

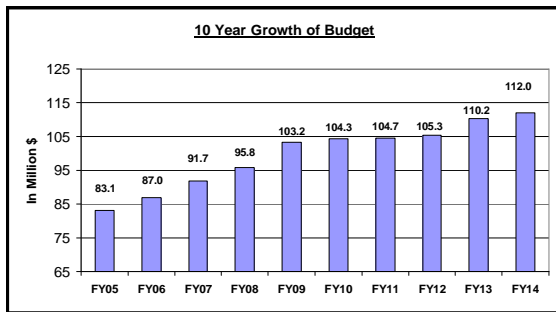
Executive Budget Financial Summary

City of Leominster

Introduction

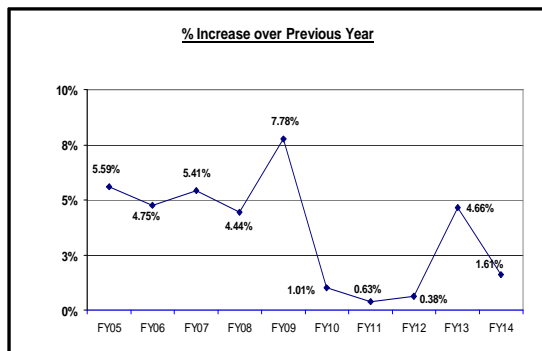
The Fiscal Year 2014 General Fund Budget total of \$112,005,407.55 represents a 1.61 % increase over the Fiscal Year 2013 Budget total of \$110,227,323.

Budget Chart 1



The 1.61% budget increase was possible because of Certified New Tax Growth (\$1,129,266) and a Proposition 2 1/2 Tax Levy Increase (\$1,510,439). The amount also includes one time revenue that totals \$345,332 while The FY13 Budget included \$1,486,000 one-time Federal/State Aid.

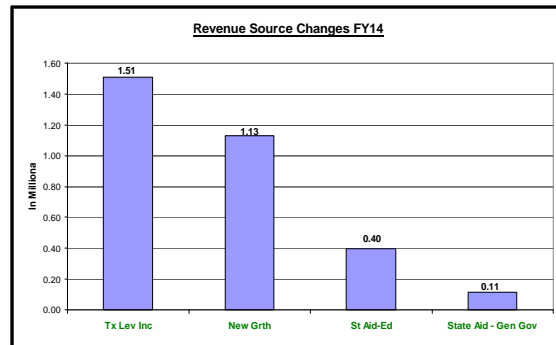
Budget Chart 2



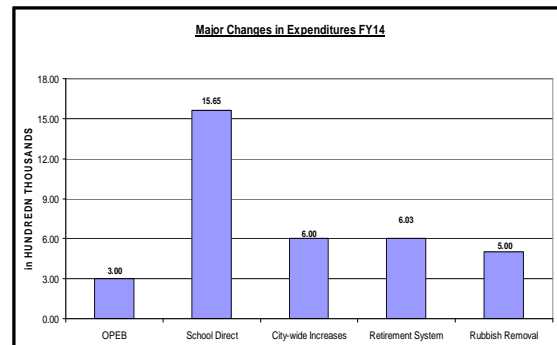
The major changes in General Government revenue sources from FY13 to FY14 include a Proposition 2 1/2 tax increase (\$1,510,439), and Certified New Tax Growth (\$1,129,266). Chapter 70 State Aid Education was in-

creased by \$396,985. State Aid-General Governmental Aid was increased by \$114,427. Local Receipts (elastic-type which contract during economic downturns) estimates were decreased by \$1,293,168 (mostly one-time aid).

Budget Chart 3



Budget Chart 4



Required Net School Spending (NSS) to the School Department was increased by \$1,233,999. The local required district contribution increase of \$837,014 along with the State Aid increase of \$396,985 results in a net increase of \$1,233,999 in the Net School Spending requirement for FY14 (\$67,647,236 or 1.9 % increase over the FY13 Net School Spending requirement (NSS) of \$66,413,237.

Executive Budget

Summary continued

City of Leominster

The City has negotiated settlements during FY 2014 with all 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. The settlement increases included a 3% increase slated for FY 2014.

The City was able to fund the initial bond issued for the High School Renovation Debt Service with \$1,300,150.

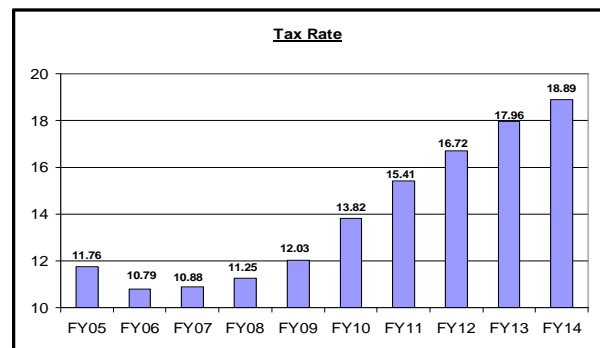
The City has introduced an OPEB funding line item for Active employees (Normal Costs) within the Group Health Insurance budget category to more responsibly fund the retiree health insurance benefits earned during the fiscal year. It is the City's intention to fully fund this newly recognized expense 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. The City has increased its OPEB contribution to \$1,900,000 in Fiscal Year 2014.



Tax Base Information

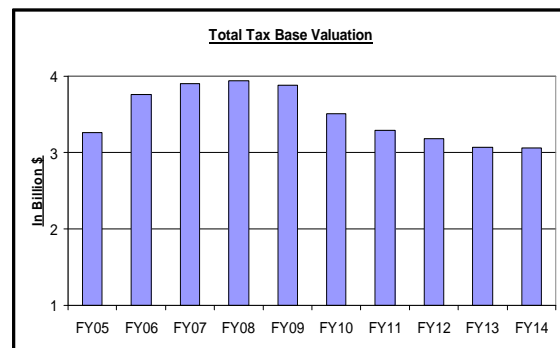
The Total Assessed Valuation of the City has again decreased. The City has utilized a Proposition 2 1/2 increase for FY14.

Budget Chart 5



The Total Assessed Valuation for the City declined to \$3,061,564,349 for Fiscal Year 2014. This represents 88.0 % of Fiscal Year 2005 Total Assessed Valuation of \$3,255,748,300.

