

HAMILTON BOARD OF SELECTMEN &
FINANCE ADVISORY COMMITTEE
MINUTES OF JOINT MEETING

February 3, 2020

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

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

Town Manager: Joe Domelowicz

Other Town Staff Present: Finance Director Marisa Batista, Director
of Planning & Inspections Patrick Reffett,
Department of Public Works (DPW)
Director Tim Olson, Police Chief Russell
Stevens, Fire Chief Ray Brunet,
Recreation Director Sean Timmons, and
Patton Homestead Director Kaleigh Pare

At approximately 6:35 p.m., Chair Jeff Hubbard called the meeting to order for the Board of Selectmen (BOS). Chair David Wanger called the meeting to order for the Finance and Advisory Committee (FinCom). The Pledge of Allegiance was recited. Mr. Hubbard thanked everyone for their hard work and for being there.

Town Manager Joe Domelowicz thanked the department heads as well as boards and committees. He said they were there to review the budget proposal—not likely the final budget request but rather recommendations—for Fiscal Year 2021. He said it wasn't an easy budget year. It was not easy weighing competing interests and needs and balancing how to provide the high quality of service the residents expect with the Town's need to live within its means. He said the budget adheres to financial policies and utilizes unused tax levy capacity. He said it includes the Regional School District's current budget request,

although the BOS won't know the final budget request until after the School Department's meeting on Feb. 12.

He said on the Town side is a modest 2% increase in spending (\$272,362 increase over last year). He gave an overview of what that included. On the School side, the Schools are requesting a 12.5% increase (\$2.3M in real dollars over last year's budget). To balance this request, the Town would have to use about \$850K of unused tax levy capacity and seek an override of just under \$732K. Without taking those measures, the Town could handle an increase on the school side of just slightly over 5%. He stressed that the School budget request wasn't final and they could look for additional savings to be factored in. Then he went through his PowerPoint presentation, which included:

- FY21 Town Budget Factors showing the increases in the budget. This included an addition of a full-time fire fighter. He discussed department requests that were denied.
- FY21 Budget Overview, which listed changes in expenditures between last year and this year in the Operating Budget, Financial Reserves Transfers, Capital Budget, and Hamilton-Wenham Regional School District Budget and revenues from Tax Levy, Local Receipts/State Aid/Other, and Free Cash. There is about \$1.3M in free cash being used.
- FY21 Budget Overview, which includes an Unused Capacity/Projected Deficit of \$731,865—If the Schools' proposed budget is funded, that is the amount they would have to seek in an override.
- Town Budget Breakdown, showing that the majority of money (59.8%) is being spent on Education, which includes debt service.
- Revenues and Available Funds: Property Taxes (87.2%), Motor Vehicle Excise Tax (3%), Free Cash (3.7%), State Local Aid (2.5%), Water Enterprise Indirects (1%), and Other Transfers (.1%). He noted most of the Town's revenue comes from the taxpayers with very little help from the State.
- FY21 Governmental Capital Budget. He discussed the Town is seeking a \$250K joint fueling system with Wenham, a boiler needs replacing at the Public Safety Building, and there's a need for another police cruiser.
- FY21 Water Enterprise (3.9% increase overall). Shawn Farrell had a question on drainage work / catch basin needed at Patton Park. Mr. Wanger asked about where the money would come from for the police cruiser. The answer was the operational budget of that department.
- FY21 Water Capital
- Financial Reserves, including Free Cash (Unappropriated free cash of \$1,731,460 represents 4.9% of the General Fund Budget) and Stabilization Fund (Total of \$1,160,936 represents 4% of the General Fund Budget. The target is 5%.)

