

Memorandum

To: Board of Selectmen
Finance Committee

From: Martha White, Town Administrator
Michael Walters Young, Deputy Town Administrator

Date: Tuesday, March 05, 2013

Re: FY 2014 Budget Update as of March 1st

Since the creation and submission of the FY 2014 Preliminary Budget on January 2nd, significant information and several budget decisions have developed and have served to reduce the overall deficit. This overview summarizes the key changes made since January 2nd, and details how the budget stands entering the final month of budget deliberations prior to Town Meeting.

Budget Status

As of January 2nd, the FY 2014 Preliminary Budget forecasted a deficit of \$3,349,952. As of March 1st, ***the FY 2014 Budget Balance stands at a negative \$1,800,790***. All major budgetary changes are detailed on pages 5 and 6 of this packet; however a brief narrative explanation of several key factors is required to ensure comprehensive understanding.

Revenue Enhancement: Overall General Fund Revenues have been increased by \$563,575 over the January 1st submission. Only \$100,575 of this amount, however, can be attributed to “enhanced revenues.” Staff carefully examined the FY 2013 mid-year revenues and collections and determined that current revenue estimates for FY 2014 are realistic and appropriately conservative with one exception: Motor Vehicle Excise. The first commitment of excise bills – by far the largest (comprising between 80-90% of all excise bills issued annually) – continued to show year-over-year growth in excess of \$100,000. We are comfortable revising this estimate and increasing revenues.

Other areas of revenue growth over FY 2013 – such as parking fines and licenses and permits – have either already been factored into the original revenue estimate on January 2nd (in the case of parking) or have been deemed one-time in nature, thus there is no assurance the healthy building permit revenues that the Town has seen in FY 2012 and the first half of FY 2013 will sustain through the end of FY 2014.

As per guidance from our legislators at a joint meeting of the Board of Selectmen and School Committee on February 11th, no change has been made to State Aid at this time. This, in effect,

rejects the Governor’s proposal submitted in late January and level-funds aid at the FY 2013 level. Further revisions to State Aid will not be made until House Ways & Means submits their budget in mid-to-late April, (or in other words, *after* Town Meeting has begun.)

The balance of revenue increases are Free Cash (\$450,000) being added to offset the increase in the Town’s Snow & Ice Deficit and the Capital Stabilization Fund (\$13,000) for slightly higher costs of capital requests.

Lower Budget Requests: The three major sections of the budget – Education, Municipal and Shared expenses - have all revised their budget requests since January 2nd. The Natick Public Schools has lowered their budget request to \$49,833,125, **reducing the budget by \$669,603**. The municipal departments have **collectively increased their budget request by \$44,383**. And Shared Expenses – including Benefits, Insurance, Debt Service, Keefe Tech, Facilities, and the Reserve Fund - has a collective budget **which is \$780,506 lower than it was on January 2nd**. These changes take into account all changes made as a result of all meetings of the Board of Selectmen, School Committee and Finance Committee to date.

The impact of these changes have resulted in a revised overall deficit of **\$1,800,790**. Details explaining these changes are shown in the ensuing pages.

This packet includes:

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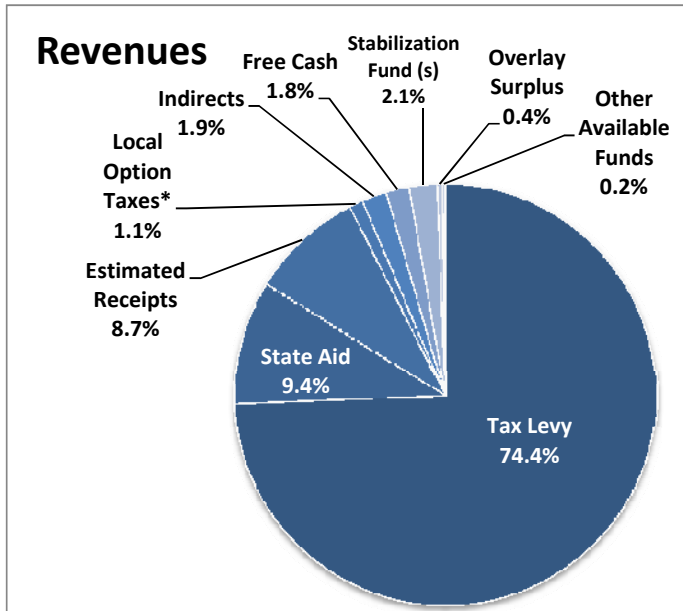
General Fund Revenue/Expenditure Summary

