

HAMILTON BOARD OF SELECTMEN
MINUTES OF JOINT MEETING
WITH HAMILTON FINANCE & ADVISORY COMMITTEE,
WENHAM FINANCE & ADVISORY COMMITTEE,
WENHAM BOARD OF SELECTMEN, AND THE HAMILTON WENHAM
REGIONAL SCHOOL DISTRICT CAPITAL FINANCIAL PLANNING SUBCOMMITTEE
Buker School, 1 School Street, Wenham

January 29, 2020

Selectmen Present: Chair Jeffrey Hubbard, Shawn Farrell,
William Olson, Darcy Dale, and Rosemary
Kennedy

Town Manager: Joe Domelowicz

Finance & Advisory Committee
Members Present: Chair David Wanger, John Pruellage,
Christina Hargrove, and Valerie
McCormack

Also Present: Hamilton Wenham Regional School
Committee Capital Financial Planning
Subcommittee Members: Gene Lee,
Michelle Horgan, and Stacey Metternick;
Wenham Finance & Advisory Committee
Members: Chair Alex Begin, Michael
Therrien, Carrie Jelsma, David Molitano,
and Jim Purdy; Dr. Julie Kukenberger,
Interim Superintendent of Schools;
Vincent Leone, Assistant Superintendent
of Finance & Administrative; School
Committee members: Michelle Bailey,
David Polito, Tai Pryjmo, and Peter
Wolczik; Wenham Selectman Catherine
Harrison; Chris Holak, Interim
Finance Director; and Anthony Ansaldi,
Wenham Town Administrator

The meeting was called to order by all the respective boards and committees at 7:08 p.m.

Interim School Superintendent Dr. Julie Kukenberger introduced the topic: "Two Towns One Community" and asked the question: How can all three entities can work together to ensure all three budgets pass? She said the goal was to improve communication, transparency, and collaboratively work together to best serve the community. She reviewed the five agreed "norms": 1) Take inquiry stance. 2) Be hard on the content and soft on people. 3) Share the air. 4) Be kind, specific, and honest. 5) Assuming positive intent.

Operating Fiscal Year 2021 (FY21) Budget Overview

The purpose of the budget meeting was to understand the FY21 budget challenges and tentative operating capital budgets and develop strategies for community support. Town Manager Joe Domelowicz referenced a PowerPoint presentation: "Town of Hamilton FY21 Budget Preview." The presentation included budget guidance and drivers, including the following:

- FY21 is a level service budget.
- The total projected FY21 budget for Hamilton without schools is \$14,133,220; this is a 2% increase over FY20.
- Revenue: \$33,628,620 (without override or use of free cash for operating costs).
- Capital improvement plan (requested): \$2,486,000, not including Town Hall renovation question.
- A 12.8% increase in the school budget far exceeded the Town's proposed increase of 2% (\$2,375,293). This would require the use of free cash, all available levy capacity, and a proposition 2 ½ override.
- The Town proposed a 5% increase to the school budget over FY20.

In summary, Mr. Domelowicz observed the School budget has grown \$10M over the past five years, and noted this is almost the Town of Hamilton's entire budget of \$14M. He stressed the proposed budget is not sustainable or realistic, and the schools need to consider removing or reducing non-mandated and non-contractual costs, and he reiterated that Proposition 2 ½ is the law in Massachusetts, and the towns and school district should budget within the 2 ½% increase.

Anthony Ansaldi, Wenham Town Administrator, referenced a PowerPoint presentation "Town of Wenham FY21 Budget Outlook." He reviewed that State aid, local receipts, and property taxes are Wenham's limited revenue source of \$19,948,720; property taxes are 84% of the town's revenue source. FY21 expenditures were reviewed. The town budgeted a 3% increase for the school budget and level service budgets from town departments. The Town of Wenham operating costs are \$21M; the school is the largest part of the budget at 53%. In summary, the town has a deficit of \$1.1M. Free Cash has been applied reducing the deficit to \$729K based on the 3% increase for the schools. Based on this calculation, the

tax rate in Wenham will be \$20.30 or an average increase of \$775 per median assessed home (\$574,100). Recalculated with the 12.5 % impact of proposed school budget, the FY21 deficit climbs to \$2.2M; with use of free cash the deficit is reduced to \$1.8M, impacting the tax rate to \$21.56 or \$1,500 per year.

Dr. Kukenberger gave a brief review of the Hamilton Wenham Regional School District FY21. She said when she took the Superintendent position in July, she inherited a \$638K deficit from the previous administration; this included additional mandates, for example, unbudgeted out-of-district placements.

