

Budget Summaries

Section 1

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Balanced Budget

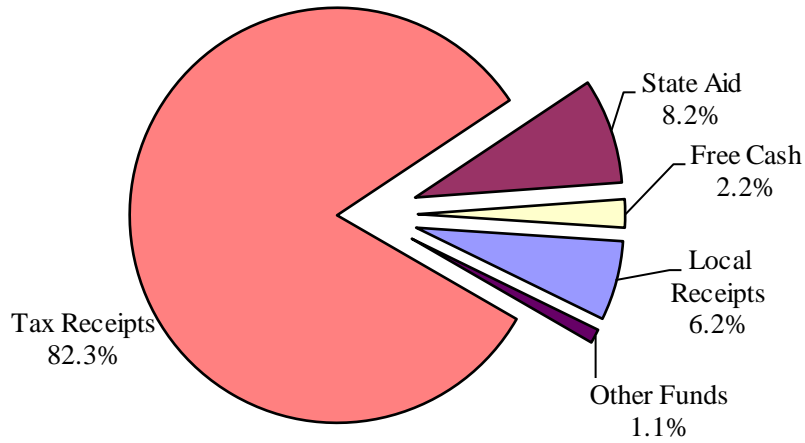


Table 1

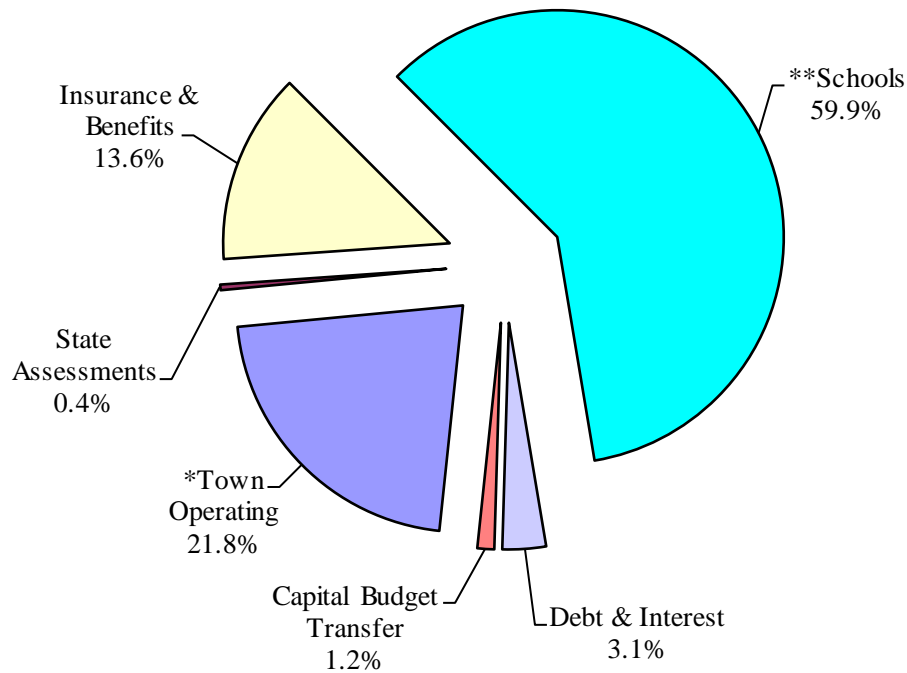
TOWN OF NORTHBOROUGH					
REVENUE & EXPENDITURE SUMMARY FISCAL YEARS 2020--2022					
LEVY LIMIT CALCULATION	FY2020	PROPOSED FY2021	REVISED FY2021	PROPOSED FY2022	% CHANGE
Prior Year Levy Limit	\$50,955,099	\$52,997,340	\$52,997,340	\$55,450,240	
Add 2.5%	\$1,273,877	\$1,324,934	\$1,324,934	\$1,386,256	
Add New Growth	\$768,364	\$776,250	\$1,127,966	\$684,800	
Add Overrides	\$0	\$0	\$0	\$0	
True Levy Limit	\$52,997,340	\$55,098,524	\$55,450,240	\$57,521,296	
Add Debt Excl - Zeh School	(\$32,041)	\$0	\$0	\$0	
Add Debt Excl - Colburn St.	\$0	\$0	\$0	\$0	
Add Debt Excl - Library	\$364,428	\$353,803	\$353,803	\$343,177	
Add Debt Excl - Senior Center	\$383,272	\$370,348	\$370,348	\$362,594	
Add Debt Excl - Algonquin	\$621,442	\$632,229	\$632,229	\$647,846	
Less Debt Excl - Settlement	(\$223,108)	(\$220,000)	(\$227,586)	(\$220,000)	
Add Debt Excl - Lincoln Street	\$1,075,199	\$1,050,837	\$1,050,837	\$1,026,182	
Add Debt Excl - Fire Station	\$0	\$17,098	\$17,098	\$52,750	
Adjusted Levy Limit	\$55,186,532	\$57,302,839	\$57,646,969	\$59,733,845	
REVENUES					
Adjusted Levy Limit	\$55,186,532	\$57,302,839	\$57,646,969	\$59,733,845	
Less Unused Levy Capacity	(\$2,166,828)	(\$2,333,425)	(\$3,399,223)	(\$3,913,557)	
Total Tax Receipts	\$53,019,704	\$54,969,414	\$54,247,746	\$55,820,288	2.90%
State Aid	\$5,412,370	\$4,492,267	\$5,434,115	\$5,521,216	1.60%
MSBA Payments	\$382,543	\$0	\$0	\$0	
Free Cash (Operating)	\$500,000	\$500,000	\$500,000	\$500,000	0.00%
Free Cash (Rtmt/Health Ins)	\$0	\$378,000	\$378,000	\$0	-100.00%
Free Cash (Reserve)	\$175,000	\$375,000	\$375,000	\$175,000	-53.33%
Free Cash (Stabilization)	\$200,000	\$0	\$0	\$0	
Free Cash (Capital/Other)	\$861,167	\$712,775	\$712,775	\$805,000	12.94%
Local Receipts	\$4,468,000	\$3,837,000	\$3,837,000	\$4,171,000	8.70%
Other Funds	\$952,083	\$755,886	\$755,886	\$733,933	-2.90%
TOTAL GENERAL FUND REVENUES	\$65,970,867	\$66,020,342	\$66,240,522	\$67,726,437	2.24%
Enterprise Funds	\$5,726,753	\$5,770,815	\$5,770,815	\$6,254,279	8.38%
TOTAL REVENUES	\$71,697,620	\$71,791,157	\$72,011,337	\$73,980,716	2.73%
EXPENDITURES					
Town	\$22,391,273	\$22,913,699	\$22,913,699	\$23,639,610	3.17%
Schools					
Northborough K-8	\$24,928,558	\$25,177,844	\$25,177,844	\$25,799,678	2.47%
Algonquin 9-12	\$12,252,514	\$12,587,175	\$12,587,175	\$13,004,868	3.32%
HS Debt Exclusion	\$621,442	\$632,229	\$632,229	\$647,846	2.47%
Assabet	\$694,822	\$865,186	\$865,186	\$934,658	8.03%
Assabet Renovation Project	\$141,488	\$137,660	\$137,660	\$133,832	-2.78%
Warrant Articles					
Reserve Fund	\$175,000	\$375,000	\$375,000	\$175,000	-53.33%
Transfer to Stabilization	\$200,000	\$0	\$0	\$0	
Capital / Other Articles	\$861,167	\$712,775	\$712,775	\$805,000	12.94%
Transfer to OPEB Trust	\$550,000	\$0	\$0	\$0	
Zeh School Debt Service	\$350,578	\$0	\$0	\$0	
Colburn Street Debt Service	\$62,315	\$59,923	\$59,923	\$57,475	-4.08%
Library Debt Service	\$364,928	\$354,248	\$354,248	\$343,567	-3.01%
Senior Center Debt Service	\$394,645	\$380,145	\$380,145	\$371,445	-2.29%
Lincoln Street Debt Service	\$1,075,875	\$1,051,475	\$1,051,475	\$1,026,775	-2.35%
Fire Station Debt Service	\$0	\$17,098	\$17,098	\$52,750	208.52%
Other Funds	\$952,083	\$755,886	\$755,886	\$733,933	-2.90%
Adjustments	(\$45,821)		\$220,180		
TOTAL GENERAL FUND EXPENDITURES	\$65,970,867	\$66,020,342	\$66,240,522	\$67,726,437	2.24%
Water Enterprise Fund	\$2,548,680	\$2,600,970	\$2,600,970	\$2,961,675	13.87%
Sewer Enterprise Fund	\$2,244,114	\$2,296,295	\$2,296,295	\$2,373,460	3.36%
Solid Waste Enterprise Fund	\$933,959	\$873,550	\$873,550	\$919,144	5.22%
TOTAL ALL FUNDS	\$71,697,620	\$71,791,157	\$72,011,337	\$73,980,716	2.73%



