

**Town of Concord
Finance Committee
Meeting Minutes - September 26, 2019**

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

Absent: Phil Swain and Andrea Zall

Others Present: Select Board Chair Michael Lawson; Town Manager Stephen Crane; Finance Director Kerry Lafleur; Residents Brooks Read, Susannah Kay, Leslee Robb and Russell Robb III; Recording Secretary Anita Tekle

Meeting Opened

Mr. Banfield called the meeting to order in the Select Board Meeting 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 Mr. Patel and seconded by Mr. Hickling, the minutes of June 27, 2019 were unanimously **APPROVED**, with one amendment.

On a **MOTION** made by Ms. Hartman and seconded by Ms. Ortner, the minutes of July 25, 2019 were unanimously **APPROVED** (with one abstention), with one amendment.

Middle School Building Project

Ms. Ortner inquired as to whether the Middle School warrant article should include an assumed sale of the Peabody School building to help defray costs. During the discussion, it was explained that the School Committee (SC) would first vote to declare the land and building surplus, and then the disposition of the property would be up to the Select Board (SB). Although this is still preliminary, the Chair of the SC has indicated that it is likely that the SC will vote to declare the building and site surplus once the new middle school is completed. Several Finance Committee (FC) members felt it premature to include the disposition of the property in the warrant article. Mr. Hickling suggested that an “expression of intent” to declare the property surplus once the new middle school is completed could be considered by the SC.

Calendar Review

Mr. Banfield reviewed the two versions of the “FY2021 Budget Development Calendar”—one for FC meetings/events and one for all events. After a brief discussion, it was agreed that the November 7, 2019 meeting will change to a Public Hearing on

Fiscal Sustainability/Sustainable Growth Rate (SGR). The location of the meeting is to be determined.

Follow Up: Decide a location/room reservation for the November 7, 2019 public hearing.

Five-Year Tax Projection

There was a discussion about enhancing the current model for tax year projections to include anticipated, but not yet approved capital projects. Ms. Lafleur confirmed that the current model is based on what has been approved for capital projects plus an estimate for increased operating costs. Capital items that have not yet been approved are not included in the forecast. Ms. Hartman was concerned that the integrity of the projection is diluted if it does not include anticipated capital costs. Mr. Rubinstein suggested that unapproved capital costs could be included with a footnote that the FC does not necessarily support/approve of any projected items that have not yet received town meeting approval. Mr. Packard noted that the potential impact of a new middle school was calculated, but the information was not published by the FC. Ms. Ortnier noted that the projection includes the 7-8% of available debt within the levy limit, but not unapproved excluded debt. She suggested that the Capital Planning Committee's report is tentatively due in March 2020, and may be useful for the FC, although the timing will be tight, so close to town meeting.

Mr. Banfield summarized the discussion, as follows: the FC will do a better job articulating the tax projection in the FC Report, although a change in the model is not critical for this to be achieved. The FC can review individual proposed warrant articles for 2020 and disclose the related tax impact. Ms. Lafleur noted that the financial impact of the warrant articles is currently included in the FC Report, although not very prominently. It was suggested that as an option, a baseline projection including only approved capital projects be include in the FC Report, along with a second projection that includes unapproved but anticipated projects.

Fiscal Sustainability

Ms. Hartman noted that the actual calculated Sustainable Growth Rate (SGR) is 2.16%, and this number was included in the guideline letters sent to the budgeting entities. It was agreed that the public hearing on the SGR will be held on November 7. In response to a question from Ms. Ortnier as to whether the FC is in a position to hold the budgeting entities to 2.16%, Mr. Banfield noted that the FC's role is to advise the Town, town meeting, and the budget entities. The FC does not have enforcement authority. In response to a question from Mr. Patel, it was explained that input from the public will be sought at the hearing, primarily for future budget cycles, since the guideline would already have been set by the time of the hearing. Ms. Hartman suggested that the role of the FC is to listen to the public, but she cautioned against turning the hearing into a

debate about the calculation methodology. She suggested that taxpayers be asked whether the increased tax rate is a concern. It was also suggested that the Randall curve be explained and publicized at the hearing. Ms. Reynolds expressed support for a public hearing as it would provide valuable feedback from taxpayers as to whether they share the FC's concern re: fiscal sustainability, given that almost everything that is presented at town meeting is approved, with or without FC support. Mr. Jamison noted that the SC and Town Manager can use the guidance of the SGR when entering labor negotiations.

Correspondence

Brooks Read—August 11, 2019 - Mr. Banfield noted receipt of correspondence from Mr. Read asking that the Town adopt a bylaw or rule to require the SB, Town Manager and Town Counsel to provide certification that all town-initiated litigation is based on bona fide legal and factual grounds. Mr. Read was present at the meeting and explained that decisions made in executive sessions by the SB are not known to the public, and yet the public is responsible for paying the legal fees, without adequate knowledge or information. Mr. Read noted that most of the SB's executive session minutes have not been released, since the litigation is ongoing. Mr. Taylor asked how the issue is germane to the FC. Mr. Read responded that he was unclear who else would sponsor such a warrant article; he felt that the FC was the most logical sponsor, due to the financial impact of litigation. Ms. Reynolds noted that transparency is within the FC's bailiwick, with the correct amounts for legal services included in the budget; however, she felt that the requirement that the parties sign off on the decision-making was outside the FC's purview. Susannah Kay noted that the Town risks incurring triple damages if found guilty of pursuing frivolous litigation.

