



Town of Natick

FY 2011 Appropriated Budget

Section XIII: Appendix A: Financial Information

Financial Policies
Financial Indicators
Snow & Ice History
Statement on Reserves



Town of Natick

FY 2011 Appropriated Budget

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Financial Management Principles

PART 1: GENERAL

To protect the town's financial stability, to ensure the availability of adequate financial resources in times of emergency, to capitalize on high bond ratings (and thus low interest rates), it is essential that policies regarding the town's financial management be adopted and adhered to in the preparation and implementation of the town's operating and capital budgets.

PART 2: PRINCIPLES

Reserves: Use and Recommended Balances

- Reserves and one-time revenues should be used only for capital or other non-recurring expenses.
- The Town will strive to maintain unappropriated free cash at a minimum of 1% of revenues, and unappropriated free cash should never be less than ½ % of revenues.
- The stabilization fund should, at a minimum, be at a level equal to 2% of revenues, with the target being 5% of revenues; the stabilization fund should be replenished with surplus funds whenever possible.
- Existing reserves should be enhanced whenever possible.

Capital Planning and Budgeting

- A 5-Year capital plan should be developed and updated annually, per Section 5-7 of the Town's Charter.
- Whenever practical, capital funding should be done in the fall after free cash has been certified.
- A minimum of 8% of general fund revenues should be set aside annually to fund capital needs, inclusive of cash appropriations and the subject year's debt budget. Not included in this target are those capital improvements and equipment purchases funded through debt exclusion, Enterprise Fund or Intergovernmental or other sources such as Chapter 90, mitigation funds, etc. Ideally, this target should provide for a minimum of 10% of general fund revenues set aside in support of annual capital budget given the size of the Town's capital assets. However, the Town's current fiscal situation makes such a target unrealistic. This goal should be revisited at the earliest possible opportunity.

Debt Issuance and Management

- Capital projects should be carefully scheduled and monitored to minimize borrowing costs while optimizing investment opportunities.
- Large capital project, generally costing over \$1 million and having a useful life of ten years or more, are typically funded with debt to spread the cost out over many years. In order to prevent such projects from absorbing significant capacity within the levy, careful consideration should always be given to excluding these projects from the limits of Proposition 2 ½ through debt exclusion question to the voters.
- Whenever practical, the issuance of expensive short-term Bond Anticipation Notes should be avoided.

Financial Planning and Forecasting

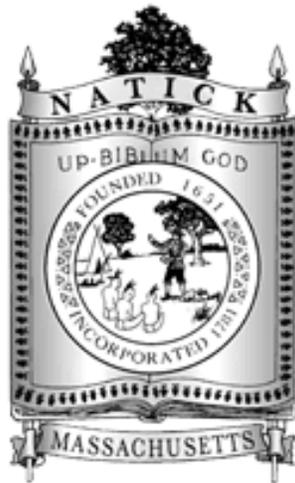
- Revenue estimates should be realistic, yet conservative, to minimize the potential of shortfalls in the subsequent year's operating budgets and corresponding impacts on free cash.
- Three year revenue and expenditure forecasts should be updated annually.

Cash Management

- Balances in prior Town Meeting funding articles shall be reviewed annually and excess balances shall be closed out to free cash.
- Fees and charges will be reviewed regularly to ensure that – where appropriate – they cover direct and indirect costs associated with the related service.

Adopted by the Board of Selectmen January 4, 2010

Town of Natick



Financial Indicators

**Indicator Analysis, Fiscal Years 2000-2009
Projections & Estimates, Fiscal Year 2010-2012**

September 16, 2009



Town of Natick

Financial Summit

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Introduction

This packet of information is 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 2011 Budget Process & Issues

This material is intended to provide policymakers with an informed snapshot of where Natick stands financially heading into the FY 2011 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, both 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, and data from the Town of Natick, Mass. Department of Revenue, the Mass. Department of Education, and the U.S. Census Bureau, Town staff has compiled 12 indicators which can be used to evaluate the Town's fiscal health.

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

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

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

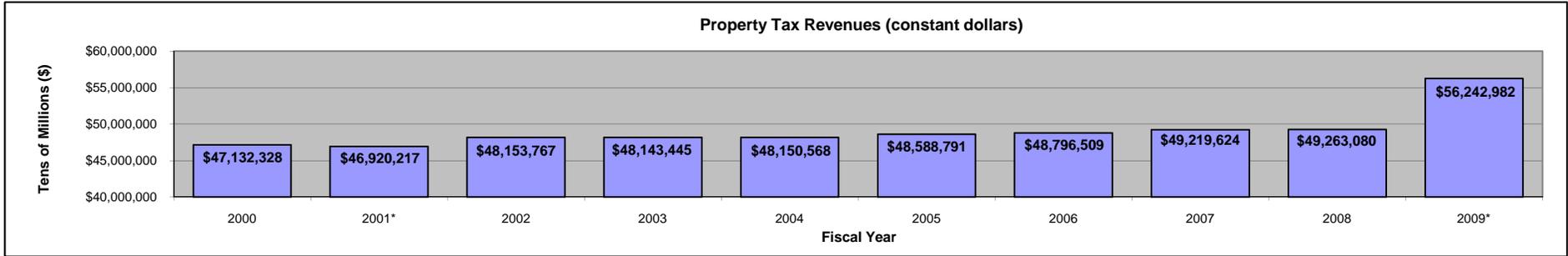
A three-year projection of expenses and revenues for Fiscal years 2010-2012 is also included.

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	2000	2001*	2002	2003	2004	2005	2006	2007	2008	2009*
Property Tax Levy Collections**	\$ 47,132,328	\$ 49,165,574	\$ 51,577,655	\$ 54,105,235	\$ 55,565,671	\$ 58,481,406	\$ 61,127,172	\$ 62,193,155	\$ 64,432,962	\$ 72,649,672
Less: debt exclusions**	\$ -	\$ -	\$ (86,498)	\$ (639,000)	\$ (317,000)	\$ (1,313,405)	\$ (1,540,676)	\$ (1,031,410)	\$ (960,274)	\$ (937,705)
Net Property Tax Revenues	\$ 47,132,328	\$ 49,165,574	\$ 51,491,157	\$ 53,466,235	\$ 55,248,671	\$ 57,168,001	\$ 59,586,496	\$ 61,161,745	\$ 63,472,688	\$ 71,711,967
CPI-U, 2000 base year***	181.8	190.5	194.4	201.9	208.6	213.9	222.0	225.9	234.2	231.8
CPI-U, adjustment for constant dollars	100%	95.4%	93.5%	90.0%	87.2%	85.0%	81.9%	80.5%	77.6%	78.4%
Property Tax Revenues (constant dollars)	\$ 47,132,328	\$ 46,920,217	\$ 48,153,767	\$ 48,143,445	\$ 48,150,568	\$ 48,588,791	\$ 48,796,509	\$ 49,219,624	\$ 49,263,080	\$ 56,242,982
Percent increase over prior year (constant dollars)	N/A	-0.5%	2.6%	0.0%	0.0%	0.9%	0.4%	0.9%	0.1%	14.2%

Notes:

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

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

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

Property Tax Revenues:

Property tax revenues are analyzed separately because they are the Town's primary revenue source for both operating and capital spending. Increases due to operating overrides should be noted for their impact on taxpayers ability to pay.

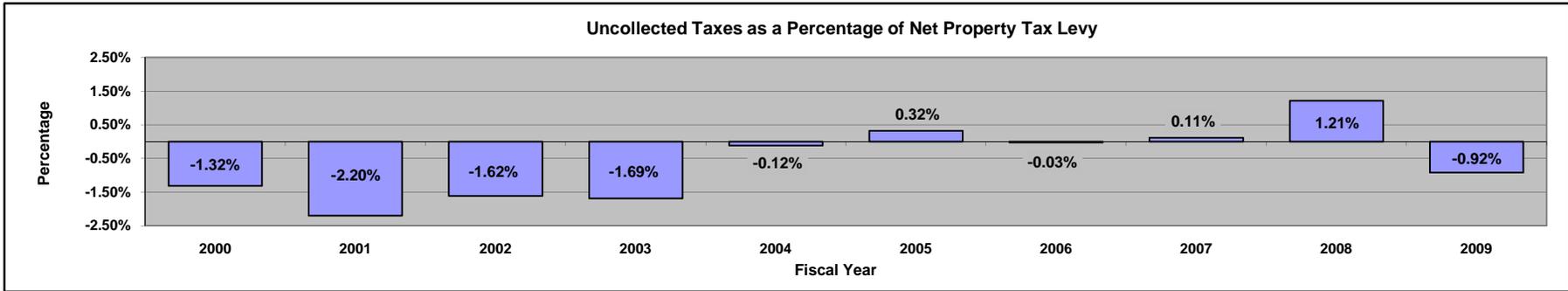
This analysis shows that the only significant increases in constant dollars from year to year occurred when overrides were passed by Natick citizens. The good news: Property tax revenues are steady and reliable. The bad news: They do not grow faster than inflation, and only grow when citizens are willing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

