

# Town of Hudson



December 13, 2018

Mr. John Parent, Chairman Board of Selectmen  
Mr. Robert Clark, Chairman Finance Committee

Dear Mr. Parent and Mr. Clark:

Please find enclosed the proposed budget for the Fiscal Year beginning July 1, 2019 and concluding June 30, 2020. Compared to Fiscal Year 2018, total municipal expenditures for the town will increase by 2.97% or \$2,525,335, with changes in virtually every category of budgeted expenditures and unbudgeted charges.

## Introduction

Fiscal Year 2018 marked a year in which Hudson returned to more predictable results. Without drought or a further loss of commercial customers, water and sewer revenue achieved anticipated levels. Most other operations were well within budget. This will result in a healthy free cash certification of approximately \$2,840,000.

For the last few budgets Hudson has held the line with respect to department appropriations. Because of this, there are some pent up needs that have been addressed in FY 2020. Many of those needs are one-time in nature or are staffing issues that are revenue neutral. Department increases are 4.02%, but this includes more than \$200,000 in one-time or revenue-neutral items. The Hudson Public School increase is 2.50% and the Assabet Valley Regional Technical High School ("AVRTHS") operational increase is 14.15%. The largest increases in appropriations come from fixed costs such as health insurance and our pension assessment. The AVRTHS operational assessment may be reduced. The school is just beginning its own budget process and has provided a conservative estimate.

Charter schools and fixed costs remain the largest budgetary challenges facing Hudson. Charter school costs have increased more than 21% per year from 2015 to 2019 and we anticipate them to increase an additional 16% in 2020. Below is a table that shows historical figures divided into two categories, charter school costs and state aid with charter school funding stripped away. The last column shows total state aid including charter school funding. Red text signifies anticipated 2020 state budget levels. What exacerbates this situation is that charter school funding does not flow through the Chapter 90 program nor does the state appropriate this funding through its own budget process, charter school funding is not transparent. No entity held accountable. Efforts to address this issue statewide have been as yet unsuccessful, however the Massachusetts Municipal Association continues to advocate for reforms.

	Net	Net	Total
	Non-Charter	Charter	Net
2005	7,523,280	(8,867)	7,514,413
2006	7,169,859	(20,623)	7,149,236
2007	8,022,777	(60,908)	7,961,869
2008	9,106,594	(158,477)	8,948,117
2009	10,356,200	(203,385)	10,152,815
2010	9,321,190	(235,753)	9,085,437
2011	9,964,886	(271,132)	9,693,754
2012	10,467,883	(403,474)	10,064,409
2013	11,583,876	(637,946)	10,945,930
2014	11,602,447	(791,588)	10,810,859
2015	12,169,927	(844,998)	11,324,929
2016	12,592,028	(966,309)	11,625,719
2017	12,777,866	(1,189,794)	11,588,072
2018	12,875,873	(1,609,753)	11,266,120
2019	13,540,952	(1,822,080)	11,718,872
2020	13,912,152	(2,115,796)	11,796,356
2015-19	2.70%	21.18%	0.86%
2019-20	2.74%	16.12%	0.66%

Health insurance costs continue to rise at approximately 5% per year. While this is less than in the 1990's, it is still far faster than our revenue growth. Our employee and retiree plans offer rich benefits, but Hudson contributes only 50% to the premiums. The low contribution rate prevents us from pursuing plan design changes to save money. Nevertheless, because we are one of the few communities still at a 50% contribution rate, our overall health insurance expense tends to be far less than other communities. For example, based on General and Enterprise spending Sudbury spends 5.0% on health insurance, Hudson 5.4%, Southborough 8.4%, Maynard 10.5% and Marlborough 15.0%. Figures are based on 2017 reporting from the Department of Revenue. Some communities may have inflated percentages if they are contributing large sums to an OPEB trust.

The other fixed cost that rises faster than revenues is the cost for retirement. This year our assessment increased 8.4%. Assessments vary from year to year based on demographic data, but also based on investment returns.

The revenue picture at the Commonwealth is brighter despite the successful legal challenge to "millionaire's tax" and the fact that revenue forecasts include a significant chance of a recession. There will not be a large infusion of cash for state or local budgets.

In addition to water and sewer rate revenue stabilizing, new growth in the tax levy increased considerably in Fiscal Year 2019, so a higher tax levy carried into this year's budget. Building activity is likely to continue at above normal levels with the assisted living project on Washington Street like to begin very soon. The two South Street build-

ing projects are progressing a bit slower than we anticipated, but they remain on the Town's radar screen.

Our reserve levels continue to improve. It now looks like we will open 2020 with almost 6% in reserves. We also began funding our OPEB Trust in 2019. This trust will help offset future health insurance costs. The 5-year forecast that is part of our annual budgeting process shows us maintaining our reserves in free cash and stabilization above our 5% target, while at the same time increasing our OPEB Trust balance.

We are currently negotiating with our Fire and Police Patrolmen on new labor contracts. Those contracts expired on June 30, 2018. All other Town side contracts will expire on June 30, 2019. We will begin negotiating successor contracts with the other unions shortly.

## **Overall Budget Concepts**

Non-school departments averaged a 4.02% increase and non-union wages increased by 2.00%. As inflation slowly increases there will be increased upward pressure on wages. For the past three years union wages have only increased an average of about 1.5% per year.

In isolated departments such as the Water Division of DPW and the Fire Department we have added positions which, on a net basis, will not cost the taxpayer anything. In other cases we have increased hours for part-time workers to address increased workloads due to the economy, or due to special projects. In some cases, these increased hours may be temporary.

During FY 2019 we were able to reclassify one Fire Department position from a union position to a non-union position. While on a short term basis that may increase costs to the Town as we place the position on generally higher non-union scales, it will over the long run allow the Town to better control personnel costs. We still have an open information technology position. We expect to fill that position sometime between the print date of this report and the Annual Town Meeting.

This budget incorporates the non-General Fund expenses of the cable receipt-funded budget. While this budget does not get added to appropriations from the General Fund, its timing now coincides with the rest of the budget and adds transparency to the process. The Cable Fund operates our public, educational and governmental ("PEG") cable television access and associated network maintenance. These operations are funded by the public access fees charged by Comcast and Verizon and paid for by cable customers. In previous years, this budget was prepared separately from the rest of the budget, and was not as transparent.

The Water Division of DPW also incorporated into their budget \$50,000 for well maintenance that was previously in the capital budget. It makes more sense to include this in their budget since it is an annual expense.

Our capital budget for FY 2020 contains a broader range of appropriations as we try to move funding for more of our projects from an ad-hoc basis and include them in our formal forecasts. This has resulted in a general increase in the number and dollar volume of future capital requests and may involve some difficult prioritization decisions.

Even though the Town of Hudson does not utilize enterprise funds to account for our water and sewer operations, we do manage the bottom lines and utility rates as if we do. We must continue on with our plan to raise sewer rates in advance of a \$12 million investment in our wastewater treatment plant and to close the gap between revenues and expenses that already exists. We will continue to fund new investments that are needed to keep water treatment and supply functions in proper order.

Finally, the regulatory environment on the water and wastewater fronts is rapidly evolving in ways that will substantially increase our costs and the costs of similar communities. On the water side testing and removal of substances such as PFOF/PFOA are adding to testing and treatment costs. Some of these substances occur in groundwater throughout Massachusetts so we must deal with them. On the Wastewater side, Small Municipal Separate Storm Sewer Systems ("MS4") permitting is creating new storm-water/sewer regulations that will require investments into identification of inflow and infiltration sources, removal and potential treatment.

All these factors conspire to force rate increases in water as well as sewer. Last year was the first year in the last five that we have had a water rate increase. We realize that these projected rate increases will create a burden to our utility customers. The assumptions for debt-funded projects are conservative, and assuming that the actual bond interest rates are less than forecast, rate increases in the future may be reduced.

We are also committed to fully discussing the need for each investment. If more cost-effective solutions arise, we will consider them. We will also give the public a chance to weigh in on the necessity of each project.

We are also still in the process of recalibrating our rates to reflect the permanent change brought about by the closure of the Intel fabrication facility. Our water and wastewater operations consist of both operating and capital costs. Many of the operating costs are variable. Decreased volume results in smaller amounts of chemicals being used in treatment. It also can also mean, though not necessarily so, less energy consumed to pump water and wastewater through our systems. Other operating costs such as personnel act more like fixed costs. Treatment plants require approximately the same staffing regardless of the volume flowing through them.

Capital costs are largely fixed in nature. When we built our water system, for example, we sized the mains to accommodate the needs of customers like Intel. Since the costs of laying mains and building treatment infrastructure are so large, we bond these costs to spread them over 20 years or more, much the way a family finances the purchase of a home. If we lose the demand of an Intel, the size of the water mains do not shrink, and the amortized costs of building that system do not decrease. These fixed costs are then spread over fewer gallons which increases the price of each gallon. Rather than address this with one massive rate increase, we decided to spread the necessary rate increases to mitigate the effects of the loss of the Intel fabrication facility over several years.

The capital plan is funded by \$1,281,341 of free cash and \$1,670,000 in borrowed funds. None of the borrowed funds are contingent upon a Proposition 2 ½ debt exclusion vote at this annual town election. We deferred almost \$725,000 in capital requests to future years.

## Long-Term Budget Trends

As always, we begin with a recent historical look at Local Aid.

	2014	2015	2016	2017	2018	2019	2020 (est)
Chapter 70	10,495,018	10,859,647	11,342,701	11,490,541	11,571,901	11,940,707	12,298,928
School Construction	-	-	-	-	-	-	-
Charter Tuition Reimbursement	172,537	231,086	258,747	410,660	219,617	408,073	448,880
Charter Capital Reimbursement	-	-	-	-	-	-	-
Subtotal School General Fund	10,667,555	11,090,733	11,601,448	11,901,201	11,791,518	12,348,780	12,747,808
School Lunch	11,876	11,280	-	-	-	-	-
School Choice	631,267	668,435	546,944	616,758	549,108	760,562	760,562
Subtotal School Offset	643,143	679,715	546,944	616,758	549,108	760,562	760,562
Unrestricted Aid	1,726,518	1,774,398	1,838,276	1,917,322	1,992,098	2,061,821	2,133,985
Police Career Incentive	-	-	-	-	-	-	-
Veterans' Benefits	35,180	51,872	50,411	62,701	49,624	43,591	43,591
Exemptions, Vets, Blind, Elderly Surv Sp	75,822	83,481	78,465	83,634	81,132	84,422	86,533
State Owned Land	40,565	43,790	43,790	43,269	43,228	46,033	47,184
Subtotal General Aid	1,878,085	1,953,541	2,010,942	2,106,926	2,166,082	2,235,867	2,311,293
Library Offset	23,217	28,928	29,441	28,624	29,102	29,263	29,848
Gross Aid	13,212,000	13,752,917	14,188,775	14,653,509	14,535,810	15,374,472	15,849,511
Retired Teachers Health Insurance	1,153,762	1,111,799	1,152,054	1,262,395	1,243,066	1,206,320	1,254,573
Mosquito Control	35,457	36,069	34,086	39,555	41,543	41,053	42,079
Air Pollution Districts	5,541	5,561	5,555	5,694	5,775	5,919	6,067
MAPC	6,156	9,741	9,691	9,933	10,145	10,349	10,608
RMV Non-Renewal	24,860	25,460	25,460	25,460	21,620	21,620	21,620
Special Education	-	-	-	-	-	6,729	6,729
School Choice Tuition	211,240	163,274	111,154	121,946	118,171	133,457	146,803
Charter School Tuition	964,125	1,076,084	1,225,056	1,600,454	1,829,370	2,230,153	2,564,676
Total Assessments	2,401,141	2,427,988	2,563,056	3,065,437	3,269,690	3,655,600	4,053,155
Net Aid	10,810,859	11,324,929	11,625,719	11,588,072	11,266,120	11,718,872	11,796,356
Change	-1.23%	4.76%	2.66%	-0.32%	-2.78%	4.02%	0.66%

With the exception of 2018 gross Local Aid has increased in every year since 2014. Increases in assessments more than negated these increases in 2014 and 2017. We have conservatively forecast a slight increase in net aid for 2020.

Positive trends are the steady rise in Chapter 70 and Unrestricted Aid, the recent increase in School Choice revenue and the relative stability of the Retired Teacher Health Insurance Assessment. Governor Baker has held to his commitment to increase Unrestricted Aid at the same rate as state revenue increases. On the other hand, net charter school costs have increased tremendously, as mentioned earlier.

Property taxes are really determined by three factors. The first is Proposition 2 ½ levy growth. The levy can automatically increase by 2 ½ percent times the prior year's levy limit. That amount is known with certainty. It can also increase by the coming year's debt exclusions. That amount is largely known and easily estimated. We know which projects have been excluded, and the bond amortization of completed projects. What remains to be estimated is the amount, timing of borrowing and interest rates on current projects. The last component of the tax levy is new growth, or the taxes generated by all construction activity. At the time of the budget, this is estimated by looking at historical trends and consulting with the building inspector and assessors to understand recent activity. The new growth for 2019 was \$899,343. Since this was above the estimate for 2019, we will enter 2020 with a base levy higher than anticipated. During the period from 2005 to 2018 new growth has ranged from a low of about \$260,000 in 2013 to a high of \$1,049,478 in 2017. We are estimating \$700,000 for 2020 and beyond.

