

Budget Summaries

Section 1

Section 1-2

Balanced Budget

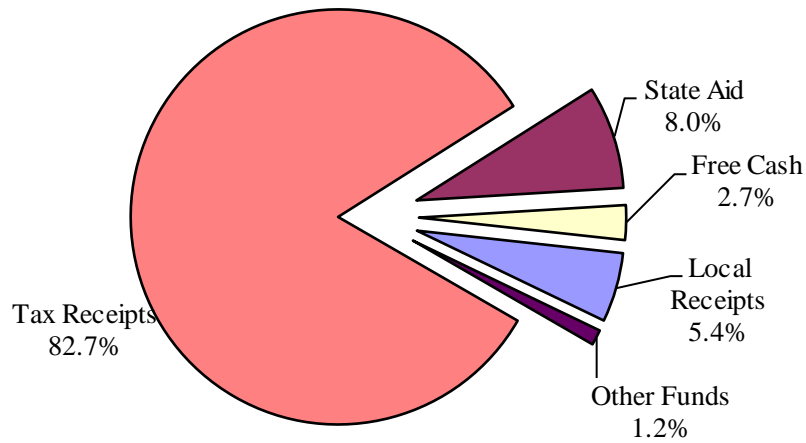


Table 1

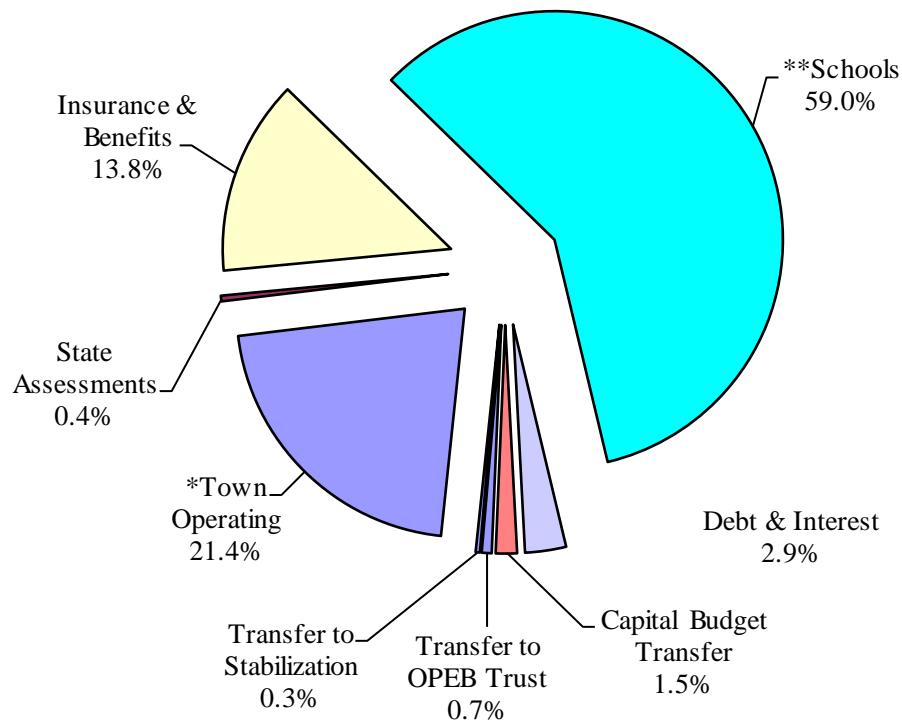
TOWN OF NORTHBOROUGH					
REVENUE & EXPENDITURE SUMMARY FISCAL YEARS 2022--2024					
LEVY LIMIT CALCULATION	FY2022	PROPOSED FY2023	REVISED FY2023	PROPOSED FY2024	% CHANGE
Prior Year Levy Limit	\$55,450,240	\$57,890,129	\$57,890,129	\$60,232,198	
Add 2.5%	\$1,386,256	\$1,447,253	\$1,447,253	\$1,505,805	
Add New Growth	\$1,053,633	\$659,600	\$894,816	\$591,600	
Add Overrides	\$0	\$0	\$0	\$0	
True Levy Limit	\$57,890,129	\$59,996,982	\$60,232,198	\$62,329,603	
Add Debt Excl - Library	\$343,177	\$299,530	\$272,412	\$255,841	
Add Debt Excl - Senior Center	\$362,594	\$321,175	\$321,175	\$286,915	
Add Debt Excl - Algonquin	\$647,846	\$653,069	\$653,069	\$639,873	
Less Debt Excl - Settlement	(\$230,681)	(\$232,988)	(\$232,965)	\$0	
Add Debt Excl - Lincoln Street	\$1,026,182	\$998,130	\$998,130	\$973,476	
Add Debt Excl - Fire Station	\$52,750	\$42,200	\$53,948	\$327,312	
Add Net Debt Exclusions	\$2,201,868	\$2,081,116	\$2,065,769	\$2,483,417	
Adjusted Levy Limit	\$60,091,997	\$62,078,098	\$62,297,967	\$64,813,020	
REVENUES					
Adjusted Levy Limit	\$60,091,997	\$62,078,098	\$62,297,967	\$64,813,020	
Less Unused Levy Capacity	(\$4,362,781)	(\$4,364,770)	(\$4,790,839)	(\$3,868,927)	
Total Tax Receipts	\$55,729,216	\$57,713,328	\$57,507,128	\$60,944,093	5.98%
State Aid	\$5,557,508	\$5,614,693	\$5,759,836	\$5,875,821	2.01%
Free Cash (Operating)	\$500,000	\$500,000	\$500,000	\$500,000	0.00%
Free Cash (Reserve)	\$175,000	\$175,000	\$175,000	\$175,000	0.00%
Free Cash (Stabilization)	\$0	\$200,000	\$200,000	\$200,000	0.00%
Free Cash (Capital)	\$805,000	\$2,024,000	\$2,024,000	\$1,105,000	-45.41%
Free Cash	\$1,480,000	\$2,899,000	\$2,899,000	\$1,980,000	-31.70%
Local Receipts	\$4,171,000	\$4,171,000	\$4,198,118	\$4,000,000	-4.72%
Other Funds	\$733,933	\$854,621	\$854,621	\$891,826	4.35%
TOTAL GENERAL FUND REVENUES	\$67,671,657	\$71,252,642	\$71,218,703	\$73,691,740	3.47%
Enterprise Funds	\$6,254,279	\$5,961,704	\$5,961,704	\$6,321,960	6.04%
TOTAL REVENUES	\$73,925,936	\$77,214,346	\$77,180,407	\$80,013,700	3.67%
EXPENDITURES					
Town Budget	\$23,639,610	\$24,501,963	\$24,501,963	\$25,476,532	3.98%
Schools					
Northborough K-8	\$25,799,678	\$26,692,953	\$26,692,953	\$28,001,227	4.90%
Algonquin 9-12	\$12,893,497	\$12,914,966	\$12,833,497	\$13,421,085	4.58%
ARHS Debt Exclusion	\$636,265	\$653,069	\$653,069	\$651,454	-0.25%
Assabet	\$934,658	\$1,123,936	\$1,155,301	\$1,175,405	1.74%
Assabet Renovation Project	\$133,832	\$130,004	\$130,004	\$126,176	-2.94%
Warrant Articles					
Town Hall Reuse Article		\$10,000	\$10,000	\$0	-100.00%
Reserve Fund	\$175,000	\$175,000	\$175,000	\$175,000	0.00%
Transfer to Stabilization	\$0	\$200,000	\$200,000	\$200,000	0.00%
Free Cash Capital	\$805,000	\$2,024,000	\$2,024,000	\$1,105,000	-45.41%
Transfer to OPEB Trust	\$0	\$300,000	\$300,000	\$550,000	83.33%
Colburn Street Debt Service	\$57,475	\$0	\$0	\$0	
Library Debt Service	\$343,567	\$299,530	\$299,530	\$288,895	-3.55%
Senior Center Debt Service	\$371,445	\$321,175	\$321,175	\$316,665	-1.40%
Lincoln Street Debt Service	\$1,026,775	\$998,675	\$998,675	\$973,975	-2.47%
Fire Station Debt Service	\$52,750	\$52,750	\$64,498	\$338,500	424.82%
Other Funds	\$733,933	\$854,621	\$854,621	\$891,826	4.35%
Adjustments	\$68,172		\$4,417		
TOTAL GENERAL FUND EXPENDITURES	\$67,671,657	\$71,252,642	\$71,218,703	\$73,691,740	3.47%
Water Enterprise Fund	\$2,961,675	\$2,636,103	\$2,636,103	\$2,772,795	5.19%
Sewer Enterprise Fund	\$2,373,460	\$2,397,488	\$2,397,488	\$2,508,481	4.63%
Solid Waste Enterprise Fund	\$919,144	\$928,113	\$928,113	\$1,040,684	12.13%
TOTAL ALL FUNDS	\$73,925,936	\$77,214,346	\$77,180,407	\$80,013,700	3.67%



Fiscal Year 2024 Revenue Sources



Fiscal Year 2024 Expenditures



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

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



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Revenue Summary

Section 1-5

FY2024 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 five years. Northborough conducted a full revaluation during FY2021 with the next scheduled for FY2026; however, interim adjustments are performed each year that full revaluation is not required.

