Brockton, Massachusetts
"City of Champions"
Linda M. Balzotti – Mayor

May 4, 2010

Members of the City Council
45 School Street
Brockton, MA 02301

Ladies and Gentlemen:

In accordance with Chapter 44 of the General Laws, I hereby recommend the following annual budget for the fiscal year ending June 30, 2011, with recommended appropriations totaling $322,254,833. To meet these expenses, I recommend appropriations from the Estimated Receipts – Ordinary Revenue of the Fiscal Year 2011 amounting to $263,164,564; from the Fiscal Year 2011 Estimated Receipts – Enterprise Revenues, appropriations of $37,993,248; from Certified Free Cash, an appropriation of $9,656,070; from Stabilization Fund, an appropriation of $1,500,000; from Sewer Enterprise Fund Retained Earnings, appropriations of $2,569,144; from Water Enterprise Fund Retained Earnings, total appropriations of $5,063,034; from Refuse Enterprise Fund Retained Earnings, total appropriations of $1,221,957; from Renewable Energy Enterprise Retained Earnings, an appropriation of $187,347; from the Recreation Enterprise Fund Retained Earnings, appropriations of $224,200; from Available Receipts Reserved for Appropriation of the Parking Authority, total appropriations of $602,790; from Weights and Measures Fines Receipts Reserved Funds, total appropriations of $72,479. I would request that these appropriations be made in the manner as detailed on the attached form of budget order. Accompanying this budget request is a letter from the City Auditor attesting to sufficient balances in Free Cash, the Stabilization Fund, Sewer Enterprise Retained Earnings, Water Enterprise Fund Retained Earnings, Recreation Enterprise Fund Retained Earnings; Renewable Energy Retained Earnings, Refuse Enterprise Fund Retained Earnings, and the Receipts Reserved for Appropriation accounts.

This budget is balanced with no layoffs of city workers, but this achievement requires making hard choices. The creation of a budget involves a process requiring many iterations. The department heads were required to submit level services budgets (not level funding), and to separately identify cost reductions ideas totaling up to 40 percent. Separately, the Finance Department created revenue estimates and then reviewed and adjusted departmental budget submissions. When I first reviewed the result of this work at the beginning of April, a deficit of $12.8 million existed in the General Fund, based on conservative revenue projections of $272.4 million and expenditures of $285.2. The revenues assumed a five percent (5%) reduction in Local Aid.

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One week later, the work of the Finance and Auditing Departments had reduced the deficit to $9.4 million, with a revenue projection of $276.2 million and expenditures of $285.6 million. The major change in revenue was achieved by calculating the reimbursements to the General Fund by the various Enterprise funds, which is a laborious process. The primary expenditure increase was in financing police staffing to continue during FY11 the FY10 staffing level which the city had committed to as a condition of receiving the federal grant last summer.

After two more weeks of analysis and work, the General Fund deficit had been reduced to $6.6 million, on revenues projected at $281.7 million and expenditures of $288.3 million. The revenue increase reflected the State Aid as adopted by the Ways and Means Committee of the House of Representatives. This provided an additional $3.7 million in Chapter 70 assistance to the schools than was assumed on the "five percent cut" scenario. A spending increase of about $400 thousand was provided to certain municipal fixed costs. Expenditures were increased to provide the additional Chapter 70 Aid to the Schools, but most capital requests of the departments were eliminated.

In order to eliminate this $6.6 million deficit, on April 28, the Chief Financial Officer and I discussed taking seven steps to both reduce costs by about $4.7 million and raise revenues by at least $2.0 million.

1. Layoff 22 city Workers to save $1.3 million (11 from the Firefighters Union, 1 in the Clerks Union, 2 in the City Employees Union and 8 in the Library Union). With the exception of the librarians, all of these layoffs would come from public safety departments. These departments were selected because past layoffs and attrition reductions have drastically depleted the workforce of the other departments.

2. Eliminate funding for the whole or partial year for most vacant positions. This step would save more than $300 thousand.

3. Reduce funding in various budgets where no staffing would be affected. These actions would save up to $1.0 million

4. Eliminate ALL non-mandated school bussing, to save about $240 thousand from the budget, which was already underfunded by about $2.5 million to the School Committee's request.

5. Declare a so-called health insurance premium holiday, to save $1.8 million in the budget. The city self insures its health claims and pays those claims from a trust fund. The trust fund is financed by city appropriation and employee/contributions according to health plan rates. This cost reduction idea involves using reserves in the health insurance trust fund to pay health claims for twelve months, as usual, but only funding the trust through city appropriation and employee/retiree contribution for eleven of the twelve months. This step is possible because the trust fund enjoys a reserve position which is in excess of its needs because of favorable claims experienced over the years. This step also carried a side benefit of providing additional funding to the School Department for "Net School Spending", but it still left a major funding gap for schools.

