

HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Meeting
February 19, 2020

Members present: John Pruellage, Christina Schenk-Hargrove, and Nick Tensen (acting Chair).
Others present: Joe Domelowicz (Town Manager), Marisa Batista (Finance Director), Gene Lee (HWRSD), 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 the Town Manager and/or Finance Director regarding FY21 Budget, including

The latest budget approved by HWRSD School Committee and any updates regarding its budget process.

As of February 2, 2020, the total gross operating budget for the Schools was set at \$38,292,952. Once offsets and revenues were subtracted, the net operating budget was \$31,675,279 or an increase of 8.57%. The budget would be split two-thirds for Hamilton and one-third for Wenham based on enrollment. Joe Domelowicz noted that Hamilton's increase was 8.25% because their share of the budget had declined. Wenham was constructing more housing, which accounted for their increasing share. Hamilton had an older population, which in the future could turn for sale to more families, which would allow for a shift back.

The \$500,000 in offsets was due to special education grants. Revenue offsets were based on prior year expenses. School Choice had increased \$120,000 between FY19 and FY20. State aid increased \$246,000. Medicare reimbursement had been consistent at \$170,000 to \$175,000 but was reduced to \$95,000 due to fewer allowable expenses. According to Joe Domelowicz, the tax rate (based on current information) would be 17.43, which was a .45 increased from the FY20 certified rate if the 8.57% School increased passed. The increase for the average \$613,000 house would be about \$500 for a total of \$10,188 per house per year in real estate tax.

John Pruellage noted that the 8.57% increase would keep the Town below the need for an override, even though it would utilize unused capacity. Marisa Batista responded that an override would be needed the following year as unused capacity would no longer exist. Ms. Batista was concerned that any Special Town Meeting articles would not be funded as capacity would not be there. Debt exclusions were not to be included in the 2.5%. Ms. Batista said a small amount (\$15,000) was in the budget for BAN interest on short term debt for the \$958,000 in capital projects.

While student population had decreased, teacher salaries (307 full time) had increased 6.8%, which was higher than the 2.5% in their contracts. Gene Lee was unsure what else was in the category. Tuition for the 70 students placed out of the district totaled \$1M. Mr. Lee said the district needed new programming to keep students in the district as the Schools would be unable to prove in court that the student could be provided for in district. Mr. Lee reminded the FinCom that the Schools started the year with a \$600,000 deficit. Mr. Lee said the Schools were being responsive to the residents of both towns but did not want to be in the same situation for this fiscal year. New programming would include kindergarten teaching assistants, speech language pathology, and language based programming. Mr. Lee added that some programs required different space requirements such as smaller rooms for two students with similar needs. Capital spending was trying to address those space requirements.

The district did not have existing special needs services for all special needs students but was trying to build up expertise in house, which would result in reduced tuition and transportation costs for out of district placements. Gene Lee said programming had included short term efforts for long term gains. Christina Schenk-Hargrove said she was for investing but it was hard when there was no money to invest. Out of district tuition and transportation costs were about the same. Nick Tensen suggested sharing resources by having local schools specialize in different needs and allowing towns to send students with specific needs to each of the schools in a reciprocal manner. Gene Lee said the issue was being addressed. Mr. Lee said Landmark was an expensive private school but providing the same service at the student's home environment would be beneficial. Mr. Tensen asked for the results of the special education investment approved two years ago. Mr. Lee would provide the numbers. Mr. Lee said special education was a significant budget driver that could be controlled but change required a change of philosophy and an investment in time and attention.

Larry Sargent questioned school choice and the number of school choice students requiring special education services. The Schools were not reimbursed by the sending school for special education costs. Mr. Sargent wanted to know if school choice had a negative or positive effect on the district.

Nick Tensen noted the OPEB had not been funded but insurance had increased 14%. Insurance was provided for retirees at a different cost split. Marisa Batista said the Town's insurance increase was 7%. And retirement increased 6.4%. Mr. Tensen questioned why the Schools' insurance increase was double that of the Town. Gene Lee said the School Committee had passed the budget and no mechanism existed to lower the number except to have it fail at Town Meeting. Wenham was proposing an override to pass the School Budget but the School Committee would need to find \$3 in savings to allow for a \$1 savings for Wenham. Hamilton would experience the other \$2 in savings. Discussion ensued as to whether the FinCom would recommend having the Schools budget split between two warrants. Mr. Lee said if the budget did not pass, staff, programming, and services would be cut, which was going backwards to where the Schools hoped to be heading.

