



TOWN OF CONCORD

TOWN MANAGER'S OFFICE
 22 MONUMENT SQUARE - P.O. BOX 535
 CONCORD, MASSACHUSETTS 01742

TELEPHONE (978) 318-3000
 FAX (978) 318-3002

CHRISTOPHER WHELAN, TOWN MANAGER

February 6, 2014

The Honorable Board of Selectmen,

I herewith submit for your review the Town Manager's Proposed General Fund Budget for Fiscal Year 2015 (July 1, 2014 - June 30, 2015) in accordance with the requirements of the Town Charter. This budget contains the details of my recommendations for appropriation amounts to fund the various Town departments (Article 7 on the 2014 Annual Town Meeting Warrant), as well as explanatory information about the recommendations and background data regarding the Town's reserves, revenues and expenditures.

The recommendations for a Total General Fund Budget are within the spending guidelines specified by the Finance Committee for FY15 Town and School operations. The Guidelines were adopted and issued by the Finance Committee on November 30, 2013 as is required by Town Bylaw. An overview of the General Fund budget is shown with the chart below:

	FY14 Budget	FY15 Proposed (at guideline)	Change from FY14 to FY15	
			Amount	Percent
Town Government	\$19,474,013	\$20,364,013	\$890,000	4.8%
Concord Public Schools	\$31,140,538	\$32,440,538	\$1,300,000	4.2%
Concord-Carlisle RSD	\$15,356,221	\$15,856,221	\$500,000	3.2%
Subtotal	\$65,970,772	\$68,660,772	\$2,690,000	4.1%
All Other Accounts ¹	\$20,249,567	\$21,001,973	\$752,406	3.7%
Total Budget Plan	\$86,220,339	\$89,662,745	\$3,442,406	4.0%

¹ All Other Accounts consists of Group Insurance (\$4,650,000), OPEB (\$900,000), Retirement (\$3,125,000), Debt Service (\$3,500,000), Excluded Debt Service (\$6,354,473), Accounts not subject to Appropriation (\$1,112,500), Minuteman Career and Technical High School (\$250,000), Social Security / Medicare (\$685,000), and Other Fixed & Mandated Accounts (\$425,000).

This budget is to be presented at the 2014 Annual Town Meeting in the form of the following Warrant Articles (amounts are shown at the November 30th Finance Committee Guideline with the exception of the Minuteman Regional High School assessment):

- Article 7 – Town Government Budget of \$37,644,645: the proposed budget for the operation of the Town departments and accounts under the direction of the Town Manager. The amount includes the Town Government operating accounts plus joint accounts (such as group insurance, retirement, and debt service for both the Town and CPS) and Town excluded debt, less \$500,000 to be appropriated from the High School Debt Stabilization Fund.²
- Article 8 – Concord Public Schools (CPS) Budget of \$32,440,538: The proposed budget for the operation of the K-8 Public Schools under the direction of the Superintendent of Schools and the CPS School Committee.
- Article 13 – Concord-Carlisle Regional School District (CCRSD) Assessment of \$17,715,062: the proposed assessment for Concord's share of the CCRSD budget operated under the direction of the Superintendent of Schools and the CCRSD Regional School Committee. The FY15 assessment share payable by Concord is based on actual enrollment data as of October 1, 2013. Concord's enrollment share on that date was 73.10%. Concord's share of the FY15 CCRSD operating budget is thus \$15,856,221 and of the FY15 CCRSD excluded debt service is \$1,858,841.
- Article 14 – High School Debt Stabilization Fund, \$500,000: To be expended for a portion of excluded debt service expense in FY15, thereby reducing the property tax levy that would otherwise be required.
- Article 15 – Minuteman Career and Technical High School Assessment of \$208,212: the proposed assessment for Concord's share of the Minuteman budget under the direction of the Minuteman Superintendent and the Minuteman Regional School District Committee. When the Finance Committee Guideline was adopted, the Minuteman RSD assessment was estimated to be \$250,000.
- Accounts not subject to Appropriation of \$1,112,500. The following accounts are not subject to Town Meeting vote but must be provided for within the FY15 financial plan:
 - State Assessments: \$442,500,
 - Allowance for a possible deficit in the snow removal account: \$120,000, and
 - Allowance for the Overlay Reserve to cover property tax exemptions and abatements: \$550,000.

