



FY 2009 Budget Message

To: Members of the Reading Finance Committee and Town Meeting

The following pages represent the entire Town of Reading fiscal plan for FY 2009. These materials include all of the details of the Town's Municipal government budget ('Municipal Government') including the enterprise funds, and many of the budget details for both the Schools ('School Department') and Facilities ('Building Maintenance'). This information may also be found on the Town's web page at

http://www.ci.reading.ma.us/Pages/ReadingMA_Finance/Budgets/FY09%20Index.

Special efforts were made this year to improve access, particularly by Town Meeting members, to budget details ("Budget Messages") during the budget development process. Approximately 75 residents (including over 40 Town Meeting members) signed up to get this information sent periodically on line.

Demand for services in local government, and relatively fixed costs such as energy and benefits costs continue to grow as other levels of government reduce their services, and as expectations in the community increase. These demands do not know any demographic barriers – the purpose of our local government is to provide the services desired by all of our residents, in as efficient a manner as possible.

The challenge, however, is to respond to these varied needs with the limited resources of the Town of Reading. We are in an era when the financial stress on the citizens of our State and Nation result in decreasing funding for services. This has flooded down to devastating fiscal challenges in many of our neighboring communities. In the short run Reading does not face the fiscal devastation of many of our neighbors, because of excellent fiscal management, dedicated volunteers and employees, and historically conservative fiscal management. Our challenge is to continue to provide sustainable municipal services, and to do so efficiently and effectively. The emphasis here is on **sustainable** – will we be able to continue next year and the year after to provide the essential services utilizing the level of staff and resources currently provided? If not, then the community should question the wisdom of moving forward with new services. As in all of our lives, we need to set priorities to do those things that are most important to our community – sound finances, excellent public safety, quality education, care for our frailest citizens, and maintenance and enhancement of our infrastructure.

The \$72.8 million general fund FY 2009 budget that we present addresses many of these priorities, but the community for the first time in several years is bordering on not being able to sustain some of these priorities over the next several years. That is not to say that this budget satisfies all of the needs for improvement that have been identified by the Board of Selectmen, the School Committee, the Board of Library Trustees, Town Meeting, our citizens, and our staff, for it does not. We are concerned not so much about the ability of our local government to sustain our efforts, but about whether the Federal and State governments can continue to meet

their obligations to the citizens of the Town of Reading through direct funding, and/or through mandates.

Times of great change require thoughtful planning. Beginning shortly after last year's Annual Town Meeting, the Finance Committee and town staff reviewed the budget process and made some minor modifications. But the essence of the budget process remains and preserves the following major attributes:

- ◆ Uses common budget language and a common approach for all Municipal government, School Department and Building Maintenance budgets.
- ◆ Provides for excellent financial transparency in the budget process.
- ◆ Recognizes that there are uncontrollable forces at work on some portions of these budgets, and it is unreasonable to simply allocate resources across the departments without first accommodating these unpredictable costs.
- ◆ Allows us to disregard in large measure an unpredictable State Aid figure (over 19% of the Town's revenues) and insulate the budget process from this annual uncertainty.

Times of great change also require flexible thinking. We are encouraged at the amount of the long-term dialogue that has again accompanied the budget process. The ultimate objective of the entire process is not any of the four goals mentioned above. It is instead to be able to consistently design a financial plan for the Town of Reading that can be sustainable beyond the current budget year, and that will be able to address the times of great change the Town is facing. We are beginning to face those challenges this year.

Below is a summary of the enclosed proposed FY 2009 budget for the Town of Reading:

General Fund	FY09 Expenditures	FY09 Portion	FY08 Portion
Municipal Government	\$16,750,515	23.0%	22.6%
School Department*	\$35,871,170	49.3%	49.0%
Town Building Maint.	\$ 708,156	1.0%	1.0%
Benefits	\$10,885,903	15.0%	14.3%
Debt & Capital	\$ 7,594,859	10.4%	11.8%
Miscellaneous	\$ 1,005,891	1.4%	1.3%

*includes School Building Maintenance

Our cash and reserves position continues to be appropriate but under challenge. We are currently slightly above a 5% reserves position (net of Free Cash uses in both the FY 2008 and FY 2009 budgets, as proposed herein). Once additional Free Cash is certified in the fall of 2008, we may explore investing in additional spending on one time capital items if our reserves allow.

