



## *Memorandum*

To: Finance Committee  
Board of Selectmen

From: Martha White, Town Administrator  
Michael Walters Young, Deputy Town Administrator  
Robert Palmer, Finance Director

Date: Tuesday, September 22, 2009

Re: Financial Articles at the 2009 Fall Annual Town Meeting

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This memorandum provides the necessary explanation, guidance and information regarding proposed financial actions at the 2009 Fall Annual Town Meeting as well as an illustration of the differences from the approved budget by the 2009 Spring Annual Town Meeting to today. The articles covered in this memorandum include:

Article 1	Omnibus Budget Fiscal 2010
Article 2	Stabilization Fund
Article 3	Funding for Quinn Bill Payments
Article 4	FLSA Settlement
Article 5	Fire Apparatus: Rescind Borrowing Authorization
Article 6	Capital Equipment
Article 7	Capital Improvement
Article 8	Lease and/or Repair
Article 9	Unpaid Bills
Article 11	Natick School Committee: High School Partial Architectural Services

Articles 12 and 13, pertaining to potential Local Option Taxes will not be addressed in this memorandum as they do not have an expenditure component attached to them.

### **FY 2010: From Spring ATM to Fall ATM**

When Town Meeting adjourned in May, a total General Fund budget of \$101,730,385 had been approved to support FY 2010 operations. This budget had several unresolved components pertaining to both revenues and expenditures. With the approval of FY 2010 State budget, closure of FY 2009, finalization of judgments pertaining to the Town and a few surprises, most of these unresolved items have been settled and are ready for Town Meeting action.

### Changes to Revenues: Spring ATM to Fall ATM:

On a positive note, the Town finds that it has more revenue available in FY 2010 in fall than predicted in spring. The major driver of this was the timely submission of occupancy payments under M.G.L. Ch. 59, Sec. D for the condominium development at the Natick Collection prior to the close of FY 2009. The completion of this development allows the value of those properties to be added to the tax base for FY 2010 as new levy growth, which nets an additional \$410,000 above the forecast from spring. Unfortunately, the Town also received news that the Natick District Court was closing around the end of September, resulting in a corresponding loss of nearly \$163,000 in rent for the remainder of FY 2010 and over \$217,000 in FY 2011.

As a result of these two actions, and the finalization of the state budget, unappropriated revenues set-aside for free cash increased from approximately \$125,000 in spring to over \$372,000 today. This is, of course, before appropriations to be considered at the Fall 2009 Annual Town Meeting are factored into the equation.

### Changes to Expenses: Spring ATM to Fall ATM:

For the first time in many years, no additional funds are requested under Article 1: FY 2010 Omnibus Budget. In fact, the only change to be voted on by town meeting will be a request to reappropriate \$150,000 from unemployment insurance to the Stabilization Fund under Article 2. This is not to say, however, that there are not concerns, nor that the Town has not incurred new expenses. Among the changes to be monitored within the budget at this time:

- 1) Charges for Special Elections for the U.S. Senate: With the passage of Sen. Kennedy, the Commonwealth has set a State Primary election for December 8, 2009 and a State General election for January 19, 2010 to fill the seat. The State Auditor has declared that this election is an “unfunded mandate” for the cities and towns of Massachusetts. Although it will certainly be a cost to the Town Clerk’s office – between \$20,000 to \$30,000/election most likely – we are hopeful at this time that the state will subsidize all or at least a portion of the incurred cost. Rather than make a preemptive appropriation, we will utilize the existing budget, possibly augment through requests to the Finance Committee’s Reserve Fund, and make formal adjustments at the Spring 2010 Annual Town Meeting if necessary.
- 2) Costs incurred for FLSA Overtime in the Police Department: With the judgment handed down in the case of Robert F. Murphy, III, et. al. v. Town of Natick, et. al., the Town is now required to pay additional amounts of overtime for time worked by police officers over their contractually obligated hours/week. This amount, projected at between \$105,000-\$110,000 annually, was not built into the overtime budget for the Natick Police Department for FY 2010. However, the retirement of Chief Mannix and the shift of Lt. Mabardy to Interim Chief have left a salary differential of over \$130,000. We plan to use this differential to cover any overages in overtime attributable to FLSA in FY 2010 in the Police Department.

It should be cautioned, however, that this differential will not be available for funding the police department budget in FY 2011. In fact, this added cost is one of several which will appear in the FY 2011 police department budget, including the funding of Sgt. Conaway upon his return from active duty in Iraq, and possibly Town funding of Quinn

benefits should the State continue to underfund their portion of Quinn benefits and the Town decide to fully fund the benefit.

