



# Town Administrator's FY2024 Preliminary Budget

---

TOWN OF NATICK

February 1 2023

# Core Budget Principles

---

- Balanced budget – expenses don't exceed revenues
- Realistic revenue forecasts
- Prudent use of free cash
- Transparency

# Revenues: **\$192,587,764**

---

## REVENUE DRIVERS:

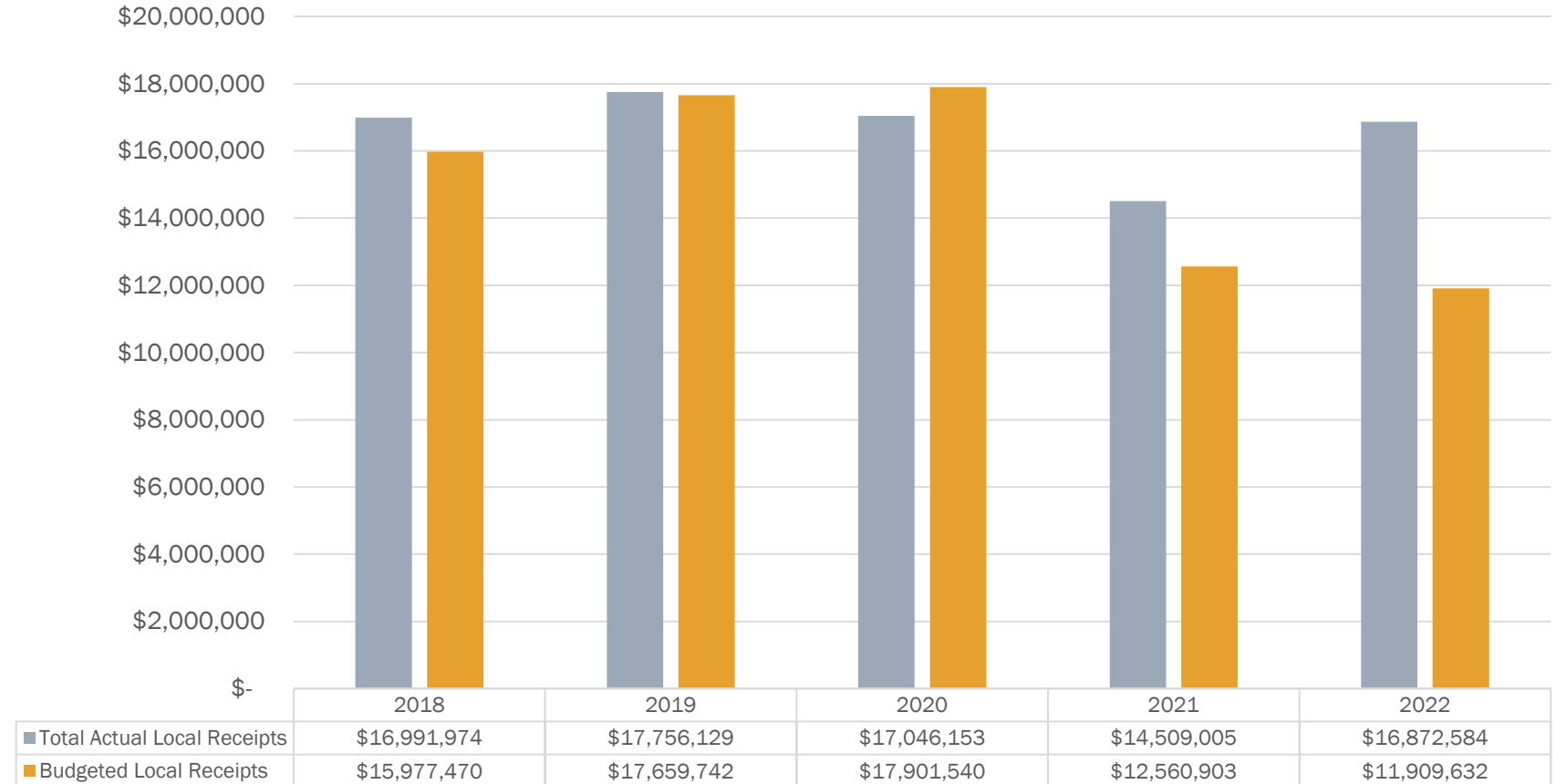
- TAX LEVY
- STATE AID
- LOCAL RECEIPTS
- FREE CASH
- ARPA

	FY 2024 Preliminary	FY 23 – 24 % Change
TAX LEVY	\$139,827,466	3.08%
STATE AID	\$18,030,950	3.17%
LOCAL RECEIPTS	\$16,256,487	27.28%
INDIRECTS	\$3,521,587	12.42%
OPERATING FREE CASH	\$4,464,900	4%
ARPA – REVENUE REPLACEMENT	\$3,000,000	N/A
OVERLAY SURPLUS	\$1,000,000	0%
OTHER AVAILABLE FUNDS	\$274,424	30.46%
NON-OPERATING FREE CASH	\$6,212,010	N/A
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$192,587,764</b>	<b>6.94%</b>

# Local Receipts – 27.28% Increase for FY 24

- Due to uncertainty caused by COVID, Local receipts budget reduced by 29.8% in FY21 and another 5.2% in FY22.
- Significant recovery was seen in FY22 - Actuals surpassed FY21 levels by 16% and outpaced the budget by 42%.
- But FY 22 still underperformed Pre-COVID level (FY2019 Level) by 5%
- The recovery trend is anticipated to continue based on the FY23 Q1 performance.
- Going forward in FY24, the local receipts budget is adjusted to show a realistic picture.