- Financial Reserves, including Capital Stabilization Fund (Current Balance is \$503,023 with a proposed FY21 Free Cash transfer of \$387,724. The total represents 69.8% of FY19 depreciation) and Water Enterprise Fund (FY21 Projected Ending Balance of \$544,468.)
- Free Cash Used to Reduce the Tax Rate. Mr. Domelowicz noted that for the second year in a row, they aren't using any free cash to reduce the tax rate.
- Tax Rate Trend. The tax rate is going up if the budget is funded as proposed thus far. A tax rate of \$17.89 [per thousand in home value] is the worst-case scenario. Finance Director Marisa Batista discussed that's based on estimates and explained how she arrived at that figure. Mr. Wanger asked what would happen if the Schools were able to reduce their budget request to 9% (instead of the proposed 12.5%). Mr. Domelowicz said the Town could absorb about 8% using the Town's unused levy capacity without requiring an override. Mr. Wanger commented that if an override is needed for 2021, it would likely be a continuing factor in subsequent years. Ms. Batista said historically they didn't have much new growth in Town. Mr. Domelowicz noted Canter Brook, which is a recent new growth example.
- Tax Rate Breakdown
- Assessed Values Trend. Ms. Batista said this was a conservative number based on estimates from the Assessors Department.
- Excess Levy Capacity Analysis. All the Town's levy capacity would be gone if used to fund the Schools' 12.5% budget increase.
- Historical Information. Ms. Batista presented this slide, saying based on estimates, taxes would increase by about \$720 for a resident with a median home value of \$543,763.
- Outstanding Debt

Mr. Wanger said even if the Schools came down to projecting a 9% to 10% budget increase, he wouldn't view it as a victory for the taxpayer.

Mr. Domelowicz presented what had recently been discussed with the Town of Wenham BOS and FinCom regarding having a similar way to put forth the budget, with up to 5% in one budget question and everything above the 5% going into a second budget question. The override request would end up on the ballot after the levy capacity is used. Mr. Wanger said they should educate the public well in advance of Town Meeting as there was a motion in 2015 to combine the two questions and that could happen again. He said most of the underfunding on the school side were for base-type costs, which will be repetitive from year to year. Likewise, the override would be expected to be repetitive. Another comment he made are that the School cited "contractual agreements" in its costs, which are essentially voluntary. He said Hamilton's employees aren't treated as well as the Schools' employees are. William Olson commented the Schools will be under new leadership. [They are currently in the search process for a permanent Superintendent.] Mr. Wanger noted

that OPEB (Other Post-Employment Benefits) for the Schools' employees hasn't been funded. Mr. Farrell was concerned about the lack of having a plan in place. Mr. Domelowicz said they can only vote on giving the School a sum of money to use in good faith; it is up to the Schools to determine how to use it.

Mr. Olson asked if there would be any point in slowing down the transferring of Free Cash into the Stabilization Fund and Capital Stabilization Fund to avoid raising taxes. Mr. Domelowicz said he wouldn't recommend that. What they are doing is following financial policies. Ms. Batista responded by saying that putting that money aside has no effect on the tax rate because they aren't using any taxation money, they are using Free Cash; basically it is just moving the funds from one bucket to another. The only way it would affect the tax rate is if they would use Free Cash to fund operating items. Mr. Wanger asked her to explain the difference between Free Cash, Stabilization Fund, and Capital Stabilization Fund, which she did. The Capital Stabilization Fund requires a 2/3 vote at Town Meeting to take the money out; Free Cash is less restrictive. She said the Town hasn't reached its goal for the stabilization funds yet, so it doesn't make sense to start taking money out yet. She said the idea was to create a Capital Stabilization Fund so when the Town has a big capital ask in the future, they can use some of those dollars instead of having them come from taxation.

Mr. Wanger noted the Town's Free Cash is currently 4.9% of the General Fund instead of the target 5%. Ms. Batista said they aren't that far off and expects they will get to the 5% again. Mr. Wanger noted 5% is the minimum. She said yes, but the auditors tend to want the Stabilization Fund and Free Cash combined to total 10% of the General Fund. Mr. Domelowicz said if they combine the 4% in the Stabilization Fund and 4.9% Free Cash, it equals 8.9%, which is close to the 10%. Mr. Domelowicz said thanks to the good work of the Capital Committee, they are recommending only funding the capital items this year that were deemed the highest priority.

Ms. Batista gave an overview of "the book"—a high-level summary and then detail of all the accounts making up the totals. Mr. Olson asked her a question regarding "adjustments." She said that the book showed what the department heads had originally asked for and then the adjustments made to the budget. She noted she starts with estimates and then as she receives information with real numbers, she keeps track of all the changes. He asked when they would find out about how much Free Cash was there. She said usually after July 15.

