

TOWN OF LUNENBURG

BOARD OF SELECTMEN

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Lunenburg, MA 01462-0135

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Kerry A. Speidel
Town Manager
Laura B. Williams
Chief Administrative Assistant

MEMORANDUM

To: Board of Selectmen
Finance Committee

KAS

From: Kerry A. Speidel, Town Manager

Subject: FY2011 Preliminary Budget Proposal

Date: February 15, 2010

Please accept this memorandum as my Preliminary Budget Proposal for FY2011. The Preliminary Budget, as presented, is balanced, and provides for funding Operating Budgets a reasonable level given the current economic times. In addition, \$300,000 has been set aside to fund the FY2011 Capital Improvement Plan.

This balanced budget proposal is based upon use of recurring revenues for operating costs, meaning there is no request for a draw on either Free Cash or the Stabilization Fund. There will be no request for an Override to support any part of this proposal, nor is there reliance on 'speculative' State Aid, from new taxes which have yet to be passed.

Care has been given to insure that our core services- Fire, Police and Public Works- be held at level service, and that other departments be brought back to levels originally approved for the current fiscal year. Funding for Lunenburg Public Schools has been reduced by 1 percent, as a result in a continual decline in enrollment.

here has been nothing easy about crafting a proposal this year, and all recommendations have been made after a great deal of consideration. In the end, decisions have been made based upon what seems most fair given the current economic climate.

In FY2011, we will face the same budget busters that all other communities face, namely the increasing cost of Employee Benefits. We have been very fortunate over the past several years in that we have been spared double-digit increases in health insurance costs. We will not be so lucky in FY2011. Although I have yet to receive the health insurance renewal, based upon current Claims Experience, I have been told to expect

about a 10% increase. Additionally, we will see an 11% increase in our Worcester Regional Retirement Assessment in FY2011. Increases in future years will be significantly more- up to 40%, due to the losses incurred in 2008- unless legislation to extend the funding schedule is passed.

In FY2011, we will see an increase in revenue, in the amount of \$790,233 as a result of the development activities- increases in Building Permits and New Growth and the adoption of the Local Option Meals Tax, among other things. While this new revenue isn't sufficient to restore cuts made in prior years, or to hire additional Police Officers, it is most welcome and hopefully is a sign that our own local economy is turning around.

Please keep in mind, that this is only the Preliminary Recommendation for FY2011. I am still awaiting information on actual insurance renewals, assessment certifications and additional revenue collections data. In addition, we still face a number of issues in the current fiscal year, not the least of which is a Snow & Ice Deficit, which may need to be carried forward into FY2011.

I have included some reference materials to assist in your review of the budget. These are:

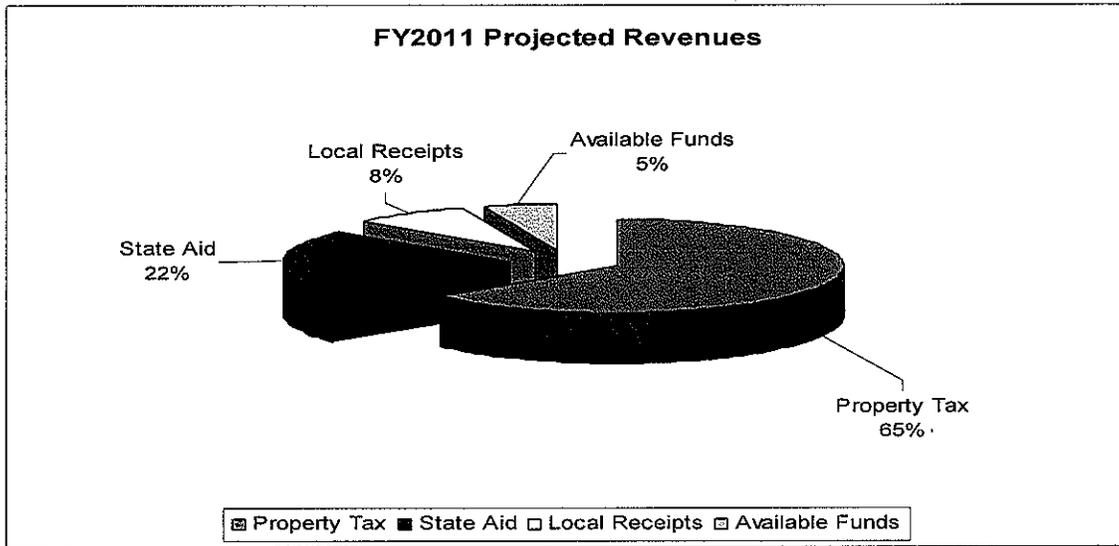
1. *At-A-Glance Report for Lunenburg* as prepared by the MA Department of Revenue;
2. Estimated Impact of Town Meeting Spending on your Fiscal Year Tax Bill; and
3. *Preliminary Analysis: The Governor's FY2011 Budget* as prepared by the Massachusetts Budget and Policy Center.

Additional materials will be provided at the public presentation of the Preliminary Budget on Thursday, February 25, 2010. Please be in touch if you have any questions.

/kas

FY2011 Revenue Overview

The Town has four- (4) sources of Revenue: Property Tax; State Aid; Local Receipts; and Available Funds. The following chart depicts the percentage of each funding source.



Property Taxes

Property taxes are the largest, single revenue source for the Town. Property taxes are levied on real property (land and buildings) and personal property (equipment) used by non-manufacturing business firms. In accordance with State Law, the Board of Assessors revalues all taxable real property at fair market value every three- (3) years. FY2009 was our last triennial revaluation year. In addition, the Town conducts annual interim adjustments in order to reflect the changes in market conditions. Under the provisions of Proposition 2 ½, property taxes, in the aggregate, may not exceed 2 ½ % of their “full and fair cash value.” This limit is known as the “levy ceiling.” Annual levy increases may not exceed 2 ½% more than the previous year’s levy plus the taxes added from any new properties- New Growth- added to the tax rolls. Any Proposition 2 ½ override and/ or debt exclusion amounts voted are added to the levy limit.

For FY2011, the Town’s Property Tax revenues are projected to increase by \$537,851, or 3.09%. Of interest is the New Growth estimate of \$150,000. This estimate has been increased as a result of the Emerald Place and Tri-Town Land projects, both of which will have pulled building permits by the end of this month. The estimate of \$150,000 roughly equates to an increase in total valuation of approximately \$10.5M.

The decrease in debt exclusions is a result of a decrease in the amount of tax revenue needed to be raised to pay debt service approved outside of the Proposition 2 ½ limit.

	FY2010	FY2011	\$ Increase	% Increase
	Budget	Recommend.	Over Prior	Over Prior
Revenue				
Property Tax				
Prior Year Levy Limit	\$ 15,890,966	\$ 16,414,992	\$ 524,026	3.30%
2 1/2% Increase	\$ 393,856	\$ 410,375	\$ 16,519	4.19%
New Growth	\$ 130,170	\$ 150,000	\$ 19,830	15.23%
Debt Exclusions	\$ 1,012,305	\$ 989,782	\$ (22,523)	-2.22%
total:	\$ 17,427,297	\$ 17,965,148	\$ 537,851	3.09%

State Aid

State Aid is the Town’s second largest revenue source, and is commonly referred to as Cherry Sheet Aid. It is the amount of funding each community receives from the Commonwealth to help fund Education and General Government Services. Based upon House 1, the Governor’s FY2011 Budget Proposal, Lunenburg will receive a total of \$6,289,964 in aid, which is an increase of \$227,370. It is important to note that the Preliminary Cherry Sheet shows an increase of only \$25,333. This is because the Cherry Sheet amount for

FY 2010 has been adjusted to include a STATE (Education) Grant to maintain Foundation Spending. However, because this is a Grant, and not State Aid, it will come directly to the Lunenburg Public School, and can be spent without further appropriation.

Given the fact that the Governor's Budget proposal is based upon some speculative revenue sources, such as new taxes which have yet to be approved, I have chosen to estimate the Unrestricted General Government Aid at 95% of the Governor's Proposal. This is a reduction of \$46,586. The Massachusetts Budget and Policy Center issued a *Preliminary Analysis: The Governor's FY2011 Budget*, on January 27, 2011. A copy is attached for reference. A more detailed report was issued on February 8, 2010 and can be viewed at www.massbudget.org

Below is a chart comparing FY2011 State Aid to prior fiscal years. As you can see, State Aid for FY2011 is slightly below what was received in FY2008.

	FY2007	FY2008	FY2009	FY2010	FY2011	\$ Increase	% Increase
	Actual	Actual	Actual	Budget	Recommend.	Over Prior	Over Prior
Revenue							
State Aid							
Chapter 70	\$ 3,921,700	\$ 4,314,259	\$ 4,620,790	\$ 4,528,374	\$ 4,777,497	\$ 249,123	5.50%
Kindergarten Grant		\$ -	\$ -	\$ -	\$ -	\$ -	-
Charter Tuition Reimbursements	\$ 80,909	\$ 22,074	\$ 67,671	\$ 42,461	\$ 41,234	\$ (1,227)	-2.89%
Charter School Capital Facility Reimb			\$ -	\$ 28,576	\$ -	\$ (28,576)	-100.00%
School Lunch	\$ 7,213	\$ 9,171	\$ 9,216	\$ 10,219	\$ 8,112	\$ (2,107)	-20.62%
School Choice Receiving Tuition	\$ 459,930	\$ 462,811	\$ 438,373	\$ 337,673	\$ 405,933	\$ 68,260	20.21%
Lottery	\$ 1,295,240	\$ 1,316,140	\$ 1,316,140	\$ 931,718	\$ 885,132	\$ (46,586)	-5.00%
Gaming Proceeds for Lottery Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Additional Assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Police Career Incentive (Quinn Bill)	\$ 57,045	\$ 60,063	\$ 64,065	\$ 11,495	\$ 5,914	\$ (5,581)	-48.55%
Veteran's Benefits	\$ -	\$ -	\$ -	\$ 9,994	\$ -	\$ (9,994)	-100.00%
Veterans Exemption	\$ 11,188	\$ 26,163	\$ 27,025	\$ 27,025	\$ 27,025	\$ -	0.00%
Elderly Exemption	\$ 26,104	\$ 24,598	\$ 28,614	\$ 31,835	\$ 30,404	\$ (1,431)	-4.50%
State Owned Land	\$ 39,890	\$ 44,567	\$ 47,786	\$ 43,048	\$ 49,989	\$ 6,941	16.12%
Libraries	\$ 14,075	\$ 16,326	\$ 18,706	\$ 13,090	\$ 12,138	\$ (952)	-7.27%
total:	\$ 5,913,294	\$ 6,296,172	\$ 6,638,386	\$ 6,015,508	\$ 6,243,378	\$ 227,870	3.79%

Local Receipts

Local Receipts are those fees, fines, licenses, permits and excise taxes that are collected at the local level. These revenues are generally referred to as elastic revenues as they are highly susceptible to fluctuations in the economy. We have been very fortunate in that our mainstay, Motor Vehicle Excise, has remained fairly healthy throughout this poor economy. Our first commitment for Calendar Year 2010, totaled \$852,566.25, and increase of \$59,099.25, or 7.45% over the first commitment of Calendar Year 2009. As a result, I have increased the estimated for Motor Vehicle Excise for FY2011 by 2.5%.

