



TOWN OF NORTHBOROUGH

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MEMORANDUM

TO: Honorable Chairman and Members of the Board of Selectmen
and the Appropriations Committee

FROM: Town Administrator

SUBJECT: FY2014 Proposed Budget

DATE: March 22, 2013

I am pleased to present the Fiscal Year 2014 Proposed Budget, which incorporates the latest information available regarding revenue projections and departmental expenditure requests. As you know, the Board will be holding its annual joint budget hearing with the Appropriations Committee on March 25th to discuss the FY2014 Proposed Budget.

While the Appropriations Committee has been holding public meetings for months to review departmental budgets, they typically begin voting their recommendations after the joint public hearing. Likewise, the Board of Selectmen will be voting its support for the various budgets and articles at its April 8th meeting.

As previously presented to the Board, the Northborough K-8 School Budget and General Government Budget have been developed in conformance with the goals and objectives established by the Board of Selectmen. While the Algonquin Regional High School (ARHS) Assessment increased significantly due to a change in the Chapter 70 State formula, the net effect of the reduced debt exclusion kept that increase from becoming problematic during this budget cycle. Additional review is still ongoing with regard to the potential impacts of the Chapter 70 formula changes in FY2015 and FY2016.

In review, the FY2014 budgetary goals that were previously established by the Board are as follows:

Goals of the FY2014 Budget:

- Develop a FY2014 Budget that is within the confines of Proposition 2 ½ and in conformance with the Town's comprehensive financial policies.
- Minimize tax increases.
- Maintain a level services budget, while identifying opportunities to improve service delivery efficiency and effectiveness.



- Negotiate sustainable collective bargaining agreements with the Town's five unions, effective July 1, 2013.
- Protect the Board of Selectmen's policy-making ability by ensuring that important policy decisions are not controlled by financial problems or emergencies.
- Protect the Town's ability to finance its services on a continuing basis beyond FY2014 through enhanced long-term financial planning.

Recent Developments

During the month of March, several significant budgetary items have been finalized, including Health Insurance, Debt Service, revised State Aid estimates and new growth figures. Collectively, these items represent the final pieces of the FY2014 budget.

- **Health Insurance**—The FY2014 budget request of \$4.76 million represents a total increase of \$93,282, or just 2% from the amount budgeted last year. Plan design changes and the adoption of Chapter 32B, Section 18 in FY2010 have continued to limit budgetary impacts for the fifth consecutive year. In fact, the average annual increase for the last five years has only been about 2.7%. Prior to FY2010 it was common to experience health insurance to increases of 8-10% each year, which would consume \$450,000 or more of new revenues. Given the reasonable FY2014 premium increases, there are no immediate plans to modify health insurance plans for FY2014. However, all the General Government collective bargaining contracts contain a "reopener clause" so that discussions about health insurance options can take place should premiums begin escalating again at an unsustainable rate.
- **Debt Service**—The proposed FY2014 debt service budget provides for the payment of principal and interest costs for long and short term bonds issued by the Town for General Fund purposes. For FY2014, the total Debt Service budget for the General Fund is \$2.35 million, a decrease of \$177,339. The decrease is primarily attributable to the Town's Free Cash policy whereby smaller capital items are now being purchased using available funds, such as Free Cash, instead of financing with debt. For a detailed explanation of the Town's Free Cash Policy and the recent efforts to fund more pay-as-you-go capital projects, interested readers should refer to Section 9 of this budget document.

Bond Anticipation Notes were issued last year in the amount of \$1.6 million for various borrowing authorizations including the Melican Middle School roof repair, a Community Preservation Act land acquisition, a water fund project and to purchase departmental equipment. The temporary one-year bond anticipation notes will mature in April 2013, when the notes will be permanently financed with a bond offering which will include the Town share of the Lincoln Street School feasibility project. At that point, our current Aa2 Bond Rating will be evaluated with a very thorough review process by Moody's Investors Service.

BOND RATING SYMBOLS

Moody's Investor Service	
Aaa	
Aa1	
➔ Aa2	
Aa3	
A1	
A2	
A3	
Baa1	
Baa2	
Baa3	
Ba1	
Ba2	
Ba3	
B1	
B2	
B3	



It is important to note that throughout the recent recessionary period, Northborough has maintained its favorable bond rating of Aa2. Affirmation of our bond rating reflects the rating agency's confidence in the Town's ability to manage through the current economic cycle. At a time of fiscal uncertainty, this independent assessment illustrates how our planning efforts and fiscal discipline produce very real and tangible results—lower rates on bonds resulting in less tax dollars going to pay for interest.

