

Hamilton & Wenham
All Boards Meeting
January 29, 2020
Buker School, 1 School Street

Pursuant to the Open Meeting Law, M.G.L. Chapter 30 A, §§ 18-25, written notice posted by the Town Clerk delivered to all board/committee members, a joint meeting of the Wenham Finance & Advisory Committee, Wenham Board Selectmen, Hamilton Finance & Advisory Committee, Hamilton Board of Selectmen and the Hamilton Wenham Regional School District Capital Financial Planning Subcommittee meeting was held on Wednesday January 29, 2020 at 7 pm in the multi media room

Public information - Please be advised that this open meeting is being broadcast live and recorded by HWCAM for playback on Comcast channel 8 and Verizon channel 36. It will also be available for on-line, video on-demand viewing at hwcam.org. The listings of matters are those reasonably anticipated by the Chair 48 hours before said meeting, which may be discussed at the meeting. Not all items listed may in fact be discussed. Items may be taken out of order and at times that differ from those listed below. Other items not listed may also be brought up for discussion to the extent permitted by law. All audience members wishing to address the Board of Selectmen must go to the podium microphone and give their name and address.

- The meeting was called order by the respective boards/committees at 7:08 pm

Hamilton Wenham Regional School Committee (HWRSC) Capital Financial Planning Subcommittee

Subcommittee present: Gene Lee; Michelle Horgan; Stacey Metternick;

Also present: Dr. Julie Kukenberger, Interim Superintendent of Schools; Vincent Leone, Asst Superintendent of Finance & Administrative.

School Committee members present not participating; Michelle Bailey; David Polito, Tai Pryjmo; Peter Wolczik,

Town of Wenham Finance & Advisory Committee and Board of Selectmen

Committee present: Alex Begin, Chair; Michael Therrien, Vic Chair; Carrie Jelsma; David Molitano; Jim Purdy

Also present: Selectman Catherine Harrison; Anthony Ansaldi, Town Administrator; Chris Holak, Interim Finance Director

Town of Hamilton Finance & Advisory Committee and Board of Selectmen

Committee present: David Wagner, Chair; John Pruellage; Christina Hargrove; Valerie McCormack

Selectmen present; Jeff Hubbard, Chair; Darcy Dale; Shawn Farrell; Rosemary Kennedy; William Olson

Also present: Joseph Domelowicz Jr. Town Manager

“Two Towns One Community” how do all three entities work together to ensure that all three-budgets pass?

Dr. Julie Kukenberger gave a brief introduction and 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

Review that the purpose of the budget meeting was to understand the FY21 budget challenges and tentative operating, capital budgets and develop strategies for community support.

o Town of Hamilton FY21 Budget Preview - Joe Domelowicz Jr. Town Manager referenced a PowerPoint presentation “Town of Hamilton FY21 Budget Preview”.

The presentation included budget guidance and drivers.

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

In summary, Mr. Domelowicz observed that the school budget has grown \$10 million over the past five years, and noted this is almost the Town of Hamilton's entire budget of \$14 million.

He stressed the proposed budget is not sustainable or realistic and the schools need to consider to remove or reduce non-mandated and non-contractual costs and reiterated proposition 2 ½ is the law in Massachusetts and the towns and school district should budget within the 2 ½% increase.

- Town of Wenham FY21 Budget Preview - Anthony Ansaldi, Town Administrator referenced a PowerPoint presentation "Town of Wenham FY21 Budget Outlook".

Mr. Ansaldi 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 \$21million; the school is the largest part of the budget at 53%.

In summary, the town has a deficit of \$1.1 million. Free Cash has been applied reducing the deficit to \$729,000 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 \$2.2 million with use of free cash the deficit is reduced to \$1.8 million, impacting the tax rate to \$21.56 or / \$1500 per year.

- HWRSD FY21 Budget preview - Dr. Kukenberger included a brief review that when she took the superintendent position in July, she inherited a \$638,000 deficit from the previous administration; this included additional mandates i.e. teachers, unbudgeted out of district placements.