	FY2007	FY2008	FY2009	FY2010	FY2011	\$ Increase	% Increase
	Actual	Actual	Actual	Budget	Recommend.	Over Prior	Over Prior
Revenue							
Local Receipts							
Motor Vehicle Excise	\$ 1,332,648	\$ 1,274,993	\$ 1,240,518	\$ 1,130,500	\$ 1,158,763	\$ 28,263	2.50%
Other Excise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Penalties & Interest on Taxes	\$ 84,715	\$ 109,731	\$ 94,008	\$ 80,000	\$ 90,000	\$ 10,000	12.50%
Payments in lieu of Taxes	\$ 1,593	\$ 1,651	\$ 3,183	\$ 1,600	\$ 1,600	\$ -	0.00%
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Other Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Fees	\$ 135,147	\$ 129,492	\$ 115,878	\$ 135,000	\$ 135,000	\$ -	0.00%
Rentals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Departmental Revenue- Schools	\$ 102,195	\$ 99,394	\$ 109,777	\$ 100,000	\$ 105,000	\$ 5,000	5.00%
Departmental Revenue- Library	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Departmental Revenue-Cemeteries	\$ 8,000	\$ 5,600	\$ 1,900	\$ 8,000	\$ 8,000	\$ -	0.00%
Departmental Revenue- Recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Other Departmental Revenue	\$ 243,040	\$ 218,441	\$ 215,829	\$ 348,000	\$ 339,243	\$ (8,757)	-2.52%
Licenses & Permits	\$ 188,812	\$ 154,601	\$ 128,177	\$ 160,000	\$ 200,000	\$ 40,000	25.00%
Special Assessments	\$ 25,524	\$ 22,974	\$ 25,508	\$ 26,000	\$ 26,000	\$ -	0.00%
Fines & Forfeits	\$ 62,666	\$ 43,157	\$ 41,363	\$ 65,000	\$ 65,000	\$ -	0.00%
Investment Income	\$ 312,632	\$ 210,819	\$ 154,805	\$ 130,000	\$ 100,000	\$ (30,000)	-23.08%
Miscellaneous Recurring (Local Option Meals)	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ 60,000	-
Miscellaneous Non- Recurring	\$ 38,771	\$ 122,639	\$ 36,894	\$ 31,243	\$ 75,000	\$ 43,757	140.05%
total:	\$ 2,535,742	\$ 2,393,491	\$ 2,167,839	\$ 2,215,343	\$ 2,363,606	\$ 148,263	6.69%

The overall projected increase in Local Receipts is \$148,263, or 6.69%. Notable increases include an estimate of \$60,000 for the newly adopted Local Option Meals Tax, a \$40,000 increase in Licenses & Permits, and a \$44,000 increase in Miscellaneous, Non-Recurring Revenue. The increase in License & Permits is based upon the construction of the Emerald Place and Tri-Town Landing projects. Additionally, an amount of \$50,000 was included in the Miscellaneous, Non-Recurring Revenue line, which represents Supplemental Tax on these properties. According to State Law, if a Certificate of Occupancy is issued for a property after June 30, but before December 31, a Supplemental Tax bill can be issued. At this time, it is anticipated that Certificate of Occupancy for units at the Emerald Place development, totaling approximately \$7.1M in value, will be issued within this time frame.

AVAILABLE FUNDS

Available Funds is really a "catch all" category. Many Available Funds are one-time revenues, which cause a wide variance from the total amount available from one year to the next. Other sources of Available Funds are transfers from Enterprise Funds or Betterment Accounts to fund charges within the General Fund. The following is a list of what is expected to be available to help fund the FY2011 Budget.

	FY2007	FY2008	FY2009	FY2010	FY2011	\$ Increase	% Increase
	Actual	Actual	Actual	Budget	Recommend.	Over Prior	Over Prior
Revenue							
Local Receipts							
Available Funds							
Overlay Surplus	\$ 25,025	\$ -	\$ 23,109	\$ -	\$ -	\$ -	-
Free Cash	\$ 1,108,378	\$ 303,810	\$ 406,074	\$ -	\$ -	\$ -	-
Unexpended Articles	\$ 35,542	\$ 22,358	\$ 84,780	\$ 27,602	\$ -	\$ (27,602)	-100.00%
Borrowing	\$ 491,000	\$ 835,000	\$ 249,960	\$ -	\$ -	\$ -	-
Stabilization Fund	\$ 32,079	\$ 250,000	\$ -	\$ 112,500	\$ -	\$ (112,500)	-100.00%
SBA Reimbursement	\$ 804,425	\$ 828,334	\$ 586,561	\$ 559,058	\$ 559,057		
Sewer Enterprise	\$ 20,000	\$ -	\$ 30,715	\$ 30,715	\$ 30,715		
Sewer Betterments	\$ 512,688	\$ 680,000	\$ 732,849	\$ 726,968	\$ 802,490	\$ 75,522	10.39%
Water Betterments	\$ -	\$ -	\$ -	\$ -	\$ 62,779	\$ 62,779	
Septic Loan Revenue	\$ 10,872	\$ 10,872	\$ 10,872	\$ 10,872	\$ 10,872	\$ -	0.00%
Sale of Real Estate	\$ -	\$ -	\$ 83,755	\$ -	\$ -	\$ -	-
ARRA Funding	\$ -	\$ -	\$ -	\$ 121,950	\$ -	\$ (121,950)	-100.00%
total:	\$ 3,040,009	\$ 2,930,374	\$ 2,208,675	\$ 1,589,665	\$ 1,465,913	\$ (123,750)	-7.78%

Altogether, I am anticipating an overall increase in revenue in FY2011 in the amount of \$790,233, or 2.9%.

	FY2007	FY2008	FY2009	FY2010	FY2011	\$ Increase	% Increase
	Actual	Actual	Actual	Budget	Recommend.	Over Prior	Over Prior
Revenue							
Property Tax	\$ 15,601,378	\$ 16,177,531	\$ 16,915,184	\$ 17,427,297	\$ 17,965,148	\$ 537,851	3.09%
State Aid	\$ 5,913,294	\$ 6,296,172	\$ 6,638,386	\$ 6,015,508	\$ 6,243,378	\$ 227,870	3.79%
Local Receipts	\$ 2,535,742	\$ 2,393,491	\$ 2,167,839	\$ 2,215,343	\$ 2,363,606	\$ 148,263	6.69%
Available Funds	\$ 3,040,009	\$ 2,930,374	\$ 2,208,675	\$ 1,589,665	\$ 1,465,913	\$ (123,751)	-7.78%
total:	\$ 27,090,422	\$ 27,797,568	\$ 27,930,084	\$ 27,247,813	\$ 28,038,045	\$ 790,233	2.90%

FY2011 Expenditure Budget Overview

The Town's expenditures are divided into functional categories which become the legal budget appropriated at Town Meeting. These functional categories include: General Government; Central Purchasing; Police; Fire; Other Protection; Department of Public Works; Solid Waste; Health & Sanitation; Council on Aging; Veterans Services; Public Schools; Library; Debt Service; Unclassified; and Retirement Assessment. Other expenditures in the budget include Non-Appropriated costs, such as Cherry Sheet Charges, Cherry Sheet Offsets and funds for the Overlay Account. The final budgeting category, though not part of the actual budget vote (budget warrant article) are the remaining Town Meeting warrant articles that have a financial impact. The following is a summary of proposed expenditures for FY2011.

	Expended FY2007	Expended FY2008	Expended FY2009	Appropriated FY2010	Recommend. FY2011	\$ Increase Over Prior	% Increase Over Prior
Expenditures:							
General Fund Expenditures:							
General Government	\$ 1,218,059	\$ 1,202,655	\$ 1,215,112	\$ 1,157,727	\$ 1,276,984	\$ 119,257	10.30%
Central Purchasing	\$ 28,395	\$ 42,364	\$ 46,331	\$ 41,612	\$ 41,650	\$ 38	0.09%
Police	\$ 1,183,520	\$ 1,262,917	\$ 1,286,551	\$ 1,254,214	\$ 1,283,397	\$ 29,183	2.33%
Fire	\$ 660,067	\$ 746,388	\$ 731,938	\$ 735,471	\$ 775,963	\$ 40,492	5.51%
Other Protection	\$ 165,378	\$ 165,351	\$ 160,172	\$ 159,582	\$ 182,261	\$ 22,679	14.21%
Department of Public Works	\$ 1,126,160	\$ 1,393,717	\$ 1,512,107	\$ 1,270,816	\$ 1,397,562	\$ 126,746	9.97%
Solid Waste	\$ 236,000	\$ -	\$ 80,000	\$ 165,000	\$ 125,000	\$ (40,000)	-24.24%
Health & Sanitation	\$ 59,914	\$ 62,555	\$ 61,029	\$ 64,173	\$ 66,361	\$ 2,188	3.41%
Council on Aging	\$ 77,987	\$ 85,227	\$ 97,899	\$ 97,713	\$ 105,076	\$ 7,363	7.54%
Veterans	\$ 4,253	\$ 10,728	\$ 13,226	\$ 7,410	\$ 9,910	\$ 2,500	33.74%
Lunenburg Public Schools	\$ 13,584,897	\$ 14,181,467	\$ 14,137,477	\$ 14,445,320	\$ 14,300,867	\$ (144,453)	-1.00%
Monty Tech Assessment	\$ 584,719	\$ 638,471	\$ 563,508	\$ 637,977	\$ 636,020	\$ (1,957)	-0.31%
Library	\$ 261,414	\$ 290,800	\$ 308,624	\$ 303,099	\$ 329,791	\$ 26,692	8.81%
Debt Service	\$ 2,469,696	\$ 2,665,671	\$ 2,697,793	\$ 2,664,301	\$ 2,936,226	\$ 271,925	10.21%
Unclassified	\$ 1,864,622	\$ 1,986,740	\$ 1,989,683	\$ 2,081,216	\$ 2,452,197	\$ 370,981	17.83%
Retirement Assessment	\$ 435,584	\$ 438,971	\$ 493,121	\$ 528,137	\$ 586,232	\$ 58,095	11.00%
sub-total:	\$ 23,960,665	\$ 25,174,022	\$ 25,394,570	\$ 25,613,768	\$ 26,505,498	\$ 891,730	3.48%
Non-Appropriated Expenditures:							
Cherry Sheet Charges	\$ 735,869	\$ 703,409	\$ 663,843	\$ 703,409	\$ 666,304	\$ (37,105)	-5.28%
Cherry Sheet Offsets	\$ 488,308	\$ 488,308	\$ 466,295	\$ 360,983	\$ 426,243	\$ 65,260	18.08%
Overlay	\$ 100,984	\$ 100,984	\$ 97,988	\$ 145,000	\$ 145,000	\$ -	0.00%
sub-total:	\$ 1,325,161	\$ 1,292,701	\$ 1,228,126	\$ 1,209,392	\$ 1,237,547	\$ 28,155	2.33%
TOTAL BUDGET:	\$ 25,285,826	\$ 26,466,723	\$ 26,622,696	\$ 26,823,160	\$ 27,743,045	\$ 919,885	3.43%
Other Warrant Articles:							
Capital Articles	\$ -	\$ 1,112,008	\$ 607,710	\$ 233,950	\$ 295,000		
Other Articles	\$ -	\$ 187,386	\$ 260,236	\$ 172,595	\$ -		
Teachers Salary Deferral	\$ -	\$ 18,108	\$ 18,108	\$ 18,108	\$ -		
sub-total:	\$ -	\$ 1,317,502	\$ 886,054	\$ 424,653	\$ 295,000	\$ (129,653)	-30.53%
total:	\$ 25,285,826	\$ 27,784,225	\$ 27,508,750	\$ 27,247,813	\$ 28,038,045	\$ 790,232	2.90%

Overall, Lunenburg's FY2011 Budget for Operating Expenses is projected to increase by \$919,885 or 3.43% over FY2010, with the largest increases being in Unclassified- Employee Benefits (+\$370,981 or 17.83%) and Debt Service (+\$271,925, or 10.21%) Other large increases are seen in General Government, to cover the increasing legal expenses, and in the Department of Public Works, to more accurately fund our Snow & Ice Account. The recommended appropriation for Lunenburg Public Schools has been decreased by 1.00% to \$14,300,867, or \$144,453 over the FY2010 appropriation, in recognition of budget pressures due to tight economic times and declining enrollment.

Funding has been included either within departments or within the Salary Reserve Account to fund all wage and salary contractual obligations. No layoffs are anticipated at this time, however, discussions are underway with the Superintendent of Schools regarding the consolidation of functions, which are expected provide higher service levels and increase efficiency. These consolidations may result in a reduction in force.

