

HAMILTON BOARD OF SELECTMEN
WENHAM BOARD OF SELECTMEN
HAMILTON FINANCE AND ADVISORY COMMITTEE
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HAMILTON WENHAM REGIONAL SCHOOL DISTRICT COMMITTEE

Minutes of Meeting
December 7, 2017

Members Present:

Hamilton FinCom: John Pruellage, Phil Stearns, Nick Tensen, and David Wanger (Chair)

Wenham FinCom: Alex Begin (Chair), Carry Jelsma, Jim Purdy, David Malitano, and Michael Therrien.

Hamilton Selectmen: Shawn Farrell, Jeff Hubbard, and Scott Maddern.

Hamilton Administration: Michael Lombardo (Town Manager)

Wenham Selectmen: John Clemenzi, Katherine Harrison, and Jack Wilhelm (Chair).

Wenham Administration: Peter Lombardi (Town Administrator) and Leslie Davison (Finance Director).

School Committee: Michelle Bailey, Jeanise Bertrand, Kerry Gertz, Gene Lee (Chair), Joshua Liebow, Stacy Matternick, and David Polito.

School Administration: Michael Harvey (Superintendent) and Jeff Sands (Business Manager)

The Hamilton Wenham Regional School District meeting was called to order at 6:55 pm at the Buker Elementary School.

The Hamilton Finance and Advisory Committee meeting was called to order at 6:55 pm at the Buker Elementary School.

The Hamilton Board of Selectmen meeting was called to order at 6:55 pm at the Buker Elementary School.

The Wenham Finance and Advisory Committee meeting was called to order at 6:55 pm at the Buker Elementary School.

The Wenham Board of Selectmen meeting was called to order at 6:55 pm at the Buker Elementary School.

Overview from HWRSD Leadership regarding vision, plans, pressing issues, budget parameter for FY19 and beyond.

Alex Begin introduced the new members of the Wenham FinCom and explained the status of work conducted by the current Committee. Creating a balanced budget under the levy limit was proving to be difficult. Two years ago long range forecasting had been conducted. The budget process including meeting with the department heads, administration, and FinCom had begun.

The budget process started with a 2% COLA with merit and longevity increases provided to 20 nonunion employees and delivered level services. A slight increase in local growth and revenue receipts had been experienced. A \$732,000 deficit was projected but at the present time, the Town of Wenham was expecting \$208,000 over the levy limit with a placeholder assuming a 3% operating budget increase for the Schools and an additional \$233,000 in free cash to fund the capital and \$216,000 in capital needs.

There was a 2% step increase for the library employees incurring a cost of \$94,000. Pension increased incrementally by 7.5%. The OPEB policy was in place, which would add \$10,000 for FY19 to total \$40,000. The placeholder for the operating costs of the schools was 3% or \$266,000. New capital needs would cost \$216,000, according to Leslie Davison.

Peter Lombardi looked at the deficit and was concerned with the potential operating budget.

After working with department heads to build the budget, the initial projections cut expenses \$91,000. Every three years, the Town of Wenham analyzed group insurance costs and this year, the Town saved \$100,000 in premium costs. Only \$347,000 of Excess and Deficiencies (E&D)

would be utilized as the School budget was close to actual spending. Approximately one third would be assessed to Wenham.

The enrollment forecast for the following year showed a dramatic shift in Wenham's favor. It was projected to have 45 fewer students in Hamilton, while in actuality, there were 17 additional students with an actual impact of \$100,000, which was less than projected. New growth was estimated at \$100,000, which set the levy limit. Actual new growth was just under \$210,000, which created a new levy capacity for FY19. Certified free cash was projected at \$1M but was actually, \$1.2M. \$233,000 was available for capital expenditures, according to Peter Lombardi.

While school enrollment trends indicated that Hamilton enrollment would be down 102 students in 5 years and Wenham would go up 62 students, Hamilton actually increased by 57 new students. The District would submit the data the following day so the information would be available in 30 to 45 days. The dollar impact over the last three years varied between \$200,000 and \$300,000, which peaked in FY17.

Education line item costs had increased 27+% and the School operating budget had increased by 13% with an average of over 3% per year net over past five years, according to Peter Lombardi. The Town of Wenham was just under the average 3%.

