

Budget Summaries

Section 1

Section 1-2

Balanced Budget

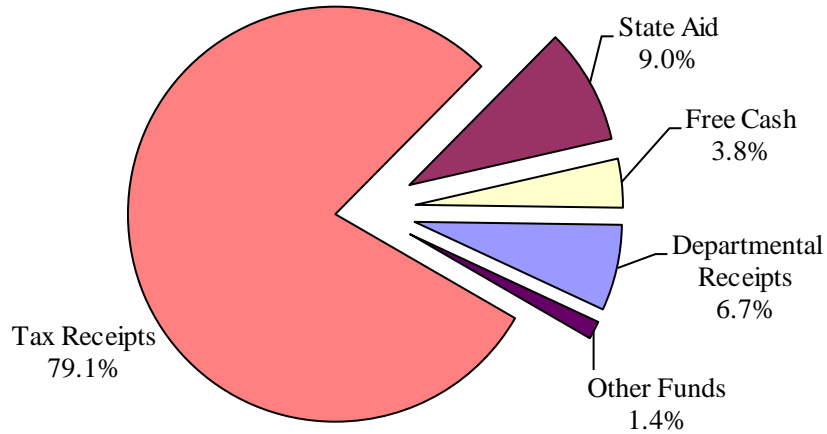


Table 1

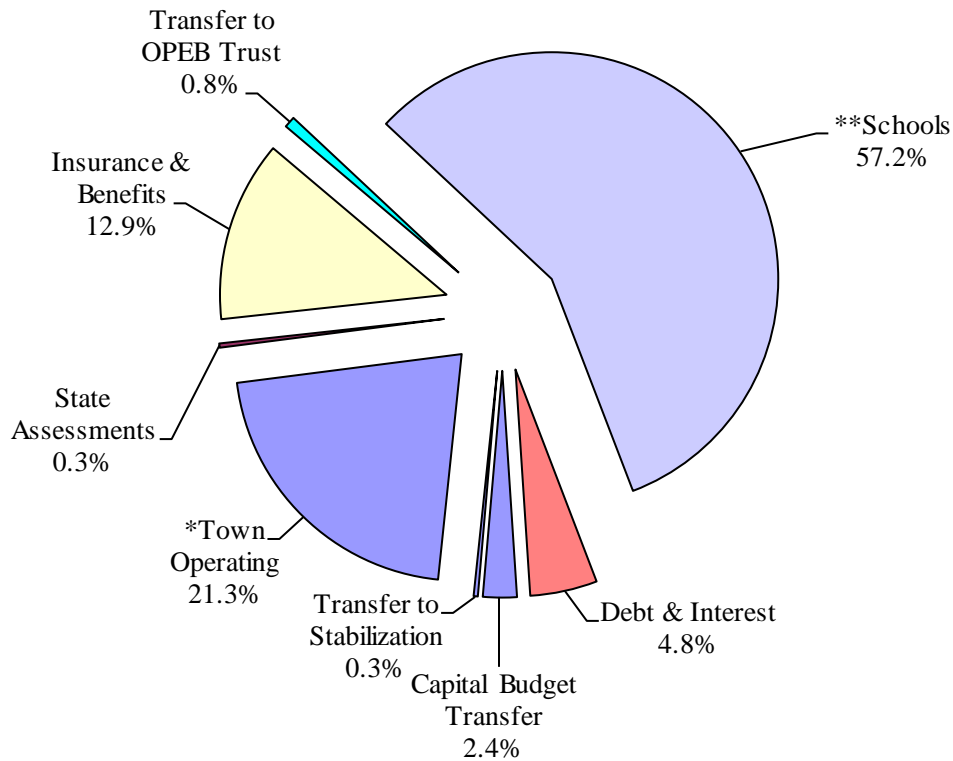
TOWN OF NORTHBOROUGH					
REVENUE & EXPENDITURE SUMMARY FISCAL YEARS 2016--2018					
LEVY LIMIT CALCULATION	FY2016	PROPOSED FY2017	REVISED FY2017	PROPOSED FY2018	% CHANGE
Prior Year Levy Limit	\$43,891,045	\$45,517,841	\$45,517,841	\$47,349,942	
Add 2.5%	\$1,097,276	\$1,137,946	\$1,137,946	\$1,183,749	
Add New Growth	\$529,520	\$515,100	\$694,155	\$521,700	
Add Overrides	\$0	\$0	\$0	\$0	
True LEVY LIMIT	\$45,517,841	\$47,170,887	\$47,349,942	\$49,055,391	
Add Debt Excl - Zeh School	\$61,467	\$41,876	\$41,874	\$7,311	
Add Debt Excl - Colburn St.	\$13,746	\$9,245	\$6,406	\$6,990	
Add Debt Excl - Library	\$398,725	\$391,393	\$391,393	\$383,394	
Add Debt Excl - Senior Center	\$428,507	\$418,167	\$418,167	\$407,828	
Add Debt Excl - Algonquin	\$656,493	\$661,206	\$661,206	\$660,574	
Less Debt Excl -Settlement	(\$213,831)	(\$212,000)	(\$215,948)	(\$212,000)	
Add Debt Excl - Lincoln Street	\$563,200	\$1,032,956	\$1,032,891	\$1,123,925	
Adjusted LEVY LIMIT	\$47,426,148	\$49,513,730	\$49,685,931	\$51,433,413	
REVENUES					
Adjusted LEVY LIMIT	\$47,426,148	\$49,513,730	\$49,685,931	\$51,433,413	
Less Unused Levy Limit	(\$2,357,248)	(\$2,121,732)	(\$2,811,939)	(\$2,498,560)	
Total Tax Receipts	\$45,068,900	\$47,391,998	\$46,873,992	\$48,934,853	4.40%
State Aid	\$4,995,353	\$5,072,074	\$5,135,689	\$5,218,149	1.61%
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)	\$2,589,000	\$2,208,460	\$2,208,460	\$1,872,000	-15.24%
Departmental Receipts	\$3,595,592	\$3,745,000	\$3,768,000	\$3,768,000	0.00%
Meals/Rooms Tax	\$300,000	\$350,000	\$400,000	\$400,000	0.00%
Other Funds	\$534,058	\$1,008,581	\$1,008,581	\$880,367	-12.71%
TOTAL GENERAL FUND REVENUES	\$57,965,446	\$60,658,656	\$60,277,265	\$61,955,912	2.78%
Water/Sewer Enterprise Funds	\$3,889,270	\$3,969,895	\$3,969,895	\$4,487,409	13.04%
Solid Waste Enterprise Fund	\$767,000	\$768,350	\$768,350	\$792,830	3.19%
TOTAL REVENUES	\$62,621,716	\$65,396,901	\$65,015,510	\$67,236,151	3.42%
EXPENDITURES					
Town	\$19,456,306	\$20,137,277	\$20,137,277	\$20,902,493	3.80%
Schools					
Northborough K-8	\$21,951,539	\$22,719,843	\$22,719,843	\$23,445,017	3.19%
Algonquin 9-12	\$9,421,675	\$10,078,475	\$10,071,650	\$10,414,869	3.41%
HS Debt Exclusion	\$656,493	\$661,206	\$661,206	\$660,574	-0.10%
Warrant Articles					
Reserve Fund	\$175,000	\$175,000	\$175,000	\$175,000	
Capital / Other Articles	\$2,214,000	\$1,833,460	\$1,833,460	\$1,497,000	
Transfer to Stabilization	\$200,000	\$200,000	\$200,000	\$200,000	
Assabet	\$868,431	\$688,313	\$688,313	\$741,661	7.75%
Assabet Renovation Project	\$15,006	\$192,135	\$192,135	\$151,232	-21.29%
Transfer to OPEB Trust	\$500,000	\$500,000	\$500,000	\$500,000	
Zeh School Debt Service	\$444,010	\$424,419	\$424,416	\$389,854	
Colburn Street Debt Service	\$71,473	\$69,245	\$69,245	\$66,990	
Library Debt Service	\$399,395	\$392,025	\$392,025	\$383,985	
Senior Center Debt Service	\$445,395	\$433,795	\$433,795	\$422,195	
Lincoln Street Debt Service	\$675,000	\$1,144,882	\$1,144,882	\$1,124,675	
Other Funds	\$534,058	\$1,008,581	\$1,008,581	\$880,367	
Adjustments	(\$62,335)		(\$374,563)		
TOTAL GENERAL FUND EXPENDITURES	\$57,965,446	\$60,658,656	\$60,277,265	\$61,955,912	2.78%
Water Enterprise Fund	\$2,230,328	\$2,251,473	\$2,251,473	\$2,436,381	8.21%
Sewer Enterprise Fund	\$1,658,942	\$1,718,422	\$1,718,422	\$2,051,028	19.36%
Solid Waste Enterprise Fund	\$767,000	\$768,350	\$768,350	\$792,830	3.19%
TOTAL ALL FUNDS	\$62,621,716	\$65,396,901	\$65,015,510	\$67,236,151	3.42%



