

HAMILTON FINANCE AND ADVISORY COMMITTEE  
Minutes of Joint Meeting  
January 22, 2020

Members present: Valerie McCormack, Christina Schenk-Hargrove, Nick Tensen, and David Wanger (Chair).  
Others present: Marisa Batista (Finance Director), Mike Twomey (Town Hall Building Committee), and Larry Sargent (resident)

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 regarding FY21 Budget, including:**

**Status and changes to Town budget/Status and changes of HWRSD proposed budget**

Marisa Batista announced the School budget increase had decreased from 13.6% to 12.66%. The School budget was 60% of the Town budget, which Ms. Batista said was a significant increase. While reserves could be used to cover the deficit, the following year would prove to be even more challenging. The Town could use a portion of the reserves and propose an override as the Town did not have the levy capacity to cover the increase. Ms. Batista described the levy capacity process for a given year. Ms. Batista recalled the previous year, the Town had about \$900,000 of unused capacity. According to Ms. Batista this year, the Town would be using up unused capacity but would still need to propose an override, use reserves, or consider a combination of both. Ms. Batista hoped the Schools would lower their request.

Marisa Batista said there was about \$186,000 in new growth for FY20. David Wanger said reserves were not intended for something built in year to year in the budget but were rather intended for one time unanticipated costs. An override if adopted, was not just for one year, but was built in requiring an appropriation year after year. Ms. Batista did not see the budget going down and if more free cash were not generated, the Town would be in the same situation next year. Mr. Wanger found the use of free cash or reserve funds problematic and suggested revisiting the process used two years ago when the School budget was divided into two articles, 1) the General Town budget and apportion of the School and 2) the remainder of the School ask in a separate article. Mr. Wanger recalled one member of the School Committee making a motion to combine them into one, which passed. Mr. Wanger inquired about the missing 81 votes as the vote to pass the motion was 81 votes lower than attendees present. Mr. Wanger was concerned their votes were not counted or the residents did not vote. Town Meeting rejected the \$2.6M bond issue that year.

David Wanger suggested the Town approach the situation with the two-warrant article method in tandem with Wenham. The first article would allow for a 5% increase, which would be slightly

more than the Town increase of 3.5%. The balance between 5% and what the School was asking for would be in the second article. Mr. Wanger thought the Town should undertake an educational campaign in advance of Town Meeting so residents understood what was at stake. The FinCom could not recommend use of reserves, leaving the override option, which would involve negativity in the community. The amount approved would also become the built in number for the following year. Mr. Wanger wanted the public to understand that would mean a firefighter might be laid off, roads might not be plowed, maintenance might not be done, and other issues such as Town Hall improvements would not be completed. Mr. Wanger wanted to ensure that Hamilton and Wenham were in coordination when they met with the School and Selectmen on January 29, 2020. Marisa Batista was working on calculations if the School presented a budget with a 5, 9, or 12% increase. Two one-time Town expenditures, a truck and fuel tanks could be funded through free cash.

Christine Schenk Hargrove said she had met with Michelle Horgan (School Committee), who indicated that the increase was due to a correction and that an override in future years would not be needed even though the School budget was still growing. Nick Tensen responded that if the Town exceeded the levy limit, budgets could only increase 2.5%. Marisa Batista said she understood that two weeks into the fiscal year, the School was already projecting a \$800,000 deficit but the correction would be for more than one year as the budget for this year would become the base for the following year. Ms. Batista said all collective bargaining and capital needs would occur and the next year's budget, including the override would become the base. Ms. Batista said a 3.6% increase would cover the \$1M deficit over the prior year.

Christine Schenk Hargrove said budgeting for this year did not account for possible fluctuation so the proposal would build up the budget to create a buffer for unknown contingencies. The School did not foresee out of district placements. David Wanger recalled the School had an Excess and Deficiencies (E&D) fund of \$1M. Marisa Batista said there was a circuit breaker of \$300,000. Ms. Schenk-Hargrove said if the budget was bumped up by the override, a 2.5% increase the following year would not cover the budget. Valerie McCormack said the override would be for over \$900,000. Ms. Batista said the budget would use up all unused capacity and more.

