

Budget Summaries

Section 1

Section 1-2

Balanced Budget

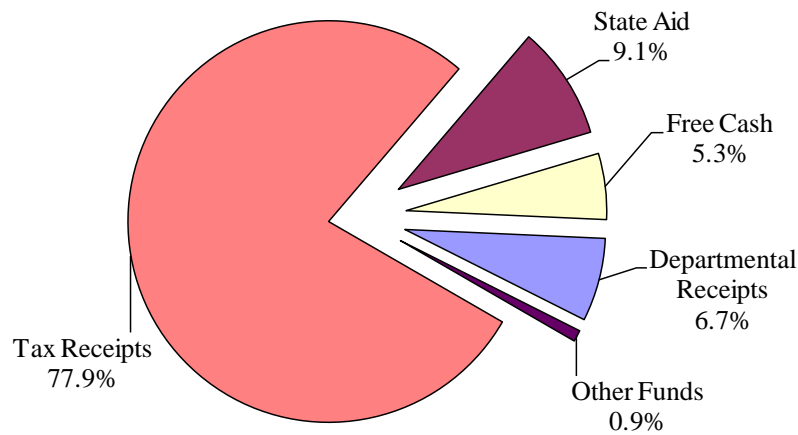


Table 1

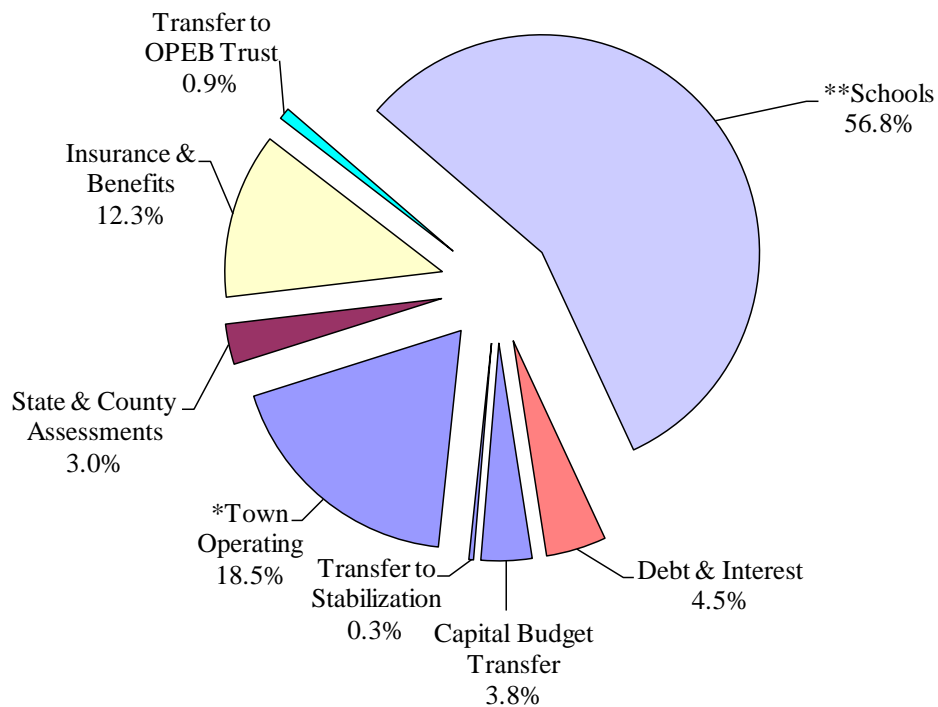
REVENUE & EXPENDITURE SUMMARY FISCAL YEARS 2014--2016					
LEVY LIMIT CALCULATION	FY2014	PROPOSED FY2015	REVISED FY2015	PROPOSED FY2016	% CHANGE
Prior Year Levy Limit	\$40,370,095	\$42,206,075	\$42,206,075	\$43,891,045	
Add 2.5%	\$1,009,252	\$1,055,152	\$1,055,152	\$1,097,276	
Add New Growth	\$826,728	\$497,700	\$629,818	\$501,900	
Add Overrides	\$0	\$0	\$0	\$0	
True LEVY LIMIT	\$42,206,075	\$43,758,927	\$43,891,045	\$45,490,221	
Add Debt Excl - Zeh School	\$100,777	\$80,216	\$80,216	\$61,467	
Add Debt Excl - Colburn St.	\$15,433	\$23,673	\$0	\$11,473	
Add Debt Excl - Library	\$413,460	\$406,416	\$406,416	\$398,725	
Add Debt Excl - Senior Center	\$446,601	\$437,554	\$437,554	\$428,507	
Add Debt Excl - Algonquin	\$659,761	\$657,234	\$657,234	\$656,493	
Less Debt Excl -Settlement				(\$212,000)	
Add Debt Excl - Lincoln Street				\$675,000	
Adjusted LEVY LIMIT	\$43,842,107	\$45,364,019	\$45,472,465	\$47,509,886	
REVENUES					
Adjusted LEVY LIMIT	\$43,842,107	\$45,364,019	\$45,472,465	\$47,509,886	
Less Unused Levy Limit	(\$2,508,148)	(\$2,060,542)	(\$2,495,341)	(\$2,230,341)	
Total Tax Receipts	\$41,333,958	\$43,303,477	\$42,977,124	\$45,279,545	5.36%
State Aid	\$4,844,770	\$4,900,985	\$4,928,440	\$4,928,440	0.00%
MSBA Payments	\$382,543	\$382,543	\$382,543	\$382,543	
Free Cash (Operating)	\$500,000	\$500,000	\$500,000	\$500,000	0.00%
Free Cash (Capital/Reserve)	\$1,459,307	\$1,043,500	\$1,043,500	\$2,589,000	148.11%
Departmental Receipts	\$2,761,000	\$3,023,000	\$3,198,000	\$3,595,000	12.41%
Meals/Rooms Tax (2013)	\$225,000	\$300,000	\$300,000	\$300,000	
Other Funds	\$352,584	\$530,954	\$530,954	\$534,058	0.58%
TOTAL GENERAL FUND REVENUES	\$51,859,162	\$53,984,459	\$53,860,561	\$58,108,586	7.89%
Water/Sewer Enterprise Funds	\$3,618,100	\$3,768,781	\$3,768,781	\$3,889,270	3.20%
Solid Waste Enterprise Fund	\$759,099	\$755,160	\$755,160	\$767,000	1.57%
TOTAL REVENUES	\$56,236,361	\$58,508,400	\$58,384,502	\$62,764,856	7.50%
EXPENDITURES					
Town	\$18,056,813	\$18,798,363	\$18,798,363	\$19,456,306	3.50%
Schools					
Northborough K-8	\$20,372,564	\$21,209,216	\$21,209,216	\$21,951,539	3.50%
Algonquin 9-12	\$8,835,115	\$9,171,070	\$9,171,070	\$9,492,514	3.50%
Algonquin FY14 Credit		(\$164,727)	(\$164,727)		
HS Debt Exclusion	\$659,761	\$657,234	\$657,234	\$656,493	-0.11%
Warrant Articles					
Reserve Fund	\$150,000	\$150,000	\$150,000	\$175,000	
Capital / Other Articles	\$1,309,307	\$893,500	\$893,500	\$2,214,000	
Transfer to Stabilization				\$200,000	
Assabet	\$646,939	\$828,280	\$828,280	\$878,397	6.05%
Assabet Renovation Project	\$1,044	\$11,473	\$11,473	\$15,006	30.79%
Transfer to OPEB Trust	\$0	\$500,000	\$500,000	\$500,000	
Zeh School Debt Service	\$483,320	\$462,759	\$462,759	\$444,010	
Colburn Street Debt Service	\$75,845	\$73,673	\$73,673	\$71,473	
Library Debt Service	\$414,195	\$407,120	\$407,120	\$399,395	
Senior Center Debt Service	\$465,695	\$455,545	\$455,545	\$445,395	
Lincoln Street Debt Service				\$675,000	
Other Funds	\$352,584	\$530,954	\$530,954	\$534,058	
Adjustments	\$35,981	\$0	(\$123,898)		
TOTAL GENERAL FUND EXPENDITURES	\$51,859,163	\$53,984,459	\$53,860,561	\$58,108,586	7.89%
Water Enterprise Fund	\$2,169,985	\$2,174,510	\$2,174,510	\$2,230,328	2.57%
Sewer Enterprise Fund	\$1,448,115	\$1,594,271	\$1,594,271	\$1,658,942	4.06%
Solid Waste Enterprise Fund	\$759,099	\$755,160	\$755,160	\$767,000	1.57%
TOTAL ALL FUNDS	\$56,236,362	\$58,508,400	\$58,384,502	\$62,764,856	7.50%



Fiscal Year 2016 Revenue Sources



Fiscal Year 2016 Expenditures



*Town Expenditures include Reserves for Abatements, Appropriation Reserve Fund, and Offsets

**School Expenditures include Northboro K-8 schools operations, Algonquin Regional High School operations, Algonquin Regional High School Debt Service & Assabet Valley Assessment



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REVENUE SUMMARY

The Town's General Fund revenue (excluding the Water & Sewer Enterprise and Solid Waste Enterprise Funds) is divided into four main categories: property taxes, state aid, local receipts and available funds.

