



## Natick Finance Committee

Pursuant to Chapter 40, Section 3 of the Town of Natick By-Laws, I attest that the attached copy is the approved copy of the minutes for the following meeting:

**Town of Natick Finance Committee**

**Meeting Date: January 14, 2014**

The minutes were approved through the following action:

Motion:	Approval
Made by:	Mr. Ciccariello
Seconded by:	Mr. Evans
Vote:	11-0-0
Date:	January 30, 2014

Respectfully submitted,

James Everett  
Secretary  
Natick Finance Committee

**NATICK FINANCE COMMITTEE MEETING MINUTES**

**January 14, 2014**

**Natick Town Hall  
School Committee Meeting Room, Third Floor**

This meeting has been properly posted as required by law.

**MEMBERS PRESENT:**

Jonathan Freedman, Chairman	James Everett, Clerk
Karen Adelman Foster (arrival 7:15)	Jerry Pierce
Jimmy Brown	Christopher Resmini
John Ciccariello	Edward Shooshanian
Catherine M. Coughlin	Mark Kelleher
Bruce Evans, Vice Chairman	

**MEMBERS ABSENT:**

Michael Ferrari  
Cathleen Collins  
Mari Barrera  
Patrick Hayes

**ATTACHMENTS:**

- A. Agenda for this evening's meeting
- B. Finance Committee Meeting Schedule
- C. Memorandum to Town Meeting Members from William Chenard, Deputy Town Administrator – Operations, dated 12/31/12, Subject: Request for Snow Removal Overdraft for FY 2014
- D. FY 2015 Preliminary Budget Presentation
- E. FY 2015 Budget Revenues Presentation

Meeting was called to order by Mr. Freedman at 7:02 p.m.

The Chairman reviewed the evening's agenda and the materials included in the meeting packet.

**PUBLIC CONCERNS/COMMENTS:**

Mr. Brown informed members that Mr. Bob Quinn, previous Attorney General for the State of Massachusetts, State Senator and Speaker of the House in Massachusetts passed away this past weekend. Services will be at the Blessed Mother Theresa Parish in Dorchester. Details will be printed in the Dorchester Reporter and Boston Globe. He was a tremendous gentleman and his passing is a loss to Massachusetts.

**MEETING MINUTES:**

Mr. Freedman turned the floor over to Mr. Everett to chair discussion of Meeting Minutes. There is one set of Meeting Minutes from October 17, 2013. Everyone is eligible to vote with the exception of Mr. Kelleher and Mr. Shooshanian.

Mr. Everett asked for questions or comments. There were none.

A motion was made at 7:10 to p.m. to accept the Minutes

Moved/Motioned by:	Mr. Pierce
Seconded by:	Mr. Resmini
Motions or Debates:	None
Vote:	8 – 0 – 0 (unanimous)

Public Hearings will start on Thursday. The schedule (attachment B) will be posted on the website. Mr. Freedman noted his normal disclaimer; the schedule is subject to change. Final meeting hoped to be March 20<sup>th</sup>. Update on Keefe Tech is that they are expecting a 7% increase from last year, depending on the answer from the MBCA regarding the roof. Keefe Tech is scheduled to be here on 2/4/14.

Mr. Brown asked for an updated copy of the members of the subcommittees. Mr. Freedman believes it was sent out two weeks ago but will send it out again; he stated it has not changed since the fall. Ms. Coughlin suggested a hard copy would be good because she could not print it. Mr. Freedman responded that he will add it to the packet for Thursday.

**NEW BUSINESS:**

**Snow Removal Overdraft Request.**

Mr. Tom Collins, Interim Director of Public Works took the podium to address this matter (attachment C). Mr. Collins started by pointing out how we have had a very long winter so far, that it started early and is not over. He noted there have been four big snow events as of the date of this meeting and that they were out of money. He stated they went before the selectman last week and they approved a \$650,000.00 overdraft to the snow account and he is seeking the Board’s approval for that tonight.

