

Town of Hopkinton



Appropriation Committee Report with
Recommendations Annual Town Meeting

May 6, 2024

Approved: April 19, 2024

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Executive Summary

- The FY25 tax impact for all matters proposed would be 2.35% on existing property owners for the operating budget, and an additional 1.7% in FY25 if each of the proposals are funded with borrowing to be excluded from Proposition 2 ½ and voter approved; bringing the tax bill for the “average” \$852,400 home from \$12,454 to \$12,959 (+\$505 peak year).
- The proposal complies with recommendations in Town Financial Policy and is within the constraints of the Proposition 2 ½ limit on growth in the tax levy. It reflects a strong awareness of the tax impact and addresses the long-term financial stability by funding key liabilities and reserves.
- The balanced General Government Fund budget recommends sources and uses of funds for Fiscal Year (FY) 2025 are \$123.5 million, up 9% from FY 2024. Key changes are:
 - Hopkinton Public Schools funding increase, \$3.2 million.
 - Town and School Employee Benefits/Insurance increase, \$1.5 million.
 - All other departments combined increase, \$1.1 million.
 - Town Meeting Capital Articles, free cash increase, \$2.8 million..
- Budgeted New Growth projections are down in FY25, as actions taken by the Town to limit large-scale residential development within the Town are proving effective, the wind-down of the Legacy Farms development and the property-tax-generating renewal of the Hopkinton Eversource liquid national gas (LNG) facility is complete.
- The contribution planned for the Overlay account to prepare for the adjudication of Eversource LLC tax appeals is now \$0. The Town has accumulated \$7.5 million in the tax appeal “overlay” reserve account, with current outstanding appeals totalling \$5.7 million.
- Local Receipts are increased to \$6.2 million as returns on Town deposits have benefited from the jump in interest rates and earnings.
- Funds to be drawn from available Certified Free Cash are recommended to be up, from \$3.5 million in FY 2024, to \$5.7 million in FY 2025, primarily driven by an opportunity to acquire a large parcel on the north side of Main Street, as a long-term central business district parking enhancement.
- The proposal recommends consideration of \$52 million in capital projects as debt to be excluded from the limits set by Proposition 2 1/2, requiring both the Town Meeting and subsequent voter approval; including paper record digitization, HVAC replacements at the schools, Hopkins School addition, drainage improvement at Ash St, roadway and sidewalk work, and Granite Street culvert replacement.

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 4-5), and the proposed General Fund capital expenditures (page 6-7) is recommended.

The Hopkinton Appropriation Committee (the Committee) has reviewed and recommends the proposed fiscal year (FY) 2025 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 \$123,521,182 for the period commencing July 1, 2024, 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, and preservation of the Town's stability as an economic enterprise. Key aspects of this budget proposal include:

- Sustain municipal services at FY 2024 level, with service level increases in Public Education.
- Meet contractual obligation and specific expense inflationary costs.
- Provide capital funding at the level requested by Departments, noting the significance of funding a \$48.55 million request for a Hopkins School addition and renovation; deferring the Marathon School Playground proposal; the High School Track proposal; and the proposal to replace the Emergency Radio System.
- Continue to fund \$100,000 for community-initiated actions through participatory budgeting.
- Build general (operating) stabilization fund balances to target levels identified in policy.
- Provide for growth and demographic changes in the Hopkinton Public Schools, cover the expected health insurance costs increases across Town Departments, and fund inflationary cost increases in waste collection and utilities support for municipal facilities.
- The FY25 tax impact for all matters proposed would be 2.35% on existing property owners for the operating budget, and an additional 1.7% in FY25 if each of the proposals are funded with borrowing to be excluded from Proposition 2 ½ and voter approved; bringing the tax bill for the “average” \$852,400 home from \$12,454 to \$12,959 (+\$505 peak year).

The proposed budget adheres to Financial Policy objectives and supports the Town's long-term financial fiscal health, including:

- Funding recurring expenditures (e.g. payroll, debt) with recurring resources, rather than one-time resources.
- Continued contribution of \$700,000 to the Town's General Stabilization Fund, to bring that fund close to the target of 5% of operating spend. Continued contribution of \$853,671 to Other (Health Care) Post Employment Benefits Fund on a tempo to achieve full funding in the early to mid 2050's.

While immediate needs are met by this budget, multi-year projections will be a challenge in FY 2026 and beyond. With New Growth in the tax base projected to stabilize as planning restrictions continue to limit residential development outside the Town center, it is difficult to see how the Town will continue to fund operating budget increases that are above the tax levy rise from the allowable 2.5% increase in the coming years. This topic has been an ongoing subject of discussion/study by the Select Board and the Appropriation Committee. Tax impact is always an area of concern, especially for seniors, young families and others in our community struggling with inflation.

Moving forward into FY25, capital spending should be focused on necessity. Equipment and vehicles that are immediately necessary to sustain services, and minimum infrastructure improvements to mitigate Town liability should be the only items approved for spending. The largest accumulated one-time expense is \$3.0 million for a comprehensive parking solution on the north side of Main Street. Together with the Main Street Corridor project and the off-street parking enhancements implemented on the south side of Main Street, this additional land acquisition will support redevelopment in the core commercial district.

In FY 2024, General Fund Debt (principal and interest due) is 71.6% (\$73,259,257) of the Departmental Operating Budget (\$73M/\$102M) and 1.17% of the taxable value of all property in the Town (\$73M/\$6.265B).

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. The Town will take a proactive approach with the rating agencies in an effort to understand the impact of our borrowing decisions and provide transparency to the residents of Hopkinton. We recognize there is more to our AAA rating than our debt, but it does have a significant impact.

Taken together, the five year capital plan and moderate projected growth in departmental spending (Schools +5%, Benefits +8%, all others +3.5%), the FY 2029 outlook is for a 10% 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 2029 outlook is for a 22% 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 2025 budget guidance to the Select Board on October 5, 2023. Subsequent to Select Board approval of that guidance, departmental budgets and capital plans were developed by Town departments, the Hopkinton Public Schools, Commissions, Boards and Committees. The Town Manager conducted detailed budget reviews, and requests were reviewed in detail at public meetings by the Select

Board, the Appropriation Committee and – for capital requests – by the Capital Improvement Committee.

General Fund Sources of Funds

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

Because of the reliance on estimated revenues in the budgeting process, there is some risk that estimates will not be realized and that budget shortfalls may occur. That risk can be heightened in periods of economic or physical stress, such as a pandemic, 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, 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 34 of this report.

Property tax receipts are expected to generate net revenue for the operating budget of \$98,352,425, with \$1,567,500 of that amount coming from new growth in the tax base mostly tied to ongoing new residential construction. Tax revenue to support debt payments excluded from the proposition 2 ½ limits will rise by \$1,529,052, 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 2025. In the proposed budget, net property taxes will account for 80% of Town operating revenue; roughly the same percentage as in FY 2024. Based on current year assessments, 82% of property tax revenue is expected to come from residential property, 7% from industrial property, 3% from commercial property, and 8% from taxable business personal property.

The Town allocates amounts into an Overlay Account to act as a special reserve for cases where property tax appeals are granted or where taxpayers successfully appeal to State tax courts. Over the past several years, the Town has had 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 \$5.7 million. The portion of appeals for 2017 through 2019 are now scheduled for trial at the ATB in October of 2024; and those cases involve \$1.6 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 2025 budget prepares the tax overlay account for appeals that may be filed by February 1, 2025. The current balance in the tax overlay account is \$7.5 million and the budget proposes not adding anything additional for FY25. The current balance provides an excellent level of coverage for existing appeals and for any appeals that may be filed in FY 2024-FY25. Eversource Energy did not file for Fiscal Year 2023, but is still able to file for Fiscal Year 2024.

As noted above, the operating budget is supported by an estimated \$1,567,500 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 31.59% of the new property tax revenue within the tax levy in the FY 2025 General Fund operating budget, excluding new taxes from new debt proposed for exclusion from the tax levy. This is the second 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 \$11,230,442 up slightly from the amount budgeted for FY 2024; while payments to state-sponsored cooperative programs including public transportation, charter school tuition, and mosquito control of \$416,881 are up by 4.6% from charges actually levied in FY 2024. Local receipts, including motor vehicle excise taxes and interest income, are expected to be up 9.4%, primarily because interest income on Town funds on deposit has risen dramatically during the current period of high interest rates.

The proposed FY 2025 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 \$5,700,036 from the Town's certified Free Cash carried forward from previous years is being used to provide \$853,671 to the Other Post-Employment Benefits (OPEB) Liability Trust Fund, \$4,098,766 toward pay-as-you-go capital items, and \$700,000 to increase the Town General Stabilization Fund.

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); FY 2023 (\$919,849); FY2024 (\$0). Overall, the recommendation is largely supportive of Town Financial Policy, except for the limited use of on-time funding to support recurring expenses.

As of February 29, 2024, the Town had the following stabilization balances: General Fund Operating Stabilization Fund \$4,801,422; General Fund Capital Stabilization Fund \$354,480; for a combined total of \$5,155,902. The School Stabilization Fund had a February 29, 2024 balance of \$56,513, which has been reduced from \$2,232,837 due to the Hopkins School expansion.

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 \$87,920,274 to fund the operation of Town and School Departments, \$1,094,024 for the Special Education Out of District Tuition Fund, \$19,106,134 for employee benefits and insurance, and \$9,022,379 to support the payment of principal and interest on general government debt. The budget contains a transfer of \$853,671 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. General Fund principal and interest payments of \$9,022,379 for past and proposed capital projects funded from debt represents 8.3% 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 \$73,259,257. With total direct debt of \$78,079,443, the Town is at 30% of its statutory debt limit of \$258,679,115.

However, it is noteworthy that even with these levels of revenue stability, stabilization reserves, and the Town's other strengths as a financial enterprise, when combining our current debt of \$78 million with the approved Elmwood replacement cost of \$90.2 million, we are at 65% of our statutory debt limit. If all of the FY 25 Capital articles are approved, that would add another \$52 million in debt and bring us to 83% of the limit.

The Town's actuary computed that as of June 30, 2023, Hopkinton had a liability for future retiree health benefits that have already been earned, OPEB, of \$42,876,362, partially covered by a trust fund balance of \$6,028,717.28 as of 02/29/2024, which is a 14% funding level for the liability. That is slightly up from the 11.0% funding level as was reported at the May, 2023 Town Meeting.

The Town had \$4,774,275 of OPEB assets as of June 30, 2023. The Town is expected to contribute \$853,671 for FY 2025, increasing by 2.5% annually thereafter. These contributions are made in addition to the pay-as-you-go costs. The contributions have the Town on track to have the pension fully funded in 2052, and thereafter only the lower contribution for the cost of benefit earned during the year will be required. For the year ending June 30, 2023, the Plan saw a gain of \$2.7 million or 6.44% of the beginning Total OPEB Liability (TOL). This was due to lower than expected increases in healthcare costs and higher turnover than expected which was somewhat offset by more retirements than expected. A more detailed discussion is provided in the OPEB Liability Trust Fund section of this report.

The Town of Hopkinton is a participant in the Middlesex County Retirement System with 185 retirees in the system (down from 188 last May) and 389 active enrolled participants (up from 372 last May).

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%. Between February 2023 and February 2024, the Consumer Price Index increased 3.2%. 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 \$70 million or more in deposits, and those deposits have earned over \$900,000 in interest income during FY24 Q2.

Sustained inflation, as we have experienced, will continue to be very impactful in FY 2025 and beyond. Although no projects have been finalized or approved, the Town's five year capital plan shows needs of nearly \$109 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 2025 budget includes over a dozen pay-as-you-go capital projects which are proposed to be funded from available resources, for a total of \$4,746,366. 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. Additional capital projects from Water & Sewer Enterprise: 1) \$95,000 for Water Dept. vehicle replacement; 2) \$100,000 for town wide water main flushing program, 3) \$250,000 for Grove St. water tank design; 4) \$70,000 for Water Dept. vehicle replacement, 5) 125,000 for Water Dept. vehicle replacement; 6) \$345,000 for wastewater treatment plant membrane replacement; 7) \$85,000 Sewer Dept. vehicle replacement; 8) \$221,500 Sewer System Evaluation Survey/Hayden Rowe pump station; 9) Replacement of ozone treatment at Howe Street Water Treatment Plant (in Ashland, \$958,000); 10) Replacement of the East Main Street water main (\$400,000)

For the second 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 turtle crossing signs, pollinator gardens at the Hughes Farm and Pratt Farm conservation areas, composting kits from Black Earth for residents and two ADA accessible exit doors and a safety fence at the Hopkinton Center for the Arts.

The budget proposal also recommends consideration of several projects totaling \$52,047,500 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 (\$700,000), Paper Record Digitization (\$667,500), Hopkins School Addition and Renovation (\$48,550,000), Drainage Improvement - Ash Street (\$500,000), Roadway Sidewalks - DiCarlo, Barbara, Peppercorn (\$780,000), and Granite Street Culvert Replacement (\$850,000).

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.

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 \$2,003,717 for salaries, benefits, operating expenses, and indirect costs in fiscal year 2025. The proposed budget for the Water Enterprise also includes \$678,492 to pay principal and interest on previous capital purchases and on a street sweeper (current sweeper will be 20 years old) (\$325,000) several capital projects proposed in FY 2025, 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 \$1,544,863 for salaries, benefits, operating expenses, and indirect costs for FY 2025. The proposed budget for the Sewer Enterprise also includes \$920,604 to pay principal and interest on previous capital purchase. There are no new sewer related capital projects proposed for FY 2025.

