



Town of Natick

FY 2011 Recommended Budget

Appendices

Financial Information

Financial Indicators, Financial Policies, Snow & Ice History, Statement on Reserves

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Town Information



Town of Natick

Financial Summit

Introduction

This packet of information is designed to achieve three goals:

- a) Evaluate the fiscal health of the Town of Natick through a series of financial indicators and comparative benchmarks, where appropriate;
- b) Present a three-year projection of Revenues & Expenditures; and
- c) Outline the FY 2011 Budget Process & Issues

This material is intended to provide policymakers with an informed snapshot of where Natick stands financially heading into the FY 2011 Budget Process. It is not the purpose of this exercise to propose a budget or recommended level of services; rather it is to evaluate Natick via a series of benchmarks, including measures such as revenues and expenditures per household, benefit costs, both funded and unfunded liabilities incurred by the Town, debt service, reserve position and population.

Using a series of recognized metrics from professional organizations, including the International City/County Management Association, (ICMA), the Government Finance Officer's Association (GFOA), Standard & Poor's, and data from the Town of Natick, Mass. Department of Revenue, the Mass. Department of Education, and the U.S. Census Bureau, Town staff has compiled 12 indicators which can be used to evaluate the Town's fiscal health.

In evaluating Natick's financial condition, staff has found that the Town has both fiscal strengths and weaknesses. In particular,

- Natick has favorable property tax collections, revenues related to economic growth, and debt service levels (both as a percentage of operating revenues and per capita.
- Natick has marginal expenditures per household and personnel costs.
- Natick has unfavorable and uncertain levels of State Aid, benefit expenditures, pension liabilities, amount of capital investment, reserve levels and a reliance upon one-time revenues.

These measures indicate that, overall, the Town has performed at a high level worthy of its Aaa Credit Rating (from Standard & Poor's), but that continued maintenance of that rating relies upon addressing unfavorable trends, reducing future liabilities and continuing to work towards sustainable services.

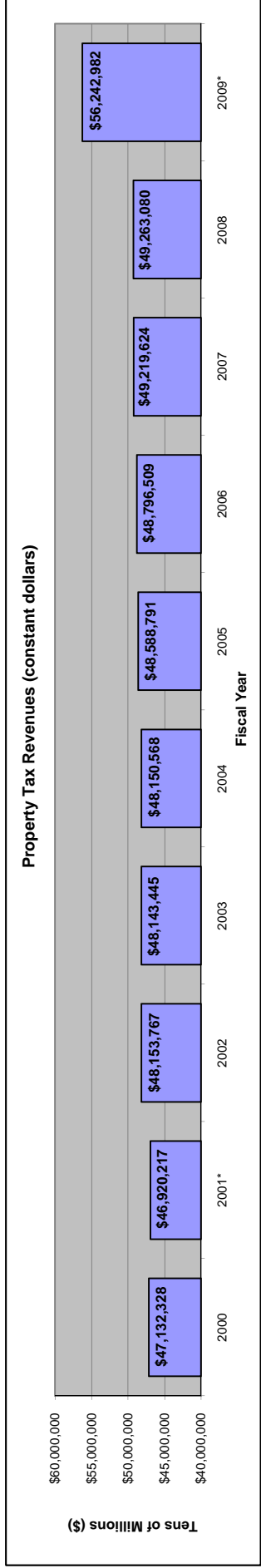
A three-year projection of expenses and revenues for Fiscal years 2010-2012 is also included.

These indicators, and the projections and appendices which are attached to them, will be updated annually to provide the community, particularly those involved with the budget process, the most useful information available when making budget decisions. This effort is a continuation of and consistent with several other initiatives including the development of the Natick 360 Strategic Plan, development of financial management principles, improvements to the capital improvement planning and budgeting processes, improvements to the water and sewer rate setting process, ongoing revenue enhancement and expense control efforts, and more. All of these efforts are designed to allow us to identify and attain the desired future for the Town of Natick and its residents.



Property Tax Revenues

Trend Guideline: A decline in property tax revenues (constant dollars) is considered a warning indicator.



Formula:

Property Tax Revenues (constant dollars)

Fiscal Year	2000	2001*	2002	2003	2004	2005	2006	2007	2008	2009*
Property Tax Levy Collections**	\$ 47,132,328	\$ 49,165,574	\$ 51,577,655	\$ 54,105,235	\$ 55,565,671	\$ 58,481,406	\$ 61,127,172	\$ 62,193,155	\$ 64,432,962	\$ 72,649,672
Less: debt exclusions**	\$ -	\$ -	\$ (86,498)	\$ (639,000)	\$ (317,000)	\$ (1,313,405)	\$ (1,540,676)	\$ (1,031,410)	\$ (960,274)	\$ (937,705)
Net Property Tax Revenues	\$ 47,132,328	\$ 49,165,574	\$ 51,491,157	\$ 53,466,235	\$ 55,248,671	\$ 57,168,001	\$ 59,586,496	\$ 61,161,745	\$ 63,472,688	\$ 71,711,967
CPI-U, 2000 base year***	181.8	190.5	194.4	201.9	208.6	213.9	222.0	225.9	234.2	231.8
CPI-U, adjustment for constant dollars	100%	95.4%	93.5%	90.0%	87.2%	85.0%	81.9%	80.5%	77.6%	78.4%
Property Tax Revenues (constant dollars)	\$ 47,132,328	\$ 46,920,217	\$ 48,153,767	\$ 48,143,445	\$ 48,150,568	\$ 48,588,791	\$ 48,796,509	\$ 49,219,624	\$ 49,263,080	\$ 56,242,982
Percent increase over prior year (constant dollars)	N/A	-0.5%	2.6%	0.0%	0.0%	0.9%	0.4%	0.9%	0.1%	14.2%

Notes:

*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

**Source: Mass. Department of Revenue, Databank Reports, Fiscal Year 2000 - 2009 Excess Levy Capacity, and Tax Recaps

***Amount shown for CPI-U data assumes half-year average for Boston-Brockton-Nashua Statistical Area, where 1982-1984 = 100. Source: U.S. Bureau of Local Accounts

Property Tax Revenues:

Property tax revenues are analyzed separately because they are the Town's primary revenue source for both operating and capital spending. Increases due to operating overrides should be noted for their impact on taxpayers ability to pay.

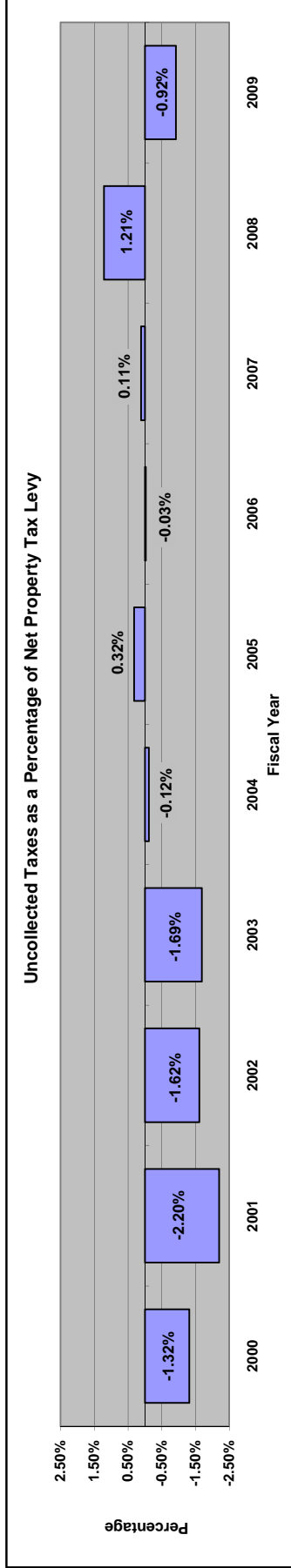
This analysis shows that the only significant increases in constant dollars from year to year occurred when overrides were passed by Natick citizens. The good news: Property tax revenues are steady and reliable. The bad news: They do not grow faster than inflation, and only grow when citizens are willing to pay more.

Natick Trend	
favorable	X
marginal	X
unfavorable	
uncertain	



Uncollected Property Taxes

Trend Guideline: Uncollected property taxes (as a percent of the property tax levy) of 5-8 percent is considered a warning indicator by the Bond rating organizations.



Formula:

Uncollected Property Taxes / Net Property Tax Levy

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Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Property Tax Levy Limit	\$ 46,885,381	\$ 49,413,781	\$ 51,549,010	\$ 54,138,834	\$ 55,923,830	\$ 58,850,705	\$ 61,169,262	\$ 62,899,514	\$ 65,186,660	\$ 73,027,965
Reserved for Abatements & Exemptions	\$ 980,000	\$ 1,158,386	\$ 1,002,277	\$ 1,090,891	\$ 1,073,347	\$ 988,493	\$ 1,049,572	\$ 1,240,811	\$ 1,003,911	\$ 1,039,144
Net Property Tax Levy	\$ 45,905,381	\$ 48,255,395	\$ 50,546,733	\$ 53,047,943	\$ 54,850,483	\$ 57,862,212	\$ 60,119,690	\$ 61,598,703	\$ 64,182,749	\$ 71,988,821
Uncollected Taxes as of June 30	\$ (606,043)	\$ (1,063,930)	\$ (816,977)	\$ (898,130)	\$ (64,749)	\$ 183,006	\$ (15,470)	\$ 68,333	\$ 774,703	\$ (660,851)
Uncollected Taxes as a Percentage of Net Property Tax Levy	-1.32%	-2.20%	-1.62%	-1.69%	-0.12%	0.32%	-0.03%	0.11%	1.21%	-0.92%

Source: Town of Natick Operating Statements, 2000-2009

Uncollected Property Taxes:

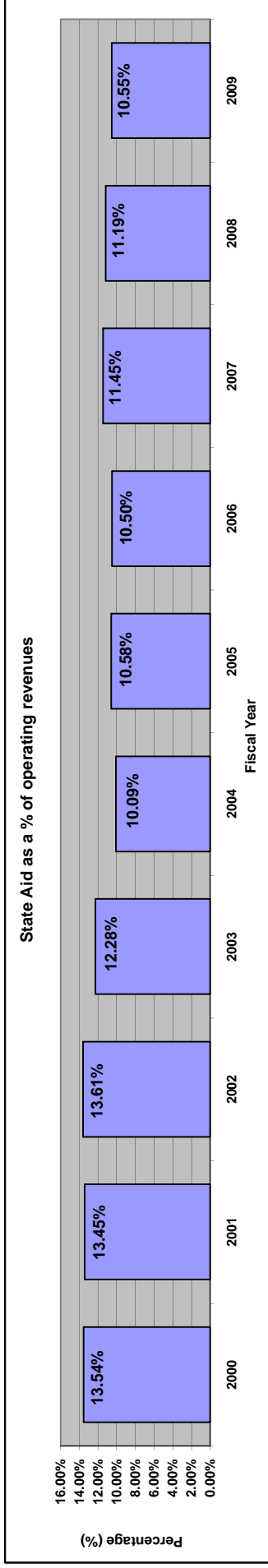
An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic conditions. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the Town to invest. Bond rating organizations generally consider uncollected taxes in excess of five percent as a warning trend. Natick has exceptionally strong collection rates, regardless of economic circumstances during the last decade. This is attributable to strong efforts in tax title collection and the diligence of Natick citizens to pay their taxes on time.

Natick Trend	
favorable	x
marginal	
unfavorable	
uncertain	



State Aid

Trend Guideline: Reductions in State Aid, as a percentage of operating revenues, is considered a warning indicator particularly if the Town does not have adequate reserves to offset reductions.



Formula:

State Aid / Operating Revenues

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net Operating Revenues	\$ 68,107,775	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164
State Aid Revenues	\$ 10,106,167	\$ 10,682,794	\$ 11,947,605	\$ 11,345,247	\$ 9,806,856	\$ 10,390,668	\$ 10,714,907	\$ 12,078,231	\$ 14,845,086	\$ 11,576,985
Less: School Building Reimbursements	\$ 882,839	\$ 821,426	\$ 1,475,035	\$ 1,475,035	\$ 1,461,337	\$ 1,369,707	\$ 1,369,707	\$ 1,369,707	\$ 3,659,335	\$ 916,839
Net State Aid Revenues	\$ 9,223,328	\$ 9,861,368	\$ 10,472,570	\$ 9,870,212	\$ 8,345,519	\$ 9,020,961	\$ 9,345,200	\$ 10,708,524	\$ 11,185,751	\$ 10,660,146
State Aid as a % of operating revenues	13.54%	13.45%	13.61%	12.28%	10.09%	10.58%	10.50%	11.45%	11.19%	10.55%

Notes:

State Aid "Cherry Sheets", FY 2000-2009

Town of Natick Town Reports, Report to Assessors of Certain Receipts as per M.G.L.Ch. 42, Sec. 59A., 2000-2008

State Aid:

A constant area of concern for municipalities in Massachusetts is the level of State Aid which they receive. Many mandates - funded and unfunded - come from Beacon Hill to local governments and the challenge to enforce, implement and help citizens understand them falls to the municipalities. Designed to fund a variety of local services - from education to veterans services and many things in between, intergovernmental (State) aid is an important component of the overall revenue picture. Declines in State Aid are particularly troublesome as municipalities are not capable of controlling them and can only offset them with expense reductions if the community does not have adequate reserves.

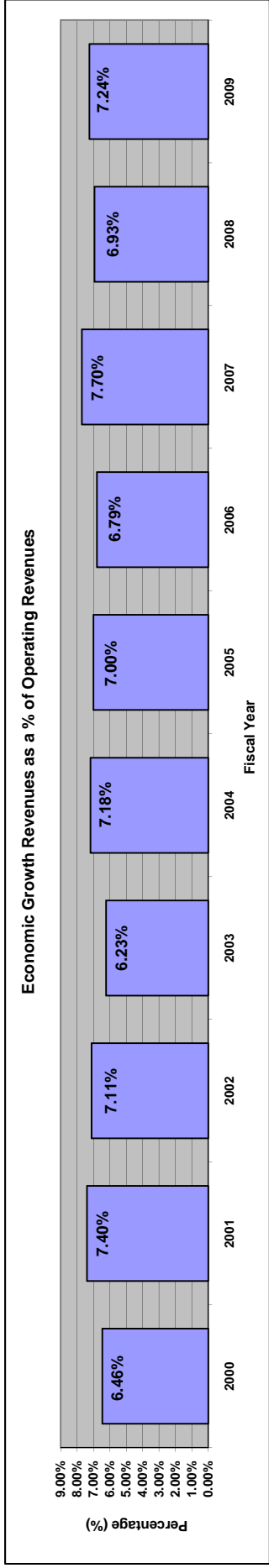
Natick, like the other 351 cities and towns throughout Massachusetts has seen declines in state aid over the course of the last decade. Major drops have occurred during economic downturns - most noticeably in 2004 and again most recently when mid-year aid cuts forced the community to make up nearly half a million dollars in aid relied upon to provide local services. The uncertainty of state aid from year-to-year (or even within a particular fiscal year) make reliance upon it for funding the operating budget always troublesome. As the tax levy grows as a percentage of the overall revenue pie, this will mitigate some of the reliance upon state aid, but have the adverse affect of forcing even more of the burden for ongoing operations onto the local taxpayer.

Natick Trend	
favorable	
marginal	
unfavorable	x
uncertain	x



Revenues Related to Economic Growth

Trend Guideline: Decreasing economic growth revenues, as a percentage of net operating revenues, is considered a warning indicator.



