



## **Southborough Advisory Committee Report to 2020 Annual Town Meeting June 13, 2020**

In fulfillment of the Massachusetts statutory requirement, the Advisory Committee submits a report at the Annual Town Meeting. This document summarizes the Committee's review and analysis of town budgets and operations done as part of the annual budgeting process. Please note that some information contained herein may change between the date of printing and Town Meeting.

### **Outline**

- Role of the Advisory Committee
- Advisory Committee Membership
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### **Role of the Advisory Committee**

The Advisory Committee is established by State law and Town bylaw. The Committee functions as a sub-committee of Town Meeting. The nine members are appointed by the Town Moderator, and each member is appointed for a 3-year term. Advisory is a legislative committee and has no executive authority. Advisory members may not serve on any other town committee (except that an Advisory Committee member may serve on one other ad hoc committee appointed by a Town Board or official, or one other committee appointed by the Town Moderator, if approved by a vote of the Advisory Committee) or hold any elected office. The committee has four principal functions:

- **Develop/Present a Balanced Budget to the Town** – Advisory is the sole body in the Town with this statutory responsibility.
- **Warrant Article Review** – Advisory is responsible for reviewing both money and non-money warrant articles and making an approval or disapproval recommendation to Town Meeting.
- **Oversight** – Advisory has a specific set of powers with respect to its ability to review all aspects of the Town operations.
- **Custodian of the Reserve Fund** – The Reserve Fund is the Town's pool of money that is available for extraordinary and/or unexpected expenses. The Reserve Fund was funded with \$180,000 for FY 2020. Through the date of the 2020 Annual Town Meeting, \$86,537 has been approved by the Advisory Committee as a FY 20 Reserve Fund transfer. The \$86,537 was to

allow the installation of a fiber optic line from the EMC repeater to the new public safety building.

### **Advisory Committee Membership**

Since the Advisory Committee's last report to the Annual Town Meeting, Advisory has welcomed three new members: Andrew Pfaff, Andrew Dennington, and Tim Martel. For the 2019-2020 term, the Committee elected Kathy Cook as Chair, Chelsea Malinowski as Vice-Chair and Andrew Pfaff as Secretary. As of the writing date of this report, there are two vacancies on Advisory.

### **Overall Perspective**

This year's budget process has been both noteworthy and difficult because it was completed during a worldwide pandemic. The Massachusetts legislature responded to the pandemic by passing legislation that relaxed the open meeting laws for public meetings and also allowed for remote meetings. Beginning in March, the committee's budget meetings were required to be held remotely. Also in response to the pandemic, the date of the annual town meeting was postponed, allowing time for Advisory to continue its budget work while taking into account the impact of the pandemic on the town's finances. Nonetheless it is important to recognize that the economic consequences of the pandemic are still mostly unknown at the time of this writing.

The Town Moderator and the Board of Selectmen, after consulting with the Southborough Board of Health, intends to recommend to Town Meeting that all non-essential Warrant articles be postponed for consideration at a later Town Meeting. It is expected that only two kinds of articles will be voted on at the June 13<sup>th</sup> meeting: 1) routine articles, i.e. those which can be passed as a package, and 2) essential articles which are needed to allow the Town to continue its business beyond June 30, 2020. The Advisory recommendations below focus only on the essential budget articles expected to come up for a vote at the June 13 Town Meeting.

Pre-pandemic, Advisory had advocated for a special Fall Town Meeting primarily to deal with the Town's long term capital plan. In March, a new ad hoc committee, named the Capital Planning Committee, was appointed by the Board of Selectmen to address the Town's long term capital plan. Current projections of the Town budget for the next five years indicate that our current excess levy capacity will be completely used, necessitating an operational budget override. Much of the projected cumulative budget shortfall for the next five years is caused by current planned capital plan expenditures. Therefore, Advisory wanted the Capital Planning Committee to have the requisite time to study and adjust the plan to fit our budget parameters. Whether or not there will be a Fall Special Town Meeting is unknown at the time of this report.

### **Recommended Advisory Budget for FY 21**

Advisory is recommending to ATM a budget that is projected to increase a residential homeowner's annual real estate tax bill by .9%. This represents the lowest recommended increase since 2010. The Advisory recommended budget is expected to increase the tax rate to \$16.81 per \$1000 from the current \$16.66 per \$1,000. The expected increase on the mean value of a Southborough house is expected to be about \$95 (or about \$24 per quarter). The current mean value of Southborough homes is \$634,419.

