

Section II

Introduction

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Budget Book Guide

To assist the reader in navigating this budget book, we are providing this guide outlining the organization of the budget document. This guide can be used along with the Table of Contents to identify the location of a particular area of interest. Following is a description of each section of this budget book.

- Section I is the Town Manager's Letter of Transmittal. This letter is an introduction to the budget book by the Town Manager. Included in the letter is information about the Finance Committee's FY2009 budget guidelines at the levy limit for the Town Government, Concord Public Schools, and Concord-Carlisle Regional High School. In addition, the letter highlights some of the major changes in the budget for FY2009.
- Section II is the Introduction. It contains materials on how to read and understand the budget book. It presents an overview narrative, time-line chart, calendar describing the budget process, and an explanation of the budget organization. In addition, it contains the Finance Committee's FY2009 budget guidelines memorandum.
- Section III is the Budget Summary. This section contains summary information about the budget as a whole, along with tables and charts. This information includes the budget summary at the Finance Committee's guideline level, a list of highlighted changes to budget accounts, current and projected resources, a 5-year plan for capital outlay and debt authorization, and a table showing the Town's staffing history.
- Sections IV, V, and VI show the budget detail for each account. These sections have been redesigned this year to include more information, like performance measures and organizational charts. Generally, the first of each item's budget pages serves to give the reader an overview of the account. Readers desiring more detailed or specific information can turn to the subsequent pages (each item is presented in either a 2-page or a 4-page format, depending on the complexity of the account). Section IV contains Town Government budget accounts (Items 1-47); Section V has the unappropriated accounts (Items 101-103); and Section VI includes the education accounts (Items 104-106).
- Section VII, the Appendix, contains a community profile, information about the financial and budget policies of the Town, descriptions of funds, excerpts from the audited FY07 Financial Statement, department support statements, and a glossary of terms.

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 7, Line Items 1-47 on the 2008 Annual Town Meeting Warrant). The procedures for Town Meetings are specified in the Town bylaws. During the year, only the Finance Committee can authorize additions to appropriation accounts by transfer from the appropriated Reserve Fund (Article 7, Line Item 39, 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 FY2009 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 equaled the prior year's appropriation. 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 and early March, 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. Town Meeting considers the recommended budget and the recommendations of the Selectmen, Finance Committee, and School Committees, and votes on final appropriation amounts after making any amendments it deems appropriate, within the constraints of Proposition 2½ and balanced budget requirements. 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 FY2009 budget.

Town of Concord Budget Schedule FY2009

July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June
Implement Adopted FY2008 Budget (Ongoing)											
		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 Mgr & education budgets & all articles				
								Town Mgr reviews, publishes & holds hearing on Enterprise Fund budgets			
										Town Meeting discusses & adopts Town, education, & CIP budgets	
July	August	Sept	October	Nov	Dec	January	Feb	March	April	May	June

Town of Concord FY2009 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.

Note: "FY" is "fiscal year" ending on June 30 of the designated year

2007

August 27	Budget Instructions issued to all departments, boards and committees
September 17	Capital Improvement Program FY09-13 requests due
September 20	FY2009 fiscal planning meeting; Board of Selectmen, School Committee, Finance Committee
November 1	FY2009 Operating Budget Requests due
November 5 – November 30	Operating and Capital Budget Request review: meetings with Town department heads, Budget Review Team
November 15	Finance Committee votes Budget Guidelines and issues by November 30 to Selectmen and School Committees
November 30	Classification Report submitted by Board of Assessors to Board of Selectmen (Re: setting the FY2009 property tax rate or rates)
December 1 (Saturday)	Selectmen/Committees Coordination Meeting; planning session for April 2008 Annual Town Meeting
December 3	Public Hearing ("Classification Hearing"), proposed property tax rates for FY2008 (based on FY2008 appropriations voted at April 2007 Town Meeting)
December 3	Warrant opened for 2008 Annual Town Meeting
December 14	Preliminary FY2009 Operating Budget recommendations and final recommendations for FY09-13 CIP compiled by Budget Review Team for Town Manager's review and decisions

FY2009 Budget Calendar (continued)