Formula:

Economic Growth Revenues / Operating Revenues

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net (non-exempt) operating revenues	\$ 68,107,775	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164
Building Related Fees & Permits	\$ 647,947	\$ 744,928	\$ 485,849	\$ 742,483	\$ 736,731	\$ 929,897	\$ 1,273,145	\$ 2,614,468	\$ 1,869,533	\$ 740,772
Motor Vehicle Excise	\$ 3,065,303	\$ 3,744,668	\$ 4,156,493	\$ 3,681,214	\$ 4,449,072	\$ 4,461,799	\$ 4,113,124	\$ 3,937,055	\$ 4,174,230	\$ 4,187,040
Levy Growth	\$ 683,689	\$ 935,705	\$ 825,252	\$ 585,454	\$ 756,915	\$ 578,202	\$ 657,677	\$ 646,694	\$ 883,280	\$ 2,395,360
Total: Economic Growth Revenues	\$ 4,396,938	\$ 5,425,300	\$ 5,467,593	\$ 5,009,150	\$ 5,942,718	\$ 5,969,898	\$ 6,043,946	\$ 7,198,217	\$ 6,927,043	\$ 7,323,172
Economic Growth Revenues as a % of Operating Revenues	6.46%	7.40%	7.11%	6.23%	7.18%	7.00%	6.79%	7.70%	6.93%	7.24%

Sources: Building Related Fees & Permits, FY 2000-2009, Town of Natick, Town Reports, 1999-2008.
Tax Recapitulation Worksheets, FY 2000-2009.

Notes:

Building Related Fees & Permits inclusive of all Alterations, Building, Wiring, Gas & Plumbing permits, FY 2000-2009

Revenues Related to Economic Growth:

Revenues related to economic growth include construction related revenues such as permit fees and new tax levy growth resulting from new construction and certain retail related revenues such as motor vehicle excise taxes. A decrease in building permit fees may be a leading indicator of smaller future increases in the tax levy. Despite the inherent nature of this indicator to fluctuate with the economy, inflation and other influences, Natick is fortunate to have consistently maintained approximately 7% of its operating revenues throughout the last decade as those attributable to economic growth. Also favorable is that this economic growth has been largely attributable to non-residential development, thus creating less demand for expanded municipal services.

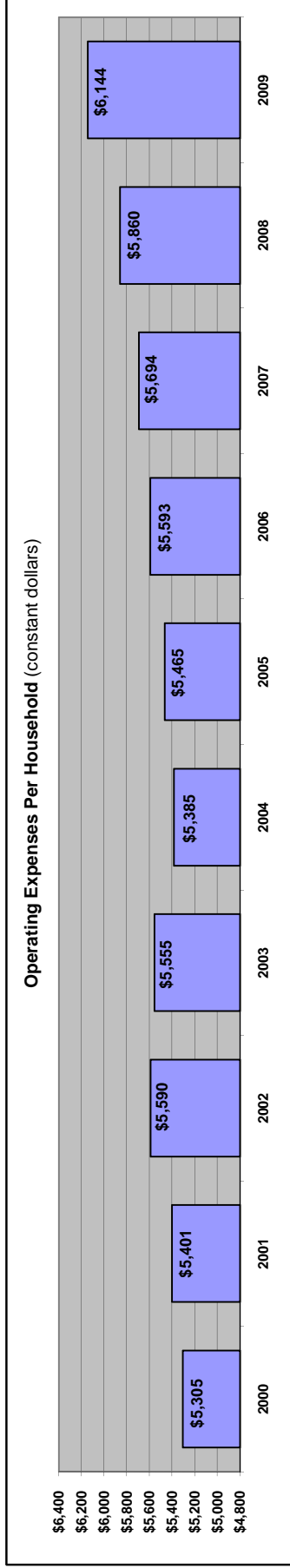
What makes this revenue trend uncertain is two-fold: 1) the large swings within categories of economic growth revenues from year-to-year are surprising even when one takes away the one-time surge in building fees and eventually tax levy growth related to the Natick Collection development, and 2) the uncertain nature of future new or redeveloped construction projects within Natick.

Natick Trend	
favorable	x
marginal	
unfavorable	
uncertain	x



Expenditures per Household

Trend Guideline: Increasing net operating expenditures per household, in constant dollars, may be considered a warning indicator.



Formula:

Net Operating Expenditures and Transfers (constant dollars) / Households

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Education	\$ 27,958,888	\$ 29,786,678	\$ 31,421,511	\$ 32,306,544	\$ 33,403,060	\$ 34,253,613	\$ 35,837,412	\$ 37,412,534	\$ 40,905,762	\$ 44,066,023
Municipal	\$ 20,006,334	\$ 20,798,645	\$ 21,848,427	\$ 21,920,884	\$ 21,690,987	\$ 22,984,066	\$ 24,034,484	\$ 24,815,371	\$ 26,085,897	\$ 26,465,457
Shared Expenses (Benefits, Debt)	\$ 15,987,041	\$ 17,966,875	\$ 19,500,694	\$ 21,035,568	\$ 20,366,034	\$ 21,585,211	\$ 24,224,319	\$ 25,183,676	\$ 26,579,006	\$ 26,566,191
Total Operating Expenses	\$ 63,952,264	\$ 68,552,198	\$ 72,770,632	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 97,097,671
CPI-U, 2000 base year	181.8	190.5	194.4	201.9	208.6	213.9	222	225.91	234.239	231.802
CPI-U, adjustment for constant dollars	100.0%	95.4%	93.5%	90.0%	87.2%	85.0%	81.9%	80.5%	77.6%	78.4%
Operating Expenses (cons. doll.)	\$ 63,952,264	\$ 65,421,468	\$ 68,054,017	\$ 67,770,246	\$ 65,765,306	\$ 66,993,930	\$ 68,867,982	\$ 70,344,055	\$ 72,623,034	\$ 76,152,736
Households	12,054	12,113	12,175	12,200	12,213	12,258	12,313	12,354	12,393	12,394
Oper. Exp. Per Household	\$ 5,305	\$ 5,401	\$ 5,590	\$ 5,555	\$ 5,385	\$ 5,465	\$ 5,593	\$ 5,694	\$ 5,860	\$ 6,144

Source: Town of Natick, Town Reports, FY 2000-2008 & Comptroller's FY 2009 4th Qtr GF Expenditure Reports.

Expenditures per Household:

Increasing operating expenditures per household can indicate that the cost of providing services is outstripping the Town's ability to pay, especially if spending is increasing faster than household income. Increasing expenditures may also indicate that the demographics of the Town are changing, requiring increased spending in related services.

This indicator tells a mixed message for the Town of Natick. On the one hand, revenues have kept pace with expenses (because of the need to have a balanced budget they must.) But, increasingly, recurring revenues have been supplemented with one-time revenues in order to meet expenses. On the other hand, operating expenses in constant dollars have increased/household only 15.8% since 2000, or an average of 1.58% annually. Where expenses have been less than revenue growth, one-time revenues have been able to be generated.

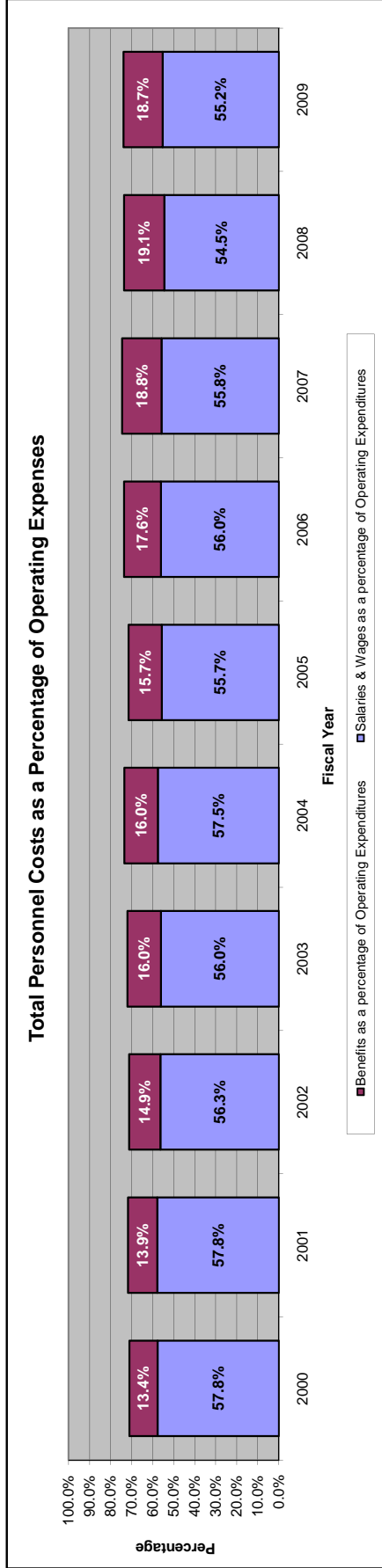
The trend within the trend worth further examining is which sections of the budget have witnessed the greatest percentage increase since 2000. As this indicator shows and Indicators 1.6, 1.7 and 1.10 further detail, the largest increase has been within Shared Expenses and not in direct services for the community.

Natick Trend	
favorable	
marginal	x
unfavorable	
uncertain	



Personnel Costs

Trend Guideline: Increasing personnel costs as a percentage of total spending is considered a warning factor.



Formula:

Salaries & Wages / Operating Expenses

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Expenses	\$ 63,952,264	\$ 68,552,198	\$ 72,770,632	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 97,097,671
Municipal Wages	\$ 14,592,736	\$ 15,201,610	\$ 15,883,747	\$ 16,609,585	\$ 16,856,565	\$ 17,714,578	\$ 18,304,206	\$ 18,304,206	\$ 19,098,039	\$ 19,811,806
School Wages	\$ 22,348,109	\$ 24,437,235	\$ 25,110,883	\$ 25,562,431	\$ 26,562,345	\$ 26,970,396	\$ 29,411,268	\$ 30,490,144	\$ 31,911,758	\$ 33,810,857
Benefits	\$ 8,565,922	\$ 9,525,298	\$ 10,824,742	\$ 12,023,972	\$ 12,082,322	\$ 12,370,515	\$ 14,777,670	\$ 16,405,314	\$ 17,863,406	\$ 18,119,414
Total Wage & Benefit Costs	\$ 45,506,768	\$ 49,164,143	\$ 51,819,372	\$ 54,195,988	\$ 55,501,232	\$ 56,305,451	\$ 61,903,516	\$ 65,199,663	\$ 68,873,204	\$ 71,742,076
Salaries & Wages as a percentage of Operating Expenses	57.8%	57.8%	56.3%	56.0%	57.5%	55.7%	56.0%	55.8%	54.5%	55.2%
Benefits as a percentage of Operating Expenses	13.4%	13.9%	14.9%	16.0%	16.0%	15.7%	17.6%	18.8%	19.1%	18.7%
Total Wage & Benefit Costs as a percentage of Operating Expenses	71.2%	71.7%	71.2%	72.0%	73.6%	71.4%	73.6%	74.6%	73.6%	73.9%

Source: Town of Natick, Town Reports, FY 2000-2008 & Comptroller's FY 2009 4th Qtr GF Expenditure Reports.

Personnel Costs:

Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: 1) First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. 2) Second, if salaries and wages as a percent of operating expenditures are increasing, it may be an indicator of deferred maintenance of the Town's infrastructure.

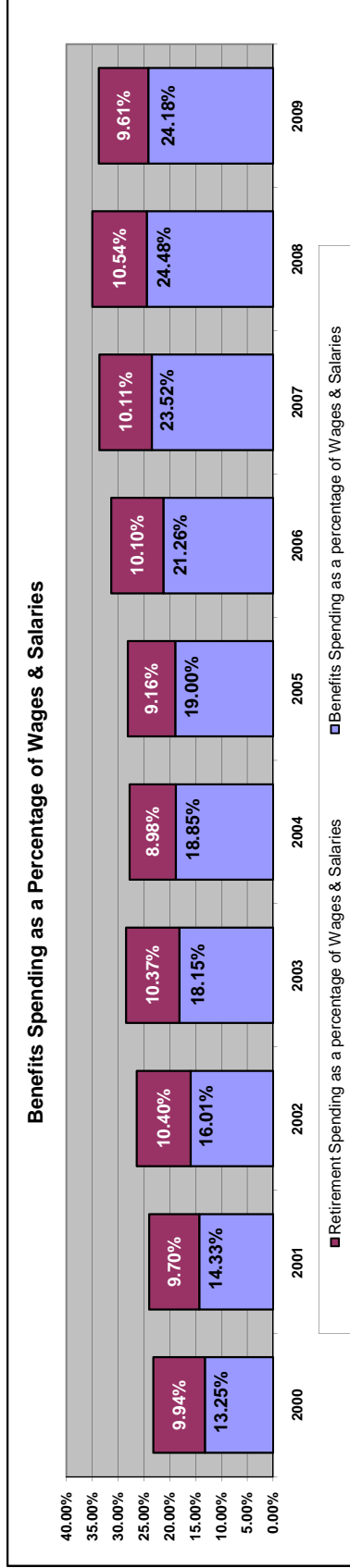
Total labor costs have increased since 2000 by 2.2%, but the rate and level of increase has remained relatively constant. This is good for the Town as such a slow rate of increase is manageable and should allow policymakers to adjust budgeting and goal setting without an impact to services. The increase, however, is not in the salary and wage portion of compensation, but rather in the cost of benefits. As detailed in Indicator 1.7, this is a negative short-term and long-term development as it means that less money is available to spend on service delivery or employee retention but rather is being spent on maintaining existing benefits.

<i>Natick Trend</i>	
favorable	
marginal	x
unfavorable	
uncertain	



Employee Benefits

Trend Guideline: Increasing benefit costs as a percentage of wages and salaries is considered a warning indicator.



Formula:

Employee Benefits / Wages & Salaries

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Medical Benefits	\$ 4,893,028	\$ 5,681,261	\$ 6,561,870	\$ 7,652,132	\$ 8,185,461	\$ 8,345,688	\$ 10,019,946	\$ 11,474,218	\$ 12,486,833	\$ 12,964,453
Retirement Benefits	\$ 3,672,895	\$ 3,844,037	\$ 4,262,872	\$ 4,371,840	\$ 3,896,861	\$ 4,024,827	\$ 4,757,724	\$ 4,931,096	\$ 5,376,574	\$ 5,154,961
Wages & Salaries - Municipal	\$ 14,592,736	\$ 15,201,610	\$ 15,883,747	\$ 16,609,585	\$ 16,856,565	\$ 16,964,540	\$ 17,714,578	\$ 18,304,206	\$ 19,098,039	\$ 19,811,806
Wages & Salaries - Schools	\$ 22,348,109	\$ 24,437,235	\$ 25,110,883	\$ 25,562,431	\$ 26,562,345	\$ 26,970,396	\$ 29,411,268	\$ 30,490,144	\$ 31,917,758	\$ 33,810,857
Total Wages & Salaries	\$ 36,940,845	\$ 39,638,845	\$ 40,994,630	\$ 42,172,016	\$ 43,418,910	\$ 43,934,936	\$ 47,125,846	\$ 48,794,350	\$ 51,009,797	\$ 53,622,662
Benefits Spending as a Percentage of Wages & Salaries	13.25%	14.33%	16.01%	18.15%	18.85%	19.00%	21.26%	23.52%	24.48%	24.18%
Retirement Spending as a Percentage of Wages & Salaries	9.94%	9.70%	10.40%	10.37%	8.98%	9.16%	10.10%	10.11%	10.54%	9.61%
Total Benefits Spending as % of Wages & Salaries	23.19%	24.03%	26.41%	28.51%	27.83%	28.16%	31.36%	33.62%	35.02%	33.79%

Source: Town of Natick, Town Reports, FY 2000-2008 & Comptroller's FY 2009 4th Qtr GF Expenditure Reports.

