



Town of Natick

Financial Indicators

**Indicator Analysis, Fiscal Years 2003-2012
Projections & Estimates, Fiscal Year 2013-2015**



Town of Natick

Financial Indicators

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Introduction

This series of indicators are 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 2014 Budget Process & Issues

This material is intended to provide policymakers with an informed snapshot of where Natick stands financially heading into the FY 2014 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, 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, as well as 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, personnel costs, debt service levels (both as a percentage of operating revenues and per capita) and reserve levels.
- Natick has marginal and uncertain levels of State Aid, revenues related to economic growth, benefit expenditures, amounts of capital investment, reserve levels, and reliance upon one-time revenues.
- Natick has unfavorable expenditures per household and pension liabilities

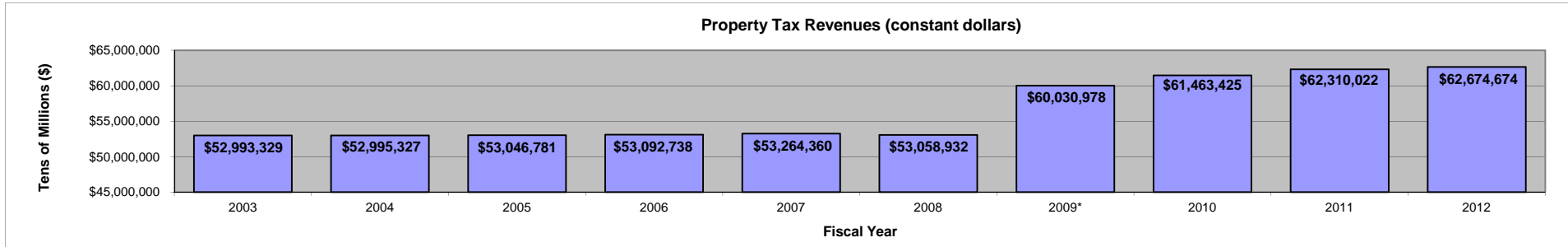
These measures indicate that, overall, the Town has performed at a high level worthy of its AAA Credit Rating (from Standard & Poor's), but that continued maintenance of that rating relies upon maintaining favorable trends, addressing unfavorable trends, reducing future liabilities and continuing to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

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	2003	2004	2005	2006	2007	2008	2009*	2010	2011	2012
Property Tax Levy Collections**	\$ 54,105,235	\$ 55,565,671	\$ 58,481,406	\$ 61,127,172	\$ 62,193,155	\$ 64,432,962	\$ 72,649,672	\$ 76,171,856	\$ 79,159,166	\$ 85,587,087
Less: debt exclusions**	\$ (639,000)	\$ (317,000)	\$ (1,313,405)	\$ (1,540,676)	\$ (1,031,410)	\$ (960,274)	\$ (937,705)	\$ (918,361)	\$ (894,180)	\$ (5,057,862)
Net Property Tax Revenues	\$ 53,466,235	\$ 55,248,671	\$ 57,168,001	\$ 59,586,496	\$ 61,161,745	\$ 63,472,688	\$ 71,711,967	\$ 75,253,495	\$ 78,264,986	\$ 80,529,225
CPI-U, 2002 base year***	192.2	198.6	205.3	213.8	218.7	227.9	227.6	233.2	239.3	244.8
CPI-U, adjustment for constant dollars	99.1%	95.9%	92.8%	89.1%	87.1%	83.6%	83.7%	81.7%	79.6%	77.8%
Property Tax Revenues (constant dollars)	\$ 52,993,329	\$ 52,995,327	\$ 53,046,781	\$ 53,092,738	\$ 53,264,360	\$ 53,058,932	\$ 60,030,978	\$ 61,463,425	\$ 62,310,022	\$ 62,674,674
Percent increase over prior year (constant dollars)	1.0%	0.0%	0.1%	0.1%	0.3%	-0.4%	13.1%	2.4%	1.4%	0.6%

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](#), Tax Recaps, FY 2012 Town of Natick 4th Quarter Revenue Report

***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, while enhancing the Town's ability to deliver services, must be weighed against their impact on taxpayers ability to pay.

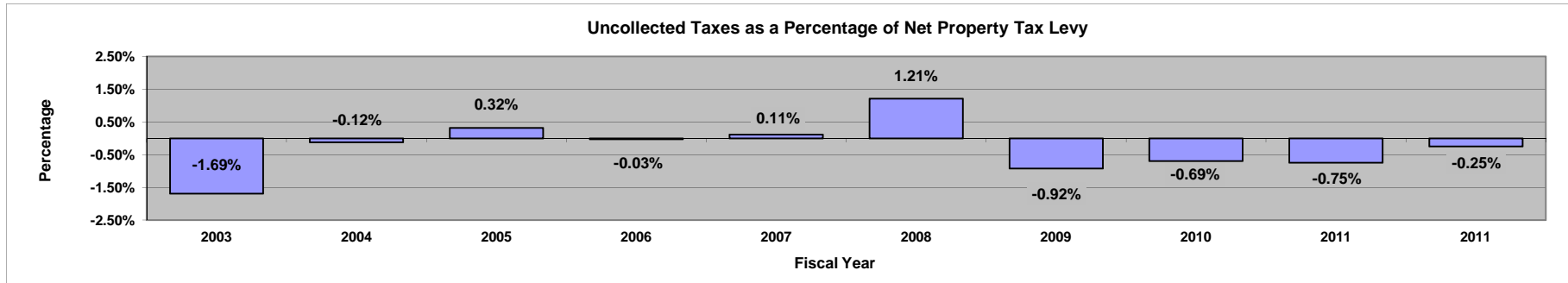
This analysis shows that the only significant increases in constant dollars from year to year occurred when overrides were passed by Natick citizens. The good news: Property tax revenues are steady and reliable. The bad news: They do not grow faster than inflation, and only grow when citizens are willing 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
Property Tax Levy Limit	\$ 54,138,834	\$ 55,923,830	\$ 58,850,705	\$ 61,169,262	\$ 62,839,514	\$ 65,186,660	\$ 73,027,965	\$ 76,971,074	\$ 79,684,141	\$ 86,502,701
Reserved for Abatements & Exemptions	\$ 1,090,891	\$ 1,073,347	\$ 988,493	\$ 1,049,572	\$ 1,240,811	\$ 1,003,911	\$ 1,039,144	\$ 1,321,477	\$ 1,112,323	\$ 1,128,592
Net Property Tax Levy	\$ 53,047,943	\$ 54,850,483	\$ 57,862,212	\$ 60,119,690	\$ 61,598,703	\$ 64,182,749	\$ 71,988,821	\$ 75,649,597	\$ 78,571,818	\$ 85,374,109
Uncollected Taxes as of June 30	\$ (898,130)	\$ (64,749)	\$ 183,006	\$ (15,470)	\$ 68,333	\$ 774,703	\$ (660,851)	\$ (522,259)	\$ (587,348)	\$ (212,978)
Uncollected Taxes as a Percentage of Net Property Tax Levy	-1.69%	-0.12%	0.32%	-0.03%	0.11%	1.21%	-0.92%	-0.69%	-0.75%	-0.25%

Source: Town of Natick Operating Statements, 2002-2011, Tax Rate Recapitulation Worksheets for Fiscal 2012, Massachusetts Department of Revenue

Uncollected Property Taxes:

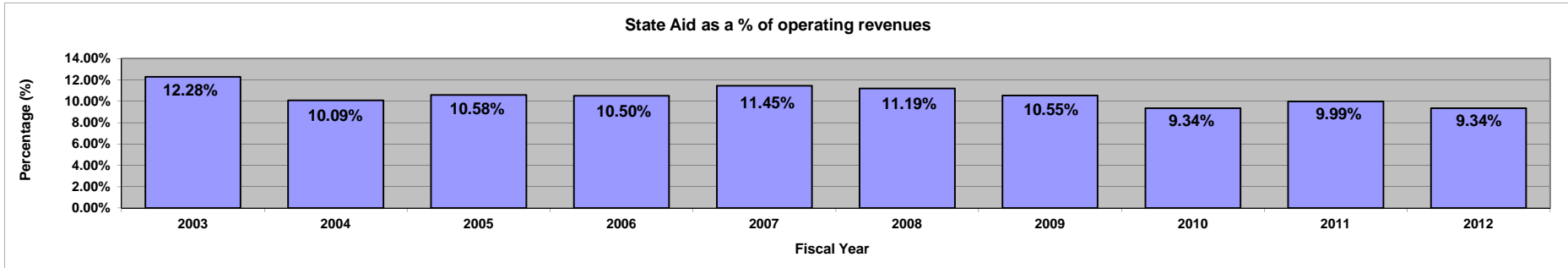
An increase in uncollected property taxes may indicate an inability by property owners to pay their taxes due to economic conditions. Additionally, as uncollected property taxes rise, liquidity decreases, resulting in less cash on hand for the Town to invest. Bond rating organizations generally consider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

