

# **Budget Summaries**

## **Section 1**

# Section 1-2

# Balanced Budget

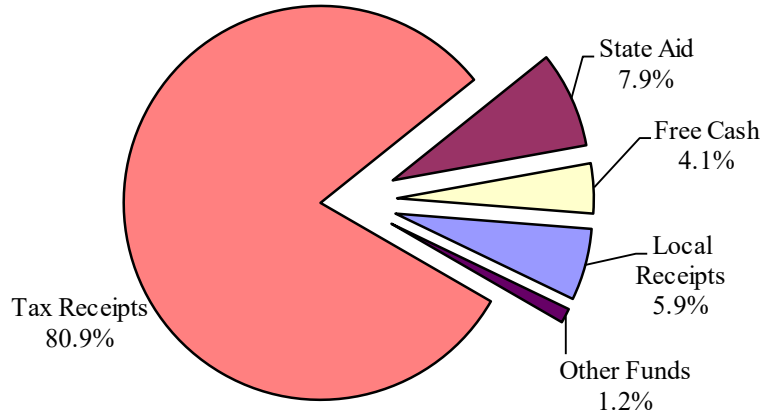


**Table 1**

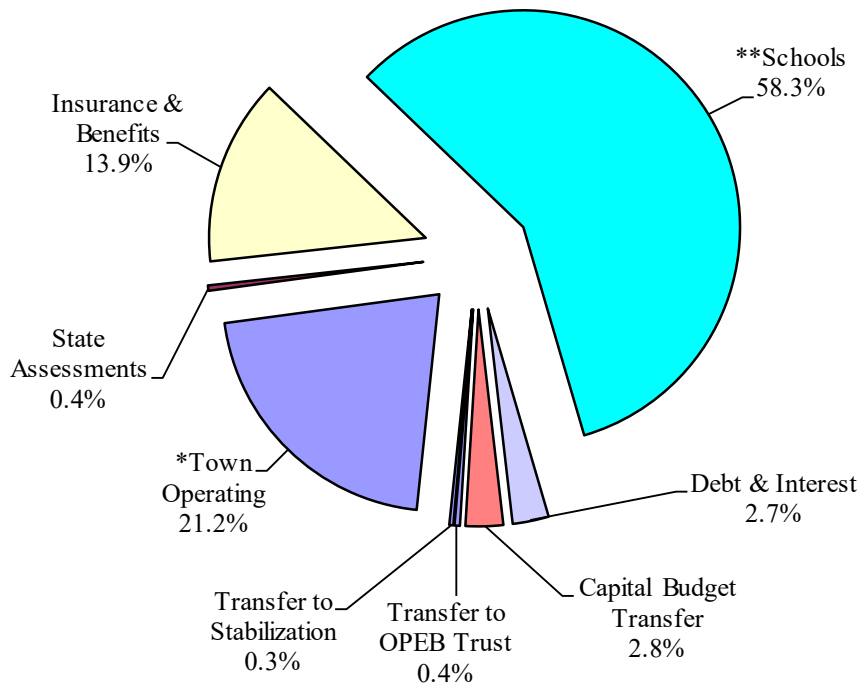
<b>TOWN OF NORTHBOROUGH</b>					
<b>REVENUE &amp; EXPENDITURE SUMMARY FISCAL YEARS 2021--2023</b>					
<b>LEVY LIMIT CALCULATION</b>	<b>FY2021</b>	<b>PROPOSED FY2022</b>	<b>REVISED FY2022</b>	<b>PROPOSED FY2023</b>	<b>% CHANGE</b>
Prior Year Levy Limit	\$52,997,340	\$55,450,240	\$55,450,240	\$57,890,129	
Add 2.5%	\$1,324,934	\$1,386,256	\$1,386,256	\$1,447,253	
Add New Growth	\$1,127,966	\$684,800	\$1,053,633	\$659,600	
Add Overrides	\$0	\$0	\$0	\$0	
True Levy Limit	\$55,450,240	\$57,521,296	\$57,890,129	\$59,996,982	
Add Debt Excl - Colburn St.	\$0	\$0	\$0	\$0	
Add Debt Excl - Library	\$353,803	\$343,177	\$343,177	\$299,530	
Add Debt Excl - Senior Center	\$370,348	\$362,594	\$362,594	\$321,175	
Add Debt Excl - Algonquin	\$632,229	\$647,846	\$647,846	\$653,069	
Less Debt Excl -Settlement	(\$227,586)	(\$220,000)	(\$230,681)	(\$232,988)	
Add Debt Excl - Lincoln Street	\$1,050,837	\$1,026,182	\$1,026,182	\$998,130	
Add Debt Excl - Fire Station	\$17,098	\$52,750	\$52,750	\$42,200	
Adjusted Levy Limit	\$57,646,969	\$59,733,845	\$60,091,997	\$62,078,098	
<b>REVENUES</b>					
Adjusted Levy Limit	\$57,646,969	\$59,733,845	\$60,091,997	\$62,078,098	
Less Unused Levy Capacity	(\$3,399,223)	(\$3,913,557)	(\$4,362,781)	(\$4,374,770)	
Total Tax Receipts	\$54,247,746	\$55,820,288	\$55,729,216	\$57,703,328	3.54%
State Aid	\$5,434,115	\$5,521,216	\$5,557,508	\$5,614,693	1.03%
Free Cash (Operating)	\$500,000	\$500,000	\$500,000	\$500,000	0.00%
Free Cash (Rtmt/Health Ins)	\$378,000	\$0	\$0	\$0	
Free Cash (Reserve)	\$375,000	\$175,000	\$175,000	\$175,000	0.00%
Free Cash (Stabilization)	\$0	\$0	\$0	\$200,000	
Free Cash (Capital)	\$712,775	\$805,000	\$805,000	\$2,024,000	151.43%
Local Receipts	\$3,837,000	\$4,171,000	\$4,171,000	\$4,171,000	0.00%
Other Funds	\$755,886	\$733,933	\$733,933	\$854,621	16.44%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$66,240,522</b>	<b>\$67,726,437</b>	<b>\$67,671,657</b>	<b>\$71,242,642</b>	<b>5.28%</b>
Enterprise Funds	\$5,770,815	\$6,254,279	\$6,254,279	\$5,961,704	-4.68%
<b>TOTAL REVENUES</b>	<b>\$72,011,337</b>	<b>\$73,980,716</b>	<b>\$73,925,936</b>	<b>\$77,204,346</b>	<b>4.43%</b>
<b>EXPENDITURES</b>					
Town Budget	\$22,913,699	\$23,639,610	\$23,639,610	\$24,501,963	3.65%
<b>Schools</b>					
Northborough K-8	\$25,177,844	\$25,799,678	\$25,799,678	\$26,692,953	3.46%
Algonquin 9-12	\$12,587,175	\$13,004,868	\$12,893,497	\$12,914,966	0.17%
HS Debt Exclusion	\$632,229	\$647,846	\$636,265	\$653,069	2.64%
Assabet	\$865,186	\$934,658	\$934,658	\$1,123,936	20.25%
Assabet Renovation Project	\$137,660	\$133,832	\$133,832	\$130,004	-2.86%
<b>Warrant Articles</b>					
Reserve Fund	\$375,000	\$175,000	\$175,000	\$175,000	0.00%
Transfer to Stabilization	\$0	\$0	\$0	\$200,000	
Free Cash Capital	\$712,775	\$805,000	\$805,000	\$2,024,000	151.43%
Transfer to OPEB Trust	\$0	\$0	\$0	\$300,000	
Zeh School Debt Service	\$0	\$0	\$0	\$0	
Colburn Street Debt Service	\$59,923	\$57,475	\$57,475	\$0	-100.00%
Library Debt Service	\$354,248	\$343,567	\$343,567	\$299,530	-12.82%
Senior Center Debt Service	\$380,145	\$371,445	\$371,445	\$321,175	-13.53%
Lincoln Street Debt Service	\$1,051,475	\$1,026,775	\$1,026,775	\$998,675	-2.74%
Fire Station Debt Service	\$17,098	\$52,750	\$52,750	\$52,750	0.00%
Other Funds	\$755,886	\$733,933	\$733,933	\$854,621	16.44%
Adjustments	\$220,180		\$68,172		
<b>EXPENDITURES</b>	<b>\$66,240,522</b>	<b>\$67,726,437</b>	<b>\$67,671,657</b>	<b>\$71,242,642</b>	<b>5.28%</b>
Water Enterprise Fund	\$2,600,970	\$2,961,675	\$2,961,675	\$2,636,103	-10.99%
Sewer Enterprise Fund	\$2,296,295	\$2,373,460	\$2,373,460	\$2,397,488	1.01%
Solid Waste Enterprise Fund	\$873,550	\$919,144	\$919,144	\$928,113	0.98%
<b>TOTAL ALL FUNDS</b>	<b>\$72,011,337</b>	<b>\$73,980,716</b>	<b>\$73,925,936</b>	<b>\$77,204,346</b>	<b>4.43%</b>



### Fiscal Year 2023 Revenue Sources



### 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



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**FY2023 REVENUE SUMMARY**

The Town’s General Fund revenue (excluding the Water & Sewer Enterprise and Solid Waste Enterprise Funds) is divided into four main categories: Property Taxes, State Aid, Local Receipts and Available Funds.

