

RECEIVED
CITY CLERK'S OFFICE
CITY OF MARLBOROUGH

2017 MAR 23 P 12:55

1. Minutes, City Council Meeting, March 13, 2017.
2. Communication from the Mayor re: Transfer Request in the amount of \$74,380.00 which moves funds from and to various accounts as noted on the attached spreadsheet to fund retirement payouts in the Police Department.
3. Communication from the Mayor re: Fiscal Year 2018 Budget Format.
4. Communication from Councilor Juaire, City Councilor's Certification, Review of Evidence, Adjudicatory Public Hearing, Special Permit Application, Mina Property Group, LLC, 408 Maple Street, Order No.17-1006800A.
5. Communication from Attorney McCay re: Setting date for Public Hearing on Special Permit Application from BSL Marlborough Development LLC, to construct a 52-Unit, 60,823 +/- square foot Assisted Living Facility with a Special Care Unit, 421 Bolton Street, Order No. 17-1006816.
6. Communication from Chapa Quente Restaurant, 201 Main Street to use City property for outside seating commencing in May and ending in October.
7. Communication from Department of Recreation and Conservation re: Acquisition of approximately 33 ± acres of land in Marlborough.
8. Communication from Attorney Bergeron re: Apex Center – Proposed Delegation of Sign Review, Order No. 16/17-1006443N.
9. Minutes, Council on Aging, January 10, 2017.
10. Minutes, Assabet Valley Regional Technical High School, February 21, 2017.
11. Minutes, Board of Assessors, January 23, 2017.
12. Minutes, Planning Board, February 6 & 27, 2017.

REPORTS OF COMMITTEES:

UNFINISHED BUSINESS:

Electronic devices, including laptops, cell phones, pagers, and PDAs must be turned off or put in silent mode upon entering the City Council Chamber, and any person violating this rule shall be asked to leave the chamber. Express authorization to utilize such devices may be granted by the President for recordkeeping purposes.

From Finance Committee

13. **Order No. 17-1006827 – Transfer \$56,131.02 from Reserve for Salaries to Fire Department Sick Leave Buy Back account.** The Finance Committee reviewed the Mayor’s letter dated February 23, 2017 requesting a transfer of \$56,131.02 from the Reserve for Salaries account to fund sick leave buy back account for two recent retirees in the Marlboro Fire Department. **The Finance Committee voted 5 – 0 to approve the transfer.**

From Legislative and Legal Affairs Committee

14. **Order No. 17-1006787 – Communication from Mayor re: Order of Grant and Acceptance of Easements Regarding City owned Land-Route 85/Maple Street, Reconstruction Project.** The Mayor’s letter of January 5, 2017 was read into the record. It was explained that although the city owns the land, it is required to accept easements on that land to meet federal/state DOT, Highway Division requirements as part of the reconstruction of Route 85. Chairman Robey reviewed the updated Order submitted by Assistant Solicitor Panagore-Griffin including minor changes to the description of land reflected in the updated Plan dated 1/13/17. Two-thirds vote is required because the Order involves a change of land use. {MGL c.40 §15A}
Councilor Juaire moved to recommend approval of Order 17-1006787, which is a transfer of land use for certain portions of city owned property on Route 85/Maple Street for the purpose of a grant of easements. (Requires 2/3 Vote) The motion carried 3 – 0.

From Personnel Committee

15. **Order No. 16-1006727 – The Reappointment of Mark Bartlett to the Cultural Council for a term of three years which expired in August 2016.**
Motion made by Councilor Elder, seconded by the Chair, to recommend approval of the reappointment of Mark Bartlett to the Cultural Council for a term of three years. The motion carried 3 – 0.

Note: Melissa Vera, Jessica Bowen and Stephan D’Alessandro were approved on January 9, 2017.

16. **Order No. 17-1006830 – The Appointment of Jared Falcon to the Zoning Board of Appeals as an Alternate Member for a term of two years to commence upon City Council approval.**
Motion made by Councilor Elder, seconded by the Chair, to recommend approval of the appointment of Jared Falcon as an Alternate Member of the Zoning Board of Appeals for a term of two years to commence upon City Council approval. The motion carried 3-0.



RECEIVED
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CITY OF MARLBOROUGH

2017 MAR 22 P 2: 13

**CITY OF MARLBOROUGH
OFFICE OF CITY CLERK**

**Lisa M. Thomas
140 Main St.
Marlborough, MA 01752
(508) 460-3775 FAX (508) 460-3723**

MARCH 13, 2017

Regular meeting of the City Council held on Monday, MARCH 13, 2017 at 8:00 PM in City Council Chambers, City Hall. City Councilors Present: Clancy, Juaire, Oram, Ossing, Robey, Delano, Doucette, Elder, Tunnera, Irish and Landers. Meeting adjourned at 9:04 PM.

ORDERED: That the Minutes of the City Council meeting February 27, 2017, **FILE;** adopted.

ORDERED: That the following FY17 Capital Bond request in which the bond package represents high priority projects and addresses several infrastructures needs throughout the City of Marlborough, refer to **FINANCE COMMITTEE & ORDERED ADVERTISED;** adopted.

REHABILITATION OR IMPROVEMENTS TO RECREATIONAL FIELDS

That the sum of \$4,500,000 (four million five hundred thousand dollars) be and is hereby appropriated for rehabilitation or improvements to recreational fields.

That to meet said appropriations, the Comptroller/Treasurer, with the approval of the Mayor, is hereby authorized to borrow the sum of \$4,500,000 under and pursuant to the provisions of Chapter 44, Section 7 (1) of the Massachusetts General Laws, as amended and supplemented, or any other enabling authority, and to issue bonds or notes of the City of Marlborough therefor. Any premium received by the City upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

ORDERED: That the following FY17 Capital Bond request in which the bond package represents high priority projects and addresses several infrastructures needs throughout the City of Marlborough, refer to **FINANCE COMMITTEE & ORDERED ADVERTISED**; adopted.

STREET CONSTRUCTION

That the sum of \$9,535,000 (nine million five hundred thirty-five thousand dollars) be and is hereby appropriated for street construction.

That to meet said appropriations, the Comptroller/Treasurer, with the approval of the Mayor, is hereby authorized to borrow the sum of \$9,535,000 under and pursuant to the provisions of Chapter 44, Section 7 (1) of the Massachusetts General Laws, as amended and supplemented, or any other enabling authority, and to issue bonds or notes of the City of Marlborough therefor. Any premium received by the City upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

ORDERED: That the following FY17 Capital Bond request in which the bond package represents high priority projects and addresses several infrastructures needs throughout the City of Marlborough, refer to **FINANCE COMMITTEE & ORDERED ADVERTISED**; adopted.

SEWER CONSTRUCTION

That the sum of \$2,000,000 (two million dollars) be and is hereby appropriated for sewer construction.

That to meet said appropriations, the Comptroller/Treasurer, with the approval of the Mayor, is hereby authorized to borrow the sum of \$2,000,000 under and pursuant to the provisions of Chapter 44, Section 8 (14) of the Massachusetts General Laws, as amended and supplemented, or any other enabling authority, and to issue bonds or notes of the City of Marlborough therefor. Any premium received by the City upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

ORDERED: That the following FY17 Capital Bond request in which the bond package represents high priority projects and addresses several infrastructures needs throughout the City of Marlborough, refer to **FINANCE COMMITTEE & ORDERED ADVERTISED**; adopted.

WATER MAIN CONSTRUCTION

That the sum of \$1,500,000 (one million five hundred thousand dollars) be and is hereby appropriated for water main construction.

That to meet said appropriations, the Comptroller/Treasurer, with the approval of the Mayor, is hereby authorized to borrow the sum of \$1,500,000 under and pursuant to the provisions of Chapter 44, Section 8 (5) of the Massachusetts General Laws, as amended and supplemented, or any other enabling authority, and to issue bonds or notes of the City of Marlborough therefor. Any premium received by the City upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

ORDERED: That the following FY17 Capital Bond request in which the bond package represents high priority projects and addresses several infrastructures needs throughout the City of Marlborough, refer to **FINANCE COMMITTEE & ORDERED ADVERTISED**; adopted.

SEWERAGE SYSTEMS

That the sum of \$700,000 (seven hundred thousand dollars) be and is hereby appropriated for sewerage systems.

That to meet said appropriations, the Comptroller/Treasurer, with the approval of the Mayor, is hereby authorized to borrow the sum of \$700,000 under and pursuant to the provisions of Chapter 44, Section 8 (14) of the Massachusetts General Laws, as amended and supplemented, or any other enabling authority, and to issue bonds or notes of the City of Marlborough therefor. Any premium received by the City upon the sale of any bonds or notes approved by this vote, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to the payment of costs approved by this vote in accordance with Chapter 44, Section 20 of the General Laws, thereby reducing the amount authorized to be borrowed to pay such costs by a like amount.

ORDERED: That, for all prior orders approved by the City Council of the City of Marlborough authorizing the borrowing of money to pay costs of capital projects, the City Council hereby votes to supplement each such order to provide, in accordance with M.G.L. c. 44 § 20, that the premium received by the City upon the sale of any bonds or notes thereunder, less any such premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to pay project costs, and further, that the amount authorized to be borrowed for each such project shall be reduced by the amount of any such premium so applied, refer to **FINANCE COMMITTEE**; adopted.

ORDERED: That the Free Cash Transfer for Investments in Equipment and Facilities, refer to **FINANCE COMMITTEE**; adopted.

CITY OF MARLBOROUGH BUDGET TRANSFERS --										
	DEPT:	Various				FISCAL YEAR:	2017			
		FROM ACCOUNT:					TO ACCOUNT:			
Available Balance	Amount	Org Code	Object	Account Description:	Amount	Org Code	Object	Account Description:	Available Balance	
\$9,963,790.00	\$3,213,000.00	10000	35900	Undesignated Fund	\$365,000.00	19300006	58467	Capital Outlay-Facilities	\$15.00	
	Reason:	To fund equipment requests								
					\$1,050,000.00	19300006	58731	Capital Outlay-DPW	\$0.00	
					\$308,000.00	19300006	58593	Capital Outlay-Police	\$18,700.00	
	Reason:									
					\$1,490,000.00	19300006	58512	Capital Outlay-Fire	\$0.00	
	\$3,213,000.00	Total			\$3,213,000.00	Total				

ORDERED: That the Appointments of Samantha Khosla, Alan Slattery, & Pam Wilderman and the Reappointment of Lee Wright to the Historical Commission for terms of three years to expire from date of City Council confirmation, refer to **PERSONNEL COMMITTEE**; adopted.

ORDERED: That the Communication from City Solicitor Rider re: Acceptance of Bouffard Drive as a Public Way in proper legal form, Order No. 17-1006799A, **MOVE TO ITEM 27**; adopted.

ORDERED: That the City Council of the City of Marlborough does hereby affirm and clarify, by insertion of Land Court Certificate of Title No. 0223563 into Order No. 16/17-1006732A attached herewith, being the Eminent Domain Order of Taking for the East Main Street Reconstruction Project, and relating to Plan 141 of 2017 recorded at the Middlesex South County Registry of Deeds, that said Eminent Domain Order of Taking is hereby amended, nunc pro tunc, and does further direct that this Order and Order No. 16/17-1006732A, as amended, be filed at the South Middlesex Registry of Deeds with said Land Court Certificate of Title No. 0223563.

APPROVED; adopted.

Yea: 11 – Nay: 0

Yea - Delano, Doucette, Elder, Tunnera, Irish, Clancy, Landers, Juaire, Oram, Ossing, & Robey

ORDERED: That the Communication from the Planning Board re: Favorable Recommendation of Acceptance of Bouffard Dr. as a Public Way, Order No. 17-1006799A, **MOVED TO ITEM 27**; adopted.

