

Mission Statement:

The purpose of this funding is to provide for various miscellaneous benefit costs arising from the provisions of the Town's Personnel Bylaws, state statute, and collective bargaining agreements.

Budget Highlights:

- This budget represents no increase in the FY15 budget.
- As of June 30, 2013, the General Fund accrued liability for sick leave buyback payable at retirement was \$1,382,428 for 96 eligible active Town employees. 63% of this liability is on account of uniformed Police and Fire personnel.
- At FY13 year-end, \$90,000 of the current appropriation was encumbered and reserved toward meeting this long-term liability.
- The accumulated reserve balance at June 30, 2013 was \$266,771.

Expenditure Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|---------------------------|------------------|-------------------|-------------------|-------------------|
| General Fund | \$ 97,088 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| Other Funds | \$ - | \$ - | \$ - | \$ - |
| Total Expenditures | \$ 97,088 | \$ 100,000 | \$ 100,000 | \$ 100,000 |

Description:

The specific components of this budget are as follows:

Unused Sick Leave:

This benefit is received only upon retirement in accordance with collective bargaining agreements and the provisions of the Personnel Bylaw, section 11.3. Action at the 1992 Annual Town Meeting restricted this payment for non-union employees to those hired prior to July 1, 1992. The collective bargaining agreement with the Public Safety Dispatchers contains this identical provision. Agreements with Police and Fire Unions restrict eligibility to police officers hired prior to January 1, 2011 and to Firefighters hired prior to July 1, 2011. For eligible employees terminating by reason of retirement, the maximum payoff is 62 days of pay. In the Fire Union contract, the maximum payoff is established as 65 days.

While the annual expenditure for this benefit is erratic and unpredictable, the Town's financial statements measure the expected future liability and the budget provision seeks to allow for probable eligible retirements. Analyzing the overall liability with the age and length of service of eligible staff members indicates that this appropriation account should be maintained for the next five budget years at \$90,000.

Public Safety Medical Disability:

Chapter 41, section 100B of the Mass. General Laws, accepted by Article 10 of the 1976 Annual Town Meeting, permits the Town to indemnify police officers and firefighters who are retired on accidental disability for medical expenses incurred during their retirement. Such expenses must be "the natural and proximate result of the disability for which the police officer or firefighter was retired." Normally, these expenses are items not reimbursable by the Town's Health insurance plans or co-insurance payments.

There are presently 14 retirees eligible for this benefit. The statute does not require the Town to make payments in excess of funds appropriated for the purpose, but the Town's past practice suggests that it makes every practical effort to cover eligible expenses. At present, this account is projected to cover only minor expenses such as office visits and prescriptions not covered by the retiree's health insurance plan.

Employee Assistance Program:

The proposed budget funds an annual contract with Corporate EAP Resources, Inc. This agreement provides services such as orientation and training sessions, workshops to improve communication and team-building, personal development seminars, and one-on-one confidential counseling services.

UNCLASSIFIED: Town Employee Benefits

Item 33

| Expenditure Detail | | | | | |
|-------------------------------|-----------------------|-------------|---------------|--------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Unused Sick Leave | \$ - | \$ 90,000 | \$ 90,000 | \$ 90,000 | \$ 90,000 |
| Public Safety | 310 | 2,500 | 2,500 | 2,500 | 2,500 |
| Employee Assistance Program | 6,778 | 7,500 | 7,500 | 7,500 | 7,500 |
| To Sick Leave Buyback Reserve | 90,000 | - | - | - | - |
| Totals | \$ 97,088 | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |

| Funding Plan | | | | | |
|--------------|---------------|-------------|---------------|-------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 100,000 | 100.00% | \$ 100,000 | 100.00% | 0.00% |
| Totals | \$ 100,000 | 100.00% | \$ 100,000 | 100.00% | 0.00% |

| Sick Leave Buy-Back Liability at June 30 | | | | |
|--|--------------|--------------|--------------|--------------|
| | FY10 | FY11 | FY12 | FY13 |
| Police Union | \$ 362,214 | \$ 308,956 | \$ 293,204 | \$ 298,753 |
| Fire Union | 540,478 | 500,869 | 546,397 | 567,168 |
| All Other Town Gov't | 480,866 | 499,129 | 507,080 | 516,507 |
| Total Town Liability | \$ 1,383,558 | \$ 1,308,954 | \$ 1,346,681 | \$ 1,382,428 |
| CPS Employees | \$ 1,702,435 | \$ 1,721,757 | \$ 1,674,836 | \$ 1,796,597 |
| Total Liability | \$ 3,085,993 | \$ 3,030,711 | \$ 3,021,517 | \$ 3,179,025 |

| Police Union Buyback Contract | | |
|-------------------------------|-----|--------------|
| Service Date | % | Max. Payable |
| Prior to 1/1/92 | 50% | 62.0 Days |
| 1/1/92-12/31/96 | 40% | 49.6 Days |
| 1/1/97-12/31/01 | 30% | 37.2 Days |
| 1/1/02-12/31/10 | 20% | 31.0 Days |

| Fire Union Buyback Contract | | |
|-----------------------------|-----|--------------|
| Service Date | % | Max. Payable |
| Prior to 7/1/11 | 50% | 65.0 Days |

This account is responsible only for the "Town Liability" show in the table above. The Concord Public Schools (CPS) liability is payable from the annual CPS appropriation. The Total Liability is shown in the Town's Annual Financial Statements.

The payout from FY15 through FY19 from this account is expected to be approximately \$725,000. To cover this expected payout, the Town plans to allocate \$90,000 each year to the Sick Leave Buyback "Reserve", which is estimated to have an ending balance of \$281,771 on June 30, 2014, as shown below.

| Sick Leave Buyback Reserve | | | | |
|----------------------------|-------------------|-------------|--------------|----------------|
| | Beginning Balance | Uses | Added @ 6/30 | Ending Balance |
| FY11 | \$ 77,142 | \$ (50,358) | \$ 83,000 | \$ 109,783 |
| FY12 | \$ 109,783 | \$ (16,740) | \$ 90,000 | \$ 183,043 |
| FY13 | \$ 183,043 | \$ (6,272) | \$ 90,000 | \$ 266,771 |
| FY14 (est.) | \$ 266,711 | \$ (75,000) | \$ 90,000 | \$ 281,771 |

Mission Statement:

The purpose of this contingency account is to allow the Finance Committee to meet extraordinary or unforeseen expenditures that may arise during the year.

Budget Highlights:

- This budget represents no change from that of the FY14 budget.
- This account is less than 1% of Article 6, the accounts under the jurisdiction of the Town Manager.
- Six Reserve Fund requests were submitted to the Finance Committee during FY13, totaling \$86,253:
 - * Town-wide Building Maintenance (Town House Brownstone) (\$47,203)
 - * Veteran's Benefits (\$10,000)
 - * Animal Control (\$2,700)
 - * 141 Keyes Rd. Bldg. (\$20,000)
 - * Veteran's Benefits (\$1,800)
 - * Street Lighting (\$4,550)

Expenditure Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|--------------------------|-------------|-------------|---------------|---------------|
| Appropriation | \$ 225,000 | \$ 225,000 | \$ 225,000 | \$ 225,000 |
| Transfer to Other Accts. | \$ (60,250) | \$ (86,253) | N/A | N/A |
| Return to Revenue | \$ 164,750 | \$ 138,747 | N/A | N/A |

Description:

The Reserve Fund is an appropriated contingency account that is allocated during the year by vote of the Finance Committee pursuant to petition of the Town Manager on behalf of departments. In accordance with the provisions of Massachusetts General Laws Chapter 40, section 6, it is intended to meet "extraordinary or unforeseen expenditures."

While the Reserve Fund may be allocated for any Town purpose, the original Reserve Fund budget of each year has not been used for Education operating budgets (except through supplemental appropriations specifically earmarked by Town Meeting vote). This is because the Concord Public School Committee has the legal authority to transfer appropriations within the overall amount appropriated to it by Town Meeting. The Town Manager has no similar authority to make transfers among the 41 separate appropriation accounts that constitute the Town Budget Article to be voted by the 2014 Annual Town Meeting (Article 6).

