

TOWN OF NATICK
TOWN ADMINISTRATOR'S FISCAL YEAR 2010 BUDGET SUMMARY

The Town Administrator's FY 2010 budget for the Town of Natick has been updated to reflect proposed budgets for all municipal departments based on the latest projections of available revenues. The updated budget is available for review on line at natickma.gov and in hard copy at the Office of the Board of Selectmen/Town Administrator during normal business hours.



At the beginning of January, 2009 the initial level-service budgets were developed for all Town departments for the upcoming 2010 fiscal year beginning July 1, 2009. These budgets funded essentially the same levels of service offered by the town departments in this current fiscal year. Given projected cost increases, the resulting initial budgets exceeded projected available revenues by over \$4.7 million.

Several efforts to enhance revenues and reduce expenses were already underway and progressed over the coming weeks such that the most recent FY 2010 projected shortfall is \$4.467 million. Of this, and in accordance with a formula agreed to by representatives from the Board of Selectmen, School Committee, Finance Committee and the Town and School Administrations, the school department has identified budget cuts totaling \$3.071 million and the general government has identified budget cuts totaling \$1.396 million; in order to fully fund anticipated unemployment costs, the total cut for general government will be \$1.568 million. Today's balanced budget reflects the impacts of these budget cuts.

The budgets will continue to undergo review and update as revenue information continues to be refined and as the Town and School Administrations confer with the Board of Selectmen and School Committee respectively, as well as throughout the Finance Committee's public hearing process. These budget reviews will take place over the coming few weeks leading up to the commencement of the Spring Annual Town Meeting.

To trim the necessary \$1.568 million from the initial level-service general government budget, the equivalent of over 18 positions are eliminated, affecting the delivery of service throughout several major areas:

- The Fire Department would eliminate 4 firefighter positions and reduce overtime; the projected impact is that one of the fire stations would be closed as much as 70% of the time during the fiscal year.
- The Department of Public Works would be required to eliminate 7-8 positions, impacting the department's building maintenance, highway and other functions. In lieu of eliminating any of the services presently offered by the DPW, several efficiencies and realignment of services were developed involving adjusting hours for the Recycling Center, reducing contract custodial services, reducing the frequency of curbside yard waste pickup, eliminating the paint swap and drop-off program, and more.
- The Police Department would eliminate approximately half of the Crossing Guard positions. Two police officers would be designated as School Resource Officers who would, among other responsibilities, work with the School Department to develop a plan for student safety.
- Staff reductions at the Morse Institute and Bacon Free Libraries will necessitate a reduction of hours, including elimination of Sunday hours at the Morse.

The School Committee has not yet voted on their budget from which they must trim \$3.071 from the initial level-service budget. The Superintendent's proposed budget calls for a number of budget reduction and revenue enhancement strategies, including:

- Reductions in several non-salary accounts, including the Athletic Department, Teacher Professional Development, Technology Budget and others.
- Proposed increases in transportation fees and activities fees.
- Personnel reductions in several key administrative positions including Curriculum Development, clerical and administrative support, building maintenance and others.
- Projected reductions of 12 teaching positions throughout the elementary, middle and high schools.

FY 2010 Town Administrator Budget Summary	
Revenues	
Tax Levy	75,827,233
State Aid	11,360,667
Estimated Receipts	9,231,500
Other Local Receipts	5,857,196
Total Revenues (General Fund)	102,276,596
Expenses	
Education & Learning	45,606,424
Public Safety	11,392,903
Public Works	7,362,909
Health & Human Services	1,581,316
Administrative Support Services	4,046,640
Committees	18,510
Shared Expenses	27,732,793
Capital & Other	4,535,101
Total Expenses (General Fund)	102,276,596

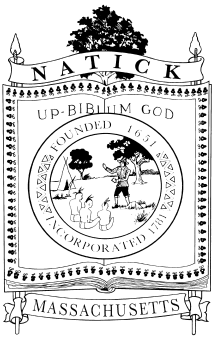
A number of initiatives are underway to further reduce costs and enhance revenues in an effort to positively impact the budget. Such efforts include discussions with municipal unions to eliminate the FY 2010 cost-of-living allowances stipulated in collective bargaining agreements (non-union personnel will not be awarded a cost-of-living allowance in FY 2010), a proposal to convey the Natick Community Organic Farm to the Conservation Commission such that costs currently funded through general revenues would instead be funded from the Conservation Fund, incorporating the additional revenues anticipated from approved increases in certain user fees, and more. The Administration has also proposed an early retirement incentive program that would provide opportunities for better managing the personnel reductions. If the program is authorized by the Board of Selectmen, and depending on the personnel who may choose to participate, it is anticipated that the program would initially cost more than employee layoffs, but is cost-effective in the long term.

