

Community Preservation Act

The 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 in 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.

Community Preservation funds are derived from both local and State sources. Until the current year, State funds had represented a 100% match with Town surcharge revenues. State funds are disbursed once annually in Oct. from the State Community Preservation Trust Fund and are derived from Registry of Deeds fees on property transactions and mortgage refinancing. Fee income has dropped sharply over the past few years as real estate activity has been reduced sharply. Further, many municipalities have joined the program over the past several years. In Oct, 2008, the State match of the local surcharge collected in the prior fiscal year was just 67%; projections for next October's State match hover around 30%.

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.

In 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 2005 and is updated annually each summer. In writing the plan, the Committee receives information from the Town's boards, commissions and officials, as well as from other Town planning documents, including the Comprehensive Long Range Plan.

The CPC Plan includes the following sections: 1) The CPA in Concord; 2) How CPA Funds can be used; 3) Needs assessment, community housing, historic preservation, open space, recreation; 4) general selection criteria; 5) application process; 6) guidelines for submission; 7) application requirements; 8) application; 9) funding process and 10) appendices. The plan is available on the Town of Concord website: www.concord-mass.gov at the Town libraries, and

at the Planning Department, 141 Keyes Road.

Recommendations for 2009 Town Meeting

Now in it's fourth year, the CPC has \$1.25 million of new funding available for appropriation recommendations, as well as about \$160,000 of available Reserve Funds appropriated previously to categories but not to specific projects. Through the 2008 Town meeting, \$6,642,909 has been appropriated for CPA projects. These appropriations have been made in the following categories:

<i>Community housing</i>	\$1,624,043	24.4%
<i>Historic preservation</i>	\$1,956,500	29.5%
<i>Open space</i>	\$1,342,366	20.2%
<i>Recreation</i>	\$1,630,000	24.5%
<i>Administration</i>	\$ 90,000	1.4%

Through Oct. 2008, \$2.6 million has been received into the fund from State distributions. The fund receives its own interest earnings; through June 30, 2008, \$357,000 has been added to the fund through the Town Finance Department's management of the fund's cash.

At the 2009 Town meeting, the CPC recommends appropriations for 12 projects, one reserve for future Open Space projects, and \$30,000

to cover CPC direct administrative costs. Many of the recommended projects will generate matching revenues derived from Town, State, foundation and/or other private funds. Several are multi-year projects, combining funds from earlier years. The projects are varied and located throughout the Town.

For each project recommended by the CPC, Town Meeting may affirm, reject, or reduce the recommended funding level. State law does not allow Town Meeting to increase the recommended funding level of any CPA project.

Article 34:

The CPC recommends the following appropriations totaling \$1,352,892.54:

- a) \$500,000 Concord Housing Authority, for renovations to the Peter Bulkeley Terrace building, converting the existing congregate living facility into 30 studio and one-bedroom units for senior and disabled adults;
- b) \$10,000 Thoreau Farm Trust, for the restoration of the farm landscape surrounding the Thoreau Farm on Virginia Road;
- c) \$112,500 Town of Concord, for the restoration of the retaining wall on Monument Street at Hutchins Farm;
- d) \$22,500 Concord Free Public Library, for the conservation and preservation of the Thoreau book collection;
- e) \$125,000 Town of Concord, Bruce Freeman Rail Trail, for completion of the 75% design;
- f) \$122,000 Concord Art Association, for access improvements to the John Ball House at 37 Lexington Rd.;
- g) \$47,700 Town of Concord, for improved physical access to the Town House and removal of the ramp on the northwest side of the building;
- h) \$8,000 Friends of the Performing Arts in Concord, for window restoration at 51 Walden St.;
- i) \$25,000 Concord Scout House, for structural repairs;
- j) \$100,000 Save Our Heritage, Inc., to continue the restoration work on the Col. Barrett Farm-house, 448 Barrett's Mill Road;
- k) \$50,000 Louisa May Alcott Memorial Association, for restoration of the Orchard House;
- l) \$23,000 Town of Concord, for exterior restoration of the West Concord Fire Station;
- m) \$75,000 Concord Housing Development Corporation, for construction of new affordable units at 1245 Elm St.;
- n) \$12,000 Town of Concord, for update of the Planned Production Housing Plan;
- o) \$30,000 Community Preservation Committee administrative expenses;
- p) \$90,192.54 Reserve for undesignated Open Space proposals, to be voted at subsequent Town Meetings for specific purposes within this category

The Finance Committee recommends affirmative action on Article 34.