Requests from town departments are first reviewed by the Finance Director and approved by the Town Manager before being submitted to the Finance Committee for its consideration. During FY13, the Finance Committee approved the following reserve fund transfers:

FY13 Reserve Fund Transfers

| Account | Amount | Explanation |
|--------------------------------|-----------|--|
| Town-wide Building Maintenance | \$ 47,203 | To secure the brownstone order for the Town House exterior restoration project. |
| 141 Keyes Road | \$ 20,000 | Emergency Services to abate animal damage in the attic. |
| Animal Control | \$ 27,000 | To expand existing contracted services pursuant to new State law. |
| Street Lighting | \$ 4,550 | To cover rate increase on street light electrical power consumption. |
| Veteran's Benefits | \$ 11,800 | To cover cost of mandated benefit payments for additional beneficiaries determined to be eligible. |

UNCLASSIFIED: Reserve Fund

Item 34

| Expenditure Detail | | | | | |
|--|-----------------------|-------------|---------------|--------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Original Appropriation | \$ 225,000 | \$ 225,000 | \$ 225,000 | \$ 225,000 | \$ 225,000 |
| Total Transferred | (60,250) | (86,253) | N/A | N/A | N/A |
| Balance Unexpended (Return to Revenue) | 164,750 | 138,747 | N/A | N/A | N/A |

| Funding Plan | | | | | |
|---------------------|-------------------|-------------|-------------------|-------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 225,000 | 100.00% | \$ 225,000 | 100.00% | 0.00% |
| Totals | <u>\$ 225,000</u> | 100.00% | <u>\$ 225,000</u> | 100.00% | 0.00% |

Mission Statement:

The purpose of this funding is to allow the Town to pay for salary adjustments occurring in each of the Town's 32 separate appropriation accounts and sub-accounts that include salary funds.

Budget Highlights:

•Proposed funding is intended to provide scale adjustment, step, merit, and collective bargaining costs as well as reclassification and market adjustments pursuant to the plan.

Expenditure Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|-------------------------------|----------------|----------------|------------------|------------------|
| Appropriation | \$ 470,000 | \$ 460,000 | \$ 480,574 | \$ 555,434 |
| Less Transfers & Encumbrances | \$ (412,217) | \$ (456,358) | N/A | N/A |
| Balance Unexpended | \$ 57,783 | \$ 3,642 | N/A | N/A |

Description:

Funding for salary adjustments is appropriated to a single reserve account and then, pursuant to the authorization of Town Meeting, is transferred (after the July 1 start of the fiscal year) to the various operating accounts based upon actual requirements. In accordance with the Town Meeting vote, the Town Manager reports all transfers to both the Board of Selectmen and the Finance Committee. This procedure avoids the need to estimate salary adjustment amounts in each of the 32 separate accounts and sub-accounts that include salary funds.

The FY15 recommendation is projected to be sufficient for approximately a 4.0% overall pay adjustment for non-union staff and for the funding of existing collective bargaining agreements with uniformed police and fire and with public safety dispatchers. In accordance with Section 10.2 of the Personnel Bylaw, the Town Manager and Personnel Board will jointly establish the FY15 step increase and merit pay plan prior to July 1, 2014.

The FY13 compensation plan allowed for an average 4.0% pay adjustment, with 1.5% for market adjustments and 2.5% for step and merit adjustments. For FY14, effective July 1, 2013, the Town Manager, with Personnel Board approval, proposes a 1.5% market adjustment to pay scales and an average 2.5% allowance for step and merit adjustments.

Only longevity increments scheduled for existing staff are included in the proposed departmental budgets. All other salary changes for FY15 are proposed for funding from this account.

The budget proposed for FY15 included approximately \$55,000 that would be normally be shown in the Library budget (Account #25), but a collective bargaining agreement setting salary levels for July 1, 2012 has not yet been concluded.

| Expenditure Detail | | | | | |
|---|-----------------------|-------------|---------------|--------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Original Appropriation | \$ 470,000 | \$ 460,000 | \$ 480,574 | \$ 555,434 | \$ 555,434 |
| Less: | | | | | |
| Total Transfers | (372,217) | (371,858) | (402,826) | N/A | N/A |
| Encumbered | (40,000) | (84,500) | - | N/A | N/A |
| Balance Unexpended (Return to Revenue) | \$ 57,783 | \$ 3,642 | 77,748 | N/A | N/A |

| Funding Plan | | | | | |
|---------------------|---------------|-------------|---------------|-------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 480,574 | 100.00% | \$ 555,434 | 100.00% | 15.58% |
| Totals | \$ 480,574 | 100.00% | \$ 555,434 | 100.00% | 15.58% |

Mission Statement:

This account exists to acquire land for Town use.

Budget Highlights:

- General Fund support of \$15,000 is proposed in FY15.
- The balance of the fund is available for costs related to appraisals, surveys, and deposits in connection with land acquisition.
- This fund can accept gifts from private sources.

Appropriation Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|--------------|----------------|----------------|------------------|------------------|
| General Fund | \$ - | \$ 10,000 | \$ 10,000 | \$ 15,000 |

Description:

The Land Fund was established by Town Meeting vote on April 7, 1986 (Article 12). The Bylaw states that the Fund receives:

1. Appropriations voted at any Annual or Special Town Meeting;
2. Interest income on any available cash balance in the fund;
3. Gifts from private sources.

This budget account shows the appropriations voted by the Town, supported either by the property tax levy or by transfer from the available fund balance. An appropriation of \$15,000 is proposed for FY15. The balance of the fund as of June 30, 2013 was \$1,764.

UNCLASSIFIED: Land Fund

Item 36

| Expenditure Detail | | | | | |
|---------------------------|-----------------------|-------------|---------------|--------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Purchased Services | | \$ 10,000 | \$ 10,000 | \$ 15,000 | \$ 15,000 |
| Other Charges & Expenses | | \$ - | \$ - | \$ - | \$ - |
| Total Expenditure | \$ - | \$ 10,000 | \$ 10,000 | \$ 15,000 | \$ 15,000 |

| Funding Plan | | | | | |
|---------------------|------------------|-------------|------------------|-------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 10,000 | N/A | \$ 15,000 | N/A | N/A |
| Totals | <u>\$ 10,000</u> | N/A | <u>\$ 15,000</u> | N/A | N/A |

| Land Fund History | | | | | | | | |
|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------|---------------|
| | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 Budget | FY15 Proposed | |
| <u>Fund Source</u> | | | | | | | | |
| Beginning Balance | \$ 16,170 | \$ 24,010 | \$ 36,057 | \$ 13,573 | \$ 15,071 | \$ 1,764 | \$ | 20 |
| Return to Fund | 12,700 | - | - | 1,453 | - | - | - | - |
| Sale of Land | - | - | - | - | - | - | - | - |
| Tax Levy | - | 15,000 | - | - | 10,000 | 10,000 | 15,000 | 15,000 |
| Gifts | - | - | - | - | - | - | - | - |
| Interest Earned | 340 | 197 | 125 | 45 | 17 | 20 | 30 | 30 |
| Total Available | <u>\$ 29,210</u> | <u>\$ 39,207</u> | <u>\$ 36,182</u> | <u>\$ 15,071</u> | <u>\$ 25,088</u> | <u>\$ 11,784</u> | <u>\$</u> | <u>15,050</u> |
| <u>Fund Uses</u> | | | | | | | | |
| Debt Service | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Land Purchase | - | - | - | - | - | - | - | - |
| Options | - | - | - | - | - | - | - | - |
| Appraisal, Legal, Surveying, etc. | 5,200 | 3,150 | 22,609 | - | 23,324 | 11,764 | - | - |
| Total Used | <u>\$ 5,200</u> | <u>\$ 3,150</u> | <u>\$ 22,609</u> | <u>\$ -</u> | <u>\$ 23,324</u> | <u>\$ 11,764</u> | <u>\$</u> | <u>-</u> |
| Ending Balance | <u>\$ 24,010</u> | <u>\$ 36,057</u> | <u>\$ 13,573</u> | <u>\$ 15,071</u> | <u>\$ 1,764</u> | <u>\$ 20</u> | <u>\$</u> | <u>-</u> |

Mission Statement:

The purpose of this funding is to provide for the cost of employee group insurance programs. The Town participates in a Joint Purchasing Group with 16 area towns and school districts. The Group Plan is self-funded and rates are set to cover expected claims, reinsurance cost for large claims, and administrative costs negotiated with Tufts, Harvard Pilgrim, and Fallon Health Plans.

Budget Highlights:

- This budget covers the employer share of group insurance costs for all town and Concord Public School (CPS) employees.
- The General Fund share of this account is level-funded for FY15.
- About 70% of active Town and CPS employees select Town health insurance coverage.
- Pursuant to a July 2011 state law, a revised health plan design was implemented on June 1, 2012. A 3 year Mitigation Plan was agreed upon to set up an fund a Health Reimbursement Account to offset a portion of higher out-of-pocket costs incurred by plan participants.

Expenditure Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|-------------------------------|--------------------|--------------------|---------------------|---------------------|
| General Fund | \$4,282,735 | \$4,650,000 | \$ 4,650,000 | \$ 4,650,000 |
| Transfer to Insurance Reserve | \$ 17,265 | \$ - | \$ - | \$ - |
| Other Funds | \$ 480,563 | \$ 461,145 | \$ 483,000 | \$ 468,000 |
| Total Expenditures | \$4,780,563 | \$5,111,145 | \$ 5,133,000 | \$ 5,118,000 |

Description:

This budget provides for the Town's share of the cost of employee group insurance programs. It covers both Town government **and** Concord Public School employees. The Town offers health, dental and basic life insurance programs on a contributory basis. State law requires that the Town's contribution rate can be **no less than 50%**. This is the rate the Town contributes for retirees, but the contribution rate for active employees is slightly higher depending on the plan option. Overall, the Town contributes approximately 55% of the cost for active employees. The Town also provides supplemental life insurance and a disability income protection plan on a group basis but, in accordance with state law, no Town contribution is paid for these programs.