Water and Sewer Enterprise rates for FY 2025 will be set by the Select Board at a rate hearing in June, 2024. 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 is down 2.1% in 2025 to \$228,430.

As of 4/9/2024, \$10,024,969 was available in the various reserve accounts. Open Space \$1.4 million, \$1.1 million in Historic Resources and \$1.155 million in Community Preservation are examples of the reserve accounts.

The FY 2025 proposed budget calls for \$799,989 in spending on ten projects and \$312,317 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 continues to express concerns about sustaining the budget in the coming years. Forecasting by Town departments over fiscal years 2026 - 2028 shows anticipated deficits currently estimated to grow to over \$4.0 million by fiscal year 2028, arising from a drop off in new growth revenue and increases in departmental expenses. The Town has limited operating and capital spend in an effort to limit the deficit as much as possible.

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 10% to 22% 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


Michael Arakelian
Caroline Lu

Bill Flannery
Kyla LaPierre, 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 2025 Budget Development

DATE: October 5, 2023

I recommend that you endorse the initial fiscal year (FY) 2025 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 October 10, 2023 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 and recommendation. Consistent with the discussion of prospective sources and uses of funds in Enclosure (2), I request that the Select Board direct that Departmental submissions be developed within the 4.4% spending increase cap that would allow for full compliance with Town Financial Policy under current revenue estimates outlined in Enclosure (2) of this memo, notwithstanding the School Committee's expression of need which is significantly above that level.
3. Because of the prospective FY25 operating budget shortfall identified in Enclosure (2), budget components under the budgetary direction of the Select Board are directed not to submit any requests for service expansion "new starts" in their budget submissions. Such budget components may send any requests for "new starts" to the Select Board by separate memorandum, via the Town Manager.
4. 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 directed level are not supported, if any tax levy override necessary to support operations at target levels is 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 level noted, irrespective of any initial direction.

5. The Town Manager's Office will provide budget submission forms to each Department and to relevant boards, committees, and commissions. These submission forms will require narrative connection to the Town's strategic goals, including goals to promote diversity, equity, inclusion, and belonging.
6. 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, used by all Departments in FY 2023 and FY 2024, framing summary requests in the following format which will be included in the revised budget submission template:
 - a. FY 2024 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. Include relevant metrics to support budget requests
7. Specific instructions for Departments on FY 2025 procedures for operating budget submissions and capital requests will be forthcoming from my Office.

To be clear, new spending considered in this process will be substantially funded from new growth in the tax base, and any eventual spending proposal that requires property tax revenue in excess of the amount that may be levied within the limits of Proposition 2 ½ will require a corresponding proposal for a Proposition 2 ½ tax limit override. Any such proposed override should consider that the taxpayer with an average home valued at \$753,300 may also face a peak tax burden of nearly \$1,100 if the Elmwood School replacement is approved as presented this Fall as debt to be excluded from the limits of the tax levy, separate and distinct from any other additional excluded debt that may be proposed in the FY 2025 budget cycle.

As part of this year's budget process, I will again be coordinating a series of public listening sessions to discuss ideas about service levels. These ideas may involve diversity, equity, and inclusion; accountability; 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 2025 budget.

Enclosure: (1) 2024 Annual Town Meeting Timeline & FY 25 Budget Calendar
(2) Fiscal Year 2025 Budget Initial Discussion Paper

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

**Town of Hopkinton
Fiscal Year 2025 Budget
Initial Discussion Issue Paper
October 5, 2023**

This paper provides background to support the launch of the fiscal year 2025 (FY25) budget process for the Town of Hopkinton. There is a level of uncertainty at the beginning of every budget process, and the high inflation and associated operating cost challenges that characterize the preparations for the FY25 budget are no exception to that general rule. Town practice is to complete a review of available funding and a bottom-up budget review of the cost and value of services delivered each year.

Projected FY25 Revenues

The following table summarizes current initial estimates of FY25 General Fund sources of funding compared to budgeted funding estimates for FY24 under a 2.5% tax impact scenario:

Table 1: Sources of Funds		FY24 Budgeted Sources of Funds	FY25 Estimated Sources of Funds	% Chg. FY24 - FY25
1	Levy Base	\$83,567,525	\$88,183,133	5.5%
2	New Growth	\$1,650,000	\$1,567,500	-5.0%
3	Debt Exclusions	\$6,725,617	\$6,347,047	-5.6%
4	Less - Provision for tax abatements/exemptions	-\$500,000	\$0	<u>-100.0%</u>
5	Estimated Net Property Tax Revenue	\$91,443,142	\$96,097,680	5.1%
6	State Aid	\$11,490,752	\$12,065,290	5.0%
7	Less - Regional and State Program Charges	-\$398,619	-\$418,550	<u>5.0%</u>
8	Estimated Net State Aid	\$11,092,133	\$11,646,740	5.0%
9	Excise Tax, Licenses, other Local Receipts	\$5,650,050	\$5,932,553	5.0%
10	Cost Share from Enterprise Funds	\$780,076	\$799,578	2.5%
11	Ambulance, misc. sources	\$688,643	\$655,835	-4.8%
Total Recurring Sources of Funds		\$109,654,044	\$115,132,385	5.0%
12	Non -Recurring Sources: Cert. Free Cash	\$3,545,463	\$3,353,671	-5.4%
Total Sources of Funds		\$113,199,507	\$118,486,056	4.7%

Almost all of the Town’s revenue comes from a few sources, most of which have very good prospects over the next budget cycle. As discussed at length in the 2023 Appropriation Committee Report, residential property tax is the Town’s dominant revenue source. While the general real estate market is

cooling somewhat due to recent-record interest rates which limit affordability for buyers; that cooling is likely to have little or no impact on the Town's collection of levied property tax. Restated, tax collection is not dependent on a continuous rise in property values and is very stable.

While property tax collection is solid, the amount of new revenue from new residential and commercial construction is budgeted down again for FY25, which is a significant change from the prolonged period when new residential and commercial construction provided more than half the new revenue for the Town for inflationary and service level cost increases.

The Town's second largest revenue stream is from Local Aid from the Commonwealth, and the news in that area is again somewhat unfavorable. After a period of robust revenue growth, the latest estimates from State officials indicate that overall State revenue is trending about 1.8% below projections. It is difficult to predict how a shortfall below projections will impact the Governor's proposal for Local Aid. Eversource Energy's aggressive tax strategy continues to pose a bounded challenge to the Town which will be discussed below.

On Table 1 row 1, the Tax Levy Base is projected to rise due to two factors: a revision in the estimate of new growth in the tax base for FY24 upward from \$1,650,000 to \$2,464,800, driven by higher residential construction than was expected and a greater increase in valuation than was expected at the Eversource Energy Hopkinton liquid natural gas (LNG) facility; and through a 2.5% statutorily allowed increase in the tax levy (\$2,150,808). Since property tax contributes 81% of total expected net revenue, it is vastly dominant in importance; and because it is based on firm, known data, and because collections are secured by the Town's right to lien; this existing estimate of this dominant source of funding is very solid. The levy base could be adjusted somewhat later in the budget process, if actual new growth for FY24 comes in above or below the revised estimate of \$2,464,800. The actual New Growth number will be computed in six to eight weeks.

On Table 1 row 2, the modest 5% reduction in projected New Growth in the tax levy from last year's approved budget reflects a new phase of Town development, where large residential and commercial projects are no longer in the pipeline, and growth is resulting from smaller residential developments and commercial projects. New Growth is expected to contribute about 1.3% of available resources, but about 35% of new recurring funding to support service growth and inflationary cost growth.

On Table 1, row 4, for the first time in several years, the recommendation is to budget \$0 for transfer to the account to cover tax appeals. The Town's only current tax appeals are from Eversource Energy (\$5.7 million) covering a variety of tax bills issued between 2017 and 2022, and for the first time in many years, and to the surprise of the Town Finance Team, Eversource Energy did not initiate any new tax appeals in the last appeal cycle. Within the past few months, Eversource Energy even withdrew some appeals on taxes from 2019 and 2020 for NSTAR Electric and Gas taxable business personal property totaling \$715,065. An additional \$1.2 million in pending appeals are scheduled to go to trial with the Commonwealth Appellate Tax Board before December 1, 2023. Tax appeal cases often experience trial date delays, but irrespective of delays or of the outcome of those appeals, with the recent case withdrawals, the

Town's overlay reserve for tax appeals has been built to \$7.2M, which exceeds current appeals by \$1.5M. Because of this excess, it is reasonable to enter the budget with a \$0 contribution to that reserve account budgeted. As the budget process progresses, if the Town prevails as expected in pending tax appeal cases, if Eversource again refrains from filing new tax appeals, or if both occur; consideration will be given of recommending that the Board of Assessors withdrawal some amount of funding from the Overlay account and return it to the Town General Fund, where it would be available as a one-time source of funding to support one-time budget needs consistent with Town policy. Resolution of pending tax appeals may be known before December, and information about the status of new tax appeals will be known around February 10, 2024.

Table 1 rows 6 and 7, estimate a 5.0% increase in local aid from the Commonwealth and a corresponding 5.0% increase in charges for state and regional programs administered through the Commonwealth. Net Local Aid is an important source of funds, contributing 10% of expected net revenue. This estimate reflects a cautious budgeting approach based on both multi-year experience and on the State's current revenue experience, which is tracking 1.8% below the State's own planned revenue.

Net Local Aid experience:

FY21 Hopkinton Local Aid +6.3% with prior year State revenue +4.3%;
FY22 Hopkinton Local Aid +10.6% with prior year State revenue +3.4%;
FY23 Hopkinton Local Aid +9.9% with prior year State revenue + 18.4%;
FY24 Hopkinton Local Aid +12.0% with prior year State revenue +4%;
FY25 Hopkinton Local Aid +?% with prior year State revenue trending to +4.6%.

There is not a tight correlation between overall Hopkinton Local Aid and prior year State revenue, in part because Local Aid is strongly influenced by lagging measures of public school student enrollment. While Hopkinton saw significant growth in Local Aid tied to strong school enrollment growth and to overall increases in education funding in FY22 - FY24, there is not strong evidence to support continuation of that trend into FY25.

Because the State's revenue trend suggests a second consecutive year of low revenue growth for the State, this initial budget cautiously projects a 5% increase in net Local Aid. The actual level of local aid could be higher or lower based on the actions of the new Governor and the Legislature, and will be tracked through the budget process. The municipal financial regulatory framework requires caution budgeting of revenue, and there is an insufficient basis for projecting growth of this source above 5% at this time.

On Table 1 row 9, local receipts (including motor vehicle excise tax) are projected to rise by 5%. This is a noteworthy source of funds, contributing 5% of expected net revenue. This source is dominated by Motor Vehicle Excise Tax. Motor Vehicle Excise Tax receipts were remarkably flat from FY19 to FY23, varying by less than 1% over that entire period. Interest income from Town General Fund deposits was up in FY23, as short term interest rates rose. While higher rates hurt the Town as a borrower, they help the Town Treasury with earnings on deposits placed with the

State-sponsored Massachusetts Municipal Depository Trust and with commercial banks. Largely on the strength of the earnings from short term interest from deposits, the Local Receipts category is budgeted up 5% based on current and forecast interest rates.

On Table 1 row 12, Certified Free Cash is one-time funding available to support priorities in the coming year. The exact amount of Certified Free Cash available for use in the FY25 budget will not be known until the end of the calendar year, when the Town's financial regulators with the Commonwealth of Massachusetts certify a specific amount as available. Town Financial Policy calls for paying for recurring expenses with recurring funds. The one time uses of funds being proposed are detailed in Table 2 (rows 25, 16, 27), and sum to the amount shown on row 12. If more or less than \$3.4 million is certified, the amount drawn from Certified Free Cash and spent on one-time expenses can be increased or decreased, within policy guidelines.