Local Receipts Actual vs. Budget



■ Total Actual Local Receipts    ■ Budgeted Local Receipts

# Local Receipts – FY 2023

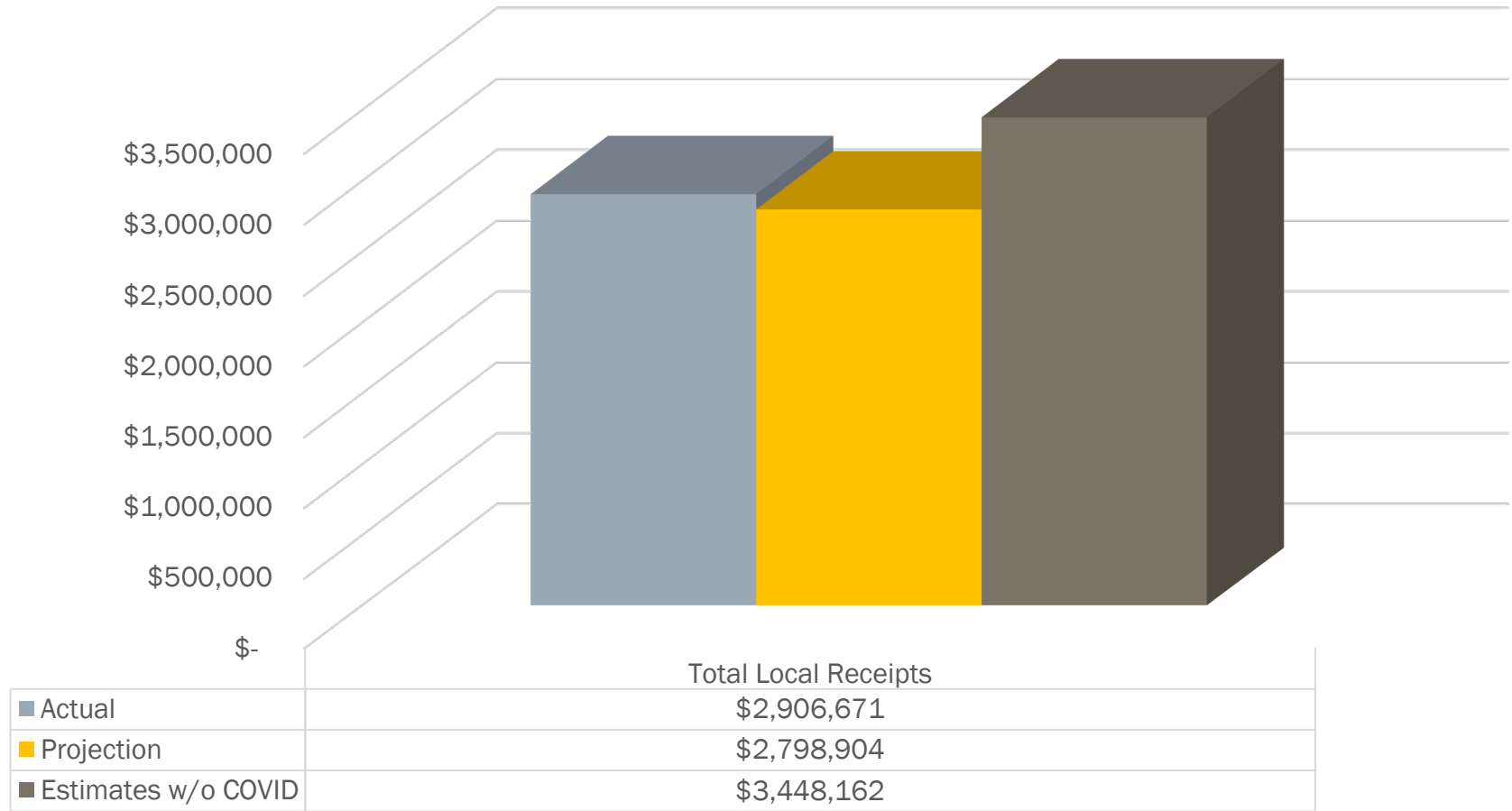
## Local Receipt – Comparison

Projection: FY23 Budget

Estimates w/o COVID: Based on a 5-yr average local receipts (FY15-19) and a consistent growth rate.

Local receipts outperforms projection by 3.85%, while is still under estimates without COVID by 15.7%.

