Town of Concord

Finance Committee 22 Monument
Square
P.O. Box 535
Concord, Massachusetts 01742-0535

AGENDA

Concord Finance Committee

March 14, 2019

Select Board Meeting Room
Town House
7:00 PM

1. Review/ approve minutes as available
2. Review/ vote recommendations on remaining Town Meeting Warrant Articles
3. Other discussion relative to Finance Committee Report and/ or Annual Town Meeting

Reminders

- ***Next Regular Meeting*: Thursday, March 28, 2019 at 7:00 PM, Select Board Room.**
- ***Town Meeting*: Monday, April 8, 2019, continuing on consecutive evenings until conclusion**
- ***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***

Town of Concord
Finance Committee
Meeting Minutes – February 11, 2019
Committee Meeting followed by Public Hearing

Present: Thomas Tarpey, Dean Banfield, Peter Fischelis, Mary Hartman, John Hickling, Karle Packard, Scott Randall, June Rzepczynski, Phil Swain and Andrea Zall

Absent: Grace Hanson, Richard Jamison, Christine Reynolds and Brian Taylor (one vacancy)

Others Present: Several Public Officials (as noted below) and about 45 members of the public for the hearing; Finance Director Kerry Lafleur; LWV Observer Maureen Kemeza

Committee Meeting Opened

Mr. Tarpey opened the meeting at 6:30 pm in the Hearing Room at the Town House. Ms. Lafleur shared a PowerPoint presentation that she had prepared entitled "Impact of Existing and Projected Debt Service," dated 1.24.2019. This document had previously been reviewed by the Finance Committee (FC) at the January 25, 2019 meeting. Mr. Tarpey noted that Ms. Lafleur's draft debt study showed $155 million in capital needs (for both the Town and Schools), all scheduled to begin in rapid succession within the next five years. Mr. Tarpey commented that the formation of a capital planning committee may be in order, similar to the one that was formed in 2002.

Mr. Packard thought that this was a great idea, and is consistent with what the FC has been seeking. Mr. Banfield confirmed that this would not be a standing committee. Mr. Hickling asked if the 2003 Capital Planning Committee report could be made available to the FC. Ms. Hartman asked for a copy of the handout that had previously been shown (scope of services) concerning the Municipal Facilities Study.

On a **MOTION** made by Mr. Swain and seconded by Mr. Banfield, the following was unanimously **VOTED**:

> To renew the request to the Select Board to establish a Capital Planning Committee, and to authorized the Chair to send a letter to the Select Board Chair urging the formation of such a committee to review town-wide capital needs.

The meeting adjourned at 6:45 pm. This was followed by a 15-minute break before the public hearing. Mr. Randall left the meeting at this point.

Public Hearing on Annual Town Meeting Warrant

Chair Tarpey opened the public hearing at 7:00 pm in the Hearing Room at the Town House.

Article 3 – Meeting Procedure
Mr. Tarpey explained that this article requires that every motion at town meeting to appropriate funds must identify the source of funding, and that all appropriation articles remain open and subject to amendment until the adjournment of the Annual Town Meeting. This procedure has been adopted by town meeting for many years. ***There were no comments or questions.***

Comments from the Moderator
Mr. Tarpey introduced Town Moderator Carmin Reiss who spoke of two initiatives for the 2019 Annual Town Meeting.

1. In an effort to generate more interest in town meeting, comments and questions will be accepted by email for the public hearings and town meeting, as time allows. These may be sent to publicinfo@concordma.gov. Town Clerk staff will assist in verifying that individuals sending emails are registered Concord voters. She noted that the Town of North Andover has tried this exercise with some success. There are no provisions for voting from home, since that is not allowed under Massachusetts state law.
2. On the second night of town meeting we will have a pilot demonstration of electronic voting, provided free of charge by Turning Technology. The goal of this pilot is to increase participation, ensure accuracy, and allow for a speedier tally of votes. This technology is currently in use in 11 other communities (9 with open town meetings). Any voter who does not wish to participate will be provided a paper ballot. Voters will be asked to complete a questionnaire following the demonstration, so that a decision can be made whether to use electronic voting in some circumstances going forward.

Article 4. Ratify Personnel Board Classification Actions
Personnel Board Chair Ellen Quackenbush introduced Article 4 and explained that during the year, the Town Manager and HR Director find the need to add, delete or change job titles; add new titles to the classification table; or reclassify a position due to a change in a job description. Many of these "classification actions" cannot wait until the upcoming annual town meeting. The Personnel Board reviews these actions, as recommended by the HR Director, and gives temporary approval, subject to town meeting ratification. This year, there are 13 such classification actions. She noted that some of these changes are being made in order to "prolong the life" of the classification plan—it is cheaper making annual "adjustments" rather than conducting a full-scale reclassification study at a cost of $60-70,000. ***There were no comments or questions.***

Article 5. Classification & Compensation Plan for Regular-Status Positions
Personnel Board Chair Ellen Quackenbush introduced Article 5, which is the pay and classification plan for non-unionized town employees. She noted that approximately 60% of town employees are non-union. The pay schedule provides a minimum, mid-point, and maximum pay range for each position. The maximum of the ranges have been increased by 2.5% for FY20. In addition, a few other changes have been made to accommodate changes in the market. The plan does not determine the actual salary increases to be received by employees—those amounts are determined by the Town Manager and Personnel Board following town meeting, and are based on the approved budg-

et, employee performance, and time in a position. She noted that the changes explained in Article 4 have already been incorporated into the schedules for Article 5. ***There were no comments or questions.***

Article 6. Town Budget

Town Manager Chris Whelan began his presentation with an expression of sadness on the recent passing of Laurel Landry, who had served as Executive Assistant to the Town Manager for over 30 years. His warm tribute noted her invaluable contributions for many years to the smooth running of the public hearings and town meeting, for which we are all indebted.

Mr. Whelan then introduced the Town Budget, which he noted conforms to the Finance Committee's (FC) budget guideline. He noted one change made in the budget presentation, at the request of the Town's Auditor and in an effort to increase transparency—the appropriated funds listed are the gross numbers, including transfers from the Enterprise Funds. In the past, only the net numbers were listed (gross numbers less transfers from the Enterprise Fund). These adjustments have been made in the three columns listed in Article 6. Mr. Whelan noted the following highlights in new spending proposed for FY20:

Amount	Explanation
$900,000	Salary Increases—2.5% pay increase for town staff (both union and non-union employees) plus step increases for those employees not currently at maximum.
26,000	One new part-time employee in the Town Manager's Office (half-time position)
41,000	Sustainability Director—General Fund portion of salary
50,000	White Pond & Gerow Park Maintenance Staff (new position)
20,000	Start-up funds for White Pond operations for summer 2019
72,000	New IT Technician to provide technical services for the Library & Police Dept.
90,000	Four new Firefighter positions to staff the West Concord ambulance 24-7 (currently being staffed only 8:00 am to 8:00 pm)—General Fund portion of salaries (the remainder will be funded through the MEWS Fund).
30,000	Council on Aging staff—increased hours and wages for the senior services staff due to increased activity in the department (aging population)
20,000	Miscellaneous—inflationary costs
$1,249,000	**TOTAL**

In response to a question from Ms. Hartman, Mr. Whelan noted that the $900,000 in proposed salary increases is the amount budgeted from the General Fund, following transfers from the Enterprise Funds. The gross amount of these increases is $1.2 million. Mr. Whelan noted the increased cost of health insurance (estimated at 8%, which is lower than originally anticipated). The Town continues to meet its OPEB liability. He noted that the operating budget includes $1,945,000 in capital improvements, continuing with Concord's tradition of designating 5% of the operating budget to fund town capital improvements within the levy limit, without borrowing. He noted that these expenditures are listed on pages 53-55 of the Town budget book.

Mr. Whelan noted that the number of Town employees is increasing by just 9.94 FTEs, as delineated on page 83 of the Town budget book. He acknowledged that this is a significant increase. Mr. Banfield inquired about the position of Municipal Archivist, the title of which is included in the new Pay

& Classification schedule, but was not mentioned in Mr. Whelan's presentation. Mr. Whelan explained that his proposal is to utilize an existing position to fill these functions, with no new funding. The title is needed, but no new funding is requested. He acknowledged that this is a departure from earlier conversations about this position.

Resident Jan Cuypers expressed concern about the increase in FTE positions, and asked whether consideration was given to balancing these increases by decreases elsewhere, given changes in technology. Mr. Whelan noted that the Police Department had not had a staffing increase in 15 years (one new position). The four new firefighter positions were requested six years ago, and the request is being implemented now due to an increased demand for services. Mr. Whelan recognized that adding employees is costly, and agreeing to fund them will be a community decision. Resident Susan Bates asked whether the new firefighters will be EMTs, and Mr. Whelan indicated that all firefighters are required to be EMTs. There are currently six firefighters stationed at the Walden Street station in the evening, and three at the West Concord station. The West Concord ambulance currently runs from 8:00 am to 8:00 pm, but with the four additional firefighters (one more per shift), the second ambulance could run 24/7.

Resident Cynthia Rainey asked a question about the costs shared by the Town and CPS, as listed on page 35 of the budget book (Joint Town-CPS). Finance Director Kerry Lafleur responded that health insurance is approximately 60-40 (CPS-Town). The joint retirement costs are more heavily weighted towards the Town, since teachers are not part of the Town's retirement system. In response to a question about field maintenance and snow removal, Mr. Whelan indicated that the Public Works Department removes snow from the public streets and parking lots. The School Department is responsible for removing snow from the school campuses. The Town maintains all of the fields, except for the high school fields. The DPW maintains the upper fields at the high school (using a grant of approximately $50,000 from the Friends of CC Fields), but the School Department maintains all other fields at the high school. Resident Diane Proctor asked how much of the $50,000 received from Friends of CC Fields comes from Carlisle donors or Carlisle sports groups. The answer to this question was not known.

Article 7 – Appropriate Funds – Municipal Capital Projects

Deputy Town Manager Kate Hodges reviewed the capital projects being proposed under Article 7, which total $3,950,000.

