

Town Manager's Report Monday, May 20, 2013

To: Board of Selectmen
From: Christopher Whelan, Town Manager

Following are some of the matters reported on this week by various Town Departments:

FINANCE

Town of Concord \$3,360,000 Million Bond Issue Receives Low Bid of 0.86%: Bids were accepted Thursday, May 16 at 11 A.M. for a \$3,360,000 bond issuance of the Town of Concord with serial maturities from one to eight years. The delivery date will be June 4, 2013 and principal payments will be payable yearly from June 1, 2014 through June 1, 2021. Interest is payable semiannually on June 1 and December 1.

11 bids were received. The recommended award is as follows:

Sterne, Agee & Leach, Inc. @ 0.857409% TIC (true interest cost)

Sterne is paying the Town a premium of \$140,907.15 in addition to the face amount of the bonds. Gross interest cost for the life of the bonds, \$252,440, is thus reduced to a net interest cost of \$111,532.85, which equals the TIC of 0.86% (less than 1%). The bond premium will be applied first to issuance costs. The net premium (which will be about \$100,000) will be credited as current revenue to the General Fund (approx. \$88,000) and the Water Fund (approx. \$12,000).

Market Access

The number of bidders (11) was greater than usual. The rate offered by the low bidder is appropriate to current market conditions given the Town's Aaa credit rating and the short 3.75-year average life.

Coupon Rates

Subject to limits set by the Town in the Notice of Sale, the bidder sets the bond coupon rates as part of the bid. These are the rates the winning underwriter will offer to the retail market (Concord bonds usually are completely or substantially pre-sold before the bid occurs). The Town's Notice of Sale specified that no coupon rate could exceed any other coupon by more than 3%, and that the minimum premium offered must be \$40,000 (an amount deemed sufficient to cover expected issuance costs).

Sterne has set coupon rates at 2% for all maturities. As these rates are substantially over current market rates, buyers will pay the underwriter a premium in order to purchase a bond. The underwriter's expectation that it can sell the bonds at a premium price is the source of its ability to offer the Town a premium above the face value of the bonds.

How does the coupon rate affect Concord? For budget purposes, we focus on the coupon rate rather than the TIC (True Interest Cost) on which the low bidder is determined and the bond award is based. Coupons of 2% for the period FY14-21 are within (in fact, under) the town's long-term fiscal planning allowance for debt service. And we immediately receive more than the face value of the bonds we are issuing, a current revenue item above the FY13 budget estimate.

Bid Range and History

The range of the eleven bids received for this offering was up to 1.024161%. The cover bid (the next highest to the winning bid) was 0.895598%. For reference purposes, the current sale and recent previous sales results are reported below:

<u>Sale Date</u>	<u>Amount</u>	<u>Avr. term</u>	<u>Max term</u>	<u>TIC</u>	<u>bids</u>	<u>Award</u>
May 16, 2013	\$ 3,360,000	3.765 yrs	8 yrs	0.8574%	11	Sterne, Agee & Leach, Inc
May 16, 2012	\$ 2,785,000	3.312 yrs	7 yrs	0.9416%	3	Janney Montgomery Scott
May 4, 2011	\$ 8,750,000	5.758 yrs	15 yrs	2.3145%	10	Fidelity Capital Markets
Jan. 20, 2010	\$15,100,000	8.892 yrs	19 yrs	3.0929%	6	Fidelity Capital Markets
Mar. 18, 2009	\$14,465,000	8.708 yrs	19 yrs	3.6096%	8	UBS Financial Services
Mar. 20, 2008	\$ 6,301,000	4.845 yrs	10 yrs	3.0162%	7	First Southwest Co.

This bond sale will finance the following projects approved at Annual Town Meetings:

Use of Proceeds

The bonds will finance the following projects pursuant to authorizations approved by the Concord Town Meeting:

A. **Debt service to be paid within the property tax levy limit**

- **School Building Improvements** \$ 725,000

Pursuant to Article 27 of the 2011 Annual Town Meeting

- **Road engineering and design – Main Street** \$ 50,000

Pursuant to Article 36 of the 2011 Annual Town Meeting

- **Road Improvement Program** \$ 950,000

Pursuant to Article 26 of the 2012 Annual Town Meeting

- **Police/Fire Station Improvements** \$ 700,000

Pursuant to Article 27 of the 2012 Annual Town Meeting

- **Land Acquisition – 51 Laws Brook Road** \$ 535,000

Pursuant to Article 2 of the April 24, 2012 Special Town Meeting

B. Debt service supported from enterprise fund revenues

- **Water System Improvements** \$ 400,000

Pursuant to Article 23 of the 2010 Annual Town Meeting.

