

**Town of Concord  
Finance Committee  
Meeting Minutes - June 27, 2019**

**Present:** Dean Banfield, Greg Guarriello, Mary Hartman, John Hickling, Richard Jamison, Dee Ortner, Karle Packard, Parashar Patel, Christine Reynolds, Wade Rubinstein, Phil Swain, Thomas Tarpey and Brian Taylor

**Absent:** Peter Fischelis and Andrea Zall

**Others Present:** Select Board Chair Michael Lawson; Select Board Member Terri Ackerman; School Committee Member Cynthia Rainey; Finance Director Kerry Lafleur; Resident Bob Grom; Financial Advisor Peter Frazier; Recording Secretary Anita Tekle

**Meeting Opened**

Banfield called the meeting to order in the Hearing Room at the Town House at 7:00 pm. He announced that the meeting was being televised and recorded by MMN.

**Approval of Minutes**

On a **MOTION** made by Ms. Hartman and seconded by Mr. Hickling, the minutes of March 14, 2019 were unanimously **APPROVED** (with two abstentions), with one amendment.

On a **MOTION** made by Ms. Hartman and seconded by Ms. Reynolds, the minutes of April 8, 2019 were unanimously **APPROVED** (with one abstention), as written.

On a **MOTION** made by Ms. Reynolds and seconded by Mr. Patel, the minutes of April 25, 2019 were unanimously **APPROVED** , with one amendment.

On a **MOTION** made by Ms. Hartman and seconded by Ms. Ortner, the minutes of May 23, 2019 were unanimously **APPROVED** , as written.

**Bond Rating Review/Discussion with Financial Advisor**

Peter Frazier, Managing Director of Hilltop Securities and the Town's Financial Advisor, was present to review the Town's bond rating. Mr. Frazier introduced himself, noting that he has had the privilege of working with the Town of Concord for 33 years. He began his presentation by explaining that Concord is in terrific financial shape, retaining a Aaa bond rating since 1987. Concord is one of only a handful of Massachusetts communities to achieve a Aaa rating. He noted that Hilltop Securities currently works with approximately 80 municipalities and public entities.

Mr. Frazier's presentation explained the bond rating process, noting that the lower the risk, the higher the rating. With a rating of Aaa, Concord is able to experience the lowest possible interest rate when borrowing money. A bond rating is the unbiased,

expert assessment of the creditworthiness of the issuer; is used by market participants to determine the interest rates of securities; and is paid for by the issuer, as a protection for investors. Concord requests a bond rating review prior to every bond issuance, which is generally annually. Concord's high rating gives it greater access to the bond market. Factors that are considered when rating a community are its economy and tax base (30%); its overall management (best practices, budgeting, forecasting, capital planning, financial policies—20%); its finances (amount and type of reserves and structural balance of recurring revenues vs. recurring expenditures—30%); and its debt and contingent liabilities (amount of debt—both actual and prospective; sources of revenue; amortization; offsetting aid payments/subsidy; and unfunded pension and OPEB liabilities—20%).

Mr. Frazier also explained that rating firms look at a community's reserves (free cash and stabilization funds) as a measure of its financial flexibility and capacity to meet its obligations. He noted that "Concord is a frequent borrower, which is viewed as providing a valuable track record when establishing a rating." Reserves provide resources to meet unanticipated expenses; help to stabilize town employment and service delivery through economic cycles; generate investment income; and contribute to the community's enhanced market access and lower borrowing costs. In response to a question, Mr. Frazier indicated that a town's OPEB liability would generally be considered a huge liability; however, the rating agencies don't have a lot of comparative information to use in predicting future medical costs. Under the new GASB rules, the liability is included in the Town's balance sheet, and Concord is doing better than most communities with reducing its liability, which is considered a strength. Concord is also doing very well in funding its future pension liability. Although by law these payments could theoretically be stretched out further, Mr. Frazier does not recommend that this be done.

