

## **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 FY2008 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 FY2008.
- 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 FY2008 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, represented by the line item number appearing in the budget warrant article. A line item represents an account for a department, division, or program of the Town. For each account, the budget detail section provides a narrative page that describes the account and a numbers page that outlines the budget for the account. Section IV contains Town Government budget accounts (Line Items 1-47); Section V has the unappropriated accounts (Line Items 101-103); and Section VI includes the education accounts (Line 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 FY05 Financial Statement, the overall organization chart, department support statements and organization charts, and a glossary of terms.

# Budget Process

## Overview

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 10, Line Items 1-47 on the 2007 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 10, 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 FY2008 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 30<sup>th</sup>. 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 FY2008 budget.

## Town of Concord FY2008 Budget Schedule

| July                                      | August                                 | Sept  | October  | Nov | Dec   | January  | Feb  | March  | April  | May | June |
|---|--|---|--|-----|---|--|--|--|--|-----|------|
| Implement Adopted FY2007 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 FY2008 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.*

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

### 2006

|                  |  |
|------------------|--|
| September 21     | FY2008 fiscal planning meeting; Board of Selectmen, School Committee, Finance Committee  |
| September 22     | Budget Instructions issued to all departments, boards and committees   |
| October 16       | Capital Improvement Program FY08-12 requests due   |
| November 1       | FY2008 Operating Budget Requests due   |
| November 8 – 29  | Operating and Capital Budget Request review: meetings with Town department heads, Budget Review Team   |
| November 16      | 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 FY2007 property tax rate or rates)                                      |
| December 2 (Sat) | Selectmen/Committees Coordination Meeting; planning session for April 2007 Annual Town Meeting   |
| December 4       | Public Hearing ("Classification Hearing"), proposed property tax rates for FY2007 (based on FY2007 appropriations voted at April 2006 Town Meeting)                  |
| December 4       | Warrant opened for 2007 Annual Town Meeting  |
| December 15      | Preliminary FY2008 Operating Budget recommendations and final recommendations for FY08-12 CIP compiled by Budget Review Team for Town Manager's review and decisions |

## FY2008 Budget Calendar (continued)

2007

- January 2 Preliminary draft of Town Manager's expenditure/appropriation recommendations for FY2008 Operating Budget submitted to Board of Selectmen
- January 2 Warrant for Town Meeting closes at 4:00 PM
- January 23 90 days prior to the Annual Town Meeting, the Town Manager's Proposed Budget for FY2008 (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 5 Proposed budgets for FY2008 operations of Enterprise Funds are due.
- February 15 Public Hearings advertised (for FY2008 General Fund operations)
- February 16 Legal deadline for mailing of Town Meeting Warrant to residents (at least 10 days prior to Public Hearing)
- February 26 Finance Committee's Public Hearing on Town Manager's General Fund operating budget proposals for FY2008 and all other non-school financial articles on the Town Meeting Warrant
- February 28 Finance Committee's Public Hearing on Education budget proposals for FY2008 (CPS and CCRSD School Committees, and Minuteman Science & Technology High School)
- March 8 Finance Committee and Community Preservation Committee Joint Hearing on CPA proposed projects and all capital project warrant articles
- March 15 Finance Committee completes its recommendations for Town Meeting
- March 16 Town Manager's Proposed Budget for FY2008 Enterprise Operations published (10 days prior to Public Hearing)
- March 26 Public Hearing on Enterprise Fund budgets and Articles
- March 30 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)

## 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 FY2008 budgets for **enterprise operations** is scheduled for publication on March 16, 2007 and a public hearing is scheduled for March 26.

### 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, 2007, including the FY2008 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.

**Date:** November 28, 2006

**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:** Susan Bates, Chair of Finance Committee  
Thomas C. Anzer, Vice-Chair, and Chair of Guideline Subcommittee

**Re:** **FY2008 Final Budget Guidelines**

As required by Town by-law, the Finance Committee has voted the following *Final Levy Limit Guideline* for the fiscal year beginning July 1, 2007 ("FY08"). The Final Levy Limit Guidelines were adopted with consideration of the planning figures provided to the committee by the three budget authorities in Concord. It is the presumption of the Finance Committee that with the information available to date, these budget entities are able to provide for appropriate programs within the confines of the Final Levy Limit Guideline. The Finance Committee will continue to work with the budget authorities throughout the year to monitor factors that impact on this capacity.