6. Appropriate $1.5 million from the Stabilization Fund. This fund was increased by almost $2.3 million by the FY10 budget and currently enjoys a balance of about $4.3 million. This appropriation would still leave this reserve fund in better position than it was at the end of FY09.

7. Adopt a meals tax of 0.75 percent and raise demand fees on delinquent payments to $30.00 from the current $5.00, both as authorized by State law, to raise in excess of $500 thousand, depending on the timing of implementation.

While these steps would have balanced the budget, I was uncomfortable with the implications of the layoffs, especially with respect to fire services, library services, and with eliminating bussing of school children. Accordingly, I asked the Chief Financial Officer to examine the alternatives to avoid the layoffs and the school bus cuts.

At the end of April, the city was able to examine one more month of performance in the health claims trust fund, with 10 months of data in hand. The trust balance at the end of FY09 was about $30 million, and the FY10 budget for health costs had assumed that the trust would decline by about $6 to $8 million. However, by the end of April the trust fund balance was still nearly $30 million. Accordingly, the CFO and the city's health insurance consultant both believe that the health trust may safely absorb a two month premium holiday. This provides additional savings of about $1.8 million to the city budget and eliminates the need for layoffs. The avoidance of layoffs also provides additional savings in the unemployment budget. The lower health appropriation provides additional funding to Net School Spending by reducing the city's health budget dedicated to the School Department. Based on FY10 receipts through April, the CFO also slightly raised the Motor Vehicle Excise Tax estimate.

With this budget plan, no city layoffs are required and the School budget for Net School Spending is more than $3.0 million greater that it otherwise would have been, based on a two month health premium holiday. However, the Net School Spending budget is still far short of what is required to maintain services. In addition, the amount available for Non Net School Spending remains about $2.0 million short of meet the full cost for bussing, crossing guards and community school salaries. Accordingly, to raise at least $500 thousand in revenues to partially finance this need, I intend to request that the City Council take action on the meals tax and on the delinquent fees. The meals tax increase adds only 7.5 cents to a $10.00 meal purchase. Even the price of an expensive meal of $100.00 would only be increased by 75 cents. In addition, the School Committee may receive grant funding from the State to provide the balance of the requirement.

I have provided exhibits to this letter which portray the history of our budgeted revenues and expenditures over the past several years. Total Revenues increase by about $3.9 million, or about 1 percent from FY10 to FY11. Compared to the FY10 budget submitted to City Council, FY11 displays an estimated increase of $1.2 million in State Aid, almost all due to increases in Chapter 70. Compared to FY2008, in FY11 Chapter 70 has increased by $7.4 million. This is nearly $4 million short of recovering the effect of 3 percent inflation per year. However, aid to the City other than Chapter 70 has decreased by $8.5 million, or more than 30 percent, from FY08 to FY11. This decline is the main source of our budgetary problems. If this aid had kept pace with inflation at 3 percent per year, the city would have nearly $11.1 million in added revenue, and we would not be spending from our reserves.

The tax levy is projected to increase by $2.5 million for the allowable 2.5 percent, plus an additional $650 thousand for new growth taxation. In FY2008, the tax levy represented 33 percent of General Fund Revenues. In FY2011, that percent is projected at 36%.

The city's local receipts other than from property taxes and state aid are projected to increase by $2 million. This increase comes from Enterprise Fund reimbursements, and reimbursements from the federal government for Medicaid expenses for eligible special education students and Medicare Part D prescription drug benefits for retirees. Investment earnings are projected to decline because of the current low level of interest rates.

The city's Free Cash available for appropriation declined from $14.5 million to $9.7 million. This was offset in part by the use of $1.5 million from the Stabilization Fund.

The City's total of General Fund expenses with this balanced budget equals $283.6 million. While slightly above FY10, this is a lower level of spending than in FY09. Most of these expenditures are appropriated by City Council. Other expenditures are deducted from the tax levy, for example, amounts reserved for abatements and exemptions, or paying for snow and ice deficits of the previous year. Still others are deducted from State Aid by the state for such purposes as School Choice and Charter School Tuitions or assessments for the Brockton Area Transit Authority and Plymouth County Government.

