

September 6, 2024

From: Hamilton Finance and Advisory Committee

Commentary and Recommendations on the Warrant for:

SPECIAL TOWN MEETING

Monday, September 23, 2024

Hamilton-Wenham Regional High School, Hamilton

Please bring this report to Town Meeting

To the Citizens of Hamilton:

Before each Annual Town Meeting (ATM) and Special Town Meeting (STM), the Finance and Advisory Committee (FINCOM) is asked to provide our recommendations and analysis regarding the warrant articles to be presented at Town Meeting for your deliberation and disposition.

FINCOM's responsibility is to recommend the action we consider appropriate as to "any or all municipal questions." As citizens, you are entitled to consider and vote on all such questions presented to you on the town meeting warrant.

As Hamilton residents, we are fortunate to have retained the most direct and democratic form of governance--the town meeting. But that means that only those who attend will ultimately make these decisions. Too often, a small minority of citizens make decisions at town meeting that will affect all citizens. FINCOM encourages you to participate in the decision-making process by attending Town Meeting and voting on these important matters.

The Town is generally not required to hold a Special Town Meeting every fall; however, the two articles on this warrant are significant and require citizen action. The FINCOM will continue to evaluate the need for a STM each year to reduce the burden of holding one if possible.

We have tried to keep this document as short as possible. Please read it in conjunction with the Warrant and any appendices. Please refer to those documents for the wording of the articles, summaries and fiscal impact as prepared by the Select Board, Town Manager, Finance Director and Town Counsel.

The following discussion relates to both articles before the town meeting:

ARTICLE 2024/9 2-1 Community Preservation – Town Hall Project
ARTICLE 2024/9 2-2 Town Hall Project – (Free Cash)

Background/History of Town Hall

The Hamilton Town Hall building is a wood structure constructed by Pitman & Brown in 1897. It is in Hamilton’s Historic District and is registered in the National Register of Historic places. The building includes two floors, a meeting room balcony, and a full basement. The total approximate floor area is 13,530 square feet. Other than an exterior handicapped access ramp, the building has had no additions over the years.

The Town Hall building retains its original woodwork, windows, hardwood floors, and design features. The original windows were removed, repaired, and reinstalled in 2011. Overall, the building has been very well maintained, and appears much the same as when first built in 1897.

The building’s major problems include significant structural problems inside and ongoing deterioration of the building exterior. No fire suppression system exists and is potentially putting at risk both lives and town records. Certain town departments are not accessible for those who cannot climb stairs. The “temporary” ramp was put in 30+ years ago. Cubicles take up the second floor leaving no room for the public events that once took place there. Secure and accessible storage for the files the Town is required to maintain in hard copy by state law is inadequate or putting pressure on the bowing building structure.

The goal of this project is to create a renovated civic center for the town that is ready for its next 100 years and is intended to improve the functionality of the building, protect the building structure, and preserve the historical character and important design features of the building.

Project Discussion and Funding Overview

The following discussion represents a full view of the Town Hall project including a history of all funding votes and includes the cost to finance the bonds to be funded by the CPC. Please refer to the five charts in the appendix (A – E). Note: Some of the amounts (eg. interest) shown in these charts are estimated by FINCOM.

- A. Funding History
- B. Spending – Inception to Date
- C. Project Budget by Phase (Design & Preparation / Construction)
 - a. including the \$2M funding request for this Special Town Meeting.
- D. Preservation & Restoration Project Overview
- E. Decarbonization Project Overview

The FINCOM organized the following discussion into two “funding” phases:

- **1 - Design & Preparation – Complete**
- **2 - Construction**
 - o **2a - Preservation and Restoration**
 - o **2b – Decarbonization**

1. Design & Preparation

The “design” phase includes the original designs, subsequent redesign when funding efforts failed, construction estimates and advertisements for both design and redesign, professional services including OPM (Owners Project Management), outfitting of temporary office spaces including relocation, technology and security. This phase of the project is largely complete with funds having been expended as noted in Chart B.

