



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

**AGENDA**

**Concord Finance Committee**

**January 24, 2019**

**Select Board Room  
Town House  
7:00PM**

1. **Approval of Minutes – as available at the time of the meeting**
2. **Review of 2019 Warrant Articles: FY20 Budget Request for Town; Capital Article**
3. **Review 2019 Articles: Others, as needed**
4. **Review of FinCom Report Assignments**
5. **Citizen comments**

**Reminders**

- **Public Hearings: Monday, February 11, 2019 – Town Budget, warrant articles, inc. Capital and Monday, February 25, 2019 – Education Budgets and Articles; CPA. Both Hearings at the Town House, Select Board Hearing Room.**
- **Next Regular Meeting: Thursday, March 7, 2019 at 7:00 PM, Select Board Room.**
- **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](mailto:tarpey@massgravity.com)

**Town of Concord  
Finance Committee  
Meeting Minutes – January 17, 2019**

**Present:** Thomas Tarpey, Dean Banfield, Peter Fischelis, Mary Hartman, John Hickling, Richard Jamison, Karle Packard, Scott Randall, Christine Reynolds, June Rzepczynski and Andrea Zall

**Absent:** Grace Hanson, Phil Swain and Brian Taylor (one vacancy)

**Others Present:** School Committee Members Johanna Boynton, Heather Bout and Robert Grom; School Superintendent Laurie Hunter; School Director of Finance & Operations Jared Stanton; Assistant Business Manager Ian Rhames; Finance Director Kerry Lafleur; LWV Observer Susan Frey; Resident Cynthia Rainey; Recording Secretary Anita Tekle

**Meeting Opened**

Mr. Tarpey called the meeting to order at 7:02 pm in the Select Board Room at the Town House. He noted that the meeting was being recorded and broadcast live on MMN.

**Review of 2019 Warrant Article—Middle School Feasibility Study (Article 14)**

CPS Committee Chair introduced the discussion about the need for a new Middle School (MS). She indicated that the School Committee (SC) was in the midst of its work on this project, and will meet again this coming Tuesday. Dr. Hunter presented what she termed “high level” slides about the proposed new MS project. She reviewed the details about each of the buildings: Sanborn was built in 1964 with upgrades and replacements completed in 1989; 1997; 2003-2005; and 2015. Three modular buildings (2 classrooms each) were added in 2004, 2010 and 2016. Peabody was built in 1970 as an open-concept elementary school, but once completed was opened as a second MS building to address overcrowding at Sanborn. Upgrades and replacements were completed in 1994, 1999-2002; 2003-2005; and 2014. For the 2019-2020 academic year, Peabody will become an all-sixth grade building and Sanborn will be used for seventh and eighth graders.

Dr. Hunter explained that operating one MS in two buildings results in operational inefficiencies. Redundant positions and utilities savings are estimated to be \$548,000/year. She reviewed the current conditions of Peabody and Sanborn, noting that much of the infrastructure is beyond its useful lifespan, with the exception of the boilers, hot water heaters and circulation pumps, which were replaced in 2014-15. The majority of the mechanical and electrical equipment is original to the building and is 50+ years old. The larger pieces of mechanical equipment are running but the equipment is showing signs of age. The plumbing lines are original to the buildings. The PVC roofs are at the end of their projected lifespan (replaced at Sanborn in 1997 and Peabody in 1999-2002).

In reviewing the MSBA building process, Dr. Hunter noted that the District applied for funding in 2017 and 2018, and was not invited into the MSBA pool. Out of 70 applications submitted to MSBA in 2018, 12 projects were invited to the eligibility period. In response to a question from Mr. Randall, Dr. Hunter noted that while some of the selected 12 schools were 100+ years of age, sever-

al were not. She reviewed MSBA school survey data, noting that across the Commonwealth, 270 schools require moderate to extensive renovation; 131 schools are 100+ years old; 105 schools are over capacity; and 98 schools use temporary spaces for more than 10% of the total classroom space. Age alone is not the criterion for selection. At this point, no decision has been made about applying for a third time in 2019. Dr. Hunter's preliminary thoughts are that a third application for Concord would not be worthwhile. She noted that the \$1.5 million requested at the 2019 Annual Town Meeting (ATM) would cover both a feasibility study and a schematic design of a new MS building. When asked about the estimated cost of construction, Dr. Hunter indicated that a rough number of \$90 million has been mentioned, but it is too soon to discuss a construction number prior to feasibility and design, and she was not ready to discuss the cost at this time.

Dr. Hunter reviewed the cost of delaying the MS project, which she projected at an increased cost of 7% per year. Each year the project is delayed adds between \$2 million and \$7 million to the total project cost. This amount would be in addition to the \$548,000 in identified inefficiencies of running two buildings. She noted that the MSBA would not pay for either an auditorium or a gymnasium for a MS, so if MSBA funding were to be approved, those costs would be borne entirely by the Town. Mr. Rhames explained a chart that displayed the square footage cost of construction of approved MSBA projects from 2010 through 2019, which showed a construction trend line growing at a much faster rate than MSBA funding limits. Since the chart was difficult to read, Dr. Hunter agreed to post the data on the School's web site.

In response to a question from Ms. Hartman, Dr. Hunter indicated that if MSBA funding were to be approved in the future, a new feasibility study would be required, starting with a "clean slate." A previous feasibility study can help "inform" the project going forward, but if approved for funding, then MSBA staff would be involved in the project, including the feasibility stage. Spending the \$1.5 million now prior to any MSBA invitation would be risky and the feasibility study would need to be redone, should a future invitation occur. Dr. Hunter was doubtful that MSBA funding would be forthcoming for Concord. Ms. Boynton indicated that Concord would want to include some items in a new MS that would not be eligible for MSBA reimbursement. She noted that Concord could separately costs for an auditorium or gymnasium, but there would have to be strict delineation of costs—difficult to do, but not completely binary.