FY23 Q1 Local Receipts - Comparison



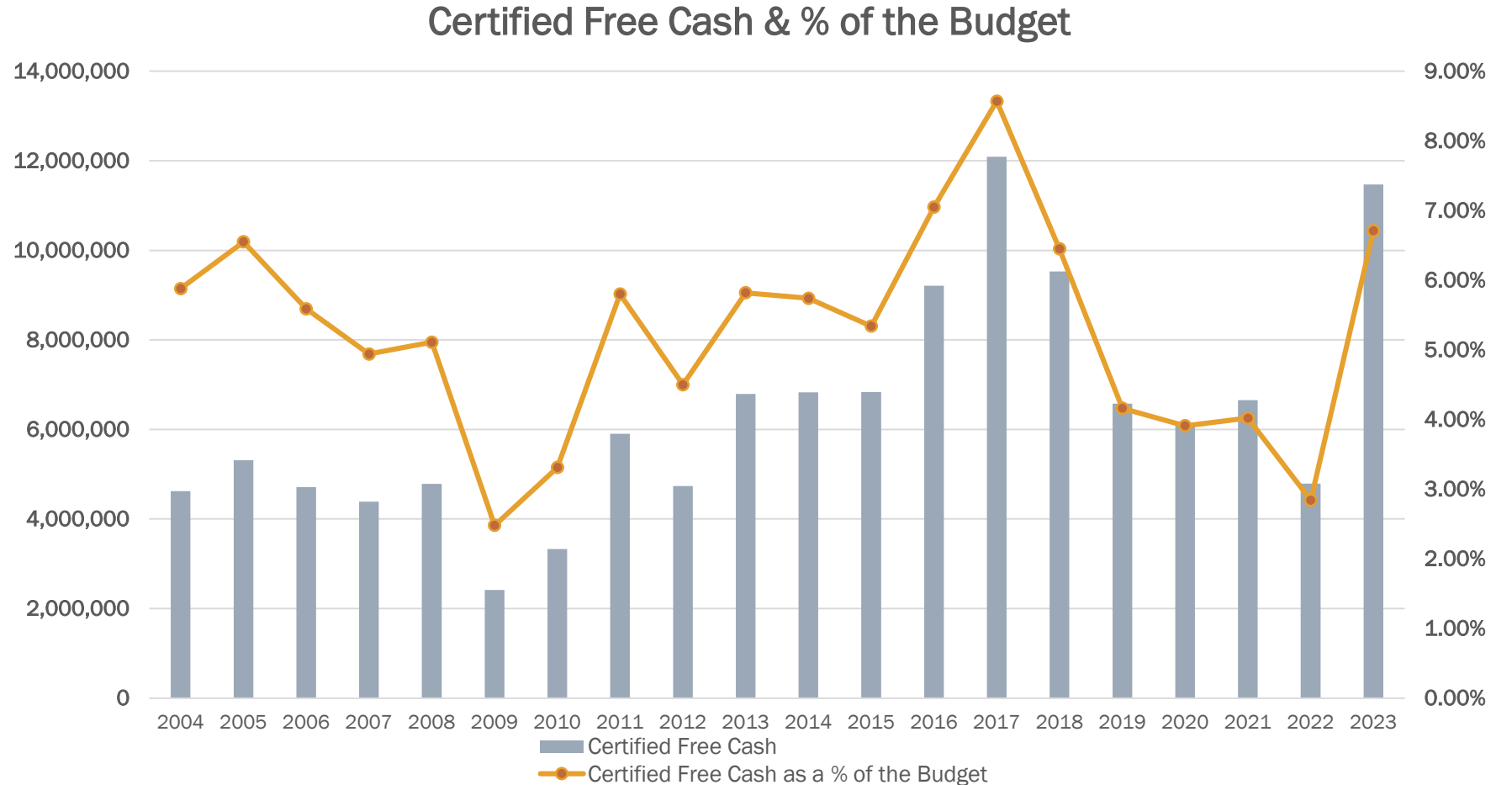
# Free Cash

---

- Undesignated fund balance minus Town's outstanding liabilities – Main components:
  - Turnbacks
  - Undesignated revenues
  - Unappropriated Free Cash Carryover
- Certified by DLS
- Unrestricted in use BUT
  - Must be appropriated by Town Meeting
  - DLS recommends limited to one time expenditures – Stabilization, Capital Projects, Capital project deficits
  - DLS discourages use to “support or balance the budget.”

