

Town of Framingham Budget Summit

Board of Selectmen

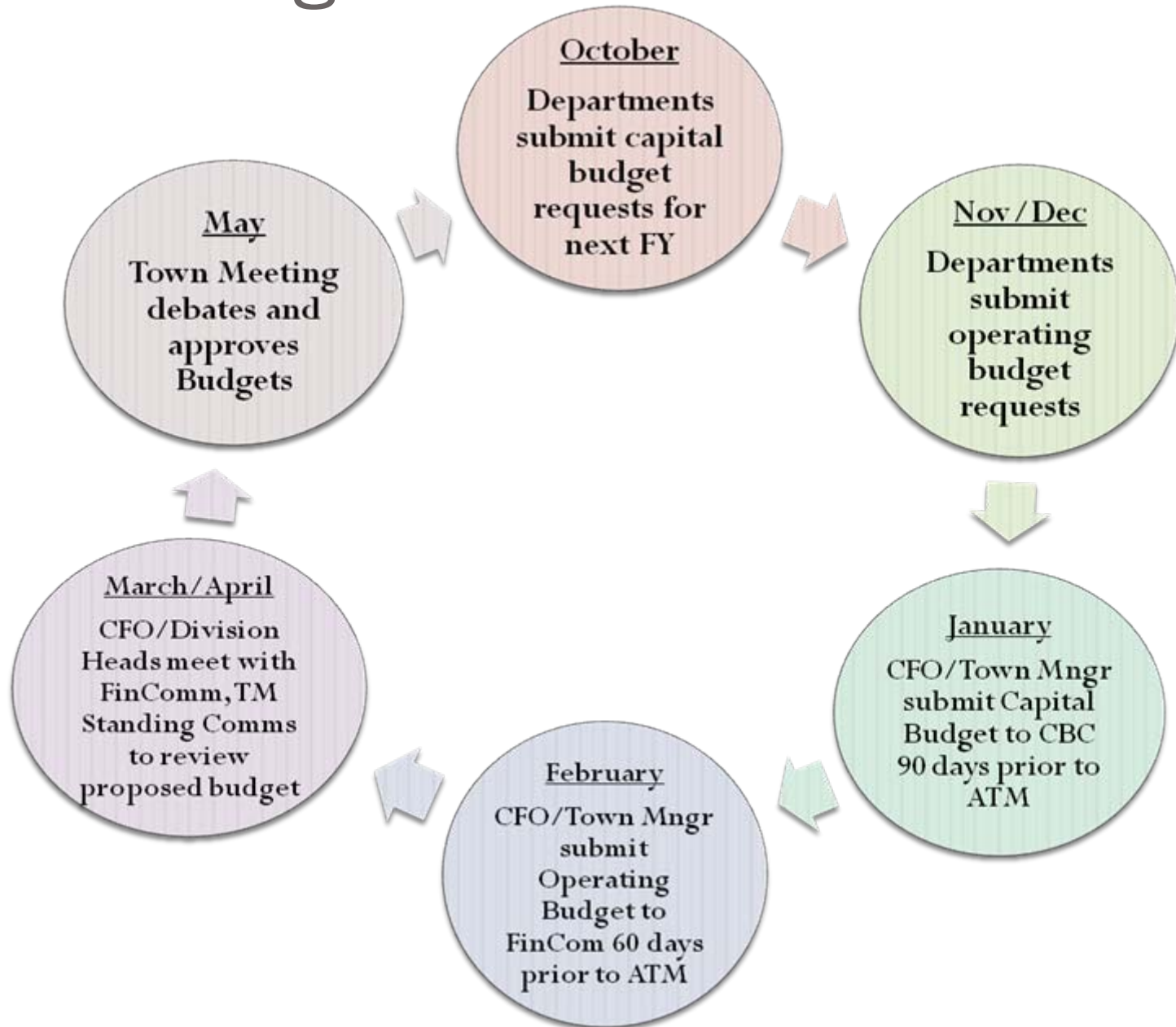
School Committee

Finance Committee

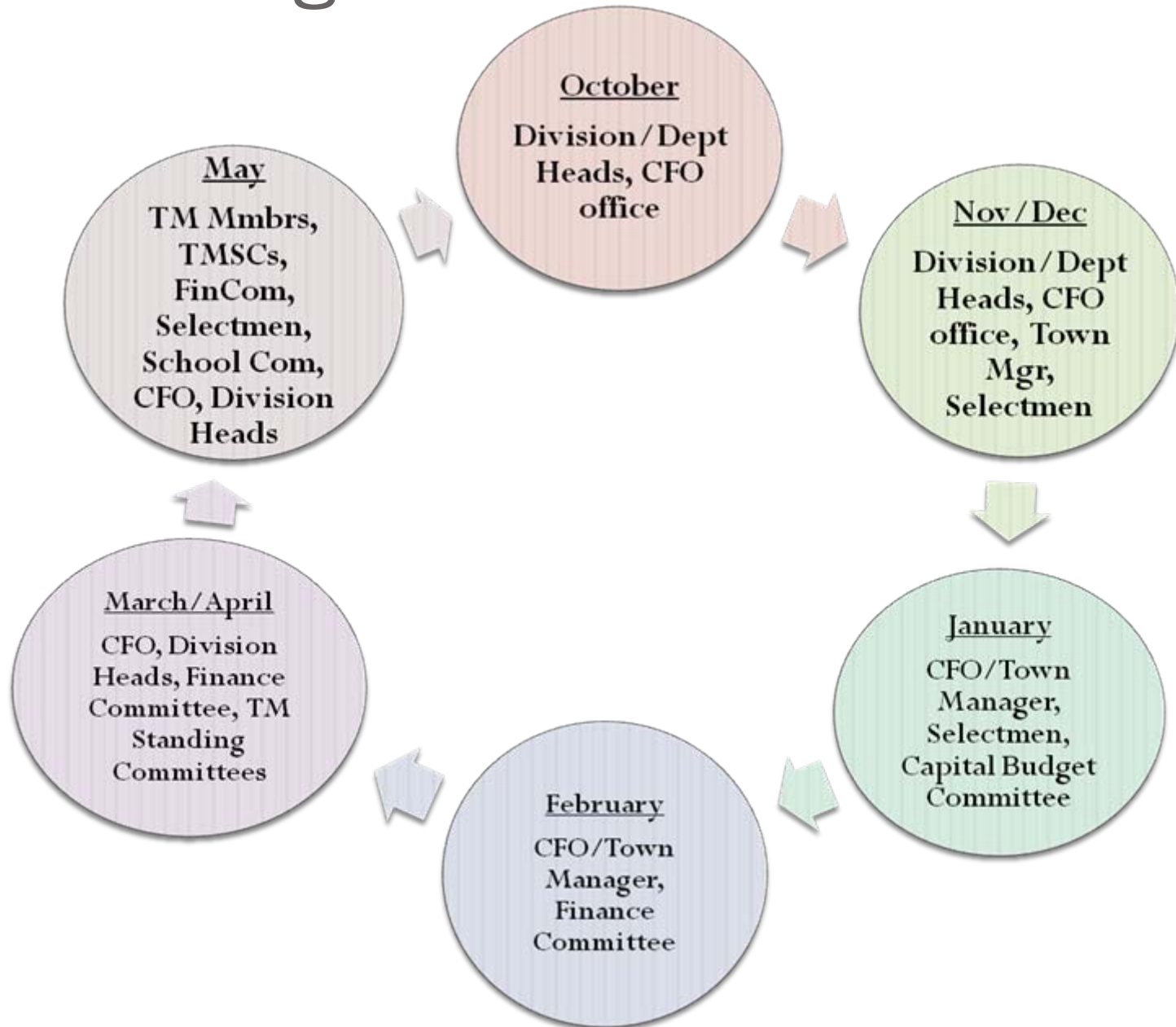
Ways & Means Standing Committee

December 14, 2010

The Budget Process: What is done



The Budget Process: Who does it



The Upcoming Budget: FY2012

- Anticipate revenues to total \$213,484,179
 - Increase of \$1.8 million or less than 1%
- Estimate expenditures to total \$220,426,879
 - Increase of \$8.8 million or 4.2%
- **Projected Deficit is \$6.9 million**
- Major components of revenue change
 - \$5.1 million in property tax (capped by 21/2)
 - \$1.4 million DECREASE in Ch. 70 and Government aid
 - \$1.8 million DECREASE in local fees and taxes

