

**Town of Concord
Finance Committee
Final Meeting Minutes - March 25, 2021**

Present: Ray Andrews, Dean Banfield, Kathy Cuocolo, Greg Guarriello, Mary Hartman, John Hickling, Richard Jamison, Dee Ortner, Parashar Patel, Christine Reynolds, Wade Rubinstein, Phil Swain, Brian Taylor, Lois Wasoff and Andrea Zall

Absent: None

Others Present: Town Manager Stephen Crane; School Superintendent Laurie Hunter; Select Board Members Linda Escobedo, Terri Ackerman and Matt Johnson; School Committee Member Cynthia Rainey; Middle School Building Committee Members Dawn Guarriello, Pat Nelson and Peter Fischelis; Chief Financial Officer Kerry Lafleur; Deputy Town Manager Kate Hodges; School Director of Finance & Operations Jared Stanton; Consultants Kristen Olsen, Lorraine Finnegan, and Ian Parks; Recording Secretary Anita Tekle; about 35 members of the public

Open Meeting

Ms. Hartman called the meeting to order at 7:03 pm with a roll call vote, with the following voting in the affirmative: Banfield, Hartman, Hickling, Taylor, Guarriello, Reynolds, Patel, Swain, Rubinstein, Andrews, Cuocolo, Wasoff, Ortner and Zall. The meeting was held via Zoom using the Webinar format, and broadcast via MMN. She noted that the meeting was being recorded.

Chair's Report

Finance Committee (FC) Report—Ms. Hartman reported that she is working with Ms. Lafleur to streamline the FC Report. She asked that reports only be submitted by those FC members who observe committees that are proposing Warrant Articles. She also noted that the 5-year tax projection is being simplified, with assistance from Mr. Banfield, Ms. Lafleur and Mr. Guarriello. The goal is to complete as much of the FC Report early, to avoid cramming as we approach the printing deadline. In accordance with the FC Bylaw, the FC Report is printed and distributed to voters no later than seven days prior to the Annual Town Meeting.

Nominating Committee—Ms. Hartman reported that Mr. Jamison and Mr. Swain have agreed to serve on the Nominating Committee.

Meeting Calendar—Ms. Hartman noted that May is a busy month due to the public hearings. There is no regular FC meeting scheduled for April. Public hearings involving the FC are scheduled for April 29, May 6 and May 11. The Select Board hearing is April 27, and the Planning Board hearing for May 13. She suggested that the May 13 FC meeting be cancelled, with the understanding that the FC will meet following the three FC hearings to consider and vote on Town Meeting recommendations. Consensus was reached to cancel the May 13 meeting, and to stay longer on the other dates.

FY22-26 Capital Improvement Plan

Ms. Hodges presented the FY22-26 Capital Improvement Plan for the Town. The FY22 debt plan was as follows:

FY22 DEBT PLAN -- \$9,615,000

New Debt	\$6,000,000
CPA Funds	\$795,000
Prior Debt Authorizations	\$1,290,000
Prior Cash Capital Authorizations	\$800,000
Grants	\$125,000
Other	\$605,000

In response to a question, it was noted that once authorized, there is no need to re-authorize debt in subsequent years. Debt authorization transfers from one project to another can only be made with Town Meeting approval, and are dependent on the language of the original authorization. The Town only borrows the amount needed for the project. Ms. Hartman questioned the FY22 White Pond capital project, which involves \$500,000 in General Fund debt and \$300,000 in CPA funds, in light of the fact that use of the beach at the Pond is limited to members. Ms. Hodges responded that fees charged for use of the swimming area go toward paying operating costs for lifeguards, trash removal and beach activities for 8-12 weeks in the summer. As a “great pond” the Town is required to keep White Pond open for fishing and boat launching from the shoreline. In addition, once developed, the “park” area will be open and available for use to all throughout the year. In response to a question about swimming access, Ms. Hodges indicated that swimming is allowed at the beach in the summer with a membership. Ms. Hodges emphasized that operating costs for the beach are borne by user fees, while capital costs are borne by taxpayers. In response to a question from Ms. Zall, Ms. Hodges indicated that there is no fee to launch a boat from the boat ramp. In response to a question from Mr. Taylor, Ms. Hodges indicated that only non-motorized boats are allowed on White Pond.