Under the provisions of Proposition 2½, property taxes may not exceed 2½ percent of the "full and fair cash value" of all property in Town. 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 by ballot election are also added to the levy limit.

As the Town's primary revenue source, property taxes are expected to increase in FY2024 by 5.98% or approximately \$3.4 million, to \$60.9 million. The increase includes the 2½ percent increase of \$1,505,805, plus an increase of \$591,600 in estimated taxes from projected new growth which is conservatively estimated at \$40 million in value. It also includes the changes in debt due for previously approved debt exclusions. It is important to note that because Northborough has limited taxes increases over the years to below the limit of Proposition 2½, there is approximately \$3.87 million in excess levy capacity as shown in the table below. In Massachusetts, municipal budgets in excess of a community's levy limit require a voter-approved Proposition 2 ½ Override at the ballot.

Table 2

LEVY LIMIT			
CALCULATION	FY2023	FY2024	% CHANGE
Prior Year Levy Limit	\$57,890,129	\$60,232,198	
Add 2.5%	\$1,447,253	\$1,505,805	
Add New Growth	\$894,816	\$591,600	
Add Overrides	\$0	\$0	
True Levy Limit	\$60,232,198	\$62,329,603	
Add Net Debt Exclusions	\$2,065,769	\$2,483,417	
Adjusted Levy Limit	\$62,297,967	\$64,813,020	
Less Unused Levy Capacity	(\$4,790,839)	(\$3,868,927)	
Total Tax Receipts	\$57,507,128	\$60,944,093	5.98%



State Aid

State Aid is Northborough's second largest revenue source and usually represents 8-10% of the General Fund budget. Together, State Aid and local property taxes account for approximately 90% of the General Fund budget. The proposed FY2024 budget assumes State Aid will increase by 2% to \$5.86 million. This estimate is based upon the Governor's Budget which was released on March 1, 2023.

State revenue collections are expected to grow by 1.6% next fiscal year, not including \$1 billion in a new Fair Share millionaires tax surcharge on income. With this new source, subject to appropriation by the State legislature, the forecast for state revenues rises to 4.1%. Though, the Town does not anticipate receiving much increase over its 2% estimate given past experience and the State's ongoing commitment to funding the Student Opportunities Act, an initiative designed to direct new State funding to disadvantaged school districts with lower wealth factors than Northborough. Over the coming months the House and Senate will release their respective budget proposals and work out the differences through a joint committee. Historically, the Town does not receive its final State Aid figures until well after Town Meeting.

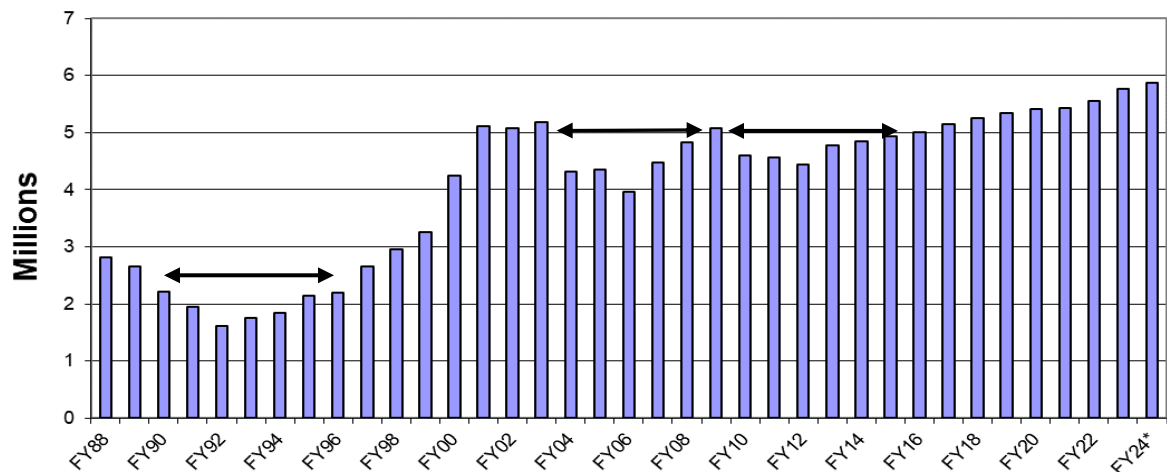
It is important to note that State Aid continues to lag behind our general budget increases and has become an ever-smaller percentage of Northborough's overall budget. State Aid declined from a high of 13.1% of revenues in FY2003 to approximately 8% in FY2024. The chart below shows the fluctuations in State Aid over the years, including previous recessionary periods highlighted by the arrows. Economists presenting at the State's revenue consensus hearing in January offered cautious short-term outlooks.

Table 3: State Aid in Millions

FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24*
5.14	5.25	5.35	5.41	5.43	5.56	5.76	5.88

*Estimated

Northborough State Aid FY1988-2024



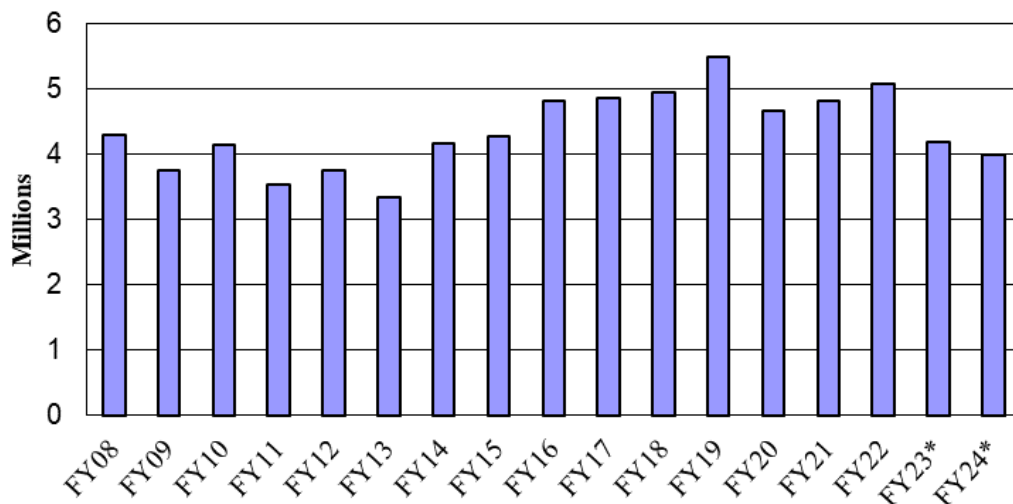


At the time of this writing the Town has limited information regarding State Assessments, and it is the net effect of the new aid and any increase in charges that really determines if Northborough is better off compared to the previous year. Given that unknown, the Town has chosen to proceed with the Governor's Budget figures for the FY2024 assessment expense budget and continue with the estimated 2% revenue increase. Any State Aid actually received above current estimates can only be used to reduce the local tax impact in FY2024.

