

# **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.

	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 ACTUAL	FY2012 BUDGETED	FY2012 SIX MONTHS	FY2013 PROPOSED
<b>UNDISTRIBUTED EXPENSES SUMMARY</b>						
<b>EMPLOYEE BENEFITS&amp; INSURANCE</b>						
Health Insurance	4,155,041	3,795,744	3,873,469	4,513,248	2,464,996	4,664,094
Life Insurance	7,101	7,004	7,023	8,730	3,527	8,730
Other Benefits/FICA	273,244	312,663	322,225	356,739	165,730	361,693
County Assessments	892,411	974,865	1,006,365	1,118,192	1,118,191	1,210,083
Workers Comp	77,989	85,828	78,103	101,800	63,032	104,704
<b>SUBTOTAL EMPLOYEE BENEFITS</b>	<b>5,405,786</b>	<b>5,176,104</b>	<b>5,287,185</b>	<b>6,098,709</b>	<b>3,815,476</b>	<b>6,349,304</b>
<b>Building &amp; Liability Insurance</b>	198,515	166,126	125,879	213,955	135,463	213,955
<b>Debt Service</b>	1,696,637	2,265,276	1,953,195	2,489,898	385,033	2,509,484
<b>State Assessments</b>	352,490	459,224	469,196	376,427	168,083	444,680
<b>Reserve for Abatements<sup>1</sup></b>	215,351	284,717	342,209	351,739	0	350,600
<b>Cherry Sheet Offset Items<sup>2</sup></b>	30,571	22,263	20,514	22,815	0	23,084
<b>Stabilization Fund Contribution</b>	0	0	0	0	0	0
<b>Reserve Fund</b>	0	0	0	150,000	0	150,000
<b>FY2012 Emergency Storm</b>	0	0	0	0	0	100,000
<b>Special Articles</b>	0	0	100,000	0	0	0
<b>Capital Budget</b>	0	0	27,600	804,000	0	3,086,000
<b>TOTAL:    UNDISTRIBUTED EXPENSES</b>	<b>7,899,349</b>	<b>8,373,710</b>	<b>8,325,778</b>	<b>10,507,543</b>	<b>4,504,054</b>	<b>13,227,107</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 Health Maintenance Plan (HMO), Fallon Preferred Provider Plan (PPO), Harvard/Pilgrim HMO and Tufts HMO. 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, 2012 a total of 281 active employees (77 Town and 204 K-8 School), 111 retirees (33 Town and 78 K-8 School) and 36 dependents (9 Town and 27 School) were enrolled in one of the Town's health insurance plans.

The following estimated rate schedule was used in budgeting for FY2013.

Health Insurance Plan		7/1/2012 Renewal Monthly Rates	Town Employees				School Employees			
			7/1/2012 Town Monthly Expense		7/1/2012 Employee Monthly Expense		7/1/2012 Town Monthly Expense		7/1/2012 Employee Monthly Expense	
Fallon	Ind	733.49	66%	484.60	34%	248.99	75%	550.12	25%	183.37
	Fam	1,907.06	66%	1,259.18	34%	647.88	75%	1,430.30	25%	476.76
Fallon Pref Care PPO	Ind	1,065.17	50%	532.59	50%	532.58	50%	532.59	50%	532.58
	Fam	2,769.47	50%	1,384.74	50%	1,384.73	50%	1,384.74	50%	1,384.73
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	673.76	68%	455.86	32%	217.90	75%	505.32	25%	168.44
	Fam	1,751.74	68%	1,185.17	32%	566.57	75%	1,313.81	25%	437.93



## Undistributed Expenses

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Several years ago, the Town negotiated a 60% Town and 40% Town employee share of any premium changes. Therefore in FY2013, the Town contribution will be 66% to 68% of the monthly HMO premiums for Town employees depending upon the specific health plan. Beginning in FY2012, the Town contribution decreased from 80% to 75% of the monthly HMO premiums for K-8 School employees and the 75% contribution will remain in place for FY2013. In accordance with Chapter 32B, the Town pays 50% of the monthly premium for the Fallon Preferred Provider Plan for both K-8 School and Town employees. The employees pay the remaining premium through bi-weekly payroll deductions.

The FY2013 budget was prepared using an estimated 5% increase effective with the Senior plan renewal on January 1, 2013. The following rate schedule was in place until the calendar year renewal.

