



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

May 24, 2012

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

Ladies and Gentlemen:

In accordance with the General Laws of Massachusetts, I hereby recommend that the City Council adopt the Fiscal Year 2013 Budget for the city in the amounts and form as recommended by the attached budget order.

I am able to report that the budget is balanced as submitted, with conservative revenue estimates for the property tax levy, local receipts, and state aid. Unfortunately, the funding levels as recommended will not result in the same level of staffing for city and school employees as was the case in the FY2012 budget. Positions have been eliminated and notifications of contemplated layoffs have been sent to the affected unions and employees. As of this date, the city has begun to engage in "impact bargaining" with affected unions. This bargaining may eventually result in the retention of employment by some individuals, but that can only occur with some cooperation by unions. At the end of this process, even if it is possible to avoid some layoffs, it is certain that some city positions will be unfilled.

For the school budget, the School Committee has begun to identify budget items to cut in order to reduce the total amount requested of \$164,366,864 by nearly \$8 million to my recommended funding level of \$156,420,332 in total for both Net School and Non-Net School Spending. In the meantime, in accordance with the collective bargaining agreement with the Brockton Education Association, about 100 potential reductions in force notifications have been sent to teachers who might be laid off.

When I requested the City Council to adopt the health insurance reform legislation last February, I did so in the knowledge that the city was facing a very difficult budget for FY13. A deficit of about \$12.0 million had been forecast by the chief financial officer, but the adoption of the legislation could have provided certain budgetary savings in the amount of \$4.6 million. I indicated that pursuing the same savings through traditional collective bargaining was unlikely to yield the same level of net savings. I do not doubt that the various unions are willing to bargain in good faith, but the topic is complicated and the bargaining process is cumbersome. This is especially so when not every union shares the same objectives, and the city is not able to support different health benefit plans for each union. In any case, the unions have been gathering data to make a unified proposal, but so far, none has been made. At this date, no health cost concessions are available to reduce the budget.

When I began reviewing budget options with the chief financial officer in late March, the initial projections, based on department requests, demonstrated a general fund budget deficit of just over \$11.0 million. While this was an improvement from the projection of early February, it represented a huge hurdle to overcome. The deficit derived from revenue estimates of \$310.6 million and expenditure estimates of \$321.7 million. I eliminated this deficit almost equally by increasing revenues and decreasing expenses.

My submitted budget assumes revenues of \$316.3 million, an increase of \$5.7 million from the March estimate. The property tax and state aid estimates remained the same. The revenue increase of \$5.7 million from March to my budget submission consists of increases of \$4.4 million in the use of reserves and \$1.3 million in local receipts.

The estimate for state aid was based on the Governor's budget. This budget, the House budget, and the budget for the Senate Ways & Means Committee are similar in most respects, except that the House and Senate budgets both would provide the city with about \$1.2 or \$1.3 million in additional unrestricted local aid. My budget does not incorporate this money, and so if the final state budget contains it, the city will have additional resources for appropriation.

The revenue estimated for the property tax levy contained the increase derived from the sale of the Good Samaritan Hospital to Steward Health Systems in the base. It also included the allowable 2.5% levy increase, plus an estimate for new growth of \$500,000.

The initial budget forecast was based on local receipts through the end of February, 2012. The recommended budget relies on an estimate for FY13 based on actual results through April. Also, a new source of general fund revenue of \$450,000 was added to the reimbursement by the water and sewer enterprise funds to the General Fund for enterprise expenses paid by the general fund. Assuming the approval of the proposed new contract for Solar Energy, this reflects the value of the "net metering credits" which will be purchased in the finance budget; concurrently, the water and sewer electric budgets are being reduced by the value of that credit. (In the end, the enterprise funds share a total savings of about \$50,000.)

The initial budget assumed no use of the Stabilization Fund; at the end, I concluded that it would be prudent to use about \$1.6 million in order to avoid even greater service reductions in the budget. After appropriating this reserve, the Stabilization Fund would still have about \$4.8 million in remaining balances.

Before resorting to the use of the Stabilization Fund, I asked the Assessors to search for potential surplus of prior years in the reserve for tax abatements and collections. A total of \$500,000 was identified and declared as surplus. It is being appropriated as an "Available Fund" to capital purchases of badly needed public safety vehicles. The city also is appropriating more than \$300 thousand in "ambulance receipts reserved for appropriation", derived from the new ambulance contract.

Also, final state construction costs reimbursement and grants for the new Baker and George Schools now have been received. These funds, totaling \$1,974,670, have been appropriated as "Available Funds" to debt service, reducing the burden on the general fund. This was possible because the city permanently financed its share of the costs last May.

