

# **Undistributed Expenses**

## **Section 6**



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# Undistributed Expenses

# Section 6-1

## Undistributed Expenses

In its operation the Town budgets 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 worker's 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. In the pages that follow each of these undistributed expenses are explained in more detail. A summary of these expenses is shown below.

	FY2008 ACTUAL	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 BUDGETED	FY2011 SIX MONTHS	FY2012 PROPOSED
<b>UNDISTRIBUTED EXPENSES SUMMARY</b>						
<b>EMPLOYEE BENEFITS&amp; INSURANCE</b>						
Health Insurance	3,744,525	4,155,041	3,795,744	4,319,310	2,420,698	4,513,248
Life Insurance	8,420	7,101	7,004	8,725	3,441	8,730
Other Benefits/FICA	318,045	273,244	312,663	338,790	185,300	356,739
County Assessments	773,438	892,411	974,865	1,006,365	1,006,365	1,118,192
Workers Comp	91,633	77,989	85,828	101,800	76,573	101,800
<b>SUBTOTAL EMPLOYEE BENEFITS</b>	<b>4,936,061</b>	<b>5,405,786</b>	<b>5,176,104</b>	<b>5,774,990</b>	<b>3,692,377</b>	<b>6,098,709</b>
<b>Building &amp; Liability Insurance</b>	<b>202,481</b>	<b>198,515</b>	<b>166,126</b>	<b>213,955</b>	<b>125,094</b>	<b>213,955</b>
<b>Debt Service</b>	<b>1,405,402</b>	<b>1,696,637</b>	<b>2,265,276</b>	<b>1,994,339</b>	<b>257,449</b>	<b>2,489,898</b>
<b>State Assessments</b>	<b>195,234</b>	<b>352,490</b>	<b>459,224</b>	<b>480,217</b>	<b>191,670</b>	<b>507,405</b>
<b>Reserve for Abatements<sup>1</sup></b>	<b>249,386</b>	<b>215,351</b>	<b>284,717</b>	<b>342,209</b>	<b>0</b>	<b>340,000</b>
<b>Cherry Sheet Offset Items<sup>2</sup></b>	<b>28,560</b>	<b>30,571</b>	<b>22,263</b>	<b>20,514</b>	<b>0</b>	<b>22,815</b>
<b>Stabilization Fund Contribution</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reserve Fund</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,000</b>	<b>0</b>	<b>150,000</b>
<b>Special Warrant Articles</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>127,600</b>	<b>0</b>	<b>804,000</b>
<b>TOTAL:    UNDISTRIBUTED EXPENSES</b>	<b>7,045,254</b>	<b>7,899,350</b>	<b>8,373,710</b>	<b>9,033,824</b>	<b>4,266,590</b>	<b>10,626,782</b>

<sup>1</sup> Amounts displayed reflect an offset to revenue rather than actual expenditures and reflect what was provided for abatements and exemptions from the property tax levy as determined by the Assessors in each year.

<sup>2</sup> Amounts displayed reflect an offset to revenue rather than actual expenditures. The amounts are the portion of total budgeted state aid that is restricted to uses in other funds, and will be received outside of the general fund (i.e. School Lunch and Library programs).



### Employee Benefits and Insurance Statement

The employee benefits and insurance provided to the employees of the Town of Northborough (including those who work for the Northborough K-8 Public Schools) include both the required and contractually agreed upon benefits to protect their health, provide for their income security if they are injured on the job, and provide for their eventual retirement from the Town. Employee benefits represents the cost of providing health and life insurance for Town and K-8 School employees as well as for workers' compensation, unemployment, FICA/Medicare tax, and the Town's assessment from the Worcester Regional Retirement System.

#### Health Insurance

Pursuant to MGL Chapter 32B, as a benefit of employment, any active, permanent employee of the Town who works in excess of twenty hours per week is eligible for group health insurance coverage.

The Town offers the choice of four health insurance plans to its active employees: Fallon HMO, Fallon PPO, Harvard/Pilgrim and Tufts. As a benefit of retirement, former Town employees are also eligible for group health insurance coverage. Retirees under the age of 65 are covered on the active employee plans with the same contribution as the Town employees. The Town offers four senior plans for Medicare eligible retirees: Fallon Senior, Tufts Complement, Tufts Premier and MEDEX.

As of March 1, 2011 a total of 287 active employees (77 Town and 210 K-8 School), 107 retirees (31 Town and 76 K-8 School) and 32 dependents (8 Town and 24 School) were enrolled in one of the Town's health insurance plans.

The following estimated rate schedule was used in budgeting for FY2012.

