

**Town of Concord
Finance Committee
Meeting Minutes - April 25, 2019**

Present: Thomas Tarpey, Greg Guarriello, Mary Hartman, Richard Jamison, Dee Ortner, Karle Packard, Christine Reynolds, Wade Rubinstein, Phil Swain, Brian Taylor and Andrea Zall

Absent: Dean Banfield, Peter Fischelis and John Hickling (one vacancy)

Others Present: School Committee Member Cynthia Rainey; Robert Grom; Finance Director Kerry Lafleur; Recording Secretary Anita Tekle

Meeting Opened

Mr. Tarpey called the meeting to order in the Select Board Meeting Room at the Town House at 7:01 pm. He announced that the meeting was being televised and recorded by MMN.

Introduction of New Members

New members Dee Ortner, Wade Rubenstein and Greg Guarriello were introduced and welcomed. Current members introduced themselves.

Correspondence

Mr. Tarpey reported receipt of correspondence from a resident urging the Town adopt a new method of municipal financing that involves borrowing money from the Federal Reserve rather than the bond market. Mr. Tarpey advised the writer that this is not within the purview of the Finance Committee (FC), and urged him to contact our legislators since what he is proposing would require a change in state law.

Nominating Committee

Mr. Tarpey reported that he intends to appoint Mr. Jamison, Mr. Swain, Mr. Packard and himself to the Nominating Committee. No objections were raised. The Nominating Committee will propose a roster at the May 23 meeting.

Sustainable Growth Rate

Mr. Tarpey summarized the history of the Sustainable Growth Rate (SGR), which included a public hearing last spring; a report and recommendation voted on and accepted by the FC; drafting of Article 18, which proposed to amend the FC Bylaw to require a SGR for the coming year and subsequent five years; followed by no motion, with a statement by Mr. Tarpey made at town meeting. He noted that the events at this year's town meeting were a good example of the impact of large capital projects not being considered in a comprehensive manner-design of a new middle school, plus proposals for three large capital projects, all financed through property taxes. Mr. Tarpey

feels that the three budget and negotiating entities should be urged to take these capital costs into consideration when bargaining with employees. Ms. Hartman suggested that the SGR concept be kept alive and urged that the SGR be published early, prior to the guideline being established and the budgets prepared. Mr. Packard noted that it was announced that the SGR would be published by early July. Ms. Reynolds noted that the League of Women Voters urged the Town to adopt a comprehensive capital plan, suggesting that some are listening to the FC's concerns.

Mr. Swain noted that the Randall Curve started this discussion, comparing the tax rate increases since 2009 with the CPI and other financial indices. The tax rate increases have significantly outpaced the indices. Mr. Tarpey commented that a 10% increase in property taxes would be a significant strain on a large portion of the population, particularly those who are considered "housing burdened" (i.e., spending >30% of household income on housing). In response to a question from Ms. Ortnier as to the expected outcome of a hearing, Ms. Hartman indicated that it would provide an opportunity for the FC to explain the Randall Curve and generate a conversation about how tax increases impact residents—are taxpayers concerned? She also indicated that the FC should consider hosting more than just one hearing—perhaps a series of "road shows" with different groups in Concord. Mr. Tarpey supports holding a hearing, but feels that we should not wait for the hearing before publishing the SGR. This is consistent with the vote taken by the FC last fall. Mr. Tarpey was concerned as to how the operating budgets would blend in with the upcoming capital costs, noting that we will be asked to finance a new middle school in 3-5 years. What impact will that have on both the property tax and on operating budgets?

Mr. Packard noted that we currently have the responsibility of publishing a five-year tax projection, which historically has not included capital projects not yet approved. He suggested that we include those capital projects which are likely, but not yet voted, in order to give voters a truer picture of the tax burden of their town meeting votes. Volunteers were invited to join Mr. Banfield and Mr. Tarpey in working on the five-year projection model.

Ms. Zall noted that the Chamber of Commerce distributed an explanation of the 2019 Warrant articles to its members. This is another group to which the FC could provide outreach. Mr. Tarpey noted that the Concord Business Partnership meets on the first Wednesday of each month. Ms. Ortnier suggested that inserts with the Light Plant bulletin or the quarterly tax bill be explored.