New Health Plan Design effective June 1, 2012

Legislation passed by the state legislature and signed by the Governor on July 12, 2011, Chapter 69 of the Acts of 2011, accompanied by detailed procedural regulations (801 CMR 52.00) provided a new process enabling changes in the design of municipal employee group health insurance plans outside of collective bargaining requirements. Local government was given the authority to design health plans with provisions for deductibles and co-pays of a dollar value no greater than those in the Tufts Navigator Plan offered through the state's Group Insurance Commission (GIC). Local governments were also given an expedited path to join the state GIC if local analysis of that option was the choice of local authorities and met certain savings thresholds. The state law further required that a Mitigation Plan valued at least at 25% of the first-year projected savings must be funded by the employer as a condition of implementation.

The Town and Schools (CPS and CCRSD) successfully worked with our joint Town of Concord and Concord-Carlisle Regional School District Insurance Advisory Committee and through voluntary collective bargaining with the eleven town and school collective bargaining units. Pursuant to the objectives of the new state law, a new set of group health insurance plans was implemented on June 1, 2012 along with a 3-year Mitigation Plan to address the impacts of higher out-of-pocket expenses that will be incurred by subscribers. As part of the agreement, the Town Manager indicated its intention to maintain the Group Insurance appropriation account at \$4,650,000 and to direct any unexpended appropriation to the OPEB Trust Fund.

JOINT (TOWN-CPS): Group Insurance

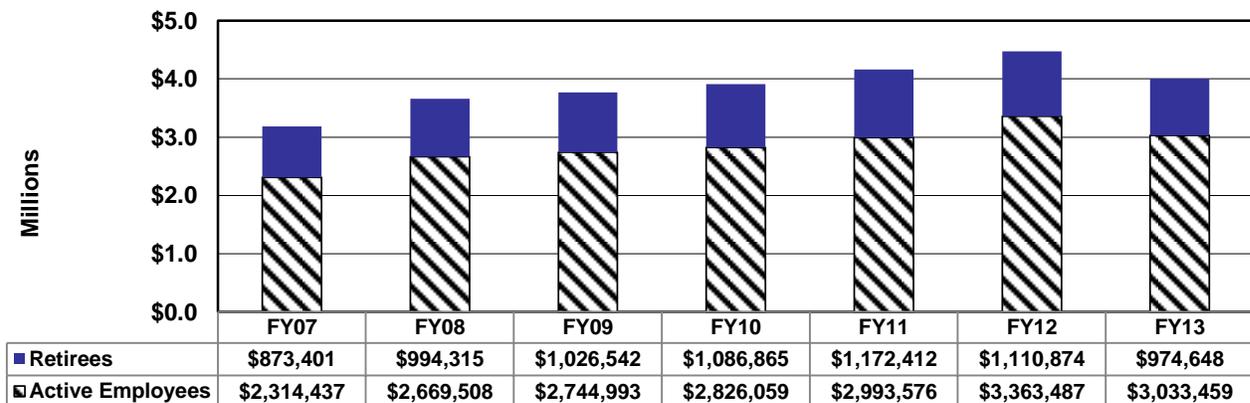
Item 37A

| Expenditure Detail | | | | | |
|---|-----------------------|---------------------|---------------------|---------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Health Insurance - Active | \$ 3,363,487 | \$ 3,033,459 | \$ 3,100,000 | \$ 2,900,000 | \$ 2,900,000 |
| Health Insurance - Retired | 1,110,874 | 974,648 | 1,200,000 | 1,037,000 | 1,037,000 |
| Health Insurance - Ret. (MGL 32, 9A1/2) | - | 735 | 24,000 | 10,000 | 10,000 |
| Life Insurance | 15,547 | 15,553 | 18,000 | 18,000 | 18,000 |
| Dental Insurance | 244,265 | 249,340 | 260,000 | 260,000 | 260,000 |
| Other Prof. Services | 2,574 | 23,774 | 25,000 | 25,000 | 25,000 |
| Medicare Part B Penalty Reimbursement | 19,706 | 17,844 | 25,000 | 18,000 | 18,000 |
| Health Plan Mitigation Fund | 6,845 | 129,947 | 81,000 | 40,000 | 40,000 |
| Transfer to Insurance Reserve Fund | 17,265 | 15,845 | - | - | - |
| Transfer to OPEB Trust Fund | 350,000 | 650,000 | 400,000 | 800,000 | 800,000 |
| Total Expenditure | \$ 5,130,563 | \$ 5,111,145 | \$ 5,133,000 | \$ 5,108,000 | \$ 5,108,000 |

Note: OPEB information is presented in Item 37B on pages III-161 to 162

| Funding Plan | | | | | |
|----------------------------|---------------------|----------------|---------------------|----------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 4,650,000 | 90.59% | \$ 4,650,000 | 91.03% | 0.00% |
| Light Fund | 227,918 | 4.44% | 240,000 | 4.70% | 5.30% |
| Water Fund | 76,582 | 1.49% | 75,000 | 1.47% | -2.07% |
| Sewer Fund | 19,145 | 0.37% | 16,000 | 0.31% | -16.43% |
| Recreation Fund | 73,298 | 1.43% | 57,000 | 1.12% | -22.24% |
| Swim & Fitness Center Fund | 72,597 | 1.41% | 64,000 | 1.25% | -11.84% |
| Retirement | 13,460 | 0.26% | 6,000 | 0.12% | -55.42% |
| Totals | \$ 5,133,000 | 100.00% | \$ 5,108,000 | 100.00% | -0.49% |

Health Insurance Expense, Employer Share



Mission Statement:

The purpose of this funding is to provide resources to cover the Net OPEB Obligation (NOO) associated with Other Post-Employment Benefits (OPEB). The NOO is the Annual Required Contribution (ARC) after subtracting current contributions and factoring in several adjustments.

Budget Highlights:

- This budget represents a \$250,000 increase in General Fund allocation over the amount planned in the FY14 budget.
- Although \$900,000 has been proposed to partially fund the General Fund's portion of the Annual Net OPEB Obligation (NOO). The total FY15 General Fund NOO is projected at \$2.1 million.
- The Enterprises (Light Plant, Water & Sewer Divisions, and Beede Center) will continue to fully fund their portion of the NOO.

Funding Summary

| Transferred to OPEB Trust | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|---------------------------------|-------------------|--------------------|-------------------|-------------------|
| General Fund Appropriation | \$ 150,000 | \$ 400,000 | \$ 650,000 | \$ 900,000 |
| Transfer from Insurance Reserve | \$ 350,000 | \$ 650,000 | \$ - | \$ - |
| Enterprise Funds | \$ 287,932 | \$ 71,200 | \$ 68,237 | \$ 65,000 |
| Total Funding | \$ 787,932 | \$1,121,200 | \$ 718,237 | \$ 965,000 |

Description:

During the last decade, health care costs have risen at a much greater pace than inflation. As a result, the amount of the Town's liability for its retirees' health insurance benefits has correspondingly increased. Prior to FY10, the Town budgeted funds to pay only for the annual benefits for current retirees, spouses, and survivors. However, these "pay-as-you-go" contributions did not take into account the accrued liability associated with future health care benefits for active employees or the funded past liability for current retirees, spouses, and survivors.

Since this liability is a nationwide issue, the Governmental Accounting Standards Board (GASB) issued Statement No.45, in June 2004, to provide accounting guidance and financial statement standards. The actuarial costs of health care benefits received or to be received by the Town's active employees and the Town's retirees, spouses, and survivors.

To comply with GASB 45, the Town conducted an initial Actuarial Study based on data as of January 1, 2009 and updated the study as of 1/1/12. The Actuarial Accrued Liability (AAL) as of the most recent date was approximately \$30 million.

The Annual Required Contribution (ARC) is the yearly amount that the Town would need to set aside to cover Actuarial Accrued Liability. In further refining the ARC, the Annual Net OPEB Obligation (NOO) is then calculated by factoring several adjustments and subtracting the "pay-as-you-go" amount already contributed by the Town for the health care benefits for current retirees, spouse, and survivors.

The charts on the opposite page show the Annual Net OPEB Obligation, Annual Funding Plan, and the Cumulative Unfunded Liability. For FY15, the Annual NOO is projected to be \$2,217,373, which is comprised of the liability associated with the various funds. As presented in the Annual Funding Plan for FY15, the General Fund budget proposes an appropriation of \$900,000 to partially cover its obligation and the Enterprise Funds plan to fully pay for their obligations totaling \$71,000. In addition, it is presently anticipated that \$800,000 will be available from Account 37A to provide supplemental funding to the OPEB Trust Fund in FY15.

