

# COMMUNITY PRESERVATION ACT

## Historical background

**T**HE Community Preservation Act (CPA) was adopted by the Commonwealth in 2000 to help Massachusetts communities preserve open space and historic sites and to create affordable housing and recreational facilities. Concord's Town meeting adopted the state enabling legislation in 2004, voting to assess a 1.5% surcharge, which was affirmed by the voters at the polls Nov. 2004. The first \$100,000 of assessed value of each property's assessment is exempt from the surcharge. In addition, those taxpayers whose incomes are eligible for low- and moderate-income housing and qualified seniors may obtain exemptions to the tax surcharge.

**C**ommunity Preservation Act funds are derived from both local and State sources. To date State funds represent a 100% match with Town surcharge revenues. These State funds are disbursed from the State Community Preservation Trust Fund and are derived from Registry of Deeds fees on property transactions and mortgage refinancing. CPA funds can only be used to acquire, create, and preserve open space and land for recreational purposes, to acquire, preserve, rehabilitate and restore historic resources and to create, preserve and support affordable housing. Under the law, a minimum of 10% of revenues must be appropriated or reserved each year for each of the three interests of open space, community

housing and historic preservation.

**I**n 2005, the Board of Selectmen established the Community Preservation Committee (CPC), which by law is charged with the task of "studying the needs, possibilities, and resources of the town regarding community preservation." The first task of the Committee was to write a plan, which was completed early in the summer of 2006. In writing the plan, the Committee received opinions from the Town's boards, commissions and officials as well as information from the Comprehensive Long Range Plan, the Open Space and Recreation Plan and the Playground Study.

**T**he plan was updated during 2007 to take into account revisions and refinements to the statute. In response to public comment and committee deliberation, the plan was also amended to allow consideration of projects that arise after the initial application deadline. The plan is available on the Town of Concord website [www.concordnet.org](http://www.concordnet.org), at the Town libraries, and the Planning Department, 141 Keyes Rd.

**D**uring 2006, a total of \$2.1 million was available for CPA purposes. Thirteen applications were received requesting a total of \$2.3 million. The CPC recommended and Town Meeting approved \$1,635,000 across nine projects, and \$30,000 to cover CPA-related administrative costs.

**I**n 2007, 11 applications were received requesting a total of \$4.8

million. Following their review, the CPC recommended appropriations for nine projects totaling \$2.9 million. Many of the projects will also receive revenue from other municipal or private sources. The CPC encourages applicants to try to fund projects using multiple sources, including, but not limited to CPA funds.

## Recommendations for 2008

**N**ow in its third year, the CPC has \$2.3 million available for appropriation. The Committee received requests totaling \$3.0 million. Following extensive review and deliberation, the list was amended. For Town Meeting 2008, the CPC is recommending approval of nine projects totaling \$2.24 million. Eight of these are contained in Article 31. The remaining project—land acquisition and affordable housing construction—is proposed in Articles 32 and 33. Due to the timing and complexity of this project, many of the questions around it will not be answered until close to the time of Town Meeting. For these reasons the Committee felt it was appropriate for citizens to have the opportunity to consider this project apart from the others.

**Article 31:** \$1,632,500. The CPC recommends the following appropriations:

- a) \$22,500 Concord Free Public Library, for preservation of the Thoreau Books Collection (Historical Preservation)
- b) \$30,000 Town of Concord Natural Resources Division, for devel-

opment of baseline documentation on Town-held conservation restrictions. (Open Space)

c) \$175,000 Concord Housing Development Corporation, to support and preserve affordable housing in Concord (Housing)

d) \$750,000 Town of Concord, Natural Resources Division/Concord Land Conservation Trust, for acquisition of Hubbard Farm Field (Open Space)

e) \$200,000 Concord Museum, for climate control project to preserve the collection (Historic Preservation)

f) \$250,000 Town of Concord Public Works, for the restoration of Nashawtuc Bridge (Historic Preservation)

g) \$175,000 Orchard House, for the preservation of the building (Historic Preservation)

h) \$30,000 Town of Concord, for administrative expenses associated with CPA

*Article 32:* \$450,000 for the purchase of land at 335 Walden Street. Some land will be left as open space and some will be used as the site of affordable housing.

*Article 33:* \$160,000 for the construction of up to five units of affordable housing at 335 Walden St.

### **Looking Ahead**

In the past few years the CPA has been adopted by an increasing number of Massachusetts communities. Initially the State was collecting more in fees than it was distributing. As mentioned above the fees are derived from property transactions and mortgage refinancing. The combination of an increase in the popularity of the program along with a very slow real estate market will result in more competition for fewer funds. This year, the Town estimates it will receive a 70 % match, and this is likely to be lower in the future.

The level of the State match depends on the amount available in the State trust fund, the number of participating communities and the percentage surcharge (up to 3.0%) in place in each community. The statutory process for distribution of matching funds will yield a higher match for those communities with higher surcharges. (Concord has a 1.5% surcharge.)

The Finance Committee commends the Community Preservation committee for its thoughtful use of the combination of local and State revenue to fund so many worthwhile projects in the past three years.

