

HAMILTON FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting

February 1, 2017

Members Present: David Wanger (Chair), John Pruellage, Phil Stearns, and Nick Tensen,
Jeff Hubbard (Selectmen and Liaison), Darcy Dale, and Bob Woodbury (ex-officio).

Others Present: Dorr Fox and Tom Catalano (CPC) and Marisa Batista (Finance Director)

This Hamilton Finance and Advisory Committee meeting was called to order at 7:01 pm at the COA building 299 Bay Road.

Public Comments

None

CPC Projects and Financial Statement

Items 1 and 2 were being considered compared to the Winthrop School playground, which had previously been approved. The Buker School and Pingree Park Friends' groups had come forward with asks, according to Tom Catalano. David Wanger asked what Wenham's contribution would be and the expectation was that it would be a match, according to Dorr Fox.

The ask had not yet been voted upon yet in Wenham. Mr. Fox thought Hamilton would not give the money to the project if it didn't meet the condition that there would be a match in Wenham, which Town Counsel opined would be acceptable. Mr. Wanger requested clearer language stating that if Wenham's contribution was not forthcoming, Hamilton had no obligations. It was questionable if the School Department supported the projects. According to Mr. Fox, the Winthrop School grant was for \$25,000 so the two applicants may change their request to that amount. It was noted that the Town of Wenham gave more (\$30,000) for the Winthrop School than Hamilton had (\$25,000).

Tom Catalano recalled that even though the vote for the playgrounds was six votes in favor, when the first project was introduced, he voted against it because he didn't think CPC funds should be for school projects. Now that one had been awarded, it was hard to say no to the others. Hamilton had contributed to the Patton Park playground in a smaller contribution than the current request and Wenham did not contribute to Patton Park at all. Dorr Fox announced that this was a reimbursement program in which the proponent would do the work, then once the work was done, the applicant would be reimbursed. David Wanger requested seeing the draft rewritten for clarification.

Number 3 was a request regarding the Donovan Acquisition (Sagamore Hill property). Marisa Batista had an estimate from the financial advisor, which could change by the time it went out to bond. The cost would be \$135,000 per year for the payment. All estimates were based on a 4% bond rate. Currently the projection was using a May date, which would need to be revised. The bond rate reflected a 15 year term. Dorr Fox would go to the Selectmen on May 6, 2017 and the

ConsCom on May 8, 2017 for the Conservation Restriction. The total contribution would be \$1.250M which would be paid by the CPC.

Item 4 considered debt service on the Donovan field to which Tom Catalano described the seventh year of paying on a ten year term.

Item 5 was added by Marissa Batista and Dorr Fox. \$43,600 out of the \$48,000 must be appropriated for open space and recreation instead of \$44,000. The money would be put into the reserves unless number 4 goes ahead. 10% must go into each category: open space, affordable housing, and historic preservation so this amount would be the remainder. The money could go into the General Reserve instead. There were \$480,000 projected revenues, including \$400,000 from the Town and \$80,000 from the State match. Up to 5% would go to administration for Dorr Fox, fliers, advertisement, and fees for the Community Preservation Coalition (technical assistance). The State match was based on registry fees. If CPC funding was repealed, the bonds would need to be covered by the General Fund, according to Dorr Fox.

Item 6 referred to the Hamilton Historic District sign. If the missing sign were found, it would not be replaced.

While item 7 was in combination for historic use, Item 8, was regarding the Affordable Housing Trust, which had not been voted upon by the CPC, but was being proposed. The item would go to the Trust and once a site was selected, it would go to the developer to buy into the project in exchange for local preference. Phil Stearns asked if the money was appropriated but land was donated, what would happen to the money. Dorr Fox explained that according to the condition, it would return to the General Fund. There was \$200,000 from the last Town Meeting and combined with the \$400,000, there would be \$200,000 to spend on each of the three projects.

According to Dorr Fox, Peter Britton was responsible for the amount of the ask after realizing that Harborlight would need that much money to make the project work. David Wanger responded that preference was issued by the State, not Harborlight. Mr. Fox said the ZBA would issue a condition on the project to allow for local preference to which Harborlight would agree. The funds might also go toward downsizing a project. Phil Stearns suggested that even in an unfriendly development, there would be a request for local preference. Jeff Hubbard noted that what made a development friendly was the money the Town would contribute for local preference. David Wanger wanted a condition imposed on the \$400,000 request. Tom Catalano suggested a sunset condition. Mr. Wanger and Mr. Stearns agreed that if the money bought local preference, it was money well spent.