Mr. Collins states that they spent so far \$408,841.94 with an appropriation of \$150,000.00.

Mr. Freedman asked Mr. Collins to clarify exactly what is the amount that he was requesting. Mr. Collins stated \$650,000.00. Mr. Freedman pointed out that the documentation that he received stated only \$500,000.00. He was questioning whether this was the right version.

Ms. White stated that it was updated in a memo the day of the selectman’s meeting when there was a snowstorm the day before so they amended it “on the fly”.

Mr. Freedman thanked them for clarifying this.

The Chairman continues by stating for the record that this memo is to Virginia Cahill, the Interim Comptroller, and to the Board of Selectman and it is dated yesterday. It says, “Please be advised that during their meeting of January 6, 2014 the Board of Selectman approved an overdraft in the amount of \$650,000.00 for the purpose of snow removal in Fiscal 2014”.

Mr. Freedman asked if there were any questions from the Board on this request. Mr. Pierce asked, for the public’s benefit mainly, where this money is going to come from. Ms. White

responded by stating that they raise it in next year’s tax levy. She states it is not an appropriation per se, it is just taken out of the budget at the beginning of the process like the overlay reserve. Mr. Freedman added that this is the one account that he knows of and certainly the only one that has been talked about at the Finance Committee which is actually allowed to be overspent in any Fiscal Year. He went on to say that, “Historically we budgeted \$150,000.00 into this line item, which is routinely overspent but Mass General Law concerning this type of account says that once you budget a specific dollar amount, you can never budget lower than that amount. You can always go up, but you cannot go lower so the approach that the town is taking is to budget low overdraft as necessary so that way there is not money tied up that may not be needed if it is not a harsh winter”.

The Chairman asked if there were any other questions or comments regarding this. Mr. Ciccariello had a question regarding salt storage; he asked if it was now full or if there is anticipation in securing more. Mr. Collins stated that they ordered 1000 tons a week and a half ago but they have not gotten delivery of the total 1000 tons. Mr. Ciccariello asked if that was included in the amount or will there be additional money. Mr. Collins stated that no, since the bill has not come in yet. Mr. Ciccariello asked to explain what the line item stating that they “rebuild parts for under BO” for over \$3,000.00 for MHQ Municipal Vehicles is. Mr. Collins states that this is for one of the scraper plows that gets used a lot and needs rebuilding and repairing so they did it in house by buying the parts. Mr. Ciccariello asked if this was an existing vehicle that we have had for some time; Mr. Collins responded that it was. Mr. Collins stated that they had eight underbody scrapers. Mr. Ciccariello asked if Mr. Collins anticipated any of these being replaced. Mr. Collins responded not at this time and that they normally repair everything.

Mr. Everett asked Mr. Collins if we were seeing any savings because we have picked up additional people that we are using for the recycling. Mr. Everett asked if they were also doing plowing which would limit how much contract work we are doing. Mr. Collins stated that it depended on the storm. He stated the smaller storms they take care of all of their own staff. The only time they bring in the outside contractors is if it is a major storm. Mr. Everett then asked if we were utilizing more in-house this year than prior years because we have more personnel. Mr. Collins responded that we do not have as many contractors this year; he believes we are down eight contractors from last year. He confirmed that they are using less outside contractors and utilizing more in-house personnel.

Public concerns/comments: none Mr. Freedman asked for a motion. Mr. Ciccariello stated he would make a motion but he just wanted to be clear that Mr. Collins was asking for an additional \$650,000.00 above and beyond the \$150,000.00. The Chairman clarified the \$150,000.00 has been appropriated and this is a request to spend an additional \$650,000.00, which has not been appropriated, it is the overdraft.

A motion was made at 7:30 to p.m. to approve the amount of \$650,000.00 for the snow budget snow removal overdraft for the FY 2014 budget.

Mr. Freedman concurred that we needed to do this and that it is a wise move. He then expressed his appreciated to Mr. Collins and his staff for all the hard work that they do.