	2011	2012	2013	2014	2013 vs. 2014	
General Fund Revenues	Actual	Actual	Appropriated	Preliminary	\$	%
Tax Levy	\$ 79,684,179	\$ 85,587,087	\$ 89,323,445	\$ 91,804,040	2,480,595	2.78%
State Aid	\$ 11,711,879	\$ 11,449,436	\$ 11,657,952	\$ 11,657,952	0	0.00%
Estimated Receipts	\$ 11,922,815	\$ 13,080,747	\$ 10,012,890	\$ 10,696,750	683,860	6.83%
Local Option Taxes*	\$ 1,170,876	\$ 1,275,551	\$ 1,300,000	\$ 1,300,000	0	0.00%
Other Local Receipts						
Indirects	\$ 2,449,757	\$ 2,535,683	\$ 2,581,514	\$ 2,355,825	-225,689	-8.74%
Free Cash	\$ 3,425,336	\$ 5,466,393	\$ 6,343,030	\$ 2,200,000	-4,143,030	-65.32%
Stabilization Fund (s)	\$ 98,550	\$ 689,340	\$ 1,062,152	\$ 2,633,259	1,571,107	147.92%
Overlay Surplus		\$ 1,000,000	\$ -	\$ 500,000	500,000	100.00%
Other Available Funds	\$ 190,851	\$ 281,532	\$ 460,407	\$ 281,532	-178,875	-38.85%
Total General Fund Revenues	110,654,243	121,365,769	122,741,389	123,429,358	687,969	0.56%
General Fund Expenses						
Education & Learning						
Natick Public Schools	\$ 44,364,711	\$ 46,622,656	\$ 46,558,714	\$ 49,833,125	3,274,411	7.03%
Keefe Tech	\$ 1,469,598	\$ 1,396,865	\$ 1,271,613	\$ 1,291,338	19,725	1.55%
Morse Institute Library	\$ 1,739,131	\$ 1,852,078	\$ 1,884,687	\$ 1,965,777	81,090	4.30%
Bacon Free Library	\$ 109,706	\$ 118,675	\$ 130,082	\$ 139,582	9,500	7.30%
Public Safety	\$ 12,052,297	\$ 12,920,185	\$ 13,723,417	\$ 14,101,739	378,322	2.76%
Public Works	\$ 7,445,952	\$ 7,351,758	\$ 7,394,083	\$ 7,091,649	-302,434	-4.09%
Health & Human Services	\$ 1,560,965	\$ 1,712,263	\$ 1,856,338	\$ 1,982,921	126,583	6.82%
Administrative Support Services	\$ 3,831,269	\$ 4,094,438	\$ 4,820,673	\$ 4,937,416	116,743	2.42%
Committees	\$ 23,853	\$ 17,178	\$ 26,010	\$ 26,060	50	0.19%
Shared Expenses						
Fringe Benefits	\$ 14,200,952	\$ 14,167,955	\$ 15,109,016	\$ 15,488,574	379,558	2.51%
Prop & Liab. Insurance	\$ 451,853	\$ 471,865	\$ 553,175	\$ 588,175	35,000	6.33%
Retirement	\$ 5,475,739	\$ 5,701,675	\$ 6,150,200	\$ 6,610,068	459,868	7.48%
Debt Services	\$ 6,787,251	\$ 11,055,991	\$ 10,208,521	\$ 10,587,531	379,010	3.71%
Reserve Fund	\$ -	\$ -	\$ 400,000	\$ 300,000	-100,000	-25.00%
Facilities Management	\$ -	\$ -	\$ 2,479,630	\$ 2,655,958	176,328	7.11%
General Fund Oper. Expenses	\$ 99,513,276	\$ 107,483,582	\$ 112,566,158	\$ 117,599,913	\$ 5,033,756	4.47%
Capital Improvements	\$ 543,120	\$ 1,401,900	\$ 1,282,777	\$ 1,934,180	651,403	50.78%
School Bus Transportation	\$ 290,014	\$ 330,137	\$ 340,041	\$ 350,243	10,201	3.00%
State & County Assessments	\$ 1,351,044	\$ 1,360,929	\$ 1,524,561	\$ 1,524,561	0	0.00%
Cherry Sheet Offsets	\$ 131,434	\$ 155,298	\$ 239,005	\$ 239,005	0	0.00%
Tax Title	\$ 25,000	\$ 25,000	\$ 25,000	\$ -	-25,000	-100.00%
Snow Removal Supplement	\$ 448,991	\$ 765,163	\$ 102,008	\$ 800,000	697,992	684.25%
Overlay	\$ 1,112,323	\$ 1,133,967	\$ 1,463,310	\$ 1,150,000	-313,310	-21.41%
Golf Course Deficit	\$ 334,500	\$ 320,000	\$ 310,000	\$ 332,246	22,246	7.18%
General Stabilization Fund	\$ 1,634,439	\$ -	\$ -	\$ -	0	0.00%
Operational Stabilization Fund	\$ -	\$ 856,478	\$ -	\$ -	0	0.00%
Capital Stabilization Fund	\$ 307,913	\$ 1,859,511	\$ 3,275,551	\$ -	-3,275,551	-100.00%
FLSA Settlement	\$ -	\$ 593,032	\$ -	\$ -	0	0.00%
Misc. Articles	\$ 85,000	\$ 100,000	\$ 312,977	\$ -	-312,977	-100.00%
Collective Barg./Non-Union Adj.	\$ 63,512	\$ -	\$ -	\$ -	0	0.00%
Anticip. Local Opt. Taxes for FY 14 CSF*	\$ -	\$ -	\$ 1,300,000	\$ 1,300,000	0	0.00%
Total General Fund Expenses	\$ 105,840,566	\$ 116,384,997	\$ 122,741,389	\$ 125,230,148	2,488,759	2.03%
Net Excess / (Deficit)	4,813,677	4,980,772	0	-1,800,790		

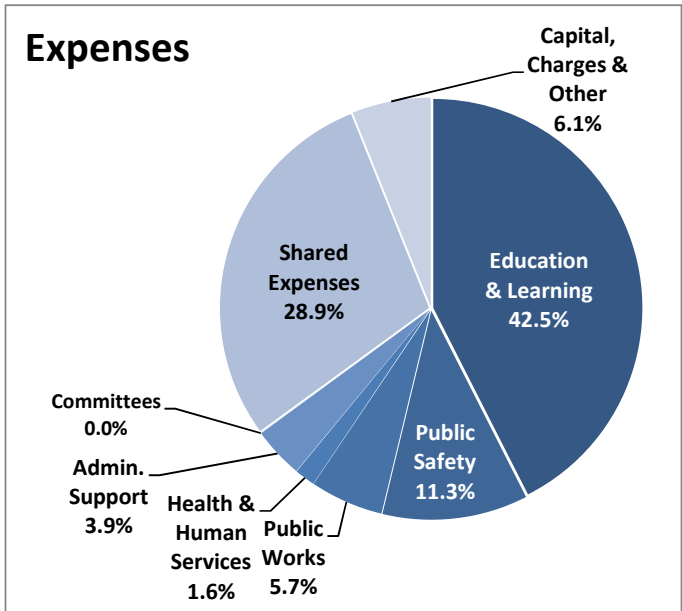
General Fund Revenue/Expenditure Summary

The following charts detail the overall revenues and expenditures for the General Fund for the Town of Natick.

