



RECEIVED

By Karen Wilber, Town Clerk's Office at 2:45 pm, Apr 14, 2022

FINANCIAL PLANNING COMMITTEE

MEETING MINUTES

March 2, 2022

7:00 PM

MEMBERS PRESENT: David DeVries, Chair
William Peterson, Jr.
John Rapa
Thomas Spataro

MEMBER ABSENT: Michael Hodge

At 7pm, Chairman DeVries opened the meeting of the Financial Planning Committee.

APPROVAL OF MINUTES – MARCH 9, 2021 REGULAR MEETING

Mr. Rapa moved the Committee vote to approve the March 9, 2021 Meeting Minutes, Mr. Peterson seconded the motion. Vote 4-0-0.

ELECTION OF OFFICERS

By consensus the Committee decided to postpone election of officers to a subsequent meeting.

UPDATE ON PRELIMINARY FREE CASH PLAN

Mr. Coderre presented the Preliminary FY2023 Free Cash Plan for consideration and use during the upcoming budget process. FY2021 year-end Free Cash was certified at approximately \$3.4 million, significantly higher than the \$1.98 million in FY2020. This increase is directly attributable to conservative budgeting practices during the pandemic when revenues were conservatively forecasted and additional appropriations were set aside. The approval of effective vaccines and the arrival of Federal assistance (primarily from the CARES Act) to help pay for pandemic-related costs, resulted in an overall favorable year-end result.

Mr. Coderre reviewed the FY2021 year-end results as follows:

- The unspent Free Cash from FY2021 was \$500,662. The Town “generated” \$2,898,597 during FY2021 for a total FY2021 Free Cash of \$3,399,259.
- Revenues exceeded the FY2021 budget by \$1,786,065 or 2.81% with local receipts such as motor vehicle excise taxes, hotel & meals taxes and building permits performing better than anticipated due to the opening of the economy.
- Expenditures returned from the FY2021 budget were \$1,602,871 or 2.42%. The return included reserve account appropriations, which were not expended due to Federal pandemic assistance. The FY2021 close out also benefited from a mild winter.

Mr. Coderre explained how one-time funds available in Free Cash can be used in the upcoming budget cycle. Based upon the \$3.4 million in available Free Cash, the Town will be able to

maintain an appropriation of \$175,000 to the Reserve Account, continue to contribute the policy-targeted amount of \$500,000 into the FY2023 Operating Budget, contribute \$200,000 to the Stabilization Fund for the first time in years, and once again fund a significant amount of pay-as-you-go cash capital investment using approximately \$2 million. The proposed FY2023 Free Cash Plan also contemplates leaving \$500,000 in unappropriated Free Cash, which would remain available if needed.

Mr. Coderre noted that the pandemic resulted in two years of reduced or deferred capital investments in the FY2021 and FY2022 Free Cash Plans. He added that although it is acceptable to defer routine equipment and infrastructure needs on a temporary basis to manage through an emergency, it is vital to the Town's long-term financial stability that deferred investments be made up quickly once resources become available.

Mr. Coderre noted that the final use of Free Cash is subject to Town Meeting approval and appropriation. The Financial Planning Committee and Appropriations Committee will discuss the various projects and funding plans at their upcoming meetings for recommendation at the Annual Town Meeting.

Mr. Coderre stated that the Town is in good shape, and with the improving economy, he expects to continue with the traditional Free Cash plan for FY2023 and beyond.

Following his presentation, Committee members commented that the plan as presented is in accordance with the Town's financial policies and in line with past practice.

UPDATE ON ARPA FUNDS

Below is a summary of Mr. Coderre's presentation.

ARPA-CLFRF Overview

The \$1.9 Trillion American Rescue Plan Act of 2021 provides resources through the Coronavirus Local Fiscal Recovery Fund (CLFRF) to local governments to respond to the public health emergency caused by COVID-19. The fund is administered by the US Department of the Treasury.

