



Town of Concord
Finance Committee
22 Monument Square
Concord, Massachusetts 01742-0535

AGENDA

Concord Finance Committee

June 27, 2019

Select Board Hearing Room
Town House
7:00PM

1. **Minutes-** March 14; April 8; April 25; May 23
2. **Bond Rating Review/ Discussion with Financial Advisor, Peter Frazier of Hilltop Securities**
3. **Discuss & finalize Observer Assignments**
4. **Process Review**
 - **5-Year Tax Projection- methodology discussion**
 - **Guideline Review- consideration of scope, review of information letters**
 - **Fiscal Sustainability- goals and process for 2019 -2020**
5. **Middle School Stabilization Fund**
6. **Correspondence**
7. **Chair's Report**
8. **Observer Reports**
9. **Finance Director's Report**
 - **FY19 Reserve Fund Transfer Request**
 - **FY19 Year End Transfer Request**
10. **Citizen comments**

Reminders

- **Next Regular Meeting:** July 25, 2019
- ***When Finance Committee members anticipate being absent from a meeting, it would be appreciated if they would notify Chair Tom Tarpey by email at:***
tarpey@massgravity.com

CONCORD FINANCE COMMITTEE (2019-2020)

updated: 06.25.2019

NAME	ADDRESS	HOME PHONE	CELL PHONE	BUSINESS PHONE	TERM	Initial appt. date	eMAIL
Banfield, Dean S.	73 Walden Terrace	978-369-6837	978-857-1228		2022	May-16	dbanfield.fincom@gmail.com
Fischelis, Peter	35 Longfellow Road		617-852-8078		2020	May-17	pfischelis@yahoo.com
Guarriello, Greg	57 Bristers Hill Road				2022	Apr-19	gregguar@gmail.com
Hartman, Mary	16 Concord Greene, Unit 6	978-369-3778	781-572-2360		2022	May-17	maryhartman7@gmail.com
Hickling, John	111 Monument Street	978-369-5562	617-548-0883		2022	May-17	jrhickling@yahoo.com
Jamison, Richard	1370 Main Street	978-369-9980	978-505-2362	617-927-7956	2021	May-15	rjamison@brkl.com
Ortner, Dee	169 Thoreau Street		610-608-6789		2022	Apr-19	daortner@gmail.com
Packard, Karle S.	86 Butternut Circle	978-371-1386	978-771-6773	978-369-2430	2020	May-14	kpackard@redhawkstudio.com
Patel, Parashar	397 Sudbury Road	978-776-6730		774-217-0336	2021	May-19	pacoconn@gmail.com
Reynolds, Christine	15 Captain Miles Lane	978-341-8001			2021	May-18	FinComCR@gmail.com
Rubinstein, Wade	311 Garfield Road				2021	Feb-19	wade@toast.net
Swain, Philip C.	114 Pine Hill Lane	978-371-1588	617-365-4844	617-832-1150	2021	May-14	pswain@comcast.net
Tarpey, Thomas	169 Heaths Bridge Road	978-369-1543	617-710-1114	617-340-2251	2020	May-15	tarpey@massgravity.com
Taylor, Brian	670 Lowell Road	978-341-9136	415-830-7608		2020	Dec-16	bitemail@gmail.com
Zall, Andrea	25 Willow Street		617-306-8829	978-369-5053	2020	May-17	andrea@frame-ables.com
OFFICERS: as of 6/2018							
CHAIR	Dean Banfield						
VICE CHAIR	Mary Hartman	League of Women Voters:	BOS Observer:	Mike Lawson			
CLERK	Christine Reynolds			Maureen Kemeeza			
Guidelines Clerk	John Hickling			Heather Bout			
				CCRSD Chair:			
				CSC Observer:			
				Bob Grom			
<i>Agenda and minutes to BOS, School Committee and LWV Observers, Town Manager, Town Accountant and Superintendent of Schools, Carlisle FinCom</i>							

Sample - FY20 calendar

2018 Finance Committee Schedule
Meetings and events
July - December

Regular FinCom Meetings indicated by ✓ and shading

			Meeting/ Item	Topic/Event
✓	Thursday	July 26, 2018	Regular Meeting	Approve Guideline Information Letters
	Tuesday	July 31, 2018		Issue Guideline Information Letters
✓	Thursday	August 2, 2018	Orientation Meeting	Presentation by Finance Director to new members and other interested persons
✓	Thursday	Sept. 20, 2018	Joint Meeting	FY19 status and FY20 Initial Projections
✓	Thursday	Sept. 27, 2018	Regular Meeting	Projections Review
	Thursday	October 4, 2018	Guidelines subcommittee	Minuteman Tech Response to Information Letter
	Thursday	October 11, 2018	Guidelines subcommittee	Town Manager's Response to Information Letter
	Thursday	October 18, 2018	Guidelines subcommittee	Superintendent's Response to Information Letter
✓	Thursday	October 25, 2018	Regular Meeting	Vote Tentative Guidelines, FY20
	Thursday	November 8, 2018	Guidelines subcommittee	Town Manager's Response to Tentative Guidelines
	Thursday	November 15, 2018	Guidelines subcommittee	Superintendent Response to Tentative Guidelines Adopt Final Guidelines Recommendation
✓	Thursday	November 29, 2018	Regular Meeting	Vote Final Guidelines, FY20
	Friday	November 30, 2018		Issue FinCom Guidelines, FY20
	Saturday	December 1, 2018	Town Meeting Preview	Review of known Annual Town Meeting Articles
	Monday	December 10, 2018	Draft Warrant Articles due	Warrant is officially opened at this meeting
✓	Thursday	December 20, 2018	Regular Meeting	

All regular meetings will be held in the Select Board Meeting Room, Town House, @ 7:00 P.M.;
Public Hearings will be held at the Town House starting at 7:00 P.M.

Sample - FY20 calendar

2020 Annual Town Meeting = April 27 - 30

2019 Finance Committee Schedule
Meetings and events
January - June 2019

* FinCom Meetings indicated by ✓
* Regular meetings indicated by shading of date

	Meeting	Topic/Event
	Thursday January 3, 2019	Warrant closes at 4:00 P.M.
✓	Thursday January 10, 2019 regular meeting	Warrant article review and assignments
	Friday January 11, 2019	Town Manager's Budget Published
✓	Thursday January 17, 2019 regular meeting	Town Manager's budget review
✓	Thursday January 24, 2019 regular meeting	CPS & CCRSD budgets review
	Monday January 28, 2019 (snow date Tuesday, January 29)	Town Caucus
	Friday February 1, 2019	Warrant mailed
✓	Monday February 11, 2019 Public Hearing (snow date Wednesday, February 13)	Town Budget, Warrant Articles, inc. Capital
✓	Monday February 25, 2019 (snow date Wednesday, February 27)	Education Budgets & Articles, CPA
	Tuesday February 26, 2019 Public Hearing (snow date Thursday, February 28)	Select Board
	Tuesday March 5, 2019 (snow date Thursday, March 7)	Planning Board
	Tuesday March 5, 2019	Enterprise budgets published
✓	Monday March 11, 2019 Public Hearing (snow date, Tuesday, March 12)	Enterprise budgets and Articles; recommendations completed
✓	Thursday March 7, 2019 regular meeting	Guidelines Review
✓	Thursday March 14, 2019 regular meeting	Fin Com Report recommendations
	Monday March 18, 2019	FinCom report to printer
✓	Thursday March 28, 2019 regular meeting	Town Meeting preparation
	Friday March 29, 2019	FinCom report mailed
✓	Monday April 8, 2019 Town Meeting	also April 9, 10, & 11 as needed
✓	Thursday April 25, 2019 regular meeting	Organization, election of officers Town Meeting Recap with Moderator
✓	Thursday May 23, 2019 regular meeting	
✓	Thursday June 27, 2019 regular meeting	Organize Guidelines Subcommittee

All regular meetings will be held in the Select Board's Room, Town House, @ 7:00 P.M.;
Public Hearings will be held at the Town House starting at 7:00 P.M.

Town of Concord
Finance Committee
Meeting Minutes – March 14, 2019

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

Absent: Grace Hanson, Scott Randall, June Rzepczynski and Brian Taylor (one vacancy)

Others Present: Select Board Chair Tom McKean; School Committee Members Heather Bout and Robert Grom; School Superintendent Laurie Hunter; LWV Observer Ardis Bordman; Resident Miguel Echavarri; Finance Director Kerry Lafleur; Recording Secretary Anita Tekle

Meeting Opened

Mr. Tarpey called the meeting to order at 7:07 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 and Vote on Recommendations for 2019 Annual Town Meeting

Article 14—Concord Middle School Feasibility Study Ms. Lafleur had distributed with the agenda packet information about the Town's debt history and the potential impact of a \$90 million middle school on the Town's total debt. Mr. Swain noted that the Town's existing debt peaks in FY20. In reviewing the amount of school debt among Concord's peer communities, Concord currently ranks 3rd of eight communities (Acton, Boxborough, Carlisle, Concord, Lincoln, Sudbury, Wellesley, Weston), with \$68,878,043 in liability for outstanding school debt. He noted that Lincoln (ranked 1st) and Wellesley (ranked 2nd) had both recently built new schools. If Concord were to build a new middle school without MSBA assistance, then this would add an estimated \$90 million to Concord's debt and would be more than double that of our peer communities.