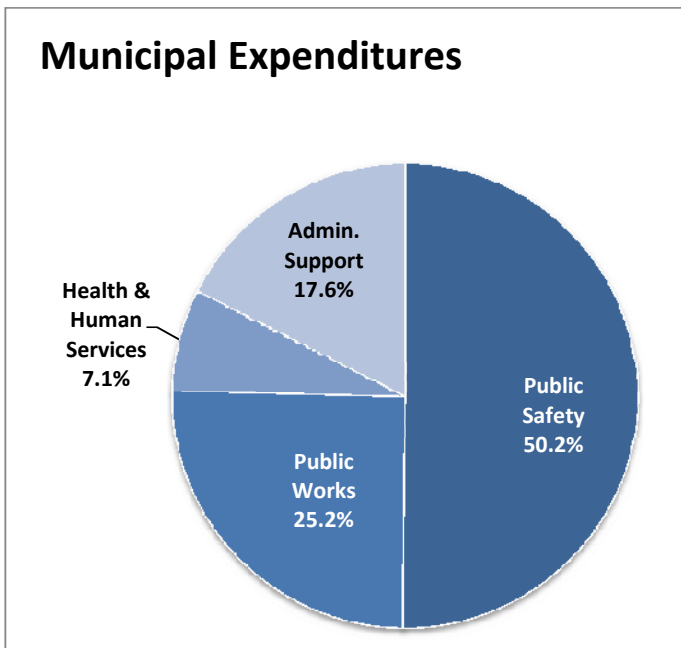
General Fund Revenues - FY 2014



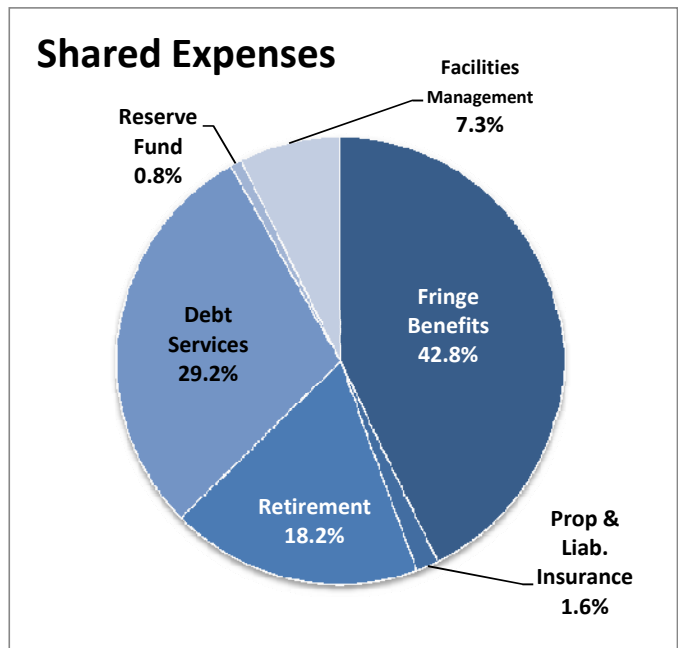
General Fund Expenditures - FY 2014



Municipal Expenditures - FY 2014



Shared Expenditures - FY 2014



Changes since January 2

	<u>2-Jan</u>	<u>25-Feb</u>	<u>Difference</u>	
Revenues				
Tax Levy	\$ 91,804,040	\$ 91,804,040	\$ -	
State Aid	\$ 11,657,952	\$ 11,657,952	\$ -	
Estimated Receipts	\$ 10,596,175	\$ 10,696,750	\$ 100,575	Increase in MV Excise based upon first commitment for FY 2013. Economic Factor no longer necessary [2/25]
Local Option Taxes*	\$ 1,300,000	\$ 1,300,000	\$ -	
Other Local Receipts				
Indirects	\$ 2,355,825	\$ 2,355,825	\$ -	
Free Cash	\$ 1,750,000	\$ 2,200,000	\$ 450,000	Additional FC necessary for Snow & Ice costs [2/25]
Stabilization Fund (s)	\$ 2,620,259	\$ 2,633,259	\$ 13,000	Increased use of Capital SF for FY 2014 Capital budget
Overlay Surplus	\$ 500,000	\$ 500,000	\$ -	
Other Available Funds	\$ 281,532	\$ 281,532	\$ -	
Total General Fund Revenues	\$ 122,865,783	\$ 123,429,358	\$ 563,575	

General Fund Expenses

Education & Learning				
Natick Public Schools	\$ 50,496,734	\$ 49,833,125	\$ (663,609)	Elimination of 7 new hire requests as well as additional retirements and revolver offsets. [2/25]
Keefe Tech	\$ 1,335,194	\$ 1,291,338	\$ (43,856)	Actual preliminary assessment from Keefe Tech [2/12]
Morse Institute Library	\$ 1,936,053	\$ 1,965,777	\$ 29,724	Addition of full-time Young Adult Librarian (add .51 FTE)
Bacon Free Library	\$ 139,582	\$ 139,582	\$ -	
Public Safety				
Police	\$ 6,299,223	\$ 6,439,320	\$ 140,097	Add of .5 FTE Deputy Police Chief (\$62,500) and settlement of Superior Officers Contract (\$77,597) [2/12]
Fire	\$ 7,459,158	\$ 7,504,158	\$ 45,000	Add of Public Safety Education Program Improvement Request (\$45,000) [2/11]
Public Works				
Highway	\$ 2,892,902	\$ 2,853,435	\$ (39,467)	Elimination of 1 new DPW Laborer for in-house recycling [2/11]
Health & Human Services				
Council on Aging	\$ 1,976,295	\$ 1,982,921	\$ 6,626	
	\$ 478,029	\$ 484,655	\$ 6,626	Minor corrections to 4 positions (merit, contract adj., steps) [2/19]
Administrative Support Services	\$ 5,075,013	\$ 4,937,416	\$ (137,597)	

