

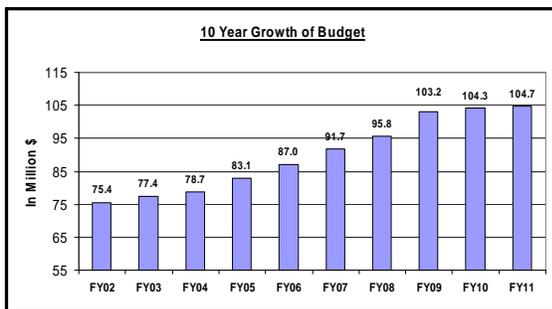
# Executive Budget Financial Summary

City of Leominster

## Introduction

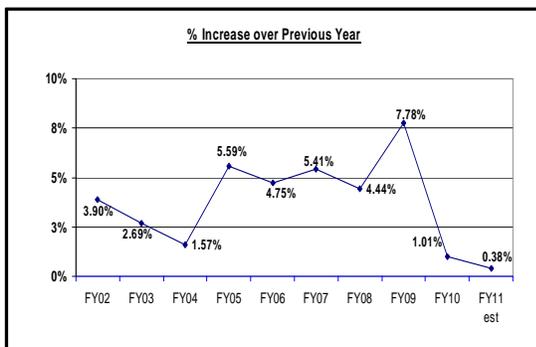
The Fiscal Year 2011 General Fund Budget total of \$104,667,900 represents a 0.38 % increase over the Fiscal Year 2010 Budget total of \$104,269,096.

Budget Chart 1



The 0.38 % budget increase was possible because of Certified New Tax Growth (\$837,488) and a Proposition 2 1/2 Tax Levy Increase (\$1,341,668). The amount also includes one time State Aid that totals \$2,513,476 (\$2,224,205 appropriation to the Samoset School Debt Service and \$289,271 for the High School Building Project). Without these one time payments, the General Fund Budget of \$102,154,424 represents a 2.03% decline (\$2,114,672 net decrease) from the FY 2010 budget total of \$104,269,096.

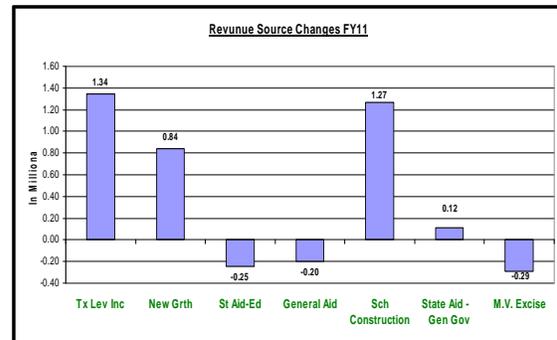
Budget Chart 2



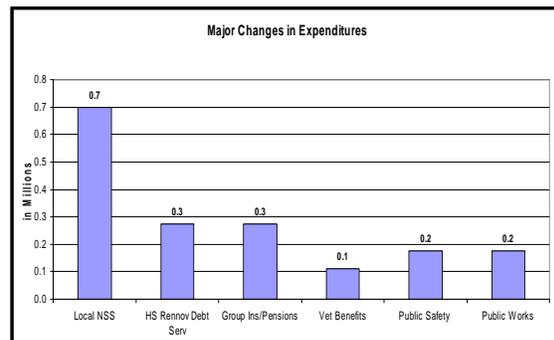
The major changes in General Government revenue sources from FY10 to FY11 include a Proposition 2 1/2 tax increase (\$1,341,668), and Certified New Tax Growth

(\$837,448). Decreases to revenues include reductions to State Aid Education (-\$247,723), State Aid-General Governmental Aid (-\$201,701), Local Receipts (-\$2,791,591) and Police Career Incentive Reimbursement (-\$17,075). Local Receipts (elastic-type which contract during economic downturns) estimates were reduced by (-\$365,000).

Budget Chart 3



Budget Chart 4



State Aid - Education had a -\$247,723 decrease, Federal Stimulus Aid to the School Department was also decreased by \$1,986,456. This results in a net decrease for the School Department (Chapter 70 decrease plus Stimulus Funds decrease) of \$2,234,179. The local required district contribution increase of \$684,324 along with the State Aid Chapter 70 Aid decrease of \$247,723 results in a net increase of \$436,601 in the Net School Spending requirement for FY11 (\$61,290,922) or 0.72 % over the FY10 Net School Spending requirement (NSS) of \$60,854,321.

# Executive Budget

## Summary continued

City of Leominster

In FY11, the School Department was awarded an Educational Job's grant in the amount of \$2,394,129 along with Stimulus Funding (SFSF) of \$211,626 for total additional funding of \$2,605,755 over the NSS requirement. This results in a total funding amount of \$63,896,676 for FY11 Education Department purposes (NSS requirement net of \$61,290,922 & Education Job funding of \$2,394,129 & SFSF funding of \$211,626). This is 103.34% of the FY11 budget amount of \$61,830,792.

The School Department does not anticipate spending all of the Education Job's Bill in FY11 so they can maintain staffing levels in FY12.

The group insurance and retirement related expenses have been increased by \$277,000 for FY 2011. Veteran's Benefits funding has been increased \$110,000 due to the economic downturn resulting in more demand for benefits.

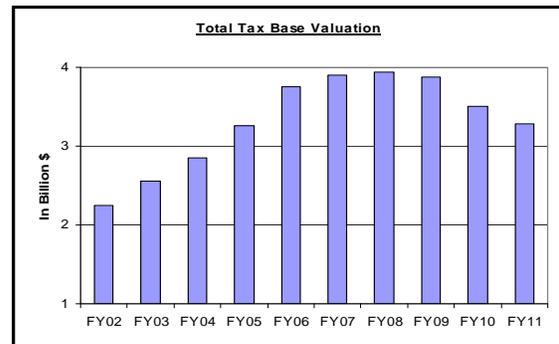
The City was able to begin funding the High School Renovation Debt Service with a \$275,000 appropriation.

### Tax Base Information

The Total Assessed Valuation of the City has again decreased. This had led to the tax rate rising for the fifth year in a row ( \$11.25 in FY08, 12.03 in FY09, \$13.82 in FY10 & \$15.41 in FY11). The City has utilized a Proposition 2 1/2 increase for FY11.

