

March 1, 2011

To: Board of Selectmen  
Finance Committee

Presented herewith is the Town Manager's Budget for Fiscal-Year 2011/12 for the General Fund, Water Fund (Kenwood), Sewer Fund and thirty-seven other "Special Purpose Funds". The budget is one of the most important documents produced by the Town in any year. It, along with the Capital Improvement Plan prepared by the Capital Planning Committee, (which is presented under separate cover), sets the format, guidelines, and direction that will be pursued in the ensuing year by Town Boards, Committees, and staff in delivering services to the citizens of Dracut. The budget outlines the various programs, activities, and projects proposed to be undertaken in the up-coming year, which have been recommended by the Department Heads, and Town Manager, and, in the case of the Capital Plan, the Capital Planning Committee, and for which funds are available.

Fiscal Year 2011 (which is only two-thirds over at the time these comments are written) was a year when the Town saw moderating revenue reductions and some beginning signs of economic improvement at both the State and Local level which in turn moderated the impacts on the expenditure side of the budget. This impacted on the budget in the following manner:

- The acceptance of nominal 1% increases by three municipal employee groups;
- The ability to set Public Safety personnel levels at thirty-nine for both the Police and Fire Departments;
- Restore equipment stabilization funding to their original levels;
- Increase education funding 1.5% despite State Aid cuts;
- The use of departmental savings to cover a snow deficit of \$200,000;
- Continued reliance on attrition to avoid layoffs;

Thus FY11 was a year when the residents continued to receive services close to what was continuously received as more fully described in this message.

In FY10 the Sewer Expansion Program saw the completion of three construction projects, two in the east Dracut area and one in the Arlington Street area in the center of Town.

With the completion of the projects the Town began sending the first sewer flows to the Greater Lawrence Sanitary District under the recently negotiated contract. Sewer construction projects are continuing to be aided by State Revolving Funds (SRF) low interest loans.

Following is a more detailed discussion/presentation of activities, programs, and initiatives of the current (FY10/11) fiscal year.

#### BUILDING/ INFRASTRUCTURE ACTIVITY

- Continued engineering for the reconstruction of Arlington Street from Broadway Road to Methuen Street;
- Sidewalk improvements along Nashua Road from Lakeview Avenue to Mammoth Road;
- The reconstruction/repaving of several streets utilizing Chapter 90 funds and Town General Funds;
- Retention of a Design Architect and completion of schematic designs and detailed cost estimates in accordance with MSBA requirements for renovations and additions to Dracut High School;
- Continued maintenance of the Debt Service Reserve set aside for a new Town Hall;
- Purchase and installation of a radio system comparator for the Fire Department;
- Purchase and replacement of school warning lights for all of the schools with final installation in the Spring of 2011;
- Installation of traffic light crossing signals at Monahan Field and up to the signals at Bridge /Pleasant Streets and Arlington/Broadway Streets via private mitigation funding;
- Along with State matching funds acquired an Agricultural Preservation Restriction of the 55-acre Saja Farm;
- Funded a feasibility study for the Dracut Housing Authority at 2197 Lakeview Avenue;
- Received an appropriation to contract a Historic Sites/Building survey in the community;
- Completion of construction and dedication of the Dillon-McAnespie Park (Canney Farm);

Other undertakings in the following areas were begun, continued, or completed in FY11 by Town Departments, Committees and staff all within the context of a budget that only increased 2.5% from FY10:

- The scheduling of hazardous waste day for residents;
- Continuation of full scale sidewalk snow clearing program on priority streets;

