

HAMILTON BOARD OF SELECTMEN
HAMILTON FINANCE AND ADVISORY COMMITTEE
Minutes of Joint Meeting
January 7, 2019

Selectmen Present: Shawn Farrell (Chair), Jeff Hubbard,
Allison Jenkins, Scott Maddern,
and William Olson.

Finance Advisory Committee Members Present: Darcy Dale, John Pruellage, Phil Stearns
(Chair), and Nick Tensen.

Town Manager: Joe Domelowicz.

HWRSD Superintendent: Dr. Mike Harvey.

Chair Shawn Farrell called the meeting to order for the Board of Selectmen at 7:03 p.m. Chair Phil Stearns called the meeting to order for the Finance and Advisory Committee (FinCom) at 7:03 p.m.

Rationale for 7% increase from FY19 and further items such as Special Education Program Investment update and future financial plan pertaining to in-house services, Other Post Employment Benefit (OPEB) funding plan, 5 year HWRSD Capital Plan with specific focus on facilities planning (elementary school coordination, etc.).

Dr. Harvey noted, the Draft Budget was in the fourth month of the Budget process. In December his recommendation of the Budget was given to the School Committee. The School Committee would deliberate on his recommendation during January and February. Dr. Harvey believed the Draft Budget would change as it went through the process. The School Committee had met once and would meet three more times: next week, January 30, 2019 and February 13, 2019 when the School Committee would vote. Dr. Harvey indicated that healthcare costs were being negotiated and two contracts (office personnel and custodians) were open. Contracts had expired at the end of the last school year. Special education costs were being analyzed. The Director of Student Services had given a 45 minute presentation on Special Education at the previous School Committee meeting.

Dr. Harvey said he was recommending a level service budget with two additions for FY20. The Budget would address the OPEB Trust Fund in a meaningful way and fund a School Resource Officer for FY20. There would be no new programs or services. After offsets, the increase would be \$1.9M or 6.19% of the FY19 Budget.

Salaries accounted for 60% of the Schools' Budget. The teachers' contract settled earlier this year allowed for a 2.25% increase for teachers. Custodians and secretaries would increase as

well. The Budget also incorporated contractual obligations for step increases and degree changes. One elementary school teacher would be decreased as the 5th grade bubble included seven sections but when students moved to the middle school, the need for additional staff did not exist. Staff retirement allowed for lower cost replacement savings with incoming teachers being placed, for budget purposes, at the Master's Degree Step 4. With five retirements, the savings would total \$150,000. Grants were level funded despite the unpredictability of their issuance. The largest grant was for Special Education.

The operating portion of the Capital Budget would be reduced to \$122,000. The Capital Budget was \$210,000 in FY19, \$210,000 in FY18, and \$312,000 in FY17. Dr. Harvey said \$350,000 was the right number to meet capital needs. Exceptions to level funding included healthcare with a 7.6% increase budgeted. The contract was still under negotiation. Special Education costs increased just under \$900,000. New spending for OPEB was \$250,000 and the Student Resource Officer increased the Budget by \$73,000. The debt service for the construction of the middle school/high school was paid off, which decreased the debt by \$700,000. An increase of \$153,000 was proposed for the sprinkler project at Winthrop School, which was a debt expense.

According to Dr. Harvey, expense categories included the teacher's 2.25% COLA and column changes for those positions as well as the other two contracts being settled. Out of district tuition doubled over the last five years. \$896,000 was funded to keep students in house. \$250,000 was being used to fund the OPEB Trust Fund with a funding schedule in place to have it fully funded in 30 years. The \$250,000 investment would increase to \$1.25M annual investment over the next five years. After 2037, the Essex Regional Retirement Fund would be fully funded the investment to that would be shifted to OPEB, increasing the contribution to \$1.5M. Funds would then be shifted into an OPEB account and be fully funded by 2049. Fund advisors would be present on January 30, 2019 to present the preferred OPEB scenario.