Budget Chart 6



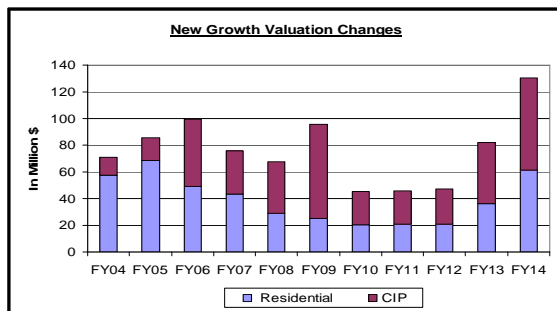
The \$203,726,839 increase in valuation during the past 10 year period includes Certified New Growth valuations of \$9,048,693 which resulted in growth in the tax levy equal to \$19,544,694 (unadjusted for future tax levy increases). This Certified New Growth accounted for 39.8% over the past 10 years of the total increase in the Tax Levy of \$19,544,694.

Executive Budget

Summary Continued

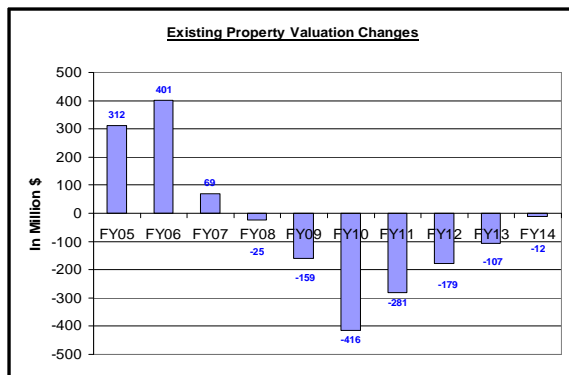
City of Leominster

Budget Chart 7



Existing property valuation net changes amounted to a decrease of \$10,981,127 in value during FY 2014. Certified New Growth valuation totaled \$48,221,900 for FY14 helped to offset the decrease of \$59,203,027 in valuation adjustments for FY14.

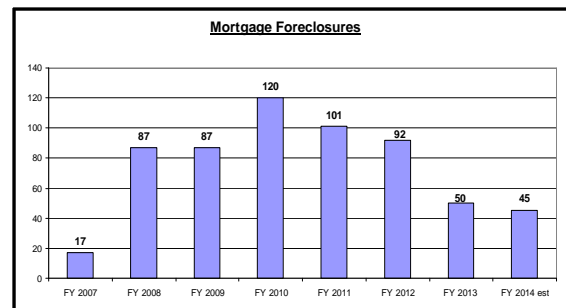
Budget Chart 8



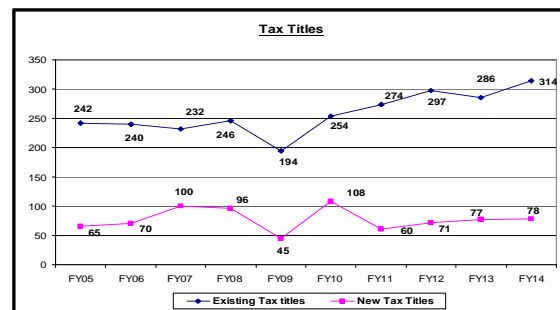
This is the sixth consecutive decrease in valuation changes of existing properties since FY03. Property values for residential properties continue to decline during calendar year 2012 sales which are reflected in FY 2013 real estate values. Foreclosures of property in Leominster began to increase significantly 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 seen a stabilization in the number of new tax titles for FY 2014. The number of new tax titles increased to 78 from 77 in FY 2013.

Executive Budget Summary Continued

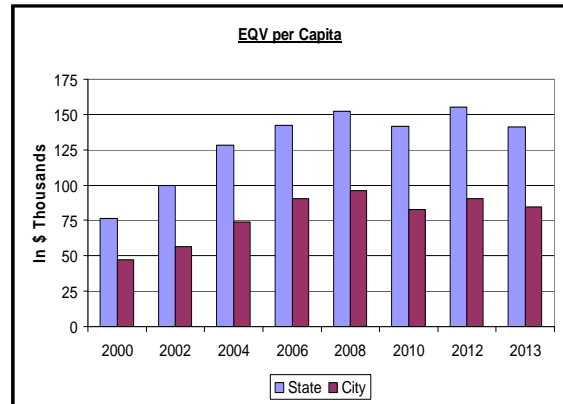
City of Leominster

The overall Net Valuation decrease has served to lower the City of Leominster ultimate levy ceiling to \$ 76,539,109 in FY 2014. 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:

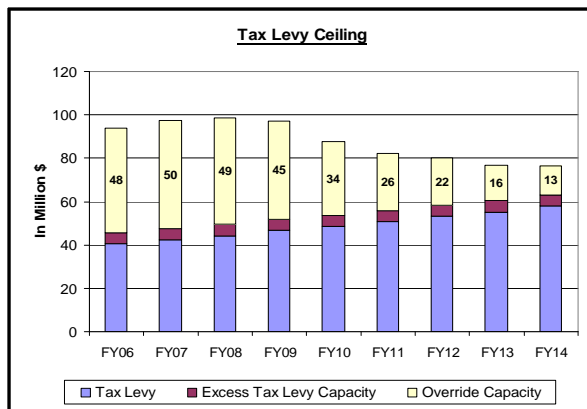
$$\text{Total Assessed Valuation} \times 2.5\%$$

This net decrease in valuation has resulted in the City having \$13,475,563 in current override capacity in FY 2014.

Budget Chart 12



Budget Chart 11



The City trails the State-Wide EQV per Capita average through FY 2014. The figures for FY 2014 indicate that the Leominster EQV per Capita of \$84,345 equates to 59.8% of the State-Wide EQV per Capita average of \$141,101. The FY14 EQV for Leominster is \$3,260,316,107.

Revenues

State Aid - General Government revenue, Lottery Aid and Hold Harmless Aid was increased by 2.33% (\$114,427) in FY 2014. 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 % |
|-------------|------------|-------------|------------------|
| FY14 | 51.6% | 43.7% | 4.7% |
| FY13 | 50.0% | 44.0% | 6.0% |
| FY12 | 50.5% | 44.4% | 5.1% |
| FY11 | 48.4% | 45.9% | 5.6% |
| FY10 | 46.5% | 45.1% | 8.3% |
| FY09 | 45.3% | 48.6% | 6.1% |
| FY08 | 46.30% | 47.20% | 6.50% |
| FY07 | 46.30% | 47.20% | 6.50% |
| FY06 | 47% | 47% | 6% |
| FY05 | 46% | 46% | 8% |