Local Receipts

The third largest source of revenue for the General Fund budget is Local Receipts, which include 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. This category also includes excise taxes, which include Motor Vehicle Excise (MVE) and Hotel Rooms and Meals taxes. The total budgeted Local Receipts for FY2024 is \$4.00 million which represents a small net increase in funding versus FY2023's budget of \$4.20 million, after taking into account that FY2023 was the final year of 8 years of approximately \$230 thousand in annual payments from the Town of Southborough, following a lawsuit surrounding funding the regional high school. The single largest source of revenue within the Local Receipts category is the \$2.42 million budgeted for MVE taxes, which is a State tax collected by the municipality for its own use. The FY2021 Local Receipts estimate was lowered dramatically from FY2020 due to the pandemic shut down; however, as the reopening of the economy progresses, actual revenue collections continue to improve while supply chain issues may affect excise taxes, and other global issues may mitigate the economic recovery. Similar to the State's revenue assumptions, the FY2024 forecast for Local Receipts is predicated on the continued success of vaccination efforts and a sustained economic recovery.

Local Receipts



*FY23 & 24 Budgeted

The Local Receipts shown in the graph above are the actual receipts from FY2008 through FY2022 and contain many one-time sources of funds, while the budgeted amounts are shown for both FY2023 and FY2024.



Until FY2010 Local 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 graph above going from FY2010 to FY2011.

More recently, the Meals Tax Surcharge of .75% and the increase in the local Room Occupancy Excise were adopted at the 2013 Town Meeting and the first funds were received in FY2014. In FY2016 the Town also began receiving settlement payments from the Town of Southborough related to successful litigation over the ARHS building project.

In general, the level of Local Receipts is greatly affected by outside economic conditions beyond the Town's control; especially as it relates to motor vehicle sales, building activity and permits fees. The actual revenue trend in the preceding graph tends to mirror the general economic conditions at the time.

Available Funds (including Free Cash)

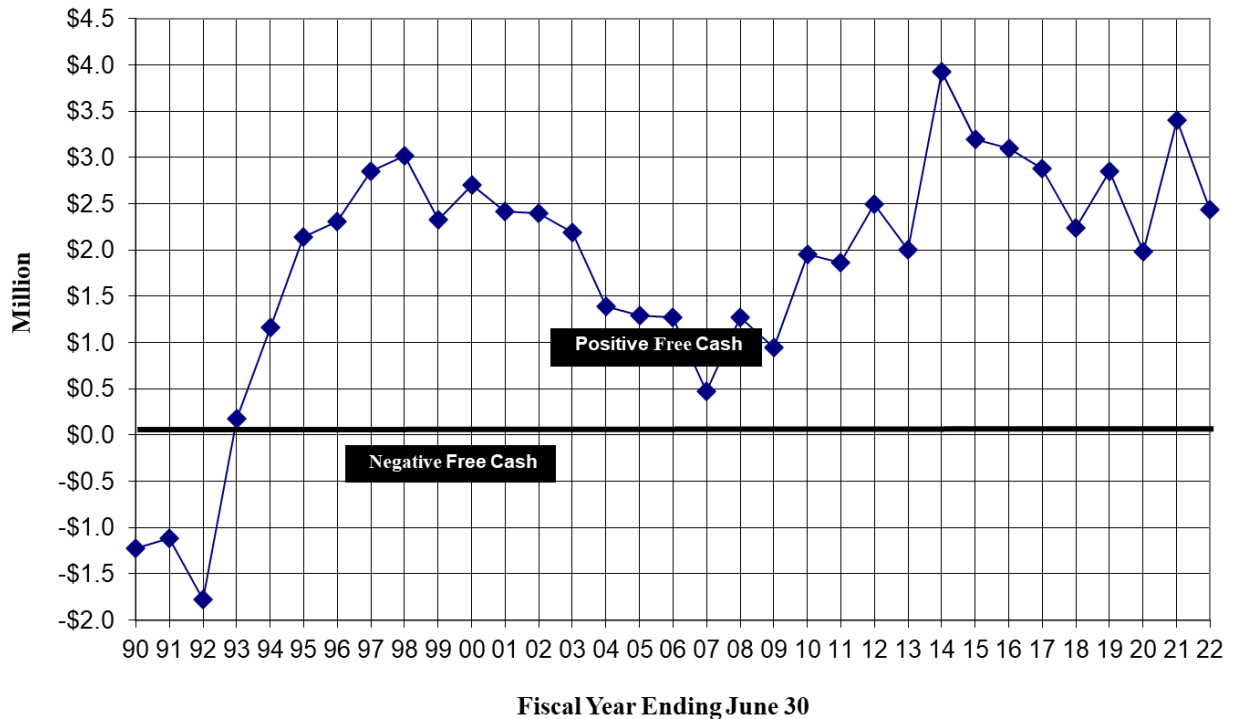
The last category of revenue for the Town is monies in various Special Revenue funds and certified Free Cash available for appropriation from prior years. General Fund Free Cash as of July 1, 2022 was certified at \$2,440,073.

By far the single largest source of Available Funds is Free Cash. 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.

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 recessionary period following the close of FY2007. Use of Free Cash in the operating budget was systematically phased down over 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, which is approximately 1% of the budget. The FY2024 Budget includes \$500,000 in Free Cash in accordance with the policy.



Certified Free Cash FY1990-2022



*Source: Massachusetts Department of Revenue

The preceding chart 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 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%). However, the policy allows for additional funds to be used in an emergency, and the estimated loss of revenue due to the COVID-19 pandemic led to the FY2021 General Government Budget using \$378,000 in additional Free Cash from postponed capital projects. However, FY2022 through FY2024 budgets have returned to the policy goal of \$500,000, which is just 0.7% of the operating budget revenues. Free Cash devoted to other one-time expenses include \$1,105,000 in capital articles, a \$200,000 transfer to the Stabilization Fund, and \$175,000 for the Appropriation Committee's Reserve Fund.

Additionally for 2023's Town Meeting, a "Free Cash" update was requested and granted in February of 2023 to add \$107,123 in opioid settlement funds received during FY2023 to the Town's available sum of \$2.44 million so that the specific funds can be appropriated



and segregated for use for specific purposes following legal settlements with opioid manufacturers and distributors. There's a possibility for State legislation that will allow for carving out legal settlements from the traditional appropriation process, however the "update" process offered was one recommended by State Officials until a legislative fix can be applied.

Other sources of Available Funds to be used in FY2024 are projected to include transfers from special revenue funds to offset departmental budgets such as \$13,500 in Cemetery Sale of Lots income, \$2,478 in Conservation Commission fees, \$384,016 from the Fire/EMS Revolving Account, \$28,000 from the Animal Control Revolving Account, \$301,085 from the Cable Receipts Reserved for Appropriation Fund to cover the Cable Department's costs, a transfer of \$2,278 from the Department of Public Utilities Transportation Fund, and a transfer from the Recreation Revolving Fund of \$159,969 toward that department's budget. In addition, there will be a transfer of \$500 from premium reserves related to debt excluded debt service and must offset the amount of the debt exclusion added to the tax rate. In addition to Free Cash, these "Other" revenue sources total \$891,826 and will be used to off-set the municipal budgets as shown in Article 4 of the 2023 Annual Town Meeting Warrant.

American Rescue Plan Act (ARPA)

One unique revenue source that became available beginning in FY2022 is the Town's share of federal relief arising from the American Rescue Plan Act. On March 11, 2021, President Joe Biden signed the American Rescue Plan Act of 2021 (ARPA), which contains \$1.9 trillion in overall national spending to support relief and economic recovery efforts ARPA provides local governments with resources through the Coronavirus Local Fiscal Recovery Fund (CLFRF), to respond to the public health emergency caused by the COVID-19 pandemic. The funds are administered by the U.S. Treasury Department, which announced that the Town of Northborough has received \$4,516,183 in grant funding.

On January 6, 2022, the U.S. Treasury issued its Final Rule, which details how and for what purposes ARPA funding may be used. Since Northborough is receiving less than \$10 million in ARPA funds, its \$4.5 million grant may be used for any "general government services." The new rule greatly simplifies the compliance reporting process and allows the Town to essentially claim the entirety of its grant award under the revenue loss category, which provides substantial flexibility. In terms of timing, funding must be obligated by December 31, 2024 and be spent by December 31, 2026, which means expenditures will likely span mostly FY2023 and FY2024. Since ARPA funds are non-recurring, their use should be applied primarily to non-recurring expenditures and care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment. Investment in critical infrastructure is a particularly well-suited use of ARPA funds because it is a non-recurring expenditure that can be targeted at strategically important long-term assets that provide benefits over many years. At the time of this writing, the Board of Selectmen is still reviewing how best to use the ARPA funds, however several smaller projects were approved by the Board, as well as a fairly significant roof project at the Proctor Elementary school for \$1.7 million. There remains an unobligated balance of approximately \$2.6 million.