# Community Preservation Fund

## *financial status*

	Actual		Revised	Estimated
	FY06	FY07	FY08	FY09
<b>Fund Resources</b>				
1.5% surcharge collections	\$ 696,920	\$ 737,386	\$775,000	\$810,000
State match of surcharge committed	652,084 <sup>a</sup>	697,795 <sup>a</sup>	738,132 <sup>a</sup>	546,000 <sup>a</sup>
Earnings on available cash balance	63,417	152,660	140,000	70,000
<b>TOTAL FUND REVENUE</b>	<b>\$1,412,421</b>	<b>\$1,587,841</b>	<b>\$ 1,653,132</b>	<b>\$ 1,426,000</b>
<b>Fund Disbursements</b>	<b>0</b>	<b>415,693</b>	<b>2,823,457</b>	<b>3,242,500</b>
Beginning cash balance	\$ 651,573	\$2,063,994	\$ 3,236,142	\$2,065,817
Ending cash balance	\$2,063,994	\$3,236,142	\$ 2,065,817	\$ 249,317

### Notes

- (a) State match is based upon the net levied surcharge of the prior fiscal year. It is paid in October.  
Amount shown in FY08 column was actual received October 2007. FY09 assumes a 70% match.

### APPROPRIATIONS (by Fund Year):

	FY05 Fund Year	FY06 Fund Year	FY07 Fund Year	FY08 Fund year
Housing	\$265,000	\$141,242	\$386,000	\$232,003
Historic Preservation	200,000	141,938	374,000	\$593,062
Open Space	80,000	141,241	200,000	\$151,896
Recreation	80,000	958,000	50,000	\$542,000
Administration	26,573	30,000	3,427	\$0
<b>TOTAL</b>	<b>\$651,573</b>	<b>\$1,412,421</b>	<b>\$1,013,427</b>	<b>\$1,518,961</b>
<b>10% of surcharge and state match:</b>	<b>\$64,613</b>	<b>\$134,900</b>	<b>\$143,518</b>	<b>\$151,313</b>

*(minimum amount that must be allocated to Housing, Historic Preservation, Open Space)*

### 2008 Annual Town Meeting

Available for appropriation:  
**\$2,000,414**

Uncommitted balance of June 30, 2007 (\$574,414)  
plus estimated Fund Revenue of FY09 (\$1,426,000)

# PROPOSITION 2 1/2

## The levy limit explained

**PROPOSITION 2 1/2** refers to an initiative statute adopted by the voters of the Commonwealth Nov. 1980. Its purpose was to stabilize municipal property taxes. It limits the amount by which the taxing capacity of the Town is allowed to increase each year. The allowed growth is 2.5 percent of the prior year's levy limit. For FY09 this allowed increase in the limit will be \$1,431,374 (which is 2.5% of the FY08 levy limit, \$57,254,951).

Added to the levy limit computation is the levy increase attributable to new growth. This represents additions to the base of taxable property, typically as a result of new construction, renovation and minor alterations, or change of use. Permitting the levy limit to be adjusted by new growth recognizes the fact that development creates pressures

on Town services over the long term.

The assessment date for each tax year is Jan. 1. The 2001 Annual Town Meeting adopted a State law allowing the physical improvements existing on property through each June 30 to be assessed with the taxable roll of the preceding January 1. Thus, New growth forecasted for FY09 is based on the activity of the current 12-month fiscal year ending June 30, 2008. The budget estimate is \$600,000, equivalent to about 1% of the FY08 total property tax levy.

Total growth of the levy limit is therefore attributable to two factors, one fixed (+2.5% per year) and one variable and subject to economic conditions. The total increase in the FY09 levy limit is projected to be \$2,031,374.

Additionally, the FY09 permitted tax levy will increase due to the added cost of debt service already approved by voters at the ballot box in prior years. The FY09 increase is \$904,347, or about a 1.5% levy increase.

The total increase in the budget plan recommended by the Finance Committee amounts to \$3,730,162 (+5.4%). This recommendation will permit the operating budgets (inclusive of capital outlays paid from current revenues) to rise as follows: Town Government departments, +4.8%; Concord Public Schools K-8, +3.0%; Concord-Carlisle High School operations, +5.0%. Funding this proposed budget level will be possible within the levy limit, based upon current projections of other revenues and available resources.

### Funding the FY09 Guideline Budget

#### SOURCES OF NEW FUNDS

• use of prior unused levy limit	\$ 982,317
• permitted 2.5% increase in limit	1,431,374
• increase in debt exclusion levy	904,347
• est. tax levy from new growth	600,000
• projected change in state aid	12,124
• change in Free Cash use	100,000
• change in other local resources	<u>(300,000)</u>
	\$3,730,162

### Calculation of Annual Levy Limit

FY08 Levy Limit	\$ 57,254,951
2 1/2 percent	1,431,374
est. New Growth	<u>600,000</u>
Projected FY09 Limit	59,286,325
Excluded Debt levy	<u>3,931,336</u>
Available at Levy Limit	63,217,661
Projected levy	\$62,864,491
(+5.6% exclusive of New Growth levy)	

# OVERRIDING THE LEVY LIMIT

ONCE at the annual levy limit, the Town may exceed this limit only with a majority vote at a town-wide special or regularly scheduled election. Without changes to current state laws, development of new municipal revenue sources, or significant amounts of new state aid, override votes have in recent years been annual consideration in the budget cycle. Voters approved operating overrides for the Town government accounts and the schools for six consecutive years:

FY02 budget: \$2,249,022  
approved June 10, 2001;

FY03 budget: \$1,478,773  
approved May 14, 2002;

FY04 budget: \$1,532,364  
approved May 13, 2003;

FY05 budget: \$1,858,160  
approved June 8, 2004;

FY06 budget: \$ 752,480  
approved June 7, 2005; and

FY07 budget: \$ 657,538  
approved June 6, 2006.

