

**JOINT MEETING:
HWRSD School Committee
Hamilton FINCOM
Wenham FINCOM**

Thursday, December 7, 2017 6:55pm
Buker School Multi-Purpose Room

Hamilton Wenham Regional School Committee

Gene Lee
Joshua Liebow, Chair
Michelle Bailey
Jeanise Bertrand
David Polito (absent)
Kerry Gertz (absent)
Stacey Metternick

Hamilton FINCOM

David Wagner
Nicholas Tensen
Phillips Stearns
John Pruellage
Darcy Dale (absent)

Wenham FINCOM

Alex Begin
Mike Therrien
Jim Purdy
David Molitano
Carrie Jelsma

Hamilton Board of Selectmen

William (Bill) Wilson (absent)
Shawn M. Farrell
Scott F. Maddern
Allison M. Jenkins (absent?)
Jeffrey M. Hubbard

Wenham Board of Selectmen

Jack Wilhelm (absent?)
Catherine Harrison (absent?)
John Clemenzi

Also Present:

Michael Harvey, Superintendent
Jeffrey Sands, Assistant Superintendent for Finance and Administration

Michael Lombardo, Town Manager, Hamilton
Leslie Davidson, Treasurer Collector, Town of Wenham
Peter Lombardi, Town Administrator, Wenham

1. Call to Order

Joshua Liebow called the Hamilton-Wenham School District Committee meeting to order at 6:54 PM.

David Wagner called the Hamilton Finance and Advisory meeting to order at 6:54 PM.

Shawn M. Farrell called the Hamilton Board of Selectmen meeting to order at 6:54 PM.

Alex Begin called the Wenham Finance and Advisory meeting to order at 6:54 PM.

John Clemenzi called the Wenham Board of Selectmen meeting to order at 6:54 PM.

Josh Liebow: Thank you! This meeting is good practice to do every year. Open the floor to either of the towns.

Wenham Finance Advisory Committee

Alex Begin, chair of Wenham Finance and Advisory committee: Pleased everyone is joined here today. Meetings like this don't happen easy or often. Ned Flynn, Rick Quinn and Mike Lucy served on board in the past, they are no longer serving as of FY18. Mike Therrien and Alex Begin are 2 members on 5 seat committee, and welcoming appointed new members: Carrie Jelsma, Jim Purdy, and David Molitano. Wenham FINCOM have met a few times and goals include onboarding for smooth transition to FY19 despite loss of members. Second goal is to get in meat of FY19 budget process taking into account the changes, modifications, and contractual changes. Leslie Davidson and Peter Lombardi have done a wonderful job helping with the process, turn the presentation over to Leslie and Peter.

Leslie Davidson, Finance Director, provides overview of presentation to include Forecast of FY budgets, operating costs overview, increases and projects, dollar amounts, 3% (\$266,000) for schools.

Peter Lombardi, Wenham Town Administrator, provides overview of budget process and deficit including health insurance and administrative costs. Explains process of year-end reports, projection, etc. Results of student enrollment shifts and financial consequences. Overview of closing out previous fiscal year, estimates, and levy. School enrollment trends overview: Hamilton school enrollment down 102 students, Wenham is up 62 students to provide a net of negative 40. This has an impact on assessment. There is a large incoming kindergarten class, and therefore the curve may be changing somewhat. We'll have another report sometime this month.

Jeff Sands clarifies that districts are required to submit data tomorrow, and guesses about 30-45 days for report turnaround.

Peter Lombardi: next slide demonstrates dollar impact that Wenham has had to account for in prior fiscal years, which varies between 2-300 thousand. Impact is over one million dollars in costs that has been independent of school operating budget. Next slide details last 3-4 years of annual budgets and projection to FY19. Education line item has increased by 27+%, the school district operating budget has increased 13%. Data show that we are pretty close in year over year increases, with the enrollment shift impacting that.

Leslie Davidson: next slide shows current standing with budget. Expenses with school, capital projects, debt dropping off, etc. Next slide demonstrates revenue estimate, appropriation, levy limit. Levy capacity for operating budget of the school. Next slide details history of free cash. From FY17-current we use it to balance the budget and fund capital and OPEB.