2008

- January 2 Warrant for Town Meeting closes at 4:00 PM
- January 28 90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2009 (General Fund operations and proposed appropriations) is published and submitted to Selectmen. (Also, no later than this date, the Superintendent of Schools submits budgets for Concord Public Schools and Concord-Carlisle Regional High School to the respective School Committees.) Through February, these committees and Finance Committee conduct review.
- February 1 Proposed budgets for FY2009 operations of Enterprise Funds are submitted to Finance Department.
- February 14 Public Hearings advertised (for FY2009 General Fund operations)
- February 15 Legal deadline for mailing of Town Meeting Warrant to residents (at least 10 days prior to Public Hearing)
- February 25 Finance Committee's Public Hearing on Town Manager's General Fund operating budget proposals for FY2009 and all other non-school financial articles on the Town Meeting Warrant
- February 27 Finance Committee's Public Hearing on Education budget proposals for FY2009 (CPS and CCRSD School Committees, and Minuteman Science & Technology High School)
- March 11 Finance Committee and Community Preservation Committee Joint Hearing on CPA proposed projects and all capital project warrant articles
- March 13 Finance Committee completes its recommendations for Town Meeting
- March 14 Town Manager's Proposed Budget for FY2009 Enterprise Operations published (10 days prior to Public Hearing)
- March 24 Public Hearing on Enterprise Fund budgets and Articles
- March 28 Finance Committee Report to printer
- April 18 Finance Committee Report mailed to residents (at least 10 days prior to Town Meeting)
- April 28 Town Meeting - consideration of budget; enactment of appropriations (first session)

Budget Organization

What Is Included

This budget includes the General Fund accounts that will be submitted to the Town Meeting for enactment, as well as accounts not appropriated by Town Meeting. These unappropriated accounts, incorporated in the setting of the property tax rate, are:

- Line Item 101: State Assessments
- Line Item 102: Snow/Ice and Other Deficits
- Line Item 103: the Overlay account, which is an amount added to the tax levy by the Board of Assessors to meet the anticipated cost of exemptions and abatements (but counted within the levy limit)

Appropriation Level

Each numbered line item is a separate account appropriation. Line items designated with a letter are sub-accounts within an appropriation grouping (as is the case for the divisions of the Finance Department and the Planning & Land Management Department): The sub-accounts are shown in this budget to provide more detailed information for review.

Total Expenditure Plan (Budget vs. Appropriation)

For each General Fund account in this budget document, all other fund resources are also shown in order to provide a complete picture of each department's total expenditure plan. In most cases, this involves the allocation of resources from the Town's enterprise operations (Water, Sewer, and Light), or Special Revenue Funds for management services provided (such as accounting and treasury services), or direct expenditures incurred and allocated from a central account (such as group insurance and debt service). The total of all resources is termed "BUDGET" as shown on the ACCOUNT SUMMARY pages and in each account's EXPENDITURE DETAIL.

In those instances where the allocation of overhead costs among funds has been changed materially, this was done only after a review by the responsible department head and the concurrence of the fund manager proposed to be charged. This procedure was set forth in the Town Manager's budget instructions.

The General Fund portion of the BUDGET, as shown in each account's FUNDING PLAN, is the APPROPRIATION. Only the APPROPRIATION amount is voted by the Town Meeting.

The budgets of the enterprises are not included in full here, however. In accordance with Town Bylaw, the budgets of the enterprises and certain Special Revenue funds (such as Recreation and Cemetery) are not appropriated by Town Meeting but rather are adopted by designated boards and committees. Under the Town Charter, the Town Manager serves as Manager of all Town enterprises and Special Revenue funds. The Town Manager supervises all personnel and expenditures, exclusive of the schools, regardless of the funding source. The enterprise budgets are presented to Town Meeting for information purposes, and the Warrant for the Town Meeting provides for a series of votes authorizing the Town Manager to operate the enterprises for the ensuing year. A separate document including the Town Manager's Proposed FY2009 budgets for **enterprise operations** is scheduled for publication on March 14, 2008 and a public hearing is scheduled for March 24.

