



Report to 2023 Annual Town Meeting March 25, 2023

In fulfillment of the Massachusetts statutory requirement, the Advisory Committee (Advisory) submits a report at the Annual Town Meeting (ATM) each year. This document summarizes Advisory's review and analysis of Town budgets and operations, completed as part of the annual budgeting process. Please note that some information contained herein may change between the date of publication and Town Meeting.

Outline

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Role of the Advisory Committee

The Advisory Committee is established by State law and Town bylaw. The Committee functions as a sub-committee of Town Meeting. The seven members are appointed by the Town Moderator, and each member is appointed for a 3-year term. Advisory is a legislative committee and has no executive authority. Advisory members may not serve on any other town committee, with the exception that an Advisory member may serve on one other ad-hoc committee appointed by a Town board or official, or one other committee appointed by the Town Moderator, if approved by a vote of the Advisory Committee. Advisory members also may not hold any elected office. Advisory has four principal functions:

- **Develop/Present a Balanced Budget to the Town** – Advisory is the sole body in the Town with this statutory responsibility.
- **Warrant Article Review** – Advisory is responsible for reviewing both money and non-money warrant articles and making an approval or disapproval recommendation to Town Meeting.
- **Oversight** – Advisory has a specific set of powers with respect to its ability to review all aspects of the Town operations.
- **Custodian of the Reserve Fund** – The Reserve Fund is the Town's pool of money that is available for extraordinary and/or unexpected expenses. The Reserve Fund was funded with \$180,000 for FY23. Through the date of the 2023 ATM, we have committed to make one transfer of \$10,000 from the Reserve Fund, if needed at the end of the year, for unbudgeted costs related to the need to hire an outside audio video production company to broadcast ATM as Southborough Access Media did not have the abilities. Currently there are no other known reserve fund transfers, although several are expected at the end of the fiscal year, which is typical.

Advisory Committee Membership

Current members of the Advisory Committee are: Andrew Pfaff, Timothy Martel, Marci Jones Salow, Howard Rose, and Adam Nodiff. For the 2022-2023 term, Advisory members elected Andrew Pfaff as Chair and Marci Jones Salow as Vice-Chair. As of the date of this report, there are two vacancies on Advisory.

General Remarks

This year's budget process was both noteworthy and difficult because of the condensed timeline compared to the past few years. The last few years ATM was held on a later date in the fiscal calendar (due to Covid), which allowed for additional time for Advisory to review, analyze, and challenge budgets. Another noteworthy change this year was using Excel for the budget process rather than our prior tool, ClearGov, which had some bugs and issues in the past but provided some added benefits. We are actively looking at other tools to enhance the budget process in the future.

Recommended Town Budget for FY24

The budget that Advisory recommends to ATM is projected to increase a residential homeowner's annual real estate tax bill by approximately 5.9%. The Advisory-recommended budget is expected to reduce the tax rate to \$13.94 per \$1,000 from the current \$14.76 per \$1,000. The expected increase in taxes on the estimated mean value of a Southborough house on 1/1/23 is expected to be approximately \$705 (or about \$176 per quarterly tax bill). The current average value of a home in Southborough as of 1/1/23 is expected to be \$901,556, an increase of 12% year-over-year. While the average residential single family tax bill is estimated to increase 5.9%, the actual year-over-year expense increase is 2.2%. For reference, the FY23 expense increase was also 2.2%.

In this inflationary environment and economy, we feel it is quite an accomplishment to keep the modest budget increase below that of the rate of inflation. Thank you to all the various Town boards, committees, department heads, and the finance team that worked hard to accomplish this goal while not sacrificing any services for residents. **All amounts are estimated as the Town Assessor has not finalized the 1/1/23 property valuations, and there are other factors beyond the approved FY24 budget that determine the final tax bills for FY24. Advisory felt it was prudent to be conservative and provide the most accurate forecast we could.**

Even though the overall recommended year-over-year budget increase for FY24 is a very low at 3.3%, the impact of the pandemic on residential house prices in Southborough will allocate more of the total real estate tax levy to residential property than in prior years. The projected increase in property values year-over-year does not apply to commercial properties. The expectation is that the value of commercial property in total will decrease 4% year-over-year, also due to the impact of the pandemic. If the split between the value of total residential properties and total commercial properties had remained constant year-over-year, the average tax bill for a residential homeowner would only increase about 3.3% year-over-year.

