



Town of Natick

Financial Summit

October 17, 2011

**Indicator Analysis, Fiscal Years 2002-2011
Projections & Estimates, Fiscal Year 2012-2014**



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 2013 Budget Process & Issues

This material is intended to provide policymakers with an informed snapshot of where Natick stands financially heading into the FY 2013 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, and debt service levels (both as a percentage of operating revenues and per capita).
- Natick has marginal expenditures per household and personnel costs, amounts of capital investment, reserve levels, and a reliance upon one-time revenues.
- Natick has unfavorable and uncertain levels of State Aid, revenues related to economic growth, benefit expenditures, and pension liabilities

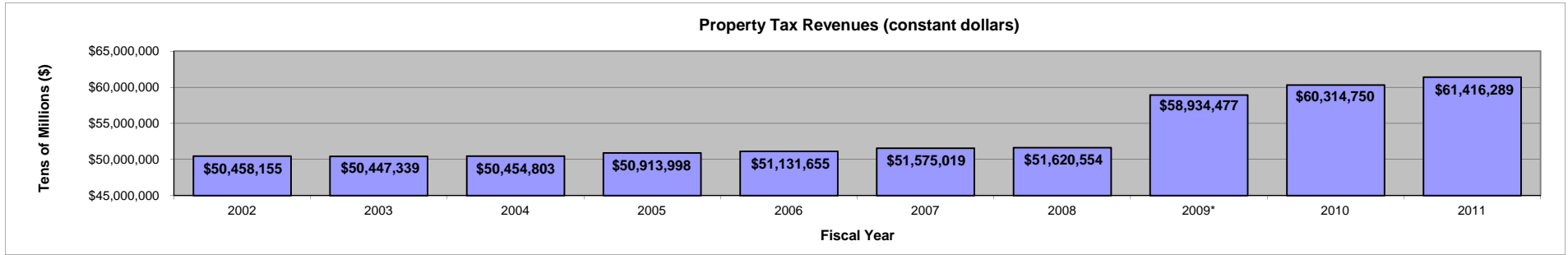
These measures indicate that, overall, the Town has performed at a high level worthy of its AAA Credit Rating (from Standard & Poor's), but that continued maintenance of that rating relies upon maintaining favorable trends, addressing unfavorable trends, reducing future liabilities and continuing to 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	2002	2003	2004	2005	2006	2007	2008	2009*	2010	2011
Property Tax Levy Collections**	\$ 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	\$ 79,159,166
Less: debt exclusions**	\$ (86,498)	\$ (639,000)	\$ (317,000)	\$ (1,313,405)	\$ (1,540,676)	\$ (1,031,410)	\$ (960,274)	\$ (937,705)	\$ (918,361)	\$ (894,180)
Net Property Tax Revenues	\$ 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	\$ 78,264,986
CPI-U, 2002 base year***	194.4	201.9	208.6	213.9	222.0	225.9	234.2	231.8	237.7	242.8
CPI-U, adjustment for constant dollars	98.0%	94.4%	91.3%	89.1%	85.8%	84.3%	81.3%	82.2%	80.1%	78.5%
Property Tax Revenues (constant dollars)	\$ 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	\$ 61,416,289
Percent increase over prior year (constant dollars)	2.6%	0.0%	0.0%	0.9%	0.4%	0.9%	0.1%	14.2%	2.3%	1.8%

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](#), Tax Recaps, FY 2011 Town of Natick 4th Quarter Revenue Report

***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.

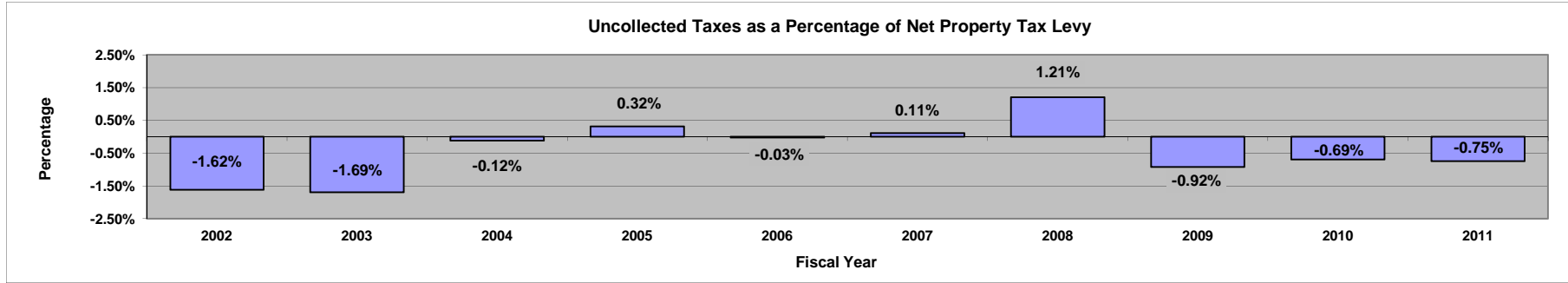
This analysis shows that the only significant increases in constant dollars from year to year occurred when overrides were passed by Natick citizens. The good news: Property tax revenues are steady and reliable. The bad news: They do not grow faster than inflation, and only grow when citizens are willing 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: $\text{Uncollected Property Taxes} / \text{Net Property Tax Levy}$

Fiscal year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Property Tax Levy Limit	\$ 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	\$ 79,684,141
Reserved for Abatements & Exemptions	\$ 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	\$ 1,112,323
Net Property Tax Levy	\$ 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	\$ 78,571,818
Uncollected Taxes as of June 30	\$ (816,977)	\$ (898,130)	\$ (64,749)	\$ 183,006	\$ (15,470)	\$ 68,333	\$ 774,703	\$ (660,851)	\$ (522,259)	\$ (587,348)
Uncollected Taxes as a Percentage of Net Property Tax Levy	-1.62%	-1.69%	-0.12%	0.32%	-0.03%	0.11%	1.21%	-0.92%	-0.69%	-0.75%

Source: Town of Natick Operating Statements, 2002-2011

Uncollected Property Taxes:

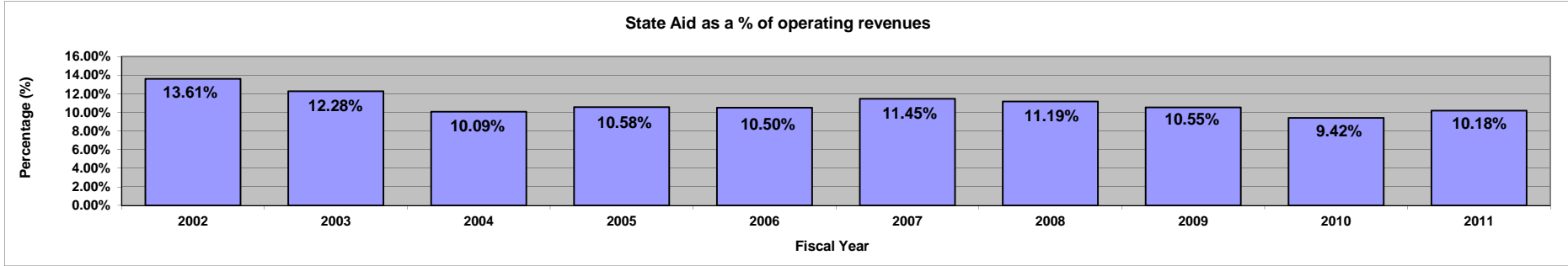
An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic conditions. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the Town to invest. Bond rating organizations generally consider 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.

