



# 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: FY2023 Proposed Budget

DATE: March 28, 2022

I hereby transmit this proposed annual budget for FY2023. The recommended FY2023 General Fund operating budget totals \$71,242,642 or 5.28% as compared to FY2022.

### FY2023 Proposed Budget

EXPENDITURES	FY2022 Budget	FY2023 Proposed	Variance	% Change
General Government (Town)	\$23,639,610	\$24,501,963	\$862,353	3.65%
Schools				
Northborough K-8	\$25,799,678	\$26,692,953	\$893,275	3.46%
Algonquin Reg. HS 9-12	\$12,893,497	\$12,914,966	\$21,469	0.17%
Algonquin Debt Exclusion	\$636,265	\$653,069	\$16,804	2.64%
Assabet Valley	\$934,658	\$1,123,936	\$189,278	20.25%
Assabet Valley Debt	\$133,832	\$130,004	-\$3,828	-2.86%
Warrant Articles				
Reserve Fund	\$175,000	\$175,000	\$0	0.00%
Transfer to Stabilization	\$0	\$200,000	\$200,000	
Free Cash Capital Projects	\$805,000	\$2,024,000	\$1,219,000	151.43%
Transfer to OPEB Trust	\$0	\$300,000	\$300,000	
Colburn St. Debt Service	\$57,475	\$0	-\$57,475	-100.00%
Library Debt Service	\$343,567	\$299,530	-\$44,037	-12.82%
Senior Center Debt Service	\$371,445	\$321,175	-\$50,270	-13.53%
Lincoln Street Debt Service	\$1,026,775	\$998,675	-\$28,100	-2.74%
Fire Station Debt Service	\$52,750	\$52,750	\$0	100.00%
Other Funds	\$733,933	\$854,621	\$120,688	16.44%
Adjustments	\$68,172		-\$68,172	-100.00%
<b>Subtotal General Fund</b>	<b>\$67,671,657</b>	<b>\$71,242,642</b>	<b>\$3,570,985</b>	<b>5.28%</b>



While at first blush it appears the overall general fund budget is increasing 5.28%, it is important to note that the increase is inflated by the inclusion of several one-time expenditures. Specifically, the budget includes \$200,000 in Free Cash (FY2022 budget surplus) being appropriated into the Town’s Stabilization (rainy day) Fund. The second factor is the investment of approximately \$2 million in Free Cash to help fund the backlog of capital projects that were postponed during the pandemic. Neither the appropriation into the Stabilization Fund nor the increase in pay-as-you-go capital expenditures will result in additional tax impact to the residents, because both are being funded out of the prior year’s budget surplus. Net of these one-time expenditures, the recurring General Fund operating budget is only increasing 3.22%.

General Fund Operating	
• Fiscal Year 2022	\$67,671,657
• Included:	
➢ One-time Capital	\$805,000
➢ Stabilization Fund	\$0
• Fiscal Year 2023	\$71,242,642
• Includes:	
➢ One-time Capital	\$2,024,000
➢ Stabilization Fund	\$200,000
• % Increase	5.28%
• % Increase w/o CIP & Stabilization	3.22%

If there is an overarching theme to the FY2023 Budget it is that Northborough is in a rebuilding phase and getting back on track with regard to our long-range financial plans following the disruption caused by the COVID-19 pandemic. In that context it is important to note how Northborough successfully managed through the pandemic, including the temporary actions that enabled us to maintain services and meet the increased demands of the pandemic.

Prior Fiscal Years Pandemic Budget Reductions

- Cut Operating Budgets to 1% in FY2021 and constrained increases in FY2022
- Used \$378,000 in one-time Free Cash in the FY2021 Budget due to revenue shortfalls
- Cut \$200,000 in Stabilization Fund Contributions in both FY2021 & FY2022
- Postponed Capital Investments in FY2021 and had limited Free Cash to fund pay-as-you-go projects in FY2022, creating a backlog
- Cut over \$1 million in contributions to Other Post-Employment Benefits (OPEB) Trust Fund (\$550,000 in both FY2021 & FY2022)

Northborough’s fiscal policies and conservative planning enabled us to successfully navigate the pandemic response while maintaining core service levels. In order to get back on solid financial footing, priority should be restoration of the temporary cuts, postponed capital projects, and investment in long-term liabilities such as OPEB. While the FY2023 Budget includes several positive restorations, including capital investments and reserve contributions, the FY2023 Budget only includes \$300,000 in OPEB trust fund appropriations, which falls short of our minimum annual goal of \$550,000 and makes no movement toward restoring the missed contributions in FY2020 and FY2021.