2. Construction

2a. Preservation & Restoration Project

This project addresses the exterior building preservation, ADA accessibility (elevator and ramps), grounds improvements (incl. parking), renovation of office spaces, meeting rooms, storage spaces, renovation and expansion of restroom facilities and fire suppression improvements. The following is a list of the project elements currently in scope for the Preservation & Restoration project:

- New Septic System
- New parking lot paving
- New DPW fence
- Structural remediation of bowing exterior walls
- New HVAC system (Included in Decarbonization Project)
- New lighting (Included in Decarbonization Project)
- New electrical service throughout
- Addition with elevator access to all floors and new main entrance
- New documents vault (alternate)
- Remodel existing meeting room into new DPW offices and Treasurer’s office
- New accessible ramp at North end of building, replacing 1992 ramp
- Remodel existing stage/DPW offices to Town Manager’s office and Finance department
- Repaired basement restrooms
- Repaired first floor restrooms
- New second floor restrooms
- Restore second floor meeting room
- Restoration and repairs of façade
- New roof
- Increased roof insulation
- Limited new flooring in basement
- Restored flooring throughout first and second floors
- Sprinkler protection throughout

The Preservation & Restoration project has been scoped and the contractor is currently poised to commence work later in 2024. See Chart C for project costs. **Incremental funding approval of \$2 Million is required at this Special Town Meeting to allow the “Construction” phase to commence.**

2b. Decarbonization Project

A separate **Decarbonization Project** that will upgrade and improve the efficiency of all building mechanical systems and moves the town toward its 2040 net zero carbon goals has been planned. This project includes, but is not limited to HVAC, mechanical systems and controls and lighting. This project will be installing a geothermal well system and solar panels as part of this phase of the work. Hamilton was recently awarded a \$500,000 grant and \$15,000 grant for this work and the staff oversight of this work.

Background – Bid Process

On October 4, 2023, the town issued a “Request for Qualifications” (RFQ) for selection of a firm to provide a comprehensive program of Energy Management Services pursuant to M.G.L. c. 25A, §11I. This RFQ solicitation seeks to address the electrical, lighting, HVAC, and mechanical systems improvements by contracting with an Energy Management Services Company (ESCO). The ESCo is required to develop energy saving opportunities and assist the Town in pursuing available **grant funding opportunities** such as Massachusetts Green Communities, Buildings UP, and other state and federal grant programs. Construction of these systems is expected to occur in parallel and in collaboration with the Preservation & Restoration Project. The Energy Systems Group (ESG) was selected out of this process.

Program Overview

As a follow-up to the issuance of the RFQ, town officials worked with **ESG** to develop a budget neutral, fully decarbonized and net Zero Town Hall infrastructure project. The following is a brief description of the project elements:

- The Department of Public Works roof will be utilized to host the Solar PV that will supply the Town Hall.
- The DPW parking lot will host two standing column wells used in the Geothermal heating / cooling system that will supply the new building variable refrigerant flow heating and cooling equipment.
- A Building Management System will be deployed
- Advanced LED lighting fixtures will be provided which will enhance the aesthetics and functionality of the Town Hall.

Who is Energy Systems Group (ESG) ?

- Since 1994, ESG has helped public and private-sector organizations across the U.S. achieve their energy efficiency, resiliency, infrastructure, and sustainability goals with innovative, budget-neutral solutions.
- ESG identifies, engineers, designs, builds, operates, and maintains energy efficient, sustainable resilient, infrastructure improvements that pay for themselves. Further, they provide expert energy consulting, assessment, design, engineering, construction, monitoring, operations and maintenance, commissioning, turnover, training, and financing support.

The Decarbonization project has been scoped and ESG is currently poised to commence work in alignment with the Preservation & Restoration project later in 2024.

The Decarbonization project is self-funded but requires the town enter into a 20-year Tax Exempt Lease Purchase Agreement.