Fiscal Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Operating Revenues	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 103,919,727	\$ 108,155,927	\$ 112,768,437
State Aid Revenues	\$ 11,345,247	\$ 9,806,856	\$ 10,390,668	\$ 10,714,907	\$ 12,078,231	\$ 14,845,086	\$ 11,576,985	\$ 10,619,913	\$ 11,719,198	\$ 11,449,436
Less: School Building Reimbursements	\$ 1,475,035	\$ 1,461,337	\$ 1,369,707	\$ 1,369,707	\$ 1,369,707	\$ 3,659,335	\$ 916,839	\$ 916,839	\$ 916,839	\$ 916,839
Net State Aid Revenues	\$ 9,870,212	\$ 8,345,519	\$ 9,020,961	\$ 9,345,200	\$ 10,708,524	\$ 11,185,751	\$ 10,660,146	\$ 9,703,074	\$ 10,802,359	\$ 10,532,597
State Aid as a % of operating revenues	12.28%	10.09%	10.58%	10.50%	11.45%	11.19%	10.55%	9.34%	9.99%	9.34%

Notes:

Source(s): State Aid "Cherry Sheets", FY 2003-2012
Town of Natick Town Reports, Report to Assessors of Certain Receipts as per M.G.L.Ch. 42, Sec. 59A., 2002-2010

State Aid:

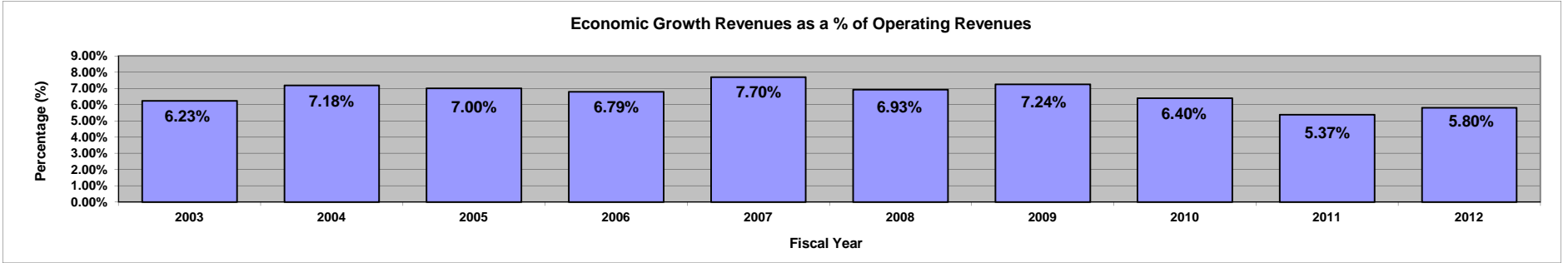
A constant area of concern for municipalities in Massachusetts is the level of State Aid which they receive. Many mandates - funded and unfunded - come from Beacon Hill to local governments and the challenge to enforce, implement and help citizens understand them falls to the municipalities. Designed 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.

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

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (non-exempt) operating revenues	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 103,919,727	\$ 108,155,927	\$ 112,768,437
Building Related Fees & Permits	\$ 742,483	\$ 736,731	\$ 929,897	\$ 1,273,145	\$ 2,614,468	\$ 1,869,533	\$ 740,772	\$ 761,862	\$ 1,125,848	\$ 1,615,473
Motor Vehicle Excise	\$ 3,681,214	\$ 4,449,072	\$ 4,461,799	\$ 4,113,124	\$ 3,937,055	\$ 4,174,230	\$ 4,187,040	\$ 3,739,367	\$ 3,931,401	\$ 4,082,872
Levy Growth	\$ 585,454	\$ 756,915	\$ 578,202	\$ 657,677	\$ 646,694	\$ 883,280	\$ 2,395,360	\$ 2,147,515	\$ 752,536	\$ 846,384
Total: Economic Growth Revenues	\$ 5,009,150	\$ 5,942,718	\$ 5,969,898	\$ 6,043,946	\$ 7,198,217	\$ 6,927,043	\$ 7,323,172	\$ 6,648,744	\$ 5,809,785	\$ 6,544,729
Economic Growth Revenues as a % of Operating Revenues	6.23%	7.18%	7.00%	6.79%	7.70%	6.93%	7.24%	6.40%	5.37%	5.80%

Sources: Building Related Fees & Permits, FY 2003-2012, Town of Natick, Town Reports, 2002-2011.
Tax Recapitulation Worksheets, FY 2003-2012.

Notes:

Building Related Fees & Permits inclusive of all Alterations, Building, Wiring, Gas & Plumbing permits, FY 2003-2012.

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

Revenues Related to Economic Growth:

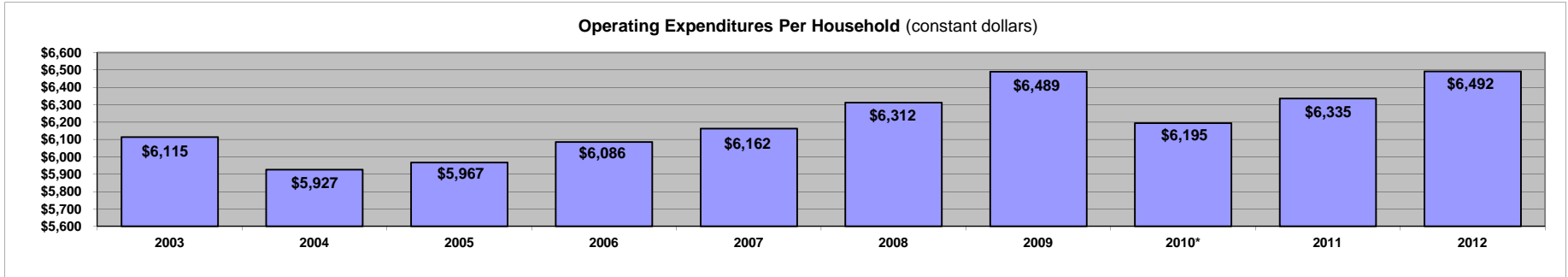
Revenues related to economic growth include construction related revenues such as permit fees and new tax levy growth resulting from new construction and certain retail related revenues such as motor vehicle excise taxes. A decrease in building permit fees may be a leading indicator of smaller future increases in the tax levy. Despite the inherent nature of this indicator to fluctuate with the economy, inflation and other influences, Natick has been 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 most of this economic growth has been largely attributable to non-residential development, thus creating less demand for expanded municipal services. Fortunately, the three most recent fiscal years indicate a mixed picture - that overall revenues attributable to economic growth have decreased since 2009, but may have bottomed out in FY 2011 and begun a rebound in FY 2012. Lower revenues attributable to economic growth could foreshadow lower tax levy growth in the future fiscal years. The mixed results of the last three years are why this indicator is trending marginal.

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 resulting in tax levy growth related to the Natick Collection development, and 2) the uncertain nature of future new or redeveloped construction projects within Natick. Positively for Natick Motor Vehicle Excise revenue has remained steady, which is unusual compared to most communities in the Commonwealth during the Great Recession.



Expenditures per Household

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



Formula: $\text{Net Operating Expenditures and Transfers (constant dollars) / Households}$

Fiscal year	2003	2004	2005	2006	2007	2008	2009	2010*	2011	2012
Education	\$ 32,306,544	\$ 33,403,060	\$ 34,253,613	\$ 35,837,412	\$ 37,412,534	\$ 40,905,762	\$ 44,067,023	\$ 42,391,575	\$ 44,664,342	\$ 46,629,721
Municipal	\$ 21,920,884	\$ 21,690,987	\$ 22,984,066	\$ 24,034,484	\$ 24,815,371	\$ 26,085,897	\$ 26,120,538	\$ 25,920,487	\$ 27,998,158	\$ 27,465,028
Shared Expenses (Benefits, Debt)	\$ 21,035,568	\$ 20,366,034	\$ 21,585,211	\$ 24,224,319	\$ 25,183,676	\$ 26,579,006	\$ 25,891,004	\$ 27,784,481	\$ 28,536,051	\$ 32,704,942
Total Operating Expenses	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 96,078,565	\$ 96,096,543	\$ 101,198,551	\$ 106,799,691
CPI-U, 2000 base year	192.2	198.6	205.3	213.8	218.745	227.889	227.568	233.241	239.279	244.769
CPI-U, adjustment for constant dollar	99.1%	95.9%	92.8%	89.1%	87.1%	83.6%	83.7%	81.7%	79.6%	77.8%
Operating Expenses (cons. doll.)	\$ 74,597,298	\$ 72,382,404	\$ 73,140,578	\$ 74,931,380	\$ 76,124,739	\$ 78,218,833	\$ 80,428,560	\$ 78,487,022	\$ 80,568,391	\$ 83,120,580
Households	12,200	12,213	12,258	12,313	12,354	12,393	12,394	12,670	12,718	12,804
Oper. Exp. Per Household	\$ 6,115	\$ 5,927	\$ 5,967	\$ 6,086	\$ 6,162	\$ 6,312	\$ 6,489	\$ 6,195	\$ 6,335	\$ 6,492

Source: Town of Natick, Town Reports, 2002-2011 & Comptroller's FY 2012 4th Qtr GF Expenditure Reports.

