

**Town of Concord
Finance Committee
Meeting Minutes - January 10, 2019**

Present: Thomas Tarpey, Dean Banfield, Peter Fischelis, Mary Hartman, John Hickling, Richard Jamison, Christine Reynolds, Phil Swain, Brian Taylor and Andrea Zall

Absent: Grace Hanson, Karle Packard, Scott Randall and June Rzepczynski (one vacancy)

Others Present: School Committee Member Robert Grom; Select Board Chair Tom McKean; Finance Director Kerry Lafleur; PEG Access Committee Chair Karlen Reed; LWV Observer Maureen Kemeza; Recording Secretary Anita Tekle

Meeting Opened

Mr. Tarpey called the meeting to order at 7:05 pm in the Select Board Room at the Town House. He noted that the meeting was being recorded and broadcast live on MMN.

Approval of Minutes

On a **MOTION** made by Mr. Swain and seconded by Mr. Hickling, the minutes of December 20, 2018 were unanimously **APPROVED** with one amendment.

Meeting with Chair of PEG Access Committee (PAC)

Karlen Reed, Chair of the PAC was present and explained that the PAC is a citizen advisory committee. She noted that PEG funds are now under the jurisdiction of the Town Manager, and she asked whether the Finance Committee (FC) members had any questions or concerns about the upcoming article on the 2019 Annual Town Meeting Warrant. She explained that the \$500,000 appropriation reflects about \$400,000 from Comcast (4.8% of subscriber fees) and \$100,000 from the fund balance in the PEG Fund. The PEG Fund has a current total fund balance of \$1,172,807. She explained that the PAC has a three-person budget subcommittee that will meet in February/early March for the purpose of making a recommendation to the PAC Committee as to the specific recommendation about the PEG warrant article. At this point, the PEG article will be heard at the Enterprise Fund public hearing on March 11. She asked the FC to alert her if there are any concerns either before or after the public hearing. It was noted that non-controversial articles tend to be placed on the consent calendar, with the decision as to which articles to place there made by the Moderator following the conclusion of the public hearings. Therefore, it is possible that the PEG article will be on the consent calendar, as it has in the recent past.

Mr. Fischelis asked whether the PEG fund had seen a decline in receipts from Comcast, given the decrease in Comcast subscribers with the advent of the Town's Internet service. Ms. Reed noted that while there has been a decline in Comcast subscribers,

the rates charged by Comcast have increased, so the Town has actually seen a slight increase in receipts. In response to a question from Mr. Hickling, Ms. Reed explained that the 4.8% rate paid to the Town will remain for the term of the Comcast contract, which is to 2024. She noted that negotiations on the cable contract will begin in 2021. The FC thanked Ms. Reed for coming.

Preliminary Review of 2019 Annual Town Meeting (ATM) Warrant

The FC reviewed the preliminary draft form of the ATM Warrant. Ms. Lafleur noted that a preliminary meeting was held yesterday with Town Counsel, and the Select Board (SB) will meet on Jan. 14 to finalize the language and sequence order of the Warrant. The purpose of the FC review at this point was to determine whether any proponents of articles should be invited to meet with the FC prior to the public hearings. It was agreed that the School Superintendent and School Committee (SC) Chair would be invited to the January 17 FC meeting. Mr. Hickling asked whether the changes proposed in Article 4 (Ratify Personnel Board Classification Actions) have financial implications that the FC should review. Ms. Lafleur noted that the cost of these changes have already been incorporated into the Town Manager's budget. She noted that the Town Manager's budget is now in compliance with the FC budget guideline. She explained that compliance was possible due to the settlement of the Police contract (a reduction in the salary reserve) and an adjustment of the capital budget appropriation (\$75,000 reduction). In response to a question, Ms. Lafleur noted that the four new firefighter positions are still within the proposed FY20 budget, although the bulk of the appropriation comes from a draw-down of the MEWS fund. This draw-down will decline in the coming years, with more of the appropriation coming from the Town budget. The impact of the full cost of these new positions will become clearer in subsequent years. Mr. Hickling noted that benefits for these positions fall within the non-guidelines budget, but it still all adds up as an impact on the taxpayer.

