

TOWN OF PRINCETON

Office of the Board of Selectmen

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December 8, 2009

All Department Heads,

Each year the Board of Selectmen offers guidelines for its departmental budgets. In recent years, the message has been minimal increases and all departments have done well by following those guidelines. Thank you.

We would love to be able to inform you that the economy has turned around, that the State has restored all budget cuts made last year, that revenues are up and we can now be more realistic in setting our budgets and spending needs for FY11. Unfortunately, none of this is true and this next fiscal year appears to be presenting us challenges far greater than the unprecedented challenges we were facing last year. In fact, we are still not even "out of the woods" for FY10.

State aid this year is already lower than it has been in years. Local aid was significantly reduced as we entered FY10 with the largest cuts coming in a 75% reduction in the State reimbursement for the Quinn Bill (education incentive) for police officers. FY10 State aid is now being further reduced through mid-year cuts due to lower than expected State revenues. Already the governor has used his 9C authority to cut a variety of municipal and school accounts, including aid to libraries and reimbursements for regional school district student transportation. The governor has further proposed a 40% reduction in PILOT funding, on which Princeton is particularly dependent, as well as additional cuts to the Quinn Bill funding. These cuts will impact THIS YEAR'S budget! The administration has also warned in advance that local aid will not likely increase at all for FY11. To complicate our planning further is the liability, after reimbursements, the town will face for the costs of the Ice Storm that we all remember all too well from almost exactly one year ago today.

The bottom line is we must all be extremely cautious and careful as we begin building our FY10 budget. We recommend that your initial budget requests include no new staff or programs, no salary increases based on merit or cost of living adjustments. Departmental expenses should be no more than FY10 including energy and we ask that you consider any opportunities to reduce expenses even further. The town contribution to health care will be lowered to 80% from the present 85% for FY11. Any savings we can

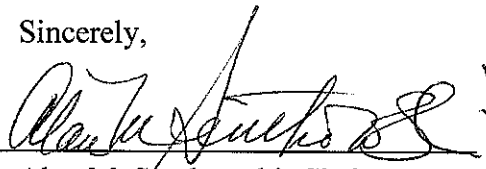
find in operational expenses we will look at carefully for a potential salary increase to at least offset the increased health costs. It is extremely likely that the town will curtail capital expenditures again in FY11.

The Board is very mindful of how it was necessary to fund the various salary accounts in FY10. We will consider that very carefully as we develop the FY11 budget and do our best to balance that with the realities of the economy. We recognize and appreciate that our department heads, supervisors, and line personnel deliver a very high level of service to Princeton's residents, taxpayers, and businesses

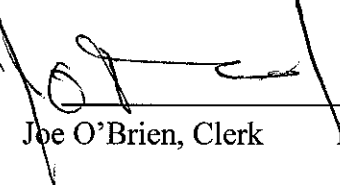
Presently education funding represents 62% of our town budget. Clearly, any increases whatsoever in the Wachusett Regional School District or the Montachusett Regional Vocational Technical School will have a tremendous, and dollar for dollar, impact on the already stressed town side of the budget. We strongly recommend that our school representatives and their respective boards and leadership do their utmost to recognize and appreciate the situation we find ourselves facing.

We look forward to working with you during the FY11 budget process and ask that you continue to work closely and creatively with us in meeting this obvious challenge. We have faced these challenges in the past and we believe we will be able to do so again. Let's also hope the economic situation facing the world starts to turn around soon.

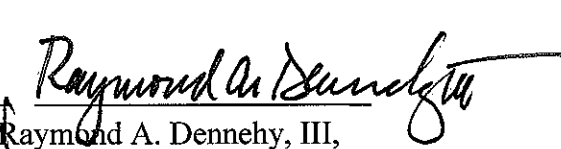
Sincerely,



Alan M. Sentkowski, Chairman
The Board of Selectmen



Joe O'Brien, Clerk



Raymond A. Dennehy, III,