Dr. Harvey placed money for the School Resource Officer position in the Budget as he wanted the position to begin July 1, 2019 to be ready for September of that year. If Green Meadows came forward with the funding, the Schools would not need to spend it. Dr. Harvey explained that a Memorandum of Understanding would outline that the Town would pay for the officer's time. The officer would work for the Schools during the school year and work for the Town of Hamilton during the summer to cover vacation time, offsetting the need for overtime pay. Once Green Meadows was profitable and paid for the officer, then the cost would be covered by Green Meadows. Scott Maddern noted that Green Meadows would pay once licenses and permits were issued.

Phil Stearns suggested that since the Hamilton Police Chief, FinCom, and Selectmen were pushing for the position, it would be a good will gesture for Hamilton to pay for the position the first year as the position was 2/3's Hamilton and the Town would benefit in the off season. The gesture would help Wenham by \$26,000 using the same Schools ratio. Allison Jenkins thought

the position would come into play when the marijuana farm at Green Meadows came into play as they were correlated. Dr. Harvey reiterated that he wanted the position filled by next September. Ms. Jenkins said the concept of having the Schools pay for the position was new to both the FinCom and Selectmen.

The Student Resource Officer would be a Town of Hamilton employee. Dr. Harvey said it might be cleaner for the School to handle the expenses with the Memorandum of Understanding discussing how the officer handled school functions. Joe Domelowicz said it would reappear later in the Town Budget. Jeff Hubbard said the need for the officer and funding one were separate issues. Mr. Hubbard said it would set a precedent to have Hamilton pay for something specific when the two towns were together. Mr. Hubbard thought it should be treated equally to other services provided by the regional district. Mr. Hubbard said Wenham should be responsible for their 30% of the cost. Bill Olson said the money was an impact fee from the marijuana farm and if it was not used, it would be returned. Mr. Olson said there was no other impact to be funded and this use would benefit everyone.

Jack Lawrence asked how the marijuana farm money was linked. Allison Jenkins responded that the Selectmen worked out an agreement with Green Meadows farm in accordance with State Regulations. One allowable expense was a Student Resource Officer. The impact fee was \$73,000. All tax on sales would go to the General Fund to be appropriated via Town Meeting action.

Allison Jenkins questioned if the position should be in the School Budget if the position was an employee of Hamilton and managed by the Hamilton police. The impact fee was tied to the officer at the School but not working as an officer for the Town. As it was unclear that the money would be available by this summer, the cost was included in the School Budget to fill the gap. Ms. Jenkins agreed it was appropriate. Nick Tensen asked if the funding didn't happen, would the Town want to commit to the officer position. Darcy Dale asked who would pay for the retirement of the employee. Shawn Farrell responded that it was a Town employee. The Police Chief would be asked if the entire amount of \$73,000 would cover the school year portion or an entire year.

Dr. Harvey said out-of-district tuition was for students with the most need as they left the schools and went into more restrictive public education or private schools. There were 50 students in the out-of-district category. The number doubled since FY14. A residential placement could cost more than \$100,000 per year not including health or other services. Transportation costs increased \$24,000. In the previous year, a full time Special Education teacher (\$71,600), two full-time high school teachers (\$60,000), and a .5 Special Education teacher were added to start to develop programs in house. The goal was to have 20 of the 50 out-of-district students stay in the school. The eight students who stayed in the school this year would have cost \$400,000 in out-of-district tuitions. The investment was \$200,000, according to Dr. Harvey.

Bill Olson said costs were \$1.6M in-district \$4M out-of-district. Dr. Harvey said the School kept a list of potential students but had more needing placements this year than had been identified. The State Circuit Breaker Fund reimbursed the School 70 to 75% for everything over \$40,000 but the reimbursement was not received until the following year. The School was \$500,000 over their anticipated budget. The proposed \$900,000 would be used to catch up. Dr. Harvey said the Schools were allowed to build a cushion but the account had been depleted this year. One program implemented was a language based learning disability program. Landmark School was hired to consult on how to build the program as they were a nationally recognized school for the need. Dr. Harvey thought it might be possible to attract students from other schools for the program.