Projected FY25 Expenditures

On a strategic level, the Town Manager's priorities in initiating the FY25 budget process are to advance accomplishment of the Town's vision and mission, including the priority to advance diversity, equity, inclusion, and belonging in the Town of Hopkinton. This effort is informed in part by the Strategic Planning initiative undertaken in 2023 and 2024, which will continue as part of this budget process. On an operational level, the budget process pursues those aims with a focus on change and improvement in three areas:

- Sustaining and improving Town service delivery operations through a rigorous budget process that prioritizes finding efficiencies and focusing spending to support key service outcomes and impacts; with a priority on diversity, equity, inclusion, and belonging
- Sustaining and improving the Town's capital infrastructure through judicious recapitalization and investment practices
- Ensuring long term fiscal stability by allocating resources to support adequate reserves, steady funding of long-term liabilities, and adherence to best practices in Hopkinton Financial Policies

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Table 2 below shows a possible distribution of FY25 expenditures if revenue is limited to the current estimates shown in Table 1, and if Financial Policy is strictly adhered to:

Table 2: Uses of Funds		FY24 Budgeted Uses of Funds	FY25 Estimated Uses of Funds	% Chg. FY24 - FY25
13	Tax lien administration costs	\$50,000	\$50,000	0.0%
14	State funded Library spending	\$35,070	\$28,335	-19.2%
15	Repayment of Debt Principal and Interest*	\$7,417,184	\$7,114,757	-4.1%
15a	<i>Repayment of Existing Debt P&I, Excluded</i>	<i>\$6,725,617</i>	<i>\$6,347,047</i>	<i>-5.6%</i>
15b	<i>Repayment of Existing Debt P&I, In Levy</i>	<i>\$691,567</i>	<i>\$767,710</i>	<i>11.0%</i>
16	Deficits and Judgments	\$0	\$0	0.0%
17	Snow and Ice Surge Costs	\$0	\$0	0.0%
18	General Government	\$5,410,449	\$88,409,371	4.4%
19	Public Safety	\$8,191,856		
20	Education	\$61,597,652		
20a	<i>Hopkinton Public Schools</i>	<i>\$59,937,752</i>		
20b	<i>Special Education Reserve Fund</i>	<i>\$1,094,024</i>		
20c	<i>Regional Vocational Technical School</i>	<i>\$565,876</i>		
21	Public Works	\$6,868,502		
22	Health and Human Services	\$1,465,230		
23	Culture and Recreation	\$1,162,724		
24	Employee Benefits and Insurance	<u>\$17,570,377</u>	<u>\$19,529,921</u>	<u>11.2%</u>
Sub-Total Departmental Expenses		\$102,266,790	\$107,939,292	5.5%
Total Recurring Uses of Funds		\$109,769,044	\$115,132,384	4.9%
25	Transfer to OPEB (post-retirement health care)	\$832,850	\$853,671	2.5%
26	Transfer to Stabilization	\$700,000	\$700,000	0.0%
27	Town Meeting Capital Articles, free cash	\$1,897,613	\$1,800,000	-5.1%
Total Non-Recurring Uses of Funds		\$3,430,463	\$3,353,671	-2.2%
Total Uses of Funds		\$113,199,507	\$118,486,056	4.7%

The presentation in Table 2 is based on a balanced budget within the tax levy rise constraints of proposition 2 ½, and in compliance with Town Financial Policies requiring recurring costs to be paid for with recurring sources of income. Table 2, line 24, Employee Benefits and Insurance is budgeted up 11.2%, driven by a projected 13% rise in the Town's cost for employee health insurance for current

employees only, and under current plan offerings and cost share approaches. With the foregoing constraints, Table 2 shows an initial anticipated amount available for recurring costs across all departments of \$88.4 million, which is 4.4% (\$3.7 million) above the amount provided in the FY24 Budget.

At a September 19, 2023 joint meeting of the Select Board, School Committee, and Appropriation Committee, members expressed a desire to see even a very preliminary estimate of any prospective gap between estimated revenue and anticipated expense needs for FY25. Of course, as the budget process is in its most nascent stage, these estimates are preliminary in the extreme; but, as shown on Table 3, they may reflect a floor of need.

Table 3: FY25 Prospective New Recurring Revenue & Needs			
Prospective New FY25 Recurring Revenue			\$3,712,958
Prospective New FY25 Costs			
Approved Debt within Levy		-\$76,143	
Hopkinton Public Schools			
8.4 Teachers	-\$630,000		
5.5 SPED Already Added	-\$599,000		
ELA Director	-\$100,000		
2.5 SPED Teachers	-\$212,500		
Administrators	-\$200,000		
25% Benefits for New School Staff*	-\$435,375		
HPS Contractual Obligations	<u>-\$2,635,600</u>		
Initial School Estimate		-\$4,812,475	
Non-School Contractual Obligations		<u>-\$500,000</u>	
Sum, Prospective FY25 New Costs			<u>-\$5,388,618</u>
Prospective Budget Shortfall			-\$1,675,660

* Benefits are paid outside the School Budget, but are presented here to reflect staff growth cost

Again, the prospective new recurring revenue shown in Table 3 is the product of a number of early initial estimates of revenue, and early estimates on the cost to continue health and liability insurance coverage for existing employees. The list of prospective new recurring costs is very likely to grow, perhaps substantially, as the work of the actual budget process progresses.

As a preliminary floor figure, reflecting only those initial aspirations or needs which are known or have been publicly communicated, the Town is beginning the FY25 budget process with a \$1.7 million shortfall, again - subject to significant change.

Table 4 shows that the approach reflected in the tables above, without accounting for any shortfall, would be compliant with all Town Financial Policies, as well as the constraints of Proposition 2 ½.

Table 4: Recurring and 1-Time Sources & Uses of Funds	FY24 Budgeted	FY25 Projected	% Chg. FY24 - FY25
Recurring Sources of Funds	\$109,654,044	\$115,132,385	5.0%
Recurring Uses of Funds	<u>\$109,769,044</u>	<u>\$115,132,385</u>	4.9%
Net Recurring Funds	-\$115,000	\$0	
Non-Recurring Sources of Funds	\$3,545,463	\$3,353,671	-5.4%
Non-Recurring Uses of Funds	<u>\$3,430,463</u>	<u>\$3,353,671</u>	-2.2%
Net Non-Recurring Funds	\$115,000	\$0	

There are several potential paths or combination of paths for dealing with the prospective shortfall identified in Table 3:

- Funding requests could be reduced
- Additional revenue could be forthcoming from Commonwealth Local Aid, new growth in the tax base, or another source
- A decision could be made to deviate from Financial Policy and support recurring costs with one-time sources of revenue which may become available (e.g., Certified Free Cash from prior year operations or withdrawals from the tax overlay account if the Town prevails in pending tax litigation with Eversource Energy)
- An override of the tax levy limit of Proposition 2 ½ could be considered

Tax Impact

All funding scenarios for the operating budget other than an override of the property tax limits under Proposition 2 ½ would have a tax increase impact of approximately 2.35% on existing property owners. There will be an additional tax impact, not tied to the FY25 operating budget, of approximately 11.5% in the peak year if the Elmwood School Replacement is approved as debt to be excluded from the tax levy limit in a Special Town Meeting and subsequent vote in the coming weeks; and there will be additional tax impact not tied to the FY25 operating budget for any Capital Articles approved as debt excluded from the tax levy at the May, 2024 Annual Town Meeting. Information about aggregate tax impact will be developed as part of the FY25 budget process and will be communicated in the Town Manager’s January, 2024 Budget Transmittal and in the Appropriation Committee Report to be delivered in April, 2024.

Additional Discussion

There are particular economic factors that create higher-than-usual uncertainty with respect to FY25 spending to sustain FY24 service levels. Inflation and economic volatility have been at the highest levels in decades, and that impacts the Town in several specific ways:

- Wage inflation - Wages represent about 70% of Town operating spending, and are therefore the most material factor in considering inflation overall. Restated, a 1.4% increase in wages results in a 1% increase in the overall budget. The Town should be mindful that wage inflation is a dominant long term issue that should be carefully considered when contemplating staff expansions in FY25 or beyond.
- Energy Cost Escalation - Although energy is a central factor in many industries, Hopkinton spends approximately 1% of its budget on fuel for vehicles and energy for buildings. Additionally, the Town holds some advantageous contracts for the purchase of energy in the near term, and the Town’s solar installations help buffer energy cost volatility and help dampen the FY25 impact of energy volatility. Energy saving measures through LEED engineering in modern facilities have also improved energy efficiency. However, it is noteworthy that, while local electricity prices have backed off significantly from a peak in February, 2023, electricity costs in August, 2023 were 33% above costs for August, 2020. Energy price volatility remains as a budget risk for the Town.
- Project Costs - Over the past several years there has been an increasing trend of rapid capital project price escalation that outpaces the lengthy Town budget cycle. Those outcomes were sometimes driven by well-documented national supply chain challenges. Because of this price volatility, and because of the Town’s long lead time for adjusting budget requests through Town Meeting action, Town Meeting began budgeting for capital projects with much higher than usual contingency amounts in FY24; entrusting the Select Board to monitoring execution, with “proceed or pause” authority with respect to contingency funds. This proposal would continue that approach for Pay-As-You-Go capital items funded in the Operating Budget in FY25.
- Economic Volatility - The Town is over seven months from a May 2024 Town Meeting vote on the FY25 budget. In economically stable times, moderate change could be expected over that period. Given the significant uncertainty about how military events in Eastern Europe and the Pacific may affect global stability, and specifically world-market energy price stability; and given the governance challenges being faced by Congress because of the very narrow majority in the House of Representatives, and the very significant policy differences within the slim House majority, the cone of uncertainty extending to May, 2024 is wider in terms of potential outcomes than is typically seen. Moderate portions of the FY25 operating budget are sensitive to that volatility, and budgeting to address that volatility will be covered in the budget submission directions.

Revisiting the three operational priorities in the budget process in the context of resources available:

- Sustaining and improving Town service delivery operations through a rigorous budget process that prioritizes finding efficiencies and focusing spending to support key service outcomes and impacts: The constrained spending position in Table 2 above suggests that the amount initially estimated to be available for Departmental increases, 4.4%, will be insufficient to satisfy contractual, inflationary, and service growth costs (including diversity, equity, inclusion and belonging) for Hopkinton Operating Departments (Table 2 rows 18 - 24), including the Hopkinton Public Schools.

- Sustaining and improving the Town’s capital infrastructure through judicious recapitalization and investment practices: The constrained spending position in Table 2 above allocates \$1.8 million in one-time funding (certified free cash) for pay-as-you-go capital projects (Table 2 row 27.) The estimates make no provision for funding additional debt within the tax levy, expecting that any large dollar value capital needs will be proposed as “excluded debt” under the Proposition 2 ½ budgeting framework; with due consideration to be given to Community Equity with respect to any additional tax impact from new excluded debt.
- Ensuring long term fiscal stability by allocating resources to support adequate reserves, steady funding of long-term liabilities, and adherence to best practices in Hopkinton Financial Policies: The constrained spending position in Table 2 above sets aside \$853,671 (Table 2 row 25) toward the long-term OPEB liability, a fund to pay the Town’s share of future health care costs being earned by Town employees working today. The Appropriation Committee Report dated April 18, 2023, available on the Town website, contains a detailed discussion of this long term liability beginning on page 39, and communicates an intention to fund at the level identified, to be escalated by 2.5% per year, to have this cost fully funded by the mid 2050’s. The constrained spending position in Table 2 above also sets aside \$700,000 in non-recurring funding to bolster the Town’s General Stabilization Trust Fund (Table 2 row 26), as a follow-on to the \$700,000 provided at the May, 2023 Annual Town Meeting. Town Financial Management Policy calls for a Stabilization reserve level of 5% of the Operating Budget. As the size of the Operating Budget grows, the recommended reserve rises. Based on the preliminary forecasts, the projected FY25 Stabilization Trust Fund Target would be \$5.3 million and based on the June 30, 2023 Stabilization Trust Fund level of \$4.6 million, the \$700,000 addition to the General Stabilization Trust Fund identified in Table 2 would close the remaining gap.

As part of ongoing revenue risk analysis, Town Treasurer Diane Hendrickson has completed a review of collections across Town Accounts. There are several pieces of good news from this analysis. First, over 90% of bills issued by the Town, including most water and sewer bills, are ultimately lienable against real property, which puts the Town in a very strong position to eventually collect the money. Interest rates on debt which is owed to the Town range from 12% to 16%, depending on the statute governing the specific category of billing; and those high rates support prompt payment. Motor Vehicle Excise Tax is not lienable, but the Registry of Motor Vehicles supports collections by withholding license and registration renewal for Excise Tax delinquent payers. A measure of risk exists when people move from the State or give up driving while owing Excise Tax. However, overall Ms. Hendrickson’s review shows that across categories collections are well over 99% current by dollar value (lagging somewhat, Sewer 95%, Water 97%), validating the soundness of both the Town’s collection practices and the stability of Town revenue estimates.

As a final issue, the status of the Overlay Account for Tax Appeals warrants discussion. In the past tax appeal cycle (February, 2023) Eversource Energy broke from its longstanding, costly, and deleterious practice of appealing all its property tax bills. While that change is a positive outcome, and while Eversource has withdrawn a modest portion of outstanding appeals, \$5.7 million in levied tax remains under appeal, with \$1.2 million of those appeals slated for adjudication before the State Appellate Tax Board (ATB) in November, 2023. A bundle of appeals were slated for trial in October, 2023, but, as is their consistent practice, Eversource Energy has again pleaded with the ATB for a delay at trial, and those

appeals remain pending. While Eversource Energy's actions continue to impose tax defense costs on all taxpayers in Hopkinton, Table 1 (row 4) shows a \$0 to the tax Overlay Account for FY25. The Overlay Account has accumulated a balance of \$7.2 million specifically to account for Eversource Energy appeals, an amount that now exceeds the level of appeals pending. If Eversource Energy withholds tax appeals again in February, 2025, the Board of Assessors may consider releasing some one-time funding from the Overlay Account.

Useful Link

April 18, 2023 Appropriation Committee Report -

<https://drive.google.com/file/d/1LBM0EJt5YvZ47FKabxlt6TnytaphKgCH/view>



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

TO: Town of Hopkinton Select Board

FROM: Norman Khumalo, Town Manager

DATE: January 28, 2024

RE: Fiscal Year (FY) 2025 Comprehensive Budget Transmittal

REF: (a) My memo; Fiscal Year 2025 Budget Development of October 5, 2023

As directed by the Select Board, this memorandum provides a timely budget transmittal for FY 2025. This memo presents a balanced budget approach that:

- Is within the constraints of the Proposition 2 ½ limit on growth in the tax levy
- Complies with the Town's financial policies
- Incorporates the use of funds available from:
 - Projected new growth in the residential, commercial, and industrial tax base
 - Projected growth in Local Aid from the Commonwealth
 - Projected increases in Local Receipts, such as interest income
 - Certified one-time funds remaining from prior fiscal years
- Reflects a strong sensitivity to tax impact in the operating budget
- Addresses long-term financial stability by funding key liabilities and reserves

Sources of Funds

For the General Fund, this budget forecasts revenues of \$123,521,182, 9.1% above the budgeted revenue level for FY 2024, and detailed in Enclosure (1). This rise is attributable to several factors. Foremost, the tax levy is rising by \$4.8 million, with \$2.2 million tied to the statutory 2.5% increase in the tax levy and the remainder tied to new growth accrued in FY 2024 and expected in FY 2025, new billings to property owners for debt for the Elmwood School and the Hopkins School renovation and addition (if approved) to be excluded from the tax levy, and increase in capital spending for Core Business District parking expansion to be funded with operating surpluses from prior fiscal years. It is noteworthy that budgeted New Growth projections are down in FY 2025, as actions taken by the Town to limit large-scale residential development outside the Town center are proving effective, with the wind-down of the Legacy Farms develop, and as the property-tax-generating renewal of the Hopkinton Eversource liquid natural gas (LNG) facility is complete.