Vincent Leone, Assistant Superintendent of Finance & Administrative, referenced a PowerPoint presentation: "December 31, 2019: FY20 Budget Forecast" and further reviewed that the new administration went line by line through the budget in December and was able to update and project a reduced deficit of \$446K due to new salary agreements in administration, reallocation of duties in the business office and special education office, and a reduction in tuitions. Upon further review of the expense budget, for example, supplies and materials, was found an additional \$200K savings; the deficit was reduced to \$233K. The balance in the circuit breaker reserve will be used to eliminate the \$233K deficit.

Dr. Kukenberger acknowledged the financial pressures on the towns. She said the leadership team wanted to create a budget that clearly articulated the needs of the School District, which have been pushed off and neglected, such as the care of facilities and development of programs, which would save money and increase quality of services to students. She reiterated the team knows this is not sustainable and is concerned with the increase and supported a more transparent and collaborative effort to present a budget for FY21.

Dr. Kukenberger stressed the FY21 budget presented was reviewed line by line by the leadership team that also worked on the budget in its entirety. Dr. Kukenberger and Mr. Leone included in their presentation:

- Highlighted budget goals and challenges to develop a needs-based, student-centered, fiscally responsible budget for students and more than 300 employees.
- Increases over FY20—2.3% unbudgeted needs and 4.9% contractual obligations, health insurance.
- Review of FY20 budget increase of 5.6% over FY19.
- Differences of level service and level budget; minimal discretionary accounts.
- Additional needs listed and requested not included in the budget were presented as contractual obligations, annual rate changes and current services at an 8% increase over FY20.
- The FY21 level service budget was summarized + required investments + kindergarten assistants + FTE LICSW + after-school academic + FTE SLP + additional unmet needs not included.

Budget categories were broken out of the \$39.3M budget, including 60% of the budget is staff; 17% is out-of-district tuitions; 13% fixed charges, 6% operation/maintenance; 6% transportation; 4% instructions materials. The largest FY21 budget drivers of the \$4.3M gross budget increase were 13.85% capital, operations, maintenance; 18.34% insurance/retirement; 15.23% other teaching services; 7.59% pupil services; 21.62% teachers; 21.09% out-of-district tuition; 2.28% other.

Mr. Leone gave an overview of the assessments to the towns, which was an increase of \$3.7M: \$2,366,546 (12.66%) for Hamilton and \$1,426,091 (13.60%) for Wenham.

Dr. Kukenberger referred to FY21 as a correction year and that the increase is not the expectation year over year. She said the school budget will always go up and there are no promises the budget won't ever increase substantially in the future to meet needs in a responsive way to help students thrive within a fiscally responsible budget the communities can support. She noted this is a contract negotiation year of all three collective bargaining agreements expiring June 2021.

The meeting was open for questions and comments on the school budget. Some issues raised included the following:

- Negotiate staff pay more for healthcare.
- Increase grant writing. The school does not have a grant writer but have those in the district that write grants.
- Total out-of-placement cost is \$4.9M – Serving 70 students out of district this is disproportionate compared to other communities of similar size; out-of-district transportation cost is \$770K.
- How to help meet expenses with volunteers and peer-to-peer. Privacy and specific needs challenge this approach.

Wenham Finance & Advisory Committee (FinCom) Chair Alex Begin stated the approach was made with professionalism and acknowledged the school is in a difficult position. He asked whether the School Committee would speak on the budget tonight. It was explained there was a mistake in the posting of the meeting and the process would be to hear from the District, work the budget in the Capital Financial Planning Subcommittee, and take a final budget recommendation to the School Committee for ratification. The tentative budget met the Regional School District agreement timeline. Additional meetings will address reductions in the school budget. Mr. Begin questioned if there was a summary of the School Committees' attitude toward the budget and grave situation the increase places on the towns and school.

There was no statement from the School Committee available, but Subcommittee member Gene Lee observed they are all committee members and taxpayers of the community but are elected officials to advocate for the school. There is a competing interest to have a high functioning school. He went on to acknowledge the towns are in the same situation.

Mr. Begin opined this alarmingly high increase needs debate and collaboration and asked what guidance the superintendent had been given from a month ago.

Mr. Domelowicz clarified town costs are going up but are below average inflation rates and within Proposition 2 ½, which shows fiscal responsibility and that the Town takes budgeting seriously. He recalled that last year, within two weeks after the school budget, there was a \$600K shortfall. The towns are also required to provide services.

Dr. Kukenberger acknowledged the FY21 budget increase is not sustainable “and at some time you need to right the ship as these needs are not going to go away.”