ARPA Funding Objectives

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replace lost revenue for eligible state & local governments to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses
- Address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic

Northborough's ARPA Funds:

Municipal Allocation	\$1,581,437
County Reallocation	<u>\$2,934,746</u>
Total Funding	\$4,516,183

Funding Covers Multiple Years

- Local governments will receive the funds in two tranches, the first was already received and the second will arrive in May 2022
- Funding must be obligated by December 31, 2024
- Funding must be spent by December 31, 2026
- Appropriations will likely span FY2023 and FY2024

Funding Categories

- Support public health response
- Replace public sector revenue loss
- Water & Sewer Infrastructure
- Address negative economic impacts
- Premium pay for essential workers
- Broadband Infrastructure

Ineligible and Eligible Uses

- Fund reductions in tax revenue (reduce tax impact)
- Deposit to a pension fund
- Pay debt service
- Fund legal settlements or judgements
- Deposit to reserves (stabilization/rainy day fund)
- Infrastructure projects not directly addressed in ARPA (primarily to water, sewer, stormwater and broadband projects) unless ARPA funds are taken in under the “revenue replacement” use category, in which case they may be used to fund “government services”, which is defined as any service traditionally provided by the Town.

New ARPA Standard Revenue Loss Allowance as of January 6, 2022

- A new provision in the Final Rule allows municipalities to use a standard allowance of up to \$10 million for the revenue loss category, as an alternative to the previous revenue loss calculation formula.
- This will simplify the process and allow the Town to claim the entirety of its grant award under revenue loss.
- Because the amount claimed under revenue loss can be used for “general government services,” this single provision change provides significant flexibility.

Mr. Coderre noted that the Government Finance Officers Association (GFOA), which sets the standard for Best Practices in public budgeting, issued guidelines for how best to use ARPA funds, which he reviewed.

GFOA Guidelines for ARPA Funds

- ARPA funds are non-recurring so their use should be applied primarily to non-recurring expenditures.
- Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment.
- Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve/maintain structural balance in future budgets.

- Investment in critical infrastructure is a well-suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long-term assets that provide benefits over many years.
- Throughout the years of outlays, and until the end of calendar year 2024, consider how the funds may be used to address rescue efforts and lead to recovery.
- Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other Federal and State assistance programs.
- Whenever possible, expenditures related to the ARPA funding should be spread over the qualifying period (through December 31, 2024) to enhance budgetary and financial stability.
- Adequate time should be taken to carefully consider all alternatives for the prudent use of ARPA funding prior to committing the resources to ensure the best use of the temporary funding.

Status of Pandemic Response

Mr. Coderre reviewed the Town's existing resources used to respond to the pandemic, noting that Federal Aid and grants have allowed the Town to avoid using ARPA funds to date.

- 100 % FEMA reimbursement for vaccination clinics and ongoing response measures through April 2022.
- Greater Boroughs Partnership for Health Grant Award \$300,000 for next three years (Northborough, Southborough, Westborough & Boylston).
- Contract Tracing Grant Award \$160,000 for next two years.

Community Outreach and Support

Mr. Coderre noted that food insecurity, housing insecurity and mental health services were all successfully addressed during the pandemic.

- Food Pantry
- Community Meals
- FYS Interface Referral Service for Counseling
- Senior Center Outreach
- COVID Task Force

Community-Wide Wellness Initiative "BeWellNorthborough"

Mr. Coderre reported that as a result of regularly scheduled meetings with the Covid Task Force, it was determined that Town staff felt comfortable that they have the resources to meet the needs of the at-risk populations in the community. A discussion then took place about the general level of anxiety and sense of isolation experienced by many throughout the pandemic. It was determined that the community would benefit from a wellness initiative that would help residents feel connected to their community.

Mr. Coderre noted that in addition to himself and Ms. Meekins, the Recreation, Health, Police, and School Departments, as well as the Senior Center, Library, Family & Youth Services and the Diversity & Inclusion Committee are proposing to work together on a community-wide wellness initiative entitled "BeWellNorthborough". The vision is that through this wellness initiative, non-profit community groups would have the opportunity to plan for and provide wellness programs with the use of ARPA funds. This ties in nicely with the Diversity & Inclusion Committee's recommendation to develop a calendar of events, in partnership with the Community Affairs Committee, to recognize and celebrate diverse cultures and religious backgrounds within the

community. This initiative will include a significant amount of public outreach to learn what the community would like to see in regard to community wellness.