Peter Lombardi: We recognize the constraints we are working under. We are soon to be working intensively to go through each department by line item. Pushing capacity on town's side to stay within the levy limit due to enrollment shifts. Our placeholder has been a 3% operating increase on the school's side, anything more than that we'll have to go back to the drawing board to try and avoid an override. We are already counting heavily on E&D for the 3%.

Jeff Sands: The net number is 522, correct?

Peter Lombardi: Yes.

Josh Liebow: Thank you for a great presentation.

David Wagner: Introduction to Shawn Farrell, Scott Maddern, Jeff Hubbard, Phil Stearns, John Pruellage, Nick Tensen. Darcy Dale and Bill Wilson were unable to attend.

Michael Lombardo: presentation on Hamilton economic climate, which is similar to Wenham. Happy to provide actual spreadsheet upon request to create what-if scenarios. Targeting a tax rate of under \$17 and sustain. Details of growth and decline for future FYs. This presentation has included a budget assumption of school's budget at 2.5%, which he acknowledges is a tall order. Over time we've certified free cash at \$3 million. With FY18 budget, better controls have been put in place and we expect to do that in FY19 as well. Discussion on capital projects, management of free cash to apply to one time expenditures, and what is left to moderate the tax rate. Hopefully find a place where budget growth is moderate and maintain tax rate. We are anxious to see school budget. David has some concerns about growth he wants to address.

David Wagner: Overview of FINCOM's basic responsibility which is to make recommendations to Town Meeting. We want to remain positive. We acknowledge the importance of education, but also know the importance of fire, police, DPW, administrative staff, etc. Allocating funds requires careful attention to equitably balance all of these important items. Explains a model that helps guide his understanding: The tax levy being the primary source of revenue. Details the average family home value, taxes, and the per pupil cost per town. David expresses concern about the fact that this equates to a higher cost per pupil than is sustainable. Negative trends

coupled with enrollment trends, capital projects, collective bargaining, personnel costs, etc. for the school district. Asks about percentage of budget dedicated to personnel costs.

Jeff Sands: Salaries alone are 64% of our costs.

David Wagner: So, if you add in indirect it climbs above that percentage. Wage increases not only affect the salary, but affects the towns in terms of perceptions. This has implications for equality, morale, and perceptions. Also notes that the student/teacher ratio is a bit better than a state average, which is indicative of the necessity to look carefully at that ratio going forwards, especially when bargaining.

Josh Liebow: Do you know how many households versus pupils? Because you say that the cost per pupil is greater than the tax income on average, but what is the household count versus the pupil count?

David Wagner: I acknowledge that my model has holes, but it is a model that may have some attraction to taxpayers in terms of equating tax burden with allocating what that tax burden buys.

Josh Liebow: Yes, the logic makes sense. Other comment is that, yes, student to teacher ratio is above state average, but I think our performance is also above state average.

David Wagner: I appreciate this courtesy. I will not debate it, but say that it is illustrative of an area that may need further exploration.

Josh Liebow: Agreed.

David Wagner: Welcomes any other comments.

Scott Maddern: Great regionalized services that are very effective. We are always searching for more areas to regionalize, and there are lots of places to do this. If we can leverage any other services, equipment, healthcare, etc., it is important to eliminate redundancies.

David Wagner: That's our presentation.

Josh Liebow: Thank you.

Michael Harvey: School District presentation. We are 2 weeks away from official start of budget, all are welcome to join us on 12/20 for budget discussion. Assumptions that we always make are salary cost of living increases. Teachers had to inform district of intent to move columns by December. All 3 union contracts (teachers, office personnel, and custodians) are expiring June 30th, and all will need to be negotiated. Going to be looking more in depth about healthcare costs. Increase in added district tuitions, both in rate and number. No reimbursement for out of district transport by state. This drove costs upwards. We will also be looking at curriculum and instruction costs. Presentations from school committee over the last few months have helped to identify issues with curriculum that need to be addressed.