Department	Project	Amount	Explanation
Town Manager	Renovation/Construction & Acquisition of Town Buildings	$500,000	13 municipal office buildings (not including school buildings); new facilities dept. established in 2018; 5 of the Town's 14 depts. are staffed 24/7
Town Manager	Park Improvements	$1,400,000	White Pond beach opening June 2019; Gerow renovations to begin Spring 2019; Rideout Playground, Phase 1 completed Fall 2018; Phase 2 to start Spring 2019; these funds

			augmented by CPA funds
Planning	Land Acquisition for Open Space	$100,000	Hope to acquire 4.78 acres of the Ralph Waldo Emerson property
Public Works	Road & Parking Lot Reconstruction	$800,000	Road & parking lot improvements
Public Works	Cambridge Turnpike Reconstruction	$600,000	
Human Services	Library, Furniture, Fixtures & Equipment	$550,000	
	TOTAL	**$3,950,000**	

In response to a question from Mr. Swain, Ms. Lafleur indicated that the $3.95 million is comparable to what has been spent in recent years—generally between $4 and $4.5 million. She noted that all requested projects were funded this year. In response to a question from Mr. Hickling, Ms. Hodges indicated that the total cost of the White Pond improvements in FY20 are $750-800,000, with $250,000 coming from CPA funds and $550-600,000 coming from Article 7. The total costs do not include any funds anticipated to come from the White Pond Associates. Once those funds are received, they will be used to help fund Phases 2 or 3 of the improvements.

Resident Jan Cuypers asked about anticipated capital expenditures in the coming years. Ms. Lafleur noted that the projects funded under Article 7 are the smaller capital projects which require borrowing, which are funded annually in the range of $4-4.5 million. Any larger requests would be funded under separate capital articles (such as school buildings or other large building projects).

Article 8 – Authorize Expenditure of Revolving Funds under MGL c. 44, δ53E½

Finance Director Kerry Lafleur explained that this article authorizes spending limits on the four revolving funds that were adopted by the Town under this particular statute—Regional Housing Services, Road Repair, Senior Services, and Tree Preservation. Mr. Banfield asked about the nature of fees and fines. Public Works Director Richard Reine responded that these would be life cycle maintenance fees and utility/pavement cuts for trenches, driveways, etc. Resident Dee Ortner asked for an explanation of the Regional Housing Services. Regional Housing Director Liz Rust responded that the $265,000 annual spending limit is the total amount contributed from all the member communities, and covers salaries and consultants. Concord's portion of this fund is $38,000, of which 50% comes from the General Fund and 50% from CPA funds. Mr. Whelan clarified that Concord is the lead community for the region, which is why the full amount needs to be authorized. In response to a comment made by Ms. Lafleur that the four revolving funds in this article do not involve the use of taxpayer money, Ms. Hartman clarified that the $38,000 portion of the Regional Housing Services does include taxpayer money (50% from the General Fund and 50% from CPA funds), and this point should be clarified at town meeting.

Article 9 – Authorization to Accept MGL c. 32B, δ20 – OPEB Liability Trust Fund

Finance Director Kerry Lafleur explained that in 2008 an OPEB Trust Fund was adopted for Concord through special legislation. Subsequently, in 2016, the State Legislature adopted enabling legislation for OPEB Trust Funds. Town Counsel recommends that Concord adopt the 2016 legislation in order to provide clear legal structure, make the Trust irrevocable, and clarifies that the Trust is to be used solely to pay the OPEB liability. There is currently $18 million in the Fund, and Concord is approximately 32% funded. Under the statute, the Town will make a decision as to whether to have one sole Trustee (Town Treasurer) or to appoint a board of trustees. At this time, the recommendation is that a sole trustee (Town Treasurer) be appointed to oversee the fund, but that a formal reporting requirement be established, with some consultation with the Trustees of Town Donations.

In response to a question from Resident Jan Cuypers, Ms. Lafleur noted that $18 million is in the OPEB fund now, and annual contributions are made. No expenditures are being withdrawn from the fund at this time. She anticipates that that will be reviewed as the Town becomes closer to fully funding the OPEB liability, after 2030. In response to a question from Mr. Hickling, Ms. Lafleur noted that the model as to how to proceed to utilize the fund once it is fully funded will be developed by the Select Board and Trustees of Town Donations at some point in the future.

Article 17 – Use of Free Cash

Finance Director Kerry Lafleur explained that "free cash" is the undesignated fund balance. Funds are added to free cash when the actual revenue received exceeds estimates and/or when actual expenditures are lower than budgeted. The certified free cash balance as of June 30, 2018 is $11,683,672, which represents 10.7% of the FY19 general fund budget. Concord's free cash policy is to maintain a balance between 5% ($5,322,425) and 10% ($10,644,849) of the general fund budget. The current balance exceeds the policy maximum by $1,038,823. The recommendation under Article 17 is to allocate $1 million of free cash to reduce the tax rate, leaving a "surplus" balance of $38,823. Mr. Banfield inquired about putting some of the free cash balance into a stabilization fund for future tax rate reduction (in the event of a future large tax issuance), and whether this would be allowed. Ms. Lafleur responded that there is no mandate as to how to allocate the free cash that is within the 5% and 10% range, so some of these funds could be used for a stabilization fund, as long as the balance does not go lower than 5%.

Article 18 – General Bylaw Amendment – Sustainable Growth Rate (SGR)

Mr. Tarpey presented this article, which is proposed by the Finance Committee as a General Bylaw amendment, amending the Finance Committee Bylaw. The proposal inserts a new Section 4 which instructs the FC to (1) project the likely total tax burden on citizens for five years; and (2) to recommend a SGR for the upcoming fiscal year and for each of the five following fiscal years. Mr. Tarpey explained that the FC considers sustainable growth in taxation and budgets to be that which balances over the long term the desirability of socio-economic diversity in the Town, the quality of our schools and municipal services, and the unique position of Concord in our nation's history. Mr. Tarpey explained that part (1) above was initiated by resident Phebe Ham and adopted by Town Meeting in 2009, and part (2) is an outgrowth of discussions that the FC has had since 2017. He further explained that the FC finds itself reacting to Town and School budget requests, and would prefer to provide some guidance to the budget entities going forward. He anticipates that the SGR will be discussed annually, using publicly available indices, and is likely to change from year-to-year, adjusting to the changing needs of the Town. He emphasized that the FC's role is advisory, with no ability to "direct" or "command."

Mr. Tarpey displayed a chart which showed Concord's growth in tax burden, as compared to its peer communities. He noted that Concord is in the high range. In response to a question from Mr. Swain about the SGR for the coming year, Mr. Tarpey indicated that it is still under review, but should be identified for display purposes at town meeting. Resident Terry Rothermel commented that one of the data points referenced in Article 18 is incorrect—Ms. Ham's proposal and the vote occurred in 2011, and was the result of two high school funding articles brought to town meeting at that time. Mr. Rothermel questioned why the FC's desire to elevate this process to the level of a bylaw, noting that the FC Bylaw had been in place for almost 100 years. Mr. Tarpey responded that the bylaw amendment is being proposed to assure that these ideas and practices are not forgotten, noting that his understanding is that the current bylaw was adopted in 1951. Mr. Rothermel further commented on the choice of the contemporary term "sustainable." Mr. Tarpey took issue with the implication that sustainability is a "fad," noting that the FC is committed to not just looking at financial issues one year at a time, but also has a responsibility to future taxpayers. He noted that the FC Bylaw could be amended in the future if needed. The current FC members feel that the concept of SGR is a useful exercise and would appreciate a discussion of the issue at town meeting. Mr. Swain noted that he had supported the SGR proposal and is confident that this would provide useful information to the FC each year.

Resident Cynthia Wood suggested that the SGR concept as currently proposed is too vague to provide useful guidance. She felt that more specifics would be needed—are we talking about the growth in property tax rate or budget growth? Mr. Tarpey responded that the FC will reexamine the proposal with the goal of clarifying both the concept and the presentation. Ms. Wood also questioned why the SGR is being presented as a bylaw. She suggested that this could be done already without a bylaw, noting that the FC would be well within its rights to choose the information that it provides to taxpayers. Resident Stephen Carr recalled one year when the Select Board and Town Manager recommended no salary increase for non-unionized town employees, and the FC recommended otherwise. He cited this example of the FC's influence and wisdom respected by voters. Mr. Tarpey thanked all for the comments, which will be considered by the FC.

Articles 23-26 Affordable Housing Articles

Todd Benjamin, Chair of the Affordable Housing Funding Committee (AHFC), provided some background on the proposals being brought to town meeting under these four articles. He emphasized the guiding principles of the AHFC:

1. Wide perspective that is fair and does not rely solely on one group;
2. Success requires change and leadership to assure that it is implemented, and the benefits are worth it;
3. Support affordable homes now to best fit the town;
4. Residents have more control now, since Concord is above the 10% minimum for affordable housing and can avoid a Ch. 40B at this time;
5. These articles are the beginning of the process—important that we start now.

He then reviewed the recommendations made by the AHFC, not all of which were accepted by the Select Board and made their way to the Warrant. He noted that Article 23 impacts current residents; Article 25 impacts incoming residents; and Article 26 impacts builders or homeowners planning additions.

Article 23—Appropriate $500,000 from free cash for Affordable Housing Development Mr. Benjamin noted that this proposal would only apply if the Town's free cash were above 5%. This would be a temporary strategy, intended to be used until Articles 25 and 26 are approved by the state legislature and are operational. He noted that the Town of Brookline uses free cash for affordable housing purposes. In response to a question from Mr. Swain, Mr. Benjamin noted that Concord's current level of affordable housing is 10.52%. He also noted that this number includes some market rate units, since the State counts all the units of a large development as affordable, even though some of them are rented at market rate. So the effective rate of affordable housing is approximately 5.34%. The reason why Concord still needs to increase its affordable inventory is due to an increase in the total number of housing units in Concord (the base) upon which the 10% is calculated.

In response to a question from Ms. Hartman, Mr. Benjamin noted that we are talking about both moderate income housing ("workforce housing") and affordable housing (with units counted towards the inventory). In response to another question from Ms. Hartman, Mr. Benjamin confirmed that any use of free cash for affordable housing purposes would need to be voted each year, and would only be done on a temporary basis until other sources of funding become available. He suggested that one unit of affordable housing could be built with $500,000, but those funds could be leveraged for more state/federal funding programs.

Article 24—Authorization to Accept MGL c. 44, δ55C Mr. Benjamin explained that this statute is a well-tried strategy for holding and disbursing trust funds that are created for the purpose of affordable housing. He noted that more than 70 communities have established such funds under this enabling statute. In response to a question from Mr. Banfield, Mr. Benjamin noted that expenditures from the trust fund would not require town meeting approval, allowing the Town to enter into real estate transactions as opportunities arise.