While the education budgets are not under the Town Manager's jurisdiction, summary pages for the three school accounts are included in this document (Accounts 104-106) in order to

² In terms of a comparison to the budget presented on the previous page, the amount of \$37,644,645 is comprised of the budgets for Town Government (\$20,364,013) and All Other Accounts (\$21,001,973) with the exclusion of the budget associated with CCRSD Debt Exclusion (\$1,858,841), Minuteman Career and Technical High School (\$250,000), Accounts not subject to Appropriation (\$1,112,500), as well as \$500,000 proposed to be appropriated from the High School Debt Stabilization Fund in Warrant Article 14 of the 2014 Annual Town Meeting.

present a comprehensive spending plan to the citizens of Concord. Also, it is the responsibility of the Town Manager under the Town Charter to provide an estimate of the revenues available and required in total to support all component parts of the Town's budget.

The schools are not separate taxing entities. The Concord Public Schools (grades K-8) are legally part of the Town of Concord but are under the jurisdiction of the elected School Committee.

The two Regional High Schools each are separate political subdivisions of the Commonwealth of Massachusetts but derive their resources primarily from assessments billed to the member communities rather than directly from the taxpayers. The full school budget documents may be obtained from their respective superintendents.

Tax Impact

At the FY15 forecasted property tax levy, the tax rate impact is projected to be +4.0% for existing taxpayers. At the median single family residential assessed value of \$680,400, this represents an additional \$391 in property taxes.

The increase of 4.0% is comprised of the following components:

- 2.50% -- The allowable 2.5% increase as governed by Proposition 2 ½
- 0.64% -- From the partial use of the prior Unused Levy Limit
- 0.86% -- Excluded amount from increased debt service outside the Levy Limit, net of \$500,000 proposed to be allocated from the High School Debt Service Stabilization Fund.

Highlights

The following section provides information about the Town's reserves, revenues, and expenditures.

Reserves

There are several steps that the Town has taken to make sure that it remains in good financial health. These steps include maintaining a strong unreserved fund balance ("Free Cash") position, proposing a budget for FY15 that will require a tax levy lower than the projected Proposition 2 ½ levy limit, and utilizing established stabilization funds to mitigate the debt service costs of the long-term bonds that have financed the construction of the new elementary schools completed through June 2009 and the new high school currently under construction with an opening date of April 2015.

Free Cash

Every year, the Massachusetts Department of Revenue certifies the Town's Free Cash, the amount of money that the Town has in reserve that is not committed to any program or service. As of July 1, 2013, the certified Free Cash balance was \$9,644,498, equivalent to 11.7% of the FY13 total budget. The Town's strong reserve position is a key component of its "Triple A" credit rating. The most recent confirmation of the rating by Moody's Investors Service was on May 14, 2013 in connection with a long-term bond sale.

Unused Levy Capacity

Pursuant to the 1981 Massachusetts State Law known as “Proposition 2 ½”, the annual permitted property tax levy is capped at a level which can only be exceeded by voter authorization through a town-wide ballot. This limit is calculated by taking the previous year’s levy limit, increasing it by 2.5%, adding the property taxes generated by any new construction that has occurred in the Town in the prior fiscal period and is newly being added to taxable assessed property in the tax year, and including the current debt service cost of any borrowing that has been authorized by a town-wide ballot to be financed from taxation outside the levy limit.

The unused levy capacity is the difference between the amount to be raised by property taxes and this upper limit. For FY15, the projected unused levy capacity will be approximately \$3.0 million or about 4.0% of the projected levy limit.

High School Construction Debt Service Stabilization Funds

At the Special Town Meeting on November 7, 2011, in which the Town authorized borrowing for design, construction, and furnishing of a new Concord–Carlisle High School, Town Meeting also voted to establish a High School Debt Service Stabilization Fund to offset a portion of the prospective increase in debt service costs over a period of years. The sum of \$2 million was appropriated from the July 1, 2011 Certified Free Cash Balance and was transferred to this new fund. The allocation from a Stabilization Fund requires a two-thirds vote of Town Meeting.

At the 2014 Annual Town Meeting, Article 14 proposes to appropriate \$500,000 for the purpose of paying a portion of FY15 excluded debt service and thereby reducing the tax levy that would otherwise be required for such purpose. This article also proposes transferring an additional \$750,000 into the fund from the July 1, 2013 Certified Free Cash Balance. The Finance Committee’s five-year forecast for FY15 – FY19 includes the planned allocation of the High School Debt Stabilization Fund to mitigate the impact the projected increase in debt service cost resulting from the \$32.5 million bond issuance of June 2013 and an anticipated \$32 million bond issue in June 2015 to pay for the construction of the new High School.

