

Town of Hopkinton



Appropriation Committee Report with Recommendations

Annual Town Meeting

May 2, 2022

Approved: April 13, 2022

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Summary Narrative

To the Citizens of Hopkinton:

This Report provides layers of details about a wide range of Town financial issues. Some readers will be interested in a close and comprehensive review of this substantial document. For readers with limited time who prefer an overview of the largest dollar value issues, a review of this Summary Narrative, the General Fund Sources and Uses of Funds (pages 16-17), and the proposed General Fund capital expenditures (page 22) is recommended.

The Hopkinton Appropriation Committee (the Committee) has reviewed and recommends the proposed fiscal year (FY) 2023 General Fund operating spending, pay as you go capital spending, debt principal and interest payments on capital items, and contributions to the Other Post Employment Benefit Trust Fund, totaling \$103,820,513 for the period commencing July 1, 2022, as presented by the Town Manager and Select Board.

The overarching priorities reflected in this budget align with a period of recovery from the financial shock of the COVID-19 public health emergency. This proposal is very effective in meeting service delivery and financial priorities in FY 2023. Key aspects of this budget proposal include:

- Funding Town services at FY 2022 service levels, with targeted additional service increases that support community growth with a focus in increased equity for Hopkinton residents; including increases for the Hopkinton Public Schools special education, Library service level increases to support an increasingly diverse population, enhancements to Senior and Youth and Family Services serving at-risk members of the community, and increased transparency of government operations
- Meeting contractual and debt obligations
- Appropriate recapitalization of General Government Fund, Water Enterprise Fund, and Sewer Enterprise Fund capital equipment and facilities
- Preservation of 100% the Town's General Stabilization balance, sustaining financial strength and supporting low cost borrowing in the future
- Incorporation of increased State funding to sustain and increase service levels while managing tax impact and preserving the Town's long term financial health and stability
- Tax bills on existing properties are expected to rise 2.09%; a rise of about \$241 on the current \$11,599 tax bill for an average home valued at \$681,100

While immediate needs are met by this budget, multi-year projections show that continued cost growth substantially in excess of the Proposition 2½ 2.5% cap on cost escalation will be a challenge in FY 2024 and beyond, as growth in residential construction is expected to taper off and revenue from new growth in the tax base correspondingly tapers off. Likewise, substantial capital spending for school construction, Center School re-use, and any other major projects proposed in future years may pose a substantial tax impact challenge. That will be the case if new school facilities or other projects are built with debt that is voted to be excluded from the limits of Proposition 2½, and even if partial support is obtained from the Massachusetts School Building Authority.

This report was developed as part of a budget process that was initiated when the Town Manager proposed specific FY 2023 budget guidance to the Select Board on September 24, 2021. Subsequent to Select Board approval of that guidance, departmental budgets and capital plans were developed by Town departments, the Hopkinton Public Schools, Commissions, Boards and Committees. The Town Manager conducted detailed budget reviews, and requests were reviewed in detail at public meetings by the Select Board, the Appropriation Committee and, for capital requests, by the Capital Improvement Committee.

General Fund Sources of Funds

The Town operates under a financial regulatory regime administered by the Massachusetts Department of Revenue. As part of the regulatory framework, municipalities are required to develop balanced budgets where reliable estimates of revenues are projected, and where those projected revenues are sufficient to fund all expenditures authorized by Town Meeting for the coming year. In Hopkinton's General Government Fund budget, these important projected revenues are identified as "Sources of Funds."

Because of the reliance on estimated revenues in the budgeting process, there is some risk that estimates will not be realized and that budget shortfalls may occur. That risk can be heightened in periods of economic or physical stress, such as a pandemic or a major natural disaster. In response to that risk, forward-looking municipalities like Hopkinton conduct "stress tests" on projected revenues. These stress tests conclude that Hopkinton has a very high to excellent degree of resilience and reliability in a very high majority of the Town's revenue sources, with an additional layer of resilience and reliability provided by available financial reserves; the Town's revenue stability is outstanding. A discussion of revenue stress testing is included on page 28 of this report.

Property tax receipts are expected to generate net revenue for the operating budget of \$84,279,784, with \$2,500,000 of that amount coming from new growth mostly tied to a renewal of the Eversource liquid natural gas facility, along with new residential construction. Tax

revenue to support debt payments excluded from the proposition 2 ½ limits will drop by \$176,311, even if six capital projects proposed to be funded subject to voter approval are supported by Town Meeting and subsequent ballot questions, because the amount of new principal and interest is less than the principal and interest no longer required from borrowings that are being paid down or paid off; including the land acquisition from the Fruit Street property purchase. In the proposed budget, net property taxes will account for 81% of Town operating revenue. Based on current year assessments, about 83% of property tax revenue is expected to come from residential property, 7% from industrial property, 4% from commercial property, and 6% from taxable business personal property.

The Town allocates amounts into an Overlay Account to act as a special reserve for cases where property tax appeals are granted or where taxpayers successfully appeal to State tax courts. Over the past several years, the Town has had very few appeals, an average of 50 per year, or about three quarters of one percent of all tax accounts. Over the past five years, the average amount of abatements granted by the Board of Assessors or Appellate Tax Board has been \$110,000 per year, which has been 15 hundredths of 1% of property taxes levied; meaning that 99.85% of the property taxes levied have been either uncontested or validated on appeal. This is a very strong indication of the soundness of Hopkinton's tax assessment process.

However, the Town's largest taxpayer, Eversource Energy, has filed a steady stream of aggressive tax appeals, which account for 97% of all appeals pending, and amounting to \$3.8M. The Town believes it is likely that Eversource may appeal an additional \$2.8M in taxes that were appealed to the Board of Assessors in February, 2022, and denied. At this time, based on what is expected, the Town tentatively plans to add an additional \$2.5 million to the Overlay Account in FY 2023 as a cautious buffer pending resolution of pending and expected appeals.

The proposed operating budget would have a tax impact on existing taxpayers within the tax levy of 2.09%, consisting of a 2.31% increase on the existing tax levy, offset by a reduction of 0.21% tax impact due to a net reduction in excluded debt service costs. The FY 2023 operating tax impact of 2.09% translates into an increase of about \$241 for the average taxpayer whose home is valued at \$681,100 with a prior year tax bill of \$11,599.

As noted above, the operating budget is supported by an estimated \$2,500,000 in additional tax revenue from new growth, mostly derived from the renewal of taxable business equipment at the Eversource liquid natural gas facility and new residential construction. Overall, new growth is expected to contribute 59% of the new property tax revenue within the tax levy in the FY 2023 General Fund operating budget, excluding new taxes from new debt proposed for exclusion from the tax levy. New growth is projected to be down 27% from the actual level experienced in FY 2022, which was a year with both substantial growth from residential construction at Legacy Farms and renewal construction at the Eversource liquid natural gas facility.

The budget shows local aid from the Commonwealth of \$10,172,326, up 7.9%; while payments to state-sponsored cooperative programs including public transportation, charter school tuition, and mosquito control of \$483,315 are up 2.3%. Local receipts, including motor vehicle excise taxes are expected to be up 6.0%.

The proposed FY 2023 budget continues to make the most of sources of funds other than property tax collections to pay for items in the budget. An amount of \$3,348,753 from the Town's certified Free Cash carried forward from previous years is being used to provide \$420,250 to the Other Post-Employment Benefits (OPEB) Liability Trust Fund, \$2,128,140 toward pay-as-you-go capital items, and \$914,849 to support operating spending and balance the budget. While Town financial policies indicate that the use of one-time funding to support operating spending should be avoided when possible, such funds were used in FY 2018 (\$1,024,143), FY 2020 (\$257,995), FY 2021 (\$1,033,815), and FY 2022 (\$692,348); and excess tax levy was used to help balance the budget in FY 2019 (\$1,837,821), FY 2020 (\$772,286), and FY 2021 (\$341,876). The \$914,849 in one-time funding being recommended to balance the budget avoids additional tax increases or spending cuts for the coming fiscal year. This action is compliant with laws and regulations.

The Town has been awarded federal funding of \$5.9 million under the American Rescue Plan Act of 2021, of which \$452 thousand has been awarded to the Hopkinton Public Schools and \$5.5 million has been awarded to the Town administration. Of the \$5.5 million awarded to the Town administration, \$5.5 million remains available for use on a restricted list of authorized purposes in FY 2023 and the first half of FY 2024. Potential uses of this funding for water infrastructure are discussed on page 35 of this report

As of March 31, 2022, the Town had the following stabilization balances: General Fund Operating Stabilization Fund \$3,938,124 ; General Fund Capital Stabilization Fund \$341,810; School Stabilization Fund \$3,111,863. The combined total is \$7,391,797. Additionally, while this budget applies \$3,348,753 in certified free cash carried over from previous years for use in the operating budget, the Town has an additional \$466,968 in certified free cash from previous years that is not included in this budget, but that is available for future appropriation. That certified free cash balance will further raise the Town's effective General Fund reserves to \$4.7 million excluding School Stabilization Funds, or about 4.7% of the FY 2023 operating budget. Although Stabilization funds are not being used to support the FY 2023 budget, the Committee recommends building stabilization funds to target levels in future years.

General Fund Uses of Funds

The General Fund operating budget includes \$78,051,729 to fund the operation of Town and School Departments, \$1,094,024 for the creation of a Special Education Out of District Tuition Fund, \$14,852,647 for employee benefits and insurance, and \$7,194,987 to support the payment of principal and interest on general government debt. The budget contains a transfer of \$420,250 as a contribution to the Trust Fund to offset liability for non-pension retiree benefits that have been earned by Town employees (Other Post Employment Benefits, OPEB), sustaining this long-term commitment.

Debt service is a major factor in the multi-year financial horizon and the Town continues to take a long-term view of debt and operating spending trends, as is shown in the projections included on pages 20 - 21 of this report. General Fund principal and interest payments of \$7,194,987 for past and proposed capital projects funded from debt represents 7.7% of operating spending, which is below the maximum 15% debt service cost level established in Town Financial Policies. Those payments are tied to a General Fund debt level of \$79,647,469. With total debt across all government funds of \$119,094,477, the Town is at 49% of its statutory debt limit of \$242,650,716. General Fund debt that has been authorized at previous Town Meetings but which has not yet been issued could add up to \$638,113 to principal and interest expense in FY 2023 and \$622,659 in FY 2024; and up to \$7,355,099 to the overall debt level over the long term. There are several proposals before the Town Meeting this year that would add new debt, principal, or interest in future years.

The Town's actuary computed that as of June 30, 2021, Hopkinton had a liability for future retiree health benefits that have already been earned, OPEB, of \$40,020,304, partially covered by a trust fund balance of \$4,416,389 as of 03/31/2022, which is a 11.03% funding level for the liability, down from 14.8% as reported at the May, 2021 Town Meeting. The funding level is down because the most recent actuarial report substantially increased the estimated cost of providing these benefits in the future. A more detailed discussion is provided in the OPEB Liability Trust Fund section of this report. This budget calls for an additional contribution to the OPEB Trust Fund of \$420,250. The actuary calculates that funding this level, increased by 2.5% per year, will fully fund the liability by 2058, under current cost and life expectancy assumptions. This Committee appreciates the continued commitment to this priority.

The Town of Hopkinton is a participant in the Middlesex County Retirement System with 185 retirees in the system and 354 active enrolled participants. In FY 2023, the Town will contribute \$3,142,328 to the fund. Of that amount, \$998,068 will be for the retirement benefits that will be earned by employees in FY 2023 and \$2,144,260 to pay down the unfunded liability that accrued over previous decades. These contributions have the Town on track to have the pension fully

funded in 2037, and thereafter only the lower contribution for the cost of benefit earned during the year will be required.

The Town, along with the broader economy, has benefitted from a period of prolonged low inflation; averaging 2.0% from 2016-2020. In February 2021 the (Bureau of Labor Statistics) Consumer Price Index price increase for the prior twelve months was 1.7%; by February 2022 the Consumer Price Index price increase for the prior twelve months had risen to 7.9%.

The FY 2023 budget considers this spike in inflation, and specifically inflation in energy prices. Sustained inflation, if it should occur, would require noteworthy adjustments in FY 2024 and beyond. Inflation is also emerging as a complicating factor in capital planning, because of the time lag between project development and actual construction or acquisition.

Capital Proposals

The FY 2023 budget includes eighteen pay-as-you-go capital projects which are proposed to be funded from available resources, for a total of \$2,128,140. Projects for Information Technology, Police, Communications, Hopkinton Public Schools, Facilities, and Public Works are proposed in detail in the budget, to be funded from Certified Free Cash held by the Town. Additionally, a new vehicle replacement for Fire Engine #4, which was destroyed in an industrial accident, will be provided to the Town after purchase by the insurance carrier.

The budget proposal also recommends that six projects totaling \$4,378,761 be funded by borrowing that would go to the voters for approval using taxes that would be raised temporarily until the projects are paid off. Proposals include a scheduled replacement of Fire Engine # 2 (\$736,318), upgrades to the Woodville Fire Substation (\$400,000), repair work around Lake Maspenock Dam (\$400,000), Heating Ventilation and Air Handling System Replacement in the Hopkinton Public Schools (\$475,000), funding for supply chain driven construction cost increases for a Marathon School addition (\$695,900), and a replacement of the synthetic turf at Fruit Street Athletic Fields (\$1,671,543.)

Revolving Funds

A revolving fund is a partitioned account that accepts user fees as revenues and also earmarks those revenues to support an authorized activity, program, or service. There are over thirty specific provisions of Massachusetts General Law that allow for the establishment of revolving funds for various purposes. Revolving funds are ideal to support specific programs and facilities that provide a specific benefit to individual users who can be assessed fees; as opposed to general programs that provide broad benefit to the community, which are funded from general revenues.

Hopkinton has created several dozen revolving funds, including: a School Bus Fee Revolving Fund that collects bus fees from families and uses the proceeds to cover student transportation costs; Building Inspector Revolving Funds that accept building permit fees and use the proceeds to cover inspection staff costs; and a Parks and Recreation Fruit Street Athletic Field Revolving Fund fund that collects field rental fees and uses the proceeds to cover field maintenance costs and to accumulate surplus revenue to help offset the eventual replacement of the fields. Details on Revolving Funds are included on pages 33-34 of this report.

Enterprise Funds

All operating costs of the Water Enterprise are borne by water users who pay fees for water. The Town Water Enterprise is budgeted to spend \$1,769,850 for salaries, benefits, operating expenses, and indirect costs in fiscal year 2023. The proposed budget for the Water Enterprise also includes \$725,388 to pay principal and interest on previous capital purchases and several capital projects proposed in FY 2023 which are detailed later in this report.

Presently, the Water Enterprise is both a producer and distributor of water, serving connected homes and businesses. However, as a result of evolving contamination challenges with the groundwater wells that support water production, the FY 2023 budget proposes to use \$1,300,000 of available funds in the Water Enterprise accounts to perform design of a connection to the Massachusetts Water Resource Authority (MWRA) supply through the Town of Southborough. This is the first step in a multi-phased project to ensure a safe, sustainable, long-term water supply for the community. Connection to the MWRA will involve connection and construction costs and then ongoing payments for water used.

All costs of the Sewer Enterprise are borne by sewer system users who pay fees for sewer service. The Town Sewer Enterprise is budgeted to spend \$1,415,362 for salaries, benefits, operating expenses, and indirect costs for FY 2023. The proposed budget for the Sewer Enterprise also includes \$1,001,320 to pay principal and interest on previous capital purchase. There are no new sewer related capital projects proposed for FY 2023.

Water and Sewer Enterprise rates for FY 2023 will be set by the Select Board at a rate hearing in June, 2022. In setting water rates, the Select Board will consider available resources and the likely bow wave of expenses that will be associated with connection to the MWRA. Sewer rates are expected to remain stable for the next several years.

Community Preservation Funds

Massachusetts towns are allowed to adopt a surcharge of up to 3% on property taxes to fund a local Community Preservation Fund, which can be used to acquire and preserve open space and

historic sites, to create and support affordable housing and to develop outdoor recreational activities. Hopkinton voted to accept a 2% surcharge under this provision in 2001. Funds generated locally receive a match from a State trust fund, with the amount of match varying based on the level of State trust funds available. The State match was 43.8% in FY 2022.

At the start of FY 2022, \$6,292,574 was available for appropriation in the Community Preservation Fund, with \$1,827,519 allocated to projects not yet completed. During FY 2022 state funding was provided to the fund in the amount of \$553,004. The FY 2023 proposed budget calls for \$961,000 in spending on eight projects and \$232,724 on debt service and administrative costs. These actions will result in a balance available for appropriation in future years of \$7,779,633 if Town Meeting approves the projects proposed in this budget.

Hopkinton Community Access and Media (HCAM) Funding

Hopkinton Community Access and Media (HCAM) is a local Public, Education, and Government (PEG) Access media outlet serving the community through the broadcast of government, civic, and school programming, information, and event coverage via cable television, internet (e.g., youtube, hcam.tv), and social media channels. While HCAM was created by the Town, it has been an independent, not-for-profit corporation since 2004, and not a Department of the Town of Hopkinton since that time. HCAM receives most of its funding from public access surcharges on cable tv subscriptions under franchise agreements negotiated by the Town with the cable providers.

Community access media faces a challenge in Hopkinton and across the Commonwealth. Firstly, the State Legislature has modified the laws surrounding Public, Education, and Government (PEG) Access funding process. There are now two options for management of the flow of resources from the cable providers to PEG providers: funding under an enterprise fund as the Town did in FY 2022, and funding under a revolving fund.

After a year of experience operating as an Enterprise Fund, the Town believes that the revolving fund approach is better suited to Hopkinton's situation; as it is the approach that best reflects the status of HCAM as an independent operating corporation, and not a Town Department. The Committee believes that adopting the special PEG Access revolving fund approach authorized by the State is the best path for preserving HCAM as an independent financial entity, and will better insulate the Town from revenue fluctuations in PEG Access funds in the future. Under Article 9, a new special revolving fund would be established to provide this funding path; and Article 11 would disestablish the Enterprise Fund that was adopted previously.

A second factor supports this approach. As customers transition from cable television to internet-based media services, the revenue stream that has supported community access media

for decades is tapering off. The revolving fund approach provides the most transparent method for managing the Town's involvement in HCAM while the revenue issue is under review by the Legislature.

However, this transition comes with a cost. During FY 2023, payments cable television providers would accumulate in the PEG Access Revolving Fund for appropriation in FY 2024. Article 10 proposes to appropriate \$346,947 to HCAM from Certified Free Cash to support operations in FY 2023. It is expected that in FY 2024, Town Meeting would be asked to appropriate revenue from cable television providers that has accumulated in the PEG Access Revolving Fund, and Town Meeting would explicitly consider any other appropriations that may be requested by HCAM. The actions proposed would clarify the Town's role as a long term intermediary in the flow of resources to HCAM, without accepting a long term duty of guaranteeing a level of funding.

Water Enterprise; Water Supply Issue

During FY 2022, the Town mobilized in response to elevated levels of the "forever chemical" PFAS (per-and polyfluoroalkyl substances) in water production well #6. Two capital articles are proposed to address this issue. Article 23 proposes \$600,000 from available Water Enterprise funds for a temporary PFAS filtration system that will remove PFAS from the water and bring the Town into compliance with DEP regulations. Article 22 proposes \$1,300,000 for the design of a connection to the Massachusetts Water Resources Authority supply through the Town of Southborough. Information about this situation will be presented at Town Meeting.

Conclusion

The Committee previously expressed concerns about sustaining the budget in the coming years. Forecasting by Town departments over fiscal years 2024 - 2026 shows anticipated deficits currently estimated to grow to about \$2.6 million per year by fiscal year 2026, arising from a drop off in new growth revenue and increases in Education spending and Employee Benefits expenses in excess of 2.5% per year. This emerging structural imbalance in the budget, combined with an expected surge of requested school and other Town construction spending, will be a financial management challenge for the Town in coming years.

This budget represents many hours of collaborative work between the Select Board, School Committee, Town Manager, Department Heads, and our Committee. Respectfully Submitted, the Hopkinton Appropriation Committee:

Michael Manning, Chair
Jean Bertschmann

Wayne Pacheco
Caroline Lu

Bill Flannery
Tim O'Leary, CFO (ex officio)

Budget Messages



TOWN OF HOPKINTON TOWN MANAGER'S OFFICE Norman Khumalo, Town Manager

TO: Select Board
FROM: Norman Khumalo, Town Manager
RE: Fiscal Year 2023 Budget Development
DATE: September 24, 2021

I recommend that you endorse the initial fiscal year (FY) 2023 budget guidance contained in this memorandum at your September 28, 2021 meeting.

1. Departments will examine, prepare, and document justification of budgets from the bottom up. Departments will use this opportunity to review current operating approaches, with an eye toward streamlining and improved efficiency of operations. Departments will be prepared to discuss the review of operations for efficiency during upcoming Town Manager Budget Review sessions.
2. Departmental budgets to be submitted to the Select Board, after Town Manager review, will provide for spending with growth of not more than 3.25% over FY 2022 levels. This ceiling level reflects current estimates of key revenue sources for FY 2023, including new growth in the tax levy from construction and other expansion, a projected 5% increase in local aid from the Commonwealth of Massachusetts, and a projected 3% increase in local receipts which includes Motor Vehicle Excise Tax. In developing these requests, Departments should be aware that if revenue is lower than expected or if centrally funded Departmental costs, such as Municipal-wide employee health care and benefits, rise by appreciably more than 3.25%, Departmental budget growth may be constrained below the 3.25% level.
3. To support review of the current services and incremental request, all Departments are directed to adopt the summary format used by the Hopkinton Public School in FY 2022, framing summary requests in the following format which will be included in the revised budget submission template:
 - a. FY 2022 budget
 - b. Less, Efficiencies planned
 - c. Plus, inflationary costs for supplies, services, and contractual and other salary increases
 - d. Plus, new costs for compliance with regulatory or statutory requirements
 - e. Plus, costs related to growth-driven service expansions
 - f. Plus, other service or programmatic enhancement costs
 - g. Sum, not to exceed 103.25% of the approved FY 2022 budget
 - h. Include relevant metrics to support budget requests

4. Specific instructions for Departments on FY 2023 procedures for operating budget submissions and capital requests will be forthcoming from the Hopkinton Chief Financial Officer. Requests that may be related to COVID-19 expenses will be reported in the budget submission template and will be used to support decision making on the disposition of available federal funding.

As part of this year's budget process, I will be coordinating a series of public listening sessions to discuss ideas about new or expanded service levels or service lines that the Town might consider. These ideas may involve initiatives to expand diversity, equity, and inclusion; new community requirements; stresses associated with the COVID-19 public health crisis; or other long standing issues.

A budget advisory group consisting of the Chairs of the Select Board, Appropriation Committee, School Committee, and professional staff will meet regularly with Chairs reporting to their respective boards. I look forward to another successful collaboration for the development of the FY 2023 budget.