Fiscal Year 2018 Revenue Sources



Fiscal Year 2018 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 FY2021; 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 FY2018 by approximately \$2.06 million, to \$48.93 million. This increase includes the 2.5% increase of \$1,183,749, a slight increase of \$521,700 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	FY2017	FY2018	% CHANGE
Prior Year Levy Limit	\$45,517,841	\$47,349,942	
Add 2.5%	\$1,137,946	\$1,183,749	
Add New Growth	\$694,155	\$521,700	
Add Overrides	\$0	\$0	
True LEVY LIMIT	\$47,349,942	\$49,055,391	
Add Net Debt Exclusions	\$2,335,989	\$2,378,022	
Adjusted LEVY LIMIT	\$49,685,931	\$51,433,413	
REVENUES			
Adjusted LEVY LIMIT	\$49,685,931	\$51,433,413	
Less Unused Levy Limit	(\$2,811,939)	(\$2,498,560)	
Total Tax Receipts	\$46,873,992	\$48,934,853	4.40%



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 1.6% to \$5.2 million. The estimate is based upon the Governor's FY2018 Budget which was released on January 25, 2017.

Despite State revenue projections expected to grow by 3.9% next fiscal year, the Massachusetts Taxpayers Foundation (MTF) estimates the State still faces a structural deficit of more than \$800 million in FY2018, due to overly optimistic revenue projections. 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 budget appears to be a reasonable approach at this time.

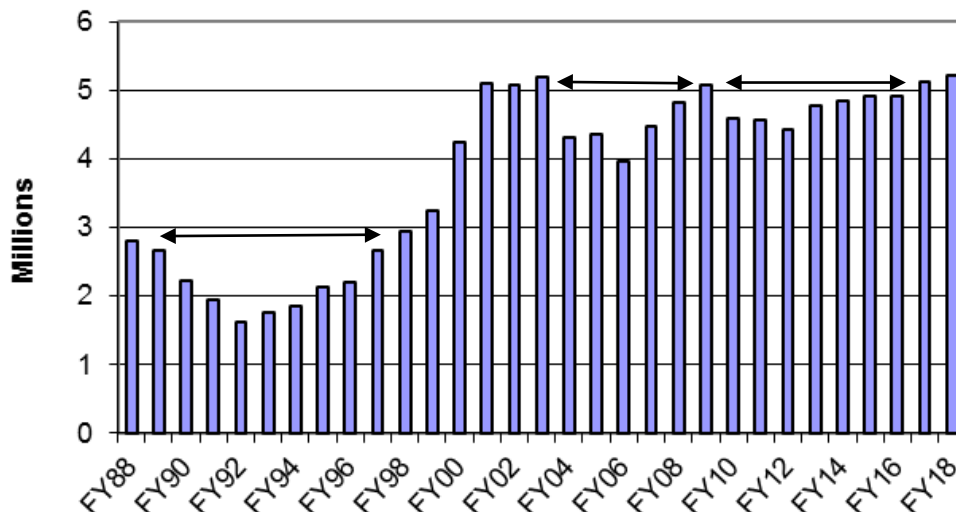
It is important to note that State Aid as a percentage of the budget has decreased from a high of 13% in FY2003 to just 9% in FY2018. Northborough is only now receiving State Aid at levels comparable to FY2003; however, that is in nominal dollars and does not take into consideration the effect of inflation over those 15 years.

