



Southborough Advisory Committee Report to 2021 Annual Town Meeting May 22, 2021

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

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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 nine 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 (except that an Advisory Committee 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) or hold any elected office. The committee 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 FY 2021. Through the date of the 2021 Annual Town Meeting, no reserve fund transfers have been approved although several are expected at the end of the fiscal year.

Advisory Committee Membership

Since the Advisory Committee's last report to the Annual Town Meeting, Jason Malinowski was appointed to the Advisory Committee. Jason was most recently chair of the Public Building Safety Committee and is now chair of the ad hoc Capital Planning Committee. Other members of the Advisory Committee include Tim Martel, Judy Budz, Andrew Pfaff, Kathy Cook, and John Rooney. Andrew Dennington was also on Advisory until May 11th when he was elected to the Board of Selectmen. For the 2020-2021 term, the Committee elected Kathy Cook as Chair, Andrew Pfaff as Vice-Chair, and Andrew Dennington as Secretary. As of the writing date of this report, there are three vacancies on Advisory.

Overall Perspective

This year's budget process has been both noteworthy and difficult because it was completed during a worldwide pandemic. No in person meetings were allowed so all of us had to get familiar with meeting by Zoom. Last year, the Massachusetts legislature responded to the pandemic by passing legislation that relaxed the open meeting laws for public meetings and also allowed for remote meetings. In response to the pandemic, the date of the annual town meeting was again postponed to allow for an outdoor meeting.

Pre-pandemic, Advisory had advocated for a special Fall Town Meeting for the fall of 2020 primarily to deal with the Town's long term capital plan. In March 2020, a new ad hoc committee, named the Capital Planning Committee, was appointed by the Board of Selectmen to address the Town's long term capital plan. At that time, current projections of the Town budget for the next five years indicated that our current excess levy capacity would be completely used, necessitating an operational budget override. Then, much of the projected cumulative budget shortfall for the next five years was caused by planned capital plan expenditures. Therefore, Advisory wanted the newly formed Capital Planning Committee to have the requisite time to study and adjust the capital plan to fit our budget parameters.

We ended up not having the 2020 Fall Town meeting. As a result, many warrant articles and/or proposed capital expenditures (both money and non-money) that would have been considered in the normal 2020 annual town meeting and/or the 2020 Fall special town meeting were moved to the FY 22 budget cycle.

This year Advisory spent time reviewing the options for purchasing equipment. Historically our town equipment has been purchased either outright or in the case of a significant purchases (e.g. ambulances) with bond financing. With the very low interest rates available currently, Advisory investigated financing the equipment purchases proposed for FY 22 thru either short-term borrowing or leasing. In the end, the leasing option was recommended due to both cost savings and ease of execution compared to typical bond financing.

You may recall that at the 2019 TM a warrant article passed that asked the Board of Selectmen to work with the town's not for profits to try to increase the payments in lieu of taxes (PILOT) that the not for profits voluntarily make to Southborough.

Marty Healey, the most recent BOS chair, was tasked with meeting with the two private schools to discuss PILOT payments. Mr. Healey recently completed those discussions. Both St. Mark's School and Fay School have committed to increased donations to the Town for FY 22 and beyond in the case of St. Mark's School. It is anticipated that Mr. Healey will provide more details to you at TM.

Recommended Advisory Budget for FY 22

Advisory is recommending to ATM a budget that is projected to increase a residential homeowner's annual real estate tax bill by 3.19%. The Advisory recommended budget is expected to increase the tax rate to \$16.26 per \$1000 from the current \$16.21 per \$1,000. The expected increase on the mean value of a Southborough house is expected to be \$341.40 (or about \$85 per quarterly tax bill). The current average value of Southborough homes as of January 1, 2021 is expected to be \$679,728. **All amounts are estimated as our assessor has not finalized the January 1, 2021 property valuations and there are other factors that determine the final tax bills for FY 22 other than the approved FY 22 budget.**

The average tax increase to a Southborough resident for FY 21 was a very low 1.33% due in large part to the elimination of certain capital expenditure from the FY 21 budget that are now included in the FY 22 budget recommendation. Advisory would suggest that the average estimated tax increase over both FY 21 and FY 22 is a better metric than looking at each year's standalone increase due to the postponement of capital expenses from FY 21 to FY 22. The average tax increase over the two-year pandemic period is 2.26% per year.

