

Town of Hopkinton



Appropriation Committee Report with Recommendations
Annual Town Meeting
May 1, 2023
Approved: April 18, 2023

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Executive Summary

- The FY 2024 tax impact for all matters proposed would be 2.9% on existing property owners, with 2.3% for the Operating Budget and an additional 0.6% if all capital items are approved; bringing the tax bill for the “average” \$753,300 home from \$11,910 to \$12,255, +\$345.
- The five year capital look ahead at projects under consideration shows nearly \$300 million in ideas under consideration, mostly for Hopkinton Public Schools facilities. If the entire plan were approved and moderate departmental budget increases continue, property taxes would be likely to require an increase of 40% - 50% over five years.
- The proposal complies with recommendations in Town Financial Policy for funding long term liabilities and stabilization, but, due to a late budget adjustment, \$115,000 in recurring spending for the Hopkinton Public Schools will be taken from a one-time source, certified free cash.
- The balanced General Government Fund budget recommends sources and uses of funds for Fiscal Year (FY) 2024 are \$113.2 million, up 9% from FY 2023. Key changes are:
 - Hopkinton Public Schools funding increase, \$4.4 million.
 - Town and School Employee Benefits/Insurance increase, \$2.7 million.
 - All other departments combined increase, \$1.1 million.
 - Stabilization and Retiree Health Care reserve (OPEB) increase, \$1.1 million.
 - A 34% projected drop in new tax revenue from growth in the tax base. Growth has been high, driven by a decade of housing expansion and the renewal of taxable property at the Eversource Hopkinton Liquid Natural Gas facility. Leading indicators reflect a decline in this trend.
 - A \$2 million reduction in the overlay reserve for Eversource Energy tax appeals, as Eversource did not appeal its property taxes for the first time since 2013.
 - A \$1.4 million increase in net Local Aid from the Commonwealth.
 - A \$0.7 million increase in estimated motor vehicle excise tax and interest income revenue.
- The proposal recommends \$1.9 million in pay-as-you go capital projects for Public Works, Public Safety, Town Facilities, Hopkinton Public Schools, and Public Input Projects
- The proposal recommends consideration of \$3.6 million in capital projects for as debt to be excluded from the limits set by Proposition 2 ½, requiring both Town Meeting and subsequent voter approval; including sidewalks (Chestnut Street, EMC Park), Hopkinton Public School HVAC renewal work, and paving at the Fruit Street Athletic Fields and in Town Cemeteries. Funding of Phase 1 of a Hopkins School expansion, and for design work for a new Fire Station in Woodville are also included.

Budget 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 20-21), and the proposed General Fund capital expenditures (page 30) is recommended.

The Hopkinton Appropriation Committee (the Committee) has reviewed and recommends the proposed fiscal year (FY) 2024 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 \$113,199,508 for the period commencing July 1, 2023, as presented by the Town Manager and Select Board.

The overarching priorities reflected in this budget align with the sustainment of key services, enhancement of services in the Hopkinton Public Schools only, and preservation of the Town's stability as an economic enterprise. Key aspects of this budget proposal include:

- Funding Town services at FY 2023 service levels, with targeted additional service increases for the Hopkinton Public Schools
- Annualizing service delivery increases initiated in FY 2023 at the Hopkinton Public Library
- Meeting contractual and debt obligations
- Appropriate recapitalization of General Government Fund, Water Enterprise Fund, and Sewer Enterprise Fund capital equipment and facilities
- An addition to the Town's General Stabilization balance, to keep that reserve balance proportionate to the overall increase in Town budgets over the past several years
- An increase in contributions to the employee retirement health care fund (Other Post Employment Benefit – OPEB – Trust Fund) consistent with a rise in the projected liability identified by professional actuaries retained by the Town
- 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 2.9%, if all capital projects being considered are approved; a rise of about \$345 on the current \$11,910 tax bill for an average home valued at \$753,300. 2.3% of that rise is associated with General Fund Operating Budget within the existing tax levy base, and 0.6% of the rise would be effective if capital projects proposed as “excluded debt” under the provisions of the Proposition 2 ½ tax control law are approved by Town Meeting and subsequently by voters.

- Town Financial Policy recommends paying for all recurring costs with recurring sources of funding. In the proposal, \$115,000 added to the budget of the Hopkinton Public Schools will be funded with a one-time source of funds; namely, certified free cash remaining from prior year operations.

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 2025 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 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.

While estimates for the projects in the five year capital plan are still subject to very large cost changes, either up or down, and are also subject to complete abandonment; the scale of the borrowing under consideration is new and noteworthy in relation to both the Town Operating Budget and the Town's overall property valuation. In FY 2023, General Fund Debt (principal and interest due) is 78% of the Departmental Operating Budget (\$73M/\$94M) and 1.3% of the taxable value of all property in the Town (\$73M/\$5.505B). Using moderate assumptions, under the five year capital plan, General Fund Debt could rise to 260% of the projected Departmental Operating Budget (\$322M/\$124M) and 4.6% of the projected taxable value of all property in the Town (\$322M/\$7.026B) by 2028.

Debt at these new unprecedented levels is very likely to have a deleterious effect on the Town's bond rating, currently a Standard and Poors AAA, which allows for borrowing at the very lowest possible interest rates. The bond rating impact is likely to even further compound the cost of accumulating high levels of debt, through higher interest rates.

Taken together, the five year capital plan and moderate projected growth in departmental spending (Schools +5%, Benefits +8%, all others +3.5%), the FY 2028 outlook is for a 40% increase in property tax impact in five years. With more robust departmental spending growth (Schools +8%, Benefits +10%, Public Safety +7%, all other +3.5%) the FY 2028 outlook is for a 52% increase in tax impact in five years.

This report was developed as part of a budget process that was initiated when the Town Manager proposed specific FY 2024 budget guidance to the Select Board on September 29, 2022. 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.

For this budget cycle, the Town increased public engagement, holding additional budget listening sessions at the Hopkinton Senior Center, at the Hopkinton High School, in dedicated Select Board meetings, and in a session with the Chamber of Commerce at HCAM. A series of public meetings were held on budget

issues, variously between the Select Board, School Committee, and the Appropriation Committee; and a series of issue papers were developed and posted on the Town Website covering the long term tax impact outlook, the long term outlook for retiree health care costs, and on the cost saving benefits of complying with long term financial policies.

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, an economic recession, 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. While a substantial portion of revenues can be projected with good reliability, the Town of Hopkinton, like every enterprise, remains susceptible to cost (expense) spikes which are difficult to project. For example, spikes in the cost of construction materials, gasoline, and health care costs over the past several years were not predicted by the Town, or by most other organizations. A discussion of revenue stress testing is included on page 33 of this report.

Property tax receipts are expected to generate net revenue for the operating budget of \$91,443,143, with \$1,650,000 of that amount coming from new growth in the tax base mostly tied to ongoing new residential construction and the final phase of equipment renewal of the Eversource liquid natural gas facility. Tax revenue to support debt payments excluded from the proposition 2 ½ limits will rise by \$534,271, if capital projects proposed to be funded subject to voter approval are supported by Town Meeting and subsequent ballot questions, and considering long-lead time projects that were approved by Town Meeting and voters in prior years that will initiate or increase spending in FY 2024. In the proposed budget, net property taxes will account for 81% of Town operating revenue; the same percentage as in FY 2023. Based on current year assessments, 82% of property tax revenue is expected to come from residential property, 7% from industrial property, 4% from commercial property, and 7% from taxable business personal property; the same proportions as existed in FY 2023.

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 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 \$85,000 per year, which has been about one-tenth of 1% of property taxes levied; meaning that about 99.9% 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.

Only a single taxpayer has current tax appeal cases pending, the Town's largest taxpayer, Eversource Energy, who filed a series of property tax appeals from 2014 through 2022. In resolved cases from 2014, 2015, and 2016, the Commonwealth of Massachusetts Appellate Tax Board (ATB) sustained the Town's taxation of Eversource. A tranche of appeals remain pending ATB resolution for 2017 through 2022, totaling \$6.4 million. The portion of appeals for 2017 through 2019 may be resolved in the Summer of 2023; and those cases involve \$1.9 million in tax under appeal. The Town maintains a tax overlay account which is adequate to cover any tax appeals that may be lost by the Town. The FY 2024 budget prepares the tax overlay account for appeals that may be filed through February 1, 2024. The current balance in the tax overlay account \$7,162,943 and the budget proposes adding \$500,000 to the overlay account, providing an excellent level of coverage for existing appeals and for any appeals that may be filed in FY 2024, specifically covering the possibility that Eversource Energy will resume tax appeals in 2024.

As noted above, the operating budget is supported by an estimated \$1,650,000 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 45% of the new property tax revenue within the tax levy in the FY 2024 General Fund operating budget, excluding new taxes from new debt proposed for exclusion from the tax levy. This is the first time in several years that New Growth is projected to contribute less than half of the new property tax dollars, reflecting the effectiveness of decisions made in prior years to restrict dense residential development outside the Town center.

The budget shows local aid from the Commonwealth of \$11,490,752, up 13% from the amount budgeted for FY 2023; while payments to state-sponsored cooperative programs including public transportation, charter school tuition, and mosquito control of \$398,619 are down by 5.6% from charges actually levied in FY 2023. Local receipts, including motor vehicle excise taxes and interest income, are expected to be up 15.3%, primarily because interest income on Town funds on deposit has risen dramatically during the current period of high interest rates.

The proposed FY 2024 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 \$3,545,463 from the Town's certified Free Cash carried forward from previous years is being used to provide \$832,850 to the Other Post-Employment Benefits (OPEB) Liability Trust Fund, \$1,897,613 toward pay-as-you-go capital items, \$700,000 to increase the Town General Stabilization Fund, and \$115,000 to support Hopkinton Public Schools recurring needs.

Town financial policies indicate that the use of one-time funding like certified free cash 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), FY 2022 (\$692,348); and FY 2023 (\$919,849). The budget recommendation for FY 2024 includes the use of \$115,000 in one-time funding identified late in the budget process needed to support recurring costs at the Hopkinton Public Schools after a grant application

was unsuccessful. Overall, the recommendation is largely supportive of Town Financial Policy, except for the limited use of on-time funding to support recurring expenses.

The Town has been awarded federal funding of \$5.9 million under the American Rescue Plan Act of 2021, of which \$452 thousand was 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, \$4,454,720 million remains available as of April 4, after the decision to expend \$973,414 on increased water system PFAS filtration costs. These funds are available for use in FY 2023 and the first half of FY 2024.

As of March 31, 2023, the Town had the following stabilization balances: General Fund Operating Stabilization Fund \$3,934,942; General Fund Capital Stabilization Fund \$341,565; for a combined total of \$4,276,507. The School Stabilization Fund had a March 31, 2023 balance of \$2,232,837, which is proposed for use in FY 2024 Article 19 to support a Hopkins School expansion. Additionally, while this budget applies \$3,545,463 in certified free cash carried over from previous years for use in the operating budget, the Town estimates that an additional \$3,204,191 in certified free cash will remain available on July 1, 2023, available for future appropriation. As a non-recurring source of funds, it would be contrary to Town Financial Policy to use those resources on recurring expenses like hiring more staff, contractual wage increases, or ongoing contracted expenses.

The Committee specifically recommends the proposed \$700,000 contribution to the General Stabilization Fund as part of a multi-year effort to keep the Stabilization reserve proportionate to the overall budget.

General Fund Uses of Funds

The General Fund operating budget includes \$83,602,389 to fund the operation of Town and School Departments, \$1,094,024 for the Special Education Out of District Tuition Fund, \$17,570,377 for employee benefits and insurance, and \$7,417,184 to support the payment of principal and interest on general government debt. The budget contains a transfer of \$832,850 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; and a \$700,000 addition to the General Fund Stabilization Trust Fund.

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 \$7,417,184 for past and proposed capital projects funded from debt represents 7.3% 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 \$85,058,505. With total debt across all government funds of \$97,764,947, the Town is at 31% of its statutory debt limit of \$275,244,996. General Fund debt that has been authorized at previous Town Meetings but which has not yet been issued could add up to \$311,803 to principal and interest expense in FY 2024 and \$305,429 in FY 2025; and up to \$5,014,865 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, 2022, Hopkinton had a liability for future retiree health benefits that have already been earned, OPEB, of \$42,394,659, partially covered by a trust fund balance of \$4,601,095 as of 03/31/2023, which is a 11% funding level for the liability. That is the same 11.0% funding level as was reported at the May, 2022 Town Meeting; as the liability increased proportionate with the net effect of market returns and the contribution made in May, 2022. The funding level is steady in spite of a contribution because the most recent actuarial report increased the estimated cost of providing these benefits in the future, and because the long term investments in the OPEB trust fund experienced a cyclical slump in value. 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 \$832,850. Formerly the Town had a tentative plan to escalate the FY 2023 OPEB contribution of \$420,250 by 2.5% a year with a target of funding the liability by 2058. With a two year spike in the actuarial estimate of about 55%, the FY 2024 budget proposes a higher level of funding for this expense owed in the future by the Town to its employees to the \$832,850, again escalating from there by 2.5% each year. In summer, 2024, the Town's Actuary will update the estimate of the liability and the prospective full funding date based on this new, more aggressive funding strategy.

The Town of Hopkinton is a participant in the Middlesex County Retirement System with 188 retirees in the system (up from 185 last May) and 372 active enrolled participants (up from 354 last May). In FY 2024, the Town will contribute \$3,104,074 to the fund. Of that amount, \$1,051,483 will be for the retirement benefits that will be earned by employees in FY 2024 and \$2,052,591 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, is feeling the impact of a period of higher inflation in the economy. From 2016 - 2021, inflation was very low, averaging under 2.0% per year over that period. 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%, and as of February 2023 that measure has moderated somewhat to 6.0%. On the negative side, inflation puts wage pressure on the Town as an employer and has increased the cost of temporary borrowing the Town is involved in. Mitigating that somewhat, the Town typically has \$40 million or more in short term deposits, and those deposits have been earning as much as 4.7% in interest income.

Sustained inflation, if it should occur, would be very impactful in FY 2024 and beyond. Although no projects have been finalized or approved, the Town's five year capital plan shows needs of nearly \$300 million, largely to support the Hopkinton Public Schools. Taking on this level of debt would result in a significant tax burden under any economic conditions, but doing so in a sustained period of high inflation would be especially costly to the taxpayers.

Capital Proposals

The FY 2024 budget includes over a dozen pay-as-you-go capital projects which are proposed to be funded from available resources, for a total of \$1,897,613. 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. For the first time, the list includes some projects generated through a public participation process that invited citizens to recommend specific projects. Projects initiated from the community include funding for fitness stations along the Center Trail, funding for free CPR and first aid classes, electric vehicle charging stations, and a flashing traffic beacon at the corner of Grove St. and Pleasant St.

The budget proposal also recommends consideration of several projects totaling \$3,557,509 that would 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 Heating Ventilation and Air Handling System Renewal in the Hopkinton Public Schools (\$1,506,259), Chestnut Street Sidewalk (\$514,250), EMC Park Sidewalk (\$187,000), Architectural and Engineering work a Fire Station 2, Woodville, replacement (\$70,000), Expansion of the Hopkins School (\$800,000) with an additional \$2.2 million to come from the School Stabilization Fund, Paving Pratt Way leading to the Fruit Street Fields (\$260,000), and Paving roadways in Mt. Auburn and Evergreen Cemeteries (\$220,000).

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 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 36-37 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 \$2,076,133 for salaries, benefits, operating expenses, and indirect costs in fiscal year 2024. The proposed budget for the Water Enterprise also includes \$731,183 to pay principal and interest on previous capital purchases and on a super duty dump truck (\$285,000) several capital projects proposed in FY 2024, 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 contamination challenges with the groundwater wells that support water production, the Water Enterprise is on a path to develop a near-term 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 \$1,493,292 for salaries, benefits, operating expenses, and indirect costs for FY 2024. The proposed budget for the Sewer Enterprise also includes \$932,319 to pay principal and interest on previous capital purchase. There are no new sewer related capital projects proposed for FY 2024.

