April 1, 2026

From: Hamilton Finance and Advisory Committee

Commentary and Recommendations on the Warrant for:

ANNUAL TOWN MEETING

Saturday April 11, 2026

Hamilton-Wenham Regional High School, Hamilton

To the Citizens of Hamilton:

Before each Annual Town Meeting and Special Town Meeting, the Finance and Advisory Committee (FINCOM) provides our recommendations and analysis regarding the warrant articles to be presented at Town Meeting for your deliberation and disposition. FINCOM's responsibility is to recommend the action we consider appropriate as to "any or all municipal questions." As citizens, you are entitled to consider and vote on all such questions presented to you on the town meeting warrant.

As Hamilton residents, we are fortunate to have retained the most direct and democratic form of governance--the town meeting. But that means that only those who attend will ultimately make these decisions. Too often, a small minority of citizens make decisions at town meeting that will affect all citizens. FINCOM encourages you to participate in the decision-making process by attending Town Meeting and voting on these important matters.

Please read this document in conjunction with the Warrant and the appropriate Appendices. Please refer to those documents for the wording of the articles, summaries, and fiscal impact as prepared by the Select Board (SB), Town Manager, Finance Director, and Town Counsel.

These items should not be viewed or decided on in a vacuum but must be considered in context with each other; what the funding sources will be as well as the cumulative effect on the tax rate.

FINCOM will provide insight into the projected tax impact of an estimated set of capital projects under consideration during the Town meeting as well as posting the same information to the FINCOM website.

ARTICLES 2026/4 1-1 and 1-2

These articles are self-explanatory and do not require additional comment.

ARTICLES 2026/4 1-3 Article for Consent Motion

Certain of the articles described below and as listed in the Warrant will be consolidated into a single motion for approval. These articles include administrative and house-keeping matters, and similar issues that the SELECT BOARD (SB) considers to be uncontroversial. Consolidating those articles is efficient and streamlines the Town Meeting process. Any citizen may ask that any article be removed from the Consent Agenda and be discussed separately.

Expected Consent Motion to include articles: ARTICLES 2-1, 2-7, 2-8, 2-9, 2-11 and 3-4.

ARTICLE 2026/4 2-1 Compensation/Classification Table

Compensation/Classification Table

Article 2-1 proposes amendments to the Town's Personnel By-Law by adopting changes to the Classification and Compensation Table as set forth in Appendix A to the Warrant. The changes are being made to reflect the costs of the collective bargaining agreements and living increases for settled contracts and non-union employees. In addition to modified pay rates, the following changes are proposed:

1. Annual Cost of Living (COLA) increases across all department and contracts, with the exception of the Town Manager, is 3%.

2. The Town Manager signed a new contract for $210,000 and will not receive a further increase until FY28.

3. Eligible employees will also receive a yearly step increase within their grade levels.

Continued increases in personnel spending by the Town will apply pressure on the Town’s budget, including the potential for the need for a future Proposition 2 ½ override. Nevertheless, the current changes are well supported and FINCOM advises that this Article be approved.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-1.

ARTICLE 2026/4 2-2 Prior Year Bills

Each year-end, Town Management lets vendors know that bills must be submitted for payment. Occasionally vendors overlook the request or assume their bill is in process. When an invoice is too late to be paid in the current year's budget, a special request must be made at Town Meeting to fund the invoice.

As of March 20th, 2026, there is 1 prior year bill totaling $79.40 to be presented at Town Meeting for consideration. The bill will be funded through Free Cash with no impact to the tax rate.

Vendor	Department	Purpose	Amount
Maestranzi Bros.	DPW	Vehicle Maintenance	$79.40
Total Prior Year Bills			**$79.40**

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-2.

Comments regarding financial Articles 2-3, 2-4 and 2-12.

Each year the Town of Hamilton's Select Board and Management expresses certain Goals and Objectives with respect to the upcoming annual budget. Annually and again for the FY 2027 budget, the desire to "Avoid a Proposition 2 1/2 Override" was clearly expressed. This "No Override" budget goal, expressed by the Town of Hamilton, is inclusive of the Hamilton Wenham Regional School District.

For the April 2026 Annual Town Meeting, which presents the Fiscal Year 2027 budget to the town's taxpayers, the Town is advancing a Proposition 2 ½ override (Supplemental Appropriation) in the amount of $1,340,505.

- The budget without the override request will be referred-to as the "Scaled-down" budget.
- The budget inclusive of the override request will be referred to as the "Level-Service" budget.

Background on Proposition 2 ½

"What is an override?" An override is a voter-approved, ***permanent property tax increase***. It is designed to provide a community with the ability to generate sufficient revenues to fund recurring costs that are likely to continue into the future, such as annual operating expenses for educational and municipal services.

You may also ask "**what is a 'debt exclusion'**?" While an override results in a permanent tax increase that is used to fund recurring operational expenses, debt exclusions result in a ***temporary tax increase*** to pay the debt service from bonding for a specific capital project, such as building a new school. For debt exclusions, the debt service costs are added to the levy limit for the life of the debt only (typically between 10-30 years). Thus, unlike overrides, debt exclusions do not become part of the base used to calculate future years' levy limits.

As we progressed through the budget cycle, the first question that circulated was "when was the last time we had a proposition 2 ½ override vote?" The answer is May 2008 (for the FY 2009 budget year.) The 2008 overrides were for $1,288,332 for the schools and $177,444 for general town operating expenses. These overrides are listed by the Massachusetts Department of Revenue on the ***Division of Local Services (DLS)*** website.

As a point of reference, taxpayers in both Hamilton and Wenham are currently paying for a debt exclusion for the Athletic Complex / Fields upgrade project.

Note: The "High School Roof Replacement" …Article 2-12. is a debt exclusion.

Town Financial Situation

While developing an assessment of the town's current financial situation, a number of factors should be assessed. On the one hand, there is much to be pleased about. The Town continues to maintain a AAA bond rating, which allows the Town to borrow at attractive rates. All financial reserves and available free cash are consistent with the Town's financial policies and at the levels recommended by the Massachusetts Municipal Association. The town continues to set aside funds to meet the growing unfunded Other Post-Employment Benefits (OPEB) liability that will only continue to rise in cost in the coming decades. Overall, Hamilton's favorable financial position, is the result of a lot of work and discipline by Town management and employees, who have repeatedly sought out economic efficiencies in the services that our Town provides.

But Hamilton is not without its economic challenges and FINCOM believes things will become more challenging in the future, primarily due to the projected capital investments required over the coming years. (School facilities and water infrastructure are two examples.) Currently, Hamilton's tax rate is considered high when compared to many neighboring municipalities and FINCOM expects the tax rate to remain high.

Several factors help explain this, but ultimately it is a structural issue for the town that is not going away any time soon. It is primarily a result of the fact that: 1) we have a high-functioning school district, which is expensive to maintain, 2) we value our open-space and agricultural land, which generates little or no tax revenue, and 3) we do not have significant commercial development to mitigate these factors.

Accordingly, the burden of paying for the Town's services and School District falls on the residential taxpayer, whose taxes account for approximately 90% of the revenue that the town must raise.

The FINCOM continues to observe that both the Town and Hamilton-Wenham Regional School District (HWRSD) management teams remain focused on ensuring they follow a thoughtful and conservative approach regarding the annual budget as well as all financial matters.