Health Insurance Plan		7/1/2011 Renewal Monthly Rates	Town Employees				School Employees			
			7/1/2011 Town Monthly Expense	7/1/2011 Employee Monthly Expense	7/1/2011 Town Monthly Expense	7/1/2011 Employee Monthly Expense	7/1/2011 Town Monthly Expense	7/1/2011 Employee Monthly Expense	7/1/2011 Town Monthly Expense	7/1/2011 Employee Monthly Expense
Fallon	Ind	698.56	66%	463.64	34%	234.92	75%	523.92	25%	174.64
	Fam	1,816.25	66%	1,204.69	34%	611.56	75%	1,362.19	25%	454.06
Fallon Pref Care PPO	Ind	1,014.45	50%	507.23	50%	507.22	50%	507.23	50%	507.22
	Fam	2,637.59	50%	1,318.80	50%	1,318.79	50%	1,318.80	50%	1,318.79
Harvard/Pilgrim	Ind	722.87	68%	490.08	32%	232.79	75%	542.15	25%	180.72
	Fam	1,879.46	68%	1,273.20	32%	606.26	75%	1,409.60	25%	469.86
Tufts	Ind	665.05	68%	450.63	32%	214.42	75%	498.79	25%	166.26
	Fam	1,729.09	68%	1,171.58	32%	557.51	75%	1,296.82	25%	432.27



## Undistributed Expenses

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Beginning in FY2012, the Town's contribution will decrease from 80% to 75% of the monthly HMO premiums for School department employees, and between 66% to 68% of the monthly HMO premiums for Town Employees. In accordance with Chapter 32B, the Town pays 50% of the monthly premium for the Preferred Provider Plan or PPO for both School and Town employees. The employees pay the remaining premium through bi-weekly payroll deductions.

The FY2012 budget was prepared using an estimated 6% increase effective with the Senior plan renewal on January 1, 2012. The following rate schedule was in place until the calendar year renewal.

Health Insurance Plan		1/1/2011 Renewal Monthly Rates	Medicare Eligible Ret Empl*			
			1/1/2011 Town Monthly Expense		1/1/2011 Retiree Monthly Expense	
Fallon Senior	Ind	277.00	70%	193.90	30%	83.10
	Ind x2	554.00	70%	387.80	30%	166.20
Tufts Medicare	Ind	390.00	70%	273.00	30%	117.00
Complement	Ind x2	780.00	70%	546.00	30%	234.00
Tufts Medicare	Ind	249.00	70%	174.30	30%	74.70
Preferred	Ind x2	498.00	70%	348.60	30%	149.40
MEDEX	Ind	562.84	51%	287.05	49%	275.79
	Ind x2	1,125.68	51%	574.10	49%	551.58

\* Enrollment in the Senior Plans require participation in Medicare Parts A & B

The Town pays 70% of the monthly Senior Plan HMO premiums for all the retirees. In accordance with Chapter 32B, the Town pays 51% of the monthly premium for the MEDEX Plan. The retirees pay the remaining premium through monthly deductions from their retirement allowances.

In the past, the Town had experienced significant increases in our Health Insurance premiums. In order to address these rising costs, during FY2010 the Town successfully negotiated Health Insurance plan design changes with all employee groups that resulted in approximately \$400,000 in FY10 budgetary cost avoidance. With the adoption of new plan design changes in FY10, the Town experienced a nearly flat budget increase. In FY10, the Town also moved to new plans with higher co-payments for office visits and prescription drugs, and for the first time deductibles for inpatient and outpatient services. A Flexible Spending Account was established to allow employees to make contributions to their account through payroll deductions and pay for dependent care and medical expenses on a pre tax basis. A health insurance reimbursement account was created to reimburse employees for deductible payments made to health care plans for in-patient and out-patient hospital visits. These plan design changes and programs remain in place for FY2012.



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## Undistributed Expenses

The Town unanimously adopted MGL Chapter 32B, Section 18 at the Annual Town Meeting in April 2009. The adoption of Chapter 32B, Section 18 requires Medicare eligible retirees to move out of the HMO active health plans and into Medicare supplement or “Senior Plans,” which are specifically designed for the medical needs of seniors and will effectively share these health care costs with the Federal Medicare program. By adopting Section 18 the Town’s GASB<sup>3</sup> 45 Actuarial Accrued Liability (AAL) for Other Post Employment Benefits (OPEB) for retiree medical benefits was greatly reduced from \$90.4 million to \$34.3 million. By introducing these Senior Plans the Town continues to realize savings as Medicare eligible retirees and their spouses are required to transition to these lower cost Senior Plans.

The FY2012 budget request of \$4.5 Million represents a total increase of \$193,938 or 4.5% from the amount budgeted last year.

