



*Town of Natick*

FY 2014 Preliminary Budget

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# **Deficit Reduction Plan & Scenarios**

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# Town of Natick

Home of Champions

FY 2014 Budget Development

## Budget Balancing Plan - March 1st (Version 2.0)

Budget Summary: Current vs. Balanced	Current	Balanced
<b>Revenues</b>	<b>\$ 123,429,358</b>	<b>\$ 123,429,358</b>
<b>Expenses</b>		
Education	\$ 49,833,125	\$ 47,935,204
Municipal (includes Libraries)	\$ 30,245,144	\$ 30,342,274
Shared (Includes Keefe Tech Assessment)	\$ 37,521,645	\$ 37,521,645
Capital	\$ 1,934,180	\$ 1,934,180
Other/Reserves	\$ 5,696,055	\$ 5,696,055
<b>Expenses (Total)</b>	<b>\$ 125,230,148</b>	<b>\$ 123,429,358</b>
<b>Balance (Deficit)</b>	<b>\$ (1,800,790)</b>	<b>\$ -</b>

## Budget Deficit as of 3/1/2013

Education Deficit	\$ (1,897,921)
Municipal Deficit	\$ 97,131
<b>Total Budget Deficit as of 3/1/2013</b>	<b>\$ (1,800,790)</b>

## Balancing Options as of 3/1/2013

Municipal Budget Balancing	Amount	Reduction as %	Current Request (14')	Education Budget Balancing	Amount	Reduction as %	Current Request (14')
Deficit	\$ 97,131	-0.3%	\$ 30,245,144	Deficit	\$ (1,897,921)	3.8%	\$ 49,833,125
Shared Expense Revisions	Already taken into account			Shared Expense Revisions	Already taken into account		
Revenue Enhancements	Already taken into account			Revenue Enhancements	TBD		
Program and Staff Reductions	\$ (97,131)	-0.3%		Program and Staff Reductions	\$ 1,897,921	3.8%	
<b>Balance</b>	<b>\$ -</b>			<b>Balance</b>	<b>\$ -</b>		

## Potential Budget Reduction Options

### Option 1: Shared Expense Revisions

The FY 2014 Preliminary Budget was built with a series of assumptions, especially in the area of Shared Expenses. Final Health Care Premium numbers from the West Suburban Health Group were voted on February 19th, 2013, setting rate increases at 4% for Fy 2013, lower than the 8% forecast in the FY 2014 Budget. This savings has already lowered the budget deficit by more than \$400,000.

### Option 2: Revenue Enhancement

Revenues for the FY 2014 are detailed in Section II of the Preliminary Budget. The Governor announced his FY 2014 local aid proposal as part of his "House 1" recommended budget recommendation in late January. Although the Governor proposed \$1.2 million more in state aid for Natick, we are keeping our initial forecast of level aid after consultation with our legislators.

Local receipts were examined mid-year and have been increased \$100,000 to account for healthy Motor Vehicle Excise collections.

No recommendations are being put forward at this time for fee increases locally.

Only \$400,000 in Free Cash is left unallocated at this time; much of the balance of unallocated free cash as of January 1st has gone to pay for the growing Snow & Ice Deficit.



Budget Balancing Plan - March 1st (Version 2.0)