We encourage Town Meeting members to review this attached budget, and as always we welcome any of your comments and suggestions.

Respectfully Submitted,
Peter I. Hechenbleikner
Town Manager

Robert W. LeLacheur, Jr., CFA
Assistant Town Manager/Finance Director

FY 2009 REVENUES

The Section A on the second page of the Budget Summary titled “Town of Reading Revenue Details”, following this section of the budget book, shows two years of historical revenue and the proposed revenues for FY 2008 and FY 2009.

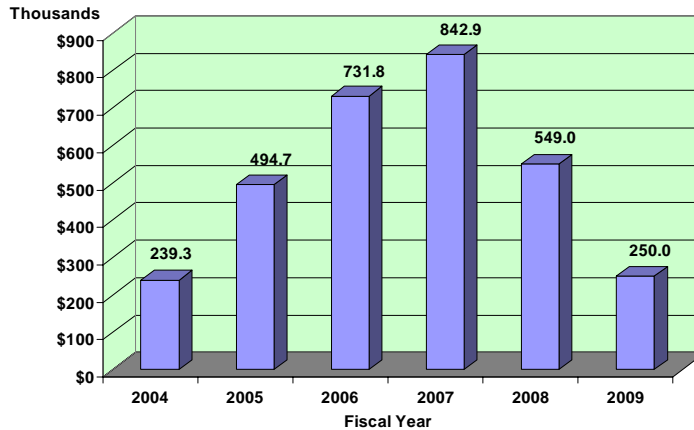
The following are the highlights of the estimated revenues for FY 2009:

Property Taxes – The FY 2009 tax levy includes a 2.5% increase over the combined FY 2008 tax levy and new growth. In FY 2004 the voters approved a \$4.5 million Prop 2 ½ general operating override which increased the base upon which the 2.50% levy limit is figured. In FY 2005, the first bond payment on the High School construction project was included in the tax levy.



We are projecting \$250,000 in new growth based on the assessors estimate taking into consideration historical new growth plus new growth from ongoing development activity in the community. We cannot increase the estimate of new growth for development of the Addison Wesley site until all potential zoning and permitting is approved.

New Growth



Tax levy (debt exclusion) reflects the debt exclusion for the High School project. We have already bonded \$35 million for the High School project. The state has paid us \$22 million of the estimated \$57 million project cost so that we do not have to do any short term borrowing to pay for the rest of the project. Once the project is complete and audited, the Town will receive annual installments of the MSBA reimbursement for their remaining share of the project. The portion of the tax bill that pays for the RMHS debt exclusion will be reduced around FY 2010 when the first state reimbursement is received.

For Fiscal 2006, the Board of Assessors requested an increase in the budgeted amount of “provisions for abatements and exemptions”, or Overlay Reserve, to a level of \$500,000. This account needs to be able to accommodate any potential abatement that may arise from all the new commercial development. We intend to increase this base amount by 2 ½ % of the previously budgeted amount each year. The actual amount may vary from the budgeted amount when the final calculation of the tax rate is made in November. If the provision is not used for abatements, it is released in future years and used to support the budget. (See” Operating transfers/Available Funds” below.)

	ACTUAL				BUDGETED	
	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Overlay per tax recapitulation	\$ 398,105	\$ 403,573	\$ 536,408	\$ 556,974	\$ 525,313	\$ 538,446
Less:						
Abatements & exemptions granted	203,346	186,819	133,486	182,467		
Transferred to overlay surplus	154,856	158,770	141,521			
Balance	\$ 39,903	\$ 57,984	\$ 261,401	\$ 374,507	\$ 525,313	\$ 538,446

Local Revenues from sources other than property taxes – In the past, we used extremely conservative estimates for increasing local receipts. This was done for several reasons. The consequence of not meeting revenue estimates could potentially be a ‘revenue deficit’ that would have to be raised on the following year’s tax rate. Conservative revenue estimates

keep the expense budget lower, and they are more likely to provide excess which flows to Free Cash (the surplus that is available to spend in the following year.)

The effect of these conservative estimates over time was to get in the habit of using Free Cash to regularly support the operating budget - with the understanding that the revenue estimates were so conservative that Free Cash would be replenished. Several members of various boards commented that we should begin to use more 'realistic' revenue estimates and stop using Free Cash to support the budget.

