

# Town Budget 101

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## The Basics

# Natick's Budget Process

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- The Town of Natick must set and approve a budget for each fiscal year.
  - Fiscal years run from July 1 to June 30 of the following year.
    - Fiscal Year 2020 starts on July 1, 2019.
- Natick by-laws require that the Town Administrator submit a preliminary budget for the next fiscal year by the first business day after January 1.
- In order to meet this timeline:

# What Goes Into The Preliminary Budget?

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- All departments, including the School Department, provide requested budgets to the Town Administrator near the end of the calendar year.
- The Town Administrator and her team use the requested budgets to develop the required preliminary budget.
- Often there isn't enough money for everything requested by the departments, so the preliminary budget for each department may be lower than the requested budget.

# Next Steps in Setting the Budget

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- Finance Committee and Board of Selectmen review preliminary budget.
- School Committee reviews School Department requested budget.
- Differences in requested budgets and Town Administrator's preliminary budget are discussed and, when possible, narrowed.

# Finance Committee and Town Meeting

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- Finance Committee votes recommendations on each budget and presents them to Town Meeting.
- Town Administrator presents information about the overall budget to Town Meeting.
- Town Meeting votes on specific budget amounts for departments.

# Sources of Money to Cover the Budget

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- For FY19, the Town of Natick's budget is \$153,184,209.
- The money comes from:
  - State Aid
  - Local Receipts
  - Tax Levy
  - Other Available Funds

# State Aid

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- FY19 State Aid is \$14,653,383, approx. 9% of the Town's budget.
- FY20 State Aid amount is not yet known. The Governor and Legislature are in the process of developing the State budget.
- Natick estimates FY20 State Aid based on prior years, but won't know the exact amount for some weeks/months.
- The State Aid estimate in the Natick preliminary budget is often lower than the final number from the State.

# Local Receipts

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- FY19 Local Receipts used in the budget are \$16,619,040, approx. 10% of the Town's budget.
- Local Receipts include money from sources such as liquor licenses, building permits, local hotel and meal taxes, and motor vehicle excise taxes. Taxes on Natick cannabis businesses could also be included in this category.
- Amounts of Local Receipts for inclusion in the FY20 budget must be estimated.



# Other Available Funds

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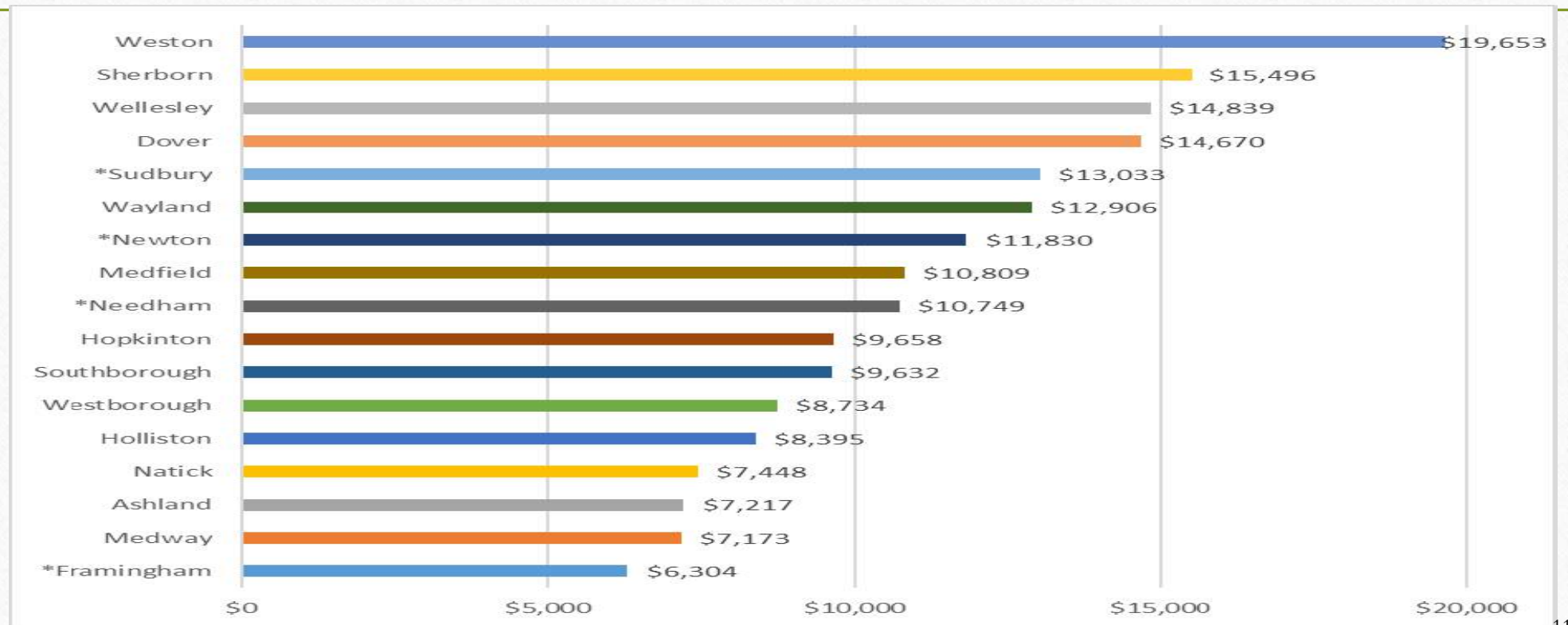
- FY19 Available Funds used in the budget are \$10,852,229, approx. 7% of the Town's budget.
- Available Funds include money from sources such as free cash, stabilization funds, and overlay surplus.
- What is Free Cash?
  - Free Cash is mostly left over money from the prior fiscal year, e.g., money in a department's budget that wasn't spent or more money from Local Receipts than was budgeted.

