

Report of the Financial Planning Committee

The Financial Planning Committee consists of six members. Three members are appointed by the Town Moderator, and one each by the Northborough School Committee, the Appropriations Committee and the Planning Board. The role of the Financial Planning Committee is to serve in a research, study and advisory capacity to the Board of Selectmen, the Appropriations Committee and the Annual Town Meeting on short and long-range financial planning matters, and to assist in the development of a Capital Improvement Program. During Fiscal Year 2023 the Committee was composed of the following members:

Member	Appointed By	Term Expires
David DeVries, Chair	Town Moderator	April 2023
Michael Hodge, Vice-Chair	Town Moderator	April 2025
John Rapa	Town Moderator	April 2023
William Peterson, Jr.	Northborough K-8 School Committee	April 2024
Thomas Spataro	Planning Board	April 2025

Committee Activities

Meeting Date	Meeting Topics
12/15/2022	Joint Meeting with Board of Selectmen, Financial Planning Committee, Appropriations Committee and K-8 School Committee; Financial Trend Monitoring System Presentation and Five-Year Financial Projections
01/26/2023	Election of Officers; Preliminary Free Cash Plan; DPW Project Updates; Discussion of ARPA Funds; Review of Meeting Schedule
02/02/2023	Review of FY2024 Preliminary Capital Budget; Police Department Capital Requests; Fire Department Capital Requests
02/09/2023	Review of FY2024 DPW, Water & Sewer Capital Requests; K-8 Schools and ARHS Capital Requests.
02/16/2023	Final Review of FY2024 Capital Budget; Discussion of Financial Planning Committee Recommendations and Draft Report; Review of Community Preservation Committee Project Requests; Discussion of Recommendations and Draft Report
2/23/2023	Review and Approval of Committee Report to Town Meeting
03/27/2023	Board of Selectmen – Budget Hearing (Charter 6-5) (FPC Optional)
4/24/2023	6 pm at ARHS Auditorium prior to Town Meeting

Committee General Comments

The major role of the Financial Planning Committee is to review all submitted projects included in the Capital Improvement Program, comment upon their viability and make its final recommendations, which includes consideration of the guidelines set forth under the Debt Policy adopted by the Board of Selectmen in September 2000. These guidelines were developed to assist the Town in determining how much debt can safely be incurred, and are consistent with those recommended by the Massachusetts Department of Revenue, namely:

- Determine debt that can be incurred without jeopardizing the Town’s credit standing and causing financial hardship;
- Incorporate affordability guidelines for expenditures;
- Include review of the Capital Improvement Program; and
- Indicate appropriate uses for and acceptable amounts of debt.

The Committee has reviewed the projects included in the six-year Capital Improvement Program at meetings held with the various departments proposing these projects. At these meetings, department heads presented information and data to justify the need, cost, and implementation timeframe for the projects. It is the strong opinion of the Committee that in order for the Capital Improvement Program to be an effective tool for managing the Town’s capital investment, department heads must have confidence that their submitted projects will be implemented within the timeframe planned in the Program. The Committee recognizes that the municipal and school administrations have worked hard to anticipate capital needs, submit projects into the Plan, and distribute those projects over the six-year planning period so as to comply with the constraints of the Town’s Debt Policy.

Free Cash Policy

The FY2024 budget year marks the thirteenth implementation of the Town's Free Cash Policy. Under this policy, one defined use of available Free Cash is to pay for capital projects. Examples of suitable projects include DPW and Public Safety vehicles and equipment; building infrastructure components (heating, cooling, electrical, plumbing, etc.); office and technology equipment; and capital project design fees, feasibility studies, and needs analyses. In the past, the Town funded projects of this scale with debt, a practice discouraged by bond rating agencies. Under the Free Cash Policy, such capital items are now primarily funded from Free Cash and other available one-time revenues. Debt capacity is reserved for larger projects such as building construction and renovation, major roadway construction and repair, water/sewer infrastructure, and land acquisition for municipal use or to preserve open space. In FY2023, there was a significant increase in the amount of Free Cash available to fund the Capital Plan. Due to state and federal financial support provided directly to the Town through the CARES Act and FEMA reimbursements, as well as other one-time economic effects of the pandemic, the Town realized a significant Free Cash certification which allowed it to fund some of the previously delayed projects in FY2023. In FY2024, the Town has approximately \$1 million less in Free Cash available to fund

PROPOSED FY2024 FREE CASH PLAN			
Free Cash Certification as of 7/1/2022		2,440,073	100%
FY2024	Appropriated Reserve	-175,000	7.2%
FY2024	Operating Budget	-500,000	20.5%
FY2024	Stabilization Fund	-200,000	8.2%
FY2024	Capital Projects	-1,105,000	45.3%
Available Free Cash after FY2024 Plan		460,073	18.9%

capital projects. As a result, fewer projects are proposed to be funded, making the allocation of ARPA funds for those projects that would otherwise require debt issuance even more critical in the upcoming year.