<i>Natick Trend</i>	
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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Operating Revenues	\$ 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	\$ 106,064,593
State Aid Revenues	\$ 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	\$ 11,719,198
Less: School Building Reimbursements	\$ 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	\$ 916,839
Net State Aid Revenues	\$ 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	\$ 10,802,359
State Aid as a % of operating revenues	13.61%	12.28%	10.09%	10.58%	10.50%	11.45%	11.19%	10.55%	9.42%	10.18%

Notes:

Source(s): State Aid "Cherry Sheets", FY 2001-2011
Town of Natick Town Reports, Report to Assessors of Certain Receipts as per M.G.L.Ch. 42, Sec. 59A., 2002-2010

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.

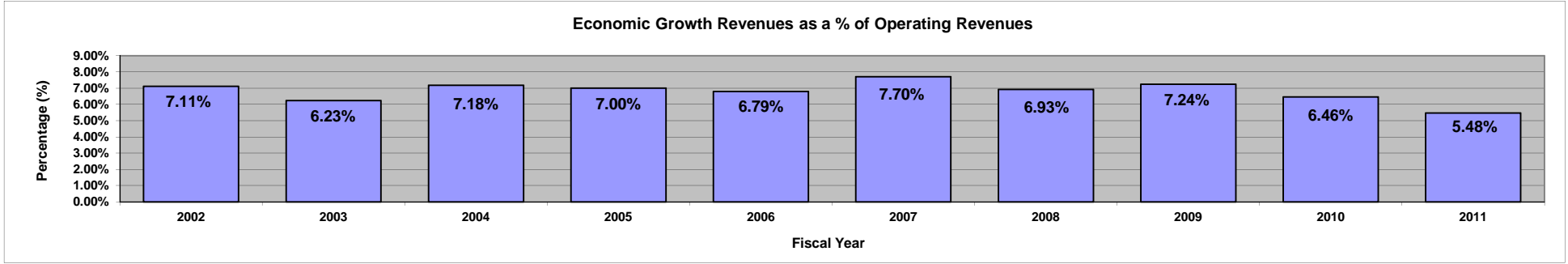
Natick, like the other 351 cities and towns throughout Massachusetts has seen declines in state aid over the course of the last decade. Major drops have occurred during economic downturns - most noticeably in 2004 and again most recently when mid-year aid cuts forced the community to make up nearly half 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.

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



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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (non-exempt) operating revenues	\$ 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	\$ 106,064,593
Building Related Fees & Permits	\$ 485,849	\$ 742,483	\$ 736,731	\$ 929,897	\$ 1,273,145	\$ 2,614,468	\$ 1,869,533	\$ 740,772	\$ 761,862	\$ 1,125,848
Motor Vehicle Excise	\$ 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	\$ 3,931,401
Levy Growth	\$ 825,252	\$ 585,454	\$ 756,915	\$ 578,202	\$ 657,677	\$ 646,694	\$ 883,280	\$ 2,395,360	\$ 2,147,515	\$ 752,536
Total: Economic Growth Revenues	\$ 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	\$ 5,809,785
Economic Growth Revenues as a % of Operating Revenues	7.11%	6.23%	7.18%	7.00%	6.79%	7.70%	6.93%	7.24%	6.46%	5.48%

Sources: Building Related Fees & Permits, FY 2002-2011, Town of Natick, Town Reports, 2001-2010.
Tax Recapitulation Worksheets, FY 2002-2011.

Notes:
Building Related Fees & Permits inclusive of all Alterations, Building, Wiring, Gas & Plumbing permits, FY 2002-2011.

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

Revenues Related to Economic Growth:

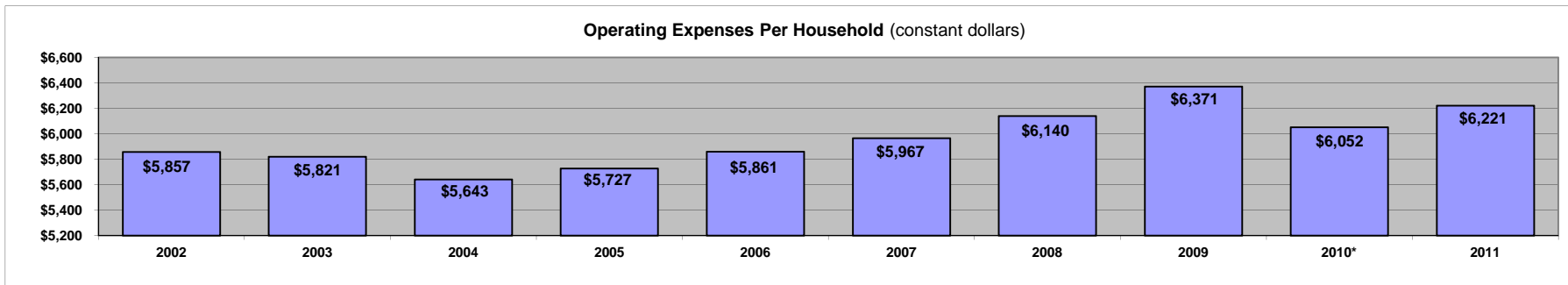
Revenues related to economic growth include construction related revenues such as permit fees and new tax levy growth resulting from new construction and certain retail related revenues such as motor vehicle excise taxes. A decrease in building permit fees may be a leading indicator of smaller future increases in the tax levy. Despite the inherent nature of this indicator to fluctuate with the economy, inflation and other influences, Natick has been 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 most of this economic growth has been largely attributable to non-residential development, thus creating less demand for expanded municipal services. Unfortunately, the two most recent fiscal years indicates that overall revenues attributable to economic growth have decreased - which could foreshadow lower tax levy growth in the future fiscal years. It is for that reason that this indicator is now trending unfavorable.

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. Positively for Natick Motor Vehicle Excise revenue has remained steady, which is unusual compared to most communities in the Commonwealth during the Great Recession.



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	2002	2003	2004	2005	2006	2007	2008	2009	2010*	2011	
Education	\$ 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	\$ 44,664,342	
Municipal	\$ 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	\$ 27,998,158	
Shared Expenses (Benefits, Debt)	\$ 19,500,694	\$ 21,035,568	\$ 20,366,034	\$ 21,585,211	\$ 24,224,319	\$ 25,183,676	\$ 26,579,006	\$ 25,891,004	\$ 27,350,826	\$ 28,158,170	
Total Operating Expenses	\$ 72,770,632	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 96,078,565	\$ 95,662,888	\$ 100,820,670	
CPI-U, 2000 base year	194.4	201.9	208.6	213.9	222	225.91	234.239	231.802	237.683	242.761	
CPI-U, adjustment for constant dollar	98.0%	94.4%	91.3%	89.1%	85.8%	84.3%	81.3%	82.2%	80.1%	78.5%	
Operating Expenses (cons. doll.)	\$ 71,310,727	\$ 71,013,376	\$ 68,912,490	\$ 70,199,910	\$ 72,163,644	\$ 73,710,354	\$ 76,098,394	\$ 78,959,486	\$ 76,672,628	\$ 79,116,240	
Households	12,175	12,200	12,213	12,258	12,313	12,354	12,393	12,394	12,670	12,718	
Oper. Exp. Per Household	\$ 5,857	\$ 5,821	\$ 5,643	\$ 5,727	\$ 5,861	\$ 5,967	\$ 6,140	\$ 6,371	\$ 6,052	\$ 6,221	

Source: Town of Natick, Town Reports, FY 2002-2010 & Comptroller's FY 2011 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.