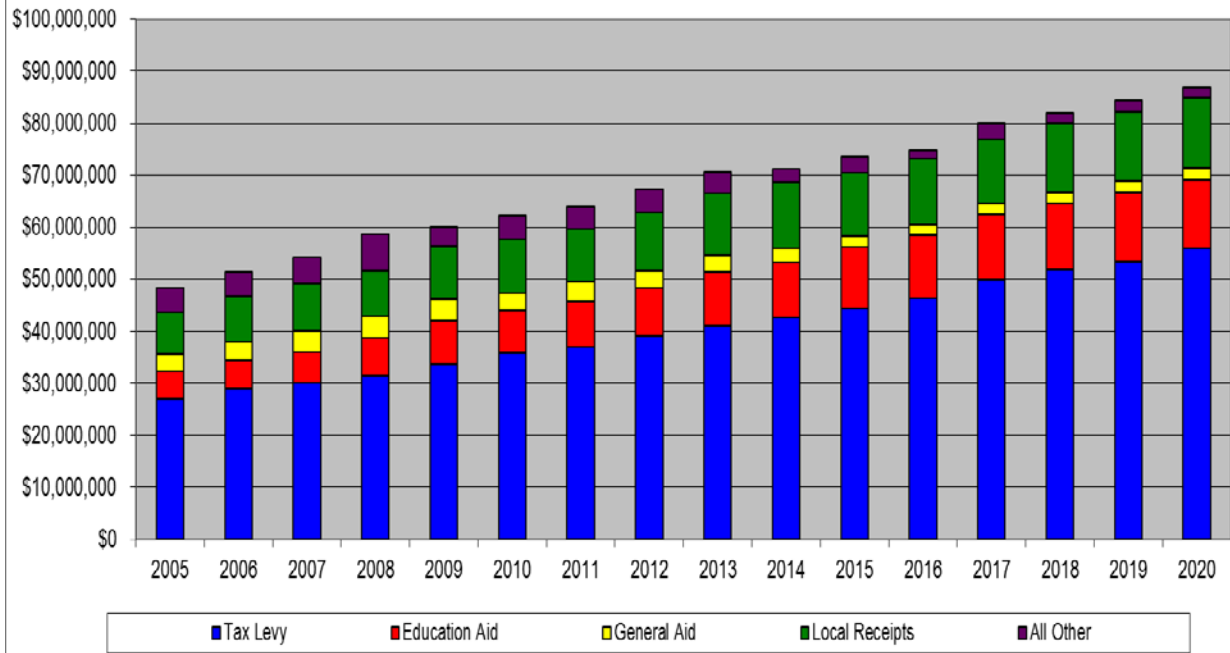
The forecast for local receipts is largely governed by Department of Revenue policy. In general, the DOR only allows a community to budget for amounts it collected in the prior year, with two potential adjustments. The first is that they will allow additional estimated revenue if it can be documented by specific votes, such as a utility rate increase, or a vote to increase fees. They also do not allow a community to use one-time revenues collected in the prior year to be used in the next year's budget. Secondly, on the tax recapitulation calculations they will allow any one-time receipts that are actually recorded prior to the submission of the recap. Local receipts are expected to grow by 0.21%.

The biggest challenge in forecasting local receipts is normally related to timing. Budget estimates are prepared in November or December in the year prior to the budget year. The estimate of local receipts actually used to set the tax rate in November of the budget year is based on collections that have not happened yet at the time that we prepare the budget. To facilitate our estimate of local receipts, we have developed a model that tracks them on a monthly basis, and compares that pattern to the monthly collections of prior years. This model is also used to create the forecast for the next five years.

Light and Power surplus has remained stable for many years, and the MSBA reimbursement for the Farley School is fixed for its life. The Farley bonds have their final maturity in 2020, so the reimbursement from the MSBA will end as well. Free Cash should be certified at approximately \$2,840,000, which is more than sufficient to fund our one-time needs.

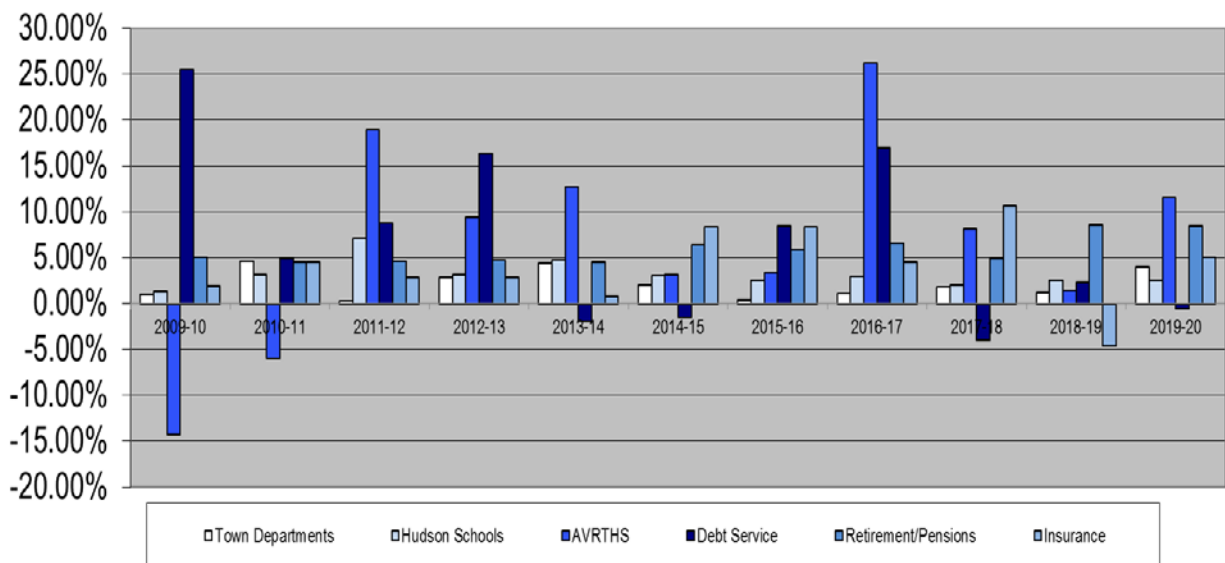
Below is a chart showing the long-term trends in budgetary revenue:

## Budgeted Revenue History 2005 - 2020



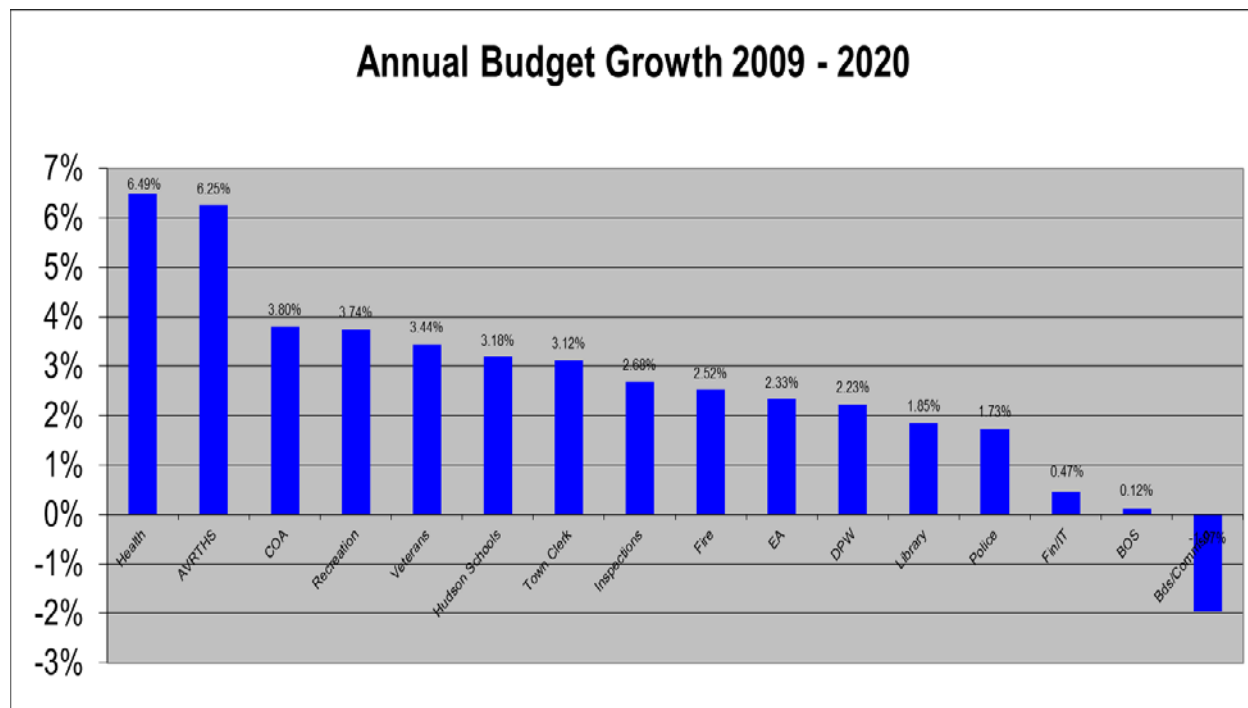
For spending, we divide the operating budget into six logical groupings, town departments, Hudson schools, AVRTHS assessment, debt service, retirement & pensions, and insurance. Below is a chart that shows year-over-year percentage budget changes from 2009 through 2020. The darker the coloring of the group, the larger the changes have been over the entire period. The last three groups can further be combined into what is generally referred to as fixed costs.

## Percentage Budget Change by Group



Some of the changes are somewhat cyclical. For example, although overall budget growth of Town Departments is low, there are periodic peaks such as in 2010-11, 2013-14 and 2019-20. Other peaks are caused by one-time events such as the bonding of the AVRTHS project in 2016-2017. Debt service is similarly driven by bonding large projects like the Quinn Middle School in 2009-2013 and the Police/DPS building in 2016-2017.

Drilling down into the first three categories yields the chart below that shows the average annual percentage increase in each department over the same period.



For the previous four years the gap between the fastest and slowest growing departments has narrowed. This came to a halt this year because the decline in expense for boards and commissions grew. The Board of Assessors forgave some of their operation expenditures and moved the request to capital to fund technology upgrade in their area.

Most departments' budget growth rates are in the narrow band from 1.50% to 4.00%. Various factors affect budget growth in the short-term, but over the longer-term, the variation in the rates in each department reflects the priorities of the Town.

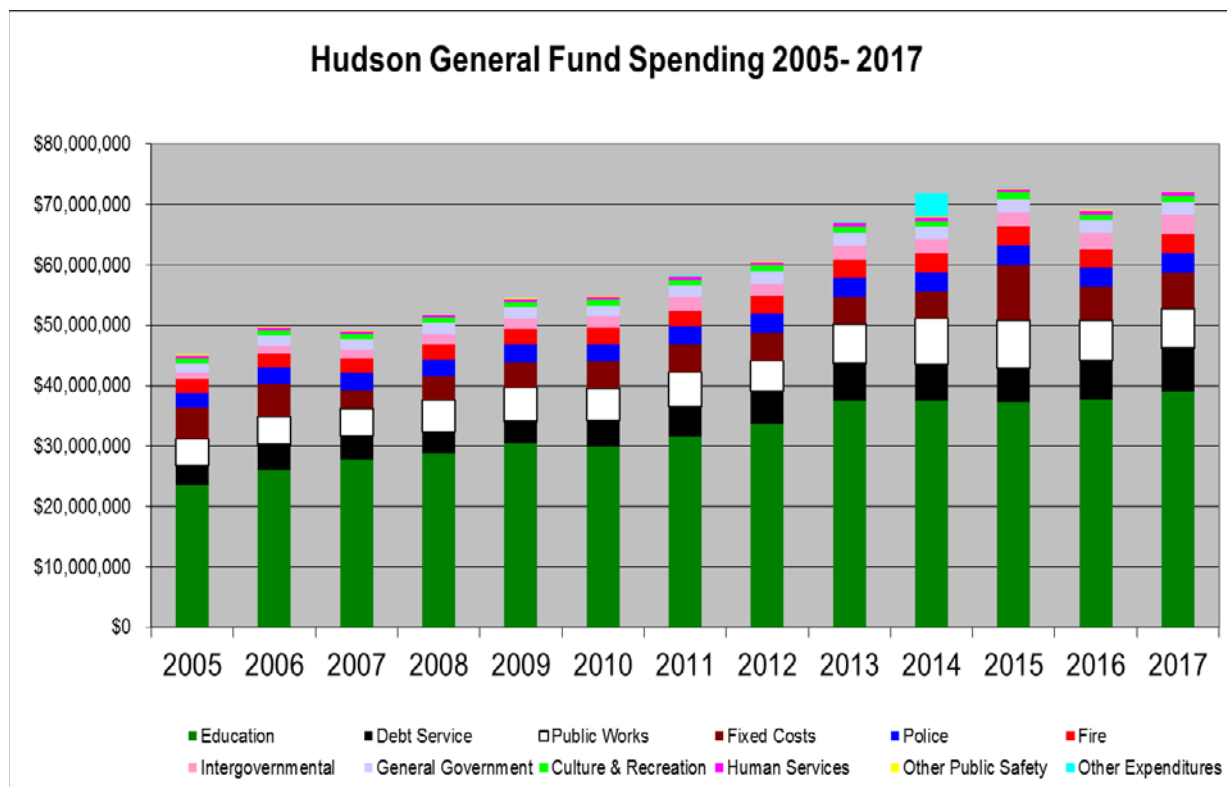
It is also important to recognize that overall budget growth is really determined and dominated by our larger departments; Hudson Schools, DPW, Police and Fire, as well as the assessment for AVRTHS. Increases or decreases in the smaller departments will have relatively small effects on the overall budget.