Thirteen of 19 debt exclusion ballots have also been approved by the voters (see the section Excluded Debt). The total debt exclusion tax levy for FY09 is budgeted at \$3,931,336 (about 6.25% of the total projected tax bill). The major portion of this sum, \$3,035,718, about 4.9% of the projected tax bill, is the financing cost of long-term bonds issued for the Alcott and Thoreau elementary school

projects and the commencement of financing costs for the Willard elementary school design and construction.

## Forms of overrides

The Town Meeting does not vote on overrides, or specify the ballot questions. By State law overrides, capital outlay and debt exclusions are voted on only at a town-wide election and require a simple majority vote for approval. State law gives the Board of Selectmen the sole authority to determine and specify the ballot questions. The Town Meeting's responsibility is to adopt budgets, and, when necessary, to specify whether and how much of an appropriation is to be contingent upon override or exclusion approval by the Town-wide electorate.

Override votes may precede or follow Town Meeting action. A General Override or Capital Exclusion vote will show the amount of the override in the wording of the ballot question. A Debt Exclusion cannot, by State law, show the amount of the debt, but rather can only refer to the debt authorized or to be authorized by a vote of Town Meeting. Authorization of Town debt by the issuance of bonds requires a two-thirds vote at Town Meeting.

There are several permitted forms of a vote to exceed the annual levy limit:

### General override

A majority vote of the Board of Selectmen (3 of 5) is required to place this question on a ballot. The dollar amount of the levy limit increase must be specified and, if approved, the vote permanently increases the limit. The question can be posed with respect to the total budget or by identifying allocations to specific departments.

### Capital outlay exclusion

A two-thirds vote of the Board of Selectmen (4 of 5) is required to place this question on a ballot. If approved, the dollar amount of the override is effective for one year only. This form of vote can be used to authorize a capital purchase in lieu of a borrowing authorization. It can be used only for an expense that qualifies, under state law, for debt issuance authorization by the Town Meeting.

### Debt exclusion

A two-thirds vote of the Board of Selectmen (4 of 5) is required to place this question on a ballot. If approved, the override is effective only for the duration of the specified loan. The annual debt service amount (principal and interest payment) is added to the otherwise permitted annual levy limit.

# EXCLUDED DEBT

THE FY09 tax levy required for the debt service on all excluded debt authorized to date is budgeted at \$3,931,336. This is about 6.25% of the total \$62.9 million projected property tax levy. The major portion of this cost is for the three elementary school projects.

\$2,916,479 is budgeted for Alcott, Thoreau and Willard school debt expense, representing three-fourths of the debt exclusion budget:

<i>Alcott</i>	\$ 813,016
	(1.3% of the projected tax levy)
<i>Thoreau</i>	\$1,570,663
	(2.5% of the projected tax levy)
<i>Willard</i>	\$ 532,800
	(0.9% of the projected tax levy)

*Following is a summary of the debt exclusion authorizations comprising the FY09 budget.*

## **Concord-Carlisle High School (1992 & 1995): final assessment share FY12**

At the Town Election March 31, 1992, by a vote of 2,399 to 1,753, voters approved excluding debt authorized by the regional school district for the Phase I improvements at the high school. A \$5.8 million bond was issued Nov. 1, 1992, and a \$1 million bond was issued Oct. 1, 1994.

At the Town election March 28, 1995, by a vote of 572 to 370, voters approved excluding debt authorized by the regional school district for the Phase 2 improvements at the high school. A \$3.1 million bond was issued April 15, 1996.

Both of these bond issues were refinanced by the Concord-Carl-

isle Regional School District April 2003. This nine-year issue, with a final maturity April 2012, was sold at a 2.71% interest rate.

## **Mattison Field (1997): final payment FY09**

Nov. 1997, voters at a special election approved excluding debt authorized by vote of a Special Town Meeting to finance the acquisition of the 42-acre Mattison Field at Williams Rd. and Old Road to Nine Acre Corner. The tally was 2,131 to 854. This parcel was purchased Feb. 1998. The Town financed \$1,410,000 of the \$3.1 million total price, the balance provided from private donations. This was an 11-year issue sold May 15, 1998 at a 4.24% interest rate.

## **Harvey Wheeler Bldg. (2002): final payment FY16**

At a Special Election on May 14, 2002, voters by a vote of 2,759 to 1,062 approved excluding \$1.2 million of debt for the Harvey Wheeler building renovations, following authorization at the 2002 Annual Town Meeting. This debt was issued Feb. 2004 at a 2.87% interest rate and repayment began in FY05.