FINCOM Discussion and Recommendation

The reason we are convening in this 2024 Special Town Meeting is because:

- **The lowest “July 2024 construction bid” to perform the Preservation and Restoration project exceeded the November 2023 estimated construction amount by 42% (\$2+ Million).**
 - o The **“July 2024 construction bid”** is: \$7,449k
 - o The **“November 2023 construction estimate”** was: \$5,262k
 - o The difference is: **\$2,187k (42%)**
 - Note: The “2023” estimate was generated in March 2023 and was “loosely” based on a prior estimate from July 2022.
 - It was NOT the result of an RFP process.

We should point out that the current bid of \$7,449k by Campbell Construction Group, LLC of Peabody, MA was the lowest of four bids received in response to the Request for Proposal issued by the Town. The four bids received were as follows:

- Campbell Construction Group, LLC	Peabody, MA	\$ 7,449K
- Northern Contracting Corp.	Canton, MA	\$ 9,410K
- GVW Inc	Lynn, MA	\$ 9,779K
- Deiulis Brothers Construction	Lynn, MA	\$10,160K

Upon receipt of the bids, the town reconnected with the low bidder (Campbell) to explore their bid in detail to determine if they had grossly under-estimated their bid in response to the requirements of the RFP. They were asked if they would like to alter their bid. Campbell certified that their bid was in fact accurate and declined the opportunity to rebid the project. They have agreed to hold this cost till the end of September 2024.

Needless to say, the construction cost variance of 42% was a shock and clearly exceeded the budget which was brought to the November 2023 Special Town meeting.

- **Special Town Meeting 2023 → \$6.5M**
- **Special Town Meeting 2024 → \$8.5M**

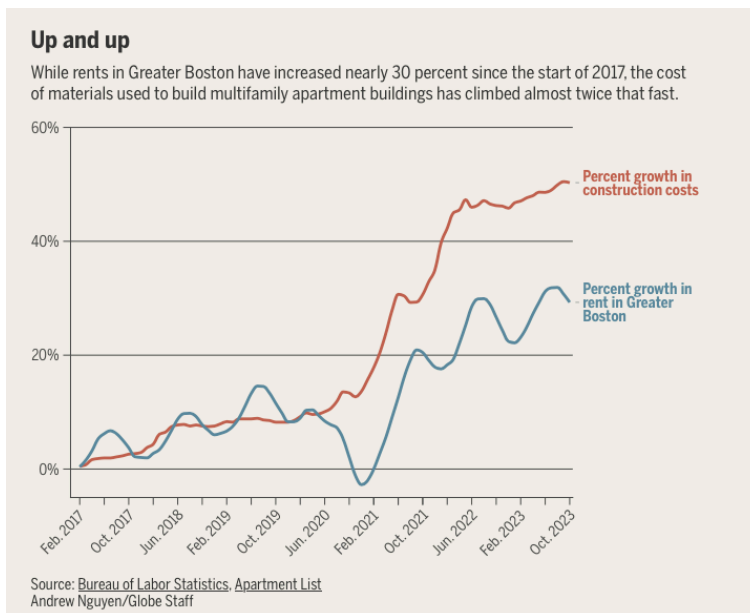
As the FINCOM reconsidered this Town Hall project, we wanted to ensure that we presented as comprehensive a financial recap as possible. Hence, we have attached five Charts (A – E) included at the end of this discussion which we will reference in the discussion. These charts include a recap of funding votes, spending to date, and project financial profiles.

A detailed comparison of the two construction estimates/bids is included on the bottom half of Chart C.

Construction Cost Increases – Two reference Points (Boston Globe & MSBA)