In reviewing the Town's total debt chart from 1992-2018, Mr. Swain noted the instances when there were debt rescissions of unissued borrowing (i.e., when a project cost came in under appropriation and the excess funds were not borrowed, so the borrowing authorization was rescinded). He was concerned about what would happen to any surplus authorization for a new middle school. He suggested that the funding request for Article 14 (Middle School Feasibility Study) be reduced to just fund a feasibility study, and not provide funding for a schematic design. In a memo made available to the Finance Committee (FC), Jared Stanton, Director of Finance & Operations, provided a cost breakdown of the \$1.5 million requested in Article 14:

- Owner's Project Manager (OPM) -- \$300K
- Feasibility Study -- \$400K
- Schematic Design -- \$500K
- Hazardous Materials Assessment, Geo-environmental Engineering & Contingency -- \$300K

Ms. Reynolds was concerned about what would happen if the feasibility study identified issues with the site—would the extra funds be returned to the Town? Mr. Swain commented that the School Department doesn't have a good history of returning surplus funds to the Town, although he noted that this project would be under the direction of the Building Committee. Mr. Hickling was concerned that the estimates provided by the School's consultant (Finegold Alexander Architects) are not consistent with estimates available on the MSBA web site. He felt that the School consultant's estimates are high, and he advised that we proceed cautiously. Mr. Jamison suggested that the projects be separate, with the feasibility study conducted first. It was noted that the Town of Leicester had appropriated \$750K for a middle school feasibility study last spring, and returned in January to request \$500K for the design.

Dr. Hunter noted that under the MSBA process, the feasibility study is done to determine what kind and type of building will be constructed, and where on the lot it could be located. In order to determine that, the environmental piece needs to be done, so it is preferable to package those components. Once that is completed, then the schematic design could be done, with enough of a conceptual design included to calculate the costs. Following completion of these components, then both the design and the construction funding request could be brought to town meeting for approval. She noted that this would all be done under the guidance of the building committee. In response to a question from Mr. Packard, Dr. Hunter noted that the above would be completed as a two-step process, with two contracts issued. Dr. Hunter noted that the scale and slope of the land defines what can be built on the space. She also noted that the feasibility study includes a space study, based on the school's education program. Mr. Banfield asked whether the Schools have an education program to inform the study. Dr. Hunter responded that she has conducted a visioning session, and she feels that the feasibility study could be completed.

Ms. Zall inquired about the drawings completed by Finegold Architects. Dr. Hunter responded that those drawings were not based on any facts, but were rather a "high premise" of what a new school building could look like on the Sanborn property. This design is by no means sufficient or detailed enough for a schematic design. The Finegold design was only used for information purposes to inform the current process. Mr. Packard noted that the Finegold study included details about the existing conditions of the two middle school buildings, so it went beyond a high level review. Ms. Hartman commented that she doesn't have a problem with building a new middle school, but she questioned what we would be building—a good, very good, or super school? She was concerned that the design would be for a building that the community would not be willing to fund. Dr. Hunter responded that the building committee would be established by the Town, and this group would have the final say on the design to bring to town meeting for funding.

Mr. McKean noted that the charge for a Middle School Building Committee is being drafted by the Town Manager and will be reviewed by the Select Board at its March 18 meeting. Public input will be invited prior to any approval. Mr. Fischelis emphasized the need to be clear about separating the components of Article 14—what would the negative aspects be? Dr. Hunter responded that time would be lost, and there would be a need to return to town meeting for an additional vote and fund-

ing request in the future. She was concerned about the timing gap, which will only drag out the process and increase the cost. Mr. Swain was concerned that the School Committee is giving up on the possibility of MSBA funding. He said that it is inaccurate that MSBA doesn't fund affluent communities like Concord. He noted that the average cost of a feasibility study, per the MSBA's web site, is \$500K, plus \$105-365K for the OPM. He suggested that we look at the MSBA numbers, and not inflate the cost. Dr. Hunter responded that she has looked at the MSBA numbers, and the \$1.5 million request is an informed one.

Mr. Fischelis did not support pulling the components apart, noting that the need for a new middle school was discussed ten years ago. The timing and debt scheduling are the real issues, with the cost of waiting taken into consideration. He would feel more comfortable if the information were vetted by a group outside of the School Committee and FC. Mr. Hickling noted that Concord is starting at a high level that is 135% above our peer group for debt, and he suggested that we slow down the process. He felt that Mr. Swain's suggestion to only fund the feasibility portion was a good compromise. Mr. Fischelis was concerned about the high cost of waiting (\$8 million/year estimate). More information is needed in order to make an informed decision about waiting.

Mr. Swain commented that requesting funds for a feasibility study/schematic design now may not be received well politically, partly due to representations made in recent years that a new middle school could await 15-30 years. Mr. Banfield noted that we as a town have not financially prepared for a \$90 million borrowing, and no funds have been put aside in a stabilization fund to mitigate the cost impact of a new middle school. He felt that this discussion needs to happen first. Mr. Hickling commented that there is a possibility that the Peabody School site could be monetized to offset the cost of a new middle school, and this could be incorporated into the financial planning. In response to a question, Ms. Lafleur indicated that for Town non-building projects, we have a debt policy to pay off 60% of the debt in the first five years, and 40% paid over the second five years. State law allows for a maximum borrowing time of 30 years, although Concord borrowed funds for 20 years for the three elementary schools and for 25 years for the high school debt repayment. She indicated that the tax impact of a \$90 million borrowing on the median house would be \$1,100/year (c. 8% increase/year).

Mr. Tarpey noted that the discussion of the debt impact of a new middle school was first discussed in late January, with the importance of considering this project in conjunction with other proposed Town projects. The FC has suggested that the Select Board appoint a capital planning committee to prioritize all planned capital projects. There is a need for the Town to face the totality of the projects and plan accordingly over several years. A decision on the middle school cannot be made in a vacuum, and must be considered in conjunction with other Town needs. Dr. Hunter emphasized that it is the job of the School Department/Committee to advocate on behalf of students, and it is the job of the FC to look at the larger picture. Mr. Packard suggested that pro-active planning seems to be the caboose—we are setting up a building committee for a new middle school, while we have not established either a capital planning committee or a permanent building committee. He noted that the text of the warrant was not clear as to what other components are included. He

commented that the schematic design generally includes specifics of mechanical systems, etc., and there would generally be a break following the feasibility study. He questioned how a separate design firm could come in and work with another firm's schematic design to prepare the final design. Ms. Reynolds suggested that the FC push for the preparation of a capital plan, noting that we last completed one in 2002 and we as a community did not have the discipline to follow it.

Mr. Swain made the following **MOTION**, which was seconded by Mr. Hickling: to recommend Affirmative Action on Article 14 in the amount of \$750,000 for the preparation of a basic feasibility study and the Owner's Project Manager, to allow the project to move forward.

Mr. Echavarri commented about the original language in the warrant, which is inconsistent with what is being proposed by the School Committee—the article only references a feasibility study. He was concerned that the voters will not be adequately informed of what is being requested, and that the School Committee is steamrolling this project ahead. He supports Mr. Swain's suggestion that the funding and scope of the article be reduced. Dr. Hunter responded that the motion that will be made at town meeting is still under review, and she will be meeting with the Town Moderator.

Ms. Bout, speaking on behalf of the School Committee, acknowledged that there is confusion in the use of the term "feasibility study." She said that the School Committee has been trying to get the word out that the proposal is to fund both a feasibility study and a schematic design. The School Department already funded a study as to whether a new building is needed, citing the Finegold report completed in 2017. The feasibility study is to consider how we build a middle school on the Sanborn site, and this requires funding of \$1.5 million. She emphasized that the term feasibility study, as used by the School Committee, includes a design.

Mr. Packard noted that at the conclusion of a feasibility study, a design team would normally be brought in to develop a budget and design. The first step of this process would be to prepare a schematic design. He questioned the sequence being proposed by the School Department, with one firm preparing the schematic design and another firm hired to prepare the final design, using the calculations prepared by the first firm. He did not feel that this is either realistic or cost effective.

Ms. Reynolds asked whether residents understand that there is a need for a new middle school. Ms. Hartman commented that the School Committee has apparently made this decision and they are just now telling the FC and the Town, while simultaneously requesting funding. Mr. Banfield noted that the Finegold study provided the needed information to request MSBA funding. Mr. Swain questioned whether requesting funds for a design of a new middle school is within the scope of Article 14, which just references a feasibility study. Dr. Hunter responded that she has discussed this issue with the Moderator. Mr. Fischelis expressed support for Mr. Swain's motion, agreeing that what is included in the warrant is confusing. Mr. Banfield noted that the School Committee or Building Committee could return to a future town meeting to request design funds. Mr. Tarpey noted that he was initially leaning against Mr. Swain's motion, but has been swayed by the discussion, in light of the fact that the School Committee cannot identify or explain the sequencing of what steps need to happen going forward.

A **VOTE** was then taken on Mr. Swain's **MOTION**, which **PASSED**, with 8 voting in favor and 2 opposed (Hartman, Reynolds).

Article 18—General Bylaw Amendment—Sustainable Growth Rate (SGR) The following **MOTION** was made by Ms. Hartman and seconded by Mr. Swain: To not move Article 18 at town meeting. During the discussion, Ms. Hartman expressed a desire to take some action on this issue in the future, but she felt that it was problematic and imprudent to move the article at this time. Mr. Swain agreed that the SGR is a worthwhile concept, and suggested that a brief explanation be made at town meeting, either at the beginning of town meeting, or prior to the Town Budget discussion. This would provide an education to the public about the need to curtail costs going forward. Mr. Packard noted that there have been town meeting precedents allowing for a presentation by the proponents when a warrant article is not being moved.