## **Alcott School (2002): final payment FY25**

June 19, 2002, voters approved excluding the debt for construction of the new Alcott School, a \$16.7 million authorization approved at the 2002 Annual Town Meeting. The ballot vote was 2,208 to 1,477. The project was audited by the State in the summer of 2006 and received a lump-sum State grant of \$7.2 million Sept. 2006. A 20-year bond for

\$7 million, representing the major portion of our anticipated local share for the construction phase, was issued Sept. 2004 at a favorable 3.7% interest rate. The second phase of work, demolition of the original building and site work, began in the summer of 2006 following the relocation of Thoreau students to their new school building after two years in temporary residence at the old Alcott School. No further state grant was earned for Phase 2 of the Alcott project. A 15-year bond for \$2.3 million was issued February 2007 at a rate of 3.89%.

## **Thoreau School (2004): final payment FY25**

June 8, 2004, voters approved excluding the debt for new construction and reconstruction (1994 wing) of the Thoreau School, a \$16.8 million authorization approved at the 2004 Annual Town Meeting. The ballot vote was 3,421 to 1,899. An 18-year bond for \$10 million was issued Sept. 2006 at a favorable 3.85% interest rate. An 18-year bond for \$6.8 million was issued Sept. 2007 at a 3.99% rate, completing the Thoreau School permanent financing.

## **Concord-Carlisle High School (2004): final assessment share FY10**

June 8, 2004, voters approved excluding Concord's share of the debt for \$535,000 of renovations at the regional high school, pursuant to the vote of the 2004 Annual Town Meeting. The ballot vote was 3,515 to 1,782. The regional school dis-

trict issued this debt as a five-year note Sept. 1, 2004 at a 3.9% interest rate.

**Wastewater Management Plan, Phase 1 (2004): final payment in FY26**

June 8, 2004, voters approved excluding the debt for construction of sewer system extensions in the West Concord and Elm Brook neighborhoods. The ballot vote was 3,392 to 1,851. A debt authorization of \$4,190,000 was approved by the 2004 Annual Town Meeting, the debt to be issued through the state Water Pollution Abatement Trust at a subsidized interest rate of 2%. The Town meeting voted to allocate this debt among the General Fund, the Sewer Fund and betterments. The property tax share of the debt is approximately \$1,640,000. The debt was executed with the State Nov. 2005 and principal repayment commenced on a 20-year schedule beginning July 2006.

**Concord-Carlisle High School (2005): final assessment share FY11**

June 7, 2005, voters approved excluding Concord's share of the debt for \$590,000 of renovations at the regional high school, pursuant to the vote of the 2005 Annual Town Meeting. The ballot vote was 1,781 to 1,552. The regional school district issued this debt as a five-year note Dec. 1, 2005.

**Willard School Design (2006): final payment in FY18**

March 28, 2006, voters approved excluding the debt for design cost of a new Willard elementary school. The ballot vote was 2,080 to 1,747. Town Meeting subsequently authorized \$1,840,000 for this purpose. Through March 2007, this amount has been fully expended. This amount is being permanently financed as part of the April 1, 2008 bond issue, with a 10-year maturity schedule and an expected FY09 debt service cost of \$258,600.

**Concord-Carlisle High School (2006 and 2007): final payment FY18.**

June 6, 2006, voters approved a debt exclusion for Concord's share

of \$1,200,000 for renovations at the regional high school, pursuant to the vote of the 2006 Annual Town Meeting. The ballot vote was 1,209 to 778. March 27, 2007, voters approved a debt exclusion for Concord's share of \$1,245,000 for renovations at the regional high school, by a vote of 959 to 514. This debt was subsequently authorized at the April 2007 Annual Town Meeting. These authorizations were combined and issued by the district as a 10-year \$2.445 million bond Dec. 15, 2007, at a 3.33% interest rate.

**Willard School construction (2007)**

Nov. 14, 2007, voters approved \$29.4 million for construction of a new Willard Elementary School, by a vote of 2,160 to 1,200. \$274,200 is included in the FY09 budget for the projected interest cost of a short-term construction period loan. The project is scheduled for fall 2009 completion and a spring 2010 bond issue is planned.

**Tax Levy for Excluded Debt**

<i>Debt Issued:</i>	FY07	FY08	FY09	FY10	FY11	FY12	Final Fiscal Yr
	Actual	Budget	Proposed	projected			
Concord-Carlisle H.S.	\$ 477,889	\$ 476,557	\$ 684,143	\$ 539,240	\$ 396,023	\$ 133,244	2013
Mattison Field	140,213	134,838	104,400				2009
Harvey Wheeler Building	127,757	126,280	124,309	122,191	119,827	116,994	2016
Alcott School	1,138,323	830,577	813,016	795,991	779,362	762,514	2025
Thoreau School	726,075	1,297,327	1,570,663	1,525,863	1,488,279	1,451,861	2025
Willard School (design only)			244,056	238,506	232,956	227,406	2018
Wastewater Plan, Phase 1	112,200	102,109	102,005	101,898	101,789	101,678	2026
<b>subtotal</b>	<b>\$2,722,457</b>	<b>\$2,967,688</b>	<b>\$3,642,592</b>	<b>\$3,323,689</b>	<b>\$3,118,236</b>	<b>\$2,793,697</b>	
<i>Authorized, not yet issued (est.):</i>							
Willard (construction)		59,301	288,744	1,326,000	3,087,000	3,006,150	2030
<b>TOTAL</b>	<b>\$ 2,722,457</b>	<b>\$ 3,026,989</b>	<b>\$ 3,931,336</b>	<b>\$ 4,649,689</b>	<b>\$ 6,205,236</b>	<b>\$ 5,799,847</b>	