	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>HEALTH INSURANCE</b>						
<b>Expenses</b>						
51750 Town Health Insurance	960,495	973,251	932,021	1,041,803	584,036	1,146,641
51800 School K-8 Health Insurance	2,784,031	3,181,790	2,857,803	3,227,507	1,834,573	3,356,607
51850 Health Reimbursement Account	0	0	5,920	50,000	2,089	10,000
<b>SUBTOTAL</b>	<b>3,744,525</b>	<b>4,155,041</b>	<b>3,795,744</b>	<b>4,319,310</b>	<b>2,420,698</b>	<b>4,513,248</b>

<sup>3</sup> The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. Established in 1984 by agreement of the Financial Accounting Foundation (FAF) and 10 national associations of state and local government officials, the GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments.



## Undistributed Expenses

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### Life Insurance

The Town provides a group life insurance program available to all employees and contracts with Boston Mutual Life. All Town and K-8 School employees who choose to enroll are insured for \$5,000. In addition, Town and School Retirees are insured for \$2,000. This budget covers the Town's 50% portion of the premium. Employee payroll deductions and retiree contributions fund the balance of the premium costs. This budget also covers term life insurance policies for the Police Chief and the Town Administrator pursuant to their respective employment contracts.

	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>LIFE INSURANCE</b>						
<b>Expenses</b>						
51740 Town Life insurance	3,992	2,537	2,452	4,060	840	4,244
51745 School k-8 Life Insurance	4,429	4,564	4,552	4,665	2,601	4,486
<b>SUBTOTAL</b>	<b>8,420</b>	<b>7,101</b>	<b>7,004</b>	<b>8,725</b>	<b>3,441</b>	<b>8,730</b>



### **Other Benefits / Federal Insurance Contributions Act (FICA) Tax**

Federal Insurance Contributions Act (FICA) tax is a payroll (or employment) tax imposed by the Federal Government on both employees and employers. As a result of Federal legislation, all local government employees hired after March 31, 1986 are considered Medicare Qualified Government Employees or MQGE and are required to be covered under the Medicare program. The Town is responsible for a matching Medicare payroll tax of 1.45% on all these employees. Annual increases in this tax liability have been reflective of a rise in total Town payroll subject to this tax, as more senior employees whose wages were not subject to the tax depart and are replaced by newly hired employees whose wages are now fully subject to this tax liability.

### **Unemployment Assistance**

The Town does not pay unemployment insurance, but instead, is assessed by the State Division of Unemployment Assistance (DUA) on a pay-as-you-go basis for the cost of any and all benefits actually paid to its former Town and K-8 School employees. Presently, the Town is liable for up to 46 weeks of benefits per claimant – up to 26 weeks of regular benefits and up to 20 weeks of additional federally-legislated “extended benefits”. Claimants receive a weekly benefit payment that is typically about half of their average weekly wage, up to a maximum benefit amount which is currently \$625/week, plus a dependency allowance of \$25 per week for each dependent child. The Town is responsible for reimbursing the State for 100% of the benefits paid to former employees. There is an inherent complexity in tracking unemployment costs and estimating liability given that an employee’s “benefit year” may cross fiscal years, claimants may be subject to partial benefits if they have other earnings, and claimants who become unemployed more than once during a benefit year may reactivate a prior claim and resume collecting benefits.

### **Miscellaneous benefits**

Miscellaneous benefits include payment of a portion of sick leave for eligible retiring employees (capped at \$3,000 each), payment of the deferred compensation benefit for the Town Administrator pursuant to the employment contract, and the fee assessed by the deferred compensation program provider.

	FY2008 ACTUAL	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 BUDGETED	FY2011 SIX MONTHS	FY2012 PROPOSED
<b>OTHER BENEFITS/FICA</b>						
<b>Expenses</b>						
51730 FICA Town Share	78,435	75,494	79,008	86,629	39,794	193,903
51733 FICA School Share	171,629	165,217	183,479	186,998	92,615	87,673
51735 Unemployment Compensation	52,085	18,454	42,569	50,000	49,246	60,000
55090 Miscellaneous Benefits	15,895	14,079	7,607	15,163	3,645	15,163
<b>SUBTOTAL</b>	<b>318,045</b>	<b>273,244</b>	<b>312,663</b>	<b>338,790</b>	<b>185,300</b>	<b>356,739</b>





## Undistributed Expenses

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### Worcester Regional Retirement Assessment

Retirement contributions are made to the Worcester Regional Retirement System which bases its assessment upon actual payroll plus a state-approved full funding schedule. The Town's assessment is calculated by their actuarial consultant to cover pension costs for all Town and Northborough K-8 School retirees covered by this retirement system (non-teaching positions), and also to amortize over time the previous unfunded pension liability created by insufficient contributions by member units over a number of years. It should be noted that Northborough K-8 School teachers are not part of the Worcester Regional Retirement System, but are instead covered by the Massachusetts Teachers' Retirement System which is governed by MGL, Chapter 32. Teacher retirement costs are funded directly by an appropriation by the Commonwealth of Massachusetts.

