

Section VI Appendix

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Appendix: Budget Process

Budget Process

The Town of Concord operates under state statutes in general; under the Town Charter as amended, which established the present Selectmen-Town Manager form of government; and under various Town bylaws. The legislative body of Concord is an open Town Meeting, in which all voters registered in Concord are permitted to participate. Town Meeting has the sole authority to appropriate funds for the operating budget and capital projects, except for specific instances where statutes or regulations do not require appropriation. Any amendments to appropriations adopted at a Town Meeting require subsequent approval at either a regular Town Meeting or Special Town Meeting. Only the Town Meeting can authorize the transfer of funds between appropriation accounts within the Town Government budget (Article 6, Line Items 1-36 on the 2013 Annual Town Meeting Warrant). Nevertheless, if there happens to be need for an “extraordinary or unforeseen” expenditure, the Finance Committee can authorize additions to appropriation accounts by transferring funds from the appropriated Reserve Fund (Article 6, Line Item 34, proposed at \$225,000).

For the Concord Public Schools budget, state law gives the School Committee the power to authorize transfers within the appropriation total voted by Town Meeting. The regional high schools both are separate political jurisdictions of the Commonwealth that can assess member municipalities but do not have separate taxing powers. The regional school committees have power to authorize transfers within their adopted budgets.

Under the Town Charter and Town bylaws, the Town Manager is required to submit a proposed budget to the Board of Selectmen. The Board of Selectmen in turn is required to transmit to the Finance Committee a copy of the Town Manager’s Proposed Budget, together with its recommendations. Finally, the Finance Committee must make budget recommendations to Town Meeting.

Like prior budgets, this budget has been developed based upon projected assumptions of available revenue. The budget is based upon a budget ceiling or levy limit of revenue derived from local property taxes in accordance with Proposition 2½. Added to these revenues are projections for state aid; miscellaneous revenues, such as fees, permits, and interest earned; and available funds, such as free cash and special revenues. This levy limit may be increased if the Town Meeting adopts a budget requiring an override and the override amount is approved by a majority of voters at the polls.

While the projection of available revenues creates a budget ceiling for the Town, an expenditure floor is created by calculating certain fixed or semi-fixed costs such as debt payments, employee benefits, and various assessments. These costs subtracted from projected revenues leave remaining funds that are available for discretionary spending, such as education, public safety, infrastructure maintenance, and community services.

For the past several fiscal years, this budget development framework has been altered to meet expected fiscal reductions. Departments have been instructed to provide budget requests that level fund non-personnel related line items. These requests were then further adjusted to meet revenue estimates while avoiding major service or personnel reductions.

Budget Schedule

Beginning in September each fiscal year, the key boards and committees discuss budget issues and provide policy guidance to the Town and School staff at a series of working meetings. The Finance Committee issues its budget guidelines to the Board of Selectmen and School Committees by November 30th. With input from these groups, the Town Manager submits the recommended budget to the Board of Selectmen at least 90 days prior to the beginning of the Annual Town Meeting, which begins in late April.

In late February 2012, the Finance Committee holds public hearings on the Town Manager’s recommended budget and on the recommended School budgets. Prior to the first public hearing, all Concord households are mailed a copy of the Town Warrant containing all the financial and non-financial articles to be considered by Town Meeting. A Report from the Finance Committee is mailed to every Concord household prior to the first session of Town Meeting, with specific recommendations and background information. The precise timing of the process varies somewhat from year-to-year. Shown on the following pages are a chart of the budget schedule and a calendar of important dates for developing and acting on the budget.

Appendix: Budget Calendar

July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
	Establish goals; hold planning meeting										
		Depts develop operating & CIP budget requests									
			Depts present budget requests; Finance Comm presents budget guidelines								
					Warrant is open						
					Town Manager reviews budgets & submits them to the Board of Selectmen						
					Departments develop & submit Enterprise Fund budgets to Town Manager						
						Finance Comm holds hearings & completes final recommendations on Town Govt. & School budgets & all articles					
						Town Mgr reviews, publishes & holds hearing on Enterprise Fund budgets					
									Town Meeting discusses & adopts Town Govt., Schools, & capital budgets		
July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June

Appendix: Budget Process

FY14 Budget Calendar

This calendar describes the steps leading to adoption of the budget for those accounts overseen by the Town Manager under the jurisdiction of the Board of Selectmen and requiring appropriation by the Town Meeting. The School Superintendent and School Committees carry out similar steps leading to Town Meeting.

2012

August 17	Capital Improvement Program Instructions issued (FY2014-18)
September 21	Capital Improvement Program (FY2014-18) requests due
September 20	FY2014 fiscal planning meeting; Board of Selectmen, School Committee, Finance Committee
September 21	Budget Instructions issued to all departments, boards and committees
October 19	FY2014 Operating Budget Requests due
October 29 – November 16	Operating and Capital Budget Requests review: meetings with Town Department Heads and Budget Review Team
November 8	Board of Assessors meet to review draft Classification Report from the Town Assessor
November 16	Classification Report submitted by Board of Assessors to Board of Selectmen (Re: setting the FY2013 property tax rate or rates)
November 19	Public Hearing ("Classification Hearing"), proposed property tax rates for FY2013 (based on FY2013 appropriations voted at April 2012 Town Meeting)
November 15	Finance Committee votes Budget Guidelines and issues by November 30 to Selectmen and School Committees
December 1 (Sat)	Selectmen/Committees Coordination Meeting; planning session for April 2013 Annual Town Meeting
December 3	Warrant opened for 2013 Annual Town Meeting
December 14	Preliminary FY2014 Operating Budget recommendations and final recommendations for FY2014-18 CIP compiled by Budget Review Team for Town Manager's review and decisions

Continued on next page

Appendix: Budget Process

2013

- January 2 Warrant for Town Meeting closes at 4:00 PM
- January 7 Preliminary draft of Town Manager's expenditure/appropriation recommendations for FY2014 Operating Budget submitted to Board of Selectmen
- January 22 90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2014 (General Fund operations and proposed appropriations) is published and submitted to Selectmen. (Also, no later than this date, the Superintendent of Schools submits budgets for Concord Public Schools and Concord-Carlisle Regional High School to the respective School Committees.) Through February, these committees and Finance Committee conduct review.
- February 1 Proposed budgets for FY2014 operations of Enterprise Funds are due
- February 14 Public Hearings advertised (for FY2014 General Fund operations)
- February 15 Legal deadline for mailing of Town Meeting Warrant to residents (at least 10 days prior to Public Hearing)
- February 25 Finance Committee's Public Hearing on Town Manager's General Fund operating and capital budget proposals for FY2014 and other non-school and non-CPA financial articles on the Town Meeting Warrant
- February 27 Finance Committee's Public Hearing on Education budget proposals for FY2014 (Concord Public Schools, Concord-Carlisle Regional High School, and Minuteman Career and Technical High School) and Community Preservation Act article
- March 8 Town Manager's Proposed Budget for FY2014 Enterprise Operations published (10 days prior to Public Hearing)
- March 18 Public Hearing on Enterprise Fund budgets and articles
- March 21 Finance Committee completes its recommendations for Town Meeting
- April 1 Finance Committee Report to printer
- April 12 Finance Committee Report mailed to residents (at least 10 days prior to Town Meeting)
- April 22 Town Meeting - consideration of budget; enactment of appropriations (first session)