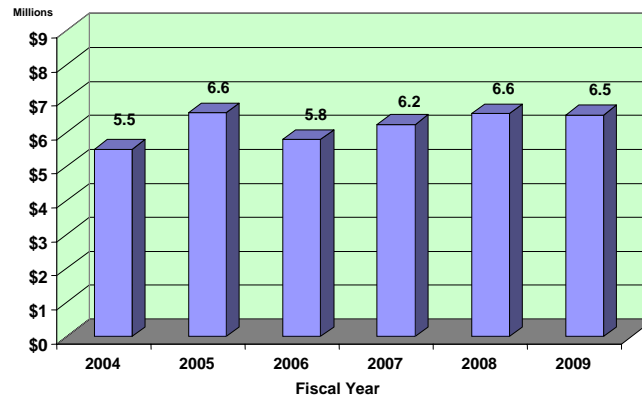
Individual components of local receipts are challenging to estimate. They can vary significantly depending on the Federal and State laws, economic factors at the time, interest rates and the volume of transactions. Therefore, it seemed prudent to work with the total of the local receipts as opposed to estimating them individually. For FY 2008, we used the 10 year average percent increase (5.3%, rounded down to 5%) in total local receipts to estimate the amount in the future. The Finance Committee agreed with this method. In 3 out of 10 years, the receipts were significantly lower than this average. The Finance Committee stated that in the years that this method causes a revenue deficit, the difference would be made up with an appropriation of Free Cash.

It was clearly imprudent to apply the 10 year overall average increase in local receipts of 5% to the Motor Vehicle revenues for FY09. When looking at the amount of cash collected in each of the last five years for Motor Vehicle Excise (the largest component of Local Receipts) there were no significant increases or decreases over time. In addition, the State Division of Motor Vehicles statistics show a significant recent increase in the age of vehicles - which means we should expect lower receipts.

Similarly, we could not apply the 5% increase to Charges for Services. FY07 charges for services included \$200,000 in building permits for the commercial development of restaurants and supermarkets on Walker's Brook Drive. At this point in time, no large commercial development is evident for FY 2009 that could generate large permitting fees.

Back in September, when we were estimating FY 2009 revenues, we were earning over 5%, but interest rates were declining. We thought it seemed prudent to estimate that in FY 2009, we would earn at 4% on our cash balances. Since then, rates on short Treasury Bills have declined from over 4% to under 2%. In March 2008, when the State Local Aid came in \$330,000 higher than anticipated, town management recommended to the Finance Committee that all of this excess be recognized as an increase to the State Local Aid line item with a corresponding decrease in interest income. The Finance Committee decided to use \$200,000 to fund the operating budget and to reduce the interest income estimate by \$130,000.

Local Receipts

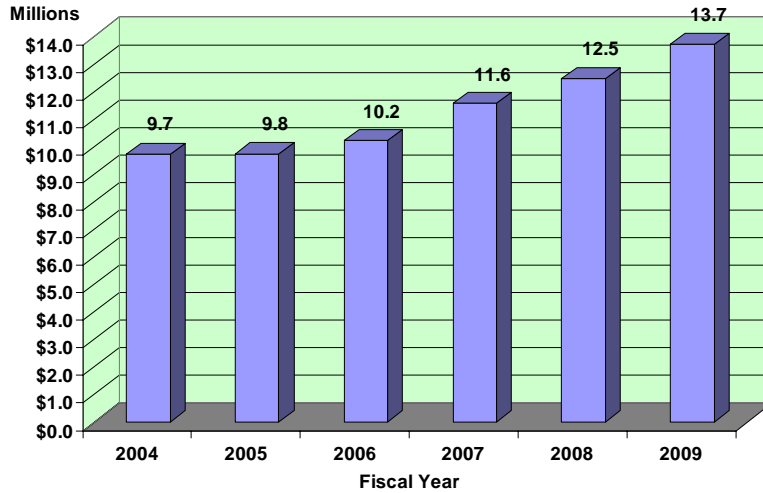


One final component of Local receipts that is difficult to estimate this year is Medicare reimbursement of Special Education costs. There is legislation that expires on June 30, 2008 that could significantly reduce the expenditures eligible for reimbursement. While all cities and towns are making a concerted effort to have this legislation made permanent, we are unsure of the outcome. We could potentially lose \$150,000 to \$200,000 in local receipts if the deadline is not extended or the legislation made permanent.

