

Budget Summaries

Section 1

Section 1-2

Balanced Budget

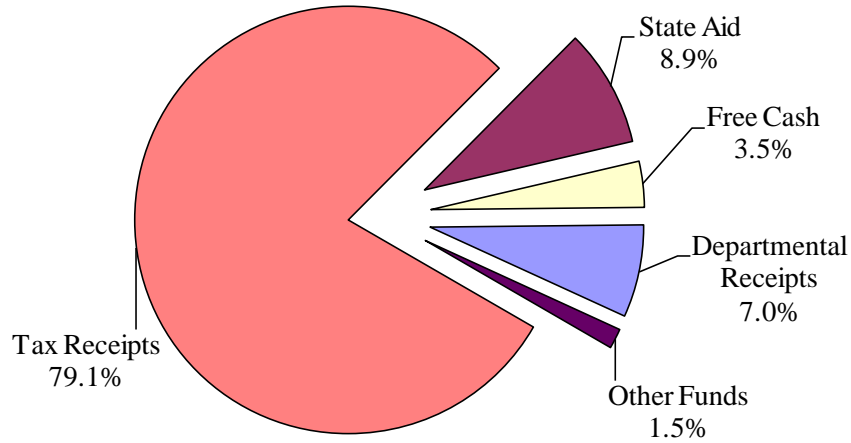


Table 1

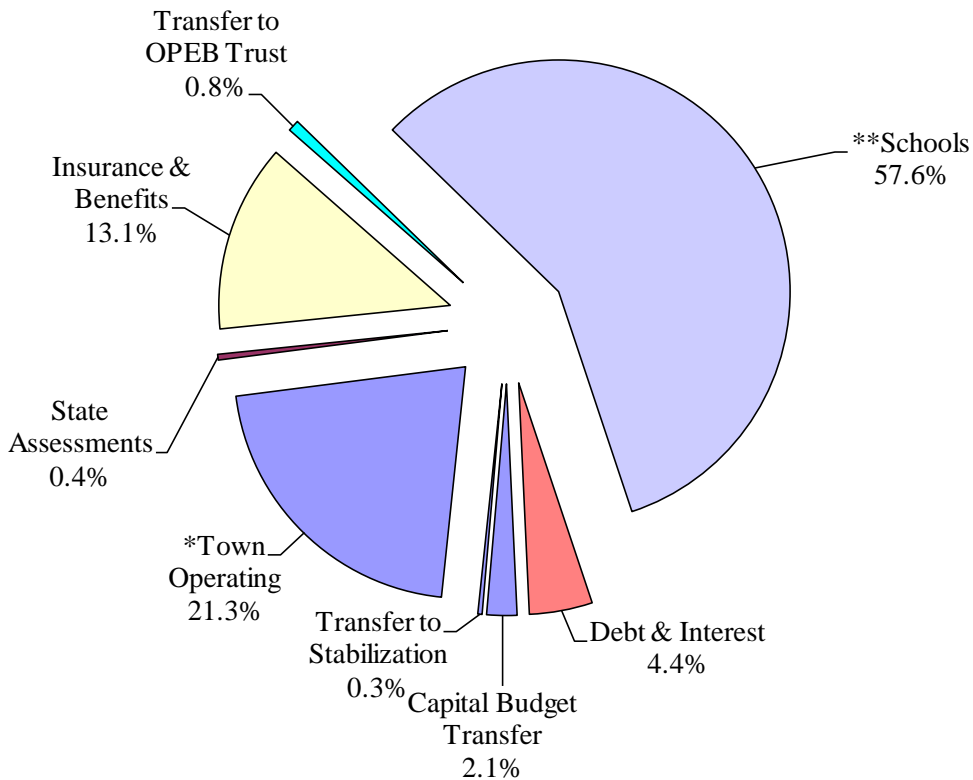
TOWN OF NORTHBOROUGH					
REVENUE & EXPENDITURE SUMMARY FISCAL YEARS 2017--2019					
LEVY LIMIT CALCULATION	FY2017	PROPOSED FY2018	REVISED FY2018	PROPOSED FY2019	% CHANGE
Prior Year Levy Limit	\$45,517,841	\$47,349,942	\$47,349,942	\$49,116,899	
Add 2.5%	\$1,137,946	\$1,183,749	\$1,183,749	\$1,227,922	
Add New Growth	\$694,155	\$521,700	\$583,208	\$521,700	
Add Overrides	\$0	\$0	\$0	\$0	
True LEVY LIMIT	\$47,349,942	\$49,055,391	\$49,116,899	\$50,866,521	
Add Debt Excl - Zeh School	\$41,874	\$7,311	\$7,311	(\$11,096)	
Add Debt Excl - Colburn St.	\$6,406	\$6,990	\$5,783	\$4,680	
Add Debt Excl - Library	\$391,393	\$383,394	\$383,394	\$373,062	
Add Debt Excl - Senior Center	\$418,167	\$407,828	\$407,828	\$396,196	
Add Debt Excl - Algonquin	\$661,206	\$660,574	\$660,574	\$610,774	
Less Debt Excl -Settlement	(\$215,948)	(\$212,000)	(\$217,999)	(\$218,000)	
Add Debt Excl - Lincoln Street	\$1,032,891	\$1,123,925	\$1,123,925	\$1,099,563	
Adjusted LEVY LIMIT	\$49,685,931	\$51,433,413	\$51,487,715	\$53,121,700	
REVENUES					
Adjusted LEVY LIMIT	\$49,685,931	\$51,433,413	\$51,487,715	\$53,121,700	
Less Unused Levy Limit	(\$2,811,939)	(\$2,498,560)	(\$2,902,138)	(\$2,375,466)	
Total Tax Receipts	\$46,873,992	\$48,934,853	\$48,585,577	\$50,746,234	4.45%
State Aid	\$5,135,689	\$5,218,149	\$5,245,403	\$5,313,533	1.30%
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)	\$2,208,460	\$1,872,000	\$1,872,000	\$1,735,000	-7.32%
Departmental Receipts	\$4,168,000	\$4,168,000	\$4,168,000	\$4,468,000	7.20%
Other Funds	\$1,008,581	\$880,367	\$880,367	\$967,828	9.93%
TOTAL GENERAL FUND REVENUES	\$60,277,265	\$61,955,912	\$61,633,890	\$64,113,138	4.02%
Water/Sewer Enterprise Funds	\$3,969,895	\$4,487,409	\$4,487,409	\$4,629,433	3.16%
Solid Waste Enterprise Fund	\$768,350	\$792,830	\$792,830	\$811,839	2.40%
TOTAL REVENUES	\$65,015,510	\$67,236,151	\$66,914,129	\$69,554,410	3.95%
EXPENDITURES					
Town	\$20,137,277	\$20,902,493	\$20,902,493	\$21,634,080	3.50%
Schools					
Northborough K-8	\$22,719,843	\$23,445,017	\$23,445,017	\$24,265,593	3.50%
Algonquin 9-12	\$10,071,650	\$10,414,869	\$10,406,326	\$11,322,989	8.81%
HS Debt Exclusion	\$661,206	\$660,574	\$660,574	\$610,774	-7.54%
Warrant Articles					
Reserve Fund	\$175,000	\$175,000	\$175,000	\$175,000	
Capital / Other Articles	\$1,833,460	\$1,497,000	\$1,497,000	\$1,360,000	
Transfer to Stabilization	\$200,000	\$200,000	\$200,000	\$200,000	
Assabet	\$688,313	\$741,661	\$741,661	\$612,406	-17.43%
Assabet Renovation Project	\$192,135	\$151,232	\$151,232	\$145,316	-3.91%
Transfer to OPEB Trust	\$500,000	\$500,000	\$500,000	\$500,000	
Zeh School Debt Service	\$424,416	\$389,854	\$389,854	\$371,447	
Colburn Street Debt Service	\$69,245	\$66,990	\$66,990	\$64,680	
Library Debt Service	\$392,025	\$383,985	\$383,985	\$373,605	
Senior Center Debt Service	\$433,795	\$422,195	\$422,195	\$409,145	
Lincoln Street Debt Service	\$1,144,882	\$1,124,675	\$1,124,675	\$1,100,275	
Other Funds	\$1,008,581	\$880,367	\$880,367	\$967,828	
Adjustments	(\$374,563)		(\$313,479)		
TOTAL GENERAL FUND EXPENDITURES	\$60,277,265	\$61,955,912	\$61,633,890	\$64,113,138	4.02%
Water Enterprise Fund	\$2,251,473	\$2,436,381	\$2,436,381	\$2,496,718	2.48%
Sewer Enterprise Fund	\$1,718,422	\$2,051,028	\$2,051,028	\$2,132,715	3.98%
Solid Waste Enterprise Fund	\$768,350	\$792,830	\$792,830	\$811,839	2.40%
TOTAL ALL FUNDS	\$65,015,510	\$67,236,151	\$66,914,129	\$69,554,410	3.95%



