

Report of the Financial Planning Committee

The Financial Planning Committee consists of six members. Three members are appointed by the Town Moderator, and one each by the Northborough School Committee, the Appropriations Committee and the Planning Board. The role of the Financial Planning Committee is to serve in a research, study and advisory capacity to the Board of Selectmen, the Appropriations Committee and the Annual Town Meeting on short and long-range financial planning matters, and to assist in the development of a Capital Improvement Program. During Fiscal Year 2022 the Committee was composed of the following members:

Member	Appointed By	Term Expires
David DeVries, Chair	Town Moderator	April 2023
Michael Hodge, Vice-Chair	Town Moderator	April 2022
John Rapa	Town Moderator	April 2023
William Peterson, Jr.	Northborough K-8 School Committee	April 2024
Thomas Spataro	Planning Board	April 2022

Committee Activities

Meeting Date	Meeting Topics
12/20/2021	Joint Meeting with Board of Selectmen, Financial Planning Committee, Appropriations Committee and K-8 School Committee; Financial Trend Monitoring System Presentation and Five-Year Financial Projections
03/02/2022	CIP Instruction Manual; Preliminary Free Cash Plan; Review of Preliminary ARPA Information; Preliminary Budget Update; DPW Project Updates; Review of Meeting Schedule and Town Meeting Calendar
03/09/2022	Review of FY2023 Preliminary Capital Budget; FY2023 Police Department Capital Requests; FY2023 Fire Department Capital Requests
03/16/2022	Review of FY2023 DPW, Water & Sewer Capital Requests; FY2023 K-8 Schools and ARHS Capital Requests.
03/23/2022	Election of Officers; Review of FY2023 Community Preservation Committee Project Requests; Final Review of FY2023 Capital Budget; Review of Draft Town Meeting Warrant; Discussion regarding American Rescue Plan Act (ARPA) Presentation; Discussion of Recommendations and Draft Report
03/28/2022	Board of Selectmen – Budget Hearing (Charter 6-5) (FPC Optional)
03/30/2021	Review and Approval of Committee Report to Town Meeting
4/14/2022	Joint ARPA Meeting

Similar to FY2022, preparation for the FY2023 budget was heavily influence by the ongoing COVID-19 pandemic. Even with the prevalence of vaccines, and reduced case numbers, budgets were delayed due to the ongoing management of the pandemic and the impact of federal and state funding through the Coronavirus Aid, Relief and Economic Security Act (CARES) Act and The American Rescue Plan Act (ARPA). However, the Committee was able to fulfill its duties as required by the Charter and have made its recommendations on each of the capital projects presented for funding in FY2023. Town Meeting is the Legislative Body of the Town of Northborough; and the final decision of approval or disapproval of each warrant article is ultimately up to you, the voters.

The Committee extends its appreciation to Town Administrator John Coderre and his Financial Team -- Assistant Town Administrator Becca Meekins and Finance Director Jason Little -- for their input and assistance throughout the Committee's process. Special thanks to Diane Wackell and Lynda LePoer for their capable administrative support.

Committee General Comments

The major role of the Financial Planning Committee is to review all submitted projects included in the Capital Improvement Program, comment upon their viability and make its final recommendations, which includes consideration of the guidelines set forth under the Debt Policy adopted by the Board of Selectmen in September 2000. These guidelines were developed to assist the Town in determining how much debt can safely be incurred, and are consistent with those recommended by the Massachusetts Department of Revenue, namely:

- Determine debt that can be incurred without jeopardizing credit standing and causing financial hardship;
- Incorporate affordability guidelines for expenditures;
- Include review of the Capital Improvement Program; and
- Indicate appropriate uses for and acceptable amounts of debt.

The Committee has reviewed the projects included in the six-year Capital Improvement Program at meetings held with the various departments proposing these projects. At these meetings, department heads presented information and data to justify the need, cost, and implementation timeframe for the projects. It is the strong opinion of the Committee that in order for the Capital Improvement Program to be an effective tool for managing the Town's capital investment, department heads must have confidence that their submitted projects will be implemented within the timeframe planned in the Program. The Committee recognizes that the municipal and school administrations have worked hard to anticipate capital needs, submit projects into the Plan, and distribute those projects over the six-year planning period so as to comply with the constraints of the Town's Debt Policy.