# Certified Free Cash – historical trends

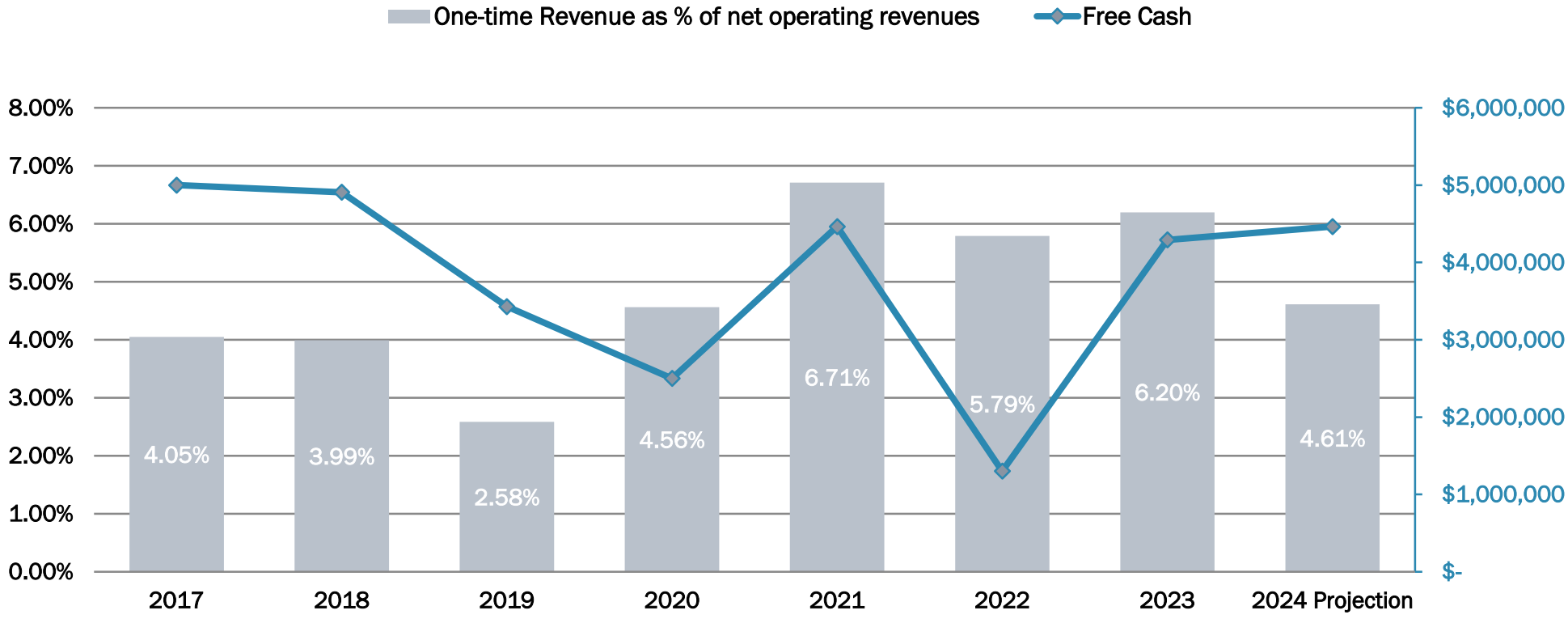
- Free Cash is historically at the level of 6.4 million, with the % of the budget remains around 5.3%
- Pre-COVID Years have seen Steadily decreasing certified free cash under consistent financial management practice
- Challenges during COVID:
  - High uncertainty in revenue streams
  - Conservative budgeting
  - Hiring challenges
  - Supply chain issues



# Operational Use of Free Cash & Reserves

- One-time revenue includes: Free Cash, Stabilization (Gen/OP), Cares, ARPA and Overlay Surplus
- The % use of one-time funds toward budget remains 4.81% historically
- In FY24 Preliminary budget, we propose to use \$4.46 million Free Cash and \$0 stabs.

One-Time Operating Revenues / Net Operating Revenues & One-Time Trends





# Free Cash Spending Plan

---

## FY 2023 Certified Free Cash

<b>Revenue</b>		
Free Cash		\$11,471,106
<b>Expenses</b>		
Fiscal Year 2024 Omnibus Budget		\$4,464,900
Operational Stabilization		\$1,838,580
General Stabilization		\$1,307,230
Capital Stabilization		\$500,000
Capital Improvement Projects		\$2,566,200
Free Cash Reserve		\$794,196
	<b>Total Expenses</b>	<b>\$11,471,106</b>
	<b>Total Excess Free Cash</b>	<b>\$0</b>

- FY23 Certified Free Cash
- Operational Use of Free Cash
- Meet 95% of the Target Balance
- Meet 80% of the Target Balance
- For potential new capital projects, diversify the funding sources
- Reserve 0.5% of the Net Operating Revenue