Option #3: Program and Staff Reductions

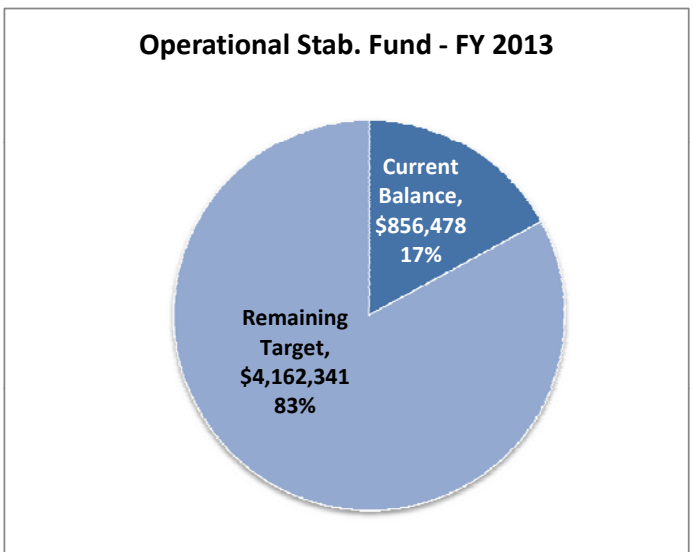
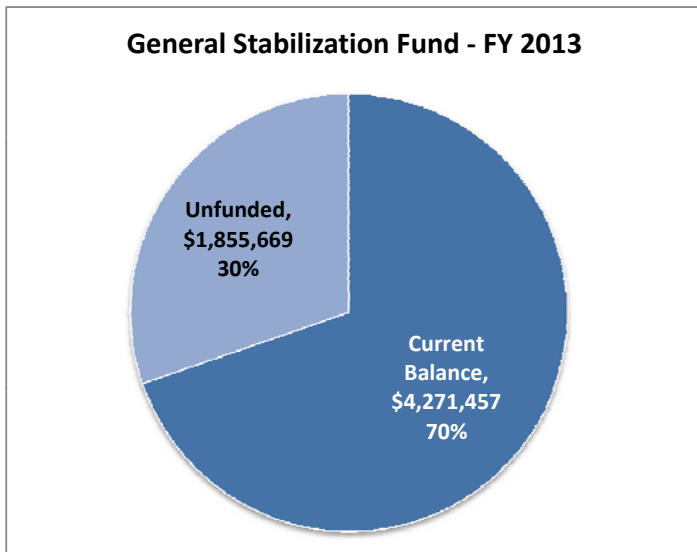
Inevitably, although the budgets put forward represent level-service requests with a modicum of program improvements, the requested budgets will likely not be able to be funded due to a lack of available funds. Program and Staff Reductions may have to be considered, including but not limited to not funding recommended Program Improvement Requests, new positions within the Natick Public Schools, replacement of existing positions and reduction of service to existing programs.

Options Not Considered

No Option #1: Utilization of Town's Reserves

The Town has weathered the Great Recession well over the last several years. We have successfully been able to rebuild critical reserves and begin to create a portfolio of diversified reserves to properly support the Town's financial operations. One option not considered and strongly not recommended to be utilized to close the budget gap in FY 2014 is to use the Town's reserves in the General or Operational Stabilization Funds.

The charts below shows the status of the Town's Stabilization Funds Reserves.



There is also no recommended use of those funds at this time as per the Town's Financial Management Principles. The principles state the following for each fund:

- 1. A General Stabilization Fund should be maintained for the purpose of unforeseen and catastrophic emergencies. It should, at a minimum, be at a level equal to 2% of revenues, with the target being 5% of revenues.

The forecast budget deficit is an annual occurrence, and is not an unforeseen and catastrophic emergency - therefore it does not meet the definition for using the General Stabilization Fund.



**Budget Balancing Plan - March 1st (Version 2.0)**

2. An Operational Stabilization Fund should be maintained for the purpose of augmenting operations in case of **sustained economic downturn and associated loss of revenues in support of operations. Sustained economic downturn will be any situation whereby State Aid and/or local receipts are significantly reduced from one-year to the next.** ("Significantly" being defined as more than 5% of the total for the respective revenue category.) The target amount of money in the Operational Stabilization Fund should be sufficient to sustain operations through a three-year period of economic downturn. This shall be equivalent to 10% of State Aid Revenues and 5% of Estimated Receipts cumulative for a three-year period.

The forecast budget deficit is a result of forecasting revenues and expenses. The revenue estimates assume level-funded amounts of State Aid and Local Receipts. Since no reduction in state aid and local receipts are forecast in FY 2014, the budget deficit does not meet the definition for using the Operational Stabilization Fund.

Utilization of the Town's Stabilization's Funds for FY 2014 is limited to the Capital Stabilization Fund, whereby nearly \$2.5 Million is being proposed to support cash capital expenditures, reduce the burden of the High School and Community/Senior Center on Natick's taxpayers and subsidize the within-levy debt service budget in FY 2014.

