

FY2022 Proposed Budget



**Board of Selectmen
March 22, 2021**

AGENDA

- Brief Recap of FY2021
- Budget Assumptions for FY2022
- Review Overall General Fund Budget increase inclusive of K-8 Schools, ARHS, Assabet & General Government
- Review General Fund Budget Highlights

FY2021 Recap

- April 27, 2020 Town Meeting delayed until July 18th
- Postponed Capital Projects and used \$378,000 in Free Cash to offset anticipated revenue reductions
- Final State FY2021 Budget delayed 6 months but ultimately level funded State Aid
- Final FY2021 Town Budget and tax rate approved November 23rd using level State Aid estimate
- Resulted in an Average Single Family Home tax bill REDUCTION of \$65 in FY2021

FY2022 Budget Assumptions

- Tax increase limited to Prop 2½ (no levy capacity used)
- State Aid per Governor's 1/27/21 Budget
- Local Receipts increase 8.7% based on actuals
- No financial reserves used beyond \$500K in Free Cash per Town policy
- No contribution to OPEB Trust Fund
- No contribution to Stabilization Fund
- Federal Aid received to offset pandemic expenses

FY22 Budget Overview

- Level service budget with no significant changes to current services
- Primary factors influencing the budget
 - Pace & Depth of Economic Recovery
 - Service Delivery impacts of the “New Normal”
 - Federal Assistance (CARES & ARPA)