The table below provides the details of the "Scaled-Down" budget and the build-up to the "Level Service" budget, with year-over-year comparisons. This chart displays the general operating budget (Article 2-3) and adds-in article 2-4 to illustrate the additional proposed expenses contained in the Supplemental appropriation.

Town Of Hamilton Operating Budget: Scaled-Down & Level Service Budget $$

Budget Category	FY26	FY27	Increase	% Change
Scaled-Down Budget - FY2027 General Operating Budget (2-3)				
Town General Operations	$15,561,181	$15,913,471	$ 352,290	2.26%
Schools				
HW Regional School District -Operating (HWRSD)	$24,456,892	$24,894,222	$ 437,330	
HWRSD Debt Service	1,213,891	1,284,824	71,733	
Sub-total HWRSD	$25,669,983	$26,179,046	$ 509,063	1.98%
Essex North Shore Agricultural and Technical School - Operating (ENSATS)	$ 424,070	$ 445,951	$21,881	
ENSATS Debt Service	59,531	53,985	(5,546)	
Sub-total ENSATS	$ 483,601	499,936	$ 16,335	3.38%
Sub-total Schools	$26,153,584	$26,678,982	$ 525,398	2.01%
General Operating Budget (2-3)	**$41,714,765**	**$42,592,453**	**$ 877,688**	**2.10%**
Other Warrant Articles				
Capital Expenditures (2-5)	$ 762,125	$ 866,000	$ 103,875	13.6%
Hamilton Development Corp (2-8)	78,702	174,235	95,533	121.4%
OPEB Trust Fund Transfer (2-9)	125,000	125,000	-	0%
Capital Stabilization Fund (2-10)	235,000	200,000	(35,000)	(14.9%)
Other Warrant Articles	**$ 1,200,827**	**$1,365,235**	**$ 164,408**	**13.6%**
Scaled-Down Budget - General Operating Budget including Other Warrant Articles	**$42,915,592**	**$43,957,687**	**$1,042,095**	**2.43%**
Level Service Budget – Add-in - Supplemental Appropriations (2-4)				
Town	-	$ 260,981	$ 260,981	-
HWRSD Total	-	1,079,524	1,079,524	-
Total Supplemental Warrant Article 2-4	**-**	$ 1,340,505	$ 1,340,505	-
Level Service Budget	**$ 42,915,592**	**$45,298,192**	**$ 2,382,600**	**5.55%**

FINCOM believes that the Town of Hamilton (and the Hamilton Wenham Regional School District) manages its financial matters in a conservative and responsible manner and achieves excellent financial outcomes for taxpayers given the limited financial resources available to the town. This is clearly evidenced not only by the 18-year time period since the last operational override but also by the AAA bond ratings currently in effect.

ARTICLE 2025/4 2-3 General Town & School Appropriations

Article 2-3 is the annual budget appropriation for the town government and schools including the Hamilton-Wenham Regional School District (HWRSD) and Essex North Shore Agricultural and Technical School (ENSATS). This "scaled-down" budget includes the maximum "tax levy" revenue allowable under the Proposition 2 ½ provisions.

The subsequent article, Article 2-4, is being advanced as a "Level Service" "supplemental/ override" budget. Please refer to **Appendices B** and **C** of the Warrant for detailed figures.

The proposed FY27 budget includes increases for both the Town and the HWRSD / ENSATS school districts. Total spending proposed for FY27 is $42,592,453, representing a 2.1% increase over FY26. The chart on the prior page provides a summary of this general operating budget. See **Appendix B** in the warrant for more detailed comparisons.

Town Expenses

- The total FY27 operating and personnel expenses are $15,913,471 an increase of $352,290 (2.3%) over FY26. Two large items are driving the increase in operating expenses: 1) $250k in the Sanitation Department reflecting a renewed trash contract. 2) $150k line item for a Digitization project for the Town Clerks Office. Additionally, the increase includes higher retirement and insurance costs.

School Expenses:

- Hamilton Wenham Regional School District: Hamilton's FY27 HWRSD assessment is $27,258,570, a 6.19% increase over FY26. Hamilton's share of the assessment decreased slightly from 65.92% to 65.51%. The primary factor driving the increase is recent teacher labor contract settlements.
    - *As stated by the School District: The most notable increase in the FY27 budget stems from negotiations with all unions in the previous years. The top expenses were a base COLA (Cost of Living Allowance) increase for staff of 965,784, a Health Insurance premium increase of $446,008, and staff step increases totaling $289,937. Maintenance for our facilities also continues to increase with over $588K added to this year's budget.*
- Essex North Shore Agricultural and Technical School: The assessment and debt service total $445,951 and $53,985, respectively, increasing by $16,335 (3.38%) over FY26.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-3.

Hamilton Wenham Regional School District Gross Operating Budget
By Type of Expense - FY 2026 vs. FY 2027

			FY ' 26		FY '27		YOY Change	
Salaries			**$**	**%**	**$**	**%**	**$**	**%**
	Salaries	Salaries - Instructional	$ 23,809,310	49.16%	$ 24,266,171	47.65%	$ 456,861	1.92%
	Salaries	Salaries - Custodial/ Maintenance	1,237,893	2.56%	1,308,893	2.57%	71,000	5.74%
	Salaries	Salaries - Administration	1,035,131	2.14%	1,094,876	2.15%	59,745	5.77%
	Salaries	Athletics Salaries & Non Salaries	773,450	1.60%	814,129	1.60%	40,679	5.26%
	Salaries	Salaries - Nurses	538,696	1.11%	561,714	1.10%	23,018	4.27%
	Salaries	Salaries - Technology	451,862	0.93%	485,264	0.95%	33,402	7.39%
	Salaries	Salaries - Other	299,860	0.62%	313,282	0.62%	13,422	4.48%
	Sub-Total	**Salaries**	$ 28,146,202	58.12%	$ 28,844,328	56.64%	$ 698,126	2.48%
Benefits								
	OPEB	OPEB Trust Transfer	300,000	0.62%	350,000	0.69%	50,000	16.67%
	Benefits	Benefits	6,733,802	13.90%	7,243,082	14.22%	509,280	7.56%
	Sub-Total	**Benefits**	$ 7,033,802	14.52%	$ 7,593,082	14.91%	$ 559,280	7.95%
	Sub-Total - Salaries & Benefits		$ 35,180,004	72.64%	$ 36,437,410	71.55%	$ 1,257,406	3.57%
	Professional Development		88,401	0.18%	92,201	0.18%	3,800	4.30%
	Salaries, Benefits & Professional Development		$ 35,268,405	72.82%	$ 36,529,611	71.74%	$ 1,261,206	3.58%
Tuition Out (OOD & Choice)								
			$ 4,728,834	9.76%	$ 4,843,363	9.51%	$ 114,529	2.42%
	Sub-Total	**Tuition Out (OOD & Choice)**	$ 4,728,834	9.76%	$ 4,843,363	9.51%	$ 114,529	2.42%
Transportation		**Transportation**						
			$ 2,342,633	4.84%	$ 2,470,245	4.85%	$ 127,612	5.45%
	Sub-Total	**Transportation**	$ 2,342,633	4.84%	$ 2,470,245	4.85%	$ 127,612	5.45%
Utilities		Utilities	$ 1,005,323	2.08%	$ 1,093,838	2.15%	$ 88,515	8.80%
	Non-Discretionary		$ 43,345,195	89.50%	$ 44,937,057	88.25%	$ 1,591,862	3.67%
Technology		Technology Hardware and Software	$ 513,813	1.06%	$ 384,398	0.75%	$ (129,415)	-25.19%
Supplies & Materials, Equipment, Contracted Services								
		S&M, Equip. Con. Serv. - Instructional	$ 937,424	1.94%	$ 983,784	1.93%	$ 46,360	4.95%
		S&M, Equip. Con. Serv. - Custodial/Maintenance	$ 923,340	1.91%	$ 1,422,869	2.79%	$ 499,529	54.10%
		S&M, Equip. Con. Serv. - Administration	$ 683,338	1.41%	$ 717,519	1.41%	$ 34,181	5.00%
		S&M, Equip. Con. Serv. - Nurses	$ 1,078	0.00%	$ 1,078	0.00%	$ -	0.00%
		S&M, Equip. Con. Serv. - Other Student Activities	$ 184,963	0.38%	$ 197,674	0.39%	$ 12,711	6.87%
	Sub-Total - Supplies & Materials, Equipment, Contracted Servic		$ 2,730,143	5.64%	$ 3,322,924	6.53%	$ 592,781	21.71%
	Discretionary		**$ 3,243,956**	**6.70%**	**$ 3,707,322**	**7.28%**	**$ 463,366**	**14.28%**
		Capital & Fixed Asset Improvements	$ -	0.00%		0.00%	$ -	-
		Capital Stabilization Transfer	$ -	0.00%	$ 316,718	0.62%	$ 316,718	-
	Sub-Total - Capital		$ -	0.00%	$ 316,718	0.62%	$ 316,718	
		Grand Total Operating	**$ 46,589,151**	**96.20%**	**$ 48,961,097**	**96.15%**	**$ 2,371,946**	**5.09%**
		Debt	$ 1,840,246	4%	$ 1,961,264	4%	$ 121,018	**6.58%**
		Gross Budget	**$ 48,429,397**	**100%**	**$ 50,922,361**	**100%**	**$ 2,492,964**	**5.15%**

