

HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Meeting
February 15, 2017

Members Present: Darcy Dale, David Wanger (Chair), John Pruellage, Phil Stearns, and Nick Tensen (7:05)

Jeff Hubbard (Selectmen and Liaison) and Bob Woodbury (ex-officio).

Others Present: Marisa Batista (Finance Director), Russ Stevens (Acting Town Manager)

This Hamilton Finance and Advisory Committee meeting was called to order at 7:00 pm at the COA building 299 Bay Road.

Public Comments

None

ATM Presentation

Citizen's Petition to study the Longmeadow land.

The Warrant Hearing would be closed by the Selectmen the following Tuesday. Donna Brewer and Russ Stevens had forwarded items to the Board of Selectmen for their consideration.

Nothing beyond the Citizen's Petition from Bill Shields was anticipated. The Citizen's Petition needed to be received before the Board of Selectmen closed the Warrant. While it appeared to be an innocuous study, David Wanger was apprehensive about what momentum might be gained toward the potential expenditure of public funds for what would be, in part, a neighborhood objective of avoiding an affordable housing issue in that area by using public monies, be it from the General Budget, bonding, or a combination thereof. There would still be a cost to the Town.

In a positive way, it could be affording the school more land or mitigating the \$9M turf field proposal. Mr. Wanger wanted the Committee to carefully examine the theme.

Darcy Dale asked if the purchase would preclude the development of affordable housing on the site and thought it would be more palatable if both could be accomplished. David Wanger said there was an aspect of the study proposal that was not community positive in terms of public funds as a way to protect the personal interests of a specific neighborhood.

It was noted by Russ Stevens that Buker School in Wenham accounted for only seven acres of land, while Hamilton had over 80 acres devoted to the schools. The high school was on 44.9 acres and the football field was on 14 acres. Looking at fairness and equitability would include looking at the properties that would not be compensated for so there needed to be a purpose for the acquisition. Ms. Dale added a phrase to the draft report that when the FinCom met with the school department, the agenda should include that there were more services, land, etc. to which Mr. Wanger agreed.

A study should be championed by the School Committee, according to Phil Stearns. David Wanger said the school committee voted favorably to establish a committee. Russ Stevens

thought it would look suspicious as a way to knock it out of the basket so it wouldn't be considered for affordable housing. Darcy Dale noted that the school turned down the acquisition of the same property in the past.

Bill Shields distributed and explained the article delivered to Hamilton and Wenham. The genesis of the article was that the high school was landlocked. They had tried to extend athletic fields and were using fields around town. The Gale Report and Recreation Plan noted that off-site fields were something that needed to be avoided and the goal was to bring athletics back to the high school. Regardless of artificial turf versus natural turf, the 20 acre (15 buildable) property was the only one adjacent to the high school.

The land had been made available as the Affordable Housing Trust (AHT) had been looking at the land Harborlight had been considering. All Boards said no to the 108 units of affordable housing. Andrew DeFranza no longer controlled the site, which could allow Mr. Miller and Mr. Farnham to create a 250 unit affordable housing project or keep the land as three residential units, which Miller signed off on in 1980. The final option would be to use the land for school or recreational use. The land had been used in part for recreation fields in the past. The School Committee had the authority to take the property under eminent domain, but the land would wind up under both Towns because of the Joint Recreation or Regional School Agreements. The article would need to pass both Towns. The price for the property was reportedly \$4M but the appraisal was not public.

Bill Shields said informally that the Joint Recreation Board would be in favor and the School Committee voted twice unanimously in favor of the study. The article was to see if the Town would direct the Selectmen in each town to study the acquisition of the land, purchase or otherwise and to report back at the next Town Meeting. The committee would be populated by one selectmen from each Town, one member of the Joint Recreation Committee from each Town, a School Committee member from each Town, and citizens as well.

David Wanger said any combination of the recreation or school departments would still have the Towns paying for it, as they would if the acquisition was by eminent domain taking. The FinCom could rationalize the cost if the study committee recommended the purchase to create fields, mitigating the \$9M for artificial turf fields, but expressed concern that this would be an expenditure of public funds to preserve the private interests of the private landowners in the area. If public funds were used to stop affordable housing in the area, it would be a benefit to the abutters and the Town would have expended funds in the interests of individuals rationalized by the arguments Mr. Shields had presented about the fields and school. The schools didn't come up with idea, but the schools adopted it. Mr. Wanger recalled that the Town had just spent money on recreation at the Sagamore Hill properties, while experiencing incremental pressures on the tax rate due to an increasing age of the population.

