Final Minutes

Discussion 2026 Budget for Finance Department

Thursday February 28, 2025

Attended by:

Phil Rooney – Chairperson of Sub Committee

Julian Munnich – Member of Sub Committee

Patricia Demeo – Member of Sub Committee

Gloria Huang – Finance Administration

Tien Nguyen – Finance Administration

Todd Gillenwater – Chair Natick Finance Committee

John Townsend – Deputy Town Administrator/Finance Director

John Marshall – Deputy Town Administrator Operations

Eric Henderson – Director of Assessing

Absent:

Kat Monahan – Member of Sub Committee

Hossan Behery – Member of Sub Committee

The meeting was called to order at 7:05. The Motion to open the meeting was made by Julian Munnich and seconded by Patricia Demeo. Our Finance Administration discussion began at 7:10.

The discussions in these minutes are a summary of our meeting. The discussions were influenced by the written responses to questions previously submitted prior to the meeting by subcommittee members. We have attached the written responses from department leadership at the end of meeting minutes.

The General Government Subcommittee voted 3-0 to recommend favorable action on the 2026 Budget with no override. The guidance from the Finance Committee Chair was to discuss and vote on the 2026 Budget information with no Override.

Finance Administration consists of the following departments: Finance, Administration & Budget, Collector Treasurer, Comptroller, and Assessors. The Finance Administration is also responsible for preparing the budgets for: Select Board, Committees and Commissions, Town Report, Personnel Board, Weights & Measures, and Shared Services.

Weights & Measures

John Townsend stated the department had no significant changes from the prior year. No discussion ensued.

Committees and Commissions

John Townsend stated all departments except Affordable Housing Trust had no significant changes from the prior year. The Affordable Housing Trust change was discussed. We were informed that the budgeted Trust zero dollars reflected the impact of the need for an override. If an override were to pass, the expect budget dollars similar to last year would be restored.

Town Report

John Townsend stated the department had no significant changes from the prior year. No discussion ensued.

Personnel Board

John Townsend stated the department had not used budget dollars when provided in previous years. Therefore, no dollars were budgeted in 2026. No discussion ensued.

Assessors

Eric Henderson spoke on behalf of the Assessing Department. Eric informed us the department staffing is solid. There are experienced and capable people performing assessment work. The bulk of their activity is re-assessing property. All residential reassessing work is being performed by staff in the department.

Eric informed us there are very few properties under the category Payment In Leu Of Taxes (PILOT). He cited Mary Ann Morse and Solar Farms.

Eric was asked about the status of taxation for Leonard Morse Hospital properties. He informed us there has been no change to the properties tax status. The office condos are being taxed under the proper classification. The remainder of the space is being used as storage.

We were informed there are 20-25 requests for tax deferrals per year.

Eric noted the high-end real estate market is slowing.

Eric informed us Tax Liens are usually ineffective. The costs associated with the process (filings, legal fees, court costs, etc.) usually exceed the eventual recovery when property is sold.

Select Board

The Administration's responses to our written budget questions (see Q&A Responses in this document) addressed major changes in 2026 Budget.

It was noted the CBA Budget increased due to negotiations in 2025-2026 for Police, Fire, Facilities Maintenance workers.

Finance, Administration & Budget, Collector & Treasurer, and Comptroller

We were informed the Collector Treasurer Office is down two people. There has been an increase in tax title work. The department will have to bring in temporary employees to assist. Demand notices are sent July through December.

We were informed the Comptrollers office is fully staffed.

Shared Services

John Marshall and the Finance Department staff responded to our inquiries concerning shared services questions.

We were informed that the two major budget drivers for shared services are Health Insurance and Debt.

The 2026 Budget for Merit Increases became a topic of much discussion. This line item represents an estimate of award dollars in the form of COLA. Merit, or One Time Awards. COLAs to align with union employee awards. Merit to reflect job performance. One Time Awards to reflect over and above work performance in special situations. The subcommittee questioned why awards of the magnitude budgeted would be needed in a time of a town budget shortfall. John emphasized the merit budgeted dollars are an estimate. They may or may not be awarded in amounts totaling the 2026 Budget.

John informed us that our broker for Property and Liability Insurance has put our policy out for quotes from different insurance providers. Some providers are not interested in quoting. The Administration will continue to explore options.

We inquired about the accuracy of the projection that the Town would be able to meet the Pension Funding by 2030. We were told that based on existing conditions the goal could be accomplished.

We were informed the 2026 Budget dollars for Group Health Insurance were an estimate using an increase of approximately 7%.

