

HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Joint Meeting
December 11, 2019

Members present: Valerie McCormack, John Pruellage, Christina Schenk-Hargrove, Nick Tensen, and David Wanger (Chair).
Others present: Joe Domelowicz and Marisa Batista

This Hamilton Finance and Advisory Committee (FinCom) meeting was called to order at 7:02 pm at the Council on Aging Building, Bay Road, Hamilton.

Public Comment

Discussion with DPW Director, Tim Olson regarding water infrastructure, rates, and other DPW planning and budget issues.

Tim Olson (DPW Director) and Dave Thompson (103 Essex St./CapCom) were present. Mr. Olson discussed his forecasted budget for FY21, which did not include indirect costs or permanent wages. Based on projected revenues in comparison to expenses, there might be a deficit of \$390,000. Mr. Olson said water rates had been revised five years ago. Rates would be reviewed to cover expenses attributed to larger projects completed in the past and an increase in wages as well as other contract requirements.

\$217,000 in retained earnings would be used to offset the deficit, leaving \$852,000. Marisa Batista reiterated that the deficit was attributed to salaries, projects, and projected revenues. Ms. Batista added that water consumption was down (\$1.7M in FY17 and \$1.5M in FY19) due to water bans. A \$10M bond was approved in 2012 and a second bond for \$5M was approved in FY14 or FY15. Debt was being paid currently as the expenditures were already on the books. The Town would also start paying for the debt attributed to three new projects.

John Pruellage noted that when water rates were raised five years ago, it was to create a surplus, which would be drawn from as expenses increased. Nick Tensen said the deficit was less (\$800,000 compared to \$1M) than he had expected. Marisa Batista anticipated a \$390,344 deficit for FY21 without calculating indirect costs. Discussion ensued if the Town should raise water rates or use retained earnings to reduce the deficit. Water rates could be changed anytime by the Board of Selectmen.

Tim Olson explained the five-tiered water rate structure, which he found cumbersome and difficult to budget as it was hard to tell which residents were in which tiers as it changed each quarter. After reviewing commitments and total usage, Mr. Olson ran scenarios with different rates for quarterly commitments. Mr. Olson suggested changing the five tier system to a one or two tiered system. Average usage was 13,000 to 14,000 gallons per quarter. If using a three tiered system, the first tier could be for residents who used less than 5,000 gallons. The highest

tier could be for residents who used more than 25,000 gallons. The majority of revenue generated would be in the middle tier. Larger users would pay more per gallon.

Tim Olson said some towns had a single tier rate with lower users paid the higher rate. The current rate paid in Hamilton was \$5.74 per thousand gallons for users who used between 5,000 and 25,000 gallons, which Mr. Olson said was low compared to other towns. David Wanger said those who used less would be disadvantaged. There was a \$60 infrastructure fee charged per quarter per meter before the usage rate was applied. The fee was implemented to build up retained earnings. Mr. Olson said many other towns did not have the infrastructure fee. MUNIS had estimated that a 30% to 40% (\$150.00) increase would be needed to offset the deficit, based on the town's usage of 155M gallons of water.

Tim Olson said there were four full time people in the Water Department. Operational savings would be experienced when retirements occurred and new hires would be paid at a lower rate. Marisa Batista recalled that financial policies for retained earnings included that the fund maintain a minimum reserve of 20% of the total budget or about \$410,000 for FY21. Ms. Batista said the account would have \$800,000 if revenues met projections, which it did not. Joe Domelowicz said the Board of Selectmen could raise the infrastructure fee to \$90 per home per quarter, which would close a \$400,000 gap. The fee increase would allow for a lesser rate cost for residents. Currently the Town received \$150,000 in fees and \$300,000 from consumption per quarter. There was a 97% collection rate. A 48% rate increase in the second tier would allow the Town to break even, according to Nick Tensen. David Wanger said an annual discussion should be held. John Pruellage said the revenue from the infrastructure fee correlated with the debt service. Members agreed on the need to be consistent with policy.

Dave Thompson said the Town was looking at significant capital expenditures including the \$8M water tank. Mr. Thompson thought it was time to raise rates in anticipation of the increased costs. Mr. Thompson thought a three tiered structure would reward light water users, encourage water conservation, and help those of less means. Tim Olson added that in addition to the \$60 infrastructure fee, non-residents were charged an additional fee of \$30 for water service and private hydrant owners were charged an additional \$25 per quarter.