- State Aid—Preliminary budget models assume State Aid will be level funded based on the actual amount received in FY2013. To date, that assumption appears to be on track as the Governor's Budget released on January 23, 2013 has Northborough's State Aid basically level funded at \$4.7 million, minus the increase in State assessments. Although the Governor's Budget proposal contains new taxes that the Legislature has indicated they may not support, Northborough's Legislative Delegation advised the Board of Selectmen at their March 11th meeting to be conservative and not plan on any increase. While the House and Senate still have to make their State Aid figures known, which may not be until well after Town Meeting, level funding appears reasonable for planning purposes.
- New Growth—In accordance with Proposition 2½, a municipality is allowed to increase its levy limit each year by an amount based on the value of new development and other growth in the tax base. The purpose of this provision is to recognize that new development results in additional municipal costs. During FY2013 the Town realized \$92.9 million in new growth. However, the FY2014 revenue budget assumes just \$30 million in new growth and \$483,300 in additional tax revenue, since the value of the recently completed 640,000 square foot Northborough Crossing mall was captured in FY2013. The record levels of new growth experienced over the past several budget cycles is projected to return back to average levels in the coming years.

Now that these major budgetary components are settled, the remainder of the General Government departmental budgets have been finalized. With the possible exception of a State Aid resolution agreement passing in the Legislature, we do not anticipate any other significant financial information coming forward prior to the April Town Meeting.

Budget in Brief

Similar to prior budgets, the FY2014 Proposed Budget relies on projections regarding available revenue, thereby accepting the limits of the Town's financial resources. The budget is based upon an established ceiling of revenue derived from local property taxes in accordance with Proposition 2½. Added to these revenues are State Aid, Departmental Receipts such as fees, permits, interest earned and Available Funds such as Free Cash and Special Revenues.

At this point in time, based upon our latest projections, the proposed budgets for the key departments are estimated to increase as follows:

- Northborough K-8 Schools increase \$877,287, or 4.5% to \$20,372,564
- General Government (Town) increases \$777,566, or 4.5% to \$18,056,813



- Assabet Valley Regional Technical High School Operating Assessment decreases by \$9,706, or 1.48% to \$646,939
 - The initial debt service for the new renovation project is just \$1,044
- Algonquin Operating Assessment increases \$801,892, or 9.98% to \$8,835,115
 - The debt for ARHS decreases by \$629,333, or 48.82% to \$659,761

FY2014 PROPOSED BUDGET

EXPENDITURES	FY2013 Budget	FY2014 Proposed	Variance	% Change
General Government (Town)	\$17,279,247	\$18,056,813	\$777,566	4.50%
Schools				
Northborough K-8	\$19,495,277	\$20,372,564	\$877,287	4.50%
Algonquin Reg. HS 9-12	\$8,033,223	\$8,835,115	\$801,892	9.98%
Algonquin Debt Exclusion	\$1,289,094	\$659,761	-\$629,333	-48.82%
Assabet Valley	\$656,645	\$646,939	-\$9,706	-1.48%
Assabet Valley Debt	\$0	\$1,044	\$1,044	100.00%
Warrant Articles				
Reserve Fund	\$150,000	\$150,000	\$0	0.00%
Free Cash Capital Projects	\$715,000	\$1,309,307	\$594,307	83.12%
Zeh School Debt	\$501,040	\$483,320	-\$17,720	-3.54%
Colburn St. Debt Service	\$79,963	\$75,845	-\$4,118	-5.15%
Library Debt Service	\$419,595	\$414,195	-\$5,400	-1.29%
Senior Center Debt Service	\$599,855	\$465,695	-\$134,160	-22.37%
Other Funds	\$373,365	\$352,584	-\$20,781	-5.57%
Adjustments	\$209,929	\$0	-\$209,929	-100.00%
Subtotal General Fund	\$49,802,233	\$51,823,182	\$2,020,949	4.06%
Water Enterprise Funds	\$2,017,630	\$2,169,985	\$152,355	7.55%
Sewer Enterprise Fund	\$1,443,932	\$1,448,115	\$4,183	0.29%
Solid Waste Enterprise Fund	\$781,090	\$759,099	-\$21,991	-2.82%
Subtotal Enterprise Funds	\$4,242,652	\$4,377,199	\$134,547	3.17%
TOTAL ALL FUNDS	\$54,044,885	\$56,200,381	\$2,155,496	3.99%

• General Government Budget

The total FY2014 General Government Budget (non-school) is \$18,056,813, which is an increase of \$777,566, or 4.5%. The balance of the document that follows this Budget Message provides detail regarding each departmental budget. However, it bears noting in this summary section how precarious the budget is year to year. Specifically, the health insurance budget can increase between 5-10% annually, which is \$235,000 to \$470,000 on a \$4.7 million budget. Clearly, the annual renewal of the Town's health insurance premiums is critical to the General Government budget,



given that the entire FY2014 budget increase for all non-school departments is only \$777,566. It should also be noted that the health insurance costs for all K-8 School employees is carried within the General Government Budget. For detailed information regarding recent initiatives undertaken by the Town to keep the health insurance renewals to a reasonable level, please refer to Section 6 of this budget document.

