

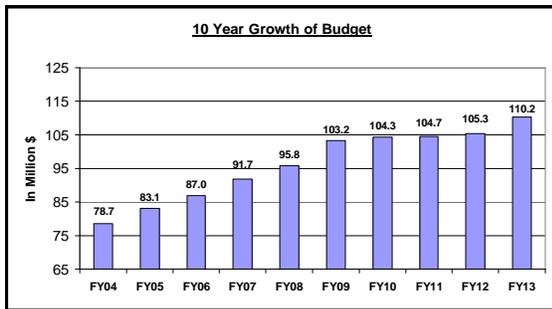
Executive Budget Financial Summary

City of Leominster

Introduction

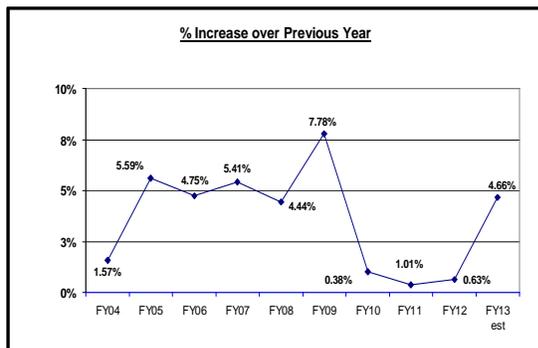
The Fiscal Year 2013 General Fund Budget total of \$110,227,323 represents a 4.7 % increase over the Fiscal Year 2012 Budget total of \$105,324,203.

Budget Chart 1



The 4.7% budget increase was possible because of Certified New Tax Growth (\$586,523) and a Proposition 2 1/2 Tax Levy Increase (\$1,443,720). The amount also includes one time State Aid that totals \$666,642.

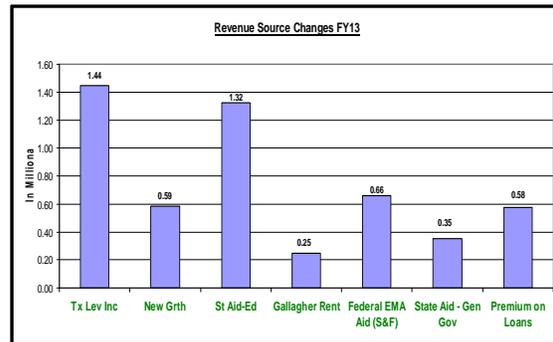
Budget Chart 2



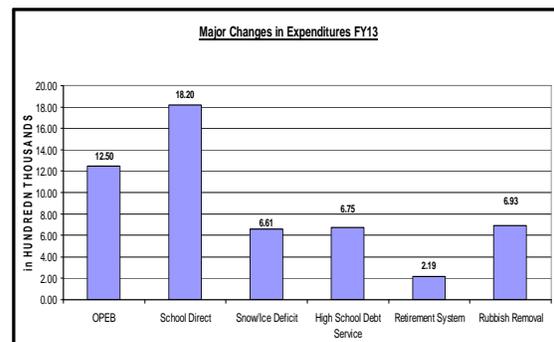
The major changes in General Government revenue sources from FY12 to FY13 include a Proposition 2 1/2 tax increase (\$1,443,720), and Certified New Tax Growth (\$586,523). Chapter 70 State Aid Education was increased by \$1,379,246. State Aid-General Governmental

Aid was increased by \$350,012. Local Receipts (elastic-type which contract during economic downturns) estimates were increased by \$1,206,335 (one-time payment).

Budget Chart 3



Budget Chart 4



Required Net School Spending (NSS) to the School Department was increased by \$2,333,944. The local required district contribution increase of \$954,698 along with the State Aid increase of \$1,379,246 results in a net increase of \$2,333,944 in the Net School Spending requirement for FY13 (\$66,413,237) or 3.64% increase over the FY12 Net School Spending requirement (NSS) of \$64,079,293.

Executive Budget

Summary continued

City of Leominster

In FY13, collective bargaining reserves have been imbedded within the FY 2013 budget. The City has not settled contracts with the various City unions since FY 2009. The City has negotiated settlements during FY 2013 with most major unions and also the non-union group. In general, terms include a 0.00% wage increase for FY 2010 and FY 2011, a 2% wage increase for FY 2012, along with a 2% increase as of 7/1/12 for FY 2013 with a 1% increase slated for 1/1/2013, the second half of FY 2013. Future settlement increases include a 3% increase slated for FY 2014 along with a similar 3% increase for FY 2015. The City has imbedded \$693,000 within the FY 2013 budget to pay for the cumulative costs of the FY12 and FY13 settlements.

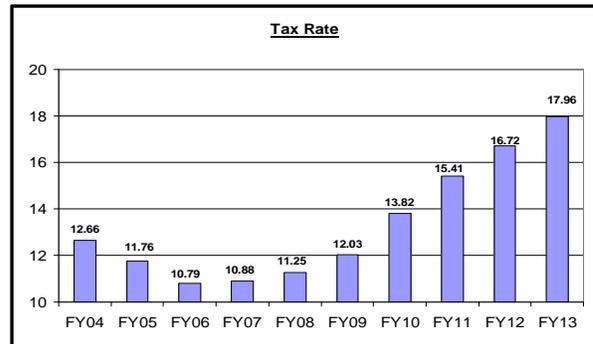
The City was able to fund the High School Renovation Debt Service with a \$500,000 appropriation (\$100,000 increase). The City also appropriated \$575,000 additional due to a premium loan payment.

The City has introduced an OPEB funding line item for Active employees (Normal Costs) within the Group Health Insurance budget category to more responsibly fund the retiree health insurance benefits earned during the fiscal year. It is the City's intention to fully fund this newly recognized expense category as soon as possible. The State has already passed legislation to assist the City with reducing these costs and the Governor has submitted additional cost reduction initiatives to further reduce this tremendous burden.