The projected year over year increase in real estate taxes described in the preceding paragraph

does not include the impact of any financial decisions that could be made at a Fall Special Town Meeting. Before the pandemic, a Fall Special Town Meeting was planned to consider a couple of capital items. Those capital items are not expected to significantly impact the year over year FY 21 projected tax increase.

Even though the overall recommended budget increase for FY 21 is very low compared to historical increases, the fact remains that the town side of the budget is increasing YOY by a non sustainable 7 percent. Indeed, the cost of municipal services will continue to increase without a corresponding increase in town revenue. Assuming relatively static future revenue, the overall town budget will need to continue to undergo comprehensive review in order to maintain a reasonable tax base. We believe we have successfully achieved that goal this year.

Before the pandemic, Advisory had recommended a budget that would have increased the average homeowner's tax bill by approximately 3%. These increases reflected the town's desire to increase and maintain programs and services we have all come to expect and rely upon. Thereafter, steps were taken to reduce the year over year increase in recognition of the economic hardship and unknown revenue projections caused by the pandemic to many Southborough residents. Those steps included making cuts to seventeen town departments and to the K-8 school system. Algonquin also voted a new budget that reduced the assessment to Southborough by a significant amount.

In addition to cutting departmental budgets, the Town Treasurer recommended reducing the projected revenue for local receipts and local (state) aid by about \$320,000. Local aid includes state funds for education and the library. Local receipts include vehicle excise taxes and interest income received on our bank account balances. Both are expected to be impacted due to the pandemic. At the time of this writing, we do not know how the state's finances will affect local aid for FY 21. Advisory accepted the Town Treasurer's recommendations and included the reduced revenue amounts in its budget recommendation.

Advisory spent a significant amount of its budget work debating the addition of proposed new positions for FY 21. Several new positions and/or hours were requested from various departments. After numerous meetings with the specific departments, Advisory's recommended budget includes two new full time police officers, one new full time administrative assistant for the Youth and Family Services department, and a part-time assistant for the Information Technology department. Advisory and the Board of Selectmen spent significant time debating the addition of these positions until a final consensus was reached. The following paragraphs explain these recommendations.

Chief Ken Paulhus had requested the two new officers to allow him to place three police officers on each shift. Chief Paulhus believes that it is unsafe to have only two officers on a shift, especially the midnight shift. Until now, he had been back filling the third slot with officers being paid overtime pay. The hiring of the two new officers will be staggered through the year to save money in FY 21.

Last year, the Youth and Family Services board put together a three year plan to allow them to provide the services they believe the town wants and needs in today's world. FY 21 is year two in that plan. The change for FY 21 was to add a full time administrative assistant to take some of the work load from the other three department employees.

IT department head Tom LaFlamme requested a part time assistant to help man the IT help desk so that he could focus on other tasks. Part time positions are less expensive for the Town because they don't include benefits such as medical insurance. Even though Advisory agreed with the need for the part time IT position, the committee is also interested in reviewing the structure of

the IT department for the long term. Advisory wants to make sure that the Town has the proper resources to deal with all technology needs and threats and, in consultation with the Municipal Technology Committee, will continue its review in the next fiscal year. Please see more details in the next section.

**Risk Mitigation**

Even though Advisory agreed with the need for the part-time IT position, the committee continues to be concerned by the lack of staffing in this area. The IT department currently includes a staff of 1 person, which is not a sustainable level and, in fact, brings significant risks to the Town that heavily outweigh any cost savings.

- A typical IT department requires leadership & skill competencies that span at least 30 areas from mobile & laptop mgt, to cyber security & vulnerability mgt, to data & application support, to infrastructure & network mgt. It is highly unreasonable to expect a single resource to provide that breadth & depth of expertise.
- As summarized to the right, a benchmarking analysis of surrounding towns shows that Southborough is about 2 full-time positions below the functional average (after accounting for school-specific positions).