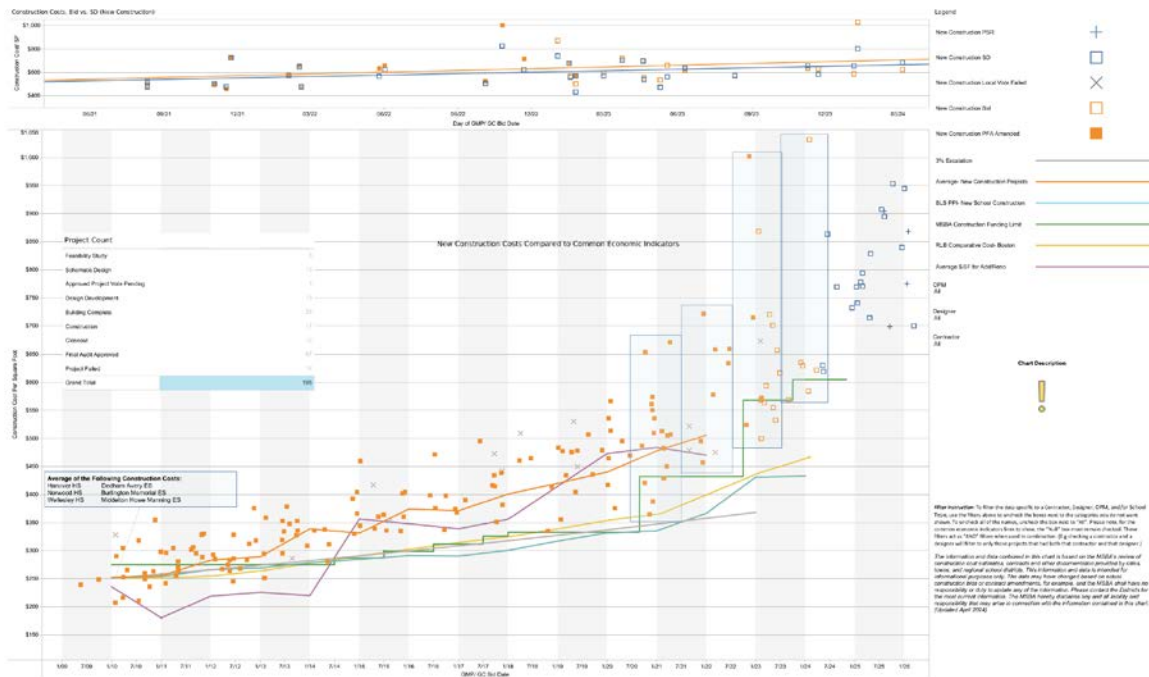
To provide a point-of-view regarding the construction cost increases we were observing, we used two reference points:

1. **Boston Globe Spotlight** - We were drawn to the Boston Globe “Spotlight” article dated December 2023. While the article does not align precisely with the Hamilton Town Hall project, it does provide a valuable reference point regarding construction cost increases in the Greater Boston area. (Please take the time to read this series of articles.) The chart below was included in the “Spotlight” article and is sourced from the Bureau of Labor Statistics. It indicates construction cost increases of 50% in the apartment building sector.



2. **Massachusetts School Building Authority (MSBA)** – The second source we used for construction cost information is the Massachusetts School Building Authority (MSBA). (This is an important reference point for the FINCOM as it feeds into the School Building project currently underway in our community.)

While it is unlikely the chart below will be easily readable (please go to the MSBA website), the rightmost area of the chart provides some visual insight into the aggressive cost per square foot increases being realized and presented to the MSBA for recent school building projects. These cost increases are in the 30% - 50% range.



These two reference points provide some insight as to what is happening in the commercial construction sector in the Greater Boston area.

Decarbonization Project

The FINCOM and the CAPCOM jointly hosted a discussion of the various Decarbonization project elements with Christian Michel of ESG. This project is self-funded but does require the town to enter into a 20-year Tax Exempt Lease Purchase Agreement. Refer to Chart D to review the Project components and the funding sources. ESG does provide a guarantee that the cost savings fueling the program will materialize. This guarantee and other contract terms is currently under discussion and will be executed once funding approval of all project components is received.

On August 29, 2024, the Town received notice that the “Green Communities Grant” for \$500,000 has been approved. The State Department of Energy Resources (DOER) notified Hamilton and mentioned the following: “DOER staff selected applications to fund based on several factors, including energy impacts, emissions reductions, utility incentives, reasonable budget, efficacy of measures in terms of energy savings per DOER investment, and previous grant awards. DOER also looked favorably on projects that exhibit innovation and consistency with the Commonwealth’s stated clean energy priorities.”