Bill Shields responded that a two thirds vote would be required in both Towns to pursue a Municipal purpose. The Wilcox fields (Longmeadow site) were used for sports in previous years, but Mr. Miller bought the land for his own pasturage. Mr. Shields indicated that the "No Further Subdivision" restriction would likely stop the affordable housing proposal and he thought the property was no longer in the basket of affordable housing because Harborlight no longer had site control. The Gale Report noted the shortage of fields, which compromised athletics and caused over use of existing fields. Mr. Shields thought the acquisition would be a beneficial use for the Town and thought it should be studied.

Nick Tensen said he was open to exploring the concept but noted the problem was funding. Jeff Hubbard said he understood the argument for on campus facilities but thought the Town did not need more than what the Town had currently.

Originally Mr. Miller wanted to put in a larger subdivision but agreed to the Planning Board's restriction of only three lots. Bill Shields said there was a legal question as to whether a 40B would trump a Planning Board decision with the force of an easement. Certainly 40B would trump local zoning, but nothing had been determined that it would trump the notation on the plan. David Wanger wondered about the property being aggregated with other locations for a smaller development on each, to which Phil Stearns responded that the unit cost would increase. The topic would be tabled for later discussion.

Budget

DPW Capital Expense

Discussion ensued regarding the \$165,000 trackless machine proposed for acquisition by the DPW. Russ Stevens said it took two days to do the sidewalks in Town. If the schools were delayed for two hours, students were forced to walk down the road. Currently the DPW used a ten year old tractor which could be traded in for \$10,000. The current machine was expensive to maintain but could be used for a trade in or run into the ground and get rid of it at the end of its life. The proposed trackless did everything including removing brush from the side of the road.

Wenham and Topsfield both used them. In response to David Wanger's question about the school trucks, Chief Stevens responded that the Town did the school sidewalks and in Wenham, the landscaping as well. The School Agreement did not include wear and tear on lawnmowers and tractors. Phil Stearns suggested acquiring the new trackless and lowering the work load by using the old tractor (holder) to halve the work time for getting the sidewalks done.

Jeff Hubbard asked about a policy for the Town to do Railroad Avenue sidewalks. Russ Stevens responded that it was necessary to take signs down to do the sidewalks, then merchants would call to get rid of train parkers because the signs were not present. Chief Stevens added that State statute mandated that individuals were responsible for sidewalks in front of commercial and residential properties. Chief Stevens reported that the Town plowed sidewalks on 1A and Asbury St.

Water Enterprise Fund

Marisa Batista described the change to the Water Enterprise Fund due to the reduction in debt service. Of the \$125,000 in free cash the Town only needed to use \$26,000 causing the debt service number to be lowered. The Town was authorized \$10M for a water distribution system, of which \$5M had already been issued. The estimated \$3M was for new borrowing, Tim Olson reportedly obtained estimates and determined a need of \$1.9M in combination with what was left from the initial borrowing. The Waste Enterprise Fund would be dissolved. Ms. Batista combined the Waste Enterprise Fund and the General Fund, then updated the estimate of local receipt estimates to include waste related receipts, which were reported under the Enterprise Fund. Ms. Batista estimated \$60,000 more revenue under other departmental revenue.

David Wanger recalled being at a Board of Selectmen meeting where they voted to eliminate the Enterprise Label from the waste budget and his memory was that FinCom was supportive because the General Fund subsidized the waste operation to such a large extent that it was evident that waste would never become self-sustaining. It was established as a Warrant article at Town Meeting and needed to be disestablished by Warrant as well.

Phil Stearns and Nick Tensen thought it should be an Enterprise Fund. Marisa Batista said a separate fund would show taxpayers how much they were paying. Mr. Stearns responded that people would recycle more if they saw the costs. Nick Tensen agreed.

Budget Forecast.