The expenses appropriated by City Council will increase in this budget by $8.8 million, or 3 percent. Compared to FY08, they will have increased by $4.3 million, or 1.6% total over 3 years. In the aggregate, most appropriations are barely changed from one year to the next, but there are some notable exceptions. The amount appropriated in order to increase reserves was $2.4 million in FY10, but it is zero in FY11. The amount appropriated for debt service will increase from FY10 to FY11 by $1.7 million in order to pay for the issuance of $11 million for new water meters. However, the revenues to pay for this will be reimbursed to the General Fund by the water and sewer enterprise funds. The amount appropriated to the benefit of the Brockton Public Schools and the Southeast Regional Vocational Technical district will increase by $12.5 million, of which $12.2 million will go the Brockton Public Schools. Please recall that only $1.1 million of this is paid for by the increase in Chapter 70. The rest is being financed by other revenue increases, budget cuts, especially to funding reserves, and the school's share of approximately $3.0 million from the benefit of the "health insurance premium holiday" of two months.

The school budget is calculated using the required "minimum Local Contribution to Net School Spending" as calculated by the DOR and DESE. In making these calculations, the city was required to "make up" for the amount of retired school employee health insurance from FY10 which was claimed as Net School Spending in FY10, an action not permitted by the FY10 state budget. However, the city again will claim this estimated amount in FY11 in the hope that the state will permit Brockton and about 100 other districts to do what is permitted to more than 200 school districts. If the city is allowed to count the retiree health insurance costs, the city has provided its required appropriation at only slightly above the legal minimum.

The total amount appropriated for city accounts for overtime and personal services has barely changed from FY10 to FY11. There are no wage increases, other than step raises, budgeted for union or non-union employees. In fact, the total spent on salaries has decreased from $47.2 million in FY08 to $45.9 million in FY10, or 2.7%. During the three years of FY08 through FY11 contract and ordinance wage increases of about 10 percent total were granted, so the number of employees has declined.

Attached to this letter is an exhibit which shows staffing by department over different years. There a fewer employees working for the city now than there were in FY92, which was the year of the deep layoffs. Below is the percentage decrease in employees by category:

	Percent Decrease in City Employees	
Category	FY92 to FY10	FY06 to FY10
Culture/Recreation	-47.2%	-23.3%
Public Health	-20.0%	-29.4%
DPW + Public Property	-5.8%	-16.1%
Public Safety	-3.7%	-17.9%
Administration	-38.5%	-20.2%

I chose FY06 for comparison because the city had gradually rebuilt staffing after FY92, but by FY06 that trend began to reverse.

Finally, the enterprise funds budgets are balanced with no rate increases. These budgets provide for required fixed costs plus necessary capital spending.

If you have any questions, please call my office.