At this writing, debt service projections and metrics were not yet finalized and available to the Committee, but conservative preliminary estimates prepared by the Town Administrator indicate that the program will be well within the guidelines set forth in the Debt Policy both for Credit Standing and Affordability. The FY2023 debt service budget is just 2.69% of the overall operating budget, which is actually below the Town's Debt Policy guidelines of 5-10%, and the proposed FY2023 budget will see debt levels reduced even further. The Town is well positioned to take on some of the large upcoming building projects contained in the Capital Improvement Program (CIP), including the Fire Station and Town Offices projects. Subject to comments and recommendations made

herein for specific capital projects proposed for FY2023, the Committee is pleased to recommend this CIP as an effective tool for managing the Town's finances with respect to Capital Projects for the next six years.

Communication, Transparency, and Best Practices in Town Finance

The Town continues to participate in the Government Finance Officers Association's (GFOA) Distinguished Budget Award program. To be recognized, the budget document must satisfy demanding criteria which evaluate it as a policy document, a financial plan, an operations guide, and a communications tool. Further, GFOA raises the bar by requiring past award winners to demonstrate ever greater clarity and completeness in their budget document. To repeat as a GFOA award winner reflects the continuing efforts of the Financial Team to improve communication and transparency in Town finance and apply best practices to municipal budgeting. Due to the delays in the budget process in FY2021, the Town was unable to apply for the GFOA award for the budget year beginning July 1, 2020. In FY2022, the Town was able to apply for the GFOA Distinguished Budget Award and is still awaiting notice of the award. The Town plans to submit its FY2023 budget as well.

Free Cash Policy

The FY2023 budget year marks the twelfth implementation of the Town's Free Cash Policy. Under this policy, one defined use of available Free Cash is to pay for capital projects. Examples of suitable projects include DPW and Public Safety vehicles and equipment; building infrastructure components (heating, cooling, electrical, plumbing, etc.); office and technology equipment; and capital project design fees, feasibility studies, and needs analyses. In the past, the Town funded projects of this scale with debt, a practice discouraged by bond rating agencies. Under the Free Cash Policy, such capital items are now primarily funded from Free Cash and other available one-time revenues. Debt capacity is reserved for larger projects such as building construction and renovation, major roadway construction and repair, water/sewer infrastructure, and land acquisition for municipal use or to preserve open space. Following the constrained budget surpluses and decision to postpone capital expenditures during FY2021, the Town is now able to address some of the capital backlog that was incurred to balance the budget in the wake of COVID-19. Due to the state and federal financial support provided directly to the Town through the CARES Act and FEMA reimbursements, the Town was able to realize a significant Free Cash certification in preparation for the FY2023 budget. As a result, this FY2023 capital plan addresses many of the previously delayed capital projects in FY2021 and FY2022. Additional discussions will occur throughout the remainder of FY2022 and FY2023 to determine how ARPA funding will be spent, and whether a portion of those funds can go toward additional large capital items that would otherwise require financing. Current capital projects under consideration include \$800,000 for a new Fire Engine, \$880,000 for the Proctor School Roof replacement, \$400,000 for sidewalk repairs, and \$400,000 for installation of a tight tank at the DPW Garage to comply with DEP regulations. The Committee strongly encourages the use of one-time ARPA funding to address capital needs which will improve the Town's long term Finance Conditions.

From the \$3,399,259 certified free cash balance, \$2,024,000 is allocated under the Capital Budget to finance the FY2023 pay-as-you-go capital investments with no additional tax impact. Assuming this year's Capital Budget is approved, \$14.88 million of capital expenditures will have been accomplished with Free Cash over the twelve-year period FY2012-2023, which otherwise would have been financed with debt.

Capital Projects for FY2023

The Committee has reviewed and prioritized the projects in the Capital Improvement Program for Fiscal Year 2023 as follows:

Priority	Description
1	Projects that involve correcting a current Safety or Health issue, and/or to meet a Federal or State legal requirement.
2	Projects that are necessary to maintain the Town’s current buildings, equipment and infrastructure: <i>Buildings</i> - Projects necessary to maintain existing Town buildings, not including projects to expand or modernize facilities. <i>Equipment</i> - Projects necessary to replace old existing equipment, which is no longer cost effective to repair with similar equipment.
3	Projects that are required to increase capacity of existing facilities in order to accommodate the increase in growth of the Town.
4	Projects that are designed to modernize and upgrade existing Town facilities.

The Committee considers all the proposed capital projects, which have been in the Capital Improvement Plan for many years. From those proposals, the Committee recommends the capital projects below be included in this year’s FY2023 Capital Budget warrant articles. The Committee votes are shown in parentheses. Numerical votes are shown in Yes-No-Abstain order relative to a motion to recommend approval. Fewer than six total votes reflect the absence of one or more members at the time of the vote. Planned sources of funding are noted in the comments for each project.

