

Report of the Financial Planning Committee
Fiscal Years 2016-2021

Report of the Financial Planning Committee

The role of the Financial Planning Committee is to serve in a research, study and advisory capacity to the Board of Selectmen, the Appropriations Committee and the Administrative Office on short and long-range financial planning matters, and to assist in the development of a Capital Improvement Program. During Fiscal Year 2015 the Committee was comprised of the following members:

Member	Appointed By	Term Expires
David DeVries, Chair	Town Moderator	April 2017
Michael Hodge, Vice-Chair	Town Moderator	April 2016
Heidi Bourque-Gleason	Northborough K-8 School Committee	April 2015
Roger Leland	Town Moderator	April 2017
Richard Smith	Appropriations Committee	April 2015
Thomas Spataro	Planning Board	April 2018

Fiscal Year 2015 Committee Activities

Meeting Date	Action
November 20, 2014	Reorganization: David DeVries, Chair; Michael Hodge, Vice-Chair. Kick-off meeting, CIP instruction manual, budget manual and schedule, town meeting calendar, preliminary free cash plan.
December 11, 2014	Financial Trend Monitoring Report Update and Financial Projections.
January 22, 2015	Joint Meeting with Appropriation, Board of Selectmen, School committee, for Lincoln Street School project update.
February 19, 2015	FY16 Budget Update and CIP summary overview.
March 5, 2015	Review Dept. of Public Works capital requests.
March 12, 2015	Police capital requests, Fire capital requests, Town Planner capital requests, K-8 school capital requests, and CPC capital projects.
March 19, 2015	Review of draft FPC report and recommendations.
April 11, 2015	Annual inspection of school buildings and grounds.
April 9, 2015	Review debt service/policy with Finance Director. Review final committee report.

The Committee extends its appreciation to Town Administrator John Coderre and his Financial Team -- Assistant Town Administrator Kimberly Foster, Finance Director June Hubbard-Ward, and Town Accountant Jason Little -- for their input and assistance throughout the Committee's process. Special thanks to Diane Wackell and Donna McIntosh for their capable administrative support.

Committee General Comments

The major role of the Financial Planning Committee is to review all submitted projects included in the Capital Improvement Program, comment upon their viability and make its final recommendations, which includes consideration of the guidelines set forth under the Debt Policy adopted by the Board of Selectmen in September 2000. These guidelines were developed to assist the Town in determining how much debt can safely be incurred, and are consistent with those recommended by the Massachusetts Department of Revenue, namely:

- Determine debt that can be incurred without jeopardizing credit standing and causing financial hardship;
- Incorporate affordability guidelines for expenditures;
- Include review of the Capital Improvement Program; and
- Indicate appropriate uses for and acceptable amounts of debt.

The Committee has reviewed the projects included in the six-year Capital Improvement Program at meetings held with the various departments proposing these projects. At these meetings, department heads presented information and data to justify the need, cost, and implementation timeframe for the projects. It is the strong opinion of the Committee that in order for the Capital Improvement Program to be an effective tool for managing the Town's capital investment, department heads must have confidence that their submitted projects will be implemented within the timeframe planned in the Program. The Committee recognizes that the municipal and school administrations have worked hard to anticipate capital needs, submit projects into the Plan, and distribute those projects over the six-year planning period so as to comply with the constraints of the Town's Debt Policy.

At this writing, debt service projections and metrics were not yet finalized and available to the Committee, but conservative preliminary estimates prepared by the Town Administrator indicate that the Program will be well within the guidelines set forth in the Debt Policy both for Credit Standing and Affordability.

Subject to verification of compliance with Debt Policy guidelines, and to comments and recommendations made herein for specific capital projects proposed for Fiscal Year 2016, the Committee is pleased to recommend this Capital Improvement Program as an effective tool for managing the Town's finances with respect to Capital Projects for the next six years.

Communication, Transparency, and Best Practices in Town Finance

For the fifth consecutive year, the Committee congratulates the Town Administrator and his Financial Team for receiving the Government Finance Officers Association (GFOA) Budget Presentation Award for the Town's FY15 budget document. To be recognized, the budget document must satisfy demanding criteria which evaluate it as a policy document, a financial plan, an operations guide, and a communications tool. Further, GFOA raises the bar by requiring past award winners to demonstrate ever greater clarity and completeness in their budget document. To repeat as a GFOA award winner reflects the continuing efforts of the Financial Team to improve communication and transparency in Town finance and apply best practices to municipal budgeting.