Table 3: State Aid in Millions

FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18*
4.57	4.44	4.78	4.84	4.9	4.9	5.1	5.2

*Estimated

Northborough State Aid FY1988-2018





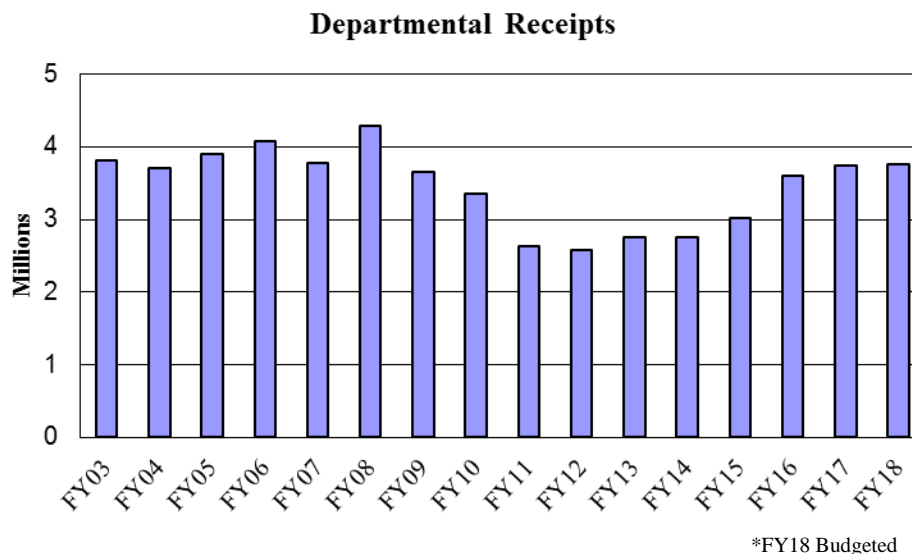
Revenue Summary

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Looking ahead to FY2018, 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 FY2018 budget. In this manner, any State Aid actually received above current estimates can only be used to reduce local taxes in FY2018.

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 FY2018 are level funded at \$3.7 million. 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.

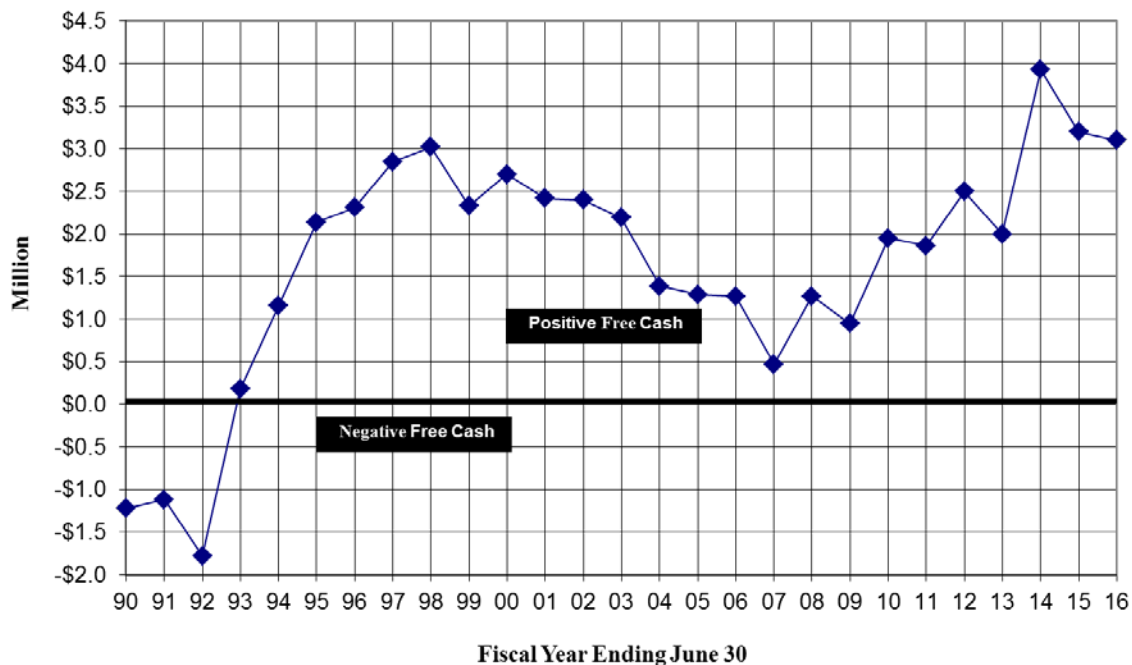


Available Funds (including Free Cash)

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, 2016 was certified at \$3,104,766.

By far the single largest source of Available Funds is Free Cash. In FY2018, 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 FY1990-2016



*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 FY2018.



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 FY2018 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, \$308,742 from the Fire/EMS Revolving Account, \$161,259 from the Recreation Revolving Account, \$9,659 from the Medicare Part D Subsidy, and \$27,000 from the Animal Control Revolving Account.

For the second year, there will be a transfer in the amount of \$325,300 from the Cable Access Account to the special revenue fund for the PEG Access and Cable Related Fund, in accordance with recent requirements promulgated by the State Department of revenue.

