

Finance Committee Cost Allocation Information

Cost Allocation

- Finance Committee (FinCom) conducts meetings with the objective of making recommendations concerning Budget and Warrant Articles proposed by Town Administration and the Public.
- FinCom responsibilities include making any such recommendations or suggestions as it may deem advisable on any matters pertaining to the welfare of the Town.
- The Cost Allocation presentation is a recommended additional view of Budget information prepared by Town Administration.

Cost Allocation Objectives

- To present Budget information in a format that presents the major service areas where the spending occurs.
- Identify internal and external “drivers” associated with major service area operational spending.
- Understand the need for development of strategic initiatives to obtain greatest potential return on expenditures.

Cost Allocation - Methodology

- Select significant expenditures classified as “Indirect Costs” or “Administrative” related to all major services areas in Budget.
- Allocation calculations are to be;
 - Based on dollars presented in Town Budget
 - Performed in a manner that can be easily understood.
 - Determined using a methodology that presents a reasonable approximation of dollars.
 - Designed as to be easily repeatable in successive years.

Cost Allocation Calculations

- Debt Service Budget – allocated back to major service areas based on 2020 debt payments for assets acquired/created.
- Insurance Group Health – allocated back to major service areas based on Public Employee Retirement Administration Commission Report detail 2020 Budget expense.
- Property Insurance Budget – allocated back to major service areas based on 2020 Budget expense for assets insured.
- FICA/Medicare – allocated to major service areas based on 2020 Budgeted Payroll that results in FICA/Medicare expenses.
- Energy – 2020 Budget allocated to major service areas based on 2019 usage

Town of Natick 2020 Budget

	<u>Revenue</u>	<u>% Total Revenue</u>	<u>Driving Forces</u>
Tax Levy			
Tax Levy	\$121,251,682	74.1%	Determination of town initiatives and spending requirements.
Local Receipts			
Motor Vehicle	\$6,000,000	3.7%	
License & Permits	\$2,867,495	1.8%	
Other Excise	\$2,413,100	1.5%	Local businesses and town initiatives/efforts to develop.
Ambulance Fees	\$1,510,000	0.9%	
Trash Disposal	\$975,000	0.6%	
Other Local Receipts	* \$2,853,445	1.7%	
State Aid	\$14,653,383	9.0%	Town leadership understanding of availability and initiatives/efforts to obtain.
Free Cash	\$4,150,000	2.5%	Town Sourced
Stabilization Fund	\$3,617,000	2.2%	Town Sourced
Indirects	\$2,585,229	1.6%	Water & Sewer, Saasamom Trace
Other Local Receipts	\$791,309	0.5%	
Total Operating Salaries Benefits, Merit & Performance and Retirements	\$163,667,643	100.0%	

* Primarily Penalties & Interest, Investment Income and Misc Recurring

Town of Natick 2020 Budget

			<u>Total Spending</u>	<u>% Total Spend</u>	<u>Driving Forces</u>
	Education	*	\$87,209,445	53.5%	Contracts and State Regulations.
	Morse & Bacon Free Library		\$2,652,576	1.6%	Town Requirements
	Sub Total Education & Learning		\$89,862,020	55.1%	
PUBLIC	Public Works		\$12,158,585	7.5%	Town Requirements
	Facilities Management	*	\$3,462,850	2.1%	Town Requirements
FIRE	Fire		\$10,625,202	6.5%	Town Requirements
POLICE	Police, Parking Enforcement & Emergency Mgmt		\$7,985,176	4.9%	Town Requirements
H&CS	Community Services		\$3,814,804	2.3%	Town Requirements and Initiatives
	Board of Health		\$672,133	0.4%	
ADMIN	(a) Administration		\$9,482,590	5.8%	Town Requirements
	(b) Retirements		\$10,070,552	6.2%	Staffing, Contracts and Statutory Regulations.
	Ins/Group Health		\$4,756,992	2.9%	Contracts and State Regulations.
	Reserve Funds		\$250,000	0.001534104	
	Sub Total Town Services & Administration		\$63,278,885	38.8%	
	Total Operating Salaries Benefits, Merit & Performance and Retirement		\$153,140,906	94.0%	
	Enterprise Activities Health Care		\$432,204	**	
	Enterprise Activities Insurance		\$1,782	**	
	Capital Equipment & Improvements		\$3,617,000	2.2%	
	Capital Stabilization Fund		\$1,450,000	0.9%	
	School Bus Subsidy		\$410,137		
	OPEB Trust Fund		\$300,000		
	Other (stabilization Funds & Misc)		\$540,000		
	Other Non general Fund Appropriations not T		\$3,069,592	1.9%	
			\$9,820,716	6.0%	
	Total General Fund Expenses		\$162,961,621	100.0%	
	Total General Fund Revenues		\$163,667,643		
	Revenue Surplus/(Deficit)		\$706,022	**	
	(a) Following Departments; Board of Selectmen, Finance, Information Technology, Community and Economic Development, Legal, Town Clerk, Elections, Sealer of Weights & Measures, Commissions & Committees.				
	(b) Non school town retirements.				
	** Most recent input from Town Administrators office reduced cost by \$707,805 and detailed allocations to enterprise funds.				