

# **Budget Summaries**

## **Section 1**

# Section 1-2

# Balanced Budget

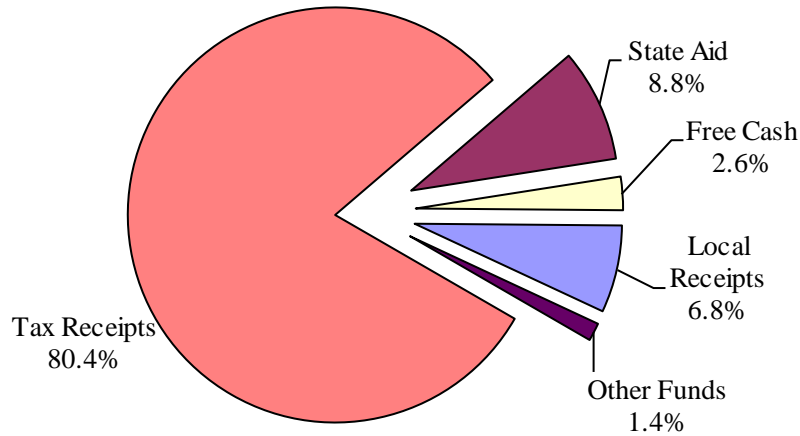


Table 1

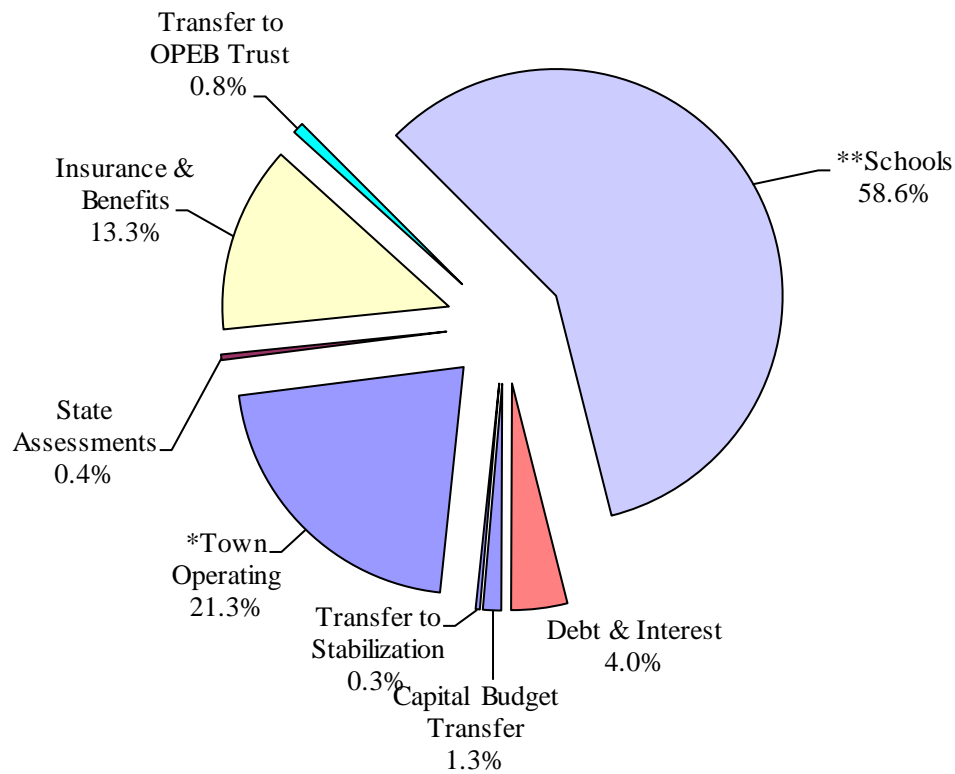
TOWN OF NORTHBOROUGH					
REVENUE & EXPENDITURE SUMMARY FISCAL YEARS 2018--2020					
LEVY LIMIT CALCULATION	FY2018	PROPOSED FY2019	REVISED FY2019	PROPOSED FY2020	% CHANGE
Prior Year Levy Limit	\$47,349,942	\$49,116,899	\$49,116,899	\$50,983,446	
Add 2.5%	\$1,183,749	\$1,227,922	\$1,227,922	\$1,274,586	
Add New Growth	\$583,208	\$521,700	\$638,625	\$514,500	
Add Overrides	\$0	\$0	\$0	\$0	
True Levy Limit	\$49,116,899	\$50,866,521	\$50,983,446	\$52,772,532	
Add Debt Excl - Zeh School	\$7,311	(\$11,096)	(\$11,096)	(\$31,965)	
Add Debt Excl - Colburn St.	\$5,783	\$4,680	\$5,510	\$2,315	
Add Debt Excl - Library	\$383,394	\$373,062	\$373,062	\$364,428	
Add Debt Excl - Senior Center	\$407,828	\$396,196	\$396,196	\$383,272	
Add Debt Excl - Algonquin	\$660,574	\$610,774	\$610,774	\$621,442	
Less Debt Excl - Settlement	(\$217,999)	(\$218,000)	(\$220,659)	(\$220,000)	
Add Debt Excl - Lincoln Street	\$1,123,925	\$1,099,563	\$1,099,563	\$1,075,199	
Adjusted Levy Limit	\$51,487,715	\$53,121,700	\$53,236,796	\$54,967,223	
<b>REVENUES</b>					
Adjusted Levy Limit	\$51,487,715	\$53,121,700	\$53,236,796	\$54,967,223	
Less Unused Levy Capacity	(\$2,902,138)	(\$2,375,466)	(\$2,802,214)	(\$1,893,068)	
Total Tax Receipts	\$48,585,577	\$50,746,234	\$50,434,582	\$53,074,155	5.23%
State Aid	\$5,245,403	\$5,313,533	\$5,350,237	\$5,403,740	1.00%
MSBA Payments	\$382,543	\$382,543	\$382,543	\$382,543	0.00%
Free Cash (Operating)	\$500,000	\$500,000	\$500,000	\$500,000	0.00%
Free Cash (Capital/Reserve)	\$1,872,000	\$1,735,000	\$1,735,000	\$1,236,167	-28.75%
Local Receipts	\$4,168,000	\$4,468,000	\$4,468,000	\$4,468,000	0.00%
Other Funds	\$880,367	\$967,828	\$967,828	\$952,083	-1.63%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$61,633,890</b>	<b>\$64,113,138</b>	<b>\$63,838,190</b>	<b>\$66,016,688</b>	<b>3.41%</b>
Water/Sewer Enterprise Funds	\$4,487,409	\$4,629,433	\$4,629,433	\$4,792,794	3.53%
Solid Waste Enterprise Fund	\$792,830	\$811,839	\$811,839	\$933,959	15.04%
<b>TOTAL REVENUES</b>	<b>\$66,914,129</b>	<b>\$69,554,410</b>	<b>\$69,279,462</b>	<b>\$71,743,441</b>	<b>3.56%</b>
<b>EXPENDITURES</b>					
Town	\$20,902,493	\$21,634,080	\$21,634,080	\$22,391,273	3.50%
Schools					
Northborough K-8	\$23,445,017	\$24,265,593	\$24,265,593	\$24,928,558	2.73%
Algonquin 9-12	\$10,406,326	\$11,322,989	\$11,304,714	\$12,252,514	8.38%
HS Debt Exclusion	\$660,574	\$610,774	\$610,774	\$621,442	1.75%
Warrant Articles					
Reserve Fund	\$175,000	\$175,000	\$175,000	\$175,000	
Capital / Other Articles	\$1,497,000	\$1,360,000	\$1,360,000	\$861,167	
Transfer to Stabilization	\$200,000	\$200,000	\$200,000	\$200,000	
Assabet	\$741,661	\$612,406	\$612,406	\$694,822	13.46%
Assabet Renovation Project	\$151,232	\$145,316	\$145,316	\$141,488	-2.63%
Transfer to OPEB Trust	\$500,000	\$500,000	\$500,000	\$550,000	
Zeh School Debt Service	\$389,854	\$371,447	\$371,447	\$350,578	
Colburn Street Debt Service	\$66,990	\$64,680	\$64,680	\$62,315	
Library Debt Service	\$383,985	\$373,605	\$373,605	\$364,928	
Senior Center Debt Service	\$422,195	\$409,145	\$409,145	\$394,645	
Lincoln Street Debt Service	\$1,124,675	\$1,100,275	\$1,100,275	\$1,075,875	
Other Funds	\$880,367	\$967,828	\$967,828	\$952,083	
Adjustments	(\$313,479)		(\$256,673)		
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$61,633,890</b>	<b>\$64,113,138</b>	<b>\$63,838,190</b>	<b>\$66,016,688</b>	<b>3.41%</b>
Water Enterprise Fund	\$2,436,381	\$2,496,718	\$2,496,718	\$2,548,680	2.08%
Sewer Enterprise Fund	\$2,051,028	\$2,132,715	\$2,132,715	\$2,244,114	5.22%
Solid Waste Enterprise Fund	\$792,830	\$811,839	\$811,839	\$933,959	15.04%
<b>TOTAL ALL FUNDS</b>	<b>\$66,914,129</b>	<b>\$69,554,410</b>	<b>\$69,279,462</b>	<b>\$71,743,441</b>	<b>3.56%</b>