Property Taxes

Property taxes are the single largest revenue source for the Town and historically provide approximately 80% of the General Fund budget. Typically, year to year variations of 1% or 2% are the result of external factors beyond the Town's control, such as the level of State Aid, building activity, or fluctuations in interest rates.

Property taxes are levied on real property (land & buildings) and personal property used by Northborough's non-manufacturing business firms. In accordance with State law, the Town's Board of Assessors determines the fair market value of all property every three years. Northborough's next revaluation will be performed during FY2016; however, interim adjustments are performed each year when a full revaluation is not required.

Under the provisions of Proposition 2½, property taxes may not exceed 2½ percent of their "full and fair cash value." This limit is known as the "levy ceiling." Additionally, annual levy increases may not exceed 2½ percent more than the previous year's levy plus the taxes from any new growth value. Any Proposition 2½ override or debt exclusion amounts approved on the Annual Election Ballot are also added to the levy limit.

As the Town's primary revenue source, property taxes are expected to increase in FY2016 by approximately \$2.30 million, to \$45.28 million. This increase includes the 2.5% increase of \$1,097,276, estimated debt service for the Lincoln Street School project of \$675,000 plus \$501,900 in estimated taxes from projected new growth. The value of new growth is budgeted conservatively at \$30 million. A conservative approach is necessary because new growth revenue is derived from the value of new development and other growth in the tax base. The rate of this development is greatly influenced and ultimately determined by economic factors in the private sector.

Table 2

LEVY LIMIT CALCULATION	FY2015	FY2016	% CHANGE
Prior Year Levy Limit	\$42,206,075	\$43,891,045	
Add 2.5%	\$1,055,152	\$1,097,276	
Add New Growth	\$629,818	\$501,900	
Add Overrides	\$0	\$0	
True LEVY LIMIT	\$43,891,045	\$45,490,221	
Add Net Debt Exclusions	\$1,581,420	\$2,019,665	
Adjusted LEVY LIMIT	\$45,472,465	\$47,509,885	
REVENUES			
Adjusted LEVY LIMIT	\$45,472,465	\$47,509,885	
Less Unused Levy Limit	(\$2,495,341)	(\$2,230,341)	
Total Tax Receipts	\$42,977,124	\$45,279,544	5.36%



State Aid

State Aid is Northborough's second largest revenue source and represents approximately 10% of the General Fund budget. Together, State Aid and local property taxes account for approximately 90% of the General Fund budget. Looking forward, this revenue source continues to be slow to improve in FY2016, despite state revenue increases of 5%, State Aid to municipalities has been slow to follow.

The current budget model assumes level funded State Aid based upon the actual amount received in FY2015. With the transition to a new Governor, the FY2016 budget was released late this year on March 4, 2015. The Governor's Budget unveiled cuts to many state programs but then provides some modest increases to Chapter 70 and Unrestricted General Government Aid. The final budget will have to meet with the approval of both the House and Senate. The Legislature's budget typically does not get finalized until well after Town Meeting and therefore, we are planning for level funded State Aid.

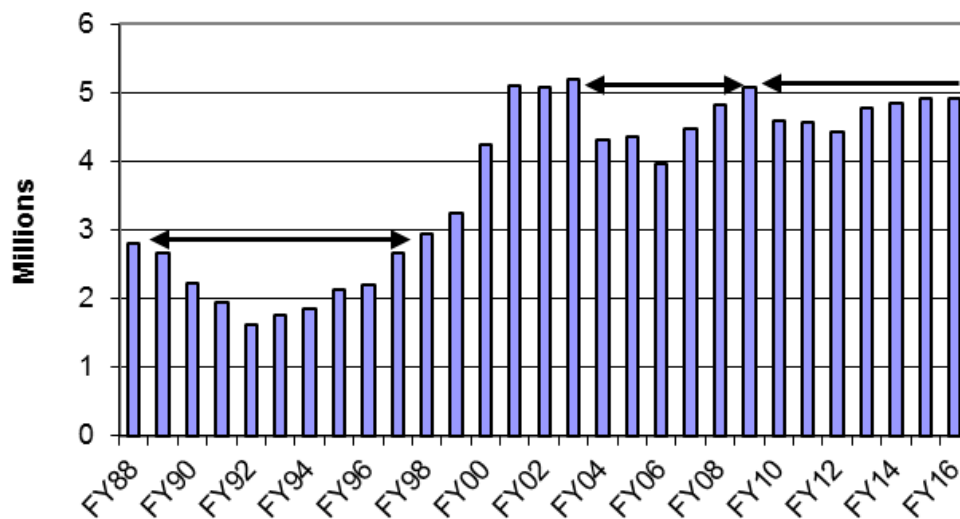
As you will note in Table 3 below, Northborough's State Aid is still lower than the most recent high of \$5.08 million in FY2009, and it may be several more years before State Aid returns to pre-recession levels. Even more noteworthy is that Northborough is receiving less State Aid than it did back in FY2003 (\$5.2 million), and that is before adjusting for inflation.

Table 3: State Aid in Millions

FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16*
5.08	4.6	4.57	4.44	4.78	4.84	4.9	4.9

*Estimated

Northborough State Aid FY1988-2016

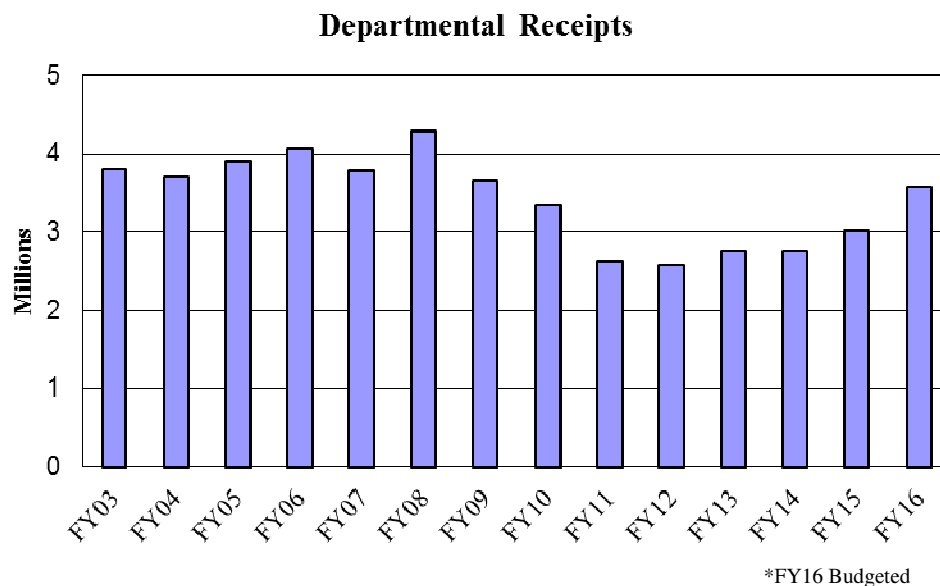




Looking forward to FY2016, the Town has limited information regarding State Assessments and it is the net effect of the new aid and the increase in charges that really determines if Northborough is better off compared to the previous year. Given that unknown, the Town has chosen to proceed with the Governor's Budget figures for the FY2016 budget. In this manner, any State Aid actually received above current estimates can only be used to reduce local taxes in FY2016.