Community Preservation Fund *financial status*

	Actual			Revised Estimate	Estimated
	FY06	FY07	FY08	FY09	FY10
Fund Resources					
1.5% surcharge collections	\$ 696,920	\$ 737,386	\$ 778,840	\$814,000	\$845,000
State match of surcharge committed	652,084 ^a	697,795 ^a	738,132 ^a	525,033 ^a	305,000 ^a
Earnings on available cash balance	63,417	152,660	135,428	40,000	15,000
Other financing sources	0	0	46,526		
TOTAL FUND REVENUE	\$1,412,421	\$1,587,841	\$1,698,926	\$ 1,379,033	\$ 1,165,000
Fund Disbursements					
	0	415,693	2,792,996	3,432,000	1,249,000
Beginning cash balance	\$ 651,573	\$2,063,994	\$3,236,142	\$ 2,142,072	\$89,105
Ending cash balance	<u>\$2,063,994</u>	<u>\$3,236,142</u>	<u>\$2,142,072</u>	<u>\$ 89,105</u>	<u>\$ 5,105</u>

Notes

- (a) State match is based upon the net levied surcharge of the prior fiscal year. It is paid in October.
Amount shown in FY09 column was actual received October 2008, a 67.6% match. FY10 assumes a 37.5% match.

APPROPRIATIONS (by Fund Year):	FY05 Fund Year	FY06 Fund Year	FY07 Fund Year	FY08 Fund year	FY09 Fund year
Housing	\$265,000	\$141,242	\$705,414	\$232,003	\$233,857
Historic Preservation	\$200,000	\$141,938	\$374,000	\$593,062	\$647,500
Open Space	\$80,000	\$141,241	\$425,000	\$151,896	\$544,229
Recreation	\$80,000	\$958,000	\$50,000	\$542,000	\$0
Administration	\$26,573	\$30,000	\$33,427	\$0	\$0
TOTAL	\$651,573	\$1,412,421	\$1,587,841	\$1,518,961	\$1,425,586
<i>10% of surcharge and state match:</i>	<i>\$64,613</i>	<i>\$134,900</i>	<i>\$143,518</i>	<i>\$151,697</i>	<i>\$133,903</i>

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

2009 Annual Town Meeting:

Available for appropriation:	Uncommitted balance of June 30, 2008	\$84,000
	plus estimated Fund Revenue of FY10	\$1,165,000
	plus all or portion of appropriated reserves	\$161,259
		<u>\$1,410,259</u>

Proposition 2 ½

The levy limit explained

Proposition 2½ 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 FY10, this allowed increase in the limit will be \$1,490,852, which is 2.5% of the FY09 levy limit, \$59,634,076.

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 Jan. 1. Thus, New growth forecasted for FY10 is based on the activity of the current 12-month fiscal year ending June 30, 2009. The budget estimate is \$600,000, equivalent to about 1% of the FY09 total property tax levy.

Total growth of the levy limit is therefore attributable to two factors, one which is fixed (+2.5% per year) and one which is variable and subject to economic conditions. The total increase in the FY10 levy limit is thus projected to be \$2,090,852.

Additionally, the FY10 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 FY10 increase is \$581,300, or about a one percent levy increase.