The following additional notable changes to estimates 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 \$500,000 in FY 2024 to \$0 in this plan. The Town has accumulated \$7.5 million in the tax appeal “overlay” reserve account and, with recent favorable appeal case outcomes, outstanding appeals total \$5.7 million. Reserve funds exceed current appeals in process. Eversource Energy withheld property tax appeals in the February, 2023 filing round, for the first time in several years. Even if Eversource resumes tax appeals in February, 2024, the current accumulated overlay balance is adequate, given the Town’s success in defending against Eversource appeals, and the plodding pace at which the Appellate TaxBoard adjudicates appeals.
- Local Receipts are budgeted up from \$5.6 million to \$6.2 million as returns on Town deposits have benefitted from the jump in interest rates and earnings.
- Based on a review of capital proposals, funds to be drawn from available Certified Free Cash remaining from prior year operations are recommended to be up, from \$3.5 million in FY 2024, to \$5.7 million in FY 2025, substantially driven by an opportunity to acquire a large parcel on the north side of Main Street near Town Hall for approximately \$3 million, as a long-term central business district parking enhancement.

Uses of Funds

The budget displays expenditures of \$123,521,183, equal to the projected sources of funds for a balanced budget proposal. A summary of projected Uses of Funds is provided in Enclosure (1).

In response to Reference (a), the Select Board directed that budget submissions comply with a 4.4% spending increase cap, noting that funds may not be available to support a 4.4% 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 4.4% 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 4.4% Increase		
	Amt > 4.4% Increase	Share of Excess
Employee Benefits & Insurance	\$762,660	41.89%
Hopkinton Public Schools	\$569,777	31.30%
Facilities	\$99,926	5.49%
DPW - Waste Management	\$98,229	5.40%
Blanket Insurance	\$64,144	3.52%
Parks and Recreation	\$52,436	2.88%
Keefe Technical School	\$52,036	2.86%
Town Managers Office	\$41,640	2.29%
Police	\$38,658	2.12%
Elections	\$20,582	1.13%
Library	\$20,456	1.12%
	\$1,820,544	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 at FY 2024 level, with service level increases in Public Education
- Meet contractual obligation and specific expense inflationary costs
- Provide capital funding at the level requested by Departments, noting the significance of funding a \$46.7 million request for a Hopkins School addition and renovation; deferring the Marathon School Playground proposal, the High School Track proposal, and the proposal to replace the Emergency Radio System. The proposal funds \$100,000 for community-initiated actions through participatory budgeting. The estimated tax impact of the proposed capital plan, driven substantially by the Hopkins School addition and renovation, would be \$504 in the peak year, or 4.0% on the \$12,454 tax bill for Hopkinton's average home, valued at \$852,400.
- Build general (operating) stabilization fund balances to target levels identified in policy
- Provide for growth and demographic changes in the Hopkinton Public Schools, cover expected health insurance costs increases across Town Departments, and fund inflationary cost increases in waste collection and utilities support for municipal facilities.

The proposed budget adheres to Financial Policy objectives and supports the Town's long-term fiscal health, including:

- A contribution of \$853,671 to Other (Health Care) Post Employment Benefits Fund on a tempo to achieve full funding in the early to mid 2050's.
- A contribution of \$700,000 to the Town's General Stabilization Fund, to bring 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

While this recommendation provides a balanced budget proposal for FY 2025, 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 continue 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. 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 showing future operating deficits, as you consider this issue. Enclosure (3) provides a detailed departmental budget breakdown.

Tax impact is always a foremost concern, especially as we consider the challenges of seniors, young families, and others struggling to stay in our community. The tax impact from this budget transmittal is projected to be 2.35% on existing taxpayers for the operating budget, and an additional 1.7% in FY 2025 if each of the six 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. Because of the projected timing of borrowings for the six capital forwarded for consideration; although the FY

2025 tax impact is 1.7%, please note that the peak year tax impact of those projects (notably the Hopkins School addition and renovation) is projected to be 4.1%. Tax impact is shown in 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 necessary to mitigate Town liability. The largest item proposed for funding with accumulated one-time funds is \$3.0 million for a comprehensive parking solution on the north side of Main Street. Together with the Main Street Corridor project and the off-street parking enhancements implemented on the south side of Main Street, this additional land acquisition will support redevelopment in the core commercial district. I am recommending that several requests be deferred to future years, in recognition of major capital improvements in progress and under review, principally for the Hopkinton Public Schools through the Elmwood School Replacement Project approved in late 2023 and the Hopkins School addition and renovation proposed in this budget. The five-year capital improvement plan is provided as Enclosure (6).

I am recommending that six capital 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. Town Hall Staff will work to provide high-quality information to inform those capital decisions. However, the ultimate decisions on each of the six proposals forwarded for consideration 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 requests for the Water and Sewer Enterprises. 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, the Town Manager 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, and the status of the tax appeals as relevant to the tax overlay account.

As in past years, I want 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 2024 Annual Town Meeting.

Enclosure: (1) Projected Sources and Uses of Funds, FY 2025
 (2) General Fund Five Year Financial Forecasting Model
 (3) Line by Line Appropriation Summary, FY 2025
 (4) Projected Tax Impact, FY 2025
 (5) Capital Improvement Summary, FY 2025
 (6) Five Year Capital Improvement Preview, FY 2025 - 2029

Town of Hopkinton; FY 2025 General Fund Sources and Uses 01/27/24

Sources of Funds	FY24 Budgeted Sources of Funds	FY25 Estimated Sources of Funds	% Chg. FY24 - FY25	Tax Impact
Levy Base	\$83,567,525	\$88,530,256	5.9%	2.35%
New Growth	\$1,650,000	\$1,567,500	-5.0%	1.70%
Debt Exclusions	\$6,725,617	\$8,254,669	22.7%	1.66%
Less - Provision for tax abatements/exemptions	<u>-\$500,000</u>	<u>\$0</u>	<u>-100.0%</u>	
Estimated Net Property Tax Revenue	\$91,443,142	\$98,352,425	7.6%	5.72%
Excess from Prior Fiscal Year (Cert. Free Cash)	\$3,545,463	\$5,700,036	60.8%	
State Aid	\$11,490,752	\$11,647,323	1.4%	
Less - Regional and State Program Charges	<u>-\$398,619</u>	<u>-\$416,881</u>	<u>4.6%</u>	
Estimated Net State Aid	\$11,092,133	\$11,230,442	1.2%	
Excise Tax, Licenses, other Local Receipts	\$5,650,050	\$6,172,867	9.3%	
Cost Share from Enterprise Funds	\$780,076	\$799,578	2.5%	
Ambulance, misc. sources	\$688,643	\$1,255,835	82.4%	
Total Sources of Funds:	\$113,199,507	\$123,511,182	9.1%	
Uses of Funds	FY24 Budgeted Uses of Funds	FY25 Estimated Uses of Funds	% Chg. FY24 - FY25	
Tax lien administration costs	\$50,000	\$50,000	0.0%	
State funded Library spending	\$35,070	\$28,335	-19.2%	
Repayment of Debt Principal and Interest	\$7,417,184	\$9,022,379	21.6%	
General Government	\$5,410,449	\$5,603,682	3.6%	
Public Safety	\$8,191,856	\$8,414,571	2.7%	
Regional Technical Vocational School	\$565,876	\$642,811	13.6%	
Hopkinton Public Schools Education	\$59,937,752	\$63,144,790	5.4%	
Special Education Reserve Fund	\$1,094,024	\$1,094,024	0.0%	
Public Works	\$6,868,502	\$7,288,136	6.1%	
Health and Human Services	\$1,465,230	\$1,530,959	4.5%	
Culture and Recreation	\$1,162,724	\$1,285,324	10.5%	

Employee Benefits and Insurance	\$17,570,377	\$19,106,134	8.7%
<i>Sub-Total Departmental Operating Funding</i>	<i>\$102,266,790</i>	<i>\$108,110,432</i>	<i>5.7%</i>
Transfer to OPEB (post-retirement health care)	\$832,850	\$853,671	2.5%
Transfer to Stabilization	\$700,000	\$700,000	
Town Meeting Capital Articles, free cash	\$1,897,613	\$4,746,366	150.1%
Total Uses of Funds:	\$113,199,507	\$123,511,182	9.1%

Projected revenues for FY 2025 are budgeted conservatively. Net property tax receipts are projected to increase to \$98,352,425, with \$1,567,500 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, \$2,159,275 from the tax increased allowed under Proposition 2-½, and a net increase in debt payments excluded from the proposition 2-½ limits of \$1,605,195, subject to Town Meeting approval and subsequent voter approval. Overall, property taxes account for 80% of Town operating revenue; with 82% of property tax revenue coming from residential property, 7% from industrial property, 3% from commercial property, and 8% from taxable business personal property.

State Aid, net of charges for State and regional programs, is projected to increase by \$156,571 or a 1.2%, based on the latest information from the State budget process. Local receipts are expected to increase by 9.4%, 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 and a contribution to the General Fund Stabilization account to keep its size proportionate to the growing budget. Other Sources of Funds include Ambulance Receipts Reserved and enterprise indirect (employee benefit and shared salaries) costs.

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 2025 include a \$3,207,038 (5.4%) increase in Education spending for the Hopkinton Public Schools; and a \$1,535,757 (8.7%) 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 01/27/24

	FY24 Enacted	FY25 Plan	% Change	FY26 Forecast	FY27 Forecast	FY28 Forecast
Levy Base	\$81,529,293	\$86,370,981		\$90,097,756	\$93,917,699	\$97,833,142
Amended prior year growth						
2 1/2% increase	\$2,038,232	\$2,159,275	2.5%	\$2,252,444	\$2,347,942	\$2,445,829
New Growth	\$1,650,000	\$1,567,500		\$1,567,500	\$1,567,500	\$1,567,500
Overrides/(Underrides)				\$0	\$0	\$0
Debt Exclusions	\$6,725,617	\$8,254,669		\$11,288,590	\$14,662,717	\$15,110,040
Unused Levy						
Net Tax Levy	\$91,943,142	\$98,352,425		\$105,206,289	\$112,495,859	\$116,956,510
Cherry Sheet Receipts	\$11,490,752	\$11,647,323		\$12,229,689	\$12,841,174	\$13,483,232
MSBA Reimbursements	\$0	\$0		\$0	\$0	\$0
Local Receipts	\$5,650,050	\$6,172,867		\$6,481,510	\$6,805,586	\$7,145,865
Subtotal, Revenues	\$109,083,944	\$116,172,615		\$123,917,489	\$132,142,618	\$137,585,608
Add: Additional Sources						
Free Cash - operating	\$0			\$0	\$0	\$0
Free Cash - capital/other	\$3,545,463	\$5,700,036		\$2,937,513	\$2,972,513	\$3,008,716
Enterprise - Indirect Costs	\$780,076	\$799,578		\$819,567	\$840,057	\$861,058
Overlay Surplus	\$0			\$0	\$0	\$0
General Stabilization Fund	\$0	\$0		\$0	\$0	\$0
School Stabilization Fund		\$0				
Other	\$688,643	\$1,255,835		\$653,414	\$624,458	\$624,458
Insurance Proceeds						
Unused Capital Balances		\$0		\$25,000	\$25,000	\$25,000
Subtotal	\$5,014,182	\$7,755,449		\$4,435,494	\$4,462,027	\$4,519,232
Less:						
Prov Abatements/Exemptions for	-\$500,000	\$0		-\$500,000	-\$500,000	-\$500,000
Cherry sheet offsets	-\$35,070	-\$28,335		-\$29,446	-\$30,600	-\$31,800
Snow & Ice		\$0		\$0	\$0	\$0