The most significant driver of the budget increase is the salary increase for Town employees. Most employee salaries are determined by collective bargaining agreements. Salaries make up the majority of the operating budget of the Town. The overall increase in compensation year-over-year is about 3% which explains the 3.3% budget increase. Salary increases will almost always be the primary driver of the year-over-year increase in the overall Town budget, except in years when there are significant changes in the Town's debt service.

The most significant individual Town department budget will always be the K-12 school system. The cost of operating the entire public school system represents 65% of the total Town budget. Both school districts proposed reasonable year-over-year budget increases for FY24 – 3.50% for K-8 and 3.51% for Algonquin.

The optional local meals tax, that was passed at the May 2021 ATM, became operative on 1/1/2022 and we received almost \$60,000 for the first half of this fiscal year and we expect the second half of the year to be similar, which is a great additional revenue stream for the town. Advisory advocated for this optional meals tax as a means to increase local revenue outside of the tax levy.

FY24 Detailed Budget Analysis and Single-Family Tax Bill Calculation

			Flat (No Shift)	With Shift
Year Over Year Single Family Taxes		Residential Assessed Value YOY	0.0%	12.0%
803,500.00	Avg House Value FY23	CIP Assessed Value YOY	0.0%	-4.0%
11,859.66	FY23 Taxes	Total Resi Value	\$359,314,003	\$402,202,752
		Single Family Values	\$2,339,498,601	\$2,618,747,853
		Total CIP Value	\$570,865,700	\$548,604,243
\$901,559	Avg House Value FY24	Avg House Value FY23	\$803,549	\$803,549
12,564.31	FY24 Taxes	Avg House Value FY24 (Est.)	\$805,422	\$901,559
		FY23 Number of Houses	2,896	2,896
		FY24 Number of Houses (Est.)	2,905	2,905
704.65 Dollar increase		FY23 Avg SF House Taxes	\$11,860	\$11,860
5.94% % increase		FY24 Avg SF House Taxes (Est.)	\$12,254	\$12,564
		YOY Avg SF House Taxes	3.32%	5.94%

FY2024 ATM RECOMMENDED

3/7/2023	FY2022	FY2023	FY2024	
<u>Fiscal Year</u>	<u>2022 RECAP</u>	<u>2023 RECAP</u>	<u>2024 RECAP</u>	
LEVY	46,502,554	48,293,574	50,172,301	3.9%
2 1/2	1,162,564	1,207,339	1,254,308	3.9%
NEW GROWTH	628,456	671,388	450,000	-33.0%
LEVY	48,293,574	50,172,301	51,876,609	3.4%
DEBT-CAP EXEMPT	3,315,181	3,251,883	1,931,907	-40.6%
SBAB PAYMENTS	(920,943)	(920,943)	0	-100.0%
TOTAL LEVY LIMIT	50,687,812	52,503,241	53,808,516	2.5%
TAX RATE	16.28	14.76	13.94	-5.58%
ASSESSED VALUE	2,855,528	3,241,020	3,569,555	10.1%
CERTIFIED FREE CASH	1,400,293	1,681,761	1,602,386	-4.7%
LOCAL RECEIPTS	3,732,525	3,947,525	4,208,600	6.6%
COMM. PRESERV. FUNDS	1,483,222	829,379	829,379	0.0%
LOCAL AID	3,575,921	3,704,247	3,714,829	0.3%
SBAB PAYMENTS	920,943	920,943	0	-100.0%
OTHER AVAILABLE	1,111,821	1,208,401	1,379,488	14.2%
TOTAL OTHER REVENUES	12,224,725	12,292,256	11,734,682	-4.5%
TOTAL REVENUE	62,912,537	64,795,497	65,543,198	1.2%