The total FY2012 Worcester Regional Retirement Assessment is \$1,173,542. The \$1,118,192 portion included in the General Fund budget below does not include the retirement costs contained in the Water Enterprise Fund (\$29,372), the Sewer enterprise Fund (\$19,583) or the Cable Access TV (\$6,396)<sup>4</sup>.

	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>WORCESTER REGIONAL RETIREMENT</b>						
<b>Expenses</b>						
56220 Retirement Assessment	773,438	892,411	974,865	1,006,365	1,006,365	1,118,192
<b>SUBTOTAL</b>	<b>773,438</b>	<b>892,411</b>	<b>974,865</b>	<b>1,006,365</b>	<b>1,006,365</b>	<b>1,118,192</b>

<sup>4</sup> The Water & Sewer Enterprise Funds are designed to capture all costs associated with the service and are fully explained in Section 8 of this budget document. The Cable Public Access TV Department is funded by fees added to the cable TV subscriber bills, which pay for the related retirement costs of the Cable Access Director (see Section 5 of the budget for more information regarding Public Access TV.)



### Worker's Compensation Insurance

Worker's Compensation is available to those employees injured on the job. The Town is insured through the Massachusetts Interlocal Insurance Agency (MIIA) which is owned and operated by the municipalities of Massachusetts<sup>5</sup>. Employees injured on the job receive 60% of their pay tax-free and the Town is responsible for 100% of associated medical bills.

Also included in this budget are medical payments to cover separated police and fire personnel. MGL, Chapter 41, Section 100B requires the Town to continue to pay for related medical payments and associated expenses for retired police and fire employees injured on duty. The actual Injured on Duty (IOD) insurance premiums for police and fire personnel is contained in the Building & Liability Insurance budget.

	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>WORKERS' COMPENSATION INSURANCE</b>						
<b>Expenses</b>						
51710 Workers' Compensation	88,404	74,700	82,965	96,800	75,894	96,800
53080 Police/Fire Injured on Duty (IOD) Medical Payments	3,229	3,289	2,863	5,000	679	5,000
<b>SUBTOTAL</b>	<b>91,633</b>	<b>77,989</b>	<b>85,828</b>	<b>101,800</b>	<b>76,573</b>	<b>101,800</b>

<sup>5</sup> Massachusetts Interlocal Insurance Association (MIIA) was incorporated by the Massachusetts Municipal Association in 1982 as a nonprofit organization to provide insurance services to the cities, towns and other governmental entities in Massachusetts that are members of the MMA. MIIA insures approximately 300 cities and towns across Massachusetts.



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### Building & Liability Insurance

This budget category also includes property and liability coverage for all Town owned property as well as all Town officials, elected and appointed.

In addition, because fire and police personnel are not eligible under Massachusetts law for regular worker's compensation coverage, a separate insurance policy with premiums based largely on claims experience is purchased to cover these personnel for injuries incurred in the line of duty. The police and fire MGL Chapter 41 Section 111F Injured on Duty (IOD) premium is also included here. Under this statute, public safety employees injured on duty receive 100% of their regular earnings. These IOD earnings are considered non-taxable wages by both the Department of Revenue and the Internal Revenue Service.

Due to a favorable loss history, the Town's Building and Liability insurance premiums reflect a 0% budgetary increase for FY2012.

	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>BUILDING &amp; LIABILITY INSURANCE</b>						
<b>Expenses</b>						
57410 Building & Liability Ins.	202,481	198,515	166,126	213,955	125,094	213,955
<b>SUBTOTAL</b>	<b>202,481</b>	<b>198,515</b>	<b>166,126</b>	<b>213,955</b>	<b>125,094</b>	<b>213,955</b>



### Debt Service

Debt Service appropriations provide for the payment of principal and interest costs for long and short term bonds issued by the Town for capital projects for General Fund purposes. The debt service appropriations for the Water & Sewer Enterprise Funds appear in their respective budgets (Section 8 of this budget document).

In March 2011, the permanent \$8.6 Million bonds were sold containing \$5.2 Million for the debt- excluded Senior Center project. Moody's Investors Service affirmed our Aa2 Bond Rating and we were fortunate to receive a very favorable 3.09% True Interest Cost with ten (10) qualified bidders for these bonds. Moody's noted Northborough's "history of sound financial management" and cited that our reserves "...have averaged nearly \$4.4 million or a sound 10.5% of General Fund revenues over the past five years and are expected to remain stable given judicious management practices." Moody's also cited Northborough's moderately-sized tax base with above-average wealth indicators and manageable debt burden as positive factors in affirming the Town's Aa2 bond rating.