Tax Base Information

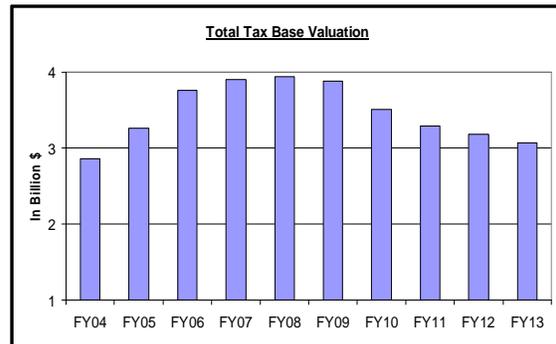
The Total Assessed Valuation of the City has again decreased. The City has utilized a Proposition 2 1/2 increase for FY13.

Budget Chart 5



The Total Assessed Valuation for the City declined to \$3,072,545,471 for Fiscal Year 2013. This still represents a 20.0% increase over the Fiscal Year 2003 Total Assessed Valuation of \$2,560,947,710.

Budget Chart 6



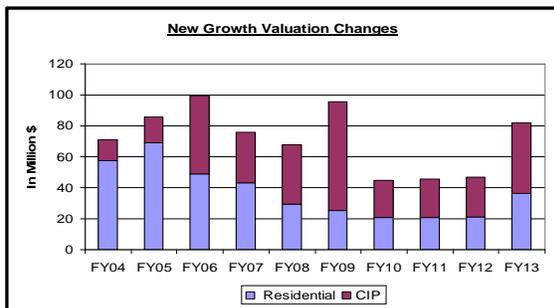
The \$511,597,761 increase in valuation during the past 10 year period includes Certified New Growth valuations of \$8,827,126 which resulted in growth in the tax levy equal to \$21,906,171 (unadjusted for future tax levy increases). This Certified New Growth accounted for 40.3% over the past 10 years of the total increase in the Tax Levy of \$21,906,171.

Executive Budget

Summary Continued

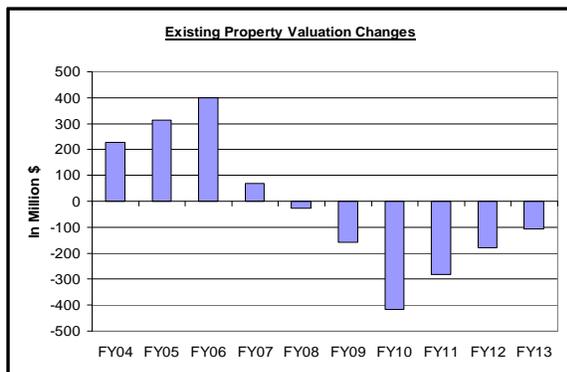
City of Leominster

Budget Chart 7



Existing property valuation net changes amounted to a decrease of \$106,442,200 in value during FY 2013. Certified New Growth valuation totaled \$35,079,100 for FY13 helped to offset the decrease of \$149,521,300 in valuation adjustments for FY13.

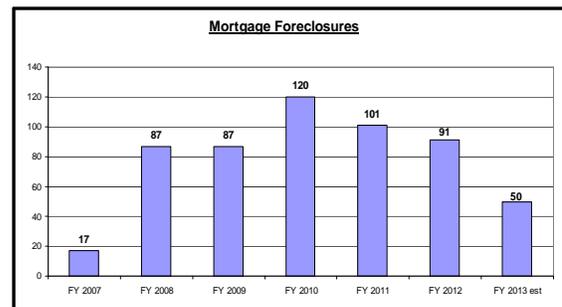
Budget Chart 8



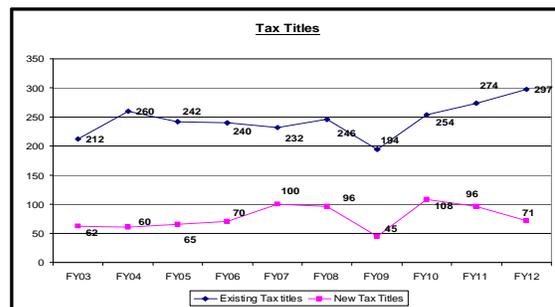
This is the sixth consecutive decrease in valuation changes of existing properties since FY03. Property values for residential properties continue to decline during calendar year 2012 sales which are reflected in FY 2013 real estate values. Foreclosures of property in Leominster began to increase significantly 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 market rate terms not as favorable.

Since many of these mortgages are “underwater”, they are unable to obtain favorable refinancing rates currently available.

Budget Chart 9



Budget Chart 10



The City has also seen a decrease in the number of new tax titles for FY 2011 which were advertised in November of 2011 (FY12). The number of new tax titles decreased to 96 from 108 in FY 2011.

Executive Budget Summary Continued

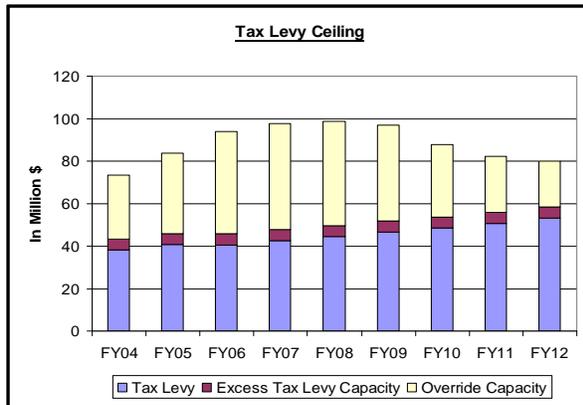
City of Leominster

The overall Net Valuation decrease has served to lower the City of Leominster ultimate levy ceiling to \$ 76,813,637 in FY 2013. 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:

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

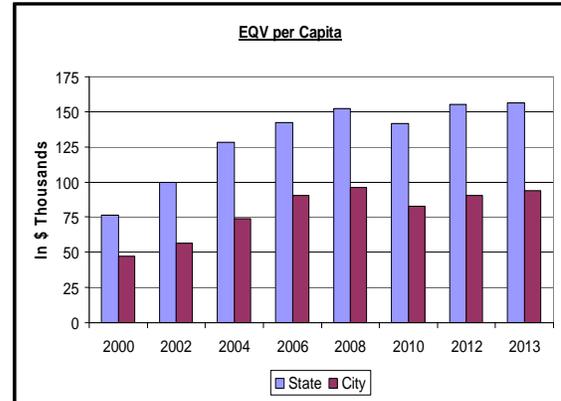
This net decrease in valuation has resulted in the City having \$16,396,077 in current override capacity in FY 2013.

