

**Call to Order:** Meeting called to order at 7:03 p.m. by Linda Wollschlager, Chairperson

**Announcements:** None

**Public Comments:** None

*Mr. Coburn moved to open the Town Administrator's FY23 Budget public hearing, seconded by Mr. Gillenwater, voted 10 - 0 - 0.*

**Roll-call vote:**

Mr. Coburn = yes	Mr. Gillenwater = yes
Mr. Krentzman = yes	Ms. Monahan = yes
Mr. Pope = yes	Mr. Rooney = yes
Ms. Sciarra = yes	Ms. Wollschlager = yes
Ms. Yobaccio = yes	Mr. Conaway = yes

Mr. Errickson thanked Mr. Townsend and his team for working with department heads to get the budget out on the new deadline of February 1. He is appreciative of the additional time to put together the budget and felt that the numbers are more accurate due to this.

**Town Administrator's FY23 Preliminary Budget Overview:**

Mr. Townsend made the presentation of the town administrator's preliminary FY23 budget. He first thanked Mr. Errickson for his support and input; Mr. Marshall; all the department heads; and the award-winning finance team. The FY22 budget book received a GFOA (*Government Finance Officers Association*) budget award. He thanked Abdul, Juiling and Gloria for putting the budget together for this year.

Free cash was certified on January 31. FY23 town administrator's budget was published on February 1 and is available on the web and in hard copy. The changes that were made to the FY22 numbers at Fall Town Meeting have been incorporated.

The formatting of the presentation is different than in past years. This year more information will be provided as to the actual numbers and not going into so much in regard to the departments. The presentation will be more of an in-depth overview with regard to how the budget is viewed and some of the factors that went into putting it together. In the upper right-hand corner of the slides there will be page numbers that reference the budget book. If more information is needed, turn to that page in the budget book.

Revenue projections for FY23, \$176,495,677 and expenses are projected at \$176,192,887 with a surplus of \$302,790 as a revenue set aside. These numbers will be explained in much greater detail.

Beginning with the revenue at the very highest of levels, the positive drivers are the tax levy, which is the greatest source of revenue, then there's state aid, local receipts and free cash and stabilization. More details will be provided on these. Mr. Townsend points out that the current balance of the overlay account is \$4,898,031. The assessors were asked for \$1 million from that

account and they agreed to that. There is plenty of money in the account to deal with any abatements. February 1 was the deadline for filing an abatement. There were 31 abatement requests, which is extremely low. Normally they run in the 40 to 50 abatement request range. The total general revenues of \$176.5 million is an increase of 5.05 percent over FY22.

Parking revenues have gone down during the pandemic. In FY19 meter revenues were \$125,000 and in FY22 meter revenues were \$56,000. So far this year meter revenues are \$58,000 and it is projected that it will be \$86,000. If Town Meeting chooses, that resource can be used with regards to funding parking operations.

#### Level of Confidence in Revenues:

1. Tax levy is the largest and most solid source because it is almost always collected. There is a strong residential base, a continued solid new growth. One concern is a weak commercial sector.
2. State aid is also a solid revenue source.
3. Local receipts.
4. New growth.
5. One-time funds, which is free cash, federal grants, supplemental billing, budget savings, stabilization funds. It is not preferable to use these to build the budget. It is preferable to keep these for one-time expenditures.

Preliminary tax levy from FY22 is \$121,674,770, add in Proposition 2½, and then New Growth budgeted forecasted at \$1.1 million, which subtotals \$125,817,000 for our tax levy. Excluded debt is \$9,138,000 and the total levy is \$134,955,000, for a 3 percent increase over last year.

Pertaining to New Growth, residential growth is \$1.3 million, commercial growth \$87,000, personal property growth \$430,000. For FY22 new growth, 72 percent came from residential, commercial growth was 5 percent and personal property was 23 percent, for a total of \$1.85 million.

