



Town of Natick

Financial Summit

September 22, 2010

**Indicator Analysis, Fiscal Years 2001-2010
Projections & Estimates, Fiscal Year 2011-2013**



Town of Natick

Financial Indicators

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Town of Natick

Financial Indicators

Introduction

This series of indicators are designed to achieve three goals:

- a) Evaluate the fiscal health of the Town of Natick through a series of financial indicators and comparative benchmarks, where appropriate;
- b) Present a three-year projection of Revenues & Expenditures; and
- c) Outline the FY 2012 Budget Process & Issues

This material is intended to provide policymakers with an informed snapshot of where Natick stands financially heading into the FY 2012 Budget Process. It is not the purpose of this exercise to propose a budget or recommended level of services; rather it is to evaluate Natick via a series of benchmarks, including measures such as revenues and expenditures per household, benefit costs, funded and unfunded liabilities incurred by the Town, debt service, reserve position and population.

Using a series of recognized metrics from professional organizations, including the International City/County Management Association, (ICMA), the Government Finance Officer's Association (GFOA), Standard & Poor's, as well as data from the Town of Natick, Mass. Department of Revenue, the Mass. Department of Education, and the U.S. Census Bureau, Town staff has compiled 12 indicators which can be used to evaluate the Town's fiscal health.

In evaluating Natick's financial condition, staff has found that the Town has both fiscal strengths and weaknesses. In particular,

- Natick has favorable property tax collections, revenues related to economic growth, and debt service levels (both as a percentage of operating revenues and per capita).
- Natick has marginal expenditures per household and personnel costs, and reserve levels.
- Natick has unfavorable and uncertain levels of State Aid, benefit expenditures, pension liabilities, amounts of capital investment and a reliance upon one-time revenues.

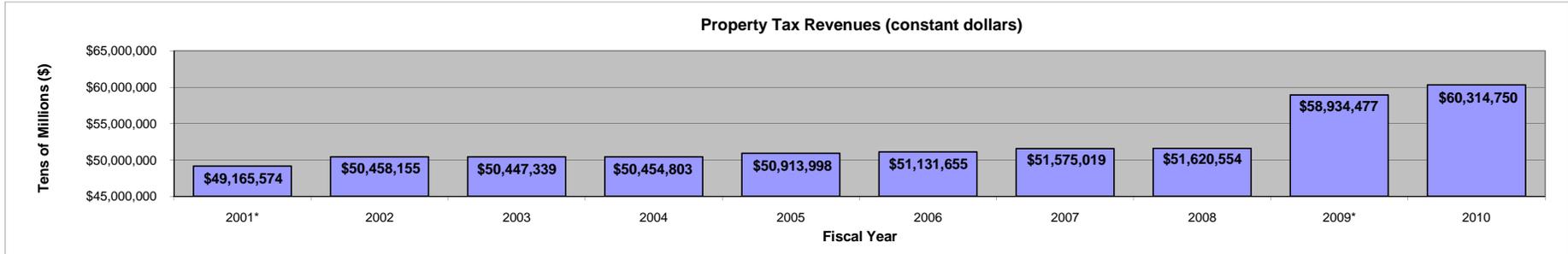
These measures indicate that, overall, the Town has performed at a high level worthy of its AAA Credit Rating (from Standard & Poor's), but that continued maintenance of that rating relies upon maintaining favorable trends, addressing unfavorable trends, reducing future liabilities and continuing to work towards both sustainable services and cost-effective service delivery.

These indicators, and the projections and appendices which are attached to them, will be updated annually to provide the community, particularly those involved with the budget process, the most useful information available when making budget decisions. This effort is a continuation of and consistent with several other initiatives including the development of the Natick 360 Strategic Plan, development of financial management principles, improvements to the capital improvement planning and budgeting processes, improvements to the water and sewer rate setting process, ongoing revenue enhancement and expense control efforts, and more. All of these efforts are designed to allow us to identify and attain the desired future for the Town of Natick and its residents.



Property Tax Revenues

Trend Guideline: A decline in property tax revenues (constant dollars) is considered a warning indicator.



Formula: Property Tax Revenues (constant dollars)

Fiscal Year	2001*	2002	2003	2004	2005	2006	2007	2008	2009*	2010
Property Tax Levy Collections**	\$ 49,165,574	\$ 51,577,655	\$ 54,105,235	\$ 55,565,671	\$ 58,481,406	\$ 61,127,172	\$ 62,193,155	\$ 64,432,962	\$ 72,649,672	\$ 76,171,856
Less: debt exclusions**	\$ -	\$ (86,498)	\$ (639,000)	\$ (317,000)	\$ (1,313,405)	\$ (1,540,676)	\$ (1,031,410)	\$ (960,274)	\$ (937,705)	\$ (918,361)
Net Property Tax Revenues	\$ 49,165,574	\$ 51,491,157	\$ 53,466,235	\$ 55,248,671	\$ 57,168,001	\$ 59,586,496	\$ 61,161,745	\$ 63,472,688	\$ 71,711,967	\$ 75,253,495
CPI-U, 2001 base year***	190.5	194.4	201.9	208.6	213.9	222.0	225.9	234.2	231.8	237.7
CPI-U, adjustment for constant dollars	100.0%	98.0%	94.4%	91.3%	89.1%	85.8%	84.3%	81.3%	82.2%	80.1%
Property Tax Revenues (constant dollars)	\$ 49,165,574	\$ 50,458,155	\$ 50,447,339	\$ 50,454,803	\$ 50,913,998	\$ 51,131,655	\$ 51,575,019	\$ 51,620,554	\$ 58,934,477	\$ 60,314,750
Percent increase over prior year (constant dollars)	N/A	2.6%	0.0%	0.0%	0.9%	0.4%	0.9%	0.1%	14.2%	2.3%

Notes:

*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

**Source: Mass. Department of Revenue, Databank Reports, Fiscal Year 2000 - 2009 Excess Levy Capacity, and Tax Recaps

***Amount shown for CPI-U data assumes half-year average for Boston-Brockton-Nashua Statistical Area, where 1982-1984 = 100. Source: U.S. Bureau of Local Accounts

Property Tax Revenues:

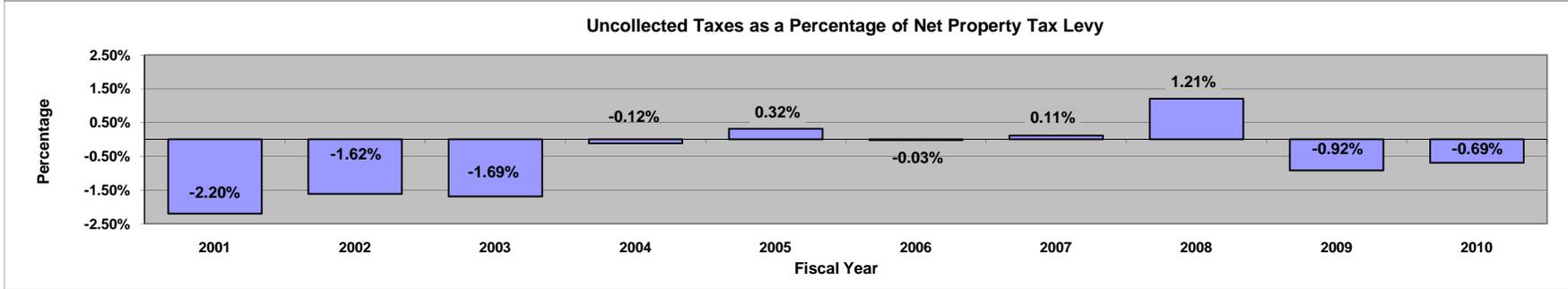
Property tax revenues are analyzed separately because they are the Town's primary revenue source for both operating and capital spending. Increases due to operating overrides, while enhancing the Town's ability to deliver services, must be weighed against their impact on taxpayers ability to pay.

This analysis shows that the only significant increases in constant dollars from year to year occurred when overrides were passed by Natick citizens. The good news: Property tax revenues are steady and reliable. The bad news: They do not grow faster than inflation, and only grow when citizens are willing to pay more.

<i>Natick Trend</i>	
favorable	X
marginal	X
unfavorable	
uncertain	

Uncollected Property Taxes

Trend Guideline: Uncollected property taxes (as a percent of the property tax levy) of 5-8 percent is considered a warning indicator by the Bond rating organizations.



Formula: Uncollected Property Taxes / Net Property Tax Levy

Fiscal year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Property Tax Levy Limit	\$ 49,413,781	\$ 51,549,010	\$ 54,138,834	\$ 55,923,830	\$ 58,850,705	\$ 61,169,262	\$ 62,839,514	\$ 65,186,660	\$ 73,027,965	\$ 76,971,074
Reserved for Abatements & Exemptions	\$ 1,158,386	\$ 1,002,277	\$ 1,090,891	\$ 1,073,347	\$ 988,493	\$ 1,049,572	\$ 1,240,811	\$ 1,003,911	\$ 1,039,144	\$ 1,321,477
Net Property Tax Levy	\$ 48,255,395	\$ 50,546,733	\$ 53,047,943	\$ 54,850,483	\$ 57,862,212	\$ 60,119,690	\$ 61,598,703	\$ 64,182,749	\$ 71,988,821	\$ 75,649,597
Uncollected Taxes as of June 30	\$ (1,063,930)	\$ (816,977)	\$ (898,130)	\$ (64,749)	\$ 183,006	\$ (15,470)	\$ 68,333	\$ 774,703	\$ (660,851)	\$ (522,259)
Uncollected Taxes as a Percentage of Net Property Tax Levy	-2.20%	-1.62%	-1.69%	-0.12%	0.32%	-0.03%	0.11%	1.21%	-0.92%	-0.69%

Source: Town of Natick Operating Statements, 2001-2010

Uncollected Property Taxes:

