TOWN OF CONCORD,
MASSACHUSETTS

Town Manager's Proposed Budget FY2008

For the Fiscal Year
July 1, 2007 - June 30, 2008

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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, 2006. 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, 2006

President

Executive Director

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OLD NORTH BRIDGE

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CHRISTOPHER WHELAN, TOWN MANAGER

February 1, 2007

The Honorable Board of Selectmen,

I herewith submit for your review the Town Manager's Proposed Budget for Fiscal Year 2008 (July 1, 2007 - June 30, 2008), 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 10 of the 2007 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

Over the last several years, the format and content of the Town Manager's Proposed Budget Book has been continually improved. The improvements have been made to incorporate some 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, greater emphasis is being placed on providing the citizens a document that more effectively communicates the important issues facing the Town and presents information about how the budget addresses these issues. One of the changes in this year's document is an effort to begin the process of providing performance information about each division and program. This will be a multi-year process. The goal is to link Town objectives and performance information to the budget.

As a result of the improvements that have been made, the Town Manager's Proposed Budget for Fiscal Year 2007 earned the GFOA's Distinguished Budget Presentation Award. This is the second consecutive year for which the Town Manager's Proposed Budget has received the award, and I would like to note the extraordinary effort of the Finance Department staff 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 2006. This FY2008 spending plan will not require consideration of an operating override ballot. It will be funded within the property tax levy limit projected for FY2008.

The total General Fund spending plan is $69,416,094, an increase of 4.7%. 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 10 of the Warrant for the 2007 Annual Town Meeting; $28,785,156;

- 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 11 of the Warrant; $26,423,840;

- 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 12, Item #1 of the Warrant; $12,667,974;

- 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 12, Item #2 of the Warrant; the assessment amount has been estimated by the Concord Finance Committee as $525,000, but an official estimate has not yet been received from MMVT;

- accounts that are not subject to Town Meeting vote but which must still be provided for within the FY08 financial plan, included in this document in Section V (accounts #101-103); state assessments, an allowance for a snow removal account deficit, and an allowance for the Overlay Reserve to cover property tax exemptions and abatements related to the FY08 property tax levy that may be granted by the Board of Assessors; $1,014,124.

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 budget. The schools are not separate taxing entities. The full school budget documents may be obtained from their respective superintendents.

SUMMARY OF THE PROPOSED FY08 GENERAL FUND SPENDING PLAN recommended at the Finance Committee Guidelines as of November 2006

	FY2008 Proposed	percent change from FY2007
Town government operations	$ 16,397,974	4.8 %
• *accounts #1-42 in this document*		
Concord Public Schools (K-8)	$ 26,423,840	3.8 %
• *account #104 in this document*		
Concord-Carlisle High School		
operating assessment	$ 12,191,417	2.8 %
debt assessment	$ 476,557	(0.3) %
• *account #105 in this document*		
Minuteman Vocational Technical H.S. *estimated assessment*	$ 525,000	4.5 %
• *account #106 in this document*		
Joint Accounts, Town and CPS	$ 12,387,182	8.6 %
• *accounts #43-47 in this document*		
accounts not appropriated by Town Meeting	$ 1,014,124	8.6 %
• *accounts #101-103 in this doc.*		
GRAND TOTAL	**$ 69,416,094**	**+ 4.7 %**

These Guidelines of the Finance Committee were based upon resource estimates for FY08 made in September 2006. In November, the Finance Committee issued its Guidelines for FY08 town and school budgets that anticipated financing within the projected FY08 property tax levy limit and, for the first time since FY2001, would not require consideration by the voters of a “Proposition 2 ½” 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 FY08 proposed budgets will allow for the continuation of existing service levels.

Tax Impact

At the FY08 forecasted property tax levy limit, the tax rate impact is projected to be 5.15%. At the median single family residence value of $718,550, this represents an additional $391, or an added $54 for each $100,000 of assessed value. This projection is detailed in the table on page III-4.

While the "Proposition 2 ½" limit permits a 2.5% increase each year in the prior Levy Limit, the projection for FY08 also incorporates the use of unused levy limit capacity carried forward from FY07 ($1,155,199) and the increased debt service cost projected for debt-financed projects already approved as exclusions from the levy limit by previous votes of the town electorate (an added $364,173 for FY08).