Tim Olson described the rates of other towns. Some towns charged a seasonal rate. Essex charged a \$101 base rate and then a rate of \$8.68 per thousand for the low tier. Summer rates increased \$40 for the base rate and more per gallon. David Wanger said the increase in the operating infrastructure fee, which would be diverted for capital needs, would be comparable to the capital reserve fund. Having a more aggressive rate structure could cover the operational expenses. John Pruellage said the infrastructure fee should cover the debt service line item, which was increasing. Marisa Batista was concerned that two revenue accounts (one for base rate and one for water usage) would become an operational nightmare. It was agreed that one lump sum would be collected and then coded into two different line items. Tim Olson said the current system already broke out the base rate from usage. Mr. Wanger suggested increasing the

infrastructure fee and rates and then adopt a policy reducing the rate tiers to three. The policy should be reviewed annually. The Selectmen would review the rates and infrastructure fee in January.

Dave Thompson noted the pipeline upgrades for the neighborhood behind Winthrop School and the \$3M water storage upgrades for the two tanks at Cilly's Hill (north of Patton Park) and Brown's Hill (Gordon Conwell). Tim Olson said calculations had determined the fire flow in the system did not meet standards and the solution was to have two tanks. A long and short term plan as well as deficiencies in the system had been provided by the consultant, which had been sent to the CapCom. New water tanks were included in the FY23 and FY24 CapCom plan. Insurance was not affected by the lack of compliance and Mr. Olson said it was not a public safety issue.

Tim Olson said the water tank cells were from the 1930's. Nick Tensen asked if implementation could be completed in stages, one at Cilly's Hill and then one at Brown's Hill. Mr. Olson said a \$30,000 feasibility study was being proposed to analyze time lines, phasing, and develop conceptual designs. There were four criteria that were being considered. Structural analysis was considered to be good, especially considering the age of the system. The size and equalization, pumping at night for use in the day was considered good. Fire flow included a three hour demand to fight a fire and did not meet the criteria set. As there were no mixing apparatus in the four tanks, water that had been pumped up to the tank sat in the tank without being mixed for a long time. The problem with organics and the lack of mixing created a problem. The cost of mixers in the four tanks was \$1M. In response to David Wanger's question if the solution could be found for less than \$6M, Mr. Olson said he was not confident that only one tank would be sufficient as it might not resolve the flow issue.

Discussion with Finance Director and/or Town Manager regarding 2021 budget process and any finance related updates.

Marisa Batista said budget meetings had begun. Overtime budgets and other miscellaneous operating costs were reviewed to reduce costs. Transfers would not be calculated until a projected budget was provided because financial policies were based on percentages. According to Ms. Batista, the \$1.5M capital request for the new phase in water distribution would not be part of the projected budget. Ms. Batista said the number would continue to grow in debt service. Some projects had been on the books for 20 years. According to Ms. Batista, the tax rate was certified at 16.98.

The Schools had provided General Fund information without Excess and Deficiencies (E&D). Marisa Batista said the Schools were responsive and seemed to be willing to work with the Town. Wenham would also be provided information on a quarterly basis. David Wanger said the FY20 budget was under \$35M to date plus encumbrances, leaving a balance of \$6.6M (out of \$28M) for half a year. A joint meeting would be held in January or February after the first draft Budget was released. Guidelines had been sent from both Towns. Wenham, due to their

financial constraints, had requested a budget with a 3% increase. Hamilton requested a 3% to 5% increase. John Pruellage recalled that the previous year, the Town had a larger increase than the Schools. Ms. Batista was concerned what the Schools' ask might be. David Wanger wondered about what had been produced with the \$300,000 request to enhance special education. Christina Schenk-Hargrove said one program brought high school students back into the district. Mr. Wanger wondered what the Schools would cut if they were held to a specific percentage. Joe Domelowicz said the capital needs assessment was \$1.9M and hoped it would be reduced to \$1M. E&D was unknown.

