

**Town of Concord
Finance Committee
Meeting Minutes - March 7, 2019**

Present: Thomas Tarpey, Dean Banfield, Mary Hartman, John Hickling, Richard Jamison, Karle Packard, Christine Reynolds, June Rzepczynski, Phil Swain, and Andrea Zall

Absent: Peter Fischelis, Grace Hanson, Scott Randall and Brian Taylor (one vacancy)

Others Present: School Committee Members Heather Bout, Robert Grom and Court Booth; School Superintendent Laurie Hunter; Finance Director Kerry Lafleur

Meeting Opened

Mr. Tarpey called the meeting to order at 7:00 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

It was agreed to postpone approval of minutes.

Review FY20 Guideline

Mr. Banfield assumed the position of Chair for this portion of the meeting. Mr. Tarpey indicated that information had been received from Town Manager Chris Whelan and Ms. Lafleur responding to a request for more information about the MEWS Stabilization Fund, and he urged members to review it. It was noted that funds withdrawn from Stabilization Funds have not been included within the Guideline in the past, although the use of such funds in the recent past was limited to the repayment of debt. Mr. Banfield noted that the fundamental question for the hiring of four additional staff members, with 75% of the 1st year cost underwritten from the Stabilization Fund, is whether the drawdown cost should be included within the Finance Committee (FC) Guideline. In addition, the FY20 Town budget is being crafted from a variety of sources, and the Town Manager is asking the FC to only consider the portion of the budget coming from the General Fund.

Mr. Tarpey asked whether this has been the past practice in Concord, and whether this is how Guidelines are treated in other communities. Ms. Lafleur responded that the drawdowns from the MEWS fund for public safety costs in FY14, FY15 and FY16 were not considered within the Guideline. Historically in Concord, the Guideline has addressed the increase in the tax burden and not the budget increase. Mr. Hickling suggested that the FC also look at the budget impact of a proposal beyond the first year. Ms. Lafleur indicated that the assumption going forward is that the Guideline would be increased to offset the increased cost of new positions (i.e., to reflect the declining drawdown from the MEWS fund in the coming years). Under her assumption, the cost

of the new positions would be ongoing, and the Guideline would be supplemented by the increased amount needed in Years 2, 3, etc. Mr. Banfield disagreed with the assumption that when the Guideline is set, only the increase in property tax is considered. He noted that the operating budget entities are considered separately, and the needs of those entities are taken into consideration to come up with Guideline. He noted that the Town Manager was able to meet the FC Guideline by pulling funds from other sources, rather than decreasing the budget, which he found troubling. In particular, Mr. Banfield was concerned about multi-year commitments, which end up tying the hands of the FC in the future. Mr. Tarpey suggested that the general question of what numbers to include in the Guideline be placed on the agenda for a future meeting. Both Mr. Tarpey and Mr. Banfield emphasized that the Town Manager is not being accused of lack of transparency, noting the amount of detail that is included in the budget book, which continues to improve.

Follow Up: Place the issue of expenses to include within the Guideline on a future agenda.

Ms. Hartman asked about the MEWS Stabilization Fund, and whether its intent was to be limited to capital or operating costs. Ms. Lafleur responded that the fund was established primarily to mitigate the impact of the MEWS development on the Town's emergency response capacity, and to offset the costs of the additional ambulance in West Concord. Mr. Hickling distinguished between the short-term impact of the four new positions vs. the ongoing budget costs—we are kicking the long-term impact down the road by utilizing the Stabilization Fund for short-term offsets. He noted that Stabilization Funds established for debt mitigation are different from this MEWS Stabilization Fund—the former reduces a short-term increase in debt service that declines over time, while under the latter, personnel costs are reduced in the short term, but then increase over time. He suggested that these be viewed differently, since their impacts are different.

Mr. Banfield inquired about the Archivist position at the Library. Ms. Lafleur responded that discussions between the Town Manager and the Library Corporation are ongoing as to how to best fund the Archivist position going forward. She noted that there are currently two FTE positions funded by the Town in the Special Collections Department. The Curator position is responsible for special collections, and she also serves as the Town's Municipal Archivist. The volume of work is too high for the current staff. The Town Manager prefers that some of the Library staff be repurposed to allow time to be spent for municipal archives, and some external funding to mitigate the current situation is being considered.