Budget Chart 11



The City trails the State-Wide EQV per Capita average through FY 2013. The figures for FY 2013 indicate that the Leominster EQV per Capita of \$94,074 equates to 60.1% of the State-Wide EQV per Capita average of \$156,493. The FY13 EQV for Leominster is \$3,457,197,500 with a census population of 40,759 that translates into a \$94,074 EQV per Capita for FY 2013.

Budget Chart 12



Revenues

State Aid - General Government revenue, Lottery Aid and Hold Harmless Aid was increased by 7.79% (\$350,012) in FY 2013. All indications point to the City becoming more self reliant for revenue growth for the foreseeable future.

Budget Table 1

General Fund Revenue Sources

Fiscal Year	Tax Levy %	State Aid %	Local Receipts %
FY13	50.0%	44.0%	6.0%
FY12	50.5%	44.4%	5.6%
FY11	48.4%	45.9%	5.6%
FY10	46.5%	45.1%	8.3%
FY09	45.3%	48.6%	6.1%
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

Executive Budget

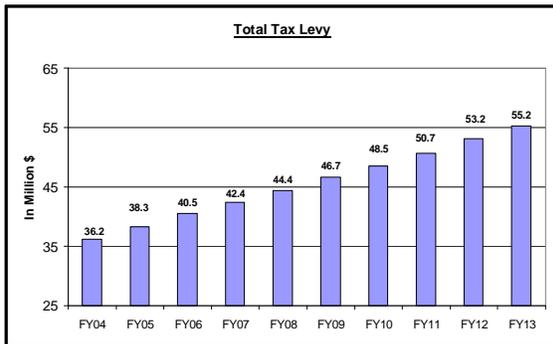
Summary Continued

City of Leominster

Property Tax Levy

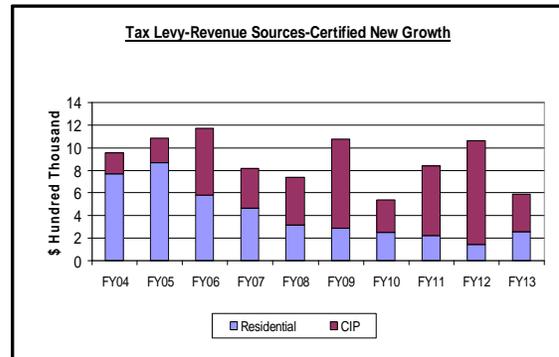
In FY 2013, the Property Tax Levy is \$55,182,917. This represents a 3.82% increase over the FY 2012 Property Tax Levy of \$53,152,674. In FY 2013 a single "Proposition 2 1/2" tax levy increase yields additional tax revenue of \$1,443,720. The amount of tax revenue raised by so called "Certified New Growth" yielded \$586,523 in additional tax revenue in FY 2013. Of this amount, \$330,966 was related to Commercial, Industrial & Personal Property new value, while \$255,557 was related to Residential New Growth.

Budget Chart 13



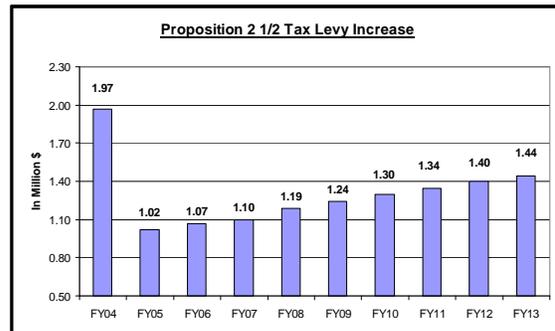
Since FY 2003, the property tax levy has grown from \$33,292,320 to \$55,182,917 for a total increase of \$21,890,597. "New Growth" has been certified for a total of \$8,897,276 during this period. This is equal to more than 40.6% of the total levy increase during this ten year time period. Of the amount, \$4,137,430 was residential new growth, while \$4,769,846 was commercial, industrial, and personal property new growth (CIP). CIP growth during FY13 was \$330,966 compared to \$255,557 in residential new growth.

Budget Chart 14



The Proposition 2 1/2 total tax increase during this 10 year period was \$12,993,326.

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 \$5,234,643 in Excess Levy Capacity in FY 2013. The cumulative total of tax capacity not levied since FY 2003 totaled \$51,934,487 (see Budget Chart 28). The cumulative total of unused tax capacity since FY 1997 is \$85,917,513. The City could have raised this money through the tax levy without a Proposition 2 1/2 override vote.

Executive Budget

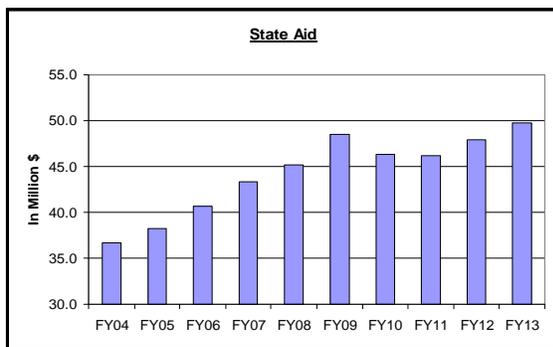
Summary Continued

City of Leominster

State Aid and Revenue Summary

State Aid-General Government has a net increase of \$350,012 for FY13 (+7.8%). Three categories of State Aid that remain unfunded for FY 2013 are the School Transportation, Highway Fund Reimbursement, and Police Career Incentive 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 \$ 42,835,377 Chapter 70 award for FY 2013 reflects a \$ 1,379,246 increase over the FY 2012 award of \$41,456,131.



Fiscal Year	Chapt 70	School Transp	School Constr	Charter School	Total Ed Aid
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
2012	41.5	0.00	0.00	0.22	41.7
2013	42.8	0.00	0.00	0.17	43.0

Budget Table 2

In Million \$

Budget Table 2a

Fiscal Year	Chapt 70	SFSF Grant	Education Job's Grant	Total
2010	39.7	2.20	0.00	41.9
2011	39.4	0.21	2.39	42.0
2012	41.5	0.00	0.00	41.5
2013	43.0	0.00	0.00	43.0

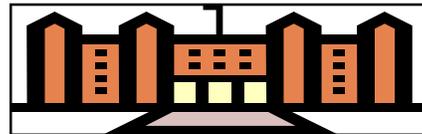
**Includes \$36,220,613 Chapter 70 Aid and \$4,256,774 in Stimulus Funding. FY2011 School Construction Reimbursement includes early payoff of Samoset School (\$2,224,205 additional payment). FY10 includes \$39,667,839 Chapter 70 Aid, \$211,625 Stimulus Funding and \$2,394,129 Education Jobs Grant.