Gene Lee explained that cutting one item would affect many items such as cutting a teacher would result in cutting programming and services as well as having larger classrooms. Mr. Lee said 86% of costs were contractual (legal, healthcare, special education, and teacher contracts). Christina Schenk-Hargrove said the budget was an improvement over what was originally presented. Ms. Schenk-Hargrove said at some point, teachers would need to be laid off as other services could not be funded in Hamilton. Ms. Schenk-Hargrove said she wanted good schools but also wanted trash pickup, water, and other Town services. There was no new income sources for the Town and the Town budget had been cut to the bone.

Members discussed that any increase this year would require an override next year. Nick Tensen asked the Schools to create a five year forecast so the Town could create a five year forecast. Gene Lee said the answer was in revenue generation and that the schools could be consolidated with Winthrop School being given back to the Town for development. Nick Tensen suggested the Schools investigate grants for revenue generation and look at regional shared special education opportunities. John Pruellage said the issue was a systemic lack of revenue generated from taxes in a town that had a lot of open space. Mr. Pruellage said the FinCom appreciated the budget reduction and the collaboration between the School Committee and the Town. Discussion ensued regarding solar field use on Town and School roofs. The School building roofs could not support the panels. The Energy Manager received a grant for a review of solar panel feasibility at the library, public safety building, and water department structure.

Any updates to the proposed Town budget

Marisa Batista estimated the tax rate to be 17.43 based on information available by using unused capacity. Ms. Batista said if the Schools increased their budget 5% next year, the Town would need \$300,000. The following year, the increase would be \$687,000, then \$1M. Ms. Batista added that she did not believe the Schools would stay below 5%. Ms. Batista said the Town could not manage on a 2% increase in the years ahead. Ms. Batista did not want to be in a position to have an override every year. Ms. Batista said in the past, the Town had more room in their budget as it had accumulated \$1M in free cash. The current, tighter budget had not produced free cash. Joe Domelowicz discussed that he was trying to start regionally shared positions but found it hard to find a partnering town.

Members discussed possible efficiencies within the Schools. Joe Domelowicz said there was efficiency in the Town budget. Members discussed what the Schools would cut if the Town had no money and set the increase to 2.5%. Larry Sargent said there was a level of tolerance in how much taxpayers could absorb. It was noted that the Schools had an issue with facilities and no plan to resolve them. Marisa Batista recalled that in other towns, the Schools had top of the line technology while the Town had basic equipment. Mr. Sargent said people move to Hamilton for the Schools. Mr. Domelowicz said others move to town for the open space and there was a tension in town between the two.

Marisa Batista announced that since the Schools budget had been lowered, free cash would remain at 5.1%, which was in accordance with financial policies. Joe Domelowicz would be able to spend \$150,000 for a Master Plan, which would allow community conversation to create measurable goals that gave the Planning Board and Selectmen benchmarks to achieve.

Nick Tensen noted the Recreation Revolving Fund increase, which was not an increase in the budget but would allow a fund to exist where money could go from one year to the next. A spending limit increase was proposed based on the department's income. The Recreation Department was very successful and the increase in the spending limit increased from \$300,000 to \$350,000.

Motion made by John Pruellage to increase the spending limit.
Christina Schenk-Hargrove seconded.
Vote: Unanimous in favor.

Approach to ATM regarding budget and fiscal matters in light of updates to Budget.

Do we divide it up and have 5% and second with balance?

Discussion ensued regarding having one article for a 5% increase to the School budget with the delta on the second article. It was unlikely the second article would pass and the first article would fail. The 5% increase was originally chosen to avoid an override but even with at a 5% increase, an override would be required in future years. If the Schools increased their budget 5%, the tax rate would be 17.05. The additional amount would increase the tax rate to 17.43. The difference appeared to be small but overrides into the foreseeable future would be cumulative and expensive. John Pruellage said dividing the budget increase would be symbolic, especially if both articles were recommended favorably.

Marisa Batista would use the previous three years averages to show potential costs in the future. John Pruellage said he did not feel as strongly about dividing the budget in two, given where the School budget was currently. Nick Tensen said dividing the budget increase helped articulate and educate the public. A \$200 per family increase did not appear to be a large impact but going forward at the same rate would require the need to discuss the tax rate and viability.

Discussion with Town Manager and/or Finance Director regarding all proposed Warrant Articles for ATM including all finance related articles; additional discussion with any proponents or opponents of articles.

The Warrant and FinCom Recommendation were due to the printer on March 20, 2020. The FinCom would meet with the Selectmen on March 9, 2020. Rosemary Kennedy would meet with the FinCom on March 11, 2020.

