

**TOWN OF NARRAGANSETT
INTER OFFICE MEMORANDUM**

To: Town Council

Date: May 5, 2009

From: Jeffrey Ceasrine, P.E.
Town Manager

Subject: FY 2009-10 Budget – Letter of Transmittal

On May 18, 2009, the Town will conduct the Municipal Public Hearing on the proposed FY 2009-10 combined (municipal and school) budget for the Town of Narragansett. As such, the following *Letter of Transmittal* (updated from the February 27, 2009 version) is for your use and review.

This format is designed to provide you with enough information to understand the decision-making process that we as a staff went through in developing this budget proposal. As such, this letter includes background information on a variety of budget-related topics, including tax relief programs currently in effect, legislative impacts, and staffing reviews.

Key items that have influenced the development of this budget are highlighted below (in no particular order), both in general terms and with specific references (where applicable) to individual budget accounts. As in any public sector budgetary process, there must be a balance achieved between defining and maintaining a responsible, acceptable, and appropriate level of public services to be provided with the cost of same, which is largely derived from local property taxes. References are made throughout this Letter to the “Key Issues” report that was distributed in November 2008 to each of you. *Finally, there are certain items within this report in italics that describe significant changes from prior years (noted in italics).*

Key Items:

1. Rhode Island General Laws (RIGL) 44-5-2 Maximum Levy (tax cap rate) and RIGL 16-2-21 Appropriations Request (School budget)

RIGL 44-5-2 (enacted in 2006) amends the maximum tax levy statute from a fixed 5.5% cap to a declining cap formula (one-quarter percentage point per year, through 2013) to 4%. The cap is applied to the prior year tax levy; for example, in this upcoming fiscal year (FY 2009-10), the maximum tax levy under this statute would be 4.75% of the FY 2008-09 levy. There are certain specific exemptions to this law for emergencies, debt service, and drastic changes in tax base. This legislation, commonly referred to as *Senate 3050*, has far-reaching and significant impacts on our budgetary process. For example, the setting of a specific cap each year tied to the previous years’ tax levy does not allow a growing community to take advantage of an increase in the community’s tax base. In other words, we cannot use assessed valuation growth to finance budget increases (which has long been the governmental standard). This is a key component for Narragansett in particular; the increased assessed valuation from the recent (and ongoing) Pier area improvements by Gilbane alone could help us support municipal programs. Budget increases, many of which are market-driven (inflationary cost of consumables, like fuel) or contractual (negotiated through collective bargaining agreements) are funded by either direct increases in tax rates and/or by increases in assessed valuation. As such, *Senate 3050* does not fit well with the State-mandated revaluation requirements, as an increase in property values will not allow us to increase our spending (even if services and mandatory budget increases to keep up with growth as noted above require it).

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Even if our tax base increases (as ours customarily does, although not for 2008 – see comments below in Section 6 of this Letter), the maximum tax levy is still fixed at a percentage of the prior year. This means that each year serves as the benchmark, if you will, for the subsequent year. It may also mean a move to service fee-based programs in lieu of programs that are supported by general tax revenues. These may be subject to legal challenges, are unwieldy to administer, and cannot replace general tax revenues on a large scale.

The above comment that this budgetary process will serve as the benchmark for next year is worthy of repeating. If we short-change ourselves this year, the effect next year will be compounded by another quarter percent decrease in the allowable maximum tax levy. With that in mind, our strategy for this budget proposal was to first look at 4.75% as the benchmark, and then see where the proposed expense elements fit in. This is not to suggest that we automatically adopt the maximum allowable levy without hard budgetary evaluations, but to recognize that said allowable levy will be decreasing each year until 2013.

The adopted FY 2008-09 budget included a certified tax levy of \$40,209,511 (appropriated at \$39,804,801, based on an estimated collection rate of 99% of levy). Based on the maximum allowable levy increase of 4.75% of the prior year's levy (per Senate 3050), the maximum allowable levy for FY 2009-10 has been calculated to be \$42,119,463, an increase of \$1,909,952 over the prior year. Given the economic trends in the region, the collection rate of taxes has been estimated to decrease to 98% of the levy. Thus the budget reflects \$41,277,101 in revenues from current year property taxes, an increase of \$1,472,300 or 3.70% over FY 2008-09.

RIGL 16-2-21 mirrors the declining cap formula for schools, but bases the calculation on the prior year appropriation that was approved by the Town Council. The debt service for the \$21.5 million school renovations bond referendum that was approved in November 2006 will start to be fully applied in FY 2009-10; the significance of this number is shown later on in this report. We have budgeted \$715,000 for bond principal and \$907,263 for bond interest due in FY 2009-10 for the school construction project. We are estimating a 30% reimbursement from Rhode Island Housing and Education Building Corporation of \$486,678 to offset the debt service. These are new accounts for FY 2009-10. The town appropriated \$952,605 for bond anticipation interest costs in FY 2008-09. This account will be closed upon the May sale of the bonds.

We are continuing to carry this as an expense within the Town portion of the budget, rather than the School portion, recognizing that we began (FY 2008-09) to shift new School-related debt service to the Town side for accounting purposes. Remember that the debt service, regardless of where it is carried, is still a General fund (i.e. tax revenue) obligation. Increasing unfunded mandates, losses in State aid, and increasing operational costs will make compliance with *Senate 3050* harder each year. It should also be noted that the full annual debt service on the \$21.5 million School Improvement obligation would in and of itself result in a 3.33% increase over the prior year tax levy, without any other factors included.

2. *FY 2007-08 Comprehensive Annual Financial Report (Audit)*

The FY 2007-08 Audit shows that the Town of Narragansett remains in fairly strong shape in terms of our ability to properly support the public services that we offer. Please refer to the attached February 20, 2009 memorandum entitled "FY 2007-08 Audit" (Exhibit 2-1) for specific information about this subject. It should be noted, however, that the Town has historically drawn down undesignated fund balances in many of the previous years in order to adopt a balanced budget and to keep the tax rate at a level that the sitting Town Councils would support. This has resulted in our undesignated fund balance dipping below 4%. I would not recommend going below that floor, as it will negatively impact our bond rating. *As such, our budget proposal decreases the amount of revenue to be raised from undesignated fund balance by over 50%, from \$1M to \$400K. This is an important strategic decision for the long term financial health of the Town.* The Enterprise Funds remain healthy, and the School Department ended FY 2007-08 with an \$859,171 undesignated fund balance (operating surplus). Please refer to the information provided to you outside of this report on options for that balance (i.e. creation of Capital Reserve account).

3. *Collective Bargaining Agreements / Management Salaries*

The Town has negotiated collective bargaining agreements with four (4) employee groups as follows:

Local 1033 – Middle management: This contract expired on June 30, 2008, and negotiations on a successor contract will be ongoing concurrently with this budget development process. The impact of these negotiations may not be known until after the adoption of the municipal budget; historically, this situation has been handled through the appropriation of contingency funds to offset any negotiated salary increases. The “Transfers” portion of the proposed budget (Department 900) will address this.

Local 1589 – Fire fighters: This contract also expired on June 30, 2008, and negotiations on a successor contract will be ongoing concurrently with this budget development process. Local 1589 filed for interest arbitration, which began in April 2009. As arbitration awards are for a single year only, we must also begin negotiating for a new contract that will become effective on July 1, 2009. The impact of the arbitration and the subsequent negotiations will not be known until after the adoption of the municipal budget; historically, this situation has been handled through the appropriation of contingency funds to offset any negotiated salary increases. The “Transfers” portion of the proposed budget (Department 900) will address this.