Mr. Frazier noted that Concord has been very disciplined with its debt over the years, tending to keep its debt amortization short so that additional debt can be added when needed without being an overwhelming burden to taxpayers. This discipline is looked upon very favorably by raters. Mr. Frazier noted that there is no single factor that tips the rating of a community, with the exception of the community's fund balance. All factors are considered on a cumulative basis. Concord has benefited from its superb management and the level of educated taxpayers who understand that prudent spending factors into both the quality of life and home values. Concord scores well in every factor, with no material weaknesses. The community maintains a robust set of financial policies that have guided it well. The rating assumes that we will maintain our strong reserves. Mr. Frazier provided the Finance Committee (FC) with Moody's rating methodology and detailed scorecard factors for Concord, which he suggested be taken with a grain of salt. He noted that Moody's requires a community to have \$12 billion in tax base value in order to be rated Aaa in that factor, so only Boston and Cambridge

meet that criterion (having a larger base over which to spread the cost). In response to a question, Mr. Frazier noted that the split between residential and commercial properties isn't a large factor in the rating—there are advantages and disadvantages of both.

### **Observer Assignments**

Mr. Banfield distributed a preliminary observer assignment chart, noting that there are 25 committees and 15 FC members. In some cases, it was suggested that a committee's agenda be monitored to see if there are any upcoming financial issues. He also suggested that when more than one FC member is assigned to a particular committee, the members coordinate attendance among themselves. FC members should be in touch with their assigned committee in order to be on the agenda distribution list. The final assignments are as follows:

- Select Board - Dean
- Financial Audit Advisory Committee - John
- Retirement Board - Dick
- Concord Housing Authority - Wade
- Tax Fairness Committee - John
- Municipal Light Plant - Phil
- Public Works Commission - Dick
- Cemetery Committee - Parashar (agenda monitor)
- Planning Board - Parashar
- Community Preservation Act Committee - Mary
- Natural Resources Commission - Dean (agenda monitor)
- Board of Health - Greg (agenda monitor)
- CCRSD and CPS - Dean, Tom and Christine
- Middle School Building Committee - Peter
- Minuteman Vocational Tech - Christine
- Library - Brian
- Recreation Commission - Wade
- Senior Services/Council on Aging - Andrea
- Energy Futures Task Force - Karle
- Public Safety Liaison (Police & Fire) - Greg
- Long Range Capital Planning Committee - Dee

### **Five-Year Tax Projection –Methodology Discussion**

Mr. Banfield explained that the five-year tax projection practice was initiated by citizen petition at town meeting in 2012. He noted that historically this has been calculated on the assumption that the town operating budget will be approved at town meeting. Some projections are based on actuals and some are based on projected growth numbers. These numbers are plugged into a spreadsheet, with low, medium and high options. It has been a static process. Mr. Patel suggested that a more dynamic process be

considered; e.g., if we were to take on “xyz,” then how would the model react? Mr. Banfield noted that the actual modeling exercise last year was completed by Ms. Lafleur and Jon Harris. He suggested that Mr. Patel sit down with Mr. Banfield, Ms. Lafleur and Mr. Harris to consider if the process could be improved. Ms. Ortner suggested that debt items that are included on the long range capital plan be factored into the tax rate projection, noting that currently only those items that have received town meeting approval are included.

The group reviewed a handout entitled “Items to consider for expanded Guidelines Process Scope,” with the idea that some items that are currently outside the guidelines be considered for bringing into the guidelines process. In particular, these non-guideline spending items to be considered are: Debt Service; Stabilization Fund Emergency Services (MEWS Fund); OPEB; and Group Insurance. Ms. Lafleur noted that these items have been considered “fixed costs” and outside the operating budget for many years. She noted that the Town is obligated to pay for debt service, and she considers these to be fixed costs based on prior town meeting votes. Ms. Reynolds asked for a clarification as to which of these non-guideline spending costs are management decisions. Mr. Patel asked whether capital costs are considered in the normal guidelines process, and was told that they are not. He suggested that perhaps they should be considered, noting that there has been a shift between mandatory vs. discretionary costs. Mr. Swain noted that large capital costs are frequently brought to the FC late in the budget process. Ms. Reynolds suggested that the request be made by the FC that capital costs be presented to the FC earlier than in the past.

Ms. Hartman noted that the Select Board (SB) is considering the appointment of a Long Range Capital Planning Committee (LRCPC). Mr. Packard suggested that the guideline be issued earlier in the process, so that it can be considered by those who create the budget; i.e., they should know about the guidelines prior to their creation of the budget. He also noted that the FC only gets to see the impact of salaries on the budget, without information about the cost of benefits and supportive components. Mr. Banfield suggested that benefits be considered as percentage of salary costs, so that the true cost of adding a new position is known. Ms. Hartman noted the importance of looking at the total impact on property taxes when establishing the guidelines. She also suggested that the letters sent to the budget entities include a request for the cost of a “fully loaded head count and anticipated capital costs.”

