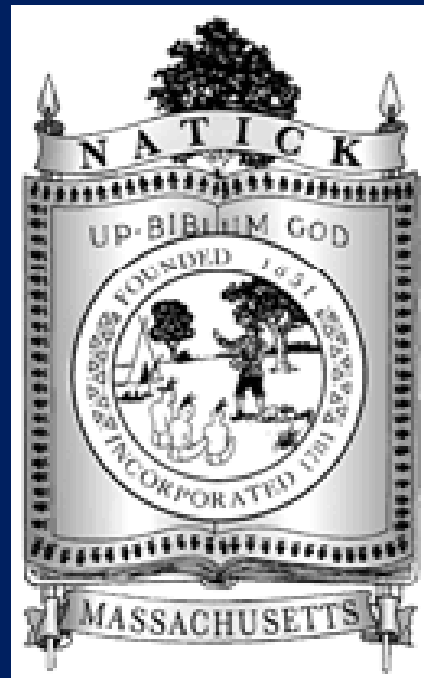


Town of Natick



FY 2014 Budget

Revenues

January 24, 2013



Town of Natick

FY 2014 Budget - Revenues

Presentation Summary:

1. Philosophy & Components
2. FY 2014 Revenue Summary
3. Potential Adjustments to FY 2014
4. Closing



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

- Revenue forecasting is a key component to all budgeting – revenue projections identify the funds available for the budget
- It is more important to be conservative in revenue forecasting than any other facet of municipal finance. Conservative revenue forecasting ensures adequate funds for municipal operations and ideally produces year-end surpluses that we count on to fund subsequent year operations or to supplement reserves
- Conservative revenue forecasting also serves as the best management tool against sharp increases in government spending – spending which may be unsustainable.
- Massachusetts finance law requires that all municipal budgets begin the fiscal year in balance – thus the Town of Natick is required to have a balanced budget leaving the Spring Annual Town Meeting. Approved expenditures must not exceed projected revenues.

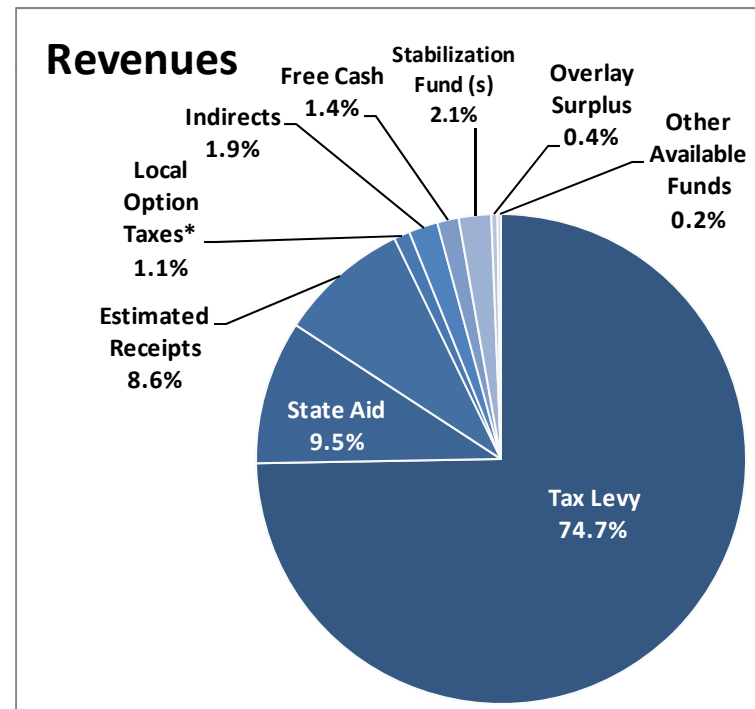


Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

- The Town of Natick has five major categories of revenues:
 - Property Taxes
 - State Aid
 - Local Receipts
 - Other Available Funds
 - Indirects (*expenses from the Water/Sewer Enterprise Fund*)





Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

Property Taxes

- Accounts for 74.7% of all Revenues received annually.
- Largest portion of revenues
- Rises 2 ½% annually as per the limitations of Proposition 2 ½
- Can rise more than 2 ½% annually by three mechanisms:
 - Debt Exclusions – Costs related to specified capital project(s) that the people have voted to **exclude** from the limitations of Prop. 2 ½%. This increase in taxation is **not permanent** – it ends when the project bonds are paid off.
 - Overrides – Costs related to ongoing operating expense budgets that the people have voted to **override** the limitations of Prop. 2 ½%. It is a **permanent** increase to the tax levy.



