

Memorandum

To: Board of Selectmen
Finance Committee

From: Martha White, Town Administrator

Date: Wednesday, January 20, 2010

Re: FY 2011 Revised Budget Presentation

Introduction

This is to follow up on the Town Administrator's proposed budget, submitted to the Board of Selectmen and Finance Committee on January 4th and 5th, 2010, respectively, per the requirements of the Town's Charter and By-laws. The budget as proposed was a level-services budget consistent with previous year's budget submissions; based on these projected expenses and current estimates for FY 2011 revenues, a deficit of more than \$3.1 million results. Both committees have asked for greater specificity as to how the Administration proposes to close the projected FY 2011 budget deficit.

Unfortunately, with insufficient revenues and reserves to offset the projected deficit, unsettled contracts and ongoing negotiations with bargaining units concerning both cost-of-living adjustments and health care concessions, the only way to close that deficit is through reductions. This memorandum and packet will walk both the Board of Selectmen and the Finance Committee through preliminary – and it cannot be stressed enough, preliminary – proposals to bring the budget into balance.

From January 1, 2010 to Today

Since the initial budget presentations to the Board of Selectmen and Finance Committee, senior staff has twice met with representatives of the Board of Selectmen, Finance Committee and School Committee as the Fiscal Planning Committee. From that meeting, several items have been added to this presentation, including a revision to the General Government/School "split" methodology (initially provided on January 1st; the updated version is enclosed as Attachment 1) and a Discretionary vs. Non-discretionary division of the FY 2011 budget (Attachment 2).

As shown on Attachment 1, the overall budget deficit has dropped from \$3,142,743 to \$2,642,743. This \$500,000 reduction in the deficit is attributable to a recalculation of the Town's estimated liability to paying back and future FLSA Overtime to the Fire Department. Revenues have remained unchanged.

As shown on Attachment 1, this overall deficit reduction results in a revised deficit for General Government of \$1,107,175 and a revised deficit for the School Department of \$1,535,568.

Attachment 2 shows an analysis of the Discretionary vs. Non-Discretionary spending within the FY 2011 Proposed Budget. This analysis, requested by the Finance Committee, is presented to facilitate an understanding that the necessary budget reductions are deeper than merely “one or two percent of the total budget”.

The analysis is divided into three Tiers. Tier I shows the truly non-discretionary costs facing the Town. It must pay these items before it pays for all other operations. Tier II shows partially-discretionary costs. Fringe Benefits, (comprised largely of Health Insurance costs), is the only item under Tier II; we must pay health insurance but the amount may be variable. Tier III, Fully Discretionary Costs, shows all other appropriations for all operations – essentially the cost of running the general government and school operations. It is important to note that many of the expenses that comprise this category are derived from operations that are mandated – we must provide a certain level of education, we must offer firefighting services, we must assess property, etc. There is, however, some discretion in the costs incurred to deliver these services. Hence, these full costs are considered discretionary for purposes of this exercise.

From Deficit to Balance: Municipal Deficit Reductions

Attachment 3 details possible scenarios to balance the budget. In order to understand these scenarios, it is important to understand the philosophy used by administration in crafting these reduction proposals.

First, “across the board” budget reductions, implemented as a budget balancing tool in FY 2010, would not work in FY 2011. This is principally because many smaller departments would suffer reductions which would seriously curtail their effectiveness and ability to operate. Administration believes that to reduce these departments would impact their respective ability to effectively meet legal mandates and provide basic service levels to the public.

Second, two large departments – Public Works and Fire – had personnel reductions totaling 9 FTE in FY 2010. Further reductions in the frontline operations staff in these departments cannot be sustained for FY 2011. Reduction of frontline personnel in Public Works would seriously jeopardize snow plowing operations and result in a higher reliance on private contractors – a more expensive and less reliable method of snow clearing. Reduction of Fire personnel lower than the 18.75 FTE/shift provided in the FY 2010 budget would result in further and more frequent station closings. Neither of these alternatives should be considered unless absolutely necessary.

Third, administration believes that those departments which provide services to those members of the Natick population who financially need them most – the Board of Health, Council on Aging, Human Services and Veteran’s Services – should not be reduced in the current economic climate. To do so would be to take away what in many cases is the most direct social safety net available to our citizens. These resources must be protected so long as economic necessity places so many Natick citizens in need.