Council 94 (Local 1179) – Clerical, public works and utilities, public safety dispatchers: A new three (3) year contract was negotiated and ratified in 2007 (July 2007- June 2010) that included 5.25%, 5.25 %, and 5.00% raises over the three (3) years, in exchange for health and dental co-pay provisions for all current employees (and retirees starting in the last contract year). New Clerk IV steps were added as well, as well as a number of new positions that settled a labor dispute over the use of part-time and temporary employees. By the authority of the Town Council, we requested that Council 94 re-open their contract to discuss salary (third year) and staffing. Concessions in terms of leaving several vacant positions unfilled (without formal union action via grievances or unfair labor claims) have been negotiated for FY 2009-10.

Local 303 – Police officers: A new three (3) year contract was negotiated and ratified in 2007 (July 2007- June 2010) that included 5.25%, 5.25 %, and 5.00% raises over the three (3) years, in exchange for health and dental co-pay provisions for all current employees (and retirees starting in the last contract year). New 6th year Patrol Officer steps were added as well. By the authority of the Town Council, we requested that Council 94 re-open their contract to discuss salary (third year). No concessions have been negotiated as of yet.

Other salary-related impacts:

Senior Staff: The Council typically approves a salary range schedule for senior staff and other exempt positions each year by resolution. Please refer to Key Issue # 5 (November 2008). The non-union employees have not had a salary adjustment since June 2007, but have taken a 15% increase in health insurance co-payments.

School Teachers: A new three (3) year contract has recently been ratified that provides a 2% raise per year, in exchange for health care co-payments and other staffing adjustments. The fiscal statement prepared by Superintendent Sipala has been previously forwarded to you. This is solely a function of the School Committee.

School Support: The current contract for the support staff calls for a 3.75% increase for FY 2009-10, subsequent to the terms of their existing contract (effective July 1, 2008 – June 30, 2011). The increase in pay was in exchange for co-pays in health care for all employees (including those grandfathered under previous contracts), the elimination of an automatic retirement incentive, and changes in sick leave payouts which will save school department a minimum of \$12,000 annually. This is solely a function of the School Committee.

4. *Post Retirement Health Care*

For FY 2009-10, we have again (for the third year) proposed the withdrawal of a percentage of our undesignated surplus within our premium payments accounts held by the West Bay Community Health Collaborative. Last year's undesignated surplus (\$100,000) was withdrawn as well, and booked as a general fund revenue to help offset the tax rate. For FY 2009-10, however, we are projecting the withdrawal of \$300,000 from this account to apply as a General Revenue source. Post-employment retiree benefits have been historically funded within the General Fund on a "pay as you go" basis, and totaled \$1,093,029 for the current (FY 2008-09) fiscal year. For FY 2009-10, that amount will increase to \$1,202,332. GASB 45 required us to book post-employee benefits as a liability in FY 2008-09, but (as of now) there is no statutory requirement to fund same. However, it would be shortsighted for us not to include this as an element in our long term financial planning strategy. We commissioned an actuarial report to specifically address the Post Retirement Health Care unfunded liability (see Key Issues # 1, November 2008). This will be part of the overall long-term financial strategic plan noted in our 2009 goals-setting program. The School Department also books an "OPEB" amount, that being \$100,000 for this budget (funded from their health care surplus through the West Bay Collaborative).

For the proposed FY 2009-10 budget, we have included a new account for Other Post Employment Benefits (OPEB) at 5% of full-time wages, to be used as a partial offset for this liability. The total impact for FY 2009-10 is \$369,326 (General Fund budget component) and \$424,867 (all funds).

5. *Pension Liability*

Beginning with a strategy that was approved by the Town Council in December 2006 (Agenda Item 06-12-397), we have been appropriating funds into a sinking fund to address the Pension Fund liability. This will also be part of the overall long-term financial strategic plan noted in the goals-setting work session – any new contribution will be based on the next Pension Fund actuarial as it relates to the actual fund needs. *For the FY 2009-10 budget, we have increased the Town's share of the pension contribution from 12.5% to 13.5%, consistent with our commitment to at least partially offset this liability. This increase over the current year budget is \$86,829 (General Fund budget component) and \$117,938 (all funds).*

6. *Tax Status – Assessed Valuation*

Under the current tax levy calculation (FY 2008-09), residential properties are assessed at \$7.25 per thousand of assessed valuation (100% value), while commercial properties are assessed at 150% (or \$10.87 per thousand) of the assessed valuation (100% value). The actual tax rate, however, is a function of the levy and the assessed valuation of the real and tangible property.

According to data compiled by the Rhode Island Association of Realtors, the following statistical sales data showed that the State-wide median home sale price dropped from \$275,000 to \$234,900, a decrease of 14.58%. For Narragansett, their data showed that the median home sale price increased from \$395,000 to \$410,100, an increase of 3.82%. Narragansett joined Exeter as the only two (2) South County communities whose median sale prices for single family homes increased in calendar year 2008

Region	Median 2006	Median 2007	Median 2008
State-wide	\$282,500	\$275,000	\$234,900
Narragansett	\$430,000	\$395,000	\$410,100

Our values are obviously still very strong, as the median Narragansett home sold for almost seventy-five percent (75%) more than the State average. However, as the recently-completed revaluation results show, approximately 83% of Narragansett properties lost value as of December 2008, and the total decrease in assessed valuation of real property as of that date was approximately \$546M, or 10.37%. The revaluation data is based on actual recorded sales values, and is used as a tax rate calculation source, rather than the Realtor's Association statistical values.

7. Tax Rate Review - Changes in Revenue Sources

For the current fiscal year (FY 2008-09), the Town of Narragansett’s schedule of tax rates is as follows:

Real Property – Residential	\$ 7.25 per \$1,000 of assessed valuation
Real Property - Commercial\Industrial	\$10.87 per \$1,000 of assessed valuation
Motor Vehicles	\$16.46 per \$1,000 of assessed valuation
Tangible Personal Property	\$10.87 per \$1,000 of assessed valuation
Retail\Wholesale Inventory	\$ 0.00 per \$1,000 of assessed valuation (see below)

All of the above rates are based on 100% value. As noted, the commercial\industrial rate is 150% of the residential rate (State law limits the spread between property classes to a maximum of 150%).

By State law, both the inventory and motor vehicle taxes are being phased out. Obviously, this can lead to a shift in the tax burden to the real property classifications. The inventory tax phase out requires each community to decrease its inventory property tax rate by 10% per year, until phased out. The prior fiscal year (FY 2007-08) was the last program year for the inventory tax; the FY 2006-07 inventory tax revenue was approximately \$34,500: for FY 2007-08, we anticipated that this revenue stream would decrease to about \$17,000. The motor vehicle tax phase out is again “frozen” at \$6,000 for this year (there is no motor vehicle tax on the first \$6,000 of the vehicle’s value). We anticipate a decrease in revenue in this account of \$63,230.

The most important item to note in the Intergovernmental Revenue portion of this budget is the anticipated loss of all of our General Revenue Sharing funds from the State (\$717,780, based on the adjusted FY 2008-09 amount received). A spreadsheet is attached that provides additional detail with respect to the State Aid portion of our anticipated revenues (*Exhibit 7-1*).

For FY 2008-09, (the most recent data period available through the State Department of Administration), Narragansett’s effective tax rate was the fourth lowest in the State, and the lowest for any community with a full-time Fire department. When you consider that fact that we are a full-service community (full time police, fire, and rescue, three (3) schools, recreational facilities, plus a wide range of administrative municipal services not found in many communities), that statistic speaks well of our overall budgetary process as well as our ability to fund the services and programs that the residents have come to expect. Remember as well that, while we have some \$5.39 billion worth of assessed value in Town, we also have some \$467 million of tax exempt property in town (largely Federal, State, municipal and church-owned land).