Section 1-11

FY2024 EXPENDITURE SUMMARY

Following is a summary of the Town's General Government Budget (non-school), which details the 3.98% increase allowable under current revenue projections:

Department	FY2023 Budget	FY2024 Proposed Budget	\$ Change	% Change
GENERAL ADMINISTRATION				
<u>EXECUTIVE OFFICE</u>				
Selectmen	196,156	200,797	4,641	2.37%
Administrator	310,777	313,667	2,890	0.93%
Economic Development	1,342	700	(642)	-47.84%
Town Reports	5,150	5,150	-	0.00%
<u>TOWN HALL/OFFICE SUPPLIES</u>				
Town Hall/Office Supplies	158,200	157,240	(960)	-0.61%
<u>FINANCE</u>				
Treasurer	334,501	374,512	40,011	11.96%
Board of Assessors	279,489	294,042	14,553	5.21%
Town Accountant	201,610	210,482	8,872	4.40%
<u>MIS/GIS</u>				
MIS/GIS	632,938	696,122	63,184	9.98%
<u>TOWN CLERKS OFFICE</u>				
Town Clerk/Elections	204,334	214,772	10,438	5.11%
<u>ADVISORY BOARDS/SERVICES</u>				
Moderator	500	500	-	0.00%
Appropriations Committee	1,695	1,695	-	0.00%
Town Counsel	90,000	90,000	-	0.00%
Personnel Board	144,667	99,340	(45,327)	-31.33%
<u>PLANNING & CONSERVATION</u>				
Conservation Commission	109,881	113,292	3,411	3.10%
Planning Board	206,358	210,048	3,690	1.79%
Zoning Board	5,318	4,080	(1,238)	-23.28%
Earthwork Board	2,180	2,889	709	32.52%
<u>PUBLIC SAFETY</u>				
Police	3,033,443	3,232,978	199,535	6.58%
Fire	2,227,206	2,445,137	217,931	9.78%
Emergency Preparedness	7,000	7,000	-	0.00%
Building	207,071	210,190	3,119	1.51%
Gas Inspector	12,897	13,606	709	5.50%
Wire Inspector	23,024	42,221	19,197	83.38%
Sealer of Weights	8,000	15,873	7,873	98.41%
Board of Health	232,146	215,484	(16,662)	-7.18%
Animal Control	42,729	42,729	-	0.00%
<u>PUBLIC WORKS</u>				
Highway Admin.	144,774	166,133	21,359	14.75%
Hwy. Const. & Maint.	1,720,163	1,776,562	56,399	3.28%
Parks	155,700	178,465	22,765	14.62%
Cemetery	172,578	187,200	14,622	8.47%
Public Facilities	479,197	751,156	271,959	56.75%
Engineering	190,191	192,261	2,070	1.09%
Snow & Ice	437,000	459,642	22,642	5.18%
Street Lighting	147,000	165,000	18,000	12.24%
Trees	56,000	71,500	15,500	27.68%
<u>COMMUNITY SERVICES</u>				
Council on Aging	322,003	293,824	(28,179)	-8.75%
Library	921,937	914,419	(7,518)	-0.82%
Recreation	155,360	159,969	4,609	2.97%
Youth Services	178,010	184,179	6,169	3.47%
Veterans Services	91,225	97,801	6,576	7.21%
Cable TV	294,728	301,085	6,357	2.16%
Cultural Council	500	1,000	500	100.00%
Community Affairs Committee	500	1,000	500	100.00%
Historical Commission	500	500	-	0.00%

Section 1-12

Expenditure Summary



Department	FY2023 Budget	FY2024 Proposed Budget	\$ Change	% Change
UNDISTRIBUTED EXPENSES				
<u>EMPLOYEE BENEFITS & INSURANCE</u>				
Health Insurance	6,184,052	6,184,052	-	0.00%
Transfer to OPEB Trust	300,000	550,000	250,000	
Life Insurance	8,930	8,930	-	0.00%
Other Benefits/FICA	516,097	538,678	22,581	4.38%
Workers Comp	134,702	134,702	-	0.00%
Retirement Assessments	2,725,650	2,788,842	63,192	2.32%
<u>BUILDING & LIABILITY INSURANCE</u>				
Bldg. & Liability Insur.	288,163	297,705	9,542	3.31%
<u>DEBT SERVICE</u>				
Debt Service	1,937,853	2,135,620	197,767	10.21%
<u>STATE ASSESSMENTS</u>				
State Assessments	285,618	321,775	36,157	12.66%
<u>NORFOLK AGRICULTURAL HIGH SCHOOL</u>				
Tuition/Transportation	69,934	46,200	(23,734)	-33.94%
<u>STABILIZATION FUND CONTRIBUTION</u>				
Stabilization Fund	200,000	200,000	-	
<u>RESERVE FUND</u>				
Reserve Fund	175,000	175,000	-	0.00%
<u>SPECIAL WARRANT ARTICLES</u>				
Special Articles	2,024,000	1,105,000	(919,000)	-45.41%
Solid Waste Subsidy	337,160	345,160	8,000	2.37%
OTHER NON-APPROPRIATED AMOUNTS				
Reserve for Abatements	419,224	328,519	(90,705)	-21.64%
Offsets	32,883	39,968	7,085	21.55%
ENTERPRISE FUNDS				
Water	2,636,103	2,772,795	136,692	5.19%
Sewer	2,397,488	2,508,481	110,993	4.63%
Solid Waste	928,113	1,040,684	112,571	12.13%
GROSS TOTAL TOWN	35,746,948	36,638,353	891,405	2.49%
CALCULATION OF NET TOTAL TOWN				
Less Water Fund	(2,636,103)	(2,772,795)		
Less Sewer Fund	(2,397,488)	(2,508,481)		
Less Solid Waste	(928,113)	(1,040,684)		
Less Other Funds	(854,621)	(891,826)		
Less Recap Adjustments	(35,782)			
Less Debt Exclusion	(1,683,878)	(1,918,035)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Transfer to OPEB Trust	(300,000)	(550,000)		
Less Transfer to Stabilization	(200,000)	(200,000)		
Less Special Articles	(2,034,000)	(1,105,000)		
NET TOTAL TOWN	24,501,963	25,476,532		3.98%
CALCULATION OF TOWN APPROPRIATION				
GROSS TOTAL TOWN	35,746,948	36,638,353		
Less County Assessments	(2,725,650)	(2,788,842)		
Less State Assessments	(285,618)	(321,775)		
Less Reserve for Abatements	(419,224)	(328,519)		
Less Offsets	(32,883)	(39,968)		
Less Debt Service raised on Recap	(11,748)	-		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Stabilization Transfer Article	(200,000)	(200,000)		
Less Special Articles	(2,034,000)	(1,105,000)		
Less Solid Waste Subsidy	(337,160)	(345,160)		
Less Enterprise Funds	(5,961,704)	(6,321,960)		
Net Town Warrant Article 4	23,563,961	25,012,129		



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 includes planning and conservation services.

