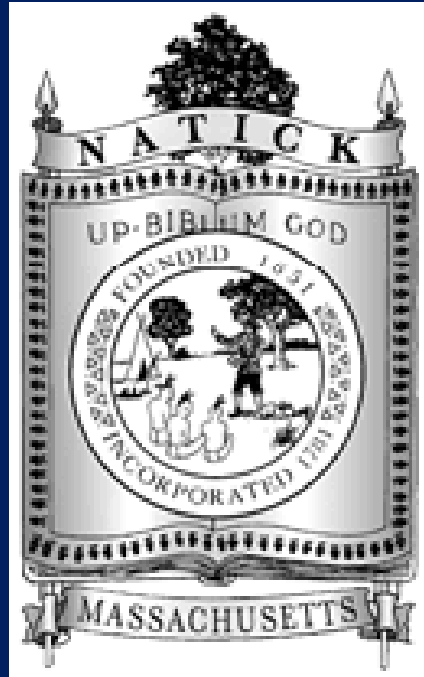


Town of Natick



FY 2015 Preliminary Budget Presentation

Martha White, Town Administrator

January 6, 2014



Town of Natick

FY 2015 Preliminary Budget

Presentation Summary:

1. Budget Process
2. Budget Shortfall
3. Balancing the Budget
4. Budget Accomplishments
5. Eye to the Future: Upcoming Issues
6. Closing



Town of Natick

FY 2015 Preliminary Budget

1. Budget Process

- Began internally in the fall with the issuance of the Budget Manual to all general government departments.
- Departments were advised to ensure that their budget requests represented comprehensive and careful consideration of resources needed to accomplish the mission, goals and objectives of their departments.
- Other key instructions included:
 - “Level-Service Budgets” - same level of service as is currently being provided in FY 2014; employee compensation and departmental expenses were budgeted accordingly accounting for fixed cost increases (i.e. contractual services, contractual employee step raises, etc.).



Town of Natick

FY 2015 Preliminary Budget

1. Budget Process

Other key instructions included (con't):

- Cost of Living Allowances (COLAs) have been funded for all union employees. For those who do not yet have contract settlements we have included a line item within Selectmen's budget, as was done in FY 2014. If these contracts are settled during the budget process we can move the required funds into the appropriate departmental budgets prior to Town Meeting.
- For non-union personnel, as has been the case for the last three years, we are funding a line item within the Shared Expense budget for potential performance increases



Town of Natick

FY 2015 Preliminary Budget

1. Budget Process

Other key instructions included (con't):

-Program Improvement Requests: Departments asked to submit requests for costs associated with proposed service enhancements; of nearly \$940K of requests, over \$560K were approved and included in this Preliminary budget.



Town of Natick

FY 2015 Preliminary Budget

1. Budget Process

Other key points:

- Inclusive process - Department heads were encouraged to solicit participation from all levels of staff during development of their budgets in order to more fully identify and address the budget needs associated with the department's programs and services and to bring a variety of perspectives to the process.
- The School Department has undertaken their own process for developing the operating budget of the Natick Public Schools; the Superintendent submitted his budget request to the School Committee in December. His request is reflected in the Preliminary Budget.



Town of Natick

FY 2015 Preliminary Budget

1. Budget Process

- As required by Charter, the Town Administrator is responsible for making budget recommendations for all Town programs, including a total School budget. This presentation and submission is a complete budget, though not one in balance; in fact, ***a deficit of nearly \$3.75 million results*** from the projected revenues and requested general government, school and shared expenses.



Town of Natick

FY 2015 Preliminary Budget

2. Budget Shortfall

Budget is out of balance:

FY 2015 Preliminary Budget as of January 2,
2014

Revenues:	\$127,727,715
<u>Expenses:</u>	<u>\$131,477,116</u>
Balance/ (Deficit):	(\$ 3,749,401)



Town of Natick

FY 2015 Preliminary Budget

2. Budget Shortfall

Drivers of imbalance (Revenues):

- 1) Early projections are that revenues will be more than \$1,86 million lower than FY 2014 revenues – very conservative projections used at this stage of budgeting process; inevitably projections will increase as more reliable information becomes available.
- 2) Conservative approach is critical to ensure adequate funds are available in support of operating costs. “Excess” funds result in available Free Cash.
- 3) Recently, Free Cash has provided beneficial opportunities to build reserves, plan for future capital needs and reduce taxpayers’ burden.