John affirmed the calculations for employee benefit costs were made based on existing statutory rates , contract agreements, and employee staffing.

The committee's discussion for Shared Services concluded at 9:08

Finance Administration, Assessors, Select Board, Shared Services Responses for 2025 Budget Significant Items and 2026 Budget Specific Questions of Finance Committee General Government Sub Committee

Assessors

2026 Budgets General Questions

The 2026 Budgets (with and without override) as presented by the Town Administration; did you actively participate in the preparation? Do you agree with the data?

Short answer, yes, I actively participate and at this point in time the budget is adequate with our current staff capabilities. In all honesty, I've been around a while, I don't really even bother asking for a budget increase.

The assessors budget is primarily salaries (82%). The non-salary expenses for this department are lower than they were at the time of the last override in 2008-09. Our primary expense is for revaluation services. Currently 60% of our staff worked for the Revaluation company that worked with Natick annually. We have been able to accomplish this work in-house which has allowed us to maintain this limited budget in the face of all of our other costs increasing over the last 15 years.

However, we are facing staff turnover due to retirements, and I do have concerns in the near future in our ability to hire and retain staff. Unfortunately, the world of Assessors is shrinking by the day. The fill rate for a director position for example is 12-24 months. That is a long time to go without a critical position, but something that many communities have faced or are currently facing. That is why the refiled Municipal Empowerment Act includes a provision for regional assessing. I find this slightly amusing, the fact that the State isn't really dealing with the issue but just taking the few assessors there are and spreading them even thinner… but that's just my humble opinion. 😊

One other thing to note is that the Overlay account is to be used for revaluation expenses and legal and appraisal expenses due to appeals. We have not needed to do that in a long time but will likely be needed in the future. The BOA has been consistently releasing Overlay for general budget use and may start needing to release it specifically for Assessors use. Regardless of if it is used by the Assessors or general budget, this funding does fall under the levy and the Prop 2 ½ restrictions placed on it.

Can you represent to the public that your ability to safely perform the department duties and service all departments with adequate risk protection can be done without an override? If not, please give detailed reasons.

I answered most of this in the previous question. Our budget has no increases Override or No Override. In a nutshell, I consider this budget currently adequate. Our goal is to work as efficiently and cost effectively as possible and turnback any funding not needed. However, this is a future concern that should be on people's radar when looking at the financial stability of the Town.

Are there any open or pending department legal issues?

Legal issues are constant for this department in terms of tax appeals. We have been both lucky and efficient in that we have been able to manage and defend our values while "protecting" the overlay account which is our primary goal. We have had historic low abatement refunds over the past 4 years especially when considering abatements as a percentage of the levy. However, FY25 has had a relative influx of commercial real estate appeals and there has been a significant uptick statewide. While we have been able to primarily do our abatement appeal defense in-house (legal and appraisal), this is another factor that is a concern for the future.

Assessor Department 2025B Significant Items

Are the numbers of and dollars related to the small personal property exemption different in 2024 vs. expectations? Do you reflect in the 2026 Budget significant dollar impact?

I don't expect much variation in personal property values overall nor when taking into consideration the small PP exemption.

From a Town budget perspective, if we did have a significant decrease in PP values for example, other taxpayers (real estate) would pick up the burden. Tax rate is simply Levy needed divided by the Values.

This is what FY25 looked like to come up with our tax rate of $11.96

FY25 LEVY	FY25 VALUES	TAX RATE	AS $ PER THOUSAND
145,480,958.86	12,163,959,770	0.01196	$ 11.96

I always use this example when I tell taxpayers what would happen if the market tanked and I reduced everyone's values 50%. (It is my example when I try to remind folks that their taxes go up because the levy goes up, not necessarily because their values went up. Many people learned this in the recession back in 2008-2009. Back then we lowered values, the tax rate went up, and yes taxes still went up)

So, here is the scenario that our Assessed values got cut in half

FY25 LEVY	50% FY25 VALUES	TAX RATE	AS $ PER THOUSAND
145,480,958.86	6,081,979,885	0.02392	$ 23.92

Levy stays the same. Tax rate doubles. That is why while our values and levy have consistently increased over the last 5 years, the tax "rate" has gone down.

Has the number of senior deferrals declined in 2025? What is expected for 2025?? Is the reduction confined to one area of town?

Not confined to a particular part of Town. A few people move or pass away and a few others join the program for the first time. We saw an uptick a few years ago after modifying the program at Town Meeting to make it more beneficial (higher income limit so more could qualify, lower interest rate to make it a better deal), but the ebb and flow has remained consistent.