- **Northborough K-8**

The Northborough K-8 Public School System serves children in grades Kindergarten through 8. There are four elementary schools: the Fannie E. Proctor School, the Lincoln Street School, the Marion E. Zeh School, and the Marguerite E. Peaslee School. These four schools serve children from Kindergarten through grade 5. There is also one middle school, the Robert E. Melican Middle School, which serves grades 6, 7 and 8. As of October 1, 2012, a total of 1,891 students attend the Northborough schools, with 1,249 students in grades K-5 at the four town elementary schools and 642 students in grades 6-8 at the Middle School.

Based on the Town's revenue forecast, it is projected that the Town's General Government Budget and the Northborough K-8 Schools may increase by 4.50% in FY2014. Therefore, the FY2014 amount available for the Northborough K-8 School department is \$20,372,564. This represents an increase of \$877,287 from the \$19,495,277 appropriated last year.

- **Algonquin Regional High School (ARHS)**

As of October 1, 2012, a total of 863 Northborough students attend the Northborough-Southborough Regional High School. This represents 58.39% of the total student enrollment in grades 9-12. The Northborough-Southborough budget is composed of an operating assessment and a debt payment related to the completed renovation/addition project. In FY2014 the operating assessment increases \$801,892, or 9.98% to \$8,835,115. The significant increase is attributable to two factors: 1) an increased enrollment of 50 more students from Northborough, and 2) a change in the State's Chapter 70 formula that shifted more of the operating assessment onto Northborough in FY2014. However, the debt for ARHS decreases in FY2014 by \$629,333, or 48.82% to \$659,761. It is important to note that the net effect of changes to the ARHS assessment and debt service is an overall increase of 1.85%, or \$172,559.

A significant effort will need to be made in the coming year to better understand and attempt to forecast the impacts of changes to the Chapter 70 formula, since a similar shift in FY2015 will clearly create a state of fiscal distress for Northborough's finances.

- **Assabet Valley Regional Technical High School**

Assabet Valley Regional Technical High School is a vocational school composed of the member communities of Berlin, Hudson, Marlborough, Maynard, Northborough, Southborough and Westborough. Northborough's assessment is based upon the number of students from Town attending the school. The total FY2014 budget is \$17,794,000 which is a \$194,000 increase, or 1.12%.



A \$62.4 million building renovation project was approved last year by all member communities. The Massachusetts School Building Authority voted to fund 53.48% of the project and construction will begin in the summer of 2013. Northborough's debt assessment associated with the project will be \$1,044 in FY2014, \$15,660 in FY2015 and \$39,413 in FY2016. The debt assessment will peak in FY2017 at \$166,934.

As of October 1, 2012, 46 Northborough students attend Assabet Valley, which represents 6.53% of the FY2014 budget, or an operating assessment of \$646,939. This is a decrease from the 49 Northborough students on October 1, 2011. The total FY2014 assessment, including the \$1,044 in debt service is \$647,983.

• **Special Warrant Articles**

In additional to the individual departmental appropriations, the Town's overall annual financial plan includes warrant articles which draw upon the funds available to the Town. The warrant articles contain proposed funding using a combination of repurposed bond proceeds and Free Cash. The use of these funding sources results in no additional tax impact. In FY2014, these warrant articles include \$150,000 for the Reserve Fund from Free Cash, funding the FY2014 Capital Budget with \$1,309,307 from Free Cash and \$197,193 from repurposed bond proceeds. The warrant articles total \$1,656,500.

A detailed description of the proposed warrant articles, including their funding sources, is provided in Section 6-18 through 6-19 of this budget document. Further detail regarding the capital project warrant articles is contained in Section 9, the Town's Annual Capital Budget and FY2014-2019 Capital Improvement Program (CIP).

