



# TOWN OF NORTHBOROUGH

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## MEMORANDUM

TO: Honorable Chairman and Members of the Board of Selectmen  
 and the Appropriations Committee

FROM: Town Administrator

SUBJECT: FY2022 Proposed Budget

DATE: March 22, 2021

I hereby transmit this proposed annual budget for FY2022. The recommended FY2022 General Fund operating budget totals \$67,726,437 or 2.24% as compared to FY2021.

### FY2022 Proposed Budget

EXPENDITURES	FY2021 Budget	FY2022 Proposed	Variance	% Change
General Government (Town)	\$22,913,699	\$23,639,610	\$725,911	3.17%
Schools				
Northborough K-8	\$25,177,844	\$25,799,678	\$621,834	2.47%
Algonquin Reg. HS 9-12	\$12,587,175	\$13,004,868	\$417,693	3.32%
Algonquin Debt Exclusion	\$632,229	\$647,846	\$15,617	2.47%
Assabet Valley	\$865,186	\$934,658	\$69,472	8.03%
Assabet Valley Debt	\$137,660	\$133,832	-\$3,828	-2.78%
Warrant Articles				
Reserve Fund	\$375,000	\$175,000	-\$200,000	-53.33%
Transfer to Stabilization	\$0	\$0	\$0	
Free Cash Capital Projects	\$712,775	\$805,000	\$92,225	12.94%
Transfer to OPEB Trust	\$0	\$0	\$0	
Colburn St. Debt Service	\$59,923	\$57,475	-\$2,448	-4.09%
Library Debt Service	\$354,248	\$343,567	-\$10,681	-3.01%
Senior Center Debt Service	\$380,145	\$371,445	-\$8,700	-2.29%
Lincoln Street Debt Service	\$1,051,475	\$1,026,775	-\$24,700	-2.35%
Fire Station Debt Service	\$17,098	\$52,750	\$35,652	100.00%
Other Funds	\$755,886	\$733,933	-\$21,953	-2.90%
Adjustments	\$220,180		-\$220,180	-100.00%
<b>Subtotal General Fund</b>	<b>\$66,240,522</b>	<b>\$67,726,437</b>	<b>\$1,485,915</b>	<b>2.24%</b>



As I write this transmittal letter it strikes me just how unprecedented this past year has been for our community on so many levels. FY2021 was dominated by the impacts of the COVID-19 pandemic, including a local declaration of emergency, the closure of all Town facilities, and implementation of the Town's Continuity of Operations Plan (COOP) designed to ensure that critical functions remain uninterrupted.

A COVID-19 Task Force was formed early in the pandemic to coordinate issues and responses, both internal and external to the organization. Policies and procedures were put in place to facilitate remote work and new hardware and software systems were deployed. Remote meeting platforms were put in place to allow boards and committees to meet and conduct Town business. A dedicated website was developed to provide continuous, real-time information to residents and businesses regarding the pandemic. An unprecedented level of outreach was undertaken to make sure all at-risk and vulnerable residents had the supplies and services they needed. Staff contacted all seniors in Town at least twice and partnered with the food pantry and other local community groups to ensure any food security issues were quickly addressed.

In conjunction with the School Department, a COVID testing program for all students and staff was put into place to monitor the safety of operations. To fund the response actions Administration and Finance oversaw the processing, tracking, and reporting of emergency grants and relief funds, including FEMA reimbursements and Coronavirus Relief Funds, to address the impacts of the COVID-19 pandemic. Throughout the entire period critical services were never interrupted, and all Town Departments remained accessible.

In January of 2021, staff began planning and organizing local COVID-19 vaccination clinics at the Senior Center. The first clinic took place on February 5, 2021 and resulted in the vaccination of local seniors and at-risk members of our community. While simultaneously planning for and running the local clinic in Northborough, the Town also partnered with seven area communities to spearhead a regional clinic, which was approved by the State and is likely to continue operations into the summer.

Financially, the last year has been unprecedented in terms of economic uncertainty as the State's economy was shut down and reopened in ever changing phases. Local businesses were impacted and local receipts such as restaurant taxes, motor vehicle excise taxes, hotel and meals taxes, and building permit fees plummeted. Despite the original FY2021 budget process being completed in March of 2020, the financial impacts of the pandemic caused the Town to revise all its revenue projections and significantly reduce both capital and operating budget plans. Working in collaboration with the School Department and the financial boards and committees, the Town was able to present a revised budget that was balanced, preserved core services, and anticipated the worst case scenarios for State Aid and local revenues due to the economic shutdown.

Under special State legislation, the 2020 Annual Town Meeting was delayed until July 18th and was ultimately held outdoors due to COVID-19 safety concerns while an emergency 1/12<sup>th</sup> budget process was used to start FY2021. Once final State Aid figures were approved in late fall, the Town was in the enviable position of being able to continue with its approved budget, which resulted in tax relief for all residents and businesses. Based upon the reduced budgets and level funded State Aid, the average



single-family home tax bill in FY2021 declined by \$65. The needed tax relief was made possible through years of planning, conservative budgeting practices and adherence to adopted comprehensive financial policies. The FY2021 revised budget enjoyed the unanimous support of all boards and committees and was overwhelmingly approved at the July 18, 2020 Annual Town Meeting.

Looking ahead to FY2022, the Town still faces many unknowns, and the proposed budget assumes vaccination efforts will continue to lead to a reopening of the economy and an overall improving economic picture. As presented, the FY2022 Proposed Budget does not draw from the Town's financial reserves and provides sufficient resources to maintain the current level of services.

In preparation for FY2022 the Financial Team updated the Town's Financial Trend Monitoring System (FTMS) Report and presented the results along with revised five-year financial forecasts at a joint meeting of the Board of Selectmen, Financial Planning Committee, Appropriations Committee and K-8 School Committee on January 14, 2021. The updated FTMS Report provided critical information about FY2022 budget assumptions during the ongoing pandemic, which allowed policy-making Boards and Committees to make informed decisions. The updated analysis included a close look at Local Receipts and State Aid projections, which were used to build consensus regarding sustainable FY2022 budget increases. These discussions took place in the context of the standing goals for the annual budget development process.

