



Town of Natick

FY 2012 Preliminary Budget

Deficit Reduction Plan & Scenarios



Town of Natick

FY 2012 Preliminary Budget

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Deficit Reduction Plan

updated March 1, 2011

This section is intended to update the original Deficit Reduction Plan section of the FY 2012 Preliminary Budget. It details the progress made in the FY 2012 Budget Process through March 1st, and outlines the challenges and decisions yet to be addressed in order to close the remaining deficit and bring a balanced budget to Town Meeting slightly more than a month from now.

On January 1st, the Town Administrator presented a budget which was slightly less than \$4.4 million out of balance. As of March 1st, that deficit has shrunk to slightly more than \$1.8 million - or an overall reduction of \$2.6 million in the 2 months that have elapsed. Major changes since March 1st are detailed on the following page. Without going into too much detail, however, the vast majority of budget changes can be summarized in one sentence: Forecasted revenues and expenses have both increased since January 1st. (Obviously, however, revenues have increased to a much greater extent.)

This was in keeping, however, with the plan laid out by administration at that time. The attempts to close the deficit to date have centered upon a three pronged strategy:

- a. Adjust Revenues appropriately and timely with new information as it becomes known
- b. Adjust Expenses appropriately and timely with new information as it becomes known
- c. Create Sustainability in operations to the greatest extent possible.

It is the last point - the creation of sustainability in operations - that has resulted in expense increases from January 1st to today. Not only have some departmental budgets received increases (such as a proposal to increase Fire overtime) but large amounts of one-time resources are proposed to be set-aside in Stabilization Funds or dedicated to Capital purchases. This is detailed in the ensuing pages as well. As tempting as it is to utilize additional resources to close the budget gap this year, Natick must strive to live within its means, even if that means the reduction of services. Going forward, the administration advises that expense reductions be employed to close the remaining deficit.

From January 1 to today

The next several pages refer to changes in the budget through March 1, the current split of revenues and expenditures between the municipal and school sides of the ledger, and potential areas of further reduction.

General Fund Rev./Exp. Summary - Change from Jan. 1 to Mar.1

	2012 Preliminary	2012 as of 3/1	Change \$	Change Reason
General Fund Revenues				
Tax Levy	\$ 82,977,333	\$ 83,863,523	\$ 886,190	Proper accounting of taxes attributable to debt exclusions
State Aid	\$ 10,632,375	\$ 11,172,127	\$ 539,752	Change from a 10% reduction to a 5% reduction from FY 2011
Estimated Receipts	\$ 10,031,732	\$ 10,331,732	\$ 300,000	Increase in Ambulance Receipts as a result of new fee structure
Local Option Taxes	\$ 750,000	\$ 750,000	\$ -	
Other Local Receipts			\$ -	
Indirects	\$ 2,449,757	\$ 2,535,883	\$ 86,126	Recalculated to account for FY 2012 budget requests
Free Cash	\$ 3,342,400	\$ 4,294,322	\$ 951,922	Accounts for all proposed uses (Oper., Capital, Stab. Funds, etc.)
Stabilization Fund	\$ -	\$ -	\$ -	
Overlay Surplus	\$ -	\$ 1,000,000	\$ 1,000,000	Accounts for all proposed uses (Oper., Capital, Stab. Funds, etc.)
Other Available Funds	\$ 190,851	\$ 190,851	\$ -	
Total General Fund Revenues	110,374,448	114,138,438	3,763,990	
General Fund Expenses				
Education & Learning				
Natick Public Schools	\$ 47,784,137	\$ 47,784,137	\$ -	
Keefe Tech	\$ 1,616,558	\$ 1,396,865	\$ (219,693)	Actual Preliminary Assessment from Keefe Tech
Morse Institute Library	\$ 1,798,872	\$ 1,798,872	\$ -	
Bacon Free Library	\$ 116,071	\$ 111,095	\$ (4,976)	Revised Budget Submission
Public Safety	\$ 12,663,447	\$ 12,816,014	\$ 152,567	Revised Budget Submission; incl. higher Fire OT, Police Chief's Salary
Public Works	\$ 7,807,305	\$ 7,532,659	\$ (274,646)	Revised Budget Submission
Health & Human Services	\$ 1,621,322	\$ 1,621,322	\$ -	
Administrative Support Services	\$ 4,239,419	\$ 4,269,419	\$ 30,000	Revised submissions for Selectmen's & Collector's budgets
Committees	\$ 25,510	\$ 25,510	\$ -	
Shared Expenses				
Fringe Benefits	\$ 15,354,490	\$ 15,398,820	\$ 44,330	Accounts for all anticipated costs and actual health care rates
Prop & Liab. Insurance	\$ 520,958	\$ 520,958	\$ -	
Retirement	\$ 5,717,032	\$ 5,717,032	\$ -	
Debt Services	\$ 8,821,485	\$ 8,821,485	\$ -	
Reserve Fund	\$ 400,000	\$ 400,000	\$ -	
General Fund Oper. Expenses	\$ 108,486,606	\$ 108,214,188	\$ (272,417)	
Capital Improvements	\$ 1,542,400	\$ 1,500,000	\$ (42,400)	Refinement of Capital Funding plan for FY 2012
School Bus Transportation	\$ 330,137	\$ 330,137	\$ -	
State & County Assessments	\$ 1,402,865	\$ 1,402,865	\$ -	
Cherry Sheet Offsets	\$ 139,672	\$ 139,672	\$ -	
Tax Title	\$ 25,000	\$ 25,000	\$ -	
Snow Removal Supplement	\$ 350,000	\$ 1,085,125	\$ 735,125	Increase based upon severity and duration of current winter.
Overlay	\$ 1,100,000	\$ 1,100,000	\$ -	
Golf Course Deficit	\$ 320,000	\$ 320,000	\$ -	
General Stabilization Fund	\$ -	\$ -	\$ -	
Operational Stabilization Fund	\$ -	\$ 777,625	\$ 777,625	Initial appropriation for Town's Rainy Day Fund
Capital Stabilization Fund	\$ 750,000	\$ 750,000	\$ -	
FLSA Settlement	\$ -	TBD	#VALUE!	
Misc. Articles	\$ -	\$ 25,000	\$ 25,000	Funds for Article 25; Due Diligence for National Guard site
Non-Union Adjustments	\$ 300,000	\$ 300,000	\$ -	
Total General Fund Expenses	\$ 114,746,680	\$ 115,969,612	\$ 1,222,933	
Net Excess / (Deficit)	-4,372,232	-1,831,175		



