

Section VI

Budget Detail – 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 FY13 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 FY13 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

FY13 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.

2011

September 15	Capital Improvement Program FY13-17 requests due
September 15	Budget Instructions issued to all departments, boards and committees
September 22	FY2013 fiscal planning meeting; Board of Selectmen, School Committee, Finance Committee
October 14	FY2013 Operating Budget Requests due
October 31– November 18	Operating and Capital Budget Request review: meetings with Town department heads, Budget Review Team
November 9	Classification Report submitted by Board of Assessors to Board of Selectmen (Re: setting the FY11 property tax rates)
November 14	Public Hearing (“Classification Hearing”), proposed property tax rates for FY12 (based on FY12 appropriations voted at April 2011 Town Meeting)
November 17	Finance Committee votes Budget Guidelines and issues by November 30 to Selectmen and School Committees
December 3 (Sat)	Selectmen/Committees Coordination Meeting; planning session for April 2012 Annual Town Meeting
December 5	Warrant opened for 2012 Annual Town Meeting
December 9	Preliminary FY2013 Operating Budget recommendations and final recommendations for FY13-17 CIP compiled by Budget Review Team for Town Manager’s review and decisions

FY2013 Budget Calendar continued on next page

Appendix: Budget Process

2012

January 2	Preliminary draft of Town Manager's expenditure/appropriation recommendations for FY2013 Operating Budget submitted to Board of Selectmen
January 3	Warrant for Town Meeting closes at 4:00 PM
January 24	90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2013 (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 3	Proposed budgets for FY2013 operations of Enterprise Funds are due.
February 16	Public Hearings advertised (for FY2013 General Fund operations)
February 17	Legal deadline for mailing of Town Meeting Warrant to residents (at least 10 days prior to Public Hearing)
February 27	Finance Committee's Public Hearing on Town Manager's General Fund operating budget proposals for FY2013 and all other non-school financial articles on the Town Meeting Warrant
February 29	Finance Committee's Public Hearing on Education budget proposals for FY2013 (CPS and CCRSD School Committees, and Minuteman Science & Technology High School)
March 9	Town Manager's Proposed Budget for FY2013 Enterprise Operations published (10 days prior to Public Hearing)
March 19	Public Hearing on Enterprise Fund budgets and Articles
March 22	Finance Committee completes its recommendations for Town Meeting
April 2	Finance Committee Report to printer
April 13	Finance Committee Report mailed to residents (at least 10 days prior to Town Meeting)
April 23	Town Meeting - consideration of budget; enactment of appropriations (first session)

Appendix: Finance Committee's Budget Guidelines



Finance Committee Town of Concord

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

Date: November 30, 2011
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. Carol Wilson, Chair, Concord Finance Committee
Ms. Lynn Salinger, Vice-Chair, and Chair of Guidelines Subcommittee
Subject: **FY 2013 Final Budget Guidelines**

As required by Town bylaw, the Finance Committee has approved a Budget Guideline for the fiscal year beginning July 1, 2012 (FY2013). The Guideline was adopted with full consideration of the budget requests provided to the Committee by the three budget authorities in Concord, as well as an assessment of non-property tax revenues to be expected and the Town's position with regard to unused capacity within the Proposition 2 ½ Levy Limit for the coming fiscal year.

The Guideline adopted by the Finance Committee directs \$1,850,000 of incremental funds to the operating budgets and assumes that \$475,000 will be allocated from the Elementary School Debt Stabilization Fund to partially offset the tax impact of FY13 debt service on long-term serial bonds issued for the elementary school building projects. The result is an estimated increase of 3.01% to support operating budgets with an overall estimated levy increase of 2.98% before counting estimated new growth. This guideline level is \$1,660,417 below the current estimate of Concord's levy limit for FY13.

At the outset of the FY13 guidelines deliberation process in early October the Finance Committee considered the following factors:

- A challenging economic situation predominates, with stagnant real estate values and household incomes, in Concord as elsewhere in the Commonwealth.
- The federal government budget situation remains uncertain. The potential defense and non-defense cuts to the Massachusetts economy as a result of the budget deficit crisis in Washington may impact jobs and incomes in Concord. Foreseeing this, Moody's Investors Service assigned a "negative outlook" to the credit rating of Concord and all other "Triple-A" rated state and local governments nationwide last summer in connection with the negative outlook it assigned on the existing Aaa rating of the United States of America debt.