Also important over this period is the relative proportions of town departments, education and fixed costs over time, as shown in the table below.

	<u>Town Depts</u>	<u>Education</u>	<u>Fixed Costs</u>
2009	26.40%	53.92%	19.68%
2010	25.96%	52.77%	21.27%
2011	26.20%	52.32%	21.48%
2012	24.95%	53.49%	21.55%
2013	24.58%	52.97%	22.45%
2014	24.69%	53.57%	21.73%
2015	24.48%	53.63%	21.89%
2016	23.83%	53.32%	22.85%
2017	22.98%	53.02%	24.00%
2018	22.86%	53.03%	24.11%
2019	22.69%	53.26%	24.05%
2020	22.81%	53.08%	24.12%

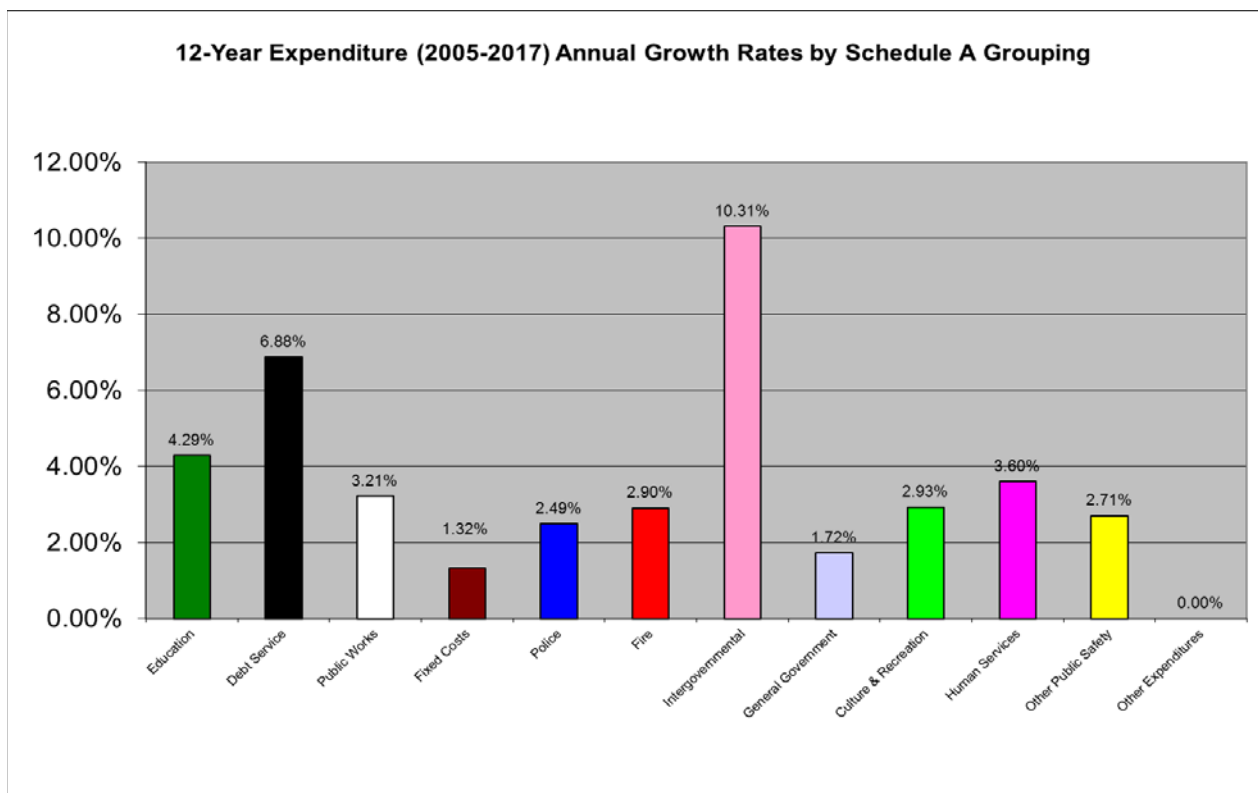
The percentage of Town funds spent on Town departments has been in fairly steady decline, falling from 26.4% in 2009 to 22.81% today, however this year represents a slight increase for the first time since 2011. Conversely, education has fallen for the first time since 2017. The reasons for this are twofold. The most important of which has been the nearly steady increase the percentage of the budget spent on fixed costs. To a lesser extent, some of the Town department increases this year included either one-time expenditures or investments in personnel that will generate revenue that offset costs. Those particular costs will be discussed in detail in the 2020 Spending section later in this report.

The Commonwealth, through the Department of Revenue, also looks at spending, but with a broader perspective. They include unappropriated expenses such as Cherry Sheet assessments, and they group expenditures into standardized categories to facilitate comparison among different communities. Information is not quite as current as our own, since it depends on submission of Schedule A's for every city and town in the Commonwealth. Below is their presentation of Hudson's most current data.



A notable difference between their data and our internally-generated budget data is the large increase in 2013 Education spending in the Commonwealth's data. Their data is based on actual expenditures while ours is based on annual budgets. Using their data, education spending jumped considerably in 2013 and has leveled off since then despite the fact that our education budgets have increased at a very stable rate. It is unclear from the state reports what caused the temporary spike in 2015 fixed costs. We know that 2015 DPW costs were high because of a terrible winter. Despite these differences, the state data reflect a similar pattern with education, debt service and intergovernmental spending growing as a percentage of spending, and Town departments declining. One exception to the Town Department trend is the small but growing Human Services category, which includes the Health Department and the Council on Aging. This is also consistent with the internal chart on the previous page.

While the chart above shows the relative sizes of the categories, the chart below better depicts the relative growth rates, since the smaller category's growth are not squeezed down in size by their relatively tiny overall contributions.

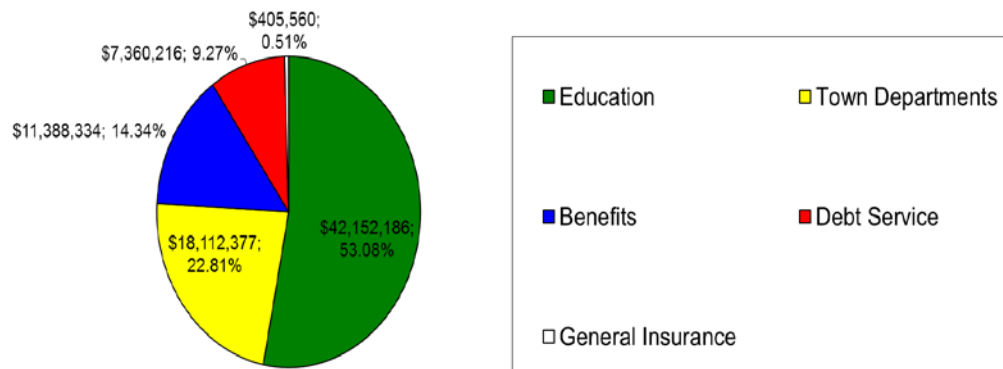


Most of Hudson's budget pressure comes from categories of expenses over which we have little control. Intergovernmental charges are levied by the state, and it is clear that the Commonwealth's own long-term budget pressures have caused them to push financial responsibility of state programs, such as charter schools, down to the local level. Debt service, although locally authorized, is only partly controllable since we must maintain our own infrastructure. It is unclear why the state's data reflect such a low growth in fixed costs.

## 2020 Spending

The chart on the next page represents Fiscal Year 2020 operating appropriations. Operating appropriations exclude capital, town meeting articles and non-appropriated charges.

### 2020 Total Operating Appropriations



As in previous years, education comprises well over half the budget at \$42,152,186 or 53.08%. This is slightly lower than the last year's 53.26%. The three largest departments outside of the Schools are DPW, Police and Fire. These three departments far exceed the spending in all other non-school departments combined and make up 76.50% of the yellow Town Department slice of pie in the chart above, slightly higher than last year (76.13%). A table of departments and their budget changes from last year is presented and discussed in below.

	FY 2019	FY 2020	Change	Change
Selectmen	13,700	13,700	-	0.00%
Executive Assistant	314,331	321,702	7,371	2.34%
Election/Town Meeting	52,647	35,260	(17,387)	-33.03%
Planning & Community Development	280,178	295,129	14,951	5.34%
Legal Services	164,000	164,000	-	0.00%
Town Buildings	249,988	258,643	8,655	3.46%
Personnel Expense	11,753	11,753	-	0.00%
Finance/IT	815,785	827,000	11,215	1.37%
Town Clerk	171,896	178,247	6,351	3.69%
Moderator	110	110	-	0.00%
Board of Assessors	127,722	112,804	(14,918)	-11.68%
Police Department	3,593,295	3,697,278	103,983	2.89%
Fire Department	3,243,273	3,441,359	198,086	6.11%
Building Inspection	178,374	197,880	19,506	10.94%
Public Works	6,419,487	6,717,671	298,184	4.64%
Health Services	183,834	194,087	10,253	5.58%
Council on Aging	281,327	291,497	10,170	3.62%
Veterans Services	143,797	147,689	3,892	2.71%
Library	771,131	790,017	18,886	2.45%
Recreation	382,759	402,723	19,964	5.22%
Various Board & Commissions	13,828	13,828	-	0.00%

Overall, non-school departments increased by a collective \$699,162, or 4.02%. Several departments had either large increases or decreases and will be described below. As

mentioned earlier, other departments may have one-time expenses or revenue neutral expenses included. Each of them will be explained, as well.

The large decrease in Election Town Meeting relates to the number and type of elections that varies considerably each year. Furthermore, we are gaining experience in early voting, and over the longer-term this may actually help contain costs. However there is still a difference in regulations regarding early and absentee voting. That requires us to have two different protocols in place. As regulations evolve, it is possible that eventually they may be treated so similarly that we can consolidate procedures.

The 5.34% increase in Planning and Development can be attributed completely to step raises for non-union employees who are not yet at the top of their 8-step pay scale.

The Board of Assessors reduced the money that is allocated in their budget annually for appraisal services, some of which is used for annual software maintenance, and requested to invest \$27,000 into new appraisal software and hardware. This amount is one-time in nature and is large enough to be included in the capital, rather than in the operating budget. Because of this investment will be that the department will become more efficient. They will be able to enter data directly from the field, which will reduce the time necessary to update new construction and evaluate abatement requests, and will also reduce the chance of transcription error since data will be entered on-site instead of being manually recorded in the field and entered into the database at a later time in the office.

The Fire Department budget increased by 6.11% for two reasons. A new position at the deputy level is requested. This position would be in charge of fire prevention. Management hopes that this job description can be flexible enough, and that the union will agree, for this position to fill in for daytime staffing vacancies which would result in a reduction in overtime expenses. The Department has also increased the hours of the part-time clerical position. Finally, stipends for emergency management have been increased in an effort to make the chief position more attractive.

Building Inspection increased by almost 11%. \$6,600 of the increase is for a one-time improvement to Inspection's Town Hall records storage area. This amount was too small to be included in the capital plan. Part-time wages also increased by \$9,316 partly to help with the temporary removal and return of records during the storage area project. But for these amounts, the Department's increase would have been 2.01%.

The Water Division of Public Works includes the addition of \$50,000 for well maintenance that was previously part of the capital plan. Since this will be a recurring expense, it made more sense to make it part of the annual department budget. The department is requesting a new union position of Chief of Maintenance. This position currently has a counterpart in the Sewer Division and partly a response to increasing water regulations. Furthermore, one of the operators retired in 2019 and the position is anticipated to convert to a Backflow Inspector. The newly defined position will generate backflow inspection fees which will offset the cost. These two personnel changes will essentially become revenue neutral.

DPW Cemetery includes \$5,000 for a trailer. While this is a one-time expense, it also is too small to include in the capital budget. Similarly, the Water Division includes a one-

time expense of \$8,000 for software to support the new backflow prevention effort. Finally Water includes a one-time \$25,000 expense for a beneficial use determination for water residuals. This determination will allow these residuals to be used as fill rather than removed at an expense, so it will save money in the long-run.

Removing these expenses from the apparent 4.64% budget increase in DPW yields an effective increase of only about 2.2%.

