



TOWN OF EASTON
MASSACHUSETTS
Office of the Town Administrator

DAVID A. COLTON
Town Administrator

**Fiscal Year 2012
Preliminary Budget Update Memorandum
Town of Easton
David A. Colton
Town Administrator**

March 28, 2011

Overview. Bringing the Town's fiscal year 2012 budget into balance continues to present a number of significant challenges. Reduced revenues, increases in employee benefit costs, and dwindling reserves all play major roles in producing a deficit that was, earlier this year, projected to be \$2M. Since making that projection we have been working diligently to reduce the deficit and although we have had some success, the snow and ice deficit of approximately \$600,000 has eroded most of our gains leaving use with a projected deficit of \$1.8M. At this point there is little doubt that large cuts in the operating budgets of all departments will need to be made.

General Fund Revenues. Overall these revenues are expected to remain relatively flat in FY12 with a projected increase of slightly above 2%. Detailed projections with comparisons to prior years are attached for your review.

Taxation will grow minimally to \$43,961,666, an increase of 3.03% over FY11. The sources of this growth are the 2.5% tax levy increase allowed by law plus new growth in real estate values expected to generate \$350,000. New growth over the last three fiscal years has averaged \$370,000.

No appreciable growth is predicted in local receipts. There would need to be an appreciable increase in general economic activity to generate additional motor vehicle excise, building permit and other fees, or meals taxes. Although indications are that the general economy is improving, it is doing so slowly and without proven sustainability. It would be folly under current conditions to predict any sizable growth.

State Aid will once again be cut, but not by as much as expected. According to the Governor's budget state aid will decline by \$46,669.

Reserves. Town leaders wisely allotted funds to be set aside in a stabilization fund as part of the FY 2006 proposition 2 ½ override. In addition, these amounts were augmented in 2007 and 2008. When the current recession hit, we estimated that we could hold out for three years based on prudent use of the accumulated reserves.

While this is working well so far, FY 12 is the third year of that plan and reserves have tightened. Stabilization and free cash balances since the override year are as follows:

<u>Fiscal Year End</u>	<u>Stabilization</u>	<u>Free Cash</u>
2006	\$1,588,236.82	\$1,366,111
2007	\$2,051,665.58	\$1,612,388
2008	\$2,587,452.50	\$1,511,527
2009	\$2,918,257.28	\$ 688,651
2010	\$2,053,809.24	\$1,515,679
Projected 2011	\$ 793,809.24	\$ 275,679

I continue to recommend that we attempt to complete the year with a reserve balance of approximately \$1M which would leave FY12 reserve spending at a total of \$1,300,000. This means that the overall use of reserves would decrease by nearly \$400,000 in FY12 when compared with the previous year. The FY 2011 projection in the chart above reflects implementation of this plan.

Enterprise Funds. Two budgets (water and solid waste collection) are funded through user fees and therefore have no impact on the projected deficit.

Expenditures. For purposes of this update I will discuss the expenditure side of the budget in terms of changes made since the Preliminary Budget Memo of January 6, 2011.

1. I have already alluded to the snow and ice deficit of approximately \$600,000 which must be raised in fiscal 2012.
2. The Easton School Superintendent and Committee have been working very hard to bring in a budget that can be supported by revenues. At this time we are carrying a budget of \$33,103,793 or 3.9% above FY 2011. In addition, the Southeastern Regional School assessment is going down. Once we receive the Superintendents' report, the adjustment will be made.
3. Employee Benefits and Insurance primarily pays for employee health insurance, workers compensation insurance, liability insurance and pension costs. We project an increase of \$695,136 or 6.65% in this budget.

Next Steps. I will present, at your next meeting, a series of budget cuts totaling \$600,000 for Town Departments. The Superintendent of Schools is preparing a series of budget cuts totaling \$900,000. This would result in an overall Town budget of \$66,896,595 which is an increase of 1.7%. If these cuts are approved we would still need to produce *additional cuts or revenue* of approximately \$300,000 to balance the budget.

