

REPORT OF THE FINANCE COMMITTEE  
TOWN OF HOLBROOK, MASSACHUSETTS  
FISCAL YEAR 2023 ANNUAL REPORT  
FISCAL YEAR 2024 PROPOSED BUDGET

General Operating & Enterprise Fund  
Proposed Budgets For Fiscal Year 2024  
July 1, 2023 to June 30, 2024

The Holbrook Finance Committee

Barry Horne, Chair (Dec 2022 to Present)

Michael Sigda, Vice-Chair

Brian McFarland, Clerk

Patrick J. Duggan (Chair from July to Dec 2022)

Susan Godwin

Anne LaSalvia

Peter Mahoney

Scott McLellan

Nakeya Miller

# Table of Contents

<b>Cover Page / Finance Committee Members.....</b>	<b>1</b>
<b>Table of Contents.....</b>	<b>2</b>
<b>Annual Report of the Finance Committee.....</b>	<b>3</b>
<b>Proposed General Fund Expenditures Budget Increase.....</b>	<b>3</b>
<b>Estimated Excess Levy Capacity.....</b>	<b>4</b>
<b>Solid Waste Enterprise Fund Concerns.....</b>	<b>5</b>
<b>Other Financial Concerns.....</b>	<b>6</b>
<b>Additional Positive News.....</b>	<b>6</b>
<b>Closing Remarks.....</b>	<b>7</b>
<b>FY24 Budget Review Meetings Calendar.....</b>	<b>8</b>

# Annual Report of the Finance Committee

May 12, 2023

Dear Town Meeting Members:

We are pleased to present the Finance Committee's proposed Town of Holbrook General Operating Budget and related Enterprise Fund Budgets for Fiscal Year 2024 (FY24). As always, while preparing and reviewing the upcoming year's budget recommendations, the Finance Committee (FinCom) did their best to balance and help ensure: the distribution of the town's available resources to the areas of greatest need; the maintenance of existing services and service levels in all departments; the funding allocations necessary to enact additional services, service enhancements, or new priorities as directed by Holbrook Town Meeting Members at prior annual and special town meetings; and the minimization of any potential increased tax burden on Holbrook taxpayers through judicious and reasonable reductions to proposed expenditures.

The unusually high annual mixed inflation rates (inflation) in the United States (US) over the course of 2021 and 2022, as well as the atypically large spikes in both utility and fuel costs that occurred during the past twelve months, were formidable challenges for the town's department heads, the town leaders who oversee Holbrook's finances, and FinCom. However, due to the town's fiscally prudent decisions, the Town Accountant and FinCom are once again able to present the Annual Town Meeting with a balanced and recommended budget.

## Proposed FY24 General Fund Expenditures (GF) Budget Increase

In addition to judicious initial budgeting by town department heads; as well as the expense control and reduction efforts of the Town Accountant, Administrator, and Select Board; the FinCom Annual Budget Review process further reduced the proposed FY24 GF Budget by a little over \$400,000 – which translates to nearly a half million dollars in savings for Holbrook and its taxpayers.

The final (fully amended) GF Budget total for FY23 was \$48,181,495.42. FinCom's recommended GF Budget total for FY24 is \$49,630,816.33. This represents a proposed increase of \$1,449,320.91, which works out to 3.01% overall. However, approximately \$489,600 of that proposed increase is designated for the mostly self-funded Holbrook Regional Emergency Communications Center (HRECC), all of which is projected to be off-set by additional HRECC revenues. When that off-setting number is removed from the total, the remaining proposed increase in the GF Budget for FY24 is reduced to \$959,720.91, which works out to 1.99% overall – the majority of which is driven by increases in the town's insurance costs and contractual salary obligations. Given that US inflation in 2022 was 6.5 percent<sup>1</sup>, this represents a remarkably low proposed increase in the town's GF Budget.

[<sup>1</sup> Per the website "US Inflation Calculator" on May 9, 2023. [www.usinflationcalculator.com/inflation/current-inflation-rates/](http://www.usinflationcalculator.com/inflation/current-inflation-rates/)]

[Please note that the recommended proposed percentage increase in the GF Budget does not equate to an equivalent proposed percentage increase in the town's property tax levy or residential tax rate. Several other things factor into the calculations for those numbers, including: additional revenue raised from new growth; changes in property assessments; state or federal aid; other revenues received; excluded debt costs; annual decisions by the Select Board regarding the division of the total levy amount between the residential, commercial, and industrial tax rates; and many more. In addition, FinCom does not set, vote on, or recommend: revenues; the property tax levy; or categorical tax rates. FinCom only reviews and recommends the GF Budget, and that is just one contributing factor to the calculations and decisions made by the Select Board and others.]