General Administration Summary

	FY2021 ACTUAL	FY2022 ACTUAL	FY2023 BUDGETED	FY2023 SIX MONTHS	FY2024 PROPOSED	% CHANGE
<u>EXECUTIVE OFFICE</u>						
Selectmen	\$174,103	\$177,833	\$196,156	\$77,302	\$200,797	2.37%
Administrator	\$256,523	\$294,567	\$310,777	\$137,539	\$313,667	0.93%
Economic Development	\$855	\$855	\$1,342	\$500	\$1,100	-18.03%
Town Reports	\$3,680	\$3,921	\$5,150	\$0	\$5,150	0.00%
Subtotal	\$435,161	\$477,175	\$513,425	\$215,341	\$520,714	1.42%
<u>TOWN HALL/OFFICE</u>						
<u>SUPPLIES</u>	\$148,480	\$156,941	\$158,200	\$52,111	\$157,240	-0.61%
Subtotal	\$148,480	\$156,941	\$158,200	\$52,111	\$157,240	-0.61%
<u>FINANCE</u>						
Treasurer	\$295,728	\$298,075	\$334,501	\$147,942	\$374,512	11.96%
Board of Assessors	\$176,231	\$239,939	\$279,489	\$131,648	\$294,042	5.21%
Town Accountant	\$186,640	\$191,719	\$201,610	\$92,452	\$210,482	4.40%
Subtotal	\$658,599	\$729,733	\$815,600	\$372,042	\$879,036	7.78%
<u>MIS/GIS</u>	\$431,366	\$433,363	\$632,938	\$295,832	\$696,122	9.98%
Subtotal	\$431,366	\$433,363	\$632,938	\$295,832	\$696,122	9.98%
<u>TOWN CLERKS OFFICE</u>						
Town Clerk	\$141,367	\$146,131	\$153,362	\$69,938	\$166,292	8.43%
Elections/Registration	\$47,715	\$26,142	\$50,972	\$31,053	\$48,480	-4.89%
Subtotal	\$189,082	\$172,273	\$204,334	\$100,991	\$214,772	5.11%
<u>ADVISORY BOARDS/SERVICES</u>						
Moderator	\$200	\$200	\$500	\$0	\$500	0.00%
Appropriations Committee	\$210	\$210	\$1,695	\$214	\$1,695	0.00%
Personnel Board	\$19,046	\$31,397	\$144,667	\$4,703	\$99,340	-31.33%
Town Counsel	\$77,652	\$167,000	\$90,000	\$49,022	\$90,000	0.00%
Subtotal	\$97,108	\$198,807	\$236,862	\$53,939	\$191,535	-19.14%
<u>PLANNING AND CONSERVATION</u>						
Town Planner/Planning Bd	\$188,108	\$200,203	\$206,358	\$87,386	\$210,048	1.79%
Zoning Board of Appeals	\$2,526	\$2,340	\$5,318	\$534	\$4,080	-23.28%
Earthworks	\$628	\$582	\$2,180	\$323	\$2,889	32.52%
Conservation Commission	\$81,389	\$66,041	\$109,881	\$47,019	\$113,292	3.10%
Subtotal	\$272,652	\$269,165	\$323,737	\$135,262	\$330,309	2.03%



Section 1-14

Expenditure Summary

FY2022 was the last year of the previously negotiated collective bargaining agreements for Police Patrol Officers, Police Sergeants, Public Safety Dispatchers, Firefighters and the Northborough Municipal Employees Association, and all Town units have since settled new three-year contracts during FY2023 for FY2023 through FY2025. The FY2024 departmental budgets as presented include cost-of-living increases for both Union and Non-union personnel. The Town also recently completed a Classification/Compensation study for which the results were presented to 2022 Annual Town Meeting and adopted. Therefore, annual merit increases and adjustments are provided for centrally within the Personnel Board budget for all Town departments. Following are the key changes of significance for the General Government Departments:

- **Executive Office**

Overall, the Executive Office budget is increasing \$7,289 or 1.42% in FY2024. The increase primarily reflects an annual increase in salaries for a full year following merit increases given for six months of FY2023.

- **Town Hall/Office Supplies**

The Town Hall/Office Supplies Budget will decrease \$960 or .61% in FY2024. This account group was formerly titled “Public Buildings,” and the change in description reflects one of multiple changes for where expenses are charged between departments. This change follows a new Facilities Manager position being filled in FY2022 for the first time, and that department being organized under Public Works in the group titled “Public Buildings” for FY2024. The Town Hall/Office Supplies budget reflects only the expenses being managed by the Administrator’s Office, like office supplies, rather than the building maintenance and repair lines now under the Public Works department.

- **Finance Department**

Overall, the Finance Department’s FY2024 budget is up \$63,436, or 7.78%. Most of the increase is due to more reallocation of charges between departments, including approximately \$21,000 postage of tax bills to the Treasurer/Collector’s budget previously included in Town Hall/Office Supplies. The budget also provides for an \$10,000 increase for Tax Title Attorney with the Treasurer/Collector’s contracted services which were previously paid from the Town Counsel budget, and the addition of \$10,000 for contracted services in the Assessor’s budget to provide for appraisal services.

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

The MIS/GIS Department’s budget is increasing by \$63,184 or 9.98%. The most significant factor contributing to the increase are cybersecurity enhancements that are being made in response to the recommendations in both the IT/GIS Strategic Plan and the Cybersecurity Assessment, both completed in FY2023. Of the \$63,184 increase, approximately \$40,000 of that increase is directly attributable to additional cybersecurity enhancements being made to programs and processes across all town departments. Examples of this include the implementation of multi-factor authentication, endpoint protection, and spam filtering modifications.



- **Town Clerk/Elections**

The combined FY2024 Town Clerk/Elections budget represents an overall increase of \$10,438 or 5.11%. Within the Elections/Registration budget, funds that were previously budgeted within the Public Buildings account for the postage related to mailing the census to each household are now reflected within the census line for the Elections/Registration budget. This accounts for \$3,300 of the overall increase. Controlling for the movement in postage costs, the increase to the Town Clerk/Elections budget is 3.5% or \$7,138.

- **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. The account is also used for consultant or temporary labor services associated with personnel transitions. During the fiscal year, funds are transferred out as appropriate and reflected in the departmental budgets, such as following a settled labor contract. All collective bargaining agreements expired on June 30, 2022, and the Town negotiated with all units and settled during FY2023. Also, the Town completed a Classification and Compensation System review in FY2022. The financial impact of the system adjustments as recommended by the consultant, and accepted by the Personnel Board, are included in this account. Estimated wage increases associated with all merit pay increases for eligible employees who are not at the max of their pay grade are held in this Personnel Board Budget account until approved based upon satisfactory performance evaluations. Once approved, the funds are transferred and reflected in the appropriate departmental budgets.

- **Town Counsel**

The budget for Town Counsel is level funded at \$90,000, though \$10,000 was added to the Treasurer/Collector budget to pay charges for the Tax Title Attorney, previously charged to the Town Counsel budget. Town Counsel is appointed by the Board of Selectmen for an indefinite term and serves as counsel to Town Officers and Committees and attends to the Town's legal affairs at the request of the Town Administrator. Under the Town bylaws, Town Counsel reviews all Warrant Articles prior to Town Meeting and serves as a resource during all Town Meeting proceedings. The budget represents general legal services. Legal expenses associated with specific capital projects or Water & Sewer Enterprise Funds are reflected in those budgets.

- **Planning and Conservation**

Overall, the FY2024 Planning and Conservation budget is up \$6,572, or 2%. The FY2024 wages reflect the cost-of-living increases for all staff. January 1 merit increases are budgeted centrally in the personnel budget. In prior years, funds were budgeted for a part-time secretary to draft minutes for the Zoning Board of Appeals. That position has been vacant for all of FY2023, and the minutes are being done by the Administrative Assistant. The Town does not have plans to fill the part-time secretary positions for Zoning Board of Appeals.

Section 1-16

Expenditure Summary



Public Safety

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

Public Safety Summary

	FY2021 ACTUAL	FY2022 ACTUAL	FY2023 BUDGETED	FY2023 SIX MONTHS	FY2024 PROPOSED	% CHANGE
<u>PUBLIC SAFETY</u>						
Police	\$2,842,656	\$2,823,595	\$3,033,443	\$1,321,113	\$3,232,978	6.58%
Fire	\$2,061,526	\$2,179,452	\$2,227,206	\$1,058,269	\$2,445,137	9.78%
Emergency Preparedness	\$408	\$5,000	\$7,000	\$2,318	\$7,000	0.00%
Building Inspection	\$179,821	\$188,749	\$207,071	\$93,990	\$210,190	1.51%
Gas Inspector	\$12,255	\$11,968	\$12,897	\$6,777	\$31,669	145.55%
Wiring Inspector	\$17,453	\$22,281	\$23,024	\$11,863	\$23,758	3.19%
Sealer Weights/Measures	\$5,000	\$5,000	\$8,000	\$0	\$15,873	98.41%
Health/Plumbing Inspector	\$178,508	\$188,711	\$232,146	\$84,324	\$215,484	-7.18%
Animal Control	\$39,470	\$39,388	\$42,729	\$9,051	\$42,729	0.00%
Subtotal	\$5,337,097	\$5,464,145	\$5,793,516	\$2,587,703	\$6,224,818	7.44%

• **Police Department**

Overall, the FY2024 Police Department Budget is increasing 6.58% or \$199,535. An Officer who had been on administrative leave for an extended period is anticipated to return in FY2024. Given the time that passed, the department was forced to backfill the position during the three-year vacancy. As a result, the FY2024 budget reflects an increase of one full-time Patrol Officer not previously budgeted for. Should any staff separate during FY2024, the staffing levels will be reassessed for possible reduction. The wages and stipends for that officer account for approximately \$95,000 of the \$199,535 increase. Without the inclusion of the additional officer, the FY2024 Police budget would increase approximately 3.5%. The departmental budget as presented includes contractual wage increases for Police Patrol, Sergeants, Dispatchers, and Non-Union personnel.