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 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 \$27,625,050 (41.60% of the Foundation Budget). The FY 2013 preliminary required local contribution is \$23,351,628 after the FY13 MRGF addition (\$728,466 increase over FY12) which is 6.43 % below the “target share”. Since the City is greater than 5% below the “target share” required percent (41.6% required), the City was said to be 6.43 % below target and therefore must contribute an additional 1% of the previous FY12 required local contribution. For FY13, this translates into an additional \$226,232 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 under its “target share” for a considerable time in the foreseeable future, and therefore may place additional financial requirements on the City over the normal MGRF.

The required local contribution with the penalty is \$23,577,860 for FY13. This amount is \$954,698 greater than the FY12 amount.

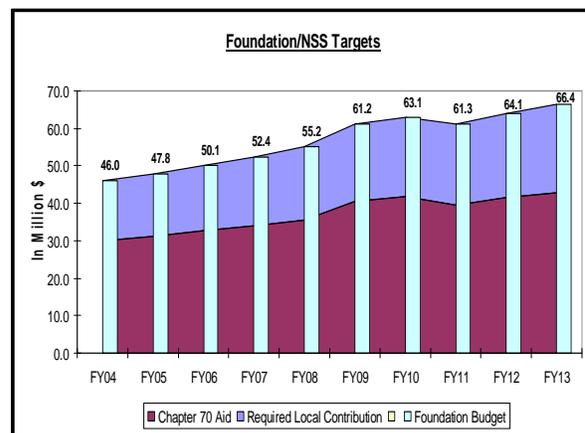


In addition to NSS requirements, there are cost centers such as debt service, transportation and capital outlay expenses which are not included in the Required Net School Spending calculations. The City has been awarded a grant for the rehabilitation of the High School. This loan order is expected to be reimbursed by the State at around the 72% mark. The loan order approved by the City Council totaled \$42,400,000. Construction began in the spring of 2011. The City has continued increasing funding of the debt service for this project by growing the appropriation to \$500,000 in FY13. School Transportation was level funded during FY13.

Budget Table 3

Fiscal Year	% Under Target Share	% Penalty	\$ Amount
FY09	10.26%	2.00%	392,171
FY10	10.11%	2.00%	414,446
FY11	7.58%	1.00%	211,865
FY12	6.58%	1.00%	218,708
FY13	6.43%	1.00%	226,232

Budget Chart 17



Executive Budget

Summary Continued

City of Leominster

State Aid-General Government

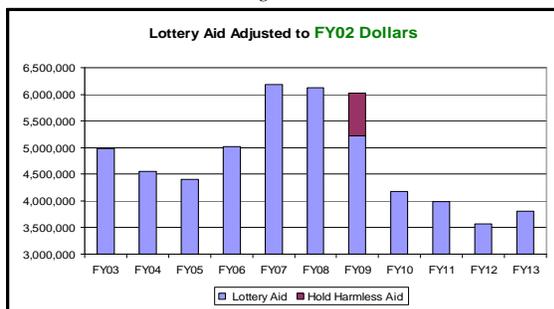
The total State Aid-General Government the City is estimated to receive in FY 2013 is \$5,422,581. This section of the “Cherry Sheet” is \$341,903 more than the amount of \$5,100,678 aid received in FY 2012 .

The FY 2013 Unrestricted General Government Aid of \$4,840,828 is more than the award given in FY 2012. 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

Budget Table 4

Gen Government	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Lottery	4,779,809	4,779,809	5,633,456	6,988,649	7,111,354	6,167,107	5,042,529	4,840,828	4,490,816	4,840,828
Additional Assistance	11,693	11,693	11,693	11,693	11,693	11,693	0	0	0	0
Highway Fund	0	0	0	0	0	0	0	0	0	0
Police Incentive	135,209	154,288	163,770	193,305	214,978	203,977	34,078	17,003	0	0
Veteran's Benefits	32,212	27,428	45,792	35,829	56,447	122,064	101,564	153,830	230,824	223,630
Exemptions Vets, Blind/Survivor Spouse	53,178	51,049	55,547	50,068	111,001	112,319	180,766	228,633	241,933	240,974
Abatements Elderly	62,372	63,354	63,332	63,322	63,292	63,290	0	0	0	0
State Owned Land	25,003	39,124	49,823	93,033	103,942	111,448	100,399	132,371	137,105	137,149
Hold Harmless Aid						944,247	0	0	0	0
Total State Aid	5,923,992	5,099,476	5,126,745	6,023,413	7,441,899	7,672,707	5,459,336	5,372,665	5,100,678	5,442,581
Gen Gov										

Budget Chart 18



has passed. 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.

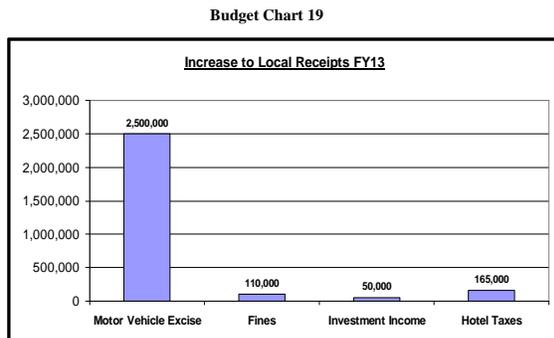
Executive Budget

Summary Continued

City of Leominster

Local Receipts

We are projecting that local elastic type receipts will not continue their downward spiral. Since the State has funded the District Court lease, we are able to estimate that the City will receive payments of \$265,000 for FY 2013. The City issued bonds for the High School Project and received bond premiums of \$575,000 that have been appropriated toward the High School debt service. Additionally the City has received a Federal Emergency Management Agency (FEMA) reimbursement of \$661,000 to eliminate the Snow & Ice deficit carried forward to FY 2013 due to the October 2011 snow storm.