## FY 2010 Budget: Impacts of the 2009 Fall Annual Town Meeting

The Revenue/Expenditure Summary for the FY 2010 budget is shown below.

### General Fund Revenue/Expenditure Summary

	FY 2010 Appropriated (Spring ATM)	FY 2010 Proposed (Fall ATM)	Difference \$	Reason
<b>General Fund Revenues</b>				
Tax Levy	\$ 75,818,308	\$ 76,228,308	\$ 410,000	Natick Mall Condos added as New Growth
State Aid	\$ 10,533,589	\$ 10,621,055	\$ 87,466	Final Cherry Sheet Aid Amount
Estimated Receipts	\$ 9,686,423	\$ 9,523,423	\$ (163,000)	Loss of Natick District Court Revenue for 9 months of year
Other Local Receipts			\$ -	
Indirects	\$ 2,506,416	\$ 2,506,416	\$ -	
Free Cash	\$ 2,000,000	\$ 2,148,520	\$ 148,520	As yet uncertified Free Cash for Art. 6
Stabilization Fund	\$ 600,000	\$ 600,000+	TBD	Additional to settle balance of Art. 4 request
Overlay Surplus	\$ 500,000	\$ 1,000,000	\$ 500,000	\$500,000 add. to be released to settle FLSA Judgement under Art. 4
Other Available Funds	\$ 210,851	\$ 210,851	\$ -	
Revenues set-aside for Free Cash	\$ (125,202)	\$ (36,098)	\$ 89,104	To be used to settle balance of Art. 4 request
<b>Total General Fund Revenues</b>	<b>101,730,385</b>	<b>102,802,475</b>	<b>1,072,090</b>	
<b>General Fund Expenses</b>				
Education & Learning				
Natick Public Schools	\$ 42,141,517	\$ 42,141,517	\$ -	
Keefe Tech	\$ 1,283,158	\$ 1,283,158	\$ -	
Morse Institute Library	\$ 1,729,807	\$ 1,729,807	\$ -	
Bacon Free Library	\$ 115,896	\$ 115,896	\$ -	
Public Safety	\$ 11,323,888	\$ 11,323,888	\$ -	
Public Works	\$ 7,322,776	\$ 7,322,776	\$ -	
Health & Human Services	\$ 1,556,215	\$ 1,556,215	\$ -	
Administrative Support Services	\$ 4,056,112	\$ 4,056,112	\$ -	
Committees	\$ 18,510	\$ 18,510	\$ -	
Shared Expenses			\$ -	
Fringe Benefits	\$ 14,395,784	\$ 14,245,784	\$ (150,000)	Reduction of \$150,000 from U/I to Stab. Fund under Art. 2
Prop & Liab. Insurance	\$ 496,150	\$ 496,150	\$ -	
Retirement	\$ 5,271,467	\$ 5,271,467	\$ -	
Debt Services	\$ 7,158,728	\$ 7,158,728	\$ -	
Reserve Fund	\$ 400,000	\$ 400,000	\$ -	
<b>General Fund Oper. Expenses</b>	<b>\$ 97,270,007</b>	<b>\$ 97,120,007</b>	<b>\$ (150,000)</b>	
Capital Equipment (Art. 6)	\$ 153,560	\$ 302,310	\$ 148,750	Request under Article 6 for Capital Equipment (from Free Cash)
School Bus Transportation	\$ 311,186	\$ 311,186	\$ -	
State & County Assessments	\$ 1,494,494	\$ 1,540,299	\$ 45,805	Final State Assessments
Cherry Sheet Offsets	\$ 48,624	\$ 57,511	\$ 8,887	Final Cherry Sheet Offsets
Tax Title	\$ 25,000	\$ 25,000	\$ -	
Snow Removal Supplement	\$ 750,000	\$ 750,000	\$ -	
Overlay	\$ 1,150,000	\$ 1,150,000	\$ -	
Golf Course Deficit	\$ 355,000	\$ 355,000	\$ -	
Collective Bargaining (STM)	\$ 162,514	\$ 162,514	\$ -	
Misc. Articles (STM)	\$ 10,000	\$ 10,000	\$ -	
Stablization Fund (Art. 2)	\$ -	\$ 150,000	\$ 150,000	\$150,000 Increase coming from Unemployment Insurance (Art.2)
Quinn Funding (Art. 3)	\$ -	\$ 222,082	\$ 222,082	Tax Levy due to reduced police appropriation in spring
FLSA Judgment (Art. 4)	\$ -	\$ 646,566+	\$ 646,566+	Known amount is \$646,566...Legal fees undetermined at this time
<b>Total General Fund Expenses</b>	<b>\$ 101,730,385</b>	<b>\$ 102,802,475</b>	<b>\$ 1,072,090</b>	
<b>Net Excess / (Deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	