The chart above provides a "Non-Discretionary / Discretionary" view of the "Gross Expenses" of the School District.

Of particular note is that Salaries and Benefits represent 71% of the budget while Tuition-Out, Transportation and Utilities add an additional 17% for a total "Non-Discretionary" percentage of 88%. This "Non-Discretionary" total represents financial commitments over which a lesser degree of "Discretion" is available.

ARTICLE 2025/4 2-4 General Town & School Supplemental Appropriations

This is a Proposition 2 ½ override. This article provides for "supplemental" funding for the items listed in the chart below, for both the schools and the town.

Schools / Town	Description of Items included in the Supplemental Appropriation	Amount
Schools	Teacher Collective Bargaining Agreement Reductions - 12.5 FTE (Full-time equivalents)	$ 744,959
Schools	Support Staff Reductions - 14.2 FTE	423,144
Schools	Security Vestibules - Defer construction of vestibules for each school	168,100
Schools	Health Insurance – Forecast reduction of 10 members enrolled in health insurance	97,512
Schools	High School Sprinkler Head replacement - Defer	70,000
Schools	OPEB (Other Post Employment Benefits liability) - Reduction	50,000
Schools	Athletic User Fee Expense – Reduce District match by 5% moving to 55% Student / 45% District)	35,087
Schools	Late Bus Transportation – Eliminate all	30,075
Schools	Buker Kitchen Floor replacement - Defer	10,000
Schools	Winthrop Burglar Alarm – Defer installation	10,000
Schools	Buker Ventilation to Nurses Office – Defer installation	7,000
	Total School Potential Reductions	**$1,647,877**
	Hamilton's Portion @ 65.51%	**$1,079,524**
Town	Communications Specialist – Part-time	50,000
Town	Police – Patrol Officer – new position	108,000
Town	Administrator – part – time	42,981
Town	Current open position – full time	60,000
	Total Town Override	**$260,981**
	TOTAL	**$1,340,505**

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-4.

ARTICLE 2026/4 2-5 Capital Expenditures

Article 2-5 is the annual appropriation for capital expenditures for the Town. The FY2027 request of $866,000 is discussed below and appears on Exhibit F of the Warrant and also below. This list is the result of requests from department heads which are discussed with the Town's Capital Committee (CAPCOM) and are approved after deliberations among the CAPCOM, FINCOM and Select Board.

APPENDIX F
CAPITAL BUDGET FOR FISCAL YEAR 2027

FY27 CAPITAL PLAN - SUMMARY		SUGGESTED FUNDING SOURCE AND COST			
PROJECT	COST	FREE CASH	REAPPROPRIATED FUNDS	RETAINED EARNINGS	TOTAL
Patton Park Master Plan Phase 1	$ 111,129		$ 111,129		$ 111,129
Police - 2 SUV Cruisers	$ 146,000	$ 146,000			$ 146,000
Police - Portable Radio Upgrade	$ 90,000	$ 90,000			$ 90,000
Police - Vehicle Radio Upgrade	$ 65,000	$ 65,000			$ 65,000
Fire - Command Vehicle	$ 85,000	$ 85,000			$ 85,000
Highway - Roads and Sidewalk Improvements	$ 300,000	$ 300,000			$ 300,000
Library - Parking Lot Pavement	$ 150,000	$ 150,000			$ 150,000
DPW Director Vehicle 50/50 Split with Enterprise	$ 60,000	$ 30,000		$ 30,000	$ 60,000
Variable Frequency Drive Finish Pumps	$ 50,000			$ 50,000	$ 50,000
SCADA Computer Replacements	$ 50,000			$ 50,000	$ 50,000
Lead Service Line Program	$ 150,000			$ 150,000	$ 150,000
Total by Category	**$ 1,257,129**	**$ 866,000**	**$ 111,129**	**$ 280,000**	**$ 1,257,129**

1) **Park & Recreation - Patton Park Master Plan – Phase 1 ($111,129) –** The current focus is on the Gazebo refurbishment utilizing remaining appropriated funding from prior years. (See Appendix F1 in the Warrant.) This work will include upgrades to shingles, electrical, railings, and other improvements. Additional repairs and upgrades to the bathrooms will also continue (some completed) as warranted.

2) **Police – Cruisers (2) ($146,000) –** Two cruisers are scheduled to be replaced in the coming year at an estimated cost of $73k each.

3) **Police – Portable Radio Upgrade ($90,000)** – (Note: The police and fire departments are preparing for transition to the new regional 911 emergency center.) This amount will be combined with the $60,000 approved last year to fund new multi-band radios. The projected cost of the new radios is $150,000.

4) **Police – Vehicle Radio Upgrade ($65,000)** – Replacement of analog cruiser radios.

5) **Fire - Command Vehicle ($85,000)** This new "Command" vehicle is to replace the current vehicle (2020) used by the Chief. The current Command vehicle will be moved into the fleet to replace the current Squad 8 vehicle (2015) as the primary medical response vehicle. The current Squad 8 vehicle will become the "utility vehicle" replacing the van (1994).