School Choice and the State Circuit Breaker were offsets to the Operating Budget, which were applied as revenue to the bottom line. School Choice had been expanded to include six to eight grades. There were 22 School Choice students in the middle school with a total of 74 School Choice student grades six through twelve. The Circuit breaker offset more students going out with more reimbursements due next year. There were \$200,000 in offsets compared to the current year.

The profit and loss statement included the General Operating Expenses before the offsets. After offsets were applied, the total was \$1.975M. There was a decrease in debt by \$1.75M. Total expenditures looked at funding Chapter 70 aid with a large momentum occurring to change how the funding line would be calculated. Dr. Harvey said some estimates were close to \$400,000 more. The old formula was 20 years old and needed to be changed.

The annual revenue debt service reimbursement from MSBA would not continue as the debt service had been paid off. The State transportation reimbursement was modest. Medicaid reimbursement increased by \$25,000. The number of \$147,000 for excess and deficiency would be certified by the Department of Revenue and would be transferred into the Budget but was not the full number. The full excess and deficiency amount was \$1.1M. School policy stated 3% reserve or about \$900,000 be kept. School policy indicated that anything over 3% be returned to the Towns' next budget.

The total expenditure was \$34M according to Dr. Harvey. The three-year average between Hamilton and Wenham was shown. Dr. Harvey had a capital project list that the Schools were reviewing and revising. Capital and operating expenses were cut to bare bones, according to Dr. Harvey. There were \$26M in different projects and the School Committee was considering doing something with the Longmeadow property located next to the middle/high school. Andrew DeFranza had control over the back two lots until the beginning of April 2019. Dr. Harvey said that in a perfect world, the Schools would acquire the three lots as it was not often there would be 40 acres of land adjacent to the middle/high school.

A statement of interest had been submitted last April to the MSBA regarding replacing Cutler School. In December the Schools were notified that they had not been accepted into this year's process. The Schools demonstrated need and the State selected HWRSD for a site visit. The MSBA's process then decided how much money they had to fund projects and HWRSD did not make the cut. The School Committee discussed whether they would resubmit for Cutler or Winthrop School. Once accepted, the process would take seven to ten years.

In response to Scott Maddern's question if the MSBA gave bonus points for school consolidation, Dr. Harvey said they would want to see one cost-effective project. Mr. Maddern noted that Hamilton had over 70 acres of tax free land devoted to the Schools and that if they were returned to the Town, it could balance the scales. Dr. Harvey said the needs assessment was based on the needs statement and returning land to the community would not be taken into account. The site visit to the Cutler School was focused on space deficiencies. Mr. Maddern suggested the FinCom educate the School Committee and town on how to look at the balance between town impacts and school consolidation. Dr. Harvey said Longmeadow could be used for tennis courts, a turf field, or school consolidation.

Phil Stearns referred to the capital improvement summary, recalling that the items were not passed at Town Meeting but had shown up again. The \$3M for FY20 was down to \$370,000 in FY21. Dr. Harvey said they were a place holder on the list for FY20 and that he had no plans to put forward \$3M. Dr. Harvey thought Longmeadow was a priority but the topic had not been discussed by the School Committee to date. Mr. Stearns asked if the \$800,000 for classroom furniture could be spread over a couple of years. Critical infrastructure, safety, and handicapped accessibility would be done first with debt exclusion. If \$350,000 in capital expenditures were funded over five to six years, the list of \$26M would be complete excluding tennis courts or turf fields. Dr. Harvey said he had no plan to put forward the capital items for next year but the School Committee may change the decision.

Joe Domelowicz said the Town of Hamilton was prioritizing a Capital Needs list to forecast out and pay for over years. The Town did not want to be an island and not consider the Schools' needs. Mr. Domelowicz suggested starting to process capital needs and talk collectively between Hamilton, Wenham, and the Schools so the taxpayers could consider all three needs together. Mr. Domelowicz was developing a capital improvement committee and hoped to have representation from the Schools. The three entities would meet to consider funding over the next five to ten years.