Departmental Receipts

The third largest source of revenue for the General Fund budget is Departmental Receipts, which includes a variety of fees, permits, fines and license-related monies that the Town receives, as well as interest that is earned on investments or overdue tax bills. The total budgeted Departmental Receipts for FY2016 is \$3.6 million. This amount is increased by \$360,000 from the previous year, due to an increased estimate for Motor Vehicle Excise, an increase in the revenue from cell tower rentals and an estimate of \$212,000 for the settlement for the ARHS project. The single largest source of funds within this category is motor vehicle excise taxes, which is a State tax collected by the municipality for its own use. The level of miscellaneous receipts is greatly affected by outside economic conditions; especially as it relates building activity and permits fees.



Until FY2010 Departmental Receipts included revenues from the Town's pay-as-you-throw (PAYT) trash program, which generated approximately \$500,000 annually in bag sales. Beginning in FY2011, the PAYT revenues were moved into the Solid Waste Enterprise Fund budget. That change in accounting represents a significant part of the reduction shown in the chart above going from FY2010 to FY2011. Interested readers may refer to Section 8 of this budget document for more detailed information regarding the PAYT Solid Waste Enterprise Fund program budget and projected revenues.



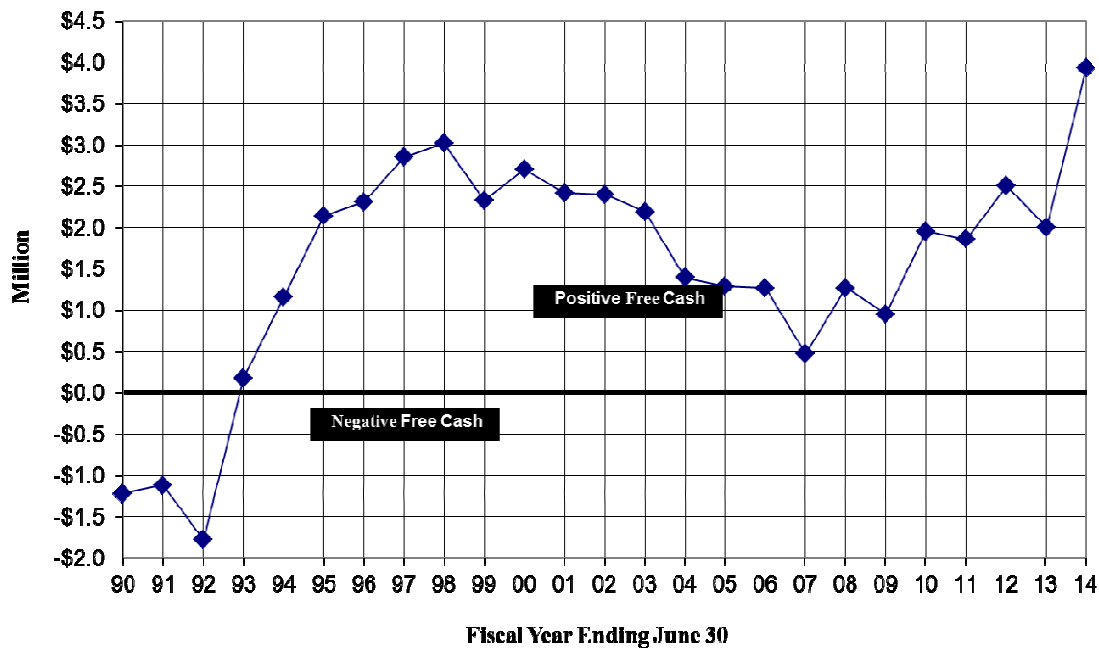
Further, in FY2010 the budget for motor vehicle excise and investment income decreased by approximately \$300,000 as fewer new cars were being purchased and the low interest rates, together with our collateralized investments, reduced the Town's investment income. An increase in both the amount billed and the number of bills allowed the Town to increase the departmental receipt budget by \$175,000 in FY2013. The growth in motor vehicle revenue was likely due to the impact of the Avalon Bay 382 unit apartment complex. The FY2016 estimated Motor Vehicle Revenue has been increased by \$150,000 to \$2,250,000 based upon the improvement in actual receipts.

Available Funds (including Free Cash)

The last category of revenue for the Town is monies in various Special Revenue funds and certified Free Cash available for appropriation from prior years.

By far the single largest source of Available Funds is Free Cash. In FY2016, the budget proposes once again to use \$500,000 in Free Cash to off-set the operating budget. Free Cash is an available fund that is composed of the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended Free Cash from the previous year, actual receipts in excess of revenue estimates and unspent amounts in appropriated budget line-items. After the June 30th close of the fiscal year, the Town's Free Cash is certified by the State Department of Revenue and only then is it available for appropriation.

Certified Free Cash FY1990-2014



*Source: Massachusetts Department of Revenue



Historically, the Town of Northborough had relied on over \$1 million of Free Cash to balance the operating budget and continued this practice for many years. However, the dependency upon one-time available funds to supply a portion of the foundation for the operating budget essentially created a rolling “structural deficit” which became an additional financial burden during the recent recession. Use of Free Cash in the operating budget has been systematically phased down over the past several years from \$700,000 in FY2010, down to \$600,000 in FY2011, and ultimately, reaching the Free Cash policy target amount of \$500,000 in FY2012, where it remains in FY2016.

The chart on the opposite page illustrates the unpredictability of Free Cash as a budgeted revenue source since it is heavily influenced by economic activity and political decision-making by the State Legislature. Any amount of Free Cash used in the operating budget must be reasonably expected to recur in subsequent years. If the Town fails to generate sufficient Free Cash to replenish what was used, as was the case in FY2007, a structural deficit materializes that could result in significant service reductions. More importantly, that structural shortfall carries forward into subsequent fiscal years.

For these reasons, the Board of Selectmen adopted a Free Cash Policy in November 2010 with the unanimous support of both the Appropriations Committee and the Financial Planning Committee. The new policy identifies the acceptable uses of Free Cash for mainly one-time expenses and provides for a maximum level of \$500,000 for use in the operating budget (approximately 1%). The Free Cash Policy can be found on page 2 in Appendix A of this budget document, which contains the Town’s comprehensive financial policies. The Free Cash Policy is also discussed at length in the transmittal letter of the Capital Improvement Plan contained in pages 9-1 through 9-6 of this document.

Other sources of Available Funds to be used in FY2016 are projected to include special revenue offsets in departmental budgets such as \$11,250 in Cemetery Sale of Lots income, \$4,641 in Cemetery Trust Fund income, \$2,401 in Conservation Commission fees, \$303,257 from the Fire/EMS Revolving Account, \$135,991 from the Recreation Revolving Account, \$27,426 from the Medicare Part D Subsidy and \$27,000 from the Animal Control Revolving Account.

There will be a transfer of \$17,558 from Debt Exclusion Premium reserves. These are funds that were received as premiums when bonds or notes were issued for debt excluded projects. The total net premiums are allocated over the term of the obligation, held in reserve and then transferred to offset the amount of the debt exclusion added to the tax rate.

A final source of Available Funds is a transfer of \$4,534 from Title V Septic Reserve. This is the amount of the Debt Service due for the Title V loan program for FY2016. The funds have been collected from the special assessments that are apportioned onto the real estate tax bills of homeowners that participated in the program to repair and install septic systems. These funds will pay the FY2016 debt service for the Title V Septic program.

In addition to Free Cash, these “Other” revenue sources total \$534,058 and will be used to off-set the municipal budgets as shown in Article 4 of the Town Meeting Warrant.



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Expenditure Summary

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FY2016 EXPENDITURE SUMMARY

Following is a summary of the Town's General Government Budget (non-school), which details the 3.5% increase allowable under current revenue projections.

