

TOWN OF HOLBROOK, MASSACHUSETTS FISCAL YEAR 2020 FINANCIAL REPORT & OPERATING BUDGET

General and Enterprise Funds

July 1, 2019 to June 30, 2020

Finance Committee

Peter Mahoney, Chairman

Paul Lynch, Vice-Chairman

Michael Sigda, Clerk

Patrick Duggan

Susan Godwin

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Budget Message

May 7, 2019

Dear Town Meeting Members:

We are pleased to present Holbrook Finance Committee's proposed Operating Budget, and related Enterprise Fund Budgets, for the Town of Holbrook for Fiscal Year (FY) 2020. The FY20 budget allocates available resources to areas of greatest need while maintaining services and mitigating service reductions in all departments. This must be done while balancing a budget within the limits of the financial constraints facing our community. The budget, which consists of total anticipated expenditures of \$45mm, represents an increase of 2.8% over the FY19 budget.

Due to the town's fiscally prudent decisions, the Finance Committee changed their approach to setting the budget this year. Previously, the process began with the expectation of using all available funds to create the budget. However, with this year's strong revenue growth, due to both increased property values and increased state funding, the Finance Committee decided to present a balanced budget that ***did not*** use all available funds. Rather than assuming a 2.5% increase in property tax rates the committee assumed a lower increase of 1.82%. This is the second consecutive year the budget was not based on the full 2.5% tax rate increase allowed by state regulations.

Over the last several years, Holbrook voted for budgets that fund the operating budget and invest in new capital items. The Finance Committee implements a budget process with four goals: 1. Provide a good level of service; 2. Invest in infrastructure and capital equipment; 3. Save for rainy days; and 4. Minimize tax increases.

Below are the details how the FY20 budget compared to those stated goals:

1. Provide a good level of service

- No funding decreases, **to any department budget**, from prior year's budget.
- Includes funding an additional position for both the Library and Department of Public Works (DPW) providing a direct benefit to the community.
- Increased funding for Holbrook Public Schools (HPS) of 4.9% is expected to create new teaching positions to improve educational services for students.
- Budget increases for Council on Aging (29.3%), Public Safety (5.9%), and Education (5.9%) including HPS.

2. Invest in our infrastructure and capital equipment

- Includes funding for capital such as new Chrome Books for HPS and vehicles for the DPW and Fire Department.

3. Save for rainy days

- Increases to the Reserve fund to cover unexpected expenses (In addition to Free Cash previously moved to the stabilization fund).

4. Minimizing tax increases

- Assumes a lower tax increase than allowed by state regulations.
- Did not use full funds available for budgeting.

Looking to the future, the Finance Committee recommends the town continue to be vigilant in monitoring and addressing the following items as we move forward.

- **The Large amount of overdue receivables.** With the addition of an outside tax title firm assisting with collections, the town's position improved over the last few years. That said, the town still needs to drive this effort and reduce this amount.
- **Election of Treasurer/Collector.** The Finance Committee supported and continues to support changing the Treasurer/Collector (TC) position to an appointed position. An elected TC charges every citizen to hold the office accountable just once every 3 years. Also, elected officials require no training, degrees, or specific skillset. An appointed TC is held accountable every day, like all other key financial town employees. Over the last 15+ years, the TC office committed many mistakes and errors that cost the town money and hurt its reputation.
- **High benefits and retirement costs.** Two years ago, the Selectmen and Public employee committee negotiated a new contract for health insurance that adjusts the premium split gradually over the next six years from the current 90%/10% to 85%/15%. This is a step in the right direction. There is more work to be done on cost saving measures to ensure the citizens of Holbrook are receiving the fullest level of services for the amount they pay. Holbrook management and employees need to be realistic about the town's financial future and continue to review and modify how we provide services in the 21st century.
- **Blue Hills Technical School (BHS) Building Project.** in the fall of 2017, Holbrook voted to support the BHS school building project. There was no impact to this year's budget but over the next few years, as the project progresses, Holbrook must prepare to fund our portion.

State law, regulators, by-law, and fiscal prudence require that the Finance Committee provide Town Meeting with a balanced budget to vote on. We interpret this to mean that the budget submission must be based on sound and supportable financial practices that ensure the long term financial health of the community. With that as the framework, this FY20 budget balances the use of revenues across all departments and services provided by the town. This budget preserves all departments' core services and is projected to allow us to end FY20 fiscally sound. We remain realistic about the continuing financial challenges facing the Town and are appreciative of the hard work and dedication required by all to meet the challenges that await us in the years ahead.

