

FY2023 Proposed Budget



**Board of Selectmen
March 28, 2022**

AGENDA

- Budget Goals & Assumptions for FY2023
- Review Overall General Fund Budget increase inclusive of K-8 Schools, ARHS, Assabet & General Government
- Review General Government Budget Highlights

FY23 Budget Overview

- Level service budget with no significant changes to current services
- Rebuilding year with restoration of pandemic reductions
 - Financial Reserves
 - OPEB Trust Fund
 - Capital Investments
 - Operating Budgets
- Home market values continue to rise placing significant pressure on single family home tax bills

Goals for FY23 Budget

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.

Goals for FY23 Budget

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.

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
- Cut \$200,000 in Stabilization Fund Contributions in both FY2021 & FY2022
- Postponed Capital Investments in FY2021 and had less Free Cash to fund pay-as-you-go projects in FY2022 (those postponed needs have not gone away!)
- Cut over \$1 million in contributions to Other Post Employment Benefits Trust Fund (OPEB)
- Northborough's fiscal policies and conservative planning enabled us to successfully navigate the pandemic response while maintaining core service levels
- Priority should be restoration of the temporary cuts and postponed capital projects

FY23 Budget Assumptions

- Tax increase limited to Prop 2½ (no levy capacity used)
- No financial reserves used beyond \$500K in Free Cash per Town policy
- Return to funding OPEB Trust Fund at \$300,000 (was \$550,000)
- Return to contributing to Stabilization Fund at \$200,000
- Return to funding Capital Projects Postponed during pandemic

Revenue Assumptions for FY23

- Tax Receipts increase 3.54%, or \$1.97 million
 - New growth at \$40 million value, \$659,600 revenue
 - Includes Debt Exclusions for ARHS, Library, Senior Center, Lincoln Street School, and Fire Station project
- Local Receipts level funded at \$4.17 million
 - Motor vehicle excise, hotel & meal taxes slowly recover from the impacts of the pandemic.
 - FY23 Local Receipts include the last of eight annual ARHS settlement payments in the amount of \$232,000
- State Aid estimated at \$5.61 million
 - Governor's Budget released 1/26/22 includes 1.03% 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