The total increase in the Budget Plan recommended by the Finance Committee amounts to \$2,028,059 (+2.8%). This recommendation will permit the operating budgets (inclusive of capital outlays paid from current revenues) to rise as follows: Town Government departments, +2.8%; Concord Public Schools K-8, +1.8%; 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 FY10 Guideline Budget SOURCES OF NEW FUNDS

• use of prior unused levy limit	\$ 322,423
• permitted 2.5% increase in limit	1,490,582
• increase in debt exclusion levy	581,300
• est. tax levy from new growth	600,000
• projected change in State aid	(595,986)
• change in Free Cash use	440,000
• change in other local resources	<u>(525,000)</u>
	\$2,313,589

Calculation of Annual Levy Limit

FY09 Levy Limit	\$ 59,634,076
2 ½ percent	1,490,852
est. New Growth	<u>600,000</u>
Projected FY10 Limit	61,724,928
Excluded Debt levy	<u>4,512,636</u>
Available at Levy Limit	66,237,564
Projected levy	\$65,643,216
(+3.8% 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 FY10 is budgeted at \$4,072,759 (about 6.2% of the total projected tax bill). The major portion of this sum, \$3,309,430, about 5% of the projected tax bill, is the financing cost of long-term bonds issued for the Alcott, Thoreau and

Willard elementary school projects (Willard bond issued to date is for design cost, only) and short-term note interest cost for the Willard elementary school 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 upon 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 (three of five) 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 (four of five) 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 only be used 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.

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 the purposes of the borrowing, when to schedule debt-financed projects, and how long to stretch out the repayment. Borrowing is a means of distributing part of a current capital 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 other benefits.

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 town 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 Sept. 2004 as a 20-year level-principal maturity schedule. The Thoreau School bond was issued in 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 25% of the total current year debt service will be expended for interest);
- the capacity to address ongoing

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 11, 2009, Moody's Investors Service reaffirmed the Town's credit rating of Aaa, its highest rating category. The rating report may be viewed on the Town's website at concordma.gov. The Aaa 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.

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. Over the past five years, the Town has issued more than \$38 million in long-term debt to finance the three elementary school construction projects. Each bond issue has been sold at an interest rate below 4%. About \$13 million remains to be issued for the Willard project following its completion this fall.

Excluded Debt

The FY10 tax levy required for the debt service on all excluded debt authorized to date is budgeted at \$4,512,636. This is about 6.9% of the total \$65.6 million projected property tax levy. The major portion of this cost is for the three elementary school projects.

The FY10 budget included \$3,749,308 for Alcott, Thoreau and Willard schools debt expense, representing 83% of the debt exclusion budget:

<i>Alcott</i>	\$ 811,339
(1.2% of the projected tax levy)	
<i>Thoreau</i>	\$1,578,663
(2.4% of the projected tax levy)	
<i>Willard</i>	\$1,359,306
(2.1% of the projected tax levy)	

Following is a summary of the debt exclusion authorizations comprising the FY10 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 (CCHS) 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 Concord Carlisle Regional School District (CCRS) 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 re-financed by CCRSD in April 2003. This nine-year issue, with a final maturity in April 2012, was sold at a 2.71% interest rate.

Harvey Wheeler Bldg. (2002): final payment FY16

At a Special Election 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 in Feb. 2004 at a 2.87% interest rate and repayment commenced 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 design and construction portion of this authorization, about \$14.2 million, was audited by the State in the summer of 2006 and received a lump-sum State grant of \$7.2 million in Sept. 2006. A 20-year bond for \$7 million, representing the major portion of our anticipated local share for the construction phase, was issued in Sept. 2004 at a favorable 3.7% interest rate. The second phase of work, demolition of the original building and site work, commenced 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 in Feb. 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 in Sept. 2006 at a favorable 3.85% interest rate. An 18-year bond for \$6.8 million was issued in 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 district 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 FY26

June 8, 2004, voters approved excluding the debt for construction of sewer system extensions in the West

Continued

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 in 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 dis-

trict issued this debt as a five-year Note Dec. 1, 2005.