Executive Budget

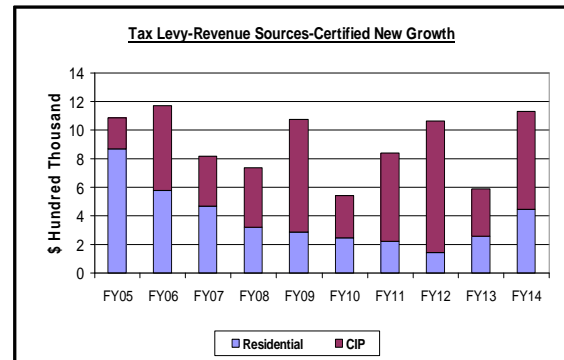
Summary Continued

City of Leominster

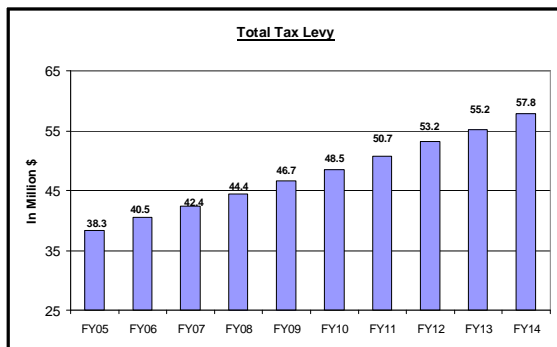
Property Tax Levy

In FY 2014, the Property Tax Levy is \$57,832,952. This represents a 4.8% increase over the FY 2013 Property Tax Levy of \$55,182,917. In FY 2014 a single "Proposition 2 1/2" tax levy increase yields additional tax revenue of \$1,520,769. The amount of tax revenue raised by so called "Certified New Growth" yielded \$1,129,266 in additional tax revenue in FY 2014. Of this amount, \$680,975 was related to Commercial, Industrial & Personal Property new value, while \$448,291 was related to Residential New Growth.

Budget Chart 14



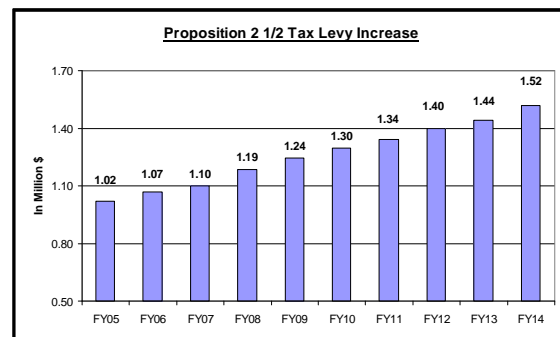
Budget Chart 13



In the last 10 years, the property tax levy has grown from \$36,180,223 to \$57,832,952 for a total increase of \$21,652,729. "New Growth" has been certified for a total of \$9,047,071 during this period. This is equal to more than 41.8% of the total levy increase during this ten year time period. Of the amount, \$3,838,939 was residential new growth, while \$5,209,754 was commercial, industrial, and personal property new growth (CIP). CIP growth during FY14 was \$417,775 compared to \$448,291 in residential new growth.

The Proposition 2 1/2 total tax increase during this 10 year period was \$12,620,773

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 \$5,230,895 in Excess Levy Capacity in FY 2014. The cumulative total of tax capacity not levied in the last 10 years totaled \$52,022,267 (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

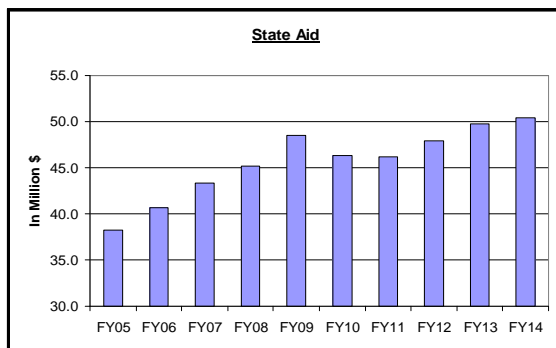
Summary Continued

City of Leominster

State Aid and Revenue Summary

State Aid-General Government has a net increase of \$126,855 for FY14 (+2.3%). Three categories of State Aid that remain unfunded for FY 2014 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 \$ 43,232,362 Chapter 70 award for FY 2014 reflects a \$ 396,985 increase over the FY 2013 award of \$42,835,377 (0.9%).



Budget Table 2

| Fiscal Year | Chapt 70 | School Transp | School Constr | Charter School | Total Ed Aid |
|-------------|----------|---------------|---------------|----------------|--------------|
| 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 |
| 2014 | 43.2 | 0.00 | 0.00 | 0.19 | 43.4 |

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 |
| 2014 | 43.4 | 0.00 | 0.00 | 43.4 |

**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.

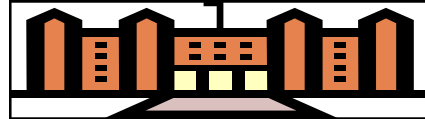
Executive Budget

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 \$27,433,562 (40.55% of the Foundation Budget). The FY 2014 preliminary required local contribution is \$24,414,784 after the FY14 MRGF addition (\$837,014 increase over FY13) which is 4.46% below the “target share”. Since the City is less than the “target share” required percent (40.55% required), the City was said to be 4.46 % below target and therefore does not have to contribute more than this as it has had to in past years. 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 formula has changed again in FY15 and the City will pay a penalty in FY15.

The required local contribution is \$24,414,847 for FY14. This amount is \$837,014 greater than the FY13 amount.

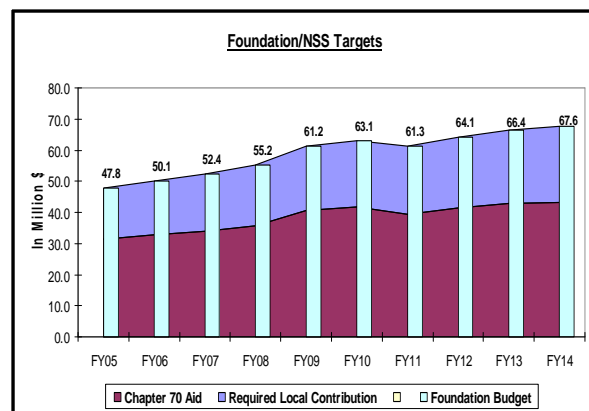


In addition to NSS requirements, there are cost centers such as debt service, OPEB expenses for active employees, transportation and capital outlay expenses which are not included in the Required Net School Spending calculations. The City has been awarded a grant for the rehabilitation of the High School. 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 \$1,300,150 in FY14. The City plans to complete renovation projects in FY14. The Southeast School will undergo roof and boiler replacements while Fallbrook School will have the boiler replaced. Loan orders for the projects have been approved at \$3,696,757 and \$1,217,830 respectively. The City will have to finance \$661,182 for the Southeast Project and \$306,959 for the Fallbrook Project. Transportation was funded during FY14 at \$2,665,000 (2.5% increase).