There are a number of areas, however, in which we face potential additional costs, including potential settlement of the collective bargaining agreement with the Police Supervisors' Union (which has been without a contract since July 1, 2007), additional supplement for this winter's snow removal costs, proposals to fund design services for both the Community/Senior Center and High School projects (although a funding source has been proposed for the latter), and more.

This budget year has proven to be perhaps the most challenging in recent memory. The administration is committed to continued resourcefulness and innovation to best manage the delivery of high quality, cost-effective services to all Natick residents.

Updated March 2, 2009

Please refer to the following pages for the original budget message, circa January 5, 2009.



Martha L. White
Town Administrator

Michael Walters Young
Deputy Town Administrator

**TOWN ADMINISTRATOR
FISCAL YEAR 2010 BUDGET MESSAGE**

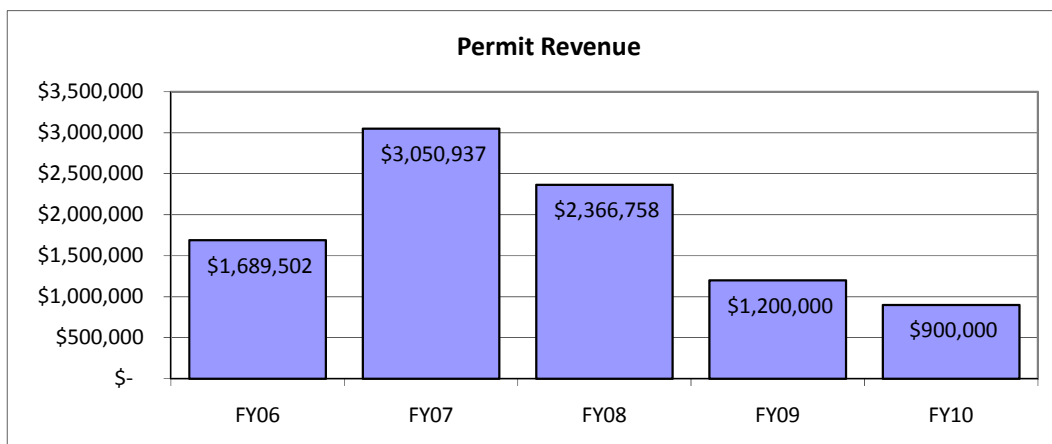
January 5, 2009

To the Honorable Board of Selectmen and the Residents of Natick it is with honor I submit the Town Administrator's Fiscal Year 2010 Budget.

The economic challenges prevalent throughout the nation – and, indeed, world-wide – are affecting local governments as well. Natick is currently experiencing substantially lower than normal receipts in several key local revenue categories, and we anticipate this trend to continue for quite some time. These revenue categories – notably permit fees, motor vehicle excise tax and investment income – are directly affected by the larger economic conditions.