Employee Benefits:

Fringe benefits represent a significant and increasing share of the Town's operating costs. Further, this analysis may understate certain fringe benefits such as sick leave buy-back liabilities and vacation accruals.

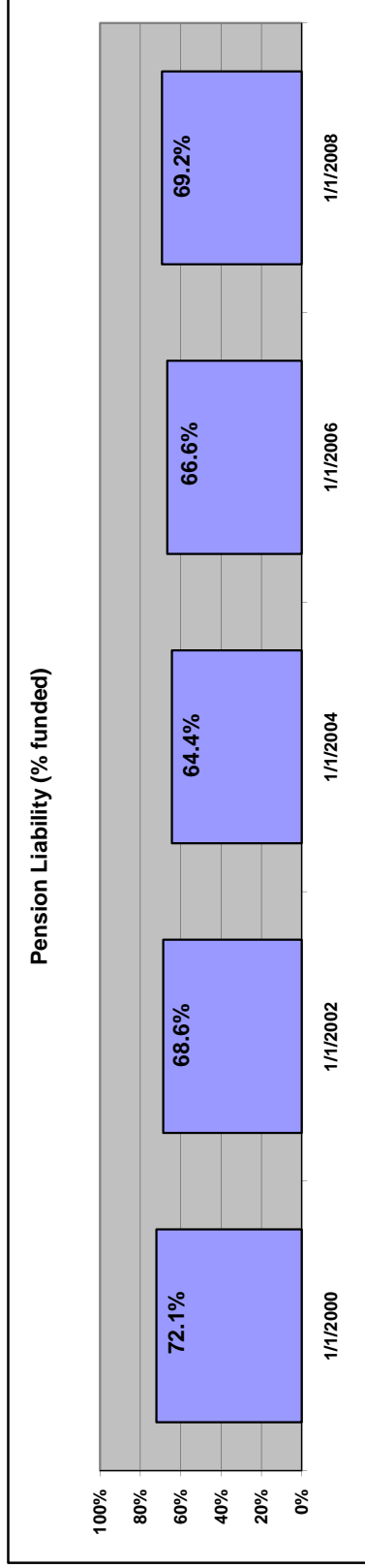
This indicator demonstrates one of the most alarming statistics witnessed during the last 10 years - growth in health care costs. Medical benefits (including all forms of health insurance), have increased nearly 300% in the last 10 years and its share as part of an employees' compensation package has nearly doubled - from comprising 13.25% in 2000 to over 24% in 2009. The increase in health care costs means valuable available funds for other purposes are being spent to maintain an existing benefit. This directly impacts the amount of money available for service delivery and infrastructure maintenance and is not sustainable.

Natick Trend	
favorable	
marginal	
unfavorable	x
uncertain	



Pension Liability

Trend Guideline: An unfunded pension liability or increase in the unfunded liability is considered a warning indicator.



Formula:

Pension Assets / Pension Liability

Actuarial Date	1/1/2000	1/1/2002	1/1/2004	1/1/2006	1/1/2008
Estimated Accrued Liability	\$ 89,688,360	\$ 100,572,515	\$ 109,024,236	\$ 118,903,286	\$ 131,268,314
Pension Assets	\$ 64,669,153	\$ 68,985,592	\$ 70,246,877	\$ 79,234,306	\$ 90,885,080
Pension Liability (unfunded)	\$ 25,019,207	\$ 31,586,923	\$ 38,777,359	\$ 39,668,980	\$ 40,383,234
Percent Funded	72.1%	68.6%	64.4%	66.6%	69.2%

Source: Town of Natick Retirement System Actuarial Studies, 2000-2008.

Pension Liability:

The Natick Retirement System provides pension benefits for many retired employees of the Town of Natick. Established under M.G.L. Chapter 32, the Natick Retirement System is funded via an annual appropriation at Town Meeting. As of 2007, there were 1028 participants in the Natick Retirement System - 573 active, 84 inactive and 371 retired participants and beneficiaries. Town Meeting appropriates an annual contribution to the system as determined by an actuarial study. The next actuarial study will be complete as of January 1, 2010.

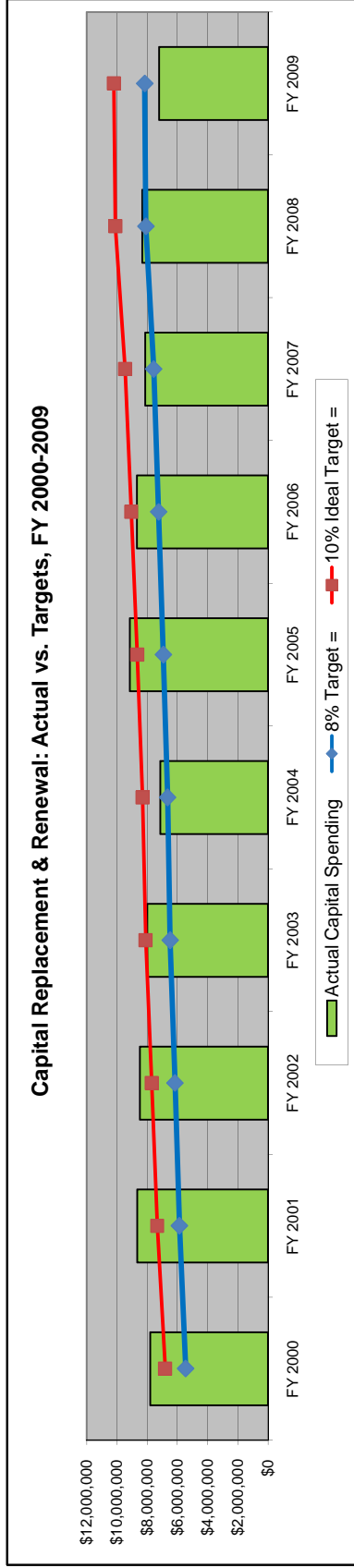
Natick's overall pension liability is an area of ongoing concern. As revenues become stagnant while the assessment for the Retirement System continues to increase in order to meet state mandated funding requirements, the impact of the retirement system upon Town operations will increase. State law mandates the pension system must be fully funded by 2028. This will require that beginning in FY 2012, more money will need to be set aside to fund the retirement assessment and less will be available for operational and capital needs.

<i>Natick Trend</i>	
favorable	
marginal	
unfavorable	X
uncertain	



Capital Asset & Renewal

Trend Guideline: A three or more year decline in Capital Spending from operating funds as a percentage of gross operating revenues is considered a warning indicator.



Formula: Actual Capital Spending (Cash + Debt) vs. 8% and 10% Recommended Targets

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Gross Revenues	\$ 68,107,775	\$ 73,337,370	\$ 77,009,363	\$ 80,997,614	\$ 83,045,409	\$ 86,588,874	\$ 90,521,793	\$ 94,546,948	\$ 100,954,999	\$ 102,021,869
Target:	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
8% Target =	\$5,448,622	\$5,866,990	\$6,160,749	\$6,479,809	\$6,643,633	\$6,927,110	\$7,241,743	\$7,563,756	\$8,076,400	\$8,161,750
10% Ideal Target =	\$6,810,778	\$7,333,737	\$7,700,936	\$8,099,761	\$8,304,541	\$8,658,887	\$9,052,179	\$9,454,695	\$10,095,500	\$10,202,187
Actual Capital Spending										
Cash	\$ 1,512,700	\$ 1,433,883	\$ 1,009,500	\$ 374,300	\$ 195,800	\$ 1,401,500	\$ 680,847	\$ 906,128	\$ 1,077,378	\$ 293,900
Debt Service	\$ 6,287,045	\$ 7,211,047	\$ 7,458,504	\$ 7,621,375	\$ 6,936,472	\$ 7,732,212	\$ 7,993,438	\$ 7,213,658	\$ 7,243,778	\$ 6,915,189
Total Cap. Spending As %	11.45%	11.79%	11.00%	9.87%	8.59%	10.55%	9.58%	8.59%	8.24%	7.07%
Actual Capital Spending	\$7,799,745	\$8,644,930	\$8,468,004	\$7,995,675	\$7,132,272	\$9,133,712	\$8,674,285	\$8,119,786	\$8,321,156	\$7,209,089

Source: Appropriations from Annual Town Meetings, Town of Natick, Town Reports 1999-2008.

Capital Asset & Renewal:

Companies of any size must maintain, renew and replace their infrastructure in a timely and cost effective manner. Municipalities are no different, and often have the daunting task of having to renew capital equipment and infrastructure with numerous other competing needs. Timely replacement of capital equipment and infrastructure benefits the community in the long-run as it increases efficiency and keeps maintenance costs lower while providing better facilities to the general public. A decline of spending on capital over a three-year period is considered a warning sign by industry standards.

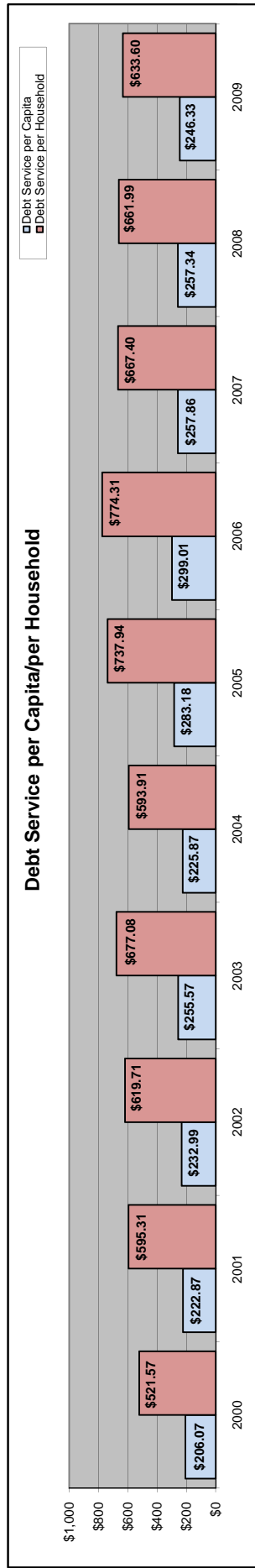
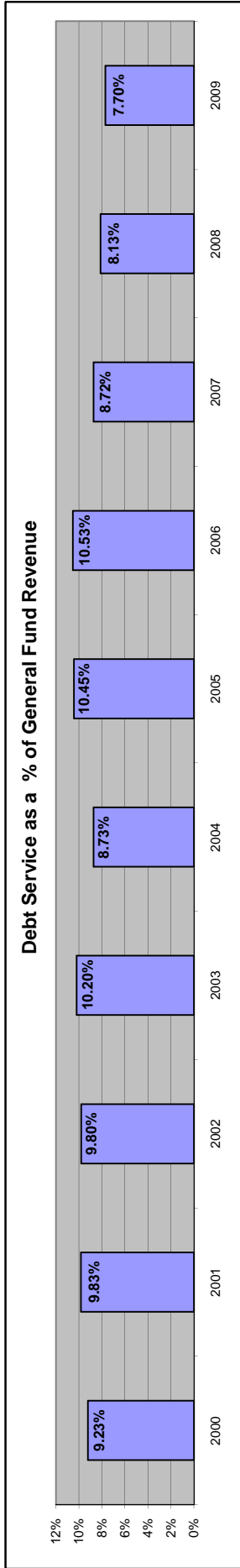
Unfortunately for the Town of Natick, spending on capital has indeed decreased over the last five fiscal years, and fallen short of the recommended 10% of general fund operating revenues and now even short of the minimum of 8% of general fund operating revenues as set forth in the Town Administrator's Recommended Financial Policies. Decreased capital spending has resulted in the deferral of many projects and replacement pieces of equipment, driving up maintenance costs in several departmental operating budget. Though a necessary one-time budgeting strategy to avoid serious service impacts, continued declines in capital spending and replacement cannot be sustained without risking further increases in maintenance costs, decreased efficiency and greater replacement cost later when the equipment or improvement is actually purchased.

Natick Trend	
favorable	
marginal	
unfavorable	x
uncertain	



Debt Service

Trend Guideline: Debt Service exceeding 20 percent of operating revenues is considered a warning indicator by the credit rating organizations.



Formulas:

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Exempt Debt Service	\$ -	\$ -	\$ 86,498	\$ 639,000	\$ 317,000	\$ 1,313,405	\$ 1,540,676	\$ 1,031,410	\$ 960,274	\$ 937,705
Within Levy Debt Service	\$ 6,287,045	\$ 7,211,047	\$ 7,458,504	\$ 7,621,375	\$ 6,936,472	\$ 7,732,212	\$ 7,993,438	\$ 7,243,658	\$ 7,243,778	\$ 6,915,189
Total Debt Service	\$ 6,287,045	\$ 7,211,047	\$ 7,545,002	\$ 8,260,375	\$ 7,253,472	\$ 9,045,617	\$ 9,534,114	\$ 8,245,068	\$ 8,204,052	\$ 7,852,894
Gross Operating Revenue	\$ 68,107,775	\$ 73,337,370	\$ 77,009,363	\$ 80,997,614	\$ 83,045,409	\$ 86,588,874	\$ 90,521,793	\$ 94,546,948	\$ 100,954,999	\$ 102,021,869
Households	30,510	32,356	32,384	32,321	32,113	31,943	31,886	31,975	31,880	31,880
Debt Service as a % of General Fund Revenue	9.23%	9.83%	9.80%	10.20%	8.73%	10.45%	10.53%	8.72%	8.13%	7.70%
Debt Service per Capita	\$ 206.07	\$ 222.87	\$ 232.99	\$ 255.57	\$ 225.87	\$ 283.18	\$ 298.01	\$ 257.86	\$ 257.34	\$ 246.33
Debt Service per Household	\$ 521.57	\$ 595.31	\$ 619.71	\$ 677.08	\$ 593.91	\$ 737.94	\$ 774.31	\$ 667.40	\$ 661.99	\$ 633.60

Source: Town of Natick, Town Reports 1999-2008, Massachusetts Dept. of Revenue DLS Gateway Reports, Town of Natick Tax Recapitulation Worksheet - LA-4 - FY 2000-2009.

Debt Service:

Debt is the chief financing tool utilized by municipalities to continually replace and maintain its capital infrastructure. As such, it is important to monitor how much debt the community has at any one point in time and determine what impact the amount of debt service has on the operating budget and the taxpayers. Credit rating agencies monitor the amount of debt a community has just like they monitor individual credit. A variety of factors, including the level of debt service/annual revenues and level of debt service/capita and per household are evaluated by credit rating agencies.

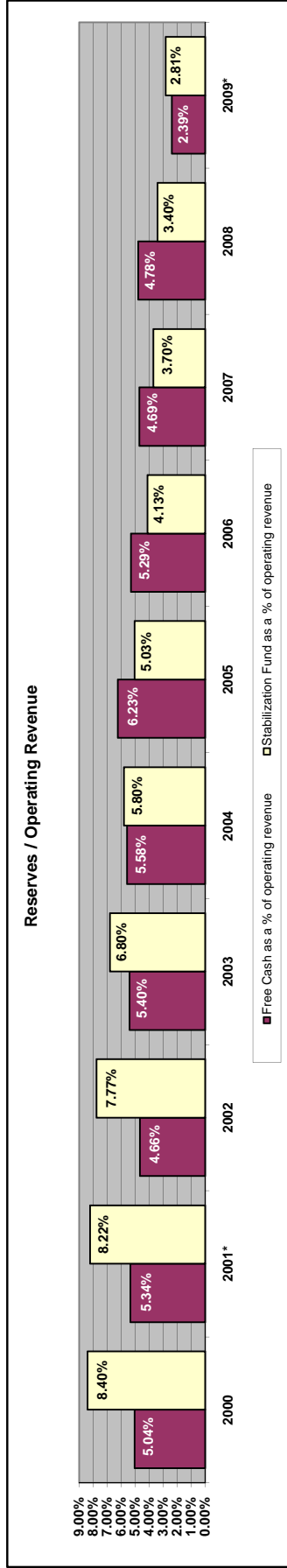
Positively for Natick, the community fares well on this indicator. Not only has debt service per capita remained well within recommended levels at between 8%-10.5% - debt service of 20% of operating revenues is considered a problem and 10% is considered acceptable - but has been decreasing since FY 2006. Future issuance of debt should be timed so as to minimize its impact upon both the operating budget. This can be achieved by timing new issuances with retirement of current debt service and following the Town Administrator's Recommended Financial Policies on issuing large debt projects (over \$1,000,000) outside of the tax levy.