The Upcoming Budget: FY2012

- **Major components of expenditure increase**
 - Health insurance: \$3 million more than FY11
 - Debt Service: \$1.8 million more than last fiscal year
 - School Department: \$3.85 million more than FY11
 - Municipal Departments: \$1.6 million more than FY11
- **Key Risks of FY12 Projected Finances:**
 - Collective bargaining agreements have not been completed for Police and Fire since the end of FY2008; currently in state level mediation which could award more than we can afford
 - FY12 School projection assumes **0%** COLA for next contract
 - State aid could be cut more than 5% in Ch. 70 or General government aid
 - Other components of state aid could be cut

How did we get here?

- **Limited Revenue Growth**

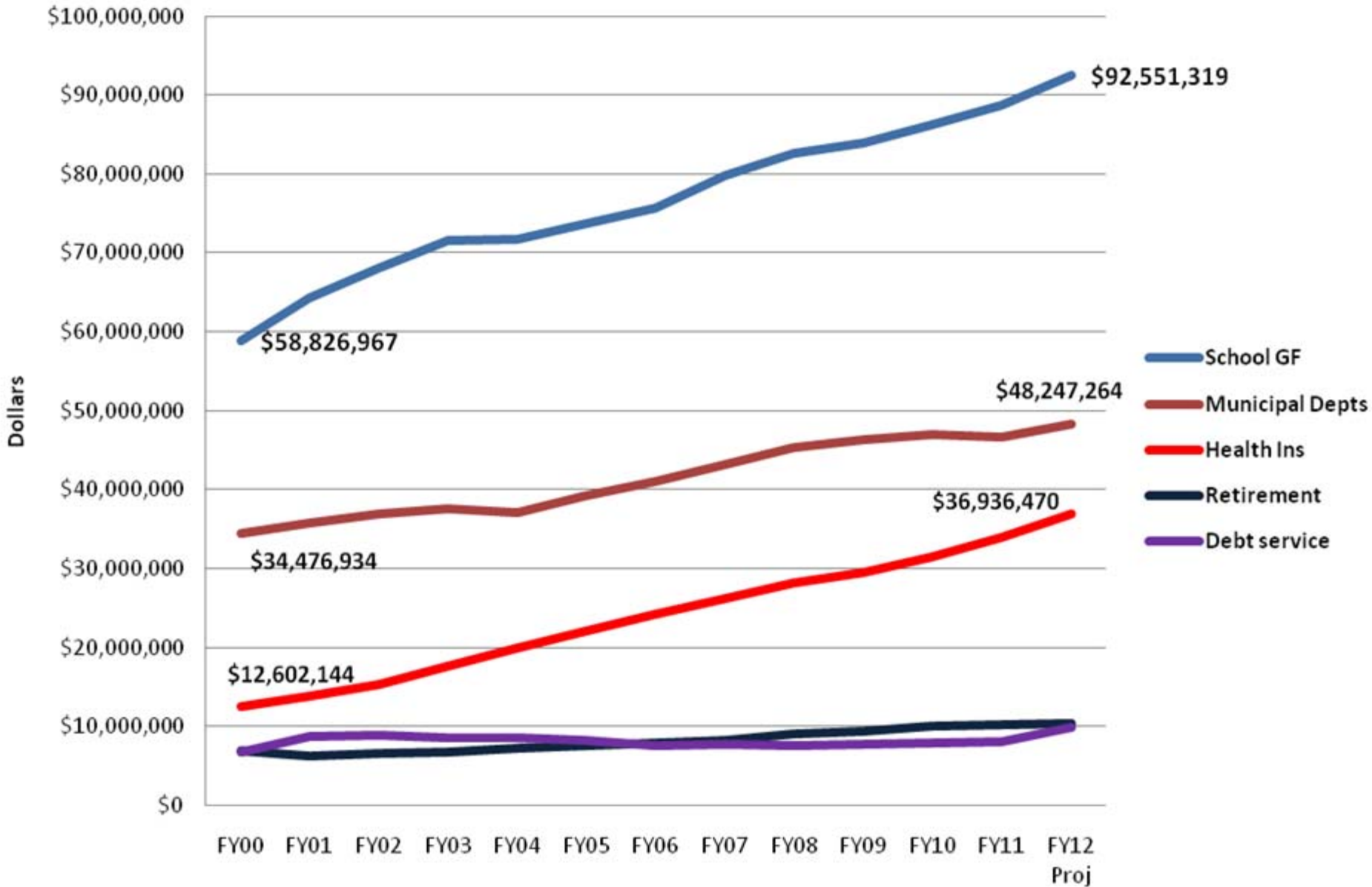
- *Decreased* state aid in FY12 of \$3.8 million since FY09
- Local Receipts (local fees, taxes, rents, reimbursements, etc) *decreased* \$2.5 million since FY09
 - This includes the addition of local room and meals taxes
- Property tax growth capped at 2.5% of prior year levy, this has averaged \$5.3 million more per year since FY05.
- New growth in tax revenue *decreased* \$1.03 million since FY09
- Since FY09 the base tax levy has grown by \$17.4 million, the remaining revenues have decreased by \$7.4 million