• **Fire Department**

As presented, the FY2024 Fire Department Budget reflects an increase of \$217,931 or 9.78% in the General Fund appropriation. The departmental budget as presented includes contractual wage increases for all bargaining unit members. The FY2024 personnel budget includes the addition of a new Deputy Fire Chief, funded at the midpoint of Grade eight. Without the inclusion of the new Deputy Fire Chief position, the Fire Budget will increase \$100,931 or 4.53%. In addition to the General Fund appropriation of \$2,445,137 (which is underwritten by a transfer of \$384,016 from the Fire Department Revolving Fund under Article 4 of the Town Meeting Warrant) the departmental budget also includes \$608,363 in planned expenses that are charged directly to the Fire Department Revolving Fund, which is financed primarily by fees



for ambulance services. Therefore, the total FY2024 budget that supports the Fire/EMS services is \$3,053,500 (\$2,445,137 plus the Fire Department Revolving Fund direct charges of \$608,363).

- **Building Department**

Overall, the departmental budgets for Building, Plumbing/Gas, Wiring and Sealer are up \$30,498 or 12.15%. In FY2024, the Plumbing Inspector salary will be reflected in the Plumbing/Gas budget, relocated from the Board of Health budget to reflect the reporting structure in the Building Department. When controlling for the transition of the Plumbing Inspector budget from the Health Department to the Building Department, overall, the Building, Gas, Wiring and Sealer budgets are up \$12,615 or 5.03%, with \$7,873 of that increase attributable to the increase in the Sealer of Weights and Measures services from the State of Massachusetts.

- **Health Department**

Overall, the department's FY2024 budget is decreasing by \$16,662 or 7.18%, and this decrease reflects the part-time plumbing inspector line item moving to the Gas/Plumbing Inspector line in the Building Department budget. A survey of local communities found that the plumbing inspector position is more appropriately housed under the Building Department rather than the Health Department. When controlling for the relocation of the Plumbing Inspector expenses, the Health Department budget is increasing \$923 or .40%. This limited increase is due to the turnover of an Administrative Assistant.

- **Animal Control**

Beginning in FY2013 Animal Control services were outsourced through a contractual arrangement and the fees from dog licenses and fines brought into the General Fund as a transfer from the revolving fund to off-set the cost of the contract. The base contract is \$39,304, plus a small allowance for animal testing, if needed. In FY2024 the revolving fund revenues proposed to be transferred in are \$28,000 and the total Animal Control budget is \$42,729, resulting in a net tax-supported service expense of \$14,729.



Section 1-18

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

	FY2021 ACTUAL	FY2022 ACTUAL	FY2023 BUDGETED	FY2023 SIX MONTHS	FY2024 PROPOSED	% CHANGE
PUBLIC WORKS						
Highway Admin.	\$112,251	\$129,653	\$144,774	\$47,545	\$166,133	14.75%
Hwy. Const. & Maint.	\$1,189,119	\$1,295,772	\$1,720,163	\$652,238	\$1,776,562	3.28%
Parks	\$91,106	\$133,010	\$155,700	\$42,569	\$178,465	14.62%
Cemetery	\$140,149	\$164,035	\$172,578	\$65,665	\$187,200	8.47%
Facilities	\$231,151	\$541,922	\$479,197	\$191,018	\$751,156	56.75%
Engineering	\$188,624	\$129,393	\$190,191	\$57,021	\$192,261	1.09%
Snow & Ice	\$482,022	\$549,058	\$437,000	\$140,623	\$459,642	5.18%
Street Lighting	\$125,000	\$135,000	\$147,000	\$62,989	\$165,000	12.24%
Trees	\$41,793	\$50,739	\$56,000	\$51,608	\$71,500	27.68%
Subtotal	\$2,601,216	\$3,128,583	\$3,502,603	\$1,311,276	\$3,947,919	12.71%

Overall, the Department of Public Works General Fund budget is increasing \$445,316 or 12.71%. Of this increase, \$271,959 is directly attributable to the movement of Facilities expenses from General Administration to being a division within the Public Works department. This division consolidates expenses from several other departments and centralizes them under the Facilities Manager for better oversight and management. Of the \$271,959 increase, \$183,000 is for the movement of expenses from other departments to the centralized Facilities Division. Controlling for the addition of the Facilities Division to Public Works, the general fund portion of the Public Works budget is increasing \$173,357 or 4.95%. All divisions have significant increases in the costs for all general goods and utilities due to the inflationary impacts being felt across all industries, including a 20% increase for road salt. The major department initiatives supported by the General Fund address safety and environmental compliance. These include mandated safety compliance with the Division of Labor Standards which has adopted the requirements of the Occupational Safety and Health Administration. The Town continues to implement new components of the required Stormwater Pollution Prevention Plan, improvements to roadway and roadside safety, compliant removal and disposal of street sweeping and catch basin debris, proper disposal of resident generated yard waste, maintenance and repairs to parks and monuments, and biannual street sweeping.

¹ Please see the end of this Expenditure Summary for information regarding the Water, Sewer and Solid Waste Enterprise Funds. Section 8-5 of this budget document contains the detailed budget information regarding 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

	FY2021 ACTUAL	FY2022 ACTUAL	FY2023 BUDGETED	FY2023 SIX MONTHS	FY2024 PROPOSED	% CHANGE
COMMUNITY SERVICES						
Senior Center/COA	\$298,225	\$312,262	\$322,003	\$127,159	\$293,824	-8.75%
Library	\$801,068	\$871,652	\$921,937	\$438,823	\$914,419	-0.82%
Recreation	\$108,012	\$138,025	\$155,360	\$71,582	\$159,969	2.97%
Family & Youth Services	\$142,483	\$143,938	\$178,010	\$73,214	\$184,179	3.47%
Veterans' Services	\$66,943	\$57,133	\$91,225	\$30,364	\$97,801	7.21%
Cable TV	\$222,584	\$233,348	\$294,728	\$115,662	\$301,085	2.16%
Cultural Council	\$500	\$500	\$500	\$60	\$1,000	100.00%
Community Affairs Comm.	\$500	\$500	\$500	\$190	\$1,000	100.00%
Historic Dist. Commission	\$344	\$441	\$500	\$0	\$500	0.00%
Subtotal	\$1,640,659	\$1,757,799	\$1,964,763	\$857,054	\$1,953,777	-0.56%

• Senior Center/Council on Aging

The departmental budget is down 8.75% or \$28,180, due to the relocation of all facilities and building maintenance costs to a centralized Facilities budget, overseen by the Facilities Manager within the Public Works grouping. When controlling for the changes for facilities, the Senior Center budget is up 9.48% or \$30,512. \$21,240 or 70% of this increase is due to the change in the electrical aggregation rate for town buildings, where the town's rate is increasing resulting in significant increases to our energy costs across all town buildings. In addition to the appropriated budget supported by tax revenues, the Senior Center receives approximately \$32,000 in additional funds directly from the State Formula Grant (based on the number of seniors in Town), which is used primarily to provide exercise programs to seniors and is not subject to Town Meeting appropriation.

• Family and Youth Services Department

The FY2024 Family & Youth Services Budget is increasing 3.47% or \$6,169. This increase is attributable to contractual wage increases for union and non-union staff in the department. The FYS Department will continue to offer the program called "INTERFACE," a confidential referral service that connects Northborough residents and public school students to outpatient mental health providers. The INTERFACE program is provided through a contract with William James College. The service was paid for in FY2021 through trust funds on a trial basis and was added to the budget in FY2022. This resource continues to be a valuable tool in combating the effects that the Coronavirus has had on mental health.