John Pruellage praised the departments for "sharpening their pencils." Ms. Batista explained some of the adjustments were made because some expenses happened in just one fiscal year but not in the next. Mr. Pruellage said if they netted out the Schools' budget, the Town's budget would have actually gone down.

Mr. Olson asked what Town positions still remain open. Mr. Domelowicz said an offer was made to Community Projects Manager candidate to start on Feb. 12. There is also an open position on the Council on Aging and one for the regional HR Director. Rosemary Kennedy asked about the Conservation Agent position and was told that person was just hired. Mr. Wanger said there are no new positions added in FY21, except for the one in the Fire Dept. He wanted to know whether the School Resource Officer (SRO) hire had reduced overtime costs. Ms. Batista said she didn't have that info., and Mr. Wanger asked if it could be provided.

Police Chief Russell Stevens arrived at 7:30 p.m.

Mr. Hubbard asked about increases (\$67K) in joint programs with Wenham, including Inspectional Services and the Library. These are joint programs, but they are managed from Wenham, Mr. Domelowicz explained. Mr. Wanger asked about the split, which Mr. Domelowicz explained. Mr. Wanger asked about the Library increase. Ms. Batista said they will have a joint meeting soon to discuss that. Those figures were based on just estimates given by Wenham. The minimum wage has gone up, which accounts for some of the increase.

Ms. Batista reviewed more tabs in the book, such as the School Budget, Capital Budget, and Five-Year Capital Improvement Plan (which, she noted, includes items not included in the FY21 budget. Under Water Enterprise Summary, she said they are estimating needing to use \$307K of retained earnings to balance the budget. Christina Hargrove asked for an explanation. Ms. Batista explained that was like free cash in the Water Enterprise Fund. Water expenses are higher than what the Town is taking in from the water bills. The Water Enterprise Fund is recommended to be at about 20%, and they have more in there, so they can use some of it for FY21 to balance the budget. However, she said they wouldn't be able to continue doing this in future years. Mr. Wanger asked if the Town's OPEB appropriation was in there. She said yes.

Mr. Olson asked about the Education section. Ms. Batista said the debt payments are for when the schools bonded and those will continue for a while. They don't have any debt payments coming off the books until 2023. She ran down the list.

She said the Indirect Costs tab referred to transfers that come back to the Town's General Fund, such as health insurance costs and retirement costs.

Mr. Wanger brought up the Patton Homestead, acknowledging there were emotional attachments to it. He said he wanted to gently raise the issue about continued investment as the likelihood of making the Homestead self-sustaining seemed unlikely without further investment. Mr. Domelowicz answered that he and Patton Homestead Director Kayleigh Pare have had frank discussions and have projected what they want to do for the

remainder of the year and for next year, and are also analyzing what to do if it is not possible to make it work. Mr. Wanger said it is a circular problem: Sustainability (i.e., income) may be related to improvements that have to be made and where does the funding come for those improvements? Mr. Domelowicz said Ms. Pare was hired just a year ago and they haven't had a full year to work the business plan. He asked for more time but said he wouldn't project to next year be asking for the same thing.

Mr. Farrell said he hoped the Patton Homestead Inc. (PHI) would be starting a capital campaign immediately. Mr. Tensen said where there has been interest in investing there is also pushback. Investors don't want to invest and then have it sold out from under them. He said one thing that had been discussed was gifting the Homestead to a nonprofit who could keep in in perpetuity. If that's a possibility, it might take a year so the conversation should be had now. He asked what the cost was on the Town. Mr. Domelowicz said it is a \$70K net cost. Mr. Wanger said if the Town sold the property, it would retain half the proceeds. Mr. Hubbard said it would be important to take a look at what the asset would look like under each of these different scenarios.