Historically an average New Growth number is about \$1.489 million, minimum, with the lowest being \$741,000 in 2014. The maximum was \$2.5 million. A key factor in new growth is to have strong growth in both residential and commercial. Residential growth is 72 percent of total growth, a great number, but commercial is only 5 percent, down quite a bit. The pandemic has taken a toll on our commercial sector and there has not been as much growth. The saving grace for FY22 was the 23 percent personal property number, which is the highest personal property percentage ever. An assistant assessor was assigned to look into personal property revenue stream and has done an excellent job.

There is concern with residential at 72 percent. The residential real estate market is hot but the economy is not doing well, with a 7.5 percent inflation rate, so there is concern whether the residential growth will continue, especially if interest rates go up.

FY23 projects \$1.1 million new growth, which is conservative. Hopefully that is wrong and the number will be better. New Growth will be certified in the fall.

On the expense side, working collaboratively with Mr. Errickson and Dr. Nolin, \$79 million was budgeted for the School Department. The Bacon Library, has a 23.17 percent increase, because of restructuring of some of the staffing from the Morse Library to the Bacon Library. That will be elaborated on during a meeting with the subcommittee.

There are four new initiatives scheduled for FY23. Last year there was a first-year initiative regarding adding additional firefighters to the Fire Department and that will continue for FY23. A new firefighter is proposed to be added. There was also an educational initiative added last year to fund paramedic training for the firefighters. It was a big success. There were two firefighters who completed the training and became paramedics. It is proposed to continue that program for FY23. Additional staffing is proposed to parks and recreation by having additional staffing. DPW would like to add an assistant director to assist in the oversight and management of that department. The total value of the new initiatives for FY23 is \$211,665. The total expenses for FY23 are projected to be \$172,045,774 for a change in increase for 4.68 percent.

Shared expenses are expenses shared by the town and the schools. For FY23 the budget is \$50,824,783. It is about 30 percent of general operating budget. The Facilities Department is budgeted for 10.47-percent increase, which is a carryover of what has been approved at Town Meeting for FY22. It's a continuation of the services that are being provided by the Facilities Department. In the Fringe Benefit area, an increase of 4.96 percent is proposed because of health insurance costs. The Fallon Health Plan, which was the primary health insurance carrier for Town of Natick employees is leaving and the new health insurance will be Blue Cross Blue Shield, available at the same rates for the next two years. Debt Service will be going down due to reliance on bond anticipatory notes instead of going from permanent borrowing to funding capital projects for FY22, as well as FY23. FY22 Capital Stabilization paid part of the Debt Service. Retirement Benefits will increase by 8.66 percent, provided by PERAC as part of the plan to fully fund pension liabilities by FY30. Property Insurance will increase by 6 percent based upon claims history for FY23.

Mr. Rauf took over the presentation on the topic of various economic indicators on the Town. The inflation rate has increased more than it ever has before, 7.5 percent. It is harder to get items and they are more expensive. How much is because of supply chain constraints and how much is because of inflation in general?

The Great Resignation, there is historically high turnover. The pandemic has caused early retirements. Jobs are generally paying more. There is a need for a labor working force and that has caused salaries to increase over time as well. There are increased job openings, more competition for job opening and higher salaries. Projected for FY22 will be the highest amount of turnover, whether retirement, people moving to another job or termination. It is harder to find employees to fill jobs and it's taking longer. Newer employees are often coming in at a higher rate.

The unemployment rate has gone down, which is a good indicator. Employees are becoming more valuable. Two years ago at Fall Town Meeting additional monies were needed to cover unemployment costs incurred. Indicators for FY23 look to be lower, but it is too early to know

for sure. Unemployment insurance budgeted for FY23 is \$140,000, that is part of Fringe Benefits inside of shared expenses.

The effect of the Great Resignation on Unemployment, the budgeted amount of \$140,000 is a slight increase. But because the FY21 number was so high, the budgeted number cannot come down because of the possibility of another wave, variation or another shutdown. Salaries have gone up over time as well due to adding positions, inflation, general rising salaries over time. The basic lesson is Unemployment needs to be watched and tracked. The vast majority of the budget is personnel and salaries.