When we look at our tax rate with respect to the Senate 3050 cap, it is important to keep the impact of any tax rate in perspective. For example, using the median sale price value referenced in # 7 above (\$410,100), the property taxes for FY 2008-09 would be \$2,973. With a 4.71% increase, that property tax impact would rise to \$3,112, for a difference of only \$139 for the year (or \$11.58 per month). However, the decrease in assessed valuation across the majority of our properties will mean a lower base for use in calculating the actual tax rate. At the proposed levy increase of 4.71%, and using the new assessment totals, we are projecting a residential tax rate of \$8.51 per thousand, and a corresponding commercial/industrial/tangible tax rate of \$12.76 per thousand. The following example shows sample calculations of tax obligations based on the prior assessments and rates, and new assessments and rates:

	Sale Price	Prior Assessed Value	New Assessed Value
	\$310,000	\$337,400	\$272,500
FY 2009 Rate (\$7.25)	\$2,247.50	\$2,446.15	
FY 2010 Rate (\$8.51)			\$2,318.98
Variance			(\$127.18)

8. *Tax Relief Programs*

The Town of Narragansett's tax structure (Chapter 70 of the Code of Ordinances) also offers a number of exemptions, or tax relief programs. The program highlights are as follows:

Section 70-51. Rate of Tax Exemption. In accordance with the authority granted to the Town of Narragansett pursuant to RIGL 44-3-23, as amended, exemptions granted on property in the Town of Narragansett owned and occupied by any person 65 years of age or older shall be equal to the rate of \$125 per \$1,000 of valuation for each exemption granted. The exemptions granted to all the persons on property in the Town of Narragansett shall be equal to the rate of \$55 per \$1,000 valuation for each exemption granted.

Section 70-68. Income based tax program. While not included verbatim here, this section provides for a sliding scale of tax exemptions for resident owners whose gross income does not exceed \$37,000 (adjusted from \$32,000 by the adoption of an ordinance by the Town Council in May 2008).

Chapter 70, Subdivision III. Over 65 Years of Age Tax Deferral. While also not included verbatim here, this ordinance provides a sliding scale of tax deferrals for resident owners, based on both age and income. The deferred taxes become a lien on the real estate.

Section 70-106. Exemption for prisoner of war veterans. This section allows for a straight exemption of \$15,000 from the assessed valuation of the real or personal property owned by a veteran who was a prisoner of war.

Chapter 70 also includes property tax relief provisions for unbuildable lots, and references the Farm, Forest, and Open Space Program as well.

Attached please find a schedule of exemptions and the number of property owners who currently take advantage of each such program (*Exhibit 8-1*). At the staff level, we are not proposing any changes to the local tax relief statutes for the upcoming fiscal year as any such changes will result in the loss of a certain amount of tax revenue, making it even more challenging to balance this budget.

9. *School Budget – Totals, State Aid to Education, Surplus, etc.*

The School component of the total town budget is the largest single element. For FY 2009-10, the proposed overall School budget (from Superintendent Sipala) is \$26,056,468. This amount is less than the FY 2008-09 adopted amount, due primarily to the transfer of all School-related debt service to the Town portion of the budget. The General Fund revenue needed will be determined during the upcoming Town Council \ School Committee liaison group meetings and the respective Town Council and School Committee work sessions. It should be noted that the proposed School budget includes a decrease in system-wide staffing of 4.75 positions.

The proposed (although yet unseen) State budget for FY 2009-10 from the Governor's office is expected to reduce funding for General Aid to education. Superintendent Sipala's budget follows that projection and projects the General Aid, Charter School Aid, Article 31 Aid to education at some \$412,250 less than the prior year (\$1,484,908 v. \$1,897,158.00). Article 31 includes a number of other State aid to education accounts, including Literacy Aid, Technology, Student Equity, etc. Further information on these may be found at www.ride.ri.gov (Federal and State funding link). Overall, the projected State aid to education is estimated at about 5.7% of the School budget for the upcoming year (down from 7.1% last year).

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According to the FY 2007-08 audit (year ending June 30, 2008) the undesignated School Fund balance was \$859,171.00. The Superintendent's proposed budget identifies \$248,171 of this as a revenue source for the upcoming year, with \$511,000 to be placed in a capital reserve account, and \$100,000 assigned to contingency. In Narragansett, it has been a tradition to designate prior year surplus as a revenue source for the next fiscal year. The concept of allocating a portion of that surplus towards a capital reserve account is a sound one, consistent with discussions that we have had with School Department officials during this budget preparation season. Based on these numbers, the required FY 2009-10 General Fund contribution (i.e. "new money") to support the proposed School budget is \$23,911,139 (v. \$23,735,418 in FY 2008-09).

10. Staffing

Obviously, one of the key components of any municipal budget from an expense point of view is staffing. Personnel costs (wages (straight time and overtime) and benefits) make up the significant portion of the Town's operating budget. We currently employ 168 full-time employees (down from 172 in FY 2007-08); seasonal fluctuations (beach, parks and recreation, public works, etc.) push the total employee number in the summer months to over 300. However, if we are going to continue to provide the wide range of services that Narragansett residents are accustomed to, then those numbers are both appropriate and reasonable. As a part of the operating budget review process, I have encouraged each department head to review his\her staffing situation, and provide me with input as to how the current staffing levels best meet the efficient "delivery of service" needs of the department's operations.

Rather than just looking back for a single year, I believe it more appropriate to review the last **two (2)** years' changes in personnel and staffing in order to get a better picture of what has been done. This report also looks forward, based on certain collective bargaining issues that directly impact the number of full-time staff.

FY 2007-08 saw a number of changes in terms of staffing. Within the Town Manager's office, the position of Executive Secretary was eliminated and replaced with the much-needed position of Human Resources Manager. The completed negotiations with Council 94 included the resolution of a long-standing labor action relative to the use of part-time and temporary employees. The result was the creation of new full-time employee positions as follows:

FY 2007-08	One (1) new employee in Public Works – Laborer\Maintenance Person Two (2) new employees in Parks & Recreation – Laborer\Maintenance Person
FY 2008-09	One (1) new employee in Public Works – Laborer\Maintenance Person (<i>not filled</i>) One (1) new employee Police – Assistant Animal Control Officer (<i>not filled</i>)
FY 2009-10	One (1) new employee Police – Clerk (<i>may not be filled</i>)

Within the Parks & Recreation Department, those new positions (Laborer\Maintenance) have been assigned to a flex schedule to provide coverage on weekends and during evening hours for a portion of the year (when facility demand in the evenings is high). This should help in controlling the amount of overtime that is necessary, as well as providing for better service to our facilities users. Another key item was that the new Parks & Recreation employees and the new Department of Public Works employee (within the same labor classification) can be assigned to either department to meet specific labor needs. Finally, we were successful in negotiating a modified duty clause within both the Council 94 and Police contracts that will provide for injured employees to work during their recovery period. This may help ease the overtime burden that sometimes arises from filling a position that is vacant for a prolonged period due to injury, as well as reduce our potential Worker's Compensation exposure.

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The majority of part-time and/or temporary employees that we hire supplement other full time employees in terms of duties (i.e. laborers, truck drivers, clerical staff, etc.). Other part-time employees serve specific functions and generally have specialized training (life guards, Harbormaster, etc.).

For the first category, the full time employees are represented by Council 94, Local 1179. Within the new Council 94 collective bargaining agreement, we were able to negotiate several key provisions that will help us with respect to this issue. First, part-time employees are those defined as working less than twenty (20) hours per week, while seasonal employees are now defined as those who work less than one hundred and twenty (120) working days per year (an increase from the previous contractual limit of ninety (90) days). Employees in those classifications do not receive benefits or union protection.

Lifeguards and other obvious seasonal help aside, the reality of our situation is that it is difficult to attract strong employees that are willing to work less than twenty (20) hours per week. It is equally difficult to attract employees (again, outside of the specific seasonal workers) that would have worked for us for only ninety (90) days per year. Certain operations need additional help all year long, and, in some cases, by the time the person is properly trained and ability to contribute somewhat independently, the ninety (90) day period is up. That is why we placed a strong emphasis (and were successful) in increasing that limit to one hundred and twenty (120) days.