Free Cash Policy

The FY16 budget year marks the fifth implementation of the Town's Free Cash Policy. Under this policy, one defined use of available free cash is to pay for capital projects. Examples of suitable projects include DPW and Public Safety vehicles and equipment; building infrastructure components (heating, cooling, electrical, plumbing, etc.); communication systems and office and equipment; and capital project design fees, feasibility studies, and needs analyses. In the past, the Town funded projects of this scale with debt, a practice discouraged by bond rating agencies. Under the Free Cash policy, such capital items are now funded from free cash and other available one-time revenues. Debt capacity is conserved for larger projects such as building construction and renovation, major roadway construction and repair, water/sewer infrastructure, and land acquisition for municipal use or to preserve open space.

From the \$3.932M certified free cash balance, \$2.194M is allocated to FY16 capital projects. This amount provides \$2.194M of capital investment in FY16 that will have no additional impact on the tax rate. (Note: Other proposed capital projects for FY16 are funded from general obligation bonds or through enterprise fees.)

Assuming this year's proposal is approved, more than \$5.816M of capital expenditures will have been accomplished with Free Cash over the five-year period FY 2012-2016, which otherwise would have been financed with debt. Meanwhile, the Town's component of debt service attributable to small capital expenditures has been nearly eliminated, reclaiming capacity within the Proposition 2 ½ levy limit to address upcoming capital projects of larger scale.

Apportionment of ARHS State Construction Grant

The Committee is pleased to report that a final and favorable settlement has been reached concerning the treatment of state grant for the Algonquin Regional High School construction project. The settlement provides for Southborough to pay Northborough a sum of \$1,699,466 in installments over a period of eight years, with interest accruing on the unpaid balance during that period.

The disagreement concerned how the grant should have been apportioned by the Regional School District to the member towns of Northborough and Southborough: whether by the capital cost sharing formula of the Regional Agreement (which the District had in fact done); or according to provisions of MGL Chapter 70B, which govern state reimbursement to school districts for school construction projects.

In December 2006, the Financial Planning Committee estimated that Northborough would receive approximately \$1.5M LESS in grant under the District's treatment than it should under the MGL Chapter 70B grant apportionment formula.

From 2007-2010, attempts to negotiate a compromise fell short: the Chapter 70B statute was argued by some to be either ambiguous or inapplicable; the relevant State agencies declined to offer guidance as to whether and how the statute should apply; and Southborough, having already benefitted from the District's actual treatment of the grant, had no motivation to concede that benefit. In April 2009, the Regional District proposed a "split the difference" compromise, under which Northborough would have received \$686,000 over a period of 17 years; Northborough Town Meeting approved the proposed compromise, but Southborough Town Meeting did not. In 2010, Southborough leaders declined to present that compromise a second time to its citizens.

In November 2010, having exhausted all options for diplomatic resolution, Northborough filed a request for declaratory judgment, seeking the Court's interpretation of the relevant language in MGL Chapter 70B.

In April 2013, the Court found in favor of Northborough. The decision directed the Regional District and the member towns to recalculate the grant apportionment according to the Chapter 70B formula, and to devise a schedule for repayment, to be submitted to the Court for approval.

In February 2015, after further appeals and rulings, the settlement was finalized.

The Committee gratefully acknowledges the efforts of the following people whose advocacy and expertise contributed to the favorable resolution of this issue: former Financial Planning Committee members James V. Casella, Susan Sartori, and Jason Perreault; Appropriations Committee chair Elaine Kelly; Finance Director June Hubbard-Ward; and Town Administrator John Coderre, who very capably and professionally guided the Town's efforts throughout the lengthy diplomatic and judicial process.

Capital Projects for FY16

The Committee has reviewed the projects in the Capital Improvement Program for Fiscal Year 2016 and has prioritized as follows:

Priority	Description
1	Projects that involve correcting a current Safety or Health issue, and/or to meet a Federal or State legal requirement
2	Projects that are necessary to maintain the Town's current infrastructure: <i>Buildings</i> - Projects necessary to maintain existing Town buildings, not including projects to expand or modernize facilities. <i>Equipment</i> - Projects necessary to replace old existing equipment, which is no longer cost effective to repair with similar equipment
3	Projects that are required to increase capacity of existing facilities in order to accommodate the increase in growth of the Town.
4	Projects that are designed to modernize and upgrade existing Town facilities.

