



TOWN OF NATICK

Massachusetts 01760

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Martha L. White
Town Administrator

INTEROFFICE MEMORANDUM

TO: BOARD OF SELECTMEN
FROM: MARTHA WHITE, TOWN ADMINISTRATOR
SUBJECT: DISCUSSION OF THE FISCAL 2009 BUDGET
DATE: 1/14/2008
CC: ALL BOARDS AND COMMITTEES
DEPARTMENT HEADS

As noted in my January 7, 2008 Budget Message, the Fiscal Year 2009 Operating Budget presents significant challenges. Based on current revenue and expenditure forecasts, a FY 09 “level service” operating budget results in a projected funding shortfall of approximately \$2.7 million. A Proposition 2 ½ Override has been recommended by the Financial Planning Committee – a recommendation that the Board of Selectmen has begun to discuss and will continue to address.

This memo is intended to help inform this discussion further and present the Board with a number of considerations and recommendations.

Addressing Capital Needs

Our commitment to capital spending in recent years has been inconsistent at best and, by most accounts, significantly underfunded, with the possible exception of the funding level approved at the most recent Town Meeting (October 2007). I have noted, as did my predecessor, that our capital funding commitment in recent years has been inadequate to address our capital needs. It is critical that a strategy be developed to reverse this trend and adequately fund maintenance of the community’s infrastructure.

We recently prioritized our 2009 and 2010 proposed capital projects into “tiers.” Tier IA projects are those that are so critical they would be funded even in the face of a budgetary shortfall, that is if there is no override. Tier I projects are critical, but would not

necessarily be funded if there is no override. Remaining projects were divided into Tier II and Tier III with associated levels of lesser priority.

Exhibit 1 lists the Tier IA and Tier I capital projects. The Revenue/Expenditure Forecast presented in my January 7, 2008 budget message, which showed a \$2.7 million shortfall, contained \$350,000 for capital expenditures in FY 2009, but did not address which specific capital projects would be funded. That Revenue/Expenditure Forecast has now been updated to reflect the actual Free Cash and borrowing impact for specific capital projects. As Exhibit 2 shows, when only Tier IA projects are funded, the resulting projected FY 2009 budget shortfall is \$2.75 million and the projected shortfall for FY 2010 is approximately \$3.26 million.

However, I recommend that if an override is to be presented to voters, it should include funding not only for the Tier IA projects but the Tier I projects as well. The Revenue/Expenditure Forecast included as Exhibit 3 reflects the impact of funding these two tiers of capital projects. Note that the FY 2009 Tier I projects would all be funded by borrowing – because of the types of capital included in Tier I – and thus has only a relatively small impact on the deficit for FY 2009 and FY 2010. Specifically, the FY 09 projected deficit increases to \$2.8 million, while projected shortfall for FY 2010 is \$3.6 million.

Even this action would not fully address our capital needs, however. Consideration should be given to a Capital Exclusion Override to catch up on the backlog of capital needs such that we may have the opportunity to, in the future, stay current with our capital needs through appropriation of consistent and adequate funding. As the Capital Plan and Budget undergo review by the Finance Committee and others during this budget season, this recommendation and the projects it would fund can be refined and further developed.

Addressing Service Levels

As noted in my January 7, 2008 Budget Message, under the Level Service budget some of our municipal departments are significantly challenged to meet current service demands. I specifically cited the possible need for additional personnel in the Police and Fire Departments as well as the Human Services and Community Development Departments.

If an override is to be considered, additional personnel in some of these areas must be a part of the consideration. Unfortunately, to provide a meaningful impact within the public safety area a minimum of nine new personnel would be needed – five in the Police Department and at least four in the Fire Department. The cost of these additional personnel would significantly impact the overall amount of a potential override and is unlikely to be practical at this time. This certainly warrants extensive discussion, however, as this is an area that clearly needs to be addressed in the near future.

However, I would urge consideration of additional personnel in the areas of Community Development and Human Services, the latter being particularly important if an Override passes due to the potential impact on our most vulnerable residents.

A Planner – particularly in the area of housing planning – is critically needed in the Community Development Department. The number and complexity of development proposals reviewed by this department is staggering and, to a large extent, limits opportunities for long range planning; development and administration of grant opportunities; enhancement and support of initiatives such as downtown revitalization, affordable housing, open space planning and much more.