General Information

Moody's Investors Service reaffirmed Concord's Aaa credit rating prior to the bond sale.

A copy of the credit report is attached at the end of this week's Town Manager's Report.

High School Bond Issue Scheduled: The Concord-Carlisle Regional School District is accepting bids on Wednesday, May 22 until 11 A.M. on a \$32.5 million bond issuance which will finance about one-half of the expected local cost of the new Concord-Carlisle High School. The High School budget for FY14 (the year beginning July 1, 2013) included the projected first-year debt service cost of this issue, and both Concord and Carlisle town budgets have also included each town's expected assessment share. Debt service each year of the 25-year debt repayment schedule will be shared by the two towns in the same proportion as the operating budget – according to the enrolled student ratio. For FY14, Concord's share will be 72.85% (refer to page 33 of the April 2013 Concord Finance Committee Report, available online and distributed by US Mail to each Concord household on April 11th).

Questions about the High School project financing may be addressed to finance@concordma.gov.

FIRE

Smoke Condition at Colonial Inn: About mid-day Saturday, CFD responded for inside smoke at the Colonial Inn. Responders found a fire (extinguished) consisting of towels inside a commercial dryer, and a light smoke condition in the basement cooking area. Bedford FD sent an engine over as C3/E3 was on another call. There was no extension beyond the dryer. The dryer was placed OOS pending repair. Uncovered food was discarded and health department notified. No evacuations were necessary.

PLANNING & LAND MANAGEMENT

Health Division

Health and Building Inspections Offices – Clean up and renovation expected to be completed Monday morning; Offices will close at noon on Monday to allow relocation back to the 2nd floor. Regular office hours and service will resume on Tuesday, May 21. We appreciate everyone's support and understanding during this challenging time.

Recreational Camp License: Administrative Assistant Karen Byrne issued the Recreational Camp Site License to Emerson Umbrella approved by the Board in April. This year Emerson Umbrella is offering summer camp programs in conjunction with Concord Recreation; however, separate site assignments are required by State Regulations (MGL Ch. 140, s., 32B). Site licenses cover the physical location of a camp; any Recreational Camps for Children applying for licenses to operate in Concord are reviewed separately for compliance/adherence to the State Sanitary Code, 105 CMR 430.00, *Minimum Safety Standards for Recreational Camps for Children*.

Septic System Assistance: Assistant Public Health Director Stan Sosnicki spent a significant amount of time researching and reviewing alternative septic design options for a resident who was frustrated by the permit process to replace a failed septic system that will require variances prior to selling his home. While it is customary for the system designer/engineer to provide this type of support; miscommunication between parties was escalating. Stan was able to offer alternatives and the owners are now scheduled for the June Board of Health meeting for approvals.

Almost Swim Season: Public Health Inspector Gabrielle White has scheduled the pre-operational pool inspections, and plans to conduct inspections next week to ensure that the semi-public and public swimming pools will be ready to open for Memorial Day.

Beach Testing: Testing will begin next week, as well, at Concord's three semi-public beaches: Annursnac Hill, Silver Hill and White Pond for compliance for water quality requirements for swimming. The Health Division contracted again this year with G&L Laboratories to perform water sample collection and analysis services.

Planning Division

Community Preservation Committee: The CPC held their regularly scheduled meeting on Monday, May 13. At that time, the Committee reviewed and approved the conditions for all CPA funded projects approved at the 2013 Town Meeting, including revising the conditions for McGrath Farm. Committee members also discussed the membership of the Committee and the materials that should be made available for the new Committee members who will be replacing departing Committee members Peggy Briggs, Nancy Crowley, Chris Sgarzi, and Annette Bagley.

Historic Districts Commission: At their regularly scheduled meeting, the HDC reviewed and approved Certificates of Appropriateness for the installation of new windows at 388 Lowell Road; the construction of a new pergola at 440 Main Street; and the addition of new fencing, entranceway, lighting, windows, door and paint color at 478 Lexington Road. The Commission also reviewed the proposed new signage at 33 Walden Street but continued the hearing to allow time for the Applicant to consider additional colors and designs.

West Concord Advisory Committee Open House: It was standing room only in the Clock Tower Room at the Harvey Wheeler Community Center on Thursday night. Historic

Preservation consultant Anne McCarthy Forbes presented pictures and maps illustrating some of the historic patterns and architecture that formed the framework of West Concord, while the WCAC members discussed projects that have been proposed or recently approved. While scheduled to begin at 5:30, people began arriving at 5:00 and many stayed until 7:30. There was much concern expressed over traffic volumes, school-age children, affordable housing, affordable commercial space and retaining the village character of West Concord.