Moved/Motioned by:	Mr. Ciccariello
Seconded by:	Ms. Coughlin
Motions or Debates:	None
Vote:	11 – 0 – 0 (unanimous)

**FISCAL YEAR 2015 Preliminary Budget Overview**

Mr. Freedman stated that this was intended just as a “kick-off” discussion and that it was probably best that we keep it at a high level tonight on the overview and that the Board will absolutely go into the details on the individual budgets as they are picked up. Tonight is just intended as a big picture discussion. The Chairman then turned the floor over to Ms. White and Mr. Walters Young.

Ms. White introduced herself and Mr. Michael Walters Young and welcomed everyone to the Fiscal 2015 Budget Process. Ms. White started by saying that this is Mr. Walters Young last week with the town and his last meeting with the Finance Committee this evening. She then proceeded to introduce Mr. Jeffrey Towne who is the incoming Deputy Town Administrator and Finance Director who has been with them for a couple of weeks. She also introduced Mr. Bill Chenard, who is the former DPW Director and who is now the Deputy Town Administrator for Operations.

Mr. Freedman welcomed Mr. Towne to the town of Natick and congratulated Mr. Chenard on his achievement. The Chairman also thanked Mr. Walters Young.

Ms. White then began with her FY 2015 Preliminary Budget Presentation (attachment D). The members were referred to copies of the presentation included in the meeting handouts.

Ms. White stated that the presentation will review the budget process that the town has gone through to create this preliminary budget, the budget shortfall that they are facing at present, the steps that are taken to balance the budget that they will work the Finance Committee on over the coming weeks, the accomplishments that this budget outlines and an eye to the future, the upcoming issues and challenges that they face.

Following are the highlights of Ms. White’s presentation:

Process:

- The budget process began internally in the fall with the issuance of the budget manual to all of the general government departments. They departments were advised to ensure that the budget requests represented comprehensive and careful consideration of the resources they would need to accomplish their missions and goals of their department.
- Other instructions included, as has been the case in the last several years, that they prepare “level service” budgets and also account for employee compensation and departmental expenses as they anticipate in Fiscal 2015. This includes accounting for vendor contracts that they know are going to increase, cost of living raises, etc.
- Cost of living raises have been included in all the departmental budgets where union contracts are settled. They have not reached final settlement with the two fire department unions so with respect to those unions, an amount has been budgeted in the selectman’s budget. If able to reach ratification before town meeting, those funds will be moved into the fire department budget while still undergoing review with the Finance Committee.
- With respect to nonunion personnel, as has been the case for the last three years, a line item is being funded within the shared expense budget for the potential performance increases.
- Departments were asked to submit program improvement requests as appropriate. Ms. White noted that they received nearly \$940,000.00 worth of program improvement requests and a little over \$560,000.00 of those requests were approved and have been included in those applicable departmental budgets. She notes all of the Program Improvement Requests (PIRs) are listed in the back of the Budget Books.
- Department heads were asked to utilize an inclusive process; encouraging participation from their staff as they develop their budget to ensure budget needs are fully identified and to bring a variety of perspectives to the process.

- The School Department's submitted budget request is included the preliminary budget.