Enclosure: (1) Proposed Timelines for 2022 Annual Town Meeting & FY 2023 Budget
(2) Town of Hopkinton FY 2023 Initial General Fund Planning Forecast
(3) Fiscal Year 2023 Budget Initial Discussion Paper

Cc: Hopkinton School Committee
Hopkinton Appropriation Committee

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TOWN OF HOPKINTON
TOWN MANAGER'S OFFICE
Norman Khumalo, Town Manager

TO: Town of Hopkinton Select Board
FROM: Norman Khumalo, Town Manager
DATE: February 4, 2022
RE: Revised Fiscal Year (FY) 2023 Comprehensive Budget Transmittal
REF: (A) My Memo of 1/28/22, FY23 Comprehensive Budget Transmittal

Reference (A) provided an initial budget recommendation based on a careful review of prospective sources and uses of funds. In response to a material, unexpected industrial tax appeal, the revised budget proposal raises the estimated contribution to the FY 2023 overlay account from \$1.0 million to \$2.5 million to ensure fiscal stability. This action creates a \$1.5 shortfall in the budget proposal forwarded in reference (A). The table below identifies the summary level changes proposed to address \$1.0 million of that \$1.5 million shortfall, with detailed impacts shown in revisions to enclosures (1), (2), and (3). These proposed adjustments produce no changes to tax impact or capital plans; but enclosures (4), (5), and (6) detailing those matters are provided again, without revision, for your convenience. Likewise, reference (A) is provided as enclosure (7) for your convenience.

The additional \$500,000 adjustment required to achieve a balanced budget remains under development with Town Departments and will be briefed at the February 8, 2022 Select Board meeting. The proposed actions to achieve \$1.0 million in adjustments are as follows:

	Adjustments to Sources (+) & Uses (-) of Funds	1/28/22 Proposal	2/4/22 Proposal	Change
1	Increase use of Certified Free Cash	\$3,066,742	\$3,184,742	\$118,000
2	Increase Estimated Excise Tax, base on Feb, 2022 Info.	\$4,733,679	\$4,872,666	\$138,987
3	Increase "Other Revenues", ATM 2019, Art 17C Funds	\$841,098	\$916,098	\$75,000
4	Revert to Level Funding of Pavement Management Plan	-\$550,000	-\$501,000	\$49,000
5	Land Use Pers. Serv., Increase Cost Share from Revolving Funds	-\$612,832	-\$569,832	\$43,000
6	Library Pers. Serv., Mid-Year Start of New Positions	-\$947,356	-\$830,356	\$117,000
7	Reduce Transfer to OPEB Trust Fund	-\$620,250	-\$420,250	\$200,000
8	Eliminate Transfer to General Fund Stabilization Trust Fund	-\$250,000	\$0	\$250,000
9	Debt Service	-\$7,186,000	-\$7,194,987	-\$8,987
10	Fund Police Overtime for Outreach from Host Comm. Agreement	-\$2,913,989	-\$2,895,989	\$18,000
	Total:			\$1,000,000

Enclosure (7) detailed the many achievements reflected in the original budget presentation. The updated recommendation still retains many of those accomplishments. The revised proposal:

- Sustains municipal services, including educational services, at FY 2022 levels
- Meets contractual and debt obligations
- Fund targeted service expansion supporting diversity, equity, inclusion, and belonging; such as high priority special education needs funding for the Hopkinton Public Schools and for out of district special education tuition, a substantial increase in staffing at the Hopkinton Public Library to enhance service to an increasingly diverse user base, modest increases to support enhanced services for at-risk segments of the community in Senior Services, Youth and Family Service, and Police outreach programs; although in this revision some enhancements at the Library will be phased in rather than initiated on July 1, 2022, and Police outreach will be funded under provisions and funding from a Host Community Agreement with a property developer.
- The addition of dedicated staff in the Department of Public Works for tree stewardship, and in Land Use for conservation duties; and modest growth-driven increases in support staffing in the Town Clerk's critical election function and other functions, and for Human Resources training and administration work; although under this revision the Land Use conservation staff person will be funded to an increased degree from Land Use user fees.
- Balance spending and tax impact in a way that meets service level expectations while preserving the Town's long term financial health and stability; although under this revision proposed enhancements to financial stability are scaled back.
- Continued funding for long term costs including long-term pension funding and long-term retiree health care (OPEB) funding; although this revision would fund the OPEB Trust Fund at \$420,250 instead of \$620,250.
- Under this revision, there would be no contribution to bolster stabilization reserves.
- A determination of whether one time funding will be used to cover some recurring costs pends resolution of the final \$500,000 adjustment required to balance this budget.

The last minute appeal of \$2.8 million by the Town's largest taxpayer, Eversource, and the signal that action provides suggesting a likely appeal well in excess of \$3 million in February, 2023, necessitated these adjustments to the proposed FY 2023 budget.


The Town's ability to analyze and rapidly provide a proposed set of actions to address this challenge reflects the maturity and resilience of the Town's budget development process. This agile response to a material change in available information was facilitated by the detailed sensitivity analysis conducted on all the Town's significant sources and uses of funds in the original budget proposal.

The budget process is far from over, and based on past experience, it seems likely that additional adjustments and improvements will be made during this effort. By continuing forward with a One Town, One Solution approach, I am confident that the Town will achieve a balanced, workable budget for FY 2023 that sustains services, builds community equity, responds to population growth, and sustains long-term financial stability.

Enclosure: (1) Projected Sources and Uses of Funds, FY 2023, Revised
(2) General Fund Five Year Financial Forecasting Model, Revised
(3) Line by Line Appropriation Summary, FY 2023, Revised
(4) Projected Tax Impact, FY 2023
(5) Capital Improvement Summary, FY 2023
(6) Five Year Capital Improvement Preview, FY 2023 - 2027
(7) My Memo of 1/28/22, FY23 Comprehensive Budget Transmittal



**TOWN OF HOPKINTON
TOWN MANAGER'S OFFICE
Norman Khumalo, Town Manager**

TO: Town of Hopkinton Select Board
FROM: Norman Khumalo, Town Manager 
DATE: February 18, 2022
RE: Further Revision, Fiscal Year (FY) 2023 Comprehensive Budget Transmittal
REF: (A) My Memo of 2/4/22, Revised FY23 Comprehensive Budget Transmittal

Reference (A) provided a revised budget recommendation that addressed \$1 million of the \$1.5 million shortfall that arose from the steps necessary in response to Eversource's appeal of 60% of their 2022 property tax bill.

This memo reports resolution of the remaining \$500,000. The School Department will spend down School Department revolving balances in fiscal year (FY) 2023, which will result in a reduction of \$500,000 in the amount recommended for appropriation to the Hopkinton Public Schools.

To be clear, this revised recommendation will allow for 100% of the spending requested for the Hopkinton Public Schools.


I thank the School Committee and School Department leaders for working collaboratively with Town Hall to resolve this challenging issue in a collaborative "One Town, One Solution" approach.

Enclosure: (1) Projected Sources and Uses of Funds, FY 2023, Revised
(2) General Fund Five Year Financial Forecasting Model, Revised
(3) Line by Line Appropriation Summary, FY 2023, Revised
(4) Projected Tax Impact, FY 2023
(5) Capital Improvement Summary, FY 2023
(6) Five Year Capital Improvement Preview, FY 2023 - 2027



**TOWN OF HOPKINTON
TOWN MANAGER'S OFFICE
Norman Khumalo, Town Manager**

TO: Town of Hopkinton Select Board

FROM: Norman Khumalo, Town Manager 

DATE: April 8, 2022

RE: Further Revision, Fiscal Year (FY) 2023 Comprehensive Budget Transmittal

REF: (a) My Memo of 2/18/2022, Revised FY23 Comprehensive Budget Transmittal

Reference (a) provided a revised budget recommendation that was forwarded to the Appropriation Committee by the Select Board for consideration.

This memo provides an additional, updated set of budgetary adjustments for the FY 2023 financial plan. Adjustments to Reference (a) include:

- a. A recommended \$25,000 increase to the gasoline budget and to the diesel fuels budget (\$50,000 total, + 38%) in the DPW budget, covering vehicle fuel for all Town Departments; recommended due to a spike in fuel prices (Encl: 3, Ref #422)
- b. Elimination of the \$805,000 revenue estimate from insurance proceeds for fire engine 4 which was damaged in an industrial accident; and a corresponding elimination in an \$805,000 pay-as-you-go capital expense for replacement of the vehicle; as the replacement fire engine will be provided to the Town by the insurance company in lieu of a payment (Encl: 4, Pay-as-You-Go list)
- c. A recommended increase in the Human Resources Compensation Contingency amount from \$500,000 to \$575,000 to reflect unresolved contract negotiations in a period of heightened inflation (Encl: 3, Ref #152)
- d. A reduction of the budget for Keefe Technical High School from \$597,379 to \$565,867 based on updated enrollment information (Encl: 3, Ref #300.800)
- e. An increase in sources of funds from Certified Free Cash from \$3,184,742 to \$3,348,753 and a reduction in Miscellaneous Sources of funds from \$916,098 to \$845,584 to account for spending changes in paragraphs a. through d. above (Encl: 1, Sources of Funds)
- f. A recommended increase in the Health Services expense budget from \$103,390 to 130,750 (Encl: 3, Ref #511) and a corresponding increase in estimated Local Receipts from \$4,872,666 to \$4,900,026 (Encl 1, Sources of Funds) to reflect that a revolving fund for community clinical services will not be recommended for approval, and those anticipated services will be funded through the Health Services budget with any receipts being deposited to the General Fund.

- g. An adjustment which does not impact the FY 2023 budget on the 5 Year Capital Improvement Summary to include a preliminary, pre-decisional planning estimate of \$20,000,000 in capital spending on the Center School re-use project (Encl: 6, Ref #410.6)

The updated enclosures are attached as noted below. I again thank all the leaders and staff from Town and School Departments; as well as Board, Committee, and Commission members who have contributed to the refinement of the proposed FY 2023 budget package in preparation for Annual Town Meeting.

I ask that the Select Board vote to recommend that Town Meeting approve the revised budget proposal contained in this memo (Town Manager memo Further Revision, Fiscal Year (FY) 2023 Comprehensive Budget Transmittal dated April 8, 2022.), which will be reflected in Town Meeting motions.

Enclosure: (1) Projected Sources and Uses of Funds, FY 2023, Revised
 (2) General Fund Five Year Financial Forecasting Model, Revised
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 (4) Projected Tax Impact, FY 2023
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 (6) Five Year Capital Improvement Preview, FY 2023 - 2027, Revised

General Fund Sources and Uses of Funds - Streamlined View

Town of Hopkinton; FY 2023 General Fund Sources and Uses				
Sources of Funds	FY22 Budgeted Sources of Funds	FY23 Estimated Sources of Funds	% Chg. FY22 - FY23	Tax Impact
Levy Base	\$72,765,443	\$78,088,438	7.3%	2.31%
New Growth	\$2,000,000	\$2,500,000	25.0%	3.03%
Debt Exclusions	\$6,367,657	\$6,191,346	-2.8%	-0.21%
Less - Provision for tax abatements/exemptions	<u>-\$500,000</u>	<u>-\$2,500,000</u>	<u>400.0%</u>	
Estimated Net Property Tax Revenue	\$80,633,100	\$84,279,784	4.5%	5.12%
Excess from Prior Fiscal Year (Cert. Free Cash)	\$2,645,278	\$3,348,753	26.6%	
State Aid	\$9,427,975	\$10,172,326	7.9%	
Less - Regional and State Program Charges	<u>-\$472,521</u>	<u>-\$483,315</u>	<u>2.3%</u>	
Estimated Net State Aid	\$8,955,454	\$9,689,011	8.2%	
Excise Tax, Licenses, other Local Receipts	\$4,595,805	\$4,900,026	6.6%	
Cost Share from Enterprise Funds	\$698,595	\$757,355	8.4%	
Ambulance, misc. sources	\$1,196,506	\$845,584	-29.3%	
Total Sources of Funds:	\$98,724,738	\$103,820,513	5.2%	
Uses of Funds	FY22 Budgeted Uses of Funds	FY23 Estimated Uses of Funds	% Chg. FY22 - FY23	
Tax lien administration costs	\$50,000	\$50,000	0.0%	
State funded Library spending	\$28,736	\$28,736	0.0%	
Repayment of Debt Principal and Interest	\$7,532,399	\$7,194,987	-4.5%	
General Government	\$4,875,550	\$5,358,535	9.9%	
Public Safety	\$7,359,365	\$7,674,460	4.3%	
Regional Technical Vocational School	\$597,379	\$565,876	-5.3%	
Hopkinton Public Schools Education	\$53,966,911	\$55,522,404	4.9%	
Special Education Reserve Fund		\$1,094,024		
Public Works	\$6,214,621	\$6,549,584	5.4%	

Health and Human Services	\$1,239,862	\$1,327,435	7.1%
Culture and Recreation	\$854,534	\$1,053,435	23.3%
Employee Benefits and Insurance	\$13,752,451	\$14,852,647	8.0%
<i>Sub-Total Departmental Operating Funding</i>	<i>\$88,860,673</i>	<i>\$93,998,400</i>	<i>5.8%</i>
Transfer to OPEB (post-retirement health care)	\$410,000	\$420,250	2.5%
Transfer to Stabilization	\$0	\$0	n/a
Town Meeting Capital Articles, free cash	\$1,842,930	\$2,128,140	15.5%
Total Uses of Funds:	\$98,724,738	\$103,820,513	5.2%

Projected revenues for FY 2023 are budgeted conservatively. Net property tax receipts are projected to increase to \$84,279,784, with \$2,500,000 of that amount coming from new growth mostly tied to new residential construction and valuation increases from the renewal of the Hopkinton liquid natural gas facility, \$1,904,596 from the tax increase allowed under Proposition 2-½, and a net decrease in debt payments excluded from the proposition 2-½ limits of \$176,311, subject to Town Meeting approval and subsequent voter approval. Overall, property taxes account for 81% of Town operating revenue; with 83% of property tax revenue coming from residential property, 7% from industrial property, 4% from commercial property, and 6% from taxable business personal property.

State Aid, net of charges for State and regional programs, is projected to increase by \$733,557 or 8.2%, based on the latest information from the State budget process. Local receipts are expected to increase by 6.6%, showing recovery from the recessionary impacts of the COVID-19 Public Health Emergency. The appropriation from free cash supports a transfer to the OPEB Trust Fund for post-employment retiree health care costs, pay-as-you-go capital projects, and support for other recurring operating costs. Other Sources of Funds include Ambulance Receipts Reserved, repayment of Title V septic system loans, and enterprise indirect (employee benefit and shared salaries) costs.

Debt service is decreasing from 7.6% of General Fund spending in FY 2022 to 6.9% of General Fund spending in FY 2023, with a net fall in General Fund debt service of \$337,412. A long term review of debt service projections through 2050 is included in Appendix B.

The most significant other changes in spending for FY 2023 include a \$2,649,517 (4.9%) increase in Education spending for the Hopkinton Public Schools including a new Special Education Reserve Fund amount; and a \$1,100,196 (8.0%) increase in the cost of insurance, including health insurance for employees and retirees.

General Fund Forecasting Model

The table on this page and the next provides both historical and predictive estimates of the next three years based on expense forecasts by Municipal and School departments, as well as reasonably expected percentage increases for some of the line items based on past performance.

	FY22 Enacted	FY23 Plan	% Change	FY24 Forecast	FY25 Forecast	FY26 Forecast
Levy Base	\$70,990,676	\$76,183,842		\$80,588,438	\$84,603,149	\$88,518,228
Amended prior year growth	\$2,725					
2 1/2% increase	\$1,774,835	\$1,904,596	2.5%	\$2,014,711	\$2,115,079	\$2,212,956
New Growth	\$3,415,606	\$2,500,000		\$2,000,000	\$1,800,000	\$1,600,000
Overrides/(Underrides)				\$0	\$0	\$0
Debt Exclusions	\$6,367,657	\$6,191,346		\$6,239,276	\$5,873,482	\$5,561,223
Unused Levy						
Net Tax Levy	\$82,551,499	\$86,779,784		\$90,842,425	\$94,391,710	\$97,892,407
Cherry Sheet Receipts	\$9,427,975	\$10,172,326		\$10,172,326	\$10,680,942	\$11,214,989
MSBA Reimbursements	\$0	\$0		\$0	\$0	\$0
Local Receipts	\$4,200,236	\$4,900,026		\$5,096,027	\$5,299,868	\$5,511,863
Subtotal, Revenues	\$96,179,710	\$101,852,136		\$106,110,778	\$110,372,521	\$114,619,259
Add: Additional Sources						
Free Cash - operating	\$692,348	\$914,849		\$0	\$0	\$0
Free Cash - capital/other	\$1,952,930	\$2,433,904		\$2,765,000	\$2,598,750	\$2,440,813
Enterprise - Indirect Costs	\$698,595	\$757,355		\$776,289	\$795,696	\$815,588
Overlay Surplus	\$0					
General Stabilization Fund	\$0	\$0		\$0	\$0	\$0
School Stabilization Fund		\$0				
Other	\$1,196,506	\$731,098		\$594,185	\$591,377	\$588,956
Insurance Proceeds						
Unused Capital Balances		\$114,486		\$25,000	\$25,000	\$25,000
Subtotal	\$4,540,379	\$4,951,692		\$4,160,474	\$4,010,823	\$3,870,357
Less:						
Prov for Abatements/Exemptions	-\$1,522,830	-\$2,500,000		-\$2,500,000	-\$2,500,000	-\$2,500,000

Cherry sheet offsets	-\$28,736	-\$28,736		-\$28,335	-\$29,446	-\$30,600
Snow & Ice		\$0		\$0	\$0	\$0
Cherry Sheet charges	-\$472,521	-\$483,315		-\$483,315	-\$507,481	-\$532,855
Tax title	-\$50,000	-\$50,000		-\$50,000	-\$50,000	-\$50,000
Deficits & Judgements	-\$7,532,399	\$0		\$0	\$0	\$0
Debt Service		-\$7,194,987		-\$7,288,711	-\$6,792,651	-\$6,373,989
Parks Enterprise Subsidy	\$0	\$0		\$0	\$0	\$0
Other	\$0	\$0		\$0	\$0	\$0
Subtotal	-\$9,606,486	-\$10,257,038		-\$10,350,361	-\$9,879,577	-\$9,487,444
Net Sources avail. for Approp	\$91,113,603	\$96,546,790		\$99,920,891	\$104,503,766	\$109,002,172

Expenditures By Category:	FY22 Enacted	FY23 Plan	% Change	FY24 Forecast	FY25 Forecast	FY26 Forecast
General Government	\$4,875,550	\$5,358,535	9.9%	\$5,546,084	\$5,740,197	\$5,941,104
Public Safety	\$7,359,365	\$7,674,460	4.3%	\$7,943,066	\$8,221,073	\$8,508,811
Education	\$54,564,290	\$56,088,280	4.8%	\$58,892,694	\$61,837,329	\$64,929,195
Special Education Reserve Fund		\$1,094,024		\$1,115,904	\$1,138,223	\$1,160,987
Public Works	\$6,214,621	\$6,549,584	5.4%	\$6,778,819	\$7,016,078	\$7,261,641
Human Services	\$1,239,862	\$1,327,435	7.1%	\$1,373,895	\$1,421,982	\$1,471,751
Culture & Recreation	\$854,534	\$1,053,435	23.3%	\$1,090,305	\$1,128,466	\$1,167,962
Employee Benefits & Insurance	\$13,752,451	\$14,852,647	8.0%	\$16,040,859	\$17,324,127	\$18,710,058
Subtotal, Omnibus Budget	\$88,860,673	\$93,998,400		\$98,781,627	\$103,827,474	\$109,151,508
Articles - non-capital						
Articles - capital	\$1,842,930	\$2,128,140		\$1,800,000	\$1,800,000	\$1,800,000
Transfer to Stabilization Fund(s)	\$0	\$0		\$208,000	\$213,200	\$218,530
Transfer to OPEB Trust	\$410,000	\$420,250		\$430,756	\$441,525	\$452,563
Total Expenditures	\$91,113,603	\$96,546,790		\$101,220,383	\$106,282,200	\$111,622,602
Surplus (Shortfall)	\$0	\$0		-\$1,299,492	-\$1,778,434	-\$2,620,430

Tax Impact - General Fund Spending & Excluded Debt

An individual property tax bill is impacted by three factors: 1) the assessed value of the individual property, 2) the total assessed value of all property within the Town, and 3) the budget passed by the Town meeting; in this relationship:

$$\frac{\text{Assessed value of individual property}}{\text{Assessed value of all property in Town}} \times \text{Amount to be raised from property tax} = \text{Individual property tax}$$

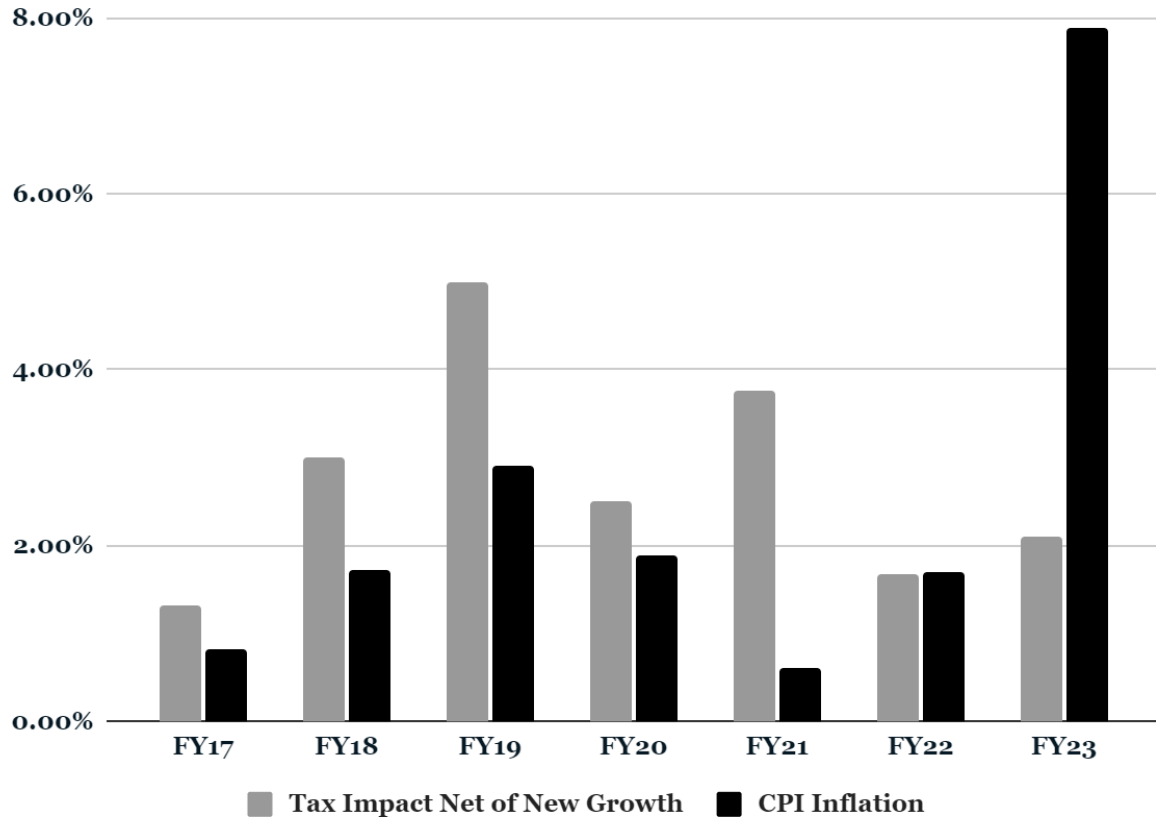
By the formula, each taxpayer is billed for a share of the total amount to be raised from property tax based on the proportion of the Town's total pool of taxable property that they own. Three specific things impact a tax bill: 1) whether the taxpayer owns property with a higher or lower assessed value; whether the value of all the property in Town is growing or shrinking, which impacts the share or proportion of tax that each individual property owner is responsible for; and, 3) the amount of funding that the Town Meeting decides to raise from property taxes.