Hamilton FinCom Chair David Wagner gave contractual obligations as an example of discretion in the power of the school. He went on to say the school has previously made investments (special education) that were supposed to provide cost savings. He was told these investments did provide cost savings and are currently outpacing the projected cost savings. Mr. Wagner also observed the law allows the district to challenge a parental request for out-of-district placement, and Dr. Kukenberger responded there was an increase in the legal line to litigate cases when the town has a viable program. Mr. Wagner also noted there was no Other Post Employment Benefit (OPEB) program of the estimated \$30M district’s obligation on top of the FY21 budget that is troublesome and alternative funding to taxpayer revenue needs to be sought.

He reiterated this is not to devalue education but this increase to the budget is not sustainable.

Wenham Selectman Catherine Harrison commented that a 12.8% increase in a school budget is high and compared it to other districts. She questioned what is driving it to be more than twice what is typically expected. She said nothing appears to have changed year to year to account for the 12% increase. Dr. Kukenberger said the year started with a deficit and the school had little revenue outside of the State aid of \$4.6M, but the budget is in part anticipatory to address special needs for the unknown needs of students both current and future. She noted the town had these programs years ago that were probably taken out as cost savings for that fiscal year. It takes three to five years to get a program started before it sees savings, she said. Programs will be better promoted.

Wenham FinCom Member Jim Purdy asked about the 766 Law (1981) and if there is anything that prevents the Schools from entering into cost-sharing agreements and was informed there are a variety of cost-sharing with parents, as well as the North Shore Educational Collaborative.

Mr. Begin reviewed the historical school budget increases: 2017/18 was a 4.3 % increase; 2018/19 was a 5.4% increase; 2019/20 and 2020/21 are at 12% with corrective action. Dr. Kukenberger noted year over year, the school budget was under-budgeted.

Hamilton FinCom member Valerie McCormack suggested this budget was already at the point of cuts, i.e., trash, road repair, etc. and questioned if the budget was under-budgeted or over-spent.

Wenham FinCom member Carrie Jelsma left the meeting. Hamilton Selectman Darcy Dale left the meeting

Mr. Domelowicz spoke on the Town of Hamilton's five-year capital plan and the effort to prioritize and assign a timeline implemented by the Capital Committee. The plan totaled \$39.2M. For FY21, the Town had \$2.5M in capital needs, but the town has put off \$2M of capital to try and balance the school budget needs. This cut does not include renovations to Town Hall.

Mr. Ansaldi spoke on Wenham's' capital outlook and stated that department heads put together a five-year capital plan that included projects greater than \$10K and that had a useful life of more than one year. Wenham has five funding categories: Operating budget; Revolving fund—Iron Rail (rental revenue); Chapter 90 State Aid; Water fund (rate payers); and Free Cash. The town of Wenham still needs to decide on the backup ambulance, replacement of an aging fire pumper, and funding a Master Plan.

Dr. Kukenberger defined capital expense as anything that exceeds \$25K with a useful life of 5 years.

Capital needs were recently reassessed and a 10-year plan was created. The FY21 budgets includes \$958K for safety updates and infrastructure, network infrastructure; elementary school facilities study, and educational plan; standardize furniture (not updated since 1960); replacement of sidewalks at the middle school; and athletic campus improvements plan.

The following debt service assessment for \$413,253 included the Cutler roof; Buker and Winthrop boiler/glass projects; and Winthrop sprinkler system. These would be banned and only interest payment made the first year, FY21.

There was a follow-up discussion on how the three entities would work together and ensure all three-budget pass. The towns requested continued updates and to meet again in February.

The meeting was opened for public comment. School Committee member Peter Wolczik commented on the class sizes and said the spaces are not large enough for the number of students. He also questioned why it seems the towns are resistant to expanding the tax base especially being so close to Beverly airport. The towns agreed open space is the character of the town, but there are a few areas that can be developed and need looking into.

School Committee member David Polito noted there were two new administrators coming into a tough situation, handed a \$600K deficit roll-over and operating under budget. He further explained the corrective year and recognized that it is not sustainable. He noted for the first time serving, he is hearing that the towns realize they need to increase revenue and this is where the communities' growth changes the burden on homeowners.

Each board and committee unanimously adjourned at 9:50 pm.

**These meeting minutes were submitted by Catherine Tinsley, Wenham Recording Secretary, on March 7, 2020 with formatting edits by Mary Alice Cookson, Hamilton Minutes Secretary, on April 3, 2020.*

Mary Alice Cookson 4-17-2020
Mary Alice Cookson Date
Minutes Secretary

Attest:

Darcy Dale 4-17-2020
Darcy Dale Date
Board of Selectmen Clerk