**TOWN OF EASTON
FY 2012 GENERAL FUND REVENUE PROJECTIONS**

Description	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Budget	FY 2010 Actual	Variance	FY 2011 Budget	FY 2012 Proj. w/ House 1	Increase/ Decrease	% Chg
Taxation:										
Real Estate & Personal Property	29,687,080	34,538,904	36,153,391	37,197,673	37,474,928		38,512,475	39,855,594	1,343,119	
Other Taxes	267,816	201,245	416,571	-	162,899		-	-	-	
2 1/2 % (budget/projection only)				930,546			959,058	996,390	37,332	
New Growth	1,014,056	621,330	371,633	360,098	360,098		380,307	350,000	(30,307)	
Operational Override	3,400,000								-	
Exempt Debt	1,598,321	1,723,328	2,230,931	2,773,076	2,773,076		2,815,508	2,759,682	(55,826)	
Total Taxation	35,967,273	37,084,807	39,172,526	41,261,393	40,771,001	(490,392)	42,667,348	43,961,666	1,294,318	3.03%
State Revenue:										
State Aid Chapter 70	8,115,511	8,764,374	8,764,241	9,598,361	9,598,361	-	9,143,450	9,192,536	49,086	0.54%
Charter Tuition Reimbursement	36,153	51,169	37,929	66,890	25,143	(41,747)	10,716	9,846	(870)	-8.12%
Lottery	2,679,163	2,725,472	2,097,996	1,929,409	1,929,409	-	1,852,233	1,718,309	(133,924)	-7.23%
General Fund Lottery Subsidy			361,889	-	-	-	-	-	-	0.00%
Police Career Incentive	155,126	152,612	154,535	31,015	32,197	1,182	16,139	17,392	1,253	7.76%
Veterans Benefits	105,423	96,289	125,876	136,429	143,472	7,043	164,460	200,105	35,645	21.67%
State Owned Land	59,797	66,808	71,633	64,532	64,532	-	63,884	63,650	(234)	-0.37%
Exemp: Vets, Blind, Surv Sp & Elderly	45,806	117,797	84,573	79,461	86,948	7,487	84,071	86,446	2,375	2.82%
Supplemental Distribution	-	-	-	-	-	-	-	-	-	0.00%
School Construction	1,245,934	1,245,934	983,980	983,980	983,980	-	983,980	983,980	-	0.00%
Total State Revenue	12,442,913	13,220,455	12,682,652	12,890,077	12,864,042	(26,035)	12,318,933	12,272,264	(46,669)	-0.38%
Local Receipts:										
Motor Vehicle Excise	2,771,420	3,115,660	2,822,055	2,700,000	2,704,299	4,299	2,600,000	2,600,000	-	0.00%
Penalties & Interest on Taxes & Excise	170,783	189,486	265,688	200,000	297,046	97,046	250,000	250,000	-	0.00%
Licenses & Permits	524,114	608,209	454,848	450,000	713,821	263,821	550,000	550,000	-	0.00%
Fees	862,696	872,098	920,929	870,000	877,509	7,509	870,000	870,000	-	0.00%
Fines & Forfeitures	60,157	56,679	38,494	38,000	43,086	5,086	38,000	38,000	-	0.00%
Investment Income	334,376	135,147	56,833	55,000	33,871	(21,129)	30,000	30,000	-	0.00%
Ames Fund	200,000	250,000	335,000	140,000	140,000	-	300,000	300,000	-	0.00%
Medicare Part D Subsidy	80,004	141,692	152,363	145,000	213,403	68,403	170,000	170,000	-	0.00%
Other Miscellaneous Income	190,061	120,111	798,114	100,000	135,677	35,677	91,220	100,000	8,780	9.63%
School Resource Officer Reimb		35,000	50,000	50,000	50,000	-	50,000	50,000	-	0.00%
Veterans Agent Reimb						-	37,119	37,119	-	0.00%
Medicaid Reimbursement	138,931	103,588	133,566	50,000	99,656	49,656	75,000	75,000	-	0.00%
Local Option Meals Tax				121,696	91,420	(30,276)	200,000	200,000	-	0.00%
Chapter 46, Supplemental Tax		65,087	30,156	30,000	47,434	17,434	30,000	30,000	-	0.00%
Total Local Receipts	5,332,542	5,692,757	6,058,046	4,949,696	5,447,222	497,526	5,291,339	5,300,119	8,780	0.17%
Total General Fund Revenue	53,742,728	55,998,019	57,913,224	59,101,166	59,082,265	(18,901)	60,277,620	61,534,049	1,256,429	2.08%
Exempt Debt Adjustments:										
Exempt Debt Raised by Taxation	(1,598,321)	(1,723,328)	(2,230,931)	(2,773,076)	(2,773,076)	-	(2,815,508)	(2,759,682)	55,826	-1.98%
Net General Fund Revenue	52,144,407	54,274,691	55,682,293	56,328,090	56,309,189	(18,901)	57,462,112	58,774,367	1,312,255	2.28%