## Fiscal Year 2020 Revenue Sources



## Fiscal Year 2020 Expenditures



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

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



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## **REVENUE SUMMARY**

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

### **Property Taxes**

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

Property taxes are levied on real property (land & buildings) and personal property used by Northborough's non-manufacturing business firms. In accordance with State law, the Town's Board of Assessors determines the fair market value of all property every five 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 FY2020 by 5.23% or approximately \$2.64 million, to \$53.07 million. This increase includes the 2.5% increase of \$1,274,586 and an increase of \$514,500 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**

<b>LEVY LIMIT CALCULATION</b>	<b>FY2019</b>	<b>FY2020</b>	<b>% CHANGE</b>
Prior Year Levy Limit	\$49,116,899	\$50,983,446	
Add 2.5%	\$1,227,922	\$1,274,586	
Add New Growth	\$638,625	\$514,500	
Add Overrides	\$0	\$0	
True Levy Limit	\$50,983,446	\$52,772,532	
Add Net Debt Exclusions	\$2,253,350	\$2,194,691	
Adjusted Levy Limit	\$53,236,796	\$54,967,223	
Less Unused Levy Capacity	(\$2,802,214)	(\$1,893,068)	
<b>Total Tax Receipts</b>	<b>\$50,434,582</b>	<b>\$53,074,155</b>	<b>5.23%</b>



### State Aid

State Aid is Northborough's second largest revenue source and represents 8-10% of the General Fund budget. Together, State Aid and local property taxes account for approximately 90% of the General Fund budget. The proposed FY2020 budget assumes State Aid will increase 1% to \$5.40 million. The estimate is based upon the Governor's FY2020 Budget which was released on January 23, 2019.

The Governor's FY2020 Budget proposal is based upon a consensus tax revenue forecast that reflects an estimated growth rate of 2.7% in State revenues. Despite State revenue projections expected to grow next fiscal year, the Town does not anticipate receiving much of an increase based upon actual aid figures received in recent fiscal years. 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 estimate at this time.

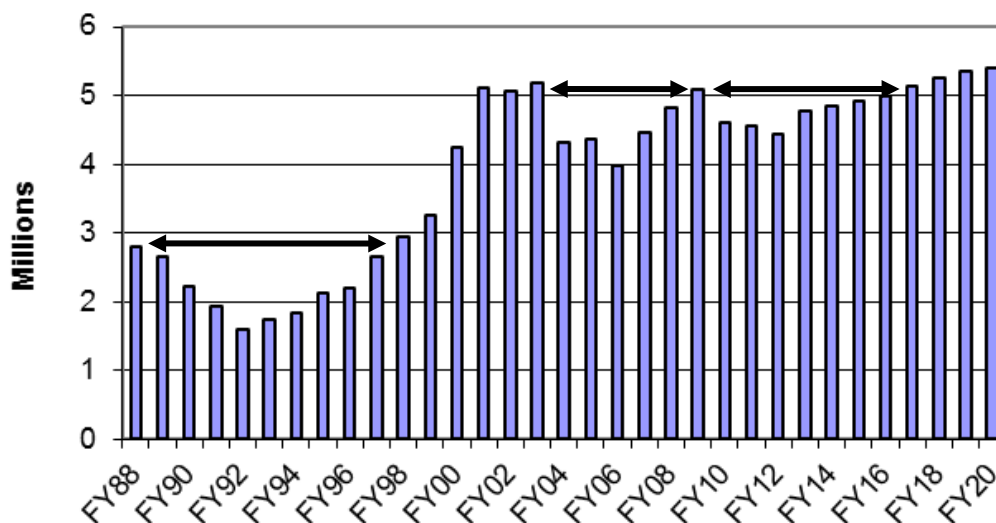
It is important to note that State Aid as a percentage of the budget has decreased from a high of 13% in FY2003 to just 8.8% in FY2020. Northborough has only recently received State Aid at a comparable level to FY2003; however, that is in nominal dollars and does not take into consideration the effect of inflation over those 17 years.

