

Finance Committee

Questions for Articles 2-5

9/30/19

The Town of Natick, as per its adopted Financial Management Principles, maintains a portfolio of permanent reserves in the form of Stabilization Funds. Established by Town Meeting under Chapter 40, Section 5b of the Massachusetts General Laws, stabilization funds act as the Town's savings account, providing resources for one-time and limited recurring expenses when and if necessary.

The Town maintains three Stabilization Funds:

General: For the purpose of unforeseen and catastrophic emergencies

- Target 2% – 5% of General Fund revenue (minimum target \$3,304,712 – goal target \$8,261,779)
- Current funding level \$4,906,644, 59% funded

Operational: For the purpose of augmenting operations in case of sustained economic downturn

- Target 10% of State Aid and 5% of Local Receipts of the past 3 years (goal target \$6,784,246)
- Current funding level \$3,796,957, 56% funded

Capital: For the purpose of funding any capital related project, piece of capital equipment or debt-service payment

- Target is variable depending on cash capital needs
- Current funding level \$4,759,838

OPEB Trust: For the purpose of funding the Other Post-Employment Benefits (OPEB) retiree health insurance

- Target \$168M per last valuation; current valuation in progress
- Current funding level \$3,725,684

Free Cash Spend Down Allocation – Please note Free Cash has not been certified and these are proposals based on available funds.

1. 0.5% of Free Cash is set-aside
2. Article 4 Capital Stabilization funding of \$2,119,347
3. Article 5 OPEB Trust funding of \$475,000
4. Article 1 FY20 Omnibus Budget \$834,588
5. Article 1 FY20 Omnibus Budget (LIUNA) \$1,640,000
6. Article 42 Feasibility Study Morse Institute Parking \$15,000
7. Article 2 Stabilization funding of \$500,000
8. Article 3 Operational Stabilization funding of \$500,000
9. Remaining balance FY21 Operating Budget