

# Town of Concord

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

Date: January 17, 2020 (*based on Guideline voted 12/5/19*)

To: Concord Select Board  
Concord Public School Committee  
Concord-Carlisle Regional School Committee  
Mr. Stephen Crane, Town Manager  
Dr. Laurie Hunter, Superintendent of Schools

From: Dean Banfield, Chair, Concord Finance Committee  
Mary Hartman, Vice-Chair, and Chair, Guidelines Subcommittee

Re: FY 2021 Final Budget Guideline

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As required by Town bylaws, the Finance Committee has approved a Budget Guideline for the fiscal year beginning July 1, 2020 (FY 2021). The Guideline was adopted with full consideration of the operating budget needs identified by each of the three primary budgeting entities, funding recommendations and requests for non-operating budgets, assumptions regarding non-property tax-revenues, employment of unused property tax levy limit capacity, and ultimately the net impact to taxpayers.

In establishing the Guidelines, the Finance Committee also aims to maintain operating cost increases within a range chosen to meet the goal of financial sustainability over the long term. These goals include: 1. keeping increases from depleting excess levy limit capacity to the extent that general overrides are required; 2. Maintenance of Free Cash reserve; 3. Maintenance of the highest attainable bond rating; 4. Avoidance of burdening taxpayers are burdened beyond what typical expectations of income growth can accommodate.

The Finance Committee Guideline directs \$2,762,114 of incremental funds to the operating budgets, a 3.14% increase over FY 2020 General Fund operating budget levels (see FY 2021 Operating Budget Guidelines and Total Budget Plan, page 3). The Finance Committee is proposing a total FY21 General Fund Budget spending plan of \$117,356,086 which would be an increase of 2.93% over the adopted FY20 budget. To support this budget, the Finance Committee will be recommending the allocation of funds from available reserves as follows:

- \$1,000,000 from Free Cash, for Property Tax Relief; and
- \$170,880 from Emergency Services Stabilization Fund, for the School Resource Officer and 4 new firefighters hired in FY20 to place Ambulance A-2 in operation 24/7.

The overall increase in the tax bill to existing taxpayers for FY 2021 is projected to be 2.80%, inclusive of Exempt Debt, which is decreasing by \$104,443. This guideline projects a tax levy totaling \$98,608,811, and an unused levy limit of \$3,842,179 (which is 4.02% under the projected levy limit). The Finance Committee believes that retaining a modest unused levy capacity is important for the town's ability to maintain flexibility to deal with future infrastructure needs as well as unanticipated expenses.

Several overriding factors and concerns were considered by the Finance Committee at the outset of the guidelines process:

- The Finance Committee has begun to use a sustainable growth rate (SGR) to provide a 5-year forward looking recommendation when developing the guideline %. The SGR is defined as: "A rate which

maintains the Town's economic soundness, financial strength, and flexibility through keeping a level of excess levy limit capacity so that general overrides are not necessary; maintaining a free cash balance; continual investment in ongoing capital needs; and in avoiding burdening taxpayers beyond normal expectations of income growth and allowing the town to maintain its character without undermining the diversity of our population." The SGR for FY21 was 2.16% as calculated per Finance Committee formula.

- The Finance Committee is very aware of the cumulative impact of operating budget increases and the related rise in property tax assessments on Concord taxpayers. Income levels of individual taxpayers vary greatly. Continued property tax increases are particularly likely to cause a hardship for taxpayers on fixed and/or low incomes. There remains an overall concern that even moderate tax increases when sustained for a number of years could have an impact on the makeup of Concord's population.
- The U. S. economic outlook has been healthy according to the key economic indicators, but has recently showed signs of weakness. The most critical indicator is Gross Domestic Product (GDP), which measures the nation's productive output. The GDP growth rate is expected to fall back to the ideal range of 2 to 3 percent. There are signs of uncertainty in the Massachusetts economy, but Concord continues to see by increases in building permits and some local excise taxes. However, there is potentially a large projected gap in the Massachusetts state budget and, despite assurances to the contrary, there exists concern about the level at which local aid to cities and towns will be funded by the State. Further, there is much uncertainty on the national level especially regarding the recently enacted Tax Reform legislation and its impact on the economy.
- Growth in Concord's assessed real estate valuations between FY 2019 and FY 2020 saw an overall increase of 3.69% (based on the FY 2020 Tax Rate Analysis report of the Concord Board of Assessors). Residential valuations, representing 91.86% of total valuation, increased 3.68%. Market valuation changes were not consistent across the housing stock; thus, some taxpayers will experience larger increases while others will see reductions.
- New residential development in Concord impacts population growth as well as the mix and demand for town government and school services. Historically, new development has played an important role in providing additional income to the town. The exact timing and impact of currently contemplated projects is not completely measurable at this time. New Growth, which adds additional tax revenue to the Town, is conservatively projected to add \$1,100,000 to the tax rolls in FY 2021.
- Long-term employee costs due to contractual pay increases and obligations for pensions and Other Post Employment Benefits (OPEB) will have an impact on budgets and will remain a principal obligation requiring careful management of contractual negotiations and additions to the roster of employees.

Based on information provided to date, the Finance Committee anticipates the Town Government, Concord Public Schools (CPS), and the Concord Carlisle Regional School District (CCRS) will be able to prepare FY 2021 budgets that maintain core services and meet critical operating priorities within the recommended Budget Guideline; however, at present, the CPS budget is \$97,711 over the FY21 Guideline. The Finance Committee is hopeful that the Concord Public Schools (CPS) will be able to review its request, and make budgetary adjustments or employ more creative service delivery methods in order to be able to provide current service levels within the approved Guideline.

