

Northborough
Appropriations Committee
Report
Northborough Annual Town
Meeting
April 22, 2019

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The Fiscal Year 2019-2020 Proposed Budget & Capital Improvement Plan is available online at www.town.northborough.ma.us. In the *On Our Site* column on the left side of the screen, click *Reports and Documents*, scroll down to *Annual Budget Documents*, then click on *FY2020 Proposed Budget*.

Copies are also available for your reference at the entrance to the auditorium, at Town Hall on the table outside the Town Clerk's Office, the Library, and the Senior Center.

Northborough Appropriations Committee Report

Annual Town Meeting - April 22, 2019

The Northborough Appropriations Committee consists of six (6) members appointed by the Town Moderator for three-year terms. The role of the Appropriations Committee, by statute and charter, is that of advisory to Town Meeting. All articles in the Town Meeting Warrant involving the appropriation or expenditure of money must be considered by the Appropriations Committee. It must recommend approval or disapproval of same, in whole or in part. Immediately after the presentation of such article at Town Meeting, the Committee must report to the Meeting its recommendation of approval or disapproval of such appropriation or expenditure, together with the reasons thereof.

As required by the Charter and Municipal Code and Bylaw of the Town of Northborough, we have made our recommendations on each financial article to you based on the information available to us at the time of our deliberation and may be modified or changed on Town Meeting floor if additional information is forthcoming. Votes on these articles were taken at our open meeting on Thursday, March 28, 2019. All members were present and voted at this meeting. Town Meeting is the Legislative Body of the Town of Northborough; and the final decision of approval or disapproval of each warrant article is ultimately up to you, the voters.

The Appropriations Committee encourages all taxpayers to peruse the above-referenced documents. The budget is well documented and all-inclusive. Questions are anticipated, answered and fully explained. It continues to be an exceptional tool with which to work and is of great assistance in expediting the vetting process when we meet with department heads in preparing for our role as advisory to Town Meeting.

Free Cash, also known as Budgetary Fund Balance, consists of unrestricted funds from operations of the previous fiscal year including unexpended Free Cash from the previous fiscal year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as Free Cash. The calculation of Free Cash is based on the balance sheet as of June 30, which is submitted by the Town Accountant. It is important to note that Free Cash is not available for appropriation until certified by the Director of Accounts. (*See Available Funds, Appendix B, in the FY 2019-2020 Proposed Budget and Capital Plan.*)

Use of Free Cash in the operating budget has been systematically phased down over past years from \$700,000 in FY2010, to \$600,000 in FY2011, and ultimately, reaching the Free Cash policy target amount of \$500,000 in FY2012, where it remains for FY2020. By decreasing the use of Free Cash to fund operating expenses, the Town has moved to a sound financial policy of appropriating Free Cash to the Stabilization Fund Reserves as necessary, and funding one-time expenses, such as capital projects, to avoid incurring debt. FY2020 marks the ninth implementation of the Town's Free Cash Policy.

In keeping with the Town's Free Cash Policy (*Appendix A, Pages 2-3 of the FY2019-2020 Proposed Budget and Capital Plan*), the FY2020 proposed budget allocates approximately \$861,167 in pay-as-you go (Free Cash) capital investment with no additional tax impact. These are non-recurring capital expenditures. In addition, \$500,000 is used to offset the operating budget. Since FY2012 the Town has invested \$16.56 million in pay-as-you-go capital investments with no additional tax impact. That includes \$11.35 million in Free Cash and approximately \$5.21 million in other funding sources, inclusive of the \$861,167 in Free Cash expenditures planned for FY2020. The result has been fewer tax dollars being used to pay for interest on loans. The FY2020 Proposed Free Cash Plan can be found in *Section 9-2 of the FY2019-2020 Proposed Budget and Capital Plan*. These decisions are made to maintain the integrity of the Town's

Financial Policies to minimize tax increases, maintain level services and to provide a sustainability factor, which is critical to protect the Town's ability to finance its services on a continuing basis. As always, any use of Free Cash remains subject to Town Meeting approval and appropriation.