Appendix: Finance Committee's Budget Guidelines



Town of Concord

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

Date: November 30, 2012
To: Board of Selectmen
Concord Public School Committee
Concord-Carlisle Regional School Committee
Mr. Christopher Whelan, Town Manager
Ms. Diana Rigby, Superintendent of Schools

From: Ms. Lynn Salinger, Chair, Concord Finance Committee
Mr. John C. Hutchins, Vice Chair, and Chair of Guidelines Subcommittee

Subject: **FY 2014 Final Budget Guidelines**

As required by Town bylaws the Finance Committee has approved a Budget Guideline for the fiscal year beginning July 1, 2013 (FY 2014). The Guideline was adopted with full consideration of the budget requests provided to the Committee by the three primary budget authorities in Concord, as well as assessment of non-property tax revenues to be expected and the Town's position with regard to the amount of the unused capacity to levy taxes under the Proposition 2 ½ Levy Limit for the coming fiscal year.

The Guideline adopted by the Finance Committee allocates \$2,460,000 of incremental funds to the operating budgets:

- \$750,000 is allocated for the Town budget under the direction of the Town Manager;
- \$1,385,000 is allocated for the Concord Public Schools (CPS); and
- \$325,000 is allocated for the Concord Carlisle Regional School District (CCRS).

The Guideline assumes that \$735,000 will be allocated from the Elementary School Debt Stabilization Fund and \$230,000 will be allocated from the High School Debt Stabilization Fund created in November 2011 at the time the new high school was approved by the voters, to offset partially the tax impact of FY 14 debt service on long term serial bonds issued for, respectively, the elementary school building projects and the new high school building project. The result is an estimated increase of 3.87% in the operating budgets and an overall increase in the tax rate for existing taxpayers of 4.00% (inclusive of the net increase in debt service on "excluded debt" and increases in Joint Accounts and other miscellaneous costs). This guideline requires a tax levy projected at \$74.8 million, which would be \$2.46 million below the current estimate of Concord's levy limit for FY14.

Appendix: Finance Committee's Budget Guidelines

The Finance Committee began its deliberations about the FY14 guidelines with the following factors in mind:

- A challenging economic situation still exists, with real estate values and household incomes essentially stagnant in Concord as elsewhere in the Commonwealth. The “Tax Rate Analysis, Fiscal Year 2013, Report by the Board of Assessors to the Board of Selectmen for Public Hearing November 19, 2012” shows a decline of more than 2% in existing taxable property values in Concord during the year ended December 31, 2011 (the base year for the FY13 assessments).
- The United States economy is still struggling to recover from the great recession, and the Eurozone economy appears to be entering a recession which could have a significant negative impact on the United States economy. The federal and Commonwealth budget situations remain uncertain. The looming “fiscal cliff” of termination of the Bush tax cuts and significant across-the-board budget cuts for most parts of the federal budget constitute a serious risk to the fragile economic recovery that has been taking place, with unpredictable but potentially serious impacts on the Massachusetts economy and jobs and incomes in Concord.
- The Finance Committee is concerned about the cumulative impact on the Town, particularly its residents on fixed incomes and its less affluent citizens, of the steady increases in Town budgets and resulting tax increases, at a time when incomes are stagnant and property values are decreasing.
- The Town’s unreserved fund balance position (“Free Cash”) at the end of FY 12 was solid. Even after the appropriation of \$2 Million from Free Cash to establish a debt stabilization fund to mitigate during the peak years the debt service cost of the new high school and the appropriation of \$850,000 from Free Cash to help fund the FY13 budget, the preliminary estimate of Free Cash at June 30, 2012 is approximately \$9.1 million. The Committee considers it important to keep the balance of Free Cash at about that level to support the Town’s “triple A” bond rating through this period of financial uncertainty and the pending High School debt issuances.
- After adoption of the FY13 guidelines in November 2011, the projections for certain non-tax-levy revenues for FY13 increased materially. This allowed the Finance Committee to revise its original guideline for CPS, prior to the April 2012 Town Meeting, to a level which the School Committee felt was needed. Subsequently, further unexpected increases in projections of non-tax-levy related revenues for FY13 have resulted not only in a significantly lower increase in the tax rate than was projected at the time of the 2012 Annual Town Meeting but also in a significant increase, rather than a decrease, in the unused Proposition 2 ½ Levy Limit. Excluding the tax levy on new construction value, the average property tax increase for existing taxpayers for FY13 is 1.18%.
- The enrollment in the Concord Public Schools for the 2012-2013 school year, grades K through 8, unexpectedly increased by 145 students (7.4%), with some increase in pre-school enrollments as well, filling some of the elementary schools nearly to capacity and making it necessary to hire more teachers. There is a possibility of further increases as the Concord Mews apartments are fully rented and other residential projects are completed.

Appendix: Finance Committee's Budget Guidelines

- For FY11 both the Town and CPS budgets remained flat at the FY10 levels. While increases in those budgets in FY12 and FY13 have partially relieved the stresses caused by the stringent controls adopted in FY11, there are still a number of fiscal matters that were deferred that now need to be addressed, including some salary disparities.
- The Finance Committee reviewed the history of Concord's average tax bills and per pupil expenditures at CPS and CCRSD relative to comparable peer towns. While the schools have achieved high academic success, the benchmarking analysis raised concerns that certain categories of expenses at CCRSD are disproportionately high compared to peer regional high schools.
- The projected enrollment ratios of Concord and Carlisle students at CCRSD over the next several years suggest that Concord's percentage of total enrollment will rise over the next few years. It increased from 71.77% for the 2011-2012 school year to 72.85% for 2012-2013, resulting in an increase of approximately \$231,000 in Concord's share of the CCRSD budget without regard to any increase in the operating budget. Concord's percentage of enrollment is projected to increase to as high as 78%. The increase in Concord's percentage will impact the amount assessed to Concord each year for its share of the operating budget and its share of debt service costs.
- The Finance Committee is aware of looming matters with potentially serious financial implications for the Town. While it is possible that none of these contingencies will directly impact FY14 finances, a number of them are likely to require expenditures sometime during the FY 15 through FY 18 time frame. Included are a number of costs or potential costs arising out of or relating to the construction of the new high school, including possible needs to remediate contamination at the private landfill site (circa 1950) contained on the CCRSD campus, to build a new bus transportation depot for CPS and/or CCRSD at a new location other than the CCRSD campus where it has been located, to replace the five tennis courts and JV playing field that will be eliminated by construction of the new school, and to supplement the costs of the furniture, fixtures, equipment and information technology for the new high school in excess of the fixed amounts allowed by MSBA in the construction budget for the school.

Other potential expenditures include the need to provide increased public safety capabilities and services in West Concord, particularly with the completion of the Concord Mews apartment complex and other projects now under consideration, and the need to continue to increase the amounts being reserved to meet the Town's and CCRSD's large unfunded liabilities for Other Post-Employment Benefits (OPEB) until the Town and the CCRSD reach their actuarially determined annual contribution levels.