Respectfully submitted,

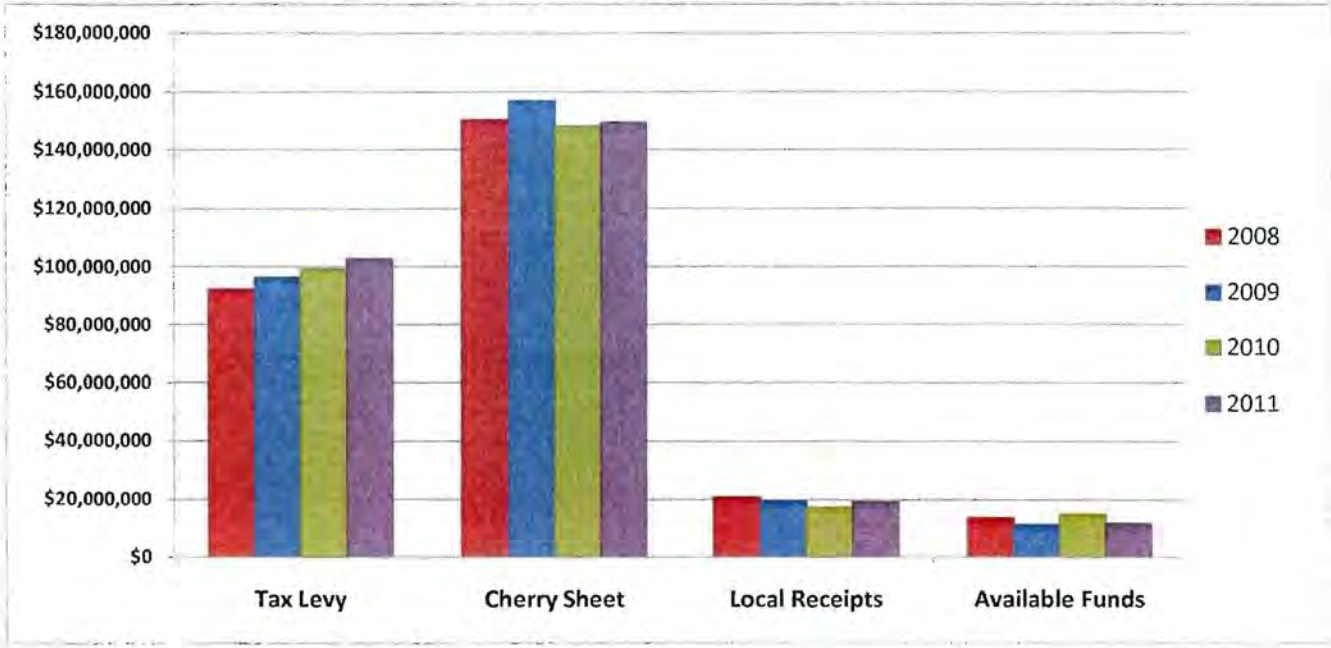
Linda M. Balzotti
Mayor

LMB/amw

Attachments

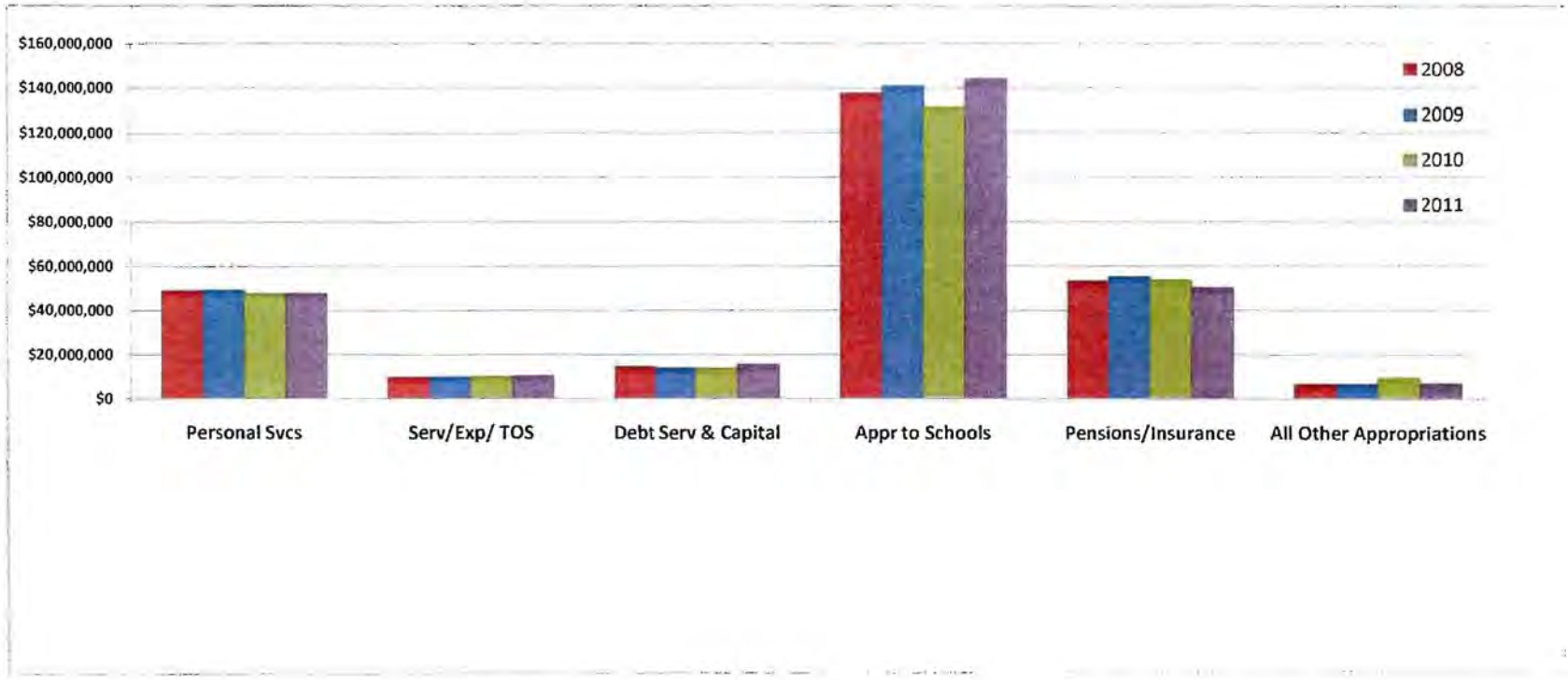
City of Brockton General Fund Revenues FY2008 - FY2011
Revenue History Forecast