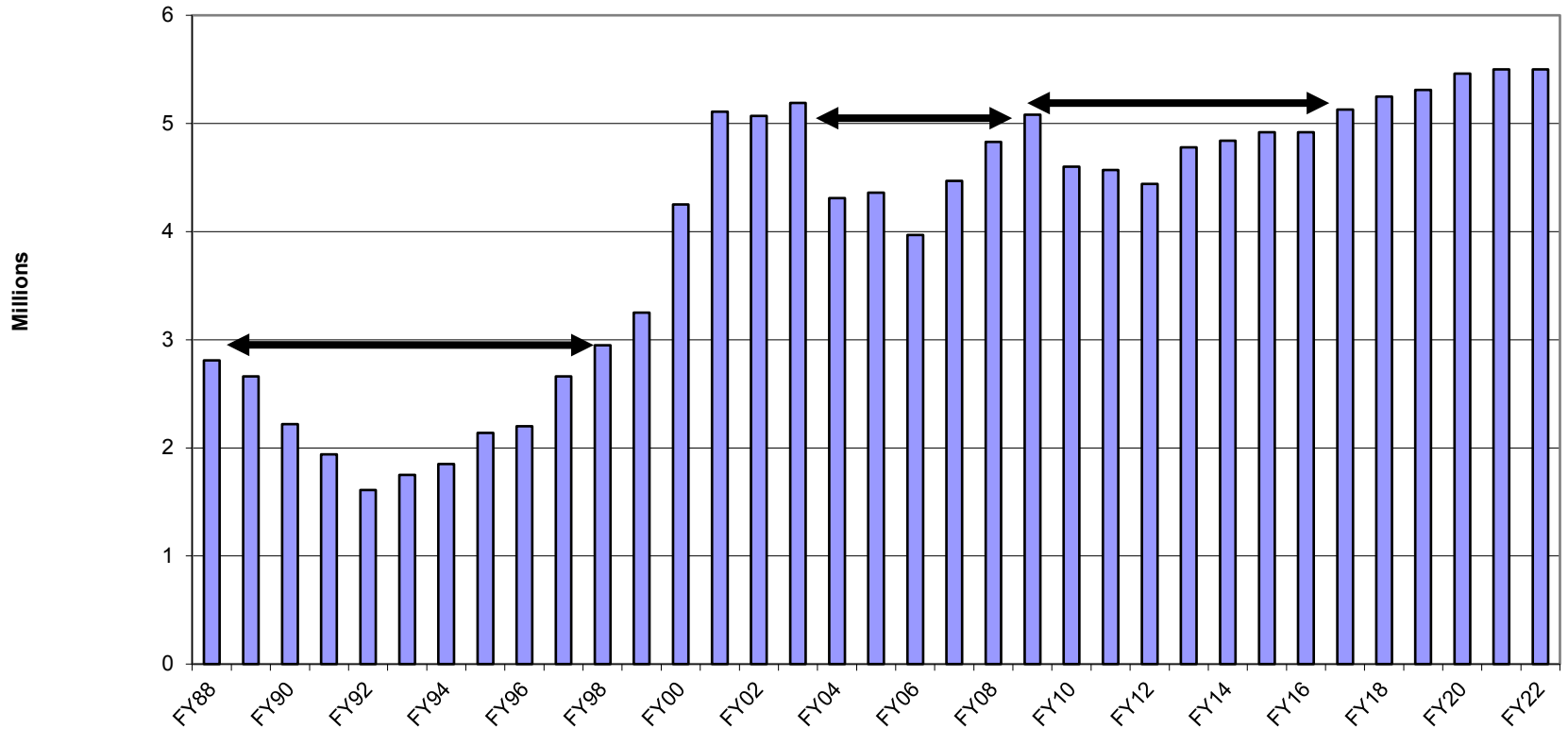
Revenue Assumptions for FY22

- Tax Receipts increase 2.9%, or \$2.52 million
 - New growth at \$40 million value, \$684,800 revenue
 - Includes Debt Exclusions for Colburn Street, ARHS, Library, Senior Center, Lincoln Street School, and Fire Station projects
 - Under the Prop 2½ levy limit by \$514,000
- Local Receipts increase 8.7% to \$4.17 million
 - Includes seventh of eight \$220,000 ARHS settlement payments
 - FY21 actuals reflect improvements over budgeted 14% decrease from FY20
- State Aid funded at \$5.50 million
 - Governor's Budget released 1/27/21 includes 1.6% increase
 - House & Senate Budget process ongoing
- Other Available Funds include \$500,000 in Free Cash to be used in the operating budget per policy target

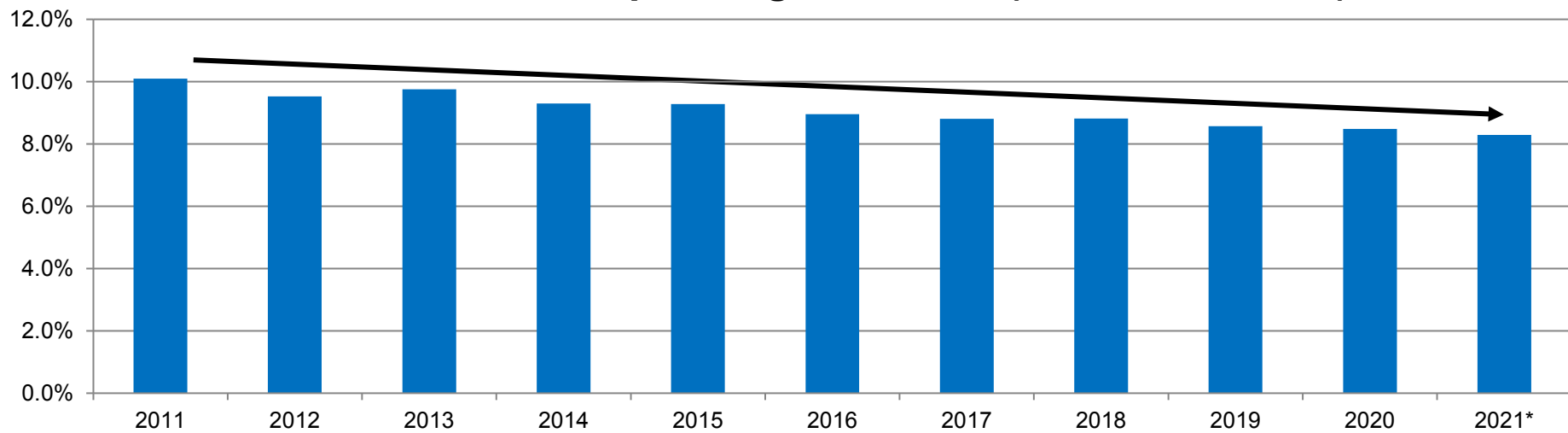
FY2022 State Aid Forecasts

- December 15, 2020 State Revenue Consensus Hearing forecast agreed on 3.5% increase
- After initial economic boost from vaccination efforts, a slow economic recovery is expected
- Governor's FY2022 Budget released January 27th includes 1.6% increase for Northborough
- Any State Aid received above the Town's estimate can only be used to reduce taxes
- State Aid is a political process and not a math exercise