Health Insurance Plan		1/1/2012 Renewal Monthly Rates	Medicare Eligible Ret Empl*			
				1/1/2012 Town Monthly Expense		1/1/2012 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	422.00	70%	295.40	30%	126.60
Complement	Ind x2	844.00	70%	590.80	30%	253.20
Tufts Medicare	Ind	232.00	70%	162.40	30%	69.60
Preferred	Ind x2	464.00	70%	324.80	30%	139.20
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 its 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 FY2013.



## Section 6-4

## 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 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.<sup>3</sup> At the close of FY2011, a GASB 45 update was required and due to the implementation of Section 18, our AAL has been reduced to \$28.1 million. By introducing a variety of 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 FY2013 budget request of \$4.66 million represents a total increase of \$150,847 or 3.3% from the amount budgeted last year.

	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 ACTUAL	FY2012 BUDGETED	FY2012 SIX MONTHS	FY2013 PROPOSED
<b>HEALTH INSURANCE</b>						
<b>Expenses</b>						
51750 Town Health Insurance	973,251	932,021	986,985	1,146,641	639,010	1,455,460
51800 School K-8 Health Insurance	3,181,790	2,857,803	2,879,976	3,356,607	1,822,086	3,198,634
51850 Health Reimbursement Account	0	5,920	6,509	10,000	3,900	10,000
<b>SUBTOTAL</b>	<b>4,155,041</b>	<b>3,795,744</b>	<b>3,873,469</b>	<b>4,513,248</b>	<b>2,464,996</b>	<b>4,664,094</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

## Section 6-5

### 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.

	FY2009	FY2010	FY2011	FY2012	FY2012	FY2013
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>LIFE INSURANCE</b>						
<b>Expenses</b>						
51740 Town Life insurance	2,537	2,452	2,459	4,244	837	4,244
51745 School K-8 Life Insurance	4,564	4,552	4,564	4,486	2,690	4,486
<b>SUBTOTAL</b>	<b>7,101</b>	<b>7,004</b>	<b>7,023</b>	<b>8,730</b>	<b>3,527</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 50 weeks of benefits per claimant – up to 30 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.

	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 ACTUAL	FY2012 BUDGETED	FY2012 SIX MONTHS	FY2013 PROPOSED
<b>OTHER BENEFITS/FICA</b>						
<b>Expenses</b>						
51730 FICA Town Share	75,494	79,008	83,293	87,673	40,704	88,588
51733 FICA School Share	165,217	183,479	195,518	193,903	92,942	197,212
51735 Unemployment Compensation	18,454	42,569	35,629	60,000	22,429	60,000
55090 Miscellaneous Benefits	14,079	7,607	7,785	15,163	9,655	15,893
<b>SUBTOTAL</b>	<b>273,244</b>	<b>312,663</b>	<b>322,225</b>	<b>356,739</b>	<b>165,730</b>	<b>361,693</b>





### **Worcester Regional Retirement Assessment**

The Town participates in the Worcester Regional Retirement System which is a contributory retirement system comprised of ninety four (94) member towns and districts from Worcester County. Subject to the provisions of Chapter 32B and 34B of the Massachusetts General Laws, the retirement system, as well as all public retirement systems in Massachusetts, is overseen by the Public Employee Retirement Administration Commission (PERAC).

The Public Employee Retirement Administration Commission, through an actuarial study determines the appropriate funding schedule for the retirement system's total Unfunded Actuarial Accrued Liability (UAAL). The Municipal Relief Act of 2010 extended the requirement for full funding of the pension system's liability until the year 2040. The total source of funding is the annual Town assessment together with employee contributions for each member unit.

The FY2013 assessment will be the first of a three-year phase in to the actuarial method of assessment calculation. Previously, the Worcester Regional Retirement System based its assessment to each member unit upon actual payroll. The actuarial method of assessment, once fully implemented, will base the assessment on an actuarial determination using the employee age, service and average salary data of each individual member unit. The Town of Northborough's system's total Unfunded Actuarial Accrued Liability is \$16,826,370 as of January 1, 2010. The Worcester Regional Retirement System regards the actuarial method as a "more fair and transparent way of assessing each unit's true liability" and noted that this is also consistent with the standards of the Government Accounting Standards Board (GASB).

In recent years there have been changes to Massachusetts pension benefits brought about by various Pension Reform legislation in an attempt to reign in pension liability costs. The liability had increased due to lack of performance in investments and the inability of the pay-as-you-go funding to keep pace with the defined benefits. 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. This employee, if retired with 25 years of creditable service and the investment return assumption is met, will effectively pay for their entire pension.<sup>4</sup> The Town's assessment together with the employee contributions are intended to meet the pension costs for all Town and Northborough K-8 School (non-teaching positions) retirees covered by this retirement system, as well as 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 with an appropriation by the Commonwealth of Massachusetts and employee contributions.