6) **Highway – Roads and Sidewalk Improvements ($300,000) –** Although Ch. 90 provides a limited amount of funds for sidewalk and road repair, in FY2027 the CAPCOM & FINCOM have recommended continuing to fund additional road and sidewalk projects that will exceed the Ch. 90 budget. This is a continuing investment in road and sidewalk repairs and improvements.

7) **Library – Parking Lot Pavement ($150,000) –** The total project is expected to be $150,000 with Hamilton's portion to be $100,000. (Note: $50,000 was included in the FY 2027 budget but will be withheld and reappropriated in the FY 2028 budget.)

Water / DPW – Multiple capital projects to support / upgrade water Infrastructure and operations. The FINCOM supports continued investment in the Town's water infrastructure projects and day-to-day operations. (Note: Increased water rates have been approved by the Select Board and will be effective April 1st.)

8) DPW – Director Vehicle ($60,000) - (50% - Water / 50% DPW)
9) Water – Variable Frequency Drive Finish Pumps ($50,000)
10) SCADA Computer Replacements ($50,000)
11) Lead Service Line Program ($50,000)

FINCOM recommends that the Town approve spending on these items as there is a clear need for each and they are an appropriate expenditure of Town funds. These capital expenditures will not impact the tax rate.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-5.

Free Cash Overview

The town ended FY2025 with $3,714,565 in Free Cash. The chart below provides a recap/projection of free cash.

Article	Description	Amount
Free Cash Balance at FY2025 Year-End (June 2025)		$ 3,714,565
Special Town Meeting - December 2025		
2-1	Prior Year Bills	(26,388)
Free Cash Balance Prior to 2026 Annual Town Meeting		$ 3,740,953
Annual Town Meeting – April 2026		
2-4	Capital Expenditures	$ (866,000)
2-10	Capital Stabilization Fund Transfer	(200,000)
2-3	Town Hall Digitization Project	(150,000)
2-9	OPEB (Other Post Employment Benefits) Trust Transfer	(125,000)
Op Budget	Fire Dept Capital Lease Purchases	(64,557)
	Sub-Total ATM for FY 2027 Budget	$ (1,405,557)
2-2	Prior Year Bills	(79)
	Total ATM uses of Free Cash	$ (1,405,636)
Available Free Cash Balance after ATM 2026		$ 2,335,396
	Estimated Reserve of 5% of Operating Budget	$ 2,080,153
	Current Excess over Desired Reserve	$ 202,388

ARTICLE 2026/4 2-6 Water Enterprise Budget

The Water Enterprise Budget is solely supported by the Water Enterprise Fund, which is funded by individual water bills. The Select Board generally reviews rates annually and in fact increased water rates in March 2026 to be effective April 1, 2026. There are two ways to increase rates: through usage rates and through the flat rate infrastructure charge. As the name implies, the flat rate infrastructure charge is intended to match the amount spent on capital related to the water infrastructure that all water consumers benefit from. The increases are intended to cover operating and debt service costs and to maintain reserves. Our financial policy with regards to the enterprise funds, requires the Town to "maintain a minimum reserve amount of 20%."

Some financial considerations regarding the town's "Water" Capital spending:

- As of June 30, 2025, the Long-Term Debt associated with the Town's Water Enterprise operations was $8.3Million. Required payments against this obligation are as follows: $955,873 for FY 2026 and $927,873 for FY2027.
- The Long-Term Capital Improvement plan of the town currently contains over $11.8 Million of "water" capital improvements in the FY2027 - FY2030 time frame.
- The Water Enterprise Fund has budgeted $2,706,299 in FY2027. The overall budget has increased by 7.6% over FY2026, which is an increase of $191,733 from the prior year.
- The FINCOM finds this FY2027 budget to be controlled and reasonable.
  - Although there is no tax impact on the town "property tax rate" from this budget increase, town residents will see a "Water-rate" increase take effect on April 1, 2026. Taxpayers should anticipate there will be an annual water rate review and potential rate increase every year.
- Short-term focus of the Town is to build up retained earnings to fund larger system improvement project locally without the need to borrow.

Water supply and quality remain a constant concern across the Town and North Shore. To address these issues, the Town continues to explore a range of options. Specifically, the Town participates with Senator Bruce Tarr's "North Shore Water Resilience Task Force," which was created to address the issues of water supply and quality across the North Shore. Options being discussed but not limited to: fully connecting the Town and surrounding communities to Salem Beverly Water Supply Board, a connection with Massachusetts Water Resources Authority, or other local infrastructure projects across the North Shore. These projects are under evaluation and are years away from realization.

The FINCOM continues to partner with Town Management to review and support upcoming local capital projects and the necessary funding required to support those projects.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-6.

<u>ARTICLE 2026/4 2-7 Annual Financial Actions</u>

Article 2-7 is an annual "house-keeping" exercise where the town transfers funds to the General Fund from two funds and, with respect to the Clark Property Fund, between funds:

A. $2,000 is transferred from the Cemetery Sale of Lots and Graves Fund to the General Fund as an off-set to help repay the cemetery expenditures that come from the General Fund.

B. $610,914 is to be transferred from the Water Enterprise Fund to the General Fund to offset the indirect costs that are incurred on behalf of the Water Department. These indirect costs would include, for example, the time spent by Town employees when bills are paid for the Water Department, or collecting water payments, or any administrative or other work performed by non-water department employees, debt cost, health insurance, etc. The Massachusetts DOR recommends that these indirect costs be accounted for to know the full costs of providing water service to the Town. The Town is reimbursed for these indirect costs and with this information on indirect costs, the town can recover costs by relying on user fees, and to maintain revenue/retained earnings to use for debt service, operating and capital expenses.

C. $13,087 is to be transferred as an annual transfer of funds derived from the interest that has accumulated in the Clark Property Fund. The interest is transferred to the Conservation Fund annually.

As these transfers are between funds or effectively reimburse the Town's General Fund, the net effect of these transfers is to reduce the tax rate for citizens of Hamilton.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-7.

ARTICLE 2026/4 2-8 Hamilton Development Corporation

The Hamilton Development Corporation (HDC) is a publicly chartered organization whose charge is to initiate, foster and support economic development in the Town's commercial District using public and private funding. Pursuant to Town Meeting vote, the HDC receives annual funding by application of meals tax revenue. Article 2-8 proposes to transfer $174,235 from the General Fund which is the amount that the Town collected from Meal's Tax in FY2025, the most recently completed fiscal year. There is a time lag between the receipt of meals tax by the Town and the related funding of the HDC as part of the annual budget process.

A note regarding the amount of this transfer: The town was anticipating an amount to be received from the State to be in the range of $80,000 for the past year. The amount for the full year was in fact $174,235.

On June 30, 2025, the Hamilton Treasurer initiated an inquiry with the State of Massachusetts Department of Revenue regarding the unusually large amount of this transfer to the town. Additional inquiry was pursued as a follow-up to ascertain the nature and circumstances of this unusually large transfer. In February 2026, the DOR responded as follows: *"Hamilton's meals tax distributions have been reviewed. In May of 2025 there was a onetime large multi period adjustment which accounted for the increase beyond Hamilton's regular quarterly meals collections. Due to taxpayer confidentiality laws, DOR cannot disclose details by vendor."* Our assumption is that some previously collected revenue was not allocated to Hamilton and thus has now been properly distributed.

