

Memorandum

To: Board of Selectmen

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

Date: Friday, February 04, 2011

Re: FY 2012 Budget

General Comments

Please bring your budget books with you on Monday Night.

You will notice in the front cover of your packet binders a GREEN cover sheet entitled "FY 2012 Budget Packet Update" Please REPLACE the pages listed in your budget book with those included in this packet.

Detail Sections/Policy Decisions

Discussion of the FY 2012 Preliminary Budget tonight focuses on four areas of concern. The four areas are:

- a. Public Works (General Fund): This budget can be found in Section V of your budget books. It consists of seven (7) divisions, including Administration, Building Maintenance, Municipal Energy, Engineering, Equipment Maintenance, Highway & Sanitation and Land, Facilities and Natural Resources. Most of these budgets have changed since January 1, 2011, and are in your "FY 2012 Budget Packet Update" materials this evening.
- b. Fire: This budget can be found in Section IV: Public Safety, on pages IV.21-IV.36.
- c. Revenues: All materials are attached to this memorandum.

Since the last Selectmen's meeting, we have received the Governor's formal FY 2012 proposals budget proposals and surveyed our neighboring communities to determine what they intend to do with the proposal. As we surmised two weeks ago, the Governor's budget proposal forecasts a far more modest reduction – only 1.8% or just over \$209,237 - in Natick's State Aid from FY 2011 to FY 2012. The Town's proposed reduction from FY 2011 to FY 2012 – 10% or almost \$1.08 million – now appears overly conservative. (State Aid & Assessments are detailed in Attachment 1)

The table on the next page show what our neighboring communities are doing regarding the Governor's budget proposal.

FY 2012 Local Aid Reductions by Community as of January 31, 2011

Community	Pre-House 1	Post-House 1	Using Governor's Numbers?
Natick	10.0%	5.0%	No
Ashland	5.0%	Undecided (<i>would be 3.5% increase</i>)	Not yet...leaning towards it...
Dedham	5.0%	5.0%	No
Framingham	5.0%	5.0%	No
Hopkinton	5.0%	1.7%	Yes
Medfield	5.0%	1.0%	Most likely...
Medway	5.0%	5.0%	No
Wellesley	10.0%	10.0%	No
Westborough	10.0%	0.0%	Yes
Weston	5% Ch. 70 & 10 % UGGA	5% Ch. 70 & 10 %	No.
Westwood	0.0%	0.0%	Yes

At this time, based upon the governor’s proposals, what our neighboring communities are budgeting and the best information available, we are reducing our state aid reduction to 5%. In other words, we are increasing our anticipated state aid amount by \$539,752 to \$11,172,127.

Staff has also completed its review of ambulance billing receipts, and determined that Natick can afford to increase revenues attributable to ambulance transports by 25% or \$300,000 to a total of \$1,500,000 for FY 2012. Although this is positive news, there is a slight financial trade-off as the more money the Town makes from transports the higher the dollar amount paid to our ambulance billing vendor. This is because the vendor’s fee is 4% of the Town’s ambulance transport collections. An increase from \$1.1 million in FY 2011 to \$1.5 million in FY 2012 forces an increase of nearly \$20,000 in the fee charged by the vendor. This increase in the Town’s cost has been requested under the Collector’s budget.

All told, budget revenues are increasing for FY 2012 by \$839,752. This new amount is shown on the attached general fund revenue/expenditure summary (attachment #2).

As a result of these changes, the new bottom line is \$2,666,690. A revised split of the deficit between the municipal side and the schools is attached as part of attachment #3.

Moving Forward: Future Impacts & Further Budget Changes

At this point in the budget season, things are beginning to shape up in a mostly positive manner for Natick. The better than anticipated state aid and confirmed higher revenues are two very positive steps in closing the deficit. Several major items are still outstanding which will make an impact to the FY 2012, either positive or negative. These items include:

- Health Benefit Costs: Actual FY 2012 rates for the Town’s municipal health insurance plans will not be known until February 17th. We have budgeted a 10% increase in all Traditional and Rate Saver HMO’s for FY 2012. We are hopeful that the actual rates will mirror our forecasts.

