

Memorandum

To: Board of Selectmen
Finance Committee

From: Martha White, Town Administrator

Date: Friday, March 5, 2010

Re: FY 2011 Budget Update

Introduction

Throughout the last month, staff has diligently worked to close the municipal side budget gap through a variety of efforts. These have included, but not been limited to: further refining departmental requests, soliciting input from neighboring communities regarding state aid projections, receiving health care rates for FY 2011 from the West Suburban Health Group and refining revenues. This update details the impacts of those changes.

From February 8, 2010 to Today

Since the last update of February 8th, a series of changes have been made which for the most part positively impact the FY 2011 budget deficit. They include:

- 1) State Aid: Natick initially forecast a 12.5 % reduction in state aid at the start of the budget process, based upon the grim forecasts that the Commonwealth's budget was nearly \$3 Billion in deficit for FY 2011. Even with the Governor's optimistic proposal to level-fund local aid, Natick did not adjust its numbers, taking into account the near universal approach by fellow administrators in Metrowest to wait for the state budget process to unfold.

Now that another 6 weeks has passed since the governor's filing of "House 1," administration has again studied the comments made by legislative leaders, and surveyed regional managers and administrators to determine what communities are doing with their local aid projections. The result is that Natick should still anticipate a local aid reduction in FY 2011, but to adjust to a 5% reduction rather than the previously forecast 12.5% reduction.

Table 1 on the following page shows the current survey of Metrowest communities and their projections for local aid.

Table 1: Local Aid Reduction Plans – by Community – for FY 2011 (as of March 3, 2010)

FY11 Local Aid Reductions by Community				
Community	Pre-House 1	Post-House 1	As of 3/1/10	Notes/Clarifications
Natick	12.5%	12.5%	5.0%	5% for Chapter 70 and Lottery; Governor's projections for other categories
Ashland	7.7%	7.7%	3.4%	Using the Gov's budget projection for the other categories. Just 70 and local aid as to the 3.4.
Dedham	20.0%	20.0%	12.5%	Staying with 12.5% although Chair of Senate Ways and Means has indicated that it should be in the 5% range.
Dover	Unknown	Unknown	Unknown	
Framingham	9.0%	9.0%		
Holliston	12.0%	12.0%	12.0%	
Hopkinton	10.0%	10.0%	10.0%	Holding at 10% pending finalization of local aid resolution
Lincoln	15.0%	15.0%	13.0%	Holding at 13% although based on W&M budget - 3% seems like the floor
Medfield	5.3%	5.3%	5.3%	5.3% reduction from last year or \$400,000. More than 80% of Medfield's state aid is for chapter 70, so I feel comfortable staying with this percentage, even if the Quinn bill and PILOT have larger cuts
Medway	5%(2010 amt)	5% (Gov's Prop)		
Millis	Unknown	Unknown	5.0%	
Needham	13.0%	13.0%	13.0%	
Sherborn	10.0%	10.0%	10.0%	
Southborough	10.0%	10.0%	10.0%	10% until there is a local aid resolution which supposedly is due out in a couple of weeks
Sudbury			7.5%	
Walpole	Unknown	0.0%		
Wayland	10.0%	10.0%	10.0%	remains at 10% cut assumption pending local aid resolution later in March
Wellesley	15.0%	10.0%	0.0%	flat vs. the prior year Cherry Sheet amounts, based on the understanding that whatever decrease is agreed on will be applied to the sum of the Cherry Sheet and the stimulus.
Westborough	10.0%	10.0%	10.0%	cautiously optimistic that we'll get more
Weston	20.0%	20.0%	13.0%	
Westwood	10.0%	10.0%	10.0%	Chair of House Ways and Means was quoted as saying that it will not be possible to avoid cuts in local aid; cities and towns should expect up to a 5% reduction for next year

The impact for Natick by revising the state aid reduction as shown above is to increase revenues by over \$795,000 for FY 2011.

2) Health Care: Rates were released by the West Suburban Health Group on February 23rd, 2010. Plan increases will be between 5% - 10% dependent upon the plan. Staff had built the FY 2011 budget assuming a flat 10% increase on all plans. After recalculating the benefits budget, these lower than anticipated rates result in lower expenses by over \$120,000 from the original budget.

3) Other Revenue Changes: On the revenue side of the general fund, there is one positive and one negative item to report. On the positive, \$50,000 was added in local receipts for activity under Ch. 59 Sec. D for occupancy permits collected within the fiscal year. The original budget for FY 2011 had wrongly omitted all collections of this receipt. On the negative side, with the reduced budget being built and prepared on the general fund, the indirect assessments paid via the Water & Sewer Enterprise fund have been summarily reduced by over \$56,000 for FY 2011. This is not all bad, however, as lower indirects mean that the gap within the general fund budget is less, but that expense will not be borne by water & sewer rate payers.

All told, the changes made from February 8th to today have lowered the overall deficit from \$2,642,743 to \$1,737,496 – or by almost \$905,000.

Impacts on the Split

The revised split between General Government and the School Department is shown below.

