

TOWN OF HOLBROOK, MASSACHUSETTS FISCAL YEAR 2021 FINANCIAL REPORT & OPERATING BUDGET

General and Enterprise Funds

For the Period

July 1, 2020 to June 30, 2021

Finance Committee

Peter Mahoney, Chairman

Patrick Duggan, Vice-Chairman

Michael Sigda, Clerk

Susan Godwin

Scott McLellan

Andrea Piekarski

Brian McFarland

Barry Horne

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Budget Message

June 1, 2020

Dear Town Meeting Members:

We are pleased to present the Holbrook Finance Committee's proposed Operating Budget, and related Enterprise Fund Budgets, for the Town of Holbrook for Fiscal Year (FY) 2021. Like all cities and towns, the COVID-19 pandemic presented a unique challenge to committee members, department heads, and town management as we prepared a budget for the upcoming fiscal year with many new and/or unknown variables. As always, the committee attempted to best allocate available resources to areas of greatest need while maintaining services and mitigating service reductions across all departments. This was done while attempting to balance a budget within the limits of the financial constraints facing our community during this unprecedented time. The budget, which consists of total anticipated expenditures of \$49m, represents an increase of 1.9% over the FY20 budget.

Due to the town's fiscally prudent decisions, the Finance Committee is able to present a balanced budget that assumes significant cuts in expected revenue without eliminating current staffing levels. Furthermore, and similar to prior years, the committee ***did not*** assume a full 2.5% increase in property tax rates but assumed a lower increase of 0.7%. In comparison to the struggles being faced by other towns, Holbrook is better positioned to navigate the financial challenges posed by the pandemic. While there are still many unknowns about the future and potential hard decisions we will have to make, the town is starting from position of strength.

Over the last several years, Holbrook Town Meeting 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 of how the FY21 budget compared to those stated goals:

1. Provide a good level of service

- No funding decreases to any department from prior year's budget.
- Budget increases Public Safety (3.3%), and a 4.9% increase for Holbrook Public Schools (HPS).
- An increase for Board of Health expenses of approximately \$10k.

2. Invest in infrastructure and capital equipment

- Includes funding for existing capital commitments.

3. Save for rainy days

- No funding taken from the Town's Stabilization fund to balance the budget. Allows Holbrook to retain funds should the situation worsen and require us to dip into reserves.

4. Minimizing tax increases

- Assumes a lower tax increase than allowed by state regulations.

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 our 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.

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 FY21 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 FY21 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 Meetings & FY21 Budget Review Schedule	
Monday, January 6, 2020	No meeting
Monday, January 13, 2020	Financial: Accountant Services: Forrest Selectmen Oversight: Board of Selectmen (Town Counsel & Town Reports), Town Administrator (Prof Technical, HCAM) Free Cash Policy
Monday, January 20, 2020	Martin Luther King Jr. Day - No meeting
Monday, January 27, 2020	Selectmen Oversight: Inspectional Services, Human Resources Services: Council on Aging, Library, Town Clerk Public Works: DPW budget and Enterprise accounts (Solid Waste, Water, Sewer, Joint Water)
Monday, February 3, 2020	No meeting
Monday, February 10, 2020	Services: Conservation Commission Public Safety: Police (Includes Animal Control), Fire, Communications, Emergency Management, Public Safety Building Financial: Finance Committee
Monday, February 17, 2020	President's Day - No meeting
Monday, February 24, 2020	Education: Holbrook Public Schools
Monday, March 2, 2020	No meeting
Monday, March 9, 2020	Financial: Assessors, Treasurer/Collector (including Debt and Benefits), All Insurance Education: Blue Hills Regional & Norfolk Agricultural High School (No Presentation) Services: Veteran's (No Presentation), Historical Commission (No Presentation) Capital Planning Committee
3/16/2020 CANCELED DUE TO COVID-19	Follow up budget review Services: Council on Aging, Town Clerk (TBD), Any other open budgets Insurance Agent presentation Free Cash
3/23/2020 CANCELED DUE TO COVID-19	Total budget review Including updating expenses, finalizing revenue assumptions; Indirect costs
Monday, March 30, 2020	Test Remote Meeting Capability Discuss Current Financial Situation Given COVID-19 Review Budget Book Free Cash Policy Insurance Numbers Discuss COA Budget
Monday, April 6, 2020	Review proposed budget - Part I
Monday, April 13, 2020	No meeting
Monday, April 20, 2020	Patriot's Day - No meeting
Monday, April 27, 2020	Review proposed budget - Part II
Monday, May 11, 2020	Review proposed budget - Part III
Monday, May 18, 2020	Vote Proposed Budget
Monday, June 1, 2020	Meet with Department Heads to review budget post FinCom vote
Wednesday, June 24, 2020	Prior to Town Meeting

Free Cash Policy

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

The Finance Committee established the following 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% to General Stabilization to maintain a balance equal to 7-10% of general fund operating budget
- **Capital Stabilization:** Transfer up to 25% to Capital Stabilization to maintain a balance up to \$400k
- **Reduce Tax Levy:** Utilize up to 25% to decrease tax levy and reduce the burden on the town's tax payer
- **Compensated Absences:** Transfer up to 25% to fund the compensated absences reserve fund to offset Holbrook's compensated absences liability
- **OPEB Trust Fund:** Transfer up to 25% to fund the 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.

