

Finance and Capital Budget Committee Report

The following is the Finance and Capital Budget Committee's (FinCom/CBC) report and budget recommendation for FY2023 beginning July 1, 2022 and ending June 30, 2023.

Each year, FinCom/CBC begins its meeting series in November (2021) to plan budget and capital recommendations for the upcoming FY2023. A FinCom/CBC liaison is assigned to each Department, Board or Committee that has a budget. Meetings are scheduled with each department head or chair to discuss needs and priorities for both Capital and Budget funding for the upcoming fiscal year. Department and Committee Capital and Budget requests are submitted in the January time frame to the Town Administrator and shared with FinCom/CBC.

In late January and early February, recorded public meetings are conducted to allow departments, boards, or committees to present and justify their budget and capital requests to the FinCom/CBC, Town Administrator, Town Accountant, Select Board members and any interested citizens. Presenters answer any questions from attendees. School budgets are developed by WRSD and Montachusett Regional VoTech and reviewed separately in the same time frame. 2022 was challenging since we did not have a Town Administrator during this budgeting process and the Town Accountant stepped in to take responsibility for the Town Administrator's budget responsibilities. A special thanks goes out to Fred Aponte and Kama Jayne for the extraordinary effort they expended in covering the Town Administrator role.

Once all inputs had been received, budget and capital deliberations began, its goal to create a fiscally sound and balanced plan to meet Sterling's needs, identifying funding sources for each budget and capital spending item, while minimizing the tax levy impact.

This process resulted in a FinCom/CBC budget recommendation of \$26,320,406 (including schools) for FY2023, a 3.50% increase over the prior year. We believe the budget presented was both prudent and fiscally sound. This budget was voted on and approved at the May 2, 2022 Annual Town Meeting.

Wage Adjustments and Employee Additions:

At May 2021 ATM, the town voted to fund a professional Classification and Compensation Plan Analysis for non-union employees (2021 ATM A#22). At the May 2022 ATM, the town voted to reserve \$75,000 (2022 ATM A#22C) to fund salary and wage adjustments based on the findings of this study and the Select Board approved implementation plan. These adjustments came out of this reserve fund for FY23 but will be reflected in department budgets for FY2024 onward.

Preventive Maintenance:

The purpose of the Capital Plan is to maintain Sterling's infrastructure and protect the value of its capital assets. Preventive maintenance is critical to providing reliable town services and maximizing the useful life of buildings, equipment and other infrastructure. Our town had fallen behind on maintenance of two key infrastructure areas: our roadways and culverts and our town water infrastructure.

In FY2023, increased funding to catch up and improve our maintenance of these key assets has been appropriated. A DPW pavement management plan has been developed to prioritize our road repairs and \$250,000 of additional funds has been included in the DPW operating budget in order to supplement state provided Chapter 90 funds for highway maintenance.

Sterling also approved appropriation for water meter replacement (2022 ATM A#18) and borrowing to continue water main replacement projects (2022 ATM A#21). We expect that future funding/borrowing will be required to continue this important maintenance effort. Water infrastructure maintenance and associated debt service is paid out of the Water Enterprise, which may impact the water rate, but not Sterling real estate taxes.

Capital:

The Finance and Capital Committees approved a capital budget expenditure of \$995,423 in FY23, funded by a combination of our Capital Investment Fund, certified free cash, and transfers of unexpended funds from prior year appropriations. The Capital Investment Fund had a balance of \$3,136,591 as of 2/14/2023.

Capital Projects:

Sterling is in the evaluation and planning phase of several potentially significant building projects which will require citizen support and input in the upcoming year(s):

- Athletic Field Complex Design
 - 2020 ATM A#7C: \$70,000 funded
 - Status: No action taken to date
- Route 140 & 62 Intersection
 - FY23- 25% of Design (require for initial meet with MRPC & TIP number assignment) – ARPA funds allocated: \$250,000
 - Status: complete, have met with MRPC, TIP number assigned
 - Future milestones / projected costs
 - FY24- 100% design completion, \$335,000
 - FY25- PS&E presentation for Mass Dot approval, \$40,000, construction bids
 - FY26-27 If approved, construction costs would be paid by MassDot, (\$2-3M est), Town responsible for Design, Right of Way, and Permitting Costs
- New DPW Facility
 - FY23- feasibility/requirements, \$12,000 funded (2022 ATM A#22G)
 - Status: complete
 - Future milestones / costs
 - FY24 proposed - Land sampling, building/location evaluation/options, \$50,000
 - FY25 - Design Phase: Est. \$2.02M
 - FY26 -28 – Contractor Bid/Construction: \$ TBD (est. \$20-\$30M)
- Water Enterprise
 - New Water Source – Crowley Road
 - FY23- Drill well: \$150,000 funded (2022 ATM A#19)
 - Status: drill and test complete, insufficient flow
 - Future milestones/costs
 - FY24 proposed - consider 3 wells in targeted area: \$115,000
 - West Sterling Well improvements
 - Future costs:
 - FY24 proposed – install Variable Drive and Generator: \$700,000

The Finance Committee recommended and the town approved the following Fund transfers:

- \$202,500 was transferred from Free Cash to the Town's Other Post-Employee Benefits ("OPEB") Trust Fund (2022 ATM A#14). As of 2/14/2023, the OPEB Fund had a balance of \$1,154,121 against an outstanding liability of \$15M.
- \$100,000 was transferred from Free Cash to Sterling's Reserve Fund (2022 ATM A#15) to provide for extraordinary or unforeseen expenditures. The Reserve Fund receives a yearly allocation which does not roll from year to year.
- \$225,000 was transferred from Free Cash to Sterling's Stabilization Fund (2022 ATM A#12) to be used for any future purpose with 2/3 town meeting vote. As of 2/14/2023, the Stabilization Fund had a balance of \$928,673 – moving toward a target balance (per Sterling Finance Policy) of 5% of Operating Budget (~ \$1.3M).

Last, we thank volunteers, departments, boards, committees, taxpayers and voters for their continued contributions and support of our efforts to provide a balanced budget which affordably meets the needs of Sterling residents.

Respectfully Submitted;

The Town Finance and Capital Budget Committees

Christopher Paquette, FinCom Chair, CBC Member
Joseph King, FinCom Vice Chair, CBC Member
Paul Austin, FinCom Member, CBC Member
George Handy, FinCom Member
Christina Lashua, FinCom Member, CBC Vice Chair
Lynne Sheppard, FinCom Member, CBC Chair
Liz Pape, CBC Member