- In light of all the foregoing matters the Finance Committee concluded it is very important for the Town to preserve its flexibility to deal with whichever of these issues that materialize into hard liabilities or expenses by preserving a substantial margin between the Levy Limit and the levy that would be required by the Budget Guidelines.

Appendix: Finance Committee's Budget Guidelines

Based on the information available to date, the Finance Committee anticipates that the Town Government and the Concord Public Schools will be able to prepare FY 14 budgets that maintain core programs and service capabilities within the Guidelines. However the Finance Committee recognizes that the Guideline allocations do not fully meet the initial budget request of the budgeting entities. For example, the CCRSD operating assessment Guideline is \$245,854 below the amount that would be required to fund fully Concord's share of the budget increase contemplated in the District's Preliminary FY14 Budget of October 11, 2012.

The Finance Committee will continue to monitor the economic climate as well as the assumptions incorporated in its calculation of funds available for the FY14 operating budgets. We will work carefully with the budget authorities throughout the FY14 budget preparation and finalization process, until Town Meeting in April 2013, to monitor factors that may prompt additional responses or changes in the Guideline described herein.

FY2014 Guideline

Operating budgets over the last few years are compared below with the guideline for FY14 adopted by the Finance Committee:

Operating Budgets (in \$)	FY11	FY12	FY13	FY14 Guideline	FY14 Total	% increase
Town	17,352,013	18,124,013	18,724,013	750,000	19,474,013	4.01%
CPS	27,699,200	28,474,200	29,755,538	1,385,000	31,140,538	4.65%
CCRSD*	14,006,221	14,766,221	15,066,221	325,000	15,391,221	2.16%
<i>Operating Budgets</i>	<u>59,057,434</u>	<u>61,364,434</u>	<u>63,545,772</u>	<u>2,460,000</u>	<u>66,005,772</u>	<u>3.87%</u>
Other Accounts	13,056,134	13,555,502	13,704,456		14,458,000	5.22%
Excluded Debt Service	5,447,226	5,197,275	4,973,599		6,143,495	23.52%
<i>Total Budget Plan</i>	<u>77,560,794</u>	<u>80,142,033</u>	<u>82,259,827</u>		<u>86,607,267</u>	<u>5.29%</u>

**Note that the CCRSD figures include certain costs – principally OPEB and health insurance costs - that are treated for the Town and CPS as “Joint Accounts” rather than as part of the Operating Budget Guideline. This difference biases the CCRSD operating budget change up slightly. Further, the amount shown is Concord's assessed share, a function in part of changing assessment ratios, rather than the gross CCRSD budget. The Finance Committee takes note of these factors when comparing increases.*

Appendix: Finance Committee's Budget Guidelines

Over the three most recent fiscal years (FY11, FY12 and FY13) the average annual increase in the operating budgets has been 2.81%. The most significant factors driving the budget increases for the budgeting entities for FY14 budgets include salaries, making contributions for unfunded liabilities for OPEB, additional costs for bus transportation and the unexpected surge in enrollment at CPS (+ 7.4%). For both CPS and CCRSD special education costs continue to be a major cost that is volatile and unpredictable. In the face of such pressures, providing budget increases that allow the Town and schools to maintain the level and quality of public and education services expected by taxpayers, let alone identifying funds for any new initiatives, is a daunting challenge.

Key Assumptions of the FY14 Operating Budget Guideline

The Finance Committee operating budget guideline is based on the following key assumptions:

- FY14 state aid will continue at the FY13 levels; late 2012; reports from the Massachusetts Department of Revenue through mid-November, however, note lagging state revenues which may jeopardize our current assumption.
- Unused levy capacity for the current year (FY13) is projected to be \$2,876,396 based upon the FY13 property tax rate set by the Board of Selectmen on November 19, 2012. In other words the current year property tax levy is significantly below the maximum allowable FY13 levy of \$73,999,825. While all of the FY13 unused levy capacity could be levied in FY14, the Finance Committee guideline contemplates using only a small part of this capacity, \$414,886, in FY14 budget planning.
- The tax levy from new growth – essentially new construction and renovations/additions expected to be completed by June 30, 2013 and added to the tax roll for FY14 – is projected at \$850,000.
- Other revenue sources are estimated to increase by a net amount of about \$105,000.

The Finance Committee will continue to monitor carefully FY13 performance in these areas for any variances that could also affect the FY14 projections either favorably or unfavorably.

The 2.5% increment allowed to be added to the Levy Limit for FY14 equals \$1,747,778 (see table below). The FY14 Guideline leaves \$2,461,510 of the projected Levy Limit unused. This unused capacity creates the ability to adjust allocations within the Levy Limit in the event that estimates of other revenues or state aid must be decreased prior to the adoption of the FY14 budgets at the 2013 Town Meeting.

Appendix: Finance Committee's Budget Guidelines

FY14 Estimated General Fund Revenue Changes and Net Available For Operating Budget Guideline

Allowable increase in Levy Limit (+2.5%)	\$ 1,747,778
Levy Increase due to estimated New Growth	850,000
Applied from Unused Levy Limit of FY13	414,886
Estimated Net increase in Local Excise Taxes and other Local Receipts	105,000
Increase in CMLP PILOT Transfer	60,000
<i>Subtotal available for Town Operating Budgets</i>	<u>\$ 3,177,664</u>
<i>Less:</i>	
Increase in Costs for Joint Accounts	(480,000)
Increase in Costs, Miscellaneous Items	<u>(237,664)</u>
<i>Net available for operating budgets</i>	\$ 2,460,000

Free Cash Requirements

Based on FY12 financial results including Town revenues, state aid and unexpended appropriations, the Finance Committee estimates a Free Cash balance of approximately \$9.1 million as of June 30, 2012. This amount is still only an estimate; the Free Cash level has not yet been certified by the Commonwealth. The Finance Committee's long-standing policy has been to reserve a minimum of 5% of the total annual budget in Free Cash as a floor.

In view of the continued uncertainties mentioned earlier in this report and the importance of maintaining the Town's Triple A credit rating in connection with the long term bond issuances planned by CCRSD through FY16 to finance the new high school project, the Finance Committee has determined that keeping the cash reserve balance in the range of 10% of the total annual budget is an important and potentially decisive factor in maintaining the Town's credit rating through these tumultuous times. Therefore in setting the guidelines the Finance Committee is proposing to maintain the amount of Free Cash allocated to the FY14 Operating Budget Guideline at \$850,000, the same amount as allocated in FY12 and FY13, representing about 1% of the FY14 proposed total budget of \$86,607.267.

The strong financial performance of the Town over the last few years has allowed for Free Cash to be replenished at a healthy rate. The level of Free Cash allocated to support operating expenditures is based on what the Committee projects with a high degree of confidence can be replenished from the operating results of each year. Throughout the months leading up to the April 2013 Annual Town Meeting, the Finance Committee will monitor new revenue data against projections and reconsider the recommended allocation of Free Cash as needed.