**Table 3: State Aid in Millions**

FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20*
4.78	4.84	4.93	5.00	5.14	5.25	5.35	5.40

\*Estimated

**Northborough State Aid FY1988-2020**





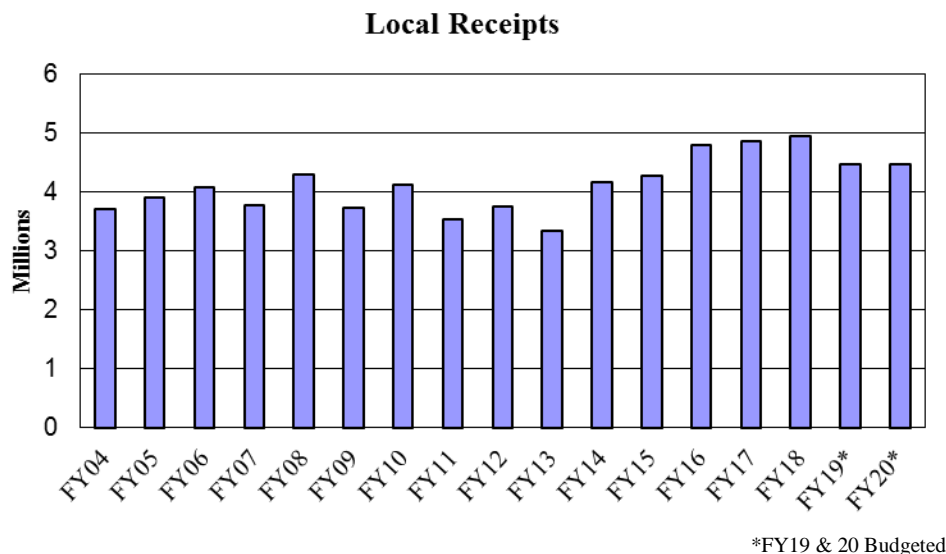
## Revenue Summary

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Looking ahead to FY2020, 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 FY2020 assessment expense budget, and continue with the estimated 1% revenue increase. In this manner, any State Aid actually received above current estimates can only be used to reduce the local tax impact in FY2020.

### Local Receipts

The third largest source of revenue for the General Fund budget is Local Receipts, which include a variety of fees, permits, fines and license-related monies that the Town receives, as well as interest that is earned on investments or overdue tax bills. This category also includes excise taxes which include Motor Vehicle Excise (MVE) and Hotel Rooms and Meals taxes. The total budgeted Local Receipts for FY2020 is \$4.47 million which is level with last year. The single largest source of revenue within the Local 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 Local Receipts shown in the above graph are the actual receipts from FY2004 through FY2018 and contain many one-time sources of funds, while the budgeted amounts are shown for both FY2019 and FY2020.

Until FY2010 Local Receipts included revenues from the Town's pay-as-you-throw (PAYT) trash program, which generated approximately \$500,000 annually in bag sales. Beginning in FY2011, the PAYT revenues were moved into the Solid Waste Enterprise Fund budget. That change in accounting represents a significant part of the reduction shown in the graph above going from FY2010 to FY2011.

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



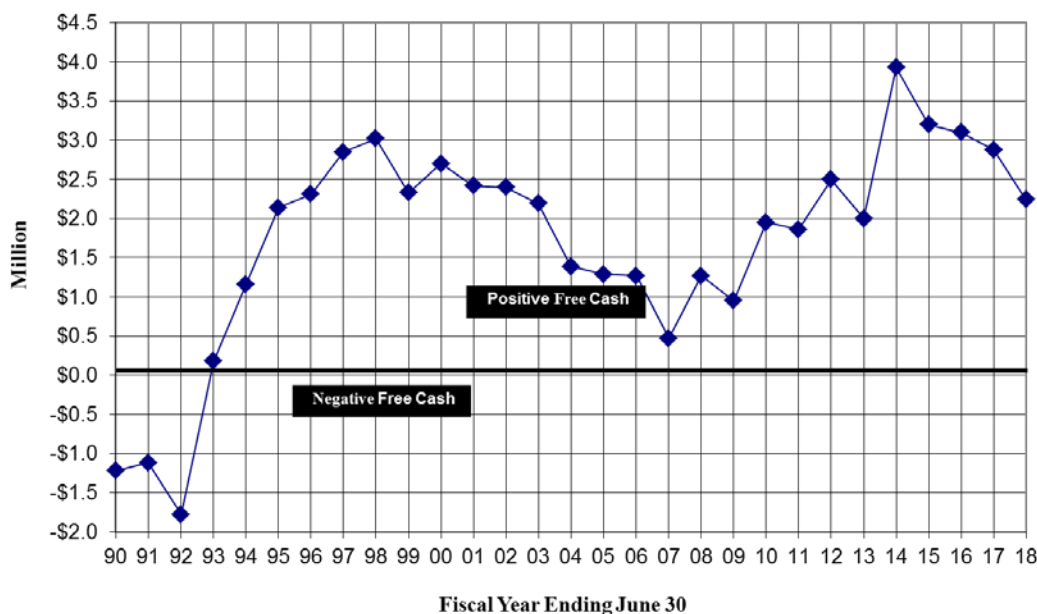
In general, the level of Local Receipts is greatly affected by outside economic conditions beyond the Town's control; especially as it relates to motor vehicle sales, building activity and permits fees. The actual revenue trend in the chart in the previous page reflects the general economic conditions.

### **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, 2018 was certified at \$2,236,167.

By far the single largest source of Available Funds is Free Cash. In FY2020, 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 30<sup>th</sup> 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 FY1990-2018**



\*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, approximately 1% of the budget, where it remains in





## Revenue Summary

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FY2020. As budgets continue to get tighter, year-end budget surpluses will continue to narrow, as has been the trend for the past several years.

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 FY2020 are projected to include transfers from special revenue funds to offset departmental budgets such as \$17,750 in Cemetery Sale of Lots income, \$12,264 in Cemetery Trust Fund income, \$6,741 in Conservation Commission fees, \$325,252 from the Fire/EMS Revolving Account, \$166,662 from the Recreation Revolving Account, \$72,624 from the Medicare Part D Subsidy, and \$32,677 from the Animal Control Revolving Account.

For the fourth year, there will be a substantial transfer in the amount of \$303,566 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 \$12,548 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 \$1,999 from the Department of Public Utilities Transportation Fund. These are a new revenue source, which are fees collected by the state derived from ride-sharing services such as Uber and Lyft. These revenues must be appropriated and are restricted to Roadway maintenance expenses.

In addition to Free Cash, these "Other" revenue sources total \$952,083 and will be used to off-set the municipal budgets as shown in Article 4 of the 2019 Annual Town Meeting Warrant.



