



Town of Concord
Finance Committee
22 Monument Square
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To: Kerry Lafleur, Town Manager
Dr. Laurie Hunter, Superintendent, Concord Public Schools & Concord-Carlisle Regional School District

From: Parashar Patel, Chair, Concord Finance Committee

Cc: Henry Dane, Chair, Concord Select Board
Mary Hartman, Select Board Liaison to the Finance Committee
Anthony Ansaldi, Chief Financial Officer, Concord
Alexa Anderson, Chair, Concord Public School Committee
Tracey Marano, Chair, Concord-Carlisle Regional School District Committee
Robert Conry, Assistant Superintendent of Finance & Operations, Concord Public Schools Finance Committee

Date: November 28, 2023

Re: Fiscal Year 2025 Draft Capital Plan

Thank you for presenting the Fiscal Year (FY) 2025 draft capital plan at our November 14, 2023 meeting.

The November 14th capital planning meeting was scheduled both as part of our annual budget process (which includes a review of capital spending) and in response to the recommendations of the Capital Planning Task Force that the Town Manager and Superintendent of Schools present a long-term capital plan for Tier 3 projects.

Discussing all capital spending and plans together provided better context for the Finance Committee to make recommendations to Annual Town Meeting. In addition, having one document that included Tier 1, Tier 2, and Tier 3 capital spending was helpful rather than discussing capital projects across several meetings and a variety of Town and School documents.

Summary

Based on the FY 2025 draft capital plan, deferred capital investments as well as new needs will continue to outstrip resources available to finance capital projects without substantial additional borrowing. The draft capital plan makes clear that Town departments continue to play catch up on basic infrastructure needs.

Substantial future projects identified at the November 14th meeting include:

- Three large public works/safety building projects to address deteriorating buildings and facilities.
- Bringing road conditions to a Pavement Condition Index (PCI) level of 85.
- Delayed completion of Concord-Carlisle High School Fields Amenities building.
- A new track for the Concord-Carlisle High School (may need public financing if private donations not sufficient).

Potential new needs include:

- Possible acquisition and development of 2229 Main Street.
- Renewable and other “green” investments in Town and School buildings and vehicles.
- Potential projects arising from the Recreation Department’s strategic plan.
- Potential projects arising from the Concord Public Schools’ comprehensive facilities assessment.
- Potential projects arising from the Concord-Carlisle Regional School District (CCRS) comprehensive facilities assessment.

Lastly, we note that the Concord Middle School field irrigation is currently unfunded and was not included in the draft FY 2025 plan.

Finance Committee Input

Below please find Finance Committee input to the draft capital plan structure, use of future anticipated savings, and review of capital spending and debt financing policies.

Capital Plan Structure

While the first consolidated five-year capital plan represents progress in consolidating Town and School capital projects, the draft capital plan should include all current Town and School projects and their associated outstanding debt service costs and schedules for both Tier 2 and Tier 3 projects as a starting point. This should include any “stabilization funds” outstanding as well as any call features on the outstanding debt. This information would serve as a reminder of current obligations as well as highlight any flexibility available to the Town to actively manage its outstanding debt. The draft plan should then discuss future Town and School projects as presented in the current draft including the useful life of each project. Finally, the draft plan should present a consolidated picture of spending/debt service for Town and School current and future Tier 2 and Tier 3 projects. This would present a more complete estimate of future potential capital spending and better show the long-range impact to Town residents and Town finances, including potential tax impact, sustainability, resilience, maintenance costs, and debt service trends. (An appendix showing the cost of completed Town and School projects funded with Tier 2 or Tier 3 debt along with authorized but unissued debt would also be helpful. The plan should also include, or reference, an asset inventory for all Town and School facilities)

The final capital plan must consolidate, prioritize, and fund the identified needs over time as well as current projects. The capital plan should also identify explicitly all funding sources (i.e., ARPA, Cash, Community Preservation Committee funds, Assessor's Overlay, Recreation Department funds, Beede center endowment, Federal and State grants, and other funding sources such as private funding).

The draft plan should incorporate Tier III projects identified and discussed at the November 14th meeting but not yet incorporated into the plan:

- Public Works Facility
- Public Safety Complex
- Walden Street Complex Renovations
- Public Works Infrastructure
- Concord-Carlisle High School Fields Amenities building
- A new track for the Concord-Carlisle High School

For each of the projects above, the plan should include estimated costs, timelines (including debt service schedules), and prioritization. The debt service schedules should be prepared using consistent interest rate assumptions for Town and School projects.

Review of Capital Spending and Debt Financing Policies

The Finance Committee is pleased that the Town will be conducting a review of the current capital spending and debt financing policies. We urge the review also include a review of the Schools' and Enterprise operations' capital spending and debt financing policies, including a review of the rationale for any variations among these entities. We look forward to an update of the review after Annual Town Meeting in 2024.

Below is input on specific items included in the draft plan.

Town

- Please explain "fee" funding plan for Stormwater project.
- Why is the \$300k Transportation item in Engineering Tier 1 rather than Tier 2?
- When will the decision on Advanced Life Services be made and by whom?
- We note that annual Tier 1 and Tier 2 capital needs for Facilities and Engineering assets (many of which were built or acquired using "excluded debt") are projected around \$11 million in total. However, the preliminary FY 2025 recommended General Fund appropriation for these two groups is \$3.8 million, leaving a gap of over \$7 million. Is there a specific policy rationale for not using "excluded debt" financing to maintain assets acquired/built with "excluded debt"?
- How does Community Preservation Committee (CPC) funding interact with the potential capital spending for FY 25? Has the Town applied for CPC funding for FY 2025? And if so, please provide an update.

Schools

- The capital plan should explicitly categorize Tier 1 and Tier 2 items for each Concord Public Schools (CPS) capital project rather than consolidating all projects and categorizing the combined projects as Tier 2.
- How does Community Preservation Committee (CPC) funding interact with the potential capital spending for FY 25? Have CPS or CCRSD applied for funding other than the \$250,000 for the Concord Middle School athletic fields? And if so, please provide an update.
- Other than the restroom and track projects verbally mentioned and referenced above, are there any other capital spending projects (Tiers 1, 2, or 3) for the CCRSD? If so, we recommend that the draft plan incorporate other capital projects for the CCRSD into the plan before the joint Select Board and School Committees' public forum in December. If there is no other capital spending, how does CCRSD plan to finance ongoing maintenance and other capital-related projects?

Other Capital Related Items

Please find below our input for other capital-spending related items.

- Depreciation per recent Town Financial statements runs approximately \$7 million annually (excluding Enterprise funds). Why are capital spending needs substantially higher than depreciation? Is it the impact of depreciating using “historical cost basis” versus “replacement cost” or is it something else?
- Can you please share with the Finance Committee, an analysis of Maintenance Contingency for Middle School repairs, which was \$100,000 per year from FY 2019 through FY 2024? What is the status of unspent amounts? Are they reallocated or carried forward? How much was spent versus being absorbed into the overall budget?
- Do the Town, CPS, and CCRSD track planned and completed projects year to year and assess planned spending versus actual spending for completed and in-process projects? If so, when and where are such reviews conducted? Is the analysis made publicly available on a regular basis?

Thank you again for presenting the first consolidated five-year capital plan. As noted, substantial progress has been made however more work remains.

We look forward to working with you, the Select Board, School Committees, and others to develop a robust five-year capital plan for Concord and updating it on an annual basis moving forward.

We look forward to your responses. Please let us know if it would be helpful to schedule a follow-up discussion at one of our upcoming meetings.

Sincerely,



Parashar Patel
Chair, Finance Committee