American Rescue Plan Act (ARPA)

The main reason Northborough, like most municipalities, was spared significant reductions in services was the timing and level of Federal Assistance. First in the form of the FEMA reimbursements and then through the CARES Act, which together provided immediate resources for continuity of operations and public health responses. In terms of



long-term recovery support, on March 11, 2021, President Joe Biden signed into law the American Rescue Plan Act (ARPA). ARPA provides local governments with resources through the Coronavirus Local Fiscal Recovery Fund (CLFRF), to respond to the public health emergency caused by the COVID-19 pandemic. The funds are administered by the U.S. Treasury Department, which announced that the Town of Northborough will receive \$4,516,183 in grant funding.

## ARPA Funding Categories

	<b>Support Public Health Response</b> Fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff		<b>Address Negative Economic Impacts</b> Respond to economic harms to workers, families, small businesses, impacted industries, and the public sector
	<b>Replace Public Sector Revenue Loss</b> Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic		<b>Premium Pay for Essential Workers</b> Offer additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors
	<b>Water and Sewer Infrastructure</b> Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure		<b>Broadband Infrastructure</b> Make necessary investments to provide unserved or underserved locations with new or expanded broadband access

On January 6, 2022, the U.S. Treasury issued its Final Rule, which details how and for what purposes ARPA funding may be used. Since Northborough is receiving less than \$10 million in ARPA funds, its \$4.5 million grant may be used for any “general government services.” The new rule greatly simplifies the compliance reporting process and allows the Town to essentially claim the entirety of its grant award under the revenue loss category, which provides substantial flexibility. In terms of timing, funding must be obligated by December 31, 2024 and be spent by December 31, 2026, which means expenditures will likely span FY2023 and FY2024.

Since ARPA funds are non-recurring, their use should be applied primarily to non-recurring expenditures and care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment. Investment in critical infrastructure is a particularly 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. As part of the initial review of community needs it was proposed that some portion of ARPA funding be used to support the Six-Year Capital Improvement Program, implementation of the Master Plan, and assist with getting the OPEB Trust Fund back on track. At the time of this writing, the Board of Selectmen is still reviewing how best to use the ARPA funds, and a community input session is planned for June of 2022.

Looking ahead to FY2023, the Town still faces many unknowns, and the proposed budget assumes vaccination efforts will continue to lead to an overall improving economic picture. As presented, the FY2023 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 FY2023 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 December 20, 2022. The updated FTMS Report provided critical information about FY2023 budget assumptions, which allowed the 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 FY2023 budget increases. These discussions took place in the context of the following 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 FY2023 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 FY2023 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 final guidance with regard to recent Federal Aid. Collectively, these items represent the final pieces of the FY2023 budget.

➤ Health Insurance—The FY2023 health insurance budget request of \$6.18 million represents a modest increase of \$61,228, or 1% from the amount budgeted last year. Unexpectedly, 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 Arrangement (JPA) was created with ARHS and the Town of Southborough to enhance our market leverage. Following review of the bid results, the Town met with the Insurance Advisory Committee, which consists of members from all the bargaining units, including the K-8 School

<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%
FY2023	1.00%
<b>Average</b>	<b>2.88%</b>



department. On January 15, 2022, the IAC voted unanimously to recommend the administration’s proposal to select Harvard Pilgrim as the Town’s new carrier. Through collaborative negotiations with all its employee groups, the Town has successfully mitigated health insurance budget increases to sustainable levels for the past decade with increases averaging just 2.88%.

- Debt Service—The proposed FY2023 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 FY2023, the total Debt Service budget for the General Fund is \$1.93 million, a decrease of \$204,621.

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 FY2022 the Town underwent another bond rating review as part of its decision to refinance outstanding debt associated with the Senior Center and Library building projects, as well as various water and sewer projects. The Town’s favorable Aa1 rating was affirmed and resulted in an estimated savings of \$824,167 over the remaining 8 years on the General Fund and Enterprise Fund bonds. The Town not only took advantage of low market interest rates, but was able to leverage its higher credit rating for additional savings.