Department	FY2015 Budget	FY2016 Proposed Budget	\$ Change	% Change
GENERAL ADMINISTRATION				
<u>EXECUTIVE OFFICE</u>				
Selectmen	126,254	128,736	2,482	1.97%
Administrator	234,609	242,209	7,600	3.24%
Economic Development	1,300	1,300	-	0.00%
Town Reports	4,500	4,700	200	4.44%
<u>PUBLIC BUILDINGS</u>				
Town Hall/Public Bldgs.	448,922	489,499	40,577	9.04%
<u>FINANCE</u>				
Treasurer	300,963	309,818	8,855	2.94%
Board of Assessors	316,830	293,450	(23,380)	-7.38%
Town Accountant	145,149	149,457	4,308	2.97%
<u>MIS/GIS</u>				
MIS/GIS	498,963	428,264	(70,699)	-14.17%
<u>TOWN/CLERKS OFFICE</u>				
Town Clerk	129,647	133,111	3,464	2.67%
Election/Registration	40,024	31,223	(8,801)	-21.99%
<u>ADVISORY BOARDS/SERVICES</u>				
Moderator	500	500	-	0.00%
Appropriations Committee	1,695	1,695	-	0.00%
Town Counsel	85,000	85,000	-	0.00%
Personnel Board	71,918	184,950	113,032	157.17%
<u>PLANNING & CONSERVATION</u>				
Conservation Commission	49,466	47,218	(2,248)	-4.54%
Planning Board	155,688	161,289	5,601	3.60%
Zoning Board	4,966	5,011	45	0.91%
Earthwork Board	1,772	1,803	31	1.75%
<u>PUBLIC SAFETY</u>				
Police	2,413,983	2,503,214	89,231	3.70%
Fire	1,691,819	1,705,826	14,007	0.83%
Emergency Preparedness	9,500	9,000	(500)	-5.26%
Building	165,560	163,803	(1,757)	-1.06%
Gas Inspector	11,492	11,701	209	1.82%
Wire Inspector	20,665	21,046	381	1.84%
Sealer of Weights	8,000	8,000	-	0.00%
Board of Health	172,592	183,953	11,361	6.58%
Animal Control	40,000	41,200	1,200	3.00%
<u>PUBLIC WORKS</u>				
Highway Admin.	103,804	156,216	52,412	50.49%
Hwy. Const. & Maint.	1,260,263	1,399,114	138,851	11.02%
Parks	139,500	111,600	(27,900)	-20.00%
Cemetery	80,327	84,304	3,977	4.95%
Engineering	130,415	131,539	1,124	0.86%
Snow & Ice	346,200	346,200	-	0.00%
Street Lighting	107,625	110,854	3,229	3.00%
Trees	25,000	25,000	-	0.00%
<u>COMMUNITY SERVICES</u>				
Council on Aging	233,494	249,785	16,291	6.98%
Library	729,948	733,118	3,170	0.43%
Recreation	131,773	135,991	4,218	3.20%
Youth Services	136,640	139,807	3,167	2.32%
Veterans Services	58,560	59,797	1,237	2.11%
Cable TV	0	-	-	
Cultural Council	500	500	-	0.00%
Community Affairs Committee	500	500	-	0.00%
Historical Commission	500	500	-	0.00%

Section 1-12

Expenditure Summary



Department	FY2015 Budget	FY2016 Proposed Budget	\$ Change	% Change
UNDISTRIBUTED EXPENSES				
<u>EMPLOYEE BENEFITS & INSURANCE</u>				
Health Insurance	4,804,890	4,949,038	144,148	3.00%
Transfer to OPEB Trust	500,000	500,000	-	0.00%
Life Insurance	8,730	8,730	-	0.00%
Other Benefits/FICA	404,998	432,727	27,729	6.85%
Workers Comp	109,851	114,045	4,194	3.82%
Retirement Assessments	1,306,702	1,415,244	108,542	8.31%
<u>BUILDING & LIABILITY INSURANCE</u>				
Bldg. & Liability Insur.	225,545	232,311	6,766	3.00%
<u>DEBT SERVICE</u>				
Debt Service	2,051,341	2,598,421	547,080	26.67%
<u>STATE ASSESSMENTS</u>				
State Assessments	300,855	329,270	28,415	9.44%
<u>NORFOLK AGRICULTURAL HIGH SCHOOL</u>				
Tuition/Transportation	47,594	47,594	-	0.00%
<u>STABILIZATION FUND CONTRIBUTION</u>				
Stabilization Fund	0	200,000	200,000	
<u>RESERVE FUND</u>				
Reserve Fund	150,000	175,000	25,000	16.67%
<u>SPECIAL WARRANT ARTICLES</u>				
Special Articles	893,500	2,214,000	1,320,500	147.79%
Other Financing Uses	217,160	217,160	-	0.00%
OTHER NON-APPROPRIATED AMOUNTS				
Reserve for Abatements	461,046	629,640	168,594	36.57%
Offsets	27,591	19,656	(7,935)	-28.76%
ENTERPRISE FUNDS				
Water	2,174,510	2,230,328	55,818	2.57%
Sewer	1,594,271	1,658,942	64,671	4.06%
Solid Waste	755,160	767,000	11,840	1.57%
GROSS TOTAL TOWN	26,670,570	29,770,907	3,100,337	11.62%
CALCULATION OF NET TOTAL TOWN				
Less Water Fund	(2,174,510)	(2,230,328)		
Less Sewer Fund	(1,594,271)	(1,658,942)		
Less Solid Waste	(755,160)	(767,000)		
Less Other Funds	(530,954)	(534,058)		
Less Recap Adjustments	125,284			
Less Debt Exclusion	(1,399,096)	(2,035,273)		
Less Reserve Fund Article	(150,000)	(175,000)		
Less Transfer to OPEB Trust	(500,000)	(500,000)		
Less Transfer to Stabilization		(200,000)		
Less Special Articles	(893,500)	(2,214,000)		
NET TOTAL TOWN	\$18,798,363	19,456,306		3.50%
CALCULATION OF TOWN APPROPRIATION				
GROSS TOTAL TOWN	26,670,570	29,770,907		
Less County Assessments	(1,306,702)	(1,415,244)		
Less State Assessments	(300,855)	(329,270)		
Less Reserve for Abatements	(461,046)	(629,640)		
Less Offsets	(27,591)	(19,656)		
Less Reserve Fund Article	(150,000)	(175,000)		
Less Stabilization Transfer Article		(200,000)		
Less Special Articles	(893,500)	(2,214,000)		
Less Other Financing Use	(217,160)	(217,160)		
Less Enterprise Funds	(4,523,941)	(4,656,270)		
Net Town Warrant Article 4	\$18,789,775	19,914,667		



Expenditure Summary

Section 1-13

General Administration

The first of the budget categories is General Administration. This category includes the offices and departments which support the direct service departments of the Town through overall management, legal services, financial management (including collecting of revenues and the maintenance of financial records), administration of elections, Management Information Systems/Geographic Information Systems (MIS/GIS), personnel administration and related ancillary services. General Administration also currently includes planning and conservation services.