Northborough State Aid FY1988-2022



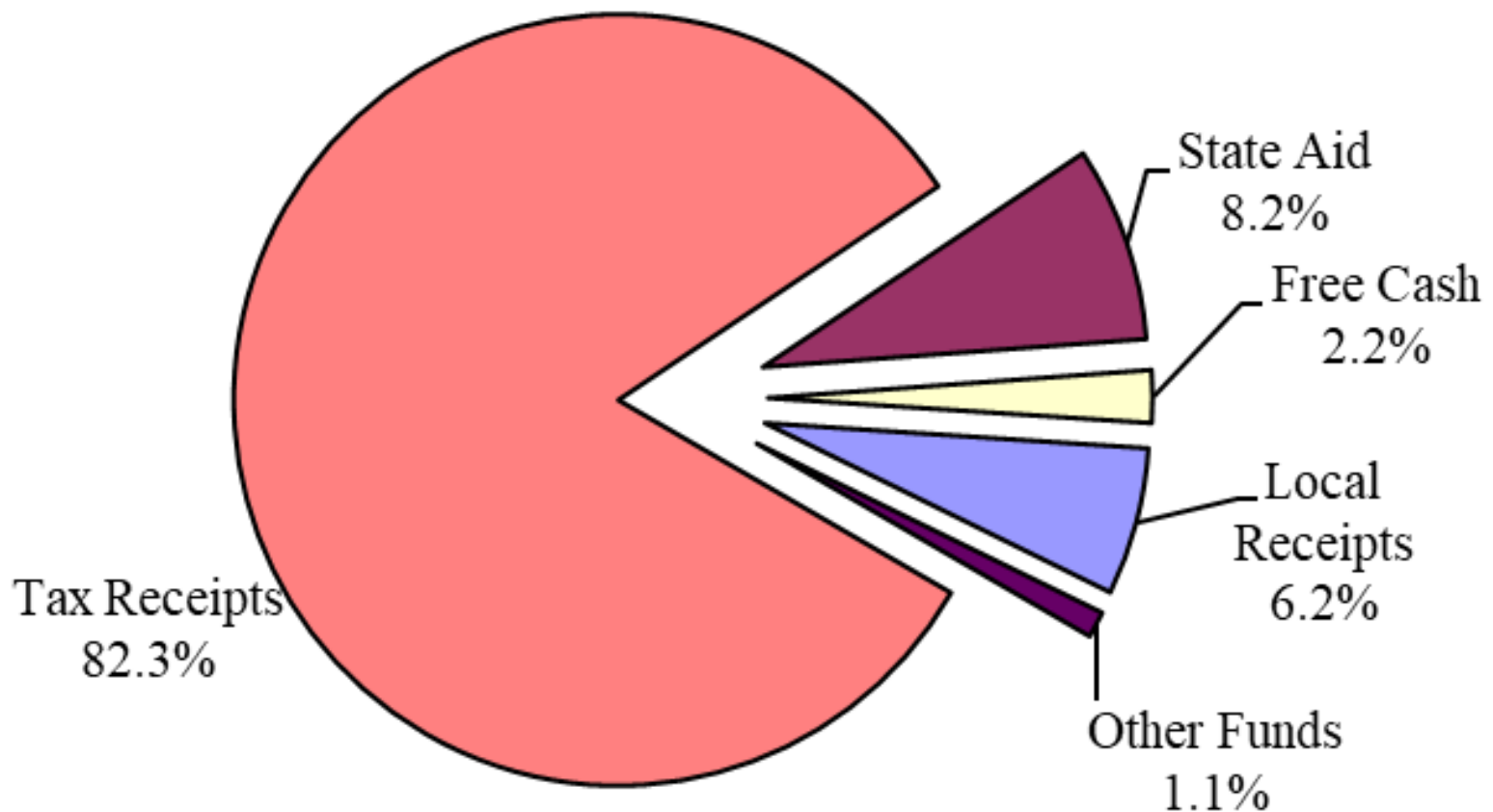
State Aid as a % of Operating Revenues (constant dollars)



