

Article 25

Sponsor Presentation

Two Key Funds Were Created by Town Meeting

- October 19, 2010 Town Meeting voted under Article 2 of 2010 FATM to:

“create a Capital Stabilization Fund for the purpose of funding any capital-related project, or pieces of capital equipment, or debt-service payment related thereto, in accordance with Chapter 40, Section 5B of the General Laws, as amended”

- May 3, 2011 Town Meeting voted under Article 4 of 2011 SATM to:

“create an Operational Stabilization Fund for the purpose of supplementing declines in revenues during periods of economic downturn, as authorized by Chapter 40, Section 5B of the General Laws, as amended”

- Use of These Funds is Restricted to These Purposes
- Restrictions were Discovered in January 2025 When Select Board could not consider use of stabilization for FY 2026

When These Funds Were Created, Town Counsel Told Town Meeting These Funds Were NOT Restricted

- At Town Meeting on Oct.19, 2010, a question was asked:
“Is it possible to move funds from such a capital stabilization fund to any other general fund purpose, or are they now deemed to be restricted funds?”*
- Town Counsel answered the question:
“Mr. Moderator, town meeting members, money from this stabilization fund, if town meeting establishes that or from any stabilization fund may be appropriated for any lawful purpose by a two-thirds vote of town meeting.”
- At Town Meeting on May 3, 2011, the same question was asked about the Operational stabilization fund**
- Town Counsel provided the same answer

*(From 1:12:00 to 1:14:00 of the video tape of 10/19/2010 session of Town Meeting)

** (From 25:48 to 26:12 of the videotape of 5/03/2011 session of Town Meeting)

Municipal Modernization Act - 2017

- In July 2017, DOR released IGR No. 17-20 re: the Act
- Act made 4 changes to stabilization funds
 - 1 – Eliminated caps on stabilization balances
 - 2 – Req'd only majority vote to put money into stabilization (kept 2/3rds vote to take money out)
 - 3 – Allowed more investment options for funds
 - 4 – Allowed votes to dedicate revenues to stabilization
- IGR 17-20 said “*a two-thirds vote is still needed to create a stabilization fund and to change its purpose*”

Now Clear That Town Meeting:

- Can Only Appropriate for the stated purpose
- But can change the purpose of a fund by a 2/3rds vote
- Could theoretically by 2/3rds vote two steps:
 - Transfer money from the restricted purpose Capital or Operation Stabilization Fund to the unrestricted General Stabilization Fund and
 - Then appropriate from the General Stabilization Fund for any lawful purpose

But the Two Step Process Can Only Occur If & When the General Stabilization is Actually on the Town Meeting Warrant

General Stabilization is Often Omitted

- Since 2010, the General Stabilization Fund has been OMITTED from the Spring Warrant in 2015, 2017, 2018, 2019, 2020, 2021 and 2022
- Administration does not always put it on
- Town Administrator's Vary
- Whenever it's off the warrant, Town Meeting's hands are tied
- When we created these funds, Town Meeting was told its hands were never tied

Will Article 25 Jeopardize the Bond Rating ?

- **Not According to the Rating Agencies, Their Published Reports and Stated Criteria**
- “Available Reserves” are defined as: “unrestricted general fund balance (the sum of the assigned, committed and unassigned fund balances)” (See Fitch Ratings Master Criteria pg 8 ‘How Available Reserves are Measured’)
- *Note 17 of FY 2023 Audit: “The capital and technology stabilization fund balances are reported in the general fund as committed and the general, operational and FAR stabilization funds are reported in the general fund as unassigned fund balance.”*
- All Stabilization Funds Including the Unrestricted General Stabilization Fund Count Equally As Available Reserves
- *For Ratings, It Does Not Matter What Account We Hold Them In*
- *Ratings Reports Do Not Even Mention Let Alone Require Restricted Purpose Stabilization Funds*