Water and Sewer Enterprise rates for FY 2024 will be set by the Select Board at a rate hearing in June, 2023. 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 39.7% in FY 2023.

At the start of FY 2023, \$7,779,663 was available for appropriation in the Community Preservation Fund, with \$1,919,687 allocated to projects not yet completed. During FY 2023 state funding was provided to the fund in the amount of \$514,397. The FY 2024 proposed budget calls for \$1,603,400 in spending on ten projects and \$317,316 on debt service and administrative costs. These actions will result in a balance available for appropriation in future years of \$8,255,916 if Town Meeting approves the projects proposed in this budget.

Conclusion

The Committee previously expressed concerns about sustaining the budget in the coming years. Forecasting by Town departments over fiscal years 2025 - 2027 shows anticipated deficits currently estimated to grow to about \$3.0 million per year by fiscal year 2027, arising from a drop off in new growth revenue and increases in departmental expenses. As noted, the Town benefited from several factors that allowed for funding of continued services and increased services in the Hopkinton Public Schools. Those developments included a pause by Eversource Energy in a consecutive nine year pattern in which all property tax bills were appealed, a higher than expected level of Local Aid from the

Commonwealth, and a higher than expected boost in new tax revenue from the refurbishment of the Eversource Energy liquid natural gas facility. The Town cannot depend on favorable outcomes on this scale in the future when planning for budgets.

The 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, which as discussed above, could see property tax rates rise by 40% to 50% within five years.

Added to a significant expected water rate increase for Water Utility customers in connection with costly plans to address PFAS contamination, Hopkinton taxpayers face a difficult road ahead. The Appropriation Committee believes that Town Meeting and voters will have an essential role in evaluating and setting priorities for service delivery and capital improvements in the 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, Hopkinton CFO (ex officio)



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

TO: Select Board

FROM: Norman Khumalo, Town Manager 

RE: Fiscal Year 2024 Budget Development

DATE: September 29, 2022

I recommend that you endorse the initial fiscal year (FY) 2024 budget guidance contained in this memorandum, which involves a tax impact of less than 2.5% before consideration of any excluded debt that might be proposed, at your September 29, 2022 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. The timeline for the budget process is contained in Enclosure (1).
2. Departmental budgets will be submitted to the Select Board, after Town Manager review. Consistent with the discussion of prospective sources and uses of funds in Enclosure (2), I request that the Select Board either direct that Departmental submissions be developed within the 2.7% spending increase cap that would allow for full compliance with Town Financial Policy under current revenue estimates; or direct that Departmental submissions be developed within the 5.1% spending increase cap discussed as a recommendation in Enclosure (2), with the understanding that the budget process would begin with a \$1.8 million funding shortfall. This alternative is discussed in detail in Enclosure (2). Irrespective of the Select Board's initial budget development direction, Departments should be aware that if revenue estimates are eventually lower than expected, if deviations from financial policy that allow for spending at the 5.1% level are not supported, or if centrally funded Departmental costs, such as Municipal-wide employee health care and benefits, are higher than projected, Departmental budget growth may be constrained below the 5.1% level, despite any initial direction.
3. The Chief Financial Officer will provide budget submission forms to each department and to relevant boards, committees, and commissions. These submission forms will include an area for identifying requests for new service starts or service level increases, each of which will require narrative connection to the Town's strategic goals, including goals to promote diversity, equity, inclusion, and belonging.
4. To support review of the current services and incremental request, all Departments are directed to adopt the summary format developed by the Hopkinton Public Schools in FY 2022 and used by all Departments in FY 2023, framing summary requests in the following format which will be included in the revised budget submission template:

- a. FY 2023 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 service expansions related to community growth
 - f. Plus, other service or programmatic enhancement costs related to strategic goals
 - g. Include relevant metrics to support budget requests
5. Specific instructions for Departments on FY 2024 procedures for operating budget submissions and capital requests will be forthcoming from the Hopkinton Chief Financial Officer.

To be clear, new spending considered in this process will be substantially funded from new growth in the tax base, and the tax impact of any eventual budget will be 2.5% or less.

As part of this year's budget process, I will be sharing information about a community budget survey and 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; other long standing issues; or small capital projects recommended by the community.

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 2024 budget.

Enclosure: (1) Proposed Timelines for 2023 Annual Town Meeting & FY 2024 Budget
(2) Fiscal Year 2024 Budget Initial Discussion Paper

Cc: Hopkinton School Committee
Hopkinton Appropriation Committee
Hopkinton Capital Improvement Committee



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

TO: Town of Hopkinton Select Board
 FROM: Norman Khumalo, Town Manager
 DATE: January 20, 2023
 RE: Fiscal Year (FY) 2024 Comprehensive Budget Transmittal

REF: (a) My memo; Fiscal Year 2024 Budget Development of September 29, 2022

As directed by the Select Board, this memorandum provides a timely budget transmittal for FY 2024. The materials, while not a complete solution to the challenge, are within the constraints of the Proposition 2 ½ limit on growth in the tax levy, comply with the Town's financial policies and consider funds available from projected new growth in the residential, commercial, and industrial tax base, local aid from the Commonwealth, and other anticipated revenue growth. The path towards a complete solution begins and ends with a conscientious adherence to the Town's revenue policies and a strong sensitivity to tax impact. Our revenue policies are the key to strengthening the Town's medium and long-term financial health.

In response to Reference (a), the Select Board directed that budget submissions should comply with a 5.1% spending increase cap, while noting that funds may not be available to support a 5.1% increase. While many of the Town's departments submitted budget requests within that guidance, several did not. The table below shows Department requests contained in this document that exceed the 5.1% increase threshold by more than \$10,000 (the material increases). These requests in excess of guidance merit the special attention of the Select Board and Appropriation Committee in their budget reviews:

Requests more than \$10,000 over a 5.1% Increase			
		Amt > +5.1%	Share of Excess
133	Accounting, Procurement, Grants	\$48,443	1.22%
155	Information Technology	\$29,347	0.74%
170	Land Use, Planning & Permitting	-\$30,405	-0.77%
210	Police	\$124,496	3.14%
214	Communications	\$12,864	0.32%
220	Fire	-\$10,605	-0.27%
300	Hopkinton Public Schools	\$1,527,910	38.52%
433	Waste Collection & Disposal	\$193,809	4.89%
511	Health Services	\$20,709	0.52%

542	Youth & Family Services	\$32,085	0.81%
610	Library	\$57,800	1.46%
910	Employee Benefits & Insurance	\$1,960,245	49.42%
		\$3,966,697	100.00%

If the Town were to fund spending at the levels requested in the enclosures to this memo, the budget would:

- Sustain municipal services, including educational services, at FY 2022 level
- Meet contractual obligation
- Sustain funding of a capital renewal level below the level requested by Departments in recognition of the massive bow wave of capital projects projected beyond FY24
- Sustain and improve free cash and general stabilization balances
- Provide for nearly 20 new full time equivalent positions in the Hopkinton Public Schools, enhance Public Safety command staff, cover expected health insurance costs increases across Town Departments, fund inflationary cost increases in waste collection, and execution of increases to community services in Health, Mental Health, and inclusion effectiveness at the Library that were partially implemented in FY 2023.

For the General Fund, this budget forecasts revenues of \$111,135,836, which is 7% above the budgeted revenue level for FY 2023, and which is detailed in Enclosure (1). This rise is attributable to several factors. Foremost, the tax levy is rising by \$3.7 million, with \$2.0 million tied to the statutory 2.5% increase in the tax levy and the remainder tied to new growth accrued in FY 2023 and expected in FY 2024, and new proposals for debt to be excluded from the tax levy. However, budgeted New Growth projections are down from \$2.5 million in FY 2023 to \$1.65 million in FY 2024, as actions taken by the Town to limit large-scale residential development outside the Town center are proving effective, with a corresponding projected negative impact on New Growth revenue.

The following additional estimate changes are incorporated into this transmittal:

- The contribution planned for the Overlay account to prepare for the adjudication of Eversource LLC tax appeals is down from \$2.5 million to \$1.5 million; considering the slow pace of adjudication of this mounting stack of appeals
- Local Receipts are budgeted up from \$5.15 million to \$5.65 million as management of Town deposits has benefitted from the jump in interest rates and interest earnings
- Based on a review of capital proposals, Pay-as-You-Go Capital spending is projected down from \$2.6 million to \$1.9 million

The operating budget displays expenditures of \$112,192,388, and includes amounts shown above as requests in excess of the 5.1% increase guidance. A summary of current-state projected Sources and Uses of Funds is provided as Enclosure (1). It reflects a working budget shortfall of \$1.1 million, considering both the over-target requests and the revenue estimate revisions detailed.

While this version of the budget still contains a shortfall, it is noteworthy that the budget adheres to other Financial Policy objectives, including:

- Nearly doubling the planned contribution to the Other (Health Care) Post Employment Benefits Fund in light of more pessimistic actuarial reports received this year
- Making an additional contribution of \$700,000 to the Town's General Stabilization Fund, to keep that fund close to the target 5% of operating spending, as the Town budget grows at a pace that is greater than our Proposition 2.5 tax levy increase
- Funding recurring expenditures (e.g., payroll, debt) with recurring resources, rather than with one-time resources

I foresee several paths for bringing this budget into balance during the Select Board and Appropriation Committee review phases of the process, including:

- Reducing the scale of some proposed budget increases
- Identifying additional items in operating budgets that can be funded in FY 2023 or FY 2024 from available revolving fund balances
- Continuing to negotiate the substantial (10%) increase in Employee Health Insurance that is projected
- Identifying items in the School and other Department operating budgets that can be appropriately removed and re-categorized as one-time expenditures to be funded with additional free cash

Some combination of these steps could help the Town achieve a balanced budget in FY 2024. However, the multi-year picture is less sanguine. With New Growth in the tax base projected to stabilize at around \$1.5 million as planning restrictions continues to limit residential development outside the Town center, it is difficult to see how the Town can continue to fund operating budget increases that are millions of dollars above the tax levy rise from the allowable 2.5% increase in the coming years. This topic has been the subject of much study and discussion by the Select Board and the Appropriation Committee, and I project that a budget that is unsolvable within the limits of Proposition 2 ½ may be a year or two away. I call your attention to Enclosure (2), a multi-year budget projection, as you consider this issue.

Tax impact is always a foremost concern, especially as we consider the challenges of seniors, young families, and others who are struggling to stay in our community. The tax impact from this budget transmittal is projected to be 2.32% on existing taxpayers for the operating budget, and an additional 0.48% if each of the five proposals that are recommended for consideration to be funded with borrowing to be excluded from the spending rules of Proposition 2 ½ receive Town Meeting and voter approval. Tax impact is shown in Enclosure (4). A line by line Appropriation Summary, including the \$2.86 million in over-target requests identified in the table above, is provided as Enclosure (4).

This transmittal includes an appropriately cautious recommendation on capital spending, shown in Enclosure (5). In the Pay-as-You-Go list, I recommend approval of equipment and vehicles that are immediately necessary to sustain services, and minimum infrastructure improvements that are necessary to mitigate Town liability. I am recommending that several requests be deferred to future years, in recognition of the bow wave of major capital improvements under review, principally for the Hopkinton Public Schools. The five year capital improvement plan is provided as Enclosure (6).

I am recommending that five bundles of requests move forward for individual consideration by Town Meeting and the voters to be funded with borrowing outside the tax levy limit provisions of Proposition 2

½. Clearly, with the operating budget challenges described above, there is little prospect for considering additional debt within the tax levy limit. With the prospect of hundreds of millions of dollars in additional debt requests in the coming years, Town meeting and individual voters must begin the difficult process of prioritizing among these many competing demands. My staff in Town Hall will work to provide high quality information to inform those decisions, but the ultimate decisions will lie with the Community.

Enclosure (5) also contains the work to date of the Community Preservation Committee for funds under its discretion; and includes a request for a replacement vehicle by the Water Enterprise. Proposed operating funding for the Water and Sewer Enterprises, and for Community Preservation Committee administration are detailed in enclosure (3.)

Conclusion:

As the budget review progresses, I will continue to monitor and report to the Board on the refinement of current estimates involving one-time and recurring sources of revenue, projected expense amounts, new growth estimates, snow and ice removal expenses, the status of the tax overlay account, and efforts to address the existing budget gap.


As in past years, I would like to remind senior citizens of the Town's Senior Citizen Tax Relief program. Program information is available from the Assessor's Office in Town Hall, by phone, or on the Town website.

Finally, I would like to thank Town Hall Staff, Department Heads, and Town Boards, Commissions, and Committees for their collaborative effort and continued support in bringing these materials to this point for consideration. The "One Town, One Solution" approach will continue to guide the ongoing dialogue involving Town residents for the further refinement of the budget leading up to the 2023 Annual Town Meeting.

- Enclosure:
- (1) Projected Sources and Uses of Funds, FY 2024
 - (2) General Fund Five Year Financial Forecasting Model
 - (3) Line by Line Appropriation Summary, FY 2024
 - (4) Projected Tax Impact, FY 2024
 - (5) Capital Improvement Summary, FY 2024
 - (6) Five Year Capital Improvement Preview, FY 2024 - 2028



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

TO: Town of Hopkinton Select Board
FROM: Norman Khumalo, Town Manager 
DATE: Mar 11, 2023
RE: Fiscal Year (FY) 2024 Comprehensive Budget Transmittal Update

REF: (a) My memo; Fiscal Year 2024 Comprehensive Budget Transmittal of January 20, 2023
(b) My memo; Fiscal Year 2024 Budget Development of September 29, 2022

As directed by the Select Board, this memorandum provides an update of reference (a) with a balanced budget proposal, developed with additional information which has become available. Most noteworthy:

- The Governor's proposed level of funding for local aid to and local service charges from Hopkinton has been released. The Town had originally projected a 5% increase in this amount. The Governor has proposed a much larger net increase, 14.5%, resulting in \$918,672 in additional funding for Town needs.
- As background, Eversource Energy appealed all of their property tax bills with the Town of Hopkinton between 2014 and 2022. All current appeals of property taxes before the Appellate Tax Board are from Eversource, currently totaling \$6.4 million. Reference (a) anticipated that the pattern of Eversource property tax appeals would continue, and included \$1.5 million to be applied as an additional contribution to the tax appeal overlay reserve account linked to appeals expected to be filed in February, 2024. In an unexpected departure, Eversource Energy did not file any property tax appeals before the February, 2023 filing opportunity closed. While this is a very favorable development, Eversource could resume its pattern of tax appeals in February, 2024. However, because of this development, an adjustment to the amount to be set aside as a deposit to the tax appeal overlay reserve account is recommended, based on the totality of circumstances involving Eversource as a taxpayer.
- Employee and retiree health care for School and other Town employees is a major expense for the Town; currently amounting to about 10% of all Town operating spending. In FY 2023, the Town budgeted \$9,824,350 for these costs. The current projection is that FY 2023 costs will be close to \$11 million, leading to a shortfall of about \$1.2 million this year that will need to be covered from other savings; and requiring a dramatic increase in the \$10.8 million allocated for this need in Reference (a). Factors driving this revision include the actual spending experience in the current year, a review of new benefit-eligible positions being recommended in the budget, and a review of the trend the Town has seen of current employees switching from spousal or other health care plans to the Town health care benefit.
- Many members of the Hopkinton Select Board expressed a clear intent to comply with Town Financial Management Policies in completing the FY 2024 Budget, including maintaining

stabilization reserve balances at recommended levels, contributing to the Other Post Employment Benefits (retiree health care cost) Trust Fund, and paying for all recurring expenses with recurring sources of revenue. Members of the Select Board also expressed concern about departmental funding requests that were substantially in excess of the 5.1% budget escalation guidance endorsed when Reference (b) was issued.