Ms. Hodges reviewed specific project funding involving multiple years. Expenditures for the Gerow property are as follows:

Year	Amount	Source
Prior Years	\$2,700,000	Purchase and related costs; Town Debt; CPC \$500K
FY20	\$1,400,000	Roadway & walkways; Town Debt \$1.2 mill; CPC \$200K
FY21	\$500,000	Stormwater management; CPC
FY22	\$280,000	Open air pavilion & restrooms; CPC

Expenditures for Warner’s Pond are as follows:

Year	Amount	Source
FY20	\$75,000	
FY21	\$1,000,000	Town Debt \$500K; CPC \$500K
FY22	\$1,500,000	Town Debt \$1.25 mill; CPC \$250K

Ms. Hodges reported that \$250,000 is being sought from CPC funds for the initial design and permitting for a new bridge to be constructed over the Assabet River in West Concord, to connect the downtown area with Baker Avenue extension. Once the design work is completed, it is the Town’s intent to seek financial assistance for construction from the area businesses.

In response to a question about IT capital funding, Ms. Lafleur indicated that existing available funds may be used, along with some COVID relief funds. Mr. Crane indicated

that the Town is moving to Office 365 and a cloud-based system, which will involve significant funds for license fees, etc. With a new IT Director, he is considering FY22 to be a transition phase for IT expenditures.

Free Cash Certification

Ms. Lafleur reviewed the Town's free cash position as of June 30, 2020. This is the unrestricted fund balance, certified by the State Dept. of Revenue. The balance of \$6,398,206 represents 5.54% of the Town's FY21 budget, which is lower than expected but within the Town's policy guideline (5-10%). A free cash balance of lower than 5% would be atypical for a Aaa-rated community. One reason for the lower-than-expected amount is the timing of receipts for two projects: (1) Cambridge Turnpike grant and Chapter 90 funds--\$1,342,702 (funds received in October 2020); and (2) Telecommunications Capital funds--\$118,563. Both of these amounts will be included in the Town's June 30, 2021 free cash balance. If \$1 million were to be transferred from free cash to reduce the FY22 tax rate, then the balance of free cash would be \$5,398,206 (4.67%). Ms. Lafleur noted that this amount will be augmented by any surplus FY21 funds that are returned to the Town, along with other receipts that come in higher than estimated. Ms. Lafleur does not anticipate any negative bond rating as a result of the Town's free cash position. The rating review will be done in 4-5 weeks.

Ms. Lafleur noted that only certified free cash can be spent by Town Meeting. There is currently no appropriation in FY22 for affordable housing. If funds were appropriated, then that would cut into the free cash balance. When the initial budget was developed last fall, the Town was working with the assumption of a free cash balance closer to \$8 million. Mr. Patel expressed concern that we are dipping into our reserves and/or year-end surplus funds to fund operating costs, rather than replenishing free cash for use the following year. Ms. Lafleur noted that the Town estimated very low for local receipts, and she is finding that they are coming in higher than estimated. Mr. Crane commented that when a community has high levels of free cash it means that the Town levied more than it needed. He feels that "parking" funds is not always a good choice. He suggested that the Town not levy the funds originally, rather than levy too much and return the surplus to free cash.

Ms. Hartman noted that the Concord Housing Authority has asked that \$500,000 be appropriated from free cash for affordable housing. She was concerned about bringing the free cash balance to lower than 5%. Ms. Lafleur noted that while the Town's overall bond rating is Aaa, we do not rate that level in all categories on the bond score card. We are extremely strong in some areas, and not as strong in others. She would have to consult with our bond raters as to what changes would negatively impact the rating. Mr. Banfield commented that when the Town is at the top of the free cash range (close to 10%), then the free cash balance serves as an attractive source of funding for new project-oriented warrant articles. His preference is to not see those balances rise too high. In response to a question from Ms. Ortner about the potential of a reduced bond rating, Mr. Crane said if that were to happen, the raters would give the Town a warning and provide an opportunity for the Town to make adjustments at the following town meeting. The Town would be given a negative outlook prior to reducing the rating, so he felt there was no immediacy.

In response to a question from Mr. Patel, Ms. Lafleur indicated that she had received an informal review from our bond rater, and was told that even with a large school project, a negative impact was not anticipated since the Town's free cash balance is still above 5%. Mr. Crane also noted that the Town has unused levy capacity, which is looked at positively by bond raters. Mr. Rubinstein noted that we are at the threshold of 5% for free cash, so we have to be careful of any proposed warrant articles that dip into free cash.

