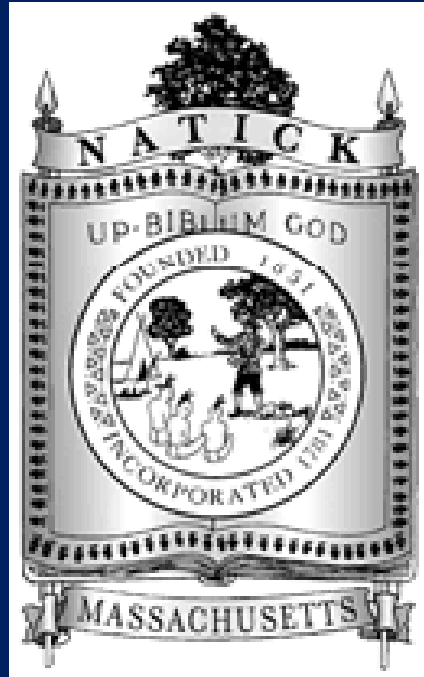


Town of Natick



FY 2014 Preliminary Budget Presentation

Martha White, Town Administrator

January 7, 2013



Town of Natick

FY 2014 Preliminary Budget

Presentation Summary:

1. Budget Process
2. Budget Shortfall
3. Balancing the Budget
4. Budget Accomplishments
5. Eye to the Future: Upcoming Issues
6. Closing



Town of Natick

FY 2014 Preliminary Budget

The Town of Natick received word **TODAY** that it had again received the Government Finance Officers Association's Distinguished Budget Presentation Award. This award continues the organization's persistent efforts to improve the quality and consistency of the Town's annual capital and operating budgets.

We are proud to have a budget which is recognized among the top 2% of all governmental budgets in North America and pledge to use the constructive feedback from the award to improve budgeting for the citizens of Natick.





Town of Natick

FY 2014 Preliminary Budget

1. Budget Process

- Began internally in the fall with the issuance of the Budget Manual to all general government departments.
- Departments were advised to ensure that their budget requests represented comprehensive and careful consideration of resources needed to accomplish the mission, goals and objectives of their departments.
- Other key instructions included:
 - “Level-Service Budgets” - same level of service as is currently being provided in FY 2013; employee compensation and departmental expenses were budgeted accordingly accounting for fixed cost increases (i.e. contractual services, contractual employee step raises, etc.).



Town of Natick

FY 2014 Preliminary Budget

1. Budget Process

Other key instructions included (con't):

- Cost of Living Allowances (COLAs) have been funded for all union employees. For those who do not yet have contract settlements we have included a line item within Selectmen's budget, as was done in FY 2013. If these contracts are settled during the budget process we can move the required funds into the appropriate departmental budgets prior to Town Meeting.
- For non-union personnel, as has been the case for the last two years, we are funding a line item within the Selectmen's budget for potential performance increases
- In FY 2014, non-union and retirees will pay a higher share of the health care benefits, as has been the case with settled union contracts



Town of Natick

FY 2014 Preliminary Budget

1. Budget Process

Other key instructions included (con't):

-Program Improvement Requests: Departments asked to submit requests for items outside of level-service which they felt were necessary regardless of funding availability; of nearly \$1.1 Million+ of requests, over \$340K were approved and included in this Preliminary budget.



Town of Natick

FY 2014 Preliminary Budget

1. Budget Process

Other key points:

- Inclusive process - Department heads were encouraged to solicit participation from all levels of staff during development of their budgets in order to more fully identify and address the budget needs associated with the department's programs and services and to bring a variety of perspectives to the process.
- Simultaneous with the development of the general government operating budget, the School Department has undertaken a separate process for developing the operating budget of the Natick Public Schools; the Superintendent submitted his budget request to the School Committee in December. His request is reflected in the Preliminary Budget.



Town of Natick

FY 2014 Preliminary Budget

1. Budget Process

- As required by Charter, the Town Administrator is responsible for making budget recommendations for all Town programs, including a total School budget. This presentation and submission is a complete budget, though not one in balance; in fact, ***a deficit of nearly \$3.35 million results*** from the projected revenues and requested general government, school and shared expenses.



Town of Natick

FY 2014 Preliminary Budget

2. Budget Shortfall

Budget is out of balance:

FY 2014 Budget as of January 2, 2013

Revenues:	\$122,865,783
<u>Expenses:</u>	<u>\$126,215,735</u>
Balance/ (Deficit):	(\$ 3,349,952)



Town of Natick

FY 2014 Preliminary Budget

2. Budget Shortfall

Drivers of imbalance (Expenses):

1) Keefe Tech School. We have budgeted a 5% increase for Keefe Tech – to account for any potential enrollment increases from Natick. This number can and will change once a preliminary budget is provided by Keefe Tech later in January.