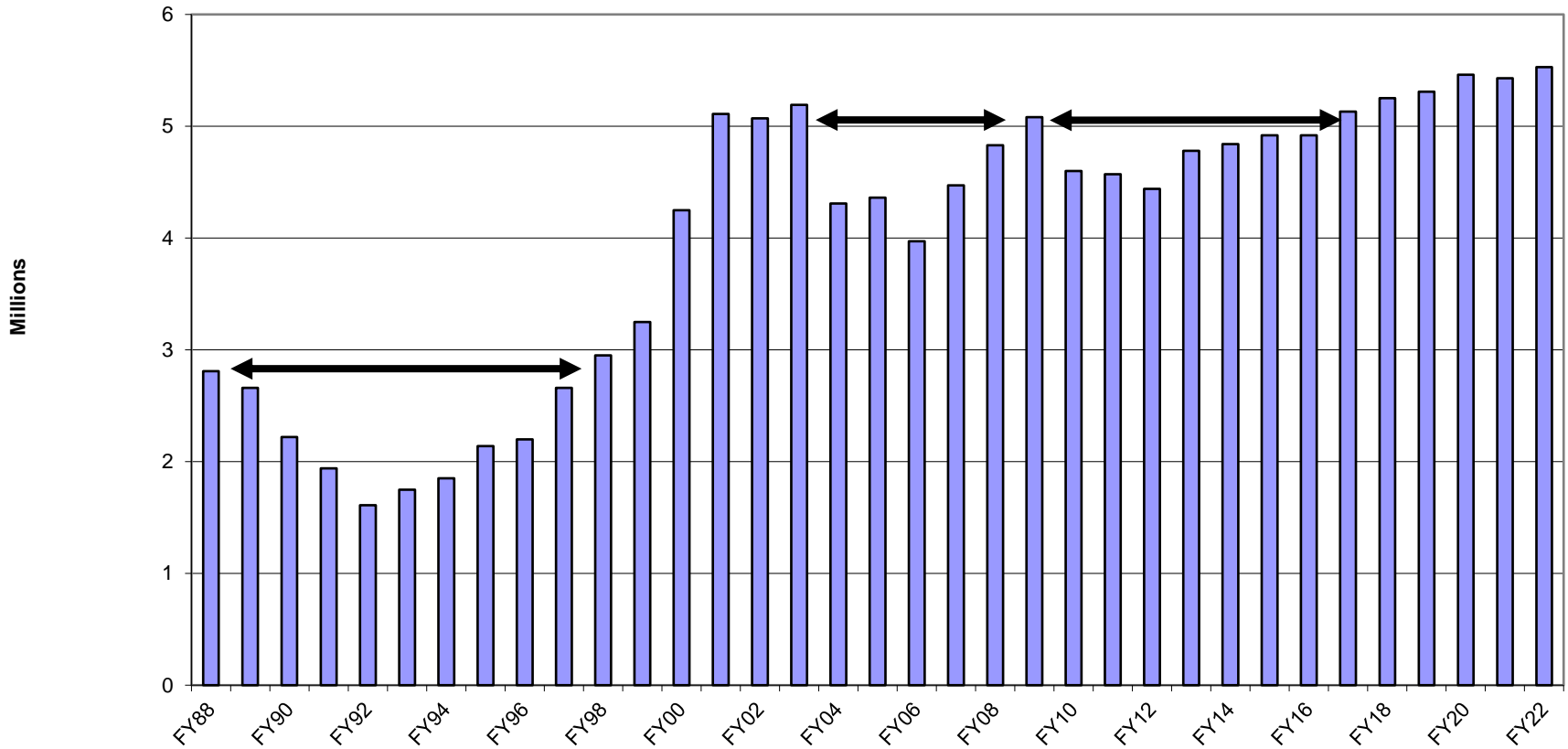
FY2023 State Aid Forecast

- December 20, 2021 State Revenue Consensus Hearing forecast agreed on an estimated State Revenue increase of 2.7%
- In FY2023, state tax collections are forecasted to be \$2.5 billion higher (7.3%) than the tax base that was used to pass the FY2022 budget last July, and state tax collections have increased by \$6.2 billion (21.3%) since FY2020. However, the Governor's House 2 proposal includes an increase of 2.7% for UGGA, or \$31.5 million to be distributed across 351 cities and towns. The Governor's budget (H2) uses a recently upgraded revenue estimates for FY2022, rather than the one used in the state budget as enacted, which fails to share the higher-than-expected revenue growth experienced through the pandemic, with cities and towns.

