

Town of Concord
Finance Committee –Guidelines Subcommittee
Meeting Minutes - December 5, 2019

Present: Dean Banfield, Greg Guarriello, Mary Hartman, John Hickling, Richard Jamison, Dee Ortner, Parashar Patel (remote participation), Christine Reynolds, Wade Rubinstein, Phil Swain, Brian Taylor, Thomas Tarpey and Andrea Zall

Absent: Peter Fischelis and Karle Packard

Others Present: School Committee Members Cynthia Rainey and Heather Bout; Select Board Member Michael Lawson; Finance Director Kerry Lafleur; LWV Observer Diane Proctor; 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. Ms. Hartman announced that she had granted permission for Parashar Patel to participate remotely for the following reason: significant geographic distance due to work travel. Ms. Ortner inquired about a method for tracking pending issues that require further follow-up. It was agreed that the Chairs will work out a system.

Approval of Minutes

On a **MOTION** made by Ms. Ortner and seconded by Ms. Zall, the Guidelines Subcommittee minutes of October 24, 2019 were unanimously **APPROVED**, as drafted (with Banfield, Guarriello, Hartman, Hickling, Jamison, Ortner, Patel, Reynolds, Rubinstein, Swain, Taylor, Tarpey and Zall voting in favor).

On a **MOTION** made by Mr. Hickling and seconded by Ms. Reynolds, the Guidelines Subcommittee minutes of November 14, 2019 were unanimously **APPROVED**, as amended (with Banfield, Guarriello, Hartman, Hickling, Jamison, Ortner, Patel, Reynolds, Rubinstein, Swain, Taylor, Tarpey and Zall voting in favor).

Approval of the draft November 21, 2019 minutes was deferred to a future meeting.

Discussion/Recommendation on Final Guideline for FY21

Ms. Hartman noted that the Sustainable Growth Rate (SGR) has been calculated as 2.16%. The FY20 Guideline was 3.45%. The hope is that we can have a “glide path” from 3.45% to 3.25% for FY21, which would total \$2,860,000 in available funds for the guideline budgets. She noted that \$279,000 was removed “from the pot” for the enrollment shift at the high school, with those funds added to the guideline for CCRSD. The Town Manager indicated that he can live with an increase of 2.5%. The remaining amount was allocated 2:1 to CPS and CCRSD. In sum, she noted the following:

- Town Budget - 2.5% request, which matches guideline
- CPS - 3.57% request, which is approximately \$150,000 above guideline (3.15%)
- CCRSD - 4.5% guideline (including \$279,000 for enrollment shift) - request is approximately \$150,000 below guideline

Mr. Banfield noted that the Finance Committee (FC) did not consider the declining debt at the high school, which is a savings of approximately \$75,000 for Concord in FY21. He noted that about half of the \$150,000 savings in the CCRSD budget was due to this declining debt. Ms. Reynolds was pleased that the Town budget came in at the guideline of 2.5% for the operating budget, but she had some issues with the capital projects being proposed. She agrees that it is good governmental policy to appropriate funds for maintaining existing infrastructure. Multi-year and multi-layered capital projects are more difficult to support when there are so many unknowns. She suggested the Town consider adopting a policy for multi-year projects that would require an additional town meeting vote to expand or significantly change an approved project. She noted the White Pond, Warner's Pond, and Gerow projects as recent examples where the scope of the project expanded following the initial town meeting approval.

Mr. Banfield was concerned that the Town is "spending to our cap" each year, with particular concern about increasing amenities or services vs. ongoing maintenance. Mr. Patel asked if the Select Board provides oversight to these projects. It was explained that the Town Manager is responsible for operations and expenditures within the budget, and he reports to the Select Board. Mr. Hickling expressed concern about the expansion of the Gerow project, which appears to now be a \$6 million project over the coming five years; he would have appreciated getting this information earlier, so it could have been incorporated into the decision to acquire the property. Ms. Hartman was concerned that we are seeing these multi-layered projects only one year at a time. She supports the idea of a policy change for multi-year projects.

In response to a question, Ms. Lafleur indicated that the Town has a long-standing financial policy to expend 2-3% of the operating budget annually on capital projects (no debt) and 5-6% of the operating budget on capital projects that incur debt. This policy was drafted by the Finance Department (one of the recommendations of the Town Governance Study Committee Report, to memorialize financial practices) and presented to the Select Board a few years ago. She doesn't believe that the Select Board ever formally adopted the policy. Ms. Lafleur agreed to discuss formalizing this policy with the Town Manager.

In discussing the CCRSD proposed budget, it was noted that there are two reasons why they were able to come in \$150,000 lower than the guideline—the decline in debt and the OPEB ARC reduction due to a change in formula. The high school is still spending against the E&D balance, but less so than in the past. Ms. Ortner inquired whether we

would always plan to adjust the guideline when there are enrollment shifts at the high school—is this setting a precedent? Ms. Hartman responded that she felt that this should be considered each year, and not be considered a fixed policy.

