

Memorandum

To: Board of Selectmen
Finance Committee

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

Date: Thursday, March 17, 2011

Re: FY 2012 Budget Overview: Bringing Everything into Balance

As a result of this morning's Financial Planning Committee meeting, this packet of information has been put together to outline the current status of the FY 2012 Preliminary Budget and illustrate the steps which have been taken by municipal and school administrations to bring it into balance. Moving forward into the final two weeks of review at the Finance Committee and the Board of Selectmen before Town Meeting, we have achieved a balanced recommendation which does not reduce services or staffing. It does use a sizeable portion of one-time revenues; but we believe that taken in context with the framework proposed under Articles 2-5 at the upcoming 2011 Spring Annual Town Meeting to establish a diversified set of reserves for Natick and the continued use of our Financial Management Principles that this choice is well reasoned and prudent at this time.

The FY 2012 Budget as presently proposed is not necessarily final. Changes may still occur up to the Time that Town Meeting votes. Any changes to the budget that are not incorporated before Town Meeting begins can be captured and implemented at the 2011 Fall Annual Town Meeting before the tax rate is set in December.

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Careful attention must be paid to the projections for later years. As has been the case for many years, the FY 2012 budget is structurally imbalanced; this will have to be addressed in future years either through revenue enhancements or expense and service reductions. We believe it is prudent given our future forecasting that whatever money can be put away this year should be, and no service enhancements be entertained in FY 2012 because there is little ability to pay for those services on a recurring basis.

General Fund Revenue/Expenditure Summary

3/17/2011

	2009 Actual	2010 Actual	2011 Appropriated	2012 Preliminary as of 3/17/2011	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	\$ 2,535,883	86,126	3.52%
Free Cash	\$ 3,247,997	\$ 2,147,380	\$ 3,425,336	\$ 4,294,322	868,986	25.37%
Stabilization Fund	\$ 600,000	\$ 950,751	\$ 98,550	\$ -	-98,550	-100.00%
Overlay Surplus	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	1,000,000	#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	114,138,438	6,432,968	5.97%

General Fund Expenses						
Education & Learning						
Natick Public Schools	\$ 43,578,812	\$ 41,769,099	\$ 44,382,816	\$ 46,406,137	2,023,321	4.56%
Keefe Tech	\$ 1,135,347	\$ 1,283,158	\$ 1,469,598	\$ 1,396,865	-72,733	-4.95%
Morse Institute Library	\$ 1,742,249	\$ 1,699,158	\$ 1,736,557	\$ 1,800,542	63,985	3.68%
Bacon Free Library	\$ 116,309	\$ 115,846	\$ 105,805	\$ 111,925	6,120	5.78%
Public Safety	\$ 11,568,696	\$ 11,512,969	\$ 12,162,386	\$ 12,860,675	698,289	5.74%
Public Works	\$ 7,178,630	\$ 7,228,240	\$ 7,299,755	\$ 7,532,659	232,904	3.19%
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	\$ 4,269,419	166,287	4.05%
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	\$ 15,313,820	523,381	3.54%
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	\$ 8,782,355	1,765,036	25.15%
Reserve Fund	\$ -	\$ -	\$ 400,000	\$ 400,000	0	0.00%
General Fund Oper. Expenses	\$ 95,601,076	\$ 95,004,559	\$ 101,024,776	\$ 106,759,219	5,734,444	5.68%

Capital Improvements	\$ 293,900	\$ 300,940	\$ 543,120	\$ 1,400,000	856,880	157.8%
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	\$ 758,919	309,928	69.0%
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%
General Stabilization Fund		\$ 800,000	\$ 1,634,439	\$ -	-1,634,439	-100.0%
Operational Stabilization Fund				\$ 777,625	777,625	#DIV/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	\$ 125,000	40,000	47.1%
Non-Union Adjustments			\$ 63,512	\$ 250,000	300,000	100.0%
Total General Fund Expenses	\$ 99,887,214	\$ 101,425,235	\$ 107,705,469	\$ 114,138,438	6,432,968	5.97%
Net Excess / (Deficit)	2,365,477	3,867,062	0	0		

Changes since 3/1

as of 3/17/2011

The tables below shows the changes made since March 1 which bring the FY 2012 Preliminary Budget into balance.