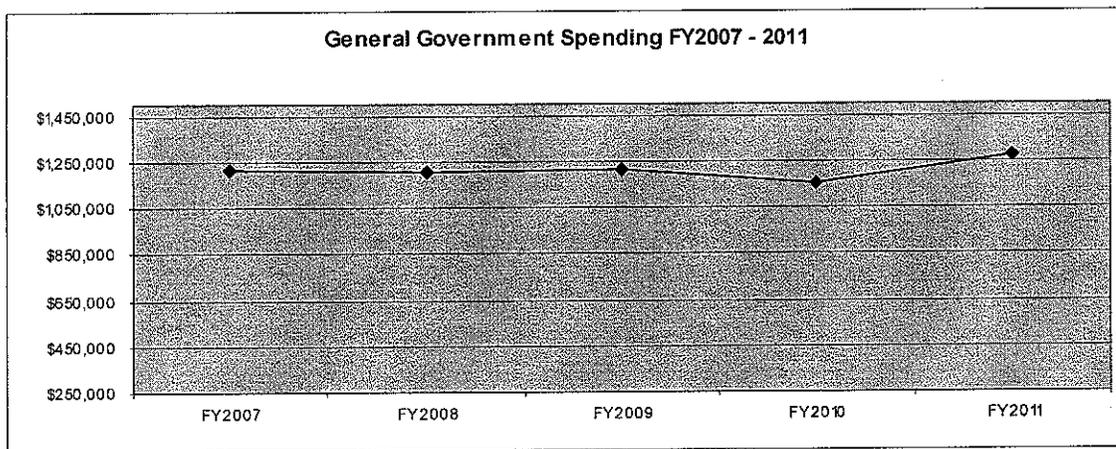
In the following sections, I will detail my preliminary spending recommendations.

General Government

The General Government category includes the Administrative, Financial and Planning Offices of the town. Total spending in this category is recommended at \$1,276,984 which is an increase of \$119,257 or 10.30% over FY2010. The bulk of this increase, \$80,000, or 67%, comes from an increase in the Legal Services line item. Over the past few years, we have seen a large increase in the expenses associated with development related court cases, such as Hollis Hills and O'Brien Homes. Total legal expenses in FY2009 were \$175,812. The projection for expenses in FY2010 is just under \$200,000. The recommendation appropriation for FY2011 is \$175,000.

The balance of the increase will cover increases in Personnel Expenses. Approximately \$15,000, or about 38% of the remaining increase will bring base salaries back to the original FY2010 appropriation, i.e. before the mandated furlough. Approximately 40% of the remaining increase, or about \$17,000 will cover the cost of contractual step increases, cost-of-living adjustments and longevity increases were applicable. The remaining 22%, or about \$8,000 will go to increases in supplies, postage and employee training and development.

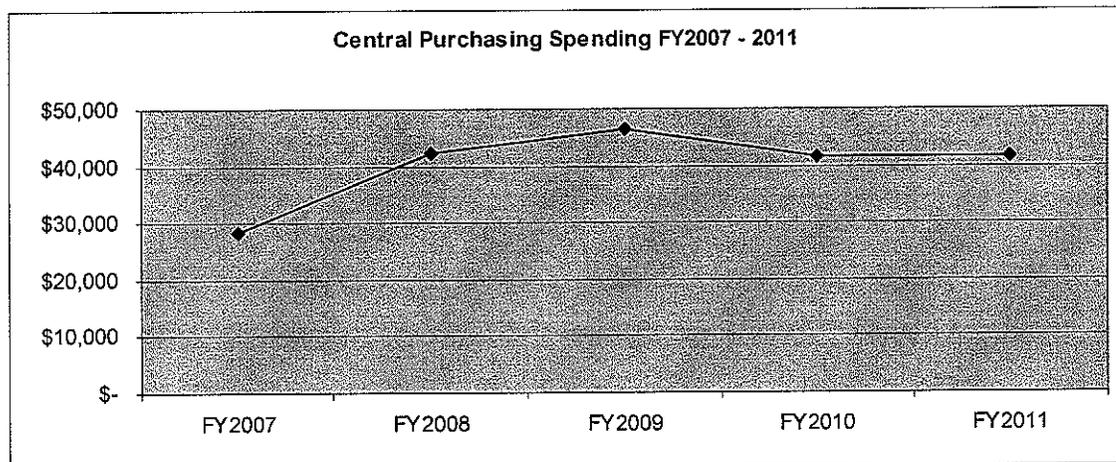
The following chart shows overall General Government spending over a 5-Year Period.



Central Purchasing

Central Purchasing is the cost center used to track costs that are not easily allocated among departments, such as telephone charges and equipment maintenance. In FY2011, the preliminary recommendation is for a total of \$41,650, which is a slight increase of \$38 or 0.09% over the prior fiscal year appropriation.

The following chart shows overall Central Purchasing spending over a 5-Year Period.



Police Department

The Lunenburg Police Department is comprised of a Chief of Police, Lieutenant, three- (3) Sergeants, a Detective, six- (6) Patrol Officers, a Traffic Officer, a Public Safety Coordinator and fourteen- (14) Reserve Police Officers. The Police Department operates twenty-four- (24) hours per day, seven- (7) days per week, year round with a civilian dispatch/ communications center shared with and under the direction of the Fire Department.

The Police Chief holds office hours Monday through Friday and is responsible for the command and services of the entire department. The Public Safety Coordinator is responsible for payroll, all accounting and record keeping, general office management and assists with police duties as a reserve police officer.

The Lieutenant is the department's court liaison officer and public information officer as well as the administrative officer to the Police Chief. The Lieutenant is the commanding officer during the Chief's absence.

All shifts are staffed by either a Sergeant and one- (1) patrol officer or two- (2) patrol officers. The traffic officer works a split shift of two- (2) consecutive, day shifts and two- (2) consecutive night shifts and is responsible for all traffic related calls for service and proactive traffic enforcement during those shifts.

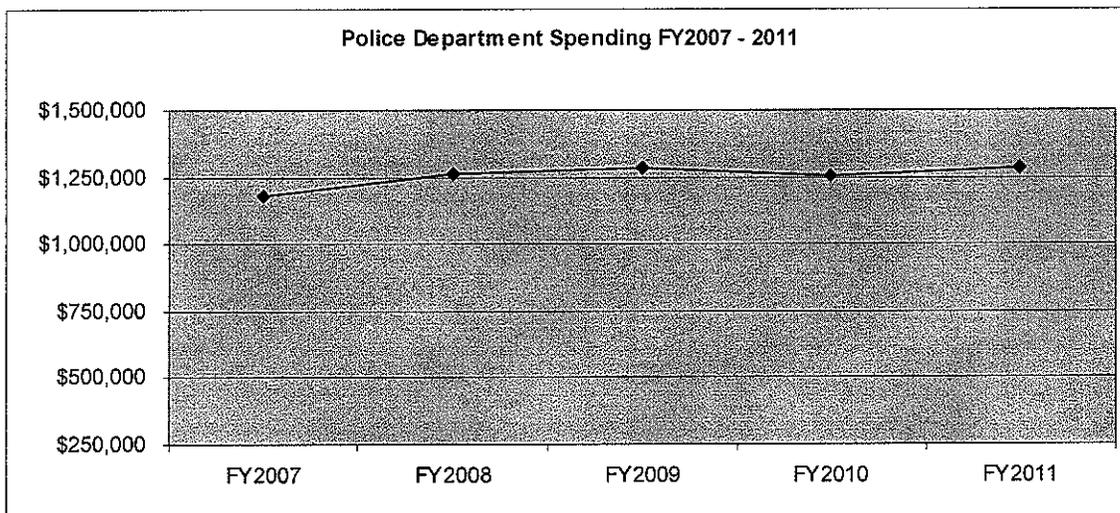
The Detective is responsible for evidence, crime scene management and photography, follow-up investigations generated by patrol, and serious criminal activity. The Reserve Officer are utilized as part-time staff to fill in shift assignments and extra detail work assignments not accepted and covered by full-time staff.

The department maintains a six- (6) cell lock up detainment area for arrestees not released from custody.

Based upon current information, the Town of Lunenburg falls behind its peers in terms of Officers per capita. The average number of Officers per Capita in the Commonwealth is 2.1. Communities our size or smaller average 1.8, while Lunenburg only employs 1.3. Although additional Officers are needed, the reality is that it is impossible to fund even one additional full-time Officer's position given the current fiscal constraints. As our population increases through new developments anticipated to come on line this fiscal year and beyond, it is imperative that we begin to increase our police force. As such, my financial forecast will show the addition of one patrol officer per year, through FY2015. Additionally, we are hopeful that funding for full-time Officers may become available through the COPS program. This program has traditionally provided salary for entry level Officers for the first three years of employment, with a percentage reduction each year, and then requires the Town to assume the costs at 100%. Preliminary information regarding the new program indicates that funding will be available for both salary and benefits at 100% for entry level for three years.

Total spending in this category is recommended at \$1,283,397, which is an increase of \$29,183. or 2.33%, over the revised FY2010 appropriation. The original FY2010 appropriation of \$1,308,062 had to be reduced as a result of a reduction in State Aid, New Growth and an increase in other expenditures.

The following chart shows Police spending over a 5- Year Period.

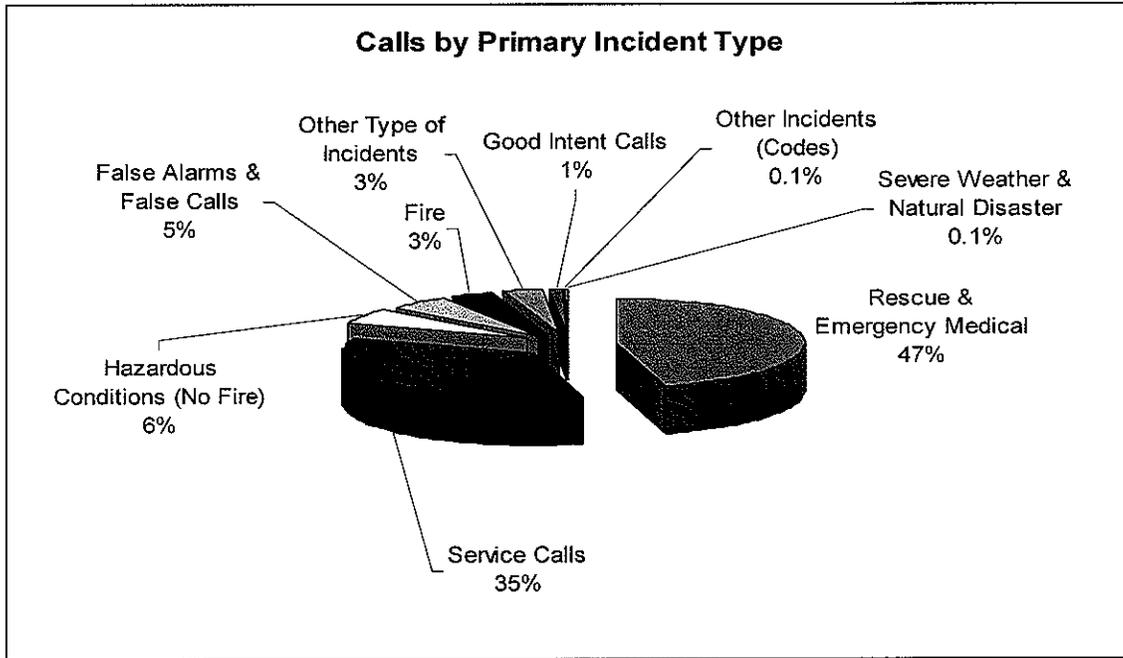


Fire Department

This category of spending covers the Fire Department, Dispatch, and both Hydrant and Radio Maintenance expenses. The Department provides Fire, Rescue and Emergency Medical Services at the BLS (Basic Life Support) level services for the entire Town. Additionally, the department provides many preventative services, fire code inspections, training and specialized response such as trench and water rescue.

