

**Town of Concord  
Finance Committee –Guidelines Subcommittee  
Meeting Minutes - October 10, 2019**

**Present:** Dean Banfield, Greg Guarriello, Mary Hartman, John Hickling, Richard Jamison, Karle Packard, Christine Reynolds, Brian Taylor and Andrea Zall

**Absent:** Peter Fischelis, Dee Ortner, Parashar Patel, Wade Rubinstein, Phil Swain and Thomas Tarpey

**Others Present:** Town Manager Stephen Crane; Budget & Purchasing Director Jon Harris; Select Board Member Linda Escobedo; Finance Director Kerry Lafleur; Recording Secretary Anita Tekle

**Meeting Opened**

Ms. Hartman called the meeting to order in the Select Board Meeting Room at the Town House at 7:00 pm. She announced that the meeting was being televised and recorded by MMN.

**Town Budget Presentation**

Town Manager Crane responded to the Finance Committee’s (FC) request for budget information. He highlighted the variances relative to budget between FY18, FY19 and FY20, noting that FY18 was closed with a surplus of \$269,865 (0.62%), and FY19 with a surplus of \$629,271 (1.34%).

<b>FY18</b>	
Legal Services	Deficit of \$214,349, Estabrook Woods litigation
Debt Service	Surplus of \$186,274, larger than anticipated premium on new bond sale
<b>FY19</b>	
Legal Services	Deficit of \$279,462, Estabrook Woods litigation
Town Meetings & Reports	Surplus of \$15,003–did not use automated voting as originally planned
Police-Fire Station	Surplus of \$14,656, lower than expected operating expenses (utilities)
EMS	Surplus of \$15,053, lower than expected operating expenses
Engineering	Surplus of \$42,761, staffing vacancies
Highway Maintenance	Surplus of \$65,163, staffing vacancies
Street Lighting	Surplus of \$16,150, lower than anticipated maintenance & utility costs
133/135 Keyes Road	Surplus of \$17,294, lower than anticipated operating costs (utilities)
Library	Surplus of \$52,325, staffing vacancies
Human Services	Surplus of \$10,691, reduction of budgeted position
Senior Services	Surplus of \$32,251, staffing vacancies
Veterans’ Benefits	Surplus of \$10,863, reduction in number of beneficiaries
Debt Service	Surplus of \$291,822, larger than anticipated premium on new bond sale

Mr. Crane reviewed labor costs for the three years:

	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>Δ FY18-FY19</b>	<b>Δ FY19-FY20</b>
Personnel Expenditure	\$17,068,374	\$17,388,685	\$18,687,232	\$320,311 (1.9%)	\$1,298,547 (7.5%)
% of Town Budget Appropriation	66.3%	64.6%	65.1%		

Mr. Crane noted that the increase in labor costs from FY18 to FY19 is masked as a result of the outstanding Public Works contract. Had that contract been settled in FY19, the total increase in labor costs would have been approximately 2.2%. The increase in labor costs from FY19 to FY20, exclusive of new positions, is approximately 2.33% (\$405,641). He noted that a portion of the FY20 labor increase is funded with transfers from other funds (75% of the cost of 4 new firefighter positions is funded with a transfer from the Emergency Services Stabilization Fund; Visitor & Tourism Manager is funded with a transfer from the Recreation Revolving Fund). He provided a detailed breakdown of the \$1,298,547 cost increase. He estimates a labor cost increase of less than 3% in FY21. He noted that if labor increases were excluded, the budget increase would be close to tracking the CPI increase. In response to a question from Mr. Banfield, Mr. Crane noted that funding for the Archivist position will only partially be funded in FY20 through existing budgetary appropriations; the balance is being funded through other budget adjustments and/or a transfer from the Salary Reserve account. The position was filled late in the fiscal year, so funding for FY20 is approximately three-quarters of the year. This ended up being a net new position in FY20. In response to a question from Mr. Packard, Mr. Crane noted that the new Visitor & Tourism Manager is a year-round position funded by the Recreation Revolving Fund in FY20.

Mr. Crane explained that he does not yet have a complete picture of the Town's short-term and long-term budget needs. He highlighted some anticipated FY21 budget issues:

- Fire—restructuring at CFD to allow for 2 lieutenants on duty each shift
- Fire—additional hours for Fire Prevention Clerk
- DPLM—Additional hours for part-time inspectors to address workload
- DPLM—New position—Land Manager (possible collaboration with Land Conservation Trust—LCT)
- DPLM—Zoning Bylaw Recodification
- DPLM—Transportation Issues (encouraged all to watch LWV Transportation forum on MMN)
- CPW—increased funding for operating capital (roads, sidewalks, drainage) and equipment
- Town Manager's Office—additional staffing to address economic vitality
- Facilities—additional staffing and/or contracted services to address maintenance backlog

Mr. Crane noted that the town-wide facilities report is not yet finalized, but he highlighted the following projects anticipated over the next five years:

- CPW–salt shed
- Public Safety–feasibility study to inform new building design (FY21); new building in 5+ years
- Emerson Field improvements
- Gerow land improvements
- Warner’s Pond dredging
- White Pond drainage and access improvements

In response to a question from Ms. Hartman, Ms. Lafleur noted that some of the above projects would be done within the Town’s levy limit (salt shed). The larger projects would be proposed as debt exclusions. Ms. Lafleur agreed to provide a better breakdown of excluded/not excluded debt projects.

**Follow-up:** Ms. Lafleur to provide a breakdown of proposed capital projects that will be funded within the debt limit vs. outside the debt limit (excluded debt).