Willard School Design (2006): final payment 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. This amount was financed as part of the April 1, 2008 bond issue, with a 10-year maturity schedule at a 3.11% interest rate.

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): final payment in FY28

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. The project is scheduled for fall 2009 completion. A 19-year bond was issued for \$11.9 million in March 2009 at a 3.73% interest rate. A \$12.5 million construction period one-year note is also outstanding, issued in January 2009 at a 0.51% interest rate.

Tax Levy for Excluded Debt

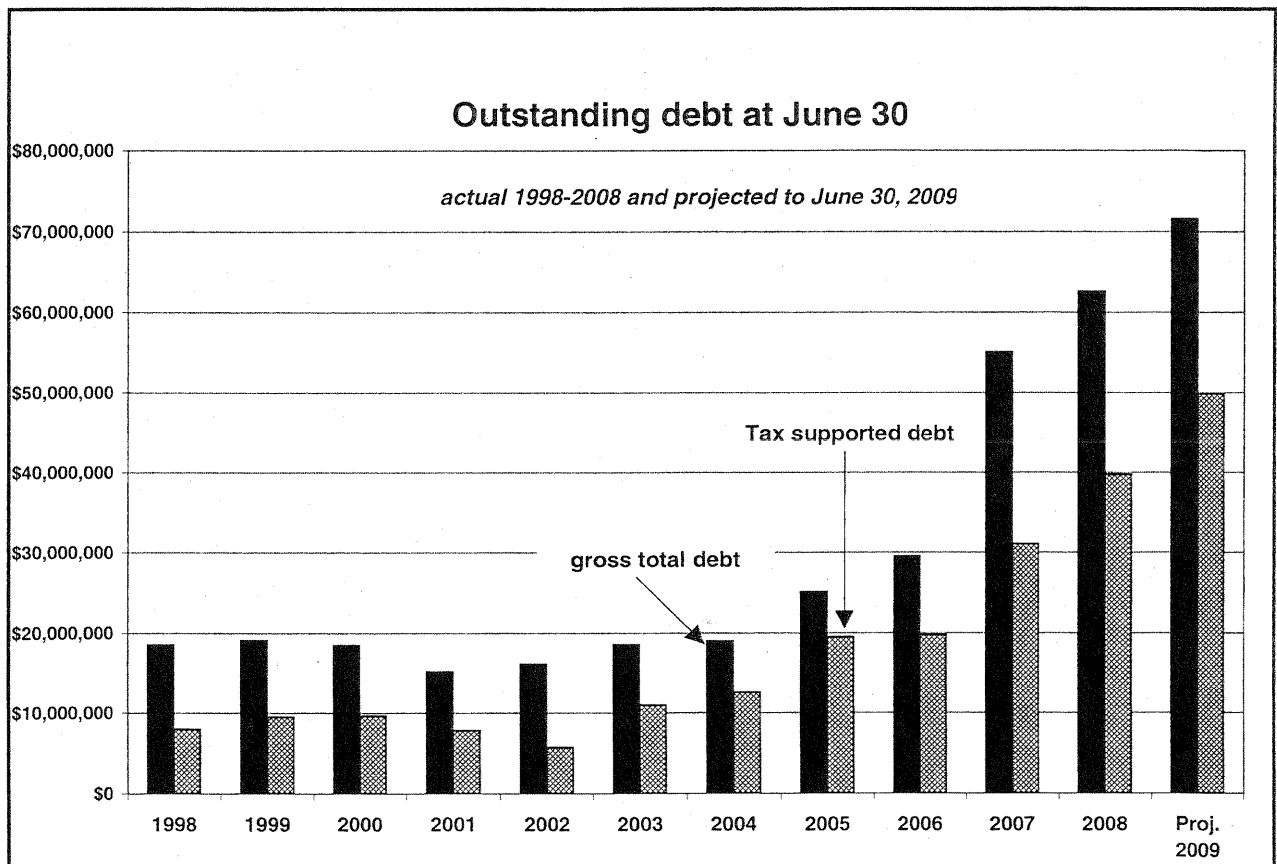
<i>Debt Issued:</i>	FY08 Actual	FY09 Budget	FY10 Proposed	FY11	FY12 projected	FY13	Final Fiscal Yr
Concord-Carlisle H.S.	\$ 476,557	\$ 684,143	\$ 539,239	\$ 399,366	\$ 135,282	\$ 2,731	2018
Mattison Field	134,838	104,400					2009
Harvey Wheeler Building	126,280	124,309	122,191	119,827	116,994	114,039	2016
Alcott School	830,577	812,599	811,339	779,408	762,558	740,052	2025
Thoreau School	1,297,327	1,570,663	1,578,663	1,540,079	1,492,661	1,416,392	2025
Willard School	59,301	533,217	1,352,306	1,253,180	1,235,131	1,217,083	2028
Wastewater Plan, Phase 1	102,109	102,005	101,898	101,789	101,678	101,565	2026
subtotal	\$3,026,989	\$3,931,336	\$4,505,636	\$4,193,649	\$3,844,304	\$3,591,862	
<i>Authorized, not yet issued (est.):</i>							
Willard School			7,000	1,298,500	1,267,000	1,235,500	2029
TOTAL	\$ 3,026,989	\$ 3,931,336	\$ 4,512,636	\$ 5,492,149	\$ 5,111,304	\$ 4,827,362	

