

OFFICE OF THE TOWN ADMINISTRATOR
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February 15, 2010

To: Town of Lincoln Budget Board
Re: Proposed FY 2010-2011 Budget

Dear Board Members:

In accordance with the provisions of Article IV, The Budget, I respectfully submit my recommended total Municipal and School Operating Budget for FY 10-11 of \$70,108,684.00 representing a decrease in the local Property Tax Levy of \$531,616.00 from FY 09-10.

Key elements of the recommendation are as follows:

This recommendation proposes a FY 10-11 Municipal Operating Budget of \$17,801,707.00. This represents a proposed increase in capital investments of \$630,338.00 in FY 09-10 to \$1,225,680 providing for much needed road, recreation, and technology upgrades. This proposal represents an overall *net decrease* in municipal operating expenditures of \$57,000.00.

The Lincoln School Department submitted a proposed FY 10-11 Operating Budget of \$48,580,965 representing an increase of \$1,383,092 or a 3.4% increase of the \$40,047,234 local appropriation. A capital request of \$703,925 was submitted for FY 10-11 for an increase of \$400,009.00.

I have proposed a FY 10-11 local appropriation to schools of \$40,146,732.00 which represents level funding of the previous 09-10 FY. To fund this appropriation the town had to provide additional revenues of \$927,750.00 to replace the use of school surplus funds in FY 09-10.

The recommended FY 10-11 school budget includes an initial reduction of \$657,121.00 in the proposed funding increase to provide additional wage increases for certified teaching staff. This would allow deliberations to focus on the remaining request for \$725,971.00 in new school funding.

In addition to the Local Appropriation of \$40,146,732.00, I am proposing a Capital Resolution appropriation of \$625,000.00 from the Town Capital Project Fund #50 to provide \$ 500,000.00 for much needed capital improvements in all schools. I am proposing an additional Resolution appropriation of \$125,000.00 to off-set increases in Public Charter tuitions utilizing anticipated revenue from the leasing of Fairlawn School.

State Aid to Education, Medicaid reimbursements, and other state and federal specified education funding will make up the remainder of the School Department Operating Budget for an estimated total of \$46,871,806.00 when adjusted for proposed FY 10-11 cuts in State Aid to Education. It must be noted however, that the stated cuts in state aid involve a proposed Teacher's Pension change that will result in a *net zero* impact on school revenues and expenditures if passed.

As an historical review of this proposal:

In the FY 08-09 proposed budget, the municipal government had to offset *revenue reductions* of \$935,513.40 in mid-year cuts of General Revenue Sharing and declining local revenues. In FY 09-10 the municipal government had to offset additional *revenue reductions* of \$889,800.00 in State General Revenue Sharing cuts.

While the FY 09-10 reflects a \$1,002,127.00 reduction in State Education Aid, the *actual net reduction* was \$134,000.00 in cuts related to Professional Development funding. The balance of the reduction in State Education Aid was offset by a corresponding FY09-10 reduction in the Teachers Pension expenditure for a *net zero* effect on school expenditures and revenue related to pensions.

In the current 09-10 FY budget all municipal employees, school administrators, and non-certified school staff accepted a wage freeze. Despite the Budget Board's recommendation not to fund wage increases for School Department employees in FY 09-10, as confirmed by voters at the May 2009 Financial Town Meeting, the Certified teaching staff received \$687,059.00 in unbudgeted wage increases.

As of FY 09-10 local property taxpayers have made up an inordinate percentage of State cuts in Aid to Education. From FY 00-01 to FY 08-09 Lincoln's State Aid to Education has been reduced from almost 30% to about 14% today with local taxpayers increasing their share of school funding by \$21,138,404 or an increase of 77.82%.

It must be noted that Lincoln's student population was 3,706 in FY 01-02 and has declined steadily to 3,273 in FY 08-09, representing an average decline of 400 pupils to date while staffing and related personnel costs have significantly increased. The FY 09-10 population is stated to be 3,320.

Overall, the FY 09-10 enacted budget of \$69,985,669.00 reflected a 2.55% decrease over the FY 08-09 budget. This represented an overall decrease in municipal spending of 3.11% and an increase in School Department spending of 2.37%. The two previous budgetary allocations have exasperated an already historically inequitable disparity in funding allocations between municipal and school departments.

Current factors considered in the FY 10-11 recommendation:

As previously noted, in preparation of the FY 10-11 budget, additional local revenues of \$927,750.00 had to be identified and are provided to off-set surplus funds supporting the current FY 09-10 School Department Budget to maintain the local allocation of \$40,146,732.00.

To provide for \$40,146,732.00 in local appropriations, and give consideration to the School Department's requested increase for FY 10-11 of \$1,383,092.00 or \$725,971.00 when eliminating wage increases for Certified Staff, I would direct the Budget Board to review the FY 08-09 audit for the period ending on June 30, 2009.