Town of Natick

FY 2015 Preliminary Budget

2. Budget Shortfall

Drivers of imbalance (Expenses):

- 1) Keefe Tech School. We have budgeted a 10% increase for Keefe Tech – to account for any potential enrollment increases from Natick. This number can and will change once a preliminary budget is provided by Keefe Tech later in January.
- 2) Department Operating Budgets. In the Town Administrator's past projections for the FY 2015 budget, we had built in an anticipated 2.5% increase across general government departments and a 4.5% increase in the school department budget; both projections included anticipated cost-of-living adjustments (COLAs) for all employees.



Town of Natick

FY 2015 Preliminary Budget

2. Budget Shortfall

Drivers of imbalance (Expenses):

2a) School Increases.

- The preliminary budget submitted by the school department however provides for a 9.54% increase. This increase is being driven primarily by the addition of 22 staff positions (due to increased enrollment and special education compliance requirements), COLAs for all union employees, and higher special ed. out-of-district tuition costs.

2b) Municipal Increases:

- Overall, a 1.89% increase over FY 2014 (inclusive of COLAs).
- Largest increases in Public Works (3 new FTE positions), Public Safety (2 new FTE positions) and Admin. Support Services (2 new FTE positions - 1 in Selectmen, 1 in Finance)



Town of Natick

FY 2015 Preliminary Budget

2. Budget Shortfall

Drivers of imbalance (Expenses):

3) Benefit Increases:

- Overall, a 7.21% increase over FY 2014. This includes a forecasted 10% increase in health care rates; other costs areas vary in rate of increase/decrease. This amount is also likely to change when final health care rates are set in early February. Indications are this number may be even lower.

4) Pension Increases:

- Overall, a 7.93% increase over FY 2014. This is inclusive of all pension costs – both non-contributory and contributory.

5) Facilities Management Increases:

- Overall, a 17.99% increase over FY 2014. This is a result of moving all expenses from DPW Build. Maint. into the Shared Facilities Budget.



Town of Natick

FY 2015 Preliminary Budget

3. Balancing the Budget

Step 1: Reconciliation

Total FY 2015 General Fund Revenue		\$	127,727,715
Less FY 2014 Education	\$ 48,588,672		
Less FY 2014 Municipal*	\$ 30,530,805		
Less FY 2015 Shared**	\$ 39,829,525		
Less FY 2015 Capital	\$ 1,337,400		
Less FY 2015 Other/Reserves	\$ 5,715,981		
Incremental Revenue		\$	1,725,332

* Includes Libraries

** Includes Keefe Tech



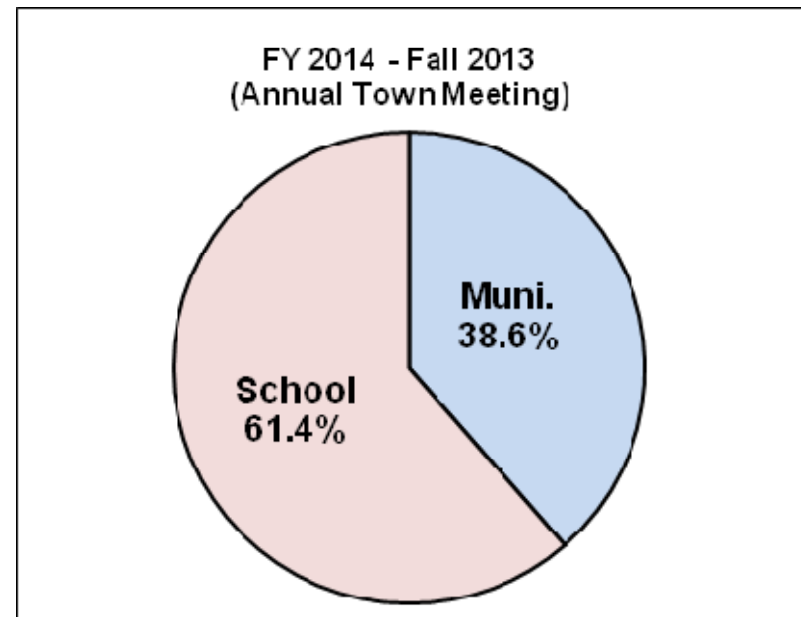
Town of Natick

FY 2015 Preliminary Budget

3. Balancing the Budget

FY 2014 - Fall 2013 (Annual Town Meeting)