Fiscal Year 2022 Revenue Sources



Fiscal Year 2022 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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FY2022 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 FY2022 by 2.90% or approximately \$1.57 million, to \$55.82 million. This increase includes the 2½ percent increase of \$1,386,256 and an increase of \$684,800 in estimated taxes from projected new growth. It also includes the value of any previously approved debt exclusions. The value of new growth is budgeted conservatively at \$40 million. A conservative approach is necessary because new growth revenue is derived from the value of new development and other growth in the tax base. The rate of this development is greatly influenced and ultimately determined by economic factors in the private sector.

Table 2

LEVY LIMIT CALCULATION	FY2021	FY2022	% CHANGE
Prior Year Levy Limit	\$52,997,340	\$55,450,240	
Add 2.5%	\$1,324,934	\$1,386,256	
Add New Growth	\$1,127,966	\$684,800	
Add Overrides	\$0	\$0	
True Levy Limit	\$55,450,240	\$57,521,296	
Add Net Debt Exclusions	\$2,196,729	\$2,212,549	
Adjusted Levy Limit	\$57,646,969	\$59,733,845	
Less Unused Levy Capacity	(\$3,399,223)	(\$3,913,557)	
Total Tax Receipts	\$54,247,746	\$55,820,288	2.90%



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Revenue Summary

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 FY2022 budget assumes State Aid will increase by 1.6% to \$5.52 million. This estimate is based upon the Governor’s Budget which was released on January 27, 2021.

Despite State revenue projections expected to grow by 3.5% 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 available State funding to disadvantaged school districts. Current State revenue projections are heavily predicated on successful vaccination efforts and reopening of the economy, as well as additional federal assistance through the American Rescue Plan Act (ARPA). 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.

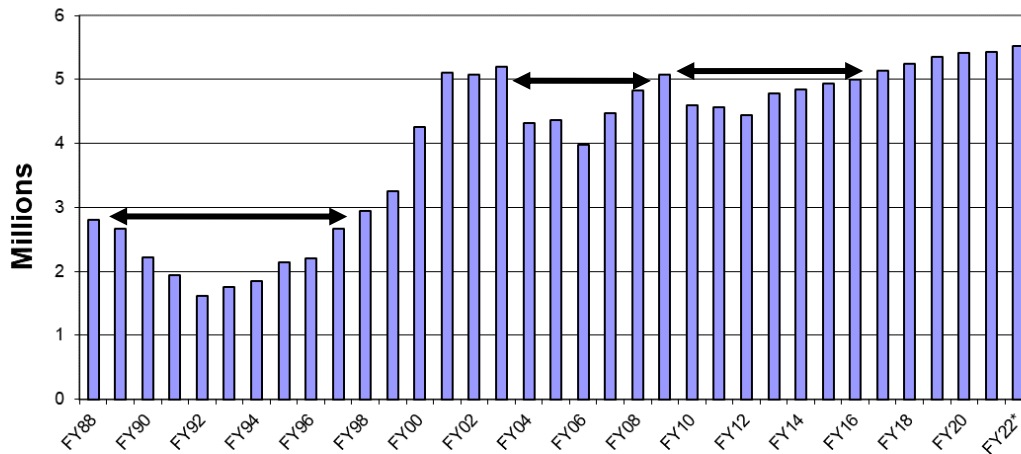
It is important to note that State Aid continues to lag behind our general budget increases and has become an ever-smaller percentage of Northborough’s overall budget. State Aid declined from a high of 13.1% of revenues in FY2003 to just 8% in FY2022, and that is not accounting for inflation.