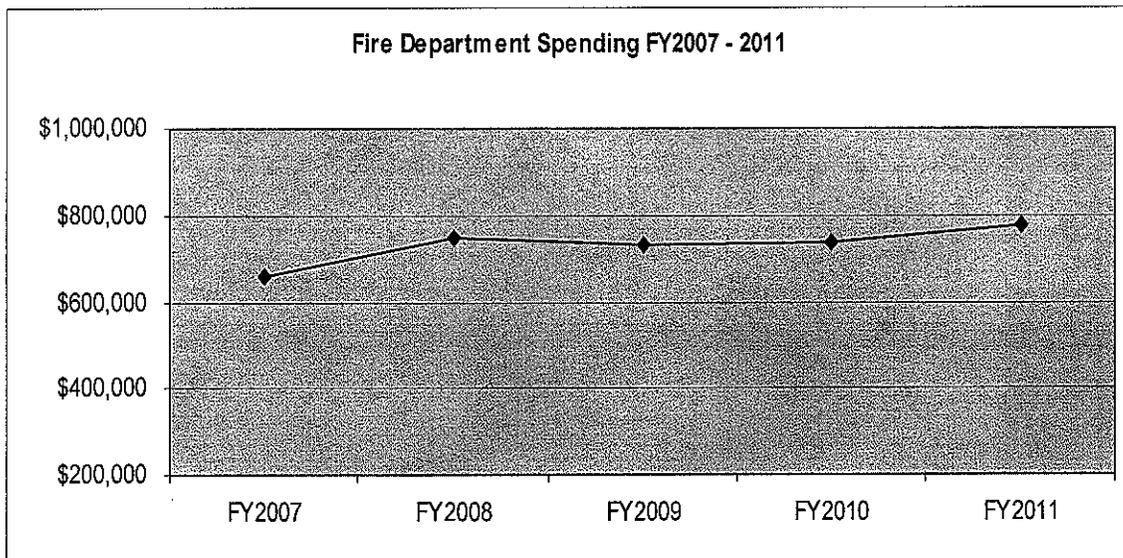
The department operates twenty-four- (24) hours per day, seven- (7) days per week, year round, with a full-time staff of five- (5) and thirty-four (34) reserve firefighters. The full-time staff covers the day shift while the reserve firefighters cover the evening shift.

The following chart details Fire Department calls by Primary Incident Type.



Total spending for this category is \$775,963, which represents an increase of \$40,492 or 5.51% over FY2010. This recommendation provides for the same level of service currently provided for in FY2010. In FY2010, we received a grant to cover salaries in the amount of \$22,444. At this time, I have not anticipated receipt of this grant, which accounts for about half of the proposed increase in FY2011. The balance of the increase will go toward restoring Overtime Accounts for both the Fire Department and Dispatch at FY2009 levels. Both of these accounts were reduced in FY2010 due to budget constraints.

The following chart shows Fire spending over a 5- Year Period.



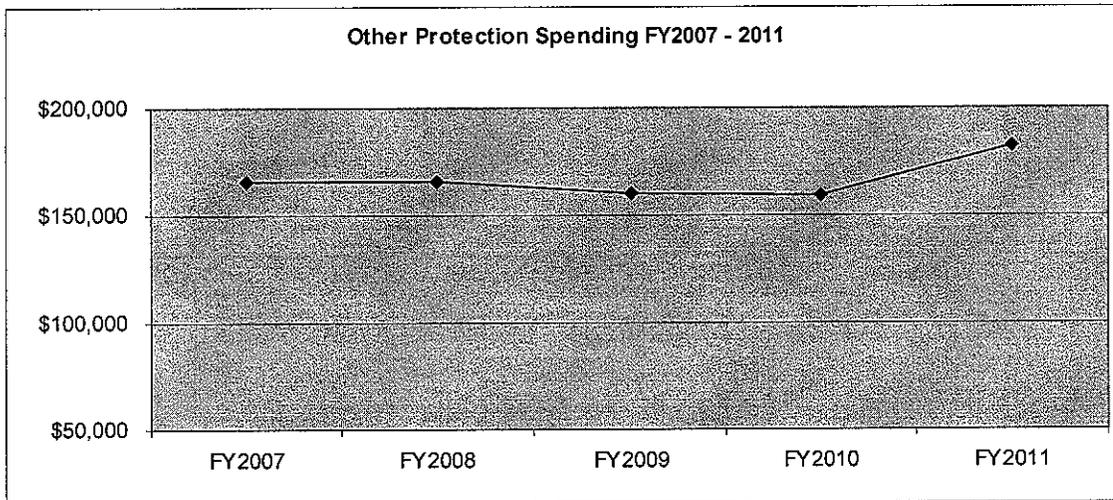
Other Protection

The Other Protection category includes funding for Building Inspection, Gas, Plumbing and Wiring Inspection, as well as for the Inspector of Weights & Measures, Municipal Hearings Officer, Civil Defense and the Animal Control Officer.

The primary duties of the Inspections Departments are to conduct Code Inspections and made Zoning determinations in accordance with State Law and Town Bylaws. Building Permit Applications are first reviewed to insure that all of the proper information and requirements from the applicant are complete. In addition, the plans for the building and the site are reviewed for Code and Zoning Compliance. Provided that the application and the site plan are in compliance, a fee is assessed with the associated work to be completed and a building permit is issued. After the work has begun, the necessary inspections relative to the work are conducted by the Inspector associated with the work performed. The Board of Health Agent, Wiring Inspector, Plumbing Inspector, Fire Department and the Building Inspector are the primary inspectors for most permits.

It is anticipated that the volume of work in Inspectional Services will increase dramatically in FY2011 as both the Emerald Place (240 unit) and Tri-Town Landing (204 unit) projects will be well underway. The total recommending spending for this category is \$182,261, which represents an increase of \$22,679 or 14.21%.

The following chart shows Other Protection spending over a 5- Year Period.



Public Works

The category of Public Works encompasses the Departments of Highway, Vehicle Maintenance, Traffic & Signs, Public Buildings & Grounds, Cemetery and Parks. The Departmental objectives include:

- Establish a management presence to permit and review construction projects in concert with other boards and commissions and to coordinate and monitor construction activity.
- Establish a better record keeping of plans and as-builts for all department activities.
- Increase training to enhance the safety and abilities of all department employees.
- Develop an inventory of town assets under the umbrella of the department and prioritize needed improvements to improve efficiency and effectiveness.
- Increase computer usage in all division for budgeting, cost accounting and planning.
- Continue to coordinate administrative directives with the activities of all public service departments and organization with the department to improve service levels.

The Highway Division provides for the maintenance of 200 lane miles of paved roadways, repairing potholes, patching, and overseeing large subcontracted paving operations. Associated with roadway maintenance are street signs, traffic line painting, shoulder reconstruction, and street sweeping. Highway staff manages and supports the storm water system installing and/ or rehabbing drainage, systems and structures and the cleaning of over 1500 catch basins. The department has taken the lead in the successful compliance with EPA and DEP mandated regulations for Storm Water Management.

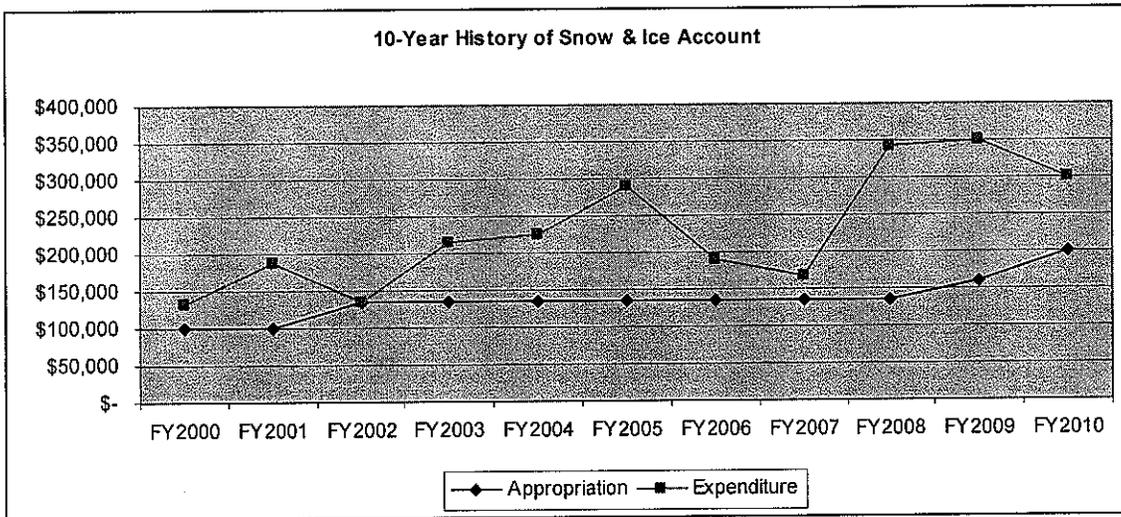
The Public Buildings & Grounds Division is responsible for the maintenance and upkeep of the following municipal facilities: DPW Garage, Park Building, Cemetery Building, Ritter Building, Old Primary School, Public Safety Complex, Town Hall, Eagle House,

Library, Teen Center, Jones House, as well as the Town Common, Town Beach and all athletic fields and playgrounds excluding School properties. The division is managed by a Facilities Director, with the assistance of a janitor responsible for Town Hall, Eagle House and the DPW Garage and contract janitorial services for all other buildings. The HVAC systems at the Library, Public Safety Complex and Town Hall are maintained by a contract service. The age of many of the buildings being maintained creates a tremendous amount of work.

Both the Parks and Cemetery Divisions are staffed with one- (1) person each. Each division, though a part of the entire department, is overseen by a Board of Commissioners.

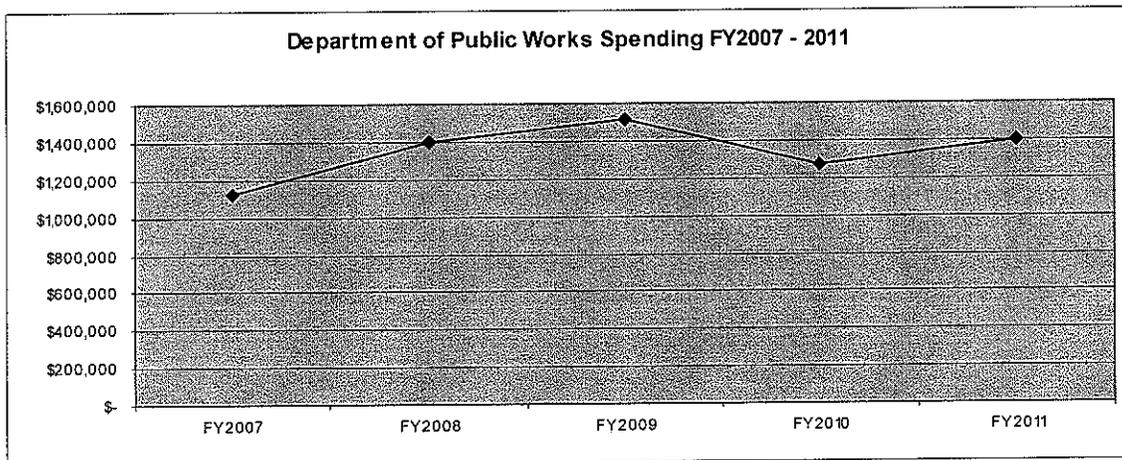
Total spending for the Department of Public Works is recommended at \$1,397,562, which represents an increase of \$126,746, or a 9.97% over the current fiscal year. \$92,500 of this increase will go to the Snow & Ice Account, which continues to be under-funded.

The chart below shows the 10-year history of the Snow & Ice Account. The average expenditure over 10 years is \$223,672, while the average expenditure over 5 years is \$268,230. One major contributor to the increase in expenditure is the large increase in Salt- 44%- in the past 5 years, and Sand- 25%- in the past 5 years. Additionally, the Town only began purchasing Sand in FY2007.