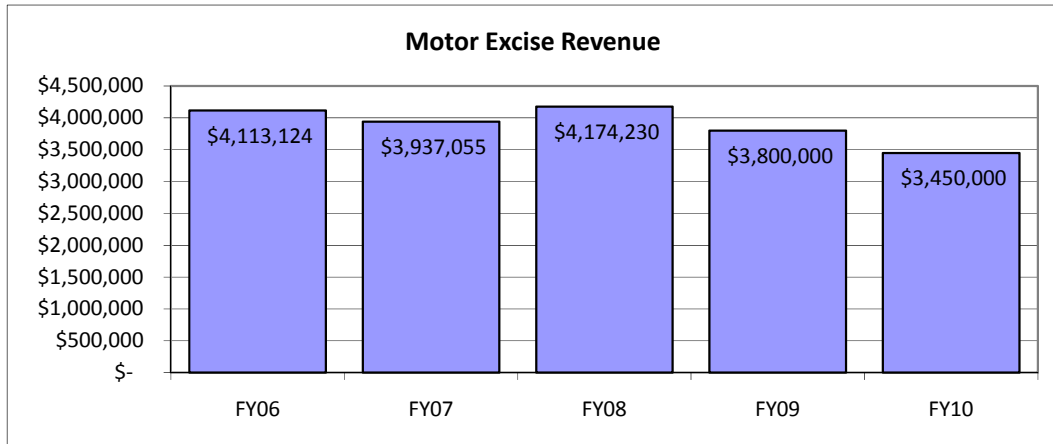
Permit Fees

In recent years, Natick has benefited from sizable increases in permit fees driven largely by the Natick Collection project. We had initially projected a return to normal receipts in this category for FY 2009 and FY 2010, but we are instead seeing a substantial drop-off in building permit applications and associated fee revenues. Alarming, this decline in new construction will also negatively impact New Growth tax receipt projections for FY 2011 and beyond.



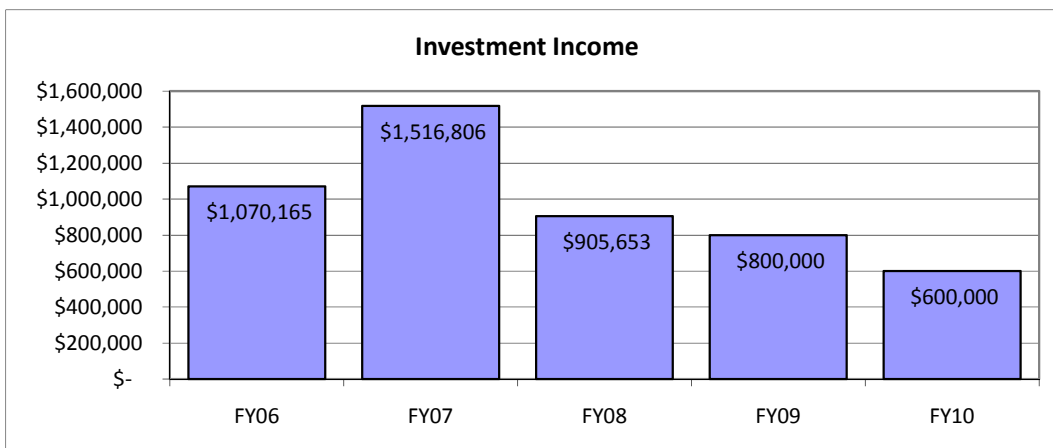
Motor Vehicle Excise Tax

While motor vehicle excise tax receipts cannot be accurately predicted until the state Department of Motor Vehicles submits data to the communities in March, this revenue sources is directly related to new car sales, which clearly have plummeted nationwide and locally.



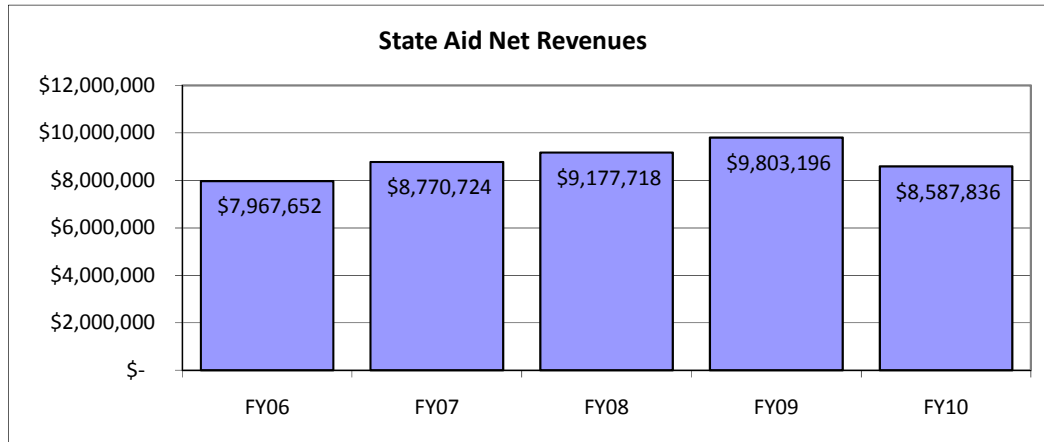
Investment Income

Investment income – derived through the town’s investment of the various funds it has on hand throughout the year – is down simply due to low interest rates.