In order to provide a **reminder** as to the funding and functioning of the HDC, we have included the following portion of commentary contained in this report from 2025:

> In previous years the funding of the HDC had been largely equivalent to the Meal's Tax collected but it was not always funded at the full amount collected. The Select Board adopted a financial policy, fully endorsed by FINCOM, that as part of the annual budget process, the HDC should receive 100% of the Meal's Tax collected by the Town during the prior fiscal year. This formulaic approach allows the HDC funding amount to be based on actual collections, as was the intent when the Meal's Tax was adopted by the Town. It also provides the HDC with a more certain amount for planning purposes after the close of the prior fiscal year~~.~~
>
> As related in the HDC 2022 ANNUAL REPORT, "the enabling legislation gave the HDC specific authority to purchase, own, operate, lease property and expend funds within the commercial District for the economic vitality of the District." Accordingly, the HDC is empowered to "(m)aximize economic benefit to the town, which cannot be fully realized by the ordinary operations of private enterprise; (l)everage private investments and sources of public revenue; to retain existing enterprises, and attract new commercial, industrial or residential development; (r)edevelop rehabilitate, or rebuild unused, underused and undeveloped areas for commercial, industrial,

> residential, institutional and public facility purposes for which public funds may be expended for the good and welfare of the town and the commonwealth."

Given Hamilton's overwhelming reliance upon proceeds from the real estate tax to fund its fiscal needs, including its 60% share of the School District costs, and the certainty that such fiscal obligations will increase, with consequential increases to the property tax burden on citizens, FINCOM continues to recognize an ongoing need to maximize and expand the Town's downtown commercial base and tax revenue and these needs and objectives are squarely within the HDC's statutorily prescribed wheelhouse.

There is no real effect on the tax rate since this budgetary allocation is funded by the Meals Tax. While not funding the transfer to the HDC would theoretically save tax dollars, this would run counter to the intent of enacting the Meals Tax.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-8.

ARTICLE 2026/4 2-9 OPEB Trust Fund

Beginning with the 2010 Annual Town Meeting, the FINCOM has recommended, and the Town Meetings have concurred, making annual contributions toward funding, by accrual, the Town's "Other Post-Employment Benefits" (OPEB) obligations. As of June 30, 2025, the estimated unfunded liability is approximately $6.2 million.

As a result of these annual contributions, the Town has set aside approximately $1,629,465 (June 30, 2025) for this long-term liability. The $125,000 sum requested by this Article reflects a continuing annual appropriation as calculated by periodic actuarial review.

OPEB (Other Post-Employment Benefits)	**Amounts**
Long-Term Liability	$6,181,508
June 30, 2025 Fund Balance	$1,629,465
FY 2026 Budget funding	125,000
Expected Balance as of June 30, 2026	$1,754,465
FY 2027 Budget Funding:	$125,000
Expected Balance assuming FY 2027 Budget Funding	**$1,879,465**
OPEB Funding Activity – Recent three years (FY 2025 – FY 2027)	
FY 2025 - Actual	$ 125,000
FY 2026 - Budget	$ 125,000
FY 2027 - Budget	$ 125,000
Total Funding over three-year period	**$ 375,000**

As related by the Town's actuary, Odyssey Advisors, in its description of the accounting standard applicable to Town's OPEB Plan: "The philosophy behind the accounting standard is that these post-employment benefits are part of the compensation earned by employees in return for their services, and the cost of these benefits should be recognized while employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; and (the accounting standards) extend this practice to all other post-employment benefits" (p.8).

That same Plan description further relates that the annual required contribution of the Town "represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost (of OPEB obligations) each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years" (p.25). There will be periodic actuarial assessments of the status of the Town's OPEB Plan, but we believe that schedule may gradually increase to reflect future medical trends and costs.

Currently, retired employees choosing to participate in the benefit plan pay 45% of health insurance premium cost, 100% of dental coverage, and 25% of life insurance cost. Currently the Town's portion of these costs gets appropriated. It is anticipated that as the Trust Fund grows in value, eventually the Fund will be sufficient to satisfy current and future obligations.

It is anticipated that this contribution will come from the Town's free cash, which means the adoption of this Article will not affect the tax rate.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-9.

ARTICLE 2026/4 2-10 Capital Stabilization Fund

This Article moves funds from existing Free Cash to the Capital Stabilization Fund in accordance with the Stabilization Fund policy. As previously established, this fund requires a two-thirds (2/3) majority vote to move funds into, and a two-thirds (2/3) majority of Town Meeting voters to move funds out of the fund. Therefore, this money is protected from being used for anything other than a use favored by a two-thirds (2/3) majority of Town Meeting voters.

The Town's financial policy with respect to financial reserves sets a target amount for the Town's capital stabilization reserve fund to be equal to the total annual asset depreciation of the Town, which this year is approximately $1.979 million. This target increased by $200k from the prior year.

Capital Stabilization Fund – Target Balance & Activity	**Amounts**
Policy Target Fund Balance based on annual asset depreciation	$1,979,075
June 30, 2025 Fund Balance	$1,210,622
FY 2026 Budget funding	235,000
Expected Balance as of June 30, 2026	$1,445,622
FY 2027 Budget Funding:	$200,000
Expected Balance assuming FY 2027 Budget Funding	$1,645,622
Capital Stabilization Fund Activity – recent three years (FY 2025 – FY 2027)	
FY 2025 - Actual	$ 241,578
FY 2026 - Budget	$ 235,000
FY 2027 - Budget	$ 200,000
Total Funding over Three-year period	$ 676,578

As a reminder, at the April 2023 Annual Town meeting (for the FY2024 Budget), approximately $645,000 from the Capital Stabilization Fund was approved to be used to purchase a fire engine for the Town. The Town followed-thru on its commitment to replenish the Capital Stabilization fund for the purchase of the Fire Engine. There will be additional funding required in the coming years to pursue the policy target currently in effect.

Article 2-10 requests to transfer $200,000, from Free Cash to the Capital Stabilization Fund as part of a three-year plan to replenish the Capital Stabilization Fund after the fire engine purchase.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-10.

<u>ARTICLE 2026/4 2-11 Community Preservation Budget</u>

The Community Preservation Budget is funded from a 2% surcharge onto the property tax plus State matching funds. This is noted as a separate line item on your tax bill.

The CPC is charged with providing support to various town projects: historical, open space and community housing. For each fiscal year, the community must spend or reserve at least 10% of the annual revenues in the fund for each of the act's community preservation purposes: community housing, historic preservation, and open space. Annual administrative and operating expense appropriations may not exceed 5% of the year's estimated annual revenues. This article addresses the following line-items contained in Appendix F to the warrant:

#	Description	Amount
1	***<u>Administration Expense</u>*** Appropriate from the FY26 Community Preservation Fund Revenues for administration costs including, but not limited to, annual Community Preservation Coalition membership fees, signs publicizing CPA projects and salary for part-time Community Preservation Coordinator.	$31,052
2	***<u>Open Space and Recreation - Project</u>*** Appropriate from the Community Preservation Unreserved Fund Balance to fund the debt service for the Sagamore Hill conservation project. This bond will be paid in full in FY2032.	$99,550
3	***Historic Preservation – Town Hall Project*** To appropriate $471,425 from the Community Preservation Unreserved Fund Balance to fund the debt service for the Town Hall Renovation Project. This bond will be paid in full in FY2046.	$471,425
4	***Transfers*** To transfer from the Community Preservation Unreserved Fund Balance to the Community Housing Reserve	$72,000
	Total FY'27 Use of Funds	**$674,027**

The CPC budget is limited by the surcharge and State match. Given the amount of CPC spending in recent years (primarily to support the Town Hall renovation project), FINCOM encourages the continued accumulation of reserves for future larger projects.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-11.