Appendix: Finance Committee's Budget Guidelines

Property Tax Impact

The impact of the FY14 Guideline on the property tax levy is projected at 4.00% to existing taxpayers (about \$377 at the FY13 current median single family residential assessed value of \$669,850). The components of the 4.00% increase projected for existing taxpayers are:

- 2.46% - from the allowed 2.5% increase in the levy limit;
- 0.58% - from partial use of the prior unused Levy Limit;
- 0.96% - increased debt service on Excluded Debt, net of \$735,000 proposed to be allocated from the Elementary School Debt Stabilization Fund, \$230,000 proposed to be allocated from the High School Debt Stabilization Fund, and \$409,878 as the required amortization allocation from the \$6.3 Million Thoreau School grant received in June 2010 from the Massachusetts School Building Authority.

Five-Year Projections and Longer Term Planning

The Finance Committee is concerned about whether Concord will continue to be affordable for a diverse population. The annual increases in real estate taxes and other expenses can be difficult or impossible to handle for certain of our citizens, especially when incomes are flat and property values are essentially stagnant. In this context the Finance Committee believes that the five-year projection of the tax burden prepared for the April 2012 Town Meeting was valuable and instructive. The Committee will prepare an updated five-year projection for its report for the 2013 Annual Town Meeting.

In connection with gathering information for that projection the Guidelines Subcommittee sought from each of the budgeting entities an estimate of the anticipated growth rate in total operating expenditures over the next five years and obtained helpful responses. The Town Manager felt that annual increases in the range of 3% to 4% would result in maintenance of current town service levels and competitive salary levels. The School Administration responded that, based on current spending patterns and collective bargaining agreements, the operating budgets for both CPS and CCRSD would require 3% to 5% annual funding increases.

The Finance Committee is mindful that the excluded debt for the new high school, even after allocating from the new high school debt stabilization fund, will – at its peak impact in FY16 through FY18 - add an additional 4% to each household's taxes. In other words, by FY18 the tax bill will be 4% higher than it is now, solely to cover the bonded debt service on the new High School; thereafter, this cost will decline slowly through 2040.

In the present economic climate and in light of the many other contingencies facing the Town over the next few years, including the matters listed at the beginning of this Report, the Finance Committee is concerned that increases in the operating budgets in excess of a range of 2.5% to 3% may be unsustainable in terms of the cumulative impact on property tax bills. Preserving a significant portion of the unused Levy Limit is important for future financial flexibility. While Concord has in the past had a good record of supporting Proposition 2 ½ overrides, once the present unused Levy Limit is exhausted, the Town could face annual override votes to fund town and school operations, a situation that may require making fiscal trade-offs depending on the degree to which the citizens are willing to support override requests.

Appendix: Finance Committee's Budget Guidelines

The trend in the three-year average of annual operating budget increases since FY06 had been downward through FY10-12, as shown in Chart 1 (attached) for both the Town and the K-12 school budgets. Chart 2 (attached) illustrates the history of the annual increases in taxes covering the total budget plan each year; that trend has also been downward. The Guideline adopted this year runs slightly counter to those trends, in order to deal with matters postponed in earlier years. Going forward the Finance Committee hopes to be able to continue its discipline of limiting annual operating budget increases to the 2.5% to 3% range.

The Finance Committee commends both the Town Manager and the Superintendent of Schools and their Finance Directors for their careful shepherding of resources in these challenging times. The Committee also recognizes the challenges of retaining the quality personnel who have been working for the Town and schools during this period. In particular the Finance Committee recognizes that employees whose compensation is not covered by collective bargaining agreements faced leaner salary and wage conditions for several years than those whose contracts were negotiated during a more propitious economic environment.

There is interest within the Finance Committee to continue to utilize benchmarking analyses to review educational outcomes as well as costs of our schools. While the Concord schools achieve superb outcomes for our students, these achievements have come at a higher per pupil cost than in comparable towns. The Finance Committee hopes to continue its dialogue with the schools about what we can learn from peer school systems that will allow us to continue our high achievement level at a reduced cost. We also are exploring ideas about applying benchmarking principles in analyzing the Town government budget.

The Committee thinks the bi-annual survey of citizens' views on local services and taxes undertaken by the Town is a valuable tool for many purposes and should be continued. The Committee awaits the results of the Fall 2012 survey with great interest. The Finance Committee is interested in developing a way of tracking a limited set of variables that would reflect local trends in income, employment, real estate market conditions, and indicators of financial hardship and financial health experienced by Concord taxpayers, such as requests for tax exemptions, tax assistance and household assistance. These indicators would provide some indication of trends in economic conditions in the Town.

The Finance Committee continues to monitor the growth in demand for public utilities (wastewater treatment, electricity, broadband communication) that may result in a need for public utility capacity expansion for wastewater treatment and/or at the Concord Municipal Light Plant at some future time. While the Committee assumes any such expansion would be funded, partially or fully, by the ratepayers of the concerned utility, the Committee urges careful consideration of the timing of such projects in light of the many other contingencies with which the Town may have to contend.

Appendix: Finance Committee's Budget Guidelines

CONCLUSION

The Town at present enjoys sound fiscal health with an enviable bond rating. Our present circumstance is due to the skill, hard work and dedication of the employees of the Town and the schools, their skilled leaders and the many unpaid volunteers who serve on Town boards and committees. The Finance Committee is very appreciative of the cooperative spirit with which the Town Manager and the Superintendent of Schools and their respective staffs have responded to and interacted with the Finance Committee this fall in developing the FY14 Guideline.

The Finance Committee believes the present economic conditions and the diverse range of potential financial issues facing the Town over the next several years dictate that we continue to follow a conservative approach to budgeting. As we move forward toward Town Meeting 2013 the Finance Committee anticipates that the Town and school administrators will continue to demonstrate fiscal discipline, work creatively to contain costs, and develop budget proposals that will be sustainable in light of the competing demands for the resources that will be available in the coming years.

Appendix: Community Profile

TOWN OF CONCORD COMMUNITY PROFILE

An excerpt from the Official Statement dated 01-20-10

HISTORY

Purchased from the local Indians and founded in 1635, Concord was the first interior, non-tidewater town in Massachusetts Bay Colony. Though the origin of its name is unknown, one theory is that it derived from the peaceful manner in which the colonists and Indians reached agreement on its purchase and settlement. In fact, relations between the colonists and Indians during the 1600's were such that Concord was largely spared any hostile Indian actions during King Philip's War, which began in 1675. By 1775 Concord had evolved from a frontier town into a prosperous regional center with a mixed society, including small yeoman farmers, affluent gentry, and immigrants from Italy and Norway. In 1775 the town was witness to the famous Battle of Concord, which, along with the Lexington skirmish preceding it, ushered in the Revolutionary War for Independence. In the 19th century Concord became the leader of American literature and philosophy. Louisa May Alcott, Bronson Alcott, Ralph Waldo Emerson, Henry David Thoreau, and Nathaniel Hawthorne, among others, all lived in Concord.

As the 20th century progressed Concord evolved into primarily a suburban, residential community, with a mix of non-residential activities. The community has focused on preserving its rich Colonial and literary history as a means of promoting tourism and diversity in its economy. Diversity of population is also a major community focus. Concord is a part of the Boston Metropolitan Statistical Area, and a member of the Metropolitan Area Planning Council.