**Property Taxes**

Property taxes are the single largest revenue source for the Town and historically provide approximately 80% of the General Fund budget. Typically, year to year variations of 1% or 2% are the result of external factors beyond the Town’s control, such as the level of State Aid, building activity, or fluctuations in interest rates.

Property taxes are levied on real property (land & buildings) and personal property used by Northborough’s non-manufacturing business firms. In accordance with State law, the Town’s Board of Assessors determines the fair market value of all property every five years. Northborough conducted a full revaluation during FY2021 with the next scheduled for FY2026; however, interim adjustments are performed each year that full revaluation is not required.

Under the provisions of Proposition 2½, property taxes may not exceed 2½ percent of the “full and fair cash value” of all property in Town. This limit is known as the “levy ceiling.” Additionally, annual levy increases may not exceed 2½ percent more than the previous year’s levy plus the taxes from any new growth value. Any Proposition 2½ override or debt exclusion amounts approved by ballot election are also added to the levy limit.

As the Town’s primary revenue source, property taxes are expected to increase in FY2023 by 3.54% or approximately \$1.97 million, to \$57.7 million. The increase includes the 2½ percent increase of \$1,447,253, plus an increase of \$659,600 in estimated taxes from projected new growth which is conservatively estimated at \$40 million in value. It also includes the value of any previously approved debt exclusions. It is important to note that because Northborough has limited taxes increases over the years to below the limit of Proposition 2½, there is approximately \$4.37 million in excess levy capacity as shown in the table below. In Massachusetts, municipal budgets in excess of a community’s levy limit require a voter-approved Proposition 2 ½ Override at the ballot.

**Table 2**

<b>LEVY LIMIT</b>			<b>%</b>
<b>CALCULATION</b>	<b>FY2022</b>	<b>FY2023</b>	<b>CHANGE</b>
Prior Year Levy Limit	\$55,450,240	\$57,890,129	
Add 2.5%	\$1,386,256	\$1,447,253	
Add New Growth	\$1,053,633	\$659,600	
Add Overrides	\$0	\$0	
True Levy Limit	\$57,890,129	\$59,996,982	
Add Net Debt Exclusions	\$2,201,868	\$2,081,116	
Adjusted Levy Limit	\$60,091,997	\$62,078,098	
Less Unused Levy Capacity	(\$4,362,781)	(\$4,374,770)	
<b>Total Tax Receipts</b>	<b>\$55,729,216</b>	<b>\$57,703,328</b>	<b>3.54%</b>



**State Aid**

State Aid is Northborough’s second largest revenue source and usually represents 8-10% of the General Fund budget. Together, State Aid and local property taxes account for approximately 90% of the General Fund budget. The proposed FY2023 budget assumes State Aid will increase by 1% to \$5.61 million. This estimate is based upon the Governor’s Budget which was released on January 26, 2022.

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, an initiative designed to direct new State 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. Historically, the Town does not receive its final State Aid figures until well after Town Meeting.

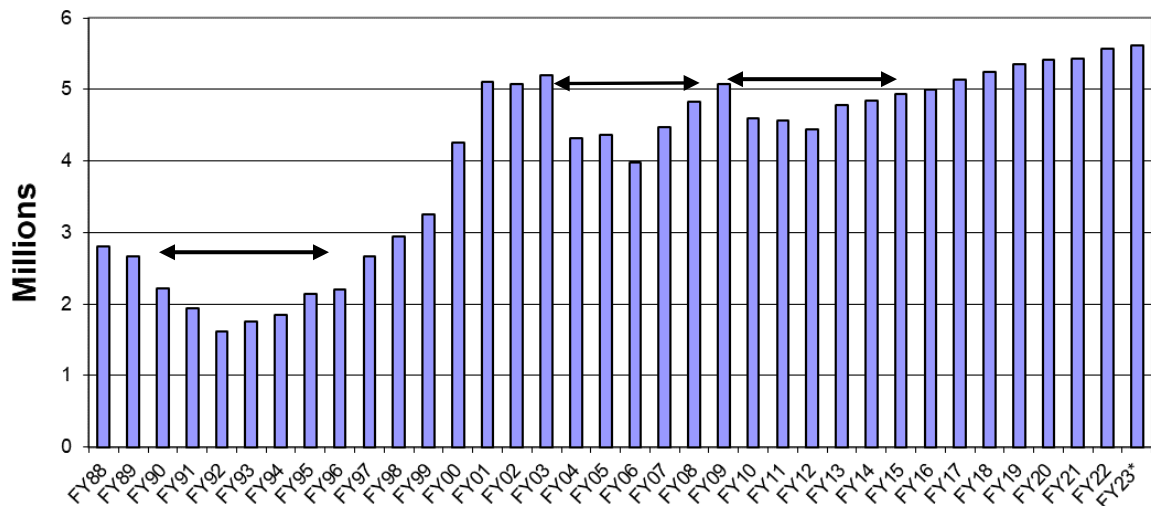
It is important to note that State Aid continues to lag behind our general budget increases and has become an ever-smaller percentage of Northborough’s overall budget. State Aid declined from a high of 13.1% of revenues in FY2003 to approximately 8% in FY2023, and that is not accounting for inflation. The chart below shows the fluctuations in State Aid over the years, including previous recessionary periods highlighted by the arrows. Economists presenting at the State’s revenue consensus hearing back in December cautioned about potential recessionary headwinds following the initial pandemic recovery.

**Table 3: State Aid in Millions**

FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23*
5.00	5.14	5.25	5.35	5.41	5.43	5.56	5.61

\*Estimated

**Northborough State Aid FY1988-2023**



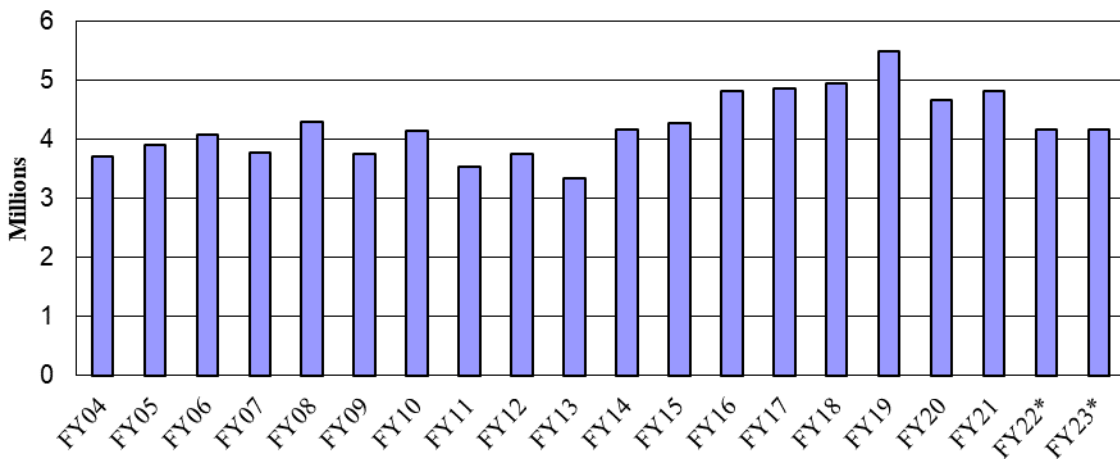


At the time of this writing the Town has limited information regarding State Assessments, and it is the net effect of the new aid and any increase in charges that really determines if Northborough is better off compared to the previous year. Given that unknown, the Town has chosen to proceed with the Governor’s Budget figures for the FY2023 assessment expense budget and continue with the estimated 1% revenue increase. Any State Aid actually received above current estimates can only be used to reduce the local tax impact in FY2023.

### **Local Receipts**

The third largest source of revenue for the General Fund budget is Local Receipts, which include a variety of 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 FY2023 is \$4.17 million which represents level funding versus FY2022. The single largest source of revenue within the Local Receipts category is the \$2.42 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 from FY2020 due to the pandemic shut down; however, as the reopening of the economy progresses, actual revenue collections continue to improve while supply chain issues may affect excise taxes, and other global issues may mitigate the economic recovery. Similar to the State’s revenue assumptions, the FY2023 forecast for Local Receipts is predicated on the continued success of vaccination efforts and a sustained economic recovery.