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<sup>4</sup> Information from Actuary, James R. Lamenzo of the Public Employee Retirement Administration (PERAC).

## Section 6-8

## Undistributed Expenses



The total FY2013 Worcester Regional Retirement Assessment is \$1,269,982. The \$1,210,083 portion included in the General Fund budget below does not include the retirement costs contained in the Water Enterprise Fund (\$31,786), the Sewer Enterprise Fund (\$21,192) or the Cable Access TV (\$6,921)<sup>5</sup>.

		FY2009	FY2010	FY2011	FY2012	FY2012	FY2013
		ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>WORCESTER REGIONAL RETIREMENT</b>							
<b>Expenses</b>							
56220	Retirement Assessment	892,411	974,865	1,006,365	1,118,192	1,118,191	1,210,083
	<b>SUBTOTAL</b>	<b>892,411</b>	<b>974,865</b>	<b>1,006,365</b>	<b>1,118,192</b>	<b>1,118,191</b>	<b>1,210,083</b>

<sup>5</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.)



## Undistributed Expenses

## Section 6-9

### 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>6</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 premium for police and fire personnel is contained in the Building & Liability Insurance budget.

	FY2009	FY2010	FY2011	FY2012	FY2012	FY2013
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>WORKERS' COMPENSATION INSURANCE</b>						
<b>Expenses</b>						
51710 Workers' Compensation	74,700	82,965	75,894	96,800	61,601	99,704
53080 Police/Fire Injured on Duty (IOD) Medical Payments	3,289	2,863	2,209	5,000	1,432	5,000
<b>SUBTOTAL</b>	<b>77,989</b>	<b>85,828</b>	<b>78,103</b>	<b>101,800</b>	<b>63,032</b>	<b>104,704</b>

<sup>6</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.



### 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 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 FY2013.

	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 ACTUAL	FY2012 BUDGETED	FY2012 SIX MONTHS	FY2013 PROPOSED
<b>BUILDING &amp; LIABILITY INSURANCE</b>						
<b>Expenses</b>						
57410 Building & Liability Ins.	198,515	166,126	125,879	213,955	135,463	213,955
<b>SUBTOTAL</b>	<b>198,515</b>	<b>166,126</b>	<b>125,879</b>	<b>213,955</b>	<b>135,463</b>	<b>213,955</b>



## Undistributed Expenses

## Section 6-11

### 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).

Bond Anticipation Notes were issued last year in the amount of \$1.15 million for various borrowing authorizations to purchase departmental equipment. Additionally, the “Advances in Lieu of Borrowing” for capital items approved at the April 2011 Annual Town Meeting will be added to the current BANs and the total will be issued for another year. Then in April 2013, the notes will be permanently financed with a bond offering. At that time, our current Aa2 Bond Rating will be evaluated with a very thorough review process by Moody’s Investors Service.

For FY2013, the total Debt Service budget for the General Fund is \$2.51 Million, a slight increase of \$19,586.

	FY2009	FY2010	FY2011	FY2012	FY2012	FY2013
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>DEBT SERVICE</b>						
<b>Expenses</b>						
59100 Principal/Long-term Debt	1,176,097	1,617,021	1,428,085	1,094,148	64,534	1,727,834
59150 Interest/Long-term Debt	324,324	484,940	384,645	350,458	320,499	593,433
59270 Interest/Temporary Loans	196,216	163,314	140,464	1,045,292	0	188,217
<b>SUBTOTAL</b>	<b>1,696,637</b>	<b>2,265,276</b>	<b>1,953,195</b>	<b>2,489,898</b>	<b>385,033</b>	<b>2,509,484</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 our most recent ratings review, Moody’s Investors Service indicated their expectation that our debt position should remain manageable. Moody’s cited our overall debt burden at 1.8% of our Equalized Valuation and our average rate of 71.4% principal amortization within the next ten years as indicators of a manageable debt burden.



## Section 6-12

## Undistributed Expenses

### Statutory Debt Limit

The aggregate level of our 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 our total Equalized Valuation (EQV). The EQV is determined every other year by the State Department of Revenue.

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.