FY2024 ATM RECOMMENDED				
3/7/2023	FY2022	FY2023	FY2024	
<u>Fiscal Year</u>	<u>2022 RECAP</u>	<u>2023 RECAP</u>	<u>2024 RECAP</u>	
OTHER	1,520,926	931,378	853,035	-8.4%
STATE- COUNTY CHARGES	237,965	266,491	273,977	2.8%
OVERLAY	478,394	440,478	440,478	0.0%
TOTAL CHARGES	2,237,285	1,638,347	1,567,490	-4.3%
TOWN				
TOWN BUDGET	12,713,390	13,099,285	14,108,403	7.7%
EMPLOYEE BENEFITS	3,814,843	3,986,827	4,275,591	7.2%
LEASE DEBT	0	102,316	55,114	-46.1%
GEN. LIABILITY INSURANCE	118,961	133,894	153,770	14.8%
BUDGET ARTICLES	310,000	546,276	323,000	-40.9%
DEBT & INTEREST	2,147,904	1,954,848	1,822,695	-6.8%
CAPITAL ARTICLES	903,081	859,500	1,277,735	48.7%
TOTAL TOWN	20,008,179	20,682,946	22,016,309	6.4%
SCHOOL				
SCHOOLS BUDGET	30,154,685	31,363,292	32,448,469	3.5%
EMPLOYEE BENEFITS	4,727,014	4,882,658	5,158,458	5.6%
GEN. LIABILITY INSURANCE	178,441	200,840	230,656	14.8%
SCHOOL SETTLEMENT NBORO	229,900	232,500	0	-100.0%
DEBT & INTEREST	1,177,218	1,129,125	59,350	-94.7%
TOTAL SCHOOL	36,467,258	37,808,415	37,896,933	0.2%
TOTAL EXPENDITURES	58,712,722	60,129,708	61,480,731	2.2%
LEVY BALANCE	4,199,815	4,665,789	4,062,467	

Commentary on Various ATM Articles

In addition to the above narrative on the budget article, Advisory wanted to provide an explanation of our position on a few of the more complicated warrant articles – specifically Article 9 (Breakneck Hill Remediation), Article 12 (St. Mark's Land Swap Agreement), Article 13 (St. Mark's Street Park Funding), Article 15 (ARHS Athletic Field and Facilities), Article 25 (Funds for Peer Review of Engineer and Design for Hopkinton Water Connection Inter Municipal Agreement), and Article 37 (Citizens Petition-Regional Dispatch Withdrawal).

Article 9 (Breakneck Hill Remediation):

In 1980 the town acquired an 88 acre parcel on Breakneck Hill Road for the purpose of conservation. The property has three miles of trails and is open to the public. The previous owner of the property, Davco Farm, utilized a ~1 acre area to dispose of trash, old equipment, building material, etc., that was typical for farming operations. The presence of the “farm dump” is in violation of Solid Waste Management Regulations promulgated by MassDEP, therefore Southborough has entered into an Administrative Consent Order (ACO) that commands the Town to remove the solid waste within the given deadlines.

The cost of the remediation is primarily dependent on the amount of soil and solid waste we can separate in the field and allowed by DEP. If the contractor is not able to separate and screen through materials, then DEP requires 100% of the volume to be removed – which has a higher associated cost as a normal trash facility cannot take soil. Contractors and staff plan to make every effort to screen materials, utilize existing Town resources, and recycle any appropriate material (metals) for a cost savings. Failure to abide by the ACO regarding cleanup can allow DEP to perform the cleanup and charge Southborough the cost plus fines of \$500 per day per violation.

