

Town Budget 101

Balancing Service Delivery and Capital Needs with Taxpayer Affordability

Presented by: Patrick Hayes, Finance Committee Chair

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What does Finance Committee do and how do we represent the taxpayers and residents of Natick?

FinCom Charge

- Analyze and evaluate the management of the town departments thru budgets
 - “The books and accounts of all departments and officers of the Town shall be open to the inspection of the Committee”
- Evaluate all articles on the warrant; provides a recommendation to Town Meeting

Revenues

- Tax Levy
- State Aid
- Local Receipts

Operations

- General Government
- Schools
- Shared Services
- Operating Over-rides

Capital & Debt

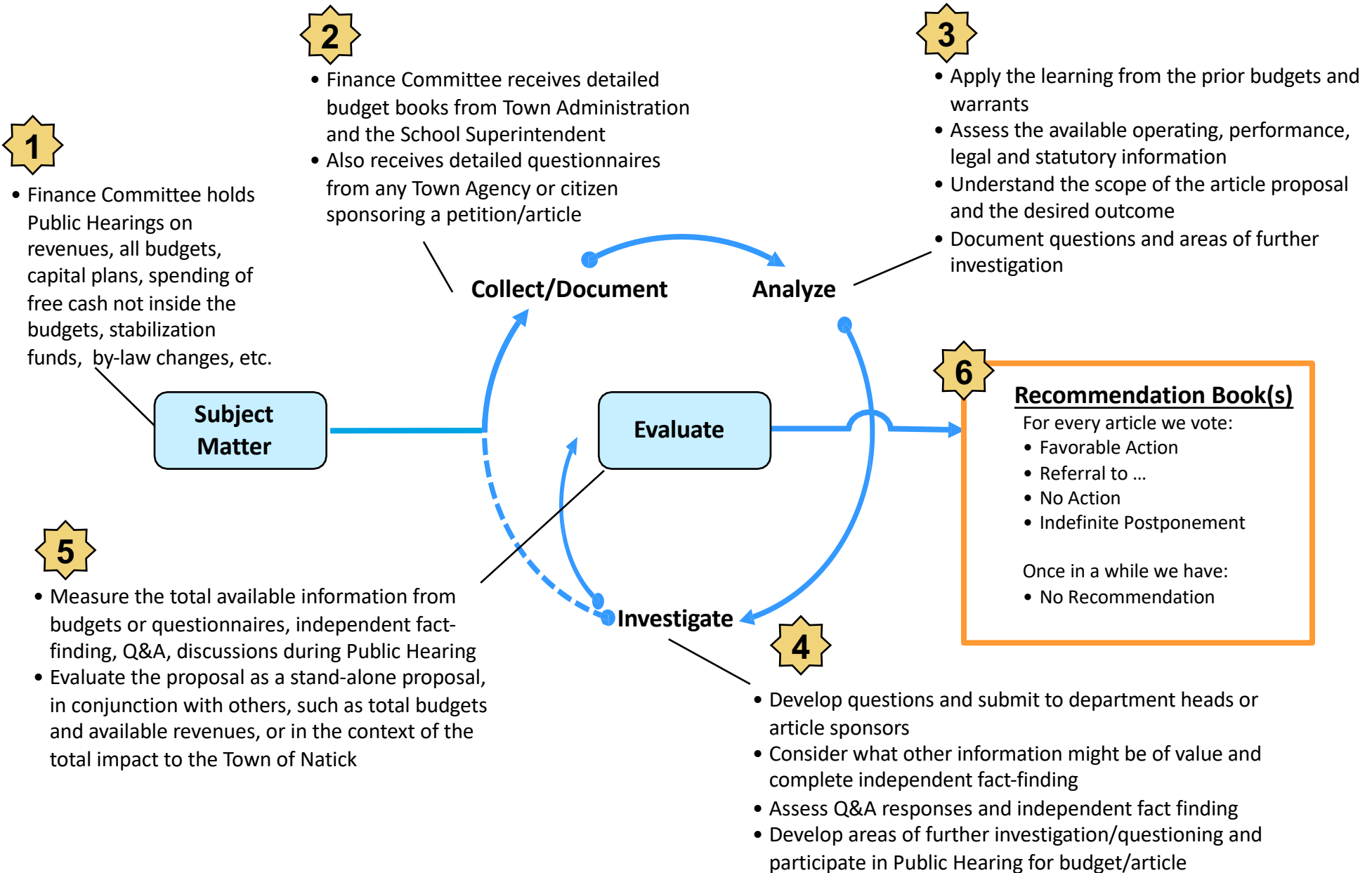
- Capital Equipment
- Capital Improvements
- Debt Repayment
- Debt Exclusions

Charter & By-Laws

- General By-Laws
- Zoning By-Laws
- Charter Changes



How does Finance Committee do it and what's our deliverable?