- Conducted by outsourcing, a successful flu vaccine clinic for both the seasonal flu and the H1N1 flu;
- Met and slightly exceeded the State mandated Net School spending requirements for the Dracut Public Schools and the Greater Lowell Technical High School;
- Continued to process Chapter 40B Affordable Housing applications;
- Funded an overall 4.5% increase in employee health insurance; and retirement contribution costs;
- Continued an approximate 13% reduction in trash disposal tonnage over the base period of FY06/07;
- Experienced a 13.4% increase in overall recreation registrations;
- Continued the expanded Council on Aging bus service;
- Initiated interest billing on unpaid non-tax and non-utility municipal bills;
- Continued the policy of not providing police detail services when invoices are 45 days or more in arrears;
- Increased eligible participation in the Sewer Tax Rebate Program from 40 to 50;
- Completed access road changes at the New Boston Road Cemetery (privately funded);
- Experiencing an increase in Veteran's Aid Benefit payments reflective of the economy;
- Carried out full repairs to the vandalism at the Hildreth Street Cemetery and made several appearances in court in support of prosecution of the suspect apprehended;
- Experienced a 29% increase in interments in town cemeteries;
- Restored transfers to the Equipment Stabilization Fund;
- In 2010 over 275 meetings/gatherings were held between Harmony Hall and the Varnum Room;
- Experienced a small reduction in excise tax bills issued which correspondingly impacted revenue collections but experienced a slight increase in real property accounts;

- Experienced a 5.6% decrease in birth and a 4.4% increase in death registrations;
- Restored funding for traffic line painting and catch basin cleaning which were not undertaken in FY10;
- Experienced reduced interest earnings in all funds reflective of national economic conditions;
- Purchased two replacement police vehicles;
- Reduced activity at Board of Health due to holding nurse's position vacant;
- Received full restitution for theft from the Tax Collector's office;
- Experienced of a leveling off of circulation activities at the Library after several years of growth;
- Offered through the Recreation Department new summer youth programs including a Lego camp;
- Continued on-line payment of excise tax bills and initiated offering of paperless billing as a green initiative;
- A leveling of the budget for gasoline purchases, along with reduced natural gas costs, but increased electric costs;
- Begin the first year of a five year contract to "tip" municipal trash at the Haverhill Covanta facility;
- With changes in the State's Open Meeting Law expansions were made to the Town's website with additions of agendas and minutes;
- Received 9,521 vehicles at the Dillon Center Compost drop-off site, a comparable number to previous years;
- Improved the funding position in the Sewer Fund;
- Improved the funding position in the Claims Trust Fund;
- Joined with other area communities and the NMCOG in a feasibility study of establishing a Regional E-911 System;
- Utilized the Reverse 911 Notification System several times during the year;
- Continued the expansion of the compost centers availability during the summer months;

- Continued out sourcing of Sealer of Weights and Measures services with NMCOG;
- Received \$177,558 in CPA Grant matching funds representing only 27% of the levy;
- Continued the Town Web Site ([www.dracut-ma.us](http://www.dracut-ma.us)); property appraisal listing on the internet; and provisions for tax bill payments;
- Maintained the Town's A+ Bond Rating Moody's with Standard & Poor's Rating Agency further described as a stable outlook;
- Continued contractual operating services with Small Water Systems, LLC for the Kenwood Water Department;

The above cited undertakings and accomplishments demonstrate the progress the Town continues to strive for in improving and enhancing its service delivery despite the worst economic conditions in decades. The twin effects of flat level revenues and State Aid reductions experienced in FY10 continued to FY11 and in many respects will continue into FY12, as well. The Town is not immune to the economic woes that beset the nation and the state. Thus, in building the FY12 budget plans and accommodations were made for this revenue situation.

While Dracut does not have an extensive business and industrial segment (only 9.62% of its assessable base) the year did see some economic activity:

- Adoption of a unified Tax Rate benefiting business properties;
- Construction of a new CVS Pharmacy at 4 Broadway Road;
- A motor vehicle repair business at 25 Victory Lane and a renewal of this area;
- Renovation and re-opening of the convenience store/gas station at 1507 Lakeview Avenue;
- Building Trade Shops at Aiken Avenue and Delmar Road.