Town	Total IT Staff
Southborough	1
Northborough	2
Hopkinton	3.5
Ashland	5*
Westborough	2.5
Sudbury	3
Hudson	3
Westford	5
Marlborough	8*

\* includes school technology staff

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Advisory has identified the following Technology & Security risks as critical:

1. Not having a full-time assistant director has created a “Key Man” risk, defined as too much key organizational knowledge & performance reliant upon a single individual being fully and immediately available 24x7x365. There is currently no effective plan in place to mitigate this risk.
2. The IT department, despite leveraging managed service vendors, does not currently contain the requisite expertise in cyber security and vulnerability mgt. Given the extreme rise of ransomware attacks being perpetrated against small municipalities since 2018, it is critical that this gap be addressed in the near-term.
3. There are not sufficient FTE hours in the department to enable the director to take vacation, get sick, or step away from responsibilities to engage in standard training activities. This risk should be mitigated by the hiring of the part-time IT resource.

Advisory will continue to work with the Town to resolve these risks, including the following potential mitigations:

- Hire a full-time Assistant Director that ideally has significant cyber security education and experience.
- Ensure that the Town has a proper insurance policy against ransomware attacks.
- Initiate a training program for all Town employees against “spear phishing” and other cyber-attacks.
- Conduct an audit of all exposed Town assets (laptops, mobile, etc.) and assess for vulnerabilities.
- Harden exposed internal infrastructure (email servers, etc.); reduce, encrypt, and segregate storage that contains data that is personally identifiable (social security number, etc.) or financial in nature.
- Confirm that all managed service vendors are properly certified and insured. Initiate quarterly reviews with IT leadership, department heads, and service providers.

### **Long Term Planning**

There are a number of areas worthy of ongoing attention beside the five year operational budget shortfall. These include (i) the Town’s unfunded pension and healthcare liabilities (in the tens of millions of dollars but we are starting to make progress); (ii) the need for infrastructure investment (also in the tens of millions of dollars – hence the appointment of the Capital Planning Committee); and (iii) the impact of State or Federal unfunded mandates. These issues and others all deserve careful attention and planning, and Advisory will continue to address them.

### **Advisory Comments**

Under the direction of Town Administrator, Mark Purple, and the Town’s Finance Director, Brian Ballantine, an improved budgeting review process initially implemented for FY14 has been continued and improved through this FY21 budget process. The Town Finance team is tasked to prepare the initial budget proposal for review by both the Board of Selectman and the Advisory Committee. The Advisory Committee has been pleased to see that this new budgeting process continues to operate much more smoothly and efficiently than that of prior years. The Advisory Committee also commends Mr. Purple, Mr. Ballantine, and their finance team for once again preparing and distributing an enhanced summary document explaining the FY21 budget. This communication effort should be appreciated by the voters and should be effective in reducing some of the budget-related miscommunications at past Town Meetings.

In September, 2015, Advisory established a Debt Capacity and Uses Subcommittee, consisting of John Butler, Kathy Cook and Nicki Mauro. The subcommittee’s charge was to address questions related to the funding of the Public Safety Building project. Advisory and others were interested in having a better understanding of whether or not the Town could “afford” this project. Now that the new building is complete, Advisory can assure the residents that its work from 2015 is still valid and that the full cost of the new building (including the purchase of the golf course) is in line with our 2015 projections. Our 2015 study assumed that the new building would cost \$20MM. The final construction cost of the building is \$19.5MM. The total cost of the project (including the purchase of the golf course) is just under \$24,500,000.

Although Advisory did not anticipate the purchase of the golf course in its study, we did use an assumption of \$40MM spent on three new buildings over thirty years. We therefore continue to believe that the purchase of the golf course and the construction of the new building was prudent. We also applaud the work of the Public Building Safety Committee (and its predecessor Study Committee) in overseeing this project. One of the warrant articles that will be voted at ATM on June 13<sup>th</sup> will be to close out the excess borrowing authorization of \$3,000,000 that was not needed for the building.

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We invite those with an interest in any topic to attend the upcoming Advisory meetings and express their viewpoints. We will work to structure our future capital improvement plan carefully to ensure appropriate levels of future real estate tax increases. Advisory will continue to work to ensure that our residents receive the services that they want and need at an affordable and sustainable cost.

Kathryn M. Cook



Chair – 2019-2020 Advisory Committee

Kathryn M Cook, Chair

Chelsea Malinowski, Vice Chair

Andrew Pfaff Secretary

Judith K. Budz

Andrew Dennington

Timothy Martel

John F. Rooney, III