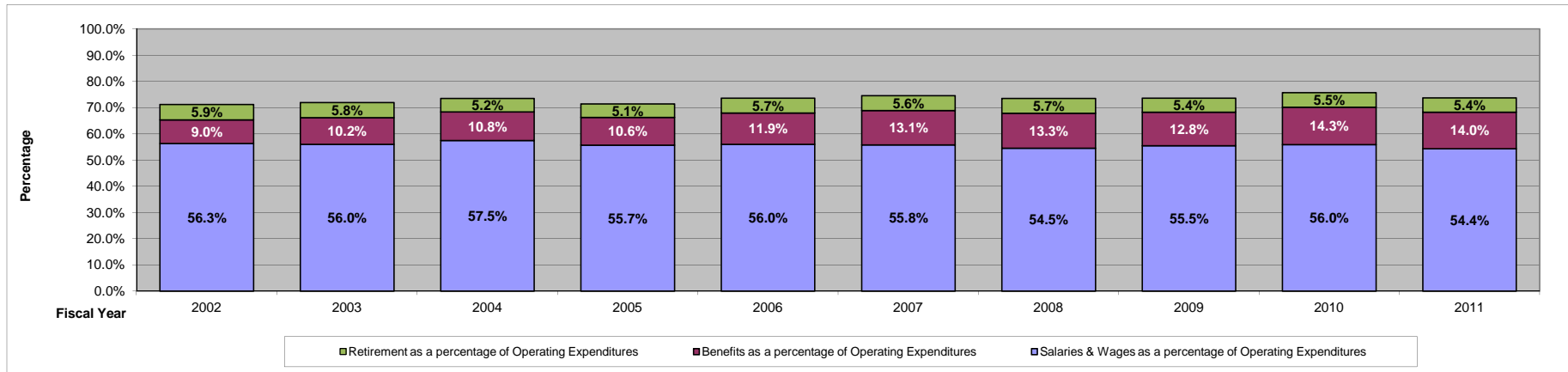
This indicator tells a mixed message for the Town of Natick. On the one hand, revenues have kept pace with expenses (because of the need to have a balanced budget they must.) But, in recent years, recurring revenues have been supplemented with one-time revenues in order to meet expenses. On the other hand, operating expenses in constant dollars have increased per household only 7.18% since 2002, 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.

Natick Trend	
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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating Expenditures	\$ 72,770,632	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 96,078,565	\$ 95,662,888	\$ 100,820,670
Municipal Wages	\$ 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	\$ 20,072,596
School Wages	\$ 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	\$ 34,726,652
Benefits	\$ 6,561,870	\$ 7,652,132	\$ 8,185,461	\$ 8,345,688	\$ 10,019,946	\$ 11,474,218	\$ 12,486,833	\$ 12,293,905	\$ 13,660,686	\$ 14,106,467
Pensions	\$ 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	\$ 5,475,739
Total Wage & Benefit Costs	\$ 51,819,372	\$ 54,195,988	\$ 55,501,232	\$ 56,305,451	\$ 61,903,516	\$ 65,199,663	\$ 68,873,204	\$ 70,780,333	\$ 72,428,710	\$ 74,381,454
Salaries & Wages as a percentage of Operating Expenditures	56.3%	56.0%	57.5%	55.7%	56.0%	55.8%	54.5%	55.5%	56.0%	54.4%
Benefits as a percentage of Operating Expenditures	9.0%	10.2%	10.8%	10.6%	11.9%	13.1%	13.3%	12.8%	14.3%	14.0%
Retirement as a percentage of Operating Expenditures	5.9%	5.8%	5.2%	5.1%	5.7%	5.6%	5.7%	5.4%	5.5%	5.4%
Total Wage & Benefit Costs as a percentage of Operating Expenditures	71.2%	72.0%	73.6%	71.4%	73.6%	74.6%	73.6%	73.7%	75.7%	73.8%

Source: Town of Natick, Town Reports, FY 2002-2010 & Comptroller's FY 2011 4th Qtr GF Expenditure Reports.

Personnel Costs:

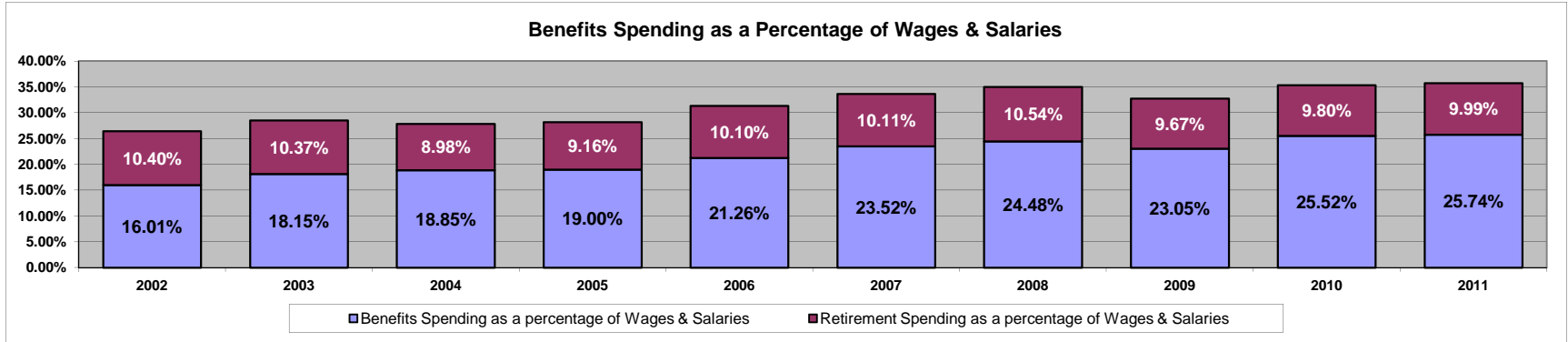
Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: 1) First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. 2) Second, if salaries and wages as a percent 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 2002 by 2.6%, but the rate and level of increase has remained relatively constant until last fiscal year. 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 was in the cost of benefits. As detailed in Indicator I.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. Progress was made in controlling this cost in FY 2011 through major restructuring of health care 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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Medical Benefits	\$ 6,561,870	\$ 7,652,132	\$ 8,185,461	\$ 8,345,688	\$ 10,019,946	\$ 11,474,218	\$ 12,486,833	\$ 12,293,905	\$ 13,660,686	\$ 14,106,467	
Retirement Benefits	\$ 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	\$ 5,475,739	
Wages & Salaries - Municipal	\$ 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	\$ 20,072,596	
Wages & Salaries - Schools	\$ 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	\$ 34,726,652	
Total Wages & Salaries	\$ 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	\$ 54,799,248	
Benefits Spending as a percentage of Wages & Salaries	16.01%	18.15%	18.85%	19.00%	21.26%	23.52%	24.48%	23.05%	25.52%	25.74%	
Retirement Spending as a percentage of Wages & Salaries	10.40%	10.37%	8.98%	9.16%	10.10%	10.11%	10.54%	9.67%	9.80%	9.99%	
Total Benefits Spending as % of Wages & Salaries	26.41%	28.51%	27.83%	28.16%	31.36%	33.62%	35.02%	32.72%	35.32%	35.73%	

Source: Town of Natick, Town Reports, FY 2002-2010 & Comptroller's FY 2011 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.

