

**FINANCE COMMITTEE
TOWN OF NATICK
MASSACHUSETTS 01760**

March 25, 2003

Town Meeting Members and Citizens of Natick:

This report contains the Natick Finance Committee recommendations regarding appropriations for Fiscal Year 2003 and Fiscal Year 2004 budgets and capital requests, among other things. In addition, this report contains recommendations on the non-financial 2003 Annual Town Meeting Warrant Articles, in accordance with the Finance Committee responsibilities.

Each of the Finance Committee recommendations was made after conducting a duly noticed public hearing and open meetings of both the Finance Committee as a whole and Finance Committee sub-committees. We took into account comments and data gathered from Warrant Article sponsors, town department heads, the town administration, town boards, commissions and committees, and the public at-large. The Finance Committee made its recommendations only after affording ample time for input and discussion during meetings held on January 7th, 14th, 21st, 23rd, 28th, 30th, February 4th, 6th, 11th, 13th, 25th, 27th; March 4th, 11th, and 20th.

Before beginning the budget review process and hearing the Town Administrator's budget message, the Finance Committee formally welcomed Natick's Town Administrator, Phil Lemnios. Mr. Lemnios immediately exhibited his understanding of the financial position of the Town of Natick (Town) and the challenges we were to face in the coming months.

Jointly after hearing the Town Administrators budget message, we began considering the disposition of revenues and expenditures for Fiscal Year 2004. It became clear at that time that the Fiscal Year 2004 Budget would need to be developed with a set of revenue assumptions that has not been employed for over a decade. The Commonwealth of Massachusetts announced early in January that it was experiencing significant fiscal difficulties with extremely alarming revenue shortfalls. This lead to the our first budget position assuming that there would be a decrease commitment to local governments, such as a double digit decrease in State Aid and elimination of key State grants.

The Finance Committee concurred with the Town Administrator that the Fiscal Year 2004 budget should assume that the Town will receive approximately fifteen (15%) less State Aid than the level of State aid received in Fiscal Year 2003. Therefore, we began the annual budget review assuming the Town would receive approximately \$1,475,000.00 less in State Aid in Fiscal Year 2004.

At the same time Governor Romney's directive was released that the Town's remaining Fiscal Year 2003 State Aid payments would be reduced by approximately 15% for those payments that remained in FY03. This action by the Commonwealth placed additional burden for Fiscal Year 2003 of \$441,349 and decreased the scope of the Fiscal Year 2004

anticipated State Aid in an amount equal in percentage of the total aid.

To that end, Town Meeting members will deal with warrant article, Article 2, to resolve this matter. Article 2 recommendation for \$410,000.00 seeks to replace the decreased Fiscal Year 2003 State Aid, which could not be made up from existing revenues that exceeded projections made last spring. Members are probably aware that the governor announced a \$441,349 decrease in the FY03 State Aid going forward from January 2003, in accordance with the Governor's powers under Section 9c. The \$410,000.00 is the amount that was removed from the lottery & additional assistance provided by the Commonwealth of Massachusetts.

We find that the current fiscal shortfalls are a byproduct of external forces over which we have no control, such as a countrywide economy in recession, and a state economy, which has dramatically cooled off since September 11, 2001. However, we do estimate, but have no direct control over, Fiscal Year 2003 revenues that are expected to either be flat or decrease, including other local receipts, new housing starts, and hotel tax and motor vehicle excise tax.

The following are a revenue position deployed at the direction of the Town Administrator when developing the Fiscal Year 2004 financial plan:

1. Property Tax Levy is increased by the statutory limits as set by Proposition 2 1/2 - \$1.33 million dollars;
2. New Growth is estimated at \$600,000 dollars for FY04;
3. The Debt Exclusion for the Wilson Middle School is \$989,750 reflecting the annual debt costs associated with the project;
4. State Aid has been reduced by nine percent (8.92%) or \$1,030,512 dollars;
5. Estimated Receipts are calculated to be \$9.26 million dollars, which reflects a \$171,000 dollar increase over FY03 estimates,
 - a) Motor Vehicle Excise, Hotel Tax and Ambulance Fees have been increased to reflect actual receipts for FY02, and
 - b) The FY03 trash fee has been decreased by \$300,000 consistent with the implementation of the Pay-As-You-Throw Program revenue estimates;
6. Free Cash usage is \$2,413,800;
7. \$750,000.00 of the stabilization account is being used to support existing debt;
8. \$900,000 of the Overlay Surplus funds after all abatement applications are being employed for the first time in many years; and
9. \$318,631 of other available funds are being used.

The total revenue increase from FY03 (\$79,721,010) to FY04 represents a 2.74% increase.

The following are the expenditure summary positions deployed by the Town Administrator when developing the Fiscal Year 2004 financial plan:

1. All departments were asked to level fund their services, except the School Department who developed general budget taking into account certain requirements.
2. Changes in departmental budgets are limited to only those as a result of contractual obligations and personnel by-law step increases.

3. Specifically, those criteria yielded the following changes
4. The FY04 General Government Budget (all operating departments except the school department) increase less than 1% or \$223,021 dollars.
5. The Education Budget (includes Natick Public School System and Keefe Technical School) increase 2.425% or \$830,275 dollars.
6. The employee insurance portion of the budget has increase by 12.09% or \$905,604 dollars primarily due to anticipated health insurance premium increases.
7. We are funding \$200,000 dollars for a deficit associated with the golf course enterprise fund as a result of bonding fully the development costs for the course.
8. We are funding a \$417,867 deficit for this winter's snow removal activity.
9. We have fully shifted the costs associated with the water and sewer enterprise funds to the appropriate non-tax levy accounts. This amounts to \$2.3 million dollars. It should be noted that \$1.9 million dollars of the costs were shifted in the FY04 Budget.
10. The entire expenditure side of the budget increases 2.74% or \$2,182,113 dollars.

Town Meeting will find some instances where the Finance Committee has modified budgets as provided by the Town Administrator. As we have done in the past, we provided narratives under articles so that Town Meeting Members may better understand such budget modifications and recommendations.

The Finance Committee would like to express its thanks and appreciation for the hard work and dedication of the Town Administrator, all town officials, members of boards, committees, and citizens for their cooperation and participation, during the Warrant Article hearings.

We respectfully submit our recommendations for the 2003 Annual Town Meeting Warrant Articles for your consideration.

As always, we thank you for your support.

Respectfully Submitted,

Frank Foss, Chair

Gail Kaprielian, Vice Chair
 John Culkin
 Rick Jennett
 Lynn Mattice
 Dominic Mirante
 Craig Ross
 Susan Salamoff

Carol Gloff, Secretary
 Paul Griesmer
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