The Department of Public Works was hit hard when the FY2010 Budget was adopted and subsequently revised. One position was lost and severe cuts were made in supplies, most notably, in Road Maintenance Supplies. While I have not been able to restore funding for the vacant position, I have been able to restore Supplies funding.

The following chart shows Department of Public Works spending over a 5- Year Period.



Solid Waste

The Town currently operates a highly successful and award winning Pay As You Throw (PAYT) program. A total of 3,200 households out of a total of 3,800 currently participate. It is assumed that the remaining 600 households utilize a private service. All households in town are eligible to make use of the recycling component of the program.

In past years, the program has been funded by both an Operating Budget appropriation and a per bag fee. Due to fiscal constraints, the FY2008 appropriation came from the Enterprise Fund's Retained Earnings. The FY2009 the General Fund appropriation was set at \$80,000, which was believed to be the cost of the recycling component. A new contract was negotiated and it was estimated that the true cost of the recycling component is about \$100,000, therefore, the requested appropriation for FY2010 was been increased to \$100,000. Another review of available data was made and I brought a request to Special Town Meeting increase the General Fund appropriation in the current fiscal year to \$165,000, which represents half of the monthly cost of the program. Although that request was approved, there was a strong message sent that additional review of this program needs to take place. This review is currently underway, but is not completed. I have included a funding request of \$125,000, which I believe may more accurately reflect true costs.

Health & Sanitation

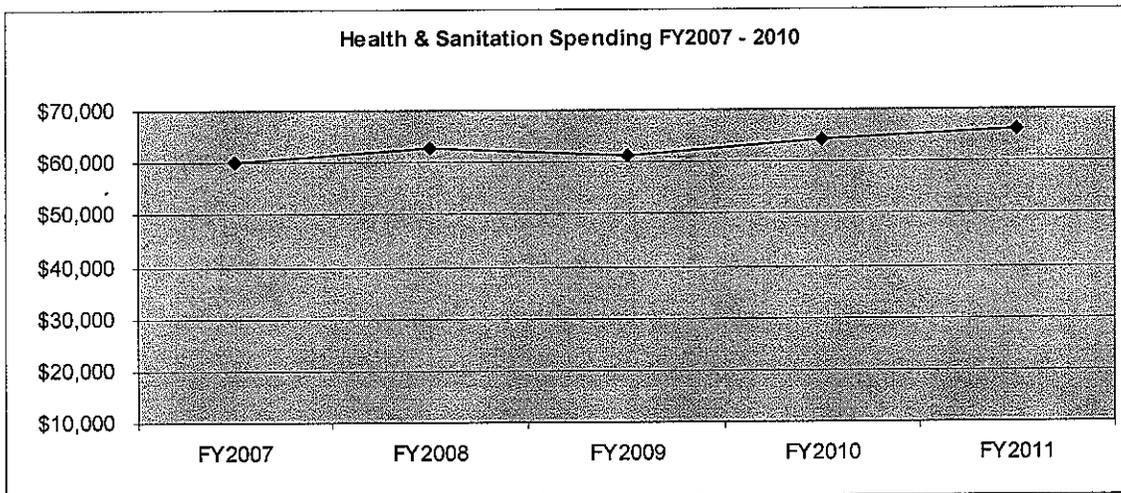
The Mission of the Board of Health is to develop and maintain innovative programs to safeguard and improve the general health of the citizens of the Town. Responsibilities include developing and promoting disease prevention and wellness programs as well as improving health education and environmental awareness. The Board of Health is also responsible for interpreting and enforcing the provisions of the State Public Health Code, State Sanitary Code, State and Local Environmental Codes. Services and duties of the department include:

- Setting up agendas, appointments and preparing necessary paperwork for meetings and hearings; preparing meeting minutes; follow up
- Handling nuisance complaints
- Water Quality testing; annual inspections; well testing; and IA system testing
- Housing Violations
- Reviewing plans and coordinating with other boards to make sure Board of Health interests are properly considered; drafting deed restrictions when necessary
- Animal Control Issues
- Emergency Preparedness Planning
- Providing community nursing through Nashoba Nursing

Departmental staff include one –(1) Administrative Assistant, contract Health Agent, and contract Nurse. The department is under the general direction of the Board of Health.

The total recommended spending for FY2011 is \$66,361, which represents an increase of \$2,188, or 3.41%.

The following chart shows Board of Health spending over a 5- Year Period.



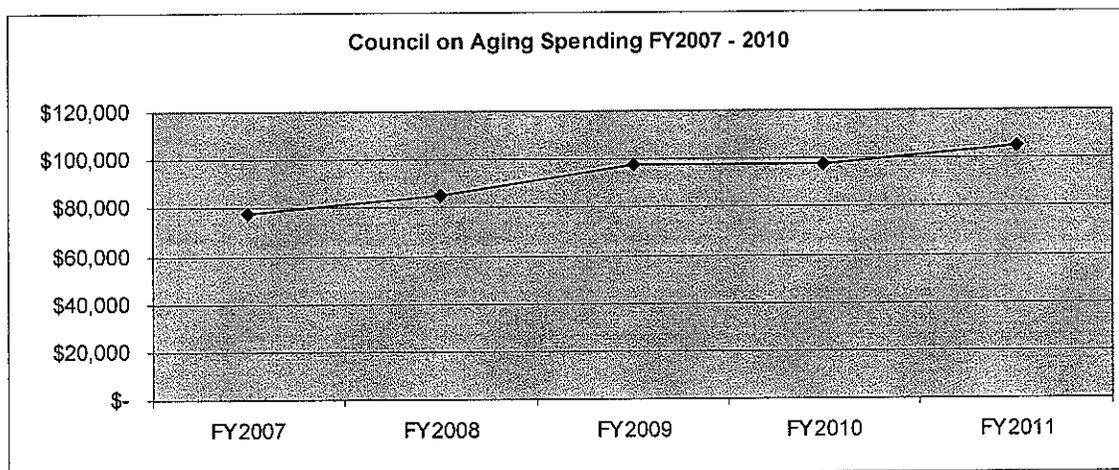
Council on Aging

The mission of the Lunenburg Council on Aging is to advocate for improved quality of life for all senior citizens through supportive services, programs and education. The Council on Aging was established under M.G.L. Chapter 40, Section 8B, in 1967 to include setting of local policy for the administration of elder programs and services and to develop, coordinate and conduct such activities which advocate for elders.

The Council on Aging operates the Senior Center through the Director, who plans and administers the budget, executes those programs, services and activities which enhance independence and improve quality of life. The Council on Aging is responsible for the oversight and upkeep of the Senior Center working in conjunction with other Town Departments.

It is also the mission of the Council on Aging to assist elders to remain in their homes and in their community for as long as possible. The Director, along with other staff members, supports elders and their families with referrals to proper agencies in order to find needed services.

Departmental Goals include: advocacy for the elder population; increased community visibility; preparing for changing needs of elders; collaborating with other Town Departments or groups to develop programs beneficial to elders; interacting with Lunenburg Public Schools to promote inter-generational opportunities; creating opportunities for older adults to explore new experiences and to foster their skills and abilities; and to develop a budget which adequately reflects the need for programs and services available.



The recommended level of spending in this category is \$105,076, which provides an increase of \$7,363, or 7.54%.

Veterans Administration

The mission of the Veterans Administration Office is to provide financial and medical aid assistance to needy veterans and/ or dependants in accordance with M.G.L. Chapter 115, CMR 108 and through the Commonwealth of Massachusetts' Department of Veterans Services. The state will reimburse the Town 75% of the expense of authorized assistance provided to veterans in Lunenburg. It is also the mission of the department to assist veterans who may not be eligible under Chapter 115 by working with them to get proper alternate sources of help through the U.S. Veterans Administration, Social Security or SSI.

The recommended level of spending for Veterans Administration for FY2011 is \$9,910, up \$2,500 from FY2010, due to a pending application for benefits.

Lunenburg Public Schools

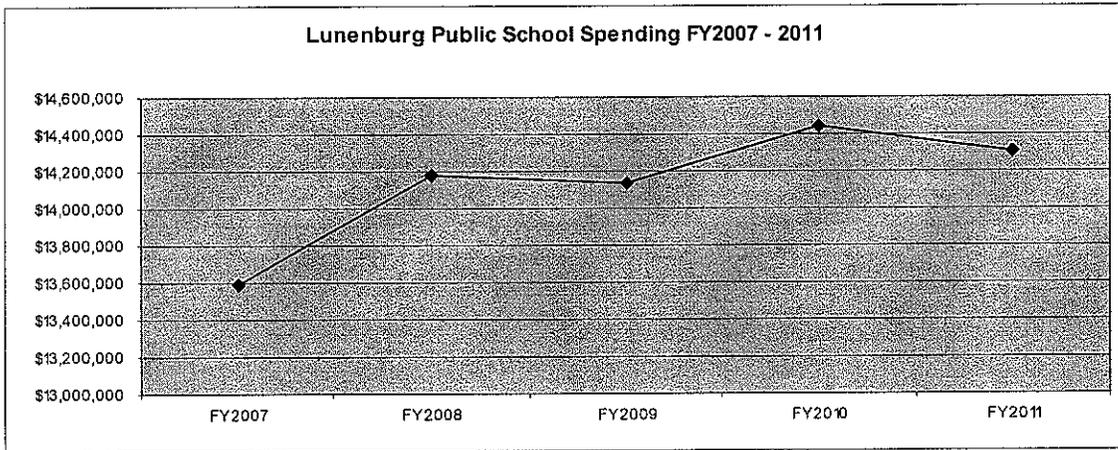
I am recommending an appropriation of \$14,300,867 for Lunenburg Public Schools for FY2011. This represents a 1% decrease over the current year appropriation of \$14,445,320, or a reduction of \$144,453.

Traditionally, the Town has provided a healthy appropriation to the Lunenburg Public Schools. A review of the last 5 fiscal years shows that the Town has provided funding in excess of Net Minimum Local Contribution of about 20% percent.

	Foundation Enrollment	Foundation Budget	Net Minimum Contribution	Amount Above Local Minimum	% Above Minimum
FY2011	1605	\$ 13,414,483	\$ 8,849,178		
FY2010	1622	\$ 13,779,998	\$ 9,022,501	\$ 2,027,524	22.47%
FY2009	1641	\$ 13,675,383	\$ 9,084,809	\$ 1,936,179	21.31%
FY2008	1665	\$ 13,121,501	\$ 8,885,020	\$ 1,703,945	19.18%
FY2007	1641	\$ 13,675,383	\$ 9,084,809	\$ 1,768,558	19.47%
FY2006	1663	\$ 11,716,392	\$ 8,601,526	\$ 1,666,004	19.37%

During this same time, Foundation Enrollment has decrease by 58 students, representing a decrease in total enrollment of 3.49%. Unfortunately, as a result of these difficult financial times, I believe it is necessary to shift some financial resources to other departments whose request for service has steadily increased.

Below is a chart showing Lunenburg Public School’s spending over the last 5 years.