Massport Community Summer Jobs Program: An application for funding a summer intern in the Planning Office was submitted to Massport on Friday. The summer intern will assist Planning staff with housing research of other communities' methods to protect and preserve neighborhood character and conduct field work to document the extent and condition of recreation facilities in the community to provide basic information to support a recreation master plan.

Natural Resources Division

Natural Resources Commission: At the May 15 Natural Resources Commission meeting, the following continued matters were heard: a Notice of Intent for the redevelopment at 50 Beharrell Street and a Notice of Intent for renovations and reconstruction of a garage at 73 Musketaquid Road. Both of these matters were continued to the June 5th NRC meeting to issue an Order of Conditions. The Commission also opened and discussed the following hearings: a Notice of Intent for 100 Newbury Court for the after-the-fact removal of trees and shrubs; a Notice of Intent for an addition at 26 Elm Street; a Request for Determination of Applicability to remove invasive species at 313 Silver Hill Road; and an Abbreviated Notice of Resource Area Delineation to confirm the wetland boundary at 755 Walden Street. 100 Newbury Court and 313 Silver Hill Road were closed and issued at this meeting. 26 Elm Street and 755 Walden Street were continued to the June 5 meeting to close and issue Orders.

The Natural Resources Commission needs your help to assist with the eradication of Garlic Mustard:

Garlic mustard poses a severe threat to native plants and animals in forest communities and outcompetes native plants by aggressively monopolizing light, moisture, nutrients, soil, and space. Garlic mustard is in bloom now, reaching from 2 to 3-½ feet in height and producing button-like clusters of small white flowers, each with four petals in the shape of a cross with triangular to heart-shaped, coarsely toothed leaves that give off an odor of garlic when crushed. Garlic mustard is easily pulled by hand. Remove the plant with its entire root system or new plants may sprout from root fragments. Collect and bag the plants and dispose of them in heavy garbage bags and/or bring them to the Town's invasives bin at the landfill. It is important to remove this plant before it goes to seed. If you have any questions, please call the Division of Natural Resources at 978-318-3285.



Building Inspections Division

Middlesex School Advance Planning Meeting: Town staff from Building Inspections, Planning, Natural Resources and Fire met with Middlesex School representatives to talk about early planning for school construction projects in 2014. Middlesex is considering renovations to two dormitories, relocation of the Facilities Maintenance building and adaptive reuse/conversion of the existing Facilities Maintenance facility into a Music Center (relocating the music activities from the Library basement).

POLICE

Operational Services: On Tuesday May 14, a Corrections Officer from the Northeast Correctional Center reported that an inmate whom was on a work release detail at the Colonial Inn escaped. Concord Police were notified and a containment perimeter was immediately established. Sgt. Kennedy set up a command post and oversaw operations, which ultimately led to locating and arresting the inmate in the Baker Avenue near Elm Place. Several Concord Officers, including Detective Camilleri and Officer McGrath, were involved in the search for the inmate. The inmate was later transported to Concord District Court and was arraigned on the charge of escape.

On Wednesday May 15, Sergeant Flynn and Officer Toumayan responded to Main Street by Brook Trail Road for a motor vehicle collision involving an operator trapped inside the vehicle. Upon arrival, Officer Toumayan determined that the operator trapped inside the vehicle was conscious and alert, but could not exit the vehicle. Traffic in the area of upper Main Street was closed while emergency crews tended to the scene. The operator was issued a citation for failure to stay within their lane, was taken to Emerson Hospital and is expected to make a full recovery.

On Sunday May 19, Officer Harrington responded to the area of 1400 Main Street for a report of a black bear going through a residence's yard. Upon arrival, the bear ran off into the woods. Residents are advised not leave food, trash, or birdfeeders out as this will attract bears.

Community Services: On Sunday May 19, Lt. Roy Mulcahy, Lt. Tom Mulcahy and Officer Carlton assisted with the annual National Brain Tumor Society bike ride through Concord.

On Sunday May 19, the dayshift personnel, overseen by Sgt. Flynn, assisted with the Thoreau School 5K Road race.