Revenues

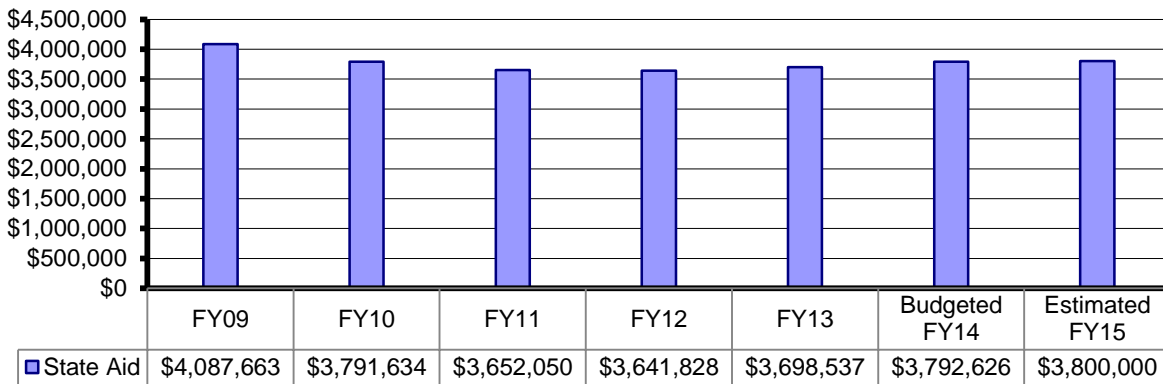
Although the estimate of revenues is subject to the uncertainty in the economy and the corresponding unpredictability of amounts to be received in State Aid and from other sources, this budget has been established with realistic assumptions.

The following sources of revenue are particularly noteworthy:

State Aid

The Town is less reliant on State Aid as a source of revenue than many other municipalities. In FY15, State Aid is projected to comprise just 4.2% of total budgetary resources.

State Aid



In the recent past, the Town has seen a steady decrease in State Aid, with a drop of 15% from the peak in FY07 (\$4.3 million) to the low point in FY12. With the improvement in the economy, the FY15 State Aid estimate is approximately \$101,000 more than the actual FY13 receipts. For the purposes of the Town's FY15 budget, I am projecting level funding from FY14 to FY15. Accordingly, this budget is anticipating that approximately \$3.8 million of unrestricted funding will be provided by the State to the Town's General Fund.

Massachusetts School Building Authority Grant

To help offset the cost of construction of the Thoreau Elementary School (which opened in September 2007), the Town received a grant of \$6.3 million in June 2010 from the Massachusetts School Building Authority (MSBA) to be applied over the life of the Thoreau School bonds, which were issued in 2006 and 2007. In FY15, an amount of \$409,878 will be apportioned to offset the debt service cost of the bonds. This annual apportionment amount is stipulated by the terms of the grant.

In addition, the new Concord-Carlisle High School project has qualified for a MSBA grant of approximately \$28 million. This grant offsets the construction cost of the \$92 million project, with the State paying 35.58% of eligible project costs as they are incurred. The Concord-Carlisle Regional School District issues the bonds to finance the net local share, and Concord and Carlisle will pay their assessed shares of the debt repayment, the share determined annually as the ratio of Concord and Carlisle students attending as of October 1 of the year preceding the budget year.

Motor Vehicle Excise Tax

FY13 revenue from the Motor Vehicle Excise Tax was \$2,529,694, exceeding the amount budgeted by more than \$300,000. With the improvement in the economy, more Concord residents purchased newer cars in the latter half of 2012 and through calendar year 2013, with excise tax billing advancing more than 11% in calendar 2013, the largest one-year percentage gain since 1994. Yet, the economy remains fragile, and it is possible that this most recent year was an aberration rather than a new trend line. Accordingly, I am conservatively budgeting that the Town will receive \$2,475,000 from Motor Vehicle Excise Tax in FY15, an amount that would be 7% above the five-year average of FY09 – FY13.

Local Option Meals and Room Occupancy Excise Taxes

With the passage of the Local Option Meals Excise Tax (Article 31) and Local Option Room Occupancy Tax (Article 32) at the 2010 Annual Town Meeting, the Town established a 0.75% tax on the sale of restaurant meals and an additional 2% tax (from 4% to 6%) on room occupancy. In FY15, the Town expects to collect \$275,000 in meals taxes and \$250,000 in room occupancy taxes. Over the past three years, annual revenue from these sources has averaged \$265,000 and \$256,000 respectively.

