

Budget Summaries

Section 1

Section 1-2

Balanced Budget

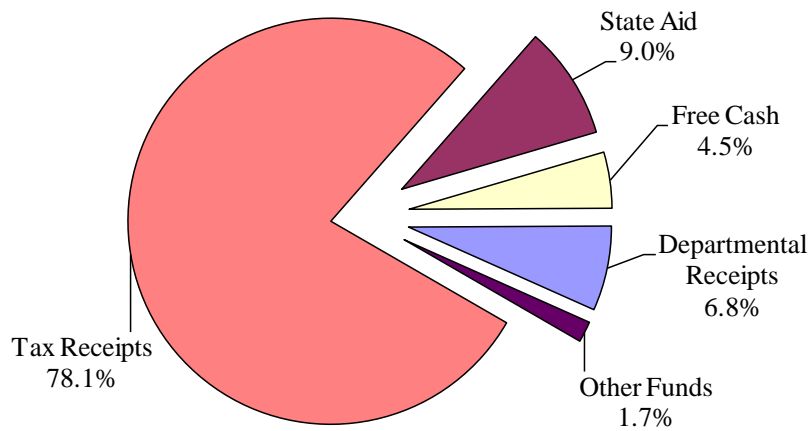


Table 1

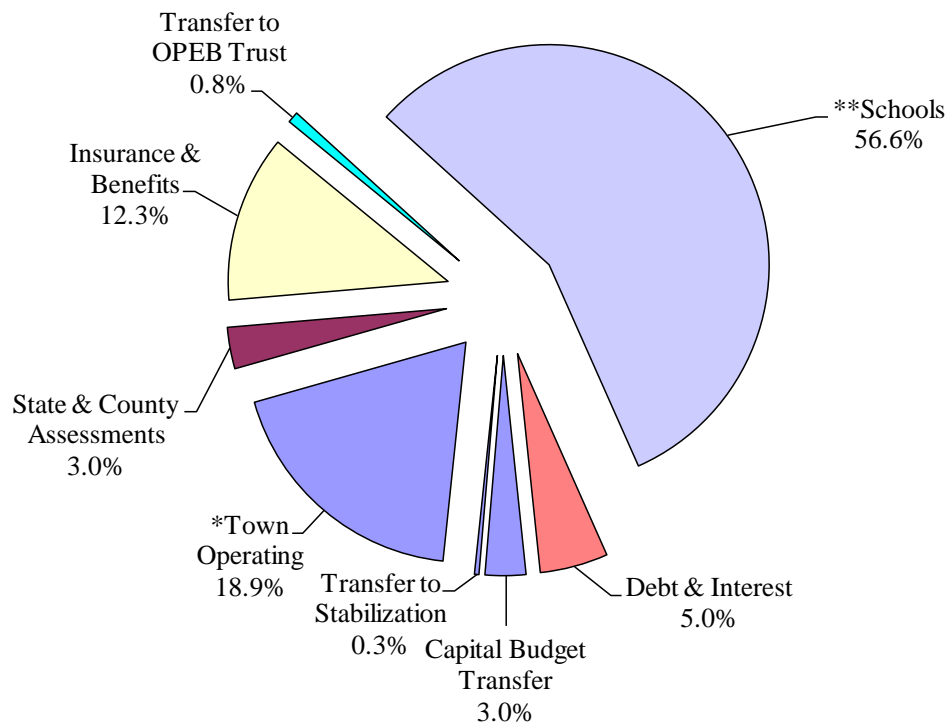
REVENUE & EXPENDITURE SUMMARY FISCAL YEARS 2015--2017					
LEVY LIMIT CALCULATION	FY2015	PROPOSED FY2016	REVISED FY2016	PROPOSED FY2017	% CHANGE
Prior Year Levy Limit	\$42,206,075	\$43,891,045	\$43,891,045	\$45,517,841	
Add 2.5%	\$1,055,152	\$1,097,276	\$1,097,276	\$1,137,946	
Add New Growth	\$629,818	\$501,900	\$529,520	\$515,100	
Add Overrides	\$0	\$0	\$0	\$0	
True LEVY LIMIT	\$43,891,045	\$45,490,221	\$45,517,841	\$47,170,887	
Add Debt Excl - Zeh School	\$80,216	\$61,467	\$61,467	\$41,876	
Add Debt Excl - Colburn St.	\$0	\$11,473	\$13,746	\$9,245	
Add Debt Excl - Library	\$406,416	\$398,725	\$398,725	\$391,393	
Add Debt Excl - Senior Center	\$437,554	\$428,507	\$428,507	\$418,167	
Add Debt Excl - Algonquin	\$657,234	\$656,493	\$656,493	\$661,206	
Less Debt Excl - Settlement		(\$212,000)	(\$213,831)	(\$212,000)	
Add Debt Excl - Lincoln Street		\$675,000	\$563,200	\$1,032,956	
Adjusted LEVY LIMIT	\$45,472,465	\$47,509,886	\$47,426,148	\$49,513,730	
REVENUES					
Adjusted LEVY LIMIT	\$45,472,465	\$47,509,886	\$47,426,148	\$49,513,730	
Less Unused Levy Limit	(\$2,495,341)	(\$2,230,341)	(\$2,357,248)	(\$2,121,732)	
Total Tax Receipts	\$42,977,124	\$45,279,545	\$45,068,900	\$47,391,998	5.15%
State Aid	\$4,928,440	\$4,928,440	\$4,995,353	\$5,072,074	1.54%
MSBA Payments	\$382,543	\$382,543	\$382,543	\$382,543	0.00%
Free Cash (Operating)	\$500,000	\$500,000	\$500,000	\$500,000	0.00%
Free Cash (Capital/Reserve)	\$1,043,500	\$2,589,000	\$2,589,000	\$2,208,460	-14.70%
Departmental Receipts	\$3,198,000	\$3,595,000	\$3,595,592	\$3,745,000	4.16%
Meals/Rooms Tax (2013)	\$300,000	\$300,000	\$300,000	\$350,000	16.67%
Other Funds	\$530,954	\$534,058	\$534,058	\$1,008,581	88.85%
TOTAL GENERAL FUND REVENUES	\$53,860,561	\$58,108,586	\$57,965,446	\$60,658,656	4.65%
Water/Sewer Enterprise Funds	\$3,768,781	\$3,889,270	\$3,889,270	\$3,969,895	2.07%
Solid Waste Enterprise Fund	\$755,160	\$767,000	\$767,000	\$768,350	0.18%
TOTAL REVENUES	\$58,384,502	\$62,764,856	\$62,621,716	\$65,396,901	4.43%
EXPENDITURES					
Town	\$18,798,363	\$19,456,306	\$19,456,306	\$20,137,277	3.50%
Schools					
Northborough K-8	\$21,209,216	\$21,951,539	\$21,951,539	\$22,719,843	3.50%
Algonquin 9-12	\$9,171,070	\$9,492,514	\$9,421,675	\$10,078,475	6.97%
Algonquin FY14 Credit	(\$164,727)				
HS Debt Exclusion	\$657,234	\$656,493	\$656,493	\$661,206	0.72%
Warrant Articles					
Reserve Fund	\$150,000	\$175,000	\$175,000	\$175,000	
Capital / Other Articles	\$893,500	\$2,214,000	\$2,214,000	\$1,833,460	
Transfer to Stabilization		\$200,000	\$200,000	\$200,000	
Assabet	\$828,280	\$878,397	\$868,431	\$688,313	-20.74%
Assabet Renovation Project	\$11,473	\$15,006	\$15,006	\$192,135	1180.39%
Transfer to OPEB Trust	\$500,000	\$500,000	\$500,000	\$500,000	
Zeh School Debt Service	\$462,759	\$444,010	\$444,010	\$424,419	
Colburn Street Debt Service	\$73,673	\$71,473	\$71,473	\$69,245	
Library Debt Service	\$407,120	\$399,395	\$399,395	\$392,025	
Senior Center Debt Service	\$455,545	\$445,395	\$445,395	\$433,795	
Lincoln Street Debt Service		\$675,000	\$675,000	\$1,144,882	
Other Funds	\$530,954	\$534,058	\$534,058	\$1,008,581	
Adjustments	(\$123,898)		(\$62,335)		
TOTAL GENERAL FUND EXPENDITURES	\$53,860,561	\$58,108,586	\$57,965,446	\$60,658,656	4.65%
Water Enterprise Fund	\$2,174,510	\$2,230,328	\$2,230,328	\$2,251,473	0.95%
Sewer Enterprise Fund	\$1,594,271	\$1,658,942	\$1,658,942	\$1,718,422	3.59%
Solid Waste Enterprise Fund	\$755,160	\$767,000	\$767,000	\$768,350	0.18%
TOTAL ALL FUNDS	\$58,384,502	\$62,764,856	\$62,621,716	\$65,396,901	4.43%