In addition, there will be a transfer of \$15,707 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 FY2018 debt service for the Title V Septic program.

In addition to Free Cash, these "Other" revenue sources total \$880,367 and will be used to off-set the municipal budgets as shown in Article 4 of the 2017 Annual Town Meeting Warrant.



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Expenditure Summary

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FY2018 EXPENDITURE SUMMARY

Following is a summary of the Town's General Government Budget (non-school), which details the 3.8% increase allowable under current revenue projections.

Department	FY2017 Budget	FY2018 Proposed Budget	\$ Change	% Change
GENERAL ADMINISTRATION				
<u>EXECUTIVE OFFICE</u>				
Selectmen	161,580	164,985	3,405	2.11%
Administrator	253,900	261,147	7,247	2.85%
Economic Development	1,300	1,300	-	0.00%
Town Reports	4,700	4,700	-	0.00%
<u>PUBLIC BUILDINGS</u>				
Town Hall/Public Bldgs.	502,906	502,906	-	0.00%
<u>FINANCE</u>				
Treasurer	315,387	324,320	8,933	2.83%
Board of Assessors	273,044	281,525	8,481	3.11%
Town Accountant	153,369	157,022	3,653	2.38%
<u>MIS/GIS</u>				
MIS/GIS	477,792	497,482	19,690	4.12%
<u>TOWN/CLERKS OFFICE</u>				
Town Clerk	132,354	132,105	(249)	-0.19%
Election/Registration	42,379	23,526	(18,853)	-44.49%
<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	142,165	89,950	(52,215)	-36.73%
<u>PLANNING & CONSERVATION</u>				
Conservation Commission	47,569	47,834	265	0.56%
Planning Board	165,466	168,641	3,175	1.92%
Zoning Board	5,011	5,106	95	1.90%
Earthwork Board	1,433	1,484	51	3.56%
PUBLIC SAFETY				
Police	2,562,246	2,638,724	76,478	2.98%
Fire	1,826,033	1,917,252	91,219	5.00%
Emergency Preparedness	7,000	7,000	-	0.00%
Building	171,716	171,428	(288)	-0.17%
Gas Inspector	11,807	12,016	209	1.77%
Wire Inspector	21,200	21,506	306	1.44%
Sealer of Weights	8,000	8,000	-	0.00%
Board of Health	194,230	194,853	623	0.32%
Animal Control	39,915	40,305	390	0.98%
PUBLIC WORKS				
Highway Admin.	162,813	157,409	(5,404)	-3.32%
Hwy. Const. & Maint.	1,479,170	1,516,003	36,833	2.49%
Parks	128,000	130,400	2,400	1.88%
Cemetery	94,742	96,652	1,910	2.02%
Engineering	151,070	152,157	1,087	0.72%
Snow & Ice	346,200	387,000	40,800	11.79%
Street Lighting	114,000	114,000	-	0.00%
Trees	36,000	41,000	5,000	13.89%
COMMUNITY SERVICES				
Council on Aging	262,812	271,428	8,616	3.28%
Library	767,691	809,673	41,982	5.47%
Recreation	141,053	145,259	4,206	2.98%
Youth Services	141,757	145,239	3,482	2.46%
Veterans Services	60,253	78,635	18,382	30.51%
Cable TV	365,000	325,300	(39,700)	-10.88%
Cultural Council	500	500	-	0.00%
Community Affairs Committee	500	500	-	0.00%
Historical Commission	500	500	-	0.00%

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Expenditure Summary



Department	FY2017 Budget	FY2018 Proposed Budget	\$ Change	% Change
UNDISTRIBUTED EXPENSES				
<u>EMPLOYEE BENEFITS & INSURANCE</u>				
Health Insurance	5,097,510	5,522,354	424,844	8.33%
Transfer to OPEB Trust	500,000	500,000	-	0.00%
Life Insurance	8,730	8,776	46	0.53%
Other Benefits/FICA	432,727	441,693	8,966	2.07%
Workers Comp	119,497	145,878	26,381	22.08%
Retirement Assessments	1,531,756	1,612,608	80,852	5.28%
<u>BUILDING & LIABILITY INSURANCE</u>				
Bldg. & Liability Insur.	248,927	256,395	7,468	3.00%
<u>DEBT SERVICE</u>				
Debt Service	3,034,131	2,959,080	(75,051)	-2.47%
<u>STATE ASSESSMENTS</u>				
State Assessments	199,758	188,000	(11,758)	-5.89%
<u>NORFOLK AGRICULTURAL HIGH SCHOOL</u>				
Tuition/Transportation	95,188	50,000	(45,188)	-47.47%
<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	1,833,460	1,497,000	(336,460)	-18.35%
Other Financing Uses	217,160	217,160	-	0.00%
OTHER NON-APPROPRIATED AMOUNTS				
Reserve for Abatements	366,912	612,089	245,177	66.82%
Offsets	21,604	22,559	955	4.42%
ENTERPRISE FUNDS				
Water	2,251,473	2,436,381	184,908	8.21%
Sewer	1,718,422	2,051,028	332,606	19.36%
Solid Waste	768,350	792,830	24,480	3.19%
GROSS TOTAL TOWN	30,682,363	31,822,798	1,140,435	3.72%
CALCULATION OF NET TOTAL TOWN				
Less Water Fund	(2,251,473)	(2,436,381)		
Less Sewer Fund	(1,718,422)	(2,051,028)		
Less Solid Waste	(768,350)	(792,830)		
Less Other Funds	(1,008,581)	(880,367)		
Less Recap Adjustments	374,563			
Less Debt Exclusion	(2,464,363)	(2,387,699)		
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	(1,833,460)	(1,497,000)		
NET TOTAL TOWN	\$20,137,277	20,902,493		3.80%
CALCULATION OF TOWN APPROPRIATION				
GROSS TOTAL TOWN	30,682,363	31,822,798		
Less County Assessments	(1,531,756)	(1,612,608)		
Less State Assessments	(199,758)	(188,000)		
Less Reserve for Abatements	(366,912)	(612,089)		
Less Offsets	(21,604)	(22,559)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Stabilization Transfer Article	(200,000)	(200,000)		
Less Special Articles	(1,833,460)	(1,497,000)		
Less Other Financing Use	(217,160)	(217,160)		
Less Enterprise Funds	(4,738,245)	(5,280,239)		
Net Town Warrant Article 4	\$21,398,468	22,018,143		