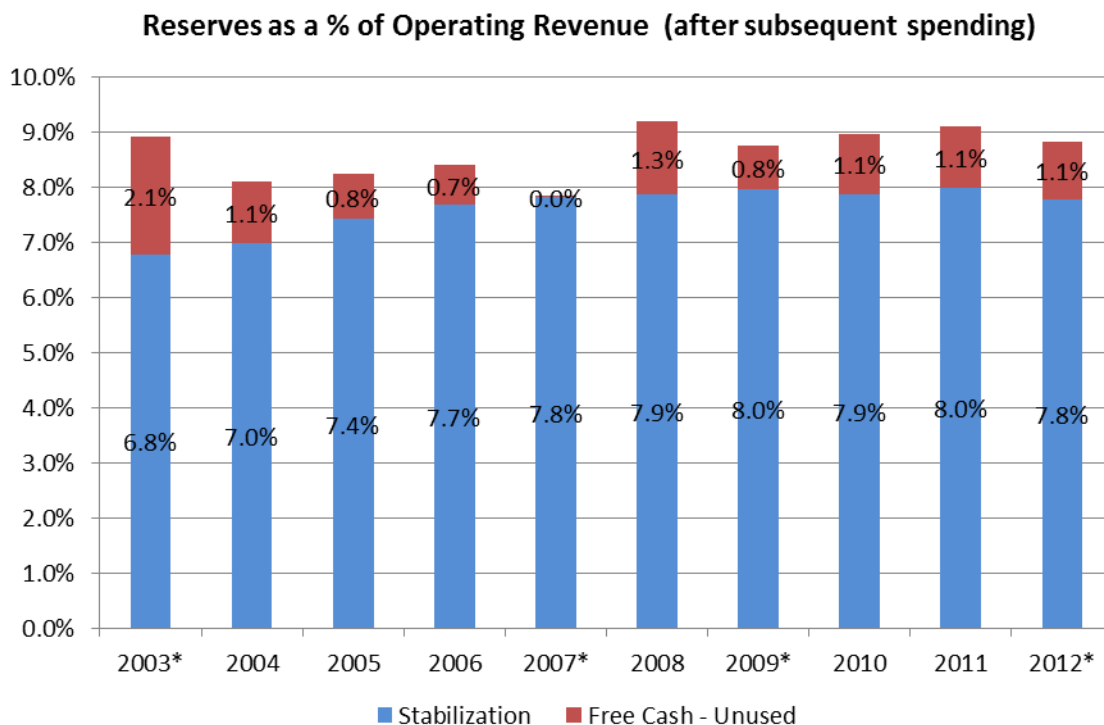
Overall, the Fiscal Year 2014 total operating budget for all funds is \$56,200,381 or a 3.99% increase over FY2013. An in-depth review of revenues and expenditures is provided in the Budget Summaries Section 1 that follows this Budget Message.

Financial Condition and Outlook

During FY2013 the Town completed its first Financial Trend Monitoring System (FTMS) analysis designed to assess the Town's Financial Condition. The FTMS, as adapted from the system developed by the International City/County Management Association (ICMA), "identifies the factors that affect financial condition and arranges them in a rational order so that they can be more easily analyzed and measured." It is a management tool that pulls together the pertinent information from the Town's budgetary and financial reports, mixes it with the appropriate economic and demographic data, and creates a series of Town-specific financial indicators that, when plotted over a period of time, can be used to monitor changes in the Town's financial condition. The financial indicators include such areas as revenue and expenditure trends, financial reserves, changes in the tax base, one-time revenue dependencies, debt, and external revenue dependencies. The new FTMS Report is included in its entirety as Appendix C of this budget document.



The conclusion of the FTMS analysis is that Northborough is in relatively good financial condition, especially considering the economic climate of the past several years. The Town's financial reserves are strong at 8.9% and the use of the \$3.6 million Stabilization (rainy day) Fund has not been necessary. The Town's debt level is manageable and our bond rating of Aa2 has been maintained through the worst of the recessionary period. The Town continues to have favorable economic growth and reliance on one-time revenues in the operating budget has been significantly curtailed. Further, the impact of rising health insurance costs has been mitigated by successful negotiation of plan design changes with municipal bargaining units.



Based on the FTMS analysis, it is apparent that long-run solvency surrounding unfunded pension liability and Other Post-Employment Benefits (OPEB) obligations are potential emerging problems for the Town. Uncertainties surrounding the level of State Aid and future increases in health insurance premiums remain significant areas of potential exposure to be watched during future budget cycles.

It is clear that the adoption of the Free Cash Policy in 2010 strengthened the Town's financial condition by decreasing its reliance on one-time revenues in the operating budget. In addition, the use of Free Cash for significant capital investment has insured that one-time funds are primarily used for one-time expenditures. The growth in revenue from property taxes, which has kept pace with inflation, as well as excellent tax collections are financial strengths for the Town. While expenditures per capita have risen indicating an increase in service needs, the Town's revenues per capita have increased as well.



