



Town of Natick

FY 2013 Appropriated Budget

Section I: Town Administrator's Budget Message



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Town Administrator

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TOWN ADMINISTRATOR'S FISCAL YEAR 2013 BUDGET MESSAGE

April 26, 2012

The Fiscal Year 2013 budget is one of which I am particularly proud in that it addresses many issues resulting from cutbacks during the recent few years of economic recession. Simultaneously, we have proposed several innovations in the organization of government, thereby advancing our ongoing efforts to continuously improve the efficient and effective delivery of services.

First and foremost, I am pleased and proud to the Administration and the Finance Committee were in agreement with respect to our recommendations on all aspects of the FY 2013 operating budget, the capital equipment and capital improvement proposals, and each of the warrant articles to the 2012 Spring Annual Town Meeting. This achievement is certainly noteworthy and reflects a lot of hard work by the Finance Committee members as well as administrative department heads and others. There was some compromise along the way and, in the end; our unity on all of the Town Meeting articles – financial and otherwise – reflects the soundness of these proposals. Note that, for those articles on which they voted a recommendation, the Board of Selectmen and School Committee are also in agreement with the Finance Committee and Town Administrator. This unanimity greatly aided in such an expedient Spring Annual Town Meeting.

When the Town Administrator's Preliminary Budget was first presented on January 3, 2012, it reflected a FY 2013 projected budget shortfall of over \$2.4 million. Over the past three months, several of the revenue and expense categories were refined and we were able to significantly close this deficit. However, critical to achieving a balanced budget was the difficult work accomplished by the School Department; over \$850,000 was cut from their initial budget proposal. Their partnership in developing a balanced FY 2013 budget is greatly appreciated.

Nonetheless, in this FY 2013 budget, both the General Government and School Department have been able to fund enhancements. The School Department is adding 9 full-time-equivalent positions in FY 2013; further information about their budget proposal can be found on the School Department website www.natickps.org or by contacting the Superintendent's Office at 508-647-6500.

In addition, several general government positions lost during the recent years of economic recession have been restored in this budget proposal, as follows:

Fire Department: In the latter part of Fiscal Year 2009, five firefighters took advantage of an Early Retirement Incentive Program. Because a minimum of 17 personnel must be on duty to keep our 4 fire stations open, this reduced level of on-duty personnel resulted in increasingly

higher overtime costs. A recent evaluation of salary vs. overtime costs indicates that, for at least the next several years, replacing the 5 firefighter positions will be cost-effective. (This analysis is available on the Selectmen/Town Administrator web page or through our office by calling 508-647-6410). In addition, there is anecdotal evidence that the increased overtime is taking a toll on firefighters' morale, and perhaps increasing injuries. Restoration of these 5 firefighter positions is included in the FY 2013 budget. The total staffing level for the department, including uniformed and civilian personnel, will be 88, which brings us back to 2009 staffing levels.

Police Department: Positions have been lost in the Police Department in recent years through attrition. The FY 2013 budget includes two (2) additional police officers, which would bring us to total staffing, uniformed and civilian, of 69.7 full-time-equivalent positions (55 of which will be police officers); very close to 2009 staffing levels, but still lower than previous years. It is hoped that these additional personnel will enable the department to be more responsive to community concerns, such as traffic, parking and problematic gatherings of youth.

Public Works: This department was also impacted by the Early Retirement Incentive Program; 5 laborers and 1 administrative assistant took advantage of this opportunity in late FY 2009. One side effect of staff reductions was to reduce hours at Recycling Center; at present it is open weekends only. Of all the budget cuts we have made during the economic recession, this has been the one for which we've received the most complaints. Under the FY 2013 Appropriated budget, one laborer has been added, which will allow us to open the center during the week; we envision Thursday and Friday mornings.

Finance Departments: Looking at the departments of Comptroller, Assessing, Collector and Treasurer collectively, one full-time-equivalent position was lost through attrition during the recession. Over the past few years, we have done some restructuring of positions and realignment of responsibilities and, as will be discussed later in this Budget Message, Town Meeting approved the creation of a consolidated Finance Department. In the FY 2013 Appropriated Budget, we have added one new position within the finance offices, bringing us back up to 2009 staffing levels.

While these personnel proposals do not restore all positions lost during the recession, they are reflective of, and made possible due to, our conservative and prudent spending, our reliance – to the greatest extent possible – on recurring revenues to fund ongoing operations, our determination to keep our eye on the Town's long-range fiscal strength, and our efforts to properly balance our fiscal conservatism with the delivery of needed services.

