

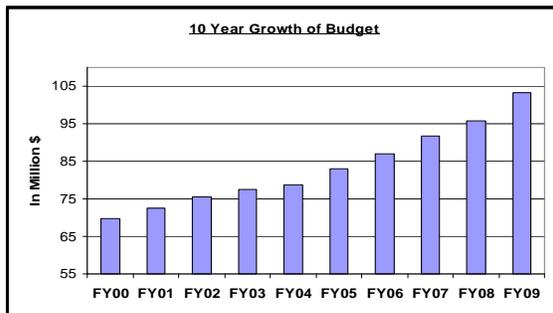
Executive Budget Financial Summary

City of Leominster

Introduction

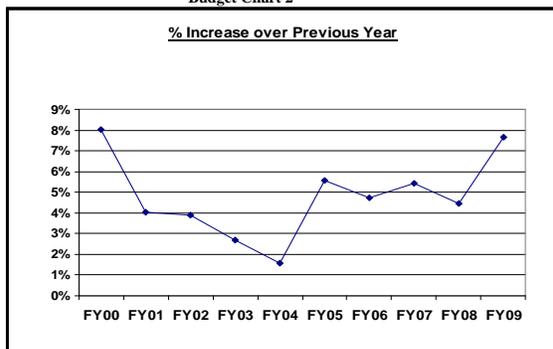
The Fiscal Year 2009 General Fund Budget total of \$103,225,829 represents a 7.78 % increase over the Fiscal Year 2008 Budget total of \$95,777,683.26.

Budget Chart 1



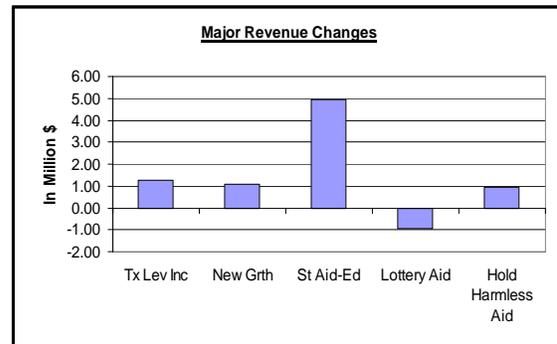
The 7.78 % budget increase was possible because of increased State Aid amounts along with Certified New Tax Growth and a Proposition 2 1/2 Tax Levy Increase.

Budget Chart 2



The major changes in revenue sources from FY08 to FY09 were a Proposition 2 1/2 tax increase (\$1,243,422), Certified New Tax Growth (\$1,076,529), State Aid-Education (\$4,951,357), State Aid-General Government (\$63,438) and Local Receipts (\$13,400).

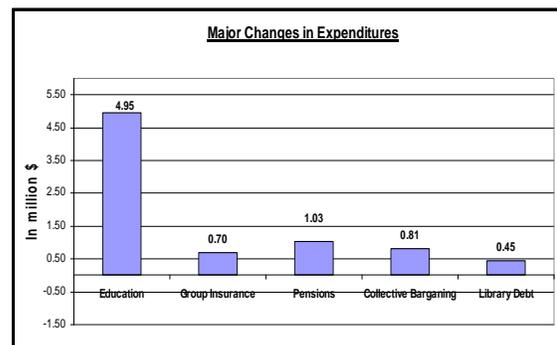
Budget Chart 3



The expenditure side of the FY09 Budget continues three new cost centers to the budget in addition to the existing major cost centers of group health insurance, pension contributions and salary increases.

The three new major cost centers are related to the new Government Account Standards Board (GASB) Statement Number 45 (Other Post Employment Benefit expenses [OPEB]), the Library Expansion/Renovation Project (both debt services and operating expense increases) and a Net School Spending newly imposed "dollar increment toward the target share penalty of 2% (\$392,172)" that is added to the local contribution municipal revenue growth factor increase annual requirement.

Budget Chart 4



Executive Budget

Summary continued

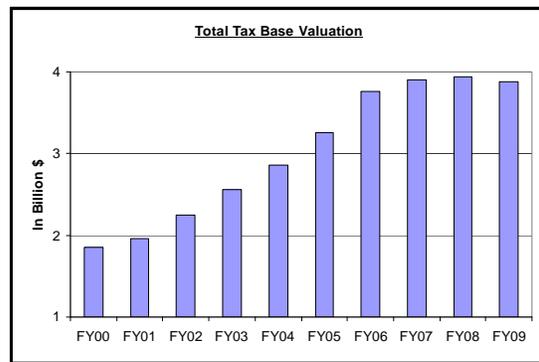
City of Leominster

The Net School Spending requirement for the City increased by \$5,984,707 in FY 2009. This is due to the \$4,870,942 increase in the Chapter 70 line item along with a total local required contribution increase of \$1,113,765. This local contribution increase is the total of the municipal revenue growth factor increase of \$721,593, a newly imposed 2% required target share increase of \$392,172. This is due to the fact that the City is more than 10.26% under its overall target amount under the newly implemented legislative Chapter 70 aid formula.

Several other areas of the budget such as miscellaneous insurances, trash pick-up and removal, utility costs and other operating expenses continue to put significant cost pressure on the expense budget.

The Total Assessed Valuation for the City has reached \$3,881,011,364 for Fiscal Year 2009. This represents a 130.0 % increase over the Fiscal Year 1999 Total Assessed Valuation of \$1,687,421,419.

Budget Chart 6

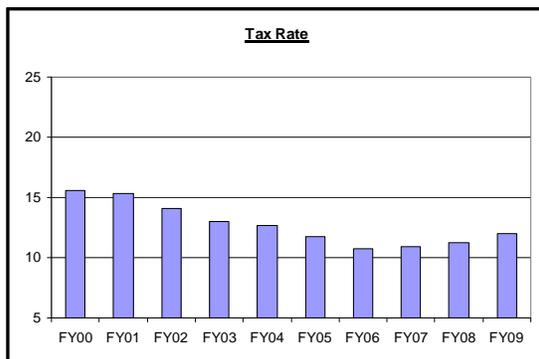


Tax Base Information

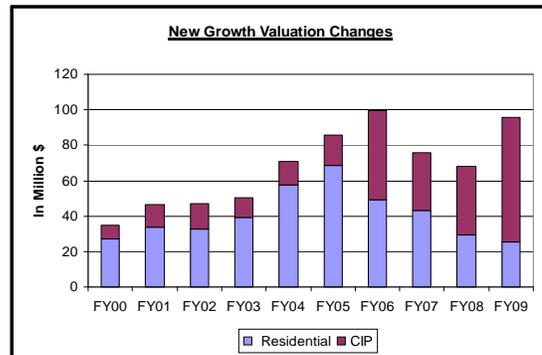
The Total Assessed Valuation of the City has decreased. This had led to the tax rate rising for the third year in a row. The tax levy has only increased by 2.5% in FY 2009 once again. (\$10.88 in FY07, \$10.25 in FY08 & 12.03 in FY09).

The \$2,193,589,945 increase in valuation during the past 10 year period includes Certified New Growth valuations of \$674,322,502 which resulted in growth in the tax levy equal to \$8,570,342 (unadjusted for future tax levy increases).