Overall Deficit as of March 1		\$ (1,831,175)
Reductions		
Schools	Application of Circuit Breaker	\$ 650,000
Schools	Application of EduJobs Grant	\$ 528,000
Schools	Reduction of Expense Requests	\$ 200,000
Schools	Application of Revolving Funds	\$ 100,000
Shared	Safety Net Adjustments	\$ 85,000
Shared	Debt Service Adjustments	\$ 39,130
Shared	Market Salary Revisions	\$ 50,000
Shared	Snow & Ice Set-Aside Reduction	\$ 326,206
Police	Defer Hiring Lieutenant & Sergeant 3 months.	\$ 43,326
Total Reductions		\$ 2,021,662
Additions		
Schools	2 Positions at Wilson	\$ (100,000)
Fire	FLSA Settlement (1.5% COLA add'l)	\$ (87,987)
Morse	Additional Supplies for MAR	\$ (1,670)
Bacon	Additional Supplies for MAR	\$ (830)
Total Additions		\$ (190,487)
Balance as of 3/17		\$ -



FY 2012 Revenue Split

Purpose: To divide revenues according to current expense allocation

Step 1: Reconciliation

Total FY 2012 General Fund Revenue		\$	114,138,438
Less FY 2011 Education	\$	44,382,816	
Less FY 2011 Municipal*	\$	26,995,519	
Less FY 2012 Shared**	\$	32,131,030	
Less FY 2012 Capital	\$	1,400,000	
Less FY 2012 Other/Reserves	\$	5,979,218	

Incremental Revenue \$ 3,249,855

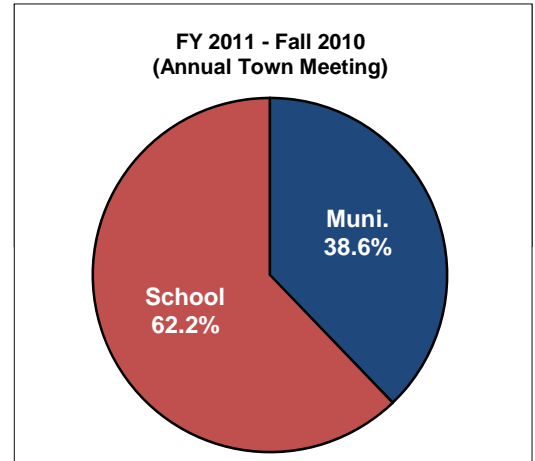
* Includes Libraries

** 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 \$ 3,249,855

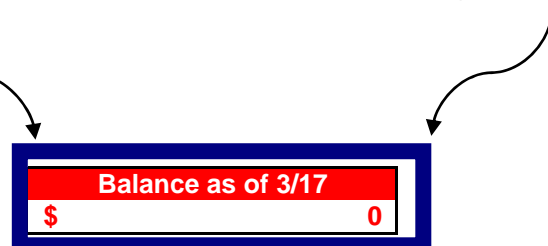
Municipal Split (37.8%) \$ 1,229,106
Municipal Revenues for 2011 **\$ 1,229,106**

School Split (62.2%) \$ 2,020,749
School Revenues for 2011 **\$ 2,020,749**

Step 3: Deficit Determination

Municipal Request Increment	\$	(1,229,105)
Less Incremental Revenues	\$	1,229,106
Municipal Deficit	\$	0

School Request Increment	\$	(2,020,749)
Less Incremental Revenues	\$	2,020,749
Education Deficit	\$	(0)



Update: Usage of FY 2012 Free Cash & One-Time Revenues for Operations

The tables below show how Free Cash is planned to be used in FY 2012 and for what purposes.

One-Time Revenue Sources

Spending Plan - Free Cash as of 3/17/2011

Certified Free Cash (7/1/2010) **\$ 5,899,906**

Expenditures

Appropriations @ 2010 FATM	\$ (764,577)
.5% Set-Aside	\$ (541,007)
2010 Audit Adjustment Contingency	\$ (300,000)
FY 2012 Operating Budget Funds	\$ (1,500,000)

Balance of Free Cash Funds **\$ 2,794,322**

Additional Uses

Capital	\$ (1,500,000)
Personnel Board Salary Adjustments	\$ (250,000)
Reserves	\$ (1,044,322)

Balance **\$ -**

Reserves Plan 3/17/2011

Available for investment to reserves

Free Cash	\$ 1,044,322
Overlay Surplus	\$ 1,000,000

Total Available for Reserves **\$ 2,044,322**

Application of Operational Reserve to the FY 2012 Budget

Operations	\$ (857,878)
Snow & Ice Deficit	\$ (408,919)
Deposit to Operational Reserve*	\$ (777,525)