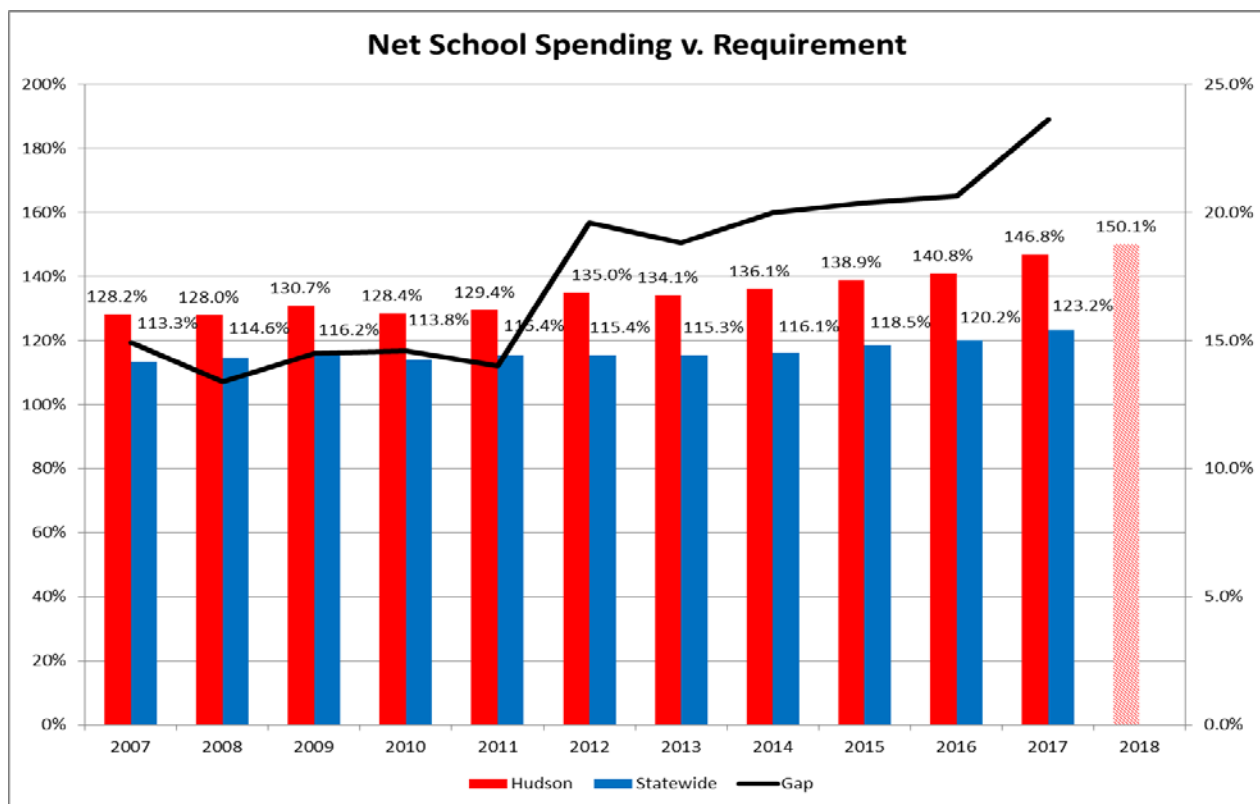
The Health Department budget increased by 5.58% but just like Planning & Development, this was driven by step increases for employees.

Recreation increased by 5.22% due to personnel costs as well, but not because of steps. Instead the gradual increase in the minimum wage is driving up the wages of the seasonal workers. Part of this increase will be absorbed by increased program fees, but some will be absorbed by this budget.

The School Department's direct appropriation is increasing 2.50% this year. Although this appropriation is less than that of the collective Town departments, it is greater than the percentage when adjusted for unusual items.

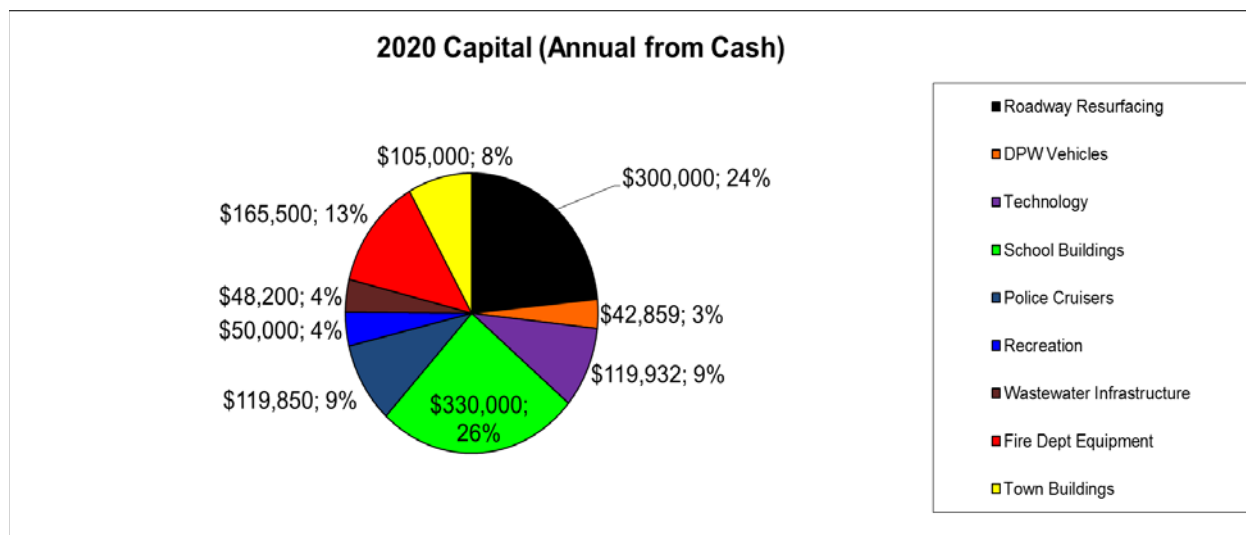
During the past few months, the schools have developed a stabilization plan that includes the establishment of a special education stabilization fund. We believe that this can be funded via the existing estimates for Town Meeting articles, and won't require a ballot vote. The stabilization plan will also depend on an, as yet, undetermined override at some point in the future. While that is not yet in the Town's 5-year forecast, by their very nature Proposition 2 ½ overrides are self-funding. Although this one will affect taxpayers, it will not reduce funding for the existing budget.

Hudson Schools have historically been supported well. The chart below, based on the most recent data from the Department of Elementary and Secondary Education, shows that across the Commonwealth, school systems spend about 120% of minimum net school spending requirements. Hudson spending exceeds 140%. DESE has not yet made actual results for Fiscal Year 2018 available. The black line on the chart represents the gap between Hudson school spending and the average for the state and the scale is shown on the right. That gap remained fairly steady between 2007 and 2011, jumped considerably in 2012, widened slightly between 2013 and 2016, and then it made another large jump in 2017. Not coincidentally, the school appropriation exceeded a 2 ½% increase in 2017 when the Town appropriated 3%.



## Capital Spending

Capital spending from free cash essentially unchanged from last year at \$1,281,341. Items include \$330,000 for school buildings, \$300,000 for road improvements, \$165,500 for Fire Department equipment, \$119,832 for several technology projects, three police cruisers, \$105,000 town buildings, and smaller amounts for Recreation, Wastewater and DPW vehicles. The chart below illustrates free cash capital spending.



This was the third year in a row that we had more capital requests than we had capacity to fund. As a result, we deferred \$724,631 of 2020 requests into 2021. This backlog grew slightly from last year and is a growing concern. We are typically able to fund between \$1.0 and \$1.5 million in capital requests from cash. Requests don't return to this range until 2024 and by then the backlog will be even more substantial.

We will fund a couple of items using other reserve funding. We will likely be able to fund two smaller DPW vehicles from the newly created DPW Capital Stabilization Fund. Money was transferred into this fund in November 2018 from closed DPW capital projects. We will also fund Centennial Beach Renovations from Community Preservation Act funds.

We expect to fund three larger projects using bonds. We have carved out \$800,000 to fill the gap to complete the downtown rotary project. Much of the \$500,000 Highland Commons money was used for public outreach and design for the project. Late this fall we received a \$650,000 MassWorks grant to assist in the project funding. The bond will enable us to complete the project.

\$475,000 of bonding will fund the replacement of the Vactor truck. This truck is used by DPW in water, wastewater and street operations. It is versatile and is used for everything from removing sewer backups to cleaning catch basins. The very nature of the work creates an enormous amount of wear and tear, and our 13-year old vehicle has reached the end of its useful life.

Finally \$395,000 is sought to add air-conditioning to Hudson High School. This may help address a potential union action against the Town.

We have deferred a decision on the School Administration building to 2021. That timeframe may still be aggressive as we seek professional evaluation of options. These options will include repair or replace decisions, but it may also include operational decisions such as location of staff and utilization of schools space, if any.

The other large project that will be addressed in the near future is Phase 2 of improvements to the wastewater treatment plant. Planning for this began a decade ago and had been deferred until the regulatory environment became clearer. In the meantime, we have patched together solutions to catastrophic problems such as a mechanical issue with our clarifiers. Further detail on the specific improvements to the plant will be forthcoming. The \$48,200 for wastewater pump stations in the free cash-funded portion of the capital plan is related to this need.

Below is our comprehensive inventory of Town of Hudson vehicles, which has been updated from last year.

Department		Vehicle Description			Milage
Town Hall	Material Management	2013	Ford	F-150	37,213
Police	Police	2014	Ford	Explorer	49,943
Police	Police	2015	Ford	Escape	34,958
Police	Police / School	2013	Ford	Taurus	106,947
Police	Police	2010	Ford	Explorer	81,018
Police	Police	2013	Ford	Taurus	96,852
Police	Police	2013	Ford	Taurus	34,324
Police	Police	2018	Ford	Explorer	1,672
Police	Police	2018	Ford	Explorer	6,610
Police	Police	2018	Ford	Explorer	32,250
Police	Police	2017	Ford	Explorer	76,733
Police	Police	2017	Ford	Explorer	46,522
Police	Detective Car	2010	Ford	Fusion	78,664
Police	Police	2017	Ford	F-150	15,476
Fire	Fire	2016	E1	Rescue	4,048
Fire	Fire	2001	Ford	F-450	15,400
Fire	Fire	2015	Ford	Expedition	50,823
Fire	Fire	2009	Ford	Expedition	119,658
Fire	Fire	2002	Ford	F-350	68,540
Fire	Fire	2008	Ford	F-550	33,477
Fire	Fire	2006	E-One	Pumper	83,122
Fire	Fire	2013	E-One	Pumper	48,922
Fire	Fire	2018	E-One	Pumper	4,054
Fire	Fire	2001	Spartan	Pumper	59,810
Fire	Fire	2005	E-One	Tower	24,372
Fire	Fire	1999	Freightliner	Box	43,202
Town Hall	Pool Car (old EA)	2008	Ford	Taurus	111,000
Town Hall	Inspection	2012	Ford	Explorer	71,825
DPW	Adminstration	2008	Chevy	Trail Blazer	83,264
DPW	Adminstration	2017	Ford	Explorer	41,785
DPW	Sewer	2016	Ford	F-550	27,455
DPW	Streets	2019	Ford	F-550	1,628
DPW	Adminstration	2014	Ford	F-150	65,064
DPW	Streets	2011	Ford	F-450	79,503
DPW	Streets/Parks	2017	International	4300	4,659
DPW	Sewer	2019	Ford	F-250	1,969
DPW	Fleet Maintenance	1999	Ford	F-250	97,839
DPW	Water Meter Van	2009	Chevy	Express Van	97,386
DPW	Sewer	2006	Ford	F-250	127,083
DPW	Adminstration	2010	Ford	Ranger	57,193
DPW	Water	2013	Ford	Transit Connect	38,262
DPW	Snow & Ice / Streets	2005	International	7400SFA	53,476
DPW	Snow & Ice	2007	International	7400SFA	35,520
DPW	Snow & Ice / Streets	2014	International	7400SFA	20,459
DPW	Snow & Ice	1999	International	4900	36,000
DPW	Snow & Ice / Streets	2013	International	7400SFA	27,594
DPW	Snow & Ice	2009	International	7300SFA	43,043

Department		Vehicle Description			Milage
DPW	Snow & Ice	2001	International	4900	33,196
DPW	Snow & Ice	1997	International	4900	59,948
DPW	Snow & Ice / Streets	2005	Ford	F-450	100,023
DPW	Snow & Ice / Streets	2016	International	7400	11,622
DPW	Snow & Ice / Streets	2017	International	7500	7,058
DPW	Snow & Ice / Streets	2014	International	7400	21,252
DPW	Snow & Ice / Streets	1994	International	2554	134,614
DPW	Streets	2008	International	7300SFA	80,597
DPW	Sewer	2007	Chevy	Colorado	111,641
DPW	Forestry	2005	Ford	F-450	72,389
DPW	Streets	1999	International	4900	70,389
DPW	Sewer	2016	Ford	F-250	34,928
DPW	Streets	2005	International	7400SFA	62,060
DPW	Adminstration	2006	Chevy	Trail Blazer	73,937
DPW	Parks	2014	Ford	F-550	44,172
DPW	Streets	2010	International	7300SFA	49,376
DPW	Streets	2014	International	7400	22,515
DPW	Streets	2002	International	4900	77,722
DPW	Cemetery	2013	Ford	F-450	37,633
DPW	Parks	2019	Ford	F-550	795
DPW	Streets	2004	International	7300	23,639
DPW	Sewer	2008	Chevy	Colorado	30,711
DPW	Streets	2014	Ford	F-550	49,606
DPW	Water - Repair	2013	Ford	F-450	58,156
DPW	Parks	2016	Ford	F-550	26,008
DPW	Parks	2008	Ford	F-450	86,317
DPW	Fleet Maintenance	2002	Chevy	3500	87,355
DPW	Streets	2006	JCB	436HT	5,541
DPW	Streets	2001	Elgin	SE Pelican	4321 hrs
DPW	Streets	1995	Volvo	L90C	15,572
DPW	Snow & Ice	1987	Sicard	5250	27211 hrs
DPW	Snow & Ice / Streets	2016	John Deere	624K	1,642
DPW	Snow & Ice	2000	Bombardier	SW48	88,730
DPW	Streets	1999	Volvo	L90C	12,087
DPW	Streets	2007	JCB	214-3CX-SRS	4,652
DPW	Streets	2011	Elgin	NP Pelican	2830 hrs
DPW	Sewer	2006	International	7400SFA	15,066
DPW	Snow & Ice / Streets	2015	RCM	Sidewalk Tractor	430
DPW	Snow & Ice	1983	Bombardier	SW48	37,852
DPW	Snow & Ice	2011	Prinoth	SW4S	983
DPW	Snow & Ice	2017	Multihog	Sidewalk Tractor	557
DPW	Streets	2001	Volvo	EW170	10,101
DPW	Streets	1995	JCB	214	9,138
DPW	Snow & Ice / Streets	2004	Trackless	MT	14,561
DPW	Streets	2005	Ingersoll Rand	P 185	644
DPW	Forestry	1998	International	4700	32,179
DPW	Forestry	1997	Vermeer	1230	36,514
COA	Senior Center	2007	GMC	3500 Conv. Bus	92,175
COA	Senior Center	2012	Ford	E-350	117,441
Town Hall	Recreation	2015	Ford	Transit 350	5,169
Town Hall	Recreation	2011	Ford	E-350	30,466