ORDERED: That the Communication from the Planning Board re: Favorable Recommendation for Proposed Six-Month Cessation of Acceptance of Applications for Special Permit Housing Projects, Order No. 17-1006784A, **MOVE TO REPORTS OF COMMITTEES**; adopted.

ORDERED: Be it ordained by the City Council of the City of Marlborough that the Code of the City of Marlborough, as most recently amended, be further amended as follows.

1. In Section 650-35.A(2), by deleting "43.6 acres" and replacing with "45.2 acres".
2. By Amending Exhibit A of Section 650-35 to include the following additional parcels:

Assessors Map 78, Parcel 14A
Assessors Map 78, Parcel 23

3. In Section 650-35.E(1)(i), adding the following language to the end of the Section:

"except that nothing in this Section shall be deemed to prohibit or limit the existing drive-through facility on Assessors Map 78, Parcel 23, nor to prohibit or limit the existing dedicated driveway with a curb cut onto a public way located on Assessors Map 78, Parcel 23, all as the same may be altered or amended from time to time, the same being preexisting conditions which shall continue to be allowed notwithstanding anything contained in the HRMUOD to the contrary."

4. In Section 650-35.E(1)(j), adding the following language to the end of the Section:

"except that nothing in this Section shall be deemed to prohibit or limit the existing drive-through facility on Assessors Map 78, Parcel 14A, nor to prohibit or limit the existing dedicated driveway with a curb cut onto a public way located on Assessor Map 78, Parcel 14A, all as the same may be altered or amended from time to time, the same being preexisting conditions which shall continue to be allowed notwithstanding anything contained in the HRMUOD to the contrary."

5. In Section 650-35.E(2)(a.), adding the following language to the end of the Section:

"expressly excluding drive-through facilities located on Assessors Map 78, Parcel 23, which facilities are existing and shall not require a Special Permit under this Section."

6. In Section 650-35.E(2)(b.), adding the following language to the end of the Section:

"expressly excluding drive-through facilities located on Assessors Map 78, Parcel 14A, which facilities are existing and shall not require a Special Permit under this Section."

7. In Section 650-35.E(2)(d.), adding the following language to the end of the Section:

", excluding so-called Dry Cleaning drop stores where no dry cleaning is performed on premise, which shall be permitted in the HRMUOD as of right."

Refer to **URBAN AFFAIRS COMMITTEE, PLANNING BOARD, AND ADVERTISE PUBLIC HEARING FOR MONDAY APRIL 10, 2017**; adopted.

ORDERED: That the Communication from Attorney McCay re: Effective Period of Housing Moratorium, Order No. 17-1006784A, **FILE**; adopted.

ORDERED: That the Communication from Attorney McCay re: Communication from Attorney McCay re: Proposed Amendment to Housing Moratorium as follows, Order No. 17-1006784A, **MOVE TO REPORTS OF COMMITTEE**; adopted.

ORDERED: That the Application for Renewal of Junk Dealer's License, Roman Kimyagarov, Arthur & Sons Shoe Repair, 107 Main St., refer to **PUBLIC SERVICES**; adopted.

ORDERED: That the Application for Renewal of Junk Dealer's License, Tony Bitar, Hannoush Jewelers, 601 Donald Lynch Blvd., refer to **PUBLIC SERVICES**; adopted.

ORDERED: That the Minutes, Conservation Commission, February 2, 2017, **FILE**; adopted.

ORDERED: That the Minutes, Assabet Valley Regional Technical High School, January 10, 2017, **FILE**; adopted.

ORDERED: That the Minutes, Recreation Commission, October 19 & November 9, 201, **FILE**; adopted.

ORDERED: That the Minutes, Planning Board, January 23, 2017, **FILE**; adopted.

ORDERED: That the Minutes, Commission on Disabilities, September 6 & October 4, 2016, **FILE**; adopted.

ORDERED: That the Minutes, Traffic Commission, January 31, 2017, **FILE**; adopted.

ORDERED: That the Minutes, Library Board of Trustees, February 7, 2017, **FILE**; adopted.

ORDERED: That the Minutes, License Board, January 25, 2017, **FILE**; adopted.

ORDERED: That the Minutes, Board of Health, January 10, 2017, **FILE**; adopted.

ORDERED: That the following CLAIMS, refer to the **LEGAL DEPARTMENT**; adopted.

- a. Michael & Suzanne McPhee, 636 Stow Rd., residential mailbox claim 2(b).
- b. Amanda Cote, 675 Brigham St., pothole or other road defect.
- c. James Brangiforte, 1 Avebury Ln., pothole or other road defect.
- d. David Norton, 59 Hutchinson Dr., residential mailbox claim 2(b).
- e. Jason Page, 96 Hosmer St., residential mailbox claim 2(a).
- f. John Coleman, 72 Felton St., other property damage and/or personal injury.
- g. Marina Glennon, 57 Collins Dr., residential mailbox claim 2(b).

Reports of Committees:

Councilor Ossing reported the following out of the Finance Committee:

**Marlboro City Council Finance Committee
Monday March 6, 2017
In Council Chambers**

Present: Chairman Ossing; Finance Committee Members Councilors Robey, Oram, Doucette and Irish. Councilors Clancy, Landers, and Juairé were also in attendance. The meeting convened at 7:40 PM.

Order No. 17-1006827 – Transfer \$56,131.02 from Reserve for Salaries to Fire Department Sick Leave Buy Back account: The Finance Committee reviewed the Mayor's letter dated February 23, 2017 requesting a transfer of \$56,131.02 from the Reserve for Salaries account to fund sick leave buy back account for two recent retirees in the Marlboro Fire Department. **The Finance Committee voted 5– 0 to approve the transfer.**

The Finance Committee adjourned at 7:47 PM.

Councilor Robey reported the following out of the Legislative and Legal Affairs Committee:

**City Council Legislative and Legal Affairs Committee
Tuesday, March 7, 2017, 5:00 PM– In Council Chambers
Minutes and Report**

Present: Chairman Katie Robey, Councilor Delano, Councilor Juairé, Councilor Clancy and Councilor Landers. Also attending were Cynthia Panagore Griffin, Assistant City Solicitor and Tom DiPersio, City Engineer.

Order No. 17-1006787 - Communication from Mayor re: Order of Grant and Acceptance of Easements Regarding City owned Land-Route 85/Maple Street, Reconstruction Project. The Mayor's letter of January 5, 2017 was read into the record. It was explained that although the city owns the land, it is required to accept easements on that land to meet federal/state DOT, Highway Division requirements as part of the reconstruction of Route 85. Chairman Robey reviewed the updated Order submitted by Assistant Solicitor Panagore-Griffin including minor changes to the description of land reflected in the updated Plan dated 1/13/17. Two-thirds vote is required because the Order involves a change of land use. {MGL c.40 §15A}

Councilor Juairé moved to recommend approval of Order 17-1006787, which is a transfer of land use for certain portions of city owned property on Route 85/Maple Street for the purpose of a grant of easements. (Requires 2/3 Vote) The motion carried 3-0.

It was moved and seconded to adjourn; motion carried 3-0. The meeting adjourned at 5:15 PM.

Reports of Committees Cont'd:

Councilor Tunnera reported the following out of the Personnel Committee:

Meeting Name: City Council Personnel Committee

Date: March 6, 2017

Location: City Council Chamber, 2nd Floor, City Hall, 140 Main Street

Convened: 6:45 PM – Adjourned: 7:39 PM

Present: Chairman Tunnera; Personnel Committee Members Councilors Irish and Elder; Councilors Clancy, Delano, Doucette, Juaire, Landers, Oram, Ossing and Robey

Also, Present: Mark Bartlett, Jared Falcon, Lt. David Giorgi, Mayor Arthur Vigean

Order No. 16-1006727 - The Cultural Council Reappointment of Mark Bartlett for a term of three years which expired in August 2016.

Motion made by Councilor Elder, seconded by the Chair, to recommend approval of the reappointment of Mark Bartlett to the Cultural Council for a term of three years. The motion carried 3-0.

Note: Melissa Vera, Jessica Bowen and Stephan D'Alessandro were approved on January 9, 2017.

Order No. 17-1006830 - The Appointment of Jared Falcon to the Zoning Board of Appeals as an Alternate Member for a term of two years to commence upon City Council approval. Motion made by Councilor Elder, seconded by the Chair, to recommend approval of the appointment of Jared Falcon as an Alternate Member of the Zoning Board of Appeals for a term of two years to commence upon City Council approval. The motion carried 3-0.

Order No. 17-1006829 - The Appointment of Lt. David Giorgi to Chief of Police for a term of four years to commence on April 1, 2017. Motion made by Councilor Elder, seconded by the Chair, to recommend approval of the appointment of Lt. David Giorgi to the position of Chief of Police for a term of four (4) years to commence on April 1, 2017. The motion carried 3-0.

Motion made by Councilor Elder, seconded by the Chair, to request a suspension of the rules at the March 13, 2017 City Council meeting to request action upon the appointment.

Motion made by Councilor Elder, seconded by the Chair, to adjourn. The motion carried 3-0. The meeting adjourned at 7:39 PM.

Reports of Committees Cont'd:

Meeting Name: City Council Urban Affairs Committee

Date: March 7, 2017

Time: 5:30 PM

Location: City Council Chamber, 2nd Floor, City Hall, 140 Main Street

Convened: 5:35 PM – Adjourned: 7:25 PM

Present: Chairman Delano; Urban Affairs Committee Members Councilors Elder, Juaira, Tunnera and Landers; and Councilors Clancy, Doucette, and Robey

Order No. 17-1006784 - Temporary Cessation of the Acceptance of Applications for Special Permits for Housing Projects. The Urban Affairs Committee met for a discussion of the Mayor's request for the City Council to consider a temporary cessation of new proposals for special permit applications for housing developments within the City for a period of six-months. The committee agreed that a temporary cessation would allow the City time to prepare a plan and review the impact potential projects would have on the City's infrastructure including water, sewer and roads, public safety and schools. Part of the plan would include how many housing units the City could absorb without adversely affecting services for residents. Councilor Tunnera requested an exemption for the development of blighted properties however it was discussed that the six-month moratorium would be over before such a property was purchased and its application submitted for development. **Motion made by Councilor Juaira, seconded by Chair, to approve the temporary cessation of the acceptance of applications for special permits for housing projects. The motion carried 3-2 (Councilors Elder and Tunnera opposed.)**

Motion made by Councilor Juaira, seconded by Chair, to request a suspension of the rules at the March 13, 2017 City Council meeting to request a vote on this order. The motion carried 5-0.

Motion made by Councilor Elder, seconded by Chair, to adjourn. The motion carried 5-0. The meeting adjourned at 7:25 PM.

Suspension of the Rules requested - granted

ORDERED: That the Appointment of Lt. David Giorgi to Chief of Police for term of four years to commence on April 1, 2017, **APPROVED**; adopted.

Suspension of the Rules requested - granted

Motion by Councilor Tunnera to amend the Ordinance by adding the following language:

“Notwithstanding the above, the Building Commissioner may authorize submittal of a special permit application pertaining to existing housing deemed by the Building Commissioner to constitute blight, a dilapidated building, a hazard or nuisance, as defined by section 485-2 of the City Code; provided, however, that he make any such authorization expressly conditional on the City Council’s subsequent decision to process the application.”

There was a discussion and the amendment passed by a voice vote as declared by President Clancy of 6-5 (Opposed were Councilors Juairé, Robey, Doucette, Elder and Landers).

Motion by Councilor Ossing to further amend the Ordinance by adding the following language at the end of Section 650-63.B which will allow the Benchmark Assisted Living Facility project to continue to move forward:

“The provisions of this Section 650-63 shall not apply to applications for and the use of land or structures for any housing project for which a special permit application was filed with the City Clerk on or before February 3, 2017.”