Town of Natick

Home of Champions

FY 2012 Budget Development

as of 3/1/2011

FY 2012 Revenue Split

Purpose: To divide revenues according to current expense allocation

Step 1: Reconciliation

Total FY 2012 General Fund Revenue			\$	114,138,438
Less FY 2011 Education	\$	44,382,816		
Less FY 2011 Municipal*	\$	26,995,519		
Less FY 2012 Shared**	\$	32,255,160		
Less FY 2012 Capital	\$	1,500,000		
Less FY 2012 Other/Reserves	\$	6,255,424		

Incremental Revenue \$ 2,749,519

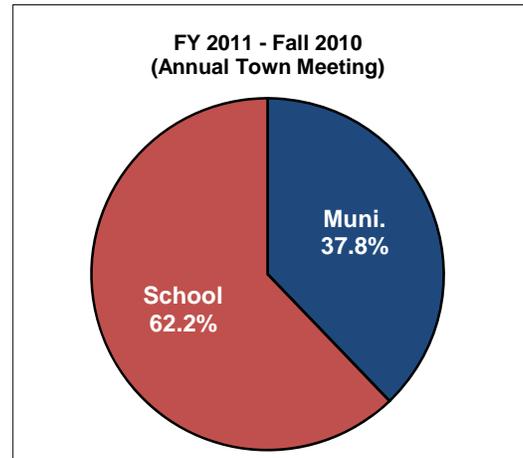
* Includes Libraries

** Includes Keefe Tech

Step 2: Split

FY 2011 - Fall 2010 (Annual Town Meeting)

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



Incremental Revenue \$ 2,749,519

Municipal Split (37.8%) \$ 1,039,877
Municipal Revenues for 2012 **\$ 1,039,877**

School Split (62.2%) \$ 1,709,642
School Revenues for 2012 **\$ 1,709,642**

Step 3: Deficit Determination

Municipal Request Increment \$ (1,179,372)
 Less Incremental Revenues \$ 1,039,877
Municipal Deficit **\$ (139,495)**

School Request Increment \$ (3,401,321)
 Less Incremental Revenues \$ 1,709,642
Education Deficit **\$ (1,691,679)**

Balance as of 3/1
\$ (1,831,175)



Please place in the "Deficit Reduction Plan" section of your Budget Books.

Budget Balancing Plan - Scenario #5

Budget Summary: Current vs. Balanced

Table with 3 columns: Category, Current, Balanced. Rows include Revenues, Expenses (Education, Municipal, Shared, Capital, Other/Reserves), Expenses (Total), and Balance (Deficit).