**Local Receipts**



\*FY22 & 23 Budgeted

The Local Receipts shown in the above graph are the actual receipts from FY2004 through FY2021 and contain many one-time sources of funds, while the budgeted amounts are shown for both FY2022 and FY2023.

Until FY2010 Local Receipts included revenues from the Town’s pay-as-you-throw (PAYT) trash program, which generated approximately \$500,000 annually in bag sales. Beginning in FY2011, the PAYT revenues were moved into the Solid Waste Enterprise Fund budget. That change in accounting represents a significant part of the reduction shown in the graph above going from FY2010 to FY2011.



## Section 1-8

## Revenue Summary

More recently, the Meals Tax Surcharge of .75% and the increase in the local Room Occupancy Excise were adopted at the 2013 Town Meeting and the first funds were received in FY2014. In FY2016 the Town also began receiving settlement payments from the Town of Southborough related to successful litigation over the ARHS building project.

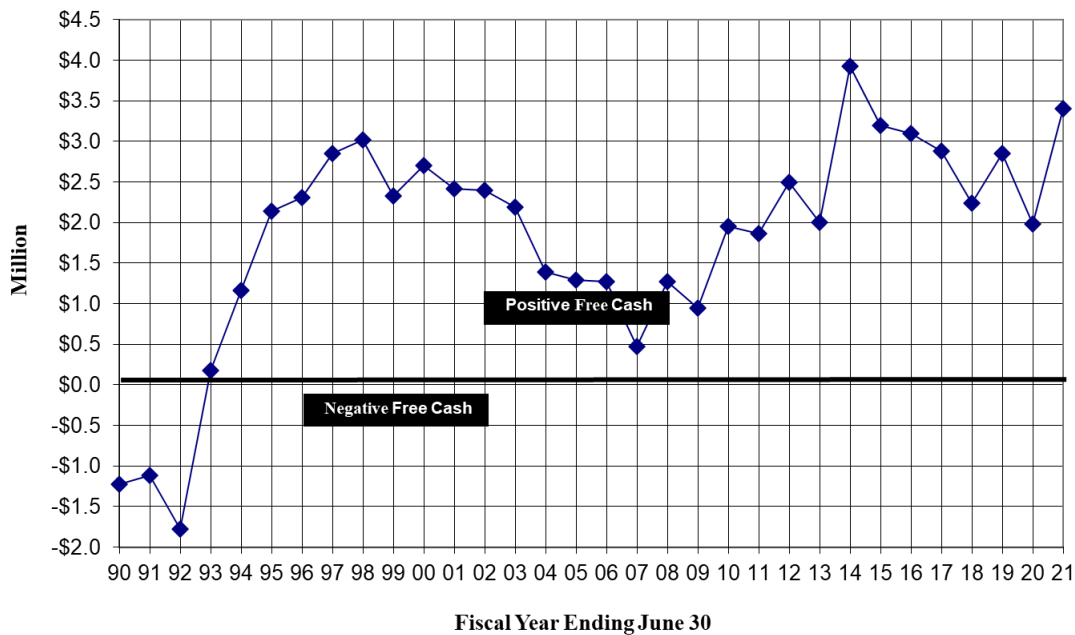
In general, the level of Local Receipts is greatly affected by outside economic conditions beyond the Town’s control; especially as it relates to motor vehicle sales, building activity and permits fees. The actual revenue trend in the preceding graph tends to mirror the general economic conditions at the time.

### Available Funds (including Free Cash)

The last category of revenue for the Town is monies in various Special Revenue funds and certified Free Cash available for appropriation from prior years. General Fund Free Cash as of July 1, 2021 was certified at \$3,399,259.

By far the single largest source of Available Funds is Free Cash. Free Cash is an available fund that is composed of the remaining, unrestricted funds from operations of the previous fiscal year, including unexpended Free Cash from the previous year, actual receipts in excess of revenue estimates and unspent amounts in appropriated budget line-items. After the June 30<sup>th</sup> close of the fiscal year, the Town’s Free Cash is certified by the State Department of Revenue and only then is it available for appropriation.

**Certified Free Cash FY1990-2021**



\*Source: Massachusetts Department of Revenue

Historically, the Town of Northborough had relied on over \$1 million of Free Cash to balance the operating budget and continued this practice for many years. However, the dependency upon one-time available funds to supply a portion of the foundation for the operating budget essentially created a rolling “structural deficit” which became an





additional financial burden during the recessionary period following the close of FY2007. Use of Free Cash in the operating budget was systematically phased down over several years from \$700,000 in FY2010, down to \$600,000 in FY2011, and ultimately, reaching the Free Cash policy target amount of \$500,000 in FY2012, which is approximately 1% of the budget. The FY2023 Budget includes \$500,000 in Free Cash in accordance with the policy.

The chart on the previous page illustrates the unpredictability of Free Cash as a budgeted revenue source since it is heavily influenced by economic activity and political decision-making by the State Legislature. Any amount of Free Cash used in the operating budget must be reasonably expected to recur in subsequent years. If the Town fails to generate sufficient Free Cash to replenish what was used, as was the case in FY2007, a structural deficit materializes that could result in significant service reductions. More importantly, that structural shortfall carries forward into subsequent fiscal years.

For these reasons, the Board of Selectmen adopted a Free Cash Policy in November 2010 with the unanimous support of both the Appropriations Committee and the Financial Planning Committee. The policy identifies the acceptable uses of Free Cash for mainly one-time expenses and provides for a maximum level of \$500,000 for use in the operating budget (approximately 1%). However, the policy allows for additional funds to be used in an emergency, and the estimated loss of revenue due to the COVID-19 pandemic led to the FY2021 General Government Budget using \$378,000 in additional Free Cash from postponed capital projects. However, the FY2022 and FY2023 budgets returned to the policy goal of \$500,000, which is just 0.7% of the operating budget revenues. Free Cash devoted to other one-time expenses include \$2,024,000 in capital articles, a \$200,000 transfer to the Stabilization Fund, and \$175,000 for the Appropriation Committee's Reserve Fund.

Other sources of Available Funds to be used in FY2023 are projected to include transfers from special revenue funds to offset departmental budgets such as \$18,500 in Cemetery Sale of Lots income, \$9,006 in Cemetery Trust Fund income, \$11,309 in Conservation Commission fees, \$354,487 from the Fire/EMS Revolving Account, \$50,732 from the Medicare Part D Subsidy, \$28,000 from the Animal Control Revolving Account, \$294,728 from the PEG Access and Cable Related Fund to cover the Cable Access Departmental costs, a transfer of \$1,764 from the Department of Public Utilities Transportation Fund, and a transfer from the Recreation Revolving Fund of \$75,000 toward that department's budget. In addition, there will be a transfer of \$545 from premium reserves, and \$10,550 from a debt exclusion reserve. These two amounts are related to debt excluded debt service and must offset the amount of the debt exclusion added to the tax rate. In addition to Free Cash, these "Other" revenue sources total \$854,621 and will be used to off-set the municipal budgets as shown in Article 4 of the 2022 Annual Town Meeting Warrant.

### **American Rescue Plan Act (ARPA)**

As discussed in the Town Administrator's Budget Message, one unique revenue source that became available beginning in FY2022 is the Town's share of federal relief arising from the American Rescue Plan Act. On March 11, 2021, President Joe Biden signed the American Rescue Plan Act of 2021 (ARPA), which contains \$1.9 trillion in overall national spending to support relief and economic recovery efforts ARPA provides local governments with resources through the Coronavirus Local Fiscal Recovery Fund



## Section 1-10

## Revenue Summary

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(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.

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 additions 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 at 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 Other Post-Employment Benefits (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.



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# Section 1-12

# Expenditure Summary



## FY2023 EXPENDITURE SUMMARY

Following is a summary of the Town's General Government Budget (non-school), which details the 3.65% increase allowable under current revenue projections.

