



TOWN OF CONCORD,
MASSACHUSETTS

**Town Manager's
Proposed Budget
FY2009**

For the Fiscal Year
July 1, 2008 - June 30, 2009



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GOVERNMENT FINANCE OFFICERS ASSOCIATION

DISTINGUISHED BUDGET PRESENTATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Town of Concord, Massachusetts for its annual budget for the fiscal year beginning July 1, 2007. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Concord
Massachusetts**

For the Fiscal Year Beginning

July 1, 2007

Oliver S. Cox

President

Jeffrey R. Egan

Executive Director

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Section I

Letter of Transmittal

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OLD NORTH BRIDGE

TOWN OF CONCORD

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CHRISTOPHER WHELAN, TOWN MANAGER

January 29, 2008

The Honorable Board of Selectmen,

I herewith submit for your review the Town Manager's Proposed Budget for Fiscal Year 2009 (July 1, 2008 - June 30, 2009), in accordance with the requirements of the Town Charter. This budget contains my recommendations for appropriation amounts for the various Town departments, as they appear in Article 7 of the 2009 Annual Town Meeting Warrant. This budget document also provides background information regarding revenue and expenditure trends as well as an explanation of my recommendations.

Budget Format

The format and content of the Town Manager's Proposed Budget document continues to undergo modification and continuous improvement. The changes have been made with the objective of incorporating the "best practices" for municipal budgeting as set forth by the Government Finance Officers Association (GFOA) of the United States and Canada. These practices incorporate twenty-seven criteria covering four general categories:

- the budget as a policy document;
- the budget as a financial plan;
- the budget as an operations guide;
- the budget as a communication device.

Accordingly, the format for this Budget Book has been altered over the past few years to integrate information specified by the GFOA. With these changes, the goal is to provide the citizens a document that more effectively communicates the important issues facing the Town and that presents information about how the budget addresses these issues.

This year, the budget pages for each division have been completely reformatted, the first major change of these pages in over a decade, in order to provide for summary information which is easier to comprehend. In addition, the document begins the process of providing a more structured presentation of performance information about each division and program. Past budget documents presented such information for some but not all accounts and did not focus the

reader's attention on performance data. This year's change in focus is not yet comprehensive but begins a multi-year process. The goal is to link Town objectives and performance information to the budget more directly.

As a result of the ongoing improvements, the Town Manager's Proposed Budget for Fiscal Year 2008 earned the GFOA's Distinguished Budget Presentation Award for the third consecutive year. The extraordinary effort of the Finance Department staff and the collaborative participation of the department heads have been particularly noteworthy in this achievement.

Budget Summary

I am presenting to you a recommended total Town Budget that conforms to the Finance Committee Guidelines for town and school operations established in November of 2007. This FY2009 spending plan will not require consideration of an operating override ballot. It will be funded within the property tax levy limit projected for FY2009.

The total General Fund spending plan is \$73,167,991, an increase of 5.4%. This total includes:

- the proposed budget for the operation of the town departments and accounts under the direction of the Town Manager, referred to in this document as "Town Government Budget" and presented for Town Meeting appropriation under Article 7 of the Warrant for the 2008 Annual Town Meeting; \$30,882,206;
- the proposed budget for the Concord Public Schools (K-8), which is the responsibility of the Superintendent of Schools under the direction of the CPS School Committee, presented for Town Meeting appropriation under Article 8 of the Warrant; \$27,206,200;
- the proposed assessment for Concord's share of the Concord-Carlisle Regional School District budget which also is the responsibility of the Superintendent of Schools under the direction of the CCRSD Regional School Committee, presented for Town Meeting appropriation under Article 9, Item #1 of the Warrant; \$13,488,028;
- the proposed assessment for Concord's share of the Minuteman Vocational Technical High School budget which is the responsibility of the MMVT Superintendent under the direction of the Minuteman Regional School Committee, presented for Town Meeting appropriation under Article 9, Item #2 of the Warrant; the assessment amount has been estimated by the Concord Finance Committee as \$574,557, based upon preliminary information received from MMVT but this should not yet be considered an official estimate;

- accounts that are not subject to Town Meeting vote but which must be provided for within the FY09 financial plan, included in this document in Section V (accounts #101-103-state assessments, an allowance for a possible deficit in the snow removal account, and an allowance for the Overlay Reserve to cover property tax exemptions and abatements related to the FY09 property tax levy that may be granted by the Board of Assessors; \$1,017,000.