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

	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 BUDGETED	FY2017 SIX MONTHS	FY2018 PROPOSED	% CHANGE
<u>EXECUTIVE OFFICE</u>						
Selectmen	\$123,051	\$125,422	\$161,580	\$85,587	\$164,985	2.11%
Administrator	\$231,279	\$239,004	\$253,900	\$119,929	\$261,147	2.85%
Economic Development	\$0	\$340	\$1,300	\$340	\$1,300	0.00%
Town Reports	\$4,411	\$3,741	\$4,700	\$0	\$4,700	0.00%
Subtotal	\$358,741	\$368,507	\$421,480	\$205,856	\$432,132	2.53%
<u>PUBLIC BUILDINGS</u>						
	\$391,011	\$348,723	\$502,906	\$105,670	\$502,906	0.00%
Subtotal	\$391,011	\$348,723	\$502,906	\$105,670	\$502,906	0.00%
<u>FINANCE</u>						
Treasurer	\$295,569	\$306,660	\$315,387	\$147,117	\$324,320	2.83%
Board of Assessors	\$240,315	\$244,166	\$273,044	\$121,538	\$281,525	3.11%
Town Accountant	\$139,727	\$148,191	\$153,369	\$72,763	\$157,022	2.38%
Subtotal	\$675,610	\$699,017	\$741,800	\$341,418	\$762,867	2.84%
<u>MIS/GIS</u>						
	\$339,444	\$351,330	\$477,792	\$167,757	\$497,482	4.12%
Subtotal	\$339,444	\$351,330	\$477,792	\$167,757	\$497,482	4.12%
<u>TOWN CLERKS OFFICE</u>						
Town Clerk	\$129,647	\$133,495	\$132,354	\$58,530	\$132,105	-0.19%
Elections/Registration	\$32,624	\$24,168	\$42,379	\$16,546	\$23,526	-44.49%
Subtotal	\$162,271	\$157,663	\$174,733	\$75,076	\$155,631	-10.93%
<u>ADVISORY BOARDS/SERVICES</u>						
Moderator	\$200	\$200	\$500	\$0	\$500	0.00%
Appropriations Committee	\$375	\$382	\$1,695	\$204	\$1,695	0.00%
Personnel Board	\$4,133	\$7,681	\$142,165	\$2,469	\$89,950	-36.73%
Town Counsel	\$35,017	\$30,314	\$85,000	\$31,961	\$85,000	0.00%
Subtotal	\$39,724	\$38,577	\$229,360	\$34,633	\$177,145	-22.77%
<u>PLANNING AND CONSERVATION</u>						
Town Planner/Planning Bd	\$149,079	\$153,593	\$165,466	\$77,021	\$168,641	1.92%
Zoning Board of Appeals	\$2,297	\$1,893	\$5,011	\$602	\$5,106	1.90%
Earthworks	\$119	\$778	\$1,433	\$248	\$1,484	3.56%
Conservation Commission	\$37,888	\$40,513	\$47,569	\$17,373	\$47,834	0.56%
Subtotal	\$189,384	\$196,777	\$219,479	\$95,243	\$223,065	1.63%



Section 1-14

Expenditure Summary

In FY2018 General Administration is budgeted at \$2.75 million, which is an overall decrease of 0.59%. The decrease is primarily attributable to the central budgeting of costs associated with outstanding union contracts in FY2017. The FY2018 budget reflects the costs of all union and non-union personnel cost of living (COLA) increases in the actual departmental budgets. All collective bargaining contracts are settled for FY2018 and include a 2% COLA increase for Police Patrol Officers, Police Sergeants, Public Safety Dispatchers, Firefighters and the Northborough Municipal Employees Association. Non-union personnel are also budgeted at a 2% COLA.

Following are the key changes of significance for the General Government Departments:

- **Executive Office**

There are no significant changes contained in the Executive Office budget. Overall, the budget is increasing \$10,652 or 2.53% in FY2018, which reflects a 2% general wage increase for all personnel.

- **Public Buildings**

The Public Building Account is level funded in FY2018. The budget continues to support the completion of ongoing minor building repairs and maintenance projects that do not meet the minimum \$25,000 threshold for inclusion in the Capital Improvement Plan. The budget as presented includes a 2% wage increase for the part-time custodian position.

- **Finance Department**

There are no significant changes in the Finance Department. Overall, the department's FY2018 budget increases \$21,067 or 2.84% primarily due to general wage increases of 2% for union and non-union employees.

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

The MIS/GIS budget is increasing by \$19,690, or 4.12%. The bulk of the increase is attributable to the phased replacement of the Town's main computer servers and storage system, which will be 6-7 years old at the time of replacement. The FY2018 budget reflects a 2% wage increase for the two non-union personnel.

- **Town Clerk/Elections**

The combined FY2018 Town Clerk/Elections budget represents an overall decrease of \$19,102, or 10.93%. The decrease is due primarily to only one election (Annual Town Election on May 8, 2018) being held in FY2018 as opposed to the three held in FY2017. The departmental budget as presented contains a 2% wage increase for union and non-union personnel.