In response to a question from Mr. Banfield, Mr. Crane noted that the Town purchased a high-end restroom/trailer for the White Pond beach. In response to a question from Mr. Packard, Mr. Crane explained that the proposed “economic vitality” position would support tourism and provide support/concierge-type services for local businesses (assistance in navigating the permitting process, etc.).

Mr. Crane explained that the General Fund legal services appropriation of \$225-250,000 is generally adequate to fund the demand for legal assistance, including collective bargaining and other routine matters. He noted that the Estabrook Woods litigation is the only active litigation impacting the Town’s General Fund. He anticipates requesting a supplemental appropriation for FY20 at the Annual Town Meeting. He agreed to provide a breakdown of legal services and litigation in the FY21 budget, so that costs will be more transparent. Ms. Reynolds suggested that these items be included on separate lines in the budget. Mr. Crane noted that not all of the Town’s legal expenses relate to Estabrook Woods—there are other costly legal issues.

In reviewing the “headcount” issue, Mr. Crane stated he is not committed to any new positions at this time. Requests for a land manager might be fulfilled by collaboration with LCT and an increase in contracted services while the need for support staff for economic vitality could be provided by our tourism staff. He also noted that Concord has been experiencing high employee turnover. Concord’s high cost of health insurance (related to the Town’s low contribution towards premium costs) makes Concord’s employment less competitive than it has been in the past. He noted that the Town loses a lot with high turnover, and it comes with a cost. He anticipates conducting

a detailed classification and compensation analysis in FY21 to compare Concord to neighboring towns.

In response to the FC's request to consider Zero-Based Budgeting (ZBB), Mr. Crane noted that the Town has a high percentage of non-discretionary items in the operating budget, which makes using ZBB not realistic. For the FY21 budget, he intends to focus on bringing costs into alignment with current service levels. He agreed to conduct a more comprehensive review of the programs offered by the Departments over the next year, and will make a determination of whether they efficiently and effectively meet the needs of our residents.

He reviewed the collective bargaining schedule with the Town's six unionized employee groups:

- Concord Firefighters Association—expires 6/30/2022
- Concord Highway & Grounds—expires 6/30/2020
- Concord Library, Non-Supervisory—expires 6/30/2020
- Concord Library, Supervisory—expires 6/30/2020
- Concord Police Association—expires 6/30/2020
- Concord Public Safety Dispatchers—expires 6/30/2021

He anticipates starting negotiations within the next several months with the four groups with contracts expiring June 30, 2020.

Mr. Banfield asked Mr. Crane to review the costs currently being paid by the Town of Concord for the benefit of the high school, in order to determine whether Carlisle is paying its fair share. He noted that a number of residents have raised the issue over the past several years. He noted that a list of these costs was prepared by former Town Manager Chris Whelan last year, with no resolution of the issue. Mr. Banfield suggested that a mechanism be developed to allocate some portion of the shared costs to Carlisle. Mr. Crane responded that the partnership is asymmetrical, with Carlisle's school population declining and Concord's increasing. Mr. Banfield highlighted some of the issues, and Mr. Crane agreed to discuss these issues with Superintendent Hunter.

Ms. Lafleur explained the process for budgeting the Town's annual OPEB contribution, noting that the FY20 budget was based on the 6/30/2017 valuation. She anticipates using the valuation as of 6/30/2018 for the FY21 budget. This report estimates the FY21 Annual Required Contribution (ARC) for OPEB to be \$1,282,002 (\$416,000 lower than FY20 appropriation). The decrease is a combination of minor changes in benefits and better than anticipated investment returns. She is using \$1.5 million as a placeholder for FY21, which is higher than is required by the ARC. The Town currently uses a discount rate of 7.25% for its OPEB liability and an amortization schedule ending in FY40. She anticipates updating this amount later in November, once the actuary's report is prepared. She has asked the actuary to prepare the valuation report as of 6/30/2019

with an assumption of a 7.0% discount rate and an amortization schedule ending in FY35, to be consistent with the Town's pension liability schedule. In response to a suggestion from Ms. Reynolds, Ms. Lafleur agreed that funding OPEB is more of an art than science and will look into smoothing the funding year-over-year.

Mr. Crane briefly addressed benchmarking and indicated that both Ms. Lafleur and Mr. Harris will help bring that to the committee at the next guideline review. He also indicated there is some possibility that a warrant article to increase retirement benefits might be introduced at the next Town Meeting.

Ms. Hartman remarked that current estimates for expected revenues (assuming an unused levy capacity of 3.93% and \$279,000 increased costs to Concord for CCRHS) project 2.48% available for guideline spending. Ms. Hartman also asked if the FinCom could have visibility to the town's response to the preliminary guideline ahead of the next scheduled meeting (Nov 14). Mr. Crane said he would do his best.

### **Meeting Schedule**

The FC will establish a preliminary guideline at the meeting on October 24. It was agreed to cancel the October 17 Guidelines Subcommittee meeting, with the understanding that the October 24 meeting may go longer. The Sustainable Growth Rate hearing will be held on November 7, with the location to be determined. It was agreed that a "strategizing session" will be held prior to November 7, to prepare for the hearing. Mr. Banfield will also prepare a "guest commentary" for the Concord Journal prior to the public hearing, explaining the Sustainable Growth Rate.

### **Adjournment**

The meeting adjourned at 7:56 pm.

Respectfully submitted,  
Anita S. Tekle

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

- Town Manager Response to the Finance Committee's Budget Information Request (dated 10.10.2019)
- Fiscal Year Actuarially Determined OPEB Contributions, based on 6/30/2018 valuations
- FY18, FY19 and FY20 Appropriation Comparison prepared by Finance Department (dated 10.10.2019)