- **In four years Town revenues have increased only \$10.7 million or 5.3%, an average of \$2.7 million per year**

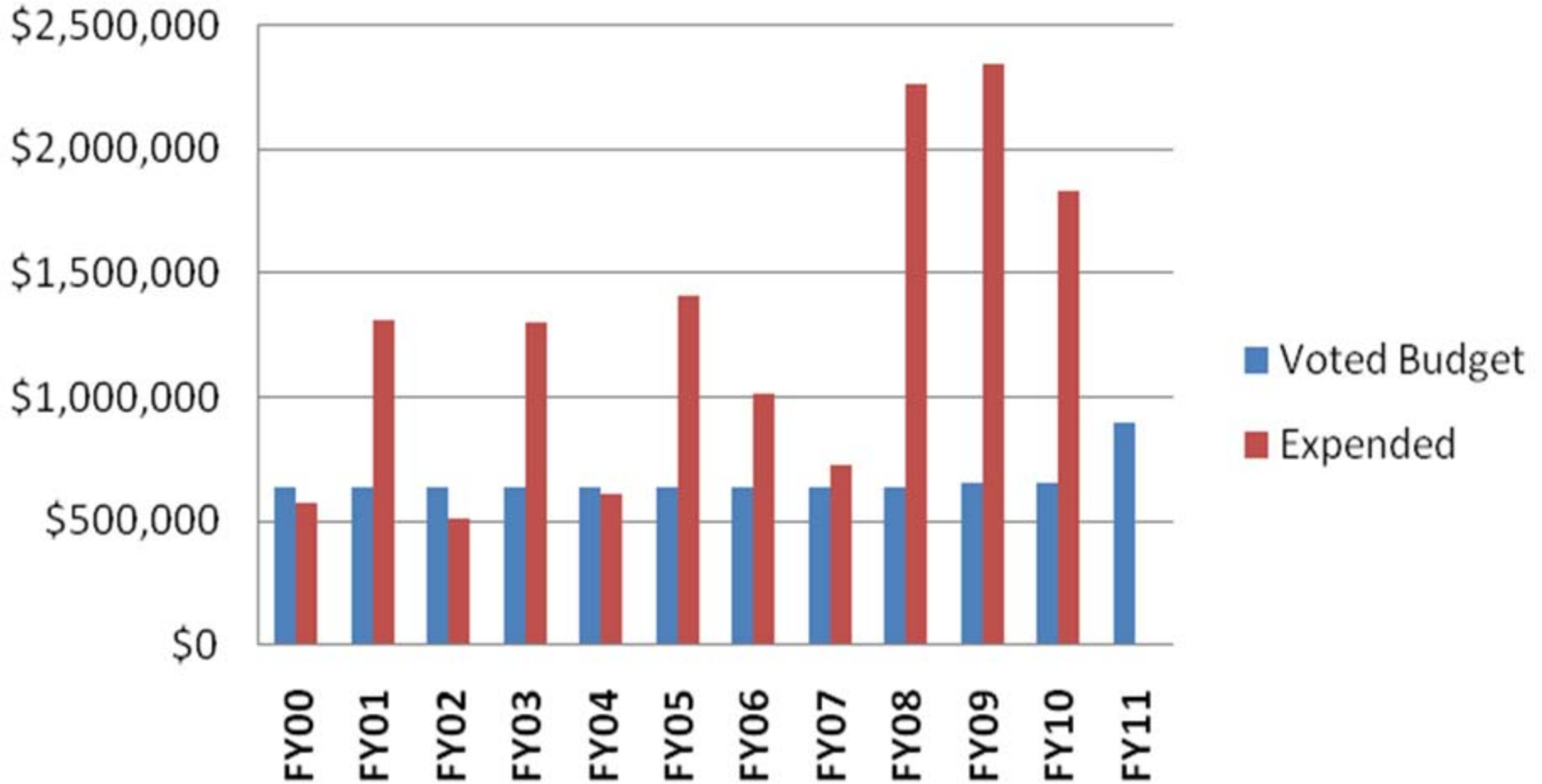
How did we get here?