This leaves a series of departments – Libraries, Police, Public Works, Recreation, Selectmen and Community Development where reductions can, and in this proposal will, be applied. These proposed reductions are the first take on reductions for these departments. None are taken lightly, but administration believes they are necessary while maintaining the best possible series of services at the highest quality for the citizens and taxpayers of Natick.

There are 4 scenarios for consideration:

- 1) Attachment 3A: No change in Health Care & No COLA – All Reductions in Staff & Programs
- 2) Attachment 3B: Health Care Concessions (80/20) w/ 2% COLA & Staff Reductions

- 3) Attachment 3C: Health Care Concessions (75/25) w/ 2% COLA & Staff Reductions
- 4) Attachment 3D: Health Care Concessions (70/30) w/ 2% COLA & Staff Reductions

The following table illustrates how – at the macro level, the reductions would look under Attachment 3A:

Budget Summary: Current vs. Balanced		
Revenues	\$ 103,938,054	\$ 103,938,054
Expenses		
Education	\$ 44,193,979	\$ 42,658,411
Municipal (includes Libraries)	\$ 27,602,010	\$ 26,494,835
Shared (Includes Keefe Tech Assessment)	\$ 30,186,735	\$ 30,186,735
Capital	\$ 350,000	\$ 350,000
Other/Reserves	\$ 4,248,073	\$ 4,248,073
Expenses (Total)	\$ 106,580,797	\$ 103,938,054
Balance (Deficit)	\$ (2,642,743)	\$ 0

Budget Deficit as of 1/1/2010	
Education Deficit	\$ (1,535,568)
Municipal Deficit	\$ (1,107,175)
Total Budget Deficit as of 1/1/2010	\$ (2,642,743)

Balancing Options as of 1/20/2010							
Municipal Budget Balancing	Amount	Reduction as %	Total Budget (11')	Education Budget Balancing	Amount	Reduction as %	Total Budget (11')
Deficit	\$ (1,107,175)	4.0%	\$ 27,602,010	Deficit	\$ (1,535,568)	3.5%	\$ 44,193,979
Morse Institute Library	\$ 124,133	7.1%	\$ 1,752,255	Program and Staff Reductions	\$ 1,535,568		
Bacon Free Library	\$ 58,781	50.0%	\$ 117,561				
Police	\$ 392,065	7.0%	\$ 5,586,689				
Public Works	\$ 168,061	2.3%	\$ 7,423,530				
Recreation	\$ 172,043	30.0%	\$ 573,140				
Selectmen	\$ 74,607	9.8%	\$ 757,818				
Assessors	\$ 10,000	2.5%	\$ 399,093				
Collector	\$ 2,500	0.7%	\$ 343,038				
Parking	\$ 10,000	8.0%	\$ 124,650				
Town Hall Other	\$ 94,986						
Balance	\$ -			Balance	\$ -		

A revised General Fund Revenue Summary has been provided as Attachment 4, based also on Attachment's 3A budget balancing measures.

Timeline Moving Forward

Given the upcoming Special Town Meeting, the completion of revised/reduced budgets will not occur until the first week of February at the earliest, especially for more complicated proposals such as the conversion of the Recreation Department into an enterprise fund. Staff will make every effort, however to have all line-item budget to the Board of Selectmen and Finance Committee for their review **by February 8th**. Also, by that time the Financial Planning Committee will have met again, the Governor will

have unveiled his initial State Aid proposal and the Natick Public Schools will have a better idea on the potential funding available from the Commonwealth through remaining stimulus dollars.

Closing

Natick, like most communities in the Commonwealth, has sobering and difficult choices in the weeks and months ahead. Simply put, there are not sufficient resources to maintain the current level and variety of services. Staff reductions and layoffs are inevitable for FY 2011. We must all work together as collaboratively as possible through the weeks ahead in an effort to build consensus, albeit reluctantly, around a budget that will not adequately fund much of what makes Natick unique and special.