### ELECTRIC/NATURAL GAS ENERGY CONSUMPTION

Upon completion of electric deregulation in the Commonwealth, the Town in fiscal year 2003 entered in a competitive procurement for electric supply. This resulted in a low bid from Trans Canada Power Marketing Ltd. of 5.56 cents per Kwh. In the absence of this bid, the Town would have been charged the default rate approved by the State Department of Telecommunication and Energy. That contract which was for a four year period expired in May 2007 but resulted in a savings over the default rate of \$500,000 town wide.

Beginning in 2007 after a comparative procurement, a new contract was entered into for three years at a rate of between 9.90 and 10.07 per Kwh. Based on current average default rates this procurement is expected to save the Town approximately 19.7% below the average utility rate.

During 2009 the Town reviewed this contract, as a result entered into another contract with a default rate of 9.69 per Kwh for an additional three years, securing this rate through 2014.

In December of 2010, the possibility of securing extension prices at 2004 market levels was explored. In taking advantage of what was seen as a limited window of opportunity a contract has been executed to purchase electricity for our major accounts at the rate of 8.67 cents/Kwh from December 2014 through the first meter read of December 2016.

In the same area the Town in FY09 contracted at a fixed rate for natural gas needs for municipal and school buildings. This procurement method provides protection from price fluctuations thereby providing greater budget certainty. The current contract with Metromedia Energy, Inc. ran from 09/1/2008 to 05/31/2009 at a rate of \$1.33/therm.

During FY09 the Town contracted a fixed rate to run from 11/1/2009 to 6/30/2011 at a rate of \$.984/therm. Because of the low rates during the summer months of 2009 the Town paid the default rate of \$.35/therm from 6/1/2009 to 10/31/2009. Due to the current natural gas contract expiring on 06/30/2011, preparations are underway to go out to bid.

FREE CASH

The ability of the Town to maintain a free cash balance in the second half of 1990's and early 2000 years benefited the Town as it was able to not only carry out projects but also balance its budget. While necessary at the time this latter step was not necessarily prudent financially. The table below sets forth a history of the Town's Free Cash position:

<u>FY (Ending)</u>	<u>FREE CASH*</u>
89	\$ 672,858
90	547,369
91	(829,278)
92	(1,067,432)
93	(909,765)
94	90,692
95	1,752,319
96	2,998,954
97	2,286,365
98	2,358,849
99	1,664,389
00	1,215,879
01	3,703,662
02	2,292,936
03	1,377,570
04	363,751
05	623,627
06	1,761,861
07	1,998,316
08	2,473,822
09	1,499,903
10	1,345,518

\*As certified by the State Department of Revenue

This ability to maintain a free cash balance benefits the Town in the following ways:

- Added interest earnings/revenues to support municipal services and programs;
- Avoidance of temporary borrowing costs for cash flow variances;
- Positive impact on the Town’s Bond Rating;
- Use for one time programs or projects;
- Direct support of projects and activities with free cash; between FY97 and FY10 the Town has appropriated \$10.1 million dollars (an average of slightly more than \$691,000 per year) for the following uses:

General Budget/Tax Relief*	\$5,877,250
Bridges, streets, highways	275,000
School Department	1,732,175
Veterans’ Park	400,000**
Fire Station	750,000
Conservation Land	140,000
General Government	150,000
Public Works Department	45,000
Employee Benefits	<u>1,000,000</u>
	<u>\$10,369,425</u>

\*Includes snow removal deficit

\*\*Includes \$150,000 FY08 Appropriation for parking lot expansion.

While there is no hard and fast rule, a general guideline and goal of management is to maintain a free cash balance as a “cushion” against unexpected emergencies and unforeseen conditions.

The latest sum identified represents 2.10% of the Town’s operating budget. The sum available while greater than that of the last three years is still less than the average 5% of the budget management has consistently recommended as a desirable goal.

For FY11 it was necessary to appropriate from Free Cash the sum of \$200,000 to balance the budget.

At the time these comments are written the 2010/11 winter season has been one of the most severe in recent years and will result in a sizeable deficit in the snow account. Free cash will have to be looked to, to address the deficit.