- There are no proposed budget cuts in this memo. All operating departments are recommended for operating budget increases; including a recommended \$4.3 million, 7.7% increase in funding for the Hopkinton Public Schools, in addition to \$1.1 million in support for a Special Education Reserve Fund, and separate from an additional substantial increase in benefits for School and Town employees. However, as is the case in each budget cycle, not every request forwarded for consideration has been recommended for approval.
- Since Reference (a) was issued, Town and School officials requested additional analysis work on the tax impact of the five year capital plan, Enclosure (6) of Reference (a). That work was completed and the results are noteworthy. While the recommendations in this memo, including recommendations for over-target increases for operating departments, can be implemented within an overall 2.9% tax impact on existing homeowners in FY 2024, it should be clearly understood that the cost of implementing the five-year capital plan combined with a continuation of over-target budgets for operating departments would be likely to result in homeowner tax rate increases in the range of 33% to 50% over the next five years. Restated, under a range of interest rate, growth, and operating department cost escalation scenarios combined with the current five year capital plan, the existing \$11,910 tax bill on Hopkinton's "typical" home valued at \$753,300, would rise to about \$16,000 under the most favorable assumptions with constrained departmental spending increases, to about \$18,000 under more pessimistic assumptions with departmental spending increases continuing along the lines shown in the FY 2024 budget. Additional cost escalation in capital project cost would further heighten the tax impact increases. It is procedurally possible for the Town to take the path toward dramatically higher average tax bills through targeted future-year overrides of proposition 2 ½ tax growth limits and by approving major capital projects as debt outside the limits of proposition 2 ½.

With that somewhat dour backdrop, I note that this balanced budget proposal accomplishes the following important objectives:

- Tax impact for FY 2024 remains unchanged at 2.32% for the Operating Budget, and 0.61% in the peak year if all proposed capital improvement items are approved
- Sustains municipal services, including educational services, at FY 2022 levels
- Meets contractual obligations
- Provides an additional \$4.3 million in funding to support the Hopkinton Public Schools, including a substantial number of new employees
- Provides for dramatic cost increases in employee health care for Town and School employees
- Makes capital improvement investments to sustain operations and to protect Town assets
- Meets all financial policies by improving the General Fund stabilization reserve balance and the Special Education Reserve Fund balance, by funding for the obligation to pay for employee retiree health care, and by paying for all recurring costs with recurring sources of revenue
- Reflects some moderate cost control over Departmental and School funding requests

To reflect changes in the budget situation, the following adjustments to the budget increase level are proposed:

Adjustments to Sources of Funds	S Change	
Increase in Net Local Aid, Governor's Budget Proposal	\$918,672	
Reduce Overlay Contribution for Eversource Appeals	\$1,000,000	
Apply Opioid Funding to Youth and Family Services	\$30,000	
	\$1,948,672	
Adjustments to Proposed Budget Increases	S Change	Revised Increase
Fund Land Use Expenses from Building Fees	-\$50,000	0.0%
Slow Police Vacancy Recruitment	-\$38,307	9.1%
Defer Communications Staffing Changes	-\$36,999	6.7%
Defer Fire Department Staffing Changes	-\$158,000	4.8%
Level Fund Highway Paving Program	-\$99,000	1.1%
School Increase Adjustment	-\$350,000	7.7%
Increase Benefits, Employee Health Insurance Funding	\$1,624,425	18.30%
	\$892,119	

I recommend that the Select Board transmit this package to the Appropriation Committee for consideration and review. We are still in the middle of the FY 2024 Budget Process; a process that has seen a higher level of public engagement, review, comment, and discussion than the Town has enjoyed in its long history. I expect that public debate and discussion to continue through Town Meeting.

I look forward to working with Town Hall and School Department Staff, Town Boards, Commissions, and Committees, and the public as this process continues with the deliberations of the Appropriation Committee. The “One Town, One Solution” approach will continue to guide the Town’s efforts and engagement.

- Enclosure:
- (1) Projected Sources and Uses of Funds, FY 2024, revised 3/11/23
 - (2) General Fund Five Year Financial Forecasting Model, revised 3/11/23
 - (3) Line by Line Appropriation Summary, FY 2024, revised 3/11/23
 - (4) Projected Tax Impact, FY 2024, revised 3/11/23
 - (5) Capital Improvement Summary, FY 2024, revised 3/11/23
 - (6) Five Year Capital Improvement Preview, FY 2024 - 2028, revised 3/11/23

General Fund Sources and Uses of Funds - Streamlined View

Town of Hopkinton; FY 2024 General Fund Sources and Uses				
Sources of Funds	FY23 Budgeted Sources of Funds	FY24 Estimated Sources of Funds	% Chg. FY22 - FY23	Tax Impact
Levy Base	\$78,088,438	\$83,567,525	7.0%	2.32%
New Growth	\$2,500,000	\$1,650,000	-34.0%	1.88%
Debt Exclusions	\$6,191,346	\$6,725,617	8.6%	0.61%
Less - Provision for tax abatements/exemptions	<u>-\$2,500,000</u>	<u>-\$500,000</u>	<u>-80.0%</u>	
Estimated Net Property Tax Revenue	\$84,279,784	\$91,443,143	8.5%	4.81%
Excess from Prior Fiscal Year (Cert. Free Cash)	\$3,348,753	\$3,545,463	5.9%	
State Aid	\$10,172,326	\$11,490,752	13.0%	
Less - Regional and State Program Charges	<u>-\$483,315</u>	<u>-\$398,619</u>	<u>-17.5%</u>	
Estimated Net State Aid	\$9,689,011	\$11,092,133	14.5%	
Excise Tax, Licenses, other Local Receipts	\$4,900,026	\$5,650,050	15.3%	
Cost Share from Enterprise Funds	\$757,355	\$780,076	3.0%	
Ambulance, misc. sources	\$845,584	\$688,643	-18.6%	
Total Sources of Funds:	\$103,820,513	\$113,199,508	9.0%	
Uses of Funds	FY23 Budgeted Uses of Funds	FY24 Estimated Uses of Funds	% Chg. FY22 - FY23	
Tax lien administration costs	\$50,000	\$50,000	0.0%	
State funded Library spending	\$28,736	\$35,070	22.0%	
Repayment of Debt Principal and Interest	\$7,194,987	\$7,417,184	3.1%	
General Government	\$5,358,535	\$5,410,449	1.0%	
Public Safety	\$7,674,460	\$8,191,856	6.7%	
Regional Technical Vocational School	\$565,876	\$565,876	0.0%	
Hopkinton Public Schools Education	\$55,522,404	\$59,937,752	8.0%	
Special Education Reserve Fund	\$1,094,024	\$1,094,024	0.0%	
Public Works	\$6,549,584	\$6,868,502	4.9%	

Health and Human Services	\$1,327,435	\$1,465,230	10.4%
Culture and Recreation	\$1,053,435	\$1,162,724	10.4%
Employee Benefits and Insurance	\$14,852,647	\$17,570,377	18.3%
<i>Sub-Total Departmental Operating Funding</i>	<i>\$93,998,400</i>	<i>\$102,266,790</i>	<i>8.8%</i>
Transfer to OPEB (post-retirement health care)	\$420,250	\$832,850	98.2%
Transfer to Stabilization	\$0	\$700,000	
Town Meeting Capital Articles, free cash	\$2,128,140	\$1,897,613	-10.8%
Total Uses of Funds:	\$103,820,513	\$113,199,507	9.0%

Projected revenues for FY 2024 are budgeted conservatively. Net property tax receipts are projected to increase to \$91,443,143, with \$1,650,000 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, \$2,038,232 from the tax increased allowed under Proposition 2-½, and a net increase in debt payments excluded from the proposition 2-½ limits of \$222,197, 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 \$1,403,122 or a substantial 14.5%, based on the latest information from the State budget process. Local receipts are expected to increase by 15.3%, showing recovery from the recessionary impacts of the COVID-19 Public Health Emergency and a spike in interest income from Town deposits tied to the current period of higher market interest rates.. 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, a contribution to the General Fund Stabilization account to keep its size proportionate to the growing budget, and provides \$115,000 to the Hopkinton Public Schools for 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 6.9% of General Fund spending in FY 2023 to 6.6% of General Fund spending in FY 2024. A long term review of debt service projections through 2050 is included in Appendix B, Current Debt Payments and Forecast.

The most significant other changes in spending for FY 2024 include a \$4,415,348 (8.0%) increase in Education spending for the Hopkinton Public Schools; and a dramatic \$2,606,860 (26.5%) increase in the cost of 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.

Town of Hopkinton; General Fund Five Year Financial Forecasting Model						
	FY23 Enacted	FY24 Plan	% Change	FY25 Forecast	FY26 Forecast	FY27 Forecast
Levy Base	\$76,183,842	\$81,529,293		\$85,217,525	\$88,915,463	\$92,627,475
Amended prior year growth						
2 1/2% increase	\$1,904,596	\$2,038,232	2.5%	\$2,130,438	\$2,222,887	\$2,315,687
New Growth	\$3,440,855	\$1,650,000		\$1,567,500	\$1,489,125	\$1,414,669
Overrides/(Underrides)				\$0	\$0	\$0
Debt Exclusions	\$6,191,346	\$6,725,617		\$6,347,047	\$6,022,814	\$5,658,361
Unused Levy						
Net Tax Levy	\$87,720,639	\$91,943,143		\$95,262,510	\$98,650,289	\$102,016,192
Cherry Sheet Receipts	\$10,172,326	\$11,490,752		\$12,065,290	\$12,668,554	\$13,301,982
MSBA Reimbursements	\$0	\$0		\$0	\$0	\$0
Local Receipts	\$4,863,262	\$5,650,050		\$5,876,052	\$6,111,094	\$6,355,538
Subtotal, Revenues	\$102,756,227	\$109,083,945		\$113,203,852	\$117,429,937	\$121,673,711
Add: Additional Sources						
Free Cash - operating	\$914,849			\$0	\$0	\$0
Free Cash - capital/other	\$2,433,904	\$3,545,463		\$2,861,671	\$2,888,213	\$2,915,418
Enterprise - Indirect Costs	\$757,355	\$780,076		\$799,578	\$819,567	\$840,057
Overlay Surplus	\$0					
General Stabilization Fund	\$0	\$0		\$0	\$0	\$0
School Stabilization Fund		\$0				
Other	\$845,584	\$688,643		\$591,377	\$588,956	\$560,000
Insurance Proceeds						
Unused Capital Balances		\$0		\$25,000	\$25,000	\$25,000
Subtotal	\$4,951,692	\$5,014,182		\$4,277,626	\$4,321,736	\$4,340,475
Less:						

Prov Abatements/Exemptions for	-\$3,404,091	-\$500,000			-\$500,000	-\$500,000	-\$500,000
Cherry sheet offsets	-\$28,736	-\$35,070			-\$28,335	-\$29,446	-\$30,600
Snow & Ice		\$0			\$0	\$0	\$0
Cherry Sheet charges	-\$483,315	-\$398,619			-\$418,550	-\$439,477	-\$461,451
Tax title	-\$50,000	-\$50,000			-\$50,000	-\$50,000	-\$50,000
Deficits & Judgements	-\$7,194,987	\$0			\$0	\$0	\$0
Debt Service		-\$7,417,184			-\$7,114,757	-\$6,692,805	-\$6,277,473
Parks Enterprise Subsidy	\$0	\$0			\$0	\$0	\$0
Other	\$0	\$0			\$0	\$0	\$0
Subtotal	-\$11,161,129	-\$8,400,873			-\$8,111,642	-\$7,711,728	-\$7,319,524
Net Sources avail. for Approp	\$96,546,790	\$105,697,253			\$109,369,836	\$114,039,945	\$118,694,662
Expenditures By Category:	FY23 Enacted	FY24 Plan	% Change		FY25 Forecast	FY26 Forecast	FY27 Forecast
General Government	\$5,358,535	\$5,410,449	1.0%		\$5,599,815	\$5,795,808	\$5,998,662
Municipal COVID-19 PPE	\$0	\$0	0.0%		\$0	\$0	\$0
Public Safety	\$7,674,460	\$8,191,856	6.7%		\$8,478,571	\$8,775,321	\$9,082,457
Education	\$56,088,280	\$60,503,628	7.9%		\$63,528,809	\$66,705,250	\$70,040,512
Special Education Reserve Fund	\$1,094,024	\$1,094,024	0.0%		\$1,115,904	\$1,138,223	\$1,160,987
Public Works	\$6,549,584	\$6,868,502	4.9%		\$7,108,900	\$7,357,711	\$7,615,231
Human Services	\$1,327,435	\$1,465,230	10.4%		\$1,516,513	\$1,569,591	\$1,624,527
Culture & Recreation	\$1,053,435	\$1,162,724	10.4%		\$1,203,419	\$1,245,539	\$1,289,133
Employee Benefits & Insurance	\$14,852,647	\$17,570,377	18.3%		\$18,976,007	\$20,494,088	\$22,133,615
Subtotal, Omnibus Budget	\$93,998,400	\$102,266,790			\$107,527,939	\$113,081,530	\$118,945,123
Articles - non-capital							
Articles - capital	\$2,128,140	\$1,897,613			\$1,800,000	\$1,800,000	\$1,800,000
Transfer to Stabilization Fund(s)	\$0	\$700,000			\$208,000	\$213,200	\$218,530
Transfer to OPEB Trust	\$420,250	\$832,850			\$853,671	\$875,013	\$896,888
Total Expenditures	\$96,546,790	\$105,697,253			\$110,389,610	\$115,969,743	\$121,860,542
Surplus (Shortfall)	\$0	\$0			-\$1,019,774	-\$1,929,798	-\$3,165,880

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:

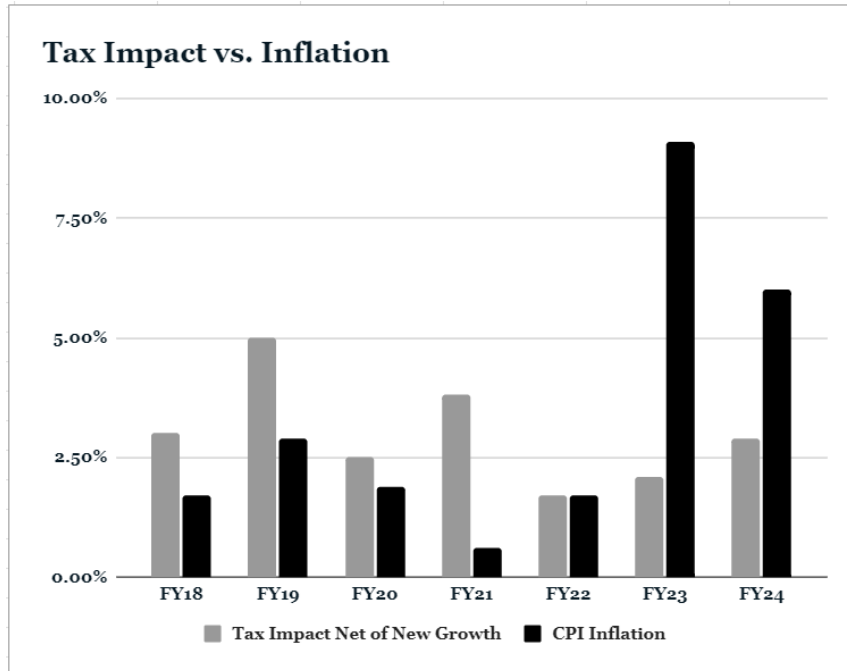
$$\frac{\text{Assessed value of individual property}}{\text{Assessed value of all property in Town}} * \text{Amount to be raised from property tax} = \text{Individual property tax}$$

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 2024 will be 2.93% if all proposed excluded debt is approved by voters; including an increase of 2.31% within the cap on tax increases imposed by State law under Proposition 2 ½, and 0.61% if all proposals under consideration for temporary borrowing authority are approved by Town Meeting and voters. Individual tax bills will change by more or less than 2.93% 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				
<u>Overall Tax Impact Summary:</u>	FY23	Tax Impact % Change from FY22	FY24	Maximum Tax Impact % Change from FY23
Prior Year Unused Levy	\$0	0.00%	\$0	0.00%
Statutory 2 1/2% Levy Increase	\$1,904,596	2.31%	\$2,038,232	2.32%
Override/(Underride)	\$0	0.00%	\$0	0.00%
Unused Levy	\$0	0.00%	\$0	0.00%
Net Change in Principal & Interest on Excluded Debt	-\$176,311	-0.21%	\$534,271	0.61%
Change in Tax Levy on Existing Tax Base	\$1,728,285	2.09%	\$2,572,504	2.93%
Additional Projected Tax Levy from New Growth	\$3,440,855	3.03%	\$1,650,000	1.88%
Total Increase in Tax Levy	\$5,169,140	5.12%	\$4,222,504	4.81%

Tax Impact vs. Inflation



Tax impact net of new growth is the average increase a Hopkinton property owner would see on an existing home or business for tax purposes. For example, a taxpayer with a \$10,000 property tax bill would experience a 2.5% tax impact if their property tax bill rose to \$10,250 in the subsequent year. Leading up to FY 2022, the Town, along with the broader economy, benefitted from a period of prolonged low inflation through FY 2022. Low inflation provided price stability that made budgeting more straightforward, as the cost of pending collective bargaining negotiations and other costs were 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%; down somewhat to 6.0% by February 2023.