Intergovernmental Revenue – The same 10 year average percent increase method used to estimate local receipts was used for State Aid. By using 5% as an estimated increase to State Aid early in the budget process, we would have stability in developing the budgets from year to year. In the first year that the State Aid budgeted figure is lower than our estimate, the Finance Committee agreed to use Free Cash to make up the difference. After that the difference would have to be made up with budget cuts or other revenues. In the years that State Aid was more than 5%, the excess would flow to Free Cash. The idea is to save the excess for years when State Aid is being reduced.

In January 2008, the Governor's budget contained over \$290,000 above the 5% increase to State Aid, plus other increases tied to casino gambling. The Finance Committee voted to recognize the \$290,000 portion and allow it to fund the operating budgets, instead of directing it to Free Cash. In March 2008, the Massachusetts Senate and House issued a Joint FY 2009 Local Aid resolution that further increased expected State Aid to the Town by \$330,000. The Finance Committee voted to use \$200,000 to fund the operating budget and to reduce the interest income estimate by \$130,000.

State Aid

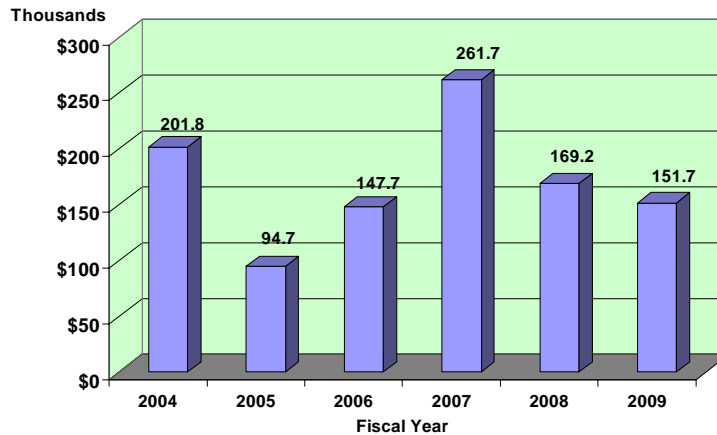


Operating Transfers/Available Funds –

The amount of money available from cemetery sale of lots has remained constant. Sale of real estate funds from the landfill will be available for debt and capital expenses. This is consistent with the Capital Improvements Program which will make these funds last for approximately 10 years (\$375,000 per year) from FY2005 to FY2014. Use of these funds has declined in the FY 2009 budget to \$350,000, in order to reduce the reliance on this funding mechanism. Similar gradual reductions will occur in future years – which may extend the funding beyond FY14 slightly.

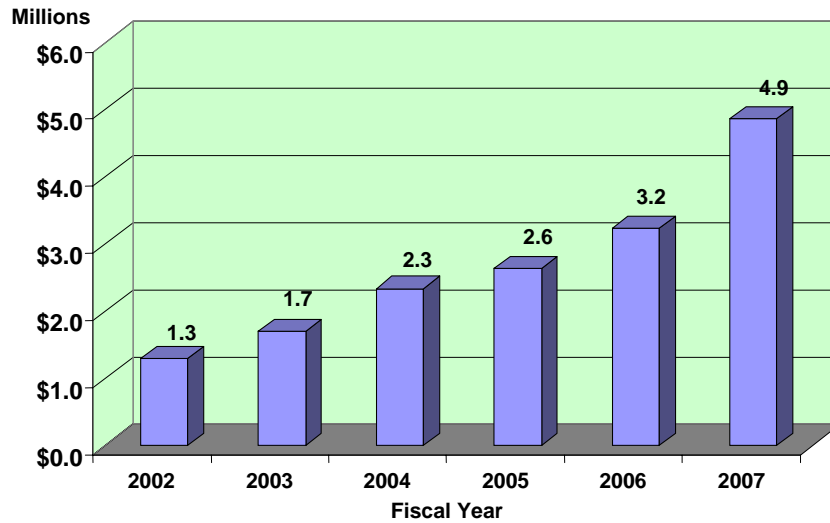
The earnings distribution from the Light Department has been increased based on the CPI. The Board of Assessors certifies the overlay surplus at \$151,667.

Overlay Surplus



No Free Cash is being used to balance the Fiscal 2009 budget. We expect that because of the new revenue estimates ('more realistic'), Free Cash will not regenerate as much as it has recently so it is important that we continuously strive not to use Free Cash to support the operating budget. Currently, the balance in Free Cash along with the stabilization and FINCOM reserve fund balances meet the Finance Committees reserve policy of 5%.