#### Budget Shortfall

- This presentation and the submission of this preliminary budget is a complete budget but it is not in balance; a deficit of nearly \$3.75 million results from the sum of all of these requests based on projected revenues at this time.
- Revenues of close to \$128 million are being projected at this time. Total expenses being submitted are \$131 million and a resulting deficit of \$3.75 million.
- Early projections are that revenues will be more than \$1.86 million lower than Fiscal 2014 revenues. Ms. White reminded members and public that at this time in the budget process they are very conservative because little is known about Fiscal 2015 revenues at this early stage of the budget process. Inevitably, those projections will increase as more reliable information becomes available. Conservative approach is critical to ensure that adequate funds are available in support of the operating costs of that Fiscal Year. Excess funds will result in available free cash. Recently free cash has provided beneficial opportunities to the community in that they are able to build reserve accounts, plan for future capital needs and reduce taxpayer's burden.
- Keefe Tech School. Received good news regarding this tonight. They are looking at a maximum 7% increase, which will be a savings because a 10% increase is currently budgeted for Keefe Tech, again using conservative approach.
- Department Operation Budgets. In the Town Administrator's past projections for FY 2015 budgets, a 2.5 increase was anticipated across general government departments and a 4.5% increase in the school department budget; both projections included anticipated cost of living raises for all employees. School Department budget request provides for a 9.5% increase; that is being driven primarily by the addition of 22 staff positions driven by increased enrollment and special-ed compliance requirements, as well as COLAs for all the union employees and higher special-ed out-of-district tuition costs.
- There is an increase on the Municipal side of 1.89%, including COLAs.
- There is a reduction in one area of the Department of Public Works and an increase in the Facility Management Department, which is a shared expense. This is because the Building Maintenance costs were moved out of the DPW and into Facility Management. The lower increase as compared to projection is driven by shifting of cost into shared expenses.
- The largest increase on the Municipal side is in Public Works as three new positions were proposed. There is also an increase in Public Safety; specifically, the Police Department with two new positions, as well as Administrative Support Services with two new full time positions. Both of those are being driven in response to anticipated retirements and providing adequate overlap within those departments.
- Benefits: Overall, a 7.21% increase over FY2014. This includes a 10% increase projected increase in health care costs. This 10% increase in health care will be refined as health care rates are set in early February; hopeful this number will be lower.
- Pensions: This number will not change. Overall this is a 7.93% increase over FY2014, which is driven by a mandatory 8% increase for the contributory pensions.
- Facilities Management: Will see large increase here but it is really a shifting of the costs out of DPW and into Facilities Management for building maintenance. This will show as a 17.99% increase.

At this point in the meeting, Ms. White turned the floor over to Mr. Michael Walters Young for an explanation of what they refer to as the split between general government and schools.

#### Balancing the Budget:

Mr. Michael Walters Young explained that since FY 2010 , a model was employed that is detailed under the Deficit Reduction Plan tab of the Budget Book and the Deficit Reduction Plan on the town’s website. Mr. Walters Young reviewed the methodology used to calculate the split/allocation of the projected revenue and the amount of the deficit to be addressed between the schools and municipal departments.

Ms. White added to the discussion about revenue split that it is a starting point, it is a mathematical formula and it does not reflect unique challenges and will be adjusted as revenues and expenses become more refined over the coming weeks.

Potential options to close the budget gap were reviewed by Ms. White including the following:

- Increased revenues. Close monitoring of several revenue categories, including local receipts in hopes that estimates may increase with further information on actual collections.
- Evaluation of fee increase opportunities.
- Furthering refining of budget requests, looking for opportunities for further savings within the departments; specifically health care costs.
- Evaluation of personnel reduction, including reducing the number of proposed new positions.

Budget Accomplishments:

- Although out of balance at this time, the FY 2015 Preliminary Budget proposes many important improvements: It funds important positions within municipal government for public works, public safety and continues succession planning efforts within Administrative departments; continues subsidy of taxpayer cost for the High School and Community/Senior Center projects - \$750,000 in FY 2015; continues reduction in Indirect Cost charges against the Water/Sewer Enterprise Fund.

Eye to the Future/Upcoming issues:

- Continued significant increases in the Contributory Retirement System contributions in the range of 8%. The 8% this year is in the range of half a million dollars; will go up.
- Funding of the Town’s “other post-employment benefits”.
- Settlement of remaining contracts for FY 2013-2015; two are not ratified.
- Increase school enrollment and senior population.
- Continued replacement of capital, especially roadways, sidewalks and schools.