#### Status and use of reserve funds

David Wanger said after meeting with department heads, the Town budget would increase 3.6%, not including reserve transfers. Policies had been set to try to build up reserves such as the Capital Stabilization Fund for capital needs. Future \$500,000 needs could be funded with \$300,000 from the reserve and \$200,000 from taxation. The transfers were based on the total budget. Marisa Batista said the 3.6% increase was a preliminary number and joint programs were assessed higher than estimated. Ms. Batista was asked to include the cost of a Master Plan, which was not yet included. Ms. Batista said adjustments would be made to capital items that had been approved by the Capital Committee.

Larry Sargent recalled previous School sponsored overrides from years ago. Mr. Sargent thought it disconcerting that the operating environment of the School was level services in contrast to fiscal reality and that new activities should be pulled when such a large gap was present. David Wanger noted the School's OPEB liability was well in excess of \$30M, of which Hamilton owned two-thirds.

Marisa Batista said she was trying to balance the Water Department budget. Two projects' debt service payments were on the books this year. Along with two \$5M bonds for water distribution, a \$1.5M for water distribution, and authorization for a \$1.5 water treatment plant were approved at last Town Meeting but did not yet incur debt. According to Ms. Batista, revenues for water were not covering expenditures. The Selectmen would determine if a revision of water rates and/or infrastructure fees would be done. \$800,000 in reserves would be available at the end of FY20 if revenue met its estimate of \$800,000 to \$850,000. Revenue did not meet the estimate the previous year as consumption had decreased. The shortfall was \$150,000. The Town's Financial Policy indicated that 20% of the operating budget would be deposited into the reserve fund. For FY21, \$350,000 in reserves could cover the cost but a plan needed to be put in place to balance the budget.

Nick Tensen suggested increasing rates marginally over the next five years and using reserves to offset the costs. The rates would eventually sustain the costs. Marisa Batista said new projects would be put on hold. As was suggested at the last FinCom meeting, the \$60 per quarter infrastructure fee could be raised to \$80 to \$85 per quarter to cover the \$800,000 debt service costs. Rate increases could be minimal. While some bonds came to an end in FY20, many more 20 year bonds would be on the books for a while. Three new bonds came on the books in FY21. The \$1.2M authorized for the water treatment plant would be held until the following year. David Wanger noted the recommendation of an annual review of water rates, infrastructure costs and having a reduction from five to three tiers. Tim Olson would return to the FinCom after he met with the Selectmen for a discussion. The FinCom would vote on the topic before the Selectmen.

Members of the CPC were considering increasing the taxpayer contribution percentage from 2% to 3% under the argument that it would be matched by the State to pay for capital projects. Marisa Batista had been asked to calculate a comparison with hypothetical project costs being paid through bonding and being paid through CPC with a State match. Ms. Batista announced the State had declared a \$20M surplus in their CPA fund and it was unclear if Hamilton would get a second round distribution. Hamilton had received \$79,000 in November in the first round. The first round funded 80% with the remaining 20% being distributed to those communities that taxed their residents at the 3% rate. It was unclear if only 3% communities would receive funding from the surplus. Ms. Batista said she saw there were benefits for both sides of the argument.

#### Budget process and schedule

The Warrant would open the following Monday. Marisa Batista had not seen the complete draft. The FinCom would meet with the Selectmen on February 3, 2020. David Wanger would distribute the proposed Warrant to members once he received it. Mr. Wanger wanted to create a mailing and post a fact statement on social media in addition to the description of FinCom's position on articles. Larry Sargent suggested breaking out water rates, infrastructure fees, and improvements. Mr. Sargent said residents wanted to know the impact on each taxpayer and the \$800,000 water debt service was hard to personalize until the cost was shown per household. Ms. Batista was concerned that the estimates would change. Nick Tensen said the information was provided on the Warrant based on the average household.

