

RECEIVED
TOWN CLERK
HAMILTON, MA

**TOWN OF HAMILTON
FINANCE AND ADVISORY COMMITTEE**

2021 SEP -7 PM 2:43

Minutes of Meeting

August 18, 2021

6:30 pm.

Zoom Meeting 861 2578 8079

Passcode 14691

Members Present: Christina Schenk-Hargrove, John McGrath, John Pruellage, Nick Tensen, and David Wanger.

Others Present: Alex Magee (Finance Director) and Peter Britton (466 Highland St.).

Call to Order

Roll call: David Wanger – present, Nick Tensen – present, John Pruellage – present, John McGrath – present, and Christina Schenk-Hargrove – present. The meeting was called to order by Christina Schenk-Hargrove at 6:34 pm with a quorum established via Zoom.

Public Comment

Peter Britton requested that the FinCom discuss 550 Highland St. and that the curator of the property was unable to regain the \$13,000 in back taxes due to him. Mr. Britton noted the fictitious sale in 2002 – 2003 and hoped the Town could do anything about invalid taxation. Mr. Britton requested that the FinCom consider the topic as a future agenda item. The topic was a conversation of multiple committees within the Town. The FinCom hoped for a resolution before Town Meeting. Mr. Britton noted that Town Counsel was the same counsel that opined that taxing a residential property within the State park was valid. The topic would be on the next agenda with Mr. Britton and the proponent seeking remedy as well as the opposition being present at the meeting. Alex McGee would seek Town Counsel's opinion regarding FinCom's role in the matter. David Wanger noted that FinCom was, by statute, responsible for all municipal questions.

Discuss any finance related updates with the Town Manager and/or Finance Director

Alex Magee said the books would be closed the following Friday and the Finance Department would begin to evaluate where the Town stood financially for FY21. The audit would be the week of September 7, 2021. Mr. Magee said he was not concerned about anything but there would be a small reconciliation regarding revenue, which was fixable. Mr. Magee noted that a few recommendations (15 digit passcode, password frequency changes, IT consultants) in the management letter from the previous year were not implemented. Mr. Magee said morale at Town Hall was good despite the lack of staff.

Financial Warrant items included amending the FY21 Budget appropriation, which was over appropriated by \$875,000. The Warrant article would reduce the budget by about \$875,000. Town Counsel would draft the article and the exact number would be determined. The issue was procedural and did not affect the tax rate. The second item was that the Pool Revolving

Fund was being re-appropriated into the Recreation Fund. Christina Schenk-Hargrove said there would be a total of four articles for Special Town Meeting. CPC funds would be noted in the calendar.

Alex Magee discussed outstanding financial policy recommendations. There were thirteen policies not yet implemented of the original eighteen policies from 2017 to 2018. Mr. Magee ranked the top ten priorities, which prioritized joint programs (indirect cost allocation) and priorities that were of best value to the Town. Once the top five emerged, minor operational changes would be sent to FinCom members. Indirect Cost Allocation was Mr. Magee's first priority. Inter-municipal Agreements and the standardization of reimbursement formulas were discussed. Mr. Magee said an anti-fraud policy would be important and easy to implement and ranked it higher than his predecessor.

Members discussed policies regarding the FinCom Reserve Fund and policies regarding the use of funds within the Capital Stabilization Fund and the Stabilization Funds. The focus had previously been on to what level the fund should be funded but not on the use. Alex Magee said the FinCom Reserve Fund and Free Cash should be used for funding one time expenditures and the Stabilization Fund could be used for any lawful purpose. Members hoped a policy regarding how the FinCom Reserve Fund could be used would be helpful. The Capital Stabilization Fund and the Stabilization Fund needed definitions as to when they would be used and how they would be refunded or paid back. Mr. Magee said the terms were included in the policy.