GEOGRAPHY

The Town of Concord in Middlesex County in eastern Massachusetts is located approximately 17 miles northwest of Boston, 34 miles northeast of Worcester, and 215 miles northeast of New York City. It is bordered by the towns of Maynard and Acton on the west, Carlisle on the north, Bedford and Lincoln on the east and southeast, and Sudbury and Wayland on the south. Of Concord's 25.89 square miles of gentle hills, valleys, fields, and ponds 24.92 square miles are land area. Concord is situated at the confluence of the Assabet and Sudbury Rivers, which join to flow northeast as the Concord River.

TRANSPORTATION AND ACCESS

Access to Concord is excellent, with east-west Route 2 traversing the town, and Route 128/95 (circumferential to Boston) just to the east, Interstate 90 (the Massachusetts Turnpike) several miles to the south, Interstate 93 several miles to the northeast, and Interstate 495 several miles to the west. In addition, there is regular commuter rail service from Boston to both Concord and West Concord, along with freight rail service. The Massachusetts Bay Transportation Authority (MBTA), of which Concord is a member community, provides a para-transit bus service for the elderly and disabled, while Yankee Lines provides bus service (1 trip daily) to Boston. Hanscom Field, a joint civil-military airport, is located in neighboring Bedford, and provides limited commercial air services.

FORM OF GOVERNMENT

Local legislative decisions are made by an open Town Meeting consisting of registered voters. Participation in Town Meeting, and volunteerism, are relatively high. Subject to town meeting decisions, and pursuant to the Town Charter adopted in 1956, the Town Manager handles the daily affairs of the Town of Concord and of the Municipal Light Plant. Matters of policy are referred first to the Town's five-member Board of Selectmen. Selectmen are elected at-large and serve three-year staggered terms. The Concord Municipal Light Plant is managed by a five-person board appointed by the Town Manager for staggered three-year terms. The Water/Sewer Division is part of the Public Works Commission managed by a five-person Board of Commissioners appointed by the Town Manager for staggered three-year terms. Local property taxes are assessed by a board of five assessors appointed for staggered three-year terms by the Town Manager with the approval of the Board of Selectmen.

Appendix: Community Profile

GOVERNMENT SERVICES

Concord provides a broad range of general governmental services, including police and fire protection; disposal of garbage and rubbish; water and sewer, including a secondary treatment plant; electricity; public works; parks and recreation; a community center; libraries; and a land conservation program. The Concord Housing Authority provides low-income and elderly housing.

EDUCATION

Concord's school system consists of the Concord Public Schools, grades kindergarten through 8, and the Concord-Carlisle Regional High School, grades 9 through 12. Concord contributes about 70% of the enrollment in the regional high school. Total enrollment is over 3,500, and has been slightly increasing since 1998. Technical education at the high school level is provided by the Minuteman Regional Vocational Technical School District, located in Lexington. Additionally, a number of fine private schools operate in Concord: Nashoba Brooks School, Concord Academy, the Fenn School, and the Middlesex School.

POPULATION

Although the 2010 Federal Census population figure for Concord is 17,668 (which includes the inmate population at MCI – Concord), a more representative number of residents is calculated by the January 2011 local census that shows a population of 15,627 (not including the prison population). The number of housing units in the Town has increased by 9% from 2000 to 2010, while the Town's population has increased. In addition, the average household size decreased from 2.62 persons per household in 2000 to 2.46 in 2010. Approximately 46% of the town's population in 2010 was between 25 and 54 years of age, with the largest age category being 45-54 years of age. From 2000 to 2010, the median age has increased 11% from 42.2 to 46.9, due in part to the expansion in residential nursing homes and assisted living facilities in the town.

HOUSING

Within Concord's 26 square miles of territory are approximately 16,000 acres—over 90%—of residentially zoned land, and 600 acres of commercially zoned land. About 45% of the land is developed; approximately 32% of the land is permanently protected open space in the form of private conservation land, trust land, and municipal, state, and federal park lands, and conservation and agricultural lands. Approximately 5,000 acres—about 28% of the land—have not been developed or permanently protected; the majority of these acres are zoned for one- and two-acre residential development. Approximately 21 acres of commercially zoned land remain undeveloped.

Concord's housing stock is in excellent condition. Over half of the housing units have been built since 1950. Those constructed before 1950 are well maintained due to the affluence of the owners, the high value of housing and land, and the increasing turnover rate. Concord has a low vacancy rate of approximately 7% and a high owner-occupancy rate of nearly 93%, two factors that add to the high level of maintenance of housing stock. The rate of residential development in Concord has been relatively stable since the mid-1970s. From 1990 to the present, new residential construction activity has averaged from 25 to 30 units per year. With fewer developable lots available, an increasing number of these new houses are a result of the tear-down of existing homes. As of January 1, 2010 the average household single-family home value was \$840,225, while the median value was \$657,750.

Appendix: Community Profile

ECONOMIC DEVELOPMENT

Concord has long recognized the importance of balanced community development. In 1928, the Town adopted one of the first zoning bylaws in the United States, which included districts for residential, business, and industrial uses. Since that time the Town has continued to adopt or expand zoning and comprehensive planning designed to provide an optimum mix of residential and non-residential uses. In addition, the Town has invested considerable capital in providing infrastructure to serve its industrial areas. From 1990 to 2000, the number of firms in Concord reporting to the Massachusetts Department of Employment and Training increased approximately 22%, from 779 to 948. In 2006, there were 929 firms with an average monthly employment of 12,723 and an average weekly wage of \$1,119.

The major employers in Concord¹, excluding the Town itself, are:

Name	Nature of Business	Number of Employees
Emerson Hospital	Healthcare	1,600
Baker Avenue ²	Technology	1,309
Army Corps of Engineers	Government	320
Sybase Corporation	Technology	290
Welch Foods	Food Products	221
New England Deaconess	Healthcare	220
Concord Health Care	Healthcare	183
Middlesex School	Education	169
Hamilton, Brook, Smith & Reynolds	Professional Services	136
AECOM (formerly Earth Tech)	Professional Services	109

¹As of January 2009.

²Includes Solid Works Corp., One Source Information Services.

INCOME AND EMPLOYMENT

Concord's population is relatively affluent. Median family income in 2000 was \$115,839, and per capita income was \$51,477 compared to \$61,664 and \$25,952, respectively, for the state as a whole. According to the state Department of Employment and Training, in November of 2008, the labor force living in Concord equaled 7,779 persons, of which 7,478 were employed and 301 or 3.9% were unemployed, as compared to the unemployment rate of 5.5% for the state.

Appendix: Financial Policies

TOWN OF CONCORD

FINANCIAL POLICIES

OVERVIEW

In order to ensure its financial well-being and fiscal stewardship, the Town Manager has established the following policies and procedures that are financially prudent and in the Town's best economic interest.

