

Town of Concord
Finance Committee
Debt Sub-committee

Meeting Minutes – October 5, 2020

Present: Mary Hartman, Christine Reynolds, Parashar Patel, Dee Ortner

Others Present: Finance Director Kerry Lafleur; Resident Karlen Reed; Select Board Chair Linda Escobedo

Meeting Opened: Mary Hartman called the zoom meeting to order at 7:00 pm.

Roles and Responsibilities of the sub-committee members

Ms. Hartman opened the meeting by stating that she recommended that the sub-committee should rotate the agenda-setting and minutes-taking amongst the group. This action was deferred to the end of the meeting

Goals of the sub-committee

To begin the discussion Ms. Hartman listed the following topics for discussion:

- Debt service relative to total budget
- Trends in debt service
- Development of a quicker way to forecast debt service for proposed capital projects
- Timing of any appropriated but unspent debt
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Ms. Reynolds added that her concerns focused on questions regarding policy, particularly around debt capacity and debt stabilization reserves. Mr. Patel concurred with Ms. Reynolds' concerns especially as the Town addresses long range capital planning. Mr. Patel mentioned a goal may be to establish some context and background regarding debt service (e.g. numbers, policies and areas in which to dig deeper). He referred to this as Phase 1 or *current state*. Mr. Patel further stated that recommendations could form a Phase 2.

Ms. Ortner supported the need to focus on the *current state* as well as developing a better understanding of not only debt service, but also debt and debt limits. She also supported the need for debt stabilization reserves and asked Ms. Lafleur to explain how such a reserve(s) would work. Ms. Lafleur responded by saying that Town Meeting can establish a general purpose and/or specific purpose (e.g., Concord Middle School) stabilization fund. The committee continued to discuss the applicability of such funds to large-scale capital projects. Ms. Ortner also supported the role of debt capacity and thought a better understanding of this was needed.

Ms. Reynolds supported a two-step process, that being a definition of the *current state*, followed by a discussion with the entire Finance Committee, which may result in the need for further work by the sub-committee. Additional discussion reinforced the need for a better understanding of the complexities around municipal funding, the roles that debt and debt service play in the budget process, and the timing and impact of debt burden. The members also discussed the numerous capital projects on the horizon.

The work of both the Capital Planning Task Force and the sub-committee as well as the potential overlaps and possible synergies were mentioned. The conversation continued and shifted to debt capacity as well as the existing policies and practices under which the Finance Committee and the Town operate.

Mr. Patel articulated four key topics in addressing the *current state*: finance policies of the Town and schools, trends in managing debt service, forecasting of debt capacity (e.g., the upper limit within the levy) in the 5-year capital plan, and unspent debt.

Ms. Hartman summarized that currently there are numerous questions and various levels of understanding of debt and debt service as well as how financial decisions are made in the Town and in our schools. Furthermore, dependent upon a potential policy impact, the Finance Committee may need to seek input from other bodies (i.e. Select Board and Town Manager). To get us grounded Ms. Hartman suggested that the next step be a presentation on the *current state* to the Finance Committee.

Review MA Municipal Association (MMA) guidance on debt and debt service

Ms. Ortnier reported that the allowable debt for our Town is well within the 5 percent limit of the Town's current equalized valuation. (Municipal Bulletin No. 39, Chapter 44 Section 10). The 5 percent amount is \$356,710,170. The definition of debt service was read as shown in Municipal Bulletin No. 39, Chapter 44A Section 1.

Review of data already collected/identify other data needs

The data shown on Ms. Hartman's spreadsheet indicates that the Town appears to be in good shape financially with regards to debt as a percent of total budget. Mr. Patel expressed a desire to see a comparison with similar towns. Ms. Lafleur volunteered to obtain this information. Ms. Hartman stated that she would like to address with the finance committee the policy concerning debt within the levy limit. Her concern is about the use of such funds, that is to refresh equipment and not to fund new projects.

Mr. Patel volunteered to draft an outline for a workshop session to be presented to the full Finance Committee. This outline will form the basis for the next meeting of the sub-committee. Ms. Ortnier volunteered to draft the minutes of this meeting.

Question from the Audience

Karlen Reed asked if the presentation would include forecasted debt information on the proposed Concord Middle School. Ms. Hartman responded that the workshop would address debt and debt service.

Adjournment

The meeting adjourned at 8:02pm.

Dee Ortnier