The Capital Committee approved \$507,000 for identified projects. The projects would not require bonding. The next phase of water improvements would be postponed. Two articles spaces would be held for the budget. John Pruellage suggested splitting the budget and having a

discussion that approval of the second article would drain all tax levy capacity. While approval of both articles may have been issued, it should be noted that it would be a difficult decision. The split would highlight what was being voted upon and the impact of the second article. Larry Sargent said it was an educational opportunity to split it and lay out a groundwork for further discussions. Joe Domelowicz was concerned that the process might become divisive.

Marisa Batista would project future tax rates based on provided data, such as how much in capital expenditures, how much free cash, and how much to assume in Town and School increase percentages to be used for calculation purposes. Nick Tensen suggested using 2.5% for the Town and 4% to 5% for the Schools to determine what the tax impacts would be in five years. Christina Schenk-Hargrove found it dangerous to project a fake budget. Larry Sargent suggested taking the last five years of Town growth and the last year's School growth and extrapolate the trend to illustrate both curves. The projection would be based on history. Joe Domelowicz said a seven year projection would be based on three years of historic data and four years into the future.

Warrant items included the Water Enterprise Fund, annual financial actions, and CPC budget. The CPC budget would include transfers to the affordable housing and historic preservation reserves. No projects had been proposed. The Town Hall Building Committee request would be held until fall. Administrative costs (previously \$23,000 increased to \$27,000) and debt service for Sagamore Hill (\$115,000) would be paid. Annual budgets for pool and Recreation Revolving Funds (\$350,000) would be approved. Joe Domelowicz had spoken with Wenham regarding changing the Recreation Revolving Fund into an enterprise fund so the department would not need to return to Town Meeting every year. The change would allow for more flexibility in spending funds for supporting items for program costs.

Other Warrant items included the Hamilton Development Corporation (HDC) annual budget, transfers to the OPEB Trust Fund, Stabilization Fund, Capital Stabilization Fund and the Patton Homestead account. Joe Domelowicz reiterated the need for a \$150,000 Master Plan, which would have a multimedia approach to obtaining input from the community and not just a committee. A Request for Proposal (RFP) would be issued for a consultant. Mr. Domelowicz referred to grant funding opportunities in Winthrop that would not be available to Hamilton. Christina Schenk-Hargrove noted it was important to invest money to bring revenue into the town. Mr. Domelowicz added that funding the Master Plan would not add to the tax rate.

Reserve funding would be held to accommodate the results of union contract adjustments. The estimate was based on cost of living adjustments and grade reclassifications. The costs would be relocated to line items within individual departments once contracts were approved.

The Conservation Commission might have a By-law change, which was promoted by Rosemary Kennedy. The Planning Board was proposing a change in the Zoning By-law regarding mixed use density in the Business District. The contract for the Marsh Rats Shot Gun Club on

Chebacco Road had expired. The Club was the only respondent to a RFP and would be paying \$8,750 per year upon approval. The amount escalated each year into the future. The Town Hall Building Committee would offer a report but would not request funding.

The Assessor's Department had an article regarding Chapter 91 (special legislation passed in 2010), which allowed for qualified seniors to be exempt from taxes up to a total of \$175,000 to \$350,000. Applicants needed to be 65 (or 70) years old and within a certain income level (about \$40,000). The issue was that there was no qualifying asset limitation for the applicant. The proposed language would make it clear and fair. The cap (\$50,000) put in place would be more realistic, according to Marisa Batista.

Joe Domelowicz explained that the Town of Manchester intended to install solar array panels on the roof of the water treatment plant located in Hamilton. Manchester paid a PILOT for the land the facility was located upon. The solar array company would pay a PILOT for the solar array. Town Counsel had amended the 20 year PILOT proposal and \$1,000 would be paid the first five years with a payment of \$500 in years six through twenty. The PILOT agreement allowed for review and could be adjusted.

A Citizens' Petition had been filed and was being reviewed by Town Counsel. The article would be discussed at a later date.

The FinCom would invite the HDC after Town Meeting as they were focused on Willow St. and not presenting any articles. The Planning Board and Willow St. neighborhood would be invited to discuss density changes to the Zoning By-law. Rosemary Kennedy would be invited to discuss changes to the Wetlands By-law if it moved forward. John Spidle (Town Assessor) would be invited to discuss the tax deferral and Chapter 91 changes. Larry Sargent, Ann Gero, and Gretel Clark would be invited to discuss the Citizens' Petition regarding trash collection. More information was needed regarding the Master Plan. Nick Tensen would attend the Town Hall Building Committee meeting the following week.

Adjournment

John Pruellage made motion to adjourn.

Seconded by Christina Schenk-Hargrove.

Vote: Unanimous in favor to adjourn at 9:33 pm.

Prepared by:

Marcie Ricker

_____ 5/14/2020
Attest Date