



Memorandum

To: Board of Selectmen

From: Martha White, Town Administrator

Cc: Finance Committee

Date: Friday, January 30, 2009

Re: Municipal Budget Philosophy for FY 2010 Gap Closing

The Fiscal Year 2010 budget presents the Town of Natick with very difficult choices. Since the presentation of my recommended budget in early January, the Town of Natick has unfortunately received mixed news clarifying our financial position for 2010. The good news is that the State Aid reduction proposed by the Governor in House 1 is less than originally projected by staff (by about \$200,000). The unfortunate news is that we have to accommodate for a current year (FY 2009) reduction of state aid by some \$460,000.

The Financial Planning Committee has met once this calendar year with the purpose of agreeing to ground rules to closing our \$4.5 million gap. Though those ground rules are still being refined, the necessity of time has mandated that municipal staff pursue the following course of action to close the Gap.

Step 1) Gap definition

Through the work of the Financial Planning Committee, the Gap as presented to the municipal and school sides totals \$4.5 million. Splitting this gap around 60%/40%, the municipal side would be responsible for between \$1.5 to \$1.8 million, while the schools would be responsible for between \$2.8 to \$3.0 million. We are still refining what this split will eventually be, as well as the ground rules between the municipal and school sides. For the purposes of moving forward, the municipal side is working on \$2.0 million of reductions.

Step 2) Identifying Solutions to Gap Closure

As administration has said for months, our revenues do not support the level of expenses we have proposed in the FY 2010 Recommended Budget. To that end, we propose the following approach to closing the gap on the municipal side:

- a) **Municipal Cuts:** In order to maintain a sustainable level of services going forward while maintaining services for all citizens, administration is in the process of examining each department budget for reductions. As a general rule, smaller departments (Selectmen, Health, Community Development, Council on Aging, Town Clerk, Finance, Recreation, IT) will be forced to reduce their budgets by at least 2% while larger departments (Public

Works, Public Safety, Libraries) will be forced to reduce their budgets by at least 8%. In addition, many smaller (and larger) departments that have existing vacancies in positions will lose these positions through attrition.

The impact of this level of cut will vary dependent upon department. The reality of municipal operations forces larger departments to take a larger share of cuts because they can scale back operations and perform less services, whereas smaller departments may be far less likely to effectively function if reduced to a similar level.

- b) Revenue Enhancement: On February 9th, staff will present to the Board of Selectmen our recommendations on fee increases. As part of the ground rules presented to the Financial Planning Committee, any fees raised by the municipal side stay with the municipal side. Should the Board choose to raise fees, this increase in revenue would immediately reduce the municipal gap. Further, it is administrations' intent to target these revenues to reducing the larger department's 8% cuts – thus minimizing the impact to Public Safety, Public Works and Libraries to the greatest extent possible.
- c) Other Options: Besides the outright layoff of personnel and reduction of services, the administration will continue to pursue other options, including exploring the reduction of work hours at municipal buildings as well as attempting to renegotiate existing contracts.

This philosophy is rooted in a strategy which maintains the greatest amount of services possible to Natick citizens while not compromising the integrity of our operations. We hope that the reductions made in FY 2010 can be made in such a way as to be sustainable. We have a commitment to serve all citizens of Natick, and this approach will allow us to honor that commitment.

Please let us know if you have any questions.

Attachments:

FY 2010 Revised Budget Summary

FY 2010 House 1 Cherry Sheets & Assessments

General Fund Revenue/Expenditure Summary

	2008	2009	08 vs. 09	2010	2009 vs. 2010	
	Actual	Appropriated	%	Requested	\$	%
General Fund Revenues						
Tax Levy	66,210,458	73,083,995	10.38%	75,827,233	2,743,238	3.75%
State Aid	12,257,477	12,341,007	0.68%	11,360,667	-980,340	-7.94%
Estimated Receipts	13,532,010	10,801,500	-20.18%	9,231,500	-1,570,000	-14.54%
Other Local Receipts						
Indirects	2,379,592	2,450,980	3.00%	2,546,345	95,365	3.9%
Free Cash	5,057,917	3,000,000	-40.69%	2,000,000	-1,000,000	-33.3%
Stabilization Fund	256,102	600,000	134.28%	600,000	0	0.0%
Overlay Surplus	1,116,024	0	-100.00%	500,000	500,000	#DIV/0!
Other Available Funds	323,167	210,851	-34.8%	210,851	0	0.0%
Total General Fund Revenues	101,132,747	102,488,333	1.3%	102,276,596	-211,737	-0.2%
General Fund Expenses						
Education & Learning						
Natick Public Schools	40,905,762	43,474,430	6.3%	45,647,840	2,173,410	5.0%
Keefe Tech	1,051,116	1,141,092	8.6%	1,175,325	34,233	3.0%
Morse Institute Library	1,708,525	1,780,355	4.2%	1,858,422	78,067	4.4%
Bacon Free Library	114,313	116,928	2.3%	125,147	8,219	7.0%
Public Safety	11,225,820	11,821,743	5.3%	12,184,638	362,895	3.1%
Public Works	7,196,327	7,513,840	4.4%	7,768,570	254,730	3.4%
Health & Human Services	1,413,949	1,561,166	10.4%	1,613,167	52,001	3.3%
Administrative Support Services	4,231,206	4,244,340	0.3%	4,255,888	11,548	0.3%
Committees	15,339	18,510	20.7%	18,510	0	0.0%
Shared Expenses						
Fringe Benefits	12,486,833	13,372,367	7.1%	14,553,280	1,180,913	8.8%
Prop & Liab. Insurance	420,705	496,150	17.9%	496,150	0	0.0%
Retirement	5,376,574	5,170,376	2.4%	5,271,467	101,091	-6.4%
Debt Services	7,243,778	6,915,189	-4.5%	7,158,758	243,569	3.5%
Reserve Fund	79,088	400,000	405.8%	400,000	0	0.0%
General Fund Operating Expenses	93,469,335	98,026,487	4.9%	102,527,162	4,500,675	4.6%
Capital Improvements	1,122,250	293,900	-73.8%	350,000	56,100	19.1%
School Bus Transportation	302,122	302,122	0.0%	311,186	9,064	3.0%
State & County Assessments	1,643,654	1,552,943	-5.5%	1,622,825	69,882	4.5%
Cherry Sheet Offsets	66,398	68,029	2.5%	71,090	3,061	4.5%
Tax Title	25,000	25,000	0.0%	25,000	0	0.0%
Snow Removal Supplement	201,261	650,000	223.0%	325,000	-325,000	-50.0%
Overlay	1,003,911	1,040,000	3.6%	1,150,000	110,000	10.6%
Golf Course Deficit	355,000	355,000	0.0%	455,000	100,000	28.2%
Total General Fund Expenses	98,188,931	102,313,481	4.2%	106,837,263	4,523,782	4.4%
Net Excess / (Deficit)	2,943,816	174,852		-4,560,667		

**Massachusetts Department of Revenue
Division of Local Services
FY2010 Local Aid Estimates**

NATICK

	FY2009 Cherry Sheet Estimate	FY2010 Governor's Budget (House 1)	Difference
Education:			
Chapter 70	5,843,990	5,843,990	0
School Transportation	0	0	0
Retired Teachers' Pensions	0	0	0
Charter Tuition Reimbursement	157,054	0	(157,054)
Offset Receipts:			
School Lunch	17,863	19,186	1,323
School Choice Receiving Tuition	0	0	0
Sub-Total, All Education Items	6,018,907	5,863,176	(155,731)
General Government:			
Lottery Aid	2,428,369	0	(2,428,369)
General Fund Subsidy to Lottery	371,808	0	(371,808)
Additional Assistance	1,942,474	0	(1,942,474)
General Municipal Aid	4,742,651	3,388,687	(1,353,964)
Revenues from Meals Tax Increase	0	451,321	451,321
Revenues from Rooms Tax Increase	0	87,548	87,548
Local Share of Racing Taxes	0	0	0
Regional Public Libraries	0	0	0
Police Career Incentive	226,966	172,506	(54,460)
Urban Renewal Projects	0	0	0
Veterans' Benefits	50,147	108,249	58,102
State Owned Land	216,172	216,020	(152)
Exemption: Vets, Blind & Surviving Spouses	77,493	0	(77,493)
Exemption: Elderly	41,666	0	(41,666)
Exemption Reimbursement Total	119,159	113,028	(6,131)
Offset Receipts:			
Public Libraries	50,166	43,293	(6,873)
Sub-Total, All General Government	5,405,261	4,580,652	(824,609)
Total Estimated Receipts	11,424,168	10,443,828	(980,340)

FY2010 Local Aid Assessments NATICK

	FY2009 Cherry Sheet Estimate	FY2010 Governor's Budget (House 1)	Difference
County Assessments	0	0	0
State Assessments and Charges:			
Retired Employees Health Insurance	0	0	0
Retired Teachers Health Insurance	0	0	0
Mosquito Control Projects	55,388	55,140	(248)
Air Pollution Districts	10,612	10,682	70
Metropolitan Area Planning Council	9,346	9,489	143
Old Colony Planning Council	0	0	0
RMV Non-Renewal Surcharge	31,380	25,600	(5,780)
Sub-Total, State Assessments	106,726	100,911	(5,815)
Transportation Authorities:			
MBTA	642,625	378,777	(263,848)
Boston Metro. Transit District	0	0	0
Regional Transit	0	275,574	275,574
Sub-Total, Transportation Authorities	642,625	654,351	11,726
Annual Charges Against Receipts:			
Multi-Year Repayment Programs	0	0	0
Special Education	1,523	0	(1,523)
STRAP Repayments	0	0	0
Sub-Total, Annual Charges	1,523	0	(1,523)
Tuition Assessments			
School Choice Sending Tuition	25,000	20,000	(5,000)
Charter School Sending Tuition	777,069	648,597	(128,472)
Essex County Tech Sending Tuition	0	0	0
Sub-Total, Tuition Assessments	802,069	668,597	(133,472)
Total Estimated Charges	1,552,943	1,423,859	(129,084)

For information about how the estimates were determined and what may cause them to change, click: [Local Aid Estimate Program Summary](#).

Please note that final Charter School and School Choice assessments may change significantly when updated to reflect spring enrollment data and final tuition rates.