Net General Fund Revenue:

1,312,255

Reserves/One-Time Revenues Increases/(Decreases) FY10-FY11:

Free Cash	856,954
Stabilization Fund	(1,140,000)
Overlay Surplus	(35,000)
Recurring: Revolving / Conservation	(78,121)
Subtotal reserves/one-time revenues	(396,167)

Subtotal available funds increase (decrease)

916,088

Uncontrollable Cost (Increases)/Decreases FY10-FY11:

Change in Unappropriated Expenses	(379,498)
Change in SE Regional School Assessment	-
Change in debt within Prop 2 1/2 (non-exempt)	-
Change in Health Insurance	(597,296)
Change in Pension Assessment	(81,733)
Change in Worker's Comp Insurance	42,631
Change in General Insurance	(6,358)
Change in Medicare Taxes	(60,000)
Subtotal uncontrollable cost (increases)/decreases	(1,082,254)

Net Surplus (Deficit) Before for FY11 Budget Increases

(166,166)

Less: General Government Increases	1.80%	(239,297)
School Budget Increase	3.90%	(1,402,954)

Surplus (Deficit)

(1,808,417)

**TOWN OF EASTON
PRELIMINARY BUDGET SUMMARY**

	FY 2012 Preliminary	Budget Adjustments	Adjusted Budget 3/28/11	% of Tot Budget	Comparative Amounts		
					FY 2011 Budget	Increase/ Decrease	% Chg
Revenues:							
Operating Revenue:							
Taxation	43,961,666		43,961,666	66.03%	42,667,348	1,294,318	3.03%
State Aid	11,494,257	778,007	12,272,264	18.43%	12,318,933	(46,669)	-0.38%
Local Receipts	5,300,119		5,300,119	7.96%	5,291,339	8,780	0.17%
Enterprise Receipts	3,693,392		3,693,392	5.55%	3,716,887	(23,495)	-0.63%
<i>Sub-total Operating</i>	64,449,434	778,007	65,227,441	97.97%	63,994,507	1,232,934	1.93%
Reserves/One-Time Revenues:							
Non-recurring:							
Free Cash	1,240,000		1,240,000	1.86%	383,046	856,954	223.72%
Stabilization Fund	60,000		60,000	0.09%	1,200,000	(1,140,000)	-95.00%
Overlay Surplus			-	0.00%	35,000	(35,000)	-
<i>Sub-total Non-recurring</i>	1,300,000	-	1,300,000	1.95%	1,618,046	(318,046)	-19.66%
Recurring:							
Revolving Accounts	-		-	0.00%	75,000	(75,000)	-100.00%
Conservation Fund	61,057		61,057	0.09%	64,178	(3,121)	-4.86%
<i>Sub-total Recurring</i>	61,057	-	61,057	0.09%	139,178	(78,121)	-56.13%
<i>Sub-total Reserves</i>	1,361,057	-	1,361,057	2.04%	1,757,224	(396,167)	-22.55%
Total Operating Revenues/Reserves	65,810,491	778,007	66,588,498	100.01%	65,751,731	836,767	1.27%
Expenditures:							
Unappropriated Expenses (detail on pg. 2)	1,235,351	359,647	1,594,998	2.33%	1,215,500	379,498	31.22%
