

**BOARD OF SELECTMEN
APPROPRIATIONS COMMITTEE
FINANCIAL PLANNING COMMITTEE
NORTHBOROUGH SCHOOL COMMITTEE**

SPECIAL JOINT MEETING MINUTES – January 14, 2021

7:00 p.m. - Chairman's Introduction to Remote Meeting

Chairman Perreault stated that this Open Joint Meeting of the Board of Selectmen, Appropriations Committee, Financial Planning Committee and Northborough School Committee was being conducted remotely consistent with Governor Baker's Executive Order of March 12, 2020, due to the current State of Emergency in the Commonwealth due to the outbreak of the COVID-19 Virus.

Chairman Perreault added that in order to mitigate the transmission of the COVID-19 Virus, the Town has been advised and directed by the Commonwealth to suspend public gatherings, and as such, the Governor's Order suspended the requirement of the Open Meeting Law to have all meetings in a publicly accessible *physical* location. Further, all members of public bodies are allowed and encouraged to participate remotely.

Chairman Perreault noted that the Order allows public bodies to meet entirely remotely so long as reasonable public access is afforded so that the public can follow along with the deliberations of the meeting. He added that ensuring public access does not ensure public participation unless such participation is required by law. Chairman Perreault noted that this meeting will not feature Public Comment. He indicated the various ways that the public may view or participate in this meeting as listed on the posted agenda.

Meeting Business Ground Rules

Chairman Perreault covered the ground rules for effective and clear conduct of the business. He asked members of the Board to mute their phone or computer when not speaking and to speak clearly and in a way that helps generate accurate meeting minutes. He will go through the items on the agenda. Following the presentation, Board and Committee members will be offered an opportunity to speak. Members were asked if they wish to speak, to do so through the Chair, taking care to identify themselves.

BOARD AND COMMITTEE MEMBERS REMOTELY PRESENT

Board of Selectmen

Jason Perreault, Tim Kaelin, Leslie Rutan, Julianne Hirsh and Scott Rogers

Appropriations Committee

George Brenckle, Anthony Poteete, Richard Nieber

Financial Planning Committee

David DeVries, Thomas Spataro, William Peterson, Jr., Michael Hodge and John Rapa

Northborough School Committee

Keith Lebel, Lauren Bailey-Jones, Kelly Guenette, Joan Frank and Erin Tagliaferri

Others

Town Administrator John Coderre, Assistant Town Administrator Rebecca Meekins, Finance Director Jason Little, Treasurer/Collector Amy Haley, School Superintendent Greg Martineau, Director of Finance & Operations Rebecca Pellegrino and District Health and Wellness Coordinator Mary Ellen Duggan.

JOHN CODERRE, TOWN ADMINISTRATOR**Presentation of the Financial Trend Monitoring System (FTMS)**

The complete FTMS presentation can be found on the Town Website.

Mr. Coderre noted that this meeting typically takes place in December, but due to COVID related delays in receiving key financial information from the State and Federal governments, as well as the delay in closing the FY2020 books, this meeting was postponed until this evening.

Mr. Coderre reviewed the final FY2021 Budget changes, including the delay of Town Meeting to July 18, 2020 resulting in a delay with the FY2020 Budget close out and audit. The final Town FY2021 budget and tax rate were approved on November 23, 2020, resulting in an average single-family home tax bill reduction of \$65.

The purpose of the FTMS is to analyze key financial indicators in order to assess the financial direction of the Town. The report is designed to bring issues and opportunities to the attention of decision-makers through a systematic method of trend analysis. The ultimate goal of the FTMS is to help local officials better assess and protect the Town's overall financial condition. The goal is to protect the Town's policy-making ability by ensuring that important decisions are not controlled by financial problems or emergencies.

Mr. Coderre reviewed the summary dashboard of all the indicators and rather than go into detail on each, instead focused on the ones in motion or having the greatest impact on the upcoming FY2022 budget, including State Aid, Economic Growth Revenues and Employee Benefits.

State Aid

State Aid has steadily declined from a high of 13.1% of revenues in FY2003 to 8.3% in FY2021. Due to Federal Aid received during FY2021, State Aid was level funded and it is assumed that FY2022 State Aid will be level funded as well. The forecast is based upon the State's recent revenue consensus hearing, which assumes a 3.5% increase in State revenues for FY2022. Future aid remains uncertain given the unfolding impacts of the COVID-19 pandemic on the economy.

Economic Growth Revenues

Economic Growth Revenues went from stable to uncertain overnight with the impacts of the COVID-19 pandemic at the end of FY2020. This indicator will require close monitoring over the balance of FY2021 and into FY2022 as more financial data becomes available.

FY2022 Local Receipts

FY2021 Local Receipts were budgeted to decrease 14%. The revised forecast is an overall projected decline closer to 7%. Hotel and Meals receipts are down 12% based on the first two quarters of FY2021, instead of the projected 80%. Motor Vehicle Excise is down 7.5%, instead of the projected 11%. Building permits are above target due to a large project fee. Based upon the improving FY2021 Local Receipts the FY2022 budget model assumes an increase of 8.38%

One Time Revenues

The Free Cash Policy reduced reliance on one-time revenues from a high of \$1.5 million in FY2005 to \$500,000 in FY2020. Free Cash was diverted to finance \$12.06 million in pay-as-you-go capital investments since FY2012. In FY2021, \$878,000 in Free Cash was used to mitigate the impacts of COVID-19. The goal for FY2022 will be to return to the \$500,000 level per the Town's Free Cash Policy, thereby limiting one-time revenues in the operating budget to 1% or less.