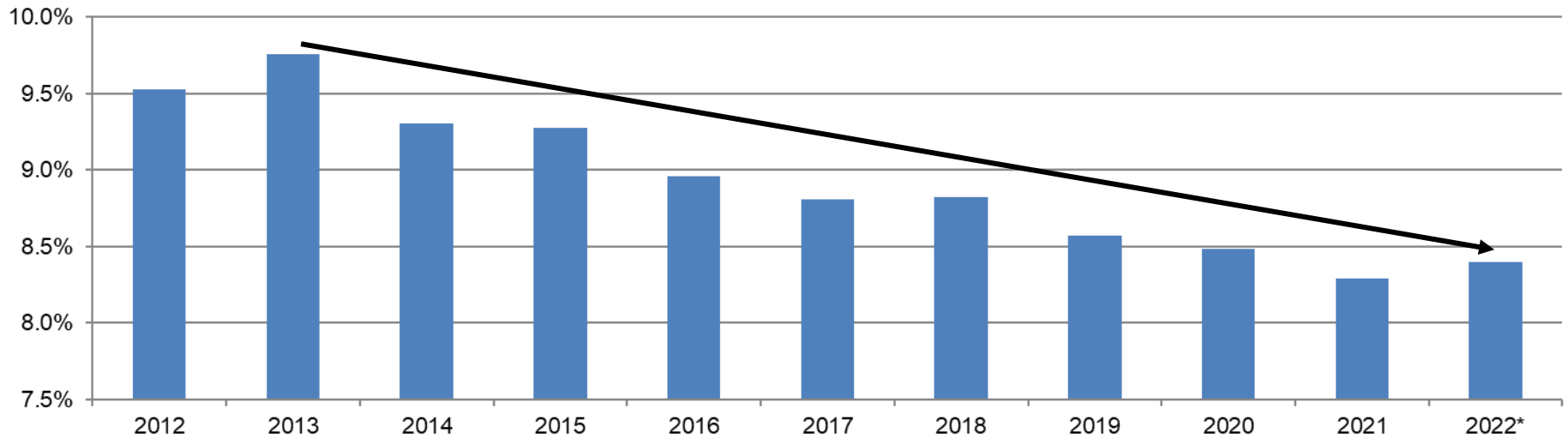
FY2023 State Aid Forecast

- Governor's FY2023 Budget released January 26th includes 1.03% increase for Northborough
- Chapter 70 Education Aid represents 73% of State Aid (\$4.06M of \$5.56M) and is only increasing minimum aid by \$30/student
- Unrestricted General Government Aid represents only 22% of State Aid and is only increasing 2.7%
- 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