CONCORD'S LONG-TERM DEBT STATISTICS

June 30, 1998 to June 30, 2008 actual, and projected to June 30, 2009

@ 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
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%
2008	\$5,498,736,316	\$62,606,176	\$39,739,546	16,993	\$51,177	1.14%	0.72%	\$3,684	\$2,339	7.20%	4.57%
Proj. 2009	\$5,264,591,702	\$71,615,904	\$49,853,220	16,993	\$51,177	1.36%	0.95%	\$4,214	\$2,934	8.24%	5.73%

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



Debt Service Schedule

for debt issued through March 31, 2009

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
2009	6,158,442	2,098,530	71,615,904	1,761,000	290,183	270,326	60,753	685,000	88,271	1,635,000	995,194
2010	6,985,720	2,349,043	64,630,184	1,750,000	258,385	171,747	52,675	875,000	96,511	2,325,000	1,339,488
2011	6,333,707	2,130,201	58,296,477	1,460,000	202,917	173,196	48,717	535,000	71,968	2,310,000	1,265,700
2012	6,017,411	1,926,602	52,279,066	1,345,000	153,241	174,675	44,253	395,000	56,116	2,300,000	1,193,163
2013	5,436,175	1,739,738	46,842,891	1,000,000	113,866	176,184	39,631	395,000	44,879	2,255,000	1,120,919
2014	5,235,216	1,565,037	41,607,675	825,000	82,016	177,723	34,726	355,000	33,016	2,255,000	1,045,651
2015	4,799,540	1,396,008	36,808,135	705,000	54,301	179,293	29,539	330,000	21,431	2,250,000	964,950
2016	4,469,154	1,234,304	32,338,981	490,000	29,425	180,895	24,067	255,000	10,588	2,250,000	881,307
2017	3,624,063	1,076,139	28,714,918	200,000	11,000	82,529	18,560	60,000	2,175	2,250,000	796,382
2018	3,439,273	958,430	25,275,645	100,000	3,750	84,196	16,767	0	0	2,240,000	715,369
2019	3,099,791	843,330	22,175,854	0	0	85,897	14,939	0	0	2,060,000	630,075
2020	3,045,305	742,861	19,130,550	0	0	87,632	13,073	0	0	2,060,000	553,188
2021	3,061,677	637,224	16,068,873	0	0	89,403	11,170	0	0	2,060,000	471,913
2022	3,067,104	530,111	13,001,769	0	0	91,209	9,229	0	0	2,060,000	389,513
2023	2,928,915	422,230	10,072,854	0	0	93,052	7,248	0	0	1,905,000	306,703
2024	2,946,065	319,600	7,126,789	0	0	94,932	5,227	0	0	1,905,000	229,509
2025	2,963,562	214,539	4,163,227	0	0	96,850	3,165	0	0	1,905,000	150,257
2026	2,076,411	127,313	2,086,816	0	0	98,806	1,062	0	0	1,000,000	89,219
2027	1,461,816	68,978	625,000	0	0	0	0	0	0	625,000	54,688
2028	625,000	27,344	0	0	0	0	0	0	0	625,000	27,344
total	77,774,347	20,407,562		9,636,000	1,199,084	2,408,545	434,801	3,885,000	424,955	37,650,000	13,193,188