Respectfully,

Peter Mahoney

Chairman-Holbrook Finance Committee

Holbrook Finance Committee Calendar for FY20 Budget Review Meetings

Holbrook Finance Committee - FY20 Budget Review Meeting Calendar	
Monday, January 7, 2019	Open Agenda Financial: Accountant
Monday, January 14, 2019	Financial: Finance Committee Selectmen Oversight: Inspectional Services, Human Resources (did not present) Services: Council on Aging, Library
Monday, January 21, 2019	Martin Luther King Jr. Day - No meeting
Monday, January 28, 2019	Public Safety: Police (Includes Animal Control), Fire, Communications, Emergency Management, Public Safety Building Free Cash Policy
Monday, February 4, 2019	No meeting planned - Posted as makeup day if needed
Monday, February 11, 2019	Financial: Assessors, Treasurer/Collector (including Debt and Benefits), All Insurance Selectmen Oversight: Board of Selectmen (Town Counsel & Town Reports), Town Administrator (Prof Technical, HCAM)
Monday, February 18, 2019	President's Day - No meeting
Monday, February 25, 2019	Holbrook Public Schools
Monday, March 4, 2019	No meeting planned - Posted as makeup day if needed Snowed Out
Monday, March 11, 2019	Canceled
Monday, March 18, 2019	Blue Hills Regional & Norfolk Agricultural High School Services: Veteran's, Historical Commission, Forrest
Monday, March 25, 2019	Services: Town Clerk Public Works: DPW budget and Enterprise accounts (Solid Waste, Water, Sewer, Joint Water)
Monday, April 1, 2019	Capital Planning Committee Total budget review including updating expenses, finalizing revenue assumptions; Indirect costs
Monday, April 8, 2019	Total budget review including updating expenses, finalizing revenue assumptions; Indirect costs
Monday, April 15, 2019	Patriot's Day - No meeting
Tuesday, April 23, 2019	Review and vote final proposed budget - Part II
Wednesday, May 1, 2019	Joint meeting with BOS; End of FY transfers
Tuesday, May 7, 2019	Prior to Town Meeting
Monday, July 15, 2019	End of FY transfers

Free Cash Policy *

Definition: Free Cash is the remaining, unrestricted funds from operations of the previous fiscal year (FY) including unexpended free cash from the previous fiscal year, actual receipts in excess of estimated revenues as shown on the tax recapitulation sheet and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash.

The Finance Committee has an established set of goals regarding the use of Holbrook's Free Cash.

Goals:

- **Prior Year Deficits:** Pay off all prior year deficits; allowing new FY revenues (taxes) to pay for future spending. (Excludes prior year bills or invoices)
- **Maintain Unallocated Free Cash Balance:** Keep up to 25% as free cash; to avoid possible deficits in future years
- **Unique items:** Fund unique, one-time, project(s) or initiatives that have no traditional funding source
- **General Stabilization:** Transfer up to 25% of free cash to General Stabilization to fund and maintain stabilization equal to 7-10% of general fund operating budget
- **Capital Stabilization:** Transfer up to 25% of free cash to Capital Stabilization to maintain a balance up to \$400k
- **Reduce Tax Levy:** Provide up to 25% to decrease tax levy and reduce the burden on the town's tax payer.
- **Compensated Absences:** Transfer up to 25% from free cash to fund the compensated absences reserve fund to offset Holbrook's compensated absences liability.
- **Other Post Employment Benefits (OPEB) Trust Fund:** Transfer up to 25% from free cash to fund OPEB liability in the OPEB Trust Fund

Free cash is not to be used to fund General Fund Salary or Expense budgets unless it is in accordance and spirit of the above stated goals.

*This revised policy that is pending final approval by Finance committee.