Revenue Assumptions in this budget reflect an increase in tax receipts of 5.23% (\$2.64 million); New Growth at \$30 million value (\$514,500 in new revenue); Includes Debt Exclusions for Colburn Street, ARHS, Library, Senior Center and Lincoln Street School projects; Free Cash policy target of \$500,000 maintained; Local Receipts level funded at \$4.47 million and includes the fifth of eight \$220,000 ARHS settlement payments; and State Aid funded at \$5.4 million based on the Governor's Budget released on January 23, 2019 indicating a 0.77% increase in local aid.

Please keep in mind that projected tax impact numbers referenced within this report are estimates only and are made independent of any market adjustments to individual property values that the Board of Assessors may make for FY2020. At this time, the FY2020 tax impact is estimated to be \$361 on the average single family home valued at \$460,691 (3% increase estimated over FY2019 value). The actual Tax Rate will be set by the State Department of Revenue in the fall of 2019 using the FY2020 Assessed Valuation for Properties.

Health Insurance: Due to a combination of high claims and general market trends, the FY2019 Health Insurance budget was facing a 15.6 % increase. Without negotiated plan changes, the FY2019 budget was structurally unbalanced by \$653,037 and would have necessitated significant service level reductions across all departments. To address the increase, the Town, working with the employee Insurance Advisory Committee (IAC), bid out its health insurance seeking consolidation under a single carrier. Based upon the bid results and the recommendation of the IAC, Fallon Community Health Plan (Fallon) was awarded the contract and the overall Health Insurance increase was mitigated to just 3.8%.

For FY2020, as a continuation of the plan consolidation with Fallon and having favorable claims data during FY2019, the Town signed a zero percent increase renewal for FY2020. This will result in a 2% increase in the budget to \$5.8 million, as the migration factor is rebuilt into the budget, which is the amount included for new enrollments and transitions following retirements.

Key budgets in FY2020 are: Northborough K-8 Schools reflect an increase of \$662,965 or 2.73% to \$24,928,558; General Government (Town) increases \$757,193 or 3.5% to \$22,391,273; Algonquin Regional High School (ARHS) combined operating and debt service assessment increases \$958,467 or 8% to \$12,873,956. The ARHS operating assessment increases by \$947,800 or 8.38% to \$12,252,514 as Northborough's enrollment increases; and the ARHS debt assessment increases by \$10,668 to \$621,442 which will remain relatively constant until final payment in 2027. Assabet Vocational High School combined Operating Assessment and debt service is an overall increase of \$78,588 or 10.37%: Operating Assessment increases by \$82,416 or 13.46% to \$694,822 as Northborough enrollment increases from 41 to 45 students. Debt service associated with the completed renovation project decreases by \$3,828 (2.63%) to \$141,488.

The FY2020 budget is a balanced budget within the confines of Proposition 2½ as required by statute; maintains core departmental services and missions; protects long-run solvency by addressing unfunded liabilities; invests in equipment, facilities and infrastructure by not deferring capital costs due to the Town's Free Cash Policy; and minimizes the tax impact on residents. This enviable position has evolved through due diligence on the part of the Town Administrator, the Financial Team and Department Heads to reduce expenditures and to identify cost savings wherever possible without cutting services and negatively impacting employees.

The Financial Team developed a Financial Trend Monitoring System (FTMS) for the Town, which is updated annually. Its purpose is to analyze key financial indicators in order to assess the financial direction the Town appears to be headed in and to help local officials better assess and protect the Town's overall financial condition. Financial condition is broadly defined as the ability of a Town to maintain existing service levels; withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change. The aspects of financial condition are: cash solvency, budgetary solvency, long-run solvency and service-level solvency. The FTMS Report may be found in its entirety in *Appendix C* of the *FY2019-2020 Proposed Budget and Capital Plan*.

We are indeed fortunate to have in our employ dedicated and committed individuals who work diligently on behalf of the Town of Northborough. Our Financial Team composed of John Coderre, Town Administrator; Kimberly Foster, Assistant Town Administrator and Jason Little, Finance Director is outstanding. It is through their untiring effort and the development of sustaining and comprehensive financial policies that has allowed Northborough to maintain existing service levels through the difficult economic times of the past several years. We thank them for their efforts on behalf of the Town of Northborough.