FY 2011 Revenue Split

Purpose: To divide revenues according to current expense allocation

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	\$	4,248,073	

Incremental Revenue \$ **525,023**

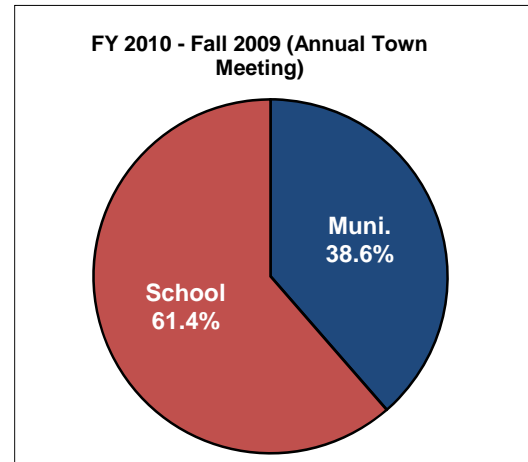
* Includes Libraries

** Includes Keefe Tech

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	\$	525,023		
Municipal Split (38.6%)	\$	201,609	School Split (61.4%)	\$ 323,414
Municipal Revenues for 2008	\$	201,609	School Revenues for 2008	\$ 323,414

Step 3: Deficit Determination

Municipal Request Increment	\$	(715,334)	School Request Increment	\$ (2,052,432)
Reduction of ARRA / St. Aid "Grant"	\$	(193,450)	Addition of ARRA/St.Aid "Grant"	\$ 193,450
Less Fire FLSA OT Backpay/Future	\$	(400,000)		
Less Incremental Revenues	\$	201,609	Less Incremental Revenues	\$ 323,414
Municipal Deficit	\$	(1,107,175)	Education Deficit	\$ (1,535,568)

Deficit as of 1/14
\$ (2,642,743)



Town of Natick

Home of Champions

FY 2011 Budget Development

Attachment 2

Discretionary Analysis of the Budget

Tier I: Non-Discretionary Components of the Budget

	FY 2011 Proposed
State & County Assessments	\$ 1,594,209
Cherry Sheet Offsets	\$ 58,342
Tax Title	\$ 25,000
Snow Removal Supplement	\$ 400,000
Overlay	\$ 1,100,000
Prop & Liab. Insurance	\$ 496,150
Retirement	\$ 5,472,935
Debt Services	\$ 7,002,969
Keefe Tech	\$ 1,411,474
Natick Public Schools*	\$ 11,730,521
FLSA for Fire (prior)	\$ 315,000
FLSA for Fire (going forward)	\$ 85,000
sub-total Non-Discretionary Items	\$ 29,691,600

Tier II: Partially Discretionary Components of the Budget

Fringe Benefits	\$ 15,403,207
sub-total Partially Discretionary Items	\$ 15,403,207

Tier III: Fully Discretionary Components of the Budget

Natick Public Schools	\$ 32,463,428
Morse Institute Library	\$ 1,752,255
Bacon Free Library	\$ 117,561
Public Safety	\$ 12,039,891
Public Works	\$ 7,423,530
Health & Human Services	\$ 1,611,619
Administrative Support Services	\$ 4,232,174
Committees	\$ 25,010
Reserve Fund	\$ 400,000
Capital Improvements	\$ 350,000
School Bus Transportation	\$ 320,522
Golf Course Deficit	\$ 350,000
Debt Exclusion set-aside	\$ 400,000
Contract Settlements (Mun. & Sch.)	TBD
Tier III: Fully Discretionary Items	\$ 61,485,990

Total FY 2011 TA Proposed Budget - January 1, 2010	\$ 106,580,797
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**Includes all costs related to students with IEP's for educational services, costs to transport students as mandated by state law and cost to educate ELL students per federal law.*