In response to a question from Mr. Patel, Ms. Lafleur noted that she can provide the annual debt service cost for any project within the existing 5-year capital plan (which includes smaller capital costs, within the levy limit). She noted that the FC guideline for annual debt service spending is 7-8% of the annual budget. She also noted that the Town’s custom has been to finance any capital cost that exceeds \$100K, to avoid large fluctuations in the budget. Smaller capital projects have the debt financed within the

levy limit; this is generally everything except large building projects. She noted that the Town Manager is the one who decides which items to bring to town meeting as separate warrant articles, vs. those items which are included as capital projects within the operating budget. The smaller capital projects (within the levy limit) have not traditionally been within the guidelines budget. Mr. Banfield noted that in recent years, the Town has budgeted \$900,000 to \$1 million/year for Concord Public School capital projects, within the Town's 5-year capital budget.

### **Middle School Stabilization Fund**

Mr. Hickling brought up the subject of establishing a Stabilization Fund to help finance a new middle school. He noted that about 25% of Concord households have school-aged children (some of whom attend private schools). He suggested that the Town consider a way to monetize the value of the Peabody School land and building. To repurpose the building for municipal use will not achieve this goal. He urged the School Committee to collaborate with the Town to make this possible, which would be a great gesture, and bring in possibly \$10-11 million to the Town to offset the cost of a new middle school. He noted that he has no foundation as to the origin of the value of the land/building at Peabody, but the above number has been suggested by some. The Town needs to collaboratively find a way to mitigate the debt service cost for the middle school. If the Peabody School were to be sold, those funds could be put into a Stabilization Fund.

In response to a question as to the process for repurposing a building, Ms. Lafleur noted the following steps: (1) School Committee declare the building surplus once the new middle school is completed; (2) town meeting take a vote to put the building under the jurisdiction of another group (most likely the SB); and (3) town meeting vote eventually would be required if the land and building were to be sold. Mr. Packard suggested that it would be nice to have some funds in the Stabilization Fund prior to the repayment of any debt. Mr. Swain noted that the debt wouldn't peak until later in the debt repayment schedule. Ms. Lafleur noted that the debt repayment could be modeled based on the timing of when Peabody could be liquidated. Both Mr. Patel and Ms. Ortnier suggested that consideration be given to designing the middle school warrant article so that it is contingent on the School Committee voting the Peabody building surplus and that the land and building be sold.

### **Correspondence**

Mr. Banfield noted receipt of an email from Dorrie Kehoe concerning the LRCPC. He noted that the FC cannot be a voting member of any other committee (in accordance with the charter and the FC Bylaw), but the FC should play a liaison role with this group. He noted that Ms. Ortnier is assigned as the observer to the LRCPC.

### **Chair's Report**

Mr. Banfield reported on the following items that came up at a recent Chair's Breakfast:

- Tax Fairness Committee—trying to reduce the complexity of the application process and reduce the number of conflicts
- Tree Bylaw—the process is not as self-regulating as had been expected; funds may be needed to hire a consultant to assist with the process
- The Planning Board is considering an amendment to the Zoning Bylaw that would allow accessory units by right, for rental purposes
- Board of Health is concerned about vaping; funds will be requested to monitor vaping in school bathrooms
- Board of Assessors—trends have been noted that the housing market at the high end is depressed, with a bubble in the middle-market

**Observer Reports**

Mr. Swain was pleased that the LRCPC is moving forward, but he is still concerned that there is no permanent building committee. Mr. Banfield noted that 50% of the members of the Middle School Building Committee are either school committee members or staff members.

Mr. Guarriello requested a clarification of “agenda monitoring.” Mr. Banfield explained that the FC monitor would be expected to review the upcoming agenda for the assigned committee to see if there are any items on the agenda that may have a financial impact. If so, then attendance at the meeting would be urged. These occurrences would generally be rare.