## Changes since January 2

	<u>2-Jan</u>	<u>25-Feb</u>	<u>Difference</u>	
<b>Revenues</b>				
Tax Levy	\$ 91,804,040	\$ 91,804,040	\$ -	
State Aid	\$ 11,657,952	\$ 11,657,952	\$ -	
Estimated Receipts	\$ 10,596,175	\$ 10,696,750	\$ 100,575	Increase in MV Excise based upon first commitment for FY 2013. Economic Factor no longer necessary [2/25]
Local Option Taxes*	\$ 1,300,000	\$ 1,300,000	\$ -	
Other Local Receipts				
Indirects	\$ 2,355,825	\$ 2,355,825	\$ -	
Free Cash	\$ 1,750,000	\$ 2,200,000	\$ 450,000	Additional FC necessary for Snow & Ice costs [2/25]
Stabilization Fund (s)	\$ 2,620,259	\$ 2,633,259	\$ 13,000	Increased use of Capital SF for FY 2014 Capital budget
Overlay Surplus	\$ 500,000	\$ 500,000	\$ -	
Other Available Funds	\$ 281,532	\$ 281,532	\$ -	
<b>Total General Fund Revenues</b>	<b>\$ 122,865,783</b>	<b>\$ 123,429,358</b>	<b>\$ 563,575</b>	

### General Fund Expenses

Education & Learning				
Natick Public Schools	\$ 50,496,734	\$ 49,833,125	\$ (663,609)	Elimination of 7 new hire requests as well as additional retirements and revolver offsets. [2/25]
Keefe Tech	\$ 1,335,194	\$ 1,291,338	\$ (43,856)	Actual preliminary assessment from Keefe Tech [2/12]
Morse Institute Library	\$ 1,936,053	\$ 1,965,777	\$ 29,724	Addition of full-time Young Adult Librarian (add .51 FTE)
Bacon Free Library	\$ 139,582	\$ 139,582	\$ -	
Public Safety				
Police	\$ 6,299,223	\$ 6,439,320	\$ 140,097	Add of .5 FTE Deputy Police Chief (\$62,500) and settlement of Superior Officers Contract (\$77,597) [2/12]
Fire	\$ 7,459,158	\$ 7,504,158	\$ 45,000	Add of Public Safety Education Program Improvement Request (\$45,000) [2/11]
Public Works				
Highway	\$ 2,892,902	\$ 2,853,435	\$ (39,467)	Elimination of 1 new DPW Laborer for in-house recycling [2/11]
Health & Human Services				
Council on Aging	\$ 1,976,295	\$ 1,982,921	\$ 6,626	
	\$ 478,029	\$ 484,655	\$ 6,626	Minor corrections to 4 positions (merit, contract adj., steps) [2/19]
Administrative Support Services	\$ 5,075,013	\$ 4,937,416	\$ (137,597)	