Interest Earnings

As a result of Federal Reserve policy to keep short-term interest rates extraordinarily low, the amount that the Town expects to receive from earnings on operating cash remains at very low levels, with money market funds yielding under 0.20% (less than one-fifth of one percent). State law limits the investment of operating cash, essentially restricting our options to a money-market environment and a one-year maximum term on any allowed term investments such as bank certificates of deposit or US Treasury notes. Just a few years ago in FY08 when short-term interest rates were over 4%, the Town earned \$1,242,000 for the General Fund, with an annual rate of return of 4.27%. In FY13, the Town's investments earned \$151,078, with almost half of this sum derived from the investment of the Thoreau School MSBA grant escrow account. For FY15, the Town is expecting to receive \$150,000 in earnings from investment of General Fund operating cash. This estimate assumes that short-term rates will finally begin to rise during the next fiscal year and will average 0.50% for the twelve months ending June 30, 2015.

Building Permit and Inspection Fees

In Calendar Year 2013, building construction activity in Concord set a new record, although a substantial portion of the activity was related to tax-exempt and public properties. For FY13, revenue from the issuance of building permits equaled \$526,205. Due to the uncertain nature of the economic recovery, I am estimating a conservative \$450,000 to be received from building permit fees in FY15.

Expenditures

The budget process has been made even more challenging in recent years due to upward pressures on costs of several expenditure items.

Group Insurance Costs and OPEB

Group Insurance covers Health Insurance, Life Insurance, and Dental Insurance. By far, the largest component of Group Insurance is Health Insurance.

(a) Health Insurance

Employee health insurance costs have been one of the fastest growing components of our budget over the past decade. The town pays on average about 55% of employee group health insurance costs and 50% of retiree costs. State law requires us to pay at least 50% and most of the surrounding towns pay a higher proportion.

Concord has been in the forefront of municipal collaborative efforts to restrain costs and wring out unneeded overhead expense through our leadership of the 17 towns and regional school districts now in the Minuteman Nashoba Health Group (MNHG). The group, covering more than 4,000 employees and retirees and another 2,000 family members, is self-funded, which means we pay claims costs, not premiums. The MNHG Board, consisting of one member from each jurisdiction designated by the Board of Selectmen or Regional School Committee, sets internal premium rates designed to cover projected claims costs.

With the enactment of the 2011 Municipal Health Insurance Reform Act, Concord was given the option to transfer its health insurance subscribers to the State's Group Insurance Commission (GIC) program or to remain in MNHG and negotiate possible plan modifications with part of the savings being shared with health insurance subscribers. The purpose of this legislation was to slow down the increase of health care cost paid by municipalities. In response to this legislation, The Minuteman-Nashoba Health Group developed a new health plan design and Concord and each of the other 16 MNHG members successfully negotiated a Mitigation Plan with all constituent employee union groups as required by the state law. The centerpiece of the Mitigation Plan was that approximately 30% of the projected employer savings would be directed to fund a Health Reimbursement Account (HRA) Plan over a three-year period. The HRA is a tax-favored plan that enables subscribers to cover out-of-pocket health care costs with funds not treated as taxable income.

The new plan design, involving higher co-pays and deductibles, took effect June 1, 2012. Premium rates set by the self-funded MNHG group were 8% to 14% below prior rates. Claims experience in the first year of the new plans led to a further 1% to 2% drop in rates effective June 1, 2013. Continued favorable claims experience of the MNHG group led to the recent announcement of tentative premium rates for June 1, 2014 showing a further 3% to 10% drop depending on the Plan carrier.

(b) Other Post-Employment Benefits (OPEB)

Approximately a quarter of the total group health insurance expenditure is for retirees. State law, accepted by Concord voters at a 1960 ballot, guarantees that all Concord retirees (and spouses) will be eligible to continue health plan coverage through the Town for life, with the town picking up 50% of the cost. Medicare-eligible retirees are required to join Medicare Part B when first eligible. Historically, the town's share of the cost of retiree health insurance has been met on a pay-as-you-go basis. Unlike pension funding requirements, prior to FY09 there had been no requirement to measure retiree health insurance obligations on an actuarial basis, determine the corresponding annual expense required to meet future obligations, and begin to build a long-term investment fund whose earnings would help meet such obligations.

New governmental accounting standards that became effective for Concord's financial reporting as of June 30, 2009 require municipalities to measure these future liabilities, determine the annual required cost on a 30-year funding schedule, and record on the town's financial statements any shortfall between the annual required cost and what is funded. While the requirement is solely to report the future liability, in practice many municipalities and state governments have begun to take steps both to mitigate the escalation of future costs and to begin to fund the annual expense to address the unfunded liability. Concord is among those who have begun to take significant steps.