**What's Top Of Mind For
Finance Committee?**

How does Natick continue to sensibly grow and thrive, with utmost respect and accountability to ALL taxpayers, not just some?

Every Town department, from Public Safety, to DPW, Community Services, Board of Health, Finance, Town Clerk, to the School Department is impacted every day by the fact that Natick is a growing community and people want to move here and work here.

The Impacts Of Growth

- Growth means increased commercial business, multi-unit buildings and residential developments, and the commensurate growth of tax levy, excise taxes, local options taxes and more
- Growth can mean more students enrolling in the schools; more seniors in need of support services, more tax bills, tax collections and assessments; more trash and recycling; more inspections and permits
- Growth impacts the delivery of required and desired services, the costs of service delivery and the need to up the ante on capital spending and infrastructure to support the growth
- Growth means that there is continued pressure department budgets, capital projects and long term commitments such as the pension and OPEB trust funds

Being willing to use budget levers to support the operational needs facing the Town, doesn't mean we can just spend what we don't have. There are after all the financial realities of delivering a balanced budget every year

Concerns

- Under Prop 2 ½ Tax Levy, which delivers ~ 76% of total revenues, **can't** grow fast enough to overcome the “structural” growth built into budgets
- Overlay, Excise Tax and Local Options taxes **can't** grow fast enough to stay ahead of the rising cost curves
- Commitments to Pension and OPEB funding, will require ~\$7-10M of revenues every year until.....
- Whether we like it or not, the Town will continue to need many more capital projects for municipal and school buildings

Challenges

- The degrees of freedom for supporting budget needs, be they level-services delivery or additional services, are fewer each year.
- Total revenue and total costs curves (OpEx, CapEx and Shared Costs will not co-exist asymptotically. Lacking the use of “one-time” funding mechanisms the revenue and cost lines crossed years ago
- Finance Committee believes that in the coming budget cycles, it is imperative for the Town to invest in more and appropriate staffing, supported with the right tools and infrastructure
- Natick has too many important initiatives chasing a very scarce resource

Town Leadership- Boards, Committees, Administrators and many others have to broaden our frames of reference. There is so much we really don't know

Known- Unknowns

- How much “Free Cash” should be used to support annual operating budgets and recurring expenses? Have we already crossed the Rubicon?
- Will enrollment growth topple the traditional school funding model that is “hard-wired” in countless communities?
- If seventy percent (70%) of net student additions are coming from the turn-over and expansion of the existing housing stock in town, what are the policy and socio-economic levers available to better manage the impacts?
- Can Natick really rely on Debt Exclusions and Operational Overrides as the taxing tools to meet budget demands and capital projects?
- What is the inflection point of the tax growth curve for each cohort group in the taxpayer population and how much headroom does Natick have before we hit the top of the curves and “tax-out” our residents.
- What does Natick look like in ten years at the current rate of growth- development, traffic, school size, infrastructure requirements, building needs, delivery of municipal and school services and of course, the total tax per capita. Is that the Natick we want?

The people to attack these challenges and develop the solutions are “in this room”. But the answers probably aren’t (yet).

Leadership & Strategy

- The CEO’s: Town Administrator & School Superintendent
- The Policy Boards: Selectmen and School Committee
- The Legislative and Appropriating Body: Town Meeting
- Planning & Development: Planning Board and ZBA
- Advisory: Finance Committee
- Department Leaders, Managers and Teams
- Many, many others

Approach

- While we should honor Natick’s past, we live in the present and must design for the future.
- There is an even greater need for improved collaboration and communication among all parties. Work aggressively to search, research, learn, apply the learning, measure the outputs then wash rinse repeat
- Embrace that, sometimes amongst only less than appealing choices, our decisions must be for the greater Town good.