The committee considers all the capital projects proposed, and that have been in the Capital plan for many years. From those proposals, the committee recommends the capital projects below in this year's warrant articles. Committee vote shown in parentheses. Numerical votes are shown in Yes-No-Abstain order relative to a motion to recommend approval. Fewer than six total votes reflect the absence of one or more members at the time of the vote.

Planned sources of funding are noted in the comments for each project.

Municipal Departments

Project	Sponsor	Cost	Priority	Recommend Approval?
Engine 2 Replacement	Fire	\$688,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 1996 Engine 2. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Ambulance Replacement	Fire	\$280,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces 2004 Ambulance. Funded by borrowing, to be repaid by the Ambulance Revolving Fund . 				

Project	Sponsor	Cost	Priority	Recommend Approval?
SCBA Replacement	Fire	\$45,000	1	YES (6-0-0)
<ul style="list-style-type: none"> Replaces 35 outdated SCBA bottles. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Police Cruiser Replacement	Police	\$85,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 2007 Explorer and a 2008 Expedition. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Communication Dispatch Console	Police	\$161,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 1989 Dispatch Console. Funded from free cash. No additional impact to tax rate. 				

Municipal Departments (continued)

Project	Sponsor	Cost	Priority	Recommend Approval?
Master Plan	Planning	\$130,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Master Plan Update from 1997. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Otis Street Culvert Replacement	Public Works - Highway	\$325,000	1	YES (6-0-0)
<ul style="list-style-type: none"> Structure deemed unsafe – road closed. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Roadside Mower	Public Works - Highway	\$130,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 2000 John Deere. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
One-Ton Dump Truck w/Plow	Public Works - Highway	\$90,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 2000 Ford. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
One-Ton Pickup Truck w/Plow	Public Works - Highway	\$60,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 1996 Ford. Funded from free cash. No additional impact to tax rate. 				

Municipal Departments (continued)

Project	Sponsor	Cost	Priority	Recommend Approval?
Backhoe	Public Works - Highway	\$145,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 2005 Model. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Mini Excavator	Public Works - Highway	\$85,000	2	YES (6-0-0)
<ul style="list-style-type: none"> New addition to Fleet. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Ellsworth Park Gazebo and Pavilion Renovation	Public Works - Highway	\$50,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replacement of 1993 Gazebo and repair to Pavilion. Funded from free cash. No additional impact to tax rate. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Hudson Street Pump Station Improvements	Public Works - Sewer	\$1,500,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replace Worn Out 1977 Pump, Motor, and Controls. Funded from Sewer Enterprise Fund Bonds. 				

Municipal Departments (continued)

Project	Sponsor	Cost	Priority	Recommend Approval?
One-Ton Service Truck w/Plow	Public Works – Water/Sewer	\$75,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 1996 truck. Funded from Water/Sewer Enterprise Fund Free Cash. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
One-Ton Pickup Truck w/Plow	Public Works – Water/Sewer	\$60,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Replaces a 2005 truck. Funded from Water/Sewer Enterprise Fund Free Cash. 				

K-8 Public Schools

Project	Sponsor	Cost	Priority	Recommend Approval?
Proctor Roof Repairs	Public Schools	\$200,000	2	YES (6-0-0)
<ul style="list-style-type: none"> Repair and Restore Flat roof. Funded from free cash. No additional impact to tax rate. 				

Community Preservation Act Projects

Certain projects to be funded with Community Preservation Act monies may be presented at Town Meeting. Although often capital in nature, these projects are not necessarily incorporated into the Capital Improvement Plan. Nevertheless, the Financial Planning Committee, in its financial advisory capacity, strives to review projects approved by the CPC and offer its recommendations at Town Meeting. Because CPA projects do not compete for funding with Capital Improvement Plan projects, no Priority is assigned.