- Keefe Tech Assessment: The actual Keefe Tech Assessment should also be known later in February. We are hopeful that our budgeted 10% increase maybe reduced given that overall enrollment of Natick students at Keefe Tech has declined in the last year.
- Snow & Ice Deficit: And then there was snow. And is snow. And will be snow. This unprecedented stretch of major storms has forced administration to completely rethink the planned snow deficit and reserves forecast for FY 2012. As you recall, the original plan had been do dedicate \$350,000 for the snow & ice deficit and move nearly \$1.75 million in one-time revenues into a new "Rainy Day Fund"/Operational Reserve for assisting the town in bridging economic downturns. Given that the snow & ice deficit after Monday night's meeting is requested to be \$750,000, and that it is still only the first full week of February (and considering there are two forecast storms in the next weeks as of the writing of this memorandum), this strategy needs revisitation.

To start, we have revised how the Town should spend its Certified Free Cash. The table below shows the planned usage of Certified Free Cash for FY 2012 as of January 1, and the new planned usage of Free Cash as of February 7.

Spending Plan - Free Cash	as of 1/1/2011		as of 2/7/2011	
Certified Free Cash (7/1/2010)	\$	5,899,906	\$	5,899,906
Expenditures				
Appropriations @ 2010 FATM	\$	(764,577)	\$	(764,577)
.5% Set-Aside	\$	(541,007)	\$	(541,007)
2010 Audit Adjustment Contingency	\$	(500,000)	\$	(300,000)
FY 2012 Operating Budget Funds	\$	(1,500,000)	\$	(1,500,000)
Balance of Free Cash Funds	\$	2,594,322	\$	2,794,322
Additional Uses				
Capital	\$	(1,542,400)	\$	(1,542,400)
Personnel Board Salary Adjustments	\$	(300,000)	\$	(300,000)
Reserves	\$	(751,922)	\$	(951,922)
Balance	\$	-	\$	-

As shown above, the major difference between 1/1 and today is the fact that less free cash is required to be "held in reserve" in order to settle FY 2010 audit adjustments. That money is proposed to be diverted to building reserves.

The next table shows a revised reserves spending plan. Again, the January 1 proposal for the Rainy Day Fund is shown on the left-hand column, and the February 7 proposal is shown on the right-hand side.

Reserve Allocation	as of 1/1/2011	as of 2/7/2011
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Reserves Investment

Rainy Day Fund	\$ 1,751,922	\$ 1,951,922
Total Investment to Reserves	\$ 1,751,922	\$ 1,951,922

Appropriation of Reserves

FY 2012 Operations	\$ (481,672)	\$ (481,672)
Rainy Day Fund	\$ (1,270,250)	\$ (735,125)
Snow & Ice Deficit	\$ -	\$ (735,125)
Total Appropriation/Allocation of Reserves	\$ (1,751,922)	\$ (1,951,922)

We would still propose to allocate \$481,672 of Rainy Day Funds for use in maintaining operations in FY 2012. But rather than depositing the remaining reserves – some \$1.47 million – into the new Rainy Day Fund, we now propose splitting that amount in two and depositing half into the Rainy Day Fund and allocating the remaining \$735,125 for paying for snow & ice removal.

The final table details what the budgeted deficit would be versus what has been authorized so far this year.

Snow & Ice Budget Proposal for FY 2011
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Snow and Ice Budget	\$ 150,000
Planned Deficit	\$ 350,000
Total Budgeted amount for Snow & Ice Costs as of 1/1	\$ 500,000
Additional Amount recommended to be dedicated	\$ 735,125
Total Snow & Ice Budget for FY 2011 as of 2/7	\$ 1,235,125
Amount Spent as of 2/3/2011*	\$ (648,080)

**Current expenditures do not include fuel costs from the February storms and equipment repair costs for work in progress estimated at \$8,882.75.*

Any money not spent on Snow & Ice will be appropriated into the Operational Reserve.

It should be clearly stated: no one is happy about this reality. A great opportunity to build a much needed operational reserve to insulate services from economic fluctuations & downturns cannot be taken advantage of because of a situation completely out of our control: the weather. We are extremely fortunate to have the one-time resources available to commit to meeting this challenge, but it would be hoped we would not have to spend it in this manner.

The Financial Planning Committee is scheduled to meet on Tuesday Night, February 8th immediately before the Finance Committee to review these materials. We will be able to update the Board of Selectmen fully on outstanding expense items at your meeting of February 24th.