Every two years, the Town will be required to conduct an actuarial analysis to determine the liability associated with Other Post-Employment Benefits. The most recent study was completed based on January 1, 2012 data. The estimated OPEB liability as of June 30, 2013 is

\$32.4 million. The market value of the Town's OPEB Trust Fund at that date was \$3,978,000, resulting in an unfunded liability of \$29.4 million. As you will note elsewhere in this document, Concord's financial position with respect to this liability is relatively good. However, the annual required contribution to meet the thirty-year funding schedule would require \$2.1 million in the FY15 budget.

I have taken the following steps to address this obligation:

- First, I have fully budgeted for the Net OPEB Obligation (NOO) in the Town's Enterprise Fund budgets (completely funding their NOO since FY09). Through FY15, the Enterprises will have transferred more than \$755,000 to the OPEB Trust Fund.
- Second, beginning in FY12 with an allocation of \$150,000 and continuing each year at a level increased by \$250,000, funds have been budgeted specifically to meet the annual required OPEB payment. The FY15 Proposed Budget includes the appropriation of \$900,000 in account 37B for this purpose. Through FY15, \$2.1 million will have been directed to the Trust Fund from this specific appropriation account.
- Third, in accordance with the Mitigation Plan executed with the Town and School unions in January 2012 that enabled the change in our health plan design, the Group Insurance Account (37A) has been level-funded since FY12, with the commitment that any funds available in this account at each year-end would also be considered for transfer to the OPEB Trust. Through FY15, in this way we expect to have transferred \$2.6 million to the Trust Fund.

It should be noted that this liability does not affect the actual payment for current health insurance cost for Town and CPS retirees. The Town continues a "pay-as-you-go" method for maintaining health insurance coverage; the liability reflects the amount above the estimated current cost needed to be contributed to pay for future retiree health care costs.

The Table on the following page reviews the Group Insurance account and the OPEB account together. Health insurance costs for active and retired employees dropped 10.56% in FY13. Holding the account 37A appropriation level while premiums have declined has enabled the town to come close to meeting its required annual contributions for the OPEB liability and to rapidly accumulate a sizeable Trust Fund (\$5.48 million as of December 31, 2013).

Group Insurance and OPEB accounts (37A and 37B)							
	actual					Budget FY14	Proposed FY15
	FY09	FY10	FY11	FY12	FY13		
Health Insurance - active employees	\$2,744,993	\$2,826,059	\$2,993,576	\$3,363,487	\$3,033,459	\$3,200,000	\$2,900,000
Health Insurance - retirees	1,026,542	1,086,865	1,172,412	1,110,874	974,648	1,100,000	1,037,000
Subtotal, group health Insurance	\$3,771,535	\$3,912,924	\$4,165,988	\$4,474,361	\$4,008,107	\$4,300,000	\$3,937,000
Retiree health paid to other gov'ts	\$0	\$0	\$0	\$0	\$735	\$24,000	\$10,000
Life Insurance	16,286	16,068	15,744	15,547	15,553	18,000	18,000
Dental Insurance	235,338	236,334	236,286	244,265	249,340	260,000	260,000
Medicare Part B Penalty	12,631	4,629	9,333	19,706	17,844	25,000	18,000
Health Reimbursement Account (HRA)	0	0	0	6,845	129,947	81,000	40,000
HRA and other admin fees	1,200	1,200	0	2,574	14,524	15,000	15,000
Actuarial services	10,000	0	0	0	9,250	10,000	10,000
Subtotal, other group insurance	\$275,455	\$258,231	\$261,363	\$288,937	\$437,193	\$433,000	\$371,000
Transferred to OPEB Trust from 37A Gr. Insr.	\$0	\$0	\$400,000	\$350,000	\$650,000	\$400,000	\$800,000
Transfer to OPEB Trust from Enterprises	0	0	263,192	287,932	71,200	68,237	65,000
Transfer to OPEB Trust from Insurance Reserve	0	0	700,000	0	0	0	0
Appropriation to OPEB Trust (37B)	0	0	0	150,000	400,000	650,000	900,000
Total to OPEB Trust	\$0	\$0	\$1,363,192	\$787,932	\$1,121,200	\$1,118,237	\$1,765,000
Transfer to Insurance Reserve Fund	178,952	384,049	68,835	17,265	15,845	0	0
Grand Total, accounts 37A and 37B	\$4,225,942	\$4,555,204	\$5,859,378	\$5,568,495	\$5,582,345	\$5,851,237	\$6,073,000
Funding Detail							
General Fund	\$3,845,000	\$4,152,600	\$5,165,000	\$4,800,000	\$5,050,000	\$5,300,000	\$5,550,000
Other Funds	380,942	402,604	694,378	768,495	532,345	551,237	523,000
Transfer from Insurance Reserve to OPEB			700,000				
	\$4,225,942	\$4,555,204	\$10,000	\$5,568,495	\$5,582,345	\$5,851,237	\$6,073,000
Appropriated Detail (General Fund)							
Account 37A	\$3,845,000	\$4,152,600	\$4,465,000	\$4,650,000	\$4,650,000	\$4,650,000	\$4,650,000
Account 37B	0	0	0	150,000	400,000	650,000	900,000
	\$3,845,000	\$4,152,600	\$4,465,000	\$4,800,000	\$5,050,000	\$5,300,000	\$5,550,000