Table 3: State Aid in Millions

FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22*
4.93	5.00	5.14	5.25	5.35	5.41	5.43	5.52

*Estimated

Northborough State Aid FY1988-2022



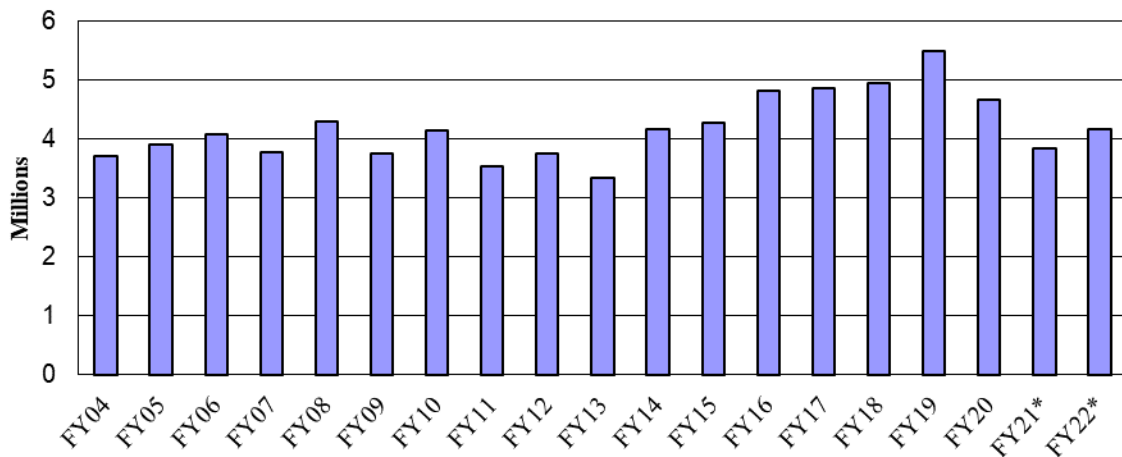


At the time of this writing the Town has limited information regarding State Assessments, and it is the net effect of the new aid and any increase in charges that really determines if Northborough is better off compared to the previous year. Given that unknown, the Town has chosen to proceed with the Governor’s Budget figures for the FY2022 assessment expense budget and continue with the estimated 1.6% revenue increase. Any State Aid actually received above current estimates can only be used to reduce the local tax impact in FY2022.

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 FY2022 is \$4.2 million which represents an 8.7% increase over FY2021. The single largest source of revenue within the Local Receipts category is the \$2.38 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 (14%) from FY2020 due to the pandemic shut down; however, as the phased reopening of the economy progresses, actual revenue collections continue to improve. Similar to the State’s revenue assumptions, the FY2022 forecast for Local Receipts is predicated on the continued success of vaccination efforts and a corresponding economic recovery.

Local Receipts



*FY21 & 22 Budgeted

The Local Receipts shown in the above graph are the actual receipts from FY2004 through FY2020 and contain many one-time sources of funds, while the budgeted amounts are shown for both FY2021 and FY2022.

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.



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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.

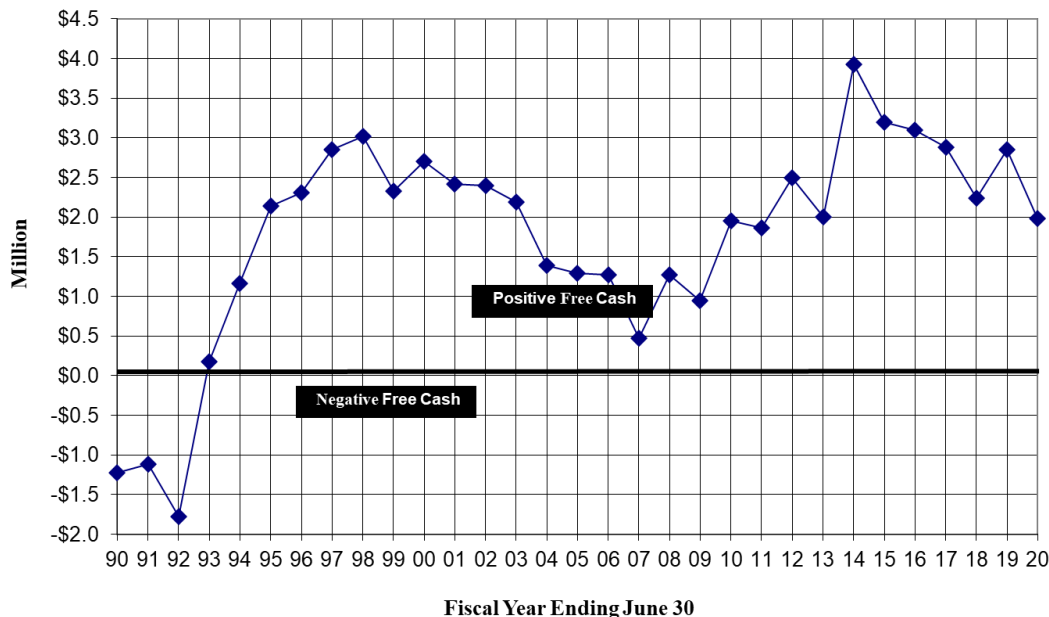
In general, the level of Local Receipts is greatly affected by outside economic conditions beyond the Town’s control; especially as it relates to motor vehicle sales, building activity and permits fees. The actual revenue trend in the preceding graph tends to mirror the general economic conditions at 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, 2020 was certified at \$1,980,662.

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 30th 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 FY1990-2020



*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, where it remained through FY2020.

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 budget returns to the policy goal of \$500,000, which is just 0.74% of the operating budget revenues. Free Cash devoted to other one-time expenses amounts to 1.45% of the budget, including \$805,000 in capital articles and \$175,000 for the Appropriation Committee's Reserve Fund article.

Other sources of Available Funds to be used in FY2022 are projected to include transfers from special revenue funds to offset departmental budgets such as \$12,000 in Cemetery Sale of Lots income, \$19,495 in Cemetery Trust Fund income, \$8,523 in Conservation Commission fees, \$351,240 from the Fire/EMS Revolving Account, \$39,039 from the Medicare Part D Subsidy, \$27,461 from the Animal Control Revolving Account, \$262,753 from the PEG Access and Cable Related Fund to cover the Cable Access Departmental costs, and a transfer of \$3,587 from the Department of Public Utilities Transportation Fund, which are fees collected by the state derived from ride-sharing services such as Uber and Lyft that must be appropriated and are restricted to Roadway maintenance expenses.

In addition, there will be a transfer of \$9,835 from premium reserves. Premium reserves are funds that were received when bonds were issued for debt excluded projects. The total net premiums are allocated over the term of the obligation, held in reserve and then transferred to offset the amount of the debt exclusion added to the tax rate.

In addition to Free Cash, these "Other" revenue sources total \$733,933 and will be used to off-set the municipal budgets as shown in Article 4 of the 2021 Annual Town Meeting Warrant.

