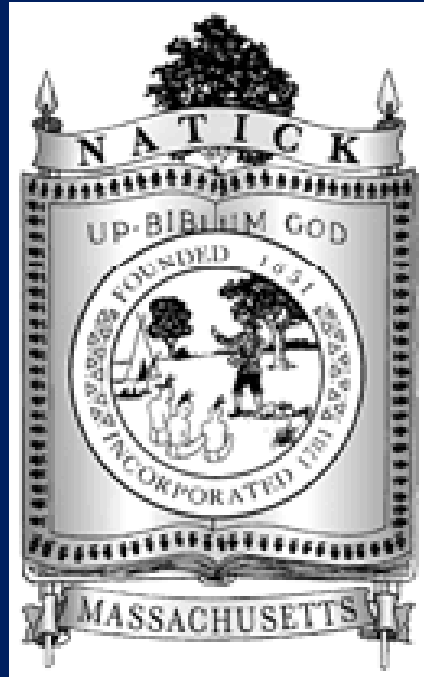


Town of Natick



FY 2011 TA Proposed Budget Presentation

Martha White, Town Administrator

January 4, 2010



Town of Natick

FY 2011 TA Proposed Budget

Presentation Summary:

1. Budget Process
2. Budget Shortfall
3. Balancing the Budget
4. Eye to the Future: Upcoming Issues
5. Budget Changes
6. Closing



Town of Natick

FY 2011 TA Proposed Budget

1. Budget Process

- Began internally in the early fall with the issuance of the Budget Manual to all general government departments.
- Departments were advised to ensure that their budget requests represented comprehensive and careful consideration of resources needed to accomplish the mission, goals and objectives of their departments.
- Other key instructions included:
 - “Level-Service Budgets” - same level of service as is currently being provided in FY 2010; employee compensation and departmental expenses were budgeted accordingly accounting for fixed cost increases (i.e. contractual services, contractual employee step raises, etc.).



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1. Budget Process

Other key instructions included (con't):

- With respect to utilities, departments were advised to level-fund all costs, including gasoline and diesel, at FY 2010 funding levels. The finance staff have made adjustments as applicable to ensure consistency in cost increases.
- No Cost of Living Allowances (COLAs) have been included, as all collective bargaining agreements expire effective June 30, 2010 and successor agreements have not yet been negotiated. To the extent that negotiated COLAs are determined during the budget process, they will be accounted for separately.
- Departmental budgets include only recurring costs; one-time expense items have been removed from budget proposals.



Town of Natick

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1. Budget Process

Other key points:

- Inclusive process - Department heads were encouraged to solicit participation from all levels of staff during development of their budgets in order to more fully identify and address the budget needs associated with the department's programs and services and to bring a variety of perspectives to the process.
- During the month of December, the Town Administrator met with all department heads to review the budget requests and develop the sum of the parts into a cohesive whole. These meetings also provided an opportunity to assess mid-year progress on departmental goals.



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1. Budget Process

Other key points:

- Simultaneous with the development of the general government operating budget, the School Department has undertaken a separate process for developing the operating budget of the Natick Public Schools; the Superintendent will submit his budget request to the School Committee in January.
- As required by Charter, the Town Administrator is responsible for making budget recommendations for all Town programs, including a total School budget. This presentation and submission is a complete budget, though not one in balance; in fact, ***a deficit of over \$3.1 million results*** from the projected revenues and requested general government, school and shared expenses.



Town of Natick

FY 2011 TA Proposed Budget

2. Budget Shortfall

Budget is out of balance:

FY 2011 Budget as of January 1, 2010

Revenues:	\$103,938,054
<u>Expenses:</u>	<u>\$107,080,797</u>
Balance/ (Deficit):	(\$ 3,142,743)



Town of Natick

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2. Budget Shortfall

Drivers of imbalance (Revenues):

- State Aid:

- 10% of all revenues in FY 2010 – continues to decline.
- Official estimates for FY 2011 unknown until the Governor releases his budget later in January.
- Administration is projecting a net 11.4% reduction from current year levels.
- **This alone represents a reduction of over \$1 million in revenue.**
- Other notable declines in revenue are in the categories of Stabilization Fund and Overlay Surplus; no funds from these sources are proposed in the FY 2011 operating budget.