Excluded Debt Service

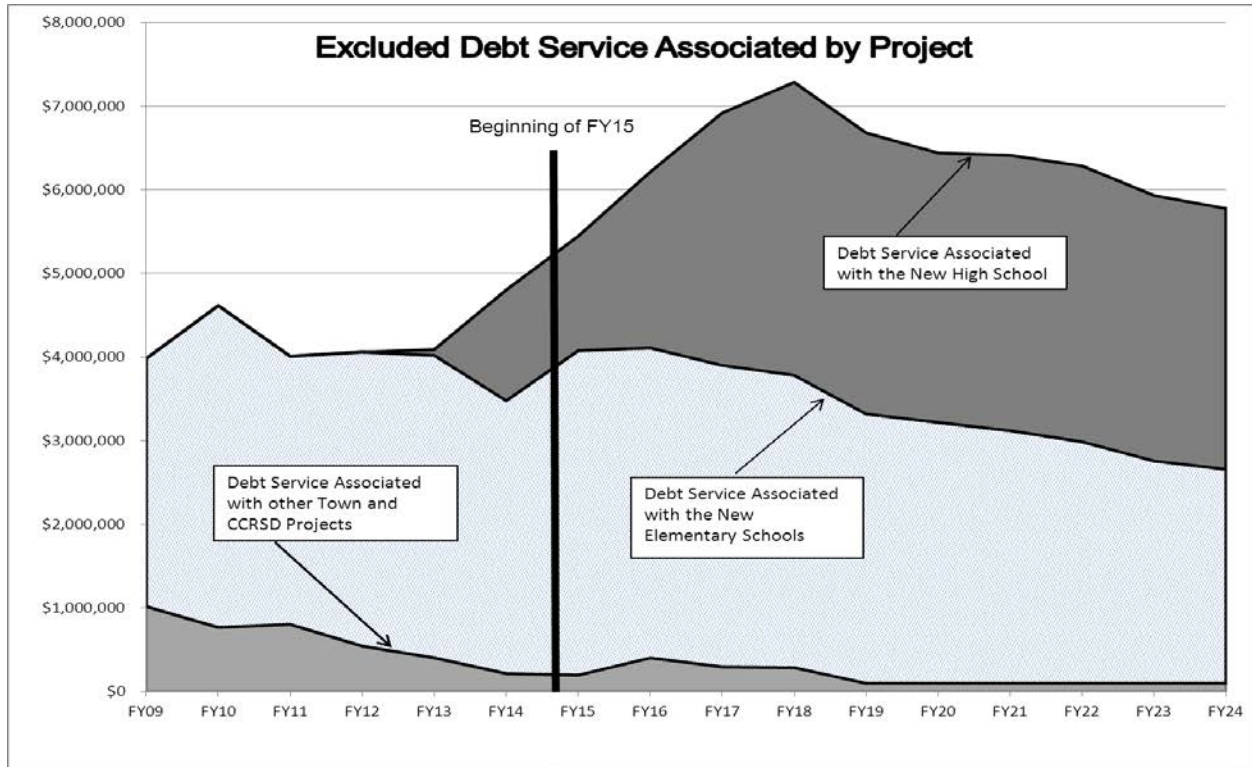
Total Debt Service represents the funds needed to pay for the annual obligation of principal and interest on outstanding borrowing. It is comprised of three categories: Town Debt Service authorized within the levy limit, Town Excluded Debt Service authorized above the levy limit through a Proposition 2 ½ override vote, and Concord-Carlisle Regional School District Excluded Debt Service, segregated because CCRSD issues its own debt and assesses the annual debt service to Concord and Carlisle.

Over the past several years, the amount of the Town Excluded Debt Service has risen in order to pay off the bonds issued to cover the construction cost of the Alcott, Thoreau, and Willard Elementary Schools. In FY15, it is anticipated that Total Excluded Debt Service (Town and Concord's share of CCRSD) will have an additional increase due to the debt service associated with financing the new High School.