State Aid

The outlook for State Aid – including Chapter 70 Education Aid – is bleak as well. Prior to the economic downturn, our FY 2010 projections called for increases of between 4-11% in various local aid categories, consistent with recent trends. Our current projections call for a 10% decrease in all local aid categories.



Summary Regarding FY 2010 Budget

The current projections for revenues that will be available in support of the Fiscal Year 2010 Budget deviate substantially from previous fiscal years and will necessitate sizable reductions in expenses. The stability afforded to us by passage of the Proposition 2 ½ Override last spring has been undercut by the widespread recession conditions.

Based on current revenue and expenditure forecasts, a FY 2010 “level service” operating budget, including just minimal capital spending, results in a projected funding shortfall of approximately \$4.7 million (See Appendix A).

On the expense side, both the general government and school department have developed operating budgets that can be characterized as “level service” budgets in that they provide no new personnel and no new services. To maintain level services, a 2.2% increase in general government department budgets is projected (including the budget for General Government Energy). The School Department level-service budget results in a 4.9% increase over current year costs. It is important to note that we will be unable to fund these level service budgets given anticipated revenues.

In fact, significant reductions in spending will be necessary to bring the FY 2010 budget into balance. The Town and School Administrations will undertake this effort over the coming weeks in conjunction with their respective boards. It is anticipated that the extent of cuts necessary will significantly impact the quality and variety of services to which Natick residents have grown accustomed. Sadly, personnel layoffs will be unavoidable and Natick will contribute to the growing ranks of the unemployed.

Until the passage of the Proposition 2 ½ Override in the spring of 2009, Natick had endured several years in which new revenues did not keep pace with increasing costs. During this period, Natick balanced its budgets by drawing upon sources of revenues that are not considered to be recurring, primarily Stabilization Fund, Overlay Surplus and Free Cash to fill the gap. It was hoped that the Override would enable Natick to cease such practices and adequately fund the Town’s exemplary services with recurring revenue sources, while also adequately funding our capital needs. Regrettably, economic conditions that extend far beyond our boundaries will make these goals unattainable in FY 2010 and beyond.

Related Discussion of Current Year Budget

The decline in revenue from Permit Fees, Motor Vehicle Excise Tax and Investment Income is impacting the current year budget (FY 2009) as well. As the operating budget for a fiscal year is developed, available funds are determined by projecting anticipated revenues. Sound fiscal practice demands that such revenue estimates should be realistic, yet conservative, to minimize the potential of shortfalls in the operating budgets and corresponding impacts on free cash. Put simply, revenue projections are intended to reflect the minimum revenue that we would realistically expect to receive. This conservative approach helps to ensure that adequate revenues will be available in support of approved expenditures, and that revenue above and beyond that needed for those expenditures will be available as free cash after year's end.

Today's economic challenges were not present or anticipated when our revenue estimates for FY 2009 were developed. Accordingly, actual receipts are tracking perilously close to projections. As a result, at present there is a modest projected shortfall in this current year's budget. While this deficit can be addressed in the months remaining in this fiscal year, of greater concern is that, with expenditures tracking so closely to revenues, the year-end free cash will be negatively impacted. This concern became reality after FY 2008 was closed, when the state Department of Revenue certified Free Cash just over \$2.4 million; typically Natick's Free Cash is more in the range of \$4 million.

Further, as of this writing, the Governor has announced further declines in projected state-wide revenues and has asked the legislature for additional authority to institute budgetary cuts, including potential cuts to current year state aid allocations. Such an action would be devastating to Natick and would necessitate reductions in current year operations.

In summary, we are presently facing multiple and multi-year budgetary challenges, including

- Anticipated decline in revenues in key local receipts categories
- Anticipated limited available free cash in upcoming years
- Potential reduction in state aid in this current fiscal year
- Virtually certain reduction in state aid in FY 2010
- Likelihood that such trends will continue into subsequent fiscal years

Other Notable Fiscal Challenges

We also have a number of pending liabilities that must be noted, including

- The Police Superior Officers' Union contract expired as of June 30, 2007 and we have been unable to come to terms on a successor agreement. Other unions have generally received 3% cost of living allowances in the intervening years.
- We are funding a \$325,000 supplement for this winter's snow removal activity. This projected expense will continue to be monitored throughout the winter and will be adjusted as needed.