**SUMMARY OF THE PROPOSED FY09 GENERAL FUND SPENDING PLAN
recommended at the
Finance Committee Guidelines as of November 2007**

	FY2009 Proposed	percent change from FY2008
Town government operations	\$ 17,190,013	4.8 %
• <i>accounts #1-42 in this document</i>		
Concord Public Schools (K-8)	\$ 27,206,200	3.0 %
• <i>account #104 in this document</i>		
Concord-Carlisle High School		
<i>operating assessment</i>	\$ 12,803,885	5.0 %
<i>debt assessment</i>	\$ 684,143	43.6 %
• <i>account #105 in this document</i>		
Minuteman Vocational Technical H.S.	\$ 574,557	(5.0) %
<i>estimated assessment</i>		
• <i>account #106 in this document</i>		
Joint Accounts, Town and CPS	\$ 13,692,193	10.5 %
• <i>accounts #43-47 in this document</i>		
accounts not appropriated by Town Meeting		
• <i>accounts #101-103 in this doc.</i>	\$ 1,017,000	6.3 %
GRAND TOTAL	\$ 73,167,991	+ 5.4 %

While the education budgets are not under the Town Manager's jurisdiction, summary pages for the three school accounts are included in this document (accounts #104-106) in order to present a comprehensive spending plan to the citizens of Concord. Also, it is the responsibility of the Town Manager under the

Town Charter to provide an estimate of the revenues available and required in total to support all component parts of the town's budget. The schools are not separate taxing entities. The Concord Public Schools (grades K-8) are legally part of the Town of Concord but are under the jurisdiction of the elected School Committee. The two Regional High Schools each are separate political subdivisions of the Commonwealth of Massachusetts but derive their resources primarily from assessments billed to the member communities rather than directly from the taxpayers. The full school budget documents may be obtained from their respective superintendents.

These Guidelines of the Finance Committee were based upon resource estimates for FY09 made in September 2007. In November, the Finance Committee issued its Guidelines for FY09 town and school budgets that anticipated financing within the projected FY09 property tax levy limit and, for the second consecutive year, would not require consideration by the voters of a "Proposition 2½" Operating Override ballot.

The budgets submitted by the Town Manager and the School Superintendent meet the Finance Committee Guidelines. Despite the fact that both the town and school budgets anticipate no increase in state financial assistance, and that other local revenues are not projected to grow, spending plans have been developed within the resource constraint and FY09 proposed budgets will allow for the continuation of existing service levels.

For six consecutive years (FY02-07), the voters were presented annually with operating override decisions. How has the Town been able in FY08 and now again for FY09 to avoid this necessity? The Town's budget controls are strong – both on the town side and on the school side. The credit rating agency, Moody's Investors Service, routinely and for many years has commented favorably on this aspect of the Town's management. But strong spending controls do not by themselves balance budgets and preserve existing service levels. The most recent two years have seen a confluence of positive developments on the revenue side; circumstances that produced higher revenues but that are not likely to persist.

Specifically, we have gone through a two-year period of abnormally high short-term interest rates. The treasury has been able to take prudent advantage of this fact to produce record interest earnings for the General Fund. From a low point of \$264,081 earned in FY2004 (when short-term interest rates were briefly below 1%) to the high point of \$1,322,697 earned in FY2007, this swing of more than \$1,000,000 was not projected in our successive budgets – and it is now evident from the events of the past few weeks that it will not persist. Short-term rates are being cut significantly by the Federal Reserve – just in time for us to take advantage on the spending side, as we prepare to finance the Willard School construction with short-term Bond Anticipation Notes!

Another favorable revenue development was the upturn in state aid over the past several years, from a low of \$3,242,000 in FY2004 to \$4,235,000 in the

FY2008 budget year. In addition, we received unexpected one-time payments of almost \$500,000 from the state during FY2007, a circumstance that will not be repeated.

Finally, it is worth noting that our building and inspection permit revenue continues to be very strong. Our budget forecasts continue to anticipate that this revenue source will drop, but the high level of activity persists – even while construction activity in surrounding communities has dropped precipitously. The additional FY08 tax levy generated by new construction was a record amount. We cannot anticipate nor can future budgets be planned on the assumption that this will continue indefinitely and that Concord is immune to any slowdown.

Revenue forecasts for the next budget will remain conservative, but the results of the recent past have put us in a very strong position both to plan the next budget soundly and to weather any modest downturn.

