

**Town of Concord  
Finance Committee  
Meeting Minutes - January 24, 2019**

**Present:** Thomas Tarpey, Dean Banfield, Mary Hartman, John Hickling, Richard Jamison, Karle Packard, Scott Randall and Christine Reynolds

**Absent:** Peter Fischelis, Grace Hanson, June Rzepczynski, Phil Swain, Brian Taylor and Andrea Zall (one vacancy)

**Others Present:** Town Manager Chris Whelan; Select Board Chair Tom McKean; School Committee Member Robert Grom; Finance Director Kerry Lafleur; LWV Observer Susan Frey; Recording Secretary Anita Tekle

**Meeting Opened**

Mr. Tarpey unofficially opened the meeting at 7:05 pm in the Select Board Room at the Town House, noting that we did not have a quorum. He noted that the meeting was being recorded and broadcast live on MMN. At 7:15 pm the eighth member arrived and a quorum was reached, so the meeting was officially opened.

**Review of 2019 Warrant Article s**

Article 6–Town Budget Mr. Whelan reported that the 2019 Annual Town Meeting (ATM) warrant is at the printer and will be mailed Tuesday, to be delivered to homes by February 11. He is pleased to reduce the FY20 Town Budget request so that it is within the FC guideline. He explained that he was able to do so through the identification of additional revenue and a decrease in his request for capital expenditures. He will explain the details at the FC Hearing on February 11. He is recommending a cost-of-living adjustment for non-union employees of 2.5% for FY20. The additional School Resource Officer (SRO) has been built into the budget for FY20, with some funding from the MEWS Stabilization Fund. In response to a question from Mr. Banfield, Mr. Whelan indicated that the MEWS funds will be used as follows: \$90,000 each in FY20, FY21 and FY22.

Ms. Hartman asked for a clarification of the \$350,000 increase in Line Item 12, Fire Department. Mr. Whelan explained that in the past, all budget numbers were displayed net of any inter-fund transfers from other non-General Fund sources. The Auditor has requested that the gross numbers be shown and appropriated, and this change has been made in the 2019 ATM warrant, with the gross numbers also included for the FY18 and FY19 columns. In the past only General Fund portion was shown. He also confirmed that these numbers do not include any employee benefits, which account for approximately 25% above the salary amounts. He noted that many employees choose to take health insurance benefits from a spouse. Insurance, unemployment, workers'

compensation, retirement costs are shown in the Joint Accounts line item towards the end of the budget.

Mr. Jamison inquired about the SRO, and why it is budgeted in the Town rather than the School Department. Mr. Whelan explained that the skills required are primarily law enforcement, and it is important that the individual report to the Police Chief. In an emergency, the individual can be assigned elsewhere. Mr. Banfield also noted that crossing guards are budgeted in the Police Department. Mr. Whelan acknowledged that he has received citizen feedback that the Town, Schools and the Town of Carlisle are not always sharing costs equitably; however, the SRO position will not be used at the high school, so only Concord is involved.

Ms. Hartman asked about the increase in employees for FY20. Mr. Whelan responded that there are seven new positions—4 Firefighters; 1 Park Maintenance employee; 1 part-time staff member in the Town Manager’s Office; and 1 person in the IT Department. The proposed Archivist position at the Library is still an open question. The Town pays for two full time employees at the Library Archives/Special Collections. The Town Manager had proposed that one of these individuals report to the Town Clerk and assume responsibility for Town records and archives. The Library Trustees have offered to have one of the two Archives/Special Collections employees assist with Town records management, but they feel that Special Collections requires two full time employees. So this is still in flux, with the hope that it will be resolved prior to the February 11 public hearing. In response to a question, Mr. Whelan noted that there is a page in the Town budget devoted to a listing of FTE positions that are supported by the General Fund. Ms. Hartman asked whether any non-General Fund money is available to support the three new non-firefighter positions. Mr. Whelan responded that these positions would be fully paid for through the General Fund.

Mr. Whelan noted that he anticipates that General Fund support of the White Pond Beach will be reduced in the coming years, with modest operational subsidies anticipated for the first two years. The Attorney General has not yet approved the dissolution of the White Pond charity, so this land transfer has not yet been finalized. The conservation restriction for some of the White Pond land is under review by the Select Board. Ms. Reynolds inquired whether the legal fund is adequate in light of the Nagog Pond lawsuit. Mr. Whelan responded that the Water Fund (Enterprise Fund) is responsible for paying any of the Nagog Pond legal bills. He explained that Concord believes that it has exclusive rights to the use of Nagog Pond. The Town of Littleton has an urgent need for water and have asserted their rights to Nagog in court. Concord believes that the 1985 Water Management Act supersedes the earlier home rule petition when Concord acquired Nagog Pond, and that is what is being clarified by the Court. Concord currently has a permit to build a new treatment facility at Nagog. He noted that from 1920 to 1965, Nagog was Concord’s only water source, and it is important that

Nagog continue to be integrated into Concord's water resource program. Mr. Whelan reported that negotiations about Estabrook Woods have failed, and that issue has moved towards litigation.