General Administration Summary

	FY2013 ACTUAL	FY2014 ACTUAL	FY2015 BUDGETED	FY2015 SIX MONTHS	FY2016 PROPOSED	% CHANGE
<u>EXECUTIVE OFFICE</u>						
Selectmen	\$136,841	\$93,426	\$126,254	\$71,063	\$128,736	1.97%
Administrator	\$214,811	\$221,687	\$234,609	\$114,746	\$242,209	3.24%
Economic Development	\$422	\$345	\$1,300	\$0	\$1,300	0.00%
Town Reports	\$3,163	\$4,425	\$4,500	\$0	\$4,700	4.44%
Subtotal	\$355,237	\$319,882	\$366,663	\$185,809	\$376,945	2.80%
<u>PUBLIC BUILDINGS</u>						
	\$362,734	\$374,708	\$448,922	\$107,013	\$489,499	9.04%
Subtotal	\$362,734	\$374,708	\$448,922	\$107,013	\$489,499	9.04%
<u>FINANCE</u>						
Treasurer	\$277,126	\$289,359	\$300,963	\$142,893	\$309,818	2.94%
Board of Assessors	\$255,149	\$252,400	\$316,830	\$103,409	\$293,450	-7.38%
Town Accountant	\$135,038	\$132,220	\$145,149	\$65,937	\$149,457	2.97%
Subtotal	\$667,313	\$673,979	\$762,942	\$312,239	\$752,725	-1.34%
<u>MIS/GIS</u>						
	\$286,736	\$255,644	\$498,963	\$174,992	\$428,264	-14.17%
Subtotal	\$286,736	\$255,644	\$498,963	\$174,992	\$428,264	-14.17%
<u>TOWN CLERKS OFFICE</u>						
Town Clerk	\$115,193	\$122,287	\$129,647	\$65,541	\$133,111	2.67%
Elections/Registration	\$40,118	\$23,346	\$40,024	\$17,428	\$31,223	-21.99%
Subtotal	\$155,311	\$145,634	\$169,671	\$82,969	\$164,334	-3.15%
<u>ADVISORY BOARDS/SERVICES</u>						
Moderator	\$200	\$200	\$500	\$0	\$500	0.00%
Appropriations Committee	\$348	\$308	\$1,695	\$204	\$1,695	0.00%
Personnel Board	\$7,808	\$7,436	\$71,918	\$982	\$184,950	157.17%
Town Counsel	\$35,883	\$12,054	\$85,000	\$7,683	\$85,000	0.00%
Subtotal	\$44,238	\$19,999	\$159,113	\$8,869	\$272,145	71.04%
<u>PLANNING AND CONSERVATION</u>						
Town Planner/Planning Bd	\$126,556	\$127,760	\$155,688	\$72,715	\$161,289	3.60%
Zoning Board of Appeals	\$3,304	\$3,076	\$4,966	\$969	\$5,011	0.91%
Earthworks	\$1,504	\$1,483	\$1,772	\$119	\$1,803	1.75%
Conservation Commission	\$30,898	\$42,214	\$49,466	\$16,583	\$47,218	-4.54%
Subtotal	\$162,262	\$174,533	\$211,892	\$90,386	\$215,321	1.62%



In FY2016 General Administration is budgeted at \$2.69 million, which is an overall increase of 3.1%.

Following are the key changes of significance:

- **Executive Office**

There are no significant budget changes for the Executive Office in FY2016. The proposed budget increase of \$10,282, or 2.8%, is primarily due to general wage increases for non-union personnel. The FY2015 reduction in the part-time Executive Assistant's hours from 30 to 20 hours per week continues into FY2016.

- **Public Buildings**

The Public Building Account is up \$40,577, or 9% from the previous year in anticipation of several relatively minor building repair and maintenance projects that do not meet the minimum \$25,000 threshold for inclusion in the Capital Improvement Plan. The budget includes a 2% wage increase for the custodian and \$5,000 in overtime to allow for special maintenance projects during the year.

- **Finance Department**

Overall, the Finance Department's FY2016 budget decreases \$10,217 or 1.34% primarily due to completion of the conversion of the Assessor's revaluation software in FY2015. During FY2015 the Assessing Division began the work required for the triennial recertification which will take place in FY2016. Beyond the reductions to the FY2016 Assessing Division Budget, there are no significant changes in the Finance Department except the 2% wage increase for union and non-union employees.

- **Management Information System/Geographic Information Systems (MIS/GIS)**

The MIS/GIS budget is decreasing by \$70,699 or 14.17%. Factors contributing to the reduction include termination of the dark fiber lease with Charter Communications as the Town constructed its own wide-area-network during FY2015, and cost savings attributed to the server virtualization and PC replacement efforts in FY2015.

- **Town Clerk/Elections**

The combined FY2016 Town Clerk/Elections budget is a decrease of \$5,337, or 3.15%. The Town Clerk budget is up \$3,430, or 2.64% due to general wage increases for union and non-union employees; however, the elections budget is down \$8,767, or 21.92% due to there being only two elections during FY2016 instead of three that were held in FY2015.

The FY2016 scheduled elections are as follows:

- Presidential Primary Election March 1, 2016
- Annual Town Election May 9, 2016



- **Advisory Boards/Services**

- **Personnel Board**

This budget account reflects costs associated with merit pay, limited town-wide training, DOT required drug testing and legal expenses associated with collective bargaining negotiations. The account is also used for consultant or temporary labor services associated with personnel transitions. During the course of the fiscal year funds are transferred out as appropriate and reflected in the departmental budgets, such as following a settled labor contract. Any unused funds are closed out to free cash at the end of the fiscal year. The FY2016 budget includes funding for one potential public safety position to be finalized following the conclusion of the comprehensive operational reviews of the Police and Fire Departments. The reviews have been ongoing during FY2015 and it is anticipated that final reports will be completed by the end of FY2015.

- **Town Counsel**

The budget for Town Counsel has been maintained at its FY2015 level of \$85,000.

- **Planning and Conservation**

Overall, the various Planning and Conservation budgets are up \$3,429, or 1.62%. The FY2016 budget increase reflects general wage increases of 2% for both union and non-union personnel, which were offset by the transition of a new part-time Conservation Agent who came in at a lower wage rate than the previous employee. Beginning in FY2016 a part-time Board Secretary was added at 8hrs per month to free up the Administrative Assistant from taking the minutes at the Planning Board meetings.

**Public Safety**

Public Safety consists of police, fire, emergency management services, inspections & enforcement, public health and animal control services.

Public Safety Summary

	FY2013 ACTUAL	FY2014 ACTUAL	FY2015 BUDGETED	FY2015 SIX MONTHS	FY2016 PROPOSED	% CHANGE
<u>PUBLIC SAFETY</u>						
Police	\$2,221,768	\$2,275,887	\$2,413,983	\$1,251,471	\$2,503,214	3.70%
Fire	\$1,346,891	\$1,360,002	\$1,691,819	\$924,844	\$1,705,826	0.83%
Emergency Preparedness	\$7,547	\$6,659	\$9,500	\$209	\$9,000	-5.26%
Building Inspection	\$162,016	\$159,102	\$165,560	\$72,863	\$163,803	-1.06%
Gas Inspector	\$10,251	\$10,533	\$11,492	\$5,750	\$11,701	1.82%
Wiring Inspector	\$18,402	\$17,338	\$20,665	\$9,533	\$21,046	1.84%
Sealer Weights/Measures	\$3,000	\$3,500	\$8,000	\$0	\$8,000	0.00%
Health/Plumbing Inspector	\$142,696	\$153,042	\$172,592	\$75,507	\$183,953	6.58%
Animal Control	\$37,400	\$37,834	\$40,000	\$16,114	\$41,200	3.00%
Subtotal	\$3,949,971	\$4,023,896	\$4,533,611	\$2,356,292	\$4,647,743	2.52%

- **Police Department**

Overall, the FY2016 Police Department Budget is increasing \$89,231, or 3.70%. The personnel increase of \$114,669 includes the contractual wage adjustment of 2%, plus step increases and educational incentives for new hires. The budget also still carries the cost of an injured officer's salary, which is required by law. Offsetting the personnel line increase is a \$25,438 reduction in expenses, primarily due to the one-time purchase of Tasers in FY2015.

- **Fire Department**

As presented, the FY2016 Fire Department Budget reflects an increase of \$14,007, or 0.83% in the General Fund appropriation. The budget maintains the current level of services but anticipates some cost savings due to ongoing recruitments, including a new Fire Chief. In addition to the General Fund appropriation of \$1,705,826 (which includes a transfer in of \$303,257 from the EMS Revolving Fund under Article 4 of the Town Meeting Warrant) the departmental budget also receives \$371,351 in planned expenses that are charged directly to the EMS Revolving Fund. The EMS Revolving Fund is supported by fee charges for ambulance services.

The total FY2016 budget that supports the Fire/EMS services is \$2,077,177 (\$1,705,826 plus the EMS Revolving Fund direct charges of \$371,351). The direct Revolving Fund charges include ambulance billing services, overtime wages, call firefighter supplies and equipment, licensing fees, related maintenance and operational



expenses of the ambulances and related equipment. The account also pays for the debt service associated with the purchase of ambulances.