Leslie Davison said the Town of Wenham was at the levy limit by using free cash but noted that the budget was close to the actual spending, limiting the School's E&D. The Town of Wenham needed to maintain \$250,000 in reserves as part of their financial policies. The Town of Wenham used free cash to fund OPEB and capital expenses.

Peter Lombardi added that the enrollment shift was pushing Wenham's capacity to produce a level service budget and stay within the levy limit. A 3% operating increase by the School would need to be maintained to avoid an operating override.

David Wanger introduced the Hamilton FinCom and the Hamilton Selectmen. Michael Lombardo stated the Town of Hamilton was projecting a tax rate of under 17.0 and intended to maintain the tax rate, which required a tight budget. Revenue was increasing by 1.5% and new growth was declining in 2020 and beyond. The Town assumed a 2% COLA plus steps and longevity increases but would keep discretionary spending to 1.5 to 2%. The zero base budget would be justified through contracts or needs such as supplies or equipment.

Projections included a School net increase of 2.5% with a tax rate under 17 leaving \$690,000 to be derived through cuts or free cash. Previous budgets were for hope rather than what could be accomplished leaving money in free cash. Over time certified free cash was at \$3M an increase from the previous year as there were two key department head positions open for six months. In FY18 better budget controls were in place as would be the case in FY19. The Town had a \$1.9M capital plan that did not include School capital items. The Town would manage free cash to determine how much could be applied to one time expenditures and then to moderate the tax rate over the following two years.

David Wanger said the Hamilton FinCom wanted to remain positive and acknowledge the importance not only of education but other departments as well. There was an equitable balance concern. Mr. Wanger noted the average value of a Hamilton home was \$566,000 with a tax rate of 16.22 per thousand. The average home would pay \$9,000 in taxes, not including CPA fees. The cost per pupil was \$16,000 based on the previous year. Hamilton's percentage of school costs was 65% or \$10,400, which was a cost of \$1,200 more than the single family home produced on the tax roll for School costs alone, not including other public costs.

Demographically, the population of Hamilton was getting older and the tax burden was discouraging interest of new residents. The enrollment in higher grades had declined and tax legislation implications did not create a good trend. In addition to the operating budget, David Wanger was concerned about OPEB exposure, which was about \$25M and the capital expense issue of \$18M from the previous five year forecast. Mr. Wanger acknowledged that the School would be entering into collective bargaining and assumed that direct and indirect personnel costs would total 64% of the budget. Mr. Wanger noted the perceptions of Town employees knowing the increases given to School employees and requested equitable treatment. The student to teacher ratio was better than the State average, which might be examined going forward, according to Mr. Wanger, who acknowledged that the model could be debated but could have attraction to the taxpayer. In response, it was noted that the ratio might be above the State

average, but performance was also above State average. The two were correlated. Scott Maddern added that regionalized services, such as the Recreation Department, School, and library were great and the Towns were always looking for more regional opportunities.

Assumptions in the School budget included a salary (64% of the budget) COLA as well as step and scale increases for teachers. Teachers would alert the Schools regarding the educational attainment change of column expectations. All three union contracts would expire at the end of the year. Healthcare costs were likely to increase. Another driver that affected the budget increase was out of district tuitions as well as costs related to special needs and the related transportation. There was no State reimbursement from the State for transportation. There would be costs related to curriculum and instruction costs. Targeted initiative to improve student achievement in middle school math was noted as the curriculum did not align with the State standards, according to Jeff Sands. The finalized administration budget recommendation would be presented to the School Committee on December 20, 2017.

The enrollment shift was less than 1% from Hamilton to Wenham (\$200,000 for last five budget cycles). The obligated installation of building wide sprinkler system, estimated at \$1M, for Winthrop School was discussed. The completion date was projected to be August 31, 2018. There was a two tier procurement (designer and general contractor) process for the project. The second project was the new athletic field complex at the high school. The Gale Study was funded through both Town Meetings in 2016 and cost \$70,000. The new athletic field complex was fully permitted through the Town of Hamilton. The estimated cost of Phase I would be \$3.7M with no target completion date set currently.

The budget calendar was discussed with a presentation date of December 20, 2017. The School Committee would hold a public hearing and adopt the budget on February 14, 2018 and the Treasurer would certify the amounts for Town Meeting on April 7, 2018, according to Jeff Sands.

