

HAMILTON FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting

February 6, 2019

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

Others Present: Marisa Batista (Finance Director)

This Hamilton Finance and Advisory Committee meeting was called to order at 7:04 pm at the Council on Aging Building.

Public Comment

Town Budget discussion/School Budget discussion

Committee members expressed their disappointment that the School Committee did not have a Capital Plan or a list of potential expense reductions other than Other Post Employment Benefits. Phil Stearns said the presentation showed a solid look at what the School could do. The reaction at the joint meeting regarding Wenham's dire straits and what might happen if an override did not occur was recalled. The list of potential School projects was on the School's website but not organized or prioritized. Nick Tensen offered his concern that items would be deferred. Mr. Stearns recalled that the School did not defer but was defeated because it presented all of its needs without setting priorities. It appeared that the School Committee would approve the presented Operating Budget. Mr. Stearns was convinced it was a good budget. The Committee would need to make a recommendation on the budget.

There were no changes to the Town Budget since the previous presentation. Members agreed that it made sense to have an additional person in the DPW and add a Human Resource person. Marisa Batista noted that changes would come up before approval. Ms. Batista had recently received the revised draft for inspectional services with Wenham, which increased by \$10,000. The existing e-mail company was going out of business and Ms. Batista had received a quote from CWG of \$35,000 for the migration plus prorated share of the cost, which would be part of the FY19 budget. Ms. Batista would request the funding from the Finance Committee Reserve Fund, which remained at \$100,000. The annual cost would be \$15,274. Ms. Batista was expecting another quote by the end of the week. Nick Tensen suggested contacting Hostcentric.

Marisa Batista asked if the Student Resource Officer would be in the Town or School Budget. Donna Brewer would be contacted. The issue with having the School Resource

Officer listed as a Town employee or School employee was discussed. Ms. Batista noted that the Energy Manager was a Town employee that worked in part for the School. Unlike the School Resource Officer, the School reimbursed the Town for the Energy Manager. Nick Tensen recalled that the Town had a source of funding for the position. Darcy Dale was concerned that the decision had been made unilaterally. Phil Stearns said it was his proposal that Hamilton pay for the entire cost with Wenham reimbursing the Town if they decided to do so. The FinCom and Selectmen all voted, excepting Ms. Dale that Hamilton would pay for the employee. The Police Chief would oversee the employee regardless of who he/she worked for. Marisa Batista said Hamilton would be responsible for unemployment and Worker's Compensation. Mr. Tensen recalled that the Police Chief said the funding would cover the entire cost of the employee but Ms. Batista said it only covered the salary, if the employee took family health insurance. Mr. Stearns recalled that the higher level position would be filled by an existing officer with special training to work with children. The existing officer position would be backfilled with a lower paid employee. The School Resource Officer would cover overtime for the Police Department in summer, saving money. The expected cost would be \$73,000.

Prop 2.5 and the levy limit were discussed. Marisa Batista explained the process of determining the levy limit. The previous year's levy limit would be increased by 2.5%, then new growth (additional housing as tax base) would be added and that would become the new levy limit. The tax recap certification indicated the new levy limit. During the previous year, five new homes were built, which added to the tax base. New growth was certified at \$145,718 and the current level limit was \$28M. \$28M would be increased by 2.5% and \$150,000 (an estimated new growth number) would be added to become the new levy limit for FY20. The true number would not be known until December when it would be certified.

According to Marisa Batista, there were two questions that would allow a community to go above the levy limit, which were overrides and debt exclusions. Both required ballot questions. Ms. Batista said the Town of Hamilton had a lot of debt exclusions, which increased the availability to go over the levy limit. School debt and the fire truck payment were examples but not all debt was an exclusion. The Town must have chosen the debt to be an exclusion when it authorized the debt. When a Town authorized a debt exclusion, it allowed the Town to be taxed beyond the levy limit and allowed for capital projects to be paid through borrowing. The debt exclusion allowed for a temporary increase. When the debt was paid, the limit returned to normal. An override raised the base number for the following year. Hamilton had not passed the 2.5% levy limit and would have had another \$900,000 if it had decided to keep money in free cash or balance the budget instead of allocating it into the Capital Stabilization Fund.