Across all tax bills, although the full tax levy available is proposed for use, the average tax impact on existing property for FY 2023 will be 2.09% if all proposed excluded debt is approved by voters. Individual tax bills will change by more or less than 2.09% based on individual property value; and specific traceable value changes will result from additions, improvements or neighborhood market and sales events.

Town of Hopkinton; Projected Tax Impact, FY 2023				
<u>Overall Tax Impact Summary:</u>	FY22	Tax Impact % Change from FY21	FY23	Maximum Tax Impact % Change from FY22
Prior Year Unused Levy	\$0	0.00%	\$0	0.00%
Statutory 2 1/2% Levy Increase	\$1,774,767	2.31%	\$1,904,596	2.31%
Override/(Underride)	\$0	0.00%	\$0	0.00%
Unused Levy	\$0	0.00%	\$0	0.00%
Net Change in Principal & Interest on Excluded Debt	\$428,686	0.56%	-\$176,311	-0.21%
Change in Tax Levy on Existing Tax Base	\$2,203,453	2.86%	\$1,728,285	2.09%
Additional Projected Tax Levy from New Growth	\$2,000,000	2.60%	\$2,500,000	3.03%
Total Increase in Tax Levy	\$4,203,453	5.46%	\$4,228,285	5.12%

Tax Impact vs. Inflation

Tax Impact vs. Inflation



The Town, along with the broader economy, has benefitted from a period of prolonged low inflation. Low inflation has provided price stability that has made budgeting more straightforward, as the cost of pending collective bargaining negotiations and other costs are more predictable. Low inflation also corresponds with low interest rates for Town capital projects. In February 2021 the (Bureau of Labor Statistics) Consumer Price Index price increase for the prior twelve months was 1.7%; by February 2022 the Consumer Price Index price increase for the prior twelve months had risen to 7.9%.

Much of this inflationary increase was driven by the supply chain challenges and spikes in energy prices that have been reported in the media. The Town continues to evaluate how these price level changes will impact revenues and spending in FY 2023. The FY 2023 budget considers this spike in inflation, and specifically inflation in energy prices. Sustained inflation, if it should occur, would require noteworthy adjustments in FY 2024 and beyond.

Inflation is also emerging as a complicating factor in capital planning. Because capital acquisitions are approved on an annual basis, and because there is often a lapse of up to a year or more between the time a prospective project is developed and when funds are spent, inflationary cost increases can result in insufficient funds when the project is finally ready for execution. A contingency reserve in an appropriation can help, but recently the marketplace has seen sudden, steep price increases in building materials, energy, and other project cost elements. Those spikes have led to proposals to add funding to projects that have been impacted in this way, as is the case with Article 29 to provide additional funding for a Marathon School Addition, and projects within the pay-as-you-go capital list in Article 19 to complete work on a Fire Station Roof HVAC project (ATM 2017 Article 20), the Police Station Roof (ATM 2021 Art 20), and the cost of purchasing a bucket truck for tree work (ATM 2019 Art 20).

New Debt Proposed to be Excluded from Tax Levy Limits

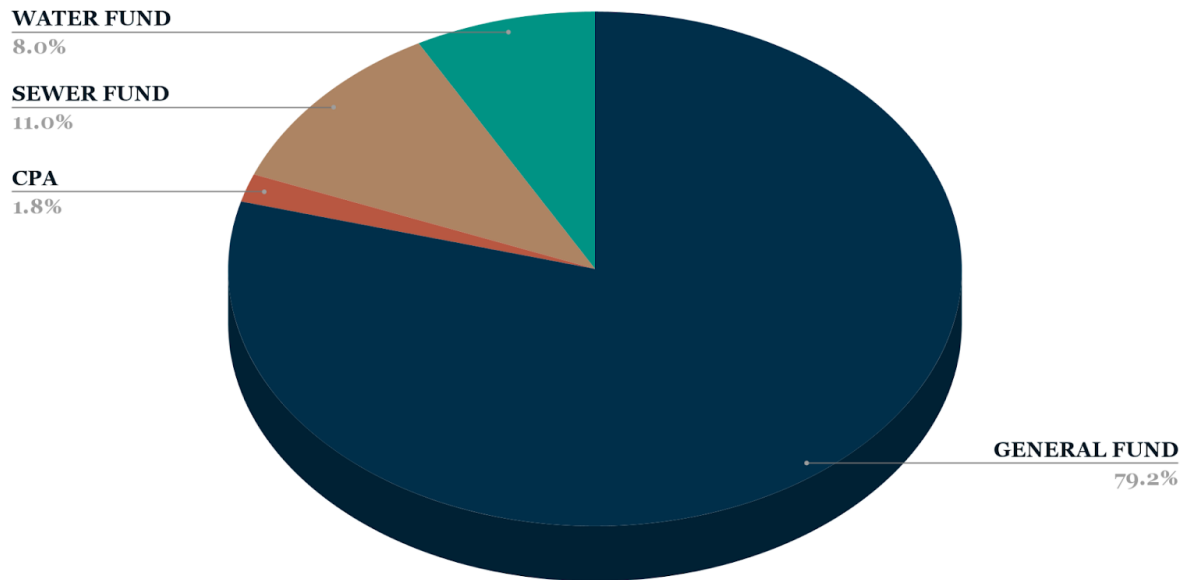
The FY 2023 budget proposal recommends that six projects totaling \$4,378,761 be funded by borrowing that would go to the voters for approval, if they are first approved by Town Meeting, raised temporarily to fund the purchases only until the projects are paid off.

<u>Department</u>	<u>Project</u>	<u>Amount Recommended</u>	<u>Year 1 Principal & Interest</u>	<u>Year 1 Tax Impact</u>
Fire	Engine 2 Replacement	\$736,318	\$77,890	0.09%
Facilities	Fire Station 2 (Woodville) Upgrades	\$400,000	\$27,369	0.03%
Public Works	Lake Maspenock Dam Area	\$400,000	\$36,339	0.04%
Public Schools	Air Handling Unit Replacement	\$475,000	\$43,152	0.05%
Public Schools	Marathon School Cost (2021 ATM Art 17) Increase	\$695,900	\$47,615	0.06%
Parks and Recreation	Replace Surface at Fruit Street Athletic Field	\$1,671,543	\$179,326	0.22%
	Borrowing Excluded from Tax Levy Limit:	\$4,378,761	\$411,691	0.50%

The table above shows first year principal and interest and tax impact associated with the proposed projects. However, since several of these projects will not be initiated at the beginning of the fiscal year, the tax impact information, while accurate for FY 2023, is somewhat understated compared to the cost for a full first year of borrowing on those projects. For voter awareness, if borrowing for all six projects were initiated at the beginning of FY 2023, the full first year principal and interest cost would be \$633,313 and the full first year tax impact would be 0.73%.

Long Term Debt Service - General Fund & Other Funds

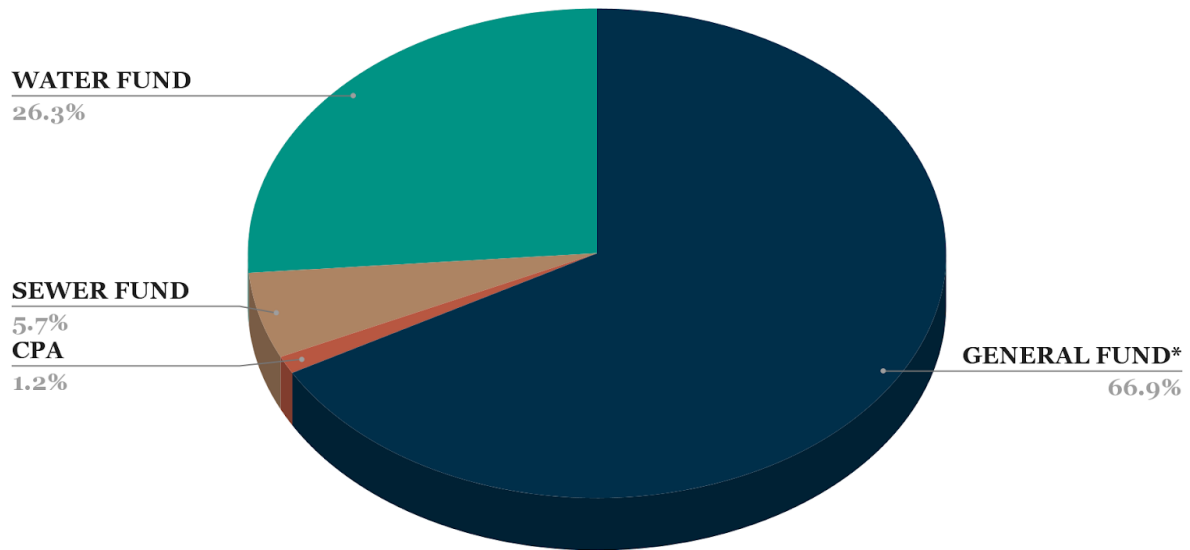
The following graph and table show the Town's annual debt service principal and interest obligations, on a fund by fund basis. See Appendix B for a detailed breakout of the Debt Service by Fund for currently issued debt by project.



FUND	FY 2023 DEBT PRINCIPAL & INTEREST PAYMENTS
GENERAL FUND	\$7,194,987
CPA	\$160,419
SEWER FUND	\$1,001,320
WATER FUND	\$725,388
TOTAL	\$9,082,114

Long Term Debt Outstanding - General Fund & Other Funds

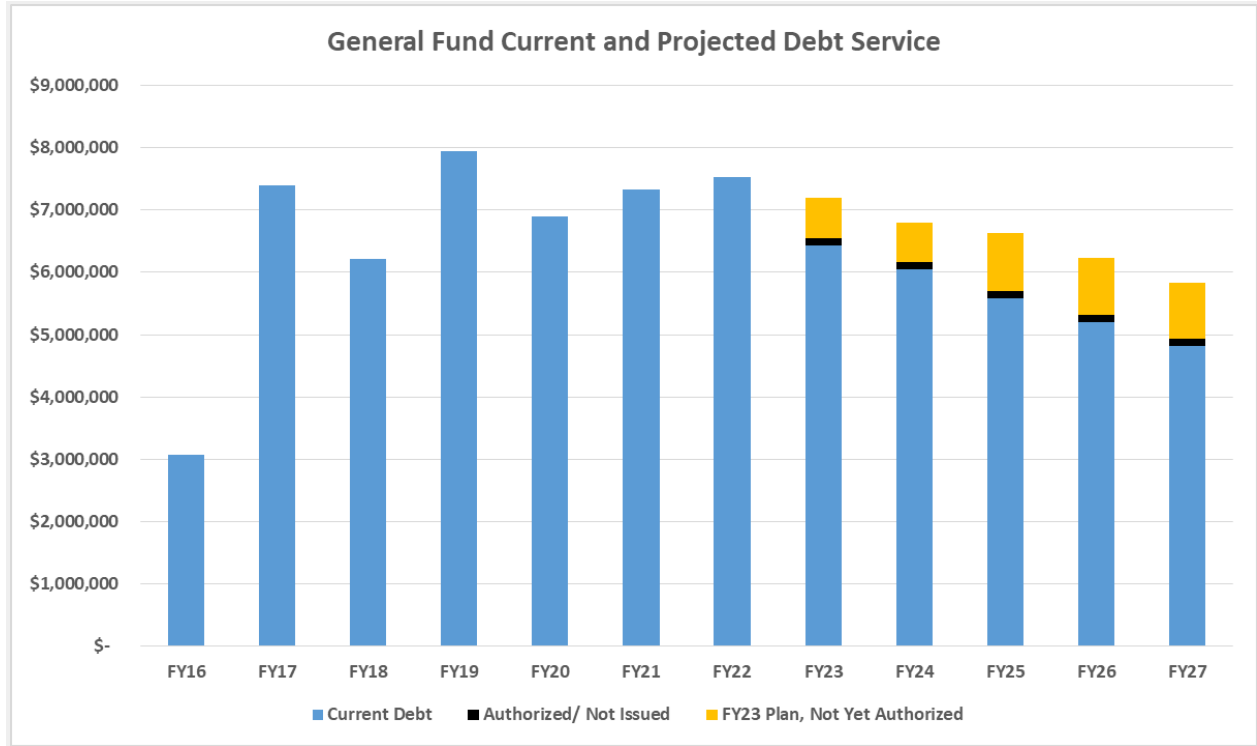
The following graph and table show the Town's aggregate outstanding debt, on a fund by fund basis.



FUND	TOTAL LONG TERM DEBT & INTEREST OUTSTANDING
GENERAL FUND	\$79,647,469
CPA	\$1,384,188
SEWER FUND	\$6,768,366
WATER FUND	\$31,294,454
TOTAL	\$119,094,477

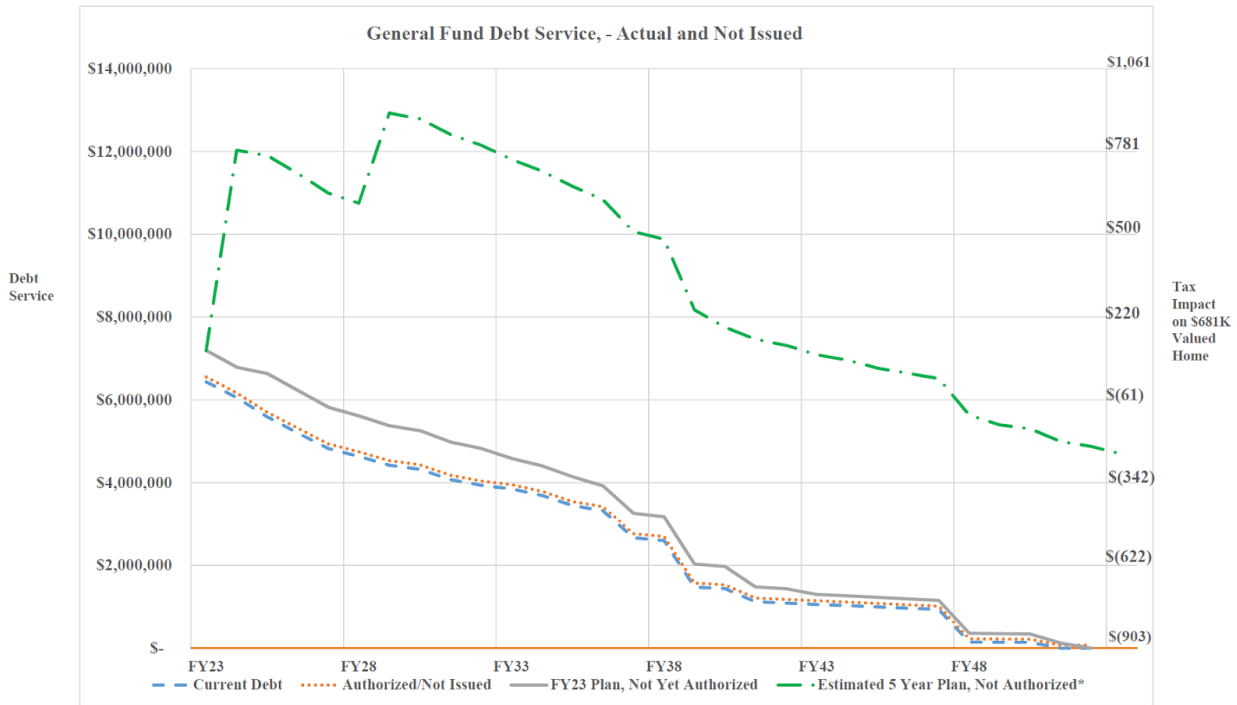
Historical & Anticipated Debt Service - General Fund

This graph represents the debt service for the General Fund, including existing borrowings, borrowings that have been approved by Town Meeting but not yet issued, and borrowings proposed in FY 2023 but not yet approved. Years before FY 2022 exclude approximately \$1.5 million in debt expenses that were covered by the Massachusetts School Building Authority.



See Appendix B for a project breakout of the General Fund Debt Service for currently issued debt.

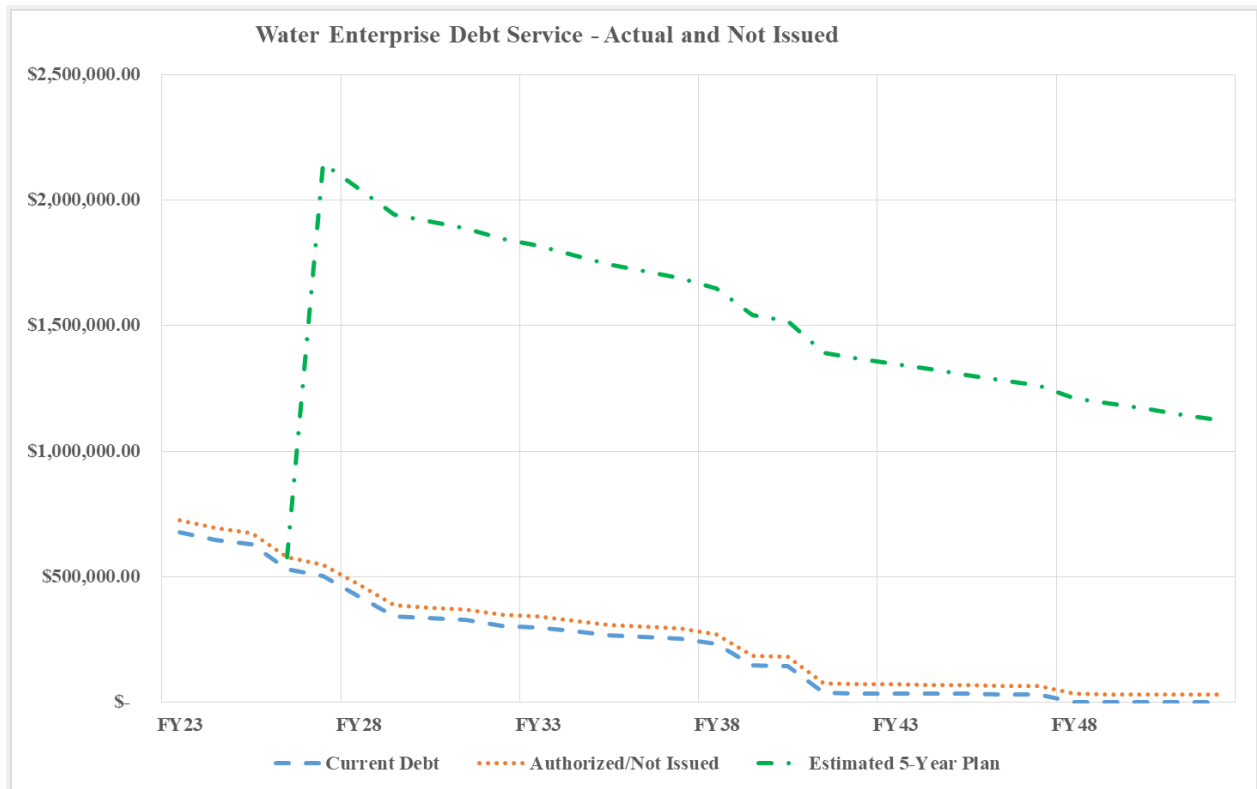
Long Term Debt Service Fiscal Year 2023 and Beyond



The “5 Year Plan, Not Authorized” line above, does not include any offset or reduction for possible MSBA. That line includes the unreviewed, unapproved, very tentative projections for future capital projects under consideration by Town Departments. The Hopkinton Public Schools have also provided information about \$49 million in possible capital expenditures in the planning phase for FY 2029, which is outside the parameters of the 5 year planning window, but that possible future need has been included in for information. No other departments have yet projected large needs beyond the 5 year point. The view of the capital “5 Year Plan, Not Authorized” is presented for situational awareness, not as a reflection of any commitment on any prospective plans.