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Property Tax Levy Limit	\$ 46,885,381	\$ 49,413,781	\$ 51,549,010	\$ 54,138,834	\$ 55,923,830	\$ 58,850,705	\$ 61,169,262	\$ 62,839,514	\$ 65,186,660	\$ 73,027,965
Reserved for Abatements & Exemptions	\$ 980,000	\$ 1,158,386	\$ 1,002,277	\$ 1,090,891	\$ 1,073,347	\$ 988,493	\$ 1,049,572	\$ 1,240,811	\$ 1,003,911	\$ 1,039,144
Net Property Tax Levy	\$ 45,905,381	\$ 48,255,395	\$ 50,546,733	\$ 53,047,943	\$ 54,850,483	\$ 57,862,212	\$ 60,119,690	\$ 61,598,703	\$ 64,182,749	\$ 71,988,821
Uncollected Taxes as of June 30	\$ (606,043)	\$ (1,063,930)	\$ (816,977)	\$ (898,130)	\$ (64,749)	\$ 183,006	\$ (15,470)	\$ 68,333	\$ 774,703	\$ (660,851)
Uncollected Taxes as a Percentage of Net Property Tax Levy	-1.32%	-2.20%	-1.62%	-1.69%	-0.12%	0.32%	-0.03%	0.11%	1.21%	-0.92%

Source: Town of Natick Operating Statements, 2000-2009

Uncollected Property Taxes:

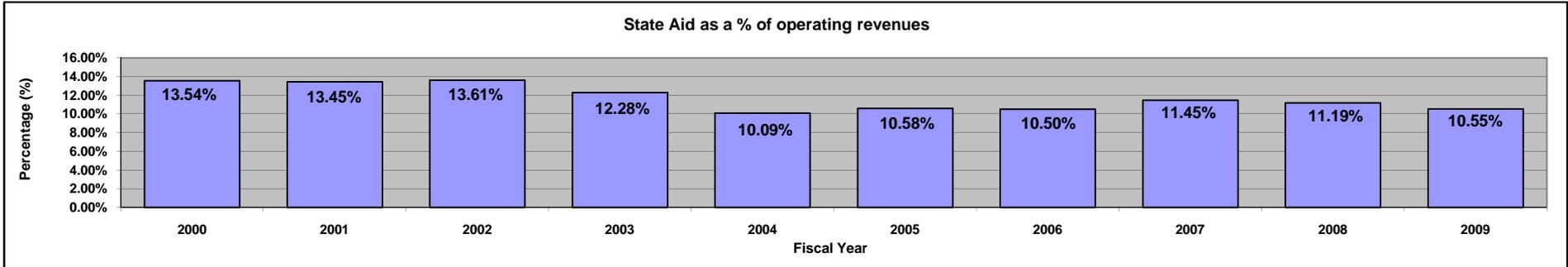
An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic conditions. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the Town to invest. Bond rating organizations generally consider 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: $\frac{\text{State Aid}}{\text{Operating Revenues}}$

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net Operating Revenues	\$ 68,107,775	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164
State Aid Revenues	\$ 10,106,167	\$ 10,682,794	\$ 11,947,605	\$ 11,345,247	\$ 9,806,856	\$ 10,390,668	\$ 10,714,907	\$ 12,078,231	\$ 14,845,086	\$ 11,576,985
Less: School Building Reimbursements	\$ 882,839	\$ 821,426	\$ 1,475,035	\$ 1,475,035	\$ 1,461,337	\$ 1,369,707	\$ 1,369,707	\$ 1,369,707	\$ 3,659,335	\$ 916,839
Net State Aid Revenues	\$ 9,223,328	\$ 9,861,368	\$ 10,472,570	\$ 9,870,212	\$ 8,345,519	\$ 9,020,961	\$ 9,345,200	\$ 10,708,524	\$ 11,185,751	\$ 10,660,146
State Aid as a % of operating revenues	13.54%	13.45%	13.61%	12.28%	10.09%	10.58%	10.50%	11.45%	11.19%	10.55%

Notes:

Source(s): State Aid "Cherry Sheets", FY 2000-2009

Town of Natick Town Reports, Report to Assessors of Certain Receipts as per M.G.L.Ch. 42, Sec. 59A., 2000-2008

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

State Aid:

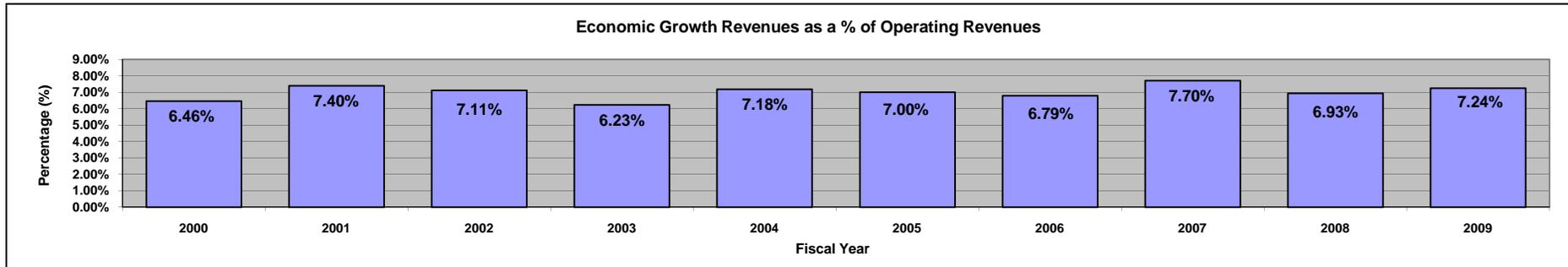
A constant area of concern for municipalities in Massachusetts is the level of State Aid which they receive. Many mandates - funded and unfunded - come from Beacon Hill to local governments and the challenge to enforce, implement and help citizens understand them falls to the municipalities. Designed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

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



Revenues Related to Economic Growth

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



Formula:

Economic Growth Revenues / Operating Revenues

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net (non-exempt) operating revenues	\$ 68,107,775	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164
Building Related Fees & Permits	\$ 647,947	\$ 744,928	\$ 485,849	\$ 742,483	\$ 736,731	\$ 929,897	\$ 1,273,145	\$ 2,614,468	\$ 1,869,533	\$ 740,772
Motor Vehicle Excise	\$ 3,065,303	\$ 3,744,668	\$ 4,156,493	\$ 3,681,214	\$ 4,449,072	\$ 4,461,799	\$ 4,113,124	\$ 3,937,055	\$ 4,174,230	\$ 4,187,040
Levy Growth	\$ 683,689	\$ 935,705	\$ 825,252	\$ 585,454	\$ 756,915	\$ 578,202	\$ 657,677	\$ 646,694	\$ 883,280	\$ 2,395,360
Total: Economic Growth Revenues	\$ 4,396,938	\$ 5,425,300	\$ 5,467,593	\$ 5,009,150	\$ 5,942,718	\$ 5,969,898	\$ 6,043,946	\$ 7,198,217	\$ 6,927,043	\$ 7,323,172
Economic Growth Revenues as a % of Operating Revenues	6.46%	7.40%	7.11%	6.23%	7.18%	7.00%	6.79%	7.70%	6.93%	7.24%

Sources: Building Related Fees & Permits, FY 2000-2009, Town of Natick, Town Reports, 1999-2008.
Tax Recapitulation Worksheets, FY 2000-2009.

Notes:

Building Related Fees & Permits inclusive of all Alterations, Building, Wiring, Gas & Plumbing permits, FY 2000-2009

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

Revenues Related to Economic Growth:

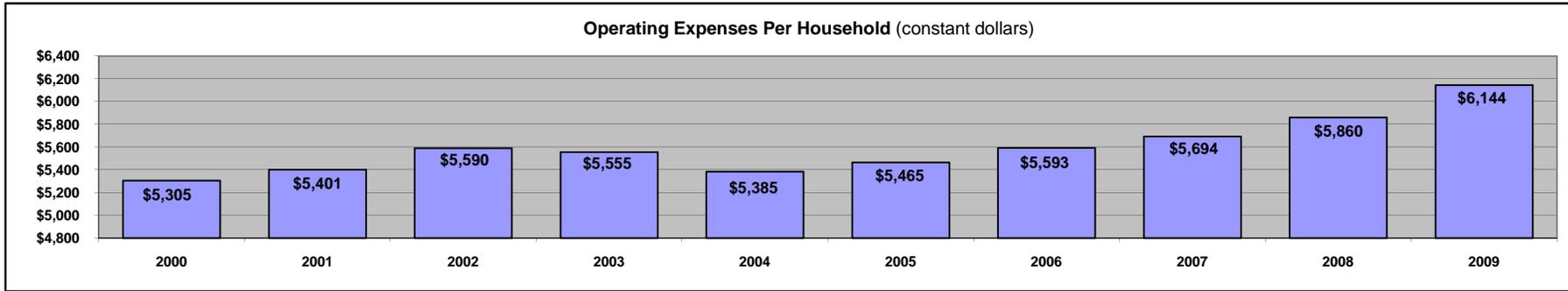
Revenues related to economic growth include construction related revenues such as permit fees and new tax levy growth resulting from new construction and certain retail related revenues such as motor vehicle excise taxes. A decrease in building permit fees may be a leading indicator of smaller future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

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 eventually tax levy growth related to the Natick Collection development, and 2) the uncertain nature of future new or redeveloped construction projects within Natick.