For FY2012, the total Debt Service budget for the General Fund is \$2.49 Million. The significant increase of \$495,559 from FY2011 is primarily attributable to the issuance of permanent bonds for the construction of the new Senior Center. The FY2012 debt service for the Senior Center increased by \$353,965, the debt service for Remediation at 167 Bearfoot Road increased by \$93,758 and the debt service for various other General Fund capital items increased by \$47,836.

	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>DEBT SERVICE</b>						
<b>Expenses</b>						
59100 Principal/Long-term Debt	967,534	1,176,097	1,617,021	1,398,396	64,534	1,094,148
59150 Interest/Long-term Debt	378,363	324,324	484,940	384,660	192,915	350,458
59270 Interest/Temporary Loans	59,505	196,216	163,314	211,283	0	1,045,292
<b>SUBTOTAL</b>	<b>1,405,402</b>	<b>1,696,637</b>	<b>2,265,276</b>	<b>1,994,339</b>	<b>257,449</b>	<b>2,489,898</b>

Typically, larger projects such as the Senior Center are bonded for twenty years, while the financing for other General Fund projects and equipment is retired within five to ten years. Our goal is to finance the capital projects for the shortest feasible term over the useful life of the project in accordance with the terms outlined in the Massachusetts General Laws. This ensures that our debt burden will remain manageable. Additionally in a recent ratings review, Moody's Investors Service indicated its expectation that the Town's debt position should remain manageable. Moody's cited Northborough's overall debt burden at 1.8% of our Equalized Valuation and average rate of 71.4% principal amortization within the next ten years as indicators of a manageable debt burden.



## Undistributed Expenses

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The aggregate level of the Town's outstanding debt obligation is limited by State law. The statutory debt limit is established by Massachusetts General Laws, Chapter 44, Section 10 at 5% of a community's total Equalized Valuation (EQV).

<u>Statutory Debt Limit</u>	
Northborough's 2010 EQV	\$2,596,178,600
Debt Limit (5% of EQV)	\$ 129,808,930

Northborough's total issued and outstanding long term debt principal, both inside and outside the debt limit as of June 30, 2011, is \$26,266,258, significantly below the statutory debt limit.

Further we have a local limit placed on our debt obligation through our Debt Policy adopted by the Board of Selectmen in September 2000. The Town's Debt Policy provides for the following specific Gross and Net debt limits for the annual General Fund debt service expressed as a percentage of the proposed budget:

- Gross GF Debt Limit: Not to Exceed 15%
- Net GF Debt Limit: Not to Exceed 8% – 10%

The FY2012 estimated Gross Debt is 8.38% and the estimated Net Debt is 7.56% of the proposed budget, and are well under the Town's debt policy limits.

### Municipal Bonds

In order to comply with complex tax regulations, secure access to the municipal bond market and assure a competitive climate for bids, we use the services of Bond Counsel, a Financial Advisor and a private credit rating agency to prepare for the issuance of our bonds.

Our credit rating agency, Moody's Investors Service recently recalibrated municipal bond ratings to a global scale which is now comparable with corporate bond ratings. This recalibration brought our previous rating of Aa3 up to a bond rating of Aa2.