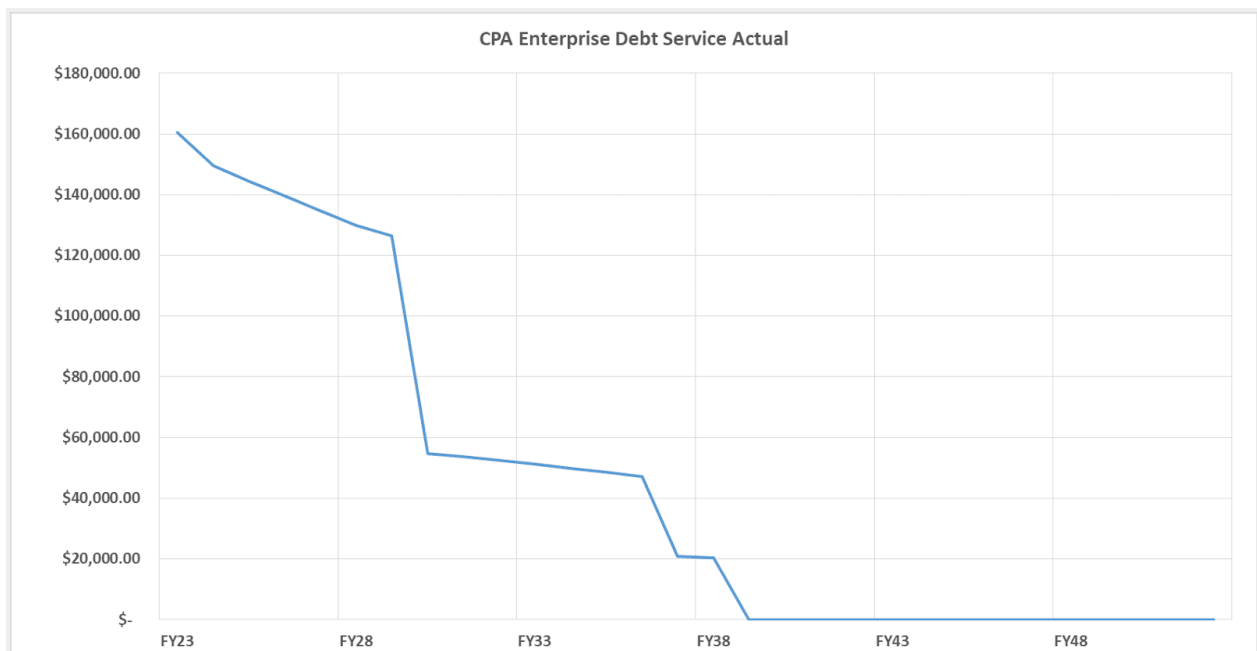
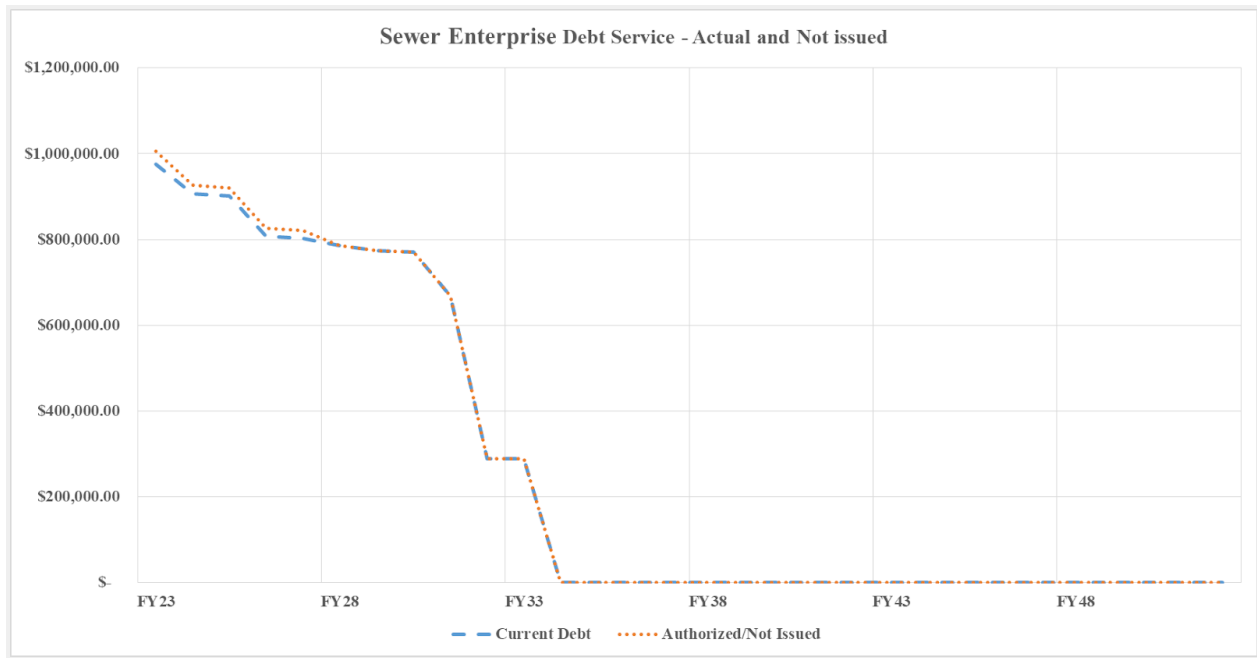
The Tax Impact figures shown on the graph above are based on the average home in Hopkinton with an assessed value of \$681,100 and a current tax bill of \$11,599. About \$903 of that tax bill relates to General Fund Debt payments. The Table above shows an estimate of how that \$903 annual contribution would go up or down under the capital spending approaches covered on the graph.

*The estimated 5 year plan does not factor in possible Massachusetts School Building Authority contributions.



The “5 Year Plan, Not Authorized” line above, includes the unreviewed, unapproved, very tentative projections for future capital projects under consideration. Specifically, this line contains an estimated \$31 million for connection to the Massachusetts Water Resources Authority (MWRA) supply through the Town of Southborough. A decision to connect to the MWRA has not yet been formally proposed or made, but is included here for situational awareness as the connection is under planning review.

The Water Rate impact of an MWRA connection is still under review. The eventual rate impact, which will be substantial under any scenario, will be higher or lower depending on several factors including: the amount of grant funding that can be identified to offset project costs; the cost of borrowing at the time funds are borrowed; the amount of capital contribution that is assessed by MWRA as a fee for joining the MWRA system; and, the net change in operating costs for the system as some money is saved when the production and filtration of water locally is halted and as more money is required to buy water flow from the MWRA. The Water Enterprise will be providing updated information as it is developed.



Stress Testing Projected Revenues

The Town operates under a financial regulatory regime administered by the Massachusetts Department of Revenue. As part of the regulatory framework, municipalities are required to develop balanced budgets where reliable estimates of revenues are projected, and where those projected revenues are sufficient to fund all expenditures approved for the coming year by the

Town Meeting. In Hopkinton's General Government Fund budget, these important projected revenues are identified as "Sources of Funds."

Because of the reliance on estimated revenues in the budgeting process, there is some risk that estimates will not be realized and that budget shortfalls may occur. That risk can be heightened in periods of economic or physical stress, such as a pandemic or a major natural disaster. In response to that risk, forward-looking municipalities like Hopkinton conduct "stress tests" on projected revenues. Stress testing of revenues was widely introduced in private sector finance as a requirement under the Sarbanes Oxley reforms enacted to shore up the stability of financial institutions; and it has naturally been extended to the public sector.

The dominant contributors to estimated revenues in this proposed budget have been evaluated through stress test criteria, and are presented with very high confidence.

- Real Estate Taxes - 76% of revenue to support the proposed budget in FY 2023 will be derived from property taxes on residential, industrial, and commercial real estate. This dominant revenue source is extraordinarily secure. In FY 2021, 96% of property taxes were paid timely, and as of 03/31/2022, 99% of 2021 real estate taxes have been paid. Unpaid taxes, interest, and any processing costs are "lienable" against real property, and those liens have first priority for satisfaction at sale or eventual foreclosure. Taxpayers do have the opportunity to challenge property tax bills through several layers of appeals. The risk associated with property tax appeals is mitigated by the establishment of "overlay account" balances, which serve as a specific additional reserve for this purpose. Considering the extremely strong collection protocols and the overlay account to address potential costs from appeals, the Town rates this dominant source of revenue as 10/10 for resilience and reliability.
- Local Aid from the State - 9% of revenue to support the proposed budget in FY 2023 is expected from local aid provided by the Commonwealth. This revenue source has been quite consistent in most circumstances. During the pandemic, aid from the Commonwealth has risen significantly. However, the Commonwealth has scaled back local aid in some previous recessions. Overall, this important source of revenue is quite stable. The Town rates this important source of revenue as 8/10 for resilience and reliability.
- Business Equipment Taxes - 5% of revenue to support the proposed budget in FY 2023 will come from property taxes on business equipment. This source of revenue is less secure than property taxes on real property because there is no mechanism for leining these taxes when they are overdue. For this reason, it's very important for the Town to be diligent in collecting these amounts, using leverage such as license renewals and other

municipal approvals as to enforce collection when necessary. There is a statutory provision on this tax that allows businesses to withhold up to one-half of the tax due if the business files an appeal of the tax, although an appealing business owes interest at 14% on any amount withheld if the tax is upheld on appeal. As another aspect of risk, about two-thirds of this amount is tied to equipment owned by Eversource. Eversource has several pending appeals of personal property tax, none of which have been resolved judicially, and Overlay Account reserves cover these appeals. In FY 2021, 81% of business equipment property taxes were paid timely, and as of 3/31/2022, 84% of 2021 business equipment property taxes estate taxes have been paid. 16% remains unpaid and accruing interest to the Town in connection with pending Eversource tax appeals. The Town rates this noteworthy source of revenue as an 8/10 for resilience and reliability.

- Motor Vehicle Excise Taxes - 3% of revenue to support the proposed budget in FY 2023 will come from Motor Vehicle Excise Taxes. There are several enforcement mechanisms for motor vehicle excise taxes, including a cooperative practice by the Registry of Motor Vehicles of refusing driver's license and vehicle registration renewal to those delinquent on Motor Vehicle Excise Tax. In CY 2021, 97% of motor vehicle excise taxes were paid timely. Remaining delinquencies are typically satisfied within two years as RMV renewals are withheld due to non-payment. There is some risk in this source of revenue tied to economic downturns, as the tax rate drops off sharply as cars age and a serious economic downturn that stalls new vehicle sales could result in somewhat lower revenue. Considering both the strong enforcement mechanism for collections and the risk of slowing new vehicle sales from shock events, the Town rates this noteworthy source of revenue as a 9/10 for resilience and reliability.
- Certified Free Cash - 3% of revenue to support the proposed budget in FY 2023 will come from cash remaining from previous years operations which is certified by the Massachusetts Department of Revenue as available for use. Certified Free Cash accrues during a budget year when revenues are higher than expected, or expenses are lower than planned. This happens purposefully, because protocols for municipal budgeting are intentionally cautious. Because the FY 2023 budget includes funds that have already been certified, this source of funds rates a 10/10 for FY 2023. As long as the Town continues to budget cautiously, as the proposed FY 2023 budget does, it is likely that reliable free cash balances will continue to be available in future years; although a severe economic downturn that impacts excise tax or other smaller revenue receipt categories could have some flow-through impact on the later availability of Certified Free Cash two or more years into the future.
- Reserves - As an additional layer of insulation from financial stresses and shocks, the Town maintains financial reserves, which are available for use with Town Meeting

approval on the rare occasions when the foreseeable but unlikely risks identified above are realized. As of 3/31/22, the unrestricted General Fund Stabilization Trust Fund managed by the Town Treasurer contained \$3,938,124, which by itself is 3.8% of planned General Government Spending in FY 2023. Additional 3/31/22 School Stabilization funds of \$3,111,863, and lesser amounts in a Capital Stabilization account and unallocated Certified Free Cash all provide additional layers of resilience and reliability to the Towns' financial standing.

- **Conclusion** - As a result of the very high to excellent degree of resilience and reliability of a very high majority of the Town's revenue sources, and the additional layer of resilience and reliability provided by available financial reserves; the Town's revenue stability is outstanding. This conclusion is an important element considered in Standard & Poors award of a AAA credit rating to the Town; the highest credit rating issued.

Revolving Funds

A revolving fund is a partitioned account that accepts user fees as revenues and also earmarks those revenues to support an authorized activity, program, or service. There are over thirty specific provisions of Massachusetts General Law that allow for the establishment of revolving funds for various purposes. Revolving funds are ideal to support specific programs and facilities that provide a specific benefit to individual users who can be assessed fees; as opposed to general programs that provide broad benefit to the community and are funded from general revenues.

Authorized limits on spending for revolving funds that require Town Meeting approval are proposed for FY 2023 in Warrant Article 7. The table below provides a summary of revolving fund activity for FY 2021 and year to date activity in FY 2022 through March 31, 2022 for material funds with balances over \$5,000. A complete report of all revolving funds is available for review in the Town's Annual Report.

Fund	Title	Balance 7/1/20	FY21 Receipts	FY21 Expenses	Balance 6/30/21	FY22 Receipts to Date	FY22 Expenses to Date	Balance 3/31/21
Town	PLN BRD CONS 53G 0HRW	-	18,039	7,644	10,396	-	7,161	3,235
Town	PLN BRD CONS 53G 0SOUT	-	14,950	8,495	6,456	-	141	6,314
Town	PLN BRD CONS 53G 37EAS	-	21,350	-	21,350	9,950	10,352	20,948
Town	DETAIL ADMIN FEES	14,901	13,077	6,360	21,618	12,427	6,000	28,046
Town	BUILDING FEES 53E 1/2	1,317,455	330,678	100,441	1,547,692	120,593	82,408	1,585,877
Town	BOH CONSULTANTS 53G	18,082	-	-	18,082	-	-	18,082
Town	CONS COMM FEES 53E1/2	77,645	37,013	33,121	81,538	6,300	25,308	62,530
Town	PLN BRD CONS 53G CHEST	-	7,550	-	7,550	-	-	7,550
Town	FAC INS REIMB UNDER \$20K	16,747	3,503	-	20,249	-	-	20,249

Town	HIGHWAY CONSULTANTS 53G	35,794	50,000	73,514	12,280	-	-	12,280
Town	PLN BRD CONS 53G LFPNW	-	76,600	39,759	36,841	-	-	36,841
Town	PLN BRD FEES 53E1	6,607	-	-	6,607	-	-	6,607
Town	PLN BRD CONS 53G	215,096	17	-	215,113	11	-	215,124
Town	POLICE FEES 53E 1/2	13,361	-	-	13,361	-	-	13,361
Town	PLUMBING GAS FEES 53E1/2	200,905	77,032	45,794	232,143	52,270	43,707	240,706
Town	RECYCLING FEES 53E1/2	2,101	6,428	1,800	6,729	4,389	703	10,415
Town	RECREATION PROGRAMS		240,625	240,625	-	673,375	415,511	257,864
Town	SENIOR CENTER PROGRAMS	31,560	11,953	6,942	36,571	28,565	24,929	40,207
Town	SENIOR DISABLED REV FD	29,336	13,731	12,750	30,317	3,485	-	33,802
Town	SEL INS REIMB UNDER \$20K	11,567	-	-	11,567	-	-	11,567
Town	WCD TRASH BAG FEES 53E1/2	18,602	15,099	19,209	14,492	14,000	2,364	26,128
Town	WIRING FEES 53E1/2	202,809	77,166	57,207	222,768	68,572	48,456	242,884
Town	ZONING BOA FEES 53E1/2	3,980	8,100	1,840	10,240	5,350	313	15,277
Town	ZONING BOA CONSULTANTS 5	16,960	-	-	16,960	-	-	16,960
Town	FRUIT STREET	-	334,199	-	334,199	195,097	73,955	455,341
School	ATHLETIC HS	320,278	267,400	65	587,613	219,755	218,914	588,454
School	BUILDING USE	339,241	43,889	-	383,130	127,462	82,725	427,866
School	BUS FEES	636,671	52,115	10,293	678,494	41,225	208,125	511,593
School	CIRCUIT BREAKER SPED	560,890	484,044	560,890	484,044	328,896	484,045	328,895
School	DRAMA HS	24,979	525	-	25,504	8,706	1,905	32,304
School	DRAMA MS	19,635	3,650	600	22,685	-	7,959	14,726
School	LOST BOOKS HS	5,383	1,001	-	6,384	20	-	6,404
School	LAPTOP INIT 53E1/2 HS	233,055	352,631	279,984	305,701	82,487	275,361	112,827
School	PARKING HS	124,806	62,995	457	187,344	19,200	35,036	171,508
School	TUITION INT STUD	468,487	250,244	-	718,731	50,968	66,635	703,063
School	TUITION PRE K	290,209	174,024	30	464,203	156,940	86,339	534,805
School	HIGH SCHOOL TURF FIELD	31,085	45,141	2,233	73,992	35,893	2,916	106,969

Enterprise Funds: Water & Sewer

Approximately 65% of the town is served by municipal water. The Water Enterprise staff is responsible for maintaining eight pumping stations, three water tanks, 688 fire hydrants and 76 miles of water main. The department is on call 24 hours a day, 365 days a year. Rates are set annually by the Select Board to cover all costs of water distribution to customers, including repayment for capital projects. Staff provides in house improvements to the system, leak detection, and preservation and identification of water resources. Monthly water samples are collected throughout Town and tested for bacteria and a wide variety of other contaminants, in compliance with State and Federal guidelines.

Presently, the Water Enterprise is both a producer and distributor of water, serving connected homes and businesses. However, as a result of evolving PFAS contamination challenges with the groundwater wells that support water production, the FY 2023 budget proposes to use \$1,300,000 of funding that is available for appropriation from previous projects that did not use the full amount of funding originally provided to perform a design for a connection to the Massachusetts Water Resource Authority (MWRA) supply at the Quabbin Reservoir. This is the first step in a multi-phased project to ensure a safe, stable, long-term water supply for the community. Connection to the MWRA will involve connection costs and then ongoing payments for water used. While some of additional connection costs may be supported by ARPA or other grant funding, substantial capital costs will be borne by the users of the Water system.

The Town Water Enterprise is budgeted to spend \$1,769,850 for salaries, benefits, operating expenses, and indirect costs in FY 2023. The proposed budget for the Water Enterprise also includes \$725,388 to pay principal and interest on previous capital purchases and several capital projects proposed in FY 2023 which are identified in Warrant Articles 20, 21, 22, 23, and 24 on pages 60 - 61 of this Report.

Approximately 40% of the Town is served by municipal sewer connection. The Sewer Enterprise staff is responsible for the operation of eight pumping stations along with over 40 miles of sewer pipe. Daily inspections of the stations are conducted to ensure proper operation. The department is on call 24 hours a day, 365 days a year and responds to numerous emergency calls throughout the year. Rates are set annually by the Select Board to cover all costs of sewer service to customers, including repayment for capital projects.

The department continues to work on system efficiencies to help improve operations and costs. One such project involves finding and eliminating the source of inflow/infiltration, which can lower disposal costs. Crews were again instrumental in making in-house repairs and in performing required maintenance to keep the systems running properly.

All costs of the Sewer Enterprise are borne by sewer system users who pay fees based on water flows. The Town Sewer Enterprise is budgeted to spend \$1,415,362 for salaries, benefits, and operating expenses for FY 2023. The proposed budget for the Sewer Enterprise also includes \$1,001,320 to pay principal and interest on previous capital purchase. There are no new capital projects proposed for FY 2023.

Water and Sewer Enterprise rates for FY 2023 will be set at a rate hearing in June, 2022. In setting water rates, the Town will review the likely bow wave of expenses that will be associated with connection to the MWRA and available reserves. Sewer rates are expected to remain stable for the next several years.

Community Preservation Funds

Massachusetts towns are allowed to adopt a surcharge of up to 3% on property taxes to fund a local Community Preservation Fund (CPF), which can be used to acquire and preserve open space and historic sites, to create and support affordable housing and to develop outdoor recreational activities. The first \$100,000 of a home's assessed value is exempt from the surcharge. Hopkinton voted to accept this provision in 2001 with a surcharge of 2%. Funds generated locally receive a match from a State trust fund, with the amount of match varying based on the level of State funds available. The State match was 43.8% in FY 2022.

At the start of FY 2022, \$6,292,574 was available for appropriation in the CPF, with \$1,827,519 allocated to projects not yet completed. The FY 2023 proposed budget calls for \$961,000 in spending on eight projects. With \$1,753,150 in new collections and anticipated state matching funds, the CPF balance available for future appropriation will be \$7,779,633, if Town Meeting approves the projects proposed in this budget.

A minimum of 10% of annual revenues of the fund must be used for each of the three core statutory priorities - Open Space, Historic Resources and Community Housing. Any money remaining in each of these categories at the end of the fiscal year stays in that reserve account until appropriated for a project. Funds in a category reserve account are "restricted" funds, and can only be used for that specific category. Once funds are transferred to a category reserve, they cannot be repurposed.

The remaining 70% of funding available in each year can be allocated for any combination of allowed uses, including administrative costs (up to 5%). An optional "budgeted reserve" account can be included in the CPF budget to temporarily hold some of this funding in case it is needed for additional projects that arise during the year. If money is not placed in a budgeted reserve, the Town temporarily loses access to the funds for a budget cycle. Putting the unused money in a budgeted reserve allows the community to preserve access to the funds during the entire fiscal year for any CPF purpose, following the normal procedure for CPF recommendation and Town Meeting vote.

The following table details the activity in each category based on the articles being presented at Town Meeting, including those funds requested in the FY 2023 budget recommendation.

	Opening Balance	FY22 Adjustments	Proposed FY23 Funding	Proposed ATM Spending (Including FY23 Requested Budget)	Ending Balance
Open Space	\$1,111,903	\$43,847	\$175,315	\$0	\$1,331,065
Historic Resources	\$603,235	\$43,478	\$175,315	-\$20,000	\$802,028
Community Housing	\$923,220	\$43,869	\$175,315	-\$23,000	\$1,119,404
Recreation	\$224,981	\$146,613	\$175,315	-\$151,969	\$394,940
Budgeted Reserve	\$867,675	-\$867,675	\$1,051,890	\$0	\$1,051,890
Undesignated	<u>\$2,561,560</u>	<u>\$1,517,501</u>		<u>-\$998,755</u>	<u>\$3,080,306</u>
Available for Appropriation	\$6,292,574	\$927,633	\$1,753,150	-\$1,193,724	\$7,779,633
Allocated to projects	\$1,827,519	-\$868,832		\$961,000	\$1,919,687
Available & Allocated to Projects	\$8,120,093	\$58,801	\$1,753,150	-\$232,724	\$9,699,320

OPEB Liability Trust Fund

Other Post-Employment Benefits (OPEB) refers to post-employment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription, or other health care benefits provided to eligible retirees, and in some cases their beneficiaries. OPEB is part of the compensation that employees earn each year, even though these benefits are not received until after employment has ended. Therefore, as benefits accrue, they are treated as a cost of providing public services today, and are presented that way on the Town's accounting statements.

Many governments report their cash outlays for OPEB in the year of actual distribution, rather than in the year benefits are earned. The amount paid out in a given year is typically different from the new benefit earned by employees and the accumulated difference between the two numbers builds an unfunded liability. Governmental Accounting Standards Board (GASB) Statement 45 now requires municipalities to disclose the unfunded liability as part of their financial statements, and the Town of Hopkinton does so. Municipalities are required to update an actuarial analysis of the liability every year; and while there is not yet a requirement to fund the liability, Hopkinton has prudently elected to begin doing so.

In 2012, the Town established the OPEB Trust Fund through a special act and began funding it in FY 2014, with the idea of accumulating funds as benefits are earned. OPEB Actuarial Valuation

Reports have been completed and updated periodically, with the last update reflecting the liability for benefits earned as of June 30, 2021 in the amount of \$40,020,304. As of March 31, 2022, Hopkinton's OPEB Liability Trust Fund had a reported balance of \$4,416,389 for a funding level of 11.03% of the liability.

The OPEB Liability Trust Fund serves a very long term need, so unlike most of the Town's other investments, liquidity or ready access to the funds is a less dominant concern than good long term returns on the investments. Therefore, the OPEB Liability Trust Fund is invested under the most aggressive investment posture of any of the Town's financial assets, with a portfolio weighted to a majority proportion of common stocks, as follows on March 31, 2022:

Domestic Common Stock	35.86%
International Common Stock	16.17%
Alternative (e.g. Hedge)	12.75%
Fixed Income	34.91%
Cash Equivalents	0.31%

This allocation of the invested portfolio is designed to capture gains over the long run as stocks have traditionally gained, while moderating risk somewhat by retaining some less volatile, lower-return investments in the portfolio.

The FY 2023 budget proposed to the Town Meeting contains an additional contribution to the OPEB Fund of \$420,250. While this is a positive step, and is beyond what is currently required by law, it is noteworthy that the actuary retained by the Town has determined that the current contribution level of \$420,250 for FY 2023, escalated by 2.5% per year, would result in full funding of the liability in 2058.

