

Budget Process Update



Natick Select Board

May 11, 2020

Town Administration's Perspective on COVID-19

- We remain committed to service of the entire community – residents and employees.
- This is a long duration event, and we must make decisions now for how the Town will operate in the months and years ahead.
- While we are all experiencing fear, stress, anxiety, and unprecedented uncertainty, we must methodically plan to deal with issues ranging from liquidity challenges to required investments related to building modifications required because of COVID-19.
- Our resilience and confidence will be tested, as we adapt to all of the changes that will need to take place given the new world reality.
- Town services will be more important than ever as people confront and adapt to the evolving public health crisis, and how we deliver our services will be different in a variety of ways as we work through this crisis.
- We must learn from our vulnerabilities that have become apparent during this crisis and modernize our systems.
- Natick is uniquely positioned to meet the needs of our residents while charting a course for how municipalities can come together to deal with seemingly insurmountable challenges.

Town of Natick – Financial Principles – General & Operational Stabilization Funds

- The Town will maintain a diversified series of permanent reserves in the form of stabilization funds. These stabilization funds will consist of six types:

1. A General Stabilization Fund should be maintained for the purpose of unforeseen and catastrophic emergencies. It should, at a minimum, be at a level equal to 2% of revenues, with the target being 5% of revenues. This fund was adopted in accordance with M.G.L. C40, Section 5B at the Annual Town Meeting in 1961.

2. An Operational Stabilization Fund should be maintained for the purpose of augmenting operations in case of sustained economic downturn and associated loss of revenues in support of operations. Sustained economic downturn will be any situation whereby State Aid and/or local receipts are significantly reduced from one-year to the next. ("Significantly" being defined as more than 5% of the total for the respective revenue category.) The target amount of money in the Operational Stabilization Fund should be sufficient to sustain operations through a three-year period of economic downturn. This shall be equivalent to 10% of State Aid Revenues and 5% of Estimated Receipts cumulative for a three-year period. This fund was adopted in accordance with M.G.L. C40, Section 5B at the 2011 Spring Annual Town Meeting...