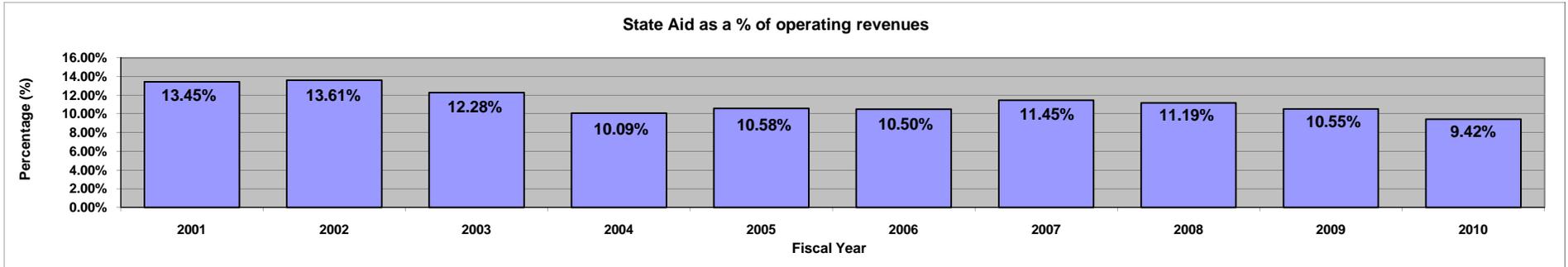
An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic conditions. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the Town to invest. Bond rating organizations generally consider uncollected taxes in excess of five percent as a warning trend. Natick has exceptionally strong collection rates, regardless of economic circumstances during the last decade. This is attributable to strong efforts in tax title collection and the diligence of Natick citizens to pay their taxes on time.

Natick Trend	
favorable	x
marginal	
unfavorable	
uncertain	



State Aid

Trend Guideline: Reductions in State Aid, as a percentage of operating revenues, is considered a warning indicator particularly if the Town does not have adequate reserves to offset reductions.



Formula: State Aid / Operating Revenues

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net Operating Revenues	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 102,985,796
State Aid Revenues	\$ 10,682,794	\$ 11,947,605	\$ 11,345,247	\$ 9,806,856	\$ 10,390,668	\$ 10,714,907	\$ 12,078,231	\$ 14,845,086	\$ 11,576,985	\$ 10,619,913
Less: School Building Reimbursements	\$ 821,426	\$ 1,475,035	\$ 1,475,035	\$ 1,461,337	\$ 1,369,707	\$ 1,369,707	\$ 1,369,707	\$ 3,659,335	\$ 916,839	\$ 916,839
Net State Aid Revenues	\$ 9,861,368	\$ 10,472,570	\$ 9,870,212	\$ 8,345,519	\$ 9,020,961	\$ 9,345,200	\$ 10,708,524	\$ 11,185,751	\$ 10,660,146	\$ 9,703,074
State Aid as a % of operating revenues	13.45%	13.61%	12.28%	10.09%	10.58%	10.50%	11.45%	11.19%	10.55%	9.42%

Notes:

Source(s): State Aid "Cherry Sheets", FY 2001-2010
Town of Natick Town Reports, Report to Assessors of Certain Receipts as per M.G.L.Ch. 42, Sec. 59A., 2001-2009

<i>Natick Trend</i>	
favorable	
marginal	
unfavorable	x
uncertain	x

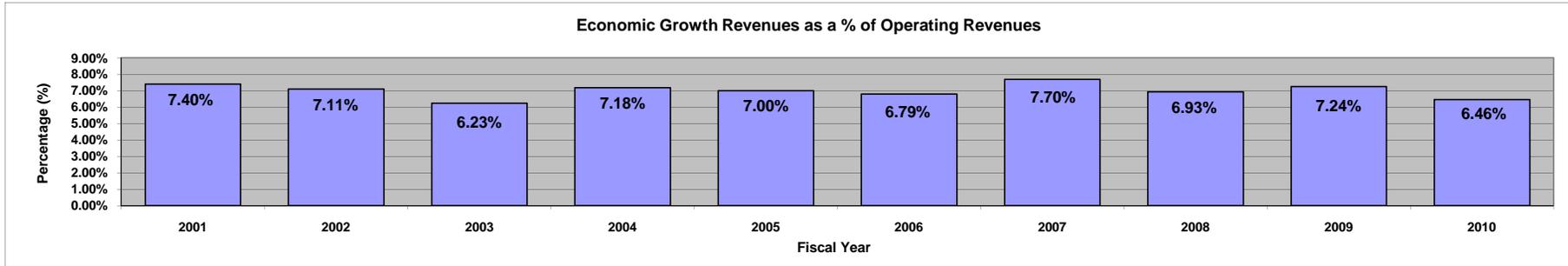
State Aid:

A constant area of concern for municipalities in Massachusetts is the level of State Aid which they receive. Many mandates - funded and unfunded - come from Beacon Hill to local governments and the challenge to enforce, implement and help citizens understand them falls to the municipalities. Designed to fund a variety of local services - from education to veterans services and many things in between, intergovernmental (State) aid is an important component of the overall revenue picture. Declines in State Aid are particularly troublesome as municipalities are not capable of controlling them and can only offset them with expense reductions if the community does not have adequate reserves.

Natick, like the other 351 cities and towns throughout Massachusetts has seen declines in state aid over the course of the last decade. Major drops have occurred during economic downturns - most noticeably in 2004 and again most recently when mid-year aid cuts forced the community to make up nearly half a million dollars in aid relied upon to provide local services. The uncertainty of state aid from year-to-year (or even within a particular fiscal year) make reliance upon it for funding the operating budget always troublesome. As the tax levy grows as a percentage of the overall revenue pie, this will mitigate some of the reliance upon state aid, but have the adverse affect of forcing even more of the burden for ongoing operations onto the local taxpayer.

Revenues Related to Economic Growth

Trend Guideline: Decreasing economic growth revenues, as a percentage of net operating revenues, is considered a warning indicator.



Formula:
$$\frac{\text{Economic Growth Revenues}}{\text{Operating Revenues}}$$

Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (non-exempt) operating revenues	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 102,985,796
Building Related Fees & Permits	\$ 744,928	\$ 485,849	\$ 742,483	\$ 736,731	\$ 929,897	\$ 1,273,145	\$ 2,614,468	\$ 1,869,533	\$ 740,772	\$ 761,862
Motor Vehicle Excise	\$ 3,744,668	\$ 4,156,493	\$ 3,681,214	\$ 4,449,072	\$ 4,461,799	\$ 4,113,124	\$ 3,937,055	\$ 4,174,230	\$ 4,187,040	\$ 3,739,367
Levy Growth	\$ 935,705	\$ 825,252	\$ 585,454	\$ 756,915	\$ 578,202	\$ 657,677	\$ 646,694	\$ 883,280	\$ 2,395,360	\$ 2,147,515
Total: Economic Growth Revenues	\$ 5,425,300	\$ 5,467,593	\$ 5,009,150	\$ 5,942,718	\$ 5,969,898	\$ 6,043,946	\$ 7,198,217	\$ 6,927,043	\$ 7,323,172	\$ 6,648,744
Economic Growth Revenues as a % of Operating Revenues	7.40%	7.11%	6.23%	7.18%	7.00%	6.79%	7.70%	6.93%	7.24%	6.46%

Sources: Building Related Fees & Permits, FY 2001-2010, Town of Natick, Town Reports, 2000-2009.
Tax Recapitulation Worksheets, FY 2001-2010.

Notes:
Building Related Fees & Permits inclusive of all Alterations, Building, Wiring, Gas & Plumbing permits, FY 2001-2010.

<i>Natick Trend</i>	
favorable	x
marginal	
unfavorable	
uncertain	x

Revenues Related to Economic Growth:

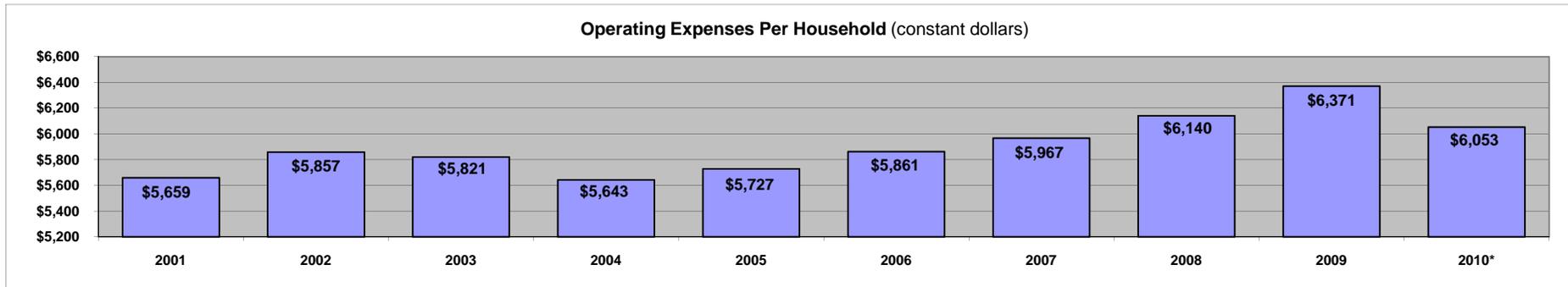
Revenues related to economic growth include construction related revenues such as permit fees and new tax levy growth resulting from new construction and certain retail related revenues such as motor vehicle excise taxes. A decrease in building permit fees may be a leading indicator of smaller future increases in the tax levy. Despite the inherent nature of this indicator to fluctuate with the economy, inflation and other influences, Natick is fortunate to have consistently maintained approximately 7% of its operating revenues throughout the last decade as those attributable to economic growth. Also favorable is that this economic growth has been largely attributable to non-residential development, thus creating less demand for expanded municipal services. Unfortunately, the most recent fiscal year indicates that all three categories of revenues attributable to economic growth have decreased - which could foreshadow lower tax levy growth in the future fiscal years.