FY2012 Local Aid

NATICK

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E (A vs. D)</u>	
	FY2011 Cherry Sheet	FY 2012 Original Natick Estimate	FY2012 Governor's Budget (House 1)	FY 2012 Revised Natick Estimate	Change between FY 2011 Cherry Sheet & Natick \$	%
Education:						
Chapter 70	\$ 7,024,303	\$ 6,321,873	\$ 7,062,013	\$ 6,673,088	\$ (351,215)	-5.00%
School Transportation	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Retired Teachers' Pensions	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Charter Tuition Reimbursement	\$ 47,329	\$ 42,596	\$ 65,364	\$ 44,963	\$ (2,366)	-5.00%
Offset Receipts:						
School Lunch	\$ 15,595	\$ 14,036	\$ 19,032	\$ 14,815	\$ (780)	-5.00%
School Choice Receiving Tuition	\$ 81,529	\$ 73,376	\$ 75,000	\$ 77,453	\$ (4,076)	-5.00%
Sub-Total, All Education Items	\$ 7,168,756	\$ 6,451,880	\$ 7,221,409	\$ 6,810,318	\$ (358,438)	-5.00%
General Government:						
Unrestricted General Government Aid	\$ 3,223,110	\$ 2,900,799	\$ 2,990,066	\$ 3,061,955	\$ (161,156)	-5.00%
Local Share of Racing Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Regional Public Libraries	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Police Career Incentive	\$ 20,558	\$ 18,502	\$ 21,287	\$ 19,530	\$ (1,028)	-5.00%
Urban Renewal Projects	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
Veterans' Benefits	\$ 116,685	\$ 105,017	\$ 98,032	\$ 110,851	\$ (5,834)	-5.00%
State Owned Land	\$ 106,348	\$ 95,713	\$ 105,957	\$ 101,031	\$ (5,317)	-5.00%
Exemptions: Vets, Blind, Surviving Spouses & Elderly	\$ 121,758	\$ 109,582	\$ 111,650	\$ 115,670	\$ (6,088)	-5.00%
Offset Receipts:						
Public Libraries	\$ 37,825	\$ 34,043	\$ 37,402	\$ 35,934	\$ (1,891)	-5.00%
Sub-Total, All General Government	\$ 3,626,284	\$ 3,263,656	\$ 3,364,394	\$ 3,444,970	\$ (181,314)	-5.00%
Plus SBA Reimbursement	\$ 916,839	\$ 916,839	\$ 916,839	\$ 916,839	\$ -	0%
Total State Aid	\$ 11,711,879	\$ 10,632,375	\$ 11,502,642	\$ 11,172,127	\$ (539,752)	-4.61%

**FY2012 Local Aid Assessments
NATICK**

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E (A vs. D)</u>	
	FY2011 Cherry Sheet	FY 2012 Original Natick Estimate	FY2012 Governor's Budget (House 1)	FY 2012 Revised Natick Estimate	Change between FY 2011 Cherry Sheet & Natick \$	%
County Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	#DIV/0!
State Assessments and Charges:						
Retired Employees Health Insurance	\$ -			\$ -	\$ -	#DIV/0!
Retired Teachers Health Insurance	\$ -			\$ -	\$ -	#DIV/0!
Mosquito Control Projects	\$ 55,240	\$ 57,173	\$ 58,690	\$ 57,173	\$ 1,933	3.50%
Air Pollution Districts	\$ 10,899	\$ 11,280	\$ 11,746	\$ 11,280	\$ 381	3.50%
Metropolitan Area Planning Council	\$ 9,611	\$ 9,947	\$ 9,839	\$ 9,947	\$ 336	3.50%
Old Colony Planning Council	\$ -	\$ -		\$ -	\$ -	#DIV/0!
RMV Non-Renewal Surcharge	\$ 35,860	\$ 37,115	\$ 30,520	\$ 37,115	\$ 1,255	3.50%
Sub-Total, State Assessments	\$ 111,610	\$ 115,516	\$ 110,795	\$ 115,516	\$ 3,906	3.50%
Transportation Authorities:						
MBTA	\$ 392,550	\$ 406,289	\$ 385,460	\$ 406,289	\$ 13,739	3.50%
Boston Metro. Transit District	\$ -	\$ -		\$ -	\$ -	#DIV/0!
Regional Transit	\$ 257,576	\$ 266,591	\$ 264,015	\$ 266,591	\$ 9,015	3.50%
Sub-Total, Transportation Authorities	\$ 650,126	\$ 672,880	\$ 649,475	\$ 672,880	\$ 22,754	3.50%
Annual Charges Against Receipts:						
Multi-Year Repayment Programs	\$ -	\$ -		\$ -	\$ -	#DIV/0!
Special Education	\$ -	\$ -	\$ 1,805	\$ -	\$ -	#DIV/0!
STRAP Repayments	\$ -	\$ -		\$ -	\$ -	#DIV/0!
Sub-Total, Annual Charges	\$ -	\$ -	\$ 1,805	\$ -	\$ -	#DIV/0!
Tuition Assessments						
School Choice Sending Tuition	\$ 5,000	\$ 5,175	\$ 7,500	\$ 5,175	\$ 175	3.50%
Charter School Sending Tuition	\$ 588,689	\$ 609,293	\$ 612,735	\$ 609,293	\$ 20,604	3.50%
Essex County Tech Sending Tuition	\$ -			\$ -	\$ -	#DIV/0!
Sub-Total, Tuition Assessments	\$ 593,689	\$ 614,468	\$ 620,235	\$ 614,468	\$ 20,779	3.50%
Total Estimated Charges	1,355,425	1,402,865	1,382,310	1,402,865	47,440	3.50%

