

# **Budget Report of the Town Manager**

In conformance with the requirements of the charter, the budget recommended by the Town Manager is a balanced budget. It is a revenue-based budget. This budget is based on realistic revenue estimates at the time of printing and does not require an override nor any use of free cash. It includes reductions in town staff and services.

## **Background**

A series of joint meetings of the Select Board, School Committee, Finance Committee, Town Manager, School Superintendent and Finance Director were held over a period of several months to discuss budgetary strategies and issues. The Chairman of the Finance Committee directed that a budget be prepared that did not require use of cash reserves, specifically free cash. This is in conformance to the policies adopted by the Finance Committee in March of 2006. These state, in part, "Non-recurring revenues shall not be used for operating expenditures." Free cash for FY08 will be made up of one time cash infusions, such as large payments of back taxes, turn backs from town department FY07 operating budgets and other one-time sources. The budget was delivered to the Select Board on February 20 and adopted by the Select Board on March 19.

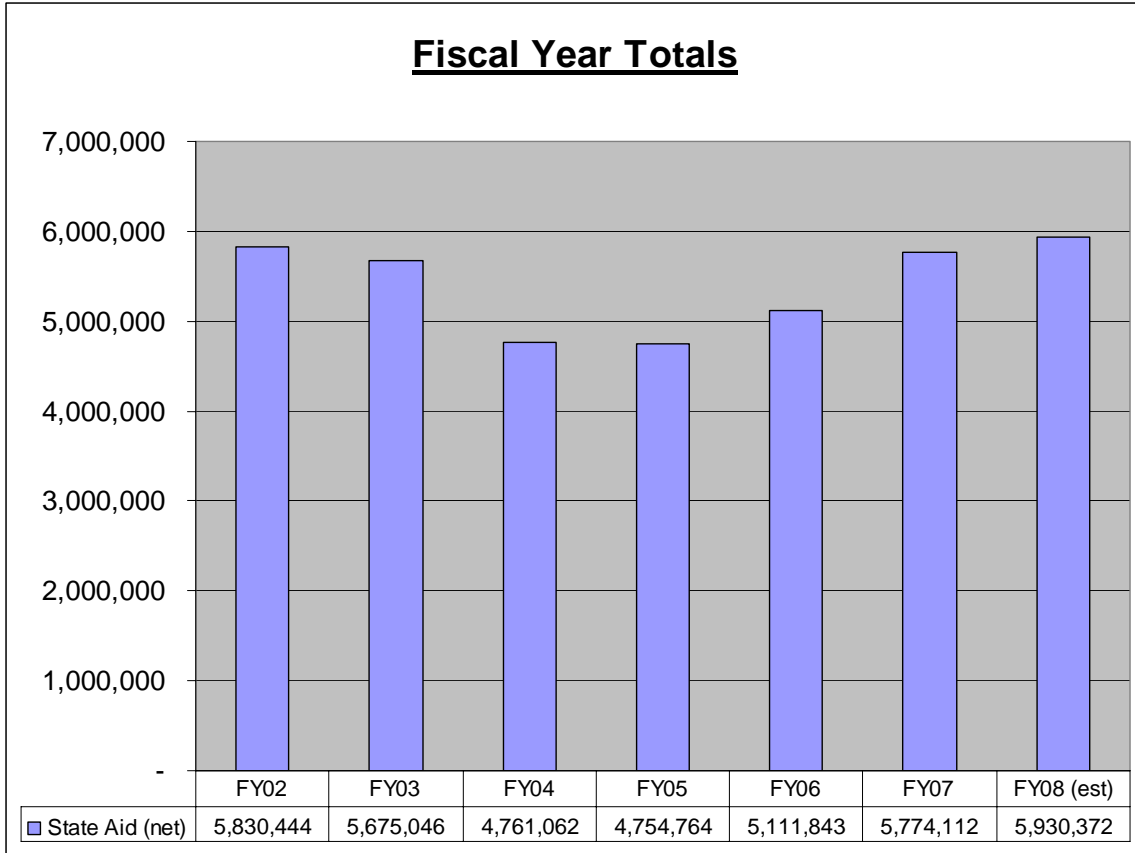
## **Revenues**

General Fund Operating Budget revenues are generally comprised of the following resources: state aid, real estate and personal property taxes, local revenues and revenues from measured services to offset costs of those services (ambulance, water and sewer). General fund revenues continue to fall short of funding the needs of the entire town budget, both in terms of actual dollars and real dollars when inflation is factored in. Increases in energy costs, employee benefits, and special education costs, along with unfunded mandates, outstrip annual property tax limits and state aid allocations. These conditions continue to hamper efforts to maintain past service levels and meet all the unfunded state and federal mandates passed down to communities.