In summarizing the Guideline, Mr. Banfield noted that the Town budget is \$25,299,513 (4.42%) and meets the FC Guideline. This amount includes all the new positions that

are funded by the General Fund. The CCRSD budget is \$19,996,874 (4.44%) and this meets the FC Guideline. The CPS budget is higher than the Guideline by \$143,208 (2.99% increase vs. the Guideline increase of 2.61%). During the discussion which followed, Ms. Hartman suggested that we split the difference. Ms. Rzepczynski suggested that the FC propose an amendment at Town Meeting to decrease the CPS budget to the FC Guideline level. Several had anticipated that Zero Based Budgeting (ZBB) would produce more significant savings, noting that savings that were generated were outstripped by even higher cost drivers; i.e., we found savings here, but we need to spend it elsewhere, and then some. In response to a question from Ms. Zall, Mr. Hickling noted that all of the requests from the School Department (operating budgets + capital requests) amount to an increase of \$6.23 million, reflecting a 10% increase on the FY19 \$60 million base for the Schools, which is significant. Mr. Packard noted that the CPS increase of 2.99% is still lower than the increase in FY19. Ms. Rzepczynski expressed disappointment that for the second year in a row, the CPS budget did not meet the Guideline.

Ms. Reynolds noted that there was a huge bump in the CPS budget due to salary step increases, which were negotiated by the School Committee. While there was transparency, there was concern that no effort was made internally to prepare for and budget for this known increase. Mr. Jamison suggested that the bigger issue with the school budgets is to how to get ahead of the contracts in the upcoming negotiating process. Mr. Hickling suggested that the Town's ability to pay be considered in future Guidelines, with the suggestion that contracts be negotiated differently. Ms. Hartman noted that there were \$2.6 million in CPS cost drivers, while only \$1.1 million was for salaries. So other items could have been considered for reduction. Mr. Banfield noted in particular that Supplies & Materials were increased considerably, as an "add-back" from reductions in previous years.

Dr. Hunter noted that she cut 3% from last year's Supplies & Materials budget, and for this year only, we need to spend \$90K for a three-year software subscription (with \$0 cost in each of the next two years). This instructional cost is at the core of the curriculum. She is not comfortable cutting the CPS budget by \$143K, noting that she is proud of the CPS budget that is being brought forward. In response to a question from Mr. Packard, Ms. Lafleur noted that there is no change to the previously reported estimated FY20 revenue. Mr. Packard noted that, including the \$143K, the tax increase moves from 3.28% to 3.45%. It was noted that this increase only reflects the portion of the budgets within the levy limit; costs for capital improvements or excluded debt would be additional.

Mr. Hickling made a **MOTION** that was seconded by Mr. Packard to compromise on the CPS Guideline to provide for an increase to 2.85% (\$71,634 additional funds), for a total of \$1,071,634.

Mr. Jamison noted that the Schools did a better job than the Town of holding the budget to a smaller increase over FY19. It was noted that the options would be (1) the School Committee reduce its budget request to meet the FC Guideline before Town Meeting; or (2) the FC propose an amendment at Town Meeting to a lower budget level. Mr. Tarpey felt that the \$143K difference was small enough that we should not require them to find savings. Mr. Packard suggested that we ask the School Department to find \$71,500 to cut. Ms. Zall inquired as to how to keep the pressure on the Schools if we continue to allow them to not meet the Guideline. She did not support splitting the difference. A **VOTE** was then taken on Mr. Hickling’s motion, which **FAILED TO PASS** , with 2 voting in favor (Packard & Hickling), 7 opposed, and 1 abstention.

Mr. Tarpey then made a **MOTION** which was seconded by Mr. Jamison to increase the Guideline to meet the CPS budget as presented, including the \$143K overage (2.99% increase). This motion **PASSED** on a **VOTE** of 6 in favor, 2 opposed (Hartman & Hickling), and 2 abstentions.