Budget Chart 5



Budget Chart 7



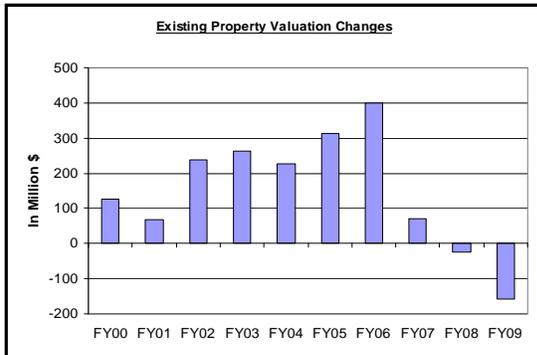
Executive Budget

Summary Continued

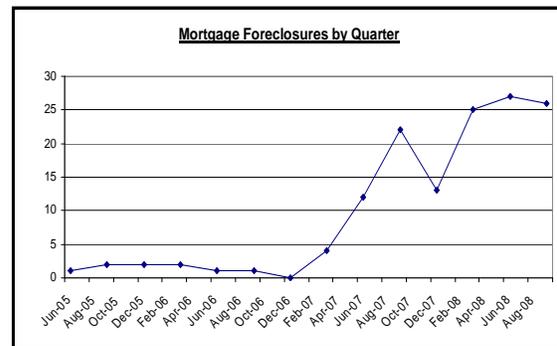
City of Leominster

Existing property valuation net changes amounted to a decrease of \$158,557,036 during FY 2009.

Budget Chart 8

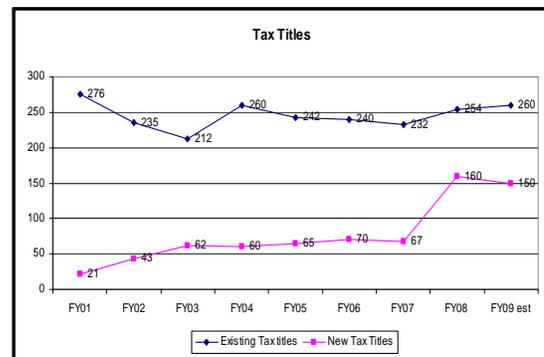


Budget Chart 9



This is the first significant decrease in valuation changes of existing properties since FY98. Property values for residential properties continue to decline during calendar year 2008 sales which will be reflected in FY 2010 real estate values. Foreclosures of property in Leominster began to increase significantly in August 2007. The impact upon collection rates will be closely monitored. A number of these properties had adjustable rate mortgages which were initiated on originally favorable terms, but are being adjusted to current market rate terms not as favorable.

Budget Chart 10



The City has also seen an increase in the number of new tax titles for FY 2008 which were advertised in November of 2008 (FY09). The number of new tax titles decreased to 150 from 160 in FY 2008.

Executive Budget

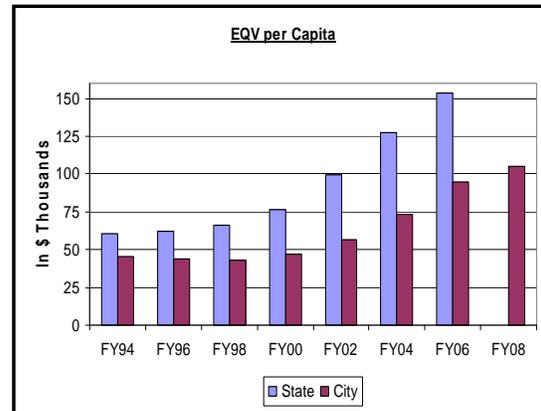
Summary Continued

City of Leominster

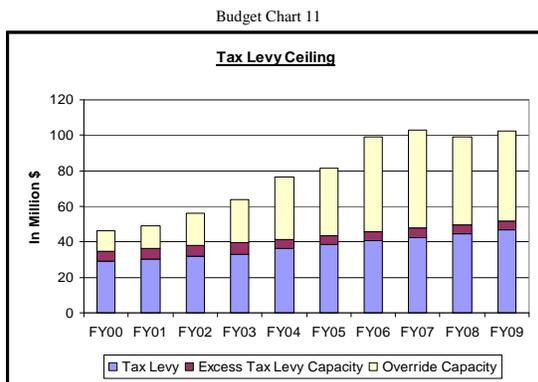
The overall Net Valuation increase has served to raise the City of Leominster ultimate levy ceiling to \$ 97,025,284 FY 2009. The ultimate levy ceiling is the maximum amount that the City of Leominster could raise through the tax levy in that particular year. This amount is equal to the so called, "Proposition 2 1/2 Ultimate Limit". The formula to arrive at this levy ceiling amount is:

$$\text{Total Assessed Valuation} \times 2.5\%$$

This net increase in valuation has resulted in the City having \$50,335,717 in current override capacity in FY 2009.



Budget Chart 12



Budget Chart 11

Revenues

The rate of State Aid revenue growth increased for 1 year since the School Department implemented Full - Day Kindergarten in FY08. Lottery Aid was decreased by 13.3% (\$944,247) in FY 2009. Hold Harmless General Fund Aid of the same amount (\$944,247) was awarded in FY09. All indications point to the City becoming more self reliant for revenue growth for the foreseeable future.

Budget Table 1

Fiscal Year	Tax Levy %	State Aid %	Local Receipts %
FY09	45.3%	47.0%	7.7%
FY08	46.3	47.2	6.5
FY07	46.3	47.2	6.5
FY06	47	47	6
FY05	46	46	8
FY04	46	47	7
FY03	43	48	9
FY02	42	50	8
FY01	41	51	8
FY00	42	50	8

Although the Equalized Valuation per Capita (EQV per Capita) has risen for the past few years, the City still trails the State-Wide EQV per Capita average through FY 2004. The figures for FY 2004 indicate that the Leominster EQV per Capita of \$74,198 equates to 57.9% of the State-Wide EQV per Capita average of \$128,116. The FY06 EQV for Leominster is \$3,983,376,300 with a 2000 census population of 41,303 that translates into a \$96,443 EQV per Capita for FY 2006. The FY08 EQV for Leominster is \$4,338,890,600 with a 2000 census population of 41,303 that translates into a \$105,050 EQV per capita for FY 2008.

Executive Budget

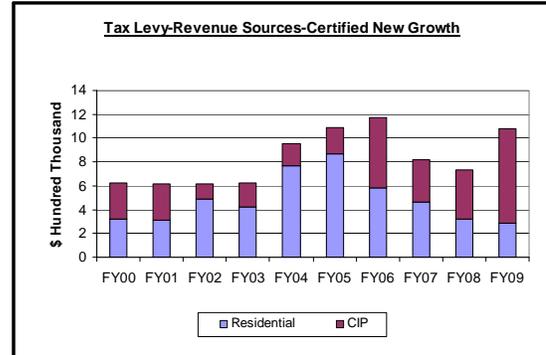
Summary Continued

City of Leominster

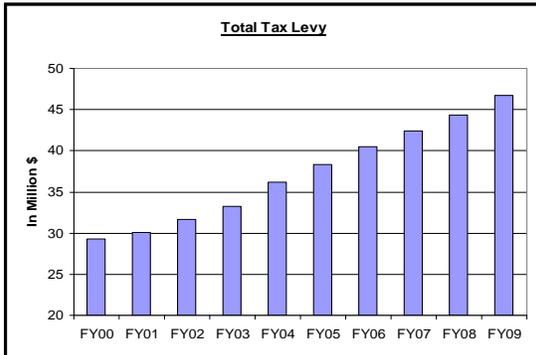
Property Tax Levy

In FY 2009, the Property Tax Levy is \$46,688,567. This represents a 5.2 % increase over the FY 2008 Property Tax Levy of \$44,368,616. In FY 2009 a single “Proposition 2 1/2” tax levy increase yields additional tax revenue of \$1,239,444. The amount of tax revenue raised by so called “Certified New Growth” yielded \$1,076,529 in additional tax revenue in FY 2009. Of this amount, \$791,411 was related to Commercial, Industrial & Personal Property new value, while \$285,118 was related to Residential New Growth.

