

Town of Holliston, Massachusetts

Report of the

**FINANCE
COMMITTEE**

for the

October 24, 2016 Special Town Meeting

To the Citizens of the Town of Holliston:

The Finance Committee respectfully submits this warrant and associated articles for your consideration.

Financial Update

The October Special Town Meeting is our opportunity to work with actual information on a number of significant assumptions that we used in May, and finalize our FY17 (July 1, 2016-June 30, 2017) spending plan. Here are the key updates since our last report in May:

1. Local Aid – In late May and June, the state revised revenue expectations significantly downward as a result of collections falling short of benchmarks for several months. As a result, the Governor vetoed several areas of the budget originally passed by the state legislature. While many of those cuts were overridden, the ‘final’ enacted budget relies on revenue assumptions that are overly optimistic. Because of this, the Finance Committee is expecting mid-year cuts in local aid and has already been told to expect these cuts. Although the current net local aid amount is slightly higher than the prior year, we know it will be reduced and are therefore taking action to provide a financial cushion to avoid having to reduce town budgets mid-year. Furthermore, we believe that these budgetary issues will persist and will likely have a detrimental impact on FY18.
2. Free Cash – At the close of each fiscal year on June 30, a final accounting of actual revenues and expenses is made and is compared with the revenue assumptions and appropriations voted by the Town. Any excess funds (such as revenue that exceeded targets or appropriations that were not completely expended) become “Free Cash” that can be applied to the following fiscal year’s budget. “Free Cash” also includes one-time moneys (settlements and the like) that the Department of Revenue certifies as “unreserved” or “undesignated.” Although not certified at the time of this writing, the current expectation is that the Department of Revenue will certify Holliston’s free cash at approximately \$2 million. The state recommends that Free Cash be used only for one-time expenditures as it is not a reliable source of funding. The Finance Committee has

been reducing operating budget exposure to Free Cash; FY17 is the last year in which operating budgets will rely on this revenue.

3. Reserves – The Finance Committee has adopted a policy to build and maintain our reserves at 8.1% of the omnibus budget, just above the 8% level considered “strong” by bond rating agencies. Maintaining strong reserves (the total of the Stabilization Fund plus Free Cash) is key to Holliston’s bond rating, which directly impacts our debt borrowing costs. If Town Meeting supports the Finance Committee recommendations, the Stabilization Fund will stand at approximately \$5 million, which meets our reserve minimum target. The Stabilization fund provides financial flexibility in times of economic stress (rainy day funds), and should be used only for extreme events such as natural disasters, emergency conditions, sudden economic stress, or as a bridge for short term financial events.

Capital Spending

In FY09 the Finance Committee initiated an ongoing annual commitment to fund \$350,000 per year for capital purchases. It has increased annually since FY13 and now stands at \$800,000 in FY17. Although capital purchases are usually approved at the Special Town Meeting, due to seasonal issues several capital purchases were approved in May totaling \$661,807, with \$293,807 for the DPW, \$215,000 for the Board of Selectmen (senior center and golf course), \$125,000 for the school department, and \$28,000 for the Conservation Commission. This left \$138,193 remaining for allocation in October. The Committee reviewed capital proposals and decided to supplement capital funding with some of the Free Cash in order to meet some of the requests.

The Committee evaluated each capital proposal and is recommending the following capital expenditures:

• Replacement of two Police Department cruisers	\$ 84,928
• Boiler replacement at the Library	\$ 35,000
• Replacement of a brush fire truck for the Fire Department	\$ 85,000
• Replacement of network equipment and large format printer at Town Hall	\$ 12,525
• Replacement of radio equipment for the Fire Department	\$175,000
• Replacement of ambulance for Emergency Medical Services	\$255,000
• Replacement of DPW-Water department vehicles	\$108,012
• Replacement of Police radio repeater	\$ 20,100
• Replacement of dump truck/plow for DPW-Highway	\$ 50,500
• Replacement of tree chipper for DPW-Highway	\$ 66,975
• Nexus 7 tablets for the School Department	\$ 7,470
• Music Lab software for the School Department	\$ 20,000
• Interactive board technology for the School Department	\$ 23,265
• Security devices for the School Department	<u>\$ 15,000</u>
Total	\$958,775

Of the \$958,775 total amount recommended, \$734,763 is funded from the Capital Expenditure Fund, with \$108,012 from the Water Surplus and \$116,000 from the closure of the Ambulance revolving fund. With these actions and the additional funds from Free Cash there will be a net addition of \$1 million to the Capital Expenditure Fund. The ending balance in the fund will be

over \$2.3 million, a level considered acceptable by the Finance Committee in light of potential large expenditures on the horizon.