Natick Trend	
favorable	x
marginal	
unfavorable	
uncertain	



Reserves & Fund Balance

Trend Guideline: Declining reserves as a percentage of operating revenues is considered a warning indicator.
Comment: The Government Finance Officers Association (GFOA) recommends that undesignated fund balance be 5-15 percent of operating revenues.



Formula:

Type of Reserve / Operating Revenues

Fiscal Year	2000	2001*	2002	2003	2004	2005	2006	2007	2008	2009*
Certified Free Cash	\$ 3,431,756	\$ 3,913,775	\$ 3,584,494	\$ 4,337,157	\$ 4,620,048	\$ 5,313,708	\$ 4,709,762	\$ 4,387,917	\$ 4,784,709	\$ 2,415,060
Stabilization Fund	\$ 5,723,421	\$ 6,027,288	\$ 5,975,205	\$ 5,464,106	\$ 4,798,985	\$ 4,292,834	\$ 3,671,373	\$ 3,458,312	\$ 3,401,290	\$ 2,844,860
Net Operating Revenues	\$ 68,107,775	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164
Free Cash as a % of operating revenue	5.04%	5.34%	4.66%	5.40%	5.58%	6.23%	5.29%	4.69%	4.78%	2.39%
Stabilization Fund as a % of operating revenue	8.40%	8.22%	7.77%	6.80%	5.80%	5.03%	4.13%	3.70%	3.40%	2.81%
Net Reserves as a % of Operating Revenue	13.44%	13.56%	12.43%	12.20%	11.39%	11.27%	9.42%	8.39%	8.19%	5.20%

Source(s): Certified Free Cash letters from the Department of Revenue, 1999-2008 & Town of Natick Town Reports, 1999-2008

Notes:

*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

Reserves & Fund Balance:

Reserves can be used by municipalities for many different purposes. Primarily, reserves are used to buffer against the need for severe reductions in service due to economic downturns, major emergencies which the community must respond to and as a sinking fund for major capital projects. Communities which maintain a Aaa bond rating (like Natick) traditionally have strong reserve positions between 8%-15% of net operating revenues.

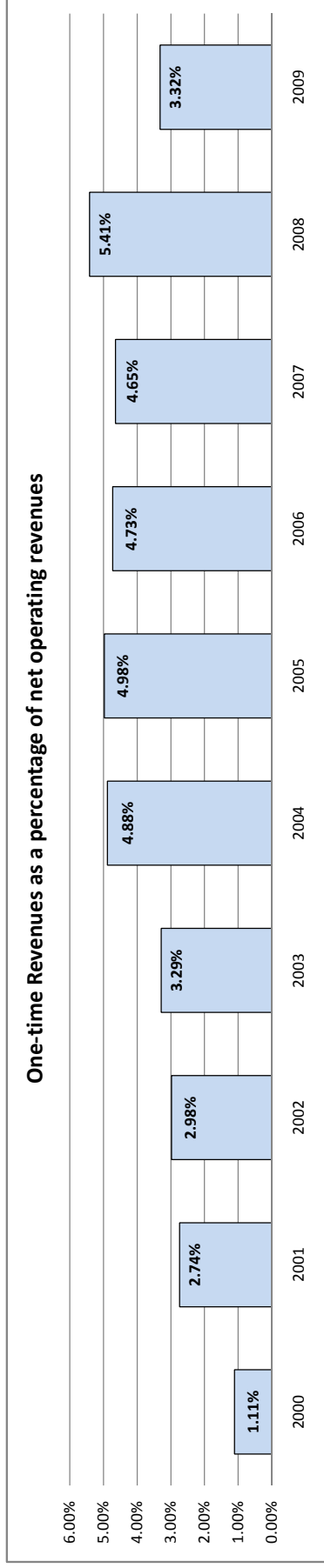
Among the most alarming of trends for the Town of Natick is the marked and steady decline of reserves over the last decade. Regardless of how the economy performed from FY 2000-2009, the Town's overall reserve position declined from FY 2001 to the present day. Although the amount of Free Cash and Stabilization Fund as a percentage of net operating revenues is above the minimums set within the Town Administrator's Recommended Financial Policies, this trend is clearly not sustainable. Services funded with the reliance of these reserves and one-time revenues will be difficult to maintain if the Town is to maintain a reserve position within the levels recommended by the Government Finance Officers Association and more importantly adequate to respond to significant fiscal pressures and or major emergencies or judgments against the Town.

Natick Trend	
favorable	
marginal	
unfavorable	X
uncertain	



Use of One-Time Revenues to Support Operations

Trend Guideline: Increasing use of one-time revenues as a percentage of operating revenues is considered a warning indicator.



Formula:

One-time Operating Revenues / Net Operating Revenues

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
One-Time Revenues										
Free-Cash	\$ 597,752	\$ 1,170,005	\$ 1,284,760	\$ 1,852,644	\$ 2,290,405	\$ 2,494,794	\$ 2,857,608	\$ 3,445,080	\$ 4,035,895	\$ 2,757,971
Stabilization Fund	\$ -	\$ 644,377	\$ 809,026	\$ 594,668	\$ 750,000	\$ 750,000	\$ 675,000	\$ 400,000	\$ 256,102	\$ 600,000
Overlay Surplus	\$ 159,370	\$ 195,000	\$ 195,000	\$ 195,000	\$ 1,000,000	\$ 1,000,000	\$ 675,000	\$ 500,000	\$ 1,116,024	\$ -
One-Time Revenues	\$ 757,122	\$ 2,009,382	\$ 2,288,786	\$ 2,642,312	\$ 4,040,405	\$ 4,244,794	\$ 4,207,608	\$ 4,345,080	\$ 5,408,020	\$ 3,357,971
Net Operating Revenues	\$ 68,107,775	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164
One-time Revenues as a percentage of net operating revenues	1.11%	2.74%	2.98%	3.29%	4.88%	4.98%	4.73%	4.65%	5.41%	3.32%

Source: FY 2000-2009 Tax Recapitulation Forms, Page B-2 & Town of Natick Town Reports, 1999-2008.

Notes:

*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

Use of One-Time Revenues to Support Operations:

Municipalities in Massachusetts and throughout the United States will occasionally utilize reserves and one-time revenues to balance annual operating budgets, sustain programs in times of economic downturn, or fund a pilot program which can be further developed or cancelled in a successive year. As a general rule, however, one-time revenues should not be used to sustain ongoing operations because they exist only once and then they are depleted. Utilizing one-time revenues to fund ongoing operations puts services funded through those one-time resources at risk and is not sustainable.

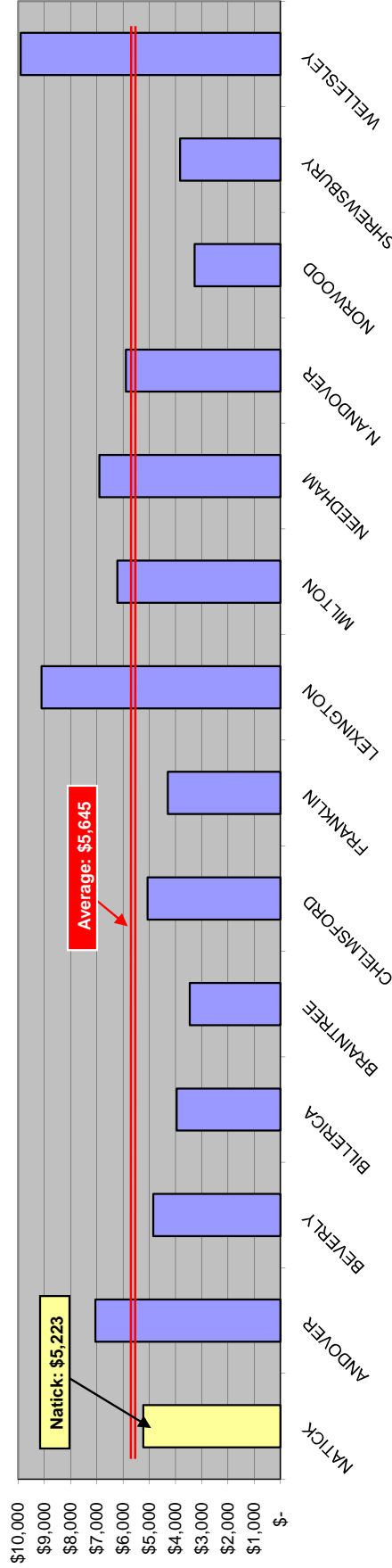
Unfortunately, the Town of Natick has utilized increased amounts of one-time revenues for most of the last decade, peaking at 5.41% of all operating revenues in FY 2008. This pattern is not sustainable, and should be curtailed as much as possible. If one-time revenues are to be used by the Town, they should whenever possible be used for one-time expenses - i.e. Capital purchases or increasing the Town's overall reserve position. It is unlikely that in the current economic climate the Town will completely eliminate the use of one-time revenues such as Free Cash, but sources such as Overlay Surplus and the Stabilization Fund should not be relied upon for future years' operations.

Natick Trend	
favorable	
marginal	
unfavorable	X
uncertain	



Appendix A: Average Tax Bill

Appendix A: Average Single-Family Tax Bill - FY 2009



Average Tax Bill:

This table shows the average single-family tax bill for comparable communities to Natick for FY 2009. Only single-family homes are shown as part of this comparison. As of FY 2009, Natick finds itself below average compared to the other 12 comparable communities in average tax bills.

Source: Mass. Dept. of Revenue, Div. Of Local Services.

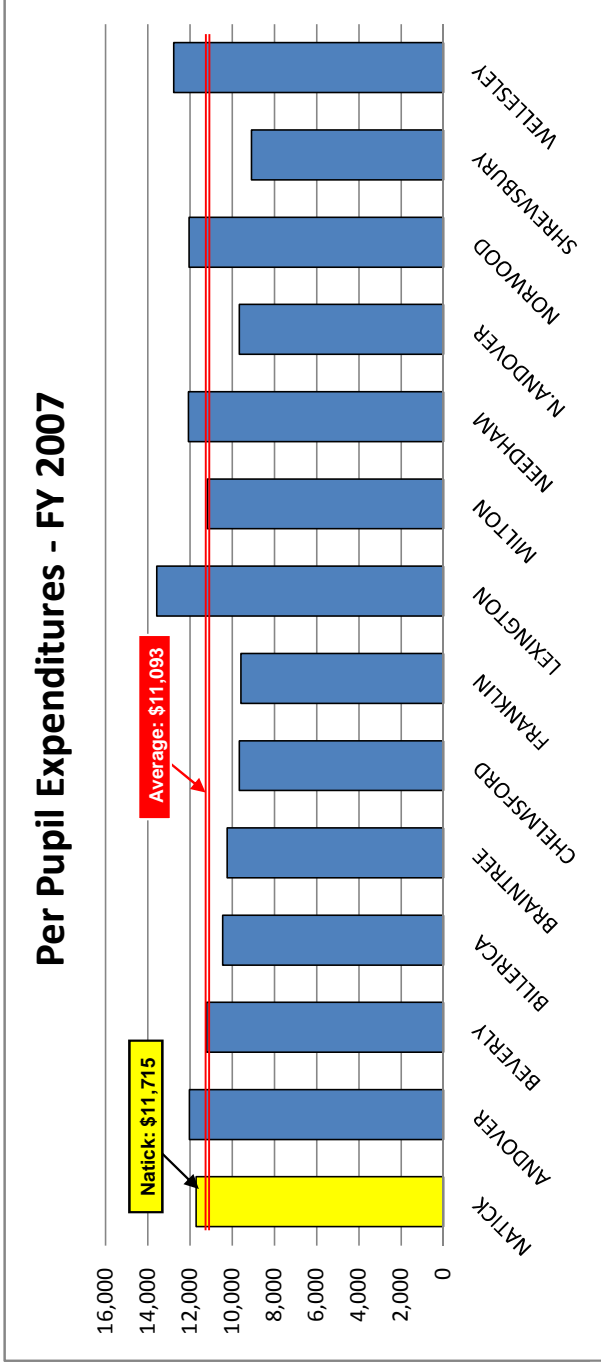


Appendix B: Per Pupil Expenditure Comparative Data

Per Pupil Expenditure Data:

This chart shows per pupil expenditure data for comparable communities and Natick.

Compared to the average for similar communities & school systems, Natick has less students, but a higher than average spending per pupil.



District	FY07		FY07 Total Expenditure
	Foundation Enrollment	FY07 Total Expenditure	
NATICK	4,695	11,715	11,715
ANDOVER	6,123	12,025	12,025
BEVERLY	4,667	11,211	11,211
BILLERICA	6,545	10,451	10,451
BRAINTREE	5,281	10,248	10,248
CHELMSFORD	5,820	9,671	9,671
FRANKLIN	6,547	9,586	9,586

District	FY07		FY07 Total Expenditure
	Foundation Enrollment	FY07 Total Expenditure	
LEXINGTON	6,313	13,574	13,574
MILTON	3,812	11,182	11,182
NEEDHAM	5,064	12,070	12,070
N.ANDOVER	4,703	9,661	9,661
NORWOOD	3,558	12,039	12,039
SHREWSBURY	6,061	9,093	9,093
WELLESLEY	4,682	12,776	12,776

Averages:	
Enrollment	5,277
Per Pupil Expenditure	\$ 11,093

Notes:

Source: Mass. Dept. of Education, 2006-07 Per Pupil Expenditures Report. Total Expenditure column includes all GF appropriations & Grants, Revolving and Other funds. Data shown is most recent available from the Mass. Department of Education.



Appendix C: Population Projections

Population Projections: 1990-2030, Town of Natick



480

Age	1990	2000	2010	2020	2030	Percent Change 2010 to 2030
0-19	6,716	7,818	8,038	7,655	7,626	-5.13%
20-39	11,260	9,398	8,260	8,330	8,114	-1.77%
40-59	7,093	9,011	10,357	9,355	8,480	-18.12%
60-79	4,589	4,675	5,791	7,864	8,989	55.22%
80+	852	1,268	1,386	1,375	1,930	39.25%
Total	30,510	32,173	33,833	34,579	35,139	3.86%

Source: Metropolitan Area Planning Commission, Population Projections: http://www.mapc.org/data_gis/data_center/2006_Projections/Projection_Pop_013106.pdf page 113.

Population:

Population data and trends are extremely important to review and understand for the future allocation of resources and to understand significant shifts in the community. With data provided by the Metropolitan Area Planning Commission, Natick is expected to grow in population on average about 700 people per decade over the course of the next 20 years. The estimate for 2030 may not be achievable as current population counts in Natick are close to 31,800+ rather than 33,800+, but an increase in population is expected nonetheless.

The three interesting points to take away from this projection are: 1) Population will rise but in a very small, steady and predictable amount, thus allowing policymakers, appointed officials and taxpayers to carefully plan for future needs. 2) School age population - the 0-19 cohort is set to decrease in the next 20 years. This is important to correlate with estimates from the Natick Public Schools and should allow for planning of future needs for the children of Natick. 3) The growth in population is set to occur in the 60+ cohorts, with a large spike of over 3,200 more 60-79 aged individuals and 550 more 80+ individuals in the next two decades.