ARTICLE 2026/4 2-12 HWRSD High School Roof Replacement Project

FINCOM supports Article 2-12 which requires Hamilton to take responsibility for:
$3.97 Million of the $10.3 Million High School Roof project.

The charts below provide a financial summary of the High School Roof project. The project cost estimates were extracted from materials provided the Hamilton Wenham Regional School District. The funding allocation, financing and tax impact are estimates generated by the FINCOM.

Project Cost

Topic	Amount	% to Total
Project Cost		
Feasibility Study	$ 125,700	1%
Project Management & Administration	163,500	2%
Architecture and Engineering	259,500	3%
Construction	9,239,474	90%
Project Budget	$ 9,788,174	95%
Contingency (% of Construction Cost)		
Construction (5%)	$ 461,974	
Owners (.5%)	46,197	
Contingency	$ 508,171	5%
Summary – Project Cost		
Project Budget	**$ 9,788,174**	95%
Contingency	**508,171**	5%
Total Project	**$ 10,296,345**	100%
Reimbursement		
Costs Not Eligible for Reimbursement	408,383	
Cost Eligible for Reimbursement	9,379,791	
Maximum Facilities Grant @ 45.52%	4,269,681	

Project Funding, Financing and Tax Impact

Topic	Rate	Amount	% to Total
Funding Allocation		$ 10,296,345	100%
State		4,269,681	41%
Wenham		2,049,066	20%
Hamilton		**3,977,598**	**39%**
Total Project Funding / Financing		**$ 10,296,345**	**100%**
State Funding		4,269,681	41%
Principal to be Financed		6,026,664	59%
Financing Cost (Estimated)			
Principal to be Financed		$ 6,026,664	
Interest Cost over 20 Years @ 4%		2,738,226	
Total Funding – Principal & Interest		$ 8,764,890	
Annual Cost including Interest		438,244	
Cost per Year – Total / Tax Impact (Estimated)		$ 438,244	
Wenham	**34%**	$ 149,003	
Hamilton	**66%**	**$ 289,242**	
Per Household ($871,000) - 1 year		**$103**	
Per Household ($871,000) - 20 years		**$2,063**	

The FINCOM supports this project but also supports incremental spending on this project to ensure a larger percentage of the roof will be "solar-ready." We understand the school district is currently assessing the cost and feasibility of altering the design and cost estimate to set-up the possibility of increased solar deployment and hence additional cost savings in the future. If the "contingency" on this project will not cover this incremental cost, we urge the School District to provide funding in the current budget or a future budget.

Please refer to Article 3-5 for a discussion regarding grants that potentially might fund solar equipment for the High School roof.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 2-12.

An update regarding the Athletic Complex "Fields" Upgrade Project - Financial Summary

The Hamilton Wenham Regional School District provided an update for the Athletic Complex upgrade project as part of their "FY27 Budget and Annual Report" as adopted by the HWRSD School Committee – Dated March 19, 2026.

Two key points of information are:

1. The project came in under budget by $1,301,154
2. The Donations / Fundraising was: $1,529,588

Description	**Amount**
Expenses	
Voter Approved Budget	**$ 15,000,000**
Excess Funds Not Spent (Under Budget by)	**1,301,154**
Final Project Cost	**$ 13,698,846**
Revenues	
CPC Grant – Town of Hamilton	$ (800,000)
CPC Grant – Town of Wenham	(400,000)
Donations / Fundraising	(1,529,588)
School Committee Stabilization Authorization	(1,698,287)
FY25 Town of Hamilton Assessment Payment	(662,900)
FY26 Town of Hamilton Assessment Payment	(659,200)
FY25 Town of Wenham Assessment Payment	(337,100)
FY26 Town of Wenham Assessment Payment	(340,800)
Bond Conversion Proceeds to Principal Paydown	(448,472)
Total Revenues	**$ (6,876,346)**
Final Bond Amount (Amount financed)	**$ 6,822,500**

<u>ARTICLE 2026/4 3-1 Sale of Portions of the Patton Homestead Gift</u>

The purpose of this article is to provide authority to the Select Board to negotiate the sale of a portion of the Patton Homestead.

Background on the Patton Homestead
The Patton Homestead was home to the Patton family starting in 1928, and it was notably home to General George S. Patton Jr. (1885 – 1945), the commander who had led the Third Army to victory in World War II, and his son, Major General George S. Patton (1923-2004) along with his wife Joanne Holbrook Patton (1931- 2023).

- In 2012, the Patton Family gifted the 28-acre parcel and historic home to the Town of Hamilton. The estimated value of the property at the time was estimated to be ~$1,900,000.
- In 2014, the Town sold a portion of the land ($1,000,000) to a private developer and this land is now known as "Patton Ridge." These properties currently generate annual tax revenue of approximately $180,000.
- Significant improvements (~$300,000) were made to the house with funds provided by Hamilton's Community Preservation fund (CPC).
- The Town has maintained the house and the grounds with an annual cost of approximately $100,000.
- Over the years, the Town has endeavored to utilize the property as a social and recreational gathering location, while attempting generate a revenue stream to support the property without the support of the Town's general fund tax revenue. These "revenue" efforts proved to be challenging and were suspended once the Town Hall staff was moved to the Homestead, in 2024, when the Town Hall renovation project commenced.

With the Town Hall renovation project nearing completion, the Town is interested in pursuing a sale of the house, buildings and an appropriate portion of the property while retaining a majority of the open land for continued public access. Such a sale is governed by State laws and is subject to specific rules regarding valuation and "Request for Proposal" requirements.

In summary, the gift from the Patton Family has been very favorable for the Town of Hamilton. FINCOM estimates the financial value of this gift to the Town to be approximately $3 Million for the period 2012 to 2026. Sale of the buildings and the property would reduce the annual ongoing cost to the Town to be approximately $50,000.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 3-1.

<u>ARTICLE 2026/4 3-2 Renewal of Hamilton and Wenham Rod & Gun Club Lease</u>

<u>ARTICLE 2026/4 3-3 Renewal of Miles River Marsh Rats Lease</u>

The purpose of Articles 3-2 & 3-3 is to authorize the Select Board to negotiate and enter into a lease with Hamilton and Wenham Rod and Gun Club and Miles River Marsh Rats for a term that will not exceed 20-years. Any lease exceeding a 3-year term requires authorization by a public vote.