Budget Chart 14

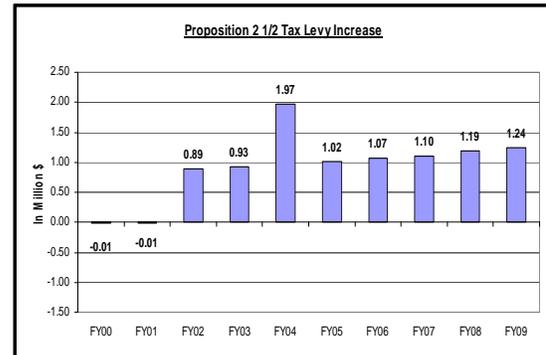


Budget Chart 13



The Proposition 2 1/2 total tax increase during this 10 year period was \$9,381,438.

Budget Chart 15



Since FY 1999, the property tax levy has grown from \$28,736,787 to \$46,688,567 for a total increase of \$17,951,780. “New Growth” has been certified for a total of \$8,570,342 during this period. This is equal to more than 47.7% of the total levy increase during this ten year time period. Of the amount, \$5,311,438 was residential new growth, while \$3,258,904 was commercial, industrial, and personal property new growth (CIP). CIP growth during FY09 was \$791,411 compared to \$285,119 in residential new growth.

The underutilization of the allowed full Proposition 2 1/2 tax increases over the past several years has placed the City in the position of having \$5,205,132 in Excess Levy Capacity in FY 2009. The cumulative total of tax capacity not levied since FY 1999 totaled \$54,521,149 (see Budget Chart 28).

Executive Budget

Summary Continued

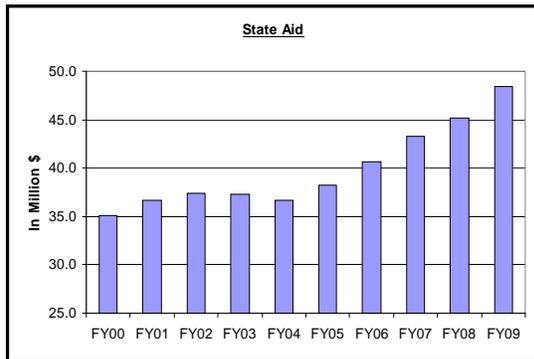
City of Leominster

State Aid and Revenue Summary

State Aid has a net increase of \$ 5,014,795 for FY09 (11.5 %). Two categories of State Aid that remain unfunded for FY 2009 are School Transportation and the Highway Fund Reimbursement line items.

Budget Table 2

Budget Chart 16



<u>Fiscal Year</u>	<u>Chapt 70</u>	<u>School Transp</u>	<u>School Constr</u>	<u>Charter School</u>	<u>Total Ed Aid</u>
2000	27.8	0.41	1.51	-	29.8
2001	28.9	0.4	1.51	-	30.9
2002	29.5	0.39	1.51	-	31.4
2003	29.5	0.37	1.51	-	31.4
2004	30	0	1.5	-	31.6
2005	31.3	0	1.51	0.27	33.1
2006	32.7	0	1.73	0.15	34.6
2007	34	0	1.73	0.17	35.9
2008	35.6	0	1.73	0.18	37.5
2009	40.5	0.00	1.73	0.3	42.5

State Aid - Education

The State Legislature changed the Chapter 70 funding formula beginning in FY 2008. While the Governor submitted a funding formula based on previous funding methods, the Senate and House implemented a new formula for FY08. The new formula impacted Leominster in two ways. It decreased the amount of Chapter 70 Aid Leominster is to receive in FY 2008 and increased significantly the local contributions the City must make in order to meet Net School Spending requirements. The \$ 40,477,387 Chapter 70 award for FY 2009 reflects a \$ 4,870,942 increase over the FY 2008 award of \$35,606,445. The primary reason for the significant increase, mostly due to Kindergarten going from 1/2 day to full day, doubling enrollment for that grade.

In Million \$

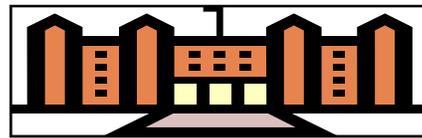


Executive Budget Summary Continued

City of Leominster

In Addition to Ch. 70 Awards, the State requires the City to increase their local contribution in accordance with a newly established Municipal Revenue Growth Factor (MGRF) formula along with a new test to see where a community stands in relation to its newly instituted “target share” requirement to be met over time. The Leominster “target share” is calculated at \$26,610,580 (43.48% of the Foundation Budget). The FY 2009 preliminary required local contribution is \$ 20,330,131 after the FY09 MRGF addition (\$721,594 increase over FY08) which is 33.22% of the “target share”. Since the City is greater than 10% below the “target share” required percent (43.48% required), the City was said to be 10.26% below target and therefore must contribute an additional 2% of the previous FY08 required local contribution. For FY09, this translates into an additional \$392,171 increase in the City local required contribution . The new “aggregate wealth” model adopted in FY 2007 and implemented in FY 2008 is expected to indicate that the city is significantly under its “target share” for a considerable time in the foreseeable future, and therefore will place additional financial requirements on the City over the normal MGRF for many years in the future.

The required local contribution with the penalty is \$20,722,302 for FY09. This amount is \$ 1,113,765.00 greater than the FY08 amount.

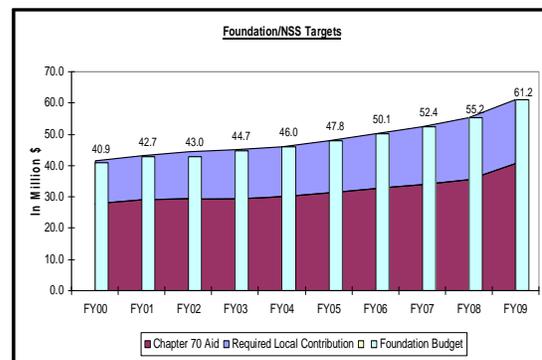


In addition to NSS requirements, there are cost centers such as debt service, transportation and capital outlay expenses which are not included in the Required Net School Spending calculations. The City issued permanent bonds for the outstanding Bond Anticipation Notes for the Southeast School architectural plans in November, 2007. The City has been awarded a grant for the rehabilitation of the High School. This will require a loan order which is expected to be reimbursed by the State at around the 70% mark. The dollar amounts are yet to be determined.