Changes since January 2

	<u>2-Jan</u>	<u>25-Feb</u>	<u>Difference</u>	
Selectmen	\$ 1,168,695	\$ 1,081,098	\$ (87,597)	Elimination of Surveys (10,000) and Transfer to Police for settlement of Superior's Contract (\$77,597) [2/12]
Information Technology	\$ 1,046,725	\$ 996,725	\$ (50,000)	Reduction of duplicative requests [1/31]
Committees	\$ 26,060	\$ 26,060	\$ -	
Shared Expenses				
Fringe Benefits	\$ 16,137,960	\$ 15,488,574	\$ (649,386)	
Reduction of Health Care Rates	\$ 12,650,499	\$ 12,292,394	\$ (358,105)	Rates reduced from 8% to 4% inc. [WSHG - 2/19]
Modification of New Requests	\$ 433,534	\$ 322,253	\$ (111,281)	Total new hires down from 34 to 26.5 [2/25]
Reduction of Safety Nets	\$ 473,000	\$ 310,000	\$ (163,000)	Based on actual utilization [2/25]
Add Long-Term Disability	\$ -	\$ 18,000	\$ 18,000	LTD for Non-Union Emp (Elim. Of Sick Leave buy-Back post 5-years) [2/25]
Reduce Buy-out Allocations	\$ 200,000	\$ 165,000	\$ (35,000)	Police (\$10,000) and DPW (\$25,000) reduction [2/25]
Prop & Liab. Insurance	\$ 588,175	\$ 588,175	\$ -	
Retirement	\$ 6,610,068	\$ 6,610,068	\$ -	
Debt Services	\$ 10,587,531	\$ 10,587,531	\$ -	
Reserve Fund	\$ 400,000	\$ 300,000	\$ (100,000)	Reduction of \$100,000 due to completion of H.S. project
Facilities Management	\$ 2,687,078	\$ 2,655,958	\$ (31,120)	Reduction of duplicative requests [2/25]
General Fund Oper. Expenses	\$ 119,043,500	\$ 117,599,913	\$ (1,443,587)	
Capital Improvements	\$ 1,921,180	\$ 1,934,180	\$ 13,000	Revisions to FY 2014 Capital Budget
School Bus Transportation	\$ 350,243	\$ 350,243	\$ -	
State & County Assessments	\$ 1,524,561	\$ 1,524,561	\$ -	
Cherry Sheet Offsets	\$ 239,005	\$ 239,005	\$ -	
Tax Title	\$ -	\$ -	\$ -	
Snow Removal Supplement	\$ 350,000	\$ 800,000	\$ 450,000	Current Snow Overdraft \$800K - \$350K already built into FY 2014 budget.
Overlay	\$ 1,150,000	\$ 1,150,000	\$ -	
Golf Course Deficit	\$ 337,246	\$ 332,246	\$ (5,000)	Lower operating costs due to refinanced debt
Anticip. Local Opt. Taxes for FY 14 CSF	\$ 1,300,000	\$ 1,300,000	\$ -	
Total General Fund Expenses	\$ 126,215,735	\$ 125,230,148	\$ (985,587)	
Net Excess / (Deficit)	\$ (3,349,952)	\$ (1,800,790)	\$ 1,549,162	



Ground Rules: How each side agrees to close their respective gaps

In addition to the model shown on the last page, these ground rules were agreed to by the Financial Planning Committee last year. These are subject to change and will be reviewed by policymakers in early 2013 should changes be necessary.

1. Changes to revenues will be made to Step 1: Reconciliation as more information becomes available. This will result in either a positive or negative effect – which will be split by both sides as per the allocation model methodology.
2. If there are budget reductions made to the Shared Expense budget, these “savings” will be split according to the methodology between the General Government and Education components except under the following situation:
 - Any benefit savings resulting from personnel reductions will remain with Shared Expenses for the purpose of paying said personnel’s unemployment costs.
3. For any net new positions added in FY2014, the cost of benefits (health insurance, Medicare, workers compensation) is the responsibility of the proposing agency.
4. Any reductions in capital or other expenses will be split according to the methodology on the same prorated basis that revenues are shared.
5. If the Board of Selectmen or School Committee increases a specific fee-for-service in FY2012 that is greater than the fee or charge in FY2011, with the exception of fees for trash bags, those revenues will remain with the respective General Government or Education budget and reduce any budget shortfall on a dollar-for-dollar basis.
6. Changes in Chapter 70 or Unrestricted General Government Aid (UGGA): If Chapter 70 Aid and Unrestricted General Government Aid (UGGA) are both increased over the prior year, 100% of the increase in Chapter 70 Aid will be allocated to the Schools, and 100% of the increase in UGGA will be allocated to the General Government for the fiscal year. If one is increased but the other is decreased, the deficit will be made up by the increase and any remaining increase will be allocated to the side that was increased. If both remain the same or are decreased from the prior year, no changes will be made. For subsequent fiscal years, all State Aid from prior years will be considered part of total revenues. This rule applies only to Chapter 70 Aid and UGGA.
7. This Revenue Split procedure is a starting point for budgeting purposes, and is not required to be the end point for any specific budget year.