Cherry Sheet charges	-\$398,619	-\$416,881		-\$437,725	-\$459,611	-\$482,592
Tax title	-\$50,000	-\$50,000		-\$50,000	-\$50,000	-\$50,000
Deficits & Judgements		\$0		\$0	\$0	\$0
Debt Service	-\$7,417,184	-\$9,022,379		-\$11,958,581	-\$15,281,829	-\$16,622,559
Parks Enterprise Subsidy	\$0	\$0		\$0	\$0	\$0
Other	\$0	\$0		\$0	\$0	\$0
Subtotal	-\$8,400,873	-\$9,517,595		-\$12,975,752	-\$16,322,040	-\$17,686,951
Net Sources avail. for Approp	\$105,697,253	\$114,410,468		\$115,377,231	\$120,282,605	\$124,417,889
Expenditures By Category:	FY24 Enacted	FY25 Plan	% Change	FY26 Forecast	FY27 Forecast	FY28 Forecast
General Government	\$5,410,449	\$5,603,682	3.6%	\$5,799,811	\$6,002,805	\$6,212,903
Municipal COVID-19 PPE	\$0	\$0	0.0%	\$0	\$0	\$0
Public Safety	\$8,191,856	\$8,414,571	2.7%	\$8,709,081	\$9,013,899	\$9,329,385
Education	\$60,503,628	\$63,787,601	5.4%	\$66,976,981	\$70,325,830	\$73,842,121
Special Education Reserve Fund	\$1,094,024	\$1,094,024	0.0%	\$1,094,024	\$1,094,024	\$1,094,024
Public Works	\$6,868,502	\$7,288,136	6.1%	\$7,543,221	\$7,807,234	\$8,080,487
Human Services	\$1,465,230	\$1,530,959	4.5%	\$1,584,543	\$1,640,002	\$1,697,402
Culture & Recreation	\$1,162,724	\$1,285,324	10.5%	\$1,330,311	\$1,376,872	\$1,425,062
Employee Benefits & Insurance	\$17,570,377	\$19,106,134	8.7%	\$20,634,625	\$22,285,395	\$24,068,226
Subtotal, Omnibus Budget	\$102,266,790	\$108,110,432		\$113,672,596	\$119,546,059	\$125,749,611
Articles - non-capital						
Articles - capital	\$1,897,613	\$4,746,366		\$1,800,000	\$1,800,000	\$1,800,000
Transfer to Stabilization Fund(s)	\$700,000	\$700,000		\$262,500	\$275,625	\$289,406
Transfer to OPEB Trust	\$832,850	\$853,671		\$875,013	\$896,888	\$919,310
Total Expenditures	\$105,697,253	\$114,410,468		\$116,610,109	\$122,518,572	\$128,758,327
Surplus (Shortfall)	\$0	\$0		-\$1,232,878	-\$2,235,967	-\$4,340,438

Tax Impact - General Fund Spending & Excluded Debt

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

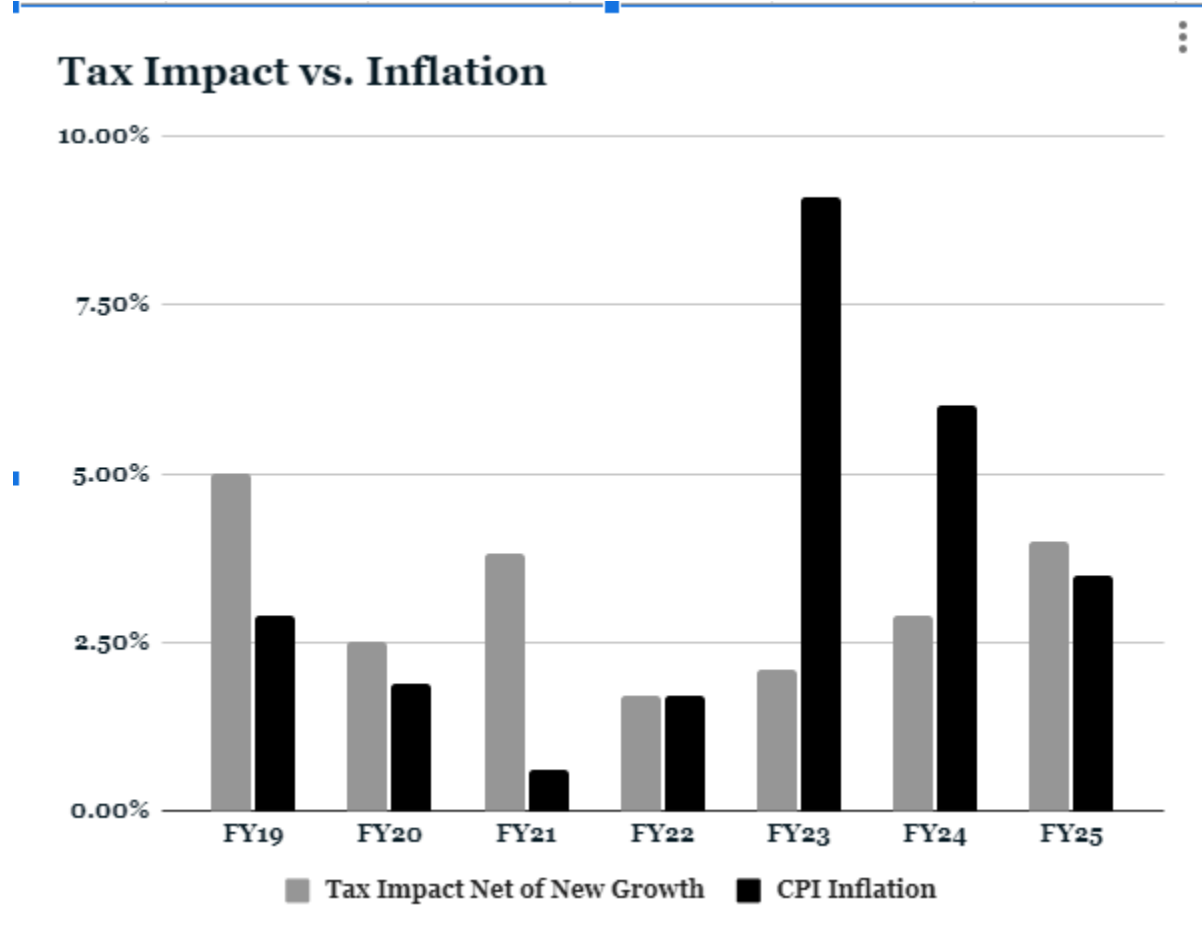
$$\frac{\text{Assessed value of individual property}}{\text{Assessed value of all property in Town}} \times \text{Amount to be raised from property tax} = \text{Individual property tax}$$

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

Across all tax bills, although the full tax levy available is proposed for use, the average tax impact on existing property for FY 2025 will be 2.35% on existing taxpayers for the operating budget, and an additional 1/7% in FY25 if each of the six 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. Because of the projected timing of borrowings for the six capital projects; although the FY2025 tax impact is 1.7%, please note that the peak year impact of those projects is projected to be 4.1%.

Town of Hopkinton; Projected Tax Impact 01/27/24				
<u>Overall Tax Impact Summary:</u>	FY24	Tax Impact % Change from FY23	FY25	Maximum Tax Impact % Change from FY24
Prior Year Unused Levy	\$0	0.00%	\$0	0.00%
Statutory 2 1/2% Levy Increase	\$2,038,232	2.32%	\$2,159,275	2.35%
Override/(Underride)	\$0	0.00%	\$0	0.00%
Unused Levy	\$0	0.00%	\$0	0.00%
Net Change in Principal & Interest on Excluded Debt	\$534,271	-0.21%	\$1,529,052	1.66%
Change in Tax Levy on Existing Tax Base	\$2,572,503	2.09%	\$3,688,327	4.01%
Additional Projected Tax Levy from New Growth	\$2,764,650	3.03%	\$1,567,500	1.70%
Total Increase in Tax Levy	\$5,337,153	5.12%	\$5,255,827	5.72%

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 2025. The FY 2025 budget considers an increase in inflation, and specifically inflation in expected health care costs,

which are budgeted to be up 8.7% in FY 2025. Sustained inflation, if it should occur, would require further noteworthy adjustments in FY 2026 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 2025 budget proposal recommends that six projects totaling \$52 million 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.

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.

<u>General Fund - Borrowing Excluded from Tax Levy Limit</u>					
	<u>Department</u>	<u>Project</u>	<u>Amount Requested</u>	<u>Town Manager Recommendations</u>	<u>Peak Year Tax Impact</u>
155	Info. Technology	Paper Record Digitization - All Town Records	\$667,500	\$667,500	
		<i>Estimated Peak Year Principal & Interest (5 year, FY 25 Peak)</i>	\$22	\$22	0.18%
214	Communications	Emergency Radio System Replacement	\$4,000,000	\$0	
		<i>Estimated Peak Year Principal & Interest (year, FY 25 Peak)</i>	\$56	\$0	0.00%
300	Public Schools	HVAC, Three Large Air Handling Units	\$700,000	\$700,000	
		<i>Estimated Peak Year Principal & Interest (5 year, FY 25)</i>	\$23	\$23	0.18%

		<i>Peak</i>			
300	Public Schools	Hopkins School Addition & Renovation	\$48,550,000	\$48,550,000	
		<i>Estimated Peak Year Principal & Interest (30 year, FY 28 Peak)</i>	\$429	\$429	3.44%
420	Public Works	Drainage Improvement - Ash Street	\$500,000	\$500,000	
		<i>Estimated Peak Year Principal & Interest (15 year, FY 25 Peak)</i>	\$7	\$7	0.06%
420	Public Works	Roadway Sidewalks - DiCarlo, Barbara, Peppercorn	\$780,000	\$780,000	
		<i>Estimated Peak Year Principal & Interest (15 year, FY 25 Peak)</i>	\$11	\$11	0.09%
420	Public Works	Granite Street Culvert Replacement	\$850,000	\$850,000	
		<i>Estimated Peak Year Principal & Interest (15 year, FY 25 Peak)</i>	\$12	\$12	0.10%
		Borrowing Excluded from Tax Levy Limit:	\$56,047,500	\$52,047,500	
		<i>Combined Estimated Peak Year Principal & Interest</i>	\$560	\$504	4%

In FY 2024, General Fund Debt (principal and interest due) is 71.6% (\$73,259,257) of the Departmental Operating Budget (\$73M/\$102M) and 1.17% of the taxable value of all property in the Town (\$73M/\$6.265B).

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. The Town will take a proactive approach with the rating agencies in an effort to understand the impact of our borrowing decisions and provide transparency to the residents of Hopkinton. We recognize there is more to our AAA rating than our debt, but it does have a significant impact.

Taken together, the five year capital plan (appendix) and moderate projected growth in departmental spending (Schools +5%, Benefits +8%, all others +3.5%), the FY 2029 outlook is for a 10% 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 2029 outlook is for a 22% increase in tax impact in five years.

Water Enterprise Fund:

As discussed last FY, there is an estimated \$25 million dollars that may be needed 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.

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 - 92% of revenue to support the proposed budget in FY 2025 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 06/30/2023, 99.6% of 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 - 9% of revenue to support the proposed budget in FY 2025 is expected from local aid provided by the Commonwealth. This revenue source has been quite consistent in most circumstances. 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 - 8% of revenue to support the proposed budget in FY 2025 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 - 5% of revenue to support the proposed budget in FY 2025 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 2023, 99.0% 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 - 7.7% of revenue to support the proposed budget in FY 2025 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 2025 budget includes funds that have already been certified, this source of funds rates a 10/10 for FY 2025. As long as the Town continues to budget cautiously, as the proposed FY 2025 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 3/31/24, the unrestricted General Fund Stabilization Trust Fund managed by the Town Treasurer contained \$4,843,721.99. Article 12 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 \$357,682.58 and unallocated Certified Free Cash provide additional layers of resilience and reliability to the Towns' financial standing. If the

Articles are approved, there is expected to be \$2.5 million as Free Cash uncertified balance.

- **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, when combining our current debt of \$78 million with the approved Elmwood replacement cost of \$90.2 million, we are at 65% of our statutory debt limit. If all of the FY 25 Capital articles are approved, that would add another \$52 million in debt and bring us to 83% of the limit.

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 2025 in Warrant Article 8. The table below provides a summary of revolving fund activity for FY 2022 through March 31, 2024. A complete report of all revolving funds is available for review in the Town's Annual Report.

Fund	Title	Balance 7/1/21	Balance 6/30/22	Balance 6/30/23	Balance 3/31/24
Town	PLN BRD CONS 53G 0HRW	10,396	3,049	3,049	3,049
Town	PLN BRD CONS 53G 0SOUT	6,456	6,006	5,406	5,351
Town	PLN BRD CONS 53G 37EAS	21,350	18,130	16,758	11,946
Town	DETAIL ADMIN FEES	21,618	21,446	31,297	19,265
Town	BUILDING FEES 53E 1/2	1,547,692	1,585,798	1,660,328	1,617,124
Town	BOH CONSULTANTS 53G	18,082	18,082	18,082	18,082
Town	CONS COMM FEES 53E1/2	81,538	50,677	60,265	53,573
Town	PLN BRD CONS 53G CHEST	7,550	7,550	7,550	7,550
Town	FAC INS REIMB UNDER \$20K	20,249	20,249	20,249	20,249
Town	HIGHWAY CONSULTANTS 53G	12,280	12,280	12,280	12,280
Town	PLN BRD CONS 53G LFPNW	36,841	33,795	33,795	33,795
Town	PLN BRD FEES 53E1	6,607	6,610	6,610	6,610
Town	PLN BRD CONS 53G	215,113	215,136	215,356	215,356
Town	POLICE FEES 53E 1/2	13,361	13,361	13,361	13,361
Town	PLUMBING GAS FEES 53E1/2	232,143	310,545	383,693	430,538
Town	RECYCLING FEES 53E1/2	6,729	3,682	1,174	3,192
Town	RECREATION PROGRAMS	512,425	278,516	327,603	327,603
Town	SENIOR CENTER PROGRAMS	36,571	35,445	12,440	-311
Town	SENIOR DISABLED REV FD	30,317	24,017	12,183	13,367
Town	SEL INS REIMB UNDER \$20K	11,567	11,567	11,567	11,567
Town	WCD TRASH BAG FEES 53E1/2	14,492	15,128	2,932	7,198
Town	WIRING FEES 53E1/2	222,768	262,167	409,820	474,854
Town	ZONING BOA FEES 53E1/2	10,240	16,898	22,828	25,781
Town	ZONING BOA CONSULTANTS 5	16,960	16,960	16,960	16,960
Town	FRUIT STREET	334,199	414,870	412,495	408,128
School	ATHLETIC HS	587,613	717,378	692,630	771,143
School	BUILDING USE	383,130	473,893	423,096	531,272
School	BUS FEES	678,494	811,005	725,923	637,598
School	CIRCUIT BREAKER SPED	484,044	657,793	1,156,545	1,697,212
School	DRAMA HS	25,504	17,905	9,189	22,000
School	DRAMA MS	22,685	16,173	32,216	30,657
School	LOST BOOKS HS	6,384	7,819	7,607	7,878
School	LAPTOP INIT 53E1/2 HS	305,701	287,174	274,811	137,021
School	PARKING HS	187,344	250,998	293,954	232,386
School	TUITION INT STUD	718,731	844,786	655,713	588,367
School	TUITION PRE K	464,203	571,348	643,496	439,950
School	HIGH SCHOOL TURF FIELD	73,992	134,872	167,819	180,072

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 \$2,003,717 for salaries, benefits, operating expenses, and indirect costs in FY 2025. The proposed budget for the Water Enterprise also includes \$678,492 to pay principal and interest on previous capital purchases.