Stabilization Fund

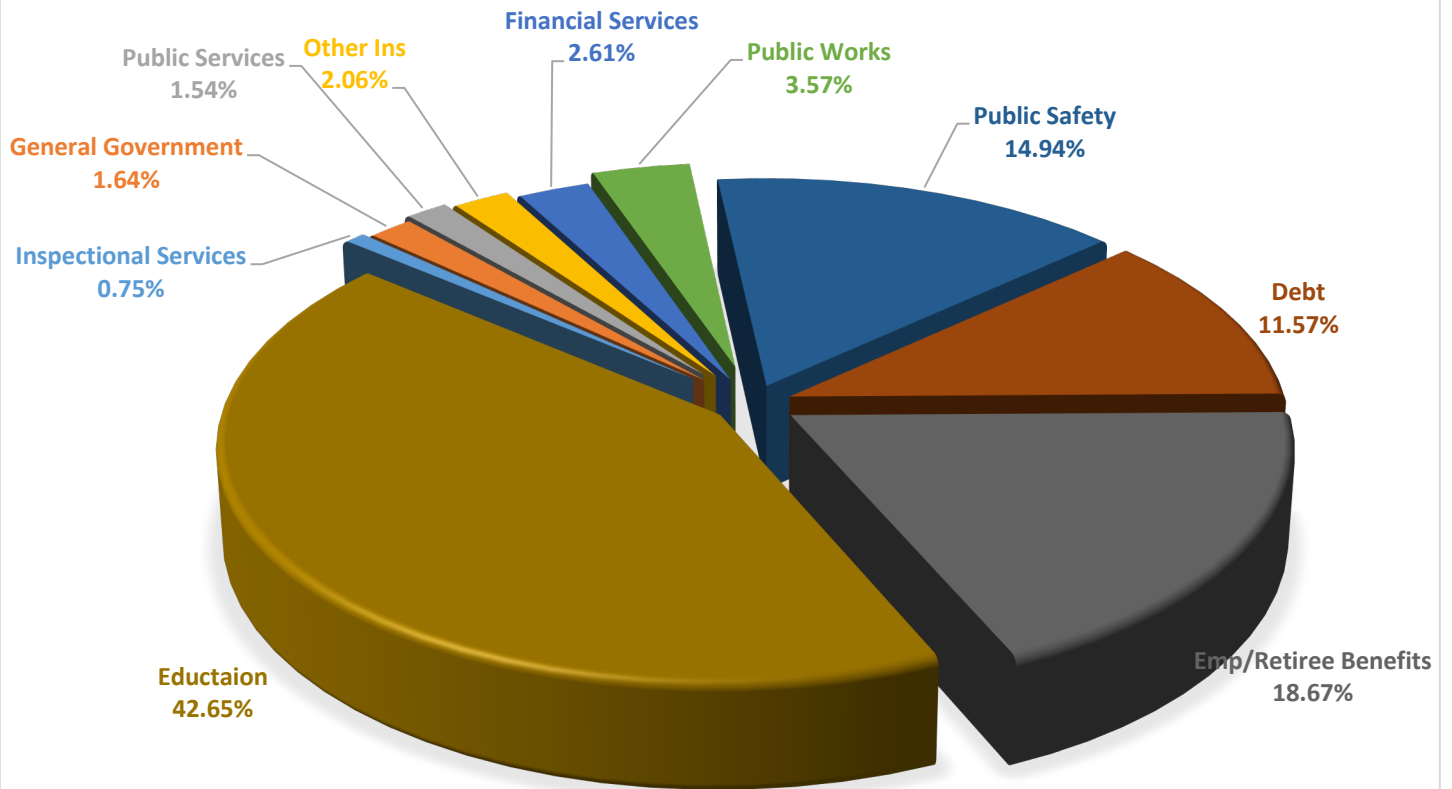
The purpose of this reserve is to provide long term financial stability for the Town while improving the Town's credit worthiness and flexibility. The provisions for this fund are dictated by Chapter 40 Section 5B of Massachusetts General Law. This fund may be appropriated for any purpose for which the Town would be authorized to borrow money under Section seven or eight of Chapter 44 of MGL or for any other lawful purpose. Appropriations from this fund are governed by statute and require a two-thirds affirmative vote of Town Meeting. **The Finance Committee recommends that the Town only consider the use of, no more than, one-quarter of the amount available in all stabilization funds appropriated in any fiscal year, and that such appropriations be for one time expenditures and not to support the annual operating budget.**

Financial Reserve Policies

Fund balance and reserve policies should be established to protect the Town from unforeseen increases in expenditures, reductions in revenues, or a combination of both, or any other extraordinary events. Fund balance and reserve policies also serve to provide an additional source of funding for capital construction and replacement projects. According to Bond rating agencies and good fiscal prudence, reserves should normally average between 5% and 15% of the Town's operating budget. It is also important to continue to add to financial reserves annually.

FY20 Budget Summary

FY20 GENERAL FUND BUDGET



Conclusion

The finance committee met over a dozen times and spent many hours in discussions concerning this budget. This budget received a recommendation by the Finance committee on **5/01/2019**.