Appendix D: Other Post Employment Benefits

Other Post Employment Benefits (OPEB):

GASB-45 requires that public entities begin accruing the expected future costs of OPEB (medical and life insurance) over the expected future employment period of employees, much like they do now for pension benefits.

At this point in time, GASB 45 is a requirement for *reporting*, but not for *funding*. No legal mandate from the state or federal government, akin to M.G.L. Ch. 32 requiring annual contributions to the Natick Retirement System, has been put in place or even filed in the legislature.

After conducting the actuarial, USI has determined that our total unfunded actuarial accrued liability is \$118,478,909, with \$7,771,167 being reported as the initial liability on the FY 2009 Audit. As a result, the Town's annual audits going forward will show a significant and growing liability, unless the Town chooses to begin setting aside funds in a restricted trust in order to put towards mitigating the liability. But at this time there is no mandate or guidance on how to do just that.

Some communities have chosen to begin setting aside funds towards the unfunded liability without additional legal mandate or guidance from state or federal legislators. They have taken advantage of a variety of funding sources, including but not limited to redirecting Medicare Part D monies (if they receive them), appropriating additional tax levy support to a trust designed to reduce the overall liability, or using decreases in the pension assessments, if they arise.

OPEB Liability Growth as a result of GASB 45

FY 2009

For FY 2009, the actuarial study has estimated that our total cost is:
(this is a cumulation of both the normal cost of care plus the amount we need to pay to "catch-up" to make sure the liability is paid down in 30 years)

Less our current contributions:	\$ (3,548,085)
Total FY 2009 Year-end Outstanding Liability for OPEB:	\$ 7,771,167

FY 2010

Beginning Outstanding Liability (from FY 2009):

FY 2010 estimated total cost:	\$ 7,771,167
Less our current contributions:	\$ 11,909,518
Total FY 2010 Year-end Outstanding Liability for OPEB:	\$ (4,040,121)

and so on...

Source: A Postretirement Welfare Benefit GASB 45 Actuarial Valuation As of July 1, 2008 for: The Town of Natick. The USI Consulting Group. June 26, 2009.

TOWN OF NATICK
FINANCIAL MANAGEMENT PRINCIPLES

January 2010

As per the Town Charter, Section 5-4, the Town Administrator is required to have proposed financial policies for the town each fiscal year. This list of policies has been presented to the Board of Selectmen, and an earlier version to the Financial Planning Committee.

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 8% of general fund revenues should be set aside annually to fund capital needs, inclusive of cash appropriations and the subject year's debt budget. Not included in this target are those capital improvements and equipment purchases funded through debt exclusion, Enterprise Fund or Intergovernmental or other sources such as Chapter 90, mitigation funds, etc. Ideally, this target should provide for a minimum of 10% of general fund revenues set aside in support of annual capital budget given the size of the Town's capital assets. However, the Town's current fiscal situation makes such a target unrealistic. This goal should be revisited at the earliest possible opportunity.

Debt Issuance and Management

- Capital projects should be carefully scheduled and monitored to minimize borrowing costs while optimizing investment opportunities.

- Large capital project, generally costing over \$1 million and having a useful life of ten years or more, are typically funded with debt to spread the cost out over many years. In order to prevent such projects from absorbing significant capacity within the levy, careful consideration should always be given to excluding these projects from the limits of Proposition 2 ½ through debt exclusion question to the voters.
- Whenever practical, the issuance of expensive short-term Bond Anticipation Notes should be avoided.

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.
- Three 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.



Town of Natick

Home of Champions

Department: Snow & Ice History

Town of Natick Department of Public Works History of Snow and Ice Removal

	FY98	FY99	FY00	FY01	FY02	FY03
Budgeted Amount	150,000	150,000	150,000	150,000	150,000	150,000
Emergency Funding (FEMA)				58,660		
Total Expenses	231,073	279,750	220,944	546,000	232,386	595,726

	FY04	FY05	FY06	FY07	FY08	FY09
Budgeted Amount	150,000	150,000	150,000	150,000	150,000	150,000
Emergency Funding (FEMA)	115,049	175,514				
Total Expenses	449,538	895,551	449,627	352,978	882,779	899,655

	3 Year Average	5 Year Average	10 Year Average	5 Year Low	5 Year High
Total Expenses	\$ 711,804	\$ 696,118	\$ 552,518	\$ 352,978	\$ 899,655

Status of Municipal Reserves

Overlay Surplus:

The purpose of the overlay surplus account is to fund property tax abatements and exemptions that may be granted in a particular fiscal year. Each fiscal year has an associated Overlay Reserve account; once all exemption and abatement requests for a particular fiscal year have been resolved or can be reliably predicted, the funds remaining in the Overlay Reserve may be declared by the Assessors as Overlay Surplus. Typically the Overlay Surplus is released incrementally, and is often used to fund Capital or other one-time expenses. For FY 2010, the Assessors were asked to and did release all potential Overlay Surplus from FY 2009 and all earlier years, thus limiting this funding source in future years until the reserve is replenished. No overlay surplus was used in building the FY 2011 budget.

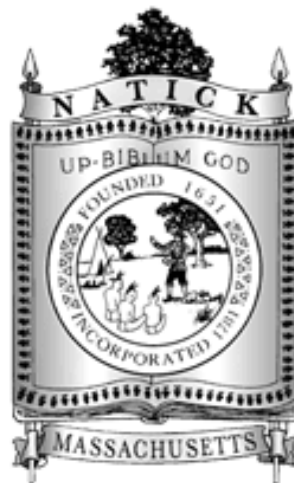
Stabilization Fund:

The Stabilization Fund current balance is over \$2.8 million with \$98,550 proposed to be used to balance the FY 2011 budget. The National Advisory Council on State and Local Budgeting recommends that Stabilization Funds be used to address temporary cash flow shortages, emergencies, unanticipated economic downturns, and one-time opportunities. A prudent level of financial resources is recommended to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. Thus, Natick appropriately used Stabilization Funds in response to what was hoped to be a temporary downturn in state aid, but the persistent and ongoing use of these funds is contrary to recommended practice. Many communities have established a target of 5% of general fund revenues for the Stabilization Fund; this target would suggest maintaining a balance of just over \$5.6 million.

The amount of \$98,550 being used in FY 2011 is more than being offset by the recommended appropriation of \$600,000 into the Stabilization Fund under Article 3.

Free Cash:

Free Cash is cyclical, as a new amount is certified by the Department of Revenue each year based upon remaining funds from operations of the previous fiscal year and actual receipts in excess of revenue estimates, with offsets applied such as unpaid property taxes and certain deficits, all as based on the Town's balance sheet as of June 30. That is, Free Cash is, to some extent, replenished at the end of each fiscal year, but the extent cannot be accurately predicted until the subject fiscal year is "closed out." The MA Department of Revenue recommends that "A community should maintain a free cash balance to provide a hedge against unforeseen expenditures and to ensure there will be an adequate reserve to prevent sharp fluctuations in the tax rate. Maintenance of an adequate free cash level is not a luxury but a necessary component of sound local fiscal management. Credit rating agencies and other members of the financial community expect municipalities to maintain free cash reserves and make judgments regarding a community's fiscal stability, in part, on the basis of free cash." One unofficial target for unappropriated Free Cash (the balances remaining after all appropriations are made from the fund during the fiscal year) is that it should not go below 1/2% of general fund revenues, or approximately \$510,000 for Natick. The proposed amount to be used in FY 2011 of \$2,660,000 will drop the remaining free cash balance to close to \$510,000 – or right at the suggested target.



Town of Natick

FY 2011-2015 Capital Improvement Program Summary



Town of Natick

FY 2011 Budget

Section I: Executive Summary



Town of Natick

FY 2011 Budget

Capital

INTRODUCTION

Everything the Town does, from providing services to its residents and citizens, to equipping employees to effectively perform their jobs, requires the existence of certain basic physical assets. These assets include streets, water mains, parks, buildings, large equipment and technology. They must be purchased, maintained and replaced on a timely basis or their usefulness in providing public services will diminish. The Town's five-year Capital Improvement Program and annual Capital Budget are developed to ensure adequate capital investment in the Town's assets.

FIVE-YEAR CAPITAL PROGRAM

A five-year capital improvement program is an important part of any organization's overall budgeting process. Multi-year planning allows proper staging and sequencing of capital projects to even out spikes and make funding needs more predictable. Capital investment requirements can be uneven, sometimes involving unique large projects such as a new fire engine or a new school building. Other capital investment needs are recurring. We will continue to refine the five-year planning process to identify – and hopefully fund - an appropriate annual level of capital investment.

The Town Administrator's Financial Management Principles provide that a minimum of 8% of general fund revenues should be set aside annually to fund capital needs, inclusive of cash appropriations and the subject year's debt budget. Not included in this target are those capital improvements and equipment purchases funded through debt exclusion, Enterprise Fund or Intergovernmental or other sources such as Chapter 90, mitigation funds, etc. Ideally, this target should provide for a minimum of 10% of general fund revenues set aside in support of annual capital budget given the size of the Town's capital assets, however, the Town's current fiscal situation makes such a target unrealistic. Even with the additional capital appropriations made at the 2009 Fall Annual Town Meeting, Natick did not meet even the recommended 8% target in FY 2010.



Town of Natick

FY 2011 Budget

Capital Planning - Town Administrator Recommended Policy

thru 2009 Fall Town Meeting

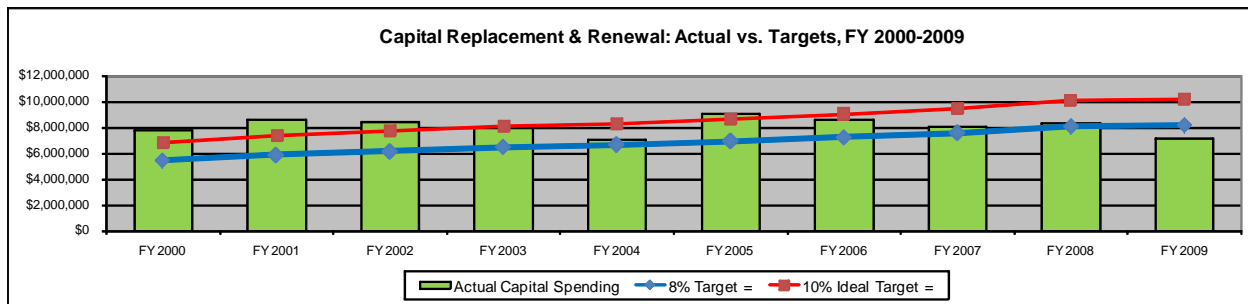
The numbers shown below reflect ONLY General Fund Revenues & Expenditures.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Total Revenues	\$ 90,521,793	\$ 94,546,948	\$ 100,954,999	\$ 102,021,869	\$ 103,933,898
Target:	8%	8%	8%	8%	8%
8% (minimum) Target =	\$ 7,241,743	\$ 7,563,756	\$ 8,076,400	\$ 8,161,750	\$ 8,314,712
Target:	10%	10%	10%	10%	10%
10% (ideal) Target =	\$ 9,052,179	\$ 9,454,695	\$ 10,095,500	\$ 10,202,187	\$ 10,393,390
Actual Capital Spending					
Cash	\$ 680,647	\$ 906,128	\$ 1,077,378	\$ 293,900	\$ 300,940
Debt Service	\$ 7,993,438	\$ 7,213,658	\$ 7,243,778	\$ 6,915,198	\$ 7,158,758
Total Capital Spending	\$ 8,674,085	\$ 8,119,786	\$ 8,321,156	\$ 7,209,098	\$ 7,459,698
Total Cap. Spending As %	9.58%	8.59%	8.24%	7.07%	7.18%

Notes:

FY 2006-2009 columns reflect actual Town Meeting Appropriations and borrowing authorizations; some projects were subsequently deferred.

This continues a trend over the last 10 years concerning capital investment. FY 2000-2009 Capital Investment is shown below:



Eventually, this delayed and deferred approach to capital investment will cost the Town more than it would to replace and renew its infrastructure regularly. Economic necessity has dictated – and will continue to dictate for the near future – that capital investment be less than desired for the Town of Natick and most local and state governments nationwide.

FINANCING METHODS

Traditionally, there are four potential methods for financing the Town's capital investments:

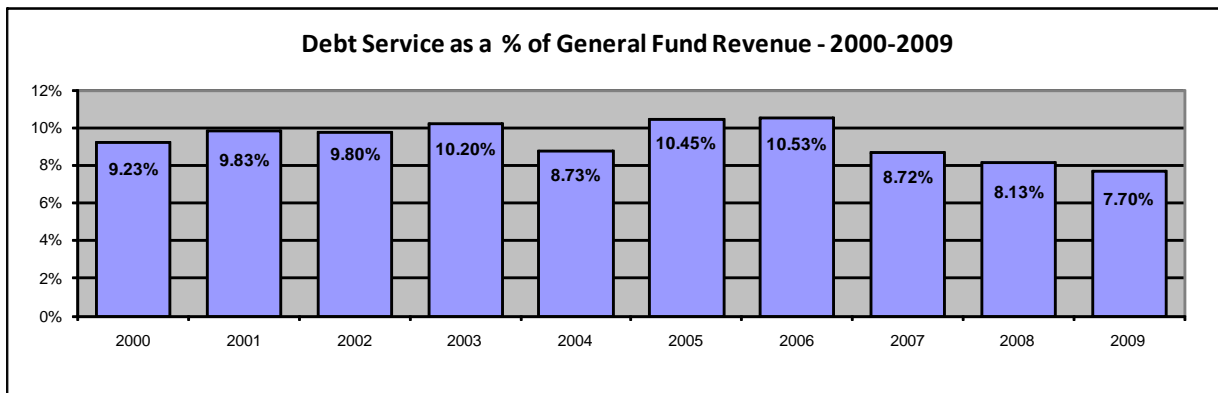


Town of Natick

FY 2011 Budget

- **Available Funds (Free Cash)** – The town regularly appropriates monies from the general fund and the enterprise funds to finance short-term, small capital investment projects. Examples of available funds are free cash and enterprise fund retained earnings. For FY 2011, the recommended amount of financing using the general fund and/or free cash is \$350,000.
- **Stabilization Fund** – Appropriations out of the stabilization fund can be used for any purpose, but do require a higher threshold (2/3 of Town Meeting) to be used as a funding source. Although used exclusively as a capital reserve in the past, no usage of Stabilization Fund monies are recommended for FY 2011 at this time, as the need to maintain adequate reserves is as important in the current fiscal climate as is capital renewal and replacement.
- **Debt Service** – The Town has traditionally financed large capital projects or purchases through borrowing. The resulting debt obligations are appropriated under the General Fund Tax Levy (either within the levy limit or from a voter approved debt exclusion) or from Enterprise Funds.

Over the last 10 years, the Town's General Fund Debt service has ranged significantly as a percentage of general fund revenue. As Indicator 10 of the Town's Financial Indicators, the chart below shows the wide range of debt service as a percentage of General Fund Revenue, from a high of 10.53% in 2006 to a low of 7.70% in FY 2009.



It is important to monitor how much debt the community has at any one point in time and determine what impact the amount of debt service has on the operating budget and the taxpayers. Credit rating agencies monitor the amount of debt a community has just like they monitor individual credit. A variety of factors, including the level of debt service/annual revenues and level of debt service/capita and per household are evaluated by credit rating agencies.