Closing:

- Challenging budget year with significant but not insurmountable deficit to close.
- Encourage public’s awareness and participation throughout budget process.
- Town has solid financial base with improved reserves, stellar Credit Rating, appropriate capital funding and comparatively low taxes for Metrowest area.
- Summary of presentation is that, notwithstanding the deficit position reflected in this preliminary budget, the Town is in a solid financial position. Continue conservative financial practices with a keen eye on the many needs and challenges that lie ahead. Use Discretion and good sense evaluating opportunities.

Mr. Freedman asked if there were any questions from the committee regarding the overview from the Administration. Member questions and discussion included the following:

- Under Budget Shortfall, it was indicated that there would be an increase of approximately 18% going from DPW to Facilities – does that mean we are going to see a reduction in DPW by that amount. Ms. White stated yes, \$358,000 or in that range.

- There will be 22 more teacher positions. Details of all additional new hires proposed in the FY 2015 budget can be found on page 1.13 in the book. Discussion about budget based on level services last year and adding staff members. If the Municipal side were to reduce their budget and have more of a surplus, last year that happened but rather than do the 60-40 split, there were times where the school got all of that surplus – is that correct? Ms. White stated yes. Mr. Freedman added that decision like that are discussed at Financial Planning meetings and that those are open meetings. Members of the public and members of this committee are welcome to attend. Nothing is scheduled as of right now.
- The plan is that \$750,000 is projected for subsidies against the debt exclusion rates for the two building projects is coming from the Capital Stabilization Fund. This number will not get larger as a result of the hotel and meal tax increases at this time. Free cash amounts are printed in the Budget Book.
- The deficit last year at this point in the budget process was \$3.35 million. The split last year was very close to what it is now.
- Senior population will be increased over the next couple of years and will expect more services.

Public concerns/comments: none

Budget Book Review:

Mr. Freedman asked Mr. Walters Young to walk the members through the book. Mr. Walters Young stated this was the Preliminary Budget Book. It will be updated at various times. By March 1<sup>st</sup> there will be a better idea on state aid, health care numbers and other major drivers that will be in place.

Mr. Walters Young reviewed the organization and content of the FY 2015 Budget Book (which can be found online).

Member questions and discussion included the following:

Mr. Freedman asked Mr. Walters Young to briefly walk us through encumbrances and what the Town's practice is in reviewing them and determine whether they still need to exist or whether they can be closed out and when the last time that was done. Mr. Walters Young stated that was done annually. For Operations, the comptroller at the end of Fiscal Year will send out materials for all departmental encumbrances to the departments and request and see what needs to be kept and what does not need to be kept. Should a department come back and say no, the invoice is not here as of June 30<sup>th</sup>, an encumbrance is issued for it from that fiscal year and carry over. It is paid once it is received. For Capital it is different. Capital is kept open until the project is done. Most capital encumbrances end up getting closed out on a yearly basis but it doesn't mean it is that particular year that it was issued. For building projects it may take several years before that encumbrance gets closed out.

It was confirmed that at Town meeting, the article for unpaid bills from the prior Fiscal Year if there are any, those are referred to items which were not encumbered.

Revenues:

Mr. Freedman stated the discussion on revenues will be more of an information session for the Finance Committee, there is no vote on revenues. It is important to understand the thought process and the rationale that the Administration goes through when developing the budget as a whole and also because it does play into the deficit reduction strategies.

Mr. Walters Young gave a presentation (attachment E) that summarizes the following:

Overview of the philosophy and components which comprise \$127.7 million dollars in a composite revenue forecast, Fiscal Year 2015 Revenue summary, potential adjustments and comment in closing.