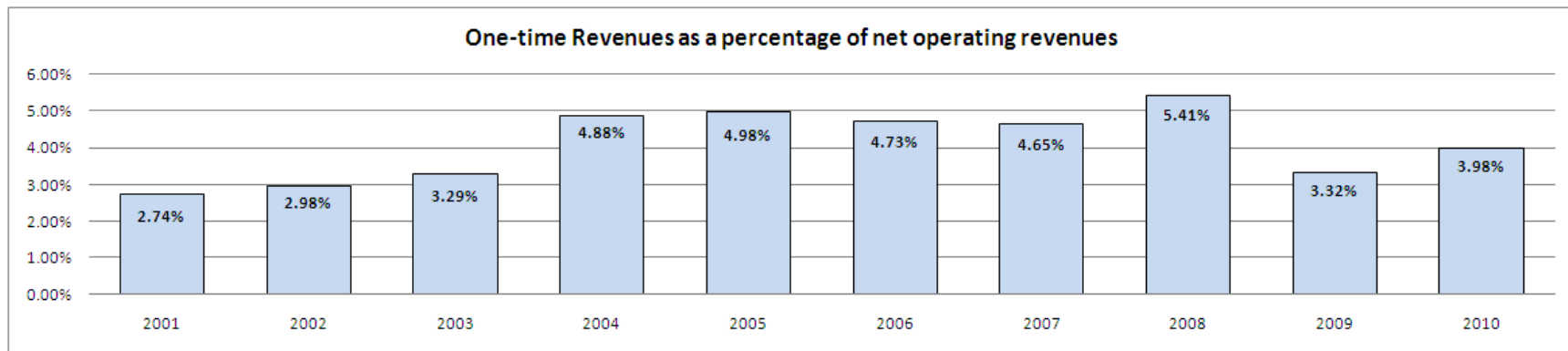


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2. Budget Shortfall

Drivers of imbalance (Revenues):



- One-time revenues should be used only for capital or other non-recurring expenses. I urge the School Committee, Finance Committee, Board of Selectmen and Town Meeting to resist the urge to draw from these funds for recurring operating expenses.



Town of Natick

FY 2011 TA Proposed Budget

2. Budget Shortfall

Drivers of imbalance (Revenues):

Key to the long-term stability of Natick is that we use only recurring revenues for recurring expenses:

- We are not facing a short-term challenge; we have been using non-recurring funding sources far too long.
- We must break this cycle and doing so has never been more critical than now given the importance of maintaining our exemplary Aaa bond rating at a time when the community may choose to borrow significant funds for a new High School and/or a new Community/Senior Center.



Town of Natick

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2. Budget Shortfall

Drivers of imbalance (Expenses):

1) Natick Police Department.

- Ongoing costs of implementing FLSA
- Return of a police sergeant from year-long deployment to active duty in Iraq
- Further, the current submission for the Police budget includes full funding for the police educational incentive program

2) Natick Fire Department.

- Need to implement FLSA in Fire Department as well
- Insufficient OT to maintain four stations at all times



Town of Natick

FY 2011 TA Proposed Budget

2. Budget Shortfall

Drivers of imbalance (Expenses):

3) Keefe Tech School. Keefe Tech has been faced with significant state aid reductions particularly in the transportation aid category. These shortfalls in state funding will have to be made up by member municipalities. We have budgeted a 10% increase in this appropriation (\$128,316) but a higher amount may well be needed.

4) Natick School Department budget. In the Town Administrator's projections to date for the FY 2011 budget, we had built in an anticipated 3% increase across general government departments and a 5% increase in the school department budget; both projections included anticipated cost-of-living adjustments (COLAs) for all employees.



Town of Natick

FY 2011 TA Proposed Budget

2. Budget Shortfall

Drivers of imbalance (Expenses):

4) Natick School Department budget (con't).

- The preliminary budget submitted by the school department however provides for a 7% increase (including COLA). As noted earlier in this report, given that all collective bargaining agreements (general government and school) expire at the end of this fiscal year, no COLA is being budgeted at this time and will be accounted for separately as warranted. Therefore, the Town Administration has adjusted the school department's budget to eliminate their COLA; the resulting 5% increase significantly exceeds the cost increases for which we had planned and which we can afford.



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3. Balancing the Budget

Step 1: Reconciliation

Total FY 2011 General Fund Revenue		\$	103,938,054
Less FY 2010 Education	\$	42,141,547	
Less FY 2010 Municipal*	\$	26,486,676	
Less FY 2011 Shared**	\$	30,186,735	
Less FY 2011 Capital	\$	350,000	
Less FY 2011 Other/Reserves	\$	4,623,073	
Incremental Revenue		\$	150,023

* Includes Libraries

** Includes Keefe Tech



Town of Natick

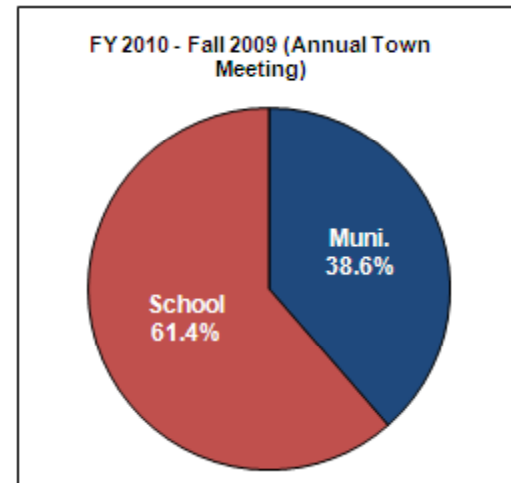
FY 2011 TA Proposed Budget

3. Balancing the Budget

Step 2: Split

FY 2010 - Fall 2009 (Annual Town Meeting)