# STATE AID

STATE Aid is received for general town purposes and is not restricted in use, although it is often discussed as “school aid” and “general or non-school aid”. Chapter 70 school aid and the distribution of the net lottery proceeds are the major components of Concord’s aid. Concord receives a minimum statutory Chapter 70 allocation, due to its income and property wealth measures.

In the fiscal year ending June 30, 2001, the Town of Concord received \$4.3 million of general unrestricted funds from the State through various formula accounts. This dollar amount was (and still remains) an all-time high. About 42% of this total was Chapter 70 school aid, and 25% was the Town’s share of the net revenues from the State lottery. Total State Aid represented about 9.3% of the Town’s General Fund budget resources that year.

Over the next two budget years, the State cut aid to local government significantly as part of measures

taken to balance the State budget. Some recovery occurred from FY05 through the current year, FY08, with a significant portion of Concord’s gain coming from an increase in the payment for State-owned lands. This relatively small State Aid account (\$28.3 million state-wide in FY08 vs. \$8 million State-wide in FY04) affects Concord favorably due to the considerable extent of State property in Concord. Total State Aid in the current budget year remains below the dollar amount of FY01. As a share of the Town budget, State Aid has declined to 6.1%.

For FY09, the Guideline budget adopted by the Finance Committee in November initially projected essentially no change for State Aid. The FY09 state budget proposed by the Governor Jan. 23 projected a State Aid increase of about \$231,000 for Concord. The Finance Committee has reviewed the status of State budget deliberations and has not yet incorporated this new number into its FY09 plan.

Legislative action on the State budget is not expected before June. With the overall status of the State budget still shaky, it is not deemed prudent to anticipate this gain. Any additional State Aid will not be certain until after Town Meeting and therefore will be applied to reduce the tax levy increase that the Finance Committee is projecting.

Statewide in FY07 (the most recent year for which data has been compiled), a little less than one-fifth of the total State budget was distributed as aid to the cities and towns, about \$4.3 billion. On average, this represented 22% of local budgets—a much higher share than Concord receives. Statewide, 53% of local revenue came from the property tax. In Concord, that year, 85% of the local budget was supported by the property tax.

The present status of FY09 estimates for the Town is shown below.

**State Aid**  
FY06 and FY07 actual, FY08 budget and FY09 estimated

Account	Actual FY06	Actual FY07	Budget FY08	Estimated FY09	FY08-09 Difference
Chapter 70 school aid	\$1,641,558	\$1,788,314	\$1,975,049	\$1,975,049	\$0
Additional assistance	383,959	383,959	383,959	383,959	\$0
Lottery	905,186	1,045,180	1,059,887	1,059,887	\$0
School construction	148,618	288,045	0	0	\$0
Police career incentive	142,813	158,496	147,639	163,855	\$16,216
State-owned land	370,131	546,166	610,209	610,209	\$0
all other	59,509	70,038	58,133	54,041	(\$4,092)
<b>TOTAL</b>	<b>\$3,651,774</b>	<b>\$4,280,198</b>	<b>\$4,234,876</b>	<b>\$4,247,000</b>	<b>\$12,124</b>



## FREE CASH

**THE** accumulation and use of Free Cash, which is available undesignated fund balance of the General Fund, is an important component of the Town's overall financial management policies. These policies maintain the Town's ability to respond to emergencies, promote the stability of service levels and control the rate of tax levy change.

The undesignated fund balance may be appropriated in either of two forms: 1) for specific expenditures or 2) to reduce the tax levy that otherwise would be required. The available amount is calculated and certified each year by the Commonwealth's Department of Revenue based upon the balance sheet submitted by the Town.

The General Fund Balance, sometimes referred to as "surplus" or "surplus revenue," is the amount by which cash and receivables exceed current liabilities and commitments. In a business sense, this might be thought of as liquidity. In a personal sense, it can be thought of as available savings—at least the portion of savings that cannot be claimed by

any other creditor and that is available without requiring the sale of property or other fixed assets.

It is customary for the Annual Town Meeting to allocate some portion of the General Fund Balance to the support of the ensuing year's expenditure plan. In some years these savings used are more than replenished from operations, while in other years the year-end return from unexpended appropriations and from revenues over estimates (if any) is insufficient to fully restore the Town's accumulated reserves. The sums voted by each annual Town Meeting for use in the ensuing fiscal period are deducted and reserved prior to each June 30 certification.