Fiscal Year 2017 Revenue Sources



Fiscal Year 2017 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, departmental 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 FY2019; 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 FY2017 by approximately \$2.32 million, to \$47.39 million. This increase includes the 2.5% increase of \$1,137,946, additional debt service for the Lincoln Street School project of \$470,000, plus \$515,100 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	FY2016	FY2017	% CHANGE
Prior Year Levy Limit	\$43,891,045	\$45,517,841	
Add 2.5%	\$1,097,276	\$1,137,946	
Add New Growth	\$529,520	\$515,100	
Add Overrides	\$0	\$0	
True LEVY LIMIT	\$45,517,841	\$47,170,887	
Add Net Debt Exclusions	\$1,908,307	\$2,342,843	
Adjusted LEVY LIMIT	\$47,426,148	\$49,513,730	
REVENUES			
Adjusted LEVY LIMIT	\$47,426,148	\$49,513,730	
Less Unused Levy Limit	(\$2,357,248)	(\$2,121,732)	
Total Tax Receipts	\$45,068,900	\$47,391,998	5.15%



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. The current budget model assumes State Aid will increase 1.5% over the \$4.9 million received during FY2016. The estimate is based upon the Governor's FY2017 Budget which was released on January 27th.

Despite State revenue projections expected to grow between 3.8% and 4% next fiscal year, the State's FY2017 budget is anticipating up to a \$1 billion structural budget gap due to growing expenditures and the use of significant one-time revenues in the FY2016 Budget according to an analysis by the Mass Taxpayers Foundation. Given the State's financial issues, it appears unlikely that State Aid will increase much beyond the Governor's estimate. 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 in April, so using the Governor's figures appears to be a reasonable approach at this time.

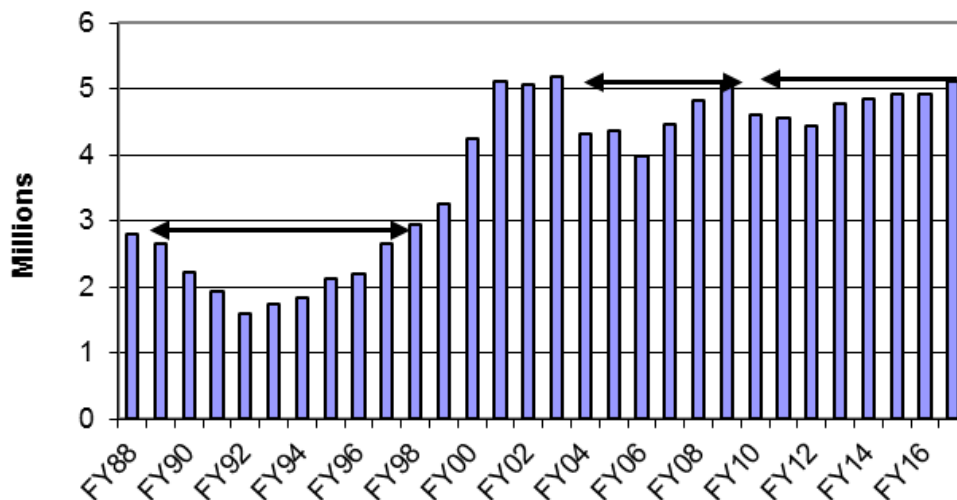
Despite returning to pre-recession levels, Northborough is still receiving less State Aid than it did back in FY2003, and that is before adjusting for inflation. As a percentage of the Budget, State Aid went from a high of 13% in FY2003 to just 9% in FY2017.