Article 25—Special Legislation to create a Real Estate Transfer Tax Mr. Benjamin explained that this article would ask for special home rule legislation to allow Concord to impose a real estate transfer tax of 1% of the purchase price, to be paid by the buyer. He noted that similar transfer taxes are currently imposed by several Cape Cod & Islands communities. In response to a question from Mr. Rothermel, Mr. Benjamin noted that the current plan would be for the tax to apply only to residential property transfers. Select Board Chair Tom McKean noted that the Warrant Article was modeled after other towns in Massachusetts, and could possibly be amended in the future to include commercial property. Resident Dee Ortner suggested that businesses in Concord would benefit from more affordable housing units since those residents would provide a pool of employees.

Resident Tom Matthews asked whether consideration had been given to increase the CPA surcharge from 1.5% to 3.0%. Mr. Benjamin responded that this had been considered, in part because the state matching funds for CPA have declined. Mr. Matthews noted that 30% of Concord real estate sales are residents moving within Concord (up or down), so these residents would be hit twice by a transfer tax. Mr. Benjamin noted that exclusions were considered, and although not contained in the current proposed article, the home rule petition could be amended going forward. Mr. Matthews questioned why this tax is being put onto the buyer—why not the seller? Mr. Benjamin noted that the seller is already contributing to affordable housing while residing in Concord. Mr. Matthews commented that if this home rule legislation were to pass, then Concord would be the only Massachusetts community outside of Cape Cod that would have this tax, which would place an added burden on the 400 owners who sell homes in Concord each year.

Resident Terri Ackerman noted that Section 4 of the proposed legislation would allow fees to be dedicated to either the Concord Housing Development Corporation or the new Concord Affordable Housing Trust Fund established under Article 24. She asked what the intent was going forward, if Article 24 were to pass. She suggested that the Motion for Article 25 include a reference as to where the funds would go if Article 24 were to pass—i.e., the funds would be deposited into the Concord Affordable Housing Trust Fund. Ms. Hartman noted that the real estate transfer tax collected by Cape Cod communities is not all earmarked for affordable housing—some is used for other public purposes. Resident Richard Bailey noted that Somerville and Cambridge have pushed for a real estate transfer tax, but this has not yet been approved by the Legislature. In response to a question from Ms. Hartman, Mr. Benjamin noted that an estimated $3 million would be raised annually from a real estate transfer tax.

<u>Article 26—Special Legislation for Building Permit Fee Surcharge for Affordable Housing</u> Mr. Benjamin explained that this article is a follow up to one proposed by Charles Phillips two years ago, and recognized Mr. Phillips' effort to bring this concept into the public discourse. This proposal would add a surcharge to building permit fees, with the surcharge resulting in fees being designated for affordable housing purposes. He estimated that $900,000 to $1 million would be raised annually under this proposal, if approved by the Town and State Legislature. He summarized the funding proposals as follows, in terms of potential revenue:

Article 23—Free Cash (would sunset)	$500,000/year
Article 25—Real Estate Transfer Fee	$3 million/year
Article 26—Building Permit Surcharge	<u>$1 million/year</u>
Total	$4.5 million

Moderator Carmin Reiss suggested that a third column be added to the building permit fee chart, so the total amount being charged will be clear—current fee, proposed surcharge, and total building permit fee. Select Board member Alice Kaufman suggested that if Articles 25 and 26 were both to pass, there is a possibility that a buyer would pay twice (transfer fee + building permit surcharge), which she felt would be unfair. One resident commented that with funds available in the Trust Fund, the community could move more quickly when property becomes available. Deed restrictions would be placed on the property to assure that it remains affordable. He hoped that the Town could pass the four proposed articles as a package at town meeting.

Resident Carol Wilson asked whether the AHFC had done any outreach to realtors or builders in an effort to incentivize an increase in private development of affordable units, such as a reduction in the building permit fees or property taxes. Mr. Benjamin noted that there is a realtor on the AHFC.

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
- PowerPoint Presentation "Impact of Existing & Projected Debt Service" (dated 1.24.2019)

-- from Fin Com Report --

Five Year Projection of Real Estate Taxes

Article 3, adopted at the Special Town Meeting on November 7, 2011, requested the Finance Committee to develop a five-year projection of the real estate taxes likely to be levied on the citizens of the Town. This report, the eighth year this projection has been developed, covers the period FY21 through FY25. In response to citizen comments and suggestions, the Finance Committee has continued to refine the five-year projection of real estate taxes to present multiple scenarios, the first being based on a "most likely" analysis and then two alternative scenarios.

The level of the operating budgets of the Town government and the schools are the dominant contributors to the amount of taxes that must be levied since they comprise approximately 77% of the total Town Budget. The 5 year projection process uses FinCom guidelines for these operating budgets. Should Town Meeting approve higher budgets, it will change the future prospects for taxes and levy limit strain from what is shown here. The Town and School administrations have informed the Committee that annual increases between 3% and 5% are necessary to maintain the current level of services. Keeping budgets below the lower end of this range for an extended period of time is likely to require cuts in services, staff reductions, deferral of maintenance and/or delays in equipment replacement to balance resource availability with expenditures.

The projections by the Finance Committee are based on a number of significant assumptions. With approximately 84% of General Fund revenue derived from property taxes, the Town budget is more sensitive to changes in spending levels than it is to changes in external sources of revenue. All three scenarios are based on a moderate economic environment. State Aid, which represents about 4.75% of General Fund resources, is conservatively estimated to increase 2.5% annually (in the most likely scenario). Moderate revenue increases were included in categories where growth is reasonably expected, including contributions from local excise taxes, licenses and permits. Property taxes from new construction and renovations are reduced in the FY20 budget, and are targeted to slip modestly and then remain level in the 5 year projection. Contributions from Free Cash are estimated at 1% of the Total Projected Budget, consistent with funding policies established since 2012.

The three five-year scenarios reflect varying sets of expenditure assumptions and only minor differences in revenue expectations. Each of the scenarios incorporates projected expenditures for individual town budget line items including Operating budgets for the Town, Concord Public Schools (CPS), Concord-Carlisle Regional School District (CCRSD), and expenses for Group Insurance, Retirement, Other Post-Employment Benefits (OPEB), Minutemen Vocational Technical School and Town debt repayments. The Operating budget for CCRSD incorporates planned OPEB contributions as well as changes in the proportion of Concord's share of the CCRSD budget and school building excluded debt expense, resulting from anticipated shifts in Concord and Carlisle projected student enrollment.

The Most Likely Scenario represents a period of modest expenditure growth (cost increases generally of about 3-4%). Alternative Scenario 1 represents a period of below average expenditure growth (at or slightly lower than the 10 year average annual increase), and Alternative Scenario 2 represents a period of above average expenditure growth (4-5% or greater). All three scenarios represent reasonable expenditure levels that may be anticipated, ranging from weak economic conditions to a high level of local development activity driving increases in Town services and student populations. Although the three scenarios are designed to represent a realistic range of outcomes, the Town's actual experience may fall outside the scope of the scenarios.

The Finance Committee believes it is important to incorporate only future expenses which have been formally planned and have defined expense projections. The projections do not include allowances for other potential or unanticipated projects, and therefore this model may underestimate future debt expense. Net debt expense recently peaked in FY17 at 13.7% of Total Budget and is projected to decline under the most likely scenario, to 8.07% in FY25. The Finance Committee acknowledges the ongoing discussion regarding the future of the two Middle School buildings, as well as other capital needs in Town, such as in the areas of Municipal Offices, Public Safety and Public Works. Proceeding with any one of these projects would introduce additional excluded future debt, not included in the projections provided here.

Across all three scenarios, the largest annual increase in property taxes to existing taxpayers is expected in FY20 (approximately 3.71%), followed by a decline in FY21 (to 3.1). During this time, increases in Operating Budget expenses are somewhat offset by declines in excluded debt service from Town Meeting approved projects. Other factors impacting the FY2-FY25 projection of tax increases include shifts in Concord's projected share of CCRSD students, which drives the Town's portion of the CCRSD Operating budget and excluded debt. The ratio is expected to increase from 75.25 (FY20) to 76.96% by 2023, and holding close to that level throughout the balance of the forecast. In the Most Likely Scenario, the moderate spending environment, property taxes to existing taxpayers increase between 3.71 (FY20) and 4.3% (FY25) per year. In Alternate Scenario 1, the annual increase ranges from 3.3% to 3.8%, and in Alternate Scenario 2, from 3.7% to 4.8% (See Figure 1).

The future spending trajectories, with the exception of the restrained spending track (Alternative 1) lead to the need for Prop 2 ½ override votes within the 5 year projection timeframe. Figure 2 indicates that under in the higher spending scenario Alternative 2, the Town of Concord levy limit is exceeded starting in FY23 and in the Most Likely scenario, an override will be required by FY24. If the limit is exceeded, two sets of approvals will be required. It is worth noting that the 5 year projection prepared last year showed the high expenditure scenario requiring an override in FY22 and the Most Likely Scenario requiring an override in FY23. The FinCom is quite concerned with maintaining sustainable budgets going forward. The Town has approved operating budget overrides of levy limits in prior years, most recently in FY07.

A tax bill calculator is included in Table 1 to allow individual taxpayers to calculate the impact of the projected Most Likely Scenario tax increase on their property tax bills, based on present assessed values. Lastly, the Finance Committee reminds citizens that this model represents our best projection of operating needs and resources. Changes in future economic conditions and Town Meeting warrant article approvals, particularly the assumption of new excluded debt issues, will impact future real estate tax increases. The Finance Committee will continue its efforts to improve the usefulness of its five-year projection for taxpayers, town and school administrators, boards, and committees. We intend to incorporate ideas developed by the Fiscal Sustainability subcommittee in future projections. We welcome your comments and suggestions to improve the five-year projection and its presentation to citizens. For further information, please visit the Finance Committee page at ConcordMA.gov.