Expenditures per Household

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



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

Fiscal year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Education	\$ 27,958,888	\$ 29,786,678	\$ 31,421,511	\$ 32,306,544	\$ 33,403,060	\$ 34,253,613	\$ 35,837,412	\$ 37,412,534	\$ 40,905,762	\$ 44,066,023
Municipal	\$ 20,006,334	\$ 20,798,645	\$ 21,848,427	\$ 21,920,884	\$ 21,690,987	\$ 22,984,066	\$ 24,034,484	\$ 24,815,371	\$ 26,085,897	\$ 26,465,457
Shared Expenses (Benefits, Debt)	\$ 15,987,041	\$ 17,966,875	\$ 19,500,694	\$ 21,035,568	\$ 20,366,034	\$ 21,585,211	\$ 24,224,319	\$ 25,183,676	\$ 26,579,006	\$ 26,566,191
Total Operating Expenses	\$ 63,952,264	\$ 68,552,198	\$ 72,770,632	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 97,097,671
CPI-U, 2000 base year	181.8	190.5	194.4	201.9	208.6	213.9	222	225.91	234.239	231.802
CPI-U, adjustment for constant dollars	100.0%	95.4%	93.5%	90.0%	87.2%	85.0%	81.9%	80.5%	77.6%	78.4%
Operating Expenses (cons. doll.)	\$ 63,952,264	\$ 65,421,468	\$ 68,054,017	\$ 67,770,246	\$ 65,765,306	\$ 66,993,930	\$ 68,867,982	\$ 70,344,055	\$ 72,623,034	\$ 76,152,736
Households	12,054	12,113	12,175	12,200	12,213	12,258	12,313	12,354	12,393	12,394
Oper. Exp. Per Household	\$ 5,305	\$ 5,401	\$ 5,590	\$ 5,555	\$ 5,385	\$ 5,465	\$ 5,593	\$ 5,694	\$ 5,860	\$ 6,144

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

Expenditures per Household:

Increasing operating expenditures per household can indicate that the cost of providing services is outstripping the Town'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.

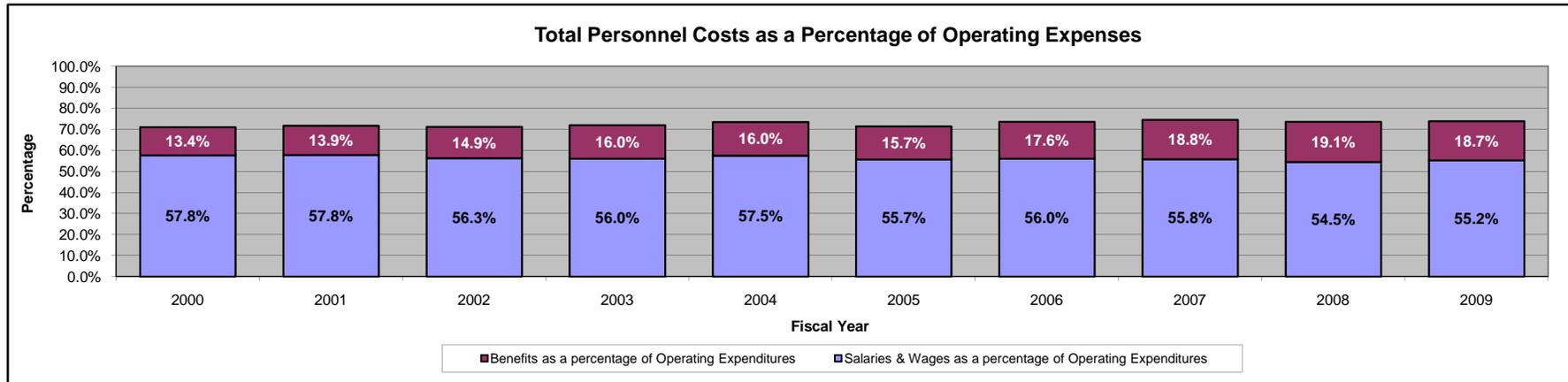
This indicator tells a mixed message for the Town of Natick. On the one hand, revenues have kept pace with expenses (because of the need to have a balanced budget they must.) But, increasingly, recurring revenues have been supplemented with one-time revenues in order to meet expenses. On the other hand, operating expenses in constant dollars have increased/household only 15.8% since 2000, or an average of 1.58% annually. Where expenses have been less than revenue growth, one-time revenues have been able to be generated.

The trend within the trend worth further examining is which sections of the budget have witnessed the greatest percentage increase since 2000. As this indicator shows and Indicators 1.6, 1.7 and 1.10 further detail, the largest increase has been within Shared Expenses and not in direct services for the community.

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

Personnel Costs

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



Formula:		Salaries & Wages / Operating Expenditures									
Fiscal Year		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating Expenditures	\$	63,952,264	68,552,198	72,770,632	75,262,996	75,460,081	78,822,891	84,096,215	87,411,581	93,570,665	97,097,671
Municipal Wages	\$	14,592,736	15,201,610	15,883,747	16,609,585	16,856,565	16,964,540	17,714,578	18,304,206	19,098,039	19,811,806
School Wages	\$	22,348,109	24,437,235	25,110,883	25,562,431	26,562,345	26,970,396	29,411,268	30,490,144	31,911,758	33,810,857
Benefits	\$	8,565,922	9,525,298	10,824,742	12,023,972	12,082,322	12,370,515	14,777,670	16,405,314	17,863,406	18,119,414
Total Wage & Benefit Costs	\$	45,506,768	49,164,143	51,819,372	54,195,988	55,501,232	56,305,451	61,903,516	65,199,663	68,873,204	71,742,076
Salaries & Wages as a percentage of Operating Expenditures		57.8%	57.8%	56.3%	56.0%	57.5%	55.7%	56.0%	55.8%	54.5%	55.2%
Benefits as a percentage of Operating Expenditures		13.4%	13.9%	14.9%	16.0%	16.0%	15.7%	17.6%	18.8%	19.1%	18.7%
Total Wage & Benefit Costs as a percentage of Operating Expenditures		71.2%	71.7%	71.2%	72.0%	73.6%	71.4%	73.6%	74.6%	73.6%	73.9%

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

Personnel Costs:

Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: 1) First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. 2) Second, if salaries and wages as a percent of operating expenditures are increasing, it may be an indicator of deferred maintenance of the Town's infrastructure.

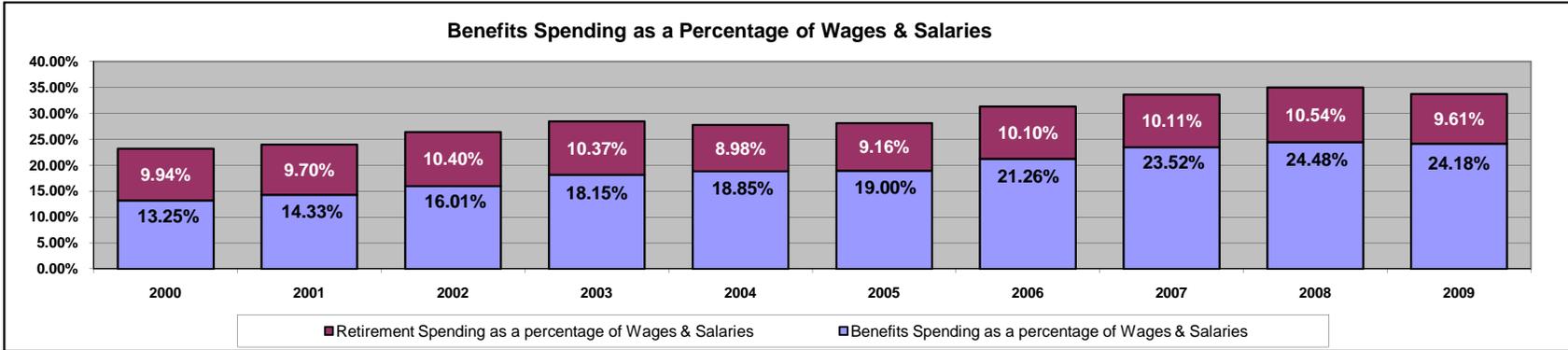
Total labor costs have increased since 2000 by 2.2%, but the rate and level of increase has remained relatively constant. This is good for the Town as such a slow rate of increase is manageable and should allow policymakers to adjust budgeting and goal setting without an impact to services. The increase, however, is not in the salary and wage portion of compensation, but rather in the cost of benefits. As detailed in Indicator 1.7, this is a negative short-term and long-term development as it means that less money is available to spend on service delivery or employee retention but rather is being spent on maintaining existing benefits.