About one-half of the projected \$11.0 million budget deficits which existed in late March were eliminated by reducing appropriation requests which had been submitted by the departments. The budget instructions which guided their submissions had required the preparation of level services budgets, so these reductions will affect the ability of the departments to accomplish their service objectives. Because many of the City Hall departments, the DPW, and the Library system have been the focus of earlier budget cutting, this fiscal year most of those departments did not contribute as greatly. However, nearly every department will see reductions in overtime and ordinary maintenance expenses. In some departments, such as the Building Department, vacant positions received no funding. In others, such as the Auditing and Finance departments, positions with anticipated retirements did not receive sufficient funding to immediately fill the vacancies.

However, the contemplated layoffs are concentrated on three departments; Water, Fire, and School. The magnitude of the expenditure reductions needed required seeking the money from those large budgets.

By a vote on April 9, 2012, the School Committee requested a budget of \$157,447,196 for Net School Spending, and \$6,919,668 for Non Net School Spending, for a total of \$164,366,864. This budget request represented an increase of nearly \$12 million compared to the FY12 budget, and it also represented an increase of about \$3.1 million above the estimate for a level services budget contained in the March deficit projections. My budget recommendation will fund Net School Spending with an increase of nearly \$4.1 million compared to FY12, while the Non-Net School Spending is about level funded.

The Fire Department budget would require the contemplated layoff of the most recent class of hires, of whom ten (10) are now working and three who have recently returned from active military duty. The budget contains nearly \$700 thousand required for separation costs for employees eligible to retire in FY13. If some or all of these are willing to commit to working the full year, some of the anticipated layoffs can be avoided. I am hopeful potential union concessions through impact bargaining may avert these contemplated layoffs, and I am willing to work with the union to accomplish that. The department did receive an allocation of \$580,000 for a grant match for fire trucks plus radios and for expenses necessary to support dispatch function.

The Police Department budget request for overtime was reduced by nearly \$300 thousand, but funding is maintained for every budget position required to comply with "COPS" grants. The department has been the beneficiary of a number of reimbursable grants in recent years, some of which are now closed, with final reimbursements in hand. These balances will be used to offset the General Fund cut. The department has also received an allocation of \$100,000 for cruisers.

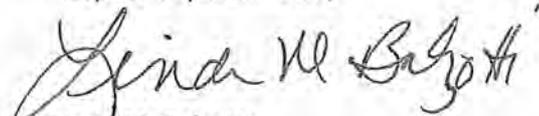
The DPW Highway department budget has been decreased by more than \$630 thousand. This reduction reflects a decision to purchase the streetlights from National Grid and to execute a contract for their maintenance. Open position vacancies in the DPW were budgeted to be filled. Overall, the DPW is short on staff from past reductions and further attrition would severely impair services. In addition, the funded vacancies provide a potential opportunity for four (4) water maintenance men. The Water Enterprise revenue is insufficient to fully fund all positions, and so the elimination of the positions of the four (4) most junior water maintenance men is necessary. This will mean a reduced level of service. Also, capital spending in that budget as well the last two budgets is inadequate because of revenue shortfalls. The Water commission has requested a rate increase of three percent for the full fiscal year. The last rate increase was enacted on July 1, 2008.

The Personnel Department budget request for health insurance was reduced by about \$640 thousand. The reduction was derived by lowering the estimate for the number of new employees to be covered. Even so, this budget is nearly \$10 million greater than in FY12, because this year reserve balances in the health insurance trust fund cannot be used to lower the amount to be contributed by the city and its retirees and employees.

The question of how to pay for the cost of health insurance now and into the future is by far the main issue which must be answered for the city to maintain fiscal stability. In coming to a successful and fair resolution, the topics of annual salary compensation, future pensions, and discretionary revenues available for budget financing all will come into play. When you examine the attached charts, the unfavorable trends will be seen. State aid, which finances more than one-half of the general fund, recently has only increased for school funding and in fact unrestricted government aid has been continually reduced over the years. Growth in the tax levy is constrained by Proposition 2½ and the fact that the city is largely developed. There is limited potential for substantial new revenue contribution from local receipts. The drawing down of reserves to "fill the gap" cannot be a permanent solution.

In the General Fund, over the past four (4) years, from FY2010 through FY2013, pension costs have increased by \$5.6 million. Other benefit costs have increased by \$8.2 million. Appropriations to schools have increased by \$28.1 million. Ordinary maintenance expenses have increased by \$1.0 million, but this was offset by a similar decrease in debt service. The city's revenue growth which was not required to be dedicated to the schools was insufficient to pay for all of this. Accordingly, appropriations to the Stabilization Fund have decreased by \$2.4 million. Total appropriations to Personal Services including Overtime, have not increased at all. No raises have been granted to city employees since July, 2009, except for step increases. In addition, fewer people work for the city to deliver services. Solving this dilemma will require sacrifice by all concerned.