We are hopeful that there will be an ability to screen and leave existing soil on site to limit the disposal costs, as is the common practice. For reference, if only 30% of the soil and solid waste volume needs to be disposed of (which is more typical), then the total cost would decrease to \$1.04M. To limit unanticipated costs or impacts to the residents, Southborough's Licensed Site Professional (LSP) has provided the \$2.2M cost estimate to prepare for unfavorable conditions in the event the Town is faced with 100% removal of material. While a lower cost cannot be guaranteed at this time, it is highly likely the end cost will be less than \$2.2M.

Advisory voted unanimously to support this article as we are bound by the agreement with the MA DEP to clean up the site and the fines could be steep if we do not meet the deadlines set forth in the ACO. We did look at whether this could be postponed to a fall Town Meeting, but the timing of when the cleanup would need to be completed, would not allow for further delay. In addition, there may be some grant opportunities currently being researched which could potentially provide some financial relief. However, the town should approve the article as is, to ensure that we have the funding needed for a worst-case scenario. Furthermore, every effort will be made to lower the cost to the greatest extent possible.

Articles 12 & 13 (St. Mark's Land Swap Agreement & St. Mark's Street Park Funding):

Article 12 asks Town Meeting (TM) to approve a land swap with St. Mark's School. The land to be received from the School is approximately twice as large as the land to be given up. The swap is to allow a small park to be built contiguous to the Library and the Old Burial Ground using a \$290,000 grant obtained from the State in early 2021. The entire project also includes moving St. Mark's Street a few hundred feet south to ameliorate an existing drainage problem at the junction of St Mark's Street and Route 85. Additionally, the park and the new road will have features that will continue to improve the drainage away from the library. Remember that the library, which has been prone to flooding over the years, sits lower than all of the surrounding roads and downhill from the Old Burial Ground.

There have been questions raised about this project since its inception in 2021. Those questions include: (1) spending money on land not owned by the Town, (2) potentially disturbing sacred ground where indigenous people are buried, (3) contributing funds toward the parking lot that St. Mark's plans to build on the land it receives, and (4) the cost of the park.

The Select Board has spent the ten months since the 2022 ATM addressing these concerns. They have taken the following steps: (1) negotiated a land swap with St. Mark's so that the Town would own the land on which the park will be built rather than use the land thru a reciprocal license agreement with St. Mark's School; (2) Executed a Memorandum of Understanding (MOU) with St. Mark's School that terminated the reciprocal license agreement signed in 2021; (3) Agreed in the MOU to transfer each party's land AS IS so that no town funds would be spent on the St. Mark's parking lot; and (4) formed a working group (St. Mark's Street Park Working Group) consisting of a variety of members with varying backgrounds tasked to design a park with public input. Lastly, at the urging of the Historical Commission, St. Mark's School agreed to fund an archaeological study that ultimately concluded the park area does not contain interred human remains.

The Working Group met more than 25 times and also hosted a public forum to develop a conceptual design for the park. The overarching sentiment of the public that participated in the public forum and at the Working Group's meetings was to build a simple, inexpensive park. The Working Group worked with

our engineering consultants, VHB, to develop the plan using the \$250,000 budget given to them by the Select Board. The conceptual plan developed by the Working Group and VHB will be presented to TM.

Article 13 asks TM to approve the appropriation of the budgeted park cost of \$250,000 from the certified free cash from FY 22.

Even though Advisory had significant reservations about this project which were expressed at last year's TM, Advisory feels, at this stage, the better plan is to finish the park. The cost of finishing the park is expected to be less than not finishing the park and having to attempt to return the land owned by St. Mark's School to its original state. Many changes have been made to the school parcel including building the new road, installing drainage pipes under the two proposed rain gardens, cutting trees, and removing a stone wall. If the park is not finished, the Town would have to return the \$290,000 grant to the State. Finishing the park would allow for the town to have a new asset that would be available to all. It would also add to the footprint of the land contiguous to the library which might be advantageous for a possible library expansion down the road. Lastly, the water problem at the corner of Route 85 and St. Mark's Street would be solved.

For all these reasons Advisory supports Articles 12 and 13 unanimously.