Federal Assistance

- Deadline for use of the \$1.3 million in first round Coronavirus Relief Fund 12/31/21
- American Rescue Plan Act \$1.9 Trillion
 - \$130 Billion for Local Governments
 - \$4.42 Million Estimated Northborough Direct Aid
 - \$1.49 million plus another \$2.93 million in lieu of County Government

Fiscal Year 2022 Revenues



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%
Subtotal General Fund	\$66,240,522	\$67,726,437	\$1,485,915	2.24%
Water Enterprise Funds	\$2,600,970	\$2,961,675	\$360,705	13.87%
Sewer Enterprise Fund	\$2,296,295	\$2,373,460	\$77,165	3.36%
Solid Waste Enterprise Fund	\$873,550	\$919,144	\$45,594	5.22%
Subtotal Enterprise Funds	\$5,770,815	\$6,254,279	\$483,464	8.38%
TOTAL ALL FUNDS	\$72,011,337	\$73,980,716	\$1,969,379	2.73%

Key Budgets

- Northborough K-8 Schools increase \$621,834 or 2.47% to \$25,799,678
- General Government (Town) increases \$725,911 or 3.17% to \$23,639,610

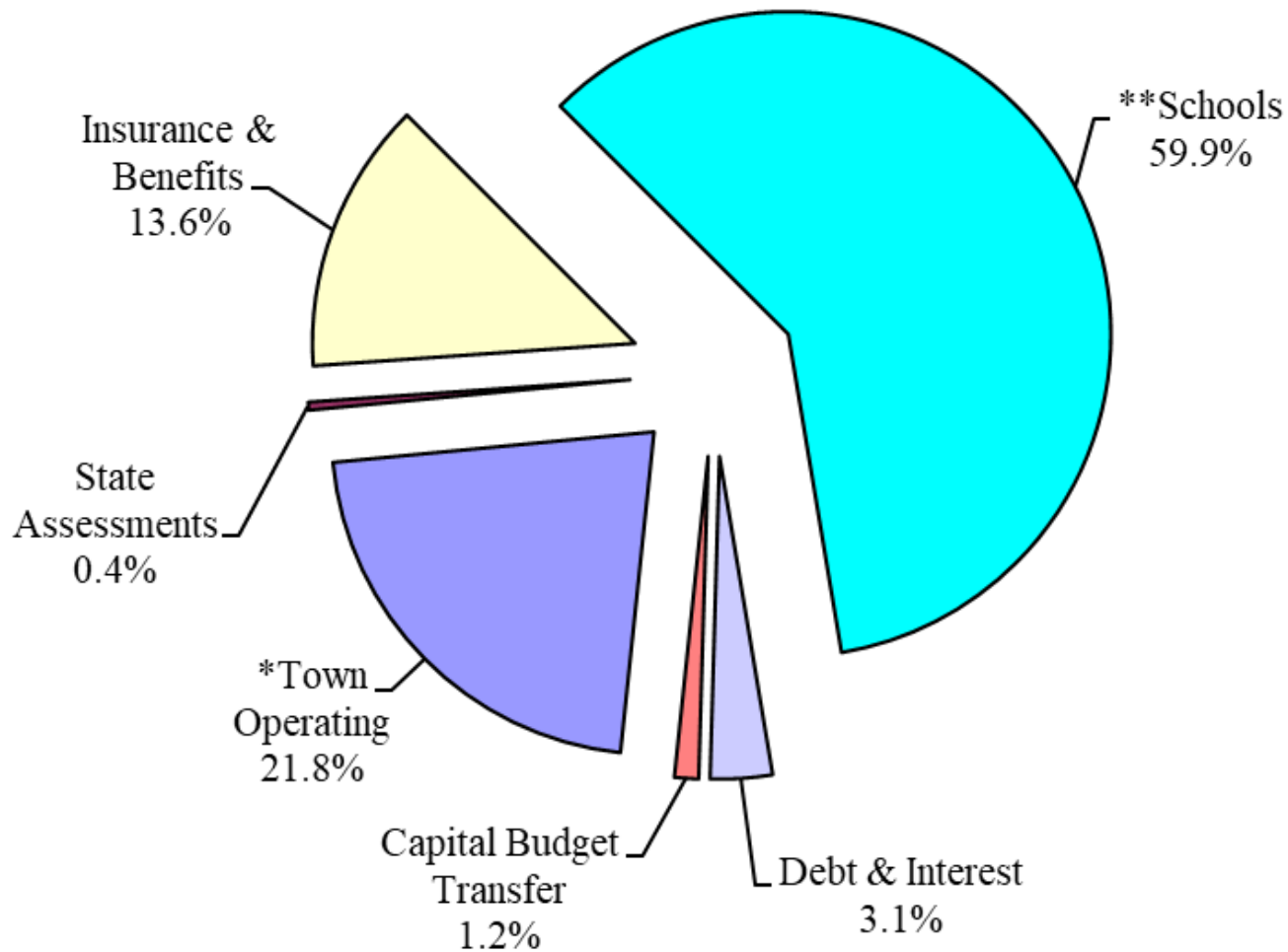
Key Budgets

- Assabet Valley Vocational HS combined Operating Assessment and debt service is an overall increase \$65,644, or 6.55% to \$1,068,490
 - Operating Assessment increases by \$69,472, or 8.03% to \$934,658 as enrollment increases from 53 to 59 students
 - Debt service associated with the completed renovation project decreases by \$3,828, or -2.78% to \$133,832

Key Budgets

- ARHS combined Operating Assessment and Debt Service increases \$433,310 or 3.28% to \$13,652,714
 - Operating Assessment increases by \$417,693, or 3.32% to \$13,004,868 due to shifting enrollment and MGL c.70 formula
 - ARHS Debt Assessment increases by \$15,617, or 2.47% to \$647,846 and will remain relatively constant until final payment in FY2027

Fiscal Year 2022 Expenditures



General Government Highlights

- All FY2022 Collective Bargaining Agreements are settled for 2% COLA
- Public Buildings budget includes \$92,616 for new Facilities Manager position