# Expenses: \$192,543,908

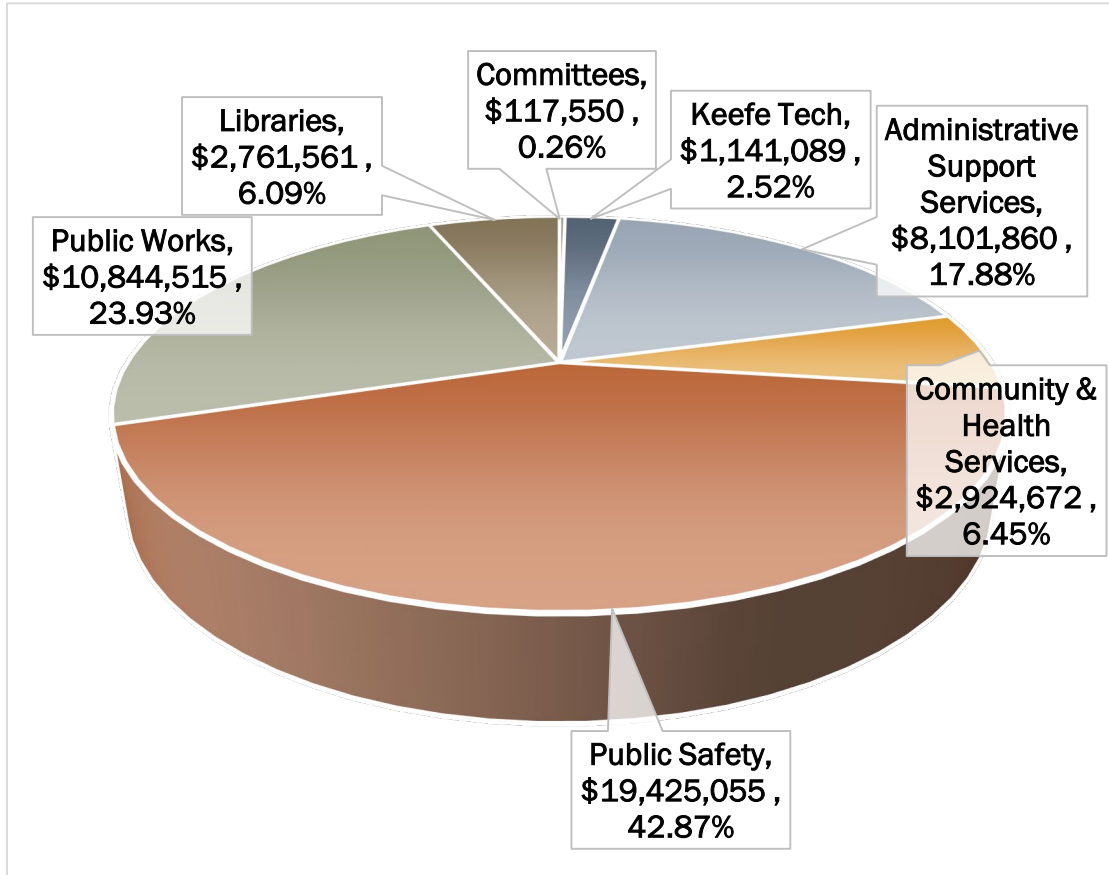
---

## EXPENSES DRIVERS:

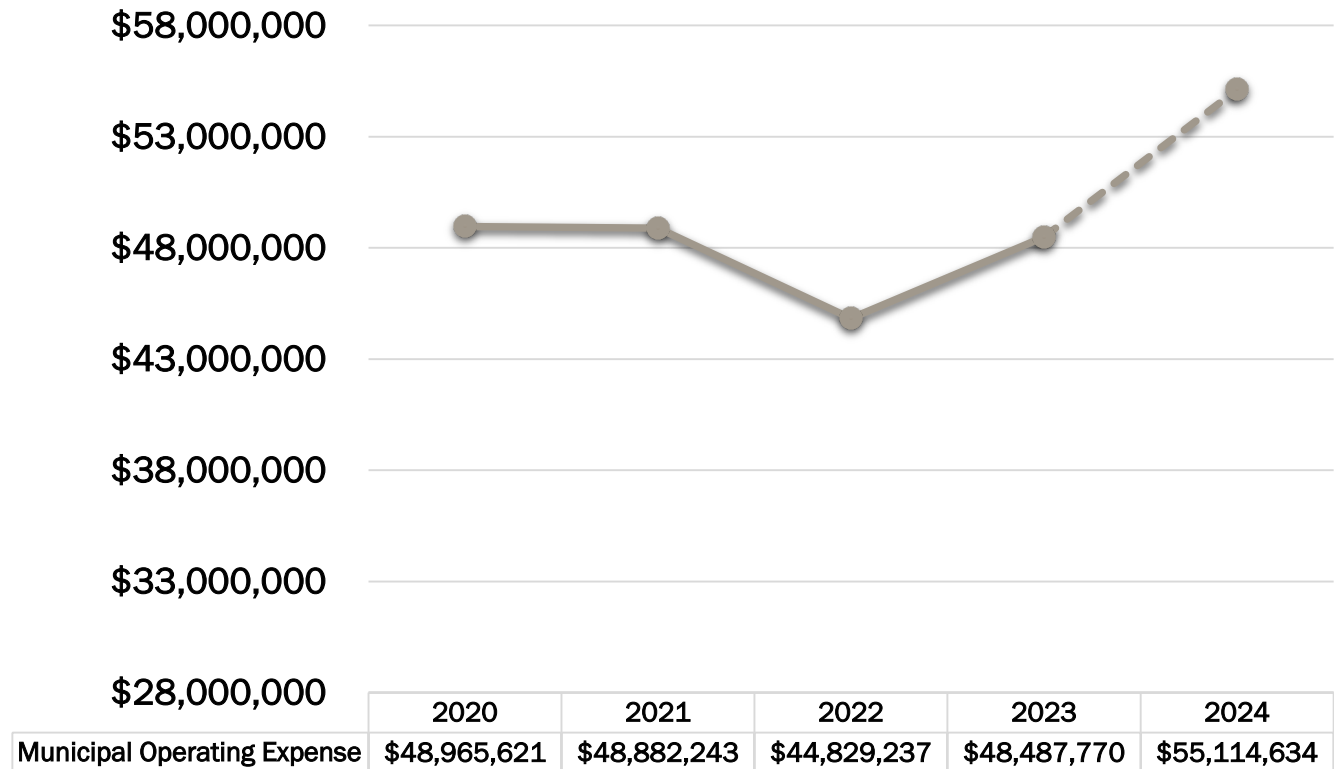
		FY 2024 Preliminary	FY 23-FY 24 % Change
INFLATION			
COLLECTIVE BARGAINING AGREEMENTS	Natick Public Schools	\$83,279,134	5.42%
	Keefe Tech	\$1,141,089	0%
HEALTHCARE	Morse Library	\$2,538,556	2.08%
	Bacon Library	\$233,005	2.24%
DEBT SERVICE			
	Public Safety	\$19,425,055	-2.28%
PENSION	Public Works	\$10,844,515	9.62%
	Health and Human Services	\$2,924,672	0.32%
UTILITY INCREASE	General Government	\$8,101,860	5.94%
	Shared Expenses	\$54,150,141	7.02%
	Total General Fund Operating Expenses	\$192,543,908	8.09%