Review/Approval of Five-Year Forecast Report

Mr. Banfield noted that the model was similar to previous years, with no dramatic changes. The draft model for FY20-FY25 is as follows (most likely; Alternative 1 low; Alternative 2 high):

| | Most Likely | Alternative 1 –Low | Alternative 2 –High |
|------|--------------------|---------------------------|----------------------------|
| FY20 | 4.92% | 4.92% | 4.92% |
| FY21 | 4.38% | 3.78% | 4.92% |
| FY22 | 4.42% | 3.92% | 4.86% |
| FY23 | 4.00% | 3.49% | 4.47% |
| FY24 | 4.31% | 3.79% | 4.79% |
| FY25 | 4.43% | 3.90% | 4.93% |

Mr. Hickling noted that the “Most Likely” option is about twice the rate of inflation, and that a tax rate increase of 4% is higher than what is projected for the Sustainable Growth Rate (SGR). The FC discussed the elements to include in the model—3.99% 5-year trend or 3.69% 10-year trend. Mr. Banfield emphasized that the forecast model is an exercise in what we project for tax increases vs. what we wish them to be. Ms. Rzepczynski emphasized that the model is based on historical trends and not what the FC feels is sustainable going forward. The model also does not include capital projects. It was noted that we are projecting current trends as to the “likely” tax burden. The responsibility of the FC is to provide the information and probable consequences of financial decisions; it is up to the taxpayers and voters to make those decisions based on the information.

Ms. Lafleur noted that credit-rating agencies are generally not concerned with **Proposition 2½ overrides**, but only a community’s history of approval/disapproval of overrides; i.e., what is the community’s willingness to pay for an override? She also

noted that Concord’s position of being under the levy limit is unusual among our peer communities. Mr. Hickling asked whether it should be the goal of the SGR to avoid overrides. Mr. Banfield did not believe so, commenting that Proposition 2½ is an artificial limit and Concord has a good history of approving excluded debt. After a brief discussion, it was undecided whether a preset SGR number will be presented at town meeting. Mr. Hickling suggested that the presentation at the hearing was too vague, and at town meeting we should present either a formula or a number for SGR.

The FC then discussed the assumptions behind the 5-year forecast, and made adjustments.

| Operating Budget Entities: | | | |
|--|------------------------------------|-----------------------------|-----------------------------|
| Entity | Most Likely | Alternative 1–Low | Alternative 2–High |
| Town | 3.75% | 3.50% | 4.50% |
| CPS | 3.5% (all 5 years) | 3.0% | 4.2% |
| CCRSD | 5.5% | 5.0% | 5.0% |
| Non-Operating Budget Categories: | | | |
| Group Insurance | 8.0% | 6.0% | 10.0% |
| OPEB | 3.5% | 3.5% | 7.5% |
| Retirement | 5.0% | 5.0% | 5.0% |
| Debt Service (non-exempt) | 3.5% | 3.5% | 3.5% |
| Minuteman | \$768,846 FY20 + \$25k/yr increase | \$600,000 | \$900,000 |
| Debt Service (excluded) | Use existing debt schedules | Use existing debt schedules | Use existing debt schedules |
| All Other Expense | 2.0% annually | 1.0% annually | 3.0% annually |
| Revenue Categories with variation from 2% general assumption: | | | |
| Excise Tax | 2.0% | 2.0% | 4.0% |
| Licenses, Permits, Fees | 1.0% | 0.0% | 5.0% |
| Free Cash | 1.0% of operating budget | 1.0% | 1.0% |
| CMLP PILOT | 0% | 0% | 0% |
| New Growth | \$1 mill w/ 0% increase | \$825K w/ 0% increase | \$1 mill w/ 3% increase |
| State Aid | 2.5% annual increase | 1.0% annual increase | 4.0% annual increase |
| All Other | Fixed at \$125K/yr | Fixed at 125K/year | Fixed at 125K/year |

In reviewing and adjusting the numbers above, the following comments were made:

- CCRSD—there are ways Concord can push Carlisle to increase its share of the budget, which may result in lower numbers
- Group Insurance—Medicare is estimated to increase 5.5% over next 10 years (national #)
- Debt Service (non-exempt)—assumes no new exempt projects; does not include new middle school or any other excluded debt
- Free Cash—Fin Com is recommending no action be taken on Article 23 to appropriate \$500K from free cash for affordable housing

Mr. Banfield noted that historically, the FC’s five-year forecast has been very inaccurate. Estimates have been very low, and do not include excluded debt. Ms. Reynolds

suggested that the numbers make little sense without the excluded debt, since the projections do not reflect what taxpayers will actually pay in taxes. It was suggested that the FC publicly acknowledge the assumptions when we are faced with a large capital expenditure, such as the following: “If you vote for x, then your taxes will increase by y. If you don’t vote for x, then your taxes will increase by z.”

Recommendations on Annual Town Meeting Warrant Articles

Article 22–CPA Committee Appropriation Recommendation Mr. Packard noted that he plans to recuse himself from this article, when it comes up for discussion and a vote.

Article 6–Town Budget On a **MOTION** made by Mr. Packard and seconded by Mr. Banfield, it was unanimously **VOTED** to recommend Affirmative Action.

Article 10–Minuteman Regional Technical HS District Budget On a **MOTION** made by Ms. Rzepczynski and seconded by Ms. Hartman, it was unanimously **VOTED** to recommend Affirmative Action.

Article 11–Concord Public School Budget On a **MOTION** made by Mr. Packard and seconded by Mr. Jamison, it was **VOTED** with 9 voting in favor, 0 opposed, and 1 abstention (Hickling) to recommend Affirmative Action.

Article 12–CPS Capital Projects Mr. Swain made the following **MOTION**, which was seconded by Mr. Packard: To recommend Affirmative Action on Article 12. During the discussion which followed, the point was made that there is a possibility that Article 14 (Middle School Feasibility Study) will not pass, so that the portion of the funds in Article 12 relating to the middle school will be worthwhile. Mr. Banfield expressed the opinion that we are being whipsawed by the School Department about this project. Some of the funds for Article 12 (c. \$200K) are to pay for a reconfiguration of the grades (6 at Peabody and 7-8 at Sanborn), and this is being bundled into the larger capital project request. Why is this being proposed now, while a new school is being requested? Ms. Rzepczynski noted that a number of projects have been taken off the table in order to accommodate this \$200K expenditure. Ms. Zall was concerned that the public doesn’t understand what is being proposed in both this article and Article 14, and she asked that both articles be better explained at town meeting.

Dr. Hunter indicated that the presentation slides on Articles 12 and 14 have been evolving following the feedback received during and following the February 25 public hearing. She anticipates that the language will be crystalized before town meeting. In response to the concerns raised about the proposed grade reconfiguration, Dr. Hunter said that she is just trying to do better by the students currently being served. She also indicated that Ripley renovations are being deferred since the School Department is looking for grants to reduce those costs. A **VOTE** was then taken on Mr. Swain’s motion, which **PASSED**, with 9 voting in favor, 0 opposed, and 1 abstention (Hickling).

Article 13—Authorization to Accept MGL c. 71, §71E, School Property Fund Mr. Swain made the following **MOTION**, which was seconded by Mr. Packard: To recommend Affirmative Action. It was noted that these funds, which are from facility use fees from facility rentals, are currently going to the General Fund. Ms. Rzepczynski noted that the Town owns the facility (which is under the control of the School Committee), so any non-school use fees would more appropriately go to the General Fund. Dr. Hunter explained that she is trying to build a revolving account with these funds so that the gym floors could be maintained, and to cover other related costs. Mr. Swain commented that we are moving the funds from one pocket to another. A **VOTE** was then taken on Mr. Swain's motion, which **PASSED**, with 7 voting in favor and 3 opposed (Rzepczynski, Hickling, Hartman).

Article 14—Concord Middle School Feasibility Study Mr. Swain commented that the Town already has a lot of school debt, and the construction of a new middle school would double our school debt. This would also put Concord in the position of having double the school debt of any of our benchmark communities. He suggested that the FC review the debt charts recently prepared by Ms. Lafleur before the FC discusses construction of a new middle school without MSBA assistance.