- Recreation's 2 full-time positions included in General Fund pending recovery of revolving fund program fees
- Family & Youth Services includes \$15,500 for INTERFACE mental health referral service

General Government Highlights

- Library Books & Materials Budget increased by \$30,000 previously cut in FY2021
- Includes \$38,500 for tuition and transportation for student attending Norfolk Agricultural HS
- Worcester Regional Retirement System Assessment up 8.57%, or \$195,005
- Health Insurance Budget increases 2.10%, or \$125,783

FY2022 Health Insurance

- FY2010 Plan Design Changes and adoption of MGL c.32B, Section 18
- FY2012 Teacher contributions increased 5%
- FY2017 Plan Design Changes
- FY2018 Plan Design Changes but still experienced an 8.33% increase
- FY2019 Negotiated Carrier Consolidation resulted in a 3.8% budget increase
- FY2022 Zero percent premium increase, results in est. 2.10% budget increase

Health Insurance Budget Increases	
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%
Average	3.03%

General Government Highlights

- Pavement Management Plan requires minimum of \$1.1 million annually
 - State Chapter 90 funds approximately \$500,000
 - Public Works operating budget includes \$300,000
 - FY2022 Capital Budget includes \$310,000 in Free Cash for roadway improvements
- Combined FY2022 funding target of \$1.1 million

Financial Trend Monitoring System

	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

FY2022 Estimated Tax Impact

- FY2022 estimated tax impact of \$290 (3.7%) on an average single family home value of \$484,504
- DISCLAIMER—tax impact based on 5% estimated increase in FY2021 single family home value of \$461,432

Conclusion

- The FY2022 Budget is within the confines of Prop 2 ½ and Town policies
- Supports core departmental services and missions
- Eliminates the FY2021 Financial Reserve subsidy
- Invests in equipment, facilities and infrastructure—not deferring capital costs
- Endeavors to minimize the tax impact on residents