Pandemic Budget Reductions

Mr. Coderre stated that Northborough's fiscal policies and conservative planning enabled the successful navigation of the pandemic response while maintaining core service levels through the following decisions:

- Cut Operating Budgets to 1% in FY2021 and constrained increases in FY2022
- Used \$378,000 in one-time Free Cash in the FY2021 Budget
- Cut \$200,000 in Stabilization Fund Contributions in both FY2021 & FY2022
- Postponed Capital Investments in FY2021 and had less Free Cash to fund pay-as-you-go projects in FY2022
- Cut over \$1 million in contributions to Other Post-Employment Benefits Trust Fund (OPEB)

Spending Strategy

Mr. Coderre noted that the priority for spending should be restoration of the temporary operating budget cuts and postponed capital projects following existing long-term Capital and Strategic plans, including:

- 6-Year Capital Improvement Plan
- Master Plan and Master Plan Implementation Committee priorities, including Downtown Master Plan and Sidewalk Master Plan/Complete Streets initiatives

Mr. Coderre added that the spending of ARPA funds should follow the Town's Comprehensive Financial Policies and GFOA's guidelines; specifically, limiting one-time revenues for recurring expenses in the Operating Budget.

FY2023 Spending Requests

Mr. Coderre reviewed the revised FY2023 spending requests as listed below, which by the Financial Planning Committee will be reviewing.

REVENUES	FY23	FY24
ARPA	\$2,258,092	\$2,258,092
Free Cash	\$2,024,259	TBD
	\$4,282,351	\$2,258,092
EXPENDITURES		
Police Cruisers Replacements	\$155,000	
Fire Engine Replacement	\$800,000	
Roadway Improvements/Maintenance	\$464,000	
One-Ton Dump Truck w/Plow (replaces 2012s, 2016)	\$130,000	
Culvert and Drainage Replacement Lincoln St	\$300,000	
Loader (replaces 2006)	\$290,000	
20-Ton Truck w/ Spreader & Plow	\$340,000	
Highway Garage Tight Tank Project	\$400,000	
Backhoe (replaces 2005)	\$195,000	
Proctor School Roof (\$1.55M with MSBA grant for 45%)	\$0	\$880,000
Proctor School Roof Drain repairs	\$38,000	
Peaslee Parking Lot Repave	\$0	
MPIC-Downtown Master Plan Study	\$150,000	
MPIC-Sidewalk Master Plan Phase 1	\$400,000	
Affordable Housing (NAHC)	\$100,000	
FY23 Operating Budget Subsidy for OPEB	\$250,000	
Assabet Fence	\$20,000	
Pickleball Alternates	\$18,000	
BeWellNorthborough Initiative	\$100,000	
COVID Expense Reserve	\$132,351	
TOTAL	\$4,282,351	\$880,000

Lastly, Mr. Coderre reviewed the key points in moving forward:

- Financial Planning Committee reviews capital requests
- Appropriations Committee reviews all spending plans
- Master Plan Implementation Committee finalizes downtown master plan project requests
- School Department finalizes capital requests
- BeWellNorthborough initiative implementation plan developed
- Assessment of Federal & State Grant opportunities to seek alternate funding sources, especially for infrastructure projects

Committee members expressed their strong support for the conceptual plan of using available Free Cash and ARPA Funds primarily for one-time capital investments.