From the \$2,440,073 certified free cash balance, \$1,105,000 is allocated under the Capital Budget to finance the FY2024 pay-as-you-go capital investments with no additional tax impact.

FY2024 American Rescue Plan Act Funding Considerations

Preparation for the FY2024 budget was impacted by delays at the State level. Prior to the outbreak of the COVID-19 virus, typically the State would have presented preliminary information about the status of the State's revenue collections at the Revenue Consensus Hearing in early December. This information forecasts upcoming state aid figures and overall economic health of the State, which impacts the budget preparation for the upcoming year. Since the pandemic, this process has been consistently delayed one to two months, leaving the town with less time to prepare a budget for consideration at Town Meeting. Town Meeting is the Legislative Body of the Town of Northborough and the final decision of approval or disapproval of each warrant article is ultimately up to you, the voters. The change in administration in the Governor's Office further delays this process moving into FY2024, as there is additional time granted to an incoming Governor to submit their budget for the upcoming year. That deadline is March 1, and as of this writing, we still do not have an FY2024 budget from the State.

In addition to delays at the State level, Northborough has been placed in a unique position with the award of \$4.5 million from the American Rescue Plan Act (ARPA) funds. These funds are treated as a grant from the Federal Government, and the Board of Selectmen has exclusive control over the expenditure of the funds. Prior to the start of the FY2024 budgeting process, the Board of Selectmen allocated \$191,000 in ARPA funds, leaving \$4,325,184 still to be committed. In preparing the FY2024 Capital Improvement Budget, this committee strongly recommended to the Board of Selectmen that they allocate ARPA funds for three major capital projects requiring funding in the upcoming year: the Proctor School Flat Roof Area Replacement for \$1.7 million, the replacement of the Fire Department's Engine 1 for \$900,000 and the Highway Garage Tight Tank replacement for \$475,000. The Board of Selectmen voted to allocate the funding needed for the Proctor School Roof Replacement but chose not to allocate ARPA funding for the Fire Engine replacement or the Highway Garage Tight Tank. A narrative of the two projects follow:

- **Fire Engine 1 Replacement \$900,000:**

This request seeks to replace a 2005 Fire Engine. At the time of replacement, the apparatus will have exceeded its expected useful life, including approximately 10 years of front-line service, 5 years back up service and 5 years reserve. The Insurance Services Office (ISO) requires Northborough to maintain 3 pumping apparatus in order to sustain its current ISO rating, which residential and commercial fire insurance rates are based upon. Due to ongoing maintenance and mechanical issues, this apparatus must be replaced in FY2024. Recent escalation has increased the cost of the new apparatus to \$900,000 and due to supply chain disruptions, it may take up to two years for delivery following placement of the order. If ARPA funds are not released, the project will require authorization for the issuance of \$900,000 in debt at the April 2023 Annual Town Meeting.

- **Highway Garage Tight Tank Facility Improvements \$475,000:**

This request seeks to fund installation of a tight tank system at the highway garage located at 190 Main Street. The existing garage was built in 1984 and no longer complies with State environmental regulations. The building is served by an onsite septic system

which cannot accept discharge of truck wash water. In accordance with MassDEP requirements, an underground holding tank is required for this wastewater. This requires interior plumbing changes as well as locating the tank in such a manner that it does not preclude future building expansion/reconfiguration. The updated construction cost estimate is now \$475,000. If ARPA funds are not used for this project, it will require authorization for the issuance of \$475,000 in debt at the April 2023 Annual Town Meeting.