### Standing Budget Development Goals:

1. To protect and improve the Town's overall Financial Condition, which is broadly defined as our ability to maintain existing service levels; withstand local and regional economic disruptions; and meet the demands of natural growth, decline, and change.
2. To develop a budget that is in conformance with the Town's comprehensive financial policies and does not rely on one-time gimmicks or unsustainable practices.
3. To maintain Northborough as an affordable place to live and operate a business
4. To protect the Town's long-run solvency beyond the immediate budget cycle by developing clear policies regarding issues such as debt, pension obligations, OPEB liabilities and capital investment.

As the FY2022 budget process unfolded, individual departmental goals and objectives were developed within these Town-wide umbrella goals to ensure that long-term perspectives that span beyond just the upcoming fiscal year are taken into consideration. In addition to these overriding goals and initiatives, each departmental budget contains more detailed goals and objectives for the FY2022 budget.



### Recent Developments

During the preceding months, several significant budgetary items were finalized, including Health Insurance, Debt Service, State Aid estimates, revised Local Receipt projections, and the pending Federal Government Relief Aid. Collectively, these items represent the final pieces of the FY2022 budget.

- Health Insurance—The FY2022 health insurance budget request of \$6.12 million represents a modest increase of \$125,783, or 2.1% from the amount budgeted last year. Through collaborative negotiations with all its employee groups, the Town has successfully mitigated health insurance budget increases to sustainable levels for the past decade.

During FY2019 the Town was facing a 15.6% health insurance budget increase that would have necessitated significant service level reductions across all departments. To address the increase, the Town, working with the employee Insurance Advisory Committee (IAC), chose to bid out its health insurance seeking consolidation under a single carrier. Based upon the bid results and the recommendation of the IAC, Fallon Community Health Plan (Fallon) was awarded the contract. Unfortunately, after several years of favorable renewals the Town was informed that Fallon will be exiting the commercial market after FY2022, resulting in the need to go out to bid for FY2023 health insurance during the fall of 2021. Given its significant impact on Town finances, successful management of the annual health insurance budget will be a major factor in next year's budget cycle.

<b>Health Insurance Budget Increases</b>	
FY2010	0.72%
FY2011	2.99%
FY2012	4.49%
FY2013	3.34%
FY2014	2.00%
FY2015	1.00%
FY2016	3.00%
FY2017	3.00%
FY2018	8.33%
FY2019	3.80%
FY2020	2.00%
FY2021	2.60%
FY2022	2.10%
<b>Average</b>	<b>3.03%</b>

- Debt Service—The proposed FY2022 debt service budget provides for the payment of principal and interest costs for long- and short-term bonds issued by the Town for General Fund purposes. For FY2022, the total Debt Service for the General Fund is \$2.13 million, a decrease of \$71,806 or 3.26%.

One key factor in limiting new debt service is the Town's Free Cash policy whereby smaller capital items are purchased using available funds, such as Free Cash, instead of financing with debt. For a detailed explanation of the Town's Free Cash Policy and the ongoing practice of funding more pay-as-you-go capital projects, interested readers should refer to Section 9 of this budget document.

Of significant note is that in conjunction with the bond issuances for the Lincoln Street School project in 2015, Moody's Investors Service upgraded the Town's bond rating from Aa2 to Aa1, which is Northborough's highest rating ever. During the review Moody's cited the Town's manageable debt levels, strong reserves, below average pension liabilities and its ongoing funding of OPEB liabilities as positive factors. With regard to management they commented that "*the Town has a strong management team evidenced by a multi-year trend of conservative budgeting guided by formal fiscal policies.*" The independent assessment illustrates how our planning efforts and fiscal discipline produce very real and tangible results—lower rates on



bonds resulting in less tax dollars going to pay for interest.

During May of 2021 the Town will undergo an updated bond rating as part of its plans to refinance outstanding debt associated with the Senior Center and Library building projects, resulting in an estimated savings of \$615,000 over the remaining 8 years on the bonds. The Town is not only taking advantage of low market interest rates, but is also leveraging its higher credit rating for additional savings.

**BOND RATING SYMBOLS**

<u>Moody's</u>	
<u>Investor Service</u>	
	Aaa
➔	<b>Aa1</b>
	Aa2
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	A1
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➤ State Aid— The current budget model assumes State Aid will increase by 1.6% to \$5.52 million in accordance with the Governor’s FY2022 Budget, which was released on January 27<sup>th</sup>. Despite State revenue projections expected to grow by 3.5% next fiscal year, the Town does not anticipate receiving much of an increase given past experience and the State’s ongoing commitment to funding the Student Opportunities Act, which is designed to direct increased funding to disadvantaged school districts. Over the coming months the House and Senate will release their respective budget proposals and work out the differences through a joint committee. The Town generally does a little better in terms of aid from the Legislature, in part, because they will have more up-to-date revenue information. However, it is clear that we are unlikely to see any meaningful increase in FY2022. As discussed at the January 14<sup>th</sup> Financial Trend Monitoring Presentation, because State Aid continues to lag behind our general budget increases, it has become an ever-smaller percentage of our overall budget. State Aid declined from a high of 13.1% of revenues in FY2003 to just 8% in FY2022. Historically, the Town does not receive its final State Aid figures until well after Town Meeting. Based upon the information coming out of the Legislature, the Governor’s 1.6% estimate appears to be a reasonable assumption.