Table 1: Tax Impact Calculator

Scenario	Home Value	(B) 2020	Est 2021	Est 2022	Est 2023	Est 2024	Est 2025
Most Likely	FY19 Median ($881,550)	12,974	13,499	14,066	14,608	15,217	15,870
	- per 100K	1,469	1,531	1,596	1,657	1,726	1,800
Alternative 1	FY19 Median ($881,550)		13,445	13,940	14,404	14,927	15,487
	- per 100K		1,525	1,581	1,634	1,693	1,757
Alternative 2	FY19 Median ($881,500)		13,569	14,195	14,805	15,490	16,228
	- per 100K		1,539	1,610	1,679	1,757	1,841

Note: The median single family residential tax bill in FY19 is $12,509, based on an assessed value of $881,550 at a tax rate of $14.19 per thousand. Estimates assume FY20 budget is adopted as presented, and no change in Median Home Value over current year (FY19).

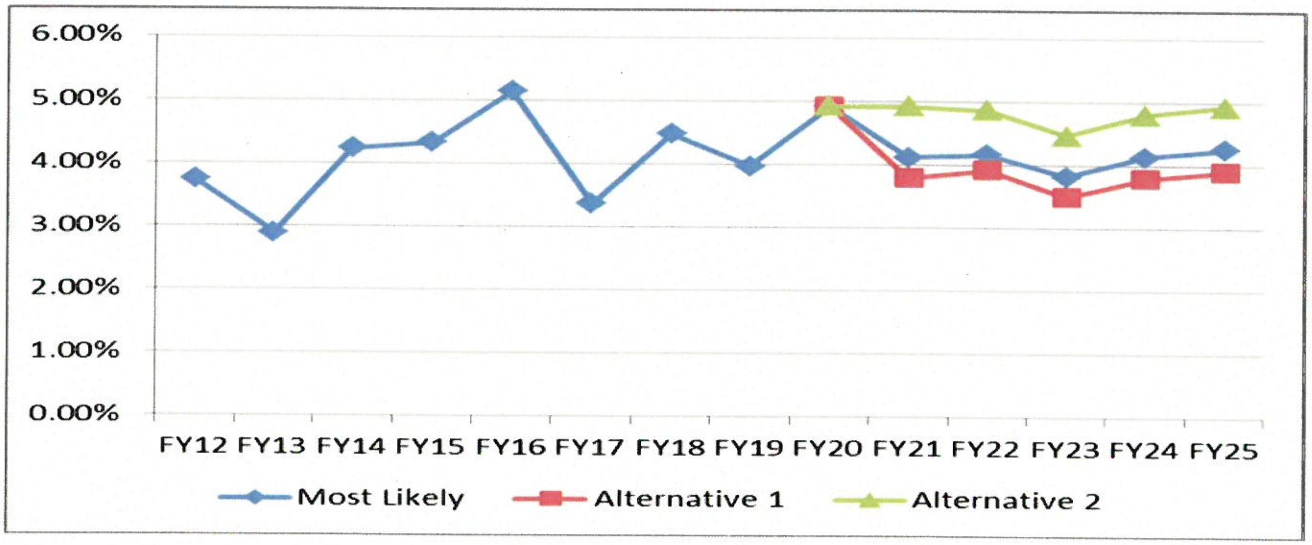
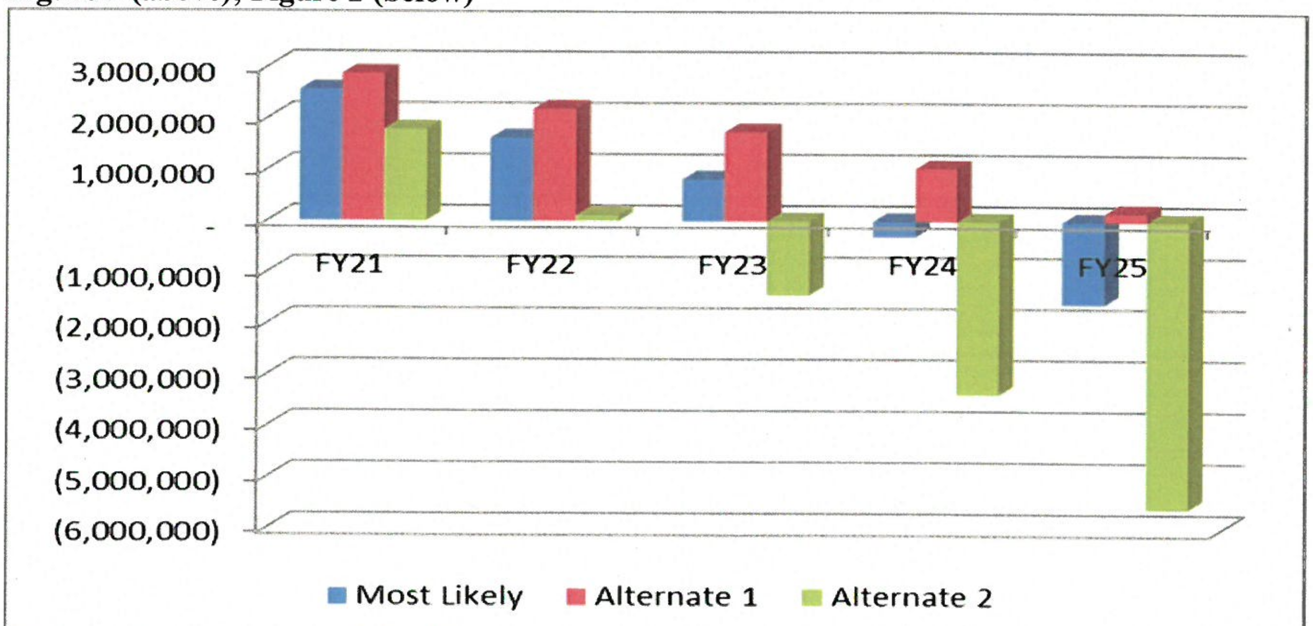


Figure 1 (above); Figure 2 (below)



Concord Finance Committee
FY 20 Five Year Projection of Real Estate Taxes
March 2019

The Five Year Projection of Real Estate Taxes is a financial model which forecasts costs and revenues using the FY20 budget guideline as a base. Each category of expense or revenue is estimated individually. The method uses existing funding policies/projections for expected increases where available, otherwise prior year trends were evaluated as a base for a projected annual changes. The model does not include any projection of cost for future town or school projects which requires Town Meeting approval and/or voter approval at the ballot. Further, as this model is based upon projection of historical trends, it does not necessarily reflect current thinking regarding a sustainable rate of growth.

Three scenarios are included in the projection. The first is a "most likely" scenario based on current economic conditions. Two alternate scenarios are developed to project what might be expected under "low growth" (Alt 1) vs. "high growth" (Alt 2) economic conditions. The following tables provide background and detailed assumptions behind the forecast

Operating Budgets entities:

Entity	Explanation of Most Likely	Alt 1	Alt 2
Town	Historically salary expense is the main driver of operating expenses, but economic activity and population growth influence demand for service. The current model projects annual cost increases based on the actual trend in operating increases over the last 10 years (3.69%); however the 5 year trend is 3.99%, so the Most Likely Scenario has been adjusted to 3.75%.	3.25%	4.25%
CPS	Student growth and contractual salary obligations are typically the largest drivers of cost. Student growth is expected to remain minimal. Contractual step increases negatively impacted budgets for the last two years. Contract negotiations for FY20 – 22 are scheduled to being shortly. CPS undertook a Zero-Based Budgeting process for FY20 which produced positive results, but savings were generally offset by the double salary step. The 10-year trend is 3.65% and the 5-year trend is 4.20%. The projected Most Likely Scenario is 3.5%	3.0	4.0
CCRSD	CCRSD Teachers contract runs through FY20. Contract negotiations will begin in FY20 for the following year, so some uncertainty is included in the projections here. A recent favorable OPEB report has reduced some exposure to benefit costs, and the District was able to fund at its Actuarial Required Contribution (ARC) in FY19; however, funding for FY20 is below the ARC due to pressure to rebuild the Excess & Deficiency Fund, which the bond rating agency has flagged as a higher priority issue relative to maintaining the current Aaa rating. The largest driver in year over year changes is the Concord % of high school students. A single percentage point increase in the Concord% share represents approximately $250K increase in the Town's funding obligation. Following a big shift in FY19, Concord's share of the assessment dips slightly from 75.46% to 75.25%. NESDEC projections for the Concord share of students are available and based upon these projections, we expect to see another significant bump in FY21 to just under 77%, holding fairly constant through FY25. The actual 10-	FY21-FY25: 5.00%	FY21-FY25: 6.00%

	year trend in the total CCRSD Operating budget without OPEB is 4.01% with significant volatility. Given the anticipated shift in FY21, and the estimated consistency in assessment ration during the projection period, we have used a Most Likely value of 5.50%.		

Non-Operating Budget categories:

Category	Explanation of Most likely	Alt 1	Alt 2
Group Insurance	The Town purchases health insurance from the Minuteman Nashoba Health Group (MNHG), a joint purchasing collaborative, representing approximately 20 municipal employers. MNHG is self-funded and governed by a Board of Director, a member of which is the Concord Treasurer. The 10-year trend of 3.23% is artificially low due to some use of Fund Balance to mitigate rate increases. The 1-year trend of just under 8% is more likely to continue, though the introduction of a high deductible plan option at a 20% reduced cost for employees and the Town may help to bring that trend down. The Town is investigating ways to incent employees to opt for more cost-effective plans. For now, 8% is projected as annual increase thereafter.	6%	10%
OPEB	Annual Required Contribution has been met. Future cost will be influenced by health care cost trend, enrollments and the Trust Fund's investment performance. The projection assumes a 3.5% annual increase.	3.50%	7.50%
Retirement	Follow current funding plan at 5% annual increase. Funding schedule assumes 100% funding as of FY29. Assumed investment rate of 7% to remain throughout the life of the projection period.	same	same
Debt Service (Non-Exempt)	Follow current policy, roughly 3.5% annual increase. Schedule provided by Finance Director	3.5%	3.5%
Minuteman	Difficult to project as the assessment is based on a 4-year rolling average of student enrollment. FY20 to$768,846 and increase annual budget $25K annually. Alt 1 and 2 follow similar annual trend, but funding starts at different level. New Regional Agreement may increase capital assessments.	$600K	$900K
Debt, Excluded	Use existing debt schedules.	same	same
All Other Expense	Grow at 2% annually (consistent with avg budget growth over last 10 years.	1%	3%

Projections of Revenue are generally conservative, with a basic assumption of a 2% growth rate, with the following exceptions.