Town Meeting Recap

It was noted that Moderator Carmin Reiss is scheduled to come to the FC meeting on May 23. The FC discussed those articles about which it made recommendations at town meeting.

Article 14 (Middle School Feasibility Study) Mr. Tarpey suggested that the Moderator be asked to provide an explanation to town meeting of the role of the FC in making recommendations about articles that have a financial impact on the Town. Mr. Swain noted that the FC's amendment to reduce the appropriation had failed to pass, and he was concerned that the School Committee (SC) will expend the \$1.5 million in any way they want. He cited examples of how past SCs had spent high school capital funds on what he considered extraneous projects, not within the original plan. Ms. Hartman noted that Supt. Hunter has indicated that any unused funds for the middle school project will be returned to the Town, and she felt that a conversation based on trust is essential going forward. Ms. Lafleur clarified that the borrowing authorization at town meeting restricts use of the funds to only those purposes for which the money was borrowed. This is different from the School's operating budgets, which may be spent any way that the SC wishes. Capital funds are restricted to those uses itemized in the town meeting vote.

Mr. Swain expressed concern about the Moderator allowing the SC to change the slides for its presentation at the last minute, despite having a deadline for presentations the prior week. He felt that this was unfair, since others did not have the benefit of being aware of either the proposed changes or the rationale for making them. This practice did not provide an opportunity for the FC to adequately respond to the changes, since they were unknown until just prior to the meeting. Ms. Zall felt that the FC's intent in reducing the appropriation for Article 14 was misinterpreted—the FC is not opposed to funding for a new middle school, but wished to vote for the feasibility study only at this time, with additional funding requests to be brought forward separately. Mr. Taylor expressed concern with the process and the misinformation, with the constituents for Article 14 moving as a group from the lobby to the gym, intent on voting for the full appropriation, expressing fear that the FC does not want a new middle school. He felt that the FC should do more outreach in the future to be sure that its concerns are heard. He suggested that the Moderator explain that the role of the FC is not an adversarial one. The FC should advise taxpayers that there are other capital needs beyond the middle school.

Ms. Ortnier suggested that the SC initially called the proposal under Article 14 a feasibility study, and didn't adequately explain until close to town meeting that in fact the proposal was also for schematic design. She felt that adequate explanations were not presented to voters, who did not have information about the proposed changes in advance of the meeting. Mr. Swain felt that the Moderator should be responsible for assuring that voters understand the impact of their votes.

Mr. Guarriello commented that he is the husband of the architect who spoke at town meeting about the middle school (Dawn Guarriello). He had the impression that the FC had not been adequately advised about the middle school proposal prior to town

meeting. Mr. Swain commented that he had gone to the MSBA and reviewed the costs of feasibility studies/schematic designs for middle schools. The median cost of these studies is \$750K, which is what was presented by the FC as an amendment at town meeting. He feels that \$750K would still have been sufficient to do what is being proposed. Mr. Guarriello responded that \$750K may be the median of what was requested by other communities, but not what was spent. Many communities spend additional funds on these segments of the project.

In response to a question from Mr. Taylor about surplus funds, Ms. Lafleur indicated that any unused funds from Article 14 would remain with the project until it is closed out by town meeting. At that time, surplus funds could be transferred to another project or returned to the general fund. She indicated that she would not seek permanent financing until the project is complete, so no more than is needed will be borrowed. Mr. Tarpey indicated that despite Mr. Swain's efforts, the FC did not get its point across at town meeting that the project could be done for less than \$1.5 million, and that it was not necessary to appropriate the maximum amount. Mr. Swain noted that the way that the SC came up with the \$1.5 million estimate was to ask the bidders if \$1.5 million was sufficient for a feasibility study, rather than build up the cost estimate from the bottom.

Article 16. CCHS Capital Projects It was noted that this article failed to pass at town meeting, mainly due to environmental concerns about adding parking spaces. The feeling was that concerns about parking had not been adequately solved. Ms. Zall noted that failure of the article was also due to the SC's decision to not separate the parking project from the lighting and access road project.