Department	FY2022 Budget	FY2023 Proposed Budget	\$ Change	% Change
<b>GENERAL ADMINISTRATION</b>				
<b><u>EXECUTIVE OFFICE</u></b>				
Selectmen	181,004	184,601	3,597	1.99%
Administrator	298,231	302,145	3,914	1.31%
Economic Development	1,325	1,342	17	1.28%
Town Reports	5,150	5,150	-	0.00%
<b><u>PUBLIC BUILDINGS</u></b>				
Town Hall/Public Bldgs.	598,961	623,971	25,010	4.18%
<b><u>FINANCE</u></b>				
Treasurer	317,419	325,797	8,378	2.64%
Board of Assessors	266,010	267,058	1,048	0.39%
Town Accountant	191,719	192,298	579	0.30%
<b><u>MIS/GIS</u></b>				
MIS/GIS	543,666	628,334	84,668	15.57%
<b><u>TOWN/CLERKS OFFICE</u></b>				
Town Clerk	146,633	155,391	8,758	5.97%
Election/Registration	26,145	43,791	17,646	67.49%
<b><u>ADVISORY BOARDS/SERVICES</u></b>				
Moderator	500	500	-	0.00%
Appropriations Committee	1,695	1,695	-	0.00%
Town Counsel	90,000	90,000	-	0.00%
Personnel Board	58,062	352,784	294,722	507.60%
<b><u>PLANNING &amp; CONSERVATION</u></b>				
Conservation Commission	94,148	86,381	(7,767)	-8.25%
Planning Board	211,557	200,945	(10,612)	-5.02%
Zoning Board	5,306	5,318	12	0.23%
Earthwork Board	1,944	2,180	236	12.14%
<b>PUBLIC SAFETY</b>				
Police	3,032,302	3,023,809	(8,493)	-0.28%
Fire	2,194,077	2,216,978	22,901	1.04%
Emergency Preparedness	7,000	7,000	-	0.00%
Building	189,734	200,694	10,960	5.78%
Gas Inspector	12,897	12,897	-	0.00%
Wire Inspector	23,052	23,024	(28)	-0.12%
Sealer of Weights	8,000	8,000	-	0.00%
Board of Health	221,835	223,460	1,625	0.73%
Animal Control	42,729	42,729	-	0.00%
<b>PUBLIC WORKS</b>				
Highway Admin.	129,879	142,771	12,892	9.93%
Hwy. Const. & Maint.	1,612,846	1,690,937	78,091	4.84%
Parks	150,950	155,700	4,750	3.15%
Cemetery	166,255	169,975	3,720	2.24%
Engineering	196,605	186,605	(10,000)	-5.09%
Snow & Ice	437,000	437,000	-	0.00%
Street Lighting	135,000	147,000	12,000	8.89%
Trees	51,000	56,000	5,000	9.80%
<b>COMMUNITY SERVICES</b>				
Council on Aging	312,262	314,162	1,900	0.61%
Library	886,565	902,344	15,779	1.78%
Recreation	145,591	145,281	(310)	-0.21%
Youth Services	172,083	172,478	395	0.23%
Veterans Services	88,039	91,225	3,186	3.62%
Cable TV	262,753	294,728	31,975	12.17%
Cultural Council	500	500	-	0.00%
Community Affairs Committee	500	500	-	0.00%
Historical Commission	500	500	-	0.00%



# Expenditure Summary

# Section 1-13

Department	FY2022 Budget	FY2023 Proposed Budget	\$ Change	% Change
<b>UNDISTRIBUTED EXPENSES</b>				
<b><u>EMPLOYEE BENEFITS &amp; INSURANCE</u></b>				
Health Insurance	6,122,824	6,184,052	61,228	1.00%
Transfer to OPEB Trust	-	300,000	300,000	
Life Insurance	8,930	8,930	-	0.00%
Other Benefits/FICA	489,904	516,097	26,193	5.35%
Workers Comp	134,702	134,702	-	0.00%
Retirement Assessments	2,470,601	2,725,650	255,049	10.32%
<b><u>BUILDING &amp; LIABILITY INSURANCE</u></b>				
Bldg. & Liability Insur.	283,557	288,163	4,606	1.62%
<b><u>DEBT SERVICE</u></b>				
Debt Service	2,130,726	1,926,105	(204,621)	-9.60%
<b><u>STATE ASSESSMENTS</u></b>				
State Assessments	277,698	270,260	(7,438)	-2.68%
<b><u>NORFOLK AGRICULTURAL HIGH SCHOOL</u></b>				
Tuition/Transportation	38,500	69,934	31,434	81.65%
<b><u>STABILIZATION FUND CONTRIBUTION</u></b>				
Stabilization Fund	-	200,000	200,000	
<b><u>RESERVE FUND</u></b>				
Reserve Fund	175,000	175,000	-	0.00%
<b><u>SPECIAL WARRANT ARTICLES</u></b>				
Special Articles	805,000	2,024,000	1,219,000	151.43%
Solid Waste Subsidy	337,160	337,160	-	0.00%
<b>OTHER NON-APPROPRIATED AMOUNTS</b>				
Reserve for Abatements	326,767	404,661	77,894	23.84%
Offsets	29,977	27,022	(2,955)	-9.86%
<b>ENTERPRISE FUNDS</b>				
Water	2,961,675	2,636,103	(325,572)	-10.99%
Sewer	2,373,460	2,397,488	24,028	1.01%
Solid Waste	919,144	928,113	8,969	0.98%
<b>GROSS TOTAL TOWN</b>	<b>33,405,054</b>	<b>35,689,418</b>	<b>2,284,364</b>	<b>6.84%</b>
<b>CALCULATION OF NET TOTAL TOWN</b>				
Less Water Fund	(2,961,675)	(2,636,103)		
Less Sewer Fund	(2,373,460)	(2,397,488)		
Less Solid Waste	(919,144)	(928,113)		
Less Other Funds	(733,933)	(854,621)		
Less Recap Adjustments	54,780			
Less Debt Exclusion	(1,852,012)	(1,672,130)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Transfer to OPEB Trust	-	(300,000)		
Less Transfer to Stabilization	-	(200,000)		
Less Special Articles	(805,000)	(2,024,000)		
<b>NET TOTAL TOWN</b>	<b>23,639,610</b>	<b>24,501,963</b>		<b>3.65%</b>
<b>CALCULATION OF TOWN APPROPRIATION</b>				
GROSS TOTAL TOWN	33,405,054	35,689,418		
Less County Assessments	(2,470,601)	(2,725,650)		
Less State Assessments	(277,698)	(270,260)		
Less Reserve for Abatements	(326,767)	(404,661)		
Less Offsets	(29,977)	(27,022)		
Less Reserve Fund Article	(175,000)	(175,000)		
Less Stabilization Transfer Article	-	(200,000)		
Less Special Articles	(805,000)	(2,024,000)		
Less Solid Waste Subsidy	(337,160)	(337,160)		
Less Enterprise Funds	(6,254,279)	(5,961,704)		
<b>Net Town Warrant Article 4</b>	<b>22,728,572</b>	<b>23,563,961</b>		

# Section 1-14

# Expenditure Summary



## General Administration

The first of the budget categories is General Administration. This category includes the offices and departments which support the direct service departments of the Town through overall management, legal services, financial management (including collecting of revenues and the maintenance of financial records), administration of elections, Management Information Systems/Geographic Information Systems (MIS/GIS), personnel administration and related ancillary services. General Administration also includes planning and conservation services.

