



*Town of Littleton, Massachusetts
Department of Finance and Budget*

*Bonnie-mae Holston, Assistant Town Administrator for Finance & Budget
Michelle Reynolds, Assistant Town Accountant*

To: Keith Bergman, Town Administrator
From: Bonnie Holston, Assistant Town Administrator/Finance Director
Date: January 20, 2012
Re: FY2013 Budget Analysis

On January 10th, 2012 a joint meeting with the Board of Selectmen, Finance Committee and the School Committee was held to continue FY2012 and FY2013 budget discussions. There will be a follow up meeting scheduled for Tuesday, January 31st at 7:00pm.

The Boards discussed the issues surrounding the School Budget and Special Education costs that were unforeseen in FY2012, and the plan to address the funding deficiencies that may exist for the FY2013 School Budget.

FY2012

FY2011 Ending School Reserves – made up of Circuit Breaker and School Choice Funds – were \$1.2 million. While the School appropriation shows a zero (0%) increase over FY2011, the actual School budget increased by 4.73% - \$722,879 - as a result of the use of \$803,674 in reserves and \$218,291 in Stimulus Grant funding to support the FY2012 budget increase. This drawdown would leave approximately \$400,000 remaining from the FY2011 reserve ending balance. Continued use of reserves and non-recurring revenues on the School operating budget cannot be sustained in future years.

FY2012 School Budget breakdown as Voted by School Committee:

Appropriation	\$ 14,977,076	Town Meeting Appropriation
Reserves	\$ 803,674	Circuit Breaker and School Choice
Stimulus Grant	<u>\$ 218,291</u>	Grant Funding
Total	\$ 15,999,041	Total FY2012 School Budget

Recent developments within the FY2012 School Budget indicate the school budget has been additionally burdened by approximately \$481k in unanticipated FY2012 SPED costs. Unless budget reductions are approved within the school budget to absorb these costs, the FY2011 reserve ending balances would be entirely consumed by FY2012 operations as well as utilizing some of the FY2012 reserve revenues and the Total School budget would rise to approximately \$16,480,000.

FY2013

We have not received the formal budget request from the School Department as of yet, and therefore we are using essentially a level funded figure as a placeholder. This level funded budget appropriation is based on the assumption that there is no change in FY2013 net school state aid. As in the past, under the current funding arrangement of the School receiving Net School State Aid (NSSA) should the state increase or decrease Chapter 70 Aid or increase Educational Assessments the school appropriation will be adjusted accordingly. Discussions regarding this funding formula are currently being scheduled between the Finance Department, School and Finance Committee.

Assumptions also include the same level of funding of \$1 million from school reserves in FY2013 – which would exhaust the entire projected FY2012 ending balance as well as some of the FY2013 revenues.

FY2012 is expected to generate \$979k in new reserve monies (circuit breaker at 589k and school choice at 390k), leaving the FY2012 ending reserves balance at \$898,000 (as \$81k is now needed to support FY2012 operations). Even if this draconian tactic were utilized just to level fund the school budget, it does not address funding the contractually obligated Step and Lane changes within the collective bargaining units (with no COLA) of approximately \$250,000, as well as the estimated \$480,000 in unforeseen FY2012 SPED costs.

The School Reserves (School Choice and Circuit Breaker Funds) summary estimates appear as such:

6/30/2011 ending	\$1,203,000	
FY2012 budget allocation	- 803,000	
FY2012 Spec Ed	- 481,000	unanticipated FY2012
FY2012 Revenue CB	+ 589,000	Circuit Breaker funds in
FY2012 Revenue SC	+ <u>390,000</u>	school choice in
FY2012 PROJECTED ENDING	\$ 898,000	Estimated Ending Balance 6/30/2012

Unless adjusted/reduced elsewhere this fiscal year, the assumptions on a level service school budget for FY2013 would be approximately as follows:

FY2012 Budget	\$16,480,000	with the FY12 Sped costs
PLUS steps and lanes	<u>\$ 250,000</u>	estimated
Estimated Level Service	\$16,730,000	estimated starting point for level staffing

FY2013 School Funding Estimates at this time:

Appropriation	\$14,977,076	assuming level funding
Reserves	\$ 898,000	FY2012 ending balance
Stimulus Grant	<u>\$ 0</u>	Unless other Grant Funding available
Total Funding Available	\$15,875,076	

Shortfall (\$ 854,924) Estimated Shortfall

Possible Action Plans/Solutions

- Chapter 70 Aid increases could help offset this – if any. Some discussions have indicated maybe an additional 100-200k, but very early to predict this with any certainty.
- Could use projected FY2013 reserves revenues of \$992k to offset the FY2013 budget
 1. That would combine the use of two years of reserves on one fiscal year budget - leaving nothing to use for FY2014. Essentially, this kicks the problem out just one year.
 2. If FY2013 projected revenues are overestimated it could create a larger deficit.
 3. Leaves no reserves if another Spec Ed influx hits the school mid-year.
- Budget/Program cuts
- Combination of some/all

The Town further supports the School budget – as it does all other Departments - by bearing the cost of the Health insurance benefits for School Employees, who make up 70% of the enrollees. At this point in time the revenue that can be raised under Proposition 2 1/2 is almost entirely consumed by Health Insurance increases for employees and retirees.

Revenues

Highlights of the assumptions utilized for FY2013 revenue projections are as follows:

- 3.81% increase in local receipts – attributed to Building Permit activity increase
- No reduction in General Municipal Aid
- No reduction in actual Chapter 70 Aid from FY2012 – we will need to continue monitoring this for information on adjustments
- No change in State Assessments
- \$100,000 in new growth for FY2013

I am hopeful that future years will reflect some growth in the following from the Great Road commercial development:

- New Growth – possibly \$1-2.5 million over the multi-year build out period, dependent on investment in infrastructure
- Local Room Occupancy Tax - \$100-200K should reasonably sized/occupied hotel locate within the property

I will keep the Board apprised of any additional developments as they are received. Please do not hesitate to contact me directly with any questions throughout this process.