What are the major projects completed in town in 2024 that had an impact on collections? What major project currently underway will be reflected in 2025 collections? In 2026 collections.

On collections? Assessors don't really collect. As far as growth and tax assessments that have or will be going up; here is a quick summary.

For FY25, (roughly permits completed between June 2023 and June 2024) there were many teardowns and rebuilds which were new single family homes and 2/3 family condo townhouses. The Wayside end of the Graystone subdivision was completed.

Next year, FY26, again many teardowns in all neighborhoods with new construction single family and condo/townhouses. The Wyndemere subdivision (Windy Lo) is progressing. There has been a little slowdown in the high-end market, which may slow this a bit. Abi Lab 3 has been completed and 21 Summer should be completed shortly. Other projects (St Pat's, 1 South Main, The Flats (Clarendon st), New assisted living Union st, 69 East Central (old Sovereign Bank) are all projects that are in different stages of completion. Many of these projects likely won't hit until FY27.

This is one of the aspects that makes growth difficult to estimate. The other difficulty in this is while we collect and do field inspections all year, we also have periods of a frozen file. Thus, after abatement and excise tax season (now) we start ramping up the data entry and lot splits/combos/subdivision type legal work in preparation of both May supplemental bills and July 1st preliminary bills.

Select Board and Finance Administration

2026 Budget Specific Questions

Selectboard

Metrowest Regional Collaborative Expenses are decreasing by approximately 60%. Please explain.

Please refer to page 69 of the budget book for details on reductions in the Select Board's budget. In summary, reductions were made to align with the prior year's spending levels while maintaining essential services. Although these reductions may impact some regional collaboration opportunities, they are necessary due to budget constraints. The Town will reassess and revisit this budget line in future fiscal years.

Travel In and Out of State Expense is decreasing by approximately 31%. Please explain.

Please refer to page 69 of the budget book for additional context on the Select Board's budget reductions. Reductions were made to maintain essential services while aligning with the prior year's spending levels. The decrease in travel expenses reflects a reduction in out-of-state conferences and workshops due to budget constraints. The Town intends to reevaluate and potentially restore this funding in future fiscal years.

Telephone Expense is decreasing by approximately 17%. Please explain.

The decrease in telephone expenses results from the completion of the Town-wide landline conversion project, which eliminated monthly PRI fees and reduced overall service charges. Additionally, landline fees have been consolidated under the Shared Services Budget, which is overseen by the Director of IT. This centralized approach has improved efficiency and reduced costs.

Why are Office Supplies, Printing and Advertising, and Supplies TN Administration Expenses all decreasing? Please explain.

Please refer to page 69 of the budget book for an overview of Select Board budget reductions. These reductions align with previous year spending levels while preserving essential services. Lower costs are also due to increased use of digital communications, centralized printing resources, and targeted advertising strategies. The Town will reevaluate these reductions in future fiscal years based on operational needs and funding availability.

Why is Furniture Cost decreasing approximately 12%.

Please refer to page 69 of the budget book for the broader context on Select Board budget reductions. The decrease in furniture costs reflects the completion of prior-year furniture upgrades, reducing the need for new purchases. The FY 2026 budget only includes funding for essential replacements or repairs. The Town will revisit this line in future budgets based on operational needs and funding capacity.

Collector Treasurer

Salaries Operational Staff are increasing by approximately 7%. Please explain.

The increase in salaries for operational staff is primarily due to contractual cost-of-living adjustments (COLA) and step increases for clerical union employees.

Finance Administration

We have no questions.

Shared Services

General Questions

Would it be correct to say, most of the costs for Shared Services are based on employee population, town physical assets, past commitments, and external competitive bids.

Answer: Yes, that is generally correct. Employee population impacts costs like health insurance, retirement contributions and FICA/Medicare. Town physical assets drive costs related to facilities management and maintenance, property and vehicle insurance. Past and ongoing Commitments include obligations such as pension liabilities, debt services payments, leases and health insurance. External competitive bids affect services obtained from third-party vendors, such as insurance coverage.

What Shared Services budget accounts represent best estimates of costs and will be finalized before the Town Meeting votes on the 2026 Budget?

Answer: The preliminary budget for all Shared Services accounts represents the best estimates before February 1, 2025. At this time, we anticipate three updates to Shared Services: health insurance, contributory retirement assessment, and property insurance.

The Town received the final health insurance rates during the week of February 14, 2025, which were subsequently approved by the Board. The amended budget version will be updated with these final rates.