Capital Stabilization is an Inconsequential 2.4% of Available Reserves

From Note 16 Fund Balances June 30, 2023 Audited Financial Statements

	General	Affordable Housing Trust	ARPA Fund	Metrolia Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ 17,316	\$ 17,316
Restricted:					
OPEB	5,681,056	-	-	-	5,681,056
Debt Service	462,725	-	-	237,609	700,334
School Construction	-	-	-	3,494,677	3,494,677
School Lunch	-	-	-	2,660,151	2,660,151
Bus Transportation	-	-	-	382,655	382,655
Infrastructure (Mitigation Funds)	-	-	-	1,142,316	1,142,316
Capital	-	-	-	10,750,667	10,750,667
Circuit Breaker	-	-	-	2,780,633	2,780,633
Conservation Commission	-	-	-	114,713	114,713
Recreation Revolving	-	-	-	1,202,581	1,202,581
General Government	-	295,307	-	2,579,589	2,874,896
Public Safety	-	-	-	325,707	325,707
Education	-	-	-	4,421,417	4,421,417
Public Works	-	-	-	2,274,797	2,274,797
Health and Human Services	-	-	-	1,145,837	1,145,837
Culture and Recreation	-	-	-	368,086	368,086
Library	-	-	-	4,864	4,864
Subtotal - Restricted	6,143,781	295,307	-	33,886,299	40,325,387
Committed:					
Capital Stabilization	967,594	-	-	-	967,594
Subsequent Year's Expenditures	8,324,045	-	-	-	8,324,045
Technology Stabilization	7,921	-	-	-	7,921
General Government	3,161,773	-	-	-	3,161,773
Public Safety	845,877	-	-	-	845,877
Education	855,466	-	-	-	855,466
Public Works	4,397,345	-	-	-	4,397,345
Library	727,162	-	-	-	727,162
Health and Human Services	18,485	-	-	-	18,485
Culture and Recreation	205,000	-	-	-	205,000
Subtotal - Committed	19,510,668	-	-	-	19,510,668
Assigned:					
General Government	208,208	-	-	-	208,208
Public Safety	74,069	-	-	-	74,069
Education	848,940	-	-	-	848,940
Public Works	261,665	-	-	-	261,665
Health and Human Services	204	-	-	-	204
Culture and Recreation	2,793	-	-	-	2,793
Other	6,688	-	-	-	6,688
Subtotal - Assigned	1,402,567	-	-	-	1,402,567
Unassigned	18,950,405	-	-	(2,348,788)	16,601,617
Total	\$ 46,007,421	\$ 295,307	\$ -	\$ 31,554,827	\$ 77,857,585



Standard & Poors Doesn't Count Capital Stabilization

- S&P uses 'available reserves' but excludes any stabilization account that is routinely used
- Capital stabilization is routinely used
- S&P's methodology excludes Capital stabilization from our 'reserves'

Standard & Poors Raised Us to "AAA" on February 26, 2008 When We Had Near Zero Reserves

- S&P cited "strong financial position and solid tax base"
- One full month before the March 2008 override for \$3,900,000

Article 25 Seeks to Restore These Funds to Their Original Unrestricted Purpose

- In 2002, state aid was cut over 20% and in 2007 and 2008 in the run up to the financial crisis, town finances were strained
- Without use of stabilization both Natick Public Schools and the fire department would have sustained drastic cuts.
- Such tight days will inevitably come again
- An emergency could occur sooner
- For FY 2026, NPS gets over \$1.8 million in grants DIRECTLY from the federal government.
- Town meeting doesn't vote the grants but Donald Trump could cut them
- A 2/3rds supermajority of Town meeting should have the completely unfettered ability to make the schools whole.
- If Trump administration cuts to Massachusetts result in reduced state aid, a 2/3rds supermajority should be completely free to act.
- The operational stabilization fund – notwithstanding what town counsel said in 2010- can only be used to offset revenue declines ..”during an economic downturn”.
- Political change in Washington could reduce revenues but would not be an economic downturn but rather a policy shift.

2/3rds Supermajority of Town Meeting Should:

- Be Free to Act in Emergencies or in its Best Judgement on Other Matters - (2/3rds is a high threshold)
- Be Acknowledged as the Appropriating Authority in Town
- Be Respected for its powers under the charter which says: “All powers of the town shall be vested in the representative town meeting, except as otherwise provided by law or the charter. The town meeting shall provide for the exercise of all powers of the town and for the performance of all duties and obligations imposed upon the town.”
- Be Trusted in its Judgement of Town Affairs
- Not Be Constrained by a Simple Majority Putting Funds Into Restricted Accounts (only a simple majority puts these funds in)
- Not Ever Be Subject to General Stabilization Being Omitted from the Warrant

Conclusion

- We Respectfully Request You Vote Favorable Action on Motions A and B Consistent with the Finance Committee's Recommendation from the Public Hearing