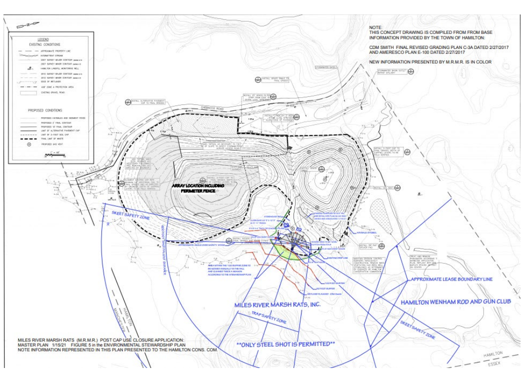
<u>Financial Overview:</u>

- Hamilton and Wenham Rod and Gun Club: Currently paying $13,000 annually.
- Miles River Marsh Rats: Currently paying $9,250 annually.
- Revenue Growth: Both existing lease agreements include step-up clauses of $500 annual increases. By authorizing a long-term lease, the Town can lock in this steady revenue stream and negotiate similar or improved rates for the next two decades.

<u>Other Factors:</u>

- The clubs occupy portions of the Town's former landfill property off Chebacco Road. This land is largely undevelopable for residential or commercial use, making recreational leases the highest and best use for generating town revenue.
- Both clubs intend to fund significant capital improvements, including skeet ranges, storage sheds, and gravel parking at their own expense. A 20-year term allows the clubs to amortize these costs, also improving Town property at no cost to the taxpayers.
- The clubs are responsible for all cleanup costs, ammunition debris removal, and compliance with state environmental laws. The clubs are also responsible for their own operating expenses and utilities.
- There is no impact to the tax rate. All maintenance, construction, and insurance costs are borne solely by the clubs.

<u>Proposed Improvements:</u>



The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 3-2.

ARTICLE 2026/4 3-4 Prudent Investment Rule

The Finance and Advisory Committee (FINCOM) reviewed Article 3-4, which asks Town Meeting to accept the provisions of G.L. c.44, §54(b), allowing the Town's trust funds to be invested in accordance with G.L. c.203C, the Massachusetts Prudent Investor Act. This is a local acceptance statute that became available to municipalities through Chapter 28 of the Acts of 2023 (the FY2024 state budget). The Committee reviewed guidance from KP Law on the statutory change and discussed the article at its March 4, 2026 meeting.

Background

Under current law (G.L. c.44, §54(a)), municipal trust funds—including cemetery perpetual care funds—must be deposited in insured financial institutions or invested in a limited set of instruments: savings bank deposits, participation units in the state's combined investment fund, or bonds and notes that qualify as legal investments for savings banks. Towns with trust funds exceeding $250,000 may also invest in securities that are legal for savings banks, subject to concentration limits (no more than 15% in bank and insurance stocks, and no more than 1.5% in any single institution).

These restrictions were designed to protect municipal funds but significantly limit the types of investments available. In practice, they confine most trust fund portfolios to low-yield fixed-income instruments and bank deposits, which may not keep pace with inflation over the long term.

The FY2024 state budget added a new subsection (b) to §54, creating a local acceptance option. Towns that accept this provision may manage their trust funds as a combined investment pool and invest them in accordance with G.L. c.203C—the Massachusetts Prudent Investor Act—rather than the more restrictive rules in subsection (a). The Prudent Investor Act is the same standard that governs private trustees and fiduciaries across the Commonwealth. It permits a broader range of investments, including diversified equity and fixed-income portfolios, provided that investment decisions are made with the care, skill, and caution of a prudent investor managing similar funds.

What Acceptance Would Change

Accepting this provision would give the Town Treasurer broader authority to invest trust funds using modern portfolio management principles. Key changes include:

- **Broader investment options.** Trust funds could be invested in a diversified mix of equities, bonds, and other instruments, rather than being limited to savings bank–eligible securities. This may allow the Town to achieve better long-term returns on funds that are intended to be held in perpetuity.
- **Combined investment pool.** Individual trust funds could be pooled for investment purposes, potentially reducing management costs and improving diversification.
- **Fiduciary standard.** The Treasurer would be held to the prudent investor standard under G.L. c.203C, which requires consideration of the fund's purposes, risk tolerance, diversification, and expected total return. Donor-restricted funds would continue to be managed in accordance with the terms of the original bequest or trust instrument.

This provision applies only to trust funds held in the custody of the Treasurer. It does not affect other municipal funds, stabilization funds, or OPEB trust funds, which are governed by separate statutes.

Fiscal Considerations

Tax Rate Impact. None. The article has no direct impact on the FY2027 tax rate. Over time, broader investment authority may improve returns on the Town's trust fund balances, but any such benefit would depend on market conditions and investment decisions.

Risk. A broader investment mandate does carry the possibility of greater short-term volatility compared to the current savings bank–restricted approach. However, the Prudent Investor Act requires diversification and prudent management, and the standard is the same one that governs private fiduciaries throughout the Commonwealth. The Committee views this as an appropriate framework for funds that are, in many cases, intended to be held indefinitely.

Conclusion and Recommendation

This is a straightforward housekeeping article that brings the Town's trust fund investment authority in line with modern fiduciary standards already available to private trustees under Massachusetts law. The current restrictions limit the Town to a narrow set of low-yield investments that may not serve the long-term interests of the trust funds or their beneficiaries. Accepting G.L. c.44, §54(b) provides the Treasurer with appropriate flexibility while maintaining a clear fiduciary standard. The Committee sees no material downside to acceptance and views it as sound fiscal practice.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3–0) on Article 2026/4 3-4.

ARTICLE 2026/4 3-5 Specialized Stretch Code

The Finance and Advisory Committee reviewed Article 3-5, which asks Town Meeting to amend the Town's General Bylaws by inserting a new Chapter XXXVIII, entitled "Specialized Energy Code," for the purpose of regulating the design and construction of buildings for the effective use of energy and reduction of greenhouse gas emissions, pursuant to 225 CMR 22 and 23 including Appendices RC and CC, including future editions, amendments, or modifications thereto. The Committee received a briefing from the Hamilton Environmental Impact Committee (HEIC), reviewed building permit data, examined the warrant language, and discussed the article at multiple meetings.

Background

Massachusetts maintains three tiers of building energy codes. The Base Code (mandatory since 1975) sets minimum standards for all construction. The Stretch Code, adopted by Hamilton in 2010 and now in effect in 301 of the state's 351 municipalities, added energy efficiency and partial electrification requirements beyond the base. The Specialized Code, developed in late 2022 as an overlay to the Stretch Code, represents the highest tier. It applies only to new construction. To date, 56 communities representing approximately 32% of the state's population have adopted it, including nearby communities such as Salem, Beverly, Swampscott, and Newburyport.

Adopting the Stretch Code in 2010 enabled Hamilton to achieve Green Community status, which has generated over $1.8 million in state grant funding for energy efficiency projects across town buildings and schools. The Specialized Code represents the next step in that framework. Adoption would allow Hamilton to apply for "Certified Climate Leader Community" status under a Department of Energy Resources (DOER) program established in 2024, potentially unlocking access to an additional $1.1 million in grant funding. However, it is important to note that Climate Leader certification and the associated grant awards are not automatic—adoption is a prerequisite, but funding depends on a competitive application process.

What the Specialized Code Requires

The Specialized Code applies only to new construction. There are no additional requirements for additions, alterations, or renovations of existing buildings. For new mixed-fuel (fossil fuel and electric) residential construction, the code requires:

- **Pre-wiring for future electrification** of heating, cooking, hot water, and clothes drying—a one-time cost during construction intended to avoid expensive future retrofits;
- **A minimum 4 kW solar installation** for homes under 4,000 sq. ft. (with exceptions for shaded or otherwise unsuitable roofs); and
- **Net-zero solar capacity** (~8+ kW) for mixed-fuel homes over 4,000 sq. ft.