Item 9 was defined as ongoing maintenance and restoration of the Housing Authority property on Railroad Ave, which needed roof repairs. Tom Catalano noted the Housing Authority had been resourceful working under procurement rules to get work done.

Item 10 defined the contribution to Habitat for Humanity, which would be issued for the construction at 270 Asbury St., according to Tom Catalano. There was \$310,000 devoted to the project, which was for two single-family homes on one lot, according to Dorr Fox. The request was in addition to the \$250,000 appropriated by the Affordable Housing Trust and Selectmen, according to Jeff Hubbard for a total of \$550,000.

The final item was for \$24,000, which was spent in entirety the previous year. Nick Tensen asked how much had been spent to date. Tom Catalano noted that funds for historic preservation would end up in the reserves. The CPC had spent more than \$480,000 with the difference

coming from dedicated and undedicated reserves. Aside from the year that the Veteran's pool was approved, this would be the second most expensive year.

Any money that had been approved at Town Meeting would be in appropriated as a fund balance including money to pay bonds.

Nick Tensen asked what projects would be forthcoming to which Tom Catalano responded the \$9.5M for turf fields, which would exclude funds for the stadium. Stadiums could not be funded, so that portion of the project could not be funded by CPA. Nick Tensen asked about Town Hall. Tom Catalano responded that the \$4M project would not be funded more than 50% by CPC funds. In response to Phil Stearns' request as to what else might be requested, Tom Catalano responded that an inventory of Chapter lands and open space projects might come along.

Tom Catalano explained the presented breakdown showing the bonding capacity with the current surcharge level and alternative surcharge levels. David Wanger asked if there was a need for certain reserves. Dorr Fox stated the Town could only bond based on the Town's assessment. The bond would be affected by categories, with all three categories producing the largest capacity, and two categories lowering the capacity but a need to fund each category remaining.

Nick Tensen asked about the CPA fund increase from 2 to 3% funding. David Wanger noted pursuing 3% funding would be a ballot question. Tom Catalano thought the time was not right. Mr. Tensen thought there would need to be a promotion of the benefits. Mr. Catalano said the committee had started a signature drive, which was harder than thought. Mr. Wanger noted that the Town had struggled to get the tax rate down and then on the other side of the paper, the assessment for CPA was being presented, which was hard to balance. Mr. Catalano noted the increase of CPC funding would lower the tax rate, because projects would be partially State funded but the problem was that the Town didn't know the future potential match. Mr. Catalano said the 3% was a much high match by the State. Dorr Fox said the match would be determined in October. The match would double, according to Mr. Fox and only towns with 3% get a second and third round of State funding.

Pingree School did not participate in the PILOT program but was looking to build turf fields, which needed Site Plan Approval. David Wanger hoped to have the fields as a community asset. Tom Catalano hoped the fields could be rented out when the school was not using them. Field hockey tournaments could not be conducted on grass fields.

Discussion of FY 18 Budget Calendar and Process

On February 8, 2017, the FinCom would be meeting with Wenham to discuss the Joint Recreation program. On February 9, 2017 the FinCom would meet to immerse themselves in the budget with Marisa Batista and Chief Stevens. David Wanger complimented the work that had been done by Ms. Batista. On February 15 and March 1, 2017, there would be more information about Town Meeting articles. There would be joint meetings with the Board of Selectmen on March 4 and 11, 2017. The FinCom needed a date for voting on the Warrant and Budget.

Phil Stearns suggested reviewing the Warrant language on March 17, 2017, voting at the end of the meeting. The FinCom would hope to present their recommendations to Board of Selectmen before they voted on March 15, 2017 with the final language review on March 17, 2017.

Printing would occur on March 18, 2017. Phil Stearns was concerned that the printed copies would not contain the votes if the FinCom met on March 20, 2017. Marissa Batista said the website would post the results 14 days ahead, by law.

Discussion ensued regarding the Annual Report dates. David Wanger noted the knowledge gained and the intent to include what had been learned since June 30, 2016. Marisa Batista recalled that there had never been a FinCom section, but Russ Stevens said if the FinCom wanted to add a report, it would be included under the Finance Department. Mr. Wanger said he certainly wanted the FinCom to have a presentation under General Government as was conducted by the Board of Selectmen and Town Clerk. Mr. Wanger wanted the FinCom to be recognized as an independent body that made recommendations on a global scale.