Newly Recalibrated Bond Rating Aa2 -----

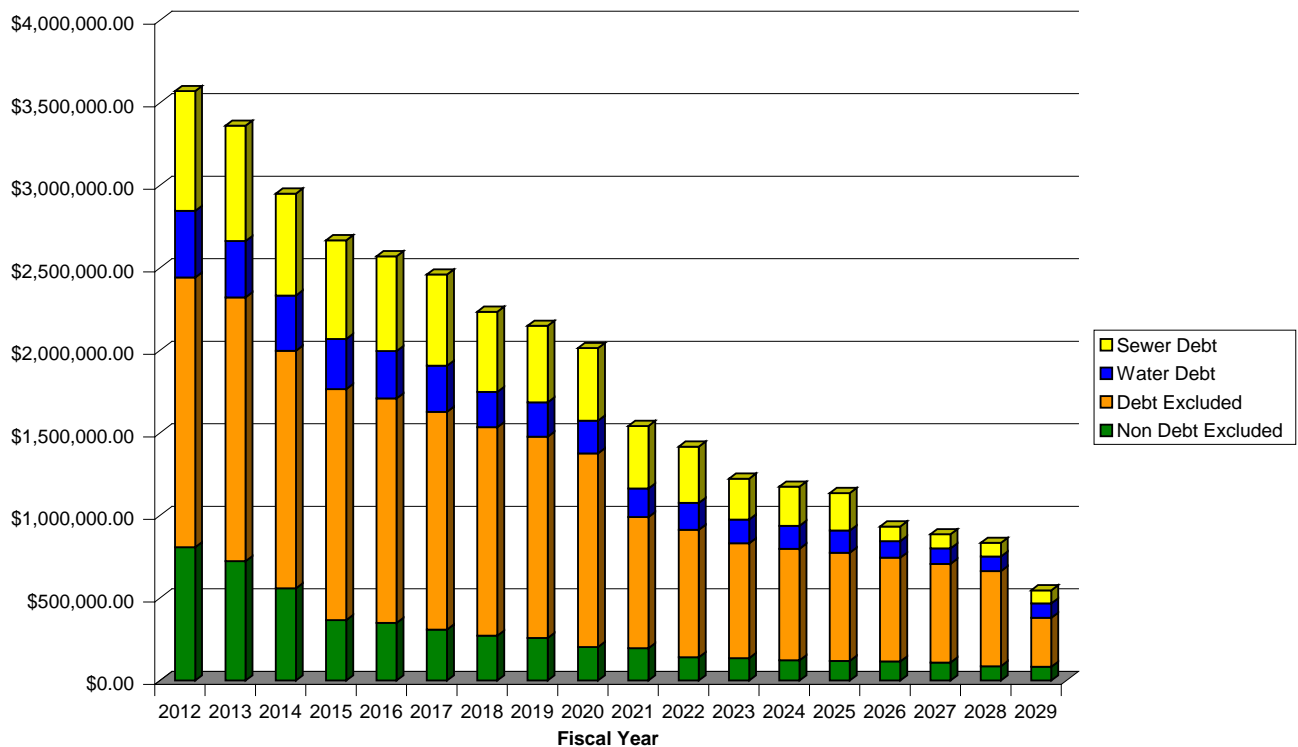
Moody's Bond Rating Symbols
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### Long Term Debt Service- All Funds

The total long term annual debt service, from FY2012 through FY2029, including both principal and interest is shown below. The chart indicates the amount of long term debt service for the General Fund; both Debt Excluded and Non-Excluded; as well as the long term debt service for the Water and Sewer Enterprise Funds.

**Total Long Term Annual Debt Service By Fund**



**Total Long Term Annual Debt Service By Fund**

Fiscal Year Due	General Fund	General Fund Debt Excluded	Water Enterprise Fund	Sewer Enterprise Fund	Total Debt Service
2012	807,113	1,634,695	403,172	725,821	3,570,801
2013	722,814	1,598,453	341,451	698,944	3,361,662
2014	558,674	1,439,055	335,095	617,304	2,950,127
2015	366,627	1,399,096	304,041	597,723	2,667,487
2016	348,447	1,360,272	286,997	574,488	2,570,204
2017	308,585	1,319,481	278,938	553,078	2,460,082
2018	271,541	1,263,024	214,003	485,377	2,233,945
2019	257,546	1,218,877	208,722	463,819	2,148,964
2020	203,474	1,172,466	198,767	439,092	2,013,799
2021	195,694	794,315	172,981	379,356	1,542,346
2022	140,514	772,488	162,776	340,956	1,416,734
2023	135,884	695,633	143,691	248,050	1,223,258
2024	122,166	675,818	139,189	237,485	1,174,658
2025	118,686	655,568	134,649	226,770	1,135,673
2026	115,020	629,404	99,983	89,110	933,516
2027	109,168	597,511	93,465	85,880	886,024
2028	86,400	576,044	89,075	82,650	834,169
2029	83,200	296,400	87,581	79,325	546,506
<b>Total</b>	<b>4,951,553</b>	<b>18,098,597</b>	<b>3,694,576</b>	<b>6,925,229</b>	<b>33,669,955</b>



## Undistributed Expenses

## Section 6-13

### Non-Appropriated Expenses

Beyond the specific appropriations contained within the Budget Article and other Town Meeting articles, the Town must account for those expenses which do not require votes for appropriations. This category of mandated expenditures and assessments are automatically added to the tax rate without appropriation. Such costs include various state assessments for services such as: charter schools, county services, prior year budget overdrafts in snow and ice removal, court judgments, and an amount estimated for tax abatements and exemptions or the overlay.

#### State Assessments

Three categories of State assessments account for over 92% of the expenses—Mosquito Control, MBTA and Charter Schools.

#### 1. Mosquito Control Assessment

Pursuant to MGL Ch. 252, §5A (Ch. 2, §41, Acts of 1986) there are eight mosquito control districts whose costs are apportioned to member municipalities on the Cherry Sheet. Each district is also allocated a proportional share of expenses for the State Reclamation Board that administers these programs.

#### 2. Massachusetts Bay Transportation Authority (MBTA)

For services rendered to those cities and towns within the Authority, an assessment will be administered in order to maintain and operate regional public transportation.