There was a discussion and the amendment passed by a voice vote as declared by President Clancy of 8-3 (Opposed were Councilors Juairé, Robey and Elder).

ORDERED: Be it ordained by the City Council of the City of Marlborough that the Code of the City of Marlborough, as most recently amended, be further amended as follows:

THAT, PURSUANT TO § 5 OF CHAPTER 40A OF THE GENERAL LAWS, THE CITY COUNCIL OF THE CITY OF MARLBOROUGH, HAVING SUBMITTED FOR ITS OWN CONSIDERATION CHANGES IN THE ZONING ORDINANCE OF THE CITY OF MARLBOROUGH, AS AMENDED, TO FURTHER AMEND CHAPTER 650, NOW ORDAINS THAT THE ZONING ORDINANCE OF THE CITY OF MARLBOROUGH, AS AMENDED, BE FURTHER AMENDED BY ADDING THERETO AS FOLLOWS:

A new Section 650-63, entitled “TEMPORARY CESSATION OF THE ACCEPTANCE OF APPLICATIONS FOR SPECIAL PERMITS FOR HOUSING PROJECTS,” is hereby added, as follows:

650-63 TEMPORARY CESSATION OF THE ACCEPTANCE OF APPLICATIONS FOR SPECIAL PERMITS FOR HOUSING PROJECTS

A. Purpose.

The regulation of housing projects by special permit raises novel and complex legal, planning, public health and safety issues, and the City needs time to undertake a planning process to consider amendments to the Zoning Ordinance regarding the regulation of said housing projects. The City intends to adopt a temporary cessation on the use of land and structures in the City for the purpose of housing projects by special permit, so as to allow the City sufficient time to engage in a planning process to consider various issues and impacts, including without limitation the adequacy of the water supply and sewer treatment systems, the condition and repair of public ways, proper staffing at the Department of Public Works, potential staffing and equipment needs for the Police Department and the Fire Department, pending fiscal responsibilities for schools and the Library, the Subsidized Housing Inventory by which the City is currently at or above the 10% threshold and therefore exempt from 40B Comprehensive Permits, vehicular traffic and municipal services, in order to address the effects of such use for the welfare of its inhabitants, present and future, and to enact ordinances in a manner consistent with sound land use planning goals and objectives.

B. Temporary Cessation.

For the reasons sets forth above, and notwithstanding any other provision of the Zoning Ordinance to the contrary, the City hereby adopts a temporary cessation on the use of land or structures for housing projects by special permit. In no case shall the City accept an application for special permit for a housing project. Said temporary cessation, and non-acceptance of applications for special permits for housing projects, shall be in effect for six months from the date of approval by the City Council. During the temporary cessation period, the City shall undertake a planning process to address the potential impacts of housing projects in the City, and shall consider amending its Zoning Ordinance to address the impact of said housing projects.

Notwithstanding the above, the Building Commissioner may authorize submittal of a special permit application pertaining to existing housing deemed by the Building Commissioner to constitute blight, a dilapidated building, a hazard or a nuisance, as defined by section 485-2 of the City Code; provided, however, that he make any such authorization expressly conditional on the City Council's subsequent decision to process the application.

The provisions of this Section 650-63 shall not apply to applications for and the use of land or structures for any housing project for which a special permit application was filed with the City Clerk on or before February 3, 2017.

First Reading, suspended; Second Reading, adopted; Passage to Enroll, adopted; passage to Ordain; adopted. No objection to passage in one evening.

This Order passed through all stages with a 9-2 vote. Elder & Robey were opposed.

APPROVED; adopted.

ORDERED: That the Mayor and DPW Commissioner discuss with the Operations and Oversight Committee the use of all vehicles given to city employees, refer to **OPERATIONS & OVERSIGHT COMMITTEE**; adopted.

ORDERED: That the Petition from NGrid and Verizon New England, Inc. to install 2 Stub Poles P62-84 & P68-84 for reconducturing on Stevens St. with the following conditions, **APPROVED**; adopted.

1. The utility companies are to expedite the transfer of overhead wires from old to new poles, to minimize any double pole situations left along the street.
2. The new poles shall be located such that ADA Accessibility Requirements are maintained along the sidewalk (the poles shall be located at the front or at the back of the sidewalk to maximize clear space along sidewalk).

ORDERED: That the Petition from MA Electric & Verizon New England to relocate two Joint Owned P4 & Guy P4-84 25' west of existing location on Concord Rd & to install a line recloser on Pole 4 for reliability improvement, **APPROVED**; adopted.

ORDERED: That the Communication from the Planning Board re: Favorable Recommendation of Acceptance of Bouffard Dr. as a Public Way, Order No. 17-1006799A, **FILE**; adopted.

ORDERED: That the Communication from City Solicitor Rider re: Acceptance of Bouffard Drive as a Public Way in proper legal form, Order No. 17-1006799A, **FILE**; adopted.

ORDERED:

WHEREAS, in the opinion of the City Council of the City of Marlborough, the common convenience and necessity require that BOUFFARD DRIVE be accepted as a public way

From RAYMOND ROAD to Terminus

and that its appurtenant easements be accepted as municipal easements,

as shown on a plan thereof and as hereinafter described:

DESCRIPTION

Plan entitled, "Plan of Acceptance of Bouffard Drive, Marlborough, Mass.," prepared by: MacCarthy & Sullivan Engineering, Inc., 41 Beacon Street, Framingham, Mass., dated: December 19, 2003, Scale: 1" = 40', which plan is to be recorded herewith.

Title to the roadway shown as "BOUFFARD DRIVE" on the above-referenced plan, and title to all the municipal easements, including a drainage easement located on Lot 7, shown as "30' WIDE DRAINAGE EASEMENT" on Lot 7 on the above-referenced plan; a flowage easement located on Lot 7, shown as "FLOWAGE EASEMENT" on the above-referenced plan; a drainage easement located on Lot 21, shown as "30' WIDE DRAINAGE EASEMENT" on Lot 21 on the above-referenced plan; and an access and utility easement located partially Lot 20 and partially on Lot 21, shown as "ACCESS & UTILITY EASEMENT" on the above-referenced plan, has been granted to the City of Marlborough in a quitclaim deed from Thomas H. Niles, said deed to be recorded herewith, along with an accompanying affidavit pursuant to M.G.L. c. 183, § 5B, at the Middlesex (South District) Registry of Deeds.

IT IS THEREFORE ORDERED THAT:

BOUFFARD DRIVE be accepted as a public way and its appurtenant easements be accepted as municipal easements in the City of Marlborough.

APPROVED; adopted.

Yea: 11 – Nay: 0

Yea - Delano, Doucette, Elder, Tunnera, Irish, Clancy, Landers, Juair, Oram, Ossing, & Robey

ORDERED: There being no further business, the regular meeting of the City Council is herewith adjourned at 9:04 PM.



RECEIVED
CLERK'S OFFICE
OF MARLBOROUGH

2017 MAR 23 A 10:59

City of Marlborough

Office of the Mayor

140 Main Street

Marlborough, Massachusetts 01752

Tel. (508) 460-3770 Facsimile (508) 460-3698 TDD (508) 460-3610

www.marlbrough-ma.gov

Arthur G. Vigeant
MAYOR

Nicholas J. Milano
EXECUTIVE AIDE

Patricia Bernard
EXECUTIVE SECRETARY

March 23, 2017

City Council President Edward J. Clancy
Marlborough City Council
140 Main Street
Marlborough, MA 01752

Re: Transfer Request – Marlborough Police Department

Honorable President Clancy and Councilors:

Please find enclosed for your review a transfer request in the amount of \$74,380.00 to fund the retirement payouts for a retiree in the Marlborough Police Department.

This transfer moves funds from several accounts in the Police Department budget that have surplus funds into the Police Department's sick leave buy back account and police sergeant accounts.

Thank you in advance for your consideration of this transfer request.

Sincerely,

Arthur G. Vigeant
Mayor



RECEIVED
CITY CLERK'S OFFICE
CITY OF MARLBOROUGH
2017 MAR 23 A 10:00 AM
City of Marlborough
Office of the Mayor

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Arthur G. Vicent
MAYOR

Nicholas J. Milano
EXECUTIVE AIDE

Patricia Bernard
EXECUTIVE SECRETARY

March 23, 2017

City Council President Edward J. Clancy
Marlborough City Council
140 Main Street
Marlborough, MA 01752

Re: Fiscal Year 2018 Budget Format

Honorable President Clancy and Councilors:

Please find enclosed for your review, an order to adopt an abbreviated budget format for the Fiscal Year 2018 Budget. If approved, my office will submit the FY18 budget with the same level of detail as the City used in previous years and City Council would approve a salary amount and an expenditure amount for each department's budget.

In 2006, the Massachusetts Department of Revenue Division of Local Services conducted a *Financial Management Review* of the City of Marlborough. In their review, they made a series of recommendations, including an abbreviated budget format for all Departments. This is a best practice that DLS recommends to cities and towns in Massachusetts.

As you may recall, for Fiscal Years 2008 and 2009, the City did operate with an abbreviated budget format, but returned to the line item budget for Fiscal Year 2010. If this format is approved, the City Auditor will provide a summary of all transfers within every department budget monthly. If councilors had questions at any point, we will be available to provide all information necessary at any time.

After their audit of Fiscal Year 2016, the City's outside auditors, Roselli, Clark & Associates wrote in their Management Letter that the firm agreed with the 2006 *Financial Management Review* and recommended adopting an abbreviated budget authorization format for all departments which is widely used throughout the Commonwealth.

By no means would the adoption of this budget format mean that Department heads would be able to add to their budget without prior City Council approval.

I have attached for your review the 2006 *Financial Management Review*, Roselli, Clark & Associates *Management Letter* as well as Roselli, Clark & Associates full audit report for Fiscal Year 2016.

Thank you for your consideration of this proposal and I look forward to discussing it with you further. In the meantime, please do not hesitate to contact me with any questions.

Sincerely,



Arthur G. Vigeant
Mayor

Enclosures:

Massachusetts Department of Revenue, Division of Local Services *City of Marlborough*
Financial Review, December 2006

Roselli, Clark & Associates, *Management Letter*. Year Ended June 30, 2016

Roselli, Clark & Associates, *Report on Examination of Basic Financial Statement and Additional*
Information. Year Ended June 30, 2016

ORDERED:

That the City Council approve the Massachusetts Department of Revenue Financial Review Recommendation for adopting an abbreviated budget authorization format for all departments for the Fiscal Year 2018 budget.

Background: In its 2006 *Financial Management Review* of the City of Marlborough, the Massachusetts Department of Revenue recommended that the City adopt several best practices including approving the City budget with salary and expenditure accounts for each department as opposed to the current practice of approving each individual line item. This recommendation was also made in the City's Fiscal Year 2016 audit performed by Roselli, Clark & Associates. Department heads would not be able to add funds to their approved salary or expenditure accounts without City Council approval. The Auditor will provide a summary of all transfers within a department's budget each month to the City Council.

ADOPTED

In City Council
Order No 17-
Adopted

Approved by Mayor
Arthur G. Vigeant
Date:

A TRUE COPY
ATTEST:

Massachusetts Department of Revenue Division of Local Services
Alan LeBovidge, Commissioner Gerard D. Perry, Deputy Commissioner



City of Marlborough

Financial Management Review

December 2006

Visit our website at
<http://www.mass.gov/dls>

INTRODUCTION

At the request of the Marlborough Mayor, the Department of Revenue's Division of Local Services (DLS) has completed this financial management review of the city.

