



TOWN OF CONCORD

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CHRISTOPHER WHELAN, TOWN MANAGER

February 16, 2017

The Honorable Select Board:

I herewith submit for your review the Town Manager's Proposed General Fund Budget for Fiscal Year 2018 (July 1, 2017 - June 30, 2018) in accordance with the requirements of the Town Charter. With the presentation in this Budget Book, I am pleased to report that this proposed FY18 General Fund Budget is financially sound while funding key priority programs.

Throughout the fall of 2016, the Finance Committee has deliberated on the appropriate funding levels for the Town Government, Concord Public Schools (CPS) and the Concord-Carlisle Regional School District (CCRSD). The proposed Town Government budget (Article 7 on the 2017 Annual Town Meeting Warrant) conforms to the Finance Committee Guideline as adopted on November 30, 2016. Although the proposed CPS budget (Article 13) is \$236,584 above the Guideline and the proposed CCRSD assessment (Article 16) is \$257,285, the budget amounts used in this Budget Book are the Guideline numbers. In addition, at the time this document was prepared, the assessment for the Minuteman Vocational School District was estimated to be \$500,000, and it is \$599,313, as voted by the Minuteman School Committee.

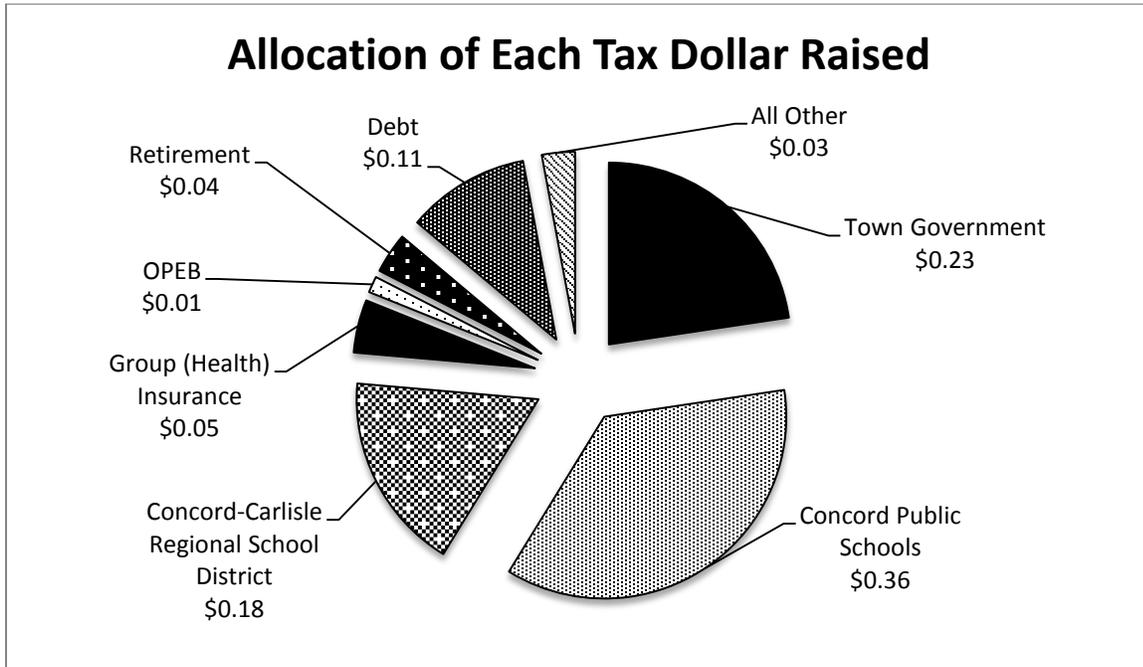
	FY17 Budget	FY18 Proposed (at guideline)	Change from FY17 to FY18	
			Amount	Percent
Town Government ¹	\$22,014,013	\$23,064,013	\$1,050,000	4.8%
Concord Public Schools	\$35,660,111	\$36,810,111	\$1,150,000	3.2%
Concord-Carlisle RSD	\$17,035,005	\$17,935,005	\$900,000	5.3%
Subtotal	\$74,709,129	\$77,809,129	\$3,100,000	4.1%
All Other Accounts ²	\$23,540,453	\$24,057,730	\$517,277	1.4%
Total Budget Plan	\$98,249,582	\$101,866,859	\$3,617,277	3.6%

¹ The Town Government Budget has been augmented by \$50,000 in FY17 from the Emergency Response Stabilization Fund to partially fund the four additional firefighters who staff the second ambulance.