General Fund Revenue/Expenditure Summary Attachment #2

	2009 Actual	2010 Actual	2011 Appropriated	2012 Preliminary	2011 vs. 2012	
					\$	%
General Fund Revenues						
Tax Levy	\$ 72,696,077	\$ 77,024,748	\$ 79,645,196	\$ 83,863,523	4,218,327	5.30%
State Aid	\$ 11,216,189	\$ 10,619,913	\$ 11,711,879	\$ 11,172,127	-539,752	-4.61%
Estimated Receipts	\$ 11,735,232	\$ 10,524,325	\$ 9,433,900	\$ 10,331,732	897,832	9.52%
Local Option Taxes	\$ -	\$ 307,913	\$ 750,000	\$ 750,000	0	0.00%
Other Local Receipts						
Indirects	\$ 2,546,345	\$ 2,506,416	\$ 2,449,757	\$ 2,449,757	0	0.00%
Free Cash	\$ 3,247,997	\$ 2,147,380	\$ 3,425,336	\$ 3,342,400	-82,936	-2.42%
Stabilization Fund	\$ 600,000	\$ 950,751	\$ 98,550	\$ -	-98,550	-100.00%
Overlay Surplus	\$ -	\$ 1,000,000	\$ -	\$ -	0	#DIV/0!
Other Available Funds	\$ 210,851	\$ 210,851	\$ 190,851	\$ 190,851	0	0.00%
Total General Fund Revenues	102,252,691	105,292,298	107,705,469	112,100,390	4,394,921	4.08%

General Fund Expenses						
Education & Learning						
Natick Public Schools	\$ 43,578,812	\$ 41,769,099	\$ 44,382,816	\$ 47,784,137	3,401,321	7.66%
Keefe Tech	\$ 1,135,347	\$ 1,283,158	\$ 1,469,598	\$ 1,616,558	146,960	10.00%
Morse Institute Library	\$ 1,742,249	\$ 1,699,158	\$ 1,736,557	\$ 1,798,872	62,315	3.59%
Bacon Free Library	\$ 116,309	\$ 115,846	\$ 105,805	\$ 116,071	10,266	9.70%
Public Safety	\$ 11,568,696	\$ 11,512,969	\$ 12,162,386	\$ 12,663,447	501,061	4.12%
Public Works	\$ 7,178,630	\$ 7,228,240	\$ 7,299,755	\$ 7,807,305	507,550	6.95%
Health & Human Services	\$ 1,595,987	\$ 1,492,356	\$ 1,562,874	\$ 1,621,322	58,448	3.74%
Administrative Support Services	\$ 3,911,867	\$ 3,818,589	\$ 4,103,132	\$ 4,259,419	156,287	3.81%
Committees	\$ 17,522	\$ 26,438	\$ 25,010	\$ 25,510	500	2.00%
Shared Expenses						
Fringe Benefits	\$ 12,293,905	\$ 13,660,686	\$ 14,790,439	\$ 15,354,490	564,051	3.81%
Prop & Liab. Insurance	\$ 410,799	\$ 431,162	\$ 496,150	\$ 520,958	24,808	5.00%
Retirement	\$ 5,154,961	\$ 5,243,247	\$ 5,472,935	\$ 5,717,032	244,097	4.46%
Debt Services	\$ 6,895,992	\$ 6,723,610	\$ 7,017,319	\$ 8,821,485	1,804,166	25.71%
Reserve Fund	\$ -	\$ -	\$ 400,000	\$ 400,000	0	0.00%
General Fund Oper. Expenses	\$ 95,601,076	\$ 95,004,559	\$ 101,024,776	\$ 108,506,606	7,481,830	7.41%