A **VOTE** was then taken on Ms. Hartman's motion, which unanimously **PASSED**.

Article 22—Community Preservation Committee Mr. Packard recused himself from the meeting for this article, and left the room. On a **MOTION** made by Mr. Swain, seconded by Mr. Jamison, it was unanimously **VOTED** (with 9 in favor) to recommend Affirmative Action. Mr. Packard then returned to the room.

Article 24—Authorization to Accept MGL c. 44, §55C—Municipal Affordable Housing Trust It was noted that this article would provide a repository for any funding that is received under the other affordable housing articles. In response to a question from Ms. Hartman, it was explained that the Concord Housing Development Corporation is a private, non-profit entity, and its funds are not controlled by the Town. On a **MOTION** made by Mr. Fischelis and seconded by Mr. Packard, it was **VOTED**, with 7 voting in favor and 3 abstentions (Swain, Zall, Hickling) to recommend Affirmative Action.

Article 25—Authorize Special Legislation—Real Estate Transfer Tax for Affordable Housing Mr. Swain made a **MOTION** that was seconded by Mr. Hickling to recommend that **NO ACTION** be taken on Article 25. During the discussion Ms. Hartman supported bringing Article 25 to town meeting to allow the voters to decide. Mr. Packard noted that a number of exemptions are included which respond to the questions that have been raised about this article. Mr. Hickling noted that the State is considering adopting a 1% real estate transfer tax to fund climate change initiatives. Mr. Banfield noted that with four affordable housing articles on the warrant, a total funding request of \$4-5 million/year is being made, which he feels is a very big "ask." He prefers that a smaller number be considered. He suggested dialing back the request under Article 25 to 0.5%. He was concerned that this article raises a lot of money from a select cohort of residents.

Mr. Banfield made a **MOTION** that was seconded by Mr. Packard to recommend Affirmative Action on Article 25 at a reduced level of 0.5%. Mr. Swain withdrew his earlier motion, and Mr. Hickling withdrew his earlier second. Ms. Reynolds did not feel that the amount of the tax is the issue—it is still being requested from a small number of people, and will result in a decrease in real estate

values for everyone (since buyers can look in other communities without a real estate transfer surcharge). Ms. Hartman commented that the proposal affects the seller, even though it is written as impacting the buyer. She feels that prices will have to be lowered to account for the surcharge.

A **VOTE** was then taken on Mr. Banfield's motion, which **PASSED**, with 6 voting in favor and 4 opposed (Fischelis, Hickling, Swain, Reynolds).

Article 26—Authorize Special Legislation—Building Permit Fee Surcharge for Affordable Housing
On a **MOTION** made by Mr. Swain and seconded by Ms. Hartman, it was **VOTED**, with 9 voting in favor and 1 opposed (Reynolds) to recommend Affirmative Action.

Articles 38-45—Enterprise Funds Mr. Hickling made a **MOTION** that was seconded by Mr. Jamison to recommend Affirmative Action on these articles. During the discussion, Mr. Banfield suggested that in future years, he would like to see the Light Plant be more forthcoming about its unrestricted cash balance. While the number was provided verbally at the hearing (\$8 million), he would like to see more details in the presentation. Ms. Lafleur noted that the Light Plant is audited annually, and its fiscal year is on a calendar year. The audit is presented to the Audit Committee, followed by a presentation to the Select Board. She noted that the CY17 audit is available online.

A **VOTE** was taken on Mr. Hickling's motion, which **PASSED** unanimously.

Finance Committee Report

It was noted that the Finance Committee report is in good shape, with the exception of the sections on CPS and CCRSD. The report is going to the printer on Monday. Mr. Swain noted that a number of FC members have been observing the School Committee meetings, and he suggested that the task of writing up the CPS and CCRSD portions of the FC Report be delegated to these observers—Mr. Tarpey, Mr. Banfield, Ms. Rzepczynski, Mr. Packard, Mr. Hickling, and Mr. Swain. Mr. Banfield agreed to write up the introduction to the CPS budget and the \$900K capital plan. Mr. Hickling agreed to write up Articles 14 (middle school) and 16 (CCHS capital projects). Mr. Swain agreed to write up the introductory paragraphs for the CCHS budget, including comments about E&D vs. OPEB funding and the buy vs. lease of laptops. Mr. Tarpey agreed to write up an explanation of what was being proposed under Article 18 (SGR), without including the Randall curve.

Committee Comments

Mr. Tarpey expressed a concern that we are masking the growth in Town expenditures when other funding sources are not include in the Guideline, such as Stabilization Funds and other funds. He expressed particular concern about the use of the MEWS Stabilization Fund for personnel costs rather than capital. He noted that Town Manager Whelan responded in a memo that this has been the Town's past practice. Mr. Jamison expressed concern of the construction cost of the loop road at the high school. He discussed the issue with the Town's Public Works Director, who casually looked at the site and came up with a different calculation of the cost. He noted that the number of cubic yards identified by the School's consultant was significantly higher than the number identified by the Town, suggesting that perhaps the road is being widened. The other possible reason for the

high cost is that a much thicker road surface is being proposed by the Schools than would be recommended by Mr. Reine for a loop road—5” of gravel topped with 4” of asphalt. Both of these issues would account for the perceived inflated cost.

Adjournment

The meeting adjourned at 9:15 pm.

Respectfully submitted,

Anita S. Tekle
Recording Secretary

Documents Used or Referenced at Meeting:

- 2019 Annual Town Meeting Warrant
- Memo entitled “Transitioning Our Electricity to Renewable Sources Using RECs (dated 2.12.2019)
- Working Chart on Finance Committee Recommendations on Town Meeting articles
- Draft five-year projection of real estate taxes (to be included in FC Report)
- Memo from Johanna Boynton to Tom Tarpey & Dean Banfield providing updated information on Article 14 (dated 3.14.2019)
- Memo from Jared Stanton to CPS Committee RE: Cost of Feasibility Study & Schematic Design (dated 3.14.2019)
- Information from Kerry Lafleur on the impact of town meeting spending on tax bills; borrowing authorizations approved by town meeting 1992-2018; chart on the impact of existing exempt debt on the average household FY19-FY28; and a comparison chart of outstanding school debt of Concord and 7 peer communities

**Town of Concord
Finance Committee
Meeting Minutes – April 8, 2019
Pre-Town Meeting**

Present: Thomas Tarpey, Dean Banfield, Mary Hartman, John Hickling, Karle Packard, Scott Randall, Christine Reynolds, June Rzepczynski, Phil Swain, Brian Taylor and Andrea Zall

Absent: Peter Fischelis, Grace Hanson and Richard Jamison (one vacancy)

Others Present: School Committee Member Robert Grom; Recording Secretary Anita Tekle

Meeting Opened

Mr. Tarpey called the meeting to order at 6:30 pm in Room 247 inside the Library at Concord-Carlisle High School.

Annual Town Meeting Preparation

Article 25—Real Estate Transfer Tax for Affordable Housing Mr. Tarpey explained that the Select Board is offering a revised motion under Article 25, which exempts from the 1% transfer tax the first \$600,000 of the purchase price. He noted that the Finance Committee (FC) had voted on March 14 to support the transfer tax at a lower rate of 0.5%. He suggested that the effective result of the revised motion is very similar to what was proposed by the FC.

Mr. Banfield made a **MOTION** that was seconded by Ms. Hartman to recommend Affirmative Action on the Select Board's revised motion on Article 25.

Mr. Swain spoke in opposition to the motion, feeling that a real estate transfer tax affects all property values. He was opposed to Article 25 as originally proposed, and continues to be opposed. A **VOTE** was taken on Mr. Banfield's motion, which **FAILED TO PASS** (with 5 voting in favor and 6 opposed). Ms. Hartman noted that the Select Board's revised proposal will bring in less revenue than the FC's planned motion to reduce the tax to 0.5%. Concern was also expressed as to the lateness of the proposed amendment to Article 25—why hadn't the \$600K exclusion been brought up earlier when more thoughtful discussion could have taken place? It was also noted that \$600K is above the average condominium price in Concord, and the rationale for choosing that figure was unclear.

On a **MOTION** made by Mr. Packard and seconded by Mr. Banfield, it was unanimously **VOTED** to rescind the March 14, 2019 FC vote concerning a recommendation on Article 25 (i.e., to reduce the transfer tax to 0.5%). During the discussion, it was clear that several FC members did not support a real estate transfer tax in general.

On a **MOTION** made by Mr. Hickling and seconded by Mr. Taylor, it was **VOTED** (with 6 voting in favor and 5 opposed) to recommend **NO ACTION** under Article 25.

Article 14—Middle School Feasibility Study Mr. Swain distributed a copy of his PowerPoint presentation for the FC's revised motion under Article 14, to reduce the appropriation from \$1.5 million to \$750,000, along with support material about the impact of a new middle school on Concord's future debt. He noted that he had spoken with staff at MSBA and reviewed the information available on the MSBA web site for middle school projects. Included in the information he distributed was a chart showing costs for similar middle school projects in other communities, where the median cost was \$750,000. He did not feel that the School Department's consultant's estimate is consistent with recent expenditures elsewhere. Mr. Packard noted that the MSBA process is different from other public building projects in that the feasibility study includes a pre-schematic design component, and the cost estimates are based on the pre-schematic design. Under this scenario, the final contractor is required to work with the estimates provided in the schematic design, which is challenging, but evidently required and legal for school projects. Mr. Swain noted that if Concord is approved for MSBA funding, the feasibility study would have to be redone.