Positively for Natick, the community has a reasonable level of serviceable debt. Not only has debt service per capita remained well within recommended levels at between 8%-10.5% (debt service of 20% of operating revenues is considered a problem and 10% is considered acceptable) but has been decreasing since FY 2006. Future issuance of debt should be timed so as to minimize its impact upon the operating budget. This can be achieved by timing new issuances with retirement

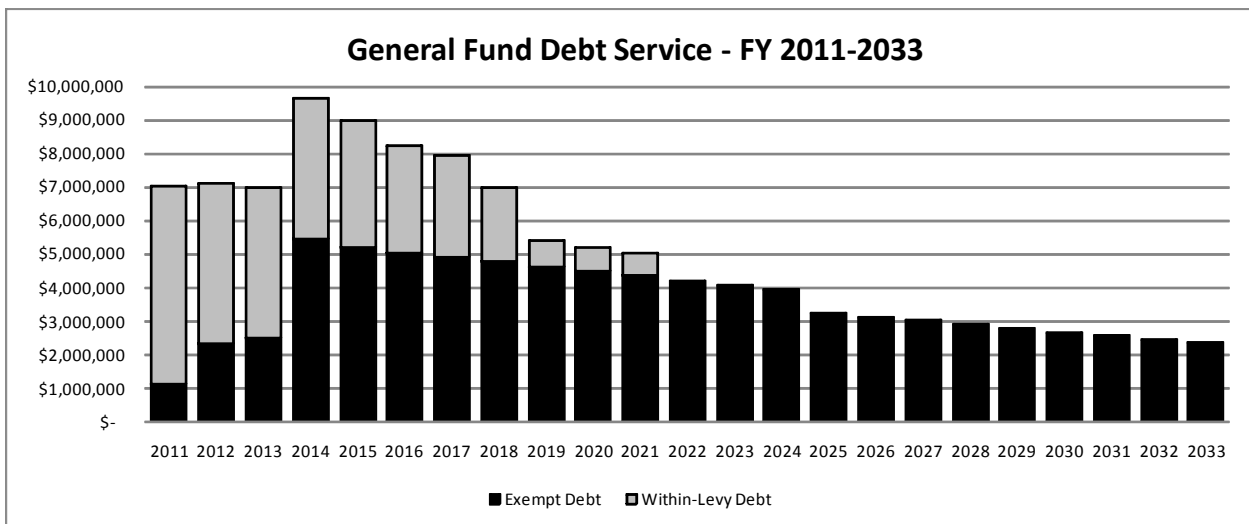


Town of Natick

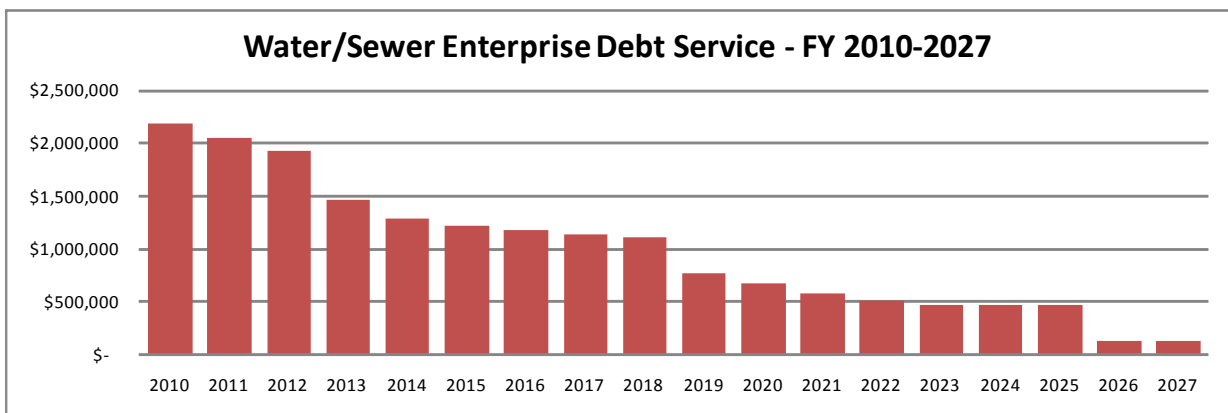
FY 2011 Budget

of current debt service and following the Town Administrator's Recommended Financial Policies on issuing large debt projects (over \$1,000,000) outside of the tax levy.

Looking into the future, the charts below show the Town's debt curves for the next fifteen years by fund. General Fund Debt steadily decreases every year going forward. This, of course, will change as new projects are funded through the use of debt. As a general rule, however, this debt curve should be utilized so as to not increase the debt burden upon the overall budget by selectively timing when and how much new debt to issue annually in support of capital renewal and replacement.



Water/Sewer Enterprise debt also declines annually from FY 2010-2027, though the rate of decline is different than the General Fund.

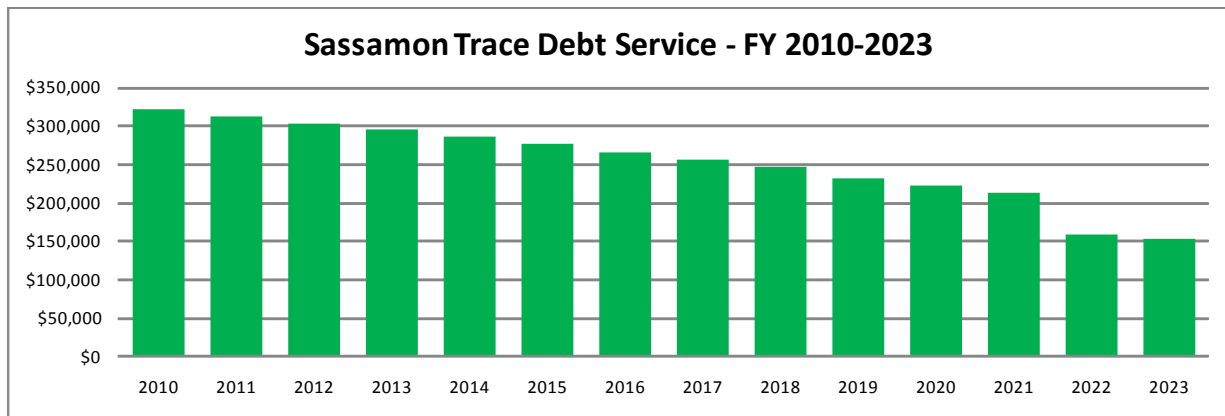


Finally, the Debt Service for Sassamon Trace steadily declines as interest payments decline until FY 2021, until it is paid off entirely in FY 2023.



Town of Natick

FY 2011 Budget



- **Other Sources** – The Town uses dedicated state aid and grant funding to finance capital investment when these funds are available.

Unfortunately, economic necessity has limited available funding from most of these sources and forced staff to recommend a significantly reduced capital plan for FY 2011. Although we hope that the strides made over the last few years can see us through until such time that the fiscal health of the Town and the Commonwealth improves to allow for adequate capital investment, it is very uncertain at this time that FY 2012 and beyond will be that time.

FY 2011-2015 CAPITAL IMPROVEMENT PROGRAM

The FY 2011-2015 Capital Improvement Program is attached on the following pages. All told, there are requests for over \$51,000,000 of capital improvements, equipment and infrastructure. This amount of money is necessary to maintain the hundreds of millions of dollars the Town has invested in its properties, equipment and operations.

The guiding principle in making recommendations for funding as the Spring 2010 Annual Town Meeting approaches will remain unchanged: capital projects and equipment which is the most critical and necessary for the continued operation of General Fund and Water & Sewer Operations will take priority. This will leave many important projects for both the Public Schools and the General Government unfunded at this point in time because the additional debt service costs should not be incurred in the current fiscal climate and/or the necessary cash is not available.

Those projects that are being deferred, however, cannot be forgotten because failure to replace and renew capital assets in a timely manner leads to costlier replacements in the future. We continue to hope that this deferral is only for one-to-two years – and that the capital equipment and infrastructure of the community can sustain longer than previously intended. As funds become more available, replacing capital items on a more frequent and cyclical basis will be a key to maximizing the protection of Natick’s assets.

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Town of Natick

FY 2011 Budget

Section II: FY 2011-2015 CIP Summary

Department **Project Title** FY 2011 FY 2012 FY 2013 FY 2014 FY 2015 Total

General Fund

Natick Public Schools

Natick Public Schools	HIGH SCHOOL-EXTRAORDINARY REPAIRS (part of FinComm Reserve Fund)	100000	100000	100000	100000	0	400000
Natick Public Schools	LILJA- REPLACE CLASSROOM AND LIBRARY CARPET	20000	0	0	0	0	20000
Natick Public Schools	MEMORIAL- REPLACE FIRE ALARM SYSTEM	250000	0	0	0	0	250000
Natick Public Schools	JOHNSON- REPLACE BOILERS	400000	0	0	0	0	400000
Natick Public Schools	BROWN-REPLACE LIBRARY CARPET	24000	0	0	0	0	24000
Natick Public Schools	JOHNSON- REPLACE EXTERIOR WINDOWS	150000	0	0	0	0	150000
Natick Public Schools	REPLACE NSD-81	21000	0	0	0	0	21000
Natick Public Schools	KENNEDY- REPLACE STEAM CONVERTERS AND HOT WTR PUMP	220000	0	0	0	0	220000
Natick Public Schools	REPLACE 1997 NSD-86	0	22000	0	0	0	22000
Natick Public Schools	KENNEDY-REPLACE LARGE HVAC UNITS	0	300000	300000	0	0	600000
Natick Public Schools	MEMORIAL-REPAVE REAR DRIVE AND PARKING AREA	0	65000	0	0	0	65000
Natick Public Schools	BROWN- ROOF REPLACEMENT	0	550000	0	0	0	550000
Natick Public Schools	BROWN-REPLACE A/C UNITS	0	25000	0	0	0	25000
Natick Public Schools	BROWN-REPLACE EXHAUST FANS	0	30000	0	0	0	30000
Natick Public Schools	JOHNSON- REPAVE DRIVEWAYS	0	75000	0	0	0	75000
Natick Public Schools	MEMORIAL-REPLACE EXTERIOR WINDOWS	0	500000	0	0	0	500000
Natick Public Schools	BEN-HEM-REBUILD/REPLACE A/C COMPRESSORS	0	50000	0	0	0	50000
Natick Public Schools	BEN-HEM-REPLACE OFFICE CARPET	0	22000	0	0	0	22000
Natick Public Schools	KENNEDY-REPLACE CLASSROOM UNIVENTS + DDC	0	425000	0	0	0	425000
Natick Public Schools	LILJA-REPLACE A/C UNITS	0	50000	0	0	0	50000
Natick Public Schools	BEN-HEM-REPLACE HOT WATER HEATER	0	10000	0	0	0	10000
Natick Public Schools	MEMORIAL- REPLACE BOILERS	0	500000	0	0	0	500000
Natick Public Schools	REPLACE NSD-83	0	30000	0	0	0	30000
Natick Public Schools	JOHNSON-REFURBISH HALL CEILINGS	0	0	100000	0	0	100000
Natick Public Schools	KENNEDY-REPLACE EXTERIOR WINDOWS	0	0	500000	0	0	500000
Natick Public Schools	KENNEDY- REPLACE EXTERIOR DOORS	0	0	120000	0	0	120000
Natick Public Schools	LILJA- ROOF REPLACEMENT	0	0	550000	0	0	550000
Natick Public Schools	LILJA-REPLACE EXHAUST FANS	0	0	30000	0	0	30000
Natick Public Schools	LILJA- REPLACE DOMESTIC HOT WATER HEATER	0	0	30000	0	0	30000
Natick Public Schools	BROWN-REPLACE DOMESTIC HOT WATER HEATER	0	0	30000	0	0	30000
Natick Public Schools	KENNEDY- REPLACE VAT FLOOR TILE	0	0	300000	300000	0	600000
Natick Public Schools	BEN-HEM-REPLACE EXHAUST FANS	0	0	45000	0	0	45000
Natick Public Schools	REPLACE NSD84	0	0	35000	0	0	35000
Natick Public Schools	KENNEDY-INSTALL FIRE SPRINKLER SYSTEM	0	0	0	750000	0	750000
Natick Public Schools	WILSON-REPLACE A/C COMPRESSORS	0	0	0	100000	0	100000
Natick Public Schools	WILSON-REPLACE DOMESTIC WATER HEATERS	0	0	0	90000	0	90000
Natick Public Schools	JOHNSON-REMOVE VAT	0	0	0	150000	0	150000
Natick Public Schools	BEN-HEM-REPLACE DDC TEMP CONTROL SYSTEM	0	0	0	150000	0	150000
Natick Public Schools	MEMORIAL-INSTALL FIRE SPRINKLER SYSTEM	0	0	0	500000	0	500000
Sub-total Natick Public Schools		1185000	2754000	2140000	2140000	0	8219000



FY 2011-2015 Capital Improvement Program

FY 2011 FY 2012 FY 2013 FY 2014 FY 2015 Total

Project Title

Morse Institute Library

Morse Institute Library	12500	12500	0	0	0	25000
Morse Institute Library	0	55000	0	0	0	55000
Morse Institute Library	0	16000	0	0	0	16000
Sub-total Morse Institute Library	12500	83500	0	0	0	96000

Police Department

Police Department	124720	178900	183900	188900	193900	870320
Police Department	10400	0	0	0	0	10400
Police Department	10000	0	0	0	0	10000
Police Department	0	163420	0	0	0	163420
Police Department	0	16000	0	0	0	16000
Police Department	0	18500	0	0	0	18500
Police Department	0	30000	0	0	0	30000
Police Department	0	27000	0	0	0	27000
Police Department	0	200000	0	0	0	200000
Sub-total Police Department	145120	633820	183900	188900	193900	1345640

Fire Department

Fire Department	25000	25000	0	0	0	50000
Fire Department	180000	0	0	0	0	180000
Fire Department	45000	0	0	0	0	45000
Fire Department	58000	0	0	0	0	58000
Fire Department	150000	0	0	0	0	150000
Fire Department	0	70000	0	0	0	70000
Fire Department	0	250000	0	0	0	250000
Fire Department	0	950000	0	0	0	950000
Fire Department	0	0	0	500000	0	500000
Fire Department	0	0	0	0	500000	500000
Sub-total Fire Department	458000	1270000	0	500000	500000	2728000

Public Works - Building Maintenance

Public Works - Building Maintenance	25000	0	0	0	0	25000
Public Works - Building Maintenance	59500	0	0	0	0	59500
Public Works - Building Maintenance	0	30000	0	0	0	30000
Public Works - Building Maintenance	0	16000	0	0	0	16000
Public Works - Building Maintenance	0	175000	0	0	0	175000
Public Works - Building Maintenance	0	48000	0	0	0	48000
Public Works - Building Maintenance	0	75000	0	0	0	75000
Public Works - Building Maintenance	0	30000	0	0	0	30000
Public Works - Building Maintenance	0	135000	0	0	0	135000
Public Works - Building Maintenance	0	165000	0	0	0	165000
Public Works - Building Maintenance	0	24000	0	0	0	24000
Public Works - Building Maintenance	0	0	30000	0	0	30000



FY 2011-2015 Capital Improvement Program

Department	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Sub-total Public Works - Building Maintenance		84500	698000	30000	0	0	812500