### General Administration Summary

	FY2020 ACTUAL	FY2021 ACTUAL	FY2022 BUDGETED	FY2022 SIX MONTHS	FY2023 PROPOSED	% CHANGE
<b>EXECUTIVE OFFICE</b>						
Selectmen	\$171,012	\$174,103	\$181,004	\$86,137	\$184,601	1.99%
Administrator	\$213,817	\$256,523	\$298,231	\$139,908	\$302,145	1.31%
Economic Development	\$855	\$855	\$1,325	\$500	\$1,342	1.28%
Town Reports	\$1,435	\$3,680	\$5,150	\$0	\$5,150	0.00%
<b>Subtotal</b>	<b>\$387,119</b>	<b>\$435,161</b>	<b>\$485,710</b>	<b>\$226,545</b>	<b>\$493,238</b>	<b>1.55%</b>
<b>PUBLIC BUILDINGS</b>						
	\$388,304	\$379,631	\$598,961	\$212,427	\$623,971	4.18%
<b>Subtotal</b>	<b>\$388,304</b>	<b>\$379,631</b>	<b>\$598,961</b>	<b>\$212,427</b>	<b>\$623,971</b>	<b>4.18%</b>
<b>FINANCE</b>						
Treasurer	\$283,613	\$295,728	\$317,419	\$136,902	\$325,797	2.64%
Board of Assessors	\$261,485	\$176,231	\$266,010	\$110,771	\$267,058	0.39%
Town Accountant	\$182,149	\$186,640	\$191,719	\$88,637	\$192,298	0.30%
<b>Subtotal</b>	<b>\$727,247</b>	<b>\$658,599</b>	<b>\$775,148</b>	<b>\$336,310</b>	<b>\$785,153</b>	<b>1.29%</b>
<b>MIS/GIS</b>						
	\$396,108	\$431,366	\$543,666	\$262,136	\$628,334	15.57%
<b>Subtotal</b>	<b>\$396,108</b>	<b>\$431,366</b>	<b>\$543,666</b>	<b>\$262,136</b>	<b>\$628,334</b>	<b>15.57%</b>
<b>TOWN CLERKS OFFICE</b>						
Town Clerk	\$140,772	\$141,367	\$146,633	\$68,678	\$148,521	1.29%
Elections/Registration	\$31,675	\$47,715	\$26,145	\$12,210	\$50,661	93.77%
<b>Subtotal</b>	<b>\$172,447</b>	<b>\$189,082</b>	<b>\$172,778</b>	<b>\$80,888</b>	<b>\$199,182</b>	<b>15.28%</b>
<b>ADVISORY BOARDS/SERVICES</b>						
Moderator	\$0	\$200	\$500	\$0	\$500	0.00%
Appropriations Committee	\$422	\$210	\$1,695	\$210	\$1,695	0.00%
Personnel Board	\$9,914	\$19,046	\$58,062	\$9,926	\$352,784	507.60%
Town Counsel	\$63,787	\$77,652	\$90,000	\$24,787	\$90,000	0.00%
<b>Subtotal</b>	<b>\$74,123</b>	<b>\$97,108</b>	<b>\$150,257</b>	<b>\$34,923</b>	<b>\$444,979</b>	<b>196.15%</b>
<b>PLANNING AND CONSERVATION</b>						
Town Planner/Planning Bd	\$180,420	\$188,108	\$211,557	\$87,761	\$200,945	-5.02%
Zoning Board of Appeals	\$1,038	\$2,526	\$5,306	\$959	\$5,318	0.23%
Earthworks	\$0	\$628	\$1,944	\$218	\$2,180	12.14%
Conservation Commission	\$79,301	\$81,389	\$94,148	\$39,752	\$86,381	-8.25%
<b>Subtotal</b>	<b>\$260,759</b>	<b>\$272,652</b>	<b>\$312,955</b>	<b>\$128,690</b>	<b>\$294,824</b>	<b>-5.79%</b>



## Expenditure Summary Section 1-15

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FY2022 was 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 FY2023 departmental budgets as presented do not include cost-of-living increases for both Union and Non-union personnel pending union negotiations. The Town also recently completed a Classification/Compensation study for which the results will be presented to 2022 Annual Town Meeting to adopt. Therefore, annual merit increases and adjustments due to contracts being settled are provided for centrally within the Personnel Board budget for all Town departments. Following are the key changes of significance for the General Government Departments:

- **Executive Office**

Overall, the Executive Office budget is increasing \$7,528 or 1.55% in FY2023. The increase primarily reflects an annual increase in salaries for a full year following merit increases given for six months of FY2022. As with all Town departments, the budget as presented does not include further contractual wage increases, as those expenses have been budgeted centrally in the Personnel Board account pending completion of union negotiations and are not reflected in this budget.

- **Public Buildings**

The Public Buildings Budget will increase \$25,010 or 6.59% in FY2023. The Facilities Manager position was filled in FY2022 and as part of his assessment, has identified repairs that are needed to address aging infrastructure in our municipal buildings, contributing to the increase in the Repairs and Maintenance line.

- **Finance Department**

Overall, the Finance Department's FY2023 budget is up \$10,005, or 1.29%. The departmental budget as presented does not include contractual wage increases for Union and Non-Union personnel, as those expenses have been budgeted centrally pending completion of union negotiations. Most of the increase (\$6,910) is due to the hiring of a new Treasurer/Collector at a higher salary.

- **Management Information System/Geographic Information Systems (MIS/GIS)**

The MIS/GIS Department's budget is increasing by \$84,668 or 19.63%. The most significant factors contributing to the increase are the migration to a cloud-based MUNIS solution and OS upgrades to servers throughout the Town. The Town contracted with a consultant to complete the comprehensive IT/GIS Strategic Plan focused on aligning technology investment with overall organizational priorities. That project will close out prior to the start of FY2023, however, any recommended changes in staffing or expenses will be reflected in FY2024 and beyond. In FY2022, the Town filled the Assistant MIS/GIS Director position at a lower rate than the prior Assistant, resulting in a reduction in personnel costs in FY2023.

- **Town Clerk/Elections**

The combined FY2023 Town Clerk/Elections budget represents an overall increase of \$26,404 or 13.26%. This increase is due to the election cycle, resulting in three elections scheduled for FY2023: the State Primary Election, September 6, 2022, the State General Election, November 8, 2022, and the Town Election on May 11, 2023. In FY2022, there was only the one local election held on May 10, 2022.



- **Advisory Boards/Services**

- **Personnel Board**

This budget account reflects costs associated with merit pay, limited town-wide training, DOT required drug testing and legal expenses associated with collective bargaining. The account is also used for consultant or temporary labor services associated with personnel transitions. During the course of the fiscal year, funds are transferred out as appropriate and reflected in the departmental budgets, such as following a settled labor contract.

FY2022 was 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 FY2023 departmental budgets as presented do not include cost-of-living increases for both Union and Non-union personnel pending union negotiations. The Town also recently completed a Classification/Compensation study for which the results will be presented to 2022 Annual Town Meeting to adopt. Annual merit pay increases for eligible employees not at the max of their pay grade are held in this Personnel Board Budget until approved based upon satisfactory performance evaluations in addition to the adjustments due to the contracts being settled. Once merit is approved and contracts are settled, the funds are transferred from the Personnel Board budget and reflected in the appropriate departmental budgets.

- **Town Counsel**

The budget for Town Counsel is level funded at \$90,000. Town Counsel is appointed by the Board of Selectmen for an indefinite term and serves as counsel to Town Officers and Committees and attends to the Town's legal affairs at the request of the Town Administrator. Under the Town bylaws, Town Counsel reviews all Warrant Articles prior to Town Meeting and serves as a resource during all Town Meeting proceedings. The budget represents general legal services. Legal expenses associated with specific capital projects or Water & Sewer Enterprise Funds are reflected in those budgets.

- **Planning and Conservation**

Overall, the FY2023 Planning and Conservation budget is down \$18,131, or -6.15%. In FY2022, the Town transferred funds to the Town Planner salary line to accommodate the retirement and vacation payout of a longstanding employee. The FY2023 wages reflect the salary of the newly appointed Town Planner who began in March of 2022. The Conservation Agent position is currently vacant and will likely be filled at the start of FY2023. That salary line is budgeted at the midpoint of the range, rather than the maximum, which the prior employee was earning.





# Expenditure Summary

# Section 1-17

## Public Safety

Public Safety consists of police, fire, emergency management services, inspections & enforcement, public health and animal control services.

### Public Safety Summary

	FY2020 ACTUAL	FY2021 ACTUAL	FY2022 BUDGETED	FY2022 SIX MONTHS	FY2023 PROPOSED	% CHANGE
<b><u>PUBLIC SAFETY</u></b>						
Police	\$2,762,388	\$2,842,656	\$3,032,302	\$1,363,646	\$3,023,809	-0.28%
Fire						
Emergency Preparedness	\$2,079,042	\$2,061,526	\$2,194,077	\$1,034,695	\$2,216,978	1.04%
	\$110	\$408	\$7,000	\$2,337	\$7,000	0.00%
Building Inspection						
Gas Inspector	\$173,576	\$179,821	\$189,734	\$87,024	\$200,694	5.78%
Wiring Inspector	\$10,173	\$12,255	\$12,897	\$6,008	\$12,897	0.00%
Sealer Weights/Measures	\$19,204	\$17,453	\$23,052	\$10,439	\$23,024	-0.12%
	\$5,000	\$5,000	\$8,000	\$0	\$8,000	0.00%
Health/Plumbing Inspector						
Animal Control	\$168,052	\$178,508	\$221,835	\$86,569	\$223,460	0.73%
<b>Subtotal</b>	<b>\$5,257,026</b>	<b>\$5,337,097</b>	<b>\$5,731,626</b>	<b>\$2,610,455</b>	<b>\$5,758,591</b>	<b>.47%</b>

#### • Police Department

Overall, the FY2023 Police Department Budget reflects a decrease of \$8,493 or 0.28%. Due to staffing turnover, several officers have been hired at lower starting wages, resulting in a temporary reduction in personnel expenses, pending contract settlements. Expenses increase by \$34,495 due to building cleaning costs and training expenses associated with the new Peace Officers Standards & Training (POST) Commission reform mandates.