Tax Impact

At the FY09 forecasted property tax levy, the tax rate impact is projected to be +5.63%. At the median single family residence value of \$735,650, this represents an additional \$444, or an added \$60 for each \$100,000 of assessed value. This projection is detailed in the table on page III-12.

While the "Proposition 2 ½" limit permits a 2.5% increase each year in the prior Levy Limit, the projection for FY09 also incorporates the use of a portion of the unused levy limit capacity carried forward from FY08 (\$981,370, of \$1,335,487) and the increased debt service cost for debt-financed projects already approved as exclusions from the levy limit by previous votes of the town electorate (an added \$904,347 for FY09).

• Tax levy increase from 2.5% allowed Levy Limit change	\$1,431,311	
• Unused Levy Limit from prior year	\$ 981,370	
• Debt exclusion levy increase	<u>\$ 904,347</u>	
Change in tax levy from existing taxpayers	\$3,317,028	(+5.63%)
• Tax Levy projected from New Growth	<u>\$ 600,000</u>	
Total budgeted change in tax levy	\$3,917,028	(+6.64%)

Other Revenues and Expenditures subject to review

Revenues

The resource projections on which the November Guidelines were based will be subject to further review and change prior to the April Town Meeting. Several key revenue elements are discussed here:

- State aid is projected to be unchanged, except for a small increase in the Police Career Incentive ("Quinn") program Based upon actual costs of FY2007 which the state reimburses 50%. The Governor's budget released January 23rd indicates that Concord could realize an increase of \$232,000 for FY09, but these estimates are tenuous and in large part rely upon state revenues that do not presently exist. Accordingly, my budget does not revise the "no change" forecast for next year.
- A decrease in motor vehicle excise tax of \$25,000 is projected, in light of the continued decline in new vehicle sales statewide as measured by the state's sales tax revenues. As the local motor vehicle excise tax is based upon a rapidly declining depreciation schedule, our billable total is very sensitive to any drop-off in the registration of new vehicles. This bears careful monitoring, as a decline in this source could be more sudden and significant than we now foresee.
- Interest earnings on cash balances temporarily available in the Town treasury are related directly to the rise and fall of short-term interest rates set by policies of the Federal Reserve Bank (as discussed above). Wide swings in the Fed's interest rate policies in recent years have had a dramatic impact on the Town's General Fund income from this source. While the FY08 current year budget estimate is not in jeopardy, the FY09 budget estimate has been lowered from the estimate made last September in light of the sharp reductions made by the Federal Reserve in recent weeks. We now expect short-term rates to continue to fall further through most of this calendar year. Some market analysts then expect interest rates to turn upward late this year or early in 2009. For the full period July 1, 2008 to June 30, 2009, the revised budget estimate anticipates about a 3% earnings rate. The FY09 forecast of \$700,000 is more than \$600,000 below actual FY07 revenue.

The "Snow" account:

As of the writing of this letter, Concord has experienced greater snowfall than usual and the cost of snow removal this winter is expected to be greater than the current year \$444,750 appropriation. The sum of \$140,000 is presently earmarked in the FY09 Plan in anticipation of a current year deficit. This allowance is the average snow account appropriation deficit over the past five years, but the annual cost has been subject to wide swings based on the weather. Since any deficit must be raised in the next tax levy, within the levy limit, our annual financial plan seeks to mitigate and manage the risk that a significant snow account deficit could force operating budget cuts very late in the annual budgeting cycle.

Increasing Health Insurance Costs.

Employee health insurance costs continue to be one of the fastest growing components of our budget. The town pays on average about 54% of employee group health insurance costs and 50% of retiree costs. This budget item has continued to increase significantly despite the fact that Concord has been in the forefront of municipal collaborative efforts to restrain costs and wring out unneeded overhead expense through our leadership of the 17 towns and regional school districts now in the Minuteman Nashoba Health group. The FY09 Group Insurance budget is proposed to be increased by \$360,000 (+10%).