Town of Natick

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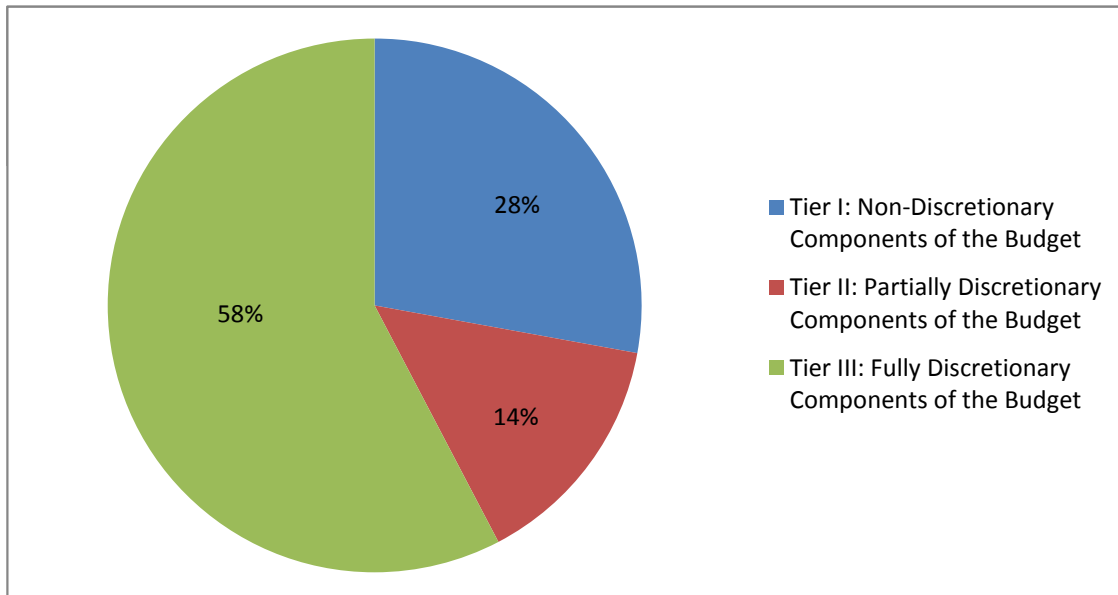
FY 2011 Budget Development

Discretionary Analysis of the Budget

Revenues vs. Tiers of Discretion

Revenues as of 1/1/10	\$	103,938,054
less Tier I: Non-Discretionary Items	\$	(29,691,600)
Remaining Revenues	\$	74,246,454
Remaining Revenues less Tier I Items	\$	74,246,454
less Tier II: Partially Discretionary Items	\$	(15,403,207)
Remaining Revenues	\$	58,843,247
Remaining Revenues less Tier I & Tier II items	\$	58,843,247
less Tier III: Fully Discretionary Items	\$	(61,485,990)
Remaining Revenues/ Resulting Deficit	\$	(2,642,743)

Chart Analysis of Discretionary Items





Town of Natick

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FY 2011 Budget Development

Attachment 3A

Municipal Reduction Plan

Scenario I: All Staff Reductions

Target Reduction \$ (1,107,175)

Departmental Reductions

Morse Institute Library:	\$	124,133
Bacon Free Library: Elim. of 1 /2 of Town Funding	\$	58,781
Police		
Elimination of Quinn Funding (Town payment of State Share)	\$	225,691
Reduction of three officers	\$	166,374
Public Works		
Do not fill Director's Position until FY 2012	\$	106,247
Other Reductions	\$	61,814
Recreation		
Conversion of all Recreation Operations to an Enterprise Fund w/tax levy subsidy maintained until FY 2014 (3-yr. phase-in)	\$	172,043
Selectmen		
Eliminate dues payments to MWGMC and Natick Center	\$	18,357
Elimination of Merit Increases (3/4 of total)	\$	56,250
Assessors		
Reduce Tax Mapping (\$5,000) and Revaluation (\$5,000)	\$	10,000
Collector		
Operational Overtime	\$	2,500
Parking Enforcement		
Repairs & Maintenance of Meters	\$	5,000
Parking Collection Service	\$	5,000
Town Hall Personnel	\$	94,986

Target After Departmental Reductions \$ -

Total FTE loss (minimum) 9.25



Town of Natick

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FY 2011 Budget Development

Attachment 3B

Municipal Reduction Plan

Scenario II: HC Concessions (80/20) w/ COLA offset and all Staff Reductions

Target Reduction \$ (1,107,175)

Health Care Concessions

Potential Health Care Savings \$ 445,440

Cost of Living Allowance (2%) \$ (376,176)

Target After Health Care Concessions \$ (1,037,911)

Departmental Reductions

Morse Institute Library: \$ 124,133

Bacon Free Library: Elim. of 1 /2 of Town Funding \$ 58,781

Police

Elimination of Quinn Funding (Town payment of State Share) \$ 225,691

Reduction of two officers \$ 110,916

Public Works

Do not fill Director's Position until FY 2012 \$ 106,247

Other \$ 50,000

Recreation

Conversion of all Recreation Operations to an Enterprise Fund w/tax levy subsidy maintained until FY 2014 (3-yr. phase-in) \$ 172,043