**American Rescue Plan Act of 2021 (ARPA)**

One new revenue source in FY2022 is the Town's share of potential federal relief coming 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. Within that amount is \$130.2 billion dedicated to local governments from a Coronavirus Local Fiscal Recovery Fund. Because Massachusetts does not have functioning county government, the Massachusetts Municipal Association estimates that Northborough could receive up to \$4.42 million in ARPA funding, to be distributed over two years and expended by December 31, 2024.

The ARPA legislation allows funds allocated from the Recovery Fund to be used to:

- Respond to the COVID-19 emergency, and address its economic effects, including through aid to households, small businesses, nonprofits, and impacted industries such as tourism and hospitality.
- Provide premium pay to essential employees of state or local governments or make grants to the employers of essential employees. Premium pay may not exceed \$13 per hour or \$25,000 per worker.
- Revenue replacement due to revenue reductions resulting from COVID-19 (prior to March 3, 2021).
- Make infrastructure improvements in water, sewer, or broadband.

At the time of this writing, the U.S. Treasury Department has yet to issue detailed guidance on how these funds can be used. Depending on the final guidance there is the possibility that usage of ARPA funds may impact the FY2022 budget. However, the FY2022 budget as proposed is balanced, so any additional relief funds will only have the impact of enhancing services and/or reducing tax impacts.



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Expenditure Summary



FY2022 EXPENDITURE SUMMARY

Following is a summary of the Town's General Government Budget (non-school), which details the 3.17% increase allowable under current revenue projections.

Department	FY2021 Budget	FY2022 Proposed Budget	\$ Change	% Change
GENERAL ADMINISTRATION				
<u>EXECUTIVE OFFICE</u>				
Selectmen	177,341	181,004	3,663	2.07%
Administrator	278,059	295,460	17,401	6.26%
Economic Development	1,325	1,325	-	0.00%
Town Reports	5,150	5,150	-	0.00%
<u>PUBLIC BUILDINGS</u>				
Town Hall/Public Bldgs.	504,586	598,961	94,375	18.70%
<u>FINANCE</u>				
Treasurer	311,508	317,419	5,911	1.90%
Board of Assessors	274,461	265,150	(9,311)	-3.39%
Town Accountant	188,031	191,719	3,688	1.96%
<u>MIS/GIS</u>				
MIS/GIS	488,693	543,666	54,973	11.25%
<u>TOWN/CLERKS OFFICE</u>				
Town Clerk	142,941	146,171	3,230	2.26%
Election/Registration	47,715	26,067	(21,648)	-45.37%
<u>ADVISORY BOARDS/SERVICES</u>				
Moderator	500	500	-	0.00%
Appropriations Committee	1,695	1,695	-	0.00%
Town Counsel	85,000	90,000	5,000	5.88%
Personnel Board	66,082	79,975	13,893	21.02%
<u>PLANNING & CONSERVATION</u>				
Conservation Commission	90,841	94,148	3,307	3.64%
Planning Board	188,511	200,113	11,602	6.15%
Zoning Board	5,254	5,306	52	0.99%
Earthwork Board	1,877	1,944	67	3.57%
<u>PUBLIC SAFETY</u>				
Police	2,986,114	3,032,302	46,188	1.55%
Fire	2,155,018	2,194,077	39,059	1.81%
Emergency Preparedness	2,000	7,000	5,000	250.00%
Building	181,971	187,234	5,263	2.89%
Gas Inspector	12,671	12,897	226	1.78%
Wire Inspector	22,671	23,052	381	1.68%
Sealer of Weights	8,000	8,000	-	0.00%
Board of Health	203,784	220,246	16,462	8.08%
Animal Control	41,484	42,729	1,245	3.00%
<u>PUBLIC WORKS</u>				
Highway Admin.	128,214	129,862	1,648	1.29%
Hwy. Const. & Maint.	1,578,034	1,610,922	32,888	2.08%
Parks	137,950	150,950	13,000	9.42%
Cemetery	151,147	165,987	14,840	9.82%
Engineering	194,275	196,605	2,330	1.20%
Snow & Ice	437,000	437,000	-	0.00%
Street Lighting	125,000	135,000	10,000	8.00%
Trees	46,000	51,000	5,000	10.87%
<u>COMMUNITY SERVICES</u>				
Council on Aging	302,029	312,262	10,233	3.39%
Library	865,875	886,565	20,690	2.39%
Recreation	104,021	145,591	41,570	39.96%
Youth Services	152,933	172,083	19,150	12.52%
Veterans Services	82,726	88,039	5,313	6.42%
Cable TV	304,246	262,753	(41,493)	-13.64%
Cultural Council	500	500	-	0.00%
Community Affairs Committee	500	500	-	0.00%
Historical Commission	500	500	-	0.00%



Expenditure Summary

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Department	FY2021 Budget	FY2022 Proposed Budget	\$ Change	% Change
UNDISTRIBUTED EXPENSES				
<u>EMPLOYEE BENEFITS & INSURANCE</u>				
Health Insurance	5,997,041	6,122,824	125,783	2.10%
Transfer to OPEB Trust	-	-	-	
Life Insurance	8,930	8,930	-	0.00%
Other Benefits/FICA	488,258	489,904	1,646	0.34%
Workers Comp	141,330	134,702	(6,628)	-4.69%
Retirement Assessments	2,275,596	2,470,601	195,005	8.57%
<u>BUILDING & LIABILITY INSURANCE</u>				
Bldg. & Liability Insur.	269,862	283,557	13,695	5.07%
<u>DEBT SERVICE</u>				
Debt Service	2,202,532	2,130,726	(71,806)	-3.26%
<u>STATE ASSESSMENTS</u>				
State Assessments	273,418	255,768	(17,650)	-6.46%
<u>NORFOLK AGRICULTURAL HIGH SCHOOL</u>				
Tuition/Transportation	-	38,500	38,500	
<u>STABILIZATION FUND CONTRIBUTION</u>				
Stabilization Fund	-	-	-	
<u>RESERVE FUND</u>				
Reserve Fund	375,000	175,000	(200,000)	-53.33%
<u>SPECIAL WARRANT ARTICLES</u>				
Special Articles	712,775	805,000	92,225	12.94%
Solid Waste Subsidy	337,160	337,160	-	0.00%
OTHER NON-APPROPRIATED AMOUNTS				
Reserve for Abatements	650,299	404,661	(245,638)	-37.77%
Offsets	23,994	28,793	4,799	20.00%
ENTERPRISE FUNDS				
Water	2,600,970	2,961,675	360,705	13.87%
Sewer	2,296,295	2,373,460	77,165	3.36%
Solid Waste	873,550	919,144	45,594	5.22%
GROSS TOTAL TOWN	32,611,243	33,459,834	848,591	2.60%
CALCULATION OF NET TOTAL TOWN				
Less Water Fund	(2,600,970)	(2,961,675)		
Less Sewer Fund	(2,296,295)	(2,373,460)		
Less Solid Waste	(873,550)	(919,144)		
Less Other Funds	(755,886)	(733,933)		
Less Recap Adjustments	(220,180)			
Less Debt Exclusion	(1,862,888)	(1,852,012)		
Less Reserve Fund Article	(375,000)	(175,000)		
Less Transfer to OPEB Trust	-	-		
Less Transfer to Stabilization	-	-		
Less Special Articles	(712,775)	(805,000)		
NET TOTAL TOWN	22,913,699	23,639,610		3.17%
CALCULATION OF TOWN APPROPRIATION				
GROSS TOTAL TOWN	32,611,243	33,459,834		
Less County Assessments	(2,275,596)	(2,470,601)		
Less State Assessments	(273,418)	(255,768)		
Less Reserve for Abatements	(650,299)	(404,661)		
Less Offsets	(23,994)	(28,793)		
Less Reserve Fund Article	(375,000)	(175,000)		
Less Stabilization Transfer Article	-	-		
Less Special Articles	(712,775)	(805,000)		
Less Solid Waste Subsidy	(337,160)	(337,160)		
Less Enterprise Funds	(5,770,815)	(6,254,279)		
Net Town Warrant Article 4	22,192,186	22,728,572		