Revenue categories with variation from 2% general assumption:

Category	Explanation of Most likely	Alt 1	Alt 2
Excise Tax	This is the 2nd largest category of non-tax revenues and is most sensitive to economic conditions. Actual revenues for FY 10-19	2%	4%

	have grown annually at 5.66%, but the latest 5 yr average is only 1.99%. The current model conservatively projects an annual increase of 2.0%.		
Licenses, Permits & Fees	These revenues are highly variable over time and sensitive to large development projects. Estimated to increase 1% annually, even though the 5-year average is 3.94% and the 10-year average is 6.69%. First signs of a softening of the market.	0%	5%
Free Cash	Assume Free cash contribution will increase in proportion to the annual budget. Set fixed value at 1% of Total Operating budget	1% of **Total budget**	1% of **Total budget**
CMLP Pilot	The current Pilot contribution is structured to vary based on actual sales of electricity. Energy efficiency and conservation are expected to reduce sales. Payments are anticipated to remain flat.	0%	0%
New Growth	Revenues are sensitive to economic conditions and are difficult to predict. Set FY21 level at $1M, with no projected increase.	$825K 0%	$1M 3%
State Aid	Project a 2.5% increase annually with a 1.5% band between Alt1 and Alt2. Increases have been 6.24% over the past 5 yrs, and 3.66% over the past 10 years, which include years immediately following the recession (governments are slower to recover).	1.0%	4.0%
All Other	A small category of revenues which is highly variable. Fixed at $125K for FY21-FY25.	same	same

Based on the assumptions above (and the planned allocation of stabilization funds), the projection of property taxes is derived. The resulting Projected Annual Tax Increases are represented graphically below.

Figure 1. Percent Change in Total Tax Levy

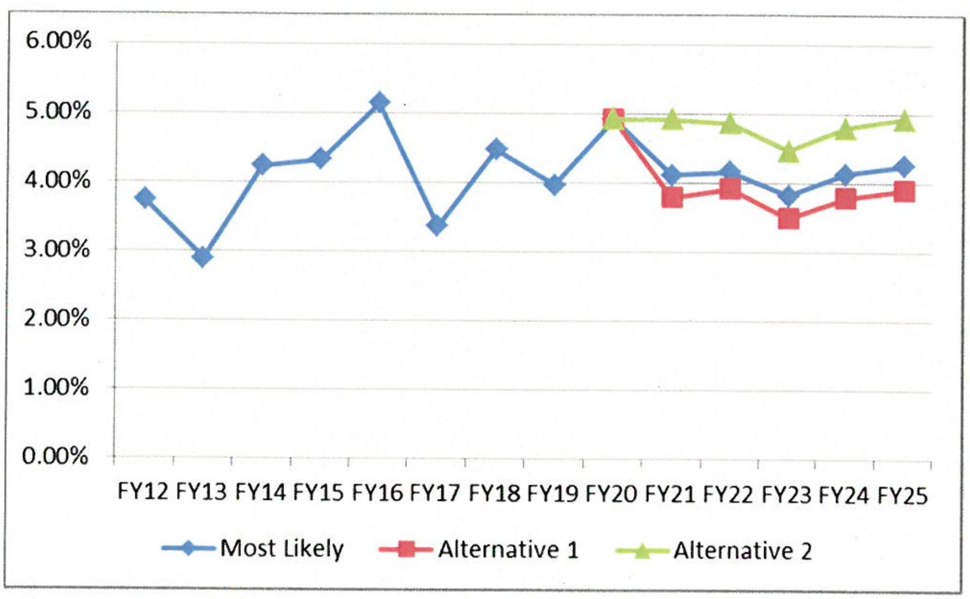


Table 1: Tax Impact Calculator

Scenario	Home Value	(B) 2020	Est 2021	Est 2022	Est 2023	Est 2024	Est 2025
Most Likely	FY19 Median ($881,550)	12,974	13,499	14,066	14,608	15,217	15,870
	- per 100K	1,469	1,531	1,596	1,657	1,726	1,800
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	- per 100K		1,539	1,610	1,679	1,757	1,841

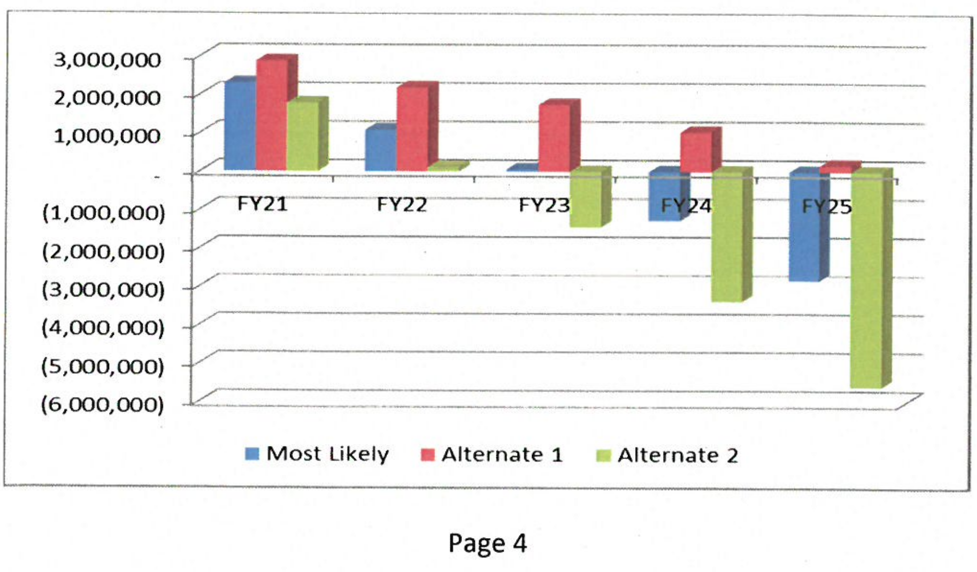
Note: The median single family residential tax bill in FY19 is $12,509, based on an assessed value of $881,550 at a tax rate of $14.19 per thousand. Estimates assume FY20 budget is adopted as presented, and no change in Median Home Value over current year (FY19).

Table 2: Tax Impact Calculator, based on Assessed Value

Home Value	(B) 2020	Est 2021	Est 2022	Est 2023	Est 2024	Est 2025
Concord FY19 Median ($881,550)	12,974	13,499	14,066	14,608	15,217	15,870
- per 100K	1,469	1,531	1,596	1,657	1,726	1,800
$250,000	3,672	3,828	3,989	4,143	4,315	4,501
$500,000	7,343	7,656	7,978	8,285	8,631	9,001
$750,000	11,015	11,485	11,967	12,428	12,946	13,502
$1,000,000	14,686	15,313	15,955	16,571	17,261	18,002
$1,500,000	22,029	22,969	23,933	24,856	25,892	27,003
$2,000,000	29,372	30,626	31,911	33,141	34,523	36,005

Note: The estimated median single family residential tax bill is based on an assessed value of $881,550 (FY19 value) Estimates assume no change in median value over FY19.

Figure 2. Proposition 2 ½ Levy Projection by Scenario



Updated FY20 Five Year Forecast Model

Most Likely	Budget FY2019	Proposed FY2020	Forecast FY2021	Forecast FY2022	Forecast FY2023	Forecast FY2024	Forecast FY2025
General Fund Budgets							
Town	24,050,513	25,299,513	26,248,245	27,232,554	28,253,775	29,313,291	30,412,540
CPS	38,246,895	39,390,163	40,768,819	42,195,727	43,672,578	45,201,118	46,783,157
CCRSD (Concord Share)	19,146,874	19,996,874	21,096,702	22,257,021	23,481,157	24,772,620	26,135,115
Total, Operating Budgets	**81,444,282**	**84,686,550**	**88,113,766**	**91,685,302**	**95,407,509**	**99,287,030**	**103,330,811**
Group Insurance	5,526,100	5,966,069	6,443,355	6,958,823	7,515,529	8,116,771	8,766,113
OPEB Trust	1,617,000	1,697,850	1,757,275	1,818,779	1,882,437	1,948,322	2,016,513
Retirement	3,777,010	3,965,861	4,164,154	4,372,362	4,590,980	4,820,529	5,061,555
Minuteman Tech	595,564	768,846	793,846	818,846	843,846	868,846	893,846
Debt Service							
Town - within levy limit	4,018,382	4,196,145	4,363,780	4,568,396	4,527,623	4,678,450	4,895,102
CCRSD (share) within levy	102,809	-	-	-	-	-	-
Minuteman - excluded	147,115	297,995	300,000	300,000	300,000	300,000	300,000
CCRSD (share) - excluded	3,679,345	3,348,113	3,371,103	3,301,735	3,246,298	3,137,216	3,074,862
Town - excluded	3,109,869	3,221,181	3,111,364	3,003,464	2,749,479	2,639,739	2,522,299
Total, Debt Service	**11,057,520**	**11,063,434**	**11,146,247**	**11,173,595**	**10,823,400**	**10,755,405**	**10,792,263**
	10.40%	**9.99%**	**9.69%**	**9.35%**	**8.74%**	**8.36%**	**8.07%**
Other	2,329,168	2,583,231	2,634,896	2,687,594	2,741,345	2,796,172	2,852,096
Total, Budget Plan	**106,346,644**	**110,731,841**	**115,053,537**	**119,515,301**	**123,805,046**	**128,593,075**	**133,713,197**
General Fund Resources							
State Aid							
School Aid (Chap. 70)	3,310,635	3,553,702					
Other	1,930,203	1,873,974					
Total State Aid	**5,240,838**	**5,427,676**	**5,563,368**	**5,702,452**	**5,845,013**	**5,991,139**	**6,140,917**
Local Excise Taxes	4,140,000	4,531,479	4,622,109	4,714,551	4,808,842	4,905,019	5,003,119
Fines & Forfeitures	210,000	211,800	213,918	216,057	218,218	220,400	222,604
Rental Income & Investment Earnings	675,250	873,250	890,715	908,529	926,700	945,234	964,139
Licenses & Permits	1,215,000	1,215,000	1,227,150	1,239,422	1,251,816	1,264,334	1,276,977
Fees	1,200,000	1,075,000	1,085,750	1,096,608	1,107,574	1,118,649	1,129,836
All other	637,970	160,000	125,000	125,000	125,000	125,000	125,000
Free Cash	1,000,000	1,000,000	1,150,535	1,195,153	1,238,050	1,285,931	1,337,132
CMLP PILOT	461,000	452,000	452,000	452,000	452,000	452,000	452,000
Emergency Services Stabililzation							
Available Funds (incl FC+CMLP)	1,736,000	1,452,000	1,602,535	1,647,153	1,690,050	1,737,931	1,789,132
Subtotal	15,055,058	14,949,705	15,330,545	15,649,771	15,973,213	16,307,705	16,651,724
Property Taxes							
Base	83,612,620	87,814,846	91,940,526	96,260,330	100,536,057	105,208,415	110,164,312
New Growth	1,235,953	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Subtotal: Within levy limit	84,848,573	88,914,846	92,940,526	97,260,330	101,536,057	106,208,415	111,164,312
Debt Exclusion	6,936,329	6,867,289	6,782,467	6,605,199	6,295,777	6,076,955	5,897,161
less debt stabilization (elementary)			-	-	-	-	-
less debt stabilization (CCHS)	(275,000)	-	-	-	-	-	-
less Thoreau School MSBA Grant	-		-	-	-	-	-
Net Debt Exclusion	6,443,013	6,867,289	6,782,467	6,605,199	6,295,777	6,076,955	5,897,161
Total Property Tax Levy	**91,291,586**	**95,782,135**	**99,722,993**	**103,865,529**	**107,831,834**	**112,285,370**	**117,061,473**
- Tax Levy Prior to New Growth	90,055,633	94,682,135	98,722,993	102,865,529	106,831,834	111,285,370	116,061,473
Grand Total, General Fund Resources	**106,346,644**	**110,731,840**	**115,053,537**	**119,515,301**	**123,805,046**	**128,593,075**	**133,713,197**