Fiscal Year 2019 Revenue Sources



Fiscal Year 2019 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 FY2019 by 4.45% or approximately \$2.16 million, to \$50.75 million. This increase includes the 2.5% increase of \$1,227,922 and an increase of \$521,700 in estimated taxes from projected new growth. It also includes the value of any previously approved debt exclusions. 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	FY2018	FY2019	% CHANGE
Prior Year Levy Limit	\$47,349,942	\$49,116,899	
Add 2.5%	\$1,183,749	\$1,227,922	
Add New Growth	\$583,208	\$521,700	
Add Overrides	\$0	\$0	
True LEVY LIMIT	\$49,116,899	\$50,866,521	
Add Net Debt Exclusions	\$2,370,816	\$2,255,179	
Adjusted LEVY LIMIT	\$51,487,715	\$53,121,700	
REVENUES			
Adjusted LEVY LIMIT	\$51,487,715	\$53,121,700	
Less Unused Levy Limit	(\$2,902,138)	(\$2,375,466)	
Total Tax Receipts	\$48,585,577	\$50,746,234	4.45%



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 1.3% to \$5.31 million. The estimate is based upon the Governor's FY2019 Budget which was released on January 24, 2018.

The Governor's FY2019 Budget proposal is based upon a "consensus" tax revenue estimate that reflects 3.5% growth. Despite State revenue projections expected to grow next fiscal year, the Town does not anticipate receiving much of an increase, given the State has overestimated revenues for the past two fiscal years resulting in midyear reductions. 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 is a reasonable approach at this time.

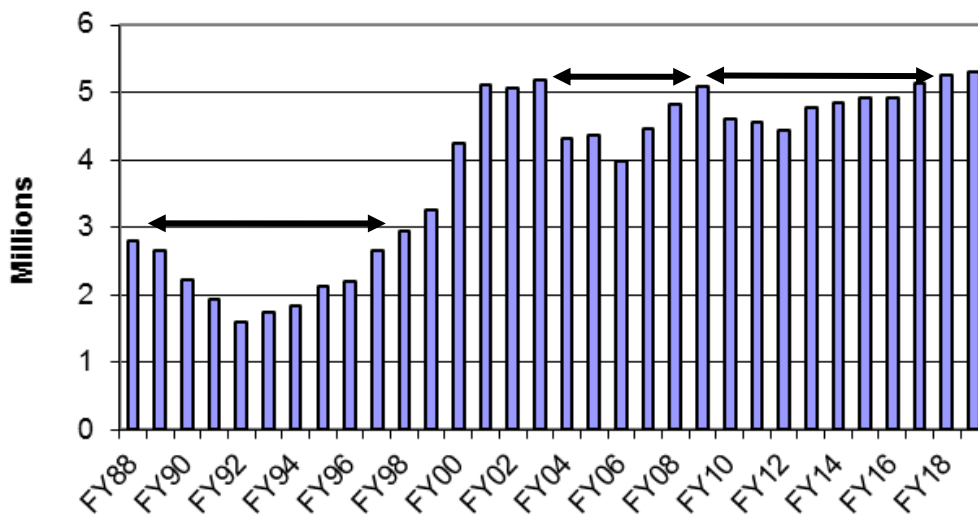
It is important to note that State Aid as a percentage of the budget has decreased from a high of 13% in FY2003 to just 8.9% in FY2019. Northborough has only recently received State Aid at a comparable level to FY2003; however, that is in nominal dollars and does not take into consideration the effect of inflation over those 16 years.