Consumer Price Index, things have generally gotten more expensive. One example, if buying a new car, cars aren't on the lot, you're paying over MSRP and you have to wait weeks or months to get the car. Gasoline, electric, Medicare, tutors, tuition, medical care, everything has gone up in price. It affects government, like DPW getting supplies, paying more for supplies in general and postage increases.

Supply chain availability and prices, there are delivery delays, departments are waiting much, much longer to be able to get supplies. An example is for the golf course, they need to order golf supplies six months to a year in advance. The DPW director has said they need to go to different marketplaces where they normally wouldn't look to be able to buy normal day-to-day supplies. There are delays and the cost is more.

Budgeting is more difficult with inflation and has to be done carefully. Budget impacts are due to inflation and supply chain shortages.

Juiling De los Reyes took over the presentation on the topic of COVID-Related Grant Funding. Pandemic relief funding grants have detailed guidelines in terms of how money can be spent. The largest funding was received in FY21 CARES Act. CARES Act was signed to establish COVID relief fund on May 28, 2020. Natick received about \$3.2 million and submitted expenditures accordingly. The program closed in 2021.

FEMA, Federal Emergency Management Agency, is currently ongoing. FEMA grants are available for emergency or disaster-related events.

ARPA is the largest funding and Natick received \$5.38 million and will receive the remainder by the end of 2022. Mr. Errickson, Mr. Marshall, Mr. Townsend, Select Board, School and department heads have regular meetings to discuss the ARPA spending plan. ARPA supports public health response and addresses negative economic impacts and pays for water and sewer infrastructure, et cetera. Smaller grants are also received to support a pandemic, like the Board of Health and Community and Economic Development also receive a few thousand dollars. They have been used to support pandemic costs in schools. In 2021 the total was about \$5.5 million. For 2022 it is expected to receive \$10.77 million.

Mr. Townsend resumed the presentation. February 1st date was a big help in making certain that the numbers were more accurate. Going forward there should not be as many changes. A revised budget book or addendum or update will be put out in early April for corrections. There

was a bylaw passed at Fall Town Meeting, which has not been approved by the Attorney General. The numbers are being put together and should be part of that budget submission so that everyone can see the numbers requested by Town Meeting. Expected updates will be to the State Aid number; OPEB actuarial study, required to be done every three years, should be out by end of February; union meetings, should have updates with regard to negotiations and will have some agreements and numbers shortly. There will be a public budget forum scheduled. Hard copies of budget books are available at Town Hall, Assessor's Office. Additional information will be provided if something was missed during the new format of the presentation.

**Questions from the Finance Committee:**

Mr. Rooney asked to go back to the slide that showed the monies received. The FY21 monies shows that they're spent. What were the types of spending that occurred? Concerned about spending done that addressed some needs that were a result of COVID and enlightened as to other needs that money was able to be spent on because of the guidelines related to spending it. Therefore, how comfortable are we that we haven't created expectations for the community or created positions that we thought were temporary and are going to be demanded as permanent. And moving forward through FY21 and FY22, are we building a potential amount of money required that will create not just an override but will have to be bigger because of what was done? On a big picture basis Mr. Rooney wanted to get some understanding of how that \$3.2 million was spent broad categorywise, whether it's for people, for capital, for what. The FEMA monies, the Board of Health and the Community and Economic Development, he's not so much concerned about those figures. That will come out in the wash as groups are talked to. He is concerned about the big numbers. How do we go about understanding that? Not just for FY21 but even for FY22.