David Wanger said Larry Sargent was interested in the waste controversy and Mr. Wanger hoped his interest would be broadened enough that Mr. Sargent might be interested in the FinCom when a vacancy arose. The waste controversy was not considered to be of financial importance alone but was of ecological impact as well. Mr. Sargent said the \$6 per year was not important to most residents especially now that the cost of recycling and composting had increased and the process was no longer a money saver. Nick Tensen said waste may evolve into an enterprise fund similar to the water enterprise. Mr. Sargent thought residents were willing to pay a bit more to maintain baseline services.

#### **Discussion of Town Hall renovation status with members of the Town Hall Building Committee.**

Mike Twomey updated the FinCom on the project. The Town Hall Building Committee had been tasked to make Town Hall historically correct while meeting codes. Even though the Committee was mindful of spending, money was outside the design aspect of their strategy.

Mike Twomey said the cupola and downspouts were missing, the roof was in need of repair, and the entry way was rotted. Downspouts were needed to direct water away from the building so water would not infiltrate the basement. Mr. Twomey described the entry ways, layout, and elevator access. In response to Larry Sargent's question about options, David Wanger explained that Option B had been chosen at Town Meeting. The vault was in the existing building but would be less expensive to put into the new addition, despite the need for a wider access. The elevator would stop at the basement floor, the first floor, the second floor, and the stage floor. The stage would not be dropped, which preserved the historical character of the building. The balcony would remain unused as it did not meet code for accessibility. Historical elements such as the carved-wood double staircase would be retained. The meeting room would be 30% to 35% larger than the current space and the configuration allowed for improved egress. The side entrance was in decay and the temporary handicapped ramp would be removed.

Mike Twomey showed the addition, small connector, and hip roof, recalling that the Hamilton Historic District Commission had unanimously endorsed the configuration. The entry would not be a back door entry but a secondary entrance as was required. The addition's exterior would match the existing building. The basement entrance would continue to exist to allow DPW

access to changing rooms and bathrooms. Mr. Twomey was unclear as to whether the parking had increased or decreased and noted that the Owner's Project Manager would meet with the Planning Board and Building Inspector to ensure the parking met code. Mr. Twomey said the area behind Town Hall was currently being expanded and there would be enough room for a truck to go through the gate, around the potential cell tower, back up for salt, and then proceed out.

Mike Twomey said the Town Hall Building Committee would not be able to receive estimates until after Town Meeting. Town Meeting had previously approved funding for construction documents. The architects needed until August 15 to put the construction documents out to bid. Five weeks later, bids would be collected and tallied. A hard bid number would be available in the end of September. According to Mr. Twomey, Town Meeting deliverables would be the design development drawings and an update. Mr. Twomey discussed potential savings that might occur such as not needing to lower the stage onto the second floor level, the perimeter drain being intact, and the decision that structural upgrades due to the deflection code requirement for the ballroom floor may not be necessary. Mr. Twomey suggested leaving the \$150,000 for the ballroom floor improvement in the budget until the ceilings were removed and the joists were evaluated. Mr. Twomey said the floor was constructed for 100 pounds per square foot whereas many commercial floors were designed for 50 pounds per square foot. Mr. Twomey would meet with Charlie Brett, who was aware of the structure's deflection issues. Mr. Twomey added that the vault area may be better in the new addition, especially if a smaller version of the proposal was accepted.