- State Aid— The current budget model assumes State Aid will increase by 1% to \$5.61 million in accordance with the Governor’s FY2023 Budget, which was released on January 26<sup>th</sup>. Despite State revenue projections expected to grow by 2.7% 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

**BOND RATING SYMBOLS**

<u>Moody’s</u>	
<u>Investor Service</u>	
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➔	<b>Aa1</b>
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does a little better in terms of aid from the Legislature, in part, because they will have more up-to-date revenue information. However, we are unlikely to see any meaningful increase in FY2023. As discussed at the December 20<sup>th</sup> Financial Trend Monitoring Presentation, because State Aid continues to lag 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 FY2023. 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% 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. Local Receipt estimates 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 \$232,000 resulting from the Regional High School settlement. Most Local Receipts such as building permits and motor vehicle excise taxes tend to trend along general economic cycles and are often the first revenues impacted by negative economic news, so it is important to be conservative when forecasting. As reported at the State's Revenue Consensus Hearing back in December, most economists were quick to qualify their forecasts in terms of the ongoing recovery, so it will be important to continue carefully tracking these elastic revenue sources moving forward.
- State & Federal Relief Funds—The last major outstanding budget factor is the Town's share of potential State and Federal grant programs. As previously discussed, ARPA funds will be an important part of the Town's financial plans moving forward, as will the extension of FEMA assistance for vaccination clinics which was extended to July 1, 2022. However, it will be important to pay close attention to Federal and State spending decisions, so we don't inadvertently use Northborough's ARPA monies when other funding streams are available. Numerous grants and funding initiatives are currently under development and the Town will need to stay flexible to take advantage of potential opportunities, especially involving infrastructure investments.

Assuming the ongoing vaccination efforts 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 FY2023 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 5.28% with the proposed budgets for the key departments estimated to increase as follows:

- General Government (Town) increases \$862,353, or 3.65% to \$24,501,963
- Northborough K-8 Schools increase \$893,275 or 3.46% to \$26,692,953
- Algonquin Regional High School (ARHS) combined operating and debt assessments increase by \$38,273 or 0.28% to \$13,568,035
- Assabet Valley Vocational High School combined operating and debt assessments increase by \$185,450 or 17.36% to \$1,253,940

### • **General Government Budget**

The total FY2023 General Government Budget (non-school) is \$24,501,963, which is an increase of \$862,353 or 3.65%. The balance of the document that follows this Budget Message provides detail regarding each departmental budget. All five collective bargaining contracts expire June 30, 2022 and are currently under negotiation for FY2023. In addition, the Town is 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. The results of the Study will be brought forward to Town Meeting for approval. Estimated budget impacts for both contract settlements and the Classification /Compensation Study are budgeted centrally pending completion. Other significant budget changes include the restoration of a full-time Light Equipment Operator position in DPW and tuition and transportation for another 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, 2021, a total of 1,553 students attend the Northborough schools, with 1,024 students in grades K-5 at the four elementary schools and 529 students in grades 6-8 at the Middle School.

The FY2023 Budget for Northborough K-8 Schools is proposed at \$26,692,953, which is an increase of \$893,275, or 3.46%.

### • **Algonquin Regional High School (ARHS)**

The Northborough-Southborough Regional High School budget is composed of an operating assessment and an assessment for the debt related to the completed renovation/addition project. The FY2023 operating assessment is \$12,914,966 which is a \$21,469 increase, or 0.17%. This relatively low increase is primarily due to shifting enrollment from Northborough to Southborough and is further offset by the



school administration's use of \$600,000 in Excess & Deficiency funds (free cash) to limit assessment increases. The debt for ARHS increases by \$16,804, or 2.64%, to \$653,069. Additionally, the debt exclusion will be reduced by \$232,000 which is the amount of the estimated FY2023 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 \$38,273 or 0.28% to \$13,568,035.

- **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 FY2023 budget is \$24,108,684 which is an increase of \$1,004,684, or 4.3%.

As of October 1, 2022, 68 Northborough students attend Assabet Valley, resulting in an operating assessment of \$1,123,936. This is an enrollment increase of 9 students from the 59 Northborough students that attended Assabet Valley last year. Northborough's FY2023 share of the debt assessment from the completed building renovation project is \$130,004, which will continue to decline in subsequent years. The net effect of the combined operating assessment and debt assessment is \$1,253,940 which is an increase of \$185,450 or 17.36%.