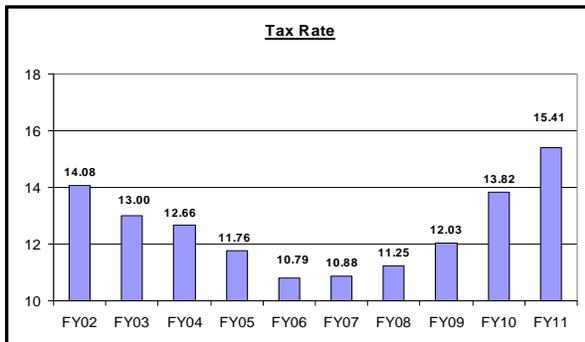
The Total Assessed Valuation for the City declined to \$3,289,494,997 for Fiscal Year 2011. This still represents a 67.6 % increase over the Fiscal Year 2001 Total Assessed Valuation of \$1,962,758,800.

Budget Chart 6

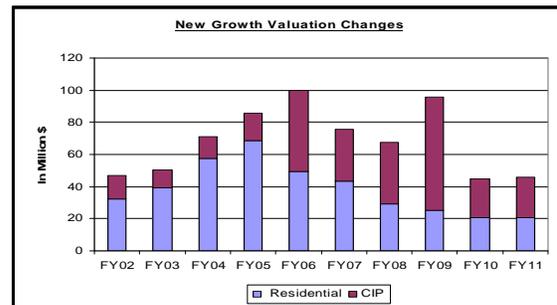


The \$1,326,736,197 increase in valuation during the past 10 year period includes Certified New Growth valuations of \$683,996,116 which resulted in growth in the tax levy equal to \$20,643,733 (unadjusted for future tax levy increases). This Certified New Growth accounted for 41.8 % over the past 10 years of the total increase in the Tax Levy of \$20,643,733

Budget Chart 5



Budget Chart 7



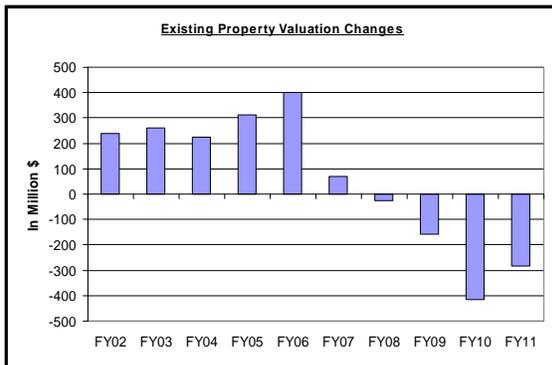
# Executive Budget

## Summary Continued

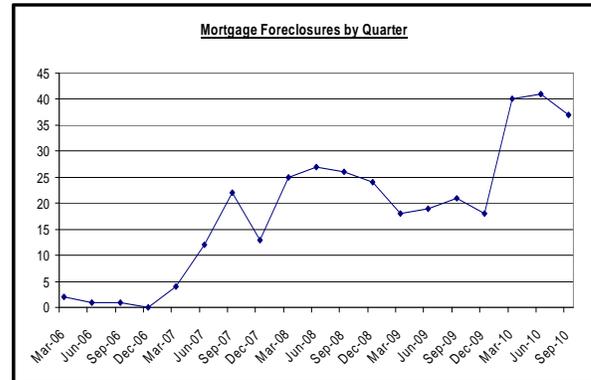
City of Leominster

Existing property valuation net changes amounted to a decrease of \$281,434,456 in value during FY 2011. Certified New Growth valuation totaled \$60,599,750 for FY11 resulting in the net decrease of \$220,834,706 in valuation for FY11.

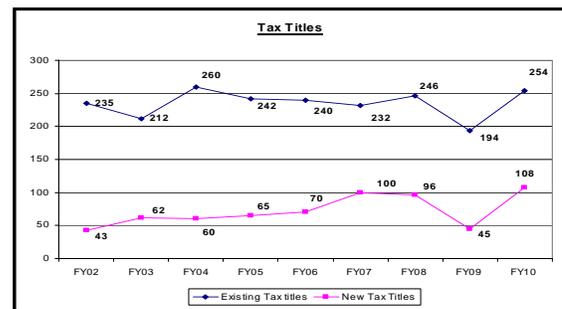
Budget Chart 8



Budget Chart 9



Budget Chart 10



This is the third significant decrease in valuation changes of existing properties since FY02. Property values for residential properties continue to decline during calendar year 2010 sales which are reflected in FY 2011 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.

The City has also seen an increase in the number of new tax titles for FY 2010 which were advertised in November of 2010 (FY11). The number of new tax titles increased to 108 from 45 in FY 2010.

# Executive Budget Summary Continued

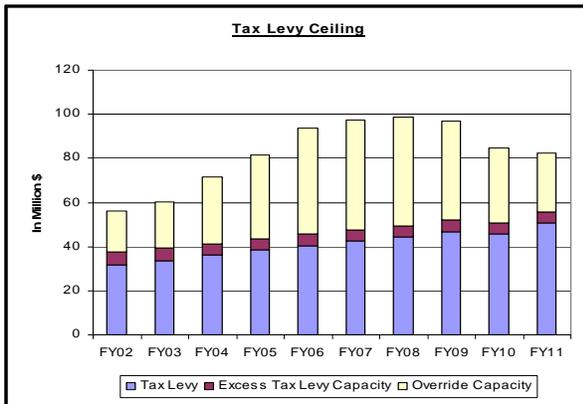
City of Leominster

The overall Net Valuation decrease has served to lower the City of Leominster ultimate levy ceiling to \$ 82,237,375 in FY 2011. 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:

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

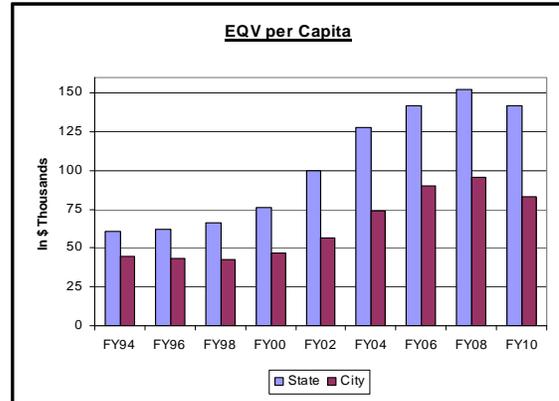
This net decrease in valuation has resulted in the City having \$26,323,791 in current override capacity in FY 2011.