Budget Entity	Guideline \$	Guideline % Δ	Total Guideline Budget FY21	Requested Budget FY21
Town	\$ 717,666	2.50%	\$29,424,314	\$29,424,314
CPS	\$1,242,223	3.15%	\$40,632,386	\$40,782,874
CCRSD	\$ 900,111	4.50%	\$20,896,985	\$20,746,322

Mr. Taylor inquired whether the \$150,000 over/under (CPS/CCRSD) was a coincidence. Ms. Bout responded that this was pure coincidence, and not done for convenience. In response to a question from Mr. Taylor whether we need to look at CPS/CCRSD jointly, or could they be considered separately, Ms. Hartman felt that they should be looked at independently. If the high school budget can make do with \$150,000 less, then perhaps that savings should go back to the general fund and reduce taxes. Mr. Rubinstein asked whether the \$150,000 overage for CPS was ongoing, or just for FY21. Mr. Banfield explained that this would be included in the base for FY22, if it is granted. The guideline is established each year. Ms. Reynolds noted that FY19 actuals for CCRSD were lower than budgeted, so they came into FY20 with a surplus. This was partly due to federal/state revenue being higher than anticipated. By design, the CCRSD is conservative in their revenue estimates. She feels comfortable that they can live with the lower request, \$150,000 below the guideline. Ms. Ortnier noted that if we don't adhere to our original guideline for CPS, it will be harder next year to glide down to our SGR of 2.16%. Several members indicated that it is important to send a consistent message—the FC is looking out for the best interests of the taxpayer, and should not increase the baseline for CPS for FY21.

Mr. Banfield noted that when we originally allocated the available guideline funds, it was done on a rough 2:1 ratio (CPS/CCRSD). If a strict calculation had been done, then CPS would have received about \$50,000 more. Mr. Jamison inquired about SPED costs. Ms. Hartman noted that SPED costs were lower, but this was offset by higher early retirement costs. Mr. Jamison agreed that CPS should be allocated an additional \$50,000. Mr. Hickling expressed some frustration that the schools appear to be doing all the right things to lower SPED costs by bringing more of the services in-house, but the bottom line has not yet improved. The School Administration has expressed a long-term decline in SPED costs, but there have been few short-term savings. He suggested that perhaps they are “spending better,” but they are not spending less. He questioned the benefit of zero-based-budgeting (zbb), which has not been obvious in the bottom line. He supports adhering to the original guideline budget for CPS, with an additional \$50,000 allocation. Mr. Patel suggested that a tradeoff be required—if CPS adheres to the guideline budget, then what areas would be cut? Ms. Hartman noted that there are still a lot of unknowns, with contracts yet to be negotiated, so it is unlikely that specific cuts could be identified. Ms. Reynolds concurred with Mr. Hickling, wondering why we are not seeing savings in SPED costs, with the restructuring/improvements that have been made.

Mr. Swain noted that with zbb, we have solid answers to questions that are asked, which was not always possible in the past. He feels that the CPS can fill the \$150,000 gap within its budget allocation. Mr. Tarpey is pleased with the performance of the new Superintendent and her staff. The quality of the information provided has improved significantly. He prefers to adhere to the original guideline budget, and not allocate additional funds. Ms. Zall concurred, feeling that it is important to keep the SGR goal in mind. Ms. Ortner noted that Dr. Hunter has done an excellent job of looking at the long-term plan for SPED costs and students. She feels that we should be mindful of upcoming labor negotiations, adhere to the current CPS guideline, and not add the suggested \$50,000. Mr. Guarriello suggested that next year the FC consider the increasing or declining debt when establishing the guideline. Ms. Hartman emphasized that the Town can no longer sustain salary increases of 4-5% annually. She is undecided about the \$50,000. Mr. Hickling commented that the guidelines process is not perfect; he feels that an adjustment of \$50,000 is logical. Mr. Taylor noted that the FC established the “glide path” towards the SGR goal, which will hopefully be achieved over time. He urged the FC to embrace the guideline and establish the bottom line without trying to micromanage how the funds are spent.

Mr. Hickling fine-tuned the calculation, noting that it should be \$53,360 (not \$50,000). His calculations and methodology were confirmed for accuracy with Ms. Lafleur. On a **MOTION** made by Mr. Banfield and seconded by Mr. Hickling, the following was **VOTED** (with Banfield, Guarriello, Hartman, Hickling, Jamison, Ortner, Patel, Reynolds, Rubinstein, Swain, Taylor and Zall voting Yes; and Tarpey voting No): to increase the CPS guideline from \$1,242,223 to \$1,295,000, and to make no other changes to the original CPS guideline. The revised numbers, as voted, now are as follows:

Budget Entity	Revised Guideline \$	Guideline % Δ	Total Guideline Budget FY21	Requested Budget FY21
Town	\$ 717,666	2.50%	\$29,424,314	\$29,424,314
CPS	\$1,295,000	3.29%	\$40,685,163	\$40,782,874
CCRS	\$ 749,448	4.37%	\$20,844,208	\$20,746,322

Ms. Lafleur noted that this results in a guideline total of \$2,860,000 (3.25%), so the levy limit remains at 4.02%. This is still subject to change, once items outside the guidelines are determined. She noted that health insurance costs are still unknown for next year. Ms. Hartman confirmed that there is still a CPS budget gap of approximately \$100,000.

Adjournment

The meeting adjourned at 8:23 pm. The group then convened the regular FC meeting.

Respectfully submitted,

Anita S. Tekle
Recording Secretary

Documents Used or Referenced at Meeting:

- Town Manager's FY21 Budget Summary (dated 12.04.2019)
- Town Manager's FY21-FY25 Capital Program–Debt Authorization Plan (dated 12.04.2019)
- Town Manager's FY21-FY25 Capital Outlay Plan–General Fund (dated 12.04.2019)
- Park Improvement Spending, Existing and Proposed (dated 11.30.2019)