Appendix: Finance Committee's Budget Guidelines

- The Finance Committee was concerned about the cumulative impact of town budget increases on rising property tax obligations to taxpayers.
- Noting the town's strengthening unreserved fund balance position ("Free Cash"), the Finance Committee recommended, and Concord Town Meeting approved on November 7, 2011, the creation of a Debt Stabilization Fund for the high school building project and the appropriation of \$2 million from Free Cash to this new fund for the future purpose of mitigating the debt repayment burden during peak years to Concord's taxpayers. This move was contingent on approval of the building project at ballot votes in both Concord and Carlisle. Furthermore, the Finance Committee was mindful that possible approval of the high school building project could result in an increased tax to households of approximately 4% during the peak debt repayment years, FY16-22, independent of operating budgets increases. Town meetings in Concord and Carlisle on November 7 and 8 and ballot votes in both towns conducted on November 15, 2011 formally approved the proposed \$92.5 million high school project.
- Impacts of the Longview Meadow apartment complex, to be completed in 2012, on schools and public safety needs are unknown.
- In view of these uncertainties, the Guidelines Subcommittee affirmed a desire to maintain flexibility as long as possible with regard to unused levy limit capacity by not recommending guidelines that would fully utilize that capacity in one year.

Based on the information available to date, the Finance Committee anticipates that the Town Government and the Concord-Carlisle Regional School District (CCRSD) will be able to prepare FY13 budgets that maintain core programs within this Guideline. However, the Finance Committee recognizes that the Guideline allocation does not fully meet the budget request of the Concord Public Schools (CPS). In fact, the Guideline is \$331,339 below the budget increase identified in the CPS FY13 preliminary budget of October 13, 2011.

The Finance Committee will continue to monitor the economic climate as well as the assumptions incorporated in its calculation of funds available for the FY13 operating budgets. We will work carefully with the budget authorities throughout the FY13 budget preparation and finalization process, up to Town Meeting in April 2012, to monitor factors that may prompt additional responses or modifications.

FY2013 Guideline

Operating budgets over the last few years are compared below with the guideline for FY13 adopted by the Finance Committee:

Appendix: Finance Committee's Budget Guidelines

Operating Budgets (in \$)	FY10	FY11	FY12	Guideline	FY13	% Increase
Town	17,352,013	17,352,013	18,124,013	600,000	18,724,013	3.31%
CPS	27,699,200	27,699,200	28,474,200	950,000	29,424,200	3.34%
CCRSD *	13,442,936	14,006,221	14,766,221	300,000	15,066,221	2.03%
Operating Budgets	58,494,149	59,057,434	61,364,434	1,850,000	63,214,434	3.01%
Other Accounts	17,033,796	18,503,360	18,752,777		19,026,234	
Total Budget Plan	75,527,945	77,560,794	80,117,211		82,240,668	

* Note that the CCRSD figure includes OPEB and health insurance payments, which the town & CPS figures do not. This biases the CCRSD budget upwards slightly, and is another factor to bear in mind when comparing increases. OPEB contributions \$250K in FY12 and \$275K in FY13, while insurance has been running about \$1 million in last few years, and increasing rapidly.

As noted in last year's budget guidelines memo, the budget increases implied by the budgets approved for FY11 – with 0% increases for both town government and CPS – are not sustainable. Factors driving budget increases for the three entities include salaries, health insurance, and other post-employment benefits. For CPS and CCRSD, special education costs remain 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 services expected by the taxpayers, let alone identifying funds for any new initiatives, is exceedingly challenging.