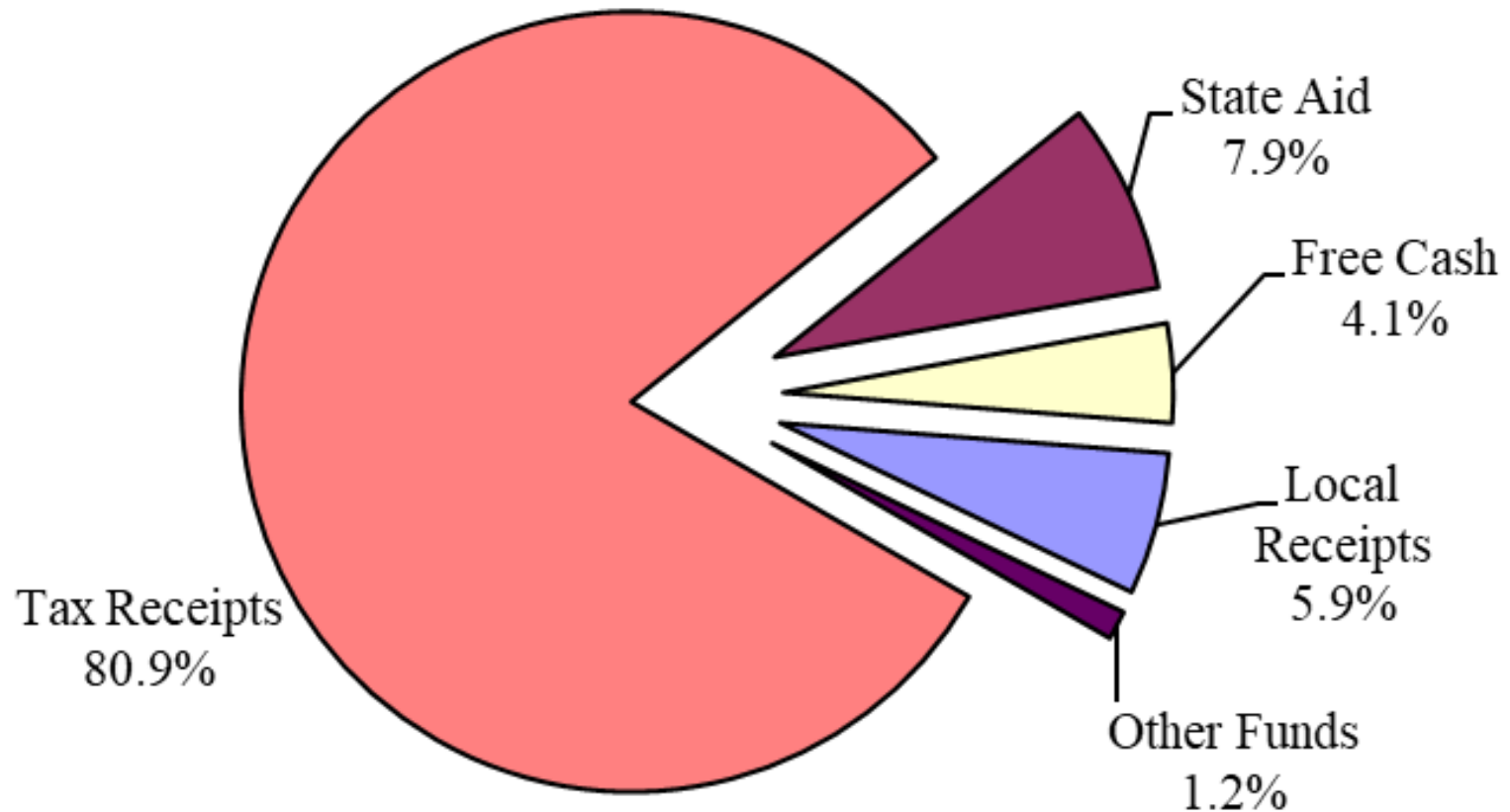
Northborough State Aid FY1988-2022



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



Fiscal Year 2023 Revenues



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%
Subtotal General Fund	\$67,671,657	\$71,242,642	\$3,570,985	5.28%
Water Enterprise Funds	\$2,961,675	\$2,636,103	-\$325,572	-10.99%
Sewer Enterprise Fund	\$2,373,460	\$2,397,488	\$24,028	1.01%
Solid Waste Enterprise Fund	\$919,144	\$928,113	\$8,969	0.98%
Subtotal Enterprise Funds	\$6,254,279	\$5,961,704	(\$292,575)	-4.68%
TOTAL ALL FUNDS	\$73,925,936	\$77,204,346	\$3,278,410	4.43%

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%

Key Budgets

- Northborough K-8 Schools increase \$893,275 or 3.46% to \$26,692,953
- General Government (Town) increases \$862,353, or 3.65% to \$24,501,963, including addition of Norfolk Agricultural HS tuition and transportation expenses.

