



Natick Finance Committee

March 18, 2025

To the Residents of Natick, and other interested members of the public:

This report summarizes the views and opinions of the Finance Committee, with regard to “Question 1”, a Proposition 2 ½ Override Request on the March 25, 2025 Town Election ballot, and interrelated matters regarding the FY2026 Natick Budgets. The opinions contained are not unanimously held by the members, but this report has received majority support in its observations.

Ballot Question 1:

“Shall the Town of Natick be allowed to assess an additional \$7,000,000 in real estate and personal property taxes for the purposes of funding the operating and capital budgets of the Town and of the Public Schools for the fiscal year beginning July 1, 2025?”

Proposition 2 ½ basics

“Proposition 2 ½ limits the amount of revenue a city or town may raise from local property taxes each year to fund municipal operations. This amount is known as the annual levy limit. However, the law allows a city or town to increase tax revenues above that limit with approval of voters at an election. It also requires a city or town to reduce its levy limit as specified by the voters.

A levy limit override increases the amount of property tax revenue a community may raise in the year specified in the override question and in future years. It increases the community's levy limit and becomes part of the base for calculating future years' levy limits. The result is a permanent increase in taxing authority. G.L. c. 59 § 21C(g). The purpose of the override is to provide funding for municipal expenses likely to recur or continue into the future, such as annual operating and fixed costs, although it may be used for any municipal spending purpose.

The only limitation on the amount of the override is that the new levy limit, including the override, cannot exceed the overall Proposition 2½ levy ceiling of 2½ percent of the community's full and fair cash value.” [Source: MA Division of Local Services, “Proposition 2½ Ballot Questions Requirements and Procedures August 2017” linked below]

The Committee considered inputs from Town and School administrations, members of the public, and reviews of fiscal and financial data available from the Commonwealth of Massachusetts' Division of Local Services. Much of this material and information is linked within this report.

In addition to the materials directly related to the Override ballot question, the committee has been reviewing FY2026 Budget Appropriation plans and proposals conforming to two general scenarios – budgets anticipating the passage of the override, and versions built in anticipation of no additional funding becoming available. These budget hearings continue, and are not scheduled to be completed until the beginning of April – after the Town Election on 3/25. The Finance Committee will vote it's recommendation on each budget, and incorporate those recommendations into its Recommendation Book to the members of Town Meeting. Town Meeting makes the ultimate decision and votes on budget appropriations.

In creating this report, the Finance Committee voted to base its position primarily on a meeting between the committee and both the Town and Natick Public Schools' administration on March 13, 2025. This meeting covered issues directly related to the Override proposal, as well as matters of financial management, fiscal policy, and the ability of the Town to adequately fund its ongoing and future operations, capital needs, and future obligations.

Summary of Town and Natick Public Schools' March 13, 2025 Financial Overview and Override Discussion with the Finance Committee.

Town Administrator James Errickson provided an update on Natick's financial situation and the \$7 million override on the upcoming ballot. For several years, the administration has been anticipating and communicating the needs for an Operating Override and/or reduction of services to address the structural deficits. The proposed override, reduced from a previous \$8 million proposal, would lessen the town's FY2026 reliance on free cash from \$6 million to \$3 million. Recent favorable updates on projected operational expenses have already resulted in an adjustment of free cash usage in the non-override budget from \$6.5 million to \$6 million.

The Town Administrator explained the challenges of long-term forecasting, particularly regarding new growth and local receipts, due to COVID-19's impact on financial trends. He emphasized that the projections are a forecast, not a budget, and based on historical trends.

Budget Concerns and Inflation Impact

Multiple members expressed concerns about inflation assumptions in the forecast, particularly related to Natick Public Schools' budget and teacher salary increases required by the most recent collective bargaining agreements. These concerns are not limited to the Schools' staffing, but extend to all compensation agreements town-wide. Compensation agreements which build in increases exceeding the rate of reliable revenue growth are a major driver of the town's structural deficit, given that compensation represents the major expense within the town's operating budgets.

Some members also noted that upcoming capital projects (e.g., Cole Center and Memorial School) may require debt exclusions, potentially increasing tax burdens beyond the override for the term length of the excluded projects' bonds. Additionally, the forecast shows tight budgets in FY28 and FY29, even with an override.

Natick Public Schools Financial Update

Superintendent Dr. Melissa Spash outlined the schools' financial challenges. Both override and non-override budgets include over \$2 million in cuts over the past two years. The main cost driver is instructional expenses (teacher salaries). Deputy Superintendent Matt Gillis noted circuit breaker funds may help reduce out of district tuition costs next year.