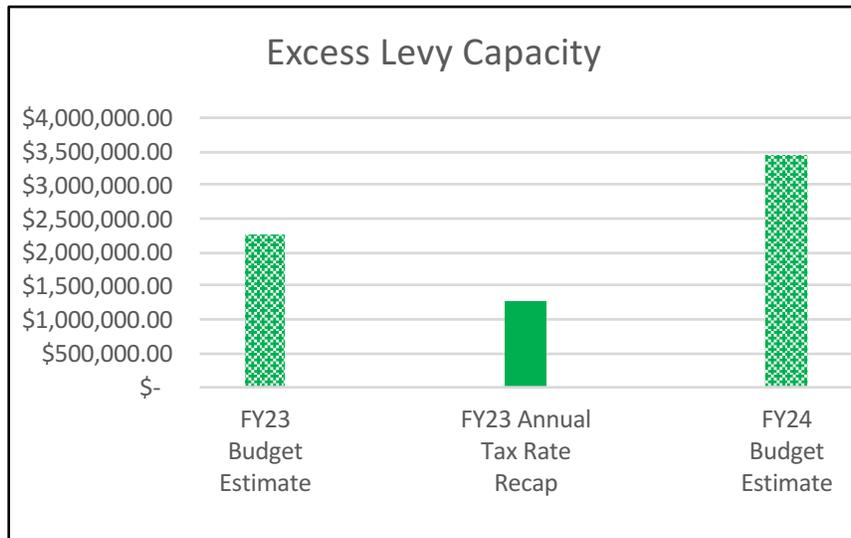
# Annual Report of the Finance Committee

## FY24 Budget Estimated Excess Levy Capacity

Originally enacted in 1980 (modified multiple times since), Massachusetts Proposition 2½ places constraints upon the amount of property taxes that a community can levy by both: establishing a maximum tax *levy ceiling* equal to 2.5 percent of the total value of all of taxable properties in the community; and constraining the increase in a community’s total allowable tax levy for a given year (the year’s *levy limit*) over the prior year’s levy limit to a maximum of 2.5 percent (not including any levy increases that are attributable to new growth, as well as certain specific exclusions) without a special override vote by the community. The difference between a community’s Levy Limit and its actual Levy in any given year (the amount by which a community’s tax levy is below its levy limit for a given year) is known as that community’s “Excess Levy Capacity (“Excess Capacity”)” for that year. This number represents the amount of additional tax revenue that *could* have been levied/raised that year (without requiring an override vote by the town), but which was *not* levied/raised that year. <sup>2</sup>

[<sup>2</sup> The entire preceding paragraph is only a partial, unofficial, lay-person summary/understanding of *some* of the components of Massachusetts (MA) Proposition 2½, as outlined in the MA Department of Revenue’s (DOR) Division of Local Services’ (DLS) guide entitled “Levy Limits: A Primer on Proposition 2½” (Rev. 6/07). To read the full primer, or to obtain expert information and/or advice on this topic, please contact the MA/DOR/DLS, and/or visit their website at [www.mass.gov/dls](http://www.mass.gov/dls).]

Each year, the annual proposed budget for Holbrook includes an *estimated (and projected)* figure for the town’s Excess Levy Capacity for the upcoming fiscal year. (This number can go up or down during the year based upon a numbers of factors and is only finalized on the town’s annual tax rate recap.) Last year, Holbrook’s proposed FY23 Budget Estimated Excess Capacity was \$2,260,532.14. Due to changes that were voted on and approved at the Special Town Meetings held in the Fall of 2022, as well as other factors, this number was ultimately reduced to an actual Excess Capacity of \$1,271,649.40 on the town’s annual tax rate recap. This year, Holbrook’s proposed FY24 Budget’s Estimated Excess Capacity is \$3,422,169.61 – a significant increase over both the final Excess Capacity number reported on the town’s most recent annual tax rate recap, as well as the estimated number that was included in last year’s budget proposal. In addition to providing the town with some degree of financial flexibility if an unforeseen need were to arise, this estimated and projected increase in Holbrook’s Excess Levy Capacity for the upcoming fiscal year is a testament to the commitment of everyone involved in the town’s annual budget process to keeping the town’s tax levy, and subsequent taxpayer burden, as low as possible without compromising town services or service delivery.



# Annual Report of the Finance Committee

## Solid Waste Enterprise Fund Concerns

The Holbrook Select Board, acting in accordance and compliance with MA law, determines the user fee schedule for Holbrook's Enterprise Funds.

It is the general opinion and recommendation of FinCom that the town's Enterprise Funds should, whenever possible, be completely self-sufficient and *not* require any subsidization from the town's General Fund and/or General Operating Budget.