What makes this revenue trend uncertain is two-fold: 1) the large swings within categories of economic growth revenues from year-to-year are surprising even when one takes away the one-time surge in building fees and resulting in tax levy growth related to the Natick Collection development, and 2) the uncertain nature of future new or redeveloped construction projects within Natick.



Expenditures per Household

Trend Guideline: Increasing net operating expenditures per household, in constant dollars, may be considered a warning indicator.



Formula: Net Operating Expenditures and Transfers (constant dollars) / Households

Fiscal year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Education	\$ 29,786,678	\$ 31,421,511	\$ 32,306,544	\$ 33,403,060	\$ 34,253,613	\$ 35,837,412	\$ 37,412,534	\$ 40,905,762	\$ 44,067,023	\$ 42,391,575
Municipal	\$ 20,798,645	\$ 21,848,427	\$ 21,920,884	\$ 21,690,987	\$ 22,984,066	\$ 24,034,484	\$ 24,815,371	\$ 26,085,897	\$ 26,120,538	\$ 25,920,487
Shared Expenses (Benefits, Debt)	\$ 17,966,875	\$ 19,500,694	\$ 21,035,568	\$ 20,366,034	\$ 21,585,211	\$ 24,224,319	\$ 25,183,676	\$ 26,579,006	\$ 25,891,004	\$ 27,373,838
Total Operating Expenses	\$ 68,552,198	\$ 72,770,632	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 96,078,565	\$ 95,685,900
CPI-U, 2000 base year	190.5	194.4	201.9	208.6	213.9	222	225.91	234.239	231.802	237.683
CPI-U, adjustment for constant dollars	100.0%	98.0%	94.4%	91.3%	89.1%	85.8%	84.3%	81.3%	82.2%	80.1%
Operating Expenses (cons. doll.)	\$ 68,552,198	\$ 71,310,727	\$ 71,013,376	\$ 68,912,490	\$ 70,199,910	\$ 72,163,644	\$ 73,710,354	\$ 76,098,394	\$ 78,959,486	\$ 76,691,071
Households	12,113	12,175	12,200	12,213	12,258	12,313	12,354	12,393	12,394	12,670
Oper. Exp. Per Household	\$ 5,659	\$ 5,857	\$ 5,821	\$ 5,643	\$ 5,727	\$ 5,861	\$ 5,967	\$ 6,140	\$ 6,371	\$ 6,053

Source: Town of Natick, Town Reports, FY 2001-2009 & Comptroller's FY 2010 4th Qtr GF Expenditure Reports.

*Note: FY 2010 Education spending lower than previous years in part to ARRA allocation. Costs attributed to grant funds, not tax levy.

Expenditures per Household:

Increasing operating expenditures per household can indicate that the cost of providing services is outstripping taxpayer's ability to pay, especially if spending is increasing faster than household income. Increasing expenditures may also indicate that the demographics of the Town are changing, requiring increased spending in related services.

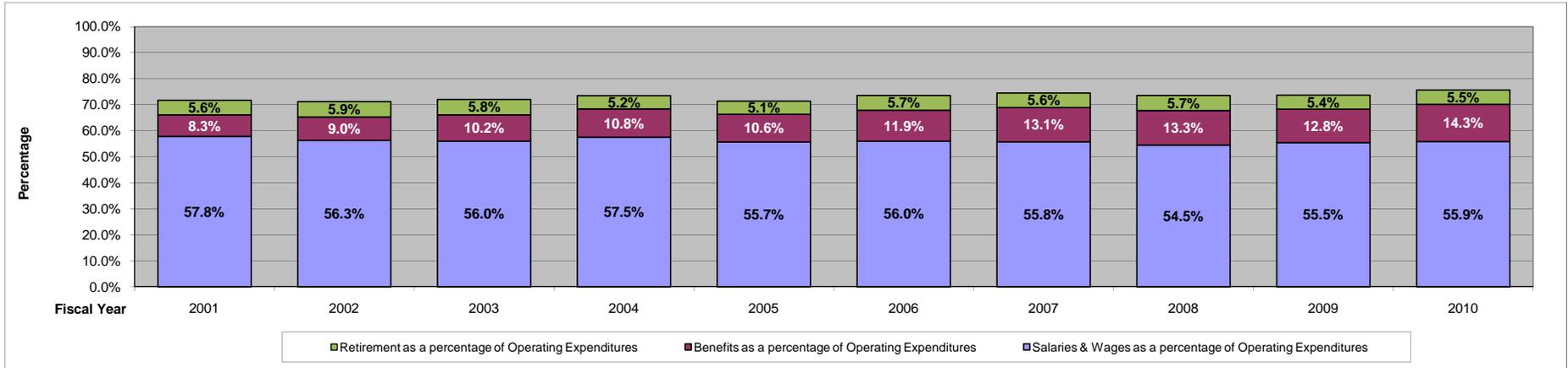
This indicator tells a mixed message for the Town of Natick. On the one hand, revenues have kept pace with expenses (because of the need to have a balanced budget they must.) But, in recent years, recurring revenues have been supplemented with one-time revenues in order to meet expenses. On the other hand, operating expenses in constant dollars have increased per household only 6.95% since 2001, or an average of less than 1% annually.

The trend within the trend worth further examining is which sections of the budget have witnessed the greatest percentage increase since 2001. As this indicator shows and Indicators I.6, I.7 and I.10 further detail, the largest increase has been within Shared Expenses and not in direct services for the community.

<i>Natick Trend</i>	
favorable	
marginal	x
unfavorable	
uncertain	

Personnel Costs

Trend Guideline: Increasing personnel costs as a percentage of total spending is considered a warning factor.



Formula:	Salaries & Wages / Operating Expenditures									
Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating Expenditures	\$ 68,552,198	\$ 72,770,632	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 96,078,565	\$ 95,685,900
Municipal Wages	\$ 15,201,610	\$ 15,883,747	\$ 16,609,585	\$ 16,856,565	\$ 16,964,540	\$ 17,714,578	\$ 18,304,206	\$ 19,098,039	\$ 19,794,936	\$ 19,295,237
School Wages	\$ 24,437,235	\$ 25,110,883	\$ 25,562,431	\$ 26,562,345	\$ 26,970,396	\$ 29,411,268	\$ 30,490,144	\$ 31,911,758	\$ 33,536,531	\$ 34,229,540
Benefits	\$ 5,681,261	\$ 6,561,870	\$ 7,652,132	\$ 8,185,461	\$ 8,345,688	\$ 10,019,946	\$ 11,474,218	\$ 12,486,833	\$ 12,293,905	\$ 13,683,698
Pensions	\$ 3,844,037	\$ 4,262,872	\$ 4,371,840	\$ 3,896,861	\$ 4,024,827	\$ 4,757,724	\$ 4,931,096	\$ 5,376,574	\$ 5,154,961	\$ 5,243,247
Total Wage & Benefit Costs	\$ 49,164,143	\$ 51,819,372	\$ 54,195,988	\$ 55,501,232	\$ 56,305,451	\$ 61,903,516	\$ 65,199,663	\$ 68,873,204	\$ 70,780,333	\$ 72,451,722
Salaries & Wages as a percentage of Operating Expenditures	57.8%	56.3%	56.0%	57.5%	55.7%	56.0%	55.8%	54.5%	55.5%	55.9%
Benefits as a percentage of Operating Expenditures	8.3%	9.0%	10.2%	10.8%	10.6%	11.9%	13.1%	13.3%	12.8%	14.3%
Retirement as a percentage of Operating Expenditures	5.6%	5.9%	5.8%	5.2%	5.1%	5.7%	5.6%	5.7%	5.4%	5.5%
Total Wage & Benefit Costs as a percentage of Operating Expenditures	71.7%	71.2%	72.0%	73.6%	71.4%	73.6%	74.6%	73.6%	73.7%	75.7%

Source: Town of Natick, Town Reports, FY 2000-2008 & Comptroller's FY 2009 4th Qtr GF Expenditure Reports.

Personnel Costs:

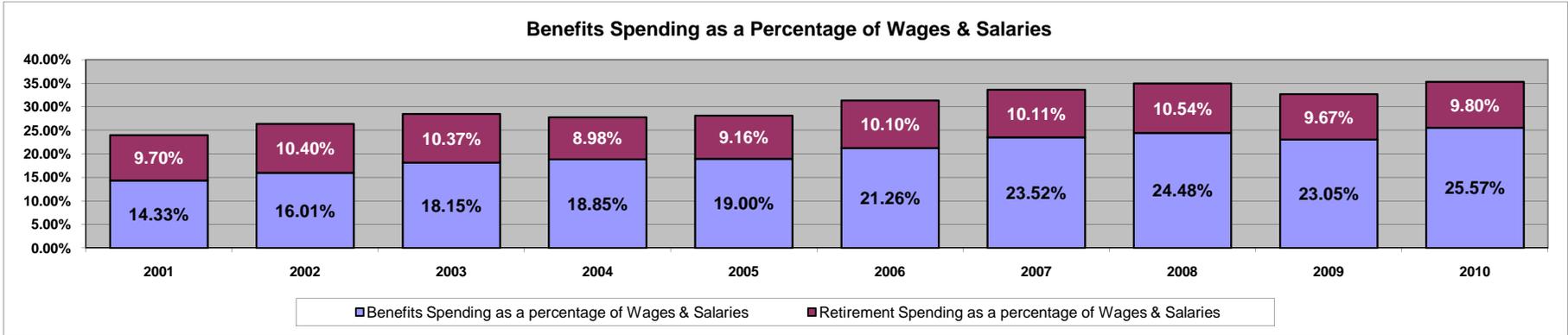
Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: 1) First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. 2) Second, if salaries and wages as a percent of operating expenditures are increasing, it may be an indicator that the Town is not adequately funding its capital needs or of deferred maintenance of the Town's infrastructure.

Total labor costs have increased since 2001 by 4.0%, but the rate and level of increase has remained relatively constant. This is good for the Town as such a slow rate of increase is manageable and should allow policymakers to adjust budgeting and goal setting with a limited impact to services. The increase, however, is not in the salary and wage portion of compensation, but rather in the cost of benefits. As detailed in Indicator 1.7, this is a negative short-term and long-term development as it means that less money is available to spend on service delivery or employee retention but rather is being spent on maintaining existing benefits.