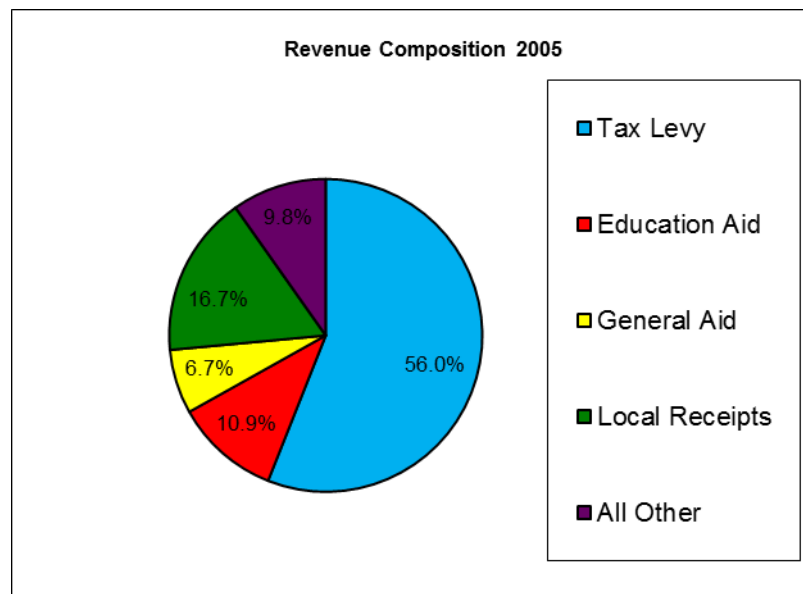
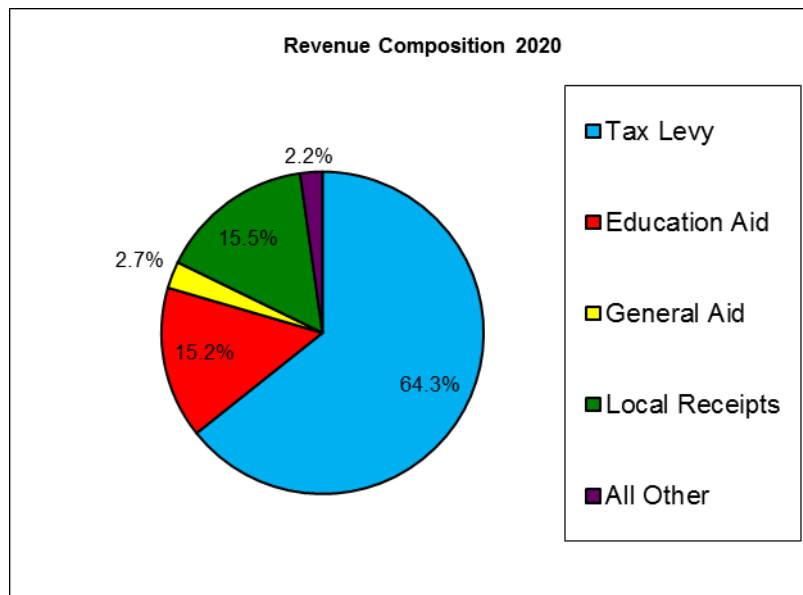
Below is our analysis that shows how well the current capital plan for replacement vehicles achieves goals for the average age of various components of the fleet. The fleet is broken into six categories of vehicles. The target ages was determined by dividing the assumed life of a vehicle in that class by two. Each target age assumes that vehicles are distributed roughly evenly from brand new to twice the target age. This may or may not actually be true. That distribution would be ideal, since it would ensure that the fleet is a mix of newer, mid-life and older vehicles. This, in turn, allows a more uniform annual investment in replacement vehicles.

	Target	Current	FY 20	FY 21	FY 22	FY 23	FY 24
Average age cars (category 1)	5.00	7.60	7.20	2.80	3.80	4.80	5.80
Average ages pickups, SUVs, vans (category 2)	5.00	6.84	7.31	6.72	6.69	6.69	6.91
Average age mid-weight vehicles (category 3)	7.50	8.07	7.93	6.80	6.67	5.80	6.80
Average age heavy vehicles (category 4)	10.00	12.23	12.59	12.36	12.73	12.77	13.77
Average age fire vehicles (category 5)	7.50	10.71	9.00	10.00	11.00	12.00	13.00
Average age other (category 6)	10.00	16.00	17.00	13.41	14.41	15.41	16.41

Our current inventory is at or very near the target ages for most categories. At first glance the plan for 2020-2024 seems to misallocate resources toward cars at the expense of other vehicles. This is probably somewhat misleading and many cars, especially in the Police Department are being replaced with SUV's. It is very likely both the first two categories will remain very close, if not ahead of, our target ages. What is clear is that we will have to look closely at our heavy-weight vehicles. A slight acceleration of replacement and modest increase in the allocation of capital may bring those average ages down slightly. The last category also bears attention. The category is comprised of mostly DPW equipment which, although it may be used infrequently, is very important to operations.

## Revenue

The Town's budget is supported by five sources of revenue. By far the largest of these is the property tax. Property taxes will account for 64.3% of our total funding for Fiscal Year 2020. Combined Local Aid will contribute 17.9% of our funding, and local receipts and other available funds will make up the balance. Local receipts include motor vehicle excise taxes and most fees, such as, water, sewer, and permit fees. The "All Other" category is comprised of free cash, stabilization funds, and other sources arising from outside the General Fund. The chart below shows this composition graphically for this year and for 15 years ago.



Over time, locally generated revenues have increased in importance. In 2005 property taxes and local receipts comprised 72.7% of budgeted revenues. This year we expect that figure to increase to 79.8%, unchanged from last year. At the same time educational aid has steadily increased from 10.9% to 15.2% there has been an almost offsetting decrease in general aid from 6.7% to 2.7%. While the Commonwealth remains committed to funding education, local services are now largely up to cities and towns to fund, despite the fact that general aid actually increased faster than education aid last year.

The overall tax levy is increasing at a moderate rate, but residents have absorbed a disproportionate portion of the increase in the past couple of years. This is caused by rapidly increasing home values in Hudson, while commercial and industrial values have essentially stagnated. This will be discussed in more depth in the tax implication section.

## Reserves

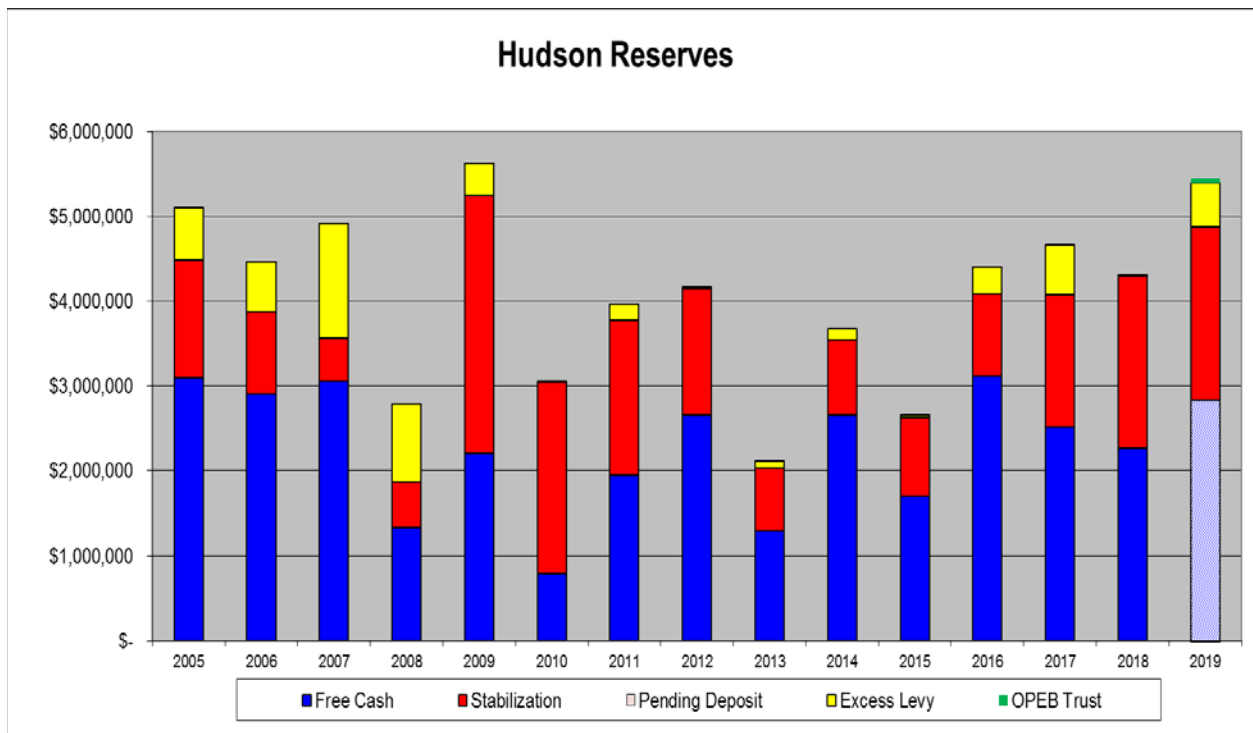
Reserve levels are strong indicators of financial health. Free cash and stabilization funds are the most common cash reserves. Free cash represents that part of the General Fund's balance that the Department of Revenue deems available to spend. It is essentially the accumulated budget surpluses that remain unspent and uncommitted. At the end of each fiscal year free cash is reset to zero and at sometime following year-end it is recertified. Free cash as of July 1, 2017 was certified at \$2,265,246. We expect certification for July 1, 2018 at any day and anticipate that it will be approximately \$2,840,000. This year free cash will only go to fund the current year of our capital plan and warrant articles of a one-time nature. This holds debt levels down and matches one-time costs with one-time revenue sources.

Our Stabilization Fund stood at \$2 million on July 1, 2017 and remained stable throughout Fiscal Year 2018. This fund does not automatically vary in size year-to-year like free cash except for the relatively small interest earnings. The Town must appropriate money to it for it to grow. It does not have to be certified by the state to appropriate funds from it like free cash does, so it is available throughout the year. It is harder to utilize, since the Town needs a 2/3 vote of Town Meeting to do so. Because of these characteristics, stabilization funds tend to fluctuate less than free cash. There was a withdrawal of \$100,000 in November 2018 to fund the replacement of industrial boilers in Fire Headquarters. The plan for 2020 includes replacing this withdrawal not from free cash but from operating revenues.

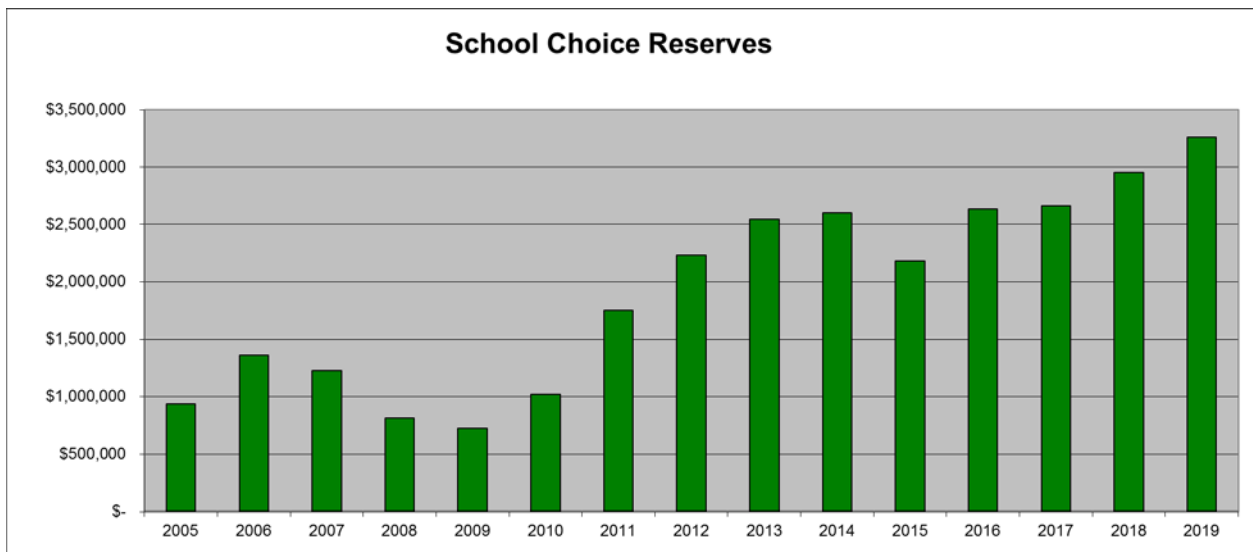
Our anticipated beginning combined free cash and stabilization funds of about \$4.9 million, exceeds our target of 5% of our budget. Because of this we are allocating another \$50,000 to reduce our long-term OPEB obligations by putting funds into the newly-formed OPEB trust. Last year we funded this trust with the first contribution of \$50,000.