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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

	FY2019 ACTUAL	FY2020 ACTUAL	FY2021 BUDGETED	FY2021 SIX MONTHS	FY2022 PROPOSED	% CHANGE
EXECUTIVE OFFICE						
Selectmen	\$167,333	\$171,012	\$177,341	\$72,204	\$181,004	2.07%
Administrator	\$269,580	\$213,817	\$278,059	\$108,797	\$295,460	6.26%
Economic Development	\$850	\$855	\$1,325	\$0	\$1,325	0.00%
Town Reports	\$4,700	\$1,435	\$5,150	\$0	\$5,150	0.00%
Subtotal	\$442,463	\$387,119	\$461,875	\$181,002	\$482,939	4.56%
PUBLIC BUILDINGS						
	\$384,468	\$388,304	\$504,586	\$150,425	\$598,961	18.7%
Subtotal	\$384,468	\$388,304	\$504,586	\$150,425	\$598,961	18.7%
FINANCE						
Treasurer	\$332,017	\$283,613	\$311,508	\$129,861	\$317,419	1.90%
Board of Assessors	\$265,318	\$261,485	\$274,461	\$80,242	\$265,150	-3.39%
Town Accountant	\$167,159	\$182,149	\$188,031	\$87,486	\$191,719	1.96%
Subtotal	\$764,494	\$727,247	\$774,000	\$297,589	\$774,288	.04%
MIS/GIS						
	\$448,644	\$396,108	\$488,693	\$274,665	\$543,666	11.25%
Subtotal	\$448,644	\$396,108	\$488,693	\$274,665	\$543,666	11.25%
TOWN CLERKS OFFICE						
Town Clerk	\$136,110	\$140,772	\$142,941	\$66,048	\$146,171	2.26%
Elections/Registration	\$44,649	\$31,675	\$47,715	\$38,756	\$26,067	-45.37%
Subtotal	\$180,760	\$172,447	\$190,656	\$104,804	\$172,238	-9.66%
ADVISORY BOARDS/SERVICES						
Moderator	\$200	\$0	\$500	\$0	\$500	0.00%
Appropriations Committee	\$415	\$422	\$1,695	\$210	\$1,695	0.00%
Personnel Board	\$31,408	\$9,914	\$66,082	\$3,609	\$79,975	21.02%
Town Counsel	\$84,782	\$63,787	\$85,000	\$18,128	\$90,000	5.88%
Subtotal	\$116,805	\$74,123	\$153,277	\$21,947	\$172,170	12.33%
PLANNING AND CONSERVATION						
Town Planner/Planning Bd	\$174,834	\$180,420	\$188,511	\$87,079	\$200,113	6.15%
Zoning Board of Appeals	\$1,757	\$1,038	\$5,254	\$1,551	\$5,306	.99%
Earthworks	\$15	\$0	\$1,877	\$318	\$1,944	3.57%
Conservation Commission	\$75,602	\$79,301	\$90,841	\$39,230	\$94,148	3.64%
Subtotal	\$252,209	\$260,759	\$286,483	\$128,178	\$301,511	5.25%



Expenditure Summary Section 1-15

FY2022 is the last year of the previously negotiated collective bargaining agreements for Police Patrol Officers, Police Sergeants, Public Safety Dispatchers, Firefighters and the Northborough Municipal Employees Association. All departmental budgets as presented include a 2% cost-of-living increase for Union and Non-union personnel, while merit increases are provided for centrally within the Personnel Board budget.

Following are the key changes of significance for the General Government Departments:

- **Executive Office**

Overall, the Executive Office budget is increasing \$21,064 or 4.56% in FY2022. In addition to a 2% salary increase for non-union personnel, \$9,960 of the increase reflects the hiring of a new Assistant Town Administrator at a higher salary than the prior year's budgeted amount, which reflected a vacant position funded at the midpoint of the salary range.

- **Public Buildings**

The Public Buildings Budget will increase \$94,375, or 18.70% in FY2022. In FY2022 a full-time Facilities Manager is being added at a cost of \$92,616. The position was initially slated to be funded for half of the fiscal year in FY2020, and then full-time in FY2021; however, due to financial concerns surrounding COVID-19, funding for the position was eliminated. The new position will be responsible for coordination of the maintenance and repairs of Town Buildings, as well as assisting with preparation of the Town's Six-Year Capital Improvement Plan (CIP).

- **Finance Department**

Overall, the Finance Department's FY2022 budget is up just \$288, or 0.04%. The departmental budget as presented includes 2% contractual wage increases for Union and Non-Union personnel, which were largely offset by personnel changes in the Assessor's Division. In addition to the hiring of a new Principal Assessor and Assessor's Assistant at a lower salary rates, a new Data Collector position was also added. As part of the reorganization an Assessor's Assistant position was eliminated, resulting in net level staffing for FY2022.

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

The MIS/GIS budget is increasing by \$54,973, or 11.25%. The most significant factors contributing to the increase are the addition of infrastructure to support a new Town-wide phone system and the planned core network switch replacement. The main departmental initiatives in FY2022 include finalizing and implementing the new VoIP phone system, and other updates to the Town's internet connectivity.