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

Property Taxes

- Can rise more than 2 ½% annually by three mechanisms: (con't)
 - New Growth – Taxes attributable to the value of new construction. These new growth taxes increase the overall tax levy on an annual basis. It is projected annually and is added **permanently** to the community's Tax Levy.
 - These three items – as applicable – are added to the previous year's tax levy limit and a new tax levy is computed.
 - For more information, please go to the Massachusetts Department of Revenue homepage and download: *Levy Limits: A Primer On Proposition 2 1/2* (<http://www.mass.gov/dor/docs/dls/publ/misc/levylimits.pdf>)



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

Property Taxes

-Actual experience teaches us that we will NOT collect our full Tax Levy in the year in which they are billed, although Natick's collection is exemplary (98-99%):

Budget 2009	Actual 2009	Difference	Budget 2010	Actual 2010	Difference
73,092,624	72,696,077	(396,547)	77,024,748	76,761,450	(263,298)
73,092,624	72,696,077	(396,547)	77,024,748	76,761,450	(263,298)

Budget 2011	Actual 2011	Difference	Budget 2012	Actual 2012	Difference
79,684,179	78,301,148	(1,383,031)	86,502,701	85,587,087	(915,614)
79,684,179	78,301,148	(1,383,031)	86,502,701	85,587,087	(915,614)

- Therefore it is imperative that other revenue estimates be LOWERED to ensure we do not have a revenue deficit. We achieve this by lowering local receipts.



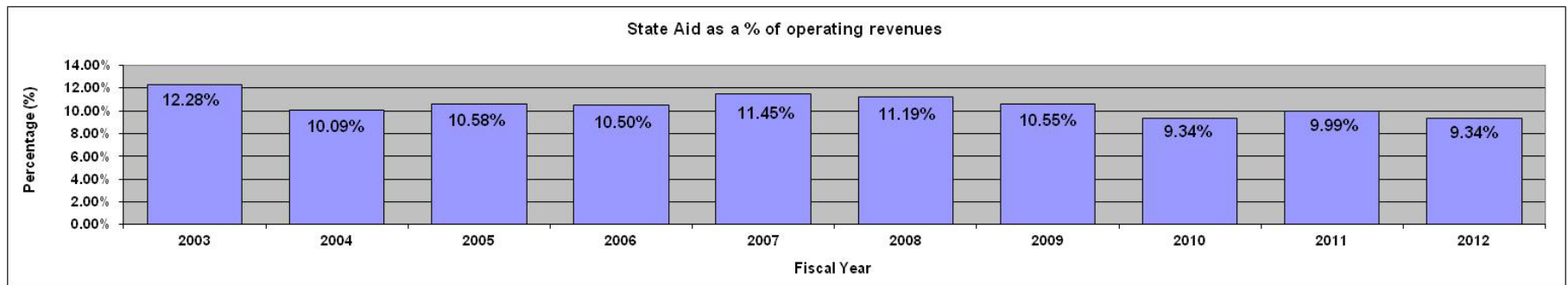
Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

State Aid

- Accounts for 9.5% of all revenues received annually
- Comprised of two main components – Aid to Public Schools (“Ch. 70 Aid”) and Unrestricted General Government Aid (or “UGGA”)
- Highly volatile year to year as a percentage of total revenues:



- Varies from a high of 12.28% in 2003 to a low of 9.34% in 2010 & 2012
- Exact amount of State Aid is not known when budget is developed and perhaps not even when budget is presented at Town Meeting



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

State Aid

- Most years, the promised/budgeted aid is provided in full to the Town:

State Aid	Budget 2009	Actual 2009	Difference	Budget 2010	Actual 2010	Difference
State Aid - Education	6,018,907	5,441,485	(577,422)	5,856,668	5,843,763	(12,905)
State Aid - Municipal	5,405,261	4,916,659	(488,602)	3,846,406	3,819,600	(26,806)
Capital	916,839	916,839	-	916,839	930,263	13,424
TOTAL STATE AID	12,341,007	11,274,983	(1,066,024)	10,619,913	10,593,626	(26,287)

State Aid	Budget 2011	Actual 2011	Difference	Budget 2012	Actual 2012	Difference
State Aid - Education	7,168,756	7,070,267	(98,489)	7,245,287	7,200,055	(45,232)
State Aid - Municipal	3,626,284	3,668,970	42,686	3,347,003	3,332,542	(14,461)
Capital	916,839	916,839	-	917,137	916,839	(298)
TOTAL STATE AID	11,711,879	11,656,076	(55,803)	11,509,427	11,449,436	(59,991)

- Again, if actual revenues fall short of projections other revenue sources must be sufficient to meet the shortfall.



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

Local Receipts

- Accounts for 8.6% of all revenues received annually
- Based on local fees, fines, permits and charges
- Most effort, most modeling goes into monitoring and managing local receipts
- WHY? Because we have the greatest control over these revenues through establishment of fees; further, past trends and anticipated changes must be evaluated due to their volatile nature.
- Local Receipts are intentionally forecast at least 10% under expectations for the following reasons:
 - To account for revenue shortfalls within Local Receipts or other revenue categories; and,
 - To ensure sufficient year-end Free Cash



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

Local Receipts

Local Receipts	Budget 2009	Actual 2009	Difference	Budget 2010	Actual 2010	Difference
Motor Vehicle Excise	3,800,000	4,187,040	387,040	3,600,000	3,739,367	139,367
Other Excise	835,000	833,854	(1,146)	800,000	440,794	(359,206)
- Local Option Tax				-	307,913	307,913
Penalties and interest	200,000	546,464	346,464	250,000	474,871	224,871
Payments in lieu of	16,500	117,635	101,135	32,500	28,292	(4,208)
Charges for Services -	1,040,000	1,005,638	(34,363)	965,272	1,002,485	37,213
Other Charges -	900,000	979,848	79,848	925,000	1,035,865	110,865
Rentals	390,000	355,452	(34,548)	250,000	199,103	(50,897)
Departmental	75,000	91,205	16,205	75,000	267,830	192,830
Other departmental	745,000	917,006	172,006	875,000	807,986	(67,014)
Licenses and permits	1,200,000	1,228,497	28,497	1,050,000	1,260,987	210,987
Special Assessments	20,000	21,243	1,243	15,000	22,221	7,221
Fines and Forfeits	230,000	214,193	(15,807)	210,000	167,066	(42,934)
Investment Income	800,000	390,392	(409,608)	350,000	686,279	336,279
Misc Recurring	550,000	1,108,600	558,600	100,000	102,566	2,566
Misc - Non Recurring			-	-	45,458	45,458
TOTAL LOCAL RECEIPTS	10,801,500	11,997,065	1,195,565	9,497,772	10,589,083	1,091,311



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

Local Receipts

Local Receipts	Budget 2011	Actual 2011	Difference	Budget 2012	Actual 2012	Difference
Motor Vehicle Excise	3,600,000	3,931,401	331,401	3,749,760	4,082,872	333,112
Other Excise	550,000	787,167	237,167	550,000	868,414	318,414
- Local Option Tax	750,000	1,154,711	404,711	750,000	1,275,551	525,551
Penalties and interest	300,000	658,927	358,927	463,020	424,185	(38,835)
Payments in lieu of	32,500	28,866	(3,634)	26,429	47,583	21,154
Charges for Services -	950,000	1,015,159	65,159	1,007,283	845,923	(161,361)
Other Charges -	1,100,000	1,466,050	366,050	1,200,000	1,469,941	269,941
Rentals	109,000	54,060	(54,940)	14,185	52,324	38,139
Departmental	176,000	154,000	(22,000)	176,000	175,305	(695)
Other departmental	800,000	628,771	(171,229)	518,369	841,700	323,331
Licenses and permits	1,113,400	1,612,749	499,349	1,263,643	2,047,310	783,667
Special Assessments	20,000	28,093	8,093	20,000	4,671	(15,329)
Fines and Forfeits	165,000	151,893	(13,107)	160,000	234,354	74,354
Investment Income	418,000	102,227	(315,773)	100,000	157,159	57,159
Misc Recurring	50,000	193,486	143,486	50,000	194,624	144,624
Misc - Non Recurring	50,000	1,126,130	1,076,130	233,044	1,634,203	1,401,159
TOTAL LOCAL RECEIPTS	10,183,900	13,093,690	2,909,790	10,281,733	14,356,117	4,074,384