Review—Estimated Tax Impact of Middle School Project

Mr. Patel presented a graph comparing Concord's average tax bill as a percentage of per capita income with that of area communities. The result is that Concord is in the "middle of the pack" compared to similar towns, even if the average tax were to increase by \$1,085/year to pay for a new middle school. He noted that an increase of \$1,085 is 6.7% over the 2021 average tax bill, and all other factors being equal, would remain 6.7% higher for 20 years. He noted that Concord is in the top quintile of all 351 Massachusetts cities and towns based on per capita income and average single family house value. The \$1,085 figure was calculated based on the impact of borrowing \$100 million over a 20-year period. Mr. Taylor noted that some debt is coming to an end, so while we will see a spike in the short-term, it will gradually decline as other debt reaches its sunset. The unknown is how much new debt beyond the middle school will be approved, to replace the declining debt. Ms. Reynolds commented that the Town can control its debt through long-term capital planning. Mr. Crane noted that the Town does both capital planning and debt planning.

Mr. Banfield presented a brief analysis of the comparative costs for Concord vs. other communities. A building constructed using MSBA standards for 700 students is estimated to cost \$82.2 million. This is considered a small building by MSBA standards. Other projects reviewed were 4-8% larger than the MSBA baseline. Some elements for MSBA reimbursement would be disallowed. If we were to obtain MSBA funding, the estimated reimbursement would be around 20% (\$17.2 million). A building with MSBA funding would cost \$69 million, and is unknown if and when funding would be available. Concord's education program requires an additional 11% of space beyond an average middle school, and 16.3% beyond the MSBA base number (\$9.3 million). The proposed building would meet all educational goals and would cost an estimated \$95.6 million. Some community interests were not met, and these interests were not driven by the needs of the Concord Public Schools.

Middle School Project

Ms. Hartman summarized the middle school project to date, noting that there is no article on the 2021 Annual Town Meeting warrant.

- 2017 - School Committee recommended that Peabody and Sanborn buildings be merged into one new building for the middle school; the estimated cost was \$63 million for a new building, or \$68 million for a new building with a larger gym and larger auditorium.
- 2018—Estimated cost of a new building put at \$90 million
- 2019—working budget of \$80-100 million; design and footprint will be factored into the price of the design

- 2021—the Middle School Building Committee (MSBC) voted unanimously to accept the proposed design; community feedback is now being sought, including input from both the Select Board and FC. The MSBC is before the FC tonight to seek input on the proposed design.

Mr. Guarriello indicated that since his wife Dawn Guarriello is Co-Chair of the MSBC, he will refrain from participating in the conversation and any votes, and muted himself during this portion of the meeting. MSBC Co-Chair Pat Nelson and consultant Kristen Olsen presented the current plans for the project. The project goals are as follows:

- Total Project Cost Range -- \$80-\$100 million
- Replace two middle schools with one combined middle school, Grades 6-8
- Design enrollment for 700 students
- Team Teaching Model which meets the School Department's Education Plan
- Design for Net Zero Energy

Ms. Olsen reviewed the designs for both of a 7,000-sf gym and a 13,000-sf gym, and two options for a larger auditorium. If one MIAA main court and two MIAA cross courts were to be added to the design, then the increased cost would be \$4.2 million to \$6.2 million. A larger MIAA main court but smaller cross courts would cost an estimated additional \$2.5 million to \$3.8 million. Adding 80 auditorium seats (for a total of 350 seats) would increase the project cost by \$0.7 million to \$1 million. Adding 280 auditorium seats (for a total of 550 seats) would increase the project cost by \$2.3 million to \$3.5 million. Ms. Reynolds asked whether any long-term data had been collected as to the need for a larger gymnasium or auditorium. Have other recreational space needs been considered in conjunction with this proposal, such as an expansion of the Hunt Gym or other facilities? Ms. Olsen indicated that some data that was gathered by Concord-Carlisle Youth Basketball is available. Mr. Crane commented that some capital projects are done when opportunities arise, which is what he considers the current situation.

Ms. Ortner inquired about parking concerns. Ms. Olsen indicated that there is adequate parking for the current design, but not when the auditorium is full. A larger auditorium would require a parking waiver from the Town's Zoning Bylaw, and a decrease in field space. Parking demand is difficult to assess. Ms. Zall commented that at a recent Rotary meeting, Mr. Crane expressed concerns about parking for outdoor dining. She noted that parking at the high school has been an issue for years. She was concerned that enlarging the gym and auditorium would bring in more cars, particularly if the facilities are used by outside groups.