Budget Chart 11



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 2010. The figures for FY 2010 indicate that the Leominster EQV per Capita of \$83,000 equates to 58.5% of the State-Wide EQV per Capita average of \$141,762. The FY08 EQV for Leominster is \$3,943,878,100 with a census population of 41,055 that translates into a \$96,063 EQV per Capita for FY 2008. The FY06 EQV for Leominster is \$3,756,035,400 with a census population of 41,549 that translates into a \$90,400 EQV per capita for FY 2006.

Budget Chart 12



## Revenues

State Aid General Government revenue, Lottery Aid and Hold Harmless Aid was decreased by 0.30% (\$201,701) in FY 2011. 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 %
FY11	48.4%	45.9%	5.7%
FY10	46.5%	45.1%	8.3%
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

# Executive Budget

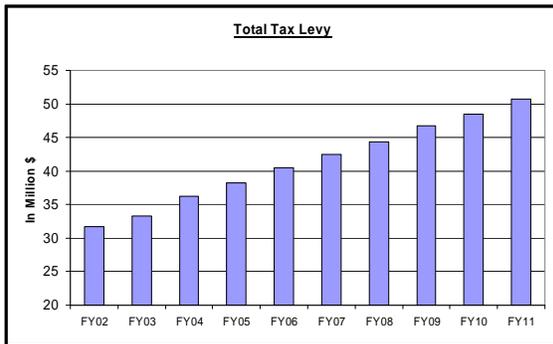
## Summary Continued

City of Leominster

### Property Tax Levy

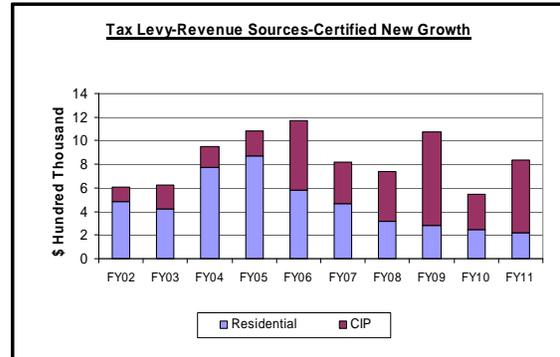
In FY 2011, the Property Tax Levy is \$50,691,118. This represents a 4.49% increase over the FY 2010 Property Tax Levy of \$48,512,751. In FY 2011 a single "Proposition 2 1/2" tax levy increase yields additional tax revenue of \$1,341,668. The amount of tax revenue raised by so called "Certified New Growth" yielded \$837,488 in additional tax revenue in FY 2011. Of this amount, \$616,242 was related to Commercial, Industrial & Personal Property new value, while \$221,246 was related to Residential New Growth.

Budget Chart 13



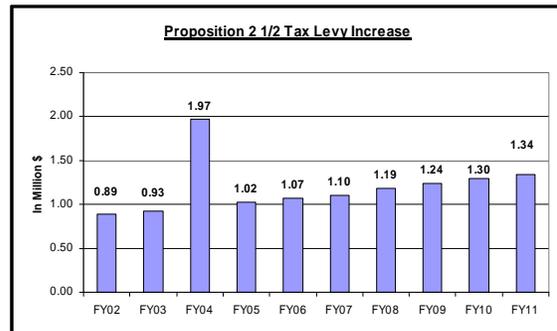
Since FY 2001, the property tax levy has grown from \$30,049,837 to \$50,691,118 for a total increase of \$20,641,281. "New Growth" has been certified for a total of \$8,619,884 during this period. This is equal to more than 41.76% of the total levy increase during this ten year time period. Of the amount, \$4,786,501 was residential new growth, while \$3,833,383 was commercial, industrial, and personal property new growth (CIP). CIP growth during FY11 was \$616,242 compared to \$221,246 in residential new growth.

Budget Chart 14



The Proposition 2 1/2 total tax increase during this 10 year period was \$12,021,397.

Budget Chart 15



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 \$5,220,014 in Excess Levy Capacity in FY 2011. The cumulative total of tax capacity not levied since FY 2002 totaled \$53,681,408 (see Budget Chart 28).

# Executive Budget

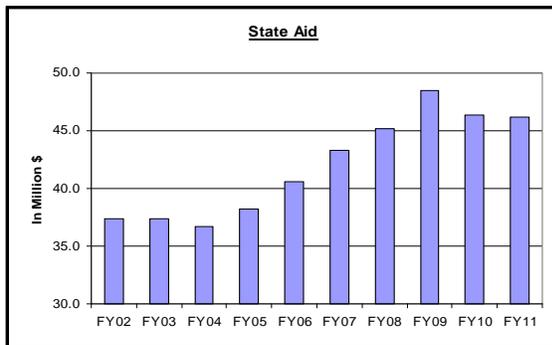
## Summary Continued

City of Leominster

### State Aid and Revenue Summary

State Aid General Government has a net decrease of \$201,701 for FY11 (-0.3%). Two categories of State Aid that remain unfunded for FY 2011 are School Transportation and the Highway Fund Reimbursement line items.

Budget Chart 16



### 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 \$ 39,420,116 Chapter 70 award for FY 2011 reflects a \$ 247,723 decrease over the FY 2010 original award of \$39,667,839. Federal Stimulus Aid was decreased by \$1,986,456.



Budget Table 2

In Million \$

Fiscal Year	Chapt 70	School Transp	School Constr	Charter School	Total Ed Aid
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	0.20	43.8
2010	41.9**	0.00	1.73	0.92	44.5
2011	42.0	0.00	3.00	0.28	45.3

Budget Table 2a

In Million \$

Fiscal Year	Chapt 70	SFSF Grant	Education Job's Grant	Total
2009	36.2	4.26	0.00	40.5
2010	39.7	2.20	0.00	41.9
2011	39.4	0.21	2.39	42.0

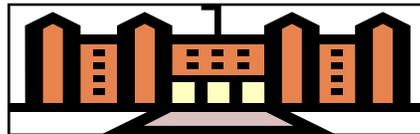
\*\*Includes \$36,220,613 Chapter 70 Aid and \$4,256,774 in Stimulus Funding. FY2011 School Construction Reimbursement includes early payoff of Samoset School (\$2,224,205 additional payment). FY10 includes \$39,667,839 Chapter 70 Aid, \$211,625 Stimulus Funding and \$2,394,129 Education Jobs Grant

# 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 \$26,344,796 (42.61% of the Foundation Budget). The FY 2011 preliminary required local contribution is \$ 21,658,941 after the FY11 MRGF addition (\$472,459 increase over FY10) which is 7.58 % below the “target share”. Since the City is greater than 5% below the “target share” required percent (42.60% required), the City was said to be 7.58 % below target and therefore must contribute an additional 1% of the previous FY10 required local contribution. For FY11, this translates into an additional \$211,865 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 \$21,870,806 for FY11. This amount is \$684,324 greater than the FY10 amount.