David Wanger was concerned about compliment creep, adding that Patrick Reffett's position went to full time in the past to encompass grant writing and public outreach responsibilities. Mr. Wanger said if it were true, the Town was creating duplicative positions. The Fire Department had created a new position to limit overtime and reduce call positions. Mr. Wanger wondered if the duties associated with the added hours could be absorbed by current employees. Joe Domelowicz said grants had not been pursued and that some employees had been working at a level they had become accustomed to with some departments lacking efficiency. Mr. Wanger hoped to discuss personnel counts and hours at a future meeting. Nick Tensen hoped to see a head count by year. It was noted that some positions were part time. Marisa Batista had done a six year study in the past for each department, which was also totaled for a holistic view of the Town. Joe Domelowicz said insurance benefits for single workers with no dependents was \$8,000 and \$20,000 for a family. Mr. Wanger added that the Council on Aging was also hoping to convert a part time employee to full time status. Personnel was the largest driver.

Joe Domelowicz thought School administration understood the challenges of the Town. The Schools had identified special education as one of the biggest costs and were trying to put together what they needed to do to meet State law and be respectful of the Towns. The Schools had used E&D to cover the deficit in the budget and needed to develop a proper budget before considering an increase.

Unless they made cuts, Wenham was in another override position. A shared opportunity with Wenham was the Iron Rail fuel tank. Town Counsel was creating an inter-municipal agreement. Police, fire, and DPW departments would fuel up at Iron Rail. If the situation worked, the two Towns would buy one new tank together and be responsible for the dissolution of their individual tanks. Wenham would allow access and charge Hamilton for use.

Joe Domelowicz hoped to move the Saturday Town Manager's Budget Proposal meeting to a Monday night, which would be better for employees. The January/February date would be determined.

Kaleigh Pere (Patton Homestead) reportedly would be meeting with Homebase, a Post Traumatic Stress Disorder Veteran's group as they were looking for new locations for their program. The Hamilton Historic District Commission had approved Option B changes to the Town Hall

proposal that had been amended by the architect. Residents would be asked to approval a “not to exceed” number with a ballot box approval after the project went out to bid.

Committee Member and Liaison Updates.

Valerie McCormack reported that she had met with Marc Johnson and Carin Kale to find a disparity as to whether the Patton Homestead would be profitable within one or three years. No new income had been received and the \$27,000 goal had not been met. The non-profit was considering gifting or selling the property. Nick Tensen said Essex Technical School would be completing electrical work in the barn. Mr. Tensen continued that the facility must change and determine the purpose (cultural or historic) of the facility. The Town nor the non-profit had the resources to fund raise and manage the property. Discussion ensued if the property should be gifted to a non-profit such as the Trustee of Reservation or the Wenham Museum that could redefine the purpose of the site. Mr. Tensen did not think it made sense for the Town to manage the site. Reportedly Carin Kale would reach out to Joe Domelowicz to determine if she had the authority to approach other groups. Mr. Tensen referred to the Town needing to pay prevailing wages for repairs and questioned how much money would need to be invested to see the site through transition. David Wanger noted the increase for FY21 as they had used part of their initial funding already and would use the remainder this year. Mr. Wanger wondered if it was responsible to invest more money in FY21 for a proposition that did not have a positive footing.

Phil Stearns (Linden St.) recalled last year the non-profit had proposed a last minute plan as part of their request for funding. John Pruellage said the FinCom had met with Kaleigh Pere to hear that things were not going well. Mr. Pruellage said the fundamental issue was that they could not get a customer base without renovations and could not do renovations without fund raising. Fund raising was difficult as the property could potentially be sold. While Nick Tensen had a good idea of donations being put in escrow, Mr. Tensen said a lot of money was needed to raise money and volunteers were unable to do the job. A long term lease might be an appropriate approach.

David Wanger recalled the Selectmen’s meeting when the Willow St. neighbors attended. The status of the Zoning By-law that allowed the development had been debated between Rosemary Kennedy and Bill Olson at the meeting. At the request of Jeff Hubbard, Mr. Wanger met with Martha Driscoll and set up a meeting with the neighbors. Rick Mitchell (Planning Board/HDC) and Bill Wheaton (Planning Board) had been invited but Mr. Mitchell said he would not attend unless Brian Stein (Planning Board Chair/HDC) was in attendance. Mr. Wanger had not responded to date. The meeting had been postponed as Town Counsel was waiting for the Attorney General’s opinion regarding the validity of the By-law before rendering hers. Nick Tensen recalled residential use above commercial space would be curtailed due to the infrastructure (septic) needs. The issue needed to be resolved.