- **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 FY2023-2028 Capital Improvement Program.

Overall, the Fiscal Year 2023 total operating budget for all funds, including enterprise funds, is \$77,204,346 or a 4.43% increase over FY2022. 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**

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During FY2023 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.

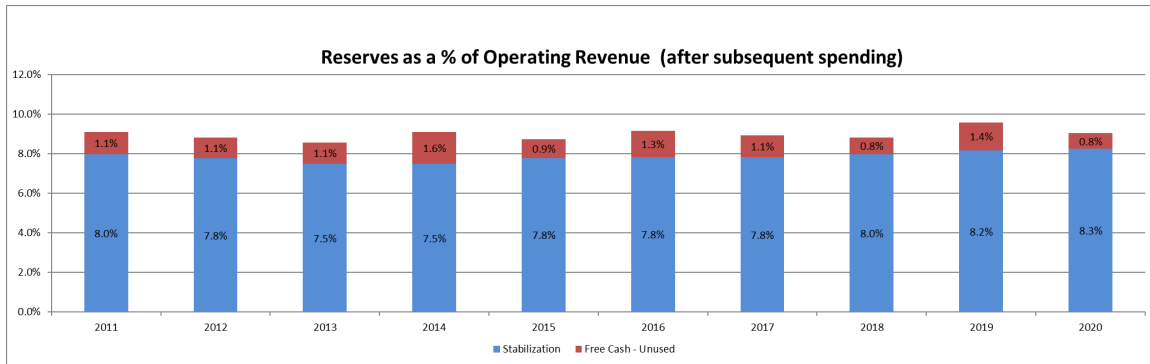
### Financial Trend Monitoring System Indicator Summary

Financial Indicator	FY2022
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	Stable

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 \$5.13 million Stabilization (rainy day) Fund was not necessary during the pandemic. The Town’s debt level is manageable at 2.7% of the operating budget (3.8% including overlapping debt for ARHS and Assabet) and its upgraded Aa1 bond rating was reaffirmed in FY2022.

Reliance on one-time revenues in the operating budget is at the policy target of \$500,000, or approximately 1%. Following two years of reduced pay-as-you-go capital investments due to the pandemic, significant progress is being made in FY2023 to get the Capital Improvement Program (CIP) back on track.

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. The FY2023 Budget only includes \$300,000 in OPEB trust fund appropriations, which falls short of our minimum annual goal of \$550,000 and makes no movement toward restoring the missed contributions. 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 FY2023.

In total, Town Government staffing is up 1.46 FTEs from FY2022. The change includes the addition of a Part-time 19/hr Cable Access position to cover remote meetings, and restoration of a full-time Light Equipment Operator in DPW, which was cut during the pandemic. The Part-time Local Building Inspector position is also being increased from 15 to 19/hrs per week to better meet the demands of the department.

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. All five collective bargaining contracts expire June 30, 2022 and are currently under negotiation for FY2023.

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 2.75 more FTEs in the FY2023 budget<sup>2</sup>.

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

<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%).



Please refer to the Superintendent’s budget presentation for more detail regarding those changes.