### PROPOSED BUDGET

The Municipal Charter at Article 6 provides that the Town Manager, at least four months before the start of the fiscal year (i.e. March 1), should submit a complete budget to the Finance

Committee. The Charter further provides that “The budget adopted by the School Committee shall be submitted to the Town Manager in sufficient time to enable him to prepare the total town budget...” Because of enactment at the state level of an Education Reform Act, providing for the annual establishment of Net Minimum School Spending for each city and town, budgets for the local schools and the Greater Lowell Technical High School are in large part set by those funding formulas.

School funding is a function of two factors, direct school support, (Net School Spending) and qualifying indirect costs. A minimum local contribution is required along with State Aid makes the State prescribed minimum. This minimum is exclusive of expenditures for school transportation, community services and fixed assets for which a separate appropriation is made i.e. modular classrooms. For FY11 the Town’s appropriations exceeded the minimum required by \$165,000 as shown on the School Department Budget page. This spending level placed the Town’s funding for the Dracut Public Schools in excess of Formulation Requirements – a benchmark of the Education Reform Act.

In Fiscal Year 2011 direct education for the Dracut Schools and Greater Lowell Vocational School represented 50% of appropriations. In addition to that direct appropriation are the qualifying costs identified on the School Department Budget page; there are other expenditures benefiting the education area, including motor vehicle fuel for vehicles and vans, un-reimbursed debt for school facilities, modular class room lease payments when applicable and library costs associated with school activities and maintenance for school crossing lights.

It had been the practice to budget for snow and ice control activities at or near the ten year average for expenditures. However, the cost increases associated with this service; along with the severity of recent seasons and the lack of discretionary budget resources has resulted in the inability to continue this practice. Only minimal increases are able to be made to the snow account and thus the FY12 budget is about 75-80% of the ten year average expenditure. At the time these comments are written the Town and area are experiencing a second consecutive severe winter with significant plowable storms being experienced as well as numerous sanding and salting call outs. Because of these conditions it is necessary to project a snow account deficit. To address this condition and without severely impacting the FY12 budget, it is proposed that Free Cash once again be utilized to cover any deficit that cannot be closed within existing appropriation, as was the case in several recent fiscal years.

With the above comments as a frame of reference, the proposed budget for FY12 is in the preliminary amount of \$63.94 million, as opposed to \$62.76 million for FY11. It is a spending plan that estimates the cost of fixed and known contractual obligations and utility costs provides some funding increase to municipal accounts and on allowance for Education funding issues once final Net School Spending figures are developed for the School Department and the Greater Lowell Vocational School as no budget share has yet been received.

Succinctly the proposed preliminary budget allocates estimated known local revenues, and level funds State Aid.

As the budget season progresses toward Town Meeting there will be adjustments to these figures as the State House and Senate adopt budgets and reconcile them with the Governor’s as well the final calculations of minimum school spending figures.

Some of these factors are more particularly discussed below:

State Aid: At the time these comments are written the Governor had submitted a proposed budget to the Legislature with an estimate of basically level funded general local aid, an increase in Chapter 70 funding, maintenance of the reduction in Police Career Incentive Funding and a cost in General Government Aid. At the same time there did not seem to be consensus being expressed by Legislative leaders as to whether State revenues would support these funding levels or what the House and Senate Budgets would look like. Thus, an assumption of level funded State Aid is made at this time. Also, it won't be until State Aid and Chapter 70 numbers are certain, that required school spending numbers will be known.

Hopefully, in advance of final action on the State Budget, both houses of the Legislature will reach agreement on a Local Aid Resolution, as has been the case in prior years.

New Growth Revenues: Economic conditions in the Town and region have slowed new housing construction the principal part of new growth revenues allowed under Proposition 2 ½, and thus an estimate had to be made at the reduced level of prior years.

New Revenue Sources: In the last two years the Town has added two small new sources of revenue, via contracts for Towing Services and Ambulance Service. These revenues, however, nowhere near replaced the reduction experienced in, for example, Local Aid, interest earnings, excise taxes and development activity receipts.