Free Cash at June 30



\$75,000 of Free Cash is being used in the School Department operating budget. The School Department received a \$75,000 refund from an overpayment of a prior year's utility bill that was calculated incorrectly. That refund flowed to Free Cash since it was for a prior year's expenditure. This one time appropriation of Free Cash will make that refund available to be spent in the FY2009 budget.

Summary of Revenues – The total FY2009 estimated revenues for general government will be \$72.8 million, or a 1.99% increase from FY 2008.

GENERAL FUND – FY 2009 EXPENSES

The proposed \$72,816,494 general fund budget for FY 2009 represents a 2.7% increase compared to the FY 2008 budget (as modified through the November 2007 Town Meeting). When comparing to the FY 2008 budget passed last April 2007, however, it represents over a 4% increase.

Budget Components

The proposed FY 2009 budget consists of three main types of costs. The first is \$19.5 million of Shared Accommodated costs (benefits, capital, debt, vocational education, and state assessments) that will increase by only 0.3% when compared to FY 2008. A portion of these costs – MSBA debt reimbursement and the debt exclusion for the High School – represent about \$4.2 million of this total.

The second is Departmental Accommodated costs of \$8.7 million (split between the Municipal government, School Department and Buildings Maintenance for items such as energy, fuel, insurance, rubbish, snow & ice, and out of district special education costs) that are decreasing by 2.4% when compared to last year.

The third is whatever is leftover from revenues and can be spent on the Operating budgets for the Municipal government, School Department and Buildings Maintenance. In FY 2009, a total of \$44.6 million is allocated to these costs (see Table below), a 4.8% increase compared to FY07:

Table: Operating Budgets (figures in \$ millions)

	Act FY06	Act FY07	Budg FY08	Budg FY09	%Change
Municipal Gov't	11.6	12.5	13.0	13.6	+4.6%
School Dept.	25.3	26.0	27.2	28.5	+4.8%
School Bldg	2.0	2.3	2.0	2.1	+8.0%
Town Bldg	0.3	0.8	0.3	0.3	-1.8%
TOTAL	39.3	41.6	42.6	44.6	+4.8%

Budget Sustainability



An Optimistic scenario shows 4% Revenue growth for the next two years. If a 7.5% annual increase in both State Aid and in Local Revenues happens – and all other revenues behave as they have historically – then this is possible. Note that in FY 2009 we have a +10% increase in State Aid, but a 0% increase in Local Revenues.

Optimists will also believe that the Accommodated costs that are shared will increase at a 4% rate, as opposed to the 7% rate this year (excluding extra capital funding in November Town Meetings). They will tell you that the Accommodated costs shared by the Municipal government, School Department and Buildings Maintenance will rise at 4% a year. This is a figure well below

the historic average, but more in line with the recent 2.4% reduction last year. In fact, these costs might well decrease next year also.

Optimists will be left with enough funding to allow the Operating budgets to grow at about 4.4% for the next two years given these assumptions. And they will believe that things may well work out even better than that, so the 4.8% increase this year becomes an annual event – one to be surpassed in fact.

Table: Are you an Optimist, or a Pessimist? (\$ millions or %)

		Optimist	FY09	Pessimist	
	FY11	FY10		FY10	FY11
Revenues	78.8	75.7	72.8	74.8	76.9
Accommodated (Shared)	16.6	15.9	15.3	16.5	17.9
Earmarked Debt	4.2	4.2	4.2	4.2	4.2
Accommodated (Departments)	9.4	9.0	8.7	9.4	9.4
Operating (Departments)	48.6	46.6	44.6	44.7	44.7
Operating (Departments)	+4.4%	+4.4%	+4.8%	+0.2%	-0.1%
Operating (Departments)	+\$2.05 million	+\$1.96 million	+\$2.0 million	+\$89 thousand	-\$45 thousand

A Pessimistic scenario shows 2.75% Revenue growth for the next two years. If a 2.5% annual increase in both State Aid and in Local Revenues happens – and all other revenues behave as they have historically – then this is possible. Over a twenty-year period, these figures have increased at about 5% annually – but just as the Optimists used +7.5%, the Pessimists use +2.5%. And they will add that in the current economy, any increase may not be possible.