## TOWN OF NORTHBOROUGH PERSONNEL SUMMARY FY2019–FY2023

<b>Town Government</b>	<b>FY 2019 FTE</b>	<b>FY2020 FTE</b>	<b>FY2021 FTE</b>	<b>FY2022 FTE</b>	<b>FY2023 FTE</b>	<b>FY2022-23 Change</b>
Executive Office	4.00	4.00	4.00	4.00	4.00	0.00
Public Buildings	0.50	0.50	0.50	1.50	1.50	0.00
Financial Offices	9.50	9.50	9.10	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	3.45	3.45	3.45	3.48	3.48	0.00
Police Department	30.50	30.50	30.50	30.50	30.50	0.00
Fire Department	23.35	23.18	23.18	22.85	22.85	0.00
Building Department	2.80	2.80	2.80	2.80	2.88	0.08
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	19.00	19.00	20.00	1.00
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	2.53	2.91	0.38
Veterans' Services	district	district	district	district	district	district
<b>Town Subtotal</b>	<b>120.60</b>	<b>120.43</b>	<b>118.55</b>	<b>119.40</b>	<b>120.86</b>	<b>1.46</b>
<b>School Department (K-8)</b>						
K-5 Teachers	52.00	52.00	59.00	53.00	52.00	-1.00
Grade 6-8 Teachers	31.00	29.00	28.00	28.00	27.00	-1.00
Specialists	42.90	41.90	41.52	41.90	42.10	0.20
Special Education Staff	46.10	46.30	50.95	49.30	55.35	6.05
Administration	6.00	6.00	6.00	6.00	6.00	0.00
Support Staff	93.30	94.30	89.90	96.70	95.20	-1.50
<b>K-8 Schools Subtotal</b>	<b>271.30</b>	<b>269.50</b>	<b>275.37</b>	<b>274.90</b>	<b>277.65</b>	<b>2.75</b>
<b>Total Town &amp; K-8 FTEs</b>	<b>391.90</b>	<b>389.93</b>	<b>393.92</b>	<b>394.30</b>	<b>398.51</b>	<b>4.21</b>



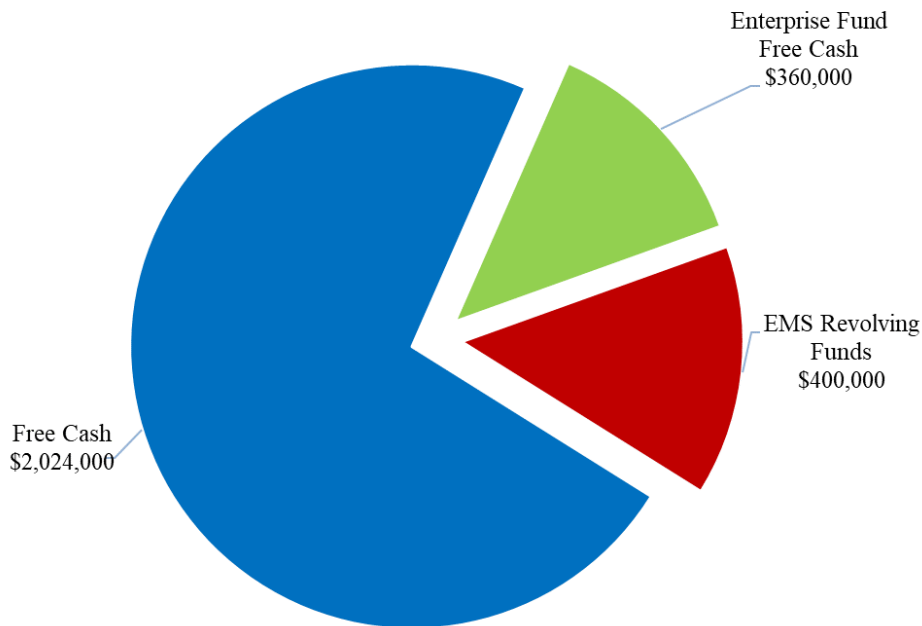
**Capital Budget**

Enclosed in Section 9 of this document are the Town’s Annual Capital Budget and FY2023-2028 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 FY2023.

Although the detail for proposed projects has been incorporated as Section 9 of the Annual Operating Budget document, funding for all recommended FY2023 projects requires Town Meeting approval of specific Articles contained in the 2022 Annual Town Meeting Warrant.

The proposed FY2023 Capital Budget totals \$2,784,000 with \$2,024,000 coming from Free Cash, \$400,000 from the EMS Revolving Fund, and \$360,000 from the Sewer Enterprise Fund. The pie chart below shows the breakdown of funding sources by category for the proposed Capital Budget. With the exception of \$400,000 in new EMS Revolving Fund debt for an ambulance replacement (paid for by ambulance fees), the balance of the proposed expenditures will come from available funds. If approved, none of the proposed \$2,784,00 in capital project expenses will result in additional tax impact.