Public Works - Engineering	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Public Works - Engineering	CH90 ROAD IMPROVEMENTS	750000	750000	750000	750000	750000	3750000
Public Works - Engineering	WILLOW ST. DRAINAGE IMPROVEMENTS	200000	0	450000	0	0	650000
Public Works - Engineering	ROADWAY IMPROVEMENTS OAK STREET	2000000	0	0	0	0	2000000
Public Works - Engineering	MIDDLE ST. DRAINAGE IMPROVEMENTS	0	21252	790000	0	0	811252
Public Works - Engineering	REHAB. - CHARLES RIVER BRIDGE	0	400000	0	0	0	400000
Public Works - Engineering	ROADWAY IMPROVEMENTS PINE STREET	0	1200000	0	0	0	1200000
Public Works - Engineering	ROADS (COLLECTOR/ARTERIAL)	0	0	1500000	1500000	0	4500000
Public Works - Engineering	ADD NEW E-3	0	0	25000	0	0	25000
Public Works - Engineering	ENGINEERING & REPAIRS TO THE CHARLES RIVER DAM	0	0	590000	0	0	590000
Public Works - Engineering	PEDESTRIAN BRIDGE & SIDEWALK- SPEEN STREET	0	0	0	98000	0	98000
Public Works - Engineering	REHAB. - JENNINGS POND DAM	0	0	0	114000	0	114000
Sub-total Public Works - Engineering		2950000	2371252	4105000	2462000	2250000	14138252

Public Works - Equipment Maintenance	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Public Works - Equipment Maintenance	REPLACE M-2	0	50000	0	0	0	50000
Public Works - Equipment Maintenance	FORK LIFT	0	20000	0	0	0	20000
Public Works - Equipment Maintenance	REPLACE M-4	0	0	35000	0	0	35000
Public Works - Equipment Maintenance	FUEL DEPOT UPGRADES	0	0	25000	0	0	25000
Public Works - Equipment Maintenance	REPLACE M-1	0	0	28000	0	0	28000
Sub-total Public Works - Equipment Maintenance		0	70000	88000	0	0	158000

Public Works - Highway	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Public Works - Highway	GUARDRAIL (VARIOUS LOCATIONS)	10000	10000	10000	10000	10000	50000
Public Works - Highway	STREET LIGHT REPLACEMENT (funded at 2009 SATM @ \$25,000)	0	80000	80000	80000	80000	320000
Public Works - Highway	REPLACE DUMPSTERS	10000	10000	10000	10000	10000	50000
Public Works - Highway	REPLACE H-53	180000	0	0	0	0	180000
Public Works - Highway	REPLACE H-59	0	105000	0	0	0	105000
Public Works - Highway	REPLACE H-44	180000	0	0	0	0	180000
Public Works - Highway	REPLACE H-52	50000	0	0	0	0	50000
Public Works - Highway	ROAD PLANER ATTACHMENT	22000	0	0	0	0	22000
Public Works - Highway	REPLACE BOMBADIER	0	140000	0	0	0	140000
Public Works - Highway	REPLACE H-40	0	53000	0	0	0	53000
Public Works - Highway	REPLACE H-42	0	150000	0	0	0	150000
Public Works - Highway	REPLACE H-45	0	150000	0	0	0	150000
Public Works - Highway	REPLACE H-55	0	0	140000	0	0	140000
Public Works - Highway	REPLACE TRASH PACKER	0	0	0	200000	0	200000
Public Works - Highway	REPLACE H-51	0	0	0	0	150000	150000
Sub-total Public Works - Highway		452000	698000	240000	300000	250000	1940000



FY 2011-2015 Capital Improvement Program

Department	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Public Works - Land, Facilities & Natural Resources							
Public Works - Land, Facilities & Natural Resources	BALL FIELD LINING MACHINES	0	16000	0	0	0	16000
Public Works - Land, Facilities & Natural Resources	CORE AERATOR	0	25000	0	0	0	25000
Public Works - Land, Facilities & Natural Resources	REPLACE LF-15 AND LF-14	70000	0	0	0	0	70000
Public Works - Land, Facilities & Natural Resources	REPLACE LF-3	120000	0	0	0	0	120000
Public Works - Land, Facilities & Natural Resources	IRRIGATION CONTROLLER	25000	0	0	0	0	25000
Public Works - Land, Facilities & Natural Resources	REPLACE LF-12 STUMP GRINDER	0	35000	0	0	0	35000
Public Works - Land, Facilities & Natural Resources	REPLACE LF-8	0	150000	0	0	0	150000
Public Works - Land, Facilities & Natural Resources	REPLACE LF-6	0	70000	0	0	0	70000
Public Works - Land, Facilities & Natural Resources	REPLACE LF-17	0	0	12000	0	0	12000
Public Works - Land, Facilities & Natural Resources	REPLACE LF-9	0	0	150000	0	0	150000
Sub-total Public Works - Land, Facilities & Natural Resources		215000	296000	162000	0	0	673000

Human Services/Council on Aging	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Council on Aging	BUS	65000	0	0	0	0	65000
Sub-total Human Services/Council on Aging		65000	0	0	0	0	65000

Board of Health	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Board of Health	REPLACE HEALTH-1	26000	0	0	0	0	26000
Board of Health	REPLACE HEALTH-2	26000	0	0	0	0	26000
Sub-total Board of Health		52000	0	0	0	0	52000

Recreation	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Recreation	J. J. LANE PARK	550000	0	0	0	0	550000
Recreation	NATICK COMMON SIDEWALKS	10000	0	0	0	0	10000
Recreation	CIVIL WAR MONUMENT	25000	0	0	0	0	25000
Recreation	DUG POND PIER	10000	10000	10000	10000	10000	50000
Recreation	MURPHY FIELD - NAVY YARD IMPROVEMENTS	0	42500	7500	0	0	50000
Recreation	EAST SCHOOL PLAYGROUND EQUIP.	0	60000	0	0	0	60000
Recreation	JOHNSON SCH CT/RINK/NHS TENNIS CT & BASKETBALL CT	0	90000	0	0	0	90000
Recreation	INTERIOR RENOVATIONS (COLE)	0	20000	20000	0	0	60000
Recreation	REPLACE REC BUS #2	0	70000	0	0	0	70000
Recreation	MEMORIAL SCHOOL LIGHTING	0	0	125000	0	0	125000
Recreation	EAST TENNIS/BASKETBALL COURTS	0	0	100000	0	0	100000
Recreation	REPLACE FARM TRUCK	0	0	35000	0	0	35000
Recreation	REPLACE REC BUS	0	0	0	65000	0	65000
Recreation	BASKETBALL COURT RENOVATIONS	0	0	0	25000	0	25000
Recreation	SOUTH NATICK PARK SYSTEM	0	0	0	1000000	0	1000000
Recreation	COLE CENTER PLAYGROUND	0	0	0	0	50000	50000
Recreation	MEMORIAL BEACH WATER PLAY UNIT	0	0	0	0	75000	75000
Recreation	PEGAN COVE PARK	0	0	0	0	30000	30000
Sub-total Recreation		595000	292500	297500	1120000	165000	2470000



FY 2011-2015 Capital Improvement Program

Department	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Information Technology							
Information Technology	DOCUMENT ARCHIVING	0	250000	250000	0	0	500000
Sub-total Information Technology		0	250000	250000	0	0	500000
Community Development							
Community Development	NORTH MAIN STREET REDESIGN	60000	690000	0	0	0	750000
Community Development	RT 27 / RT 9 INTERSECTION REDESIGN	600000	0	0	0	0	600000
Community Development	ROUTE 27 IMPROVEMENTS - CONSTRUCTION	0	11000000	0	0	0	11000000
Community Development	REPLACE CD-1	0	26000	0	0	0	26000
Community Development	REPLACE CD-2	0	26000	0	0	0	26000
Sub-total Community Development		660000	11742000	0	0	0	12402000

Total General Fund 6874120 21159072 7496400 6710900 3358900 45599392



FY 2011-2015 Capital Improvement Program

Department	Project Title	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
Water/Sewer Enterprise Fund							
Water/Sewer Enterprise Fund	REPLACE GROUND WATER WELLS	150000	300000	300000	300000	300000	1350000
Water/Sewer Enterprise Fund	SEWER MAIN RELINING	150000	150000	150000	150000	150000	750000
Water/Sewer Enterprise Fund	WATER METER RADIO TRANSMITTERS	100000	150000	200000	200000	0	650000
Water/Sewer Enterprise Fund	REPLACE W-2	26000	0	0	0	0	26000
Water/Sewer Enterprise Fund	VFD INSTALLS	0	150000	150000	0	0	450000
Water/Sewer Enterprise Fund	REPLACE W-3	0	25000	0	0	0	25000
Water/Sewer Enterprise Fund	REPLACE W-13	0	30000	0	0	0	30000
Water/Sewer Enterprise Fund	REPLACE W-14	0	95000	0	0	0	95000
Water/Sewer Enterprise Fund	REPLACE W-28	0	45000	0	0	0	45000
Water/Sewer Enterprise Fund	CHLORINE UPGRADE ELM BANK/PINE OAKS/MORSE POND	0	90000	0	0	0	90000
Water/Sewer Enterprise Fund	W-12 AIR COMPRESSOR	0	30000	0	0	0	30000
Water/Sewer Enterprise Fund	W-21 CALL TRUCK 1 TON WORK TRUCK	0	40000	0	0	0	40000
Water/Sewer Enterprise Fund	REPLACE W-20	0	55000	0	0	0	55000
Water/Sewer Enterprise Fund	WATER SYSTEM MODEL	0	75000	0	0	0	75000
Water/Sewer Enterprise Fund	DATA COLLECTION GPS BASE STATION	0	25000	0	0	0	25000
Water/Sewer Enterprise Fund	REPLACE W-22	0	0	160000	0	0	160000
Water/Sewer Enterprise Fund	PINE OAKS WELLS REPLACE MCC	0	0	150000	0	0	150000
Water/Sewer Enterprise Fund	REPLACE W-6	0	0	40000	0	0	40000
Water/Sewer Enterprise Fund	REPLACE W-25	0	0	45000	0	0	45000
Water/Sewer Enterprise Fund	TRAVIS ROAD GENERATOR	0	0	150000	0	0	150000
Water/Sewer Enterprise Fund	SEWER MAIN ON COTTAGE & UNION STREET	0	0	50000	0	0	50000
Water/Sewer Enterprise Fund	REPLACE W-1	0	0	0	30000	0	30000
Water/Sewer Enterprise Fund	BOOSTER PUMP - GLENRIDGE	0	0	0	250000	0	250000
Water/Sewer Enterprise Fund	GENERATOR BRADFORD RD & GRINDER PUMP	0	0	0	125000	0	125000
Water/Sewer Enterprise Fund	RUNNING BROOK/VESTA RD PUMP STATION	0	0	0	500000	0	500000
Water/Sewer Enterprise Fund	REPLACE W-16	0	0	0	0	100000	100000
Total Water Sewer Enterprise Fund		426000	1260000	1395000	1705000	550000	5336000

Sassamon Trace Golf Course Enterprise Fund							
Sassamon Trace Golf Course	SASSAMON TRACE IRRIGATION WELL	0	75000	0	0	0	75000
Total Sassamon Trace Golf Course Enterprise Fund		0	75000	0	0	0	75000

Total All Capital Requests, All Funds		7300120	22494072	8891400	8415900	3908900	51010392
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Town of Natick

FY 2011 Budget

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Glossary

ABATEMENT - Abatement is a reduction of a tax liability. The Board of Assessors grants abatements for real estate and personal property taxes in cases where an individual's assessed valuation is determined to be in excess of fair market value.

ACCRUAL BASIS FOR ACCOUNTING – A method of accounting that recognizes revenue when earned, rather than when collected, and recognizes expenses when incurred, rather than when paid.

APPROPRIATIONS - A legal authorization to expend municipal funds. Massachusetts municipal finance laws require that all general-purpose expenditures be authorized by a majority vote of Town Meeting.

There are two basic types of appropriations - operating appropriations, and special article appropriations. Operating appropriations last for one fiscal year only, and any unobligated balance is closed at the end of the fiscal year. Fire Department Salaries is an example of an operating appropriation. Special Article appropriations are generally voted for a specific project, such as the completion of a capital improvement or the purchase of a piece of capital equipment. Special article appropriations are closed upon completion of the project for which the funds were voted. Appropriations for all **Municipal** departments, boards, and committees are voted in two broad categories - salaries and expenses. Funds voted for salaries may not be expended for expenses and funds voted for expenses may not be expended for salaries, without a transfer approved by Town Meeting. There are no restrictions on **School** appropriations.

APPROPRIATED BUDGET – As used in fund summaries and department summaries within the budget document, represents the current year budget as originally adopted by Town Meeting. It does not include prior year encumbrances or re-appropriation.

ARTICLE - An article or item on the Town Warrant.

ASSESSED VALUATION - The valuation of real estate or other property determined by the Town Assessor for tax levying purposes. The Commonwealth certifies the values and methodology in determining those values every three years.

ASSETS – Property, plant and equipment owned by the Town.

AUDIT – A comprehensive examination as to the manner in which the government's resources were actually utilized concluding in a written report of its findings. An accounting audit is intended to ascertain whether financial statements fairly present the financial position and results of operations of the Town. The Town is required to conduct an audit annually.

BOND - A written promise to pay a specified sum of money, called the face value or principal amount, at a specified dates in the future, called the maturity date(s), together with periodic interest at a specified rate. The difference between notes, usually one year or two years in length and a bond is that the latter runs for a longer period of time. State statute and the Board of Selectmen establish the length of a bond repayment.

BOND ANTICIPATION NOTE (BAN) – A temporary note issued for no more than one or two years. This is commonly used to defer the initial pay down of debt or to accommodate reimbursement for borrowed notes from a private source or other governmental entity.

BUDGET - The budget is the Town's financial plan for a given fiscal period. The annual budget includes an estimate of proposed expenditures, as well as a forecast of estimated revenues and other financing sources.

The Natick Town Charter specifies that the Town Administrator is responsible for presenting a recommended annual budget to the Finance Committee. The Finance Committee reviews the Town Administrator's Recommended Budget in detail and forwards its recommendations to Town Meeting. Town Meeting adopts the budget by voting a series of appropriations, which may not; in the absence of an over-ride of Proposition 2 1/2 exceed the estimated total amount of revenues and other financing sources for the fiscal period.

BUDGET MESSAGE (Town Administrator's Transmittal Letter) – The opening section of the budget that provides the Board of Selectmen, Town Meeting Members, and the general public with a general summary of the most important aspects of the budget, changes from the current and previous fiscal years, and the recommendations of the Town Administrator.

CAPITAL EXPENDITURE - A major, non-recurring expenditure involving land acquisition, construction or major rehabilitation of a facility, or purchase of equipment costing \$10,000 or more with a useful life of five years or more.

CAPITAL IMPROVEMENT PROGRAM (CIP) - A financial planning and management tool which: identifies public facility and equipment requirements; places these requirements in order of priority; and schedules them for funding and implementation.

CHAPTER 90 - Massachusetts General Laws Chapter 90, Section 34 authorizes the Commonwealth to allocate funds to municipalities through the Transportation Bond Issue for highway construction, preservation and improvement projects that create or extend the life of capital facilities. Routine maintenance operations such as pothole filling and snow and ice removal are not covered. The formula for determining the Chapter 90 level of funding is based on a municipality's miles of public ways, population and level of employment. Municipalities receive Chapter 90 funds on pre-approved projects on a reimbursement basis.

CHERRY SHEET - The State allocates a portion of generated revenue to municipalities each year for education and general governmental expenditures. The amount of state aid each community will receive is itemized in a financial statement printed on cherry colored paper (thus the name). The amount of reimbursement is a function of the State budget. Towns usually receive notification in late summer, subsequent to the beginning of the fiscal year.