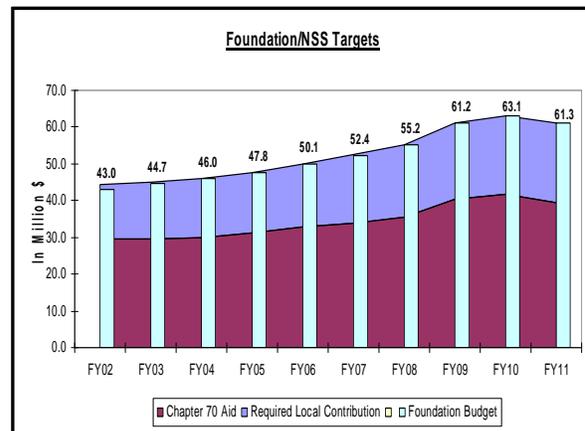


In addition to NSS requirements, there are cost centers such as debt service, transportation and capital outlay expenses which are not included in the Required Net School Spending calculations. The City has been awarded a grant for the rehabilitation of the High School. This will require a loan order which is expected to be reimbursed by the State at around the 72% mark. The loan order approved by the City Council totaled \$42,400,000. Construction is set to begin in the spring of 2011. The City has begun funding of the debt service for this project by increasing the appropriation by \$275,000 in FY11. School Transportation was also increased by \$100,000 in FY11.

Budget Table 3

Fiscal Year	% Under Target Share	% Penalty	\$ Amount
FY08	12.93%	2.00%	369,415
FY09	10.26%	2.00%	392,171
FY10	10.11%	2.00%	414,446
FY11	7.58%	1.00%	211,865

Budget Chart 17



# Executive Budget

## Summary Continued

City of Leominster

### State Aid-General Government

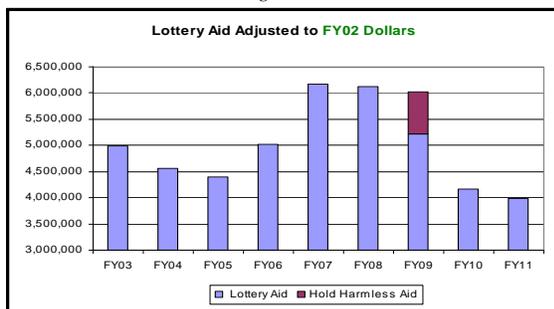
The total State Aid-General Government the City is estimated to receive in FY 2011 is \$5,372,665. This section of the “Cherry Sheet” is \$86,671 less than the amount of \$5,459,339 aid received in FY 2010.

The FY 2011 Unrestricted General Government Aid of \$4,840,828 is less than the award given in FY 2010. 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 and it may

**Budget Table 4**

Gen Government	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11
Lottery	5,623,305	5,097,526	4,779,809	4,779,809	5,633,456	6,988,649	7,111,354	6,167,107	5,042,529	4,840,828
Additional Assistance	14,714	13,756	11,693	11,693	11,693	11,693	11,693	11,693	0	0
Highway Fund	85,173	0	0	0	0	0	0	0	0	0
Police Incentive	40,168	93,179	135,209	154,288	163,770	193,305	214,978	203,977	34,078	17,003
Veteran's Benefits	21,759	51,618	32,212	27,428	45,792	35,829	56,447	122,064	101,564	153,830
Exemptions Vets, Blind/Survivor Spouse	49,415	52,217	53,178	51,049	55,547	50,068	111,001	112,319	180,766	228,633
Abatements Elderly	61,565	58,685	62,372	63,354	63,322	63,322	63,292	63,290	0	0
State Owned Land	47,010	31,232	25,003	39,124	49,823	93,033	103,942	111,448	100,399	132,371
Hold Harmless Aid								944,247	0	0
<b>Total State Aid</b>	<b>5,943,109</b>	<b>5,923,992</b>	<b>5,099,476</b>	<b>5,126,745</b>	<b>6,023,413</b>	<b>7,441,899</b>	<b>7,672,707</b>	<b>7,736,145</b>	<b>5,459,336</b>	<b>5,372,665</b>
<b>Gen Gov</b>										

**Budget Chart 18**



pass. It's value as a source of revenue and/or its impact on the Lottery is undetermined at this time.

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.

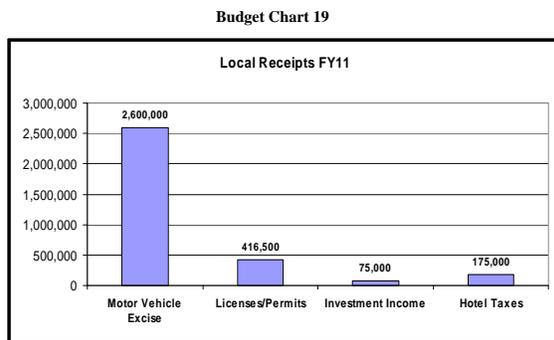
# Executive Budget

## 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 \$ 400,000 in the last fiscal year. 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 adjustments in the functional areas include the following:

## Expenditures

### General Government:

- Most expense accounts level funded.
- 0.0% COLA's for non-union & union proposed.
- \$23,000 restored to Assessor's Personal Property Update Program.
- \$24,000 increase in Tax Title Takings Program
- \$22,000 to Collective Bargaining expenses
- \$50,000 reduction to I.T.T.F budget due to end of reimbursement.

### Public Safety:

- One vacant police officer position unfunded
- One vacant firefighter position unfunded
- Police overtime funding increased by \$32,880 (14%).
- Police expenses funding increased by \$25,000 (6%).
- Fire overtime funding increased by \$47,200 (10.9%)
- Wire Department funding increased by \$26,120 (15%)
- Police & Fire Indemnification accounts funding increased by \$25,000 (25%).