Town of Concord
Finance Committee
Minutes of Regular Meeting & Public Hearing
February 25, 2019

Present: Thomas Tarpey, Dean Banfield, Peter Fischelis, Grace Hanson, Mary Hartman, John Hickling, Richard Jamison, June Rzepczynski, Phil Swain, Brian Taylor and Andrea Zall

Absent: Karle Packard, Scott Randall and Christine Reynolds (one vacancy)

Others Present: Several Public Officials (as noted below) and about 50 members of the public for the hearing; Finance Director Kerry Lafleur; LWV Observer Maureen Kemeza

Mr. Tarpey called the meeting to order at 6:30 pm, prior to the public hearing. The purpose of this meeting was to begin considering the FC's position on the Town Meeting warrant articles.

On a **MOTION** made by Mr. Tarpey and seconded by Ms. Hartman, it was unanimously **VOTED** to consider a "consent agenda" and only discuss those articles about which FC members have questions. Mr. Tarpey read off the article numbers/subjects, and no objections or questions were raised on the following articles: 3, 4, 5, 7, 8, 9, 17 and 46.

On a **MOTION** made by Mr. Swain and seconded by Ms. Rzepczynski, it was unanimously **VOTED** to recommend Affirmative Action on the following articles:

- Article 3 – Meeting Procedure
- Article 4 – Ratify Personnel Board Classification Actions
- Article 5 – Classification & Compensation Plan for Regular Status Positions
- Article 7 – Appropriate Funds – Municipal Capital Projects
- Article 8 – Authorize Expenditure of Revolving Funds under MGL ch. 44, δ53E½
- Article 9 – Authorization to Accept MGL ch. 32b, δ20—Other Post-Employment Benefits
- Article 17 – Use of Free Cash
- Article 46 – Unpaid Bills

Article 6–Town Budget Mr. Swain noted that the budget had come in within the FC Guideline. He also noted that some expenditures included in this budget will require larger appropriations in the future (such as the addition of 4 new firefighter positions), so support of the FY20 budget implies support in future years. Mr. Banfield noted that in order to meet the FC Guideline, it was necessary to tap the Stabilization Fund for additional funds. He questioned how expenditures from the Stabilization Fund are appropriated. Ms. Lafleur responded that the motion made under Article 6 at town meeting will include an appropriation from the Stabilization Fund, although mention of this was not included in the warrant. Ms. Lafleur referred to page 174 of the Town Budget book, where the FY20 draw-down of $245K from the Stabilization Fund is noted. Mr. Tarpey asked for a breakdown of the Stabilization Fund creation and expenditures, so that this could be further discussed at the March 7 meeting. No position was taken on Article 6 at this time.

Article 18—General Bylaw Amendment—Sustainable Growth Rate (SGR) Ms. Rzepczynski noted that the FC members all support the concept of a SGR, but we heard criticism from several citizens at the hearing questioning the need to codify the concept. She suggested that the FC consider fine tuning how the concept is presented—the generic presentation needs more clarification. Ms. Hartman suggested that the message is getting lost with the method we are putting forward for the SGR. If Article 18 passes, then SGR is still advisory, but she wonders what would happen if Article 18 were to fail—how would the FC pursue the concept going forward? It was suggested that a more comprehensive discussion of Article 18 be deferred to the March 7 meeting.

Article 23—Appropriate Funds—Affordable Housing Development Ms. Hartman recommends that No Action be taken on Article 23. She feels that tapping free cash for affordable housing burdens the same people—it is ironic to use property taxes to fund affordable housing, when many folks are already struggling to keep up with the high property taxes in Concord. She suggested that if we have excess free cash that it be placed into a Stabilization Fund to offset future capital needs. She also questioned whether $500K from free cash would be a good deal, since we would only gain one or two units. In the past, the Town appropriated $1 million to fund 83 units (with private and other funds picking up the bulk of the costs).

Mr. Banfield made the following **MOTION**, which was seconded by Mr. Swain:

> To recommend **NO ACTION** be taken under Article 18.

During the discussion, Mr. Tarpey expressed the opinion that the need for affordable housing is compelling. He noted that the $500K request this year would most likely be followed by similar requests from free cash in the subsequent 3-4 years. These funds will provide a kick starter while we await legislative approvals for other affordable housing initiatives. He admitted to not initially supporting the use of free cash for this purpose, but was convinced by the hard work and testimony of the Affordable Housing Funding Committee (AHFC). Ms. Hartman noted that in reading the report of the AHFC, the use of free cash was not one of the primary recommendations. Mr. Hickling expressed support for the No Action motion. Mr. Jamison expressed concern that other groups would feel free to go after free cash if this were to pass, and felt that this would start a slippery slope. Mr. Swain expressed support for affordable housing in general, but not for this article. He noted the recent support of the FC for Junction Village funding. Ms. Zall suggested that Concord should come up with a better way to finance affordable housing, emphasizing the importance of opening up Concord to more people who wish to live here.

A **VOTE** was taken on Mr. Banfield's motion, which **PASSED** on a vote of 10 to 1 (with Mr. Tarpey opposed).

At this point the meeting concluded to begin the public hearing.

Public Hearing on Annual Town Meeting Warrant

Chair Tarpey opened the public hearing at 7:00 pm in the Hearing Room at the Town House. Mr. Tarpey noted that the hearing was being broadcast live by MMN and would be available for later viewing. The focus of tonight's hearing will be the CPC recommendations and the school articles.

Article 22—Community Preservation Committee (CPC) Appropriation Recommendations Terri Ackerman, Chair of the CPC explained that Concord has adopted a surcharge of 1.5% to fund Community Preservation Act projects (community housing, historic preservation, open space, and recreation). She noted that the State currently matches Concord's appropriation by 19%. In FY20, an appropriation of $1,811,419 is recommended. She noted that requests totaling $2.5 million had been received. She reviewed the projects as follows:

Project/Description	Category	Amount
Town of Concord—Regional Housing Services Program	Community Housing	$19,000
Town of Concord—Junction Village Assisted Living	Community Housing	$300,000
Concord Free Public Library Corp.—Expansion & Renovation of the Main Library & the Heywood-Benjamin House	Historic Preservation	$500,000
Concord Home for the Aging—110 Walden Street Preservation Project	Historic Preservation	$20,800
Town of Concord—Gerow Recreation Area Improvements	Open Space Recreation	$100,000 $100,000
Town of Concord—White Pond Beach Access Improvements	Open Space Recreation	$75,000 $175,000
Town of Concord—Warner's Pond Dredging Project	Open Space Recreation	$50,000 $25,000
Town of Concord—Emerson Land Acquisition	Open Space	$90,000
Town of Concord—Heywood Meadow Stone Wall Extension	Open Space	$21,619
Town of Concord—Old Calf Pasture Habitat Restoration	Open Space	$5,000
Town of Concord Public Works—Emerson Field Improvements	Recreation	$300,000
Staff & Technical Support	Administration	$30,000
TOTAL		**$1,811,419**

Ms. Ackerman noted that the total cost of the Library project is $10 million, so the CPC funding is only a small portion. She also noted that the Warner's Pond dredging project is a multi-year project. Ms. Hartman inquired of the status of the Junction Village affordable housing project. Ms. Ackerman responded that the applicant had been rejected for state tax credits last year, and is in the process of reapplying. A response is expected in June/July 2019. Mr. Fischelis asked for a confirmation that the $30,000 administration appropriation was to fund administrative staff, signage, and the like, and would be ongoing. Ms. Ackerman confirmed that was correct. Resident Diane Proctor questioned whether the Junction Village request for state tax credits was the second such request, feeling that it was in fact the third request. Marcia Rasmussen, the Director of Planning & Land Management responded that the 2019 application to the State was the second such request, but the FY20 request to the CPC was the third of three applications.

Article 10—Minuteman Regional Technical High School District Budget Carrie Flood, Concord's Representative to Minuteman, noted that she will be completing her eighth term on the Minuteman Regional School Committee. She reviewed guiding goals of the school, which include creating successful educational opportunities for students; promoting excellence in teaching; integrating high quality technical education with academic instruction; demonstrating practical connections between multiple disciplines; and fostering a safe, healthy learning environment. She noted that 60% of Minuteman graduates go on to college. She reviewed Minuteman's accomplishments. She noted that enrollment history has been relatively stable among member communities. Enrollment has declined among non-member communities, mostly due to changes in state regulations regarding eligibility for students in non-member communities. She noted that costs per pupil continue to rise, despite Minuteman's reduction of 15+ teaching positions. Enrollment initiatives have started, and admission requests have increased. Minuteman hopes to welcome one or two new towns to the district in the near future. Ms. Flood noted that the major factor in a community's assessment is the four-year rolling enrollment for the community. Debt service is peaking in the next few years. Concord's FY20 assessment has increased 45% due to increased enrollment and Concord's share of the new building costs. ***There were no comments or questions.***

Article 11—Concord Public School Budget Superintendent Laurie Hunter emphasized that zero-based budgeting (ZBB) had been used to develop the FY20 budget. The process included a review of all budget areas, including legal, salaries, staffing, contracted services, special education, and supplies & materials. In addition, the central administrative staff has been reorganized, resulting in a reduction of three FTEs. The former legal firm used by the School Department charged $1,100/hour, while the new firm charges $220/hour, with no loss of quality.