#### • Fire Department

As presented, the FY2023 Fire Department Budget reflects an increase of \$22,901 or 1% in the General Fund appropriation. In addition to the General Fund appropriation of \$2,216,978 (which includes a transfer in of \$354,487 from the Fire Department Revolving Fund under Article 4 of the Town Meeting Warrant) the departmental budget also includes \$580,743 in planned expenses that are charged directly to the Fire Department Revolving Fund. The Fire Department Revolving Fund is supported primarily by fees for ambulance services. The direct Revolving Fund charges include ambulance billing services, overtime wages, licensing fees, related maintenance and operational expenses of the ambulances and related equipment. The account also pays for the debt service associated with the purchase of ambulances. The total FY2023 budget that supports the Fire/EMS services is \$2,797,721 (\$2,216,978 plus the Fire Department Revolving Fund direct charges of \$580,743).



- **Building Department**

In FY2023, the Part-time Local Inspector's hours will increase from 15 per week to 19 per week to help address the significant increase in permits over the last year. Overall, the departmental budgets for Building, Gas, Wiring and Sealer are up \$11,158 or 4.8%.

- **Health Department**

Overall, the department's FY2023 budget is increasing \$1,625, or 0.73%. 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). This new collaborative provides shared nursing services and inspectional software to all four towns and includes a new full-time Health Inspector position to provide routine food and housing inspections to the towns of Boylston, Northborough, and Southborough. The new Greater Boroughs Partnership for Health 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.

- **Animal Control**

Beginning in FY2013 Animal Control services were outsourced through a contractual arrangement and the fees from dog licenses and fines brought into the General Fund as a transfer from the revolving fund to off-set the cost of the contract. The base contract is \$39,304, plus a small allowance for animal testing, if needed. In FY2023 the revolving fund revenues proposed to be transferred in are \$28,000 and the total Animal Control budget is \$42,729, resulting in a net tax-supported service expense of \$14,729.



# Expenditure Summary

# Section 1-19

## Public Works

The Department of Public Works (DPW) consists of multiple Divisions collectively responsible for maintaining and improving the Town’s public spaces and infrastructure. This includes the maintenance and development of Town roads, sidewalks, public trees, cemeteries, parks, public grounds and buildings, as well as the Town water supply system and wastewater/sewerage system. In addition to general Administration and Engineering, the Divisions within the Department include: Highway, Parks, Cemetery, Water and Sewer<sup>1</sup>.

### Public Works Summary

	FY2020 ACTUAL	FY2021 ACTUAL	FY2022 BUDGETED	FY2022 SIX MONTHS	FY2023 PROPOSED	% CHANGE
<b>PUBLIC WORKS</b>						
Highway Admin.	\$125,009	\$112,251	\$129,879	\$61,373	\$142,771	9.93%
Hwy. Const. & Maint.	\$1,140,713	\$1,189,119	\$1,612,846	\$610,073	\$1,690,937	4.84%
Parks	\$121,572	\$91,106	\$150,950	\$32,577	\$155,700	3.15%
Cemetery	\$143,676	\$140,149	\$166,255	\$66,232	\$169,975	2.24%
Engineering	\$152,151	\$188,624	\$196,605	\$60,297	\$186,605	-5.09%
Snow & Ice	\$330,412	\$482,022	\$437,000	\$59,924	\$437,000	0.00%
Street Lighting	\$120,000	\$125,000	\$135,000	\$61,041	\$147,000	8.89%
Trees	\$43,658	\$41,793	\$51,000	\$53,233	\$56,000	9.80%
<b>Subtotal</b>	<b>\$2,117,192</b>	<b>\$2,370,065</b>	<b>\$2,879,535</b>	<b>\$1,004,750</b>	<b>\$2,985,988</b>	<b>3.70%</b>

Overall, the Department of Public Works General Fund budget is increasing \$106,453 or 3.7%. Of this increase, \$54,810 is to fund the reinstatement of a light equipment operator that was eliminated in 2021 due to pandemic related budget concerns. The position will provide building maintenance support for the Town’s newly appointed Facility Manager and serve as supplemental assistance to overall Department needs. There is an increase to funding for tree maintenance due to significant oak mortality, and to all divisions for increases to the costs for all general goods and utilities. The major department initiatives supported by the General Fund address safety and environmental compliance. These include mandated safety compliance with the Division of Labor Standards which has adopted the requirements of the Occupational Safety and Health Administration. The Town continues to implement new components of the required Stormwater Pollution Prevention Plan, improvements to roadway and roadside safety, compliant removal and disposal of street sweeping and catch basin debris, proper disposal of resident generated yard waste, maintenance and repairs to our parks and monuments, and biannual street sweeping.

<sup>1</sup> Please see the end of this Expenditure Summary for information regarding the Water, Sewer and Solid Waste Enterprise Funds. Section 8-5 of this budget document contains the detailed budget information regarding Enterprise Fund budgets.



## Section 1-20

## Expenditure Summary

### **Community Services**

Section 5 of the Budget contains the category of human services, cultural and recreational programs and departments. These include the Senior Center/Council on Aging, Library, Recreation, Family & Youth Services, Veterans' Services, Cable Access TV, as well as various Boards and Committees.

### Community Services Summary

	FY2020 ACTUAL	FY2021 ACTUAL	FY2022 BUDGETED	FY2022 SIX MONTHS	FY2023 PROPOSED	% CHANGE
<b><u>COMMUNITY SERVICES</u></b>						
Senior Center/COA	\$300,559	\$298,225	\$312,262	\$156,191	\$314,162	0.61%
Library	\$808,484	\$801,068	\$886,565	\$409,037	\$902,344	1.78%
Recreation	\$153,054	\$108,012	\$145,591	\$60,754	\$145,281	-0.21%
Family & Youth Services	\$137,010	\$142,483	\$172,083	\$78,586	\$172,478	0.23%
Veterans' Services	\$64,671	\$66,943	\$88,039	\$19,531	\$91,225	3.62%
Cable TV	\$233,429	\$222,584	\$262,753	\$133,300	\$294,728	12.17%
Cultural Council	\$500	\$500	\$500	\$0	\$500	0.00%
Community Affairs Comm.	\$500	\$500	\$500	\$500	\$500	0.00%
Historic Dist. Commission	\$290	\$344	\$500	\$0	\$500	0.00%
<b>Subtotal</b>	<b>\$1,698,497</b>	<b>\$1,640,659</b>	<b>\$1,868,793</b>	<b>\$857,898</b>	<b>\$1,9214,718</b>	<b>2.83%</b>

#### • **Senior Center/Council on Aging**

Overall, the departmental budget is up just 0.61%, or \$1,900. Although expenses for building maintenance and repairs increases \$16,500 to better reflect actuals, that increase is largely offset by a reduction in personnel costs due to staffing changes. During FY2021 the Senior Center was required to close due to the COVID-19 pandemic, resulting in the temporary separation of two part-time employees associated with the Bistro Meal Program and one part-time Program Coordinator position, all three of which were funded through the Senior Center Revolving Fund (program fees). In FY2022 the Senior Center reopened, and the part-time positions were restored in conjunction with in-person programming and congregate meals.

In addition to the appropriated budget supported by tax revenues, the Senior Center receives approximately \$32,000 in additional funds directly from the State Formula Grant which is used primarily to provide exercise programs to seniors. The formula grant (based on the number of seniors in Town) is not subject to Town Meeting appropriation.

#### • **Family and Youth Services Department**

The FY2023 Family and Youth Services Department budget is up \$395, or 0.23%, due to merit wage adjustments implemented in FY2022. The FYS Department will continue to manage the contract with William James College, a confidential referral service that connects Northborough residents and public school students to outpatient



## Expenditure Summary Section 1-21

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mental health providers. The service was paid for in FY2021 through trust funds on a trial basis and was added to the budget in FY2022 due to the positive feedback received. This resource continues to be a valuable tool in combating the effects that the Coronavirus has had on mental health.

- **Veterans' Services**

Since the formation of the Central Massachusetts Veterans' District in FY2014 with the Towns of Grafton, Shrewsbury and Westborough, Northborough's share of the District budget has remained stable at 17% (\$23,445) of the overall administrative expenses in FY2023.<sup>2</sup> FY2023 is the first year reflecting the revised District allocation due to updated census numbers from 2020. Northborough's share of the District increased from 16% to 17% as a result of the updated census figures. Ordinary benefits for qualifying veterans and their families remain level funded at \$58,580 based upon historic needs. Although any approved benefits paid to Northborough veterans will eventually be subject to a 75% reimbursement from the Commonwealth's Department of Veterans' Services as part of the Town's state aid revenue, the Town is required to budget for the benefit payments in full in advance of the reimbursement. Overall, the FY2023 Veterans' Services budget is increasing by \$3,186, or 3.62%, primarily due to the shifting District allocation as a result of the census, as well as cost of living increases associated with staffing for the District.