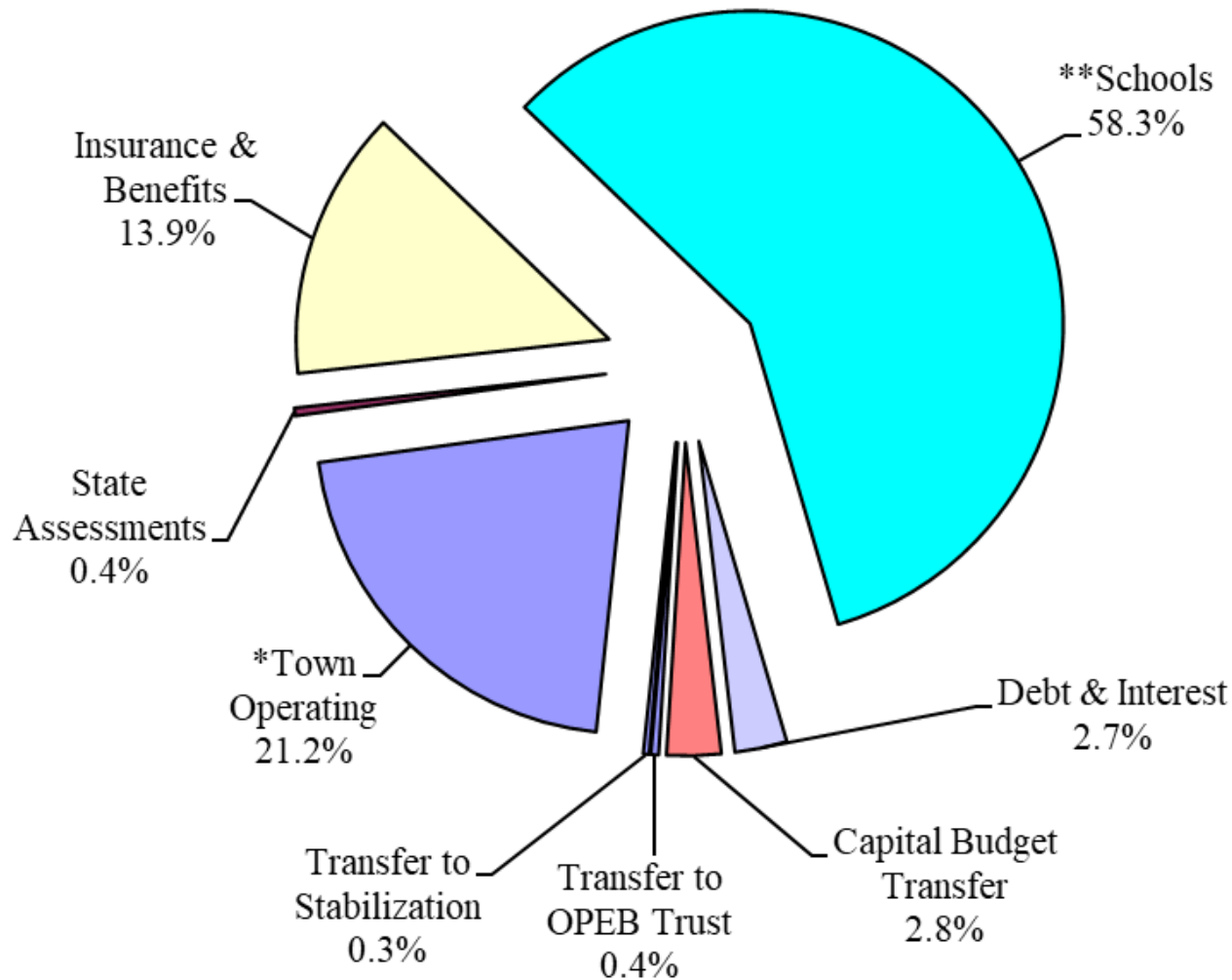
Key Budgets

- Assabet Valley Vocational HS combined Operating Assessment and debt service is an overall increase \$185,450, or 17.36% to \$1,253,940
 - Operating Assessment increases by \$189,278 or 20.25% to \$1,123,936 as enrollment increases from 59 to 68 students
 - Debt service associated with the completed renovation project decreases by \$3,828, or 2.86% to \$130,004

Key Budgets

- ARHS combined Operating Assessment and Debt Service increases \$38,273 or 0.28% to \$13,568,035
 - Operating Assessment increases by \$21,469, or 0.17% to \$12,914,966 due to shifting enrollment
 - ARHS Debt Assessment increases by \$16,804, or 2.64% to \$653,069 and will remain relatively constant until final payment in FY2027

Fiscal Year 2023 Expenditures



*Town Expenditures include Reserves for Abatements, Appropriation Reserve Fund, and Offsets

**School Expenditures include Northborough K-8 School operations, Algonquin Regional High School operations, Algonquin Regional High School Debt Service & Assabet Valley Assessment

General Government Highlights

- All FY2023 Collective Bargaining Agreements remain unsettled and estimated costs have been budgeted centrally pending completion of union negotiations
- Restoration of DPW Light Equipment Operator cut during pandemic
- PT Cable Access position for meeting coverage paid for through cable fees
- MIS/GIS increase of \$84,668 for Munis Cloud Conversion and server updates
- Public Buildings increased by \$25,000 for scheduled building repairs