As noted in our commentary in November 2023, the FINCOM applauds the Town’s approach of seeking available “grant funding opportunities” for the **Decarbonization** project via an Energy Management Services Company.

Funding the Cost increase for the Town Hall Project (Refer to Chart C)

The proposal before the Town is to approve two warrant articles which will close the funding gap caused by the construction cost increase. Below is a brief review of these two warrant articles:

ARTICLE 2024/9 2-1 Community Preservation – Town Hall Project

CPC financing of \$1.5M: - Request to approve funding by the CPC for \$1.5M from the future CPC revenue stream. The town will issue a bond and incur interest over a twenty-year period. This will be financed by the existing CPC revenue stream and **will NOT increase your tax burden.** Issuance of these bonds will consume an additional ~ \$100k of the annual CPC revenue stream bringing the annual CPC funding of this project to approximately \$400k or 60% of the total annual CPC revenue for twenty years.

ARTICLE 2024/9 2-2 Town Hall Project – (Free Cash)

Free Cash usage of \$0.5M – Request to approve funding by the Town for \$0.5M of available free cash. The town currently has more than \$500k of available free cash....**above the 5% reserve of ~ \$2M....**required by our Free Cash policy. The use of this free cash **will NOT increase your tax burden.**

Recommendation

While it is unfortunate that the construction project cost has accelerated to the extent it has, FINCOM observed that this increase is in alignment with the cost increases cited in the two sources we mentioned. Our recommendation is to move forward with both the Preservation & Restoration and the Decarbonization Town Hall construction projects. The \$8.5M project (Chart C) estimate does include a 10% construction contingency (\$749k), on top of the \$7,449K construction bid. With a building of this age, it is likely the contingency will be consumed as certain unknowns will present themselves once construction commences.

In developing our recommendation, FINCOM reviewed the FY 2024 CPC annual report and the most recent certified “Free Cash” report from the town. Both reviews yielded a positive financial profile for 1) utilization of additional CPC available capacity for the \$1.5M bond and 2) the \$0.5M from the Town’s free cash reserve.

One final point is worth restating: the two warrant articles do NOT raise taxes, rather the articles seek to utilize the existing CPC revenue stream which all taxpayers contribute to as well as using existing free cash on hand.

The Finance and Advisory Committee recommends Favorable ACTION (4 - 0) on Article 2-1 and Article 2-2.

Respectfully Submitted,

Hamilton Finance and Advisory Committee

John McGrath - Chair

Alex Rindels - Vice Chair

Christopher Woolston - Secretary

Harry Philip

John Pruellage

Chart A – Funding History

All Amounts are Thousands of Dollars

Phase	Description	CPC		Town		Total Funding
		CPC Approval	Interest	Warrant Approval	Interest	
1	Design & Preparation					
	- 2017 STM (10 2-7)	75	-	-	-	75
	- 2018 ATM (4 2-3)	-	-	100	-	100
	- 2019 ATM (4 2-8, 20)	150	-	75	-	225
	- 2019 STM (10 2-6,7)	250	-	468	170	889
	Sub-Total Phase 1	475	-	643	170	1,288
2a	Construction - Preservation & Restoration					
	- 2020 STM (11 2-7)	3,000	1,560	-		5,560
	- 2021 ATM (5 2-14)	1,000				
	- 2023 STM (11 2-2, 3)	500	-	2,000		2,500
	- 2024 STM (9 2-1, 2)*	1,500	682	500		2,682
	Sub-Total – Phase 2a	6,000	2,242	2,500		10,742
	Taxpayer Funding	6,475	2,242	3,143	170	12,030
		CPC Project		Town Project		Total Funding
2b	Construction - Decarbonization					
	- Grants **	-	-	974		974
	- Cost Savings	-	-	868		868
	Grants & Cost Savings	-	-	1,842		1,842