Another reserve, though not truly a "cash" reserve, is excess levy capacity. This is the amount that a town may tax under Proposition 2 ½ constraints but does not. It is really a reserve because in any year a town may use this balance to fund its budget, and is included in this analysis. The chart below shows reserve levels that have generally stabilized. Hudson's trend was downward going into the recession. Reserves had a temporary spike upward in 2009 and then dropped considerably in 2010. Levels then improved yearly until 2012, and then headed further downward. 2014 free cash was somewhat unusual in that it included a one-time receipt of about \$900,000 in a settlement of a sewer issue, but reserves continue to improve. Since 2015 our reserves have steadily increased.

From a long-term prospective, our goal has been to maintain cash reserves of between 5% and 10% of annual spending. We have used this goal, and the five-year forecast as a tool to communicate this, as a springboard for initiating a program to address our long-term liabilities. We discuss this in detail in the Five-Year Forecast section below.



The School Department has a fund that acts as a reserve within their system. School choice reserves can be used to offset certain operating expenses within their budget, subject to School Committee approval. This fund is replenished by school choice receipts. Choice reserves can perform the same function for the schools as the Stabilization Fund does for the non-school departments. The chart below shows a fairly healthy pattern. From the mid-2000's through the end of the decade this fund was in a slow general decline. Since then there has been a dramatic increase in fund balances, although the rate of increase moderated going into 2014. In 2015 there were more outflows than inflows causing the first reduction in fund balance since 2009, but the balance rebounded in 2016 and has increased steadily ever since. The school's reserve position is a healthy percentage of appropriated expenses.



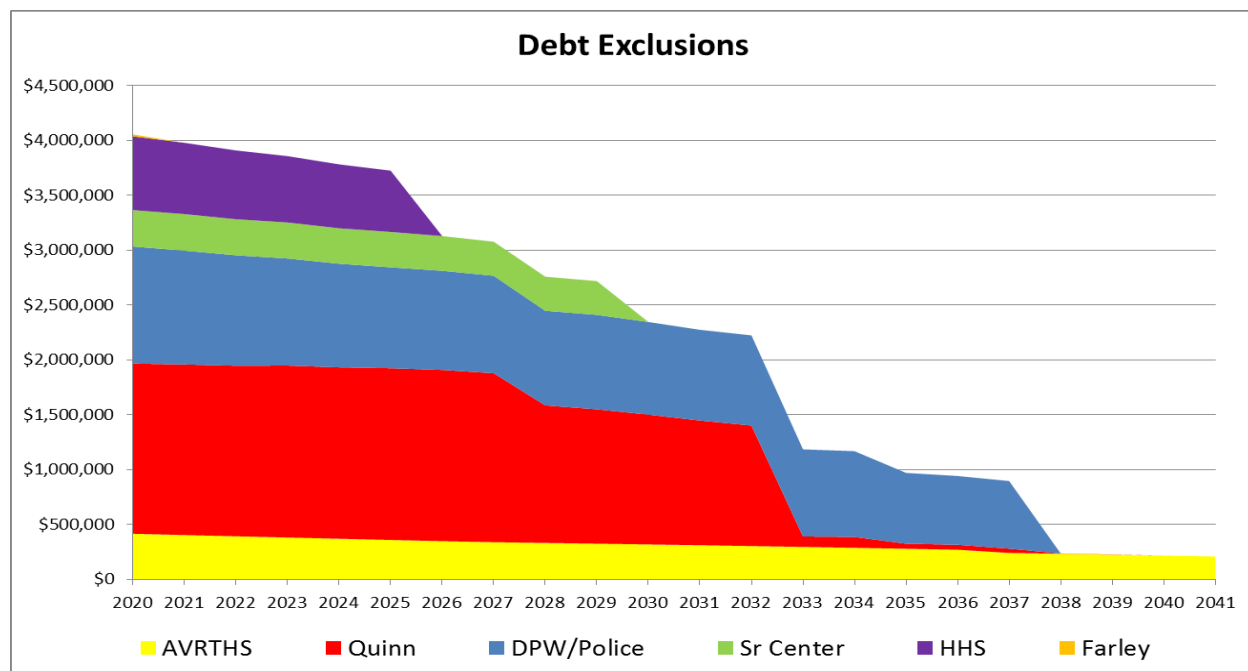
The School's recently introduced budget stabilization plan will work down this balance over the next several years and in a controlled manner. At that point a cash infusion will be needed, probably in the form of a Proposition 2 ½ override.

## Tax Implications

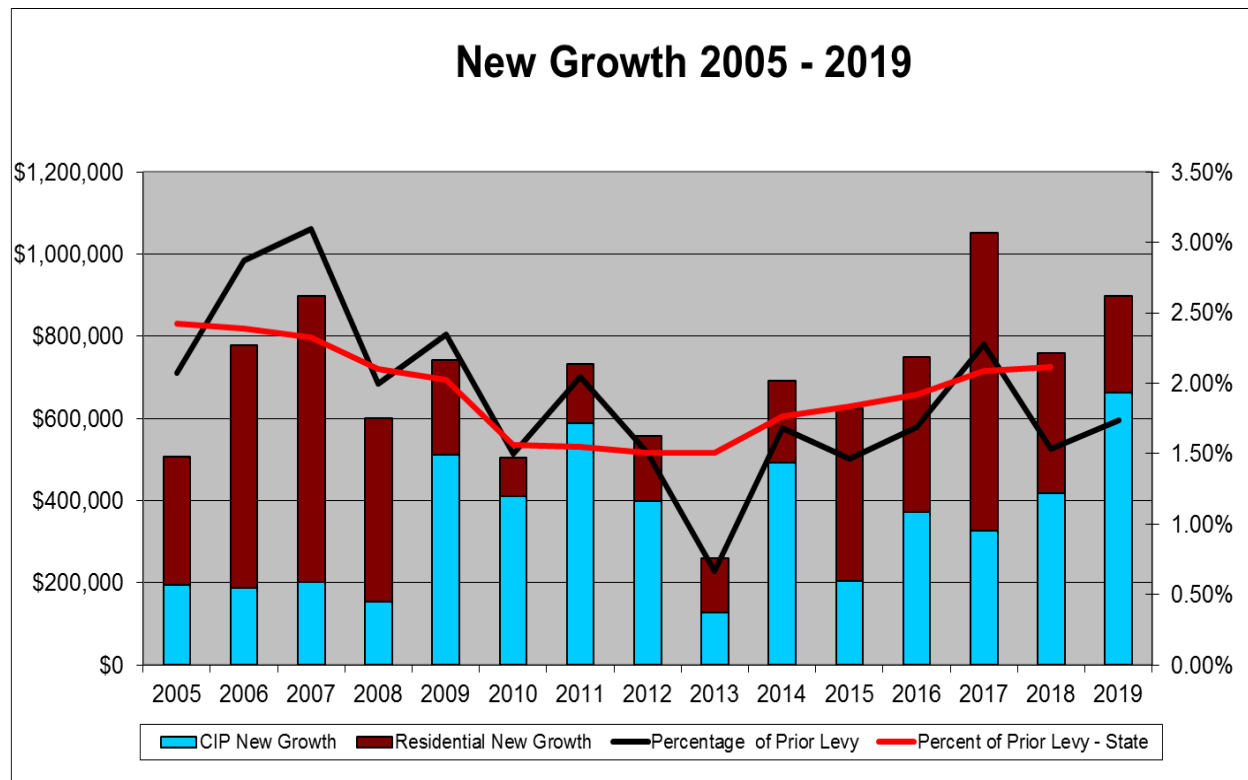
We expect the 2020 tax levy to be \$54,875,803, a \$2,390,552 (4.47%) increase over last year. \$700,000 is expected to come from new growth. This growth figure is based on historical averages. The balance of the increase comes from the allowable increase under Proposition 2 ½, with adjustments for changes in 2017/2018 debt exclusions.

The Police/DPW and AVRTHS projects are complete but there is a possibility of new debt exclusion in the future, depending on how the Town addresses the School Administration Building.

All of our current debt exclusions are displayed in the chart below. Debt exclusions do not impact budget, but increase property taxes throughout their lives. The chart indicates when and the extent of future property tax relief. As a reference point, the total debt exclusions represent about \$486 of the average single family residential tax bill of \$6,338.



New growth is a very important component to the budgetary process as it can provide an income stream without causing a burden to existing taxpayers. Below is a chart of new growth since 2005.



New growth has increased fairly steadily since 2013, although the peak in 2017 was unusual and due to the Matrix development. After a pause in 2018, it is again on the rise. As a percentage of the prior year's levy, however, we still lag the mid-2000's. New growth in 2019 was heavily skewed toward commercial, industrial, and in particular personal property ("CIP"). Both new growth value and taxation was higher for CIP in 2019. New commercial growth remains about twice what it was prior to the Great Recession.

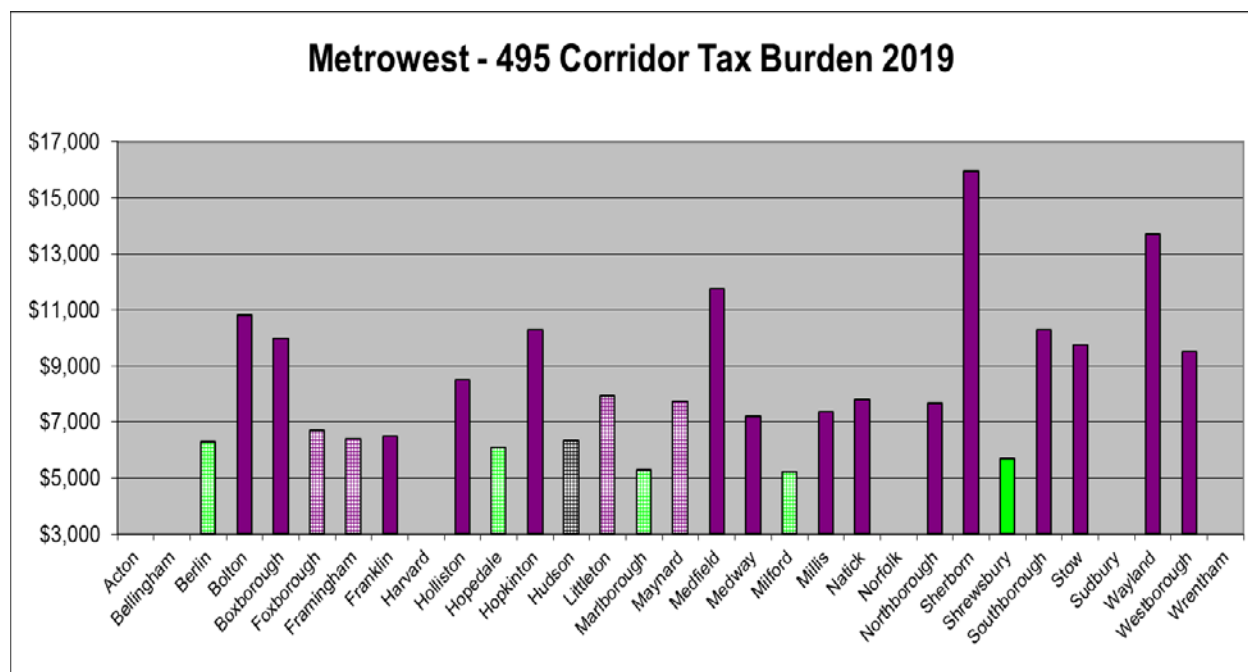
The black line on the chart reflects Hudson's year-over-year percentage change. The scale is on the right. The red line reflects the year-over-year change for the entire state. The state's figures are based on total value, so they are quite heavily influenced by Boston and the surrounding communities, since they have the highest property values. It is likely that the red line will continue its steady rise, since the real estate market statewide continues to expand. We will know this when all new growth in Massachusetts is certified and reported, probably sometime in February.

It is likely that Hudson may experience a spike in new growth from the Sage project on Washington Street. The exact timing of the growth associated with that \$44 million development is not yet known.

The disparity between the growths in value of existing residential properties versus CIP properties continues to fuel the increase in average single family home property tax bills. Values of existing residential properties increased by 6.3% from 2018 to 2019.

while CIP property lost 0.7% over the same period. This, in and of itself tends to shift the tax burden to the residential class, but just as importantly, it renders the split in our tax rates less effective in holding down residential tax bills. On the other hand, this has moderated the property taxes on businesses.

