

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

Date: February 25, 2021

To: Concord Select Board, Concord Public School Committee, Concord-Carlisle Regional School Committee

Cc: Mr. Stephen Crane, Town Manager, Ms. Kerry Lafleur, Concord Chief Financial Officer, Dr. Laurie Hunter, Superintendent of Schools, Mr. Jared Stanton, Director of Finance & Operations

From: Mary Hartman, Chair, Concord Finance Committee
Christine Reynolds, Vice-Chair, and Chair, Guidelines Subcommittee

Re: FY 2022 Final Budget Guideline

As required by Article 4 voted at the 1976 Town Meeting, the Finance Committee has approved a Budget Guideline for the fiscal year beginning July 1, 2021 (FY 22). The Guideline was adopted in consideration of the operating 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 Guideline, the Finance Committee 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. Avoiding Proposition 2 1/2 over-rides;
2. Maintaining adequate Free Cash;
3. Retaining the town's "AAA" bond rating;
4. Balancing desired services with affordable tax bills.

The Finance Committee Guideline directs \$ \$2,793,693 of incremental funds to the operating budgets, a 3.13% increase over FY 21 General Fund operating budget levels. To support this budget, the Finance Committee recommends the allocation of funds from available reserves as follows:

- \$1,000,000 from Free Cash, for Property Tax Relief; and
- \$88,150 from Emergency Services Stabilization Fund, for the School Resource Officer and 4 new fire fighters hired in FY20 to place Ambulance A-2 in operation 24/7. FY22 is the final year that there will be a draw on this fund to public safety support service levels.

The overall increase in the tax bill to existing taxpayers for FY 22 is projected to be 2.50%, exclusive of Exempt Debt, which is decreasing by \$172,491, or -0.18%. This guideline projects a tax levy totaling \$101,061,183, and an unused levy limit of \$4,492,781 (which is 4.55% 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.

Finance Committee considerations in setting the FY22 Guideline:

- Estimated 20% contraction in Local Receipts predicted for FY21 and FY22 versus FY20 levels, but revenue expected to improve in FY23;
- In addressing the temporary revenue gap, the Finance Committee supports limiting headcount growth, reducing discretionary spending, delaying capital projects and revisiting assumptions underlying long-term liabilities. These actions can avoid cutting services or relying solely on property taxes to “close the gap”;
- Town and School budget assumptions regarding Covid-19 related public health activities, spending and receipt of government aid;
- Local economic health indicators, including:
 - Unemployment of 6.1%;
 - FY21 Real estate valuations flat compared to FY20;
 - Estimated \$350k drop in tax revenue from new property growth in FY22;
 - Property tax collection rate (99% collected); and
 - State education support (up 1.60% from FY21);
- The Finance Committee’s 0.645% Sustainable Growth Rate for FY22 (down from 2.16% in FY21) reflecting very low levels of inflation;
- The Town’s reduced “Free Cash” balance, projected to be just above the policy floor of 5%, after allocating \$1 million to offset property taxes; and
- The \$1.7 million “Excess and Deficiency” balance at the Regional High School, and projected surpluses for FY21.

Based on information provided to date, the Finance Committee anticipates Town Government, Concord Public Schools (CPS), and Concord Carlisle Regional School District (CCRSD) will be able to prepare FY22 budgets that maintain core services and meet critical operating priorities within the recommended budget Guideline; however, at present, proposed budgets exceed the FY22 Guideline as follows:

Town	\$113,381
CPS	97,337
<u>CCRSD</u>	<u>16,747</u>
Total	\$227,465

The Finance Committee is hopeful that the Town and the Schools will be able to review their requests and make adjustments in order to recommend Operating Budgets within the Guideline.

The Finance Committee will continue to monitor the economic climate as well as the assumptions regarding “funds available” for the FY22 Operating Budgets. We will work collaboratively with the budget authorities to monitor these factors and provide additional responses or recommendations as budgets are finalized, leading up to Town Meeting in June 2022.