This approach has enabled the Town to weather recent financial difficulties far better than many other area communities and, in fact, enhance our fiscal position in a couple of key areas. Notably, we have been able to build our reserves over the past couple of years primarily utilizing one-time revenues. Importantly, however, our reserves had declined significantly at the commencement of the recession. Including Free Cash, in FY 2002 the Town had 12.43% net reserves as a % of operating budget; in 2009 reserves hit a low of 5.2%. However, as of FY 2012 we have restored our net reserves to 10.19% of operating budget. (Note that, excluding Free Cash, the Town's reserves as a % of operating budget were at 7.8% in 2002, 2.2% in 2010, and 5.9% in 2012). More on reserves can be found in Appendix A.

Our conservative fiscal approaches have also enabled Natick to retain its exemplary AAA stable bond rating, recently reaffirmed by our bond rating agency. This designation enabled us to get very low interest rates when borrowing funds for the new Natick High School and Community/Senior Center. For the High School project, our initial projected interest rate was 4%, whereas the project bonds ultimately sold for 2.8%, resulting in considerable savings for the project and the taxpayers. Also, we recently caught up on a significant backlog of capital needs, and the Spring Annual Town Meeting and the upcoming Fall Annual

Town Meeting additional investments are proposed that will enable us to keep pace with these critical needs. This accomplishment is possible due to Town Meeting's recent approval of local option taxes, as well as the approval of a Capital Stabilization Fund, into which these new taxes are deposited. This fund is utilized instead of Free Cash to fund our ongoing capital needs.

This year, the Capital Stabilization Fund is also being used to help offset the impact of the two recent debt exclusion projects (High School and Community/Senior Center) on the taxpayers. Our goal is to utilize this funding source to pay a portion of that debt such that the projects' future impact on the taxpayers will be no greater than the FY 2012 impact.

Among the capital requests approved at the 2012 Spring Annual Town Meeting are many exciting proposals that are intended to further modernize the Town's operations enhance the way we do business and address compelling needs. Notably,

- We propose to purchase a snow melter as an innovative solution to a significant problem. Due to limited vacant Town-owned land and DEP restrictions regarding snow disposal, we have been significantly challenged in recent years to identify a snow dump site. This portable melter will save operational costs for labor, fuel, and hauling charges while clearing areas of snow faster than conventional methods of hauling and stockpiling. Downtown clearing operations could be done on regular time instead of overtime, and parking could likely be cleared sooner.
- Six modular classrooms are proposed at Kennedy Middle School to address continued increases in school enrollment and resulting overcrowded classrooms.
- Several upgrades are proposed at the Police Department, including replacement of the 15-year old fitness equipment, replacement of interview room recording equipment to keep pace with District Attorney guidelines, replacement of portable radios to comply with FCC mandates, replacement and expansion of security and monitoring cameras, replacement of the impact resistant glass at the dispatch center, purchase of a firearms training simulator, and phase 2 of a flooring replacement project.
- Three projects are proposed for the Community Services Department, including replacement of the 40 year old fence at Memorial Beach on West Street; repair coat and line Coolidge Basketball Courts; and improvements to the north parking lot at Murphy Field. It should be noted that an overall plan for park improvements is being developed and will be utilized as a basis for planning and prioritizing future improvements throughout the community.
- Numerous improvements to the sewer and water systems are proposed, including replacement of ground water wells, improvement to the Town's water filtration system, replacement of a 40 year old motor control center with an energy efficient variable frequency drive, design work for a possible sewer expansion to Cottage Street and Rockland Street, sewer infrastructure improvements in areas of common overflows, sewer main relining, and more.

All told, between the Spring and next Fall Annual Town Meetings, we propose spending over \$1.2 million in "cash" capital and approximately \$3.8 million in borrowing authorizations within the General Fund. For the Water/Sewer Enterprise Fund, over \$3.7 million in capital investment is planned; \$1.2 from retained earnings and \$2.5 in borrowing. These and other proposals, taken individually but particularly when viewed comprehensively, move the Town forward significantly in ways that enhance our professionalism, efficiency and the quality of service to residents. More information on Capital can be found in Section XII: Capital.

Unfortunately, the Town is still relying heavily on Free Cash as a revenue source in support of recurring operations. Free Cash can, to some extent, be viewed as recurring in that a new amount is certified annually by the Department of Revenue. However, given that the certified amount fluctuates year-to-year, the Administration cautions against this practice. For FY 2013, a total of \$2,604,502 is proposed in

support of the operating budget. For comparison purposes, for FY 2012 a total of \$2,023,212 was used in this manner. It should be acknowledged that the availability of the Capital Stabilization Fund makes this practice somewhat less problematic in that we no longer need to rely on Free Cash to support our capital needs.