• Tax levy increase from 2.5% allowed Levy Limit change	$1,363,083	
• Unused Levy Limit from prior year	$1,155,199	
• Debt exclusion levy increase	$ 364,173	
Change in tax levy from existing taxpayers	$2,882,455	(+5.15%)
• Tax Levy projected from New Growth	$ 550,000	
Total budgeted change in tax levy	$3,432,455	(+6.12%)

Other Revenues and Expenditure subject to review

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 decrease by $146,357, due solely to the FY07 completion of a 10-year school construction grant payment to the town. All other major state aid accounts are projected to be unchanged. It is too soon to know whether the new state administration will make added assistance to Massachusetts cities and towns a state budget priority, but there is some evidence that the state's budget will face some difficulties of its own.

Accordingly, there does not appear to be much reason for optimism with respect to additional state aid for FY08.

- A decrease in motor vehicle excise tax of $50,000 (2.1%) 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.

- 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. 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; from a low of $264,081 in FY04 to $1,033,099 in FY06. The FY08 budget estimate is based on the assumption that short-term interest rates will begin to trend downward from now through June 2008; accordingly, the FY08 estimate is a drop of $100,000 (11.1%).

The "Snow" account:

As of the writing of this letter, Concord has not experienced a significant snowfall and the cost of snow removal this winter may be within the $430,000 appropriation. The sum of $135,000 presently in the FY08 Plan in anticipation of a current year deficit, would then not be required. This allowance is the average snow account appropriation deficit over the past five years. Since any such deficit must be raised in the next tax levy, within the levy limit, our annual financial plan always deals with this significant risk by anticipating the long-term average. This year thus far has defied the averages.

These and other changes in forecasted revenues and expenditures will need to be reviewed before final FY08 recommendations are made in March by the Finance Committee and final decisions are made in April before the Town Meeting.

Budget Highlights

- No Operating Override. For the first time in six years, a Proposition 2 ½ operating override will not be proposed to supplement the Town's budget.

- Stable State Aid. During the early part of the decade, the Massachusetts economy was lagging and state tax revenues were down. Facing severe budgetary pressures, the State had to balance its budget in significant part by cutting aid to cities and towns. In FY02, state aid to Concord was $4.2 million (8.5% of the total town budget) and by FY04 it fell to only $3.2 million (5.8% of the budget). Operating overrides approved by the voters helped to bridge this gap. The state budget picture has improved and state aid has been increased over the past several years. However, the forecasted FY08 amount for Concord will still be 5% below the FY02 level in dollar terms and will represent just 5.7% of total budget financing.

- 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 doubled over the past five years 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 FY08 Group Insurance budget is proposed to be increased by $405,000 (+12.7%).

- Energy Prices. Energy prices remain extremely volatile. Although the prices of gasoline, diesel, and natural gas spiked during the last budget cycle and have since remain fairly stable, these prices have a significant effect on the town and school budgets and will need to be continuously monitored. For the present, there is no significant additional cost forecasted for the FY08 budget

Some of these highlighted items create long-term structural deficits in the budget. 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 FY08. 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. Funding this liability as a current cost - 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 issue soon. The 2004 Annual Town Meeting approved the filing of a Home Rule petition that would create a Trust Fund and establish the necessary investment authority for the Treasurer. This legislation is still making its way through the General Court and the long-term investment problem may be addressed by legislation that would empower all cities and towns. Without proper investment authority, the accumulation of assets invested at money market rates to address future long-term liabilities would be a money-losing and pointless proposition.

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.

This budget document presents the Town Manager's proposals at the Finance Committee's Levy Limit Guideline. My focus has been on a limited set of objectives:

- to continue to provided a competitive salary structure with a meaningful merit pay component that is designed to retain the town's highly qualified staff; $550,000 has been allocated to this objective in account #40 - Salary Reserve;

- to maintain a sufficient level of capital expenditures financed from current resources; an important pillar of the town's financial planning is to provide adequate and consistent resources to replace our equipment – police and fire, public works, technology – and to maintain our physical assets – town buildings, sidewalks, drainage systems, roads; referred to in this document as "Capital Outlay", $1,356,000 has been allocated to this objective, in a variety of departmental accounts throughout the budget;

- to continue to strengthen the assessing operations; the FY08 budget continues the heightened level of funding provided in the current year budget for the Assessing Division (account #9D). The major part of this funding will be directed to the added costs of the FY08 triennial revaluation certification as well as to continue the accelerated cycle of property inspection from the nine-year cycle presently required by the state to a three to five year cycle.