Two years ago as part of a municipal relief package the Legislature gave cities and towns a means to replace lost revenues via a local option meals tax. Thus for three area jurisdictions have enacted this levy (Tyngsborough, Lowell and Chelmsford) and it is estimated that Dracut derives upwards of \$250,000 for a similar .75% local meals tax. It's not going to be possible for the Town to continue its level of services with continuing decreases or flat revenue sources.

Structural Deficit: Consistent goals and objectives are to annually present a budget that does not contain a deficit or a structural deficit. This is a term that describes the reliance on the use of one time or non-recurring revenues i.e. free cash or other savings to balance the budget other than their use for one-time non-recurring undertakings.

The FY12 budget is being submitted as a balanced budget without proposing free cash usage for general budget relief but does anticipate its use for any portion of the snow deficit that can't be charged to the current year's budget.

On the expenditure side a major factor continues to be employee benefit accounts (health insurance/retirement).

Employee Benefits. The three principal and perhaps most important employee benefits the Town provides are a retirement plan through the Middlesex County Retirement System and the self-insured group health, life and dental insurance program and the Medicare Matching Program. All are contributory programs. For FY12 the Town's assessment for County Retirement is increasing an estimated 2.3% which increase is in addition to funding included in the Debt Account to pay for the bonds issued to prepay the Early Retirement Assessment of FY03.

At the same time, though, little headway is being made on reducing the Town's unfunded accrued liability, which must be eliminated by 2035. At January 2010 this liability stood at \$39,095,504.

During FY11 the State enacted State enacted legislation to extend the liability payment deadline from FY28 to FY35 as assistance to municipal budgets in these recessionary times.

As has been the case locally, regionally and nationally, increasing healthcare utilization costs, prescription drug costs, HMO premium increases and reinsurance costs have heavily impacted the Towns Health Insurance Trust Fund. The FY12 Budget projects a funding increase on the part of the Town at \$225,000 or 2.8%. As is shown on the chart accompanying these remarks this cost center has been one of the fastest and largest growth centers in the budget.

Because of a healthy balance accumulated in prior years the Town was able to weather a heavy utilization claims year in FY09. It is now the goal to continue to work toward replenishing reserves in the Claims Trust Fund.

Municipalities in Massachusetts do not participate in the Federal Social Security System. However, since 1986 all new employees are required to enroll in the Medicare system which requires an employer match of 1.65%. This cost center has been increasing each year as new employees join the Town. At the same time though this should benefit the Town in the long run as acceptance of M.G.L. Chapter 36 Section 19 requires Medicare eligible employees to join that system upon eligibility thus lessening claims in the Claims Trust Fund.

Another issue for the town to begin thinking about is what has been titled in financial circles as Other Past Employment Benefits. During the second quarter of FY11 Standard and Poor's in rating the Town's Bond issues pointed to this factor in their analysis. At January 1, 2009 the Town's OPEB actuarial account liability (the cost of retired employees' health insurance) stood at \$137.7 million. Steps toward reducing this obligation need to be advanced in the coming years.

While the General Fund is the principal operating entity of the Town, it is not the only one. In the Other Funds section of the budget are several important cost centers - and four in particular.

The first, as noted, is the Claims Trust Fund, the Town's employee group health insurance trust fund. This fund receives employee/employer contributions and, along with interest earnings and stop loss reimbursement, funds costs associated with employee group health and life insurance.

The second is the Sewer Fund. This enterprise activity has and is proposed to, continue to fund all sewer system related costs, including routine operating expenses, small sewer expansion projects, and debt service associated with larger projects. In FY07, additional Capital Funding was obtained (\$30 million dollars) to continue the sanitary sewer program for the ensuing seven to eight years. In order to continue the program it was necessary to seek additional disposal capacity of the Greater Lawrence Sanitary District, and approval for flows to

traverse through Methuen to the G.L.S.D. The separate Sewer Fund budget message in the Other Funds section of this document outline further comments on the fiscal strengths of the fund.