Mr. Randall suggested that although construction costs have increased in recent years, there is a chance that following a future recession (perhaps in five years), costs would decline, as happened following the 2007/08 market crash. Dr. Hunter did not feel that Concord has five years to wait before something major goes wrong with the current buildings. In response to a question from Mr. Tarpey, Dr. Hunter estimated that if feasibility/design funding is approved at the 2019 ATM, then construction could begin in 1½ years and a new MS could open in about four years, or possibly sooner if MSBA is not involved. Dr. Hunter indicated that a recent architectural assessment of the buildings (Feingold report) indicated that millions would be spent on repairs/replacements if new construction is not approved. The Feingold report recommended that a new school be built, rather

than reconstruction of the current buildings. She noted a recent septic system problem, along with a burst radiator that indicated corrosion in the pipes.

In response to a question from Ms. Hartman as to how a Permanent Building Committee would interact with the MS project, Ms. Boynton indicated that the MS would be a Town project and would be administered by the Town, similar to what was done for the three elementary school projects. Mr. Banfield suggested that the Town be involved sooner rather than later if this is going to be a Town project, and Dr. Hunter responded that she would invite Town involvement if and when funding is approved. She indicated that there would be an owner's project manager (OPM) in place, and this person would work for the Town. The OPM cost of about \$300,000 is included in the \$1.5 million budget request. Mr. Stanton displayed a chart showing the decline in debt service for existing approved school projects. Several FC members noted that this chart does not include any current or future planned Town capital projects. Mr. Randall asked that the chart be revised to include all known Town debt and a "best guess" as to what might be included in the future, including a timeframe, with the understanding that these issues are not all fully known. Showing only debt for school buildings does not reflect the full debt picture.

#### **Review of 2019 Warrant Article—CCRS Capital Project (Article 16)**

Ms. Boynton reviewed the recently completed Gale Report, which included a "conceptual order of magnitude cost estimate" for various capital projects at the high school. The SC has identified projects to bring forward at the 2019 ATM to include: sidewalk, exterior lighting, drainage, and a parking lot. These were delineated in the "cost summary" as Item 1 (Access Road Reconstruction--\$1,224,812.92) and Item 4a (Parking Lot—104 spaces--\$775,723.30). A new track facility would be sidelined and would most likely be accomplished with private funding. Dr. Hunter commented that the roadway reconstruction should have happened as part of the new building project. She indicated that inadequate parking is a complex issue and has created a high level of stress for students, staff, parents and visitors. At this time, there are no spaces for juniors; under this proposed plan, about half of the juniors would have access to a parking space. She noted that students are arriving at school earlier and earlier in order to snag a spot, offsetting the benefits of the later starting time. Mr. Tarpey asked for a commitment that additional funding for new parking would not occur, if funding for this project is approved. Dr. Hunter noted that the Natural Resources Commission has yet to approve the increase in impervious surface from the current 19% coverage to the proposed 22% coverage following the new parking lot. If this funding is approved, she would not request funding for additional parking. In response to a question from Mr. Jamison as to whether the number of buses could be decreased if more students are driving to school, Dr. Hunter indicated that there is a state requirement that a seat on the bus be provided for all students, whether or not they use the spot. She also noted that there is a high transportation reimbursement rate for regional schools (72%). Mr. Banfield suggested that some spots be carved out for visitor parking during the day, which is currently not available. It was agreed that 15-20 spots would be carved out if the new lot is approved.

Ms. Rzepczynski asked that the bus run times be changed so that they run when the students need them, noting a survey that indicated that the current bus times do not adequately meet the needs of 85% of students. Dr. Hunter noted that student schedules frequently change, and it would be difficult to project times for meeting student needs on an ongoing basis. Ms. Boynton noted that the SC is in the process of pulling together a group of parents and staff to come up with ideas to improve the transportation/bus situation at the high school. Ms. Rzepczynski noted the disconnect between the community's commitment to the environment and the increased use of private cars at the high school. Dr. Hunter acknowledged the disconnect, but she recognized the significant behavioral changes that would be needed to make these changes work in Concord. She regretted that this behavioral change is a slow conversation among the parties.

Mr. Banfield observed that transportation demands are currently being solved for freshmen and sophomores with buses, so the parking problem is with juniors and seniors. He noted that we as a Town are being asked to pay for parent choices; i.e., once students obtain a driver's license, then we as a Town have a "problem" and responsibility to provide a parking space. Dr. Hunter commented that part of her role is to serve as an advocate for parents.

Mr. Banfield questioned the estimated \$1.2 million cost for ½ a mile of roadway, noting that the estimate is for an entire rebuild. In response to a question, it was confirmed that Gale had prepared estimates based on observations only, with no borings completed. Dr. Hunter noted that the feasibility study prepared by Gale includes "worst case" cost estimates, so better financial outcomes are possible once borings are done. She noted that Gale's cost estimates had built in a 10-15% "soft and contingency costs." Mr. Rhames noted that the high school would have a temporary borrowing for the full amount of the project, but would only go out for a permanent borrowing once a construction price is confirmed. If the estimates are high, then the extra funds would not be borrowed, resulting in lower assessments for both communities. Mr. Tarpey questioned the \$7,000 per space estimate for the parking lot, and Dr. Hunter responded that these costs are on the high end. The School Department does not want to be caught short.