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 |
| FY14 | 4.46% | 0.00% | 0 |

Budget Chart 17



Executive Budget

Summary Continued

City of Leominster

State Aid-General Government

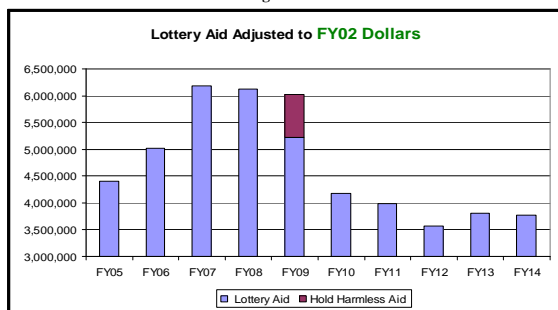
The total State Aid-General Government the City is estimated to receive in FY 2014 is \$5,569,436. This section of the “Cherry Sheet” is \$126,855 more than the amount of \$5,422,581 aid received in FY 2013.

The FY 2014 Unrestricted General Government Aid of \$4,955,255 is \$114,427 more than the award given in FY 2013. 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

Budget Table 4

| Gen Government | FY05 | FY06 | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Lottery | 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 | 4,955,255 |
| Additional Assistance | 11,693 | 11,693 | 11,693 | 11,693 | 11,693 | 0 | 0 | 0 | 0 | 0 |
| Highway Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Police Incentive | 154,288 | 163,770 | 193,305 | 214,978 | 203,977 | 34,078 | 17,003 | 0 | 0 | 0 |
| Veteran's Benefits | 27,428 | 45,792 | 35,829 | 56,447 | 122,064 | 101,564 | 153,830 | 230,824 | 223,630 | 218,478 |
| Exemptions Vets, Blind/Survivor Spouse | 51,049 | 55,547 | 50,068 | 111,001 | 112,319 | 180,766 | 228,633 | 241,933 | 240,974 | 255,841 |
| Abatements Elderly | 63,354 | 63,332 | 63,322 | 63,292 | 63,290 | 0 | 0 | 0 | 0 | 0 |
| State Owned Land | 39,124 | 49,823 | 93,033 | 103,942 | 111,448 | 100,399 | 132,371 | 137,105 | 137,149 | 139,862 |
| Hold Harmless Aid | | | | | 944,247 | 0 | 0 | 0 | 0 | 0 |
| Total State Aid | 5,126,745 | 6,023,413 | 7,435,899 | 7,672,707 | 7,736,145 | 5,459,336 | 5,372,665 | 5,100,678 | 5,442,581 | 5,569,436 |
| Gen Gov | | | | | | | | | | |

Budget Chart 18



and it 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

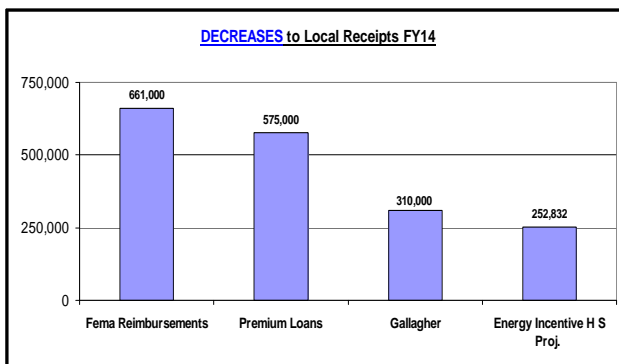
Summary Continued

City of Leominster

Local Receipts

We are projecting that local elastic type receipts will not continue their downward spiral. We are projecting level funding for all receipts. Only activity related to one-time receipts are reflected in the FY14 budget.

Budget Chart 19



Expenditures

Budget adjustments in the functional areas include the following:

General Government:

- Most expense accounts level funded.
- 3.0 % COLA's for non-union & union proposed.
- Personnel Account consolidated into Mayor's budget

- Only one election funded
- Collective Bargaining items included in Mayor's budget

Public Safety:

- Police overtime funding increased by \$26,000
- Police wages funding increased by \$44,000.
- Police expenses funding increased by \$25,000
- Fire expense funding increased by \$27,000
- Fire Overtime funding increased by \$43,000

Education:

- Chapter 70 increase of \$396,985
- Local Net School Spending appropriation increase of \$837,014.
- Preliminary Net School Spending requirements and other spending during FY 2014 can be summarized as follows:

- Net School Spending Requirement

| | |
|-------------------------------|----------------------|
| Chapter 70 | \$ 43,232,362 |
| Net City Minimum Contribution | <u>\$ 24,414,847</u> |
| Sub Total: | \$ 67,647,236 |
| School Transportation** | \$ 2,665,000 |
| School Debt Service*** | \$ 775,000 |
| OPEB Expense | \$ 950,000 |

Executive Budget

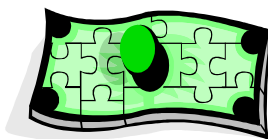
Summary Continued

City of Leominster

Budget Table 5

| Functional Area | FY 2014 | FY 2013 | FY 2012 | FY 2011 | FY 2010 |
|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Government | 3,444,178 | 3,392,933 | 2,882,132 | 2,806,748 | 2,726,093 |
| Public Safety | 14,068,810 | 14,056,342 | 13,642,267 | 13,353,880 | 13,344,559 |
| Education | 65,032,267 | 63,466,000 | 61,586,442 | 59,262,000 | 58,709,723 |
| Public Works | 4,636,295 | 5,730,427 | 4,957,699 | 4,537,300 | 4,376,265 |
| Human Services | 954,356 | 851,445 | 806,063 | 761,464 | 646,226 |
| Culture and Recreation | 1,855,274 | 1,747,958 | 1,703,953 | 1,742,957 | 2,416,432 |
| Debt Service | 2,760,681 | 3,070,299 | 2,466,029 | 5,698,088 | 3,197,368 |
| Misc | 14,235,971 | 13,511,596 | 12,032,415 | 11,875,883 | 14,588,017 |
| Other Amts Raised | 5,017,576 | 4,400,322 | 4,827,191 | 4,629,580 | 4,264,414 |
| Totals | 112,005,408 | 110,227,322 | 104,904,191 | 104,667,900 | 104,269,097 |

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 level funded
- Refuse Collection expenses funding decreased by \$504,300
- Wages increased by 3.0%

Executive Budget Summary Continued

City of Leominster

Human Services:

- Veteran's Service benefit expense funding increased by \$45,000
- Other Departments level funded.