Transfer to Stabilization Fund (taxation amt)	-		-	0.00%	-	-	0.00%
120 Selectmen	333,423		333,423	0.49%	334,423	(1,000)	-0.30%
131 Finance Committee	2,000		2,000	0.00%	2,000	-	0.00%
132 Reserve Fund	60,000		60,000	0.09%	56,108	3,892	6.94%
135 Accountant	189,732		189,732	0.28%	189,278	454	0.24%
140 Assessors	229,139		229,139	0.34%	220,278	8,861	4.02%
145 Collector /Treasurer	316,357		316,357	0.46%	304,815	11,542	3.79%
150 Town Counsel	160,000		160,000	0.23%	160,000	-	0.00%
155 Data Processing	189,667		189,667	0.28%	187,200	2,467	1.32%
160 Town Clerk	203,549		203,549	0.30%	221,262	(17,713)	-8.01%
175 Planning and Community Development	244,930		244,930	0.36%	224,737	20,193	8.99%
210 Police	3,855,057		3,855,057	5.64%	3,824,749	30,308	0.79%
220 Fire	2,998,778		2,998,778	4.38%	2,852,162	146,616	5.14%
231 Ambulance	429,474		429,474	0.63%	413,620	15,854	3.83%
240 Inspectional Services	297,583		297,583	0.44%	285,566	12,017	4.21%
310 SE Regional School	857,976	(77,998)	779,978	1.14%	779,978	-	0.00%
400's DPW Admin	2,677,298		2,677,298	3.91%	2,710,636	(33,338)	-1.23%
510 Board of Health	224,472		224,472	0.33%	215,831	8,641	4.00%
541 Council on Aging	229,934		229,934	0.34%	228,117	1,817	0.80%
543 Veterans Department	298,426		298,426	0.44%	265,768	32,658	12.29%
610 Library	455,500		455,500	0.67%	448,997	6,503	1.45%
630 Recreation Department	16,550		16,550	0.02%	18,725	(2,175)	-11.62%
700 Debt & Interest (detail on pg. 2)	4,936,444	-	4,936,444	7.22%	4,992,270	(55,826)	-1.12%
910 EE Benefits & Insurance (detail on pg.2)	11,311,863	(157,269)	11,154,594	16.31%	10,459,138	695,456	6.65%
920 Other General Government	109,600		109,600	0.16%	110,600	(1,000)	-0.90%
61-450 Water Division	2,335,139		2,335,139	3.41%	2,358,634	(23,495)	-1.00%
62-430 Solid Waste & Recycling	810,500		810,500	1.18%	810,500	-	0.00%
300 School Department	32,661,360	442,433	33,103,793	48.40%	31,860,839	1,242,954	3.90%
300 School Department (Buildings & Grounds)	160,000		160,000	0.22%	160,000	0.00%	
Total Budget	67,830,102	566,813	68,396,915	100.00%	65,751,731	2,645,184	4.02%
Surplus/(Deficit)	(2,019,611)	211,194	(1,808,417)		-	(1,808,417)	

Free Cash Balance
Stabilization Fund Balance
Water Surplus

1,515,679.00 Certified balance 7/1/10
869,258.40 As of 2/28/11
575,085 Certified balance 7/1/10