*Note: FY 2010 Education spending lower than previous years in part to ARRA allocation. Costs attributed to grant funds, not tax levy.

Expenditures per Household:

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

Natick Trend	
favorable	
marginal	
unfavorable	x
uncertain	

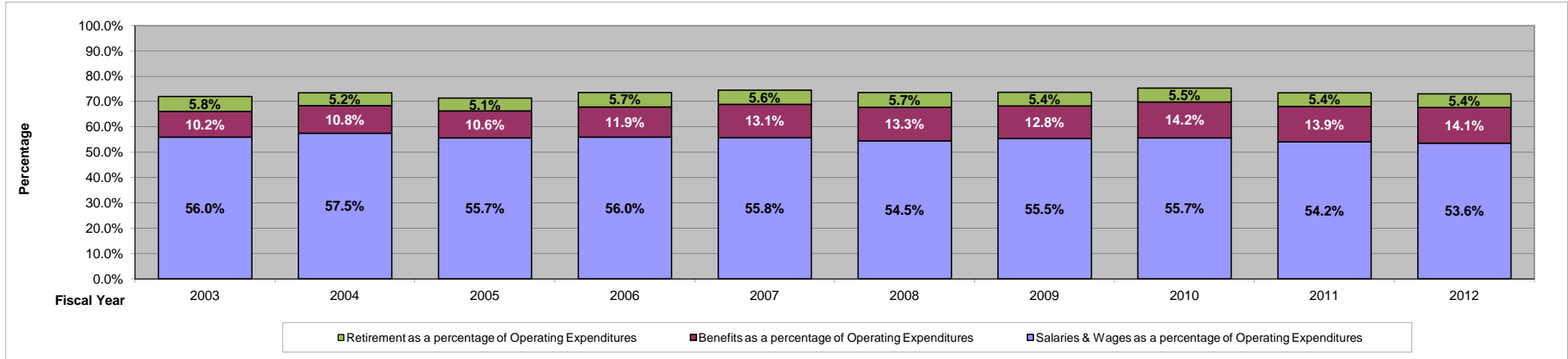
This indicator tells a mixed but unfavorable message for the Town of Natick. On the one hand, revenues have kept pace with expenses (because of the need to have a balanced budget they must.) But, in recent years, recurring revenues have been supplemented with one-time revenues in order to meet expenses. On the other hand, operating expenses in constant dollars have increased per household only 6.16% since 2003, or an average of less than 1% annually.

The trend within the trend worth further examining is which sections of the budget have witnessed the greatest percentage increase since 2001. 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. It is important to note that FY 2012 expenditures per household (in constant dollars) are just \$3.00 more than in FY 2009.



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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Expenditures	\$ 75,262,996	\$ 75,460,081	\$ 78,822,891	\$ 84,096,215	\$ 87,411,581	\$ 93,570,665	\$ 96,078,565	\$ 96,096,543	\$ 101,198,551	\$ 106,799,691
Municipal Wages	\$ 16,609,585	\$ 16,856,565	\$ 16,964,540	\$ 17,714,578	\$ 18,304,206	\$ 19,098,039	\$ 19,794,936	\$ 19,295,237	\$ 20,072,596	\$ 21,210,380
School Wages	\$ 25,562,431	\$ 26,562,345	\$ 26,970,396	\$ 29,411,268	\$ 30,490,144	\$ 31,911,758	\$ 33,536,531	\$ 34,229,540	\$ 34,726,652	\$ 36,030,524
Benefits	\$ 7,652,132	\$ 8,185,461	\$ 8,345,688	\$ 10,019,946	\$ 11,474,218	\$ 12,486,833	\$ 12,293,905	\$ 13,660,686	\$ 14,106,467	\$ 15,076,350
Pensions	\$ 4,371,840	\$ 3,896,861	\$ 4,024,827	\$ 4,757,724	\$ 4,931,096	\$ 5,376,574	\$ 5,154,961	\$ 5,243,247	\$ 5,475,739	\$ 5,717,032
Total Wage & Benefit Costs	\$ 54,195,988	\$ 55,501,232	\$ 56,305,451	\$ 61,903,516	\$ 65,199,663	\$ 68,873,204	\$ 70,780,333	\$ 72,428,710	\$ 74,381,454	\$ 78,034,286
Salaries & Wages as a percentage of Operating Expenditures	56.0%	57.5%	55.7%	56.0%	55.8%	54.5%	55.5%	55.7%	54.2%	53.6%
Benefits as a percentage of Operating Expenditures	10.2%	10.8%	10.6%	11.9%	13.1%	13.3%	12.8%	14.2%	13.9%	14.1%
Retirement as a percentage of Operating Expenditures	5.8%	5.2%	5.1%	5.7%	5.6%	5.7%	5.4%	5.5%	5.4%	5.4%
Total Wage & Benefit Costs as a percentage of Operating Expenditures	72.0%	73.6%	71.4%	73.6%	74.6%	73.6%	73.7%	75.4%	73.5%	73.1%

Source: Town of Natick, Town Reports, FY 2002-2010 & Comptroller's FY 2011 4th Qtr GF Expenditure Reports.

Personnel Costs:

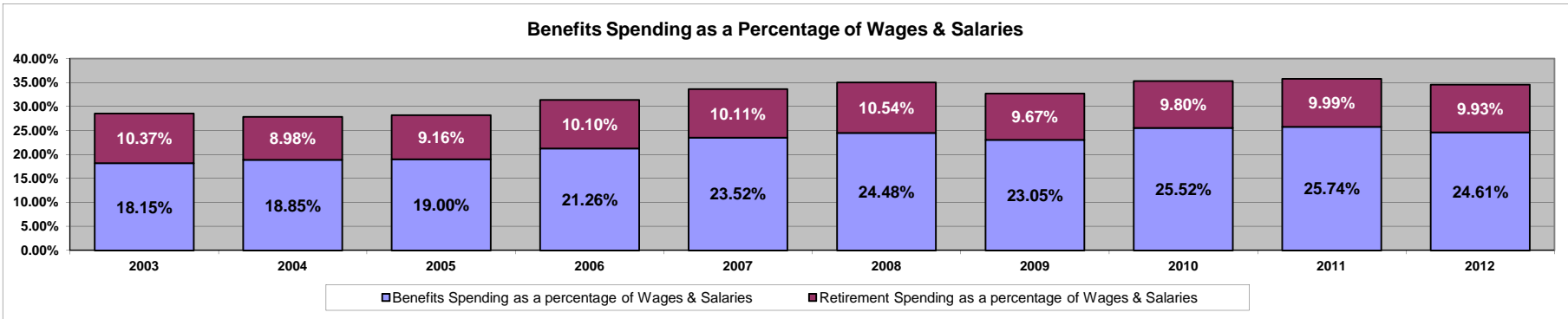
Increasing salaries and wages as a percent of operating expenditures may be an indicator of two trends: 1) First, it may point to future pension and health insurance costs since both of these items are related to the number and compensation level of employees. 2) Second, if salaries and wages as a percent of operating expenditures are increasing, it may be an indicator that the Town is not adequately funding its capital needs or of deferred maintenance of the Town's infrastructure.

Total labor costs have increased since 2003 by 1.1%, and 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 has allowed policymakers to adjust budgeting and goal setting with a limited impact to services. The increase over that time was in the cost of benefits. The combination of health care concessions in the last and in some current labor contracts and overall slowing in health care cost increases in FY 2012 and FY 2013 has resulted in a drop in overall personnel costs over the last three fiscal years.