Culture & Recreation:

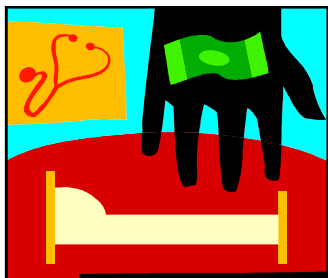
- Recreation funding increased by \$38,234
- Library Services funding increased by \$69,032

Debt Service:

- High School Project funding increased by \$850,150
- High School Project funding an additional \$252,832 due to Energy Incentive Grant received.
- Skyview 10 yr debt paid off in FY 2013 (\$780,000)

Miscellaneous (Retirement & Insurance):

- Retirement assessment funding increased by \$603,347
- OPEB funding increased \$150,000.
- Other Insurances (W/C, P/L, Unemployment & Medicare) net level funded.
- Group Insurance active employee's funding increased by \$230,000.



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 \$55,779,860 in bond principle amounts outstanding as of 6/30/13 (All Funds).

The City had \$4,000,000 in bond anticipation notes outstanding as of 6/30/13 within the General Fund.

The City additionally had a \$ 37,719,969 Unfunded Pension Liability as of 1/1/2014.

The City also had \$181,090,368 in unfunded Other Post Employment Benefits (OPEB) Liability as of 1/1/2013.

The City recognized \$44,732,429 of this liability in its entity wide Financial Statements as of 6/30/13.

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

| | | |
|-----------|----------------------------|---------------|
| 6/30/2013 | General Fund | |
| | Debt Principle | \$14,020,000 |
| 6/30/2013 | General Fund | |
| | B.A.N.S. | \$4,000,000 |
| 1/1/2014 | Unfunded Pension Liability | \$37,719,969 |
| 6/30/2013 | Unfunded OPEB | \$181,090,368 |
| * | Liability to be Recognized | \$44,732,398 |
| | Total: | \$236,830,337 |

*GASB requires the City to recognize this amount for the FY13 financial statements. It is the cumulative deficits incurred since the onset of OPEB recognition in FY09.

Executive Budget

Summary Continued

City of Leominster

The City is currently in a very strong position in the General Fund 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 was fully paid in FY 2013. The City utilized this tax levy capacity toward the amortization of the High School Renovation Project.

The City has begun to find funding sources to pay for its remaining estimated \$1,500,000 share of the \$42,400,000 total bonding amount of the High School Renovation Project. The City has issued/retired a total of \$40,817,593 of this amount as summarizes below:

High School

| | |
|-----------------------------|---------------------|
| • MSBA Grant received | \$25,880,734 |
| • Debt issued | \$9,155,000 |
| • Temporary Loan issued | \$4,231,859 * |
| • General Fund appropriated | \$1,550,000 |
| | Total: \$40,817,593 |

* This amount is estimated to be reduced by \$1,500,000 in MSBA Aid along with \$1,231,850 of Local funds available to pay down these amounts. This leaves \$1,500,000 to be financed on a permanent basis.

Southeast Project

| | |
|-------------------------|---------------------|
| • MSBA Grant | \$1,659,368 |
| • Temporary Loan issued | \$ 661,182 |
| | Total: \$ 2,320,550 |

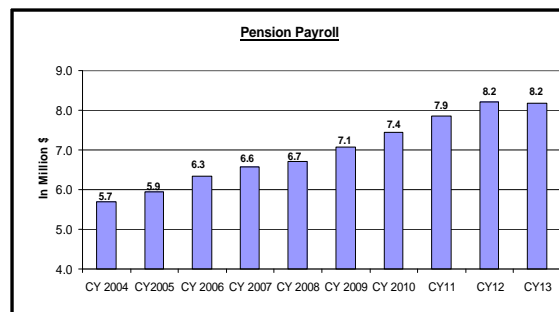
Fallbrook Project

| | |
|------------------|------------------|
| • MSBA Grant | \$598,727 |
| • Temporary Loan | \$306,959 |
| | Total: \$905,686 |

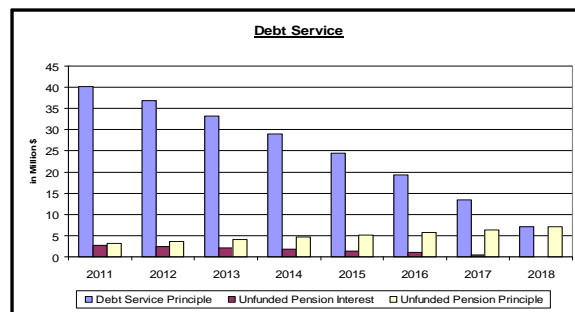
Unfunded Pension Liability

The second largest debt-like obligation for the City of Leominster is the Unfunded Pension Liability of \$37,719,969 as of 1/1/2014. (The pension payroll has increased a total of \$3,051,955 since FY 2000.)

Budget Chart 20



Budget Chart 21



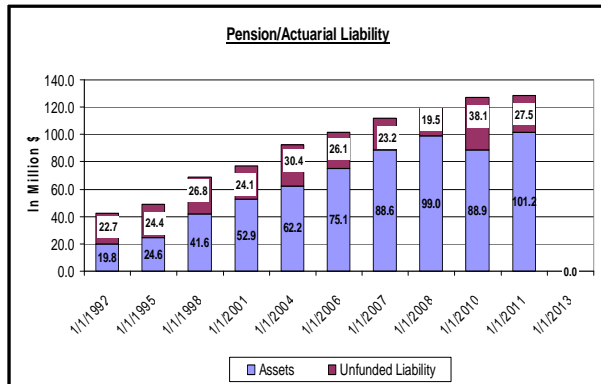
The Retirement System has reduced the time period of the funding schedule of the unfunded pension liability from the year 2028 to the year 2022. This will eventually allow for some of these funds (total estimated to be \$ 5,978,130) to be utilized toward the significant unfunded liability and service costs of Other Post Employment Benefits (OPEB) obligations that have been reported by the City of Leominster within the Fiscal Year 2013 financial statements and for future years. However, at this time the Department of Education does not allow OPEB costs for NSS eligibility. This could lower the amount available for OPEB reduction by \$2.5 million.