- **Building Department**

There are no significant budget changes for the FY2016 Building Department. However, the Department will be implementing new permitting software intended to allow greater ease of use and coordination as well as enhanced online features. Overall, the departmental budgets for Building, Gas, Wiring and Sealer represent a decrease of \$1,167, or 0.57%. Although the budget reflects a 2% wage increase for personnel, it is still a decrease due to the hiring of a new Building Inspector at a lower salary.

- **Health Department**

The Health Department budget as presented is an increase of \$11,361, or 6.58%. The majority of the increase is due to the addition of \$10,000 into the temporary wages line in order to provide office coverage during scheduled leaves as well as general back-up for the department's only health agent. The budget also includes a 2% personnel wage increase for union and non-union personnel and a reduction in the testing line related to the monitoring requirements for the Town's closed landfill.

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Expenditure Summary



Public Works

The Department of Public Works (DPW) consists of multiple Divisions collectively responsible for maintaining and improving the Town's public spaces and infrastructure. This includes the maintenance and development of Town roads, sidewalks, public trees, cemeteries, parks, public grounds and buildings, as well as the Town water supply system and wastewater/sewerage system. In addition to general administration and engineering, the Divisions within the Department include: Highway, Parks, Cemetery, Water and Sewer¹.

Public Works Summary

	FY2013 ACTUAL	FY2014 ACTUAL	FY2015 BUDGETED	FY2015 SIX MONTHS	FY2016 PROPOSED	% CHANGE
PUBLIC WORKS						
Highway Admin.	\$94,410	\$93,823	\$103,804	\$37,600	\$156,216	50.49%
Hwy. Const. & Maint.	\$843,938	\$919,797	\$1,260,263	\$609,871	\$1,399,114	11.02%
Parks	\$69,814	\$101,754	\$139,500	\$61,043	\$111,600	-20.00%
Cemetery	\$51,636	\$67,119	\$81,921	\$43,960	\$84,304	2.91%
Engineering	\$122,618	\$124,736	\$130,415	\$53,044	\$131,539	0.86%
Snow & Ice	\$457,552	\$514,320	\$346,200	\$106,496	\$346,200	0.00%
Street Lighting	\$97,616	\$100,484	\$107,625	\$39,242	\$110,854	3.00%
Trees	\$25,000	\$24,849	\$25,000	\$2,014	\$25,000	0.00%
Subtotal	\$1,762,584	\$1,946,881	\$2,194,728	\$953,269	\$2,364,827	7.75%

Overall, the Department of Public Works General Fund budget is up \$170,098, or 7.75%. The major initiatives reflected in this budget increase include the restoration of the Assistant DPW Director position and one of the Laborer positions that were previously cut from the budget during the recession. The salary for the Assistant DPW Director is split 50/50 between the General Fund Budget and the Water/Sewer Enterprise Funds. The Light Equipment Operator is funded entirely by the General Fund within the Highway Division Budget.

In addition, the budget also includes \$52,000 in new funding for catch basin cleaning and disposal costs pursuant to new environmental compliance requirements under the Municipal Separate Storm Sewer System (MS4) general permit. Under the MS4 permit the Town is required to annually clean out all catch basins to prevent sediment and contaminants from entering environmental resource areas.

¹ Please see Section 8-5 for information regarding the Water & Sewer Enterprise Fund budgets



Expenditure Summary

Section 1-19

Community Services

Section 5 of the Budget contains the category of human services, cultural and recreational programs and departments. These include the Senior Center/Council on Aging, Library, Recreation, Family & Youth Services, Veterans' Services, Cable Access TV, as well as various Boards and Committees.

Community Services Summary

	FY2013 ACTUAL	FY2014 ACTUAL	FY2015 BUDGETED	FY2015 SIX MONTHS	FY2016 PROPOSED	% CHANGE
COMMUNITY SERVICES						
Senior Center/COA	\$211,985	\$226,258	\$233,494	\$123,209	\$249,785	6.98%
Library	\$667,228	\$694,573	\$729,948	\$353,574	\$733,118	0.43%
Recreation	\$121,103	\$126,601	\$131,773	\$64,674	\$135,991	3.20%
Family & Youth Services	\$124,810	\$120,764	\$136,640	\$50,783	\$139,807	2.32%
Veterans' Services	\$34,487	\$40,358	\$58,560	\$11,547	\$59,797	2.11%
Cable TV	\$0	\$0	\$0	\$0	\$0	0.00%
Cultural Council	\$500	\$500	\$500	\$60	\$500	0.00%
Community Affairs Comm.	\$500	\$500	\$500	\$500	\$500	0.00%
Historical Committee	\$20	\$483	\$500	\$75	\$500	0.00%
Subtotal	\$1,160,634	\$1,210,036	\$1,291,915	\$604,422	\$1,319,998	2.17%

- **Senior Center/Council on Aging**

Overall, the FY2016 Senior Center Budget is up 6.98%, or \$16,291. The increase is due primarily to increased energy and building maintenance costs. The budget also reflects general wage increases of 2% in FY2016 for both union and non-union personnel. As in FY2015, \$16,632 will be expended directly from the Senior Center's program revolving fund to supplement the contractual services line which is used to pay for the cleaning of the building.

- **Family and Youth Services Department**

The Department continues to seek grant funding to expand counseling services and to rely on graduate-level student interns to meet service demands. There are no significant changes in the FY2016 Family & Youth Services budget. The FY2016 budget reflects 2% increases for union and non-union employees.



- **Veterans' Services**

Since the formation of the Central Massachusetts Veterans' District in FY2014 with the Towns of Grafton, Shrewsbury and Westborough, Northborough's share of the District budget has remained stable at 16% (\$15,537) of the overall administrative expenses in FY2016². Ordinary benefits remain budgeted at the increased FY2015 level of \$39,760. Although any approved benefits paid to Northborough veterans will eventually be subject to a 75% reimbursement from the Commonwealth's Department of Veterans' Services, it is still the responsibility of the Town to budget adequate benefits on the front end to cover those expenses.

- **Library**

Overall, the FY2016 Library Budget is up just 0.43%, or \$3,170 compared to FY2015. The budget includes a general wage increase of 2% per the collective bargaining contract, but is offset by anticipated savings due to staffing changes, including a new director. As part of the FY2016 budget a new 8 hour per week Library Page was added back into the budget and the Substitute Librarian was increased from 13 to 19 hours per week for enhanced coverage. An additional \$4,665 was also added to the books, supplies and non-print media budgets to keep our materials budget in line with State requirements.

- **Recreation Department**

The FY2016 Recreation Department budget is financially self-sufficient by way of program fees. Salaries and benefits for the Recreation Director and Administrative Assistant are funded by the Revolving Account, as well as payroll for all part-time and seasonal staff. Article 4 of the 2015 Annual Town Meeting Warrant contains a transfer of \$135,991 from the Recreation Revolving Fund to the General Fund, which is sufficient to cover all full-time personnel expenses. In addition, all programmatic expenses, including staff, is paid for directly from the Recreation Revolving Fund. The Recreation Department's goal moving forward is to continue funding 100% of its budget with program revenues so that no tax dollars are used for departmental services.

² Under the District Agreement, Northborough is responsible for 16% of the administrative expenses of the District. This is proportionally equivalent to Northborough's population relative to the total District population.



Undistributed Expenses

The Town's practice is to budget certain overhead costs in the aggregate rather than distributing costs by department or program. These overhead costs include employee benefits of health insurance, life insurance, Worcester Regional Retirement contributions, unemployment compensation and workers' compensation insurance; comprehensive building and liability insurance; debt service; non-appropriated expenses such as State Assessments and reserves for abatements; stabilization fund contributions; a reserve fund for extraordinary and unforeseen expenses; and various Town Meeting special warrant articles.

• Employee Benefits & Insurance

Employees Benefits and Insurance represent the budgetary requirements for health and life insurance coverage for both Town and K-8 School employees and retirees as well as other benefits such as FICA expense, Worcester Regional Retirement contributions, unemployment compensation and workers' compensation insurance.