The Finance Committee has been working with the new Town Administrator to improve Holliston's capital planning and to create a more comprehensive Capital Plan. The Finance Committee will continue to work with the Town Administrator and the Board of Selectmen as needed to further this effort since a robust capital plan is essential to proper financial planning for the town's future capital needs.

Warrant Articles

The Finance Committee recommendations appear with each article in the warrant.

Recommendations of note include:

- Adjustments to the Reserve Fund budget to prepare for anticipated cuts to local aid (Article 1);
- Appropriation of Free Cash for various purposes (Articles 2, 3, and 6);
- Capital recommendations outlined above (Article 5);
- Appropriation from the Water Surplus for water main replacement (Articles 7 and 8);

As always, the Finance Committee is indebted to the many Town officials and employees whose efforts make this process and report possible. We also would like to commend the other elected and appointed committees with whom the Finance Committee interacts on an ongoing basis for all their cooperative efforts. We would like to give special thanks to our secretary Nancy Farrell whose support through our many meetings was vital to our success.

HOLLISTON FINANCE COMMITTEE

Kenneth S. Szajda, Chairman
Suzanne K. Nersessian
Timothy A. Maxwell

Michelle F. Zeamer, Vice Chairman
Daniel G. Alfred
Vincent J. Murphy, Jr., Clerk

Fund balances available **prior** to the Finance Committee recommendations:

Available for Appropriation (estimate)	\$ 126,829	Golf Course Capital	\$ 113,278
Ambulance Revolving Fund	\$ 116,214	Open Space Fund	\$ 159,335
Capital Expenditure Fund	\$1,348,063	Overlay Reserve	\$ 0
Community Preservation Fund	\$1,910,127	Stabilization Fund	\$4,883,392
Conservation Fund	\$ 12,575	Water Surplus	\$1,426,105
Free Cash (estimate)	\$2,000,000	Water Infrastructure	\$ 951,340
OPEB Trust Fund	\$7,988,457		

Fund balances available **after** the Finance Committee recommendations:

Available for Appropriation (estimate)	\$ 26,829	Golf Course Capital	\$ 113,278
Ambulance Revolving Fund	\$ 214	Open Space Fund	\$ 9,335
Capital Expenditure Fund	\$1,613,300	Overlay Reserve	\$ 0
Community Preservation Fund	\$1,610,127	Stabilization Fund	\$5,033,392
Conservation Fund	\$ 12,575	Water Surplus	\$1,068,093
Free Cash (estimate)	\$ 0	Water Infrastructure	\$ 3,340
OPEB Trust Fund	\$7,988,457		

Commonwealth of Massachusetts
Middlesex, ss.
Town of Holliston
To any Constable of the Town of Holliston, Greetings:

In the name of the Commonwealth you are hereby required to notify and warn the inhabitants of the Town of Holliston who are qualified to vote in Town Affairs to meet in the High School Auditorium on:

MONDAY, OCTOBER 24, 2016

at 7:30 p.m. to act on the following Articles, to wit:

ARTICLE 1: FISCAL YEAR 2017 BUDGET ADJUSTMENTS

SPONSORED BY: Board of Selectmen

To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money for the purpose of supplementing various accounts for the Town's Fiscal Year 2017 annual budget, previously voted by the Town under Article 14, of the Warrant for 2016 Annual Town Meeting or to take any action relative thereto.

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE RECOMMENDS THAT THE TOWN RAISE AND APPROPRIATE \$100,000 AND APPROPRIATE \$100,000 FROM FREE CASH FOR THE "OTHER FINANCIAL ADMINISTRATION/RESERVE FOR TRANSFERS" ACCOUNT (UNANIMOUS)

ARTICLE 2: STABILIZATION FUND

SPONSORED BY: Board of Selectmen

To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money for the Stabilization Fund; or take any action relative thereto.