² For FY18, All Other Accounts consists of Group Insurance (\$4,800,000), OPEB (\$1,470,000), Retirement (\$3,667,000), Town and CPS Debt Service (\$3,860,000), CCRSD Debt Service (\$102,583), Town, CPS, and CCRSD Assessed Excluded Debt Service (\$7,168,991), Accounts not subject to Appropriation (\$1,229,156), Minuteman Career and Technical High School (\$500,000), Social Security / Medicare (\$810,000), Other Fixed & Mandated Accounts (\$450,000).

Total General Fund Budget

The total appropriated budget for Town programs and services, which includes all the operations that are not supported by fee-for-service activities such as those of the Concord Municipal Light Plant, is proposed to be \$101,866,859. For each tax dollar raised to fund the Total General Fund Budget, here are the proposed uses:



Revenues

Property taxes account for 86.2% of the revenues needed to fund the Total General Fund Budget. Other sources include State Aid (4.6%), Motor Vehicle Excise (3.0%), Other Local Revenue (3.9%), Stabilization Fund Transfers (0.8%), Other Transfers (1.4%), and Investment Earnings (0.1%).

The impact of the proposed budget on the property tax bill of existing taxpayers will be on average an increase of 3.1%, though each bill may vary due to the specific property's FY18 assessment. This means that for the median property with a current assessed value of \$819,400 the tax bill will increase by \$356 to \$11,885.

Reserves and Financial Stability

A main financial objective is to make sure that the Town finances are sound and that our Aaa credit rating, the highest possible credit rating from Moody's Investors Service, remains intact. In addition to the budgeting practice of conservatively projecting anticipated revenues, two key criteria demonstrate the Town's continued financial stability: Certified Fee Cash and Unused Levy Capacity.

Certified Free Cash -- Each year, the State certifies the level of reserves, also known as Certified Free Cash, which are maintained for cash flow purposes, unexpected events, and economic downturns. The Town's policy is that Free Cash should be at least 5% of the next year's budget. As of June 30, 2016, Certified Free Cash was a healthy \$12,605,955 or 12.8% percent of the current year budget. The FY18 budget will maintain this level of Free Cash, while still providing a \$1 million allocation for Town operations to reduce the tax levy.

Unused Levy Capacity --The unused levy capacity, the amount that the projected tax levy is below the allowable Proposition 2 ½ levy limit, is projected to be \$3,910,411 in FY18. This means that the Town has some flexibility in future budgets since we are not at the upper ceiling of the levy limit as determined by an increase of 2 ½ from the previous levy limit plus an allowance for new growth.

Debt

With the construction of three new elementary schools and a new regional high school within the past thirteen years, the amount of debt that the Town has taken on has grown. The proposed FY18 debt service cost is as follows: \$3,860,000 for routine, within the levy limit, Town and CPS projects such as road repairs and building renovations; \$3,607,507 for Town and CPS excluded debt projects mostly for new elementary schools, and \$3,561,484 for the CCRSD excluded debt assessment for the new high school.

Fortunately, there are some mitigating factors that help to alleviate some of the debt burden. The Massachusetts School Building Authority (MSBA) has certified that the Thoreau School and the Concord-Carlisle High School qualify for State funds; the State has paid for 35.6% of the eligible cost of the high school construction. For FY18, an amount of \$785,000 is being proposed from the Town's High School Debt Stabilization Fund to reduce the tax impact of Concord's assessed share of the CCRSD debt service. In addition, in FY16, the Town took advantage of favorable interest rates to refinance some of our debt for an annual savings in decreased debt service of \$109,113 with a total savings of \$1,091,130 over 10 years.

Retirement

From recent anecdotal stories in the media, some municipal retirement systems throughout the country seem to be in trouble. In Concord, this isn't the case. Our policy of funding the employer contribution of \$3,667,000 in FY18, an increase of 10.5% from the previous year, has placed the Town's retirement system in relatively good shape. As of June 30, 2016, the Town's Net Pension Liability is estimated to be \$31.9 million and its funded ratio is reported in the Town's audited Financial Statements as 80.7%, a ratio that is ranked among the top 10 public retirement systems in the State.

