would meet on February 19, 2020 or February 26, 2020 if a quorum was achieved. February March 4, 2020 was the next regular meeting. Members could also meet on March 9, 2020. The Schools would be meeting on March 12, 2020 so a meeting on March 19, 2020 and March 26, 2020 could be set.

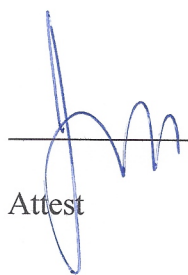
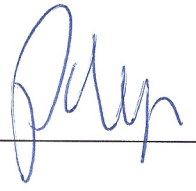
Jay Butler would be invited to discuss the \$2M CPC request. The Assessor would be invited to discuss the Acts of 2020, Chapter 91. Patrick Reffett would be invited to discuss the Open Space Farmland Preservation Development By-law and density changes to Section 3 of the Zoning By-law. Martha Driscoll (Willow St. neighborhood representative) would also be invited. Rosemary Kennedy would be invited to attend the meeting of February 19, 2020. Ms. Kennedy would be asked to submit a brief report on the proposed changes.

Adjournment

Nick Tensen made motion to adjourn.
Seconded by John Pruellage
Vote: Unanimous in favor to adjourn at 9:33 pm.

Prepared by:

Marcie Ricker

  5/14/2020

Attest Date