	Tax Levy	Cherry Sheet	Local Receipts	Available Funds	Total
2008	$92,506,749	$150,466,641	$20,974,066	$13,759,916	**$277,707,372**
2009	$96,381,005	$156,958,036	$19,610,606	$11,364,838	**$284,314,485**
2010	$99,204,092	$148,184,023	$17,293,672	$15,037,259	**$279,719,046**
2011	$103,011,388	$149,449,611	$19,260,737	$11,831,339	**$283,553,075**



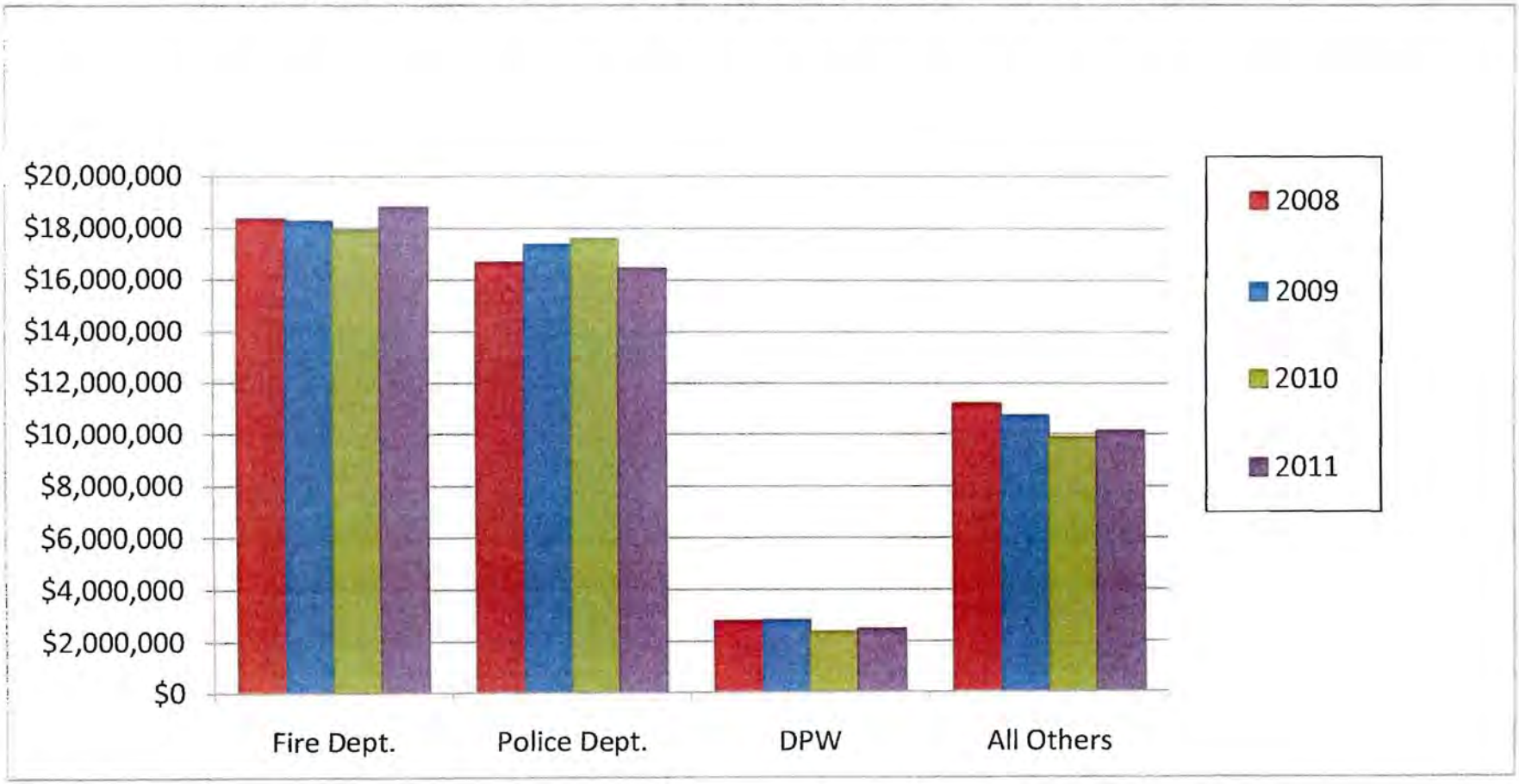
City of Brockton General Fund Expenditures FY2008 - FY2011
Expenditures History Forecast