We would be remiss if we did not take this time to acknowledge our appreciation of the invaluable assistance provided to us by the Administrative Office Executive Assistants, Diane Wackell and Lynda LePoer. They have contributed considerably in helping us do our job during this budgetary process to provide you with the information and documents necessary so that you, the residents of Northborough and final decision-makers at Town Meeting, can make informed decisions.

We also wish to thank all departments and committees with whom we interact during this budgetary process – Municipal and School – for without their cooperation and collegiality during the budgetary process, it would not have been possible to affect such a positive outcome.

As always, if you have any questions on our recommendations, we will be pleased to answer them either collectively or individually during debate on any specific article.

Respectfully submitted,

NORTHBOROUGH APPROPRIATIONS COMMITTEE

Elaine L. Kelly, Chair, (2021)

Robert D'Amico (2022)

Richard Nieber, Vice-Chair (2022)

Janice Hight (2020)

George Brenckle (2021)

Anthony Poteete (2020)

Article	Purpose of Article	Committee Vote and Recommendation
☆ NOTE: ALL PROPOSED BUDGET REQUESTS ARE WITHIN THE CONFINES OF PROPOSITION 2½ ☆		
4	Town Budget <i>Raised by taxation</i> \$21,338,619 <i>Plus transfers*</i> <u>1,452,083</u> Total Town Budget \$22,790,702 <i>*Includes \$500,000 Free Cash</i>	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> • Please refer to Page 18 of the <i>Annual Town Meeting Warrant</i> for the FY2020 General Fund Budget Summary for this article. • The one-time Pay-As-You-Go Capital Projects have no direct tax impact and are detailed in the capital section of the warrant. (<i>Annual Town Meeting Warrant</i>, Page 24) • Budget conforms to Town's Financial Policies. (See Appendix A of the <i>Proposed Budget & Capital Improvement Plan for Fiscal Year 2020</i>.) • Department budgets are primarily level service budgeted with no significant changes to current services; and modest revenue projections due to limited State Aid and New Growth. • Appropriations Committee met with the department heads of all significant cost centers (Police, Fire, DPW, etc.). 		
5	Water, Sewer & Solid Waste Enterprise Funds <div style="text-align: right;">\$ 5,726,753</div>	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> • To be financed from Water, Sewer and Solid Waste Revenues (User Fees). • Operates as an Enterprise Fund. • Property Tax not impacted by Water and Sewer Enterprise Funds. • Enterprise Fund Detail may be found on Page 20 of Annual Town Meeting Warrant. 		

Article	Purpose of Article	Committee Vote and Recommendation
☆ NOTE: ALL PROPOSED BUDGET REQUESTS ARE WITHIN THE CONFINES OF PROPOSITION 2½ ☆		
6	Northborough K-8 Public Schools \$24,928,558	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Budget increase of \$662,965 or 2.73%. As of October 1, 2018, a total of 1,588 students attend the Northborough K-8 Schools, with 1,008 students in grades K-5 at the four elementary schools and 580 students in grades 6-8 at the Middle School. Superintendent of Schools, Christine Johnson, has presented a reasonable budget while maintaining services. The Appropriations Committee appreciates the efforts of the Northborough School Committee and the Superintendent of Schools in working in a cooperative and collegial manner with the Northborough Town Administrator and Appropriations Committee to ensure the continued delivery of excellent educational services to our students within the guidelines of the community's budget objectives. Please reference Superintendent's FY2020 Budget handout for more detail. Please reference Page 21 in Annual Town Meeting Warrant for FY2020 Public Education Budget Summary (Warrant Articles 6, 7 and 8). Please reference Section 7, Public Education, in the <i>Proposed Budget & Capital Improvement Plan for Fiscal Year 2020</i>. 		
7	Northborough-Southborough Regional School District Assessment (Algonquin) Operating Assessment \$12,252,514 Debt Exclusion – Prop 2 ½ \$ 621,442 \$12,873,956	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Operating budget <u>assessment</u> increases \$947,800 or 8.38% to \$12,252,514 as enrollment grows by 21 additional Northborough students. Superintendent of Schools, Christine Johnson has presented a reasonable budget while maintaining services The debt assessment for ARHS increased by \$10,668 to \$621,442. The Appropriations Committee appreciates the efforts of the Regional School Committee and the Superintendent of Schools in working in a cooperative and collegial manner with the Northborough Town Administrator and Appropriations Committee to ensure the continued delivery of excellent educational services to our students within the guidelines of the community's budget objectives. Please reference the Superintendent's FY2020 Budget handout for more detail. Please reference Page 21 in Warrant for FY2020 Public Education Budget Summary (Warrant Articles 6, 7 and 8). Please reference Section 7, Public Education, in the <i>Proposed Budget & Capital Improvement Plan for FY2019-2020</i>. 		