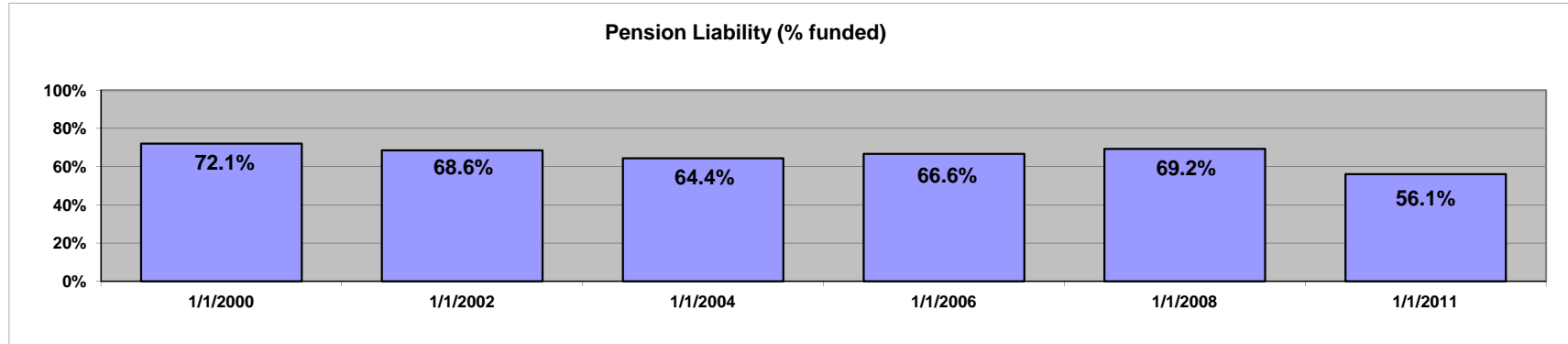
<i>Natick Trend</i>	
favorable	
marginal	
unfavorable	x
uncertain	

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 115% in the last 10 years and its share as part of an employees' compensation package has nearly doubled - from comprising 16.0% in 2002 to over 25.7% in 2011. 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	1/1/2011
Estimated Accrued Liability	\$ 89,688,360	\$ 100,572,515	\$ 109,024,236	\$ 118,903,286	\$ 131,268,314	\$ 146,904,423
Pension Assets	\$ 64,669,153	\$ 68,985,592	\$ 70,246,877	\$ 79,234,306	\$ 90,885,080	\$ 82,431,038
Pension Liability (unfunded)	\$ 25,019,207	\$ 31,586,923	\$ 38,777,359	\$ 39,668,980	\$ 40,383,234	\$ 64,473,385
Percent Funded	72.1%	68.6%	64.4%	66.6%	69.2%	56.1%

Source: Town of Natick Retirement System Actuarial Studies, 2000-2011.

Pension Liability:

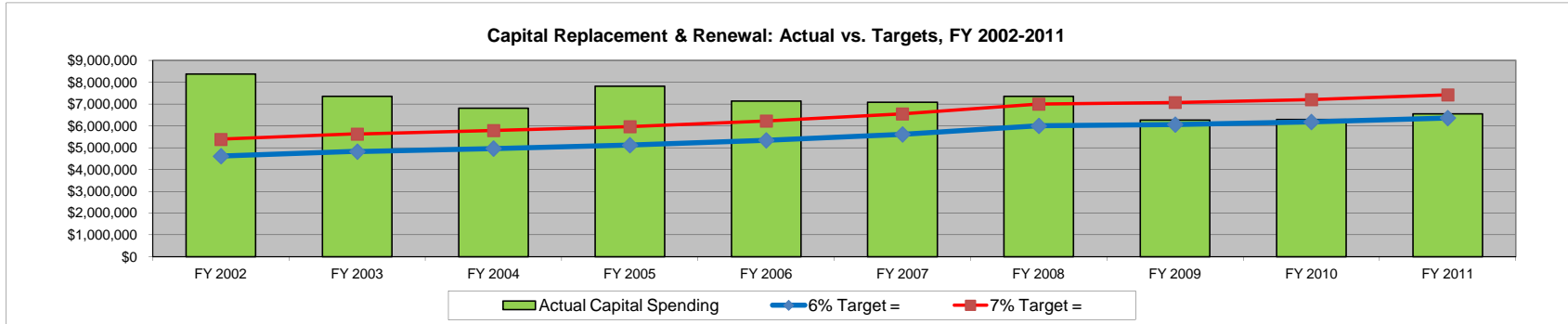
The Natick Retirement System provides pension benefits for many retired employees of the Town of Natick . Established under M.G.L. Chapter 32, the Natick Retirement System is funded via an annual appropriation at Town Meeting. As of January 1, 2011, there were 1012 participants in the Natick Retirement System - 559 active, 93 inactive and 360 retired participants and beneficiaries. Town Meeting appropriates an annual contribution to the system as determined by an actuarial study.

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 is still to be determined by the Natick Retirement Board.

<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. 6%-7% Target

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Net Revenues	\$ 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	\$ 106,064,593
Within-Levy Target (low)	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
6% Target =	\$4,615,372	\$4,821,517	\$4,963,705	\$5,116,528	\$5,338,867	\$5,610,932	\$5,999,683	\$6,065,050	\$6,179,148	\$6,363,876
Within-Levy Target (high)	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
7% Target =	\$5,384,601	\$5,625,103	\$5,790,989	\$5,969,283	\$6,228,678	\$6,546,088	\$6,999,631	\$7,075,891	\$7,209,006	\$7,424,522
Actual Capital Spending										
Cash	\$ 1,009,500	\$ 374,300	\$ 195,800	\$ 1,401,500	\$ 680,847	\$ 906,128	\$ 1,077,378	\$ 293,900	\$ 300,940	\$ 547,620
Within-Levy Debt Service	\$ 7,372,006	\$ 6,982,375	\$ 6,619,472	\$ 6,418,807	\$ 6,452,762	\$ 6,182,248	\$ 6,283,504	\$ 5,977,484	\$ 5,996,828	\$ 6,001,812
Total Cap. Spending As %	10.90%	9.15%	8.24%	9.17%	8.02%	7.58%	7.36%	6.20%	6.12%	6.17%
Actual Capital Spending	\$8,381,506	\$7,356,675	\$6,815,272	\$7,820,307	\$7,133,609	\$7,088,376	\$7,360,882	\$6,271,384	\$6,297,768	\$6,549,432

Source: Appropriations from Annual Town Meetings, Town of Natick, Town Reports 2001-2010.

Capital Asset & Renewal:

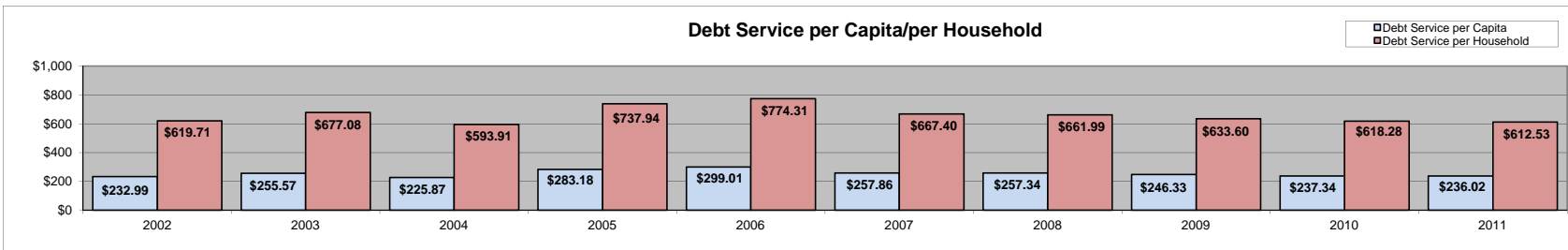
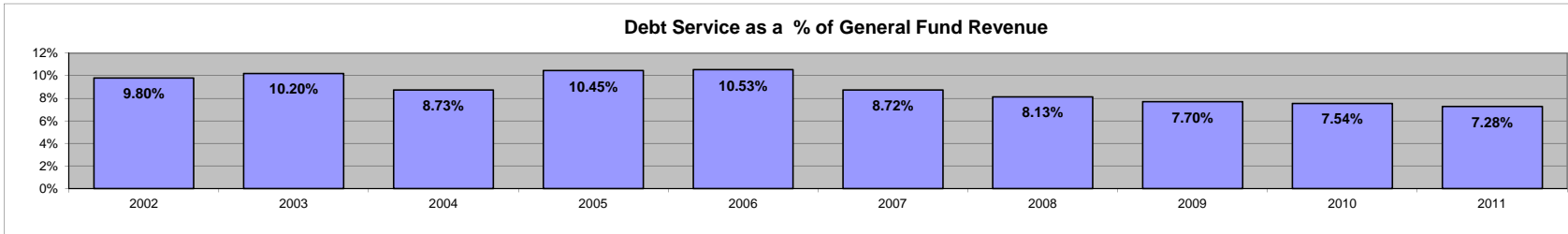
Companies of any size must maintain, renew and replace their infrastructure in a timely and cost effective manner. Municipalities are no different, and often have the daunting task of having to renew capital equipment and infrastructure with numerous other competing needs. Timely replacement of capital 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.

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

Natick, like every municipality during the Great Recession, has seen a decrease in the amount of money dedicated to Capital spending. For several years, this indicator forbode of dangers of not spending at least 8% and ideally 10% of total revenues on annual capital renewal and replacement. This, however, was a skewed target - as it included the highly specific category of excluded debt within its targets. Taking the costs attributed to excluded debt out of the equation, a new picture develops which shows the Town has spent between a recommended amount of between 6-7% of net revenues annually on capital and debt service. This amount has not been sufficient to "catch-up" on deferred capital projects, and further strides were needed in FY 2012 to address the backlog of capital needs. A significant reason to be positive moving forward, however, is the policy decision to dedicate Local Option Tax revenues to Capital and Debt Service costs, thus securing a permanent funding stream with which to meet this important ongoing need.

Debt Service

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



Formulas:		General Fund Debt Service / General Fund Revenue & General Fund Debt Service / Per Capita & Household									
Fiscal Year		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Exempt Debt Service		\$ 86,498	\$ 639,000	\$ 317,000	\$ 1,313,405	\$ 1,540,676	\$ 1,031,410	\$ 960,274	\$ 937,705	\$ 918,361	\$ 894,180
Within Levy Debt Service		\$ 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	\$ 6,895,992
Total Debt Service		\$ 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	\$ 7,790,172
Gross Operating Revenue		\$ 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	\$ 106,958,773
Population		32384	32321	32113	31943	31886	31,975	31,880	31,880	33,006	33,006
Households		12,175	12,200	12,213	12,258	12,313	12,354	12,393	12,394	12,670	12,718
Debt Service as a % of General Fund Revenue		9.80%	10.20%	8.73%	10.45%	10.53%	8.72%	8.13%	7.70%	7.54%	7.28%
Debt Service per Capita		\$ 232.99	\$ 255.57	\$ 225.87	\$ 283.18	\$ 299.01	\$ 257.86	\$ 257.34	\$ 246.33	\$ 237.34	\$ 236.02
Debt Service per Household		\$ 619.71	\$ 677.08	\$ 593.91	\$ 737.94	\$ 774.31	\$ 667.40	\$ 661.99	\$ 633.60	\$ 618.28	\$ 612.53

Source: Town of Natick, Town Reports 2001-2010, Massachusetts Dept. of Revenue DLS Gateway Reports, Town of Natick Tax Recapitulation Worksheet - LA-4 - FY 2001-2010.

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.

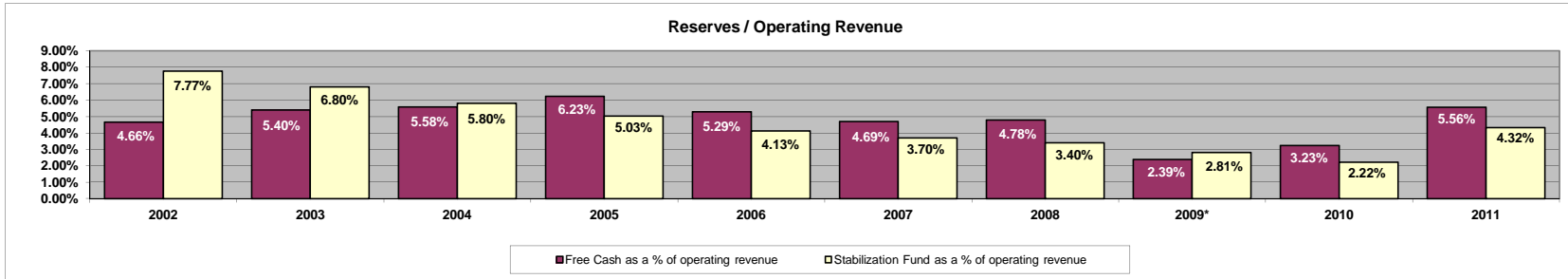
Natick Trend	
favorable	x
marginal	
unfavorable	
uncertain	

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.

Debt per capita will grow significantly beginning in FY 2012 when the majority of the debt for the new Natick High School and the new Community/Senior Center begins to be serviced. This issuance has been well timed in that it a) recieved favorable bid prices, b) lower interest rates and c) will be issued after several years of declining debt service amounts.

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	2002	2003	2004	2005	2006	2007	2008	2009*	2010	2011
Certified Free Cash	\$ 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	\$ 5,899,906
Stabilization Fund	\$ 5,975,205	\$ 5,464,106	\$ 4,798,985	\$ 4,292,834	\$ 3,671,373	\$ 3,458,312	\$ 3,401,290	\$ 2,844,860	\$ 2,288,392	\$ 4,273,560
Capital Stabilization Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,913
Net Operating Revenues	\$ 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	\$ 106,064,593
Free Cash as a % of operating revenue	4.66%	5.40%	5.58%	6.23%	5.29%	4.69%	4.78%	2.39%	3.23%	5.56%
Stabilization Fund as a % of operating revenue	7.77%	6.80%	5.80%	5.03%	4.13%	3.70%	3.40%	2.81%	2.22%	4.32%
Net Reserves as a % of Operating Revenue	12.43%	12.20%	11.39%	11.27%	9.42%	8.39%	8.19%	5.20%	5.45%	9.59%

Source(s): Certified Free Cash letters from the Department of Revenue, FY 2002-2011 & Town of Natick Town Reports, 2001-2010

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.