Step 1: Reconciliation

Total FY 2011 General Fund Revenue		\$	104,726,869
Less FY 2010 Education	\$	42,141,547	
Less FY 2010 Municipal*	\$	26,486,676	
Less FY 2011 Shared**	\$	30,065,617	
Less FY 2011 Capital	\$	350,000	
Less FY 2011 Other/Reserves	\$	4,251,172	

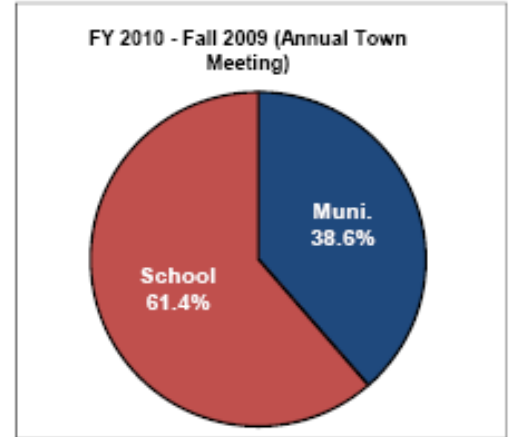
Incremental Revenue \$ 1,431,857

* Includes Libraries
 ** Includes Keefe Tech

Step 2: Split

FY 2010 - Fall 2009 (Annual Town Meeting)

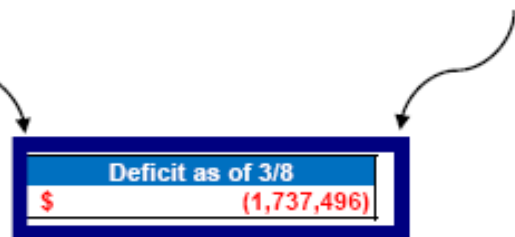
Municipal	\$	26,486,676	38.6%
School	\$	42,141,547	61.4%
Total	\$	68,628,223	100.0%



Incremental Revenue	\$	1,431,857		
				↓
Municipal Split (38.6%)	\$	549,833	School Split (61.4%)	\$ 882,024
Municipal Revenues for 2008	\$	549,833	School Revenues for 2008	\$ 882,024

Step 3: Deficit Determination

Municipal Request Increment	\$	(716,922)	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	\$	549,833	Less Incremental Revenues	\$	882,024
Municipal Deficit	\$	(760,539)	Education Deficit	\$	(976,958)



It should be noted that this revised split has not been discussed or formally presented to the Financial Planning Committee as of March 8, 2010.

From Deficit to Balance: Municipal Deficit Reductions

Table 3 on the following page details the departments, their targets, the amount they have been able to

reduce their budgets by, and the impacts of such reductions as of today. The municipal side began with a deficit which totaled \$1,107,715, but through the increases in revenue and reductions of shared expenses, has now been reduced to \$760,539. In lieu of any settlements in collective bargaining, health care concessions or revenue changes or enhancements, all \$760,539 has been targeted to come from program and personnel reductions. Through today, departments have been able to come up with \$893,829 of reductions. This is \$133,290 more than is necessary to reach the target.

Municipal Reduction Plan					
Scenario I: All Staff Reductions					
Necessary Reduction					\$ (760,539)
Department	Original Target	Cut as of 3/8	Needs Refinement?	Impact	
Libraries				Narrative	FTE
Morse	\$ 124,133	\$ 85,403	Y	24% reduction in operating hours; Closed Mondays and long-holiday weekends; Weekend hours reduced to 4 hours/Saturday, 3 hours/Sunday; one-week of furloughs for some staff; administrative staff take over frontline operations	1.63
Bacon	\$ 58,781	\$ 11,756	N	10% reduction of tax levy support of operations for the BFL; expenses to be made up from other means of support for the library. This reduction will be an annual 10% reduction for at least the next 5 years. Exact expenses to be transferred of the the Tax levy still TBD.	TBD
Police	\$ 392,065	\$ 392,065	Y	Elimination of the State portion of Educational Incentives (Quinn Bill); Reduce number of sergeants 11 To 10; 1 Patrol Officer laid off; Eliminate the Dispatch Supervisor; 3 Crossing Guards Eliminated; Reduce Operational Staff Overtime (61 Shifts)	2.8
Public Works	\$ 168,061	\$ 138,332	N	Do not fill DPW Director in FY 2011; Reduce Surplus Equipment purchases; reduce contracted tree maintenance to only emergency work; other misc. cost reductions [clerical support needs to be reviewed.]	1
Recreation	\$ 172,043	\$ 74,180	Y	Recreation Commission meeting on 2/8 to determine impacts and what amount can be made up. Proposal will not include enterprise fund for FY 2011.	TBD
Selectmen	\$ 74,607	\$ 74,607	N	<i>Reduction of hours for part-time administrative assistant; cessation of formal participation in Natick Center Associates & Metrowest Growth Management Committee; 75% reduction of set-aside for merit increases for non-union employees</i>	0.25
Assessors	\$ 10,000	\$ 10,000	N	Reduction of tax mapping services and amount set-aside for contract help during revaluation.	0
Collector	\$ 2,500	\$ 2,500	N	Reduction of Operational Overtime; may impact processing of collections during peak tiems of the year.	0
Parking Enforcement	\$ 10,000	\$ 10,000	N	Less money available to repair and maintain meters - will be done as time and resources allow; Renegotiation of contract with Deputy Collector will net lower amount charged to tax levy.	0
Community Development	\$ 94,986	\$ 94,986	Y	<i>Elimination of 1 full-time and part-time inspectors and additional hours</i>	1.73
Subtotal Reduction	\$ 1,107,176	\$ 893,829			7.41
Surplus / (Deficit) created through planned Municipal Reductions as of 3/8/10					\$ 133,290

Note: Items which are italicized should be reviewed if and as funds become available.

A revised General Fund Revenue Summary has been provided as an attachment, as well as the update to the capital plan.

Timeline Moving Forward

The administration's priorities moving forward remain the same: make progress with respect to collective bargaining with our 10 unions and refine proposed budgetary reductions and the impacts associated therewith.

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 operations as they have been in the past. Staff reductions and layoffs are inevitable for FY 2011. We must all work together as collaboratively as possible and remember that what we do, and how we do it, is for the betterment of the citizens and taxpayers of Natick.