Employee Benefits

Personnel wages and benefits remain stable. It's important to note that a 0% increase in Health Insurance premiums was negotiated for FY2022, resulting in an estimated budget increase of just 1.26%. Comparably, a 10% increase on the \$5.99 million Health Budget would be \$599,000. Under the current budget model a 3% increase on the total General Government Budget is approximately \$687,000. Without this 0% increase, health insurance could consume up to 87% of all new FY2022 revenues for non-school departments.

Mr. Coderre's presentation also included updates on the following:

Current Financial Condition

Northborough continues to be in relatively good financial condition with a strong tax base and good diversification. The Town's financial reserves are healthy at 8%. It's debt level is manageable at less than 5% of operating costs with a preferred Aa1 bond rating. Reliance on one-time revenues in the operating budget is planned to return to the policy target of \$500,000, or 1%. Capital investments were strong leading up to the pandemic, which allowed for temporary project postponements that freed up resources to deal with the pandemic.

Potential Emerging Problems

Postponement of Other Post-Employment Benefits (OPEB) funding in FY2021 and possibly in FY2022 will require reassessment of future investment plans. Postponement of capital investments in FY2021 will require reassessment of future Capital Improvement Plans. Uncertainty surrounding the following: level of State Aid and Federal pandemic assistance; local receipts and a potential economic slowdown after the initial recovery following vaccinations; and future economic development (new growth) revenues as Town approaches buildout.

FY2022 Budget Assumptions

Tax increases are limited to Proposition 2½ with no levy capacity used; State Aid level funded from FY2021 actual State Aid; local receipts increased 8.38%, or \$321,413; no additional one-time revenues beyond \$500K policy limit; no contribution to OPEB Trust Fund or Stabilization Fund, General Government and K-8 Schools increase 3% and ARHS Assessment increases no more than 5%.

Financial Projections

Mr. Coderre made a presentation on the five-year financial projections in terms of methodology and assumptions as follows:

Methodology

- Revenue driven model
 - Based upon the existing revenue sharing model
 - Establishes a revenue ceiling based upon Proposition 2 ½ and backs into the allowable annual budget growth
 - Uses FY2021 as the base and looks out 5 years
- Focuses on the top three revenue sources, or 95%
 - Taxes 80%, State Aid 10%, Motor Vehicle Excise 5%
- Minimum goal is to maintain a level service budget

Assumptions

- Taxes increase by allowable Proposition 2½
 - New growth \$40 million in value (\$685K in new taxes) for FY2022, \$30 million from FY2024-FY2026
 - Existing unused levy capacity is available for use after FY2022
- State Aid level funded for FY2022 and increases 1% annually from FY2023-FY2026
- MVE and other local receipts projected to return to FY2020 levels by FY2024 and level funded through FY2026
- Continued adherence to adopted Financial Policies
 - No one-time revenue gimmicks
 - Maintain financial reserves
 - Continue to invest in Capital Improvement Plan (CIP)
- OPEB funding returned to budget in FY2023 at \$500,000 and assumes \$550,000 annually from FY2024 through FY2026
- Debt service for major capital projects such as the Fire Station are included
- Key budget increases
 - Northborough K-8 Schools and General Government 3% for FY2022, then 3.5% annually
 - ARHS Assessments 5% for FY2022 & 3.5% for FY2023 through FY2025
 - Assabet 20% enrollment increase for FY2022, then 3.5% annually
 - Attempt to maintain level services

Projected Tax Impact

The projected tax impact assumes a 5% increase in FY2022 on single-family home values, then 2% increases annually FY2023-FY2026. The valuation reflects \$40M in new growth for FY2022, \$30M from FY2023-FY2026 and corresponding growth in overall single-family home values.

Financial Outlook

- Budgets increase minimally to maintain services
 - No significant staffing or service level increases
- Existing \$3.4M in unused levy capacity drawn down as needed to maintain level services
- Average single-family home tax bills increase between 3.6% to 7.1% annually
 - FY2021 was revaluation year, market adjustments to property values continue to increase annually
- Assumes no major budget surprises
- All assumptions regarding FY2022 and the Financial For

Conclusion

Mr. Coderre ended the presentation with an assurance that the Town's financial condition will continue to be monitored by working collaboratively to address Town-wide issues, while at the same time striving to balance departmental needs with the impact on the taxpayer.

Mr. Coderre recognized the efforts of Assistant Town Administrator Becca Meekins, Treasurer/Collector Amy Haley and especially Finance Director Jason Little.

School Superintendent Greg Martineau stated that he appreciates the ongoing communication between the Town and Schools. Ms. Frank agreed and applauded everyone for their efforts during this difficult process.

Mr. Coderre stressed the importance of having the finest professionals in the School Superintendent and his staff, the Municipal staff and all the Boards and Committees represented here at this meeting. It is a pleasure to see everyone working together during this most challenging time with nothing but support for each other.

A couple of questions and comments followed before Chairman Perreault thanked Mr. Coderre and his staff, the School Superintendent and his staff for their collaborative efforts, and the Board and Committee members who took the time to attend tonight's presentation.

The meeting concluded at 9:02 p.m.

Respectfully submitted,

Diane M. Wackell
Executive Assistant to the
Board of Selectmen

Documents used during meeting:

1. January 14, 2021 Meeting Agenda
2. Financial Trend Monitoring Report presentation