Mr. Banfield asked whether the White Pond Beach would be operated by the Recreation Department. Mr. Whelan responded that there are four land parcels at White Pond—two will be managed as conservation land under the Natural Resources Commission, and the remaining two (totaling approximately seven acres) would be under the jurisdiction of the Recreation Department. He anticipates that beach memberships and swim lesson revenue will generate enough money to cover operating costs. Mr. Tarpey asked whether there is a plan that the Town assume ownership of the roadway to White Pond (boat launch area). Mr. Whelan noted that this is a county road, which must be maintained to provide access for fishing. The State continues to control this road, but they approached the Town a couple of years ago offering to provide capital funds to repair the road, in exchange for the Town agreeing to maintain the road once improvements are made. The State would continue to handle major repairs, but the Town would agree to provide maintenance (plowing, pothole repair, etc.). Mr. Whelan indicated that no internal combustion motors are allowed on White Pond, which limits the size of the boats that may be launched.

Article 7—Municipal Capital Projects Mr. Whelan reviewed the Town's capital projects for FY20, which total \$3,950,000. He has proposed \$500K for renovating Town buildings. \$600K is proposed for Cambridge Turnpike reconstruction, which is to be added to \$7.5 million received from the State (following the 10-11 acres of pavement added to the Crosby's Corner state project, which had a huge impact on the drainage of Cambridge Turnpike). The cost of reconstruction is expected to be closer to \$9 million, so the additional funds will come from money which has been set aside for this project the past couple of years. The \$600K will provide for a contingency for the project. Reconstruction will be the full length of the roadway, from the Concord Museum to Crosby's Corner, and will involve relocating a gas main. He anticipates road closures and traffic disruption for a year. Staff will work with the Concord Museum and Millbrook Farm to assure access and provide directional signs for customers. He noted that the bridge over the Milldam is built on peat which goes down to a depth of 90', and is complicated and costly to rebuild. The project will begin in earnest once the roadway is thawed.

Mr. Whelan provided a breakdown of the proposed \$1.4 million for Park Improvements, as follows: \$500K White Pond; \$700K Gerow property; \$100K Rideout playground completion; and \$100K Emerson basketball court. He noted that CPA funds will be used to supplement the White Pond (\$250K), Gerow property (\$200K) and Emerson Playground (\$300K) projects. In response to a question from Mr. Banfield as to whether private funds would be available for improvements to the Emerson playing fields, Mr.

Whelan indicated that private funds were used to renovate the fields at Ripley, but are not planned at Emerson. Under Article 7, Mr. Whelan also noted that \$550K is available to provide furniture, fixtures and equipment for the Library expansion project.

Article 20—Records Management Bylaw Mr. Whelan explained the proposal for the Town Manager to appoint a Municipal Archivist reporting to the Town Clerk, in lieu of one of the full-time positions currently at the Library Special Collections. He indicated that this issue is still under review, since the Library Trustees have expressed some concerns about the proposal. He is not committed to making the Archivist position full time. He explained that recent changes to the Public Records Law have added considerable responsibility and workload onto the Town Clerk, and additional staff assistance is needed. Currently, the Library archives/special collections staff spends very little time assisting with Town archives, many of which are located at the library.

Article 27—Transfer of Property for Affordable Housing Mr. Whelan explained that this proposal would transfer a portion of the Gerow property on Commonwealth Avenue to the Concord Housing Authority (CHA) for the purpose of constructing one unit of housing. The transfer would create a viable house lot and is adjacent to a house that is already owned by the CHA. In response to a question from Mr. Hickling, Mr. Whelan indicated that one house lot on the property is consistent with the wishes of the Gerow family, who sold the property to the Town at a discount.

Article 43—Debt Authorization—Water Main Replacement Mr. Whelan explained that this is a multi-year project, and Town Meeting approval is required for the borrowing. Repayment of the debt would be from the Water Fund.