Table 3: State Aid in Millions

FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17*
4.6	4.57	4.44	4.78	4.84	4.9	4.9	5.1

*Estimated

Northborough State Aid FY1988-2017

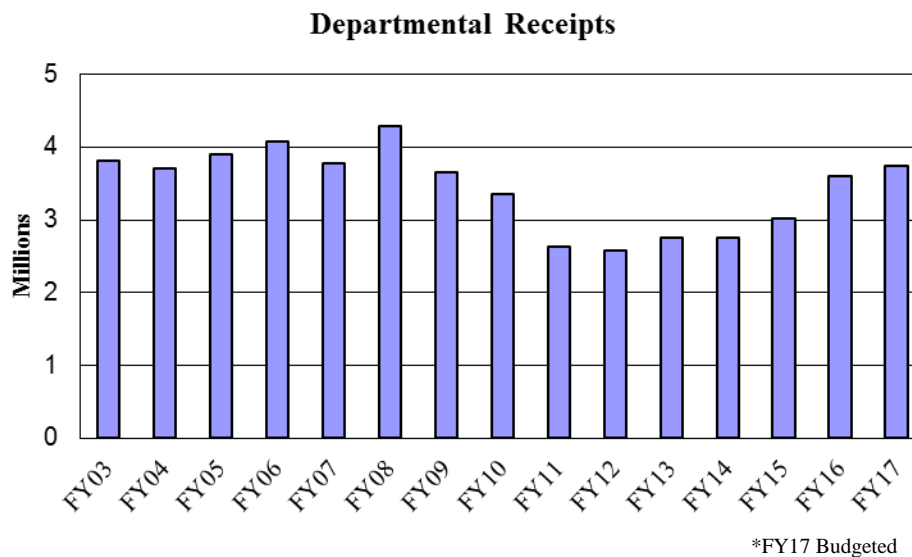




Looking ahead to FY2017, the Town has limited information regarding State Assessments and it is the net effect of the new aid and the increase in charges that really determines if Northborough is better off compared to the previous year. Given that unknown, the Town has chosen to proceed with the Governor's Budget figures for the FY2017 budget. In this manner, any State Aid actually received above current estimates can only be used to reduce local taxes in FY2017.

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 FY2017 is \$3.7 million. This amount increased by \$150,000 from the previous year due to improving motor vehicle excise taxes. The single largest source of revenue within the Departmental Receipts category is the \$2.4 million received for motor vehicle excise taxes, which is a State tax collected by the municipality for its own use.



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.

In general, the level of Departmental 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 revenue trend in the chart above reflects the generally improving economic conditions.

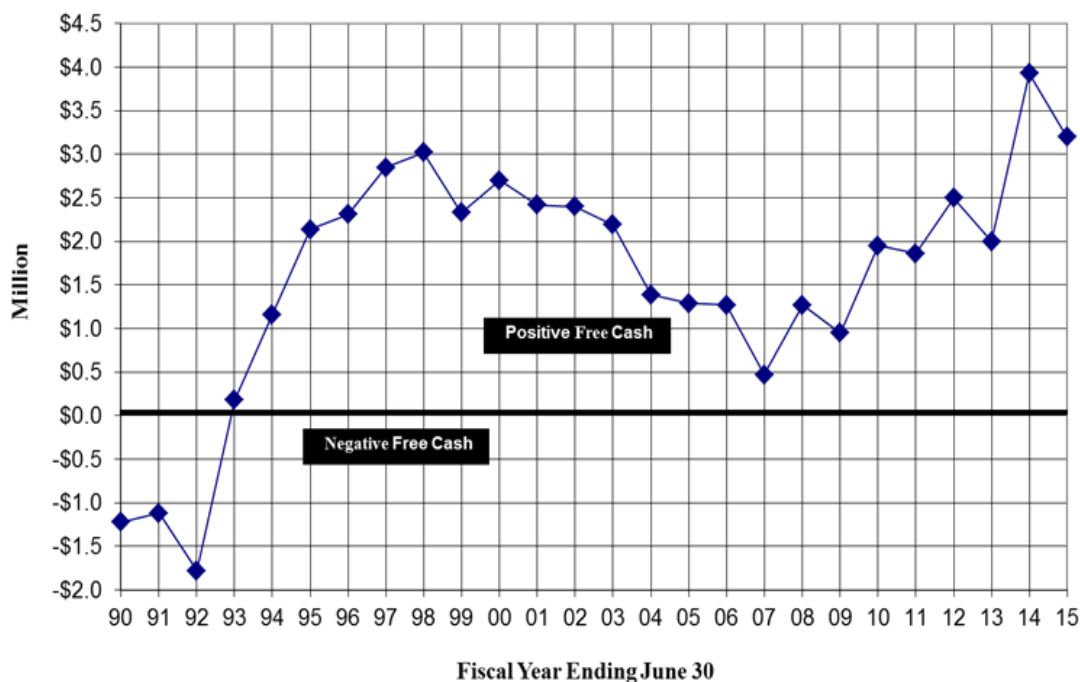


Available Funds (including Free Cash)

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, 2015 was certified at \$3,208,889.

By far the single largest source of Available Funds is Free Cash. In FY2017, 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 FY1990-2015



*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 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, where it remains in FY2017.



Revenue Summary

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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 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 FY2017 are projected to include special revenue offsets in departmental budgets such as \$17,000 in Cemetery Sale of Lots income, \$5,398 in Cemetery Trust Fund income, \$5,770 in Conservation Commission fees, \$307,987 from the Fire/EMS Revolving Account, \$138,049 from the Recreation Revolving Account, \$9,659 from the Medicare Part D Subsidy, and \$27,000 from the Animal Control Revolving Account.

New in FY2017 is the transfer from the Cable Access Account in the amount of \$365,000 due to the establishment of the special revenue fund for the PEG Access and Cable Related Fund. The change is based upon new requirements promulgated by the State Department of revenue.

In addition, there will be a Debt Exclusion Reserve transfer of \$111,208 from the financing of the Lincoln Street School Bonds arising from the amount budgeted for debt service in FY2016 versus the actual amount of debt incurred and a transfer of \$16,978 from premium reserves. The premium reserves are funds that were received 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 \$4,532 from Title V Septic Reserve. These 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 FY2017 debt service for the Title V Septic program.