The Finance Committee's FY09 Budget Guideline plans for an allocation of \$600,000 (Article 11) to support the operating budget. The Committee annually reviews the Free Cash policy and has reaffirmed the commitment to keep the unused Free Cash Balance at or above 5% of the total ensuing budget. This percentage of the budget is deemed to be a minimal

level to enable the Town to cope with unexpected circumstances. As the Town has significant debt service costs projected beginning in 2011 for debt service on the Willard School project (a 4% tax hike is projected for that year solely for this purpose) as well as presently unknown but undoubtedly significant future costs with respect to the Concord-Carlisle High School infrastructure, the Finance Committee is recommending the designation of \$2.5 million from the Free Cash balance into a debt service stabilization fund (Article 10).

Any favorable budget variances from current year operations (actual revenues in excess of the FY08 budget estimate, and/or any FY08 appropriations that remain unspent at year end) will become part of the June 30, 2008 Free Cash balance. This balance will be available to the next Annual Town Meeting in 2009 for allocation in support of future budgets. The results of FY08 operations are presently expected to restore the Free Cash balance proposed for allocation to the FY09 budget.

### Free Cash

Undesignated Fund Balance					
BALANCE			USED		
As of June 30	Certified	As % of next budget	Fiscal Year	To reduce tax rate	As percent of levy
2002	\$ 4,141,512	7.9%	2004	\$ 810,399	1.7%
2003	3,638,239	6.5%	2005	459,000	0.9%
2004	3,994,445	6.8%	2006	500,000	0.9%
2005	4,880,193	7.8%	2007	500,000	0.9%
2006	5,730,609	8.6%	2008	500,000	0.8%
			<i>proposed</i>		
2007	\$ 8,003,063	11.5%	2009	\$ 600,000	1.0%

# RESERVE FUND TRANSFERS

**T**HE transfers to Town budget accounts authorized by the Finance Committee during FY07 are shown in the accompanying table. Requests amounted to \$20,950, with \$179,050 being returned unexpended June 30, 2007.

The Reserve Fund is an appropriated contingency account. It is part of the Town government budget (item 39 of Article 7, proposed at \$225,000) and is counted within the Finance Committee's budget guideline for Town government operations (Article 7, items 1-42). It is allocated during the budget year by vote of the Finance Committee pursuant to the request of the Town Manager. Legally, its use is restricted to "extraordinary or unforeseen expenditures".

The Town budget is adopted as

a series of separate appropriations (Article 7, items 1-47). Funds cannot be transferred from one appropriation account to another except by Town Meeting action. Only the Reserve Fund appropriation may be used during the fiscal year to supplement other appropriation accounts, except that in the final three months of the budget year any appropriation balance may be transferred by joint approval of the Finance Committee and the Board of Selectmen. This latter provision was added by State law in 2003 as a safety valve for communities that exhaust their Reserve Fund account. Concord has not used this provision of law.

This budget contingency process works differently for the Concord Public Schools budget (Article 8). State law gives the School Committee the power to authorize transfers

within its appropriation total voted by Town Meeting.

**A**t the end of each fiscal year, funds in appropriation accounts that are not spent are returned to the General Fund balance.

The FY09 Reserve Fund appropriation recommendation, \$225,000, is less than one percent of the total Article 7 recommendation. State law allows the Reserve Fund appropriation to be as much as 5% of the previous tax levy; this would permit a Reserve Fund appropriation of \$2.9 million. The Concord Finance Committee has not felt that such a large contingency account would be consistent with the objective of fostering tight expenditure control by Town and school administrations.

<b>Reserve Fund Uses FY07</b>		
<b>Town Account</b>	<b>Amount</b>	<b>Purpose</b>
Police/Fire Station (Walden St.)	\$ 4,500	utility costs—electric, natural gas
Library	10,000	utility costs—electricity
Town Meeting and Reports	1,450	Special Town Meeting costs
<b>TOTAL</b>	<b>\$20,950</b>	

# DEBT MANAGEMENT

**PRUDENT** use of debt financing is an important part of the Town's overall fiscal planning. The central objective of any debt management approach is to borrow at the least cost over the term of repayment of the debt. Pursuit of this objective requires clear strategies regarding what purposes to borrow for, when to schedule debt-financed projects and how long to stretch out the repayment. Borrowing is a means of distributing part of a current cost to future taxpayers, and therefore should be utilized only when such cost allocation is deemed equitable and the long-term interest costs do not outweigh the short-term advantages.

All debt of the Town is issued as general obligation debt. This means that the full faith and credit of the Town—its promise to repay from any source—is pledged to the bondholder. Debt issued on behalf of the Town's enterprise operations (water, sewer, light) is, however, fully supported by the revenues of the respective enterprise when this is stipulated by the authorizing vote of Town Meeting. The basic rules of debt issuance are set forth in the General Laws of the Commonwealth. Municipalities have no independent authority to develop their own rules or innovations.

