



TOWN OF CONCORD

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CHRISTOPHER WHELAN, TOWN MANAGER

February 14, 2018

The Honorable Select Board:

I herewith submit for your review the Town Manager's Proposed General Fund Budget for Fiscal Year 2019 (July 1, 2018 - June 30, 2019) in accordance with the requirements of the Town Charter. With the presentation in this Budget Book, I am pleased to report that this proposed FY19 General Fund Budget is financially sound while funding key priority programs.

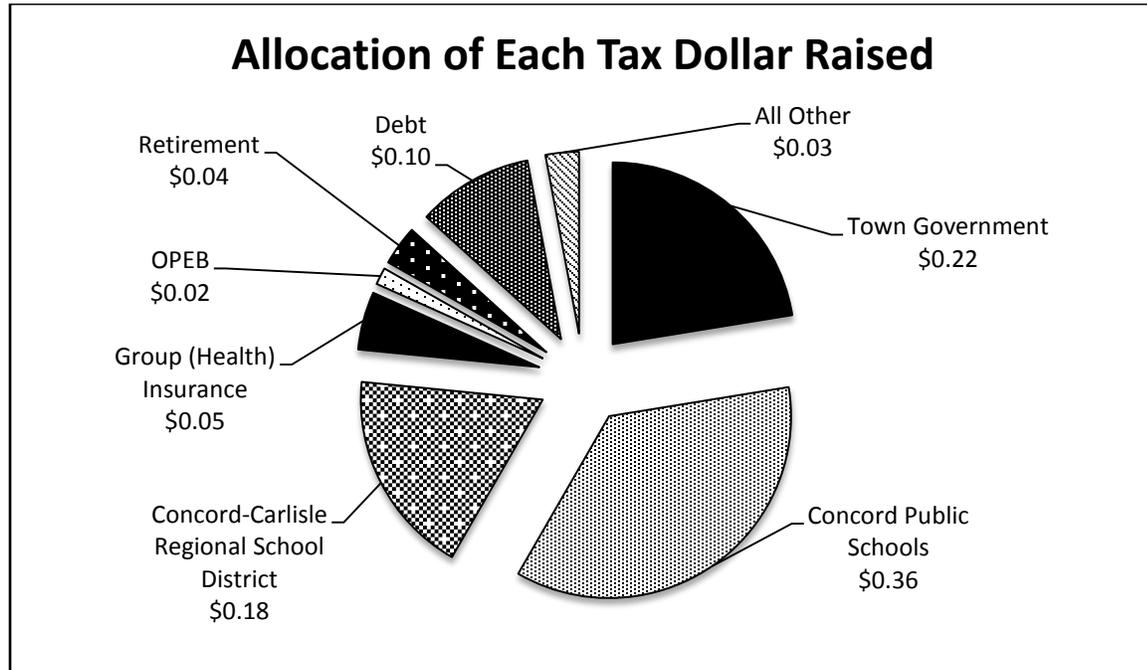
Throughout the fall of 2017, the Finance Committee deliberated on the appropriate funding levels for the Town Government, Concord Public Schools (CPS) and the Concord-Carlisle Regional School District (CCRS) and set a guideline level of \$23,847,317 for Town Government, \$37,869,513 for CPS and \$18,892,517 for CCRSD. After much consideration about the funding level needs of the Town, I am proposing an appropriation amount for Town Government (Article 7 on the 2018 Annual Town Meeting Warrant) of \$24,050,513 or \$203,196 above the guideline. The proposed CPS budget (Article 9) is \$38,461,880 or \$592,367 above the guideline and the proposed CCRSD operating assessment (Article 12) is \$19,544,198 or \$651,681 above the guideline. It should also be noted that at the time this document was prepared the assessment for the Minuteman Vocational School District was estimated to be \$752,938; it is in fact \$742,679, as voted by the Minuteman School Committee.

	FY18 Budget	FY19 Proposed	Change from FY18 to FY19	
			Amount	Percent
Town Government	\$23,064,013	\$24,050,513	\$986,500	4.28%
Concord Public Schools	\$36,810,111	\$38,461,880	\$1,651,769	4.49%
Concord-Carlisle RSD	\$17,935,005	\$19,544,198	\$1,609,193	8.97%
Subtotal	\$77,809,129	\$82,056,591	\$4,247,462	5.46%
All Other Accounts ¹	\$25,400,429	\$25,128,626	-\$271,803	- 1.1%
Total Budget Plan	\$103,209,558	\$107,185,217	\$3,975,659	3.85%

¹ For FY19, All Other Accounts consists of Group Insurance (\$5,526,100), OPEB (\$1,617,000), Retirement (\$3,777,010), Town and CPS Debt Service (\$3,994,645), CCRSD Debt Service (\$102,809), Town, CPS, and CCRSD Assessed Excluded Debt Service (\$6,789,214), Accounts not subject to Appropriation (\$1,269,197), Minuteman Vocational School District Assessment (\$752,938), Social Security / Medicare (\$814,713), Other Fixed & Mandated Accounts (\$485,000).