We have based our findings and recommendations on site visits by staff members of the Municipal Data Management & Technical Assistance Bureau (MDM/TAB), the Bureau of Accounts (BOA), and the Bureau of Local Assessment (BLA). During these visits, the staff interviewed the mayor, members of the mayor's staff, city councilors, the city solicitor, the comptroller/treasurer, tax collector, former city auditor, acting city auditor, board of assessors, IT director, personnel director, city clerk, private auditor, and other municipal office staff.

DLS staff examined such documents as the tax rate recapitulation sheet, annual budgets, audits, cash and receivables reconciliation reports, and statements of indebtedness. The city also provided us with warrants, debt schedules, the city charter and ordinances, various job descriptions, and other assorted financial documents.

The purpose of this review is to assist city officials as they evaluate the city's financial management. In reviewing the existing financial management, we have focused on: (1) the city government structure in the context of the duties and responsibilities of financial officers; (2) the degree of coordination and communication that exists between and among boards, officials and staff involved in the financial management function; (3) the performance of financial operations in such a way as to maximize resources and minimize costs.

We encourage the mayor, when formulating overall strategies for improving the city's financial management, to consider the observations, analyses, and recommendations contained in this report. These are recommendations only and can be implemented, at the city's option, provided there is sufficient cooperation among the various boards, committees, and officials.

EXECUTIVE SUMMARY

Located between Boston and Worcester, Marlborough is a city of about 21 square miles and a population of 37,699 persons (2004 estimated US Census). The city's 2004 equalized property valuation (EQV)/capita is \$123,166 or just below the statewide average of \$127,176. Marlborough's 2005 unemployment rate is 3.6 percent, lower than the statewide average of 4.5 percent, and the city's 1999 income/capita is \$28,723, which is about 111 percent of the statewide average of \$25,952.

First incorporated as a town in 1660, Marlborough began as an agricultural community. Because of the waterpower of rivers (e.g., Assabet and Sudbury) passing through it, Marlborough developed into a mill and shoe factory community by the 1800s, which led to an influx of immigrant workers and a growth in the population.

As a growing community, Marlborough expanded existing services and provided new ones. Marlborough established a public water distribution system, built sewers, organized a police force and fire department, and built schools. While the selectmen served Marlborough well, the expanding community required more attention. So after 230 years as a town, Marlborough petitioned the general court and became a city in 1890. The selectmen were replaced by a mayor, who is the chief executive officer and, as such, manages the city's operations, prepares the budget, and makes appointments that are subject to council approval. Town meeting was replaced by a city council¹, which is the legislative body responsible for making appropriations, authorizing debt, and adopting ordinances. Yet, despite having adopted a city form of government, Marlborough continued to offer a small-town feel. This is because the mills and factories were only part of the community. Many farms, orchards, and other open space continued to exist in the community, giving Marlborough its unique charm.

Following World War II, many mills and shoe factories closed. However, because of the city's access to the state's burgeoning highway system, including Interstate 495, Interstate 290, and the Massachusetts Turnpike, Marlborough attracted other manufacturing and high-tech industries to headquarter and expand existing facilities. These businesses have located in rehabilitated mill structures as well as built new facilities where undeveloped land and/or former farms and orchards once existed.

In addition to spurring business development, the location of the city has contributed to further increases in residential construction and population growth. Between 1986 and 2006, Marlborough's single-family parcels have increased from 5,381 to 6,939 or about 29 percent. In addition, the city's condominium units have more than tripled, increasing from 624 to 2,237. With this growth in housing, the city's population also grew. Since 1980, it grew from 30,617 persons to 37,444 persons, an increase of about 22 percent.

As a result of this growth, Marlborough's budget has increased substantially. Over the last 25 years, the budget has increased from about \$25.6 million (FY1981) to \$113.4 million (FY2006), or an increase of over 340 percent. During that time, the city's property tax revenues have more than

¹ Originally, the city council was made up of a seven-member board of alderman and a 14-member common council. However, as a result of the adoption of the 1922 Plan B city charter, the council was reduced to one board made up of four at-large and seven ward members.

quadrupled, state aid has more than doubled, and local estimated receipts have increased more than seven-fold.

Because Marlborough has never approved a Proposition 2½ debt exclusion or override, the escalation in property taxes is due exclusively to the annual statutory 2.5 percent increase and new growth that is generated by new construction and building renovations. In addition, the city has not levied to its maximum allowable levy limit since FY1988, and since that time has had between about \$1.4 million and \$8 million in excess levy capacity annually after setting the property tax rate. The growth in state aid reflects changes in the state legislature's annual appropriations as well as state distribution formulas that incorporate equity factors (e.g., property wealth and income). Because Marlborough is at or above the state averages, the city receives a low percentage of its total revenues (13 percent in FY2006) from state aid. Local receipt increases are a combination of growing motor vehicle excise, increasing license, permitting, and other departmental fees, as well as full cost recovery of services such as the city's water and sewer operations.

Over the last 25 years, Marlborough also has used fluctuating amounts of other available funds (e.g., free cash, stabilization funds, and one-time revenues) to support the city's annual budget. Generally, Marlborough has had positive free cash certified by the Department of Revenue's Director of Accounts. Free cash is the remaining, unrestricted funds from the operation of the previous year, including unexpended prior year's free cash, actual receipts greater than estimates, and prior year's budgetary appropriation turnbacks. It was only in two recent years, FY2003 and FY2004, that the city had negative certifications when free cash was -\$3,062,196 and -\$1,639,891, respectively.

Based on Marlborough's balance sheet (as of 6/30/02), the negative FY2003 free cash certification was due primarily to over \$4.3 million in capital project deficits and a \$2.3 million health self-insurance deficit. According to city officials, Marlborough installed a new integrated financial system during 2002 and they had not realized that there was incomplete expenditure data that caused the deficits until after the end of FY2002. If city officials had known about the deficits, they would have issued bond anticipation of notes (BANs) timely or made appropriation transfers.

According to Marlborough's comptroller/treasurer, the self-insured health deficit was due to the incomplete data as well as the fact that several employees developed serious illnesses and medical care costs had escalated. As a result of this deficit, the city raised the employees' premiums 11 percent in FY2003. Unfortunately, by the time Marlborough's FY2002 independent audit was released (March 2003), the health deficit grew to about \$3.25 million. This was because the city did not properly account for all medical services provided during the fiscal year that are paid at a later time, referred to as incurred but not reported (IBNR) claims. Consequently, Marlborough again increased the employees' premiums another 30 percent in FY2004 in hopes that it would eliminate the deficit and put the insurance fund solidly in the black.

Generally, operating deficits impact the certification of free cash and should be raised prior to setting the next property tax rate. Because Marlborough did not raise them timely in FY2003, the Department of Revenue (DOR) required additional financial information prior to setting the FY2004 tax rate. Based on the FY2003 closing information disclosed by the city, Marlborough was required to

raise a health insurance deficit of over \$4 million in FY2004. When DOR certified the city's FY2004 free cash later in the fiscal year, it was again negative primarily due to the health insurance deficit.

Because of Marlborough's and a few other communities' self-insured health fund experiences and past practices on reporting liabilities, Chapter 61 of the Acts of 2005 was enacted in August 2005. This act amended M.G.L. c. 32B, §3A, which authorizes public employers to operate self-insured plans. The act required an annual audit, mandated the recording of claims that have been incurred but not paid as of the end of the fiscal year, and compelled a community to raise any deficit prior to setting the subsequent year's property tax rate. By the end of FY2004, Marlborough's health deficit was down to just under \$2 million (that was raised prior to setting the FY2005 tax rate), but it did not result in a negative certification of the city's FY2005 free cash. With careful monitoring of expenses and fund balance as well as adjusting employees' premiums annually based on reasonably projected cost increases, Marlborough's health insurance fund has not had a deficit since.

This experience contributed to a change in the city's management. Marlborough elected a new mayor, who took office in January 2006. In Mayor Nancy Stevens' inaugural address, she stated that her administration would be reinventing city government, departing from business as usual and exploring innovative strategies to streamline and improve operations. As a part of this plan, Mayor Stevens requested that the DOR conduct a comprehensive review of Marlborough's financial practices.

During our review, we found that the city already has begun reorganizing some operations. Marlborough expanded the legal department for improved efficiency and reduced contractual expenses. The city increased the salary of the solicitor, attracting an experienced practitioner, created an assistant solicitor's position, and transferred the procurement function into the office. The city also reorganized its technology services, combining the city and school operations under the management of one director for improved efficiency and accountability.

In reviewing Marlborough's financial operations, we looked at its organization, policies, and practices. To improve coordination and accountability, we recommend that Marlborough consolidate the city's financial offices into a finance department under the management of a chief financial officer and also combine the treasurer's and collector's responsibilities. We recommend that the financial offices streamline collections, pursue outstanding amounts, improve revenue reporting, reconcile cash timely, and perform additional assessing inspections and other activities in-house. We also recommend that Marlborough expand its use of automated systems and provide computer training. Furthermore, we recommend that the city abbreviate its budget authorization format and have the independent audit completed within six months of the fiscal year's end.

Many of the staff are dedicated and have served the city for numerous years. Some vacancies in recent years, however, have been difficult to fill because salaries are not commensurate with the level of stated responsibilities. In order to attract and retain the most qualified individuals, Marlborough should review the current salary ranges and institute job performance reviews. Also, in order to avoid disruptions or delays in financial operations due to brief or extended office vacancies, the city should create certain assistant department head positions.

We found that Marlborough's charter is difficult to understand and some of the ordinances are not current. We recommend that the city perform a comprehensive review of its charter and ordinances to make sure they are current, clear, and accurate. Additionally, in order to institute long-term planning, we recommend that Marlborough consider establishing a four-year term for the mayor and staggered, four-year terms for the council.

Overall, the recommendations in this report are based on best management practices that encourage efficiencies, checks and balances, and accountability. These would build on the stated goals of Mayor Stevens and the recent positive momentum of the city. With experienced, well-trained staff and good policies and procedures in place, Marlborough will be able to improve control, plan for the future, and position itself for whatever lies ahead.

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OVERALL FINANCIAL MANAGEMENT & BUDGETING

During the course of our review, we looked at the city's overall general management and budgeting practices. These included Marlborough's governmental structure and ordinances, the budget and financial practices, and personnel policies.

Marlborough has a charter that provides a structure for the city's government. The charter was originally created in 1890 through the adoption of a special act of the legislature. Since then, Marlborough's charter has been amended by special acts of the legislature, the adoption of a Plan B form of city government in 1922, and through various changes in general statutes. The end result is a charter that is not very clear and has some conflicts that make it difficult to determine exactly how the city is operated.

The city's ordinances, or Code, are comprised of 57 chapters that provide details on department responsibilities, regulations, and procedures. In reviewing these ordinances, we found that some are not current. For example, Chapter 3 §1 states that the regular meetings of the council shall be weekly when in fact the council as a whole only meets twice per month. In another example, Chapter 15 §10B states that the comptroller/treasurer oversees the collector's office when, in fact, the collector reports to the mayor.

There is a mayor, who is the chief executive officer, and an 11-member (seven ward representatives and four at-large members) city council, which serves as the legislative body. Unlike the school committee members, who serve four-year staggered terms, both the mayor and council are elected biannually. All department heads and boards (except the school committee and city clerk) are appointed by the mayor and subject to council confirmation (except the city solicitor). Each office's general duties and responsibilities are codified in the city's ordinances, including those of the assessors, auditor, collector, and comptroller/treasurer.