Executive Budget

Summary Continued

City of Leominster

Budget Chart 22

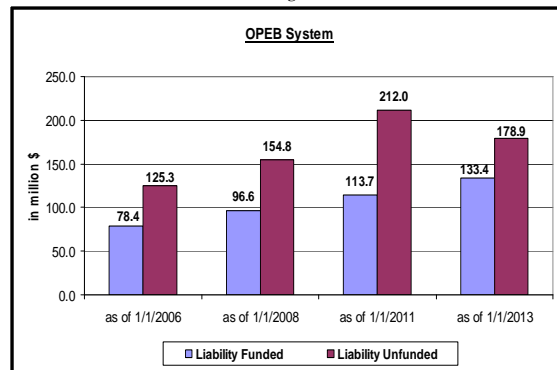


Unfunded Other Post Employment Benefit Liability

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 \$16,735,145 in FY 2014 if not properly funded. This compares to an estimated FY 2014 appropriations of \$8,071,814 for the “pay as you go” method imbedded in the FY14 budget. A big new cost factor is the required set aside amount in the current fiscal year (FY14 cost estimate is \$8.4 million) for the retiree benefits for current active employees (actuarial term: normal cost).

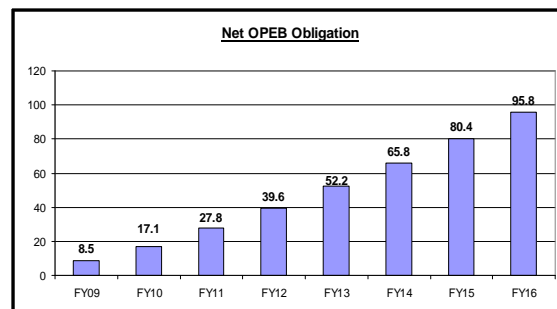
The newest actuarial report completed for the new OPEB GASB 45 requirement indicates an initial unfunded liability of \$ 133,377,083 on 1/1/2013 if properly funded. This would allow the actuary to utilize a 6.25% discount rate for the investment rate of return. For as long as the City does not properly fund this new requirement, the discount rate is only 4.30%, which inflates the OPEB unfunded liability as for 1/1/2013 to \$181,090,368.

Budget Chart 23



The City had 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 was implemented on 7/1/12 .

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 \$8.3 million in FY09 to \$95.8 million in FY16.

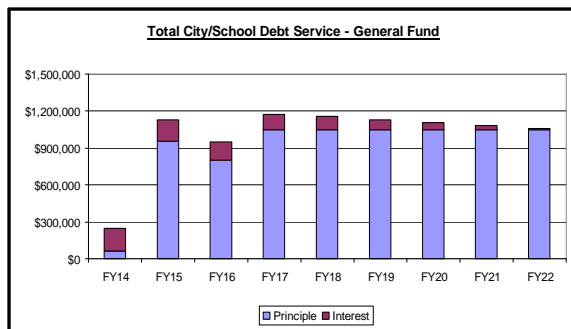
Executive Budget

Summary Continued

City of Leominster

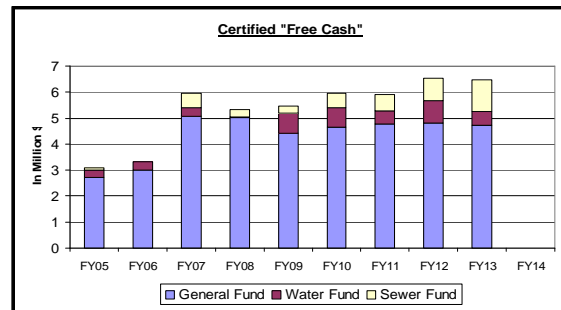
The chart below illustrates total debt service over time for currently outstanding principle and interest payments for the General Fund. The City called FY12, FY13, & FY14 principle amounts owed on the Samoset Middle School Project and completely paid all outstanding debt. The State agreed to prepay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

Budget Chart 25



was closed out to the General Fund in the amount of \$1,110,237. The remaining \$ 6,288,050 represents 4.78% of the total amount to be raised during FY 2014 of \$131,520,776. The City strives to achieve a minimum of 5% of the total amount to be raised of the next fiscal year for a "Free Cash" certified amount.

Budget Chart 26



Reserves

Fiscal Reserves

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

Free Cash

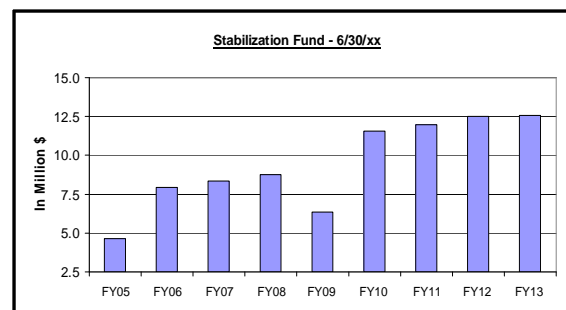
The State Certifies a portion of the City's surplus revenues as legally available for spending. The General Fund Fiscal Year 2014 certified "Free Cash" amount certified by the State was \$ 8,348,792. Imbedded within this amount was a Water Surplus closed out to the General Fund in the amount of \$ 950,505. 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 6/30/13 balance of \$12,547,064 represents 10.08 % of the total projected Fiscal Year 2013 (\$124,506,222) General Fund revenues.

The City has a fiscal goal to maintain its Stabilization Fund balance to 15 % of General Fund revenues. The city has transferred an additional \$1,400,000 into the Stabilization Fund during FY 2012 to reach this long standing goal.

Budget Chart 27



Executive Budget

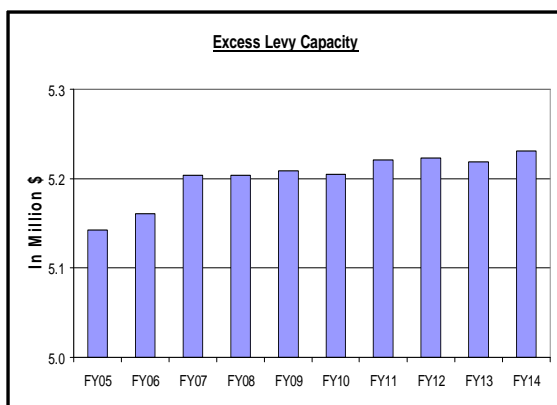
Summary Continued

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 \$5,020,954. The amount of Excess Levy Capacity for FY 2014 was \$5,230,895.