Expenditures

Budget adjustments in the functional areas include the following:

General Government:

- Most expense accounts level funded.
- 2.5 % COLA's for non-union & union proposed.
- \$20,000 restored to Planning Department wages to restore part-time clerk.

- \$9,864 increase in Municipal Building Maintenance
- \$12,897 to Information Technology.
- \$693,000 reserved for FY13 collective bargaining settlement.

Public Safety:

- Police overtime funding increased by \$22,000
- Police wages funding increased by \$100,000.
- Fire expense funding increased by \$12,000
- Sealer Weights & Measures wages increased by \$10,000 for part-timers.

Education:

- Chapter 70 increase of \$1,379,246
- Local Net School Spending appropriation increase of \$954,698.
- Preliminary Net School Spending requirements and other spending during FY 2013 can be summarized as follows:

- Net School Spending Requirement

Chapter 70	\$ 42,835,377
Net City Minimum Contribution	\$ <u>23,577,860</u>
Sub Total:	\$ 66,413,237
School Transportation**	\$ 2,600,000
School Debt Service***	\$ 1,845,000

Executive Budget

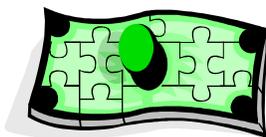
Summary Continued

City of Leominster

Budget Table 5

Functional Area	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
General Government	3,392,933	2,882,132	2,806,748	2,726,093	2,749,371
Public Safety	14,056,342	13,642,267	13,353,880	13,344,559	13,969,773
Education	63,466,000	61,586,442	59,262,000	58,709,723	59,609,723
Public Works	5,730,427	4,957,699	4,537,300	4,376,265	4,817,637
Human Services	851,445	806,063	761,464	646,226	682,559
Culture and Recreation	1,747,958	1,703,953	1,742,957	2,416,432	1,719,258
Debt Service	3,070,299	2,466,029	5,698,088	3,197,368	4,204,522
Misc	13,511,596	12,032,415	11,875,883	14,588,017	11,447,157
Other Amts Raised	4,400,322	4,827,191	4,629,580	4,264,414	4,025,829
Totals	110,227,322	104,904,191	104,667,900	104,269,097	103,225,829

This budget chart 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 level funded
- Snow & Ice expense funding increased by \$661,000 (eliminates FY12 deficit).
- Refuse Collection expenses funding increased by \$104,300
- Wages increased by 2.5%

Executive Budget

Summary Continued

City of Leominster

Human Services:

- Veteran's Service benefit expense funding increased by \$15,000
- Other Departments level funded.

Culture & Recreation:

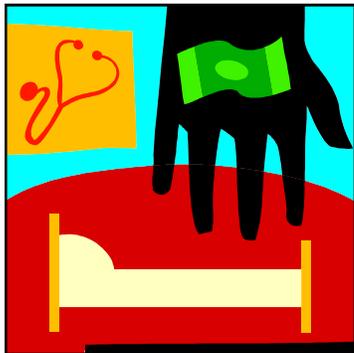
- Recreation funding increased by \$29,012

Debt Service:

- High School Project funding increased by \$100,000
- High School Project funding an additional \$575,000 due to premiums on loan received

Miscellaneous (Retirement & Insurance):

- Retirement assessment funding increased by \$218,803
- Group Insurance-Active Employees OPEB funding at \$1,250,000 (City & School)
- 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 \$39,737,313 in bond principle amounts outstanding as of 6/30/12.

The City had \$8,000,000 in bond anticipation notes outstanding as of 6/30/12 within the General fund.

The City additionally had a \$ 27,520,699 Unfunded Pension Liability as of 1/1/2011.

The City also had \$212,007,537 in unfunded Other Post Employment Benefits (OPEB) Liability as of 1/1/2011.

The City recognized \$37,424,297 of this liability in its entity wide Financial Statements as of 6/30/12.

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

6/30/2012	General Fund	
	Debt Principle	\$6,605,000
6/30/2012	General Fund	
	B.A.N.S.	\$8,000,000
1/1/2012	Unfunded Pension Liability	
6/30/2012	Unfunded OPEB Liability to be Recognized	\$39,590,187
	Total:	\$54,195,187

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 Skyview Middle School loan is scheduled to be fully paid in FY 2013. 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.

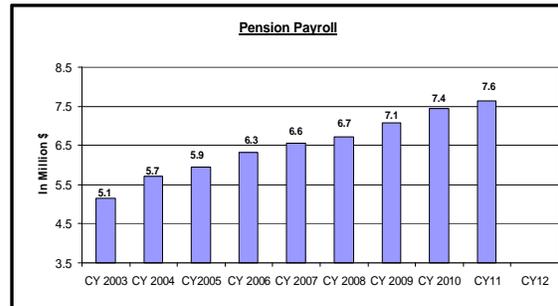
The City has begun to find funding sources to pay for its estimated \$12,500,000 share of the remaining \$42,400,000 total bonding amount of the High School Renovation Project.



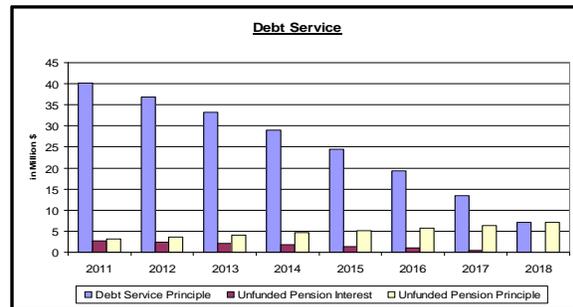
Unfunded Pension Liability

The second largest debt-like obligation for the City of Leominster is the Unfunded Pension Liability of \$27,520,699 as of 1/1/2011. (The pension payroll has increased a total of \$3,051,955 since FY 2000.)