CLASSIFICATION - Massachusetts municipal finance law requires that all real estate and personal property be appraised at "full and fair cash valuation" for purposes of assessing property taxes. Once the Commissioner of the Massachusetts Department of Revenue certifies that properties are appraised at "full and fair cash valuation" (once every three years), the Board of Selectmen may

impose a tax classification plan, whereby a portion of the residential tax burden may be shifted to the commercial/industrial class of taxpayers. The law limits the amount of tax burden which can be shifted to the commercial/industrial class to not more than 150% of the proportionate share of the class. In other words, if the commercial/industrial class of taxpayers is normally responsible for 25% of the total tax burden, their maximum burden under the classification law is 37.5% (25 x 1.50).

COMPETITIVE BIDDING PROCESS – the process following State law requiring that for purchases of \$25,000 or more a Town must advertise, solicit and publicly open sealed bids from prospective vendors. After a review period, the Town Manager then awards a contract to the successful bidder.

DEBT EXCLUSION - The amount of taxes assessed in excess of the Proposition 2-1/2 levy limit for the payment of debt service costs attributable to a vote of the electorate. Two-thirds of the Selectmen and a majority of citizens voting must approve the exclusion. These funds are raised to retire the debt service for the project. They are not added to the tax levy limit for the following fiscal year.

DEBT SERVICE - Payment of interest and principal on an obligation resulting from the issuance of bonds.

DEPARTMENT – A division of the Town that has overall management responsibility for an operation or group of related operations within a functional area.

DEPRECIATION – 1) Expiration in the service life of capital assets attributable to wear and tear, deterioration, and inadequacy of obsolescence. 2) That portion of the cost of a capital asset that is charged as an expense during a particular period. Depreciation is based on historic costs not replacement value.

ENCUMBRANCE – To encumber funds means to set aside or commit funds for a future expenditure. Encumbrances include obligations in the form of purchase orders, contracts or salary commitments, which are chargeable to an appropriation and for which a part of the appropriation is reserved.

ENTERPRISE FUNDS - Enterprise Funds are used to account for operations which are financed and operated in a manner similar to business operations and where the costs of providing goods or services are financed in whole or in part by user charges (charges for services). Services accounted for in Enterprise Funds are tangible and can be measured for determining a charge for services. In Massachusetts, the most common types of government enterprises include utility or utility-type services for water treatment and delivery, sewerage collection and treatment, and electricity generation and distribution. Less common but prevalent operations include hospitals, airports, parking, swimming pools, and golf courses.

Individual services must ordinarily be accounted for in separate Enterprise Funds. Segregation is essential for determining the total cost of services and the extent to which user charges cover that cost. Although a community may decide to recover only a portion of its costs from user charges, it is essential from a management point of view that it understands what its total costs are. Such costs include amounts for repayment of long-term debt and related interest and estimates for depreciation.

EXPENDITURE – Decrease in net financial resources for the purpose of acquiring and providing goods and services.

EXPENSES – Outflows or other using up of assets or incurring of liabilities during a period from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations. Expenses consist of the following objects of expenditure: Utilities, Supplies and Materials, Contractual Services, and Equipment.

FINES & FORFEITURES - Revenue collected from court fines, penalty charges for overdue taxes along with non-criminal fines are included in this category.

FISCAL YEAR (FY) - The Town of Natick operates on a July 1st through June 30th fiscal year.

FREE CASH - The amount certified annually by the Dept of Revenue that represents the unreserved fund balance less all outstanding tax receivables. This balance is created when actual revenues exceed those estimated and/or expenditures are less than appropriations for any given fiscal year. These funds may be appropriated by Town Meeting as a resource for the next fiscal year's operations or any other purpose authorized by state statute. The Massachusetts Department of Revenue certifies free cash each July 1st. Free Cash represents the savings account of the Town. Certified Free Cash is available for appropriation by Town Meeting for any lawful purpose.

FUND BALANCE - The amount by which cash, accounts receivable, and other assets exceed liabilities and restricted reserves. It is akin to a "stockholders' equity" account on a corporate balance sheet. It is not, however, available for appropriation in full because a portion of the assets listed as "accounts receivable" may be taxes receivable and uncollected. (See Free Cash)

FUNDING SOURCE – The specifically identified funds allocated to meet budget requirements/expenses.

GENERAL FUND - Revenues derived from the tax levy, state aid, local receipts and available funds are considered General Fund revenues. The General Fund is distinguished from Enterprise Funds and Special Revenue Funds.

GFOA – Government Finance Officers Association of the United States and Canada. The G.F.O.A. is a professional organization of governmental finance officers.

GRANT – A contribution by one government unit or outside agency to another governmental unit. The contribution is usually made for a specific purpose but is sometimes for general purposes.

INVESTMENT INCOME - The Town earns interest on cash held in savings accounts and invested in short term securities. The investment goal is to ensure that all funds are invested. The term of these investments is short-term and risk adverse. The Treasurer is very restricted as to the instruments in which investments can be made. The amount of investment income is a function of the amount of funds invested and the interest rate.

LEVY LIMIT - The maximum amount of money, which the Town can raise from the property tax levy, without an override of proposition 2 1/2. Please refer to the explanation of Proposition 2 1/2 for a description of how the levy limit is calculated.

LIABILITY – Debt or other legal obligation which must be paid, renewed or refunded at some future date, but does not include encumbrances.

LOCAL RECEIPTS - A category of revenue sources including school department charges for services, investment income, fines and forfeitures, building permits and excise taxes. These revenues are not considered part of the Proposition 2 ½ Tax Levy.

MODIFIED ACCRUAL BASIS FOR ACCOUNTING – A method of accounting that recognizes revenue when it is actually received and recognizes expenditures when a commitment is made.

MOTOR VEHICLE EXCISE - All Massachusetts vehicle owners who have their vehicle(s) registered in the State of Massachusetts pay an annual motor vehicle excise tax to the city or town in which they reside. The Registry of Motor Vehicles creates a listing of all vehicles registered in Natick and the book value assigned to each vehicle. The Town uses this information to bill all owners an annual tax equal to 2 ½ percent or \$25 for each \$1,000 of the vehicle's value.

MWRA – Massachusetts Water Resources Authority

NEW GROWTH - In addition to a standard 2 1/2% annual increase in the property tax levy, Proposition 2 1/2 allows the levy to be increased further by the sum of certain qualifying new construction valuation, multiplied by the prior year tax rate. Qualifying new construction valuation is known as "New Growth". In general, in order to qualify as "New Growth" the new construction valuation must be either a newly constructed house or an addition to an existing house, which adds at least 50% to the preconstruction value (residential properties). For commercial/industrial properties, "New Growth" consists of both newly built buildings, and additions, which add at least \$100,000 to the prior value of the improved property. It permanently becomes part of the tax levy.

OBLIGATION - A commitment to pay a particular sum of money (e.g. as required by contract or a bond).

OPERATING BUDGET – The portion of the budget that pertains to daily operations, which provide basic services for the fiscal year. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel, and fuel and the proposed means of financing them.

OPERATING EXPENDITURE - An ongoing or recurring cost of performing a function or providing a service. Operating expenditures include personal services, supplies and materials, utilities, contractual services, minor equipment, and debt service.

OVERLAY - The amount raised in the tax levy for funding abatements granted by the Board of Assessors due to overvaluation.

OVERRIDE - An action taken by the voters of the town to exceed the limit placed on tax revenue growth by the State tax limitation law known as Proposition 2 ½. The tax levy limit can be exceeded only if a majority of residents voting approve an override. This sum is then added to the base levy for the next fiscal year and this becomes a permanent addition to the tax levy limit.

PROPOSITION 2 ½ - A tax limitation measure passed by Massachusetts voters in 1980 which limits the growth of the total property tax levy to 2.5% per year. In other words, the total revenue allowed to be raised through real estate and personal property taxes cannot increase by more than 2.5% from one fiscal year to the next unless the citizens of the town approve a debt exclusion or an operating override. New construction values are in addition to this limit. Two provisions within Proposition 2 ½ allow the citizens of a community by popular vote to authorize the Town to raise taxes above the tax levy limit: an operating override or a debt exclusion.

As a consequence of this proposition, the Property Tax currently accounts for 2/3 of the Town's total revenue budget. Proposition 2 1/2, is a statutory limit on the annual rate of growth in the property tax levy of the Town. In the absence of a majority vote of approval by the Natick electorate (an override), the total amount of revenue which may be generated from the property tax is limited to: 2 1/2 more than the prior year levy limit, plus the sum of all qualifying new construction valuation multiplied by the prior year tax rate.

RESERVE FUND - An amount set aside annually within the budget of a city or town to provide a funding source for "extraordinary and unforeseen" expenditures. In a town, the Finance (or Appropriation) Committee can authorize transfers from this fund. The Reserve Fund is under the control of the Finance Committee.

RETAINED EARNINGS – The equity account reflecting the accumulated earnings of the enterprise funds.

RESOURCES - Total dollar amounts available for appropriation including estimated revenues, fund transfers, and beginning fund balances.

REVALUATION - Massachusetts municipal finance law requires that the Massachusetts Department of Revenue formally certify that property tax assessments represent the "full and fair cash valuation" of properties. The process of determining the "full and fair cash valuation" of taxable property is known as Revaluation.

REVENUE - Budgetary resources. The various revenues the Town receives are listed in the Revenue Section of Town Administrator's Summary.

REVOLVING FUND – As authorized under M.G.L. Ch. 53 E ½, departmental revolving funds allow communities to raise revenues from a specific service and use those revenues without appropriation to support the service. Each revolving fund must be re-authorized each year at annual town meeting or by city council action, and that a limit on the total amount that may be spent from each fund must be established at that time. The aggregate of all revolving funds may not exceed ten percent of the amount raised by taxation by the city or town in the most recent fiscal year, and no more than one percent of the amount raised by taxation may be administered by a single fund. Wages or salaries for full-time employees may be paid from the revolving fund only if the fund is also

charged for all associated fringe benefits.

SCHOOL BUILDING ASSISTANCE PROGRAM (SBAB) – A program started by the Commonwealth of Massachusetts for the purpose of assisting municipalities in the reconstruction and renewal of its public schools.

SEWER & WATER CHARGES - The Town operates a Water and Sewer Enterprise Fund to manage these municipal operations. Users of sewer and water services provided by the Town pay charges depending upon usage. Revenue received from charges for sewer and water services is used to fully support the costs of utility operations, such as Massachusetts Water Resources Authority (MWRA) assessments, debt service obligations, personnel costs, and capital projects. Charges for services are based on an inclining block rate structure corresponding to usage. Charges rise as usage increases. The Town pays the MWRA assessments to dispose of Town sewage.

STABILIZATION FUND – Massachusetts General Law Ch.40, Sec. 5B, allows a municipality to appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding fiscal year; the aggregate amount in the fund shall not exceed ten percent of the equalized valuation of the municipality. The treasurer shall be custodian of the fund and may invest the proceeds legally; any interest earned shall remain with the fund. Money from the Stabilization Fund may be appropriated for any lawful purpose by two-thirds vote of Town Meeting.

TAX LEVY - The total amount to be raised through real estate and personal property taxes. Natick property owners pay taxes to the Town based on the assessed value of their real and/or personal property. Each year the Board of Selectmen conducts a tax classification hearing to determine a tax rate. The Town Assessor makes adjustments to real estate values in order to properly reflect fair market value. In addition to real estate, businesses may also pay a personal property tax (set at the commercial rate) based on the value of their professional equipment, furniture and fixtures. The amount of taxes a property owner pays is determined by multiplying the applicable tax rate by the valuation. For example, if the tax rate is \$10 and a property's assessed value is \$100,000, the property owner will pay \$10 times \$100,000/1,000, or \$1,000. Tax levy revenues are the largest source of funding for the Town. These revenues support most school, police, fire, public works, library, and general governmental services to the community.

TAX LEVY LIMIT - The maximum amount that can be raised within Proposition 2 ½.

TAX RATE - The amount of tax levied for each \$1,000 of assessed valuation.

USER FEES - Fees paid for direct receipt of a public service by the user or beneficiary of the service.

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2007 Population Per Square Mile: 2,120.4

2007 Housing Units Per Square Mile: 886.5

2007 Road Miles: 154.29

Number of Registered Vehicles (January 2008): 32,991

Average Age of Vehicles (January 2008): 9.03

Government & Elections Information

School Structure: K-12

Form of Government: Town Administrator-Selectmen-Representative Town Meeting

Registered Voters: (as of December 31, 2007) 20,845

Democratic 7,338

Independent 3rd Party 9

Republican 2,709

Libertarian Party 58

Unenrolled 10,697

Working Families 6

Socialist 3

American Independent 2

Green Rainbow Party 21

Reform Party 2

Area: 15.99 sq. miles

Town Offices:

Town Hall, 13 East Central Street

US Senators:

John F. Kerry & Scott Brown

Representative in Congress:

Edward J. Markey

State Senators:

Karen Spilka, Precincts 1-5, & 8
Open

State Representatives:

David Paul Linsky, Precincts 1-9
Alice Hanlon Peisch, Precinct 10

Voting Qualifications: Must be 18 years of age on or before Election Day, born in the United States or fully naturalized; a resident of Natick.

Registration of Voters: Town Clerk's Office, 13 East Central Street, daily from 8:00 a.m. to 5:00 p.m.

Where to Vote (Precinct Numbers):

Kennedy Middle School, 163 Mill Street (1)
Cole Recreational Center, 179 Boden Lane (2)
Kennedy Middle School, 163 Mill Street (3)
Wilson Middle School, 24 Rutledge Road (4)
Wilson Middle School, 24 Rutledge Road (5)
Lilja School, 41 Bacon Street at Oak Street (6)
Lilja School, 41 Bacon Street at Oak Street (7)
Natick High School, 15 West Street (8)
Morse Institute Library, 14 East Central St. (9)
Memorial School, 107 Eliot Street (10)

Demographics & Information

History

The Town of Natick is a suburban industrial center located on the upper basin of the Charles and Concord Rivers with an extensive complex of ponds. The town was from earliest Colonial days a prime target for development, possessing as it did good agricultural land, fish runs and water power. Established in 1650 on the Charles River, Natick had the first and the largest Indian praying town in the colonies, one that became a model for all other attempts to inculcate European standards into Indians. John Eliot, the great missionary, secured a charter of 6,000 acres for the Indians and converted them to Christianity. Unfortunately, Natick's Indian population was forcibly resettled on Deer Island during the King Philip's war and essentially never returned.



In Colonial days, Natick was an agricultural community with some orchards and some lumbering. Grist and sawmills were established and Indian ownership and control gave way to white dominance between 1676 and 1776. Local tradition claims that several loads of Natick men shipped out to the California gold rush in 1849 and 1850, returning with enough capital to start independent businesses in the town. The shoe industry dominated the community by the early 19th century, with the first shoe sole manufacturer established in 1827 and shoes shipped to the southern and western markets by 1830. The town's products, including baseballs manufactured in Natick, were shipped to Boston on the Boston and Worcester Railroad. The town saw rapid growth including an Irish, English, Nova Scotian, Italian and Armenian immigrant population which came to take jobs in the shoe plants and by the 1880's, Natick was the third largest shoe production community in the country.

Demographic & Geographic Information

Settlement Date: 1651

Incorporation Date: Natick was incorporated as a Town on February 19, 1781.

County: Middlesex

Location: Eastern Massachusetts, bordered by Framingham on the west, Wayland and Weston on the north, Wellesley and Dover on the east, and Dover and Sherborn on the south. Natick is 18 miles southwest of Boston; 25 miles east of Worcester; 35 miles north of Providence, Rhode Island; and about 201 miles from New York City.

Total Area: 16.06 sq. miles

Land Area: 15.09 sq. miles

Population: 32,170

2008 Labor Force: 18,689

1999 Per Capita Income: 36,358

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**Town of Natick
13 E. Central Street
Natick, MA 01760**

IMPORTANT TOWN BUSINESS