Since the Board chose not to fund the Fire Engine or the DPW Tight Tank with ARPA, this will result in a Town Meeting request to fund each of these projects using debt. If approved, the debt for these projects is estimated to cost the average single-family home in Northborough \$27 per year, or \$270 in total over 10 years, and will begin to impact tax bills in FY2025. As a community, we are anticipating several major building projects over the next 5 years, including a Fire Station Building Project, Town Hall Building/Renovation Project, and the Peaslee Elementary School Building Project. All these projects are in addition to a major downtown revitalization initiative stemming from the work of the Master Plan Implementation Committee, and ongoing road and sidewalk repairs in conjunction with Northborough's recent Complete Streets designation. In a time of rising inflation, this Committee believes that the Town should endeavor to reduce the tax burden where possible, and fund major capital projects using one-time money where available.

The Committee continues to recommend the release of ARPA funding for the Fire Engine and the Tight Tank, which would result in no additional tax impact to residents. The Committee also recognizes that the ARPA funds were designed to be used quickly during the pandemic, which is why they may be released solely by vote of the Board of Selectmen and do not require Town Meeting approval. However, given that the state of emergency is over, it is concerning that the Board of Selectmen has chosen to ignore the unanimous votes of both the Financial Planning Committee and the Appropriations Committee with regard to how ARPA funds are used. The Committee is concerned that the Selectmen's actions are essentially forcing Town Meeting to authorize debt for public safety and environmental compliance projects for which there is no discretion, while at the same time holding \$2.62 million in available ARPA funds for some future discretionary projects that Town Meeting will not be required to vote on. If the Fire Engine and Tight Tank projects were funded with ARPA, it would still leave \$1.25 million in remaining ARPA funds for grant seed funding or other discretionary projects. The Committee believes the financially conservative approach would be to use ARPA funds for projects that are immediately needed and ask the voters to support future discretionary projects once they are known and appropriately defined.

The Committee extends its appreciation to Town Administrator John Coderre and his Financial Team -- Assistant Town Administrator Becca Meekins and Finance Director Jason Little -- for their input and assistance throughout the Committee's process. Special thanks to Diane Wackell and Lynda LePoer for their capable administrative support.

Capital Projects for FY2024

The Committee has reviewed and prioritized the projects in the Capital Improvement Program for Fiscal Year 2024 as follows:

Priority	Description
1	Projects that involve correcting a current Safety or Health issue, and/or to meet a Federal or State legal requirement.
2	Projects that are necessary to maintain the Town’s current buildings, equipment and infrastructure: <i>Buildings</i> - Projects necessary to maintain existing Town buildings, not including projects to expand or modernize facilities. <i>Equipment</i> - Projects necessary to replace old existing equipment, which is no longer cost effective to repair with similar equipment.
3	Projects that are required to increase capacity of existing facilities in order to accommodate the increase in growth of the Town.
4	Projects that are designed to modernize and upgrade existing Town facilities.

The Committee considers all the proposed capital projects, which have been in the Capital Improvement Plan for many years. From those proposals, the Committee recommends the capital projects below be included in this year’s FY2024 Capital Budget warrant articles. The Committee votes are shown in parentheses. Numerical votes are shown in Yes-No-Abstain order relative to a motion to recommend approval. Fewer than six total votes reflect the absence of one or more members at the time of the vote. Planned sources of funding are noted in the comments for each project.

Municipal Departments

Article 15	Sponsor	Cost	Priority	Recommend Approval?
Police Cruiser Replacement	Police	\$190,000	2	Unanimously YES
<ul style="list-style-type: none"> Requested funding of \$190,000 for the purchase of three new police vehicles. This article supports the continued annual replacement of police cruisers on an established schedule of three vehicles one year, then two the next. Funded from Free Cash with no additional tax impact. 				

Article 16	Sponsor	Cost	Priority	Recommend Approval?
Police Station Exterior Painting	Police	\$70,000	2	Unanimously YES
<ul style="list-style-type: none"> Funds needed to repair and paint the exterior of the Northborough Police Station. The last time the exterior was painted was approximately 10 years ago. The Town is required to pay prevailing wages under state procurement laws which significantly adds to project costs. Funded from Free Cash with no additional tax impact. 				

Article 17	Sponsor	Cost	Priority	Recommend Approval?
------------	---------	------	----------	---------------------

Engine Replacement	Fire	\$900,000	2	Unanimously YES
<ul style="list-style-type: none"> Request to replace a 2005 Fire Engine. At the time of replacement, it will have exceeded its expected useful life, including approximately 10 years of front-line service, 5 years back-up service and 5 years reserve. Due to supply chain disruptions, it may take up to two years for delivery following placement of the order. Committee recommended use of available ARPA grant funds; if not funded with ARPA, will require debt issuance and will have an additional tax impact. 				