Adjournment

The meeting adjourned at 7:00 pm and the group moved to the Gymnasium for Town Meeting.

Respectfully submitted,
Anita S. Tekle

Documents Used or Referenced at Meeting:

- Town Meeting Handout for Article 23—Affordable Housing Development (Finance Committee, dated 4.5.2019)
- Select Board proposed amendment for Article 25—Real Estate Transfer Fee for Affordable Housing
- Chart of Revenue from Single-Family transactions only at 1% of value 2012-2017
- PowerPoint presentation for Article 14 Finance Committee's proposed amendment to reduce appropriation
- Background Material to support Finance Committee's proposed amendment for Article 14 (dated 4.5.2019)

**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 pre-

pared. 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. Ortner 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. Ortner 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. Ortner 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), and was drawn into joining the FC following town meeting. 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

**Town of Concord
Finance Committee
Meeting Minutes – May 23, 2019**

Present: Thomas Tarpey, Dean Banfield, Peter Fischelis, Greg Guarriello, Mary Hartman, John Hickling, Dee Ortner, Karle Packard, Parashar Patel, Christine Reynolds, Wade Rubinstein, Phil Swain and Brian Taylor

Absent: Richard Jamison and Andrea Zall

Others Present: Finance Director Kerry Lafleur

Meeting Opened

Mr. Tarpey called the meeting to order in the Hearing Room at the Town House at 7:00 pm. He announced that the meeting was being televised and recorded by MMN.

Nominating Committee Report & Vote on New Officers

Karle Packard, Clerk of the Nominating Committee, reported that the Committee had met earlier this evening and recommends the following slate of officers for the coming year:

- Finance Committee Chair – Dean Banfield
- Finance Committee Vice Chair/Guidelines Subcommittee Chair – Mary Hartman
- Finance Committee Clerk – Christine Reynolds
- Guidelines Subcommittee Clerk – John Hickling

Mr. Tarpey asked if there were any other nominations, and none were made. On a **MOTION** made by Ms. Ortner and seconded by Mr. Swain, the report of the Nominating Committee was **UNANIMOUSLY ACCEPTED**. On a **MOTION** made by Ms. Ortner and seconded by Mr. Swain, it was **UNANIMOUSLY VOTED** to accept the above slate of officers.

Mr. Tarpey transferred the Committee's Chair to Mr. Banfield for the remainder of the meeting.

Town Meeting Recap with Moderator

Since the Moderator was not present, it was agreed to defer this agenda item to a future meeting.

Finance Committee Miscellaneous

The revised roster of Finance Committee (FC) members was distributed with the packet. Mr. Banfield asked that any corrections or changes be given to Ms. Lafleur. He suggested that members consider using an email address specific for FC correspondence, to make it easier to respond to Public Records requests. An alternative is to place all FC correspondence into a separate folder.

Follow Up: All members review the FC Roster and advise Kerry Lafleur of any corrections or changes.

The FC reviewed the one remaining meeting date for FY19 (June 27, 2019). The calendar for the remainder of 2019 will be created once the Select Board (SB) establishes the 2020 Town Meeting dates. Mr. Banfield noted that in 2018, the Guidelines Subcommittee began meetings the first week of October, and met weekly until just before Thanksgiving. One of his goals for the year is to improve attendance at the Guidelines Subcommittee meetings. He noted that the School Department has asked for schedule flexibility in terms of the budget calendar, to allow time in the fall to understand how expenses in FY20 are going prior to having to commit to FY21 numbers.

The practice of remote participation was discussed. The Town has a Remote Participation Policy adopted by the SB, although the FC has not used the practice in recent years. The policy provides for remote participation for a limited number of reasons by no more than one member per meeting. In accordance with the policy, participation may be made using a telephone, internet connection, or satellite-enabled audio or video conferencing. The member who is remotely participating does not count towards the quorum, but is counted as present at the meeting and may participate and vote. Individuals wishing to consider participating remotely must request permission from the Chair at least 48 hours prior to the meeting. Mr. Banfield remarked that he understands when members must miss meetings; however, he asked that all make an effort to watch the MMN tape of the meeting, which would greatly help in deliberations at future meetings. Mr. Packard also noted that remote participation would provide for input from a member who is following a particular issue and whose remote input would benefit the entire group.

On a **MOTION** made by Mr. Swain and seconded by Mr. Taylor, it was **UNANIMOUSLY VOTED** to allow remote participation at Finance Committee meetings, in accordance with the Town's Remote Participation Policy.

Mr. Banfield noted that FC members are each assigned to observe other boards/committees that have a financial impact on the Town. Some of these boards meet once/month, while others meet more frequently. He noted that the FC has four principal functions:

- Prepare a Finance Committee Report to distribute to all households prior to the Town Meeting
- Create budget guidelines for all the budget entities
- Prepare a 5-year tax projection plan
- Further develop the Sustainable Growth Rate, with the hope of including a specific number in the letters that are distributed around July 31 to the budget entities

The observers provide important information at FC meetings. Mr. Banfield agreed to circulate to members a lists of when the groups to be observed meet, and he will ask FC members to respond with preferences (1, 2 and 3 choices), with responses sent to Ms. Lafleur for compilation. It was agreed that Mr. Banfield is authorized to make the observer assignments once preferences are made.

Follow Up: Mr. Banfield to distribute meeting dates for committees to be observed, with members then asked to submit preferences for observing to Ms. Lafleur. Mr. Banfield then will compile the assignment list.

Correspondence

None

Chair's Report

Mr. Banfield noted that when individuals make public records requests to town officials, it gets more complicated if personal email accounts are used and files are not segregated. He asked the Moderator if concordma.gov e-mail addresses could be provided to committee members, and that was determined to not be possible. One solution was to assign such accounts to the Chair and Vice Chair, and ask that all correspondence be sent to one of these addresses. A possible workaround is to set up a separate Gmail account for use by each FC member. The goal is to respond to public records requests with ease, without exposing a member's personal email account to public disclosure. Mr. Swain explained that any search conducted in response to a public records request could be extended to include personal email accounts of FC members, although the search itself would be conducted by the member.

Ms. Ortner emphasized the importance of all FC discussions taking place at a posted meeting, so as not to violate the Open Meeting Law. She reminded all that email deliberations about FC business are not allowed. The only correspondence that can occur via email are housekeeping in nature—when and where to meet, distribution of agenda, administrative matters, etc. Correspondence should be directed to the Chair or the Finance Director with no copies to other members. Ms. Lafleur could then distribute correspondence to committee members in the agenda packet.

Mr. Tarpey reported on his attendance at the recent Chair's breakfast. He noted that nothing of a financial impact was announced, but some interesting items were discussed. The Board of Health is looking at limiting the sale of both combustible and vaped nicotine at stores that are restricted to customers 21+ of age. This has been done in other communities, although the Board of Health anticipates legal challenges and a robust discussion in the coming year. Ms. Ortner noted that there is federal legislation pending that would limit all tobacco sales to users 21+ of age. Mr. Taylor commented that the proposed limitation on nicotine sales may have a financial impact to the town in terms of litigation costs which should be considered and anticipated. Mr. Tarpey also noted that the Planning Board is considering additional efforts to liberalize the use of accessory residential units, aimed at both family and non-family use.

Follow Up: FC members either set up a separate email account for FC correspondence, or set up a file folder for FC correspondence in order to more easily segregate the files.

Observer Reports

Regional School Committee – Mary Hartman reported that a revolving fund has been established to collect donations to subsidize high school trips. Although the funds are being collected, the procedure as to how they will be expended has not yet been identified. She also noted that Carlisle officials have requested a joint meeting between the Concord and Carlisle Finance Committees prior to the budget guidelines being adopted. She noted that this had been done in the past, in the form of a joint meeting of the Select Boards, Finance Committees, Town Managers and School Superinten-

dents of both communities for the purpose of discussing upcoming financial concerns and joint budget issues. Mr. Banfield suggested that this be added to the calendar.

Select Board – Mr. Banfield noted that the SB voted to waive the Town’s right of first refusal on a piece of property on Monument Street (landlocked) that had benefited from a Ch. 68A tax break. Mr. Banfield reminded all members that every two years all committee members and employees must take the state ethics test and certify to the Town that it has been completed. He suggested that this would be a good time to complete the test.

Michael Lawson, Chair of the SB, has prioritized for the coming year the following goals identified in the Long Range Plan:

- Capital planning
- Affordable housing
- Economic Vitality
- Transportation

Follow Up: Add a joint meeting with Carlisle officials to the calendar. All FC members should complete the online ethics test and provide a receipt to the Town.

Finance Director’s Report

Ms. Lafleur reported that the Town will be selling \$6.435 million in municipal bonds in a couple of weeks -- \$5.5 million for General Fund capital projects and \$925K for enterprise fund capital projects. She noted that the Town’s Aaa bond rating was recently upheld by Moody’s. In response to a question raised at a previous meeting, the rating entities would consider the following items when considering whether to assign a community a negative outlook: 1) declining financial reserves; 2) lack of voter support for operational or capital needs; and 3) a material increase in a community’s debt burden. She noted that the rating companies also want to see a commitment to maintain existing infrastructure. She noted that she has received some documents further explaining what is considered in a rating review, which she will distribute to FC members. She also noted that Moody’s has provided a “score card” for Concord explaining the specifics of the rating. It was suggested that the Town’s financial advisor be invited to a future FC meeting. In response to a question, Ms. Lafleur indicated that Moody’s does not distinguish between free cash and stabilization funds when looking at “reserves.” In response to a question from Mr. Patel, Ms. Lafleur noted that the Town sells bonds annually, and Concord’s bond rating is reviewed annually. She also noted that the Town provides audited financial statements and other financial documents to Moody’s, to assist them in their review. She suggested that any specific questions be directed to the Town’s financial adviser. In response to a question from Mr. Hickling, Ms. Lafleur indicated that the regional school committee uses the same bond counsel as the Town, but a different financial adviser.