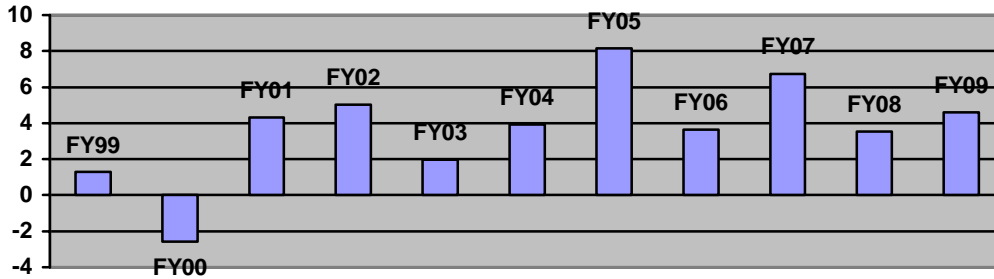
Pessimists will also believe that the Accommodated costs that are shared will increase at an 8% rate. They will worry about double digit increases in health care costs that make things even worse. They will tell you that the Accommodated costs shared by the Municipal government, School Department and Buildings Maintenance will rise at 8% a year. This is a figure is more in line with the historic average. They will point to FY 2009 as an anomaly.

Pessimists will be left with enough to level fund the Operating budgets for the next two years given these assumptions. Due to contractual obligations, this will lead to reductions in services they will say. The Pessimists will believe that things may well work out even worse than that, so the 4.8% increase this year quickly becomes the Good Old Days.

Municipal Government Expenses

The Municipal government departments show an increase of \$736,178 (4.60%) from FY 2008 to FY 2009. As the chart below shows, annual increases above 3.5% have now been possible in eight of the past nine years. The single largest increase was in FY05, the year of the most recent operating override.

Annual % change in Municipal Government budget



This 4.60% increase is broken into these major components:

FY 2009 Municipal government budget increase	\$736,178	+ 4.60%
Operating costs	\$523,886	+3.27%
Restored/additional services	\$156,492	+0.98%
Significant non-recurring expenses	\$ 55,800	+0.35%

Following are some highlights of the FY 2009 Municipal government budget:

Restored/additional services \$156,492 increase (plus \$39,000 in benefits budget)

- As a reminder, highlights from FY 2008 included \$69,538 in restored or additional services. That figure included a new Nurse Advocate position, an additional Dispatcher, and increased hours for the Health Inspector.

FY 2009 changes include:

- Additional police officer \$51,500 (plus \$20,600 benefits).
- Additional firefighter \$46,000 (plus \$18,400 benefits).
- Restored Sunday Library hours \$38,679
- Restored curbside leaf collections \$20,313

Significant non-recurring expenses \$55,800 increase

- Increase to fund snow & ice expense \$50,000 (closer to historical)
- Increased elections costs \$35,000
- Increase Fire expenses \$7,000 (protective clothing – new firefighters)
- Increased Police expenses \$5,300 (evidence mgmt. & lights + lasers)
- Professional development \$25,000
- Decreased vacation & sick buyback -\$41,500
- Decrease Pay & Class study -\$25,000

Municipal Government department FY 2009 budgets

Department	FY 2009 Budget		Divisions
Accounting	\$ 124,189	- 6.6%	
Finance	\$1,372,459	+ 6.8%	Human Resources; Technology; Finance Committee; Assessment; General; Town Clerk; Elections
Library	\$1,203,906	+ 6.7%	
Town Manager's Office	\$692,818	+ 2.0%	Town Manager; Selectmen; Law; Insurance
Community Services	\$927,231	+ 2.7%	Conservation; Zoning; Historical Commission; Inspection; Planning; Health; Elder/Human Services; Veteran's Assistance; General
Public Works	\$4,807,030	+ 3.7%	Administration; Engineering; Highway & Equipment; Storm Water; Parks & Forestry; Recreation; Cemetery; Street Lighting; Rubbish; Snow & Ice
Public Safety	\$7,622,882	+ 5.1%	Police; Fire/Emergency Management; Dispatch

The following are the highlights of each section of the FY 2009 budget:

B. Employee Benefits

- B1 – The health insurance budget has increased by 9.7% in a combination of quoted price increases (+6.5%); and new municipal government and school department benefited positions (+1.0%); and a +2% increase in enrollment of the existing workforce. The Town anticipates hiring an independent consultant in the Spring 2008 to evaluate the so-called State GIC health insurance option, and to review the entire health insurance program. Since this budget was built, employee unions have voted a change in a retiree insurance program that should constrain the long-term increases in this category.
- B4 – The Town is paying an additional 2.2% into the contributory retirement fund this year, as determined by actuarial calculations. A new actuarial study – conducted every two years - will determine the level of future contributions. At present, the Town is scheduled to meet all legal requirements regarding the funding of this pension obligation ahead of schedule.