Much of this post FY 2022 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 2024. The FY 2024 budget considers this spike in inflation, and specifically inflation in expected health care costs, which are budgeted to be up a very significant 26.5% in FY 2024. Sustained inflation, if it should occur, would require further noteworthy adjustments in FY 2025 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 adding supplemental funding to projects that have been impacted.

New Debt Proposed to be Excluded from Tax Levy Limits

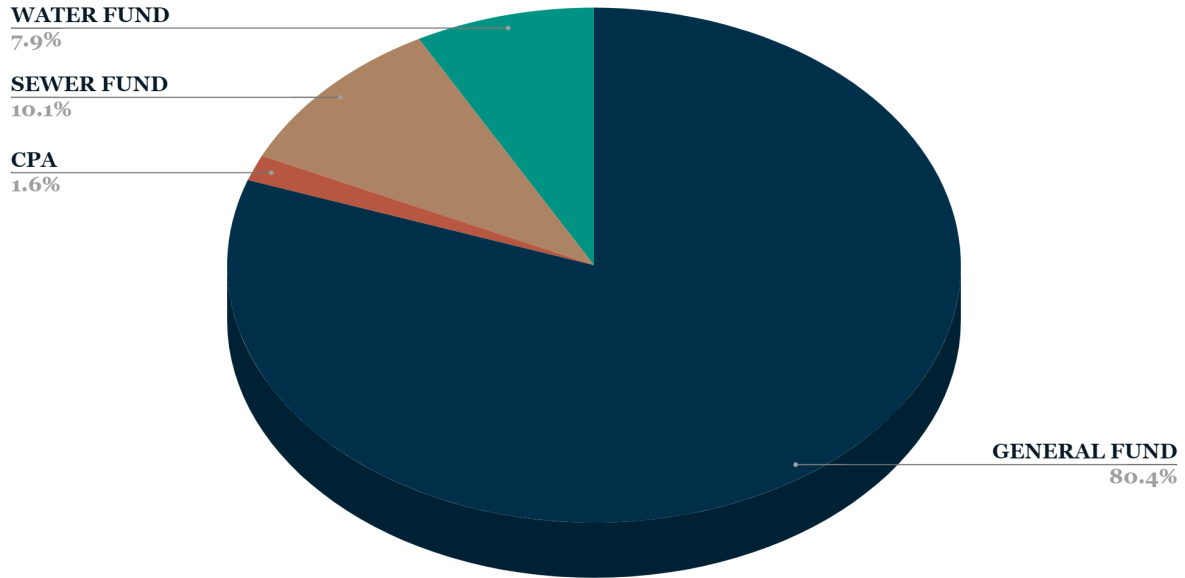
The FY 2024 budget proposal recommends that six projects totaling \$3,557,509 be funded by borrowing that would go to the voters for approval, if they are first approved by Town Meeting, raised temporarily to fund the purchases only until the projects are paid off.

General Fund - Borrowing Excluded from Tax Levy Limit				
Department	Project	Amount Requested	Appropriation Committee Recommends	Tax Impact
Land Use	Chestnut Street Sidewalk, Wild Rd - Smith Rd	\$514,250	\$514,250	
	<i>Estimated Peak Year Principal & Interest</i>	<i>\$42,760</i>	<i>\$42,760</i>	<i>0.05%</i>
Land Use	EMC Park - Blueberry Hill Sidewalk	\$187,000	\$187,000	
	<i>Estimated Peak Year Principal & Interest</i>	<i>\$15,549</i>	<i>\$15,549</i>	<i>0.02%</i>
Fire	Fire Station 2 Architectural/Engineering Design	\$70,000	\$70,000	
	<i>Estimated Peak Year Principal & Interest</i>	<i>\$16,142</i>	<i>\$16,142</i>	<i>0.02%</i>
Public Schools	Hopkinton Public School HVAC Renewal Work	\$1,506,259	\$1,506,259	
	<i>Estimated Peak Year Principal & Interest</i>	<i>\$125,245</i>	<i>\$125,245</i>	<i>0.14%</i>
Public Schools	Hopkins School Expansion, Phase 1*	\$800,000	\$800,000	
	<i>Estimated Peak Year Principal & Interest</i>	<i>\$184,480</i>	<i>\$184,480</i>	<i>0.21%</i>
Public Works	Roadway Paving; Pratt Way (Fruit Street Fields)	\$260,000	\$260,000	
	<i>Estimated Peak Year Principal & Interest</i>	<i>\$21,619</i>	<i>\$21,619</i>	<i>0.02%</i>
Public Works	Roadway Paving; Evergreen, Mt. Auburn Cemeteries	\$220,000	\$220,000	
	<i>Estimated Peak Year Principal & Interest</i>	<i>\$18,293</i>	<i>\$18,293</i>	<i>0.02%</i>
Borrowing Excluded from Tax Levy Limit:		\$3,557,509	\$3,557,509	
<i>Estimated Peak Year Principal & Interest</i>		<i>\$424,088</i>	<i>\$424,088</i>	<i>0.48%</i>

The table above shows peak 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 the peak year, is somewhat overstated compared to expected cost for the first year of borrowing on those projects.

Long Term Debt Service - General Fund & Other Funds

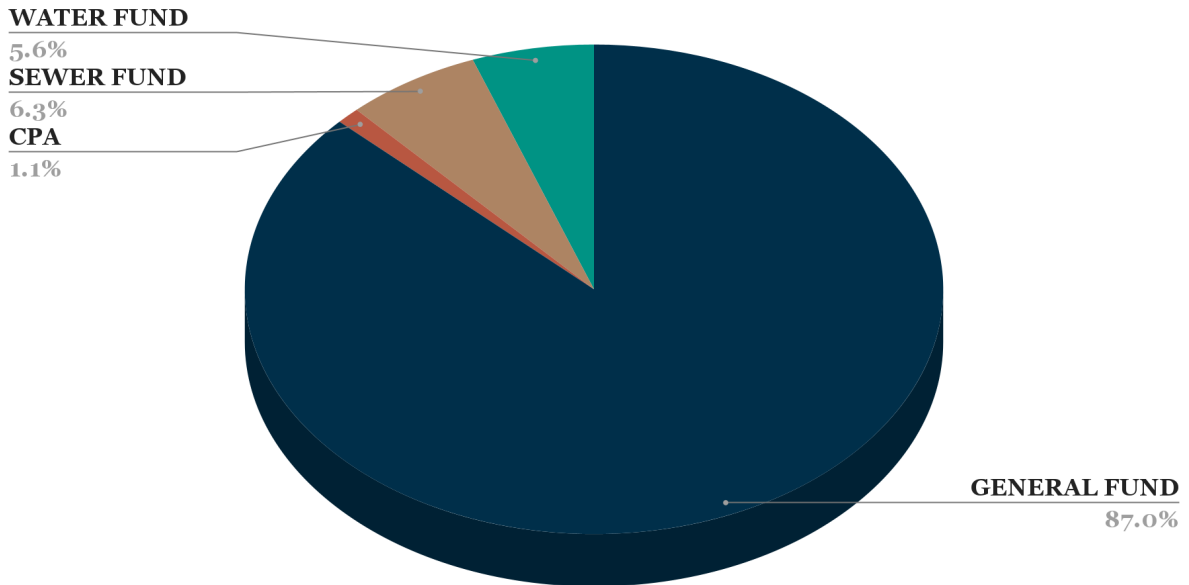
The following graph and table show the Town’s annual debt service principal and interest obligations, on a fund by fund basis. See Appendix B, Current Debt Payments and Forecast for a detailed breakout of the Debt Service by Fund for currently issued debt by project.



FUND	FY2024 DEBT PRINCIPAL & INTEREST PAYMENTS
GENERAL FUND	7,417,184
CPA	\$149,544
SEWER FUND	\$932,338
WATER FUND	\$731,183
TOTAL	9,230,248

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.



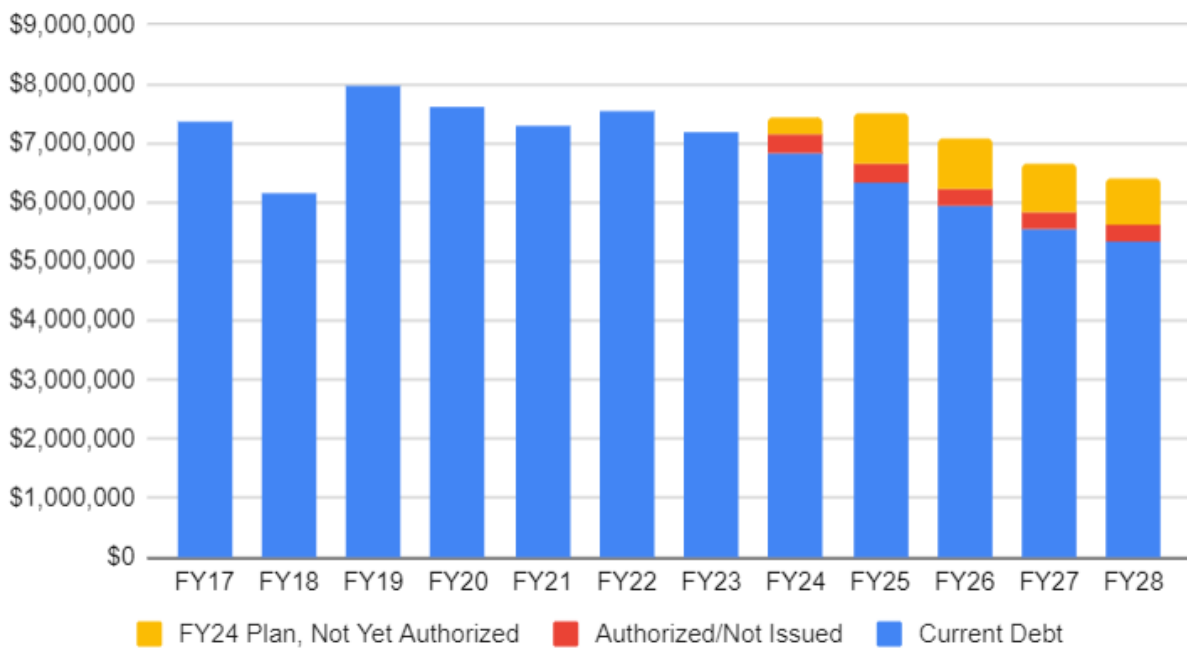
FUND	TOTAL LONG TERM DEBT & INTEREST OUTSTANDING
GENERAL FUND	\$85,058,505
CPA	\$1,074,250
SEWER FUND	\$6,113,693
WATER FUND	\$5,518,499
TOTAL	\$97,764,947

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 2024 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.

This representation does not reflect the five year capital plan beyond FY 2024. That plan contains a large number of proposed projects with significant tax impact. The effects of that plan can be seen on the next chart, on page 30 of this Report.

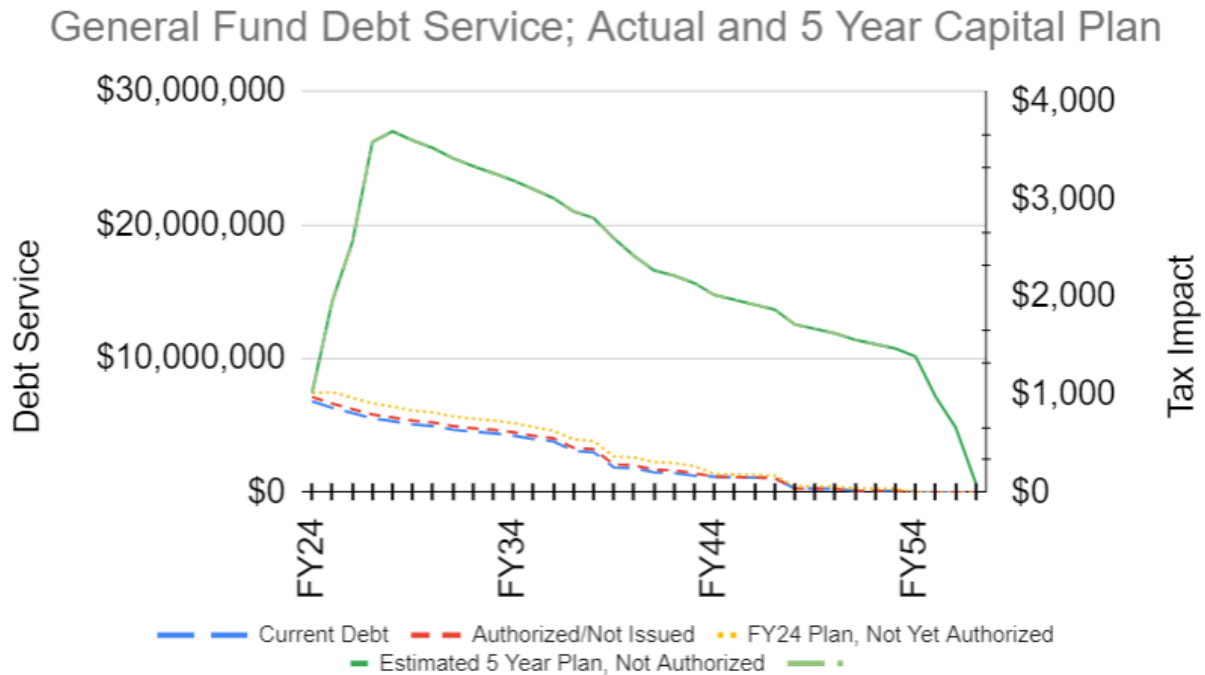
General Fund Current and Projected Debt Service, FY24 Plan



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

General Fund Debt:



The “5 Year Plan, Not Authorized” line above includes the unreviewed, unapproved, very tentative projections for future capital projects under consideration by Town Departments. The plan includes nearly \$300 million in projects under consideration, which contrasts very strongly with the \$73 million in General Fund Debt the Town currently has. About 92% of the projects under consideration would support the Hopkinton Public Schools. Tax Impact on the graph above would be the tax that would be paid for capital projects by a person owning an “average” Hopkinton single family residence valued at \$753,300.