➤ Local Receipts—The third largest source of revenue for the General Fund budget is Local Receipts, which include a variety of economically driven fees, permits, fines and license-related monies that the Town receives, as well as interest that is earned on investments or overdue tax bills. This category also includes excise taxes, which include Motor Vehicle Excise (MVE) and Hotel Rooms and Meals taxes. The total budgeted Local Receipts for FY2022 is \$4.2 million which represents an 8.7% increase over FY2021. The single largest source of revenue within the Local Receipts category is the \$2.38 million budgeted for MVE taxes, which is a State tax collected by the municipality for its own use. The FY2021 Local Receipts estimate was lowered dramatically (14%) from FY2020 due to the pandemic shut down; however, as the phased reopening of the economy progresses, actual revenue collections continue to improve. The FY2022 forecast for Local Receipts is predicated on the continued success of vaccination efforts and corresponding economic recovery.

➤ Federal Relief Funds—The last major outstanding budget factor is the Town’s share of potential federal relief aid coming from the American Rescue Plan Act. On March 11, 2021, President Joe Biden signed the American Rescue Plan Act (ARPA), which



contains \$1.9 trillion in overall national spending to support relief and economic recovery efforts. According to preliminary estimates by the Massachusetts Municipal Association, Northborough could receive up to \$4.42 million in ARPA relief funds. However, at the time of this writing the U.S. Treasury Department has yet to issue detailed guidance on how these funds can be used. Depending on the final guidance there is the possibility that usage of ARPA funds may impact the FY2022 budget. However, the FY2022 budget as proposed is balanced, so any additional relief funds will only have the impact of enhancing services and/or reducing tax impacts.

Assuming the ongoing vaccination plans and resulting economic recovery continues, we do not anticipate any other significant financial information coming forward prior to Town Meeting.

### **Budget in Brief**

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Similar to prior budgets, the FY2022 Proposed Budget relies on projections regarding available revenue, thereby accepting the limits of the Town's financial resources. The budget is based upon an established ceiling of revenue derived from local property taxes in accordance with Proposition 2½. Added to these revenues are State Aid, Local Receipts such as fees, permits, interest earned and Available Funds such as Free Cash and Special Revenues.

At this point in time, based upon our latest projections, the overall General Fund budget increase is 2.24% with the proposed budgets for the key departments estimated to increase as follows:

- General Government (Town) increases \$725,911 or 3.17% to \$23,639,610
- Northborough K-8 Schools increase \$621,834 or 2.47% to \$25,799,678
- Algonquin Regional High School (ARHS) combined operating and debt assessments increase by \$433,310 or 3.28% to \$13,652,714
- Assabet Valley Vocational High School combined operating and debt assessments increase by \$65,644, or 6.55% to \$1,068,490

- **General Government Budget**

The total FY2022 General Government Budget (non-school) is \$23,639,610, which is an increase of \$725,911 or 3.17%. The balance of the document that follows this Budget Message provides detail regarding each departmental budget. All FY2022 Collective Bargaining Agreements are settled for a 2% cost-of-living increase, effective July 1, 2021. Other significant budget changes include the addition of a new full-time Facilities Manager in the Public Buildings budget, inclusion of the Recreation Department's two full-time positions in the General Fund pending recovery of revolving fund program fees, and partial restoration of various budget cuts made during FY2021. Also new in FY2022 is \$38,500 for tuition and transportation for a student attending Norfolk Agricultural High School. More details on these expenses can be found on the respective departmental budget pages that follow.



- **Northborough K-8 Schools**

The Northborough K-8 Public School System serves children in grades Kindergarten through 8. There are four elementary schools: the Fannie E. Proctor School, the Lincoln Street School, the Marion E. Zeh School, and the Marguerite E. Peaslee School. These four schools serve children from Kindergarten through grade 5. There is also one middle school, the Robert E. Melican Middle School, which serves grades 6, 7 and 8. As of October 1, 2020, a total of 1,526 students attend the Northborough schools, with 1,007 students in grades K-5 at the four elementary schools and 519 students in grades 6-8 at the Middle School.

The FY2022 Budget for Northborough K-8 Schools is proposed at \$25,799,678, which is an increase of \$621,834 or 2.47%. The budget includes a reduction of 0.47 full-time equivalent positions following a reallocation of staff.

- **Algonquin Regional High School (ARHS)**

The Northborough-Southborough Regional High School budget is composed of an operating assessment and a debt payment related to the completed renovation/addition project. The FY2022 operating assessment is \$13,004,868 which is a \$417,693 increase, or 3.32%. This increase is primarily due to more students attending the high school from Northborough but is offset by the school administration's use \$500,000 in Excess & Deficiency funds (free cash) to limit assessment increases. The debt for ARHS increases by \$15,617, or 2.47%, to \$647,846. Additionally, the debt exclusion will be reduced by \$220,000 which is the amount of the estimated FY2022 settlement payment from the Town of Southborough as a result of the declaratory judgement for the renovation/addition project. The net effect of the combined operating assessment and new debt service is an overall budget increase of \$433,310, or 3.28% to \$13,652,714.

- **Assabet Valley Regional Technical High School**

Assabet Valley Regional Technical High School is a vocational school composed of the member communities of Berlin, Hudson, Marlborough, Maynard, Northborough, Southborough and Westborough. Northborough's assessment is based upon the number of students from Town attending the school. The total FY2022 budget is \$23,104,000 which is an increase of \$667,000, or 2.97%.

As of October 1, 2020, 59 Northborough students attend Assabet Valley, resulting in an operating assessment of \$934,658. This is an enrollment increase of 6 students from the 53 Northborough students that attended Assabet Valley last year. Northborough's FY2022 share of the debt assessment from the completed building renovation project is \$133,832, which will continue to decline in subsequent years. The net effect of the combined operating assessment and new debt service is \$1,068,490 which is an increase of \$65,644, or 6.55%.

- **Special 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. A detailed description of the proposed warrant articles, including their funding sources, is provided in Section 6-21 through 6-24 of this budget document. Further



detail regarding the capital project warrant articles is contained in Section 9, the Town's Annual Capital Budget and FY2022-2027 Capital Improvement Program.