Post-retirement health insurance liability

While our General Fund revenues can be expected to increase annually only in the 3-4% range, health care costs have been rising significantly for the past six years and are expected to continue to rise at least 5% to 10% annually beyond FY09. Approximately a quarter of the total group insurance expenditure is for retirees. New governmental accounting standards that will become effective for financial reporting as of June 30, 2008 will require municipalities to account for the unfunded portion of post-retirement health insurance benefits, in much the same way that the Town now accounts for pension liabilities. The requirement is solely to report the future liability on the Town's annual financial statements, not that it must immediately be added as an item in the annual budget. Funding this liability as a current cost – that is, accumulating the necessary assets during an employee's working years - will represent a significant new budget expense. This budget does not propose any "seed" funding, but it is likely that we will need to address the funding issue over the next several years. The 2007 Special Town Meeting of November 5th approved the filing of a Home Rule petition that would create a Trust Fund and establish the necessary investment authority for the Treasurer to manage any funds accumulated for this long-term purpose. Without proper investment authority, the accumulation of assets to address future long-term liabilities but invested at short-term money market rates would be a money-losing and pointless proposition.

Energy Prices

Energy prices remain extremely volatile. In the FY08 budget, the Town made allowances for the price increases that had been seen during FY07. Accordingly, as compared with the current year budget, the FY09 budget does not greatly increase the allocation for gasoline, diesel, and natural gas cost. However, price levels will need to be continuously monitored.

These and other changes in forecasted revenues and expenditures will need to be reviewed before final FY09 recommendations are made in March by the Finance Committee and final decisions are made in April prior to the Town Meeting.

Budget Priorities

By state statute and town by-law, we are required to present a balanced budget to Town Meeting. An increase in expenditures in one area must be matched with either a corresponding decrease in expenditures in another area or a corresponding increase in revenues. Although previous Proposition 2 ½ overrides have played an important role in helping the town maintain the services provided to the public, we have, nevertheless, had to constrain funding for many operating and capital accounts for which there is a continuing need.

The major budget priorities and funding objectives are discussed below.

- **Staff Compensation**

The proposed FY09 budget will provide, for non-union employees, an adjustment of 3% on the pay scales effective July 1, 2008 and a merit increase averaging 2 ½% based on written performance evaluation at each employee's review date. This is an important component of my budget proposal, as we strive to maintain the highly professional, experienced and well-trained staff the town has recruited over the years.

The Salary Reserve line item of \$600,000 also includes the cost of Police, Fire and Dispatcher collective bargaining agreements. Contract agreements are in place with the Concord Police Association and the Concord Firefighters Association through June 30, 2008 and with the Teamsters Local #25 (Public Safety Dispatchers) through June 30, 2009.

In addition, a comprehensive Classification and Compensation Study has been completed and will be presented at Town Meeting in April. If approved, funding for any pay scale adjustments will take effect in the FY09 budget by means of transfer from the Salary Reserve account.

- **Capital Outlay**

Another area that requires constant vigilance in the budget process is the capital outlay group of accounts. This includes a wide variety of purposes, from police and public works vehicles and equipment to small-scale but continuous repair projects on all of the Town department buildings. These are the components of our continuous investment for which we cannot issue debt under the law or should not do so as a matter of sound fiscal policy. Rather, we allocate a portion of current revenues in competition and in balance with all of our other operational needs. Funding for sidewalk repairs, drainage improvements and culvert repair (accounts #26 and #27) are illustrative of the critical nature of these continuing annual commitments.

In total, I am proposing \$1,466,000 for FY09 capital outlays, representing 8.5% of the \$17,190,013 town government operations budget and an increase of \$110,000 over the current year.

- **Building Maintenance**

Upon the recommendations of two committees, in the FY2005 budget the Town initiated an account to fund capital maintenance of Town buildings. Initial funding was \$40,000 in FY05 and has increased to \$135,000 proposed for FY09. The objective of the account is to provide funding for the continuing maintenance of Town buildings. Based on the original recommendations made five years ago by the Facilities Planning Committee, our long-term target funding level for this account is in excess of \$400,000 annually.

- **Building Efficiency**

In an effort to improve the energy efficiency of Town buildings, the Concord Municipal Light Plant has been providing energy audits to the various buildings over the past several years:

- Town House (February 2003)
- Hunt Gym (May 2003)
- Willard School (December 2003)
- Police / Fire Station (February 2004)
- Performing Arts Building (February 2006)
- CPW – 133 Keyes Road (September 2006)
- CPW – 135 Keyes Road (September 2006)
- DPLM – 141 Keyes Road (September 2006)
- Beede Swim & Fitness Center (November 2006)
- Concord-Carlisle High School (January 2007)
- Concord Free Public Library (Scheduled for February 2008)

I expect to use the results of these audits and draw upon funding from the Town-wide Building Maintenance Account and other funding sources (including the \$1.7 million Alfred H. Sawyer Resource Conservation Trust Fund accepted at the November Special Town Meeting) to improve the energy efficiency of all Town buildings.