Budget Table 3

Fiscal Year	% Under Target Share	% Penalty	\$ Amount
FY08	12.93%	2.00%	369,415
FY09	10.26%	2.00%	392,171

Budget Chart 17



Executive Budget

Summary Continued

City of Leominster

State Aid-General Government

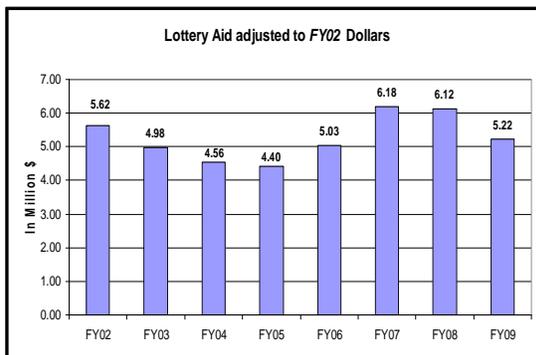
The total State Aid-General Government the City is estimated to receive in FY 2009 in this section of the “Cherry Sheet” is \$ 63,438 over the amount of \$7,672,707 aid received in FY 2008 .

The FY 2009 Lottery Aid award of \$ 6,167,107 is less than the Lottery Aid award given in FY 2008. Reports out of Boston seem to indicate that Lottery sales have slowed dramatically, if not decreased, and the future of this primary local aid revenue source is questionable. The Governor had submitted a bill to allow casinos but it was voted down. It’s value as a source of revenue and/or its

Budget Table 4

Gen Government	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Lottery	4,741,974	5,226,377	5,623,305	5,097,526	4,779,809	4,779,809	5,633,456	6,988,649	7,111,354	6,167,107
Additional Assistance	14,714	14,714	14,714	13,756	11,693	11,693	11,693	11,693	11,693	11,693
Highway Fund	340,693	340,693	85,173	0	0	0	0	0	0	0
Police Incentive	36,621	39,314	40,168	93,179	135,209	154,288	163,770	193,305	214,978	203,977
Veteran’s Benefits	42,281	32,815	21,759	51,618	32,212	27,428	45,792	35,829	56,447	122,064
Exemptions Vets, Blind/Survivor Spouse	50,198	49,771	49,415	52,217	53,178	51,049	55,547	50,068	111,001	112,319
Abatements Elderly	63,376	63,354	61,565	58,685	62,372	63,354	63,332	63,322	63,292	63,290
State Owned Land	50,147	60,486	47,010	31,232	25,003	39,124	49,823	93,033	103,942	111,448
Hold Harmless Aid										944,247
Total State Aid	5,340,004	5,827,524	5,943,109	5,923,992	5,099,476	5,126,745	6,023,413	7,441,899	7,672,707	7,736,145
Gen Government										

Budget Chart 18



impact on the Lottery is undetermined at this time. For FY 2009, the Legislature granted a General Fund Supplemental Appropriation of \$944,247 to hold Leominster “harmless” as a result of the Lottery Aid decrease.

Since other State Aid—General Government revenue line items are reimbursement types of aid, these revenue sources only serve to help mitigate other cost center increases.

Executive Budget

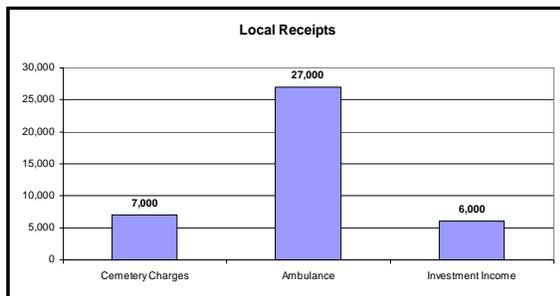
Summary Continued

City of Leominster

Local Receipts

The economy continues to put downside pressure on several elastic-type revenue local receipts. For example, Motor Vehicle excise tax collections decreased by \$ 300,000 in the last three fiscal years. Investment income is expected to drop due to the lowering of interest rates by the Federal Reserve. Building Permit revenue is also expected to contract dramatically.

Budget Chart 19



Expenditures

Budget adjustments in the functional areas include the following:

General Government:

Non Union:

- Cost of Living Adjustment (COLA) bargained increase of 5% for City Employees
- Conservation Inspector increased to full time (\$22,492)
- City Solicitor expense of \$20,000 (12.0%)

Public Safety:

- Police & Fire employee union contracts settled with same 4% COLA
- Police & Fire expense increases of \$20,000 (5.0%).

Education:

- Net School Spending appropriation increases of \$5,984,707
- Preliminary school spending during FY2009 can be summarized as follows:

- Net School Spending Requirement	
Chapter 70	\$ 40,477,387
Net Minimum Contribution	<u>\$ 20,722,302</u>
Sub Total:	\$ 61,199,689
- School Transportation**	\$ 2,600,000
- School Debt Service**	<u>\$ 3,431,319</u>
Total:	\$ 67,231,008

**Does not include "Free Cash" appropriations for Transportation and Capital Outlay

Executive Budget

Summary Continued

City of Leominster

Budget Table 5

Functional Area	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002
General	2,749,371	2,685,663	2,429,028	2,348,021	2,137,752.32	2,024,898	2,175,738	2,068,243
Public Safety	13,969,773	13,261,360	12,311,596	12,382,045	11,267,559	10,921,058	11,172,585	10,872,913
Education	59,609,723	45,430,328	43,767,968	42,404,000	41,280,682	39,951,363	41,760,405	41,290,395
Public Works	4,817,637	4,934,286	4,711,284	4,469,462	4,315,061	4,157,508	4,366,108	3,978,045
Human Services	682,559	683,376	608,308	575,505	516,573	515,472	499,932	485,383
Culture and Recreation	1,719,258	1,609,172	1,361,142	1,298,494	1,238,512	1,171,226	1,151,200	1,139,323
Debt Service	4,204,522	3,965,993	3,905,039	3,942,095	3,981,020	4,059,533	3,052,102	3,109,010
Misc	11,447,157	19,325,822	18,980,636	15,968,314	14,111,541	12,403,942	11,663,387	10,754,554
Other	4,025,829	3,881,683	3,630,650	3,614,034	4,207,454	3,457,192	1,603,522	1,719,973
Totals	103,225,829	95,777,683	91,705,651	87,001,979	83,056,154	78,662,192	74,444,979	75,417,439

This budget chart on illustrates the expenditure amounts by functional area in the City. The Miscellaneous category includes Group Health, Pension and Other Insurances.

- Street Lighting expense increased by \$ 20,000 (5%)

Public Works:

- DPW union COLA of 4%.
- One Cemetery laborer funded through Perpetual Care Trust Funds

Human Services:

- One Board of Health nurse not funded
- Veteran's expenses increased by \$20,000 (17.7%)

Executive Budget

Summary Continued

City of Leominster

Culture & Recreation:

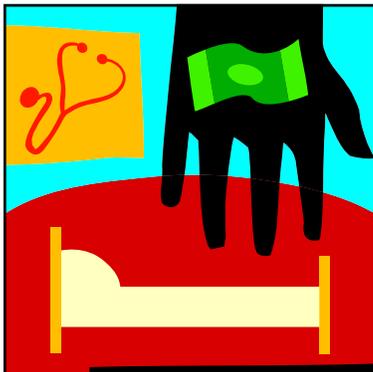
- Library operating expenses increased by \$89,690 (7.4%). This is primarily due to the opening of the newly renovated/expanded Library facility.
- Recreation expenses increased by 10.0%

Debt Service:

- Library Renovation/Expansion debt service expenses increased by \$265,000 to 445,000.