Respectfully submitted,



Linda M. Balzotti  
Mayor

Attachments

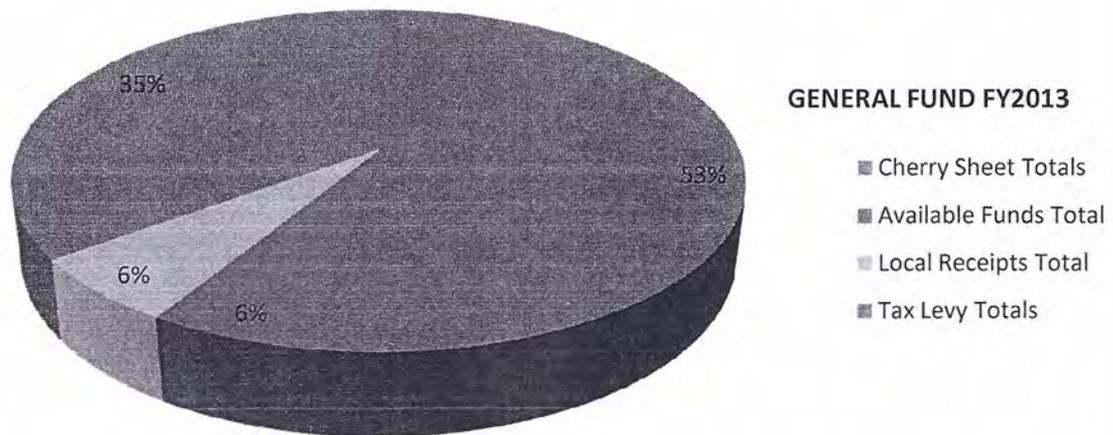
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**WHERE THE MONEY COMES FROM  
REVENUE- FY2013**

Cherry Sheet Totals	\$ 166,356,184
Available Funds Total	\$ 19,060,068
Local Receipts Total	\$ 19,448,907
Tax Levy Totals	\$ 111,423,766
<b>TOTAL</b>	<b>\$ 316,288,925</b>

**GENERAL FUND FY2013**

**WHERE THE MONEY COMES FROM**

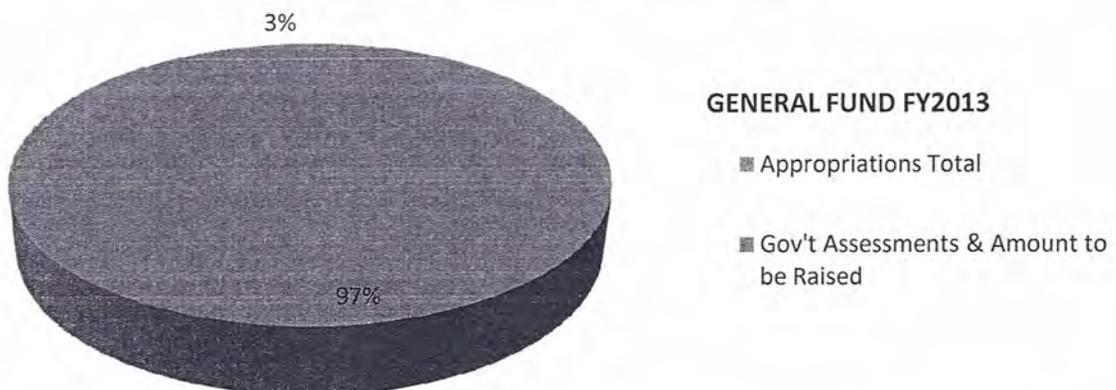


**WHERE THE MONEY GOES TO  
EXPENSES -FY2013**

Appropriations Total	\$ 306,492,236
Gov't Assessments & Amount to be Raised	\$ 9,796,689
<b>TOTAL</b>	<b>\$ 316,288,925</b>