FY2023 PRELIMINARY BUDGET UPDATE

Mr. Coderre referenced the following overall budget goals and objectives as discussed at the December 20, 2021 Financial Trend Monitoring Presentation:

1. To protect and improve the Town's overall Financial Condition
2. To develop a budget in conformance with the Town's comprehensive financial policies
3. To maintain Northborough as an affordable place to live and operate a business
4. To protect the Town's long-run solvency

Mr. Coderre briefly reviewed the FY2023 revenue assumptions as follows:

State Aid

Current budget models assume Northborough's State Aid will increase 1% over the \$5.6 million received in FY2022. The Governor filed a \$2.4 billion supplemental spending bill that includes funding for critical municipal programs, including a \$100 million supplemental distribution for the Chapter 90 local road and bridge program, \$100 million to help municipalities repair winter road damage, and \$150 million for climate change grants, including the Municipal Vulnerability Preparedness program. If passed by the Legislature, these additions will have a significant impact on Northborough's capital improvement plans. However, direct State Aid under the Governor's January 26, 2022 budget would only increase 1.03%.

New Growth

New Growth is estimated at \$40 million based upon an analysis of building permits and ongoing construction projects, which will result in approximately \$659,600 in new FY2023 tax revenues. New growth is forecasted to drop back down to approximately \$30 million for the foreseeable future, barring any significant new development coming to Town. As the Town approaches buildout, new growth will become a smaller source of new tax revenues.

Local Receipts

Local Receipts are level funded at \$4.17 million in FY2023, as motor vehicle excise, hotel and meal taxes slowly recover from the impacts of the pandemic. The Local Receipts total also includes \$233,000 in annual revenues resulting from the Regional High School settlement, which is the last year of these settlement payments.

Mr. Coderre reviewed the following issues that will impact the key budgets.

The first issue is the status of the outstanding union contract negotiations as well as the ongoing Classification/Compensation Study. All five collective bargaining contracts expire June 30, 2022, and are currently under negotiation for FY2023. The Town is also in the process of completing a comprehensive Classification/Compensation Study designed to update all position job descriptions and conduct a market survey to ensure the Town's compensation and benefits remain competitive. Estimated budget impacts for both contract settlements and the Classification/Compensation Study will need to be budgeted centrally pending completion.

The second issue relates to the Town's health insurance budget. The Town's health insurance carrier, Fallon, made the decision to exit the public market, effective June 30, 2022. As a result, the Town conducted a formal bid process to find a new provider. As part of the bid process, a Joint Procurement Association (JPA) was created with ARHS and the Town of Southborough in order to enhance market leverage. Following review of the bid results, the Town met with the

Insurance Advisory Committee (IAC), which consists of members from all the bargaining units, including the K-8 School department. The IAC voted unanimously to recommend the administration's proposal to select Harvard Pilgrim as the Town's new carrier. While the health insurance budget figures are still being finalized, it is anticipated that the increase should be within the sustainable 3% target increase.

Lastly, the Town received notice from Norfolk County Agricultural High School (NCAHS) that another student applied for admission for the 2022-2023 school year. As in prior years, Northborough has borne the expense of tuition and transportation to the NCAHS in the General Government (non-school) portion of the budget. Since the Town of Northborough does not offer the particular vocational technical education program in which the student is interested, either at the high school or the regional vocational technical high school to which the town belongs (Assabet Valley), the student then has the option to apply to any school that offers such a program.

According to the February 22nd NCAHS letter, the out-of-county tuition rate is \$24,572 per student, exclusive of any transportation costs, which have yet to be determined. Given the late notice of this development, it is not fair to ask departments to cut an additional \$25,000 to \$38,000 from their budgets to accommodate this educational expense, which is why the General Government budget is likely to increase slightly more than the proposed 3.5%.

Mr. Coderre reported that based upon revised assumptions, the target budgets for the key departments are estimated to increase as follows:

- Northborough K-8 Schools increase \$893,275 or 3.46% to \$26,692,953
- General Government (Town) increases \$827,387, or 3.5% to \$24,466,996, pending addition of final NCAHS tuition and transportation expenses.
- The overall Assabet Valley Vocational HS operating budget is increasing \$1,004,684, or 4.3% to \$24,108,684. However, Northborough's Operating Assessment increases by \$189,278, or 20.25% to \$1,123,936 as enrollment increases from 59 to 68 students. Debt service associated with the completed renovation project decreases from \$133,832 to \$130,004, a 2.86% reduction.
 - Net effect of the combined Operating Assessment and new debt service is \$1,253,940, an overall increase of \$185,450, or 17.36%
- The overall Algonquin Regional High School (ARHS) budget is increasing by \$750,378, or 3% to \$25,727,081. However, Northborough's ARHS Operating Assessment is increasing just \$21,469 or 0.17% to \$12,914,966 due primarily to shifting enrollments. The debt for ARHS increases by \$5,223, or 0.81% to \$653,069.
 - Net effect of the combined Operating Assessment and new debt service is an overall increase of \$26,692