Interest expense as % of total debt service, FY09: 25.4%

Interest expense as % of total debt service to final maturity: 20.8%

Projected as of June 30, 2009:

	<u>5 yrs</u>	<u>10 yrs</u>
Debt Retirement - all	41.9%	69.0%
Debt Retirement - tax supported only	42.6%	70.3%

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
585,000	222,424	561,727	252,934	120,389	49,339	540,000	139,432
560,000	199,784	571,055	239,157	192,918	46,961	540,000	116,082
550,000	178,669	580,572	225,177	194,939	44,534	530,000	92,519
550,000	157,869	590,280	210,990	197,456	42,058	465,000	68,912
350,000	136,869	600,185	196,593	199,806	39,532	460,000	47,449
350,000	124,119	610,290	182,230	202,203	36,955	460,000	26,324
350,000	111,269	620,598	167,548	204,649	34,326	160,000	12,644
350,000	98,206	631,116	152,617	207,143	31,644	105,000	6,450
250,000	81,831	541,845	136,083	209,689	28,908	30,000	1,200
250,000	72,113	552,791	124,315	212,286	26,116	0	0
175,000	62,738	563,959	112,310	214,935	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
0	0	0	0	0	0	0	0
5,720,000	1,699,291	11,366,173	2,436,098	3,193,629	481,789	3,290,000	511,012

subtotals		
Tax-supported		Revenue-supported
within Limit	Excluded	
2,824,454	2,961,273	2,471,245
2,979,896	3,888,910	2,465,957
2,269,885	3,797,613	2,396,410
1,949,357	3,712,091	2,282,565
1,553,745	3,591,734	2,030,434
1,295,032	3,513,100	1,992,121
1,110,732	3,423,782	1,661,034
785,013	3,336,269	1,582,176
273,175	3,147,471	1,279,556
103,750	3,056,332	1,237,621
0	2,790,911	1,152,210
0	2,713,893	1,074,273
0	2,632,486	1,066,415
0	2,549,951	1,047,264
0	2,312,003	1,039,142
0	2,234,668	1,030,997
0	2,155,272	1,022,829
0	1,189,087	1,014,637
0	679,688	851,106
0	652,344	0
15,145,039	53,686,534	28,697,992

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.

State Aid and the State's fiscal position

State Aid is a significant component of the State budget, approximately 20%. Aid is distributed to the cities and towns through a variety of formulas, most of which direct aid to communities based upon relative need as measured by property and income characteristics. State aid received by Concord in recent years has represented about 6% of the Town's total budget. Some municipalities received more than half of their local budget funding from State aid.

Due to the State's present budget situation, the Governor announced in January a current year reduction of almost \$130 million, funds that had been projected in setting current year budgets and tax rates. Concord's share of this cut is \$140,000. In response, the Town Manager and School Superintendent have taken actions to ensure that the Town ends the current fiscal year with unexpended appropriations to balance this unexpected loss.

Even more significantly, the Governor on January 28th proposed a State budget for FY10 that reduces aid to cities and towns by \$500 million, more than 10% of total State aid. This represents about a \$500,000 reduction for Concord. The Guideline budget adopted by the Finance Committee in November initially projected a smaller cut in FY10 State aid, but the Committee's November spending Guidelines had left some room for adjustment. The budgets proposed in this Report allow for a total State

aid cut of \$595,000. Final State aid information will not be certain until after Concord's Town Meeting, but there is the possibility that the legislature will make further reductions. The Committee also anticipates a further sizeable State aid reduction for the FY11 budget cycle.