Budget Chart 20



Budget Chart 21



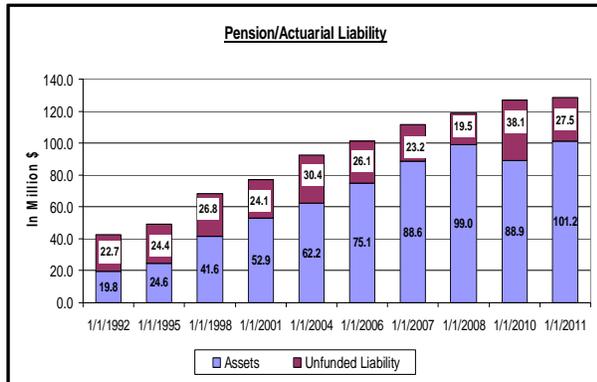
The Retirement System has reduced the time period of the funding schedule of the unfunded pension liability from the year 2028 to the year 2016. This will eventually allow for some of these funds (total estimated to be \$ 7,102,233) to be utilized toward the significant unfunded liability and service costs of Other Post Employment Benefits (OPEB) obligations that have been reported by the City of Leominster within the Fiscal Year 2011 financial statements and for future years.

Executive Budget

Summary Continued

City of Leominster

Budget Chart 22

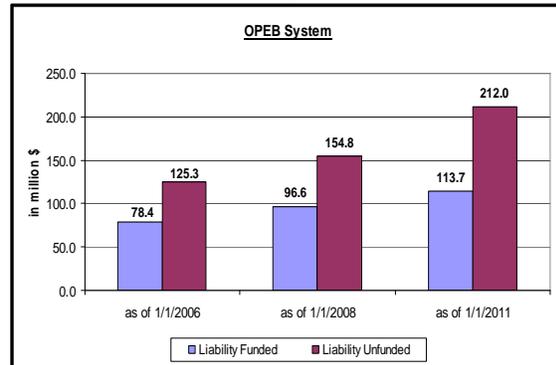


Unfunded Other Post Employment Benefit Liability

The City has completed its third 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 \$20,033,680 in FY 2013 if not properly funded. This compares to an estimated FY 2013 appropriations of \$7,394,120 for the “pay as you go” method imbedded in the FY13 budget. A big new cost factor is the required set aside amount in the current fiscal year (FY13 cost estimate is \$9.9 million) for the retiree benefits for current active employees (actuarial term: normal cost).

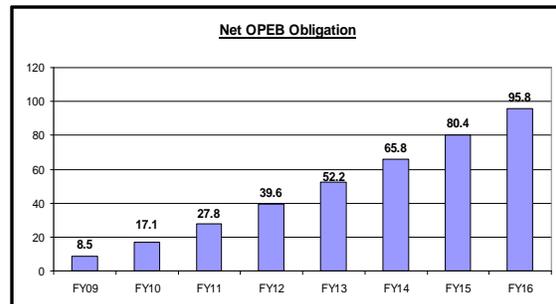
The newest actuarial report completed for the new OPEB GASB 45 requirement indicates an initial unfunded liability of \$ 133,404,332 of 1/1/2011 if properly funded. This would allow the actuary to utilize a 7.50 % discount rate for the investment rate of return. For as long as the City does not properly fund this new requirement, the discount rate of only 4.25%, which inflates the OPEB unfunded liability as for 1/1/2011 to \$212,007,537.

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. The city did successfully negotiate a new plan design for all City and School employees during FY 2012 based upon the recent State’s GIC products. This will be implemented on 7/1/12 and will impact future OPEB actuarial studies.

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 \$52.2 million in FY13.

Executive Budget

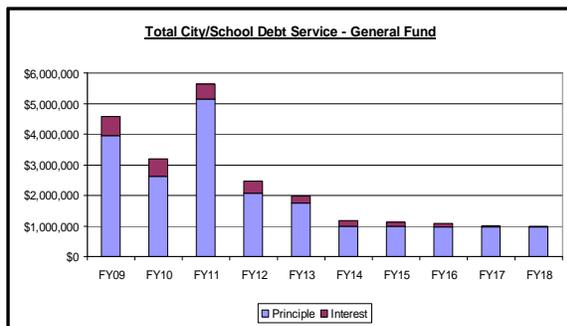
Summary Continued

City of Leominster

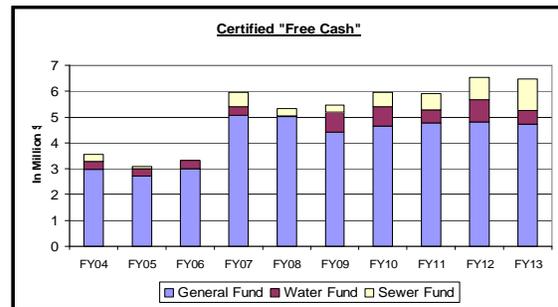
The chart below illustrates total debt service over time for currently outstanding principle and interest payments for the General Fund. The City called FY12, FY13, & FY14 principle amounts owed on the Samoset Middle School Project and completely paid all outstanding debt. The State agreed to prepay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

was closed out to the General Fund in the amount of \$1,211,527. The remaining \$ 4,735,874 represents 3.72 % of the total amount to be raised during FY 2013 of \$127,156,880. 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

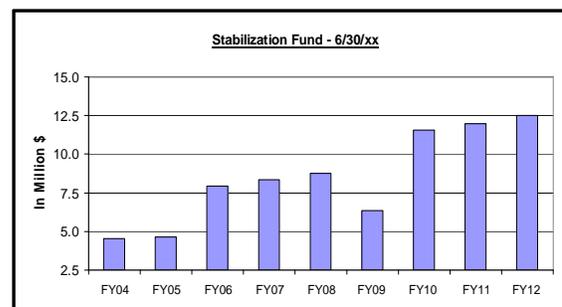
The State Certifies a portion of the City's surplus revenues as legally available for spending. The General Fund Fiscal Year 2013 certified "Free Cash" amount certified by the State was \$ 6,467,484. Imbedded within this amount was a Water Surplus closed out to the General Fund in the amount of \$ 520,083. 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 6/30/12 balance of \$12,514,408 represents 10.58 % of the total projected Fiscal Year 2012 (\$118,339,035) General Fund revenues.

The City has a fiscal goal to maintain its Stabilization Fund balance to 10% of General Fund revenues. The city transferred an additional \$1,400,000 into the Stabilization Fund during FY 2012 to reach this long standing goal.