	Personal Svcs	Serv/Exp/ TOS	Debt Serv & Capital	Appr to Schools	Pensions/Insurance	All Other Appropriations	Total
2008	$49,014,384	$9,825,673	$14,690,668	$137,541,875	$53,050,134	$6,562,286	**$270,685,020**
2009	$49,178,912	$10,026,546	$14,083,921	$140,867,647	$55,230,028	$6,687,711	**$276,074,765**
2010	$47,738,417	$10,158,446	$13,908,739	$131,272,678	$53,595,825	$9,522,126	**$266,196,231**
2011	$47,894,872	$10,547,270	$15,695,690	$143,752,826	$50,269,153	$6,836,092	**$274,995,903**



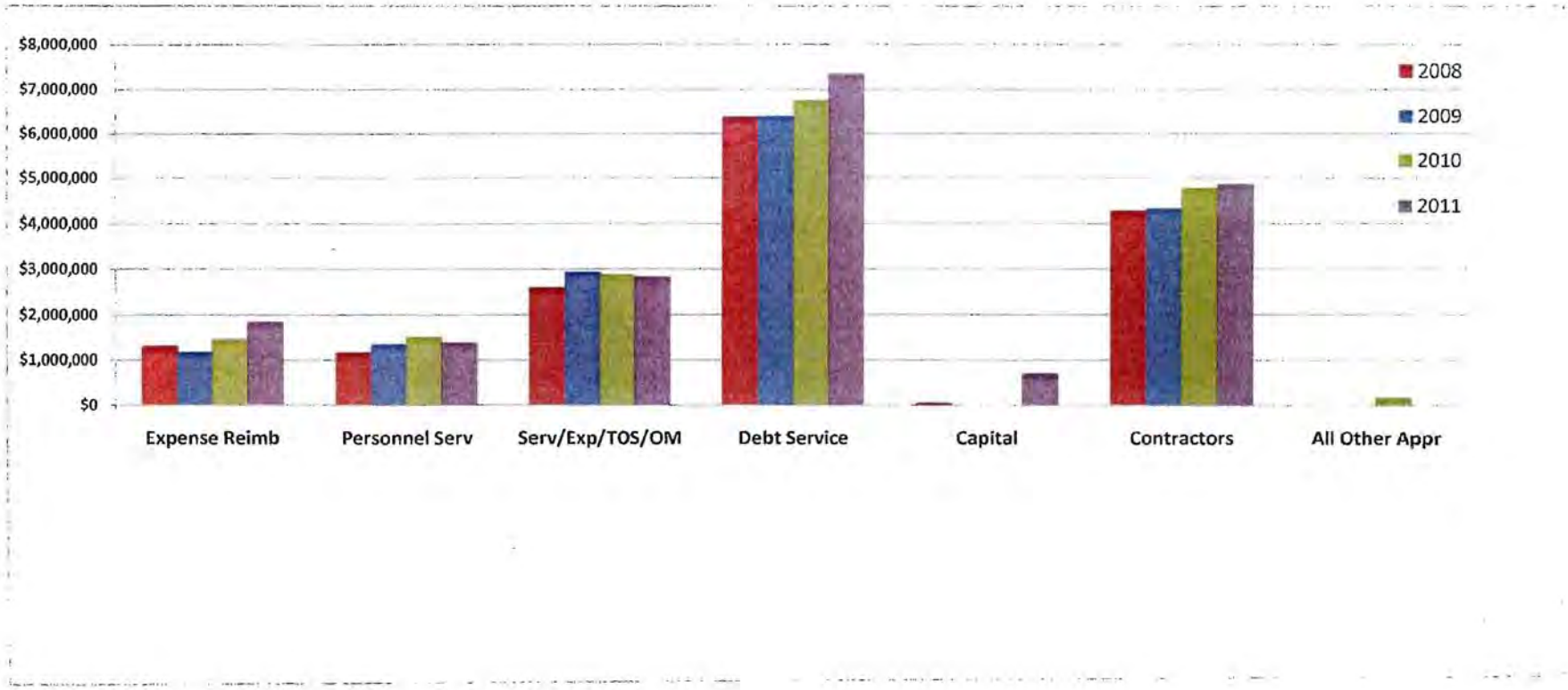
City of Brockton General Fund Expenditures FY2008 - FY2011
Personal Services Over time and Non-Over Time

	Fire Dept.	Police Dept.	DPW	All Others	Total
2008	$18,356,334	$16,685,239	$2,766,802	$11,206,009	$49,014,384
2009	$18,268,925	$17,374,853	$2,806,291	$10,728,843	$49,178,912
2010	$17,924,171	$17,595,847	$2,354,369	$9,864,030	$47,738,417
2011	$18,809,388	$16,468,096	$2,479,146	$10,138,242	$47,894,872