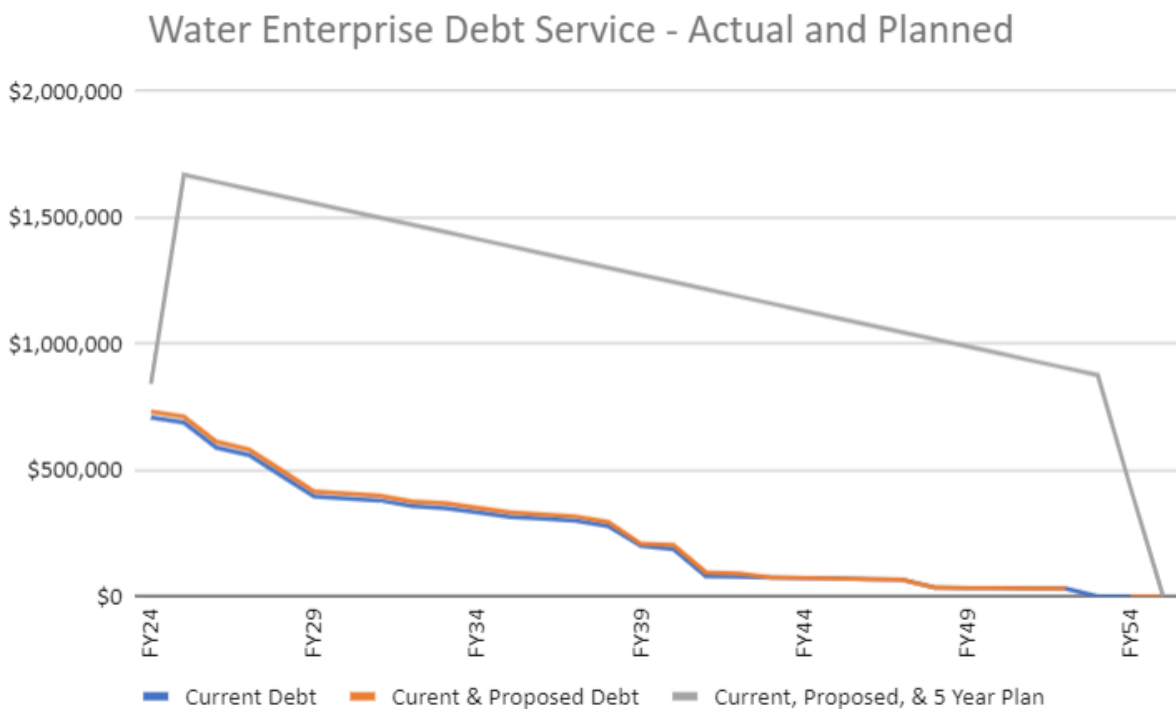
While estimates for the projects in the five year capital plan are still subject to very large cost changes, either up or down, and are also subject to complete abandonment; the scale of the borrowing under consideration is new and noteworthy in relation to both the Town Operating Budget and the Town’s overall property valuation. In FY 2023, General Fund Debt (principal and interest due) is 78% of the Departmental Operating Budget (\$73M/\$94M) and 1.3% of the taxable value of all property in the Town (\$73M/\$5.505B). Using moderate assumptions, under the five year capital plan, General Fund Debt could rise to 260% of the projected Departmental Operating Budget (\$322M/\$124M) and 4.6% of the projected taxable value of all property in the Town (\$322M/\$7.026B) by 2028.

Debt at these new unprecedented levels is very likely to have a deleterious effect on the Town’s bond rating, currently a Standard and Poors AAA, which allows for borrowing at the very lowest

possible interest rates. The bond rating impact is likely to even further compound the cost of accumulating high levels of debt, through higher interest rates.

Taken together, the five year capital plan and moderate projected growth in departmental spending (Schools +5%, Benefits +8%, all others +3.5%), the FY 2028 outlook is for a 40% increase in property tax impact in five years. With more robust departmental spending growth (Schools +8%, Benefits +10%, Public Safety +7%, all other +3.5%) the FY 2028 outlook is for a 52% increase in tax impact in five years.

Water Enterprise Fund:



The “Estimated 5 Year Plan” line above, includes the unreviewed, unapproved, tentative projections for future capital projects under consideration. Specifically, this line contains an estimated \$25 million for connection to the Massachusetts Water Resources Authority (MWRA) supply through the Town of Southborough. This alternate supply is under consideration for two reasons. First, some Town water production wells are contaminated with PFAS “forever chemicals”. Second, even if long-term PFAS filtration was initiated, the Town’s groundwater supply is insufficient for current and projected needs. The MWRA offers the prospect of clean, abundant water far into the future; albeit at considerable cost.

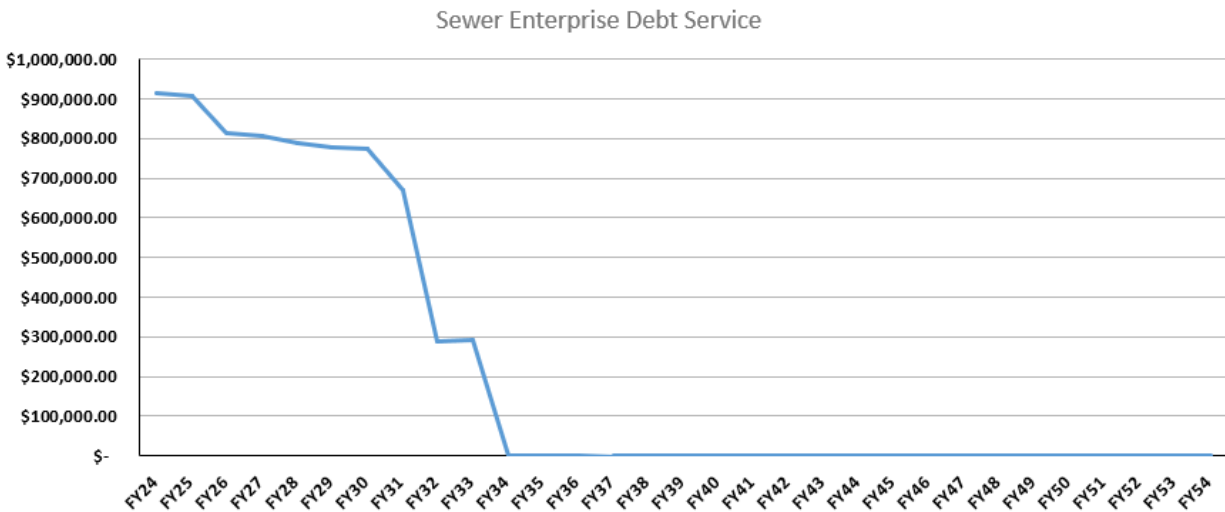
The Town of Southborough approved an article at its March 25, 2023 Annual Town Meeting which would allow such a connection. Pare Corporation is developing a scope of work to design

and manage permitting for that connection. The current \$25 million cost estimate is based on a preliminary evaluation report by Pare Corporation.

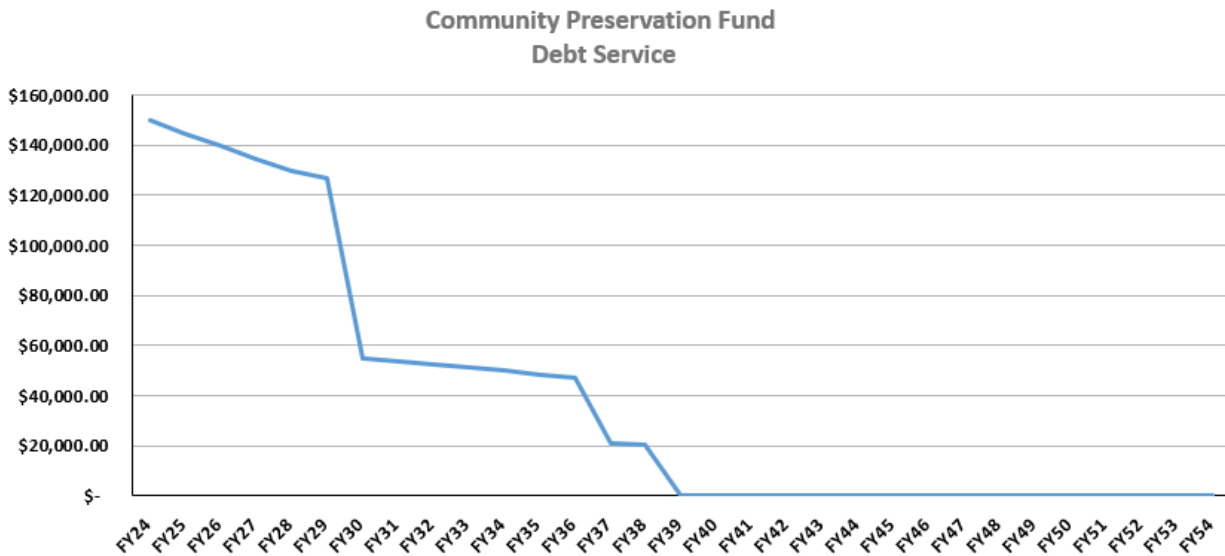
As an interim measure, Hopkinton’s May 2022 Annual Town Meeting Article 23 approved the use of \$600,000 in Water Enterprise Retained Earnings for construction of a temporary PFAS filtration system, pending connection to the MWRA. That project was subject to considerable cost escalation and on March 4, 2023, after a public hearing was held on the issue, the Town allocated \$973,414 in available federal American Rescue Plan Act funding to complete this public health initiative.

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; 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.

Sewer Enterprise Fund:



Community Preservation Fund:



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 and Business Equipment Property Taxes - 81% of revenue to support the proposed budget in FY 2024 will be derived from property taxes on residential, industrial, and commercial real estate. This dominant revenue source is extraordinarily secure. In FY 2022, 98.6% of property taxes were paid timely, and as of 03/31/2023, 99.6% of 2022 real estate taxes have been paid, with the rest put under lien. 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 - 10% of revenue to support the proposed budget in FY 2024 is expected from local aid provided by the Commonwealth. This revenue source has been quite consistent in most circumstances. During the pandemic, aid net of state charges from the Commonwealth rose significantly; and based on the Governor’s budget, it is projected to rise by a significant 14.5% in FY 2024. 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 2024 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. 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 calendar year 2022, 97.0% 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 2024 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 2024 budget includes funds that have already been certified, this source of funds rates a 10/10 for FY 2024. As long as the Town continues to budget cautiously, as the proposed FY 2024 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 3/31/23, the unrestricted General Fund Stabilization Trust Fund managed by the Town Treasurer contained \$3,934,942, which by itself is 3.5% of planned General Government Spending in FY 2024. Article 10 proposes to add \$700,000 to the General Fund Stabilization Trust Fund, and if approved the balance would be 3.9% of planned General Government Spending in FY 2024. A Capital Stabilization account of \$341,564 and unallocated Certified Free Cash 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. However, it is noteworthy that even with these levels of revenue stability, stabilization reserves, and the Town's other strengths as a financial enterprise, the addition of hundreds of millions in new debt to fund public projects would be likely to degrade the Town's credit rating, increasing the cost of borrowing.

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 2024 in Warrant Article 6. The table below provides a summary of revolving fund activity for FY 2022 and year to date activity in FY 2023 through March 31, 2023 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 7/1/21	FY22 Receipts	FY22 Expenses	Balance 6/30/22	FY23 Receipts to Date	FY23 Expenses to Date	Balance 3/31/23
Town	PLN BRD CONS 53G 0HRW	10,396	0	7,347	3,049	10,000	10,153	2,895
Town	PLN BRD CONS 53G 0SOUT	6,456	0	450	6,006	0	450	5,556
Town	PLN BRD CONS 53G 37EAS	21,350	9,950	13,170	18,130	6,400	5,475	19,055
Town	DETAIL ADMIN FEES	21,618	12,427	12,600	21,446	10,000	148	31,297
Town	BUILDING FEES 53E 1/2	1,547,692	149,547	111,441	1,585,798	62,490	89,763	1,558,525
Town	BOH CONSULTANTS 53G	18,082	0	0	18,082	0	0	18,082
Town	CONS COMM FEES 53E1/2	81,538	7,350	38,211	50,677	22,608	23,877	49,407
Town	PLN BRD CONS 53G CHEST	7,550	0	0	7,550	0	0	7,550
Town	FAC INS REIMB UNDER \$20K	20,249	0	0	20,249	0	0	20,249
Town	HIGHWAY CONSULTANTS 53G	12,280	0	0	12,280	0	0	12,280
Town	PLN BRD CONS 53G LFPNW	36,841	0	3,046	33,795	0	0	33,795
Town	PLN BRD FEES 53E1	6,607	3	0	6,610	0	0	6,610
Town	PLN BRD CONS 53G	215,113	24	0	215,136	219	0	215,356
Town	POLICE FEES 53E 1/2	13,361	0	0	13,361	0	0	13,361
Town	PLUMBING GAS FEES 53E1/2	232,143	79,120	718	310,545	57,620	37,733	330,432
Town	RECYCLING FEES 53E1/2	6,729	5,841	8,888	3,682	3,546	0	7,228
Town	RECREATION PROGRAMS	512,425	734,720	968,629	278,516	360,374	311,286	327,603
Town	SENIOR CENTER PROGRAMS	36,571	40,716	41,842	35,445	27,756	0	63,201
Town	SENIOR DISABLED REV FD	30,317	8,900	15,200	24,017	2,796	0	26,813
Town	SEL INS REIMB UNDER \$20K	11,567	0	0	11,567	0	0	11,567
Town	WCD TRASH BAG FEES 53E1/2	14,492	18,000	17,364	15,128	9,000	3,946	20,182
Town	WIRING FEES 53E1/2	222,768	114,451	75,052	262,167	111,373	51,896	321,644
Town	ZONING BOA FEES 53E1/2	10,240	7,200	542	16,898	8,000	974	23,924
Town	ZONING BOA CONSULTANT 5	16,960	0	0	16,960	0	0	16,960
Town	FRUIT STREET	334,199	217,760	137,088	414,870	41,727	45,272	411,325
School	ATHLETIC HS	587,613	340,449	210,684	717,378	244,885	407,133	555,130
School	BUILDING USE	383,130	182,469	91,706	473,893	150,378	300,463	323,808
School	BUS FEES	678,494	261,715	129,203	811,005	43,600	212,840	641,765
School	CIRCUIT BREAKER SPED	484,044	657,793	484,044	657,793	578,272	417,984	818,081
School	DRAMA HS	25,504	10,848	18,446	17,905	7,587	13,677	11,816
School	DRAMA MS	22,685		6,513	16,173	22,389	7,058	31,504

School	LOST BOOKS HS	6,384	1,435	0	7,819	25	735	7,110
School	LAPTOP INIT 53E1/2 HS	305,701	262,312	280,839	287,174	69,123	251,269	105,029
School	PARKING HS	187,344	64,400	746	250,998	9,750	26,114	234,634
School	TUITION INT STUD	718,731	230,644	104,588	844,786	143,862	233,586	755,063
School	TUITION PRE K	464,203	209,890	102,746	571,348	183,930	138,703	616,575
School	HIGH SCHOOL TURF FIELD	73,992	63,895	3,015	134,872	27,393	10,287	151,978

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, plans are underway to design and complete 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 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 \$2,076,133 for salaries, benefits, operating expenses, and indirect costs in FY 2024. The proposed budget for the Water Enterprise also includes \$731,183 to pay principal and interest on previous capital purchases and on the purchase of a truck proposed in Warrant Article 21.

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 \$1,502,292 for salaries, benefits, and operating expenses for FY 2024. The proposed budget for the Sewer Enterprise also includes \$932,319 to pay principal and interest on previous capital purchase. There are no new capital projects proposed for FY 2024.

Water and Sewer Enterprise rates for FY 2024 will be set at a rate hearing in June, 2023. 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 38.5% in FY 2023.

At the start of FY 2023, \$7,779,633 was available for appropriation in the CPF, with \$1,919,687 allocated to projects not yet completed. The FY 2024 proposed budget calls for \$1,603,400 in spending on ten projects. With \$1,805,003 in new collections and anticipated state matching funds, the CPF balance available for future appropriation will be \$8,255,916, 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 2024 budget recommendation.

	Opening Balance, 7/1/2022	FY23 Adjustments	Proposed FY24 Funding	Proposed ATM Spending (Including FY24 Requested Budget)	Ending Balance, After May 2023 Town Meeting Action
Open Space	\$1,331,065	\$46,338	\$212,131	-\$35,000	\$1,554,534
Historic Resources	\$802,028	\$357,894	\$212,131	-\$40,000	\$1,332,053
Community Housing	\$1,119,404	\$84,020	\$212,131	-\$350,000	\$1,065,555
Recreation	\$394,940	\$217,545	\$212,131	-\$178,400	\$646,216
Budgeted Reserve	\$1,051,890	-\$1,051,890	\$1,076,476		\$1,076,476
Undesignated	\$3,080,306	\$800,000		-\$1,233,430	\$2,646,876
Available for Appropriation	\$7,779,633	\$453,907	\$1,925,000	-\$1,836,830	\$8,321,710
Allocated to Projects	\$1,919,687	-\$361,514		\$1,603,400	\$3,161,573
Available & Allocated to Projects	\$9,699,320	\$92,393	\$1,925,000	-\$233,430	\$11,483,283

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, 2022 in the amount of \$42,394,659. As of March 31, 2022, Hopkinton's OPEB Liability Trust Fund had a reported balance of \$4,601,095 for a funding level of 11% of the liability, the same as the 11% reported at May, 2022 Town Meeting, as the liability increased proportionate with the net effect of market returns and the contribution made in May, 2022.