In addition to Free Cash, these "Other" revenue sources total \$1,008,581 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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FY2017 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	FY2016 Budget	FY2017 Proposed Budget	\$ Change	% Change
GENERAL ADMINISTRATION				
<u>EXECUTIVE OFFICE</u>				
Selectmen	128,736	159,732	30,996	24.08%
Administrator	244,501	246,841	2,340	0.96%
Economic Development	1,300	1,300	-	0.00%
Town Reports	4,700	4,700	-	0.00%
<u>PUBLIC BUILDINGS</u>				
Town Hall/Public Bldgs.	489,730	502,140	12,410	2.53%
<u>FINANCE</u>				
Treasurer	311,545	310,377	(1,168)	-0.37%
Board of Assessors	294,660	267,693	(26,967)	-9.15%
Town Accountant	149,971	150,209	238	0.16%
<u>MIS/GIS</u>				
MIS/GIS	428,264	474,252	45,988	10.74%
<u>TOWN/CLERKS OFFICE</u>				
Town Clerk	133,922	130,026	(3,896)	-2.91%
Election/Registration	31,223	42,379	11,156	35.73%
<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	107,704	324,950	217,246	201.71%
<u>PLANNING & CONSERVATION</u>				
Conservation Commission	47,472	46,927	(545)	-1.15%
Planning Board	161,289	162,876	1,587	0.98%
Zoning Board	5,011	5,011	-	0.00%
Earthwork Board	1,803	1,433	(370)	-20.52%
PUBLIC SAFETY				
Police	2,503,445	2,514,929	11,484	0.46%
Fire	1,760,861	1,774,579	13,718	0.78%
Emergency Preparedness	9,000	7,000	(2,000)	-22.22%
Building	163,803	161,879	(1,924)	-1.17%
Gas Inspector	11,701	11,601	(100)	-0.85%
Wire Inspector	21,046	20,856	(190)	-0.90%
Sealer of Weights	8,000	8,000	-	0.00%
Board of Health	183,953	191,438	7,485	4.07%
Animal Control	41,200	39,915	(1,285)	-3.12%
PUBLIC WORKS				
Highway Admin.	156,216	161,634	5,418	3.47%
Hwy. Const. & Maint.	1,403,550	1,463,313	59,763	4.26%
Parks	111,600	128,000	16,400	14.70%
Cemetery	84,721	94,742	10,021	11.83%
Engineering	131,539	148,959	17,420	13.24%
Snow & Ice	346,200	346,200	-	0.00%
Street Lighting	110,854	114,000	3,146	2.84%
Trees	25,000	36,000	11,000	44.00%
COMMUNITY SERVICES				
Council on Aging	251,633	258,039	6,406	2.55%
Library	739,778	758,964	19,186	2.59%
Recreation	137,366	138,049	683	0.50%
Youth Services	140,012	138,867	(1,145)	-0.82%
Veterans Services	59,797	60,253	456	0.76%
Cable TV	-	365,000	365,000	
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	FY2016 Budget	FY2017 Proposed Budget	\$ Change	% Change
UNDISTRIBUTED EXPENSES				
<u>EMPLOYEE BENEFITS & INSURANCE</u>				
Health Insurance	4,949,038	5,097,510	148,472	3.00%
Transfer to OPEB Trust	500,000	500,000	-	0.00%
Life Insurance	8,730	8,730	-	0.00%
Other Benefits/FICA	432,727	432,727	-	0.00%
Workers Comp	114,045	119,497	5,452	4.78%
Retirement Assessments	1,415,244	1,531,756	116,512	8.23%
<u>BUILDING & LIABILITY INSURANCE</u>				
Bldg. & Liability Insur.	232,311	248,927	16,616	7.15%
<u>DEBT SERVICE</u>				
Debt Service	2,598,421	3,034,131	435,710	16.77%
<u>STATE ASSESSMENTS</u>				
State Assessments	273,178	317,967	44,789	16.40%
<u>NORFOLK AGRICULTURAL HIGH SCHOOL</u>				
Tuition/Transportation	47,594	95,188	47,594	100.00%
<u>STABILIZATION FUND CONTRIBUTION</u>				
Stabilization Fund	200,000	200,000	-	0.00%
<u>RESERVE FUND</u>				
Reserve Fund	175,000	175,000	-	0.00%
<u>SPECIAL WARRANT ARTICLES</u>				
Special Articles	2,214,000	1,833,460	(380,540)	-17.19%
Other Financing Uses	217,160	217,160	-	0.00%
OTHER NON-APPROPRIATED AMOUNTS				
Reserve for Abatements	623,081	623,081	-	0.00%
Offsets	19,972	21,792	1,820	9.11%
ENTERPRISE FUNDS				
Water	2,230,328	2,251,473	21,145	0.95%
Sewer	1,658,942	1,718,422	59,480	3.59%
Solid Waste	767,000	768,350	1,350	0.18%
GROSS TOTAL TOWN	29,708,572	31,056,929	1,348,357	4.54%
CALCULATION OF NET TOTAL TOWN				
Less Water Fund	(2,230,328)	(2,251,473)		
Less Sewer Fund	(1,658,942)	(1,718,422)		
Less Solid Waste	(767,000)	(768,350)		
Less Other Funds	(534,058)	(1,008,581)		
Less Recap Adjustments	62,335			
Less Debt Exclusion	(2,035,273)	(2,464,366)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Transfer to OPEB Trust	(500,000)	(500,000)		
Less Transfer to Stabilization	(200,000)	(200,000)		
Less Special Articles	(2,214,000)	(1,833,460)		
NET TOTAL TOWN	\$19,456,306	20,137,277		3.50%
CALCULATION OF TOWN APPROPRIATION				
GROSS TOTAL TOWN	29,708,572	31,056,929		
Less County Assessments	(1,415,244)	(1,531,756)		
Less State Assessments	(273,178)	(317,967)		
Less Reserve for Abatements	(623,081)	(623,081)		
Less Offsets	(19,972)	(21,792)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Stabilization Transfer Article	(200,000)	(200,000)		
Less Special Articles	(2,214,000)	(1,833,460)		
Less Other Financing Use	(217,160)	(217,160)		
Less Enterprise Funds	(4,656,270)	(4,738,245)		
Net Town Warrant Article 4	\$19,914,667	21,398,468		



Expenditure Summary

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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

