

HAMILTON FINANCE AND ADVISORY COMMITTEE  
Minutes of Meeting  
March 21, 2018

Members Present: Darcy Dale, Phil Stearns, Nick Tensen, and David Wanger (Chair)

Others Present: Marisa Batista (Finance Director), Jeff Hubbard (Selectmen), and Jeff Melick (Town Moderator).

This Hamilton Finance and Advisory Committee meeting was called to order at 7:00 pm at the Council on Aging Building.

**Public Comments**

**Discussion Regarding FinCom's Member's Role at ATM.**

David Wanger said he planned on making a statement at Town Meeting that was within ten minutes. The content would include the school issue, other "headwinds" the community was facing, Master Planning, as well as Town Meeting government and participation. Jeff Melick suggested keeping it short and simple. The FinCom would choose which articles the FinCom would move, coordinate with Bill Wilson, and inform Mr. Melick. Donna Brewer would create the script and note who would make the motion and who would second it. Discussion ensued regarding who would move the School articles as both the Board of Selectmen and FinCom voted unfavorably to Article 2-5, all in favor of Article 2-6, and the FinCom was unfavorable to Article 2-7. The Board of Selectmen had not yet voted on Article 2-7. The citizens would present their own Citizen's Petitions. The Superintendent would make a presentation for the Schools. Mr. Wanger wondered if one member of the FinCom could explain their presentation and recalled that Nick Tensen was the dissenting vote on Article 2-7. Mr. Tensen said he would explain his vote as a citizen rather than as a member of the FinCom. It was determined that a Hamilton School Board resident would propose the School Motion.

Jeff Melick agreed to have a meeting with the Board of Selectmen and the FinCom to determine who would take which articles and who would speak as a proponent for the School articles. It was noted that there was a conflict between the Board of Selectmen and the FinCom for Article 4-2 as the FinCom had voted favorably while the Board of Selectmen had voted unfavorably.

Tom Catalano would make the motion for Article 4-2. David Smith would move Article 4-1. The process would include a motion, second, primary mover having ten minutes of explanation and everyone else having three minutes of additional response time.

David Wanger noted there were five articles that remained open between the Board of Selectmen and the FinCom, which would be debated at the April 4, 2018 joint meeting. Jeff Melick added that the script meeting, which was most important, had not yet been scheduled. Mr. Melick would not preside over the Citizen's Petition that challenged the By-law as he was the Planning Board Chair at the time the By-law was adopted. Bruce Ramsey would preside.

**Discussion Regarding FY19 Budget, Including:**

**Discussion regarding School Budget related items, including capital expenditures.**

Marisa Batista said Jeff Sands sent the Town Meeting presentation slides but the capital expenditures were not on them. Appendix C had been changed to mirror Wenham's calculations.

Marisa Batista said Mr. Sands took the FY18 School Budget (\$17,401,000) and subtracted the School debt portion to get a net number. Ms. Batista increased the number by 2.5%, which was \$419,000. Ms. Batista then calculated for the E&D, which was \$568,000 in FY18, but \$347,000 in FY19, with a difference of \$221,000. Hamilton's share (64.7%) of the \$221,000 would be \$143,000, which came to \$16M. Taking the initial \$16M and adding \$419,000 which was 2.5% and adding \$143,000, which was Hamilton's share of E&D and adding FY19 school debt would come to the total presented at Article 2-4. The remaining request of \$18,385,000 and Article 2-4

would be the \$407,000. Ms. Batista said the percent increase in the same category as FY18 would be 3.4% including E&D, net of debt. Ms. Batista included debt in these calculations as there was an amortization schedule. The calculations were also in step with Wenham.

Marisa Batista noted the School was using less E&D so the costs were going up. Ms. Batista compared FY18 when the School used \$568,000 to FY19 with the Schools having proposed to use \$347,000 and said the costs to the Town were increasing. Ms. Batista said the Town was giving the Schools a break for the E&D portion. Article 2-5 was the difference between what the school requested and what 2.5% was. David Wanger recalled that Article 2-4 was \$2.9M, which was a 3.4% increase. The increase would be 2.5% without consideration of E&D. E&D caused a .9% difference.

\$639,000 was the School debt, which was not included in the two articles, according to Marisa Batista. At the Board of Selectmen meeting, it was discussed to find there was an amount for interest on bans. If the two articles passed, it did not mean they would issue debt in FY19, but would use the short terms debt, so interest on the short term debt would be experienced.

Principal and interest payment would occur in FY20. Interest for bans would come out of the debt budget. If Article 1 or 2 did not pass, the \$639,000 would be reduced. The estimate could not be determined at this time.

The middle school and high school debt would come off the books in FY19 for a cost of \$461,000. Two other debt items continued through FY32. The School did the debt payments and the Town did the assessment.