Mr. Leone 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 were able to update and project a reduced deficit of \$446,000 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 i.e. supplies and materials, an additional \$200,000 savings, the deficit was reduced to \$233,000. The balance in the circuit breaker reserve will be used to eliminate the \$233,000 deficit. Dr. Kukenberger acknowledged the financial pressures on the towns. 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, that would save money and increase quality of services to students. Dr. Kukenberger reiterated the leadership team knows this is not sustainable and is also 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 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 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 \$39.3 million budget; 60% of the budget is staff; 17% is out of district tuitions; 13% fixed charges 6% operation/maintenance; 6% transportation, athletics; 4% instructional materials; % administrative expenses. Largest FY21 Budget Drivers of the \$4.3 million gross budget increase: 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: Increase of \$3.7 million

Hamilton \$2,366,546 / 12.66%

Wenham \$1,426,091 / 13.60%

Dr. Kukenberger referred to FY21 as a correction year and that the increase is not the expectation year over year. However, 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 and realize their own potential within a fiscally responsible budget the communities can support. She noted that this is a contract negotiation year of all three collective bargaining agreements expiring June 2021.

The meeting was open for questions and/or comments on the school budget.

- 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 \$4.9 million – Serving 70 students out of district this is disproportionate compared to other communities of similar size; out of district transportation cost is \$770,000
- Required within these astronomical increases and how to help meet expenses with volunteers and/or peer-to-peer- Privacy and specific needs challenge this approach)

Mr. Begin stated the approach was made with professionalism and acknowledged the school is in a difficult position. He asked if the school committee would speak on the budget tonight and it was explained that there was a mistake in the posting of the meeting and that the process would be to hear from district, work the budget in the capital financial sub-committee, 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 the grave situation the increase places the towns and school.

There was no statement from the school committee available but Mr. Lee observed they are all members and tax payers 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 what guidance the superintendent has been given from a month ago.

Mr. Domelowicz clarified town costs are going up but 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 was there was a \$600,000 short fall. 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.”

Mr. 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 that these investments did provide cost savings and 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 that 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 \$30 million district's obligation on top of the FY21 budget is troublesome and that alternative funding to tax payer revenue needs to be sought. He reiterated this is not to devalue education but this increase/ budget is not sustainable.

Ms. Harrison referenced a 12.8% increase in the school budget is high in comparison to other districts and questioned what in particular is driving the HWRSD budget this year, more than twice what is typically expected, and that nothing appears to have changed year to year to account for the 12% increase.

Dr. Kukenberger said the year started with a deficit which is not sustainable and also that the school has little revenue outside of the state aid of \$4.6 million 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 FY. It takes 3-5 years to get a program started before it sees savings. Programs will be better promoted.

Mr. Purdy asked about the 766 law (1981) and if there is anything that prevents the school 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 as 2017/18 was 4.3 % increase; 2018/19 was 5.4% increase; 2019/2020 and 20/2021 at 12% with corrective action. Dr. Kukenberger noted year over year the school budget was underbudgeted.

Ms. 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.

Ms. Jelsma left the meeting. Ms. 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 Capital committee. The plan totaled \$39.2 million. For FY21, the town had \$2.5 million in capital needs but the town has put off \$2 million 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 which included projects greater than \$10,000 and that had a useful life of more than 1 year.

The town has five funding categories: Operating budget; Revolving fund- Iron Rail (rental revenue); Chapter 90 State Aid;

Water fund (rate payers); Free Cash. The BOS/ FC still needs to decide on the backup ambulance, replacement an aging fire pumper, and fund a Master Plan.

Dr. Kukenberger defined capital expense as anything that exceeds \$25,0000 with a useful life of 5 years.

Capital needs were recently reassessed the capital needs and created a 10-year plan. The FY21 budgets includes \$958,000 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; athletic campus improvements plan.

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

- How to work together

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 open for public comment.

Peter Wolczik commented on the class sizes space that they 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 few areas that van be developed; this continues to need to be looked into.

David Polito noted there were two new administrators coming into a tough situation handed a \$600,000 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 grow changes the burden on home owners.

- Each board/ committee unanimously adjourned at 9:50 pm.

Respectfully submitted by

Catherine Tinsley

3.7.2020