Natick Trend	
favorable	
marginal	x
unfavorable	
uncertain	x

Employee Benefits

Trend Guideline: Increasing benefit costs as a percentage of wages and salaries is considered a warning indicator.



Formula:	Employee Benefits / Wages & Salaries									
Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Medical Benefits	\$ 5,681,261	\$ 6,561,870	\$ 7,652,132	\$ 8,185,461	\$ 8,345,688	\$ 10,019,946	\$ 11,474,218	\$ 12,486,833	\$ 12,293,905	\$ 13,683,698
Retirement Benefits	\$ 3,844,037	\$ 4,262,872	\$ 4,371,840	\$ 3,896,861	\$ 4,024,827	\$ 4,757,724	\$ 4,931,096	\$ 5,376,574	\$ 5,154,961	\$ 5,243,247
Wages & Salaries - Municipal	\$ 15,201,610	\$ 15,883,747	\$ 16,609,585	\$ 16,856,565	\$ 16,964,540	\$ 17,714,578	\$ 18,304,206	\$ 19,098,039	\$ 19,794,936	\$ 19,295,237
Wages & Salaries - Schools	\$ 24,437,235	\$ 25,110,883	\$ 25,562,431	\$ 26,562,345	\$ 26,970,396	\$ 29,411,268	\$ 30,490,144	\$ 31,911,758	\$ 33,536,531	\$ 34,229,540
Total Wages & Salaries	\$ 39,638,845	\$ 40,994,630	\$ 42,172,016	\$ 43,418,910	\$ 43,934,936	\$ 47,125,846	\$ 48,794,350	\$ 51,009,797	\$ 53,331,467	\$ 53,524,777
Benefits Spending as a percentage of Wages & Salaries	14.33%	16.01%	18.15%	18.85%	19.00%	21.26%	23.52%	24.48%	23.05%	25.57%
Retirement Spending as a percentage of Wages & Salaries	9.70%	10.40%	10.37%	8.98%	9.16%	10.10%	10.11%	10.54%	9.67%	9.80%
Total Benefits Spending as % of Wages & Salaries	24.03%	26.41%	28.51%	27.83%	28.16%	31.36%	33.62%	35.02%	32.72%	35.36%

Source: Town of Natick, Town Reports, FY 2001-2009 & Comptroller's FY 2010 4th Qtr GF Expenditure Reports.

Employee Benefits:

Fringe benefits represent a significant and increasing share of the Town's operating costs. Further, this analysis may understate certain fringe benefits such as sick leave buy-back liabilities and vacation accruals.

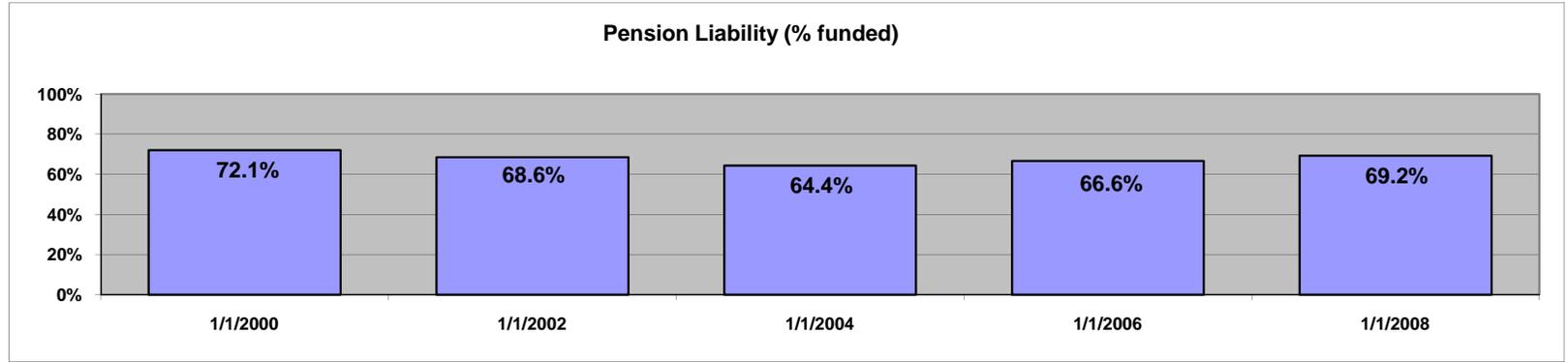
Natick Trend	
favorable	
marginal	
unfavorable	x
uncertain	

This indicator demonstrates one of the most alarming statistics witnessed during the last 10 years - growth in health care costs. Medical benefits (including all forms of health insurance), have increased more than 140% in the last 10 years and its share as part of an employees' compensation package has nearly doubled - from comprising 14.33% in 2001 to over 25.5% in 2010. The increase in health care costs means valuable available funds for other purposes are being spent to maintain an existing benefit. This directly impacts the amount of money available for service delivery and infrastructure maintenance, and is not sustainable.



Pension Liability

Trend Guideline: An unfunded pension liability or increase in the unfunded liability is considered a warning indicator.



Formula: Pension Assets / Pension Liability

Actuarial Date	1/1/2000	1/1/2002	1/1/2004	1/1/2006	1/1/2008
Estimated Accrued Liability	\$ 89,688,360	\$ 100,572,515	\$ 109,024,236	\$ 118,903,286	\$ 131,268,314
Pension Assets	\$ 64,669,153	\$ 68,985,592	\$ 70,246,877	\$ 79,234,306	\$ 90,885,080
Pension Liability (unfunded)	\$ 25,019,207	\$ 31,586,923	\$ 38,777,359	\$ 39,668,980	\$ 40,383,234
Percent Funded	72.1%	68.6%	64.4%	66.6%	69.2%

Source: Town of Natick Retirement System Actuarial Studies, 2000-2008.

Pension Liability:

The Natick Retirement System provides pension benefits for many retired employees of the Town of Natick . Established under M.G.L. Chapter 32, the Natick Retirement System is funded via an annual appropriation at Town Meeting. As of January 1, 2008, there were 1028 participants in the Natick Retirement System - 573 active, 84 inactive and 371 retired participants and beneficiaries. Town Meeting appropriates an annual contribution to the system as determined by an actuarial study. The next actuarial study will be complete as of January 1, 2011.

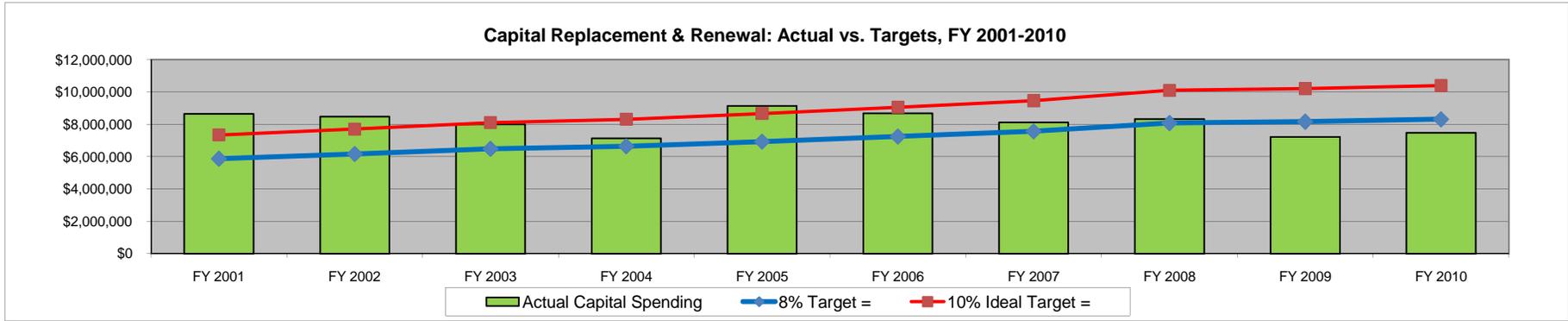
Natick's overall pension liability is an area of ongoing concern. As revenues become stagnant while the assessment for the Retirement System continues to increase in order to meet state mandated funding requirements, the impact of the retirement system upon Town operations will increase. State law mandates the pension system must be fully funded by 2040. This will require that beginning in FY 2012, more money will need to be set aside to fund the retirement assessment and less will be available for operational and capital needs. How much more will be necessary is dependent upon the results (and assumptions) of the next actuarial study.

<i>Natick Trend</i>	
favorable	
marginal	
unfavorable	X
uncertain	



Capital Asset & Renewal

Trend Guideline: A three or more year decline in Capital Spending from operating funds as a percentage of gross operating revenues is considered a warning indicator.



Formula: Actual Capital Spending (Cash + Debt) vs. 8% and 10% Recommended Targets

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Gross Revenues	\$ 73,337,370	\$ 77,009,363	\$ 80,997,614	\$ 83,045,409	\$ 86,588,874	\$ 90,521,793	\$ 94,546,948	\$ 100,954,999	\$ 102,021,869	\$ 103,904,157
Target:	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
8% Target =	\$5,866,990	\$6,160,749	\$6,479,809	\$6,643,633	\$6,927,110	\$7,241,743	\$7,563,756	\$8,076,400	\$8,161,750	\$8,312,333
Target:	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
10% Ideal Target =	\$7,333,737	\$7,700,936	\$8,099,761	\$8,304,541	\$8,658,887	\$9,052,179	\$9,454,695	\$10,095,500	\$10,202,187	\$10,390,416
Actual Capital Spending										
Cash	\$ 1,433,883	\$ 1,009,500	\$ 374,300	\$ 195,800	\$ 1,401,500	\$ 680,847	\$ 906,128	\$ 1,077,378	\$ 293,900	\$ 300,940
Debt Service	\$ 7,211,047	\$ 7,458,504	\$ 7,621,375	\$ 6,936,472	\$ 7,732,212	\$ 7,993,438	\$ 7,213,658	\$ 7,243,778	\$ 6,915,189	\$ 7,158,728
Total Cap. Spending As %	11.79%	11.00%	9.87%	8.59%	10.55%	9.58%	8.59%	8.24%	7.07%	7.18%
Actual Capital Spending	\$8,644,930	\$8,468,004	\$7,995,675	\$7,132,272	\$9,133,712	\$8,674,285	\$8,119,786	\$8,321,156	\$7,209,089	\$7,459,668

Source: Appropriations from Annual Town Meetings, Town of Natick, Town Reports 2000-2009.