### Education:

- Local Net School Spending appropriation increases of \$700,000.
- Preliminary Net School Spending requirements and other spending during FY2011 can be summarized as follows:

- Net School Spending Requirement

Chapter 70	\$ 39,420,116
Stimulus Funding	\$ 211,625
Education Jobs Grant	\$ 2,394,129
Net City Minimum Contribution	\$ 21,870,806
Sub Total:	\$ 63,896,676
School Transportation**	\$ 2,600,000
- School Debt Service***	\$ 4,114,869

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

\*\*\* Includes pay-off of Samoset School Debt

# Executive Budget

## Summary Continued

City of Leominster

Budget Table 5

Functional Area	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
General	2,806,748	2,726,093	2,749,371	2,685,663	2,429,028	2,348,021	2,137,752.32	2,024,898	2,175,738
Public Safety	13,353,880	13,344,559	13,969,773	13,261,360	12,311,596	12,382,045	11,267,559	10,921,058	11,172,585
Education	59,262,000	58,709,723	59,609,723	45,430,328	43,767,968	42,404,000	41,280,682	39,951,363	41,760,405
Public Works	4,537,300	4,376,265	4,817,637	4,934,286	4,711,284	4,469,462	4,315,061	4,157,508	4,366,108
Human Services	761,464	646,226	682,559	683,376	608,308	575,505	516,573	515,472	499,932
Culture and Recreation	1,742,957	2,416,432	1,719,258	1,609,172	1,361,142	1,298,494	1,238,512	1,171,226	1,151,200
Debt Service	5,698,088	3,197,368	4,204,522	3,965,993	3,905,039	3,942,095	3,981,020	4,059,533	3,052,102
Misc	11,875,883	14,588,017	11,447,157	19,325,822	18,980,636	15,968,314	14,111,541	12,403,942	11,663,387
Other	4,629,580	4,264,414	4,025,829	3,881,683	3,630,650	3,614,034	4,207,454	3,457,192	1,603,522
<b>Totals</b>	<b>104,667,900</b>	<b>104,269,097</b>	<b>103,225,829</b>	<b>95,777,683</b>	<b>91,705,651</b>	<b>87,001,979</b>	<b>83,056,154</b>	<b>78,662,192</b>	<b>74,444,979</b>

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

### **Public Works:**

- Public Works expenses increased by \$26,355 (12%)
- Snow & Ice expense funding increased by \$80,000 (20%),
- Street Lighting expenses funding increased by \$20,000 (4.9%).
- Sidewalks, Curbing & Road Patching funding increased by \$34,160 (\$21.6%)
- Street Marking expenses increased by \$10,000 (67%)
- Sanitation/Drainage expense funding increased by \$20,000 (200%).

# Executive Budget

## Summary Continued

City of Leominster

### Human Services:

- Veteran's Service benefit expense funding increased by \$112,500 (77.5%)
- Other Departments level funded.

### Culture & Recreation:

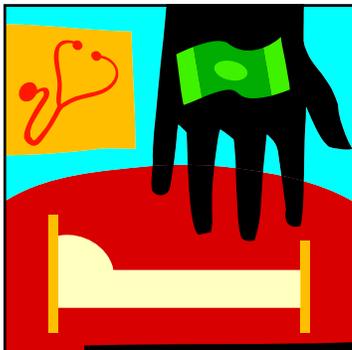
- Doyle Field expense funding increased by \$10,000 (\$37%)

### Debt Service:

- Samoset School debt pay-off funding of additional \$2,225,000
- High School Renovation Project funding at \$275,000.
- Final payment for Court House Project being funded by rental payments (City Subsidy payment amount used for HS Renovation Project).

### Miscellaneous (Retirement & Insurance):

- Retirement assessment funding increased by \$50,000
- Group Insurance-Active Employees - funding increased by \$194,748.
- OPEB (Retirement Health Insurance) funding increased by \$20,000.
- Other Insurances (W/C, P/L, Unemployment & Medicare) net level funded.



## 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 \$12,645,000 in bond principle amounts outstanding as of 6/30/10 within the General Fund.

The City had no balance in bond anticipation notes outstanding as of 6/30/10 within the General fund.

The City additionally had a \$ 38,111,604 Unfunded Pension Liability as of 1/1/2010.

The City also had \$16,950,008 in unfunded Other Post Employment Benefits (OPEB) Liability as of 6/30/2010, if the City properly funds this amortization. If the City does not fund this amortization requirement, the unfunded liability is \$16,950,008 as of 6/30/2010.

The City recognized \$16,950,008 of this liability in its entity wide Financial Statements for FY10.

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

6/30/2010	General Fund	
	Debt Principle	\$ 12,645,000
6/30/2010	General Fund	
	B.A.N.S.	\$ 0
1/1/2010	Unfunded Pension Liability	\$ 38,111,604
6/30/2010	Unfunded OPEB Liability Recognized	\$ 16,950,008
		\$ 67,706,612

# Executive Budget

## Summary Continued

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 was 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 High School Renovation 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.

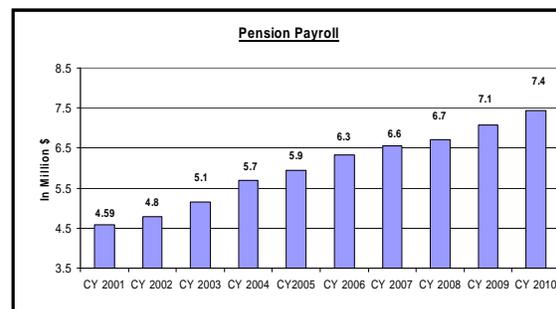
The City was able to significantly increase the Library Debt Service payments due to the net decrease in the School Addition loan. The City has begun to find funding sources to pay for its estimated \$12,500,000 share of the remaining \$42,400,000 total bonding amount of the project.



### Unfunded Pension Liability

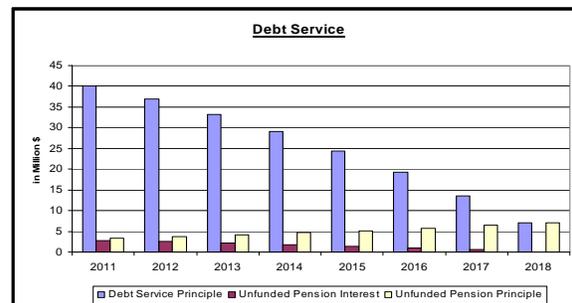
The second largest debt-like obligation for the City of Leominster is the Unfunded Pension Liability of \$38,111,604 as of 1/1/2010. The pension payroll has increased a total of \$2,848,580 since FY 2000.