JOINT (TOWN-CPS): Other Post Employment Benefits

Item 37B

The table below shows the change in Annual Net OPEB Obligation (NOO) . This liability equals the adjusted Annual Required Contribution (ARC) after subtracting “pay-as-you-go” contributions that covers the existing health care benefits for current retirees. The total Annual NOO is projected to be \$2.2 million in FY15.

| Annual Net OPEB Obligation (Liability net of "pay as you go" Contributions) | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY11 Actual | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
| General Fund | \$ 2,253,224 | \$ 1,858,674 | \$ 2,015,101 | \$ 2,069,313 | \$ 2,146,373 |
| Light Fund | 138,424 | 32,085 | 14,321 | 10,478 | 11,000 |
| Water Fund | 68,097 | 21,997 | 18,175 | 16,402 | 17,000 |
| Sewer Fund | 17,025 | 5,500 | 4,544 | 4,849 | 5,000 |
| Swim & Fitness Center Fund | 39,646 | 33,163 | 34,160 | 36,508 | 38,000 |
| Totals | <u>\$ 2,516,416</u> | <u>\$ 1,951,419</u> | <u>\$ 2,086,301</u> | <u>\$ 2,137,550</u> | <u>\$ 2,217,373</u> |

The Town has begun to set funds aside to cover the OPEB liability. Charges to the Enterprise funds have covered their full NOO.

| Payments To OPEB Annual Funding Plan | | | | | |
|---|---------------------|-------------------|-------------------|---------------------|---------------------|
| | FY11 Actual | FY12 Actual | FY13 Actual | FY14 Projected | FY15 Projected |
| General Fund | \$ - | \$ 150,000 | \$ 400,000 | \$ 650,000 | \$ 900,000 |
| Trans. from Gr. Ins. Acct 37A | \$ 400,000 | \$ 350,000 | \$ 400,000 | \$ 650,000 | \$ 800,000 |
| Trans. from Ins. Reserve Fund | 700,000 | - | - | - | - |
| Light Fund | 138,424 | 151,436 | 14,321 | 10,478 | 11,000 |
| Water Fund | 68,097 | 74,498 | 18,175 | 16,402 | 17,000 |
| Sewer Fund | 17,025 | 18,625 | 4,544 | 4,849 | 5,000 |
| Swim & Fitness Center Fund | 39,646 | 43,373 | 34,160 | 36,508 | 38,000 |
| Totals | <u>\$ 1,363,192</u> | <u>\$ 787,932</u> | <u>\$ 871,200</u> | <u>\$ 1,368,237</u> | <u>\$ 1,771,000</u> |

The cumulative OPEB Obligation is shown below. The total amount equals the previous year’s Unfunded OPEB Obligation plus the current year NOO minus the current year funding amount.

| Cumulative Unfunded OPEB Obligation at June 30 | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY11 Actual | FY12 Actual | FY13 Actual | FY14 Projected | FY15 Projected |
| General Fund | \$ 5,287,579 | \$ 6,646,238 | \$ 7,861,354 | \$ 8,630,667 | \$ 9,077,130 |
| Light Fund | - | (119,351) | (119,351) | (119,351) | (119,351) |
| Water Fund | - | (52,501) | (52,501) | (52,501) | (52,501) |
| Sewer Fund | - | (13,125) | (13,125) | (13,125) | (13,125) |
| Swim & Fitness Center Fund | - | (10,210) | (10,210) | (10,210) | (10,210) |
| Totals | <u>\$ 5,287,579</u> | <u>\$ 6,451,051</u> | <u>\$ 7,666,167</u> | <u>\$ 8,435,480</u> | <u>\$ 8,881,943</u> |

Mission Statement:

This account funds property insurance coverage for all Town-owned property, liability coverage for Town officials, and special risk coverage for police and fire personnel. The objective is to provide affordable and comprehensive management of the Town's risks.

Budget Highlights:

- The General Fund share of this budget is increased 12.5% from that of FY14, anticipating premium and coverage level increases.
- Various MIIA discounts (of about 10%) have been received in recent years, but their continuation lacks predictability and, therefore, are not assumed in this proposed budget.
- Premium budget of \$405,000 is projected to be apportioned as follows:

| Expenditure Summary | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
| General Fund | \$ 132,439 | \$ 150,354 | \$ 200,000 | \$ 225,000 |
| Transfer to Insurance Reserve | \$ 42,561 | \$ 24,646 | \$ - | \$ - |
| Other Funds | \$ 152,726 | \$ 174,169 | \$ 185,000 | \$ 190,000 |
| Total Expenditures | \$ 327,726 | \$ 349,169 | \$ 385,000 | \$ 415,000 |

| | \$ in thousands | % of total |
|----------------------|--------------------|---------------|
| Town Appropriation | \$215 | 53.1% |
| Public Schools (K-8) | 60 | 14.8% |
| CCRS | 25 | 6.2% |
| Light Fund | 53 | 13.1% |
| Water Fund | 31 | 7.7% |
| Sewer Fund | 11 | 2.7% |
| Swim & Fitness Ctr. | 8 | 2.0% |
| All Other | 2 | 0.5% |
| Total | \$405 | 100.0% |

Description:

This account funds property insurance coverage for all Town-owned buildings and contents, vehicles, boilers and machinery; liability coverage for Town officials; and special risk coverage for police and fire personnel. Insurance policies cover the Concord Public Schools, the Concord-Carlisle Regional High School, 51 Walden Street (Friends of the Performing Arts in Concord - "FOPAC"), the Emerson Building ("Emerson Umbrella"), and all properties of Town departments including assets of the Town enterprises (Light, Water, Sewer, Beede Pool).

The Town purchases blanket insurance coverage for all municipal and school buildings (with a current direct damage blanket limit of \$220 million) and approximately 260 vehicles of all kinds, from police cars to school buses to backhoes, against damage or loss. Coverage includes any construction projects that are undertaken during the year. Excess umbrella liability coverage of \$5 million is also purchased.

The Town is advised by an insurance consulting firm on an as-needed basis in order to guarantee the Town meets all insurance requirements and is able to respond to fluctuating market changes. The insurance program is managed by the Deputy Town Manager.

Property and Liability insurance is currently purchased through the Massachusetts Interlocal Insurance Association (MIIA). The total annual premium budget for the current year is \$375,000, with an expected actual cost of \$332,000. The budget estimate for FY15 (the rate adjustment in July, 2014) anticipates an increase of about 5% to cover higher insured values, a drop in available "reward credits", and an allowance for about a 10% increase for price and coverage adjustments.

JOINT (TOWN-CPS): Property and Liability Insurance

Item 37C

| Expenditure Detail | | | | | |
|----------------------------|-----------------------|-------------------|-------------------|--------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Insurance Premiums | \$ 280,115 | \$ 324,183 | \$ 375,000 | \$ 405,000 | \$ 405,000 |
| Damages to Pers. & Prop. | 5,000 | 340 | 5,000 | 5,000 | 5,000 |
| Insurance Advisor | 50 | - | 5,000 | 5,000 | 5,000 |
| Transfer to Ins. Res. Fund | 42,561 | 24,646 | - | - | - |
| Total Expenditure | \$ 327,726 | \$ 349,169 | \$ 385,000 | \$ 415,000 | \$ 415,000 |

| Insurance Premium Detail | | | | | |
|--|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Gross Budget | General Fund Only |
| Automobile | \$ 58,439 | \$ 64,440 | \$ 75,000 | \$ 80,000 | \$ 45,000 |
| General Liability, Umbrella, Pub. Officer, School Board | 91,439 | 103,283 | 118,000 | 128,000 | 60,000 |
| Property Insurance | 91,213 | 102,578 | 120,000 | 130,000 | 43,000 |
| Police and Fire Medical | 37,211 | 52,069 | 60,000 | 65,000 | 65,000 |
| All Other | 1,813 | 1,813 | 2,000 | 2,000 | 2,000 |
| Total Expenditure | \$ 280,115 | \$ 324,183 | \$ 375,000 | \$ 405,000 | \$ 215,000 |

| Funding Plan | | | | | |
|---------------------|-------------------|----------------|-------------------|----------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 200,000 | 51.95% | \$ 225,000 | 54.22% | 12.50% |
| Other Sources: | | | | | |
| CMLP | 50,000 | 12.99% | 53,000 | 12.77% | 6.00% |
| Water | 31,000 | 8.05% | 31,000 | 7.47% | 0.00% |
| Sewer | 9,000 | 2.34% | 11,000 | 2.65% | 22.22% |
| Swim and Fitness | 8,000 | 2.08% | 8,000 | 1.93% | 0.00% |
| CPS | 60,000 | 15.58% | 60,000 | 14.46% | 0.00% |
| CCRSD | 25,000 | 6.49% | 25,000 | 6.02% | 0.00% |
| Other | 2,000 | 0.52% | 2,000 | 0.48% | 0.00% |
| Totals | \$ 385,000 | 100.00% | \$ 415,000 | 100.00% | 7.79% |

JOINT (TOWN-CPS): Unemployment & Workers' Compensation Item 38

Mission Statement:

This account covers the cost of personnel claims for both Town and School (K-8) unemployment and workers' compensation insurance. Charges attributable to Enterprise departments are directly charged and do not appear here as allocable expenses.