Budget Deficit as of 3/1/2011

Table with 2 columns: Category, Amount. Rows include Education Deficit, Municipal Deficit, and Total Budget Deficit as of 3/1/2011.

Balancing Options as of 3/1/2011

Table with 8 columns: Municipal Budget Balancing, Amount, Reduction as %, Total Request ('12), Education Budget Balancing, Amount, Reduction as %, Total Request ('12). Rows include Deficit, Consolidation of Departments/Divisions, Personnel Changes, Expense Changes, and Balance.

Remaining Budget Reduction Scenarios & Strategies

Revenue Enhancements/Cost Refinements (TBD)

The Board of Selectmen continues to review certain opportunities for fee increases during the budget review process. They will next consider fee increases at their meeting of February 28th. One proposal is the consideration of raising the bag fee for Pay-As-You-Throw bags, which would net approximately \$140,000.

Consolidation of Departments/Divisions (TBD)

The General Government and School Administrations are evaluating the feasibility and benefits of combining our various facility management functions; this evaluation is not yet complete. Resulting savings, if any, would benefit both the general government and school departments.

Targeted personnel reductions (TBD)

Revisions to the Public Works Department have already netted out savings in personnel costs from the original budget on January 1st, but these savings have been offset by additions to the Fire Department budget (OT). Additional personnel reductions will likely be necessary through delayed hiring and/or attrition of open positions.

Targeted reduction or elimination of programs (TBD)

Revisions to the Public Works Department have already netted out savings in expenses, but more reductions are necessary in various areas throughout general government departments. These will likely be targeted reductions rather than an across the board reduction in departments.

One-time Revenues: Reserves and Capital Planning

Although the Town still has a \$1.8 million deficit to close, it is extremely fortunate to hold large sums of one-time revenues through Free Cash and Overlay Surplus. As outlined on January 1st, administration is proposing applying the majority of the Town's free cash to one-time resources. To recap the Free Cash spending plan:

Spending Plan - Free Cash	as of 3/1/2011
Certified Free Cash (7/1/2010)	\$ 5,899,906
Expenditures	
Appropriations @ 2010 FATM	\$ (764,577)
.5% Set-Aside	\$ (541,007)
2010 Audit Adjustment Contingency	\$ (300,000)
FY 2012 Operating Budget Funds	\$ (1,500,000)
Balance of Free Cash Funds	\$ 2,794,322
Additional Uses	
Capital	\$ (1,500,000)
Personnel Board Salary Adjustments	\$ (300,000)
Reserves	\$ (994,322)
Balance	\$ -

The additional uses as shown above will be further refined at the time of appropriation at Town Meeting. Specifically:

Capital: The availability of these sizeable one-time funds provides us with a much needed opportunity to begin to catch up on addressing our deferred capital needs. To this end, the administration proposes spending/reserving \$1.5 million this fiscal year for capital funding purposes. This is described in much greater detail in the administration's March 1st update to the Capital Plan. Any amount of free cash not appropriated at the 2011 Spring Annual Town Meeting under Articles 12 and 13 will be appropriated to the Capital Stabilization Fund, and available to fund more capital requests in the Fall.

Personnel Board Salary Adjustments: The administration proposes spending up to \$300,000 for a series of market adjustments to personnel board employees as a result of months of joint research with the Personnel Board. Although the details of these adjustments are forthcoming; any amount not used to make adjustments will be appropriated to the new Operational Stabilization Fund.

Reserves: The administration proposes appropriating near \$1 million in Free cash and another \$1 million in Overlay Surplus for the creation of an Operational Stabilization Fund (or Rainy Day Fund). At this time, the nearly \$2 million proposed for the fund would then be dedicated to the following purposes:

Support of FY 2012 Operations	\$ 481,792
Snow & Ice Deficit	\$ 735,125
Reserve for Operational Stabilization Fund	\$ 777,405

Further challenges

Although a lot of hard work has been done to close the deficit, more challenges await.

- FY 2011 Budget Impacts: Not quantified are any changes to the FY 2011 Omnibus Budget (Article 1).
- Fire FLSA: Although money was already appropriated at a previous Town Meeting for this purpose, this item remains unresolved and in negotiation.

We are in a familiar position – growing ever closer to making our ends meet, but still needing to make reductions to finish closing the gap. Administrations from the municipal and school sides will work diligently meet these challenges with due care and concern for both residents and employees. Some programs and services may have to be reduced in the ensuing month of the budget process. Such changes will not be without controversy, but we must strive live within our means based on reliable, recurring revenues. This is a task we will successfully complete and continue our central goal of providing the best services in the most efficient manner possible to all Natick citizens.