

## HAMILTON FINANCE AND ADVISORY COMMITTEE

### Minutes of Meeting

February 5, 2019

#### Members Present:

Hamilton FinCom: Darcy Dale, Phil Stearns (Chair), and Nick Tensen

Hamilton Selectmen: Shawn Farrell, Scott Maddern

Hamilton Administration: Joe Domelowicz (Town Manager)

Wenham FinCom: Alex Begin (Chair), Carrie Jelsma, David Molitano, Jim Purdy, and Mike Therrien.

Wenham Selectmen: John Clemenzi, Catherine Harrison, and Jack Wilhelm

Wenham Administration: Patty Moore (Finance Director/Treasurer Collector), Peter Lombardi (Town Administrator)

HWRSD: Michelle Bailey, Jeanise Bertrand, Kerry Gertz, Gene Lee, Stacy Metterneck, David Polito (Chair), and Peter Wolczik. Mike Harvey (Superintendent) and Jeff Sands (Finance Manager)

The HWRSD called its meeting to order at 7:06. This Hamilton Finance and Advisory Committee meeting was called to order at 7:06 pm. The Wenham Finance and Advisory Committee meeting was called to order at 7:06 pm. The Wenham Selectmen had called their meeting to order at 6:45 pm, then recessed until 7:07 pm. The Hamilton Selectmen did not have a quorum but were present. The meetings were called to order at the Bessie Buker School, Wenham, MA.

#### **Review of the HWRSD FY20 Budget.**

Mike Harvey said the level service budget had not changed since the Hamilton presentation. The budget included funding to support an Other Post Employment Benefit (OPEB) Trust Fund and School Resource Officer. After offsets, the complete FY20 budget increased \$1.9M (6.19%) over the FY19 Budget. Key assumptions included salaries, (COLAs and contractual salary obligations for step and degree changes). There was a \$58,000 savings by decreasing one full-time-equivalent teacher due to the 5<sup>th</sup> grade bubble moving to the middle school. Retirement savings were experienced (\$157,000) for five retiring teachers. Capital expenses were reduced to \$122,000 versus \$129,000 in FY19. Exceptions to level funding and operating were healthcare costs with a placeholder increase of 7.6%. Out-of-district costs increased 31% or \$900,000. OPEB accounted for \$250,000 while the Student Resource Officer cost \$73,000

that would draw people from other locations on a profitable basis. Mike Harvey responded that there would be an opportunity but it would take investment, which would be risky. The program would be difficult to justify compared to other needs of the District. Dr. Harvey said the District belonged to an educational consortium of schools currently.

The School Resource Officer was discussed. Shawn Farrell said he thought the position should be funded through the Town of Hamilton as the officer would be a Hamilton employee. Mr. Farrell understood that the Schools wanted to fund the position so the employee could begin on July 1, 2019. Mr. Farrell explained that the Town's funding for the position would be available for FY20. Mike Harvey responded that the Regional Agreement indicated that all operating expenses of the District lie within the District (Section 4 Definition of costs). Jeff Sands said the position should be apportioned through the formula. Jeff Sands added that a year-end report, which included all financials including security expenses, needed to be submitted to the Department of Education. Jeff Sands said he could not certify the report if the position was not accounted for. Certification was necessary for Chapter 70 funding. Darcy Dale suggested exploring grants for the position, which she noted did not need to be an armed police officer. Ms. Dale said a counselor or child therapist could be given the extra responsibilities with a stipend offered. A Federal grant had been given to Tewksbury, which covered 75% of the costs for the first three years of a four-year commitment. Jeff Sands reiterated that he wanted to remain compliant with State requirements and the Regional Agreement. Mr. Farrell would speak with Town Counsel. Joe Domelowicz said the position could be a Town employee who would be deployed to work in the school.

Mike Harvey said the Budget would include \$250,000 for OPEB this year. Shawn Farrell said he had been pushing for funding of the \$47M liability. Dr. Harvey explained the 30 year plan would fund the \$34M liability 100%. The \$250,000 payment in 2020 would increase until the fund reached \$1.25M, then Essex retirement would be fully funded after 15 years. After Essex retirement was funded, payments would flip to OPEB again. Rockland Trust was chosen as the advisor. Phil Stearns said the Hamilton FinCom supported the plan 100%. Dr. Harvey recommended adopting a policy to ensure future support as future School Committees could not be held by current School Committee votes. Funding needed to be voted upon each year.

Alex Begin expressed his concern regarding the affordability of the School's OPEB plan. Peter Lombardi and Catherine Harrison said they did not believe Wenham could afford \$250,000 but the School needed a policy. Wenham was incrementally increasing their obligation by \$10,000 each year until pension obligation shifted. The actuarial standard

was 30 years. According to Joe Domelowicz, Hamilton's strategy for OPEB was to adopt an irrevocable trust with funding over 30 years. Nick Tensen recalled that Hamilton started with a \$25,000 payment that had increased to \$125,000 currently and would run at that plateau for the duration of the 30 years. The School's liability was \$35M, Wenham's was \$5M and Hamilton's was about \$18M, which explained why funding was less for the Towns each year for 30 years.