Dr. Hunter highlighted the budget drivers for FY20, including the following:

Budget Driver	FY20 Budget Increase
Contracted Services	$287,331
Employee Separation	$286,002
Salary-Aides	$149,661
Substitutes	$176,861
Salary-Teachers (double-step to align w/ CCHS teachers)	$1,101,036
Supplies & Materials	$420,085
Salary—Clerical	$70,893
Salary—Maintenance, Custodial, Bus Drivers	$155,704
Total	**$2,647,573**

She also highlighted the FY20 savings that were identified through the ZBB process:

Cost Savings	FY20 Budget Decrease
Legal	$14,337
Salary—Non-Union	$38,500
Salary—Support Staff	$82,038
Salary—Tutors	$748,269
Special Education Tuition	$716,.515
Total	**$1,599,659**

Dr. Hunter reported that during Phase 1 of the Retirement/Separation Incentive program (FY18), 8.5 teachers retired, resulting in FY20 savings of $185,491 (since new teachers are hired at a lower rate of pay). Under Phase 2 (FY19), 9.0 teachers retired, resulting in FY20 savings of $228,212. Dr. Hunter summarized the FY20 budget request for CPS is $39,390,163, which represents an increase of $1,143,268 (2.99%). She considers this a level-service budget. She noted that this increase is $143,268 above the FC Guideline. When asked what she considered the benefit of ZBB, Dr. Hunter indicated that the process resulted in savings of $1.6 million. Jared Stanton, Director of Finance & Operations, suggested that without the savings identified by ZBB, the CPS budget increase would have been $2.7 million. Dr. Hunter noted that ZBB will be used on an ongoing basis in coming years. Ms. Hartman noted that $1.6 million was identified in cost savings and the budget increase is $1.1 million—so where did the other $500K go? Dr. Hunter responded that those savings went towards funding other portions of the $2.6 million budget drivers, many of which are contractual. In addition, she felt a need to restore some areas of the budget which had been cut in previous years. Mr. Banfield noted that the supplies budget was one of the areas of "add back," so what is being presented is not really a level-service budget. He asked whether the budget could be further reduced by $143K to comply with the FC Guideline.

Dr. Hunter responded that all principals were asked to provide an itemized list to justify every line item. Mr. Swain asked whether the budget includes new Assistant Principals at all elementary schools. Dr. Hunter responded that this idea is still under review, and any decision on adding an Assistant Principal will be cost-neutral. In response to a question from Mr. Hickling, Dr. Hunter indicated that the two-year early retirement incentive program will be completed in FY19.

Resident Ned Perry noted that the slides that were presented showed no historical data in terms of budget costs of prior years. He recommended that the slides be improved in this regard for town meeting, so that citizens can better understand what is being requested. Resident Miguel Echavarri commended Dr. Hunter and her staff for providing more transparency in the budget documents. He commented that obtaining accurate budget information from the School Department in the past was a challenge, and the "actuals" column frequently did not match the "budgeted" columns. He appreciates the effort that went in to assure that actual expenses are being charged to the same line item where they are budgeted, to better track expenses.

Article 12—CPS Capital Projects Superintendent Laurie Hunter presented the capital budget for CPS for FY20, which is included in the Town Manager's 5-year capital plan. She noted that for the 2019-2020 school year all 6th grade students will be housed at Peabody and all 7th-8th grade students will be housed at Sanborn. She noted that this will alleviate a lot of current issues and offer a great benefit to the middle schools. The capital projects are as follows:

Capital Item	**Amount**
Replace CPS Telephone System	$200,000
Security Upgrades—Thoreau & Willard (cameras)	$30,000
Middle Schools:	
Contingency	$100,000
Reconfiguration (Sanborn science lab & art room)	$217,000
Carpeting and Asbestos Abatement	$273,000
Painting	$80,000
TOTAL	**$900,000**

Dr. Hunter noted that the carpeting and painting projects at the Middle Schools are wellness and health issues. She indicated that the three elementary schools are in good shape, and she is exploring other sources of funds to upgrade some items. She reported that Ripley is in need of upgrades ($2.8 million), but this year she is focusing on the three areas noted above: phone system, security upgrades, and Middle School upgrades for current students. Mr. Swain commented that these items don't feel like a ZBB, and he questioned how the $900K expenditure is justified. He also asked whether Carlisle will be paying its fair share of any upgrades at Ripley. Dr. Hunter responded that a discussion about managing shared costs will take place at an upcoming School Committee meeting, noting that the Regional High School is not currently being charged for any portion of the cost of bus parking. She also responded that she worked closely with Ms. Lafleur in developing the capital budget, which she started from scratch.

Mr. Banfield questioned the energy units at Alcott and Thoreau. Dr. Hunter responded that the estimated life expectancy is 10-15 years, and some have lasted only seven years. Some of the heating units are bringing in cold air. Mr. Echavarri noted that the phone system upgrade is being fully charged to CPS, and questioned why Carlisle was not included in the cost sharing. Dr. Hunter responded that she will first discuss the bus depot cost-sharing, and will make a decision once she sees how that goes.

Article 13—Authorization to Accept MGL c. 71, δ71E—School Property Fund School Superintendent Laurie Hunter reported that under the current system, any rental income that is collected by CPS goes into the Town's General Fund. This state law enables any rental income to be returned to the CPS budget. She estimated that the rental income is about $15,000/year. ***There were no comments or questions.***

Article 14—Concord Middle School Feasibility Study Superintendent Laurie Hunter started her presentation by indicating that there are still a lot of moving pieces for this article. She explained that funds are for a feasibility study to review the site and determine where on the current Sanborn site a new building would fit, and then to prepare a schematic design of a new school. This would not be a detailed design. The plan at this point is to build one new building on the current Sanborn site. She noted that applications for MSBA funding support were made in 2017 and 2018, and both times were rejected. There is lots of competition for funding and she feels that it is unlikely that Concord will rise to the level of MSBA support in the near future. Although self-funding will be more expensive, waiting for MSBA support is risky since systems failures and cost escalations are likely. She noted that the Sanborn building is 55 years old, and Peabody is 49 years old.

Dr. Hunter reported that in 2016 a Facilities Planning Committee was formed. Finegold Alexander Architects were hired to answer the following questions: (1) What would it take to remain in the current buildings for 10 years? (2) What are options and estimated costs for a renovation project? (3) What are options and estimated costs for a new building? Finegold's findings were that the two buildings are deteriorated, obsolete and at the end of their lifespan; the two-campus configuration is inefficient and expensive; and the current situation creates struggle for the school community, resulting in sub-optimal educational experience. Finegold estimated the cost of remaining in the two buildings for 10 years and attaining an appropriate educational environment at $34-47 million. The operational inefficiency of operating two buildings is estimated at $548K/year. Dr. Hunter reviewed the current outdated infrastructure of the buildings: original heating lines, plumbing lines and electrical systems; PVC roofs are at the end of their projected lifespan; septic systems are 50 years old; ventilation and air circulation are non-existent; hazardous materials are in both buildings; no fire suppression system; concrete flaking off the Peabody building.

Dr. Hunter displayed a chart identifying the 12 schools that received MSBA funding in 2018. She explained that schools are rated "1" to "4" in terms of building condition, with 1 being in the best condition and 4 being "emergency repairs needed." Under this MSBA rating system, Sanborn and Peabody were rated 2. Of the 12 schools receiving funding in 2018, two were rated "1"; seven were rated "2"; one was rated "3"; and one was rated "4". All schools rated 1 for general environment and were average or under rated in capacity. Finegold has suggested that a 125,000 s.f. building would deliver the desired educational programs, at a projected cost of $648/s.f. This would bring the total estimated cost to $81 million in 2019. She emphasized that the cost will increase substantially each year that we wait, noting the construction cost growth of 6.93% per year from 2010 to 2016. For estimating purposes, the likely cost of a new middle school will be $90+ million. The estimated peak-year impact on the median household tax bill would be $1,015. Although the School Department plans to reapply for MSBA funding in 2019, she questioned the value of waiting. She also emphasized that a lot of items that Concord would want in a new middle school would not be included in the reimbursement rate, such as an auditorium and regulation gymnasium. She estimated that the MSBA reimbursement rate would be 20-25% ($18-22.5 million). This amount would be significantly consumed by waiting.

Mr. Taylor asked whether the wealth of a community factors into its eligibility for MSBA funding. Dr. Hunter noted that Brookline did not receive any MSBA funding for its new high school, but did receive funding in 2018 to replace a 100-year old building. Mr. Swain noted that MSBA funding was approved in recent years in Lexington, Belmont and Wellesley, so some "wealthy" towns are obviously eligible for funding. He also noted that asking the town to self-fund a new middle school is a lot to ask, given that we are approaching a peak debt period, and given that we fully funded a new Willard School and recently built a new high school. He also noted that the School Department had reported to the FC in 2014 and 2015 that the two middle school buildings had a life expectancy of 15 years. In 2015 at the FC public hearing prior to town meeting, the Deputy Supt. for Finance reported that following a discussion with the Facilities Manager, it was determined that the middle school buildings are both sound and with proper upgrades, the buildings could last an additional 30 years. He commented that the FC and taxpayers relied on these statements when making a decision about funding earlier requests. He asked Dr. Hunter for an explanation.

Dr. Hunter responded that she looked at the capital plan that was on paper in those years, and millions of dollars were planned to keep the two middle school buildings up-to-date. At some point, the School Committee questioned whether those dollars would be wisely spent, and improvements stopped following the replacement of the heating systems in 2014-15. The current message is of heightened urgency for the buildings. Mr. Swain emphasized that the hard questions need to be asked, particularly whether we are at the point to add to the Town's debt.