Budget Chart 28



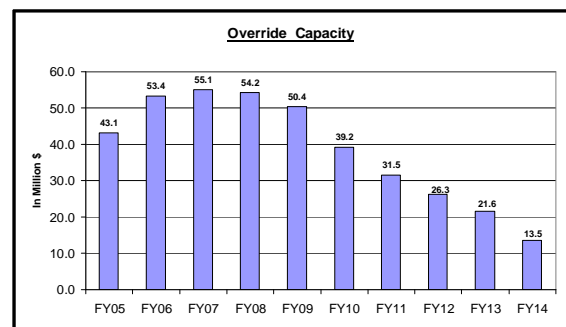
Override Capacity

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 \$3,061,564,349 for FY 2014 which translates to a \$76,539,109 ultimate tax levy ceiling. The FY 2014 Levy Limit of \$ 63,063,845 was calculated by taking the FY 2013 tax levy limit of \$60,417,560 and adding the FY 2014 prior year amended New Growth of \$263,200 along with the allowed Proposition 2 1/2 increase of \$1,517,019 and the FY 2014 New Growth of \$1,129,266. The FY 2014 tax levy of \$ 57,832,951, along with excess tax levy capacity of \$5,230,893 equaled this FY 2014 Levy Limit of \$63,063,845. The difference between the FY 2014 ultimate tax levy ceiling of \$76,539,109 and the

FY 2013 tax levy limit of \$63,063,875 is equal to the FY 2014 tax override capacity of \$13,475,264. 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 ; \$18.89 FY14 tax rate). The following chart shows the override capacity amounts for the past 10 years. Override Capacity has reduced significantly due to total valuation reductions. The \$13,475,264 override capacity represents 17.61% of the \$76,539,109 ultimate Tax Levy Ceiling amount. This also indicates that if property values were to decrease by 17.61%, then the \$25.00 per thousand dollars of value proposition 2 1/2 tax rate would be reached.

Budget Chart 29



This override capacity means that the voters of the City of Leominster could authorize permanent overrides, debt exclusions, or capital exclusions totaling \$13,475,264 for Fiscal Year 2014.



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 2014 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 2014 Letter of Credit Authorization is \$1,088,720. The State allotted and additional \$162,265 in "Pot Hole" money during FY14.

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 2014 budget request in the amount of \$1,900,000. The 6/30/14 was in excess of \$7.1 million dollars. The City anticipates an investment of \$10.0 million dollars in the State PRIT Fund with OPEB Trust Fund proceeds during FY 2015.

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 | FY13 Beginning Balance | FY13 Inflows | FY13 Outflows | FY13 End Balance | FY14 Beginning Balance |
|---------------------------------|---------------------------------------|-------------------------|--------------------------|---------------------------------|---------------------------------------|
| Emergency Reserve | 100,000 | 0 | 100,000 | 0 | 100,000 |
| Chapter 90 | (39,603) | 861,272 | 872,256 | (50,587) | (50,587) |
| Gallagher Revolving | 474,749 | 0 | 109,226 | 365,523 | 365,523 |
| Parking Meter | 30,838 | 26,567 | 30,000 | 27,405 | 27,405 |
| Wetland Fees Reserved | 46,756 | 6,628 | 2,910 | 50,474 | 50,474 |
| Cemetery Perpetual Care | 1,185,255 | 32,790 | 69,231 | 1,148,814 | 1,148,814 |
| Cemetery Sale of Lots | 773,884 | 40,720 | 0 | 814,604 | 814,604 |
| General Fund Capital | 158,192 | 0 | 0 | 158,192 | 158,192 |
| Weights & Measures | 9,538 | 13,050 | 1,741 | 20,847 | 20,847 |
| Sale of Real Estate | 2,842 | 0 | 0 | 2,842 | 2,842 |
| Library State Aid Reserved | 76,227 | 44,536 | 20,000 | 100,763 | 100,763 |
| GAAP Unassigned Fund /General | 8,266,758 | 3,044,179 | 0 | 11,310,937 | 11,310,937 |
| Statutory Certified "Free Cash" | 6,467,484 | | 5,493,119 | 974,365 | 8,348,792 |
| Disability Parking Tickets | 0 | 2,262 | 0 | 2,262 | 2,262 |
| Stabilization Fund | 12,514,408 | 32,656 | 0 | 12,547,064 | 12,547,064 |

Executive Budget

Summary Continued

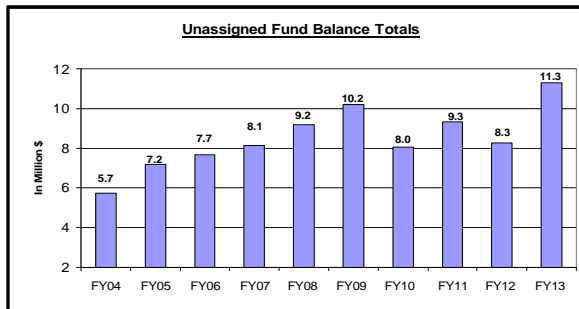
City of Leominster

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.

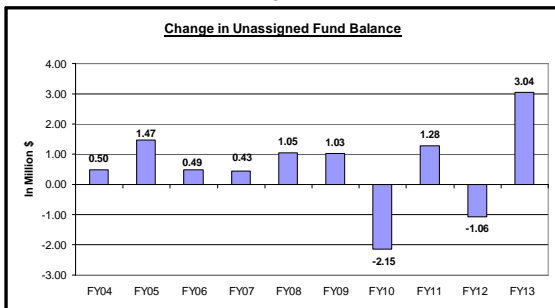
Budget Chart 30



(* 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

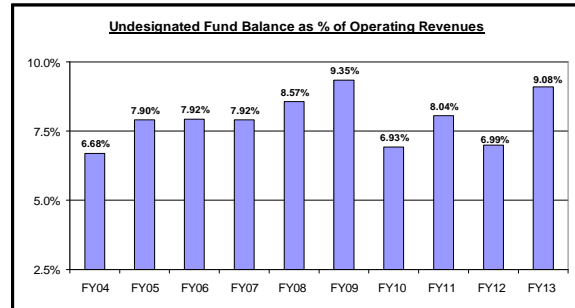


Table 8 Free Cash (in Thousand \$)

| | FY14 | FY13 | FY12 | FY11 | FY10 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Certified Free Cash | 8,349 | 6,467 | 6,527 | 5,907 | 5,953 |
| Water Capital Outlay/ Exp | 951 | 513 | 848 | 494 | 757 |
| Sewer Capital Outlay/Exp | 1,110 | 1,217 | 871 | 635 | 550 |
| General Fund Capital | 2,969 | 1,873 | 2,300 | 1,647 | 1,599 |
| G.F Operating Expense | 356 | 482 | 615 | 498 | 541 |
| Snow & Ice Expenses | 500 | 435 | 0 | 606 | 440 |
| Debt Service/Exp (i.e. temp interest) | 130 | 150 | 130 | 130 | 130 |
| School Transp/Exp | 936 | 465 | 570 | 623 | 617 |
| Transfer to Stabilization | 0 | 0 | 0 | 107 | 0 |
| | 400 | | | | |
| P.S.Overtime | | 400 | 400 | 595 | 489 |
| Total Appropriations | 7,352 | 5,535 | 5,734 | 5,335 | 5,123 |
| Free Cash Clouseout | 997 | 932 | 793 | 572 | 830 |