Ms. Wollschlager asks Mr. Townsend and Mr. Errickson is there a detailed presentation of how all of the COVID relief funds have been used and how do we get a copy of it? Mr. Errickson provided an email about the use of the COVID funds. If needed, they can be provided with more of a breakdown. The FY21 funding in the CRF and FEMA funding, there are very strict requirements and were only used for pandemic response. The bulk of the funding went to investments in infrastructure to allow for distance learning and for distance working. Modifications had to be made to classrooms and to work spaces to ensure that existing people could work safely in compliance with COVID pandemic requirements under the Governor's orders. It also went significantly to cleaning supplies, masking and PPE supplies, all of which post-pandemic won't be necessary to have or to continue to purchase at the levels during the pandemic. The levels will go back to normal. Overtime for existing employees to do additional cleaning in schools or public buildings, those are not anticipated costs that will continue post-pandemic. They have currently stopped. They were in effect during the height of the pandemic. Backfilling of staff in the School Department, there were a number of teachers that were out sick or took the year off due to the pandemic. Positions had to be filled with substitute teachers. Overtime was paid for backfilling of positions that were open within the Town in Water and Sewer division and in DPW division. Those costs, because they were directly related to the pandemic could be covered with stimulus dollars. Also similar costs, like higher-power filter in buildings for air circulation systems. It is preferable not to purchase those higher-power filters because they're a greater strain on HVAC systems. Once the requirements were lifted on air circulation requirements, normal filtration systems were resumed. By and large costs that were

part of these one-time funds from the federal government went to one-time costs or costs that are not anticipated to be continuing post-pandemic.

The ARPA funding is a different pool of funding that is more related to continuing pandemic response. Those funds will be spent during the next four years. Some of those funds will go towards capital improvements, water and sewer PFAS upgrades, again, one-time costs, some HVAC upgrades in our buildings or other facility upgrades that relate to air circulation or pandemic or COVID relief. Natick received a couple grants from the state through ARPA funds to help us study some of the impacts of the pandemic on our business community in the Golden Triangle area, as well as our Human Services divisions. That can be used as a way to either rebound from the pandemic in those areas or just better utilize or better coordinate our services so that we can be more prepared, both now and in the future, with our services for the pandemic relief. Similarly, there is a proposed position that was endorsed by the Select Board for a Chief Diversity Officer for use of ARPA funds. That is really related to the pandemic response for populations that have been disproportionately impacted. The point there is encourage or ensure that we're meeting those people with pandemic response and providing better access to government and government services through that position. That will be a funded position. I think it's currently proposed for the four years on the ARPA list, as well as just ensuring that we're, again, meeting those populations that have been disproportionately impacted by the pandemic.

The bulk of the funding that has been used in the past, for example FEMA and CARES, it's all been spent. There is not any impact on the FY23 budget of expectations going forward and feel there won't be continued impacts. The ARPA funding, there could certainly be some expectation coming out of the Golden Triangle study whereby there may be capital or proposed operational investments, we don't know what those are yet, we're coming out of the Human Services study, that might also lead to some potential capital or other investments on the town. And potentially the chief diversity officer position could potentially be one that the town might choose to continue into the future. But those are not right now anticipated costs for the FY23 budget or the FY24 budget because we do have the years of the ARPA funds, which extend for those to be covered to 2026. Those really the only anticipated costs and real costs of the pandemic relief. State and federal programs continue to be sought for various state and federal funding sources to cover capital and other one-time costs. Most these funds are used for one-time pandemic responses.

Mr. Townsend resumes presentation. Federal grants are required to be set up as separate projects by the federal government. The money expended are held in separate accounts and does not go into any budget. Receipts or expenses are charged against those accounts. Once those accounts are empty, that's it. Just like any federal grant, we report to the federal government and once the account is closed, that's the end of it. Those expenses will go away unless there's a particular appropriation by town meeting. There is no way for them to be continued once the funding from the federal government is stopped.

Mr. Coburn shared Mr. Rooney's interest in knowing whether and to what extent the set of unusual circumstances and unusual grant funding might disrupt or influence things going forward, including expense growth or operations, scope or whatever, some of which may be

something we should be looking to avoid, some of which may be something we would all agree on but is something that should be monitored. In subcommittees we have to get to the departmental level impact on what this very large and important amount of grant funding means going forward.