	FY2014 ACTUAL	FY2015 ACTUAL	FY2016 BUDGETED	FY2016 SIX MONTHS	FY2017 PROPOSED	% CHANGE
<u>EXECUTIVE OFFICE</u>						
Selectmen	\$93,426	\$123,051	\$128,736	\$74,505	\$159,732	24.08%
Administrator	\$221,687	\$231,279	\$244,501	\$116,938	\$246,841	0.96%
Economic Development	\$345	\$0	\$1,300	\$340	\$1,300	0.00%
Town Reports	\$4,425	\$4,411	\$4,700	\$0	\$4,700	0.00%
Subtotal	\$319,882	\$358,741	\$379,237	\$191,783	\$412,573	8.79%
<u>PUBLIC BUILDINGS</u>						
	\$374,708	\$391,011	\$489,730	\$122,203	\$502,140	2.53%
Subtotal	\$374,708	\$391,011	\$489,730	\$122,203	\$502,140	2.53%
<u>FINANCE</u>						
Treasurer	\$289,359	\$295,569	\$311,545	\$147,573	\$310,377	-0.37%
Board of Assessors	\$252,400	\$240,315	\$294,660	\$115,174	\$267,693	-9.15%
Town Accountant	\$132,220	\$139,727	\$149,971	\$71,935	\$150,209	0.16%
Subtotal	\$673,979	\$675,610	\$756,176	\$334,682	\$728,279	-3.69%
<u>MIS/GIS</u>						
	\$255,644	\$339,444	\$428,264	\$192,454	\$474,252	10.74%
Subtotal	\$255,644	\$339,444	\$428,264	\$192,454	\$474,252	10.74%
<u>TOWN CLERKS OFFICE</u>						
Town Clerk	\$122,287	\$129,647	\$133,922	\$64,900	\$130,026	-2.91%
Elections/Registration	\$23,346	\$32,624	\$31,223	\$4,929	\$42,379	35.73%
Subtotal	\$145,634	\$162,271	\$165,145	\$69,829	\$172,405	4.40%
<u>ADVISORY BOARDS/SERVICES</u>						
Moderator	\$200	\$200	\$500	\$0	\$500	0.00%
Appropriations Committee	\$308	\$375	\$1,695	\$204	\$1,695	0.00%
Personnel Board	\$7,436	\$4,133	\$107,704	\$2,670	\$324,950	201.71%
Town Counsel	\$12,054	\$35,017	\$85,000	\$1,568	\$85,000	0.00%
Subtotal	\$19,999	\$39,724	\$194,899	\$4,442	\$412,145	111.47%
<u>PLANNING AND CONSERVATION</u>						
Town Planner/Planning Bd	\$127,760	\$149,079	\$161,289	\$76,245	\$162,876	0.98%
Zoning Board of Appeals	\$3,076	\$2,297	\$5,011	\$690	\$5,011	0.00%
Earthworks	\$1,483	\$119	\$1,803	\$84	\$1,433	-20.52%
Conservation Commission	\$42,214	\$37,888	\$47,472	\$20,153	\$46,927	-1.15%
Subtotal	\$174,533	\$189,384	\$215,575	\$97,172	\$216,247	0.31%



Section 1-14

Expenditure Summary

In FY2017 General Administration is budgeted at \$2.91 million, which is an overall increase of 11%. The majority of this increase is actually due to the central budgeting of costs associated with outstanding union contracts. FY2016 is the last year of the previously negotiated collective bargaining agreements for Police Patrol Officers, Police Sergeants, Public Safety Dispatchers, Fire and the Northborough Municipal Employees Association. A significant amount of time will be devoted to negotiating fair and sustainable increases for personnel during the contract period of FY2017 through FY2019. Pending contract settlements, all FY2017 wage increases, including non-union personnel, are being budgeted centrally in the Personnel Board Account and not reflected in the individual General Government (non-school) budgets.

Following are the key changes of significance:

- **Executive Office**

The Executive Office budget is increasing \$33,336, or 8.79% in FY2017 primarily due restoration of a part-time position that was reduced in FY2015. The FY2015 reduction was an effort to job share a position between the Selectmen's Office and the Town Clerk's Office; however scheduling conflicts and new State-mandates have added workload that necessitates increasing staff. There are no other significant changes in the Executive Office.

- **Public Buildings**

The Public Building Account is up slightly by \$12,410, or 2.5% 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 as presented does not include wage increases for the custodian position, pending successful contract negotiations.

- **Finance Department**

Overall, the Finance Department's FY2017 budget decreases \$27,897 or 3.69% primarily due to completion of the triennial recertification of property values (revaluation) in FY2016. A revaluation is the process of conducting the data collection and market analysis necessary to bring values of all properties within the Town up to date and in line with the market for the purpose of fairly distributing the tax burden. Beyond the reductions to the FY2017 Assessing Division Budget, there are no significant changes in the Finance Department. The departmental budget as presented contains no wage increases, which have been budgeted centrally pending successful contract negotiations.

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

The MIS/GIS budget is increasing by \$45,988, or 10.74%. Factors contributing to the increase include the addition of a redundant internet connection at the Police Department and costs associated with a network management system. The FY2017 budget also includes upgrades for the Town webpage designed to make it user-friendly for mobile devices. The webpage's content and features will also be reviewed as part of the upgrade.



• **Town Clerk/Elections**

The combined FY2017 Town Clerk/Elections budget is an increase of \$7,260, or 4.4%. The Town Clerk budget is down \$3,896, but does not include general wage increases for union and non-union employees; however, the elections budget is up \$11,156 due to there being three elections during FY2017 instead of two that were held in FY2016. In addition, anticipated costs associated with early voting during the November 2016 election are included in the request.

The FY2017 scheduled elections are as follows:

- State Primary Election September 8, 2016
- Presidential Election November 8, 2016
- Annual Town Election May 8, 2017 (Changes to May 9th if Article #34 passes at the April 2016 Annual Town Meeting)

• **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. For FY2017 the Personnel Board account contains all wage increases for General Government (non-school) union and non-union employees, pending settlement of collective bargaining agreements.

➤ **Town Counsel**

The budget for Town Counsel has been maintained at its FY2016 level of \$85,000.

• **Planning and Conservation**

Overall, the various Planning and Conservation budgets are up just \$672, or 0.31%. The FY2017 budget does not reflect wage increases for union and non-union personnel as these expenses are budgeted centrally, pending contract settlements. The only minor change in FY2017 is in the line item for the part-time Planning Board Secretary which is being increased from 8 to 12 hours per month to reflect the actual amount of time required to cover the meetings. Otherwise, there are no significant changes relative to Planning and Conservation.

