

HAMILTON FINANCE AND ADVISORY COMMITTEE

Minutes of Meeting

January 10, 2018

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

Others Present: Marisa Batista (Finance Director) and Jeff Hubbard (Selectmen)

This Hamilton Finance and Advisory Committee meeting was called to order at 6:30 pm at the Hamilton Wenham Regional Library.

**Public Comments**

None.

**Discussion regarding FY19 budget, including:**

**Update from Finance Director regarding latest FY19 budget draft revenue and expenses.**

Marisa Batista said she was waiting for the Energy Manager and joint department information regarding revenues. Ms. Batista had finalized the ECO and Essex County retirement information had just been received. Ms. Batista was waiting for insurance information to finish the Recreation Department and waiting for permits and water information as well.

According to Marisa Batista, the expense side was near completion and adjustments to the budgets had been made based on department head meetings. This week, Michael Lombardo would decide if the building inspector position would be full time. Insurance information as well as State assessments, and Veteran's administration budget projections were based on estimates with no renewals having been received. Capital projects were the largest item and Ms. Batista wondered if they would be funded through debt, free cash, or general revenues. Ms. Batista said she included \$473,000 as part of the budget funded through free cash or taxation, leaving \$1.250M for which to issue debt.

David Wanger said it was important to know where the Town stood before discussing the School. Marisa Batista said the capital expenditures increased 1% when comparing FY18 and FY 19. Ms. Batista had created a summary of expenditures and revenues and the estimated tax rate. Ms. Batista attempted to segregate the retirement and health insurance as grouped together or provide two versions, one of which would be tied to the Warrant article and the other version with personnel costs segregated to determine actual increases. Ms. Batista did not want to assume the budget increase would be less than 2%.

Marisa Batista would provide a table on capital, a roll up summary of the past three years, and the last year's budget with line items and accounts for the meeting with the Selectmen on January 20, 2018. Ms. Batista said descriptions regarding what was under the line item would not be seen, but could be found in the individual reports. Detailed reports would be sent electronically to everyone. Ms. Batista indicated that inspectional services would increase in general but not necessarily each line item based on FY17 revenues. FEMA receipts were received last year for work in FY15, which would not be seen again in FY18. For the meeting, Ms. Batista would have an estimated tax rate with a placeholder for free cash. If the Town used \$300,000, the Town would see an effect on the tax rate. The tax rate was certified through the first two quarters of FY19 at 16.22 with a new tax rate due for the third and fourth quarters of FY19.

In response to Phil Stearns' question regarding progress made at the water plant, Marisa Batista said bills had been received for the work. Nick Tensen noted that two specific items needed to be addressed immediately. The DPW had contacted Water Line Industries to clean out reaction vessels and upgrade the communication system. Dewbery Engineering could evaluate the tanks and perform necessary work after the tasks had been completed. It was noted the communication system was being changed from a phone system to a radio system. Ms. Batista was aware of the purchase order for the radio system.

#### Discussion regarding School Budget.

While expressing commitment to level service, the School said there was a critical initiative that needed to be undertaken causing a 5% increase, according to David Wanger. The increase did not include the sprinklers at the Winthrop School or the turf capital items. The School had made an estimate as to the results with union negotiations. Mr. Wanger noted the increase was unconscionable and while he was not equipped to evaluate educational programs or policies, he believed the simplest approach was to tell the School that the proposed budget was too rich and must be moderated. Mr. Wanger added that if critical needs existed and the School was unable to relate in confidence the bargaining issue, the School needed a metric to self-fund the increase with staff reductions for at least some part of the budget.

Jeff Hubbard recalled the January 3, 2018 School Committee meeting when the Committee tried to address the increasing costs of special education and special education transportation. Phil Stearns added that the numbers were increasing and the School had no control over the unfunded State mandate. There were \$400,000 in critical initiatives including additional personnel. Mr. Stearns said the School was trying to improve what they could offer for special education to reduce out of tuition needs. There would be no offset this year. There were 45 students that required outplacement at a cost of \$85,000 per student. The increase was 6.1% or \$168,000 for out of district expenses with an increase of 26.5% or \$129,000 for transportation.

Darcy Dale noted that critical priorities were different from out of district tuition and transportation. The cost was \$399,000 with only \$200,000 in special education. The School currently spent \$2.7M for out of district tuition not including transportation, which cost \$738,000.

David Wanger suggested that the FinCom and Selectmen send a clear message to the School early in the budget process. It was noted that current text books did not align with the State programs. The Winthrop School sprinkler system cost \$1M (original estimate was \$600,000) and the turf field cost \$3.6M. \$2.6 was dedicated for safety and other prioritized capital costs.

Jeff Hubbard recalled that Hamilton had \$500,000 from the Patton Estate sale and money in CPA funds for recreation as well as private fund raising for the turf fields. Mr. Hubbard thought the turf fields should be funded through those sources. Phil Stearns thought there was a need for the turf field and that the School should conduct private fund raising efforts and then approach the town for bond funding. No special purpose group had been formed to promote the turf field and it was agreed that if bonding occurred, fund raising would be minimal.

The other \$2.6M to be spent in FY20 would be bonded now. The \$129,000 request was not for big ticket items, according to Marisa Batista. If bonded, the cost would be a \$350,000 payment per year with principal and interest. Hamilton's 60% share would be \$210,000 per year for 20 years. Middle school bond payments (\$700,000) would stop in FY20 so these payments would replace them (\$600,000). Another bond had matured with the cost netted out. The \$8.5M bond with a 20 year interest was an annual cost of \$702,000 of which Hamilton's share was \$463,000 a year.