Capital financing and debt management policy for a Town's debt supported by taxation within the

levy limit is subject to the following guidelines:

- the total budget allocation for capital needs should be in the range of 7% to 8% of the total budget (town and K-8 schools);
- approximately one-third of capital needs should be met from current resources; the repayment of principal and interest, together with related issuance costs and short-term financing costs (i.e., debt service) should be capped at approximately 5% of the total budget;
- a rapid debt repayment schedule should be maintained, with a goal of 60% principal repayment within five years and 90% repayment within 10 years.

These guidelines are modified for major projects supported by debt exclusion votes. For example, the Alcott School bond was issued in September 2004 as a 20-year level-principal maturity schedule. The Thoreau School bond was issued Sept. 2006 with an 18-year level principal maturity schedule.

The guidelines for debt to be financed within the levy limit serve several important purposes:

- capital needs are not displaced by the fiscal demands of current operations;
- the Town's approach to borrowing decisions is disciplined;

- the amount of debt service dollars expended for interest cost is minimized (about 23% of the total current year debt service will be expended for interest);

- the capacity to address continuing capital needs is quickly and continuously restored.

Revenue-supported debt (water, sewer, light) is subject to different guidelines that consider the useful life of the project and the current interest rates in the marketplace (generally, debt issued for longer periods bears a higher interest rate).

March 18, 2008, Moody's Investors Service reaffirmed the Town's credit rating of Aaa, its highest rating category. This rating had first been obtained Nov. 1987. Concord is one of 12 Massachusetts municipalities to hold Moody's highest rating. The Town's credit rating is a measure of its overall fiscal health. It is, however, only an expression of the relative ease with which the town can be expected to support its debts, not a statement about the quality of life in Concord. The benefit of a strong credit rating is realized in lower interest costs on the Town's long-term debt issues. Thus, to the extent that the Town plans to borrow in support of its capital needs, a strong credit rating is a benefit to the taxpayers.

# Debt Service Schedule

## for debt issued through December 31, 2007

Fiscal Year	Total Annual Debt Service		Total Principal Outstanding at June 30th	Tax Supported Annual Debt Service							
				Town (within levy limit)		Town (outside levy limit)		School (within levy limit)		School (outside levy limit)	
				Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment
2008	5,585,980	1,994,748	56,305,176	1,560,000	256,152	293,934	69,688	740,000	90,271	1,070,000	847,257
2009	5,232,442	1,899,576	51,072,734	1,255,000	199,203	270,326	60,753	525,000	63,446	1,450,000	936,138
2010	4,830,403	1,714,118	46,242,331	1,080,000	156,085	171,747	52,675	415,000	46,036	1,445,000	879,182
2011	4,483,390	1,544,176	41,758,941	870,000	117,617	173,196	48,717	285,000	31,693	1,445,000	824,844
2012	4,217,094	1,383,376	37,541,847	795,000	83,341	174,675	44,253	145,000	21,841	1,445,000	771,456
2013	3,735,858	1,238,313	33,805,989	510,000	58,566	176,184	39,631	145,000	16,604	1,440,000	718,163
2014	3,699,899	1,107,911	30,106,090	460,000	40,716	177,723	34,726	145,000	11,491	1,440,000	664,194
2015	3,334,223	982,833	26,771,867	405,000	23,951	179,293	29,539	120,000	6,206	1,440,000	607,944
2016	3,013,837	864,329	23,758,030	200,000	8,625	180,895	24,067	45,000	1,813	1,440,000	549,063
2017	2,408,746	750,414	21,349,284	0	0	82,529	18,560	0	0	1,440,000	489,363
2018	2,393,956	671,867	18,955,328	0	0	84,196	16,767	0	0	1,440,000	435,369
2019	2,404,474	590,205	16,550,854	0	0	85,897	14,939	0	0	1,435,000	376,950
2020	2,420,305	509,611	14,130,550	0	0	87,632	13,073	0	0	1,435,000	319,938
2021	2,436,677	427,849	11,693,873	0	0	89,403	11,170	0	0	1,435,000	262,538
2022	2,442,104	345,736	9,251,769	0	0	91,209	9,229	0	0	1,435,000	205,138
2023	2,303,915	262,855	6,947,854	0	0	93,052	7,248	0	0	1,280,000	147,328
2024	2,321,065	185,225	4,626,789	0	0	94,932	5,227	0	0	1,280,000	95,134
2025	2,338,562	106,726	2,288,227	0	0	96,850	3,165	0	0	1,280,000	42,444
2026	1,451,411	46,063	836,816	0	0	98,806	1,062	0	0	375,000	7,969
2027	836,816	14,290	0	0	0	0	0	0	0	0	0
total	61,891,157	16,640,221		7,135,000	944,256	2,702,479	504,489	2,565,000	289,401	25,450,000	9,186,412

Interest expense as % of total debt service, FY08: 26.0%

Interest expense as % of total debt service to final maturity: 21.2%

*Projected as of June 30, 2008:*

Debt Retirement - all

Debt Retirement - tax supported only

	5 yrs	10 yrs
Debt Retirement - all	45.4%	69.4%
Debt Retirement - tax supported only	47.2%	71.8%