Articles 23-26 Affordable Housing Funding Mr. Whelan explained that Article 23 requests \$500K from free cash to support affordable housing, with the understanding that these funds will be needed for the next couple of years while other sources of funds are pursued and authorized in the state legislature (Articles 25 & 26—Real Estate Transfer Tax and Building Permit Fee Surcharge). It is anticipated that state legislation for these two projects may take time. He noted that any interest received under Article 24 (Trust Fund) would remain with the Fund and be used for affordable housing purposes. In response to a question from Mr. Jamison about Article 23, Mr. Whelan indicated that the intent of this article as currently written would be that the request would be ongoing whenever the level of free cash is above 5%, and would provide annual town meeting approval. He noted that the Town's free cash policy is to maintain it at a level of 5-10% of the annual operating budget, although it has not been at the 5% level for many years. Mr. Whelan stated that it is unclear whether funds accumulated in the Affordable Housing Trust Fund would need to be appropriated by Town Meeting in order to be spent, or whether Select Board approval would be sufficient.

In response to a question from Ms. Hartman, Mr. Whelan indicated that “low income” housing counts towards the Town’s 10% goal, while “moderate income” housing does not count, although both types are considered affordable housing. In response to a question from Mr. Jamison, Mr. Whelan indicated that construction of ten units of affordable housing per year would be required in order to maintain Concord’s 10% affordable housing level. Concord is currently at 10.5%, but that number is expected to drop to 9.5% following the 2020 federal census, without counting the Junction Village project. It was noted that Governor Baker has proposed adding a real estate transfer tax for the purpose of funding climate change initiatives. This may affect Concord’s ability to pass special legislation for an affordable housing real estate transfer tax. Mr. Whelan noted that the Regional Housing Manager manages the lottery for the acquisition of available affordable housing units.

Ms. Hartman asked whether any progressive zoning changes are being proposed to ease the construction of affordable housing, such as in-law apartments. Mr. Whelan noted that Planned Residential Developments (PRDs) provide for greater density in exchange for affordable housing units and energy improvements. He noted that the best way to promote private construction of affordable housing is to provide density or financial incentives to developers.

Ms. Reynolds asked what he would envision being done with the Peabody building, should it be declared surplus by the School Committee. Mr. Whelan indicated that the location would not be conducive for Town department use, but a combined housing/child care facility may be considered. He noted that the parcel is approximately eight acres of land. Mr. Banfield questioned the financial burden of the Town’s reuse of the property, given the School Department’s assessment of the condition of the building. Mr. Jamison inquired about the financial status of the Beede Center. Mr. Whelan responded that the financial situation has improved over the past two years, following the layoff of some staff and other operating improvements. Beede ended in the black in FY17 and experienced a small surplus in FY18.

At 8:10 pm Mr. Whelan left the meeting and was thanked for his assistance and cooperation.

### **Approval of Minutes**

On a **MOTION** made by Mr. Hickling and seconded by Mr. Jamison, it was unanimously **VOTED** to approve the minutes of January 17, 2019, as amended.

Mr. Tarpey expressed his appreciation to Ms. Tekle for the exceptional quality of the minutes on an ongoing basis.

### **Finance Committee Report Assignments**

Mr. Tarpey noted that several sections of the FC Report will need to be assigned to members for drafting, with a fair amount of writing still to be done. He noted that he has reviewed the past ten years of FC Reports and liked some charts that appeared in the older reports, but were not used in recent years. He also noted that all of the reports have been “award winning,” so Concord’s standards are high. Mr. Tarpey agreed to distribute through Ms. Lafleur the charts that he would like to add, for consideration by FC members at the next meeting.

### **Debt Service Presentation & Discussion**

Ms. Lafleur distributed a “Debt Service--Impact of Existing & Projected” handout of a PowerPoint presentation, reviewing non-exempt projects (within the levy limit) and exempt projects (outside the levy limit). She noted that Alcott School will be coming off of the debt schedule in FY26; Thoreau School in FY27; and Willard School in FY30. Mr. Jamison commented that 100% of Concord’s schools will have been replaced within a 10-year period, if the middle school project is approved. Ms. Lafleur noted that the Town could not have financed the school projects without doing so outside of the limitations of **Proposition 2½**. **She noted that all debt costs impact taxpayers, whether they are** financed within or outside the levy limit. It was noted that the median tax bill is approximately \$12,366/year and the proposed middle school alone would increase that cost by \$800-\$1,000/year. Ms. Hartman commented that the design of the school significantly influences the construction cost.