General Government Highlights

- Recreation back to 52% self-sufficiency
- Family & Youth Services includes \$15,500 for INTERFACE mental health referral service
- Includes \$69,934 for tuition and transportation for two students attending Norfolk Agricultural HS
- Worcester Regional Retirement System Assessment up 10.32%, or \$255,049 to meet full funding schedule by 2036
- Health Insurance Budget increases 1%

FY2023 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
- FY2023 Formed JPA with ARHS & Southboro to bid out following Fallon's exit from the commercial market

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%
FY2023	1.00%
Average	2.88%

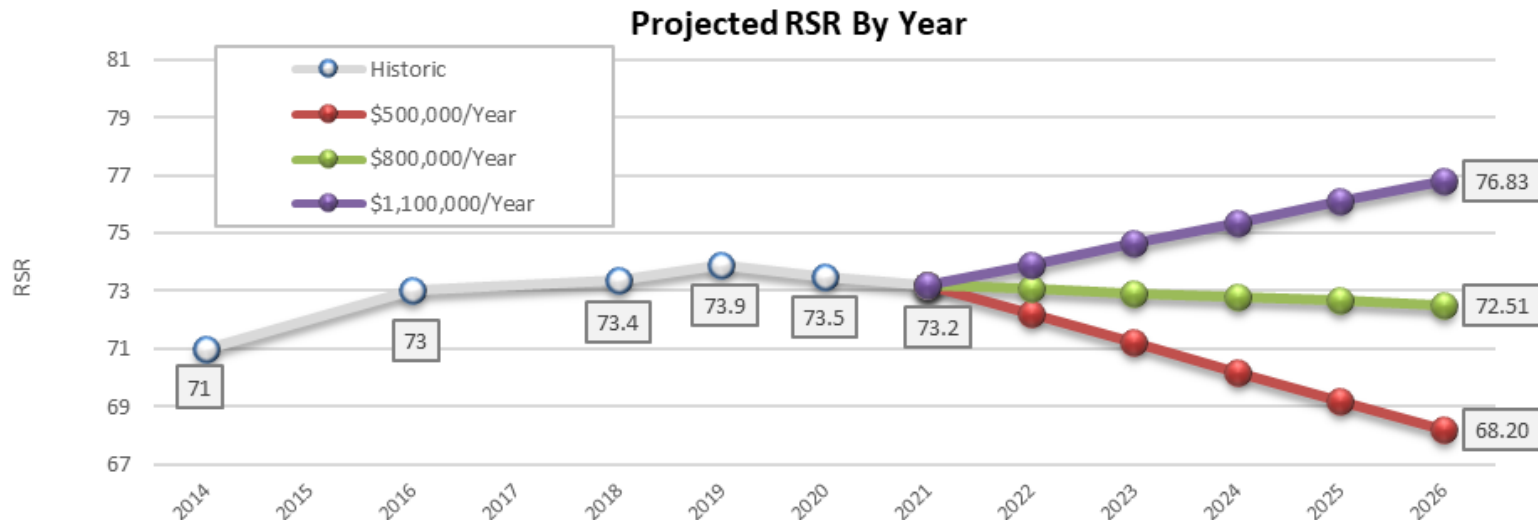
General Government Highlights

OPEB

- Eliminated over \$1 million in contributions to Other Post Employment Benefits Trust Fund (OPEB) in FY21 & FY22 due to the pandemic
- \$45.9 million OPEB Liability
- Reduced liability from \$90.4 million in 2009 with plan design changes and adoption of Section 18
- Approved OPEB trust fund April 2011
- Adopted optional Hotel & Meal Tax April 2013
- Joined the State Pension Reserves Investment Trust (PRIT) Fund April 2014
- Appropriated \$3.05 Million into PRIT Fund since FY2015 (Fund balance as of 12/31/21 \$5.2 Million, or 11% funded)
- FY2023 includes \$300,000 appropriation into the OPEB Trust Fund from taxes but is well short of the \$550,000 min target