**Review of Wenham FY20 Budget and Need for HWRSD Operating Override.**

Peter Lombardi said he was presenting a budget update as the process was ongoing with big decisions to be made from a policy perspective. Wenham's Town expenses increased about \$500,000 with half of the drivers being health insurance (\$175,000), pension (\$70,000) and the new Stormwater Compliance Standards (\$50,000). \$286,000 of \$545,000 were fixed costs, according to Mr. Lombardi. All three union contracts were due to expire in the end of June 2019. A 2% COLA placeholder was used for the union contracts and non-union employees. The big issues did not include funding of new capital (\$187,000). Another \$188,000 in operating expenses, including new staffing, compensation adjustments, and new expenses were identified as priorities by department heads. Mr. Lombardi said the budget was not even level services because the Town of Wenham was not keeping up with capital needs and adjustments that were required. They were not included in the budget. The Wenham Selectmen and FinCom had discussed the potential for a special purpose stabilization fund. The Town of Wenham needed an operating override to fund the fund. The override would not permanently increase the levy limit, creating funding flexibility from year to year. The fund would cover the cost of the enrollment shift. For FY20, even if Town moved forward with the fund, the fund would be used to fund operational capital needs rather than their portion of the School assessment.

The enrollment shift toward Wenham increased costs for Wenham by over \$1M during the last five years, which was a major driver. According to Peter Lombardi, there appeared to be some stabilization in enrollment.

Article 1 of the April Town Meeting warrant was in regard to the levy limit, which included \$554,000 of Town expense increase and \$135,000 in assessment balance of Wenham's share of the FY20 budget as well as consideration for Article 3, the School's article and the \$559,000 difference in assessment and what the Town could accommodate under the levy limit.

Article 2 was in regard to the free cash balance, which had decreased over the past year. Certified free cash was just under \$1M. Peter Lombardi said the Town of Wenham was

proposing to use \$700,000 of free cash to balance the budget. The full School budget would be in the Warrant Book and would be presented by the Superintendent. The impact on the tax rate for a FY20 levy limit of just of \$16.2M with a total valuation of over \$880M was discussed. Article 1 would create a tax rate of 18.44 per thousand of value or a .42 per thousand increase (2.3%). The tax impact on a median home value would be an increase of \$240 per year.

Article 3 had a tax rate impact of the operating override for \$557,000 over the levy limit. The impact was a .63 tax rate increase on a median value home of \$574,100. The two together increased the rate from 18.02 for FY19 to 19.07 in FY20 for a 5.8% increase.

The Operating budget override of \$559,000 represented a minimum for the Selectmen and FinCom as there were over \$350,000 unmet Town needs. Peter Lombardi noted there was a greater levy capacity decrease from FY19 to FY20 than in the history of Wenham. Mr. Lombardi said the ambulance program would create \$150,000 in local receipts and staying in the regional dispatch program would increase cherry sheet revenue by \$82,000, which would increase the levy capacity. Projected new growth (Wenham Pines – 22 units and Spring Hill 18 units) would also increase the capacity. There would be a 2.5% increase in net local receipts and State aid. There would be a 3.5% increase in the Town budget, which included a 1.5% increase for the School. The Town of Wenham proposed a level service budget and intended on covering whatever they could in terms of levy capacity to pay their School assessment. The Town had to absorb \$50,000 in contractually obligated capital costs that were previously paid via free cash.

### **Review of Hamilton FY20 Budget**

Joe Domelowicz offered an overview of the \$33M FY20 budget. There was a total increase of \$2.3M. The School portion was accountable for \$780,000 and the Town portion was \$1.5M. \$900,000 was from the recent adoption of stabilization and financial policies that diverted money from free cash to specific stabilization funds. The Town's actual increase without those items was \$660,000. A contingency fund was set for the three union contracts. A new Assistant DPW Director, a new shared Human Resource Director and a new School Resource Officer were in the budget. Increases were also due to rising costs of trash and recycling, group health insurance, the employee retirement plan, and debt spending on the capital improvement plan. Over the years, there was a 7.6% increase in the budget, which projected revenues would meet. Mr. Domelowicz noted that the School accounted for 59% of the total budget. Property taxes were responsible for 87% of the Town's revenue with motor vehicle excise tax, free cash, and local receipts accounting for another 8%. 95% of all revenue was local.

Joe Domelowicz said after several stable years, the tax rate had increased over the last two fiscal years to 16.93 per thousand valuation. The median priced home of \$550,000 paid about \$9,311 in taxes per year. Mr. Domelowicz offered a breakdown of where the money was spent, which had been stable year after year with a slight increase for the new positions. The School received \$10 per thousand. The School received 58% including Essex Technical High School, 26% went to general government and 15% went to unclassified, which included stabilization funds. The Town was moving toward 5% in stabilization funds and 5% in free cash. In past years, the Town was \$2M away from the levy limit but was currently \$900,000 away.

**Discussion of Potential HWRSD Debt Exclusion(s).**

The School indicated that it was not looking to move a debt exclusion article forward. Shawn Farrell encouraged all three entities to have capital plans that could be reviewed together. A capital committee was being formed. The School's capital plan was online but Mr. Farrell requested that items be prioritized. The online document included estimates and years of when they would be accomplished. The School Committee presented a statement regarding Longmeadow that said: "The School Committee has authorized the District leadership to proceed with negotiation on properties on Longmeadow Way." Mr. Farrell recalled the price was \$2.9M.

Jack Wilhelm made motion to adjourn.

Seconded.

Vote: Unanimous in favor to adjourn at 8:39.

Phil Stearns made motion to adjourn the Hamilton FinCom meeting.

Seconded by Nick Tensen.

Vote Unanimous to adjourn at 8:39 pm.

Alex Begin made motion to adjourn.

Seconded.

Vote: Unanimous in favor to adjourn at 8:39 pm.

Mike Harvey made motion to adjourn the HWRSD meeting.

Seconded.

Vote Unanimous to adjourn at 8:39 pm.

Prepared by:

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Marcie Ricker

 03-07-19  
Attest Date

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Please check on the speaker here. My recollection is that this was Jeff Sands talking about the District funding the SRO, not Dr. Harvey.