I have been meeting with the Director of Human Services and Council on Aging and residents to discuss the inevitable impact on our residents should an override pass; in particular the impact on those with a limited ability to pay. We have been discussing the importance of identifying opportunities that may exist to mitigate this impact and Ms. Munns and others will be reporting on this at a later date. One obvious response, however, is to ensure that our Human Services department has the capacity to respond to those seeking its services. The Human Services works to ensure that residents have access to all available resources such as financial assistance, access to health care, transportation and more. They do this by contracting services; coordinating services with other Town Departments, schools, local agencies, religious organizations, local civic groups, local businesses, and more; and by forming collaborations and partnerships for the planning and delivery of services. Because of the anticipated additional case load for this department if the override passes, additional social worker hours are recommended.

A revised Revenue/Expenditure Forecast has been developed (Exhibit 4) to reflect these needs as well as critical needs in the School Department that the Interim Superintendent has identified and recommended to the School Committee.

Specifically, Exhibit 4 reflects the following:

- Human Services Department: the existing part-time social worker position would be made full time, and an additional full-time position would be added. The net impact of this is \$61,087.
- Community Development Department: a Planner position would be added at an estimated cost of \$66,482.
- The base budget for the Health Department would be fully funded in this scenario; this budget appropriately includes a Health Inspector position that was funded but not filled in FY 08. (no additional cost for this proposal due to the position being already included in the base budget)
- The insurance budget has been adjusted by \$33,000 to reflect these three additional personnel.
- School technology (\$400,000)
- Ongoing miscellaneous repairs to the High School (\$100,000)
- Classroom supplies, the purchase of which has been deferred due to budgetary constraints (\$100,000).

Note that in the Exhibit 4 scenario, the FY 09 projected deficit increases to \$3.56 million, while projected shortfall for FY 2010 is \$4.4 million.

Summary/Recommendation

A final scenario, included as Exhibit 5, reflects my recommendation for consideration of a Proposition 2 ½ Override. The override amount of \$3.6 million would allow us to maintain existing service levels, boost staffing in key areas, and fund our immediate capital funding priorities. This amount is also designed to allow the override amount to last at least 2 years.

Note that in this final scenario, I have deleted the proposed funding of our Other Post-Employment Benefit obligation. As explained in my January 7, 2008 Budget Message, OPEB obligations are primarily the health care costs for retirees; we are currently soliciting quotations from actuarial consultants to accurately estimate Natick's OPEB liability but expect it to be in the range of \$50 million or more. While GASB has not, as of yet, required municipalities to develop a funding schedule to meet their OPEB obligations, such a mandate is inevitable. However, a prioritization of the compelling needs we are faced with – particularly in light of the fractional impact this first year of funding would make on the overall obligation – suggests postponing funding of our OPEB obligation.

Financial Planning and Management

It is essential that our approach to financial planning and management is sound, is understood and respected by the community and reflects a long-range perspective.

Our ongoing and future discussions and decision-making processes with respect to the budget would benefit from further enhanced and consistent long-range financial planning. Recent refinements to the 5-Year Revenue/Expenditure Forecasts and the 5-Year Capital Plan go a long way towards this effort. I would recommend, however, that we work towards consensus regarding our approach to financial planning. I have developed a draft set of Financial Management Principles (see Exhibit 6) that I suggest be considered for adoption at least by the Board of Selectmen, but ideally by the Finance Committee and School Committee as well. Such guidelines can help regulate our budgetary decisions and guide a consistency of actions and standards.

As outlined in my January 7, 2008 Budget Message, we consistently evaluate opportunities to enhance cost-effective delivery of services; we will continue to do so particularly during these fiscally challenging times. Natick has a number of critical decisions to make in the near future – this contemplated Proposition 2 ½ Override, consideration of a new Community/Senior Center, consideration of a new High School, issues concerning public safety staffing levels and funding of our OPEB liability. The need to plan strategically and with a long-range vision becomes all the more critical given these multiple and diverse fiscal challenges and community needs.

The Natick 360 long-range strategic planning effort provides an excellent tool in support of financial planning and establishment of priorities. Accordingly, the findings to date by the Natick 360 process have been reviewed and taken into consideration as budget cuts were developed and as the Proposition 2 ½ Override recommendation was developed.