As part of our ongoing efforts to contain costs, we continue to evaluate government functions for opportunities to enhance cost efficiency and/or operational effectiveness. Recently, we conducted an extensive evaluation of the Town's emergency medical service, concluding that the best form of medical response is one run by the Natick Fire Department; we will continue to analyze and refine how the department's resources can best be utilized to best serve the taxpayers of the community. Last year, we completed an evaluation of the delivery of Human Services through various municipal departments and local not-for-profits, with an eye toward ensuring the cost effective and efficient delivery of these much-needed services. As a result of this study, the Administration recommended, and Town Meeting approved, the consolidation of the departments of Recreation and Parks, Veterans' Services, and Council on Aging/Human Services into a new Community Services Department. This consolidation went into effect January 1, 2012 and we have already seen benefits of this consolidation in terms of coordination of staff and program development. We feel that this consolidation will benefit the community for years to come, particularly in light of the opportunities presented by the new multi-purpose Community/Senior Center, scheduled to open this fall.

This year we have concluded a much-anticipated analysis of the delivery of General Government and School Department facility maintenance and management services, with an eye toward the possibility of combining these departments or facilitating better collaboration. This study was provided to Town Meeting members in the 2011 Fall Annual Town Meeting Recommendation Book; those who did not receive a copy can review it on line at the Selectmen/Town Administrator's web page or by contacting our office at 647-6410.

This study, and the work of the Selectmen-appointed Facility Management Study Committee, concluded that these functions should, in fact, be consolidated. Initially, the Town Administrator and Superintendent of Schools entered into a Memorandum of Agreement to allow a "pilot program" whereby the school building maintenance department would take on the added responsibility of maintaining municipal buildings. This program has been successful, and subsequently the Board of Selectmen and the School Committee both voted to enter into a Memorandum of Agreement which outlines the terms for consolidating facility maintenance and management services and the creation of a Department of Facility Management.

This idea has been under some amount of debate and analysis since 2008, when it was first suggested by the Expense Control Task Force. While the consolidation will cost more than the current method of service delivery, the Expense Control Task Force, the Facility Management Study Committee and the general government and school administrations all felt that the enhancement of services achieved through consolidation will result in:

1. Increased quality and breadth of professional facility management staff.
2. Savings and efficiencies through the aggregation of construction and renovation projects.
3. Improved coordination of staff, equipment and resources which in turn will improve the quality of facility maintenance and enhance the life of our facilities. That is, we expect to improve our facility maintenance practices and thus reduce the rate at which associated costs increase.

Also this year, as mentioned earlier in this message, Town Meeting approved the creation of a new agency to be known as the Finance Department, within which the offices of the Collector, Treasurer, Assessor and Comptroller will be consolidated. This type of consolidation has been adopted by many area

and comparable communities. In fact, of 12 communities studied, only three (including Natick) do not have either all or most of their financial management functions consolidated under the direction of one department and one Finance Director. And most (7 out of the 12) have all major financial management departments – Accounting/Comptroller, Assessing, Collector, Procurement and Treasurer – centralized in one Finance Department. In the 9 communities that have some degree of consolidation, all are led by either a Finance Director or in the case of Lexington and Needham, an Assistant Town Manager for Finance.

Our current organizational structure for the finance departments is highly decentralized, with separate and distinct operations for the collection and management of funds, accounting of those funds and valuation of property. Although a Finance Director exists, and the working charge for this position includes general oversight of the Town's financial matters, he is prohibited from directly supervising the Comptroller because he is also the Collector/Treasurer. The Treasurer cannot have direct control over the auditing functions of the Town because it would violate essential and inviolable principles in the checks and balances of the financial operations and critical principles regarding segregation of duties. The same is true in reverse in that the Comptroller cannot have direct authority over the Treasurer's functions. As a result, the Finance Director has historically worked collaboratively with other department heads while being constrained with respect to implementation Finance Department-wide solutions.

The current decentralized system also constrains flexibility within and between the finance offices and opportunities that exist to move staff to address staffing shortages or work load fluctuations. The managers are relatively hamstrung in their ability to quickly and nimbly respond to issues as they arise. Accordingly, the position of Finance Director has been assigned to the Deputy Town Administrator. This proposal has been fully vetted through Town Counsel, who has validated that it poses no legal problems for the community under Massachusetts General Law, the Town Charter or By-Laws.