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE RECOMMENDS THAT THE TOWN APPROPRIATE THE SUM OF \$150,000 FROM FREE CASH FOR THE STABILIZATION FUND (UNANIMOUS).

ARTICLE 3: CAPITAL EXPENDITURE FUND

SPONSORED BY: Board of Selectmen

To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money for the Capital Expenditure Fund; or take any action relative thereto.

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE RECOMMENDS THAT THE TOWN APPROPRIATE \$1 MILLION FROM FREE CASH FOR THE CAPITAL EXPENDITURE FUND (UNANIMOUS). Note: The Finance Committee expects to raise this amount to \$1,596,570 prior to Town Meeting once Free Cash is certified.

ARTICLE 4: SALE OF SURPLUS EQUIPMENT

SPONSORED BY: Board of Selectmen

To see if the Town will vote to authorize the Board of Selectmen to hold a public auction and or sale for the purpose of disposing of surplus departmental equipment; or take any action relative thereto.

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE RECOMMENDS FAVORABLE ACTION (UNANIMOUS)

ARTICLE 5: CAPITAL BUDGET

SPONSORED BY: Board of Selectmen

To see if the Town will vote to raise and appropriate, transfer from available funds or borrow a sum of money for the purpose of capital expenditures, including replacement of old vehicles and equipment, for the following departments: Police, Schools, Fire, Technology, DPW (Highway), DPW (Water), Library, Ambulance and authorize the Board of Selectmen to trade or sell equipment toward part of the purchase price; or take any action relative thereto.

Project	Department	Amount	Funding Source
Boiler Replacement	Library	\$35,000	Capital Expenditure Fund
Ambulance	Ambulance	\$255,000	Ambulance Revolving / Capital Expenditure Fund
Brush Truck	Fire	\$85,000	Capital Expenditure Fund
Radio Equipment	Fire	\$175,000	Capital Expenditure Fund
Fiber Network Equipment	I/T	\$5,810	Capital Expenditure Fund
Printer/Scanner for Maps	I/T	\$6,715	Capital Expenditure Fund
Police Radio Repeater	Police	\$20,100	Capital Expenditure Fund
Two (2) Police SUV's	Police	\$84,928	Capital Expenditure Fund
Dump Truck & Plow	DPW (Highway)	\$50,500	Capital Expenditure Fund
Chipper Machine	DPW (Highway)	\$66,975	Capital Expenditure Fund
1 Pick-Up Truck & Plow	DPW (Water)	\$54,006	Water Surplus
1 Pick-Up Truck & Plow	DPW (Water)	\$54,006	Water Surplus
Nexus 7 tablets	Schools	\$7,470	Capital Expenditure
Music Lab software	Schools	\$20,000	Capital Expenditure
Interactive board technology	Schools	\$23,265	Capital Expenditure
Classroom Security System	Schools	\$15,000	Capital Expenditure Fund
Total:		\$958,775	

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE RECOMMENDS (1) THAT THE TOWN APPROPRIATE THE FOLLOWING AMOUNTS FROM THE CAPITAL EXPENDITURE FUND: \$35,000 FOR BOILER REPLACEMENT AT THE LIBRARY, \$109,000 FOR AN AMBULANCE, \$85,000 FOR A BRUSH TRUCK, \$175,000 FOR RADIO EQUIPMENT, \$5,810 FOR NETWORKING EQUIPMENT, \$6,715 FOR A PRINTER/SCANNER, \$20,100 FOR A POLICE RADIO REPEATER, \$84,928 FOR TWO POLICE VEHICLES, \$50,500 FOR A DUMP TRUCK WITH PLOW, \$66,975 FOR A CHIPPER, \$7,470 FOR NEXUS 7 TABLETS, \$20,000 FOR MUSIC LAB SOFTWARE, \$23,265 FOR INTERACTIVE BOARD TECHNOLOGY, AND \$15,000 FOR SCHOOL SECURITY DEVICES; (2) THAT THE TOWN APPROPRIATE \$116,000 FROM THE AMBULANCE REVOLVING FUND FOR AN AMBULANCE; AND (3) THAT THE TOWN APPROPRIATE \$108,012 FROM WATER SURPLUS FOR TWO PICK-UP TRUCKS WITH PLOWS. (UNANIMOUS)

ARTICLE 6: FUND TRANSFER TO AFFECT THE TAX RATE

SPONSORED BY: Board of Selectmen

To see if the Town will vote to transfer from available funds a sum of money for the purpose of reducing the amount of money to be raised through property taxes for Fiscal Year 2017; or take any action relative thereto.