Table 3: State Aid in Millions

FY12	FY13	FY14	FY15	FY16	FY17	FY18	*FY19
4.44	4.78	4.84	4.92	4.92	5.13	5.25	5.31

*Estimated

Northborough State Aid FY1988-2019



Looking ahead to FY2019, 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



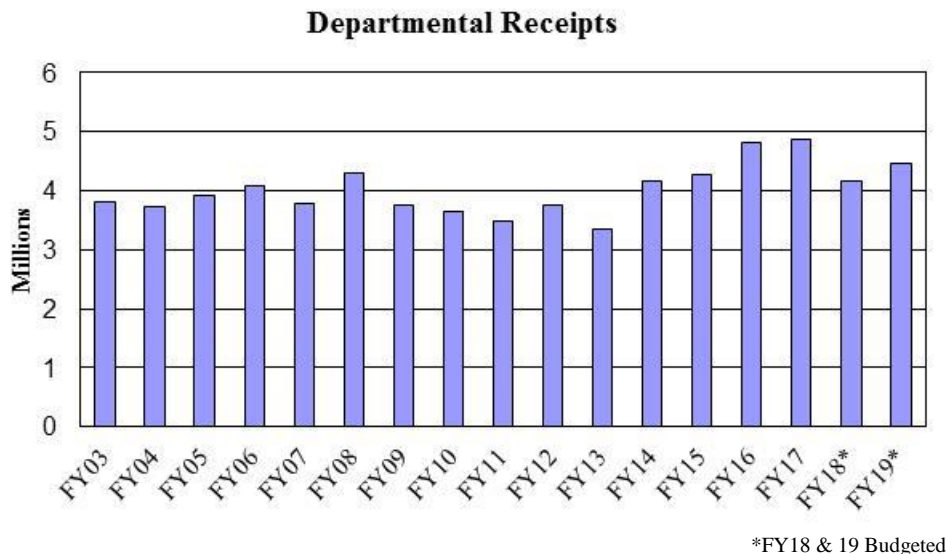
Revenue Summary

Section 1-7

unknown, the Town has chosen to proceed with the Governor's Budget figures for the FY2019 budget. In this manner, any State Aid actually received above current estimates can only be used to reduce local taxes in FY2019.

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. This category also includes Motor Vehicle Excise (MVE) as well as Hotel and Meals taxes. The total budgeted Departmental Receipts for FY2019 are funded at \$4.47 million, a \$300,000 increase over last year. The single largest source of revenue within the Departmental Receipts category is the \$2.56 million budgeted for MVE taxes, which is a State tax collected by the municipality for its own use.



The Departmental Receipts shown in the above graph are the actual receipts from FY2003 through FY2017 and contain many one-time sources of funds, while the budgeted amounts are shown for both FY2018 and FY2019.

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 graph above going from FY2010 to FY2011.

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



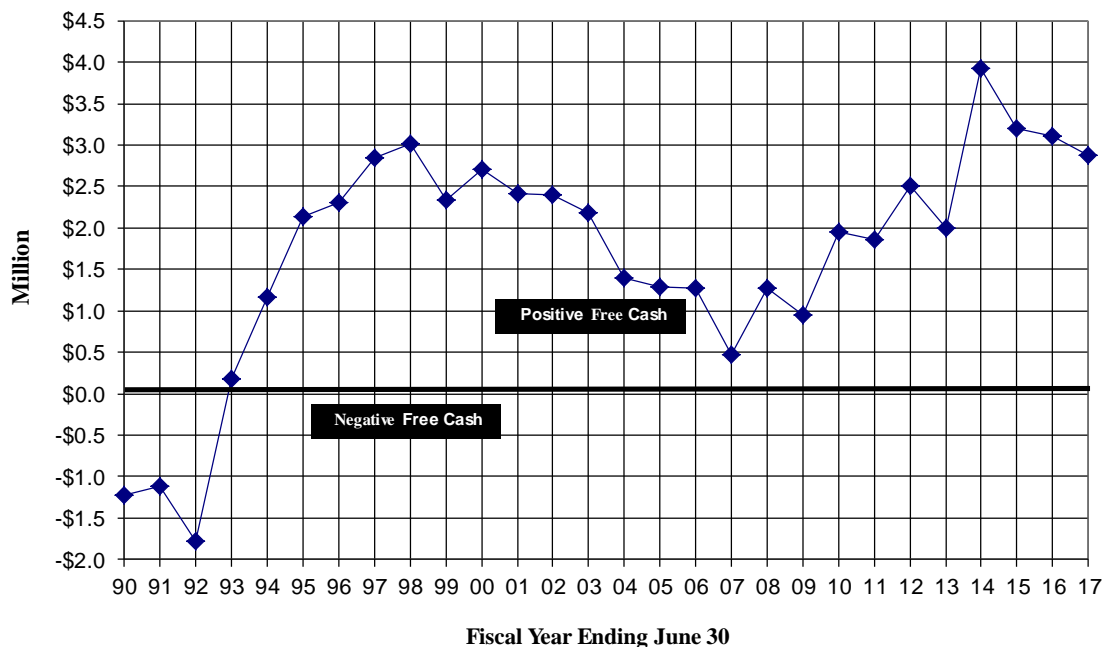
In general, the level of Departmental Receipts is greatly affected by outside economic conditions beyond the Town's control; especially as it relates to motor vehicle sales, building activity and permits fees. The actual revenue trend in the chart above reflects the generally improving economic conditions.

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, 2017 was certified at \$2,877,855.

By far the single largest source of Available Funds is Free Cash. In FY2019, 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 FY1990-2017



*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



Revenue Summary

Section 1-9

amount of \$500,000 in FY2012, approximately 1% of the budget, where it remains in FY2019. As budgets continue to get tighter, the amount of budget surplus will continue to tighten.

The chart on the previous 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 FY2019 are projected to include special revenue offsets in departmental budgets such as \$14,500 in Cemetery Sale of Lots income, \$346 in Cemetery Trust Fund income, \$6,245 in Conservation Commission fees, \$322,608 from the Fire/EMS Revolving Account, \$155,677 from the Recreation Revolving Account, \$61,418 from the Medicare Part D Subsidy, and \$27,000 from the Animal Control Revolving Account.

For the third year, there will be a substantial transfer in the amount of \$361,298 from the PEG Access and Cable Related Fund to the General Fund to cover the Cable Access Departmental costs. This is in accordance with recent requirements promulgated by the State Department of revenue.

In addition, there will be a transfer of \$14,204 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 FY2019 debt service for the Title V Septic program. FY2020 will be the final year for this transfer as the related debt will be paid off.