Mr. Coburn asked about the revenue sources and the overlay discussion. It was noted that the number of overlay abatement requests or overlay-related abatement requests are down, which sounds to be fortunate in this volatile year. Are any of the abatement requests that did come in were commercial, and if they were from significant large commercial tax payers.

Mr. Townsend replied there were some. Of the 31 or 36-odd that we got, only six are residential, and the rest were commercial. None of the largest taxpayers filed for abatements. We did not receive a request from either the mall or MathWorks. Most were smaller concerns.

Mr. Gillenwater had a question related back to the revenue section. In local receipts, the PILOT program, payment in lieu of taxes, seemed like a low number. What would be involved in getting an inventory of non-town properties which are exempt or reduced taxes, and what kind of program is there trying to knock on a few doors asking for participation of payments in lieu of taxes?

Mr. Errickson replied the database can be run for nonprofits or those property owners that are not paying taxes. Producing that kind of list is a little bit of work, but we do have that data and that might not be that challenging.

To the second question, how easy is it to knock on doors and try to negotiate PILOTs, a lot of that is governed by state law, who we can and cannot negotiate PILOTs with. Mr. Errickson defers to Mr. Townsend who may have more from the finance side of how that process can work and how it has historically worked in Natick.

Mr. Townsend replied it is very difficult to do. The hospital, who could be paying PILOTs, is gone. So with regards to educational institutions, it's very difficult to enter in any PILOT negotiations with them. There is no organized effort to identify and to try to reach out to people. That may be something that could be looked at but there has not been success in the past regarding that.

Mr. Gillenwater countered the hospital is not gone and would Natick do anything with the hospital.

Mr. Townsend stated that the hospital is no longer located in Natick but they do own the property. They are a profit corporation and are negotiating with regards to the value of the property.

Mr. Behery questioned looking at the numbers for the tax levy and stabilization funds and also looking at supply chain issues and slowing down of the real estate market, how will these issues be addressed? How can we increase the stabilization fund knowing that income for next year might be less, given the fact that real estate will be cooling down, supply chain issues will

continue, most likely the **difficulty in talent** acquisition isn't going to be resolved. Given these charges, how do you plan to increase the stabilization fund? Mr. Townsend replied there are some possibilities. There is an ability to collect our tax levy, so the obvious solution would be to increase our tax levy. The only way that can be done under Massachusetts Law is to have an override or debt exclusion. That is decided by the Select Board and we have raised that with them. Other than that, try to curb expenses and try to raise revenue sources and get more aggressive with regard to collections. The future may require an override.

Mr. Errickson added there are positive trends in the presentation. It's hard to budget trends coming out of a pandemic because there is no pandemic history to look at. Budgeting for FY23 needs to be conservative. By FY24 there will be more data. These areas are being tracked on an almost daily basis if not monthly basis, some of our new growth trends from the real estate perspective and local receipt trends from hotels and meals taxes to adult-use marijuana or cannabis, and the like. Those are avenues that we're tracking now and will track into FY24 and hope to get back to pre-pandemic levels, which will help ease the concerns but won't get rid of the concerns.

Mr. Krentzman noted in the budget the line item investment income dropped from 1.3 million to \$250,000 and even with interest rates being at rock bottom, that's a significant drop. What is that attributable to? Mr. Townsend answered that is attributable because we are concluding the construction of the Kennedy Middle School, much of that income did result from our investing of the money we borrowed to pay for that particular facility.

Ms. Monahan questioned ARPA funds and also employee retention. Can that be used to give premium pay to some of the essential workers? That definition was being redone to cover more employees, including part time. Mr. Errickson answered that's been looked at since ARPA funds first came out. The ARPA regulations at the beginning had requirements towards how the funds can be used for some of the low-aid workers or frontline workers. Most employees don't meet the criteria. There is information that other communities have had to pay money back because employees don't meet the criteria. Natick is approaching it very carefully with one-time stipends or payments to employees, because it seems, at least based on some of the regulations that we've been reviewing, that compensation rates might not meet the requirements of ARPA.