Our ranking among the 31 communities in the Route 495 MetroWest Corridor that we track will almost assuredly not change. Berlin's average tax bill went down significantly in 2018, dropping below ours, but it rebounded in 2019 and is again very close to Hudson's. Wrentham's tax rate is not set, but they will continue to have a tax bill higher than ours if their bills go up even a small amount. An updated version of the tax burden chart follows. Communities with single tax rates appear in solid colors, others appear with a grid pattern. Communities with lower average tax bills are colored green. Acton, Bellingham, Harvard, Norfolk, Sudbury and Wrentham have not yet set their 2019 tax rates.

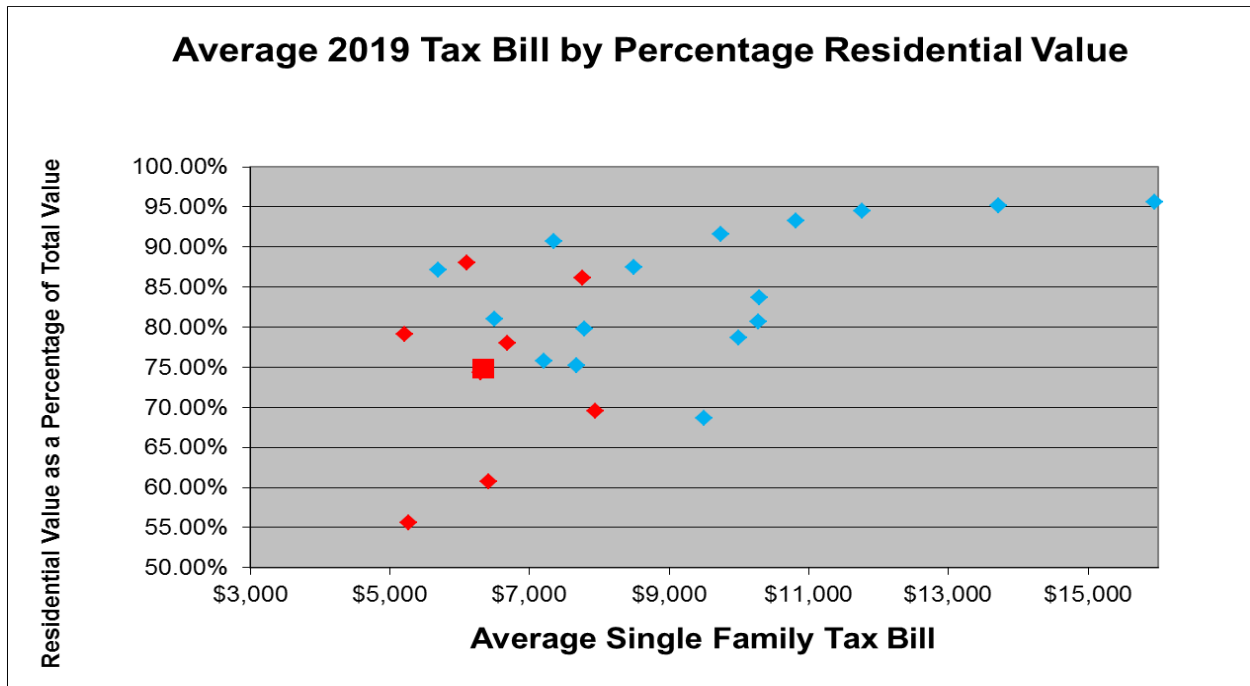


On the next page is a table of change in values from 2018 to 2019, adjusted to remove new growth.

	2018-2019 Value Change	
	Residential	CIP
Acton		
Bellingham		
Berlin	4.98%	-0.07%
Bolton	2.30%	0.93%
Boxborough	4.74%	-1.35%
Foxborough	1.43%	-3.95%
Framingham	8.40%	1.50%
Franklin	3.84%	-4.03%
Harvard		
Holliston	0.80%	-0.28%
Hopedale	4.41%	0.71%
Hopkinton	3.64%	2.27%
<b>Hudson</b>	<b>6.30%</b>	<b>-0.75%</b>
Littleton	2.29%	-0.39%
Marlborough	10.66%	1.90%
Maynard	11.28%	3.93%
Medfield	3.24%	-1.04%
Medway	4.12%	-2.31%
Milford	4.08%	-1.40%
Millis	1.03%	-6.59%
Natick	6.57%	-0.67%
Norfolk		
Northborough	5.20%	0.21%
Sherborn	1.16%	-4.41%
Shrewsbury	3.18%	-1.18%
Southborough	2.28%	-1.52%
Stow	3.70%	-2.18%
Sudbury		
Wayland	4.12%	-1.38%
Westborough	9.10%	1.59%
Wrentham		
Median	4.08%	-0.75%

Hudson's residential properties increased in value faster than most other communities. Hudson's commercial properties are losing their value at about the same pace as other cities and towns. It is interesting to note that the more urbanized communities of Framingham, Hudson, Marlborough and Maynard saw some of the biggest gains in residential values. This may be indicative of the current attractiveness of traditional downtowns. It is also important to note that these are assessed values and not actual sales data.

When a community splits its tax rate like Hudson does, commercial rates go up and residential rates go down. What type of community splits their tax rate, and is it an effective technique to keep residential rates low? Answers to both of these questions are complicated, but the chart on the next page can offer some insights.



Communities in red split their tax rates and those in blue do not. Hudson is indicated by the larger red square. (The Town of Berlin is almost entirely obscured by that red square.) Communities in the upper portion of the chart have higher residential value as a percentage of total assessed value. Most “red” communities are in the lower portion of the chart. Splitting commercial and residential tax rates will have little effect on residential taxes in communities in the top part of the chart because there is relatively little commercial value to re-allocate. Very few of them actually do split their rates. The red points tend to be concentrated on the left portion of the chart. This may indicate that splitting tax rates is an effective tactic to hold down residential bills, at least when there is enough commercial value to do so.

A question that remains unanswered, though, is what effect, if any, does splitting the tax rate have on the business sector of a community. This answer is impossible to answer using this information. There are communities with thriving commercial bases and split rates such as Framingham, Marlborough, Littleton and Hudson. There are also those with similar thriving local economies that do not split rates such as Natick, Westborough and Boxborough. This indicates that a successful business environment may be due to factors other than a community’s decisions on tax policy.

## Five-Year Forecast

The five-year forecast has been updated for Fiscal Year 2018 results, the November 2018 town meeting, the Fiscal Year 2019 draft recap, the Fiscal Year 2020 budget and the anticipated results of 2020 Annual Town Meeting. The capital forecast has been changed to reflect the current plan, and miscellaneous items such as snow and ice deficits and pension assessments were made current.

The forecast shows revenues and expenses in balance throughout the period with tax levies growing moderately and steadily and free cash staying in a tight range of 3.17% to 3.83% of budget. Total cash reserves (free cash and stabilization) achieve and maintain our 5% bottom threshold. The forecast also shows us shifting from our number one priority of building General Fund reserves to number two, which is to address our long-term liabilities with \$300,000 to \$400,000 per year added to the OPEB Trust.

Other Post-Employment Benefits ("OPEB") are Town obligations to provide a portion of the health insurance costs for current and future retirees. Our current OPEB unfunded actuarial liability is \$80.0 million according to our June 30, 2017 valuation. Unlike with our pension liability, there is no requirement that we begin putting money toward reducing that liability, however bond rating agencies are increasingly looking at this issue. Communities that have plans in place to fund this liability are generally considered better credit risks, and they borrow money at lower interest rates. This plan to use surpluses above 5% of budget to begin to fund OPEB's makes sense in this regard. Hudson took the initial step in this plan in November 2016 by establishing an OPEB trust, first funded it last year with \$50,000, and again this year will contribute an additional \$50,000. While funding our OPEB trust is not yet mandatory, it may become so in the future.

The forecast are also predicated on substantial increases in rates for water and sewer. Water and Sewer operate with slight deficits due to the loss of volume from the closure of Intel's fabrication operations. Substantial investments in the water treatment plant and other infrastructure were approved at the May 2018 annual town meeting. The debt service from the bond used to finance this work will begin to affect the budget in 2021 through 2023. It will be necessary to begin raising rates in advance of this to avoid "rate shock" in those years.

Similarly, Phase 2 of the wastewater treatment plan, although not yet approved, will begin to affect the budget about a year later than the water improvements. A similar rate phase in will be needed.

Just following the General Fund's five-year forecast are forecasts for both water and sewer operations. Each of these forecasts utilizes "enterprise fund" accounting. Rates are managed to bring budgetary surpluses or deficits as close to zero as possible for the long term. The forecasts fully integrate all anticipated capital projects.

## Conclusions

This is a budget with an overall growth rate of 2.97%, which anticipates that the total tax levy will rise by \$2.4 million in Fiscal Year 2020. Our unutilized tax capacity is anticipated to be smaller than that of 2019, however we always look to capitalize on conservative budgeting and favorable results to minimize taxes and increase the excess levy capacity when we set tax rates in the fall. Like the past few years, we have tried to anticipate changes in state aid. We have enough flexibility to commit to spending levels despite actual changes to Local Aid that may occur. Our Stabilization Fund, which does not need state approval to be utilized and is larger than in past years, offers us an extra tool to absorb surprises. We do not anticipate the need to adjust budgets in November

simply because of fluctuations in revenue streams. We may need, however, to make other adjustments.

Respectfully submitted,

Tom Moses  
Executive Assistant

		FY19	FY20	Increase (Decrease)	% Change
<b>REVENUES</b>					
<b>PROPERTY TAX</b>		<b>53,485,250.00</b>	<b>55,875,802.70</b>	<b>2,390,552.70</b>	<b>4.4700%</b>
<b>STATE AID</b>					
	NON-EARMARKED	2,265,130.00	2,341,140.37	76,010.37	3.3600%
	EDUCATION	13,109,342.00	13,508,370.51	399,028.51	3.0400%
		<b>15,374,472.00</b>	<b>15,849,510.88</b>	<b>475,038.88</b>	<b>3.0900%</b>
<b>LOCAL RECEIPTS</b>		<b>13,196,686.00</b>	<b>13,225,000.00</b>	<b>28,314.00</b>	<b>0.2100%</b>
<b>AVAILABLE FUNDS</b>					
	FREE CASH	1,317,467.00	1,281,341.00	(36,126.00)	-2.7400%
	L&P SURPLUS	225,000.00	225,000.00	-	0.0000%
	FARLEY REIMBURSEMENT	408,895.00	408,895.00	-	0.0000%
	STABILIZATION	100,000.00	-	(100,000.00)	-100.0000%
	SALE OF REAL ESTATE	28,925.00	28,125.00	(800.00)	-2.7700%
	TRANSFER	254,000.00	-	(254,000.00)	-100.0000%
		<b>2,334,287.00</b>	<b>1,943,361.00</b>	<b>(390,926.00)</b>	<b>-16.7500%</b>
<b>TOTAL REVENUE</b>		<b>84,390,695.00</b>	<b>86,893,674.58</b>	<b>2,502,979.58</b>	<b>2.9700%</b>
<b>EXPENSES</b>					
<b>EDUCATION</b>					
	HUDSON	38,091,026.43	39,043,302.09	952,275.66	2.5000%
	ASSABET	2,360,179.00	2,694,177.00	333,998.00	14.1500%
		<b>40,451,205.43</b>	<b>41,737,479.09</b>	<b>1,286,273.66</b>	<b>2.8800%</b>
<b>GENERAL GOVERNMENT</b>					
	DEPARTMENTS	17,413,215.00	18,112,377.00	699,162.00	4.0200%
	HEALTH & LIFE	4,628,000.00	4,859,000.00	231,000.00	4.9900%
	FICA	682,000.00	731,000.00	83,000.00	7.1800%
	GENERAL INS.	399,304.00	405,560.00	6,256.00	1.5700%
	CONTRIB. RET.	5,347,292.00	5,798,334.00	451,042.00	8.4300%
		<b>28,469,811.00</b>	<b>29,906,271.00</b>	<b>1,470,460.00</b>	<b>5.0500%</b>
<b>DEBT SERVICE</b>					
	PRINCIPAL	5,164,395.00	5,132,918.51	(31,476.49)	-0.6100%
	INTEREST	2,236,350.00	2,227,392.86	(8,957.14)	-0.4000%
	OTHER DEBT SERVICE	425,927.00	414,707.00	(11,220.00)	-2.6300%
	DEBT SERVICE ON RECAP	-	-	-	#DIV/0!
		<b>7,826,672.00</b>	<b>7,775,018.37</b>	<b>(51,653.63)</b>	<b>-0.6600%</b>
<b>TOWN MEETING</b>					
	ARTICLES	713,150.67	250,000.00	(463,150.67)	-64.9400%
	OPEB	50,000.00	50,000.00	-	0.0000%
	CAPITAL PLAN	1,482,736.00	1,281,341.00	(201,395.00)	-13.5800%
	STABILIZATION	-	100,000.00	100,000.00	#DIV/0!
	RESERVE	100,000.00	100,000.00	-	0.0000%
	MAY RETRO WAGES	-	-	-	#DIV/0!
	NOVEMBER TOWN MEETING	-	-	-	#DIV/0!
		<b>2,345,886.67</b>	<b>1,781,341.00</b>	<b>(564,545.67)</b>	<b>1.5400%</b>
<b>CHARGES</b>					
	TAX TITLE	25,000.00	25,000.00	-	0.0000%
	OFFSETS	789,825.00	790,410.26	585.26	0.0700%
	SNOW DEFICIT	340,501.53	325,000.00	(15,501.53)	-4.5500%
	STATE ASSESSMENTS	3,655,600.38	4,053,154.86	385,910.38	10.8800%
	OVERLAY DEFICITS	-	-	-	#DIV/0!
	OVERLAY	486,193.00	500,000.00	13,807.00	2.8400%
		<b>5,297,119.91</b>	<b>5,693,565.12</b>	<b>384,801.11</b>	<b>7.4800%</b>
<b>TOTAL TO BE RAISED</b>		<b>84,390,695.00</b>	<b>86,893,674.58</b>	<b>2,525,335.47</b>	<b>2.9700%</b>
<b>TAX CALCULATIONS</b>					
PRIOR YEAR LEVY LIMIT		47,803,174.00	49,897,596.00		
2.5 PERCENT		1,195,079.00	1,247,440.00		
NEW GROWTH		899,343.00	700,000.00		
CURRENT YEAR LEVY LIMIT		49,897,596.00	51,845,036.00		
DEBT EXCLUSIONS		4,104,823.00	4,039,910.21		
MAXIMUM ALLOWABLE LEVY		54,002,419.00	55,884,946.21		
TAX		53,485,250.00	55,875,802.70		
EXCESS		<b>517,169.00</b>	<b>9,143.51</b>		