## Changes since January 2

	<u>2-Jan</u>	<u>25-Feb</u>	<u>Difference</u>	
Selectmen	\$ 1,168,695	\$ 1,081,098	\$ (87,597)	Elimination of Surveys (10,000) and Transfer to Police for settlement of Superior's Contract (\$77,597) [2/12]
Information Technology	\$ 1,046,725	\$ 996,725	\$ (50,000)	Reduction of duplicative requests [1/31]
Committees	\$ 26,060	\$ 26,060	\$ -	
Shared Expenses				
Fringe Benefits	\$ 16,137,960	\$ 15,488,574	\$ (649,386)	
Reduction of Health Care Rates	\$ 12,650,499	\$ 12,292,394	\$ (358,105)	Rates reduced from 8% to 4% inc. [WSHG - 2/19]
Modification of New Requests	\$ 433,534	\$ 322,253	\$ (111,281)	Total new hires down from 34 to 26.5 [2/25]
Reduction of Safety Nets	\$ 473,000	\$ 310,000	\$ (163,000)	Based on actual utilization [2/25]
Add Long-Term Disability	\$ -	\$ 18,000	\$ 18,000	LTD for Non-Union Emp (Elim. Of Sick Leave buy-Back post 5-years) [2/25]
Reduce Buy-out Allocations	\$ 200,000	\$ 165,000	\$ (35,000)	Police (\$10,000) and DPW (\$25,000) reduction [2/25]
Prop & Liab. Insurance	\$ 588,175	\$ 588,175	\$ -	
Retirement	\$ 6,610,068	\$ 6,610,068	\$ -	
Debt Services	\$ 10,587,531	\$ 10,587,531	\$ -	
Reserve Fund	\$ 400,000	\$ 300,000	\$ (100,000)	Reduction of \$100,000 due to completion of H.S. project
Facilities Management	\$ 2,687,078	\$ 2,655,958	\$ (31,120)	Reduction of duplicative requests [2/25]
<b>General Fund Oper. Expenses</b>	<b>\$ 119,043,500</b>	<b>\$ 117,599,913</b>	<b>\$ (1,443,587)</b>	
Capital Improvements	\$ 1,921,180	\$ 1,934,180	\$ 13,000	Revisions to FY 2014 Capital Budget
School Bus Transportation	\$ 350,243	\$ 350,243	\$ -	
State & County Assessments	\$ 1,524,561	\$ 1,524,561	\$ -	
Cherry Sheet Offsets	\$ 239,005	\$ 239,005	\$ -	
Tax Title	\$ -	\$ -	\$ -	
Snow Removal Supplement	\$ 350,000	\$ 800,000	\$ 450,000	Current Snow Overdraft \$800K - \$350K already built into FY 2014 budget.
Overlay	\$ 1,150,000	\$ 1,150,000	\$ -	
Golf Course Deficit	\$ 337,246	\$ 332,246	\$ (5,000)	Lower operating costs due to refinanced debt
Anticip. Local Opt. Taxes for FY 14 CSF	\$ 1,300,000	\$ 1,300,000	\$ -	
<b>Total General Fund Expenses</b>	<b>\$ 126,215,735</b>	<b>\$ 125,230,148</b>	<b>\$ (985,587)</b>	
<b>Net Excess / (Deficit)</b>	<b>\$ (3,349,952)</b>	<b>\$ (1,800,790)</b>	<b>\$ 1,549,162</b>	

## Additional New Hires Proposed in FY 2014 Budget

Release Date:

3/4/2013

<u>Position</u>	<u>FTE added</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>	<u>Approvals</u>
<b><u>Municipal</u></b>					
Laborer	1.0	\$ 38,652	\$ 12,131	\$ 50,783	BOS, FC
Laborer	1.0	\$ 38,652	\$ 12,131	\$ 50,783	BOS, FC
Benefit/Payroll Specialist	1.0	\$ 50,192	\$ 12,131	\$ 62,323	BOS, FC
Information/Communication Specialist	1.0	\$ 50,192	\$ 12,131	\$ 62,323	BOS, FC
Deputy Police Chief	0.5	\$ 62,500	\$ 6,066	\$ 68,566	BOS, FC
Special Needs Coordinator	0.8	\$ 33,408	\$ 12,131	\$ 45,539	BOS, FC
Young Adult Librarian	0.5	\$ 29,724	\$ 12,131	\$ 41,855	FC
<i>Economic Development Officer*</i>	1.0	\$ 85,000	\$ 12,131	\$ 97,131	None 2/28
<b>Totals</b>	<b>6.8</b>	<b>\$ 388,320</b>	<b>\$ 90,983</b>	<b>\$ 479,303</b>	
<b><u>School</u></b>					
Elementary IT	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Elementary Math Interventionist	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Kennedy Soc. Stud. Teacher Grade 6	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Wilson Guidance Counselor	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Wilson Music	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS English Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Fine and Performing Arts Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Foreign Lanugage Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Guidance Counselor	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Math Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
PE/Health/Wellness Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
NHS Science Teacher	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
ELL (Kennedy & Brown)	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Nurse (NHS & Wilson)	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Speech & Language Pathology	0.6	\$ 30,000	\$ 12,131	\$ 42,131	
ABA Technician	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Learning Center Teachers HS	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
School Psychologist	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Elementary Technology Technician	1.0	\$ 50,000	\$ 12,131	\$ 62,131	
Additional positions	1.7	\$ 89,845	\$ -	\$ 89,845	
<b>Totals</b>	<b>20.3</b>	<b>\$ 1,019,845</b>	<b>\$ 230,489</b>	<b>\$ 1,250,334</b>	
<b><u>Shared Expenses</u></b>					
Maintenance Tech IV	1.0	\$ 50,000	\$ 12,131	\$ 62,131	None 2/28
<b>Totals</b>	<b>1.0</b>	<b>\$ 50,000</b>	<b>\$ 12,131</b>	<b>\$ 62,131</b>	
<b>Totals Town-wide</b>	<b>28.1</b>	<b>\$ 1,458,165</b>	<b>\$ 333,603</b>	<b>\$ 1,791,768</b>	

\*EDO position is NOT included in current budget projections - either municipal budgets nor fringe benefits. It is the last remaining proposed addition on the municipal side which may come before the Finance Committee.