# Town Operating Expenses

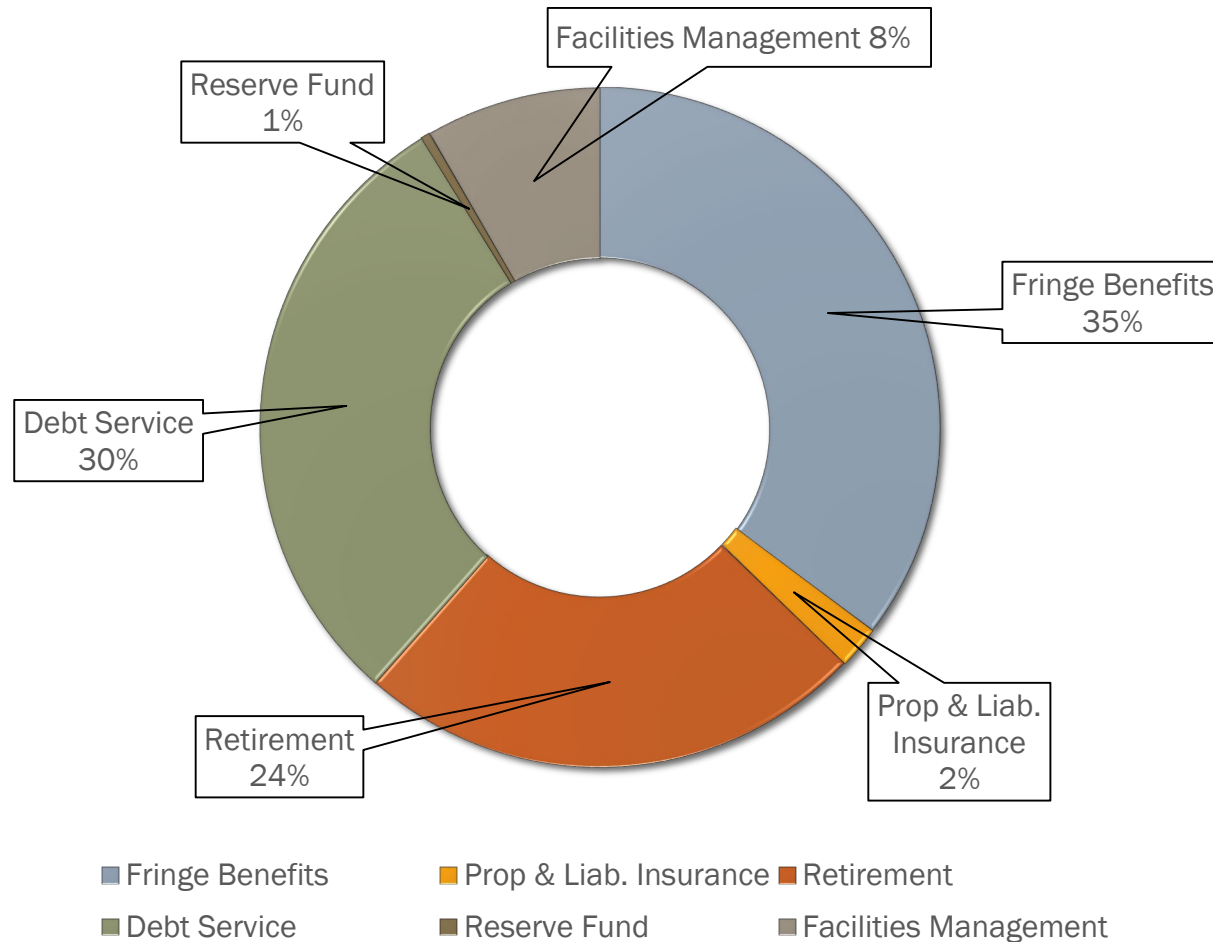
Town Operating Expenses are budgeted to increase by \$6,600,000, 13.6% over FY23 Budgeted. These operating expenses do not include Natick Public Schools, or the Shared Expenses.