David Wanger asked Marisa Batista to compare the School Budget trends to the Town Budget trends based on operating or actuals. Ms. Batista could not do the operating as she did not receive School breakdowns. On the Town side, Capital and Operating Budgets had been split for some years and recreating those Budgets would be too time consuming. Ms. Batista added that the School Budget also included an assessment for Essex Agricultural and Technical High School. Ms. Batista said net of Hamilton Wenham Schools, the Budget had increased. In FY15 the Town Budget increased 8.5%, in FY16, the Budget increased 2%, and in FY17, the Budget increased 4.6%. Phil Stearns recalled that the Schools had returned a lot of their E&D fund. Nick Tensen added that insurance was given back to the Towns earlier. Jeff Hubbard noted that the comparison was being conducted on budgets not actuals. Ms. Batista stated the Schools only gave the bottom line and that they had one Budget and could prepare some of the next year's expenses such as school choice being prepaid for a certain number of months. The Town could not. Actuals could not be done as the School's information was too vague.

According to David Wanger, due to Prop 2.5%, if debt costs were excluded from the 2.5% calculation, there would be more taxing capacity and more left in the 2.5% constraints.

The Town's Budget increase from FY18 to FY19 was .10% with capital expenses being a big piece in FY18. The \$60,000 ceiling was removed. The hypothetical tax rate would be 16.43 based on a 4% increase of valuations. Phil Stearns would present the power point presentation to explain the situation. The valuations and free cash numbers were not currently available. The School was agreeing to an increase of 2.5% while the Town was keeping their increase to .10%, despite a 2% COLA and step increases.

If the Town chose not to apply free cash, there would be a big jump, but the School chose not to reduce the amount of theirs, which made the comparison difficult. David Wanger noted that the FinCom was recommending favorable action to increase the School Budget 2.5%, but the Schools were asking for more. Jeff Hubbard noted that the comparison did not accurately reflect the operating costs of each organization. Mr. Wanger wanted to point out the difference between the Town change and the School change as it would be reflected in each resident's tax bill. The burden would be on the assessed value of homes as an increase in valuations, which would cause the tax rate to decline, therefore the tax rate itself would not be the only view, according to Mr. Wanger.

David Wanger wanted to illustrate that the Town Budget would increase .10%, while the School Budget would increase 3.4% if Article 2-4 were adopted. If Article 2-5 were adopted, the increase would be 5.7%. Nick Tensen responded that it would be accurate but misleading as capital projects varied from year to year. The Town Budget did not include Capital Expenses from previous years, while the School Budget included Capital plans beyond debt exclusions that skewed the analysis the other way. Phil Stearns suggested pointing out that it was not a direct comparison, to which Mr. Tensen responded, that it was then meaningless.

There was no debate regarding OPEB (16.8% or \$132,000) or the athletic fees equaling \$.08 on the tax rate. Student cost per pupil was \$17,000, with Hamilton's share just over \$11,000. It would take a house valued at \$680,000 to fund one student. David Wanger thought the analysis was startling if the average house was valued at \$550,000. Nick Tensen said the 1,300 homes in Hamilton were paying for students, while the other 700 homes were paying for Town services.

David Wanger noted that there was no response from Michael Harvey and worried about collaboration. Russ Stevens reportedly spoke with Dr. Harvey on the previous Monday night regarding the generator for the Buker School as one of the capital projects within Article 2-6. Chief Stevens wondered why the School would need a generator if it were not in session. Dr. Harvey responded that the servers were in the administration building. If School was closed, there would be no workers in the building. It was determined that Buker School was being kept open as a shelter for Wenham in the event of a power outage. The generator would cost \$40,000. The suggestion was that the item could be cut from a timing standpoint or considered a Wenham use.

Phil Stearns said the turf field was delayed until 2023. The Budget showed a low capital request for FY20, 21, and 22, but Mr. Stearns thought the School could spread some of the items out rather than front loading them. David Wanger was disappointed with Gene Lee who believed the School had carefully reviewed the components of the \$2.6M bond that needed to be completed now. Nick Tensen said he didn't want to pick apart their decision and that the funding would not occur until they bonded it. It would be bonded but not bonded for another year.

Regarding Article 2-7, Phil Stearns said the potential effect on the tax rate should be included for Hamilton tax payers. The newest calculation was .07% or \$38 per year for the average home. Mr. Stearns said it would depend on how the School financed it. The increase would be for FY20 when the bond occurred. Marisa Batista added that it could be three years for them to bond it. The article would authorize the School to spend it, according to Jeff Hubbard.