In the case of Holbrook's Solid Waste Enterprise Fund, FinCom feels that this recommendation is especially important because resident participation in the fees and services of this fund is entirely optional. Unlike the town's water and sewer services, there are other ways for residents to easily obtain Solid Waste services. Thus, using the town's General Fund and/or General Operating Budget to subsidize the revenue generated by this fund in order to balance its expenses, amounts to taxing the residents that chose not to participate in the town's Solid Waste program for services that they have declined and paid for elsewhere.

Furthermore, when a town does intend to subsidize an Enterprise Fund from its General Fund and/or General Operating Budget, it is supposed to indicate this intended subsidy on the Enterprise Fund's Budget *at the time of the budget's adoption by town meeting*.<sup>3</sup>

[<sup>3</sup> Appendix A, Frequently Asked Questions # 3, Page32, "MA DOR, Enterprise Funds Guide, Informational Guideline Release 2022-16". The full guide is available for download at: <https://dls.gateway.dor.state.ma.us/gateway/DLSPublic/IgrMaintenance/Index/789>]

However, due to multiple issues outside of FinCom's control, the Holbrook Select Board and Town Administration have allowed the town's Solid Waste Enterprise Fund to fall into an unplanned overall deficit for FY23, as well as a projected self-funding deficit in FY24.

Article 8 of the town's June 5, 2023 Special Town Meeting warrant addresses the fund's FY23 deficit via the transfer of a previously unplanned subsidy (totaling \$197,991.87) from the town's General Fund (Certified Free Cash), while Article 6 of the town's June 5, 2023 Annual Town Meeting warrant (the Solid Waste Enterprise Fund's proposed budget for FY24) indicates the town's intention of potentially subsidizing this fund from General Taxation again in FY24.

FinCom has recommended voting in favor of both of these articles at this time, because the town's current alternatives appear to be far worse: allowing the fund to remain in a deficit would potentially be severely damaging to the town's financial ratings and ability to operate; while immediately raising the fund's user fees to sufficiently and completely cover its expenses for this year and next has been deemed untenable at this time, as it would impose an unreasonable and undeserved immediate financial hardship upon the residents who do participate in this fund, and could also lead to a worsening of the fund's situation as more residents may choose to avoid such an increase by opting out of it.

However, FinCom strongly urges the Select Board and Town Administration to continue their ongoing review of this fund, and to deliver a solution (whether it be increased fees, decreased expenses, a change in the vendor providing the services, etc.) that will allow this enterprise fund to return to complete self-sufficiency as soon as reasonably possible.

Furthermore, FinCom also urges the Holbrook Select Board and Town Administration to take any steps necessary to ensure that the town's other enterprise funds do not end up in the same situation.

# Annual Report of the Finance Committee

## Other Financial Concerns

Per/Poly -fluoroalkyl Substances (PFAS): a recently announced reduction in the parts per trillion (ppt) amount of PFAS chemicals that the federal government deems safe for public water supplies has further exacerbated many Holbrook residents' concerns regarding the safety of the town's water, as well as their desire to see these chemicals eliminated from our water supply as soon as possible. FinCom strongly encourages working with our Joint Water Department partner Randolph on the most expedient, effective, and fiscally responsible method of addressing this ongoing problem.

New Water Plant: The construction of the new Tri-Town water plant for the benefit of the residents of Holbrook, Randolph, and Braintree has begun. Holbrook should continue to ensure that it will either have, or be able to obtain, the funds necessary to pay the town's anticipated share of this project, as well as a reasonable amount of unforeseen/unanticipated costs that may occur.

HRECC Continued Growth: the wildly successful and almost entirely self-funded HRECC continues to expand, while still providing many valuable services and benefits directly to the town and its residents. As the center begins to outgrow its current location, Holbrook will need to research and determine the town's fiscal options, preferences, and best course of action with regards to the center's future.

Long Term and Orderly Growth Plan: as the town's public school system continues to approach full capacity (barring an expansion of the relatively new buildings), it is now more important than ever to develop a long term and orderly growth plan for its future. Decisions on town zoning laws, new construction approvals, town forest preservation plans, and open space or town recreation plans, all come with potentially large financial impacts (both positive and negative) that should not continue to be considered individually, but rather in the light of a town meeting / resident approved overall plan and vision for the town's future.

## Additional Positive News

The town continues to make annual contributions to its under funded "Other Postemployment Benefits" (OPEB) liabilities, and it has maintained a very favorable bond rating that factors into the town's ongoing ability to obtain favorable borrowing rates.