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## Expenditure Summary

## Section 1-11

### FY2020 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	FY2019 Budget	FY2020 Proposed Budget	\$ Change	% Change
<b>GENERAL ADMINISTRATION</b>				
<b><u>EXECUTIVE OFFICE</u></b>				
Selectmen	169,109	171,903	2,794	1.65%
Administrator	273,495	276,408	2,913	1.07%
Economic Development	1,300	1,300	-	0.00%
Town Reports	4,700	5,000	300	6.38%
<b><u>PUBLIC BUILDINGS</u></b>				
Town Hall/Public Bldgs.	503,416	542,143	38,727	7.69%
<b><u>FINANCE</u></b>				
Treasurer	334,463	308,390	(26,073)	-7.80%
Board of Assessors	291,740	300,080	8,340	2.86%
Town Accountant	167,251	181,422	14,171	8.47%
<b><u>MIS/GIS</u></b>				
MIS/GIS	513,303	482,454	(30,849)	-6.01%
<b><u>TOWN/CLERKS OFFICE</u></b>				
Town Clerk	136,631	137,739	1,108	0.81%
Election/Registration	44,670	34,725	(9,945)	-22.26%
<b><u>ADVISORY BOARDS/SERVICES</u></b>				
Moderator	500	500	-	0.00%
Appropriations Committee	1,695	1,695	-	0.00%
Town Counsel	85,000	85,000	-	0.00%
Personnel Board	129,410	234,950	105,540	81.55%
<b><u>PLANNING &amp; CONSERVATION</u></b>				
Conservation Commission	79,971	87,705	7,734	9.67%
Planning Board	183,227	183,871	644	0.35%
Zoning Board	5,154	5,154	-	0.00%
Earthwork Board	1,749	1,749	-	0.00%
<b>PUBLIC SAFETY</b>				
Police	2,708,985	2,791,931	82,946	3.06%
Fire	1,980,720	2,009,086	28,366	1.43%
Emergency Preparedness	7,000	2,000	(5,000)	-71.43%
Building	174,258	170,124	(4,134)	-2.37%
Gas Inspector	12,230	12,230	-	0.00%
Wire Inspector	21,865	22,031	166	0.76%
Sealer of Weights	8,000	8,000	-	0.00%
Board of Health	198,679	192,027	(6,652)	-3.35%
Animal Control	41,484	41,484	-	0.00%
<b>PUBLIC WORKS</b>				
Highway Admin.	159,014	165,960	6,946	4.37%
Hwy. Const. & Maint.	1,506,037	1,500,613	(5,424)	-0.36%
Parks	129,300	141,880	12,580	9.73%
Cemetery	142,548	151,840	9,292	6.52%
Engineering	154,602	155,613	1,011	0.65%
Snow & Ice	427,000	437,000	10,000	2.34%
Street Lighting	117,000	120,000	3,000	2.56%
Trees	46,000	46,000	-	0.00%
<b>COMMUNITY SERVICES</b>				
Council on Aging	289,986	295,632	5,646	1.95%
Library	838,777	851,602	12,825	1.53%
Recreation	149,168	150,163	995	0.67%
Youth Services	149,393	150,607	1,214	0.81%
Veterans Services	79,448	80,708	1,260	1.59%
Cable TV	361,298	303,566	(57,732)	-15.98%
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	FY2019 Budget	FY2020 Proposed Budget	\$ Change	% Change
<b>UNDISTRIBUTED EXPENSES</b>				
<b><u>EMPLOYEE BENEFITS &amp; INSURANCE</u></b>				
Health Insurance	5,732,512	5,847,083	114,571	2.00%
Transfer to OPEB Trust	500,000	550,000	50,000	10.00%
Life Insurance	8,930	8,930	-	0.00%
Other Benefits/FICA	452,653	473,800	21,147	4.67%
Workers Comp	151,330	141,330	(10,000)	-6.61%
Retirement Assessments	1,790,753	2,047,554	256,801	14.34%
<b><u>BUILDING &amp; LIABILITY INSURANCE</u></b>				
Bldg. & Liability Insur.	258,959	258,959	-	0.00%
<b><u>DEBT SERVICE</u></b>				
Debt Service	2,801,244	2,666,815	(134,429)	-4.80%
<b><u>STATE ASSESSMENTS</u></b>				
State Assessments	261,089	255,166	(5,923)	-2.27%
<b><u>NORFOLK AGRICULTURAL HIGH SCHOOL</u></b>				
Tuition/Transportation	-	-	-	-
<b><u>STABILIZATION FUND CONTRIBUTION</u></b>				
Stabilization Fund	200,000	200,000	-	0.00%
<b><u>RESERVE FUND</u></b>				
Reserve Fund	175,000	175,000	-	0.00%
<b><u>SPECIAL WARRANT ARTICLES</u></b>				
Special Articles	1,360,000	861,167	(498,833)	-36.68%
Other Financing Uses	217,160	417,160	200,000	92.10%
<b>OTHER NON-APPROPRIATED AMOUNTS</b>				
Reserve for Abatements	335,594	608,050	272,456	81.19%
Offsets	23,088	23,065	(23)	-0.10%
<b>ENTERPRISE FUNDS</b>				
Water	2,496,718	2,548,680	51,962	2.08%
Sewer	2,132,715	2,244,114	111,399	5.22%
Solid Waste	811,839	933,959	122,120	15.04%
<b>GROSS TOTAL TOWN</b>	<b>32,340,660</b>	<b>33,104,617</b>	<b>763,957</b>	<b>2.36%</b>
<b>CALCULATION OF NET TOTAL TOWN</b>				
Less Water Fund	(2,496,718)	(2,548,680)		
Less Sewer Fund	(2,132,715)	(2,244,114)		
Less Solid Waste	(811,839)	(933,959)		
Less Other Funds	(967,828)	(952,083)		
Less Recap Adjustments	256,672			
Less Debt Exclusion	(2,319,152)	(2,248,341)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Transfer to OPEB Trust	(500,000)	(550,000)		
Less Transfer to Stabilization	(200,000)	(200,000)		
Less Special Articles	(1,360,000)	(861,167)		
<b>NET TOTAL TOWN</b>	<b>21,634,080</b>	<b>22,391,273</b>		<b>3.50%</b>
<b>CALCULATION OF TOWN APPROPRIATION</b>				
GROSS TOTAL TOWN	32,340,660	33,104,617		
Less County Assessments	(1,790,753)	(2,047,554)		
Less State Assessments	(261,089)	(255,166)		
Less Reserve for Abatements	(335,594)	(608,050)		
Less Offsets	(23,088)	(23,065)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Stabilization Transfer Article	(200,000)	(200,000)		
Less Special Articles	(1,360,000)	(861,167)		
Less Other Financing Use	(217,160)	(417,160)		
Less Enterprise Funds	(5,441,272)	(5,726,753)		
<b>Net Town Warrant Article 4</b>	<b>22,536,704</b>	<b>22,790,702</b>		