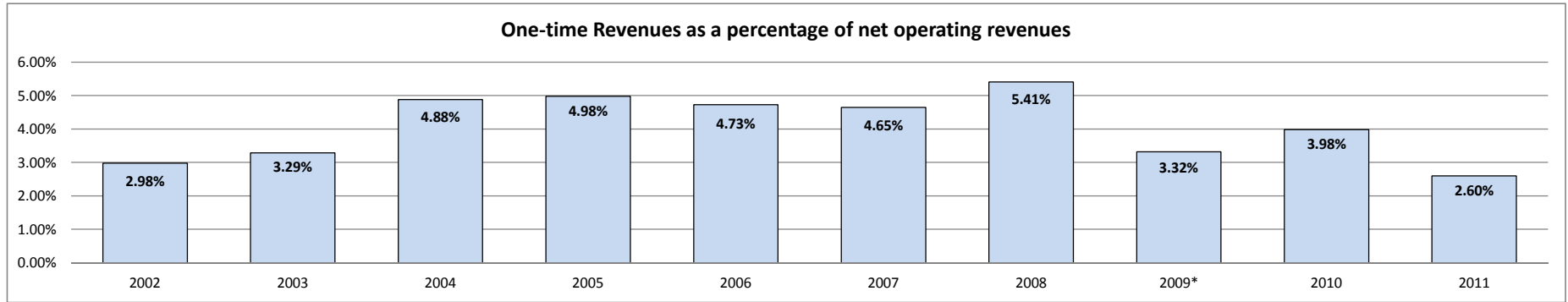
Among the most alarming of trends for the Town of Natick is the marked and steady decline of reserves over the last decade. Regardless of how the economy performed from FY 2002-2010, the Town's overall reserve position declined from FY 2002 to FY 2009. With a combination of adherence to the Town's Financial Management Principles and prudent use of additional resources to build reserves, the Town reversed that trend for the first time in FY 2010 and made significant strides in FY 2011. 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. The recent creation of a Operational Stabilization Fund will aid in the Town's ability to maintain services when economic conditions deteriorate, but only if it can a) be adequately funded when money is available and b) policymakers resist the desire to use it other than when recommended by the Town's Financial Management Principles.

<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: **One-time Revenues / Net Operating Revenues**

	2002	2003	2004	2005	2006	2007	2008	2009*	2010	2011
One-Time Revenues										
Free-Cash	\$ 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	\$ 2,660,759
Stabilization Fund	\$ 809,026	\$ 594,668	\$ 750,000	\$ 750,000	\$ 675,000	\$ 400,000	\$ 256,102	\$ 600,000	\$ 950,751	\$ 98,550
Overlay Surplus	\$ 195,000	\$ 195,000	\$ 1,000,000	\$ 1,000,000	\$ 675,000	\$ 500,000	\$ 1,116,024	\$ -	\$ 1,000,000	\$ -
One-Time Revenues	\$ 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	\$ 2,759,309
Net Operating Revenues	\$ 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	\$ 106,064,593
One-time Revenues as a percentage of net operating revenues	2.98%	3.29%	4.88%	4.98%	4.73%	4.65%	5.41%	3.32%	3.98%	2.60%

Source: FY 2002-2011 Tax Recapitulation Forms, Page B-2 & Town of Natick Town Reports, 2001-2010.

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	x
unfavorable	
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 2012-FY 2014. 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 be level-funded in FY 2013 and FY 2014 at FY 2012 levels. This may be a bit optimistic given that state reserves have had to be drawn down in support of prior year's but revenue levels have rebounded to projections at the state level and the Town will receive more than budgeted in FY 2012. Local receipts are projected to remain essentially level over the period of FY 2012 through FY 2014; 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 2012 making forecasting difficult for FY 2013 and beyond. 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 in expenses for all municipal departments. 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 continue to rest within the categories of Shared Expenses. A major emphasis of the FY 2011-2 budget cycles was the achievement of reducing the Town contribution to employee health care. The renewal of labor contracts continue to provide an ideal time for further 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 voted on and in place later in 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 FY2013, the preliminary gap is projected to be roughly \$2.8 million, while in FY 2014 the preliminary gap is projected to be roughly \$5 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

	2010	2011	2012	2013	2014	Notes
	Actual	Actual	Fall ATM	Projection	Projection	
General Fund Revenues						
Tax Levy	76,171,856	78,233,313	85,980,482	88,897,500	92,136,557	2.5% allowable; .5% for growth + Excluded Debt Service for C/SC & NHS
State Aid	10,593,626	11,503,764	11,742,471	11,742,471	11,742,471	Assumes level state aid in 2013, 2014
Estimated Receipts	10,190,308	11,169,297	10,388,690	10,000,000	10,000,000	Assumes essentially level local receipts
Local Option Taxes	307,913	1,172,071	1,000,000	1,000,000	1,000,000	Used for Capital Debt Service related to Excluded Projects
Other Local Receipts						
Indirects	2,506,416	2,449,757	2,535,883	2,535,883	2,535,883	Assumes level-funding @ FY 2011 levels
Free Cash	2,147,380	2,660,759	4,294,322	1,500,000	1,500,000	Based upon initial projection for free-cash. (May change)
Stabilization Fund	950,751	98,550	0	0	0	
Overlay Surplus	1,000,000	0	1,000,000	0	0	Can change based upon final settlement of outstanding ATB cases
Other Available Funds	210,851	190,851	281,532	281,532	281,532	No Change
Total General Fund Revenues	104,079,101	107,478,362	117,223,379	115,957,385	119,196,442	
General Fund Expenses						
Education & Learning						
Natick Public Schools	42,391,575	44,664,342	46,406,138	49,022,414	51,228,423	4.5% increase; based upon projected growth of costs & level-service.
Keefe Tech	1,283,158	1,469,598	1,396,865	1,536,552	1,690,207	Assumes continued presence of Natick students & contraction of total population.
Morse Institute Library	1,699,798	1,739,131	1,848,818	1,895,038	1,942,414	2.5% increase
Bacon Free Library	115,846	109,805	118,827	121,798	124,843	2.5% increase
Public Safety	11,533,852	11,981,170	12,877,286	13,199,218	13,529,199	2.5% increase
Public Works	6,866,169	7,038,925	7,653,410	7,844,745	8,040,864	2.5% increase
Health & Human Services	1,497,423	1,561,943	1,733,513	1,776,851	1,821,272	2.5% increase
Administrative Support Services	4,182,346	4,780,341	4,458,885	4,570,357	4,684,616	2.5% increase
Committees	25,048	23,404	25,510	25,510	25,510	Level-funded
Shared Expenses						
Fringe Benefits	13,683,698	14,106,467	15,076,350	16,169,195	17,786,114	Assumes 7% increase in Health Care costs for FY 2013, 10% in FY 2014
Prop & Liab. Insurance	438,662	466,928	520,958	547,005	574,356	Assumes 5% increase annually
Retirement	5,243,247	5,475,739	5,717,032	6,174,395	6,668,346	Assumes correction for market in FY 2013 and 2040 full accrual deadline
Debt Services	6,725,074	6,639,437	10,989,995	10,553,646	10,941,500	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	95,685,898	100,057,230	109,223,586	113,836,723	119,457,662	
Capital Improvements	300,940	547,620	712,560	0	0	Attempts to maintain at least \$350,000 of levy supported capital
School Bus Transportation	311,186	320,522	330,137	340,041	340,041	Assumes 3.0% increase
State & County Assessments	1,540,299	1,387,158	1,360,929	1,408,562	1,457,861	Assumes 3.5% increase
Cherry Sheet Offsets	56,369	133,420	155,298	160,733	166,359	Assumes 3.5% increase
Tax Title	25,000	25,000	25,000	25,000	25,000	Level-funded
Snow Removal Supplement	749,655	448,991	758,919	350,000	350,000	Hopeful...
Overlay	1,321,477	1,112,323	1,100,000	1,400,000	1,100,000	
Golf Course Deficit	355,000	334,500	320,000	310,000	300,000	Level-funded
Stabilization Fund	800,000	1,634,439	0	0	0	
Operational Stabilization Fund			856,478	0	0	
Capital Stabilization Fund			1,687,440	1,000,000	1,000,000	
Collective Bargaining (Art. 10)	950,751	315,000				
Misc. Articles	10,000	40,000	100,000			N/A
FLSA Settlement			593,032			
Total General Fund Expenses	102,096,574	106,356,203	117,223,379	118,831,060	124,196,924	
Net Excess / (Deficit)	1,982,527	1,122,159	0	-2,873,674	-5,000,482	