On a **MOTION** made by Mr. Swain and seconded by Mr. Hickling, it was **VOTED**, with 8 voting in favor and 2 opposed (Banfield, Rzepczynski) to postpone discussion of Article 14 until the March 14 FC meeting, to allow time to digest the debt impact of a new middle school.

Article 15—CCRS Budget On a **MOTION** made by Ms. Hartman and seconded by Mr. Banfield, it was unanimously **VOTED** to recommend Affirmative Action.

Article 16—CCRS Capital Projects Mr. Swain made a **MOTION** that was seconded by Ms. Reynolds to recommend Affirmative Action in the amount of \$1 million for Article 16. Mr. Swain explained that the \$1 million is half of what is being requested by the CCRSD, noting that he feels the costs are inflated, and is concerned that any surplus funds would be misused, as has been done in the past at CCRSD. Ms. Hartman suggested the FC show good faith in the Superintendent's ability to manage the funds. Mr. Swain noted that the current administration has been transparent, but the Town has been burned in the past about the misuse of surplus funds. He suggested that if \$1 million is not sufficient, then the CCRSD could return to town meeting for additional funds, if needed. Ms. Hartman preferred that the parking and road projects be decoupled. Mr. Banfield noted that the School Committee had discussed this issue, and voted to keep the projects together, feeling that would improve the chances of passage and result in economies of scale. Dr. Hunter agreed that the \$2 million is very conservative and high, noting that it would be illegal to use the funds for anything other than what is being requested. She promised to only spend what is needed. In response to a question from

Ms. Zall, Dr. Hunter noted that Gale Associates was responsible for the \$2 million estimate.

A **VOTE** was then taken on Mr. Swain's motion, which **FAILED TO PASS**, with 2 voting in favor (Swain, Reynolds), 7 opposed, and 1 abstention (Zall).

A **MOTION** was then made by Mr. Banfield and seconded by Mr. Jamison to recommend Affirmative Action on Article 16 in the amount of \$2 million, which **FAILED TO PASS**, with 4 voting in favor (Tarpey, Jamison, Banfield, Packard), 5 opposed (Hickling, Rzepczynski, Swain, Hartman, Reynolds) and 1 abstention (Zall).

A **MOTION** was then made by Mr. Swain and seconded by Mr. Hickling to recommend **NO ACTION** be taken under Article 16. Mr. Tarpey noted that he understood from speaking with Dr. Hunter that any surplus funds would be returned to the towns. Ms. Rzepczynski noted that she does not support funds for a new parking lot, which does not solve the parking problem. She conducted spot checks of available spaces, and found that 40 cars were parked on Laurel Street, there were 43 open spaces on the main campus, and 19 open spaces at the Doug White fields. Every senior who wishes to have a parking spot has one. She suggested that the issue is more that some students are taking spots which are not their own, and the adults at the high school have not provided a procedure to solve the problem. She suggested that the students be given an opportunity to identify solutions to the problem that are consistent with the Town's green initiatives, and she expressed confidence that this could be done. She does not feel that the root of the problem will be solved by the current proposal of additional parking spots. When Ms. Rzepczynski surveyed other area schools, she found that parking privileges are only for seniors.

A **VOTE** was then taken on Mr. Swain's motion to recommend that No Action be taken, which **PASSED**, with 7 voting in favor and 3 opposed (Tarpey, Banfield, Jamison).

Article 18–Sustainable Growth Rate–General Bylaw Amendment Mr. Swain made a **MOTION** which was seconded by Mr. Packard to recommend Affirmative Action, with the details to be ironed out in the presentation. He noted that the FC had already voted to support placing the article on the warrant. Ms. Hartman felt that the goal of Article 18 is honorable, but she had concerns about the methodology and the use of a bylaw. She suggested that the proposal is not yet ready for “prime time.” She suggested that a standing town meeting vote would be preferable to a bylaw, and was concerned that the town meeting discussion would unnecessarily debate the details of the SGR. She was also concerned of the impact if Article 18 were to fail—how would the FC recover? Some have suggested that the proposal is a power play by the FC. Mr. Hickling noted that he had heard that the article is not needed for the FC to accomplish its goal of establishing a SGR—this could be done without a town meeting vote. Mr. Banfield saw some value in binding future FCs to follow this practice—institutionalizing the policy provides durability,