**GENERAL FUND FY2013**

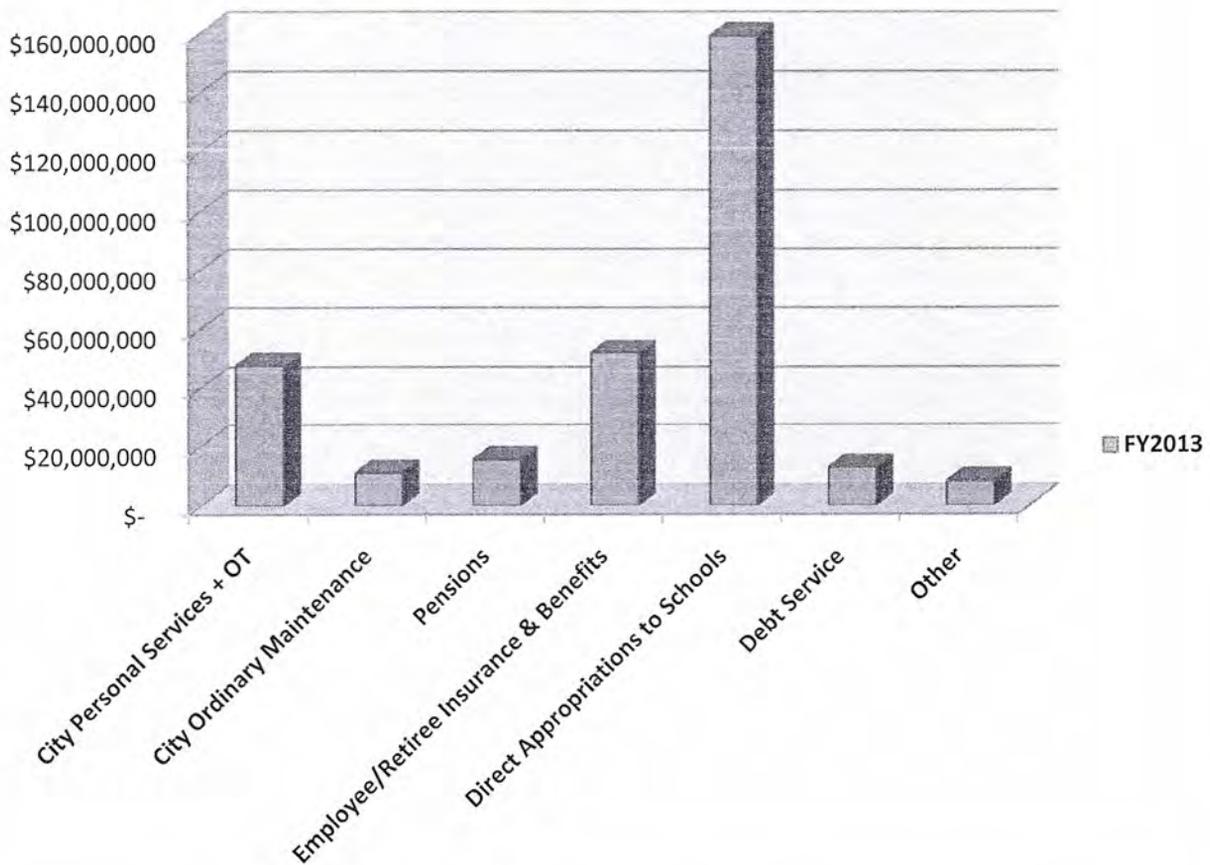
**WHERE THE MONEY GOES TO**



## GENERAL FUND APPROPRIATIONS

	FY2013
City Personal Services + OT	\$ 47,692,729
City Ordinary Maintenance	\$ 11,053,232
Pensions	\$ 15,424,055
Employee/Retiree Insurance & Benefits	\$ 52,003,360
Direct Appropriations to Schools	\$ 159,161,948
Debt Service	\$ 12,862,769
Other	\$ 8,294,143
<b>TOTAL</b>	<b>\$ 306,492,236</b>