Unfortunately, the proposed budget cuts unavoidably represent a step backwards for the community in terms of some of the characteristics most valued by its residents. Cuts in public safety, very limited investment in our capital needs, reduction of services and increases in fees are all in conflict with the community's stated values and vision for its future and desired quality of life (see Exhibit 7).

The override proposal would allow us to maintain existing services and address a critical area – planning and managing growth – identified through the Natick 360 process. It also allows us to provide service to the segment of the population most impacted by the override due to their limited ability to pay. Further, with the override proposal, we continue the effort of the most recent town meeting to adequately fund our capital needs. While the “backlog” of needs is not addressed, our highest priorities are funded in the override scenario.

I look forward to discussing this scenario and other ideas from Board members as we move toward this important decision.

SEQ	dept	Division	Date Submitted	Project Title	Funding Source	FY2009	FY 2009 TIER	FY2010	FY 2010 TIER
1		CLERK	1/4/2008	REPLACE VOTER READER MACHINES	Bond (5 yrs)	75,000	IA		
3	50	FIRE	5/26/2005	REPLACE TURNOUT GEAR	Free Cash	10,000	IA	10,000	IA
4	50	FIRE	5/26/2005	REPLACE PORTABLE RADIOS	Free Cash	10,000	IA	10,000	I
5	50	FIRE	8/20/2007	REPLACE - DEFEBRILLATORS (A-1& A-2)	Free Cash	40,000	IA	-	
8	44	HWY	5/31/2005	STREET LIGHT REPLACEMENT	Free Cash	50,000	IA	50,000	I
16	44	HWY_EQ	7/8/2005	REPLACE BOMBADIER	Bond (10 yrs)	130,000	IA	-	
19	44	HWY_EQ	5/27/2005	REPLACE TRASH PACKER	Bond (7 years)	175,000	IA	175,000	IA
21	51	HWY_P	5/31/2005	CRUISER REPLACEMENT	Free Cash	163,900	IA	168,900	IA
32	51	POL	6/1/2005	RADIOS	Free Cash	30,000	IA	35,267	I
55	70	SCH	5/24/2005	KENNEDY - UPGRADE KITCHEN	Bond (10 years)	350,000	IA	-	
				SUBTOTAL - IA		1,033,900		449,167	
9	42	HWY	8/6/2007	REHAB. - CHARLES RIVER DAM	Bond (10 years)	187,000	I	-	
20	50	FIRE	5/27/2005	REPLACE ENGINE 5	Bond (10 years)	400,000	I	-	
42	70	SCH	5/25/2005	LILJA- DOM.HOT WATER HEATER				30,000	I
43	70	SCH	5/25/2005	BROWN- DOM. HOT WATER HEATER				30,000	I
46	70	SCH	5/25/2005	JOHNSON- REPAVE DRIVEWAYS				75,000	I
51	70	SCH	5/25/2005	JOHNSON- REPLACE EXT WINDOWS				150,000	I
52	70	SCH	5/24/2005	KENNEDY - STEAM CONV/ HOT WTR PUMP				220,000	I
53	70	SCH	5/24/2005	MEML-UPGRADE KITCHEN	Bond (10 years)	250,000	I	-	
58	70	SCH	5/25/2005	JOHNSON- REPLACE BOILERS				375,000	I
59	70	SCH	5/24/2005	MEML- REPLACE ROOF	Bond (10 years)	780,000	I	-	
60	70	SCH	5/24/2005	KENNEDY - ROOF REPLACEMENT	Bond (10 years)	850,000	I	-	
84	44	HWY_EQ	7/7/2005	REPLACE SIDEWALK TRACTOR		-		130,000	I
125	70	SCH	5/24/2005	MEML- FIRE ALARM SYSTEM		-		250,000	I
126	70	SCH	5/24/2005	MEML - REPLACE GYM & CAFE HVAC		-		165,000	I
127	70	SCH	5/25/2005	LILJA - CLASSROOM & LIB CARPETS		-		20,000	I
				SUBTOTAL - I		2,467,000		1,445,000	