Jeff Sands: We have been working on budget for last 6-8 weeks, with that process coming to a conclusion. Our plan is to finalize administration's recommendation by next Friday. Information is presented to school committee first, you are all welcome to attend on 12/20. Enrollment shifts have already been discussed, however the shift is less than it has been in prior years. Next slide, highlight the projects beyond operating budget. Two capital projects highlighted. Winthrop Fire Alarm and Sprinkler system is a \$1 million dollar cost, and this is a requirement per fire chief and fire marshall. Significant project to be completed by 8/31/19. We must identify the design firm. Second project is the new athletic field complex at regional high school based on Gale study conducted by order of both town meetings. Phase 1 is fully permitted and estimated cost is just shy of \$3.7 million, with completion date to be determined. Last slide recaps the budget overview and will hash out details at next school committee meeting. Second public hearing 2/14 school committee will adopts FY19 budget.

David Wagner: Is it correct that you will be seeking appropriations with regard to the sprinkler system project?

Jeff Sands: I used that word, but not in that context.

David Wagner: Do you have ideas about funding for both projects?

Jeff Sands: My recommendation would be a debt exclusion, but, that would be for discussion for everyone to participate in.

David Wagner: I appreciate your presentation and understand your procedural constraints. I would ask all people in attendance to add to the calendar: a meeting to discuss capital expenses as well as a follow up meeting.

Josh Liebow: On February 7th we have a follow up meeting with this same group scheduled.

David Wagner: Thank you. I was also suggesting a meeting dedicated to discussing capital forecast when you are ready to do that.

Jeff Sands: From my perspective, operating and capital are very much intertwined. If there was an additional meeting I would suggest towards the end of January.

Alex Begin: Thank you for the presentation. On the capital expenditure, to your point it is intertwined and these capital items you mentioned are substantial.

Jeff Sands: These are not the only capital projects. I thought it was important to include these projects, but there will be a much more robust discussion about a 5-year capital plan, and what is to be incorporated into operating.

Peter Lombardi: There should be some coordination on our 5-year capital across the 3 entities.

Jeff Sands: Mike Harvey and I have prepared recommendations for the 20th, which will facilitate discussion

Michael Lombardo: It might be good to get a subcommittee together representing these entities to explore how capital projects intertwine with these three entities. In terms of these 3, it might be good to think more thoroughly about a subcommittee. Our communities can't afford all capital projects, so we should explore our 5-year plans and see ways to support each other instead of competing.

Michelle Bailey: Wholeheartedly agree, Mr. Lombardo. We used to have a budget subcommittee which fell apart due to change in administration.

Jeanise Bertrand: We have a meeting scheduled for 02/07 for this group where we could have a more informed capital discussion.

Jim Purdy: Are any of those projects eligible for School Building Assistance funds, by any chance?

Mike Harvey: No, because the MSBA does not do projects for sprinkler systems, nor for field projects.

Michelle Bailey: Jeff, how did that work when you did the new school and the turf field together? Did the MSBA give money towards that?

Jeff Sands: No, but we were allowed to wrap funds that had been appropriated for the school. In Tewksbury, we were able to fold it in and not go through additional procurement hoops.

Peter Lombardi: Asks about the rationale to put the turf field on the warrant for next spring's Town Meeting as opposed to the following year.

Jeff Sands: Clarifies the debt schedule of high school and middle school debt.

Josh Liebow: We felt like there was a lot of momentum on the turf fields, so we didn't spend a lot of time looking at debt schedules. Robust discussion around phases and who would actually foot the bill for it. We discussed private funds and community support. We thought the best course of action was getting phase 1 on the warrant based on recommendation from Gale study as well as momentum and support from community.

Jeff Sands: Adds that the proposal is to put in on the warrant for April. We will spend very little the first year. In my view, because of that, this is the most opportune time.

Peter Lombardi: So you are probably just talking about interest payments in that first year?

Jeff Sands: There would be administrative costs that would be modest, and the majority of expenses would come through in FY20.

Nick Tensen: Would there be additional maintenance costs as a result of this?

Jeff Sands: We can provide the Gale study, but in my experience is that you eliminate the current maintenance costs, pest control, lining, etc., and you replace that with something different.

Nick Tensen: Is it operationally neutral?

Jeff Sands: I would not go that far to say that it is operationally neutral.

Josh Liebow: It comes down to analyzing replacement cycle. The replacement in 10 years is expensive.

Discussion regarding replacement of turf as operating or capital expense.

Phil Stearns: Can you start fundraising before the towns have approved it?

Jeff Sands: The school committee has a policy that governs this. If a private group wanted to fundraise, they would come before the committee and the committee would vote.