Phil Stearns asked about the gas expenses at Cutler School, which increased 70% and the Miles River School, which increased 21%, while Buker School's expenses decreased. Dr. Harvey said the utility total decreased because of the building management system via the \$.5M Green Communities Grant. The high school librarian salary increased 21%, which Dr. Harvey said was due to an unfilled position being filled by a higher-paid person. Nurses' salaries increased. Mr. Stearns said there must be a good rationale for changes but he would like to be able to ask

questions about specific items. Mr. Stearns, another FinCom member, Jeff Sands, and Dr. Harvey would meet.

Richard Kimball was chosen to design the Winthrop sprinkler system for \$103,000. Engineering and drawings would be complete by March/April and the project would go out to bid in April. The design fee was part of the encumbrance. The Fire Department would sign off on the designer's work and construction would be done over the summer.

Discussion of follow up on unanswered questions from HWRSD draft budget discussion with Dr. Harvey at upcoming FinCom meeting.

The FinCom would meet the following Wednesday to go through comments and questions then set up a meeting in Dr. Harvey's office. Dr. Harvey said the School Committee hearing regarding salary expenses would be held January 16, 2019 with a second hearing on February 13, 2019. OPEB would be heard on January 30, 2019. The Selectmen would open the Warrant at their next meeting. The School Committee would place two potential articles (Longmeadow and debt exclusion for capital items) on the Warrant. Dr. Harvey reiterated that it would be for one not both needs. Dr. Harvey, the Selectmen, and the FinCom would meet again on February 5, 2019. Phil Stearns wanted to see the Warrant before the meeting occurred.

Gene Lee (Anthony Road/School Committee member) asked about Wenham's involvement as both towns needed to approve capital plans or operating budget. Joe Domelowicz recalled that he had spoken with Peter Lombardi about coordinating with the Schools regarding a capital improvement plan. Mr. Lombardi would recommend the Wenham Selectmen do the same. Mr. Domelowicz said it was better for the citizens if all three groups worked together to minimize the impact on the residents. February 5, 2019 would have a joint meeting with the two Towns' Selectmen, FinComs and the Schools.

The Student Resource Officer was discussed again. Phil Stearns said he had reviewed the Host Community Agreement to find that funding would come to the Town early on in the process. Mr. Stearns said Hamilton had been pushing for the position and repeated that Wenham's share was only \$27,000 to \$28,000. Mr. Stearns thought Hamilton could pay for the cost for the first year. Shawn Farrell said Wenham had a day shift officer at the Buker School and that day officers walked through the middle school in Hamilton as well. The Student Resource Officer was much more involved with students and Hamilton would have the benefit of the position when school was not in session. Mr. Farrell said the Police Chief thought the summer cost would offset overtime pay and zero the cost out.

Allison Jenkins said Green Meadows would not be up and running until 2022. The \$73,000 increased to \$75,000 \$77,000, \$79,000, and \$82,000 in year five. Ms. Jenkins noted the cost of benefits such as healthcare were a new cost. Shawn Farrell said questions would be asked of the Police Chief. Discussion ensued regarding if the position was discussed as a fully funded employee or not and if it was fully funded during the school year only. Nick Tensen wondered

about the timing of the officer's start compared to funding. Phil Stearns said the gap needed to be understood. Joe Domelowicz said Green Meadows needed a permit from the Town and license from the State before it could sell marijuana. Mr. Domelowicz said Green Meadows had assumed calendar year 2019 would include a payment. Mr. Domelowicz would check. Mr. Farrell said the agreement was negotiable if more of an impact fee was needed.

Adjournment

Motion to adjourn by Darcy Dale.

John Pruellage second.


Vote: Unanimous in favor to adjourn at 8:26.

Prepared by:

Marcie Ricker

Attest

Date

 2/4/19