The Town of Northborough is growing, yet the budgetary resources devoted to personnel have remained very stable. The need to address this growth and maintain service-level solvency may require a corresponding increase in personnel in the future.

Financial Trend Monitoring System Indicator Summary

	Financial Indicator	FY2013
1	Property Tax Revenues	Favorable
2	Uncollected Property Taxes	Favorable
3	Revenues & Expenditures per Capita	Marginal/Improving
4	State Aid (Intergovernmental Revenues)	Unfavorable/Uncertain
5	Economic Growth Revenues	Favorable/Uncertain
6	Use of One-Time Revenues	Favorable
7	Personnel Costs	Marginal
8	Employee Benefits	Favorable/Uncertain
9	Pension Liability	Unfavorable
10	Other Post Employment (OPEB) Liability	Unfavorable
11	Debt Service Expenditures	Favorable
12	Financial Reserve/Fund Balance	Favorable

Moving forward, it will be important for the Town to plan for and eventually fund its OPEB liability. An OPEB Trust Fund was established at the April 2011 Town Meeting for this purpose. Identification of additional revenue sources such as the adoption of the Local Option Meals Tax or Room Occupancy Tax should also be explored to alleviate the tax burden on residents. Given the reasonable increases in health insurance over the past several years, no action is required during this budget cycle.

For a more detailed explanation regarding the individual fiscal indicators and FTMS, interested readers are encouraged to review the introductory section to Appendix C.



Personnel Summary

Overall, personnel wages and benefits represent approximately 60% of the Town's operating budget and remain relatively stable. Although health insurance previously increased at double-digit rates annually, the Town has been able to mitigate these increases since FY2009 through negotiated plan design changes with the employees. As vacancies occur, every effort is made to re-examine positions with a view toward restructuring, reducing or eliminating the position, where possible. The table below provides a four year history of Full-time Equivalent (FTE)¹ positions by department, including any proposed changes for FY2014.

TOWN OF NORTHBOROUGH PERSONNEL SUMMARY FY2010–FY2014

Town Government	FY 2010 FTE	FY 2011 FTE	FY 2012 FTE	FY 2013 FTE	FY 2014 FTE	Change FY13-FY14
Executive Office	3.75	3.75	3.75	3.75	3.75	0.00
Public Buildings	0.50	0.50	0.50	0.50	0.50	0.00
Financial Offices	9.25	9.25	9.35	9.35	9.38	0.03
MIS/GIS	2.00	2.00	2.00	2.00	2.00	0.00
Town Clerk's Office	2.00	2.00	2.00	2.00	2.00	0.00
Planning & Engineering	3.21	3.23	3.23	3.73	3.73	0.00
Police Department	27.50	27.50	27.50	27.50	28.50	1.00
Fire Department	19.73	19.73	19.71	19.67	20.43	0.76
Building Department	2.80	2.80	2.80	2.80	2.80	0.00
Health Department	2.20	2.20	2.20	2.20	2.20	0.00
Dog Officer	1.00	1.00	1.00	0.00	0.00	0.00
Dept. of Public Works	16.75	16.75	16.75	16.88	17.00	0.12
Senior Center/COA	2.89	2.89	2.86	3.00	3.00	0.00
Library	9.19	9.51	9.16	9.15	9.36	0.21
Recreation	2.00	2.00	2.00	2.00	2.00	0.00
Family & Youth Services	1.96	1.96	1.96	1.96	1.96	0.00
Cable Access TV	1.75	1.75	1.75	1.75	1.75	0.00
Veterans' Services	0.29	0.29	0.29	0.29	0.00	-0.29
Town Subtotal	108.77	109.11	108.81	108.53	110.36	1.83
School Department (K-8)						
K-5 Teachers	62.50	62.50	63.50	64.00	63.50	-0.50
Grade 6-8 Teachers	34.20	34.20	33.40	33.40	32.90	-0.50
Specialists	34.30	34.30	35.30	35.80	35.39	-0.41
Special Education Staff	37.60	37.60	37.60	38.80	41.65	2.85
Administration	6.00	6.00	6.00	6.00	6.00	0.00
Support Staff	96.60	96.60	96.60	105.60	107.10	1.50
K-8 Schools Subtotal	271.20	271.20	272.40	283.60	286.54	2.94
Total Town & K-8 FTEs	379.97	380.31	381.21	392.13	396.90	4.77