We believe bringing these finance functions under one department has numerous advantages, including

- a) Better Management: Having each "division head" report to one manager, and having that manager be within the Office of the Town Administrator better engages the Town Administrator in the day-to-day finance operations and creates a clearer and more direct line of communication with the Town Administrator. Further, this management structure should serve to enhance our efforts to continuously enhance and refine the clarity of financial materials, prepare financial analyses and reports, and respond to informational requests.
- b) Most Cost Effective Solution: We have explored different options, even going so far as to examine what the possibilities were with completely privatizing one of these financial functions. We believe this solution – consolidating the staff we have in place and continuing to add key components to and throughout the department - will produce the best, most cost-effective solution possible for the community.
- c) Enhanced Checks and Balances: Designating the Deputy Town Administrator as the Finance Director eliminates any perception that the Comptroller reports to the Collector/Treasurer. This organizational structure also allows the Finance Director to institute system-wide changes and improvements.
- d) Greater Flexibility. As previously stated, having the ability to move personnel between the finance offices – whether for a specific project, to fill a temporary vacancy, or to respond to a temporary increase in work load – will greatly enhance our ability to effectively respond to these needs.

In recent years, the office of the Town Administrator has made significant strides in the transparency, clarity and depth of information provided in all of the Town's budgetary and financial information, and continuously strives to professionalize daily operations. While these objectives certainly have been and

can continue to be achieved under the existing decentralized organizational structure, consolidating the operations directly under the office of the Town Administrator should enhance these efforts.

With this FY 2013 Appropriated Budget, the Administration is pleased to continue its efforts to improve the comprehensive budget presentation. This year, we have enhanced the departmental Performance Indicators, encouraging departments to include useful and informative quantifiable and objective data and tracking of trends that are particularly informative to budget reviewers and the general public. We also introduced a Consolidated Staffing Table detailing staffing levels in each general government department as well as the school department from FY 2009 through FY 2013, as well as a Revenue Model – introduced with the FY 2012 budget – which serves as a tool to provide historical revenue data and to ensure consistent methodology in our revenue forecasting. Finally, it should be noted that this year’s School Department budget materials provide a significant level of detail and are in a format consistent with other departmental budgets, for ease of review.

I am very proud to report that the Town of Natick was honored with an award of Distinguished Presentation for its FY 2011 Appropriated Budget by the Government Finance Officers Association (GFOA) of the United States and Canada. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device. Of the over 75,000 governmental entities in the United States, only about 1,200 receive this award. In other words, Natick is in the top 2% of governmental entities nationwide. In Massachusetts as of 2009, only 13 governmental entities received this award; Natick joins Northborough and Sudbury as the only communities in Metrowest to receive this award. We will certainly be submitting subsequent budget documents to the GFOA in the hopes of continuing to receive this honor.



With this FY 2013 Budget, the Office of the Town Administrator has continued to approach the budgeting process with transparency as well as continuously improved depth, quality and clarity of budgetary information. The Appropriated Budget has been discussed at no fewer than twenty-six Finance Committee public hearings and subcommittee meetings, numerous meetings of the Board of Selectmen and School Committee before finally being approved at the Spring Annual Town Meeting. Full and frequently-updated budget information has been provided on the websites of the Board of Selectmen at www.natickma.org and School Department at www.natick.k12.ma.us. The Board of Selectmen, School Committee and Finance Committee as well as the General Government and School Administrations have worked collaboratively to bring to the Town Meeting a balanced and comprehensive budget.

It is critical that we continue to pursue innovative cost-saving measures, enhance efficiencies and identify opportunities to reduce costs. While we have balanced FY 2013, we have our eyes keenly focused on FY 2014 and beyond, as we certainly expect to continue to face significant fiscal challenges in the future. The documents in Section II: Budget Overview – the Budget Overview, Revenue Summary, Expenditure Summary, and 3-Year Projections – provide all who review it with a clear overview of our past, present and forecasted revenues and expenditures as well as the sources and uses therefore. Supplemental information is provided in the Appendices.

These outstanding budget materials are the work product of the Deputy Town Administrator Michael Walters Young. I am most grateful for his proficiency in this and many other areas, through which the efforts of the administration are enhanced across all operations.

I am also very grateful to the support and participation of all department heads – and their staff at all levels – for yet again responding to fiscal challenges with cost-effective and innovative approaches to ensure the continued delivery of quality services. Efforts such as these are an ongoing process.

Many thanks are also due to the Finance Committee for their countless hours of volunteer service. Their commitment to the Town's budgeting process and review of other proposals for Town Meeting's consideration is remarkable. In particular, my thanks go to the new Finance Committee Chairman, Jonathan Freedman, for adeptly managing the Committee's review process.

Natick provides an outstanding value for residents' tax dollars and residents have continuously demonstrated their appreciation for the variety and quality of services offered. The depth of the recession is hopefully over, but we will undoubtedly continue to face fiscal challenges over the coming months and perhaps years as we strive to plan and prioritize for the community's future needs. We will continue to undertake our responsibilities with the greatest possible transparency and with due care and concern for residents and employees. As always, we seek the public's awareness and participation in this challenging effort.

Sincerely,

A handwritten signature in cursive script that reads "Martha L. White".

Martha L. White,
Town Administrator



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