- Fixed Costs increasing beyond revenues FY09 to FY11:
 - Health insurance has increased more than \$4.1 million
 - Pension funding has increased \$864,050
 - Unemployment increased \$400,000
 - Snow removal spending exceeded appropriations all three years by more than \$1.1 million each year.
 - Cherry sheet charges up \$583,161
- Departmental spending increased
 - School Department spending \$4.8 million more in FY11 than FY09 spending
 - Combined Municipal Departments are spending \$316,682 more in FY11 than in FY09

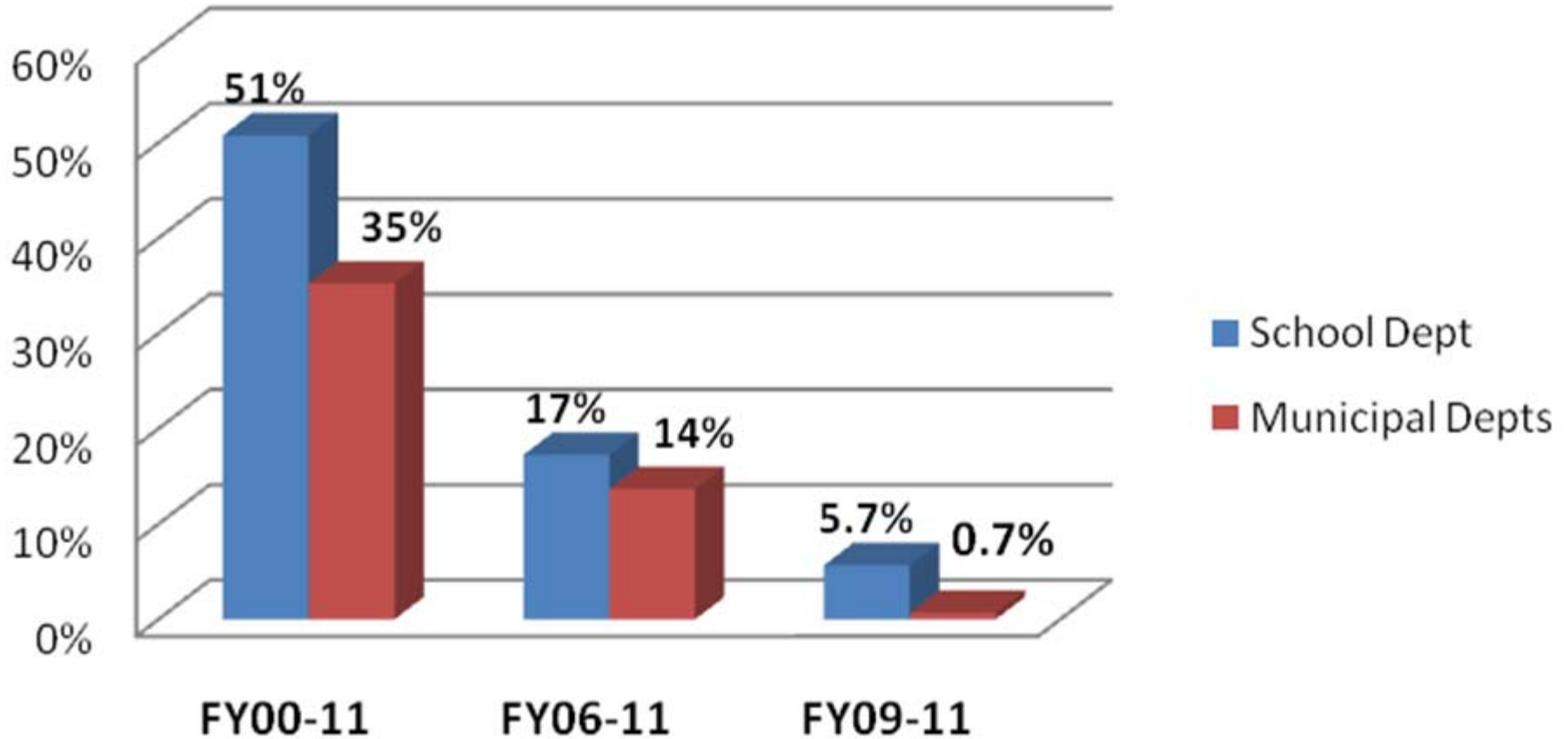
Increased spending since FY00 (General Fund only)