Budget Highlights:

Unemployment Compensation

•The present maximum benefit is \$679 per week. Claimant is eligible for 30x the weekly benefit or 36% of base period wages (12 months prior to claim date). In recent years, there have also been period of "Extended Benefits" (13 weeks under state law) and additional benefits to 99 weeks partially supported by federal funds.

Workers Compensation

•"Administrative services" is for a claims administration service contract.

Expenditure Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund | \$ 147,945 | \$ 147,626 | \$ 200,000 | \$ 200,000 |
| Other Funds | \$ - | \$ - | \$ - | |
| Total Expenditures | \$ 147,945 | \$ 147,626 | \$ 200,000 | \$ 200,000 |

Description:

Unemployment Compensation

This account covers the cost of claims for both Town and School (K-8) personnel involving layoff from service, layoff from subsequent employment, resignation due to a spouse's relocation, and under-employment. Employers pay a varying percent of covered payroll to the Commonwealth's Division of Unemployment Assistance. Public employers are also given the choice of paying this payroll tax or choosing the "reimbursement method." Concord has chosen this alternative method, which means that it pays for actual claims incurred. Claims costs estimated for FY15 in relation to total projected payroll of about \$51 million is less than ¼ of 1%.

The budget recommendation allows for a continuation of the level of claims experienced in recent years. While we are not foreseeing any circumstance requiring extensive staff reductions, claims can arise from a variety of situations. The most common situations are termination for performance reasons and layoff from a subsequent employer.

Workers' Compensation

This account covers medical expenses for Town and School employees injured on the job. Salary continuation costs are charged to each department's budget. Our cost experience over the years has been highly favorable. The School Department (for CPS employee coverage only, not CCRSD) and the Town administration have jointly retained consulting services, claims administration services, and stop-loss reinsurance coverage.

"Stop-Loss" coverage with an insured ceiling of \$2 million per year, a specific retention level of \$500,000 per accident and an aggregate retained loss of \$748,658 per year has been acquired for the current year (July 1, 2013 to June 30, 2014) at a premium of \$42,075 of which the General Fund's share was \$33,046.

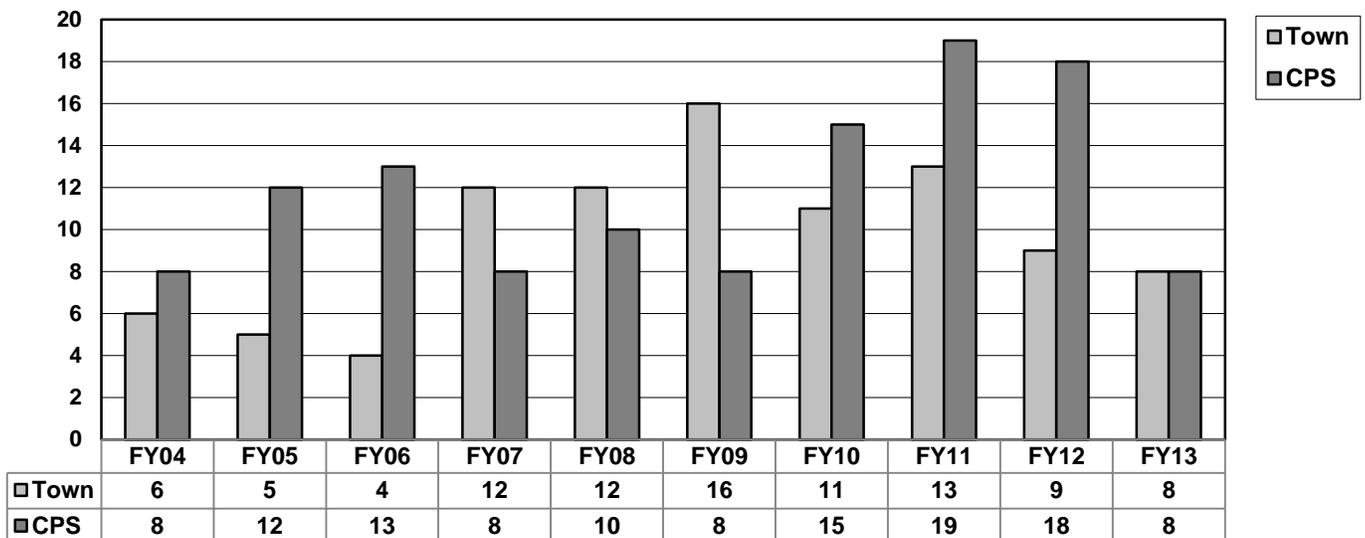
JOINT (TOWN-CPS): Unemployment & Workers' Compensation Item 38

| Expenditure Detail | | | | | |
|-----------------------|-----------------------|-------------|---------------|--------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Unemployment Comp. | \$ 87,616 | \$ 47,626 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| <u>Workers Comp.</u> | | | | | |
| Admin. Services | \$ 12,436 | \$ 10,159 | \$ 15,000 | \$ 15,000 | \$ 15,000 |
| Reinsurance/Stop-loss | 28,906 | 30,276 | 35,000 | 35,000 | 35,000 |
| Medical Expenses | 18,987 | \$ 59,565 | 50,000 | 50,000 | 50,000 |
| Settlements | - | - | - | - | - |
| Total Expenditure | \$ 147,945 | \$ 147,626 | \$ 200,000 | \$ 200,000 | \$ 200,000 |

| Funding Plan | | | | | |
|--------------|---------------|-------------|---------------|-------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 200,000 | 100.00% | \$ 200,000 | 100.00% | 0.00% |
| Totals | \$ 200,000 | 100.00% | \$ 200,000 | 100.00% | 0.00% |

Unemployment Compensation History

Number of Recipients



Mission Statement:

The purpose of this funding is to provide for the cost of the Town's required annual payment to the Concord Contributory Retirement System, determined pursuant to a funding schedule based upon a biennial actuarial valuation. The Concord Retirement System is one of 106 Boards functioning as part of a statewide defined benefit pension system operated for all eligible employees of Massachusetts state and local government, in lieu of the federal Social Security system.

Budget Highlights:

- At the most recent biennial actuarial valuation date of January 1, 2012, the Revised Funding Schedule projects full funding status as of FY30.
 - Investment performance for the two-year period to January 1, 2014 is estimated at almost 30%, well ahead of the compound 15.5% that meets the assumed 7.5% annual rate of return.
 - Market losses of CY08 were fully realized with the January 1, 2012 valuation, resulting in a sharp increase to the Unfunded Liability and an extension of the funding schedule to 2030.
- The expected required General Fund appropriation is projected at a 3% annual increase.

Expenditure Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|---------------------------|--------------------|--------------------|---------------------|---------------------|
| General Fund | \$2,855,976 | \$2,912,312 | \$ 3,035,000 | \$ 3,125,000 |
| Other Funds | \$ 408,969 | \$ 418,375 | \$ 524,304 | \$ 538,669 |
| Total Expenditures | \$3,264,945 | \$3,330,687 | \$ 3,559,304 | \$ 3,663,669 |

Description:

The Concord Retirement Board administers a defined benefit contributory retirement plan established under Massachusetts General Laws, Chapter 32, that is partially funded by employee contributions and is supervised by the Public Employee Retirement Administration Commission (PERAC), Commonwealth of Massachusetts.

Employer groups covered by the System include the Town of Concord (including the Concord Public School Department, CPS), the Concord-Carlisle Regional School District (CCRSD) and the Concord Housing Authority (CHA).

The Retirement System covers substantially all municipal employees working at least 25 hours per week, except for teaching personnel (who are members of the State Teachers Retirement System, a single statewide system for which the employer cost is covered by the state budget).

Employees contribute varying rates dependent on the date of membership in the system. New members since July 1, 1996 contribute 9% of regular compensation. Overtime and other forms of "bonus" pay are excluded both for employee contribution purposes and from the calculation of retirement benefits. *State legislation enacted in the 2011 session (Chapter 176) makes substantial changes affecting new hires on and after April 2, 2012, but the impact of these changes on pension liabilities will be gradual and in the near term not significant.