Marisa Batista said Hamilton was not close to Wenham's situation as it still had \$1M in unused capacity. If free cash were not diverted to the Capital Stabilization Fund, the Town would have \$1.8M. Ms. Batista noted the Town would not be generating as much free cash in the future as it had a tighter budget. The Town increased its budget by \$671,000 and when combined with the School, the increase was \$2.3M. If revenues remained the same and the budget increased by \$2.3M, the capacity would erode. Nick Tensen wondered how long the erosion would take place before no capacity remained. Ms. Batista responded that it depended on new growth, which varied from \$450,000 in the past to \$150,000 the previous year. Mr. Tensen suggested using \$250,000 as an average number and determining the length of time it would take before the capacity was depleted. Ms. Batista would provide an estimate for planning purposes in the future.

Discussion ensued regarding the difference between Hamilton's and Wenham's average house valuations. Darcy Dale said the prices in Wenham were lower because their taxes were higher. Phil Stearns said Wenham had used a median valuation rather than an average while Hamilton had compared with an average. For an average home of \$575,000, Wenham paid \$1,200 more in taxes.

Debriefing of Joint FinCom/BOS meeting.

Marisa Batista indicated that the Town was using retained earnings to balance the Water Department Budget. \$1M remained in retained earnings and \$167,000 would be used to balance the budget. The plan was to raise the rates as the five-year period was over. Two projects were being proposed to include the water main on Chebacco Road and the Water Treatment Plant. If the two water projects move forward, interest only (\$300,000) would be paid in FY20 and principle in FY21. Ms. Batista said next year, the Town would need about \$467,000 plus interest, raises, and increases in the Operating Budget. The Town would use retained savings for two years. Joe Domelowicz would speak with Manchester to determine if the project was possible before the water main would begin within the legal right of way. Neighbors had agreed to the new road layout.

Annual Report Discussion

Darcy Dale and Nick Tensen had reviewed the report. The tax rate had increased from 16.22 in FY to 16.48 in FY19. Property valuations increased 5.79%. \$200,000 in free cash was used for tax mitigation in FY19 to lower the rate \$.34. The rate would have been 16.80. The 3.6% change reflected a 1.6% increase.

Updates on liaison assignments and committees

Review and Approve Minutes

Other Topics Not Reasonably Anticipated by the Chair

Phil Stearns said it was important to think about Warrant Articles now so preparing a written document regarding the pros and cons would be feasible. The Planning Board was proposing an Inclusionary By-law change, which allowed for an increase in payments in lieu of building affordable housing onsite. The Planning Board would also be proposing a change to the Road Acceptance Policy for acceptance of private roads as well as a Master Plan Update. The Planning Board would propose an article on changes to the Wireless Communication By-law to incorporate 5G requirements. The AirB&B By-law would not be ready for Town Meeting. Patrick Reffett would be invited to attend the next meeting to discuss these topics. Nick Tensen would become liaison for the Planning Board during David Wanger's absence.

Scott Maddern would present the Selectmen's initiative for the Capital Committee, which included the Town's and School's Capital Stabilization Plans. Darcy Dale was concerned about member selection. All members agreed that the concept was a good idea.

The Town Hall Building Committee would request funding from the Community Preservation Committee. Jay Butler would be invited to discuss the request. \$700,000 would be requested for architectural designs. Patton Homestead, Inc. would present their request for funding to the Selectmen on February 25, 2019. The new Director, Kaleigh Pere would begin February 14, 2019 and would discuss usage pricing. The Affordable Housing Trust would be changing their By-law to limit the number of members as reaching a quorum had become a problem and non-residents were allowed to join.

Allison Jenkins was reportedly concerned about the Town Clerk. Darcy Dale expressed her concern that having an appointed Town Clerk as opposed to the presently elected position, would limit the democratic process as the Town Clerk would work for the Selectmen and Town Manager rather than for the residents. Ms. Dale said there should be good reasons to implement such a drastic change. While the Town Clerk had apparently not followed the agreement to submit hours out of the office, Nick Tensen said having an individual not adhering to an agreement did not mean the system needed to be changed. Phil Stearns said it would be a chance for the residents to vote if the change was on the Warrant. Ms. Dale added that the Town Clerk worked many hours of overtime during elections that would need to be paid if the position was appointed. Ms. Dale thought the Town was getting its money worth. Ms. Dale said problems with the one-year old agreement should have been made upon its inception.

Discuss/Determine Agenda for Next Meeting,

Items would include: Budget discussions for the Town and School, Second Quarter update, Patrick Reffett's presence for Planning Board Town Warrant Articles, Jay Butler's presence for the Community Preservation Committee update, liaison assignment, minutes, and other topics.

Adjournment


Nick Tensen made motion to adjourn.

Seconded by Darcy Dale.

Vote: Unanimous to adjourn at 8:44 pm.

Prepared by:

Marcie Ricker

 03-07-19

Attest

Date