A detailed description of the actions proposed under each article is shown below:

**Article 1:** FY 2010 Omnibus Budget  
**Amount:** N/A  
**Action proposed:** Refer to sponsor.  
**Reason:** As described on page 2, no changes are requested to the operating budget under Article 1 at this year's Fall Town Meeting. Line-items are performing as anticipated through the first two months. Possible changes to the operating budget will occur at the Spring 2010 Annual Town Meeting. A reappropriation under Article 2 is the only action being requested concerning the FY 2010 Omnibus Budget.

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**Article 2:** Stabilization Fund  
**Amount:** \$150,000  
**Action proposed:** Transfer of \$150,000 to the Stabilization Fund from Article 5, Section G, Line-Item Fringe Benefits, of the Spring 2009 Annual Town Meeting.  
**Reason:** As the FY 2010 budget was being built, staff made every effort to ensure that the Town's obligations under unemployment laws would be properly funded should layoffs be necessary to close the budget gap. The final appropriation for Unemployment Insurance approved by Town Meeting was \$372,348 for FY 2010, a substantial increase from previous years and more than sufficient to handle anticipated claim levels in FY 2010. Transferring \$150,000 out of the U/I line-item and into the Stabilization Fund is a prudent measure which allows Town Meeting to utilize those funds immediately as a funding source for other pressing needs. The current balance of the Stabilization Fund is \$2,288,392. With this transfer of \$150,000, the balance in the Stabilization Fund will grow to \$2,438,392.

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**Article 3:** Funding for Quinn Bill Payments  
**Amount:** \$222,082  
**Action proposed:** Appropriate \$222,082 for the funding of educational incentive (Quinn) payments to members of the Natick Police Department. To be funded through the Tax Levy.  
**Reason:** With approval of the FY 2010 State budget came the sobering news that the State only funded a portion – 16% to be exact – of their obligation to police officers under the educational incentive program referred to as the Quinn bill. It will be remembered that one of the reasons why Town Meeting deferred taking action on the FY 2010 Budget in April was to await the impact of the initial state budgets on overall levels of cherry sheet aid including state support for Quinn. The recommendation of staff at that time was to lower the total proposed police appropriation – in April the original request of \$4,955,884 was lowered to a final approved/appropriated level of \$4,732,433. The difference - \$223,451

was made up of a decrease of \$1,369 for a COLA Adjustment (for Clerical 1116) and \$222,082 for the Quinn/Educational Incentive.

This is proposed to be funded through an appropriation of \$222,082 from the Tax Levy, though with the funding of \$40,692 from the state the net impact to the levy is \$181,390.

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**Article 4:** FLSA Judgment  
**Amount:** Minimum of \$646,565.83  
**Action proposed:** Appropriate \$500,000 from Overlay Surplus, \$146,565.83 from the Tax Levy, and more from both remaining unappropriated tax levy reserved for free cash and the Stabilization Fund.  
**Reason:** With the judgment final in Robert F. Murphy, III, et. al. v. Town of Natick, et. al., the Town's backpay and liquidated damages obligation in the FLSA matter is \$646,565.83. This amount does not include: (1) additional backpay due to the patrol officers for the period between May 19, 2009 and the date that the Town began paying FLSA overtime consistent with the court's order (July 22, 2009); and (2) Plaintiffs' attorney fees and costs. We are working to calculate the former and are awaiting information from Plaintiff's counsel on the latter. It is hoped that the final amount will be determined prior to Town Meeting.

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**Article 5:** Fire Apparatus: Rescind Borrowing Authorization  
**Amount:** \$400,000  
**Action proposed:** Rescind the vote under Article 9 of the 2008 Spring Annual Town Meeting on April 15, 2008 which appropriated \$400,000 for the purpose of replacing Engine 5 Fire Pumper.  
**Reason:** A replacement dual engine/ladder unit is being requested under Article 6 for the Fire Department at the cost of \$650,000. The intent is to utilize \$250,000 set aside in Mall Mitigation monies for the purpose of installing an aerial/ladder on top of an engine unit and issue a new \$400,000 for the purpose of purchasing this combination engine. Because the language under Article 9 of the 2008 Spring Annual Town Meeting was specific to the replacement of the Engine 5 Fire Pumper only, we are requesting that the existing authorization be rescinded and a new authorization be approved under Article 6. This will meet the strict standards of bond counsel.