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 \$1,544,862 for salaries, benefits, and operating expenses for FY 2025. The proposed budget for the Sewer Enterprise also includes \$920,604 to pay principal and interest on previous capital purchase. There are no new capital projects proposed for FY 2025..

Water and Sewer Enterprise rates for FY 2025 will be set at a rate hearing in June, 2024. 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 21.02% in FY 2024.

At the start of FY 2024, \$6,438,351 was available for appropriation in the CPF, with \$3,586,620 allocated to projects not yet completed. The FY 2025 proposed budget calls for \$476,989 in spending on eight projects. With \$1,951,911 in new collections and anticipated state matching funds, the CPF balance available for future appropriation will be \$5,061,542.05, 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 2025 budget recommendation.

	Ending Balance, After May 2023 Town Meeting Action	Proposed Projects FY25
Open Space	\$1,554,534	\$20,210.00
Historic Resources	\$1,332,053	\$260,879.00
Community Housing	\$1,065,555	\$5,900.00
Recreation	\$646,216	\$190,000.00
Budgeted Reserve	\$1,076,476	\$1,103,387.00
Undesignated	\$2,646,876	\$4,857,975.00
Available for Appropriation	\$8,321,710	\$6,438,351.00
Allocated to Projects	\$3,161,573	\$476,989.00
Available & Allocated to Projects	\$11,483,283	\$6,915,340.00

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, 2024, Hopkinton's OPEB Liability Trust Fund had a reported balance of \$6,165,982.51 for a funding level of 14% of the liability, as the liability increased proportionate with the net effect of market returns and the contribution made in May, 2023.

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, 2024:

Domestic Common Stock	37.52%
International Common Stock	20.26%
Alternative (e.g. Hedge)	8.55%
Fixed Income	33.01%
Cash Equivalents	0.65%

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

The FY 2025 budgeted increased level of contribution to the OPEB Fund was \$853,671. The FY 2026 contribution is proposed to be \$875,013. 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 to OPEB after the employee pension liability is fully funded in 2037;
- Increasing the annual contribution from a planned \$875,013 in FY 2026 and continuing to escalate that new, higher level of contribution by 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, 2024, the Town had \$6,259,707.48 in trust fund assets invested in accordance with the statutorily defined Massachusetts “legal list” of authorized investments with the following portfolio weighting:

Common Stock:	11.44%
Fixed Income:	84.45%
Cash and Equivalents:	3.38%

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, 2024 the general Stabilization Trust Fund had a balance of \$4,843,721.99. 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 185 retirees in the system, and 389 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.

Overlay to Account for Tax Appeals & Abatements

As previously noted, property taxes contribute 82% 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, 2024, Eversource Energy is actively appealing \$5.7 million in Hopkinton tax bills, with \$1.6 million of those appeals heading to adjudication in October 2024. 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
3/31/2024	General Fund Stabilization Trust Fund	\$4,843,722
3/31/2024	General Fund Capital Stabilization Trust Fund	\$357,683
3/31/2024	Other Post Employment Benefits Trust Fund	\$6,165,983
3/31/2024	School Department Stabilization Fund	\$51,231
3/31/2024	Water Enterprise Retained Earnings	\$303,333
3/31/2024	Sewer Enterprise Retained Earnings	\$2,372,650

Financial Articles: Background Information & Recommendations

**ARTICLE: 2 FY 2024 Supplemental Appropriations and Transfers; Sponsor:
Town Manager**

\$500,000; Source - Certified Free Cash

\$188,000; Source - Sewer Enterprise Fund Retained Earnings

We move that the Town vote transfer the sum of \$500,000 (FIVE HUNDRED THOUSAND DOLLARS) from Certified Free Cash to supplement the FY2024 Snow and Ice Control Operating Budget, and \$188,000 (ONE HUNDRED EIGHTY EIGHT THOUSAND DOLLARS) from Sewer Enterprise Fund Retained Earning to supplement the Sewer Enterprise Fund.

ARTICLE: 3 Unpaid Bills from Prior Fiscal Years; Sponsor: Town Manager

\$16,318.12; Source - 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 2024 could not be paid using a fiscal year 2025 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 Rescind Authorized but Unissued Debt; Sponsor: Town Manager

To see if the Town will vote to rescind authorized and unissued debt for projects that are no longer necessary or do not require additional funding.

Purpose	Date of Vote	Article Number	Unissued

ARTICLE: 5 Excess Bond Premium; Sponsor: Town Manager

To see if the Town will vote to appropriate the remaining excess bond premium from the Town's General Obligation Municipal Purpose Loan of Bonds to capital projects of the Town for which such bonds were issued or for which borrowing has been authorized, so as to reduce the borrowing authorizations accordingly, or to other capital projects of the Town.

ARTICLE: 6 Set the Salary of Elected Officials; Sponsor: Select Board

\$85,882

To see if the Town will vote to fix the salary or compensation of all the elected officials of the Town in accordance with General Laws Chapter 41, § 108.

ARTICLE: 7 Fiscal Year 2025 Operating Budget; Sponsor: Town Manager

To hear and act on reports and recommendations of the Appropriation Committee and to see if the Town will vote to raise and appropriate, transfer from available funds, borrow, or otherwise provide a sum or sums of money for the operation and maintenance of Town Departments for the fiscal year beginning on July 1, 2024, and that such sums be expended for such purposes under the direction of the respective Town Officers, Boards, and Committees.

- \$116,038,787 *to the General Fund; and*
- \$228,430 *to the Community Preservation Fund; and*
- \$2,465,466 *to the Sewer Enterprise Fund; and*
- \$2,682,209 *to the Water Enterprise Fund*

for a total of \$121,414,893 (ONE HUNDRED TWENTY ONE MILLION, FOUR HUNDRED FOURTEEN THOUSAND AND EIGHT HUNDRED NINETY THREE DOLLARS) for the purposes itemized and described in the Fiscal Year 2024 Operating Budget of the Town, in the amounts set forth in the Appropriation Committee Report with Recommendations Approved April 19, 2024 the column titled "Appropriation Committee Recommendation" for the Fiscal Year beginning July 1, 2024, in the column titled "Appropriation Committee Recommendation," said sums to be spent under the direction of the respective Town officers, Boards, and Committees, and that amounts appropriated be raised as follows

GENERAL FUND

Transfers from available funds:

<i>Ambulance Receipts Reserved</i>	\$	550,000
<i>Title V</i>	\$	64,458
<i>Bond Premiums</i>	\$	31,376.55
 <i>Transfers from available funds</i>	 \$	 645,834.55
 <i>Local Receipts, Intergovernmental Revenue and Tax Levy</i>	 \$	 120,769,058

GENERAL FUND \$ 121,414,893

COMMUNITY PRESERVATION FUND

Transfers from available funds, as recommended by the Community Preservation Committee:

CPC Undesignated Fund Balance \$ 228,430

COMMUNITY PRESERVATION FUND \$ 228,430

SEWER ENTERPRISE FUND

FY2023 Sewer Enterprise Fund Revenue

SEWER ENTERPRISE SOURCES OF FUNDS \$ 2,123,000

Indirect Costs to be raised from the FY2023 Sewer Enterprise Fund revenues, appropriated in the General Fund

\$ 342,466

SEWER ENTERPRISE BUDGET \$ 2,465,466

WATER ENTERPRISE FUND

FY2023 Water Enterprise Revenue

WATER ENTERPRISE SOURCES OF FUNDS \$ 2,225,098

Indirect costs to be raised from the FY2023 Water Enterprise Fund revenues, appropriated in the General Fund

\$ 457,111

WATER ENTERPRISE BUDGET \$ 2,682,209

ARTICLE: 8 FY 2025 Revolving Funds Spending Limits; Sponsor: Town Manager

To see if the Town will vote to establish the limit on the total amount that may be expended from each revolving fund established by the General Bylaws, Chapter 13, Article VI, pursuant to

General Laws chapter 44, § 53E½, for the fiscal year beginning on July 1, 2024.

<u>Revolving Fund</u>	<u>Spending Limit for the Fiscal Year 2025</u>
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 1:1 Laptop Initiative	\$475,000
Fingerprinting Fund	\$500
Senior Center Programs Fund	\$75,000
Police Department	\$14,000
Parks and Recreation	\$130,000
Shared Housing Services Office	\$125,000

ARTICLE: 9 PEG Access and Cable Related Funding; Sponsor: Town Manager

\$70,000; Source - Certified Free Cash

\$285,438; Source - PEG Access and Cable Related Fund Revolving Account

To see if the Town will vote to appropriate, transfer from available funds, or otherwise, a sum or sums of money from the PEG Access and Cable Related Fund Revolving Account, established

pursuant to General Laws Chapter 44, §53F^{3/4}, and any other sources, to support public, educational, or governmental access cable television services.

ARTICLE: 10 Chapter 90 Highway Funds; Sponsor: Town Manager

\$638,003.18

To see if the Town will vote to appropriate a sum or sums of money from the proceeds due to the Town pursuant to General Laws Chapter 90 for the purposes of repair, construction, maintenance, and preservation of the Town's roads and bridges, the acquisition of easements and other interests in real property related to the laying out of ways, and other related costs, all which qualify under the State Aid Highway Guidelines adopted by the Massachusetts Department of Transportation; said sum to be spent under the direction of the Town Manager.

ARTICLE: 11 Transfer to Other Post-Employment Benefits Liability Trust Fund; Sponsor: Town Manager

\$853,671 Source - Certified Free Cash

To see if the Town will vote to raise and appropriate, transfer from available funds, or otherwise provide a sum or sums of money for the purpose of increasing the Other Post-Employment Benefits Liability Fund.

ARTICLE: 12 Transfer to the General Stabilization Fund; Sponsor: Town Manager

\$700,00 Source - Certified Free Cash

To see if the Town will vote to raise and appropriate, transfer from available funds, or otherwise provide a sum or sums of money for the purpose of increasing the General Stabilization Fund, to be used, upon further appropriation, for any lawful purpose.

ARTICLE: 14 Transfer to the School Special Education Reserve Fund; Sponsor: Town Manager

\$1,094,024

To see if the Town will vote to raise and appropriate, transfer from available funds, or otherwise provide a sum or sums of money for the purpose of increasing the School Special Education Reserve Fund, to be used, without further appropriation, for unanticipated or unbudgeted costs of special education and recovery high school programs, out-of-district tuition, or transportation.

ARTICLE: 15 Opioid Funds Appropriation; Sponsor: Town Manager

\$45,190.32 Source - Certified Free Cash

To see if the Town will vote to appropriate from certified free cash, \$45,190.32 (FORTY-FIVE THOUSAND, ONE HUNDRED NINETY DOLLARS AND THIRTY-TWO CENTS) in opioid settlement funds received prior to Fiscal Year 2024 into a special revenue fund for this purpose.