#### 3. Charter School Assessment

To assess the sending municipality or regional school district for pupils attending charter schools. Charter school tuition charges are assessed against the sending district and paid to the charter school district. Charter Schools shall receive per-pupil payments from sending districts equal to the average cost per student in that district, plus a capital funding share equal to the state average of what districts pay per pupil in principal and interest for land and buildings.

	FY2008 ACTUAL	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 BUDGETED	FY2011 SIX MONTHS	FY2012 PROPOSED
<b>STATE ASSESSMENTS</b>						
<b>Expenses</b>						
56390 Mosquito Control Assessment	43,012	44,901	44,730	44,376	22,188	45,346
56400 Air Pollution Assessment	4,292	4,387	4,439	4,539	2,270	4,744
56410 County Assessment ch. 35	26,255	26,255	13,524	0	0	
56420 MBTA	73,722	72,111	73,790	75,790	37,896	75,090
56430 Regional transportation Ch 161 B	20,966	20,966	19,272	16,871	8,436	17,265
56440 Charge Against Receipts--SPED				0	0	
56450 Parking Surcharge Ch 90	8,640	8,840	9,180	9,180	5,050	10,100
56455 School Choice Sending Tuition	0	9,500	0	0	2,000	6,000
56460 Charter School Sending Tuition	18,347	165,530	294,289	329,461	113,830	348,860
<b>SUBTOTAL</b>	<b>195,234</b>	<b>352,490</b>	<b>459,224</b>	<b>480,217</b>	<b>191,670</b>	<b>507,405</b>



### **Reserve for Abatements**

The Reserve or Allowance for Abatements and Exemptions or Overlay is an account established annually to fund anticipated property tax abatements, exemptions and uncollected taxes in that year. The overlay reserve need not be funded by the normal appropriation process, but rather is raised on the tax rate recapitulation sheet.

The Board of Assessors process a variety of statutory exemption applications for elderly, veteran, blind and hardship taxpayers. If approved, the exemptions are funded by the Overlay Reserve for Abatements and Exemptions.

Additionally, the taxpayers may file for an abatement of their property taxes. If approved, the exemptions are funded by the Overlay Reserve for Abatements and Exemptions. Typically in a full revaluation year, the amount required to be funded for the Overlay is higher than in a non-revaluation year due to an increase in the volume of abatement applications. In FY2012 our proposed funding for the Overlay Reserve for Abatements and Exemptions is \$340,000.

### **Cherry Sheet Offset Items**

Cherry Sheet Offset Items are local aid that may be spent without appropriation in the budget, but which must be spent for specific municipal and regional school district programs.

Current offset items for FY2012 include \$7,809 for school lunch grants and \$15,006 for public libraries grants.





## Undistributed Expenses

## Section 6-15

### Stabilization Fund Contribution

The Stabilization fund is designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of town meeting or city council is required to establish, amend the purpose of, or appropriate money into or from the stabilization fund.

Historically the budget has provided for an annual appropriation of \$100,000 to be added to the Stabilization Fund. However, in recent fiscal years the appropriation has not been possible due to financial constraints. The table below shows past year "actuals" as zero in FY2008 even though a \$100,000 appropriation was made in both of those fiscal years, because the budgeted funds were transferred out and into the Stabilization Fund.

	FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>STABILIZATION FUND CONTRIBUTION</b>						
<b>Expenses</b>						
59950 Stabilization Fund	0	0	0	0	0	0
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL: STABILIZATION FUND CONTR.</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



### Reserve Fund

Authorized by state statute, the Reserve Fund provides the Town operations with an option for the funding of extraordinary or unforeseen expenditures during the year. Transfers from this account require the approval of the Appropriations Committee. Historically the fund has contained approximately \$118,500 at the start of the budget year. In recent fiscal years the fund has been significantly less due to financial constraints. In FY2012, the Board of Selectmen adopted a Free Cash Policy and identified the Reserve Fund as an appropriate use of Free Cash. Beginning in FY2012 the proposed Reserve Fund will be appropriated from Free Cash as a separate Warrant Article at Town Meeting (see page 6-17). The FY2012 proposed Reserve Fund amount is \$150,000.

Most commonly, the Reserve Fund account has been used to make up for any snow and ice budget overdrafts. The table below shows past year “actuals” as zero because the budgeted funds were transferred into other accounts in order to balance them.