## 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**

	<b>FY2017 ACTUAL</b>	<b>FY2018 ACTUAL</b>	<b>FY2019 BUDGETED</b>	<b>FY2019 SIX MONTHS</b>	<b>FY2020 PROPOSED</b>	<b>% CHANGE</b>
<b><u>EXECUTIVE OFFICE</u></b>						
Selectmen	\$143,216	\$161,765	\$169,109	\$95,199	\$171,903	1.65%
Administrator	\$247,898	\$262,480	\$273,495	\$130,283	\$276,408	1.06%
Economic Development	\$1,180	\$850	\$1,300	\$0	\$1,300	0.00%
Town Reports	\$3,992	\$3,739	\$4,700	\$0	\$5,000	6.38%
<b>Subtotal</b>	<b>\$396,285</b>	<b>\$428,834</b>	<b>\$448,604</b>	<b>\$225,482</b>	<b>\$454,611</b>	<b>1.34%</b>
<b><u>PUBLIC BUILDINGS</u></b>						
	\$329,704	\$394,748	\$503,416	\$153,047	\$542,143	7.69%
<b>Subtotal</b>	<b>\$329,704</b>	<b>\$394,748</b>	<b>\$503,416</b>	<b>\$153,047</b>	<b>\$542,143</b>	<b>7.69%</b>
<b><u>FINANCE</u></b>						
Treasurer	\$316,234	\$351,040	\$334,463	\$158,526	\$308,390	-7.80%
Board of Assessors	\$258,287	\$250,772	\$291,740	\$126,189	\$300,080	2.86%
Town Accountant	\$152,227	\$155,921	\$167,251	\$76,464	\$181,422	8.47%
<b>Subtotal</b>	<b>\$726,749</b>	<b>\$757,732</b>	<b>\$793,454</b>	<b>\$361,178</b>	<b>\$789,892</b>	<b>-0.45%</b>
<b><u>MIS/GIS</u></b>						
	\$410,504	\$355,135	\$513,303	\$287,625	\$482,454	-6.01%
<b>Subtotal</b>	<b>\$410,504</b>	<b>\$355,135</b>	<b>\$513,303</b>	<b>\$287,625</b>	<b>\$482,454</b>	<b>-6.01%</b>
<b><u>TOWN CLERKS OFFICE</u></b>						
Town Clerk	\$123,353	\$131,625	\$136,631	\$66,274	\$137,739	0.81%
Elections/Registration	\$32,146	\$23,431	\$44,670	\$21,898	\$34,725	-22.26%
<b>Subtotal</b>	<b>\$155,498</b>	<b>\$155,056</b>	<b>\$181,301</b>	<b>\$88,172</b>	<b>\$172,464</b>	<b>-4.87%</b>
<b><u>ADVISORY BOARDS/SERVICES</u></b>						
Moderator	\$0	\$200	\$500	\$0	\$500	0.00%
Appropriations Committee	\$358	\$410	\$1,695	\$210	\$1,695	0.00%
Personnel Board	\$12,729	\$10,495	\$129,410	\$2,827	\$234,950	81.55%
Town Counsel	\$52,984	\$45,407	\$85,000	\$39,454	\$85,000	0.00%
<b>Subtotal</b>	<b>\$66,071</b>	<b>\$56,512</b>	<b>\$216,605</b>	<b>\$42,491</b>	<b>\$322,145</b>	<b>48.72%</b>
<b><u>PLANNING AND CONSERVATION</u></b>						
Town Planner/Planning Bd	\$155,309	\$163,494	\$183,227	\$81,883	\$183,871	0.35%
Zoning Board of Appeals	\$1,830	\$1,170	\$5,154	\$1,079	\$5,154	0.00%
Earthworks	\$248	\$1,484	\$1,749	\$15	\$1,749	0.00%
Conservation Commission	\$32,760	\$20,053	\$79,971	\$38,222	\$87,705	9.67%
<b>Subtotal</b>	<b>\$190,146</b>	<b>\$186,200</b>	<b>\$270,101</b>	<b>\$121,199</b>	<b>\$278,479</b>	<b>3.10%</b>



## Section 1-14

## Expenditure Summary

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All five of the Town's collective bargaining agreements expire on June 30, 2019. The Town is in the process of negotiating fair and sustainable future increases for personnel covering FY2020 through FY2022. Included in the negotiations will be any impacts to union employees associated with the ongoing Classification & Compensation Study. As such, the FY2020 departmental budgets do not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally in the Personnel Board account pending successful completion of union negotiations.

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 \$6,007 or 1.34% in FY2020. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel.

- **Public Buildings**

The Public Building Account increases \$38,727, or 7.69% in FY2020. The increase is due to the addition of a full-time Facilities Manager in FY2020, which has been budgeted mid-year. The position will be responsible for coordination of the maintenance and repairs of Town Buildings, as well as assisting with preparation of the Town's Six-Year Capital Improvement Plan (CIP).

- **Finance Department**

During FY2019 the Finance Director/Treasurer-Collector retired, and the Town Accountant was promoted to Finance Director/Town Accountant. Overall, the department's FY2020 budget is down \$3,562 or 0.45% due to changes in departmental personnel. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations.

Within the overall decrease shown, the Assessor's budget includes an increase of \$6,200 for contractual services in order to prepare for the State Department of Revenue's next full recertification of their values scheduled to occur in FY2021.

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

The MIS/GIS budget is decreasing by \$30,849, or 6%. The decrease is attributable to the reallocation of computer equipment monitoring expenses from MIS to the Police, Fire and Water/Sewer Budgets to better reflect actual expenditures. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations. The main departmental initiatives in FY2020 will be updating the website and the continued implementation of a \$40,000 State grant to create a comprehensive IT/GIS Strategic Plan focused on aligning technology investment with overall organizational priorities.



- **Town Clerk/Elections**

The combined FY2020 Town Clerk/Elections budget represents an overall decrease of \$8,837, or 4.87%. The decrease is primarily due to there being only two scheduled elections in FY2020 as opposed to the three held in FY2019. The FY2020 scheduled elections include the Presidential Primary on March 3, 2020, and the Annual Town Election on May 12, 2020. During FY2020 the department will be transitioning to one centralized polling location at the Melick Middle School in order to reduce disruption at the four elementary schools and increase efficiency of oversight. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations.

- **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.

At the start of FY2020 all five of the Town's collective bargaining agreements expire, effective June 30, 2019. As such, the FY2020 departmental budgets do not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally in the Personnel Board account pending successful completion of union negotiations.

- **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 FY2020 Planning and Conservation budget is up \$8,378, or 3%. The budget is essentially flat with the exception of an increase of \$7,734 associated with the hiring of a new full-time Conservation Agent. The part-time Conservation Agent position was increased to full-time in FY2019 and was originally budgeted at the lower end of the salary range, which was subsequently increased to match the hired candidate's credentials. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations.