Capital Improvements	\$ 293,900	\$ 300,940	\$ 543,120	\$ 1,542,400	999,280	184.0%
School Bus Transportation	\$ 302,122	\$ 311,186	\$ 320,522	\$ 330,137	9,616	3.0%
State & County Assessments	\$ 1,552,943	\$ 1,540,299	\$ 1,355,425	\$ 1,402,865	47,440	3.5%
Cherry Sheet Offsets	\$ 68,029	\$ 56,369	\$ 134,949	\$ 139,672	4,723	3.5%
Tax Title	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	0	0.0%
Snow Removal Supplement	\$ 650,000	\$ 749,655	\$ 448,991	\$ 350,000	-98,991	-22.0%
Overlay	\$ 1,039,144	\$ 1,321,477	\$ 1,112,323	\$ 1,100,000	-12,323	-1.1%
Golf Course Deficit	\$ 355,000	\$ 355,000	\$ 334,500	\$ 320,000	-14,500	-4.3%
Stablization Fund		\$ 800,000	\$ 1,634,439	\$ -	-1,634,439	-100.0%
Capital Stabilization Fund			\$ 307,913	\$ 750,000	442,087	143.6%
FLSA Settlement		\$ 950,751	\$ 315,000	\$ -	-315,000	-100.0%
Misc. Articles		\$ 10,000	\$ 85,000	\$ -	-85,000	-100.0%
Non-Union Adjustments			\$ 63,512	\$ 300,000	300,000	100.0%
Total General Fund Expenses	\$ 99,887,214	\$ 101,425,235	\$ 107,705,469	\$ 114,766,680	7,061,211	6.56%
Net Excess / (Deficit)	2,365,477	3,867,062	0	-2,666,290		



FY 2012 Revenue Split

Purpose: To divide revenues according to current expense allocation

Step 1: Reconciliation

Total FY 2012 General Fund Revenue		\$	112,100,390
Less FY 2011 Education	\$	44,382,816	
Less FY 2011 Municipal*	\$	26,995,519	
Less FY 2012 Shared**	\$	32,430,523	
Less FY 2012 Capital	\$	1,542,400	
Less FY 2012 Other/Reserves	\$	4,717,674	

Incremental Revenue \$ 2,031,458

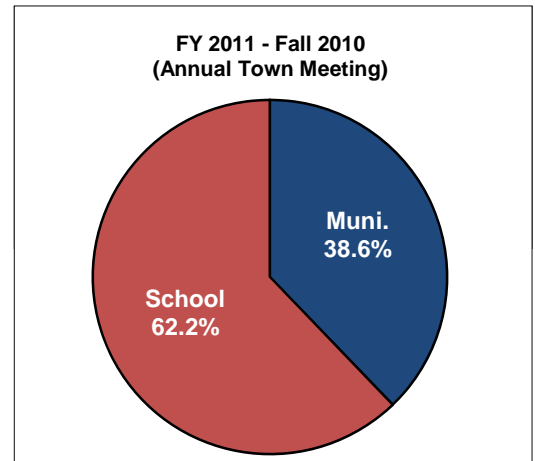
* Includes Libraries

** Includes Keefe Tech

Step 2: Split

FY 2011 - Fall 2010 (Annual Town Meeting)

Municipal	\$	26,995,519	37.8%
School	\$	44,382,816	62.2%
Total	\$	71,378,335	100.0%



Incremental Revenue \$ 2,031,458

Municipal Split (37.8%) \$ 768,304
Municipal Revenues for 2011 **\$ 768,304**

School Split (62.2%) \$ 1,263,154
School Revenues for 2011 **\$ 1,263,154**

Step 3: Deficit Determination

Municipal Request Increment	\$	(1,296,427)
Less Incremental Revenues	\$	768,304
Municipal Deficit	\$	(528,123)

School Request Increment	\$	(3,401,321)
Less Incremental Revenues	\$	1,263,154
Education Deficit	\$	(2,138,167)

Balance as of 2/7
\$ (2,666,290)