### Debt Policy Limits

Further there is a local limit placed on Northborough's debt obligation through the Debt Policy adopted by the Board of Selectmen in September 2000. The Debt Policy provides for 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 estimated FY2013 General Fund debt service budget appears to be well under the local debt policy limits. The estimated Gross Debt is 7.65% and the estimated Net Debt is 6.88% of the FY2013 proposed budget.

### Bond Rating

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

The 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 the Town's previous rating of Aa3 up to a bond rating of Aa2.

Moody's  
Bond  
Rating  
Symbols

Aaa  
Aa1  
**Aa2**  
Aa3

A1  
A2  
A3

Baa1  
Baa2  
Baa3

Ba1  
Ba2  
Ba3



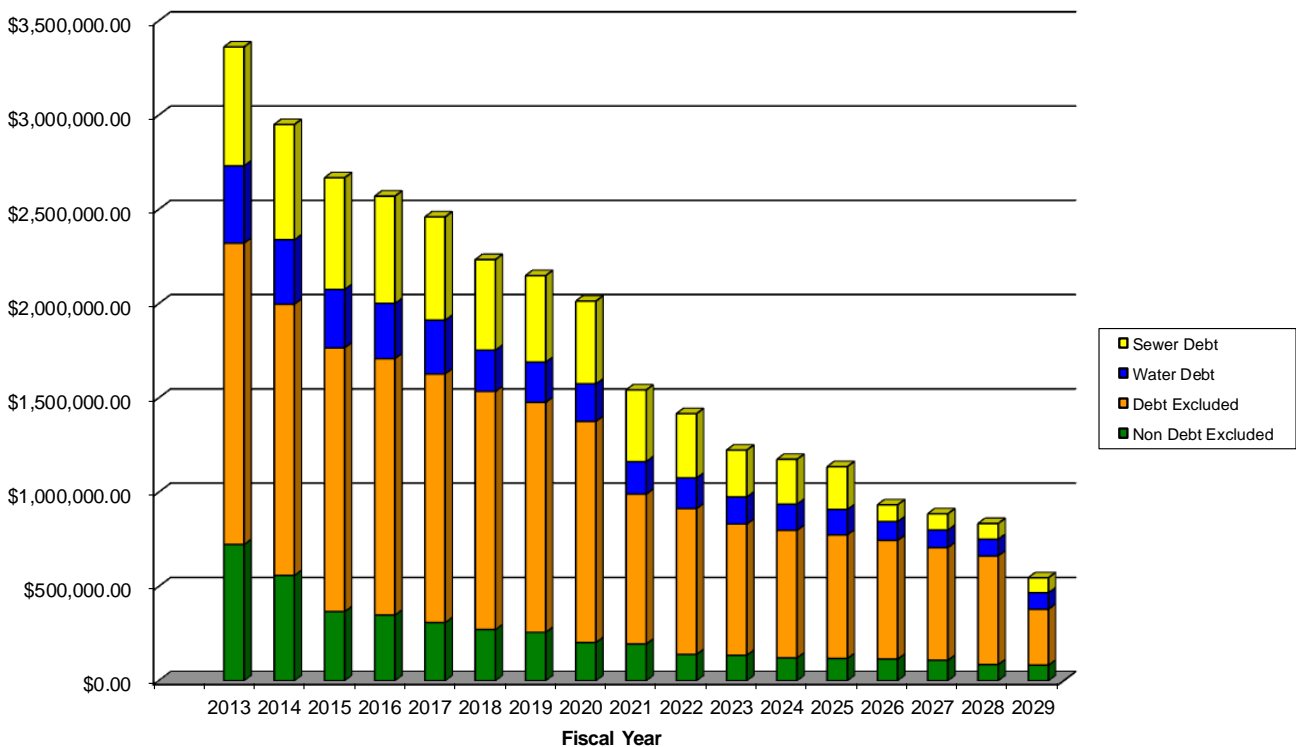
## Undistributed Expenses

## Section 6-13

### Total Long Term Debt Service - All Funds

The total long term annual debt service, from FY2013 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	General Fund	General Fund Debt Excluded	Water Enterprise Fund	Sewer Enterprise Fund	Total Debt Service
2013	722,814	1,598,453	410,094	630,301	3,361,662
2014	558,674	1,439,055	341,301	611,097	2,950,127
2015	366,627	1,399,096	310,047	591,717	2,667,487
2016	348,447	1,360,272	292,803	568,682	2,570,204
2017	308,585	1,319,481	284,544	547,472	2,460,082
2018	271,541	1,263,024	219,409	479,971	2,233,945
2019	257,546	1,218,877	213,928	458,612	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
	4,144,440	16,463,902	3,394,285	6,096,527	30,099,154