### State Aid

State aid to Longmeadow has not recovered from drastic cuts in FY04. In FY02, total state aid was \$5,830,444. In FY04, it plummeted to \$4,761,062; a loss of more than \$1 million. Consequently, the town relies more than ever on its own fiscal resources, combined with service reductions, to offset continued under-funding of state aid. FY08 is expected to be a difficult year for additional state aid, since increases in state tax receipts has slowed significantly due to economic conditions. Although Lottery receipts were uncapped in FY07, Lottery receipts are down. The Governor's proposed budget provides net increase in aid of \$150, 809.

Moreover, the state formula used to allocate aid to communities is not favorable to Longmeadow, given its relative wealth and school population. The Commonwealth's lack of consistent financial commitment in the form of state aid has shifted a greater burden onto property owners to support local services. Longmeadow is no exception to this trend.



**Real Estate and Personal Property Taxes**

The major, and most predictable, component of funds is local real estate and personal property taxes. The total amount the town can raise increases annually by 2 ½ percent, plus any new growth (new construction, additions, etc.). This new growth has remained fairly constant over the years at about \$150,000 to \$200,000 per year.

**Local Revenues**

A third major component of General Fund revenue is those revenues the town is lawfully allowed to raise locally, including motor vehicle taxes, departmental fee and fines. In addition to fee and permit increases, the town has been very aggressive in collecting overdue fees and taxes, and selling surplus equipment and tax foreclosed land. Even with all these efforts, local revenues are unable to fill the void created by under-funded state aid.

**Other Local Revenues**

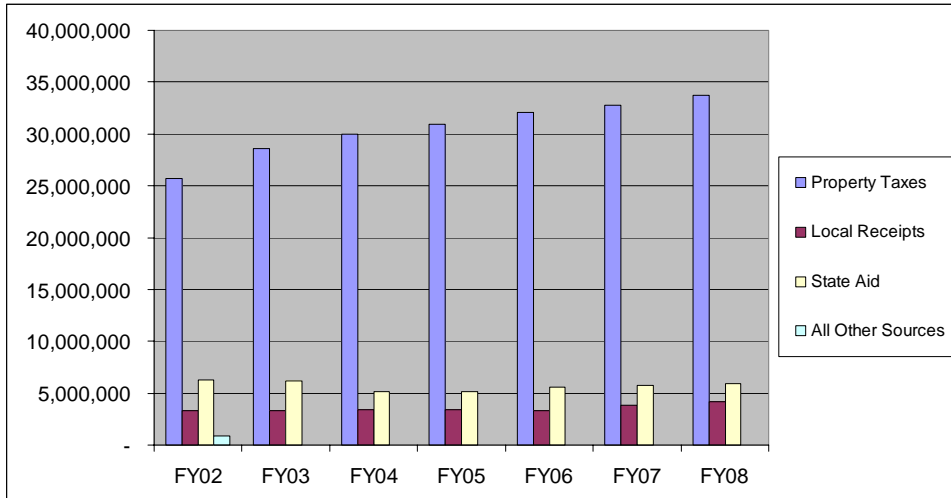
Measured services such as water, sewer and ambulance services are supported by user fees. A portion of these fees are used to offset services funded through the general fund, such as administrative costs and health insurance and other benefits. This ensures that users pay the cost of these services, and takes pressure off limited general fund revenues.

**Reserves**

Reserves are those funds set aside for specific purposes, such as the Operating Stabilization and Capital Stabilization funds, as well as “Free Cash”, which is the remaining surplus of revenues at the close of the fiscal year, after all expenditures are made. Free cash is estimated, at this time, to

be approximately \$800,000 after the close of this fiscal year, of which \$500,000 should be set aside for the annual appropriation at town meeting for unplanned special education costs.