- **Public Safety Dispatcher**

The Concord Public Safety Communications Center operates presently with 7 full-time budgeted dispatchers. Due to scheduled and unscheduled paid absences (vacation, sick leave, etc.) normally only 4 of the 21 weekly shifts are staffed with two professional dispatchers. Some shifts are staffed by police officers.

Due to the growing volume of dispatch calls and the importance of having professional dispatch coverage on all shifts as well as enhancement of the coverage at high-volume periods, this budget proposes to add an eighth dispatcher position at an annual salary of \$43,723.

- **Rental Space for the Finance Department**

The Town House office space is utilized beyond its capacity, and the Finance Department is in need of additional office space. Located on the first floor of the Town House, the Finance Department comprises the Finance Director's Office, the Town Clerk's Office, the Treasurer-Collector Division, the Assessing Division, and the Accounting Division. Additionally, the Concord Retirement Board occupies office space.

Due to the increased volume of work, a new Management Assistant position was budgeted in FY08. This position would assist with the Treasurer-Collector functions, employee benefits administration in concert with the Personnel Office, and payroll processing. However, because of space limitations, the Management Assistant position has not yet been filled.

To resolve the space limitations, the Finance Administration Division has budgeted \$30,000 to lease additional office space and \$10,000 to furnish the space. Since the functioning of the divisions within the Finance Department is interdependent, the location of additional office space would need to be in close proximity to the Town House. After a review of various options, I am proposing that the Town lease 1586 square feet of office space on the 2nd floor of 30-34 Monument Square, the building adjacent to the Town House.

- **Artificial Turf Playing Fields**

With the completion of the two multi-purpose playing fields located at Concord-Carlisle Regional High School, maintenance of the fields is provided for in this budget proposal. Under an agreement with the Friends of the Concord-Carlisle Playing Fields, the private sports organization will fully fund the maintenance costs. No General Fund resources are provided. Funding is identified in this document as gift funds.

Accordingly, in the FY09 budget for the Parks & Trees Division of Concord Public Works, I am proposing that a new Park & Tree Specialist be added at an annual salary of \$40,486. The primary responsibility of the new position is to attend to the new fields. In addition, an amount of \$14,904 has been allocated for employee benefit costs, line painting for the fields and related operating expenses.

- **Fire Department**

In FY07, the Town accepted a *Staffing for Adequate Fire and Emergency Response* (SAFER) grant from the Department of Homeland Security. This grant provides partial funding for the hiring of 4 additional firefighters, one per each of the four groups. As a result, each group which previously had 8 firefighters now has 9 firefighters.

The Fire Department's Replacement Overtime budget has increased greatly over the last several years, because of the need to call back firefighters when scheduled shifts are vacant due to paid leave or position vacancies. From FY05 to FY07, total overtime expense rose from \$486,000 to \$614,000. As a result of the added flexibility which the Fire Chief now has because of the additional firefighters, I am proposing that overtime cost for FY09 be budgeted at \$491,298, a reduction of \$53,000 from the FY08 budgeted amount. With this appropriation, the Concord Fire Department should be able to maintain a staffing level of 9 firefighters at least 40 percent of the time, and the Fire Chief's objective of having at least 8 firefighters on duty at all times can be achieved with considerably less overtime expense. The period July 2008 – June 2009 will mark the completion of the second year and beginning of the third year of the federal grant. The FY09 budget projects salary and benefit costs of about \$220,000 for the new firefighters and federal reimbursement of about \$110,000. The net local share will be offset by overtime savings (compared to actual FY07 costs).

Conclusion and Acknowledgments

The Guideline budget of \$17,190,013 for the Town Government Operating Budget provides for all critical town operations and will allow the town's professional staff to continue to offer the highest quality services.

I would like to express my sincere appreciation to all of the Town's board and committee members, as well as the Town's staff, who contributed to the development of this budget document. Special thanks are due to Finance Director Anthony Logalbo. Thanks also go to Budget and Purchasing Administrator Jon Harris, Budget Analyst Adam Roberts, and Assistant Town Manager Douglas Meagher, who dedicated many hours to bringing this budget to completion.

Sincerely,



Christopher Whelan
Town Manager

Cc: Finance Committee members
Committee Chairpersons
Town Department Heads

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