¹ Full Time Equivalents are based upon 40 hours per week (i.e., 30hrs/40hrs = .75 FTE)



Overall, Town Government staffing is up 1.83 FTEs from FY2013. During FY2014 the hiring of a new Patrol Officer was authorized in order to backfill the absence left by an officer that was injured on duty. The Police Department budget as presented still carries the cost of the injured officer's salary, which is required by law, as well as the new hire. The cost of a new hire was budgeted in FY2014 in order to get the Department back to its authorized strength of 20 sworn Officers. In addition to the Police Officer, a new position is being proposed in the Fire Department in order to facilitate better customer service with regard to fire inspections and plan design reviews. Further detail on specific positions is provided within the departmental personnel summaries contained in Budget Sections 2 through 5.

It is important to note that FY2013 is the last year of the previously negotiated collective bargaining agreements for Police Patrol Officers, Police Sergeants, Public Safety Dispatchers, Fire and the Northborough Municipal Employees Association. A significant amount of time in FY2013 will be devoted to negotiating fair and sustainable increases for personnel during the contract period of FY2014 through FY2016. Pending contract settlements, all FY2014 wage increases, including non-union personnel, is being budgeted centrally and not reflected in the individual General Government budgets.

With regard to the Northborough K-8 Schools there are 2.94 new FTEs in the FY2014 budget. Please refer to the Superintendent's budget presentation for more detail.

Capital Budget

Enclosed in Section 9 of this document are the Town's Annual Capital Budget and FY2014-2019 Capital Improvement Program (CIP). The table on the following page represents the Proposed Capital Requests being made by the General Government Departments, as well as the Northborough K-8 School Department for FY2014.

One significant change to this year's CIP is the temporary elimination of all Water and Sewer Enterprise Projects from the plan, pending further review. This was done at the request of the new DPW Director who is currently in the process of reviewing all previously submitted projects for accuracy and priority. His review is discussed in detail on pages 9-5 and 9-6 of the CIP.

Although the detail for proposed projects has been incorporated as Section 9 of the annual Operating Budget document, funding for all recommended FY2014 projects requires Town Meeting approval of specific Articles contained in the April 2013 Annual Town Meeting Warrant.

The proposed FY2014 Capital Budget totals \$1,506,500, of which \$1,309,307 is anticipated to be funded with Free Cash and \$197,193 is to be funded with repurposed bond proceeds. The proposed funding approach eliminates any additional tax impact on residents and will add no new debt service to the operating budget.

The pie chart on the opposite page shows the breakdown of funding sources by category for the proposed FY2014 Capital Budget. It is important to note that only a couple of years ago virtually all projects contained in the CIP were funded with debt. Today, there



are dedicated funding sources for capital projects, such as Free Cash, which is funding approximately 87% of the Capital Budget.

Section 9 of this budget document contains Project Detail Sheets for every capital project included in the Town's 6-year CIP. Part III of the CIP contains the Financial Planning Committee's review and recommendations on the FY2014 Capital Projects and the CIP as a whole. The Financial Planning Committee's role is to act in an advisory capacity to Town Officials and the citizens at Town Meeting, so the Committee's input and comments are an important part of the Town's capital planning process.

The full CIP included in Section 9 of this budget document contains a question and answer introduction that provides a user-friendly overview of Capital Planning in Northborough.

FY2014 CAPITAL BUDGET

PROJECTS BY DEPARTMENT		EXPENDITURE
Fire		
	SCBA Compressor Replacement	50,000
	Emergency Shelter Trailer	28,000
	Fire Subtotal	\$78,000
DPW: Highway Division		
	Salt Shed Replacement	800,000
	Fueling Island Replacement/Relocation	425,000
	Front-end Loader	203,500
	Highway Subtotal	\$1,428,500
TOTAL FY14 CAPITAL BUDGET		\$1,506,500

FY2014 CAPITAL BUDGET FUNDING SOURCES





FY2013 Goals & Accomplishments

The most important aspect of the budget process is the generation of operational and financial plans, program review and the establishment of goals and objectives that will serve the citizens of the community in this and future years. The financial data that is generated is intended to support the Town's policies, programs and objectives that are identified and articulated during the budget process. The budget serves not only as a financial plan, but also as a short-term strategic plan linked to our more long-term objectives and vision for our community.

During FY2013 several key goals and initiatives were achieved. These include:

1. GFOA Distinguished Budget Award: The Town received its third consecutive national budget award in FY2013 from the Government Finance Officers Association. The award represents a significant achievement by the Town. It reflects the commitment of the Board of Selectmen and staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, the Town had to satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well the Town's budget serves as a policy document, a financial plan, an operations guide and a communication device.