Follow Up: Ms. Lafleur will distribute Moody’s supporting documents to the FC. The Town’s financial advisor will be invited to a future FC meeting.

Citizen Comments

None

Fiscal Sustainability

For the benefit of the new members, Mr. Banfield briefly explained that the concept of sustainable growth rate (SGR) was introduced last year by the FC as a policy initiative. He agreed to distribute some of the literature from last year to the new FC members. He hopes that the SGR will be determined early in the budget process. Ms. Hartman suggested that a public hearing be held, noting that many of last year's attendees were solicited to attend in support of a particular budget interest. It was suggested that getting the SGR number out early is critical, before the budget entities are locked into specific numbers or projects. Mr. Banfield questioned what would be gained by a hearing, noting that the established formula would set the SGR. Ms. Hartman suggested that a hearing could explain to the attendees a number of items that are considered by the FC: the Randall curve, the increased debt burden, and the OPEB liability. She felt that this would provide an opportunity to communicate these concepts and to listen to the responses from the public—an outreach and listening session. Mr. Patel noted that education of the stakeholders is an important part of the process. Ms. Hartman noted that we are not inviting input into the SGR number itself, since that would be established by the formula. Mr. Swain felt that input about the formula should also be invited—perhaps there are other metrics to consider besides the CPI and the 10-year Treasury bill. Mr. Banfield suggested that other ways for gathering input and feedback be considered, in addition to a public hearing. Ms. Hartman commented that traditionally those who wish to spend money do an excellent job of marketing their projects and the need for public funds. She felt that the FC should more proactively engage with the community about fiscal and tax concerns.

Follow Up: Mr. Banfield to distribute background information about Sustainable Growth Rate to new FC members.

Mr. Taylor noted that the FC has a mandate to advise Town Meeting on financial items. He felt that there was a disconnect last year between the FC and the SB on items coming before Town Meeting. He suggested that the FC look for ways to better collaborate with the SB prior to Town Meeting, and commit to making this a priority for the coming year. Ms. Hartman suggested that groups like the Council on Aging and League of Women Voters would be better aligned with the FC, so discussions should perhaps occur early in the school year. All agreed that the FC should look for ways to more effectively communicate with the stakeholders (taxpayers, budget entities) and gain more traction. Mr. Swain also suggested that the Moderator explain the role of the FC at the beginning of Town Meeting. When Town Meeting is stacked with special interest voters, it can be very challenging. Mr. Hickling suggested that the FC provide some guest commentary in the Concord Journal, to keep the FC's concerns out in the public.

In response to a question, Mr. Banfield explained that the FC has a five-year projected tax model, which includes spending projections. Capital projects that are under consideration but have not yet been approved for funding are not included in the projections. He noted that historically, the projections have not been very accurate. Mr. Hickling noted that ClearGov provides a useful means of

comparing Concord's expenditures with other communities. A training exercise to explain how to use ClearGov was suggested.

Follow Up: Schedule a training session for using and understanding ClearGov.

Adjournment

The meeting adjourned at 8:40 pm.

Respectfully submitted,

Anita S. Tekle (from MMN videotape)

Documents Used or Referenced at Meeting:

- Finance Committee Roster with contact information (dated 5.22.2019)
- Finance Committee meeting schedule Jan-June 2019
- Finance Committee meeting schedule (July-December 2018—for projections only)
- Observer Assignment Chart

Preliminary FY21 Guideline Letter

June 23, 19

LAST PARA OF INTRO TO ALL LETTERS:

Following our practice of the last several years, we want to have a conversation with you concerning the operating needs and funding priorities for (Town, CPS and CCRSD). The topics below are requested in the overall order of importance to the FinCom's deliberations:

Town

FY20 Budget Performance – Please identify any significant variances relative to budget that you are experiencing this fiscal year and any other variances that you think will have a material impact on FY21 funding requests.

Service Status and Anticipated Changes – Please discuss how current programs and services could change in the next 1-5 years because of perceived backlog of needs and/or directives from recent Town Meetings and/or initiatives from the Select Board. (Affordable Housing, recent land acquisitions, Economic Vitality initiatives, etc.)

Headcount – Please identify expected changes in headcount across departments, both additions and attrition, and the dollar impact of these changes.

Zero-Based Budgeting – As you know, the school implemented a “fresh-start” budget process to develop their FY20 funding requests. The FinCom would like your thoughts as to the feasibility and expected benefits of doing the same for the Town budgeting entities.

Collective Bargaining – Please provide a schedule of expected negotiated agreements from FY21 through FY25 and their expected impact on labor costs.

Capital Assets – Discuss your 5-year capital plan in light of the recently completed capital needs study together with your plan to fund adequate maintenance of existing assets.

OPEB – What is the anticipated contribution for FY21? Where will this place be relative to our cumulative annual required contribution (ARC)?

Benchmarking – Please present, when available, benchmark data from Clear.gov to help the FinCom understand spending relative to peer communities.

Additional Funding Sources – Please discuss what changes, if any, you expect from funding from other sources, both internal to the town and external.

Additional Information – Please tell us anything else you think would be helpful for the FinCom to develop this year’s guideline recommendation.

Concord Public Schools (CPS)

FY19 & FY20 Expenditures Relative to Budget - Please identify any significant variances relative to budget for the previous two years. Also, please include the status of various reserves (contingency funds, E&D, etc.)

Collective Bargaining – Please update the FinCom on the recent collective bargaining agreement and its impact on labor costs. (and any other costs if applicable).

Cost Control Initiatives – Please update the FinCom on various cost control initiatives, e.g., Administrative reorganization, District IT Expense, Legal Expense, Transportation, other.

SPED – Please update the board on your efforts to reduce out of district placements and the cost savings you hope to achieve.

CMS Feasibility Study update – Please Update the FinCom on the progress of this work, anticipated timetable for the completion of this work and the timing of possible next steps.

Capital Assets – Discuss your 5-year capital plan including your plan to fund adequate maintenance of your existing assets.

Benchmarking – Please present, when available, benchmark data from Clear.gov, or any other reputable database, to help the FinCom understand spending relative to peer communities.

Enrollment Projections – What is the current outlook for FY21 and beyond?

External Funding, Education Reform and Mandates – Please summarize the impact of any external funding sources, reforms or mandates that could impact funding for the schools.

Concord Carlisle Regional School District (CCRSD)

FY19 & FY20 Expenditures Relative to Budget - Please identify any significant variances relative to budget for the previous two years. Also, please include the status of various reserves (contingency funds, E&D, etc.)

Collective Bargaining – Please update the FinCom on the recent collective bargaining agreement and its impact on labor costs. (and any other costs if applicable).

Cost Control Initiatives – Please update the FinCom on various cost control initiatives, e.g., Administrative reorganization, District IT Expense, Legal Expense, Transportation, other.

SPED – Please update the board on your expected special education tuition expenses and the source of funding for these expenses.

OPEB – What is the anticipated contribution for FY21? Where will this place is relative to our cumulative annual required contribution (ARC)?

Health Insurance – Please discuss anticipated health insurance costs for both active and retirees and any efforts underway to manage these.

Capital Assets – Discuss your 5-year capital plan including your plan to fund adequate maintenance of your existing assets.

Benchmarking – Please present, when available, benchmark data from Clear.gov, or any other reputable database, to help the FinCom understand spending relative to peer communities.

Enrollment Projections – What is the expected outlook for FY21 and beyond and will Concord's proportion of students remain relatively constant?

External Funding, Education Reform and Mandates – Please summarize the impact of any external funding sources, reforms or mandates that could impact funding for the schools.

Items to consider for expanded Guidelines Process Scope

FY 20 Budget

July 2019 thru June 2020

Total Spending	\$114,138,976	
Guideline Spending		
Town	\$28,411,408	
CPS	\$39,390,163	
CCRSD	\$19,996,874	
Total Guideline Spending	\$87,798,445	76.92%
Non-Guideline Spending		
<i>Debt Service</i>		
CCRDS	\$3,348,113	
CPS	\$7,417,326	
Minuteman	\$297,995	
<i>Sub-Total Debt Service*</i>	\$11,063,434	9.69%
Stabilization Fund Emergency Services	\$295,240	0.26%
OPEB	\$1,697,850	1.49%
Group Ins	\$5,966,069	5.23%
Retirement	\$3,965,861	3.47%
SS & Medicare	\$800,000	0.70%
Minuteman Tech	\$768,846	0.67%
Property & liability insurance	\$288,750	0.25%
Unemployment/Worker's Comp	\$210,000	0.18%
State Assessment	\$554,481	0.49%
Snow & Ice	\$230,000	0.20%
Overlay for tax exemptions and abatements	\$500,000	0.44%
Total Non-Guideline Spending	\$26,340,531	23.08%

*Debt Service Excluded from levy limit \$6,867,289



Town of Concord
Finance Committee
22 Monument Square
Concord, Massachusetts 01742-0535

To: Robert Grom, Chair, Concord-Carlisle Regional School Committee
From: Dean Banfield, Chair, Guidelines Subcommittee, Concord Finance Committee
Cc: Dr. Laurie Hunter, Superintendent, Concord-Carlisle Regional School District
Jared Stanton, Director of Finance and Operations, Concord-Carlisle Regional School District

Date: July 31, 2018

Re: Annual Budget Data Request – FY20 Guidelines

The Guidelines Subcommittee requests information to assist us in the preparation of budget guidelines for the Concord-Carlisle Regional School District (CCRS) for FY20. The Finance Committee aims to set sustainable budgetary objectives, within the context of community expectations for continued educational excellence and fiscal restraint.