Overall, it is the policy of the Town of Concord that financial management be conducted with the objectives of providing municipal service in an efficient, effective, and consistent manner that aligns with public policy goals as set forth by the Board of Selectmen and the Annual Town Meeting. In adherence to this policy, the Town shall pursue the following objectives:

- to set forth operational programs that minimize the cost of government to the extent consistent with services desired by the public;
- to instill public confidence in the Town's financial management;
- to protect and enhance the Town's credit rating and prevent default on any municipal debts;
- to maintain effective financial management that conforms to generally accepted accounting principles for governmental entities as set forth by the Governmental Accounting Standards Board (GASB);
- to simplify, clarify, and modernize the financial systems of the Town as the need occurs;
- to provide safeguards to ensure the quality and integrity of the financial systems.

ACCOUNTING, AUDITING, AND FINANCIAL PLANNING POLICIES

1. The Town shall utilize accounting practices that conform to generally accepted accounting principles as set forth by GASB. In accordance with GASB Statement 34, the Town shall track, report, and depreciate capital assets as required.
2. All Town Government funds shall be placed at the highest possible rate, taking into account safety, liquidity, and yield, subject to the constraints established by State law and in compliance therewith.
3. An annual audit shall be performed by an independent public accounting firm.
4. A management letter, a list of areas for potential improvement in the Town's financial management, shall be provided by the independent public accounting firm. Additional findings and recommendations may be communicated in a separate letter.

GENERAL FUND POLICIES

1. The annual operating budget shall be balanced. A "balanced budget" for any given fund is defined as a plan of financial operation in which the estimate of proposed expenditures for a given period is less than or equal to the proposed means of financing these expenditures (from various sources of funds or revenues). In short, for a budget to be balanced, proposed expenditures shall not exceed projected resources for the period.

Appendix: Financial Policies

2. The Town shall explore the utilization of as broad a diversity of revenues as possible under state law to ensure the Town's ability to handle fluctuations in the various sources of revenues with minimal negative impact on the overall budget.
3. One-time revenues shall not be used to fund ongoing expenditures. One-time and unpredictable revenues shall be utilized to fund one-time or intermittent expenditures, or shall be added to reserves.
4. In accordance with state law, debt shall not be used to fund current operating expenditures.
5. Adequate maintenance of reserves is a priority. Free cash, which is the available undesignated fund balance in the General Fund, shall be maintained at a level no less than 5% of the total budget.
6. The Reserve Fund, an appropriated contingency account that is allocated during the year by vote of the Finance Committee pursuant to a request by the Town Manager, shall be used to provide financing for extraordinary or unforeseen expenditures, as required by state law.
7. Property valuation for the purpose of taxation shall meet the annual market value standards set by the state Bureau of Local Assessment.
8. The Tax Collector shall follow a comprehensive policy of collecting property tax revenues. An average collection rate of at least 98 percent of current levy shall be maintained.
9. Charges and fees for services, and other revenues, shall, to the extent feasible, reflect the full cost of the services, and shall be examined periodically (preferably annually) by each department as deemed necessary to respond to changes in the cost of services. Recommendations for charge and fee adjustments shall be provided by the Town departments to the Town Manager for action.
10. The Town shall avoid budgetary procedures that defer the recognition of current expenditures at the expense of meeting future year's expenditures, such as delaying the recognition of expenditure obligations until the next fiscal year.

CAPITAL BUDGET POLICIES

1. A capital item shall be defined as a major, non-recurring expenditure involving one of the following:
 - a. Real Property – includes the purchase or lease of land, existing buildings and appurtenant structures, and fixtures attached to land and buildings.
 - b. Equipment – includes the replacement or addition of major items of equipment with a life expectancy of at least 2 years and a cost of at least \$5,000. Similar items can be bundled together.
 - c. Projects – include activities such as the following:
 1. Construction of new buildings or facilities (including architectural, engineering and related fees);
 2. Improvements or major repairs (costing \$5,000 or more) of existing buildings or facilities aside from routine maintenance;
 3. Studies or other activities (costing \$5,000 or more) that either relate to future "brick and mortar" projects or are part of a multi-year program of infrastructure improvements;
 4. An annual sum available for routine building improvements, renovations, or repairs.
2. The Town Manager shall prepare a 5-year capital improvement program annually.

Appendix: Financial Policies

3. For the Town Government and Concord Public Schools, the total budget allocation within the levy limit for capital needs (cash capital outlay, principal and interest repayment, related debt issuance costs, and short-term interest expense) shall be in the range of 7-8% of the total General Fund budget.
4. One-third of total capital needs (that is, of the above 7-8% allocation limit) shall be met from current resources, limiting the cost of borrowing to approximately 5% of the total General Fund budget.

GENERAL OBLIGATION DEBT POLICIES

1. As a general policy, the threshold for an item for debt financing shall be an expenditure of at least \$100,000 and a useful life in excess of 5 years.
2. The term of long-term debt shall not exceed the expected useful life of the capital asset being financed, and in general it shall not exceed 20 years.
3. A rapid debt repayment schedule shall be maintained, with a goal of 60% principal repayment within 5 years and 90% repayment within 10 years, for tax-supported non-excluded debt.
4. Debt supported outside the levy limit—that is, through a debt exclusion—may be above the 7-8% allocation limit, and may be structured for a longer repayment schedule; such debt shall be reserved for large capital improvements, generally those costing over \$1 million and bonded for 10 years or more.
5. For all debt exclusion items, the impact on property tax rates shall be calculated.
6. All debt of the Town shall be issued as general obligation debt. As a policy, debt for enterprises may be paid for from fee revenue rather than through taxes.

ENTERPRISE FUND POLICIES

1. Rates charged by an enterprise shall be designed to generate enough revenue to cover the full cost of the enterprise (including depreciation expense).
2. Renovation or replacement of an enterprise's capital assets shall be funded with current revenues. Capital assets associated with expansion of service may be funded through borrowing.

GIFTS AND GRANTS POLICIES

1. All gifts and grants shall be evaluated for suitability and consistency with Town policies.
2. All gifts and donations shall be managed and expended according to the wishes and instructions of the donor; all grants shall be managed to comply with the laws, regulations, and guidance of the grantor.
3. For amounts less than or equal to \$500, the Town Manager shall formally accept the gift. For amounts over \$500, the Board of Selectmen shall formally accept the gift.

Appendix: Financial Policies

INVESTMENT POLICIES

All funds of the Town, except for trust funds of the Town of Concord Employees' Retirement System, are invested in accordance with Section 55 of Chapter 44 of the Massachusetts General Laws (MGL). That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's Office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U.S. Government obligations and highly-rated corporate securities with maturities of one year or less.

Trust funds, unless otherwise provided by the donor, may be invested in accordance with Section 54 of Chapter 44, which permits a broader range of investments than Section 55, including any securities that are legal investments for savings banks in the Commonwealth. The restrictions imposed by Sections 54 and 55 do not apply to city and town retirement systems. A breakdown of such investments may be obtained from the Finance Director.

Pension funds are under the jurisdiction of the Town of Concord's Employees' Retirement System.