Ms. Ortnier suggested that Mr. Read speak with the Town Manager, the SB, and the Town Clerk to discuss the release of executive session minutes. Mr. Banfield asked for a motion for the FC to sponsor Mr. Read's article, and none was forthcoming. Mr. Hickling suggested that the FC has asked the Town Manager for accurate legal services budget projections for FY21, but otherwise he felt that Mr. Read's request was outside the scope of the FC's responsibility. Mr. Banfield clarified for Mr. Read that a petition article requires ten signatures for an annual town meeting and 100 signatures for a special town meeting.

Elizabeth Hughes, Planning Director - August 29, 2019 - The Planning Board has invited the FC, Public Works Commission and SC to meet to discuss proposed Zoning Bylaw amendments, in order to provide a better understanding of the potential impacts to the Town. After discussion, it was agreed that perhaps a few members could attend such a meeting. In some cases, an increase in housing units is offset by increased tax revenue. The impact on services of increased development should be reflected in the Town Manager's budget.

Follow-Up: Mr. Banfield will get back to Ms. Hughes, indicating that some FC members would participate in the discussion.

Ellen Emerson - Sept. 5, 2019 - Ms. Emerson has requested information regarding legal fees for FY18, FY19 and FY20 relative to the Estabrook Road lawsuit. Ms. Lafleur responded to Ms. Emerson on September 9, 2019.

Supt. Laurie Hunter - Sept. 15, 2019 - Dr. Hunter sent information regarding an upcoming shift in assessment at the Regional High School. Based on enrollment as of September 1, 2019, a shift of 0.87% is anticipated, from Carlisle to Concord. The financial impact is estimated at an increase of \$279,312 for Concord, and a corresponding decrease for Carlisle. Consideration is being given to amending the regional school agreement to provide for a five-year average enrollment, which will smooth the impact of enrollment shifts. It was noted that regional school agreements require state approval, and Concord's was last amended in 1974. Mr. Banfield noted that the SC is currently responsible for negotiating labor contracts; if the regional school agreement were to change, then contract negotiations would fall under the regulations of current state law, which requires expanded participation.

Review of FY21 Revenues & Fixed Costs

Ms. Lafleur noted that she is in the process of developing projections for FY21 revenue and fixed costs. It is too soon to project health care costs. She anticipates that new revenue growth will be approximately \$100K higher than anticipated for FY20. She anticipates an unused levy limit of 3.71%. She noted that while the number of building permits has increased, most are for remodeling projects which are less correlated to revenue growth. She noted that Concord is paying slightly more for OPEB contributions than what is required by the actuary projections. \$1.69 million is budgeted for OPEB.

Introduction of Town Manager Stephen Crane

Ms. Lafleur introduced Town Manager Stephen Crane, who provided a brief summary of his background. His most recent position was Town Manager in Longmeadow, a position that he held for six years. He is very pleased to be working in Concord, and was grateful for the opportunity to do so. He noted a number of items that he intends to change in the coming months: (1) moving "cash" capital items into separate capital budget warrant articles, to make a clearer distinction between operating and capital expenditures; (2) conducting an inventory of budgeted positions that remain unfilled for one year or longer; funding for these positions will revert to a salary reserve account; and (3) imposing more stringent rules over unexpended funds for FY20 before they can be encumbered for future use.

Mr. Hickling inquired whether Mr. Crane had an opinion on zero based budgeting (ZBB). Mr. Crane explained that there is not a lot of discretionary spending in municipal

budgeting (labor and debt repayment make up a large percentage of the budget). He is not a fan of ZBB; he intends to review all expenditures carefully, but he prefers using what he calls a “value-based budgeting” system, where he will look at all items to determine whether we are getting the most value for the expenditure. Mr. Banfield explained how ZBB had been very helpful when used at the School Department this past year, particularly in regards to the proper categorization of expenditures to avoid duplication and assure that the expense is needed. Mr. Crane noted that he will conduct this exercise as part of his value-based budgeting. He emphasized the importance of evaluating service levels on a daily basis, and not just during the budgeting process. Ms. Ortnier asked how many individuals are needed to open the Town House each day, which she described as an example of how to build a service delivery budget using ZBB. Mr. Crane responded that it depends on the level of services that is expected and desired. Mr. Jamison commented that a number of budgeting approaches can be successful. Mr. Crane was welcomed to Concord and thanked for coming to the meeting.