- **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 course of the fiscal year, funds



are transferred out as appropriate and reflected in the departmental budgets, such as following a settled labor contract. During FY2017 this account contained all wage increases for General Government (non-school) union and non-union employees, pending contract settlements. The FY2018 budget is significantly reduced as all general wage increases are now reflected in the appropriate departmental budgets.

➤ **Town Counsel**

The budget for Town Counsel is level funded at \$85,000. Town Counsel 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 building projects or Water & Sewer Enterprise Funds are reflected in those budgets.

• **Planning and Conservation**

There are no significant changes relative to Planning and Conservation. Overall, the various Planning and Conservation budgets are up just \$3,586, or 1.63%. The FY2018 budget reflects a 2% wage increase for all union and non-union personnel.

**Public Safety**

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

Public Safety Summary

	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 BUDGETED	FY2017 SIX MONTHS	FY2018 PROPOSED	% CHANGE
<u>PUBLIC SAFETY</u>						
Police	\$2,411,772	\$2,409,636	\$2,562,246	\$1,186,555	\$2,638,724	2.98%
Fire	\$1,696,537	\$1,672,080	\$1,826,033	\$919,024	\$1,917,252	5.00%
Emergency Preparedness	\$7,928	\$583	\$7,000	\$0	\$7,000	0.00%
Building Inspection	\$143,856	\$148,264	\$171,716	\$72,275	\$171,428	-0.17%
Gas Inspector	\$11,134	\$11,423	\$11,807	\$5,918	\$12,016	1.77%
Wiring Inspector	\$18,921	\$20,352	\$21,200	\$8,799	\$21,506	1.44%
Sealer Weights/Measures	\$3,500	\$5,000	\$8,000	\$0	\$8,000	0.00%
Health/Plumbing Inspector	\$161,365	\$159,154	\$194,230	\$88,178	\$194,853	0.32%
Animal Control	\$38,810	\$38,743	\$39,915	\$19,505	\$40,305	0.98%
Subtotal	\$4,493,822	\$4,465,235	\$4,842,147	\$2,300,254	\$5,011,084	3.49%

- **Police Department**

Overall, the FY2018 Police Department Budget reflects an increase of \$76,478 or 2.98%. The departmental budget as presented includes contractual wage increases for Union and Non-Union personnel, as well as a full year's salary for the mid-year position added in FY2017 as part of the staffing study recommendation. 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 FY2019.

- **Fire Department**

As presented, the FY2018 Fire Department Budget reflects an increase of \$91,219 or 5% in the General Fund appropriation. The increase reflects general wage increases of 2% for Union and non-union personnel and the addition of one new Firefighter/Paramedic position halfway through the fiscal year. Approximately \$55,000 of the proposed increase is related to the increase in staffing.

During FY2016 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 was to move from a four to a five person shift configuration, which at the time, necessitated the hiring of three additional Firefighter/Paramedics. Two out of the three recommend hires were completed in



FY2016 and FY2017, with the final position proposed to be filled in the second half of FY2018. Once complete, the new staffing configuration will result in improved Firefighter safety and emergency response. The final staffing recommendation from the study is to hire a Deputy Fire Chief at some point in the future, resources permitting. In preparation for that time, a new position classification and job description is being created.

In addition to the General Fund appropriation of \$1,917,252 (which includes a transfer in of \$308,742 from the Fire Department Revolving Fund under Article 4 of the Town Meeting Warrant) the departmental budget also includes \$407,734 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 FY2018 budget that supports the Fire/EMS services is \$2,324,986 (\$1,917,252 plus the Fire Department Revolving Fund direct charges of \$407,734). 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 FY2018 Building Department. However the Department recently implemented new permitting software that allows 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 modest increase of just \$227.

- **Health Department**

The Health Department budget as presented is an increase of just \$623, which is basically level funded. As with all General Fund budgets, the Health Department includes a 2% general wage increase for personnel. However, the general wage increase is being offset by lower costs associated with the hiring of a new administrative assistant. As in past years, 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.

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

	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 BUDGETED	FY2017 SIX MONTHS	FY2018 PROPOSED	% CHANGE
PUBLIC WORKS						
Highway Admin.	\$99,330	\$129,909	\$162,813	\$57,573	\$157,409	-3.32%
Hwy. Const. & Maint.	\$1,301,071	\$1,191,519	\$1,479,170	\$626,590	\$1,516,003	2.49%
Parks	\$127,077	\$106,360	\$128,000	\$56,459	\$130,400	1.88%
Cemetery	\$79,929	\$73,430	\$94,742	\$39,213	\$96,652	2.02%
Engineering	\$109,501	\$112,334	\$151,070	\$57,312	\$152,157	0.72%
Snow & Ice	\$559,852	\$321,205	\$346,200	\$84,588	\$387,000	11.79%
Street Lighting	\$104,121	\$110,854	\$114,000	\$37,785	\$114,000	0.00%
Trees	\$24,809	\$24,528	\$36,000	\$15,623	\$41,000	13.89%
Subtotal	\$2,405,689	\$2,070,139	\$2,511,995	\$975,142	\$2,594,621	3.29%

Overall, the Department of Public Works General Fund budget is up \$82,626 or 3.29%. The majority of the increase is due to a \$40,800 increase in funding for snow and ice to better reflect actual historic spending. The FY2018 budget also includes a 2% general wage increase for all contractual and non-union personnel. The major department initiatives supported by the General Fund address safety and environmental compliance and improvements. These include mandated safety inspections of the new fuel island and fire alarm systems, development and implementation of the required DPW facility Spill Prevention, Control, and Countermeasures Plan, and compliant removal and disposal of street sweeping and catch basin debris.