Budget Chart 27



Executive Budget

Summary Continued

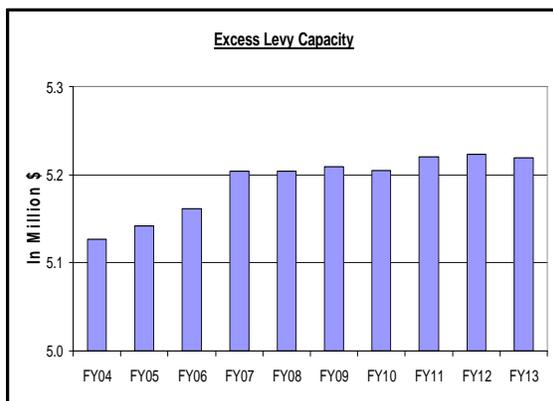
City of Leominster

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 \$51,907,068. The amount of Excess Levy Capacity for FY 2013 was \$5,234,643.

The FY 2013 tax levy of \$ 55,182,917, along with excess tax levy capacity of \$5,234,643 equaled this FY 2013 Levy Limit of \$60,417,560. The difference between the FY 2013 ultimate tax levy ceiling of \$76,813,637 and the FY 2013 tax levy limit of \$60,417,560 is equal to the FY 2013 tax override capacity of \$16,396,077. 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 ; \$17.96 FY13tax rate). The following chart shows the override capacity amounts for the past 10 years. Override Capacity has reduced significantly due to total valuation reductions.

Budget Chart 28



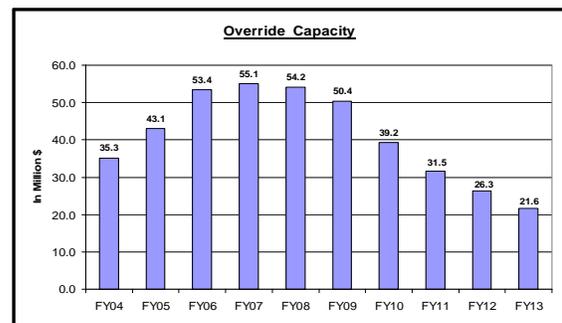
Override Capacity

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 \$3,072,545,471 for FY 2013 which translates to a \$76,813,637 ultimate tax levy ceiling. The FY 2013 Levy Limit of \$ 60,417,560 was calculated by taking the FY 2012 tax levy limit of \$58,371,743 and adding the FY 2013 "Certified New Growth of \$583,523 along with the allowed Proposition 2 1/2 increase of \$1,459,294.

This override capacity means that the voters of the City of Leominster could authorize permanent overrides, debt exclusions, or capital exclusions totaling \$16,396,077 for Fiscal Year 2013.

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 2013 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. The FY 2013 Letter of Credit Authorization is \$872,256.

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 rents collected during FY12 paid off this debt service. The State contemplated consolidating courts resulting in the closure of the Leominster Court but ultimately fully funded it.

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 State has created the irrevocable trust needed to place funds for investment purposes. The City has accepted this legislation and deposited funds in the Trust during FY 2012. The City is making an application to invest these and future OPEB funds with a State investment vehicle to utilize a more favorable discount when calculating future costs. The City has decided to appropriate additional funds in the FY 2013 budget request in the amount of \$1,250,000.

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	FY12 Beginning Balance	FY12 Inflows	FY12 Outflows	FY12 End Balance	FY13 Beginning Balance
Emergency Reserve	100,000		100,000	0	100,000
Chapter 90	(567,788)	1,628,604	1,100,419	(39,603)	(39,603)
Gallagher Revolving	175,706	299,043		474,749	474,749
Parking Meter	20,953	31,885	22,000	30,838	30,838
Wetland Fees Reserved	41,242	5,514		46,756	46,756
Cemetery Perpetual Care	1,222,127	22,651	59,523	1,185,255	1,185,255
Cemetery Sale of Lots	749,260	24,624	0	773,884	773,884
General Fund Capital	158,192	0	0	158,192	158,192
Weights & Measures	18,698	6,200	15,360	9,538	9,538
Sale of Real Estate	2,742	0	0	2,742	2,742
Library State Aid Reserved	28,260	47,967	0	76,227	76,227
GAAP Unassigned Fund /General	9,330,663		1,063,905	8,266,758	8,266,758
Statutory Certified "Free Cash"	6,526,756	0	5,733,338	793,418	6,467,484
Stabilization Fund	11,092,716	1,421,692		12,514,408	12,514,408

Executive Budget

Summary Continued

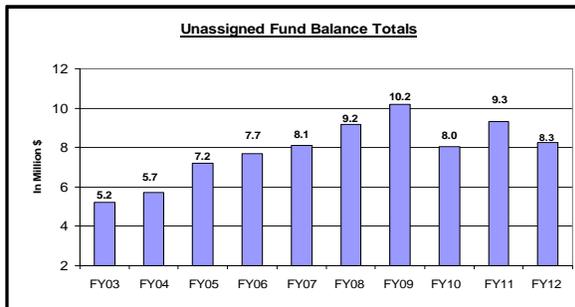
City of Leominster

General Fund

Unassigned Fund Balance

The increase or decrease to the Unassigned 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.

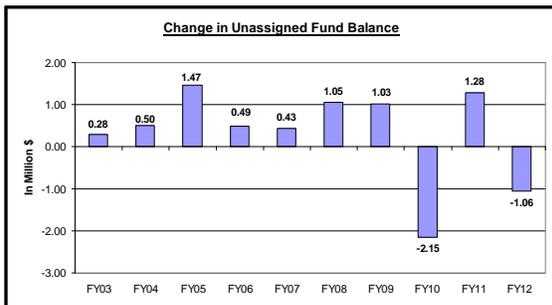
Budget Chart 30



(* 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 City transferred \$1,400,000 to the Stabilization Fund in FY12.