The FY2016 health insurance budget request of \$4.9 million represents a total increase of \$144,148 or 3.00% 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 seventh consecutive year. In fact, the average annual increase for the last seven years has only been about 2.5%. Prior to FY2010 it was common to experience health insurance increases of 8-10% each year, which would consume \$450,000 or more of new revenues. Given the reasonable FY2016 premium increases, there are no immediate plans to modify health insurance plans in the coming year. However, market trends appear to be pointing toward more substantial increases in the coming years as many communities that joined the State's Group Insurance Commission are facing an 8-10% increase in FY2016. Given the market information, the Town will be investigating possible plan design changes for FY2017.

The second largest category of employee benefit costs after Health Insurance is Worcester Regional Retirement (WRR). The total FY2016 Worcester Regional Retirement Assessment is \$1,485,299, which is a \$108,542 increase, or 8.31%. The \$1,415,244 portion included in the General Fund budget does not include the retirement costs contained in the Water Enterprise Fund budget (\$37,175), the Sewer Enterprise Fund budget (\$24,786) or the Cable Access TV budget (\$8,094). The assessment is the amount due WRR for the pension system for the Town's non-teaching employees. School teachers belong to the Massachusetts Teachers Retirement System (MTRS). While the Town is responsible for the WRR assessment, the Commonwealth of Massachusetts is assessed annually by the MTRS.

It is important to note that a municipal employee hired after 1996 will contribute 9% of their total compensation plus another 2% of any regular compensation over \$30,000 to the retirement system. Such an employee, if retired with 25 years of creditable service and the investment return assumption is met, will effectively pay for their entire pension.³

³ Information from Actuary, James R. Lamenzo of the Public Employee Retirement Administration (PERAC).



The 2011 Municipal Relief Act extended the time frame for fully funding the pension system's liability to the year 2040. However, the WRR system's funding plan calls for full funding to be reached in 2035.

- **Transfer to OPEB Trust**

Other Post-Employment Benefits (OPEB) are the benefits, other than retiree pensions, offered to retirees and their dependents. These benefits mainly consist of medical insurance. OPEB liability is the present value of benefits for retired and vested employees. An unfunded liability reflects an incurred obligation, payable in the future, for which no reserves have been set aside.

Without a funding source for this obligation, the Unfunded Actuarial Accrued Liability (UAAL) increased to \$32.6 million based on the actuarial study received at the close of FY2013 and the Town contracted with an actuary to develop an initial funding plan to begin to address this liability.

In April of 2013 the adoption of the Meals Tax Surcharge and increase in Room Occupancy revenue provided the capacity in the FY2015 budget for initial funding in the amount of \$500,000 for the Other Post Employment Benefit (OPEB) Trust Fund. The OPEB Trust Fund has now been established and the funds have been invested with the state's Pension Reserves Investment Trust (PRIT) Fund. The PRIT Fund which contains \$60.9 billion as of January 31, 2015, is the state retiree pension fund as well as the pension fund for 93 local Massachusetts Retirement Systems. These funds are professionally managed by the Pension Reserves Investment Management Board.

Another GASB 45 actuarial update will be conducted at the close of FY2015. The Town continues to advocate for proposed legislative changes regarding the local obligation for retiree health insurance that would positively affect its OPEB liability. The FY2016 Budget provides once again for a \$500,000 contribution to the OPEB Trust Fund.

- **Building & Liability Insurance**

Building and Liability insurance includes property and liability coverage for all Town-owned property as well as all Town officials, elected and appointed. During FY2010 the Town bid out all its Workers' Compensation, Injured-on-Duty (IOD) and Building & Liability Insurance. Due to aggressive risk management practices, the budgets from FY2010 through FY2013 were level-funded. The Town's Building and Liability insurance budget reflects a 3% increase in FY2016.

- **Debt Service**

The proposed FY2016 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 FY2016, the total Debt Service budget for the General Fund is \$2.59 million, an increase of \$547,080. The significant increase is due to the anticipated bonding of \$7.5 million of the total \$14.85 million Lincoln Street School project cost. The anticipated debt service for the \$7.5 million issuance is \$675,000, which is being offset by decreasing debt service remaining on the Zeh School, Library and Senior Center projects. The net impact to the FY2016 budget is \$547,080.



One key factor in limiting the increase in new FY2016 debt service is 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 CIP transmittal letter contained in Section 9 of this budget document.

It should be noted that the debt service appropriations for the Water & Sewer Enterprise Funds appear in their respective budgets (Section 8 of this budget document).

- **State Assessments**

The FY2016 State Assessments are projected to increase \$28,415 or 9.44%, based on the Governor's initial budget. However, the Town will not know its final assessments until after the State Legislature completes its budget process, which typically wraps up well after Town Meeting. Three categories of State Assessments account for approximately 75% of the expenses—Mosquito Control, MBTA and Charter Schools. Of these, the Charter School assessment tends to be the most volatile, since it is based upon the actual number of Northborough students attending Charter Schools.

- **Stabilization Fund Contribution**

As of June 30, 2014, the balance in the Stabilization Fund is \$3.68 million. Historically the budget had provided for an annual appropriation of \$100,000 to be added to the Stabilization Fund. However, since FY2008 the appropriation was not possible due to financial constraints. In FY2016, the contribution to the Stabilization Fund has been restored in order to maintain the Town's financial reserves at a healthy level. The proposed funding restoration to the Town's savings account was made possible by the significant amount of Free Cash certified on July 1, 2014. The FY2016 budget provides for a one-time contribution to the Stabilization Fund of \$200,000; however, future contributions to the Stabilization Account will require a yearly review of the Town's financial position

Overall, the Town's reserves remain within the acceptable levels prescribed by its financial policies, which is 5-10% of operating revenues. More information regarding the Town's level of reserves can be found on pages 9-10 in Appendix B of this budget document.

- **Reserve Fund**

Authorized by state statute, the Reserve Fund provides the Town operations with an option for the funding of extraordinary or unforeseen expenditures during the year. Transfers from this account require the approval of the Appropriations Committee. In FY2011, the Board of Selectmen adopted a Free Cash Policy and identified the Reserve Fund as an appropriate use of Free Cash. Beginning with FY2012 the Reserve Fund has been appropriated from Free Cash as a separate Warrant Article at Town Meeting. The Reserve Fund amount was level funded from FY2012 to FY2015 at \$150,000. Given years of level funding, coupled with recent needs, the FY2016 proposed Reserve Fund is being increased to \$175,000.

**• Special Warrant Articles**

In addition to the individual departmental appropriations, the Town's overall annual financial plan includes warrant articles which draw upon the funds available to the Town. In FY2016, these warrant articles include \$175,000 for the Reserve Fund from Free Cash, \$200,000 to the Stabilization Fund from Free Cash, funding the FY2016 Capital Budget with \$2,194,000 from Free Cash, \$280,000 to be borrowed for an Ambulance with the debt service paid by the EMS Revolving Fund, \$135,000 for Departmental Equipment from Water/Sewer Enterprise Funds Free Cash, \$1,500,000 to be borrowed for the Hudson Street Pump Station with the debt service paid by the Sewer Enterprise Fund and \$20,000 for the use of the 250th Town Anniversary Committee from Free Cash.

The FY2016 Town Meeting Warrant Articles include the following:

- \$175,000 for the Appropriation Committee's Reserve Fund
- \$200,000 for the Stabilization Fund
- \$688,000 for Engine 2 Replacement
- \$45,000 for SCBA Bottle Replacement
- \$85,000 for Police Cruiser Replacement
- \$161,000 for Communication Dispatch Console
- \$130,000 for Master Plan
- \$325,000 for Otis Street Culvert Replacement
- \$130,000 for Roadside Mower boom mower and articulating arm.
- \$90,000 One-Ton Dump Truck with Plow Replacement
- \$60,000 One-Ton Pick-Up Truck with Plow Replacement
- \$145,000 for Backhoe Replacement
- \$85,000 for Mini Excavator
- \$50,000 for Ellsworth McAfee Park Gazebo Replacement & Pavilion Renovation
- \$75,000 for One-Ton Service Truck with Plow Replacement.
- \$60,000 for One-Ton Pick-up Truck with Plow Replacement
- \$200,000 for Proctor School Roof Repairs
- \$20,000 for the 250th Town Anniversary Committee

Borrowing Authorizations

- \$280,000 for Ambulance Replacement
- \$1,500,000 for Hudson Street Pump Station Improvements

The Board of Selectmen adopted a Free Cash Policy in November 2010, which provides a funding source for projects, other than municipal bonds. The Free Cash Policy can be found on page 2 of Appendix A of this budget document, and is further discussed in the



transmittal letter of the Capital Improvement Plan contained in pages Section 9-1 through 9-6 of this document.