Possible strategies for accelerating the journey to full funding for this liability include:

- Diverting resources now flowing to fully fund the Town's employee pension liability (\$2.1 million in FY 2023) to OPEB after the employee pension liability is fully funded in 2037;
- Increasing the annual contribution from a planned \$430,750 in FY 2024 and continuing to escalate that new, higher level of contribution by 2.5% per year;
- Continuing with a planned \$430,750 contribution in FY 2024 and escalating that contribution at an annual rate higher than 2.5% per year; or,
- Some combination of these actions

The path forward on funding this liability merits consideration in coming years.

Other Trust Funds & Deposits Under Management

The Town manages the flow of tens of millions of dollars in receipts and expenditures over the course of a year, with receipts clustered around tax collection dates and expenditures spread evenly throughout the year. Investment and deposit alternatives balance safety of invested funds, liquidity or ready availability of invested funds, and return on investment. For operating funds, safety and liquidity are of paramount importance, and the Town Treasurer invests operating funds in interest bearing, highly stable, short-term deposit accounts including the Massachusetts Municipal Depository Trust and commercial financial institutions to achieve some return on investment while maintaining maximum security and liquidity.

Trust Funds which are typically not expected to be used during a fiscal year are often invested in a broader mix of financial products with the intention of maintaining substantial security and liquidity, while also trying to achieve a higher rate of return on funds held for longer periods as a way to preserve value against inflation over time. As of March 31, 2022, the Town had \$2,946,650 in trust fund assets invested in accordance with the statutorily defined Massachusetts “legal list” of authorized investments with the following portfolio weighting:

Common Stock:	35.97%
International Common Stock:	1.08%
Fixed Income:	57.79%
Cash and Equivalents:	5.16%

An asset allocation strategy with a moderate weighting on common stock seeks to capture a moderate amount of benefit of the overall long-term rise of stocks, while preserving a majority of the portfolio in safer investments allocated in short-term CD’s, agencies, corporate, and treasury bonds. This is a lower-level risk strategy with corresponding expectations of lower returns; preserving a focus on safety and liquidity while trying to achieve some market return to protect against inflation. This year’s Annual Town Meeting Article 50 proposes to authorize the Treasurer/Collector to invest in trust funds under a “prudent investor” standard, rather than limiting investments to an outdated state list of authorized investments. This Article would allow the Treasurer/Collector and the Town’s investment advisor access to a broader range of investments; enabling increased growth opportunities, investment diversification, and overall security for the Town’s Trust Fund holdings.

The Town has established Stabilization Trust Funds to serve as financial reserves for the General Fund activities, School stabilization, and capital spending; as allowed by Massachusetts General Laws chapter 40, section 5B, as accepted by the Hopkinton Town Meeting. The recommended target for operating stabilization funds in Hopkinton Financial Policy is that a combination of general stabilization funds and unallocated certified free cash are targeted to a level of 5% of the operating budget, a target of \$5.06 million. As of March 31, 2022 the general Stabilization Trust Fund had a balance of \$3,938,124, the Capital Stabilization Fund had a balance of \$341,810 and

the amount of unallocated certified free cash was \$466,968, for a total of \$4,746,902, which is 4.7% of the FY 2023 operating budget; somewhat below the 5% target.

The Town has additional reserve funds. The Capital Stabilization Fund had a 3/31/2022 balance of \$341,810. The School Stabilization Fund had a March 31, 2022 balance of \$3,111,863. Because they may be needed during economic downturns, the Stabilization are segregated into an even more conservative investment profile than other Trust Funds and are invested in accordance with the statutorily defined Massachusetts “legal list” of authorized investments with the following portfolio weighting:

Common Stock:	14.62%
International Common Stock:	0.16%
Fixed Income:	73.86%
Cash and Equivalents:	11.36%

An asset allocation strategy with a conservative weighting on common stock seeks to preserve the majority of the portfolio in safer investments in order to ensure the availability of these assets should the Town need to draw upon them in times of uncertainty.

Public Employees Retirement System Funding

The Town of Hopkinton is a participant in the Middlesex County Retirement System. Originally created by an Act of the Legislature in 1911, the Middlesex County Retirement System is the fourth largest of the 104 retirement systems in the Commonwealth, providing retirement, disability and survivor benefits to approximately 5,000 retirees and 10,000 active employees of 31 Towns and 39 Districts and Authorities within Middlesex County.

Hopkinton currently has 185 retirees in the system, and 354 active enrolled participants. In a substantial financial benefit to cities and towns, the Commonwealth assumed responsibility for teacher pensions, so the Town liability excludes teacher pension costs. The latest report on the system, based on valuation information as of January 1, 2020, shows that current and former employees have earned benefits with an estimated present value of \$77,788,522 while net assets in the plan to cover those future costs are \$50,770,346, with a total unfunded liability of \$27,579,300.

The current funding ratio for Hopkinton’s pension account is 65% of the computed liability. As benchmarks, The Pew Charitable Trust conducts long-term research on public pension health, and as of their latest report, September 14, 2021, Massachusetts public pensions were funded at a 59.4% level and all state and local public pensions nationally were funded at a 71.3% level. The Town of Hopkinton is making periodic required payments based on an actuarial determination of contributions needed to eliminate the unfunded liability by June 30, 2037 .

Overlay to Account for Tax Appeals & Abatements

As previously noted, property taxes contribute 81% of the revenue to Hopkinton's general government operations. The Town of Hopkinton assesses property taxes in a comprehensive, consistent, and fair manner. Taxpayers have a right to appeal tax assessments, and a small fraction of property owners file such appeals. Over the past five years (FY 2017 - FY 2021), an average of 50 tax bills per year were appealed, or about three-fourths of 1% of all tax bills. Over the past five years, the average amount of abatements granted by the Board of Assessors or Appellate Tax Board has been \$110,000 per year, which has been 15 hundredths of 1%; meaning that 99.85% of the property taxes levied have been either uncontested or validated on appeal. This is a very strong indication of the soundness of Hopkinton's tax assessment process.

The first level of taxpayer appeal available is to the locally elected Board of Assessors. If a taxpayer is dissatisfied with the outcome of that review, additional appeals can be made to a specialized State panel, the Appellate Tax Board, or, at the taxpayer's discretion, to a Superior Court. To account for the possibility that tax appeals will result in an abatement, or reduction of the tax owed, the Commonwealth requires cities and towns to set aside a special account to act as a contingency on tax claims; known as an overlay account. The state requires the Town to make a judgment about what level of funding in the overlay account is appropriate, and each year the State regulator validates that overlay funding level decision.

Administration of the overlay account is typically a routine matter, with small to moderate amounts of tax pending review. However, Hopkinton's largest taxpayer, Eversource Energy, has established a consistent pattern of aggressively appealing local tax bills; here and in many other communities where they do business. These tax appeals can be filed quickly and can take years to resolve.

As of March 31, 2022, Eversource is actively appealing \$3.8 million in Hopkinton tax bills and an additional \$2.8 million in tax appeals have been rejected by Hopkinton's elected Board of Assessors, and are still eligible for referral to the Appellate Tax Board, at Eversource's discretion. It is foreseeable that Eversource tax bills under appeal could top \$10 million by February, 2023.

In the absence of the Eversource tax appeals, an overlay account balance of \$500,000 would be a cautious, prudent level of reserve; well able to handle any likely tax settlements or judgments. With the mounting balance of Eversource appeals, the Town is compelled to raise overlay levels as a cautious measure, even though the Town's taxes on Eversource were upheld by the Appellate Tax Board for each of the last three years adjudicated, 2014, 2015, and 2016. To account for current Eversource appeals of \$3.8 million and the additional \$2.8 million in the appeal pipeline (a total of \$6.6 million under review), the Town has raised the overlay account balance to \$3.8 million. This budget anticipates over \$3.5 million in new tax appeals from

Eversource Energy in FY 2023, and would support an allocation of \$2.5 million to the overlay account by the Board of Assessors in November, 2022, if warranted by information available about Eversource Energy appeals at that time.

The Eversource Energy practice of appealing taxes results in high costs for the Town and its taxpayers. Hopkinton incurred \$670,087 in litigation expenses and significant additional internal staff time over several years to defend and win validation of \$1.33 million in disputed Eversource Energy taxes for 2014, 2015, and 2016.

One of the additional burdens the Eversource Energy appeals impose on the Town is the need to tax to raise extra millions of dollars to deposit into the overlay account. The Town does this, not because the Town is likely to lose many or even any of these cases, but because building these compensating reserves is expected by the Town's State financial regulator, by the bond rating agency that assesses Hopkinton's creditworthiness when issuing debt, and by prospective purchasers of Town-issued debt. The Town believes that, eventually, most or all of the funds being added to the overlay account will be available for other Town needs; but in the near term the Town is taxing and holding these contingency funds simply to address the costly, confrontation tax appeal posture taken by Eversource Energy in Hopkinton and throughout the region. Added to the actual cost of litigation, the aggregate burden imposed on the Town is even more considerable.

The Town continues to use every venue available to urge Eversource Energy to accept and pay the valid tax bills issued by the Town of Hopkinton, as virtually all other taxpayers in the community do.

Function & Department Overview

General Government

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
Personal Services	\$2,626,837	\$2,718,823	\$91,986	3.5%
Expenses	\$1,271,213	\$1,408,712	\$137,499	10.8%
Compensation Contingency	\$325,000	\$575,000	\$250,000	76.9%
Fire Protection/Hydrant Use	\$247,500	\$247,500	\$0	0.0%
Appropriation Reserve Fund	\$125,000	\$125,000	\$0	0.0%
Legal Counsel	<u>\$280,000</u>	<u>\$283,500</u>	<u>\$3,500</u>	<u>1.3%</u>
Total	\$4,875,550	\$5,358,535	\$482,985	9.9%

General Government includes the following entities, departments, and functions, and full time paid staff:

Select Board (0)	Town Manager (3)	Appropriation Committee (0)
Finance (8)	Accounting/Grants & Procurement (3)	Town Hall Facilities (0)
Cable Committee (0)	Human Resources (3)	Information Technology (4)
Town Clerk (2)	Land Use, Planning, Permitting (8)	Fire Hydrant Program (0)
Elections & Registration (0)	Green Committee (0)	Reporting & Auditing (0)
Open Space Committee (0)	Upper Charles Trail Committee (0)	

This budget category supports centralized functions and services for the Town including policy, direction, and public engagement for the Town as an enterprise; centralized management of the financial resource cycle including planning, borrowing, investing, tax administration and collections, disbursement, auditing, and financial reporting; centralized personnel management including recruitment, workforce compensation management, workforce and retiree benefits management, performance and discipline management, training and staff development; legal and collective bargaining support; centralized information technology systems and services; election and vital records management; and centralized management and community oversight of policy and regulatory activities involving land use.

The Town of Hopkinton is committed to a high performance culture, in which spending is continuously evaluated in the context of the value delivered to the community.

Public Safety

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
Personal Services	\$6,833,197	\$7,097,319	\$264,122	3.9%
Expenses	\$523,168	\$574,141	\$50,973	9.7%
Auxiliary Police Expenses	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$0</u>	<u>0.0%</u>
Total	\$7,359,365	\$7,674,460	\$315,095	4.3%

Public Safety includes the following entities, departments, and functions, and full time paid staff:

Police Department (28)	Fire Department (32)	Communications Center (9)
Animal Control (0)	Sealer of Weights & Measures (0)	

Hopkinton Police Department: The members of the Hopkinton Police Department are committed to strengthening the partnership between the Department and the community; guided by constitutional, professional and community standards while striving to provide the highest level of public safety; valuing honesty, excellence, tolerance, compassion and fairness. Police activities include a continuous patrol and response presence, a school presence through School Resource Officers, a detective division to manage investigation and prosecution, a newly launched K9 program, an in-town detention program, a community crime prevention program, and an internal training program geared toward normal operations and incident response.

Hopkinton Communications Department: The Hopkinton Communications Center is the information hub for the Town and manages both 911/Emergency and non-emergency calls for service. Additionally, Communication Center staff coordinate all public safety responses. The Department also monitors video surveillance of key public spaces and supports the public access window for the Hopkinton Police Department.

Communications Department highlights in the FY 2023 budget include negotiated collective bargaining agreement salary adjustments, an increase in supervisory staff, and work toward improvement of the Town's emergency (radio) communications system.

Hopkinton Fire Department: The Hopkinton Fire Department works to preserve life and property from fire, medical and other emergencies; through the rapid response of professionally trained personnel, effective code enforcement, and quality community engagement. Fire Department activities include effective and timely response of trained people and equipment to fire, medical, and hazardous event emergencies; as well as fire safety inspection and education activities. The Fire Department serves a 28 square mile area, which includes residential areas outside the water service zone. Fire Department highlights in the FY 2023 budget are oriented to sustainment of services. Key capital projects include the replacement of an aging front line fire engine, and the replacement of a second front line fire engine from insurance proceeds subsequent to a complete loss in an insured industrial accident.

Education

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
Hopkinton Public Schools	\$53,966,911	\$55,522,404	\$1,555,493	2.9%
Regional Technical School	\$597,379	\$565,876	-\$31,503	-5.3%
Special Education Reserve Fund	<u>\$0</u>	<u>\$1,094,024</u>	<u>\$1,094,024</u>	
Total	\$54,564,290	\$57,182,304	\$2,618,014	4.8%

The Hopkinton Public Schools and the Regional Technical School budgets are developed independently. This page is presented for informational purposes to support a budget document that depicts the total appropriation requests to be considered at the Annual Town Meeting.

Hopkinton Public Schools Full Time Equivalent Positions:

District/Building Administration (23)
Hopkins (63)
Preschool (17)
Food Service (1)
Support Staff (24)

High School (123)
Marathon (70)
SPED System (4)
ESOL System (9)

Middle School (87)
Elmwood (64)
Buildings & Grounds (31)
Technology (8)

Hopkinton Public Schools continuously strives to provide exceptional programming in academic and extracurricular activities, with a focus on nurturing student talent and meeting individual needs. Key priorities include advancing learning for all; fostering diverse pathways for success; investing in physical, social and emotional well-being; fostering student self-advocacy; inspiring a passion for learning; building habits for success; all while honoring and advancing diversity. The five schools in the system along with Keefe Technical School, Norfolk Agricultural School, and Public Charter Schools currently serve 4,143 students. The Hopkinton Public Schools are consistently ranked among the best public schools in Massachusetts and nationally. Rapid growth in student enrollment continues to be the single most significant factor in managing Hopkinton's high quality school system.

The Hopkinton Public Schools FY 2023 budget continues to focus on managing growth in student enrollment. Specific increases include payment for collective bargaining agreement salary increases, additional Special Education staff, and a substantial increase in Special Education out of district placement costs for students with specialized needs.

Joseph P. Keefe Regional Technical School: The Joseph P. Keefe Regional Technical School (Framingham) provides educational services for Hopkinton's high school students who seek vocational education, which is not offered at Hopkinton High School. Keefe Regional Technical School provides an integrated academic and career/technical education with a focus on higher order reasoning, problem solving skills, work attitudes, general employability skills, modern technology applications, and the occupational specific skills necessary for economic independence as a productive and contributing member of society.

Hopkinton's assessment is based on a base contribution determined by the State through a wealth and use index under the Education Reform Act of 1993; and an additional assessment based solely on enrollment. Hopkinton is budgeting for a contribution level based on 25 students, down from 26 in FY22.

Public Works

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
Personal Services	\$1,737,825	\$1,936,170	\$198,345	11.4%
Expenses	\$4,126,796	\$4,263,414	\$136,618	3.3%
Snow & Ice Control	<u>\$350,000</u>	<u>\$350,000</u>	<u>\$0</u>	<u>0.0%</u>
Total	\$6,214,621	\$6,549,584	\$334,963	5.4%

Public Works consists of the Department of Public Works and the Town Engineering/Facilities Department. Full time paid employees:

Public Works Administration (5)	Highway Division (14)	Water Division (5)*
Sewer Division (2)*	Town Engineer-Facilities (4)	Solid Waste/Recycling (0)
Cemeteries and Parks (0)	Tree Warden (0)	

* Sewer and Water Enterprise Fund information provided separately

Department of Public Works: The Department of Public Works (DPW) serves residents and visitors on a daily basis by providing an array of necessary services. The DPW maintains Town roads and sidewalks; ensures necessary signage, traffic lights and striping is maintained; removes snow and ice to ensure safe commuting in the winter; and surface renewal of Town roads. The Department also supervises the Sewer and Water Enterprise Funds, which provide clean, potable water for drinking, cooking and commercial/industrial uses covering 65% of the Town, and for the collection and treatment of sewage covering 40% of the Town to help protect public health; collection of household trash and recyclables and ensures their proper disposal and recycling; maintenance of parks and fields for public enjoyment; maintenance of public cemeteries and burial services; and maintenance of public shade trees.

Department of Public Works highlights in the FY 2023 budget include negotiated collective bargaining agreement salary adjustments.

Engineering/Facilities: The Engineering/Facilities Department mission is to provide leadership on all Town capital design and construction projects as well as providing engineering and facilities support to all other Town Departments. The Department has been leading the effort developing the Town Geographic Information System program along with the IT Department, as well as managing Town building energy use, meeting Green Community requirements, providing engineering assistance as requested, maintaining Town facilities and ensuring that Town public spaces provide a safe and healthy environment for the public and Town staff.

Health & Human Services

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
Personal Services	\$912,898	\$950,356	\$37,458	4.1%
Expenses	\$203,315	\$253,430	\$50,115	24.6%
Veterans Services	<u>\$123,649</u>	<u>\$123,649</u>	<u>\$0</u>	<u>0.0%</u>
Total	\$1,239,862	\$1,327,435	\$87,573	7.1%

Health & Human Services is comprised of the Health Services Department, the Senior Services Department, Youth & Family Services, and Veterans Services. Full time paid employees:

Health Services Department: The Health Services Department is responsible for a wide range of health and environmental concerns, including the promotion of public health, control of dangerous disease, regulatory control of licensed establishments, and protection of the environment. The Health Services Department has been particularly engaged in the Town's COVID-19 response. Other specific responsibilities include the licensing and inspection of food establishments, mobile food trucks, caterers, schools, beaches, public pools, camps, waste hauling, daycare food services, tobacco and nicotine product regulation, and mortuary and burial activities. The Health Services Department also approves septic system tests and plans, manages a Community Septic Loan Program, water well permitting and testing, environmental risk evaluation, as well as mercury and lead waste control efforts. Emergency management is supported through an organized Emergency Medical Corps.

Senior Services Department: The mission of the Senior Services Department is to promote well-being and enhance the quality of life for adults aged 60+ years in the Town. As of the 2020 census there were 3,482 seniors over age 60 living in Hopkinton, up 29% from 2,700 in 2015. The Senior Center currently serves between 650 to 750 seniors on an ongoing basis; with participation in a variety of exercise classes, educational and art programs, health initiatives, outings, and support groups. The Senior Center also operates a meals program and a senior transportation service. The Senior Center has partnered with the Hopkinton Public Library to create a Memory Cafe, to provide support for residents and caregivers of all ages dealing with dementia.

Youth & Family Services: Youth & Family Services promotes and enhances family health and well-being, working collaboratively with the Hopkinton Youth Commission; providing parent consultation, crisis intervention, referral, and short-term counseling for individuals, groups, and families. Youth & Family Services also collaborates to develop and sponsor constructive community programs and activities, and works to promote food security for residents. These services respond to stressors including divorce and marital separation, serious illness, financial hardship, grief and loss, mental health challenges, and substance abuse and addiction issues. Securing outpatient behavioral health care through the contracted Interface Referral Helpline and strengthening the Hopkinton Organizing for Prevention coalition in primary prevention practice has been among recent priorities.

Veterans Services: Veterans Services are mandated by State law, and provide assistance to Veterans and their dependents in receiving Federal, State and local benefits made available by the US Government and by the Commonwealth. Hopkinton is part of the Metrowest Veterans' Services District along with Medway, Holliston and Ashland and contributes a portion of the cost

of cooperative services. Benefits provided by the Town to Veterans are reimbursed at a rate of 75% by the Commonwealth in the year following the expense.

Culture & Recreation

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
Personal Services	\$756,669	\$951,970	\$195,301	25.8%
Expenses	\$65,865	\$69,465	\$3,600	5.5%
Celebrations	<u>\$32,000</u>	<u>\$32,000</u>	<u>\$0</u>	<u>0.0%</u>
Total	\$854,534	\$1,053,435	\$198,901	23.3%

Culture & Recreation includes the Hopkinton Public Library and historical activities. Full time paid employees:

Library (6)	Historical Commission (0)	Historic District Commission (0)
Townwide Celebrations (0)	Parks and Recreation (1)	

Hopkinton Public Library: The Hopkinton Public Library operates with guidance from an elected Board of Trustees and enhances educational, cultural, social, and intellectual opportunities for the community by providing a high level of personal service, offering contemporary technology, a variety of cultural, educational, and recreational events for all ages, and materials in diverse formats both physical and electronic. Library use doubled after a major renovation completed in 2017 and remained strong over the past year. Programmatic activities include a “Hopkinton 101” community fair providing information on civic and Town activities, author visits, lectures and presentations, storytimes, crafting events, the provision of study space and event/meeting space for community members, research assistance, and public computers and wireless internet, among a variety of other resources.

The Library augments its expenses through income earned on two trusts that were established to support the Library, as well as through State Aid which per State Law is excluded from the Town’s annual appropriation, and through the generous support of the community including gifts directly to the Library as well as contributions to the Friends of the Hopkinton Public Library and the Hopkinton Public Library Foundation. Specific anticipated additional sources in FY 2023 include \$28,335 in dedicated State Aid, approximately \$60,000 from the McGovern Trust, and approximately \$12,000 from the Friends of the Library.

Parks and Recreation: Programmatic/administrative costs, debt payments on park facilities, and the cost for maintaining the Town Common, EMC Park, Sandy Beach and other parks, along with some community events such as concerts and movies on the common are funded as direct General Fund line items. An extensive array of programs and activities are funded through user fees within an approved revolving fund. A special revolving fund is used to

manage facility rental revenues and maintenance expenses associated with the Fruit Street Field site.

General Fund Debt Service and Employee Benefits & Insurance

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
<u>Debt Service</u>				
Retirement of Debt	\$5,001,080	\$4,820,122	-\$180,958	-3.6%
Long Term Interest	\$2,531,319	\$2,253,386	-\$277,933	-11.0%
Short Term Interest	<u>\$0</u>	<u>\$121,479</u>	<u>\$121,479</u>	<u>0.0%</u>
Total	\$7,532,399	\$7,194,987	-\$337,412	-4.5%
<u>Employee Benefits & Insurance</u>				
Unemployment Insurance	\$120,822	\$130,488	\$9,666	8.0%
Medicare Tax	\$796,643	\$860,374	\$63,731	8.0%
Life Insurance Premiums	\$46,024	\$46,024	\$0	0.0%
Health Insurance Premium	\$9,092,158	\$9,824,350	\$732,192	8.1%
Middlesex County Retirement	\$2,910,419	\$3,142,328	\$231,909	8.0%
Drug and Alcohol Testing	\$5,753	\$6,000	\$247	4.3%
Blanket Insurance Premiums	<u>\$780,632</u>	<u>\$843,083</u>	<u>\$62,451</u>	<u>8.0%</u>
Total	\$13,752,451	\$14,852,647	\$1,100,196	8.0%

Debt Service is depicted in graphs earlier in this report.