C. Capital

- A FINCOM policy sets aside dedicated funding for both debt and capital, so that in lean budget years the infrastructure of the community will be maintained. For FY 2009, a total of \$650,800 in capital funding was available under this policy. In FY07 and FY 2008, additional capital was funded at other Town Meetings, once the Free Cash was certified for the prior fiscal year. If the FINCOM policy on sufficient cash reserves is met next November, then additional FY 2009 capital requests that are presented in this budget may be funded.
- In April 2008, after these budgets were built, the Town was able to arrange both a private placement refinancing of some existing school debt, and early repayments from the Massachusetts School Building Authority (MSBA). Next November, this

action should free up some capacity for additional capital in FY 2009, regardless of the Free Cash situation.

D. Debt

- The Town must pay about \$6.96 million in debt service for FY 2009. This consists of \$4.16 million in debt payable inside the tax levy, and \$2.8 million that is paid outside the levy through a debt exclusion. Annual payments of \$1.4 million from the MSBA help pay for some of the debt inside the tax levy; once the RMHS project is complete & fully audited, payments to help offset the cost of the debt exclusion will be added.
- These debt service costs include the following projects that were previously approved by Town Meeting, and financed last fall: Downtown Improvements (\$650,000); fire engine (\$410,000); and a turf field at Parker Middle School (\$375,000).
- In April 2008, after these budgets were built, the Town was able to arrange a private placement for the following projects that were previously approved by Town Meeting: the ladder truck (\$800,000) and Birch Meadow tennis courts (\$485,000). The aforementioned school debt refinancing, plus the strong results of the private placement of the new debt - will have the result that the Town's FY 2009 gross and net debt service costs to decline in future years.

H. Education – Vocational School

- The vocational schools budget is \$424,113 for FY 2009, representing over a 30% increase from the previous year. This marks the second consecutive year of significant enrollment increases in vocational education.

J. State Assessments

- Town Meeting does not appropriate funds for State Assessments, but the Town needs to account for these assessments when balancing the budget. The largest single assessment is for the MBTA. The State Assessments reflect almost no change, as agreed by a Joint House & Senate Resolution in March 2008.

M. Accounting

- M1 - The retirement of a long-term employee in FY 2008 required vacation & sick leave buyback, which is not repeated in the FY 2009 budget.
- M1 - A small amount of funding is included for Overtime, as the implementation of a new financial system has required significant efforts from the Accounting and Finance staff.

N. Finance

- N1 – FY 2009 will have three elections, compared to one in FY 2008. Wage costs in the Finance Department are under +3% for FY 2009 if this elections increase is ignored.
- N8 – Centralized one-time professional development for all Municipal government departments is added to this budget. The professional development will cover customer service training & software; management training; and technology training.

- N10 – The first of two installations of annual maintenance fees for the new financial system is included in this budget. Technology expenses would decline slightly except for this item.
- N14 – An increase in tax title expenses, the result of a slowing general economy, cause this budget to increase by more than is typical.

P. Library

- P1 - This budget restores Sunday hours of operation, from 2 – 5pm, expected to be between October 5, 2008 and May 23, 2009. FY 2009 Library wage costs increased less than 4% without this scheduling change.

Q. Town Manager's Office

- Newly created management department, reflecting the new Department Head Town Planner as head of Community Services
- No significant changes in any costs compared to the previous year.

R. Community Services

- R7 – Increases in expenses for E.M.A.R.C. and for mosquito control.
- R8 – The part-time Nurse Advocate position will be funded for the full year in FY09.
- R9 – The expenses of the Elder/Human Services division have declined, though not by as much as State grants. The funding of the Senior Tax Work Program from this division was moved last year to the Assessors overlay account.