Natick Trend	
favorable	
marginal	x
unfavorable	
uncertain	



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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Medical Benefits	\$ 4,893,028	\$ 5,681,261	\$ 6,561,870	\$ 7,652,132	\$ 8,185,461	\$ 8,345,688	\$ 10,019,946	\$ 11,474,218	\$ 12,486,833	\$ 12,964,453
Retirement Benefits	\$ 3,672,895	\$ 3,844,037	\$ 4,262,872	\$ 4,371,840	\$ 3,896,861	\$ 4,024,827	\$ 4,757,724	\$ 4,931,096	\$ 5,376,574	\$ 5,154,961
Wages & Salaries - Municipal	\$ 14,592,736	\$ 15,201,610	\$ 15,883,747	\$ 16,609,585	\$ 16,856,565	\$ 16,964,540	\$ 17,714,578	\$ 18,304,206	\$ 19,098,039	\$ 19,811,806
Wages & Salaries - Schools	\$ 22,348,109	\$ 24,437,235	\$ 25,110,883	\$ 25,562,431	\$ 26,562,345	\$ 26,970,396	\$ 29,411,268	\$ 30,490,144	\$ 31,911,758	\$ 33,810,857
Total Wages & Salaries	\$ 36,940,845	\$ 39,638,845	\$ 40,994,630	\$ 42,172,016	\$ 43,418,910	\$ 43,934,936	\$ 47,125,846	\$ 48,794,350	\$ 51,009,797	\$ 53,622,662
Benefits Spending as a percentage of Wages & Salaries	13.25%	14.33%	16.01%	18.15%	18.85%	19.00%	21.26%	23.52%	24.48%	24.18%
Retirement Spending as a percentage of Wages & Salaries	9.94%	9.70%	10.40%	10.37%	8.98%	9.16%	10.10%	10.11%	10.54%	9.61%
Total Benefits Spending as % of Wages & Salaries	23.19%	24.03%	26.41%	28.51%	27.83%	28.16%	31.36%	33.62%	35.02%	33.79%

Source: Town of Natick, Town Reports, FY 2000-2008 & Comptroller's FY 2009 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.

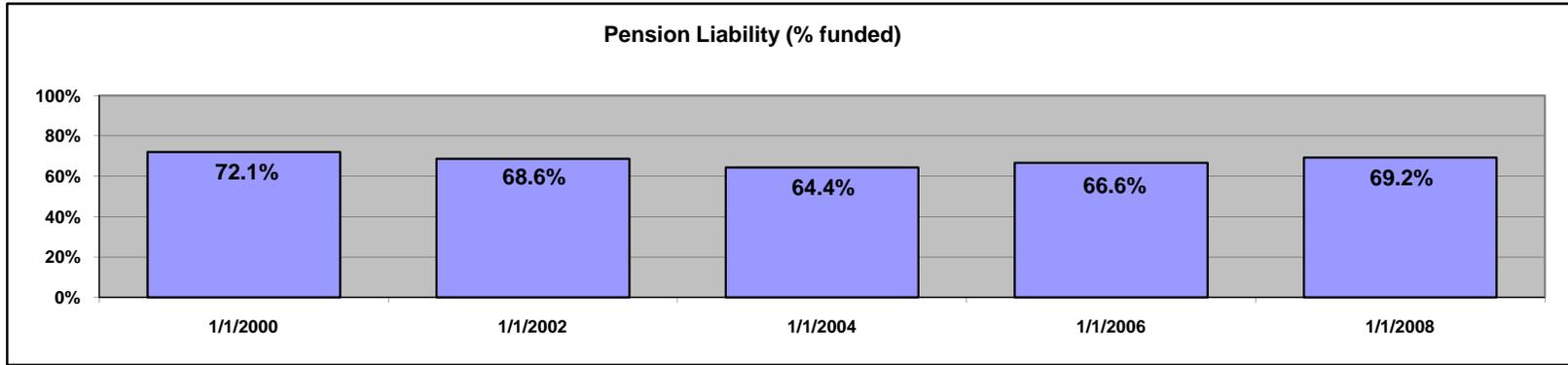
This indicator demonstrates one of the most alarming statistics witnessed during the last 10 years - growth in health care costs. Medical benefits (including all forms of health insurance), have increased nearly 300% in the last 10 years and its share as part of an employees' compensation package has nearly doubled - from comprising 13.25% in 2000 to over 24% in 2009. 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.

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



Pension Liability

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



Formula: Pension Assets / Pension Liability

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

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

Pension Liability:

The Natick Retirement System provides pension benefits for many retired employees of the Town of Natick . Established under M.G.L. Chapter 32, the Natick Retirement System is funded via an annual appropriation at Town Meeting. As of 2007, there were 1028 participants in the Natick Retirement System - 573 active, 84 inactive and 371 retired participants and beneficiaries. Town Meeting appropriates an annual contribution to the system as determined by an actuarial study. The next actuarial study will be complete as of January 1, 2010.

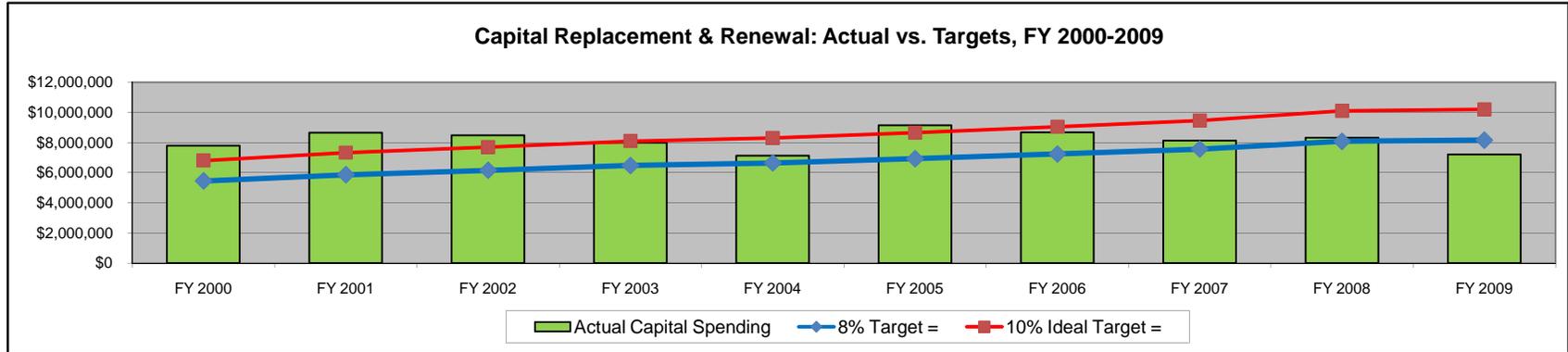
<i>Natick Trend</i>	
favorable	
marginal	
unfavorable	x
uncertain	

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 2028. 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.



Capital Asset & Renewal

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



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

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Gross Revenues	\$ 68,107,775	\$ 73,337,370	\$ 77,009,363	\$ 80,997,614	\$ 83,045,409	\$ 86,588,874	\$ 90,521,793	\$ 94,546,948	\$ 100,954,999	\$ 102,021,869
Target:	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
8% Target =	\$5,448,622	\$5,866,990	\$6,160,749	\$6,479,809	\$6,643,633	\$6,927,110	\$7,241,743	\$7,563,756	\$8,076,400	\$8,161,750
Ideal Target:	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
10% Ideal Target =	\$6,810,778	\$7,333,737	\$7,700,936	\$8,099,761	\$8,304,541	\$8,658,887	\$9,052,179	\$9,454,695	\$10,095,500	\$10,202,187
Actual Capital Spending										
Cash	\$ 1,512,700	\$ 1,433,883	\$ 1,009,500	\$ 374,300	\$ 195,800	\$ 1,401,500	\$ 680,847	\$ 906,128	\$ 1,077,378	\$ 293,900
Debt Service	\$ 6,287,045	\$ 7,211,047	\$ 7,458,504	\$ 7,621,375	\$ 6,936,472	\$ 7,732,212	\$ 7,993,438	\$ 7,213,658	\$ 7,243,778	\$ 6,915,189
Total Cap. Spending As %	11.45%	11.79%	11.00%	9.87%	8.59%	10.55%	9.58%	8.59%	8.24%	7.07%
Actual Capital Spending	\$7,799,745	\$8,644,930	\$8,468,004	\$7,995,675	\$7,132,272	\$9,133,712	\$8,674,285	\$8,119,786	\$8,321,156	\$7,209,089

Source: Appropriations from Annual Town Meetings, Town of Natick, Town Reports 1999-2008.