**Public Safety**

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

**Public Safety Summary**

	FY2017 ACTUAL	FY2018 ACTUAL	FY2019 BUDGETED	FY2019 SIX MONTHS	FY2020 PROPOSED	% CHANGE
<b><u>PUBLIC SAFETY</u></b>						
Police	\$2,491,758	\$2,552,028	\$2,708,985	\$1,255,056	\$2,791,931	3.06%
Fire	\$1,709,817	\$1,887,219	\$1,980,720	\$1,059,852	\$2,009,086	1.43%
Emergency Preparedness	\$0	\$0	\$7,000	\$0	\$2,000	-71.43%
Building Inspection	\$145,738	\$158,498	\$174,258	\$80,134	\$170,124	-2.37%
Gas Inspector	\$11,700	\$11,717	\$12,230	\$4,006	\$12,230	0.00%
Wiring Inspector	\$18,112	\$19,183	\$21,865	\$9,710	\$22,031	0.76%
Sealer Weights/Measures	\$5,000	\$5,000	\$8,000	\$0	\$8,000	0.00%
Health/Plumbing Inspector	\$179,669	\$171,910	\$198,679	\$84,226	\$192,027	-3.35%
Animal Control	\$39,418	\$39,819	\$41,484	\$20,011	\$41,484	0.00%
<b>Subtotal</b>	<b>\$4,601,211</b>	<b>\$4,845,375</b>	<b>\$5,153,221</b>	<b>\$2,512,995</b>	<b>\$5,248,913</b>	<b>1.86%</b>

- Police Department**

Overall, the FY2020 Police Department Budget reflects an increase of \$82,946 or 3.06%. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations. The budget increase includes \$22,682 to cover the full year's wages of a new Dispatcher that was added mid-year in FY2019 to address increased call volume associated with recent economic development as well as new State requirements to accept 911 cell phone calls and texts. The additional position allows for scheduling more than one Dispatcher during peak times and provides greater flexibility and coverage. The departmental budget increase also includes contractual Step increases for eight officers who are not at the max of the pay scale. Lastly, \$21,154 in computer services were reclassified from MIS to the Police Department to better reflect actual network monitoring costs associated with the Police Department.

- Fire Department**

As presented, the FY2020 Fire Department Budget reflects an increase of \$28,366 or 1.43% in the General Fund appropriation. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations.





In addition to the General Fund appropriation of \$2,009,086 (which includes a transfer in of \$325,252 from the Fire Department Revolving Fund under Article 4 of the Town Meeting Warrant) the departmental budget also includes \$503,731 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 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.

The total FY2020 budget that supports the Fire/EMS services is \$2,512,817 (\$2,009,086 plus the Fire Department Revolving Fund direct charges of \$503,731).

- **Building Department**

There are no significant budget changes for the FY2020 Building Department. Overall, the departmental budgets for Building, Gas, Wiring and Sealer of Weights & Measures are down \$3,968 or 1.83% due to changes in departmental personnel. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations.

- **Health Department**

Overall, the department's FY2020 budget decreases \$6,652, or 3.35%, due to changes in departmental personnel. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations. 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 FY2020 the revolving fund revenues proposed to be transferred in are \$32,677 and the estimated cost for contractual Animal Control services is \$41,484, resulting in a net tax-supported service expense of \$8,807.

## 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 Sewer<sup>1</sup>.

### Public Works Summary

	FY2017 ACTUAL	FY2018 ACTUAL	FY2019 BUDGETED	FY2019 SIX MONTHS	FY2020 PROPOSED	% CHANGE
<b>PUBLIC WORKS</b>						
Highway Admin.	\$121,893	\$115,164	\$159,014	\$48,695	\$165,960	4.37%
Hwy. Const. & Maint.	\$1,489,228	\$1,368,752	\$1,506,037	\$614,134	\$1,500,613	-0.36%
Parks	\$107,593	\$129,235	\$129,300	\$40,798	\$141,880	9.73%
Cemetery	\$94,742	\$74,995	\$142,548	\$39,638	\$151,840	6.52%
Engineering	\$120,916	\$133,260	\$154,602	\$59,715	\$155,613	0.65%
Snow & Ice	\$501,899	\$496,654	\$427,000	\$60,848	\$437,000	2.34%
Street Lighting	\$114,000	\$114,000	\$117,000	\$48,252	\$120,000	2.56%
Trees	\$33,298	\$40,727	\$46,000	\$35,647	\$46,000	0.00%
<b>Subtotal</b>	<b>\$2,583,571</b>	<b>\$2,472,786</b>	<b>\$2,681,501</b>	<b>\$947,726</b>	<b>\$2,718,906</b>	<b>1.39%</b>

Overall, the Department of Public Works General Fund budget is increasing \$37,405 or 1.39%. The majority of the increase is attributed to equipment replacement for the cemetery operations and contracted services associated with maintenance of the parks and monuments. There is also an increase of \$10,000 to the snow and ice budget to better reflect historic expenditures. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations.

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



## Expenditure Summary

## Section 1-19

### **Community Services**

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

### **Community Services Summary**

	FY2017 ACTUAL	FY2018 ACTUAL	FY2019 BUDGETED	FY2019 SIX MONTHS	FY2020 PROPOSED	% CHANGE
<b><u>COMMUNITY SERVICES</u></b>						
Senior Center/COA	\$262,812	\$272,735	\$289,986	\$141,810	\$295,632	1.95%
Library	\$764,101	\$811,254	\$838,777	\$390,915	\$851,602	1.53%
Recreation	\$141,332	\$145,270	\$149,168	\$71,943	\$150,163	0.67%
Family & Youth Services	\$138,268	\$143,584	\$149,393	\$62,452	\$150,607	0.81%
Veterans' Services	\$52,639	\$61,849	\$79,448	\$23,067	\$80,708	1.59%
Cable TV	\$323,597	\$222,515	\$361,298	\$126,762	\$303,566	-15.98%
Cultural Council	\$500	\$500	\$500	\$500	\$500	0.00%
Community Affairs Comm.	\$500	\$500	\$500	\$0	\$500	0.00%
Historic Dist. Commission	\$0	\$0	\$500	\$340	\$500	0.00%
<b>Subtotal</b>	<b>\$1,683,750</b>	<b>\$1,658,207</b>	<b>\$1,869,570</b>	<b>\$817,789</b>	<b>\$1,833,778</b>	<b>1.91%</b>

#### • **Senior Center/Council on Aging**

Overall, the departmental budget is up 1.95%, or \$5,646, which includes a \$3,000 increase in the building maintenance and repairs line to better reflect actual costs. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations. During FY2019 the Friends of the Senior Center donated funds to pay for a second 19 hour per week position to help run the growing lunch and dinner program at the Senior Center known as the Bistro @ 119, which serves lunch Monday through Friday and dinner on Tuesday evenings. The goal is to fund the second position through program fees as the meals program continues to grow.