Mike Twomey discussed the budget. \$1.1M had been appropriated for design fees through the end of design and bidding. The CPC was considering funding \$2M. The original \$9M budget would be lowered to \$6M after being reduced by the two. The CPC would bond the project for 20 years and would receive a State match, which was why the CPC wanted to propose the increase taxpayer contributions from 2% to 3%. If the increase was not approved, the CPC would still support a \$2M gift to fund the project. Mr. Twomey said he thought the project would be voted down or the Committee would be asked to determine what could be accomplished with \$3M to \$4.5M. The incentive would be that some codes might not impact the job. Mr. Twomey thought the most important improvement would be to fire sprinkle the building. Other codes to consider were heating, ventilation, air conditioning (hvac), electrical, emergency power, and telecommunications. Mr. Twomey said the air was not good in the building and the bathrooms were too few and in disrepair. Pumps and electrical systems of high concern as well.

If nothing was done, Mr. Twomey thought the building might be maintained for the next ten to twenty years. Mr. Twomey said it was determined that the walls were insulated. The intent was to add 6" to 8" foam boards in the roof. Handicapped accessibility was temporarily solved by having employees come down to the first floor to help residents. The structural engineer found

the building to be sound. The vault held original Town records and would need to remain handicapped accessible even after records were digitized.

Mike Twomey said the original charge was to bring the building up to code and upgrade it to current standards. David Wanger asked if there were opportunities to expand the committee's ability to consider alternatives. Mr. Twomey said it would be a change in direction. Larry Sargent said the change would include considering what was required (keeping the building functional for fifteen years) versus what was nice to have (the whole building done at once). Mr. Sargent recalled the cycle of requests for the Public Safety Building and said the point would be if the residents thought the investment was worth the money, especially in light of the School Committee battles.

David Wanger said it would be awkward for the FinCom to recommend an override or use of reserves for the project. Mr. Wanger was unsure the fiscal situation would have vanished by Special Town Meeting. Larry Sargent suggested an education campaign including alternatives. Mr. Sargent said he had learned more from social media than official town sources regarding the waste situation. Mike Twomey did not have a breakdown to date of the difference between the addition and the renovations of Town Hall but would determine the comparison once the project stopped evolving.

David Wanger said money was an increasing issue. Christine Schenk-Hargrove wanted to see what happened with the budget before considering the Town Hall project. Mike Twomey said when taxes increased it was hard to stay in town on a fixed income and that he appreciated the FinCom's efforts to keep the budget low. Mr. Twomey said the reason he became involved with the project was to keep the costs low. Mr. Twomey would return in one month.

#### **Discussion regarding any potential or proposed ATM warrant articles**

David Wanger would distribute the list once he had obtained it.

#### **Committee Member and Liaison Updates.**

Christine Schenk-Hargrove reported on her discussion with School Committee member, Michelle Horgan. Ms. Horgan reportedly said special education was the driver with a 37% increase in out of district placement. Twelve to 15 cases were still pending. There were currently 70 outplacements. The School would be more aggressive about contesting parental requests for out placements. The School would be adding 12 positions as kindergarten enrollment had increased. Student teacher ratio had increased to 1 teacher for 22 to 24 students. The ratio should not be more than 1: 18. Teaching assistants were needed in special education. David Wanger asked whose standard was being imposed. Valerie McCormack said the ratio was State mandated. The School had started their FY20 budget with a \$1M deficit but the superintendent had said the way the budget had been done in the past, the School was not budgeting for the unexpected. While Ms. Schenk-Hargrove said the philosophy would not let the School go over budget, Nick Tensen responded that every budget should budget to their needs.

Larry Sargent said the School used level services rather than level funding while increasing their head count, which he did not believe was level services. David Wanger said personnel (75% of the School budget) was an item that would be built in every year unlike buying a capital item. The increase would become the salary base for the following year. While Ms. Schenk-Hargrove noted that if out of district placements decreased, the budget would decrease, Mr. Tensen responded that more teachers would need to be hired to support the students who returned.

Larry Sargent said there were 15 more employees on health insurance the previous year and 12 more would be added this year. There was no discussion between Christine Schenk-Hargrove and Michelle Horgan regarding OPEB. The School Resource Office would be in the School budget. Hamilton and Wenham FinComs would meet to coordinate their plans for the January 29<sup>th</sup> meeting.