CAPITAL EXPENSES AND PROJECTS

ARTICLE: 16 Pay-As-You-Go Capital Expenses; Sponsor: Town Manager

To see if the Town will vote to raise and appropriate, transfer from available funds, transfer from the Capital Stabilization Fund, or otherwise provide a sum or sums of money to fund the following Pay-As-You-Go capital purchases and projects:

Item	Purchase or Product	To be spent under the direction of
1	End User Computer Hardware Refresh	Town Manager
2	Network Switches	Town Manager
3	Cyclical Replacement of Multi-Function Printers	Town Manager
4	Police Department Vehicle Replacement – Three Cruisers	Town Manager
5	Lucas CPR Machine	Town Manager
6	Ambulance 2 Replacement	Town Manager
7	Fruit Street Garage Repairs	Town Manager
8	Town Facilities Master Planning	Town Manager
9	Replace Street Sweeper (E-22)	Town Manager
10	Superduty Pickup (M-1) F-350 Replacement	Town Manager
11	Schools Systemwide Technology Upgrades	School Superintendent
12	Participatory Budget Items: Two ADA accessible exit doors and a fence at the amphitheater area at Hopkinton Center for the Arts, 98 Hayden Rowe; Black Earth composting starter kits for residents; Pollinator gardens at the Hughes Farm and Pratt Farm conservation areas; Turtle crossing signs	Town Manager

\$1,113,766 Source - Certified Free Cash
\$520,000 Source - Ambulance Receipts

<u>Item</u>	<u>Purchase or Product</u>	<u>Department</u>	<u>Amount</u>	<u>To be spent under the direction of</u>
1	End User Computer Hardware Refresh	Technology Department	\$76,183	Town Manager
2	Network Switches	Technology Department	\$40,500	Town Manager
3	Cyclical Replacement of Multi-Function Printers	Technology Department	\$24,000	Town Manager
4	Police Department Vehicle Replacement – Three Cruisers	Police Department	\$217,300	Town Manager
5	Lucas CPR Machine	Fire Department	\$23,383	Town Manager
6	Ambulance 2 Replacement	Fire Department	\$520,000	Town Manager
7	Fruit Street Garage Repairs	Engineering/ Facilities Department	\$24,000	Town Manager
8	Town Facilities Master Planning	Engineering/ Facilities Department	\$100,000	Town Manager
9	Replace Street Sweeper (E-22)	Department of Public Works	\$325,000	Town Manager
10	Superduty Pickup (M-1) F-350 Replacement	Department of Public Works	\$131,000	Town Manager
11	Schools Systemwide Technology Upgrades	School Department	\$100,000	School Superintendent
12	Participatory Budget Items: Two ADA accessible exit doors and a fence at the amphitheater area at Hopkinton Center for the Arts, 98 Hayden Rowe; Black Earth composting starter kits for residents; Pollinator gardens at the Hughes Farm and Pratt Farm conservation areas; Turtle crossing signs	Town Manager's Office	\$52,400	Town Manager

ARTICLE: 17 Digitization of All Town Records; Sponsor: Director of Information Technology & Innovation Services

\$667,500

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 digitization of all Town records, 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 Districtwide HVAC Replacement; Sponsor: School Committee

\$700,000

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 replacement of HVAC/air handling units at the Hopkinton Public Schools, including any and all costs, fees, and expenses related to the same; said sum to be spent under the direction of the School Committee.

ARTICLE: 19 Hopkins Elementary School Addition and Renovation; Sponsor: School Committee

\$48,550,000

Purpose	Date of Vote	Article Number	Unissued
High School Addition	12/9/19	3	\$465,000
Roof Replacement	5/8/21	19	\$405,000
Elmwood Feasibility	5/8/21	2	\$353,000
Marathon Addition	5/8/21; 5/2/22	17; 29	\$425,000
Total			\$1,648,000

To see if the Town will vote to repurpose the \$1,648,000 and raise and appropriate, transfer from available funds, borrow, appropriate from excess bond premiums, or otherwise provide a sum or sums of money for renovation and an addition to the Hopkins Elementary School, including any and all costs, fees, and expenses related to the same; said sum to be spent under the direction of the School Committee.

ARTICLE: 20 Ash Street and Fenton Street Drainage Improvement; Sponsor: Director of Public Works

\$500,000

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 survey, design, engineering, permitting, and construction of drainage improvements on Ash Street and Fenton Street, 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: 21 Roadway and Sidewalk Improvements, DiCarlo Road, Peppercorn Road, Barbara Road; Sponsor: Director of Public Works

\$780,000

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 survey, design, engineering, permitting, and construction of roadway, sidewalk, and drainage improvements on DiCarlo Rd., Peppercorn Rd., and Barbara Rd., 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: 22 Granite Street Culvert Replacement; Sponsor: Director of Public Works

\$850,000

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 survey, design, engineering, permitting, and construction of culvert replacement on Granite Street, 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: 23 Townwide Flushing Program; Sponsor: Director of Public Works

\$100,000 Source - Water Enterprise Fund Retained Earnings

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 a town wide water main flushing program, 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: 24 Howe Street Water Treatment Plant – Ozone Treatment; Sponsor: Director of Public Works

\$958,000 Source - Water Enterprise Fund Retained Earnings

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 replacement of the ozone treatment system at the Howe Street Water Treatment Plant in Ashland, 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: 25 Grove Street Water Tank Design; Sponsor: Director of Public Works

\$250,000 Source - Water Enterprise Fund Retained Earnings

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 design, engineering, environmental assessment and abatement, and permitting support of the Grove Street Water tank, 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: 26 East Main Street Water Main Replacement; Sponsor: Director of Public Works

\$400,000 Source - Water Enterprise Retained Earnings

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 design, engineering, and permitting support for East Main Street Water Main replacement, 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: 27 Water Department Vehicle Replacement (W1); Sponsor: Director of Public Works

\$70,000 Source -Water Enterprise Fund Retained Earnings

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 the replacement of one utility pickup truck, 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: 28 Water Department Vehicle Replacement (W2); Sponsor: Director of Public Works

\$125,000 Source - Water Enterprise Fund Retained Earnings

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 the replacement of one utility pickup truck, 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: 29 Water Department Vehicle Replacement (W3); Sponsor: Director of Public Works

\$95,000 Source - Water Enterprise Fund Retained Earnings

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 the replacement of one utility pickup truck, 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: 30 Sewer Department Vehicle Replacement); Sponsor: Director of Public Works

\$85,000 Source - Sewer Enterprise Fund Retained Earnings

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 the replacement of one pickup truck, 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: 31 Wastewater Treatment Plant Membrane; Sponsor: Director of Public Works

\$345,000 Source - Sewer Enterprise Fund Retained Earnings

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 the replacement of the wastewater treatment plant membrane at the Fruit Street Wastewater

Treatment Facility, 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: 32 Sewer System Evaluation, Hayden Rowe Pump Station; Sponsor: Director of Public Works

\$221,500 Source - Sewer Enterprise Fund Retained Earnings

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 a sewer system evaluation survey to address concerns and operational issues related to wastewater flows to the Hayden Rowe Pump Station, 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: 33 Municipal Parking; Sponsor: Select Board

\$2,985,000 Source - Certified Free Cash

Acquire by gift, purchase, lease, eminent domain or otherwise, an interest in 10 Walcott Street, 14 Main Street and 0 Main Street (Assessors Map parcels U16 143 0, U16 151 0, U16 153 4) for the purpose of providing municipal parking on such terms as the Select Board shall deem to be in the best interests of the Town and to

- raise and appropriate, borrow, transfer from available funds, or otherwise provide a sum of money for the purpose of said acquisition; and
- Accept a gift of construction of the parking lot located at 6 Walcott Street (Assessors Map parcel U16 144 0) connected to the property located at 18 Main Street (Assessors Map parcel U16 149 0) for the purpose of providing municipal parking in the downtown area on such terms as the Select Board shall deem to be in the best interests of the Town.

ARTICLE: 34 Toxic Chemicals Testing; Sponsor: Sustainable Green Committee

\$10,000

To see if the Town will appropriate funds not to exceed \$10,000 for the purpose of detecting toxic chemicals including PFAS, pesticides, herbicides, or elements including lead and arsenic,

as determined by the town with oversight by the Health Department, in any town lands or waters or in any media prior to application to town lands or waters by the Town of Hopkinton.

Line Item Departmental Budgets

			FY24 Enacted	FY25 Town Mgr. Recommend	FY25 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	\$503,678	\$560,461	\$560,461	
		Expenses	\$22,300	\$30,300	\$30,300	
		Total	\$525,978	\$590,761	\$590,761	\$590,761
131	Appropriation Committee					
		Expenses	\$0	\$500	\$500	
		Reserve Fund	\$125,000	\$125,000	\$125,000	
		Total	\$125,000	\$125,500	\$125,500	\$125,500
133	Accounting, Procurement and Grants					
		Personal Services	\$276,078	\$280,355	\$280,355	
		Expenses	\$35,500	\$35,500	\$35,500	
		Total	\$311,578	\$315,855	\$315,855	\$315,855
135	Finance					
		Personal Services	\$686,680	\$681,600	\$681,600	
		Expenses	\$102,585	\$102,435	\$102,435	
		Appraisal Services	\$182,000	\$173,000	\$173,000	

		Total	\$971,265	\$957,035	\$957,035	\$957,035
151	Legal					
		Legal Counsel	\$297,959	\$311,069	\$311,069	
		Total	\$297,959	\$311,069	\$311,069	\$311,069
152	Human Resources					
		Personal Services	\$277,071	\$290,271	\$290,271	
		Compensation Contingency	\$375,000	\$375,000	\$375,000	
		Expenses	\$124,486	\$124,612	\$124,612	
		Total	\$776,557	\$789,883	\$789,883	\$789,883
155	Information Technology					
		Personal Services	\$411,122	\$403,294	\$403,294	
		Expenses	\$692,932	\$757,117	\$757,117	
		Total	\$1,104,054	\$1,160,411	\$1,160,411	\$1,160,411
161	Town Clerk					
		Personal Services	\$171,456	\$175,411	\$175,411	
		Expenses	\$13,070	\$15,530	\$15,530	
		Total	\$184,526	\$190,941	\$190,941	\$190,941
162	Election & Registration					
		Personal Services	\$19,565	\$23,781	\$23,781	
		Expenses	\$27,800	\$36,250	\$36,250	
		Total	\$47,365	\$60,031	\$60,031	\$60,031
170	Land Use, Planning & Permitting					
		Personal Services	\$544,465	\$561,400	\$561,400	
		Expenses	\$46,732	\$55,827	\$55,827	
		Total	\$591,197	\$617,227	\$617,227	\$617,227
177	Green Committee					
		Expenses	\$5,000	\$5,000	\$5,000	
		Total	\$5,000	\$5,000	\$5,000	\$5,000

173	Open Space Committee					
		Expenses	\$15,200	\$15,200	\$15,200	
		Total	\$15,200	\$15,200	\$15,200	\$15,200
187	Trail Committees					
		Upper Charles Tr. Comm. Expenses	\$54,000	\$54,000	\$54,000	
		Trails Coord. Mgt. Comm. Expense	\$30,000	\$30,000	\$30,000	
		Total	\$84,000	\$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					
		Electronic Voting	\$10,000	\$10,000	\$10,000	
		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	\$370,500	\$370,500	\$370,500	\$370,500
Public Safety						
210	Police					
		Personal Services	\$3,191,508	\$3,378,931	\$3,378,931	
		Expenses	\$189,506	\$189,506	\$189,506	
		Auxiliary Police Expenses	\$0	\$0	\$0	\$0
		Total	\$3,381,014	\$3,568,437	\$3,568,437	\$3,568,437
214	Communications					

		Personal Services	\$796,235	\$815,754	\$815,754	
		Expenses	\$56,935	\$56,935	\$56,935	
		Total	\$853,170	\$872,689	\$872,689	\$872,689
220	Fire					
		Personal Services	\$3,578,993	\$3,604,001	\$3,604,001	
		Expenses	\$330,500	\$319,000	\$319,000	
		Total	\$3,909,493	\$3,923,001	\$3,923,001	\$3,923,001
244	Sealer of Weights & Measures					
		Personal Services	\$3,420	\$3,701	\$3,701	
		Expenses	\$1,300	\$1,300	\$1,300	
		Total	\$4,720	\$5,001	\$5,001	\$5,001
292	Animal Control					
		Personal Services	\$36,759	\$38,743	\$38,743	
		Expenses	\$6,700	\$6,700	\$6,700	
		Total	\$43,459	\$45,443	\$45,443	\$45,443
<u>Education</u>						
300	Hopkinton Public Schools					
		Hopkinton Public Schools	\$59,937,752	\$63,144,790	\$63,144,790	
		Total	\$59,937,752	\$63,144,790	\$63,144,790	\$63,144,790
800	Regional Technical Vocational School					
		Regional Schools	\$565,876	\$642,811	\$642,811	
		Total	\$565,876	\$642,811	\$642,811	\$642,811
<u>Public Works</u>						
410	Engineering & Facilities					

		Personal Services	\$371,299	\$444,587	\$444,587	
		Expenses	\$1,011,484	\$1,098,965	\$1,098,965	
		Total	\$1,382,783	\$1,543,552	\$1,543,552	\$1,543,552
420	Public Works Administration					
		Personal Services	\$552,853	\$538,912	\$538,912	
		Total	\$552,853	\$538,912	\$538,912	\$538,912
422	Highway					
		Personal Services	\$1,099,233	\$1,100,730	\$1,100,730	
		Expenses	\$627,170	\$827,375	\$827,375	
		Sidewalk Maintenance	\$50,000	\$55,000	\$55,000	
		Pavement Management	\$501,000	\$523,044	\$523,044	
		Stormwater System	\$370,000	\$370,000	\$370,000	
		Parks and Rec Facility Support	\$105,000	\$0	\$0	
		Lake Maspenock Weed Control	\$60,000	\$60,000	\$60,000	
		Total	\$2,812,403	\$2,936,149	\$2,936,149	\$2,936,149
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	\$27,500	\$27,500	\$27,500	
		Total	\$27,500	\$27,500	\$27,500	\$27,500
427	Tree Warden					
		Personal Services	\$14,354	\$0	\$0	