Article 15 (Algonquin Regional High School Athletic Field and Facilities):

After reviewing the extensive proposal from Algonquin on the replacement of the school's athletic complex, in particular the tennis courts, track, football field, and practice field, it became evident that this large project would put a strain on the taxpayers' already-increasing tax liabilities. Advisory set out to find the best financial path forward to accomplish this project. While Advisory unanimously supports doing the project, we do not recommend that Town Meeting accept the project as proposed without further exploring potential alternative funding sources, namely Community Preservation Act (CPA) funds which can specifically be used for recreational projects.

At a June 2022 meeting, Advisory suggested the Town should try to fund as much of our share of the regional project as possible using CPA funds. (Not all project items, such as the turf field, would be eligible for funding by CPA monies due to specific CPA regulations.) However, because the Town has approved many CPA projects in the past few years, there is not currently enough bonding/borrowing capacity to fund our portion in whole from CPA funds.

We suggested that the Town pursue a ballot question to increase the current 1% CPA surcharge to 3%. In addition to the extra 2% surcharge from residents, the state offers additional matching funds ONLY to communities that have a 3% surcharge. For example, it is estimated that our FY23 CPA state matching funds would have been 48% (instead of the 38% that we received) amounting to \$412,578 of additional state match if we had adopted the 3% surcharge for FY23. Moreover, if the Town had voted to approve a 3% surcharge rather than 1% when we initially adopted CPA in 2003, it is estimated that Southborough would have received an additional \$4.9 million of state funded CPA revenue, from additional base from taxpayers plus the additional state match to only 3% communities. For FY24, this increase would cost the average homeowner \$60 per quarterly tax payment, but altogether could have a large effect on our community.

Advisory attempted to work with the Select Board, the Community Preservation Committee, and others to try to move this initiative forward in time for the Algonquin athletics complex project to come before the Town Meeting. We ultimately had trouble gaining traction. There was a placeholder article on the draft warrant to ask ATM to support increasing the CPA surcharge, but it was ultimately removed by the Select Board with the intention of placing that article on a Special Town Meeting (STM) warrant in the fall.

An added benefit to the town utilizing CPA funds to bond our portion of the project is that the town has a better credit rating than that of the regional school, which could save us about 30 basis points on the

interest rate.

As stated above, Advisory unanimously supports doing this project, but we do not feel that it is fiscally responsible to move forward with the project until the possibility of additional funding sources, namely CPA funds, is explored further. We suggest adding an article on the next STM or ATM warrant to see if the Town would support putting the increase of the surcharge to a vote at the ballot box. If that is successful, we recommend using as much funding from CPA as possible to fund the Algonquin athletics complex project. It is of note that Advisory was not unanimous in our lack of support for this article as written, with Mr. Martel voting to support the article.

Article 25 (Funds for Peer Review of engineer and design for Hopkinton Water Connection IMA):

This article asks the Town to support spending up to \$200,000 on an engineering firm to do a peer review analysis on the proposed project for Hopkinton to connect to the MWRA water system through Southborough. This amount would be reimbursed to the Town by Hopkinton. While this article is specific to the hiring of the consultants to perform the peer review, in essence, it is a proxy to see if the Town supports moving forward with the project – as the approval of the connection is solely in the authority of the Select Board. As such, the Select Board has decided to add this article to ensure that Town Meeting has an opportunity to weigh in and voice their support or concerns about the project.

Advisory voted unanimously to support this article, and therefore to support the project as a whole. We feel it is the right thing to do to help our struggling neighbors who do not have access to clean drinking water for their homes and families. Southborough will benefit from the project in a number of ways, including improving our water system, replacing an older water tank, converting the Town's water supply from two pressure zones to one, and eliminating many of the poor water pressure areas around town. Under the proposed agreement, all of these improvements would be paid for by Hopkinton, in addition to a \$1 million payment from Hopkinton to Southborough to use on any water related projects, as we see fit.