Natick Trend	
favorable	x
marginal	
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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Medical Benefits	\$ 7,652,132	\$ 8,185,461	\$ 8,345,688	\$ 10,019,946	\$ 11,474,218	\$ 12,486,833	\$ 12,293,905	\$ 13,660,686	\$ 14,106,467	\$ 14,128,376	
Retirement Benefits	\$ 4,371,840	\$ 3,896,861	\$ 4,024,827	\$ 4,757,724	\$ 4,931,096	\$ 5,376,574	\$ 5,154,961	\$ 5,243,247	\$ 5,475,739	\$ 5,701,675	
Wages & Salaries - Municipal	\$ 16,609,585	\$ 16,856,565	\$ 16,964,540	\$ 17,714,578	\$ 18,304,206	\$ 19,098,039	\$ 19,794,936	\$ 19,295,237	\$ 20,072,596	\$ 21,343,166	
Wages & Salaries - Schools	\$ 25,562,431	\$ 26,562,345	\$ 26,970,396	\$ 29,411,268	\$ 30,490,144	\$ 31,911,758	\$ 33,536,531	\$ 34,229,540	\$ 34,726,652	\$ 36,057,866	
Total Wages & Salaries	\$ 42,172,016	\$ 43,418,910	\$ 43,934,936	\$ 47,125,846	\$ 48,794,350	\$ 51,009,797	\$ 53,331,467	\$ 53,524,777	\$ 54,799,248	\$ 57,401,032	
Benefits Spending as a percentage of Wages & Salaries	18.15%	18.85%	19.00%	21.26%	23.52%	24.48%	23.05%	25.52%	25.74%	24.61%	
Retirement Spending as a percentage of Wages & Salaries	10.37%	8.98%	9.16%	10.10%	10.11%	10.54%	9.67%	9.80%	9.99%	9.93%	
Total Benefits Spending as % of Wages & Salaries	28.51%	27.83%	28.16%	31.36%	33.62%	35.02%	32.72%	35.32%	35.73%	34.55%	

Source: Town of Natick, Town Reports, 2002-2011 & Comptroller's FY 2012 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 85% in the last 10 years and its share as part of an employees' compensation package has increased by over 33% - from comprising 18.15% in 2003 to over 24.61% in 2012. 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.

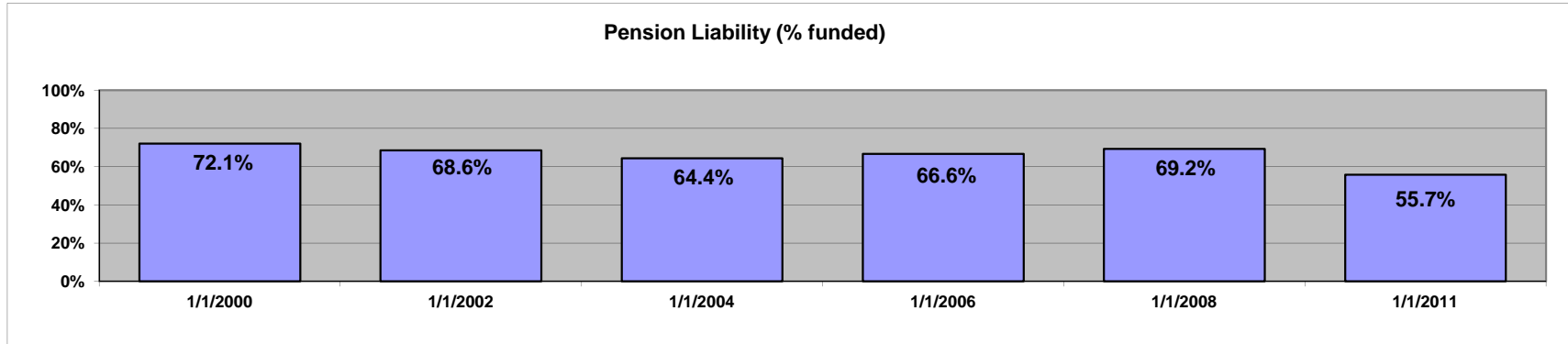
Efforts were taken for FY 2011 to slow the pace of this increase, and FY 2012 is the first year of demonstrable data that modifications to the health care provisions of labor contracts are beginning to move in a positive direction. There is too little data, however, as of FY 2012 to project a permanent improvement in this indicator.

Natick Trend	
favorable	
marginal	x
unfavorable	
uncertain	x



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	1/1/2011
Estimated Accrued Liability	\$ 89,688,360	\$ 100,572,515	\$ 109,024,236	\$ 118,903,286	\$ 131,268,314	\$ 147,904,433
Pension Assets	\$ 64,669,153	\$ 68,985,592	\$ 70,246,877	\$ 79,234,306	\$ 90,885,080	\$ 82,431,048
Pension Liability (unfunded)	\$ 25,019,207	\$ 31,586,923	\$ 38,777,359	\$ 39,668,980	\$ 40,383,234	\$ 65,473,385
Percent Funded	72.1%	68.6%	64.4%	66.6%	69.2%	55.7%

Source: Town of Natick Retirement System Actuarial Studies, 2000-2011.

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 January 1, 2011, there were 1012 participants in the Natick Retirement System - 559 active, 93 inactive and 360 retired participants and beneficiaries. Town Meeting appropriates an annual contribution to the system as determined by an actuarial study.

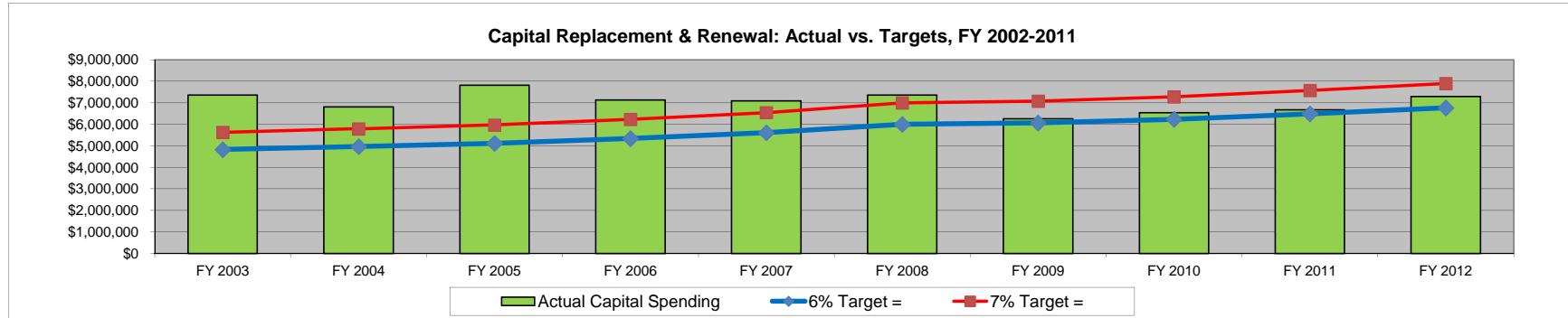
Natick's overall pension liability is an area of ongoing concern. As revenues become stagnant while the assessment for the Retirement System continues to increase in order to meet state mandated funding requirements, the impact of the retirement system upon Town operations will increase. State law mandates the pension system must be fully funded by 2040. 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. How much more is still to be determined by the Natick Retirement Board.

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



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. 6%-7% Target

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Net Revenues	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 103,919,727	\$ 108,155,927	\$ 112,768,437
Within-Levy Target (low)	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
6% Target =	\$4,821,517	\$4,963,705	\$5,116,528	\$5,338,867	\$5,610,932	\$5,999,683	\$6,065,050	\$6,235,184	\$6,489,356	\$6,766,106
Within-Levy Target (high)	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
7% Target =	\$5,625,103	\$5,790,989	\$5,969,283	\$6,228,678	\$6,546,088	\$6,999,631	\$7,075,891	\$7,274,381	\$7,570,915	\$7,893,791
Actual Capital Spending										
Cash	\$ 374,300	\$ 195,800	\$ 1,401,500	\$ 680,847	\$ 906,128	\$ 1,077,378	\$ 293,900	\$ 300,940	\$ 547,620	\$ 1,401,900
Within-Levy Debt Service	\$ 6,982,375	\$ 6,619,472	\$ 6,418,807	\$ 6,452,762	\$ 6,182,248	\$ 6,283,504	\$ 5,958,287	\$ 6,240,367	\$ 6,123,139	\$ 5,891,683
Total Cap. Spending As %	9.15%	8.24%	9.17%	8.02%	7.58%	7.36%	6.19%	6.29%	6.17%	6.47%
Actual Capital Spending	\$7,356,675	\$6,815,272	\$7,820,307	\$7,133,609	\$7,088,376	\$7,360,882	\$6,252,187	\$6,541,307	\$6,670,759	\$7,293,583

Source: Appropriations from Annual Town Meetings, Town of Natick, Town Reports 2002-2011.