In addition to Free Cash, these "Other" revenue sources total \$967,828 and will be used to off-set the municipal budgets as shown in Article 4 of the 2018 Annual Town Meeting Warrant.



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Expenditure Summary

Section 1-11

FY2019 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	FY2018 Budget	FY2019 Proposed Budget	\$ Change	% Change
GENERAL ADMINISTRATION				
<u>EXECUTIVE OFFICE</u>				
Selectmen	164,985	169,109	4,124	2.50%
Administrator	263,628	271,511	7,883	2.99%
Economic Development	1,300	1,300	-	0.00%
Town Reports	4,700	4,700	-	0.00%
<u>PUBLIC BUILDINGS</u>				
Town Hall/Public Bldgs.	503,156	503,156	-	0.00%
<u>FINANCE</u>				
Treasurer	325,017	333,947	8,930	2.75%
Board of Assessors	282,462	291,001	8,539	3.02%
Town Accountant	157,574	166,683	9,109	5.78%
<u>MIS/GIS</u>				
MIS/GIS	497,482	513,303	15,821	3.18%
<u>TOWN/CLERKS OFFICE</u>				
Town Clerk	132,553	135,702	3,149	2.38%
Election/Registration	23,526	44,670	21,144	89.88%
<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	69,753	154,950	85,197	122.14%
<u>PLANNING & CONSERVATION</u>				
Conservation Commission	47,834	79,971	32,137	67.18%
Planning Board	168,641	183,227	14,586	8.65%
Zoning Board	5,106	5,154	48	0.94%
Earthwork Board	1,484	1,749	265	17.86%
PUBLIC SAFETY				
Police	2,639,934	2,708,725	68,791	2.61%
Fire	1,919,170	1,973,665	54,495	2.84%
Emergency Preparedness	7,000	7,000	-	0.00%
Building	171,694	172,934	1,240	0.72%
Gas Inspector	12,016	12,230	214	1.78%
Wire Inspector	21,506	21,865	359	1.67%
Sealer of Weights	8,000	8,000	-	0.00%
Board of Health	195,119	197,675	2,556	1.31%
Animal Control	40,305	41,484	1,179	2.93%
PUBLIC WORKS				
Highway Admin.	157,976	158,425	449	0.28%
Hwy. Const. & Maint.	1,519,404	1,502,651	(16,753)	-1.10%
Parks	130,400	129,300	(1,100)	-0.84%
Cemetery	96,652	142,548	45,896	47.49%
Engineering	152,157	154,602	2,445	1.61%
Snow & Ice	387,000	427,000	40,000	10.34%
Street Lighting	114,000	117,000	3,000	2.63%
Trees	41,000	46,000	5,000	12.20%
COMMUNITY SERVICES				
Council on Aging	272,768	289,047	16,279	5.97%
Library	814,310	833,554	19,244	2.36%
Recreation	145,971	148,724	2,753	1.89%
Youth Services	145,754	149,073	3,319	2.28%
Veterans Services	78,635	79,448	813	1.03%
Cable TV	325,300	361,298	35,998	11.07%
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	FY2018 Budget	FY2019 Proposed Budget	\$ Change	% Change
UNDISTRIBUTED EXPENSES				
<u>EMPLOYEE BENEFITS & INSURANCE</u>				
Health Insurance	5,522,354	5,732,512	210,158	3.81%
Transfer to OPEB Trust	500,000	500,000	-	0.00%
Life Insurance	8,776	8,930	154	1.75%
Other Benefits/FICA	441,693	452,653	10,960	2.48%
Workers Comp	145,878	151,330	5,452	3.74%
Retirement Assessments	1,612,608	1,790,753	178,145	11.05%
<u>BUILDING & LIABILITY INSURANCE</u>				
Bldg. & Liability Insur.	256,395	258,959	2,564	1.00%
<u>DEBT SERVICE</u>				
Debt Service	2,959,080	2,801,244	(157,836)	-5.33%
<u>STATE ASSESSMENTS</u>				
State Assessments	206,610	234,448	27,838	13.47%
<u>NORFOLK AGRICULTURAL HIGH SCHOOL</u>				
Tuition/Transportation	50,000	-	(50,000)	-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	1,497,000	1,360,000	(137,000)	-9.15%
Other Financing Uses	217,160	217,160	-	0.00%
OTHER NON-APPROPRIATED AMOUNTS				
Reserve for Abatements	280,000	619,436	339,436	121.23%
Offsets	22,559	22,559	-	0.00%
ENTERPRISE FUNDS				
Water	2,436,381	2,496,718	60,337	2.48%
Sewer	2,051,028	2,132,715	81,687	3.98%
Solid Waste	792,830	811,839	19,009	2.40%
GROSS TOTAL TOWN	31,509,319	32,597,332	1,088,013	3.45%
CALCULATION OF NET TOTAL TOWN				
Less Water Fund	(2,436,381)	(2,496,718)		
Less Sewer Fund	(2,051,028)	(2,132,715)		
Less Solid Waste	(792,830)	(811,839)		
Less Other Funds	(880,367)	(967,828)		
Less Recap Adjustments	313,479			
Less Debt Exclusion	(2,387,699)	(2,319,152)		
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	(1,497,000)	(1,360,000)		
NET TOTAL TOWN	\$20,902,493	21,634,080		3.50%
CALCULATION OF TOWN APPROPRIATION				
GROSS TOTAL TOWN	31,509,319	32,597,332		
Less County Assessments	(1,612,608)	(1,790,753)		
Less State Assessments	(206,610)	(234,448)		
Less Reserve for Abatements	(280,000)	(619,436)		
Less Offsets	(22,559)	(22,559)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Stabilization Transfer Article	(200,000)	(200,000)		
Less Special Articles	(1,497,000)	(1,360,000)		
Less Other Financing Use	(217,160)	(217,160)		
Less Enterprise Funds	(5,280,239)	(5,441,272)		
Net Town Warrant Article 4	\$22,018,143	22,536,704		