Comments from Finance Committee Members

Ms. Hartman commented that the Town needs a new middle school. This is a massive project—the largest ever done by the Town. She noted the price tag for a new high school for 1,200 students cost Concord \$64 million, and included funding assistance from the MSBA. This project is approaching \$100 million and accommodates 700 students. The increased annual tax impact of \$1,000 for 20 years is a big ask of the taxpayers. She questioned the argument that we should use this opportunity to solve other problems. She noted that there are other capital needs that have been deferred due to school capital projects, such as improvements to the Public Safety Building. The incremental “add-ons” are problematic. She suggested that the Town look at

publicprivate partnerships to pay for some of the additional design requests. She prefers that the project stay within budget, while still accommodating the Education Plan. Town resources are not unlimited, and taxpayers are already burdened by the \$1,000/year base cost, without enlarging the scope of the gym/auditorium.

Ms. Ortner commented that she supports two full-size gymnasiums to accommodate a variety of sports. She is concerned about the tax impact of the project, which will be a significant burden for many. She suggested that the Town Appraiser be invited to meet with the FC to see if any assistance could be provided to those who would struggle with this increased cost. She also suggested that the Town look at the relative cost of a 20-year bond vs. a 25-year bond for the project, with the understanding that other capital projects will be coming along.

Mr. Banfield commented that the need for a long-term capital planning process is paramount here. The Town needs a more structured way to evaluate this request. There has been no underlying needs assessment to justify the increased scope and cost. If we had a capital planning committee, we would have data readily available to evaluate the proposal.

Ms. Reynolds noted that the MSBC had followed a good process that supports the Education Plan. The add-ons came out later in the process in an ad-hoc way. There is a good risk that the project cost will exceed \$100 million, which is of concern. She also expressed concern about the contingency for the project. She feels that the project is a big burden for taxpayers.

Mr. Patel urged the MSBC and School Committee to develop a real needs assessment for a larger auditorium and a larger gymnasium. What would be gained with the add-ons? What are the tradeoffs?

Mr. Rubinstein suggested we look at projected enrollment. The current space is not sufficient for graduation. When we look at the full cost of the project, we may need to better assess how the community feels.

Mr. Andrews noted that his daughter had participated in basketball when she was at CPS/CCHS, noting the value of providing opportunities for students to participate in team sports. He feels that a recreation facility to support team sports is good for the Town. He suggested that some revenue be sought from users, to offset the impact on taxpayers.

Ms. Zall expressed an understanding of wanting to have the biggest and best in terms of facilities and athletic/arts offerings. She noted that she has grandchildren in Brookline and Concord who participate in both sports and arts/theater. She recently toured the Police Department and was horrified to see the significant unmet needs of the facility. Town projects are being put on the back burner. We cannot break the back of the average citizen who is trying to remain in Concord.

Mr. Jamison thanked the MSBC members and the FC members who have worked on this project. He suggested that we segregate the needs of the middle school from the needs of the Town as a whole. These are different questions, which involve different

analysis. He suggested that good questions have been raised, and these need to be addressed before the Town adopts the Cadillac version for a middle school.

Ms. Cuocolo thanked Dr. Hunter for a valid Education Program. She expressed concern about the substantial expenditure of funds and the tax burden that will affect many long-term residents. She suggested that we seek alternative ways to raise funds for the desired add-ons for the project.

Mr. Taylor thanked the participants for trying to build the most dynamic school system possible. When looking at the add-ons, he finds the extra space appealing, and the request should be taken seriously. However, at the same time we have to look at the fiscal resources that are available. He expressed concern about the process. The FC has received many letters in support of a larger gym and auditorium. The MSBC conducted a masterful job of designing a building, and now at this late hour, two significant add-ons have surfaced. A needs assessment would help to better understand the request. He noted that when he was growing up, there was one basketball court for both the middle school and high school. He is not convinced that a double court is important. He supports athletics and team sports, but is concerned about the cost. What we were told would cost \$80-100 million is now in excess of \$100 million. He urged the MSBC to go back and try to be as methodical as possible in establishing priorities for the scope of the design.

Ms. Wasoff recognized the amount of work and thought that has gone into the process, and the quality of the presentations tonight. She was concerned about the last-minute request to expand the scope of the design. While she never doubted the need for a new middle school, these latest add-ons are not in step with the thoughtful process that has occurred up to this point. She expressed concern that they have been added on at the end without the same level of work or thought. She is concerned that the project itself will be endangered because it goes too far. She is also concerned about the long-term financial impact on the Town. She noted that we are paying for this project without any state funding assistance. Going forward, the Town will have to make some difficult choices about other capital projects that are coming in the near future. While she strongly supports a new middle school, she also sees the need for a better capital planning process.

Mr. Swain complimented the FC members for the comments made so far. He feels that the MSBC has done a good job and supports the need for a new middle school. He is concerned about the cost and the lack of long-term capital planning, and the burden on the taxpayer.