- **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 17% (\$28,801) of the overall administrative expenses in FY2024. In FY2023 Northborough's share of the District increased from 16% to 17% as a result of the updated census figures. Ordinary benefits for qualifying veterans and their families are funded at \$60,000 based upon historic needs, and any approved benefits will eventually be reimbursed at 75% from the Commonwealth's Department of Veterans' Services as part of the Town's state aid revenue. Overall, the FY2024 Veterans' Services budget is increasing by \$6,576, or 7.21%. This increase is due to the district's decision to increase a previously part-time Agent position to a full-time Agent position to better serve the needs of the district.

- **Library**

The FY2024 Library Budget is down overall 0.82%, or \$7,519. The overall decrease in the Library Budget is attributable to the relocation of all facilities and maintenance costs to a centralized Facilities Budget in FY2024. Controlling for the facilities budget adjustment, the Library budget is up \$39,966 or 4.15% overall. The increase in energy costs due to the increase of electric aggregation rates for town buildings accounts for \$26,300 or 65.8% of the total increase in FY2024. In FY2024 the Library will also receive an estimated \$27,022 in State Aid under the Governor's proposed budget that goes directly to the Library in a grant fund, which does not require Town Meeting appropriation.

- **Recreation Department**

The Recreation budget is increasing \$4,609 or 2.97% in FY2024 and includes contractual cost of living wage increases for the Director and the full-time Administrative Assistant. The department's \$159,969 budget is underwritten in full by a transfer from the Recreation Revolving Fund, financed by program fees.

- **Cable Access TV**

The FY2024 Cable Access budget is increasing \$6,357 or 2.16%. The department's \$301,085 General Fund budget includes all contractual wage increases and is reflective of a fully staffed department. The department's General Fund budget is fully underwritten by a transfer from the Cable Receipts Reserved for Appropriation Fund, which is financed by payments from cable contract providers. The contracts between the town and both providers, Charter and Verizon, have been settled and revenues from those contracts will sustain the operations of the Cable Department for another five years.

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 FY2024 Health Insurance budget request of \$6.18 million represents level funding from the amount budgeted last year. Through collaborative negotiations with all its employee groups, the Town has successfully mitigated health insurance budget increases to sustainable 2.69% average increase over the past fifteen years.

During FY2019 the Town was facing a 15.6% health insurance budget increase that would have necessitated significant service level reductions across all departments. To address the increase, the Town, working with the employee Insurance Advisory Committee (IAC), chose to bid out its health insurance seeking consolidation under a single carrier. Based upon the bid results and the recommendation of the IAC, Fallon Community Health Plan (Fallon) was awarded the contract. Unfortunately, after several years of favorable renewals the Town was informed that Fallon will be exiting the commercial market after FY2022, resulting in the need to go out to bid. The Town underwent the bid process, and while forming an informal Joint Purchasing Arrangement (JPA) with the Regional High School district and the Town of Southborough, awarded a contract to Harvard Pilgrim Healthcare (HPHC). Due to favorable claims data along with the larger group afforded by the JPA, the contract with HPHC results in modest premium increases for FY2023 & FY2024.

The second largest category of employee benefit costs after Health Insurance is the Worcester Regional Retirement System (WRRS). The total FY2024 Worcester Regional Retirement Assessment is \$2,909,208. The \$2,788,842 portion included in the General Fund budget does not include the retirement costs contained in the Water & Sewer Enterprise Funds (\$95,153), or the Cable Access TV budget (\$25,213)². The modest FY2024 General Fund increase of \$63,192 or 2.32% is lower than most years due to the Town's actuarial factors. The multiemployer WRRS with approximately 100 members has implemented a funding schedule designed to eliminate its unfunded pension liability by 2036 and assessments generally rise approximately 10% per year.

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

² The Water & Sewer Enterprise Funds are designed to capture all costs associated with the service and are fully explained in Section 8 of this budget document. The Cable Public Access TV Department is funded by fees added to the cable TV subscriber bills, which pay for the related retirement costs of the full-time Cable Access staff (see Section 5 of the budget for more information regarding Public Access TV).

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



- **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.

Following the acknowledgment of OPEB in FY2009 as required by the Government Accounting Standards Board (GASB), the Town has continued to contract with an actuary to update the liability, but also to develop a funding plan to address the liability. The Town's latest liability was calculated to be \$44.36 million (Net OPEB Liability) under GASB standards at the end of FY2022.

In FY2015 the Town adopted the optional Meals Tax Surcharge and increased the Room Occupancy Tax in order to provide capacity within the budget to begin funding the OPEB Trust Fund. Since FY2015 the General Fund budget has appropriated \$500,000 annually into the OPEB Trust Fund, and in FY2020 that amount was increased to \$550,000. Recent fiscal constraints associated with the COVID-19 pandemic led to postponement of contributions to the Trust in FY2021 and FY2022. The Town brought the contribution back at \$300,000 for FY2023, and has budgeted \$550,000 for FY2024 with the intent to increase the amount in future years. Unfortunately, the Town's contributions, although significant, are not yet lowering the overall liability.

- **Building & Liability Insurance**

This budget category includes property and liability coverage for all Town owned property, as well as liability coverage for all elected and appointed Town officials. In addition, because fire and police personnel are not eligible under Massachusetts law for regular workers' compensation coverage, a separate insurance policy with premiums based largely on claims experience is purchased to cover these personnel for injuries sustained in the line of duty. The police and fire MGL Chapter 41 Section 111F Injured on Duty (IOD) premium is also included here. The Town's Building and Liability insurance premiums reflect a 3.31% budgetary increase for FY2024.

- **Debt Service**

For FY2023, the total Debt Service budget for the General Fund is \$2.14 million, an increase of \$197,767 or 10.21%. The largest component of the debt service budget in FY2024 is for the Lincoln Street School, which is \$973,975. Though the largest increase is due to the first year of principal being due on debt associated with land and designs for the new Fire Station, and the debt service for this project increased by \$285,750 over the prior year to total \$338,500.

One key factor in limiting the increase in new debt service is the Town's Free Cash policy whereby smaller capital items are 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.



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 Town's FY2024 State Assessments are projected to increase \$36,157, or 12.66%, based on the Governor's Budget, which total \$321,775 for Northborough. 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. Four categories of State Assessments account for 86% of the expenses—Mosquito Control (\$67,309), Massachusetts Bay Transportation Authority (\$83,918), School Choice (\$68,350), and Charter School sending tuition (\$57,264).

- **Stabilization Fund Contribution**

As of June 30, 2022, the balance in the Stabilization Fund was \$4.98 million. Historically the Town Budget had provided for an annual appropriation of \$100,000 to be added to the Stabilization Fund. However, for several years the appropriation was not possible due to financial constraints. Beginning in FY2016, the contribution to the Stabilization Fund was restored at the level of \$200,000 with Free Cash as the source. The FY2022 budget did not include a contribution due to the fiscal impacts of COVID-19, though with the economy improving, the contribution to Stabilization from Free Cash has been restored for FY2023 and continued in FY2024 at the level of \$200,000. 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 Free Cash Policy can be found in Appendix A, and information regarding the Town's level of reserves can be found in Appendix B, pages 9 and 10.

- **Reserve Fund**

Authorized by state statute, the Appropriations Committee's Reserve Fund provides the Town operations with an option for the funding of extraordinary or unforeseen expenditures during the year. The FY2024 Reserve Fund is budgeted at the pre-pandemic level of \$175,000. Most commonly, the Reserve Fund account has been used to make up for storm related snow and ice budget overdrafts.

- **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. The warrant articles contain proposed funding using a combination of Free Cash, bond proceeds, and/or other available funds. In FY2024, these warrant articles include \$175,000 for the Reserve Fund and \$200,000 transfer to the Stabilization Fund both from Free Cash, and the FY2024 Capital Improvement Plan (CIP) which in total amounts to \$7,904,260. The funding sources for the articles are \$1,480,000 from Free Cash, \$1,375,000 in borrowing with debt service to be paid from the General Fund, \$350,000 to come from Water/Sewer Enterprise Fund Free Cash, and \$4,961,713 to come from debt issued by the Regional School District (overlapping debt).

Effective in FY2012 the Board of Selectmen adopted a Free Cash Policy, which provides a funding source for projects other than municipal bonds. The Free Cash



Section 1-24

Expenditure Summary

Policy is on page 2 in Appendix A of this budget document, which contains the Town's comprehensive financial policies. The Free Cash Policy and plan are discussed at length in the transmittal letter of the Capital Improvement Plan contained in Section 9-1 through 9-6 of this document.