Capital Asset & Renewal:

Companies of any size must maintain, renew and replace their infrastructure in a timely and cost effective manner. Municipalities are no different, and often have the daunting task of having to renew capital equipment and infrastructure with numerous other competing needs. Timely replacement of capital equipment and infrastructure benefits the community in the long-run as it increases efficiency and keeps maintenance costs lower while providing better facilities to the general public. A decline of spending on capital over a three-year period is considered a warning sign by industry standards.

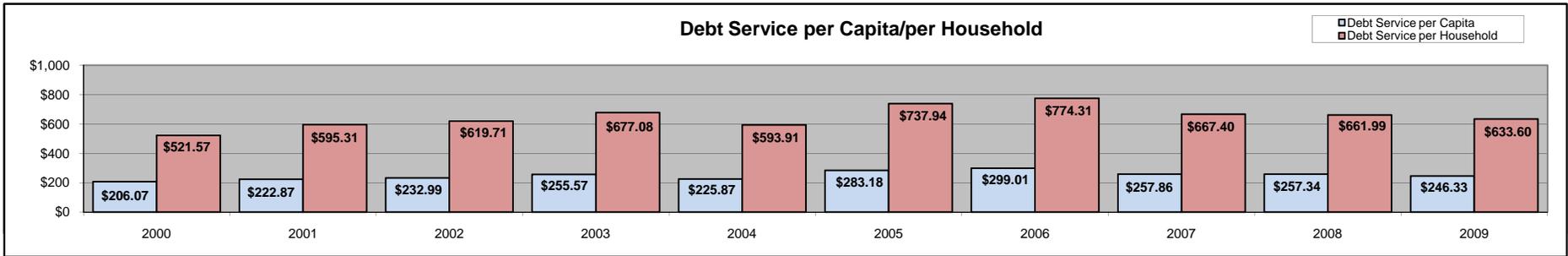
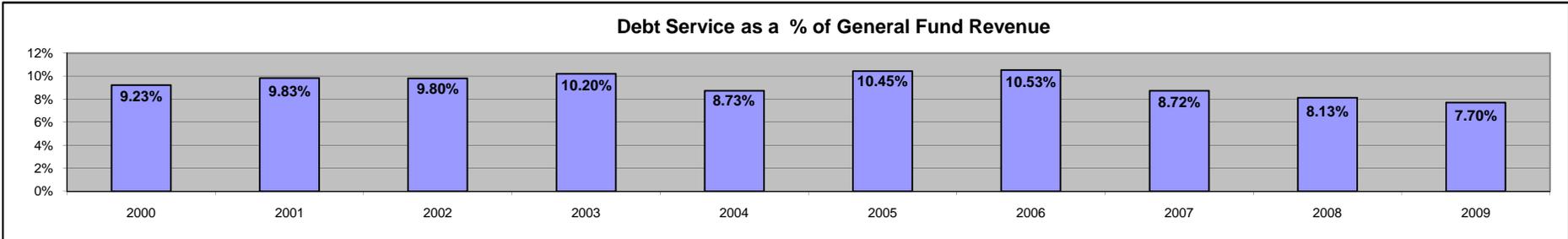
Unfortunately for the Town of Natick, spending on capital has indeed decreased over the last five fiscal years, and fallen short of the recommended 10% of general fund operating revenues and now even short of the minimum of 8% of general fund operating revenues as set forth in the Town Administrator's Recommended Financial Policies. Decreased capital spending has resulted in the deferral of many projects and replacement pieces of equipment, driving up maintenance costs in several departmental operating budget. Though a necessary one-time budgeting strategy to avoid serious service impacts, continued declines in capital spending and replacement cannot be sustained without risking further increases in maintenance costs, decreased efficiency and greater replacement cost later when the equipment or improvement is actually purchased.

Natick Trend	
favorable	
marginal	
unfavorable	x
uncertain	



Debt Service

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



Formulas: General Fund Debt Service / General Fund Revenue & General Fund Debt Service / Per Capita & Household										
Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Exempt Debt Service	\$ -	\$ -	\$ 86,498	\$ 639,000	\$ 317,000	\$ 1,313,405	\$ 1,540,676	\$ 1,031,410	\$ 960,274	\$ 937,705
Within Levy Debt Service	\$ 6,287,045	\$ 7,211,047	\$ 7,458,504	\$ 7,621,375	\$ 6,936,472	\$ 7,732,212	\$ 7,993,438	\$ 7,213,658	\$ 7,243,778	\$ 6,915,189
Total Debt Service	\$ 6,287,045	\$ 7,211,047	\$ 7,545,002	\$ 8,260,375	\$ 7,253,472	\$ 9,045,617	\$ 9,534,114	\$ 8,245,068	\$ 8,204,052	\$ 7,852,894
Gross Operating Revenue	\$ 68,107,775	\$ 73,337,370	\$ 77,009,363	\$ 80,997,614	\$ 83,045,409	\$ 86,588,874	\$ 90,521,793	\$ 94,546,948	\$ 100,954,999	\$ 102,021,869
Population	30,510	32,356	32,384	32,321	32,113	31,943	31,886	31,975	31,880	31,880
Households	12,054	12,113	12,175	12,200	12,213	12,258	12,313	12,354	12,393	12,394
Debt Service as a % of General Fund Revenue	9.23%	9.83%	9.80%	10.20%	8.73%	10.45%	10.53%	8.72%	8.13%	7.70%
Debt Service per Capita	\$ 206.07	\$ 222.87	\$ 232.99	\$ 255.57	\$ 225.87	\$ 283.18	\$ 299.01	\$ 257.86	\$ 257.34	\$ 246.33
Debt Service per Household	\$ 521.57	\$ 595.31	\$ 619.71	\$ 677.08	\$ 593.91	\$ 737.94	\$ 774.31	\$ 667.40	\$ 661.99	\$ 633.60

Source: Town of Natick, Town Reports 1999-2008, Massachusetts Dept. of Revenue DLS Gateway Reports, Town of Natick Tax Recapitulation Worksheet - LA-4 - FY 2000-2009.

Debt Service:

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

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

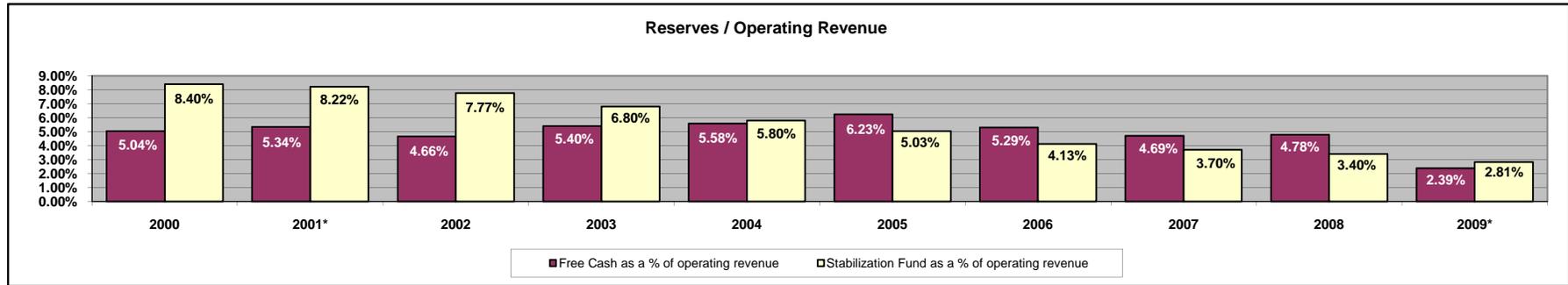
Natick Trend	
favorable	x
marginal	
unfavorable	
uncertain	



Reserves & Fund Balance

Trend Guideline: Declining reserves as a percentage of operating revenues is considered a warning indicator.

Comment: The Government Finance Officers Association (GFOA) recommends that undesignated fund balance be 5-15 percent of operating revenues.