2) Department Operating Budgets. In the Town Administrator's past projections for the FY 2014 budget, we had built in an anticipated 2.5% increase across general government departments and a 4.5% increase in the school department budget; both projections included anticipated cost-of-living adjustments (COLAs) for all employees.



Town of Natick

FY 2014 Preliminary Budget

2. Budget Shortfall

Drivers of imbalance (Expenses):

2a) School Increases.

- The preliminary budget submitted by the school department however provides for a 8.5% increase, inclusive of a COLA for all union employees (no contracts are settled for FY 2014 at this time). This increase is being driven in part by addition of 27 new FTE positions, part through Special Education and part through increased enrollment.

2b) Municipal Increases:

- Overall, a 1.22% increase over FY 2013 (inclusive of COLA).
- Largest increases in Health & Community Services and Admin. Support Services. 3 new positions being proposed in DPW, 1+ in Community Services, 1 in BOS/Finance, 1 in IT.



Town of Natick

FY 2014 Preliminary Budget

2. Budget Shortfall

Drivers of imbalance (Expenses):

3) Benefit Increases:

- Overall, a 6.81% increase over FY 2013. This includes a forecasted 8% increase in health care rates; other costs areas vary in rate of increase/decrease. This amount is also likely to change when final health care rates are set in late January. Indications are this number may be even lower.

4) Pension Increases:

- Overall, a 7.48% increase over FY 2013. This is inclusive of all pension costs – both non-contributory and contributory.



Town of Natick

FY 2014 Preliminary Budget

3. Balancing the Budget

Step 1: Reconciliation

Total FY 2014 General Fund Revenue		\$	122,865,783
Less FY 2013 Education	\$	46,558,714	
Less FY 2013 Municipal*	\$	29,835,289	
Less FY 2014 Shared**	\$	37,925,222	
Less FY 2014 Capital	\$	1,921,180	
Less FY 2014 Other/Reserves	\$	5,251,055	
Incremental Revenue		\$	1,374,323

* Includes Libraries

** Includes Keefe Tech



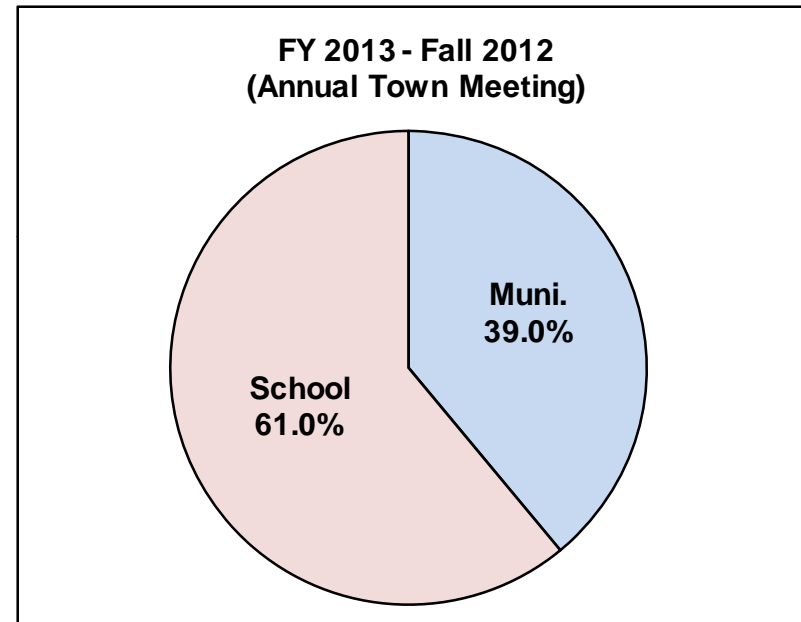
Town of Natick

FY 2014 Preliminary Budget

3. Balancing the Budget

FY 2013 - Fall 2012 (Annual Town Meeting)

Municipal	\$	29,835,289	39.0%
School	\$	46,558,714	61.0%
Total	\$	76,394,003	100.0%