The Budget including waste expenses under health and human services increased causing an

estimated 17.08 tax rate by using \$500,000 in free cash. Using \$850,000 in free cash would create a tax rate of 16.85. The free cash policy was based on 5% free cash, but Marisa Batista had not seen it. If capital expenditures were funded through debt rather than through tax and free cash, the tax rate would be 16.60, but the Town would incur a cost of \$234,000 in interest and associated loan costs over the useful life.

Phil Stearns was concerned about making the Budget so lean that next year, there would be a big swing going the other way and suggested keeping the tax rate under 17.00 for FY18 and FY19.

Mr. Stearns commented that the town could take \$300,000 out of the Stabilization Fund and pay it back over time to avoid interest payments on the debt. Town Hall, turf fields, fire equipment, and school capital expenses were upcoming.

Marisa Batista announced that there might not be \$850,000 in free cash to mitigate the tax rate in FY19. If the Town was awarded the fire grant, the Town would lower the tax rate to 16.57 but in FY19 it would increase up to 17.00 which would look worse than keeping it stable. David Wanger noted if the FinCom did a diligent job of the budget, there would be less free cash in the future to mitigate future tax rates. By using \$500,000 of free cash, due to the increase in Town expenses, the rate would go up 4% but by using the \$850,000, it would only go up 2.76%, according to Ned Tensen. Using \$750,000 would cause a 3% increase, which might be a compromise that the FinCom could look at.

In response to David Wanger's question as to what was governing the FinCom's philosophy, Phil Stearns responded it was the stabilization of the tax rate over a period of time and trying to manage the Town's growth and expenses to do that. \$16.81 would remain in effect for first two quarters of FY18. By certifying the tax rate, the rate would remain for the last two quarters and would remain in effect for the succeeding two quarters, allowing for Special Town Meeting time to make amendments. If the grant was awarded to infuse the tax rate while still at 16.81, there would be a little more free cash. Marisa Batista said if the grant occurred, the rate would be below 16.81, while it would be 16.85 without the grant. Ms. Batista suggesting using 16.81 and putting the rest in free cash to keep the rate stable.

Nick Tensen noted using 30% of the free cash would equal \$850,000 and 26% would equal \$750,000. David Wanger added that if the Town used \$850,000, free cash would still be above 5% for this year. Marisa Batista did not think the Town was able to support using that much each year to support keeping the tax rate. Mr. Wanger did not want to see the rate, regardless of the grant, above 16.81 and considered Wenham's financial situation as a reason the School Budget may be kept low.

David Wanger thought if the grant should come through, a significant portion of the grant could be used to mitigate the tax rate, allowing the Town to use \$800,000 at Annual Town Meeting and use up to \$200,000 at Special Town Meeting to keep a 16.81 tax rate. Russ Stevens responded that the \$200,000 would end up in free cash to be used the next year to mitigate the tax rate. Phil Stearns referred to capital expenditures on the horizon that would not go away. John Pruellage stated the Town had spent \$250,000 in capital expenses in the past, but this year it would be \$900,000 and that following years could be even higher. Mr. Tensen said if the expenditures were higher, the budget could not be sustained and there would be a need to borrow.

The FinCom would vote on recommendations, which they would present to the Board of Selectmen and Town Meeting. The Town Manager and Board of Selectmen may or may not agree. David Wanger stated that the primary role of the FinCom was to make recommendations at Town Meeting with an interim step being meeting with the Board of Selectmen who would not receive the recommendation until March 11, 2017. Mr. Wanger also noted that this helpful

discussion was likely academic because of the way the tax recap and certification timing occurred, the Town would stay with 16.81 through the end of FY18. Marisa Batista responded that the tax rate was usually done the first weeks of December, so the Town would usually see the new tax rate on the third quarter bills.

The Town's operating budget went up 1% after taking out capital expenditures, according to Nick Tensen who felt the Town was operating efficiently without the capital expenditures. Russ Stevens responded that the capital expenditures would not go away.

David Wanger noted the 1.3% increase in the School Budget but that the cost per student kept going up. There were three additional out of district tuition since the budget was reviewed of which the Circuit Breaker was covering 70% reimbursement. The difference was \$100,000 even after the Circuit Breaker was applied. The School was using more excess and deficiency funds to keep them where they were. Capital expenditures would increase from \$200,000 to \$2M next year and OPEB would also increase. The school would also give Buker School \$10,000 for the playground, contingent upon both Towns giving funds, according to Phil Stearns.