#### **Levy Limit Guideline**

Within the Proposition 2½ Levy Limit, the Finance Committee recommends the following budget guideline for operating budgets:

|                                    | <u>FY07</u><br><u>Final Budget</u> | <u>FY08 Levy</u><br><u>Limit Guideline</u> | <u>\$Change</u>    | <u>%</u><br><u>Change</u> | <u>% of</u><br><u>Total</u> |
|------------------------------------|------------------------------------|--|--------------------|---------------------------|-----------------------------|
| Town operations                    | \$15,648,414                       | \$16,397,974                               | \$749,560          | 4.6%                      | 29.8%                       |
| CPS                                | \$25,460,285                       | \$26,423,840                               | \$963,555          | 3.6%                      | 48.0%                       |
| CCRSD assessment<br>for operations | <u>\$11,858,857</u>                | <u>\$12,191,417</u>                        | <u>\$332,560</u>   | 2.7%                      | 22.2%                       |
| <b>Total</b>                       | <b>\$52,967,556</b>                | <b>\$55,013,231</b>                        | <b>\$2,045,675</b> | <b>3.7%</b>               |                             |

Resource and expense projections suggest that there will be \$2,045,675 available within the Proposition 2½ Levy Limit to divide across Town and School FY08 budgets.

This would represent an increase of 3.70% over FY07. This year however, a shift in the enrollment ratio at Concord-Carlisle High School will cause an assessment shift of less than 1% in the direction of Carlisle (27.08% to 28.01%). The result will be a \$151,244 decrease in the Concord assessment at the levy limit. After this decrease is subtracted from CCRSD and re-allocated to the three budget authorities, the result is shown in the table above.

Information presented throughout the entire guideline process, including additional presentations by the Town Manager and the Superintendent of Schools suggested that the highest priority needs expressed will disproportionately impact on the Town budget. In the education budgets, it also appears that the due to differences in enrollment patterns, CCRSD may be at a relative disadvantage as measured against the Concord Public Schools. As a result, the Finance Committee, with available knowledge and guidance from the budgeting authorities, decided that in setting the final Levy Limit Guideline, available monies would be distributed in a manner that would address these imbalances.

## **Key Assumptions**

The Finance Committee assumed that total state aid to Concord would decrease by \$146,360, due mostly to the end of payments for an approved school building project. Local Excise tax receipts are projected to drop slightly due to a drop in the Motor Vehicle Excise. In FY '08 interest earnings are projected to decrease by approximately \$100,000 and other local receipts are expected decrease by approximately \$140,000. With other increases, the total local revenue is anticipated to be down by just over \$109,000. The excess Levy Capacity from FY '07, however, has added to the ability of the Levy Limit for FY '08 to better address needs, than in previous years.

To support this Levy Limit guideline, at this time the Finance Committee recommends that **\$500,000** be allocated from **Free Cash** to further reduce pressure on the FY08 Property Tax Levy.

## **Free Cash Requirements**

Based on FY06 financial results, including Town revenues, state aid, and unspent appropriations, the Finance Committee estimates a Free Cash balance of approximately \$5.5 million as of June 30, 2006. This amount is still only an estimate; the Free Cash level has not yet been certified by the state. The Finance Committee's policy is to reserve a minimum of 5% of the total annual budget in Free Cash. Under this policy, the Committee will reserve about \$3.5 million of Free Cash, anticipating a total budget of approximately \$69 million at the Levy Limit Guideline.

The Finance Committee has decided to allocate \$500,000 to reduce the FY08 property tax levy. After this allocation, approximately \$1,500,000 would remain available to address unanticipated needs that arise as the current fiscal year progresses. The Town Finance Director and the Finance Committee are both concerned, however, about the pressures on Free Cash given looming capital expenditures that will be necessary in the coming years. While defined strategies have not been worked out, there is some hesitance to take an additional significant sum from available free cash at this time.

## **Property Tax Impact**

The impact of the Levy Limit Guideline on the Property Tax Levy is approximately 5.16% to existing taxpayers. The Finance Committee assumed that new growth would result in additional property tax of approximately \$500,000 in FY08. Of the 5.16% increase to existing taxpayers, 0.65% is allocated to Debt Exclusion obligations and 0.81% of the increase derives from the health insurance and other general liabilities of the Town.