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

Other Available Funds

- Accounts for 4.1% of all revenues received annually
- Comprised of “birds in hand” – NOT forecasted revenue, but actual revenues already received – Free Cash, Parking Meter Receipts, Stabilization Funds, Other Receipts Reserved and Overlay Surplus
- Varies greatly year to year dependent upon planned use of this revenue source in support of the budget.



Town of Natick

FY 2014 Budget - Revenues

1. Philosophy & Components

Indirects

- Accounts for 1.9% of all revenue received annually
- Actually represents a transfer from the Water & Sewer and Golf Course Enterprise Funds for costs attributable to General Fund operations.
- A more in-depth explanation of this revenue source will occur at your meeting of February 7th.



Town of Natick

FY 2014 Budget - Revenues

2. FY 2014 Revenue Summary *(Section II, Page II.3)*

General Fund Revenue Summary	FY 2011	FY 2012	FY 2013	FY 2014	2013 vs. 2014	
	<u>Actual</u>	<u>Actual</u>	<u>Recap</u>	<u>Preliminary</u>	\$	%
Property Tax Levy	\$ 79,684,179	\$ 86,502,701	\$ 89,323,445	\$ 91,804,040	\$ 2,480,595	2.78%
State Aid	\$ 11,711,880	\$ 11,509,427	\$ 11,657,952	\$ 11,657,952	\$ -	0.00%
Local Receipts	\$ 13,101,287	\$ 14,356,298	\$ 11,312,890	\$ 11,896,175	\$ 583,285	5.16%
Available Funds	\$ 3,714,737	\$ 7,437,265	\$ 7,865,589	\$ 5,151,791	\$ (2,713,798)	-34.50%
Indirects	\$ 2,449,757	\$ 2,535,883	\$ 2,581,514	\$ 2,355,825	\$ (225,689)	-8.74%
Gross General Fund Revenues	\$ 110,661,840	\$ 122,341,573	\$ 122,741,389	\$ 122,865,783	\$ 124,393	0.10%

- Forecasts a .10% increase overall in revenues
- Normal increases in tax levy, level funded State Aid, sizeable increase in Local Receipts
- Sharp decreases in Available Funds (lower Free Cash usage for one-time expenses) and Indirects



Town of Natick

FY 2014 Budget - Revenues

3. Potential Adjustments to FY 2014 Revenues

- State Aid: House 1 released by Governor yesterday; proposal sharply increased local aid to schools and nearly level aid for general government. Estimated increase from our preliminary budget is \$1,201,648 . Not complete; no information on assessments has been released as of tonight to determine if this gross increase will be reduced.

We have not taken any action regarding adjusting our revenue estimates at this time, and will seek guidance from peers at the Massachusetts Municipal Association conference before discussing the Governor's numbers further at the next Financial Planning Committee meeting.



Town of Natick

FY 2014 Budget - Revenues

3. Potential Adjustments to FY 2014 Revenues

- Local Receipts:
 - Fee Increases – either by BOS or SC
 - Adjustments to current projections (once Excise Bills go out in mid-February and mid-year revenue collections have been analyzed)



Town of Natick

FY 2014 Budget - Revenues

4. Closing

- The Administration's revenue forecasts are deliberately conservative. Why? To ensure positive year-end revenues which, combined with departmental turnbacks, contribute to the next year's available Free Cash. There is NO guarantee that expenses will be turned back on an annual basis, and the Town builds budgets with \$1.5 Million in anticipated Free Cash reinvested into the Operating Budget annually. Revenues in excess of estimates is the only reliable way to ensure that sufficient Free Cash will be available.



Town of Natick ~ Home of Champions

Thank You