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 2018. This will eventually allow for some of these funds (total estimated to be \$7,102,233) to be utilized toward the significant unfunded liability and service costs of Other Post Employment Benefits (OPEB) obligations that have been reported by the City of Leominster within the Fiscal Year 2010 financial statements and for future years.

Budget Chart 21

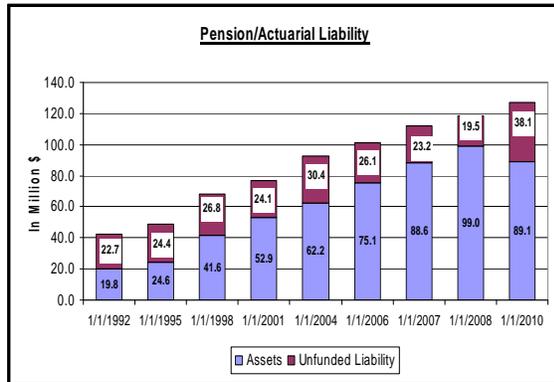


# Executive Budget

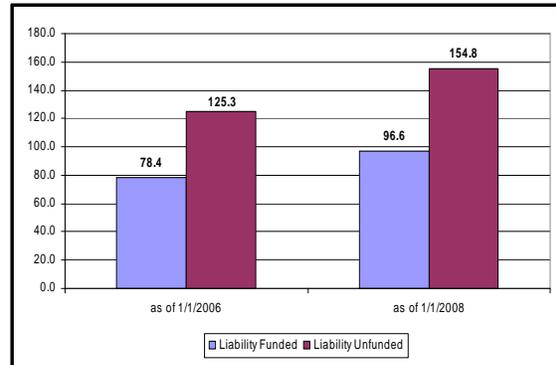
## Summary Continued

City of Leominster

Budget Chart 22



Budget Chart 23



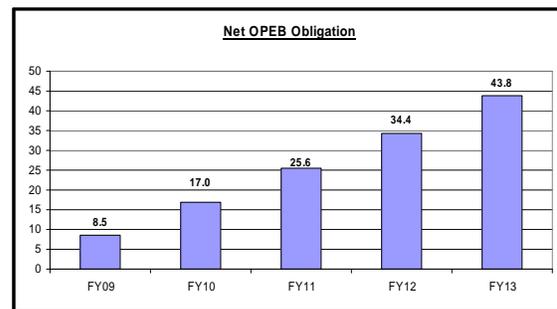
### Unfunded Other Post Employment Benefit Liability

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 an annual required contribution of \$14,506,431 in FY 2011 if not properly funded. This compares to an estimated FY 2011 appropriations of \$5,918,075 for the “pay as you go” method imbedded in the FY11 budget. A big new cost factor is the required set aside amount in the current fiscal year (FY11 cost estimate is \$4.2 million) for the retiree benefits for current active employees (actuarial term: normal cost).

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.

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 form 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



If the City does not fund OPEB expenses beyond the estimate of “pay as you go” amounts currently in the budget, the chart above shows how the unfunded net OPEB obligation will grow from \$8.5 million in FY09 to \$43.7 million in FY13.

# Executive Budget

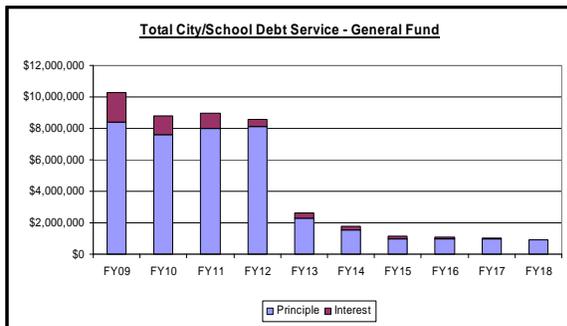
## Summary Continued

City of Leominster

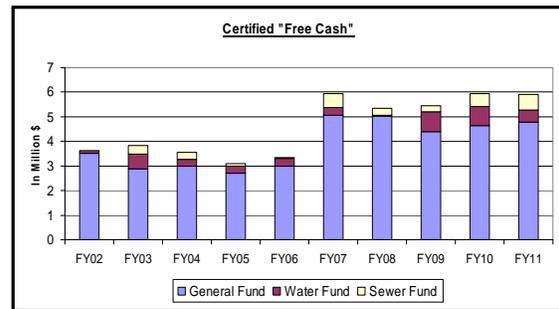
The chart below illustrates total debt service over time for currently outstanding principle and interest payments for the General Fund. The City intends to call FY12, FY13, & FY14 principle amounts owed on the Samoset Middle School Project and completely payoff all outstanding debt. The State has agreed to prepay its' share (at a slight discount) to allow the City to accomplish this.

was closed out to the General Fund in the amount of \$634,886. The remaining \$ 4,777,733 represents 3.86 % of the total amount to be raised during FY 2011 of \$123,698,288. 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 25



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

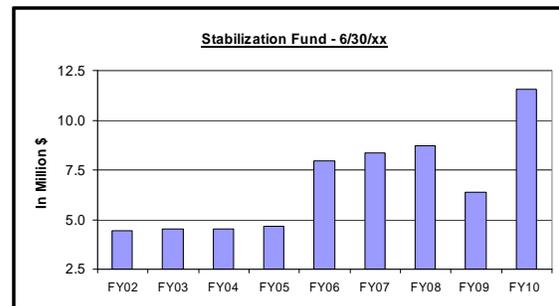
The State Certifies a portion of the City's surplus revenues as legally available for spending. The General Fund Fiscal Year 2011 certified "Free Cash" amount certified by the State was \$ 5,906,596. Imbedded within this amount was a Water Surplus closed out to the General Fund in the amount of \$ 494,277. 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 6/30/10 balance of \$11,550,507 represents 9.34 % of the total amount to be raised during Fiscal Year 2011 (\$123,698,288).

The City has a fiscal goal to grow its Stabilization Fund balance to 10% of the Total Amount to be Raised.