For those unfamiliar with the city's governmental structure, the title comptroller/treasurer may be misleading. Generally, the term comptroller denotes an accounting officer, but Marlborough has a separate city auditor's position that provides essential checks and balances for the financial activities. Under city ordinance, the comptroller/treasurer performs the duties of the treasurer and acts as the water registrar, committing the water and sewer charges for collection. In addition, the comptroller/treasurer coordinates financial policies, develops and evaluates operating and capital budgets, and advises on long-range planning, generally performing responsibilities of a chief financial officer or finance director. In the comptroller/treasurer's job description, the same responsibilities are described in further detail and the position, referred to as the chief financial officer, is responsible for managing the city's financial operations and maintaining fiscal stability. For these administrative responsibilities, the position is compensated more than the other finance department heads. However, he does not have direct supervision of the other financial offices.

Annually, Marlborough's budget process commences just after the first of the calendar year. In consultation with the mayor, the comptroller/treasurer prepares preliminary revenue estimates and establishes budget guidelines for departments as they prepare the ensuing year's operating requests.

Departmental requests are entered into the city's budgeting application and reviewed. Then, the mayor, comptroller/treasurer, and auditor meet with departments to discuss budget requests and revenues, making adjustments until the budget is balanced. As a part of the process, the comptroller/treasurer prepares a five-year budget analysis of the city's revenues and expenditures and projects revenues for the ensuing year. Prior to submitting the budget proposal and supplemental data and analyses to city council in May, the mayor, comptroller/treasurer, auditor, council president, and council finance committee chairperson meet to discuss the proposal. The council conducts hearings during May, deliberates, and then adopts the budget in June.

In reviewing Marlborough's budgeting practices, we found that the line-item appropriations approved by council are very detailed. This format places limits on department heads in managing their budgets and increases the need to submit transfer requests to the city council, which can take up to 10 weeks for final approval.

The city provides water and sewer service to most residents and businesses. Annually during the budget process, the city establishes user rates that are designed to recover the all costs related to providing these services. While city officials refer to these operations as enterprise funds, they are not because the city has not adopted M.G.L. c. 44, §53F½. As such, any surplus or shortfall resulting from these operations are closing to the city's general fund and included in the free cash calculation.

Because of the amount of federal funding the city receives, Marlborough is required to have an annual audit performed in accordance with the federal Single Audit Act. An audit is an examination of a community's financial systems, procedures, and data by a certified public accountant. It reports on the fairness of financial statements and on local compliance with statutes and regulations. The resulting financial statements and management letter serve as valuable management tools for evaluating the fiscal performance of a community. Over the last couple years, Marlborough's audits have not been completed until June of the following year, and the FY05 audit was finalized and sent to DOR in December 2006, almost 18 months after the close of the fiscal year.

In 1999, the city engaged a consultant who created new job descriptions, recommended increasing various managerial and supervisory salaries upwards of about 30 percent, and developed a merit evaluation system. While the city adopted the job descriptions, the merit evaluation system and proposed salary ranges were not implemented.

Currently, the auditing, collection, and assessing department heads' salaries are in the mid-\$50,000 to the mid-\$60,000 range. The city auditor resigned at the end of September 2006 and Marlborough advertised for a replacement. However, because of the salary range, Marlborough was not able to attract a sufficient field of qualified and experienced candidates, so the city re-posted the job. This was similar to the city's experience almost six years ago, when the auditor's position remained vacant for over four months while the city sought a qualified replacement through numerous postings.

In 2004, the Governmental Accounting Standards Board (GASB) issued Statement 45 on the financial reporting and accounting of other post employment benefits (OPEB). OPEB are the benefits other than pension plans a governmental unit is providing or has promised to current and future

retirees. These include healthcare coverage, life insurance, disability, and long-term care benefits when they are provided separately from a retirement plan. The purpose of GASB 45 is to require the accrual of the OPEB expense generally over the working career of plan members rather than on a pay-as-you-go basis, which is the current practice for most government sponsored plans.

Similar to the implementation of GASB Statement 34, Statement 45 will be phased in and be a potentially difficult task for Massachusetts' cities and towns. The implementation will require that each governmental unit, at a minimum, have an actuarial study of its OPEB liability performed and updated at least once every two years. Consequently, there will also be new financial and audit reporting requirements. Marlborough is a tier-2 community and will be required to implement Statement 45 by the end of FY2009. Marlborough has budgeted funds to begin this process to gather employee and retiree information and have an actuarial study performed. Based on the actuarial results, Marlborough will know the true costs of the OPEB earned by employees over their estimated years of actual service. While there currently is no state mandated requirement to fund the OPEB liability at this time, a couple of communities have special legislation to begin funding it and other communities have expressed similar interest.

RECOMMENDATION 1: CONSOLIDATE AND REORGANIZE THE FINANCE DEPARTMENTS

We recommend that Marlborough create a consolidated finance department under the direction of a chief financial officer (CFO) and combine the treasurer and collector's positions through special legislation. For years, the comptroller/treasurer has been serving in the role of a chief financial officer, and is generally referred to as such, but has not had the authority to directly supervise the other financial offices. As CFO/treasurer, he would be responsible for managing the city's finances and developing its long-term planning efforts. In order to do this effectively and efficiently, the CFO should have direct management control over the financial operations (e.g., auditing, treasury, collections, assessing, and budgeting), ensuring resources are used efficiently, activities are conducted timely, and department heads are accountable.

Because there are so many parallels in responsibilities (e.g., collecting, counting, posting, depositing, and reconciling receipts), it also would be more efficient to combine the collector's and treasurer's operations. With combined personnel and adequate cross-training, staff would be able to handle heavy collection demands as well as ensure other office activities are performed timely.

We recommend that the city create an assistant treasurer/collector's position. This position should be filled with an experienced and qualified individual who would assist in the efficient operation of the office and serve in the department head's absence.

We recommend that the water registrar's responsibilities be returned to the public works department. As a matter of checks and balances, it is best that the office committing charges be independent from the one collecting them. Since the public works department is responsible for

collecting the water readings, they should be responsible for reviewing the data and turning over the commitment to the treasurer/collector's office.

RECOMMENDATION 2: IMPLEMENT BUDGET AND OTHER FINANCIAL PRACTICES

We recommend that the city adopt a policy to have the independent audit completed within six months of the fiscal year's end. Based on the audit results and recommendations in the management letter, the mayor and finance officers should develop a proposal to correct problems and plan for the future. A corrective action plan should indicate what actions will be taken, who will be responsible, and when the action will be completed. The CFO should monitor the implementation of the corrective action plan and periodically inform the mayor and city council of progress. Effective use of the recommendations of the audit report and DLS' financial management review can assist the city in improving its financial controls and practices, which may lead to increased public confidence in the government and potential upgrades to the bond rating.

We recommend that the city council adopt an abbreviated budget authorization format for all departments. As a best business practice, summary salary, expenditure, and capital categories are recommended that grant some management flexibility to department heads by allowing them to transfer within a summary category, but not between them without council action.

We recommend that the city adopt enterprise funds for its water and sewer operations by accepting MGL Ch. 44 §53F½. Enterprise fund accounting enables the city to account for all revenues and expenditures of a service in a consolidated fund. It enables the city to fully identify all direct, indirect, and capital costs of providing the service. As such, enterprise fund accounting will enable the city to fully demonstrate the true cost of these operations and provide information necessary to establish user fees. More importantly, the community would retain any surplus (certified by the Director of Accounts) in the fund that would be used to fund operating, capital or debt service costs associated with the specific fund's service.

We recommend that the CFO develop a multi-year revenue and expenditure forecast. With assistance from the city's financial officers, the chief financial officer should produce a forecast for all operating funds. The forecast should span between three and five years and be updated routinely as new information becomes available. DOR has developed a revenue and expenditure forecasting application (www.mass.gov/dls/mdmstuf/Technical_Assistance/forecast/tapagelink.htm) available to municipalities, which Marlborough should consider using to help in this matter. Forecasting used in conjunction with the city's capital plan will enable city officials to evaluate budget requests with multi-year impacts, identify programs that may not be funded or capital requests that will have to be deferred, and develop long-range financial plans.

RECOMMENDATION 3: ADOPT CHANGES TO THE PERSONNEL SYSTEM

We recommend that Marlborough review the salary ranges of financial department heads. It is essential that the mayor have the ability to hire and retain employees who have the strongest credentials and the most relevant professional experience. To accomplish this, the city should conduct salary surveys and set salary ranges that will attract and retain qualified candidates.

We also recommend that the city institute a personnel evaluation policy and conduct annual performance reviews for all employees. Increasingly, government is placing greater attention on written job descriptions with goals, performance expectations, and provisions for annual employee evaluations. The city should develop criteria by which each employee's job performance may be evaluated. Based on the annual evaluation, an employee may be rewarded (i.e., step increase) for a job well done and/or given suggestions if performance improvement is warranted. In the event an employee's performance is unacceptable, the policy would provide for procedures for a probation period or dismissal, if necessary. Performance evaluations may be instituted for non-union positions immediately, but will be subject to labor negotiations for other employees.

We recommend that the city accept M.G.L. c. 32B, §18 that requires retired employees and their spouses, who are eligible for Medicare, to join at age 65. Once accepted, a community would be able to continue to provide the same level of health care services, but shift a considerable portion of the cost to the federal Medicare program, thereby saving the city money.

We recommend that the city review all positions that receive health-care benefits. According to M.G.L. c. 32B, §2(d), an "employee" eligible for health-care benefits is one that receives either a salary or stipend and works at least 20 hours per week. Paid elected officials, however, have no minimum hourly requirement to qualify. Once "vested" in the retirement system, that employee is eligible for retirement benefits, including health care, at a potentially significant cost to the municipality. Therefore, the city should consider the current, potential liability, and the long-term impact of providing health insurance to appointed and elected officials. Currently, four part-time officials are enrolled in the city's health insurance plan, generating a FY2007 estimated expense of about \$46,600.

RECOMMENDATION 4: ADOPT FOUR-YEAR TERMS FOR MAYOR AND CITY COUNCIL

We recommend that the city consider increasing the current term of office for the mayor from two to four years. A two-year term for an executive officer tends to work counter to the effective implementation of long-range financial strategies and goals. Often, acceptance of a new policy and the final form it takes may only be accomplished over time and after adjustment through a series of budget cycles. Even when the term of a mayor continues through re-election, the administration of the city's

business suffers as a portion of his/her time and attention is invariably directed to concerns outside of city hall. Consequently, a two-year term for the chief executive officer of a city can disrupt the continuity necessary to implement long-range policies and practices.

M.G.L. c. 43, §17C describes the petition process for Plan B cities by which the question of a four-year term can be placed before the voters for approval. The change might also be accomplished through a home rule petition to the legislature under M.G.L. c. 43B.

We also recommend four-year, staggered terms for city councilor members (i.e., ward councilors at one municipal election and at-large seats at the next). By extending and staggering terms, the city can avoid the potential disruption caused by a substantial turn over of membership every two years. Any plan to stagger or change the length of city council terms will require a home rule petition to the state legislature.

RECOMMENDATION 5: REVIEW THE CITY'S CHARTER AND ORDINANCES

We recommend that Marlborough perform a comprehensive review of its charter and ordinances to make sure that they are accurate, clear, and current. While the multiple divisions of the charter are not unique, it can be confusing to the average reader. The city should consider updating its charter, combining all the current applicable division sections and special acts into one concise document. In addition, Marlborough should update the applicable section(s) of its ordinances to reflect enabling legislation and other restructuring approved by the council.

INFORMATION TECHNOLOGY (IT)

Marlborough's information technology (IT) department services both town and school (as of 7/1/06) departments. IT manages and services all computer systems, including servers, operating systems, and software applications. IT is responsible for user support, training, security and virus protection, programming, backups, hardware, and maintenance. IT also manages the city's Internet access and electronic mail system, and hosts the website. The IT staff consists of a director, network engineer, senior systems analyst, two technicians and a part-time technician.