Total General Fund Budget

The total appropriated budget for Town programs and services, which includes all the operations that are not supported by fee-for-service activities such as those of the Concord Municipal Light Plant, is proposed to be \$107,185,217. For each tax dollar raised to fund the Total General Fund Budget, here are the proposed uses:



Revenues

Property taxes account for 86.4% of the revenues needed to fund the Total General Fund Budget. Other sources include State Aid (4.7%), Motor Vehicle Excise (2.9%), Other Local Revenue (3.8%), Stabilization Fund Transfers (0.3%), Other Transfers (1.5%), and Investment Earnings (0.4%).

The impact of the proposed budget on the property tax bill of existing taxpayers will be on average an increase of 4.32%, though each bill may vary due to a specific property's assessment. This means that for the median property with a current assessed value of \$838,900 the tax bill will increase by \$517 to \$12,505.

Reserves and Financial Stability

A main financial objective is to make sure that the Town finances are sound and that our Aaa credit rating, the highest possible credit rating from Moody's Investors Service, remains intact. In addition to the budgeting practice of conservatively projecting anticipated revenues, two key criteria demonstrate the Town's continued financial stability: Certified Fee Cash and Unused Levy Capacity.

Certified Free Cash -- Each year, the State certifies the level of reserves, also known as Certified Free Cash, which are maintained for cash flow purposes, unexpected events, and economic downturns. The Town's policy is that Free Cash should be at least 5% of the next year's budget. As of June 30, 2017, Certified Free Cash was a healthy \$10,798,936 or 10.4% percent of the current year budget. The FY19 budget will maintain this level of Free Cash, while still providing a \$1 million allocation for Town operations to reduce the tax levy.

Unused Levy Capacity --The unused levy capacity, the amount that the projected tax levy is below the allowable Proposition 2 ½ levy limit, is projected to be \$2,512,624 in FY19. This means that the Town has some flexibility in future budgets since we are not at the upper ceiling of the levy limit as determined by an increase of 2 ½ from the previous levy limit plus an allowance for new growth.

Debt

With the construction of three new elementary schools and a new regional high school within the past fourteen years, the amount of debt that the Town has taken on has grown. The proposed FY19 debt service cost is as follows: \$3,994,645 for routine, within the levy limit, Town and CPS projects such as road repairs and building renovations; \$3,384,869 for Town and CPS excluded debt projects mostly for new elementary schools; and \$102,809 for CCRSD routine, within the levy limit projects and \$3,404,345 for the CCRSD excluded debt assessment for the new high school.

Fortunately, there are some mitigating factors that help to alleviate some of the debt burden. The Massachusetts School Building Authority (MSBA) has certified that the Thoreau School and the Concord-Carlisle High School qualify for State funds; the State has paid for 35.6% of the eligible cost of the high school construction. For FY19, an amount of \$275,000 is being proposed from the Town's High School Debt Stabilization Fund to reduce the tax impact of Concord's assessed share of the CCRSD debt service. In addition, in FY16, the Town took advantage of favorable interest rates to refinance some of our debt for an annual savings in decreased debt service of \$109,113 with a total savings of \$1,091,130 over 10 years, and in FY17 the Town refinanced additional debt resulting in a total budgetary savings of \$667,621 over 9 years.

Retirement

From recent anecdotal stories in the media, some municipal retirement systems throughout the country seem to be in trouble. In Concord, this isn't the case. Our policy of adequately funding the employer contribution for the retirement system – \$3,777,010 proposed for FY19 or an increase of 3.0% from the previous year – has placed the Town's retirement system in relatively good shape. As of the January 1, 2017 Actuarial Valuation, Concord had an Unfunded Actuarial Accrued Liability of \$25.8 million, down from \$29.1 million in the previous year and the funded ratio was 85%, making Concord ranked among the top funded public retirement systems in the State.

Health Insurance

For the past few decades, health care cost and associated health care premiums have risen at a pace greater than inflation. This increase has placed some stress on Town finances as the Town needs to allocate resources to pay for the employer's portion of health care premiums for current employees and current retirees (budgeted under title of Group Insurance) and fund the employer's portion of the future health care liability incurred by past and current employees and retirees (budgeted under the title of OPEB). Several factors have helped keep these increasing costs manageable. The Town is a member of Minuteman Nashoba Health Group, which is a joint purchasing consortium of 17 area towns that pools risks and self-funds health plans to keep costs down. As compared to other Massachusetts municipalities, the percent of Concord's employer contribution for health care premiums is on the lower side: approximately 55% for active employees and 50% for retirees. In addition, a 2011 State health care reform law enabled the Town to negotiate plan design changes with the stipulation that 25% of the first-year savings were placed in a fund to mitigate subscriber out-of-pocket cost. Nevertheless, the FY19 allocation from the Town for both Group Health and OPEB is projected to be \$7,143,100, more than 6.6% of the proposed General Fund budget. For the first time in FY19, the Town will include in its health insurance offerings a high deductible plan with a health savings account. While actual rates are not available at this time, the premium decrease is expected to be 15% to 20%.