### 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 89% 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.

	FY2009 ACTUAL	FY2010 ACTUAL	FY2011 ACTUAL	FY2012 BUDGETED	FY2012 SIX MONTHS	FY2013 PROPOSED
<b>STATE ASSESSMENTS</b>						
<b>Expenses</b>						
56390 Mosquito Control Assessment	44,901	44,730	44,376	45,349	22,676	48,834
56400 Air Pollution Assessment	4,387	4,439	4,539	4,744	2,372	4,769
56410 County Assessment ch. 35	26,255	13,524	0	0	0	0
56420 MBTA	72,111	73,790	75,790	75,090	37,546	75,030
56430 Regional transportation Ch 161 B	20,966	19,272	16,871	17,265	8,633	16,983
56440 Charge Against Receipts--SPED	0	0	10,100	0	0	0
56450 Parking Surcharge Ch 90	8,840	9,180	0	10,100	4,390	8,120
56455 School Choice Sending Tuition	9,500	0	0	15,000	6,667	20,000
56460 Charter School Sending Tuition	165,530	294,289	317,520	208,879	85,799	270,944
<b>SUBTOTAL</b>	<b>352,490</b>	<b>459,224</b>	<b>469,196</b>	<b>376,427</b>	<b>168,083</b>	<b>444,680</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 FY2013 our proposed funding for the Overlay Reserve for Abatements and Exemptions is \$350,600.

### **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 FY2013 include \$8,409 for school lunch grants and \$14,675 for public libraries grants.



### 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.

	FY2009	FY2010	FY2011	FY2012	FY2012	FY2013
	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>



## Undistributed Expenses

## Section 6-17

### 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 was appropriated from Free Cash as a separate Warrant Article at Town Meeting. The FY2013 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.

		FY2009	FY2010	FY2011	FY2012	FY2012	FY2013
		ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>RESERVE FUND</b>							
<b>Expenses</b>							
59810	Reserve Fund	0	0	0	0	0	See warrant
	<b>SUBTOTAL</b>	0	0	0	0	0	Articles
<b>TOTAL:</b>	<b>RESERVE FUND</b>	0	0	0	0	0	0



### **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. In FY2013 these warrant articles include \$150,000 for the Reserve Fund, \$100,000 for Emergency FY2012 Storm expenditures and the funding for the FY2013 Capital Budget of \$3,086,000. The warrant articles total \$3,336,000.

The warrant articles contain proposed funding for these items using a combination of several sources. The various funding sources include repurposed bond proceeds, Free Cash, municipal bonds, donations, Water and Sewer Enterprise Funds as well as partnering for project funding with both the Massachusetts School Building Authority (MSBA) and the Community Preservation Committee. The use of these funding sources results in a very minimal additional tax impact.

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 Free Cash Policy is on page 2 in Appendix A of this budget document, which contains the Town's comprehensive financial policies. The 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 FY2013 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
2. \$100,000 for Emergency FY2012 Storm Expenditures—This amount provides approximately 25% of the total emergency spending of \$400,000 from the October 29, 2011 Nor'easter. We also expect to receive a 75% reimbursement from the Federal Emergency Management Agency or FEMA.
3. \$350,000 for a Fire Engine Tender Truck—This project seeks to replace a 1984 fire engine, which has exceeded its useful life with a fire engine tender (tanker truck). The Insurance Service Organization (ISO) requires us to maintain three pumping engines to sustain our ISO rating of four, which ensures cost effective fire insurance rates for business and residential properties in Town. The replacement engine tender will provide immediate water on wheels for non-hydrant areas and will have the ability to quick dump its tank water into a portable tank. The funding for this apparatus will come entirely from donations.
4. \$85,000 for Narrowband Radio Conversion—This project seeks funding for the conversion to narrowband radios for our Fire Department, Police Department and Department of Public Works. The Federal Communications Commission has mandated that all non-Federal public safety licenses using 25 kHz radio systems must migrate to narrowband kHz channels by January 1, 2013. The funding for this apparatus will be from Free Cash.
5. \$1,152,000 for Town Offices Building Repair— This project seeks funding for the Town Offices Building repair project to repair the HVAC, replace the phone system and other renovations. The project will be funded by using \$802,000 of repurposed bond proceeds together with \$350,000 from Community Preservation Funds for a total project cost of \$1,152,000.