Expenditure Summary

Section 1-13

General Administration

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

General Administration Summary

	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 BUDGETED	FY2018 SIX MONTHS	FY2019 PROPOSED	% CHANGE
<u>EXECUTIVE OFFICE</u>						
Selectmen	\$125,422	\$143,216	\$164,985	\$91,956	\$169,109	2.50%
Administrator	\$239,004	\$247,898	\$263,628	\$124,895	\$271,511	2.99%
Economic Development	\$340	\$1,180	\$1,300	\$0	\$1,300	0.00%
Town Reports	\$3,741	\$3,992	\$4,700	\$0	\$4,700	0.00%
Subtotal	\$368,507	\$396,285	\$434,613	\$216,851	\$446,620	2.76%
<u>PUBLIC BUILDINGS</u>						
	\$348,723	\$329,704	\$503,156	\$121,380	\$503,156	0.00%
Subtotal	\$348,723	\$329,704	\$503,156	\$121,380	\$503,156	0.00%
<u>FINANCE</u>						
Treasurer	\$306,660	\$316,234	\$325,017	\$157,222	\$333,947	2.75%
Board of Assessors	\$244,166	\$258,287	\$282,462	\$123,667	\$291,001	3.02%
Town Accountant	\$148,191	\$152,227	\$157,574	\$74,456	\$166,683	5.78%
Subtotal	\$699,017	\$726,749	\$765,053	\$355,345	\$791,631	3.47%
<u>MIS/GIS</u>						
	\$351,330	\$410,504	\$497,482	\$189,607	\$513,303	3.18%
Subtotal	\$351,330	\$410,504	\$497,482	\$189,607	\$513,303	3.18%
<u>TOWN CLERKS OFFICE</u>						
Town Clerk	\$133,495	\$123,353	\$132,553	\$64,248	\$135,702	2.38%
Elections/Registration	\$24,168	\$32,146	\$23,526	\$5,528	\$44,670	89.88%
Subtotal	\$157,663	\$155,498	\$156,079	\$69,775	\$180,372	15.56%
<u>ADVISORY BOARDS/SERVICES</u>						
Moderator	\$200	\$0	\$500	\$0	\$500	0.00%
Appropriations Committee	\$382	\$358	\$1,695	\$210	\$1,695	0.00%
Personnel Board	\$7,681	\$12,729	\$69,753	\$2,327	\$154,950	122.14%
Town Counsel	\$30,314	\$52,984	\$85,000	\$17,104	\$85,000	0.00%
Subtotal	\$38,577	\$66,071	\$156,948	\$19,641	\$242,145	54.28%
<u>PLANNING AND CONSERVATION</u>						
Town Planner/Planning Bd	\$153,593	\$155,309	\$168,641	\$78,971	\$183,227	8.65%
Zoning Board of Appeals	\$1,893	\$1,830	\$5,106	\$588	\$5,154	0.94%
Earthworks	\$778	\$248	\$1,484	\$1,026	\$1,749	17.86%
Conservation Commission	\$40,513	\$32,760	\$47,834	\$10,245	\$79,971	67.18%
Subtotal	\$196,777	\$190,146	\$223,065	\$90,830	\$270,101	21.09%



Section 1-14

Expenditure Summary

The FY2019 budget reflects the costs of all union and non-union personnel cost of living (COLA) increases in the actual departmental budgets; however, all merit increases are centrally budgeted in the Personnel Board account. All collective bargaining contracts are settled for FY2019 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 \$12,007 or 2.76% in FY2019, which reflects a 2% general wage increase for all personnel. The budget also contains a modest increase in Board of Selectmen monthly stipends from \$85.83 to \$100, as these have not been modified in over 15 years.

- **Public Buildings**

The Public Building Account is level funded in FY2019. 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 FY2019 budget increases \$26,578 or 3.47% primarily due to general wage increases of 2% for union and non-union employees. The increase also includes one-time funding in the amount of \$5,500 in the Accounting Division to engage a consultant to assist in the creation of a formal internal control policy and procedural manual as recommended by the Town's auditor.

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

The MIS/GIS budget is increasing by \$15,821, or 3.18%. The bulk of the increase is attributable to the phased replacement of the Town's main computer servers and storage system, which will be completed in FY2019. The FY2019 budget also reflects a 2% wage increase for the two non-union personnel. The main departmental initiative in FY2019 will be the implementation of a \$40,000 State grant to create a comprehensive IT/GIS Strategic Plan that focuses on aligning technology investment with overall organizational priorities. The Town received the grant under the State's Community Compact Program, which is designed to encourage municipalities to implement best practices in various service areas.

- **Town Clerk/Elections**

The combined FY2019 Town Clerk/Elections budget represents an overall increase of \$24,293, or 15.56%. The increase is primarily due to there being three scheduled elections in FY2019 as opposed to the one local election held in FY2018. The FY2019 scheduled elections include the State Primary on September 18, 2018 , the



State Election on November 6, 2018, and the Annual Town Election on May 14, 2019. The departmental budget as presented also contains 2% wage increases 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. The FY2019 budget includes funding for temporary coverage in the Finance Department related to the retirement of the Finance Director and a pending departmental reorganization.

- **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**

Overall, the FY2019 Planning and Conservation budget is up \$47,036, or 21%. The increase is primarily due to staffing increases in the Conservation Budget. The Part-time Conservation Agent position is being increased to full-time in FY2019 due to workload demands and office coverage needs. The expanded position will also provide staff support to the Open Space Committee and Trails Committee, which will free the Town Planner up to focus on the Master Planning Committee and the Historic White Cliffs Reuse Committee. The budget also includes a \$4,000 increase in contractual services for Planning Board consultants and reflects 2% wage increases 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

	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 BUDGETED	FY2018 SIX MONTHS	FY2019 PROPOSED	% CHANGE
<u>PUBLIC SAFETY</u>						
Police	\$2,409,636	\$2,491,758	\$2,640,879	\$1,258,312	\$2,708,725	2.57%
Fire	\$1,672,080	\$1,709,817	\$1,919,170	\$970,126	\$1,973,665	2.84%
Emergency Preparedness	\$583	\$0	\$7,000	\$0	\$7,000	0.00%
Building Inspection	\$148,264	\$145,738	\$171,694	\$70,670	\$172,934	0.72%
Gas Inspector	\$11,423	\$11,700	\$12,016	\$6,029	\$12,230	1.78%
Wiring Inspector	\$20,352	\$18,112	\$21,506	\$8,902	\$21,865	1.67%
Sealer Weights/Measures	\$5,000	\$5,000	\$8,000	\$0	\$8,000	0.00%
Health/Plumbing Inspector	\$159,154	\$179,669	\$195,119	\$90,700	\$197,675	1.31%
Animal Control	\$38,743	\$39,418	\$40,305	\$19,728	\$41,484	2.93%
Subtotal	\$4,465,235	\$4,601,211	\$5,015,689	\$2,424,467	\$5,143,578	2.55%

- **Police Department**

Overall, the FY2019 Police Department Budget reflects an increase of \$67,846 or 2.57%. The departmental budget as presented includes contractual wage increases for Union and Non-Union personnel. The budget increase includes \$22,183 for the addition of a new Dispatcher, which has been budgeted at mid-year. The need for additional dispatch personnel was highlighted in the recent staffing study. Increased call volume associated with recent economic development as well as new State requirements to accept 911 cell phone calls and texts has added to the dispatch center's workload. The additional staff will allow for scheduling more than one Dispatcher during peak times and provide greater flexibility and coverage. The addition of a sixth Dispatcher was a top priority request of the Police Chief and Fire Chief.