Snow & Ice Removal Spending



% Growth in Department Spending



What have we had to do?

- Since Fiscal Year 2009:
 - Cut/lay off 35.5 municipal employees (6.5% of municipal staff)
 - Municipal departments have been cut \$3.7 million or 7.5% from level service funding in FY11
 - Municipal department budgets are currently \$1.2 million or 2.5% less than FY09 appropriation
 - Cut/lay off 49 school department employees (4% of school staff)
 - School department budget has been funded \$20 million less than requested from FY09 to FY11
 - School department budget is currently \$1,349,140 or 1.5% higher than FY09 appropriation

Budget ingredients we must reduce in FY12 and beyond

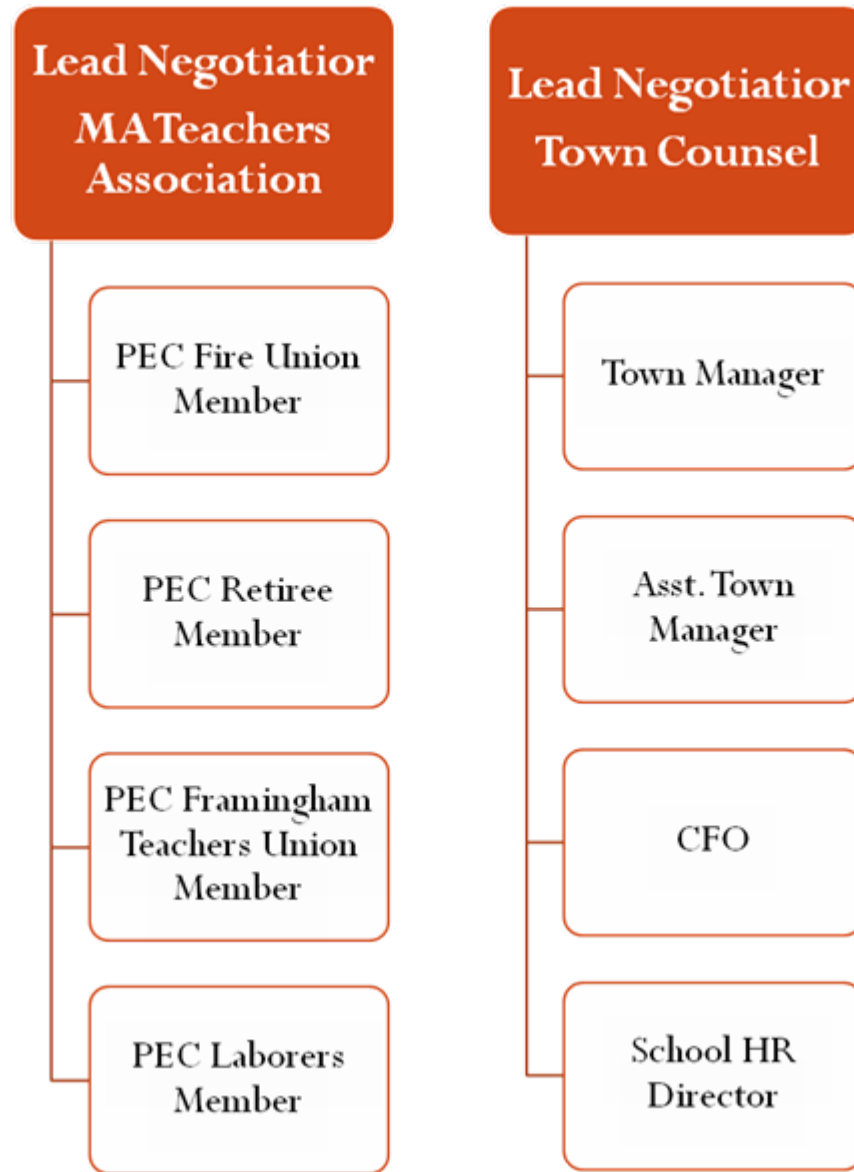
- Health Insurance

- If we can achieve \$2.5 million in cost changes each year for the next 3 year contract the HI budget could be level funded for FY12 and FY13; a reduction of \$2.9 million per year

- This will be difficult to do:

- Acceptance of any health insurance coverage agreement requires the approval of a supermajority (70%) of the coalition membership
- The unions in the coalition have a weighted vote dependent upon the membership of each union:
 - Teachers alone have 55% vote
 - Retirees have 10%
 - All the remaining unions collectively have 35%
- Teachers unilaterally control final outcome
 - Can veto all management cost control initiatives

Health Insurance Bargaining Teams



Budget ingredients we must reduce in FY12 and beyond

- We've set a goal of \$7.5 million in savings over three years in order to save jobs and services, we need a long term solution
 - Look for contribution shift to 80/20 (HMO) over 3 year contract
 - New plans for new employees saves long term

	2010	2011	2012	2013	2014	Savings over 5 years
52 New Enrollees 2010	\$118,036	\$118,036	\$118,036	\$118,036	\$118,036	\$590,181
32 New Enrollees 2011		\$72,638	\$72,638	\$72,638	\$72,638	\$290,551
32 New Enrollees 2012			\$72,638	\$72,638	\$72,638	\$217,913
32 New Enrollees 2013				\$72,638	\$72,638	\$145,275
32 New Enrollees 2014					\$72,638	\$72,638
