

**FINANCE COMMITTEE
TOWN OF NATICK
MASSACHUSETTS 01760**

March 25, 2002

Town Meeting Members and Citizens of Natick:

This report contains the Natick Finance Committee recommendations regarding appropriations for the Fiscal Year 2003 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 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 8th, 22nd, 24th, 29th, 31st; February 7th, 12th, 26th, 28th; March 7th, 12th, 14th, 19th and 21st.

The Finance Committee has considered the disposition of revenues and expenditures for Fiscal Year 2003 at great length. As we wrote to you last fall, we conveyed our concerns that the “Commonwealth of Massachusetts legislature and governor’s office [has] not finalized [the] fiscal year’s State Budget. And that “this has and could have a profound effect on certain revenue assumptions that the Town Administration, the Finance Committee and Town Meeting took...”

We further wrote that “[b]ased on current versions of the House, Senate and Governor’s budgets and our recent Fiscal Year 02 appropriation assumptions, Natick may experience shortfalls in funding sources, including Chapter 70 (Education) funding, Chapter 90 (Street and Road) funding and Lottery funding.” These funding shortfalls have come to fruition for us in the current fiscal year and continued into Fiscal Year 2003 budget planning.

Specifically, on or about the first week of November, we learned about the Commonwealth’s local aid projections for Fiscal Year 2002, and we heard that such would be funded similarly, “at best”, for Fiscal Year 2003. Shortly thereafter these tenets were confirmed and local state aid was projected to be much less, than many municipalities in the Commonwealth had planned.

In January, the Finance Committee embarked on a budget process of a difficulty that most members had never previously experienced. Our process and resolve are exemplified by a recent editorial in a local newspaper. It read:

“To the people working to hammer municipal budgets into balance, the immediate task is to weed out whatever spending cities and towns can live

without. [However, the] problem, they say, is on the revenue side. The new growth that expanded the tax base year after year through the '90s slowed to a crawl last year. An increased local share of Lottery receipts, phased in over five years, has peaked. With the news from Beacon Hill only getting worse, the question is no longer whether local aid will be cut, but how much.

Cities and towns have few options for making up that lost revenue, all of them unpleasant. Local officials are looking at new trash fees, charging students for bussing and school sports and raising property taxes through Proposition 21/2 overrides....”

Editorial Page, MetroWest Daily News – March 24, 2002

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 automobile excise tax.

Moreover, to compound the impact of such revenue shortfalls there have been increased costs in expenses such as health and life insurance and electricity. All of these changes are coupled with salary/wage increases due to contractual agreements with our town employees, which have a total cost that exceeds our existing Proposition 2 1/2 - property tax levy cap. All of this resulted in a need for belt tightening and/or revenue enhancement of a magnitude that the Town had not faced in a decade.

The Finance Committee has worked diligently reviewing budgets and revenue sources. We have laid out budget scenarios, which would have devastating effects on town services. For example, we devised budget scenarios predicated on three main tenets: 1) equitable cuts - cut services equally “across the board” in all budgets; 2) reverse priority cut – cut entire budgets out that are not mandatory; and 3) larger budget decreases - deeply cut the largest budget(s). None of these seemed fair or prudent.

Therefore, we reported to the Board of Selectmen that the avenue having the least impact on services, which could be initiated in short order, would be to raise fees. This approach was the alternative to deep budget cuts and/or a Proposition 2 ½ override. In the end, the Board of Selectmen authorized a one-year trash fee raising \$1,511,000.

The trash fee was only authorized after all reasonable staffing and expense cuts were complete. We wish to caution Town Meeting members that there is a risk in the plan we have laid out. Should we continue with this budget philosophy we will most likely experience a substantial decrease in certified Free Cash at the end of fiscal year 2003, if not sooner. Such will come to pass due to downward budget pressure and future departmental spending along with increased mandatory costs, which will likely decrease departmental funds reverted back to Free Cash at the end of fiscal year. Simply put, budgets that run leaner revert back less funds to reserve accounts at the end of the fiscal year. In turn, this will place a strain on capital improvement and capital acquisition purchases and eventually consumes any receipt reserve accounts, which could jeopardize the Town’s good standing and ratings regarding bonding and/or short-term borrowing.

We would be remiss if we did not alert Town Meeting to those things that may come to pass regarding future State revenue shortfalls. As mentioned in the editorial quoted above, we may very well be facing additional cuts by the Commonwealth. To that end, we have purposely placed or retained funds in reserve accounts (Reserve Fund and Free Cash) which are planned to be used only for emergency purposes and State aid shortfalls. We feel very strongly that any other use of such funds would be unwise and perhaps even fiscally reckless given the financial uncertainties we may face during Fiscal Year 2003.

The 2002 Annual Town Meeting Warrant contains thirty-three (33) articles that have and should generate debate and discussion. Several articles deal with subject matters that have previously come before Town Meeting. The Finance Committee has made recommendations on twenty-six (26) articles, recommended no action on six (6) articles and one (1) article is tabled until a later date.

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

In addition, we are compelled to express special thanks to two administrators - Finance Director Robert Palmer and Comptroller Ruthann Cashman - for their dedication to and patience with the Finance Committee. Moreover, we particularly appreciate their extra efforts in assisting us during this budget cycle following the passing of Town Administrator Frederick Conley.

Finally, we also wish to recognize the extraordinary cooperation and collaboration between the Finance Committee, the Board of Selectmen and the School Committee, during a time when we most needed to work in unison.

We respectfully submit our recommendations for the 2002 Annual Town Meeting Warrant Articles for your consideration.

As always, we thank you for your support.

Respectfully Submitted,

Frank Foss, Chair

Gerald Mazor, Vice Chair
John Culkin
Patrick Haswell
Gail Kaprielian
Catherine Matzilevich
Jeffrey Phillips
Linda Sussman

Carol Gloff, Secretary
Paul Griesmer
Rick Jennett
Christopher Lee
Dominic Mirante
Craig Ross
Bruce Wright