Chair’s Report

Mr. Banfield reported on the following items that came up at a recent Chair’s Breakfast and SB meeting:

- 2229 Main Street Committee—this process is moving forward with planning for future use of the site; public hearings seeking input are scheduled for October 17 at 5 pm and 7 pm
- Tax Fairness Committee—in process of developing an article for town meeting, in anticipation of the 3-year sunset clause of the current home rule legislation
- Junction Village Project—plans are to resubmit an application for tax credits, after having been rejected for this year; they are optimistic about the next round of applications
- Town Facilities Report includes about \$150 million in capital projects; the SB has prioritized and sequenced the projects as follows, all following the middle school: (1) public safety building project; (2) salt shed; and (3) Public Works facility

Observer Reports

Community Preservation Committee—Ms. Hartman reported that the state match is anticipated to increase to as much as 33% (currently about 11%); the timing is unclear, and it is likely to take 2-3 years before we see the additional funds.

Public Works Commission—Mr. Jamison reported that there was good attendance at the Smart Roads hearing, with a lot of public interest generated by cut-through traffic; PWC is coming up with ideas to address the concerns.

Retirement Board—Mr. Jamison reported that the Investment Manager is having difficulty beating his self-developed performance index.

Public Safety—Mr. Guarriello reported that he is scheduling a meeting with the Public Safety Chiefs.

Energy Futures Task Force—Mr. Packard reported that he has reviewed the agendas and minutes, and he found nothing affecting town budgets or finances at this point.

Middle School Building Committee (MSBC)—Mr. Fischelis reported that Hill International has been hired as the OPM, at a cost of about \$300,000. The committee is moving ahead quickly, since they are concerned about escalating construction costs. An RFP is being developed for design services. The committee is leaning towards a “build new” design, rather than a renovation. The estimated cost is \$80-\$100 million. An application for funding has been submitted to MSBA, and Concord is among a group of 30. A decision will be made in December. The MSBA group did a site visit this week. Mr. Hickling suggested that financial data for other new middle schools would be helpful for benchmarking purposes. The OPM’s job is to collect data and costs for similar projects, with the data driving the cost estimator. Mr. Fischelis noted that the group hopes to have funding for this project on the warrant for a special town meeting in November 2020. The group does not plan to have an article on the warrant for the 2020 annual town meeting.

In response to a question about a possible conflict of interest, Mr. Guarriello noted that his wife is co-chair of the MSBC. When he was appointed to the FC, he informed the Moderator that his wife was on the MSBC (although she was not co-chair at that time), and the Moderator did not feel that there was a conflict. He expressed a willingness to recuse himself, should others on the FC feel that he has a conflict or an appearance of a conflict when a vote come up for the middle school project.

Minuteman School Committee—Ms. Reynolds reported that the project is completed, with a ribbon cutting scheduled for October 4—on time (one year early) and under budget. Enrollment is where they want it to be, with a waiting list for the Freshman class.

Financial Audit Committee—Mr. Hickling reported that the Light Plant audit is now finalized. Audits of the Town and the Regional School are being prepared.

Library Committee—Mr. Taylor reported that the parking and access issues for the new addition are not finalized.

Select Board—Mr. Banfield reported that the financial arrangement between the Town and the Library Trustees is being revisited; there are outstanding issues on the Gerow land as it pertains to access over the Bruce Freeman Rail Trail; the Community Preservation Committee has 13 applications for \$2.6 million, with only \$1.8 million available.

Finance Director 's Report

Ms. Lafleur reported on the 2019 Refunding/Refinancing of the bond issue for the Willard School. At the suggestion of Mr. Hickling, Ms. Lafleur brought the issue up with the Town's financial advisor (who indicated that he was looking at this issue), and an opportunity to refund the \$6.1 million remaining on this bonding was found. This will result in a debt savings of approximately \$600,000 over the remainder of the life of the bond. The new issue is in the range of 1-2% (vs. 3-4% originally). She noted that most borrowing is for 10 years, but school projects have longer terms, which is why they have a recallable provision. In response to a question as to why there is not a recall provision in shorter-term bonds, Ms. Lafleur noted that there is not as strong a market for these bonds.

Citizen Comments

Mr. Read emphasized the need for the public to know about the costs of legal services, and he felt that there was not sufficient transparency about past legal costs.

Adjournment

The meeting adjourned at 9:32 pm.

Respectfully submitted,
Anita S. Tekle

Documents Used or Referenced at Meeting:

- FY2021 Budget Development Calendar in Preparation for the 2020 Annual Town Meeting (FC only version)
- FY2021 Budget Development Calendar in Preparation for the 2020 Annual Town Meeting (All events)
- Letter to Select Board Chair Michael Lawson re: establishing a Middle School Stabilization Fund (dated 9.23.2019)
- Correspondence: (1) Brooks Read 8.4.19; 8.11.19; Mary Hartman response 8.12.19; Dean Banfield response 9.4.19; (2) Elizabeth Hughes 8.29.19 and attachments with goals/projects for 2019-2020; (3) Ellen Emerson 9.9.2019; and (4) Laurie Hunter 9.15.19
- Open Meeting Law Complaint sent to Select Board & Town Clerk from Robert Nislick, attorney for Brooks Read, Susannah Kay, Leslee & Russell Robb (dated 5.16.2019)