**REVENUE/EXPENDITURE FORECAST
LEVEL SERVICE BUDGET
(Operating Budgets Exclusive of Enterprise Funds)**

Exhibit 2

Revenue Summary	FY07 Actual	FY08 ATM Budget	FY09 PROJECTED	FY10 PROJECTED
Real Estate/Property Taxes				
Base Tax Levy	59,682,611	61,821,370	65,249,905	68,271,003
Statutory 2 1/2 Increase	1,492,065	1,545,534	1,631,248	1,706,775
Proposition 2 1/2 Override				
Growth in Tax Base	646,694	883,000	639,851	744,996
Natick Collection Projected Tax		1,000,000	750,000	500,000
Debt Exclusion Override	1,031,410	960,274	937,705	918,361
Total Tax Levy	62,852,780	66,210,179	69,208,708	72,141,135
Intergovernmental Resources (State Aid)				
Education Items	5,230,308	5,548,696	6,103,566	6,713,922
SBA Reimbursement Existing Projects	1,369,707	1,369,707	1,166,044	1,166,044
General Government Items	5,243,065	5,339,074	5,552,637	5,774,742
Projected Net State Aid	11,843,080	12,257,477	12,822,247	13,654,709
Local Receipts				
Estimated Receipts	13,379,848	11,518,725	11,372,687	11,456,367
Intergovernmental Transfer	2,350,634	2,379,592	2,450,980	2,524,509
Available Funds (Free Cash)	4,563,719	5,057,917	3,000,000	3,000,000
Stabilization Fund	400,000	256,102	600,000	600,000
Overlay Surplus	500,000	1,116,024	-	500,000
Other Available Funds	323,167	323,167	323,167	323,167
	21,517,368	20,651,527	17,746,834	18,404,044
TOTAL RECEIPTS	96,213,228	99,119,183	99,777,788	104,199,887
Expenditure Summary	FY07 Actual	FY08 ATM Budget	FY09 PROJECTED	FY10 PROJECTED
General Government Budget	25,395,213	24,955,176	25,466,493	26,230,488
School Budget	37,412,534	40,928,029	42,974,430	45,123,152
Keefe Tech Assessment	1,112,981	1,204,965	1,241,114	1,278,347
School Bus Transportation subsidy	195,322	302,122	302,122	311,186
Insurance/Employee Fringe	11,474,218	12,634,283	13,549,592	15,175,543
Property/Liability Insurance	394,977	459,400	496,150	520,958
Contrib. Retirement	4,792,830	5,254,279	5,039,427	5,266,201
Non-Contrib. Retirement	138,266	145,109	128,082	115,274
General Gov't Energy		1,320,830	1,406,684	1,448,883
Debt & Interest	7,275,136	7,239,698	7,269,978	7,020,804
Debt/Additional Capital			16,425	118,870
Reserve Fund	250,000	300,000	300,000	300,000
Capital Improvements	618,955	1,122,250	303,900	350,000
	89,060,432	95,866,141	98,494,397	103,259,706
Other				
State & County Assessments	1,639,732	1,643,654	1,709,400	1,777,776
Cherry Sheet Offsets	62,917	66,398	69,054	71,816
Tax Title	5,000	25,000	25,000	25,000
Overlay	1,240,811	1,003,910	1,107,339	1,154,258
Snow Removal Supplement	299,371	201,261	300,000	325,000
Golf Course Deficit	430,000	355,000	375,000	375,000
	3,677,831	3,295,223	3,585,793	3,728,850
TOTAL EXPENDITURES	92,738,263	99,161,364	102,080,191	106,988,556
NET EXCESS / (DEFICIT)	3,474,965	(42,181)	(2,302,403)	(2,788,669)