**Town Operating Expense Trend**



# Shared Expenses - \$54,150,141



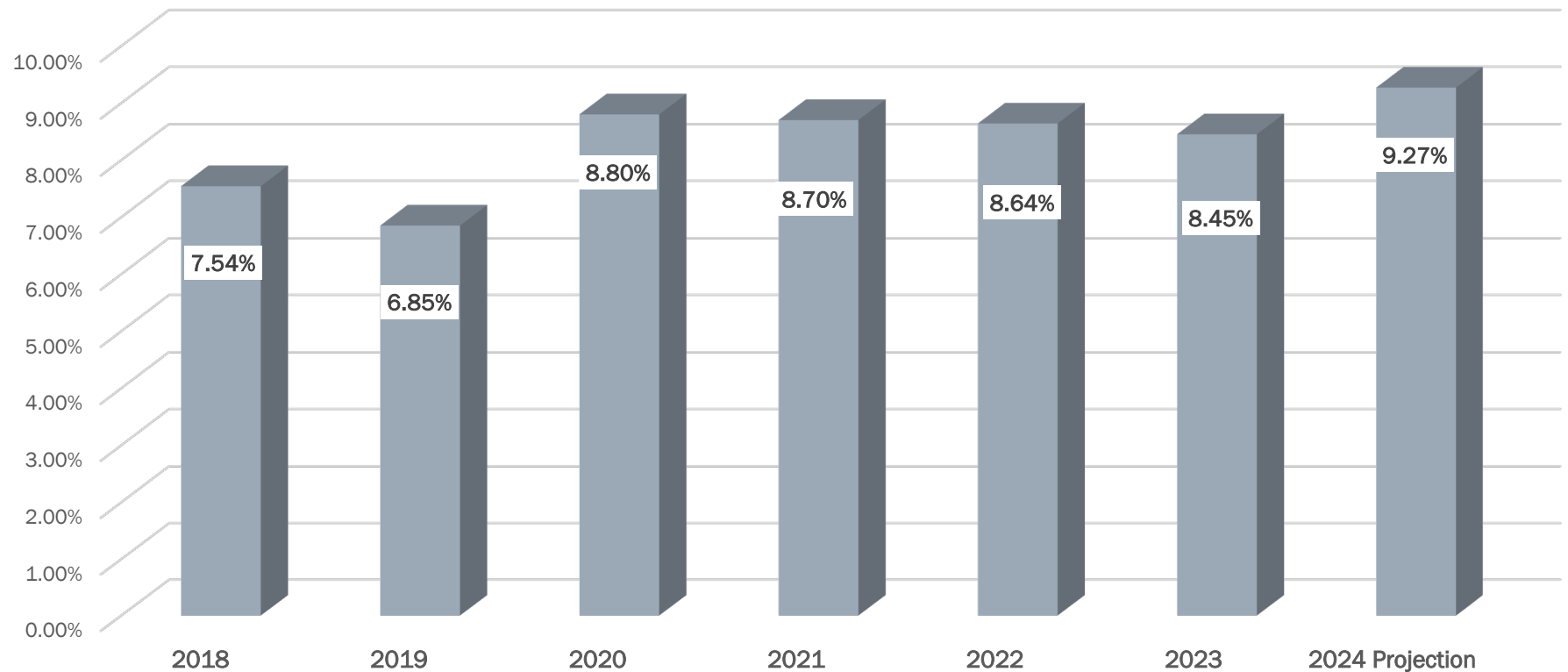
Account	Budget	FY23-24 % Change
Fringe Benefits	\$19,056,982	4.1%
Debt Service	\$16,103,110	13%
Retirement	\$13,127,643	6%
Facilities Management	\$4,509,194	1.2%
Property & Liability Insurance	\$1,103,212	14.8%
Reserve Fund	\$250,000	0.00%

# Debt Service - \$16,103,110

FY24 Budget reflects a 13% increase over FY23. Debt Service will be 9.3% of Operating Revenues.