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aaa rating to the Town of Concord's (MA) \$3.36 million General Obligation Municipal Purpose Loan of 2013 Bonds; outlook is stable

Global Credit Research - 14 May 2013

Affirmation of Aaa rating affects \$62.8 million in outstanding bonds

CONCORD (TOWN OF) MA
Cities (including Towns, Villages and Townships)
MA

Moody's Rating

ISSUE	RATING
General Obligation Municipal Purpose Loan of 2013 Bonds	Aaa
Sale Amount	\$3,360,000
Expected Sale Date	05/16/13
Rating Description	General Obligation

Moody's Outlook STA

Opinion

NEW YORK, May 14, 2013 --Moody's Investors Service has assigned a Aaa rating to the Town of Concord's (MA) \$3.36 million General Obligation Municipal Purpose Loan of 2013 Bonds. Concurrently, Moody's has affirmed the Aaa rating on \$62.8 million of outstanding bonds; the outlook is stable. The bonds are secured by the town's general obligation limited tax pledge as debt service has not been voted exempt from the levy limitations of Proposition 2 ½. Bond proceeds will fund various capital improvement projects of the town.

SUMMARY RATING RATIONALE

The Aaa long-term rating reflects a solid financial position supported by long-range planning and effective policies, seasoned and effective management team, solid voter support for Proposition 2 ½ overrides and exclusions, moderate future growth potential relative to regional and national trends, an affluent tax base, and an affordable, aggressively-managed debt position. Moody's stable outlook reflects the town's stable financial position, long-range approach to budgeting and planning, and healthy regional economy.

STRENGTHS:

- Wealthy, favorably located tax base
- Solid voter support for operating overrides and debt exclusions of Property 2 ½ levy limits
- Strong financial position with some flexibility including unused property tax levy capacity
- Effective approach to management including conservative budgeting and multiple-year planning

CHALLENGES:

- Flat projections for state aid
- Uncertain impact of federal spending cuts on regional defense and scientific research funding

DETAILED CREDIT DISCUSSION

SOUND FINANCIAL POSITION GUIDED BY COMPREHENSIVE POLICIES

The town's overall financial position is expected to remain stable given the town's effective management team, comfortable reserve levels and strong history of voter support. Concord enjoys additional financial flexibility to absorb future budgetary pressures due to a moderate excess property tax levy capacity that has increased to approximately \$2.9 million (3.5% of 2013 appropriations) in recent years. The town is also supported by a strong history of voter approvals for overrides of Proposition 2 ½ for operations and capital projects. Operations in fiscal 2012 resulted in a surplus of \$2.7 million after replenishment of \$850,000 free cash appropriation to reduce the tax levy. The surplus is attributed to positive revenue variance of \$1.7 million, about one-half of which is deemed one-time revenues. The town also benefited from \$920,000 in unexpended appropriations. The 2012 audit reflects an increase in the total General Fund balance to \$27 million (31.2% of revenues) and an unassigned fund balance of \$10.3 million (11.9% of revenues). The General Fund reserves include \$5.5 million in restricted fund balance designated for school debt service and \$6.8 million in committed fund balance designated as various stabilization funds for other debt, additional school capital, emergency response, insurance and other uses.

The town continues to abide by sound fiscal management policies which are detailed in the annual finance committee report with a financial policy that includes the maintenance of free cash of at least 5% of the total budget, a capital budget, and debt policy which helps to develop the town's multi-year budget projections. In addition, since fiscal 2000, voters in the town have approved a total of over \$8.5 million in tax levy increases to support operations, providing the town flexibility in planning and avoiding significant service reductions. Additionally, voters have approved over \$135 million in Proposition 2 ½ debt exclusions in support of municipal and school capital projects, greatly relieving pressure on the town's operating budget. Voters also approved the Community Preservation Act (CPA) in 2004. The CPA allows the town to collect a 1.5% surcharge on the property tax levy and grants access to state matching funds. Together these funds have yielded over \$8.9 million, to date, to finance affordable housing, open space and historical preservation initiatives. To support operations the town relies heavily on property taxes, which accounted for 79.3% of operating revenues in fiscal 2012. Collection rates remain very strong at over 99% on a current-year basis.

The fiscal 2013 budget increased by 2.7% and was balanced with \$850,000 free cash appropriation to reduce the tax levy. The year to date revenues are expected to exceed budget estimates by \$600,000 and unexpended appropriations should be at least \$500,000 resulting in an operating surplus. The fiscal 2014 budget has been adopted with a 5% increase which includes increased debt service related to the new high school project. The town does expect to dip into the unused levy capacity over the near term given the upcoming town and school capital projects as well as continued increase in employee benefit costs. However, the historically conservative approach to budgeting and voter support will help to moderate future operations.