- to address the increased demands being placed on the Finance Department and Personnel Office with increasingly complex state and local laws and regulations; a Management Assistant position is being proposed in the Finance Administration Division (account 9A) and certain tasks will be reassigned between the Finance and Personnel offices while these two offices increasingly collaborate in the areas of employee benefits and payroll administration;

- to properly staff the Building Inspections Division (Account 5D) so that it can respond to a sustained high level of construction activity from both taxable and tax-exempt property owners; increase in the hours of the Assistant Local Inspector from 20 hours per week to 40 hours per week and increase the hours of both the Plumbing & Gas Inspector and the Electrical Inspector by 5 hours per week.

- To take advantage of funding through a federal grant to hire four additional firefighters; the total five-year grant is $414,000 which will partially pay for the additional firefighters' salaries and benefits; savings would also be made in the reduction of overtime costs. This would be the first addition to Fire Department staffing in more than 50 years.

Each of these objectives is discussed in further detail below.

Staff Compensation

The proposed FY08 budget would provide, for non-union employees, an adjustment of 3% on the pay scales effective July 1, 2007 and a performance increase averaging 2 ½% based on merit and 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 $550,000 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, in FY07, a comprehensive Classification and Compensation Study is being initiated. It is anticipated that this study will be concluded during the summer and the results may be brought to a Special Town Meeting for action in the fall of 2007. Funding for any pay scale adjustments to take effect in FY08 have been included in this budget.

Capital Outlay

Another area of the budget 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 $1,356,000 for FY08 capital outlays, representing 6.7% of the $16,397,974 town government operations budget and an increase of $85,000 over the current year.

Assessing

In preparation of the 2008 triennial revaluation, I am proposing to continue an allocation of $100,000 for consulting and contract services to assist the assessing staff with the data collection and analysis needed to obtain the state's certification that all Concord real properties are listed at their full and fair market value. Major work on this project begins on January 1, 2007 and goes to January

1, 2008, which includes the first half of the FY08 fiscal year. With these additional resources, our objective will be to place the town on a continuing property re-inspection cycle ideally of three-year intervals. That is, each property will be visited no less frequently than once every three years. The state's required standard is nine years. Beyond FY08, our expectation is that a combination of town staff and contract assistance - with the outside assistance closely coordinated and managed by the Town Appraiser - can accomplish a three-year inspection cycle with an annual supplement to the budget in the range of $60,000 to $75,000.

Finance Administration and Personnel Office

The functions within the Finance Department (account #9A) and the Personnel Office (Account #8) are becoming more complex due to new state regulations and town bylaws. Tax collection activities have grown to include processing hundreds of sewer betterment accounts and calculating Community Preservation Act assessments. Benefits administration has become a specialized field unto itself. To better manage the increasing complexity in these areas of tax collection and benefits administration, the Finance Department and Personnel Office have both requested additional staff support. This budget proposes a new position of Management Assistant to be assigned to the Finance Administration Division. Duties would be realigned between the two offices and the existing level of collaboration between these offices in the areas of employee benefits and payroll management would be further strengthened. This position would also serve as the backup for payroll system administration within the Finance Director's office.

Building Inspections

This has been a record year in terms of activity level for the Building Inspections Division. From 2005 to 2006 (calendar years), total building permit volume increased from 2,384 to 2,516 and permit fee revenue grew from $593,835 to $1,056,554. To keep pace with this workload, I am proposing that the Building Inspections Division reclassify the Assistant Local Inspector position from half-time to full-time. In addition, I am proposing that the hours for the Plumbing & Gas Inspector and the Electrical Inspector be both increased by 5 hours per week to 25 hours a week.

Fire Department

I am proposing that four additional Firefighters be hired with the salaries and benefits of the new hires being partially paid from grant money from a U.S. Department of Homeland Security Staffing for Adequate Fire and Emergency Response (SAFER) grant. The five-year $414,000 grant will provide the Town with a projected $148,868 in FY08 and a decreasing amount each year thereafter. The four additional Firefighters, one for each of the four existing groups, will result in a decrease in the replacement overtime budget, which in FY07 approached $500,000. For FY08, there is no additional budgetary requirement. In the 5th year of the grant, we project an increased General Fund cost of about $123,000. During the grant term, we will be evaluating the impact of this additional staffing on fire department operations. There has been no change in the basic firefighter staffing structure in fifty years.

Conclusion and Acknowledgments

The Guideline budget of $16,397,974 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. The Guidelines set forth by the Finance Committee in November manifest its recognition of the excellent efforts the town staff has made to use resources wisely and to maximize efficiency. We are committed to continue on this path, planning thoroughly for the future of the town while spending carefully in the present.

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 Michael Ward, 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