Town of Natick

Home of Champions

FY 2014 Budget Development

FY 2014 Revenue Split

Since FY 2010, the distribution of revenues and the division of budget deficits has been governed in Natick through the use of the following "Split" methodology.

Methodology:

Step 1: Revenue & Expenses Reconciliation

The first of three steps in this model is to determine the amount of incremental revenue available to all

1. The allocation model starts by taking the total general fund revenues as projected by the Town Administrator as of January 1, 2013.
2. Next, the allocation model uses the FY2013 General Government and Education budgets as adopted at the Fall 2012 Annual Town Meeting.
3. Finally, the incremental revenue is determined by the following formula:

Start: Total projected FY2014 General Fund Revenue

- Less:**
- a) FY2013 School budget as approved by the Fall ATM
 - b) FY2013 General Government budget as approved by the Fall ATM
 - c) FY2014 Shared Expenses
 - d) FY2014 Capital
 - e) FY2014 Budget for other fixed costs/assessments/etc.

Equals: Balance allocated to the General Government and Education

Step 2: Split

As stated above, the allocation model uses the FY2013 General Government and Education budgets as adopted at the Fall 2012 Annual Town Meeting. That split, 60.9% to the schools and 39.1% to the municipal departments, is then applied to the incremental revenue. This year, that results in an apportionment of the incremental deficit, as detailed on the last page.

Step 3: Final Deficit Determination

The final step in the splitting process is to add to the incremental revenues to each respective sides requested budgetary increase over the previous fiscal year.



Town of Natick

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FY 2014 Budget Development

Budget Balancing Plan - March 1st (Version 2.0)

Purpose: To divide revenues according to current expense allocation

Step 1: Reconciliation

Total FY 2014 General Fund Revenue		\$	123,429,358
Less FY 2013 Education	\$	46,558,714	
Less FY 2013 Municipal*	\$	29,835,289	
Less FY 2014 Shared**	\$	37,212,304	
Less FY 2014 Capital	\$	1,934,180	
Less FY 2014 Other/Reserves	\$	5,696,055	

Incremental Revenue \$ 2,192,816

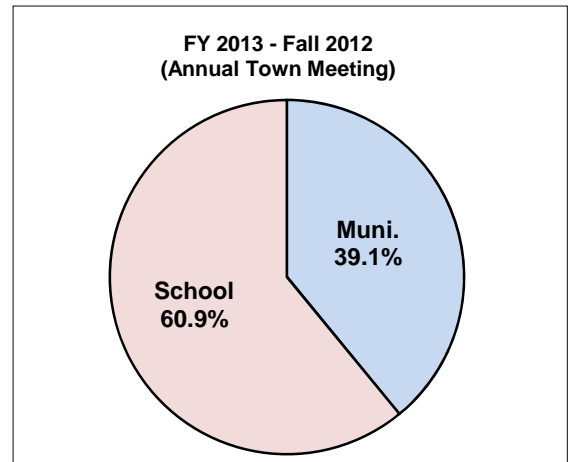
* Includes Libraries

** Includes Keefe Tech

Step 2: Split

FY 2013 - Fall 2012 (Annual Town Meeting)

Municipal	\$	29,835,289	39.1%
School	\$	46,558,714	60.9%
Total	\$	76,394,003	100.0%



Incremental Revenue \$ 2,192,816

Municipal Split (39.1%) \$ 856,393
Municipal Revenues for 2014 **\$ 856,393**

School Split (60.9%) \$ 1,336,423
School Revenues for 2014 **\$ 1,336,423**

Step 3: Deficit Determination

Municipal Request Increment	\$	(409,855)
Add Municipal Added Position Benefit	\$	(78,852)
Less Incremental Revenues	\$	856,393
Transfer of Municipal Surplus	\$	(270,556)
Municipal Deficit	\$	97,131

School Request Increment	\$	(3,274,411)
Add School Added Position Benefits	\$	(230,489)
Less Incremental Revenues	\$	1,336,423
Transfer of Municipal Surplus	\$	270,556
Education Deficit	\$	(1,897,921)

Balance as of 3/1
\$ (1,800,790)



Town of Natick

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FY 2014 Budget Development

Budget Balancing Plan - March 1st (Version 2.0)

Budget Summary: Current vs. Balanced	Current	Balanced
Revenues	\$ 123,429,358	\$ 123,429,358
Expenses		
Education	\$ 49,833,125	\$ 47,935,204
Municipal (includes Libraries)	\$ 30,245,144	\$ 30,342,274
Shared (Includes Keefe Tech Assessment)	\$ 37,521,645	\$ 37,521,645
Capital	\$ 1,934,180	\$ 1,934,180
Other/Reserves	\$ 5,696,055	\$ 5,696,055
Expenses (Total)	\$ 125,230,148	\$ 123,429,358
Balance (Deficit)	\$ (1,800,790)	\$ -

Budget Deficit as of 3/1/2013

Education Deficit	\$ (1,897,921)
Municipal Deficit	\$ 97,131
Total Budget Deficit as of 3/1/2013	\$ (1,800,790)

Balancing Options as of 3/1/2013

Municipal Budget Balancing	Amount	Reduction as %	Current Request (14')	Education Budget Balancing	Amount	Reduction as %	Current Request (14')
Deficit	\$ 97,131	-0.3%	\$ 30,245,144	Deficit	\$ (1,897,921)	3.8%	\$ 49,833,125
Shared Expense Revisions	Already taken into account			Shared Expense Revisions	Already taken into account		
Revenue Enhancements	Already taken into account			Revenue Enhancements	TBD		
Program and Staff Reductions	\$ (97,131)	-0.3%		Program and Staff Reductions	\$ 1,897,921	3.8%	
Balance	\$ -			Balance	\$ -		

Potential Budget Reduction Options

Option 1: Shared Expense Revisions

The FY 2014 Preliminary Budget was built with a series of assumptions, especially in the area of Shared Expenses. Final Health Care Premium numbers from the West Suburban Health Group were voted on February 19th, 2013, setting rate increases at 4% for Fy 2013, lower than the 8% forecast in the FY 2014 Budget. This savings has already lowered the budget deficit by more than \$400,000.