Michelle Bailey: The school committee would not be the fundraisers.

David Molitano: For clarification, the entire phase price is 12 million?

Jeff Sands: No I think it 3.5, 3.5, and 2-ish. So, 9, give or take.

Mike Harvey: This project would replace the entire Varsity Game field. Phase 1 and 2 have been permitted, 3 has not. Phases described in more detail. There was no public comment when presented in meetings.

Peter Lombardi: Each phases is distinct, one is not dependent on another. Given the number of new people at the table, it would be useful to circulate the Gale study, phasing, information, and recreational board study.

Mike Harvey: Really what this does is address the recreation board's recommendation on field use.

Michelle Bailey: Brings up that the permits expire after a certain amount of time.

Mike Harvey: Three years.

Peter Lombardi: If the turf field was to go to Town Meeting next spring, would there be a draft funding schedule/debt schedule for the project at that point?

Jeff Sands: I think we would work together to provide information to all 3 entities to benefit the community.

Michael Lombardo: Is this a 20 year bond, or shorter?

Jeff Sands: Have not received that level of detail.

Michael Lombardo: At 20 years, it would be about \$325,000 if you assume a 3.5/4 percent interest cost.

Peter Lombardi: February 7th meeting would be focused on the particular issue if it were to move forward.

Alex Begin: Going back to a high level, the details are in the Gale study, but on 12/20, will there be other capital projects recommended at that time as well?

Jeff Sands: The focus of the 20th is really on the operating budget. And the second part is the recommended strategy with respect to our capital plan.

Alex Begin: And that is late January, early February timeframe with regard to your capital expenditure plan?

Jeff Sands: Again, it is all intertwined, and it's part of what the school committee is responsible for providing feedback on and adopting.

Alex Begin: Certainly we welcome the opportunity to discuss this capital project in particular and others at the first appropriate time frame.

Mike Harvey: Updated demographic study. We recognize the importance given the enrollment shift we are currently experiencing. School district committee has authorized McKibbon and Associates to undertake a new demographic study. Jerry McKibbon was here a little over a month ago and has received enrollment data from the past 5 years. We are expecting a study right after the first of the year.

Peter Lombardi: That was the scope of work that had been circulated at our last joint meeting. The Town of Wenham had put in request for funding to undertake an enrollment study through Community Compact Program. We have been awarded that grant money but with McKibbon's work already underway it doesn't make sense to conduct similar project. It makes sense to see to have a joint meeting and have McKibbon run through findings and get feedback on questions on methodology.

Michelle Bailey: How much did you get for your grant and does it end at end of FY?

Peter Lombardi: No, the community grant program is one of the more flexible grant programs. The amount of money was not based on a specific request, but Wenham received \$25,000. Intention is to circle back with the state and see if they'd be willing to hold the award, or see if McKibbon can do some supplemental work for us depending on the report findings. We'd probably be okay to press the pause button for a month or two. Reiterates that enrollment is the major driver in budgets.

Michelle Bailey: Did we have a specific date from him?

Jeff Sands: No, we had a date for the library.

Mike Harvey: His plan is to come roughly in January to present his findings.

Peter Lombardi: It would be great if all parties could review and have opportunity to ask questions about methodology and findings beforehand.

Josh Liebow: Thank you for coming, everyone!

I MOVE TO ADJOURN THE HAMILTON-WENHAM REGIONAL SCHOOL COMMITTEE MEETING AT 8:09 PM.

**MOTION by Gene Lee; SECONDED by Josh Liebow.
Unanimously approved by 5 members present.**

I MOVE TO ADJOURN THE WENHAM FINCOM MEETING AT 8:09 PM.

**MOTION by Alex Begin; SECONDED by Mike Therrien.
Unanimously approved by 5 members present.**

I MOVE TO ADJOURN THE HAMILTON FINCOM MEETING AT 8:09 PM.

**MOTION by David Wagner; SECONDED by Nicholas Tensen.
Unanimously approved by 4 members present.**

I MOVE TO ADJOURN THE HAMILTON BOARD OF SELECTMEN MEETING AT 8:09 PM.

**MOTION by John Clemenzi;
Unanimously approved by 1 members present.**

Thank you all!

Respectfully submitted Mahala Lettvin