## **Other Assumptions**

Total General Fund revenue and expense estimates were based on documents presented by the Town Finance Director at the October 19, 2006 Finance Committee guideline meeting. Of the projected \$69,424,994 total FY 08 revenue, \$59,507,075 or 86%, is expected to come from the property tax levy.

In setting these Guidelines, the Finance Committee assumed level funding in total state aid from FY07 to FY08, with the exception of the expiration of a school construction payment to the town. The Finance Committee will continue to monitor the state aid situation throughout the budget season and may choose to revise the Levy Limit Guideline if circumstances warrant.

The Town received official notification of FY07 state aid estimates in July. Because the final state aid estimate was higher than expected, Excess Levy Limit Capacity was created. This excess capacity has been fully allocated in the FY08 Levy Limit Guideline.

A new state formula for reimbursement of Special Education expenses, called Circuit Breaker, went into effect in FY04. This formula originally called for reimbursement of 75% of the qualifying expenses above a state-defined threshold. Funded in FY04 at 42%, in succeeding fiscal years this account has been funded at 72%. These funds have significantly contributed to the ability of the CPS

and CCRSD budgets to stabilize, absorbing a significant amount of unanticipated expense for out-of-district placements in special education.

The assessment for the Minuteman Regional School District is unknown at this time. An increase of 4.5% was used for guideline calculation purposes. The Finance Committee will continue to monitor this situation.

### **Comments**

Over the last several years the extreme fiscal pressure on Town and School administrators has slowly been easing. Having staved off extreme reductions in the hardest years with Proposition 2 ½ over-ride support at the polls, the combination of FY '07 increases in state aide and the embedded investments in spending from the last several years bring us closer to stabilizing spending within existing projections of total resources available in FY '08. Through careful management, Town and School administrators were able to make small investments in capital and programs that began to address on-going building needs and restore some of the cuts made in FY '04. This has been done by replacing anticipated state aide with modest over-ride levels, sustaining and marginally enhancing existing programs.

However, the fiscal picture remains uncertain and requires continued diligence. Revenues are projected to have mixed results. The spikes in energy-related expenses have had a less than anticipated impact, but some of the increased costs and instability are likely to carry over into FY08. A shift in enrollments has occurred at CCRSD that will result in a favorable reduction in the FY08 Concord assessment. Special education expenses at CCRSD are projected to increase due to an increase in students with mental health-related needs that will require out-of-district services. The rate of increase, however, has dropped from 33% increases just three years ago, to a projected 10% for FY '08 due to strategic investments and planning by school administrators. Also, Town and School personnel are straining to meet state and federal mandates, and citizen demands for additional or more effective services, without significant increases in personnel resources.

The support of Town and School services by Concord citizens with a series of Proposition 2½ over-rides for Town and School budgets has replaced decreases in the proportion of state aide in overall available resources. This support, however, has not been without cost. Concord taxpayers, facing an economic situation similar to the ups and downs in the state economy, have been confronted with steadily increasing property tax bills. The Town has supported a significant decrease in the interest rate of the property tax deferral program, which is a big help to eligible taxpayers on fixed incomes, but more work needs to be done to mitigate the effect of increased property taxes.

Given the above support from taxpayers that have brought six sustained years of over-rides and the excess Levy Limit from FY '07 (due to the unanticipated increases in state aid), this seems to be a year in which reasonable spending needs can be addressed within the Levy Limit we have set. There are more significant increases coming, as the Town fulfills its commitment to replace the Willard School and both the Towns of Concord and Carlisle prepare to seek state assistance for addressing the capital needs of the Concord-Carlisle Regional High School. There is a need to continue to make incremental investments in all budgets over the coming years to put the Town and Schools in position to not require significant operating increases in the years during which and immediately after significant debt exclusion expenses hit taxpayers. To the degree that state aid or other revenues increase to alleviate reliance on property taxes to cover these expenses, this directly alleviates pressure on the property tax. The Finance Committee requests that Town and School administrators continue to maintain fiscal discipline, follow the admirable and prudent fiscal approach they have taken in recent years to successfully preserve and marginally grow the level of services provided to citizens of Concord, and work to develop sustainable budgets that can be maintained with limited new resources.

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