Article	Purpose of Article	Committee Vote and Recommendation
★ NOTE: ALL PROPOSED BUDGET REQUESTS ARE WITHIN THE CONFINES OF PROPOSITION 2½ ★		
8	Assabet Valley Regional Vocational School District Assessment <div style="text-align: right;">\$836,310</div>	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Combined Operating Budget Assessment and debt service represents an overall increase of \$78,588 due to an enrollment increase of 4 students. <div style="margin-left: 40px;"> Operating Budget Assessment \$694,822 Debt Service Assessment for recently completed Building Renovation Project: <u>\$141,488</u> <div style="text-align: right;">\$836,310</div> </div> Please reference Superintendent's FY2020 Budget handout for more detail. Please reference Page 21 in Warrant for FY2020 Public Education Budget Summary (Warrant Articles 6, 7 and 8). Please reference Section 7, Public Education, in the <i>Proposed Budget & Capital Improvement Plan for FY2020</i>. 		
9	Revolving Funds Authorization of Expenditure Limits	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
Annual reauthorization of expenditure limits for revolving funds for use by certain Town departments, boards, committees, agencies or officers under Massachusetts General Laws, Chapter 44, Section 53E½.		
10	Appropriations Committee Reserve Fund <div style="text-align: right;">\$175,000</div>	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Provides Town and K-8 Schools operations with an option for funding of extraordinary or unforeseen expenditures during the year. Historically, this fund has been used to offset DPW Snow & Ice Account deficits. Unexpended funds remaining in this account at the end of the fiscal year revert to Free Cash. Authorized by state statute, Massachusetts General Laws, Chapter 40, Section 6. Transfers from this account require Appropriations Committee approval. No impact on tax rate. Appropriated from Free Cash under the Town's Free Cash Policy. 		

Article	Purpose of Article	Committee Vote and Recommendation
☆ NOTE: ALL PROPOSED BUDGET REQUESTS ARE WITHIN THE CONFINES OF PROPOSITION 2½ ☆		
11	Stabilization Fund Contribution \$200,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Also referred to as a "rainy day" fund, the stabilization fund is designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL, Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes, and any interest shall be added to and become a part of the funds. A majority vote of town meeting or city council is required to establish and to appropriate money into the stabilization fund. A two thirds majority is required to amend the purpose of, or appropriate money from, the stabilization fund. Until fiscal 1992, stabilization funds could be used only to finance capital expenditures for which a community could borrow. As stated above, the funds may now be used for "any lawful municipal purpose," enabling communities to use the funds for general operating expenses if needed. From FY2008-FY2015, the Town was unable to make a contribution to the Stabilization Fund; however, in FY2016, the contribution to this fund was restored. Future contributions to this account will require a yearly review of the Town's financial position. Please refer to Appendix B, pages 9 and 10 of the FY2020 Proposed Budget Document for additional information regarding the level of reserves. The proposed \$200,000 contribution under this Article will maintain the Town's financial reserves of approximately 8%. The Town's policy is to maintain reserves between 5-10%. 		
12	CIP: Fire – Ambulance Replacement \$315,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Replaces a 2012 ambulance. Funded from EMS Revolving Fund Fees with no additional impact to tax rate. Concur with Financial Planning Recommendation. Page 27, Town Meeting Warrant 		
13	CIP: Police – Police Cruiser Replacements \$145,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Replaces a 2011 and a 2014 Ford Explorer and a 2015 Ford SUV Interceptor. Funded from Free Cash with no additional impact to tax rate. Concur with Financial Planning Recommendation. Page 27, Town Meeting Warrant 		