Ms. Monahan followed up with so little of it has been spent, is Natick being too careful? The theme of the expenses is just supply chain and materials are increasing in cost, but it's also increasing in cost for everyday residents, whereas their wages are not increasing at anywhere near to that speed. Mr. Errickson answered a couple of reasons why we haven't been spending ARPA quite as quickly is the final regulations were only just adopted in January, the final rules need to be understood as to spending the funding; also there's a lot of other federal and state programs coming out and it needs to be understood where those program dollars were going so that we can maximize Natick's program dollars. Natick was getting hit with supply chains and would have been spending more by now, if it weren't for the inability to actually move some of our projects along, such as some of our capital projects and just issues with regards to some of the supply chain issues. There's a combination of reasons why some of the spin down hasn't occurred.

A benefit of ARPA is that the funding can be spent over several years. Natick has until the end of calendar year 2026 to spend the funding. It has to be allocated by the end of calendar year 2024. With the different programs at the federal and state level, Natick wanted to make sure to maximize our dollars, while letting the state and federal dollars also be maximized to their fullest extent also. A local-level example, the spending plan that was adopted by the Select Board and updated in December included funding for targeting economic development work in the Golden Triangle area, which given that it's an area heavy with retail and low-wage workers, Natick wanted to target some of our funds for that district and were actually successful at receiving a state earmark for that through the state's ARPA funds, so we can actually free up those dollars on the town side for other uses. We haven't gone back to the Select Board with a proposal yet, because we haven't received those contract documents from the state level. This is changing on a day-to-day basis. That's an example of how Natick has been trying to be extremely strategic with town ARPA dollars to utilize state and federal resources whenever possible and stretch our dollars even further.

Mr. Behery asked will there be any impact on the increase of the interest rate on our projects, the timeline or any kind of funds going to be allocated in the next fiscal year? How would an interest rate increase impact us? Mr. Errickson asked from a borrowing perspective, when you say projects? Mr. Behery responded yes, from a borrowing perspective. Mr. Townsend replied currently interest rates are of concern to us. Natick is currently using bond anticipatory notes, which are shorter-term notes that recently had lower interest rates than our longer-term bonds, Natick is watching it very closely to see where it goes with regards to the bond market to see if Natick wants to go out for permanent borrowing. With a bond anticipatory note, you don't have to pay back principal, just interest and it frees up some of our cash for operations that we would otherwise be paying in principal, until such time as we have a better cash flow. It's something that we monitor very closely. And if the interest rates jump significantly, then we'll probably make some moves to refinance some things.

Mr. Krentzman asked these anticipatory notes sound like a home equity line, you pay back interest and principal is owed. Now is there a timeline as to when you have to convert or pay them off? Mr. Townsend answered, correct, yes.

Mr. Krentzman asked how much money do we have owed right now in these bonds?  
Mr. Townsend answered about 3.8 million in notes.

Mr. Krentzman asked what is the timeline as to when they come due one way or the other, either we go out too long-term funding or they're paid off? Mr. Townsend answered these are one-year notes. They can usually be rolled over about three years before you're required to pay part of your principal. You can use BANs for about 10 years as the maximum allowed by law. They are meant to be short-term interest. So usually before we hit the two- or three-year mark, we would roll them into permanent bonds.

Mr. Krentzman didn't understand what was said when you were talking about watching the bond market and interest rates are going to be going up. Wouldn't it make sense to go out to long-term funding borrowing now, when interest rates are very low? Mr. Townsend answered one of the artifacts of the recent market is that short-term notes have actually had a better interest rate than

long-term notes. Because of the uncertainty in the markets, it's difficult selling 20-, 25-year bonds. Usually, it's about 1.8 percent or so. A BAN is usually .6 or .7 percent. When the trends starts to flip, that's when to make a move to move into a more permanent position to take advantage of that. Currently it makes more sense to stay in a short-term note until the interest rates on the longer-term notes either come down or the short-term rates start to go up to equal what you would you would pay. Also in fees it costs more to go out for a bond issue than it does to get a note.