# TOWN OF HUDSON FIVE-YEAR FORECAST

	Multiplier	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>
<b>REVENUES</b>						
PROPERTY TAX		55,875,803	57,817,751	59,802,780	61,581,375	63,668,203
STATE AID						
NON-EARMARKED		2,341,140	2,419,770	2,501,109	2,585,251	2,672,294
EDUCATION		13,508,371	13,922,226	14,351,640	14,797,393	15,260,320
		15,849,511	16,341,996	16,852,749	17,382,644	17,932,614
LOCAL RECEIPTS		13,225,000	14,250,000	15,675,000	16,825,000	17,025,000
AVAILABLE FUNDS						
FREE CASH		1,281,341	1,500,000	1,500,000	1,500,000	1,500,000
L&P SURPLUS		225,000	225,000	225,000	225,000	225,000
FARLEY REIMBURSEMENT		408,895	-	-	-	-
SALE OF REAL ESTATE		28,125	27,325	26,725	26,100	25,450
TRANSFER		-	-	-	-	-
		1,943,361	1,752,325	1,751,725	1,751,100	1,750,450
TOTAL REVENUE		86,893,675	90,162,072	94,082,254	97,540,119	100,376,267
<b>EXPENSES</b>						
EDUCATION						
HUDSON	2.50%	39,043,302	40,019,385	41,019,869	42,045,366	43,096,500
ASSABET	2.50%	2,694,177	2,761,531	2,830,570	2,901,334	2,973,867
		41,737,479	42,780,916	43,850,439	44,946,700	46,070,367
GENERAL GOVERNMENT						
DEPARTMENTS	2.50%	18,112,377	18,565,186	19,029,316	19,505,049	19,992,675
HEALTH & LIFE	5.00%	4,859,000	5,101,950	5,357,048	5,624,900	5,906,145
FICA	3.00%	731,000	752,930	775,518	798,783	822,747
GENERAL INS.	1.00%	405,560	409,616	413,712	417,849	422,027
CONTRIB. RET.	6.00%	5,798,334	6,146,234	6,515,008	6,905,909	7,320,263
		29,906,271	30,975,916	32,090,601	33,252,490	34,463,857
DEBT SERVICE						
PRINCIPAL		5,132,919	5,199,584	5,771,186	6,388,910	6,226,433
INTEREST		2,227,393	2,333,308	2,966,358	2,945,861	2,725,554
OTHER DEBT SERVICE		414,707	403,487	392,267	381,047	369,827
DEBT SERVICE ON RECAP						
		7,775,018	7,936,379	9,129,811	9,715,818	9,321,815
TOWN MEETING						
ARTICLES		250,000	500,000	500,000	500,000	500,000
CAPITAL PLAN		1,281,341	1,500,000	1,500,000	1,500,000	1,500,000
STABILIZATION		100,000	-	-	-	-
RESERVE	0.00%	100,000	100,000	100,000	100,000	100,000
RETRO WAGES		-	-	-	-	-
OPEB TRUST (excess reserves)		50,000	200,000	200,000	200,000	400,000
NOVEMBER TOWN MEETING	0.00%	-	-	-	-	-
		1,781,341	2,300,000	2,300,000	2,300,000	2,500,000
CHARGES						
TAX TITLE	0.00%	25,000	20,000	20,000	20,000	20,000
OFFSETS		790,410	791,007	791,616	792,237	792,871
SNOW DEFICIT	2.50%	325,000	333,125	341,453	349,989	358,739
STATE ASSESSMENTS		4,053,155	4,504,729	5,017,534	5,600,453	6,263,688
OVERLAY	4.00%	500,000	520,000	540,800	562,432	584,929
		5,693,565	6,168,861	6,711,403	7,325,112	8,020,227
TOTAL TO BE RAISED		86,893,675	90,162,072	94,082,254	97,540,119	100,376,267
BUDGETARY SURPLUS/(DEFICIT)		0	-	-	-	-

# TOWN OF HUDSON FIVE-YEAR FORECAST

	Multiplier	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>
<b><u>TAX CALCULATIONS</u></b>						
PRIOR YEAR LEVY LIMIT		49,897,596	51,845,036	53,841,162	55,887,191	57,984,371
2.5 PERCENT		1,247,440	1,296,126	1,346,029	1,397,180	1,449,609
NEW GROWTH		700,000	700,000	700,000	700,000	700,000
CURRENT YEAR LEVY LIMIT		51,845,036	53,841,162	55,887,191	57,984,371	60,133,980
DEBT EXCLUSIONS		4,039,910	4,000,614	3,929,613	3,618,222	3,552,499
MAXIMUM ALLOWABLE LEVY		55,884,946	57,841,776	59,816,804	61,602,593	63,686,479
TAX		55,875,803	57,817,751	59,802,780	61,581,375	63,668,203
EXCESS LEVY CAPACITY		<b>9,144</b>	<b>24,025</b>	<b>14,024</b>	<b>21,217</b>	<b>18,275</b>
OVERLAY AS A PERCENTAGE OF LEVY		0.89%	0.90%	0.90%	0.91%	0.92%
<b><u>RESERVE CALCULATIONS</u></b>						
BEGINNING FREE CASH		2,839,533	3,328,102	3,577,172	3,409,952	3,181,169
LESS FREE CASH USED IN BUDGET		1,281,341	1,500,000	1,500,000	1,500,000	1,500,000
PLUS REVENUE SURPLUS/(DEFICIT)		1,169,910	1,149,070	732,780	671,217	1,510,672
PLUS ANTICIPATED TURNBACKS		600,000	600,000	600,000	600,000	600,000
ENDING FREE CASH (early forecast at A130M+)		3,328,102	3,577,172	3,409,952	3,181,169	3,791,841
BEGINNING FREE CASH AS A PERCENTAGE OF BUDGET		3.27%	3.69%	3.80%	3.50%	3.17%
ENDING FREE CASH AS A PERCENTAGE OF BUDGET		3.83%	3.97%	3.62%	3.26%	3.78%
BEGINNING STABILIZATION BALANCE		2,073,670	2,173,670	2,173,670	2,173,670	2,173,670
LESS USED		-	-	-	-	-
PLUS ADDITIONAL		100,000	-	-	-	-
ENDING STABILIZATION BALANCE		2,173,670	2,173,670	2,173,670	2,173,670	2,173,670
BEGINNING STABILIZATION BALANCE AS A % OF BUDGET		2.39%	2.41%	2.31%	2.23%	2.17%
ENDING STABILIZATION BALANCE AS A % OF BUDGET		2.50%	2.41%	2.31%	2.23%	2.17%
BEGINNING TOTAL RESERVES AS A % OF BUDGET		5.65%	6.10%	6.11%	5.72%	5.33%
ENDING TOTAL RESERVES AS A % OF BUDGET		6.33%	6.38%	5.93%	5.49%	5.94%

## TOWN OF HUDSON FIVE-YEAR FORECAST - SEWER ENTERPRISE (PRO FORMA)

	Multiplier	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>
<b><u>REVENUES</u></b>						
RATE REVENUE		3,736,569	4,110,226	4,521,248	4,973,373	5,371,243
FUND APPROPRIATION		-	-	-	-	-
TRANSFERS		-	-	-	-	-
<b>TOTAL REVENUE</b>		<b>3,736,569</b>	<b>4,110,226</b>	<b>4,521,248</b>	<b>4,973,373</b>	<b>5,371,243</b>
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<b><u>EXPENSES</u></b>						
DEPARTMENTS	2.50%	1,984,322	2,033,930	2,084,778	2,136,898	2,190,320
INDIRECT WAGES	2.50%	257,790	264,234	270,840	277,611	284,551
INDIRECT EXPENSES	2.50%	24,514	25,127	25,755	26,399	27,059
HEALTH & LIFE	5.00%	107,913	113,308	118,974	124,923	131,169
FICA	3.00%	28,773	29,492	30,229	30,985	31,760
GENERAL INS.	1.00%	35,563	35,918	36,277	36,640	37,007
CONTRIB. RET.	4.00%	230,021	239,222	248,790	258,742	269,092
NON-CONTRIB.	-5.00%	-	-	-	-	-
		<b>2,668,894</b>	<b>2,741,232</b>	<b>2,815,645</b>	<b>2,892,198</b>	<b>2,970,957</b>
<b>DEBT SERVICE</b>						
PRINCIPAL		823,352	847,407	1,150,186	1,462,410	1,474,933
INTEREST		431,050	424,752	1,011,713	970,051	913,008
OTHER DEBT SERVICE		-	-	-	-	-
DEBT SERVICE ON RECAP		-	-	-	-	-
		<b>1,254,401</b>	<b>1,272,159</b>	<b>2,161,899</b>	<b>2,432,460</b>	<b>2,387,941</b>
<b>CAPITAL PLAN</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TO BE RAISED</b>		<b>3,923,296</b>	<b>4,013,390</b>	<b>4,977,543</b>	<b>5,324,658</b>	<b>5,358,899</b>
<b>BUDGETARY SURPLUS/(DEFICIT)</b>		<b>(186,727)</b>	<b>96,836</b>	<b>(456,295)</b>	<b>(351,285)</b>	<b>12,344</b>

### **RATE CALCULATIONS**

RATE INCREASE	10.00%	10.00%	10.00%	10.00%	8.00%
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## TOWN OF HUDSON FIVE-YEAR FORECAST - WATER ENTERPRISE (PRO FORMA)

	Multiplier	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>	<u>FY 24</u>
<b><u>REVENUES</u></b>						
RATE REVENUE		2,725,961	3,046,298	3,320,464	3,619,306	3,908,851
FUND APPROPRIATION		-	-	-	-	-
<b>TOTAL REVENUE</b>		<b>2,725,961</b>	<b>3,046,298</b>	<b>3,320,464</b>	<b>3,619,306</b>	<b>3,908,851</b>
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<b><u>EXPENSES</u></b>						
DEPARTMENTS	2.50%	1,516,216	1,554,121	1,592,974	1,632,799	1,673,619
INDIRECT WAGES	2.50%	251,171	257,450	263,886	270,484	277,246
INDIRECT EXPENSES	2.50%	24,514	25,127	25,755	26,399	27,059
HEALTH & LIFE	5.00%	94,940	99,687	104,671	109,905	115,400
FICA	3.00%	21,985	22,535	23,098	23,676	24,267
GENERAL INS.	1.00%	26,210	26,472	26,737	27,004	27,274
CONTRIB. RET.	4.00%	202,368	210,463	218,881	227,637	236,742
NON-CONTRIB.	-5.00%	-	-	-	-	-
		<b>2,137,404</b>	<b>2,195,855</b>	<b>2,256,003</b>	<b>2,317,902</b>	<b>2,381,607</b>
<b>DEBT SERVICE</b>						
PRINCIPAL		368,020	622,500	796,500	957,500	965,500
INTEREST		278,620	376,310	527,898	566,048	533,648
OTHER DEBT SERVICE		-	-	-	-	-
DEBT SERVICE ON RECAP		-	-	-	-	-
		<b>646,640</b>	<b>998,810</b>	<b>1,324,398</b>	<b>1,523,548</b>	<b>1,499,148</b>
<b>CAPITAL PLAN</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TO BE RAISED</b>		<b>2,784,044</b>	<b>3,194,665</b>	<b>3,580,401</b>	<b>3,841,450</b>	<b>3,880,754</b>
<b>BUDGETARY SURPLUS/(DEFICIT)</b>		<b>(58,083)</b>	<b>(148,367)</b>	<b>(259,936)</b>	<b>(222,144)</b>	<b>28,096</b>
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<b><u>RATE CALCULATIONS</u></b>						
RATE INCREASE		9.00%	9.00%	9.00%	9.00%	8.00%