#### **Review of 2019 Warrant Article—FY20 Budget Request for CPS Capital Projects (Article 12)**

Dr. Hunter reviewed the proposed CPS capital projects, which are included in the Town Manager's capital plan. The projects total \$900,000 and include the following:

- Security Updates for Thoreau & Willard (\$30,000)
- Peabody Building—carpet installation, painting, and a \$50,000 contingency for the aging building (\$223,000)
- Sanborn Building—carpet installation, painting, new lab science, classroom reconfigurations & kiln installation, and a \$50,000 contingency for the aging building (\$447,000)
- District-Wide Projects—Replacement of Telephone Infrastructure (\$200,000)

In response to a question from Mr. Banfield, Dr. Hunter indicated that Grades 7 and 8 would be at Sanborn, and the current modular units would remain at Sanborn. Discussion is ongoing as to the location of CASE collaborative students. Consideration is being given to house these students at

Peabody. In response to a question from Mr. Jamison, Dr. Hunter indicated that the Peabody building would be turned over to the Town as a surplus building following construction of a new MS building. Ms. Hartman asked for a clarification as to the cost of three new assistant principals for the elementary schools. Dr. Hunter responded that she is currently looking at savings through attrition, so the proposed new staff positions may be cost-neutral. She is also in the exploratory stage of reallocating positions in order to fund the assistant principal positions, perhaps shifting one of the four specialist positions in each of the schools to an assistant principal slot.

### **Review of 2019 Warrant Articles—Other Non-School Articles & General Discussion**

Article 18—General Bylaw Amendment—Sustainable Growth Rate (SGR) Mr. Tarpey noted that he had received questions from a citizen about comparing the Randall curve for Concord with that of our peer communities—would the slope be similar? If all the peer communities show a similar slope, does that imply that Concord does not have a problem? The consensus was that Concord's increased taxes should be viewed independently from that experienced in other communities. Mr. Hickling noted that this data was reviewed by the Fiscal Sustainability Working Group, it was agreed that this data should be available for the public hearing.

A second question that was asked is the ratio between the median household income and the median tax rate, and whether this has been constant. Mr. Hickling responded that taxes have increased at roughly twice the rate of the increase in assessed valuation of property. He indicated that we have the data for the median household income on an annual basis. Ms. Rzepczynski noted that 35% of homeowners are "housing burdened"—i.e., they are spending a high percentage of income on mortgage, taxes and utility payments. Mr. Jamison noted that Mr. McKean had commented that he did not feel that the 10-year T-bill was a good measure of inflation, preferring that the growth rate be measured by the increase in Town revenue. Mr. Tarpey suggested that the SGR formula incorporate new growth, noting that new growth results in a growth in revenue, which could be factored into the formula.

It was agreed that Article 18 will be taken up at the FC hearing on February 25, in order to allow additional time for a more polished presentation. Mr. Tarpey reported that the Moderator has agreed to give the FC eight minutes for its presentation on Article 18. He also reported that there is a plan to feature electronic voting on a trial basis on the second night of Town Meeting, using an APP that may be downloaded on smart phones of voters. Voters will be encouraged to download the APP in advance of coming to the meeting. Voters must be present in order to vote, since the APP will only work in one room at the high school. Tablets will be available for those without smart phones. There is also a plan to experiment with e-mailed questions at Town Meeting.

Ms. Rainey questioned whether the MS Feasibility Study should be under the direction of the SC or whether it should come under the Town Manager's direction, since this would be a Town project. Mr. Grom noted that the Permanent Building Committee would be appointed by the Select Board, and he was unclear whether the Feasibility Study would also be under the jurisdiction of the Town Manager or SC. Mr. Fischelis noted that the Town Manager was very involved in the feasibility

studies for the three elementary schools. Mr. Tarpey asked that the MS timeline be expanded to include the details of which entities would be involved at different stages.

Ms. Rzepczynski emphasized that the MS would be a Town project, and it is important that the needs of the Town be considered when establishing school building priorities. In response to a question, Ms. Lafleur noted that known future Town capital projects include municipal offices, public works improvements, and public safety building improvements. No estimated costs have been identified, although a municipal building feasibility study is underway. Mr. Tarpey suggested that some rough estimates be included for future Town projects in the chart displaying future debt needs. Ms. Rzepczynski emphasized the importance of looking at the MS project within the context of other capital projects coming in the future, in order to consider and establish priorities. The full impact of these costs will need to be evaluated. Ms. Lafleur noted that she is awaiting more definitive numbers for upcoming Town projects. Mr. Packard would like to see all of the future excluded debt costs included on one chart—not just the school projects. Ms. Lafleur noted that she will bring the five-year forecast draft numbers at the FC meeting on January 24, and she can include estimated debt for future Town projects, if known, and if any are projected for the next five years. Mr. Tarpey felt strongly that the five-year projections include both existing and other “likely” excluded debt projects, with a distinction made on the chart between approved and potential debt. Ms. Lafleur is not aware of a timeline for future Town projects, but she will discuss this with the Town Manager prior to next week.

Mr. Jamison noted that the Town currently allocates 5-7% of its budget to pay for debt service, so perhaps this amount could be projected out for the next five years—i.e., this is what the Town can afford to pay for capital projects. Ms. Lafleur noted that all of these projected large projects are in addition to the Town’s annual debt service plan, which totals approximately \$5 million annually. This amount is already “baked into” the budget, and is not excluded debt. In response to a question from Ms. Hartman, it was noted that there are no other large capital projects in the current ATM Warrant, which is now closed. Mr. Banfield suggested that if we find ourselves with any surplus free cash, an effort should be made to put some funds into a Stabilization Fund, to mitigate the tax impact of future capital projects. Ms. Lafleur noted that the Town has a General Stabilization Fund that could be used for this purpose.

#### **Citizen Comments**

None

#### **Adjournment**

The meeting adjourned at 9:03 pm.