In addition to the appropriated budget supported by tax revenues, the Senior Center receives approximately \$32,000 in additional funds directly from the State Formula Grant which is used primarily to provide exercise programs to seniors. The formula grant (based on the number of seniors in Town) is not subject to Town Meeting appropriation.

#### • **Family and Youth Services Department**

There are no significant changes to the FY2020 Family and Youth Services Department budget, which is up 0.81%, or \$1,214. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations.



- **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% (\$19,208) of the overall administrative expenses in FY2020. 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 FY2020. Although any approved benefits paid to Northborough veterans will eventually be subject to a 75% reimbursement from the Commonwealth's Department of Veterans' Services as part of the Town's state aid revenue, the Town is required to budget for the benefit payments in full in advance of the reimbursement. Overall, the FY2020 Veterans' Services budget is increasing by 1.59%.

- **Library**

Overall, the FY2020 Library Budget is up 1.53%, or \$12,825. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations. The primary increases in the budget are for utility expenses and minor equipment replacement. In FY2020 the Library will also receive an estimated \$23,065 in State Aid that goes directly to the Library and does not require Town Meeting appropriation.

- **Recreation Department**

The FY2020 Recreation Department budget is financially self-sufficient by way of program fees. Program expenses, which includes payroll for part-time and seasonal staff, are paid directly from the Recreation Revolving Fund, while salaries and benefits for the full-time Recreation Director and Administrative Assistant are paid from the General Fund. Article 4 of the 2019 Annual Town Meeting Warrant contains a transfer of \$166,662 from the Recreation Revolving Fund to the General Fund, which is designed to cover the departmental expenses not directly paid 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 decreases in FY2020 by \$57,732 primarily due to completed capital expenditures. Contractual capital and operational payments received from Charter Communications and Verizon continue to provide all departmental funding. The Town is currently in negotiations with Verizon and Charter for cable contract renewals and as part of the negotiations the Town must balance the fees added to the cable bills with the desired level of services. One significant concern is that the cable industry continues to evolve and an increasing number of people are cutting the cable cord, resulting in declining cable revenues. The Town is legally prohibited from adding fees to phone or internet services, so declining cable fees will continue to put pressure on PEG Access funding for the coming years.



### **Undistributed Expenses**

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

#### **• Employee Benefits & Insurance**

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

In FY2019, the Town faced initial Health Insurance renewal quotes in double digit percentages, so with the intent to control costs for that year and into the future, the Town issued a Request for Proposals (RFP) for a sole carrier. With the results of the RFP, the recommendation was made to move to Fallon Community Health Plan. This change offered the traditional HMO plan as well as a limited network HMO plan at a lower cost as an option for employees. With the single provider, FY2019 saw a budget increase of 3.8% over the prior year to \$5.7 million. For FY2020, as a continuation of the plan consolidation with Fallon and having favorable claims data during FY2019, the Town signed a zero percent increase renewal for FY2020. This will result in a 2% increase in the budget to \$5.8 million, in order to account for new enrollments and transitions following retirements.

The second largest category of employee benefit costs after Health Insurance is the Worcester Regional Retirement System (WRRS). The total FY2020 Worcester Regional Retirement Assessment is \$2,118,897. The \$2,047,554 portion included in the General Fund budget does not include the retirement costs contained in the Water Enterprise Fund (\$33,340), the Sewer Enterprise Fund (\$22,227) or the Cable Access TV budget (\$15,776). The FY2020 General Fund increase of \$256,801 represents a significant 14% rise in costs, primarily due to implementation of the funding schedule designed to eliminate the unfunded pension liability by 2035.

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.<sup>2</sup>

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



- **Transfer to OPEB Trust**

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

The Town's OPEB liability increased to \$44.88 million (net of trust fund balance) based on the most recent actuarial study, which was received at the close of FY2018. Following the acknowledgment of OPEB in FY2009 as required by the Government Accounting Standards Board (GASB), the Town has continued to contract with an actuary to update the liability, but also to develop a funding plan to address the liability. In FY2015 the Town adopted the optional Meals Tax Surcharge and increased the Room Occupancy Tax in order to provide capacity within the budget to begin funding the OPEB Trust Fund. Since FY2015 the General Fund budget has appropriated \$500,000 annually into the OPEB Trust Fund and in FY2020 that amount will be increased to \$550,000.

To date, the Town has appropriated \$2.5 million into the OPEB Trust Fund and the Fund balance as of February 28, 2019 is approximately \$3 million, exclusive of the planned contribution of \$550,000 in FY2020. 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. Based upon positive loss ratios, the Town's Building and Liability insurance has been level funded in FY2020.

- **Debt Service**

The proposed FY2020 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 FY2020, the total Debt Service for the General Fund is \$2.67 million, a decrease of \$134,429.

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 decrease \$5,923, or 2.27%, based on the Governor's initial budget assessment to Northborough of \$255,166. 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 72% of the expenses—Mosquito Control (\$64,210), Massachusetts Bay Transportation Authority (\$77,530) and Charter School sending tuition (\$42,312).

- **Stabilization Fund Contribution**

As of June 30, 2018, the balance in the Stabilization Fund is \$4.57 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 with Free Cash as the source. The FY2020 budget provides for another contribution to the Stabilization Fund of \$200,000 from Free Cash 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 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 FY2020 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, bond proceeds, and/or other available funds. In FY2020, these warrant articles include \$175,000 for the Reserve Fund from Free Cash, \$200,000 to the Stabilization Fund from Free Cash, and the FY2020 Capital Improvement Plan (CIP) which in total amounts to \$4,951,000. The funding sources for the CIP are \$861,167 from Free Cash, \$129,833 transfer from a prior year capital article, \$1,383,452 transfer from surplus bond proceeds from the completed Lincoln Street School project, \$115,000 from Water Enterprise Free Cash, and \$30,000 from Sewer Enterprise Free Cash. The CIP totals \$4,951,000, and together with the other warrant articles the total expenditures come to \$5,326,000.