David Wanger discussed the January 28<sup>th</sup> meeting with Willow St. neighbors. Bill Wheaton (Planning Board), Rick Mitchell (HDC), Darcy Dale (Board of Selectmen), and Martha Driscoll (neighborhood representative) would meet with Mr. Wanger in an effort to mollify angst of work in the neighborhood. Nick Tensen suggested adding a representative from the downtown commercial area. Mr. Wanger would ask Ms. Driscoll to invite someone.

Valerie McCormack reported that she had met with Kaleigh Pare to take a tour of the Homestead. Ms. McCormack said the building was in better condition than she had anticipated and compared it to Long Hill. Ms. Pare was reportedly waiting for Town Counsel to approve the contracts. Ms. Pare had reportedly requested the doors be changed to open outward, which would double the capacity due to fire code, however money was not available for the change. Requests for Proposals were being considered for potential interest in leasing the property. Essex Technical School had been contacted and it was hoped that the electrical work would be completed before school was out for summer break. Ms. McCormack thought the barn might be an interesting venue. Ms. McCormack said that even if the Homestead budget was not funded, maintenance would need to continue for a year. Ms. Pare reportedly said income was not expected within one year, but within three years as one year was not realistic. Ms. McCormack said the best expectation for the site would be to determine the income from the house or barn. Ms. McCormack suggested that Ms. Pare present what the best expectation would be from house and barn rental income after wiring was complete. Ms. Pare would be advised in advance regarding the FinCom's question. The FinCom hoped to hear the basis for her response rather than just her conclusion.

Valerie McCormack said most Town departments were using the Patton Homestead site for storage and the budget should be offset by the cost of using another facility. The Nordic Association was supposed to pay rent but had not. There was space at the Homestead that could be used for overflow Town offices.

David Wanger said the Planning Board would come to the FinCom for a By-law change that incorporated density. The change would not affect the Willow St. proposal. The By-law appeared to consider cottage housing. Mr. Wanger recalled that Rick Mitchell had agreed to consider By-law changes before a citizen's petition was presented to Town Meeting. Mr. Wanger said Rosemary Kennedy had asked to stay informed regarding the Willow St. project. Mr. Wanger said the meeting was a public meeting at Town Hall and Ms. Kennedy was welcomed to attend.

David Wanger said the legal fee issue was to be reviewed by the FinCom with John Pruellage conducting calculations but a letter had been received from the law firm to Joe Domelowicz. The letter reduced the retainer \$1,000 per month based on the law firm's assessment. While Mr. Wanger had reminded Mr. Domelowicz that the FinCom was to be involved in the six month review, it was determined that representation was inadvertent.

**Minutes.**

Motion by Nick Tensen to approve the minutes of November 20, 2019.  
Christine Schenk-Hargrove seconded.  
Vote: Unanimous in favor.

Motion made by Valerie McCormack to approve the minutes of January 8, 2020.  
Seconded by Nick Tensen.  
The word "compliment" would be change to "complement" and department heads "would meet again" would be changed to "may meet again."  
Vote: Unanimous in favor.

**Determine/Discuss agenda for next meeting**

Tim Olson would supply the numbers of pending projects. Warrant articles and the School budget would be discussed. David Wanger asked Christine Schenk-Hargrove to itemize the Enough is Enough recommendations.

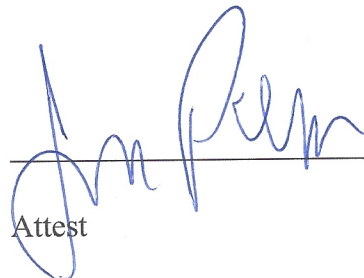
**Adjournment**

Nick Tensen made motion to adjourn.  
Seconded by Christine Schenk-Hargrove.  
Vote: Unanimous in favor to adjourn at 9:18 pm.

Prepared by:

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Marcie Ricker

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Attest

Date

5/14/2020