Third is the Stabilization Fund, which functions as an equipment replacement fund for major equipment purchases of the Public Works and Fire Departments. This procedure is demonstrating its full value, as it is able to fund needed equipment purchases without borrowing. Thus, these pieces of equipment can be replaced when necessary without having to compete for debt capacity with other needed capital undertakings.

Fourth is the Kenwood Water Fund through which water service is provided to approximately 1900 customers in the east part of Town.

### PROPOSED REVENUE BUDGET

There are two major components to this budget or any budget — revenues and expenditures.

Revenues and transfers for FY12 are preliminarily expected to increase as shown on Page A of this document and described herein. The sum of \$63,947,398 is expected to be available for expenditure, subject to final adjustments in State Aid as discussed herein.

The revenue portion of the budget is comprised of four sources, which for FY12 can be broken down as follows based upon the preliminary non-final estimates:

Taxes (property)	63.11%
State Aid (Level funded)	33.87%*
Local Receipts	2.40%
Fund Transfer	0.61%

With all of the above comments as background the following is a brief summary of some of the major items contained in the budget proposals in addition to those already described:

### REVENUES

- Modest growth in the Town's assessable base representing an estimated \$325,000 in new growth taxes;
- A small increase in excise tax revenues following several years of reductions;
- Staying within the constraints of Proposition 2 ½ by estimating only a 2 ½% increase on the FY11 Levy Limit;
- Continuance of the accounting change which implemented enterprise accounting and reimbursement to the General Fund for its costs associated with supporting utility operations;

- An estimate of “Debt Exclusion” and “Special Assessment” revenues as an offset to corresponding estimated expenditures which are reduced over the previous year;
- Reduced interest earnings and level Medicaid reimbursement revenues;
- Continued inclusion of Medicaid Drug Subsidy revenues;
- Continued transfers from the Wetland Protection (decreased by \$5,000), Cemetery Trust Funds, Offset Funds, Sewer and Water Funds;
- Level funded State Aid estimates pending final enactment of a State budget;
- An inter-fund transfer from the Englesby Debt Service Reserve to offset corresponding Debt Payments, at the level of the debt payments;

## EXPENDITURES

- A decrease in the debt account representing declining debt obligations due to payment but also the set aside of \$350,000 to the Stabilization Fund toward a Town Hall project;
- A 2.2 % increase in pension costs, a 2.8% increase in group health insurance costs, and a 5% in FICA (Medicare costs);
- Continuation of contributions to the Stabilization Fund for implementation of equipment replacement schedules for Fire and Public Works Equipment with prior year cuts restored;
- Purchase of two replacement police cruisers;
- Continuation of the expanded days for the leaf/brush/compost center;
- A continuation of the Chapter 90 road paving program;
- Funding to continue a modest sidewalk installation/repair program;
- Continued funding to sponsor Town Assessment Data on the Internet at: [www.visionappraisal.com](http://www.visionappraisal.com);
- Funding for maintenance of the hosting and programming of the Town website and I-Net;
- An increase in the Parks Account for utility costs and the addition of Dillon/McAnespie Park in FY12;

- Funding to maintain the Sr. Tax Rebate Program which is expanded to serve 50 participants in FY12;
- Providing for an estimated snow deficit of \$350,000;
- Funding for Veteran's Park monitors and Skateboard Park monitors;
- Continuation of additional outreach services at the Council on Aging;
- A small increase in the snow removal account to approximate 75% of 10 year average expenditures;
- Annual funding for the Reverse 911 System;
- A nominal increase in street paving/maintenance materials;
- The continuation of GIS counter service in the Assessors office;
- Funding for a uniformed compliment of 39 personnel in the Police Department and the Fire Department;
- Maintain funding in the Historical Account for the continuing expanded use of Harmony Hall;
- Continue absorption of the State's unfunded obligations for the Police Career incentive (Quinn Bill Program);
- Funding for re-precincting following release of Federal Decennial Census data;
- Funding for negotiated buy backs for retiring municipal employees;
- Funding for transition expenses for the Town Manager recruitment process;
- Elimination of funding for a vacant position in the Tax Collector's office;
- Level funded Trash Collection account and use of the Tip Fee Reserve if necessary;
- A \$2.00 contractual increase in disposal costs to be offset by reduced tonnage tipped;
- Increased costs in the Assessor's account due to State mandated revaluation (see separate comments following);
- Purchase of a trailer for park mowers;