**REVENUE/EXPENDITURE FORECAST
WITH TIER IA AND I CAPITAL REFLECTED
(Operating Budgets Exclusive of Enterprise Funds)**

Exhibit 3

Revenue Summary	FY07 Actual	FY08 ATM Budget	FY09 PROJECTED	FY10 PROJECTED
Real Estate/Property Taxes				
Base Tax Levy	59,682,611	61,821,370	65,249,905	68,271,003
Statutory 2 1/2 Increase	1,492,065	1,545,534	1,631,248	1,706,775
Proposition 2 1/2 Override				
Growth in Tax Base	646,694	883,000	639,851	744,996
Natick Collection Projected Tax		1,000,000	750,000	500,000
Debt Exclusion Override	1,031,410	960,274	937,705	918,361
Total Tax Levy	62,852,780	66,210,179	69,208,708	72,141,135
Intergovernmental Resources (State Aid)				
Education Items	5,230,308	5,548,696	6,103,566	6,713,922
SBA Reimbursement Existing Projects	1,369,707	1,369,707	1,166,044	1,166,044
General Government Items	5,243,065	5,339,074	5,552,637	5,774,742
Projected Net State Aid	11,843,080	12,257,477	12,822,247	13,654,709
Local Receipts				
Estimated Receipts	13,379,848	11,518,725	11,372,687	11,456,367
Intergovernmental Transfer	2,350,634	2,379,592	2,450,980	2,524,509
Available Funds (Free Cash)	4,563,719	5,057,917	3,000,000	3,000,000
Stabilization Fund	400,000	256,102	600,000	600,000
Overlay Surplus	500,000	1,116,024	-	500,000
Other Available Funds	323,167	323,167	323,167	323,167
	21,517,368	20,651,527	17,746,834	18,404,044
TOTAL RECEIPTS	96,213,228	99,119,183	99,777,788	104,199,887
Expenditure Summary	FY07 Actual	FY08 ATM Budget	FY09 PROJECTED	FY10 PROJECTED
General Government Budget	25,395,213	24,955,176	25,466,493	26,230,488
School Budget	37,412,534	40,928,029	42,974,430	45,123,152
Keefe Tech Assessment	1,112,981	1,204,965	1,241,114	1,278,347
School Bus Transportation subsidy	195,322	302,122	302,122	311,186
Insurance/Employee Fringe	11,474,218	12,634,283	13,549,592	15,175,543
Property/Liability Insurance	394,977	459,400	496,150	520,958
Contrib. Retirement	4,792,830	5,254,279	5,039,427	5,266,201
Non-Contrib. Retirement	138,266	145,109	128,082	115,274
General Gov't Energy		1,320,830	1,406,684	1,448,883
Debt & Interest	7,275,136	7,239,698	7,269,978	7,020,804
Debt/Additional Capital			71,933	471,035
Reserve Fund	250,000	300,000	300,000	300,000
Capital Improvements	618,955	1,122,250	303,900	350,000
	89,060,432	95,866,141	98,549,905	103,611,871
Other				
State & County Assessments	1,639,732	1,643,654	1,709,400	1,777,776
Cherry Sheet Offsets	62,917	66,398	69,054	71,816
Tax Title	5,000	25,000	25,000	25,000
Overlay	1,240,811	1,003,910	1,107,339	1,154,258
Snow Removal Supplement	299,371	201,261	300,000	325,000
Golf Course Deficit	430,000	355,000	375,000	375,000
	3,677,831	3,295,223	3,585,793	3,728,850
TOTAL EXPENDITURES	92,738,263	99,161,364	102,135,699	107,340,721
NET EXCESS / (DEFICIT)	3,474,965	(42,181)	(2,357,911)	(3,140,834)

**REVENUE EXPENDITURE FORECAST
WITH TIER IA AND I CAPITAL REFLECTED
WITH ADDITIONAL PERSONNEL REFLECTED
(Operating Budgets Exclusive of Enterprise Funds)**