Revenue Supported Annual Debt Service							
Water		Sewer		Betterment (WPAT loans)		Light	
Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment
630,000	226,033	533,827	285,256	118,219	51,671	640,000	168,420
510,000	198,331	561,727	252,934	120,389	49,339	540,000	139,432
485,000	177,940	571,055	239,157	122,601	46,961	540,000	116,082
475,000	159,075	580,572	225,177	124,622	44,534	530,000	92,519
475,000	140,525	590,280	210,990	127,139	42,058	465,000	68,912
275,000	121,775	600,185	196,593	129,489	39,532	460,000	47,449
275,000	111,275	610,290	182,230	131,886	36,955	460,000	26,324
275,000	100,675	620,598	167,548	134,332	34,326	160,000	12,644
275,000	90,050	631,116	152,617	136,826	31,644	105,000	6,450
175,000	76,300	541,845	136,083	139,372	28,908	30,000	1,200
175,000	69,300	552,791	124,315	141,969	26,116	0	0
175,000	62,738	563,959	112,310	144,618	23,268	0	0
175,000	56,175	575,352	100,063	147,321	20,362	0	0
175,000	49,175	586,975	87,568	150,299	17,398	0	0
175,000	42,175	598,833	74,820	142,062	14,374	0	0
175,000	35,175	610,931	61,815	144,932	11,289	0	0
175,000	28,175	623,273	48,548	147,860	8,141	0	0
175,000	21,175	635,865	35,012	150,847	4,930	0	0
175,000	14,175	648,710	21,203	153,895	1,654	0	0
175,000	7,175	661,816	7,115	0	0	0	0
5,600,000	1,787,417	11,900,000	2,721,354	2,608,678	533,460	3,930,000	679,432

subtotals		
Tax-supported		Revenue-supported
within Limit	Excluded	
2,646,423	2,280,879	2,653,426
2,042,649	2,717,217	2,372,152
1,697,121	2,548,604	2,298,796
1,304,310	2,491,757	2,231,499
1,045,182	2,435,384	2,119,904
730,170	2,373,978	1,870,023
657,207	2,316,643	1,833,960
555,157	2,256,776	1,505,123
255,438	2,194,025	1,428,703
0	2,030,452	1,128,708
0	1,976,332	1,089,491
0	1,912,786	1,081,853
0	1,855,643	1,074,273
0	1,798,111	1,066,415
0	1,740,576	1,047,264
0	1,527,628	1,039,142
0	1,475,293	1,030,997
0	1,422,459	1,022,829
0	482,837	1,014,637
0	0	851,106
10,933,657	37,837,380	29,760,341

## CONCORD'S LONG-TERM DEBT STATISTICS

June 30, 1997 to June 30, 2007 actual, and projected to June 30, 2008

@ June 30	Assessed Value	Outstanding Long-term Debt		Population US census 2000	per capita income US census 2000	% of Assessed value		Debt per capita		Debt per capita as % of per capita income	
		Gross	Net			Gross debt	net debt	Gross debt	net debt	Gross debt	net debt
1997	\$2,273,535,628	\$17,895,000	\$6,418,000	17,076	\$31,655	0.79%	0.28%	\$1,048	\$376	3.31%	1.19%
1998	\$2,288,809,124	\$18,570,000	\$8,018,000	17,076	\$31,655	0.81%	0.35%	\$1,087	\$470	3.44%	1.48%
1999	\$2,704,003,171	\$19,120,000	\$9,533,000	17,076	\$31,655	0.71%	0.35%	\$1,120	\$558	3.54%	1.76%
2000	\$2,742,122,055	\$18,500,000	\$9,647,000	16,993	\$51,477	0.67%	0.35%	\$1,089	\$568	2.11%	1.10%
2001	\$2,783,643,972	\$15,260,000	\$7,865,000	16,993	\$51,477	0.55%	0.28%	\$898	\$463	1.74%	0.90%
2002	\$3,974,434,046	\$16,185,000	\$5,770,000	16,993	\$51,477	0.41%	0.15%	\$952	\$340	1.85%	0.66%
2003	\$4,408,301,807	\$18,605,000	\$11,020,000	16,993	\$51,477	0.42%	0.25%	\$1,095	\$649	2.13%	1.26%
2004	\$4,411,852,520	\$19,019,237	\$12,569,237	16,993	\$51,477	0.43%	0.28%	\$1,119	\$740	2.17%	1.44%
2005	\$5,117,100,515	\$25,138,385	\$19,515,000	16,993	\$51,477	0.49%	0.38%	\$1,479	\$1,148	2.87%	2.23%
2006	\$5,207,535,371	\$29,542,533	\$19,758,290	16,993	\$51,477	0.57%	0.38%	\$1,739	\$1,163	3.38%	2.26%
2007	\$5,309,253,833	\$55,091,156	\$31,052,480	16,993	\$51,477	1.04%	0.58%	\$3,242	\$1,827	6.30%	3.55%
proj. 2008	\$5,498,736,316	\$64,528,222	\$39,739,546	16,993	\$51,177	1.17%	0.72%	\$3,797	\$2,339	7.42%	4.57%

*"Net debt" is net of self-supporting debt issued for the water, sewer and electric funds.*

### Outstanding debt at June 30

*actual 1997-2007 projected to June 30, 2008*