David Wanger asked Marisa Batista to put together the current state of reserves to determine how much free cash could be used to mitigate the tax rate. Ms. Batista presented the stabilization fund and free cash. The stabilization fund needed a 2/3 vote by Town Meeting. There was \$788,000 available after \$250,000 was transferred out for affordable housing or ATM result from the last April Town Meeting. Free cash was a calculation on an annual basis, which could be used at any point during the year. The stabilization fund could put aside for any unexpected expenditures. Free cash was a calculated number that would take revenues and expenses, which represented what was available at the end, according to Phil Stearns. The Stabilization Fund was money that the Town elected to show up on the balance sheet as a rainy day fund, according to Mr. Stearns, which would come out of the General Fund. Mr. Wanger concluded that the stabilization fund would be 5 to 10 % to which Ms. Batista agreed that would be what she would recommended.

David Wanger said they were working with \$2.4 M in free cash. There was no policy regarding free cash, but 5 to 10% of the total budget including the School Budget (\$30M) would be acceptable, according to Mr. Wanger. \$100,000 equaled seven cents on tax rate. Marisa Batista said the tax rate was 16.81 currently. It was requested how much free cash there needed to exist to acquire a tax rate below 17.06. \$500,000 was currently being used to balance the budget, according to Marisa Batista. In FY17, there will be a salary savings from the DPW Director and Finance Director positions being open. An airpack need would be subject to a grant, which if received would equal \$213,000.

Marisa Batista acknowledged the \$750,000 of free cash would bring the tax rate down to 16.89. Ms. Batista was concerned about the years after FY18 when the Town would eventually run out of free cash. David Wanger agreed that by creating a tighter budget, the less likelihood there would be free cash to dedicate to the budget. There would be a .8% increase in Town operating expense with a 7.1% total Town expenses for capital improvements, according to Nick Tensen.

Capital improvements included costs for the airpack (\$213,000), dump truck (\$120,000) and trackless sidewalk plow (\$162,000). Discussion ensued regarding the need for new equipment versus repairing existing equipment. Jeff Hubbard wanted to know how much money it might require to own equipment versus contract out vendors for the use.

The tennis and basketball courts had been removed along with the Essex St. sidewalk proposal. Capital expenditures were funded year to year out of the General Fund. There may be borrowing for some projects, which would depend on the interest costs. Marissa Batista suggested acquiring several pieces of equipment at the same time to mitigate issuance costs.

David Wanger noted that if it was determined that the Town needed public works pieces, the Town would need to get a more definitive assessment of the borrowing costs. The FinCom would need to find an appropriate term and make a judgement as to whether to include the costs in the General Fund or borrow the money.

It was determined that Chapter 90 funds could be used for road or sidewalks. There were

\$900,000 non-committed funds for chapter 90. The money had accumulated over years. David Wanger noted that the money would still apply to many streets regardless of funding of the Essex St. proposal. Mr. Wanger noted the potential of Cutler Road, Moulton St., Highland St., or Sagamore St. wanting sidewalks would increase if Chapter 90 funds were expended on a sidewalk for Essex St. There were staffing costs of a .5 or more FTE employees to maintain Essex St. sidewalks in winter. There were safety issues and crossings problems for Essex St. The FinCom moved to revisit the budget for the five year projections. Phil Stearns said the five year forecast was nonspecific and did not indicate which projects would be bonded and which should be paid for out of the General Fund.

Phil Stearns noted that taxes had increased 8% while the rate went down on paper. The taxes went up based on value. There was a 4% increase or \$1M more in spending for the Town. The Town experienced a 1.5% tax rate increase. John Pruellage said there was a conscious decision not to reduce the budget.

The Selectmen had formed a Town Hall committee with a slot for a FinCom member. Jeff Hubbard said the committee had evolved into a seven or eight person committee. Phil Stearns said he would be interested as the liaison to the Finance Committee or action committee member. Currently in addition to the reserve, there was \$250 in the FinCom budget. The committee was asked if they wanted to increase their budget to \$1000 for training session attendance. The Committee would judge the potential on March 9, 2017.

John Pruellage had worked on draft PILOT and would circulate and discuss after ATM. The \$250 had been paid to the association for Town Finance Committees.

Discussion of PILOT program.

John Pruellage distributed his draft and the topic would be discussed after Town Meeting

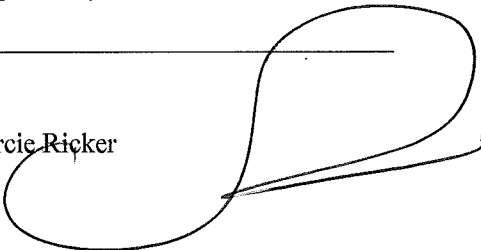
Other Matters Not Reasonably for next meeting Anticipated by Chair

None

John Pruellage made motion to adjourn the meeting.
Nick Tensen seconded.
Vote Unanimous to adjourn at 9:20pm.

Prepared by:

Marcie Ricker
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Attest

4/20/17

Date