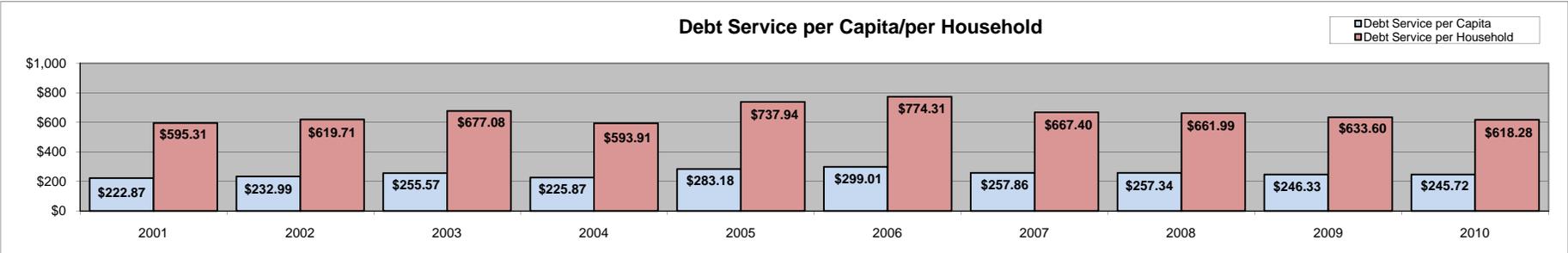
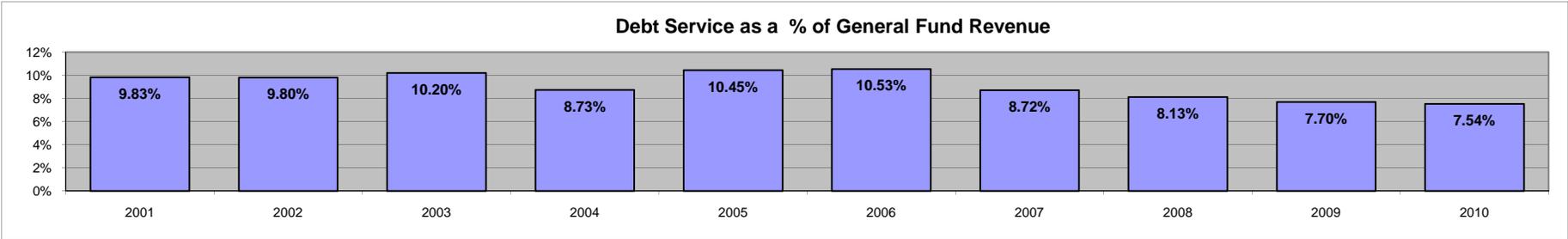
Capital Asset & Renewal:

Companies of any size must maintain, renew and replace their infrastructure in a timely and cost effective manner. Municipalities are no different, and often have the daunting task of having to renew capital equipment and infrastructure with numerous other competing needs. Timely replacement of capital equipment and infrastructure benefits the community in the long-run as it increases efficiency and keeps maintenance costs lower while providing better facilities to the general public. A decline of spending on capital over a three-year period is considered a warning sign by industry standards. Unfortunately for the Town of Natick, spending on capital has indeed decreased over the last five fiscal years, and fallen short of the recommended 10% of general fund operating revenues and now even short of the minimum of 8% of general fund operating revenues as set forth in the Town's Financial Management Principles. Decreased capital spending has resulted in the deferment of many projects and replacement pieces of equipment, driving up maintenance costs in several departmental operating budget. Though a necessary one-time budgeting strategy to avoid serious service impacts, continued declines in capital spending and replacement cannot be sustained without risking further increases in maintenance costs, decreased efficiency and greater replacement cost later when the equipment or improvement is actually purchased.

Natick Trend	
favorable	
marginal	
unfavorable	x
uncertain	

Debt Service

Trend Guideline: Debt Service exceeding 20 percent of operating revenues is considered a warning indicator by the credit rating organizations.



Formulas:										
Fiscal Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Exempt Debt Service	\$ -	\$ 86,498	\$ 639,000	\$ 317,000	\$ 1,313,405	\$ 1,540,676	\$ 1,031,410	\$ 960,274	\$ 937,705	\$ 918,361
Within Levy Debt Service	\$ 7,211,047	\$ 7,458,504	\$ 7,621,375	\$ 6,936,472	\$ 7,732,212	\$ 7,993,438	\$ 7,213,658	\$ 7,243,778	\$ 6,915,189	\$ 6,915,189
Total Debt Service	\$ 7,211,047	\$ 7,545,002	\$ 8,260,375	\$ 7,253,472	\$ 9,045,617	\$ 9,534,114	\$ 8,245,068	\$ 8,204,052	\$ 7,852,894	\$ 7,833,550
Gross Operating Revenue	\$ 73,337,370	\$ 77,009,363	\$ 80,997,614	\$ 83,045,409	\$ 86,588,874	\$ 90,521,793	\$ 94,546,948	\$ 100,954,999	\$ 102,021,869	\$ 103,904,157
Population	32356	32384	32321	32113	31943	31886	31,975	31,880	31,880	31,880
Households	12,113	12,175	12,200	12,213	12,258	12,313	12,354	12,393	12,394	12,670
Debt Service as a % of General Fund Revenue	9.83%	9.80%	10.20%	8.73%	10.45%	10.53%	8.72%	8.13%	7.70%	7.54%
Debt Service per Capita	\$ 222.87	\$ 232.99	\$ 255.57	\$ 225.87	\$ 283.18	\$ 299.01	\$ 257.86	\$ 257.34	\$ 246.33	\$ 245.72
Debt Service per Household	\$ 595.31	\$ 619.71	\$ 677.08	\$ 593.91	\$ 737.94	\$ 774.31	\$ 667.40	\$ 661.99	\$ 633.60	\$ 618.28

Source: Town of Natick, Town Reports 2000-2009, Massachusetts Dept. of Revenue DLS Gateway Reports, Town of Natick Tax Recapitulation Worksheet - LA-4 - FY 2000-2009.

Debt Service:

Debt is the chief financing tool utilized by municipalities to continually replace and maintain its capital infrastructure. As such, it is important to monitor how much debt the community has at any one point in time and determine what impact the amount of debt service has on the operating budget and the taxpayers. Credit rating agencies monitor the amount of debt a community has just like they monitor individual credit. A variety of factors, including the level of debt service/annual revenues and level of debt service/capita and per household are evaluated by credit rating agencies.

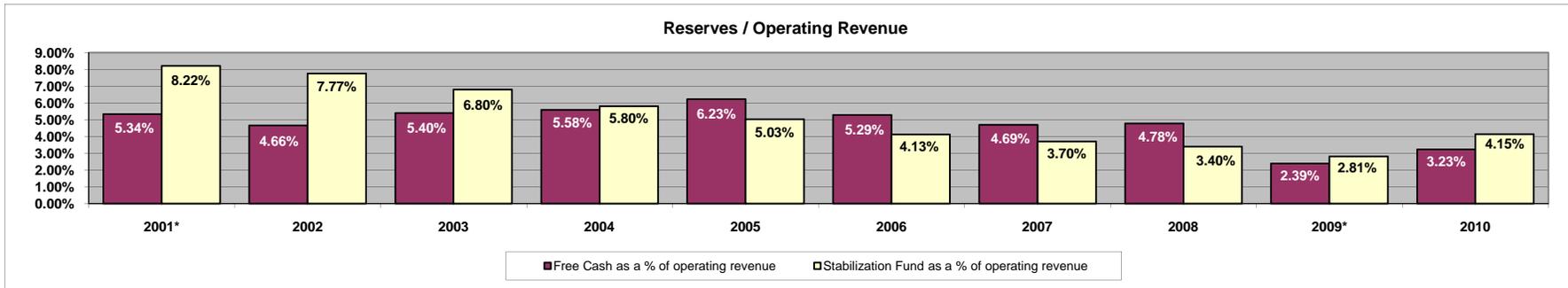
Positively for Natick, the community fares well on this indicator. Not only has debt service per capita remained well within recommended levels at between 8%-10.5% - debt service of 20% of operating revenues is considered a problem and 10% is considered acceptable - but has been decreasing since FY 2006. Future issuance of debt should be timed so as to minimize its impact upon both the operating budget. This can be achieved by timing new issuances with retirement of current debt service and following the Town Administrator's Recommended Financial Policies on issuing large debt projects (over \$1,000,000) outside of the tax levy.

Natick Trend	
favorable	x
marginal	
unfavorable	
uncertain	



Reserves & Fund Balance

Trend Guideline: Declining reserves as a percentage of operating revenues is considered a warning indicator.
Comment: The Government Finance Officers Association (GFOA) recommends that undesignated fund balance be 5-15 percent of operating revenues.