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE RECOMMENDS INDEFINITE POSTPONEMENT (UNANIMOUS)

ARTICLE 7: WATER MAIN AND PRESSURE BOOSTER STATION DESIGN AND REPLACEMENT FOR CEDAR STREET, TURNER ROAD, AND CHERYL LANE

SPONSORED BY: Board of Selectmen

To see if the Town will vote to appropriate from Water Surplus, Water Infrastructure Account, \$68,000 for engineering design and tasks related to replacement of approximately 5,300 linear feet of water mains in Cedar Street, Turner Road and Cheryl Lane. The scope of this project includes new water mains, valves, hydrants, service connections, hydraulic determination to identify a suitable replacement site for the Cedar Street booster station, topographical survey of a potential site and preparation of a booster station, drawings and specifications for a factory assembled station and related work in Cedar Street, Turner Road, and Cheryl Lane; or to take any action relative thereto.

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE RECOMMENDS THAT THE TOWN APPROPRIATE \$68,000 FROM THE WATER SURPLUS, WATER INFRASTRUCTURE ACCOUNT FOR THE PURPOSE STATED IN THE ARTICLE. (UNANIMOUS)

ARTICLE 8: WATER MAIN REPLACEMENT CONSTRUCTION COST FOR SHAW FARM ROAD AREA

SPONSORED BY: Board of Selectmen

To see if the Town will vote to appropriate from Water Surplus, Water Infrastructure Account, \$1.13 million dollars for construction and tasks related to replacement of approximately 5,400 linear feet of water mains in the Shaw Farm Road area. The scope of this project includes new water mains, valves, hydrants, service connections, surface restoration and related work on Clark Drive, Cold Spring Road, Shaw Farms Road, Cynthia Circle, Appleyard Lane, Roberta Circle and Heritage Way; or to take any action relative thereto.

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE RECOMMENDS FAVORABLE ACTION (FUNDING DETAILS TO BE PROVIDED AT TOWN MEETING) (UNANIMOUS)

ARTICLE 9: COMMUNITY PRESERVATION COMMITTEE BUDGET

SPONSORED BY: Community Preservation Committee

To see if the Town will vote to act on the report of the Community Preservation Committee on the fiscal year 2017 Community Preservation budget and to appropriate or reserve for later appropriation monies from the Community Preservation Fund annual revenues or available funds for administrative expenses of the Community Preservation Committee, the payment of debt service, the undertaking of community preservation projects and all other necessary and proper expenses for the year; or take any action relative thereto.

Board of Selectmen Vote: At Town Meeting

THE FINANCE COMMITTEE WILL MAKE A RECOMMENDATION AT TOWN MEETING (UNANIMOUS)

ARTICLE 10: PROPERTY ACQUISITION ADAMS STREET

SPONSORED BY: Board of Selectmen

To see if the Town will vote to raise and appropriate, transfer from available funds, grants or borrow \$600,000 for the purposes of purchasing property, shown as Board of Assessors parcel ID 136/004.0-0002-0041.0 consisting of approximately 10.29 acres more or less, or take any action relative thereto.

Board of Selectmen Vote: 3-0

THE FINANCE COMMITTEE WILL MAKE A RECOMMENDATION AT TOWN MEETING (UNANIMOUS)

And you are directed to serve this Warrant by posting true copies thereof, attested, on and within the Town Hall fourteen days at least before the date of said meeting. Hereof fail not and make return of this Warrant with your doings thereon at the time and place of said meeting.

Given under our hands this 5th day of October A.D. 2016.

John D. Leary, Jr., Chairman

Kevin P. Conley, Vice Chairman

Joseph P. Marsden, Clerk

BOARD OF SELECTMEN