## Free Cash Spenddown Proposal

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<u>Item</u>	<u>Amount</u>	<u>Rationale</u>
Certified Free Cash as of 7/1/2012	\$ 6,791,984	Certified by DOR on 9/19/2012
.5% of G/F Revenue Set-Aside	\$ (614,213)	As per Financial Policies
<b><u>2013 Spring Town Meeting</u></b>		
OPEB Stabilization Fund	\$ (224,217)	Amount received from WSHG for 2008 Medicare Part D Reimbursement
<b><u>FY 2014 Budget</u></b>		
FY 2014 Starting Operating Budget	\$ (1,500,000)	Standard from Free Cash for next years Operating Budget
FY 2014 Subsidy for HS & C-SC Projects	\$ (250,000)	Increased to lower taxpayer cost of projects in FY 14
FY 2013 Snow & Ice Deficit	\$ (450,000)	Current Snow Overdraft \$800K - \$350K already built into FY 2014 budget.
<b><u>2012 Fall Town Meeting</u></b>		
Article 3: Transfer of FY 2012 Local Option Taxes to CSF	\$ (1,275,551)	As per Financial Policies
Article 3: Additional Capital SF Contribution	\$ (2,000,000)	To accommodate future Capital Needs
Article 12: Community Senior Center Project	\$ (22,216)	Redistribution of contributions to the project
Article 13: High School Project	\$ (15,858)	Redistribution of contributions to the project
Article 17: Transfer of Funds to Conservation Fund for Trails Construction and Improvement	\$ (50,065)	Transfer of funds receive from citations issued to development by the Planning Board to use for trails construction and improvements.
<b>Remaining Unallocated Balance</b>	<b>\$ 389,864</b>	





#### Ground Rules: How each side agrees to close their respective gaps

In addition to the model shown on the last page, these ground rules were agreed to by the Financial Planning Committee last year. These are subject to change and will be reviewed by policymakers in early 2013 should changes be necessary.

1. Changes to revenues will be made to Step 1: Reconciliation as more information becomes available. This will result in either a positive or negative effect – which will be split by both sides as per the allocation model methodology.
2. If there are budget reductions made to the Shared Expense budget, these “savings” will be split according to the methodology between the General Government and Education components except under the following situation:
  - Any benefit savings resulting from personnel reductions will remain with Shared Expenses for the purpose of paying said personnel’s unemployment costs.
3. For any net new positions added in FY2014, the cost of benefits (health insurance, Medicare, workers compensation) is the responsibility of the proposing agency.
4. Any reductions in capital or other expenses will be split according to the methodology on the same prorated basis that revenues are shared.
5. If the Board of Selectmen or School Committee increases a specific fee-for-service in FY2012 that is greater than the fee or charge in FY2011, with the exception of fees for trash bags, those revenues will remain with the respective General Government or Education budget and reduce any budget shortfall on a dollar-for-dollar basis.
6. Changes in Chapter 70 or Unrestricted General Government Aid (UGGA): If Chapter 70 Aid and Unrestricted General Government Aid (UGGA) are both increased over the prior year, 100% of the increase in Chapter 70 Aid will be allocated to the Schools, and 100% of the increase in UGGA will be allocated to the General Government for the fiscal year. If one is increased but the other is decreased, the deficit will be made up by the increase and any remaining increase will be allocated to the side that was increased. If both remain the same or are decreased from the prior year, no changes will be made. For subsequent fiscal years, all State Aid from prior years will be considered part of total revenues. This rule applies only to Chapter 70 Aid and UGGA.
7. This Revenue Split procedure is a starting point for budgeting purposes, and is not required to be the end point for any specific budget year.



# Town of Natick

*Home of Champions*

FY 2014 Budget Development

## FY 2014 Revenue Split

Since FY 2010, the distribution of revenues and the division of budget deficits has been governed in Natick through the use of the following "Split" methodology.