Formula: Type of Reserve / Operating Revenues

Fiscal Year	2001*	2002	2003	2004	2005	2006	2007	2008	2009*	2010
Certified Free Cash	\$ 3,913,775	\$ 3,584,494	\$ 4,337,157	\$ 4,620,048	\$ 5,313,708	\$ 4,709,762	\$ 4,387,917	\$ 4,784,709	\$ 2,415,060	\$ 3,327,659
Stabilization Fund	\$ 6,027,288	\$ 5,975,205	\$ 5,464,106	\$ 4,798,985	\$ 4,292,834	\$ 3,671,373	\$ 3,458,312	\$ 3,401,290	\$ 2,844,860	\$ 4,273,530
Net Operating Revenues	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 102,985,796
Free Cash as a % of operating revenue	5.34%	4.66%	5.40%	5.58%	6.23%	5.29%	4.69%	4.78%	2.39%	3.23%
Stabilization Fund as a % of operating revenue	8.22%	7.77%	6.80%	5.80%	5.03%	4.13%	3.70%	3.40%	2.81%	4.15%
Net Reserves as a % of Operating Revenue	13.56%	12.43%	12.20%	11.39%	11.27%	9.42%	8.39%	8.19%	5.20%	7.38%

Source(s): Certified Free Cash letters from the Department of Revenue, 2000-2009 & Town of Natick Town Reports, 2000-2009

Notes:

*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

Reserves & Fund Balance:

Reserves can be used by municipalities for many different purposes. Primarily, reserves are used to buffer against the need for severe reductions in service due to economic downturns, major emergencies which the community must respond to and as a sinking fund for major capital projects. Communities which maintain a Aaa bond rating (like Natick) traditionally have strong reserve positions between 8%-15% of net operating revenues.

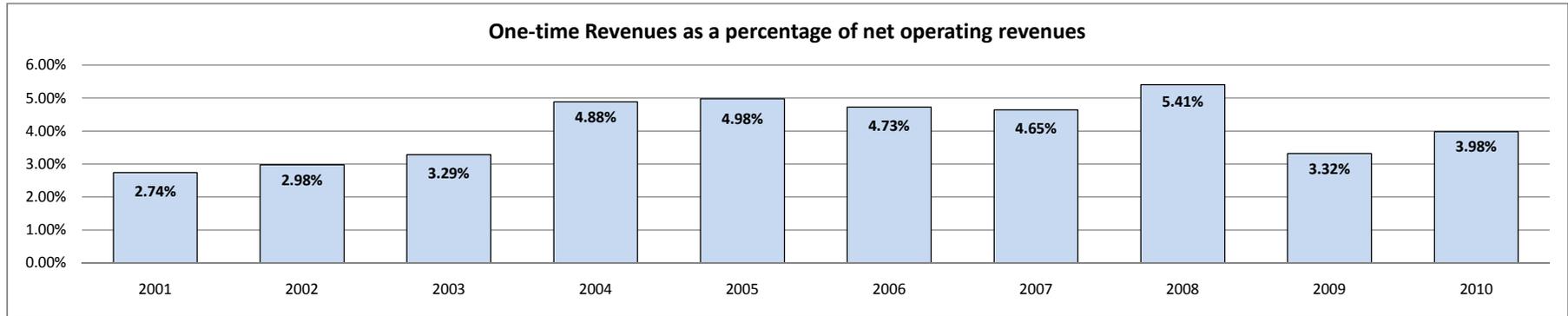
Among the most alarming of trends for the Town of Natick is the marked and steady decline of reserves over the last decade. Regardless of how the economy performed from FY 2001-2010, the Town's overall reserve position declined from FY 2001 to FY 2009. With a combination of adherence to the Town's Financial Management Principles and prudent use of additional resources to build reserves, the Town reversed that trend for the first time in FY 2010. This is a notable accomplishment, given the overall economic condition of the region and the country.

Although this increase in the Town's overall position is important, sustained progress in reversing the overall trend will be difficult. Services funded with the reliance of these reserves and one-time revenues will be difficult to maintain if the Town is to improve its reserve levels within those recommended by the Government Finance Officers Association. More importantly, failure to continue making progress will hinder the Town's ability to adequately respond to significant fiscal pressures and or major emergencies or judgments against the Town.

<i>Natick Trend</i>	
favorable	
marginal	x
unfavorable	
uncertain	x

Use of One-Time Revenues to Support Operations

Trend Guideline: Increasing use of one-time revenues as a percentage of operating revenues is considered a warning indicator.



Formula: $\text{One-time Revenues} / \text{Net Operating Revenues}$

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
One-Time Revenues										
Free-Cash	\$ 1,170,005	\$ 1,284,760	\$ 1,852,644	\$ 2,290,405	\$ 2,494,794	\$ 2,857,608	\$ 3,445,080	\$ 4,035,895	\$ 2,757,971	\$ 2,147,380
Stabilization Fund	\$ 644,377	\$ 809,026	\$ 594,668	\$ 750,000	\$ 750,000	\$ 675,000	\$ 400,000	\$ 256,102	\$ 600,000	\$ 950,751
Overlay Surplus	\$ 195,000	\$ 195,000	\$ 195,000	\$ 1,000,000	\$ 1,000,000	\$ 675,000	\$ 500,000	\$ 1,116,024	\$ -	\$ 1,000,000
One-Time Revenues	\$ 2,009,382	\$ 2,288,786	\$ 2,642,312	\$ 4,040,405	\$ 4,244,794	\$ 4,207,608	\$ 4,345,080	\$ 5,408,020	\$ 3,357,971	\$ 4,098,131
Net Operating Revenues	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 102,985,796
One-time Revenues as a percentage of net operating revenues	2.74%	2.98%	3.29%	4.88%	4.98%	4.73%	4.65%	5.41%	3.32%	3.98%

Source: FY 2001-2010 Tax Recapitulation Forms, Page B-2 & Town of Natick Town Reports, 2000-2009.

Notes:

*Denotes Fiscal Year where Proposition 2 1/2 Override was approved by voters.

Use of One-Time Revenues to Support Operations:

Municipalities in Massachusetts and throughout the United States will occasionally utilize reserves and one-time revenues to balance annual operating budgets, sustain programs in times of economic downturn, or fund a pilot program which can be further developed or cancelled in a successive year. As a general rule, however, one-time revenues should not be used to sustain ongoing operations because they exist only once and then they are depleted. Utilizing one-time revenues to fund ongoing operations puts services funded through those one-time resources at risk and is not sustainable.

Unfortunately, the Town of Natick has utilized increased amounts of one-time revenues for most of the last decade, peaking at 5.41% of all operating revenues in FY 2008. This pattern is not sustainable, and should be curtailed as much as possible. If one-time revenues are to be used by the Town, they should whenever possible be used for one-time expenses - i.e. Capital purchases or increasing the Town's overall reserve position. It is unlikely that in the current economic climate the Town will completely eliminate the use of one-time revenues such as Free Cash, but sources such as Overlay Surplus and the Stabilization Fund should not be relied upon for future years' operations. Progress was made in this direction for FY 2011 (not shown) where no Overlay Surplus funds and less than \$100,000 of Stabilization Fund funds were used to support operations.

<i>Natick Trend</i>	
favorable	
marginal	
unfavorable	x
uncertain	



Executive Summary - Projections

Budget decisions that are made within a given fiscal year often have significant implications for subsequent fiscal years. The revenue and expenditure projection included within this packet is intended to facilitate discussion among community stakeholders with the hope that it will result in the identification of issues warranting further analysis as future budget cycles unfold.

Methodology

The table on the next page shows a projection of total general fund revenues and expenditure requirements for three years, FY 2011-FY 2013. 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 and three prior years for comparisons. It is important to emphasize that the projection is not a proposed or recommended budget. It is a tool for planning.

Revenues

Revenues are generally projected based on historical experience. On the revenue side, State Aid is projected to decrease by 10% in FY 2012. This may be a bit optimistic given that state reserves have had to be drawn down in support of 2009 and 2010 aid to communities. Local receipts are projected to remain essentially level over the period of FY 2011 through FY 2013; these will obviously be revisited as the economy begins to pick back up. Free cash is forecast only to be used at a level of \$1,500,000 in FY 2012 and FY 2013 as the Town continues to move towards improved fiscal practices.

Expenses

In the operating budget, wage projections are complicated by the fact that collective bargaining agreements expire at the end of FY 2010 making forecasting difficult for FY 2011 and beyond. On the whole, we have calculated a 5% increase in total expenses for the Natick Public Schools, a 10% increase for the Keefe Tech Assessment and a 3% 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. A major emphasis of the FY 2011 Budget cycle has been and continues to be attempts to reduce the Town contribution to employee health care. The renewal of labor contracts continue to provide an ideal time for a comprehensive review of existing benefit packages and adjustments. Administration is committed to achieving progress in this area moving forward. Not included in this forecast is a larger than anticipated increase in the pension assessment - (the new legal limit is 8% increase/year). The revised actuarial study will be available in early 2011.

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 FY2012, the preliminary gap is projected to be roughly \$1.8 million, while in FY 2013 the preliminary gap is projected to be roughly \$3.25 million. As noted earlier, it will be necessary for Town officials to continue to work together toward a financially sustainable future for the Town of Natick.