Municipal	\$	26,486,676	38.6%
School	\$	42,141,547	61.4%
Total	\$	68,628,223	100.0%



Incremental Revenue	\$	150,023		
		↓		↓
Municipal Split (38.6%)	\$	57,609	School Split (61.4%)	\$ 92,414
Municipal Revenues for 2008	\$	57,609	School Revenues for 2008	\$ 92,414



Town of Natick

FY 2011 TA Proposed Budget

3. Balancing the Budget

Step 3: Deficit Determination

Municipal Request Increment	\$	(715,334)
Reduction of ARRA / St. Aid "Grant"	\$	(193,450)
Less Fire FLSA OT Backpay/Future	\$	(525,000)
Less Incremental Revenues	\$	57,609
Municipal Deficit	\$	(1,376,175)

School Request Increment	\$	(2,052,432)
Addition of ARRA/St.Aid "Grant"	\$	193,450
Less Incremental Revenues	\$	92,414
Education Deficit	\$	(1,766,568)

Deficit as of 1/1
\$ (3,142,743)



Town of Natick

FY 2011 TA Proposed Budget

3. Balancing the Budget

Budget gap closing options:

1) Health care plan changes

- Goal: Shift of all employees to “Rate-Saver” plans
- Benefit: Short-term savings (\$1.16 million in FY 2011) and long-term savings (restructuring of health care provision without sacrifice of access to high quality care with their current doctors and lower annual health care increases in the future).
- ***Changes to employee health plans is the primary cost-saving objective of the administration. Such changes are likely to represent the largest savings of any one budget-balancing measure***



Town of Natick

FY 2011 TA Proposed Budget

3. Balancing the Budget

Budget gap closing options:

- 2) Regionalization of services. Several ideas have been explored with area communities with varying success.
 - Veterans' Services District.
 - Solid waste, recycling and yard waste.
- 3) Service and staff reductions. These areas will, yet again, demand evaluation. It must be noted that, in FY 2010 the Fire and DPW departments endured significant staff reductions, primarily through the early retirement program. It is the position of the administration that these departments can not withstand further staff reductions without notably sacrificing service delivery. Therefore, if staff reductions are necessary, they will focus first on other municipal departments.



Town of Natick

FY 2011 TA Proposed Budget

3. Balancing the Budget

Budget gap closing options:

4) Other personnel cost reductions. Employee furloughs, wage freezes and other measures to contain or reduce personnel costs will be explored if needed although it is hoped that such measures can be avoided.

5) Increased revenues. New revenues must be evaluated as well.

- Stormwater fees
- Pay-as-you-Throw bag fee increases
- Hotel/Motel tax increase.



Town of Natick

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4. Eye to the Future: Upcoming Issues

- Unsettled Contracts for all Unions
- \$400,000 supplement for this winter's snow removal activity – so far.
- Future significant increases in the Contributory Retirement System contributions (anticipated in FY 2012)
- Funding of the Town's "other post-employment benefit" (OPEB) obligation. The Government Accounting Standards Bureau (GASB) is requiring all municipalities to identify their OPEB obligations by 2010. While GASB has not, as of yet, required municipalities to fund their OPEB obligations, such a mandate is inevitable. The liability will be significant – millions of dollars – and accordingly many municipalities have already initiated their efforts to fund the obligation.
- FY 11 budget has just \$350,000 allocated for capital spending. This capital allocation is dramatically lower than what is necessary to address needs.



Town of Natick

FY 2011 TA Proposed Budget

5. Budget Changes

With this FY 2011 budget submission, the Administration is pleased to continue its efforts to improve the comprehensive budget presentation. This year, we have provided Performance Indicators – a process that will be refined over several years. Although the narrative and other budget sections are crucial to understanding how the departments function and the challenges and opportunities they face, the Performance Indicators provide quantifiable and objective data with which we will be able to measure departmental performance.

The first phase of this effort, implemented for the FY 2011 budget, is to identify the appropriate Performance Indicators to measure various workloads or to report the quantity or volume of products and services provided by the division or department. In future years we will refine the Indicators and utilize this data to measure efficiency and outcomes.



Town of Natick

FY 2011 TA Proposed Budget

6. Closing

- Yet again, we face a challenging budget year.
- Programs and services enjoyed by many may be reduced or eliminated through the budget process
- Changes will not be without controversy but status quo cannot continue
- We must live within the means afforded us through recurring revenues
- As always, we encourage the public's awareness and participation throughout the budget process



Town of Natick ~ Home of Champions

Thank You