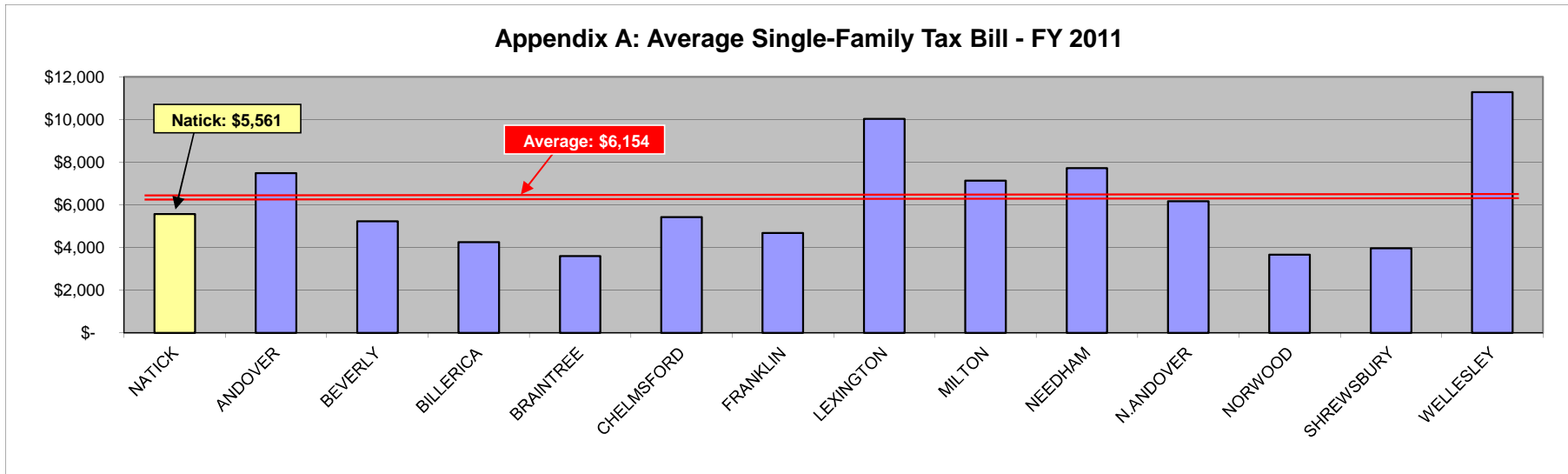
FY 2013 Budget Policy Issues

The following is a list of important policy issues which need further discussion & analysis in FY 2013.

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	\$ 3,735,204,600	8,463	\$ 441,357	\$ 12.60	\$ 5,561	No
ANDOVER	\$ 4,498,853,200	8,492	\$ 529,775	\$ 14.12	\$ 7,480	Yes
BEVERLY	\$ 3,531,861,200	8,384	\$ 421,262	\$ 12.41	\$ 5,228	Yes
BILLERICA	\$ 3,383,834,100	10,736	\$ 315,186	\$ 13.47	\$ 4,246	Yes
BRAINTREE	\$ 3,168,429,000	9,001	\$ 352,009	\$ 10.20	\$ 3,590	Yes
CHELMSFORD	\$ 2,924,078,075	9,009	\$ 324,573	\$ 16.72	\$ 5,427	No
FRANKLIN	\$ 2,744,081,800	7,599	\$ 361,111	\$ 12.95	\$ 4,676	No
LEXINGTON	\$ 6,234,563,000	8,949	\$ 696,677	\$ 14.40	\$ 10,032	Yes
MILTON	\$ 3,608,195,300	7,116	\$ 507,054	\$ 14.07	\$ 7,134	Yes
NEEDHAM	\$ 5,910,589,800	8,346	\$ 708,194	\$ 10.90	\$ 7,719	Yes
N.ANDOVER	\$ 2,816,602,100	6,181	\$ 455,687	\$ 13.52	\$ 6,161	Yes
NORWOOD	\$ 2,110,003,800	5,819	\$ 362,606	\$ 10.10	\$ 3,662	Yes
SHREWSBURY	\$ 3,359,008,800	9,061	\$ 370,711	\$ 10.67	\$ 3,955	No
WELLESLEY	\$ 7,189,824,000	7,285	\$ 986,935	\$ 11.43	\$ 11,281	No

Average Tax Bill:

This table shows the average single-family tax bill for comparable communities to Natick for FY 2011. Only single-family homes are shown as part of this comparison. As of FY 2011, Natick finds itself below average compared to the other 12 comparable communities in average tax bills.

Natick's average single family tax bill increased \$279 from FY 2009 to FY 2010. The average single family tax bill for the comparable communities increased \$252 from FY 2010 to FY 2011.

Source: Mass. Dept. of Revenue, Div. Of Local Services.

AVERAGE	\$ 3,943,937,770	8,174	\$ 488,081	\$ 12.68	\$ 6,154	
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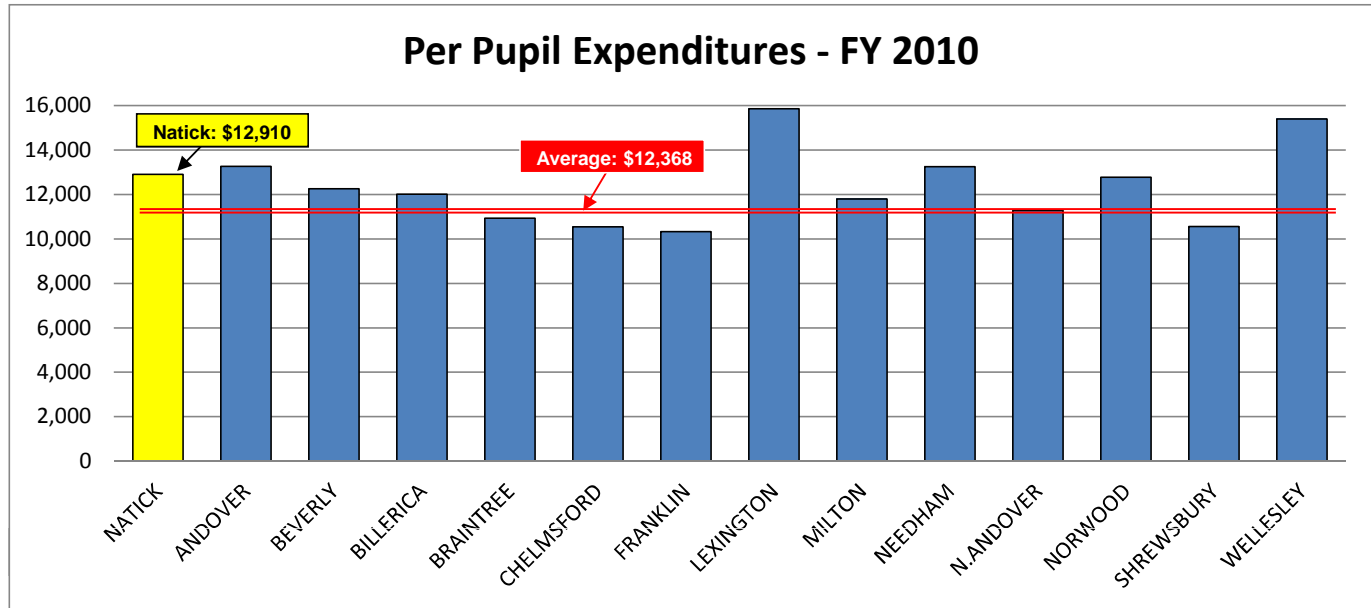


