

BOARD OF SELECTMEN
APPROPRIATIONS COMMITTEE
FINANCIAL PLANNING COMMITTEE
NORTHBOROUGH SCHOOL COMMITTEE

SPECIAL JOINT MEETING MINUTES – December 13, 2018

Northborough Free Library, 34 Main Street, Northborough, MA

BOARD AND COMMITTEE MEMBERS PRESENT

Board of Selectmen

Dawn Rand, Jason Perreault, Leslie Rutan, Tim Kaelin and Julianne Hirsh

Appropriations Committee

Richard Nieber, Robert D'Amico, Janice Hight and Anthony Poteete

Financial Planning Committee

David DeVries, Bill Peterson and T. Scott Rogers

Northborough School Committee

Lauren Bailey and Kelly Guenette

Others

Town Administrator John Coderre, Assistant Town Administrator Kimberly Foster, Finance Director June Hubbard-Ward, Town Accountant Jason Little, School Superintendent Christine Johnson and Assistant School Superintendent Greg Martineau, as well as several departments heads.

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's overall financial condition.

The FTMS helps Town officials:

- Gain understanding of the Town's financial condition.
- Identify hidden and emerging problems before they reach serious proportions.
- Present a straightforward picture of strengths and weaknesses to Town Officials and citizens.
- Reinforce the need for long-range considerations in the budget process.
- Provide a starting place for reviewing and updating financial policies that guide financial decision-making.

Mr. Coderre reviewed the summary of all the indicators and rather than go into detail on each, instead focused on the ones in motion or having the greatest impact on the upcoming FY2020 budget, including State Aid, Employee Benefits and Economic Growth Revenues. Mr. Coderre's presentation also included updates on the following:

Current Financial Condition

Northborough continues to be in relatively good financial condition with a strong tax base and good diversification. The Town's financial reserves are healthy at 8.8%. It's debt level is manageable with a preferred Aa1 bond rating. Reliance on one-time revenues in the operating budget is at the policy target of \$500,000 or 1%. The pay-as-you-go capital investments continue.

Potential Emerging Problems

Long-run solvency surrounding unfunded pension liability and Other Post-Employment Benefits (OPEB) obligations continue to require regular assessment. 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, as well as some uncertainty surrounding future economic development (new growth) revenues. Recent development analysis shows the Town is approaching buildout and land for future growth becoming increasingly limited. There is also concern about a possible recessionary period on the horizon.

FY2020 Budget Considerations

Mr. Coderre referred to the handout entitled "*FTMS Meeting Goals and Objectives of the FY2020 Budget*," which contains the standing guidelines for the annual budget process. Budget considerations for FY2020 include ongoing funding of the OPEB Liability, sustainable personnel expenses, low new growth, State Aid lagging budget growth and continued funding of the infrastructure investment plans (implementation of the pavement management plan).

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 FY2019 as the base and looks out 5 years
- Focuses on the top three revenue sources, or 95%
 - Taxes 80%, State Aid 10%, Motor Vehicle Excise 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 (\$515K in new taxes) annually
 - Existing unused levy capacity is available for use
- State Aid increases 1% annually
- MVE and misc. local receipts level budgeted
- Adhere to adopted Financial Policies
 - No one-time revenue gimmicks
 - Maintain financial reserves
 - Continue to invest in Capital Improvement Plan (CIP)
- OPEB funding increased to \$550,000 annually
- Benefit costs increase 5% (health, pension, FICA, etc.)
- Debt service for major capital projects such as the Fire Station are included
- Key budgets forecasted to increase approximately 3.5% for FY2020 and then 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 forecasted that the Town will potentially use all its remaining levy capacity over the next 4 years just to maintain the current level of services, absent significant new revenues. Further, any significant increases in staffing or the level of services will speed up hitting the levy limit sooner. Tax impacts will continue to be closely monitored as taxes are expected to increase between 4.1% to 7% annually. FY2021 is the next revaluation year and 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 will continue to fund the OPEB liability in FY2020 and will continue to monitor health insurance increases. 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 projected tax impacts.

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

The meeting adjourned at 9:10 p.m.

Respectfully submitted,

Diane M. Wackell
Executive Assistant

Documents used during meeting

1. December 13, 2018 Joint Meeting Agenda
2. FTMS December 13, 2018 Power Point Presentation
3. FTMS Meeting Goals and Objectives of the FY2020 Budget
4. Massachusetts Taxpayers Foundation News Release
5. Worcester Telegram & Gazette Article.