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

	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 BUDGETED	FY2017 SIX MONTHS	FY2018 PROPOSED	% CHANGE
COMMUNITY SERVICES						
Senior Center/COA	\$233,044	\$251,633	\$262,812	\$140,371	\$271,428	3.28%
Library	\$749,388	\$737,049	\$767,691	\$369,401	\$809,673	5.47%
Recreation	\$131,756	\$137,151	\$141,053	\$67,714	\$145,259	2.98%
Family & Youth Services	\$107,873	\$131,848	\$141,757	\$64,122	\$145,239	2.46%
Veterans' Services	\$31,384	\$47,666	\$60,253	\$24,428	\$78,635	30.51%
Cable TV	\$0	\$0	\$365,000	\$114,142	\$325,300	-10.88%
Cultural Council	\$500	\$500	\$500	\$80	\$500	0.00%
Community Affairs Comm.	\$500	\$500	\$500	\$500	\$500	0.00%
Historical Committee	\$75	\$225	\$500	\$0	\$500	0.00%
Subtotal	\$1,254,519	\$1,306,572	\$1,740,066	\$780,758	\$1,777,034	2.12%

- **Senior Center/Council on Aging**

There are no significant changes for the FY2018 Senior Center budget. Overall, the departmental budget is up 3.28%, or \$8,616 which includes a \$3,000 increase for building maintenance costs. The departmental budget as presented includes 2% wage increases for Union and non-union personnel. As in previous years, \$11,259 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 FY2018 Family & Youth Services budget, which is up \$3,482, or 2.46%. The budget as presented includes a 2% wage increases for union and non-union employees.



- **Veterans' Services**

Since the formation of the Central Massachusetts Veterans' District in FY2014 with the Towns of Grafton, Shrewsbury and Westborough, Northborough's share of the District budget has remained stable at 16% (\$17,135) of the overall administrative expenses in FY2018. However, ordinary benefits for qualifying veterans and their families increased from \$39,760 to \$57,000 in FY2018 based upon projected 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. Overall, the FY2018 Veterans' Services budget increased by \$18,382, or 30.51%.

- **Library**

Overall, the FY2018 Library Budget is up 5.47%, or \$41,982. The departmental budget as presented includes a 2% wage increase for union or non-Union personnel. The budget also includes the restoration of a part-time Library Page position at \$4,576. An additional \$5,575 was added to the books, supplies and non-print media budgets to keep the materials budget in line with State requirements.

- **Recreation Department**

The FY2018 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 2017 Annual Town Meeting Warrant contains a transfer of \$161,259 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.

- **Cable Access TV**

Overall, the Cable Access budget decreases in FY2018 by \$39,700 following completion of recent equipment upgrades. Contractual capital and operational payments received from Charter Communications and Verizon continue to provide all departmental funding. With the exception of planned equipment upgrades in the Selectmen's Meeting Room, there are no significant budgetary changes in FY2018.



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 FY2018 health insurance budget request of \$5.52 million represents a total increase of \$424,844 or 8.33% from the amount budgeted last year. Plan design changes and the adoption of Chapter 32B, Section 18 in FY2010 limited budgetary impacts for eight 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. 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%.

Unfortunately, at the time of this writing the FY2018 Health Insurance budget increase appears to be closer to 12% and not 8.3%. It is important to note that the FY2018 Budget as presented assumes approximately \$200,000 in savings due to plan design changes to employee health insurance benefits. Those plan design changes are currently under negotiation with all Northborough Town and School unions. Should those negotiations be unsuccessful, it will become necessary to reduce the existing General Government Budget and Northborough K-8 School budgets by a comparable amount.

The second largest category of employee benefit costs after Health Insurance is Worcester Regional Retirement (WRR). The total FY2018 Worcester Regional Retirement Assessment is \$1,699,113, which is an increase of 5.28%. The \$1,612,608 portion included in the General Fund budget does not include the retirement costs contained in the Water Enterprise Fund (\$42,527), the Sewer Enterprise Fund (\$28,354) or the Cable Access TV budget (\$15,624). 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.²

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 and again in FY2017. The funds have been invested with the state's Pension Reserves Investment Trust (PRIT) Fund. The PRIT Fund, which contains \$62.7 billion as of December 31, 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 FY2018 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 3% increase in FY2018 at a total cost of \$256,395.

² Information from Actuary, James R. Lamenzo of the Public Employee Retirement Administration (PERAC).



- **Debt Service**

The proposed FY2018 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 FY2018, the total Debt Service budget for the General Fund is \$2.96 million, a decrease of \$75,051. This decrease takes into consideration the overall higher level of debt from the previous two years which was the result of the new debt issued for the Lincoln Street School project.

One key factor in limiting the increase in new FY2018 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.

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 FY2018 State Assessments are projected to decrease \$9,742 or 4.93%, based on the Governor's initial budget assessment to Northborough of \$188,000. 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 over 80% of the expenses—Mosquito Control (\$59,821), Massachusetts Bay Transportation Authority (\$72,019) and Regional Transportation (\$26,271).

- **Stabilization Fund Contribution**

As of June 30, 2016, the balance in the Stabilization Fund is \$4.17 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 FY2018 budget provides for another contribution to the Stabilization Fund of \$200,000 in order to maintain preferred reserve levels of approximately 8%. 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**

The FY2018 Reserve Fund is level funded at \$175,000. 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 without the need for calling a Special Town Meeting. Transfers from this account only require approval of the Appropriations Committee. Historically, 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 FY2018, these warrant articles include \$175,000 for the Reserve Fund from Free Cash, \$200,000 to the Stabilization Fund from Free Cash, funding the FY2018 Capital Budget with \$1,497,000 from Free Cash, \$400,000 to be borrowed for the West Main Street Pump Station with the debt service paid by the Sewer Enterprise Fund, \$110,000 for a Sewer Inspection Camera to be paid from Sewer Enterprise Free Cash, and \$100,000 to purchase a Water/Sewer Truck to be paid from Water/Sewer Enterprise Free Cash. The Capital Budget totals \$2,107,000, and together with the other warrant articles the total expenditures come to \$2,482,000.