Incremental Revenue \$ 1,374,323

Municipal Split (39.0%) \$ 535,361
Municipal Revenues for 2014 \$ 535,361

School Split (61.0%) \$ 838,963
School Revenues for 2014 \$ 838,963



Town of Natick

FY 2014 Preliminary Budget

3. Balancing the Budget

Step 3: Deficit Determination

Municipal Request Increment	\$	(365,472)
Add Municipal Added Position Bene	\$	(76,506)
Less Incremental Revenues	\$	535,361
Municipal Deficit	\$	93,383

School Request Increment	\$	(3,938,020)
Add School Added Position Benefi	\$	(344,277)
Less Incremental Revenues	\$	838,963
Education Deficit	\$	(3,443,334)

Balance as of 1/1
\$ (3,349,952)



Town of Natick

FY 2014 Preliminary Budget

3. Balancing the Budget

Budget gap closing options:

- 1) Increased revenues. Close monitoring of several revenue categories that we hope will turn more favorable during the budget review process. Local receipts are already \$585,000 higher than the FY 2013 estimate, but more review will be conducted after mid-year revenue collections are finalized and excise tax bills are sent in early February.
- 2) Fee Increases: Evaluation of opportunities for fee increases.
- 3) Budget Reviews: Evaluation of areas where budgeted amounts may be able to be reduced without impact, including costs for health care benefits.



Town of Natick

FY 2014 Preliminary Budget

3. Balancing the Budget

Budget gap closing options:

4) Personnel Reductions: Personnel reductions will certainly be evaluated; If there are no savings found through the options listed above the budget would have to be reduced by \$3.35 Million – meaning at minimum most of the new positions proposed would have to cut or existing positions realigned to accommodate them.



Town of Natick

FY 2014 Preliminary Budget

4. Budget Accomplishments

Although out of balance at this time, the FY 2014 Preliminary Budget proposes many important improvements:

- Funds important positions within municipal government for benefits, payroll, information technology and community services in order to support current service demands, improve the Town's use of and outreach with technology and properly meet the ever increasing demands of human resources.
- Includes bringing recycling in-house resulting in considerable savings and continuing the innovative and efficient practices which have become standard from the Department of Public Works.
- Significantly increases subsidy of taxpayer cost for the High School, & Community/Senior Center projects - \$500,000 in FY 2014, up from \$108,250 in FY 2013. This will directly lower the amount taxpayers have to pay in FY 2014 for the projects.
- Reduces Indirect Cost charges against the Water/Sewer Enterprise Fund; this is a planned adjustment over a three year period



Town of Natick

FY 2014 Preliminary Budget

5. Eye to the Future: Upcoming Issues

- Continued significant increases in the Contributory Retirement System contributions in the range of 8% (This year and beyond)
- Funding of the Town's "other post-employment benefit" (OPEB) obligation.
- Settlement of remaining contracts for FY 2013-2015 (which we will continue to negotiate during the FY 2013 budget year)
- Increasing school enrollment
- Continued replacement of capital – especially roadways, sidewalks and schools



Town of Natick

FY 2014 Preliminary Budget

6. Closing

- Yet again, we face a challenging budget year which has a significant but not insurmountable deficit to close.
- As always, we encourage the public's awareness and participation throughout the budget process.
- Overall, we still have a solid financial underpinning with improved reserves (although not yet at our target levels), a stellar Credit Rating, appropriate capital funding and comparatively low taxes for the Metrowest area.
- The summary of this presentation is that, notwithstanding the deficit position reflected in this preliminary budget, we are in a rather solid financial position. This enviable position should encourage us to continue our conservative financial practices with a keen eye on the many needs and challenges that lie ahead. Discretion and good sense must be our guide as we evaluate our opportunities.



Town of Natick ~ Home of Champions

Thank You



Town of Natick

FY 2014 Preliminary Budget

General Fund Revenue/Expenditure Summary

	2011	2012	2013	2014	2013 vs. 2014	
	Actual	Actual	Appropriated	Preliminary	\$	%
General Fund Revenues						
Tax Levy	\$ 79,684,179	\$ 85,587,087	\$ 89,323,445	\$ 91,804,040	2,480,595	2.78%
State Aid	\$ 11,711,879	\$ 11,449,436	\$ 11,657,952	\$ 11,657,952	0	0.00%
Estimated Receipts	\$ 11,922,815	\$ 13,080,747	\$ 10,012,890	\$ 10,596,175	583,285	5.83%
Local Option Taxes*	\$ 1,170,876	\$ 1,275,551	\$ 1,300,000	\$ 1,300,000	0	0.00%
Other Local Receipts						
Indirects	\$ 2,449,757	\$ 2,535,683	\$ 2,581,514	\$ 2,355,825	-225,689	-8.74%
Free Cash	\$ 3,425,336	\$ 5,466,393	\$ 6,343,030	\$ 1,750,000	-4,593,030	-72.41%
Stabilization Fund (s)	\$ 98,550	\$ 689,340	\$ 1,062,152	\$ 2,620,259	1,558,107	146.69%
Overlay Surplus		\$ 1,000,000	\$ -	\$ 500,000	500,000	100.00%
Other Available Funds	\$ 190,851	\$ 281,532	\$ 460,407	\$ 281,532	-178,875	-38.85%
Total General Fund Revenues	110,654,243	121,365,769	122,741,389	122,865,783	124,394	0.10%