As has been reported to you previously, there have been a number of position\staffing changes over the past two (2) years that have been designed to make our operation as lean as it can be, without reducing services, to wit:

Switchboard Operator – In 2007, the long-time switchboard operator (who was classified within Council 94 as the highest rank Clerk position at that time) retired. We opted to purchase hardware and software to automate the telephone answering system, and an existing Clerk, Chris Fedorko (Engineering Department) offered to be the “person” at the end of the chain in the event that a caller did not pick an extension to be automatically routed to. Other Engineering employees handle this when Chris is out.

Building Maintenance – Earlier this year, the second shift Maintenance Person (Council 94) at Town Hall retired suddenly. This position was responsible for building cleaning and evening security. After evaluating the number of hours actually needed after 4:30 PM (typically closing time for the building), and utilizing the WAVES program for daytime cleaning (which is both cost-effective and our way of giving something back to the community by employing a group of challenged individuals), we have decided not to fill this position. The evening hours (typically less than twenty (20) per week), are covered by overtime within the Department of Public Works, and we have a fully-supervised alarm system installed in the building. We saved a salary and benefits package, offset to a certain degree by overtime. The bottom line is that we have one (1) less full-time employee by this model.

Police Department – With the retirement of Lt. Jared Randall, a number of internal promotions are being made. However, we have made the decision not to fill the final vacancy (Patrol Officer) that has been created by this movement. Chief Little, through creative reassignments, has developed an operational plan to still fill all service slots and not diminish the key ancillary programs (like DARE and “party patrol”). The bottom line is that we have one (1) less full-time employee by this model.

Municipal Court – Municipal Court had been staffed by two (2) Clerks within Local 1033. One (1) Clerk resigned in November 2008, and we downsized this position from full-time (with benefits) to part-time (with no benefits). It should be noted that this is currently subject to a legal challenge by Local 1033.

Tax Assessor's Office – We have eliminated the part-time position of Field Appraiser. The duties of this part-time position include field-verifying new construction or renovations in order to update assessed values. The Tax Assessor will assume these duties for the short-term; the proposed budget does include professional services (at a lower overall value) in order to keep up with changes in field values as buildings are built and/or re-modeled. This does not represent a significant savings, but every incremental amount will help.

Tax Collector's Office – With the recent Town Council decision to appoint a Tax Collector, the budget model in place required us to eliminate a Clerk position (within Council 94). That has been done (the process has taken some time, as the Council 94 contract provision that allows Clerks to transfer at will from one (1) office to another to fill vacancies has resulted in a cascade effect through several offices). We now have the Tax Collector, the Deputy Tax Collector, and one (1) Clerk.

Another staffing item that is reviewed each year is relative to the lack of professional “back-up”, if you will, within certain departments. This is a situation that arise when the department or, in some cases, the division head, is no longer available. I believe we have an obligation to our residents to provide for a responsible “continuation of government” in these instances.

The following represents a brief look at each department's capabilities in this regard (basically in terms of immediate available back-up defined as “managerial support staff”):

Police Department	Within the command staff, the Chief has an experienced Deputy Chief that can assume the higher duties as necessary.
Fire Department	The Fire Chief is the sole non-union employee; there is no Deputy Chief position. The department only has a single employee tasked to oversee the aging town-wide fire alarm system, and conduct plan reviews and fire safety compliance inspections on a regular basis.
Engineering Department	As of September 2007, the Engineering Department has an Assistant Town Engineer position that carries with it most of the professional and managerial responsibilities required to run the department. This department includes the Water and Wastewater Divisions, both of which are supervised by union (Local 1033; middle management union) Superintendents who possess specific State licenses for their respective trades and provide basic managerial oversight for their divisions.
Building Inspection	This office includes an Assistant Building Inspector position for plan review, inspections, etc.
Community Development	This office includes the position of Environmental Coordinator, who can perform many of the managerial duties required.
Town Clerk's Office	This office includes a Deputy Town Clerk position.
Finance Department	The administrative branch of this department includes the Director, Purchasing Agent, and a single Clerk. There is no managerial support staff.
Assessor's Division	This division of the Finance Department includes a Tax Assessor and several Clerks. As of mid-2007, the position of Deputy Tax Assessor was created (out of one of the Clerk positions) and filled, in accordance with the approved FY 2007-08 staffing element of the budget.

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Collector's Division	This division of the Finance Department includes a Tax Collector and two (2) Clerks. As of mid-2007, the position of Deputy Tax Collector was created (out of one of the Clerk positions) and filled, in accordance with the approved FY 2007-08 staffing element of the budget.
Accounting Division	This division of the Finance Department includes a Controller and several Clerks. There is no managerial support staff.
Parks and Recreation	This department includes a Director, a Program Coordinator, and a single full time Clerk. There is no managerial support staff.
Public Works	This department includes a Director, a Superintendent of Operations, several specific-function union Foremen (Road and Mechanic), and a single full time Clerk.
Information Resources	This department includes three (3) positions within the same union (Local 1033).
Town Manager	This department includes the Manager and the Human Resources Manager. There are no administrative support personnel (i.e. clerical help, administrative assistants, etc.) within this division.

As noted earlier, as a part of the budgetary process, the departmental staffing levels were reviewed. In some cases, additional staff has been recommended, either to address management support concerns, or to address direct operational concerns. The staffing changes proposed within this budget request area summarized as follows:

Police Department	Beyond what has been negotiated within the 2007 Council 94 collective bargaining agreement, there are no staffing changes proposed for this department.
Fire Department	At this time, there are no staffing changes proposed for this department.
Engineering Department	At this time, there are no staffing changes proposed for this department.
Building Inspection	At this time, there are no staffing changes proposed for this department.
Community Development	At this time, there are no staffing changes proposed for this department.
Town Clerk's Office	At this time, there are no staffing changes proposed for this department.
Finance Department	At this time, there are no staffing changes proposed for this department.
Parks and Recreation	At this time, there are no staffing changes proposed for this department.
Public Works	Beyond what has been negotiated within the 2007 Council 94 collective bargaining agreement, there are no staffing changes proposed for this department.
Information Resources	At this time, there are no staffing changes proposed for this department.
Town Manager/ Human Resources	At this time, there are no staffing changes proposed for this department.

11. *Insurance / Risk Management*

As has unfortunately been a trend in many previous budgets, insurance and risk management premium costs continue to rise beyond our control. However, improvements in our internal controls (auditing), improved loss factors over the past year, and increased co-pays through collective bargaining negotiations have resulted in a decreases in health insurance premiums of \$98,231 (5.47%), dental insurance premiums of \$8,855 (6.71%), and worker's compensation premiums of \$38,208 (9.67%) for all full-time employees for FY 2009-10.

For FY 2009-10, the following information has been obtained and is reflected in the budget proposal:

Health Insurance	Blue Cross is projecting a 3% increase; United Health's projected increase is unknown at this time – we have estimated it at a 5% increase.
Dental Insurance	Delta Dental is projecting level rates for FY 2010.
Worker's Compensation	The overall projected rates are expected to decrease for FY 2009-10.
Life Insurance	The projected rate increase is still unknown.
Property\Liability	The projected rate increase is still unknown.
Vehicle Insurance	The projected rate increase is still unknown.

The budget proposals also reflect the savings that the Human Resources Manager has identified through her audit of insurance plan coverages in 2008 (finding mis-coded and ineligible coverages). We have also used this audit to better identify plan changes (i.e. single employees that are getting married, or employees that are starting a family, necessitating a shift from a single plan to a family plan).

12. *Consumer Price Index (CPI)*

Traditionally, the US Department of Labor New England\Northeast Region Consumer Price Index (CPI) can provide a fairly reliable and accurate barometer of consumer costs. Those with the most direct impact on us are fuel related items. The uncertain economy over the past year has skewed the CPI numbers to the point where they cannot truly be used as part of a budget prediction model; for example, the "All Items" percent change from June 2007 to June 2008 was 5%. In August 2008, the variance had risen to 5.7%. In September 2008, the number had dropped slightly to 5.5%. It dropped again, to 5.2% in October 2008. The January 2009 report has the CPI now at 0.7% as compared to January 2008. During that same period, fuel indices have fluctuated from 35% higher to 40% lower than the previous year periods, depending on which month you chose. As can be seen, we cannot realistically use these indices for projection purposes.