Resident Maureen Kemeza commented that the "feasibility study" title for Article 14 is really more than that—she sees this as a request to "green light" the building of a new middle school at the Town's expense. She does not feel comfortable with the request. She noted that the Finegold Report provided two options—(1) build a new school; or (2) build an addition onto Sanborn. She questioned why the second option wasn't considered, which would cost half as much as a new school. She asked that the School Committee and Department be more transparent in its presentation. Dr. Hunter responded that the Finegold Report emphasized the cost effectiveness and improved learning environment of a new building, and she agreed to include more transparency in the future. Mr. Stanton noted that the Finegold Report estimated the cost of constructing a new building at $68 million vs. building an addition onto Sanborn at $60 million.

Resident Louis Salemy introduced himself as having worked on the high school project, and considers himself an expert on MSBA funding. He felt that we were lucky to receive MSBA funding for the high school, crediting the funding to chance political influences. He noted that Sanborn has asbestos that would have to be removed, so he felt any renovation project could not be safely done with the students still remaining on site.

Resident Yuval Erlich commented that it would be a big mistake to perpetuate past mistakes. While we are concentrating on facility costs, the Superintendent is emphasizing the improved learning environment that is needed. He felt that there is no question that a new building is needed—the question is when. If $34 million would need to be spent over the next ten years to maintain the current buildings, to be followed by construction of a new building, then where are the savings? Resident Charlie Blair asked whether a "model" school could be built, therefore saving considerable cost. Dr. Hunter responded that state subsidy incentives for building a model school have decreased considerably. She agreed that while some savings could result in building a model school, she anticipates that some customizing would be required to meet Concord's needs.

Resident Ned Perry noted that about 10 years ago town meeting faced a request to build two elementary schools at once, which was rejected by the voters. Eventually the requests were brought forward separately, at a much higher cost. He urged that we look at cost savings for moving forward now rather than putting it off. Resident Miguel Echavarri commented that "words do matter." Voters were told in 2015 that the two middle school buildings were in good shape and an investment of $6 million over a period of a few years would assure that the buildings would last another 30 years. Then in 2017 we were told that the buildings were horrible and beyond repair. Since any new middle school building project would be under the control of the Town Manager, he was more inclined to support it. Resident Cynthia Wood noted that Article 14 is written to have the funding under the control of the School Committee, while we have been told that the construction would be under the control of the Town Manager. She asked that this be clarified at town meeting, and that a timeline be included to explain the vote we are being asked to take.

Article 15—CCRSD Budget Superintendent Laurie Hunter introduced the CCRSD FY20 budget request of $34,687,733 (Concord's assessment $23,344,987), which she noted was within the FC Guideline. She explained that ZBB was used, and all budget areas were reviewed, including Legal, Salaries, Staffing, Contracted Services, Special Education, and Supplies & Materials. She also reported that there was a reorganization of personnel structures in the central administration.

Dr. Hunter reported that the FY20 budget drivers were as follows:

Budget Drivers	FY20 Budget Increase
Contract Services	$147,685
Employee Separation	$96,651
Insurance	$220,392
Athletic Coaches	$125,062
Salary-Support Staff	$111,126
Salary-Teachers	$521,044
Software/Hardware	$118,201
Total	**$1,340,161**

Dr. Hunter reported the following cost savings that had been identified by ZBB:

Cost Savings	FY20 Budget Decrease
Transportation	$158,627
Salary—Tutors	$60,297
Special Education Tuition	$101,481
Total	**$320,405**

Dr. Hunter reported that during Phase 1 of the Retirement/Separation Incentive program (FY18), 3.0 teachers retired, resulting in FY20 savings of $67,110 (since new teachers are hired at a lower rate of pay). Under Phase 2 (FY19), 3.0 teachers retired, resulting in FY20 savings of $69,395. Dr. Hunter reviewed the OPEB contribution history for CCRSD, noting that the actual contribution made each year has been lower than the required ARC; however, we are still in a strong position, with the highest contribution rate in Massachusetts among regional schools. The total OPEB fund balance as of June 30, 2018 is $3,734,391. In FY20, $563,444 is being proposed for funding OPEB (vs. a required ARC of $785,368). She feels that this is a healthy contribution. She reported that Moody's has placed CCRSD on a negative outlook—watch list due to a heavy reliance on and low balance in the E&D account. Moody's is not concerned with the OPEB contribution. She noted that CCRSD has been using the E&D account as a revenue source to fund unbudgeted items for several years, and this spending pattern has shifted going forward. She reported the following history of using E&D as a revenue source:

FY18	$700,000
FY19	$689,000
FY20	$350,000

Dr. Hunter summarized the assessment comparison, including debt, for the past two years:

	Concord	Carlisle	Total
FY19	$22,654,028	$7,367,213	$30,021,241
FY20	$23,344,987	$7,678,252	$31,023,239
Difference	$690,959	$311,039	$1,001,998
%Δ	3.05%	4.22%	3.34%

There were no comments or questions.

Article 16—CCRSD Capital Projects School Superintendent Laurie Hunter explained this proposal, which asks for approval of the Regional School Committee's $2 million debt authorization for the following projects at the high school: reconstruction of access road; installation of lighting along the access road; repair of sidewalks and curbing; and restoration of parking to previous levels. She explained that the $2 million is a very conservative estimate, and firm numbers will not be known until bids are received. She explained that driving the discussion of the $2 million request is a desire to complete construction of the loop road, which had only been patched following construction of the new school. She explained that the other big project is parking, which is not really additional parking—it is a restoration of the parking that was onsite prior to construction of the new high school. She also reported that the bathrooms at Memorial Field are not in compliance with required building codes, but those are not included in this request. To bring this building into compliance, 44 bathrooms would need to be added. The School Committee is considering requesting a waiver of this requirement. Gale Associates evaluated the campus access road as part of the campus feasibility study, noting a number of areas that need attention (cracks, patches, ponding, uneven pavement, potholes, etc.). The condition of the base material on the roadway is unknown, but the $2 million assumes a full reconstruction may be needed. The cost of the roadway reconstruction is $1,224,812.

In discussing the parking situation, she explained that the demand for parking far exceeds supply, and there is a lot of illegal parking going on now. Pre-new high school there were 548 parking spaces onsite. There are currently 413 parking spaces. Several actions have been taken to address the parking deficit, including moving faculty parking to the upper turf lot; renting spaces from the Beede Center; numbering the spaces to improve enforcement; and promoting carpools. Despite these efforts, parking capacity remains inadequate. Most juniors are not allowed spaces, and students arrive at school early in order to grab spots, defeating the intent of the later start time. All of this has added stress for families and staff, and has proven to be a huge distraction. Under this article, 104 additional parking spaces would be created, and would be subject to approval of the Natural Resources Commission to increase the impervious surface to 22%. The estimated cost for the parking spaces is $790,903. Dr. Hunter estimated that Concord's share of the $2 million borrowing would be $210,000/year for 10 years.

In response to a question from Ms. Zall, Dr. Hunter indicated that a parking permit costs $300/year. Resident Nick Pappas, a member of the Climate Action Advisory Board, noted that the Town has very aggressive climate goals, including a goal to encourage and facilitate carpooling; and to develop plans to decrease parking demands. He requested that a parking management plan be prepared, with the idea that a balance is needed. Dr. Hunter noted that she is trying to corral a lot of efforts to solve this problem. Mr. Pappas expressed concern that there is a willingness to throw money at the problem, but not a willingness to change behavior. Mr. Banfield asked how many of the previous parking spaces were used by bus drivers, who are now located elsewhere. Mr. Taylor noted that the increase in the number of spaces being proposed will still not solve the problem, since there will still be a parking shortage. Dr. Hunter noted that many students have no other way to get to after-school activities except by car. Ms. Hanson asked for the total of capital projects for FY20 for the schools -- $2 million for the high school and $1.5 million for the middle school. Mr. Fischelis asked whether a parking garage was considered. Dr. Hunter responded that a garage had been explored, but was very expensive.

Mr. Swain thanked Dr. Hunter for seeing a problem and trying to fix it. He expressed frustration, however, that two years ago we were told that the number of parking spaces at the new high school would be 30 more than were present at the old high school. While he recognized that Dr. Hunter is addressing an expressed real need, the information provided to us is different from what was received in the recent past. In addition, he questioned the estimated cost of the road repairs, which he felt was too high. Ms. Zall noted the cost per parking space is $7,900, and she asked whether funding is sufficient to handle the drainage issues.

Resident Diane Proctor suggested that consideration be given to splitting the article into two parts, given the disagreement about parking—one for improvements to the access road and one for additional parking. Dr. Hunter indicated that this conversation was held by the School Committee, and a decision was made to keep the two projects together. Miguel Echavarri suggested that parking fees be put towards constructing new spots. Dr. Hunter responded that parking fees are currently used to offset operating expenses at the high school. Mr. Echavarri again emphasized that words matter, noting the inconsistencies that have been told by the School Committee and previous School Administrators. He feels that the current need is difficult to believe, given past statements that parking was adequate.

School Committee Member Wally Johnston commented that when he first came onto the School Committee, the bus transportation issue was at its peak. He naively advocated that students be urged to use the bus more. He has come to realize that the lack of parking has produced a stress issue at the high school, and this appropriation is the simplest way to make the biggest impact to reduce stress.

Resident Yuval Erlich suggested that a plan be created to encourage the use of electric cars which take smaller spaces. He suggested that an incentive be placed for a higher parking fee for larger cars. Dr. Hunter responded that she was not interested in penalizing the students for the car choices that parents make. Resident Julie-Ann Cancio questioned the design of the parking lot and whether it would be paved, lighted, and include drainage. Dr. Hunter indicated that early vetting of parking options has been done. Ms. Cancio suggested that the parking problem could be solved at a lower cost, noting that lights at the Beede Center light her house all night. If the parking lot were to be lighted, then the impact on the neighborhood should be weighed. She noted that turtles are lured out with light. Maureen Kemeza asked whether parking would be available along the access road. Dr. Hunter responded that there is parking now, and this would remain, on one side of the road.

Follow-up on Article 22 – Marcia Rasmussen remarked that after further thought, she is not positive whether 2019 is the second or third round of state funding request for Junction Village. This will be reviewed and a response available with a call to her office

Adjournment
The meeting adjourned at 9:31 pm.

Respectfully submitted,

Anita S. Tekle
Recording Secretary

Documents Used or Referenced at Meeting:

- 2019 Annual Town Meeting Warrant
- Handouts for Articles 22, 11, 12, 13, 14, 15 and 16