Appendix B: Per Pupil Expenditure Comparative Data

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	FY 2010 Total Pupils	FY 2010 Total Expenditure
NATICK	4,902	12,910
ANDOVER	6,223	13,263
BEVERLY	4,528	12,259
BILLERICA	6,309	12,006
BRAINTREE	5,575	10,927
CHELMSFORD	5,735	10,550
FRANKLIN	6,617	10,326

District	FY 2010 Total Pupils	FY 2010 Total Expenditure
LEXINGTON	6,304	15,862
MILTON	4,017	11,792
NEEDHAM	5,410	13,248
N.ANDOVER	4,721	11,277
NORWOOD	3,551	12,778
SHREWSBURY	6,132	10,564
WELLESLEY	4,800	15,392

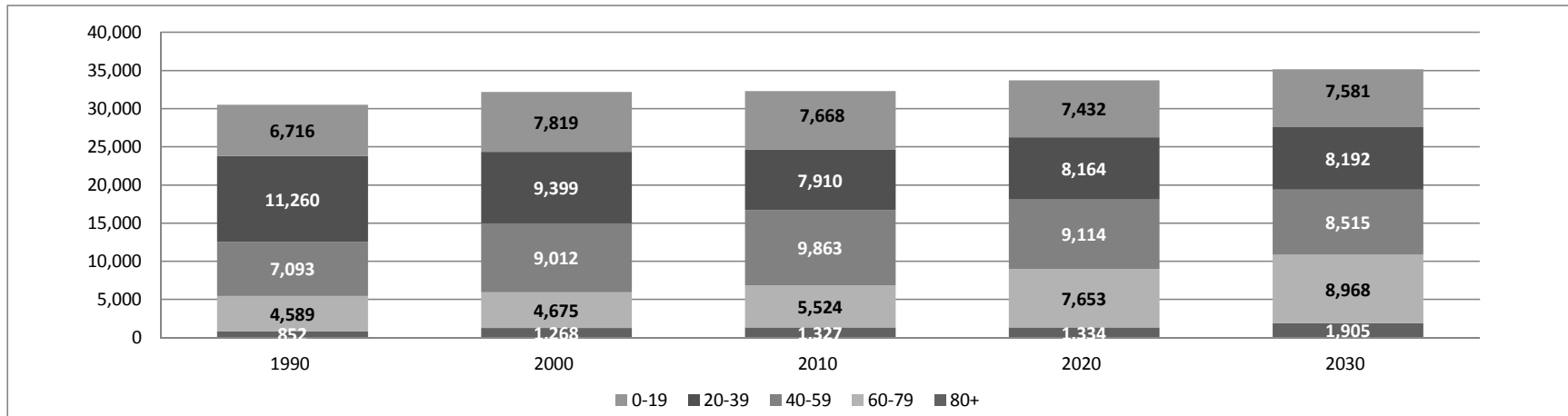
Averages:	
Enrollment	5,345
Per Pupil Expenditure	\$ 12,368

Notes:
 Source: Mass. Dept. of Education, FY2010 Per Pupil Expenditures Report. Total Expenditure column includes all General Fund Appropriations & Grants, Revolving and Other funds. Data shown is most recent available from the Mass. Department of Education.



Appendix C: Population Projections

Population Projections: 1990-2035, Town of Natick



Age	1990	2000	2010	2020	2030	2035	Percent Change 2010 to 2035
0-19	6,716	7,819	7,668	7,432	7,581	7,737	0.90%
20-39	11,260	9,399	7,910	8,164	8,192	8,168	3.26%
40-59	7,093	9,012	9,863	9,114	8,515	8,388	-14.96%
60-79	4,589	4,675	5,524	7,653	8,968	9,571	73.27%
80+	852	1,268	1,327	1,334	1,905	2,200	65.73%
Total	30,510	32,173	32,292	33,698	35,161	36,063	11.68%

Source: Metropolitan Area Planning Commission, Population Projections: http://www.mapc.org/sites/default/files/MAPC_MetroFutureUpdate2035_FINAL_3_10_2011.xls.

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 1400 people per decade over the course of the next 25 years. These latest estimates take into account but do not completely reflect the 2010 Decennial Census.

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 change very, very little 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 4,900 individuals aged over 60 living in Natick by 2035 than do today.



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 \$119,187,237. 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. The 2011 Fall Annual Town Meeting will consider an Article requesting the adoption of state statute to allow Natick to create the trust.

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 2013.

OPEB Liability Growth as a result of GASB 45

FY 2011

For FY 2011, 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>	\$ 27,007,851
<u>Less our current contributions:</u>	\$ (3,704,594)
Total FY 2011 Year-end Outstanding Liability for OPEB:	\$ 23,303,257

FY 2012

Beginning Outstanding Liability (from FY 2011):	\$ 23,303,257
FY 2012 estimated total cost:	\$ 11,552,723
<u>Less our current contributions:</u>	\$ (3,808,433)
Total FY 2012 Year-end Outstanding Liability for OPEB:	\$ 31,047,547

and so on...

Source: A Postretirement Welfare Benefit GASB 45 Actuarial Valuation As of July 1, 2010 for: The Town of Natick. The USI Consulting Group. June 8, 2011.



Appendix E: FY 2013 Budget Schedule & Process

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
External												
Votes												
Town Meeting				Town Meeting							Town Meeting	
BOS				★	Review of Budget Goals & Challenges		Selectmen Review of Budget					
SC								Hearing on Budget				
FinComm			Warrant Hearings				FinComm Hearings on Budget & Warrant					
Internal												
Municipal		Capital Develop.		Operating Budget Development & Refinement								
School		Capital Develop.		Operating Budget Development & Refinement								

2011 | 2012

Significant Dates

August 2011

Capital

September 2011

Capital Update Submitted

October 2011

Operating Budget Development (Internal Schools & Municipal) Late October

★ Summit - Discuss Financial Indicators & Long-Term Projections October 17th

2011 Fall Town Meeting Begins October 18th

November 2011

Operating Budget Development (Internal Schools & Municipal) All November

BOS - Review of Budget Goals & Objectives November Meetings

December 2011

Operating Budget Refinement (Internal Schools & Municipal) All December

BOS - Review of Budget Goals & Objectives December Meetings

SC - Superintendent's Presentation of School Budget Early December

January 2012

Submittal of FY 2012 Administrator's Proposed Budget to BOS & FC

Finance Committee Public Hearings on Budget

BOS - Review of Budget

January 1st

All January

February 2012

BOS - Review of Budget

SC- Public Hearings on Budget

Finance Committee Public Hearings on Budget

February

February

All February

March 2012

Finance Committee Public Hearings on Budget

Preparation of

x Municipal Election

to March 20

March 20-27

Late March

April - May 2012

Town Meeting

April-May

July 2012

Start of FY 2013

July 1

Note: All times & deadlines subject to change and revision.



Appendix F: Notes & Assumptions

Notes:

Actual Data - Data presented as actual for FY 2002-2010 is taken from final G/L accounting reconciliations prepared by the Town Comptroller. FY 2011 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 2002-2011. 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 2010 U.S. Census Bureau statistics as a base and then annual or future decennial result are extrapolated from that amount.