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, 2023:

Domestic Common Stock	46.77%
International Common Stock	22.50%
Alternative (e.g. Hedge)	2.82%
Fixed Income	26.96%
Cash Equivalents	0.94%

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.

Because the FY 2023 contribution to the Trust Fund of \$420,250, combined with market returns and the rise in the long term cost estimate, did not push the funding level above 11%, the FY 2024 budget proposed to the Town Meeting contains an increased level of contribution to the OPEB Fund; \$832,850. The current estimate is that this increased level of contribution, escalated by 2.5% per year, would result in full funding of the liability in the mid 2050's.

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 2024) to OPEB after the employee pension liability is fully funded in 2037;
- Increasing the annual contribution from a planned \$832,850 in FY 2024 and continuing to escalate that new, higher level of contribution by 2.5% per year;
- Continuing with a planned \$832,850 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, 2023, the Town had \$2,970,335 in trust fund assets invested in accordance with the statutorily defined Massachusetts “legal list” of authorized investments with the following portfolio weighting:

Common Stock:	34.12%
International Common Stock:	1.27%
Fixed Income:	57.36%
Cash and Equivalents:	7.25%

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. The May 2022 Annual Town Meeting Article 50 approved a request for a petition to the Legislature for special legislation 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. If enacted, this new law 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 the General Fund Stabilization Fund 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 \$5.48 million. As of March 31, 2023 the general Stabilization Trust Fund had a balance of \$3,934,942 and the amount of unallocated certified free cash projected for July 1, 2023 is \$3,204,191, for a combined total that meets the target called for in Town Financial Policy.

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 188 retirees in the system, and 372 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, 2021, shows that current and former employees have earned benefits with an estimated present value of \$87,264,322 while net assets in the plan to cover those future costs are \$63,170,716, with a total unfunded liability of \$24,093,606.

The current funding ratio for Hopkinton’s pension account is 72% of the computed liability, up from 65% reported in last year’s Appropriation Committee Report. 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 2018 - FY 2022), an average of 52 tax bills per year were appealed, or about seven-tenths of 1% 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 \$85,000 per year, which has been one-tenth of 1%; meaning that 99.9% of the (~\$73.3M) 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, 2023, Eversource Energy is actively appealing \$6.4 million in Hopkinton tax bills, with \$1.9 million of those appeals heading to adjudication in early Summer, 2023. Eversource Energy appeals all tax bills from 2014 to 2022. In a departure, Eversource Energy did not appeal any tax bills in 2023. The Town has been unable to obtain information about Eversource's plans for tax appeals in 2024 or beyond.

Summary of Key Fund Balances

Date	Fund Name	Balance
3/31/2023	General Fund Stabilization Trust Fund	\$3,934,942
3/31/2023	General Fund Capital Stabilization Trust Fund	\$341,564
3/31/2023	Other Post Employment Benefits Trust Fund	\$4,601,095
3/31/2023	School Department Stabilization Fund*	\$2,232,837
3/31/2023	Water Enterprise Retained Earnings	\$590,143
3/31/2023	Sewer Enterprise Retained Earnings	\$1,666,572
	* Planned for use in Town Meeting Article 19	

Function & Department Overview

General Government

General Government	FY 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
Personal Services	\$2,718,823	\$2,890,115	\$171,292	6.3%
Expenses	\$1,408,712	\$1,474,875	\$66,163	4.7%
Compensation Contingency	\$575,000	\$375,000	-\$200,000	-34.8%
Fire Protection/Hydrant Use	\$247,500	\$247,500	\$0	0.0%
Appropriation Reserve Fund	\$125,000	\$125,000	\$0	0.0%
Legal Counsel	<u>\$283,500</u>	<u>\$297,959</u>	<u>\$14,459</u>	<u>5.1%</u>
Total	\$5,358,535	\$5,410,449	\$51,914	1.0%

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

Public Safety				
	FY 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
Personal Services	\$7,097,319	\$7,606,915	\$509,596	7.2%
Expenses	\$574,141	\$584,941	\$10,800	1.9%
Auxiliary Police Expenses	<u>\$3,000</u>		<u>-\$3,000</u>	<u>-100.0%</u>
Total	\$7,674,460	\$8,191,856	\$517,396	6.7%

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, 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 2024 budget include negotiated collective bargaining agreement salary adjustments 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 2024 budget are oriented to sustainment of services. Key capital projects include the replacement of command vehicles, replacement of a breathing apparatus fill station of an aging front line fire engine, and a proposal to begin a project to update Fire Station #2 in Woodville.

Education

Education	FY 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
Hopkinton Public Schools	\$55,522,404	\$59,937,752	\$4,415,348	8.0%
Regional Technical School	\$565,876	\$565,876	\$0	0.0%
Special Education Reserve Fund	<u>\$1,094,024</u>	<u>\$1,094,024</u>	<u>\$0</u>	
Total	\$57,182,304	\$61,597,652	\$4,415,348	7.7%

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)	High School (123)	Middle School (87)
Hopkins (63)	Marathon (70)	Elmwood (64)
Preschool (17)	SPED System (4)	Buildings & Grounds (31)
Food Service (1)	ESOL System (9)	Technology (8)
Support Staff (24)		

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 4,234 students. The Hopkinton Public Schools are consistently ranked among the best public schools in Massachusetts and nationally. Rapid growth in student enrollment and the need for renewed and expanded facilities continue to be the most significant factors in managing Hopkinton’s high quality school system.

The Hopkinton Public Schools FY 2024 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 24 students in FY 2024, down from 25 in FY 2023.

Public Works

	FY 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
Personal Services	\$1,936,170	\$2,037,739	\$101,569	5.2%
Expenses	\$4,263,414	\$4,480,763	\$217,349	5.1%
Snow & Ice Control	<u>\$350,000</u>	<u>\$350,000</u>	<u>\$0</u>	<u>0.0%</u>
Total	\$6,549,584	\$6,868,502	\$318,918	4.9%

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 2024 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 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
Personal Services	\$950,356	\$1,092,771	\$142,415	15.0%
Expenses	\$253,430	\$242,117	-\$11,313	-4.5%
Veterans Services	<u>\$123,649</u>	<u>\$130,342</u>	<u>\$6,693</u>	<u>5.4%</u>
Total	\$1,327,435	\$1,465,230	\$137,795	10.4%

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 (4)
Veteran Services (0)

Senior Services (4)

Youth and Family Services (3)

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 750 to 850 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. Senior Services has partnered with the Hopkinton Public Library to create a Memory Cafe, to provide support for residents and caregivers of all ages living with dementia. In addition, Senior Services is working to have Hopkinton recognized as an Age and Dementia Friendly community.

Youth & Family Services: Hopkinton Youth & Family Services (HYFS) promotes and enhances family health and well-being, providing parent consultation, crisis intervention, referral, and short-term counseling for individuals, groups, and families. Youth & Family Services serves as staff support and collaborates with the Hopkinton Youth Commission. HYFS collaborates with many town departments and community organizations 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. HYFS hosts the youth substance misuse prevention coalition, Hopkinton Organizing for Prevention (HOP). The department receives grant funding to support many efforts and is in year two of the CDC funded Drug Free Communities (DFC) Grant Program, year two of the MassCALL3A grant from BSAS to build capacity for the HP coalition and year one of the SAMHSA funded Mental Health Awareness Training Grant (MHAT). Building a community crisis response team is among the department's current 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 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
Personal Services	\$951,970	\$1,061,759	\$109,789	11.5%
Expenses	\$69,465	\$68,965	-\$500	-0.7%
Celebrations	<u>\$32,000</u>	<u>\$32,000</u>	<u>\$0</u>	<u>0.0%</u>
Total	\$1,053,435	\$1,162,724	\$109,289	10.4%

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

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

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 \$35,070 in dedicated State Aid, approximately \$60,000 from the McGovern Trust, and approximately \$30,000 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

parcs, 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 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
<u>Debt Service</u>				
Retirement of Debt	\$4,820,122	\$5,192,029	\$371,907	7.7%
Long Term Interest	\$2,253,386	\$2,090,905	-\$162,481	-7.2%
Short Term Interest	<u>\$121,479</u>	<u>\$134,250</u>	<u>\$12,771</u>	<u>0.0%</u>
Total	\$7,194,987	\$7,417,184	\$222,197	3.1%
<u>Employee Benefits & Insurance</u>				
Unemployment Insurance	\$130,488	\$137,143	\$6,655	5.1%
Medicare Tax	\$860,374	\$904,253	\$43,879	5.1%
Life Insurance Premiums	\$46,024	\$60,000	\$13,976	30.4%
Health Insurance Premium	\$9,824,350	\$12,431,210	\$2,606,860	26.5%
Middlesex County Retirement	\$3,142,328	\$3,104,074	-\$38,254	-1.2%
Drug and Alcohol Testing	\$6,000	\$6,306	\$306	5.1%
Blanket Insurance Premiums	<u>\$843,083</u>	<u>\$927,391</u>	<u>\$84,308</u>	<u>10.0%</u>
Total	\$14,852,647	\$17,570,377	\$2,717,730	18.3%

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 health care increase of a very substantial 26.5%, includes a response to the FY 2023 funding level, which is developing toward a \$1.2 million dollar shortfall due to escalating costs, enrollment of new employees added in FY 2023, and the entry into the health plan by several longer serving employees. Additional funding is for a further projected cost escalation in FY 2024 in the 12% range, and benefit costs for new staff being added to the Hopkinton Public Schools.

Middlesex County Retirement contributions are decreasing somewhat in FY 2024, driven by a period of good performance of plan investments and updated actuarial assessments of future

retiree costs. The Town continues to make supplemental contributions to fully fund the pension liability. Notably, teachers are covered under a separate state funding mechanism, so this expense covers Schools support and administrative staff, but not instructional staff. .

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 10%, reflecting changes in the assets covered such as new buildings, loss experience, and growth in the Town workforce.

Community Preservation

	FY 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
<u>CPA Administration</u>				
Personal Services	\$12,095	\$13,676	\$1,581	13.1%
Expenses	<u>\$70,210</u>	<u>\$70,210</u>	<u>\$0</u>	<u>0.0%</u>
Total Administration	\$82,305	\$83,886	\$1,581	1.9%
<u>Debt Service</u>				
Retirement of Debt	<u>\$160,419</u>	<u>\$149,544</u>	<u>-\$10,875</u>	-6.8%
Total	\$242,724	\$233,430	-\$9,294	-3.8%

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 38.5% in FY 2023 and is estimated to be 39.7% in FY 2024.

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 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
Personal Services	\$174,818	\$185,629	\$10,811	6.2%
Expenses	\$916,162	<u>\$973,550</u>	<u>\$57,388</u>	<u>6.3%</u>
Total	\$1,090,980	\$1,159,179	\$68,199	6.3%
Retirement of Debt	<u>\$1,001,320</u>	<u>\$932,319</u>	<u>-\$69,001</u>	<u>-6.9%</u>
Total Appropriation	\$2,092,300	\$2,091,498	-\$802	0.0%
Employee Benefits & Pensions	<u>\$324,382</u>	<u>\$334,113</u>	<u>\$9,731</u>	<u>3.0%</u>
Expense Grand Total	\$2,416,682	\$2,425,611	\$8,929	0.4%
Enterprise Revenue	\$2,416,682	\$2,425,611	\$8,929	0.4%

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 2023 Appropriation	FY 2024 Request	FY23 - FY24 \$ Change	FY23 - FY24 % Change
Personal Services	\$452,831	\$484,571	\$31,740	7.0%
Expenses	<u>\$884,046</u>	<u>\$1,145,600</u>	<u>\$261,554</u>	<u>29.6%</u>
Total	\$1,336,877	\$1,630,171	\$293,294	21.9%
Retirement of Debt	<u>\$725,388</u>	<u>\$731,183</u>	<u>\$5,795</u>	<u>0.8%</u>
Total Appropriation	\$2,062,265	\$2,361,354	\$299,089	14.5%
Employee Benefits & Pensions	<u>\$432,973</u>	<u>\$445,962</u>	<u>\$12,989</u>	<u>3.0%</u>
Expense Grand Total	\$2,495,238	\$2,807,316	\$312,078	12.5%
Enterprise Revenue	\$2,495,238	\$2,807,316	\$312,078	12.5%

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 FY23, the Town initiated action to respond to a spike in PFAS (regulated chemical) levels in parts of the water supply. As a result of evolving PFAS contamination challenges with the groundwater wells that support water production, plans are underway to design and complete 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 connection costs may be supported by ARPA or other grant funding, substantial capital costs will be borne by the users of the Water system.

Temporary filtration is being undertaken.

Financial Articles: Background Information & Recommendations

ARTICLE: 2 FY 2023 Supplemental Appropriations and Transfers; Sponsor: Town Manager

\$421,462 to Snow and Ice Removal; Source - Certified Free Cash

Article 2 requests authorization to transfer \$421,462 in available Certified Free Cash remaining from prior year operations to the Fiscal Year 2023 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: 3 Unpaid Bills from Prior Fiscal Years; Sponsor: Town Manager

\$28,497.45 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 2023 could not be paid using a fiscal year 2024 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 outstanding costs. For example, the Town owes pension contributions to the Middlesex County Retirement System for an employee who spent time serving in the Massachusetts National Guard, and for whom timely pension contribution payments were not made. 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; Sponsor: Select Board

\$79,519.45, a 5% increase, to be funded within Article 5, the FY 2024 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 2024 Operating Budget; Sponsor: Town Manager

General Fund - \$108,589,950 - Details within this report and Warrant and Articles Motions
Community Preservation Fund - \$233,430
Sewer Enterprise Fund - \$2,091,498
Water Enterprise Fund - \$2,361,354

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

ARTICLE: 6 FY 2024 Revolving Funds Spending Limits; Sponsor: Town Manager

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 2024 are as follows:

- Building Department - \$500,000
- 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 - \$100,000
- Open Space Preservation Commission - \$10,000
- Youth and Family Services Department - \$4,000
- Zoning Board of Appeals - \$50,000
- Department of Public Works (Expenses of operation of the Highway Division.) - \$8,000
- Department of Public Works (Expenses of operation of Recycling Center) - \$15,000
- Department of Public Works (To purchase Overflow Trash bags and to meet expenses of Waste Collection and Disposal) - \$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 - \$12,500
- Parks and Recreation - \$130,000

Shared Housing Services - \$125,000

ARTICLE: 7 PEG Access and Cable Related Fund Revolving Account Funding;
Sponsor: Town Manager

\$221,000 Source - PEG Access and Cable Related Fund

The PEG Access and Cable Related Fund was created by Annual Town Meeting, May, 2022, Article 8 under Massachusetts General Laws Chapter 44, Section 53 F $\frac{3}{4}$ to support public, educational, or governmental access cable television services. This article would appropriate \$221,000 that accumulated in the Fund during FY 2023 for use by HCAM in providing community services in FY 2024.

ARTICLE: 8 Chapter 90 Highway Funds; Sponsor: Town Manager

\$638,003.18 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 2024 is \$638,003.18, 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 2024 in the General Fund, Department of Public Works. This spending supports the maintenance of the Town’s roadway infrastructure.

ARTICLE: 9 Transfer to Other Post-Employment Benefits Liability Trust Fund;
Sponsor: Town Manager

\$832,850; 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.