Valerie McCormack said it was her understanding that the Town can't spend any more money on the Homestead without triggering having to bring it up to code, make it ADA-compliant etc. Ms. Pare said that was true but explained what they had done to upgrade the stables—working with students from the technical high school to upgrade the electrical and have new lighting by the end of the school year. She said they are also looking to volunteer groups to help with landscaping, starting this spring. She said the PHI also has a marketing pro offering pro-bono time to create a marketing plan. Mr. Domelowicz said additionally, Ms. Pare had created template forms to make the Homestead easier to rent out. One difficulty is the Town's requirement for private insurance, which holds them to a higher standard. She has a list of area insurance agents that she can furnish to make the process easier. She said she and Mr. Domelowicz were laying the groundwork for Plan B or C if their Plan A doesn't pan out.

Mr. Wanger asked Fire Chief Ray Brunet if the additional fire fighter they were hiring would be EMT-trained. He said yes, then discussed the downward trend in having enough fire fighters to operate under safe conditions. The NFPA [National Fire Prevention Association] requires a four-person engine company. Hamilton only has three and sometimes only two. One big cost is training. Mr. Wanger asked Chief Brunet's opinion about merging with Wenham. He said he thought they needed to look at the larger aspect not just the fire department. Darcy Dale asked if developing an ambulance program would attract EMTs and also raise revenue. Chief Brunet said it would raise funds that would be needed to go toward providing the service. However, Ms. Dale said it would also serve the purpose of providing for the safety and security of the Town. Mr. Brunet said he wasn't against the idea, but they would need a commitment from the BOS and FinCom to have the revenue to implement the service and cover the added expenses. Ms. Kennedy commented

that she thought having the new fire fighter on board might help with the stress level of running at full capacity and also to prevent burnout. The Chief agreed, saying the new person would be able to cover while others took some much-needed vacation time.

Mr. Tensen asked some questions pertaining to the current protocol and what would happen if the two Towns were to merge fire departments. The Chief explained what occurs if there is a “high hazard,” and said that mutual aid doesn’t necessarily mean that one station fires up when the other one does, although he said that sometimes they might need station coverage or coverage at the scene.

Mr. Farrell noted the Fire Dept. provides services to Gordon-Conwell Theological Seminary, such as checking fire extinguishers, holding fire drills, etc. Chief Brunet said they typically do not charge for these type of services. There isn’t any permit, per se, although they could charge for the time of the inspector. Mr. Domelowicz said they couldn’t apply a fee like that just to the college; it would have to be across the board. Ms. Hargrove asked if it were something the Fire Depart. could put a value on. He said it was a public safety issue, and if they didn’t do the inspections, a worst-case scenario could happen. She said she understood that, but the college doesn’t pay taxes to the Town.

Mr. Tensen said he thought there might be more of an appetite for a merger of Hamilton and Wenham police departments than for the fire departments. He said it would be good to at least have the discussion. Mr. Domelowicz said he was happy to have the conversation, but it would take a lot of negotiations. Officers might decide not to stay if their chances for mobility were lessened. Mr. Tensen said if they found out that a half million dollars could be saved, it might be significant. He said there might be an opportunity now because Wenham’s Police Chief was going to be retiring next May. Mr. Domelowicz said one way forward might be to see if the departments could share a commander. That gets the chiefs working together and starts to build trust so it’s not just a cost-savings measure. Mr. Tensen said that the chiefs would know from a safety standard what would be appropriate and he wouldn’t want to limit the discussion to just that. He asked Mr. Domelowicz to facilitate the chiefs of the two towns getting together to discuss.

Ms. Batista continued her review of the “book,” providing info. on Free Cash, transfers, and the Master Plan, and the Town’s outstanding debt for the Governmental Funds and Enterprise Funds. She referenced a list showing when bonds will roll off the books. She said they wouldn’t see a significant decrease until 2027 when the Public Safety Building rolls off. There are some smaller debts (\$35K payments) that will roll off in 2023. Mr. Domelowicz said Town Clerk Sharon George wasn’t present because she was in training to learn how to use the new voting machines today and since she won’t be with the Town for FY21, he didn’t think it necessary for her to be there.