Overall, the Fiscal Year 2022 total operating budget for all funds, including enterprise funds, is \$73,980,716 or a 2.73% increase over FY2021; however, the increase includes one-time pay-as-you-go capital expenditures and increases to the Water & Sewer Enterprise Funds. An in-depth review of revenues and expenditures is provided in the Budget Summaries Section 1 that follows this Budget Message.

### Financial Condition and Outlook

During FY2022 the Town updated its Financial Trend Monitoring System (FTMS) analysis designed to assess the Town's Financial Condition. The FTMS, as adapted from the system developed by the International City/County Management Association (ICMA), "identifies the factors that affect financial condition and arranges them in a rational order so that they can be more easily analyzed and measured." It is a management tool that pulls together the pertinent information from the Town's budgetary and financial reports, mixes it with the appropriate economic and demographic data, and creates a series of Town-specific financial indicators that, when plotted over a period of time, can be used to monitor changes in the Town's financial condition. The financial indicators include such areas as revenue and expenditure trends, financial reserves, unfunded liabilities, changes in the tax base, one-time revenue dependencies, debt, capital investments, and external revenue dependencies. The updated FTMS Report is included in its entirety as Appendix C of this budget document.

### Financial Trend Monitoring System Indicator Summary

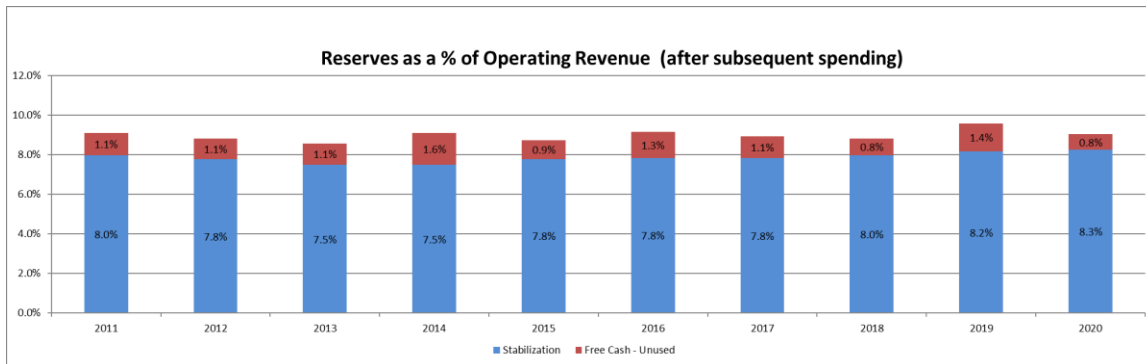
	Financial Indicator	FY2021
1	Property Tax Revenues	Favorable
2	Uncollected Property Taxes	Favorable
3	Revenues & Expenditures per Capita	Favorable
4	State Aid (Intergovernmental Revenues)	Unfavorable
5	Economic Growth Revenues	Unfavorable / Uncertain
6	Use of One-Time Revenues	Favorable
7	Personnel Costs	Stable
8	Employee Benefits	Stable / Uncertain
9	Pension Liability	Unfavorable
10	Other Post Employment (OPEB) Liability	Unfavorable / Improving
11	Debt Service Expenditures	Favorable
12	Financial Reserves/Fund Balance	Favorable
13	Capital Investment—Overall fixed asset values	Favorable
14	Capital Investment—Pavement Management	Improving





The conclusion of the FTMS analysis is that Northborough is in relatively good financial condition. The growth in revenue from property taxes, which has kept pace with inflation, as well as excellent tax collections are financial strengths for the Town. While expenditures per capita have risen indicating an increase in service needs, the Town’s revenues per capita have increased proportionally as well. The Town’s financial reserves are strong at 8% and use of the \$5.06 million Stabilization (rainy day) Fund was not necessary during the pandemic. The Town’s debt level is manageable at 3.1% of the operating budget (4.3% including overlapping debt for ARHS and Assabet) and its bond rating was upgraded to Aa1 in 2015.

Reliance on one-time revenues in the operating budget is proposed to go back down to the policy target of \$500,000, or approximately 1% after FY2021 used \$878,000 to provide a hedge against any unknown pandemic expenses. Capital investments were strong leading up to the pandemic which allowed for temporary project postponements in FY2021, but the Capital Improvement Plan (CIP) is back on track for FY2022.



Based on the FTMS analysis, it is apparent that long-run solvency surrounding unfunded pension liability and Other Post-Employment Benefits (OPEB) obligations are potential concerns for the Town. Due to the economic impacts of the COVID-19 pandemic, the Town postponed contributions to the OPEB Trust Fund in FY2021 and FY2022. Future OPEB funding plans will need to be revised based upon the delayed contributions. It is assumed subsequent budgets will return to including at least \$500,000 in OPEB Trust Fund contributions annually.

Uncertainties surrounding the economic recovery, level of State Aid, Local Receipts and future increases in health insurance premiums remain significant areas of potential exposure to be watched during future budget cycles.

For a more detailed explanation regarding the individual fiscal indicators and FTMS, interested readers are encouraged to review the introductory section to Appendix C of this budget document.



## Personnel Summary

Overall, personnel wages and benefits represent approximately 75% of the Town's operating budget and remain relatively stable. As vacancies occur, every effort is made to re-examine positions with a view toward restructuring, reducing or eliminating the position, where possible. The table below provides a five-year history of Full-time Equivalent (FTE)<sup>1</sup> positions by department, including any proposed changes for FY2022.

In total, Town Government staffing is up 0.85 FTEs from FY2021. The change includes some minor adjustments to part-time positions in various departments and the addition of a full-time facilities manager position to oversee the Town's public buildings. The full-time position, which was cut from the FY2021 Budget, will be responsible for overseeing maintenance and repairs of all town-owned buildings under control of the Town Administrator.