Monty Tech Assessment

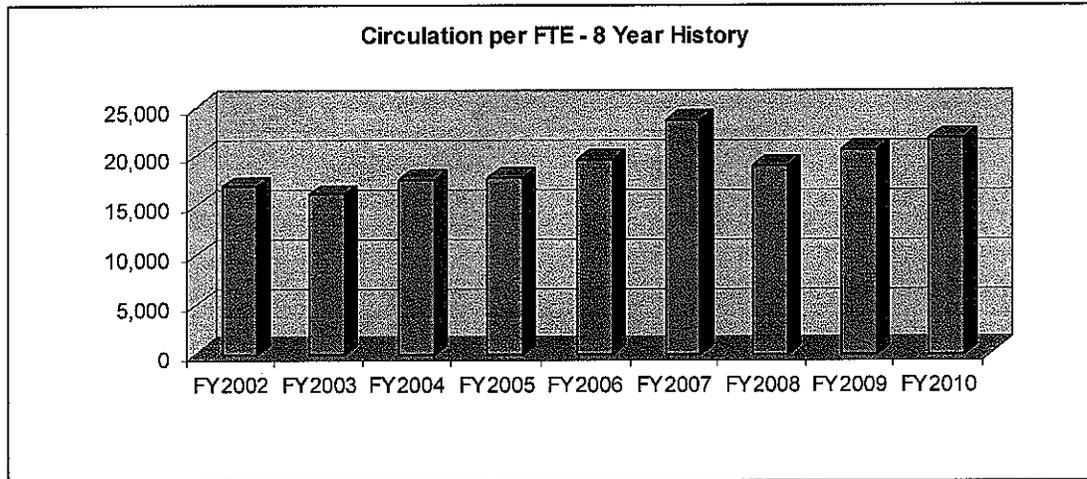
At the present time, the Town’s has been provided an estimated assessment to the Montachusett Regional Technical School. This assessment will become the final assessment once the School Committee has taken its vote, currently scheduled for March 2010. The minimum contribution is based upon actual enrollment from the 2009 – 10 School Year, which has increased by one- (1) student. This assessment is based upon a Level Funded Budget for Monty Tech. The estimated assessment for FY2011 is \$636,020, a slight decrease over FY2010.

Library

Lunenburg Public Library is an inspiring destination providing all who enter literature, popular materials, educational resources and current technology in a welcoming, accessible environment. Our mission is to continue to provide access to information people can

use in their daily lives. The Library, which is a very popular destination for all ages, becomes even more popular during difficult economic times. People turn more toward the Library's resources-traditional books, audio books, magazines, newspapers, music dvd's, movies, etc.- when their own resources won't allow the purchase of the same.

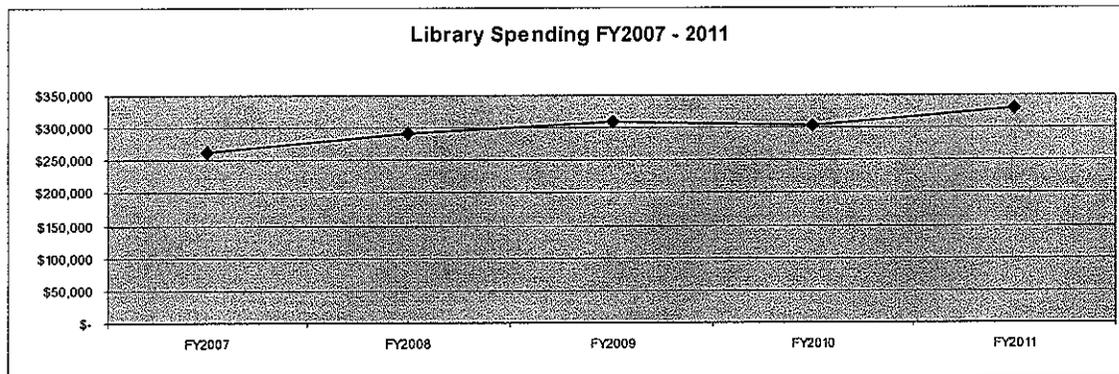
Below is a graph showing circulation per Full-Time Equivalent position. Total circulation for FY2010 is estimated based upon actual data through December 31, 2009. During this time, circulation has increased 29%



Massachusetts Board of Library Commissioners
 Data Comparison
 Based on Data Reported in July 2007
 Population Group (10,000-14,999)

Town	2006 Pop	Avg. Weekly Hours Open	Full Time Employee Equivalent	Total Hours Open/ FTE	Weekly Visits/ FTE	Circulation/ FTE
Lunenburg	10,010	44.0	5.1*	8.6	388.9	21,456
Athol	11,661	41.7	9.2	4.7		14,743
Clinton	14,163	40.6	6.6	6.9	261.6	22,138
Groton	10,585	41.6	13.7	3.2	122.8	18,538
Northborough	14,681	56.3	13.7	4.3	63.3	12,445
Oxford	13,712	48.2	11.0	4.8		11,707
Pepperell	11,412	42.8	7.4	6.0		18,870

The following chart shows Library spending over a 5- Year Period.



The recommended level of spending for the Library for FY2011 is \$329,791, which represents an increase of \$26,692, or 8.81% over current year spending. However, it is important to note that the original appropriation for the Library for FY2010 was \$330,201. Funding for the Library was reduced at the December 2009 Special Town Meeting due to budget constraints. The reduced level of spending fell below the Required Minimum Spending, putting the Town in jeopardy of losing State Aid. However, the State did provide a "waiver" of this requirement. Spending levels for FY2011 have been increased to the minimum level so that State Aid will not be in jeopardy.

Debt Service

Debt financing is the primary means of financing large capital projects in Lunenburg. The use of debt allows the Town to afford the construction of large scale capital assets in a systematic and planned manner.

The mission of the Town as regards to debt management has several components.

- To achieve the best possible true interest cost associated with the debt.
- To maintain an amount of debt to be issued and retired each year that results in the impact on the tax rate that is fairly consistent year to year.
- To maintain the highest credit rating possible.
- To keep the average weighted maturities of outstanding debt as low as possible so as to hold down the amount of debt service that is allocated to interest costs and to allow for the issuance of new debt as the need arises.

This budget provides for the repayment of principal and interest on the Town's long-term General Fund debt. The Town issues debt pursuant to votes of Town Meeting to provide funding for major projects, in accordance with Massachusetts General Law, Chapter 44, Sections 7 and 8. The maximum amount of debt for each project is authorized by Town Meeting, and then the Town Treasurer issues the bond after working with the Town Manager and the Town's Financial Advisor to design and structure the bond, and with the approval of the board of Selectmen.

The General Debt Limit of a city or town consists of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is five-(5) percent of the valuation of taxable property as last equalized by the State Department of Revenue. According to the most recent statistics, the Town of Lunenburg's EQV for 2006 was \$1,344,943,200. The Normal Debt Limit (of 5% EQV) is therefore, \$67,247,160. As of June 30, 2009, the Town's permanent outstanding debt was \$30,332,488.

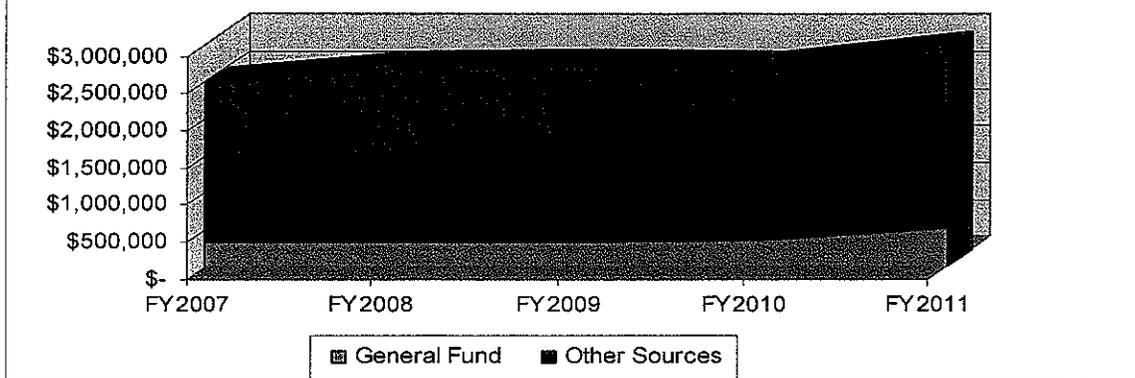
A city or town can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Municipal Oversight Board, which is composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts.

There are many categories of General Obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes, grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, solid waste disposal facility bonds, and economic development bonds supported by tax increment financing. As of June 30, 2009, the Town had \$3,430,828 in long-term bonds outside the debt limit for Landfill and Sewer Construction projects.

All debt obligations carry a bond rating. In FY2010, the Town's bond rating was increased two notches, from "A" to "AA-." This increase means that future bond issues will carry lower interest rates, saving the Town money.

Debt obligations are funded by a number of sources, including: Water and Sewer Betterments, Septic Receipts, and tax dollars, raised both within and outside of the Proposition 2 ½ limit. Below is a graph showing Debt Service Spending. The amount identified as General Fund, is the amount of debt service spending that is funded through tax dollars raised within Proposition 2 ½.

Debt Service Spending FY2007 - 2011



The total Debt Service Budget for FY2011 is \$2,936,226, of which, \$463,893 will come from the General Fund.

Unclassified

The Unclassified category is a catch all for costs associated for specials services or for costs at a unallocated elsewhere in the budget, the largest of which are employee benefits costs (for non-School employees), Liability Insurances and Reserve Funds.

The Town currently purchases Health Insurance for all active and retired employees through the Massachusetts Inter-local Insurance Association (MIIA). By purchasing insurance through this cooperative, we are able to receive the benefit of being a part of the largest municipal joint purchasing group. As a result of our membership in MIIA and due to the fact that we have had very favorable Claims Experience over the past several years, the Town has seen fairly low rate renewals, despite the fact that the medical inflation rate still hovers around 10% annually. Though we have yet to receive our FY2011 renewal, we have been advised by MIIA to plan for an increase of about 10%, as our Claims Experience in this most recent period has been far less favorable.

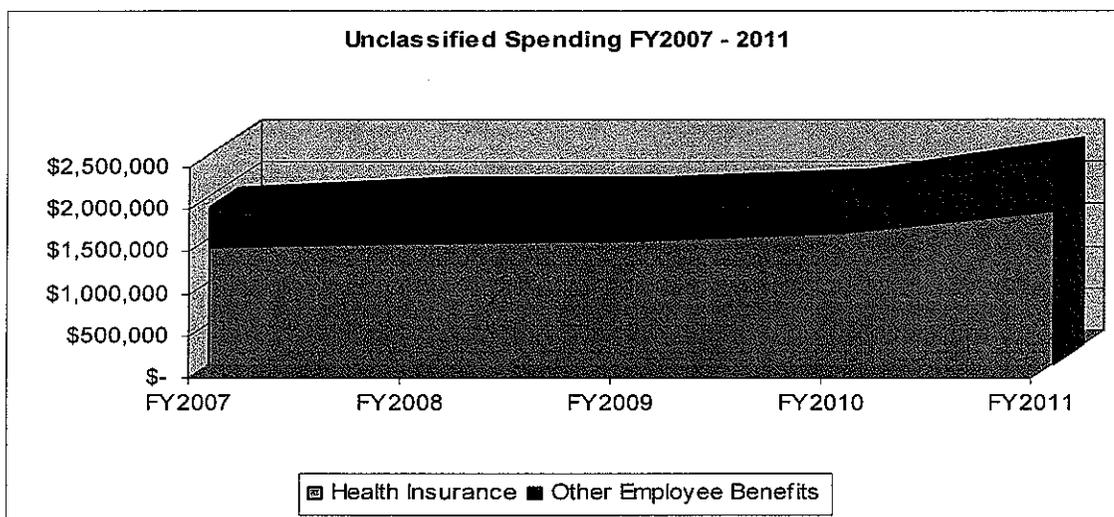
We are in the process of receiving quotes on both Worker’s Compensation and General Liability Insurances.

The General Reserve Account, or Finance Committee Reserve Account, has been funded at \$50,000.

An amount of \$30,000 has been included in a Salary Reserve account in anticipation of contract settlements.

The following chart shows Unclassified spending over a 5- Year Period

Unclassified Spending FY2007 - 2011



Retirement Assessment

The Worcester Regional Retirement System annually provides each member Town an assessment based upon anticipated retirement benefits to be paid out. The Town's FY2011 assessment has been certified at \$586,232, which represents an increase of \$58,095 or 11%. The assessment is due in two installments, July 1 and January 1. This final assessment amount reflects a discount of approximately 2%, or \$11,905, for early payment, 100% on July 1. The Town would have to earn just about 8% interest on these funds to make it worth our while to not take advantage of this option.