Retirement & Insurance:

- Actuarially calculated funding increase of \$280,000 (5.7%) for Retirement System.
- Group Insurance increase of 7.0%.
- OPEB funding increase of \$250,000 (100%).



Debt Service

General Fund Debt Service

The City of Leominster employs a broad based and long term view when managing debt service and debt-like service payments within the General Fund.

The City had a total of \$ 14,838,000 in bond principle amounts outstanding as of 6/30/08 within the General Fund.

The City also had a total of \$4,390,000 in bond anticipation notes outstanding as of 6/30/08 within the General fund.

The City additionally had a \$ 20,792,064 Unfunded Pension Liability as of 1/1/2008.

The City also had \$96,600,000 in unfunded Other Post Employment Benefits (OPEB) Liability as of 1/1/2008, if the City properly funds this amortization. If the City does not fund this amortization requirement, the unfunded liability is \$154,800,000 as of 1/1/2008.

Thus, General Fund debt and debt-like principle amounts can be summarized as follows:

6/30/2008	General Fund	\$ 14,838,000
	Debt Principle	
6/30/2008	General Fund	\$ 4,390,000
	B.A.N.S.	
7/1/2008	Unfunded Pension Liability	\$ 20,792,064
1/1/2008	Unfunded OPEB Liability	\$ 96,600,000
	Total:	\$ 136,620,064

Details as to the principle and interest-like payments can be seen on page 14 (top).

Executive Budget

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City of Leominster

The City is currently in a very strong position as to the relatively short principle payback period for outstanding debt. The school addition loan will be paid back in FY 2009, and the two middle school loans are scheduled to be fully paid by FY 2014. The City will then utilize this tax levy capacity toward the amortization of the Library Renovation/Expansion Project.

Current State law does not allow increasing principle payments in future years for this purpose, however, the City is hoping that legislation submitted by the Governor in the Municipal Partnership Act will be passed allowing this type of principle debt payment structure in the future. The City currently utilizes “free cash” to pay for bond anticipation notes (B.A.N.S.) interest for most of the outstanding issues.

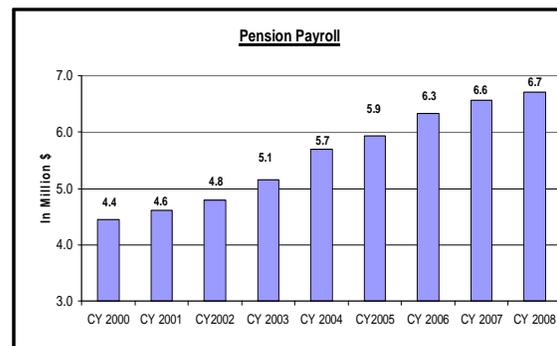
The City did increase the budget by \$ 265,000 in the FY 2009 overall Debt Service Liabilities. The City is beginning to imbed into the tax levy debt service a debt service payment for the Library Project. The \$ 445,000 reflects approximately half of the principle payment for the Library Project permanent debt service payments. The FY 2009 budget is expected to raise the remaining principle & interest payments with principle payments to begin in FY2010 without a significant impact upon the tax levy. This is due to the school additions loans principle retirement in FY 2009.

The City issued permanent debt for the Southeast School architecture plans bond anticipation notes outstanding. The statutory time limit has expired for the ability to continue issuing bond anticipation notes for this project.

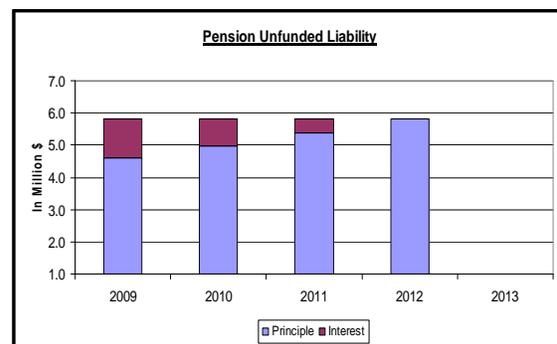
Unfunded Pension Liability

The second largest debt-like obligation for the City of Leominster is the Unfunded Pension Liability of \$ 19,511,102 as of 1/1/2008. The pension payroll has increased \$ 2,275,178 since FY 2000.

Budget Chart 20



The Retirement System has reduced the time period of the funding schedule of the unfunded pension liability from the year 2028 to the year 2012. This will eventually allow for some of these funds (total currently \$ 5,812,552) to be utilized toward the significant unfunded liability and service costs of Other Post Employment Benefits (OPEB) obligations that are required to be reported by the City of Leominster within the Fiscal Year 2009 financial statements.

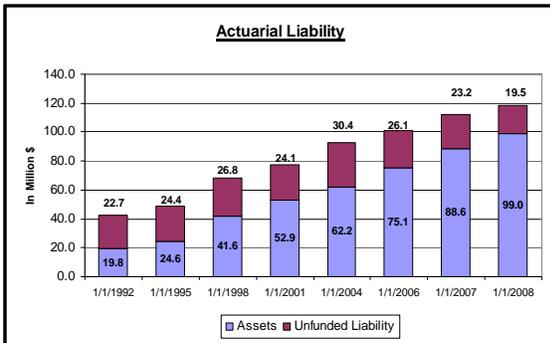


Executive Budget

Summary Continued

City of Leominster

Budget Chart 22



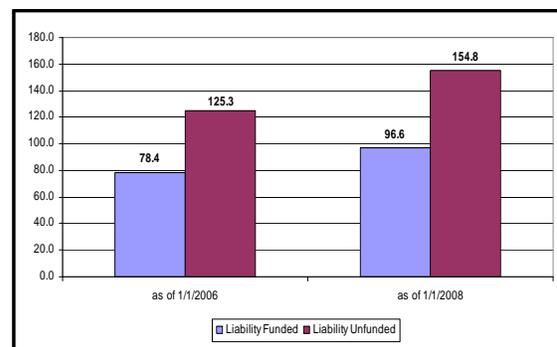
Unfunded Other Post Employment Benefit Liability

The City has completed its second actuarial study examining the area of Other Post Employment Benefit Liability (OPEB). For the City of Leominster, this encompasses Retiree health, dental and life insurance. The current system pays for these benefits on a “pay as you go” methodology. The actuarial study estimates a total cost of \$13,460,546 in FY 2009 if properly funded. This compares to an estimated FY 2009 appropriations of \$4,967,616 million for the “pay as you go” method imbedded in the FY09 budget. The biggest cost factor between the two amounts is the set aside in the current fiscal year (FY08 cost estimate is \$4.2 million) for the retiree benefits for current active employees (actuarial term: normal cost). The City & School have increased its OPEB appropriation to \$ 1,000,000 during FY 2009, far short of the \$4.2 million in the new “normal cost” cost center.