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

	FY2014 ACTUAL	FY2015 ACTUAL	FY2016 BUDGETED	FY2016 SIX MONTHS	FY2017 PROPOSED	% CHANGE
<u>PUBLIC SAFETY</u>						
Police	\$2,275,887	\$2,411,772	\$2,503,445	\$1,148,647	\$2,514,929	0.46%
Fire	\$1,360,002	\$1,696,537	\$1,760,861	\$894,163	\$1,774,579	0.78%
Emergency Preparedness	\$6,659	\$7,928	\$9,500	\$83	\$7,000	-26.32%
Building Inspection	\$159,102	\$143,856	\$163,803	\$72,506	\$161,879	-1.17%
Gas Inspector	\$10,533	\$11,134	\$11,701	\$5,799	\$11,601	-0.85%
Wiring Inspector	\$17,338	\$18,921	\$21,046	\$9,683	\$20,856	-0.90%
Sealer Weights/Measures	\$3,500	\$3,500	\$8,000	\$0	\$8,000	0.00%
Health/Plumbing Inspector	\$153,042	\$161,365	\$183,953	\$64,422	\$191,438	4.07%
Animal Control	\$37,834	\$38,810	\$41,200	\$19,479	\$39,915	-3.12%
Subtotal	\$4,023,896	\$4,493,822	\$4,703,509	\$2,214,782	\$4,730,197	0.57%

Police Department

Overall, the FY2017 Police Department Budget reflects an increase of \$11,484, or 0.46%. The departmental budget as presented does not include wage increases for union or non-union personnel, which have been budgeted centrally pending successful contract negotiations, but does include \$27,500 for new fingerprinting equipment, a radar trailer and four new radar units. During FY2016, the consultant engaged by the Board of Selectmen's ad hoc staffing committee issued findings from its comprehensive operational and staffing study. The study recommended adding a Sergeant position to improve shift coverage and supervision, the funding for which is included in FY2017. The new position is expected to be a promotional hire, with the subsequent back-filling of the resulting Patrol vacancy budgeted for midyear. The cost of the new (sixth) Sergeant position is partially offset by salary savings resulting from attrition and the partial-year Patrol vacancy. Looking forward, the increase in staffing is expected to reduce overtime expenses. However, given the recent turnover and the need to send newly hired officers through the police academy before they are available to work, the reduction in overtime is not likely to be realized until FY2018.

Fire Department

As presented, the FY2017 Fire Department Budget reflects an increase of \$13,718, or 0.78% in the General Fund appropriation and maintains the current level of services. The departmental budget as presented does not include wage increases for union or non-union personnel, which have been budgeted centrally, pending successful contract



negotiations. During FY2016 a new Chief was hired and the Board of Selectmen's Ad Hoc Staffing Committee with its Consultant completed a comprehensive operational review and staffing analysis of the department. One key recommendation of the study is to move from a four to a five person shift configuration which would necessitate the hiring of three additional Firefighter/Paramedics. One position was authorized for hire during FY2016 and the FY2017 budget includes the hiring of another Firefighter/Paramedic midyear in FY2017, leaving just one more position to be added in subsequent years to reach the five person shift configuration that would improve firefighter safety and provide adequate coverage. The study also recommended hiring a future Deputy Fire Chief, resources permitting.

In addition to the General Fund appropriation of \$1,774,579 (which includes a transfer in of \$307,987 from the Fire Department Revolving Fund under Article 4 of the Town Meeting Warrant) the departmental budget also receives \$404,887 in planned expenses that are charged directly to the Fire Department Revolving Fund. The Fire Department Revolving Fund is supported primarily by fees for ambulance services.

The total FY2017 budget that supports the Fire/EMS services is \$2,179,466 (\$1,774,579 plus the Fire Department Revolving Fund direct charges of \$404,887). 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 FY2017 Building Department. However, during FY2017 the Department will fully realize the potential of new permitting software intended to allow greater ease of use and coordination as well as enhanced online features for the public. Overall, the departmental budgets for Building, Gas, Wiring and Sealer represent a slight decrease of \$2,214, although the budget does not reflect general wage increases for union and non-union personnel, as these are budgeted centrally pending successful contract settlements..

- **Health Department**

The Health Department budget as presented is an increase of \$7,485, or 4.1%. The majority of the increase is due to personnel costs associated with the hiring of a new Director. The budget also includes \$10,000 in 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. As with all General Fund budgets, the Health Department does not include any wage increases for union or non-union personnel, as these have been budgeted centrally pending successful contract negotiations.

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

	FY2014 ACTUAL	FY2015 ACTUAL	FY2016 BUDGETED	FY2016 SIX MONTHS	FY2017 PROPOSED	% CHANGE
PUBLIC WORKS						
Highway Admin.	\$93,823	\$99,330	\$156,216	\$48,164	\$161,634	3.47%
Hwy. Const. & Maint.	\$919,797	\$1,301,071	\$1,403,550	\$630,704	\$1,463,313	4.26%
Parks	\$101,754	\$127,077	\$111,600	\$46,018	\$128,000	14.70%
Cemetery	\$67,119	\$79,929	\$84,721	\$34,736	\$94,742	11.83%
Engineering	\$124,736	\$109,501	\$131,539	\$57,200	\$148,959	13.24%
Snow & Ice	\$514,320	\$559,852	\$346,200	\$64,033	\$346,200	0.00%
Street Lighting	\$100,484	\$104,121	\$110,854	\$52,436	\$114,000	2.84%
Trees	\$24,849	\$24,809	\$25,000	\$14,095	\$36,000	44.00%
Subtotal	\$1,946,881	\$2,405,689	\$2,369,680	\$947,386	\$2,492,848	5.20%

Overall, the Department of Public Works General Fund budget is up \$123,168 or 5.2%. The departmental budget as presented does not include wage increases for union or non-union personnel, which have been budgeted centrally pending successful contract negotiations. The major initiatives reflected in this budget increase include compliance with the USEPA Municipal Separate Storm Sewer System (MS4) Permit and continued funding of roadway maintenance and improvement projects. The MS4 permit is an unfunded Federal stormwater mandate that is scheduled for release in 2016. This mandate will require municipalities to protect water quality by reducing the discharge of pollutants into resource areas. Street sweeping and catch basin cleaning material disposal expenses are a substantial portion of the costs associated with compliance.