13. *Summary - General Notes and Related Matters*

Attached as Exhibit 13-1 please find a listing of the major budget "drivers" for this upcoming year. Also please find as Exhibit 13-2 a listing of the Municipal Budget Revenue Sources.

- a) As noted earlier, this third implementation year of *Senate 3050* sets the fiscal threshold for future years. With that in mind, the 4.75% cap was used as the initial budget "target". Note that for many previous years, the focus has been on maintaining the "status quo" in terms of new employees and services, and therefore the budgetary increases have been minimal. However, the recent contract negotiations and the resolution of the part-time and temporary employee issues with Council 94 have resulted in significant increases in salary and other personnel costs that use salaries as the basis (i.e. pension, overtime, etc.). We have attempted to offset this with a reduction (where possible) in the number of full-time employees elsewhere. *Our initial budget proposal does not include funding for the three (3) positions referenced in Section 10 of this report that are included within the Council 94 collective bargaining agreement.*

FY 2009-10 Letter of Transmittal

- b) The proposal for FY 2009-10 reflects a continuation of last year's strategy with respect to School funding; first, the debt service for the bonds sold to support the \$21.5 million School Building Improvement Project will be carried on the Town side of the budget, *along with all other School-related debt service*, rather than on the School's side. The bottom line impact is the same, as the funding source remains general tax revenue.

Second, the proposed allocation by the School Superintendent of a portion of the undesignated School fund balance towards a new capital reserve account, while making that money "unavailable" to offset a portion of the FY 2009-10 operating budget, reflects a positive commitment to asset management. This will remain a policy decision for the Council to make during the final budget deliberations.

- c) Letters of Transmittal – Each Department prepared a Letter of Transmittal to further explain their budget strategy and requests. Copies of the Letters of Transmittal from each department are available for review in the Town Manager's office.
- d) Each department prepared Goals Setting documents as part of the previous goals setting process with the Town Council. While not included herein, they can be referenced as well for additional background budget strategy.
- d) The Water, Wastewater, and Beach Enterprise Funds all have healthy undesignated fund balances, and this budget proposal does not include any rate increases therein.
- e) *The proposed FY 2009-10 budget includes a significant change in philosophy (and subsequently significant cuts) in the category of Special Appropriations. This group includes youth athletic leagues, community service agencies, wellness programs, and regionalized adult/senior services programs. Following the results of several budget work sessions on this category, the proposed budget includes funding for certain "food, shelter, and clothing" agencies, but reduces or cuts funding for many others. Refer to Exhibit 13-3 for the Special Appropriations budget proposal.*
- f) The Budget Process Schedule is attached as Exhibit 13-4.

List of Exhibits:

FY 2007-08 Audit Memorandum - Exhibit 2-1
State Aid Cities and Towns Review – Exhibit 7-1
Summary of Tax Exemptions – Exhibit 8-1
List of Key Budget Drivers – Exhibit 13-1
Municipal Budget Revenue Sources – Exhibit 13-2
Special Appropriations – Exhibit 13-3
Budget Process Schedule – Exhibit 13-4

EXHIBIT 2-1

TOWN OF NARRAGANSETT INTER OFFICE MEMORANDUM

To: Town Council

Date: February 20, 2009

From: Jeffrey Ceasrine, P.E.
Town Manager

Subject: FY 2007-08 Audit

The Comprehensive Annual Financial Report (Audit) for the Year Ending June 30, 2008 has now been completed and submitted to the Town. On February 18, 2009, Paul Densereau from the firm of Parmelee, Poirer & Associates, LLP (“PPA”) met with Rob Uyttebroek, Laurie LaBore and myself to discuss the highlights of the audit, which are summarized below:

Administrative Items

1. The Town has to complete the reporting requirements issued by the Governmental Accounting Standards Board Standard (GASB) 34, which requires a detailed financial reporting of all major infrastructure assets. In simple terms, this means that we have to fully inventory and report a value for all roads, utilities, buildings, etc. The recent and ongoing enhancement and updating of our GIS and town-wide mapping systems has helped in this process, and we will continue to develop this inventory throughout the Spring and Summer months.
2. The Pension Fund has a net pension obligation (NPO) that has increased from the prior (FY 2006-07) year. This was not surprising, given the investment market volatility and the fact that the Town has, for many years, not fully funded the Annual Required Contribution (ARC). As we prepare the budget for FY 2009-10, we are proposing to increase the Town’s contribution per employee from 12.5% of wages to 13.5%.
3. PPA reminds us that we have to provide the Other Post Employment Benefits (OPEB) liability information under GASB 45, and show same as a liability. We have already commissioned and received an actuarial report on this (see Key Issue # 1), and the proposed FY 2009-10 budget will include the development of an OPEB fund (at 5% of wages) to begin to offset this liability.
4. PPA recommended that the Town enhance and adopt as necessary, in accordance with the newly-promulgated *Statements on Auditing Standards No.112 (Internal Controls)* guidance, an internal accounting manual. This may include internal reclassification of some accounts for more accurate financial recording. The Finance Department is currently compiling a “user’s manual” that will address this recommendation.

Financial Items

1. The Town of Narragansett remains in fairly strong shape financially, although the FY 2007-08 period ended with an excess of expenditures over revenues by \$102,516 (see Page 67 of the Audit). The key contributors to this include the loss of \$241,310 in State aid and contractually mandated overtime in public safety accounts due to unexpected employee absences. Remember as well that, for FY 2007-08, the approved levy was 3.26% (compared to a levy cap of 5.25%). That variance alone would have been worth approximately \$800,000 in additional tax revenue that could have been generated. In addition, the budget that was developed and adopted was lean, without a great deal of surplus or contingency built in for unexpected expenses over revenues.

2. The School Fund ended FY 2007-08 with \$859,171 in Undesignated Fund Balances. The Town Council, as part of their budget deliberations, will have to decide on how much of this should be placed into a School Capital Reserve Fund, or used to offset tax revenues next year (please refer to my notes from the Town Council \ School Committee liaison meetings).
3. The Water, Wastewater, and Beach Enterprise Funds remain healthy; the Water Fund posted a small operating loss on paper (due to depreciation) over the prior year, while the Wastewater and Beach Funds both posted increases (see Page 20 of the Audit).

Please advise if more specific information is needed on any of these items. A bound copy of the final audit is attached, and will be formally presented for receipt at the March 2, 2009 Town Council meeting.

EXHIBIT 7-1

State Aid Cities and Towns Review – Exhibit 7-1 – See attached spreadsheet.

EXHIBIT 8-1

Summary of Tax Exemptions – Exhibit 8-1 – See attached spreadsheet.

EXHIBIT 13-1

FY 2009-10 Budget List of Key Budget Drivers May 2009

Revenue Drivers

1. General State revenue is projected to decline (based on the Governor's proposed budget) by \$717,780 (see Section 7 of the Letter of Transmittal, as well as Exhibit 7-1). Other potential losses in State aid include reductions in Motor Vehicle Excise Tax Reimbursements and certain School aid categories. Total Intergovernmental Revenues are expected to decrease by 11.38%.
2. Interest on investments is expected to decline due to current and projected market conditions. The estimated loss of investment income for FY 2009-10 as compared to FY 2008-09 is between \$100,000 and \$200,000.
3. Adjustments in Rental Registration Fees and Mooring Fees are expected to generate an additional \$96,868 in revenue over the current year.
4. For FY 2009-10, we can take advantage of a significant withdrawal (\$300,000) of surplus monies from our health insurance collaborative account. We are also receiving a property and worker's compensation dividend from the RI Interlocal Risk Management Trust in the amount of \$47,532.
5. The Town has historically relied on using undesignated fund balance monies to balance the budget and reduce the property tax rate. We are proposing to decrease the amount withdrawn from the undesignated fund balance account by 60%.