The Governor's January proposals included an increase in the State meals and room taxes, with revenues being distributed to the cities and towns to partially offset the State aid reductions. He also proposed giving cities and towns the authority to adopt their own meals tax and to increase the local room tax. None of these proposals have yet received any favorable action by the Legislature, and the Committee does not anticipate any local revenues from such sources.

The present status of FY09 and FY10 estimates for the Town is shown below.

State Aid					
FY07 and FY08 actual, FY09 budget and FY10 estimated					
Account	Actual FY07	Actual FY08	Budget FY09	Estimated FY10	FY09-10 Difference
Chapter 70 school aid	\$1,788,314	\$1,975,049	\$2,154,784	\$2,154,784	
Additional assistance	383,959	383,959	383,959	383,959	
Lottery	1,045,180	1,059,887	1,059,887	1,059,887	
School construction	288,045	0	0	0	
Police career incentive	158,496	158,314	163,855	163,855	
State-owned land and buildings	546,166	610,209	654,273	654,273	
all other	70,038	55,108	61,228	61,228	
Expected FY10 reduction				(595,986)	
TOTAL	\$4,280,198	\$4,242,526	\$4,477,986	\$3,882,000	(\$595,986)
FY09 mid-year reduction			(140,697)		
FY09 Net			\$4,337,289		

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 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 Finance Committee's initial Budget Guideline plans issued last Nov. provided for an allocation of \$600,000 to support the FY10 operating budgets. Last year's Town Meeting acted upon the recommendation of the Finance Committee to establish a \$2.5 million debt service stabilization fund, in anticipation of significant debt service costs projected to begin in FY11 for debt service on the Willard School project. Subsequently, within the past few months, the Treasurer with the support of the Selectmen and Finance Committee moved to permanently finance the portion of Willard costs already incurred

(about half of the project's expected total cost. This decision was made due to very favorable current interest rates available to Triple A credits such as Concord and the concern that any rise in inflationary pressures due to federal stimulus actions could force long-term interest rates to rise substantially, possibly within the next 12 months. \$11.9 million of Willard long-term debt (19-year serial bond) was issued in March at a 3.73% interest rate. As a consequence, the debt service budget (Article 8, Item 41B) is being amended to add \$440,000, and the Finance Committee is recommending that this added FY10 budget cost be financed with a Free Cash allocation. This amount is actually less than the Finance Committee had intended to recommend under Article 13 as an additional allocation to the Debt Stabilization Fund.

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.

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
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%
2007	8,003,063	11.5%	2009	600,000	1.0%
			<i>proposed</i>		
2008	\$ 7,371,061	10.1%	2010	\$ 1,040,000	1.6%

Reserve Fund Transfers

The transfers to Town budget accounts authorized by the Finance Committee during FY08 are shown in the accompanying table. Requests amounted to \$183,709, with \$41,291 being returned unexpended on June 30, 2008.

The Reserve Fund is an appropriated contingency account. It is part of the Town Government budget (item 33 of Article 8, proposed at \$225,000) and is counted within the Finance Committee's budget guideline for Town Government operations (Article 8, items 1-36). 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 8, items 1-41). Funds can-

not 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 9). State law gives the School Committee the "bottom line" power to authorize transfers within its appropriation total voted by Town

Meeting.

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

The FY10 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 \$3.1 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.

Reserve Fund Uses, FY2008

<i>Town Account</i>	<i>Amount</i>	<i>Purpose</i>
Planning Department	\$ 20,000	Emerson Annex Unit 4 renovations
Legal Services	136,000	Litigation costs
Elections/Registrars	24,784	Special elections
Veterans' Services/Benefits	2,925	Additional beneficiaries
	TOTAL	\$ 183,709