Total Application of money available for Reserves **\$ (2,044,322)**

**Of this, a significant portion will be needed to further settle one-time Fire FLSA costs*

Three-Year Projection

Assumes Balanced 2012

	2011 Appropriated	2012 Projection	2013 Projection	2014 Projection	Comments
General Fund Revenues					
1 Tax Levy	79,645,196	83,863,523	85,833,429	89,899,221	2.5% allowable; .5% for growth + Excluded Debt Service for C/SC & NHS
2 State Aid	11,711,879	11,172,127	11,172,127	11,172,127	Assumes 5% decrease in State Aid for FY 2012, level in 2013
3 Estimated Receipts	9,433,900	10,331,732	10,331,732	10,331,732	Assumes stabilization of local receipts, loss of Court rental in FY 2010 & 2011
4 Local Option Taxes	750,000	750,000	750,000	750,000	Used for Capital Debt Service related to Excluded Projects
5 Other Local Receipts					
6 Indirects	2,449,757	2,535,883	2,648,761	2,831,594	Dependent Upon General Fund Operating Budget
7 Free Cash	3,425,336	4,294,322	1,500,000	1,500,000	Amount of Sustained recurring Free Cash
8 Stabilization Fund	98,550	0	0	0	
9 Overlay Surplus	0	1,000,000	0	0	Can change based upon final settlement of outstanding ATB cases
10 Other Available Funds	190,851	190,851	190,851	190,851	Parking Meter Receipts, Other State Remib.
Total General Fund Revenues	107,705,469	114,138,438	112,426,899	116,675,524	
General Fund Expenses					
Education & Learning					
11 Natick Public Schools*	44,382,816	46,406,137	49,022,413	51,228,422	4.5% increase; based upon projected growth of costs & level-service.
12 Keefe Tech	1,469,598	1,396,865	1,536,552	1,690,207	10% Increase: Assumes increase of Natick students & lower total population.
13 Morse Institute Library	1,736,557	1,800,542	1,845,556	1,891,694	Assumes 2.5% increase
14 Bacon Free Library	105,805	111,925	114,723	117,591	Assumes 2.5% increase
15 Public Safety	12,162,386	12,860,675	13,182,192	13,511,747	Assumes 2.5% increase
16 Public Works	7,299,755	7,532,659	7,720,975	7,914,000	Assumes 2.5% increase
17 Health & Human Services	1,562,874	1,621,322	1,661,855	1,703,401	Assumes 2.5% increase
18 Administrative Support Services	4,103,132	4,269,419	4,376,154	4,485,558	Assumes 2.5% increase
19 Committees	25,010	25,510	25,510	25,510	Level-Funded
20 Shared Expenses					
21 Fringe Benefits	14,790,439	15,313,820	16,273,048	17,790,655	10% increase in health premiums; higher rates in FY 2013 & 2014
22 Prop & Liab. Insurance	496,150	520,958	547,005	574,356	Assumes higher rates in FY 2013 & 2014 (5% annually)
23 Retirement	5,472,935	5,717,032	6,174,395	6,668,346	Assumes correction for market in FY '13 and 2040 full accrual deadline
24 Debt Services	7,017,319	8,782,355	8,630,946	11,207,000	Minimal new levy funded debt in 2011, HS & CSC in FY '12 & '13
25 Reserve Fund	400,000	400,000	400,000	400,000	Level-Funded
General Fund Oper. Expenses	101,024,776	106,759,219	111,511,324	119,208,487	
26 Capital Improvements	543,120	1,400,000	350,000	350,000	Attempts to maintain at least \$350,000 of levy supported capital
27 School Bus Transportation	320,522	330,137	340,041	350,243	3% annual increase
28 State & County Assessments	1,355,425	1,402,865	1,451,965	1,502,784	Assumes 3.5% increase
29 Cherry Sheet Offsets	134,949	139,672	144,561	149,620	Assumes 3.5% increase
30 Tax Title	25,000	25,000	25,000	25,000	
31 Snow Removal Supplement	448,991	758,919	350,000	350,000	
32 Overlay	1,112,323	1,100,000	1,400,000	1,100,000	
33 Golf Course Deficit	334,500	320,000	310,000	300,000	Steady reduction moving forward (at least \$10,000 annually)
34 Stabilization Fund	1,634,439	0	0	0	
35 Operational Stabilization Fund	0	777,625	0	0	
36 Capital Stabilization Fund	307,913	750,000	750,000	750,000	Funds raised from local option taxes
37 FLSA Settlement	315,000	0	0	0	
38 Misc. Articles	85,000	125,000	0	0	
39 Non-Union Adjustments	63,512	250,000	0	0	
Total General Fund Expenses	107,705,469	114,138,438	116,632,892	124,086,134	
Net Excess / (Deficit)	0	0	-4,205,992	-7,410,610	

Note:

* Natick Public Schools increase in FY 2013 takes into account loss of \$528,000 Edjobs grant utilized in FY 2012. other offsets exist within the budget which if not renewable will add to the general deficit.