Formula:	Type of Reserve / Operating Revenues									
Fiscal Year	2000	2001*	2002	2003	2004	2005	2006	2007	2008	2009*
Certified Free Cash	\$ 3,431,756	\$ 3,913,775	\$ 3,584,494	\$ 4,337,157	\$ 4,620,048	\$ 5,313,708	\$ 4,709,762	\$ 4,387,917	\$ 4,784,709	\$ 2,415,060
Stabilization Fund	\$ 5,723,421	\$ 6,027,288	\$ 5,975,205	\$ 5,464,106	\$ 4,798,985	\$ 4,292,834	\$ 3,671,373	\$ 3,458,312	\$ 3,401,290	\$ 2,844,860
Net Operating Revenues	\$ 68,107,775	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164
Free Cash as a % of operating revenue	5.04%	5.34%	4.66%	5.40%	5.58%	6.23%	5.29%	4.69%	4.78%	2.39%
Stabilization Fund as a % of operating revenue	8.40%	8.22%	7.77%	6.80%	5.80%	5.03%	4.13%	3.70%	3.40%	2.81%
Net Reserves as a % of Operating Revenue	13.44%	13.56%	12.43%	12.20%	11.39%	11.27%	9.42%	8.39%	8.19%	5.20%

Source(s): Certified Free Cash letters from the Department of Revenue, 1999-2008 & Town of Natick Town Reports, 1999-2008

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.

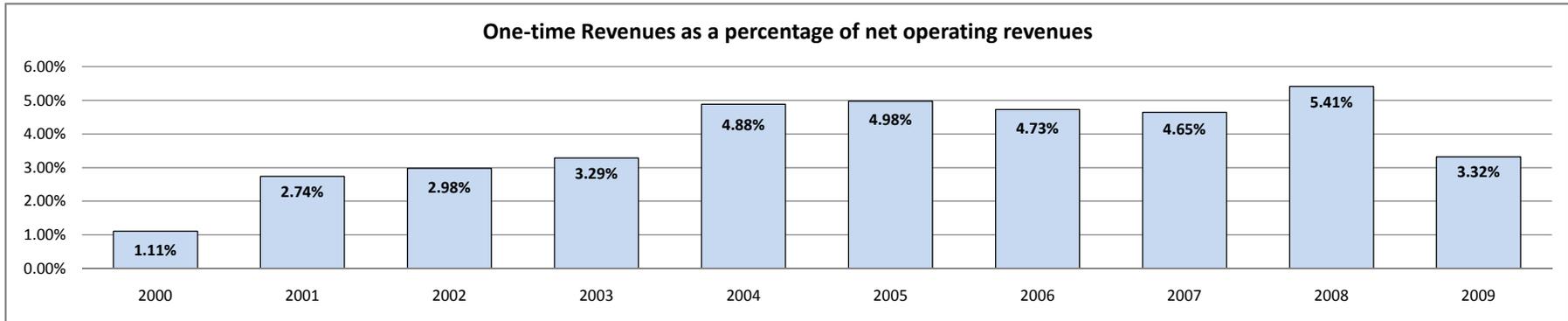
Among the most alarming of trends for the Town of Natick is the marked and steady decline of reserves over the last decade. Regardless of how the economy performed from FY 2000-2009, the Town's overall reserve position declined from FY 2001 to the present day. Although the amount of Free Cash and Stabilization Fund as a percentage of net operating revenues is above the minimums set within the Town Administrator's Recommended Financial Policies, this trend is clearly not sustainable. Services funded with the reliance of these reserves and one-time revenues will be difficult to maintain if the Town is to maintain a reserve position within the levels recommended by the Government Finance Officers Association and more importantly adequate to respond to significant fiscal pressures and or major emergencies or judgments against the Town.

Natick Trend	
favorable	
marginal	
unfavorable	x
uncertain	



Use of One-Time Revenues to Support Operations

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



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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
One-Time Revenues										
Free-Cash	\$ 597,752	\$ 1,170,005	\$ 1,284,760	\$ 1,852,644	\$ 2,290,405	\$ 2,494,794	\$ 2,857,608	\$ 3,445,080	\$ 4,035,895	\$ 2,757,971
Stabilization Fund	\$ -	\$ 644,377	\$ 809,026	\$ 594,668	\$ 750,000	\$ 750,000	\$ 675,000	\$ 400,000	\$ 256,102	\$ 600,000
Overlay Surplus	\$ 159,370	\$ 195,000	\$ 195,000	\$ 195,000	\$ 1,000,000	\$ 1,000,000	\$ 675,000	\$ 500,000	\$ 1,116,024	\$ -
One-Time Revenues	\$ 757,122	\$ 2,009,382	\$ 2,288,786	\$ 2,642,312	\$ 4,040,405	\$ 4,244,794	\$ 4,207,608	\$ 4,345,080	\$ 5,408,020	\$ 3,357,971
Net Operating Revenues	\$ 68,107,775	\$ 73,337,370	\$ 76,922,865	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164
One-time Revenues as a percentage of net operating revenues	1.11%	2.74%	2.98%	3.29%	4.88%	4.98%	4.73%	4.65%	5.41%	3.32%

Source: FY 2000-2009 Tax Recapitulation Forms, Page B-2 & Town of Natick Town Reports, 1999-2008.

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.

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



Executive Summary - Projections

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

Methodology

The table on the next page shows a projection of total general fund revenues and expenditure requirements for three years, FY 2010-FY 2012. Projections are calculated in the aggregate, using conservative assumptions, with the intention of giving an overall perspective on the Town's budget outlook. The projections are presented in sequence with the current year and three prior years for comparisons. It is important to emphasize that the projection is not a proposed or recommended budget. It is a tool for planning.

Revenues

Revenues are generally projected based on historical experience. On the revenue side, State Aid is projected to decrease by another 5% in FY 2011. This may be a bit optimistic given that state reserves have had to be drawn down in support of 2009 and 2010 aid to communities. Local receipts are projected to remain essentially level over the period of FY 2010 through FY 2012; 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 2011 and FY 2012 due to tighter budgeting and a recommended movement towards improved fiscal practices.

Expenses

In the operating budget, wage projections are complicated by the fact that collective bargaining agreements expire at the end of FY 2010 making forecasting difficult for FY 2011 and beyond. On the whole, we have calculated a 5% increase in total expenses for the Natick Public Schools, a 10% increase for the Keefe Tech Assessment and a 3% increase for all municipal departments, consistent with past forecast practices of the Town. These increases may not be sustainable into future years; it is incumbent on the Town and School administrations and elected officials to budget responsibly and identify areas for cost reduction and revenue enhancement to ensure Natick's sound financial future.

The greatest changes going forward rest within the categories of Shared Expenses. A major emphasis of the FY 2011 Budget cycle will be attempts to reduce the Town contribution to employee health care. While work has been ongoing within the West Suburban Health Group over the last several years, the renewal of labor contracts provides an ideal time for a comprehensive review of existing benefit packages and adjustments. Administration is committed to achieving progress in this area in advance of the approval of the FY 2011 budget. A negative budgetary impact is projected within the Retirement line-item primarily due to the significant economic downturn; this impact is expected to push assessments higher than previously forecast in FY 2012. The revised actuarial study will be available in early 2010. Finally, although the Town's debt service is set to decline sizably in FY 2011, that potentially could be more than offset if design monies for the High School and Senior/Community Senior Center projects are unable to be excluded from the limits of proposition 2 ½ through a debt exclusion vote for the building projects. Alternatively, the decline in debt beyond FY 2011 will provide the Town with an opportunity to address much-needed and long-deferred capital projects.

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 FY2011, the preliminary gap is projected to be roughly \$3.3 million, while in FY 2012 the preliminary gap is projected to be roughly \$6.3 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