School Committee Chair Shai Fuxman reaffirmed the commitment to a sustainable long-term budget, citing past cost-saving measures like cutting central office positions and hiring the new Superintendent, who has a financial management background.

The Deputy Superintendent emphasized that multi-year projections are difficult and acknowledged the challenge of limiting school budget increases to 4%, given that recent trends have exceeded that, as does the FY2026 appropriation request. The FY2026 "with override funding" appropriation request exceeds a 10% year-over-year increase. However, it's important to note that this year-over-year increase is an outlier, having been distorted by the non-recurring impact of bringing the School Bus Subsidy (previously a separate funding Warrant Article) into the operating budget. Additional distortion is caused by the FY2025 spend-down of the Circuit Breaker account (which reduced the FY25 appropriation to which FY26 is being compared). Without these non-recurring items, the FY25 to FY26 year-over-year growth would have been closer to 7% in the case of the "with override" budget request and 3.9% in the case of the "without override" budget.

The Finance Committee expresses serious concerns as to what town-wide offsets will be required going forward to support rates of growth exceeding stable revenue increases - in both the short and long terms.

Staffing and Enrollment Trends

There was discussion on school staffing reductions, with 11 fewer positions with the override and 51 fewer without. Dr. Spash highlighted that while student enrollment is stable, the number of special education and multilingual learners has increased, requiring additional resources.

Town Financial Strategies and Future Planning

Mr. Errickson detailed ongoing efforts to reduce spending and increase revenue, such as:

- Regional dispatch center (expected future savings)
- Reviewing trash and recycling programs for cost savings
- Potential fee increases (though phased implementation is preferred)

Some Finance Committee members raised concerns about the continued use of free cash for operating expenses and the reliance on reserves. A member questioned how projected

FY2028-FY2029 deficits would be addressed, to which the Town Administrator responded that higher than conservatively projected new growth, cost-cutting measures, and capital project deferrals have historically helped close budget gaps of the size forecast.

Retirement Funding and Stabilization Reserves

Some members questioned whether the town could extend the deadline for fully funding pensions past 2030 to free up funds. However, Town Administration explained that changing course now would be difficult due to past commitments. The retirement system is currently 70% funded.

Discussions also touched on stabilization funds, with concerns about altering their purpose. The Town Administrator warned against using them for structural deficits, noting that maintaining reserves helps protect Natick's AAA bond rating.

Takeaways

- Override passage would stabilize the budget but challenges remain in future years.
- If the override fails, additional town and school cuts are required.
- Retirement and capital project funding remain key long-term concerns.
- Town and school officials are working toward more frequent financial reporting and long-term sustainability.

The Select Board and School Committee will continue discussions on financial strategies, budget transparency, and future projections.

The Finance Committee strongly recommends that residents and other members of the public thoroughly review and consider all of the currently available materials generated by the Town's professional staff. These materials have been carefully built over several months, and represent the latest versions of plans, proposals, and projections – many of which have undergone dozens of iterations and revisions of assumptions.

Town Generated Override Materials, FY2026 Budgets, and State Data-Sets:

[Town's FY2026 Budget Override Resources](#)

[Town Administrator's Preliminary FY2026 Budget Book](#)

[Natick Public Schools' FY2026 Budget Book](#)

[FY2026-2030 Capital Improvement Program](#)

[Summary of FY2026 Operational Override, Free Cash Plans, and FY2027-2031 Forecast](#)

[Proposition 2 ½ Guide from the Commonwealth of MA](#)

MA Divison of Local Services Data and comparative analyses

[Natick – High Level Overview](#)

[Income Sources](#)

[Property Value & Taxes](#)

[Debt Metrics](#)

[Certified Free Cash FY2021-2025](#)

[Free Cash as % of Budget](#)

[Outstanding Taxes](#)

[Outstanding Taxes as % of Levy](#)

[Average Single Family Tax Bill](#)

[Average Single Family Tax Bill as % of Assessed Value](#)

[Average Single Family Tax Bill as % of DOR Income per Capita](#)

[New Growth Value by Class FY2021-2025](#)

[Assessed value by Class](#)

[Total Budget per Capita FY2021-2025](#)

[Local Receipts Actual vs Estimate FY2021-2025](#)

[Outstanding LT Debt FY2020-2024](#)

[Outstanding LT Debt as % of Value FY2020-2024](#)

[Outstanding LT Debt per Capita FY2020-2024](#)

[General Fund Debt Service as % of Budget FY2020-2024](#)

[Natick Demographic Trends](#)