Marisa Batista noted that the School had revenues while the Town did not. The Operating Budget, excluding capital for the Town, was an increase of 2.8% excluding revenues without capital expenditures. By using the same methodology, the School Budget increased 5.32%. The calculations were not simple and would be difficult to describe to the public.

Nick Tensen asked if the \$407,707 was removed, what percent of the total would affect the 5.32% increase. Marisa Batista responded that the School Budget increased \$1.7M, which equaled 5.32 net of revenues and net of E&D. If the \$407,707 were not funded, the increase would be 4.1%. David Wanger recalled that Wenham would articulate the 2.5% increase at their Town meeting. Ms. Batista said the Wenham Warrant was not that detailed and only referred to the tax levy and its capacity.

Article 2.4 for the School without capital expenses or capital was 4.1%. Article 2-5 would add another 1.2%. David Wanger suggested dividing the two to explain the information before residents voted to approve the second article. The School Budget represented a 5.7% increase to Hamilton from the previous year's Budget. The first 3.4% increase was Article 2.4. The additional ask was included as a separate article, which was over and above what the Town considered appropriate. The \$407,707 was included as a separate article to see if the residents wanted to fund the additional items. This included capital and revenue as the bottom line. When capital and E&D were added, the percentages were distorted, according to Marisa Batista. The 4.1% increase only included the operating expenses.

**Warrant Articles for ATM and voting recommendations/Discussion regarding FinCom's member's roles at ATM.**

Phil Stearns would present Articles 2-1, 2-2, 2-3, and 2-4.

David Wanger would present Article 2-5.

Darcy Dale would present Article 2-6.

David Wanger would present Article 2-7.

Nick Tensen would present Articles 2-8 and 2-9 if they were not part of the consent articles.

John Pruellage would present Article 2-10. David Wanger asked that Mr. Pruellage not endorse a CPC increase from 2 to 3% and that the FinCom was concerned with the closeness of the CPC's accounting. Nick Tensen responded that it was not part of the Warrant and the topic should be addressed when asked as well as that the limited State match available might preclude them from

having funds in the future. Phil Stearns suggested that Tom Catalano present the article. While the FinCom voted favorably for the article, Mr. Tensen said it was appropriate to say the Committee had concerns using much of what was being budgeted and they advised conservativeness in being judicious as to how it was being spent. Mr. Stearns noted the huge expenses that would be requested in the future.

John Pruellage would present Articles 2-11, 2-12, and 2-13.

Darcy Dale would present Article 2-15

Article 3-1 was not a FinCom article. The FinCom had voted unanimously in favor.

David Wanger wanted to explain why the FinCom voted favorably for Article 4-2, while the Board of Selectmen had voted unfavorably.

Articles 4-3, 4-4, and the Citizen's Petitions were not FinCom articles.

Jack Lawrence would introduce Article 5-5.

Rosemary Kennedy would present Article 5-6. Darcy Dale recalled the mentioning of multiple units while Downtown Charrettes were being held. Ms. Dale said most properties were small and one apartment would be appropriate, but they were concerned about property rights. Brian Stein had reportedly not totally refuted Ms. Kennedy's stance. It was unclear if Ms. Kennedy had filed an Ethics complaint to date. Nick Tensen said he would be fine with the By-law if the process had been completed correctly. Phil Stearns showed the errata sheet, which had been distributed at Town Meeting to clarify what was voted upon. Mr. Tensen thought it was clearly written out. Ms. Dale recalled that the downtown people didn't even want one apartment so the By-law evolved a little bit. Mr. Stearns said Town Meeting talked about having multiple units.

David Wanger recalled that Donna Brewer's answers were evasive when Mr. Wanger asked her in her view if there were there procedural improprieties. Ms. Brewer's answers were reportedly not yes or no. The Attorney General reviewed the By-law so there was some presumption of propriety but the Attorney General's view may have glossed over certain things. Ms. Dale did not think it was a blatant error and that there was room for interpretation.

Brian Stein reportedly said he had reviewed the tapes and pointed out where Rosemary Kennedy had made statements that were not found on the tape, according to Darcy Dale. Nick Tensen said that based on Brian Stein's e-mail, it appeared there was open discussion and presentation.

David Wanger added that the draft had been printed and the errata sheet was presented at Town Meeting. Mr. Tensen recalled discussion that included having units for economic suitability for retail operations. Ms. Dale added that owners could live above the stores rather than having them be rentals. Phil Stearns thought people were already living above the stores illegally. Ms. Dale suggested holding on the article and seeing where the Planning Board and Selectmen went with the topic.

**Adjournment**

Darcy Dale made motion to adjourn the meeting.

Seconded by Nick Tensen.

Vote Unanimous to adjourn at 9:11 pm.

Prepared by:

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Marcie Ricker

Attest

Date