The FY2020 Town Meeting Warrant Articles include the following:

- \$175,000 for the Appropriation Committee's Reserve Fund (Article 10)
- \$200,000 for the Stabilization Fund (Article 11)
- \$315,000 for Ambulance Replacement (Article 12)
- \$145,000 for three Police Cruiser Replacements (Article 13)
- \$90,000 for One-Ton Pickup Truck with Plow (Article 14)
- \$271,000 for 20-Ton Dump Truck w/ Spreader and Plow (Article 15)
- \$300,000 for Roadway Maintenance and Improvements (Article 16)
- \$75,000 for Water/Sewer Division Garage Design (Article 17)
- \$70,000 for Assabet Water Storage Tank Rehabilitation Design (Article 18)
- \$185,000 K-8 Public Schools Communication & Security Enhancements (Art. 19)
- \$3,500,000 for Fire Station Design, OPM, and Land Acquisition (Article 20)

The Board of Selectmen adopted a Free Cash Policy in November 2010, which provides a funding source for projects, other than municipal bonds. The Free Cash Policy can be found on page 2 of Appendix A of this budget document, and is further discussed in the transmittal letter of the Capital Improvement Plan contained in Section 9-1 through 9-6 of this document.

### **Public Education**

#### **• Northborough K-8**

The Northborough K-8 Public School System serves children in grades Kindergarten through 8. There are four elementary schools: the Fannie E. Proctor School, the Lincoln Street School, the Marion E. Zeh School, and the Marguerite E. Peaslee School. These four schools serve children from Kindergarten through grade 5. There is also one middle school, the Robert E. Melican Middle School, which serves grades 6, 7 and 8. As of October 1, 2018, a total of 1,588 students attend the Northborough schools, with 1,008 students in grades K-5 at the four elementary schools and 580 students in grades 6-8 at the Middle School.

Based on the Town's revenue forecast and declining enrollment, the Northborough K-8 School Budget will increase 2.73% in FY2020. Therefore, the FY2020 amount available for the Northborough K-8 School department is \$24,928,558. This represents an increase of \$662,965 from the \$24,265,593 appropriated last year.

#### **• Algonquin Regional High School (ARHS)**

As of October 1, 2018, a total of 894 Northborough students attend the Northborough-Southborough Regional High School. This represents 61.44% of the total 1,455 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%. However, the ARHS operating assessment increases \$947,800, or 8.38% to \$12,252,514 based upon Northborough enrollment and changes to the State's minimum contribution formula. The debt for ARHS increases by \$10,668, or 1.75%, to \$621,442. The net effect of the combined operating assessment and new debt service is an overall increase of \$958,468, or 8.04%, to \$12,873,956.

- **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 FY2020 Assabet budget is \$21,960,000, which is an increase of \$896,000, or 4.25%.

As of October 1, 2018, 45 Northborough students attend Assabet Valley, which represents 5.38% of the FY2020 overall Assabet budget, or an operating assessment of \$694,822. This is an enrollment increase of 4 from the 41 Northborough students that attended Assabet Valley last year. Northborough's FY2020 share of the debt assessment from the completed building renovation project is \$141,488, which will continue to decline in subsequent years. The net effect of the combined operating assessment and new debt service is \$836,310, which is an increase of \$78,588, or 10.37%.

- **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 FY2020.

### **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

	FY2017 ACTUAL	FY2018 ACTUAL	FY2019 BUDGETED	FY2019 SIX MONTHS	FY2020 PROPOSED	% CHANGE
<b>ENTERPRISE FUNDS</b>						
Water Enterprise Fund	\$2,670,210	\$2,436,381	\$2,496,718	\$985,409	\$2,548,680	2.08%
Sewer Enterprise Fund	\$1,588,281	\$2,051,028	\$2,132,715	\$597,593	\$2,244,114	5.22%
Solid Waste Enterprise	\$747,383	\$739,097	\$811,839	\$308,807	\$933,959	15.04%
<b>Subtotal</b>	<b>\$5,005,873</b>	<b>\$5,226,506</b>	<b>\$5,441,272</b>	<b>\$1,891,809</b>	<b>\$5,726,753</b>	<b>5.25%</b>

- **Water Enterprise Fund**

The FY2020 Water Enterprise Fund is budgeted at \$2,548,680 which is an increase of \$51,962 or 2.08%. This increase is due to a number of factors, the largest of which is a \$56,994 (49.7%) increase in contracted services. This account includes a number of modest increases for State mandated leak detection compliance, engineering costs related to the abandoned dam in Shrewsbury, introduction of a new value maintenance program, and some additional MIS/GIS costs. The second largest increase is a \$32,666 (2.6%) increase in the MWRA water assessment.

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. Based upon formal rate studies, the water utility user rates are expected to increase approximately 5% per year due to a combination of inflationary pressures (between 2% and 3% annually), annual water use fluctuations, and the need to make regular infrastructure investments.

- **Sewer Enterprise Fund**

The FY2020 Sewer Enterprise Fund is budgeted at \$2,244,114, which is an overall increase of \$111,399 or 5.22%. The budget reflects an estimated 5% increase in the Marlborough use charge of \$35,125. Annual debt payments have increased by \$34,510 to pay for recent capital projects, including the recently completed West Main Street Pump Station Improvements. Several smaller initiatives account for the remainder of the increase with the largest being the annual replacement of the grinder cartridges. The Town installed three sewer grinders to better manage solids at the pump stations. The equipment includes grinder teeth cartridges which are wear parts that require replacement approximately every three years at a cost of \$16,000 per unit. Other smaller initiatives include replacement of aging testing equipment and alarms, and system mapping services.

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 Plant 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 in anticipation of a large plant improvement payment to Marlborough. The sewer use charges for FY2019 increased by 5% to account for regular operating cost increases and periodic capital expenditures. A similar increase is expected in FY2020 based upon the most recent rate study.

- **Solid Waste Enterprise Fund**

The solid waste and recycling collection contract, which is set to expire on June 30, 2019, is one of the main budget drivers for FY2020. Historically the cost for the marketing and disposal of recyclable materials has been included in the collection contract. However, the recycling industry is currently going through a tumultuous period of adjusting to China's 2018 decision to basically get out of the international recycling business. The impact to Massachusetts is similar to that of the rest of the nation. In years past, the value of recyclable materials would offset the cost of collecting and sorting them, which is no longer the case. It can be summarized simply that there is far too much supply and very little demand.

It is anticipated that in FY2020 it will cost at least as much to dispose of recycling as it does trash. As a result, the Town is anticipating that its next solid waste and recycling contract will increase by approximately 15% and require another \$200,000 in General Fund subsidy. The FY2020 bag fee revenues are projected to be \$488,000 and the FY2020 expenses are estimated at \$933,959. As a result, a General Fund subsidy of \$417,160 is recommended in order to balance the Enterprise Fund, along with a fund balance allocation of \$28,799.

Market instability is projected to continue until new material recovery facilities can be brought on-line here in the United States and in emerging countries around the world. For a full review of the pay-as-you-throw trash program, as well as a more detailed discussion regarding recent market issues, interested readers are referred to the Solid Waste Enterprise Fund budget contained in Section 8 of this budget document.



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