We seek to understand the underlying significant drivers in the District's budgeting process. The policy objectives and external forces which will influence the financial picture are instructive to the guidelines process, but the choices made that shape the overall budget are formally the responsibility of the District School Committee. In this year in which the District will be undertaking a full review and zero-based budgeting exercise, we anticipate that there will be significant programmatic revision, and we would hope that this process can lead to both creative changes in educational programs, as well as financial savings for the community.

Prior practice has been for the Guidelines Subcommittee to submit highly detailed requests in several areas, which the Finance Committee views as budgetary silos affecting the final overall budget. We continue to view these as the key areas about which we seek detail, but with this year's information request, we are being less prescriptive in what we seek, and hope that by granting latitude, we will receive data which easier to prepare, and is instructive to our deliberations. Please err on the side of detail vs summary information to the degree possible. Topics below are requested in the overall order of importance that the Finance Committee has discussed:

- 1) **Budget performance:** Please provide FY17 Actuals for reference. Also, we would like FY18 budgeted vs Actual results, along with the status of various reserves available to the District heading into FY19.
- 2) **Zero-Based Budgeting – Area Impacts:** Typically, the Finance Committee likes to see breakouts of SPED costs and separately 'Educational Programming' changes anticipated to have budget impacts. SPED has historically been given annual top to bottom reviews, with programmatic changes responding to both specific needs, but also structural responses to meet those needs in the most fiscally prudent way possible. This year, the entire educational program will be evaluated using the same lens that has been applied to SPED programs.

Please provide specific insights into how the bottom up budgeting method is helping drive program improvements and also contain costs. The focus of the Finance Committee is on the cost side. Examples of staff and faculty suggestions would be informative to the Committee, along with the financial modifications suggested by the outside consulting firm that looked at SPED programs.

- 3) **Benchmark measures:** Please provide a copy of the Budget Subcommittee final report on benchmarking. The Committee has ongoing concerns regarding efforts to control costs in three areas which have historically registered per student expenditures at the highest levels statewide: Administration, District level Information Technology and Legal Expenses. Please address efforts in these areas.

- a. **Administration:** Please describe any efficiency steps being taken or planned, and the financial goals for those activities.
 - b. **District IT Expense:** Please help us understand how technology investments are accounted for in the budget: administration/District central expenses, School-based expenses, program-specific expenses. What steps are being taken to control/reduce expenses, particularly in District IT. It is increasingly difficult to understand where our 'technology dollars' are being expended, and the allocations between central IT and classroom technology.
 - c. **Legal Expenses:** Please provide an update on the RFP process in progress to select new legal representation. The FinCom is encouraged by efforts to review, with the goal of reducing, legal expenses.
- 4) **Collective Bargaining:** Please provide a financial portrait of anticipated labor costs, and any steps being taken to actively manage those costs. What is the schedule of bargaining units which will be negotiating new agreements in FY20-24?
 - 5) **Capital Planning:** Please identify campus items anticipated to be handled as capital improvements, and the anticipated funding approach for each. Providing insight into a 5 year plan will aid the FinCom's ability to project tax increases.
 - 6) **Enrollment Impacts:** FY19 included a large increase in Concord's share due to enrollment shifts, leading to challenges in containing tax increases for Concord taxpayers. What is the expected outlook for FY20 and beyond?
 - 7) **Transportation:** Please provide an update on the Transportation Department. The status of the bus fleet, the expenses of the new facility and the associated bargaining unit labor costs are important to the FinCom. A report on the fiscal impacts of the later start time at CCHS would be helpful to include.
 - 8) **OPEB:** FY19 was a difficult year for maintaining a commitment to the OPEB Actuarially Required Contribution (ARC). Please report on your goals for OPEB in FY20.
 - 9) **Education Reform and Mandates:** Are there any external reforms or mandates anticipated which will create financially relevant impacts on the District? If so, please summarize the financial implications you anticipate.
 - 10) **Facilities:** How are budget categories for maintenance shifting as the 'new' high school building enters adolescence.
 - 11) **User Fees:** An area of revenue that has been somewhat opaque in past reporting has been user fees for athletics, parking, and other co-curricular activities. Please provide insight into the scope of fees and how they are used to directly offset program expenses (snow removal, coaching stipends, etc)
 - 12) **Other Items:** Please comment on any additional items that may impact the CCRSD budget in FY20 and beyond.

We have scheduled Thursday, October 18, 2018 for our meeting with the CCRSD School Administration. An additional meeting with the School Administration to update information and provide additional opportunities for discussion is scheduled for Thursday, November YY15, 2018. We would appreciate receiving a response electronically prior to our initial meeting with the School Administration, preferably by October 10,2018 to allow time for review by Subcommittee members.

Thank you in advance for providing this information. We greatly appreciate your collaboration and efforts to work together with the Finance Committee. We respect and support your efforts to maintain excellence in Concord's educational programs and acknowledge the many challenges you face in advancing Concord and Carlisle students' experience at CCHS.



Town of Concord
Finance Committee
22 Monument Square
Concord, Massachusetts 01742-0535

To: Johanna Boynton, Chair, Concord School Committee
From: Dean Banfield, Chair, Guidelines Subcommittee, Concord Finance Committee
Cc: Dr. Laurie Hunter, Superintendent, Concord Public Schools
Jared Stanton, Director of Finance and Operations, Concord Public Schools

Date: July 31, 2018

Re: Annual Budget Data Request – FY20 Guidelines

The Guidelines Subcommittee requests information to assist us in the preparation of budget guidelines for the Concord Public Schools District (CPS) for FY20. The Finance Committee aims to set sustainable budgetary objectives, within the context of community expectations for continued educational excellence and fiscal restraint.

We seek to understand the underlying significant drivers in the CPS budgeting process. The policy objectives and external forces which will influence the financial picture are instructive to the guidelines process, but the choices made that shape the overall budget are formally the responsibility of the School Committee. In this year in which CPS will be undertaking a full review and zero-based budgeting exercise, we anticipate that there will be significant programmatic revision, and we would hope that this process can lead to both creative changes in educational programs, as well as financial savings for the community.

Prior practice has been for the Guidelines Subcommittee to submit highly detailed requests in several areas, which the Finance Committee views as budgetary silos affecting the final overall budget. We continue to view these as the key areas about which we seek detail, but with this year's information request, we are being less prescriptive in what we seek, and hope that by granting latitude, we will receive data which easier to prepare, and is instructive to our deliberations. Please err on the side of detail vs summary information to the degree possible. Topics below are requested in the overall order of importance that the Finance Committee has discussed:

- 1) **Budget performance:** Please provide FY17 Actuals for reference. Also, we would like FY18 budgeted vs Actual results, along with the status of various reserves available to CPS heading into FY19.
- 2) **Zero-Based Budgeting – Area Impacts:** Typically, the Finance Committee likes to see breakouts of SPED costs and separately 'Educational Programming' changes anticipated to have budget impacts. SPED has historically been given annual top to bottom reviews, with programmatic changes responding to both specific needs, but also structural responses to meet those needs in the most fiscally prudent way possible. This year, the entire educational program will be evaluated using the same lens that has been applied to SPED programs.

Please provide specific insights into how the bottom up budgeting method is helping drive program improvements and also contain costs. The focus of the Finance Committee is on the cost side. Examples of staff and faculty suggestions would be informative to the Committee, along with the financial modifications suggested by the outside consulting firm that looked at SPED programs.

- 3) **Benchmark measures:** Please provide a copy of the Budget Subcommittee final report on benchmarking. The Committee has ongoing concerns regarding efforts to control costs in three areas

which have historically registered per student expenditures at the highest levels statewide: Administration, District level Information Technology and Legal Expenses. Please address efforts in these areas.

- a. **Administration:** Please describe any efficiency steps being taken or planned, and the financial goals for those activities.
 - b. **District IT Expense:** Please help us understand how technology investments are accounted for in the budget: administration/District central expenses, School-based expenses, program-specific expenses. What steps are being taken to control/reduce expenses, particularly in District IT. It is increasingly difficult to understand where our 'technology dollars' are being expended, and the allocations between central IT and classroom technology.
 - c. **Legal Expenses:** Please provide an update on the RFP process in progress to select new legal representation. The FinCom is encouraged by efforts to review, with the goal of reducing, legal expenses.
- 4) **Collective Bargaining:** Please provide a financial portrait of anticipated labor costs, and any steps being taken to actively manage those costs. What is the schedule of bargaining units which will be negotiating new agreements in FY20-24?
 - 5) **Capital Planning:** Please identify items anticipated to be handled as capital improvements, and the anticipated funding approach for each (e.g. Town Manager's capital plan, extraordinary capital need with funding mechanism, etc). Providing insight into a 5 year plan will aid the Finance Committee's ability to project tax increases. Please pay particular attention to the planning process for the Concord Middle School, and the funding rounds anticipated through that project.
 - 6) **Enrollment Impacts:** CPS enrollments have been fairly stable following an uptick due to completion of the Mews development. What is the expected outlook for FY20 and beyond? How will those changes affect financial considerations?
 - 7) **Transportation:** Please provide an update on the Transportation Department. The status of the bus fleet, the expenses of the new facility and the associated bargaining unit labor costs are important to the FinCom.
 - 8) **Education Reform and Mandates:** Are there any external reforms or mandates anticipated which will create financially relevant impacts on the District? If so, please summarize the financial implications you anticipate.
 - 9) **Facilities:** Please provide a financial picture of how our elementary buildings are performing as they reach mid-life. Any extraordinary steps, if any, necessary to manage the two building CMS complex should be part of the discussion.
 - 10) **Other Items:** Please comment on any additional items that may impact the CPS budget in FY20 and beyond.