	2008 Actual	2009 Actual	2010 Current	2011 Projection	2012 Projection	Notes
General Fund Revenues						
Tax Levy	64,617,822	72,696,077	76,228,308	78,515,157	80,870,612	Assumes only 2.5% allowable increase and nominal 0.5% for new growth
State Aid	12,315,120	11,419,582	10,533,589	9,743,570	9,743,570	Assumes continued declines in State Aid, State Land Values in FY 2011
Estimated Receipts	13,692,857	11,735,232	9,523,423	9,783,000	10,000,000	Assumes stabilization of local receipts, loss of Court rental in FY 2010 & 2011
Other Local Receipts						
Indirects	2,379,592	2,546,345	2,506,416	2,506,416	2,506,416	Assumes level-funding
Free Cash	5,057,917	3,247,997	2,000,000	1,500,000	1,500,000	Based upon initial projection for free-cash @ FY 2009. (May change)
Stabilization Fund	256,102	600,000	600,000	0	0	SF dollars likely to be necessary for legal settlements (FLSA)
Overlay Surplus	1,116,024	0	500,000	0	500,000	Can change based upon final settlement of outstanding ATB cases
Other Available Funds	323,167	210,851	210,851	210,851	210,851	No Change
Revenues set-aside for Free Cash			-252,202	0	0	N/A
Total General Fund Revenues	99,758,601	102,456,084	101,850,385	102,258,994	105,331,449	
General Fund Expenses						
Education & Learning						
Natick Public Schools	40,905,762	44,066,023	42,141,517	44,248,593	46,461,022	5% increase; based upon projected growth of costs & level-service.
Keefe Tech	1,051,116	1,135,347	1,283,158	1,411,474	1,552,621	Assumes continued presence of Natick students & contraction of total population.
Morse Institute Library	1,708,525	1,745,853	1,729,807	1,781,701	1,835,152	3% increase
Bacon Free Library	114,313	116,309	115,896	119,373	122,954	3% increase
Public Safety	11,225,820	11,561,105	11,443,888	11,787,205	12,140,821	3% increase and additional ongoing settlement related overtime
Public Works	7,196,327	7,241,445	7,322,776	7,542,459	7,768,733	3% increase
Health & Human Services	1,413,949	1,600,816	1,556,215	1,602,901	1,650,988	3% increase
Administrative Support Services	4,232,899	4,182,407	4,056,112	4,177,795	4,303,129	3% increase
Committees	15,339	17,522	18,510	18,510	18,510	Level-funded
Shared Expenses						
Fringe Benefits	12,486,833	12,964,453	14,395,784	15,835,362	17,418,899	10% increase; Assumes higher rates in FY 2011, 2012
Prop & Liab. Insurance	420,705	415,799	496,150	520,958	547,005	Assumes higher rates in FY 2011, 2012
Retirement	5,376,574	5,154,961	5,271,467	5,390,165	6,662,000	Assumes correction for market declines, early retirement in FY 2012
Debt Services	7,243,778	6,895,632	7,158,728	6,506,929	6,500,000	Assumes no new levy funded debt service in 2011, roughly \$300K in FY 2012
Reserve Fund	0	0	400,000	400,000	400,000	Level-funded
General Fund Oper. Expenses	93,391,940	97,097,672	97,390,007	101,343,425	107,381,835	
Capital Improvements	1,122,250	293,900	153,560	350,000	350,000	Attempts to maintain at least \$350,000 of levy supported capital
School Bus Transportation	302,122	302,122	311,186	320,522	330,137	Assumes 3.0% increase
State & County Assessments	1,643,654	1,552,943	1,494,494	1,679,624	1,738,411	Assumes 3.5% increase
Cherry Sheet Offsets	66,398	68,029	48,624	73,578	76,153	Assumes 3.5% increase
Tax Title	25,000	25,000	25,000	25,000	25,000	Level-funded
Snow Removal Supplement	201,261	650,000	750,000	350,000	350,000	Hopeful...
Overlay	1,003,911	1,039,144	1,150,000	1,100,000	1,100,000	
Golf Course Deficit	355,000	355,000	355,000	355,000	355,000	Level-funded
Collective Bargaining (Art. 10)			162,514			One-time Settlement Article - FY 2010
Misc. Articles (Art. 24)			10,000			One-time Capital Article - FY 2010
Total General Fund Expenses	98,111,536	101,383,810	101,850,385	105,597,149	111,706,537	
Net Excess / (Deficit)	1,647,065	1,072,274	0	-3,338,155	-6,375,088	



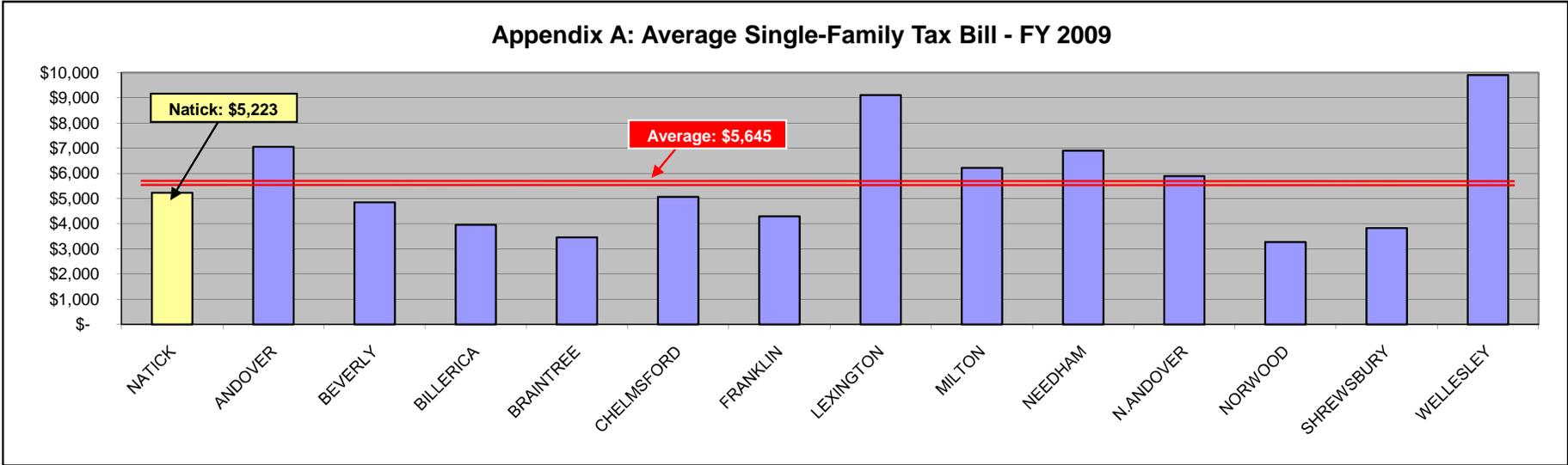
FY 2011 Budget Policy Issues

The following is a list of important policy issues which need further discussion & analysis in FY 2011.

1. Health Care Concessions
2. Collective Bargaining Agreements
3. Potential Debt Exclusions
 - a. Senior/Community Center
 - b. High School Project
4. Developing consensus regarding Town Administrator's Financial Management Principles
 - a. Adequately funding capital needs
 - b. Reduced reliance on one-time revenues & reserves to fund recurring operations
5. 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
NATICK	\$ 3,980,497,800	8,451	\$ 471,009	\$ 11.09	\$ 5,223
ANDOVER	\$ 4,919,136,300	8,480	\$ 580,087	\$ 12.16	\$ 7,054
BEVERLY	\$ 3,734,494,300	8,358	\$ 446,817	\$ 10.86	\$ 4,852
BILLERICA	\$ 3,669,508,000	10,707	\$ 342,720	\$ 11.55	\$ 3,958
BRAINTREE	\$ 3,424,749,100	8,985	\$ 381,163	\$ 9.06	\$ 3,453
CHELMSFORD	\$ 3,239,997,800	8,993	\$ 360,280	\$ 14.07	\$ 5,069
FRANKLIN	\$ 2,906,337,200	7,553	\$ 384,792	\$ 11.17	\$ 4,298
LEXINGTON	\$ 6,274,760,000	8,934	\$ 702,346	\$ 12.97	\$ 9,109
MILTON	\$ 3,765,507,200	7,111	\$ 529,533	\$ 11.74	\$ 6,217
NEEDHAM	\$ 5,784,137,300	8,341	\$ 693,458	\$ 9.96	\$ 6,907
N.ANDOVER	\$ 3,090,604,900	6,164	\$ 501,396	\$ 11.76	\$ 5,896
NORWOOD	\$ 2,240,982,300	5,801	\$ 386,310	\$ 8.46	\$ 3,268
SHREWSBURY	\$ 3,552,273,792	8,992	\$ 395,048	\$ 9.68	\$ 3,824
WELLESLEY	\$ 7,601,189,000	7,266	\$ 1,046,131	\$ 9.47	\$ 9,907
AVERAGE	\$ 4,156,012,499	8,153	\$ 515,792	\$ 11.00	\$ 5,645

Average Tax Bill:

This table shows the average single-family tax bill for comparable communities to Natick for FY 2009. Only single-family homes are shown as part of this comparison. As of FY 2009, Natick finds itself below average compared to the other 12 comparable communities in average tax bills.