Option 2: Revenue Enhancement

Revenues for the FY 2014 are detailed in Section II of the Preliminary Budget. The Governor announced his FY 2014 local aid proposal as part of his "House 1" recommended budget recommendation in late January. Although the Governor proposed \$1.2 million more in state aid for Natick, we are keeping our initial forecast of level aid after consultation with our legislators.

Local receipts were examined mid-year and have been increased \$100,000 to account for healthy Motor Vehicle Excise collections.

No recommendations are being put forward at this time for fee increases locally.

Only \$400,000 in Free Cash is left unallocated at this time; much of the balance of unallocated free cash as of January 1st has gone to pay for the growing Snow & Ice Deficit.



Budget Balancing Plan - March 1st (Version 2.0)

Option #3: Program and Staff Reductions

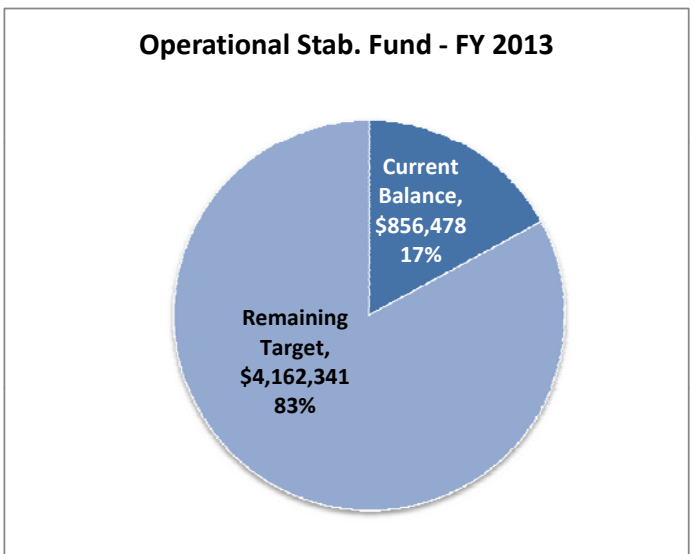
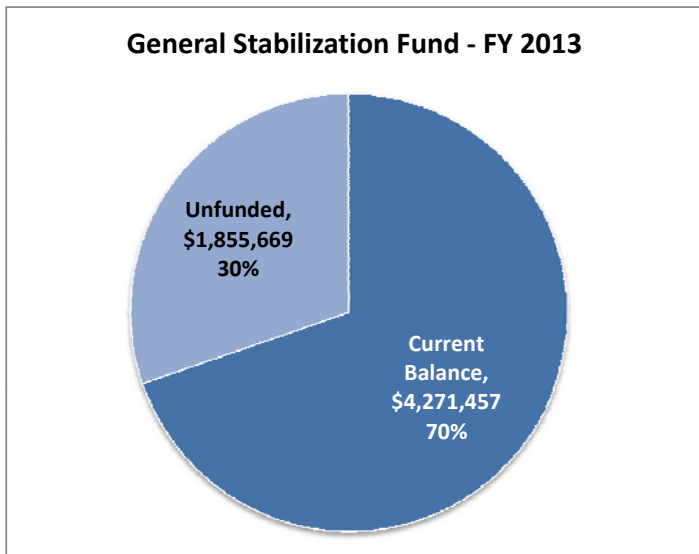
Inevitably, although the budgets put forward represent level-service requests with a modicum of program improvements, the requested budgets will likely not be able to be funded due to a lack of available funds. Program and Staff Reductions may have to be considered, including but not limited to not funding recommended Program Improvement Requests, new positions within the Natick Public Schools, replacement of existing positions and reduction of service to existing programs.

Options Not Considered

No Option #1: Utilization of Town's Reserves

The Town has weathered the Great Recession well over the last several years. We have successfully been able to rebuild critical reserves and begin to create a portfolio of diversified reserves to properly support the Town's financial operations. One option not considered and strongly not recommended to be utilized to close the budget gap in FY 2014 is to use the Town's reserves in the General or Operational Stabilization Funds.

The charts below shows the status of the Town's Stabilization Funds Reserves.



There is also no recommended use of those funds at this time as per the Town's Financial Management Principles. The principles state the following for each fund:

- 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.

The forecast budget deficit is an annual occurrence, and is not an unforeseen and catastrophic emergency - therefore it does not meet the definition for using the General Stabilization Fund.



Budget Balancing Plan - March 1st (Version 2.0)

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.

The forecast budget deficit is a result of forecasting revenues and expenses. The revenue estimates assume level-funded amounts of State Aid and Local Receipts. Since no reduction in state aid and local receipts are forecast in FY 2014, the budget deficit does not meet the definition for using the Operational Stabilization Fund.

Utilization of the Town's Stabilization's Funds for FY 2014 is limited to the Capital Stabilization Fund, whereby nearly \$2.5 Million is being proposed to support cash capital expenditures, reduce the burden of the High School and Community/Senior Center on Natick's taxpayers and subsidize the within-levy debt service budget in FY 2014.