- **Fire Department**

As presented, the FY2019 Fire Department Budget reflects an increase of \$54,495 or 2.84% in the General Fund appropriation. The increase reflects general wage increases of 2% for Union and Non-Union personnel and a full year of the new Firefighter/Paramedic position that was added midyear in FY2018.

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. New Firefighter Paramedic positions were added in FY2016, FY2017 and FY2018. Now complete, the new staffing configuration results 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 was approved in FY2018.

In addition to the General Fund appropriation of \$1,973,665 (which includes a transfer in of \$322,608 from the Fire Department Revolving Fund under Article 4 of the Town Meeting Warrant) the departmental budget also includes \$452,789 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 FY2019 budget that supports the Fire/EMS services is \$2,426,454 (\$1,973,665 plus the Fire Department Revolving Fund direct charges of \$452,789). The direct Revolving Fund charges include ambulance billing services, overtime wages, 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 FY2019 Building Department. Overall, the departmental budgets for Building, Gas, Wiring and Sealer represent a modest increase of just \$1,813 or 0.85%.

- **Health Department**

Due to staffing changes, the FY2019 Health Department budget will only increase \$2,556, or 1.31% as new staff comes in at a lower salary. Some of the salary line savings was moved to the landfill testing line, which increases by \$10,400 due to new DEP testing requirements anticipated by our environmental consultant for the closed landfill. As with all General Fund budgets, the Health Department includes a 2% general wage increase for personnel. The budget also includes \$13,000 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.

- **Animal Control**

Beginning in FY2013 Animal Control services were outsourced through a contractual arrangement and the fees from dog licenses and fines brought into the General Fund as a transfer from the revolving fund to off-set the cost of the contract. In FY2019 the revolving fund revenues proposed to be transferred in are \$27,000 and the estimated cost for contractual Animal Control services is \$41,484, resulting in a net tax-supported service expense of \$14,484.

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

	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 BUDGETED	FY2018 SIX MONTHS	FY2019 PROPOSED	% CHANGE
PUBLIC WORKS						
Highway Admin.	\$129,909	\$121,893	\$157,976	\$47,029	\$158,425	0.28%
Hwy. Const. & Maint.	\$1,191,519	\$1,489,228	\$1,519,404	\$543,745	\$1,502,651	-1.10%
Parks	\$106,360	\$107,593	\$130,400	\$59,848	\$129,300	-0.84%
Cemetery	\$73,430	\$94,742	\$96,652	\$45,746	\$142,548	47.49%
Engineering	\$112,334	\$120,916	\$152,157	\$58,048	\$154,602	1.61%
Snow & Ice	\$321,205	\$501,899	\$387,000	\$72,439	\$427,000	10.34%
Street Lighting	\$110,854	\$114,000	\$114,000	\$48,419	\$117,000	2.63%
Trees	\$24,528	\$33,298	\$41,000	\$16,096	\$46,000	12.20%
Subtotal	\$2,070,139	\$2,583,571	\$2,598,589	\$891,371	\$2,677,526	3.04%

Overall, the Department of Public Works General Fund budget is up \$78,937 or 3.0%. Approximately half of the increase, \$40,000, is attributed to adjustments in the snow and ice budget which are based upon historic spending over the past five fiscal years. There is also a \$5,000 increase to funding for tree maintenance in anticipation of significant impacts to the Town's tree stock as a result of recent years' caterpillar and storm activity. The FY2019 budget 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 new fuel island and fire alarm systems, implementation of the required DPW facility Spill Prevention, Control, and Countermeasures Plan, improvements to roadway and roadside safety, compliant removal and disposal of street sweeping and catch basin debris, and repairs to our parks and monuments.

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

	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 BUDGETED	FY2018 SIX MONTHS	FY2019 PROPOSED	% CHANGE
COMMUNITY SERVICES						
Senior Center/COA	\$251,633	\$262,812	\$272,768	\$132,714	\$289,047	5.97%
Library	\$737,049	\$764,101	\$814,310	\$394,291	\$833,554	2.36%
Recreation	\$137,151	\$141,332	\$145,971	\$70,013	\$148,724	1.89%
Family & Youth Services	\$131,848	\$138,268	\$145,754	\$67,468	\$149,073	2.28%
Veterans' Services	\$47,666	\$52,639	\$78,635	\$24,738	\$79,448	1.03%
Cable TV	\$0	\$323,597	\$325,300	\$125,543	\$361,298	11.07%
Cultural Council	\$500	\$500	\$500	\$430	\$500	0.00%
Community Affairs Comm.	\$500	\$500	\$500	\$500	\$500	0.00%
Historical Committee	\$225	\$0	\$500	\$0	\$500	0.00%
Subtotal	\$1,306,572	\$1,683,750	\$1,784,238	\$815,697	\$1,862,644	4.39%

- **Senior Center/Council on Aging**

Overall, the departmental budget is up 6%, or \$16,279 which includes an \$11,000 increase to reflect actual routine building maintenance costs, which were previously paid for from program revenues. This change will allow more program fee revenues to go directly to supporting actual services for seniors. Since opening the new center in 2010, the Senior Center has historically paid for most of its routine building cleaning and maintenance contracts through its program user fees. These costs have been slowly transitioned into the General Fund and in FY2019 that transition is now complete. The long-term goal is to use the programs fees to directly support the services provided to seniors and have the building maintenance costs supported as part of the base budget. The phased cost-sharing arrangement allowed the new center to open with minimal operational impacts to the budget during difficult budget years, but the time has come to complete the phasing initiative.