Project	Sponsor	Cost	Priority	Recommend Approval?
Unused Funds returned to CPA Affordable Housing Reserve	Affordable Housing Corp.	\$104,000	N/A	YES (6-0-0)
<ul style="list-style-type: none"> Appropriated but Unused Funds returned to CPA Affordable Housing Reserve account. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Future Creation of Affordable Housing	Affordable Housing Corp.	\$500,000	N/A	deferred
<ul style="list-style-type: none"> Funds to be used for future creation of affordable housing. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
Repair/Upgrade Community Basketball Courts	Northborough Youth Basketball Association	\$60,000	N/A	YES (5-0-1)
<ul style="list-style-type: none"> Renovate, repair, or replace playing surfaces and hoop/backboard standards for basketball courts on Town-owned property, primarily the elementary and middle schools. CPA regulations now allow CPA funding to be used to renovate and maintain recreational facilities that were NOT initially created using CPA funding. 				

Community Preservation Act Projects (continued)

Project	Sponsor	Cost	Priority	Recommend Approval?
Removal and replacement of playground equipment	Peaslee PTO	\$75,000	N/A	YES (6-0-0)
<ul style="list-style-type: none"> Removal of old equipment and replace with new equipment to ADA guidelines. 				

Project	Sponsor	Cost	Priority	Recommend Approval?
CPC Debt Service	Community Preservation Committee	\$47,700	N/A	YES (6-0-0)
<ul style="list-style-type: none"> Apply CPA funding to pay debt service on debt issued as a component of the FY12 CPA Green Street land purchase for open space preservation. Third annual installment of a 5-year financing term. 				

Respectfully submitted,
Northborough Financial Planning Committee
March 27, 2015

Financial Planning Committee Recommendations for FY16 Capital Project Warrant Articles Northborough Annual Town Meeting April 2015

Article	Project	Cost	Funding Source	Priority	Vote *	Recommend Approval?
19	Fire: Engine 2 Replacement	688,000	Free Cash	2	6-0-0	YES
20	Fire: Ambulance Replacement	280,000	Ambulance Fund Bond	2	6-0-0	YES
21	Fire: SCBA Tank Replacement	45,000	Free Cash	1	6-0-0	YES
22	Police: Cruiser Replacement	85,000	Free Cash	2	6-0-0	YES
23	Police: Communications Dispatch Console	161,000	Free Cash	2	6-0-0	YES
24	Planning: Master Plan Update	130,000	Free Cash	2	6-0-0	YES
25	DPW: Otis Street Culvert Replacement	325,000	Free Cash	1	6-0-0	YES
26	DPW: Roadside Mower	130,000	Free Cash	2	6-0-0	YES
27	DPW: One-Ton Dump w/Plow	90,000	Free Cash	2	6-0-0	YES
28	DPW: One-Ton Pickup w/Plow	60,000	Free Cash	2	6-0-0	YES
29	DPW: Backhoe	145,000	Free Cash	2	6-0-0	YES
30	DPW: Mini Excavator	85,000	Free Cash	2	6-0-0	YES
31	DPW: Ellsworth Park Gazebo and Pavilion	50,000	Free Cash	2	6-0-0	YES
32	Sewer: Hudson Street Pump Station	1,500,000	Sewer Bond	2	6-0-0	YES
33	Water/Sewer: One-Ton Service Truck w/Plow	75,000	Water/Sewer Enterprise Fund	2	6-0-0	YES
34	Water/Sewer: One-Ton Pickup Truck w/Plow	60,000	Water/Sewer Enterprise Fund	2	6-0-0	YES
35	K-8: Proctor Roof Repairs	200,000	Free Cash	2	6-0-0	YES
56	CPA: Return Unused Funds	104,000	CPA	***	6-0-0	YES
57	CPA: Future Affordable Housing	500,000	CPA	***	-	Deferred
58	CPA: Basketball Court Renovation	60,000	CPA	***	5-0-1	YES
59	CPA: Peaslee Playground Equipment	75,000	CPA	***	6-0-0	YES
60	CPA: Debt Service for Green St. Purchase	47,700	CPA	***	6-0-0	YES

* Numerical votes shown in Yes-No-Abstain order relative to a motion to recommend approval. Fewer than six total votes reflects absence of one or more members.

** More information needed. The Committee will offer its recommendation at Town Meeting.

*** No capital project priority is assigned to CPA-funded projects.