The changes to the Unassigned 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

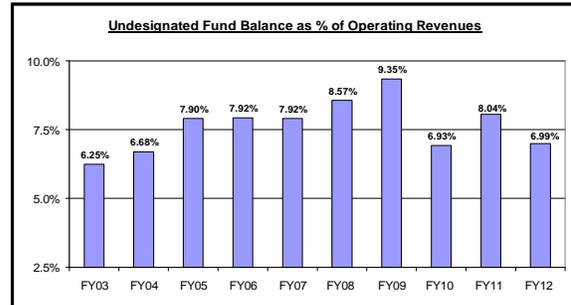


Table 8 Free Cash (in Thousand \$)

	FY13	FY12	FY11	FY10	FY09
Certified Free Cash	6,467	6,527	5,907	5,953	5,465
Water Capital Outlay/ Exp	513	848	494	757	780
Sewer Capital Outlay/Exp	1,217	871	635	550	659
General Fund Capital	1,873	2,300	1,647	1,599	803
G.F Operating Expense	482	615	498	541	463
Snow & Ice Expenses	435	0	606	440	600
Debt Service/Exp (i.e. temp interest)	150	130	130	130	385
School Transp/Exp	465	570	623	617	722
Transfer to Stabilization		0	107	0	0
P.S.Overtime	400	400	595	489	280
Total Appropriations	5,529	5,733	5,335	5,123	4,692
Free Cash Closeout	938	793	572	830	733

Executive Budget

Summary Continued

City of Leominster

Budget Table 9

CITY OF LEOMINSTER Massachusetts GENERAL FUND Balance Sheet					
	June 30				
	2012	2011	2010	2009	2008
ASSETS					
Cash and Cash Investments	\$27,204,812	\$25,825,818	\$14,870,210	\$16,010,860	\$15,488,801
Investments	697,362	597,172		1,359,553	
Receivables:					
Property Taxes	3,758,168	3,336,412	3,017,431	2,980,267	2,955,567
Tax Liens and Foreclosures					1,338,004
Excises	1,161,667	1,323,046	1,207,915	1,082,170	926,182
Other			178,345		
Intergovernmental	1,706,458		1,473,482	1,404,689	
Departmental, net		1,366,930		1,166,075	
Total Assets	\$34,528,467	\$32,449,378	\$20,747,383	\$24,003,614	\$20,708,554
Liabilities and Fund Equity					
Liabilities:					
Warrants Payable	\$864,741	\$715,496	\$1,508,834	\$1,421,983	\$879,157
Accounts Payable		415,903		780,925	
Deferred Revenue	6,375,435	5,702,613	5,271,825	6,359,837	
Accrued Payroll and Withholding	646,794		548,261	945,666	749,790
Accrued Interest					19,791
Other Liabilities	138,677	118,225	85,166	85,366	5,005,711
Total Liabilities	\$8,025,647	\$6,952,237	\$7,414,086	\$9,593,777	\$6,654,449
Fund Balances:					
Fund Balances:*					
Non-Spendable	1,869	1,869			
Restricted	0	0			
Committed (Stabilization Fund)	12,514,408	11,092,716			
Assigned (Encumbrances)	5,719,785	5,071,893	\$5,285,898	\$4,215,207	\$4,887,488
Unassigned	8,266,758	9,330,663	8,047,399	10,194,630	9,166,617
Total Fund Balance	\$26,502,820	\$25,497,141	\$13,333,297	\$14,409,837	\$14,054,105
Total Liabilities and Fund Balance	\$34,528,467	\$32,449,378	\$20,747,383	\$24,003,614	\$20,708,554

* New breakout of Fund Balance categories effective FY11

The history of the General Fund Balance sheet shows how the various Asset Liability and Fund Balance have changed as of 6/30/12 for the past 5 year period. The General Fund income and expenditure 5 year history appears in Budget Table 10.

FY 2013 Estimates: Management estimates that while the City has positioned itself better than most for FY 2013, 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 2012 are expected to result in a reduction in the Unassigned Fund Balance in the General Fund due to the transfer of \$1,400,000 from Overlay Surplus to the Stabilization 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					
	2012 (2)	2011 (2)	2010 (2)	2009 (2)	2008 (2)
Revenues:					
Property Taxes	\$52,278,108	\$49,440,711	\$48,042,427	\$46,115,264	\$43,691,412
Excises	3,814,892	3,735,878	3,828,200	4,303,885	4,289,637
Charges for Services	1,315,692	1,686,697	1,456,757	1,461,529	1,226,772
Interest, Penalties and Other Taxes	310,573	345,507	302,132	276,951	241,034
Licenses and Permits	893,953	875,409	867,088	719,754	742,134
Fines and Forfeitures	240,373	226,106	196,694	199,583	230,884
Intergovernmental	57,201,269	58,102,093	57,789,305	54,748,016	53,913,976
Interest Earnings	244,640	193,476	177,789	404,125	841,490
Miscellaneous	2,039,535	1,401,295	3,469,045	847,796	1,738,878
Total Revenue	\$118,339,035	\$116,007,172	\$116,129,437	\$109,076,903	\$106,916,217
Expenditures:					
General Government	\$3,174,860	\$3,068,520	\$4,549,461	\$4,225,714	\$3,585,137
Public Safety	14,245,990	14,296,193	13,652,020	14,371,651	14,318,917
Education	72,427,964	70,366,804	70,197,630	65,496,182	55,060,848
Public Works	8,149,369	6,118,498	6,057,842	9,184,748	7,564,937
Human Services	828,320	846,500	760,133	779,153	736,455
Culture and Recreation	1,795,163	2,615,084	1,968,500	1,984,113	1,814,613
Employee Benefits	12,509,624	11,360,124	10,535,853	10,472,064	17,988,036
Debt Service	2,065,446	4,841,890	3,185,196	4,635,026	4,114,781
Intergovernmental	3,138,604	2,705,505	2,756,263	2,500,380	2,362,278
Total Expenditures	\$118,335,340	\$116,219,118	\$113,662,898	\$113,649,031	\$107,546,002
Excess of Revenues over (under) Expenditures	3,695	(211,946)	2,466,539	(4,572,128)	(629,785)
Other Financing Sources (Uses):					
Operating Transfers in	3,120,425	3,843,358	3,768,559	6,367,020	2,874,452
Operating Transfers out	(2,118,441)	(3,018,075)	(7,311,628)	(1,439,160)	(496,462)
Total Other Financing Sources (Uses)	1,001,984	825,283	(3,543,069)	4,927,860	2,377,990
Change in Fund Balance	1,005,679	613,337	(1,076,530)	355,732	1,748,205
Fund Equity, Beginning*	25,497,141	24,883,804	14,409,837	14,054,105	12,305,900
Fund Equity, Ending	\$26,502,820	\$25,497,141	\$13,333,307	\$14,409,837	\$14,054,105
*Now includes Stabilization Fund					



Both the Water and Sewer funds surplus are expected to be positive and are closed to the General Fund at year end. Water & Sewer 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.