The Selectboard (formerly known as the Board of Selectmen) would formally vote to adopt the policies and Alex Magee with Joe Domelowicz would create an implementation timeline. Mr. Magee said it was important to build consensus between the FinCom, Selectboard and Town administration to move forward together. The reopening of the sharing agreement, which was the first policy to approve, was on the Selectboard's agenda. It was noted that the list of policies was a sequence and not a timeline. Mr. Magee said the Finance Department would be working on the list as time allowed.

Motion made by John McGrath to adopt as our recommendation, Alex Magee's priority list as stated in the left most column in the workshop.

Seconded by David Wanger.

John Pruellage noted that the Town had previously adopted Stabilization Fund withdraw levels and maximums as well as payback periods. According to Mr. Pruellage, the Capital Stabilization Fund had the least guidance in terms of paying into it or pulling money out of it.

Roll Call Vote: John Mc Graph – aye, John Pruellage – aye, David Wanger – aye, Nick Tensen – aye, and Christina Schenk-Hargrove – aye. Unanimous in favor.

Members discussed the need for a policy for the FinCom Reserve Fund. In the past, when unforeseen items were not in the budget, the Town would request use of the fund. More guidance was needed regarding process.

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Roll Call Vote: John Mc Graph – aye, John Pruellage – aye, David Wanger – aye, Nick Tensen – aye, and Christina Schenk-Hargrove – aye. Unanimous in favor.

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Discuss Town Forecasting Model

As John Pruellage shared his screen, he announced that he would meet with Bill Wilson (Capital Committee) to make any changes to the model. Members focused on assumptions as they considered different (best or worse case) scenarios or ranges of assumptions. The average valuation of \$623,000 was used in each scenario. Christina Schenk-Hargrove requested that if the valuation changed, it should be explicit. Year one value of the median home value for 2021 was used for each case scenario but would grow in future years. Members discussed the impact of increasing the CPC surcharge from 2% to 3% and how the matching rate might offset the increase in the charge. Despite the fact that the matching funds could decrease what would be funded through the General Fund, which would have a positive effect, the rate of 2% was used for the current time. Ms. Schenk-Hargrove suggested increasing the median home value starting in June 2023.

Scenarios would be named but one would be left open. Labels included high spending with low growth, low spending with low growth, high spending with high growth, high spending with low growth. Another flexible category was added. A 2% reduction in property value would be the worst case over 5 years. As members discussed how negative the range should be, John McGrath noted that guardrails should be considered the two outside scenarios. There should be a very positive and very negative scenario with a middle gradation of it. Alex Magee noted that most downturns are of a two year range, which would allow time for adjustment within the five year range. Mr. Magee added that a flat growth would be disastrous. The highest growth would be 5%. This year had experienced 4% but it would be unlikely to repeat the same growth for more than one year. Home assessments would also take time to re-evaluate.

Mr. Magee noted that the Town of Hamilton's valuations were not a true measure of market evaluations. New growth would average five new houses per year. The average home was taxed at about \$10,000 per year. Mr. Magee added that in the future, new growth would likely come from developments that would not be big houses because it was harder to find land but would be redevelopment projects with 15 to 20 units. A 150 unit development would add \$1M in new growth but might not happen more than once in five years. The top growth would be \$500,000 as the growth would be the same as property value increases. David Wanger cautioned that the public may not believe the assumptions. Mr. Magee said there was \$357,000 in new growth last year and \$170,000 the prior year with an average of \$253,000. Myopia had requested a re-evaluation, which lowered their value from \$22M to \$16M, which would be a big change to the tax of other properties. The reverse could be true for Gordon College, which had been exempt from taxes but might be sold as a taxable entity.

Town expenditures were discussed. In a recession, cuts could be made and in better economic times, new staff could be hired and an increase in spending could occur. The previous year the budget was cut by 2% and then the Town spent even less. Fixed costs such as healthcare were greater than 2%. Alex Magee wondered if there were high growth, why would there be low spending and suggested that high growth would result in medium spending, which would be more likely. Mr. Magee said that in a disaster scenario, only maintenance would occur with no capital projects being completed. John Pruellage said the amount was dependent on the

Christina Schenk-Hargrove would discuss the Myopia abatement with Joe Domelowicz.