ONE NATICK

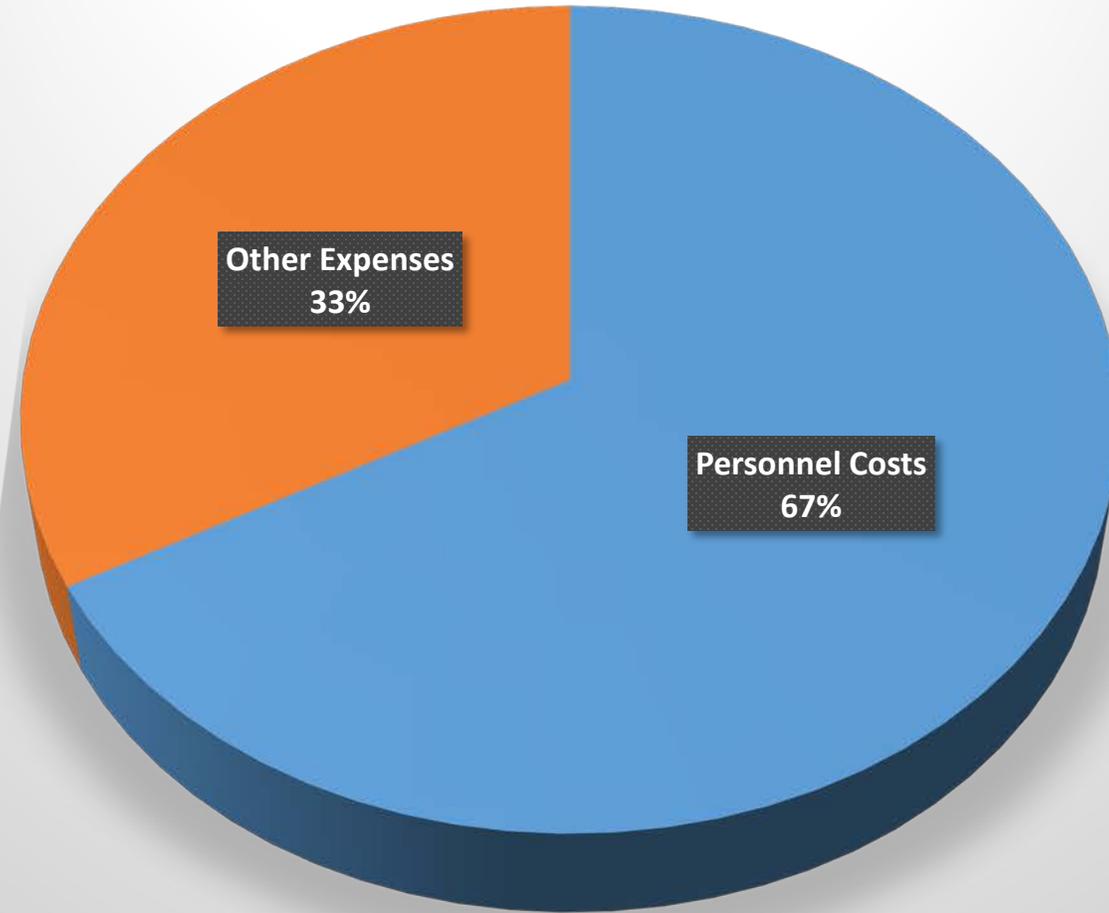
Our Primary Focus

- The health, safety and welfare of our residents and employees.
- Ensuring the future viability of our Town.

How we will do this

- Working together.
- Only by everyone contributing to this effort will we be able to navigate these challenging times successfully

Town of Natick – Expense Allocations



Timeline Comparison -Budget Development & Presentation

Compressed Budget Development & Presentation
2 months

Traditional Budget Development & Presentation
6 Months



Distribution of Budget Materials
October



Budget Development and Department Meetings
Oct - December

MAY



Town Administrator's Preliminary Budget Submission
January 2nd



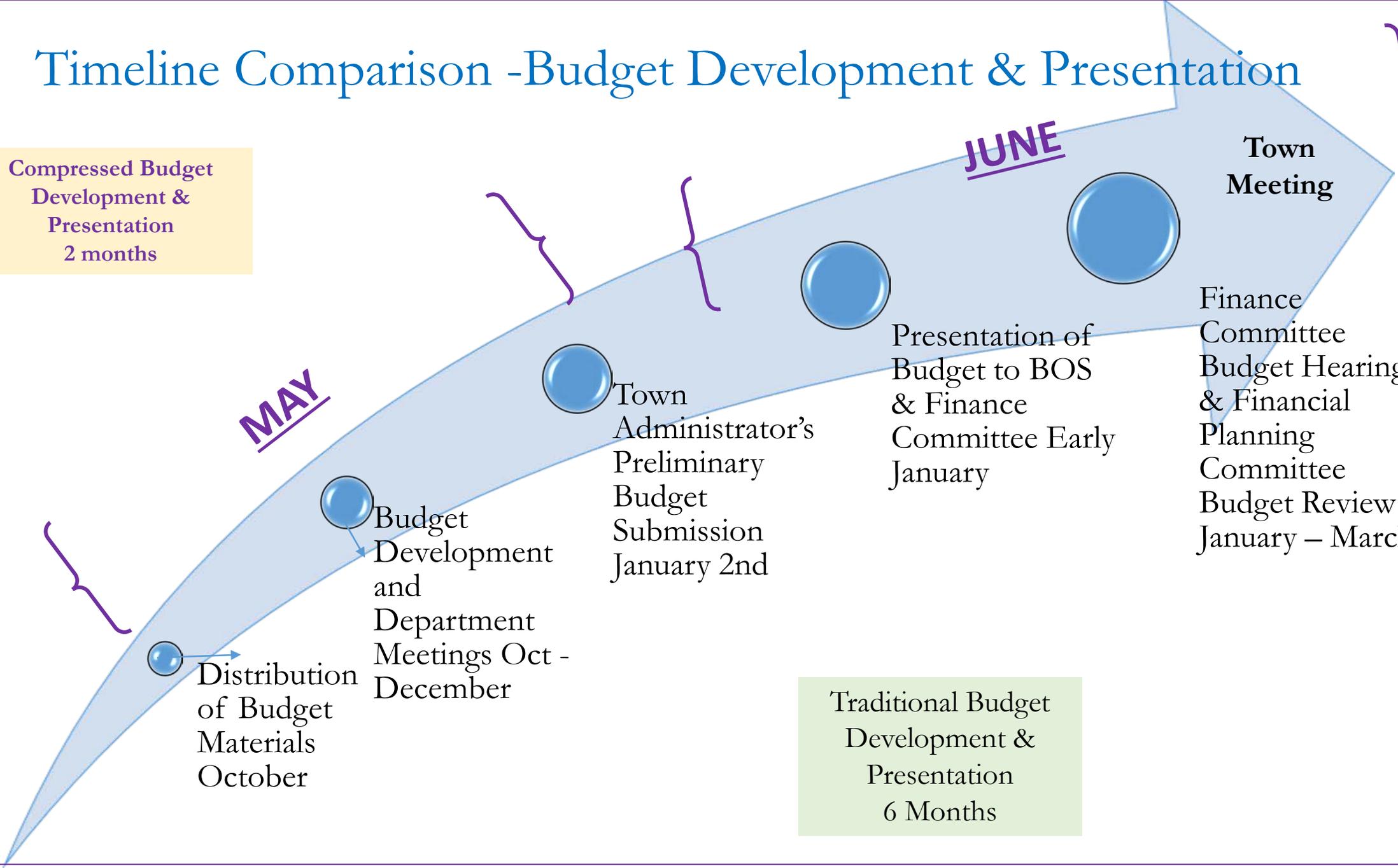
Presentation of Budget to BOS & Finance Committee
Early January