Town Government Budget

I am proposing a FY19 Proposed Town Government Budget of \$24,050,513, which is an increase of \$986,500 above the FY18 Budget and \$203,196 above the FY19 Finance Committee Guideline. In assessing the FY19 Town Government funding level needs, I came to the determination that there are items totaling \$986,500 that I have limited discretion of whether they should be funded. These necessary items are as follows:

<u>Item</u>	<u>Amount</u>	<u>Comment</u>
Salaries	\$740,000	To fund union contracts and provide parity with non-union employees
CIP	\$75,000	To maintain the Town infrastructure in a responsible manner
Sustain. Dir.	\$60,000	Necessary cost resulting from the hiring of the Sustainability Director
55 Church St.	\$35,000	Necessary cost resulting from operating the newly-purchased building
Elections	\$35,000	Necessary cost resulting from additional required elections
Legal Services	\$25,000	Necessary cost resulting from additional expected legal fees
TM in Gym	\$14,000	Necessary cost for chairs/tables to hold Town Meeting in the Gym
OPEB Audit	<u>\$2,500</u>	Necessary cost to pay audit fees for OPEB compliance
Total	\$986,500	

Salaries

The Town has negotiated or is in negotiations for Collective Bargaining Agreements (CBAs) with unions representing employees in the Police Department, Fire Department, Library, Highway Division, Park & Tree Division and Cemetery Division. With the ratification of a CBA, the Town is required to pay the agreed-upon wages. For non-union employees, the Town has some discretion in establishing annual salary and wage increases. To maintain parity with the union employees, I am proposing a structure increase of 2.5% and a step/merit increase of 2.5% for non-union employees.

As of July 1, 2018, the salary and wage expenditure baseline for union employees is projected to be \$8.7 million and for non-union employees \$7.6 million. With the addition of overtime of \$1.4 million, the baseline at the beginning of FY19 of personnel costs is 17.7 million. To fund FY19 increases, an amount of \$740,000, or 4.1% of the total baseline, is proposed. Since some employees will not achieve the maximum step/merit increase, the 4.1% increase for salaries, wages, and overtime should be sufficient.

Capital Improvement Program (CIP)

Sustained investment in infrastructure is essential for the Town's long-term financial health. With current resources, the Capital Improvement Program (CIP) funds the proper maintenance and upkeep of Town buildings, technology infrastructure, police vehicles, public works equipment, and senior services vans. It is Town policy that we allocate 2% to 3% of the Town budget minus excluded debt for the capital purposes. With the proposed increase of \$75,000 to \$1,945,000, the funding for the CIP complies with this goal.

Sustainability Director

With the passage of Article 51 of the 2017 Annual Town Meeting, an amount of \$100,000 was appropriated for the first year salary of a new Sustainability Director and this person was hired in December 2017. Accordingly, approximately \$60,000 of the \$100,000 will be spent in FY18 and \$40,000 will be available for FY19. The rest of Sustainability Director's salary, \$60,000, will need to be appropriated from the General Fund in FY19.

55 Church Street

The newly-purchase building at 55 Church Street is now being occupied by Town staff from the Retirement Office, Human Services Division, Veterans Division, and Recreation Department. It is a fitting location – next to the Senior Services Division at the Harvey Wheeler Community Center – where Town's human services can be centralized. To fund the operations of 55 Church Street, I am proposing \$35,000 of General Fund money.

Elections

In FY19, there will be three scheduled elections: a Town election, State primary, and State general election. This is an increase from the one scheduled election in FY18. Since each election cost the Town approximately \$17,500, I am requesting that the Elections Division budget be increased by \$35,000.

Legal Services

The legal services budget has not been increase since FY10 and the need to consult with legal counsel continues to grow. Already for the first six months of FY18, we have spent \$181,757 of the \$225,000 appropriation. Although an additional \$25,000 may not be sufficient for FY19, I am proposing that the legal services budget be increased to \$250,000.

Town Meeting in the Gymnasium

With the move from the old high school to the new and the decision that the best location to hold Town Meeting is in the gymnasium of new high school, arraignments need to be made to properly set up the space to accommodate Concord citizens. Accordingly, I am including in the FY19 budget \$14,000 for the rental, delivery, and installation of platforms, chairs and tables in the gymnasium.

OPEB Audit

New required accounting standards for presentation of Other Post-Employment Benefits (OPEB) information in the Town's annual audit will cost the Town an additional \$2,500 in FY19.

Conclusion

The FY19 General Fund Budget continues Concord's proud tradition of being financially sound while providing funds for important programs and services. I would like to thank all of the Department Heads and their staff members who worked with us throughout this budget process. In addition, I would like to recognize the efforts of Budget and Purchasing Director Jon Harris and Finance Director Kerry Lafleur who, with the help of Finance Assistant Malysa Simard, were principally responsible for this coherent and comprehensive document.

Sincerely,



Christopher Whelan
Town Manager