Three-Year Projection

	2009 Actual	2010 Actual	2011 Appropriated	2012 Projection	2013 Projection	Notes
General Fund Revenues						
Tax Levy	72,696,077	76,171,856	79,283,758	82,713,587	86,435,784	2.5% allowable; .5% for growth + Excluded Debt Service for C/SC & NHS
State Aid	11,419,582	10,593,626	11,719,198	10,547,278	10,547,278	Assumes 10% decrease in State Aid for FY 2012, level in 2013
Estimated Receipts	11,735,232	10,190,308	9,915,900	10,000,000	10,000,000	Assumes stabilization of local receipts, loss of Court rental in FY 2010 & 2011
Local Option Taxes		307,913	640,000	800,000	800,000	Used for Capital Debt Service related to Excluded Projects
Other Local Receipts						
Indirects	2,546,345	2,506,416	2,449,757	2,449,757	2,449,757	Assumes level-funding @ FY 2011 levels
Free Cash	3,247,997	2,147,380	2,660,759	1,500,000	1,500,000	Based upon initial projection for free-cash. (May change)
Stabilization Fund	600,000	950,751	98,550	0	0	
Overlay Surplus	0	1,000,000		0	0	Can change based upon final settlement of outstanding ATB cases
Other Available Funds	210,851	210,851	190,851	190,851	190,851	No Change
Total General Fund Revenues	102,456,084	104,079,101	106,958,773	108,201,473	111,923,670	
General Fund Expenses						
Education & Learning						
Natick Public Schools	44,066,023	42,391,575	44,005,754	45,986,013	48,055,384	4.5% increase; based upon projected growth of costs & level-service.
Keefe Tech	1,135,347	1,283,158	1,469,598	1,616,558	1,778,214	Assumes continued presence of Natick students & contraction of total population.
Morse Institute Library	1,745,853	1,699,798	1,728,070	1,771,272	1,815,554	2.5% increase
Bacon Free Library	116,309	115,846	105,805	108,450	111,161	2.5% increase
Public Safety	11,561,105	11,533,852	12,047,835	12,349,031	12,657,757	2.5% increase
Public Works	7,241,445	6,866,169	7,286,168	7,468,322	7,655,030	2.5% increase
Health & Human Services	1,600,816	1,497,423	1,557,891	1,596,838	1,636,759	2.5% increase
Administrative Support Services	4,182,407	4,182,346	4,074,109	4,175,962	4,280,361	2.5% increase
Committees	17,522	25,048	25,010	25,010	25,010	Level-funded
Shared Expenses						
Fringe Benefits	12,964,453	13,683,698	15,300,839	15,830,923	17,414,015	10% increase; Assumes higher rates in FY 2011, 2012, 2013
Prop & Liab. Insurance	415,799	438,662	496,150	520,958	547,005	Assumes higher rates in FY 2012, 2013
Retirement	5,154,961	5,243,247	5,472,935	5,729,756	6,188,136	Assumes correction for market in FY 2013 and 2040 full accrual deadline
Debt Services	6,895,632	6,725,074	7,017,319	8,356,062	8,182,656	Minimal new levy funded debt service in 2011, HS & CSC in FY 2012 and 2013
Reserve Fund	0	0	400,000	400,000	400,000	Level-funded
General Fund Oper. Expenses	97,097,672	95,685,898	100,987,483	105,935,154	110,747,043	
Capital Improvements	293,900	300,940	232,260	350,000	350,000	Attempts to maintain at least \$350,000 of levy supported capital
School Bus Transportation	302,122	311,186	320,522	330,137	340,041	Assumes 3.0% increase
State & County Assessments	1,552,943	1,540,299	1,387,158	1,435,709	1,485,958	Assumes 3.5% increase
Cherry Sheet Offsets	68,029	56,369	133,420	138,090	142,923	Assumes 3.5% increase
Tax Title	25,000	25,000	25,000	25,000	25,000	Level-funded
Snow Removal Supplement	650,000	749,655	448,991	350,000	350,000	Hopeful...
Overlay	1,039,144	1,321,477	1,100,000	1,100,000	1,400,000	
Golf Course Deficit	355,000	355,000	334,500	334,500	334,500	Level-funded
Stabilization Fund		800,000	1,634,439			
Collective Bargaining (Art. 10)		950,751	315,000			
Misc. Articles (Art. 24)		10,000	0			N/A
Funding for Economic Devel.			40,000			
Contract Settlements (Mun. & Sch.)			TBD			
Total General Fund Expenses	101,383,810	102,096,574	106,958,773	109,998,590	115,175,465	
Net Excess / (Deficit)	1,072,274	1,982,527	0	-1,797,117	-3,251,795	



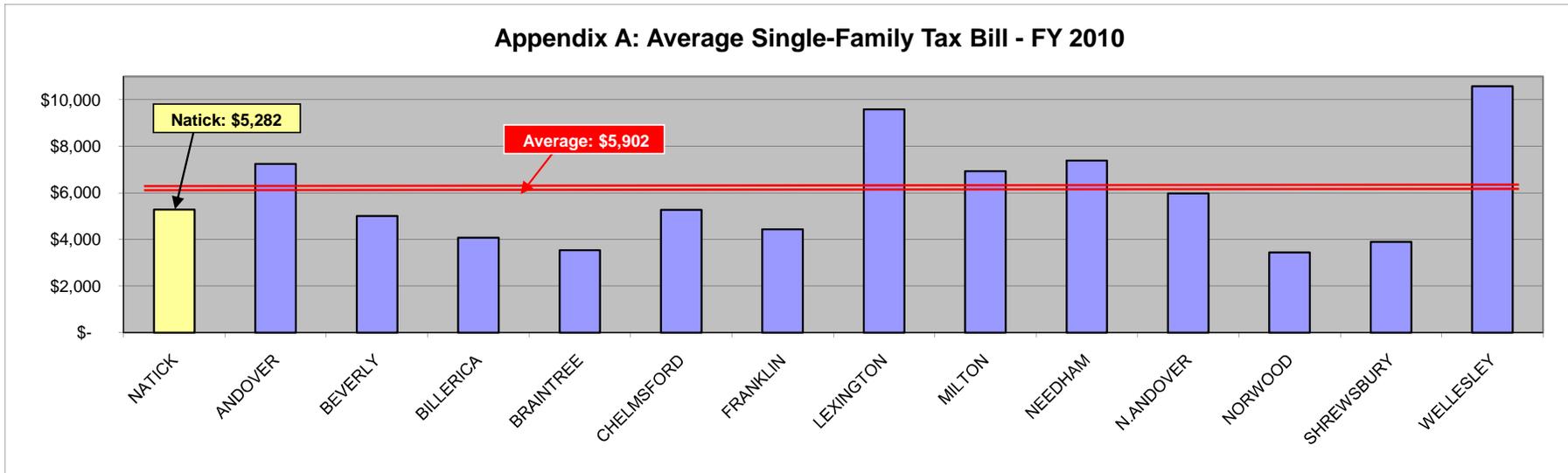
FY 2012 Budget Policy Issues

The following is a list of important policy issues which need further discussion & analysis in FY 2012.

1. Health Care Concessions
2. Collective Bargaining Agreements
3. Continued implementation of Town's Financial Management Principles
 - a. Adequately funding capital needs
 - b. Reduced reliance on one-time revenues & reserves to fund recurring operations
4. Continued exploration and implementation of cost containment measures
 - a. Coordinated delivery or sharing of services with neighboring communities
 - b. Reorganization of departmental operations



Appendix A: Average Tax Bill



Municipality	Assessed Value	Parcels	Average Value	Tax Rate	Single Family Tax Bill	Split Tax Rate?
NATICK	\$ 3,828,720,700	8,459	\$ 452,621	\$ 11.67	\$ 5,282	No
ANDOVER	\$ 4,656,528,600	8,484	\$ 548,860	\$ 13.19	\$ 7,239	Yes
BEVERLY	\$ 3,601,199,300	8,366	\$ 430,457	\$ 11.63	\$ 5,006	Yes
BILLERICA	\$ 3,488,907,800	10,722	\$ 325,397	\$ 12.53	\$ 4,077	Yes
BRAINTREE	\$ 3,285,343,400	8,995	\$ 365,241	\$ 9.67	\$ 3,532	Yes
CHELMSFORD	\$ 3,128,237,375	8,998	\$ 347,659	\$ 15.15	\$ 5,267	No
FRANKLIN	\$ 2,793,914,300	7,577	\$ 368,736	\$ 12.03	\$ 4,436	No
LEXINGTON	\$ 6,184,505,000	8,944	\$ 691,470	\$ 13.86	\$ 9,584	Yes
MILTON	\$ 3,691,892,700	7,113	\$ 519,035	\$ 13.35	\$ 6,929	Yes
NEEDHAM	\$ 5,839,958,600	8,334	\$ 700,739	\$ 10.53	\$ 7,379	Yes
N.ANDOVER	\$ 2,895,211,700	6,173	\$ 469,012	\$ 12.74	\$ 5,975	Yes
NORWOOD	\$ 2,143,883,600	5,812	\$ 368,872	\$ 9.33	\$ 3,442	Yes
SHREWSBURY	\$ 3,403,292,000	9,012	\$ 377,640	\$ 10.31	\$ 3,893	No
WELLESLEY	\$ 7,353,206,000	7,283	\$ 1,009,640	\$ 10.48	\$ 10,581	No
AVERAGE	\$ 4,021,057,220	8,162	\$ 498,241	\$ 11.89	\$ 5,902	

Average Tax Bill:

This table shows the average single-family tax bill for comparable communities to Natick for FY 2010. Only single-family homes are shown as part of this comparison. As of FY 2010, Natick finds itself below average compared to the other 12 comparable communities in average tax bills.

Natick's average single family tax bill increased \$59 from FY 2009 to FY 2010. The average single family tax bill for the comparable communities increased \$257 from FY 2009 to FY 2010.