### TOWN OF NORTHBOROUGH PERSONNEL SUMMARY FY2018–FY2022

Town Government	FY 2018 FTE	FY 2019 FTE	FY2020 FTE	FY2021 FTE	FY2022 FTE	FY2021-22 Change
Executive Office	4.00	4.00	4.00	4.00	4.00	0.00
Public Buildings	0.50	0.50	0.50	0.50	1.50	1.00
Financial Offices	9.50	9.50	9.50	9.10	9.10	0.00
MIS/GIS	2.00	2.00	2.00	2.00	2.00	0.00
Town Clerk's Office	2.00	2.00	2.00	2.00	2.00	0.00
Planning & Conservation	2.93	3.45	3.45	3.45	3.48	0.03
Police Department	29.50	30.50	30.50	30.50	30.50	0.00
Fire Department	23.35	23.35	23.18	23.18	22.85	-0.33
Building Department	2.80	2.80	2.80	2.80	2.80	0.00
Health Department	2.20	2.20	2.20	2.20	2.20	0.00
Dog Officer	contract	contract	contract	contract	contract	0.00
Dept. of Public Works	20.48	20.48	20.48	19.00	19.00	0.00
Senior Center/COA	3.00	3.00	3.00	3.00	3.00	0.00
Library	10.48	10.48	10.48	10.48	10.48	0.00
Recreation	2.00	2.00	2.00	2.00	2.00	0.00
Family & Youth Services	1.96	1.96	1.96	1.96	1.96	0.00
Cable Access TV	2.38	2.38	2.38	2.38	2.53	0.15
Veterans' Services	district	district	district	district	district	0.00
<b>Town Subtotal</b>	<b>119.08</b>	<b>120.60</b>	<b>120.43</b>	<b>118.55</b>	<b>119.40</b>	<b>0.85</b>
<b>School Department (K-8)</b>						
K-5 Teachers	52.50	52.00	52.00	59.00	53.00	-6.00
Grade 6-8 Teachers	33.00	31.00	29.00	28.00	28.00	0.00
Specialists	42.30	42.90	41.90	41.52	41.90	0.38
Special Education Staff	46.60	46.10	46.30	50.95	49.30	-1.65
Administration	6.00	6.00	6.00	6.00	6.00	0.00
Support Staff	95.00	93.30	94.30	89.90	96.70	6.80
<b>K-8 Schools Subtotal</b>	<b>275.40</b>	<b>271.30</b>	<b>269.50</b>	<b>275.37</b>	<b>274.90</b>	<b>-0.47</b>
<b>Total Town &amp; K-8 FTEs</b>	<b>394.48</b>	<b>391.90</b>	<b>389.93</b>	<b>393.92</b>	<b>394.30</b>	<b>0.38</b>

<sup>1</sup> Full Time Equivalents are based upon 40 hours per week (i.e., 30hrs/40hrs = .75 FTE).



Facilities management, maintenance and long-term planning are areas that have long been identified as a priority need. In 2013, the Board of Selectmen's ad hoc Staffing Committee heard requests from multiple departments, including the Library, Senior Center and Town Administration for a Facilities Manager to assist with building maintenance and improvement issues at the various Town facilities. The position was formally created as part of the Town's classification/compensation plan in 2005, but was never funded, due to fiscal constraints.

In addition to maintaining facilities presently in use by Town departments, there are a significant number of building/facility initiatives both underway, and contemplated in the near future, including the Fire Station building project, the ongoing assessment of White Cliffs, significant repairs to the Town Offices building, the potential return of the Old Town Hall building located at 4 West Main Street, as well as the Town's participation in the Green Communities grant program. The addition of this position is intended to provide a more centralized and dedicated approach to protect the millions of dollars of investments taxpayers have made in public facilities throughout Town. The position would also lend technical assistance to Town departments during the Capital Improvement Planning process, including taking a leadership role in the bidding and oversight of approved capital projects. The Town has been successful in obtaining grants and other funding sources for projects, such as the Community Preservation Act, which have also added to the need for a dedicated Facilities Manager.

It is important to note that with regard to Personnel expenses, FY2022 is the last year of the previously negotiated collective bargaining agreements for Police Patrol Officers, Police Sergeants, Public Safety Dispatchers, Firefighters and the Northborough Municipal Employees Association. A significant amount of time will be devoted to negotiating fair and sustainable increases for personnel during the contract period of FY2023 through FY2025.

For a detailed breakdown of departmental staffing over the last five years, please see the personnel tables contained in Budget Sections 2 through 5 of this document. With regard to the Northborough K-8 Schools there are 0.47 fewer FTEs in the FY2022 budget<sup>2</sup>. Please refer to the Superintendent's budget presentation for more detail regarding those changes.

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<sup>2</sup> K-8 staffing does not include Central Administration staff which is shared on a budgetary basis between Northborough K-8 Schools (40%), Southborough K-8 Schools (30%) and Algonquin Regional HS (30%).