# Tax Levy

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- FY19 Tax Levy used in the budget is \$121,251,682, approx. 74% of the Town's budget.
- Tax Levy money mostly comes from Real Estate Property Taxes.
- Property Taxes are based on the value of the property and the tax rate, which for FY19 is \$12.71 per \$1,000 of property value.
- For example, for a house valued at \$400,000, the property tax is  $\$12.71/\$1,000 \times \$400,000 = \$5,084$ .

# How Do Town Taxes Compare?



# How Much Can Property Taxes Increase?

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- Massachusetts towns/cities may raise the total amount of property taxes collected by 2.5% each year without a vote by the voters.
- Property taxes can be increased more than 2.5% if the voters vote for the increase. This is referred to as an Override.
- Two major types of overrides:
  - Operating override – continues forever unless the voters vote to reduce it.
  - Debt exclusion – used to pay for buildings, other construction projects. Tax increase goes away once the bond (“mortgage”) for that project is paid off.

# How Much Can Property Taxes Increase?

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- Property taxes for New Growth are in addition to the allowed 2.5% increase.
  - For example, when the Natick Mall added the new wing of stores and the condominiums, the value of those was New Growth. The Property Tax on those properties was in addition to the 2.5% increase allowed that year on the previously existing properties in the Town.
  - A new addition to your home is New Growth.

# My Property Tax Increased More Than 2.5% but My Friend's Didn't - Why?

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- The 2.5% increase applies to the total of Natick property, not to individual homes.
- Example: let's say Katie and I each bought a \$400,000 house in Natick 5 years ago. Our property taxes were the same.
- Over the last 5 years, houses in Katie's neighborhood have been popular and selling prices keep going up. In contrast, in my neighborhood selling prices haven't gone up. Even though neither of us has sold our home, Katie's home is now valued at \$550,000, whereas mine is still at \$400,000.
- Because property taxes are based on property value, Katie's taxes are now higher than mine.

# Is That All There Is To Natick Budgets?

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- Lots of topics were left out of this basic presentation. For example:
  - How much of our budget goes to Schools? Police? The Morse Institute?
  - What are Shared Expenses?
  - What Capital Projects are we planning and what will they cost us?
  - How many Stabilization Funds do we have and why?
- This presentation has been only a basic start to understanding Natick Budgets. Thanks for listening.