**TOWN OF EASTON
PRELIMINARY BUDGET SUMMARY**

UNAPPROPRIATED EXPENSE DETAIL							
	FY 2012 Preliminary	Budget Adjustments	Adjusted Budget 3/28/11	% of Total	Comparative Amounts		
					FY 2011 Budget	Increase/ Decrease	% Chg
Cherry Sheet Charges/Assessments							
County Assessment	278,191		278,191	17.44%	271,406	6,785	2.50%
Retired EE Health Ins	-		-	0.00%	-	-	0.00%
Mosquito Control	42,102		42,102	2.64%	41,075	1,027	2.50%
Air Pollution Districts	6,757		6,757	0.42%	6,592	165	2.50%
Old Colony Planning Council	7,477		7,477	0.47%	7,295	182	2.49%
RMV Non-Renewal Surcharge	15,949		15,949	1.00%	15,560	389	2.50%
MBTA	150,520		150,520	9.44%	146,849	3,671	2.50%
Special Education	10,503		10,503	0.66%	10,247	256	2.50%
Charter Schools/School Choice	148,499		148,499	9.31%	144,877	3,622	2.50%
Sub-total	659,998	-	659,998	41.38%	643,901	16,097	2.50%
Other Unappropriated Expenses							
Overlay	350,000		350,000	21.93%	346,246	3,754	1.08%
Snow & Ice Overexpended	225,353	359,647	585,000	36.68%	225,353	359,647	159.59%
Other (Appropriation/Overlay Deficit)			-	0.00%	-	-	0.00%
Sub-total	575,353	359,647	935,000	58.61%	571,599	363,401	63.58%
Total Unappropriated Expenditures	1,235,351	359,647	1,594,998	99.99%	1,215,500	379,498	31.22%
DEBT & INTEREST BUDGET							
	FY 2012 Preliminary	Budget Adjustments	Adjusted Budget 3/28/11	% of Total	Comparative Amounts		
					FY 2011 Budget	Increase/ Decrease	% Chg
Non-exempt Debt							
School Principal	120,000		120,000	2.43%	120,000	0	0.00%
School LT Debt Interest	45,413		45,413	0.92%	48,713	(3,300)	0.00%
School ST Debt Interest			-	0.00%	-	0	0.00%
	165,413	-	165,413	3.35%	168,713	(3,300)	-1.96%
Town Principal	597,419		597,419	12.10%	643,516	(46,097)	-7.16%
Town LT Debt Interest	154,046		154,046	3.12%	177,379	(23,333)	-13.15%
Town ST Debt Interest	18,400		18,400	0.37%	2,000	16,400	820.00%
Capital Budget Reserve	257,504		257,504	5.22%	201,174	56,330	0.00%
	1,027,369	-	1,027,369	20.81%	1,024,069	3,300	0.32%
Total Non-exempt Debt	1,192,782	-	1,192,782	24.16%	1,192,782	-	0.00%
Exempt Debt							
School Principal	2,460,000		2,460,000	49.83%	2,445,000	15,000	0.61%
School LT Debt Interest	1,283,662		1,283,662	26.00%	1,316,988	(33,326)	-2.53%
School ST Debt Interest			-	0.00%	37,500	(37,500)	-
Total Exempt Debt	3,743,662	-	3,743,662	75.83%	3,799,488	(55,826)	-1.47%
Total Debt & Interest Budget	4,936,444	-	4,936,444	99.99%	4,992,270	(55,826)	-1.12%
EMPLOYEE BENEFITS & INSURANCE DETAIL							
	FY 2012 Preliminary	Budget Adjustments	Adjusted Budget 3/28/11	% of Total	Comparative Amounts		
					FY 2011 Budget	Increase/ Decrease	% Chg
EE Health Insurance - Town	2,336,055	(169,905)	2,166,150	19.42%	2,123,686	42,464	2.00%
EE Health Insurance - School	5,015,392	62,316	5,077,708	45.52%	4,522,876	554,832	12.27%
Executive Loss Control Committee	2,500		2,500	0.02%	2,500	-	0.00%
Retirement Assessment - County	2,759,662	(49,680)	2,709,982	24.29%	2,628,249	81,733	3.11%
Reserve for Salary Increase	-		-	0.00%	7,300	(7,300)	0.00%
General Insurance - Town	215,754		215,754	1.93%	181,875	33,879	18.63%
General Insurance - School	200,000		200,000	1.79%	227,521	(27,521)	-12.10%
Worker's Comp - Town	95,000		95,000	0.85%	95,000	-	0.00%
Worker's Comp - School	115,000		115,000	1.03%	157,631	(42,631)	-27.04%
Tuition	1,500		1,500	0.01%	1,500	-	0.00%
Medicare - Town Share	170,000		170,000	1.52%	150,000	20,000	13.33%
Medicare - School Share	400,000		400,000	3.59%	360,000	40,000	11.11%
Noncontributory Pension	1,000		1,000	0.01%	1,000	-	0.00%
Total Employee Benefits & Insurance	11,311,863	(157,269)	11,154,594	99.98%	10,459,138	695,456	6.65%