Mr. Krentzman asked if there's a plan to where the money's going to come from to pay these things off in two to three years, what is that plan? Mr. Townsend answered Natick doesn't want to pay 1.8 percent on \$5 million when you can pay .7 percent on \$5 million for a year or two. So saving money, that's your choice, because it's a better deal. But with regards to a plan, absolutely there is a plan. One of the issues that always comes up is that we do have a lot of other outstanding bonds, which usually do level principal declining interest rate, so the payments do come down and also the projects end, as well as our debt exclusions end as well. Every year savings is usually 3 to \$400,000 just with regards toward debt service payments. So the idea is to have the BANs, which we are only paying interest, we're not paying the principal, but then roll them into one larger bond issue.

A benefit of having a larger bond issue, as opposed to a smaller bond issue, because if I went out for like 3.8, as opposed to going out for 22 million, is that when you go out for larger bond issue, you attract larger investors, like New York banks, large industrial institutional investors who come out to want to buy your products and they do offer better rates. So when you go out for permanent borrowing, you do have a large, attractive package, to attract the larger investors who do pay the better rates. So overall we will stay in the short-term market for a little while, once again watching the rates to see what they do, and will eventually probably go on to a more permanent borrowing, either at the end of the summer, or maybe another year until like the spring of next year.

Mr. Krentzman asked if it's the final year of debt service on the bond that built Sassamon Trace Golf Course. Mr. Townsend replied no. There are two payments, one is lease payment and the other is the bond payment. One of them is ending.

Mr. Krentzman thought the bond issue is ending and the Dowse lease continues for a long time. Is the bond off this this coming fiscal year? That should free up \$250,000. Mr. Townsend replied it will have an effect on the Enterprise Fund and their being able to make it on their own, but he is not certain and will have to review it. Mr. Rauf replied, yes, it does come off at the end of FY23.

Mr. Coburn remarked regarding news on inflation is it time to turn anticipatory notes into long-term financing. Mr. Townsend agreed and noted that inflation will be watched closely.

Ms. Wollschlager asked given that there's a budget delay from January 1 to February 1, something the committee agreed with hoping that there would be a narrower budget gap. What the current state of the budget gap? Mr. Errickson answered there is no gap. In working with the

School Department, they are committed to the \$79 million number. The School Department budget number was \$80.5 million, but the superintendent is committed to \$79 million number.

Ms. Wollschlager asked about the collective bargaining, \$500,000 was potentially going to be asked for at Town Meeting for FY22, but there isn't anything in the FY23 budget. Will all the contracts be settled before the end of this year or is there a different plan? Mr. Townsend replied there is some money in the FY23 budget. Some money was put in the department budgets, not separately. There is enough to cover FY22 and the beginning of FY23. Further appropriations will be requested at Fall Town Meeting.

Ms. Wollschlager asked for a rough idea of how much would be requested at Fall Town Meeting. Mr. Townsend answered until the contracts are settled, he would not have a number.

Ms. Wollschlager wanted to point out that normally there is money set aside in the Select Board budget in advance and this is different than normal practice.

Ms. Wollschlager asked what are the greatest risks to this budget and in what areas?

Mr. Townsend felt the budget is fairly solid. Local receipts are of continuing concern. It's almost impossible to tell, and we have done fairly conservative estimates on that. The department heads have done an excellent job of going through and trying to identify expenses, which will be a challenge for them going forward. Staffing is another issue, and 80 percent of the budget is personnel. It's difficult to keep up on retirements. Retirement rate data is being compiled. Natick is facing fairly significant retirement rates, especially among police and fire, which is concerning. Those are the areas for this particular budget.

The real concern is the fact that stabilization funds are almost down to zero, which has significant ramifications for FY24. In the past FY23 and FY24 were worrisome because local receipts are not coming back. By FY24 Natick will be back to FY19 levels.