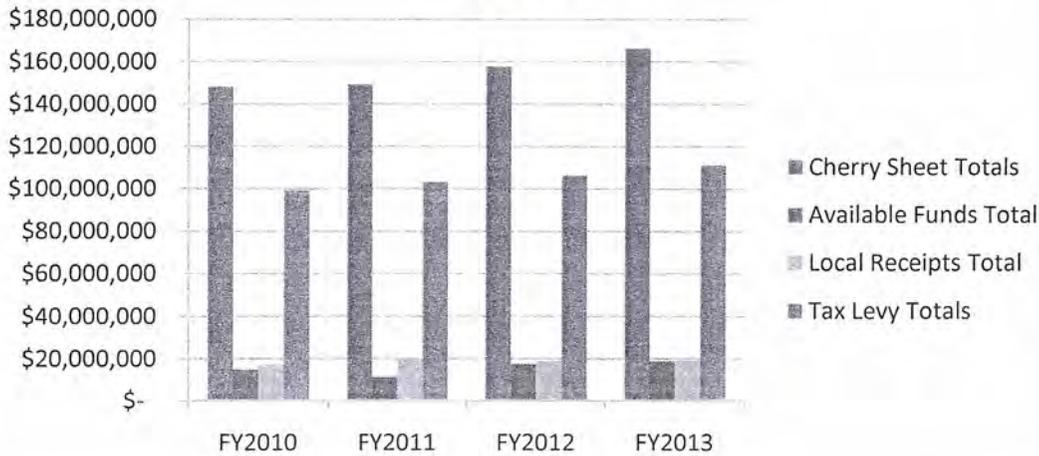
### GENERAL FUND APPROPRIATIONS FY2013



**GENERAL FUND REVENUE- FY2010-FY2013**

	FY2010	FY2011	FY2012	FY2013
Cherry Sheet Totals	\$ 148,184,023	\$ 149,383,356	\$ 157,767,729	\$ 166,356,184
Available Funds Total	\$ 15,037,259	\$ 11,441,339	\$ 17,580,273	\$ 19,024,569
Local Receipts Total	\$ 17,293,672	\$ 20,305,737	\$ 18,881,995	\$ 19,448,907
Tax Levy Totals	\$ 99,204,092	\$ 103,311,388	\$ 106,425,598	\$ 111,423,776
<b>Total</b>	<b>\$ 279,719,046</b>	<b>\$ 284,441,820</b>	<b>\$ 300,655,595</b>	<b>\$ 316,253,436</b>

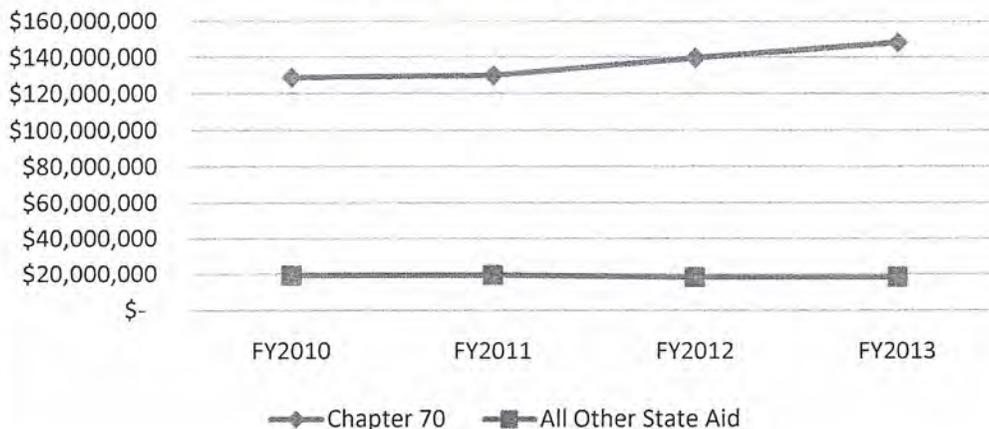
**GENERAL FUND REVENUE TOTALS FY2010-FY2013**



**CHERRY SHEET REVENUE- FY2010-FY2013**

	FY2010	FY2011	FY2012	FY2013
Chapter 70	\$ 128,909,020	\$ 130,000,851	\$ 139,582,640	\$ 148,088,586
All Other State Aid	\$ 19,275,003	\$ 19,382,505	\$ 18,185,089	\$ 18,267,598
<b>Total</b>	<b>\$ 148,184,023</b>	<b>\$ 149,383,356</b>	<b>\$ 157,767,729</b>	<b>\$ 166,356,184</b>

**CHERRY SHEET REVENUE TRENDS FY2010-FY2013**



## GENERAL FUND APPROPRIATIONS

	FY2010	FY2011	FY2012	FY2013
City Personal Services + Overtime	\$ 47,738,417	\$ 47,894,872	\$ 48,970,866	\$ 47,692,729
City Ordinary Maintenance & All Other	\$ 19,830,604	\$ 17,558,092	\$ 18,852,829	\$ 19,347,375
Pensions& Employee/Retiree Benefits	\$ 53,595,825	\$ 50,269,153	\$ 54,810,294	\$ 67,427,415
Direct Appropriation to Schools	\$ 131,122,678	\$ 144,135,717	\$ 155,093,153	\$ 159,161,948
Debt Service	\$ 13,908,707	\$ 15,230,960	\$ 12,387,738	\$ 12,862,769
<b>TOTAL</b>	<b>\$ 266,196,231</b>	<b>\$ 275,088,794</b>	<b>\$ 290,114,880</b>	<b>\$ 306,492,236</b>

### GENERAL FUND APPROPRIATIONS FY2010-FY2013