Results of Biennial Actuarial Valuation

| | At 1/1/08 | At 1/1/10 | At 1/1/12 | Δ% (2010 to 2012) |
|--------------------------|--------------|---------------|---------------|-------------------|
| Obligations (AAL) | \$94,681,278 | \$106,054,069 | \$123,797,875 | 16.7% |
| Assets (AVA) | \$90,963,278 | \$90,444,816 | \$94,996,144 | 5.0% |
| Unfunded AAL | \$3,718,000 | \$15,609,253 | \$28,801,731 | 84.5% |
| Funded Ratio | 96.1% | 85.3% | 76.7% | N/A |
| Earning Rate Assumed | 7.75% | 7.75% | 7.50% | N/A |
| Amortization Increase* | 0% | 0% | 2% | N/A |
| Funding Year Projected** | 2011 | 2021 | 2030 | N/A |
| Asset Market Value | \$93,293,170 | \$82,222,560 | \$94,704,818 | 15.2% |

AAL = Actual Accrued Liability; AVA = Actual Value of Assets

* Max permitted = 4%; ** Max permitted = 2040; Governing Statute: 5.22F of M.G.L Ch. 32.

JOINT (TOWN-CPS): Retirement

Item 39

| Expenditure Detail | | | | | |
|------------------------------|-----------------------|--------------|---------------|--------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Contributory Retirement | \$ 2,855,976 | \$ 2,912,312 | \$ 3,384,709 | \$ 3,467,672 | \$ 3,467,672 |
| Transfer to Pension Reserve. | 408,969 | 418,375 | 174,595 | 195,997 | 195,997 |
| Total Expenditure | \$ 3,264,945 | \$ 3,330,687 | \$ 3,559,304 | \$ 3,663,669 | \$ 3,663,669 |

| Funding Plan (FY14 based on January 1, 2012 Actuarial Valuation) | | | | | |
|--|---------------|-------------|---------------|-------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 3,035,000 | 85.27% | \$ 3,125,000 | 85.30% | 2.97% |
| Light Fund | 392,747 | 11.03% | 403,508 | 11.01% | 2.74% |
| Water Fund | 62,590 | 1.76% | 64,305 | 1.76% | 2.74% |
| Sewer Fund | 12,490 | 0.35% | 12,832 | 0.35% | 2.74% |
| Swim and Fitness Fund | 56,477 | 1.59% | 58,024 | 1.58% | 2.74% |
| Totals | \$ 3,559,304 | 100.00% | \$ 3,663,669 | 100.00% | 2.93% |

| Performance Highlights (amounts in thousands) | | | | | | |
|---|--|---------------------------------|--------------------------------|--|----------------------------|--|
| Date of Actuarial Valuation and Data Provided | (1) Actuarial Value of Net Assets Available for Plan Benefit | (2) Actuarial Accrual Liability | (3) Percentage Funded: (1)÷(2) | (4) Unfunded Actuarial Accrued Liability (2)-(1) | (5) Annual Covered Payroll | Unfunded Actuarial Accrued Liability as a Percentage of Annual Covered Payroll |
| January 1, 1996 | \$ 33,678 | \$ 42,701 | 78.87% | \$ 9,023 | \$ 11,655 | 77.42% |
| January 1, 1998 | 43,221 | 51,392 | 84.10% | 8,171 | 13,676 | 59.75% |
| January 1, 2000 | 56,251 | 59,720 | 94.19% | 3,469 | 14,807 | 23.43% |
| January 1, 2002 | 56,748 | 67,763 | 83.74% | 11,014 | 16,776 | 65.65% |
| January 1, 2004 | 63,067 | 76,564 | 82.37% | 13,496 | 17,996 | 74.99% |
| January 1, 2006 | 75,974 | 83,989 | 90.46% | 8,015 | 18,925 | 42.35% |
| January 1, 2008 | 90,963 | 94,681 | 96.07% | 3,718 | 21,295 | 17.46% |
| January 1, 2010 | 90,445 | 106,054 | 85.28% | 15,609 | 24,097 | 64.78% |
| January 1, 2012 | 94,996 | 123,798 | 76.73% | 28,802 | 25,221 | 114.20% |

Program Implementation

The 106 Local Retirement Boards operate under the rules of MGL Ch. 32. Most small towns are members of a County Retirement System. The Concord Retirement Board is a five-member body consisting of the Town Accountant, 2 elected members, 1 appointee of the Board of Selectmen, and 1 member appointed by the other four members. The system is administered with the assistance of the Town’s Finance Department; the Town Treasurer is custodian of the System’s assets. The Board is supervised by a state agency, the Public Employee Retirement Administration Commission (PERAC).

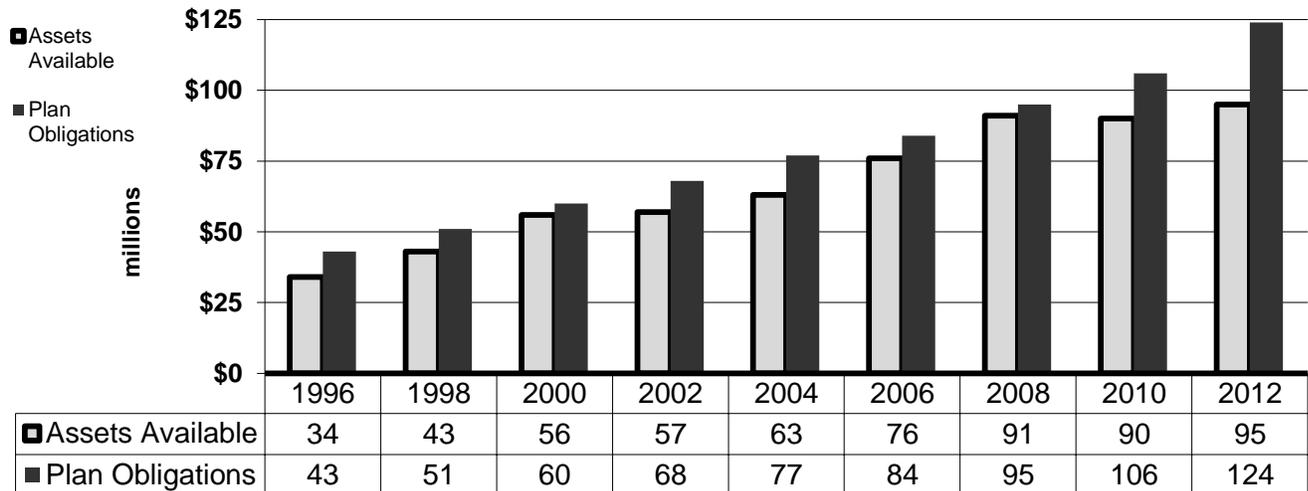
The System is “unfunded” in that, since its inception in 1937, and continuing until 1992, the employer contribution had been related solely to pension payments for current retirees. A “funded” system would require that, upon retirement, assets had been accumulated on behalf of each member sufficient, with continued investment earnings, to meet pension obligations for the projected life of the beneficiary. The “unfunded liability” of a system is a measure of the shortfall between projected actuarial obligations and accumulated assets. A pension system can be fully funded at one point in time and then be underfunded later even while making required funding plan payments if the investment yield falls below the actuarial projection. Concord’s assumed annual investment yield for the purpose of calculating its future obligations is 7.50%.

Recognizing the adverse fiscal implications of a funding shortfall, the Town of Concord commenced in 1978 a program of funding its accumulated past service liability. At January 1, 1993, assets amounting to \$5,492,405 were transferred from the special “Pension Reserve” fund to the Retirement System in connection with the formal adoption of a twenty-year funding plan to amortize the remaining unfunded liability. As of January 1st, 2012, the Retirement System was 76.7% funded.

Plan obligations include the impact of acceptance by the 1998 Town Meeting of a state law governing cost of living adjustments (COLA) to retirees. The COLA statute provided for a pension increase equal to the social security percentage increase each year, or 3%, whichever is less, on the first \$12,000 of annual pension payment. The 1999 State Legislature enacted a further revision, permitting the granting of a full 3% COLA adjustment on the first \$12,000 per year, without regard to whether the federal Social Security adjustment was lower than 3%. This revision was accepted by a 2000 Town Meeting vote. The Concord Retirement Board’s Funding Plan assumes a 3% annual COLA on the first \$12,000 (a \$1,000 per month COLA base; a maximum \$360 annual COLA increase).

Concord Retirement System – Funding Progress

Based on actuarial accrued liability method



*Net Assets and Plan Obligations shown according to **January 1st** valuation dates.

Additional Retirement System Information

In addition to the system's assets, the Town continues to maintain a Pension Reserve Fund that had a market value of \$8,409,168 on December 31, 2013 (an increase of 23.9% for the calendar year). As of that date, the market value of the system's assets was estimated at \$122,157,138 (an increase of \$16.3 million for the calendar year).