The Town's actuary computed that as of June 30, 2022, Hopkinton had a liability for future retiree health benefits that have already been earned, OPEB, of \$42,394,659, partially covered by a trust fund balance of \$4,601,095 as of 03/31/2023, which is a 11% funding level for the liability. This budget calls for an additional contribution to the OPEB Trust Fund of \$832,850. More detail can be found on page 40 of this Report.

ARTICLE: 10 Transfer to the General Stabilization Fund; Sponsor: Town Manager

\$700,000; Source - Certified Free Cash

As of March 31, 2023, the Town had the following General Fund Stabilization Trust Fund balance of \$3,934,942. This Article would add \$700,000 from Certified Free Cash to raise the Stabilization Trust Fund balance. Town Financial Policy recommends a combined balance of the Stabilization Trust Fund and unallocated Certified Free Cash of at least 5% of the operating budget. Shifting funds from Certified Free Cash to the General Fund Stabilization Trust Fund sets aside unallocated Certified Free Cash specifically for the purposes of an emergency reserve, which supports the Town's financial stability and resilience. This action supports sustainment of the Town's Standard and Poors AAA bond rating, which allows the Town to borrow funds for major projects at the lowest possible cost.

ARTICLE: 11 Transfer to the School Special Education Reserve Fund; Sponsor: Town Manager

\$1,094,024 Source - Property Tax Levy

This request provides for the second year of funding for a Special Education Reserve Fund to pay costs for Hopkinton students placed into educational programs outside the Hopkinton Public School District. The School 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. Such votes and related spending occurred in FY 2023.

ARTICLE: 12 Establish Capital Stabilization Account for South Middlesex Regional Vocational Technical School District; Sponsor: South Middlesex Regional Vocational Technical School District

This Article would authorize the creation of a new Capital Stabilization Fund under the control of the South Middlesex Regional Vocational Technical School (aka Keefe Regional Technical

School) District Committee as allowed by Massachusetts General Laws chapter 71, §16G½. The South Middlesex Regional Vocational Technical School District would be authorized to assess the Town up to 5% of operating costs as contribution to this fund each year. Based on Hopkinton’s FY 2024 budget for the Vocational Technical School of \$565,876, the assessment could be \$28,294.

ARTICLE: 13 PILOT Agreement, Wilson Street Solar Farm; Sponsor: Select Board

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 Wilson Street Solar Electric 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.

This Article would be an approval under Massachusetts General Laws Chapter 59, Section 5, Clause forty-fifth to approve a Payment in Lieu of Taxes (PILOT) Agreement, as negotiated by the Hopkinton Select Board, with GHTJA04 LLC, for a period of twenty-five (25) years, whereby the owner will pay the Town a sum of monies per year relative to a portion of land located at 17 Wilson Street, shown as Assessors’ Maps U12 1 A, U12 2 A, U11 30 0 and U11 26 B, and which is related to the proposed construction and operation of a Large-Scale Ground Mounted Solar Photovoltaic Installation with an expected nameplate capacity of approximately 1.8 megawatts.

This proposal would provide the Town with the same tax revenue as the Town would receive under normal taxation, but provides certain desirable benefits to the operator in the financing of the project.

CAPITAL EXPENSES AND PROJECTS

ARTICLE: 14 Pay-As-You-Go Capital Expenses; Sponsor: Town Manager

\$1,897,613 from Certified Free Cash

Capital Item	Amount	Rationale
Public Input Projects	\$100,000	Community enhancement projects initiated by members of the public in the participatory budget process: 1) Flashing Traffic Beacon for Crosswalk at the corner of Grove St. and Pleasant St.; 2) Installation of Electric Vehicle Charging Stations; 3) Fitness Station along Center Trail; 4) Free CPR and First Aid

		Classes; 5) Tree planting, stone wall work and turf work at the Hughes Farm Property at 192 Hayden Rowe
End User Computer Hardware Renewal	\$92,851	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
Security Camera Upgrades, HPD, Town Hall	\$54,350	Police Department camera replacement (4) and upgrades, expansion of Town Hall cameras
Network Switches & Wifi Upgrade	\$38,170	Replace/upgrade 36 wireless access points at all Town facilities, including the Library to WiFi 6E standard
3 Marked Police Patrol Cruisers	\$205,000	Cyclical replacement of patrol cruisers, shifting to more efficient hybrid models at transition
Vehicle Replacement - 2011 Chevrolet Tahoe	\$70,000	Replacement of a fire prevention, daily response vehicle at service life end
Vehicle Replacement - Shift Cmdr. F-250 w/ Plow	\$90,000	Replacement of LT Daily Response Vehicle, tows incident response trailer, rescue boat
Breathing Air Fill Station	\$89,242	Replacement of 25 years old air compressor system for filling rescue self contained breathing apparatus
Systemwide Wireless Technology Upgrade	\$75,000	Public Schools Wireless Access System upgrade
Emc Park Drainage Remediation	\$225,000	
Drainage Improvement - Wood St	\$348,000	Reengineering of Town stormwater catch basin currently discharging water onto private property; action required to mitigate liability
Drainage Improvement - Downey Place	\$75,000	Public street lacks stormwater drainage and discharges onto private property; action required to mitigate liability
Replace Caterpillar 928 Loader (L-9)	\$240,000	Replaces a 2005 loader with 4,500 operating hours and a \$79K repair history
Replace Caterpillar 420 Backhoe (S-21)	\$195,000	Replaces a 2005 backhoe with 6,584 operating hours and a \$27K repair history
Total (General Fund):	\$1,897,613	

ARTICLE: 15 Chestnut Street Sidewalk; Sponsor: Planning Board

\$514,250; Source - General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½

To support the design, engineering, permitting, and construction of a new sidewalk on Chestnut St. from Wild Road to Smith Road.

ARTICLE: 16 Sidewalk from EMC Park to Blueberry Lane; Sponsor: Planning Board

\$187,000; Source - General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½

To support design, engineering, permitting, and construction of a new sidewalk between EMC Park and Fitch Avenue, connecting to Blueberry Lane.

ARTICLE: 17 Fire Station 2 Architectural and Engineering Design; Sponsor: Fire Chief and Town Manager

\$70,000; Source - General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½

To see if the Town will vote to raise and appropriate, transfer from available funds, borrow, appropriate from excess bond premiums, or otherwise provide a sum or sums of money for architectural and engineering design for Fire Station 2 (Woodville), including any and all costs, fees, and expenses related to the same; said sum to be spent under the direction of the Town Manager.

ARTICLE: 18 Hopkinton Public School HVAC Renewal Work; Sponsor: School Committee

\$1,506,259; Source - General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½

To support Hopkinton Public School heating, ventilation and air conditioning (HVAC) renewal work.

ARTICLE: 19 Hopkins School Addition; Sponsor: School Committee

\$3,000,000; Source - \$800,000 from General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½; \$2,200,000 from School Department Stabilization Fund

To support a Hopkins School Addition project, including any planning, design, engineering, construction.

ARTICLE: 20 Roadway Paving - Pratt Way and Cemeteries; Sponsor: Director of Public Works and Town Manager

\$480,000; Source - General Fund borrowing requiring citizen vote allowing principal and interest to be excluded from the taxation limits imposed by Proposition 2 ½

To support the reconstruction and paving of Pratt Way and the roadways within Evergreen and Mount Auburn Cemeteries.

ARTICLE: 21 Water Department Vehicle Replacement; Sponsor: Director of Public Works and Town Manager

\$285,000 Source - Water Enterprise Borrowing or Retained Earnings

To purchase a replacement of one super duty dump truck for the Water Enterprise.

ARTICLE: 22 School Curriculum, Equipment, and Services Contracts; Sponsor: School Committee

To see if the Town will vote to authorize the Superintendent of Schools, or a designee thereof, to enter into a contract or contracts for Digital Curriculum (educational programs, educational courses, educational curricula in any media including online textbooks, educational software, newspapers, serials, periodicals, audiovisual materials or software maintenance), Technology Equipment and property Lease, and School Bus Transportation, for a term or terms in excess of three years but not to exceed six years, including any extension or renewal thereof or option under an existing contract, upon such terms and conditions determined by the Superintendent or designee to be in the best interests of the Town; provided, however, that, prior to executing a contract for a term in excess of three years, the Superintendent or designee shall certify in writing to the School Committee that such longer term will enable the Town to secure more favorable terms, considering price, expected useful life and any other relevant factors, that would otherwise be available under a contract with a three-year term.

COMMUNITY PRESERVATION FUNDS

ARTICLE: 23 Community Preservation Funds; Sponsor: Community Preservation Committee

From FY 2024 estimated revenues for Open Space	\$212,131
From FY 2024 estimated revenues for Recreation Reserve	212,131
From FY 2024 estimated revenues for Historic Resources Reserve	212,131

From FY 2024 estimated revenues for Community Housing Reserve	212,131
From FY 2024 estimated revenues for Budgeted Reserve	1,076,476

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 38.5% in FY 2023 and is expected to be 39.7% in FY 2024.

Anticipated FY 2024 Community Preservation revenue is \$1,925,000. 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: 24 Community Preservation Recommendations; Sponsor: Community Preservation Committee

\$1,603,400; Source - Community Preservation Act Funds

To support Community Preservation Committee recommendations as authorized by Massachusetts General Laws chapter 184, and chapter 44B section12:

- A. \$40,000 from funds reserved for Historical Preservation for Restoration of Historical Records, not including digitization of the same.
- B. \$0 from funds reserved for Open Space/Undesignated Reserve for the land purchase of the Jenner Property, parcel R12 9 0. Located between Saddle Hill and Cedar Street.
- C. \$0 from funds reserved for Open Space Reserve for the land purchase of Connelly Land (R34 26 B and U26 7 0).
- D. \$30,000 from funds reserved from the Open Space Reserve for the Boundary Marking of 9 parcels. Funded from the Open Space Reserve with the following conditions: 1. That the grant expires on July 1, 2024 unless extended by the Community Preservation Committee. 2. Grant be spent under the direction of the Open Space Preservation Commission and the Community Preservation Committee.
- E. \$5,000 from funds reserved for Open Space Reserve for Trailhead Parking on Ash Street.

- F. \$0 from funds reserved for Open Space/Undesignated Reserve for the land purchase NSTAR Parcel R23 73 A (approximately 5.99 acres) and R23 73 B (approximately 1 acre).
- G. \$0 from funds reserved for Open Space/Undesignated Reserve for the land purchase NSTAR Parcel R23 100 0 (approximately 9.9 acres).
- H. \$5,000 from funds reserved for Recreation Funds for Trail Bridges and Boardwalks.
- I. \$60,000 from funds reserved for Recreation Funds for Additional Shade Structures and benches at the Dog Park.
- J. \$1,000,000 from funds reserved from Undesignated Reserve for the Design, Construction bid documents, construction, and parking for a Cricket Pitch and Little League baseball field at Pyne Field.
- K. \$25,000 from funds reserved for Recreation Funds for Additional Security Cameras at Sandy Beach and Fruit Street Athletic Fields.
- L. \$350,000 from funds reserved for Community Housing Reserve for the creation of ADA compliant seating areas, which will include shading structures, a covered bus shelter and walkways at the Housing Authority.
- M. \$40,000 from Recreation Reserve for Preliminary Engineering including wetlands assessment, topographical evaluation, and trail mapping of the town-owned portions and abutting properties of the Western Route Trail.
- N. \$48,400 from Recreation Reserve for Preliminary Engineering including wetlands assessment, topographical evaluation, and trail mapping of Segment One.
- O. \$0 from funds reserved for Open Space/Undesignated Reserve for the land purchase of the McDonough property, parcel R10 15 0.

Line Item Departmental Budgets

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
<u>FUND 1000: GENERAL FUND</u>					
<u>General Government</u>					
122	Select Board				
	Expenses	\$2,000	\$2,000	\$2,000	
	Total	\$2,000	\$2,000	\$2,000	\$2,000
123	Town Manager				
	Personal Services	\$479,237	\$503,678	\$503,678	
	Expenses	\$32,300	\$22,300	\$22,300	
	Total	\$511,537	\$525,978	\$525,978	\$525,978
131	Appropriation Committee				
	Expenses	\$0			
	Reserve Fund	\$125,000	\$125,000	\$125,000	
	Total	\$125,000	\$125,000	\$125,000	\$125,000
133	Accounting				
	Personal Services	\$223,366	\$276,078	\$276,078	
	Expenses	\$27,000	\$35,500	\$35,500	
	Total	\$250,366	\$311,578	\$311,578	\$311,578
135	Administration				
	Personal Services	\$648,498	\$686,680	\$686,680	
	Expenses	\$103,785	\$102,585	\$102,585	
	Appraisal Services	\$171,500	\$182,000	\$182,000	
	Total	\$923,783	\$971,265	\$971,265	\$971,265
151	Legal				
	Legal Counsel	\$283,500	\$297,959	\$297,959	
	Total	\$283,500	\$297,959	\$297,959	\$297,959

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
152	Human Resources				
	Personal Services	\$263,628	\$277,071	\$277,071	
	Compensation Contingency	\$575,000	\$375,000	\$375,000	
	Expenses	\$124,486	\$124,486	\$124,486	
	Total	\$963,114	\$776,557	\$776,557	\$776,557
155	Information Technology				
	Personal Services	\$349,353	\$411,122	\$411,122	
	Expenses	\$673,204	\$692,932	\$692,932	
	Total	\$1,022,557	\$1,104,054	\$1,104,054	\$1,104,054
161	Town Clerk				
	Personal Services	\$159,413	\$171,456	\$171,456	
	Expenses	\$10,030	\$13,070	\$13,070	
	Total	\$169,443	\$184,526	\$184,526	\$184,526
162	Election & Registration				
	Personal Services	\$25,496	\$19,565	\$19,565	
	Expenses	\$27,330	\$27,800	\$27,800	
	Total	\$52,826	\$47,365	\$47,365	\$47,365
170	Land Use, Planning & Permitting				
	Personal Services	\$569,832	\$544,465	\$544,465	
	Expenses	\$21,607	\$46,732	\$46,732	
	Total	\$591,439	\$591,197	\$591,197	\$591,197
177	Green Committee				
	Expenses	\$200	\$5,000	\$5,000	
	Total	\$200	\$5,000	\$5,000	\$5,000
173	Open Space Committee				
	Expenses	\$15,000	\$15,200	\$15,200	
	Total	\$15,000	\$15,200	\$15,200	\$15,200

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
187	Trail Committees				
	Upper Charles Tr. Comm. Expenses	\$54,000	\$54,000	\$54,000	
	Trails Coord. Mgt. Comm. Expense	\$25,000	\$30,000	\$30,000	
	Total	\$79,000	\$84,000	\$84,000	\$84,000
192	Town Hall				
	Expenses	\$8,270	\$8,270	\$8,270	
	Total	\$8,270	\$8,270	\$8,270	\$8,270
199	Other General Government				
	Public Relations	\$60,000	\$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	\$360,500	\$360,500	\$360,500	\$360,500
	Total General Government	\$5,358,535	\$5,410,449	\$5,410,449	\$5,410,449
	Public Safety				
210	Police				
	Personal Services	\$2,895,989	\$3,191,508	\$3,191,508	
	Expenses	\$199,506	\$189,506	\$189,506	
	Auxiliary Police Expenses	\$3,000			
	Total	\$3,098,495	\$3,381,014	\$3,381,014	\$3,381,014
214	Communications				
	Personal Services	\$742,595	\$796,235	\$796,235	
	Expenses	\$56,935	\$56,935	\$56,935	
	Total	\$799,530	\$853,170	\$853,170	\$853,170
220	Fire				
	Personal Services	\$3,420,174	\$3,578,993	\$3,578,993	
	Expenses	\$309,700	\$330,500	\$330,500	
	Total	\$3,729,874	\$3,909,493	\$3,909,493	\$3,909,493