Employee Benefits & Insurance continues to be a large percentage of the operating budget. The Town continues to tackle increasing health care costs. The budgeted increase of 8.1%, which includes projected cost escalation and benefit costs for new staff, is a noteworthy cost increase factor in the FY 2023 budget.

Middlesex County Retirement contributions are increasing by 8% in FY 2023, driven by staff additions and updated actuarial assessments of future retiree costs, as the Town continues to make supplemental contributions to fully fund the pension liability. Notably, teachers are covered under a separate state funding mechanism. Contributions reflect both the cost of new benefits earned, and contributions toward fully funding the liability to employees under a state-sanctioned plan by 2037. Blanket Insurance is up 8%, reflecting changes in the assets covered such as new buildings, loss experience, and growth in the Town workforce.

Community Preservation

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
<u>CPA Administration</u>				
Personal Services	\$12,095	\$12,095	\$0	0.0%
Expenses	<u>\$60,210</u>	<u>\$70,210</u>	<u>\$10,000</u>	<u>16.6%</u>
Total Administration	\$72,305	\$82,305	\$10,000	13.8%
<u>Debt Service</u>				
Retirement of Debt	<u>\$301,619</u>	<u>\$160,419</u>	<u>-\$141,200</u>	<u>-46.8%</u>
Total	\$373,924	\$242,724	-\$131,200	-46.8%

The Community Preservation Act (CPA), created in 2000, is statewide enabling legislation and a smart growth tool that helps local communities, through state funding, to acquire and preserve open space and historic sites, create and support affordable housing and develop outdoor recreational facilities. It is funded through a surcharge of up to 3% of the real estate tax levy on real property.

Hopkinton adopted this Act by a ballot vote in 2001 at a surcharge of 2%. The first \$100,000 of a home's assessed value is exempt from the surcharge. Local revenue is supplemented through a state Community Preservation Trust Fund (state revenue raised through fees charged at Massachusetts Registries of Deeds). The percentage of state disbursements changes from year to year based on the amount in the Community Preservation Trust Fund. The availability of funds depends on two factors, the number of deeds registered in a given year and the number of cities and towns competing for state CPA dollars. The match was 43.8% in FY 2022 and is estimated to be 30.9% in FY 2023.

A minimum of 10% of annual revenues of the fund must be used for each of the three core community concerns - Open Space, Historic Resources and Community Housing. Any money remaining in each of these categories at the end of the fiscal year stays in that reserve account until appropriated for a project. Funds in a category reserve account are "restricted" funds, and they can only be used for that specific category. Once funds are transferred to a category reserve, they cannot be repurposed.

The remaining 70% can be allocated for any combination of allowed uses, including administrative costs (up to 5%), or for recreational use. An optional "budgeted reserve" account can be included in the CPA budget to temporarily park some of this money in case it is needed for additional projects that arise during the year. If money is not placed in a budgeted reserve, the Town will temporarily lose access to the funds when the town sets its tax rate in the fall. Putting the unused money in a budgeted reserve allows the community to access the funds during the

entire fiscal year for any CPA purpose, following the normal procedure for CPA recommendation and Town Meeting vote.

Sewer Enterprise Fund

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
Personal Services	\$174,818	\$174,818	\$0	0.0%
Expenses	<u>\$913,862</u>	<u>\$916,162</u>	<u>\$2,300</u>	<u>0.3%</u>
Total	\$1,088,680	\$1,090,980	\$2,300	0.2%
Retirement of Debt	<u>\$1,010,729</u>	<u>\$1,001,320</u>	<u>-\$9,409</u>	<u>-0.9%</u>
Total Appropriation	\$2,099,409	\$2,092,300	-\$7,109	-0.3%
Employee Benefits & Pensions	<u>\$309,724</u>	<u>\$324,382</u>	<u>\$14,658</u>	<u>4.7%</u>
Expense Grand Total	\$2,409,133	\$2,416,682	\$7,549	0.3%
Enterprise Revenue	\$2,409,133	\$2,416,682	\$7,549	0.3%

Approximately 40% of the Town is served by municipal sewer. The Sewer Enterprise staff is responsible for the operation of eight pumping stations along with over 40 miles of sewer pipe. Daily inspections of the stations are conducted to ensure proper operation. The department is on call 24 hours a day, 365 days a year and responds to numerous emergency calls throughout the year. Rates are set annually by the Select Board to cover all costs of sewer service to customers, including repayment for capital projects. The Sewer Division continues to work on system efficiencies to help improve operations and costs. The increase in sewer expenses is substantially due to the one time cost of the next phase of the sewer inflow/infiltration remediation. Finding the source of inflow/infiltration is the next step to eliminating inflow/infiltration and lowering ongoing disposal costs. Crews were again instrumental in making in-house repairs and in performing required maintenance to keep the systems running properly.

Water Enterprise Fund

	FY 2022 Appropriation	FY 2023 Request	FY22 - FY23 \$ Change	FY22 - FY23 % Change
Personal Services	\$434,572	\$452,831	\$18,259	4.2%
Expenses	<u>\$860,546</u>	<u>\$884,046</u>	<u>\$23,500</u>	<u>2.7%</u>
Total	\$1,295,118	\$1,336,877	\$41,759	3.2%

Retirement of Debt	<u>\$900,330</u>	<u>\$725,388</u>	<u>-\$174,942</u>	<u>-19.4%</u>
Total Appropriation	\$2,195,448	\$2,062,265	-\$133,183	-6.1%
Employee Benefits & Pensions	<u>\$388,872</u>	<u>\$432,973</u>	<u>\$44,101</u>	<u>11.3%</u>
Expense Grand Total	\$2,584,320	\$2,495,238	-\$89,082	-3.4%
Enterprise Revenue	\$2,584,320	\$2,495,238	-\$89,082	-3.4%

Approximately 65% of the Town is served by municipal water. The Water Enterprise staff is responsible for maintaining eight pumping stations, three water tanks, 688 fire hydrants and 76 miles of water main. The department is on call 24 hours a day, 365 days a year. Rates are set annually by the Select Board to cover all costs of water distribution to customers, including repayment for capital projects. The Water Division completed the new water system blending project on Fruit Street to enhance the Town's drinking water quality. Staff provides in house improvements to the system, leak detection, and preservation and identification of water resources. Monthly water samples are collected throughout Town and tested for bacteria and a wide variety of other contaminants, in compliance with State and Federal guidelines.

In FY22, the Town initiated action to respond to a spike in PFAS (regulated chemical) levels in parts of the water supply. Temporary filtration is being undertaken, and a longer term plan includes proposed spending of \$1.3 million of available funds in the Water Enterprise accounts to design a connection to the Massachusetts Water Resources Authority, which would provide a safe, sustainable, long-term solution for the Town in which water quality would be assured by a collective user base of over 2,000,000 MWRA water customers.

Financial Articles: Background Information & Recommendations

ARTICLE: 2 FY 2022 Supplemental Appropriations and Transfers

Recommendation - The Appropriation Committee unanimously recommends approval.

\$560,000 to Snow and Ice Removal; Source - Certified Free Cash

\$30,323 to Fire Department; Source - Certified Free Cash

Article 2 requests authorization to transfer \$560,000 in available Certified Free Cash remaining from prior year operations to the Fiscal Year 2022 Snow and Ice Control Operating Budget for costs incurred above what was budgeted. The Commonwealth allows municipalities to spend more than the amount budgeted for Snow & Ice Removal annually, given the unpredictability of

winter weather severity. The Town's practice has been to budget a moderate amount for this purpose (\$350,000 for the coming fiscal year) and to cover higher costs, when they exist, through the use of Free Cash or Taxation.

Article 2 also requests authorization to transfer \$30,323 from Certified Free Cash remaining from prior year operations to the Fire Department for unexpected costs incurred to dispose of a stockpile of firefighting foam containing PFAS (a "forever chemical" contaminant) with firefighting foam that is environmentally and health safe.

ARTICLE: 3 Unpaid Bills from Prior Fiscal Years

Recommendation - The Appropriation Committee unanimously recommends approval. \$3,253.22 from Certified Free Cash.

Massachusetts General Law Chapter 44 Section 64 states that bills can only be paid with funds appropriated for the fiscal years in which expenses were incurred. For example, expenses from fiscal year 2022 could not be paid using a fiscal year 2023 appropriation. In each cycle, the Town receives bills from vendors after the previous fiscal year has been closed. In those instances, the General or Enterprise Funds require a fourth-fifths majority approval vote by the Annual Town Meeting to pay those invoices.

Article 3 requests authorization to pay 6 vendors. For example, services were incurred on December 1, 2020 from a vendor, MHQ, who provided police vehicle customization services, where the bill was not received until after the fiscal year end. The Town is taking additional steps to minimize future unpaid bills beyond the fiscal year end, including reconciliation and coordination with vendors near fiscal year-end, monitoring of services received and bills paid, and coordination between Town Departments. The Town is also implementing procedures to gather bills in a timely manner.

ARTICLE: 4 Set the Salary of Elected Officials

Recommendation - The Appropriation Committee unanimously recommends approval. \$75,732.81, a 3% increase, to be funded within Article 5, the FY 2023 Operating Budget

Massachusetts General Laws (Chapter 41, Section 108) required the salary and compensation of all elected officials to be fixed annually at Town Meeting. The position of Town Clerk is Hopkinton's only such compensated elected official. The specified amount is included in the General Fund appropriation proposed in Article 5.

ARTICLE: 5 Fiscal Year 2023 Operating Budget

Recommendation - The Appropriation Committee unanimously recommends approval.
General Fund - \$100,099,363 - Details within this report and Warrant and Articles Motions

Community Preservation Fund - \$242,724
Sewer Enterprise Fund - \$2,416,682
Water Enterprise Fund - \$2,495,238

The specifics of sources and uses of funds for these appropriations are covered in detail in this report.

ARTICLE: 6 Establish Shared Housing Services Office Revolving Fund

Recommendation - The Appropriation Committee unanimously recommends approval.

The Land Use Department is requesting the establishment of an inter-municipal agreement where Hopkinton is the lead community. Under this agreement, the Towns of Bellingham, Medfield, Milton, Norwood, Randolph, Sharon, and Wrentham would hire an external consultant to provide services related to affordable housing. The goal of this service is to preserve each community's affordable housing stock consistent with the 10% State mandate for affordable housing, expanding the housing options for low and moderate-income residents, and monitoring compliance in the stock of existing affordable units.

Each community would pay a prorated portion of the shared services based on population. The requested revolving account would create a method for the Town to accept fees from other participating communities to pay the selected consultants. The Hopkinton proportion of the shared services is requested to be funded by the Community Preservation Community Housing Reserve proposed in Article 32 in the first year of the agreement.

ARTICLE: 7 FY 2023 Revolving Funds Spending Limits

Recommendation - The Appropriation Committee unanimously recommends approval.

Under State law and regulations prescribed by the Massachusetts Department of Revenue as the Town's financial regulator, Hopkinton has established a number of self-sustaining revolving funds that are authorized to collect user fees and pay costs to provide certain services. These funds are commonly called "53 E ½ funds" as they are authorized by Massachusetts General Laws Chapter 44, Section 53 E ½. The authorizing statute requires that Town Meeting be aware of and approve the size and use of these funds each year by setting maximum amounts that may be collected and spent within each authorized fund. There are no property taxes or other general revenues spent through these funds. Collection and spending levels proposed for FY 2023 are as follows:

Building Department - \$300,000
Part-Time Wire Inspector - \$100,000
Part-Time Plumbing Inspector - \$100,000
Hazardous Materials - \$20,000

Conservation Commission - \$200,000
 Library - \$10,000
 Public Safety - \$5,000
 Planning Board - \$70,000
 Open Space Preservation Commission - \$10,000
 Youth and Family Services Department - \$4,000
 Zoning Board of Appeals - \$50,000
 Department of Public Works Trench Permitting - \$8,000
 Department of Public Works Trash Bag Fees - \$15,000
 Department of Public Works Recycling - \$8,000
 Cemetery Commission - \$3,500
 Cemetery Lot Fund - \$10,000
 School Department Laptop Initiative - \$475,000
 Fingerprinting Fund - \$500
 Senior Center Programs Fund - \$75,000
 Police Department - \$10,000
 Parks and Recreation - \$130,000
 Shared Housing Services - \$125,000

ARTICLE: 8 Establish MGL Ch. 44 sect. 53 F3/4 PEG Access and Cable Related Fund

Recommendation - The Appropriation Committee unanimously recommends approval.

This request would authorize the creation of a new PEG Access and Cable Related Revolving Account. As noted on pages 8 -9, the State Legislature now requires communities to appropriate funding received from public access surcharges on cable television subscriptions under franchise agreements negotiated by the Town with the cable providers. The 2019 Annual Town Meeting created an Enterprise Fund for this purpose. After the three fiscal years of implementation, the Town is recommending the creation of a revolving fund as an alternative approach, to appropriate cable tv subscription surcharges that have been collected and are in Town coffers.

ARTICLE: 9 PEG Access and Cable Related Account Funding

Recommendation - The Appropriation Committee unanimously recommends approval.

\$346,947 Source - Certified Free Cash

This article would appropriate \$346,947 from Certified Free Cash to the PEG Access and Cable Related Fund if the creation of the fund is authorized in Article 8. As noted on page __, Town Meeting can only be appropriated from funds collected into this account. This “bridge year” of funding from the General Fund would allow for a full year of cable tv subscription charges to accumulate to be available for appropriation at the 2023 Annual Town Meeting.

ARTICLE: 10 Revoke HCAM Enterprise Fund

Recommendation - The Appropriation Committee unanimously recommends approval.

This request would revoke the HCAM Enterprise Fund created at the 2019 Annual Town Meeting. The HCAM Enterprise Fund will no longer be necessary if Town Meeting approves the creation and funding of the PEG Access and Cable Related Revolving Account in Articles 8 and 9.

ARTICLE: 11 Authorized/Unissued Debt Rescindment

Recommendation - The Appropriation Committee unanimously recommends approval.

Past Town Meetings have authorized the Treasurer and Select Board to borrow money for many approved projects. Some of these projects have been completed by borrowing and spending less than the amount originally authorized, and those unused authorizations remain on the books. This article would rescind the authority previously granted to the Treasurer and Select Board to borrow money for these projects that is now known to be clearly unneeded. This article would not affect the annual debt service or the tax impact.

ARTICLE: 12 Chapter 90 Highway Funds

Recommendation - The Appropriation Committee unanimously recommends approval.

\$646,229 for road maintenance; Source - Commonwealth of Massachusetts Chapter 90 Highway Local Aid Program.

The Commonwealth of Massachusetts imposes a 24 cent per gallon gasoline tax, raising about \$800 million in the last reported year. A portion of this tax revenue supports a targeted local aid program for cities and towns that provides funding for roadway construction, preservation, and improvement projects. The title "Chapter 90" refers to Chapter 90 of the Massachusetts General Laws, Motor Vehicles and Aircraft. Hopkinton's award for fiscal year 2023 is \$646,229, as identified in the Article. While not required, Town Meeting's action is for transparency and gives visibility to the town's investment in roadway improvements.

This funding will supplement \$501,000 for paving budgeted for FY 2023 in the General Fund, Department of Public Works. This spending supports the maintenance of the Town's roadway infrastructure.

ARTICLE: 13 Authorize Limited Means Tested Sewer & Water User Discount

Recommendation - The Appropriation Committee recommends approval by a 4-1 vote.

This article asks the Massachusetts Legislature to pass special legislation that would allow the Town of Hopkinton to provide municipal utility discounts based on income eligibility criteria. If approved at the State level, the Hopkinton Select Board could develop a discount program and establish eligibility standards.

ARTICLE: 14 Transfer to Other Post-Employment Benefits Liability Trust Fund

Recommendation - The Appropriation Committee unanimously recommends approval.

\$420,250 Source - Certified Free Cash.

Other Post-Employment Benefits (OPEB) refers to post-employment benefits other than pensions. OPEB generally takes the form of health insurance and dental, vision, prescription, and other health care benefits provided to eligible retirees, and in some cases to their beneficiaries. OPEB is part of the compensation that employees earn each year, even though these benefits are not paid out until after employment has ended. In 2012, the Town established the OPEB Trust fund and began making contributions to the Trust Fund in 2014, rather than expecting future generations of Hopkinton residents to pay these costs for today's employees.

As of June 30, 2021 the present value of the future expected payments for OPEB was computed at \$40,020,304 by an independent actuary retained by the Town. On March 31, 2022, the OPEB Trust Fund had a balance of \$4.42 million, for a funding level of 11.03% of the liability. This Article allocates an additional \$420,250 to this trust fund in fiscal year 2023. The Town's actuary estimates that if Hopkinton increases the current \$420,250 contribution by 2 ½% annually, the liability will be fully funded by 2058. Progress on OPEB funding is an important factor considered by credit rating agencies when assigning a bond rating to the Town. More detail can be found on pages 37 - 38 of this Report.

ARTICLE: 15 Transfer to the General Stabilization Fund

Recommendation - The Appropriation Committee unanimously recommends approval of motion for no action.

The budget proposal does not include a request to transfer to the General Stabilization Fund. Pages 39 - 42 provides additional details on the status of the Town's financial reserves.

ARTICLE: 16 Transfer to the Capital Expense Stabilization Fund

Recommendation - The Appropriation Committee unanimously recommends approval of motion for no action.

The budget proposal does not include a request to transfer to the Capital Expense Stabilization Fund. Pages 39 - 42 provides additional details on the status of the Town's financial reserves.

ARTICLE: 17 Create School Special Education Reserve Fund

Recommendation - The Appropriation Committee unanimously recommends approval.

This article would authorize the creation of a School Special Education Reserve Fund. State law allows for this reserve fund if approved by Town Meeting and the School Committee. The purpose of this fund is to segregate and track funding for a large spike in funds needed to pay out-of-district tuition for Hopkinton students whose special needs cannot be either effectively or efficiently met within the Hopkinton Public Schools.

ARTICLE: 18 Transfer to the School Special Education Reserve Fund

Recommendation - The Appropriation Committee unanimously recommends approval.

\$914,849 Source - Certified Free Cash

\$179,175 Source - Property Tax Levy

\$1,094,024 Total

This request provides the anticipated funding increases for special education costs for Hopkinton students into a Special Education Reserve Fund. The District is required to meet the needs of all its students. In some cases, students are placed in out-of-district schools that are better equipped to meet students' specific needs. These costs can vary significantly from year to year as students move in and out of various phases of educational progression. The School Special Education Reserve Fund is intended to better insulate the annual budget from significant cost fluctuations from year to year. Under State law, the School Department would be authorized to spend from the Special Education Reserve Fund upon a majority vote of both the Select Board and the School Committee

ARTICLE: 19 Pay-As-You-Go Capital Expenses

Recommendation - The Appropriation Committee unanimously recommends approval.

\$2,013,653.94 from Free Cash

\$114,486.06 from unspent capital appropriations

Capital Item	Amount	Rationale
End User Computer Hardware Renewal	\$66,750	Planned and systematic replacement of end-user laptop and desktop computers. This funding would keep the Town's hardware replacement in a 3.5 - 5 year replacement cycle.
Datacenter Upgrades & Redundancy	\$58,000	Redundancy and resilience upgrades to Town networks including firewall and cybersecurity as well as enhancements to power distribution. These upgrades protect Town resources from ever evolving cyber crime threats.
Videoconferencing Updates	\$22,390	Updates to videoconferencing updates throughout Town facilities. The Town will continue to offer remote participation in public meetings that have increased public engagement over the course of the COVID-19 pandemic. These improvements will continue to enhance these services for long term utilization.

Electronic Document Management System	\$70,000	Enhanced electronic document management system that will digitize town records for public access. This request is supported by a \$60,000 grant from the state to implement the DMS system.
Public Safety Radio System Feasibility Study	\$100,000	Engineering study to address the Town's aging public communications radio infrastructure. Many of the components of the system are beyond their expected useful life. This system is the only means of emergency communication between the Emergency Communications Department and the emergency responders in the field. This study would review existing locations and equipment, provide recommendations for improvement and schematic design of a system replacement.
Patrol Cruiser Replacement (3)	\$180,000	Scheduled replacement of three police cruisers and associated equipment that have reached the end of their expected useful life.
High School Auditorium Stage & Lighting	\$325,000	Upgrade for components of the High School auditorium that have reached the end of their useful life, including upgrades to power supply systems and LED lights.
Districtwide Computer Network Switches	\$75,000	This request is 50% of a planned replacement of networking IDF switches that are over 10 years old across all school buildings. These replacements will improve network security and performance. There is an expected request in FY24 for the same amount to complete the project. The School will apply to a grant program that, if awarded, would reimburse 40% of the project cost.
Wetlands Order of Condition Additional; ATM 2018, ART 14	\$60,000	Additional funding to fulfill a wetlands order of conditions from the original construction of the High School fields.
Fire Station Roof HVAC Replacement, Add to ATM 2017, ART 20	\$252,000	Additional funding to complete the rooftop HVAC units at the Main Street Fire Station. Increased costs are due to inflationary cost increases and changes in scope for ventilation requirements due to COVID-19.
Police Station Roof Replacement Cost Growth; ATM 2021, ART20	\$187,000	Additional funding for the police station roof replacement approved at the 2021 ATM. The engineers for the project identified structural malfunctions that cause the roof to fail before its expected useful life. This additional funding would remediate these structural issues and provide additional funding following inflationary cost increases.

Police Station Mechanical System Upgrades	\$96,000	Upgrade to various mechanical components of the Police Station Building that have reached the end of their useful life.
Senior Center Dining Facility Expansion - Design	\$35,000	Engineering study to determine the feasibility of expanding the Senior Center Dining Room. The current dining room is too small to meet the daily demand for meals by seniors at the Senior Center.
Center School Reuse Design	\$100,000	Design, engineering and consulting services related to the Center School Reuse. The Town recently issued a Request for Information (RFI) to developers for a public/private partnership to renovate the Center School property. This request would provide additional engineering and design evaluation services for a reuse of the facility as well as developing an RFP for a public/private partnership.
Street Sweeper (S-23) Replacement	\$270,000	Replacement of a 2002 street sweeper with 5,000 hours of use. This planned replacement will enable the Town to meet recent compliance obligations that require a 50% increase in the sweeping requirements by EPA's MS4 permit.
Sidewalk Replacement, Walcott St.	\$45,000	Complete replacement of the sidewalks along Walcott Street.
Super Duty Pickup/Dump (S-12) Replacement	\$86,000	Planned replacement of a 10-year old dump truck with 103,000 miles. This vehicle is used in the day to day operations of the DPW as well as snow removal operations.
Tree Truck, Additional; ATM 2019, ART 20	\$100,000	Additional funding to purchase a bucket truck for the DPW. This purchase is part of a planned expansion of tree services on Town property provided by the DPW.
Total	\$2,128,140	

ARTICLE: 20 Water Tank Cleaning

Recommendation - The Appropriation Committee unanimously recommends approval.