STABLE RESIDENTIAL TAX BASE FAVORABLY LOCATED WITH AFFLUENT SOCIOECONOMIC INDICATORS

Concord's primarily residential (91% of 2013 assessed value) \$5.4 billion tax base is expected to remain stable with limited growth over the near term given moderate new development. The 2013 assessed value declined by 0.7%, following two years of increases in 2011 and 2012 of 0.4% and 0.9%, respectively. The slight decline adjusted the five year average annual growth to -0.8%. Favorably located along the Route 128/I-95 corridor, the town is a mature suburb west of Boston (GO rated Aaa/stable outlook). The town does have a small commercial sector including health care, research and development and office space. The recent new growth is largely attributed to expansion in the residential sector from the Concord Mews apartment complex development which includes 350 units of rental housing. The town's equalized value declined by 3.4% in 2013 which reduced the five year average growth to 0%. The town's wealth levels remain strong with a median family income of \$156,352, representing 192.6% and 248.2% of the Commonwealth and nation, respectively. The full value per capita of \$304,209 also remains strong reflecting the high-end housing stock. Also, the town's unemployment rate of 4% (March 2013) remains well below the state (6.8%) and US (7.6%).

FAVORABLE DEBT PROFILE WITH SIGNIFICANT VOTER SUPPORT

Concord is expected to maintain an affordable debt position due to its modest 1.4% overall debt burden, an aggressive repayment schedule for non-excluded debt, and the town's commitment to pay-as-you-go capital financing, with roughly \$4.6 million budgeted in fiscal 2013, including enterprises. Since 1992 Concord's voters have approved thirteen debt exclusions from Proposition 2 ½ for roughly \$135 million in school and town capital projects, relieving the impact of the associated debt service on general fund operations. The most recent vote passed in November, 2011 when Concord and the Town of Carlisle (GO rated Aa1) held referendum votes excluding debt service for the replacement of Concord Carlisle Regional High School. The project has an initial project cost of up to \$92 million, of which \$48 million is projected to be Concord's share.

Debt service payments accounted for a manageable 9.4% of total fiscal 2012 expenditures, and the town repays its obligations at a satisfactory rate with 78.9% of principal retired within 10 years. Concord's amortization schedule has been extended significantly in recent years due to the issuance of approximately \$13 million in long-term debt through the Massachusetts Water Pollution Abatement Trust (MW PAT rated Aaa/stable outlook) for a wastewater treatment plant project. However, the town remains in compliance with its adopted policy to amortize all tax-supported non-excluded borrowing within ten years and all debt voted exempt from Proposition 2 1/2 within 20 years. The town also maintains a policy that restricts total pay-as-you-go capital spending and tax-supported non-excluded debt service to 8% of budget. Concord expects to issue approximately \$33.7 million in bonded debt in support of its \$61 million capital improvement plan through fiscal 2018; debt service on approximately \$13.5 million is anticipated to be self-supporting through user fees. Concord has no exposure to variable or auction rate debt or swap agreements.

The town participates in the Concord Contributory Retirement System, a multi-employer, defined benefit retirement plan. The town's annual required contribution (ARC) for the plans was \$2.9 million in fiscal 2012, or 3.6% of General Fund expenditures. The district's adjusted net pension liability, under Moody's methodology for adjusting reported pension data, is \$41.1 million, or a moderate 0.5 times General Fund revenues. Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the town's reported liability information, but to improve comparability with other rated entities. We determined the town's share of liability for the regional plan in proportion to its contributions to the plan. Also, the town continues to contribute to its OPEB liability on a pay-as-you-go basis, contributing 64% of the ARC in 2012, representing \$1.3 million. The OPEB UAAL as of January 1, 2012, represented \$28 million and in addition to the pay-go contribution, the town has established and annually contributed to an OPEB trust with a current balance of \$4 million, providing a funded ratio of 6.3% of the unfunded liability.

OUTLOOK

Concord's stable outlook reflects the town's strong economic and financial performance, and the expectation that the town will continue to manage effectively, maintaining structural balance and flexibility.

WHAT COULD MOVE THE RATING DOWN:

- Lack of voter support for operating and capital needs
- Erosion of reserves
- Significant decline in tax base and demographic profile

KEY STATISTICS

2010 population: 17,450 (+2.7% since 2000)

2013 Equalized Valuation: \$5.4 billion

Average Annual Growth, Equalized Value(2007-2013): 0.0%

2013 Equalized Value per Capita: \$304,209

Median Family Income: \$156,352 (192.6% of commonwealth, 248.2% of US)

Unemployment rate (March 2013): 4%

FY12 General Fund balance: \$27 million (31.2% of General Fund revenues)

FY12 Unassigned General Fund balance: \$10.3 million (11.9% of General Fund revenues)

Overall debt burden as % of Equalized Value: 1.4%

Amortization of principal (10 years): 78.9%

Post Issuance Rated long-term G.O. debt outstanding: \$66.2 million

The principal methodology used in this rating was General Obligation Bonds Issued by US Local Governments published in April 2013. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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