Phil Stearns understood the School's outlook to be that the educational system was an asset to the town, which needed to be kept up. The previous administration did not do maintenance and this administration was trying to stay on top of it. Mr. Stearns believed the concept deserved serious consideration because if the educational system went down, the values of homes would go down as well. David Wanger responded that all municipal services were of value to the town and the FinCom's responsibility as stewards of the public's dollars was to lessen the impact with equitable disbursement. The Town budget would be reasonable in terms of its increase and how could the FinCom justify supporting a town increase of 2 to 2.5% versus 5% (School) for what constituted 60% of the budget.

The Warrant had been opened but no items were placed upon it yet, according to Jeff Hubbard. Mr. Hubbard would alert the Committee when Warrant items were filed. The new procurement position as well as the new recreation position were removed from the budget.

**Further Discussion regarding MMA Finance Committee Handbook topics.**

The discussion was postponed due to the library closing time.

**Discussion/Status of various FinCom Projects.**

A brief history of Gordon Conwell and the Town of Hamilton was discussed. An article cited an \$80,000 contribution, but current contributions were reduced to \$35,000 the previous year. Jeff Hubbard said Alison Jenkins had done research on PILOT. Mr. Hubbard said there were 45 students from the seminary in the Hamilton Wenham Regional School District. The School Committee's charge was to educate all children regardless of where they lived. The decreasing school population was noted and the concern to further reduce the student population.

Jeff Hubbard recalled that when the family housing was built, an agreement said the Seminary would pay for the education of the children, which they did for a few years. A Board of Selectmen subcommittee worked with their Board of Trustees and Finance Director and learned that it did not make business sense for them to contribute money to support the 20 to 25 parents out of their 2,000 student population. If they were to spend hundreds of thousands of dollars, it should affect a broader student base. It was determined that the Seminary was able to discriminate in housing and that if they were to pay for education, it would impede their ability to fulfill their mission. The Seminary at that time, decided to send a majority of the children to a Christian school at a cost of \$2,000 student. If students wanted to go to the public school, they needed to rent in Hamilton or Wenham. The Seminary said as they were willing to pay \$2,000 per student for 50 students, they would match that for Hamilton for a couple of years, then they recently dropped it back to \$35,000.

Jeff Hubbard said solutions were of a three prong approach. The first including finding a creative legal way that the Town by Special Act could say if a person lived in campus housing, they needed to have matriculated into the college. Michael Lombardo would speak with Town Counsel. The second approach would be to have Bill Wilson schedule an appointment with the Seminary president and talk about the burden of the students and note that the Seminary had not paid in a couple of years. The third approach would be to have the FinCom develop costs and an approach. The amount per student was difficult to determine. While it cost \$16,000 to \$17,000 per student to educate, part of that amount was funded by the State. There were also parking fees and other sources of income that did not derive from taxes. The actual cost to the Town needed to be determined. The Seminary used the empty airplane seat analysis.

Jeff Hubbard referred to the apportionment formula. When 45 students were removed, the resulting savings would be \$600,000, which was 1%. If 45 new seats were opened up to school choice at a cost of \$5,000 and special education costs, which were typically \$3,000, the \$8,000 x 45 students would total \$600,000. In response to Mr. Hubbard's question as to whether the FinCom wanted to gather data, come up with solutions, and recommend actions or proposals, David Wanger responded yes.

Michael Lombardo had written a letter regarding the apartment rental issue. The Seminary lawyer responded. Mr. Lombardo was asked to send an amended letter raising other commercial and entrepreneurial uses such as an insurance agency, day care, and antennae, noting that they were all taxable issues that were not sheltered under the educational exemption. David Wanger wanted Town Counsel to advise the FinCom regarding what specific questions could be asked.

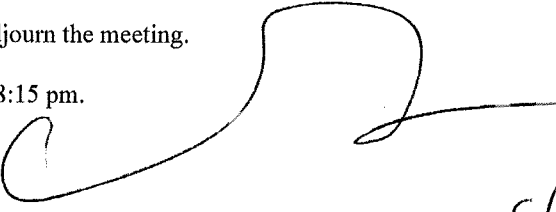
John Pruellage suggested using the assessor might be the fourth track. Darcy Dale recalled that Michael Lombardo had indicated that the FinCom could take over the project, but could not use staff assistance. Boston was charging 25% of the assessed value for PILOT properties. Ms. Dale said the Seminary campus was valued at \$55M. Ms. Dale also noted that she knew someone who had lived on campus who was not a student. Mr. Pruellage said the lawyer indicated that all rental use was appropriate.

John Pruellage suggested determining the goal of either educating fewer students or being paid for the ones educated. Darcy Dale suggested homeschooling the children. Jeff Hubbard recalled

the online education choice in MA. Having some of the children attend a Christian school and some public school was mentioned as an option.

**Adjournment**

Phil Stearns made motion to adjourn the meeting.  
Seconded by Darcy Dale.  
Vote Unanimous to adjourn at 8:15 pm.

A large, stylized handwritten signature in black ink, appearing to be 'Phil Stearns', written over the text of the adjournment.

5/17/18

Prepared by:

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Marcie Ricker  
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Attest

Date