We have scheduled Thursday, October 18, 2018 for our meeting with the CPS School Administration. An additional meeting with the School Administration to update information and provide additional opportunities for discussion is scheduled for Thursday, November 15, 2018. We would appreciate receiving a response electronically prior to our initial meeting with the School Administration, preferably by October 10, 2018 to allow time for review by Subcommittee members.

Thank you in advance for providing this information. We greatly appreciate your collaboration and efforts to work together with the Finance Committee. We respect and support your efforts to maintain excellence in Concord's educational programs and acknowledge the many challenges you face in advancing Concord students' experience in FY20.



Town of Concord
Finance Committee
22 Monument Square
Concord, Massachusetts 01742-0535

To: David Horton, Chairperson, Minuteman School Committee
From: Dean Banfield, Chair, Guidelines Subcommittee, Concord Finance Committee
Cc: Edward A. Bouquillon, Superintendent-Director, Minuteman High School
Carrie Flood, Concord Representative, Minuteman School Committee

Date: July 31, 2018

Re: Annual Budget Data Request – FY20 Guidelines

The Guidelines Subcommittee requests information to assist us in advising Concord Town Meeting regarding Minuteman's budget request for FY20. The Finance Committee aims to set sustainable budgetary objectives, within the context of community expectations for continued educational excellence and fiscal restraint.

Following our practice of the last several years, we prefer to have a general conversation on the operational needs and market factors influencing the Minuteman Regional Vocational Technical School District (MRVTSD). We do not expect you to present a detailed preliminary budget. We are aware that recent developments, especially the construction of the new building, may significantly impact member assessments. With this in mind, we ask that you provide your outlook and vision for Minuteman over the next 5 years and identify the key issues for FY20.

Please include information on the following specific areas in the District response materials:

- 1) **Budget performance:** Please provide FY17 Actuals for reference. Also, we would like FY18 budgeted vs Actual results, along with the status of various reserves available to the District heading into FY19.
- 2) **Construction Status:** Please provide an update on the schedule for construction of the new school building. Include a schedule of funding rounds for FY19 and FY20. Provide insight into debt assessment levels, and impacts which may occur should any towns withdraw from the District.
- 3) **Enrollment Update:** Please provide enrollment data, both a prior 5 year history, and projections broken down based on best estimates of member town students and out of district students.
- 4) **District Membership:** The FinCom would be interested in hearing about any anticipated changes in District membership, either communities looking to join or withdraw from the District Agreement, with the enrollment and financial effects those changes would have on remaining members.
- 5) **Per Student Costs:** What is your FY18 and budgeted FY19 cost per student based on the total budget? Please break down per student costs for both SPED and non-SPED students. Also please provide reimbursement to cost information for out of district students attending Minuteman.
- 6) **E&D:** Please provide information on the expected amount in the Excess and Deficiency (E&D) account on June 30, 2018 and an estimate for FY19. How are these funds traditionally allocated in subsequent years?
- 7) **OPEB:** What is the Other Post-Employment Benefits (OPEB) funding schedule for MRVTSD?

- 8) Benchmarking: How does the average cost per student at Minuteman compare to peer school systems for the latest year available? What are the drivers of the differences in cost per student between Minuteman High School and peer schools? How are those cost differences explained?
- 9) Other Items: Please comment on any additional items that may impact the MRVTSD budget in FY20 and beyond.

We have scheduled Thursday, October 4, 2018 for our meeting with the MRVTSD School Administration. We would appreciate receiving a response electronically prior to our initial meeting with the School Administration, preferably by September 26, 2018 to allow time for review by Subcommittee members.

Thank you in advance for providing this information. We greatly appreciate your collaboration and efforts to work together with the Finance Committee. We respect and support your efforts to maintain excellence in Minuteman's educational programs and acknowledge the many challenges you face in advancing area students' experiences at Minuteman High School.



Town of Concord
Finance Committee
22 Monument Square
Concord, Massachusetts 01742-0535

To: Chris Whelan, Town Manager
From: Dean Banfield, Chair, Guidelines Subcommittee, Concord Finance Committee
Cc: Tom McKean, Chair, Concord Select Board

Date: July 31, 2018

Re: Annual Budget Data Request – FY20 Guidelines

The Guidelines Subcommittee requests information to assist us in the preparation of Town budget guidelines for FY20. The Finance Committee aims to set sustainable budgetary objectives, within the context of the community's high expectations for municipal services and fiscal restraint.

Following prior practice, the Guidelines Subcommittee requests information from several viewpoints which the Finance Committee views as budgetary perspectives affecting the final overall budget. We continue to view these as the key ways to assess budget development, about which we seek detail. With this year's information request, we are being less prescriptive in what we seek, and hope that by granting latitude, we will receive data which easier to prepare, and is still instructive to our deliberations. Please err on the side of detail vs summary information to the degree possible.

Following our practice of the last several years, we prefer to have a general conversation with you concerning the operating needs and funding priorities for the Town. We do not expect you to present a detailed preliminary budget in October. The topics below are requested in the overall order of importance that the Finance Committee has discussed:

- 1) FY19 Budget Performance: The Finance Committee receives regular updates regarding budget performance. A budget vs actual discussion should cover challenges that were encountered and how those challenges are informing the FY20 budget development.
- 2) Services status and anticipated changes: Please present a portrait of the Town's current programs and services, with your perceptions of how those offerings should change in the next 1-5 years in response to any perceived current needs but also anticipating any possible changes in the makeup of the Town's residential population and commercial environment.
- 3) Collective Bargaining: Please provide a financial portrait of anticipated labor costs, and any steps being taken to actively manage those costs. What is the schedule of bargaining units which will be negotiating new agreements in FY20-24?
- 4) Funding levels: Please highlight any programs and services which should continue, but require adjustments to funding levels to conform to community expectations. Funding may either need to increase or be scaled back.
- 5) Capital Program: Discuss the 5 year capital plan, and highlight any items that might require excluded debt.

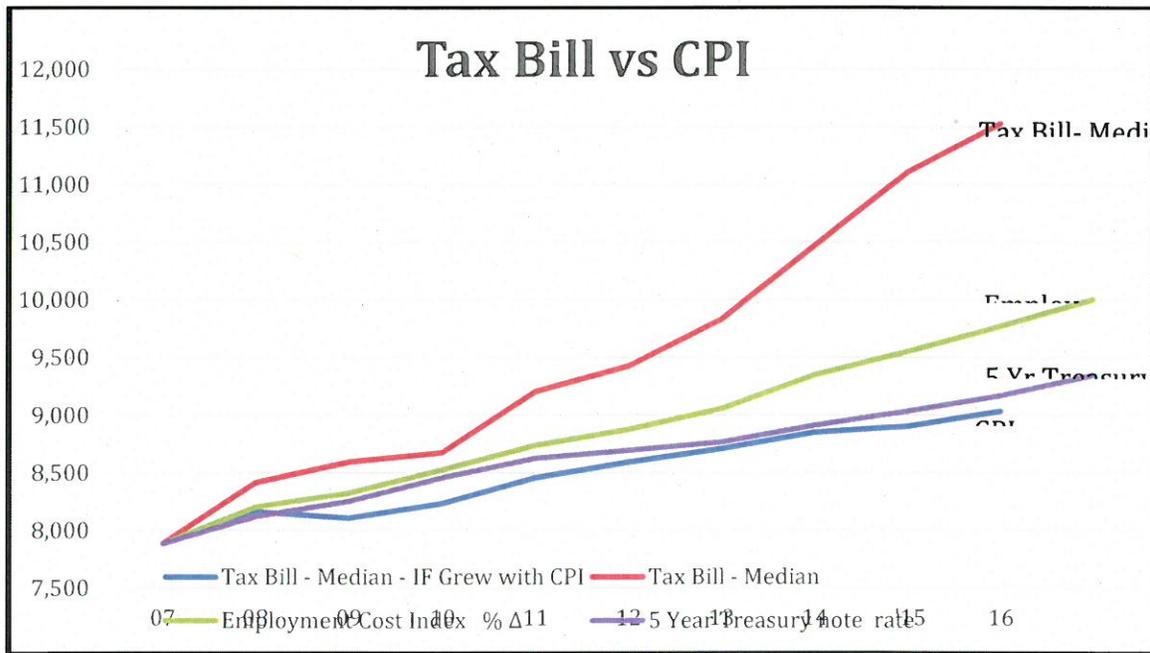
- 6) OPEB: What is the anticipated contribution for FY20, and does this continue Concord's commitment to meeting the annual required contribution (ARC)? What are the planned future contributions to maintain that status?
- 7) Town Meeting Directives: Please provide the Finance Committee with insight into the ways that Town Meeting citizen petition efforts are influencing budget development. Recent articles include – sustainability, resiliency, energy futures and CCTV.
- 8) Land Acquisition: The Town has been an active participant in land acquisition. Please provide an overview of steps being taken to build financial reserves for land purchases, and also for post-closure development and maintenance, both for currently active projects (2229, Warner's Pond, White Pond) and future needs.
- 9) Succession Planning: Outline for the Finance Committee your plans for transitioning to the next Town Manager. The FinCom is encouraged by the potential which a periodic bottom up, 'zero based' budgeting (ZBB) approach may yield. Please offer your views regarding ZBB.
- 10) Benchmarking: The Town has recently subscribed to the ClearGov service. Help the Finance Committee understand how you hope this will inform budget development this year, and in future years.
- 11) Public-Private Partnerships: Please provide information on any significant public/private partnerships and describe how private entities are helping the Town achieve its objectives while the Town retains public process and oversight.
- 12) Additional Information: Please let us know anything else which you think would help the Guidelines Subcommittee as it deliberates the level for this year's guideline recommendation.