- **Library**

Overall, the FY2023 Library Budget is up 1.78%, or \$15,779. The increase includes \$10,799 in personnel expenses due to merit increases previously approved on January 1, 2022, as well as increases in the minimum wage rate for library pages. Expenses are also up slightly by \$4,980 to better reflect historic building maintenance and repair costs. In FY2023 the Library will also receive an estimated \$27,022 in State Aid under the Governor's proposed budget that goes directly to the Library and does not require Town Meeting appropriation.

- **Recreation Department**

The FY2023 Recreation budget is reducing 0.21% or -\$310 in FY2023. This is a result of staff turnover in the Administrative Assistant position, resulting in a slight cost savings due to the new staff being hired at a lower rate than the prior staff. Prior to the pandemic, the Recreation Department was 100% financially self-sufficient through program fees. However, the elimination of Recreation programs in FY2021, and the significant reduction in camp attendance thresholds for safety reasons in FY2022, resulted in lower than usual revenues for the revolving account. However, given the response to the vaccine, we fully anticipate phasing all Recreation Department expenses back into the revolving account by FY2024.

- **Cable Access TV**

Overall, the FY2023 Cable Access Budget is increasing \$31,975 or 12.17%. This is largely attributable to the additional staffing needs associated with maintaining remote access to various town and school events, including the remote hosting of various

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<sup>2</sup> Under the District Agreement, Northborough is responsible for 17% of the administrative expenses of the District. This is proportionally equivalent to Northborough's population relative to the total District population.



board and committee meetings, as well as equipment upgrades to support hybrid and remote meeting environments. The Town is currently in negotiations with Verizon and Charter for cable contract renewals and as part of the negotiations the Town must balance the fees added to the cable bills with the desired level of services. One significant concern is that the cable industry continues to evolve, and an increasing number of people are cutting the cable cord, resulting in declining cable revenues. The Town is legally prohibited from adding fees to phone or internet services, so declining cable fees will continue to put pressure on PEG Access funding for the coming years.

### **Undistributed Expenses**

The Town's practice is to budget certain overhead costs in the aggregate rather than distributing costs by department or program. These overhead costs include employee benefits of health insurance, life insurance, Worcester Regional Retirement contributions, unemployment compensation and workers' compensation insurance; comprehensive building and liability insurance; debt service; non-appropriated expenses such as State Assessments and reserves for abatements; stabilization fund contributions; a reserve fund for extraordinary and unforeseen expenses; and various Town Meeting special warrant articles.

#### **• Employee Benefits & Insurance**

Employees Benefits and Insurance represent the budgetary requirements for health and life insurance coverage for both Town and K-8 School employees and retirees as well as other benefits such as FICA expense, Worcester Regional Retirement contributions, unemployment compensation and workers' compensation 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. Through collaborative negotiations with all its employee groups, the Town has successfully mitigated health insurance budget increases to sustainable 2.88% average increase over 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. The Town underwent another bid process, and while forming an informal Joint Purchasing Arrangement (JPA) with the Regional High School district and the Town of Southborough, awarded a contract to Harvard Pilgrim Healthcare (HPHC) for the next plan year. Due to favorable claims data along with the larger group afforded by the JPA, the new contract with HPHC results in a modest premium increase for FY2023.

The second largest category of employee benefit costs after Health Insurance is the Worcester Regional Retirement System (WRRS). The total FY2023 Worcester Regional Retirement Assessment is \$2,812,709. The \$2,725,650 portion included in



## Expenditure Summary Section 1-23

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the General Fund budget does not include the retirement costs contained in the Water Enterprise Fund (\$39,515), the Sewer Enterprise Fund (\$26,343) or the Cable Access TV budget (\$21,201)<sup>3</sup>. The FY2023 General Fund increase of \$255,049 represents a significant 10.32% rise in costs, primarily due to implementation of the funding schedule designed to eliminate the unfunded pension liability by 2036.

It is important to note that a municipal employee hired after 1996 will contribute 9% of their total compensation plus another 2% of any regular compensation over \$30,000 to the retirement system. Such an employee, if retired with 25 years of creditable service and the investment return assumption is met, will effectively pay for their entire pension.<sup>4</sup>

- **Transfer to OPEB Trust**

Other Post-Employment Benefits (OPEB) are the benefits, other than retiree pensions, offered to retirees and their dependents. These benefits mainly consist of medical insurance. OPEB liability is the present value of benefits for retired and vested employees. An unfunded liability reflects an incurred obligation, payable in the future, for which no reserves have been set aside.

Following the acknowledgment of OPEB in FY2009 as required by the Government Accounting Standards Board (GASB), the Town has continued to contract with an actuary to update the liability, but also to develop a funding plan to address the liability. The Town's latest liability was calculated to be \$41.11 million (Net OPEB Liability) under GASB standards at the end of FY2021.

In FY2015 the Town adopted the optional Meals Tax Surcharge and increased the Room Occupancy Tax in order to provide capacity within the budget to begin funding the OPEB Trust Fund. Since FY2015 the General Fund budget has appropriated \$500,000 annually into the OPEB Trust Fund, and in FY2020 that amount was increased to \$550,000. Unfortunately, the Town's annual contributions, although significant, are not yet lowering the overall liability. In addition, recent fiscal constraints associated with the COVID-19 pandemic led to postponement of contributions to the OPEB Trust Fund in FY2021 and FY2022. The Town has brought a contribution back at \$300,000 for FY2023 with the intent to increase the amount in future years as the post-pandemic economy improves.

- **Building & Liability Insurance**

This budget category includes property and liability coverage for all Town owned property, as well as liability coverage for all elected and appointed Town officials. In addition, because fire and police personnel are not eligible under Massachusetts law for regular workers' compensation coverage, a separate insurance policy with premiums based largely on claims experience is purchased to cover these personnel for injuries sustained in the line of duty. The police and fire MGL Chapter 41 Section

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<sup>3</sup> The Water & Sewer Enterprise Funds are designed to capture all costs associated with the service and are fully explained in Section 8 of this budget document. The Cable Public Access TV Department is funded by fees added to the cable TV subscriber bills, which pay for the related retirement costs of the full-time Cable Access staff (see Section 5 of the budget for more information regarding Public Access TV).

<sup>4</sup> Information from actuary, James R. Lamenzo of the Public Employee Retirement Administration (PERAC).



## Section 1-24

## Expenditure Summary

111F Injured on Duty (IOD) premium is also included here. The Town's Building and Liability insurance premiums reflect a 1.62% budgetary increase for FY2023.

### • **Debt Service**

For FY2023, the total Debt Service budget for the General Fund is \$1.93 million, a decrease of \$204,621 or 9.6%. The largest component of the debt service budget in FY2023 is for the Lincoln Street School, which is \$998,675.

One key factor in limiting the increase in new FY2023 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 recent efforts to fund more pay-as-you-go capital projects, interested readers should refer to Section 9 of this budget document.

It should be noted that the debt service appropriations for the Water & Sewer Enterprise Funds appear in their respective budgets (Section 8 of this budget document).

### • **State Assessments**

The FY2023 State Assessments are projected to decrease \$7,438, or 2.68%, based on the Governor's initial budget assessment to Northborough of \$270,260. However, the Town will not know its final assessments until after the State Legislature completes its budget process, which typically wraps up well after Town Meeting. Three categories of State Assessments account for approximately 78% of the expenses—Mosquito Control (\$67,643), Massachusetts Bay Transportation Authority (\$82,418) and Charter School sending tuition (\$59,589).

### • **Stabilization Fund Contribution**

As of June 30, 2021, the balance in the Stabilization Fund is \$5.13 million. Historically the budget had provided for an annual appropriation of \$100,000 to be added to the Stabilization Fund. However, for several years the appropriation was not possible due to financial constraints. Beginning in FY2016, the contribution to the Stabilization Fund was restored and augmented with additional funding for a total contribution of \$200,000 with Free Cash as the source. The FY2022 budget did not include a contribution to the Stabilization Fund from Free Cash due to the fiscal impacts of COVID-19. With the economy improving the contribution to Stabilization from Free Cash has been restored for FY2023 at \$200,000. Overall, the Town's reserves remain within the acceptable levels prescribed by its financial policies, which is 5-10% of operating revenues. More information regarding the Town's Free Cash Policy can be found in Appendix A, and information regarding the Town's level of reserves can be found in Appendix B, pages 9 and 10.

### • **Reserve Fund**

Authorized by state statute, the Appropriations Committee's Reserve Fund provides the Town operations with an option for the funding of extraordinary or unforeseen expenditures during the year. The FY2023 Reserve Fund is budgeted at the pre-pandemic level of \$175,000. Most commonly, the Reserve Fund account has been used to make up for storm related snow and ice budget overdrafts.