Article 18	Sponsor	Cost	Priority	Recommend Approval?
Road Improvements & Maintenance	Public Works - Highway	\$300,000	2	Unanimously YES
<ul style="list-style-type: none"> Funds needed to supplement the Pavement Management Plan due to limited State Chapter 90 Transportation Funding. The Town's Pavement Management Plan requires a minimum spending level of \$1.1 million annually to maintain pavement conditions. Funded from Free Cash with no additional tax impact. 				

Article 19	Sponsor	Cost	Priority	Recommended Approval?
20-Ton Dump Truck with Plow	Public Works - Highway	\$355,000	2	Unanimously YES
<ul style="list-style-type: none"> Request to replace a 2005 truck used for salting and sanding during snow events. These trucks have a useful life of between 15 and 20 years. Funded from Free Cash with no additional tax impact. 				

Article 20	Sponsor	Cost	Priority	Recommended Approval?
Highway Garage Tight Tank	Public Works – Highway	475,000	1	Unanimously YES
<ul style="list-style-type: none"> Request to fund the installation of a tight tank at the highway garage located at 190 Main Street. The existing garage was built in 1984 and no longer complies with State environmental regulations. The building is served by an onsite septic system which cannot accept discharge of truck wash. In accordance with MassDEP requirements, an underground holding tank is required for this wastewater. Committee recommended use of available ARPA grant funds; if not funded with ARPA, will require debt issuance and will have an additional tax impact. 				

Article 21	Sponsor	Cost	Priority	Recommend Approval?
One-Ton Truck with Plow	Public Works – Highway	\$150,000	2	Unanimously YES
<ul style="list-style-type: none"> Request to replace a 2012 F350 with an F600 model truck. The 2012 truck will be past its useful life at the time of replacement. Funded from Free Cash with no additional tax impact. 				

Article 22	Sponsor	Cost	Priority	Recommend Approval?
15-Ton Dump Truck	Water/Sewer Commission	\$225,000	3	Unanimously YES
<ul style="list-style-type: none"> Request to purchase a new 30,000-pound GVW dump truck for use by the water and sewer divisions. The current fleet of vehicles are smaller daily task vehicles. This truck is large enough to move water and sewer department equipment and materials which will alleviate the need to use the highway dump truck for towing. Costs for this vehicle will be divided 60% from the Water Enterprise Fund and 40% from the Sewer Enterprise Fund Free Cash. No additional tax or rate impact. 				

Article 23	Sponsor	Cost	Priority	Recommend Approval?
SCADA Phase 2	Water/Sewer Commission	\$125,000	4	Unanimously YES
<ul style="list-style-type: none"> Final phase of a 2-phase project to efficiently monitor and manage the Town's infrastructure. The overall objective of this project is to provide operators with the ability to remotely monitor and collect data from the town's critical water and sewer facilities. Northborough recently received an 80% Federal earmark (\$491,000) to fund this Phase. The request seeks to fund the required 20% grant match from the Sewer Enterprise Fund Free Cash. The project will add the remaining sewer pump stations to the SCADA system. No additional tax or rate impact. 				

Article 24	Sponsor	Cost	Priority	Recommend Approval?
Zeh School Rear Entrance Repairs	Northborough School Committee	\$40,000	2	Unanimously YES
<ul style="list-style-type: none"> Funds needed to repair the cement rear entrance of the Zeh Elementary School which has deteriorated. Funded from Free Cash with no additional tax impact. 				

Community Preservation Act Projects

Certain projects to be funded with Community Preservation Act monies may be presented at Town Meeting. Although often capital in nature, these projects are not necessarily incorporated into the Capital Improvement Plan. Nevertheless, the Financial Planning Committee, in its financial advisory capacity, strives to review projects approved by the CPC and offer its recommendations at Town Meeting. Because CPA projects do not compete for funding with Capital Improvement Plan projects, no Priority is assigned. The Committee has decided not to review or make recommendations on projects not meeting the \$25,000 minimum definition of a Capital Project for purposes of the Capital Improvement Plan, or projects that are not municipal facilities.