		Expenses	\$250,000	\$250,685	\$250,685	
		Total	\$264,354	\$250,685	\$250,685	\$250,685
429	Other Storm Control					
		Storm Control	\$18,250	\$20,000	\$20,000	
		Total	\$18,250	\$20,000	\$20,000	\$20,000
433	Waste Collection & Disposal					
		Recycling Salaries	\$10,159	\$0	\$0	
		Rubbish Collection/Disposal	\$568,000	\$645,400	\$645,400	
		Rubbish Disposal	\$423,000	\$444,150	\$444,150	
		Recycling Expense	\$25,000	\$432,600	\$432,600	
		Recycling Collection/Disposal	\$390,000	\$59,898	\$59,898	
		Household Hazardous Waste	\$10,000	\$5,000	\$5,000	
		Total	\$1,426,159	\$1,587,139	\$1,587,139	\$1,587,139
491	Cemetery Commission					
		Personal Services	\$0	\$0	\$0	
		Expenses	\$1,200	\$1,200	\$1,200	
		Total	\$1,200	\$1,200	\$1,200	\$1,200
<u>Health and Human Services</u>						
511	Health Services					
		Personal Services	\$390,194	\$410,374	\$410,374	
		Expenses	\$88,410	\$88,860	\$88,860	
		Total	\$478,604	\$499,234	\$499,234	\$499,234
541	Senior Center					
		Personal Services	\$475,663	\$499,555	\$499,555	

		Expenses	\$46,925	\$46,925	\$46,925	
		Total	\$522,588	\$546,480	\$546,480	\$546,480
542	Youth & Family Services					
		Personal Services	\$226,914	\$241,796	\$241,796	
		Expenses	\$106,782	\$106,882	\$106,882	
		Total	\$333,696	\$348,678	\$348,678	\$348,678
543	Veterans Services					
		Veterans District	\$53,842	\$60,067	\$60,067	
		Veterans Service Benefits	\$75,000	\$75,000	\$75,000	
		Veterans Supplies	\$1,500	\$1,500	\$1,500	
		Total	#REF!	\$136,567	\$136,567	\$136,567
<u>Culture and Recreation</u>						
610	Library					
		Personal Services	\$884,539	\$935,757	\$935,757	
		Expenses	\$45,965	\$56,145	\$56,145	
		Total	\$930,504	\$991,902	\$991,902	\$991,902
620	Parks and Recreation					
		Personal Services	\$177,220	\$223,322	\$223,322	
		Expenses	\$22,000	\$37,100	\$37,100	
		Rec Facility Debt Service	\$0	\$0	\$0	
		Total	\$199,220	\$260,422	\$260,422	\$260,422
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
<u>Debt Service</u>						
700	Debt Service					
		Retirement of Debt	\$5,192,029	\$7,114,757	\$7,114,757	
		Long Term Interest	\$2,090,905	\$1,766,622	\$1,766,622	
		Short Term Interest	\$134,250	\$141,000	\$141,000	
<u>Employee Benefits & Insurance</u>						
910	Employee Benefits & Insurance					
			\$17,570,377	\$19,106,134	\$19,106,134	
FUND 2400: COMMUNITY PRESERVATION						
193	CPA Administration					
		Personal Services	\$13,676	\$14,418	\$14,418	
		Expenses	\$70,210	\$69,469	\$69,469	
		Total	\$83,886	\$83,887	\$83,887	\$83,887
700	Debt Service					
		Retirement of Debt	\$115,000	\$115,000	\$115,000	
		Interest on Long Term Debt	\$34,544	\$29,544	\$29,544	
		Total	\$149,544	\$144,544	\$144,544	\$144,544

Total Community Preservation			\$233,430	\$228,431	\$228,431	\$228,431
FUND 6000: SEWER ENTERPRISE						
Direct Costs						
440	Sewer					
		Personal Services	\$185,629	\$375,637	\$375,637	
		Expenses	\$973,550	\$826,760	\$826,760	
		Total	\$1,159,179	\$1,202,396	\$1,202,396	\$1,202,396
700	Debt Service					
		Retirement of Debt	\$818,203	\$810,221	\$810,221	
		Interest on Long Term Debt	\$114,116	\$110,383	\$110,383	
		Total	\$932,319	\$920,604	\$920,604	\$920,604
		Appropriation	\$2,091,498	\$2,123,000	\$2,123,000	\$2,123,000
Water Enterprise Indirect Costs						
		Employee Benefits & Pensions	\$334,113	\$342,466	\$342,466	
		Shared Employees	\$0	0	0	
		Shared Facility	\$0	0		
		Other (Workers comp)	\$0	0		
		Indirect Cost Total	\$334,113	\$342,466	\$342,466	\$342,466
Total Sewer Enterprise			\$2,425,611	\$2,465,466	\$2,465,466	\$2,465,466
FUND 6100: WATER ENTERPRISE						
Direct Costs						
450	Water					

		Personal Services	\$484,571	\$514,706	\$514,706	
		Expenses	\$1,145,600	\$1,031,900	\$1,031,900	
		Total	\$1,630,171	\$1,546,606	\$1,546,606	\$1,546,606
700	Debt Service					
		Retirement of Debt	\$535,079	\$492,098	\$492,098	
		Interest on Long Term Debt	\$196,104	\$186,394	\$186,394	
		Total	\$731,183	\$678,492	\$678,492	\$678,492
		Appropriation	\$2,361,354	\$2,225,098	\$2,225,098	\$2,225,098
Indirect Costs						
		Employee Benefits & Pensions	\$445,962	\$457,111	\$457,111	
		Shared Employees	\$0	o	o	
		Shared Facility		o	o	
		Other (Workers comp)		o	o	
		Total	\$445,962	\$457,111	\$457,111	\$457,111
Total Water Enterprise			\$2,807,316	\$2,682,209	\$2,682,209	\$2,682,209
Appropriation Summary*						
Fund 1000: General Fund			\$108,589,950	\$116,038,787	\$116,038,787	\$116,038,787
Fund 2400: Community Preservation			\$233,430	\$228,431	\$228,431	\$228,431
Fund 6000: Sewer Enterprise			\$2,425,611	\$2,465,466	\$2,465,466	\$2,465,466
Fund 6100: Water Enterprise			\$2,807,316	\$2,682,209	\$2,682,209	\$2,682,209
Total			\$114,056,307	\$121,414,893	\$121,414,893	\$121,414,893
*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.

Pay As You Go (PAYGO)

The term Pay As You Go is used to reference a policy of paying bills/service or invoices when they are due and/or purchased. These items or services are not part of a forecast. PAYGO is a best practice in capital budgeting, enabling governments to reduce reliance on long-term debt and make timely investments in critical infrastructure.

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	

TOWN OF HOPKINTON FIVE YEAR CAPITAL PLAN 2025-2029

Department	General Fund Project	FY 2025 Amount Requested	FY2026 Ideas	FY2027 Ideas	FY2028 Ideas	FY2029 Ideas	Total FY 2025 - 2029
Town Manager	Land Purchase, Municipal Parking, Walcott St, Main St	\$2,985,000					
Town Manager	Community Requests	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Info. Technology	End User Computer Hardware Refresh	\$76,183	\$56,800	\$59,640	\$62,622	\$65,753	\$320,998
Info. Technology	Network Switching & WiFi Upgrades	\$40,500					\$40,500
Info. Technology	Paper Record Digitization - All Town Records	\$667,500					\$667,500
Info. Technology	Multi Function Printer Cyclical Replacement (2)	\$24,000		\$39,600			\$63,600
Info. Technology	Core Server & Data Center Upgrades		\$55,000				\$55,000
Police	Patrol Cruiser Replacement (3)	\$217,300	\$230,338	\$244,158	\$258,808	\$258,808	\$1,209,412
Communications	Public Safety Radio System Upgrade	\$4,000,000					\$4,000,000
Communications	Public Safety Portable Radios		\$55,000	\$55,000	\$55,000	\$55,000	\$220,000
Fire	Lucas CPR Machine	\$23,383					\$23,383
Fire	Ambulance (A-3) Purchase	\$520,000					\$520,000
Fire	Ambulance (A-2) Replacement					\$600,000	\$600,000
Fire	Vehicle (C-2 & C-4) Replacement, 2 Ford Explorer			\$150,000			\$150,000
Fire	Vehicle (B-6) Replacement				\$100,000		\$100,000
Public Schools	HVAC, Three Large Air Handling Units	\$700,000	\$850,000	\$850,000	\$425,000	\$2,025,000	\$4,850,000
Public Schools	Replace Utility Vehicle (FY25 from Parking Revolving)	\$80,000		\$42,000	\$80,000	\$80,000	\$282,000
Public Schools	Hopkins School Addition & Renovation	\$46,743,835					\$46,743,835
Public Schools	Marathon School Playground (Proposed CPC Funding)	\$1,000,000					\$1,000,000
Public Schools	High School Track-Field 3 (Proposed CPC Funding)	\$350,000	\$5,500,000				\$5,850,000
Public Schools	Systemwide Technology Upgrades	\$100,000	\$100,000	\$100,000	\$75,000	\$75,000	\$450,000
Public Schools	Loop Road Sidewalk, Parking Lot Paving			\$1,500,000	\$600,000		\$2,100,000
Public Schools	Generators				\$30,000	\$150,000	\$180,000
Public Schools	Roof Replacement					\$3,737,500	\$3,737,500
Public Schools	Marathon Feasibility Study, Design, Addition		\$150,000				\$150,000

Public Schools	Kitchen Equipment			\$50,000			\$50,000
Facilities	EMC Park Drainage Remediation						\$0
Facilities	Town Hall Boiler Replacement		\$100,000				\$100,000
Facilities	Senior Center Kitchen Equipment & Ventilation		\$100,000				\$100,000
Facilities	Senior Center Dining Facility Expansion		\$265,000				\$265,000
Facilities	Police Station Condensing Unit		\$200,000				\$200,000
Facilities	Fruit St. Garage Repairs	\$24,000	\$250,000				\$274,000
Facilities	Senior Center Condensing Units			\$300,000			\$300,000
Facilities	Fire Main - Envelope Repairs				\$150,000		\$150,000
Facilities	Fruit St. Oil to Gas Conversion						\$0
Facilities	Center School Re-Use Schematic Design	\$100,000					\$100,000
Facilities	Center School Re-Use Construction FY29 \$20M		\$20,000,000				\$20,000,000
Public Works	Replace Street Sweeper (S-22)	\$325,000					\$325,000
Public Works	Superduty Pickup (M-1) F350 Replacement	\$131,000					\$131,000
Public Works	Drainage Improvement - Ash St.	\$500,000					\$500,000
Public Works	Roadway Sidewalks - DiCarlo, Barbara, Peppercorn	\$780,000					\$780,000
Public Works	Culvert Replacment - Granite St.	\$850,000					\$850,000
Public Works	Superduty Dump (S-4) INT 7600 Replacement		\$250,000				\$250,000
Public Works	Superduty Dump (S-6) INT 7600 Replacement		\$240,000				\$240,000
Public Works	Superduty Dump (S-24) INT 7600 Replacement		\$240,000				\$240,000
Public Works	Replace Hot Box w/ Tow Behind Hot Box		\$100,000				\$100,000
Public Works	Roadway/Stormwater - E Main, Curtis Rd		\$1,750,000				\$1,750,000
Public Works	Drainage Improvement - Wood St (near 360)		\$250,000				\$250,000
Public Works	Drainage Improvement - BMPs Lake Whitehall		\$250,000				\$250,000
Public Works	Pavement Management Plan Update		\$50,000				\$50,000
Public Works	Town-Wide Traffic Study		\$150,000				\$150,000
Public Works	Replace Explorer (Car 1)			\$70,000			\$70,000
Public Works	Replace Loader (L-11)			\$270,000			\$270,000
Public Works	Replace Dump Truck (S-8)			\$255,000			\$255,000

Water Enterprise	Water Main Replacement - Wood St (construction)			\$1,900,000			\$1,900,000
Water Enterprise	Vehicle Dump Triuck Replacement (W6)				\$90,000		\$90,000
Water Enterprise	Ingersoll Rand Compressor (1/2 water 1/2 sewer)				\$6,000		\$6,000
Water Enterprise	Water Main Replacement - Fruit St (construction)				\$1,200,000		\$1,200,000
Water Enterprise	Water Main Replacement - West Main St (engineering)					\$250,000	\$250,000
Water Enterprise	Water Service updates - Pleasant St					\$800,000	\$800,000
		\$1,998,000	\$15,275,000	\$14,375,000	\$1,296,000	\$1,050,000	\$33,994,000
Sewer Enterprise	WWTF membrane (Req'd. by DEP)	\$345,000					\$345,000
Sewer Enterprise	Vehicle pickup truck replacement (E2)	\$85,000					\$85,000
Sewer Enterprise	Sewer Sys. Eval. Survey (SSES) - Hayden Rowe Pump Sta.	\$221,500					\$221,500
Sewer Enterprise	WWTF screen system replacement (Required by DEP)		\$465,000				\$465,000
Sewer Enterprise	Main Replacement - Wood St (Oliver Ln to Walker St)		\$1,100,000				\$1,100,000
Sewer Enterprise	Main Replacement - easement (Cedar : Wood, design)		\$200,000				\$200,000
Sewer Enterprise	WWTF safety and control upgrades (Req'd. by DEP)			\$70,000			\$70,000
Sewer Enterprise	SSES - West Main St Pump Station tributary			\$200,000			\$200,000
Sewer Enterprise	Sewer Main Replacement - easement (Cedar : Wood)			\$1,200,000			\$1,200,000
Sewer Enterprise	Sewer Main Replacement - Saddle Hill Rd (engineering)			\$330,000			\$330,000
Sewer Enterprise	Ingersoll Rand Compressor (1/2 water 1/2 sewer)				\$6,000		\$6,000
Sewer Enterprise	Main Replacement - Saddle Hill Rd (may need phasing)				\$2,900,000		\$2,900,000
		\$345,000	\$1,765,000	\$1,800,000	\$2,906,000	\$0	\$7,122,500
77							