Respectfully submitted,

Anita S. Tekle  
Recording Secretary

***Documents Used or Referenced at Meeting:***

- Draft 2019 Annual Town Meeting Warrant, including a one-page list of Warrant Articles
- Concord Middle School History PowerPoint presentation printout (dated 1.17.2019)
- CCRSD Gale Report—Conceptual Order of Magnitude Cost Estimate (dated 12.17.2018)
- CPS Five-Year Capital Needs Chart

# Debt Service Impact of Existing & Projected

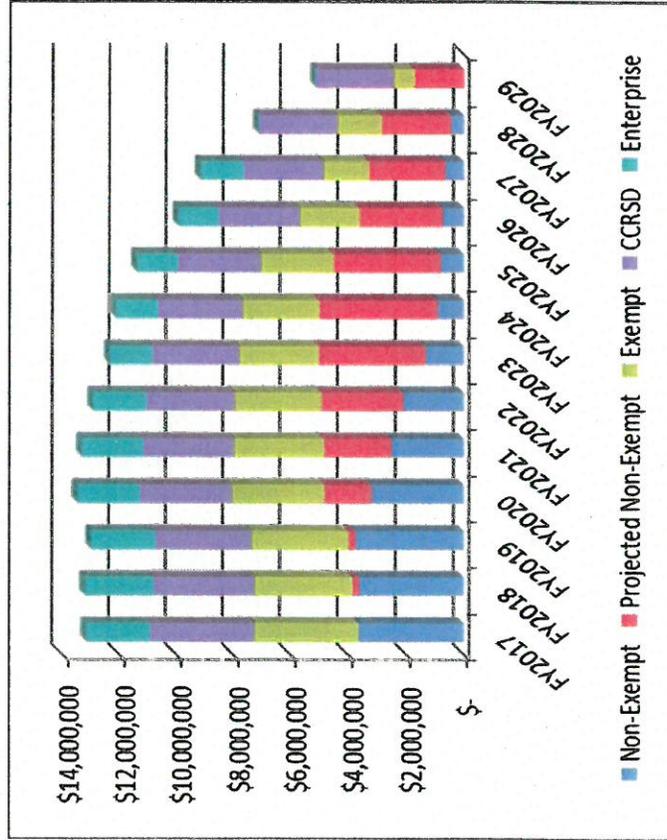
January 22, 2019

## Debt Issuance

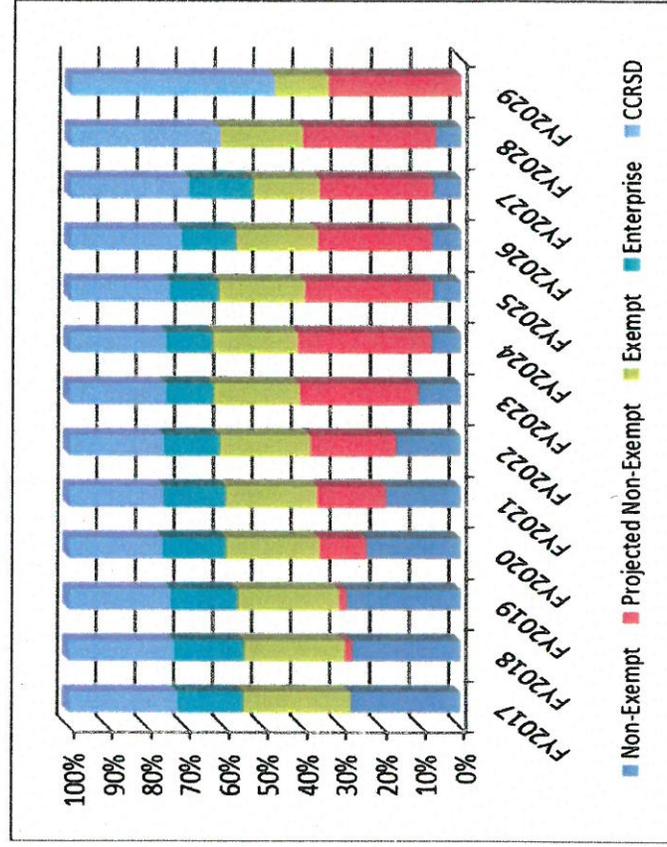
- **Non-Exempt**- projects authorized & financed within the levy limit
  - Town meeting vote
- **Exempt**- projects authorized & financed outside the levy limit
  - Town meeting vote; and
  - Ballot approval