Budget Chart 27



# Executive Budget

## Summary Continued

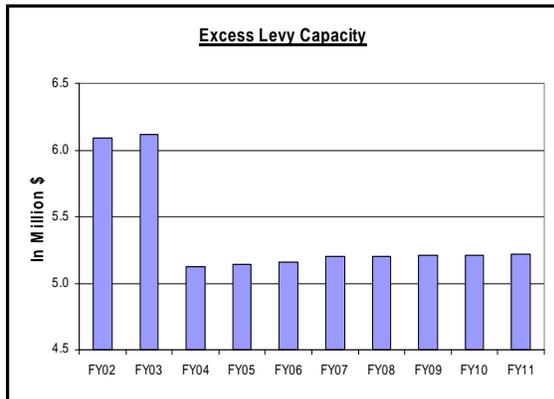
City of Leominster

### Excess Levy Capacity

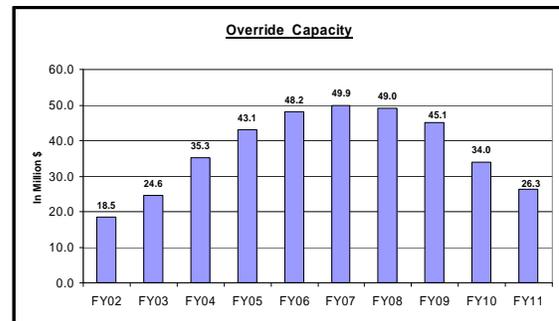
Excess Levy Capacity is the amount of a tax increase the City could raise through the tax levy in addition to the current year's Proposition 2 1/2 % increase before the need for an override. The cumulative excess levy capacity not levied on taxpayers during the past 10 years was \$53,676,974. The amount of Excess Levy Capacity for FY 2011 was \$5,222,736.

The FY 2011 tax levy of \$ 50,691,118, along with excess tax levy capacity of \$5,222,736 equaled this FY 2011 Levy Limit of \$55,913,854. The difference between the FY 2011 ultimate tax levy ceiling of \$82,237,375 and the FY 2011 tax levy limit of \$55,913,854 is equal to the FY 2011 tax override capacity of \$26,323,521. 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 ; \$15.41 FY11 tax rate). The following chart shows the override capacity amounts for the past 10 years.

Budget Chart 28



Budget Chart 29



### 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 \$3,289,494,997 for FY 2011 which translates to an \$82,237,375 ultimate tax levy ceiling. The FY 2011 Levy Limit of \$ 55,913,854 was calculated by taking the FY 2010 tax levy limit of \$53,733,040 and adding the FY 2011 "Certified New Growth of \$837,488 along with the allowed Proposition 2 1/2 increase of \$1,343,326.

This override capacity means that the voters of the City of Leominster could authorize permanent overrides, debt exclusions, or capital exclusions totaling \$26,323,521 for Fiscal Year 2011.



# 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 2010 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. The State is contemplating consolidating courts resulting in the closure of the Leominster Court

#### **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 not begun to accumulate funds for OPEB related costs. The State has not yet created the irrevocable trust needed to place funds for investment purposes. The City has decided to appropriate additional 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	FY10 Beginning Balance	FY10 Inflows	FY10 Outflows	FY10 End Balance	FY11 Beginning Balance
Emergency Reserve	100,000	0	(99,028)	972	100,000
Chapter 90	(99,556)	917,234	(1,089,000)	(271,322)	(271,322)
Gallagher Revolving	211,062	189,096	0	400,158	400,158
Parking Meter	14,926	31,117	(25,000)	21,043	21,043
Wetland Fees Reserved	41,518	5,643	(10,600)	36,561	36,561
Cemetery Perpetual Care	1,270,531	47,884	(20,836)	1,297,579	1,297,579
Cemetery Sale of Lots	672,472	45,635	(6,500)	711,607	711,607
General Fund Capital	375	157,817		158,192	158,192
Weights & Measures	7,228	12,325	(4,672)	14,881	14,881
Sale of Real Estate	2,842	0	0	2,842	2,842
Library State Aid	45,906	23,744	(63,800)	5,850	5,850
GAAP Undesignated Fund /General	10,194,630	0	0	7,609,020	7,600,000 est
Statutory Certified "Free Cash"	5,953,236	0	(5,123,470)	829,766	5,906,596
FY10 estimate	reflects \$ 3 mil	transfer to	Stabilization	Fund	

# Executive Budget

## Summary Continued

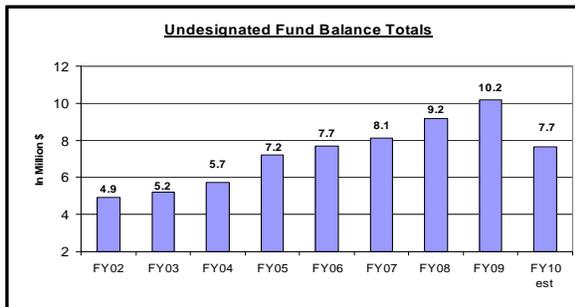
City of Leominster

### 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.

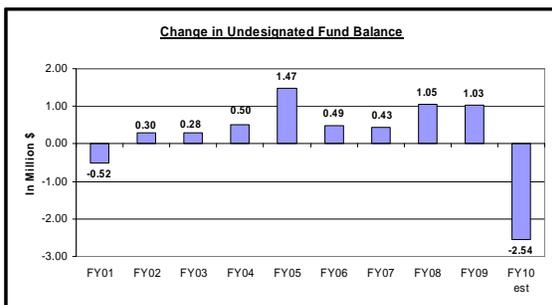
Budget Chart 30



(\* The City transferred \$3,000,000 from the General Fund [Overlay Surplus] to the Stabilization Fund during FY10, leaving a net balance of \$7,194,630. Thus the FY2010 balance is actually an increase over the previous year.)