Appropriations Drivers

1. Collective bargaining agreements (from 2007) are in place for Police and Council 94 for FY 2009-10, calling for 5.00% increases. Applied to all wage-driven items, the total increase in the budget for FY 2009-10 related to these increases is \$175,241.15 for Police and \$161,897.67 for Council 94, for a total of \$337,139. New steps were added for Clerks (Council 94) and Patrol Officers (IBPO Local 303).
 2. General Fund debt service costs are increasing by \$388,857 due to the full financing of the School Improvement Project (2006 Bond Referendum).
 3. Pension contributions by the Town are proposed to increase from 12.5% to 13.5%, to help offset the Pension Fund liability. This increase will amount to approximately \$117,938 (all funds).
 4. The Town must fund the Police 1666 Pension Fund ("old" pension plan, with limited enrollment) – this will add \$120,000 to the FY 2009-10 budget.
 5. Other Post Employment Benefits (OPEB) accounts have been created within each departmental operating budget (at 5% of full-time wages), in order to begin addressing this significant long-term liability. This new account totals \$424,876 (all funds).
 6. Health, dental, and worker's compensation premiums have decreased for FY 2009-10, due to better internal controls and audits, and better experience modifiers. We are projecting a 5.47% decrease in health insurance premiums (\$98,231), a 6.71% decrease in dental insurance premiums (\$8,855), and a 9.67% decrease in worker's compensation premiums (\$38,208).
-

EXHIBIT 13-2

Town of Narragansett Municipal Budget Revenue Sources

Departmental Revenues

9067 Emergency Medical Services

Third party billing for rescue services (since 1995); essentially a user fee program to bill insurance companies for the cost of rescue transports. Actual patients are not billed, and Narragansett residents that do not have insurance or who have inadequate coverage are not billed.

9072 Fire Department

Miscellaneous revenues that are earmarked for the Fire Department, including donations and grants.

9797 Galilee Landing Fees

Pursuant to RIGL 45-2-35.2, the Town is authorized to collect a \$0.35 per person (over the age of 12) landing fee in the Port. These funds are restricted for use in the Port for EMS, public safety, trash pick-up, and other Port-related public improvements.

9050 Miscellaneous

9103 Parks & Recreation – Basketball

Program fees for various basketball leagues.

9106 Parks & Recreation – Concerts

Donations for minor concerts, not including RI Philharmonic Concert on the Beach (see Beach revenues).

9019 Parks & Recreation – Community Center Rentals

Facility rental income from private organizations.

9110 Parks & Recreation – Soccer

Program fees for soccer leagues.

9816 Parks & Recreation – The Camp

Program fees for various Camp activities and programs (summer, school vacation, etc.)

9108 Parks & Recreation – Workshops

Program fees for specialty activities and work shops.

9032 Parks & Recreation

General P & R revenue not otherwise coded.

9039 Police Details

Reimbursement for traffic details (road and utility construction work).

9077 Police Department

Miscellaneous revenues (i.e. donations) to the Police Department.

9074 Sale of Surplus Property

Sale of land, equipment, vehicles, etc. deemed surplus pursuant to the Code of Ordinances.

Town of Narragansett Revenue Sources

Departmental Revenues (continued)

9030 Town Clerk

Real estate recording fees, dog licenses, Probate fees, etc,

9098 West Bay Community Health Surplus Withdrawal

Withdrawal of premium surplus (if any), based on amount of available surplus (over what is required under the collaborative pool agreement), prior year experience modifier, and projected Blue Cross rates.

9099 RI Interlocal Risk Management Trust

Dividend program revenue – dependant on Trust policies for reimbursement (and overall Trust financial health), Town compliance with Trust policies and procedures, and Town experience modifiers for property and general liability, and worker's compensation.

Fines and Forfeitures

9071 Municipal Court Fines

Municipal Court revenues, for zoning, traffic, and general ordinance violations.

9021 Police Fines

Interfund Revenues

9053 Administrative Assessment – Beach

Payment from the Beach Enterprise Fund to offset General Fund administrative services (i.e. payroll, management, human resources, etc.).

9052 Administrative Assessment – Sewer

Payment from the Wastewater Enterprise Fund to offset General Fund administrative services (i.e. payroll, management, human resources, etc.).

9051 Administrative Assessment – Water

Payment from the Water Enterprise Fund to offset General Fund administrative services (i.e. payroll, management, human resources, etc.).

9055 Federal Funds – Police

Federal Forfeiture Funds received by the Town of Narragansett.

9025 Payment in Lieu of Taxes – Beach

Payment from the Beach Enterprise Fund to the General Fund based on property valuation.

9026 Payment in Lieu of Taxes – Housing Authority

Payment from the Narragansett Housing Authority to the General Fund based on property valuation.

9029 Payment in Lieu of Taxes – Sewer

Payment from the Wastewater Enterprise Fund to the General Fund based on property valuation.

9028 Payment in Lieu of Taxes – Water

Payment from the Water Enterprise Fund to the General Fund based on property valuation.

Town of Narragansett Revenue Sources

Intergovernmental Revenues

9011 Federal Payments in Lieu of Taxes

New account (2007-08) under the Federal Refuge Revenue Sharing Act (payment in lieu of taxes) for USFWS administered land.

9006 Motor Vehicle Tax Reimbursement

Reimbursement from the State based on the motor vehicle roll valuation (note that the first \$6,000 in value is exempt).

9012 Payment in Lieu of Taxes – US Government

Special revenue.

9013 State Beach Parking Fees

Portion of parking fees from State Beach lots (a form of Payment in Lieu of Taxes).

9015 State Hotel Tax

The State levies a 6% surcharge on hotel occupancies (above and beyond sales tax levies). One-third of this revenue is returned to the host community.

9016 State Meals and Beverage Tax

In 2003, an additional 1% tax on prepared foods and meals served was imposed by State law. The State collects this revenue, and then returns it in full to the host community.

9010 State Reimbursement Civil Preparedness

Dormant account for State EMA funds to municipalities.

9004 State Revenue Sharing

Historically (under FY 2008-09) the most significant revenue source under the Intergovernmental Revenue category, outside of education aid. Based on the FY 2009-10 State projections and the significant mid-year cuts to this revenue source in FY 2008-09, this has been eliminated for FY 2009-10.

9014 Public Service Corporation (telephone, cable, telecommunications) Tax

While tangible personal property owned by telecommunications companies is exempt from local taxes, State taxes are assessed. Revenues collected under this program are distributed to cities and towns based on the ratio of the local population to the State population as a whole.

9017 RI Health and Educations Building Corporation (RIHEBC) Housing Aid

This is the 30% School construction aid associate with our \$21.5M School improvements bond issue.

Investment & Interest Revenues

9003 Interest on Delinquent Tax Payments

9033 Interest on Investments

Interest generated on all short term investments held during a fiscal year.

Town of Narragansett Revenue Sources

Licenses & Permits

9031 Alcoholic Beverages

Fees generated by the issuance of alcoholic beverage licenses in the Town.

9023 Building Permits

Fees collected for general building, plumbing, mechanical, and electrical permits issued for new construction in the Town.

9043 Fire Alarm Inspection Fees

Fire alarm inspections performed upon property transfer.

9846 Fire Marshal Plan Review Fees

Flat (residential) and sliding scale fees assessed for new construction.

9024 Mooring Fees

Fees assessed for the annual placement of moorings in Town waters (342 current moorings); used to offset Harbor Master program costs within the Police budget. Fee schedule is based on the length of the vessel, with separate resident and non-resident rates. FY 2009-10 budget proposal includes increasing fees from \$4 per foot and \$7 per foot (resident and non-resident, respectively) to \$8 per foot and \$12 per foot.