Some of the FY2023 proposed capital expenditures consist of planned equipment replacements that were postponed from the FY2021 and FY2022 Capital Budget due to the financial impacts of the Covid-19 Pandemic. These projects have been placed back on the annual capital replacement scheduled in FY2023 with funding from Free Cash, which results in no additional tax impact.

Municipal Departments

Article 11	Sponsor	Cost	Priority	Recommend Approval?
Police Cruiser Replacement	Police	\$165,000	2	Unanimously Yes
<ul style="list-style-type: none"> ▪ Requested funding of \$165,000 for the purchase of three new police vehicles. This article supports the continued annual replacement of police cruisers on an established schedule. ▪ Funded from Free Cash with no additional tax impact. 				

Article 12	Sponsor	Cost	Priority	Recommend Approval?
Fire Ambulance Replacement	Fire	\$400,000	2	Unanimously Yes
<ul style="list-style-type: none"> ▪ This request seeks to replace a 2013 ambulance, pushing the 2019 ambulance to the second due, and the 2016 being the backup ambulance. 				

- Funded by EMS Revolving Funds with no additional tax impact or fee impact.

Article 13	Sponsor	Cost	Priority	Recommend Approval?
Road Improvements & Maintenance	Public Works - Highway	\$454,000	2	Unanimously Yes
<ul style="list-style-type: none"> ▪ Funds needed to supplement the Pavement Management Plan due to limited State Chapter 90 Transportation Funding. The Town's Pavement Management Plan requires a minimum spending level of \$1.1 million annually to maintain pavement conditions. ▪ Funded from Free Cash with no additional impact to tax rate. 				

Article 14	Sponsor	Cost	Priority	Recommend Approval?
Culvert and Drainage Replacement	Public Works – Highway	\$300,000	2	Unanimously Yes
<ul style="list-style-type: none"> ▪ Request to fund drainage repairs which may include replacement of the failed Lincoln Street culvert in conjunction with grant funds, or other urgent drainage needs in Town. In 2019, a culvert inventory and assessment was completed indicating that the town had a backlog of drainage work. ▪ Funded from Free Cash with no additional tax impact. 				

Article 15	Sponsor	Cost	Priority	Recommended Approval?
One-Ton Dump Truck with Plow	Public Works - Highway	\$130,000	2	Unanimously Yes
<ul style="list-style-type: none"> ▪ Request to replace a 2012 F350 which will be past its useful life at the time of replacement. ▪ Funded from Free Cash with no additional tax impact. 				

Article 16	Sponsor	Cost	Priority	Recommended Approval?
20-Ton Dump Truck with Plow	Public Works – Highway	\$340,000	2	Unanimously Yes
<ul style="list-style-type: none"> ▪ Request to replace a 2002 truck used for salting and sanding during snow events. These trucks have a useful life of between 15 and 20 years. ▪ Funded from Free Cash with no additional tax impact. 				

Article 17	Sponsor	Cost	Priority	Recommend Approval?
Loader Replacement	Public Works – Highway	\$290,000	2	Unanimously Yes
<ul style="list-style-type: none"> ▪ Request to replace a 2006 John Deere loader used for various construction projects throughout town as well as during snow removal operations. ▪ Funded from Free Cash with no additional tax impact. 				

Article 18	Sponsor	Cost	Priority	Recommend Approval?
Backhoe Replacement	Public Works – Highway	\$195,000	2	Unanimously Yes

- Request to replace a 2005 model backhoe used by the Highway Division used for drainage and roadway repairs, plowing of streets, and digging graves in the cemeteries. Useful life is approximately 10 to 12 years. This equipment will be 17 years old when it is replaced.
- Funded from Free Cash with no additional tax impact.

Article 19	Sponsor	Cost	Priority	Recommend Approval?
Downtown Master Plan Study	Master Plan Implementation Committee	\$150,000	4	Unanimously Yes
<ul style="list-style-type: none"> ▪ Following the finalization of the Master Plan in 2020, the Master Plan Implementation Committee formally voted to make downtown revitalization its top priority and developed a scope of work for Downtown Master Plan Study. ▪ Funded from Free Cash with no additional tax impact. 				

Article 20	Sponsor	Cost	Priority	Recommend Approval?
Sewer Inflow & Infiltration	Sewer Commission	\$360,000	4	Unanimously Yes
<ul style="list-style-type: none"> ▪ Funds to complete the second year of inflow and infiltration elimination from the sanitary sewer system as mandated by MassDEP under 314 CMR 12.04. ▪ Funded from Sewer Enterprise Funds with no additional tax impact. Costs for the project are part of the existing fee structure. 				