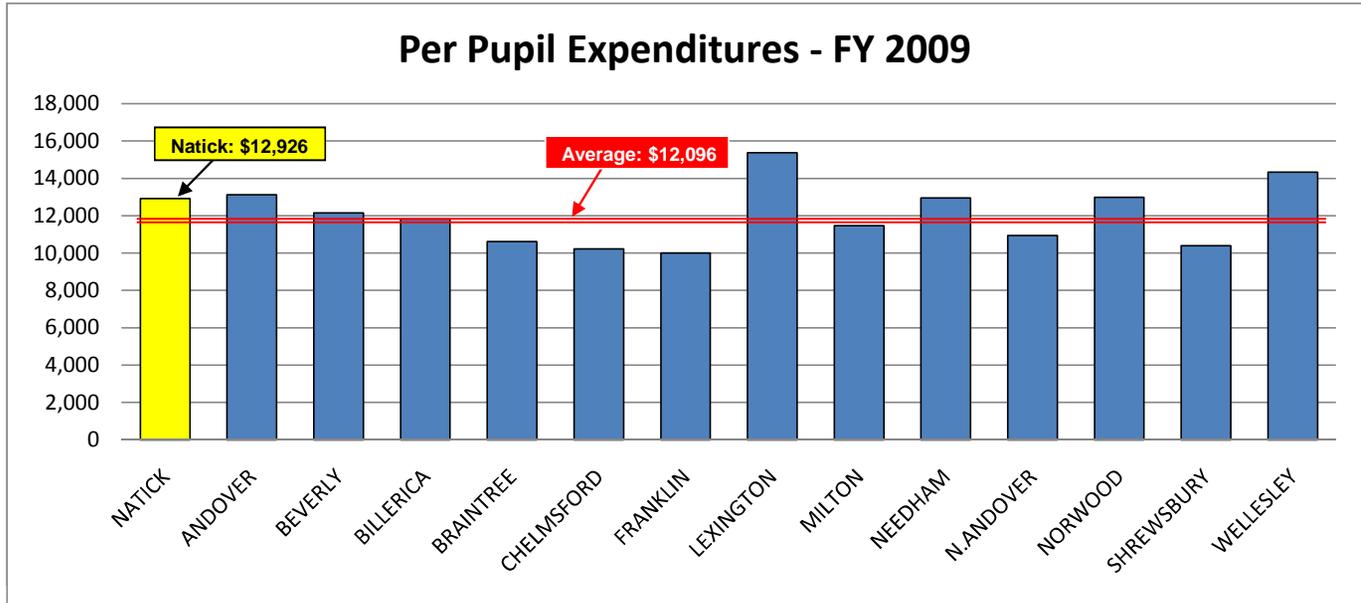


Appendix B: Per Pupil Expenditure Comparative Data

Per Pupil Expenditure Data:

This chart shows per pupil expenditure data for comparable communities and Natick.

Compared to the average for similar communities & school systems, Natick has less students than the average, but higher than average spending per pupil.



District	FY09 Total Pupils	FY09 Total Expenditure
NATICK	4,884	12,926
ANDOVER	6,286	13,122
BEVERLY	4,551	12,149
BILLERICA	6,433	11,832
BRAINTREE	5,538	10,620
CHELMSFORD	5,811	10,221
FRANKLIN	6,719	10,010

District	FY09 Total Pupils	FY09 Total Expenditure
LEXINGTON	6,332	15,368
MILTON	3,972	11,473
NEEDHAM	5,225	12,955
N.ANDOVER	4,732	10,949
NORWOOD	3,529	12,993
SHREWSBURY	6,173	10,394
WELLESLEY	4,953	14,330

Averages:	
Enrollment	5,367
Per Pupil Expenditure	\$ 12,096

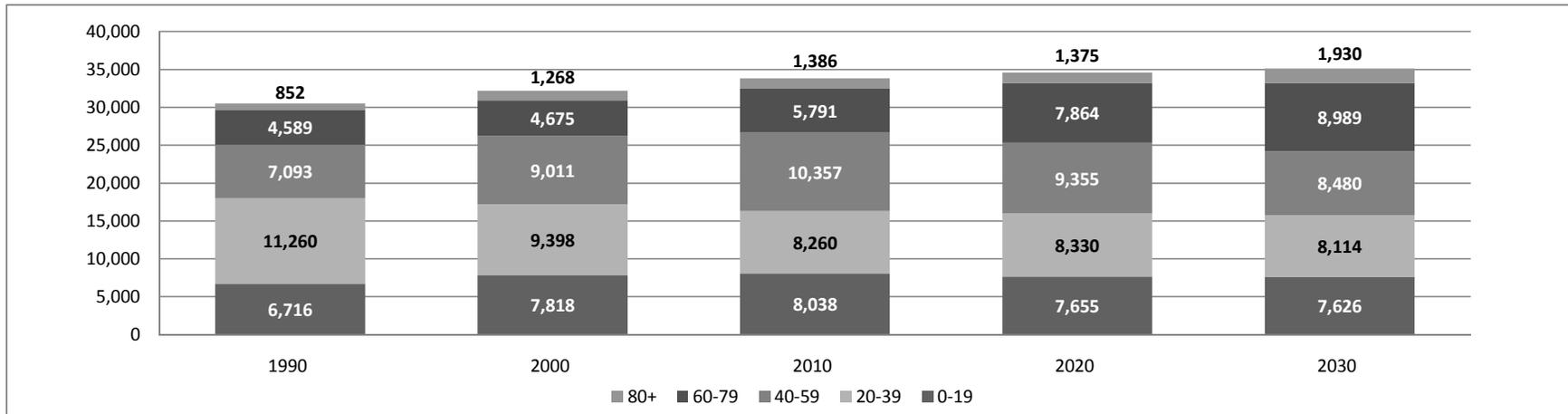
Notes:

Source: Mass. Dept. of Education, FY2009 Per Pupil Expenditures Report. Total Expenditure column includes all GF appropriations & Grants, Revolving and Other funds. Data shown is most recent available from the Mass. Department of Education.



Appendix C: Population Projections

Population Projections: 1990-2030, Town of Natick



Age	1990	2000	2010	2020	2030	Percent Change 2010 to 2030
80+	852	1,268	1,386	1,375	1,930	39.25%
60-79	4,589	4,675	5,791	7,864	8,989	55.22%
40-59	7,093	9,011	10,357	9,355	8,480	-18.12%
20-39	11,260	9,398	8,260	8,330	8,114	-1.77%
0-19	6,716	7,818	8,038	7,655	7,626	-5.13%
Total	30,510	32,173	33,833	34,579	35,139	3.86%

Source: Metropolitan Area Planning Commission, Population Projections: http://www.mapc.org/data_gis/data_center/2006_Projections/Projection_Pop_013106.pdf, page 113.

Population:

Population data and trends are extremely important to review and understand for the future allocation of resources and to understand significant shifts in the community. With data provided by the Metropolitan Area Planning Commission, Natick is expected to grow in population on average about 700 people per decade over the course of the next 20 years. The estimate for 2030 may not be achievable as current population counts in Natick are close to 31,800+ rather than 33,800+, but an increase in population is expect nonetheless.

The three interesting points to take away from this projection are: 1) Population will rise but in a very small, steady and predictable amount, thus allowing policymakers, appointed officials and taxpayers to carefully plan for future needs. 2) School age population - the 0-19 cohort is set to decrease in the next 20 years. This is important to correlate with estimates from the Natick Public Schools and should allow for planning of future needs for the children of Natick. 3) The growth in population is set to occur in the 60+ cohorts, with a large spike of over 3,200 more 60-79 aged individuals and 550 more 80+ individuals in the next two decades.

This data will be more refined once the 2010 Census figures are available in the early part of CY 2011.



Appendix D: Other Post Employment Benefits

Other Post Employment Benefits (OPEB):

GASB-45 requires that public entities begin accruing the expected future costs of OPEB (medical and life insurance) over the expected future employment period of employees, much like they do now for pension benefits.

At this point in time, GASB 45 is a requirement for *reporting*, but not for *funding*. No legal mandate from the state or federal government, akin to M.G.L. Ch. 32 requiring annual contributions to the Natick Retirement System, has been put in place or even filed in the legislature.

After conducting the actuarial, USI has determined that our total unfunded actuarial accrued liability is \$118,478,909, with \$7,771,167 being reported as the initial liability on the FY 2009 Audit. As a result, the Town's annual audits going forward will show a significant and growing liability, unless the Town chooses to begin setting aside funds in a restricted trust in order to put towards mitigating the liability. But at this time there is no mandate or guidance on how to do just that.

Some communities have chosen to begin setting aside funds towards the unfunded liability without additional legal mandate or guidance from state or federal legislators. They have taken advantage of a variety of funding sources, including but not limited to redirecting Medicare Part D monies (if they receive them), appropriating additional tax levy support to a trust designed to reduce the overall liability, or using decreases in the pension assessments, if they arise.

An updated actuarial will be conducted during FY 2011.

OPEB Liability Growth as a result of GASB 45

FY 2009

For FY 2009, the actuarial study has estimated that our total cost is: <i>(this is a cumulation of both the normal cost of care plus the amount we need to pay to "catch-up" to make sure the liability is paid down in 30 years)</i>	\$ 11,319,252
<u>Less our current contributions:</u>	\$ (3,548,085)
Total FY 2009 Year-end Outstanding Liability for OPEB:	\$ 7,771,167

FY 2010

Beginning Outstanding Liability (from FY 2009):	\$ 7,771,167
FY 2010 estimated total cost:	\$ 11,909,518
<u>Less our current contributions:</u>	\$ (4,040,121)
Total FY 2010 Year-end Outstanding Liability for OPEB:	\$ 15,640,564

and so on...

Source: A Postretirement Welfare Benefit GASB 45 Actuarial Valuation As of July 1, 2008 for: The Town of Natick. The USI Consulting Group. June 26, 2009.



Appendix F: Notes & Assumptions

Notes:

Actual Data - Data presented as actual for FY 2000-2009 is taken from final G/L accounting reconciliations prepared by the Town Comptroller. FY 2010 is taken from the accounting system but has not been finalized and has not been audited as of the printing of this document. Figures may change slightly.

Constant Dollars - Or "dollars adjusted for inflation" utilizes data from the U.S. Department of Labor, Bureau of Labor Statistics for the Boston-Brockton-Nashua Metropolitan Statistical Area. CPI-U data used is for the mid-year analysis, CY 2001-2010. This corresponds to the end of the Town's fiscal year. CPI-U assumes that the period of time 1982-1984 = 100.

Comparable Communities - Communities were chosen based upon similar population size, and demographic characteristics' such as equalized value/capita and household income.

Households - The number of households for the Town of Natick was determined using the Tax Recapitulation Worksheets, Worksheet LA-4, and counting all residential properties by property type (single-family - Code 101, double-family or duplex - Code 104, triplex, Code 105, etc.) and updating on an annual basis. An assumption was made for the amount of dwelling units in condominium developments.

Population - Population data used in the indicators is provided from the Department of Revenue. Projections provided in the Appendices provided from the MAPC. Both sets of figures use the 2000 U.S. Census Bureau statistics as a base and then annual or future decennial result are extrapolated from that amount.