### Sources of General Fund Revenue



## Budgets

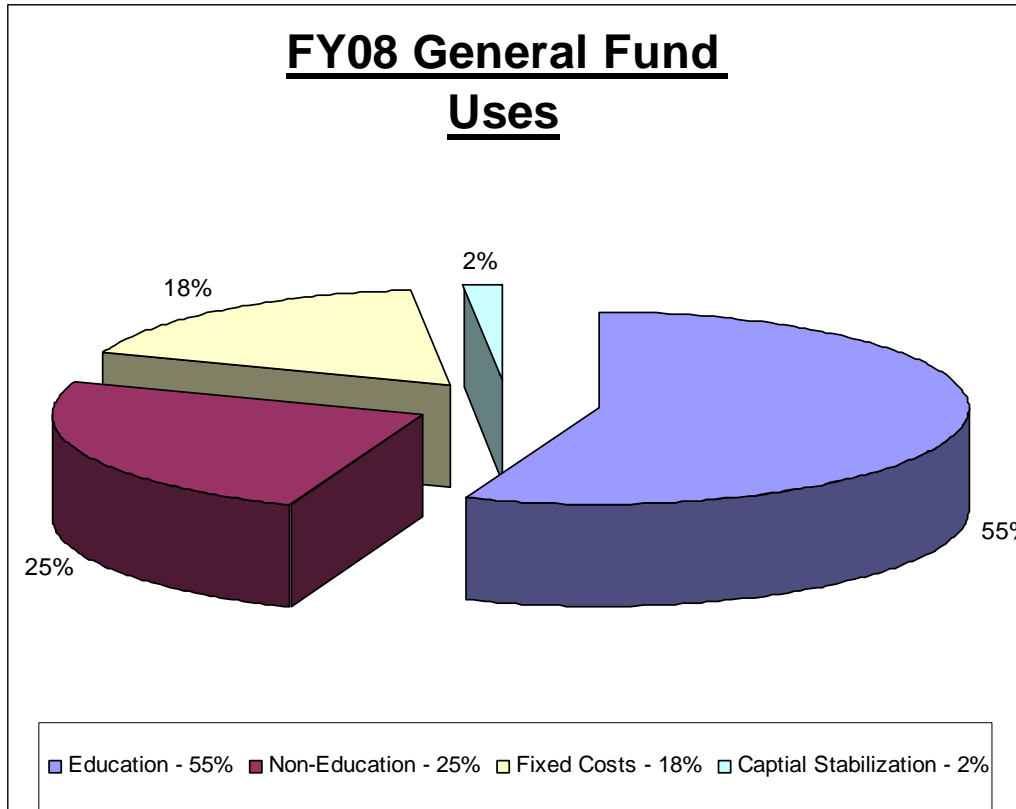
### Concept

Budget instructions for preparing FY08 budgets allocated approximately 72% of anticipated new revenues to education, after all fixed costs were funded (debt, insurances, employee benefits and retirement). I want to recognize all departments for their hard work, conservative budgeting and modest requests. Despite their efforts, and our efforts to maximize revenue, there remains insufficient funding for all requests.

Total departmental general fund operating requests were \$ 45, 499, 060; total available funding, based on present estimates, is \$ 44, 030, 734. This left a gap of \$1, 468, 326 between budget requests and available revenues.

### Recommended Balanced Budget

**In accordance with the town charter, I present a recommended balanced operating budget of \$46,754, 979. Overall, FY08 general fund allocation in the recommended budget is as follows: education up by 2.47% (excludes transferred maintenance accounts and potential collective bargaining agreements); non-education services up 2.56 % (includes transfer of school maintenance and collective bargaining settlements); benefits and insurance up 4.75%; debt services down 24.21%; capital stabilization up 94.5%.**



The general fund is generally allocated among four areas: school; non-school services; non-discretionary or “fixed” costs such as debt, benefits and insurance; and capital projects.

## **Non-School Services Priorities**

### Charter Implementation

The proposed FY08 proposed budget completes the transition of school maintenance services to the Department of Public Works. Last year, maintenance position salaries were transferred. In FY08 all school buildings and grounds services are transferred, with the exception of custodial services and supplies.

### Facility and Ground Maintenance

The public and town officials have been very clear that maintenance of buildings and grounds must become a priority. Overall funding for these services has increased significantly in the proposed budget.

### Environmental Compliance

In accordance with the requirements of the Department of Environmental Protection and other regulatory agencies, funding is increased for mandated inspections and services in the maintenance, highway, water and sewer budgets.

In order to meet these priorities, staff hours have been reduced in town hall, library, public works and Council on Aging. These reductions will not affect hours of operation but may affect service abilities.

## School Services

The School Committee submitted a budget request of \$ 28,547,875, offset by \$2,914,274 in direct funds to the schools, leaving a general fund request of \$25,633,600. This budget included an increase of \$500,000 for special education costs. I propose the following funding for the schools in FY08:

FY07 Appropriated School Budget (from General Fund)	\$ 24, 627, 465
Transfer Maintenance Costs to DPW	- 340, 257
Allocation of Available funds From General Fund	+ 636,000
<b>TOTAL RECOMMENDED SCHOOL BUDGET</b>	<b>24, 923, 208</b>

There is insufficient operational funding to fully cover the school department request. Available funds are being distributed in as equitable manner as possible so that no one service area is jeopardized.

No provision has been made for contract settlements in the school budget. Contract settlements will need to be funded for both FY07 and FY08. This unknown cost looms over the entire budget discussion. Costs of contract settlements will have significant impact on the overall budget and the budget cannot absorb these costs without additional funding, service cuts or combinations of both.

## Summary

The town has not recovered, either in actual or real dollars, from the cuts of FY04. At all levels, management is looking for efficiencies, without compromising basic services. Improved financial practices and revenue enhancements available to the town, while important and on-going, are simply insufficient to meet service expectations and regulatory requirements. The balanced budget as proposed is finely balanced between anticipated revenues/cost savings and funding essential town services. There is no funding for any contractual settlements with school personnel or additional SPED costs. Funding gaps also remain in several areas: planning and community development, maintenance, public works, grounds, school custodians, to name a few.