Members discussed that free cash balanced out capital expenditures. The item would match the percentages listed for capital amounts. Discussion ensued regarding the policy and if the policy defined how much should be spent from free cash. David Wanger wanted a minimum retention figure. The model showed the \$1.7M balance with a \$1.3M transfer between the Stabilization Fund. The Budget had been set to minimize the accumulation of free cash. Alex Magee said the financial reserve policy indicated that the fund should be 5% of the annual operating budget and be spent on relatively large, one time expenditures, emergencies, and anything above 5% would be appropriated to reserves to offset liability. \$500,000 would be the agreed-upon number to use in the model.

Special Town Meeting would rectify the \$875,000 double entry, which would not affect the tax rate if fixed before December. The Town previously passed a higher level of spending for operating expenses and a higher number was appropriated for the Schools. The tax rate was originally based on the correct number. There would be no fundamental impact from the correction.

John Pruellage would incorporate various scenarios and update the model for the following meeting. A workshop demonstration of the model would be conducted with Town officials and later for the public. Mr. Pruellage wanted to conduct a do it yourself scenario based on audience input. The tool would be useful and evolve over time.

Review Financial Policies, related to the Stabilization Funds.

Would be discussed at the next meeting.

Review Legal Services Costs.

Members asked Alex Magee to provide all invoices from FY21, including all legal providers. Christina Schenk-Hargrove said the Committee wanted to determine how much of the contract was for a retainer and what was included in the retainer. Mr. Magee said the contract had just been extended for another year without negotiation. The records were public.

Discussion regarding any financial related updates.

Alex Magee wanted to purchase a Munis procurement model that would allow for better tracking of invoices. The files would be digitized and would help with anti-fraud efforts. Currently the invoice amounts were available through Munis but not the invoices.

Liaison Updates.

David Wanger asked for guidance in his and John McGrath's discussions with the Schools as there were various groups to consider: The Town Manager of Hamilton, the Town Administrator of Wenham, the Superintendent of Schools, the School Committee and the chairs of different committees. Mr. Wanger wanted to be sure that he and Mr. McGrath would discuss things in a manner consistent with the other groups when they met with Dana Allara. Reportedly Ms. Allara was open to providing information but was unclear what information was

needed. Mr. McGrath would go to the School Committee meeting the following day and become engaged with members of the committee.

David Wanger discussed the potential of the Gordon Conwell site and had asked if the Hamilton Development Corporation's jurisdiction could be extended from only downtown to include the project site. Pro-active zoning for the area of redevelopment would be an important aspect of commercial opportunities. Mr. Wanger announced that due to the absence of a Council on Aging Director, discussion regarding merging with Wenham had begun.

Nick Tensen noted that soliciting for a facilities consultant to help with the design and regulation requirement for new fuel tanks in Wenham and Hamilton had been initiated. It was unclear if the location would be in Hamilton or Wenham. The Asbury Grove backflow was for the seasonal water usage. Work would begin this fall or spring.

Status of Gordon Conwell property; Zoning

Review and Discuss Special Town Meeting Calendar and Warrants.

Would be discussed at the following meeting.

Review and Approval of Available Minutes.

Would be discussed at the following meeting.

Determine/Discuss Agenda for Next Meeting.

Other Topics Not Reasonably Anticipated as Determine by the Chair.

Adjournment

Motion made by Nick Tensen to adjourn at 10:19 pm.

Seconded by David Wanger.

Roll Call Vote: John Pruellage – aye, John McGrath – aye, Nick Tensen – aye, David Wanger – aye, and Christina Schenk-Hargrove – aye. Unanimous in favor.

Documents: Forecasting Model

Respectfully submitted as approved at the 8/25/2021 meeting.

Marcie Ricker