# All Debt, FY17 -29

Annual Debt Service Payments



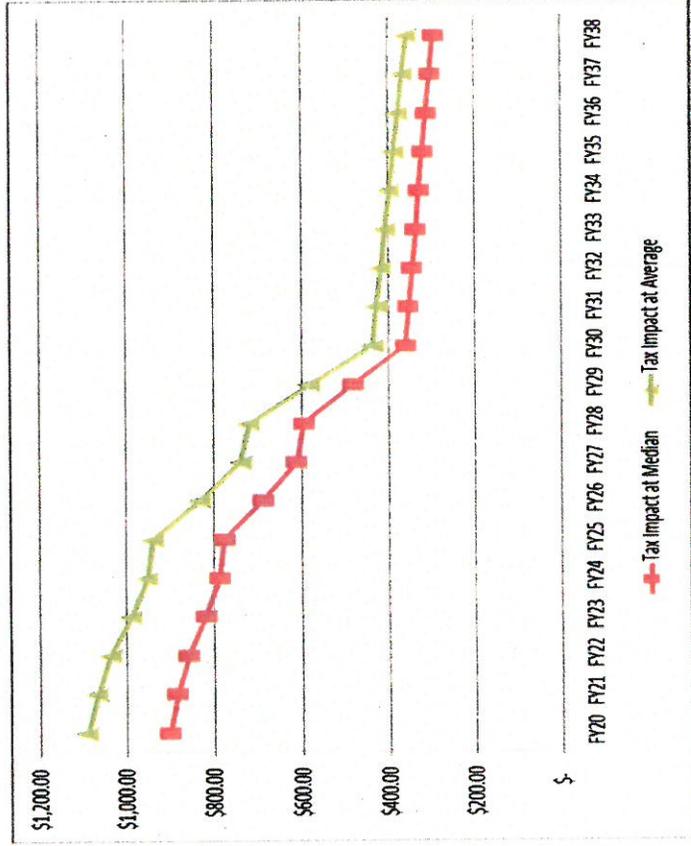
Distribution of Debt, by category



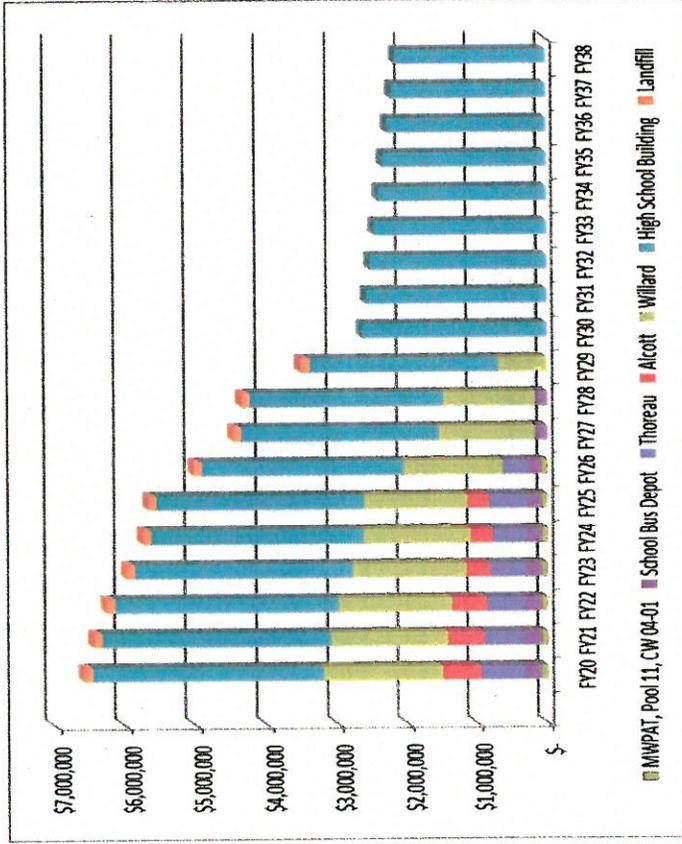
Only debt schedule existing beyond FY29 is CCHS Building