Salary Changes

Only those salary changes that are already known are incorporated into the departmental budget recommendations shown in this document. Thus, scheduled step increases for existing staff are included in the appropriate department totals. The Salary Reserve Account, Line Item 40, includes all other funding estimated to be required for salary revisions on and after July 1, 2008, including the FY2009 cost of multi-year collective bargaining agreements already negotiated. The Town Meeting vote adopting the annual budget also authorizes the Town Manager to initiate transfers from this line item to the various department accounts as needed pursuant to salary levels established at July 1 and thereafter. Salary levels are set by the salary schedules adopted by Town Meeting, a merit pay plan established in accordance with the Personnel Bylaws, and various collective bargaining agreements.



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

Date: November 30, 2007

To: Board of Selectmen
 Concord Public School Committee
 Concord-Carlisle Regional School Committee
 Mr. Christopher Whelan, Town Manager
 Dr. Brenda Finn, Superintendent of Schools

From: Thomas C. Anzer, Chair of Finance Committee
 Walter Birge, Vice-Chair, and Chair of Guidelines Subcommittee

Re: FY 2009 Final Budget Guidelines

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As required by Town by-law, the Finance Committee has voted the following Levy Limit Guideline for the fiscal year beginning July 1, 2008 (FY '09). The Levy Limit Guidelines were adopted with consideration of the planning figures provided to the committee by the three budget authorities in Concord. Based on the information available to date, The Finance Committee anticipates that the Town Government, the Concord Public Schools and the Concord-Carlisle Regional School District will be able to prepare FY '09 budgets that maintain appropriate programs within the confines of the Final Levy Limit Guideline. The Finance Committee will continue to work with the budget authorities throughout the FY '09 budget preparation process to monitor factors that may alter our present expectation.

Levy Limit Guideline

Within the Proposition 2 ½ Levy Limit, the Finance Committee recommends the following budget guideline for operating budgets:

	<u>FY '08</u> <u>Final Budget</u>	<u>FY '09</u> <u>Levy Limit</u>	<u>\$ Change</u>	<u>%</u> <u>Change</u>	<u>% of</u> <u>Total</u>
Town Operations	\$16,397,974	\$17,190,013	\$ 792,039	4.83%	30%
CPS	26,423,840	27,206,200	782,360	2.96%	48%
CCRSD assessment for operations	<u>12,191,417</u>	<u>12,803,885</u>	<u>612,468</u>	<u>5.02%</u>	<u>22%</u>
Total	\$55,013,231	\$57,200,098	\$2,186,867	3.98%	

Resource and expense projections suggest that there will be \$2,186,867 available within the Proposition 2 ½ Levy Limit to divide across Town and School FY '09 operating budgets. This would represent an increase of 3.98% over FY '08.

In evaluating information gathered in the guideline process, several factors led to the above allocations:

- First, the CCRSD identified extraordinary out-of-district special education costs for \$874,136 of unanticipated expenditures.
- Second, the Town of Carlisle identified that it could project resources at the Levy Limit sufficient to provide for a “zero growth” budget.
- Third, the Guidelines Subcommittee concluded that the Town’s operational needs would be significantly under-funded if Town Government operations received a strict proportional allocation of the available incremental funds.

The Finance Committee chose to allocate the available incremental funds that recognized challenges embedded in the CCRSD and Town Government operational presentations and the healthier position of CPS. This left the CPS with the capacity to provide for a stated interest in expansion of their kindergarten program to an all day program by managing internal line items. The CPS has acknowledged this capacity, yet has raised concerns regarding the sustainability of this approach. The Finance Committee also allocated a total of \$600,000 of Free Cash to reduce the cost to taxpayers and meet the core needs of the three budget entities. This is a \$100,000 increase over the free cash allocation of the last several years.

Key Assumptions

The Finance Committee assumes that state aid to Concord will remain essentially unchanged. \$1,060,623 of Unused Levy Limit has been estimated for the current year (FY '08). In other words, the expected current year property tax levy will be below the Levy Limit. This amount may be levied in FY '09, and the Finance Committee has incorporated this amount to support the FY '09 budget plan. Other revenue sources are projected to show little change, with the exception of interest earnings, which are projected to decline by \$200,000. This is due to action by the Federal Reserve Board (FRB) reducing short-term interest rates. Finally, the 2.5% increment allowed for the Levy Limit for FY '09 equals an estimated \$1,422,161. The Unused Levy Limit capacity has allowed the budget plans to be supported sufficiently to avoid consideration of a Proposition 2 ½ override need at this time.