Ms. Hartman thanked the FC members for their thoughtful comments, which she urged the MSBC to consider.

Mr. Crane commented that the MSBC has reviewed and endorsed a plan that meets the educational needs of the students, and is within the \$80-100 million budget. The committee is appointed by the Select Board. Members of the community have pressed for an expansion of the gym and auditorium. He does not feel that there has been a flaw in the process, noting that the committee worked hard to stay within budget. Mr. Taylor expressed concern that the process had not adequately provided for public dialog about

the project earlier, which resulted in the “add-ons” at this late stage of the process. Mr. Crane responded that the push from the community is new, which he feels is a natural part of the process after a significant pause due to COVID.

Ms. Hartman summed up the purpose of the meeting, which was to provide an opportunity for the FC to provide input to the MSBC. Ms. Nelson thanked the FC for what she considered a wonderful exercise. She indicated that a survey is planned, and there will be an opportunity for folks to be more involved in the process. Mr. Patel emphasized the need for a data needs analysis first, which should then be incorporated into the presentation to taxpayers.

Correspondence

Ms. Hartman acknowledged receipt of correspondence from many residents supporting the need and desire for a larger gymnasium and larger auditorium. The FC members have received the correspondence. She asked that those residents who wish to speak tonight limit their comments to new information which was not provided in the letters received.

Citizen Comments

Kelly Ryan noted that she had not been aware of the process until recently. She noted that the difference between the original and expanded designs is about \$6 million. She suggested that the Town use free cash to fund the difference, providing that it doesn't impact the Town's bond rating. The request is so much more than more space for basketball and a larger audience for theater productions. The middle school is a project that is near and dear to many. She was concerned that the process had not been adequately explained to residents. Ms. Hartman noted that the public hearing process provided by the MSBC is the best opportunity for citizens to share their concerns about the project. Mr. Patel noted that the \$5.4 million balance in free cash is not available to be spent—5% is the minimum that must be retained by the Town. Ms. Hartman noted that the FC has already allocated \$2 million to the Stabilization Fund to mitigate the impact of the new middle school.

Peter Fischelis suggested that the \$550/sf cost x 6,000 sf (the incremental amount) only comes to \$3.3 million, so he questioned the estimated cost for the larger gym and auditorium. He also supports the idea of private funding for some of the add-ons. The issue is timing. With the library expansion project going on, it is difficult to raise funds at this time. He noted that COVID has also resulted in a bit of a depressed cost for construction, so speed is important before that changes. He suggested that the add-ons could be done at a lower cost if timed correctly. Mr. Fischelis urged the consultant to take another look at the estimated cost of the add-ons.

Marc Caruso noted that he had been working with the MSBC for the past 15 months, and the COVID pause was problematic. The design that came out after the pause was a surprise, which is why there is a strong push now from residents. He felt strongly that we can't have less space in the new building than we currently have in the two buildings.

Johanna Boynton noted that she had served on the School Committee for six years. She noted that things frequently change after a budget is established. Residents are at

tonight's meeting because they care, and the suggestions did not emerge from nowhere.

Abby White asked whether the future use of the Peabody building and site have been factored into the budget. Some things have changed as a result of COVID, including construction costs. Ms. Reynolds noted that the Peabody property is owned by the Town, and she has asked the MSBC to consider any future use of the property as an offset to the cost. Mr. Crane noted that the new building project would be bonded prior to any sale of the Peabody property, so the timing would not provide for a cost offset. Ms. White suggested that anticipated future receipts from the property could be factored into the larger financial plan for the project.

At 10:21 pm, and on a **MOTION** made by Ortner and seconded by Mr. Taylor, and on a roll call vote (with Ortner, Hartman, Banfield, Reynolds, Rubinstein, Patel, Zall, Andrews, Cuocolo, Wasoff, Jamison, Swain, Taylor and Guarriello all voting in the affirmative), it was **VOTED** to adjourn the meeting.

Respectfully submitted,

Anita S. Tekle
Recording Secretary

Documents Used or Referenced at Meeting:

Correspondence from the following:

- Middle School Building Project—correspondence received from 30+ residents
- Notification of Free Cash Approval, Summary & Calculation (Department of Revenue, March 18, 2021)
- Average Tax Bill as % of Per Capita Income, Comparative Chart (Patel, 3/25/2021)
- Analysis of Community wishes included in design, and those which are not met (Banfield, 3/25/2021)
- Presentation from Middle School Building Committee (dated 3/16/2021)