Town of Natick

FY 2014 Preliminary Budget

General Fund Revenue/Expenditure Summary

General Fund Expenses

Education & Learning

Natick Public Schools	\$ 44,364,711	\$ 46,622,656	\$ 46,558,714	\$ 50,496,734	3,938,020	8.46%
Keefe Tech	\$ 1,469,598	\$ 1,396,865	\$ 1,271,613	\$ 1,335,194	63,581	5.00%
Morse Institute Library	\$ 1,739,131	\$ 1,852,078	\$ 1,884,687	\$ 1,936,053	51,366	2.73%
Bacon Free Library	\$ 109,706	\$ 118,675	\$ 130,082	\$ 139,582	9,500	7.30%
Public Safety	\$ 12,052,297	\$ 12,920,185	\$ 13,682,285	\$ 13,916,642	234,357	1.71%
Public Works	\$ 7,445,952	\$ 7,351,758	\$ 7,394,083	\$ 7,131,116	-262,967	-3.56%
Health & Human Services	\$ 1,560,965	\$ 1,712,263	\$ 1,856,338	\$ 1,976,295	119,957	6.46%
Administrative Support Services	\$ 3,831,269	\$ 4,094,438	\$ 4,861,805	\$ 5,075,013	213,208	4.39%
Committees	\$ 23,853	\$ 17,178	\$ 26,010	\$ 26,060	50	0.19%
Shared Expenses						
Fringe Benefits	\$ 14,200,952	\$ 14,167,955	\$ 15,109,016	\$ 16,137,960	1,028,943	6.81%
Prop & Liab. Insurance	\$ 451,853	\$ 471,865	\$ 553,175	\$ 588,175	35,000	6.33%
Retirement	\$ 5,475,739	\$ 5,701,675	\$ 6,150,200	\$ 6,610,068	459,868	7.48%
Debt Services	\$ 6,787,251	\$ 11,055,991	\$ 10,208,521	\$ 10,587,531	379,010	3.71%
Reserve Fund	\$ -	\$ -	\$ 400,000	\$ 400,000	0	0.00%
Facilities Management	\$ -	\$ -	\$ 2,479,630	\$ 2,687,078	207,448	8.37%

General Fund Oper. Expenses	\$ 99,513,276	\$ 107,483,582	\$ 112,566,158	\$ 119,043,500	\$ 6,477,342	5.75%
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Town of Natick