- **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 FY2019 Family & Youth Services budget, which is up \$3,319, or 2.28%. 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% (\$17,948) of the overall administrative expenses in FY2019. However, ordinary benefits for qualifying veterans and their families increased from \$39,760 to \$57,000 in FY2018 based upon projected needs, and will remain at that level in FY2019. 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 FY2019 Veterans' Services budget is increasing just 1%.

- **Library**

Overall, the FY2019 Library Budget is up 2.36%, or \$19,244. The departmental budget as presented includes a 2% wage increase for Union or Non-Union personnel. The primary increases in the budget are for utility expenses (\$4,880) and Contractual services (\$5,095) which includes the increase for the C/W MARS library network membership fee. In FY2019 the Library will also receive an estimated \$22,745 in State Aid that goes directly to the Library and does not require Town Meeting appropriation.

- **Recreation Department**

The FY2019 Recreation Department budget is financially self-sufficient by way of program fees. Salaries and benefits for the Recreation Director and Administrative Assistant are paid from the General Fund, but are funded by the Recreation Revolving Fund through a transfer of \$155,677 from the Revolving Fund to the General Fund within Article 4 of the 2018 Annual Town Meeting Warrant. Payroll for all part-time and seasonal staff as well as all departmental expenditures are paid directly from 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 increases in FY2019 by 11%, or \$35,998, primarily due to anticipated capital expenditures. Contractual capital and operational payments received from Charter Communications and Verizon continue to provide all departmental funding. With the exception of the planned capital expenditures and increased seasonal event coverage there are no significant budgetary changes in FY2019.



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 FY2019 health insurance budget request of \$5.73 million represents a total increase of \$210,158 or 3.8% 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.

More recently, market trends are resulting in higher health insurance increases, necessitating further action. To this end, the Town successfully negotiated higher copays with all employee groups, effective July 1, 2017 (FY2018). The modifications mitigated the anticipated premium increases of 12%, but still resulted in an 8.33% budget increase. Unfortunately, due to a combination of high claims and general market trends, the Town and employees were facing a \$927,000, or 13.57%, premium increase again in FY2019.

To address this increase, the Town, working with the employee Insurance Advisory Committee (IAC), bid out its health insurance seeking consolidation under a single carrier. Based upon the bid results, Fallon Community Health Plan (Fallon) was the carrier brought forward to the IAC for recommendation. At its meeting on January 30th, the IAC formally recommended consolidating to Fallon and negotiations began with each bargaining unit for their formal approval to implement the consolidation plan. To date, the Town has received commitments from all but one bargaining unit. We continue to engage in impact bargaining with the one remaining unit with the goal of implementing the IAC recommended consolidation plan, effective July 1, 2018.

The second largest category of employee benefit costs after Health Insurance is Worcester Regional Retirement System (WRRS). The total FY2019 WRRS assessment is \$1,886,814, which is an increase of 11%. The \$1,790,753 portion included in the General Fund budget does not include the retirement costs contained in the Water Enterprise Fund (\$47,225), the Sewer Enterprise Fund (\$31,486) or the Cable Access TV budget (\$17,350). The assessment is the amount due WRRS 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 employer's share of the WRRS through its assessment, the employer's share of the MTRS is paid by the State.

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 WRRS'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.

The OPEB liability increased to \$37.4 million (net of trust fund balance) based on the most recent actuarial study, received at the close of FY2017. Following the acknowledgment of OPEB in FY2009 as required by Government Accounting Standards Board (GASB), the Town has continued to contract with an actuary to update the liability, but also to develop a funding plan to address the liability. The Town adopted the Meals Tax Surcharge and increased the Room Occupancy Tax in order to provide capacity in the FY2015 budget to begin funding the OPEB Trust Fund. The FY2015, FY2016, FY2017 and FY2018 budgets have appropriated \$500,000 annually into the OPEB Trust Fund and the FY2019 budget sustains that level. At the close of FY2018 another GASB actuarial update will be conducted to assess the long-run impact of the current plan. In addition to funding the liability, the Town continues to advocate for proposed legislative changes at the State level regarding the local obligation for retiree health insurance that would reduce its OPEB liability.

- **Building & Liability Insurance**

This budget category includes property and liability coverage for all Town owned property, as well as liability coverage for all elected and appointed Town officials. In addition, because fire and police personnel are not eligible under Massachusetts law for regular workers' compensation coverage, a separate insurance policy with premiums based largely on claims experience is purchased to cover these personnel for injuries sustained in the line of duty. The police and fire MGL Chapter 41 Section 111F Injured on Duty (IOD) premium is also included here. The Town's Building and Liability insurance premiums reflect a 1% budgetary increase for FY2019.

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



- **Debt Service**

The proposed FY2019 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 FY2019, the total Debt Service for the General Fund is \$2.80 million, a decrease of \$157,836.

One key factor in limiting the increase in new FY2019 debt service is the Town's Free Cash policy whereby smaller capital items are purchased using available funds, such as Free Cash, instead of financing with debt. For a detailed explanation of the Town's Free Cash Policy and the recent efforts to fund more pay-as-you-go capital projects, interested readers should refer to Section 9 of this budget document.

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

- **State Assessments**

The FY2019 State Assessments are projected to increase \$27,838, or 13.47%, based on the Governor's initial budget assessment to Northborough of \$ 234,448. 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 75% of the expenses—Mosquito Control (\$62,232), Massachusetts Bay Transportation Authority (\$74,866) and Charter School sending tuition (\$39,222).

- **Stabilization Fund Contribution**

As of June 30, 2017, the balance in the Stabilization Fund is \$4.36 million. Historically the budget had provided for an annual appropriation of \$100,000 to be added to the Stabilization Fund from the Tax Levy. However, for several years the appropriation was not possible due to financial constraints. Beginning in FY2016, the contribution to Stabilization was restored and augmented for a contribution of \$200,000, with Free Cash being identified as a funding source through the town's Free Cash Policy. Additional annual contributions in the same amount were made during FY2017 and FY2018, while the FY2019 budget provides for another \$200,000 contribution in order to maintain preferred reserve levels of approximately 8%. Overall, the Town's reserves remain within the acceptable levels prescribed by its financial policies, which is 5-10% of operating revenues. More information regarding the Town's Free Cash Policy can be found in Appendix A, and information regarding the Town's level of reserves can be found in Appendix B, pages 9 and 10.