# Cumulative Existing Exempt Debt

## Impact to Taxpayer

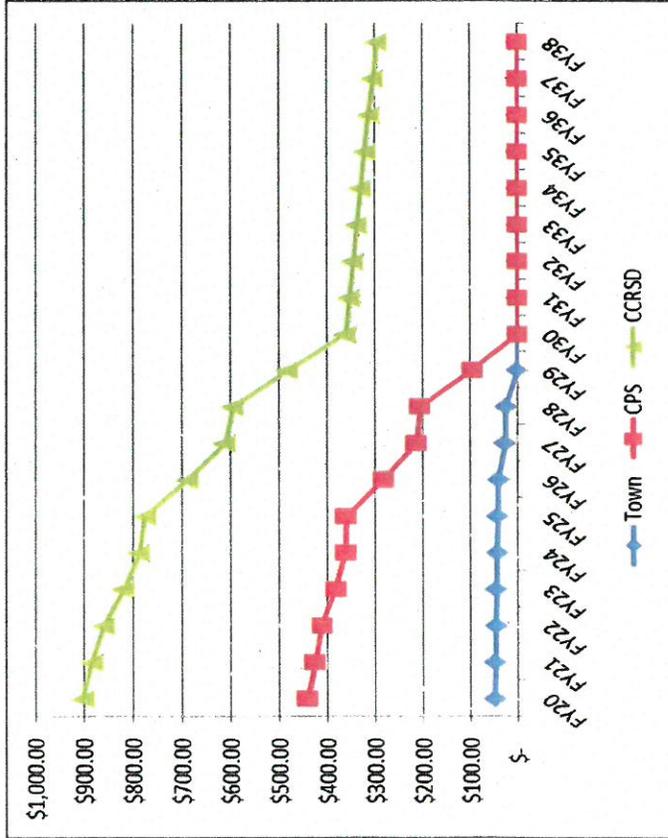


## Annual Debt Service Payments

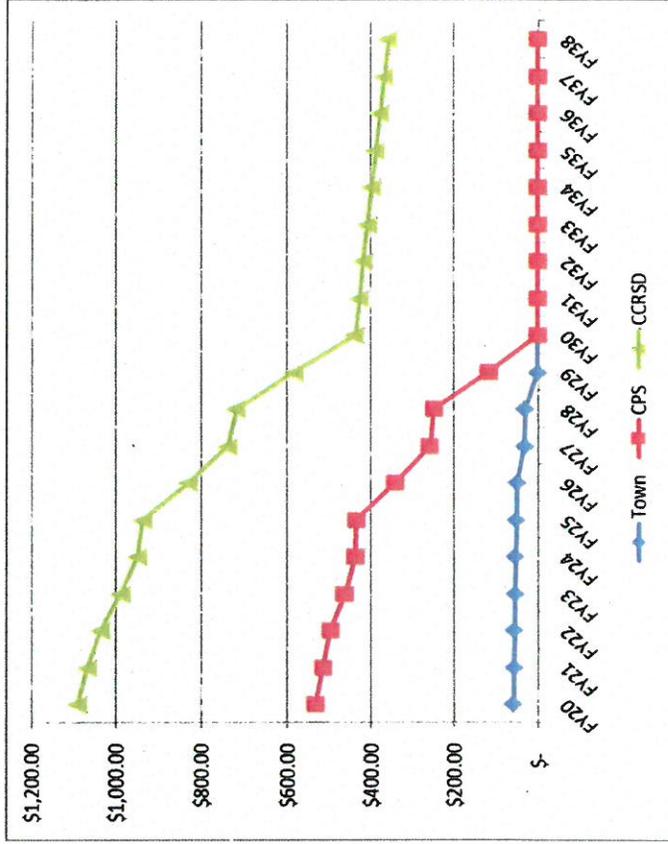


# Tax Impact of Existing Debt by entity

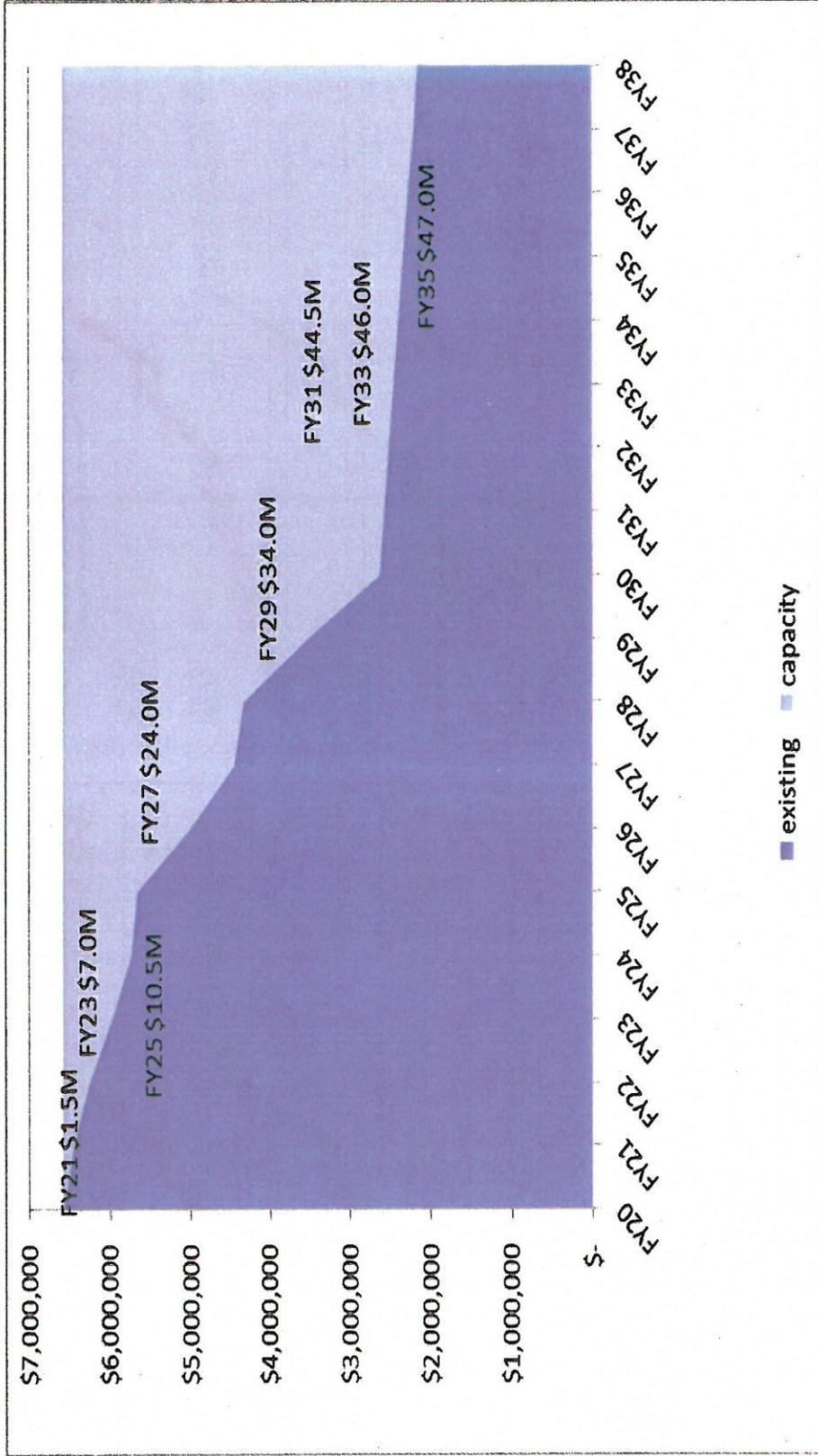
Impact at Median



Impact at Average



# Capacity available from keeping constant at FY20 level

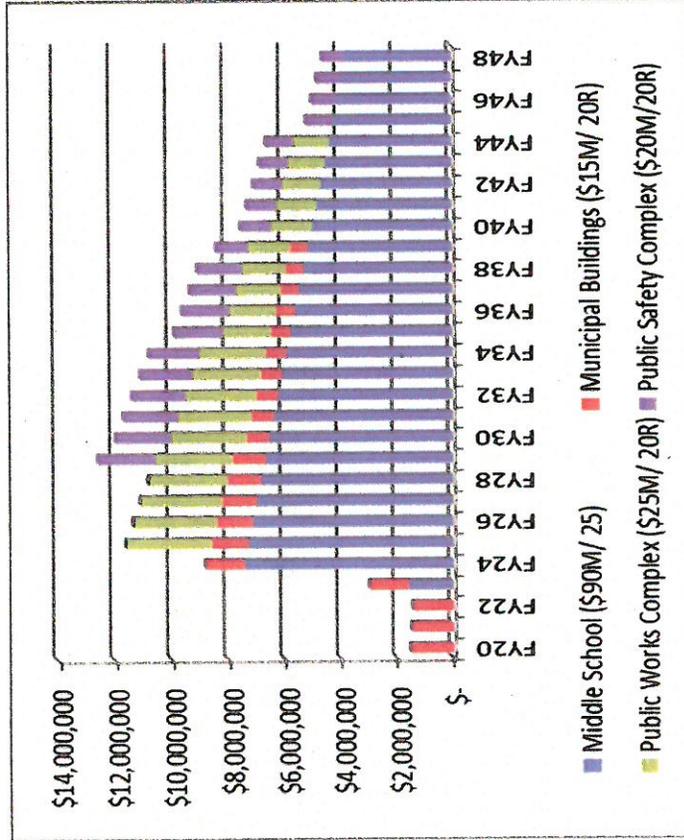