Key Assumptions of the FY13 Operating Budget Guideline

The Finance Committee Operating Budget Guideline assumes that FY'13 state aid will decline by about 5% for the Town and the Regional High School. Unused Levy Capacity for the current year (FY '12) is \$1,994,041, based upon the current year property tax rate set by the Board of Selectmen on November 21st. In other words, the current year property tax levy is below the Levy Limit. This amount may be levied in FY'13, and the Finance Committee has incorporated a small part of this allowance (\$366,356) into the FY'13 budget planning. The tax levy from New Growth – essentially new construction and renovations/additions expected to be completed by June 30, 2012 and added to the tax roll for FY'13 – is projected at a conservative \$600,000. Other revenue sources are estimated to decrease by \$120,000. The Finance Committee will continue to carefully monitor FY'12 performance in this area for any variances that could also affect FY'13 projections either favorably or unfavorably. Finally, the 2.5% increment allowed for the Levy Limit for FY'13 equals an estimated \$1,676,179.

Appendix: Finance Committee's Budget Guidelines

FY'13 Estimated General Fund Revenue Changes and net available for operating budget guidelines

• Allowed increase in Levy Limit (+2.5%)	\$ 1,676,179	
• Levy Increase due to estimated New Growth	600,000	
• Applied from Unused Levy Limit of FY'12	366,356	
• Estimated decrease in Local Receipts	(120,000)	down 2.4%
• Increase in CMLP transfer	5,000	
• Estimated decrease in State Aid	<u>(180,402)</u>	down 5.0%
<i>Subtotal, available for total Town Budget</i>	\$ 2,347,133	up 3.1%
<i>Less</i>		
• Increase in Cost for Joint Accounts	(375,000)	up 3.35%
• Increase in Cost for Miscellaneous Items	<u>(122,133)</u>	up 7.5%
<i>Net available for operating budgets</i>	\$ 1,850,000	up 3.0%

The FY'13 Guideline leaves \$1,627,685 as the projected unused levy limit unallocated. 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 FY '13 budgets at the 2012 Town Meeting.

Free Cash Requirements

Based on FY '11 financial results, including town revenues, state aid, and unexpended appropriations, the Finance Committee estimates a Free Cash balance of approximately \$9,500,000 as of June 30, 2011. This amount is still only an estimate; the Free Cash level has not yet been certified by the state. The Finance Committee's policy has been to reserve a minimum of 5% of the total annual budget in Free Cash, as a floor.

In view of continued uncertainty at the federal and state levels, the review of the Town's credit rating noted above, and the importance of maintaining the Town's Aaa credit rating in light of the pending High School project long-term bond issues planned through FY16, the Finance Committee notes that the current Reserve position in the range of 10% is an important and potentially decisive factor in maintaining our credit rating through these tumultuous times. The Committee notes also that the Special Town meeting of November 7, 2011 voted consistent with the recommendation of the Finance Committee to allocate \$2,000,000 from the June 30,

Appendix: Finance Committee's Budget Guidelines

2011 Free Cash balance into a Debt Stabilization Fund specifically to mitigate the Town's share of the High School project debt service in future years.

The Finance Committee is recommending maintaining the amount of Free Cash allocated to the FY '13 Operating Budget Guideline at \$850,000 (the same amount as FY'12) representing approximately 1% of the FY'13 proposed total budget of \$82,240,668. The strong financial performance of the Town over the last few years has allowed for Free Cash to be replenished at a healthy rate. Allocation of Free Cash to support operating expenditures is based on what we project with a high degree of confidence can be replenished from the operating results of each year. Throughout the months leading up to the April 2012 Annual Town Meeting, the Finance Committee will monitor new revenue data against projections and reconsider the recommended allocation of Free Cash as needed.

Property Tax Impact

The impact of the FY '13 Levy Limit Guideline on the property tax levy is projected at +2.98% to existing taxpayers (about \$274 at the FY '12 current median single-family residential assessed value of \$677,900).

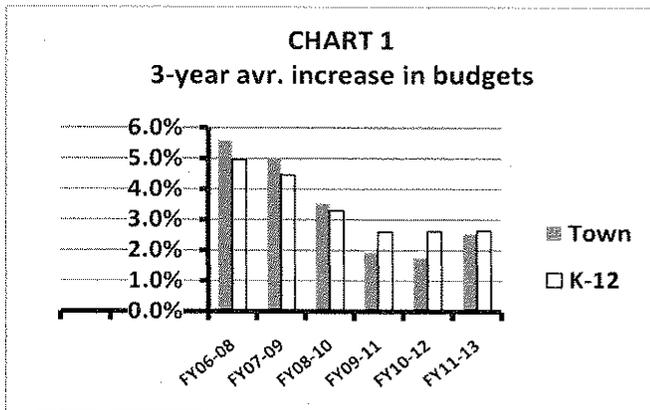
The components of the 2.98% increase projected for existing taxpayers are:

- 2.50% - the allowed 2.5% increase
- 0.45% - from partial use of the prior Unused Levy Limit
- 0.03% - increased debt service on Excluded Debt, net of \$475,000 proposed to be allocated from the Stabilization Fund and \$409,878 as the scheduled required amortization allocation from the \$6.3 million Thoreau School grant received in June 2010 from the Massachusetts School Building Authority.

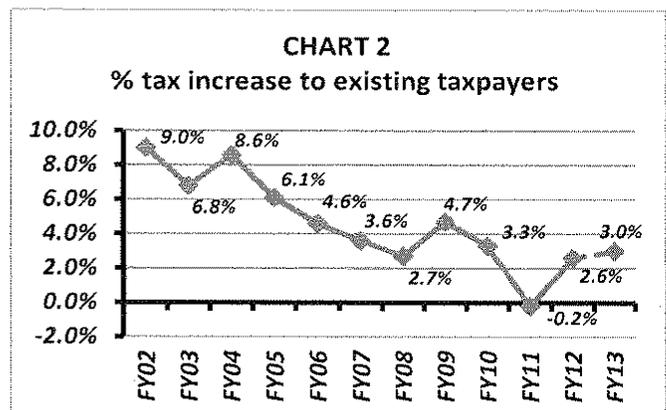
Longer Term View

In view of the new excluded debt approved by the town and the economic risks that continue to loom on the horizon, the Finance Committee believes it is prudent to remain fiscally conservative. As long as Concord still has some levy limit flexibility, this will likely mean 2.5-3% annual operating budget increases, barring unforeseen expenses. Over the last 4 years, Concord's budget increases have stayed within this 2.5-3% band. Once the levy limit capacity is used, Concord's operating budgets will likely be able to increase at no more than this 2.5% annual rate without override approval of the town. In fact, trends in annual operating budget increases are downward, depicted here for Town and K-12 as 3-year moving averages (Chart 1) to smooth out fluctuations. The history and FY'13 projection of the annual increase to taxpayers, covering the total budget plan, is presented in Chart 2, and also has been trending downward.

Appendix: Finance Committee's Budget Guidelines



Source: 3-year average of increases of figures above, back to FY05



Source: 2011 Finance Committee report, updated

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 tough times. The Committee also recognizes the challenges of retaining the quality personnel who work for both the town and schools during difficult times. In particular, the Finance Committee recognizes that employees whose contracts are *not* covered under collective bargaining agreements have faced tougher salary conditions than those whose contracts were negotiated during a more propitious economic environment.

Looking Ahead

This year's Guidelines process has been characterized by the following dimensions:

- The Finance Committee grappled with the long-term implications of current budget guidelines decisions. We recognize that the cumulative impact of annual local tax increases is difficult to absorb in the absence of real growth of incomes and property values.
- The Finance Committee also incorporated the concept of benchmarking to review educational outcomes as well as costs in our analysis. We recognize that while Concord schools achieve superb outcomes for our students, this achievement comes at a higher per pupil cost than in comparable, neighboring towns. The Finance Committee will continue to dialogue with the schools about what can we learn from our neighboring towns to make us even better at delivering value for our funds spent. In future years, we may also wish to apply a similar benchmarking analysis to elements of the town budgets.
- The Finance Committee commends the town for undertaking a bi-annual survey of citizens' views on local services and finances, and awaits the results of the next survey (fall 2012) with great interest. The Finance Committee also recommends the tracking of a limited set of variables that reflect local trends in income and employment, real estate market conditions, and indicators of economic hardship faced by Concord taxpayers, such as requests for property tax exemptions and household assistance. While these

Appendix: Finance Committee's Budget Guidelines

data points do not perfectly measure taxpayers' ability or willingness to pay higher local taxes, they will provide some proxy indicators of the economic conditions in town.