### Debt Service Ratio Over Time

- Debt Service Ratio: Debt Service Payment as a % of Operating Revenue
- According Town's Financial Management Principles, 8%-12% is the ideal range
- DLS recommends to keep the debt ratio below 10%



# New Initiatives - \$508,100

---

GENERAL FUND: \$433,100

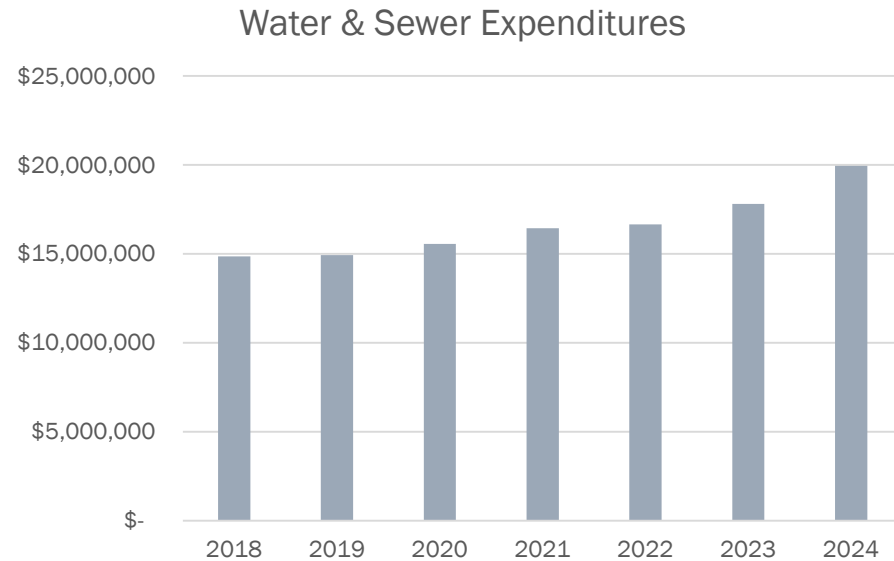
WATER & SEWER ENTERPRISE:  
\$75,000

Department	Request	FTE	Cost
Bacon Free Library	Program Funding	0	\$2,500
Morse Library	Program Funding	0	\$10,000
Board of Health	Per Diem Registered Nurse	0	\$5,000
Community Development	CPA Planner (1/2 year)	1	\$35,700
Public Works	Safety Coordinator	1	\$96,000
Water/Sewer	DEP Compliance Coord.	1	\$75,000
Facilities	Custodians	1	\$75,000
Fire	Firefighter	1	\$65,000
Fire	FirstDue Software	0	\$35,000
Finance	Training & Consulting	0	\$33,900
IT	IT Manager	1	\$75,000

TOTAL NUMBER OF FTE  
ADDED: 6

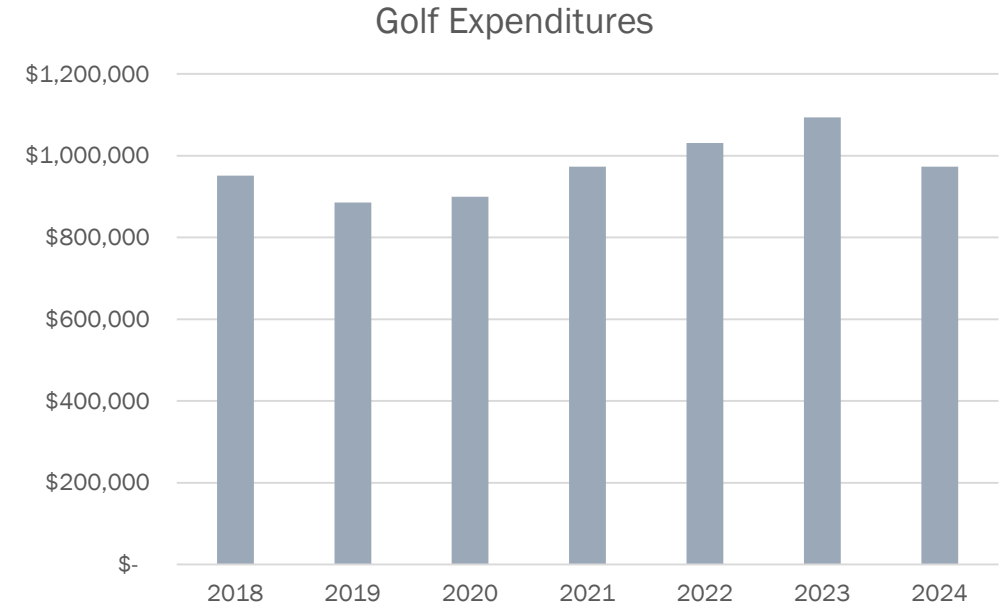
# Enterprise Funds

## Water & Sewer



**Total Expenditure: \$19,945,119, 12% or \$2,137,456 over the prior year budget**

## Golf



**Total Expenditure: \$973,565, 8% or \$89,063 below the prior year budget**

Water & Sewer increased by 12%, mainly due to the capital costs, PFAS filter, Utility and CBA increase.

Golf decreased by 8%, largely due to several debts fully-amortized in FY2024.

*\* Golf course is expected to operate on a balance budget in FY2024, the Town will no longer supplement the deficit line from General Fund.*

## Bottom Line

---

Revenues: **\$192,587,764**

Expenses: **\$192,543,908**

---

Surplus / (Deficit): **\$43,856**



# Final thoughts

---

- February 1 submission date – Great help
- Revised FY 24 Budget Book end of March
- Expected updates for – State Aid & Health Insurance Costs
- Public Forum – Date TBD
- Hardcopy of Budget Book – will be available at Select Board's Office and Assessor's Office window