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

	FY2014 ACTUAL	FY2015 ACTUAL	FY2016 BUDGETED	FY2016 SIX MONTHS	FY2017 PROPOSED	% CHANGE
COMMUNITY SERVICES						
Senior Center/COA	\$226,258	\$233,044	\$251,633	\$131,182	\$258,039	2.55%
Library	\$694,573	\$749,388	\$739,778	\$354,702	\$758,964	2.59%
Recreation	\$126,601	\$131,756	\$137,366	\$66,603	\$138,049	0.50%
Family & Youth Services	\$120,764	\$107,873	\$140,012	\$61,417	\$138,867	-0.82%
Veterans' Services	\$40,358	\$31,384	\$59,797	\$17,012	\$60,253	0.76%
Cable TV	\$0	\$0	\$0	\$0	\$365,000	100.00%
Cultural Council	\$500	\$500	\$500	\$375	\$500	0.00%
Community Affairs Comm.	\$500	\$500	\$500	\$500	\$500	0.00%
Historical Committee	\$483	\$75	\$500	\$225	\$500	0.00%
Subtotal	\$1,210,036	\$1,254,519	\$1,330,086	\$632,016	\$1,720,672	29.37%

- **Senior Center/Council on Aging**

There are no significant changes for the FY2017 Senior Center budget. Overall, the Budget is up \$6,406, or 2.55% due to building maintenance costs. The departmental budget as presented does not include wage increases for union or non-union personnel, which have been budgeted centrally pending successful contract negotiations. As in previous years, \$13,417 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 and maintenance of the building.

- **Family and Youth Services Department**

The Department continues to seek grant funding to expand counseling services and relies on graduate-level student interns to help meet service demands. There are no significant changes in the FY2017 Family & Youth Services budget, which includes an overall decrease of \$1,145 due to personnel changes. The FY2017 budget as presented does not reflect wage increases for union and non-union employees as those expenses have been budgeted centrally pending contract settlements.



- **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% (\$15,993) of the overall administrative expenses in FY2017.² Ordinary benefits for qualifying veterans and their families remain level funded at \$39,760 based upon historic needs. 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, pending reimbursement.

- **Library**

Overall, the FY2017 Library Budget is up 2.59%, or \$19,186. The departmental budget as presented does not include wage increases for union or non-union personnel, which have been budgeted centrally pending successful contract negotiations. As part of the FY2017 budget a new 19 hour per week Library Assistant was added, along with a new 8 hour per week Library Page. As an off-set to the cost of the new part-time staff, reductions were made to the budget for temporary substitutes. The new, permanent part-time positions will enhance service continuity and coverage at the Library. An additional \$3,310 was also added to the books, supplies and non-print media budgets to keep the materials budget in line with State requirements. During FY2010 the Library reduced its hours on Monday mornings and Thursday evenings. The same schedule will continue during FY2017, with the Library open to the public 53 hours per week.

- **Recreation Department**

The FY2017 Recreation Department budget is financially self-sufficient by way of program fees. Salaries and benefits for the Recreation Director and Administrative Assistant are funded through the Revolving Account, as well as payroll for all part-time and seasonal staff. Article 4 of the 2016 Annual Town Meeting Warrant contains a transfer of \$138,049 from the Recreation Revolving Fund to the General Fund, which is sufficient to cover all departmental expenses not directly paid for through the 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 FY2017 health insurance budget request of \$5.1 million represents a total increase of \$148,472 or 3% from the amount budgeted last year. Plan design changes and the adoption of Chapter 32B, Section 18 in FY2010 limited budgetary impacts for seven consecutive years. 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. Unfortunately, market trends appear to indicate a return to higher health insurance increases, necessitating another round of plan design changes. To this end, the Town successfully negotiated higher copays and deductibles with all employee groups, effective July 1, 2016 (FY2017). The modifications largely mitigated the anticipated premium increases of 7-9%. Given the recent changes, the Town's health benefits remain affordable with an eight year average budget increase of only 2.57%. Should market trends continue in subsequent years, additional plan design modifications may be needed.

The second largest category of employee benefit costs after Health Insurance is Worcester Regional Retirement (WRR). The total FY2017 Worcester Regional Retirement Assessment is \$1,613,924, which is an increase of 8.66%. The \$1,531,756 portion included in the General Fund budget does not include the retirement costs contained in the Water Enterprise Fund (\$40,394), the Sewer Enterprise Fund (\$26,932) or the Cable Access TV (\$14,841). 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 \$34.9 million based on the actuarial study received at the close of FY2015 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. Another \$500,000 was transferred to the OPEB Trust Fund in FY2016. The funds have been invested with the state's Pension Reserves Investment Trust (PRIT) Fund. The PRIT Fund which contains \$57.9 billion as of February 29, 2016, 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 FY2017. Meanwhile, 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 FY2017 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 and rebate incentives the Town was able to hold insurance increases to a minimum for several years. However, given changing market conditions and the increased cost for police and fire coverage, the Town's Building and Liability insurance budget is anticipating a 5% increase in FY2017.

- **Debt Service**

The proposed FY2017 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 FY2017, the total Debt Service budget for the General Fund is \$3.03 million, an increase of \$435,710. This increase is necessary to provide for the second



and final permanent bonding for the Lincoln Street School addition/renovation project. The total amount financed for the Town's share of the \$25.5 million project was \$14.2 million, which added approximately \$1.14 million in total debt service over FY2016 and FY2017.

One key factor in limiting the increase in new FY2017 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 Section 9 of this budget document.

Of significant note is that in conjunction with the bond issuances for the Lincoln Street School project, Moody's Investors Service upgraded the Town's bond rating from Aa2 to Aa1, which is Northborough's highest rating ever. During the review Moody's cited the Town's manageable debt levels, strong reserves, below average pension liabilities and its ongoing funding of OPEB liabilities as positive factors. With regard to management they commented that *"the Town has a strong management team evidenced by a multi-year trend of conservative budgeting guided by formal fiscal policies."* The independent assessment illustrates how our planning efforts and fiscal discipline produce very real and tangible results—lower rates on bonds resulting in less tax dollars going to pay for interest.

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 FY2017 State Assessments are projected to increase \$44,798 or 16.40%, based on the Governor's initial budget and FY2016 actuals. 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, 2015, the balance in the Stabilization Fund is \$3.91 million. Historically the 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 and augmented with additional funding for a total contribution of \$200,000. The FY2017 budget provides for another contribution to the Stabilization Fund of \$200,000. 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 level of reserves can be found in Appendix B, pages 9 and 10.