JUNE



Finance Committee Budget Hearings & Financial Planning Committee Budget Review
January - March

Town Meeting



Assumptions FY 21 Budget Design & Assessment of Current Budget Gap

- Finish FY 20 in the black.
- Recognition that COVID-19 public health and fiscal crisis is still unfolding, and at this time it is expected to take 3-5 years for financial recovery. Possible relapse of some type of mass closure sometime in the next fiscal year.
- Based upon unknown duration and magnitude of this public health and fiscal event, the FY 21 budget will use 2.3 millions dollars of Operational and General Stabilization funds (approximately 25% of the total) for FY 21 and 2 million dollars of previously certified Free Cash for operational expenses.
- Assumes rate of tax levy collection remains same as prior year.
- Every Town department will have to reduce their FY 21 operational expenses to assist in closing the budget gap.
- No net new hires for FY 21, and no large influx of employees opting onto the Town's health care insurance plan.
- No merit increases for FY 21 for non-union municipal departments employees has already been taken into account before determining budget gap.
- Assumes adoption of FY 21 budget by July 1, 2020.

Projected General Fund Revenue				
	FY20 Budget	FY21 May Budget	FY20 – FY21 \$ Δ	FY20 – FY21 % Δ
Tax Levy	121,635,689	125,588,098	3,952,409	3%
State Aid	14,938,819	11,951,055	(2,987,764)	(20%)
Local Receipts	17,901,540	12,531,078	(5,370,462)	(30%)
Available/Other*	12,185,112	10,196,816	(1,988,296)	(16%)
Revenue Total	166,661,160	160,267,047		
General Fund Expenses				
NPS	67,810,346	67,810,346	-	-
Municipal	39,014,114	38,612,445	(401,669)	(1%)
Shared & Keefe Tech	49,445,848	49,607,427	161,579	0.7%
Other**	10,313,841	5,760,580	(4,553,261)	(44%)
Net Excess/(Deficit)	77,011	(1,523,751)		

*Indirects, Stabilization funds, Overlay surplus, Free cash= \$2,000,000 this is the planned \$1.2M for the FY21 FATM19 plus the \$800k that was voted down for LIUNA

**Funds to stabilization funds, OPEB, capital, cherry sheet offsets, overlay, golf course deficit, Snow & Ice, School Bus Tran

Current Budget Gap

Total Budget Gap	(\$1,523,751)	
	Percent of Operations Budget	Share of Deficit
Municipal	36%	(552,849)
NPS	64%	(970,902)
	TOTAL	(1,523,751)

Percentage of Operations budget FY20 appropriations excluding shared expenses

QUESTIONS?

COMMENTS & CONCERNS