Stabilization Fund Policy

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.

Ambulance Reserve Policy

The Ambulance Reserve fund is a "Receipts Reserved for Appropriation Fund". These funds are collected from specific revenue sources, authorized by specific statute, and segregated from the General Fund. Once collected, funds may only be used by appropriation. If appropriated as part of the annual or capital budget, cash is transferred to the General Fund or Capital Fund and expended from there. At the end of a given Fiscal Year, any unspent amount automatically carries to the following year until it is appropriated at town meeting.

The fund is used to collect reimbursements for ambulance services provided by the Holbrook Fire Department. These reimbursements are primarily received from insurance providers, including Medicaid and Medicare.

The actual balance at the end of March will be used as a funding source when setting the budget for the upcoming fiscal year. That allows a balance to be carried forward for use in the upcoming fiscal year.

The first funding priority will be any capital items related to Fire/EMT. The remainder will be used as a general funding source for the General Fund.

Fire Alarm Reserve Policy

The Fire Alarm Reserve fund is a "Receipts Reserved for Appropriation Fund". These funds are collected from specific revenue sources, authorized by specific statute, and segregated from the General Fund. Once collected, funds may only be used by appropriation. If appropriated as part of the annual or capital budget, cash is transferred to the General Fund or Capital Fund and expended from there. At the end of a given Fiscal Year, any unspent amount automatically carries to the following year until it is appropriated at town meeting.

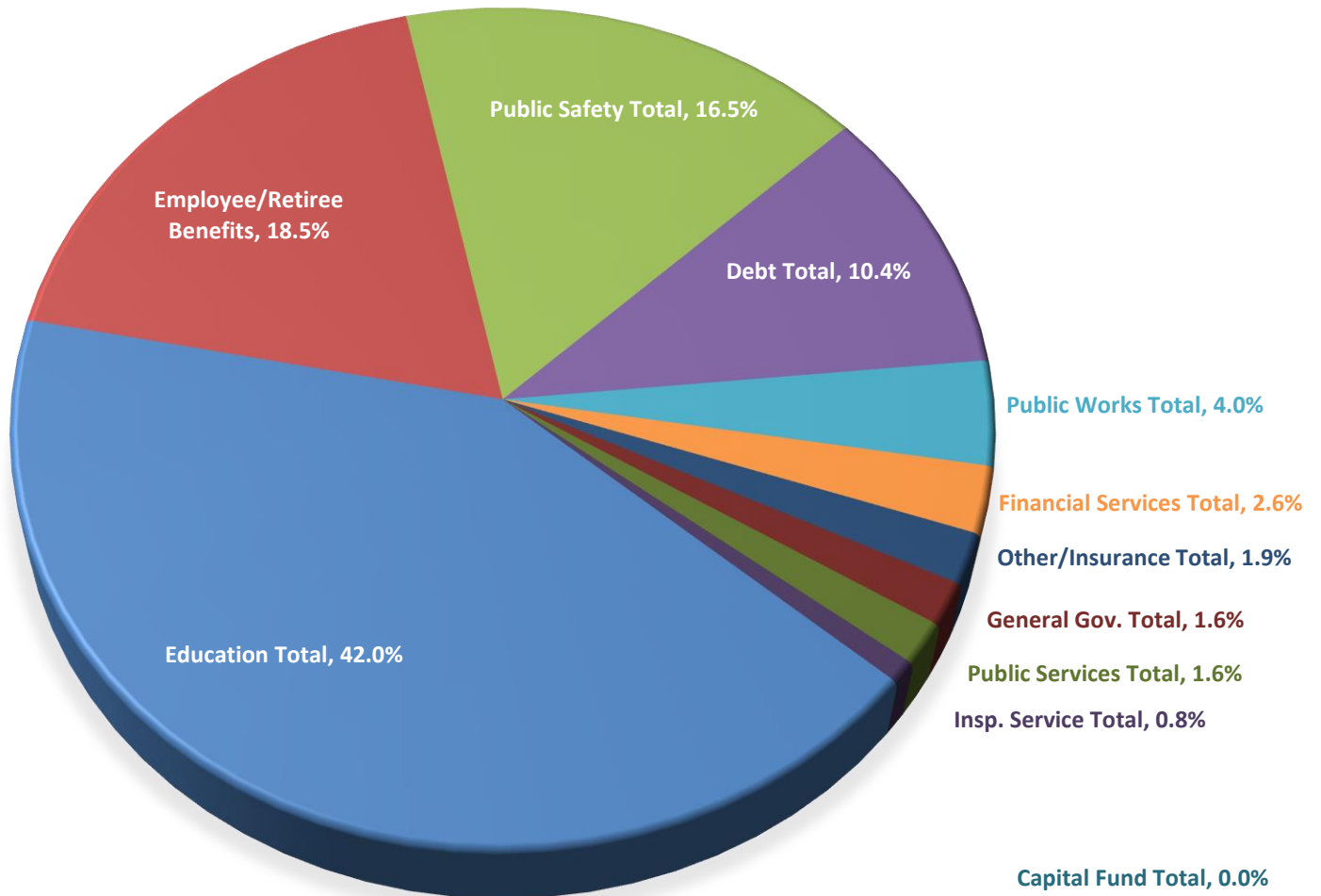
The fund is used to collect fees from entities that are tied into the town's municipal fire alarm system. This system provides a direct notification to the town's fire department allowing for the fastest response time possible should a fire or emergency event occur.