The FY2018 Town Meeting Warrant Articles include the following:

- \$175,000 for the Appropriation Committee's Reserve Fund
- \$200,000 for the Stabilization Fund
- \$65,000 for Fire Forestry Truck
- \$87,000 for Police Cruiser Replacements
- \$240,000 for DPW Six-Wheel Dump Truck with Spreader and Plow
- \$95,000 for DPW One-Ton Dump Truck with Plow
- \$95,000 for DPW One-Ton Dump Truck with Chip Body and Plow
- \$65,000 for DPW Chipper
- \$50,000 for DPW Fisher Street Culvert Replacement
- \$200,000 for DPW Crawford Street Slope Easements & Retaining Wall
- \$300,000 for Roadway Maintenance and Improvements
- \$110,000 for Sewer Division Sewer Inspection Camera
- \$400,000 for Sewer Division – W. Main Street Sewer Pump Station Improvements
- \$100,000 for Water/Sewer Division One-Ton Service Truck with Plow



- \$300,000 for School Department Proctor School Roof Repairs

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**

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, 2016, a total of 1,753 students attend the Northborough schools, with 1,085 students in grades K-5 at the four elementary schools and 668 students in grades 6-8 at the Middle School.

Based on the Town's revenue forecast, it is projected that the Northborough K-8 School Budget may increase by 3.19% in FY2018. Therefore, the FY2018 amount available for the Northborough K-8 School department is \$23,445,017. This represents an increase of \$725,174 from the \$22,719,843 appropriated last year.

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

As of October 1, 2016, a total of 838 Northborough students attend the Northborough-Southborough Regional High School. This represents 57.95% of the total 1,446 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. The overall Algonquin Regional High School (ARHS) budget is increasing 3.8%. However, the ARHS operating assessment increases \$343,218, or 3.41% to \$10,414,869 based upon Northborough enrollment and changes to the State's minimum contribution formula. The debt for ARHS decreases by \$631, or 0.10% to \$660,574. The net effect of the combined operating assessment and new debt service is an overall increase of \$342,587, or 3.19%.

- **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 FY2018 budget is \$20,294,000 which is a \$684,000 or 3.49% increase.

As of October 1, 2016, 49 Northborough students attend Assabet Valley, which represents 6.14% of the FY2018 overall Assabet budget, or an operating assessment of \$741,661. This is an enrollment increase of 3 from the 46 Northborough students that attended Assabet Valley last year. Northborough's FY2018 share of the debt assessment from the completed building renovation project is \$151,232, which will



continue to decline in subsequent years. The net effect of the combined operating assessment and new debt service is \$892,893, which is an increase of \$12,445, or 1.41%.

• **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. One Northborough student is expected to attend this school in FY2018 at a total estimated cost of \$50,000, which down from two students budgeted in FY2017.

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

	FY2015 ACTUAL	FY2016 ACTUAL	FY2017 BUDGETED	FY2017 SIX MONTHS	FY2018 PROPOSED	% CHANGE
<u>ENTERPRISE FUNDS</u>						
Water Enterprise Fund	\$2,016,517	\$2,179,586	\$2,251,473	\$947,030	\$2,436,381	8.21%
Sewer Enterprise Fund	\$1,491,355	\$1,416,679	\$1,718,422	\$681,503	\$2,051,028	19.36%
Solid Waste Enterprise	\$717,917	\$704,564	\$768,350	\$295,602	\$792,830	3.19%
Subtotal	\$4,225,788	\$4,300,829	\$4,738,245	\$1,924,135	\$5,280,239	11.44%

• **Water Enterprise Fund**

The FY2018 Water Enterprise Fund is budgeted at \$2,436,381 which is an increase of \$184,908, or 8.21%. The majority of the increase is attributable to three items: 1) a \$104,954 increase in the Massachusetts Water Resources Authority assessment; 2) a modest \$11,056 increase in debt service; and 3) a new \$65,000 phased hydrant replacement program.



Although the Water Enterprise budget is increasing 8.21%, rates will not be going up at a comparable rate. Approximately two-thirds of the increased MWRA³ assessment is the result of a 19 million gallon increase in the Town's water consumption since FY2016, which is attributable to recent economic development; specifically, new restaurants at the Northborough Crossing Mall expansion. In FY2018 the water utility user rates are expected to increase approximately 5% following a formal rate study. The anticipated rate increase will be the first in four years and is necessary to keep pace with normal operational expenses.

- **Sewer Enterprise Fund**

The FY2018 Sewer Enterprise Fund is budgeted at \$2,051,028, which is an increase of \$332,606 or 19.36%. This budget reflects an estimated increase in the Marlborough use charge of \$58,081 and \$226,110 in debt services expenses related to the Hudson Street Pump Station Improvement project. These two items account for 85.4% of this year's proposed budget increase.

The critical issue facing the DPW Sewer Enterprise Fund continues to be negotiations for a new Intermunicipal Agreement with the City of Marlborough which has now been submitted to the Worcester Superior Court. These legal proceedings will establish our contribution to the operational expenses for the Westerly Wastewater Treatment Plant (WWTP) as well as Northborough's share of the \$30 million plant improvement project. Sewer rates were recently increased in the second quarters of FY2014, FY2016, and FY2017. The sewer use charges are also expected to increase for FY2018 follow a formal rate study and we expect the rates to continue to increase due to increased operational costs at the WWTP.

- **Solid Waste Enterprise 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. The total FY2018 fee revenues are projected to be \$488,000 and the FY2018 expenses are estimated at \$792,830, requiring a projected general fund subsidy of \$217,160, inclusive of a transfer from the Solid Waste Fund Free Cash of \$87,670.

Last year the Town entered into a new three-year agreement with Allied Waste Services of Massachusetts to continue collection service to the Town through FY2019. Under the new agreement, collection costs which were held constant at \$475,000 for the last six years, will increase by 2% in FY2018.

³ 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.



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