Capital Asset & Renewal:

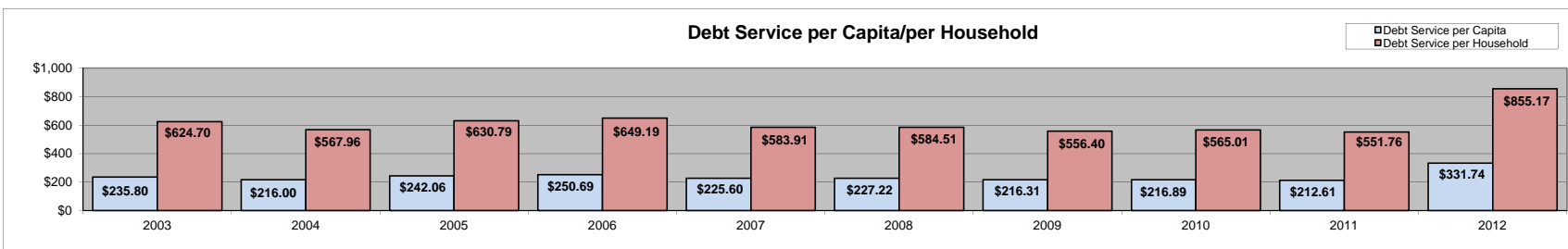
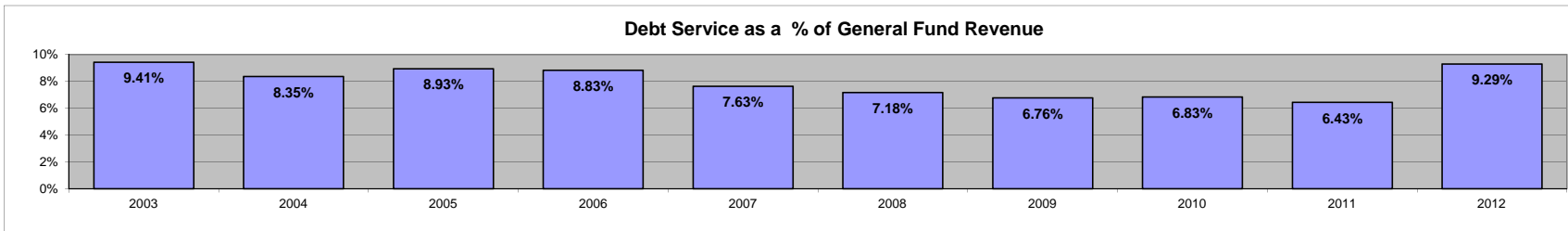
Companies of any size must maintain, renew and replace their infrastructure in a timely and cost effective manner. Municipalities are no different, and often have the daunting task of having to renew capital equipment and infrastructure with numerous other competing needs. Timely replacement of capital 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.

Natick Trend	
favorable	
marginal	x
unfavorable	
uncertain	

Natick, like every municipality during the Great Recession, has seen a decrease in the amount of money dedicated to Capital spending. For several years, this indicator forbode of dangers of not spending at least 8% and ideally 10% of total revenues on annual capital renewal and replacement. This, however, was a skewed target - as it included the highly specific category of excluded debt within its targets. Taking the costs attributed to excluded debt out of the equation, a new picture develops which shows the Town has spent a recommended amount of between 6-7% of net revenues annually on capital and debt service. This amount has proven sufficient to "catch-up" on deferred capital projects, and in FY 2012 that goal was achieved. A significant reason to be positive moving forward is the policy decision to dedicate Local Option Tax revenues to Capital and Debt Service costs, thus securing a permanent funding stream with which to meet this important ongoing need.

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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exempt Debt Service	\$ 639,000	\$ 317,000	\$ 1,313,405	\$ 1,540,676	\$ 1,031,410	\$ 960,274	\$ 937,705	\$ 918,361	\$ 894,180	\$ 5,057,862
Within Levy Debt Service	\$ 6,982,375	\$ 6,619,472	\$ 6,418,807	\$ 6,452,762	\$ 6,182,248	\$ 6,283,504	\$ 5,958,287	\$ 6,240,367	\$ 6,123,139	\$ 5,891,683
Total Debt Service	\$ 7,621,375	\$ 6,936,472	\$ 7,732,212	\$ 7,993,438	\$ 7,213,658	\$ 7,243,778	\$ 6,895,992	\$ 7,158,728	\$ 7,017,319	\$ 10,949,545
Gross Operating Revenue	\$ 80,997,614	\$ 83,045,409	\$ 86,588,874	\$ 90,521,793	\$ 94,546,948	\$ 100,954,999	\$ 102,021,869	\$ 104,838,088	\$ 109,050,107	\$ 117,826,299
Population	32321	32113	31943	31886	31,975	31,880	31,880	33,006	33,006	33,006
Households	12,200	12,213	12,258	12,313	12,354	12,393	12,394	12,670	12,718	12,804
Debt Service as a % of General Fund Revenue	9.41%	8.35%	8.93%	8.83%	7.63%	7.18%	6.76%	6.83%	6.43%	9.29%
Debt Service per Capita	\$ 235.80	\$ 216.00	\$ 242.06	\$ 250.69	\$ 225.60	\$ 227.22	\$ 216.31	\$ 216.89	\$ 212.61	\$ 331.74
Debt Service per Household	\$ 624.70	\$ 567.96	\$ 630.79	\$ 649.19	\$ 583.91	\$ 584.51	\$ 556.40	\$ 565.01	\$ 551.76	\$ 855.17

Source: Town of Natick, Town Reports 2002-2011, Massachusetts Dept. of Revenue DLS Gateway Reports, Town of Natick Tax Recapitulation Worksheet - LA-4 - FY 2003-2012.

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.

Natick Trend	
favorable	x
marginal	
unfavorable	
uncertain	

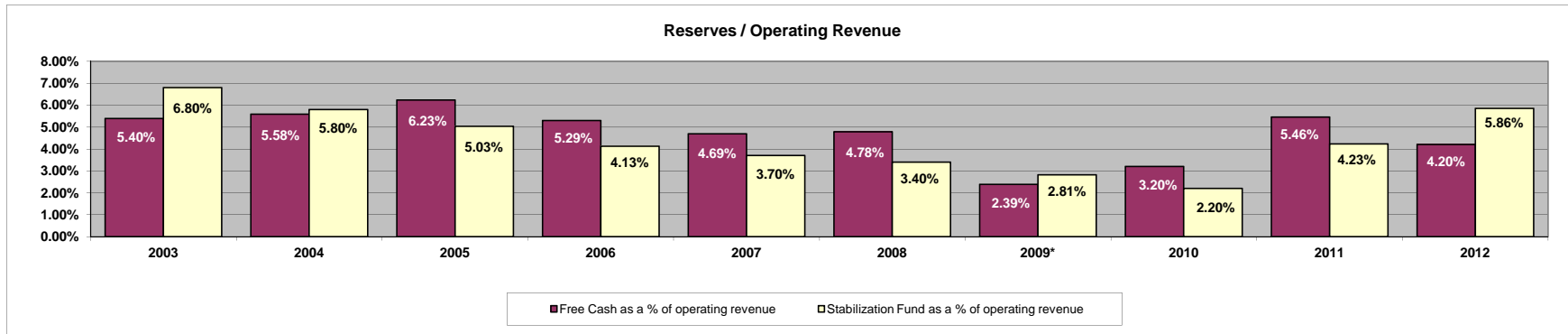
Positively for Natick, the community fares well on this indicator. Not only has debt service per capita remained well within recommended levels at between 6.5%-9.5% - debt service of 20% of operating revenues is considered a problem and 10% is considered acceptable - but decreased from FY 2006 through FY 2011. 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.

Debt per capita grew significantly beginning in FY 2012 when the majority of the debt for the new Natick High School and the new Community/Senior Center began to be serviced. This issuance was well timed in that it a) received favorable bid prices, b) lower interest rates and c) will be issued after several years of declining debt service amounts.

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	2003	2004	2005	2006	2007	2008	2009*	2010	2011	2012
Certified Free Cash	\$ 4,337,157	\$ 4,620,048	\$ 5,313,708	\$ 4,709,762	\$ 4,387,917	\$ 4,784,709	\$ 2,415,060	\$ 3,327,659	\$ 5,899,906	\$ 4,737,528
Stabilization Fund	\$ 5,464,106	\$ 4,798,985	\$ 4,292,834	\$ 3,671,373	\$ 3,458,312	\$ 3,401,290	\$ 2,844,860	\$ 2,288,392	\$ 4,268,560	\$ 4,271,457
Capital Stabilization Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,913	\$ 1,478,084
Operating Stabilization Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 856,478
Net Operating Revenues	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 103,919,727	\$ 108,155,927	\$ 112,768,437
Free Cash as a % of operating revenue	5.40%	5.58%	6.23%	5.29%	4.69%	4.78%	2.39%	3.20%	5.46%	4.20%
Stabilization Fund as a % of operating	6.80%	5.80%	5.03%	4.13%	3.70%	3.40%	2.81%	2.20%	4.23%	5.86%
Net Reserves as a % of Operating Revenue	12.20%	11.39%	11.27%	9.42%	8.39%	8.19%	5.20%	5.40%	9.69%	10.06%

Source(s): Certified Free Cash letters from the Department of Revenue, FY 2002-2011 & Town of Natick Town Reports, 2002-2011

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.