Mr. Hickling noted his attendance at the inaugural Middle School Building Committee meeting. Mr. Banfield attended the SB meeting, at which it was reported that the Concord Market hopes to host “events” in the space on the second floor of the building. **He also noted that the Municipal Facilities Study is still a work in progress after 1½ years, but is anticipated to be completed by the end of the summer.**

Ms. Reynolds reported that she attended the Minuteman School Committee meeting. Resident Steve Ledoux, former Town Manager of Acton, is Concord’s new representative to the Committee. Belmont is considering joining Minuteman. Enrollment is projected to increase by 30-40 students in September. The administration is seeking bids for potential private partners in the athletic fields.

**Finance Director ’s Report**

Ms. Lafleur explained that the Town is not allowed to transfer items from one line to another at the end of the fiscal year without votes from both the FC and the SB. She requested approval of the following line-item transfers:

Item	Department	To	From	Description
2	Legal Services	(3,617.08 )		To cover existing deficit after Reserve Fund Transfer
8	Finance		3,617.08	

2	Legal Services	(40,000.00)		To cover anticipated June 2019 expense—estimated
8	Finance		40,000.00	
18	Snow & Ice Removal	(23,378.51)		To cover winter expense deficit
17	Public Works		23,378.51	
38	Social Security & Medicare	(1,962.35)		To cover deficit in social security expense
31	Town Employee Benefits		1,962.35	

Ms. Lafleur also reviewed the request to transfer \$225K from the Reserve Fund to the Legal Services Account. Ms. Lafleur explained that in a normal year, legal services run about \$225K. The costs for Estabrook Woods have been on top of that amount. The case is currently in discovery phase; the search of historical documents has been the bulk of the work completed to date; depositions will begin soon. While Harvard University (one of the owners of Estabrook Woods) has settled, the other parties have not settled. Ms. Hartman questioned why additional funds were not requested at the fall 2018 special town meeting, when \$100K was approved. Ms. Lafleur noted that it was felt at that time that the Town could manage the additional legal services costs within the existing budget, including use of the Reserve Fund (which had already been appropriated). Ms. Ortnier questioned why the litigation wasn't stopped once available funds were used up. Ms. Lafleur noted that the process has been transparent, with advance notice that the Reserve Fund would be needed to fund anticipated costs. In response to a question, Ms. Lafleur noted that the \$100K supplement voted at the fall 2018 special town meeting was not for a specific legal case, but was added to the initial appropriation. She noted that there is no definition of "extraordinary expense," and it is up to the judgment of the FC and SB. She explained that moving an expense from one line item to another does not involve any additional funds—the surplus from one account is moved to a deficit in another account. These funds are appropriations that have not yet been spent.

On a **MOTION** made by Mr. Swain and seconded by Mr. Patel, it was unanimously **VOTED** to authorize the line-item transfers being made under MGL Chapter 44, §33B, as noted in the above chart.

On a **MOTION** made by Mr. Patel and seconded by Mr. Jamison, it was **VOTED** (with 11 voting in favor and two opposed—Ms. Ortnier and Ms. Hartman) to authorize the transfer of \$225,000 from the Reserve Fund to the Legal Services account.

### Citizen Comments

Ms. Ackerman noted that although she is a member of the SB, she is speaking for herself. She wished to thank the FC for supporting the long-range capital planning

process. She noted that building maintenance and operational costs will be included in the charge for the new committee. She suggested that the FC consider amending its bylaw at town meeting to allow for the FC to have a voting member on the LRCPC. She noted that when the design of the middle school is considered, the cost of green measures may increase the cost of debt service, but will most likely decrease the operating costs. She suggested that this would have an impact on future budget guidelines.

### **Adjournment**

The meeting adjourned at 9:26 pm.

Respectfully submitted,  
Anita S. Tekle

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

- Finance Committee Roster with contact information (dated 6.25.2019)
- Finance Committee meeting schedule Jan-June 2019
- Finance Committee meeting schedule (July-December 2018—for projections only)
- Observer Assignment Chart
- Outline of Preliminary Guideline Letters for FY21
- Items to consider for expanded Guidelines Process Scope
- Copies of FY20 Guideline Letters (Chair CCRSD; Chair CPS; Chair Minuteman SC; Town Manager)
- Sustainable Growth Rate—Timeline and FC Notes, including Appendix I
- Reserve Fund Request Form (Legal Services Account)
- Line-Item Transfers Chart
- Status of FY19 Town Budget as of 6.27.2019