The IT director, network engineer, and senior systems analyst have been employed by the city for a little over a year. When they were hired, the city did not have a network, there was no security, and the operating systems and equipment were old. Under the management of the new director, these deficiencies have been addressed on the city side. With the recent transfer of the schools' technology services into the city's IT department, the director found that many of the same network, system, and security problems exist and he and his staff are in the process of addressing them.

With roughly 1,500 users citywide, the director purchased a software application to record and manage user support calls. This ticketing system primarily is used to identify issues, prioritize them, and assign staff workloads. This system also could be used to analyze the calls for training purposes (e.g., system and application issues as well as individual needs). The IT director also has established an IT committee made up of staff volunteers. Meeting periodically, this group discusses technology issues, shares knowledge, and will be exploring/planning new initiatives.

Since FY2003, Marlborough has used Munis, a fully integrated financial system, and Vision, a computer assisted mass appraisal (CAMA) system. When these systems were purchased, initial training was provided. Periodically, the financial staff encounter problems with these applications and must contact the vendors directly because the IT staff is not familiar with these programs or how to perform certain tasks, such as transferring the assessment data to the Munis system's billing program.

One of the advantages of the Munis system is the remote access and data entry features. Currently, the school department has been granted access to post biweekly payroll (which is reviewed against backup documentation prior to printing the checks) and enter requisitions. The city's payroll timesheets are submitted to the treasurer's office for data entry on an exception basis and most non-school departments have been granted remote access to request purchase orders. Most departments also enter their departmental receipts into Munis for turn over to the treasurer's office. Annual budget requests are submitted to the treasurer's office for data entry. All vendor bills are submitted to the city auditor's office for review and data posting to the Munis system. These bills are also scanned into the computer, using an application called Key File, for storage and easy retrieval.

During the course of our review, we found that despite the availability of the computerized applications and systems, as well as in-house staff support, many individuals are performing manual or repetitive tasks. For example, the inspection department manages the permitting process using an application GeoTMS, which can export data electronically. The assessing office has access to the database, but manually enters the same permit information into the Vision system.

Marlborough contracts with an outside vendor, Virtual Town Hall, to manage the city's website. Virtual Town Hall is a firm that specializes in affordable web service for governments that may be customized and easily updated by city staff. Currently, Marlborough's Internet website provides on-line services listings, departmental listings and telephone numbers, some financial and billing information, council meeting schedules, community links, and occasional announcements. However, none of the council minutes are posted, forms are not always available electronically, and some of this information is out-of-date. In the absence of useful or complete information, users are directed to call or e-mail the city hall offices for assistance, which causes work interruptions for personnel.

RECOMMENDATION 6: ATTEND TRAINING ON FINANCIAL APPLICATIONS

We recommend that IT attend the Munis and Vision training programs provided by the vendors. These training programs would enable the IT staff to understand the operating systems so they could assist in routine matters (e.g., transfer of data) and address user issues as they occur.

RECOMMENDATION 7: SURVEY CURRENT OPERATIONS AND PROVIDE TRAINING

While the IT committee is resourceful, we recommend that IT survey office staff to identify data that is repetitively entered or shared with other offices, and survey staff on their knowledge and use of available computer applications. By reviewing each office's procedures, IT may identify repetitive tasks that may be automated or streamlined. IT also may identify shared data or duplicate information that may be transferred electronically or developed into a shared database available to more than one office. The survey results may help the IT staff to develop appropriate level training and refresher courses that will enable staff to better understand how the computerized systems can be useful to them. Given the limited staff and resources, exploring ways to operate more efficiently can free up valuable staff time.

RECOMMENDATION 8: EXPAND THE REMOTE ACCESS TO THE FINANCIAL SYSTEM

We recommend that remote entry be given to all departments to enter payroll, vendor bills, and annual budget requests to the Munis system. With proper training, departments would be responsible for data entering all payroll and vendor payment requests. The auditor's office would review submissions against the backup documentation, and if acceptable, add them to the warrant and post them to the general ledger. Once established, the electronic transmission of financial data will greatly reduce the amount of manual entries the auditor's office is performing, thereby freeing up staff to perform other management and analysis activities.

RECOMMENDATION 9: UPDATE AND EXPAND THE WEBSITE

We recommend that Marlborough update and maintain its Internet website. A comprehensive and accurate website would help generate public awareness and confidence. In other communities, user-friendly and informative websites have proven successful in reducing the amount time that city employees spend fielding questions in person or on the phone.

COMPTROLLER/TREASURER'S OFFICE

A comptroller/treasurer and three support positions staff the office. The comptroller/treasurer's office is responsible for receiving and depositing all city funds, issuing debt, managing the payroll system, and determining the water and sewer billable amounts to be committed to the collector. The comptroller/treasurer has served in his position for over 12 years. In addition to managing the office, the comptroller/treasurer is a member of the Marlborough Retirement Board and serves as the city's chief financial officer.

While the support staff is cross-trained, each position has primary responsibilities within the office. One finance assistant prepares, produces and distributes the weekly city and biweekly school payroll while the principal clerk processes the vendor warrants, runs the water/sewer billing system, and oversees the mail operations. The third staff member is the assistant to the treasurer. She deposits and reports all funds received by the city and maintains the treasurer's cash book, which she reconciles to bank statements and to the auditor's general ledger.

The treasurer's office maintains the cash book in a series of electronic spreadsheets. As one source of original entry for recording receipts and deposits and disbursements summarized by warrant, it tracks the total cash position of the city. The cash book also provides control that enables the treasurer to reconcile with bank statements, cash on hand, and the general ledger balance on a monthly basis.

At least weekly, departmental receipts are reported to the treasurer's office. Most departments enter their receipts collected into the Munis system, deposit the funds in the bank, and turn over the Munis receipt report and bank deposit slip to the treasurer's office. Some prepare a manual turn over report with the deposit slip. Not all departments provide a copy of the departmental receipts report to the auditor's office. Monthly, the treasurer's office prepares and submits a statement of receipts for the auditor's office as required. However, based on city records and discussions with officials, we found that this reporting is not done consistently after the close of each month. For example, the March 2006 report of the treasurer's receipts (and returned checks) was not turned over to the auditor until September 2006, over five months later and after the close of the fiscal year. Consequently, the general ledger has not been up-to-date and the closing of the auditor's books was delayed.

According to the comptroller/treasurer, the city reconciles cash monthly. This process begins with the internal reconciliation of the cash book to all bank statements. Once reconciled internally, the assistant to the treasurer compares the total cash to the general ledger fund balances. If she identifies variances due to missing or erroneous postings, she informs the auditor's office. Any remaining differences are worked on with the assistance of the auditor's office. It should be noted that while the city conducts monthly reconciliations of cash, they are not always conducted promptly after the close of the month because of delays in reporting the treasurer's statement of receipts.

In reviewing the city's cash book and other financial statements, we found the city is in possession of over \$42,000 in returned or unclaimed checks, commonly referred to as tailings. While

it is not clear what this figure specifically consists of, it may include checks issued to compensate employees, pay municipal obligations, or to refund municipal taxes or charges.

RECOMMENDATION 10: IMPROVE REVENUE REPORTING

We recommend that all departments copy the auditor's office on all receipt payments to the treasurer. The treasurer should instruct all departments to provide a copy of each turn over to the auditor, which is used to verify the schedule of treasurer's receipts to the auditor.

We recommend that the treasurer's office complete and transmit its statement of receipts to the auditor weekly. Given the amount of revenues handled by this office, it would be best that this activity be performed weekly. Delays in reporting cash receipts impact the activities of the treasurer's and accountant's offices and the eventual reconciliation of cash.

RECOMMENDATION 11: RECONCILE CASH TIMELY

We recommend that the treasurer and the auditor conduct prompt, monthly cash reconciliations. Shortly after the end of each month, the treasurer's office should internally reconcile the cash book to all bank statements. The treasurer should oversee this process to ensure that his assistant completes this activity timely. Once reconciled internally, the treasurer's office should report the cash balances by fund to the auditor, who in turn would reconcile to the general ledger. Any variances may be the result of reporting errors or of timing differences for the recording of receipts or disbursements. These variances should be identified on a monthly basis, with adjusting entries made as necessary. Conducting the reconciliation shortly after the end of each month makes it easier to locate and correct posting errors as they occur.

RECOMMENDATION 12: RESOLVE TAILINGS

We recommend that the office research the returned or unclaimed checks, commonly referred to as tailings. The tailings may include checks issued to pay employees and vendors, refund municipal taxes or charges, or pay other municipal obligations. Any check that is not cashed within three years of issuance is deemed abandoned under M.G.L. c. 200A, §5. A municipal treasurer holding abandoned checks may turn them over to the state treasurer (M.G.L. c. 200A, §7). Alternatively, the municipal treasurer may advertise the unclaimed checks herself and hold hearings to settle any claims (M.G.L. c. 200A, §9A). Having complied with all legal requirements of M.G.L. c. 200A, any remaining unclaimed monies are credited to the municipality's general fund.

CITY COLLECTOR'S OFFICE

A city collector and two clerks staff the office. The city collector has worked in the office since 1990 and been in her current position since 2003. The office is responsible for collecting approximately 12,900 property tax bills quarterly, 46,200 motor vehicle excise bills annually, 9,900 residential water/sewer bills quarterly, and 780 commercial/industrial water/sewer bills monthly. This office also handles the police and fire detail collections and parking ticket payments. In recent years, this office has prepared upwards of about 3,000 municipal lien certificates annually.

The city's deputy collector prints and mails the property and excise bills as well as the parking tickets. The treasurer's office prints and mails the water/sewer bills. The city receives payments by escrow service, lockbox, Internet, mail, and at the counter. According to the collector, about 60 percent of the real estate bills and nearly a third of the excise bills are received through escrow, lockbox and Internet services. The city has just begun accepting water/sewer bills at the lockbox and hopes it will reduce the volume of bills being processed in-house. All other payments are processed manually because the city does not have scanners.

When payments are received in the office, they are separated into batches by bill type for processing. Each batch is entered into the Munis collection system, a calculator tape is run for each batch of checks and as well as the bills, and then the funds are deposited to the bank. This office generally makes bank deposits weekly and more frequently during heavy collection periods.

In an effort to collect payments and reduce receivable balances, the collector uses statutory remedies and outside services when necessary. For past due water/sewer charges, the city liens the outstanding amounts on the subsequent year's tax bills. For real estate, the collector issues demand notices immediately after the bill becomes past due. If the demand notice does not result in payment, the collector writes letters to elicit payment. If these activities do not result in a payment, the collector initiates tax taking procedures. Once the taking is recorded, the collector retains custody of it despite statute that requires the collector turn it over to the treasurer (M.G.L. c. 60, §50).

Once in tax title, properties have lingered because Marlborough has not pursued foreclosure options. With over \$1.67 million in tax title, the city recently contacted an attorney to pursue these accounts. During our review of Marlborough's tax title accounts, we found that 74 properties have FY06 assessed values of less than \$17,130, the maximum valuation of parcels qualifying for the land of low value foreclosure procedure (www.mass.gov/dls/PUBL/IGR/2006/igr06_208.pdf).

The city uses the services of a deputy collector for past due personal property tax and motor vehicle excise bills. The deputy collector obtains money owed the city and completes online license and registration markings for non-renewal status with the Registry of Motor Vehicles (for motor vehicle excise), or provides evidence that the accounts are uncollectable. The deputy collector deposits funds to a dual signature bank account in the city's name, but the statements are not mailed to the collector because it is not a city account. Weekly, the deputy collector prepares a turnover report of the collections made. Upon receiving this report, the collector signed a check for the deputy's service fees and accepted a second check for the net revenues due to the city. However, by ordinance, the

collector must turn over all fees to the treasurer. At DOR's suggestion, Marlborough now is taking gross collections in and processing the deputy collector's service fees through the warrant.