ANNUAL TOWN MEETING

Actual/Projected Revenues

			FY18	FY19	FY20
			Recap	Recap	Recap
PRIOR YEAR LEVY LIMIT			\$ 22,719,177	\$ 23,647,854	\$ 24,558,696
	Allowed Growth Prop 2 1/2		\$ 567,979	\$ 591,196	\$ 447,862
	Prop 2 1/2 Permanent Override				
FISCAL YEAR LEVY LIMIT			\$ 23,287,156	\$ 24,239,051	\$ 25,006,558
	New Growth		\$ 360,698	\$ 319,645	\$ 332,243
LEVY CEILING			\$ 23,647,854	\$ 24,558,696	\$ 25,338,801
	Prop 2 1/2 debt exclusion		\$ 4,656,065	\$ 4,656,065	\$ 4,592,814
	Fiscal Year Maximum Levy		\$ 28,303,919	\$ 29,214,761	\$ 29,931,615
		REMOVE EXCESS CAPACITY			\$ (1,192,319)
	Fiscal Year Levy Without Excess Capacity				
					\$ 28,739,296
	Actual Tax Levied		27,831,012	\$ 28,022,442	
		Excess capacity	472,908	1,192,319	
AVAILABLE FUNDS					
	Free Cash to Reduce Tax Rate		415,017	395,438.00	-
	Comp Abs Reserve		-	83,000.00	90,644
	Cherry Sheet		\$ 7,561,784	\$ 8,202,253	9,276,527
	Enterprise Fund Indirect Costs		1,224,041	1,254,329	1,166,709
	Local Receipts		\$ 3,341,246	\$ 3,614,587	3,367,704
	Ambulance Reserve		\$ 250,000	\$ 525,000	678,714
	Overlay Surplus		\$ -	\$ -	-
	Wetlands Protection Reserve Fund		\$ 2,000	\$ 2,000	-
	Fire Alarm		\$ 15,550	\$ 5,550	9,850
	Total Available Funds		\$ 12,809,638	\$ 14,082,157	\$ 14,590,148
MAXIMUM GROSS AVAILABLE FOR APPROPRIATION			\$ 40,640,650	\$ 42,104,599	\$ 43,329,444
OTHER AMOUNTS RAISED ON ASSESSORS TAX RECAP					
	Treasurer's Tax Title Process		\$ -	\$ -	\$ -
	Cherry Sheet Offset (School & Library)		\$ 270,756	\$ 282,933	\$ 233,550

	Assessors Overlay		\$ 286,942	\$ 292,689	\$ 285,136
	State & County Assessments (1)		\$ 875,244	\$ 1,062,293	\$ 1,097,612
	Other Debt		\$ -	\$ -	\$ -
	Overlay Deficit		\$ -	\$ -	\$ -
	Snow & Ice Deficit		\$ -	\$ -	\$ -
	Other Deficit		\$ -	\$ -	\$ -
		Total Other Amounts To Raise	\$ 1,432,942	\$ 1,637,915	\$ 1,616,298
MAXIMUM AVAILABLE FOR APPROPRIATION			\$ 39,207,708	\$ 40,466,684	\$ 41,713,146
LOCAL RECEIPTS			FY18	FY19	FY20
	Motor Vehicle Excise		\$ 1,487,863	\$ 1,500,000	\$ 1,500,000
	Other Excise		\$ 1,115	\$ 1,000	\$ 1,000
	Penalties and interest on taxes and excises		\$ 207,781	\$ 210,000	\$ 210,000
	Payment in lieu of taxes		\$ 3,311	\$ 3,313	\$ 3,313
	HCAM		\$ 189,350	\$ 245,000	\$ -
	Fees		\$ 69,798	\$ 70,000	\$ 70,000
	Other Departmental Revenue		\$ 150	\$ -	\$ -
	Charges for Services		\$ 589,869	\$ 917,274	\$ 955,391
	Licenses and Permits		\$ 352,901	\$ 350,000	\$ 350,000
	Fines and Forfeits		\$ 19,366	\$ 18,000	\$ 18,000
	Investment Income		\$ 77,798	\$ 70,000	\$ 70,000
	Medicaid Reimbursement		\$ 224,727	\$ 190,000	\$ 190,000
	Miscellaneous Recurring (Please specify)		\$ 36,619	\$ 40,000	\$ -
	Miscellaneous Non-Recurring (Please specify)		\$ 80,598	\$ -	\$ -
		Totals	\$ 3,341,246	\$ 3,614,587	\$ 3,367,704