Articles 23-26 Affordable Housing Ms. Hartman noted that a request for use of free cash for affordable housing will be brought back to town meeting in 2020, and the FC is also interested in using free cash for a stabilization fund. She hopes that the relationship between the FC and the Select Board (SB) is more collaborative in the future, since the use of free cash will need to be coordinated. Ms. Reynolds was concerned about the last minute change made to the real estate transfer tax proposal (exempting the first \$600K of the sale price) and the building permit surcharge was vague until town meeting. Ms. Hartman noted that the articles were written ambiguously, with details only brought forward at town meeting. The changes to the motions were not relayed to the FC, which made the task of taking positions challenging at best. Mr. Swain commented that as a result of the last minute changes, the message presented at town meeting on behalf of the FC was equivocal. Ms. Hartman also noted that the FC members who initially voted were not the ones who voted on the proposed changes, which further complicated the recommendations. It was agreed that the FC should have a clearer message in the future—it looked like there was no agreed upon message about these articles. Ms. Zall noted that the only reason that the FC changed its position on the articles was because the articles themselves had changed in the last

few days prior to town meeting. Mr. Swain noted that the FC focuses a lot of time and effort on the operating budgets, but not enough on the capital requests. He suggested that a more deliberative process be used in the future.

Reserve Fund Transfer Request

Ms. Lafleur explained that the Town has a Reserve Fund of \$225K, which may only be spent with approval of the FC. The fund is to be used for extraordinary and unforeseen expenditures. She prefers to wait until closer to the end of the fiscal year to see if overages can be covered elsewhere in the budget. She noted that legal costs are currently about \$65K over the \$350K appropriation, noting that \$100K was added to the initial \$250K appropriation at the December special town meeting. She anticipates a deficit of approximately \$200K, partly due to the Estabrook Woods project, but including other legal expenses. She noted that there has been a settlement with one party in the law suit (Harvard University) but not with the other landowners. She noted that through the end of March, legal costs for Estabrook Woods are running approximately \$225K. The hourly rate of legal counsel is \$325 at the top level, with a lower rate for other legal staff. In response to a question, Ms. Lafleur indicated that the costs of the Nagog Pond litigation are being borne by the Water Fund.

Chair's Report

Mr. Tarpey reported that the State Dept. of Local Services runs what he called a “boot camp” for local financial officials, which he has attended a couple of times and highly recommends. If FC members are interested in attending, they should contact Ms. Lafleur. The sessions are being held in Sharon on May 16 and Auburn on May 23 (all day). Pre-registration is required, and the Town will pay the registration fee.

On the issue of the Capital Facilities Planning Committee, the FC wrote two letters to the SB (November 2018 and February 2019), with no response, which is disturbing. This is particularly so in light of the debt service impact of the newly approved projects. Mr. Swain noted that he had spoken with the Town Manager, who is aware of the FC's concerns and letters, and noted that the SB is also aware. Mr. Tarpey indicated that he will follow up on this issue with SB Chair Mike Lawson.

Mr. Swain expressed concern that the issue of a Permanent Building Committee has been ignored by the SB—instead, it is appointing a Middle School Building Committee. He feels that a Permanent Building Committee is preferable, in that such a group would develop expertise in dealing with architects and contractors, and the public bidding and building process. He suggested that this be included in the outreach to Mr. Lawson.

At the most recent SB meeting, the Town Manager search process was discussed. Three finalists are being interviewed on Saturday, starting at 8:30 am in the Hearing Room of the Town House. He urged interested FC members to attend.

Mr. Tarpey indicated his interest in hosting a FC pot luck dinner. He will create a doodle survey to try to come up with a date.

Observer Reports

None

Finance Director 's Report

Ms. Lafleur indicated that the SB has called a special election for June 4 for the middle school debt exclusion vote.

Citizen Comments

None

Adjournment

The meeting adjourned at 8:45 pm.

Respectfully submitted,
Anita S. Tekle

Documents Used or Referenced at Meeting:

- None