S. Public Works.

- S6 – The Highway and Equipment Maintenance budget did not increase this year, as the impact of new capital equipment purchasing is expected to reduce the growth in this area over time. Depending on the exact timing of the new equipment, this impact may occur as early as the FY 2009 budget.
- S7 – The Highway division pays for all fuel used by Municipal government departments. Fuel usage is forecast to decline slightly, and fuel costs are forecast to rise by 15%.
- S9 – The Storm Water division will spend \$9,500 less on outsourced street sweeping in FY 2009. Instead, this activity will be conducted by in-house DPW staff & equipment.
- S16 – Street Lighting has a similar background as the fuel budget above. Traffic light electricity has been moved into this budget starting in FY 2009. RMLD has forecast a 15% increase in prices for electricity.
- S17 – Rubbish collection & disposal continues onto the third year of a five-year contract that has only modest annual price changes. An additional \$20,313 has been added to this budget to fund some curbside leaf collections in FY 2009.
- S18 – An additional \$50,000 has been added to Snow and Ice Control in order to more fully fund this unpredictable expense.

T. Public Safety

- T1 – One additional police officer is being added in the FY 2009 budget, after several years of increased demand caused in part by development activity in Town.

- T2 - Two small one-time purchases (lights & lasers and evidence management) as well as a \$10,000 funding for training fees causes this expenses budget to increase nearly 10% for FY 2009.
- T3 – One additional firefighter is being added in the FY 2009 budget also due to increased demands. Flexible work schedules are expected to reduce the need for some overtime costs, and offset a portion of the cost of this new position.
- T4 – Increased clothing expenses cause this budget to increase by over 7% in FY 2009.

U. **School Budget** – The School Budget is increased by \$1,083,635 (+3.1%) to \$35,871,170 for FY09. This budget includes the full costs associated with school building maintenance. Please refer to the School section of this budget for a detailed explanation.

V. **Town Building Maintenance** – Town Building Maintenance expenses are increased by \$16,653 (+2.4%) to \$708,156. Please refer to the Town Building Maintenance portion of the School budget pages for further details.

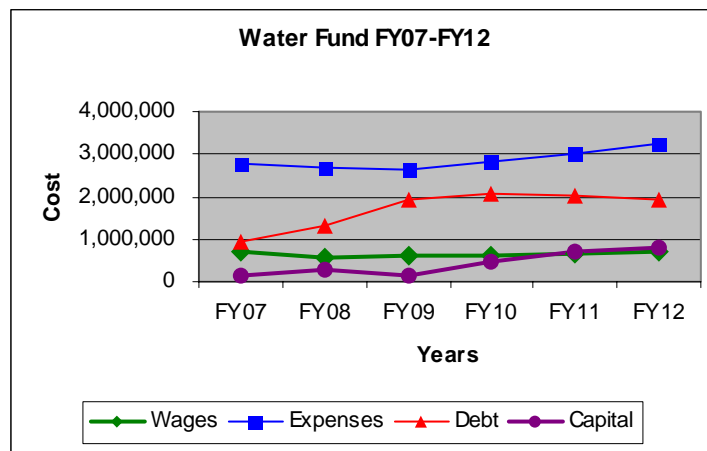
ENTERPRISE FUNDS – FY 2009 EXPENSES

The water, sewer and storm water funds are an enterprise basis, which means that the ratepayers pay all costs related to those services. Taken as a whole, the budgets for the Enterprise funds are forecast to increase by 10.35% in FY 2009; 8.49% in FY10; and 5.23% in FY11.

Increases to actual rates will differ from these figures above as reserves are used to ameliorate the cost increases. The water and sewer reserve funds stand at approximately \$2.3 million.

W. Water Fund

- The Water budget is increased \$482,985 (+9.9%) to \$5,348,472. In FY 2008 the Town received final approval to join the MWRA as a full-time member. Wage costs show an increase of 4.5% for FY 2009, and expenses have decreased by 1.7%. The significant impact is in debt service, where the cost of joining the MWRA helped to drive these costs up by over \$600,000 from \$1.3 million to \$1.9 million. Annual debt service will level off just above \$2 million. Capital costs decrease this year by over \$100,000, but are expected to increase in future years.



X. Sewer Fund

- The Sewer budget is increased \$547,948 (+12.2%) to \$5,049,535. Wages are budgeted to rise by 4.0%, while expenses are up 3.8%. Debt service (+\$70,000) and capital costs (+\$310,000) drive the increase in this budget also.

Y. Storm Water Fund

- The Storm Water budget is decreased by \$26,220 (-7.7%) to \$315,514, largely driven by a 12.2% decline in expected capital costs.