Additional New Hires Proposed in FY 2014 Budget

Release Date:

3/4/2013

<u>Position</u>	<u>FTE added</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>	<u>Approvals</u>
<u>Municipal</u>					
Laborer	1.0	\$ 38,652	\$ 12,131	\$ 50,783	BOS, FC
Laborer	1.0	\$ 38,652	\$ 12,131	\$ 50,783	BOS, FC
Benefit/Payroll Specialist	1.0	\$ 50,192	\$ 12,131	\$ 62,323	BOS, FC
Information/Communication Specialist	1.0	\$ 50,192	\$ 12,131	\$ 62,323	BOS, FC
Deputy Police Chief	0.5	\$ 62,500	\$ 6,066	\$ 68,566	BOS, FC
Special Needs Coordinator	0.8	\$ 33,408	\$ 12,131	\$ 45,539	BOS, FC
Young Adult Librarian	0.5	\$ 29,724	\$ 12,131	\$ 41,855	FC
<i>Economic Development Officer*</i>	<i>1.0</i>	<i>\$ 85,000</i>	<i>\$ 12,131</i>	<i>\$ 97,131</i>	<i>None 2/28</i>
Totals	6.8	\$ 388,320	\$ 90,983	\$ 479,303	
<u>School</u>					
Elementary IT	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Elementary Math Interventionist	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Kennedy Soc. Stud. Teacher Grade 6	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Wilson Guidance Counselor	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Wilson Music	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS English Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Fine and Performing Arts Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Foreign Lanugage Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Guidance Counselor	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Math Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
PE/Health/Wellness Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Science Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
ELL (Kennedy & Brown)	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Nurse (NHS & Wilson)	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Speech & Language Pathology	0.6	\$ 30,000	\$ 12,131	\$ 42,131	
ABA Technician	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Learning Center Teachers HS	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
School Psychologist	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Elementary Technology Technician	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Additional positions	1.7	\$ 89,845	\$ -	\$ 89,845	
Totals	20.3	\$ 1,019,845	\$ 230,489	\$ 1,250,334	
<u>Shared Expenses</u>					
Maintenance Tech IV	1.0	\$ 50,000	\$ 12,131	\$ 62,131	None 2/28
Totals	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Totals Town-wide	28.1	\$ 1,458,165	\$ 333,603	\$ 1,791,768	

*EDO position is NOT included in current budget projections - either municipal budgets nor fringe benefits. It is the last remaining proposed addition on the municipal side which may come before the Finance Committee.

Free Cash Spenddown Proposal

<u>Item</u>	<u>Amount</u>	<u>Rationale</u>
Certified Free Cash as of 7/1/2012	\$ 6,791,984	Certified by DOR on 9/19/2012
.5% of G/F Revenue Set-Aside	\$ (614,213)	As per Financial Policies
<u>2013 Spring Town Meeting</u>		
OPEB Stabilization Fund	\$ (224,217)	Amount received from WSHG for 2008 Medicare Part D Reimbursement
<u>FY 2014 Budget</u>		
FY 2014 Starting Operating Budget	\$ (1,500,000)	Standard from Free Cash for next years Operating Budget
FY 2014 Subsidy for HS & C-SC Projects	\$ (250,000)	Increased to lower taxpayer cost of projects in FY 14
FY 2013 Snow & Ice Deficit	\$ (450,000)	Current Snow Overdraft \$800K - \$350K already built into FY 2014 budget.
<u>2012 Fall Town Meeting</u>		
Article 3: Transfer of FY 2012 Local Option Taxes to CSF	\$ (1,275,551)	As per Financial Policies
Article 3: Additional Capital SF Contribution	\$ (2,000,000)	To accommodate future Capital Needs
Article 12: Community Senior Center Project	\$ (22,216)	Redistribution of contributions to the project
Article 13: High School Project	\$ (15,858)	Redistribution of contributions to the project
Article 17: Transfer of Funds to Conservation Fund for Trails Construction and Improvement	\$ (50,065)	Transfer of funds receive from citations issued to development by the Planning Board to use for trails construction and improvements.
Remaining Unallocated Balance	\$ 389,864	

METHODOLOGY

The table on the next pages shows projections of total expenditure requirements and revenues for the next three years, FY 2014-FY 2016. Projections are calculated in the aggregate, using conservative assumptions, with the intention of giving an overall perspective on the Town's budget outlook. The projections are presented in sequence with the current year for comparison.

Revenues

Revenues are comprised of four primary components: the Tax Levy, State Aid, Local Receipts and Other Available Funds. The Tax Levy will remain constantly growing at the Proposition 2.5% level annually and minimal new growth due to construction. State Aid is projected to remain level at FY 2013 House 1 amounts. Local receipts are also projected to remain essentially level over the period of FY 2014 through FY 2016; although these will obviously be revisited when the economy begins to pick back up. Other Available Funds vary; indirects are proposed to decrease annually for the next three fiscal years as attempts are made to be less "aggressive" on costs charged against the Water/Sewer Enterprise Fund. \$2,000,000 in Free Cash and Overlay Surplus are proposed to be applied to operations annually and small amounts of other revenue expect to support small parts of operations. Finally, the Capital Stabilization Fund, using revenues generated from local option taxes, will support new cash capital projects, new within-levy debt service and increasing portions of the debt service attributable to the High School and Community Senior Center projects.

Expenses

In the operating budget, wage projections are modeled using agreed to contracts FY 2013-2015 and applied to those unions who have not settled at this time. On the whole, we have calculated a 4.5% increase in total expenses for the Natick Public Schools, a 10% increase for the Keefe Tech Assessment and a 2.5% increase for all municipal departments, consistent with past forecast practices of the Town. These increases may not be sustainable into future years; it is incumbent on the Town and School administrations and elected officials to budget responsibly and identify areas for cost reduction and revenue enhancement to ensure Natick's sound financial future.

The greatest changes going forward rest within the categories of Shared Expenses. While great savings has been achieved within municipal health care over the last several years through the shift of retirees to Medicare active employees to cheaper health care models, health care overall will increase more than 5% annually. So too will pension costs, as the new assessment will require a minimum of 8% annual increases in the municipal contribution to meet the funding deadlines for the foreseeable future. Finally, the shift of cost of Facilities Management from separate to a shared department represents a significant restructuring of financial operations.