- Continuation of services at the Council on Aging, including an expanded SHINE program, Veteran's Breakfasts, File of Life Program, and Legacies Programs;
- Continuation of Sealer of Weights and Measures Services under contract with NMCOG;
- Maintaining increased cost levels for petroleum products – gasoline and oil;
- Continuation of the Mosquito Control Program;
- Continue the expanded Council-on-Aging bus operating hours;
- Continue the Recreation Department's successful nature camp and Lego's camp;
- Initiate, if funding is available, a study to implement a Storm Water Utility as called for by EPA and NPDES requirements;

### Revaluation

According to State guidelines each city and town must update property values every three years to ensure that property is assessed at 100% Fair Market Value. This process was completed and certified by the Massachusetts Department of Revenue for Fiscal Year 2009. The next scheduled re-certification year for the Town of Dracut is Fiscal Year 2012.

In preparation of the requirement to inspect all properties every nine years, a cyclical re-inspection of all properties will begin during fiscal year 2014; therefore inspection will take place during calendar years 2012, 2013 and 2014. The purpose of this re-inspection is to verify the property information that is currently on file in the Assessor's Office. During the inspections, data collectors will physically inspect the interior and exterior of all properties.

Also, during this time the Town will be implementing video imaging of all properties. A digital picture of all properties will be taken. These pictures are then matched with the property record card and replace the sketch of the building that is currently in use.

### In the Stabilization Fund (from Equipment Reserves):

- Maintenance of Equipment Reserve Schedules;
- Purchase of a pick-up truck, snow plows and a mower from equipment reserves;

### In the Kenwood Water Fund:

- Initiation of permanent debt repayment schedules for the water meter replacement program;
- Absorption of a 24% increase in Lowell Water rates;

### In the Capital Improvement Fund:

- Senior High School Feasibility Study;
- Other Projects if voted by the Capital Planning Committee;

In the Sewer Fund:

- Increased appropriations due to increasing treatment charges and debt costs and the addition of a full year of flows to Greater Lawrence Sanitary District;
- Completion of construction of the Peters Pond project, Arlington Street and Loon Hill Road area and assumption of debt for these projects;
- Provision for three new pumping stations coming online;
- Inflow and Infiltration (I & I) corrective work and inspection repair program;
- Initiate design of the Marsh Hill/Crosby Road sewer area;

In the Public Works Capital Projects (Chapter 90 and Special Grants) Fund:

- Repaving of additional streets;
- Continue design for the reconstruction of Arlington Street between Broadway and Methuen Street;
- Unaccepted street engineering;
- Continuation of sidewalk replacement/installation

In the Community Preservation Fund:

- Reducing annual match's from the State due to reduced real estate activity at the Registry of Deeds;

The Town General Fund budget is often viewed only in terms of the amount of funds devoted or allocated to a particular activity or service. No service or activity, however, including utility enterprises should be viewed in a vacuum in terms of the budget. If Town Departments were independent entities, i.e. separate subsidiaries, each would incur significantly increased costs for services provided in support of their activities, but funded elsewhere in the budget document. For example, such costs would include general administration, revenue collection, accounting and financial services, insurance and debt services. All of these support activities represent necessary expenditures in support of the operating or direct service departments of the Town.