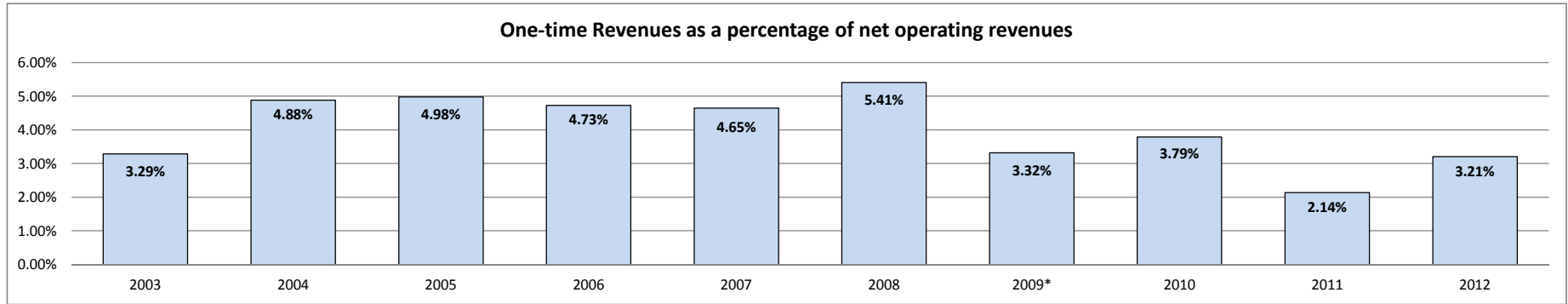
Among the most alarming of trends for the Town of Natick was the marked and steady decline of reserves over the last decade. Regardless of how the economy performed from FY 2003-2012, the Town's overall reserve position declined from FY 2003 to FY 2009. With a combination of adherence to the Town's Financial Management Principles and prudent use of additional resources to build reserves, the Town reversed that trend for the first time in FY 2010 and made significant strides in FY 2011 and maintained that stride in FY 2012. This is a notable accomplishment, given the overall economic condition of the region and the country.

Although this increase in the Town's overall position is important, sustained progress in reversing the overall trend will be difficult. Services funded with the reliance of these reserves and one-time revenues will be difficult to maintain if the Town is to improve its reserve levels within those recommended by the Government Finance Officers Association. The recent creation of a Operational Stabilization Fund will aid in the Town's ability to maintain services when economic conditions deteriorate, but only if it can a) be adequately funded when money is available and b) policymakers resist the desire to use it other than when recommended by the Town's Financial Management Principles.

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

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: **One-time Revenues / Net Operating Revenues**

	2003	2004	2005	2006	2007	2008	2009*	2010	2011	2012
One-Time Revenues										
Free-Cash	\$ 1,852,644	\$ 2,290,405	\$ 2,494,794	\$ 2,857,608	\$ 3,445,080	\$ 4,035,895	\$ 2,757,971	\$ 1,990,000	\$ 2,214,303	\$ 2,616,244
Stabilization Fund	\$ 594,668	\$ 750,000	\$ 750,000	\$ 675,000	\$ 400,000	\$ 256,102	\$ 600,000	\$ 950,751	\$ 98,550	\$ -
Overlay Surplus	\$ 195,000	\$ 1,000,000	\$ 1,000,000	\$ 675,000	\$ 500,000	\$ 1,116,024	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
One-Time Revenues	\$ 2,642,312	\$ 4,040,405	\$ 4,244,794	\$ 4,207,608	\$ 4,345,080	\$ 5,408,020	\$ 3,357,971	\$ 3,940,751	\$ 2,312,853	\$ 3,616,244
Net Operating Revenues	\$ 80,358,614	\$ 82,728,409	\$ 85,275,469	\$ 88,981,117	\$ 93,515,538	\$ 99,994,725	\$ 101,084,164	\$ 103,919,727	\$ 108,155,927	\$ 112,768,437
One-time Revenues as a percentage of net operating revenues	3.29%	4.88%	4.98%	4.73%	4.65%	5.41%	3.32%	3.79%	2.14%	3.21%

Source: FY 2003-2012 Tax Recapitulation Forms, Page B-2 & Town of Natick Town Reports, 2002-2011.

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.

The Town of Natick 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. Efforts have been made to reduce that reliance, and the total amount of one-time revenues utilized for recurring purposes has been substantially lower over the course of the last four fiscal years. 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. unless carefully planned and used for limited purposes (i.e. servicing debt).

Natick Trend	
favorable	
marginal	x
unfavorable	
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 2013-FY 2015. 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 be level-funded in FY 2014 and FY 2015 at FY 2013 levels. This may be a bit optimistic given that state reserves have had to be drawn down in support of prior year's budgets and it is unknown what the impending cutbacks at the Federal level will have on state and municipal budgeting. Local receipts are projected to remain essentially level over the period of FY 2013 through FY 2015; in light of this year's high free cash certification, these will obviously be revisited. Free cash is forecast only to be used at a level of \$1,500,000 in FY 2014 and FY 2015 as the Town continues to move towards improved fiscal practices.

Expenses

In the operating budget, wage projections are complicated by the fact that collective bargaining agreements are not completely settled for FY 2013-2015 as of the production of this projection. On the whole, we have calculated a 4.5% increase in total expenses for the Natick Public Schools, a 10% increase for the Keefe Tech Assessment and a 2.5% increase in expenses for all municipal departments. 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. Wages for all departments are projected increasing 2% annually in FY 2014 and 2015 respectively.

The greatest changes going forward continue to rest within the categories of Shared Expenses. A major emphasis of the FY 2011-2 budget cycles was the achievement of reducing the Town contribution to employee health care. The renewal of labor contracts continue to provide an ideal time for further review of existing benefit packages and adjustments. Administration is committed to achieving progress in this area moving forward. Not included in this forecast is a larger than anticipated increase in the pension assessment - (the new legal limit is 8% increase/year).

Results

These projections - for the first time in recent memory - forecast close to balanced budgets for FY 2014 and FY 2015. But the unknown factors - revenue estimates, labor contract settlements, health care costs and most critically service restorations and enhancements in both municipal and school operations - will determine just how much Natick can accommodate and provide its citizens while living within its means. It will be crucial for Town officials to continue to work together toward a financially sustainable future for the Town of Natick.

Three-Year Projection

	2012 Appropriated	2013 through FATM	2014 Projection	2015 Projection	Comments
General Fund Revenues					
1 Tax Levy	86,502,701	89,294,846	92,475,888	94,968,176	Assumes significant new growth in FY 2014
2 State Aid	11,509,427	11,657,952	11,657,952	11,657,952	Assumes level-funding at FY 2013 levels
3 Estimated Receipts	9,281,733	10,142,890	10,392,890	10,292,890	Assumes increase in Ch. 59D temporary occupancy; no other increases
4 Local Option Taxes	1,000,000	1,300,000	1,300,000	1,300,000	Used for Capital Debt Service related to Excluded Projects
5 Other Local Receipts					
6 Indirects	2,535,883	2,581,514	2,708,741	2,812,270	Dependent Upon General Fund Operating Budget
7 Free Cash	5,466,393	6,342,757	1,500,000	1,500,000	\$1.5 M Recurring F.C. assured; add'l F.C. less certain
8 Stabilization Fund	689,340	1,062,152	2,418,393	2,164,901	Funding of Cash Capital, Debt Service for HS/CSC and new Debt Service
9 Overlay Surplus	1,000,000	0	500,000	500,000	Can change based upon final settlement of outstanding ATB cases
10 Other Available Funds	281,532	460,407	460,407	460,407	Parking Meter Receipts, Other State Remb., Bond Premiums for HS/CSC
Total General Fund Revenues	118,267,009	122,842,518	123,414,272	125,656,596	
General Fund Expenses					
Education & Learning					
11 Natick Public Schools	46,406,138	46,558,714	47,722,682	48,915,749	4.5% increase on expenses; 2.0% on wages
12 Keefe Tech	1,396,865	1,271,613	1,398,774	1,538,652	10% Increase
13 Morse Institute Library	1,848,818	1,865,058	1,911,684	1,879,587	2.5% increase on expenses; 2.0% on wages
14 Bacon Free Library	118,827	130,082	133,334	136,667	2.5% increase on expenses; 2.0% on wages
15 Public Safety	13,124,052	13,590,430	13,598,236	13,938,192	2.5% increase on expenses; 2.0% on wages
16 Public Works	7,653,410	7,343,432	7,453,545	7,639,884	2.5% increase on expenses; 2.0% on wages
17 Health & Human Services	1,733,513	1,830,898	1,830,939	1,876,712	2.5% increase on expenses; 2.0% on wages
18 Administrative Support Services	4,354,576	4,890,472	4,717,466	4,835,403	2.5% increase on expenses; 2.0% on wages
19 Committees	25,510	26,010	26,010	26,010	Level-Funded
20 Shared Expenses					
21 Fringe Benefits	15,076,350	15,174,510	16,054,256	17,428,476	10% increase in health premiums; higher rates in FY 2014 & 2015
22 Prop & Liab. Insurance	520,958	553,175	580,834	609,875	Assumes higher rates in FY 2014 & 2015 (5% annually)
23 Retirement	5,717,032	6,150,200	6,642,216	7,173,593	Assumes 8% increase annually
24 Debt Services	10,989,545	10,209,521	10,694,948	11,155,015	Assumes new debt issued as per FY 2013-2017 CIP
25 Reserve Fund	400,000	400,000	400,000	400,000	Level-Funded
26 Facilities Management	0	2,449,793	2,511,038	2,573,814	2.5% increase on expenses; 2.0% on wages
General Fund Oper. Expenses	109,365,594	112,443,908	115,675,962	120,127,630	
26 Capital Improvements	1,401,900	1,282,777	1,764,000	1,085,000	Capital Stab. Fund provides cash funding moving forward.
27 School Bus Transportation	330,137	340,041	350,243	360,750	3% annual increase
28 State & County Assessments	1,360,929	1,524,561	1,577,921	1,633,148	REVISED - With HWM Numbers
29 Cherry Sheet Offsets	155,298	269,005	278,420	288,165	REVISED - With HWM Numbers
30 Tax Title	25,000	25,000	25,000	25,000	
31 Snow Removal Supplement	765,163	235,418	350,000	350,000	
32 Overlay	1,133,967	1,400,000	1,100,000	1,100,000	
33 Golf Course Deficit	320,000	310,000	363,025	364,351	Includes offset for indirects starting in FY 2014
34 Stabilization Fund	0	0	0	0	
35 Operational Stabilization Fund	856,478	0	0	0	
36 Capital Stabilization Fund	1,859,511	3,275,551	0	0	Funds raised from local option taxes
37 FLSA Settlement	593,032	0	0	0	
38 Misc. Articles	100,000	436,256	0	0	
39 Anticip. Local Opt. Taxes for FY 14 CSF*	0	1,300,000	1,300,000	1,300,000	
Total General Fund Expenses	118,267,009	122,842,518	122,784,571	126,634,043	
Net Excess / (Deficit)	0	0	629,701	-977,447	