The Finance Committee will continue, as always, to monitor the economic climate as well as the assumptions incorporated in its calculation of funds available for the FY 2021 Operating Budgets. We will continue to work collaboratively with budget authorities to monitor these factors and provide additional responses or recommendations that may be warranted as the FY 2021 budget finalization proceeds, leading up to Town Meeting in April 2020.

FY21 Operating Budget Guidelines & Total Budget Plan						
Budget Year	FY2018	FY2019	FY2020	Guideline Increase	FY2021	Percent Increase
Town, General Fund	\$ 23,064,013	\$ 24,228,513	\$ 25,299,513	\$ 717,666	\$ 26,017,179	2.84%
CPS	\$ 36,810,111	\$ 38,246,895	\$ 39,390,163	\$ 1,295,000	\$ 40,685,163	3.29%
CCRSD*	\$ 17,935,005	\$ 19,146,874	\$ 19,996,874	\$ 749,448	\$ 20,746,322	3.75%
<b>sub-total: Guidelines</b>	<b>\$ 77,809,129</b>	<b>\$ 81,622,282</b>	<b>\$ 84,686,550</b>	<b>\$ 2,762,114</b>	<b>\$ 87,448,664</b>	<b>3.26%</b>
Town, Other Funds		\$ 2,698,681	\$ 3,407,135		\$ 3,113,239	
Other Accounts	\$ 16,958,762	\$ 16,865,734	\$ 17,893,521		\$ 18,742,282	
Non-Appropriated	\$ 1,272,676	\$ 1,055,094	\$ 1,162,926		\$ 1,289,055	
Excluded Debt Service	\$ 7,168,991	\$ 6,905,383	\$ 6,867,289		\$ 6,762,846	
<b>sub-total: Non-Guidelines</b>	<b>\$ 25,400,429</b>	<b>\$ 27,524,892</b>	<b>\$ 29,330,871</b>		<b>\$ 29,907,422</b>	<b>1.97%</b>
<b>Total: Budget Plan</b>	<b>\$ 103,209,558</b>	<b>\$ 109,147,174</b>	<b>\$ 114,017,421</b>		<b>\$ 117,356,086</b>	<b>2.93%</b>

Notes:

1. *The CCRSD figure includes OPEB, health insurance and pension payments within the CCRSD Operating Budget, which for the Town Government & CPS are included in "other accounts" and not within the Guidelines Budget. This difference reflects the fact that the CCRSD is a separate governmental entity, and therefore direct comparisons are not advisable.*
2. *Due to a change in Department of Revenue requirements, effective July 1, 2019, the Town is required to have a Town Meeting appropriation for its "full" budget, which includes those amounts which are supported by transfers and credits from other funds.*

Over the three most recent fiscal years (FY 2018, FY 2019 and FY 2020), the average annual increase in the total operating budget has been 4.51%. During this period the most significant factors driving the budget increases has been salaries and increasing headcount. Other factors also driving increases include contributions for unfunded liabilities for OPEB ("Other Post-Employment Benefits", the town's share of retiree health insurance), and increases in debt expense driven primarily by construction of the new high school, though this debt service obligation has peaked, and overall excluded debt service for FY21 is projected to decrease slightly.

**Key Assumptions of FY 2021 Operating Budget Guideline**

- **Town Government:** The FY21 operating budget for the town, funded from the General Fund, is 2.84% higher than the FY20 budget. Increases include two (2) incremental FTE's- one Land Manager and one overnight dispatcher- increase in legal expenses and the promotion of four (4) firefighters. These increases are offset by retirements and the town's ability to hire new people at lower starting salaries.
- **Concord Public Schools (CPS) and Concord-Carlisle High School (CCRSD):** The FY21 budget request from CPS represents a higher percentage than last year's request (3.29% vs. 2.90%) despite a level service budget and cost savings from zero-based budgeting. Increased salaries due to reclassification of personnel, SPED costs and anticipated contractual obligations were partially offset by savings from early retirements and new hires coming in at lower salaries. Headcount and increases resulting from collective bargaining continue to be the prime drivers of increased spending. The FY21 CCRSD budget came in under the initial guideline percent due to a decrease in debt for the new high school, savings in out-of-district SPED placements and a continued reliance on E & D to fund operations. Continued shift in enrollment between Concord and Carlisle continues to increase Concord's portion of the CCRSD budget. This together with high teacher salaries nets to a 3.75% year-over-year increase in spending.

## Property Tax Impact

The impact of the FY 2021 Operating Budget Guideline on the Property Tax Levy is projected at a 4.05% increase, with an estimated 2.80% increase to Existing Taxpayers, and a 1.25% increase coming from New Growth. The components of the increase are as follows:

<b>FY2021 Final Property Tax Increase</b>				
	<b>Percent</b>	<b>Amount</b>	<b>Description</b>	
<b>Base</b>	2.92%	\$ 2,572,309	(FY21 Base - FY21 New Growth) - FY20 Base	
<b>Debt Exclusion</b>	-0.12%	\$ (104,443)	FY21 Debt Exclusion - FY20 Debt Exclusion	
	2.80%	\$ 2,467,866	Change in Tax Levy coming from Existing Taxpayer	
<b>New Growth</b>	1.25%	\$ 1,100,000	FY21 New Growth	
	4.05%	\$ 3,567,866	Change in Total Tax Levy	

The estimated tax bill impact will continue to evolve as more information is received about projected revenues and New Growth, and as the final FY2021 budgets are developed. The Finance Committee intends, over the next several months, to review all assumptions and recommendations driving the estimated impact of the tax levy on taxpayers for FY2021, the results of which will be included in the *Report of the Finance Committee* to be issued prior to the first session of the Annual Town Meeting on April 27, 2020.