Fund Descriptions

Governmental Funds

Most Town functions are financed through what are called *governmental funds*. There are **four** types of governmental funds maintained by the Town: the General Fund, Enterprise Funds, Special Revenue Funds, and the Capital Projects Fund. The Town Meeting appropriates the General Fund, the Swim & Fitness Center Enterprise Fund, Stabilization Funds, and the Community Preservation Act Fund, in accordance with state law requirements. The Capital Projects Fund accounts for projects funded by issuance of tax-supported debt obligations ("bonds"). All other funds are not appropriated by Town Meeting but are expended under the direction of the Town Manager in accordance with state laws and the Town Charter..

General Fund: The General Fund is the major operating fund of the Town government, and it accounts for the majority of Town operations. The General Fund is supported by revenues from real estate and personal property taxes, state and federal aid, excise taxes, investment income, fines and forfeitures, and fees and charges. Most of the Town's departments, including the schools, are supported in whole or in part by the General Fund.

Enterprise Funds: The Town maintains four Enterprise Funds: the Sewer Fund, the Water Fund, the Beede Swim & Fitness Center Fund, and the Light Fund (Concord Municipal Light Plant). In addition, the Solid Waste Disposal Fund, which technically is a Special Revenue Fund, is operated as an Enterprise Fund but does not include any capital improvement activity. An enterprise operation is a business-type activity that is supported primarily by charges for services. Funds raised from charges are dedicated to the specific purpose of the enterprise operation and cannot be diverted to other unrelated uses. The concept of an enterprise operation also includes the maintenance of the capital facilities of the business. That is, fees for services are charged to recover not only the operating costs of the activity but also the "using up" (depreciation) of the capital assets supporting the service.

Budgeting and financial reporting for enterprise operations utilizes terms and concepts that differ significantly from those utilized for the General Fund. The purpose of enterprise financial reporting is to measure with reasonable accuracy and consistency the net income derived from operations, and then to measure the availability and use of capital acquisition and construction financing. The presentation of the enterprise budgets utilizes budgetary terms and reporting structure found in the audited financial statements. As such, the key measures are *Net Income* and *Capital Resource Availability*.

Special Revenue Funds: The Town maintains several Special Revenue Funds, which are used to account for those types of revenues that are legally restricted to being spent for a specific purpose (except expendable trusts, or major capital projects). These revenues must be accounted for separately from the General Fund for a variety of reasons. Special Revenue Funds include the following types of funds:

1. **Revolving Funds:** Revolving Funds allow the Town to raise revenues from a specific service, and use those revenues to support the service without appropriation. Revolving Funds are established by state statute or local bylaw, and may require re-authorization each year at Town Meeting. The Town maintains a number of Revolving Funds, such as the Cemetery Fund, the Parking Fund and the Recreation Fund.

2. **Receipts Reserved for Appropriation:** These receipts are special revenues that are restricted to a specific use, but also require annual appropriation by Town Meeting, The Road Repair Fund is a "Receipts Reserved" Fund

Appendix: Fund Descriptions

3. **School Grants:** These grants account for several specially-financed education programs under grants received from the federal or state governments, including professional development, SPED early childhood development, drug-free school programs, and certain capital improvements.

4. **Other Intergovernmental Funds:** These funds account for several grants or monies received by the Town from the federal or state governments, including a variety of community policing grants, Chapter 90 highway monies, state election grants, state library aid, and various Council on Aging programs, such as “meals-on-wheels.”

5. **Other Special Revenue Funds:** These funds account for miscellaneous special revenues often involving private donations for a specific purpose, such as the Arts & Technology Education Fund, departmental gifts for police and fire, various Council on Aging programs, and Planning Board gifts from developers for infrastructure improvements related to proposed projects.

Capital Projects Fund: The Capital Projects Fund is used to account for monies expended for the acquisition or construction of major capital facilities (buildings, roads, etc.) other than those financed by trust funds. The Town’s Capital Projects Fund is funded primarily by the receipt of bond proceeds resulting from the Town’s issuance of bonds for specific project grants, but may also be derived from private sources, grants, or transfers from other Town funds.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. Fiduciary Funds include expendable trusts, non-expendable trusts, and agency funds.

1. **Expendable Trusts:** Expendable Trusts are used to account for monies received by the Town in a trustee capacity where both the principal and the earnings of the fund may be expended.

2. **Non-expendable Trusts:** These trusts are used to account for funds where the principal must, by law or covenant, remain intact (that is, cannot be expended). Income earned on the non-expendable trust principal may be expended in accordance with the conditions of the trust. An example is the Cemetery Perpetual Care Fund.

3. **Agency Funds:** Agency Funds are used to account for funds that are custodial in nature, collected and expensed on behalf of other units of government, such as sales taxes and other fees collected collected on behalf of and transmitted to the state government.

Basis of Accounting & Basis of Budgeting

Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, that is, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The accrual basis of accounting is utilized by non-expendable trust funds. Under this basis of accounting, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Basis of Budgeting

An annual budget is adopted by the Town Meeting for the Town's General Fund. Town Meeting approval is also required for certain special revenue funds and for capital projects funded from borrowing authorizations. The Town's General Fund annual budget is adopted on a statutory basis that differs in some respects from generally accepted accounting principals (GAAP). The major differences between the budgetary basis and GAAP accounting basis are:

1. Budgeted revenues are recorded when cash is received (budgetary basis), as opposed to when susceptible to accrual (GAAP). The property tax levy is recorded as a receivable when levied but then is fully reserved until collected.
2. Encumbrances are treated as expenditures in the year the commitment is made. Certain appropriations, voted by Town Meeting apart from the main budget articles, are referred to as "Special Articles" and under state law are a continuing authorization until the purposes for which the appropriation was initially made have been certified as completed.. Special Articles are treated as budgetary expenditures in the year of authorization or the ensuing fiscal year as specified in the vote.

Appendix: Glossary

A GLOSSARY OF TERMS COMMONLY USED IN MUNICIPAL FINANCE

Abatement: A complete or partial cancellation of a levy imposed by a governmental unit; applicable to tax levies and special assessments.

Accrual Basis: In the context of accounting, practice in which expenses and income are accounted for as they are earned or incurred, whether or not they have been received or paid.

Appropriation: An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation is usually limited in amount and the time when it may be expended. Only a vote of Town Meeting or the School Committee can authorize money appropriated for one purpose to be used for another. Any amount which is appropriated may be encumbered. Any part of the general appropriation not spent or encumbered by June 30 automatically reverts to surplus. A specific or particular appropriation is carried forward from year to year until spent for the designated purpose or transferred by Town Meeting vote to another account.

Assessed Valuation: The value placed upon a particular property by the local Board of Assessors for the purpose of apportioning the Town's tax levy among individual property owners equitably and in accordance with the legal requirement that property be assessed at "full and fair cash value," certified periodically by the Commonwealth's Commissioner of Revenue (no less frequently than once every three years).

Audit: Work done by accountants in examining financial reports, reviewing compliance with applicable laws and regulations, reviewing efficiency and economy of operations, and reviewing effectiveness in achieving program results. A basic audit examines only the financial reports and legal compliance. An outside Certified Public Accountant (CPA) audit is directed primarily toward the expression of an opinion as to the fairness of the financial statements and submission of a management letter. An auditor must be independent of the executive branch of government. A state auditor, private CPA, or public accountant, or elected auditor meets this test.