Even though the overall recommended budget increase for FY 22 is reasonable within the current economic environment the fact remains that the town side of the budget is increasing YOY by a non-sustainable 5 percent assuming current inflation rates. The main drivers of the recommended FY 22 budget that allowed us to keep the overall increase to about 3% were: (1) the schools' budgets (both the high school and K-8) and (2) the cost of health insurance provided to employees. The schools' proposed budgets are below 3% and the cost of health insurance for active employees for FY 22 was flat YOY.

We need to continue to look for ways to operate more efficiently including limiting the increase in employee headcount in the future. The total cost of a full-time employee is significant due to the pension and other post-retirement benefits that accrue. We also need to continue to look for ways to increase the non-real estate tax revenue which is currently about 13% of our total revenue. **(See discussion of meals tax article below.)**

When we started our budget review work for FY 22, the estimated YOY tax increase was almost 10%. Therefore, all involved in the budget process had to work hard and make many hard decisions to get to a budget that was deemed reasonable and affordable but still provided the services that Southborough residents both want and need.

Advisory has advocated for Town departments to identify and apply for all available federal and state funding to offset any additional costs of the pandemic. We intend to work over the summer with the various affected departments and the Town Finance team to ensure that we have applied for all reimbursements that we believe are available to us.

Two specific budgets warrant additional discussion – Management Information Systems (MIS) and the health department (BOH) which is overseen by an elected independent board.

Management Information Systems (MIS) and Risk Mitigation

You may recall from last year's Advisory report that Advisory is very concerned about the risks that prevail in our cyber world. You read every day of networks being hacked and entities' data (including municipal governments) being held for ransom. Advisory worked with the Municipal Technology Committee (MTC) and the Board of Selectman to develop a budget that is more substantial than in the past to allow for improved risk mitigation measures to be implemented.

We are fortunate to have many very talented individuals from the private sector that serve on the MTC

and will continue to encourage our town staff to work closely with the MTC to ensure that we take the appropriate steps to safeguard our data.

One of the steps currently recommended by the MTC and others is to increase our utilization of cloud-based storage and services when feasible. We expect to have taken significant strides toward that goal by the time you hear from us again next year. Additional funding has been added to the proposed FY 22 budget to accomplish the tasks that our MTC believes are necessary including adding the requisite personnel to deal with today's cyber issues.

Another related area of concern is the Town's compliance with the Health Insurance Portability and Accountability Act (HIPAA). Advisory expects that a complete review of all departmental compliance with HIPAA will be undertaken in FY22 under the direction of our IT director and the MTC.

Board of Health

The Board of Health (BOH) is an elected board that oversees the Town health department. As such, the BOH is responsible for developing the departmental budget each year. Advisory's job is to review the budget put together by the BOH. If Advisory feels that changes should be made to the proposed budget – Advisory meets with the BOH to try to come to an agreement on the budget to be printed in the Warrant and voted on at TM.

The BOH recommended a FY 22 budget that included significant structural changes to the health department. The health department currently has three part time employees – a director, a nurse, and an office administrator. The office administrator is shared with the Assessor's office.

The BOH voted to make all three positions full time beginning July 1, 2022 which would increase their annual budget significantly. Advisory initially supported making only the director's position full time. Advisory recommended that no further decision be made on the other two positions until other approaches are reviewed including regionalization of some services. Advisory and the BOS spent significant time with the BOH in trying to come to an agreement on their recommended FY 22 budget including urging the BOH to take advantage of the funds available to them from the federal and state governments related to the pandemic and the recently awarded Shared Services grant. The Shared Services grant is a \$300,000 annual grant from the state for up to 12 years to be shared by Northborough, Westborough, Boylston, and Southborough. Massachusetts has started encouraging towns to look at regionalization of certain health department services and the Shared Services grant program is an incentive to do just that.

The final agreed upon budget for FY 22 does include making the director and the nurse full time positions for FY 22. The proposed budget leaves the admin position split between the health department and the assessor's office with the understanding that if more admin time is needed by the health department the assessor's office would cooperate. However, the funding for much of the increase (due to increasing the hours of the director and nurse) is expected to come from federal and state sources. Otherwise, the proposed budget for the health department for FY 22 would be much larger than what you will be asked to vote on at TM.

