

# Town of Ayer

## Finance Committee

### Ayer Massachusetts, 01432



February 27, 2009

Board of Selectmen  
Town of Ayer  
One Main Street  
Ayer, MA 01432

Re: Finance Committee Preliminary Budget Report for the Fiscal Year Beginning July 1, 2009 (FY2010)

Honorable Selectmen:

The Town of Ayer Finance Committee has completed the initial phase of budget preparations for FY2010. This report provides a Summary of the budget review process to date, fincom balanced budget, and analysis of options for balancing the budget.

In early January 2009 department managers were provided guidance by the Town Administrator, which was supported by the Finance Committee, to reduce department budgets by 1% and 2 ½% in fy2010 to offset the possible reductions in state aid of 5% and 10%, respectively, for the coming fiscal year.

The final projected revenues available for appropriation (net of reserves, offsets and other reductions) are \$21,799,214. The estimated net impact (contribution) from the Enterprise Funds is \$376,528, including a significantly lower general fund subsidy for the Solid Waste Enterprise fund. The combined resources of available revenues and net contribution from enterprise funds, sets the level for the balanced budget, or maximum level of spending at \$22,175,742, which is 2.3% lower than the revised omnibus budget for the current fiscal year 2009. **To achieve a balanced budget for fiscal year 2010, the town must reduce its overall level of spending by \$233,088 (excluding \$350,000 in ongoing litigation costs).**

Beginning in January, our committee has met with or corresponded with the majority of departments in our town's government and reviewed their budget proposals. The attached spreadsheet summarizes their budget proposals, alongside the fincom's balanced budget proposal. Additional spending cuts of \$128,402 will be necessary to achieve a balanced budget. Allocation of the additional spending cuts in this report, conform to the Board of Selectmen's guidance at the outset of the budget preparation cycle.

Although the ongoing litigation costs are not included in this budget summary (\$299,000) appropriated in fy2009, their significant impact on the town's finances cannot be overlooked. The town administrator has estimated fy2010 litigation expenses to be in the range of \$300,000 - \$400,000. The town's past practice of funding these significant costs from stabilization must be reviewed carefully, as the impact on the town's borrowing costs could increase significantly, creating long term higher costs, particularly as it relates to financing future capital improvements and potential settlements of lawsuits (assuming special borrowings are needed) and leave the town inept to respond to emergency situations.

The fincom will be present for the scheduled insurance update to your board on Tuesday March 3 and will make further recommendations after considering more up to date information related to ongoing litigation expenses and insurance reimbursements of legal expenses already incurred.

The fincom encourages the Board of Selectmen to begin a strategic review of this budget proposal and use all available avenues to meet the balanced budget goals. Revenue enhancements, collective bargaining agreements, personal service contracts, salary freeze and stipend reductions should be evaluated. If such countermeasures are not available, layoffs may be required.

I have requested that the Town Administrator schedule a tri-board meeting and will make myself available to answer any questions and provide additional analysis.

Sincerely yours,

*Larry*

Larry Keenan  
Chair, Ayer Finance Committee