The question was asked about what a new middle school would do to the Sustainable Growth Rate (SGR). Mr. Randall commented that the total budget increase for FY20 is \$3 million/year, and if we were to add another \$10 million onto that (i.e., one year increase in debt service for a \$90 million project), then the middle school project would be so much bigger than anything else we are considering. The only options are to stretch out new construction projects, hope for a decrease in construction costs, or defer some projects. The FC looked at the chart that looked at the Town’s debt capacity in coming years, assuming maintaining a constant FY20 level—what could be financed as we retire existing exempt debt without increasing the current total amount of debt?

Ms. Lafleur reviewed a rough estimate of anticipated large-scale capital projects:

- Middle School \$90 million
- Public Works Complex \$30 million
- Public Safety Complex \$20 million
- Municipal Buildings \$15 million
- Estimated Total \$155 million

She noted that when she presented these estimates to the department heads, the response was that they were too low. She emphasized that the estimates were developed for modeling purposes only. She noted that none of this anticipated debt has

been included in the five-year projections of tax increases, since it has been the FC's past practice to not include unapproved debt in this analysis. She noted that currently, exempt debt costs the median household approximately \$900/year in property taxes. If we add the anticipated projects to the cost to the median household, then the cost would peak in FY25, with the current \$900 rising to \$2,851/year. Mr. Tarpey noted that if these estimates were to be added to the five-year tax projection, then we would hit the tax peak in 2025. He suggested that, while we have not included non-approved debt in these projections in the past, it may be appropriate to do so now, since taxpayers are entitled to know the impact of these projects if they were to be approved. Ms. Hartman asked how taxpayers would be informed of these costs, and Mr. Tarpey noted that the estimates are included in the FC Report, and could be brought up at Town Meeting under discussion of the SGR article. An effort could also be made to encourage residents to read the FC Report.

Ms. Lafleur reviewed the levy ceiling and debt limit. The debt ceiling is 5% of the Town's total assessed valuation—i.e., a community has legal authority to issue debt up to the ceiling. Concord's FY19 debt limit is \$322,353,176. Concord's outstanding debt as of 6/30/2018 is \$52,215,725, of which \$38,994,907 is subject to the debt limit. Projects that are outside of the debt limit are water, sewer and electric utility projects (which are paid by the utility customers and are not part of the property tax bill) and school building projects which are partially financed by the MSBA. She noted that projects that do not receive MSBA funding (Willard & possibly the new middle school) are subject to the debt limit. Ms. Lafleur spoke informally with the Town's bond rating agency to determine if a significant increase in Concord's debt (anticipated \$155 million) would negatively affect the Town's Aaa bond rating. The response was that adding either a new school project or several municipal projects would not negatively impact the bond rating, but it would make Concord an outlier in the debt burden per capita. The rating agency indicated that it would be important to maintain Concord's level of free cash and OPEB funding. Concord currently has a low per capita debt level, but we would go from the lowest to the highest if we were to add \$155 million in new debt. Mr. Hickling asked whether Moody's used a metric to assess the Town's bond rating and debt vs. valuation. Ms. Lafleur was unsure. It was agreed that the debt numbers and charts were sobering. It was suggested that a version of the debt chart be included in the five-year tax projection report.

Mr. Tarpey asked whether the estimated timing of the municipal projects was accurate. Ms. Lafleur noted that she had met with the Town Manager and staggered the timing of projects based on his priorities. She noted that she had modeled the debt costs based on a small debt issuance in FY24 and a major financing in FY25, with an aggressive repayment schedule. She noted that the three elementary schools were financed with 2-3 debt issuances, with this model based on one. It was suggested that the Town set

aside funds to mitigate the impact on taxpayers of upcoming debt. There was considerable concern about the significant impact to taxpayers in the coming years.

Mr. Tarpey noted that the SGR will be presented under Article 18 at the February 25 public hearing. Ms. Hartman clarified that the five-year tax projection is the projected tax burden for taxpayers for the five fiscal years succeeding the upcoming fiscal year for which funds are being appropriated at an ATM, with estimated costs based on all known factors. So at the 2019 ATM, with appropriations being made for FY20, the five-year projection would be for FY21-25. Mr. Tarpey commented that the SGR is an expression by the FC as to what would be a prudent rate of tax growth relative to taxpayers' ability to pay. It was noted that the large anticipated capital projects would most likely be well outside of the SGR guardrail.

### **Citizen Comments**

None

### **Adjournment**

The meeting adjourned at 9:30 pm.

Respectfully submitted,

Anita S. Tekle  
Recording Secretary

### **Documents Used or Referenced at Meeting:**

- Draft 2019 Annual Town Meeting Warrant
- Handout of Debt Service—Impact of Existing & Projected PowerPoint presentation by K. Lafleur (dated 1.22.2019)