* To be reviewed at Town Meeting - Approval Required

** \$500k - Green Communities Grant – Grant received

Chart B – Spending – Inception to Date - Design and Preparation

All Amounts are Thousands of Dollars

Spending Category	Amount
Design	836
Re-Design	97
Construction Estimates	5
Advertisements	8
OPM (Owners Project Management)	112
Other Professional Services	33
Outfitting Temporary Office Spaces	123
Relocation Expenses	8
Technology – Temporary Space	7
Security – Temporary Space	24
Variance – Bond Premium / Expense	21
Total Spending	1,274

Chart C – Project Budget by Phase

All Amounts are Thousands of Dollars

Phase	Description	Construction / Design	Interest Cost	Gross Budget	Grants & Savings	Net Budget
1 - Design & Preparation						
	- FY '18 - '22	1,118	170	1,288	-	1,288
2 - Construction						
2a	Preservation & Restoration					
	- Nov '23 - STM	6,500	1,560	8,060	-	8,060
	- Sep '24 - STM	2,000	682	2,682	-	2,682
	Sub-Total	8,500	2,242	10,742	-	10,742
	Sub-Total - 1 & 2a	9,618	2,412	12,030	-	12,030
Decarbonization						
2b	- Sep '24	1,388	454	1,842	(1,842)	-
	Total	11,006	2,866	13,872	(1,842)	12,030

Phase	Description	STM 2023	STM 2024	Change
2a	Construction Expense	5,262	7,449	2,187
	- Contingency @ 10%	526	745	219
	Sub-Total	5,788	8,194	2,406
	Design Fees	260	194	(66)
	Other Project Expenses	452	112	(340)
	Sub-Total	6,500	8,500	2,000
	Interest Cost	1,560	2,242	682
	Total	8,060	10,742	2,682

Chart D: Preservation & Restoration Construction –

Campbell Construction Group, LLC Peabody, MA

All Amounts are Thousands of Dollars

Project Components		
General Contractor		3,489
Subcontractors		
- B & B Commercial Masonry Inc.	Masonry	209
- Houle Welding & Fabrication Inc.	Metal Fabrication	168
- P.J. Spillane Co., Inc.	Waterproofing, Damp proofing, Caulking	358
- Stanley Roofing Company	Roofing & Flashing	304
- John W. Egan Co., Inc.	Painting	147
- Pavilion Floors, Inc.	Tiling	40
- J.R.J. Construction Co., Inc.	Lath & plastering	138
- M.L. McDonald Sales Company, LLC	Acoustical Ceiling Tiles	32
- Delta Beckwith Elevator Company	Elevator	540
- Xcel Fire Protection, Inc.	Fire Protection	411
- Kneeland Plumbing & Heating, Inc.	Plumbing	197
- E. Amanti & Sons Inc.	HVAC	834
- Mercier Electric & Communications INC	Electrical	582
Total Sub - Contractors		3,960
Total Construction Bid from Campbell		7,449

Chart E: Decarbonization

All Amounts are Thousands of Dollars

Specific ECMs Installed	
Geothermal HVAC System including Energy Recovery Ventilation	764
System heat sink will be two (2) 900-foot, standing column wells	
Variable refrigerant (VRF) fan coil units (FCUs) throughout the building	
100% heating and cooling of the building; 100% electric at a high COP	
Advanced Networked LED Lighting with Integrated Controls	100
Solar Photovoltaic (PV) Array for On-Site power generation	264
Building Management System for control of all building systems	154
Automatic Receptacle Controls (Plug Load Controls; Integrated with Smart Lighting)	7
Investment Grade Audit	88
Project Interest (20-year lease)	454
ESG Measurement & Verification Cost (2 years)	10
Net Positive Cashflow over the Term	1
Total Project Expenses	1,842
Funding	
Grants / Incentives	
Green Communities Grant – Grant received	500
Inflation Reduction Act Direct Pay Grants	272
SMART Incentives (20 years)	50
MassSaves	152
Total Grants	974
Other Funding	
Guaranteed Energy Savings (20 years)	719
Maintenance/Repair Cost Savings (20 years)	149
Total Other Funding	868
Total Funding	1,842