Selectmen

Eliminate dues payments to MWGMC and Natick Center \$ 18,357

Elimination of Merit Increases (1/2 of total) \$ 37,500

Assessors

Reduce Tax Mapping (\$5,000) and Revaluation (\$5,000) \$ 10,000

Collector

Operational Overtime \$ 2,500

Parking Enforcement

Repairs & Maintenance of Meters \$ 5,000

Parking Collection Service \$ 5,000

Town Hall Personnel

\$ 111,745

Target After Departmental Reductions \$ 0

Total FTE loss (minimum) 8.5



FY 2011 Budget Development

Municipal Reduction Plan

Scenario III: Increase HC Concessions (to 75/25) w/ COLA offset and all Staff Reductions

Target Reduction \$ (1,107,175)

Health Care Concessions

Potential Health Care Savings (all @ 75/25) \$ 744,311

Cost of Living Allowance (2%) \$ (376,176)

Target After Health Care Concessions \$ (739,040)

Departmental Reductions

Morse Institute Library: \$ 91,018

Bacon Free Library: Elim. of 1 /2 of Town Funding \$ 58,781

Police

Elimination of Quinn Funding (Town payment of State Share) \$ 225,691

Public Works

Do not fill Director's Position until FY 2012 \$ 106,247

Other \$ 50,000

Recreation

Conversion of all Recreation Operations to an Enterprise Fund w/tax levy subsidy maintained until FY 2015 (4-year phase-in) \$ 129,032

Selectmen

Elimination of Merit Increases (1/4 of total) \$ 18,750

Assessors

Reduce Tax Mapping (\$5,000) and Revaluation (\$5,000) \$ 10,000

Collector

Operational Overtime \$ 2,500

Parking Enforcement

Repairs & Maintenance of Meters \$ 5,000

Parking Collection Service \$ 5,000

Town Hall Personnel

\$ 37,022

Target After Departmental Reductions \$ (0)

Total FTE loss (minimum) 5.0



Town of Natick

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FY 2011 Budget Development

Attachment 3D

Municipal Reduction Plan

Scenario IV: Increase Health Care Concessions w/ 2% COLA, partial staff reductions

Target Reduction \$ (1,107,175)

Health Care Concessions

Potential Health Care Savings (at 70/30 for BOTH Individual & Family) \$ 1,043,182

Cost of Living Allowance (2%) \$ (376,176)

Target After Health Care Concessions \$ (440,169)

Departmental Reductions

Morse Institute Library: \$ 58,974

Bacon Free Library: \$ 15,000

Police

Reduction of two officers \$ 110,916

Public Works

Do not fill Director's Position until FY 2012 \$ 106,247

Recreation

Conversion of all Recreation Operations to an Enterprise Fund w/tax levy subsidy maintained until FY 2015 (4-year phase-in) \$ 129,032

Assessors

Reduce Tax Mapping (\$5,000) and Revaluation (\$5,000) \$ 10,000

Parking Enforcement

Repairs & Maintenance of Meters \$ 5,000

Parking Collection Service \$ 5,000

Target After Departmental Reductions \$ (0)

Total FTE loss (minimum) 4.0



Town of Natick

Home of Champions

Attachment 3E

FY 2011 Budget Development

Municipal Reduction Plan

Further possibilities

Police: All of Quinn if State VOTES to eliminate	\$	261,297
Police: 4 Police Officers	\$	252,706
Council of Aging/Human Services		TBD
Fire: 4 Firefighters/EMTs	\$	249,121