Mr. Rooney asked with regard to stabilization funds if the Governor grants more money will the money go into the stabilization funds? Mr. Townsend answered he didn't remember saying that but it's an excellent idea. There are a couple of areas that hopefully there will be additional funding. Another issue is funding capital. Conversations tonight about BANs and borrowing is an excellent conversation because it isn't a good idea just to use strictly borrowing to fund capital projects. Diversifying revenue sources for capital is another discussion that has to be had, because local receipts, a big area for capital, is suffering; re-funding stabilization of capital would be two of the prime sources that any excess revenue should be devoted to. Mr. Rooney thought it was stated somewhere in the first 10 pages. Mr. Errickson said that may have been noted in his budget message that it might be a good practice that we would want to consider with any increase in revenues would be to use less stabilization funds essentially, or put it back into stabilization accounts. So much depends on what the final numbers are from local receipts and state aid, some of which we might know this budget season, some of which will have to wait until the fall. And leading into the fall is when we're really going to be diving into an updated free cash spending plan, the gross spending plan, that's when more information will be available to prepare more for FY 24 and beyond.

Mr. Krentzman asked are there any monies allocated towards capital spending, capital equipment? Mr. Townsend answered there was a line for capital expenses that was zeroed out. In the past there was usually \$1 million or 2 put in straight towards capital projects. For FY23 that revenue is not there, but it is something to look towards. When discussing capital in more depth, diversifying revenue streams for capital, which would be committing some tax levy with regards to capital projects.

Mr. Krentzman asks have we considered using leasing for capital equipment, trucks, et cetera? The cash outlay is considerably less than putting out \$300,000 for this truck or that truck. Is that something you can talk to? Mr. Townsend answered traditionally Natick hasn't used leases with regards to especially vehicles. There are some. That's a decision that's made on the department level, something we definitely look into. From upfront costs with regard to cash flow, leasing is a good way to do it. Mr. Errickson added the same question was asked for FY22 and motorcycles in the police department are leased. It depends on the vehicle and the short-term costs, the maintenance of those vehicles. When you cost out the lease long term versus investment in capital and then maintenance long term, there's a breaking point. And if the vehicle lifespan is expected to be beyond that point, it's better to purchase because then at the end of the useful life of the vehicle, it can be sold and we get something back.

That's actually the case with the golf carts down at the golf course. Fall Town Meeting approved the appropriation for the purchase of golf carts, which makes us money in the long term, because we get revenue from the rentals. But then we can also have a capital asset that at the end of the lifespan of those golf carts, you can return it and sell it back. Similar type of models work for some of our vehicles as well. We have and will continue to look into that to see if there's a viable option for some of our vehicles.

Mr. Krentzman countered his experience in business is that almost anything can be leased. Software can be leased, capital equipment can be leased, all sorts of things. And if we're facing a situation where cash flow or where money to invest in capital equipment is not available, lease for the short-term foreseeable future, leasing would be a viable alternative so that money can be spent in different places in greater amounts.

Mr. Marshall addressed capital stabilization. The intent moving forward is to close out projects, turn the funds back and ask for those funds to be re-appropriated for projects. As we work through the challenges of this year, that is the patch we have for this year.

**Questions from the Public:** None.

Ms. Wollschlager, thanks the administration, thanks to the finance team, for an excellent presentation and thank you to the Finance Committee for some really good questions. And we look forward to working with you in depth through our subcommittee process, and also through future meetings. Thank you for your time tonight.

*Mr. Gillenwater moved to adjourn, seconded by Mr. Coburn, voted 11 - 0 - 0.*

Roll-call vote:

Mr. Coburn = yes  
Mr. Gillenwater = yes  
Ms. Monahan = yes  
Mr. Rooney = yes  
Ms. Wollschlager = yes  
Mr. Behery = yes

Mr. Conaway = yes  
Mr. Krentzman = yes  
Mr. Pope = yes  
Ms. Sciarra = yes  
Ms. Yobaccio = yes

MEETING ADJOURNED 8:51 PM