- While the FY 2010 budgeted increase for the Contributory Retirement System is modest, market and other conditions would suggest that we should expect future years' appropriations to increase significantly.
- We must begin to plan for funding of the Town's "other post-employment benefit" (OPEB) obligation. The OPEB obligations are primarily the health care costs for retirees. The Government Accounting Standards Bureau (GASB) is requiring all municipalities to identify their OPEB obligations by 2010; our analysis is underway. While GASB has not, as of yet, required municipalities to fund their OPEB obligations, such a mandate is inevitable. The liability will be significant – millions of dollars – and accordingly many municipalities have already initiated their efforts to fund the obligation.
- The proposed FY 10 budget has just \$350,000 allocated for capital spending. This capital allocation is dramatically lower than what is necessary to adequately address our capital needs and represents yet another in a series of years in which our capital spending is inadequate.

Prudent Measures for Fiscal Progress

We continue to evaluate all operations for opportunities for savings and have instituted several measures recently including

- Instituting a program whereby employees can voluntarily reduce their work hours
- Instituting a hiring freeze unless conditions warrant that the position be filled
- Conducting the fall residential leaf and brush pick up program on a series of Mondays, and deferring the customary Monday bulky waste pick-ups during this period, to avoid the overtime costs usually incurred and assessing opportunities for further reduction of overtime costs throughout all departments.
- Deferring action on certain capital projects that have been authorized but for which funds have not yet been expended.
- Evaluation of opportunities to increase fees where warranted pursuant to the Fee Analysis recently conducted
- Refinancing existing debt, resulting in savings of around \$436,000; our FY 2010 total debt obligation of \$7.159 million begins to drop off in FY 2011, potentially creating opportunity for additional borrowing to fund needed capital projects.
- Evaluating opportunities, in conjunction with representatives from the School Department, to collaborate on the delivery of services, as recommended by the Expense Control Task Force.
- Establishment of Financial Management Principles (see Appendix B). Over the coming weeks, I will be seeking endorsement of these concepts from the Board of Selectmen and Finance Committee.

We are also working with state and federal government officials on key efforts to improve our financial situation. Specifically, in conjunction with the Massachusetts Municipal Managers Association, a set of initiatives has been presented to the Legislative Special Municipal Relief Commission. These initiatives include ideas to improve municipalities' ability to effectively manage human resources by adding tools which are available to the Commonwealth, local government in other states and private sector employees; modernize purchasing laws; and increase flexibility within local government.

And finally, we are preparing a comprehensive package for submission to the Lt. Governor in response to Economic Stimulus Package that is anticipated to be approved at the federal level. This bill will likely include significant funding for infrastructure projects for which construction can commence within 180 days and which can be completed within two years.

Eligible projects include, but are not limited to, public safety, wastewater, water, solid waste, recreational, city and town buildings, senior/community centers, some garages (those not linked to the MBTA), public library and cultural facilities. Natick will certainly submit competitive applications for all projects that meet the stated criteria.

A Note Regarding the Budget Format

Those familiar with Natick's customary budget presentation format will notice significant changes. We hope that these changes will bring further clarity and transparency to the budget review process. My thanks go to Deputy Town Administrator Michael Walters Young for these enhancements and to Finance Director Robert Palmer for his solid financial management and support to Michael and myself throughout the budget preparation process. Thanks also to the Richard Jennett, Chair of the Finance Committee for his input regarding the presentation changes.

Our challenges over the coming months are many. Our services to the community will be changed as a result of the economic challenges that we now face. We will do our best to minimize impacts to services most needed, and we will undertake this effort with the greatest possible transparency. We seek the public's awareness and participation in this challenging effort.

Sincerely,

A handwritten signature in cursive script that reads "Martha L. White".