Philosophy and Components:

- Revenue forecasting is key component to budgeting – revenue projections identify the funds available for the budget. Where the money comes from is one of the most vital important components.
- It is more important to be conservative in revenue forecasting than in any other facet of municipal finance. This ensures adequate funds for operations on an ongoing basis.
- Conservative revenue forecasting also serves as the best management tool against sharp increases in government spending.
- Massachusetts finance law requires that all municipal budgets begin the fiscal year in balance. Approved expenditures must not exceed projected revenues.
- Natick has five major categories of revenue: Property taxes (largest portion), State Aid, Local Receipts, Other Available Funds (i.e. Free Cash, Stabilization Fund, overlay surplus), and Indirects. Mr. Walters Young went on to describe all these categories as noted in the handouts. He added you can go on line to “Levy Limits: A Primer On Proposition 2 ½” on the Massachusetts Department of Revenue.
- FY 2015 Revenue Summary can be found in Section ii, Page 11.3. Forecasts a 1.44% decrease in overall revenues,
- Normal increases in tax levy, level funded State Aid, small increase in Local Receipts,
- Sharp decreases in Available Funds (lower Free Cash usage for one-time expenses) and Indirects.

Potential Adjustments to FY 2015 Revenues

- State Aid: No information has been release regarding State Aid for FY 2015. The consensus revenue projection for the entire state budget is set to be released no later than 1/15/14. Governor will then release his spending plan, complete with state aid for the municipalities, by the end of the month. Presently forecasting level-funded state aid and will seek guidance from peers at the Massachusetts Municipal Association conference before discussing the Governor’s numbers at next Financial Planning Committee meeting.
- Local receipts could be adjusted.
- Free cash will probably increase but more than likely not until the fall.

Closing:

- Revenue forecasts are deliberately conservative to ensure positive year-end revenues which, combined with turnbacks, contribute to next year’s available Free Cash. No guarantee that expenses will be turned back on an annual basis, and the Town builds budgets with \$1.5 Million in anticipated Free Cash to reinvest in the Operating Budget annually. Revenues in excess of estimates is the only reliable way to ensure that all operating costs can be covered and sufficient Free Cash will be available for future needs.

The Chairman made note that the Town Administrator’s Budget Message in the book discusses Revenue Projections.

Member questions and discussion included the following:

Clarification was made on the local receipts that the charges are really how much was collected for ambulance services and also a small amount of police details.

There was discussion regarding Property Taxes and New Growth. There is no significant new growth in FY 2015 expected. There are only a couple of projects on North Ave, but

projected completion date is unknown, and it is not sizeable. New Growth number is reflective of projects some of which were completed quicker than first thought. New private homes is considered new growth as additions to existing homes. New development adds to the taxes.

Meal tax is a wash in projecting revenue as some restaurants come and go. Trends from previous years are looked at in determining this.

In summary, revenue projections are deliberately conservative, they are being monitored with an eye toward possible adjustments if circumstances warrant as more information comes in.

The Chairman asked that members work through the Budget Books focusing especially on the larger budgets that are more complex; i.e. public safety, DPW, schools, facilities management, etc. Please forward any questions in advance to the Chairman so they can be forwarded directly to the administration in preparation of having those answers as part of the presentation. He also encouraged subcommittee members and subcommittee Chairs to look ahead to set up meetings.

Mr. Cicciarello asked that the Capital Subcommittee be provided a list of the projects that remain outstanding that have been approved in the past in order to compare it with what is being proposed. It would be helpful to have answers as to why certain projects have not moved along. Ms. White states she will provide a status report on the last couple of years' worth of outstanding Capital along with all the projects. Discussion whether or not fall would have been the time to do the largest bulk of Capital. The Capital Budget is in Section 12, which shows an estimate for what would be proposed to take in spring versus fall. It is important from a planning standpoint to doing more in spring because it allows more time to be able to move it to the fall if needed. It also makes more sense administratively to spread it out so there is not a bulk of them at once.

At this time in the meeting, committee members thanked Michael Walters Young for everything he had done for the community and wished him well in his new pursuit. Bill Chenard was welcomed to his new position and it was mentioned that, given his track record with the DPW, he will do a great job. Jeff Towne was also welcomed to his new position. Everyone applauded.

**ADJOURN (8:55 P.M.):**

A motion was made to Adjourn at 8:55 p.m.

Moved/Motioned by:	Mr. Pierce
Seconded by:	Mr. Cicciarello
Motions or Debates:	None
Vote:	11 – 0 – 0 (unanimous)