Due to the town's recent cost control measures and an increase in expected revenues for FY24, this year's proposed operating budget and capital plan warrant articles were able to include: the required seed funding necessary to obtain a large six-year road and sidewalk improvement grant that was recently awarded to Holbrook; continued funding for the Department of Public Works (DPW) internal Road Repair plan that was initiated last year; additional building repairs for the town library; additional funds for a new van for the Council on Aging; continued support for necessary technology maintenance and replacement costs at the Holbrook schools; several new or replacement items requested by the various Public Safety departments and the DPW; and improvements to the town's asset management capabilities and election voting booths.

Despite these expenditures and the current difficult financial climate (marked by recent periods of high inflation accompanied by large spikes in utility and fuel costs), this year's proposed budget contains no involuntary staffing cuts, and continues to fund each department at levels that will either maintain, or in some cases improve, their services and service delivery.

# Annual Report of the Finance Committee

## Closing Remarks

State law, regulators, town by-laws, and fiscal prudence require the Town Accountant and FinCom to provide Town Meeting with a balanced budget proposal to vote on. FinCom continues to interpret this to mean that in addition to being balanced in the short-term, each year's proposed annual budget submission should also be based upon sound and supportable financial practices that will ensure the long-term fiscal health of our community. We believe that this year's proposed budget once again fits within such a framework.

FinCom is realistic about the continued financial challenges facing Holbrook, and appreciative of the amount of work and dedication that will be required by everyone in order to meet these challenges in the years ahead. However, we also remain steadfastly optimistic that Holbrook's best days (both financial and otherwise) still lie ahead of us.

Respectfully,

On Behalf of the Holbrook Finance Committee,

Barry K. Horne Jr, PhD  
Chair

Michael Sigda  
Vice-Chair

Brian McFarland  
Clerk

## Holbrook Finance Committee Calendar for FY24 Budget Review Meetings

<b>Holbrook Finance Committee - FY24 Budget Review Meetings</b>	
Thursday, January 05, 2023	No Meeting
Thursday, January 12, 2023	Financial: Accountant, Finance Committee Services: Forrest, Veteran's, Historical Commission Selectmen Oversight: Board of Selectmen (Town Counsel & Town Reports), Town Administrator (Prof Technical, HCAM)
Thursday, January 19, 2023	No Meeting
Thursday, January 26, 2023	Selectmen Oversight: Inspectional Services, Human Resources Services: Council on Aging, Library, Town Clerk
Thursday, February 02, 2023	No Meeting
Thursday, February 09, 2023	Public Safety: Police (Includes Animal Control), Fire, Communications, Emergency Management, Public Safety Building
Thursday, February 16, 2023	Discuss FY23 Current State: Town Accountant, Review Expenses, Forecast Challenges
Thursday, February 23, 2023	Financial: Assessors, Treasurer/Collector (Including Debt and Benefits), All Insurance Revisit/Follow-up: Library, Inspectional Services
Thursday, March 02, 2023	No Meeting
Thursday, March 09, 2023	Public Works: DPW Budget and Enterprise Accounts (Solid Waste, Water, Sewer, Joint Water) Indirect Costs Revisit/Follow-up: Inspectional Services
Thursday, March 16, 2023	No Meeting
Thursday, March 23, 2023	Education: Holbrook Public Schools
Thursday, March 30, 2023	No Meeting
Thursday, April 06, 2023	Education: Blue Hills Regional & Norfolk Agricultural High School Capital Planning Committee Revisit/Follow-up: Enterprise Accounts (Solid Waste, Water, Sewer), Joint Water, Indirect Costs
Thursday, April 13, 2023	Revisit/Follow-up: Enterprise Accounts (Solid Waste, Water, Sewer) Total Budget Review - Part 1 of 2: Finance Committee Changes and Questions for Department Heads
Thursday, April 20, 2023	Revisit/Follow-up: Enterprise Accounts (Solid Waste, Water, Sewer) Total Budget Review - Part 2 of 2: Finance Committee Changes and Questions for Department Heads
Thursday, April 27, 2023	Final Budget Review: Final Changes and Comments, Finance Committee Recommendation Vote Capital Plan: Revisit/Review, Finance Committee Suggested Changes Special Town Meeting Warrant: Review and Vote Recommendations
Thursday, May 04, 2023	Budget Comments/Discussion: Select Board Chair, Others Annual Town Meeting Warrant: Review and Vote Recommendations
Thursday, May 11, 2023	No Meeting
Thursday, May 18, 2023	Annual Town Meeting Warrant: Presentation and Discussion of Additional Information Requested by the Finance Committee on Two (2) Warrant Articles, Review and Vote Recommendations
Monday, June 05, 2023	Prior to Special and Annual Town Meeting