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

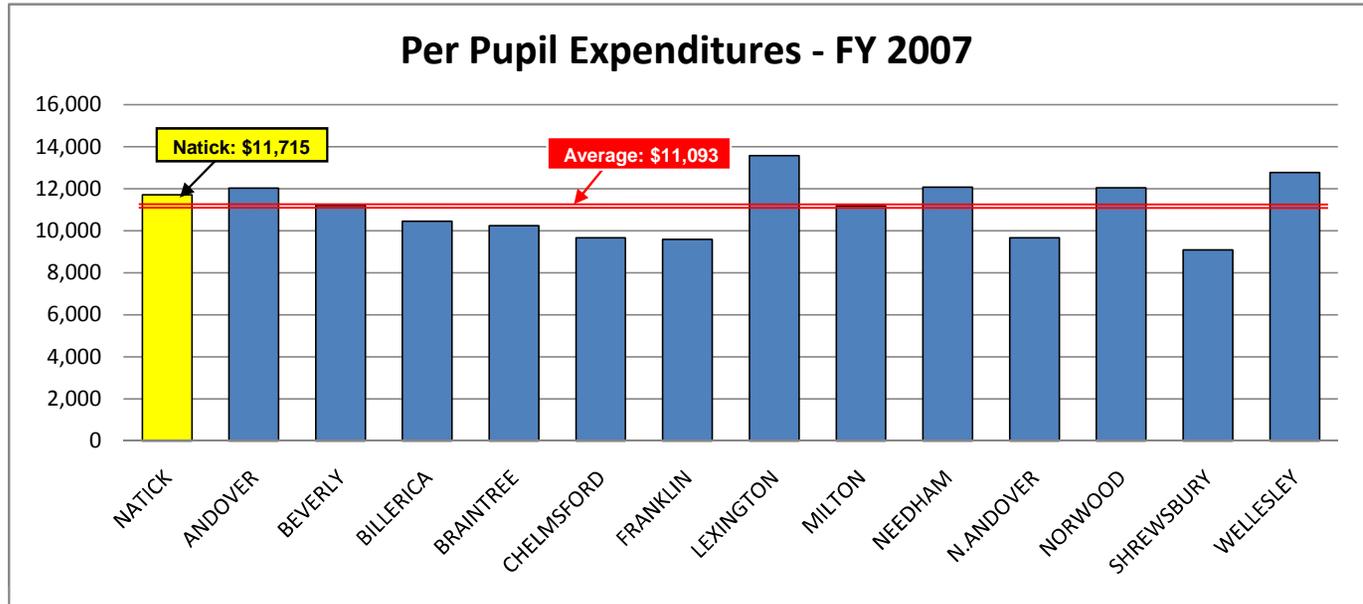


Appendix B: Per Pupil Expenditure Comparative Data

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, but a higher than average spending per pupil.



District	FY07 Foundation Enrollment	FY07 Total Expenditure
NATICK	4,695	11,715
ANDOVER	6,123	12,025
BEVERLY	4,667	11,211
BILLERICA	6,545	10,451
BRAINTREE	5,281	10,248
CHELMSFORD	5,820	9,671
FRANKLIN	6,547	9,586

District	FY07 Foundation Enrollment	FY07 Total Expenditure
LEXINGTON	6,313	13,574
MILTON	3,812	11,182
NEEDHAM	5,064	12,070
N.ANDOVER	4,703	9,661
NORWOOD	3,558	12,039
SHREWSBURY	6,061	9,093
WELLESLEY	4,682	12,776

Averages:	
Enrollment	5,277
Per Pupil Expenditure	\$ 11,093

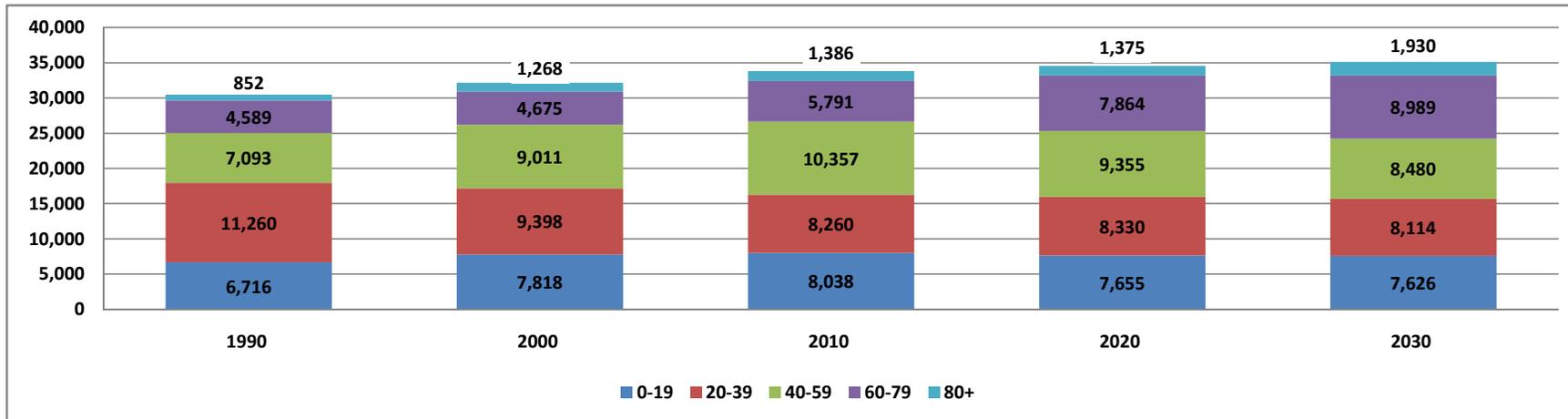
Notes:

Source: Mass. Dept. of Education, 2006-07 Per Pupil Expenditures Report. Total Expenditure column includes all GF appropriations & Grants, Revolving and Other funds. Data shown is most recent available from the Mass. Department of Education.



Appendix C: Population Projections

Population Projections: 1990-2030, Town of Natick



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

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

Population:

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

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



Appendix D: Other Post Employment Benefits

Other Post Employment Benefits (OPEB):

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

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

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

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

OPEB Liability Growth as a result of GASB 45

FY 2009

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

FY 2010

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

and so on...

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



Appendix F: Notes & Assumptions

Notes:

Actual Data - Data presented as actual for FY 2000-2008 is taken from final G/L accounting reconciliations prepared by the Town Comptroller. FY 2009 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 2000-2009. This corresponds to the end of the Town's fiscal year. CPI-U assumes that the period of time 1982-1984 = 100.

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

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

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

Status of Municipal Reserves

Overlay Surplus:

The purpose of the overlay surplus account is to fund property tax abatements and exemptions that may be granted in a particular fiscal year. Each fiscal year has an associated Overlay Reserve account; once all exemption and abatement requests for a particular fiscal year have been resolved or can be reliably predicted, the funds remaining in the Overlay Reserve may be declared by the Assessors as Overlay Surplus. Typically the Overlay Surplus is released incrementally, and is often used to fund Capital or other one-time expenses. For FY 2010, the Assessors were asked to and did release all potential Overlay Surplus from FY 2009 and all earlier years, thus limiting this funding source in future years until the reserve is replenished. No overlay surplus was used in building the FY 2011 budget.

Stabilization Fund:

The Stabilization Fund current balance is over \$4.2 million. The National Advisory Council on State and Local Budgeting recommends that Stabilization Funds be used to address temporary cash flow shortages, emergencies, unanticipated economic downturns, and one-time opportunities. A prudent level of financial resources is recommended to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures. Thus, Natick appropriately used Stabilization Funds in response to what was hoped to be a temporary downturn in state aid, but the persistent and ongoing use of these funds is contrary to recommended practice. Many communities have established a target of 5% of general fund revenues for the Stabilization Fund; this target would suggest maintaining a balance of just over \$5.6 million.

The amount of \$98,550 being used in FY 2011 was more than offset by the appropriation of over \$1.6 million into the Stabilization Fund under Article 3.

Free Cash:

Free Cash is cyclical, as a new amount is certified by the Department of Revenue each year based upon remaining funds from operations of the previous fiscal year and actual receipts in excess of revenue estimates, with offsets applied such as unpaid property taxes and certain deficits, all as based on the Town's balance sheet as of June 30. That is, Free Cash is, to some extent, replenished at the end of each fiscal year, but the extent cannot be accurately predicted until the subject fiscal year is "closed out." The MA Department of Revenue recommends that "A community should maintain a free cash balance to provide a hedge against unforeseen expenditures and to ensure there will be an adequate reserve to prevent sharp fluctuations in the tax rate. Maintenance of an adequate free cash level is not a luxury but a necessary component of sound local fiscal management. Credit rating agencies and other members of the financial community expect municipalities to maintain free cash reserves and make judgments regarding a community's fiscal stability, in part, on the basis of free cash." One unofficial target for unappropriated Free Cash (the balances remaining after all appropriations are made from the fund during the fiscal year) is that it should not go below 1/2% of general fund revenues, or approximately \$510,000 for Natick. The proposed amount to be used in FY 2011 of \$2,660,000 will drop the remaining free cash balance to close to \$510,000 – or right at the suggested target.

Snow & Ice Removal Costs - FY 1998-FY 2009

Town of Natick
Department of Public Works
History of Snow and Ice Removal

	FY98	FY99	FY00	FY01	FY02	FY03
Budgeted Amount	150,000	150,000	150,000	150,000	150,000	150,000
Emergency Funding (FEMA)				58,660		
Total Expenses	231,073	279,750	220,944	546,000	232,386	595,726

	FY04	FY05	FY06	FY07	FY08	FY09
Budgeted Amount	150,000	150,000	150,000	150,000	150,000	150,000
Emergency Funding (FEMA)	115,049	175,514				
Total Expenses	449,538	895,551	449,627	352,978	882,779	899,655

	3 Year Average	5 Year Average	10 Year Average	5 Year Low	5 Year High
Total Expenses	\$ 711,804	\$ 696,118	\$ 552,518	\$ 352,978	\$ 899,655



Town of Natick

FY 2011 Appropriated Budget

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