**FY2023 CAPITAL FUNDING SOURCES**





FY2023 CAPITAL BUDGET

PROJECTS BY DEPARTMENT		EXPENDITURE
<b>Police</b>		
Police Cruiser Replacements (3)		165,000
<b>Police Subtotal</b>		<b>\$165,000</b>
<b>Fire</b>		
Ambulance Replacement		400,000
<b>Fire Subtotal</b>		<b>\$400,000</b>
<b>Town Administration</b>		
Downtown Master Plan		150,000
<b>Town Administration Subtotal</b>		<b>\$150,000</b>
<b>DPW: Highway Division</b>		
Roadway Improvements/Maintenance		454,000
One-Ton Dump Truck w/Plow Replacement		130,000
Culvert & Drainage Replacement Program		300,000
Loader Replacement		290,000
20-Ton Dump Truck w/Spreader & Plow		340,000
Backhoe Replacement		195,000
<b>Highway Subtotal</b>		<b>\$1,709,000</b>
<b>DPW: Sewer Enterprise Funds</b>		
Inflow & Outflow (I&I) Mitigation Repairs		360,000
<b>Sewer Enterprise Fund Subtotal</b>		<b>\$360,000</b>
<b>TOTAL FY2023 CAPITAL BUDGET</b>		<b>\$2,784,000</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 FY2023 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 longer-term objectives and vision for our community.

During FY2022 several key goals and initiatives were achieved. These include:

1. COVID-19 Pandemic Response: The Town continued to respond to the COVID-19 pandemic and perform community outreach, disease investigation and surveillance. During FY2022, the Towns of Boylston, Northborough, Southborough, and Westborough entered into an Inter-Municipal Agreement (IMA) for Local Public Health Services, formally referred to as the Greater Boroughs Partnership for Health (GBPH). The new regional partnership is supported by a Public Health Excellence Grant Program for Shared Services (\$300,000/year for FY22-FY24) and a Local Health Support for COVID-19 Case Investigation and Contact Tracing Grant (\$160,000/year for FY22 and FY23) from the Massachusetts Department of Public Health. The Health Department offered both local and regional vaccination clinics providing 21,553 doses of COVID-19 vaccine in 2021.
2. FY2022 GFOA Distinguished Budget Award and Outdoor Town Meeting: FY2022 was another unprecedented year in terms of budget and Town Meeting preparations. Under special State legislation, the 2021 Annual Town Meeting was delayed to May 1<sup>st</sup> and held outdoors due to COVID-19 safety concerns. Although overshadowed by general economic uncertainty and revenue constraints, the FY2022 budget enjoyed the unanimous support of all boards and committees and was overwhelmingly approved at Town Meeting. The Town submitted its FY2022 budget to the Government Finance Officers Association's Distinguished Budget Award program and received its 11<sup>th</sup> national budget award. The award represents a significant achievement by the Town. It reflects the commitment of the Board of Selectmen and staff to meeting the highest principles of governmental budgeting. In order to receive the budget award, the Town must satisfy nationally recognized guidelines for effective budget presentation.
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 the K-8 School Committee on December 20, 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 FY2023 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 budget increases.

4. Clean Annual Audit and Positive Free Cash: Following the unexpected retirement of the Town's Auditor, a competitive request for proposal process was used to select a new firm. Although the yearend close was delayed due to the auditor selection process, the Town ultimately closed out FY2021 with approximately \$3.4 million in Free Cash on June 30, 2021, and no material issues or deficiencies were noted in the annual audit.
5. FY2022 Capital Budget: Annual Town Meeting approved \$1,875,250 in capital projects with \$805,000 coming from Free Cash, and a combination of other sources including Community Preservation Funds, Grants, and Enterprise Funds with no additional tax impact. Since FY2012, the Town has invested \$18.6 million in pay-as-you-go capital investments with no additional tax impact, including \$12.9 million in Free Cash and approximately \$5.8 million in other funding sources. Several significant capital projects were undertaken during FY2022, including construction of a new ADA compliant Assabet Park, Construction of new Pickleball Courts at Ellsworth/McAfee Park, installation of flashing crosswalks at key pedestrian locations, construction of the new Water/Sewer Garage on Summer St., refurbishing of the Assabet Hill Water Tank, and over \$1.1 million in roadway and culvert improvements were made in accordance with the Pavement Management Plan.
6. Fire Station Project Site Remediation Completed: 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. Following months of negotiations and oversight of the clean-up, final ground water testing is scheduled for July of 2022, at which time the Town will close on the property.
7. Litigated the Inter-municipal Agreement (IMA) with the City of Marlborough: Following a multiyear negotiation and discovery process, the disagreement between the Town and the City of Marlborough regarding the IMA for sewer treatment services went to trial in 2021. At the time of this writing, the court has yet to render a decision, the outcome of which will establish Northborough's contribution to the operational expenses of the Marlborough 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 IMA dispute, please see Section 8-5 of this budget document.