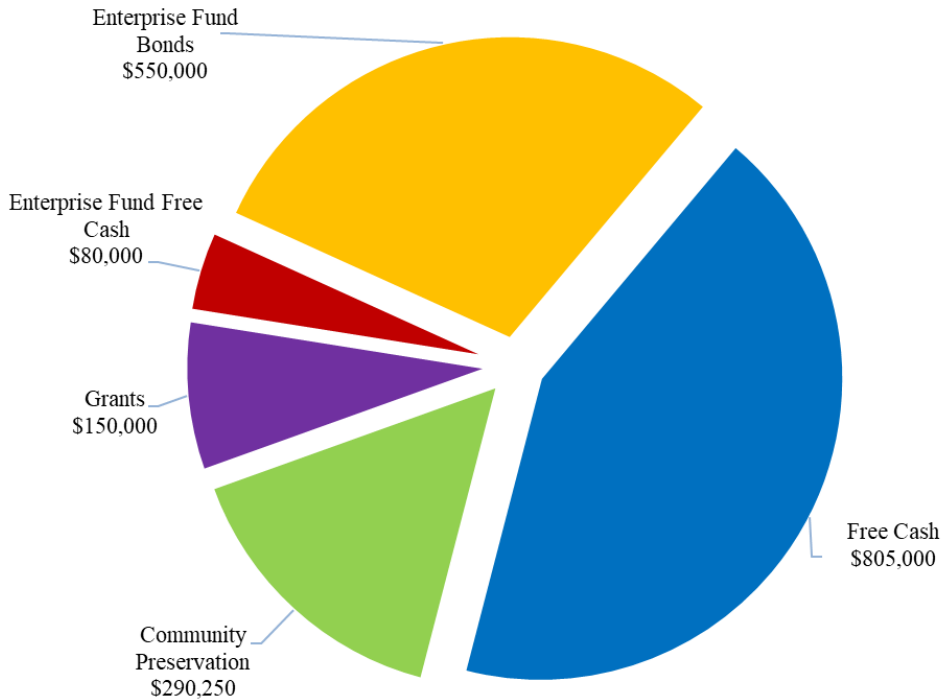
**Capital Budget**

Enclosed in Section 9 of this document are the Town’s Annual Capital Budget and FY2022-2027 Capital Improvement Program (CIP). The table on the following page represents the Proposed Capital Requests being made by the General Government Departments and the Northborough K-8 School Department for FY2022.

Although the detail for proposed projects has been incorporated as Section 9 of the Annual Operating Budget document, funding for all recommended FY2022 projects requires Town Meeting approval of specific Articles contained in the 2021 Annual Town Meeting Warrant.

The proposed FY2022 Capital Budget totals \$1,875,250 with \$805,000 from Free Cash, and a combination of other sources including, Community Preservation Funds, Grants, and Enterprise Funds. The pie chart below shows the breakdown of funding sources by category for the proposed FY2022 Capital Budget. With the exception of \$550,000 in new Water & Sewer Enterprise bonds, the balance of the proposed expenditures will come from available funds, resulting in no additional tax impact.

**FY2022 CAPITAL FUNDING SOURCES**





## FY2022 CAPITAL BUDGET

PROJECTS BY DEPARTMENT	EXPENDITURE
<b>Police</b>	
Police Cruiser Replacements (3)	150,000
<b>Police Subtotal</b>	<b>\$150,000</b>
<b>Fire</b>	
Car 3 Pick-Up Truck Replacement	80,000
Car 1 SUV Replacement	76,000
<b>Fire Subtotal</b>	<b>\$156,000</b>
<b>Recreation</b>	
Pickleball Courts at Ellsworth/McAfee Park	290,250
<b>Recreation Subtotal</b>	<b>\$290,250</b>
<b>DPW: Highway Division</b>	
Roadway Improvements/Maintenance	310,000
One-Ton Dump Truck w/Plow Replacement	115,000
One-Ton Pickup Truck w/Plow Replacement	74,000
<b>Highway Subtotal</b>	<b>\$499,000</b>
<b>DPW: Sewer Enterprise Funds</b>	
Supervisory Control & Data Acquisition (SCADA) System (split water 44%/sewer 56%)	500,000
<b>Sewer Enterprise Fund Subtotal</b>	<b>\$500,000</b>
<b>DPW: Water Enterprise Fund</b>	
Reservoir Dam Compliance (Design & Permitting for removal)	200,000
Utility Tractor Replacement (split water 40%/sewer 60%)	80,000
<b>Water Enterprise Fund Subtotal</b>	<b>\$280,000</b>
<b>TOTAL FY2022 CAPITAL BUDGET</b>	<b>\$1,875,250</b>

Section 9 of this budget document contains Project Detail Sheets for every capital project included in the Town's Six-year CIP. Part III of the CIP contains the Financial Planning Committee's review and recommendations on the FY2022 Capital Projects and the CIP as a whole. As the Financial Planning Committee's role is to act in an advisory capacity to Town Officials and the citizens at Town Meeting, the Committee's input and comments are an important part of the Town's capital planning process.

The full CIP included in Section 9 of this budget document also contains a question and answer introduction that provides a user-friendly overview of Capital Planning in Northborough.



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## **FY2021 Goals & Accomplishments**

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The most important aspect of the budget process is the generation of operational and financial plans, program review and the establishment of goals and objectives that will serve the citizens of the community both now and in future years. The financial data that is generated is intended to support the Town's policies, programs and objectives that are identified and articulated during the budget process. The budget serves not only as a financial plan, but also as a short-term strategic plan linked to our more long-term objectives and vision for our community.

During FY2021 several key goals and initiatives were achieved. These include:

1. COVID-19 Pandemic Response: As detailed in the beginning of this Budget Message, FY2021 was dominated by the operational impacts of the COVID-19 pandemic. Throughout the entire period, critical services were never interrupted and all Town Departments remained accessible.
2. FY2021 Budget and Outdoor Town Meeting: FY2021 was unprecedented in terms of budget and Town Meeting preparations. Despite the budget process being completed in March of 2020, the financial impacts of the pandemic caused the Town to revise all its revenue projections and reduce both capital and operating budget plans. Under special State legislation, the 2020 Annual Town Meeting was delayed until July 18th and was ultimately held outdoors due to COVID-19 safety concerns while an emergency 1/12th budget process was used to start FY2021. Once final State Aid figures were approved in late fall, the Town was in the enviable position of being able to continue with its approved budget, which resulted in tax relief for all residents and businesses. Based upon the reduced budgets and level funded state aid, the average single-family home tax bill in FY2021 declined by \$65. The needed tax relief was made possible through years of planning, conservative budgeting practices and adherence to adopted comprehensive financial policies. The FY2021 revised budget enjoyed the unanimous support of all boards and committees and was overwhelmingly approved at Town Meeting.
3. Financial Trend Monitoring Report Updated: The Financial Team updated the Town's Financial Trend Monitoring System (FTMS) Report and presented the results at a joint meeting of the Board of Selectmen, Financial Planning Committee, Appropriations Committee and K-8 School Committee on January 14, 2021. The purpose of the FTMS is to analyze key financial indicators in order to assess the financial direction of the Town. The report brings issues and opportunities to the attention of decision-makers through a systematic method of trend analysis. The updated FTMS Report provided critical information about the FY2022 budget assumptions during the ongoing pandemic, which allowed policy-making Boards and Committees to make informed decisions. The updated analysis included a close look at Local Receipts and State Aid projections which were used to build consensus regarding sustainable FY2022 budget increases.
4. Clean Annual Audit and Positive Free Cash: The Town closed out FY2020 with approximately \$1.98 million in Free Cash on June 30, 2020 and no material issues or deficiencies were noted in the annual audit.