The newest actuarial report completed for the new OPEB GASB 45 requirement indicates an initial unfunded liability of \$ 96,600,000 of 1/1/2008 if properly funded. This would allow the actuary to utilize a 7.75 % discount rate

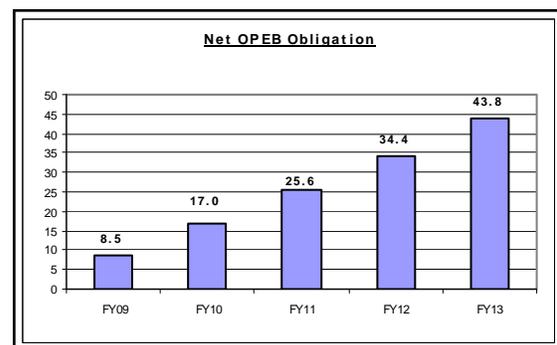
for the investment rate of return. For as long as the City does not properly fund this new requirement, the discount rate of only 4.5%, which inflates the OPEB unfunded liability as for 1/1/2008 to \$154,800,000.

Budget Chart 23



The City has completed an OPEB actuarial valuation for the FY 2009 implementation date. The City has negotiated with all unions to change the Employer/Employee health insurance premium for the Network Blue HMO product payment method from an 80/20 arrangement to a 75/25 payment plan. The City also implemented the same 75/25 Network Blue HMO arrangement for retiree’s. Pre-Medicare and non-Medicare retiree’s were impacted by this policy as of 7/1/07.

Budget Chart 24



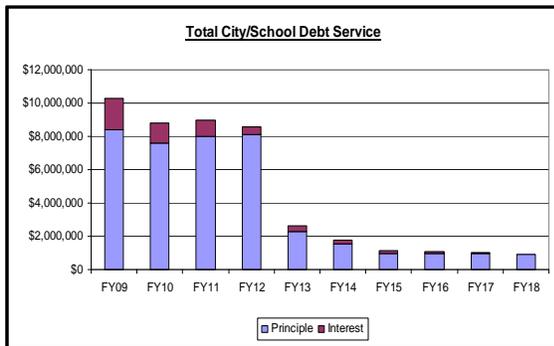
Executive Budget

Summary Continued

City of Leominster

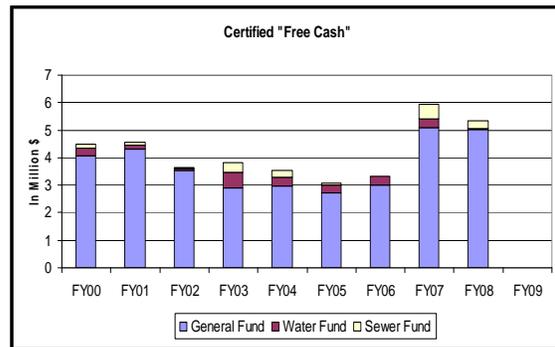
The chart below illustrates total debt service over time for currently outstanding principle and interest payments for the General Fund.

Budget Chart 25



was closed out to the General Fund in the amount of \$273,966. The remaining \$ 4,410,610 represents 3.7% of the total amount to be raised during FY 2009 of \$117,936,126. The City strives to achieve a minimum of 5% of the total amount to be raised of the next fiscal year for a “Free Cash” certified amount.

Budget Chart 26



Reserves

Fiscal Reserves

The City of Leominster has established reserve policies which will assist the City during all phases of the business cycle. Adherence and compliance to the existing targets and even updated targets requires significant discipline and political will to maintain the course during difficult economic times. The long term benefits of successful execution of the adopted reserve policies far outweigh any temporary cost of foregoing adherence to the well thought-out and reasoned fiscal reserve policies.

Free Cash

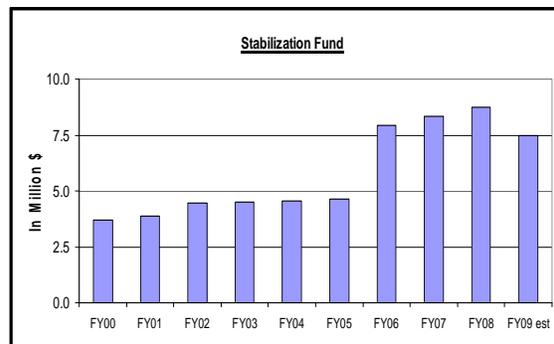
The State Certifies a portion of the City’s surplus revenues as legally available for spending. The General Fund Fiscal Year 2009 certified “Free Cash” amount certified by the State was \$ 5,464,869 . Imbedded within this amount was a Water Surplus closed out to the General Fund in the amount of \$ 780,293. Additionally the Sewer fund surplus

Stabilization Fund

The City has wisely funded a Stabilization Fund to protect against the adverse ramifications associated with revenue deficits of prior years. The 6/30/08 balance of \$8,773,470 represents 7.4% of the total amount to be raised during Fiscal Year 2009 (\$117,936,126).

The City has a fiscal goal to grow its Stabilization Fund balance to 10% of General Fund Revenues.

Budget Chart 27



Executive Budget

Summary Continued

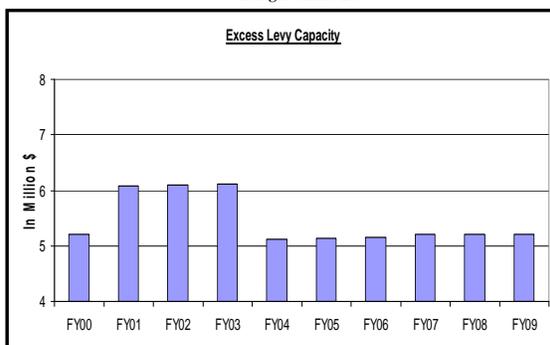
City of Leominster

Excess Levy Capacity

Excess Levy Capacity is the amount of a tax increase the City could raise through the tax levy in addition to the current year's Proposition 2 1/2 % increase before the need for an override. The cumulative excess levy capacity not levied on taxpayers during the past 10 years was \$55,562,115. The amount of Excess Levy Capacity for FY 2009 was \$5,204,155.

\$1,239,444. The FY 2009 tax levy of \$ 46,688,567, along with excess tax levy capacity of \$5,205,155 equaled this FY 2009 Levy Limit of \$51,893,722. The difference between the FY 2009 ultimate tax levy ceiling of \$97,025,284 and the FY 2009 tax levy limit of \$51,893,722 is equal to the FY 2009 tax override capacity of \$45,131,562. This override capacity also serves as a buffer of insulation against the City having to reduce the current year budget because of ultimate tax levy ceiling concerns (e.g. \$25.00 tax rate ; \$12.03 FY09 tax rate). The following chart shows the override capacity amounts for the past 10 years.

Budget Chart 28



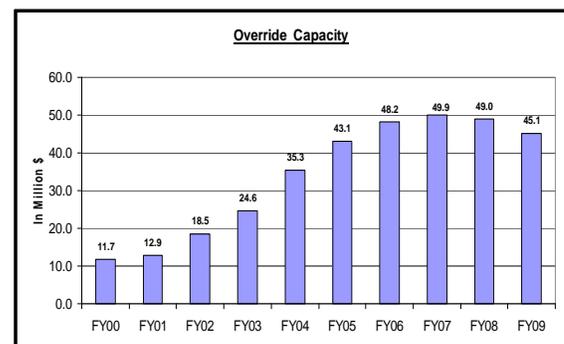
Override Capacity

The ultimate tax levy ceiling under Proposition 2 1/2, is equal to 2 1/2 % of the total assessed valuation of the City of Leominster which is calculated annually.