Mr. Coderre noted that the Board will be holding its annual joint budget hearing with the Appropriations Committee on March 28th to discuss the FY2023 proposed budget.

DPW PROJECT UPDATE

Mr. Charpentier provided an update on the status of the Department project activities as follows:

Pavement Management

There have been roadway culvert failures over the past few years which required redirection of nearly all the \$300,000 roadway maintenance operating budget toward replacing these culverts. Culverts on Davis Avenue, Lyman Street, and Ridge Road were replaced in FY2022. Moving forward, additional funding sources need to be identified specifically for culvert replacements, or the Town risks losing ground in maintaining and improving town-wide roadway conditions.

The most recent update to the pavement management roadway surface rating (RSR), which incorporates work completed in 2021, shows the town-wide RSR fell slightly from 73.5 in 2020 to 73.2. Pavement management work the Town completed in the 2021 construction season included 1.5 miles in Gutter Mill and Overlay; 1.4 miles in Mill and Overlay; 0.5 miles in Shim and Overlay and 5.1 miles in Crack Fill.

Sidewalk Improvements

The recently complete Northborough Master Plan identified sidewalk and crosswalk improvements as well as sidewalk expansion as primary goals of the community. Northborough was awarded a \$59,609 competitive grant through MassDOT to fund installation of pedestrian activated rapid flashing beacons at the crosswalks nearest our recreational facilities. A previously completed town-wide sidewalk assessment culminated with the development of a Sidewalk Management Plan, which presents a capital approach to improving the existing network of sidewalks. The 2022 paving program includes reconstruction of sidewalks and wheelchair ramps along those roadways where reconstruction will occur.

Public Works has applied to become a Complete Streets Community and was recently awarded \$35,200 in State grant funds to assist with development of a town-wide Comprehensive Sidewalk Prioritization Plan. The plan will help identify sidewalk network gaps and available funding to close said gaps. Also, a MassDOT competitive grant application was recently submitted to fund installation of dedicated bicycle lanes along the portion of Bartlett Street between the High School and the City of Marlborough, where bicycle lanes already exist off Forest Street.

Multiple Culvert Replacements

Culverts under Ridge Road and Davis Avenue have deteriorated to the point of failure, and Lyman Street to near failure. Design and permitting was funded through the Chapter 90 process and roadway maintenance operating funds have been allocated to implement the physical replacement of these culverts. The culvert under Lyman Street was able to be funded for replacement in the amount of \$76,100 while the Ridge Road and Davis Avenue culvert bid values are \$91,500 and \$107,000 respectively.

Construction is nearly complete on all three culverts. Another culvert has failed on Lincoln Street adjacent to the Elementary School. The Town's engineering consultant is currently preparing design and permit drawings for this replacement.

Assabet Playground Reconstruction

The Town successfully negotiated an agreement with the Massachusetts Architectural Access Board to implement accessibility improvements to the playground. The 2020 ATM funded this

project by appropriation of \$102,775 from Free Cash and \$452,225 from the CPA reserves. The completed project will replace the Assabet Playground surface and equipment, resulting in a new and fully accessible play area. Project construction is nearing 50% completion and the playground is expected to be open for use by the summer of 2022. Mr. Charpentier noted that supply issues and cost escalation due to COVID is requiring him to seek an additional \$20,000 in CPC funds to replace the fencing around the park.

New Pickleball Courts at Ellsworth/McAfee Park

The project design and bidding is complete for the new pickleball courts at Ellsworth/McAfee Park and a construction contract has been awarded with an anticipated completion date of late summer 2022. Due to material cost increases some small project components had to be omitted, which include entrance gates and sideline fencing. We are currently looking into alternative funding sources for these amenities.