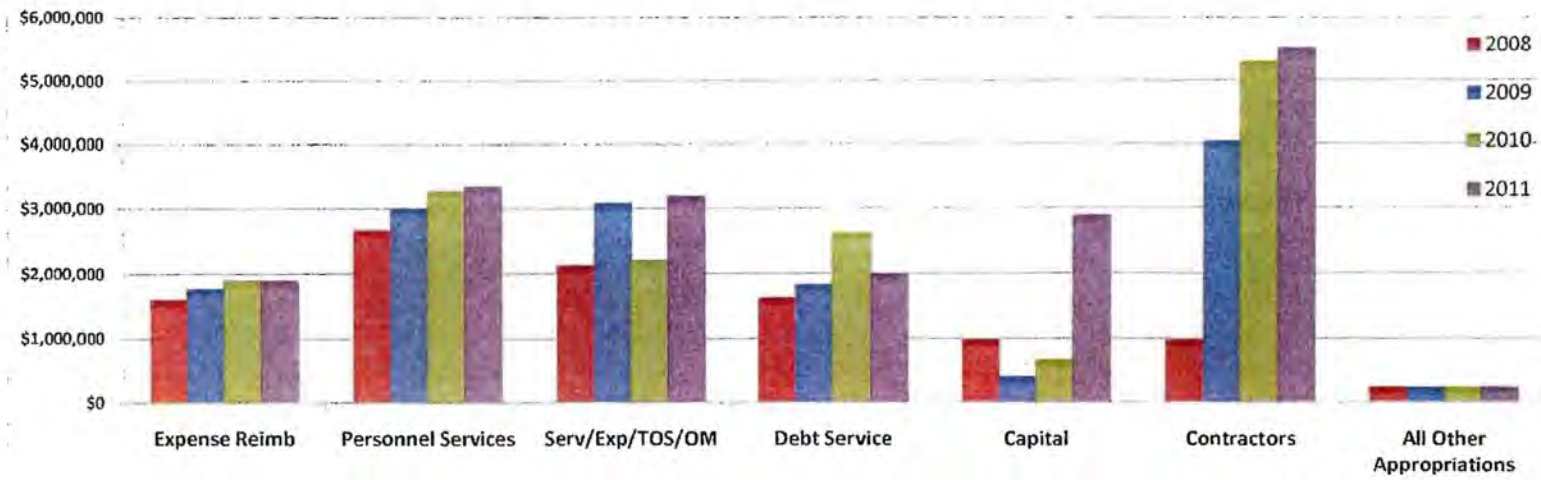
City of Brockton FY2008 - FY2011
Sewer Enterprise Expenses

	Expense Reimb	Personnel Serv	Serv/Exp/TOS/OM	Debt Service	Capital	Contractors	All Other Appr	Total
2008	$1,316,336	$1,168,522	$2,597,547	$6,389,555	$59,918	$4,275,943	$0	**$15,807,821**
2009	$1,176,138	$1,350,266	$2,947,547	$6,409,701	$0	$4,327,849	$0	**$16,211,501**
2010	$1,471,926	$1,517,118	$2,887,547	$6,759,490	$0	$4,771,700	$174,326	**$17,582,107**
2011	$1,851,413	$1,384,921	$2,845,584	$7,355,616	$717,030	$4,867,150	$0	**$19,021,714**



City of Brockton FY2008 - FY2011
Water Enterprise Expenses

	Expense Reimb	Personnel Services	Serv/Exp/TOS/OM	Debt Service	Capital	Contractors	All Other Appro	Total
2008	$1,593,212	$2,668,219	$2,123,826	$1,618,983	$967,538	$961,703	$230,000	**$10,163,481**
2009	$1,769,774	$3,001,976	$3,079,871	$1,832,225	$399,742	$4,035,125	$230,000	**$14,348,713**
2010	$1,899,579	$3,265,974	$2,209,361	$2,622,913	$664,800	$5,297,193	$230,000	**$16,189,820**
2011	$1,895,760	$3,340,753	$3,186,225	$1,979,900	$2,883,634	$5,508,875	$230,000	**$19,025,147**