The total assessed valuation for the City of Leominster was \$3,881,011,364 for FY 2009 which translates to an \$97,025,284 ultimate tax levy ceiling. The FY 2009 Levy Limit of \$ 51,893,722 was calculated by taking the FY 2008 tax levy limit of \$ 49,577,749 and adding the FY 2009 "Certified New Growth of \$ 1,076,529 along with the allowed Proposition 2 1/2 increase of

This override capacity means that the voters of the City of Leominster could authorize permanent overrides, debt exclusions, or capital exclusions totaling \$45,131,562 for Fiscal Year 2009.

Budget Chart 29



Executive Budget

Summary Continued

City of Leominster

Other Reserve Funds

Emergency Reserve Account

This account is part of the General Fund Budget. The Fiscal Year 2009 Budget included \$100,000 for this purpose. This account is used for unexpected costs that arise during the fiscal year. The City does also use this account for unforeseen needs prior to certification of "Free Cash".

Highway State Aid Reserved Account

The State Chapter 90 Program funds expenditures related to approved highway projects. Appropriation requests are made by the Highway Department once the projects are approved and the money is available to be drawn on the State Letter of Credit Authorization.

Gallagher Building Revolving Fund

The Gallagher Building collects rents which is deposited into the account for operating and maintenance of the building. A certain amount is also provided to help defray the principle and interest payments related to the loan taken out by the City to pay for capital improvements to the Gallagher Building.

Parking Meter Receipts

The City collects garage and meter fees for deposit into this fund. The proceeds are used for the expenses of the parking areas, the enforcement of parking regulations and for the collection process.

Wetland Fees Reserved

The Conservation Commission related fees collected are required to be placed into this fund. This fund has helped to pay for an administrator and administrative expenses related to the Conservation Commission.

Cemetery Perpetual Care Income

The purchase of a cemetery lot includes a fee for perpetual care of the lot. This fee is deposited into the Perpetual Care Trust Fund. Proceeds of this account are available to be used for cemetery operating purposes.

Cemetery Sale of Lots Income

The purchase price of a cemetery lot is deposited into the Cemetery Sale of Lots Trust Fund Principle Account. The investment income generated is available to be used for capital outlay purchases for cemetery related purposes.

General Fund Capital Investment Fund

The City of Leominster had special legislation passed to establish this fund for capital outlay purposes that would accumulate appropriations for multiple fiscal years in order to purchase a capital item. For instance, if a Fire Department engine was projected to cost \$400,000, the City could place \$100,000 per year into this fund for four years. The City has not recently utilized this fund but it is a good vehicle for capital outlay planning purposes.

The special legislation also allowed for the establishment of the same type of funds for both the Water and Waste Water Departments.

Other Post Employment Benefits (OPEB)

The City has begun to accumulate funds for OPEB related costs. The total accumulation through FY 2009 is greater than \$2,000,000. The State has not yet created the irrevocable trust needed to place these funds for investment purposes. The City has decided to appropriate these funds in the retirement system.

Executive Budget

Summary Continued

City of Leominster

Weights & Measures

The Weights & Measures Department has recently become authorized to levy fines for violations. The payments collected from these fines are required to be deposited into this fund. The proceeds are required to be utilized for Weights & Measures Department purposes.

Sale of Real Estate Fund

The proceeds of City owned property are required to be deposited into this fund. The use of these funds are restricted by statute.

Library State Aid Reserved

The proceeds are legally restricted for library related expenses. The City qualifies for this aid by meeting expenditure and operating hours requirements established by the State Board of Library Commissioners.

Budget Table 7 Other Reserve Funds

Account	FY08 Beginning Balance	FY08 Inflows	FY08 Outflows	FY08 End Balance	FY09 Beginning Balance
Emergency Reserve	100,000	0	89,100	10,900	100,000
Chapter 90	(32,835)	1,309,038	1,462,125	(185,922)	(185,922)
Gallagher Revolving	94,997	256,883	108,213	243,667	243,667
Parking Meter	7,737	28,977	18,000	18,714	18,714
Wetland Fees Reserved	22,310	16,213	0	38,523	38,523
Cemetery Perpetual Care	1,284,990	76,210	59,355	1,301,845	1,301,845
Cemetery Sale of Lots	580,013	55,852	0	635,865	635,865
General Fund Capital	375	0	0	375	375
Weights & Measures	3,739	16,000	13,664	6,075	6,075
Sale of Real Estate	102,842	0	100,000	2,842	2,842
Library State Aid	35,176	66,096	64,200	37,072	37,072
GAAP Undesignated Fund /General	8,115,631	1,050,986	0	9,166,617	9,166,617
Statutory Certified "Free Cash"	5,336,994	0	4,836,296	500,698	5,464,869
OPEB Appropriation	120,000	850,000	0	970,000	1,970,000

Executive Budget

Summary Continued

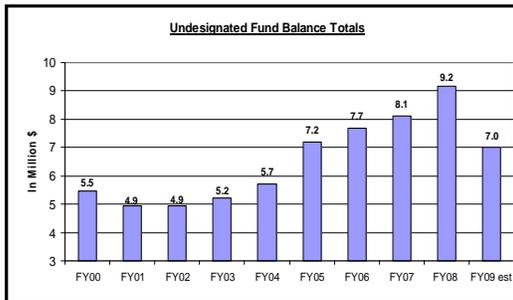
City of Leominster

General Fund

Undesignated Fund Balance

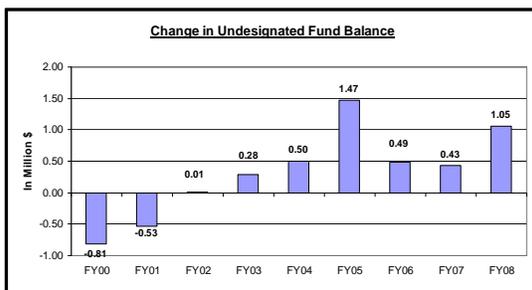
The increase or decrease to the Undesignated Fund balance is the result of the difference between the operating revenues and expenditures in a given year. It gives insight as to the General Fund ability to (1) balance its' budget on a current basis, (2) maintain reserves for operating emergencies, (3) have sufficient liquidity to pay its' bills on time, (4) have funds to make operating capital outlay expenditures not provided for in the operating budget.

Budget Chart 30



The changes to the Undesignated Fund Balance totals can be seen as follows:

Budget Chart 31



The table to the right summarizes how fund balance has been utilized during the past 5 year period.