The June 30, 2009 audit indicates the School Department has a Combined Surplus of \$1,962,653.00. It should be noted that \$623,834.00 is currently allocated in the FY 09-10 "Operating Budget" providing a projected surplus balance of \$1,338,819.00. In addition as a result of declining enrollment and the closure of Fairlawn Early Learning Center the school Department has identified additional *savings* of \$690,385.00 for FY 10-11.

Included in the School Department's funding request are increases in Public Charter tuitions. In further reviewing the fiscal audit ending June 30, 2009, there are other potential savings identified totaling almost \$150,000.00, which along with the additional estimated revenue of \$125,000.00 from the leasing of Fairlawn ELC can offset these tuition increases.

In addition to making revenue available to off-set the increased cost of charter tuitions, the Board should note that Lincoln's current per-pupil cost is approximately \$14,195.00, with local taxpayers providing almost 84% or \$11,817.00 of the per-pupil cost. While the district funds \$7,500.00 of each charter student, the district also retains \$6,695.00 for every student that leaves the district as well.

Entering FY 10-11 the School Department will have a projected fund balance inclusive of projected savings totaling \$2,029,204.00. In addition the town is providing \$500,000.00 in new capital funding and an additional \$125,000.00 in funds to assist in offsetting increasing charter tuitions. If properly managed by the

School Committee, there is clearly an overabundance of funds available to support the School Department and all current programs throughout FY 10-11.

In conclusion:

We now possess a clear understanding of the magnitude of the fiscal crisis we face in the State of Rhode Island. Any disagreement, or reservation, as to the depth and anticipated duration of this crisis should be firmly settled as we enter into these deliberations. We should expect no notable or sustainable revenue growth through FY 12-13.

We must identify ways to make both municipal government and schools more fiscally responsible and less reliant on unsustainable increases in local property taxes. Municipal government has continued to make reductions in staffing and the realignment of job responsibilities. We will continue to pursue and support cost reductions related to police and fire/medic pensions and post retirement benefits, as well as, medical insurance cost reductions for all employees. We are actively pursuing all realistic savings and service improvements related to inter-municipal consolidations.

The Budget Board must continue to advocate for other responsible savings that could be achieved within the School Department Budget. There are three specific areas that deserve a comprehensive analysis: staffing levels, employee medical benefits, and competitive bidding of insurance. These areas contain potential savings of hundreds of thousands of dollars.

While I have identified adequate revenue to support fair and equitable funding of both municipal and school services for FY 10-11, I would caution the Board the Board to be aware of the following constraints: State Aid to Education has been supplemented with Federal Stimulus funds that will no longer be available after FY 11-12, we are entering our third fiscal year with the Twin River Tangible Tax litigation unresolved, and we are completing a re-evaluation of the town's property assessments which are expected to decline significantly.

I would further caution the Budget Board of the legal ramifications and potential harm to local taxpayers in FY 11-12, if the town's *Local Appropriation* to schools is further increased in FY 10-11. Instead the Board should focus on the School Committee's management of this fund balance during FY 10-11 when it reconvenes to deliberate a FY 11-12 Local Appropriation.

In an abundance of caution, in addition to those challenges cited, we must deliberate the FY 10-11 budget with knowledge of the possibility of an additional reduction of \$3,000,000.00 in the proposed withholding of the Motor Vehicle Phase-out Reimbursement if the proposed State FY 10 budget is enacted.

If the State does confirm the withholding the Motor Vehicle reimbursement on July 1, 2010, I recommend the resulting loss of state revenue be proportionately shared between the municipal and school departments. This will require the municipal budget to absorb 16% or \$480,000.00 and the school budget to absorb 84% or \$2,520,000.00 for FY 10-11. In turn, I will submit a budget reduction plan outlining the municipal share.

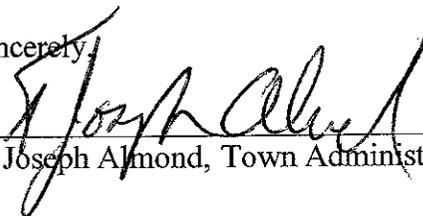
Again, we must remain mindful that we can no longer continue our dependence on local property taxes to sustain our growth in educational funding. We must work together to support a fair and equitable state education funding formula that makes students and programs the focus of local education funding policy, not unsustainable wage and benefit demands.

It is important to acknowledge the proactive actions of the Budget Board, Town Council, and School Committee in support of responsible budget management and planning throughout this ongoing economic crisis. As a result, the Town of Lincoln has adequately funded municipal and educational services, invested in much needed capital improvements, maintained its excellent bond ratings, and improved its overall excellent fiscal health.

With passage of this recommended budget plan we have the unique opportunity to provide much needed tax relief of \$531,616.00 to our local taxpayers. Property taxes represent the most regressive taxation and it is imperative at this time that we do not shift the burden of state and local revenue reductions onto our local property taxpayers. In continuing to make the difficult, but necessary decisions now, we will position ourselves to experience long-term financial sustainability and further improve upon our excellent fiscal health.

Thank you for your time and consideration.

Sincerely,



T. Joseph Almond, Town Administrator