- **Reserve Fund**

The FY2019 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 FY2019, these warrant articles include \$175,000 for the Reserve Fund from Free Cash, \$200,000 to the Stabilization Fund from Free Cash, funding the FY2019 Capital Budget with \$1,360,000 from Free Cash, \$350,000 to Repair and Replace Water Mains to be paid from Water Enterprise Free Cash, and \$160,000 to purchase an Excavator to paid from Water/Sewer Enterprise Free Cash. The Capital Budget totals \$1,870,000, and together with the other warrant articles the total expenditures come to \$2,245,000.

The FY2019 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
- \$140,000 for MIS Aerial Photography Plow
- \$140,000 for DPW One-Ton Dump Truck with Hot Box and Plow
- \$231,000 for Street Sweeper Replacement
- \$105,000 for Skid Steer Replacement
- \$300,000 for Roadway Maintenance and Improvements
- \$350,000 for Water Division – Water Main Repair and Replacement
- \$357,000 for School Department Zeh School Boiler Replacement

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, 2017, a total of 1,648 students attend the Northborough schools, with 1,022 students in grades K-5 at the four elementary schools and 626 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 3.5% in FY2019. Therefore, the FY2019 amount available for the Northborough K-8 School department is \$24,265,593. This represents an increase of \$820,576 from the \$23,445,017 appropriated last year.

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

As of October 1, 2017, a total of 873 Northborough students attend the Northborough-Southborough Regional High School. This represents 59.31% of the total 1,472 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 3.5%. However, the ARHS operating assessment increases \$916,663, or 8.81% to \$11,322,989 based upon Northborough enrollment and changes to the State's minimum contribution formula. The debt for ARHS decreases by \$49,800, or 7.54% to \$610,774. The net effect of the combined operating assessment and new debt service is an overall budget increase of \$866,863, or 7.83%, to \$11,933,763.

- **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 FY2019 budget is \$21,064,000 which is a \$770,000 or 3.79% increase.

As of October 1, 2016, 41 Northborough students attend Assabet Valley, which represents 4.92% of the FY2019 overall Assabet budget, or an operating assessment of \$612,406. This is an enrollment decrease of 8 from the 49 Northborough students that attended Assabet Valley last year. Northborough's FY2019 share of the debt assessment from the completed building renovation project is \$145,316, which will continue to decline in subsequent years. The net effect of the combined operating assessment and new debt service is \$757,722, which is a decrease of \$135,171, or 15.14%.

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

In prior years Northborough has borne the expense of tuition and transportation to the NCAHS in the Town's portion of the budget. This expense is borne by the Town because students have the freedom to seek admission to schools with state-approved vocational technical education programs pursuant to M.G.L. c. 74 603 CMR 4.00 and are known as Chapter 74 approved programs. Once accepted, the Town is required to bear the full cost of both tuition and transportation. Following graduation of the one attending student in 2018, no Northborough students are expected to attend this school in FY2019.

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

	FY2016 ACTUAL	FY2017 ACTUAL	FY2018 BUDGETED	FY2018 SIX MONTHS	FY2019 PROPOSED	% CHANGE
ENTERPRISE FUNDS						
Water Enterprise Fund	\$2,179,586	\$2,670,210	\$2,436,381	\$1,076,485	\$2,496,718	2.48%
Sewer Enterprise Fund	\$1,416,679	\$1,588,281	\$2,051,028	\$781,339	\$2,132,715	3.98%
Solid Waste Enterprise	\$704,564	\$747,383	\$792,830	\$363,859	\$811,839	2.40%
Subtotal	\$4,300,829	\$5,005,873	\$5,280,239	\$2,221,683	\$5,441,272	3.05%

• **Water Enterprise Fund**

The FY2019 Water Enterprise Fund is budgeted at \$2,496,718 which is an increase of \$60,337 or 2.48%. This increase is due to a number of factors, the single largest of which is a \$35,081 (2.8%) increase in the MWRA water assessment. Also included are modest increases for building maintenance at the Water and Sewer Garage, and implementation of the fourth stage of the Federal Unregulated Contaminant Monitoring Rule.

In the second quarter of FY2014, a base charge was added to each water account to recover a portion of fixed costs paid from the enterprise funds such as debt, meter reading, billing and collection, regardless of the amount of water usage. The water utility user rates increased by 5% in FY2018 for the first time in several years, and are expected to increase by approximately 5% again in FY2019 following a formal rate study. These periodic rate increases are necessary due to inflationary pressures (between 2% and 3% annually), annual water use fluctuations and to support ongoing infrastructure investment.

• **Sewer Enterprise Fund**

The FY2019 Sewer Enterprise Fund is budgeted at \$2,132,715, which is an overall increase of \$81,687 or 3.98%. This budget reflects an estimated increase in the Marlborough use charge of \$63,900, and the introduction of an annual pump station improvement program, initially funded at \$60,000, which will provide better solids management, alarm communications and improve electrical redundancy. This program allows moderate and systematic improvements to the reliability of our pump stations through cost effective projects. Large scale station rebuilds may then be implemented more slowly over a longer period of time allowing a more stable debt service and rate structure. An \$80,000 annual Inflow and Infiltration (I&I) monitoring program has also been added to the operational budget as required MassDEP in conjunction with



their Collection Management, Operation, and Maintenance requirements. The result of this program will be the systematic elimination of I&I from our sanitary sewer collection system. The overall budgetary impact of these initiatives is being offset by a \$133,982 reduction in debt service.

The critical issue facing the DPW Sewer Enterprise Fund continues to be negotiations for a new Intermunicipal Agreement with the City of Marlborough. The matter is currently in litigation, the outcome of which will establish our contribution to the operational expenses of the Westerly Wastewater Treatment Plan as well as Northborough's share of the \$30 million plant improvement project. Sewer rates were recently increased in the second quarters of FY2014, FY2016, FY2017, and FY2018. The sewer rates are also expected to increase in FY2019, following a formal rate study.

- **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 FY2019 fee revenues are projected to be \$488,000 and the FY2019 expenses are estimated at \$811,839 leaving a projected general fund subsidy of \$217,160 inclusive of a transfer from the Solid Waste Fund Free Cash of \$106,679.

In 2016 the Town entered into a new three-year agreement with Republic Services to continue collection service to the Town through FY2019. Under this previous agreement, collection costs which were held constant at \$475,000 for the entire five year duration of the contract. The first year of the contract was again held constant at \$475,000 and then increased by 2% in FY2018 and another 2% in FY2019.



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