Jeff Hubbard said the FY17 revised budget was 17% higher than 2016 actuals and the proposed FY18 budget was 23% higher than FY 16 actuals, including capital expenditures. David Wanger said the FY18 did not appear to have excess. Phil Stearns said the operating expenses were leaner. While Mr. Wanger thought it was a personnel related budget, which made it harder to cut. Darcy Dale thought money could be save by using solar. Marisa Batista came up with a 6% increase from the FY16 actuals to the FY18 proposed. Russ Stevens stated 90% of operating costs were personnel.

The budget would be presented by the FinCom chair who would recommend a balance of estimated revenue plus the preliminary tax rate. Mr. Wanger was satisfied with the operating budget and revenue estimate except for the tax rate, which would be dependent on free cash.

Phil Sterns suggested taking \$650,000 in free cash with \$200,000 on reserve changing the tax rate, assuming .07 per 1,000, to 16.99. Nick Tensen added that the Town would not know about the grant and expenditures might be lower than estimated, which would not be known until Special Town Meeting when the FinCom could revote on its recommendation. John Pruellage noted the \$100,000 savings from the salaries that were not paid and Russ Stevens described savings in fuel costs. David Wanger wanted to hover below 17.00 but wanted to get to 16.90 as a perceptual issue. Mr. Pruellage said he felt comfortable with \$800,000, but would consider \$500,000 as starting point, considering salaries, fuel and grant. Mr. Pruellage agreed with Mr. Wanger regarding the perceptual benefit of keeping the rate below 16.90.

Nick Tensen asserted that he did not want to go to more than \$750,000 with a .6% increase in the tax rate, which he believed was a reasonable increase. According to Mr. Tensen, this amount would allow for flexibility if the Town wanted to go higher with unexpected monies. David Wanger responded that the public perception of a significant tax reduction was good, but tax bills had increased. John Pruellage stated that there would be no property valuation change for three years. Phil Stearns added that the FinCom should keep the rates as consistent as possible. Mr. Tensen offered that if property valuations did not change and the tax rate stayed constant, there would be a need to have to use free cash but free cash would not be available. Mr. Stearns suggested using \$650,000 to \$700,000 to keep the rate below FY17 and reassess at Special Town Meeting when the grant award was known. \$650,000 would allow for a tax rate just under 17.00 while \$800,000 would allow for a tax rate of 16.90. John Purellage was comfortable with \$800,000 or \$750,000 keeping the rate as low as possible in the 16.90's. Darcy Dale suggested keeping the rate stable for as long as possible but was comfortable with \$750,000 and \$800,000. Russ Steven thought \$750,000 was a good amount to put down and revisit in six months. Phil

Stearns wanted to keep the rate under 17.00 for next year and FY19. David Wanger wanted to see the tax rate of 16.92 with \$750,000 used. Marisa Batista said she wanted to keep the rate under 17.00 but noted the tax recap would not be available until December.

John Pruellage, Nick Tensen, Darcy Dale and Phil Stearns all agreed with using \$750,000 in free cash, which would be a separate Warrant articles from the Budget. Marissa Batista would formulate the article to be voted upon, which would include using \$750,000 in free cash allowing for a 16.91 tax rate.

Minutes

Motion to approve the minutes of November 2, 2016, December 6, 2016, December 14, 2016, January 4, 2017, January 11, 2017, January 18, 2017 and two sets for January 26, 2017 made by John Pruellage.

Seconded by Nick Tensen

Vote: Unanimous to approve.

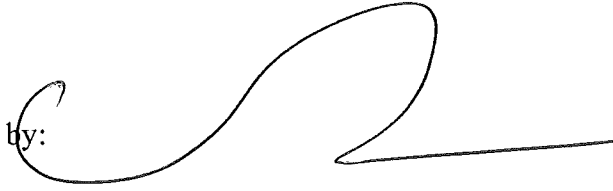
Adjournment

Darcy Dale made motion to adjourn the meeting.

Nick Tensen seconded.

Vote Unanimous to adjourn at 10:21pm.

Prepared by:



4/20/17

Marcie Ricker

Attest

Date