8. Traffic Safety Initiatives: The Town engaged the Central Massachusetts Regional Planning Commission (CMRPC) to conduct a Roadway Safety Audit (RSA) of Bartlett Street in response to citizen concerns regarding recent development along this corridor. The resulting RSA report was issued by CMRPC in December of 2021 and can be viewed on the DPW Traffic Safety webpage. DPW continues to review and take appropriate action relative to the recommendations contained in the report. 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 of Forest Street.

In addition, the Town engaged the CMRPC to prepare a Post Occupancy Study for the Amazon warehouses located at 330/350 Bartlett Street. According to the report's conclusion, "Based on the data collected for the post occupancy study, it seems that the current conditions at the Facility at 330/350 Bartlett Street are in line or better than the projections made in the VHB Traffic Impact Study used during the land permit application process." The full report is also available on the DPW Traffic Safety webpage.

9. Diversity & Inclusion Committee: In August of 2020, the Board of Selectmen established the Diversity & Inclusion Committee to address equity concerns following the death of George Floyd in Minneapolis, Minnesota. The 9-member Committee was 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 engaged community stakeholders, leaders, and residents to collect qualitative and quantitative data culminating in a final report with recommendations to the Board of Selectmen in December of 2021. One of the main recommendations was the creation of a permanent committee, to which the Board agreed, to continue studying equity and inclusion issues in our community.
10. Classification & Compensation Study: The Town engaged the Collins Center for Public Management out of the University of Massachusetts to conduct a comprehensive review of the current Classification & Compensation Plan for all positions included in Schedule A of the Personnel Bylaw. The Classification & Compensation study reviewed and updated all job descriptions to ensure they accurately reflect current job duties and comply with all legal requirements. A market survey of comparable towns was also conducted to inform the recommendations for an updated pay structure that will enable Northborough to recruit and retain excellent employees. The final study and updated Classification/Compensation Plan is being recommend by the Personnel Board for approval at the 2022 Annual Town Meeting. However, the results will be subject to negotiation for union positions. Potential FY2023 financial impacts have been budgeted centrally pending the outcome of contract settlements.
11. Master Plan Implementation Committee Created: During 2020 the Town completed a comprehensive update to its Master Plan, which is a comprehensive long-range plan intended to guide growth and development of the Town. It includes analysis, recommendations, and proposals for the community's population, economy, housing, transportation, preservation, energy, community facilities, and land use. It is based





on public input, surveys, planning initiatives, existing development, physical characteristics, and social and economic conditions. Following completion of the plan, the Board of Selectmen approved the creation of a Master Plan Implementation Committee (MPIC), charged with prioritization of the various goals and objectives. The MPIC identified downtown revitalization and enhancing general walkability as their top two priorities.

12. Green Communities Competitive Round of Grant Awards: 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. The Town completed the initial round of projects funded through the Green Communities grant in the Fall of 2020 and in the Spring of 2021, was awarded another competitive grant in the amount of \$161,930 for energy efficiency projects at both Town and School locations, including funding to assist with the purchase of a hybrid police cruiser. Although the Green Communities grant program will no longer fully fund LED streetlight conversions, the Town is working with National Grid to investigate another energy efficiency program to accomplish this goal without cost to the Town.
13. Development of Information Technology/GIS Strategic Plan: Using \$40,000 in funding received under the State Community Compact Grant program, the Town engaged an independent third-party consultant to assist in the development of a comprehensive IT/GIS Strategic Plan that focuses on aligning technology investment with overall organizational priorities. As part of the planning process the Town is also participating in a regional grant with the Town of Westborough to assess and better protect our technology against cyber security threats. The Strategic Plan is scheduled to be completed in June of 2022.
14. Health Insurance Bid with Joint Procurement Association (JPA): As discussed previously in this Budget Message, the Town’s health insurance carrier unexpectedly made the decision to exit the public market, effective June 30, 2022. A successful joint bid process with the Regional High School and Town of Southborough resulted in a favorable budget increase of just 1% and unanimous support from the employee bargaining units.