- **Town Clerk/Elections**

The combined FY2022 Town Clerk/Elections budget represents an overall decrease of \$18,418, or 9.66%. The decrease is due to there being only one scheduled election in FY2022 as opposed to the three held in FY2021. The FY2022 schedule includes only one Annual Town Election on May 10, 2022. During FY2021 the department fully transitioned to one centralized polling location at the Melican Middle School in order to reduce disruption at the four elementary schools and increase efficiency of oversight.



- **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 is the final year of all settled collective bargaining agreements. Negotiations for the next cycle of contracts will begin during FY2022. While all FY2022 departmental budgets include a 2% contractual cost-of-living wage increase for Union and Non-Union personnel, 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. Once approved, the funds are transferred and reflected in the year-end “actuals” of the appropriate departmental budgets.

- **Town Counsel**

The budget for Town Counsel is funded at \$90,000, which is an increase of \$5,000 to better reflect yrending costs. Town Counsel is appointed by the Board of Selectmen for an indefinite term. Town Counsel 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 FY2022 Planning and Conservation budget is up \$15,028, or 5.25%. In addition to a 2% wage increase for union and non-union personnel, the budget includes a \$5,000 increase in consulting services related to the Master Plan Implementation Committee’s work. The budget also includes an increase in hours for the part-time secretary that supports the Planning Board which is needed given the increased frequency and extended length of Board meetings.



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

	FY2019 ACTUAL	FY2020 ACTUAL	FY2021 BUDGETED	FY2021 SIX MONTHS	FY2022 PROPOSED	% CHANGE
PUBLIC SAFETY						
Police	\$2,617,788	\$2,762,388	\$2,986,114	\$1,380,173	\$3,032,302	1.55%
Fire	\$1,980,539	\$2,079,042	\$2,155,018	\$1,020,818	\$2,194,077	1.81%
Emergency Preparedness	\$0	\$110	\$2,000	\$0	\$7,000	250.00%
Building Inspection	\$166,060	\$173,576	\$181,971	\$82,120	\$187,234	2.89%
Gas Inspector	\$9,961	\$10,173	\$12,671	\$6,280	\$12,897	1.78%
Wiring Inspector	\$20,919	\$19,204	\$22,671	\$6,597	\$23,052	1.68%
Sealer Weights/Measures	\$5,000	\$5,000	\$8,000	\$0	\$8,000	0.00%
Health/Plumbing Inspector	\$175,015	\$168,052	\$203,784	\$68,358	\$220,246	8.08%
Animal Control	\$39,913	\$39,481	\$41,484	\$19,818	\$42,729	3.00%
Subtotal	\$5,015,194	\$5,257,026	\$5,613,713	\$2,584,164	\$5,727,537	2.03%

• Police Department

Overall, the FY2022 Police Department Budget reflects an increase of \$46,188 or 1.55%. The majority (\$34,253) of the increase is attributable to contractual wage increases of 2% for union and non-union personnel. Due to staffing turnover, several officers have been hired at a lower starting wage, which contributed to the smaller than usual FY2022 personnel increase. Expenses increased by \$11,935 due to Computer Services and a \$5,000 restoration to the new equipment line item, which was previously reduced in FY2021 due to the pandemic.

• Fire Department

As presented, the FY2022 Fire Department Budget reflects an increase of \$39,059 or 1.81% in the General Fund appropriation. The departmental budget includes a 2% cost-of-living wage increases for Union and Non-Union personnel.

In addition to the General Fund appropriation of \$2,194,077 (which includes a transfer in of \$351,240 from the Fire Department Revolving Fund under Article 4 of the Town Meeting Warrant) the departmental budget also includes \$582,778 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 FY2022 budget that supports the Fire/EMS services is \$2,776,855 (\$2,194,077 plus the Fire Department Revolving Fund direct charges of \$582,778).

- **Building Department**

There are no significant budget changes for the FY2022 Building Department. Overall, the departmental budgets for Building, Gas, Wiring and Sealer are up \$5,870 or 2.61%, inclusive of a 2% contractual wage increases for Union and Non-Union personnel.

- **Health Department**

Overall, the Health Department's FY2022 budget increases \$16,462, or 8.08%, primarily due to changes in departmental personnel and the hiring of a new Health Agent at a higher salary than previously budgeted. The budget as presented includes a 2% contractual wage increases for Union and Non-Union personnel. The budget also includes \$13,000 in the temporary wages line in order to provide limited back-up for the department's only Health Agent. Looking forward, Northborough has applied for a new Public Health Excellence Grant. The Town is proposing to create a new shared services arrangement with the Towns of Westborough, Boylston, and Southborough. If awarded, the grant funds will provide for expanded public health nursing services, additional staffing for inspectional services, dedicated software for inspectional services, and ongoing continuity of operations for all four community health departments.

- **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. Since FY2021 is the last year of a three-year contract, the FY2022 Animal Control Budget assumes a 3% increase, pending bid results. In FY2022, the revolving fund revenues to be transferred in are \$27,461 and the estimated cost for animal control services is \$42,729, resulting in a net tax-supported service expenses of \$15,268.



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 Sewer¹.

Public Works Summary

	FY2019 ACTUAL	FY2020 ACTUAL	FY2021 BUDGETED	FY2021 SIX MONTHS	FY2022 PROPOSED	% CHANGE
PUBLIC WORKS						
Highway Admin.	\$123,087	\$125,009	\$128,214	\$41,970	\$129,862	1.29%
Hwy. Const. & Maint.	\$1,203,646	\$1,140,713	\$1,578,034	\$546,696	\$1,610,922	2.08%
Parks	\$99,798	\$121,572	\$137,950	\$26,974	\$150,950	9.42%
Cemetery	\$126,221	\$143,676	\$151,147	\$61,913	\$165,987	9.82%
Engineering	\$152,607	\$152,151	\$194,275	\$61,356	\$196,605	1.20%
Snow & Ice	\$369,316	\$330,412	\$437,000	\$94,533	\$437,000	0.00%
Street Lighting	\$117,000	\$120,000	\$125,000	\$58,478	\$135,000	8.00%
Trees	\$37,573	\$43,658	\$46,000	\$39,360	\$51,000	10.87%
Subtotal	\$2,229,248	\$2,177,192	\$2,797,620	\$931,280	\$2,877,326	2.85%

Overall, the Department of Public Works General Fund budget is increasing \$79,706 or 2.85%. The majority of the increase is attributed to contractual wage increases for Union and Non-Union personnel, and as well as restoration of previously reduced small equipment budgets that were cut in FY2021. The elimination of the Assistant DPW Director position and part-time Administrative Assistant position in FY2021 remain unbudgeted in FY2022.