In anticipation of the meeting with the SC on January 17, Mr. Banfield suggested that the focus of that meeting should be on CCHS capital projects and the Middle School Feasibility Study. He suggested that discussion of other school-related topics be deferred until following the public hearings.

Free Cash - Ms. Lafleur noted that the anticipated certified balance in free cash is \$11.6 million. If \$1 million is apportioned to reduce the tax levy, the remaining balance will hover around 10%. Mr. Banfield inquired whether there are any available funds to move to a Stabilization Fund to be used to mitigate tax increases. Mr. Banfield briefly summarized issues that came up at the January 8 SC meeting. The SC is interested in conducting a feasibility study for a new middle school. In preparation for that, the SC is planning to engage with the community through a series of tours, coffees, and other means. A number of organizations have been identified to target in an effort to market the idea of a new middle school and to gather information from taxpayers. It is the SC's

intent to move forward without the benefit of MSBA assistance. He noted that the MSBA has rejected the CMS project for funding for a second time. There will be an opportunity to re-apply for a third time in the fall of 2019, noting that it was clear that at this time Concord's project does not rise to the needs level of other communities. He noted that the Willard School project was completed without any MSBA funds, and was approved by Town Meeting on the basis of "equity" rather than urgent need, since two other elementary schools were either already built or were in the process of being built. He noted that the current request for \$1.5 million is a proposal for a serious amount of design work, without partnering with the MSBA. The SC understands that the \$1.5 million is at risk, since a separate feasibility study would be required if MSBA funding were to be approved in the future.

In response to a question, Mr. McKean commented that the SB plans to appoint a Permanent Building Committee within the next six months, and this committee would be responsible for overseeing any new school building project. Mr. Banfield noted that the SC had explained that any new building must conform to the education program that is being delivered in Concord—i.e., the education program that Concord delivers and the way Concord teaches must fit into the new building, optimizing the teaching environment. In response to a question from Mr. Taylor, Mr. Banfield confirmed that the SC's intention is to build a new middle school with or without MSBA funding, although an effort will be made to try to fit the design of the new building within the MSBA guidelines. It is recognized that this strategy is risky.

Ms. Hartman questioned whether Concord's "one of a kind" school would preclude Concord choosing to use one of the model school designs. It was explained that the plan would be to start with a basic model school, and then customize it to suit Concord's needs. In response to a question from Mr. Hickling as to whether a new feasibility study would be required if Concord were to use a model school design, Mr. Swain responded that he believes a new feasibility study would be required. He also noted that a feasibility study in general helps to establish the need for a new building. Mr. Swain noted that the SC expressed a desire to conduct the feasibility study now, in anticipation of the possibility of being turned down for MSBA funding in 2019. He noted that the SC understands that the "why now" question needs to be answered, given the risk of the \$1.5 million expenditure without MSBA funding approval. In response to a question from Ms. Reynolds, it was noted that Concord would receive 40% reimbursement for a model school and about 26% reimbursement for a customized school, if MSBA funding were to be approved. Ms. Hartman noted that Governor Baker is considering a change in the Chapter 70 funding formula, steering more operating funds into urban schools and less into suburban schools.

Mr. Swain suggested that at the January 17 meeting, the SC be asked to explain the proposed \$2 million in capital improvements at the high school. Ms. Lafleur was asked

to share with the FC the high school engineering report that was recently completed. Concern was expressed about the expense of the proposed parking lot (\$7,000/space). Mr. Swain agrees that more parking is needed, but he questioned the cost. He suggested that the Town's public works/engineering staff be consulted for assistance with cost estimates for paving the ring road and constructing a new parking lot.