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**Article 6:** Capital Equipment  
**Amount:** \$798,750  
**Action proposed:** Appropriate \$798,750 for the purchase of capital equipment from the following sources: Free Cash, \$148,750; Mall Mitigation Funds, \$250,000; Borrowing Authorization, \$400,000.

**Reason:** Please see the separate memorandum entitled "Revision to Capital Plan Update of September 1, 2009" dated September 17, 2009 for detailed information. The request is for the following pieces of apparatus to be replaced:

<u>Proposed Item</u>	<u>Department</u>	<u>Amount</u>	<u>Funding Source</u>
Replacement of Engine 1 with an Engine equip. w/Ladder	Fire	\$ 650,000	Borrowing Authorization Mall Mitigation
Eliot School Doors	DPW	\$ 27,500	Free Cash
Replacement of H-1	DPW	\$ 26,000	Free Cash
Street Light Replacement	DPW	\$ 25,000	Free Cash
Replacement of E-2	DPW	\$ 23,000	Free Cash
Passageway Doors at DPW Facility	DPW	\$ 14,250	Free Cash
Replacement of LF-19	DPW	\$ 13,000	Free Cash
Replacement of Dumpsters	DPW	\$ 10,000	Free Cash
Replacement of Guardrails	DPW	\$ 10,000	Free Cash
<b>Total</b>		<b>\$ 798,750</b>	

**Article 7:** Capital Infrastructure  
**Amount:** \$165,000  
**Action proposed:** Appropriate \$165,000 for the improvements to the HVAC units on top of the Cafeteria and Gymnasium at the Memorial School from the following sources: Borrowing Authorization, \$165,000.  
**Reason:** The rooftop HVAC project is the completion of the work started in 2009. In 2009 the schools replaced all exterior classroom univent heating units. To complete the terminal end of the heating system we need to replace the heating units for the gym, cafeteria and interior classrooms. All of these are original and many of these units are built into the walls of the building making maintenance almost impossible. The 6 new rooftop units would replace 11 current wall units.  
This work is planned to be done concurrent with the replacement of the roof, which has already been approved by Town Meeting for the sum of \$780,000 from a borrowing authorization. Should this project not be funded, the roof will continue to be deferred as long as possible so as to do this work concurrently and not force the opening of a new roof to replace the HVAC units.

**Article 8:** Lease and/or Repair  
**Amount:** N/A  
**Action proposed:** Refer to sponsor.  
**Reason:** No leases or repairs requiring Town Meeting action at this time.

**Article 9:** Unpaid Bills  
**Amount:** N/A  
**Action proposed:** Refer to sponsor.  
**Reason:** No unpaid bills requiring Town Meeting action at this time.

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**Article 11:** High School Partial Architectural Services  
**Amount:** N/A  
**Action proposed:** Refer to sponsor.  
**Reason:** Members of the School Department will be on hand to provide an update of this Article.

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The following summary shows all actions and appropriations requested of the 2009 Fall Annual Town Meeting:

## Appropriations for 2009 Fall Town Meeting

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**Financial Articles:**

Article 1	Omnibus Budget (refer to sponsor)	\$	-
Article 2	Stablization Fund Source: Transfer of \$150,000 from Article 5, Section G, Fringe Benefits from the 2009 Spring Annual Town Meeting. Part of the the \$372,348 budgeted for Unemployment Insurance.	\$	150,000
Article 3	Funding for Quinn Bill Payments Source: Tax Levy	\$	222,082
Article 4	FLSA Settlement Source: \$500,000 from Overlay Surplus, a minimum of \$146,566 from Tax Levy and the balance from a combination of Tax Levy and the Stablization Fund.	<i>minimum</i> \$	646,566
Article 5	Rescind Borrowing Authorization	\$	-
Article 6	Capital Equipment Sources: \$148,520 from Free Cash (when certified), \$250,000 from Mall Mitigation funds, and \$400,000 from Borrowing	\$	798,520
Article 7	Capital Improvement Source: \$165,000 from Borrowing	\$	165,000
Article 8	Lease and/or Repair (refer to sponsor)	\$	-
Article 9	Unpaid Bills (refer to sponsor)	\$	-
Article 11	High School Partial Architectural Services (refer to sponsor)	\$	-

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**Total Appropriations, 2009 Fall Annual Town Meeting** *minimum* **\$1,982,168**

Please let us know if you have any questions.