Article 30	Sponsor	Cost	Priority	Recommend Approval?
White Cliffs Bond Payment	Community Preservation	\$188,000	N/A	Unanimously YES
<ul style="list-style-type: none"> Funds the sixth of ten payments required for the bond on the White Cliffs purchase. 				

Article 33	Sponsor	Cost	Priority	Recommend Approval?
Construction of Northborough Dog Park	Northborough Recreation Department	\$347,500	N/A	Unanimously YES
<ul style="list-style-type: none"> Funds for the construction phase of this project, which also covers the minimum 10% allocation required for open space and recreation. It is anticipated that the Town will apply for a Stanton Foundation Grant for approximately \$200,000 to be added to the CPC funds. 				

Article 34	Sponsor	Cost	Priority	Recommend Approval?
Construction of ADA Accessible Trail at Senior Center	Northborough Trails Committee	\$370,000	N/A	Unanimously YES
<ul style="list-style-type: none"> Funds for the construction phase of this project, which will add an ADA accessible trail around the Senior Center property. 				

Algonquin Regional High School Athletic Complex Project

Algonquin Regional High School Athletic Complex is a project that the Northborough Regional School Committee is proposing. This request is being made because the current conditions of the fields, tracks, courts and lighting are beyond their useful life. There are health and safety issues which require ADA accessible upgrades for the existing stadium, grandstand and amenities. The District engaged Gale Associates and the estimated project cost is \$7,960,393. Based on the bid phase estimate, Northborough's apportionment is 62.33% and estimated to cost \$4,961,333, exclusive of financing costs. Southborough's apportionment is 37.67% and estimated to cost \$2,999,060. It is the intention of the Regional School Committee to bond this project and if approved by both towns, Northborough will pay an annual debt assessment until the project is paid off.

Article 25	Sponsor	Cost	Priority	Recommend Approval?
Algonquin Regional High School Athletic Complex project	Regional School Committee	\$4,961,333	2	3 YES ; 1 Abstention
<ul style="list-style-type: none"> Authorization for the Algonquin Regional High School Athletic Complex project Funded from ARHS issued debt that will be apportioned and assessed to Northborough each year per the Regional Agreement. 				

Respectfully submitted,

Northborough Financial Planning Committee
February 22, 2023

Financial Planning Committee Recommendations for FY2024 Capital Project Warrant Articles
Northborough Annual Town Meeting April 24, 2023

Article	Project	Amount	Funding Source	**Priority	*Vote	Recommend Approval?
15	Police: 3 Cruiser Replacements	\$190,000	Free Cash	2	4-0-0	YES
16	Police: Police Station Exterior Painting	\$70,000	Free Cash	2	4-0-0	YES
17	Fire: Engine 1 Replacement	\$900,000	Debt (ARPA recommended)	2	4-0-0	YES
18	DPW: Road Improvements & Maintenance	\$300,000	Free Cash	2	4-0-0	YES
19	DPW: 20-Ton Dump Truck with Plow & Spreader	\$355,000	Free Cash	2	4-0-0	YES
20	DPW: Highway Garage Tight Tank	\$475,000	Debt (ARPA recommended)	1	4-0-0	YES
21	DPW: One-Ton Truck with Plow	\$150,000	Free Cash	2	4-0-0	YES
22	Water/Sewer: 15-Ton Dump Truck	\$225,000	Water/Sewer Enterprise Fund Free Cash	3	4-0-0	YES
23	Sewer: SCADA Phase II	\$125,000	Sewer Enterprise Fund Free Cash	4	4-0-0	YES
24	School: Zeh School Rear Entrance Repairs	\$40,000	Free Cash	2	4-0-0	YES
30	CPC: White Cliffs Bond	\$188,000	CPA Fund	N/A	4-0-0	YES
33	CPC: Construction of Northborough Dog Park	\$347,500	CPA Fund	N/A	4-0-0	YES
34	CPC: Construction of ADA Trail at Senior Center	\$370,000	CPA Fund	N/A	4-0-0	YES
25	Algonquin Regional High School Athletic Complex project	\$4,699,259.51	Debt Assessment	2	3-0-1	YES

* Numerical votes shown in Yes-No-Abstain order relative to a motion to recommend approval. Fewer than five total votes reflects absence of one or more members.

** No capital project priority is assigned to CPA-funded projects.

**** THIS PAGE IS INTENTIONALLY BLANK ****