Balance Sheet: A statement which discloses the assets, liabilities, reserves, and equities of a fund or government unit at a specified date.

Balanced Budget: A plan of financial operation in which the estimate of proposed expenditures for a given period is less than or equal to the proposed means of financing these expenditures (from various sources of funds or revenues).

Budget: A plan of financial operation embodying an estimate of proposed expenditures for a given period (usually a 12-month period referred to as the Fiscal Year, or FY) and the proposed means of financing them. A budget may be preliminary (the financial plan presented to the Town Meeting) or final (the plan approved by that body).

Capital Budget: A plan of proposed capital outlays, and the means of financing them for the current fiscal period. It is usually a part of the current budget but may also be a multi-year plan.

Appendix: Glossary

Capital Improvement: A major, non-recurring expenditure involving one of the following:

- a. Real Property - Includes the purchase or lease of land, existing buildings and appurtenant structures, and fixtures attached to land and buildings.
- b. Equipment - Includes the replacement or addition of major items of equipment with a life expectancy of at least two years and a cost of at least \$5,000. Similar items can be bundled together.
- c. Projects - Include activities such as the following:
 1. Construction of new buildings or facilities (including architectural, engineering, and related fees).
 2. Improvements or major repairs (costing \$5,000 or more) of existing buildings or facilities, aside from routine maintenance.
 3. Studies or other activities (costing \$5,000 or more) that either relate to future "brick and mortar" projects, or are a part of a multi-year program of infrastructure improvements.
 4. An annual sum available for routine building improvements, renovations, or repairs.

Cherry Sheet: An annual statement received from the Massachusetts Department of Revenue (DOR) detailing estimated receipts for the next fiscal year from the various state aid accounts, and estimated state and county government charges payable by the Town, and included by the local Assessors in setting the tax rate. The actual receipts and charges may vary from the estimates.

Classification: The division of property valuations by type of property. There are five classes: Residential, Open Space, Commercial, Industrial, and Personal. The Selectmen may set as many as three different tax rates (within limits set forth in state law): for residences, for business and personal, and for open space.

Debt Service: Payment of interest and principal related to long term debt.

Depreciation: A non-cash expense (also known as non-cash charge) that provides a source of available funds. Amount allocated during the period to amortize the cost of acquiring long-term assets over the useful life of the assets. This is an accounting expense not a real expense that demands cash.

Encumbrance: Obligations such as purchase orders, contracts, or salary commitments that are chargeable to an appropriation, and for which a part of the appropriation is reserved.

Enterprise Fund: A fiscal entity with a self-balancing set of accounts that is utilized to account for a governmental service when it is the intent to recover the total cost of service, including depreciation, primarily through user charges imposed on the consumers of the service. Examples in Concord include: electricity provided by the Concord Municipal Light Plant, and Water and Sewer services provided by the Department of Public Works.

Equalized Valuation (EQV): The value of all property as determined by the Commissioner of Revenue biennially, using a standard of "full and fair value"; also referred to as EQV.

Expenditure: The spending of money by the Town for the programs or projects within the approved budget.

Appendix: Glossary

Fiscal Year (FY): A 12-month period, commencing July 1 and ending June 30, to which the annual budget applies, and at the end of which a governmental unit determines its financial position and the results of its operations. The number of the fiscal year is that of the calendar year in which it ends; FY2006 is the fiscal year which ends June 30, 2006.

Free Cash: Free cash refers to the amount of Fund Balance that is available for appropriation. It is certified each July 1 by the state. Because of the stringent way that the state makes these calculations, Free Cash more closely represents Cash (actual dollars held) than does Fund Balance, which includes a variety of receivables (i.e., cash due).

Fund: An accounting entity with a self-balancing set of accounts that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Fund Balance: The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to the stockholders equity account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected (see **Free Cash**).

General Fund: The fund into which the general (non-earmarked) revenues of the Town are deposited, and from which money is appropriated to pay expenses.

General Obligation Bonds: Bonds issued by the Town that are backed by the full faith and credit of its taxing authority.

Governmental Funds: Funds used to organize and separate the finances of various Town activities and objectives. Governmental Fund categories include: the General Fund; Enterprise Funds; Special Revenue Funds; and the Capital Projects Fund.

Land Fund: A fund established by Town bylaw in FY1986 to which may be added an annual appropriation, gifts, and grants. The use of the fund is restricted to the acquisition of land, debt service on designated land purchases, and related costs, such as legal and appraisal fees.

Overlay: The amount raised from the property tax levy in excess of appropriations and other charges. It cannot exceed 5 percent of the levy, and is used to cover abatements and exemptions granted locally or on appeal.

Overlay Surplus: The unused portions of **overlay** accounts from previous years; at the end of each fiscal year, this amount is computed from information provided by the Board of Assessors. Any sum so designated is transferred to, and becomes part of, the General Fund undesignated fund balance.

Override: A vote to increase the amount of property tax revenue that may be raised over the levy limit set by **Proposition 2½**.

Personal Services: The cost of salaries, wages, and related employment benefits.

Appendix: Glossary

Property Tax Levy: The amount produced by multiplying the assessed valuation of property by the tax rate. The tax rate is expressed per thousand dollars of assessed valuation. For example:

<i>House Value:</i>	\$500,000
<i>Tax Rate:</i>	\$9.83 (which means \$9.83 per thousand \$\$ of valuation)
<i>Levy Calculation:</i>	\$9.83 multiplied by \$500,000 divided by \$1,000.
<i>Result, Property Tax Levy:</i>	\$4,915

Proposition 2½ (see below): A tax limitation measure passed by Massachusetts voters in 1980 that limits the growth of the total property tax levy to 2.5% per year. New construction values are added to this limit. Two provisions of Prop 2½, so-called, allow the Town to raise taxes above this tax levy limit, upon approval by a Town-wide vote: an operating override or a debt exclusion.

Purchased Services: The cost of services that are provided by a vendor.

Reserve Fund: A fund appropriated each year that may be used only by vote of the Finance Committee for "extraordinary or unforeseen expenditures."

Revolving Fund: Those funds that may be used without **appropriation**, and that are established for special uses. Fees (such as for recreation) may be paid into a revolving fund. Revolving funds are established directly by state law or by Town bylaw consistent with state law.

Tax Levy: Total amount of dollars assessed in property taxes by the Town each **fiscal year**.

Warrant: A list of items to be voted upon at Town Meeting.

Terms Associated with Proposition 2½

Excess Levy Capacity: The difference between the Town's maximum annual tax levy limit as established by Proposition 2½, and its actual **tax levy** for the current year. It is additional **tax levy** that a town could raise without asking voters for an **override** or debt exclusion.

Growth Revenue: The amount of property tax revenue that the Town can add to its allowable tax levy as a result of new construction, alterations, subdivision, or change of use of a parcel.

Primary Levy Limit, or Absolute Limit: 2.5 percent of certified full and fair cash value of taxable property.

Secondary Levy Limit, or Annual Levy Limit: Prior levy limit plus 2.5 percent (base) plus **growth revenue**.