The Pension Fund contribution required from the employers for FY15 is \$4,051,945. The Cost of Benefits required to be funded in FY15 is estimated at \$5,171,941. This difference of \$1,119,996 between the required appropriation and the Cost of Benefits amount (which is a measure of projected benefit outlays) may be drawn from the Retirement System's Pension Reserve Fund ("PRF" shown in the table below, which is different from the Town's Pension Reserve Fund shown in the accompanying Expenditure Detail).

The Pension Fund is the portion of the System's total assets from which the employer share of retirement allowance is payable (the employee contributions are held in the Annuity Fund). FY12-14 costs and projected FY15 costs are:

| | FY12 | FY13 | FY14 | FY15 |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| Pension Fund – Cost of Benefits | \$4,331,566 | \$4,609,329 | \$4,894,690 | \$5,171,941 |
| Less cost payable only by CHA | 11,336 | 11,336 | 11,336 | 11,311 |
| Less PRF transfer | 978,734 | 1,178,984 | 950,872 | 1,119,996 |
| Net Funding (all employers) | <u>\$3,341,466</u> | <u>\$3,419,009</u> | <u>\$3,932,507</u> | <u>\$4,040,634</u> |

Net funding is apportioned among the employer groups in accordance with the share of annualized covered payroll as of the preceding September 30th (in accordance with state law). The shares for FY13-15 are:

| | FY13 | | FY14 | | FY15 | |
|-------------------------|-------------|--------|-------------|--------|-------------|--------|
| Town (including CPS) | \$2,912,312 | 85.18% | \$3,384,709 | 86.07% | \$3,467,672 | 85.82% |
| CCRS D | 473,533 | 13.85% | 509,653 | 12.96% | 533,364 | 13.50% |
| Housing Authority (CHA) | 33,164 | 0.97% | 38,145 | 0.97% | 39,598 | 0.98% |

Performance Information: The Retirement System operates on a calendar year fiscal period. For the year ending December 31, 2012, system receipts were derived as follows:

| | |
|------------------------------|--------------|
| Employee Contributions | \$2,527,825 |
| Employer Contributions | \$3,430,345 |
| Commonwealth (COLA) | \$100,856 |
| Investment Earnings (Losses) | \$11,712,412 |

For the five-year period 2008-2012, the Concord Retirement System's investment performance showed an annualized return of 3.02% compared to a composite rate of return of 1.83% for all 106 retirement boards in the MGL Chapter 32 pension system.

Concord's funded ratio of 76.7% at January 1, 2012 ranked 13th out of 106 retirement boards as reported on PERAC's website as of January 1, 2014.

Mission Statement:

The purpose of this funding is to provide for the costs of the Town's Social Security and Medicare obligations.

Budget Highlights:

- The General Fund Cost for the Town's share of Medicare coverage is increased 6.6%, to \$576,000, reflecting both a higher payroll base and a higher proportion of covered payroll as employees of the Town and CPS hired prior to April 1986 retire or leave Town service and are replaced.

- Social Security coverage applies to those town and school employees not members of the town's retirement system under state law, MGL, CH 32. The General Fund cost for FY15 is projected to be \$109,000.

Expenditure Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|--------------------|----------------|----------------|------------------|------------------|
| General Fund | \$ 555,459 | \$ 618,331 | \$ 640,000 | \$ 685,000 |
| Other Funds | \$ 132,009 | \$ 140,516 | \$ 154,000 | \$ 152,000 |
| Total Expenditures | \$ 687,468 | \$ 758,847 | \$ 794,000 | \$ 837,000 |

Description:

Medicare Tax:

Federal legislation enacted in 1986 extended mandatory Medicare coverage to employees of state and local governments who were hired on or after April 1, 1986. Covered employees are required to pay withholding tax of 1.45% on regular earnings, matched by an equal 1.45% from the employer. This budget covers the employer share for both the Town and CPS employees. The escalating cost is related directly to the rate of employee turnover. Since inception of this tax, the covered percentage of the gross payroll has risen to 85% in FY13 and is projected to reach 89% in FY15 (see chart below for a Town-CPS break-out of these costs).

Social Security Tax:

Pursuant to legislation enacted by Congress in 1990 and effective July 1, 1991, town and CPS non-certified employees who are not members of the Town's retirement system are required to be covered by Social Security. The Town and the employee each pay the Social Security tax of 6.2%. From January 1, 2011 to December 31, 2012, the employee tax was reduced to 4.2% by an act of Congress, but the employer share remains unchanged at 6.2%. Membership in the Town's retirement system requires a minimum 25-hour per week permanent position. Thus most part-time employees are covered by Social Security. Departments placing particular emphasis on part-time employment include: Recreation (including the Beede Swim & Fitness Center), Library, Concord Public Schools. Employees required to pay the Social Security tax also lose exemption from the requirement to pay the Medicare tax even if initially hired by the Town prior to April 1, 1986.

Medicare Tax

| % of Payroll Covered | FY09 | FY10 | FY11 | FY12 | FY13 | EST FY14 | EST FY15 |
|----------------------|------|------|------|------|------|----------|----------|
| Town | 78% | 77% | 78% | 78% | 79% | 82% | 84% |
| CPS | 88% | 88% | 88% | 89% | 90% | 93% | 94% |

Social Security Tax

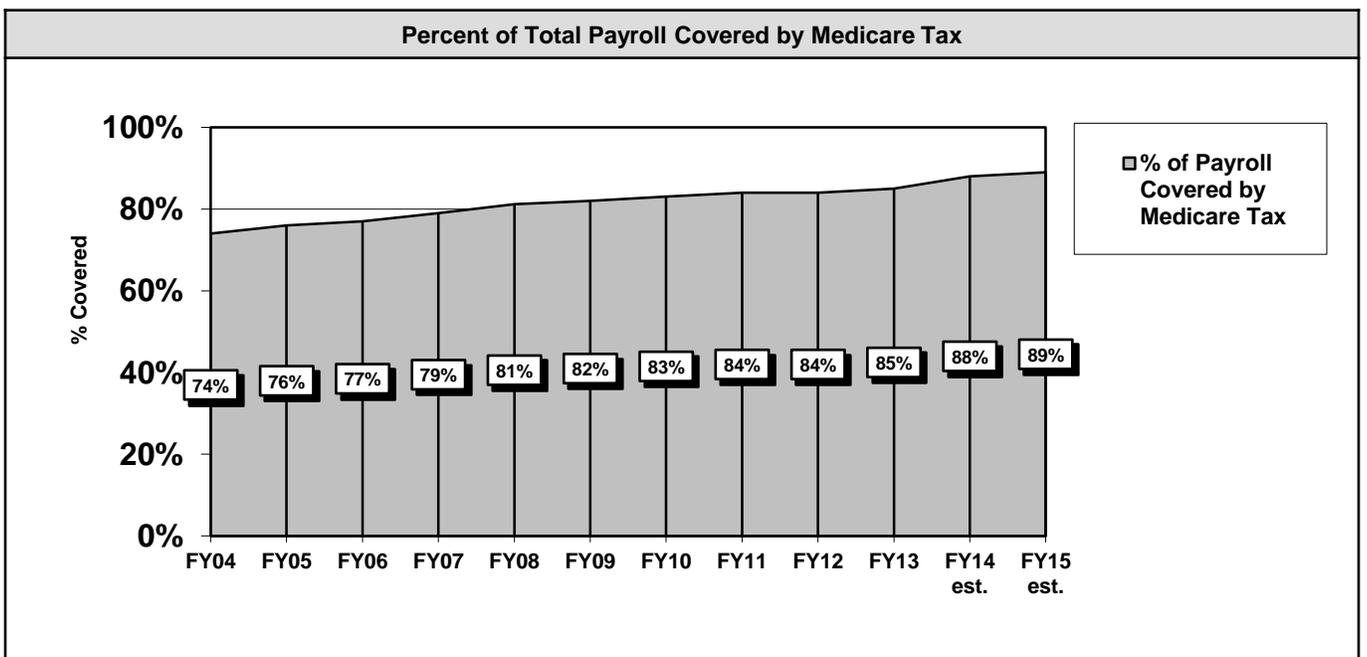
| % of Expense | FY12 Actual | FY13 Actual |
|---------------------|-------------|-------------|
| Town – General Fund | 23% | 26% |
| Recreation | 24% | 23% |
| Swim & Fitness | 13% | 12% |
| CPS | 36% | 35% |
| Other | 4% | 4% |