**BUDGETARY HISTORY**

Annually during the presentation and deliberation of the budget, conjecture and comparisons are sought as to whether one service, function or department is receiving an

allocation of resources greater or lessor than another. As noted above there is an inter-relationship between budgetary categories. Because of the twin constraints of Proposition 2 ½ and the level of State Aid received each year, the operating budget in turn is constrained. Therefore, what is available must of necessity meet the required expectations. If within that constrained arena various decisions are made to, for example,

- Take on greater levels of debt than offsetting new revenues;
- Adopt a policy of major expansion to a particular service such as education or fire service;
- Deal with external influences such as reduced interest levels, insurance increases or Town Meeting adopted benefit increases;
- Experience State Aid reductions or declines or softening in local receipts;

In sum, a pie can only be cut in so many ways.

Accordingly, attached is a chart which shows a seven-year history of budget analysis—how each major functional area has faired as both a part of the budget each year, and which have grown at a rate greater or lessor than the entire budget. It does show interesting trends and changes, particularly in those areas which in the last five-years have grown at a rate greater than the overall budget. Readers are directed to this chart for a greater prospective and understanding of the overall budget.

#### BUDGET FORMAT

The budget document presented this year is in a similar format to that of previous years. To begin with, the General Fund is presented following the UMAS suggested uniform accounting system for municipalities (both revenues and expenditures). The document also presents proposed budgets for a number of special purpose funds. In this manner, it is believed the document constitutes a complete financial tool against which all Town services, programs, and activities can be considered.

Additionally, within applicable budgetary accounts are features, which, it is hoped, will aid the user in understanding the document. There are:

#### MEASURES OF ACTIVITY

Measures of activity are a three-year statistical summary of activities carried out in various departments.

#### BUDGET COMMENTS

Additional written comments are presented in many budgets as further detailed explanation of activities or proposals applicable to a particular budgetary account.

#### ADDITIONAL BUDGET MESSAGES

Besides this overall budget message, briefer budget messages are presented to introduce and explain the particular special funds and their purpose.

### BUDGET PROCEDURE

This budget is the result of, and represents, the efforts of a large number of individuals. The budget process began in November with the distribution of Departmental Request Forms to each Town Department. In December, departmental requests were submitted to the Town Manager where review took place representing preparation of this document. During the review process, many departmental requests were cut, not because they lacked merit or were without justification, but because available funds did not allow their inclusion. During the review and preparation process Finance Director Ann Vandal and Town Accountant Paul Hebert provide considerable assistance. The last step in the staff process is presenting a proposed budget document; Mrs. Samantha Carver performed outstanding services in this regard.

Once the budget is submitted to the Board of Selectmen and Finance Committee, the budget process does not end. It is anticipated that both bodies will spend many hours in reviewing this document and evaluating requests prior to formulating recommendations for Town Meeting. During the course of this review, revenue or expenditure items may be considered for increase or decrease with the only limitations being that revenue estimates be realistically achievable and equal or exceed anticipated expenditures, and the constraints of Proposition 2 ½ not be exceeded, unless the community chooses to override this tax limitation law, for general needs or to exclude a particular debt instrument.

## SUPPLEMENTAL INFORMATION/COLOR FORMAT

The document presented includes, as indicated, various items of supplemental information and uses different color pages according to the following system:

White Pages:	Detailed Expenditure Budgets, General Fund.
Yellow Pages:	Revenues, General Fund.
Green Pages:	Summaries of Budgets, Narrative account explanation.
Blue Pages:	All other funds.
Pink Pages:	Tables, Organizational Charts.

## CONCLUSION

The Budget proposed for FY12, reflective of Charter requirements is a balanced budget that includes all town agencies, includes information on expenditures and revenues and summarizes the Town's debt position. As noted though, changes are expected to occur between presentation and adoption based upon action by the Legislature on the final State Budget.

The ultimate determination of the level of services to be provided rests with the Town Meeting and citizens of Dracut. Through this document, information is presented to assist in reaching that determination. The Town Manager and Department Heads are ready and available to assist in this process and to implement the adopted budget with expedience and efficiency.

Respectfully submitted,

Dennis E. Piendak  
Town Manager