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
244	Sealer of Weights & Measures				
	Personal Services	\$3,420	\$3,420	\$3,420	
	Expenses	\$1,300	\$1,300	\$1,300	
	Total	\$4,720	\$4,720	\$4,720	\$4,720
292	Animal Control				
	Personal Services	\$35,141	\$36,759	\$36,759	
	Expenses	\$6,700	\$6,700	\$6,700	
	Total	\$41,841	\$43,459	\$43,459	\$43,459
Total Public Safety		\$7,674,460	\$8,191,856	\$8,191,856	\$8,191,856
<u>Education</u>					
300	Hopkinton Public Schools				
	Hopkinton Public Schools	\$55,522,404	\$59,822,752	\$59,937,752	
	Total	\$55,522,404	\$59,822,752	\$59,937,752	\$59,937,752
800	Regional Technical Vocational School				
	Regional Schools	\$565,876	\$565,876	\$565,876	
	Total	\$565,876	\$565,876	\$565,876	\$565,876
Total Education		\$56,088,280	\$60,388,628	\$60,503,628	\$60,503,628
<u>Public Works</u>					
410	Engineering & Facilities				
	Personal Services	\$350,384	\$371,299	\$371,299	
	Expenses	\$1,009,464	\$1,011,484	\$1,011,484	
	Total	\$1,359,848	\$1,382,783	\$1,382,783	\$1,382,783
420	Public Works Administration				
	Personal Services	\$544,832	\$552,853	\$552,853	
	Total	\$544,832	\$552,853	\$552,853	\$552,853

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
422	Highway				
	Personal Services	\$1,026,600	\$1,099,233	\$1,099,233	
	Expenses	\$669,200	\$627,170	\$627,170	
	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	\$60,000	\$60,000	
	Lake Maspenock Weed Control	\$60,000	\$105,000	\$105,000	
	Total	\$2,781,800	\$2,812,403	\$2,812,403	\$2,812,403
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	\$27,500	\$27,500	
	Total	\$25,000	\$27,500	\$27,500	\$27,500
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
429	Other Storm Control				
	Storm Control	\$17,000	\$18,250	\$18,250	
	Total	\$17,000	\$18,250	\$18,250	\$18,250

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
433	Waste Collection & Disposal				
	Recycling Salaries	\$10,000	\$10,159	\$10,159	
	Rubbish Collection/Disposal	\$494,139	\$568,000	\$568,000	
	Rubbish Disposal	\$402,875	\$423,000	\$423,000	
	Recycling Expense	\$23,000	\$25,000	\$25,000	
	Recycling Collection/Disposal	\$232,536	\$390,000	\$390,000	
	Household Hazardous Waste	\$10,000	\$10,000	\$10,000	
	Total	\$1,172,550	\$1,426,159	\$1,426,159	\$1,426,159
491	Cemetery Commission				
	Personal Services				
	Expenses	\$1,200	\$1,200	\$1,200	
	Total	\$1,200	\$1,200	\$1,200	\$1,200
Total Public Works		\$6,549,584	\$6,868,502	\$6,868,502	\$6,868,502
Health and Human Services					
511	Health Services				
	Personal Services	\$304,926	\$390,194	\$390,194	
	Expenses	\$130,750	\$88,410	\$88,410	
	Total	\$435,676	\$478,604	\$478,604	\$478,604
541	Senior Center				
	Personal Services	\$436,180	\$475,663	\$475,663	
	Expenses	\$44,955	\$46,925	\$46,925	
	Total	\$481,135	\$522,588	\$522,588	\$522,588
542	Youth & Family Services				
	Personal Services	\$209,250	\$226,914	\$226,914	
	Expenses	\$77,725	\$106,782	\$106,782	
	Total	\$286,975	\$333,696	\$333,696	\$333,696

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
543	Veterans Services				
	Veterans District	\$47,349	\$53,842	\$53,842	
	Veterans Service Benefits	\$75,000	\$75,000	\$75,000	
	Veterans Supplies	\$1,300	\$1,500	\$1,500	
	Total	\$123,649	\$130,342	\$130,342	\$130,342
	Total Health & Human Services	\$1,327,435	\$1,465,230	\$1,465,230	\$1,465,230
	<u>Culture and Recreation</u>				
610	Library				
	Personal Services	\$784,391	\$884,539	\$884,539	
	Expenses	\$45,965	\$45,965	\$45,965	
	Total	\$830,356	\$930,504	\$930,504	\$930,504
620	Parks and Recreation				
	Personal Services	\$167,579	\$177,220	\$177,220	
	Expenses	\$22,500	\$22,000	\$22,000	
	Rec Facility Debt Service	0	0	0	
	Total	\$190,079	\$199,220	\$199,220	\$199,220
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	\$1,053,435	\$1,162,724	\$1,162,724	\$1,162,724

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
<u>Debt Service</u>					
700	Debt Service				
	Retirement of Debt	\$4,820,122	\$5,192,029	\$5,192,029	
	Long Term Interest	\$2,253,386	\$2,090,905	\$2,090,905	
	Short Term Interest	\$121,479	\$134,250	\$134,250	
	Total Debt Service	\$7,194,987	\$7,417,184	\$7,417,184	\$7,417,184
<u>Employee Benefits & Insurance</u>					
910	Employee Benefits & Insurance				
	Unemployment Insurance	\$130,488	\$137,143	\$137,143	
	Medicare Tax	\$860,374	\$904,253	\$904,253	
	Life Insurance Premiums	\$46,024	\$60,000	\$60,000	
	Health Insurance Premium	\$9,824,350	\$12,431,210	\$12,431,210	
	Middlesex County Retirement	\$3,142,328	\$3,104,074	\$3,104,074	
	Drug and Alcohol Testing	\$6,000	\$6,306	\$6,306	
	Blanket Insurance Premiums	\$843,083	\$927,391	\$927,391	
	Total Employee Benefits & Insurance	\$14,852,647	\$17,570,377	\$17,570,377	\$17,570,377
	Total General Fund	\$100,099,363	\$108,474,950	\$108,589,950	\$108,589,950
FUND 2400: COMMUNITY PRESERVATION					
193	CPA Administration				
	Personal Services	\$12,095	\$13,676	\$13,676	
	Expenses	\$70,210	\$70,210	\$70,210	
	Total	\$82,305	\$83,886	\$83,886	\$83,886
700	Debt Service				
	Retirement of Debt	\$120,000	\$115,000	\$115,000	
	Interest on Long Term Debt	\$40,419	\$34,544	\$34,544	
	Total	\$160,419	\$149,544	\$149,544	\$149,544
	Total Community Preservation	\$242,724	\$233,430	\$233,430	\$233,430

	FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
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FUND 6000: SEWER ENTERPRISE				
Direct Costs				
440	Sewer			
	Personal Services	\$174,818	\$185,629	\$185,629
	Expenses	\$916,162	\$973,550	\$973,550
	Total	\$1,090,980	\$1,159,179	\$1,159,179
700	Debt Service			
	Retirement of Debt	\$872,431	\$818,203	\$818,203
	Interest on Long Term Debt	\$128,889	\$114,116	\$114,116
	Total	\$1,001,320	\$932,319	\$932,319
	Appropriation	\$2,092,300	\$2,091,498	\$2,091,498
Water Enterprise Indirect Costs				
	Employee Benefits & Pensions	\$324,382	\$334,113	\$334,113
	Shared Employees			
	Indirect Cost Total	\$324,382	\$334,113	\$334,113
Total Sewer Enterprise		\$2,416,682	\$2,425,611	\$2,425,611

		FY23 Enacted	FY24 Town Mgr. Recommend	FY24 Select Board	Appropriation Committee Recommendation
FUND 6100: WATER ENTERPRISE					
Direct Costs					
450	Water				
	Personal Services	\$452,831	\$484,571	\$484,571	
	Expenses	\$884,046	\$1,145,600	\$1,145,600	
	Total	\$1,336,877	\$1,630,171	\$1,630,171	\$1,630,171
700	Debt Service				
	Retirement of Debt	\$530,585	\$535,079	\$535,079	
	Interest on Long Term Debt	\$194,803	\$196,104	\$196,104	
	Total	\$725,388	\$731,183	\$731,183	\$731,183
	Appropriation	\$2,062,265	\$2,361,354	\$2,361,354	\$2,361,354
Indirect Costs					
	Employee Benefits & Pensions	\$432,973	\$445,962	\$445,962	
	Shared Employees				
	Total	\$432,973	\$445,962	\$445,962	\$445,962
	Total Water Enterprise	\$2,495,238	\$2,807,316	\$2,807,316	\$2,807,316
Appropriation Summary*					
	Fund 1000: General Fund	\$100,099,363	\$108,474,950	\$108,589,950	\$108,589,950
	Fund 2400: Community Preservation	\$242,724	\$233,430	\$233,430	\$233,430
	Fund 6000: Sewer Enterprise	\$2,416,682	\$2,425,611	\$2,425,611	\$2,425,611
	Fund 6100: Water Enterprise	\$2,495,238	\$2,807,316	\$2,807,316	\$2,807,316
	Total	\$105,254,007	\$113,941,308	\$114,056,308	\$114,056,308
*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 (Certified 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 provision 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

PURPOSE	FY24 Total	FY25 Total	FY26 Total	FY27 Total	FY28 Total	Post FY28	Final Paymnt
25-35 MAIN STREET	\$44,600	\$43,350	\$42,100	\$40,850	\$39,600	\$408,375	FY42
ADA COMPLIANCE	\$16,450	\$15,750	\$15,050	\$14,350	\$0	\$0	FY27
ADA COMPLIANCE	\$6,075	\$5,825	\$5,575	\$5,325	\$5,100	\$0	FY28
BUCKET TRUCK - DPW	\$21,250	\$15,375	\$0	\$0	\$0	\$0	FY25
BUILDING CONSTRUCTION - DPW	\$921,525	\$895,925	\$870,325	\$840,675	\$819,525	\$10,468,031	FY47
CAMPUS MASTER PLAN	\$92,250	\$0	\$0	\$0	\$0	\$0	FY24
CENTER SCHOOL HEATING SYSTEM	\$17,010	\$16,310	\$15,610	\$14,910	\$14,280	\$0	FY28
CENTER SCH. RPLCMNT STUDY	\$39,263	\$38,663	\$38,063	\$37,463	\$36,863	\$269,775	FY36
ELEMENTARY SCHOOL BUILDING	\$1,906,988	\$1,848,888	\$1,790,788	\$1,736,938	\$1,688,038	\$17,465,563	FY47
ELMWOOD MODULAR CLSRMS	\$140,550	\$135,800	\$131,050	\$126,300	\$121,550	\$1,230,700	FY40
ELMWOOD MODULAR CLSRMS	\$15,050	\$14,350	\$0	\$0	\$0	\$0	FY25
ELMWOOD RENOVATIONS	\$98,088	\$96,069	\$0	\$0	\$0	\$0	FY25
FIRE STATION RENOVATIONS	\$21,150	\$20,250	\$19,350	\$18,450	\$0	\$0	FY27
FIRE STATION ROOF	\$37,094	\$35,844	\$34,594	\$33,469	\$32,594	\$287,578	FY38
HAYDEN ROWE TRAFFIC IMPROV	\$93,188	\$89,688	\$86,188	\$83,038	\$80,588	\$375,331	FY33
HIGH SCHOOL ADDITION	\$247,700	\$240,450	\$233,200	\$225,950	\$218,700	\$3,912,800	FY50
HIGH SCHOOL TURF FIELD	\$161,640	\$155,640	\$149,640	\$143,640	\$137,640	\$764,460	FY34
HOPKINS MODULAR CLSRMS	\$208,100	\$201,100	\$194,100	\$187,100	\$180,100	\$1,868,400	FY40
HS & HOPKINS ROOF	\$77,700	\$76,500	\$75,300	\$74,100	\$72,900	\$504,919	FY36
HS LOOP ROAD ENTRANCE	\$5,300	\$5,200	\$5,100	\$0	\$0	\$0	FY26
LADDER TRUCK	\$127,750	\$123,750	\$119,750	\$115,750	\$111,750	\$732,000	FY36
LIBRARY BUILDING	\$443,841	\$430,666	\$418,516	\$406,366	\$390,366	\$5,622,156	FY47
MAIN STREET CORRIDOR	\$79,250	\$71,375	\$68,625	\$65,875	\$63,125	\$351,650	FY35
MAIN STREET FIRE STATION ROOF	\$26,175	\$25,775	\$25,375	\$24,975	\$24,575	\$179,850	FY36
MIDDLE SCHOOL AUDITORIUM	\$5,706	\$5,506	\$5,306	\$5,106	\$4,906	\$41,920	FY40
MIDDLE SCHOOL REPAIRS	\$10,575	\$10,125	\$9,675	\$9,225	\$0	\$0	FY27
MIDDLE SCHOOL WALLS	\$31,770	\$31,445	\$30,095	\$27,770	\$28,560	\$0	FY28
MIDDLE SCHOOL WALLS-ROOF	\$59,625	\$59,125	\$53,650	\$52,225	\$51,000	\$0	FY28
MULTI-PURPOSE TRACTOR - DPW	\$32,250	\$30,750	\$0	\$0	\$0	\$0	FY25
TOWN PARKING - 6 WALCOTT	\$37,055	\$35,805	\$34,555	\$33,305	\$32,055	\$334,533	FY40
POLICE STATION CONSTRUCTION	\$196,950	\$0	\$0	\$0	\$0	\$0	FY24
POLICE STATION ROOF	\$24,775	\$24,025	\$23,275	\$22,525	\$21,775	\$185,588	FY42
PROP ACQ 102 FRUIT ST	\$170,138	\$167,538	\$164,938	\$162,338	\$159,738	\$1,169,025	FY36

PROP ACQ 135 HAYDEN RW	\$124,031	\$122,131	\$120,231	\$118,331	\$116,431	\$842,038	FY36
PROP ACQ 147 HAYDEN RW	\$104,000	\$102,400	\$100,800	\$99,200	\$97,600	\$690,144	FY36
PROP ACQ 15 CLAFLIN	\$18,806	\$18,506	\$18,206	\$17,906	\$17,606	\$100,256	FY36
PUBLIC SAF. SOFTWARE UPGRD	\$44,075	\$42,325	\$40,575	\$38,825	\$37,075	\$61,200	FY30
SCHOOL BULDING-GROUNDS REN	\$29,075	\$28,700	\$0	\$0	\$0	\$0	FY25
SCHOOL BUS PARKING LOT	\$29,968	\$25,968	\$24,968	\$23,968	\$22,968	\$128,201	FY35
SCHOOL HVAC	\$39,000	\$37,750	\$36,500	\$35,250	\$29,000	\$190,000	FY37
SCHOOL IMPROVEMENTS	\$10,467	\$11,092	\$10,692	\$10,292	\$9,892	\$88,182	FY40
SCHOOL ROOFS	\$262,100	\$254,850	\$247,600	\$240,350	\$233,100	\$2,524,725	FY42
SCHOOL TECHNOLOGY	\$18,675	\$17,925	\$17,175	\$16,425	\$15,675	\$15,150	FY29
SECURITY CAMERAS - SCHOOL	\$37,625	\$35,875	\$0	\$0	\$0	\$0	FY25
SENIOR CENTER CONSTRUCTION	\$85,550	\$82,725	\$77,900	\$0	\$0	\$0	FY26
SENIOR CENTER CONSTRUCTION	\$127,125	\$121,475	\$115,825	\$0	\$0	\$0	FY26
SIDEWALK CONSTRUCTION	\$131,313	\$129,013	\$126,713	\$124,413	\$122,123	\$227,288	FY30
TITLE V SEPTIC PROGRAM	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0	FY26
TITLE V SEPTIC PROGRAM	\$10,000	\$10,000	\$10,000	\$10,000	\$0	\$0	FY27
TITLE V SEPTIC PROGRAM	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$30,000	FY31
TITLE V SEPTIC PROGRAM	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$75,000	FY31
TOWN HALL BASEMENT	\$10,600	\$10,400	\$10,200	\$0	\$0	\$0	FY26
TOWN HALL ROOF	\$10,600	\$10,400	\$10,200	\$0	\$0	\$0	FY26
TOTAL	\$6,554,838	\$6,073,394	\$5,672,375	\$5,277,975	\$5,071,795	\$51,144,835	