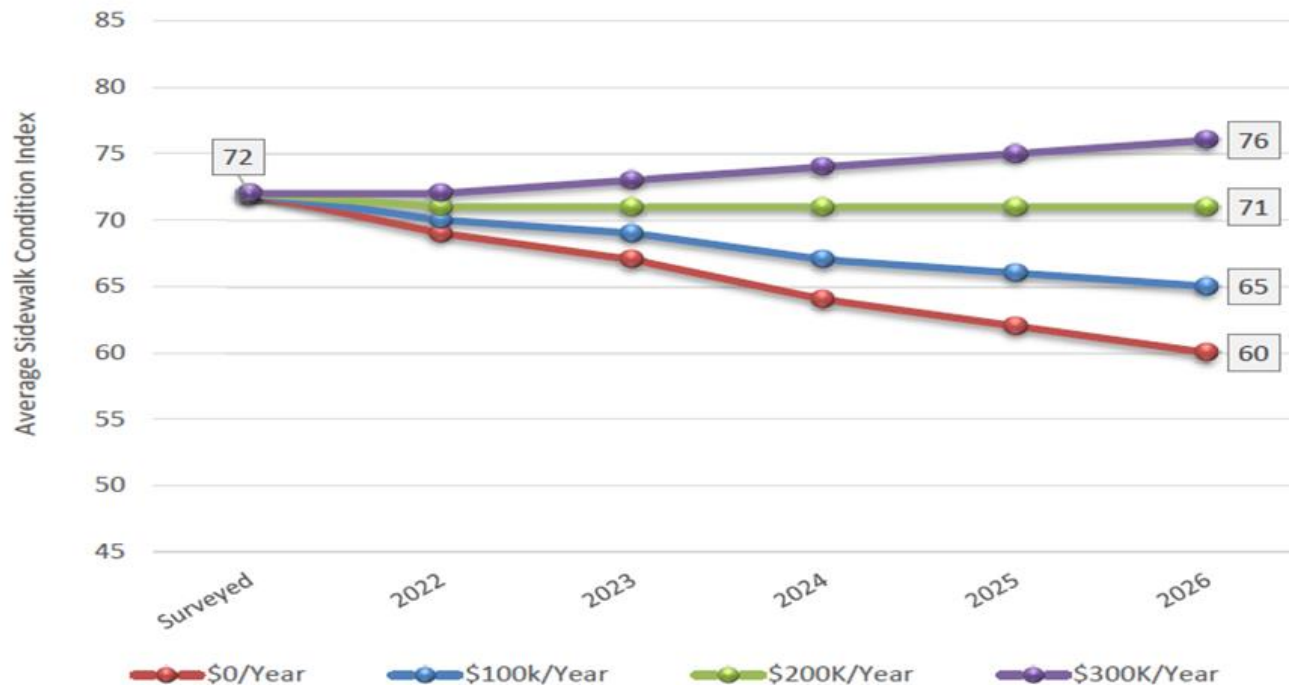
General Government Highlights

- Pavement Management Plan requires minimum of \$1.1 million annually
 - State Chapter 90 funds approximately \$500,000
 - Public Works operating budget includes \$300,000
 - FY2023 Capital Budget includes \$454,000 in Free Cash for roadway improvements



General Government Highlights

- Sidewalk Management Report
 - Over \$1.5 million in backlog repairs for existing sidewalks
 - Requires minimum annual contribution of \$200-300,000 to maintain or improve overall existing rating of 72
 - Complete Streets Prioritization Plan Grant underway



Financial Trend Monitoring System

	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

FY23 Estimated Tax Impact

- FY2023 estimated tax impact of \$513 (6.26%) on an average single family home value of \$546,657
- DISCLAIMER—tax impact based on 10% estimated increase in FY2022 single family home value of \$496,961

Conclusion

- The FY2023 Budget is within the confines of Prop 2 ½ and Town policies
- Maintains core departmental services and missions while addressing ongoing COVID impacts
- Restores previous cuts OPEB, Stabilization Fund Reserves, and Capital Investments
- Endeavors to minimize the tax impact on residents