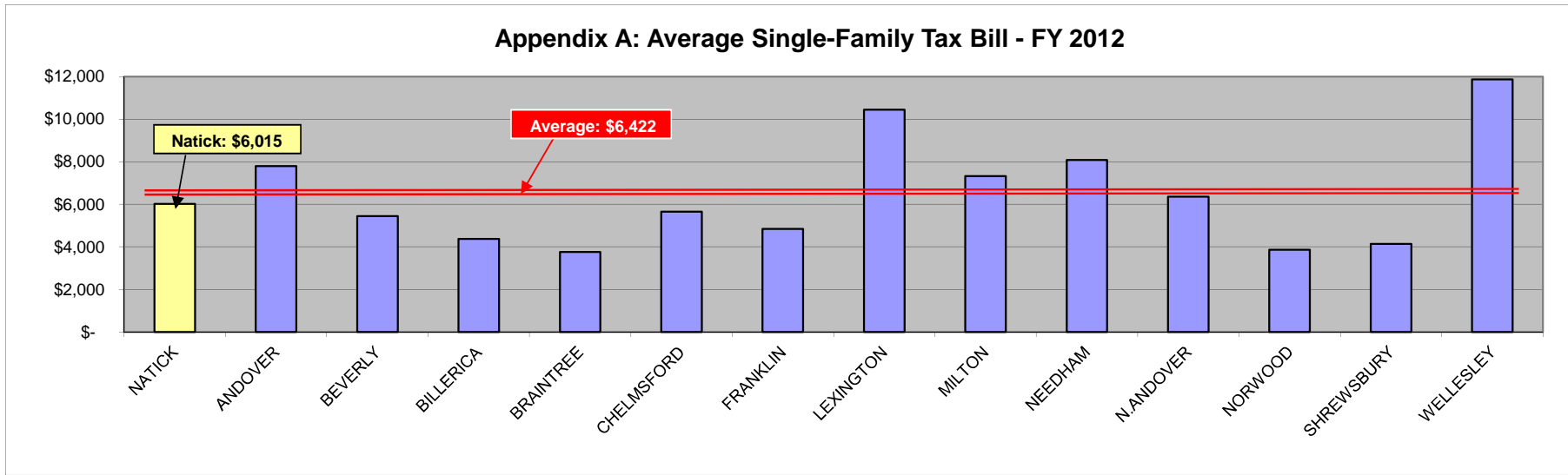
FY 2014 Budget Policy Issues

The following is a list of important policy issues which need further discussion & analysis in FY 2014.

1. Health Care Concessions
2. Collective Bargaining Agreements
3. Continued implementation of Town's Financial Management Principles
 - a. Adequately funding capital needs
 - b. Reduced reliance on one-time revenues & reserves to fund recurring operations
4. Continued exploration and implementation of cost containment measures
 - a. Coordinated delivery or sharing of services with neighboring communities
 - b. Reorganization of departmental operations
5. Careful restoration/enhancement of municipal operations/employees to meet citizen demand



Appendix A: Average Tax Bill



Municipality	Assessed Value	Parcels	Average Value	Tax Rate	Single Family Tax Bill	Split Tax Rate?
NATICK	\$ 3,665,889,700	8,478	\$ 432,400	\$ 13.91	\$ 6,015	No
ANDOVER	\$ 4,677,413,100	8,501	\$ 550,219	\$ 14.15	\$ 7,786	Yes
BEVERLY	\$ 3,518,744,100	8,397	\$ 419,051	\$ 12.97	\$ 5,435	Yes
BILLERICA	\$ 3,369,255,000	10,742	\$ 313,652	\$ 13.92	\$ 4,366	Yes
BRAINTREE	\$ 3,241,506,800	9,012	\$ 359,688	\$ 10.45	\$ 3,759	Yes
CHELMSFORD	\$ 2,914,600,475	9,017	\$ 323,234	\$ 17.49	\$ 5,653	No
FRANKLIN	\$ 2,682,632,300	7,607	\$ 352,653	\$ 13.73	\$ 4,842	No
LEXINGTON	\$ 6,251,243,000	8,963	\$ 697,450	\$ 14.97	\$ 10,441	Yes
MILTON	\$ 3,634,448,600	7,124	\$ 510,170	\$ 14.35	\$ 7,321	Yes
NEEDHAM	\$ 6,158,330,400	8,351	\$ 737,436	\$ 10.95	\$ 8,075	Yes
N.ANDOVER	\$ 2,827,604,000	6,198	\$ 456,212	\$ 13.92	\$ 6,350	Yes
NORWOOD	\$ 2,124,006,700	5,818	\$ 365,075	\$ 10.58	\$ 3,862	Yes
SHREWSBURY	\$ 3,389,541,500	9,098	\$ 372,559	\$ 11.11	\$ 4,139	No
WELLESLEY	\$ 7,523,162,000	7,282	\$ 1,033,118	\$ 11.48	\$ 11,860	No
AVERAGE	\$ 3,998,455,548	8,185	\$ 494,494	\$ 13.14	\$ 6,422	

Average Tax Bill:

This table shows the average single-family tax bill for comparable communities to Natick for FY 2012. Only single-family homes are shown as part of this comparison. As of FY 2012, Natick finds itself below average compared to the other 12 comparable communities in average tax bills.

Natick's average single family tax bill increased \$454 from FY 2011 to FY 2012. The sizeable increase is due in large part of the excluded debt costs of the new Community-Senior Center and Natick High School. The average single family tax bill for the comparable communities increased \$268 from FY 2011 to FY 2012.