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

Budget Chart 31



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

Budget Chart 32

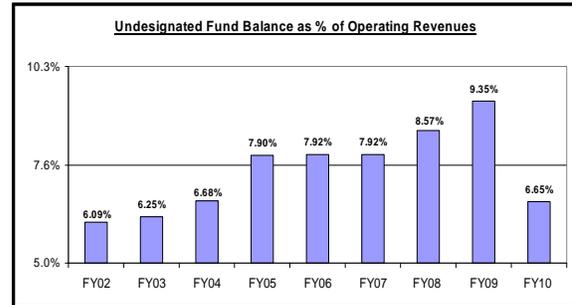


Table 8 Free Cash (in Thousand \$)

	FY10	FY09	FY08	FY07	FY06
Certified Free Cash	5,953	5,465	5,337	5,944	3,328
Water Capital Outlay	757	780	33	316	315
Sewer Capital Outlay	550	659	289	549	11
General Fund Capital	1,599	803	1,566	2,015	699
Operating Expense	541	463	688	498	385
Snow & Ice Expenses	440	600	711	207	510
Debt Service (i.e. temp interest)	130	385	430	530	175
School Transportation	617	722	627	595	587
Transfer to Stabilization	0	0	0	0	3,100
Overtime	489	280	493	224	395
<b>Total Appropriation</b>	<b>5,123</b>	<b>4,692</b>	<b>4,837</b>	<b>4,935</b>	<b>6,177</b>
<b>Free Cash Closeout</b>	<b>830</b>	<b>733</b>	<b>500</b>	<b>1,009</b>	<b>251</b>

# Executive Budget

## Summary Continued

City of Leominster

Budget Table 9 **FY10 to be developed**

CITY OF LEOMINSTER					
Massachusetts					
GENERAL FUND					
Balance Sheet					
June 30					
	2010	2009	2008	2007	2006
<b>ASSETS</b>					
Cash and Cash Investments		\$16,010,860	\$15,488,801	\$13,349,951	\$10,854,999
Investments		1,359,553		600,000	1,164,575
Receivables:					
Property Taxes		2,980,267	2,955,567	2,709,646	2,555,787
Tax Liens and Foreclosures			1,338,004		0
Excises		1,082,170	926,182	1,083,452	985,589
Other					0
Intergovernmental		1,404,689			0
Departmental, net		1,166,075		695,360	1,103,138
Total Assets	\$0	\$24,003,614	\$20,708,554	\$18,438,409	\$16,664,088
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Warrants Payable		\$1,421,983	\$879,157	\$1,093,260	\$1,207,685
Accounts Payable		780,925		627,775	0
Deferred Revenue		6,359,837		4,201,658	4,333,251
Accrued Payroll and Withholding		945,666	749,790		619,596
Accrued Interest			19,791	64,786	42,226
Other Liabilities		85,366	5,005,711	145,030	110,397
Total Liabilities	\$0	\$9,593,777	\$6,654,449	\$6,132,509	\$6,313,155
Fund Equity:					
Fund Balances:					
Reserve for Encumbrances		\$4,215,207	\$4,887,488	\$4,190,269	\$2,665,744
Unreserved Undesignated		10,194,630	9,166,617	8,115,631	7,685,189
Total Fund Equity	\$0	\$14,409,837	\$14,054,105	\$12,305,900	\$10,350,933
Total Liabilities and Fund Equity	\$0	\$24,003,614	\$20,708,554	\$18,438,409	\$16,664,088

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

**FY 2011 Estimates:** Management estimates that while the City has positioned itself better than most for FY 2011, 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 2010 are expected to result in a reduction in the Undesignated Fund Balance in the General Fund due to the transfer of \$3,000,000 from Overlay Surplus to the Stabilization Fund. Absent this transfer, the City General Fund would have an increase in the Unreserved, Undesignated Fund balance.

# Executive Budget

## Summary Continued

City of Leominster

**Budget Table 10 FY10 to be developed**

CITY OF LEOMINSTER Massachusetts					
Combined Statement of Revenues, Expenditures and Changes in Fund Balances					
General Fund					
	2010 (2)	2009 (2)	2008 (2)	2007 (2)	2006 (2)
<b>Revenues:</b>					
Property Taxes		\$46,115,264	\$43,691,412	\$41,883,181	\$40,664,528
Excises		4,303,885	4,289,637	4,348,967	4,585,822
Charges for Services		1,461,529	1,226,772	1,238,767	1,214,459
Interest, Penalties and Other Taxes		276,951	241,034		
Licenses and Permits		719,754	742,134	915,988	877,473
Fines and Forfeitures		199,583	230,884	250,110	210,919
Intergovernmental		54,748,016	53,913,976	52,386,665	48,070,911
Interest Earnings		404,125	841,490	958,955	717,412
Miscellaneous		847,796	1,738,878	247,803	269,608
<b>Total Revenue</b>	<b>\$0</b>	<b>\$109,076,903</b>	<b>\$106,916,217</b>	<b>\$102,522,927</b>	<b>\$97,061,455</b>
<b>Expenditures:</b>					
General Government		\$4,225,714	\$3,585,137	\$3,016,930	\$3,084,092
Public Safety		14,371,651	14,318,917	13,476,449	13,357,627
Education		65,496,182	55,060,848	51,553,006	50,374,794
Public Works		9,184,748	7,564,937	6,131,285	5,761,061
Human Services		779,153	736,455	765,526	591,175
Culture and Recreation		1,984,113	1,814,613	1,692,859	1,341,475
Employee Benefits		10,472,064	17,988,036	18,017,004	15,301,665
Debt Service		4,635,026	4,114,781	4,179,760	4,087,890
Intergovernmental		2,500,380	2,362,278	2,242,403	2,114,900
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$113,649,031</b>	<b>\$107,546,002</b>	<b>\$101,075,222</b>	<b>\$96,014,679</b>
Excess of Revenues over (under) Expenditures	0	(4,572,128)	(629,785)	1,447,705	1,046,776
<b>Other Financing Sources (Uses):</b>					
Operating Transfers in		6,367,020	2,874,452	1,547,636	3,096,087
Operating Transfers out		(1,439,160)	(496,462)	(1,040,374)	(3,463,464)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>4,927,860</b>	<b>2,377,990</b>	<b>507,262</b>	<b>(367,377)</b>
Change in Fund Balance	0	355,732	1,748,205	1,954,967	679,399
Fund Equity, Beginning		14,054,105	12,305,900	10,350,933	9,671,534
<b>Fund Equity, Ending</b>	<b>\$0</b>	<b>\$14,409,837</b>	<b>\$14,054,105</b>	<b>\$12,305,900</b>	<b>\$10,350,933</b>

In FY09/FY10 the City incurred a significant expense associated with a highly unusual ice storm event. The City tapped into the Stabilization fund to pay for expenses related to the Ice Storm. Appropriations totaled \$3,245,000. Reimbursements from the Federal and State government have totaled \$2,846,865.60 as of 12/1/2009. The \$407,134.40 balance is expected to be reimbursed in the near future by the State and Federal governments.

Both the Water and Sewer funds surplus are 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 or debt services payments in the short term.