In summary, the 2023 Town Meeting Warrant Articles include the following:

- \$175,000 for the Appropriation Committee's Reserve Fund (Article 11)
- \$200,000 for Transfer to Stabilization Fund (Article 12)
- \$107,123 for Opioid Settlement Funds (Article 13)
- \$190,000 for Police Cruiser Replacements (Article 15)
- \$70,000 for Police Station Painting (Article 16)
- \$900,000 for Fire Engine Replacement (Article 17)
- \$300,000 for Roadway Maintenance and Improvements (Article 18)
- \$355,000 20-Ton Dump Truck with Plow Replacement (Article 19)
- \$475,000 Highway Garage Tight Tank (Article 20)
- \$150,000 DPW One-Ton Truck with Plow (Article 21)
- \$225,000 DPW 15-Ton Dump Truck (Article 22)
- \$125,000 Water/Sewer SCADA Phase 2 (Article 23)
- \$40,000 Zeh School Rear Entrance Repairs (Article 24)
- \$4,961,713 Algonquin Regional High School Athletic Complex project (Article 25)

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 Section 9-1 through 9-6 of this document.

Public Education

• 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, 2022, a total of 1,595 students attend the Northborough schools, with 1,047 students in grades K-5 at the four elementary schools and 548 students in grades 6-8 at the Middle School. The Northborough K-8 School Budget will increase by \$1,308,274 or 4.90% to \$28,001,227 in FY2024.



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

The Northborough-Southborough Regional School Committee consists of five (5) members from Northborough and five (5) members from Southborough. The Northborough-Southborough Regional School District houses students from grades nine through twelve in Algonquin Regional High School. Algonquin is a comprehensive high school; that is, a school designed to meet the needs of a variety of students, including students preparing to enter a four-year college or university, students who will continue their education for a shorter period of time in a junior college, vocational or technical school, and students preparing to enter the workforce. Approximately 90% of Algonquin graduates enter post-secondary education institutions. As of October 1, 2022, a total of 1,216 students attend Algonquin Regional High School, with 742 of those students being from Northborough.

- **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 FY2024 budget is \$1,301,581 which is an increase of \$16,276 or 1.27%. As of October 1, 2022, 64 Northborough students attend Assabet Valley, which results in an operating assessment of \$1,175,405. This is an enrollment decrease of 4 students from the 68 Northborough students that attended Assabet Valley in the prior year. Northborough's FY2024 share of the debt assessment from the completed building renovation project is \$126,176, which will continue to decline in subsequent years. The net effect of the combined operating assessment and new debt service is \$1,301,581 which is an increase of \$16,276, or 1.27%.

- **Norfolk County Agricultural High School (NCAHS)**

In prior years Northborough has borne the expense of tuition and transportation to the NCAHS in the Town's portion of the budget. This expense is borne by the Town because students have the freedom to seek admission to schools with state-approved vocational technical education programs pursuant to M.G.L. c. 74 603 CMR 4.00 and are known as Chapter 74 approved programs. Once accepted the Town is required to bear the full cost of both tuition and transportation. Following several years of no NCAHS expenses, the Town was notified prior to FY2022 that a student applied for admission and was accepted, under the Chapter 74 non-resident option, to the NCAHS program. Once accepted the Town is required to bear the full cost of both tuition and transportation. In FY2023, there were two Northborough students attending Norfolk Agricultural, however in FY2024, that number is reduced to one, resulting in a budget reduction in FY2024. The FY2024 tuition rate is \$31,755 per student, with an additional \$14,445 in transportation costs, resulting in a total cost of \$46,200 per student in FY2024.



Enterprise Funds

Water, Sewer and Solid Waste services are operated as enterprise funds. Briefly, an enterprise fund as authorized under MGL Ch. 44 §53F½ is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery—direct, indirect, and capital costs—are identified. This allows the community to recover total service costs through user fees, if it chooses.

Enterprise Funds Summary

	FY2021 ACTUAL	FY2022 ACTUAL	FY2023 BUDGETED	FY2023 SIX MONTHS	FY2024 PROPOSED	% CHANGE
ENTERPRISE FUNDS						
Water Enterprise Fund	\$2,394,848	\$2,675,750	\$2,636,103	\$1,160,015	\$2,772,795	5.19%
Sewer Enterprise Fund	\$1,673,903	\$1,776,238	\$2,397,488	\$705,283	\$2,508,481	4.63%
Solid Waste Enterprise	\$870,365	\$891,271	\$928,113	\$536,353	\$1,040,684	12.13%
Subtotal	\$4,939,116	\$5,343,260	\$5,961,704	\$2,401,651	\$6,321,960	6.04%

• Water Enterprise Fund

The FY2024 Water Enterprise Fund is budgeted at \$2,772,795 which is an increase of \$136,692 or 5.2%. This increase follows the 10.8% FY2023 budget reduction which was primarily attributed to the MWRA preliminary assessment going down by \$251,513. The cause of this was a shift in the share of the overall use from “bedroom communities” such as Northborough to Metro Boston as a result of businesses reopening after the initial effects of the pandemic. The FY2024 increase is attributed to several factors: including funding the required bi-annual system-side leak detection survey, inflationary increases to goods and services, reinstatement of \$50,000 toward the emergency account, and phasing back in of the annual hydrant replacement program, the latter two of which were eliminated due to financial constraints associated with the pandemic.

In the second quarter of FY2014, a base charge was added to each water account to recover a portion of fixed costs paid from the enterprise fund such as debt, meter reading, billing, and collection, regardless of the amount of water usage. Based upon formal rate studies, the water utility user rates are expected to increase approximately 4%-5% per year due to a combination of inflationary pressures (2-3% annually), annual water use fluctuations which trend downward between 0.5% and 1.0% due to mandated conservation measures, and the need to make regular infrastructure investments. The FY2024 user rates will be adjusted based upon a detailed rate study but are currently projected to increase between 3% and 4%. The base charge will also be evaluated as part of the rate study in an effort to maintain the appropriate ratio of fixed verse volumetric revenues.



• **Sewer Enterprise Fund**

The FY2024 Sewer Enterprise Fund is budgeted at \$2,508,481, which is an overall increase of \$110,993 or 4.6%. The budget reflects an estimated 5% or \$44,728 increase in the Marlborough use charge. This value, along with several other smaller increases directly related to industry wide inflationary impacts and labor increase account for the FY2024 budget adjustments.

The critical issue facing the DPW Sewer Enterprise Fund continues to be negotiations for a new Intermunicipal Agreement with the City of Marlborough. The matter is currently in litigation, the outcome of which will establish our contribution to the operational expenses of the Westerly Wastewater Treatment Plan as well as Northborough's share of the \$30 million plant improvement project. Sewer rates were increased significantly in the second quarters of FY2014, FY2016, FY2017, and FY2018 in anticipation of a large plant improvement payment to Marlborough. The sewer use charges are evaluated as part of our comprehensive rate study. While final rate adjustments will be based upon the updated rate study, a modest increase is projected at this time for this coming fiscal year.

• **Solid Waste Enterprise Fund**

Recycling markets throughout the United States continue to experience a difficult and complicated transition. For many years China had been the primary market for our country's recyclable materials. However, in early 2018 China revised their specifications for acceptance of recyclable materials to an unachievably low contamination standard, which eliminated the option of exporting these commodities to China. That action resulted in the need for fast and drastic changes to the market for recyclable materials in the United States.

In 2019 the Town issued an Invitation for Bids (IFB) for a new solid waste collection and recyclable materials collection and disposal contract. The contract now includes an annual Recycling Net Processing Cost Adjustment, which allows the Town to better manage costs associated with the changing recycling market trends.

Overall, the Solid Waste and Recycling budget is increasing by \$112,571, or 12.1%. The FY2024 fee revenues are projected to be \$530,000 and the FY2024 expenses are estimated at \$1,040,684 leaving a projected general fund subsidy of \$345,160 in addition to a transfer from the Solid Waste Fund Free Cash of \$165,524. In FY2024, the appropriation will again 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.

For a full review of the PAYT trash program, as well as a more detailed discussion regarding recent market issues, interested readers are referred to the Solid Waste Enterprise Fund budget contained in Section 8 of this budget document.



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