Community Preservation Act Projects

Certain projects to be funded with Community Preservation Act monies may be presented at Town Meeting. Although often capital in nature, these projects are not necessarily incorporated into the Capital Improvement Plan. Nevertheless, the Financial Planning Committee, in its financial advisory capacity, strives to review projects approved by the CPC and offer its recommendations at Town Meeting. Because CPA projects do not compete for funding with Capital Improvement Plan projects, no Priority is assigned. The Committee has decided not to review or make recommendations on projects not meeting the \$25,000 minimum definition of a Capital Project for purposes of the Capital Improvement Plan.

Article 23	Sponsor	Cost	Priority	Recommend Approval?
Housing Authority – 8 Affordable Units	Northborough Affordable Housing Corporation	\$1,340,000	N/A	Unanimously Yes
<ul style="list-style-type: none"> ▪ The Northborough Housing Authority, the Northborough Affordable Housing Corporation, and the MA Department of Housing and Community Development will be developing eight senior rental apartments. The Town is proposing contributing One Hundred Thousand Dollars (\$100,000) separately from ARPA funds to supplement the funds appropriated in this article, and transfer of funds will be contingent on grant funding to the Authority from the State and funds supplemented from the Authority for a total anticipated project cost of Two Million Four Hundred Forty Thousand (\$2,440,000). 				

Article 28	Sponsor	Cost	Priority	Recommend Approval?
Design and Project Management for Dog Park	Northborough Recreation Department	\$35,500	N/A	Unanimously Yes

- Funds for the first phase of a three-phase project to determine a location for a community dog park.

Article 29	Sponsor	Cost	Priority	Recommend Approval?
Design of ADA Accessible Trail located at Senior Center	Northborough Trails Committee	\$28,500	N/A	Unanimously Yes

- Design funds to upgrade to ADA standards and expand the existing trail located at the Senior Center.

Article 30	Sponsor	Cost	Priority	Recommend Approval?
Preliminary Design of Pedestrian Access Over the Assabet River Bridge	Northborough Trails Committee	\$133,658	N/A	Unanimously Yes

- Funds for the analysis and preliminary design for pedestrian access over the Assabet River Aqueduct Bridge.

Article 31	Sponsor	Cost	Priority	Recommend Approval?
White Cliffs Debt Service	Community Preservation Committee	\$185,800	N/A	Unanimously Yes

- Fund the fifth debt service payment associated with the purchase of the White Cliffs facility at 167 Main Street.

Respectfully submitted,

Northborough Financial Planning Committee
 March 30, 2022

Financial Planning Committee Revised Recommendations for FY2023 Capital Project Warrant Articles
Northborough Annual Town Meeting April 25, 2022

Article	Project	Amount	Funding Source	Priority	Vote *	Recommend Approval?
11	Police: Cruiser Replacement	\$165,000	Free Cash	2	(5-0-0)	YES
12	Fire: Ambulance Replacement	\$400,000	EMS Revolving Funds	2	(5-0-0)	YES
13	DPW: Road Improvements & Maintenance	\$454,000	Free Cash	2	(5-0-0)	YES
14	DPW: Culvert & Drainage Replacement	\$300,000	Free Cash	2	(5-0-0)	YES
15	DPW: One-Ton Dump Truck with Plow	\$130,000	Free Cash	2	(5-0-0)	YES
16	DPW: 20-Ton Pickup Truck with Plow & Spreader	\$340,000	Free Cash	2	(5-0-0)	YES
17	DPW: Loader Replacement	\$290,000	Free Cash	2	(5-0-0)	YES
18	DPW: Backhoe Replacement	\$195,000	Free Cash	2	(5-0-0)	YES
19	MPIC: Downtown Master Plan Study	\$150,000	Free Cash	4	(5-0-0)	YES
20	Water/Sewer: Inflow & Infiltration Mitigation	\$360,000	Sewer Enterprise Fund	4	(5-0-0)	YES
23	CPC: Housing Authority – 8 Affordable Units	\$1,340,000	CPA Fund	**	(5-0-0)	YES
28	CPC: Dog Park Design	\$35,500	CPA Fund	**	(5-0-0)	YES
29	CPC: ADA Accessible Train	\$28,500	CPA Fund	**	(5-0-0)	YES
30	CPC: Assabet Aqueduct Bridge Access Design	\$133,658	CPA Fund	**	(5-0-0)	YES
31	CPC: White Cliffs Debt	\$185,500	CPA Fund	**	(5-0-0)	YES

* Numerical votes shown in Yes-No-Abstain order relative to a motion to recommend approval. Fewer than five total votes reflects absence of one or more members.

** No capital project priority is assigned to CPA-funded projects.

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