Executive Budget

Summary Continued

City of Leominster

Budget Table 9

| CITY OF LEOMINSTER Massachusetts GENERAL FUND Balance Sheet | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | June 30 | | | | |
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| ASSETS | | | | | |
| Cash and Cash Investments | \$29,096,270 | \$27,204,812 | \$25,825,818 | \$14,870,210 | \$16,010,860 |
| Investments | 1,698,126 | 697,362 | 597,172 | | 1,359,553 |
| Receivables: | | | | | |
| Property Taxes | 3,817,036 | 3,758,168 | 3,336,412 | 3,017,431 | 2,980,267 |
| Tax Liens and Foreclosures | | | | | |
| Excises | 1,572,224 | 1,161,667 | 1,323,046 | 1,207,915 | 1,082,170 |
| Other | | | | 178,345 | |
| Intergovernmental | 2,227,228 | 1,706,458 | | 1,473,482 | 1,404,689 |
| Departmental, net | | | 1,366,930 | | 1,166,075 |
| Total Assets | \$38,410,884 | \$34,528,467 | \$32,449,378 | \$20,747,383 | \$24,003,614 |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Warrants Payable | \$2,028,500 | \$864,741 | \$715,496 | \$1,508,834 | \$1,421,983 |
| Accounts Payable | | | 415,903 | | 780,925 |
| Deferred Revenue | 7,314,274 | 6,375,435 | 5,702,613 | 5,271,825 | 6,359,837 |
| Accrued Payroll and Withholding | 745,903 | 646,794 | | 548,261 | 945,666 |
| Accrued Interest | | | | | |
| Other Liabilities | 128,235 | 138,677 | 118,225 | 85,166 | 85,366 |
| Total Liabilities | \$10,216,912 | \$8,025,647 | \$6,952,237 | \$7,414,086 | \$9,593,777 |
| Fund Balances: | | | | | |
| Fund Balances:* | | | | | |
| Non-Spendable | 1,869 | 1,869 | 1,869 | | |
| Restricted | 0 | 0 | 0 | | |
| Unassigned (Stabilization Fund) | 12,547,064 | 12,514,408 | 11,092,716 | | |
| Assigned (Encumbrances) | 4,334,102 | 5,719,785 | 5,071,893 | \$5,285,898 | \$4,215,207 |
| Unassigned - Other | 11,310,937 | 8,266,758 | 9,330,663 | 8,047,399 | 10,194,630 |
| Total Fund Balance | \$28,193,972 | \$26,502,820 | \$25,497,141 | \$13,333,297 | \$14,409,837 |
| Total Liabilities and Fund Balance | \$38,410,884 | \$34,528,467 | \$32,449,378 | \$20,747,383 | \$24,003,614 |

* 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 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 | | | | | |
| | 2013 (2) | 2012 (2) | 2011 (2) | 2010 (2) | 2009 (2) |
| Revenues: | | | | | |
| Property Taxes | \$55,153,430 | \$52,278,108 | \$49,440,711 | \$48,042,427 | \$46,115,264 |
| Excises | 4,074,636 | 3,814,892 | 3,735,878 | 3,828,200 | 4,303,885 |
| Charges for Services | 1,815,489 | 1,315,692 | 1,686,697 | 1,456,757 | 1,461,529 |
| Interest, Penalties and Other Taxes | 384,826 | 310,573 | 345,507 | 302,132 | 276,951 |
| Licenses and Permits | 965,091 | 893,953 | 875,409 | 867,088 | 719,754 |
| Fines and Forfeitures | 244,940 | 240,373 | 226,106 | 196,694 | 199,583 |
| Intergovernmental | 59,915,524 | 57,201,269 | 58,102,093 | 57,789,305 | 54,748,016 |
| Interest Earnings | 243,029 | 244,640 | 193,476 | 177,789 | 404,125 |
| Miscellaneous | 1,709,257 | 2,039,535 | 1,401,295 | 3,469,045 | 847,796 |
| Total Revenue | \$124,506,222 | \$118,339,035 | \$116,007,172 | \$116,129,437 | \$109,076,903 |
| Expenditures: | | | | | |
| General Government | \$3,434,553 | \$3,174,860 | \$3,068,520 | \$4,549,461 | \$4,225,714 |
| Public Safety | 15,999,582 | 14,245,990 | 14,296,193 | 13,652,020 | 14,371,651 |
| Education | 75,751,458 | 72,427,964 | 70,366,804 | 70,197,630 | 65,496,182 |
| Public Works | 7,049,663 | 8,149,369 | 6,118,498 | 6,057,842 | 9,184,748 |
| Human Services | 903,042 | 828,320 | 846,500 | 760,133 | 779,153 |
| Culture and Recreation | 1,833,231 | 1,795,163 | 2,615,084 | 1,968,500 | 1,984,113 |
| Employee Benefits | 13,742,710 | 12,509,624 | 11,360,124 | 10,535,853 | 10,472,064 |
| Debt Service | 2,150,636 | 2,065,446 | 4,841,890 | 3,185,196 | 4,635,026 |
| Intergovernmental | 3,357,033 | 3,138,604 | 2,705,505 | 2,756,263 | 2,500,380 |
| Total Expenditures | \$124,221,908 | \$118,335,340 | \$116,219,118 | \$113,662,898 | \$113,649,031 |
| Excess of Revenues over (under) Expenditures | 284,314 | 3,695 | (211,946) | 2,466,539 | (4,572,128) |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers in | 3,431,365 | 3,120,425 | 3,843,358 | 3,768,559 | 6,367,020 |
| Operating Transfers out | (2,024,527) | (2,118,441) | (3,018,075) | (7,311,628) | (1,439,160) |
| Total Other Financing Sources (Uses) | 1,406,838 | 1,001,984 | 825,283 | (3,543,069) | 4,927,860 |
| Change in Fund Balance | 1,691,152 | 1,005,679 | 613,337 | (1,076,530) | 355,732 |
| Fund Equity, Beginning* | 26,502,820 | 25,497,141 | 24,883,804 | 14,409,837 | 14,054,105 |
| Fund Equity, Ending | \$28,193,972 | \$26,502,820 | \$25,497,141 | \$13,333,307 | \$14,409,837 |
| <i>*Now includes Stabilization Fund</i> | | | | | |



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, including OPEB, in the short term.