

BOARD OF SELECTMEN
APPROPRIATIONS COMMITTEE
FINANCIAL PLANNING COMMITTEE
NORTHBOROUGH SCHOOL COMMITTEE

SPECIAL JOINT MEETING MINUTES – December 15, 2016

Northborough Free Library, 34 Main Street, Northborough, MA

BOARD AND COMMITTEE MEMBERS PRESENT

Board of Selectmen

William Pantazis, Dawn Rand, Jeff Amberson, Leslie Rutan and Jason Perreault

Appropriations Committee

Elaine Kelly and Robert D'Amico

Financial Planning Committee

David DeVries, Michael Hodge, Richard Smith and Thomas Spataro

Northborough School Committee

Joan Frank and Patricia Kress

Others

Town Administrator John Coderre, Assistant Town Administrator Kimberly Foster, Finance Director June Hubbard-Ward, Town Accountant Jason Little, Principal Assessor Dan Brogie, School Superintendent Christine Johnson and School Business Director Cheryl Levesque.

Also in the audience: Library Director Christopher Lindquist, Library Trustees Jack Sharpe and Jocelyn McElhiney, Fire Chief David Parenti, Police Sergeant Joseph Galvin, Health Agent Steph Bacon, FYS Director June David-Fors, DPW Director Scott Charpentier and Northborough Municipal Employees Association (NMEA) President Lynda LePoer.

7:00 p.m. - **JOHN CODERRE, TOWN ADMINISTRATOR**
Presentation of the Financial Trend Monitoring System.

Mr. Coderre presented the results of the Town's updated Financial Trend Monitoring System (FTMS) Report. The purpose of the FTMS is to analyze key financial indicators in order to assess the financial direction of the Town. The report is designed to bring issues and opportunities to the attention of decision-makers through a systematic method of trend analysis. The ultimate goal of the FTMS is to help local officials better assess and protect the Town of Northborough's overall financial condition.

The FTMS helps Town officials:

- Gain a better understanding of the Town's current financial condition.
- Identify hidden and emerging problems before they reach serious proportions.
- Present a straightforward picture of the Town's financial strengths and weaknesses to elected and appointed officials, citizens and credit rating firms.

- Reinforce the need for long-range considerations during the annual budget process.
- Provide a starting place for setting, reviewing and updating of financial policies that guide financial decision-making.
- Sets the table for the upcoming FY2018 Budget process by providing appropriate contextual data.

Following a review of the status of each of the financial indicators, Mr. Coderre's presentation included updates on the following:

Current Financial Condition

Northborough continues to be in relatively good financial condition. The Town's financial reserves are healthy at approximately 8%. Its debt level is manageable with an upgraded bond rating of Aa1. Reliance on one-time revenues in the operating budget is capped at the policy target of \$500,000 or 1%. The impact of rising health insurance costs have been mitigated for now thanks to FY2017 negotiated plan design changes with employees, and the pay-as-you-go capital investments continue to result in lower debt levels.

Potential Emerging Problems

Based on the analysis, it is apparent that long-run solvency surrounding unfunded pension liability and Other Post-Employment Benefits (OPEB) liability obligations continue to pose potential emerging problems for the Town. Uncertainty surrounding the level of State Aid and future increases in health insurance premiums remain a significant area of exposure for the annual operating budget. There is some uncertainty surrounding future economic development (new growth) revenues, as well as long-run solvency surrounding infrastructure investment.

FY2018 Budget Considerations

Mr. Coderre referred to the handout entitled "*FTMS Meeting Goals and Objectives of the FY2018 Budget*", which contains the standing guidelines for the annual budget process. Budget considerations for FY2018 include ongoing funding of the OPEB Liability, sustainable personnel expenses and infrastructure investment (implementation of the pavement management plan). Mr. Coderre stressed the need for all collective bargaining contracts currently under negotiation to be no more than 2% if they are to remain sustainable.

Financial Projections

Mr. Coderre made a presentation on the Five-year Financial Projections in terms of methodology and assumptions as follows:

Methodology

- Revenue driven model
 - Based upon the existing revenue sharing model.
 - Establishes a revenue ceiling based upon Proposition 2 ½ and backs into the allowable annual budget growth
 - Uses FY2017 as the base and looks out 5 years

- Focuses on the top three revenue sources, or 95% of annual resources
 - Taxes 80%, State Aid 10%, Motor Vehicle Excise (MVE) 5%
- Minimum goal is to maintain a level service budget
 - Can we protect and maintain what we have now?
 - Will we be able to address future wants and needs?

Assumptions

- Taxes increase by allowable Proposition 2 ½
 - New growth \$30 million in value (\$522K in new taxes) annually
 - Existing unused levy capacity is available for use
- State Aid increases 1% annually
- MVE and misc. local receipts level funded
- Adhere to adopted Financial Policies
 - No one-time revenue gimmicks
 - Maintain financial reserves
 - Continue to invest in Capital Improvement Plan (CIP)
- OPEB funded at least \$500,000 annually
- Benefit costs increase 5% (health, pension, FICA, etc.)
- Debt Service for Major Capital Projects include
 - Lincoln Street Elementary School add/renovation project (debt exclusion)
 - Assabet Valley renovation project (general fund debt)
- Key budgets increase at least 3.5 – 4% annually
 - Northborough K-8 Schools, General Government, ARHS
 - Attempt to maintain level services

Based upon the methodology and assumptions presented it was forecast that the Town should be able to maintain the current level of services as long as there are no significant increases in staffing or the level of services provided. Tax impacts will continue to be closely monitored as taxes are expected to increase 4.5% to 5.1% annually due to the debt for the Lincoln Street School project hitting in FY2016 & FY2017 and significant general fund debt for the Assabet Valley Regional School project hitting in FY2017. Since FY2016 was a revaluation year, market adjustments to property values continue to increase annually. Mr. Coderre added that this model also assumes that no significant budget surprises are encountered.

Mr. Coderre ended the presentation with an assurance that the Town's financial condition will continue to be monitored by working collaboratively to address Town-wide issues, while at the same time striving to balance departmental needs with the projected impact on the taxpayer.

Following questions and comments from the various Board and Committee members, Mr. Coderre and members of the Finance Team received much praise for their efforts.

Mr. Coderre noted that the Financial Trend Monitoring System Report will continue to be updated annually and will be used to kick-off the annual budget process each December.

ADJOURNMENT

At 9:05 p.m., the meeting adjourned.

Respectfully submitted,

Diane M. Wackell
Executive Assistant

Documents used during meeting

1. December 15, 2016 Joint Meeting Agenda.
2. FTMS December 15, 2016 Power Point Presentation.
3. FTMS Meeting Goals and Objectives of the FY2018 Budget.
4. Mass Municipal Association Press Article "*MMA Requests \$300M Chapter 90 Bond Authorization for FY2018*".
5. Mass Municipal Association Press Article "*OPEB Reform Must Re-emerge as a Top Priority*".
6. Mass Taxpayers Foundation Press Article "*MTF Forecast: Sluggish Growth in Tax Revenues Continues in 2018*".
7. Mass Taxpayers Foundation Press Article "*MTF's Analysis of FY2017 Midyear Budget Gap*".