Municipal	\$ 30,530,805	38.6%
School	\$ 48,588,672	61.4%
Total	\$ 79,119,477	100.0%



Incremental Revenue \$ 1,725,332

Municipal Split (38.6%) \$ 665,775

Municipal Revenues for 2015 \$ 665,775

School Split (61.4%) \$ 1,059,557

School Revenues for 2015 \$ 1,059,557



Town of Natick

FY 2015 Preliminary Budget

3. Balancing the Budget

Step 3: Deficit Determination

Municipal Request Increment	\$	(578,581)
Add Municipal Added Position Bene	\$	(85,652)
Less Incremental Revenues	\$	665,775
Municipal Surplus / (Deficit)	\$	1,542

School Request Increment	\$	(4,577,938)
Add School Added Position Benefi	\$	(232,562)
Less Incremental Revenues	\$	1,059,557
Education Surplus / (Deficit)	\$	(3,750,943)

Balance as of 1/2
\$ (3,749,401)



Town of Natick

FY 2015 Preliminary Budget

3. Balancing the Budget

Budget gap closing options:

- 1) Increased revenues. Close monitoring of several revenue categories that we hope will turn more favorable during the budget review process. Local receipts are \$30,000 higher than the FY 2014 estimate, but more review will be conducted after mid-year revenue collections are finalized and excise tax bills are sent in early February.
- 2) Fee Increases: Evaluation of opportunities for fee increases.
- 3) Budget Reviews: Evaluation of areas where budgeted amounts may be able to be reduced without impact, including costs for health care benefits.



Town of Natick

FY 2015 Preliminary Budget

3. Balancing the Budget

Budget gap closing options:

4) Personnel Reductions: Personnel reductions will certainly be evaluated; If there are no savings found through the options listed above the budget would have to be reduced by \$3.75 Million – meaning at minimum most of the new positions proposed would have to cut or existing positions realigned to accommodate them.



Town of Natick

FY 2015 Preliminary Budget

4. Budget Accomplishments

Although out of balance at this time, the FY 2015 Preliminary Budget proposes many important improvements:

- Funds important positions within municipal government for public works, public safety and continues succession planning efforts within Administrative departments such as the Board of Selectmen/Town Administrator's Office and Finance.
- Continues subsidy of taxpayer cost for the High School, & Community/Senior Center projects - **\$750,000 in FY 2015**. This will directly lower the amount taxpayers have to pay in FY 2015 for the projects.
- Continues reduction in Indirect Cost charges against the Water/Sewer Enterprise Fund; this is a planned adjustment over a three year period.



Town of Natick

FY 2015 Preliminary Budget

5. Eye to the Future: Upcoming Issues

- Continued significant increases in the Contributory Retirement System contributions in the range of 8% (This year and beyond)
- Funding of the Town's "other post-employment benefit" (OPEB) obligation.
- Settlement of remaining contracts for FY 2013-2015 (which we will continue to negotiate during the FY 2014 budget year)
- Increasing school enrollment & senior population
- Continued replacement of capital – especially roadways, sidewalks and schools



Town of Natick

FY 2015 Preliminary Budget

6. Closing

- Yet again, we face a challenging budget year which has a significant but not insurmountable deficit to close.
- As always, we encourage the public's awareness and participation throughout the budget process.
- Overall, the Town still has a solid financial base with improved reserves, (although not yet at our target levels), a stellar Credit Rating, appropriate capital funding and comparatively low taxes for the Metrowest area.
- The summary of this presentation is that, notwithstanding the deficit position reflected in this preliminary budget, we are in a rather solid financial position. This enviable position should encourage us to continue our conservative financial practices with a keen eye on the many needs and challenges that lie ahead. Discretion and good sense must be our guide as we evaluate our opportunities.



Town of Natick ~ Home of Champions

Thank You