## • **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. The warrant articles contain proposed funding using a combination of Free Cash, bond proceeds, and/or other available funds. In FY2023, these warrant articles include \$175,000 for the Reserve Fund and \$200,000 transfer to the Stabilization Fund from Free Cash, and the FY2023 Capital Improvement Plan (CIP) which in total amounts to \$2,784,000. The funding sources for the CIP are \$2,024,000 from Free Cash, \$360,000 in Sewer Enterprise Fund Free Cash, and \$400,000 in borrowing with the debt service to be paid by the Fire Department's Revolving EMS Fund. Together with the other warrant articles the total comes to \$3,159,000.

The 2022 Annual Town Meeting Warrant Articles include the following:

- \$175,000 for the Appropriation Committee's Reserve Fund (Article 10)
- \$165,000 for Police Cruiser Replacements (Article 11)
- \$400,000 for Fire Department Ambulance (Article 12)
- \$454,000 for Roadway Maintenance and Improvements (Article 13)
- \$300,000 for Culvert and Drainage Replacement (Article 14)
- \$130,000 for One-Ton Pickup Truck for DPW (Article 15)
- \$340,000 for 20-Ton Dump Truck for DPW (Article 16)
- \$290,000 for Loader Replacement for DPW (Article 17)
- \$195,000 for Backhoe Replacement for DPW (Article 18)
- \$150,000 for Master Plan Downtown Study (Article 19)
- \$360,000 for DPW/Sewer Inflow & Infiltration Mitigation (Article 20)

The Board of Selectmen adopted a Free Cash Policy in November 2010, which provides a funding source for projects, other than municipal bonds. The Free Cash Policy can be found on page 2 of Appendix A of this budget document and is further discussed in the transmittal letter of the Capital Improvement Plan contained in Section 9-1 through 9-6 of this document.

## **Public Education**

### • **Northborough K-8**

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 Northborough K-8 School Budget will increase by \$893,275 or 3.46% to \$26,692,953 in FY2023.



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

The Northborough-Southborough Regional High School budget is composed of an operating assessment and a debt assessment related to the completed renovation/addition project. The FY2023 operating assessment is \$12,893,497 which is a \$21,469 increase, or 0.17%. The debt for ARHS increases by \$16,804, or 2.64%, to \$653,069. Additionally, the debt exclusion will be reduced by approximately \$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 and debt assessment 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 \$25,976,559 which is an increase of \$667,000, or 12.43%.

As of October 1, 2021, 68 Northborough students attend Assabet Valley, which results 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 in the prior 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 new debt service is \$1,253,940 which is an increase of \$185,450, or 17.36%.

- **Norfolk County Agricultural High School (NCAHS)**

In prior years Northborough has borne the expense of tuition and transportation to the NCAHS in the Town's portion of the budget. This expense is borne by the Town because students have the freedom to seek admission to schools with state-approved vocational technical education programs pursuant to M.G.L. c. 74 603 CMR 4.00 and are known as Chapter 74 approved programs. Once accepted the Town is required to bear the full cost of both tuition and transportation. Following several years of no NCAHS expenses, the Town was notified prior to FY2022 that a student applied for admission and was accepted, under the Chapter 74 non-resident option, to the NCAHS program. Once accepted the Town is required to bear the full cost of both tuition and transportation. The Town was notified that a second student was accepted for FY2023, so while the FY2022 cost for one student's tuition and transportation was \$38,500, the cost for two students is budgeted to be \$69,934 for FY2023.



## Enterprise Funds

Water, Sewer and Solid Waste services are operated as enterprise funds. Briefly, an enterprise fund as authorized under MGL Ch. 44 §53F½ is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an enterprise fund, all costs of service delivery—direct, indirect, and capital costs—are identified. This allows the community to recover total service costs through user fees, if it chooses.

## Enterprise Funds Summary

	FY2020 ACTUAL	FY2021 ACTUAL	FY2022 BUDGETED	FY2022 SIX MONTHS	FY2023 PROPOSED	% CHANGE
<b>ENTERPRISE FUNDS</b>						
Water Enterprise Fund	\$2,371,565	\$2,394,848	\$2,961,675	\$1,250,715	\$2,636,103	-10.99%
Sewer Enterprise Fund	\$1,704,353	\$1,673,903	\$2,419,330	\$857,497	\$2,397,488	-0.90%
Solid Waste Enterprise	\$824,976	\$870,365	\$919,144	\$407,628	\$928,113	0.98%
<b>Subtotal</b>	<b>\$4,900,893</b>	<b>\$4,939,116</b>	<b>\$6,300,149</b>	<b>\$2,515,840</b>	<b>\$5,961,704</b>	<b>-5.37%</b>

### • Water Enterprise Fund

The FY2023 Water Enterprise Fund is budgeted at \$2,636,103 which is a decrease of \$317,871 or 10.8%. The decrease is attributable to two primary factors. The first is that the MWRA preliminary assessment was reduced by \$251,513 due to a shift in the share of the overall use from “bedroom communities” such as Northborough to Metro Boston as a result of businesses reopening after the initial effects of the pandemic. The opposite effect was experienced in FY2022 when Northborough’s share of the total MWRA budget was disproportionately driven up by 24.3%. The second factor is that while the reduced MWRA assessment has a positive budgetary impact, the resulting loss in revenues due to reduced consumption resulted in a 10% reduction in revenue projections for FY2023. In addition, FY2022 was a wet year with a lot of precipitation, which drove consumption down even further. Since the FY2023 revenue projections must be based upon the prior year’s actual, the FY2023 operating budget is further constrained. One way the revenue shortfall is being managed is through a one-year pause to the hydrant replacement program for a budget reduction of \$65,000.

In the second quarter of FY2014, a base charge was added to each water account to recover a portion of fixed costs paid from the enterprise fund such as debt, meter reading, billing, and collection, regardless of the amount of water usage. Based upon formal rate studies, the water utility user rates are expected to increase approximately 4%-5% per year due to a combination of inflationary pressures (2-3% annually), annual water use fluctuations which trend downward between 0.5% and 1.0% due to mandated conservation measures, and the need to make regular infrastructure investments. The FY2023 user rates will be adjusted based upon a detailed rate study but are currently projected to increase between 3% and 4%. The base charge will also be evaluated as part of the rate study in an effort to maintain the appropriate ratio of fixed verse volumetric revenues.



- **Sewer Enterprise Fund**

The FY2023 Sewer Enterprise Fund is budgeted at \$2,397,488, which is an overall increase of \$24,028 or 1.0%. The budget reflects an estimated 10% or \$81,323 increase in the Marlborough use charge. This value, along with several other smaller increases, is substantially offset by a \$109,715 reduction in debt payments which are spread across several past debt issuances.

The critical issue facing the DPW Sewer Enterprise Fund continues to be negotiations for a new Intermunicipal Agreement with the City of Marlborough. The matter is currently in litigation, the outcome of which will establish our contribution to the operational expenses of the Westerly Wastewater Treatment Plan as well as Northborough's share of the \$30 million plant improvement project. Sewer rates were increased significantly in the second quarters of FY2014, FY2016, FY2017, and FY2018 in anticipation of a large plant improvement payment to Marlborough. The sewer use charges will be evaluated as part of a comprehensive rate study. While final rate adjustments will be based upon the updated rate study, a modest increase is anticipated in FY2023.

- **Solid Waste Enterprise Fund**

Recycling markets throughout the United States continue to experience a difficult and complicated transition. For many years China had been the primary market for our country's recyclable materials. However, in early 2018 China revised their specifications for acceptance of recyclable materials to an unachievably low contamination standard, which eliminated the option of exporting these commodities to China. That action resulted in the need for fast and drastic changes to the market for recyclable materials in the United States.

In 2019 the Town issued an Invitation for Bids (IFB) for a new solid waste collection and recyclable materials collection and disposal contract. The contract now includes an annual Recycling Net Processing Cost Adjustment, which allows the Town to better manage costs associated with the changing recycling market trends.

Overall, the Solid Waste and Recycling budget is increasing \$8,969, or 0.98%. The FY2023 fee revenues are projected to be \$470,000 and the FY2023 expenses are estimated at \$928,113 leaving a projected general fund subsidy of \$337,160 in addition to a transfer from the Solid Waste Fund Free Cash of \$120,953. In FY2023, the appropriation will again contain a \$10,000 Contingency Reserve account within the Solid Waste Fund to ensure adequate funding for the potential of an unforeseen event in the coming year.

For a full review of the PAYT trash program, as well as a more detailed discussion regarding recent market issues, interested readers are referred to the Solid Waste Enterprise Fund budget contained in Section 8 of this budget document.