		FY2008	FY2009	FY2010	FY2011	FY2011	FY2012
		ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>RESERVE FUND</b>							
<b>Expenses</b>							
59810	Reserve Fund	0	0	0	80,000	0	See warrant
	<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,000</b>	<b>0</b>	<b>Articles</b>
<b>TOTAL:</b>	<b>RESERVE FUND</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80,000</b>	<b>0</b>	<b>0</b>



### Warrant Articles

In addition to the individual departmental appropriations, the Town's overall annual financial plan includes additional warrant articles which draw upon the funds available to the Town. In FY2012 these warrant articles total \$954,000 and are all funded using Free Cash, which means no additional tax impact will be incurred when these articles are approved. During November of 2010 the Board of Selectmen adopted a Free Cash Policy, which now provides a funding source for projects, other than municipal bonds. The new Free Cash Policy is on page 2 in Appendix A of this budget document, which contains the Town's comprehensive financial policies. The new Free Cash Policy and plan are discussed at length in the transmittal letter of the Capital Improvement Plan contained in pages Section 9-1 through 9-5 of this document. In summary, the FY2012 Town Meeting Warrant Articles include the following:

1. \$150,000 for the Appropriation Committee's Reserve Fund—Authorized by state statute, the Reserve Fund provides the Town operations with an option for the funding of extraordinary or unforeseen expenditures during the year (see full explanation on page 6-16).
2. \$60,000 for a Fire Pick-up Truck—This project seeks to replace a 2005, three-quarter ton, four-wheel-drive pick-up truck. This vehicle is used to carry personnel, equipment, and bulk supplies. It is also used for performing inspections and investigations, and will be seven years old at the time of the requested replacement. This vehicle responds to over thirteen hundred emergency responses and over two thousand inspections, investigations, and fire alarm service calls each year.
3. \$35,000 for a New Public Safety Dispatch Phone System—The Northborough Police Department building, which also houses the Town's Public Safety Dispatch Center, was built in 1989. At that time a new telephone system was installed. All 9-1-1 emergency calls for the Northborough Police and Fire Departments (including the ambulances) are received there 24/7. The phone system is approximately 20 years old, lacks modern functionality that would better serve dispatch personnel, and requires replacement parts that are no longer newly available. During 2010 the Dispatch Center handled more than 23,000 calls for service. Given the critical Public Safety component to this project, it is recommended for replacement in FY2012.
4. \$60,000 for a Replacement DPW Truck Lift—This request is to replace the existing truck lift in the highway garage. This is the only lift for all vehicles larger than a one-ton truck. It is original to the building (1984) and required constant maintenance before becoming completely inoperable during FY2011. Without the lift, required maintenance and repairs cannot be done in-house. This project is recommended for immediate funding. Replacement of the lift had been contemplated as part of the larger garage construction project slated for FY2014.
5. \$39,000 for a Replacement DPW One-ton Pick-up Truck with Plow—This request is for a one-ton pick-up truck that will replace a 1999 Ford F350 one-ton dump truck that has surpassed its useful life of 10 years.
6. \$164,000 for a Replacement DPW Street Sweeper—This request is to replace the existing 1999 Elgin Pelican street sweeper. The useful life of a sweeper is 10-12 years.

## Section 6-18

## Undistributed Expenses



7. \$71,000 for a DPW Replacement One-ton Dump Truck with Plow—This request is to replace an existing 1999 Ford F 350 one-ton dump truck with the same model truck. The one-ton dumps are the most utilized pieces of equipment in the fleet. These are the primary vehicles used to transport DPW staff along with small equipment and materials. The one-ton dump trucks are also paired with large dump trucks to plow the streets. The useful life of these trucks is 10 to 12 years.
8. \$375,000 in Free Cash toward Replacement of the Flat Peaslee Roof—This project represents the need to repair the rubber membrane on all flat roofs at the Peaslee School. The peaked roof was replaced in 2005 and the flat roof was installed in 1985 with a 20 year expected life span. While the flat roof has exceeded its expected life span, it has deteriorated at a faster rate than originally forecast resulting in leaks during heavy rain or snow. This project represents the need to maintain current infrastructure and carries a life expectancy of 35 years. The total project cost of \$525,000 is to be financed using \$375,000 in Free Cash and \$150,000 in municipal bonds.

### TOWN MEETING SPECIAL WARRANT ARTICLES

#### Expenses

	FY2008 ACTUAL	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 BUDGETED	FY2011 SIX MONTHS	FY2012 PROPOSED
52022 Declaratory Judgment ARHS	0	0	0	100,000	0	
58018 Voting Machines	0	0	0	27,600	0	
59810 Reserve Fund ART 19	0	0	0	0	0	150,000
Fire Pickup ART 21	0	0	0	0	0	60,000
Police Phone System ART 22	0	0	0	0	0	35,000
DPW Truck Lift ART 23	0	0	0	0	0	60,000
DPW Pickup w/ Plow ART 24	0	0	0	0	0	39,000
DPW Street Sweeper ART 25	0	0	0	0	0	164,000
DPW Hwy Dump Truck ART 26	0	0	0	0	0	71,000
Peaslee School Roof ART 27	0	0	0	0	0	375,000
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>127,600</b>	<b>0</b>	<b>954,000</b>