When asked by Mr. Wanger about the schedule going forward, Mr. Domelowicz said the BOS would close the warrant next Monday evening, Feb. 10; the Schools would have their vote Feb. 12 on the final budget number; and he would get busy formulating the warrant articles with Town Counsel KP Law. Mr. Wanger asked for an updated list of warrant articles, which Mr. Domelowicz said he would provide. Mr. Hubbard asked how and when they get to see what the numbers look like. Mr. Domelowicz said they need to know what happens with the Schools on Feb. 12. He discussed a few different scenarios for how they could handle the budget if they aren't comfortable with the Schools' proposal. They could recommend a dollar amount, for example. They might also need to draft a ballot question for an override.

Mr. Hubbard dismissed the department heads. Mr. Farrell said the fact that the BOS and FinCom didn't have many questions for them showed they had done a good job. He said there was very little wiggle room in the budget.

Mr. Tensen asked Ms. Batista if she had looked at what the impact would be if the Schools' budget increase was only 5%. She said the estimated tax rate would be about \$17.07 [per thousand in home value] with a 2.5% increase on property values. She said at 9%, they would be using most of all of the levy capacity and would need a small override; the tentative tax rate would be at \$17.50 [per thousand].

Mr. Hubbard said he liked the side benefit of handling the warrant article in two parts in that the School Committee was responsible for educating its residents on why the money was needed and how it would be used, thus keeping the BOS out of that discussion. Mr. Tensen said part of the education was to show what the tax rate would be at different increase levels. Ms. Kennedy added that sometimes saying "four cents on the tax rate" doesn't mean anything to people compared to giving them the actual dollar amount. Mr. Wanger asked Mr. Domelowicz to arrange some type of public information campaign well in advance of Town Meeting to avoid the rush of confusion. Mr. Farrell confirmed with Mr. Wanger that FinCom would be publishing their booklet again this year.

The two groups discussed that the override is handled in a ballot question after it is voted on and approved at Town Meeting. If it goes to a ballot and fails at the ballot, it is called a failed budget and there's a special process to settle it that would happen in the summer.

Mr. Wanger said if Town Meeting moves again for consolidation of the two warrant articles and the amount exceeds the Town's levy capacity, it will require a ballot vote anyway. He thanked Mr. Domelowicz and Ms. Batista for their work. Mr. Domelowicz said it was a team effort with the department heads, the BOS and the FinCom in a collaborative process.

Mr. Farrell had a question about the Compensation Table, which still had the Community Projects Manager salary as that of a part-time employee. It will need to be adjusted. Also, he

said the tipping fee for Brick Ends Farm was still listed in the budget as \$45 rather than the agreed-on, reduced fee of \$40.

Ms. Hargrove noted that the School's "low" concerning the budget increase was said to be about 7.5%. She wondered if they could consider proposing 7.5% to them as opposed to 5% on the warrant article. Mr. Farrell said he saw what she was saying, but thought they should "hold their feet to the fire." Mr. Domelowicz added that the Town of Wenham had been having discussions about staying on a similar path as Hamilton. Ms. Hargrove agreed they should stay at the 5%, but said ideally they could work with them to come up with something reasonable. If it were reasonable, maybe they wouldn't have to do the split budget.

Ms. Dale asked if the BOS and FinCom would be meeting jointly again about the School budget. The boards were not sure. Mr. Tensen noted there is \$5.6M in the Schools' special needs costs. Mr. Pruellage said additionally, there is no facilities plan. The two boards discussed the logic for presenting the budget as two articles. Ms. Kennedy stressed again that the Town and Schools have to live within their means and taxes have to be kept down so people can afford to live here. Mr. Tensen said the problem is that there's no commercial base to support it. Mr. Farrell said they are making strides, though, with having a Capital Plan.

Adjournment

Ms. Dale made a motion to adjourn the meeting for the BOS at 9:05. Mr. Farrell seconded the motion. The BOS voted unanimously (5-0) to adjourn. Mr. Pruellage made a motion to adjourn the meeting for the FinCom. Mr. Tensen seconded the motion. The FinCom voted unanimously (5-0) to adjourn.

Prepared by:

Mary Alice Cookson, 3-16-20
Mary Alice Cookson Date
Minutes Secretary

Attest:

Darcy Dale, 3-16-20
Darcy Dale Date
Board of Selectmen Clerk