Exhibit 4

Revenue Summary	FY07 Actual	FY08 ATM Budget	FY09 PROJECTED	FY10 PROJECTED
Real Estate/Property Taxes				
Base Tax Levy	59,682,611	61,821,370	65,249,905	68,271,003
Statutory 2 1/2 Increase	1,492,065	1,545,534	1,631,248	1,706,775
Proposition 2 1/2 Override				
Growth in Tax Base	646,694	883,000	639,851	744,996
Natick Collection Projected Tax		1,000,000	750,000	500,000
Debt Exclusion Override	1,031,410	960,274	937,705	918,361
Total Tax Levy	62,852,780	66,210,179	69,208,708	72,141,135
Intergovernmental Resources (State Aid)				
Education Items	5,230,308	5,548,696	6,103,566	6,713,922
SBA Reimbursement Existing Projects	1,369,707	1,369,707	1,166,044	1,166,044
General Government Items	5,243,065	5,339,074	5,552,637	5,774,742
Projected Net State Aid	11,843,080	12,257,477	12,822,247	13,654,709
Local Receipts				
Estimated Receipts	13,379,848	11,518,725	11,372,687	11,456,367
Intergovernmental Transfer	2,350,634	2,379,592	2,450,980	2,524,509
Available Funds (Free Cash)	4,563,719	5,057,917	3,000,000	3,000,000
Stabilization Fund	400,000	256,102	600,000	600,000
Overlay Surplus	500,000	1,116,024	-	500,000
Other Available Funds	323,167	323,167	323,167	323,167
	21,517,368	20,651,527	17,746,834	18,404,044
TOTAL RECEIPTS	96,213,228	99,119,183	99,777,788	104,199,887
Expenditure Summary	FY07 Actual	FY08 ATM Budget	FY09 PROJECTED	FY10 PROJECTED
General Government Budget	25,395,213	24,955,176	25,594,062	26,361,884
School Budget	37,412,534	40,928,029	43,574,430	45,753,152
Keefe Tech Assessment	1,112,981	1,204,965	1,241,114	1,278,347
School Bus Transportation subsidy	195,322	302,122	302,122	311,186
Insurance/Employee Fringe	11,474,218	12,634,283	13,582,592	15,212,503
Property/Liability Insurance	394,977	459,400	496,150	520,958
Contrib. Retirement	4,792,830	5,254,279	5,039,427	5,266,201
Non-Contrib. Retirement	138,266	145,109	128,082	115,274
General Gov't Energy		1,320,830	1,406,684	1,448,883
Debt & Interest	7,275,136	7,239,698	7,269,978	7,020,804
Debt/Additional Capital			71,933	471,035
Reserve Fund	250,000	300,000	300,000	300,000
Capital Improvements	618,955	1,122,250	303,900	350,000
	89,060,432	95,866,141	99,310,474	104,410,226
Other				
State & County Assessments	1,639,732	1,643,654	1,709,400	1,777,776
Cherry Sheet Offsets	62,917	66,398	69,054	71,816
Tax Title	5,000	25,000	25,000	25,000
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Golf Course Deficit	430,000	355,000	375,000	375,000
	3,677,831	3,295,223	3,585,793	3,728,850
TOTAL EXPENDITURES	92,738,263	99,161,364	102,896,267	108,139,077
NET EXCESS / (DEFICIT)	3,474,965	(42,181)	(3,118,479)	(3,939,190)

**REVENUE/EXPENDITURE FORECAST
OVERRIDE SCENARIO
(Operating Budgets Exclusive of Enterprise Funds)**

Exhibit 5

Revenue Summary	FY07 Actual	FY08 ATM Budget	FY09 PROJECTED	FY10 PROJECTED
Real Estate/Property Taxes				
Base Tax Levy	59,682,611	61,821,370	65,249,905	71,871,003
Statutory 2 1/2 Increase	1,492,065	1,545,534	1,631,248	1,796,775
Proposition 2 1/2 Override			3,600,000	
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Expenditure Summary	FY07 Actual	FY08 ATM Budget	FY09 PROJECTED	FY10 PROJECTED
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School Budget	37,412,534	40,928,029	43,574,430	45,753,152
Keefe Tech Assessment	1,112,981	1,204,965	1,241,114	1,278,347
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Property/Liability Insurance	394,977	459,400	496,150	520,958
Contrib. Retirement	4,792,830	4,822,418	5,039,427	5,266,201
ERI/OPEB		431,861		
Non-Contrib. Retirement	138,266	145,109	128,082	115,274
General Gov't Energy		1,320,830	1,406,684	1,448,883
Debt & Interest	7,275,136	7,239,698	7,269,978	7,020,804
Debt/Additional Capital			71,933	471,035
Reserve Fund	250,000	300,000	300,000	300,000
Capital Improvements	618,955	1,122,250	303,900	350,000
	89,060,432	95,866,141	99,310,474	104,410,226
Other				
State & County Assessments	1,639,732	1,643,654	1,709,400	1,777,776
Cherry Sheet Offsets	62,917	66,398	69,054	71,816
Tax Title	5,000	25,000	25,000	25,000
Overlay	1,240,811	1,003,910	1,164,939	1,213,298
Snow Removal Supplement	299,371	201,261	300,000	325,000
Golf Course Deficit	430,000	355,000	375,000	375,000
	3,677,831	3,295,223	3,643,393	3,787,890
TOTAL EXPENDITURES	92,738,263	99,161,364	102,953,867	108,198,117
NET EXCESS / (DEFICIT)	3,474,965	(42,181)	423,921	(308,230)