\$50,000 Source - Water Enterprise Retained Earnings

This request would authorize the cleaning of the Town's three water tanks. The Massachusetts Department of Environmental Protection requires that water tanks be cleaned and inspected every five years. This request would authorize the Water Department to meet these regulatory obligations. Divers would enter all three tanks, conduct inspections, and vacuum the sidewalls and bottom of the tanks as required.

ARTICLE: 21 Water Fund Vehicle Replacement

Recommendation - The Appropriation Committee unanimously recommends approval.

\$60,000 Source - Water Enterprise Retained Earnings

This article would authorize the replacement of a 2010 pickup truck with 88,000 miles and mechanical issues that cause it to emit plumes of white smoke. This scheduled replacement is slightly beyond the 10-year vehicle replacement plan. The replacement vehicle would also be used during snow removal operations.

ARTICLE: 22 MWRA Connection Design Work

Recommendation - The Appropriation Committee voted unanimously to recommend approval to Town Meeting, as written in the articles and motions document upon final motion, legally approved, with regard to the funding.

\$1,300,000 Source - excess bond proceeds from prior borrowings for water projects

This article would support design work for a connection to the Massachusetts Water Resources Authority supply from the Quabbin Reservoir through the Town of Southborough. During FY 2022, the Town mobilized in response to elevated levels of the “forever chemical” PFAS (per-and polyfluoroalkyl substances) in water production well #6. Two capital articles are proposed to address this issue. Article 23 proposes \$600,000 from available Water Enterprise funds for a temporary PFAS filtration system that will remove PFAS from the water. Article 22 proposes \$1,300,000 for a design study for connection to the Massachusetts Water Resources Authority supply from the Quabbin Reservoir. The Water Enterprise will present information about this situation at Town Meeting.

ARTICLE: 23 PFAS Filtration System

Recommendation - The Appropriation Committee unanimously recommends approval.

\$600,000 Source - Water Enterprise Retained Earnings

PFAS (per-and polyfluoroalkyl substances) was detected in the Hopkinton Well #6 (Fruit Street), which is above the maximum contaminant level (MCL) of 20 parts per trillion set by the Massachusetts Department of Environmental Protection (DEP). PFAS is a “forever chemical” that studies have shown can result in adverse health outcomes, particularly in sensitive subgroups, including pregnant or nursing women, infants less than 1-year old, and those with compromised immune systems. The proposed filtration system would treat the water from Well #6 and remove PFAS to below DEP’s Maximum Contaminant Level of 20 Parts per Trillion (PPT). This request is a temporary solution that would provide water to the community while a long-term solution is identified and implemented to address the PFAS contamination.

ARTICLE: 24 Fruit Street Well Facility Roof Replacement

Recommendation - The Appropriation Committee unanimously recommends approval.

\$40,000 Source - Water Enterprise Retained Earnings

The Fruit Street Water Well Facility has two aging, leaking roofs which puts the electrical and mechanical equipment housed in the facility at risk, creating potential operational and financial challenges. This Article would repair the roofs to suitable levels to meet the expected service life needs of the well facility.

ARTICLE: 25 Fire Engine 2 Replacement

Recommendation - The Appropriation Committee unanimously recommends approval.

\$736,318 Source - General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½.

Fire Engine 2 is a 2001 pump truck, slightly beyond its 20-year vehicle replacement cycle. The National Fire Protection Association (NFPA) sets the recommended 20-year replacement cycle. Each fire engine is inspected annually to evaluate its condition as a front-line service vehicle. The last inspection of Fire Engine 2 revealed signs of rust and leakage in the water tank. This request would authorize the Town to purchase a new fire engine and all associated equipment with an expected future life of 20-years. The make and model requested is the same as the Engine 4 replacement that will be fully covered by insurance following the catastrophic loss of Engine 4 in a fire.

ARTICLE: 26 Woodville Fire Station Repair and Upgrade Work

Recommendation - The Appropriation Committee voted unanimously to recommend approval to Town Meeting, as written in the articles and motions document upon final motion, legally approved, with regard to the funding..

\$400,000 Source - Appropriation of excess bond proceeds from prior borrowings for the construction of modular classrooms at the Hopkins School.

The Woodville Fire Station was put back into front line use during the COVID-19 public health emergency, as a way to improve response times and to segregate crews to limit contagion. The Fire Department plans to continue operation out of this aging facility and the requested upgrades are necessary for operating safety and efficiency. This article would be funded through the re-appropriation of excess bond proceeds from the original construction of the Hopkins School modular classrooms. If approved, this request would not increase the tax impact or debt service cost.

ARTICLE: 27 School Air Handling Unit Replacement

Recommendation - The Appropriation Committee unanimously recommends approval.

\$475,000 Source - General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½

This request would continue the School Departments scheduled replacement of HVAC units throughout the district that have reached end of life. This request would replace one HVAC unit in each of the High School and Middle School. The High School unit controls the common areas and the Middle School unit controls the auditorium.

ARTICLE: 28 Fruit Street Turf Field Replacement

Recommendation - The Appropriation Committee unanimously recommends approval.

\$1,271,543 Source -General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½

\$400,000 Source - From the Parks and Recreation 53 E1/2 Revolving Account

\$1,671,543 Total

This request would replace the playing surface of the turf fields at the Fruit Street fields. The fields were first installed in 2010. This article would remove and replace the playing surface that is at the end of its 10-year expected useful life.

ARTICLE: 29 Marathon School Addition Cost Increase

Recommendation - The Appropriation Committee voted unanimously to recommend approval to Town Meeting, as written in the articles and motions document upon final motion, legally approved, with regard to the funding.

\$695,900 Source - Appropriation of excess bond proceeds from prior borrowings for the original construction of Marathon School.

The 2021 Annual Town Meeting, Article 17 approved \$3,625,000 to construct four additional classrooms at the Marathon School. The project will be bid in late Spring 2022, and construction is estimated to start in December 2022. As noted on pages 23 - 24, the recent surge in inflation has significantly increased the estimated costs necessary to complete the project. This request is a 19% increase from the original appropriation. The cost increase is consistent with the rise in commodity and labor prices. For example, the cost of steel has risen by 28% since this project was approved at the 2021 Annual Town Meeting. This article would be funded through the re-appropriation of bond proceeds that were raised for the original construction of the Marathon School, but which remain unspent because the original Marathon School was constructed below budget. If approved, this cost increase would not increase the tax impact or debt service cost.

ARTICLE: 30 Lake Maspenock Dam Area Repair Work

Recommendation - The Appropriation Committee voted unanimously to recommend approval to Town Meeting, as written in the articles and motions document upon final motion, legally approved, with regard to the funding.

\$400,000 Source - Appropriation of excess bond proceeds from prior borrowings for the construction of additional classrooms at the High School.

This article provides funding for the repair of the easterly wall of the Lake Maspenock Dam. The dam is rated as in “Fair” condition on a scale of Unsatisfactory, Poor, Fair, or Satisfactory. Over the last seven years, several sinkholes have opened in the top surface of the dam. The sinkholes indicate incremental movement/settlement of the dam wall. The structural integrity of the dam will be affected if these repairs aren't made timely. The Massachusetts Department of Conservation and Recreation has determined that a failure of the dam would likely cause the loss of life and property damage. This article would be funded through the re-appropriation of excess bond proceeds from the original construction of the Hopkinton High School. If approved, this request would not increase the tax impact or debt service cost.

ARTICLE: 31 Community Preservation Funds

Recommendation - The Appropriation Committee unanimously recommends approval.

From FY 2023 estimated revenues for Open Space	\$ 175,315
From FY 2023 estimated revenues for Recreation Reserve	175,315
From FY 2023 estimated revenues for Historic Resources Reserve	175,315
From FY 2023 estimated revenues for Community Housing Reserve	175,315
From FY 2023 estimated revenues for Budgeted Reserve	1,051,890

Massachusetts towns are allowed to adopt a surcharge of up to 3% on property taxes to fund a local Community Preservation Fund, which can be used to acquire and preserve open space and historic sites, to create and support affordable housing and to develop outdoor recreational activities. Hopkinton voted to accept a 2% surcharge under this provision in 2001. Funds generated locally receive a match from a State trust fund, with the amount of match varying based on the level of State trust funds available. The State match was 43.8% in FY 2022.

Anticipated FY 2023 Community Preservation revenue is \$1,753,150. This Article appropriates 10% of the anticipated revenue to each of the four specific programmatic categories as required by State law, and the remaining amount (60%) to the Budgeted Reserve category for future designation by Town Meeting.

ARTICLE: 32 Community Preservation Recommendations

Recommendation - The Appropriation Committee unanimously recommends approval of motion 1 (all proposals but the Conroy Property near Saddle Hill Road) and voted unanimously to make a recommendation at Town Meeting on motion 2 (the Conroy Property near Saddle Hill Road.)
\$961,000 Source - Community Preservation Act Funds

\$23,000 - Shared Housing Services
Source - CPC Community Housing Reserve

Hopkinton is partnering with surrounding communities to create a shared housing services organization. Hopkinton would receive services to monitor and administer existing affordable housing units, programs, and training/educational opportunities. Year 1 of these services would be funded through the CPC Community Housing Reserve. Article 6 requests the creation of a Revolving Fund Account that would facilitate the receipts from member communities for the shared housing services.

\$20,000 - Historical Preservation of Historically Significant Town Records
Source - CPC Historical Preservation Reserve

This request is the next phase of digitization of Town records that are deemed to be historically significant and at risk for deterioration. The records are currently stored at Town Hall.

\$18,000 - Middle School Cross Country Course Improvements
Source - CPC Recreation Reserve

This request would correct drainage problems that have arisen since its construction and install a final stone dust surface on the trail to improve its functionality. This trail was built in 2017 with only a base coat. The .25 mile trail is used by the Middle School and High School cross country track teams as well as Town residents from the Center Trail, Grove Street, and Pleasant Street.

\$15,000 - Parking at Cameron Woods
Source - CPC Undesignated Reserve

This request would expand parking at the Cameron Woods trail head to allow for an additional four cars that would facilitate use of the trail. The existing parking lot is insufficient to accommodate the increased demand following recent upgrades to the area.

\$50,000 - Additional Features at EMC Skatepark
Source - CPC Recreation Reserve

This funding request would authorize additional features at the planned skatepark at EMC park that was approved at the 2021 Annual Town Meeting and address inflationary cost increases over the past year.

\$775,000 - Construction of Pickleball and Tennis Courts

Source - CPC Undesignated Reserve

This request would authorize the design and construction of pickleball and tennis ball courts on the Fruit Street property across from the newly constructed dog park. Pickleball is a mix of racquetball and tennis. The sport is growing in popularity because of its broad accessibility.

\$50,000 - Engineering Studies for the Construction of Bathrooms at EMC Park

Source - CPC Recreation Reserve

This request would fund an engineering study and cost estimates for permanent bathroom facilities at EMC park. This request also authorized that, if feasible, to construct a portion of a sewer line under the site where the skate park will be located before construction begins on the skatepark.

\$10,000 - Survey and Boundary Markers of Cameron Woods

Source - CPC Undesignated Funds

This request would authorize funding for a boundary and survey of the Town owned land at Cameron Woods.

Amount Unknown - Conroy Property, Saddle Hill Road

Source - Undetermined

The Town has been negotiating with the owner of a 88+ acre parcel near Saddle Hill Road that abuts existing Town land. At the writing of this Report, the CPC has not made a final decision to support a purchase of this property. The Appropriation Committee will make its recommendation at Town Meeting.

ARTICLE: 41 Accept Easement, 2 Oakhurst Road

Recommendation - The Appropriation Committee unanimously recommends approval.

This article would accept an easement located at 2 Oakhurst Road for the purpose of a school bus waiting area. There is no anticipated financial cost to the Town for this acceptance.

ARTICLE: 42 Accept Gift of Land - Fitch Ave

Recommendation - The Appropriation Committee unanimously recommends approval.

This article would accept the gift of an 0.98-acre parcel of land on Fitch Avenue for use as open space and recreation. Real estate developers commonly make donations of land to municipalities. Donations are made because a portion of land is unbuildable, to obtain income and real estate tax relief, to meet conservation requirements in the permitting phase, among other reasons.

ARTICLE: 43 Accept Gift of Land - Chamberlain-Whalen Subdivision

Recommendation - The Appropriation Committee unanimously recommends approval.

This article would accept the gift of a 44.804 acre parcel of land on or near the Chamberlain-Whalen subdivision.. The land would be used for open space and recreation purposes. Similar to Article 42, the real estate developer has offered to donate this land to the Town for open space and recreation purposes.

ARTICLE: 44 Land Acquisition - Conroy Property, Saddle Hill Road

Recommendation - The Appropriation Committee voted unanimously to make a recommendation at Town Meeting.

Amount Unknown, Source - Undetermined

This purchase is also being considered under Article 32. The Town has been negotiating with the owner of a 88+ acre parcel near Saddle Hill Road that abuts existing Town land. At the writing of this Report, the CPC has not made a final decision to support a purchase of this property. The Appropriation Committee will make its recommendation at Town Meeting.

ARTICLE: 45 Land Acquisition, 71 Frankland Road, Rear

Recommendation - The Appropriation Committee recommends to not approve this article by a vote of four to one with one abstention.

Amount Unknown, Source - Undetermined

This citizen petition would authorize the Town to acquire an approximately 70 acre parcel of land on Frankland Road. The property owner intends to retain the land and plans to cut down several acres of trees to build a solar electric generating farm. The Hopkinton Planning Board approved a special permit for this use; appeals of this permitted use have been resolved in favor of the landowner.

This citizen's petition would authorize the Town to acquire the parcel via eminent domain. Eminent domain is the process where the government can forcefully acquire a parcel of property

and convert it to public use. The Fifth Amendment of the Constitution requires that the government may only exercise this power if they provide just compensation to the property owners. In this case, the Town would be required to pay the property owners for the highest and best use of the property. If a solar electric generating farm is considered the highest and best value of the property, the required compensation to the property owners would be substantial. The Committee has not been provided a professional appraisal or estimate for the cost to the Town for this proposed property purchase.

ARTICLE: 51 Tax Increment Finance Agreement - Lykan Bioscience

Recommendation - The Appropriation Committee unanimously recommends approval.

Lykan Bioscience is an existing and expanding medical biotechnology services company located at 97 South Street. Lykan intends to expand into a new facility across the street from its existing site, at 103 - 105 South Street, with a plan to spend \$90 million to demolish the existing building and construct a new facility.

State law provides for Tax Increment Financing (TIF), where local communities forgo a portion of the incremental tax revenue they would receive from new industrial investment for a period of years as a way of incentivizing new industrial development. Lykan was previously granted a TIF for its current operation on South Street by Town Meeting.

Under the proposed TIF, Lykan would receive an initial 95% reduction in real property tax in the first year of the TIF, declining to 40% in the 14th year of the TIF. Business personal property tax, which is typically completely exempt for registered manufacturing corporations, will be reduced to 0% for the first seven years of the TIF. After those periods, the full amount of revenue due to the Town would be paid. This proposal was the result of lengthy bargaining between Lykan and the Town management and legal teams.

ARTICLE: 52 PILOT Agreement, Wilson Street Solar Farm

Recommendation - The Appropriation Committee unanimously recommends approval.

Businesses pay property tax on real property (real estate) and on business equipment or business personal property. This agreement would have the operator of the proposed Wilson Street Solar Electric Generation Farm make payments in lieu of taxes under a structured agreement for their business personal property, rather than making ordinary property tax payments. Under the terms of the Payment in Lieu of Taxes (PILOT) agreement, the operator would make PILOT payments that are equal to the taxes that would otherwise be due.

Line Item Departmental Budgets

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
122	Select Board				
	Expenses	\$2,000	\$2,000	\$2,000	
	Total	\$2,000	\$2,000	\$2,000	\$2,000
123	Town Manager				
	Personal Services	\$452,453	\$479,237	\$479,237	
	Expenses	\$31,300	\$32,300	\$32,300	
	Total	\$483,753	\$511,537	\$511,537	\$511,537
131	Appropriation Committee				
	Expenses	\$500	\$0	\$0	
	Reserve Fund	\$125,000	\$125,000	\$125,000	
	Total	\$125,500	\$125,000	\$125,000	\$125,000
133	Accounting				
	Personal Services	\$159,513	\$223,366	\$223,366	
	Expenses	\$23,200	\$27,000	\$27,000	
	Total	\$182,713	\$250,366	\$250,366	\$250,366
135	Administration				
	Personal Services	\$138,615	\$648,498	\$648,498	
	Expenses	\$1,835	\$103,785	\$103,785	
	Appraisal Services		\$171,500	\$171,500	
	Total	\$140,450	\$923,783	\$923,783	\$923,783
137	Procurement & Grants				
	Personal Services	\$75,000	\$0	\$0	
	Expenses	\$5,000	\$0	\$0	
	Total	\$80,000	\$0	\$0	\$0

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
141	Assessors				
	Personal Services	\$212,537	\$0	\$0	
	Expenses	\$17,550	\$0	\$0	
	Appraisal Services	\$181,500	\$0	\$0	
	Total	\$411,587	\$0	\$0	\$0
145	Treasurer/Collector				
	Personal Services	\$307,568	\$0	\$0	
	Expenses	\$76,900	\$0	\$0	
	Total	\$384,468	\$0	\$0	\$0
151	Legal				
	Legal Counsel	\$280,000	\$283,500	\$283,500	
	Total	\$280,000	\$283,500	\$283,500	\$283,500
152	Human Resources				
	Personal Services	\$229,704	\$263,628	\$263,628	
	Compensation Contingency	\$325,000	\$575,000	\$575,000	
	Expenses	\$124,456	\$124,486	\$124,486	
	Total	\$679,160	\$963,114	\$963,114	\$963,114
155	Information Technology				
	Personal Services	\$349,733	\$349,353	\$349,353	
	Expenses	\$588,700	\$673,204	\$673,204	
	Total	\$938,433	\$1,022,557	\$1,022,557	\$1,022,557
161	Town Clerk				
	Personal Services	\$138,435	\$159,413	\$159,413	
	Expenses	\$7,395	\$10,030	\$10,030	
	Total	\$145,830	\$169,443	\$169,443	\$169,443
162	Election & Registration				
	Personal Services	\$9,750	\$25,496	\$25,496	
	Expenses	\$15,150	\$27,330	\$27,330	
	Total	\$24,900	\$52,826	\$52,826	\$52,826

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
170	Land Use, Planning & Permitting				
	Personal Services	\$553,529	\$569,832	\$569,832	
	Expenses	\$44,892	\$21,607	\$21,607	
	Total	\$598,421	\$591,439	\$591,439	\$591,439
177	Green Committee				
	Expenses	\$165	\$200	\$200	
	Total	\$165	\$200	\$200	\$200
173	Open Space Committee				
	Expenses	\$12,100	\$15,000	\$15,000	
	Total	\$12,100	\$15,000	\$15,000	\$15,000
187	Trail Committees				
	Upper Charles Tr. Comm. Expenses	\$52,300	\$54,000	\$54,000	
	Trails Coord. Mgt. Comm. Expense	\$25,000	\$25,000	\$25,000	
	Total	\$77,300	\$79,000	\$79,000	\$79,000
192	Town Hall				
	Expenses	\$8,270	\$8,270	\$8,270	
	Total	\$8,270	\$8,270	\$8,270	\$8,270
194	Cable Committee				
	Expenses	\$0	0	0	
	Total	\$0	\$0	\$0	\$0
199	Other General Government				
	Public Relations	\$0	\$60,000	\$60,000	
	Town Reports	\$5,000	\$5,000	\$5,000	
	Audit	\$48,000	\$48,000	\$48,000	
	Transfer: Water Ent., Fire Prot.	\$247,500	\$247,500	\$247,500	
	Total	\$300,500	\$360,500	\$360,500	\$360,500
Total General Government		\$4,875,550	\$5,358,535	\$5,358,535	\$5,358,535

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
<u>Public Safety</u>					
210	Police				
	Personal Services	\$2,850,635	\$2,895,989	\$2,895,989	
	Expenses	\$175,783	\$199,506	\$199,506	
	Auxiliary Police Expenses	\$3,000	\$3,000	\$3,000	
	Total	\$3,029,418	\$3,098,495	\$3,098,495	\$3,098,495
214	Communications				
	Personal Services	\$682,180	\$742,595	\$742,595	
	Expenses	\$46,585	\$56,935	\$56,935	
	Total	\$728,765	\$799,530	\$799,530	\$799,530
220	Fire				
	Personal Services	\$3,262,944	\$3,420,174	\$3,420,174	
	Expenses	\$292,500	\$309,700	\$309,700	
	Total	\$3,555,444	\$3,729,874	\$3,729,874	\$3,729,874
244	Sealer of Weights & Measures				
	Personal Services	\$3,320	\$3,420	\$3,420	
	Expenses	\$1,300	\$1,300	\$1,300	
	Total	\$4,620	\$4,720	\$4,720	\$4,720
292	Animal Control				
	Personal Services	\$34,118	\$35,141	\$35,141	
	Expenses	\$7,000	\$6,700	\$6,700	
	Total	\$41,118	\$41,841	\$41,841	\$41,841
Total Public Safety		\$7,359,365	\$7,674,460	\$7,674,460	\$7,674,460
<u>Education</u>					
300	Hopkinton Public Schools				
	Hopkinton Public Schools	\$53,966,911	\$55,522,404	\$55,522,404	
	Total	\$53,966,911	\$55,522,404	\$55,522,404	\$55,522,404
800	Regional Technical Vocational School				
	Regional Schools	\$597,379	\$565,876	\$565,876	
	Total	\$597,379	\$565,876	\$565,876	\$565,876
Total Education		\$54,564,290	\$56,088,280	\$56,088,280	\$56,088,280