Authorization to Accept MGL Ch. 71, §71E Use of School Property Fund - This is a proposed new revolving fund providing for the expenditure of receipts from incidental rental of school facilities. It was explained that Town Meeting approval is not required for the school to have access to receipts from pre-school tuition (currently going into the General Fund), which is why this proposal is not on the Warrant.

The Municipal Capital Projects (\$3,950,000) will be discussed with the Town Manager when he meets with the FC meeting on January 24.

Authorize Adoption of MGL Ch. 32B, §20 - Ms. Lafleur explained that this article re-establishes Concord's OPEB Trust Fund in accordance with current state law. She further explained that Concord established an OPEB Trust Fund in 2008 through special legislation, prior to the existence of enabling state-wide legislation. Changes in state law in 2016 have called into question whether Concord's pre-dated Trust Fund complies with revised state law, and the Town's Auditor and Town Counsel recommend that Concord adopt this statute.

Sustainable Growth Rate - Mr. Tarpey noted that at the SB meeting it was suggested that the explanation box for this article be revised to better describe how the SGR would be defined.

Three Articles for Affordable Housing Development - Ms. Hartman explained that one article asks for \$500,000 from free cash to fund affordable housing; one asks for the adoption of a real estate transfer tax, with the proceeds allocated for affordable housing; and one authorizes special legislation to adopt a building permit fee surcharge for affordable housing. Ms. Hartman suggested that following the hearings, the FC take a position on all three of these articles. She does not feel that free cash should be used for this purpose, noting that this would result in an increase in the tax rate, which seemed to work against the goal of increasing the affordability of housing in Concord. Under the real estate transfer tax proposal, she noted that buyers would be paying this new tax. She suggested that the FC request more specifics about the building permit fee surcharge, and how this has changed from the proposal made previously. With 50-90 home sales/year in Concord, averaging \$720,000 each, the estimated income from this transfer tax would be about \$360,000-\$650,000.

Mr. Tarpey noted that the above three articles are currently slated for the SB public hearing, and questioned why they are not on the FC hearing, since all involve financial matters. Ms. Lafleur agreed to ask the Town Manager this question.

Follow-Up: Ms. Lafleur will ask the Town Manager about scheduling the three affordable housing articles for the Finance Committee public hearing.

Amendment of the Records Management Bylaw - Mr. McKean explained that the proposed changes are to improve Concord's ability to comply with the new Public Records Law and related statutes, with a new municipal archivist reporting to the Town Clerk. This person would assist the Town Clerk in managing the Town's records and archives. It has not been finalized how this change in the bylaw would affect the staffing at the Library in the Special Collections Department.

In response to an inquiry about new state legislation about Airbnbs, Ms. Lafleur explained that Concord has already adopted the state law for a local hotel tax, MGL Ch. 64G, §3A. She is reviewing this legislation to determine how this can be used to collect a local tax for Airbnbs in Concord. This will be accomplished following the public hearings.

In response to a question about the shortened length of the Warrant, it was noted that only one petition article was submitted this year, which is a departure from the recent past.

Citizen Comments

Ms. Reed asked what the SGR number would be if it were to be implemented this year, and was told that it would be approximately 2.77%.

Mr. Hickling asked whether the SGR policy should consider a goal of avoiding overrides. An override vote requires approval of the electorate at the ballot, following a positive Town Meeting vote. It is a lot easier to pack Town Meeting than to pass an override at the ballot. Mr. Banfield noted that if a community has a history of approving overrides, then there is generally not a negative effect on a community's bond rating. In general, a negative effect results not because of the need for an override, but rather as a result of a community's unwillingness to approve an override.

Adjournment

The meeting adjourned at 8:42 pm.

Respectfully submitted,

Anita S. Tekle
Recording Secretary

Documents Used or Referenced at Meeting:

- Draft 2019 Annual Town Meeting Warrant, including a one-page list of Warrant Articles
- Chart of PEG Fund Balances January 2018-January 2019
- Tentative List of “to do” sections of the Finance Committee Report