Advisory would like to see decisions on the permanent structure of the health department postponed until: (1) this pandemic is over (2) regionalization of services is considered and (3) the Shared Services grant details are fully worked out among the four participating towns. Advisory would like to see (2) and (3) fully considered before permanent increases to headcount are made.

We will continue to work with the BOH to achieve a structure that represents the services the town wants and needs, utilizes all available federal and state funding, and leverages cost sharing with other towns.

Recommended Adoption of the Massachusetts Optional Local Meals Tax

Article 30 is the proposed addition of the Massachusetts local optional meals tax. Advisory supports the addition of the local meals tax to add a new, recurring source of revenue. The optional local meals tax is imposed on the customer of local businesses which serve food. Those businesses include sit down restaurants and fast-food establishments like Wendy's and Starbucks. The local tax is .75% which means that it would add about eight cents to a \$10 check and \$.75 to a \$100 restaurant bill.

Advisory estimates that the annual revenue from the local means tax will be at least \$125,000 once our restaurants are fully functional again post pandemic. The proposed warrant article intentionally postpones the implementation date of the local meals tax to no earlier than January 1, 2022 to give our local eating establishments time to restore their normal pre pandemic operations.

This article had been originally scheduled to be included on the 2020 Warrant but was postponed due to the pandemic. Before the pandemic, Advisory surveyed more than ½ of all affected eating establishments to get their feedback on the proposed new tax. In every case except for one – those surveyed did not oppose the new tax. They did not feel that the new tax would negatively impact their business since all surrounding towns to Southborough (except Hopkinton) and more than ½ of all Massachusetts town and cities had previously adopted the local meals tax.

Many customers of Southborough eating establishments are not residents of Southborough. Therefore, adding the local meals tax will slightly reduce a Southborough resident's future real estate tax levy.

Recommended Support of Article 32 – Changes to the Advisory Committee By-Law

Advisory is asking Town Meeting to support certain changes to the current Advisory By-Law. There are two major proposed changes: (1) Reducing the number of members on Advisory from the current nine to seven and (2) Allowing Advisory members to sit on one specific permanent/standing committee (a committee chartered to consider capital appropriations), one ad hoc committee or one committee appointed by the moderator–

With respect to reducing the number on Advisory from nine to seven, Advisory believes that seven is a more effective number to carry out its purpose. Those on Advisory have significant, cumulative experience on not only Advisory but other town committees and believe that seven members on a committee is more effective than nine.

With respect to (2), proposed warrant Article 33 will convert the current ad-hoc Capital Planning Committee to a permanent, standing committee to be called the Capital Improvement and Planning Committee (CIPC). If approved, no Advisory member would be allowed to serve on CIPC because the current Advisory by-law only allows Advisory members to serve on temporary, ad-hoc committees. Because of the importance of the town's capital budget to its overall budget, Advisory believes that it is important that CIPC has an Advisory liaison. However, Advisory is also very concerned that it maintains its independence from town departments to allow it to render nonbiased recommendations to you. Therefore, we believe that only this limited change to the current by-law is warranted.

Long Term Planning

There are several areas worthy of ongoing attention beside the 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 to close one of the four K-8 schools and 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, an improved budgeting review process initially implemented for FY14 has been continued and improved through this FY22 budget process. The Town Finance team is tasked to prepare the initial budget proposal for review by both the Board of Selectman and the Advisory Committee. The Advisory Committee has been pleased to see that this new budgeting process continues to operate much more smoothly and efficiently than that of prior years. The Advisory Committee also commends Mr. Purple, Mr. Ballantine, and their finance team for once again preparing and distributing an enhanced summary document explaining the FY22 budget. This communication effort should be appreciated by the voters and should be effective in reducing some of the budget-related miscommunications at past Town Meetings.

We invite those with an interest in any topic to attend 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.

Kathryn M. Cook



Chair – 2020-2021 Advisory Committee

Kathryn M Cook, Chair

Andrew Pfaff, Vice Chair

Andrew Dennington, Secretary until 5/11/21

Judith K. Budz

Timothy Martel

John F. Rooney, III

Jason Malinowski