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
<u>Public Works</u>					
410	Engineering & Facilities				
	Personal Services	\$322,198	\$350,384	\$350,384	
	Expenses	\$990,086	\$1,009,464	\$1,009,464	
	Total	\$1,312,284	\$1,359,848	\$1,359,848	\$1,359,848
420	Public Works Administration				
	Personal Services	\$485,335	\$544,832	\$544,832	
	Total	\$485,335	\$544,832	\$544,832	\$544,832
422	Highway				
	Personal Services	\$915,938	\$1,026,600	\$1,026,600	
	Expenses	\$618,900	\$669,200	\$669,200	
	Sidewalk Maintenance	\$50,000	\$50,000	\$50,000	
	Pavement Management	\$501,000	\$501,000	\$501,000	
	Stormwater System	\$370,000	\$370,000	\$370,000	
	Parks & Rec. Facility Support	\$105,000	\$105,000	\$105,000	
	Lake Maspenock Weed Control	\$60,000	\$60,000	\$60,000	
	Total	\$2,620,838	\$2,781,800	\$2,781,800	\$2,781,800
423	Snow & Ice				
	Snow & Ice Control	\$350,000	\$350,000	\$350,000	
	Total	\$350,000	\$350,000	\$350,000	\$350,000
424	Street Lighting				
	Street Lights	\$33,000	\$33,000	\$33,000	
	Total	\$33,000	\$33,000	\$33,000	\$33,000
426	Traffic Control				
	Traffic Lights	\$25,000	\$25,000	\$25,000	
	Total	\$25,000	\$25,000	\$25,000	\$25,000
427	Tree Warden				
	Personal Services	\$14,354	\$14,354	\$14,354	
	Expenses	\$250,000	\$250,000	\$250,000	
	Total	\$264,354	\$264,354	\$264,354	\$264,354

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
429	Other Storm Control				
	Storm Control	\$10,000	\$17,000	\$17,000	
	Total	\$10,000	\$17,000	\$17,000	\$17,000
433	Waste Collection & Disposal				
	Recycling Salaries	\$10,000	\$10,000	\$10,000	
	Rubbish Collection/Disposal	\$479,750	\$494,139	\$494,139	
	Rubbish Disposal	\$367,100	\$402,875	\$402,875	
	Recycling Expense	\$20,000	\$23,000	\$23,000	
	Recycling Collection/Disposal	\$225,760	\$232,536	\$232,536	
	Household Hazardous Waste	\$10,000	\$10,000	\$10,000	
	Total	\$1,112,610	\$1,172,550	\$1,172,550	\$1,172,550
491	Cemetery Commission				
	Personal Services	\$0			
	Expenses	\$1,200	\$1,200	\$1,200	
	Total	\$1,200	\$1,200	\$1,200	\$1,200
Total Public Works		\$6,214,621	\$6,549,584	\$6,549,584	\$6,549,584
<u>Health and Human Services</u>					
511	Health Services				
	Personal Services	\$281,654	\$304,926	\$304,926	
	Expenses	\$93,690	\$130,750	\$130,750	
	Total	\$375,344	\$435,676	\$435,676	\$435,676
541	Senior Center				
	Personal Services	\$426,804	\$436,180	\$436,180	
	Expenses	\$40,955	\$44,955	\$44,955	
	Total	\$467,759	\$481,135	\$481,135	\$481,135
542	Youth & Family Services				
	Personal Services	\$204,440	\$209,250	\$209,250	
	Expenses	\$68,670	\$77,725	\$77,725	
	Total	\$273,110	\$286,975	\$286,975	\$286,975

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
543	Veterans Services				
	Veterans District	\$47,349	\$47,349	\$47,349	
	Veterans Service Benefits	\$75,000	\$75,000	\$75,000	
	Veterans Supplies	\$1,300	\$1,300	\$1,300	
	Total	\$123,649	\$123,649	\$123,649	\$123,649
	Total Health & Human Services	\$1,239,862	\$1,327,435	\$1,327,435	\$1,327,435
	<u>Culture and Recreation</u>				
610	Library				
	Personal Services	\$584,839	\$784,391	\$784,391	
	Expenses	\$46,865	\$45,965	\$45,965	
	Total	\$631,704	\$830,356	\$830,356	\$830,356
620	Parks and Recreation				
	Personal Services	\$171,830	\$167,579.00	\$167,579.00	
	Expenses	\$18,000	\$22,500.00	\$22,500.00	
	Rec Facility Debt Service	\$0	0	0	
	Total	\$189,830	\$190,079	\$190,079	\$190,079
691	Historic Commission				
	Expenses	\$1,000	\$1,000	\$1,000	
	Total	\$1,000	\$1,000	\$1,000	\$1,000
692	Celebrations				
	Memorial Day	\$2,000	\$2,000	\$2,000	
	Total	\$2,000	\$2,000	\$2,000	\$2,000
692	Townwide Celebration - Hopkinton Day				
	Expenses	\$30,000	\$30,000	\$30,000	
	Total	\$30,000	\$30,000	\$30,000	\$30,000
695	Historic District Commission				
	Expenses	\$0	\$0	\$0	
	Total	\$0	\$0	\$0	\$0
	Total Culture & Recreation	\$854,534	\$1,053,435	\$1,053,435	\$1,053,435

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
<u>Debt Service</u>					
700	Debt Service				
	Retirement of Debt	\$5,001,080	\$4,820,122	\$4,820,122	
	Long Term Interest	\$2,531,319	\$2,253,386	\$2,253,386	
	Short Term Interest	\$0	\$121,479	\$121,479	
Total Debt Service		\$7,532,399	\$7,194,987	\$7,194,987	\$7,194,987
<u>Employee Benefits & Insurance</u>					
910	Employee Benefits & Insurance				
	Unemployment Insurance	\$120,822	\$130,488	\$130,488	
	Medicare Tax	\$796,643	\$860,374	\$860,374	
	Life Insurance Premiums	\$46,024	\$46,024	\$46,024	
	Health Insurance Premium	\$9,092,158	\$9,824,350	\$9,824,350	
	Middlesex County Retirement	\$2,910,419	\$3,142,328	\$3,142,328	
	Drug and Alcohol Testing	\$5,753	\$6,000	\$6,000	
	Blanket Insurance Premiums	\$780,632	\$843,083	\$843,083	
Total Employee Benefits & Insurance		\$13,752,451	\$14,852,647	\$14,852,647	\$14,852,647
Total General Fund		\$96,393,072	\$100,099,363	\$100,099,363	\$100,099,363
FUND 2400: COMMUNITY PRESERVATION					
193	CPA Administration				
	Personal Services	\$12,095	\$12,095	\$12,095	
	Expenses	\$60,210	\$70,210	\$70,210	
	Total	\$72,305	\$82,305	\$82,305	\$82,305
700	Debt Service				
	Retirement of Debt	\$250,000	\$120,000	\$120,000	
	Interest on Long Term Debt	\$51,619	\$40,419	\$40,419	
	Total	\$301,619	\$160,419	\$160,419	\$160,419
Total Community Preservation		\$373,924	\$242,724	\$242,724	\$242,724

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
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FUND 6000: SEWER ENTERPRISE					
Direct Costs					
440	Sewer				
	Personal Services	\$174,818	\$174,818	\$174,818	
	Expenses	\$913,862	\$916,162	\$916,162	
	Total	\$1,088,680	\$1,090,980	\$1,090,980	\$1,090,980
700	Debt Service				
	Retirement of Debt	\$862,940	\$872,431	\$872,431	
	Interest on Long Term Debt	\$147,789	\$128,889	\$128,889	
	Total	\$1,010,729	\$1,001,320	\$1,001,320	\$1,001,320
	Appropriation	\$2,099,409	\$2,092,300	\$2,092,300	\$2,092,300
Water Enterprise Indirect Costs					
	Employee Benefits & Pensions	\$309,724	\$324,382	\$324,382	
	Shared Employees				
	Indirect Cost Total	\$309,724	\$324,382	\$324,382	\$324,382
	Total Sewer Enterprise	\$2,409,133	\$2,416,682	\$2,416,682	\$2,416,682
FUND 6100: WATER ENTERPRISE					
Direct Costs					
450	Water				
	Personal Services	\$434,572	\$452,831	\$452,831	
	Expenses	\$860,546	\$884,046	\$884,046	
	Total	\$1,295,118	\$1,336,877	\$1,336,877	\$1,336,877
700	Debt Service				
	Retirement of Debt	\$639,641	\$530,585	\$530,585	
	Interest on Long Term Debt	\$260,689	\$194,803	\$194,803	
	Total	\$900,330	\$725,388	\$725,388	\$725,388
	Appropriation	\$2,195,448	\$2,062,265	\$2,062,265	\$2,062,265

		FY22 Enacted	FY23 Town Mgr. Recommend	FY23 Select Board	Appropriation Committee Recommendation
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	Indirect Costs				
	Employee Benefits & Pensions	\$388,872	\$432,973	\$432,973	
	Shared Employees				
	Total	\$388,872	\$432,973	\$432,973	\$432,973
	Total Water Enterprise	\$2,584,320	\$2,495,238	\$2,495,238	\$2,495,238

FUND 6300: PEG ACCESS						
Direct Costs						
630	PEG Access					
	Personal Services	\$253,000	\$0	\$0		
	Expenses	\$93,947	\$0	\$0		
	Capital Budget					
	Total	\$346,947	\$0	\$0	\$0	
Total PEG Access Enterprise Fund		\$346,947	\$0	\$0	\$0	
Appropriation Summary*						
Fund 1000: General Fund		\$96,393,072	\$100,099,363	\$100,099,363	\$100,099,363	
Fund 2400: Community Preservation		\$373,924	\$242,724	\$242,724	\$242,724	
Fund 6000: Sewer Enterprise		\$2,409,133	\$2,416,682	\$2,416,682	\$2,416,682	
Fund 6100: Water Enterprise		\$2,584,320	\$2,495,238	\$2,495,238	\$2,495,238	
Fund 6200: Parks & Recreation Enterprise		\$0	\$0	\$0	\$0	
Fund 6300: PEG Access Enterprise		\$346,947	\$0	\$0	\$0	
Total		\$102,107,396	\$105,254,007	\$105,254,007	\$105,254,007	
*Enterprise Funds Include Indirect Costs						

Appendices

Appendix A: Definitions of Budgetary Terms

Abatement

An abatement is a reduction in the amount of a committed tax. It is (1) a taxpayer remedy for over assessment or to claim exemptions and (2) an accounting mechanism to clear a municipality's books of uncollectible taxes.

Cherry Sheet

Named for the cherry-colored paper on which it was originally printed, the Cherry Sheet is the official notification from the Commissioner of Revenue of the upcoming fiscal year's state aid and assessments to cities, towns, and regional school districts.

The purpose of the Cherry Sheet is to ensure that local budgets reflect realistic estimates of the amount of revenue a municipality and regional school district will actually receive from the state during the upcoming year, as well as the amounts that will be assessed upon local governments to pay for a variety of state or sub-state programs in which they participate. The Tax Rate Recapitulation Sheet, filed by local assessors with the Division of Local Services to certify property tax rates, must reflect the receipts and charges contained on the Cherry Sheet.

Community Preservation Fund

The Community Preservation Act (CPA) allows for the creation of a Community Preservation Fund, which is a smart growth tool that helps communities preserve open space and historic sites, create affordable housing, and develop outdoor recreational facilities.

Debt Exclusion

Proposition 2 ½ allows communities to raise funds for certain purposes outside the levy limits. Subject to voter approval, a community can assess taxes in excess of its levy limit for the payment of specified debt service (principal and interest costs) for a specific capital project.

The additional amount for the payment of debt service is added to the levy limit for the life of the debt only. Unlike overrides, exclusions do not become part of the base upon which the levy limit is calculated in future years.

Enterprise Fund

An Enterprise Fund (as authorized under MGL Chapter 44 Section 53F½) is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any. With an Enterprise Fund, all cost of service delivery - direct, indirect, and capital costs – are identified. This allows the community to recover total service costs through user fees if it chooses. Hopkinton has three enterprise funds – Water, Sewer, and Parks & Recreation.

Free Cash

Free Cash is a budgetary term created by the Commonwealth of Massachusetts Department of Revenue to describe certain funds from previous fiscal years that are available for appropriations. Free Cash is generated when actual revenue collections are in excess of budget estimates, when expenditures are less than appropriations, or both. Free Cash must be certified by the state Department of Revenue as of July 1st of each fiscal year upon submission of a community's balance sheet and cannot be appropriated until certified. Once Free Cash is certified, it is available for appropriation at the Annual or any Special Town Meeting. Free Cash may be used for any lawful municipal purpose and provides communities with the flexibility to fund additional appropriations after the tax rate has been set. Factors that affect Free Cash are: actual revenues and expenditures versus amounts budgeted; the tax collection rate; the amount appropriated in the previous year, and deficits in the general and/or other funds.

General Override

A general override can be passed to obtain additional funds over the 2.5% levy limit for any municipal purpose. A general override permanently increases the Town's levy limit. An override question may be placed on the ballot by a majority vote of the Select Board and must be passed by a majority of voters.

Local Receipts

Local receipts are revenue generated at the local level from a variety of sources other than property taxes. Some of the most common local receipts are excise taxes; regulatory fees (fines, licenses, and permits); user fees (charges for water, sewer and garbage services); departmental revenues and investment income. Local receipts are paid into the community's general fund unless earmarked for a specific departmental use in compliance with state statute.

New Growth

Proposition 2 ½ allows a community to increase its levy limit annually by an amount based on the increased value of new development and other growth in the tax base that is **not** the result of revaluation. The purpose of this provision is to recognize that new development results in additional municipal costs; for instance, the construction of a new housing development may result in increased school enrollment, public safety costs, and so on. New growth under this provisions includes:

- New construction.
- Properties that have increased in assessed valuation since the prior year because of development or other changes.
- Exempt real property returned to the tax roll and new personal property.
- New subdivision parcels and condominium conversions.

New growth is calculated by multiplying the increase in the assessed valuation of qualifying property by the prior year's tax rate. This applies only to newly valued property, not any increase due to revaluation of existing properties. This amount is estimated for purposes of Town Meeting and is certified after the close of the fiscal year for purposes of determining the actual tax rate for the following year.

OPEB

Other post-employment benefits (OPEB) are the benefits, other than pension distributions, that employees may begin to receive from their employer once they retire. Other post-employment benefits can include life insurance, health insurance, and deferred compensation. These benefits are also referred to as "other post-retirement benefits."

Overlay

A budget overlay establishes a municipal cash reserve account. The purpose of the overlay is to provide a backup source of money that covers unexpected shortfalls in property tax revenue, including coverage for tax appeals that may be decided in favor of the taxpayer. The overlay account is a revenue offset account, so the money in this account can only be used to cover deficiencies in property tax collection and may not be allocated to other city projects.

Property Tax Levy

The property tax levy is the revenue a city or town raises through real and personal property taxes. In 1981, Massachusetts voters approved Proposition 2½, which caps a community's annual property tax levy. This cap is referred to as the levy limit, which increases annually by 2½

percent, plus allowable certified new growth. This limit cannot exceed an overall levy ceiling of 2½ percent of the full and fair cash value of taxable property in the community. A municipality can also permanently increase its levy limit through a successful override referendum. Municipalities can choose to temporarily levy above their levy limit through a successful debt or capital outlay expenditure exclusion referenda.

Proposition 2 ½

Proposition 2 ½, which passed as a statewide ballot initiative in November 1980, places a limit on the property tax growth a community can levy each year. The taxing capacity of the Town is limited to a 2.5 percent increase over the prior year's levy limit. In addition, the total levy may increase by taxes attributable to new growth. Therefore, without any overrides, the total levy limit is increased by 2.5 percent and a new growth amount certified by the Department of Revenue.

Proposition 2 ½ governs total taxes raised by the Town, not an individual home's bill. The Town's total revenues, the budgets, the tax rate, and the individual's property tax bill can all increase by different percentages in the same fiscal year and still be within Proposition 2 ½.

Revolving Fund

Revolving Funds allow a community to raise revenues from a specific service and use those revenues to support the service without appropriation. Each fund must be reauthorized each year at Annual Town Meeting and specify at that time (1) the programs and purposes for which the revolving fund may be expended, (2) the departmental receipts which shall be credited to the revolving fund, (3) the board, department or officer authorized to expend from such fund, (4) a limit on the total amount which may be expended from such fund in the ensuing fiscal year. The aggregate of all revolving funds may not exceed ten percent of the amount raised by taxation by the Town in the most recent fiscal year, and no more than one percent of the amount raised by taxation may be administered by a single department or board.

Stabilization Fund

A Stabilization Fund is a savings account or "Rainy Day" fund from which amounts may be appropriated for any lawful purpose. The Town may appropriate into this fund in any year an amount not to exceed ten percent of the prior year's tax levy or a larger amount as may be approved by the director of accounts. The aggregate amounts in such funds at any time shall not exceed ten percent of the equalized value, and any interest shall be added to and become part of the fund. A Two-thirds vote of Town Meeting is required to appropriate money from the Stabilization Fund.

State Aid

The state aid portion of local revenues is aid allocated by the state directly to cities and towns. This aid is distributed through the Cherry Sheet programs. Cherry Sheet aid is made up of distributions, reimbursements and offset items. Distributions provide funds to each municipality according to various formulas. Reimbursements provide funds to cities and towns for all or part of the costs incurred for certain programs or services. Offset items are amounts that constitute categorical aid, i.e., funds that must be spent for specific municipal programs.

Underride

An underride can be passed to permanently decrease the Town's levy limit. It does not necessarily decrease taxes paid by residents. An underride may be placed on the ballot by a majority vote of the Select Board and must be passed by a majority of voters.

Appendix B: Current Debt Payments and Forecast

Annual Debt Service - General Fund	FY23	FY24	FY25	FY26		Final Payment
Purpose	Total	Total	Total	Total	Thereafter	Fiscal Year
25-35 Main St*	\$50,156					FY51
ADA Compliance	\$5,300	\$6,075	\$5,825	\$5,575	\$10,425	FY28
ADA Compliance	\$16,125	\$16,450	\$15,750	\$15,050	\$14,350	FY27
Bucket Truck - DPW	\$22,250	\$21,250	\$15,375	\$0	\$0	FY25
Campus Master Plan	\$101,875	\$92,250	\$0	\$0	\$0	FY24
Center School Heating System	\$16,685	\$17,010	\$16,310	\$15,610	\$29,190	FY28
Center School Replacement Study	\$40,763	\$39,263	\$38,663	\$38,063	\$344,100	FY36
DPW Facility Building	\$948,775	\$921,525	\$895,925	\$870,325	\$11,929,856	FY36
Elementary School Building	\$1,875,829	\$1,906,987	\$1,848,888	\$1,790,788	\$20,890,597	FY47
Elmwood Modular Classrooms	\$145,300	\$140,550	\$135,800	\$131,050	\$1,478,550	FY40
Elmwood Sch Modular Classrooms	\$15,750	\$15,050	\$14,350	\$0	\$0	FY25
Elmwood School Renovations	\$99,988	\$98,088	\$96,069	\$0	\$0	FY25
Fire Station Renovations	\$22,050	\$21,150	\$20,250	\$19,350	\$18,450	FY27
Fire Station Roof	\$43,469	\$37,094	\$35,844	\$34,594	\$353,641	FY38
Hayden Rowe Salt Shed	\$51,250	\$0	\$0	\$0	\$0	FY23
Hayden Rowe Traffic Improv	\$96,688	\$93,188	\$89,688	\$86,188	\$538,956	FY24
High School Addition	\$254,950	\$247,700	\$240,450	\$233,200	\$4,357,450	FY50
High School Turf Field	\$167,640	\$161,640	\$155,640	\$149,640	\$1,045,740	FY34
Hopkins Modular Classrooms	\$215,100	\$208,100	\$201,100	\$194,100	\$2,235,600	FY40
HS & Hopkins Roof	\$80,700	\$77,700	\$76,500	\$75,300	\$651,919	FY36
HS Loop Road Entrance Impro	\$10,800	\$5,300	\$5,200	\$5,100	\$0	FY26
Ladder Truck*	\$153,275					FY36
Library Building	\$606,035	\$443,841	\$430,666	\$418,516	\$6,418,887	FY47
Main Street Corridor	\$82,250	\$79,250	\$71,375	\$68,625	\$480,650	FY35
Main Street Fire Station Roof	\$27,175	\$26,175	\$25,775	\$25,375	\$229,400	FY36
Middle School Auditorium	\$5,906	\$5,706	\$5,506	\$5,306	\$51,932	FY40
Middle School Repairs	\$11,025	\$10,575	\$10,125	\$9,675	\$9,225	FY27
Middle School Walls and Roof	\$34,095	\$31,770	\$31,445	\$30,095	\$56,330	FY28
Middle School Walls and Roof	\$61,050	\$59,625	\$59,125	\$53,650	\$103,225	FY28

Multi-Purpose Tractor - DPW	\$33,750	\$32,250	\$30,750	\$0	\$0	FY25
Municipal Prkng - 6 Walcott St	\$38,305	\$37,055	\$35,805	\$34,555	\$399,893	FY40
Police Station Construction	\$35,350	\$0	\$0	\$0	\$0	FY23
Police Station Construction	\$216,000	\$196,950	\$0	\$0	\$0	FY24
Police Station Roof Replcmt*	\$22,137					FY41
Prop Acq 102 Fruit Street	\$176,638	\$170,138	\$167,538	\$164,938	\$1,491,100	FY36
Prop Acq 135 Hayden Rowe	\$128,781	\$124,031	\$122,131	\$120,231	\$1,076,800	FY36
Prop Acq 147 Hayden Rowe	\$108,000	\$104,000	\$102,400	\$100,800	\$886,944	FY36
Prop Acq 15 Claflin	\$19,556	\$18,806	\$18,506	\$18,206	\$135,769	FY36
Public Safety Software	\$45,825	\$44,075	\$42,325	\$40,575	\$137,100	FY30
Sandy Beach Renovation	\$30,600	\$0	\$0	\$0	\$0	FY23
School Building & Grounds Renovations	\$30,425	\$29,075	\$28,700	\$0	\$0	FY25
School Bus Parking Lot	\$27,968	\$26,968	\$25,968	\$24,968	\$175,136	FY35
School HVAC*	\$45,991					FY41
School Improvements	\$8,767	\$10,467	\$11,092	\$10,692	\$108,366	FY40
School Roof*	\$278,365					FY41
School St/W. Main Trfc Signal	\$51,000	\$0	\$0	\$0	\$0	FY23
School Technology	\$24,550	\$18,675	\$17,925	\$17,175	\$47,250	FY29
Security Cameras - School	\$39,375	\$37,625	\$35,875	\$0	\$0	FY25
Senior Center Construction	\$89,350	\$85,550	\$82,725	\$77,900	\$0	FY26
Senior Center Construction	\$131,750	\$127,125	\$121,475	\$115,825	\$0	FY26
Senior Center Construction	\$5,050	\$0	\$0	\$0	\$0	FY23
Sidewalk Construction	\$137,063	\$131,313	\$129,013	\$126,713	\$473,813	FY30
Title V - Septic Program	\$9,458	\$0	\$0	\$0	\$0	FY23
Title V - Septic Program	\$10,000	\$10,000	\$10,000	\$10,000	\$0	FY26
Title V - Septic Program	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	FY26
Title V - Septic Program	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000	FY26
Title V - Septic Program	\$25,000	\$25,000	\$25,000	\$25,000	\$125,000	FY31
Town Hall Basement	\$11,100	\$10,600	\$10,400	\$10,200	\$0	FY26
Town Hall Roof Improvements	\$11,100	\$10,600	\$10,400	\$10,200	\$0	FY26
Total	\$7,073,508	\$6,053,612	\$5,589,669	\$5,203,150	\$56,365,642	