Savings Per Year	\$118,036	\$190,674	\$263,311	\$335,949	\$408,587	\$1,316,557

- The PEC is challenging this cost saving initiative, which only affects newly hired employees (not yet members of the PEC)

Budget ingredients we must reduce in FY12 and beyond

- Close out of expensive plans, will be taxed in the future
- Include plan design changes that have long term affect on unfunded liabilities
- At this time we only have **\$3.2 million** in savings proposed by the PEC (of an anticipated **\$8.7 million** in cost increases in 2011-2013) and are awaiting the PEC to counter to our last proposal. As it stands we are nearly \$5.5 million short of savings needed to have a level funded insurance budget, which in turn would free up revenues to save services and jobs.
- For each 1% contribution we FAIL to shift, we **sacrifice 8 full time** teachers, policemen, firefighters, highway workers, sanitation workers, code inspectors, librarians, custodians, etc

Budget ingredients we must reduce in FY12 and beyond

- Debt Service
 - FY12 projected amount assumes all GF capital projects get approved, we could cut \$1 million in debt service by limiting the capital budget
- Limiting growth in Employee wages in FY12
 - Freezing wages would save \$1.9 million
 - Limit compensation changes to rate of growth in revenue, including COLA, steps, stipends and health insurance beyond FY12
- Urge state legislature to close Telecommunications tax loophole for equipment, *without* reducing state aid to offset it, generates \$1.5 million additional revenue

Budget ingredients we must reduce in FY12 and beyond

- If we are NOT successful reducing these 4 items: Health insurance, debt service, wage freeze and telecommunications tax, then we will need to cut \$1.5 million from Municipal Departments AND \$4.4 million from the School Department for FY12
- That means eliminating another **154** teachers, teachers aids, custodians, administrative staff

AND ALSO

- That means eliminating another **55** policemen, firemen, sanitation and highway workers, engineers, librarians, inspectors, finance and technical positions