As we consider how to estimate future tax levy trends in response to Article 3 passed at the Special Town Meeting on November 7, 2011, the Finance Committee notes the following real pressures for additional operating budget and capital investments that loom on the horizon, including:

- The need to fund OPEB liabilities (the Town's 50% share of retiree health insurance costs) continues to press, although health care reforms have the potential to reduce those unfunded liabilities in the coming years.
- Significant population expansion in West Concord when occupancy begins in the Longview Meadow complex and eventually as much as 5% of the town's population may reside in this corner of the Town at the Sudbury/Acton/Maynard border. This may lead to additional public safety, emergency response, and education costs. Capital costs of public safety investments that may be associated with such a population increase, such as the possible need for a new ambulance and fire station in West Concord, will be partly offset by the \$1 million mitigation payment already negotiated with the developers of the project when it was approved. However, the current costs of salaries and other budget expenses are not anticipated in that payment, and may be significant.
- The Finance Committee continues to monitor the growth in demand for public utilities (wastewater treatment, electricity) that will translate into public utility capacity expansion needs for the Wastewater Treatment and Concord Municipal Light Plants at some future point, fully or partially financed by utility ratepayers. The Finance Committee urges careful consideration of the timing of such projects, in light of the newly approved excluded debt for the high school project.

CONCLUSION

The Finance Committee appreciates the cooperative spirit with which the Town Manager and the Superintendent of Schools, and their staffs, have approached this part of the budget development process. As we move forward, the Finance Committee anticipates that Town and school administrators will continue to demonstrate fiscal discipline, to work creatively to control costs, and to develop budget proposals that are sustainable within resources that will continue to be limited 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, three Enterprise Funds, several Special Revenue Funds, and the Capital Projects Fund. The Town Meeting appropriates the General Fund.

General Fund: The General Fund is the major operating fund of the Town government, and it accounts for the vast 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: one for the Sewer Division of Public Works, one for the Water Division of Public Works, one for the Beede Swim & Fitness Center, and one for the Concord Municipal Light Plant. In addition, the Solid Waste Disposal Fund, which technically is a Special Revenue Fund, is treated as an Enterprise Fund, but without any capital improvement activity. An enterprise operation is a business-type activity supported primarily by charges for services received. 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 investments supporting the service.

Budget and financial reports for enterprise operations utilize terms and concepts that differ significantly from those utilized for General Fund tax-supported reports that are the routine focus of public attention. 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 concepts, and the reporting structure found in the audited financial statements for the same enterprise funds. 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, and do not necessarily follow the same fiscal year as the General Fund. In addition to the Solid Waste Disposal Fund, which is treated as an Enterprise Fund, 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 statute or bylaw, and may require re-authorization each year at Town Meeting. The Town maintains a number of Revolving Funds, such as the Road Repair and Recreation Revolving Funds.

2. **Receipts Reserved for Appropriation:** These receipts are special revenues that are restricted to a specific use, but also require appropriation by Town Meeting, such as sewer betterment fees, monies from the sale of cemetery lots and graves, conservation wetland protection fees, and the proceeds from the sale of Town property.

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 used 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. An example of an expendable trust fund is the Town’s Stabilization Fund.

2. **Non-expendable Trusts:** These trusts are used to account for trusts where the principal must remain intact (that is, cannot be expended). Generally income earned on the non-expendable trust principal may be expended in accordance with the conditions of the trust. An example is the Cemetery Department’s Principal Care Trust.

3. **Agency Funds:** Agency Funds are used to account for funds that are custodial in nature, and do not involve the measurement of operations, such as the fund for the Town’s deferred compensation plan.

Account Groups

The last category of funds maintained by the Town is the General Long-term Debt Account group, which accounts for the balances due on long-term debt that the Town has financed.

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 capital projects and 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 budget basis and GAAP basis of accounting are that:

1. Budgeted revenues are recorded when cash is received, except for real estate and personal property revenues, which are recorded as revenue when levied (budget), as opposed to when susceptible to accrual (GAAP).
2. Encumbrances are treated as expenditures in the year the commitment is made. Also, certain appropriations, known as special articles, do not lapse, and are treated as budgetary expenditures in the year they are authorized.

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**.