Water and Sewer Operations Building on School Street

The 2020 ATM allocated \$900,000 for construction of a second operations building for the water and sewer department. The Town is currently working with Assabet Valley Regional Tech. for all interior framing and finish work which is well underway. Escalating construction material costs have resulting in the need to access other funding mechanisms for some of the finish work. The building is planned to be available for use during the summer of 2022.

Assabet Hill Water Tank Rehabilitation

The 2020 ATM allocated \$725,000 toward repairs and improvements to the Assabet Hill Water Storage Tank. The work includes repair and coating of the tank surfaces, installation of a non-mechanical mixing system for water quality improvements, and construction of a small operations and controls building which will house a sample port, tank monitoring equipment, and communication panels. Construction is well underway, with the tank cleaning and coating complete. Work is scheduled to recommence with the prefabricated controls building and the mixing system in March 2022.

Water and Sewer SCADA Project

The 2021 ATM approved funding for the Town's first Supervisory Control and Data Acquisition system for the water and sewer divisions. The first phase of implementation includes two control stations as well as five monitoring locations. Work has begun with customization of SCADA software for Town facilities and to provide needed interface environment. Control panels are in fabrication and are expected to be installed during the summer of 2022 with full system roll-out before the end of the year.

Northborough Reservoir Dam Removal

The Northborough Water Division owns a dam located in Shrewsbury and Boylston, which no longer provides a useful function for the Town. The 2021 ATM approved funding for the design and permitting phase of the dam removal in the amount of \$50,000, combined with an additional \$168,750 competitive grant awarded through the Commonwealth. Land and bathymetric surveys are complete as well as environmental resource mapping, and geotechnical exploration. The next steps include a Preliminary Engineering Dam Report and subsequent to that, filing of environmental permits. Once the design and permitting phase is complete, the Town intends to seek grant funding through the State Dam and Seawall Grant Program to help fund the cost of removal.

Facilities HVAC

In conjunction with our new Facilities Manager, Public Works oversaw two critical heating/ventilation/ air conditioning (HVAC) projects. The Senior Center utilizes a geothermal system to provide heating and cooling for the building. One of the heat pumps failed during the winter and the other, being of similar age and level of wear, was due for replacement. Also, Town Hall suffered a catastrophic failure of one of the heating boilers, leaving only one functional boiler, which is not adequate during durations of deep cold.

Following Mr. Charpentier's presentation, questions and comments were heard from members of the Committee.

NEXT MEETING

The Committee members agreed to set the meeting schedule as follows:

Meeting Date	Meeting Topics
Wednesday 3/9/2022 – 6pm	Preliminary FY2023 Capital Budget; Police Department Capital Requests; Fire Department Capital Requests
Wednesday 3/16/2021 – 6pm	DPW Capital Requests, Water & Sewer Capital Requests; School Department Capital Requests
Wednesday 3/23/2022 – 6pm	Review CPC Project Requests; Final Review of FY2023 Capital Budget; Discussion of Financial Planning Committee Recommendations and Draft Report
Monday 3/28/2022 – 7pm	Joint Meeting with Board of Selectmen – Budget Hearing (Charter 6-5) (FPC Optional)
Monday 4/25/2022	6pm at ARHS Auditorium OR Saturday, April 30, 2022 at 9am

OTHER BUSINESS

None.

ADJOURNMENT

Mr. Rapa moved the Committee vote to adjourn; Mr. Peterson seconded the motion. Vote 4-0-0

Meeting adjourned at 9:30 p.m.

Respectfully submitted,

John W. Coderre
Town Administrator

Documents used during meeting:

1. March 2,2022 Meeting Agenda
2. March 9, 2021 Meeting Minutes
3. Memo – Preliminary Free Cash Plan
4. ARPA Update Presentation
5. Memo – FY2023 Preliminary Budget Update
6. DPW Project Update
7. Meeting Schedule