Article	Purpose of Article	Committee Vote and Recommendation
★ NOTE: ALL PROPOSED BUDGET REQUESTS ARE WITHIN THE CONFINES OF PROPOSITION 2½ ★		
14	CIP: DPW – One-Ton Pickup Truck with Plow \$90,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Replaces a 2000 one-ton pickup truck with plow and will include a covered utility body primarily for use in cemetery operations. Funded from Free Cash. No additional impact to tax rate. Concur with Financial Planning Committee recommendation, Page 27, Annual Town Meeting Warrant. 		
15	CIP: DPW – 20-Ton Dump Truck with Spreader and Plow \$271,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Replaces a 1999 dump truck. Funded from Free Cash. No additional impact to tax rate. Concur with Financial Planning Committee recommendation, Page 28, Annual Town Meeting Warrant. 		
16	CIP: DPW – Road Improvements and Maintenance \$300,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Funds needed to supplement the Pavement Management Plan due to insufficient State Chapter 90 Transportation Funding. Funded from Free Cash. No additional impact to tax rate. Concur with Financial Planning Committee recommendation, Page 28, Annual Town Meeting Warrant. 		
17	CIP: DPW – Water /Sewer Garage Design \$75,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Funds needed for the planning and design of renovations and expansions to the Water/Sewer Garage Funded 60%/40% split \$45,000 from Water Enterprise Fund Balance and \$30,000 from Sewer Enterprise Fund Balance. No additional impact to tax rate. Concur with Financial Planning Committee recommendation, Page 28, Annual Town Meeting Warrant. 		

Article	Purpose of Article	Committee Vote and Recommendation
☆ NOTE: ALL PROPOSED BUDGET REQUESTS ARE WITHIN THE CONFINES OF PROPOSITION 2½ ☆		
18	CIP: DPW/Water – Assabet Hill Water Tank Rehabilitation Design \$70,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Funds needed for the design and bid documents associated with the rehabilitation project for the Assabet Hill Tank. Funded from Water Enterprise Fund Balance. No additional impact to tax rate. Concur with Financial Planning Committee recommendation, Page 28, Annual Town Meeting Warrant. 		
19	CIP: School Department – K-8 Schools Communications and Security Enhancements \$185,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Funds needed for communications and security enhancements to Northborough's K-8 schools. Funded from Free Cash and other available funds. No additional impact to tax rate. Concur with Financial Planning Committee recommendation, Page 28, Annual Town Meeting Warrant 		
20	CIP: Fire Station Design and Land Acquisition \$350,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
<ul style="list-style-type: none"> Provides for the design, construction bid documents and land acquisition for a new Fire Station. Funded from \$2.1M in new bonds and \$1.4M in repurposed bond proceeds from the now complete Lincoln Street School addition/renovation project (the \$1.4M repurposed bonds will not add any additional tax impact). Concur with Financial Planning Committee recommendation, Page 27, Annual Town Meeting Warrant. 		
21-26	NO RECOMMENDATION REQUIRED FROM THE APPROPRIATIONS COMMITTEE	

Article	Purpose of Article	Committee Vote and Recommendation
☆ NOTE: ALL PROPOSED BUDGET REQUESTS ARE WITHIN THE CONFINES OF PROPOSITION 2½ ☆		
Articles 21-26 are Community Preservation (CPA) articles totaling \$718,670 in CPA allocations. Each article represents an allowable spending purpose under the Community Preservation Act enacted in 2000 and adopted by ballot vote in Northborough in November 2004 at a surcharge of 1.5%. The first \$100,000 of a residential property's assessed value is exempt from the surcharge.		
21	Community Preservation Fund – Interpretive Signs \$8,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
22	Community Preservation Fund – Historic Markers \$5,800	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
23	Community Preservation Fund – Northborough Affordable Housing Corporation \$150,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
24	Community Preservation Fund – Melican Middle School Field Lighting, Phase II \$290,770	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
25	Community Preservation Fund – White Cliffs Purchase Second Debt Service Payment \$239,100	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
26	Community Preservation Fund – CPA Administration \$25,000	Moved by Ms. Hight; Seconded by Mr. D'Amico. The Appropriations Committee unanimously recommends approval of this article.
27-41	NO RECOMMENDATION REQUIRED FROM THE APPROPRIATIONS COMMITTEE	