All-electric new construction faces no additional requirements beyond the existing Stretch Code, except that large multifamily buildings over 12,000 sq. ft. must meet Passive House standards. Regarding accessory dwelling units (ADUs), only detached new-build ADUs are subject to the Specialized Code; internal conversions and additions to existing homes follow existing Stretch Code rules. Some ambiguity remains around the treatment of existing non-residential structures—such as barns or garages—being converted to residential use. The state has indicated these questions will be resolved as communities gain implementation experience.

Fiscal Considerations

Impact on New Home Construction Costs. Hamilton averaged 4–5 new homes per year over 2023–2025, with a median assessed value of approximately $1.7 million. The Specialized Code requirements would add an estimated $22,000–$33,000 per new home depending on square footage, primarily for pre-wiring and solar installation—roughly 1.3–1.9% of typical new home value. Proponents note that homeowners may benefit from reduced electricity costs estimated at $1,500–$2,300 per year, suggesting a payback period of approximately 10–15 years followed by long-term savings. However, these savings estimates depend on assumptions about future electricity rates, system performance, and maintenance costs that may change over the life of the installation. The upfront costs are certain; the long-term savings are projected.

Effect on Housing Supply and Affordability. While the added $22,000–$33,000 in construction costs is a relatively small percentage of the total cost of a new Hamilton home, the Committee considered whether this increase might affect housing production at the margin. Hamilton already builds very few new homes per year, and any incremental cost increase—compounding with existing regulatory, labor, and material cost pressures—could influence builder and buyer decisions. It is difficult to quantify this effect precisely: in a market where, new homes regularly exceed $1 million, an additional $22,000–$33,000 may not change many decisions. But the Committee notes that cumulative regulatory costs do affect housing supply over time, and the Town should be mindful of this dynamic even when individual requirements appear modest.

Restrictions on Development of Existing Property. Property owners who wish to build a new detached structure on their lot—whether a home, a detached ADU, or a garage with living space—would face the additional Specialized Code requirements. While the code does not affect renovations, additions, or conversions of existing structures, it may limit development flexibility on some parcels where solar orientation, shading, or site constraints make compliance more difficult or costly. This is a consideration for homeowners who may be weighing whether to invest in new construction on their property. The Committee notes that most of Hamilton's 22–25 annual ADU applications involve conversions of existing structures and would not be affected, but the subset of property owners considering new detached construction would bear additional costs.

Grant Funding Opportunity. Adoption of the Specialized Code is the final prerequisite for Climate Leader Community certification. The certification deadline is June 30, 2026, and certification would enable the Town to apply for up to $1.1 million in state grant funding in the January 2027 round. Wenham is pursuing the same certification, which might bring the combined grant opportunity to approximately $2 million. The HEIC has identified the High School and Middle School as the community's largest electricity consumers. Engineering analysis suggests rooftop solar on the new high school roof and existing middle school roof could generate approximately 1.26 GWh annually, covering an estimated 83% of current electricity use and potentially saving roughly $206,000 per year. Over a 25-year warranted life, this might represent approximately $5 million in avoided electricity costs, though actual savings would depend on future electricity rates, system maintenance, and performance degradation over time. The MSBA may also offer an additional 3% incentive for school projects built to Specialized Code standards, which could apply to the high school roof project also on this warrant.

The Committee views the grant opportunity as meaningful but wishes to be clear about what is certain and what is not. Adoption makes the Town eligible to apply—it does not guarantee funding. The grants are competitive, and while early adoption may provide a "first mover" advantage as the applicant pool grows, there is no assurance Hamilton would receive the full amount. FY2027 grant funding is currently appropriated at the state level; FY2028 and beyond is uncertain and subject to state budget decisions.

Tax Rate Impact. None. The article has no direct impact on the FY2027 tax rate.

Considerations and Risks

The Committee identified the following considerations that voters should weigh:

- **Automatic adoption of future amendments.** The warrant language includes "future editions, amendments or modifications" to 225 CMR 22 and 23. If the state modifies the Specialized Code in the future, Hamilton would be automatically subject to those changes without a separate Town Meeting vote. The Town would need to take affirmative action to opt out, which may prove politically or procedurally difficult once adopted. This effectively delegates some degree of future regulatory authority to the state.
- **Costs are concentrated; benefits are diffuse.** The direct costs of the Specialized Code fall on a small number of builders and home buyers each year—approximately five households—while the potential benefits (grant funding, school energy savings) are spread across the entire community. This is a common structure in public policy, but voters should understand who bears the cost and who receives the benefit.
- **Uncertain long-term savings projections.** The energy savings estimates cited by proponents rely on current electricity rates and consumption patterns. Actual savings over 10–25 years may be higher or lower depending on rate changes, technology evolution, and maintenance requirements. The Committee encourages voters to view these figures as reasonable estimates rather than guaranteed outcomes.
- **Opt-out is available but not costless.** Should the code prove burdensome or should future state amendments go too far, the Town retains the ability to repeal the bylaw at a subsequent Town Meeting. However, doing so might jeopardize Climate Leader certification and associated grant eligibility. The decision to adopt is not technically irreversible, but reversing course would carry its own consequences.

Conclusion and Recommendation

This article presents a genuine tradeoff. Adoption would impose additional construction costs on a small number of new homes and detached structures each year, introduces some risk through automatic adoption of future state code amendments, and may modestly affect housing production and development flexibility on existing properties. These costs and risks are real and should not be minimized.

At the same time, adoption is the gateway to Climate Leader Community certification and up to $1.1 million in state grant funding, with a near-term opportunity to install solar on the high school and middle school roofs that could save the Town an estimated $206,000 per year in electricity costs. The code affects approximately five new homes per year in a town where the median new home exceeds $1.7 million in assessed value, and the added cost represents less than 2% of typical home value.

The Finance and Advisory Committee recommends FAVORABLE ACTION (3-0) on Article 3-5.

In Summary:

FINCOM believes that the Town of Hamilton and the Hamilton Wenham Regional School District manage its financial matters in a conservative and responsible manner and achieves excellent financial outcomes for taxpayers given the limited financial resources available. This is clearly evidenced not only by the 18-year time period since the last operational override but also by the AAA bond ratings currently in effect.

The FINCOM continues to observe that both the Town of Hamilton and Hamilton-Wenham Regional School District (HWRSD) management teams remain focused on ensuring they follow a thoughtful and conservative approach regarding the annual budget as well as all financial matters.

Respectfully Submitted,

Hamilton Finance and Advisory Committee

John McGrath, Chair
Alex Rindels, Vice Chair
Christopher Woolston, Secretary

P.S. The FINCOM offers thanks to the members of the Town and School District administrative and financial teams for partnering with members of the FINCOM as we pursued our analysis and construction of this document.

This "Book of Recommendations" is an effort by the FINCOM to present an overview of the matters being presented to the Town Meeting. During our meetings and discussions, we review each Warrant Article and have a discussion regarding the details of each. As we present this material, we may make certain estimates to predict a future outcome. These estimates are a "good-faith" effort to crystalize a particular point. Our work is not perfect, but we strive to be as thorough and accurate as possible.