Non-Appropriated Expenditures

Cherry Sheet Charges & Underestimates are certain charges that are levied on the Town by State Law and are not subject to Town Meeting appropriation. The principal items are Mosquito Control District, MBTA Assessment and Regional Transit. Other charges are for the Air Pollution Control District (Ch. 111), Special Education (Ch. 71B), and the RMV Non-Renewal Surcharge (Ch.90; Ch. 60A).

Cherry Sheet Offsets are amounts that are included on the Budget Summary to now reflect only two state revenue programs that are to be spent without being part of the appropriated budget. These small grants programs are for the public library and the school lunch program. We show these as "offsets" in the Non-Appropriated Expenditures category because the revenue for them is included in the total Cherry Sheet Revenues, and must be used for direct expenditures to support the grant program.

Cherry Sheet Assessments are for tuition payments for Lunenburg students attending school outside of the district, either at a public school in another town or at a charter school.

Conclusion

At this time, and based upon the information currently available, I believe this to be the fairest, most equitable distribution of funding for FY2011. This proposal is fully funds all contractual obligations and is in no way reliant on speculative State Aid. A great effort was made to carefully review and analyze every line item and in doing so, savings and efficiencies were achieved. Attempts were also made to be creative and to think outside of the box, which in one instance will result in a savings of \$11,905, merely by paying our Retirement Assessment early.

I would like to take this opportunity to thank each and every department head who has patiently worked with me throughout this process. It's been a difficult few months and many questions were asked, but in the end, I believe we have prepared a reasonable and fair budget given the current climate.

/kas

At A Glance Report for Lunenburg

Socioeconomic

County	Worcester
School Structure	K-12
Form of Government	Chief Administrative & Financial Officer Selectmen Open Town Meeting
2008 Population	9,946
2009 Labor Force	5,300
2009 Unemployment Rate	8.7
1999 Per Capita Income	26,986
2008 Population Per Square Mile	376.46
2007 Housing Units Per Square Mile	138.83
2008 Road Miles	93.69
EQV Per Capita (2008 EQV/2008 Population)	145,425
Number of Registered Vehicles (January 2008)	12,029
Average Age of Vehicles (January 2008)	10.12
2008 Number of Registered Voters	7,253

Certification

Most Recent	2009
Next Scheduled	2012

Bond Ratings

Moody's Bond Rating as of July 2009*	A2
S & P Bond Rating as of August 2009*	AA-

*Blank indicates the community has not been rated by the bond agency.

Fiscal Year 2010 Estimated Cherry Sheet Aid

Education Aid	4,947,303
General Government	1,068,205
Total Receipts	6,015,508
Total Assessments	703,409
Net State Aid	5,312,099

At A Glance Report for Lunenburg

Fiscal Year 2010 Tax Classification

Tax Classification	Assessed Values	Tax Levy	Tax Rate
Residential	1,110,439,200	15,768,237	14.20
Open Space	0	0	0.00
Commercial	71,405,100	1,013,952	14.20
Industrial	22,444,600	318,713	14.20
Personal Property	22,985,504	326,394	14.20
Total	1,227,274,404	17,427,296	

Fiscal Year 2010 Revenues by Source

Revenue Source		Percent of Total
Tax Levy	17,427,297	62.07
State Aid	6,514,607	23.20
Local Receipts	3,798,251	13.53
Other Available	337,832	1.20
Total	28,077,987	

Fiscal Year 2010 Proposition 2½ Levy Capacity

New Growth	130,170
Override	0
Debt Exclusion	1,015,287
Levy Limit	17,433,697
Excess Capacity	6,401
Ceiling	30,681,860
Override Capacity	14,263,450

Other Available Funds

7/1/2009 Free Cash	FY2008 Stabilization Fund	FY2010 Overlay Reserve
-290,417	1,584,505	141,583

At A Glance Report for Lunenburg

Fiscal Year 2010 Average Single Family Tax Bill**

Number of Single Family Parcels	3,418
Assessed Value of Single Family	281,062
Average Single Family Tax Bill	3,991

State Average Single Family Tax Bill

Fiscal Year 2007	3,962
Fiscal Year 2008	4,110
Fiscal Year 2009	4,250

Lunenburg issues property tax bills Quarterly.

**For the communities granting residential exemptions, DLS does not collect enough information to calculate an average single-family tax bill. In FY09 those communities are Barnstable, Boston, Brookline, Cambridge, Chelsea, Everett, Malden, Marlborough, Nantucket, Somerville, Somerset, Tisbury, Waltham and Watertown. Therefore, the average single-family tax bill information in this report will be blank.

Fiscal Year 2008 Schedule A – Actual Revenues and Expenditures

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
Revenues	24,636,727	5,250,129	119,400	565,812	95,743	30,667,811
Expenditures	25,754,091	4,515,380	1,994,528	784,825	68,327	33,117,151
Police	1,255,467	0	0	0	0	1,255,467
Fire	640,565	0	0	0	0	640,565
Education	14,716,120	3,143,541	91,485	0	0	17,951,146
Public Works	1,058,042	587,555	280,727	311,458	0	2,237,782
General Fund Debt Service	2,665,671					2,665,671
Health Ins	1,456,620					1,456,620
Pension	438,971					438,971
All Other	3,522,635	784,284	1,622,316	473,367	68,327	6,470,929

This data only represents the revenues and expenditures occurring in these funds and does not reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

Total Revenues and Expenditures Per Capita

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
Revenues	2,477.0	527.9	12.0	56.9	9.6	3,083.4
Expenditures	2,589.4	454.0	200.5	78.9	6.9	3,329.7

If you have questions regarding the data contained in this report, please contact the Municipal Databank/Local Aid Section at (617) 626-2384 or databank@dor.state.ma.us.

ESTIMATED IMPACT OF TOWN MEETING SPENDING ON YOUR FISCAL TAX BILL

	Average											
Fiscal Values	100,000	150,000	200,000	250,000	300,000	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000
Fiscal Taxes	1,430	2,145	2,860	3,575	4,290	5,720	7,150	8,580	10,010	11,440	12,870	14,300
Fiscal 2010 Taxes EST.	1,282	1,922	2,563	3,204	3,845	5,126	6,408	7,690	8,971	10,253	11,534	12,816
Fiscal 2010 Base EST.	1,204	1,806	2,408	3,010	3,612	4,816	6,021	7,225	8,429	9,633	10,837	12,041
FY2010 Debt Exemption	77	116	155	194	232	310	387	465	542	620	697	775

Article Amount	To calculate the dollar impact of any additional expenditures that may be considered by Town Meeting, use this chart below.											
	100,000	150,000	200,000	250,000	300,000	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000
10,000	0.76	1.13	1.51	1.89	2.27	3.02	3.78	4.54	5.29	6.05	6.80	7.56
25,000	1.89	2.84	3.78	4.73	5.67	7.56	9.45	11.34	13.23	15.12	17.01	18.90
50,000	3.78	5.67	7.56	9.45	11.34	15.12	18.90	22.68	26.46	30.24	34.02	37.80
75,000	5.67	8.51	11.34	14.18	17.01	22.68	28.35	34.02	39.69	45.36	51.03	56.70
100,000	7.56	11.34	15.12	18.90	22.68	30.24	37.80	45.36	52.92	60.48	68.04	75.60
150,000	11.34	17.01	22.68	28.35	34.02	45.36	56.70	68.04	79.38	90.73	102.07	113.41
200,000	15.12	22.68	30.24	37.80	45.36	60.48	75.60	90.73	105.85	120.97	136.09	151.21
250,000	18.90	28.35	37.80	47.25	56.70	75.60	94.51	113.41	132.31	151.21	170.11	189.01
300,000	22.68	34.02	45.36	56.70	68.04	90.73	113.41	136.09	158.77	181.45	204.13	226.81
350,000	26.46	39.69	52.92	66.15	79.38	105.85	132.31	158.77	185.23	211.69	238.15	264.62
400,000	30.24	45.36	60.48	75.60	90.73	120.97	151.21	181.45	211.69	241.93	272.18	302.42
450,000	34.02	51.03	68.04	85.06	102.07	136.09	170.11	204.13	238.15	272.18	306.20	340.22
500,000	37.80	56.70	75.60	94.51	113.41	151.21	189.01	226.81	264.62	302.42	340.22	378.02
550,000	41.58	62.37	83.16	103.96	124.75	166.33	207.91	249.49	291.08	332.66	374.24	415.82
600,000	45.36	68.04	90.73	113.41	136.09	181.45	226.81	272.18	317.54	362.90	408.26	453.63
700,000	52.92	79.38	105.85	132.31	158.77	211.69	264.62	317.54	370.46	423.39	476.31	529.23
750,000	56.70	85.06	113.41	141.76	170.11	226.81	283.52	340.22	396.92	453.63	510.33	567.03
800,000	60.48	90.73	120.97	151.21	181.45	241.93	302.42	362.90	423.39	483.87	544.35	604.84
900,000	68.04	102.07	136.09	170.11	204.13	272.18	340.22	408.26	476.31	544.35	612.40	680.44
1,000,000	75.60	113.41	151.21	189.01	226.81	302.42	378.02	453.63	529.23	604.84	680.44	756.05

Preliminary Analysis: The Governor's FY 2011 Budget

INTRODUCTION

The Governor's budget proposal (House 2) continues budget cuts from the prior two years and recommends further cuts in several areas. It also generates revenue by reducing three business tax breaks and by extending sales taxes to cover soda, candy, cigars and smokeless tobacco. In addition it relies on continued significant federal assistance and on other temporary revenues including a modest withdrawal from the state stabilization fund. This *MassBudget* Preliminary Analysis describes some of the major cuts and other initiatives used to balance the budget.

If the federal government fails to provide additional state fiscal relief it would force Massachusetts and other states to implement significantly larger budget cuts and tax increases. It has been estimated that if the federal government fails to provide needed state fiscal relief and states are forced to close their entire budget gaps with spending cuts and tax increases, that could cause the loss of 900,000 jobs nationally¹ -- at exactly the time when job creation is particularly needed. For that reason legislation approved by the US House and pending in the Senate would extend federal assistance to the states to protect jobs by reducing state budget cuts.

MassBudget will publish a complete Budget Monitor late next week. In the following pages we provide a preliminary analysis of some of the more significant funding choices in each section of the budget.

EDUCATION

The House 2 budget recommends \$6.62 billion for education funding. This includes early education and care, elementary and secondary education, and state and community colleges.

Early Education & Care

The Governor's budget calls for consolidation of child care financial assistance, creating one line item which funds child care for children referred by the Department of Children and Families, families served by or transitioning from Transitional Aid for Families with Dependent Children and income-eligible families. The Governor's budget includes a \$4.8 million reduction in child care financial

¹ See <http://www.cbpp.org/cms/index.cfm?fa=view&id=2988>

assistance when compared to current FY 2010 budget levels. Since this program received \$11.6 million in FY 2010 9C cuts, the Governor's proposal represents a total reduction of \$16.4 million for child care access when compared to the FY 2010 GAA.

Elementary & Secondary

- The Governor proposes \$135 million for the Special Education Circuit Breaker program which is a \$5.1 million reduction from the FY 2010 GAA but an increase of \$1.9 million over the amount the state expects to spend in FY 2010.
- Many of the state programs that support elementary and secondary education are level-funded including MCAS remediation, support for struggling schools, extended learning time grants and transportation costs for regional school districts.
- The Governor's budget proposes providing \$250,000 for a commission to study the Chapter 70 funding formula.

Chapter 70

- Unrestricted aid that cities and towns receive to support their schools is essentially level funded in FY 2011, totaling \$4.084 billion (there is a slight increase of \$10.8 million). In FY2010 this was made up of both state Chapter 70 aid and federal recovery act funds.
- While the total amount is relatively stable, there is a significant increase in state funds to make up for declining federal recovery funds. This budget recommends that federal recovery funds that had been used in FY 2010 (\$172 million) to support Chapter 70 aid be replaced by General Fund dollars.
- The Chapter 70 aid formula includes a calculation to keep every district at its foundation budget (the amount the state estimates is needed to educate children within each district). These foundation budgets, however, were artificially low for FY 2010 because the state did not fully adjust for inflation. Because foundation budgets are calculated based on funding in the previous year, in FY 2011 they continue to remain artificially low.