¹ 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

	FY2019 ACTUAL	FY2020 ACTUAL	FY2021 BUDGETED	FY2021 SIX MONTHS	FY2022 PROPOSED	% CHANGE
<u>COMMUNITY SERVICES</u>						
Senior Center/COA	\$289,986	\$300,559	\$302,029	\$132,869	\$312,262	3.39%
Library	\$825,731	\$808,484	\$865,875	\$334,802	\$886,565	2.39%
Recreation	\$149,167	\$153,054	\$104,021	\$49,558	\$145,591	39.96%
Family & Youth Services	\$131,028	\$137,010	\$152,933	\$64,212	\$172,083	12.52%
Veterans' Services	\$61,537	\$64,671	\$82,726	\$23,793	\$88,039	6.42%
Cable TV	\$238,905	\$233,429	\$304,246	\$131,942	\$262,753	-13.64%
Cultural Council	\$500	\$500	\$500	\$0	\$500	0.00%
Community Affairs Comm.	\$500	\$500	\$500	\$500	\$500	0.00%
Historic Dist. Commission	\$390	\$290	\$500	\$0	\$500	0.00%
Subtotal	\$1,697,744	\$1,698,497	\$1,813,330	\$737,677	\$1,868,793	3.06%

• **Senior Center/Council on Aging**

Overall, the departmental budget is up 3.39%, or \$10,233, which includes a \$5,160 increase in the utilities line to better reflect actual cost trends. The departmental budget as presented includes a 2% contractual wage increases for Union and Non-Union personnel. During FY2021 the Senior Center was required to close due to the COVID-19 pandemic, resulting in the 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 from the Senior Center Revolving Fund (program fees). In FY2022, when it is safe, the goal is to reopen the Bistro Meal Program and return to indoor programs that generate the revenues necessary to phase back in these part-time positions.

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 FY2022 Family and Youth Services Department budget is up \$19,150, or 12.52%, primarily due to the addition of a new \$15,500 mental health referral service called INTERFACE. During the pandemic mental health needs increased and the department added this cost-effective program through William James College, which



Expenditure Summary Section 1-21

is a free, confidential referral service that connects Northborough residents and public school students to outpatient mental health providers. The service was paid for in FY2021 through trust funds on a trial basis and is being added to the base budget in FY2022 given its effectiveness and positive feedback.

- **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 16% (\$20,259) of the overall administrative expenses in FY2022. 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 FY2022 Veterans' Services budget is increasing by \$5,313, or 6.42%, primarily due to new costs associated with the hanging of banners for the "Home Town Heroes" program.

- **Library**

Overall, the FY2022 Library Budget is up 2.39%, or \$20,690. The budget reflects a 2% wage increase for Union and Non-union personnel, which was largely offset by new hires being brought in at lower wage rates. The FY2022 Library budget includes restoration of \$30,000 in FY2021 cuts that were made to the books and materials line as a result of COVID-19. The increased books and materials line is partially offset by minor reductions in other expense lines. In FY2022 the Library will also receive an estimated \$28,793 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 FY2022 Recreation Budget is increasing \$41,570, or 39.96%, due to absorption of the remaining personnel expenses associated with the department's two full-time staff. Prior to the pandemic, the Recreation Department was 100% financially self-sufficient through program fees. In FY2022 the department is being funded through general tax dollars with the goal of phasing back to self-sufficiency by FY2023. However, all part-time and seasonal employees as well as programmatic expenses will continue to be paid directly out of the Recreation Revolving Fund as programming begins to return to pre-pandemic levels. The Recreation Department's goal moving forward is to once again fund 100% of its budget with program revenues, so that no tax dollars are used for departmental services.

- **Cable Access TV**

Overall, the Cable Access budget decreases in FY2022 by \$41,493 primarily due to completed capital expenditures. Contractual capital and operational payments received from Charter Communications and Verizon continue to provide all departmental funding. 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 FY2022 Health Insurance budget request of \$6.12 million represents a modest increase of \$125,783, or 2.1% 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 3% 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. Given its significant impact on Town finances, successful management of the annual health insurance budget will be a major factor in next year's budget cycle.

The second largest category of employee benefit costs after Health Insurance is the Worcester Regional Retirement System (WRRS). The total FY2022 Worcester Regional Retirement Assessment is \$2,548,279. The \$2,470,601 portion included in the General Fund budget does not include the retirement costs contained in the Water Enterprise Fund (\$34,940), the Sewer Enterprise Fund (\$23,293) or the Cable Access TV budget (\$19,445). The FY2022 General Fund increase of \$195,005 represents a significant 8.6% 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.²

- **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. GASB has since clarified and replaced Statement #45, with Statements #74 and #75, and under GASB #75 the Town's latest liability was calculated to be \$36.32 million (Net OPEB Liability) under the new standards at the end of FY2020. 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 have required postponement of contributions to the OPEB Trust Fund in FY2021 and FY2022. As of this writing, the OPEB Trust Fund had \$4.53 million in it and the funding ratio has increased to 9.33%. The Town will need to revisit its funding plan in subsequent years to get back on track, resources permitting.

- **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 111F Injured on Duty (IOD) premium is also included here. The Town's Building and Liability insurance premiums reflect a 5.1% budgetary increase for FY2022.

- **Debt Service**

For FY2022, the total Debt Service budget for the General Fund is \$2.13 million, a decrease of \$71,806. The largest component of the debt service budget in FY2022 is for the Lincoln Street School, which is \$1,026,775.

One key factor in limiting the increase in new FY2022 debt service is the Town's Free Cash policy whereby smaller capital items are purchased using available funds, such

² Information from actuary, James R. Lamenzo of the Public Employee Retirement Administration (PERAC).



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 FY2022 State Assessments are projected to decrease \$17,650, or 6.46%, based on the Governor's initial budget assessment to Northborough of \$255,768. 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 over 72% of the expenses—Mosquito Control (\$65,994), Massachusetts Bay Transportation Authority (\$82,996) and Charter School sending tuition (\$36,326).