FY 2014 Preliminary Budget

General Fund Revenue/Expenditure Summary

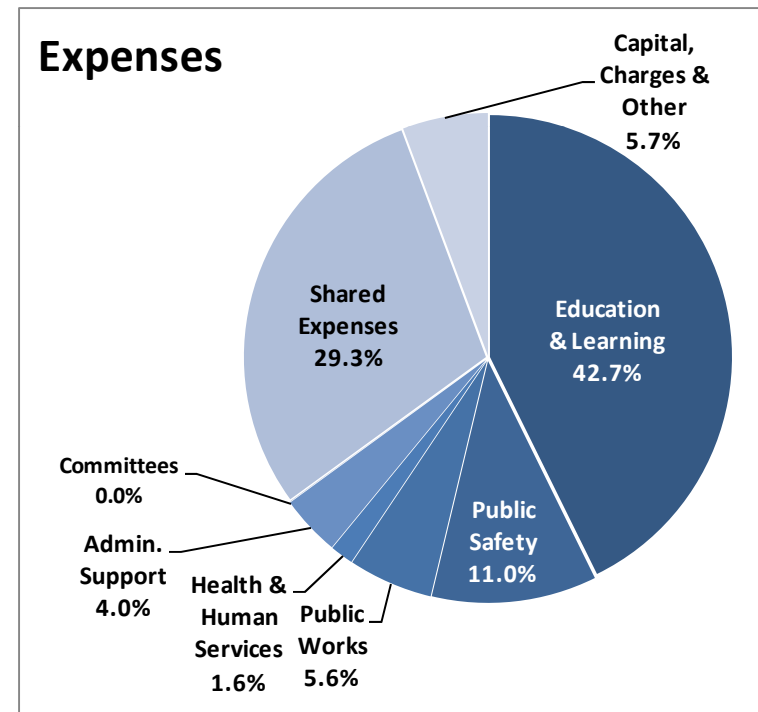
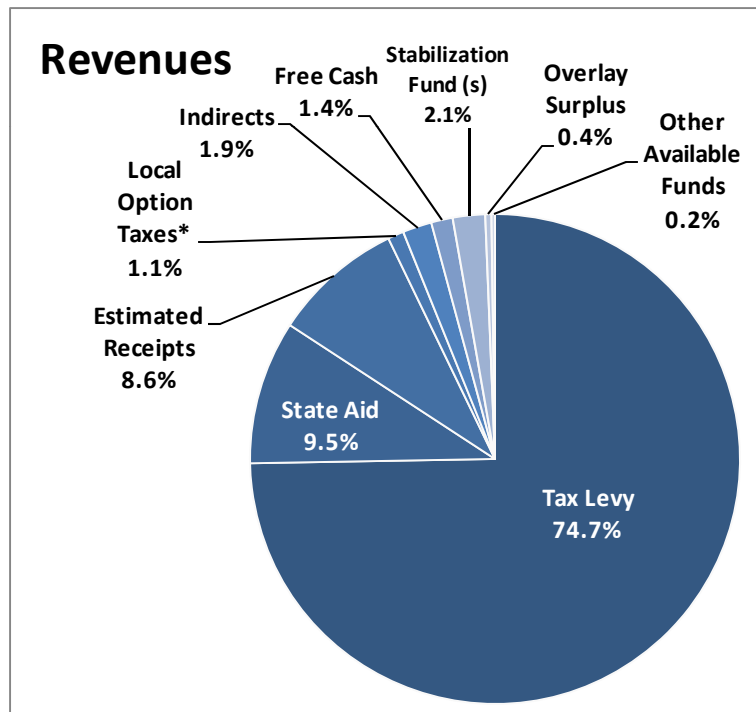
Capital Improvements	\$ 543,120	\$ 1,401,900	\$ 1,282,777	\$ 1,921,180	638,403	49.77%
School Bus Transportation	\$ 290,014	\$ 330,137	\$ 340,041	\$ 350,243	10,201	3.00%
State & County Assessments	\$ 1,351,044	\$ 1,360,929	\$ 1,524,561	\$ 1,524,561	0	0.00%
Cherry Sheet Offsets	\$ 131,434	\$ 155,298	\$ 239,005	\$ 239,005	0	0.00%
Tax Title	\$ 25,000	\$ 25,000	\$ 25,000	\$ -	-25,000	-100.00%
Snow Removal Supplement	\$ 448,991	\$ 765,163	\$ 102,008	\$ 350,000	247,992	243.11%
Overlay	\$ 1,112,323	\$ 1,133,967	\$ 1,463,310	\$ 1,150,000	-313,310	-21.41%
Golf Course Deficit	\$ 334,500	\$ 320,000	\$ 310,000	\$ 337,246	27,246	8.79%
General Stabilization Fund	\$ 1,634,439	\$ -	\$ -	\$ -	0	0.00%
Operational Stabilization Fund	\$ -	\$ 856,478	\$ -	\$ -	0	0.00%
Capital Stabilization Fund	\$ 307,913	\$ 1,859,511	\$ 3,275,551	\$ -	-3,275,551	-100.00%
FLSA Settlement	\$ -	\$ 593,032	\$ -	\$ -	0	0.00%
Misc. Articles	\$ 85,000	\$ 100,000	\$ 312,977	\$ -	-312,977	-100.00%
Collective Barg./Non-Union Adj.	\$ 63,512	\$ -	\$ -	\$ -	0	0.00%
Anticip. Local Opt. Taxes for FY 14 CSF	\$ -	\$ -	\$ 1,300,000	\$ 1,300,000	0	0.00%
Total General Fund Expenses	\$ 105,840,566	\$ 116,384,997	\$ 122,741,389	\$ 126,215,735	3,474,345	2.83%
Net Excess / (Deficit)	4,813,677	4,980,772	0	-3,349,952		



Town of Natick

FY 2014 Preliminary Budget

General Fund Revenue/Expenditure Summary





Town of Natick

FY 2014 Preliminary Budget

General Fund Revenue/Expenditure Summary