To mitigate the increase in Total Excluded Debt Service, Town Meeting has created a \$2.5 million Elementary Schools Debt Service Stabilization Fund and a \$2 million High School Debt Stabilization Fund. With a two-thirds affirmative vote by Town Meeting, these funds can be used to decrease the annual tax impact of these increased debt service costs. In addition,

the Thoreau School project was awarded a grant from the Massachusetts School Building Authority (MSBA) and these funds have been used in accordance with MSBA requirements to reduce the property tax impact..

The graph below presents the historic and projected debt service associated with the various projects. The top darkly shaded area is Concord's share of debt service for the new High School, the middle area is the debt service for the three Elementary Schools, and the bottom area is the debt service for all other bond issues. All areas reflect the net debt service, which takes into account the use of Stabilization Funds and MSBA Grants.



Budget Priorities for Town Government Operations

My proposed budget for the operation of town government departments is an increase of \$890,000 and a total of \$20,364,013, consistent with the Finance Committee Guideline. This increase will allow the Town to fund the following program areas.

Staff Compensation

The proposed FY15 Town Government operating budget under my jurisdiction is expected to provide, for non-union town employees, an adjustment of 1.5% on the pay scales effective July 1, 2014 and a merit increase averaging 2.5% based on the written performance evaluation at each employee's review date. This is an important component of my budget proposal, as we strive to maintain the highly professional, experienced and well-trained staff the town has recruited over the years.

The Salary Reserve line item of \$555,434 also includes the cost of Police, Fire Dispatcher, and Library collective bargaining agreements. In FY15, the contracts with the Concord Police Association and the Concord Firefighters Association are currently being negotiated and expect to be in place by the beginning of FY15. Contract with the Teamsters Local 25 (Public Safety Dispatchers) is in the third year of a three-year contract. In addition, the Library collective bargaining agreement is currently being negotiated.

Second Ambulance in service from the West Concord Fire Station

The Fire Department in 2012 prepared an Emergency Medical Services Strategic Plan to assess the Town's ability to provide emergency medical response to Town residents and visitors. A recommendation of the study is to provide ambulance service from the West Concord Fire Station (Station 2), as the Town currently only runs one ambulance out of the Police/Fire Headquarter (Station 1) on Walden Street.

In the FY15 proposed budget, I am recommending funding for the staffing of a second ambulance operating daily from the West Concord Fire Station between the hours of 8:00 A.M. and 8:00 P.M. The ambulance will be purchased with funds provided by a generous donation from a Town resident, and will be equipped with funding from a \$75,000 borrowing authorization proposed under Article 32 on the 2014 Annual Town Meeting Warrant. Four additional firefighters will be hired to operate the ambulance. The FY15 cost for the new ambulance service is projected to be \$331,873, which includes \$235,964 for salaries, \$65,473 for leave and replacement costs, and \$30,436 for medical supplies, vehicle maintenance, and diesel fuel.

Funding for the new service is from two sources. The Fire Department General Fund appropriation is proposed to increase by \$182,000 as I recommended in my presentation to the Finance Committee in October. In addition, an amount of \$150,000 is proposed to be drawn from the \$1 million Emergency Response Stabilization Fund, created by Article 29 of the 2012 Annual Town Meeting. These funds were provided to the Town pursuant to the Development Agreement dated May 8, 2008 executed between the Town and West Concord Development LLC for the purpose of mitigating the impact on emergency services from the Longview Meadow Development Project, a 350-unit apartment complex (subsequently renamed Concord Mews), on the Town's Police and Fire emergency services response capacity. A Warrant Article to make this Stabilization Fund appropriation was inadvertently left off the 2014 Annual Town Meeting Warrant. Thus, such action will need to be taken at a subsequent Town Meeting.

A second ambulance operated during daytime hours from the West Concord Fire Station will improve EMT services and response times for all town residents. To provide a visual depiction of the usefulness of having ambulance services at both Station 1 and Station 2, I am including the GIS map shown on the next page. The two stars represent the location of the two fire stations and the shaded area encompasses a 1-mile radius around the each fire station. The dots represent the address of each Fire Department emergency medical call during calendar year 2013. The larger the dot, the more calls are made to that address. As shown, a large majority of the emergency response calls are within a 1-mile radius of the Police/Fire Headquarters and the West Concord Fire Station. By adding ambulance service to West Concord, the Fire Department should be able to better serve an area which is a major user of emergency medical services.