- **Stabilization Fund Contribution**

As of June 30, 2020, the balance in the Stabilization Fund is \$5.06 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 does not include a contribution to the Stabilization Fund from Free Cash due to the fiscal impacts of COVID-19. However, given the lower overall budget increases and the extra Free Cash being held in reserve, financial reserves as a percentage of the budget are estimated at 8-9%. Future contributions to the Stabilization Account will require a yearly review of the Town's financial position. 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**

In FY2021, the Reserve was funded at \$375,000 to mitigate the unknown potential impacts of Covid-19. However, given the significant federal support through both the CARES Act and the American Rescue Plan Act, it is unlikely there will be a need to utilize the additional Reserve Fund dollars in FY2021, and as a result, the appropriation for FY2022 will be reduced to pre-pandemic levels at \$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 FY2022, these warrant articles



include \$175,000 for the Reserve Fund from Free Cash, and the FY2022 Capital Improvement Plan (CIP) which in total amounts to \$1,875,250. The funding sources for the CIP are \$805,000 from Free Cash, \$290,250 from Community Preservation Funds, \$150,000 in grant funding, \$80,000 from Water Enterprise Free Cash, \$50,000 in Water Enterprise Fund bonds, and \$500,000 from Water & Sewer Enterprise Fund bonds. The CIP totals \$1,875,250, and together with the other warrant articles the total expenditures come to \$2,050,250.

The FY2022 Town Meeting Warrant Articles include the following:

- \$175,000 for the Appropriation Committee's Reserve Fund (Article 10)
- \$150,000 for Police Cruiser Replacements (Article 11)
- \$80,000 for One-Ton Pickup Truck for Fire Department (Article 12)
- \$76,000 for SUV Command Vehicle for Fire Department (Article 13)
- \$310,000 for Roadway Maintenance and Improvements (Article 14)
- \$115,000 for One-Ton Dump Truck with Plow (Article 15)
- \$74,000 for One-Ton Pickup Truck with Plow (Article 16)
- \$500,000 for DPW/Water and Sewer SCADA Project (Article 17)
- \$50,000 (plus \$150,000 grant) for DPW/Water Reservoir Dam Breach (Article 18)
- \$80,000 for DPW/Water and Sewer Utility Tractor (Article 19)
- \$290,250 for CPA funded Pickleball Courts at Ellsworth/McAfee Park (Article 23)

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, 2020, a total of 1,526 students attend the Northborough schools, with 1,007 students in grades K-5 at the four elementary schools and 519 students in grades 6-8 at the Middle School.

Based on the Town's revenue forecast and declining enrollment, the Northborough K-8 School Budget will increase 2.47% in FY2022. Therefore, the FY2022 amount available for the Northborough K-8 School department is \$25,799,678. This represents an increase of \$621,834 from the \$25,177,844 appropriated last year.



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

As of October 1, 2020, a total of 861 Northborough students attend the Northborough-Southborough Regional High School. This represents 63.26% of the total 1,361 student enrollment in grades 9-12. The Northborough-Southborough budget is composed of an operating assessment and a debt payment related to the completed renovation/addition project. The ARHS operating assessment is increasing \$417,693, or 3.32% in FY2022. The debt for ARHS is increasing by \$15,617, or 2.47%, to \$647,846. The net effect of the combined operating assessment and new debt service is an overall increase of \$433,310, or 3.28%, to \$13,652,714.

- **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 FY2022 budget is \$23,104,000 which is an increase of \$667,000, or 2.97%.

As of October 1, 2020, 59 Northborough students attend Assabet Valley, resulting in an operating assessment of \$934,658. This is an enrollment increase of 6 students from the 53 Northborough students that attended Assabet Valley last year. Northborough's FY2022 share of the debt assessment from the completed building renovation project is \$133,832, which will continue to decline in subsequent years. The net effect of the combined operating assessment and new debt service is \$1,068,490 which is an increase of \$65,644, or 6.55%.

- **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. The FY2022 cost for one student's tuition and transportation is \$38,500.

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

	FY2019 ACTUAL	FY2020 ACTUAL	FY2021 BUDGETED	FY2021 SIX MONTHS	FY2022 PROPOSED	% CHANGE
ENTERPRISE FUNDS						
Water Enterprise Fund	\$2,287,872	\$2,371,565	\$2,600,970	\$1,106,242	\$2,961,675	13.87%
Sewer Enterprise Fund	\$1,636,645	\$1,704,353	\$2,296,295	\$710,761	\$2,373,460	3.36%
Solid Waste Enterprise	\$731,978	\$824,976	\$873,550	\$477,782	\$919,144	5.22%
Subtotal	\$4,656,495	\$4,900,893	\$5,770,815	\$2,294,785	\$6,254,279	8.38%

• Water Enterprise Fund

The FY2022 Water Enterprise Fund is budgeted at \$2,961,675 which is an increase of \$360,705 or 13.87%. This increase is due to one major factor which is the projected MWRA annual assessment increase of \$345,583 (24.3%) that accounts for nearly 96% of the total budget increase. Also included are contractual labor increases and mandated semiannual systemwide leak detection. The reason for the substantial increase to the MWRA assessment is a shift in water use among the MWRA communities. The City of Boston and other large metropolitan members used less water during the pandemic. The result was a shift in Northborough's share of the total MWRA budget, disproportionately driving up our FY2022 assessment. The FY2022 Water Enterprise Budget includes the use of \$316,548 in fund balance (Enterprise Fund Free Cash) to mitigate the one-time spike in the MWRA assessment. It is expected that the Town's percentage of MWRA water use will return to pre-pandemic levels once the economy fully opens.

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 funds 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 5% per year due to a combination of inflationary pressures (between 2% and 3% annually), annual water use fluctuations, and the need to make regular infrastructure investments.

• Sewer Enterprise Fund

The FY2022 Sewer Enterprise Fund is budgeted at \$2,373,460, which is an overall increase of \$77,165 or 3.36%. The budget reflects an estimated 5% increase in the Marlborough use charge of \$38,726 and an increase in debt service of \$27,978. These two items account for over 86% of the overall budget increase. Several smaller initiatives account for the remainder of the increase including an escalation to the cost of state-mandated inflow and infiltration investigation.

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 City's Westerly Wastewater Treatment Plant 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 for FY2019 and FY2021 increased by 5% but were maintained with no increase for FY2020. While final rate adjustments will be based upon an updated rate study, no increase is projected at this time for FY2022.

• **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 FY2019 the Town issued an Invitation for Bids (IFB) for a new solid waste collection and recyclable materials collection and disposal contract. The contract no 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 pay-as-you-throw (PAYT) Solid Waste and Recycling budget is increasing \$45,594, or 5.22%. The FY2022 bag fee revenues are projected to be \$488,000 and the FY2022 expenses are estimated at \$919,144, leaving a projected general fund subsidy of \$337,160 in addition to a transfer from the Solid Waste Fund Free Cash of \$93,984. In FY2022, 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.