The Town's FY2013 Budget document was rated "proficient" in all four categories, as well as the fourteen mandatory criteria within those categories, to receive the award. The FY2013 Budget passed Town Meeting with the unanimous support of the Board of Selectmen, Appropriations Committee, Financial Planning Committee and the School Department.

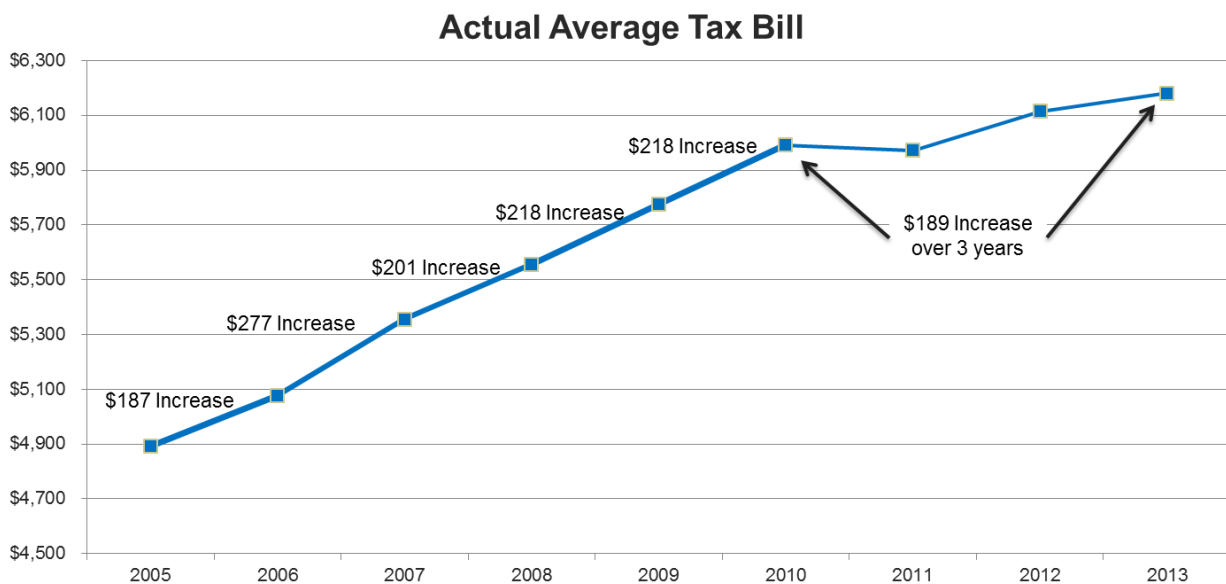
2. Implemented a New Financial Trend Monitoring System: As previously discussed, the Financial Team completed the Town's first Financial Trend Monitoring System (FTMS) Report. The purpose of the FTMS is to analyze key financial indicators in order to assess the financial direction of the Town. The report is designed to bring issues and opportunities to the attention of decision-makers through a systematic method of trend analysis. If employed correctly, the FTMS will help Town officials:

- Gain a better understanding of the Town's current financial condition.
- Identify hidden and emerging problems before they reach serious proportions.
- Present a straightforward picture of the Town's financial strengths and weaknesses to elected and appointed officials, citizens and credit rating firms.
- Reinforce the need for long-range considerations during the annual budget process.
- Provide a starting place for setting, reviewing and updating of financial policies that guide financial decision-making.

The ultimate goal of the FTMS is to help local officials better assess and protect the Town of Northborough's overall financial condition. The new FTMS Report is included in its entirety as Appendix C of this budget document.



3. Clean Annual Audit: The Town closed out FY2012 with \$2.45 million in Free Cash on June 30, 2012 and no material issues or deficiencies were noted in the annual audit. In fact, the audit is the cleanest review in memory for the Town.
4. Minimized the FY2013 Tax Impact on Residents: The 2012 Annual Town Meeting approved a FY2013 Budget that had an estimated tax impact of \$193 for the average single family home. Due to conservative estimates concerning State Aid and strong economic development (new growth), the actual tax impact for the average single-family home was only \$67, or \$126 less than estimated. The average single family tax bill increased from \$6,114 in FY2012 to \$6,181 for FY2013. In terms of trend, the modest FY2013 tax increase translates into a \$189 total increase for the last three fiscal years combined.