For the contributory retirement assessment, the Town is still awaiting the annual appropriation requirement from the Natick Retirement Board. However, the preliminary budget already includes a reasonable percentage increase to account for COLA (Cost-of-Living Adjustment) base adjustments, which were approved at the 2024 Fall Annual Town Meeting.

Regarding property insurance, the final rates have not yet been received but will be included in the amended version of the budget.

All three pending updates—health insurance, contributory retirement assessment, and property insurance—will be finalized before Town Meeting for the FY 2026 Budget.

We observed the Indirect Costs are annual Budgeted costs resulting from other town department activities supporting another department. For example, the Golf Course receives services from other departments. These costs would otherwise permanently reside in the originating department if there were no Golf Course. In the 2026 Budget there is a component of Indirect Costs in the Golf Course Budget called Community Services Indirect totaling $24,137. There is no corresponding credit in the Community Services 2026 Budget. The question we are obliged to ask is – Doesn't this represent an overstatement of the 2026 Budget as presented by the Community Services Department and by extension the other department's Budgets listed as Indirect Costs? Please explain.

Answer: To clarify, these costs are incurred by the Community Services Department when its staff performs work that directly supports the Golf Course, which operates as an Enterprise Fund. The $24,137 listed as Indirect Costs reflects the resources and labor contributed by Community Services staff to support Golf Course operations.

This is not an overstatement of any department's 2026 budget. Rather, it is a reimbursement to the General Fund for the resources and labor invested by the Community Services Department in supporting the Enterprise Fund.

2026 Specific Budget Questions

Benefits

The 2026 Budget for Insurance Motor Vehicles shows an increase of approximately 16%. Is this increase due to rate quotes? How many more vehicles are being insured versus last year?

Answer: The increase is primarily driven by higher rate quotes from the third-party vendor reflecting the market rates and higher claim costs. The town in total has 251 vehicles under insurance coverage. We will provide the update during the meeting with regard to the comparison with previous year's number.

Other Employee Benefits

Is the FICA/Medicare Budget increasing by approximately 7% due to an increase in budgeted employees 2026 versus 2025? Why are the budgeted dollars without an override and with an override the same? Without an override, there is an employee reduction of over 40 people. Please explain?

The 7% increase in the FICA/Medicare budget is primarily due to salary growth and contractual obligations, rather than an increase in the number of the total budgeted employees. The reason the budgeted dollars remain the same with or without an override, despite a reduction of over 40 positions in the no-override scenario, is due to the timing of payroll liabilities and severance payments, which are still subject to Medicare taxes. Additionally, many of the eliminated positions are part-time or lower-paid roles, resulting in a smaller impact on FICA/Medicare contributions.

Why is DOT testing increasing by approximately 40%?

DOT testing budget has not been adjusted in the past five years; however, we've observed an increasing demand for DOT testing recently, a result of the easement of hiring difficulty in FY 2024. And DOT testing is mandatory requirement for CDL (Commercial Driver's License) driver to operate a CMV (Commercial Motor Vehicle). Also, 40% represents $5,478 in dollar amounts.

The 2026 Budget for Insurance Group Life increase of approximately 7% does not make sense when compared to page 186 comment concerning restored dollars if override passes. Is the budget presented an estimate that will be adjusted before the Town Meeting votes on the 2026 Budget?

On page 190, you will see a more detailed breakdown showing that the override would restore coverage for 6 plans for the Town and 6 plans for the School Department.

It is important that the budget of health insurance is based on actual plan counts reflected on the January 2025 monthly bill, which serves as the benchmark for budgeting. Any reductions in the school or town are not in effect on the Jan. 2025 bill. As the town only cuts the vacancies instead of the actual personnel, it is necessary to include the additional plans to account for the potential hires if the override passes. The budget represents the best estimate based on the information available before February 1, 2025. As noted, the final health insurance rates became available during the week of February 14, and the updated rates will be reflected in the amended version of the budget, which will be presented in April 2025.

Retirement Assessment account budget increased approximately 7%. Is the 2026 Budget an estimate?

As of February 18, 2025, the Town has not received the annual appropriation requirement letter or actuarial results from the Natick Retirement Board, which are typically the basis for this budget. The delay is likely due to the COLA (Cost-of-Living Adjustment) base adjustment, which was approved at the 2024 Fall Annual Town Meeting.

The preliminary budget includes a reasonable projected increase to account for the expected COLA adjustments. Once the final appropriation requirement is received from the Retirement Board, the updated figures will be included in the amended version of the budget.