We have schedule Thursday, October 11, 2018 for our initial meeting and Thursday, November 8, 2018 for a more detailed follow-up meeting. We would appreciate receiving a response electronically prior to the October meeting, preferably by Wednesday, October 3, 2018 to allow time for review by Subcommittee members.

Thank you in advance for your review and comment on these important issues. We look forward to an interesting and constructive conversation.

Sustainable Growth Rate – Timeline and FinCom Notes

FinCom member Scott Randall during his tenure on the FinCom, promoted a view generally that the FinCom need not concern itself too deeply in the financial minutia of operating budgets, but ought to grapple more generally with the overall spending increase levels for the town budgeting entities and their knock-on impacts on the tax burdens on homeowners. He offered regular updates to a chart comparing tax bill increases (median household) to other measures of inflation. This chart became known as 'The Randall Curve' and pointed to a trend of great concern to the FinCom and pointed to a trend which was considered unsustainable generally, if Concord wished to retain its character and remain affordable to live in for a diverse range of citizens.



An early expression of the concept of fiscal sustainability was inserted into a Guidelines information request followup letters from October 2016. It stated:

In establishing the Guidelines, the Finance Committee seeks to maintain operating cost increases within certain criteria to meet a goal of financial sustainability over the long term. These criteria include keeping increases from depleting excess levy limit capacity to the extent that general overrides are required, free cash is depleted, bond ratings are affected, or taxpayers are burdened beyond what typical expectations of income growth can accommodate.

This concept was discussed broadly by the FinCom, and dovetailed with the long range plan that the Town was undertaking. During the 2017-18 Budgeting/TM cycle, the FinCom established a 'fiscal sustainability' subcommittee to study. In August 2017, the FinCom was asked to weigh in on a Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis across 6 'Guiding Principles' in the Envision Concord process. The FinCom offered modest commentary across several sub-sections of these principles, but was unable to provide a graphical outline of a 'sustainable financial future' for either taxes or spending as requested by the Long Range Planning committee. They had been hopeful that some inserted 'hard data analysis' could be possible, given the annual work

done to produce 5 year tax estimates and the FinCom's increasing interest/concern in the historical tax increases that citizens have faced. From the SWOT early review (10/2017) minutes:

A couple of items of significance to the FC were identified as not being in the SWOT Analysis: □ (1) the importance of engaging in a conversation about fiscal sustainability and what that means for Concord; and (2) absence of a long-range capital plan (i.e., longer than the five-year capital plan currently updated annually within the Town budget).
□

I did not locate the letter sent to the CLRP committee with the FinCom responses to its request for input.

During the guidelines process for 2017- (TM 2018) the Guidelines Subcommittee discussed and voted (11/30/2017) the following motion, which began the FinCom's formal approach to establishing some sustainability goals for the Town's financial future.

Whereas there has been much discussion by the Finance Committee regarding the role for the Guidelines Subcommittee in the process of formulating the budgets of the three principal entities affecting the Town's annual expenditures; and

Whereas it has been observed that the guidelines issued by the Guidelines Subcommittee have been issued retrospectively ; and

Whereas it is the consensus of the member of the Finance Committee that it would be more useful to periodically formulate and issue to the subject entities, guidelines of a prospective nature;

Therefore, it is moved that the Finance Committee shall issue a statement to Town Meeting stating the Finance Committee's definition of fiscal sustainability and the Finance Committee's advice on how this definition of fiscal sustainability should affect planning and budgetary decisions. The Guidelines Subcommittee may schedule and hold one or more public hearings for the purpose of eliciting comments from the public and the officials of the three budgeting entities, on issues relative to the definition of fiscal sustainability and how to maintain it, as well as the quality of life in the Town and how to maintain it.

With that vote, the Finance Committee became formally committed to providing Town Meeting with a prospective view of the future financial direction of the Town, in addition to its regular process of reviewing and recommending the coming year's operating guidelines.

A working group, headed by Tom Tarpey began meeting in January 2018, with a goal of arriving at a formal definition of 'fiscal sustainability' and preparing a presentation to the Town at a hearing, which was held on February 15th 2018. A commentary piece was placed in the Concord Journal on Feb 1, to help generate interest in the topic and drive attendance at the hearing. The hearing was well attended, filling the Harvey Wheeler meeting space. The full hearing video is available here:

<https://videoplayer.telvue.com/player/6M9rzxtG9C7kgInggrEzmcqYNvbnVno/media/329869>

The hearing introduced the following concept from the Fiscal Sustainability Working Group: A 'guardrail' which be visible into the future and would keep budgets 'on the road'

and not veer off into an unsustainable levels. This would be designed to maintain the 'best Town Government and Schools *that we can afford*'

During the 2018-2019TM cycle, the FinCom, under Chair Tom Tarpey, worked at how it would undertake its voted commitment to 'issue a statement to Town Meeting' regarding its goal of promoting guidance for fiscal sustainability for the Town. The Fiscal Sustainability Working Group prepared a definition and reported it to the full Committee at the June 2018 meeting:

maintaining the Town's economic soundness, financial strength, and flexibility through keeping a level of excess levy limit capacity so that general overrides are not necessary; maintaining a free cash balance; continual investment in ongoing capital needs; and in avoiding burdening taxpayers beyond normal expectations of income growth or undermining the diversity of our population.

A subsequent characterization by Chair Tarpey included the following ideas

that level of taxation which, over time, would allow the Town to maintain its character, including economic diversity of its residents.

The working group explored numerous data in an effort to arrive at some kind of data-based expression of the proposed sustainable rate of growth. It looked at housing 'stress' factors, at regional wage and income data with populations sliced into quintiles where available, and at regionalized CPI information. A draft overview from this time period is attached as Appendix 1 to this summary. The report was finalized in October 2018 as a multi-tab Excel Spreadsheet, and is available as a separate attachment with this distribution.

At the Guidelines Subcommittee meeting of 11/26/2018 the FinCom approved the following motion, establishing, for the first time, a numeric 5 year sustainable growth rate (SGR) for the coming year:

The Guidelines Subcommittee of the Finance Committee recommends that the Town adopt a Sustainable Rate of Taxation Growth as follows: the arithmetic average of theinflation rate based on the most recent 12-month CPI for our region, and the 10-year Treasury bill yield that existed on the first day of July when the market is open. This would provide a growth number for each of the next five years (the same number), that would be updated on an annual basis for the upcoming five years.

This recommendation was voted and approved at the subsequent (11/29) Fincom meeting. Based on the formula above, the 5 year growth rate of taxation should be held to 2.95%/year.

Chair Tarpey worked further to have the SGR take hold in the Town via a warrant article requesting that Town Meeting approve the rate suggested by the FinCom. The Article was placed on the warrant, but after a great deal of discussion, it was moved by the FinCom that the Article should not be moved. And that is where we are today – we have established a process, have recommended a prospective rate of tax growth, but have more work to do to promote this important guidance from the FinCom.

Appendix I

DRAFT

		← median →			
	family income	assessed value	FY18 RE taxes	% mortgage/fam income	% mortgage+RE tax/fam income
quintile 1	\$200,000	\$1,604,000	\$22,921	37%	49%
quintile 2	\$150,000	\$1,006,700	\$14,386	31%	41%
quintile 3	\$125,000	\$791,200	\$11,306	29%	38%
quintile 4	\$75,000	\$645,900	\$9,230	40%	52%
quintile 5	\$22,500	\$458,700	\$6,555	94%	123%

		housing cost w/o RE tax = mortgage (assumed 4% for 30yr)		
	COL w/o housg, RE tax	COL w/o RE tax	COL w/RE tax	COL w/RE tax
quintile 1	\$39,704	\$74,208	\$113,912	\$136,833
quintile 2	\$39,704	\$46,574	\$86,278	\$100,664
quintile 3	\$39,704	\$36,604	\$76,308	\$87,614
quintile 4	\$39,704	\$29,882	\$69,586	\$78,816
quintile 5	\$39,704	\$21,221	\$60,925	\$67,480

assumed mortgage loan to value ratio
80%
percent of assessed value

Median Family Income	% mortgage/fam income	% mortgage+RE tax/fam income
quintile 1	37%	49%
quintile 2	31%	41%
quintile 3	29%	38%
quintile 4	40%	52%
quintile 5	94%	123%

Housing Costs as % of Family Income