**• 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 approval of the Appropriations Committee. Historically the fund has contained approximately \$118,500 at the start of the budget year. In recent fiscal years the fund had been significantly less due to financial constraints, specifically \$75,000 in FY2010 and \$80,000 in FY2011. In FY2012, the Board of Selectmen adopted a Free Cash Policy and identified the Reserve Fund as an appropriate use of Free Cash. Beginning in FY2012 the Reserve Fund was appropriated from Free Cash as a separate Warrant Article at Town Meeting. The Reserve Fund amount was level funded from FY2012, FY2013, FY2014 and FY2015 at \$150,000. In FY2016, to meet the increasing need, the budget provided for an appropriation in the Reserve Fund of \$175,000. The appropriation to the Reserve Fund remains funded at \$175,000 in FY2017. Most commonly, the Reserve Fund account has been used to make up for any 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 and bond proceeds. In FY2017, these warrant articles include \$175,000 for the Reserve Fund from Free Cash, \$200,000 to the Stabilization Fund from Free Cash, funding the FY2017 Capital Budget with \$1,813,460 from Free Cash, \$1,027,000 to be borrowed for the Church Street Culvert (bridge) project with the debt service paid by the General Fund, \$29,540 in repurposed bonds to be transferred from the completed Colburn Street remediation project to the Church Street Culvert project, \$170,000 for Departmental Equipment from Water/Sewer Enterprise Funds Free Cash, \$500,000 to be borrowed for a Sewer Inflow & Infiltration (I&I) Study with the debt service to be paid by the Sewer Enterprise Fund and \$20,000 for the use of the 250th Town Anniversary Committee from Free Cash. The Capital Budget totals \$3,560,000, and together with the others articles the total of the warrant articles comes to \$3,935,000.

The FY2017 Town Meeting Warrant Articles include the following:

- \$175,000 for the Appropriation Committee's Reserve Fund
- \$200,000 for the Stabilization Fund
- \$85,000 for Police Cruiser Replacement
- \$90,000 for Police Station Roof
- \$2,000,000 for Church Street Culvert Replacement
- \$215,000 for DPW Six Wheel Dump Truck
- \$300,000 for Roadway Maintenance and Improvements
- \$180,000 for DPW Sidewalk Machine
- \$500,000 for Sewer Inflow & Infiltration Study



- \$75,000 for Water Division Valve Maintenance Trailer
- \$95,000 for Water/Sewer Division One Ton Dump Truck with Plow
- \$20,000 for the 250th Town Anniversary Committee

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 FY2017. Therefore, the FY2017 amount available for the Northborough K-8 School department is \$22,719,843. This represents an increase of \$768,304 from the \$21,951,539 appropriated last year. As of October 1, 2015, a total of 1,758 students attend the Northborough schools, with 1,098 students in grades K-5 at the four elementary schools and 660 students in grades 6-8 at the Middle School.

• **Algonquin Regional High School**

As of October 1, 2015, a total of 855 Northborough students attend the Northborough-Southborough Regional High School. This represents 58.84% of the total 1,458 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 FY2017 the ARHS operating Assessment increases \$656,800 or 6.97% to \$10,078,475 and the debt assessment remains relatively flat at \$661,206. Although the ARHS budget is only increasing by 3.8%, Northborough's share is increasing disproportionately primarily due to increased enrollment.

• **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 FY2017 budget is \$19,610,000 which is a \$565,000 or 2.97% increase.

A \$62.4 million building renovation project was previously approved by all of the member communities and the Massachusetts School Building Authority voted to fund 53.48% of the project. Construction began in the summer of 2013 and is now complete. Northborough's share of the debt assessment is at the peak in FY2017 at \$192,135 and is structured to decline in subsequent years.

As of October 1, 2015, 45 Northborough students attend Assabet Valley, which represents 5.93% of the FY2017 Assabet budget, or an operating assessment of \$688,313. This is an enrollment decrease of 13 from the 58 Northborough students that attended Assabet Valley last year. The total FY2017 assessment, including the



\$192,135 in debt service is \$880,448, which is an overall decrease of \$2,989 from FY2016.

• **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, one student enrolled in FY2016. Two Northborough students are expected to attend this school in FY2017 at a total estimated cost of \$95,188.

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 FY2017 Water Enterprise Fund is budgeted at \$2,251,473 which is an increase of \$21,145 or 0.9%. This slight increase is due primarily to the increased assessment from the Massachusetts Water Resource Authority (MWRA) based on the Town's water usage⁴.

The FY2017 Sewer Enterprise Fund is budgeted at \$1,718,422 which is an increase of \$59,480 or 3.6%. This increase is due mostly to the increase in funding for the Marlborough Use Charge.

The critical issue facing the DPW Sewer Enterprise Fund continues to be the acquisition of the NPDES permit modifications necessary for additional capacity at the Marlborough Westerly Wastewater Treatment Facility. With construction completed, we continue to plan for both the additional capacity as well as the significant sewer rate impact for Northborough's share of this \$30 million expansion project. In the second quarter of FY2014 and again in the second quarter of FY2016, the sewer rates were increased by 20%.

In FY2017, sewer utility rates are scheduled to increase by another 20%. Our current estimate is that sewer rates will continue to rise in coming years in order to finance the Marlborough Westerly Wastewater Treatment Facility project.

	FY2016 Budget	FY2017 Budget	% Change
Water Enterprise Fund	\$2,230,328	\$2,251,473	0.9%
Sewer Enterprise Fund	\$1,658,942	\$1,718,422	3.6%

⁴ MWRA is the Massachusetts Water Resources Authority. It is a public authority established by an enabling act enacted in 1984. The enabling act is Chapter 372 of the Acts of 1984. MWRA is an independent authority that provides wholesale water and sewer services to its customer communities, and funds its operations primarily through user assessments and charges. The MWRA was created by the legislature in 1984 and inherited operations and facilities beginning in 1985 from the Metropolitan District Commission, a century-old department of state government.



Expenditure Summary

Section 1-27

• **Solid Waste Fund**

By policy design, the Solid Waste Enterprise Fund does not generate sufficient revenue to cover all its expenses and is augmented with a subsidy by the General Fund. Total FY2017 fee revenues are estimated to be \$488,000 and the FY2017 expenses are estimated to be \$768,350, leaving a projected subsidy of \$217,160 with a transfer from the Solid Waste Fund Free Cash of \$63,190.

During FY2016 the Town successfully concluded negotiations with its existing solid waste hauler for a three year successor contract resulting in no increase for FY2017 and just a 2% increase in fiscal years 2018 and 2019, which is an annual increase of just 1.33% over the three year contract. Given the favorable contract renewal, the Town will be able maintain the current pay-as-you-throw program without increasing existing bag fees or the General Fund subsidy.

	FY2016 Budget	FY2017 Budget	% Change
Solid Waste Enterprise Fund	\$767,000	\$768,350	0.18%



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