Nick Tensen discussed the need for another person for the Fire Department. Call fire fighters were inaccessible when calls happened in the middle of the day while call fire fighters were at

work. A full time person was needed. The Police Department reversed their request for an additional person. Wenham experienced the same situation regarding call fire fighters, which might drive the two Towns together for a shared Fire Department. Russ Stevens (Police Chief) reportedly said a combined police department would save five people or \$.5M between the two Towns. The Wenham Police Chief would be retiring soon, which might be an appropriate time to consider the proposal. The proposal would also create another partner for the \$350,000 dispatch center.

Christina Schenk-Hargrove met with Michelle Horgan (Schools) the previous week and had presented the list prepared at the Joint FinCom meeting for the Schools. Enrollment trends would be provided to the FinCom. When asked about the policy regarding reserve funds, Ms. Schenk-Hargrove was told to review the District Agreement. The Agreement could be amended after review. Union contracts would be negotiated in FY22. A number had been entered for OPEB. The Schools intended to balance the limitations of the Towns and the policy to provide services that were required by law. The Schools intended to oppose parental requests for out of district placements, which had not been done in the past. Early special education programs would be proposed to reduce potential costs later on. Nick Tensen noted that the Schools would assume the costs of the School Resource Officer. Joe Domelowicz sent a notification before December 31 that Hamilton would not fund the officer in FY21.

John Pruellage said he had met with the DPW and that Marisa Batista not only analyzed year to year increases and decreases but reviewed what was spent in prior years to determine if the base budget should be reset. David Smith of the Board of Health gave a presentation to request the Health Agent position be increased from a part time to full time position. While it was true that that Health Agent spent time on septic approvals when other responsibilities were pending, it was suggested that a service or contract person could be added, which would not add costs for the long term. As many departments were asking for an increased head count, legitimate needs needed to be prioritized.

Christina Schenk-Hargrove explained the Recreation Department budget. Revenue received in one fiscal year was spent in the following year as money for summer camp was received in the spring. John Pruellage added the situation was the same with the pool. According to Ms. Schenk-Hargrove, the summer program had grown but had hit a plateau. The Council on Aging was requesting a part time position be increased to a full time position and would also be building a wall and increase programming. The Director, Mary Beth Lawton would create a work load analysis. David Wanger cautioned that if the Town made an exception, it would need a rationale that would apply to others.

Valerie McCormack said she had met with Patrick Reffett who would be replacing the part time Conservation Coordinator and increasing the Dorr Fox position from part time to full time. Savings would be experienced by hiring a Conservation Coordinator at a lower rate than was previously paid to the retired employee. The CPC had asked for projects to fund and would be

considering an increase from the 2% surcharge to a 3% surcharge. Ms. McCormack announced that the Registry of Deeds was increasing the cost of filing from \$30 to \$100 to fund the CPC match. While CPC funding was limited to three areas, the Hamilton Historic District Commission had indicated that it would support a \$2M grant, which would be bonded for the Town Hall. The CPC hoped to have more coordination with the FinCom at an earlier approval stage. Nick Tensen also suggested coordination with the CapCom. David Wanger said it could be accomplished via the umbrella entity with their list of common goals. Mr. Wanger would speak with Joe Domelowicz regarding the status of the umbrella committee.

Determine/Discuss agenda for next meeting.

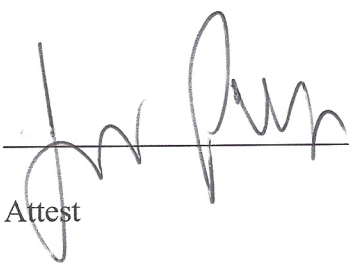
David Wanger had circulated a schedule of future meetings.

Adjournment

John Pruellage made motion to adjourn.
Seconded by Nick Tensen.
Vote: Unanimous in favor to adjourn at 9:35 pm.

Prepared by:

Marcie Ricker

 _____ 1/27/20
Attest Date