Health Insurance

For the past few decades, health care cost and associated health care premiums have risen at a pace greater than inflation. This increase has placed some stress on Town finances as the Town needs to allocate resources to pay for the employer's portion of health care premiums for current employees and current retirees (budgeted under title of Group Insurance) and fund the employer's portion of the future health care liability incurred by past and current

employees and retirees (budgeted under the title of OPEB). Several factors have helped keep these increasing costs manageable. The Town is a member of Minuteman Nashoba Health Group, which is a joint purchasing consortium of 17 area towns that pools risks and self-funds health plans to keep costs down. As compared to other Massachusetts municipalities, the percent of Concord's employer contribution for health care premiums is on the lower side: approximately 55% for active employees and 50% for retirees. In addition, a 2011 State health care reform law enabled the Town to negotiate plan design changes with the stipulation that 25% of the first-year savings were placed in a fund to mitigate subscriber out-of-pocket cost. Nevertheless, the FY18 allocation from the Town for both Group Health and OPEB is projected to be \$6,270,000, more than 6% of the proposed General Fund budget.

General Government Priorities

I have established six budget goals as priorities for the allocation of resources for Town Government programs and services. Since the Concord Public School and the Concord-Carlisle Regional School Committees and the School Superintendent are responsible for their budgets, the remaining portion of this Transmittal Letter focuses on Town Government priorities.

1. Preserve the Health and Safety of Residents and Visitors and Protect their Property

A top priority of the Town is to preserve the health and safety of everyone who lives in or visits the Town. This means adequately funding the Police and Fire Departments. In the FY18 Police budget, I am requesting \$105,000 to replace 3 patrol vehicles and an addition \$25,000 for needed overtime for officers and dispatchers. For the Fire budget, I have prioritized \$575,000 to replace Engine 8 and \$260,000 to replace Ambulance 1. In addition, I am proposing that the Fire Department hire a Fire Prevention Lieutenant to be responsible for fire code inspections as a preventative measure.

2. Enhance Residents' Quality of Life

There are a variety of ways that the Town enhances residents' quality of life through its social services. In the FY18 budget, I am proposing that the Town allocate an additional \$10,000 for the salaries of the Community Services Coordinator and Youth Services Coordinator, who have been mainly supported by a generous gift from the Community Chest. An additional \$17,000 is proposed for increased hours and wages for the Public Health Nurse, who assists the activities of the Health and the Senior Services Divisions. To meet our mandatory obligation to a greater number of eligible veterans, I am proposing a \$50,000 increase for Veterans Benefits, a budget item of which 80 percent of the benefits are reimbursed by the State, but the reimbursement does not occur for 12 to 15 months after the expense occurs.

3. Preserve the Town's Character

Concord's unique historic character is of priceless value to residents and visitors. With a prior appropriation of \$100,000, the Comprehensive Long Range Plan Committee has begun its work and a report expected in April 2018. The number of new building permits remains strong

and I am proposing \$10,000 for additional hours for the Plumbing, Gas, and Electrical Inspectors. Also in the FY18 budget is \$20,000 for White Pond Management.

4. Promote the Sustainability of Resources

The Town Government has several initiatives for moving Concord in the direction of being more sustainable. The Resource Sustainability Fund is propose to increase to \$126,000, and this account funds a half-time Energy Conservation Coordinator and provides resources for energy efficiency initiatives like lighting replacements and conservation initiatives like municipal water fountain installations.

5. Ensure Quality Operational and Financial Management

The Town Government runs well because of our employees. In order to maintain this highly-qualified workforce, I am proposing \$700,000 for the Salary Reserve Fund to be used for structure and merit/step increases for non-union personnel and personnel associated with our police, dispatch, fire, library, and public works unions.

6. Maintain the Town's Infrastructure

Infrastructure is no longer just roads and buildings; it is also information technology systems. For the physical infrastructure, I am proposing \$1.4 million in borrowing for Town road, parking lot and sidewalk reconstruction. The Facilities Maintenance Fund is proposed to be \$290,000, up by \$55,000. In order to maintain our vital IT systems, I am requesting that the Information Technology Fund be increased by \$30,000 to \$230,000 to pay for computers, servers and networks. In addition, I am proposing the Town Meeting allocate \$1.5 million from Free Cash to be used to modernize the Town's computer systems in the areas of financial services, billing, license and permit tracking, email, and document management.

Conclusion

The FY18 General Fund Budget continues Concord's proud tradition of being financially sound while providing funds for important programs and services. I would like to thank all of the Department Heads and their staff members who worked with us throughout this budget process. In addition, I would like to recognize the efforts of Budget and Purchasing Director Jon Harris, and Senior Budget and Operations Analyst Sean O'Brien, who are principally responsible for this coherent and comprehensive document.

Sincerely,



Christopher Whelan
Town Manager