6. \$40,000 for Track Improvements at Ellsworth McAfee Park—This project will upgrade a portion of the track that was not repaired in 2009. This section of the track has deteriorated over time, and there are significant problems with the track surface and pavement. The project will use \$30,000 in donations and partner with private organizations for a total project cost of \$40,000.
7. \$56,000 for a DPW One-Ton Service Truck — This request is for a one-ton pick-up truck that will replace a 2000 Ford F350 pick-up truck that has surpassed its useful life of 10-12 years. The funding for this departmental equipment will be from Free Cash.
8. \$153,000 for a Sidewalk Plow—This request is for second sidewalk plow. The existing equipment has reached its expected useful life and is the only piece of equipment available to clear and sand sidewalks throughout the Town. The funding for this departmental equipment will be from Free Cash.
9. \$100,000 for a Portable Emergency Generator—This is a request to purchase a portable emergency generator and to properly wire the Public Safety buildings and Sewer Pump Stations for its use. This will allow this equipment to serve as a backup to any of those facilities in an emergency. This departmental equipment will be funded by \$25,000 in Free Cash and \$75,000 in funding from the Sewer Enterprise Fund Free Cash for a total of \$100,000.
10. \$250,000 for Lyman Street Well Repairs — This project seeks funding for the repair and upgrade to the Lyman Street Well as required by the Department of Environmental Protection. The project will be funded by using \$190,217 of repurposed Water Enterprise Fund bond proceeds together with \$59,783 from Water Enterprise Fund Free Cash for a total project cost of \$250,000.
11. \$500,000 Lincoln Street Elementary School Feasibility Study—This project provides the authority for a feasibility study for the potential addition/renovation of the Lincoln Street School. Approximately 48%, or \$240,000 of the cost of the project will be reimbursed by a MSBA grant and the remaining 52% or \$260,000 will be funded through municipal bonds and represents the only item which will result in an additional tax impact in the FY2013 Capital Budget.
12. \$400,000 for an Emergency Generator Replacement—This request is to replace an existing generator at the Melican Middle School which was originally installed in 1973. The old generator is not compatible with the new boilers, replaced in 2011. Since the Middle School serves as the Town's primary emergency shelter and the existing generator provides only limited emergency power, it was recommended that the generator be replaced immediately. The proposed replacement generator will power the building sufficiently to provide, heat, showers and kitchen facilities in the event of an emergency. The project will be funded by using \$114,000 of repurposed bond proceeds together with \$286,000 in Free Cash for a total project cost of \$400,000.

## Section 6-20

## Undistributed Expenses



	FY2009	FY2010	FY2011	FY2012	FY2012	FY2013
	ACTUAL	ACTUAL	ACTUAL	BUDGETED	SIX MONTHS	PROPOSED
<b>TOWN MEETING</b>						
<b>SPECIAL WARRANT ARTICLES</b>						
<b>Expenses</b>						
52022 Declaratory Judgment ARHS	0	0	100,000	0	0	0
58018 Voting Machines	0	0	27,600	0	0	0
59810 Reserve Fund ART 19	0	0	0	150,000	0	0
Fire Pickup ART 21	0	0	0	60,000	0	0
Police Phone System ART 22	0	0	0	35,000	0	0
DPW Truck Lift ART 23	0	0	0	60,000	0	0
DPW Pickup w/ Plow ART 24	0	0	0	39,000	0	0
DPW Street Sweeper ART 25	0	0	0	164,000	0	0
DPW Hwy Dump Truck ART 26	0	0	0	71,000	0	0
Peaslee School Roof ART 27	0	0	0	375,000	0	0
Reserve Fund	0	0	0	0	0	150,000
Emergency 10/29/12 Storm Exp.	0	0	0	0	0	100,000
Fire Engine Tender Truck	0	0	0	0	0	350,000
Narrowband Radio Conversion	0	0	0	0	0	85,000
Town Offices Building Repair	0	0	0	0	0	1,152,000
Ellsworth McAfee Park Track	0	0	0	0	0	40,000
DPW One-Ton Service Truck	0	0	0	0	0	56,000
Sidewalk Plow	0	0	0	0	0	153,000
Portable Emergency Generator	0	0	0	0	0	100,000
Lyman Street Well Repairs	0	0	0	0	0	250,000
Lincoln School Feasibility Study	0	0	0	0	0	500,000
Middle School Emer Generator	0	0	0	0	0	400,000
<b>SUBTOTAL</b>	<b>0</b>	<b>0</b>	<b>127,600</b>	<b>954,000</b>	<b>0</b>	<b>3,336,000</b>