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

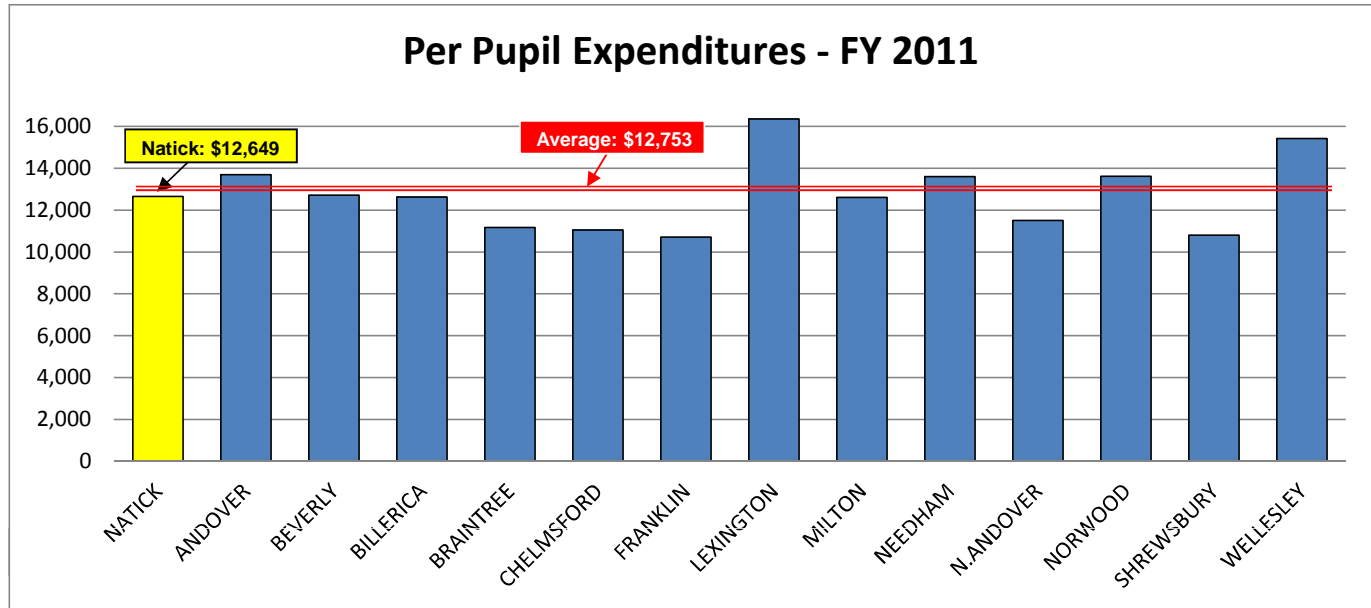


Appendix B: Per Pupil Expenditure Comparative Data

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 than the average and lower average spending per pupil.



District	FY 2011 Total Pupils	FY 2011 Total Expenditure
NATICK	4,957	12,649
ANDOVER	6,356	13,697
BEVERLY	4,512	12,719
BILLERICA	6,084	12,628
BRAINTREE	5,654	11,176
CHELMSFORD	5,652	11,049
FRANKLIN	6,539	10,708

District	FY 2011 Total Pupils	FY 2011 Total Expenditure
LEXINGTON	6,420	16,358
MILTON	3,985	12,613
NEEDHAM	5,450	13,602
N.ANDOVER	4,757	11,503
NORWOOD	3,499	13,616
SHREWSBURY	6,291	10,804
WELLESLEY	4,979	15,421

Averages:	
Enrollment	5,367
Per Pupil Expenditure	\$ 12,753

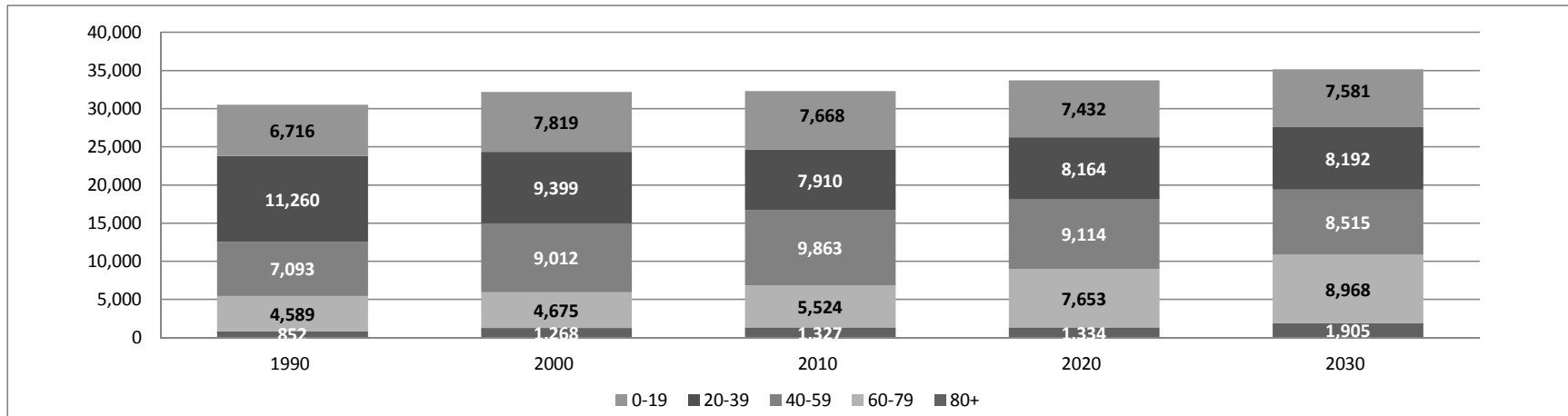
Notes:

Source: <http://finance1.doe.mass.edu/statistics/ppx11.html>. Total Expenditure column includes all General Fund Appropriations & Grants, Revolving and Other funds. Data shown is most recent available from the Mass. Department of Education.



Appendix C: Population Projections

Population Projections: 1990-2035, Town of Natick



Age	1990	2000	2010	2020	2030	2035	Percent Change 2010 to 2035
0-19	6,716	7,819	7,668	7,432	7,581	7,737	0.90%
20-39	11,260	9,399	7,910	8,164	8,192	8,168	3.26%
40-59	7,093	9,012	9,863	9,114	8,515	8,388	-14.96%
60-79	4,589	4,675	5,524	7,653	8,968	9,571	73.27%
80+	852	1,268	1,327	1,334	1,905	2,200	65.73%
Total	30,510	32,173	32,292	33,698	35,161	36,063	11.68%

Source: Metropolitan Area Planning Commission, Population Projections: http://www.mapc.org/sites/default/files/MAPC_MetroFutureUpdate2035_FINAL_3_10_2011.xls.

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 1400 people per decade over the course of the next 25 years. These latest estimates take into account but do not completely reflect the 2010 Decennial Census.

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 change very, very little 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 4,900 individuals aged over 60 living in Natick by 2035 than do today.

It is also important to note that these populations projections are one method of calculating. The Natick Public Schools also has its own internal forecasting, and as has been shown with growth in the district this Fiscal Year, trends are defiantly NOT trending downward for the 0-19 cohort in Natick, at least not today.



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 \$119,187,237. 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. The 2011 Fall Annual Town allowing the Board of Selectmen Meeting

to create the trust and \$221,608 was appropriated into it by the 2012 Spring Annual Town Meeting. 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.

An updated actuarial will be conducted during FY 2013.

OPEB Liability Growth as a result of GASB 45

FY 2011

For FY 2011, 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>	\$ 27,007,851
<u>Less our current contributions:</u>	\$ (3,704,594)
Total FY 2011 Year-end Outstanding Liability for OPEB:	\$ 23,303,257

FY 2012

Beginning Outstanding Liability (from FY 2011):	\$ 23,303,257
FY 2012 estimated total cost:	\$ 11,552,723
<u>Less our current contributions:</u>	\$ (3,808,433)
Total FY 2012 Year-end Outstanding Liability for OPEB:	\$ 31,047,547

and so on...

Source: A Postretirement Welfare Benefit GASB 45 Actuarial Valuation As of July 1, 2010 for: The Town of Natick. The USI Consulting Group. June 8, 2011.



Appendix E: FY 2014 Budget Schedule & Process

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
External												
Votes												
Town Meeting				Town Meeting						x	Town Meeting	
BOS						Review of Budget Goals & Challenges	Selectmen Review of Budget					
SC								Hearing on Budget				
FinComm			Warrant Hearings				FinComm Hearings on Budget & Warrant					
Internal												
Municipal		Capital Develop.		Operating Budget Development & Refinement								
School		Capital Develop.		Operating Budget Development & Refinement								

4/1 All Budget Decisions Final - Book produced 2 weeks ahead of T/M

2012 | 2013

Significant Dates

August 2012

Capital

September 2012

Capital Update Submitted

September 1st

October 2012

Operating Budget Development (Internal Schools & Municipal) Late October
2012 Fall Town Meeting Begins October 16th

November 2012

Operating Budget Development (Internal Schools & Municipal) All November
BOS - Review of Budget Goals & Objectives November Meetings

December 2012

Operating Budget Refinement (Internal Schools & Municipal) All December
BOS - Review of Budget Goals & Objectives December Meetings
SC - Superintendent's Presentation of School Budget Early December

January 2013

Submittal of FY 2013 Administrator's Proposed Budget to BOS & FC
Finance Committee Public Hearings on Budget
BOS - Review of Budget

January 1st
All January

February 2013

BOS - Review of Budget
SC- Public Hearings on Budget
Finance Committee Public Hearings on Budget

February
February
All February

March 2013

Finance Committee Public Hearings on Budget

to April 1

April - May 2013

x Preparation of Materials for Town Meeting
Municipal Election
Town Meeting

April 1-10
April 9th
late April-May

July 2013

Start of FY 2014

July 1

Note: All times & deadlines subject to change and revision.



Appendix F: Notes & Assumptions

Notes:

Actual Data - Data presented as actual for FY 2003-2011 is taken from final G/L accounting reconciliations prepared by the Town Comptroller. FY 2012 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 2003-2012. 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 2010 U.S. Census Bureau statistics as a base and then annual or future decennial result are extrapolated from that amount.