Higher Education

- Funding for public colleges and universities will be maintained at FY2010 funding levels, totaling \$969 million, which includes both state funds and federal recovery act funds.
- In FY2011, American Recovery and Reinvestment Act funding for Higher Education will be reduced by \$134 million. To make up for this decline and maintain level funding, this budget recommends using \$134 million in new General Fund dollars in addition to \$96 million in remaining ARRA funds.

ENVIRONMENT & RECREATION

The Governor's budget proposes reducing funding for environmental programs by 7 percent from the amount the state expects to spend in FY 2010. The most significant cuts come from the Department of Conservation and Recreation and the Department of Environmental Protection (DEP).

- The budget proposes reducing funding for state beaches to \$12.4 million, a reduction of \$620,000 from the FY 2010 GAA and a reduction of \$550,000 from current spending.
- The Governor proposes that state parks receive \$41.6 million, a \$5 million cut from the FY 2010 GAA and a \$3.3 million reduction from current spending.
- The Governor proposes funding cuts for DEP that are \$7 million below the FY 2010 GAA and a \$4.7 million reduction from current spending. In his budget, the Governor proposes reducing funding for hazardous waste site clean up by \$1.5 million from the FY 2010 GAA. The budget also proposes a cut of \$1.4 million from DEP's administrative account.
- The Governor's budget proposes that the regional food banks administered by the Department of Agriculture receive \$11.5 million, which is \$500,000 less than the FY 2010 GAA but in line with the \$11.5 million in current spending for this program.
- Mirroring his proposal from last year, the Governor proposes expanding the bottle bill, which would raise \$20 million. His FY 2011 budget proposes allocating \$5 million of the funds raised through this expansion to support the state's recycling and solid waste management programs within the Executive Office of Energy and Environmental Affairs.

HEALTH CARE

The Governor, in his budget recommendation, does not reduce eligibility for many of the Commonwealth's health care programs, and this is one of the few budgetary categories in which total funding is above FY 2010 budget levels. There are, however, reductions in funding for public health and mental health programs.

Highlights of the Governor's health care recommendations include:

- Funding for MassHealth (Medicaid) and health reform programs that is approximately 9 percent above current FY 2010 budgeted totals. The administration expects that MassHealth enrollment will increase by 3 percent during FY 2011. One of the largest programmatic increases is due to the ramping up to full implementation of the Children's Behavioral Health Initiative, which is funding for children's mental health services as mandated by what is known as the Rosie D. Settlement.

- Spending reductions of \$265 million, based on a reduction of \$174 million in provider reimbursement rates, \$23 million in administrative changes to “tighten and strengthen” operations, and changes in service. Because MassHealth is partially funded by federal reimbursements, reductions in MassHealth spending would lead to reductions in federal reimbursements. The fiscal impact of these \$265 million in savings would be anywhere from \$132 million to \$161 million in savings, depending upon the federal reimbursement rate.
- Elimination of restorative dental services for the more than 200,000 adults who currently receive coverage for dental care under MassHealth. This change will not affect approximately 4,300 disabled adults who are clients of the Department of Developmental Services (DDS). It is unclear whether this language is intended to exclude restorative dental services for any new DDS clients.
- Increases in co-payments for generic prescription medications from \$2 to \$3 (except on drugs to treat diabetes, hypertension, and high cholesterol) for MassHealth members.
- Maintaining eligibility for the Commonwealth Care program, including the special Commonwealth Care Bridge program for legal immigrants who do not meet the eligibility requirements for either MassHealth or Commonwealth Care. The budget includes a transfer of \$797 million into the Commonwealth Care Trust Fund. Coupled with existing funds remaining in that Trust, and designated revenue from a cigarette tax, the Governor anticipates that his budget will support an enrollment increase of approximately 20,000 additional people in Commonwealth Care and 26,000 current enrollees in the Commonwealth Care Bridge Program.
- Recommendations to coordinate public health programs, by creating new consolidated line items. Compared to current FY 2010 budgeted levels and accounting for these consolidations, addiction control services (substance abuse services and gambling) are cut by 5 percent, children’s health (newborn programs, early intervention, the Women, Infants and Children (WIC) Supplemental Food Program, and pediatric palliative care) are level funded, health care safety and quality (10 line items) is cut by 5 percent, and health promotion, violence prevention and workforce development (12 line items) is cut by 1 percent.
- Cuts to mental health funding of approximately 2 percent.

HUMAN SERVICES

The Governor’s FY 2011 budget proposes a \$35.4 million reduction to human services when compared to the FY 2010 General Appropriations Act (GAA). Human services include services for children and families, transitional assistance for low income families, services to the adults with developmental disabilities and other services.

- The Governor recommends a reduction in funding for the Employment Services Program (ESP) by \$8 million compared to FY 2010 current budget levels. Since ESP received \$2 million in FY 2010 9C cuts, the Governor's budget proposal represents a total reduction of \$10 million, or 44 percent, relative to the FY 2010 GAA. The Governor's administration estimates that this may reduce employment assistance slots by 5,000.
- To address anticipated increases in demand, the Governor's budget proposes \$11.1 million, or 4 percent, increase to TAFDC grant payments over the FY 2010 GAA.
- The Governor reduces funding for the Department of Children and Families by \$23.8 million, or 3 percent, relative to the FY 2010 GAA. The Governor's budget also reorganizes the line item structure of the department, in an effort to streamline functions.
- The Governor recommends level funding for elder services, which means that the existing waiting list for community-based long-term care services will likely continue.

INFRASTRUCTURE, HOUSING & ECONOMIC DEVELOPMENT

The Governor proposes \$1.521 billion for Infrastructure, Housing and Economic Development programs. The largest proposed cuts come from economic development programs. In contrast, many of the housing programs, with the exception of Residential Assistance to Families in Transition, received level-funding or increases in their appropriations because of growing demand for many housing and homelessness services.

Highlights of the Governor's recommendations include:

- Under the Governor's proposal, funding for homeless families will receive cuts. The budget virtually eliminates the Residential Assistance for Families in Transition, providing \$60,000 for FY 2011. RAFT received \$3 million in FY 2010 GAA, but most of the funding was transferred to the Massachusetts Rental Voucher Program. In his FY 2011 budget, the Governor proposes that the family shelters receive a \$22 million increase in funding over the FY 2010 GAA. The Governor's proposal, however, is \$20 million less than the \$133.5 million that the state expects to spend because of increased demand for these services in FY 2010.
- The Governor proposes increasing funding for homeless assistance to individuals by over \$1 million and recommends that the Home and Healthy for Good program receives level funding at \$1.2 million.
- In an effort to help meet demands for affordable housing programs, quasi-public agencies have committed to supporting certain programs. Under the Governor's proposal,

MassHousing will provide \$8 million for the Massachusetts Rental Voucher Program. In addition, the Governor proposes \$32.7 million in state spending for MRVP in FY 2011.

- MassHousing Partnership has agreed to continue to support the Soft Second Loan Program at \$2 million; the Governor's budget does not include any proposed funding for this program.
- The largest reduction within economic development is in the Massachusetts Office of Travel & Tourism (\$4.2 million reduction).

LAW & PUBLIC SAFETY

The Governor's FY 2011 budget proposes a number of changes to law and public safety.

- The Governor proposes moving community correction programs from the Judiciary to the Executive Branch. His FY 2011 budget proposes consolidating the services currently provided by the Commissioner of Probation, the Office of Community Corrections and the Lemuel Shattuck Hospital into a newly-created Department of Community Supervision. This new Department receives \$146 million in the Governor's proposal which is \$1.7 million less than appropriations for these programs in the FY 2010 GAA and \$1.3 million less than the amount the state expects to spend in FY 2010.
- In the middle of FY 2010 seven sheriffs' departments (Barnstable, Bristol, Dukes, Nantucket, Norfolk, Plymouth and Suffolk) were transferred from their county governments to the state. FY 2011 is the first full year that the sheriffs' offices will be fully-funded in the state budget and the Governor proposes providing level-funding for each account. Of the sheriff departments that have been funded by the state prior to FY 2010, all but Worcester Sheriff's Department receive proposed cuts below the level provided in the FY 2010 GAA.
- The Governor's FY 2011 budget proposes to fund police training through an automobile insurance surcharge. The Governor's administration estimates that this surcharge will provide \$3.1 million for the Municipal Police Training Committee (MPTC), which will provide training to municipal officers and support recruitment, and \$3.2 million for an annual state police class, which will provide classes for new troopers and stabilize state police staffing.
- The Governor's budget proposes to maintain cuts to youth violence prevention grants, or Shannon Grants, implemented during the FY 2010 9C cut process. This would represent a \$2 million, or 30 percent, cut to this program when compared to the FY 2010 GAA.

LOCAL AID

The state provides cities and towns aid to fund their municipal budgets. Local Aid is essentially level funded in the governor's proposal at \$964.7 million.

OTHER**Debt Service**

The Governor recommends refinancing in order to reduce debt service to \$1.86 billion, which is 5.5 percent lower than FY 2010 debt service. This does not include contract assistance obligations. The option to refinance again will be made available if additional cost-savings are necessary after the October revenue estimate review.

Libraries

The Governor's budget proposes reducing funding to cities and towns for their libraries to \$8.9 million which is \$3.6 million below the FY 2010 GAA and \$3.5 million less than what the state expects to spend in FY 2010.

Pensions

The Governor's budget includes a transfer of \$1.44 billion into the trust fund that supports the state's pension system. Separate from this budget document, the Governor has proposed significant pension reforms that he anticipates would reduce pension costs over the long term.

REVENUE

The Joint Revenue Estimate adopted by the Governor, the House and the Senate estimates that FY 2011 tax revenues will total approximately \$19.05 billion, 3.2 percent above the December 2009 estimated FY 2010 tax revenue total of \$18.46 billion. The budget does not propose broad-based tax increases, but there are several important tax revenue initiatives. These include:

- \$75 million in savings for FY 2011 anticipated from capping total cost of the film tax credit at \$50 million a year for FY 2011 and FY 2012.
- \$5 million in savings anticipated from reducing FY 2011 life science credit awards.
- \$4.2 million in savings anticipated from repealing the aircraft sales tax exemption.
- \$51.7 million in savings anticipated from repealing the sales tax exemption for candy and soda. The savings from this would help pay for the state's public health programs.

- \$15 million anticipated savings from a repeal of the increased sales tax exemption on smokeless tobacco and cigars. The savings from this would be dedicated to the Commonwealth Care Trust Fund to help pay for the state's health reform initiatives.
- \$30.5 million anticipated from improvements in tax collection and child support collection at the Department of Revenue.

The Governor's budget also proposes several initiatives to bring in more non-tax revenues. These include:

- Expansion of the bottle bill to include non-carbonated drinks, such as water, juice and sport drinks. The Governor estimates this change would generate approximately \$20 million in revenue (\$5 million of which would be dedicated to recycling programs).
- Additional support for state oversight agencies, estimated to bring in approximately \$15 million in recoveries of program fraud or abuse.

The Governor also proposes using a variety of "one-time" revenues in order to balance the budget. These include:

- \$1.394 billion in federal recovery funds, including \$96 million in from what is referred to as the state fiscal stabilization fund, \$690 in enhanced Medicaid reimbursements (FMAP) in the first part of FY 2011, and the expectation that the federal government will extend enhanced FMAP reimbursements beyond December 2010, for a projected additional total of \$608 million.
- \$175 million withdrawal from the state's Stabilization Fund (the "rainy day" fund).
- \$160 million estimated in reimbursement from the federal government for payments to recipients of Social Security Disability Insurance (SSDI), who had been paid for by the Massachusetts Medicaid program, rather than the federal Medicare program.
- \$154 million from other initiatives, such as selling certain state lands (\$19 million), restructuring the state's debt (\$100 million), and transferring funds into the General Fund that are currently sitting in off-budget trust funds (\$35 million).