JOINT (TOWN-CPS): Social Security/Medicare

Item 40

| Expenditure Detail | | | | | |
|---------------------|-----------------------|-------------|---------------|--------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| Medicare Tax | \$ 532,966 | \$ 587,697 | \$ 621,000 | \$ 657,000 | \$ 657,000 |
| Social Security Tax | 154,502 | 171,149 | 173,000 | 180,000 | 180,000 |
| Total Expenditure | \$ 687,468 | \$ 758,846 | \$ 794,000 | \$ 837,000 | \$ 837,000 |

| Funding Plan | | | | | |
|---------------------------|---------------|-------------|---------------|-------------|---------------------|
| | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
| General Fund | \$ 640,000 | 80.60% | \$ 685,000 | 81.84% | 7.03% |
| Light Fund | 34,000 | 4.28% | 34,000 | 4.06% | 0.00% |
| Water Fund | 12,000 | 1.51% | 11,500 | 1.37% | -4.17% |
| Sewer Fund | 4,500 | 0.57% | 4,000 | 0.48% | -11.11% |
| Recreation Fund | 56,000 | 7.05% | 59,000 | 7.05% | 5.36% |
| Swim and Fitness Center | 39,000 | 4.91% | 35,000 | 4.18% | -10.26% |
| Solid Waste Disposal Fund | 1,200 | 0.15% | 1,200 | 0.14% | 0.00% |
| Parking Meter Fund | 1,000 | 0.13% | 1,000 | 0.12% | 0.00% |
| Gift Fund | 5,300 | 0.67% | 5,300 | 0.63% | 0.00% |
| Retirement Admin. Fund | 1,000 | 0.13% | 1,000 | 0.12% | 0.00% |
| Totals | \$ 794,000 | 100.00% | \$ 837,000 | 100.00% | 5.42% |



Mission Statement:

The mission of the Finance Director in managing the Debt Service account is to achieve the lowest possible interest cost while meeting the Town's capital financing requirements and maintaining the Town's credit rating.

Budget Highlights:

- In May 2013, Moody's Investor Services reviewed Concord's fiscal management and reaffirmed the Town's credit rating of Aaa, the highest rating category. Concord has maintained this rating since 1987.
- With a credit rating of Aaa, the Town is deemed to be among the most credit worthy of municipalities and can borrow funds at favorable rates.
- Total FY15 Town debt service budgeted in this account – within the Levy Limit and excluded – is projected to be 8.9% of the total proposed General Fund budget.

Expenditure Summary

| | FY12 Actual | FY13 Actual | FY14 Budgeted | FY15 Proposed |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| Within the Levy Limit | \$3,114,729 | \$3,179,227 | \$3,400,000 | \$3,500,000 |
| Excluded Debt * | <u>4,159,144</u> | <u>4,253,864</u> | <u>4,624,457</u> | <u>4,495,623</u> |
| Total Expenditure | \$7,273,873 | \$7,433,091 | \$8,024,457 | \$7,995,623 |

Funding Summary

| | | | | |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| Tax Levy * | 6,146,461 | 6,548,213 | 6,649,579 | 7,085,754 |
| Stabilization Funds | 700,000 | 475,000 | 965,000 | 500,000 |
| Thoreau MSBA Grant | <u>427,412</u> | <u>409,878</u> | <u>409,878</u> | <u>409,878</u> |
| Total Funding | \$7,273,873 | \$7,433,091 | \$8,024,457 | \$7,995,632 |

*Amount does not include assessable share of CCRSD Excluded Debt.

Description:

This budget provides for principal and interest repayment on the Town's tax-supported long-term debt, short-term note interest for cash flow and construction financing needs, and costs associated with debt issuance. All debt is issued as "General Obligation" based on the full faith and credit of the Town, but debt issued on behalf of the Town's enterprises (Water, Sewer, Light) is supported fully by the respective enterprise revenue. This budget, however, shows only the General Fund debt service (principal and interest repayment) and costs. The table on pages II-54 to 55 shows all debt service for bonds issued through June 30, 2013 including debt service supported from the enterprise funds and from betterment assessments.

Capital financing and debt management policy for debt supported by property taxation within the levy limit is subject to the following guidelines:

- The total General Fund budget allocation for capital needs should be in the range of 7-8%;
- One-third of capital needs should be met from current resources; the cost of borrowing (principal and interest repayment, together with related issuance costs and short-term interest expense) should not exceed approximately 5% of the current General Fund resource budget;
- A rapid debt repayment schedule should be maintained for tax-supported debt , with a goal (for "within the levy limit" debt) of 65% repayment within five years and 90% repayment within ten years.

These guidelines serve several important purposes:

- Capital investment needs are not "squeezed out" of the budget by the demands of current operations;
- The appetite for meeting capital needs through potentially excessive borrowing is controlled;
- Rapid repayment schedules serve to hold down the amount expended in the form of interest costs; and new capacity for debt issuance is continually made available, thereby enabling newly recognized capital needs to be addressed annually; rapid principal repayment serves as a key foundation element of the Town's Aaa credit rating.

Debt supported through a ballot vote to exclude such debt from the property tax levy limit ("excluded debt"), is above the base 7-8% budget policy allocation and may be structured for a longer repayment depending on the nature of the project. Revenue-supported debt (water, sewer, light) is subject to guidelines which relate to the useful life of the project and the current interest rate environment. Generally, debt issued for longer periods and/or with a slower repayment schedule incurs a higher interest rate.

JOINT (TOWN-CPS): Debt Service

Item 41

| Expenditure Detail | | | | | |
|------------------------------------|-----------------------|---------------------|---------------------|---------------------|-------------------------|
| | Previous Fiscal Years | | | FY15 Proposed | |
| | FY12 Actual | FY13 Actual | FY14 Budgeted | Department Request | Town Manager's Proposed |
| i. Long-Term Debt | | | | | |
| Town - Principal | \$ 2,300,000 | \$ 2,225,000 | \$ 2,270,000 | \$ 2,250,000 | \$ 2,250,000 |
| Town - Interest | 256,271 | 242,671 | 227,671 | 277,576 | 277,576 |
| Subtotal | \$ 2,556,271 | \$ 2,467,671 | \$ 2,497,671 | \$ 2,527,576 | \$ 2,527,576 |
| School - Principal | 475,000 | 625,000 | 740,000 | 790,000 | 790,000 |
| School - Interest | 66,716 | 72,220 | 70,895 | 109,281 | 109,281 |
| Subtotal | \$ 541,716 | \$ 697,220 | \$ 810,895 | \$ 899,281 | \$ 899,281 |
| Within the Levy Limit Total | \$ 3,097,987 | \$ 3,164,892 | \$ 3,308,566 | \$ 3,426,857 | \$ 3,426,857 |
| Town - Excluded Principal | 174,675 | 176,184 | 177,723 | 179,293 | 179,293 |
| Town - Excluded Interest | 43,997 | 38,622 | 34,564 | 29,428 | 29,428 |
| Subtotal | \$ 218,672 | \$ 214,806 | \$ 212,287 | \$ 208,721 | \$ 208,721 |
| School - Excluded Principal | 2,380,000 | 2,570,000 | 3,035,000 | 3,005,000 | 3,005,000 |
| School - Excluded Interest | 1,560,472 | 1,469,057 | 1,377,170 | 1,281,910 | 1,281,910 |
| Subtotal | \$ 3,940,472 | \$ 4,039,057 | \$ 4,412,170 | \$ 4,286,910 | \$ 4,286,910 |
| Excluded Debt Total | \$ 4,159,144 | \$ 4,253,864 | \$ 4,624,457 | \$ 4,495,632 | \$ 4,495,632 |
| Long-Term Debt Total | \$ 7,257,131 | \$ 7,418,755 | \$ 7,933,023 | \$ 7,922,489 | \$ 7,922,489 |
| II. Short-Term Debt | | | | | |
| BAN Interest - within levy limit | 5,316 | - | 56,434 | 38,143 | 38,143 |
| BAN Interest - debt exclusion | - | - | - | - | - |
| Sub Total | \$ 5,316 | \$ - | \$ 56,434 | \$ 38,143 | \$ 38,143 |
| III. Issuance Costs | | | | | |
| Issuance costs within levy limit | 11,426 | 14,336 | 35,000 | 35,000 | 35,000 |
| Grand Total | \$ 7,273,873 | \$ 7,433,091 | \$ 8,024,457 | \$ 7,995,632 | \$ 7,995,632 |

| Funding Plan | FY14 Budgeted | % of Budget | FY15 Proposed | % of Budget | % Change in Dollars |
|-------------------------------|---------------------|----------------|---------------------|----------------|---------------------|
| Gen. Fund - Within levy Limit | \$ 3,400,000 | 42.37% | \$ 3,500,000 | 43.77% | 2.94% |
| Gen. Fund - Debt Exclusion | 3,249,579 | 40.50% | 3,585,754 | 44.85% | 10.35% |
| General Fund Total | 6,649,579 | 82.87% | \$ 7,085,754 | 88.62% | 6.56% |
| Stabilization Fund Allocation | 965,000 | 12.03% | 500,000 | 6.25% | -48.19% |
| Thoreau MSBA Grant | 409,878 | 5.11% | 409,878 | 5.13% | 0.00% |
| Totals | \$ 8,024,457 | 100.00% | \$ 7,995,632 | 100.00% | -0.36% |