RESULTS

These projections forecast a sizable gap between the cost of providing the current level of services and the revenue that may be generated over the next several years. In FY2015 and 2016, the preliminary gap is projected to be over \$4,000,000 annually. This large deficit will come down; as the FY 2014 budget is brought into balance, the out year forecasted gaps will also come down significantly. Though just a forecast, and with the realization that the community must produce a balanced budget, these forecasts demonstrate one clear reality: The Town of Natick has a sizeable structural budget imbalance. This can be filled with one-time resources, but not sustainably. In order to achieve sustainability within Town services in the future, either efficiencies will have to be found, services reduced, or new revenue streams developed. As we move forward, Town Officials will continue to monitor revenue receipts, examine new ways of doing business and continue working to make Natick's government more sustainable.

Three-Year Projection

revised 2/25/2013

	2013 Appropriated	2014 Projection	2015 Projection	2016 Projection	Comments
General Fund Revenues					
1 Tax Levy	89,323,445	91,804,040	94,558,161	96,298,906	2.5% allowable; .5% for growth + Excluded Debt Service for C/SC & NHS
2 State Aid	11,657,952	11,657,952	11,657,952	11,657,952	Level-funded @ FY 2013 Final Level
3 Estimated Receipts	10,012,890	10,696,750	10,696,750	10,696,750	Assumes stabilization of local receipts, level-funded @ FY 2014 level
4 Local Option Taxes	1,300,000	1,300,000	1,300,000	1,300,000	Used for Capital Debt Service related to Excluded Projects
5 Other Local Receipts					
6 Indirects	2,581,514	2,355,825	2,120,242	2,014,230	Dependent Upon General Fund Operating Budget
7 Free Cash	6,343,030	2,200,000	1,750,000	1,750,000	\$1.5 M Recurring F.C. assured; add'l F.C. less certain
8 Stabilization Fund	1,062,152	2,633,259	2,410,747	1,826,000	CSF funds spent on cash capital, new within-levy debt and C/SC & HS
9 Overlay Surplus	0	500,000	500,000	500,000	Can change based upon final settlement of outstanding ATB cases
10 Other Available Funds	460,407	281,532	281,532	281,532	Parking Meter Receipts, Other State Remb., Bond Premiums for HS/CSC
Total General Fund Revenues	122,741,390	123,429,358	125,275,384	126,325,370	
General Fund Expenses					
Education & Learning					
11 Natick Public Schools	46,558,714	49,833,125	52,075,616	54,419,018	4.5% increase
12 Keefe Tech	1,271,613	1,291,338	1,420,472	1,562,519	10% Increase: Assumes increase of Natick students & lower total pop.
13 Morse Institute Library	1,884,687	1,965,777	2,014,921	2,065,294	Assumes 2.5% increase
14 Bacon Free Library	130,082	139,582	143,072	146,648	Assumes 2.5% increase
15 Public Safety	13,723,417	14,101,739	14,454,282	14,815,640	Assumes 2.5% increase
16 Public Works	7,394,083	7,091,649	7,268,940	7,450,664	Assumes 2.5% increase
17 Health & Human Services	1,856,338	1,982,921	2,032,494	2,083,306	Assumes 2.5% increase
18 Administrative Support Services	4,820,673	4,937,416	5,060,851	5,187,372	Assumes 2.5% increase
19 Committees	26,010	26,060	26,712	27,379	Assumes 2.5% increase
20 Shared Expenses	0	0			
21 Fringe Benefits	15,109,016	15,488,574	16,327,660	17,633,873	8% increase in health premiums; higher rates in FY 2015 & 2016
22 Prop & Liab. Insurance	553,175	588,175	617,584	648,463	Assumes higher rates in FY 2015 & 2016 (5% annually)
23 Retirement	6,150,200	6,610,068	7,138,873	7,709,983	Assumes 8% increase annually
24 Debt Services	10,208,521	10,587,531	10,854,454	9,806,000	Includes debt exclusion costs for HS & CSC
25 Reserve Fund	400,000	300,000	300,000	300,000	Level-Funded
26 Facilities Management	2,479,630	2,655,958	2,722,357	2,790,416	Assumes 2.5% increase
General Fund Oper. Expenses	112,566,158	117,599,913	122,458,288	123,856,161	
26 Capital Improvements	1,282,777	1,934,180	1,085,000	480,000	Capital Stab. Fund provides cash funding moving forward.
27 School Bus Transportation	340,041	350,243	360,750	371,572	3% annual increase
28 State & County Assessments	1,524,561	1,524,561	1,577,921	1,633,148	Assumes 3.5% increase from FY 2013 House 1 Levels
29 Cherry Sheet Offsets	239,005	239,005	247,370	256,028	Assumes 3.5% increase from FY 2013 House 1 Levels
30 Tax Title	25,000	0	0	0	
31 Snow Removal Supplement	102,008	800,000	800,000	800,000	
32 Overlay	1,463,310	1,150,000	1,150,000	1,450,000	
33 Golf Course Deficit	310,000	332,246	364,351	364,351	Includes offset for indirects starting in FY 2014
34 General Stabilization Fund	0	0	0		
35 Operational Stabilization Fund	0	0	0		
36 Capital Stabilization Fund	3,275,551	0	0		
37 FLSA Settlement	0	0	0		
38 Misc. Articles	312,977	0	0		
39 Collective Barg./Non-Union Adj.	1,300,000	1,300,000	1,300,000	1,300,000	Funds raised from local option taxes
Total General Fund Expenses	122,741,389	125,230,148	129,343,680	130,511,260	
Net Excess / (Deficit)	0	-1,800,790	-4,068,295	-4,185,890	