Free Cash Requirements

Based on FY '07 financial results, including town revenues, state aid, and unexpended appropriations, the Finance Committee estimates a Free Cash balance of approximately \$8,000,000 as of June 30, 2007. 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. Under the current policy, the Committee will reserve about \$3,663,000, leaving more than \$4.3 million in the account.

The Finance Committee is recommending increasing the amount of Free Cash allocated to the FY '09 Levy Limit Budget guideline by \$100,000 over the current year amount of \$500,000. The strong financial performance of the Town over the last few years has allowed for Free Cash to be replenished at a healthy rate. Throughout the months leading up to the April 2008 Annual Town Meeting, the Finance Committee will monitor new revenue data against projections and reconsider the addition of the \$100,000 allocation of Free Cash. Either way, the Finance Committee is committed to the total allocation of \$2,186,867 of new resources to the operating budgets.

Property Tax Impact

The impact of the FY '09 Levy Limit Guideline on the property tax levy is projected at +5.75% to existing taxpayers (about \$450 at the FY '07 current median single-family residential assessed value of \$718,000). The Finance Committee projects that the tax levy from New Growth will add \$600,000 in FY '09, equivalent to about 1% of the levy.

The components of the 5.75% increase projected for existing taxpayers are:

- 2.50% allowed increase
- 1.72% levy of prior year Unused Levy Limit
- 1.52% increased debt service on Excluded Debt.

Other Assumptions

The significant increase in out-of-district special education costs for FY '08, anticipated also to carry over to FY '09, could lead to a special appropriation request at the 2008 Annual Town Meeting. The Concord-Carlisle Regional School Committee is seeking a state grant to cover part of these extraordinary costs and is doing all it can to manage and control the financial impact.

In addition to the above, the CCRSD is applying accumulated reserves from the special education circuit breaker program to help fund these costs. The formula for reimbursement under this program provides for only a proportion of reimbursement, up to 75% allowable costs exceeding four times the statewide average per pupil cost for out-of-district programs. Reimbursements come in the year following the one in which such expenses occur. These reimbursements are set aside in a special fund in accordance with state law and do not become part of the Town's general Fund. Any accumulated balance can carry over from one year to another and the CCRSD anticipates using modest unexpended circuit-breaker funds received in prior years to assist with both the FY '08 deficiency and the FY '09 impact of these costs. This is likely to deplete circuit-breaker reserves.

The assessment for the Minuteman Regional School District is unknown at this time. An increase of 7.5% was used for guideline calculation purposes. For the first time in several years, however, the number of Concord students in enrollment has decreased. The Finance Committee is monitoring this situation closely.

Comments

Support for Town and School services in Concord remains strong. After six consecutive years of Proposition 2 ½ override budgets, expenses are projected to remain inside the levy limit capacity of the Town for the second year in a row. This has occurred partially as a result of unanticipated increases in state aid. Some observers project a potential downturn for the state and national economies in the near future. It is prudent to hold costs to modest increases as state aid has traditionally waned when state funds are tight. The incremental approach toward spending maintained by Concord's budget authorities, along with the strong management of both Town and School budgets, has also contributed to our current favorable position. The Finance Committee recommends continued vigilance in control of spending given the economic forecasts.

It should be noted that there is some potential for a mismatch between available funds voted to meet Concord and Carlisle assessments for the regional high school. In order to meet Carlisle's level of available resources without an override in that town, cuts to the CCRSD budget in FY '09 would need to approach \$900,000 (about 4.5% of the current year budget). Instead of supporting this, the Concord Finance Committee has decided to recommend a funding level that provides for a 3.6% increase in the CCHS operating budget but is still \$300,000 (or about 1.5% below what the High School has identified as a maintenance budget).

The Finance Committee also recognizes that the Free Cash position of the Town is healthy and warrants a town-wide discussion regarding the strategic benefit to be derived from these resources. The Town's most recent credit rating report from Moody's affirmed the Triple-A rating on Concord debt and cited our "well-managed financial position highlighted by growing reserve levels". Next month the Finance Committee will make a policy recommendation to the Town Manager regarding the Free Cash position of the Town of Concord.