## Anticipated Large Scale Capital Projects

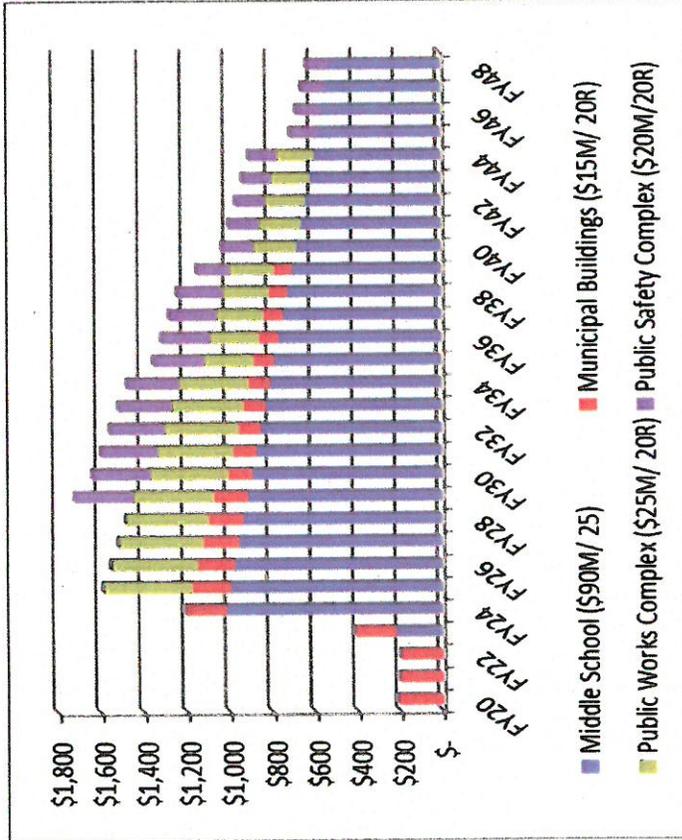
- Middle School = \$90M
- Public Works Complex = \$30M
- Public Safety Complex = \$20M
- Municipal Buildings = \$15M
- Estimated total = \$155M
- All estimates are very rough

# Anticipated Debt, by Project

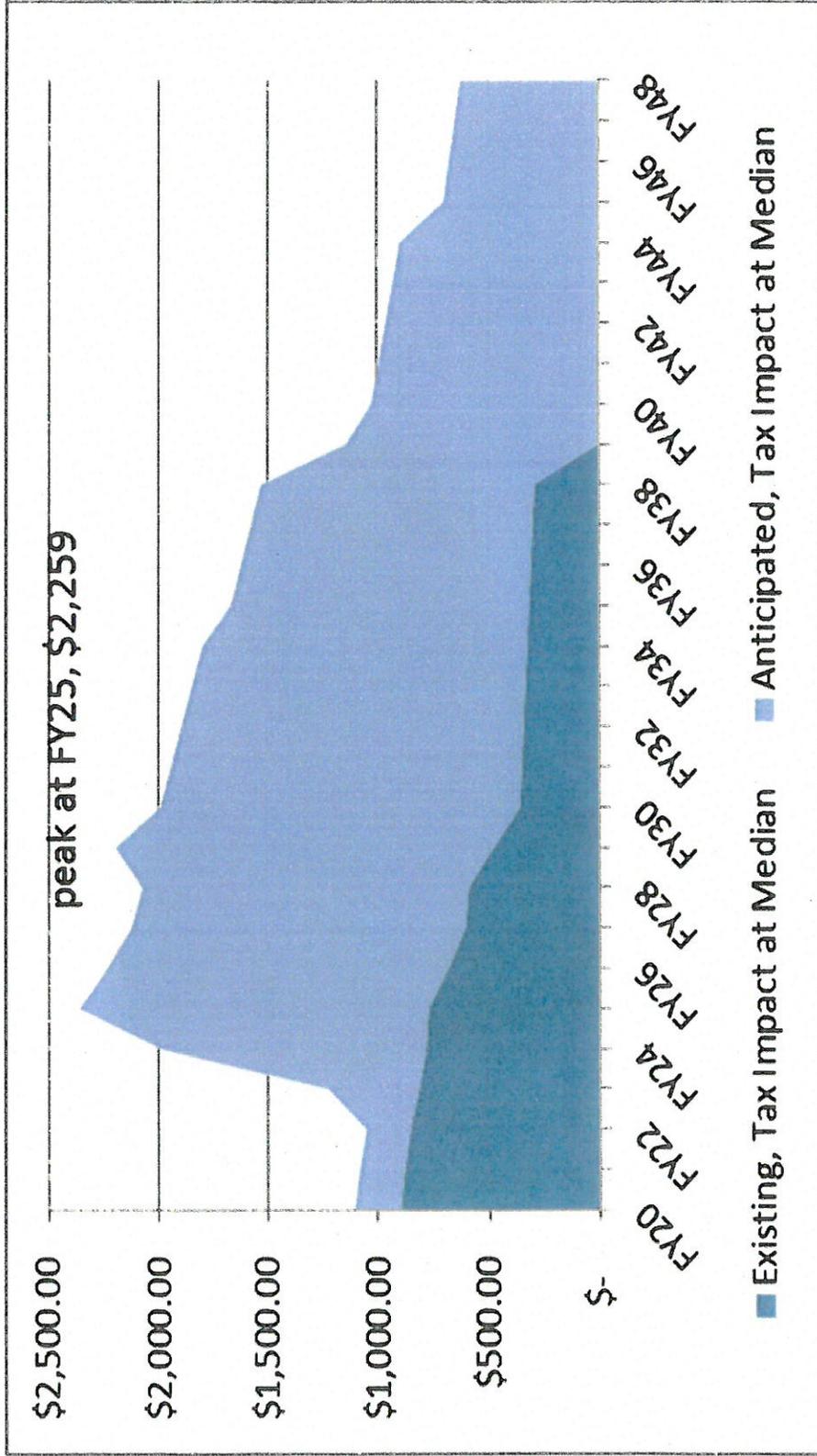
## Projected Annual Debt Service Payments