RECOMMENDATION 13: STREAMLINE COLLECTION PROCEDURES

We recommend that the city purchase and install scanners in the collector's office. With scanners, the office will be able to process payments quicker because the taxpayer's account and bill will come up automatically on the computer. The staff also could scan payments that are received timely and for the exact amount due separately from the rest of the bills and print off an itemized batch report for turnover/depositing purposes. This, in turn, would eliminate the need to run an adding machine tape.

We recommend that the collector deposit receipts in the bank daily. Given the volume of bills being processed in-house, receipts should be deposited as promptly as possible. The city then can maximize its earnings on investments and the treasurer can make informed decisions regarding the Marlborough's cash flow.

RECOMMENDATION 14: PURSUE RECEIVABLES, TAX TITLES, AND FORECLOSURES

We recommend that the collector transmit tax takings to the treasurer. According to M.G.L. c. 60, §50, the treasurer is the custodian of the instruments of taking. The collector should turn over all tax title accounts to the treasurer upon recording them at the Registry of Deeds.

We recommend that the city pursue land of low value foreclosure through DOR. For any properties with a current value of \$17,130 or less, the city should apply for land of low value foreclosure, which is a quicker and less costly alternative to seeking a decree from Land Court. Once the city receives the land of low value affidavits from the Commissioner of Revenue, the foreclosed parcels can then be auctioned to recover taxes and interest owed, or preserved as city-owned land.

RECOMMENDATION 15: ESTABLISH DEPUTY COLLECTOR ACCOUNT

We recommend that the collector establish her own account for the deposit of all amounts collected by the deputy collector. A deputy collector may not receive checks for tax or excise payments, which are made out to him as payee, nor may he endorse any instrument, which he receives as a payment for taxes. In addition, a deputy may not deposit municipal funds in a personal bank account nor may he maintain a personal bank account in the name of a community (M.G.L. c. 60, §92). A deputy collector must turn over to the collector at least weekly, all amounts he collects or deposits into the community's deputy collector bank account.

ASSESSING OFFICE

The mayor appoints the three-member board of assessors. Two board members, the principal and senior assessors, work full-time in the office along with two clerks. The assessing office is responsible for maintaining assessment data on approximately 12,170 real property parcels and 750 personal property accounts. This data is managed on a computer assisted mass appraisal (CAMA) system that is used to compile analytical reports and property tax commitments. The office also oversees the assessment of about 46,200 motor vehicle excise accounts, and processes approximately 1,000 property sales, 700 building permits, 320 exemptions, and 200 abatements (230 in recertification years) annually.

The principal assessor is the chairman of the board, the department head, and responsible for managing the staff. He has worked in the city since 2000. Prior to being employed by Marlborough, he worked as a professional appraiser for over 20 years. He has also been an instructor for the Massachusetts Board of Real Estate Appraisers and The Appraisal Institute for many years.

With the assistance of the senior assessor, the principal assessor measures and lists new and improved properties, inspects some property sales, data enters property information and building sketches on the CAMA system, and establishes full and fair cash valuations and classifications of all property. The principal assessor oversees the triennial revaluation of property, manages the city's appraisal consultants, and represents the city in all judicial and administrative matters. The principal assessor prepares timely reports for DOR, including new growth and taxable parcel count reports, and he works with the comptroller/treasurer to prepare and submit the tax recapitulation sheet with adequate backup documentation.

Annually, the assessors process abatement and exemption requests. For each request, the principal, senior, or part-time assessor reviews the application and prepares a recommendation for the whole board to act on. Among these is the residential exemption, a local option to apply a discount to the assessed value of every residential property that is the principal residence of a taxpayer. To apply, the owner-occupant makes an application, but the assessors historically have not been able to verify the residency.

The assessors also request income and expense information annually from commercial and industrial property owners to help them determine equitable values for assessment purposes. In the request, the assessors inform each owner that failure to comply would result in the loss of any statutory appeal and that the city has the ability to impose a \$50 penalty on the ensuing fiscal year's property tax bill (M.G.L. c. 59, §38D). Despite the consequences, Marlborough receives less than a 15 percent return.

The clerks maintain all records, process deed transfers, handle exemption and abatement applications, handle the motor vehicle excise accounts, respond to public inquiries, and perform other support as necessary. The clerks have access to the city's computerized financial system, which is used for transferring abatement and exemption information. The clerks also data-enter legal information and parcel splits on the CAMA system, but they do not enter property data or sketches.

Triennially, appraisal consultants are hired to update all real property values at a cost of about \$150,000 and to pick up/value new personal property accounts at cost of about \$23,000. In the intervening years, the principal assessor analyzes sales, reviews commercial/industrial income and expense data, and researches regional rental income in order to make interim year adjustments to values (complying with requirements of M.G.L. c. 59, §38 to maintain full and fair cash values). The assessing office uses the services of the appraisal consultant to verify his results and to update operating tables that drive the CAMA system at a cost of about \$9,000 per year.

The city acquired its CAMA system in FY2003. As a result of the data conversion from another system and the FY03 revaluation, the city's data quality was found to be poor. In fact, it was revealed that the last full recollection of property descriptive data was completed in 1981. Bureau of Local Assessment guidelines require that a community complete an interior and exterior inspection of all property over a specific time period, not exceeding nine years. Consequently, BLA recommended that the city conduct a full measure and list of all its property. In FY05, the city hired an appraisal consultant to reinspect the city's entire property database over three years, at a cost of about \$167,000. Once completed, the principal assessor plans to implement a 6-year cyclical reinspection program using the services of the appraisal consultant.

Recently, as a result of illegal multi-unit residences, the senior assessor has been riding along on the code enforcement officer's inspections. This has enabled him to gain access to these properties to perform an interior inspection and update the city's assessing database. In many communities, the assessing staff also rides along with the fire department (smoke and carbon dioxide detector inspections) or water department (final reading for billing purposes) prior to the closing of a pending property sale. This is often done to reduce the number of visits made to properties in a community, which can be annoying to residents when conducted separately.

RECOMMENDATION 16: CONDUCT ADDITIONAL INSPECTIONS

We recommend that the assessors inspect the interior and exterior of all sale properties. Often, a sale property may have been upgraded without a permit or allowed to deteriorate to an extent that the assessors' files are not accurate regarding the characteristics or condition of the property. Not being aware of the exact condition of sale properties negatively affects the assessors' ability to value other properties accurately. Teaming up with other departments scheduled to visit these properties will ensure timely, interior inspections for the assessing database and assist in the city's cyclical reinspection program. It also will reduce the number of scheduled visits to the same properties.

In order to accommodate additional field inspections, we recommend that the city hire a part-time data collector. Permit, sale, and cyclical inspections are a necessary and ongoing activity of the office and a data collector can assist the assessors in addressing this workload. With proper guidance and training on the office's data collection standards and expectations, this position would assist the senior assessor in inspecting sale and improved properties. Once the appraisal consultant completes

the current full recollection of data, the data collector would assist the senior assessor in future cyclical inspections. Over the course of seven to nine years, the office would benefit by spreading out the workload and reducing costly recollection contracts. It is estimated the city should budget about \$10,000-\$15,000 annually for this position, which may be paid on a part-time salary or contractual parcel basis.

It also is recommended that the clerks be responsible for property data entry and building sketches. Currently, the clerks are familiar with the CAMA system, but only enter legal information. With proper training, they could enter property information collected, enabling the senior assessor to focus on the inspections and less on clerical tasks. Once the data is entered and sketches made, the senior assessor would review the new property record information against his notes for quality control.

RECOMMENDATION 17: FOLLOW-UP ON INCOME AND EXPENSE REQUESTS

We recommend that the assessors make every effort to contact and inform the commercial and industrial property owners of the need to complete timely income and expense requests. Some suggestions are sending a second notice in April after the business' tax return has been prepared and making presentations at area business or Chamber of Commerce meetings.

RECOMMENDATION 18: VERIFY RESIDENCY EXEMPTION REQUESTS

We recommend that the assessors enter into a data exchange agreement with DOR in order to verify residency. The City of Boston also offers the residential property exemption, but has entered into a data exchange agreement program with DOR that provides non-financial tax return information for the purposes of enforcing the provisions of M.G.L. c. 59. After having met certain confidentiality, data formatting, and security measures, DOR will provide the assessing office with reports of individuals' residency with regards to those applying for a residential exemption. While the City of Boston's first year under the data exchange was time consuming because of setting up the program and educating applicants, the results were successful, ensuring information accuracy and eliminating fraud.

RECOMMENDATION 19: CONDUCT IN-HOUSE INTERIM YEAR ADJUSTMENTS

After recollecting all the city's assessment data and given the professional skills of the principal assessor, we recommend that the assessing office conduct the interim year adjustments to values in-house. The principal and senior assessors should attend the CAMA vendor's training to learn more about the operating system, including making changes to the cost and land tables. With additional training, the assessors would improve the internal management of the assessment database and eliminate a recurring cost.

RECOMMENDATION 20: CONSIDER IN-HOUSE RESIDENTIAL REVALUATION PROGRAMS

DOR recommends that the city consider preparing its triennial revaluation of residential properties in-house after FY09. The current professional staff possesses considerable skills and experience. With the additional assistance of at least a part-time data collector, the senior assessor would be responsible for the permit, sale and cyclical inspections, enabling the principal assessor to focus on analysis and valuation matters. Assuming the city continues to contract the commercial, industrial and personal property data collection and valuation work, Marlborough could reduce its triennial revaluation costs an estimated \$60,000-\$75,000.

CITY AUDITOR'S OFFICE

An auditor, finance assistant, head clerk, and part-time senior clerk are budgeted to staff the office. The primary responsibility of the auditor's office is to maintain the city's general ledger and to perform the accounting functions. Typical accounting functions include reviewing invoices, approving requisitions, preparing warrants, producing trial balances, revenue and expenditure reports, maintaining information on debt; and reconciling cash and receivables with the comptroller/treasurer and collector. In addition, the city auditor serves as a member of Marlborough's retirement board.

Because the auditor left the city's service at the end of September, the finance assistant has been appointed acting-auditor. As finance assistant, she was responsible for supervising the staff, making general ledger and journal entries, processing requisitions, completing and printing the warrant, preparing statistical and analytical reports; and assisting cash and receivable reconciliations. While her title was not assistant auditor, she held equivalent responsibilities and was fully trained to assume the responsibilities, including signing the warrant, of the auditor for a brief or extended period.

Annually, the auditor's office prepares internal and external reports. It produces monthly expenditure and revenue reports to verify and monitor the city's financial activity. The office also prepares receivable (by year and type of bill) balance reports that are reconciled with the collector's receivable detail. For the reconciliation of cash, the auditor's office responds to inquiries from the assistant to the treasurer when she has unexplained variances between the treasurer's cash and the auditor's general ledger.

Among the external reports, the city auditor prepares the Schedule A, a year-end fiscal statement of revenues and expenditures, and produces the balance sheet (and supporting documentation) internally that is used to certify free cash for DOR. Within the annual balance sheet submissions, Marlborough provides detailed capital project account fund balances. Most accounts reflect activity from year to year, while others are unchanged, and worse, some reflect deficit balances. Some capital project deficits are the result of not issuing bonds or temporary notes timely, which are a negative impact on the city's certification of free cash. Other deficits are unchanged and appear to be unresolved since at least FY03. It is our concern that these are expenditures in excess of borrowing authorization and that they will need to be provided for by council action.