9859 Mooring Sanitation Permits

Inspection of vessels with on-board bathroom facilities (heads).

9831 Rental Registration Fees

Rental registration permit program, assessed at a per unit basis (proposed in FY 2009-10 budget to increase from \$40 per unit to \$50 per unit).

9046 Road Permit Fees

Revenue associated with right-of-way permits issued by the Department of Public Works.

9027 Variance and Exception Fees

Fees associated with applications to the Planning and Zoning Boards for variances and other ordinance-related relief.

9047 VIN Inspection Fees

Fees charged by the Police Department for VIN verification checks.

Prior Year's Surplus

9000 Appropriated Reserve

Use of undesignated fund balance. The proposed FY 2009-10 budget decreases this amount by 60% from the current year.

Town of Narragansett Revenue Sources

Property Taxes

9001 Current Year

Property tax levy (based on 98% collections rate, down from 99% used in the current fiscal year).

9002 Prior Year

Prior year taxes collected in the current year.

Enterprise Funds

The Town of Narragansett maintains separate Enterprise Funds for Water, Wastewater, Beach and Internal Services (vehicle and equipment maintenance). These funds are audited separately, and are not co-mingled with General Fund accounts (other than the cash flow system so noted in the Comprehensive Annual Financial Report, whereby the General Fund receives all cash for payments and then posts “due to” and “due from” accounts accordingly). A Special Revenue Fund is also in place for the Library.

Common revenue sources within the Water, Wastewater, and Beach Enterprise Funds include the following:

9000 *Appropriated Reserve*

9033 *Interest on Investments*

9050 *Miscellaneous Receipts*

Revenue sources specific to the Water Fund include:

9001 *Current Year Receipts* (User fees)

9003 *Interest on Delinquent Payments*

9400 *Hydrants* (charges to the General Fund for DPW and Fire Department use of unmetered hydrants).

9401 *Repairs \ New Service Charges* (Costs for new service installation and repairs made by the Town that are the responsibility of the service holder).

9404 *Water Tank Rentals* (telecommunications leases on water storage tanks).

Revenue sources specific to the Wastewater Fund include:

9001 *Current Year Receipts* (User fees)

9003 *Interest on Delinquent Payments*

9042 *Pretreatment Revenue* (program charges for grease trap and other pretreatment systems inspections and monitoring).

9402 *Sewer Permits* (sewer connection permit charges).

9410 *SLDF Apportionment* (Sewer Lot Development Fee interest)

9411 *SLDF Billing* (Sewer Lot Development Fee principal)

9413 *North End Assessment Billing* (Per property or per unit sewer assessments for Town-sponsored sewer installation projects) – applied to project debt service.

9414 *Assessment Interest and Apportionment* (Per property or per unit sewer assessments for Town-sponsored sewer installation projects) – applied to project debt service.

9416 *Sewer Inflow/Infiltration Credits* (New (2008) revenue source for Sewer Policy waivers).

Special Grant and Loan Revenue Accounts are also established as appropriate.

Town of Narragansett Revenue Sources

Enterprise Funds (continued)

Revenue sources specific to the Beach Fund include:

- 9106 Concerts** (donations from RI Philharmonic Concert on the Beach).
****** Daily admission, seasonal admission, daily parking, seasonal parking, concession rental, and facility rental accounts.**

Library Special Revenue Fund

- 9033 Interest on Investments**
9150 RI Grant-In-Aid (State Library grants)
9151 Fines (for late or lost materials)
9152 Gifts and Donations
9154 Champlin Grant
9201 General Fund Contribution

EXHIBIT 13-3

Special Appropriations – see attached spreadsheet.

EXHIBIT 13-4

Budget Process Schedule – see attached spreadsheet.

State Aid to Cities and Towns - FY 2007-08 through FY 2009-10 Review

Exhibit 7-1

State Aid Category	FY 2007-08 Enacted	FY 2007-08 Revised	Difference	FY 2008-09 Enacted	Difference (from FY 2007-08 Revised)	Difference (from FY 2007-08 Enacted)	FY 2008-09 Supplemental	Difference (from FY 2007-08 Revised)	Difference (from FY 2008-09 Enacted)
General Revenue Sharing	\$882,212.00	\$747,514.00	(\$134,698.00)	\$736,785.85	(\$10,728.15)	(\$145,426.15)	\$0.00	(\$747,514.00)	(\$736,785.85)
Payment in Lieu of Tax Exempt Property (PILOT)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Distressed Community Relief Fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
State Library Aid	\$111,496.00	\$111,496.00	\$0.00	\$117,559.00	\$6,063.00	\$6,063.00	\$117,559.00	\$6,063.00	\$0.00
Motor Vehicle Excise Tax Reim.	\$1,251,427.00	\$1,225,392.00	(\$26,035.00)	\$1,264,605.00	\$39,213.00	\$13,178.00	\$1,224,495.00	(\$897.00)	(\$40,110.00)
Property Re-Valuation							(\$17,828.00)	(\$17,828.00)	(\$17,828.00)
Sub-total	\$2,245,135.00	\$2,084,402.00	(\$160,733.00)	\$2,118,949.85	\$34,547.85	(\$126,185.15)	\$1,324,226.00	(\$760,176.00)	(\$794,723.85)
Pass Through Aid Category									
Public Service Corporation Tax	\$161,330.00	\$159,267.00	(\$2,063.00)	\$159,267.00	\$0.00	(\$2,063.00)	\$159,267.00	\$0.00	\$0.00
Meals and Beverage Tax	\$408,207.00	\$366,116.00	(\$42,091.00)	\$376,001.00	\$9,885.00	(\$32,206.00)	\$376,001.00	\$9,885.00	\$0.00
Sub-total	\$569,537.00	\$525,383.00	(\$44,154.00)	\$535,268.00	\$9,885.00	(\$34,269.00)	\$535,268.00	\$9,885.00	\$0.00
Total (Non-Education) State Aid	\$2,814,672.00	\$2,609,785.00	(\$204,887.00)	\$2,654,217.85	\$44,432.85	(\$160,454.15)	\$1,859,494.00	(\$750,291.00)	(\$794,723.85)
Aid to Education	\$1,897,159.00	\$1,897,159.00	\$0.00	\$1,897,159.00	\$0.00	\$0.00	\$1,484,908.00	(\$412,251.00)	(\$412,251.00)
Permanent School Fund							(\$11,854.00)		
School Professional Development							(\$65,250.00)		
Housing Aid							(\$162,393.00)		
Sub-total							(\$239,497.00)		
Net School							\$1,245,411.00	(\$651,748.00)	(\$651,748.00)
TOTAL STATE AID	\$4,711,831.00	\$4,506,944.00	(\$204,887.00)	\$4,551,376.85	\$44,432.85	(\$160,454.15)	\$3,104,905.00	(\$1,402,039.00)	(\$1,446,471.85)

Notes: Figures highlighted are level funded carry-overs from FY 2008-09 enacted; not adjusted for potential mid-year adjustments. Actuals unknown as of the date of this report.
 Article 31 of the Proposed Supplemental State Budget for FY 2008-09 notes that the total aid to education for Narragansett would be **\$1,296,429.00**
 Supposedly, this would be offset by Pension Fund savings realized by Article 32 reforms (adding \$523,625 back to that number above).