BUDGETED EMPLOYEES

	FY81 Head Count	FY92 Head Count	FY02 Head Count	Part - Time & Other	FY06 Head Count	Part - Time & Other	FY10 Head Count	Part - Time & Other
Aging	2	2	3		3		1	1 GRANT
Animal Control	6	5	5		5		5	
Assessor	16	10	11		11		7	1
Auditor	17	11	9		10		8	
Cemeteries	14	7	5	1	5	1	2	1
City Clerk/Council	12	11	14		12		9	
Conservation	1	1						
DPW - Comm	5	3	3		3		3	
DPW - Eng	8	6	7		7		4	
DPW - Hwy	56	40	39		43		30	
DPW - Maint	13 Forestry	4	4		4		2	
DPW - Refuse	81	6	5 Enterprise		6		6	
DPW - Water	99	46	51 Enterprise	1	54	1	52	3
DPW - Sewer	59	18	21 Enterprise		22		23	2
Dev/Ind	2	0						
Election	11	8	6		6		4	
Emer Mgmt	0	0	1			3		2
Finance	0	2	4		4		3	
Fire	260	209	209	FF Union	219	FF Union	167	FF Union
			2	STAFF	2	STAFF	2	STAFF
Health	13	8	13	1	12	1	10	1
ITC	7	5	9	1	10		8	
Law	1	2	8		7		6	1 Michelle Y
Library	33	26	22	26	24	25	20	15
License	2	2	1		1		1	
Mayor	8	10	9		9		5	1
Public Prop	58	32	35	1	35	1	26	
Park/Golf	34	26	14 part Enterp	2	14	2	10	
Parking Auth	0	0	3 self support	10	3	10	3	10
Personnel	0 Mayor	0 Mayor	4		4		4	
Planner/Plan Bd	3	2	3		3		1	
Police	224	168	183	14 other funds	182	4 CDBG	174	4 CDBG
						9 COMM POL		
			34 non police	STAFF	28 non police	1 STAFF	18 non police	STAFF
Procurement	0	0	1		1		1	1 Laurie C
Traffic	1	2	1		1		0	
Treas/Tax	28	20	18		17		14	1 Shannon O
War Memorial	2	2						
Vet Cncl/Services	13	7	4	2	2	2	2	2
Weight/Meas	1	1	2		2		2	
	1,090	702	763	59	771	60	633	46

City of Brockton
Auditing Department

LINDA M. BALZOTTI
MAYOR

HEIDI A. CHUCKRAN, CPA
CITY AUDITOR

May 7, 2010

Mr. John A. Condon
Chief Financial Officer
City of Brockton
45 School Street
Brockton, MA. 02301

Dear Mr. Condon,

I certify that the following **FREE CASH** balances are available for the FY 2011 budget year.

General Fund	$ 9,656,070
Water Enterprise	$ 5,063,034
Sewer Enterprise	$ 2,569,144
Recreation Enterprise	$ 224,200
Refuse Enterprise	$ 1,221,957
Renewable Energy Enterprise	$ 187,347

Please feel free to contact my office if any additional information is required.

Sincerely,

Heidi A. Chuckran
City Auditor

"City of Champions"

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TEL: (508) 580-7153 FAX: (508) 580-7878
auditor@ci.brockton.ma.us

City of Brockton

Auditor's Department

LINDA M. BALZOTTI
MAYOR

HEIDI A. CHUCKRAN , CPA
CITY AUDITOR

May 7, 2010

Mr. John A. Condon, CFO
Finance Department
City of Brockton
45 School Street
Brockton, MA 02301

Dear Mr. Condon

I certify that the balance of the Stabilization Fund as of today is $ 4,508,658.42

Please feel free to contact my office if any additional information is required.

Sincerely,

Heidi A. Chuckran
City Auditor

"City of Champions"

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City of Brockton
Auditor's Department

LINDA M. BALZOTTI
MAYOR

HEIDI A. CHUCKRAN , CPA
CITY AUDITOR

May 7, 2010

Mr. John A. Condon, CFO
Finance Department
City of Brockton
45 School Street
Brockton, MA 02301

Dear Mr. Condon

I certify that the balance of the Parking Authority Reserve Fund as of today is as follows:

(18A) 35000296-101000 PARKING METER FEES RESERVE $225,512.73

(18B) 35010296 101000 PARKING AUTHORITY RESERVE $406,140.67

Please feel free to contact my office if any additional information is required.

Sincerely,

Heidi A. Chuckran
City Auditor

City of Brockton

Auditor's Department

LINDA M. BALZOTTI
MAYOR

HEIDI A. CHUCKRAN , CPA
CITY AUDITOR

May 7, 2010

Mr. John A. Condon, CFO
Finance Department
City of Brockton
45 School Street
Brockton, MA 02301

Dear Mr. Condon

I certify that the balance of the Weights & Measures Reserve for Appropriations as of today is as follows:

34140244 101000 WEIGHTS & MEASURES RESERVE FOR APPROPRIATIONS $ 99,891.71

Please feel free to contact my office if any additional information is required.

Sincerely,

Heidi A. Chuckran
City Auditor

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