TOWN OF NATICK
FINANCIAL MANAGEMENT PRINCIPLES

PART 1: GENERAL

To protect the town's financial stability, to ensure the availability of adequate financial resources in times of emergency, to capitalize on high bond ratings (and thus low interest rates), it is essential that policies regarding the town's financial management be adopted and adhered to in the preparation and implementation of the town's operating and capital budgets.

PART 2: PRINCIPLES**Reserves: Use and Recommended Balances**

- Reserves and one-time revenues should be used only for capital or other non-recurring expenses.
- The Town will strive to maintain unappropriated free cash at a minimum of 1% of revenues, and unappropriated free cash should never be less than ½ % of revenues.
- The stabilization fund should, at a minimum, be at a level equal to 2% of revenues, with the target being 5% of revenues; the stabilization fund should be replenished with surplus funds whenever possible.
- Existing reserves should be enhanced whenever possible.

Capital Planning and Budgeting

- A 5-Year capital plan should be developed and updated annually, per Section 5-7 of the Town's Charter.
- Whenever practical, capital funding should be done in the fall after free cash has been certified.
- A minimum of ____% of revenues should be set aside annually from general revenues to fund capital needs, exclusive of those capital improvements and equipment funded through debt exclusion, Enterprise Fund or Intergovernmental or other sources such as Chapter 90, mitigation funds, etc.

Debt Issuance and Management

- Capital projects should be carefully scheduled and monitored to minimize borrowing costs while optimizing investment opportunities.
- Whenever practical, the issuance of expensive short-term Tax Anticipation Notes should be avoided by applying these financial management principles.

Financial Planning and Forecasting

- Revenue estimates should be realistic, yet conservative, to minimize the potential of shortfalls in the subsequent year's operating budgets and corresponding impacts on free cash.
- Five year revenue and expenditure forecasts should be updated annually.

Cash Management

- Balances in prior Town Meeting funding articles shall be reviewed annually and excess balances shall be closed out to free cash.
- Fees and charges will be reviewed regularly to ensure that – where appropriate – they cover direct and indirect costs associated with the related service.

PART 3: IMPLEMENTATION OF PRINCIPLES

If financial conditions warrant actions that are in contradiction to these principles, the Town Administrator will acknowledge such actions to the Town Meeting and the reasons therefore.

Natick 360

VALUE AND VISION STATEMENTS₁

As citizens of Natick, we value:

- Natick’s “small-town” sense as a safe, interconnected community fed by its heritage, pride and spirit of volunteerism, and by its diversity, derived from its tradition of affordability and welcoming nature;
- Natick’s stewardship of its diverse open spaces and natural resources;
- A high-value education for students at all levels and abilities, and continuing educational opportunities for all Natick citizens;
- A variety of businesses that create a wide range of jobs and provide support to the community in many ways;
- Natick Center, a vibrant focal point of our community;
- Natick’s abundance of cultural, recreational and educational facilities, wide array of municipal services and proximity to major transit and transportation resources that contribute to our high quality of life.

As citizens of Natick, we aspire to create a future in which:

- Natick is a healthy community of diverse and interconnected citizens, businesses, organizations and neighborhoods, where citizens of all ages, backgrounds and income levels can live, work and thrive;
- Natick’s natural resources are preserved and accessible to the community;
- Natick Center is the vibrant core of the community, a unique and accessible destination for commerce, community and culture, day and night;
- Natick’s public schools and programs are recognized as among the best;
- Natick’s self-government, supported by informed and engaged citizens, is fiscally sound, delivers services efficiently and communicates effectively with the public;
- Natick’s public infrastructure and buildings fulfill their function efficiently and effectively to the satisfaction of the community and are maintained in good working order;
- Natick is a desirable and accessible destination that marshals local and regional partners and resources to solve problems and enhances the quality of life for all its citizens.

¹ Note: Value and Vision Statements are in random order. No prioritization is implied.