5. FY2021 Capital Budget included \$2,885,000 in Projects with no additional tax impact: The approved FY2021 Capital Budget totaled \$2,885,000 of which \$712,775 was funded with Free Cash (one-time revenues), resulting in no additional tax impact. In addition, \$452,225 came from Community Preservation Funds, \$95,000 from grants, and \$100,000 in funding came from Water & Sewer Enterprise Fund balances with no additional impact on rate payers. The FY2021 Capital Budget also included \$1,525,000 in Water & Sewer Bonds with debt payments to be paid for by fees. Since FY2012 the Town has invested \$17.82 million in pay-as-you-go capital investments with no additional tax impact. That includes \$12.06 million in Free Cash and approximately \$5.76 million in other funding sources.
6. Implemented \$147,012 in “Green Community” Grants: At the end of FY2019, Northborough was officially awarded “Green Community” status by the Department of Energy Resources. This designation allows the Town access to grant funding to reduce municipal energy use and encourage the adoption of and adherence to environmentally sustainable policies. In the initial grant cycle, Northborough was awarded \$147,012 for replacement of the Police Station Boiler at \$79,912, and a new Melican Middle School Energy Management System at \$67,100. Both projects were successfully completed and the Town is preparing for the next round of grants during FY2022.
7. Fire Station Project: The Fire Station Feasibility Study Committee determined that the existing station is inadequate to meet the programmatic needs of the department and that the current site is also too small to accommodate a renovation/addition. As a result, the Committee issued a Request for Proposals to find land in the downtown area appropriate for a potential station site. Following an exhaustive process, the Committee recommended acquisition of 61&65 West Main Street, along with 10 Monroe, as the preferred site and the Town entered into a Purchase & Sale Agreement. However, during the Town’s due diligence it was discovered that the site still requires significant remediation due to contamination from its prior use as a gas station. The language of the executed Purchase and Sale Agreement requires the seller to remove all structures and provide a clean site. Although the Town remains confident the closing will proceed, the scope of the requisite remediation has resulted in significant delays and ongoing coordination efforts with the sellers.
8. Historic White Cliffs Facility Reuse: During FY2021, the Town completed Phase III of the Feasibility and Reuse Study for the historic White Cliffs facility. The Final Report was presented to the Committee on December 18, 2020 and the full report is available on the Town’s webpage. Under Phase III, the architect worked with their consultants to evaluate potential reuse options for White Cliffs. After discussing many different reuse scenarios, the Committee narrowed down options to the following three: event space, municipal offices for the Town, and residential use. Each of these options was then tested with financial models. Unfortunately, all of the identified reuse scenarios would require significant financial subsidy by the Town, as none of the proposed reuse options can generate enough income to pay for the preservation of White Cliffs and, as with some of the reuse opportunities, some new construction on the site. As a result of the report findings, the Committee requested an alternative analysis for a “preservation light” option to preserve as much of the



structure's historical significance as possible and is evaluating private sector partnership options through a Request for Proposals (RFP) process.

9. Negotiate a new Inter-municipal Agreement (IMA) with the City of Marlborough: The Town completed all preparations for litigation in this matter and was scheduled for trial in April of 2021. The trial was subsequently postponed until June as the parties continue to attempt to negotiate a settlement agreement, the outcome of which will establish Northborough's contribution to the operational expenses of the Westerly Wastewater Treatment Plant, as well as its share of the \$30 million plant improvement project. For more information regarding the Town's sewer history and the EPA permit process, please see Section 8-5 of this budget document.
10. Traffic Safety Initiatives: Town staff continue to work with residents to address traffic related concerns, largely focused on the Bartlett Street area. The Town created a Traffic Safety Webpage which includes a portal that allows residents to submit questions or concerns regarding traffic safety matters. The page is then updated with the relevant information relating to the various requests. The Town successfully negotiated \$80,000 in mitigation funds from Amazon for traffic safety improvements on Bartlett Street, which will be implemented in the spring of 2021. Some mitigation measures that the Town plans to make include the layout and installation of bicycle lanes on Bartlett Street, procurement and installation of solar pedestrian activated rapid flashing beacons at Algonquin Regional High School, the construction of a wheelchair ramp at the Maple Street side of ARHS, and to conduct a traffic engineering study for the segment of Bartlett Street in the ARHS area.

In addition, Amazon has committed to funding a post-occupancy traffic study which will be implemented by a Town engaged traffic engineering consultant. This work will begin when the facility is fully operational, which is projected to be in July of 2021. The Central MA Regional Planning Commission (CMRPC) will also be collecting traffic counts on the segment of Bartlett Street between Route 20 and Lyman Street. We will continue to utilize the Traffic Safety Webpage to communicate updates and information to residents on the various projects in the Bartlett Street neighborhood.

11. Diversity & Inclusion Committee: In August of 2020, the Board of Selectmen established the Diversity and Inclusion Committee to address equity concerns following the death of George Floyd in Minneapolis, Minnesota. The 9-member Committee is charged with reviewing existing policies and procedures related to diversity, equity and inclusion, and identifying any potential areas for improvement based on relevant local, state and national research on best practices. The Committee has been engaging with community stakeholders, leaders, and residents to collect qualitative and quantitative data which will aid the group as they prepare their final recommendations to the Board of Selectmen, which are due in the Fall of 2021.