Town of Narragansett Tax Relief Programs

Exhibit 8-1

Summary of Exemptions

Exemption Program	2008 participants
Senior citizen, 65 or older, no income requirements <i>Code of Ordinances Section 70-51</i>	905
Senior citizen, variable income, <\$32,000 total household income <i>Code of Ordinances Section 70-68</i>	83
Over Age 65 Tax Deferral <i>Code of Ordinances Section 70-86</i>	0
Veteran of Foreign War <i>R.I.G.L. 44-3-4(a)</i>	678
Widow of Veteran of Foreign War <i>R.I.G.L. 44-3-4(a)</i>	179
Gold Star (son or daughter killed in action) <i>R.I.G.L. 44-5-3(a)</i>	1
Total Service-Related Disability (100%) <i>R.I.G.L. 44-3-4(b)</i>	14
Prisoner of War (POW) <i>Code of Ordinances Section 70-106 / R.I.G.L 44-3-4(e)</i>	0
Certified Blind <i>R.I.G.L. 44-3-12-(a)</i>	19
Exemption of Specially Adapted Vehicles (handicapped) <i>R.I.G.L. 44-34-13-(a)</i>	1
MV Vet Exemptions	26
Disabled Veteran w/housing grant	1
Total	1907

Special Appropriations Requests - FY 2009-10

Exhibit 13-3

	Organization	5 year avg. (from FY 04-05)	FY 2008-09 (Request)	FY 2008-09 Adopted	FY 2009-10 (Request)	Difference from FY 2008-09 Adopted	Proposed Option D
1	Adult Day Care (SK, NK, Narragansett)	\$56,860.00	\$63,115.00	\$57,767.00	\$39,341.00	(\$18,426.00)	\$39,341.00
2	Boy Scouts (Narragansett Council)	\$562.50	\$750.00	\$750.00	\$750.00	\$0.00	\$0.00
3	CANE Child Development Day Center	\$2,500.00	\$2,800.00	\$2,500.00	\$2,700.00	\$200.00	\$0.00
4	Domestic Violence Resource Center	\$3,000.00	\$19,986.00	\$3,000.00	\$5,000.00	\$2,000.00	\$0.00
5	Elderly Nutrition Program (SK, Narragansett)	\$27,805.75	\$26,589.00	\$34,278.00	\$34,222.00	(\$56.00)	\$34,222.00
6	Galilee Mission, Inc.	\$3,000.00	\$8,000.00	\$4,000.00	\$0.00	(\$4,000.00)	\$0.00
7	Home and Hospice Care of RI	\$3,500.00	\$4,000.00	\$3,500.00	\$10,000.00	\$6,500.00	\$0.00
8	Johnnycake Center of Peacedale	\$8,000.00	\$10,000.00	\$8,000.00	\$15,000.00	\$7,000.00	\$8,000.00
9	LaPlante Center	\$875.00	\$0.00	\$1,500.00	\$1,500.00	\$0.00	\$1,500.00
10	Narragansett Little League	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$0.00	\$0.00
11	Narragansett Veterans Committee	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$0.00	\$0.00
12	Narragansett Youth Basketball Assoc.	\$2,250.00	\$3,000.00	\$3,000.00	\$3,000.00	\$0.00	\$0.00
13	Narragansett Youth Soccer Assoc.	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$0.00	\$0.00
14	Narra. Prevention Partnership (Youth Task Fo	\$3,500.00	\$5,000.00	\$3,500.00	\$3,500.00	\$0.00	\$0.00
15	Narrow River Preservation Assoc.	\$2,625.00	\$2,700.00	\$2,500.00	\$2,500.00	\$0.00	\$0.00
16	Phoenix House/Sympatico	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$0.00	\$0.00
17	Raiders Football	\$5,000.00	\$5,000.00	\$5,000.00	\$5,000.00	\$0.00	\$0.00
18	Seniors Helping Others	\$4,375.00	\$7,500.00	\$5,000.00	\$5,000.00	\$0.00	\$0.00
19	South County Community Action, Inc.	\$2,500.00	\$5,000.00	\$2,500.00	\$5,000.00	\$2,500.00	\$0.00
20	South County Youth Lacrosse	\$1,400.00	\$1,800.00	\$2,000.00	\$2,000.00	\$0.00	\$0.00
21	South County Museum	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00	\$0.00	\$0.00
22	South County Youth Wrestling Club	\$1,125.00	\$1,500.00	\$1,500.00	\$1,500.00	\$0.00	\$0.00
23	South Kingstown Senior Service (SK, Narra.)	\$6,250.00	\$15,000.00	\$20,000.00	\$25,000.00	\$5,000.00	\$25,000.00
24	South Shore Mental Health Center	\$5,000.00	\$5,500.00	\$5,000.00	\$5,500.00	\$500.00	\$0.00
25	SRI Conservation District	\$1,500.00	\$2,000.00	\$1,500.00	\$0.00	(\$1,500.00)	\$0.00
26	Thundermist Health Center of SC	\$13,000.00	\$13,000.00	\$13,000.00	\$13,000.00	\$0.00	\$0.00
27	Visiting Nurses (VNS Home Health Services)	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$0.00	\$0.00
28	Welcome House of South County	\$3,000.00	\$8,000.00	\$3,000.00	\$5,000.00	\$2,000.00	\$3,000.00
29	The Samaritans	n/a	\$2,090.00	\$0.00	\$500.00	\$500.00	\$500.00
30	Wash. Co. Coalition for Children	n/a	\$0.00	\$1,000.00	\$1,000.00	\$0.00	\$0.00
31	Wildlife Rehabilitators Assoc. of RI	n/a	\$0.00	\$0.00	\$1,100.00	\$1,100.00	\$0.00
32	Narragansett Waves Hockey (See Note 1)		\$3,500.00	\$3,500.00	\$3,500.00	\$0.00	\$0.00
33	Education Exchange	n/a	\$0.00	\$0.00	\$4,000.00	\$4,000.00	\$0.00
34	Washington County Regional Planning Council	n/a	\$6,000.00	\$3,000.00	\$6,000.00	\$3,000.00	3,000.00
	Totals	\$182,128.25	\$246,330.00	\$214,795.00	\$225,113.00	\$10,318.00	\$114,563.00

Option D - Fund the three (3) senior programs that we jointly run with South Kingstown (and in part with NK)(numbers 1,5, and 23) per request, level fund LaPlante (WAVES), eliminate funding for other human services agencies, and eliminate funding for sports and other non-direct public service agencies. Level fund Johnnycake and Welcome House. Fund Samaritans as requested. 50% funding for Regional Planning Council.

Option # D	\$114,563.00
Variance v. FY 2009-10 Requests	\$110,550.00
Variance v. FY 2008-09 Adopted	\$100,232.00

FY 2009-10 Municipal Budget Process Schedule			Exhibit 13-4
Item	Responsible Party	Notice Date	Due Date
Capital Improvement Worksheets	Each Department	September 9, 2008	November 30, 2008
Joint Work Session with Town Council and School Committee	Agenda Item to Schedule December 1, 2008 docket		December 15, 2008
Operating Budget Submittals	Each Department		
Letter to Special Appropriations	Town Manager	December 15, 2008	January 15, 2008
CIP Meetings with SMT	Town Manager, Finance Director, SMT		December 2008
Completion of CIP (at staff level)	Town Manager, Finance Director, SMT		December 30, 2008
Operating Budget Meetings with SMT	Town Manager, Finance Director, SMT		January 2009
Completion of Operating Budget (at staff level)	Town Manager, Finance Director, SMT		February 2009
Submission of Budget to Council (including Letter of Transmittal)	Town Manager		February 20, 2009
School Department work session	School Superintendent\SC		February 25, 2009
Work Sessions with Council, SMT (CIP, Operating, Special Approp.)			Week of March 2, 2009
School Department work session	School Superintendent\SC		March 11, 2009
Joint Work Session with School			March 12, 2009
School Department budget vote	School Superintendent\SC		March 18, 2009
Completion of Draft Budget	Town Manager, Finance Dir.		March 25, 2009
Notice of Proposed Property Tax Rate	Finance Director		April 24, 2009
Work Session with Council, SMT			March 30, 2009
Joint Work Session with School			April 6th and April 20th
Publication of Notice of Budget	Finance Director		Week of April 27, 2009
Public Hearing on School Budget			April 20, 2009
Public Hearing on Municipal Budget			May 18, 2009
1st Reading of Budget Ordinance			June 1, 2009
2nd Reading (adoption) of Ordinance			June 15, 2009