which itself has value; however, he agreed that it would be preferable to back off from putting the SGR into a bylaw. In response to a question from Mr. Packard, Ms. Lafleur noted that a town meeting vote is not needed for the FC to establish policies, noting that the Select Board and Town Manager frequently establish administrative policies. Mr. Swain suggested that we remove the bylaw component of the article, changing the article to requiring the FC to establish a SGR. Mr. Tarpey noted that Moderator Carmin Reiss had indicated to him that the bylaw component could be eliminated from the article. Concern was expressed by several members that the proposal still needs further development and discussion, with a lot of work remaining and not a lot of time prior to town meeting. Mr. Banfield disagreed, feeling that the SGR number could be calculated since the formula has already been decided. Mr. Packard suggested that the FC try the SGR on its own for a couple of years, and then possibly bring it to town meeting in the future, when more information is known.

Mr. Hickling was concerned whether the FC could still establish the SGR if it were to be defeated at town meeting. He noted that he has heard that voters are requesting more specifics, which are not included in the article, and would be needed for town meeting. Mr. Tarpey felt that a precise number is less important than the exercise that would be done prior to the budgets being established. Mr. Swain noted that the formula could be changed by the FC in future years. It was suggested that a schedule be established so that the SGR piece would be established by late summer, prior to the start of the Guideline process—this would then become part of the “growth rate exercise.” He noted that the five-year tax projection could possibly be fettered together with the SGR. Mr. Jamison commented that the public is confused about what is being proposed, and emphasized the political risk if Article 18 were to fail. Ms. Zall suggested that the FC communicate clearly that it is making recommendations about expenditures and tax increases, and is not changing laws.

It was suggested that a presentation be made by Mr. Tarpey at town meeting to explain the intent of the SGR, and this could be done when the FC first speaks at town meeting (perhaps prior to the Town Budget), noting that the comments apply to all operating budgets. Mr. Hickling suggested that the presentation include an explanation as to why we need a SGR; i.e., the FC sees increasing costs on the horizon and does not feel that this is sustainable. Mr. Swain made the following **MOTION** which was seconded by Mr. Packard: to defer the vote on Article 18 and to make a decision at the March 14 meeting as to how to proceed, allowing time for reflection. Mr. Banfield expressed support for Mr. Tarpey’s ability to make a successful presentation on Article 18 at town meeting. Mr. Tarpey noted that the consensus in the room at the recent League of Women Voters town meeting forum was to support the need for a SGR. Mr. Hickling agreed, but feels that the question is still open as to how to best accomplish this goal.

A **VOTE** was then taken on Mr. Swain's motion, which **PASSED**, with 9 voting in favor and 1 opposed (Hartman).

Adjournment

The meeting adjourned at 10:25 pm.

Respectfully submitted,

Anita S. Tekle

Recording Secretary (from videotape of meeting)

Documents Used or Referenced at Meeting:

- 2019 Annual Town Meeting Warrant
- Worksheet of Finance Committee Recommendations on Warrant Articles
- Email from Chris Whelan to Tom Tarpey RE: funding for new firefighters (dated 3.7.2019)
- Email from Kerry Lafleur to Chris Whelan RE: relaying funding questions from FC (dated 3.5.2019)
- Email from Kerry Lafleur to Thomas Tarpey & Dean Banfield RE: Emergency Response Stabilization Fund (dated 3.2.2019)
- Town Meeting vote on Emergency Response Stabilization Fund (Article 29 of 2012 Annual Town Meeting)
- Chart of Emergency Response Stabilization Fund History FY12-FY18 (dated 3.27.2019)
- Memo from Miguel Echavarri to Finance Committee RE: CMS Feasibility Study (dated 3.7.2019) and transmittal from Kerry Lafleur
- PowerPoint presentation on Guidelines & Five-Year Forecast (dated 3.7.2019)