## Major Upcoming Issues or Projects

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Looking forward to FY2022, the primary issues likely to continue dominating much of our focus over the next year involve the ongoing operational and financial impacts of the COVID-19 pandemic, as well as various capital improvement projects. The primary projects in FY2022 include:

1. GFOA Distinguished Budget Award Program: The Government Finance Officers Association (GFOA) Distinguished Budget Award Program underwent major revisions last year, adding several new criteria requirements. The Town will review the new requirements and continue to refine its award-winning budget for submission. FY2022 enhancements will focus on long-range planning and the introduction of meaningful performance measures into operating budgets. The impacts of COVID-19 and the management of state and federal recovery funds will continue throughout FY2022 and into the FY2023 budget process, including the close monitoring of local revenues.
2. Fire Station Project Design: Once the requisite remediation work is completed on the 61&65 West Main Street property, which is under agreement, the Town will close on the property and issue a Request for Qualifications for an Owner's Project Manager (OPM). Following the OPM selection, the Town will conduct a similar process to hire the architect and begin the formal design phase of the project. The goal is to complete the design development phase in time to seek approval of construction funding at the 2022 Annual Town Meeting in conjunction with a debt exclusion vote on the 2022 Election Ballot.
3. Historic White Cliffs Facility Reuse: Following completion of the Feasibility and Reuse Study in FY2021, the Committee intends to seek consulting assistance to develop a scope of services for a Request for Proposals (RFP) solicitation. The goal of the RFP process is to identify potential private sector partners willing to perform the restoration work needed to bring the facility back into code compliant use. It remains to be seen if additional subsidy will be needed from the Town to make a project economically viable; however, the Feasibility Study results clearly indicate that full restoration of White Cliffs to its former historic glory is unlikely. Moving forward, the Town needs to identify a financially viable use that preserves as many of the historically significant features of the structure as possible.
4. Town Offices Feasibility Study: In April of 2020, the Town allocated funding to conduct a feasibility study to determine the future location of the Town Administrative Offices, but COVID-19 and the ensuing emergency planning efforts delayed the project. The feasibility study process is set to begin in the spring of 2021 and last through the summer and early fall. Once a determination is made on a path forward for the future of the Administrative Offices, the Town will put forth a request for design funding in the spring of 2022.
5. Litigation regarding Sewer Inter-Municipal Agreement (IMA) with the City of Marlborough: If ongoing negotiation efforts are unsuccessful, the Town anticipates going to trial at the start of FY2022 to resolve the long-standing dispute with the City of Marlborough regarding sewer capacity and charges associated with the expired



Inter-Municipal Agreement for sewer treatment services at the Marlborough Westerly Treatment Plant. This issue has significant implications for future economic development and the financial viability of the Sewer Enterprise Fund. For more detail please see Section 8-5 of this budget document.

6. All Collective Bargaining Agreements in Negotiations: All five of the Town's collective bargaining agreements expire at the end of FY2022 on June 30, 2022. During FY2022 the Town will be negotiating fair and sustainable future increases for all union personnel covering FY2023 through FY2025. The Town was also recently informed that its sole health insurance carrier, Fallon, will be exiting the commercial market at the close of FY2022, which means the Town will have to bid out its health insurance and manage the collective bargaining and financial implications of that change during the fall of 2021.
7. Public Health Excellence Grant for Shared Services: The Town is proposing to create a new shared health services arrangement with the Towns of Westborough, Boylston, and Southborough. If awarded, the grant funds will provide for expanded public health nursing services, additional staffing for inspectional services, dedicated software for inspectional services, and ongoing continuity of operations for all four community health departments. These additional resources will allow for improved infectious disease surveillance, preventative care programs and education, immunization opportunities, and additional resources for outreach and emergency planning. Northborough will be the lead community in this \$300,000 per year, multi-year grant to improve public health services in the region.
8. Infrastructure Improvements: The Town will continue implementing the Pavement Management Plan in FY2022; complete bridge/culvert replacements on Ridge Rd., Lyman St. and Davis St.; construct the new ADA compliant Assabet Park, install flashing crosswalks and other traffic safety improvements on Bartlett Street and in front of Town parks; complete construction of the new Water/Sewer Garage; and refurbish the Assabet Hill Water Tank. These projects, as well as many smaller capital improvements scheduled throughout FY2022 will continue to add to the quality and economic vitality of the Northborough community.
9. Development of Information Technology/GIS Strategic Plan: Using \$40,000 in funding received under the State Community Compact Grant program, the Town will hire an independent third party consultant to assist with the development of a comprehensive IT/GIS Strategic Plan that focuses on aligning technology investment with overall organizational priorities. The Town will also be participating in a regional grant to assess and better protect our technology against cyber security threats.

## **Conclusion**

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The FY2022 Proposed Budget that follows is balanced pending passage of the final State Budget and meets the previously determined budget goals. The FY2022 Proposed Budget is below the budgetary increase allowable under the limits of Proposition 2½ and does not make use of any excess levy capacity in order to maintain current service levels. The budget attempts to minimize the tax impact while maintaining core services.



Following this Budget Message is Section 1—Budget Summaries, which contains both the revenue and expenditure highlights of the FY2022 Proposed Budget and further details the challenges and opportunities facing the Town of Northborough.

I would like to take this opportunity to thank the members of the Financial Team—Assistant Town Administrator Becca Meekins and Finance Director Jason Little for their tireless contributions. I would also like to thank Superintendent of Schools Greg Martineau for his excellent communication and cooperation during this past year. The level of professionalism and sense of teamwork exhibited by all the financial Boards and Committees in Northborough is something I am proud to be a part of.

Respectfully submitted,

John W. Coderre  
Town Administrator



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