Public Education

• Northborough K-8

Based on the Town's revenue forecast, it is projected that the Northborough K-8 Schools may increase by 3.5% in FY2016. Therefore, the FY2016 amount available for the Northborough K-8 School department is \$21,951,539. This represents an increase of \$742,323 from the \$21,209,216 appropriated last year. As of October 1, 2014, a total of 1,816 students attend the Northborough schools, with 1,143 students in grades K-5 at the four town elementary schools and 673 students in grades 6-8 at the Middle School.

• Algonquin Regional High School

As of October 1, 2014, a total of 832 Northborough students attend the Northborough-Southborough Regional High School. This represents 57.3% of the total 1,452 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 FY2016 the ARHS operating Assessment increases \$321,444 or 3.5% to \$9,492,514 and the debt assessment remains relatively flat at \$656,493.

• 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 FY2016 Assabet Budget is \$19,045,000, which is a 3.5% increase.

A \$62.4 million building renovation project was previously approved by all of the member communities. The Massachusetts School Building Authority voted to fund 53.48% of the project. Construction began in the summer of 2013 and is approximately 75% complete. Northborough's share of the debt assessment is \$15,006 in FY2016. The debt assessment is expected to peak in FY2017 at \$166,934.

As of October 1, 2014, 58 Northborough students attend Assabet Valley, which represents 7.81% of the FY2016 Assabet budget, or an operating assessment of \$878,397. This is an enrollment increase of 3 from the 55 Northborough students that attended Assabet Valley last year. The total FY2016 assessment, including the \$15,006 in debt service is \$893,403.

• Norfolk County Agricultural High School

In prior years the Town has borne the expense of tuition and transportation to the NCAHS in the Town's portion of the budget. Once accepted, the Town is required to bear the cost of both tuition and transportation. After a period of no enrollment, there is one student expected to attend this school in FY2016 at a budgeted cost of \$47,594.

**Enterprise Funds****• Water and Sewer Enterprise Funds**

The Water and Sewer Funds have been established as Enterprise Funds separate from the General Fund. The expenditures for both the Water and Sewer Funds are financed by water and sewer rate revenues.

The Town contracted with an engineering consultant to evaluate the Town's water needs. The evaluation will use historical population data and regional studies to project future water system demands for a 20-year period. Raw and finished water quality data will be reviewed to determine required improvements for treatment facilities to comply with current and future drinking water standards. These local well supplies will be contrasted with MWRA interconnections and a cost-benefit analysis will be performed to see if the Town should:

- Utilize the Town's existing wells (and possibly additional subsurface supplies through exploration) with added treatment facilities to meet the water consumption demands,
- Utilize the Town's existing wells along with MWRA interconnection for summer peak demands, or
- Utilize MWRA interconnection for all water supply needs.

In order to fully determine which of the three options outlined above would be the best option for the town, a water system master plan was prepared. This master plan focused on the entire potable water system and its ability to provide the Town with the most cost effective method of delivering safe, clean potable water to the residents. The study included reviewing sustainable sources of water supply as well as evaluating the current distribution model, calibrating the model and calculating storage and system operating pressures.

The evaluation determined that while our distribution system is basically sound, the town-owned wells cannot supply the current water demand of an average of .87 MGD (million gallons per day) and a maximum or peak demand of 1.73 MGD. The town is capable of pumping 1.02 MGD but we are limited by the Department of Environmental Protection to withdrawal of only 0.74 MGD from the aquifer. As of this writing, the various options are still under review and a preferred supply model has not yet been determined.

The FY2016 Water Enterprise Fund is budgeted at \$2,230,328 which is an increase of \$55,818 or 2.6%. This increase is due to a number of factors including the additional assessment from the MWRA based on the Town's water usage as well as the restoration of the Assistant Public Works Director position, which was cut from the budget during the recent recession. Thirty percent of the Assistant Director salary is funded through the Water Enterprise Fund.

In the second quarter of FY2014, a base charge was added to each water account. This change in the billing structure was necessary to recover a portion of the fixed costs that are paid from the enterprise funds such as debt, meter reading, billing and collection regardless of the amount of water usage.



Expenditure Summary

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The most important initiative for the DPW Water Division Enterprise Fund continues to be the implementation of the Capital Improvement Plan. This plan is the result of a holistic approach to infrastructure management. It includes a complete meter replacement and billing system upgrade as well as necessary repairs to the water tanks.

The FY2016 Sewer Enterprise Fund is budgeted at \$1,658,942 which is an increase of \$64,671 or 4%. This increase is due mostly to the restoration of the Assistant Public Works Director position, which was cut from the budget during the recent recession. Twenty percent of the Assistant Director salary is funded through the Sewer Enterprise Fund.

The most critical issue facing the DPW Sewer Division Enterprise Fund continues to be the acquisition of the NPDES permit modifications necessary for additional capacity at the Marlborough Westerly Plant. With construction now completed, we are continuing to plan for both the additional capacity as well as the potential for a significant sewer rate impact for Northborough's share of this \$30 million expansion project. In the second quarter of FY2014, the sewer rates were increased by 20%. Our current estimate is that sewer rates will continue to rise in coming years in order to finance the project.

	FY2015 Budget	FY2016 Budget	% Change
Water Enterprise Fund	\$ 2,174,510	\$ 2,230,328	+2.6%
Sewer Enterprise Fund	\$ 1,594,271	\$ 1,658,942	+4.0%



• **Solid Waste Fund**

The Solid Waste Enterprise Fund does not currently generate sufficient revenue to cover all its expenses. In Fall 2000, the Town issued an Invitation for Bids (IFB) for solid waste and recyclable materials collection and disposal. In January 2011, the Board of Selectmen voted to retain the current Pay-As-You-Throw (PAYT) program. As a result of the 2010 IFB, a significant savings in the collection cost is being realized. The five-year contract has fixed the collection costs at \$475,000 annually.

The Solid Waste Enterprise Fund does not generate sufficient revenue to cover all its expenses. Total fee revenues are estimated in FY2016 to be \$488,000 and the expenses \$767,000, leaving a projected general fund subsidy of \$217,160 with a transfer from the Solid Waste Fund Free Cash of \$61,840. In FY2016, the appropriation will contain a \$10,000 Contingency Reserve account within the Solid Waste Fund to ensure adequate funding for the potential of an unforeseen event in the coming year.

In 2010, the Engineering Department issued an Invitation for Bids (IFB) for solid waste collection and recyclable materials collection and disposal. As part of this IFB, alternate prices were sought for a container-based program with single-stream recycling. In January of 2011, after much discussion and a significant amount of feedback from the residents, the Board of Selectmen voted to retain the current Pay-As-You-Throw (PAYT) program. As a result of the IFB, a significant savings in the collection cost is being realized. FY2016 will be the fifth and final year of this contract which set the collection costs at \$475,000 per year. This collection cost contract results in a significant savings of more than \$31,000 over the last year of the previous contract. As a result of the decision by the Board of Selectmen and the favorable prices in the contract, a \$217,160 General Fund subsidy is recommended in FY2016 in order to balance the Enterprise Fund. The total PAYT FY2016 budget is \$767,000. Following is a detailed explanation regarding overhead costs, projected waste tonnage tip fees, and collection cost.

	FY2015 Budget	FY2016 Budget	% Change
Solid Waste Enterprise Fund	\$ 755,160	\$ 767,000	1.57%