The actual balance at the end of March will be used as a funding source when setting the budget for the upcoming fiscal year. That allows a balance to be carried forward for use in the upcoming fiscal year.

The first priority of this funding source will directly fund the fire alarm line items submitted in the fire department budget. If any funds remain, they can be used for capital items associated with fire alarm work. Any remainder will be used as a general funding source for the General Fund.

FY20 Budget Summary

FY21 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 6/01/2020.

ANNUAL TOWN MEETING

Actual/Projected Revenues

	FY19	FY20	FY21
	Recap	Recap	Projected
PRIOR YEAR LEVY LIMIT	23,647,854.47	24,558,695.83	25,464,572.23
Allowed Growth Prop 2 1/2	591,196.36	613,967.40	174,710.43
Prop 2 1/2 Permanent Override			
FISCAL YEAR LEVY LIMIT	24,239,050.83	25,172,663.23	25,639,282.66
New Growth	319,645.00	291,909.00	291,909.00
LEVY CEILING	24,558,695.83	25,464,572.23	25,931,191.66
Prop 2 1/2 debt exclusion	4,656,065.00	4,481,105.00	4,283,996.96
Fiscal Year Maximum Levy	29,214,760.83	29,945,677.23	30,215,188.62
REMOVE EXCESS CAPACITY			(1,614,828.41)
Fiscal Year Levy Without Excess Capacity			28,600,360.21
<i>Actual Tax Levied</i>	<i>28,022,441.87</i>	<i>28,330,848.82</i>	
Excess capacity	1,192,318.96	1,614,828.41	
AVAILABLE FUNDS			
Free Cash to Reduce Tax Rate	395,438.00	400,000.00	354,000.00
Comp Abs Reserve	83,000.00	90,644.00	70,789.00
Cherry Sheet	8,202,253.00	9,293,055.00	10,777,193.00
Adjust Cherry Sheet Estimate - COVID			(940,071.00)
Enterprise Fund Indirect Costs	1,254,329.00	1,166,709.00	1,191,071.00
Local Receipts	3,614,587.00	3,377,405.00	3,089,340.00
Ambulance Reserve	525,000.00	678,714.00	857,207.00
Overlay Surplus	-	-	-
Wetlands Protection Reserve Fund	2,000.00	-	-
Fire Alarm	5,550.00	9,850.00	10,960.00
Total Available Funds	14,082,157.00	15,016,377.00	15,410,489.00
MAXIMUM GROSS AVAILABLE FOR APPROPRIATION	42,104,598.87	43,347,225.82	44,010,849.21

OTHER AMOUNTS RAISED ON ASSESSORS TAX RECAP				
	Treasurer's Tax Title Process	-	-	-
	Cherry Sheet Offset (School & Library)	282,933.00	239,910.00	165,429.00
	Assessors Overlay	292,689.19	298,547.74	288,489.21
	State & County Assessments (1)	1,062,293.00	1,086,139.00	1,211,059.00
	Other Debt	-	-	-
	Overlay Deficit	-	-	-
	Snow & Ice Deficit	-	-	-
	Other Deficit	-	-	-
	Total Other Amounts To Raise	1,637,915.19	1,624,596.74	1,664,977.21

MAXIMUM AVAILABLE FOR APPROPRIATION	40,466,683.68	41,722,629.08	42,345,872.00
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LOCAL RECEIPTS		FY19	FY20	FY21
	Motor Vehicle Excise	1,500,000.00	1,550,000.00	1,310,835.00
	Other Excise	1,000.00	1,000.00	1,000.00
	Penalties and interest on taxes and excises	210,000.00	229,000.00	229,000.00
	Payment in lieu of taxes	3,313.00	3,292.00	3,292.00
	HCAM	245,000.00	-	-
	Fees	70,000.00	84,683.00	84,683.00
	Other Departmental Revenue	-	-	-
	Charges for Services	917,274.00	955,391.00	1,012,391.00
	Licenses and Permits	350,000.00	305,183.00	244,183.00
	Fines and Forfeits	18,000.00	15,694.00	15,694.00
	Investment Income	70,000.00	54,000.00	27,000.00
	Medicaid Reimbursement	190,000.00	179,162.00	161,262.00
	Miscellaneous Recurring (Please specify)	40,000.00	-	-
	Miscellaneous Non-Recurring (Please specify)	-	-	-
	Totals	3,614,587.00	3,377,405.00	3,089,340.00