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## Major Upcoming Issues or Projects

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Looking forward to FY2023, 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 FY2023 include:

1. GFOA Distinguished Budget Award Program: The Government Finance Officers Association (GFOA) Distinguished Budget Award Program underwent major revisions, adding several new criteria requirements. The Town will review the new requirements and continue to refine its award-winning budget for submission. FY2023 enhancements will focus on long-range planning and the introduction of meaningful performance measures into operating budgets.
2. Fire Station Project Design: Although funding for the land acquisition and design for the new fire station were approved at the April 2019 Town Meeting, required site remediation work performed by the seller delayed closing on the property, which is a former gas station. Final ground water testing is scheduled for July of 2022, at which time the Town will close on the property. In the interim, the Town has begun the selection process for an owner's project manager and architect. The goal is to complete the design development phase in time to seek approval of construction funding at the 2023 Annual Town Meeting in conjunction with a debt exclusion vote on the 2023 Election Ballot.
3. Historic White Cliffs Facility Reuse: Progress on the reuse of the historic White Cliffs Facility was delayed by the pandemic, both in terms of the internal process as well as the general economic shutdown. The White Cliffs 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: A feasibility study will be conducted to determine the future location of the Town Administrative Offices. The feasibility study process is set to begin in the spring of 2022 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 2023. The feasibility study will coincide with the Town's reacquisition of the old Town Offices building located at 4 West Main Street. In 1983 the Town sold the former Town Hall property, subject to the right to re-purchase it in the 40th year after the sale for the sum of Ten Thousand Dollars (\$10,000). Article 21 on the 2022 Annual Town Meeting Warrant proposes the exercise of the re-purchase option and the appropriation of funds for that purpose. The intent is for the Town to undertake this feasibility study prior to completing the re-purchase.



5. 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. The Town will be negotiating fair and sustainable future increases for all union personnel covering FY2023 through FY2025.
6. Downtown Master Plan: The Town finalized its Master Plan Update in 2020 after nearly a year long process which included extensive public participation and review. The Master Plan includes a comprehensive baseline assessment describing the Town's existing resources and conditions, and projects future needs and goals of the community. In the Fall of 2020, the Board of Selectmen established a Master Plan Implementation Committee that is charged with the evaluation and prioritization of the various goals and tasks set forth in the Master Plan document. The Master Plan Implementation Committee formally voted to make downtown revitalization its top priority and developed a scope of work for a Downtown Master Plan Study to be funded in FY2023 using Free Cash. Additional projects will likely be added to the capital plan once the study is completed.
7. Sidewalk Master Plan and Complete Streets: The recently completed Master Plan identifies sidewalk and crosswalk improvements as well as sidewalk expansion as primary goals of the community. The Town has begun working on these goals in several ways. First, DPW completed a town-wide sidewalk assessment that culminated with the development of a Sidewalk Management Plan which presents a capital approach to improving the existing network of sidewalks. However, funding for sustained implementation of the plan still needs to be identified. Secondly, the Town was accepted into the Massachusetts Department of Transportation (MassDOT) "Complete Streets Funding Program." The goal of the program is to support safe and accessible options for all modes of travel – walking, biking, and vehicular. The next program step is for the Town, with its consultant, to prepare through a public input process a Complete Streets Prioritization Plan for MassDOT acceptance. This plan will identify needs, gaps, possible funding sources, and implementation schedules for sidewalk, bicycle, and accessible transportation connectivity improvements. The Town was awarded a \$35,200 grant from MassDOT to develop its Complete Streets Prioritization Plan in the Fall of 2022.
8. American Rescue Plan Act: The last major initiative for FY2023 will be the ongoing process of developing the priority funding goals for the \$4.5 million in ARPA funding. The Board of Selectmen is planning a public input session in June of 2022 to determine how best to proceed. Compliance reporting for the previously received CARES Funding and FEMA emergency reimbursements for COVID responses will also take up significant resources of the Finance Department throughout FY2023.



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**Conclusion**

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The FY2023 Proposed Budget that follows is balanced pending passage of the final State Budget and meets the previously determined budget goals. The FY2023 Proposed Budget is at the limit of Proposition 2½ and does not make use of any excess levy capacity in order to maintain current service levels.

Following this Budget Message is Section 1—Budget Summaries, which contains both the revenue and expenditure highlights of the FY2023 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, Finance Director Jason Little and Treasurer/Collector Lisa Troast 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