

OFFICE OF THE TOWN ADMINISTRATOR
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February 17, 2009

Town of Lincoln Budget Board

Re: Proposed Fiscal Budget Annual FY 2009-2010

Dear Board Members:

The current dire economic condition and financial restrictions facing our nation, state, and local communities is without precedent in the last eight decades. The State of Rhode Island continues to impose extreme pressure on local communities to reduce both municipal and educational spending through various revenue sharing cuts. In addition, local revenues continue to decline along with economic conditions.

In accordance with the Town Charter Article IV, The Budget, C4-2 and C4-3 I submit my recommended financial plan for the FY 2009-2010. I will focus my budget message on actual and anticipated revenue adjustments as they correspond to municipal and school department expenditure request.

Prior to putting forth the FY 2009-2010 proposed budget, the town had to make revenue adjustments to offset *net reductions* of \$935,513.40 in State and Local Revenue from the FY 08-09 Municipal Operating Budget. Projected State and Local Revenues for FY 2009-2010 are estimated to result in a *net reduction* of (\$1,061,000). This adjustment does not reflect the potential liability of over \$500,000 beginning in FY 08-09 as a result of litigation with Twin River Tangible Tax appeal.

The recommendations for municipal and educational expenditures contained in this budget plan reflect difficult, responsible, and fair proposals that require an equitable distribution of shared sacrifice for all town departments. If enacted as proposed, this budget will preserve municipal services, educational programs, and jobs while protecting local property taxpayers.

I am recommending a 2009-2010 Municipal Operating Budget totaling \$16,432,327. This represents a *decrease* of \$1,039 over the 2008-2009 operating budget. Included are municipal capital proposals totaling \$595,342.

The Lincoln School Department submitted a proposed 2009-2010 Operating Budget of \$49,498,198 representing a 2.48% increase. A capital request of \$552,426 was submitted for a total of \$50,050,624. The proposed Operating Budget of \$49,498,198 represents an actual proposed *spending increase* of \$1,715,446 or 3.6% when adjusting the FY 08-09 Operating Budget for the \$517,000 reserved surplus.

In recommending a FY 2009-2010 School Operating Budget I must emphasize that Lincoln enjoys an excellent school system that continues to serve the entire community well. Over the past two years the School Committee and School Administrators have aggressively pursued cost reductions and spending controls. Unfortunately, we continue to face momentous fiscal restraints. The school budget, by its very scale, consumes almost 75% of all revenue. It is not with criticism, but with necessity, that the primary focus of my budget recommendation is related to school spending.

I recommend to the Budget Board a School Department FY 2009-2010 Operating Budget of \$47,969,191 and a School Capital Budget of \$542,567 for a total appropriation of \$48,511,758. This proposes the appropriation of the audited school surplus funds as follows: Medicaid surplus account of \$400,000 (\$631,921 audited), operating surplus of \$223,834 (\$223,834 audited) and capital surplus of \$542,567 (\$542,567 audited) for a total surplus appropriation of \$1,166,401.

This recommendation proposes that the FY 08-09 Local Appropriation of \$40,146,732 be *level funded*, and adjusted for reduced state revenue (-180,809) in State Education Aid of \$7,222,459, and (-150,000) adjusting Medicaid reimbursement to \$600,000. This represents a *combined appropriation decrease* of \$330,809 or .68% from the FY 08-09 Operating Budget of \$48,300,000.

As previously noted, the proposal recommends the appropriation of \$1,166,401 in school surplus funds. While the board should be cautioned that these one-time revenues are being depleted, we anticipate a small carry over surplus will remain in FY 2009-2010 in both Capital and Medicaid accounts. In addition it is projected that as a result of the Federal Economic Stimulus package funding will be earmarked for Special Education offsetting the use of Medicaid surplus funds during FY 2009-2010.

The proposed total Municipal and School Operating Budget for FY 2009-2010 is \$70,813,109 for a *net decrease* of \$524,185 over FY 2008-2009 when adjusted for the removal of Sewer Department expenses. The recommended FY 2009-2010

School Operating Budget of \$47,969,191 when adjusted for the \$517,000 reserve surplus in the FY 2008-2009 budget of \$48,300,000 represents a *net spending increase* of \$186,191.

In addition to net reductions in state and local revenue, if pension Articles fail in the supplemental state budget there remains the potential for further cuts ahead in State Aid to Education. The Tangible Tax appeal by Twin River is in litigation and presents a potential liability of just over \$500,000 per fiscal year starting in FY 08-09. Also the overall financial condition of Twin River remains a significant fiscal concern to the town in the event of a receivership or state ownership.

In developing the proposed FY 2009-2010 Municipal Operating Budget all municipal employees, both union and non-union agreed to concede a wage freeze for the fiscal year. No deferred payments of compensation were made in exchange for this agreement. The Municipal Operating Budget has been reduced significantly over the past two years, staffing has been further reduced for the FY 2009-2010, and any further reductions will adversely impact services.

The recommended FY 2009-2010 School Operating Budget provides an \$186,191 *spending increase* over FY 2008-2009. I would point out to board members that if the school department requires additional spending to preserve programs and positions in FY 2009-2010 the school budget contains \$842,210 in scheduled wage increases beginning July 1, 2009.

In addition to the assessment of potential cost savings within the School Department Budget, I would ask the board to begin a more comprehensive analysis of three areas: staffing models, employee prescription and physician visit co-pay benefits, and competitive bidding of Workers Compensation Insurance.

It must be noted that from FY 2000-2001 to FY 2008-2009 local taxpayers have increased school funding by \$21,138,404, an increase of 77.82%. State Aid to Education during the same period has increased by only \$978,716 or 15.23%. We must join with School Committee members and administrators to pursue a fair and equitable state school funding formula.

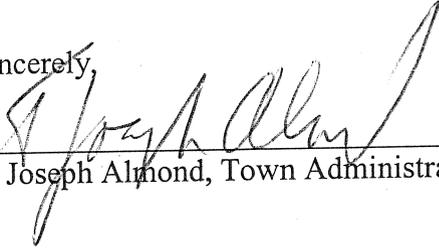
The recommendations proposed in the FY 2009-2010 budget are intended to point out the many potential revenue shortfalls that remain well into the next fiscal year and emphasize the need for fiscal restraint in your deliberations. Again, we must remain mindful that we can no longer continue our dependence on local property taxes to sustain our educational funding. If we do not achieve adequate sources of education funding we will face the indiscriminate reality that is limiting our ability to adequately fund our schools.

Our community maintains a stable tax base, excellent bond ratings, and good fiscal health. In making the difficult, but necessary decisions now, we can

position ourselves to improve our excellent fiscal health over the long term as the regional economy recovers. It is imperative at this time that we do not shift the burden of state and local revenue reductions onto the local property taxpayers. Property taxes represent the most regressive taxation and will cause disproportionate financial harm to those residents struggling with job loss, homeownership, and retirement investment losses.

Thank you for your time and consideration.

Sincerely,



T. Joseph Almond, Town Administrator