General Fund Revenue/Expenditure Summary

Attachment 4

	2008 Actual	2009 Actual	2010 Appropriated	2011 TA Proposed	2011 Balanced (1/20)
General Fund Revenues					
Tax Levy	\$ 64,617,822	\$ 72,696,077	\$ 76,971,074	\$ 79,283,758	\$ 79,283,758
State Aid	\$ 12,315,120	\$ 11,216,189	\$ 10,619,913	\$ 9,407,029	\$ 9,407,029
Estimated Receipts	\$ 13,692,857	\$ 11,735,232	\$ 9,497,772	\$ 9,900,000	\$ 9,900,000
Local Option Meals Tax	\$ -	\$ -	\$ -	\$ 400,000	\$ 400,000
Other Local Receipts					
Indirects	\$ 2,379,592	\$ 2,546,345	\$ 2,506,416	\$ 2,506,416	\$ 2,506,416
Free Cash	\$ 5,057,917	\$ 3,247,997	\$ 2,147,380	\$ 2,250,000	\$ 2,250,000
Stabilization Fund	\$ 256,102	\$ 600,000	\$ 950,751	\$ -	\$ -
Overlay Surplus	\$ 1,116,024	\$ -	\$ 1,000,000	\$ -	\$ -
Other Available Funds	\$ 323,167	\$ 210,851	\$ 210,851	\$ 190,851	\$ 190,851
Total General Fund Revenues	\$ 99,758,601	102,252,691	103,904,157	103,938,054	103,938,054
General Fund Expenses					
Education & Learning					
Natick Public Schools	\$ 40,905,762	\$ 43,578,812	\$ 42,141,517	\$ 44,193,949	\$ 42,658,381
Keefe Tech	\$ 1,051,116	\$ 1,135,347	\$ 1,283,158	\$ 1,411,474	\$ 1,411,474
Morse Institute Library	\$ 1,708,525	\$ 1,742,249	\$ 1,729,807	\$ 1,752,255	\$ 1,628,122
Bacon Free Library	\$ 114,313	\$ 116,309	\$ 115,896	\$ 117,561	\$ 58,781
Public Safety	\$ 11,225,820	\$ 11,568,696	\$ 11,687,361	\$ 12,039,891	\$ 11,703,285
Public Works	\$ 7,196,327	\$ 7,178,630	\$ 7,322,776	\$ 7,423,530	\$ 7,267,283
Health & Human Services	\$ 1,413,949	\$ 1,595,987	\$ 1,556,215	\$ 1,611,619	\$ 1,353,555
Administrative Support Services	\$ 4,243,355	\$ 3,911,867	\$ 4,056,112	\$ 4,232,174	\$ 4,058,831
Committees	\$ 15,339	\$ 17,522	\$ 18,510	\$ 25,010	\$ 25,010
Shared Expenses					
Fringe Benefits	\$ 12,486,833	\$ 12,293,905	\$ 14,245,784	\$ 15,403,207	\$ 15,403,207
Prop & Liab. Insurance	\$ 420,705	\$ 410,799	\$ 496,150	\$ 496,150	\$ 496,150
Retirement	\$ 5,376,574	\$ 5,154,961	\$ 5,271,467	\$ 5,472,935	\$ 5,472,935
Debt Services	\$ 7,243,778	\$ 6,895,992	\$ 7,158,728	\$ 7,002,969	\$ 7,002,969
Reserve Fund	\$ -	\$ 73,847	\$ 400,000	\$ 400,000	\$ 400,000
General Fund Oper. Expenses	\$ 93,402,396	\$ 95,674,923	\$ 97,483,480	\$ 101,582,724	\$ 98,939,982
Capital Improvements	\$ 1,122,250	\$ 293,900	\$ 300,940	\$ 350,000	\$ 350,000
School Bus Transportation	\$ 302,122	\$ 302,122	\$ 311,186	\$ 320,522	\$ 320,522
State & County Assessments	\$ 1,643,654	\$ 1,552,943	\$ 1,540,299	\$ 1,594,209	\$ 1,594,209
Cherry Sheet Offsets	\$ 66,398	\$ 68,029	\$ 56,369	\$ 58,342	\$ 58,342
Tax Title	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Snow Removal Supplement	\$ 201,261	\$ 650,000	\$ 749,655	\$ 400,000	\$ 400,000
Overlay	\$ 1,003,911	\$ 1,039,144	\$ 1,321,477	\$ 1,100,000	\$ 1,100,000
Golf Course Deficit	\$ 355,000	\$ 355,000	\$ 355,000	\$ 350,000	\$ 350,000
Stablization Fund			\$ 800,000		
FLSA Settlement			\$ 950,751		
Main Street Surveying			\$ 10,000		
FLSA for Fire (prior)				\$ 315,000	\$ 315,000
FLSA for Fire (going forward)				\$ 85,000	\$ 85,000
Debt Exclusion set-aside				\$ 400,000	\$ 400,000
Contract Settlements (Mun. & Sch.)				TBD	\$ -
Total General Fund Expenses	\$ 98,121,992	\$ 99,961,061	\$ 103,904,157	\$ 106,580,797	\$ 103,938,055
Net Excess / (Deficit)	\$ 1,636,609	2,291,630	0	-2,642,743	0