5. Annual Town Report Second Place Award: On January 26, 2013, at the Award Ceremony of the Massachusetts Municipal Association's 2013 Annual Meeting and Trade Show, the MMA presented the Town of Northborough with a Second Place Award Certificate in Category 1 (population 12,500 and up) of the MMA's Annual Town Report Contest. Town Reports serve to communicate important information to town residents. It is used as an effective and informative tool in promoting an understanding of local government.

MMA judging criteria for the annual town-report contest include cover design and layout; logical arrangement of material; basic information, such as Town Meeting warrants and results and reports from boards and commissions; summaries of the town's achievements and evidence of planning for the future; broad reader appeal with concise yet comprehensive information; and graphic presentation, which enhances a citizen's understanding of town government.



6. Successfully Implemented DPW Transition: During FY2013 the Town successfully transitioned to a new Director. During the transition, a complete review and analysis of the various departmental functions was conducted, resulting in several new initiatives designed to improve operational efficiency and planning. Based upon the work done during FY2013, a proposed reorganization of the DPW was approved by the Board of Selectmen that will go to Town Meeting for approval, effective July 1, 2013 (FY2014).
7. FY2013 Capital Budget Approved \$3,086,000 in Projects with approximately \$260,000 funded through debt. The balance of the FY2013 Capital Budget, or 91% of all project expenses, were funded using a combination of Free Cash, Massachusetts School Building Authority (MSBA) grants, available mitigation funds, Community Preservation Funds, Enterprise Funds, donations and repurposed bond proceeds from completed capital projects. The funding approach limited the FY2013 additional tax impact on residents to about \$260,000 in new debt.

The focus of the Board of Selectmen and Town Administration continues to be on enhancing communication through quality publications, good financial planning and the encouragement of appropriate economic development. These key areas of focus will continue as we move into FY2014.

Major Upcoming Issues or Projects

Looking forward to FY2014, the primary issues likely to continue dominating much of our focus over the next year involve financial planning and various capital projects. The primary projects in FY2014 include:

1. GFOA Distinguished Budget Award Program: Continue to refine the Town's Award winning budget for the FY2014 submission to the Government Finance Officers Association (GFOA) Distinguished Budget Award Program. FY2014 enhancements will focus on more long-range financial planning and refinement of the FTMS, as well as the introduction of meaningful performance measures into the operating budgets.
2. Lincoln Street Feasibility Study and Renovation/Addition Project: At the April 2012 Annual Town Meeting, \$500,000 was approved as part of the FY2013 Capital Budget to conduct a Feasibility Study of the Lincoln Street Elementary School. Since receiving approval, the Town has worked with MSBA to appoint a building committee, conduct a site visit, review the school's maintenance history, complete the design enrollment certification process, and hire an Owner's Project Manager (OPM). During March of 2013 it is anticipated that an architect for the project will be selected and the feasibility phase will commence.

As originally conceived, the Town was hoping to bring a project back to Town Meeting for possible funding in April of 2013. However, after extensive discussions with MSBA, as well as the OPM, it was determined that such an aggressive schedule would not be possible. Based upon the project timeline negotiated with MSBA, it is



anticipated that the feasibility phase of the project will take place between March and July of 2013, culminating with MSBA's approval of a preferred design solution. From July through December 2013 the architect will complete the schematic design phase of the project, including a professional cost estimate. The project schedule then allows for discussion of the project's justification and funding needs during the FY2015 Capital Budget process. The final objective is to seek funding approval for the renovation/addition project at the April 2014 Annual Town Meeting.

Conclusion

The FY2014 Proposed Budget that follows is balanced pending passage of the final State Budget and meets the previously determined budget goals. The FY2014 Proposed Budget is within the budgetary increase allowable under limits of Proposition 2½, minimizes the tax impact while maintaining a level services budget, does not impact core services and does not require any reductions in General Government personnel. However, out of necessity, most of the cuts and reductions made since FY2010 persist in the FY2014 Proposed Budget. These impacts are fully detailed in the Departmental Budget pages contained in Sections 2 through 5.

Following this Budget Message is Section 1—Budget Summaries, which contains both the revenue and expenditure highlights of the FY2014 Proposed Budget and further details the challenges and opportunities facing the Town of Northborough.

I would like to take this opportunity to thank the members of the Financial Team—Assistant Town Administrator Kimberly Hood, Finance Director June Hubbard-Ward and Town Accountant Jason Little for their tireless contributions. I would also like to thank Superintendent of Schools Charles Gobron for his excellent communication and cooperation during this past year. The level of professionalism and sense of teamwork exhibited by all the financial Boards and Committees in Northborough is something our community can be proud of.

Respectfully submitted,

John W. Coderre
Town Administrator