David Wanger asked about funding for both capital items. Jeff Sands responded that his recommendation would be a debt exclusion, but it would be discussed. February 7, 2018 would be a proposed date to discuss the topic with the joint committees. According to Mr. Sands, the operating and capital costs were intertwined. Mr. Sands noted the five year capital plan but wanted to highlight the substantial capital items. The five year capital plan was put in place three years ago, according to Michael Harvey.

Michael Lombardo suggested creating a sub-committee comprised of the three entities to discuss the three capital plans in an effort to avoid competing for the same money because all three plans could not be completed. A collective five year plan would consider give and take and support of each other. The School capital projects were not eligible for MSBA funding. Previously fields were wrapped into the school project building at the Middle School.

Peter Lombardi asked about the rationale for putting the expenditure on the Warrant for next spring rather than the following year when the middle school debt would fall off. The final payment for middle school debt would occur on May 2019 with a net reduction of \$710,000 of which Wenham would experience a \$240,000 reduction. The response was that there was a lot of momentum for the turf fields and the Gale Report had suggested having Phase I on the schedule as the best course of action. The School intended to place the item on the Warrant for April 2018. Cash flow money would be appropriated next July. There would be very little spending the first year. A band would be taken out with most of the administrative costs and design work being accomplished using 10% of the total cost. The majority of spending would occur in FY20.

Nick Tensen asked about additional maintenance cost associated with the turf field. The response was that there would be an elimination of field irrigation, fertilizing, lining, and pest control, which would be replaced with the cost of fill and the cleaning of fill. The turf would need to be replaced in eight to twelve years. An analysis would be run of the expensive replacement cycle, with replacement being a capital expenditure. Phil Stearns asked if fund raising could begin before the approval of funding. The School Committee had a policy that governed a private group who wanted to fund raise for a project, which included coming before the Committee. The School Committee would not be the fund raiser.

Phase I (\$3.5M) included the varsity game field, track, and lighting. Phase II (\$3.5M) would be another multi-purpose field for baseball, soccer, field hockey, or lacrosse as well as lights. There would be no track in Phase II. The final Phase (\$2.9M+) included replacing stands, press box,

new entry way to field complex, and toilet facilities. Phase III had not been permitted, according to Michael Harvey, who noted an absence of public comments in the public hearings.

The Gale Study and the Recreational Board study would be circulated. The proposed project addressed the HW Rec Study on field usage, which would take the pressure off of town parks. A draft funding schedule would be created for Town Meeting. A bond of at least 20 years would cost \$325,000 per year at an interest rate of 3.5 to 4% interest, according to Michael Lombardo.

Next steps: budget development schedules and potential follow-up meeting later in cycle.

The turf field project would be further discussed at the joint meeting of February 7, 2018.

Budget recommendation with operating budget strategy for a capital plan would be presented December 20, 2017.

Report by Wenham on the status of their Enrollment Study.

The School Committee authorized McKibbon and Associates to do an enrollment study, which would be complete after the first of the year. Alex Begin said Wenham had applied and was approved for a \$25,000 grant from the Community Compact program to undertake an enrollment study. It was suggested that McKibbon could do a supplemental study or go in a different direction such as studying housing needs or the aging population. As projections and actuals were so different, there was a noted need to do better long range forecasting. The McKibbon study would be distributed a week or two before the meeting.

Adjournment

Motion made to adjourn the Hamilton Wenham School Committee meeting at 8:09 pm.

Seconded.

Vote: Unanimous in favor.

Motion made to adjourn the Wenham FinCom meeting at 8:09 pm.

Seconded.

Vote: Unanimous in favor.

Phil Stearns made motion to adjourn the Hamilton FinCom meeting at 8:09 pm.

Seconded by Nick Tensen.

Vote: Unanimous in favor.

Scott Maddern made motion to adjourn the Hamilton Selectmen meeting at 8:09 pm.

Jeff Hubbard seconded.

Vote: Unanimous in favor.

Motion made to adjourn the Wenham Selectmen meeting at 8:09 pm.

Seconded.

Vote: Unanimous in favor.

Prepared by:

Marcie Ricker

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Attest

Date



5/17/18