2013 Emergency Medical Response Incident Map



Other Personnel Changes

For FY15, there are also several other personnel changes proposed:

- with additional funding from the Concord-Carlisle Community Chest, it is the recommendation that hours for the Community Services Coordinator be increased.
- to help handle a greater workload, I am proposing that an Outreach Coordinator position for the Council on Aging be increased from 19 to 30 hours-per-week;
- in the Police Department, a new 20 hour-per-week Administrative Assistant position is propose in order to assist the Inspectors and Detectives with administrative tasks.

Capital Outlay

This category of expense includes a wide variety of purposes, from police and public works vehicles and equipment to small-scale but continuous repair projects on all of the town buildings (exclusive of schools, which are the responsibility of the school committees and the school budgets). These are the components of our continuous investment for which we cannot issue debt under the law or should not do so as a matter of sound fiscal policy. Rather, we allocate a portion of the scarce current resources which are also in demand to fund our other operational needs. For example, the funding for sidewalk repairs and drainage/culvert repairs and improvements (Accounts 21 and 22) demonstrates the critical nature of these continuing annual commitments. Because of its recurring and consumable nature, this category of expense is grouped in our budget presentation as part of the Town Government Operating Budget.

I am proposing the capital outlay accounts be increased by \$105,000 or 6.9% as compared with FY14. The FY15 amount of \$1,625,000 for capital outlay items is 8.0% of the town government operating budget of \$20,364,013. The recommendation represents only 68% of the approximately \$2.4 million worth of departmental requests (see pages II-36 through II-45).

Building Maintenance

Upon the recommendations of two committees (the Facilities Planning Committee and the Joint School /Town Building Maintenance Study Committee) which studied the facility needs of the Town in 2003, the Town initiated an account to fund the capital maintenance of Town buildings. Initial funding of the Town-Wide Building Maintenance Account (Account 1C, pages III-9 to 10) was \$40,000 in FY05 and has increased to a level of \$200,000 proposed for FY15. Based on the original recommendations, our long-term target funding level for this account is in excess of \$400,000 annually, or 2.75% of the replacement cost of the buildings under the jurisdiction of the Selectmen (this account does not include school facilities).

The objective of the account is to provide funding for the maintenance of Town buildings in continuing functional condition with respect to both physical and system requirements. Beginning in FY11, the Town hired a Facilities Maintenance Manager whose responsibility it is to oversee the maintenance of Town's buildings. The account provides resources to pay this salary.

Resource Sustainability

Initiated in the FY13 budget, the Resource Sustainability Fund (Account 1D, pages III-11 to 12) is proposed at a \$75,000 funding level. This account is intended to provide continuing resources for energy and resource conservation measures at all town buildings under the jurisdiction of the Selectmen.

With a generous gift of \$1.7 million from the Sawyer Trust received in January 2008, the Town embarked on an effort to make Town-owned buildings more energy efficient. The Comprehensive Sustainable Energy Committee (CSEC) provides advisory assistance to the

Town Manager on issues regarding the allocation for funding of specific Sawyer Trust projects.

The gift is managed and invested by the Trustees of Town Donations in accordance with a Town Meeting vote. To date, about \$250,000 has been earned and added to the fund. As of December 2013, the Town has committed a total of approximately \$1.63 million of these funds to energy efficiency improvements at thirteen different town facilities. These improvements include the installation of energy-efficient lighting, replacement of existing heating systems with high-efficiency boilers, and improvement in the insulation of Town buildings.

This gift money will soon be fully committed and there will continue to be essential projects to be funded. The Resource Sustainability Fund provides a means to continue this effort.

Conclusion

By maintaining strong reserves, conservatively estimating expected revenues, and keeping expenditures in check, I am proposing a budget that continues with Concord's tradition of sound financial management. Recognition of this sound financial management can be seen in the fact that Moody's Investors Service has given Concord its highest credit rating (Aaa) continuously since 1987.

It is noted that forecasted revenues and expenditures will need to be reviewed before final FY15 recommendations are made in March by the Finance Committee and the Board of Selectmen, and final revisions may be made in April prior to the 2014 Annual Town Meeting.

Development of sound budget plans for the coming year and the preparation of this budget document requires the expert and collaborative participation of many town staff members. I note with appreciation the advice and counsel of the department heads who have worked together as a group through this process, and to many department staff members who have aided and assisted the development of this FY15 Proposed Budget. In particular, I note the efforts of the Budget and Purchasing Administrator, Jon Harris, and of the Budget Analyst, Sean O'Brien, who are principally responsible for the coherent and comprehensive document through which we present the FY15 Plan for your consideration.

Sincerely,



Christopher Whelan
Town Manager

Cc: Finance Committee members
Committee Chairpersons
Town Department Heads