Article 37 (Citizens Petition – Regional Dispatch Withdrawal):

The Select Board has entered into an inter-municipal agreement (IMA) with the towns of Grafton and Westborough to create a regional dispatch center in the town of Westborough. The site chosen for the center is a former superfund site. The site is a former wood treatment facility dating back to the 1930s. In 1983, after testing of water discharged into Homonco Pond, the Environmental Protection Agency listed it as a superfund site (superfund sites are polluted locations in the United States requiring a long-term response to clean up hazardous material contaminations). While Advisory supports the concept of regionalizing dispatch services, we feel that this current site and agreement is not ideal for the Town. We believe that additional analysis should be done to look at alternative sites and we should consider the possibility of joining other existing regional dispatch centers or other possible new centers, such as one proposed in Framingham.

We have an additional concern over the legal structure of the IMA and that it means that taxation will be set by a vote of Westborough and Grafton Town Managers, and Southborough voters would have no control over budget or debt. As an alternate to the current structure the Town should use the statutory authority to create a municipal district. This would allow the three towns to create a regional dispatch district that maintains citizen control of taxation.

Additionally, withdrawing from the agreement prior to 6/1/23, as this article suggests, is without penalty and will allow additional time for the three towns to recruit additional communities to join.

Additional Commentary on Citizen's Petition Articles

Advisory wanted to take this opportunity to discuss a concerning trend we are seeing regarding citizens petitions at Town Meeting. For those that may not know, any citizen can add a warrant article to the ATM warrant with only 10 signatures of registered voters, and to a Special Town Meeting (STM) warrant with 100 signatures of registered voters. While we would never try to prevent any citizen from bringing forth a warrant article, we have seen an uptick in the number of non-binding articles that are advisory

only in nature, with the purpose of asking/instructing another Town entity to do or act upon something. Many of these topics are complex and controversial and may require much discussion during an already lengthy meeting. We suggest that proponents meet with the authorities they wish to instruct prior to submitting a warrant article via a citizen's petition. We believe many of these issues can and should be addressed outside of a Town Meeting. Attendance of Town Meeting has been declining, and we have heard anecdotal feedback that some voters are frustrated by these types of articles, which often extend the meeting late into the night or even to an additional day. Moreover, when Town Meeting must extend to a second day, the Town incurs approximately \$10,000 in incremental expenses for additional meeting time. We hope that residents who wish to submit a citizen's petition warrant article will consider the valuable time of their fellow voters at Town Meeting, and whether a different path toward a resolution or response would be more appropriate.

Long Term Planning

There are several areas worthy of ongoing attention besides Advisory's continual work on our annual town budget. These include (i) the Town's unfunded pension and healthcare liabilities (in the tens of millions of dollars but we are starting to make progress); (ii) the need for infrastructure investment (also in the tens of millions of dollars – hence the appointment of the Capital Planning Committee); (iii) the decision whether or not to close one of the four K-8 schools and if so, how to re-purpose the closed school and (iv) the impact of State or Federal unfunded mandates. These issues and others all deserve careful attention and planning, and Advisory will continue to address them.

Advisory Comments

Under the direction of Town Administrator, Mark Purple, and the Town's Finance Director, Brian Ballantine, the budgeting review process initially implemented for FY14 has been continued and improved through this FY24 budget process but could be enhanced in the future with the addition of a budgeting tool, or additional Town Finance team resources. The Town Finance team is tasked to prepare the initial budget proposal for review by both the Select Board and the Advisory Committee. Advisory has been pleased to see that the budgeting process continues to operate much more smoothly and efficiently than in prior years.

We invite those with an interest in any topic to attend any and all upcoming Advisory meetings and express their viewpoints. We have a busy summer planned with many interesting topics to tackle. Advisory will continue to work to ensure that our residents receive the services that they want and need at an affordable and sustainable cost. In addition, we are actively recruiting to fill the two vacant positions on the committee; anyone who has an interest should please fill out the "Citizens Activity Form" on the Town website to express interest.

Respectfully submitted,

Andrew Pfaff, Chair
Marci Jones Salow, Vice Chair
Timothy Martel
Adam Nodiff
Howard Rose