Budget Chart 32

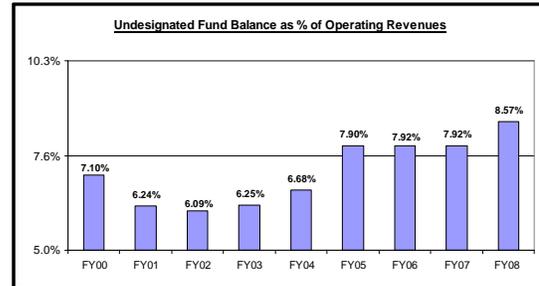


Table 8—in Thousand \$

	FY08	FY07	FY06	FY05	FY04
Certified Free Cash	5,337	5,944	3,328	3,091	3,551
Water Capital Outlay	33	316	315	243	301
Sewer Capital Outlay	289	549	11	91	265
General Fund Capital	1584	2015	699	203	239
Operating Expense	1164	722	780	477	904
Snow & Ice Expenses	710	207	510	743	330
Debt Service (i.e. temp interest)	430	530	175	433	382
School Transportation	627	595	587	900	400
Transfer to Stabilization	0	0	3100	0	0
Court Judgments Settlements	0	0	0	0	585
Total Appropriation	4836	4935	6177	3090	3402
Free Cash Closeout	501	1009	251	2	149

Executive Budget

Summary Continued

City of Leominster

Budget Table 9

CITY OF LEOMINSTER					
Massachusetts					
GENERAL FUND					
Balance Sheet					
June 30					
	2008	2007	2006	2005	2004
ASSETS					
Cash and Cash Investments	\$15,488,801	\$13,349,951	\$10,854,999	\$10,174,281	\$9,170,087
Investments		600,000	1,164,575	1,235,118	564,567
Receivables:					
Property Taxes	2,955,567	2,709,646	2,555,787	2,743,062	2,708,733
Tax Liens and Foreclosures	1,338,004		0	0	0
Excises	926,182	1,083,452	985,589	931,948	1,015,604
Other			0	0	516
Intergovernmental			0	169,023	0
Departmental, net		695,360	1,103,138	962,309	831,658
Total Assets	\$20,708,554	\$18,438,409	\$16,664,088	\$16,215,741	\$14,291,165
Liabilities and Fund Equity					
Liabilities:					
Warrants Payable	\$879,157	\$1,093,260	\$1,207,685	\$1,099,008	\$838,884
Accounts Payable		627,775	0	84,217	0
Deferred Revenue		4,201,658	4,333,251	4,566,107	4,199,273
Accrued Payroll and Withholding	749,790		619,596	699,027	297,940
Accrued Interest	19,791	64,786	42,226	21,920	375,718
Other Liabilities	5,005,711	145,030	110,397	73,928	73,009
Total Liabilities	\$6,654,449	\$6,132,509	\$6,313,155	\$6,544,207	\$5,784,824
Fund Equity:					
Fund Balances:					
Reserve for Encumbrances	\$4,887,488	\$4,190,269	\$2,665,744	\$2,478,662	\$2,782,013
Unreserved Undesignated	9,166,617	8,115,631	7,685,189	7,192,872	5,724,328
Total Fund Equity	\$14,054,105	\$12,305,900	\$10,350,933	\$9,671,534	\$8,506,341
Total Liabilities and Fund Equity	\$20,708,554	\$18,438,409	\$16,664,088	\$16,215,741	\$14,291,165

The history of the General Fund Balance sheet shows how the various Asset Liability and Fund Balance have changed as of 6/30/08 of the past 5 year period. The General Fund income and expenditure 5 year history appears in Budget Table 10.

FY 2009 Estimates: Management estimates that while the City has positioned itself better than most for FY 2009, the economy is experiencing a

significant slowdown which will reflect itself in certain elastic revenue source contractions such as tax payments, building permits issued, motor vehicle excise and investment income. Net operation results are not expected to be very strong in the General Fund as past years have experienced. Operational results for FY 2009 are expected to result in a reduction in the Undesignated Fund Balance in the General Fund.

Executive Budget

Summary Continued

City of Leominster

Budget Table 10

CITY OF LEOMINSTER						
Massachusetts						
Combined Statement of Revenues, Expenditures and Changes in Fund Balances						
General Fund						
	2008 (2)	2007 (2)	2006 (2)	2005 (1)	2004 (1)	2003 (1)
Revenues:						
Property Taxes	\$43,691,412	\$41,883,181	\$40,664,528	\$37,742,016	\$36,060,951	\$33,147,645
Excises	4,289,637	4,348,967	4,585,822	4,783,395	4,016,172	4,228,571
Charges for Services	1,226,772	1,238,767	1,214,459	1,089,142	1,225,799	1,437,201
Interest, Penalties and Other Taxes	241,034					
Licenses and Permits	742,134	292,491	450,323	273,648	424,334	663,796
Fines and Forfeitures	230,884	915,988	877,473	669,927	450,122	479,912
Intergovernmental	53,913,976	250,110	210,919	258,383	271,490	259,458
Interest Earnings	53,913,976	52,386,665	48,070,911	45,121,752	42,851,376	41,997,963
Miscellaneous	841,490	958,955	717,412	358,990	188,856	363,230
	1,738,878	247,803	269,608	748,111	205,469	1,117,961
Total Revenue	\$106,916,217	\$102,522,927	\$97,061,455	\$91,045,364	\$85,694,569	\$83,695,737
Expenditures:						
General Government	\$3,585,137	\$3,016,930	\$3,084,092	\$2,768,834	\$2,394,747	\$2,496,874
Public Safety	14,318,917	13,476,449	13,357,627	11,957,205	11,512,092	12,268,613
Education	55,060,848	51,553,006	50,374,794	48,983,776	45,533,178	47,099,262
Public Works	7,564,937	6,131,285	5,761,061	5,267,704	5,773,341	5,739,007
Human Services	736,455	765,526	591,175	523,139	474,911	516,051
Culture and Recreation	1,814,613	1,692,859	1,341,475	1,332,587	1,287,741	1,688,768
Employee Benefits	17,988,036	18,017,004	15,301,665	13,141,777	12,560,904	11,194,183
Debt Service	4,114,781	4,179,760	4,087,890	3,998,643	4,428,535	3,625,689
Intergovernmental	2,362,278	2,242,403	2,114,900	2,184,070	2,154,063	601,220
Total Expenditures	\$107,546,002	\$101,075,222	\$96,014,679	\$90,157,735	\$86,119,512	\$85,229,667
Excess of Revenues over (under) Expenditures	(629,785)	1,447,705	1,046,776	887,629	(424,943)	(1,533,930)
Other Financing Sources (Uses):						
Operating Transfers in	2,874,452	1,547,636	3,096,087	989,283	2,062,578	1,236,620
Operating Transfers out	(496,462)	(1,040,374)	(3,463,464)	(711,719)	(665,752)	(926,475)
Total Other Financing Sources (Uses)	2,377,990	507,262	(367,377)	277,564	1,396,826	310,145
Change in Fund Balance	1,748,205	1,954,967	679,399	1,165,193	971,883	(1,223,785)
Fund Equity, Beginning	12,305,900	10,350,933	9,671,534	8,506,341	7,534,458	8,758,243
Fund Equity, Ending	\$14,054,105	\$12,305,900	\$10,350,933	\$9,671,534	\$8,506,341	\$7,534,458

The City has also incurred a significant expense associated with a highly unusual ice storm event. Costs associated with this event could exceed \$2,000,000 and the City will probably tap its Stabilization Fund for initial payments. Ultimate State and Federal reimbursement amounts that will be used to replenish these funds are undetermined at this time.

Both the Water and Sewer funds surplus is expected to be positive and are closed to the General Fund at year end. Water rates have been increased in anticipation of debt service and operating expense increases and will show a temporary surplus that can be used for capital outlay investments in the short term.