Martha L. White
Town Administrator

REVENUE/EXPENDITURE FORECAST
Reflecting Updated FY 2009 and FY 2010 Forecasts

Appendix A

All Projections Subject to Change

	A	B	C	D	E
Revenue Summary	FY08 Budget	FY09 BUDGET PER FALL 2008 ATM	FY09 Projected (Nov. 2008)	FY10 Projected (Jan. 2008)	FY10 Projected (Jan. 2009)
Real Estate/Property Taxes					
Base Tax Levy	61,821,370	64,250,184	64,253,304	71,396,003	72,154,997
Statutory 2 1/2 Increase	1,545,534	1,606,255	1,606,333	1,784,900	1,803,875
Proposition 2 1/2 Override	0	3,900,000	3,900,000		
Growth in Tax Base	883,280	1,639,851	2,395,360	1,425,000	950,000
Natick Collection Projected Tax	1,000,000	750,000	550,000	500,000	0
Debt Exclusion (Wilson School)	960,274	937,705	937,705	918,361	918,361
Total Tax Levy	66,210,458	73,083,995	73,642,702	76,024,264	75,827,233
Intergovernmental Resources (State Aid)					
Education Items	5,548,696	6,018,907	6,018,907	6,711,478	5,417,016
SBA Reimbursement Existing Projects	1,369,707	916,839	916,839	1,221,422	916,839
General Government Items	5,339,074	5,405,261	5,405,261	5,620,368	4,864,735
Projected Net State Aid	12,257,477	12,341,007	12,341,007	13,553,268	11,198,590
Local Receipts					
Estimated Receipts	11,618,725	10,758,913	10,000,000	11,295,186	9,231,500
Intergovernmental Transfer	2,379,592	2,450,980	2,546,345	2,524,509	2,546,345
Available Funds (Free Cash)	5,057,917	3,000,000	3,000,000	3,000,000	2,000,000
Stabilization Fund	256,102	600,000	600,000	600,000	600,000
Overlay Surplus	1,116,024	-	0	500,000	500,000
Other Available Funds	323,167	210,851	210,851	323,167	210,851
Total Local Receipts	20,751,527	17,020,744	16,357,196	18,242,862	15,088,696
TOTAL RECEIPTS	99,219,462	102,445,746	102,340,905	107,820,394	102,114,519
Expenditure Summary					
General Government Budget	23,174,888	23,840,915	23,840,915	24,393,976	24,308,103
School Budget	40,928,029	43,474,430	43,474,430	45,648,152	45,647,840
Keefe Tech Assessment	1,204,965	1,135,347	1,135,347	1,175,325	1,175,325
Insurance/Employee Fringe	12,634,283	13,372,367	13,372,367	14,977,051	14,553,280
Property/Liability Insurance	459,400	496,150	496,150	520,958	496,150
Contrib. Retirement	5,254,279	5,040,179	5,040,179	5,266,201	5,152,503
Non-Contrib. Retirement	145,109	130,197	130,197	115,274	118,964
General Gov't Energy	1,320,830	1,456,684	1,456,684	1,500,384	1,532,670
Debt & Interest	7,239,698	6,915,198	6,915,198	7,020,804	7,158,758
Debt/Additional Capital	0	0	0	584,691	0
Reserve Fund	300,000	400,000	400,000	400,000	400,000
Total Article 2 - Budget Expenses	92,661,481	96,261,467	96,261,467	101,602,814	100,543,593
Morse Institute Library (Article)	1,668,681	1,780,357	1,780,357	1,833,768	1,858,422
Bacon Free Library (Article)	111,607	116,928	116,928	120,436	125,147
Capital Equip. & Improvements (Articles)	1,122,250	293,900	293,900	350,000	350,000
School BusTransportation subsidy (Article)	302,122	302,122	302,122	311,186	311,186
Total Other Expenditures	3,204,660	2,493,307	2,493,307	2,615,389	2,644,755
Total Budgeted Expenses	95,866,141	98,754,774	98,754,774	104,218,204	103,188,347
Other Expenditures					
State & County Assessments	1,643,654	1,552,943	1,552,943	2,020,413	1,622,825
Cherry Sheet Offsets	66,398	68,029	68,029	69,404	71,090
Tax Title	25,000	25,000	25,000	25,000	25,000
Overlay	1,003,911	1,040,000	1,040,000	1,060,000	1,150,000
Snow Removal Supplement	201,261	650,000	732,779	325,000	325,000
Golf Course Deficit	355,000	355,000	435,000	375,000	455,000
Total Other Expenditures	3,295,224	3,690,972	3,853,751	3,874,817	3,648,915
TOTAL EXPENDITURES	99,161,365	102,445,746	102,608,525	108,093,021	106,837,262
NET EXCESS / (DEFICIT)	58,097	0	(267,620)	(272,626)	(4,722,743)