## Impact to Median Household

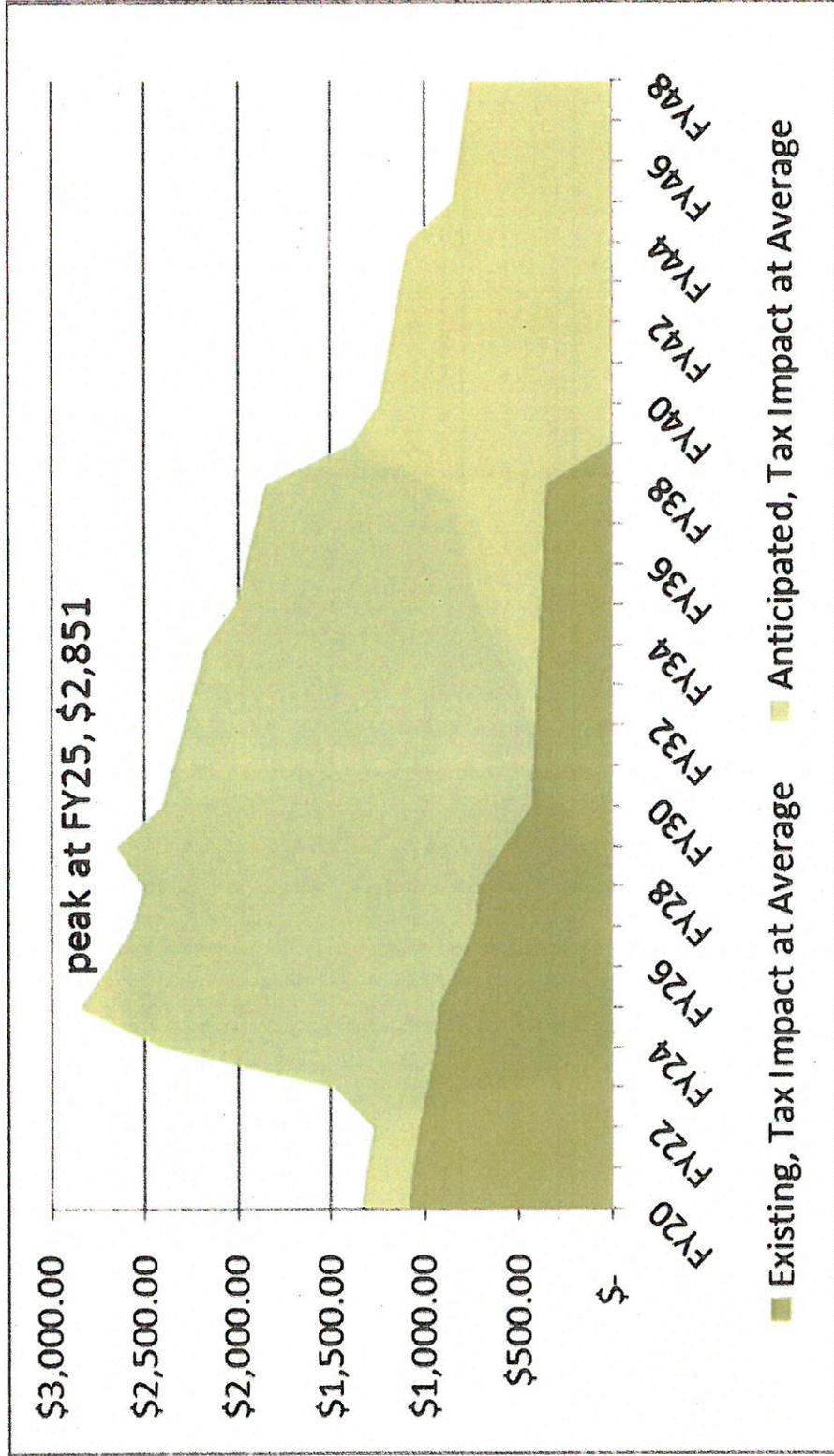


# Existing + Anticipated all projects (R), at Median Household



R = rapid repay where 60% of principal is repaid over the first 10 years & 40% is repaid over the final 10 years; results in \$57 in peak year, but saves \$2.6M in Interest expense.

# Existing + Anticipated all projects (R), at Average



R = rapid repay where 60% of principal is repaid over the first 10 years & 40% is repaid over the final 10 years; results in \$69 in peak year, but saves \$2.6M in interest expense.

## Levy Ceiling/ Debt Limit

- Debt Ceiling is 5.0% of total Assessed Value
- Total Assessed Value for FY19 = \$6,447,063,517
- FY19 Debt Limit = \$322,353,176
- Total Outstanding Debt at 6/30/18 = \$52,215,725 (32.4%)
- Amount subject to Debt Limit = \$38,994,907 (24.2%)
- What's outside of Debt Limit?
  - Water, sewer, electric utility projects (MGL Ch. 44, §8)
  - School buildings financed under MSBA (MGL Ch. 70B)

## Debt Limit/ Debt Ceiling

- Amount subject to Debt Limit = \$38,994,907 (12.1% of debt Limit)
- Anticipated Debt, \$155M: (60.18% of debt limit)
  - Middle School, \$90M
  - Municipal Buildings, \$15M
  - Public Works Complex, \$30M
  - Public Safety Complex, \$20M
- Potential Impact to AAA rating- initial read from rating agency: adding either school project or muni projects will not negatively impact bond rating, but it would make Concord any outlier in debt burden per capita, so long as all other rating criteria remain consistent with AAA-rated communities.