### Methodology:

#### **Step 1: Revenue & Expenses Reconciliation**

The first of three steps in this model is to determine the amount of incremental revenue available to all

1. The allocation model starts by taking the total general fund revenues as projected by the Town Administrator as of January 1, 2013.
2. Next, the allocation model uses the FY2013 General Government and Education budgets as adopted at the Fall 2012 Annual Town Meeting.
3. Finally, the incremental revenue is determined by the following formula:

**Start:** Total projected FY2014 General Fund Revenue

- Less:**
- a) FY2013 School budget as approved by the Fall ATM
  - b) FY2013 General Government budget as approved by the Fall ATM
  - c) FY2014 Shared Expenses
  - d) FY2014 Capital
  - e) FY2014 Budget for other fixed costs/assessments/etc.

**Equals: Balance allocated to the General Government and Education**

#### **Step 2: Split**

As stated above, the allocation model uses the FY2013 General Government and Education budgets as adopted at the Fall 2012 Annual Town Meeting. That split, 60.9% to the schools and 39.1% to the municipal departments, is then applied to the incremental revenue. This year, that results in an apportionment of the incremental deficit, as detailed on the last page.

#### **Step 3: Final Deficit Determination**

The final step in the splitting process is to add to the incremental revenues to each respective sides requested budgetary increase over the previous fiscal year.



# Town of Natick

Home of Champions

FY 2014 Budget Development

## Budget Balancing Plan - March 1st (Version 2.0)

Purpose: To divide revenues according to current expense allocation

### Step 1: Reconciliation

Total FY 2014 General Fund Revenue		\$	123,429,358
Less FY 2013 Education	\$	46,558,714	
Less FY 2013 Municipal*	\$	29,835,289	
Less FY 2014 Shared**	\$	37,212,304	
Less FY 2014 Capital	\$	1,934,180	
Less FY 2014 Other/Reserves	\$	5,696,055	

**Incremental Revenue** \$ 2,192,816

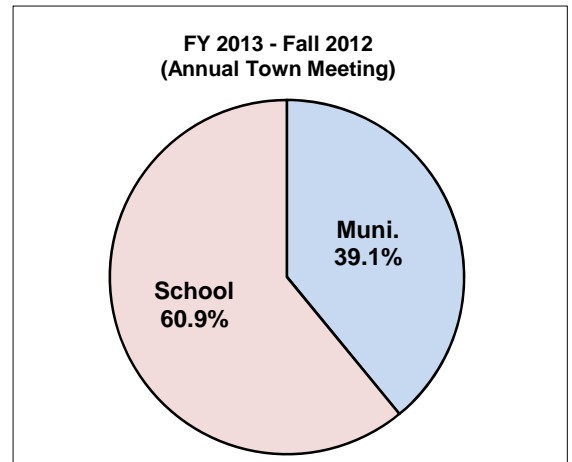
\* Includes Libraries

\*\* Includes Keefe Tech

### Step 2: Split

FY 2013 - Fall 2012 (Annual Town Meeting)

Municipal	\$	29,835,289	39.1%
School	\$	46,558,714	60.9%
<b>Total</b>	<b>\$</b>	<b>76,394,003</b>	<b>100.0%</b>



Incremental Revenue \$ 2,192,816

Municipal Split (39.1%) \$ 856,393  
**Municipal Revenues for 2014** **\$ 856,393**

School Split (60.9%) \$ 1,336,423  
**School Revenues for 2014** **\$ 1,336,423**

### Step 3: Deficit Determination

Municipal Request Increment	\$	(409,855)
Add Municipal Added Position Benefit	\$	(78,852)
Less Incremental Revenues	\$	856,393
Transfer of Municipal Surplus	\$	(270,556)
<b>Municipal Deficit</b>	<b>\$</b>	<b>97,131</b>

School Request Increment	\$	(3,274,411)
Add School Added Position Benefits	\$	(230,489)
Less Incremental Revenues	\$	1,336,423
Transfer of Municipal Surplus	\$	270,556
<b>Education Deficit</b>	<b>\$</b>	<b>(1,897,921)</b>

**Balance as of 3/1**  
**\$ (1,800,790)**



# *Town of Natick*

FY 2014 Preliminary Budget

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