RECOMMENDATION 21: UPGRADE THE FINANCE ASSISTANT TO AN ASSISTANT AUDITOR

We recommend that the city upgrade the finance assistant's position to an assistant auditor. Most city auditor's offices have a professional assistant that is trained and knowledgeable to act in the absence of the department head. The city should upgrade the title and salary of the finance assistant to an assistant auditor to reflect the existing responsibilities and expectations of the position.

RECOMMENDATION 22: RECONCILE CASH TIMELY

We recommend that the auditor's office participate in the reconciliation of cash process.

Reconciliation of cash is essential to the system of checks and balances in local government. It enables the auditor's and treasurer's offices to verify that all receipts and expenditures are recorded accurately in the accounting records and cash has been deposited in the bank. It is the responsibility of the treasurer's office to reconcile the cash balances to the bank statements and report the treasurer's cash (by fund) to the auditor. It is then the responsibility of the auditor to compare the cash to the general ledger, reconciling differences due to posting errors and/or timing issues. In the event there are unresolved differences, the auditor and treasurer should meet to review the process.

RECOMMENDATION 23: ADDRESS CAPITAL PROJECT DEFICITS

We recommend that the auditor review these capital project deficits and determine if any will require council action. Any capital project that has exceeded the authorized borrowing limit will require council action to increase the borrowing limit, or, if the project is complete, to fund the deficit.

ACKNOWLEDGEMENTS

This report was prepared by The Department of Revenue, Division of Local Services.

Gerard D. Perry, Deputy Commissioner

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In preparing this review, DLS interviewed or had contact with the following persons:

Nancy E. Stevens, Mayor
Arthur Vigeant, City Council President
Steven Levy, City Councilor
Patricia Pope, City Councilor
Scott Schafer, City Councilor
Thomas Abel, Comptroller/Treasurer
Barbara Durand, City Auditor (former)
Diane Smith, Acting City Auditor
Deborah Puleo, City Collector
Anthony Trodella, Principal Assessor
Daniel Brogie, Senior Assessor
Anthony Aruda, Assessor
Mark Gibbs, Information Technology Director
Susan Ellis, Personnel Director
Jo-Ann Reynolds, City Clerk (former)
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CITY OF MARLBOROUGH, MASSACHUSETTS

MANAGEMENT LETTER

YEAR ENDED JUNE 30, 2016

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The Honorable Mayor and City Council
City of Marlborough
Marlborough, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Marlborough, Massachusetts (the "City"), as of and for the year ended June 30, 2016 (except the Marlborough Contributory Retirement System, which is as of December 31, 2015), and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 9, 2016

OVERVIEW

Fiscal year 2016 proved to be another financially positive year for many Massachusetts municipalities. Employment rates throughout the Commonwealth, particularly in the Route 495 area, steadied several years ago and unemployment rates are approaching record lows. The June 2016 unemployment rates in Middlesex county and the Commonwealth of Massachusetts were 3.6% and 4.3%, respectively. The June 2016 unemployment rate for the City was 3.1%.

Furthermore, the housing market, particularly within the City and many of its surrounding communities, has been robust over the past several years. Residential real estate valuations are at all-time highs in many of the City's neighborhoods. In addition, the City's location, affordable housing, vibrant restaurants and proximity to many institutions of higher education has enabled it to attract large and small companies in a wide variety of industries such as banking, biotech and manufacturing. The City estimates that there are over 2,000 business establishments in the City that provide over 30,000 jobs.

The City's financial condition continues to be strong. The City has not increased its property tax rates (subject to Proposition 2 ½) in many years. Rather, property tax growth has come in the form of new growth within the City. In fact, the City enjoys over \$30 million in unused levy capacity.

In its governmental funds financial statements, which most closely resembles the City's statutory accounting records, the City's unassigned fund balance in its general fund approached \$30.0 million at June 30, 2016. This is an approximate \$7.0 million increase from the prior year and is indicative of strong revenue growth. Included in the unassigned fund balance at June 30, 2016 and 2015 was approximately \$11.6 million and \$9.9 million in stabilization funds, respectively.

Liquidity in the general fund is often measured by comparing both the unassigned fund balance to the current year's total fund expenditures. Credit rating bureaus often refer to this as a "reserve ratio." At June 30, 2016, the unassigned fund balance in the general funds approximated 22% of total general fund expenditures. Furthermore, the total fund balance in the general fund approximated 26% of that same amount. The City's reserve ratio of 22% at June 30, 2016 is very strong and was a significant improvement over the prior year's reserve ratio of 19%.

The City has been at the forefront in Massachusetts in establishing and funding an OPEB trust to assist the City in funding its future postemployment health benefits to its employees. At June 30, 2016, the City's OPEB trust totaled over \$6.2 million. The City contributed \$1.1 million to its OPEB trust in fiscal year 2016 and expects to continue making material future contributions to mitigate this future obligation. The monies in this trust are principally overseen and managed by a third party investment manager with significant experience with Massachusetts municipalities.

The City's budgetary flexibility, strong reserve ratio and planning/funding for its future obligations has undoubtedly been seen as positive factors to Standard & Poor's Financial Services LLC ("S&P"). S&P assigned the City an AA+ credit rating, which signifies that the City's general obligation bonds are of investment grade, high quality and very low credit risk. Furthermore, this is the second highest credit S&P issues on long-term debt; the highest being rated as AAA.

The remainder of the report reflects informational items and findings and recommendations. This discussion is intended to provide the City and its management with recommendations for improvement in accounting and financial operations. The City should review these recommendations and, if determined to be cost-effective, implement these improvements. Items that have been repeated from past letters to management are so indicated.

INFORMATIONAL ITEMS

New Financial Statement Disclosures – Tax Abatement Disclosures

The Governmental Accounting Standards Board, or GASB, issued Statement No. 77, *Tax Abatement Disclosures*, to improve financial reporting by giving users of financial statements essential information regarding the nature and magnitude of tax abatement programs to assist in determining how tax abatements affect the City's future ability to raise revenues and meet its financial obligations. This Statement is effective for the City's fiscal year 2017 financial statements.

Tax abatements, as defined in the Statement, result from an agreement between the City and an individual or entity in which the City promises to forgo tax revenues and the individual or entity promises to subsequently take specific action that contributes to economic development or otherwise benefits the City or its citizens. Tax abatement agreements may be in writing or may be implicitly understood by the City and the entity.

This Statement requires Cities that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by the City, other than to abate taxes, as part of a tax abatement agreement.

The disclosures are organized by major tax abatement program and the City may, but is not required, to disclose information for individual tax abatement agreements. It is important to note that tax abatements for valuation disputes or tax exemptions for qualified taxpayers are not covered by this Statement and no disclosure of these types of transactions is required.

While this new accounting standard does not pose a significant use of the City's resources to comply, we recommend that the City begin to compile the pertinent information above regarding all tax abatement agreements that may require disclosure so that the Statement may be efficiently implemented in fiscal year 2017.

New Accounting Principle – OPEB

The Governmental Accounting Standards Board, or GASB, issued a new pronouncement related to other postemployment benefits, or OPEB, that is substantially similar to the pension standard implemented in fiscal year 2015. OPEB typically includes health and welfare plans and other similar benefits provided to City retirees exclusive of pension benefits. The City presently contributes 60% of the cost of retirees' comprehensive medical insurance offered through its health plan providers.

The City currently reports a net OPEB obligation in its government-wide financial statements calculated under GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*. However, this new accounting standard will change the manner in which OPEB is accounted and reported in the City's government-wide financial statements. GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*, will require that the net OPEB liability, which can be substantially larger than the net

OPEB obligation, be reported in the government-wide financial statements beginning in fiscal year 2018.

While this accounting standard will likely materially affect the City's government-wide financial statements, the Commonwealth has not passed legislation requiring municipalities to begin setting aside monies for this unfunded obligation like it has with pensions.

As we have indicated in several previous letters to management, the City should continue to include OPEB in its long-term planning.

Changes to Single Audit Requirements – Need for Internal Control Framework

In our February 1, 2016 letter to management, we notified the City that there were a number of changes made to single audits. One of the requirements under the new Uniform Guidance (the successor to the OMB A-133 compliance supplement) is that all federal award recipients are required to establish an internal control system based on a recognized internal control framework such as the Green Book or COSO.

The City is the recipient of significant federal educational awards as well as federal monies related to its wastewater operations and various public safety grants. Many Massachusetts municipalities of similar size to the City are focusing their efforts solely at the school level, for which the MASBO provides significant guidance, including policies and procedures templates. The proper implementation of any internal control system requires coordination or resources between not only the City Auditor, but the School Business Office (the primary recipient of federal awards) and the City Treasurer.

We recommend that the City's finance team prioritize this matter to properly establish their internal control system before the start of its next series of large federal educational awards in the summer of 2017.

Municipal Modernization Act

In August 2016, the Municipal Modernization Act was signed into law in Massachusetts. This law streamlined many of the financial legislation used throughout the cities and towns in the Commonwealth. The two portions of this Act that will likely affect most (if not all) Massachusetts municipalities include:

1. Creating a single overlay reserve to cover the costs of potential abatements or exemptions granted by assessors or ordered by the ATB versus having to maintain individual overlay reserves by fiscal year. This portion of the Act became effective on November 7, 2016.
2. Changing the statutory treatment of premiums received when issuing debt. Prior to the Act, premiums (net of issuance costs) were general fund revenue. Effective November 7, 2016, premiums (net of issuance costs) are: (a) used to pay project costs and to reduce the amount of borrowings authorization by the same amount when the borrowing vote so authorizes; or (b) reserved for appropriation for capital projects for which a loan has been, or may be, authorized for an equal or longer period of time than the loan for this the premiums were received.

The implementation of the changes to overlay accounts does not present much of an obstacle to most municipalities. However, future borrowings must contemplate the statutory changes to manner in which bond premiums are treated. Future bond issuances will require closer attention to these matters.

Fraud Prevention Measures

As previously reported to management, the City needs to take a number of steps to address fraud risk including (i) performing risk assessments, (ii) developing a written fraud policy and (iii) performing periodic internal reviews and “audits” within its departments. These recommendations are discussed in greater detail in our January 9, 2015 letter to management.

There have been several very public instances of municipal fraud in area communities that heighten the public’s awareness of this risk. We continue to stress the need for increased diligence in risk assessment, particularly in departments that accept cash from residents and businesses that are outside the reach of the City Collector. Furthermore, we continue to stress the need to perform period spot internal reviews or “audits” of departments by the City Auditor.

Improvements Since our Previous Letter to Management

The City has addressed many of the matters discussed in our previous letter to management, most notably:

- Eliminating a number of stagnant special revenue accounts.
- Conducting an analysis of mortgages receivable held by the Marlborough Community Development Authority, or CDA, and engaging an attorney to assist in collection efforts.
- A capital asset database was purchased, which the City expects to fully deploy in fiscal year 2017.

Items We Continue to Highlight

The following summarizes findings and recommendations we made in our January 9, 2015 and February 1, 2016 letters to management that have not yet been addressed by the City. You should refer to those letters for specific details.

- The City’s water and sewer departments function as enterprise funds. However, enterprise fund legislation has never been sought for these operations. Adopting such legislation would permit the City to better insulate its general fund from shortfalls resulting from these operations, which negatively impact the City’s free cash calculation and general fund operations.
- The City has not yet formalized its policies and procedures into a comprehensive manual. We recognize that such a program, without outside assistance, is potentially a multi-year endeavor. However, the development of formal policies and procedures for key financial processes is not only a key element in any internal control system, but an invaluable tool in the event of personnel turnover.

- The City does not utilize audit report functionality embedded in its MUNIS payroll module. This functionality would enable the City to quickly review and monitor changes to employee payroll data such as pay rates.
- All of the City's vendor invoice processing is performed within the Office of the City Auditor (i.e., centralized). Many cities and towns the size of Marlborough decentralize this process. Furthermore, as City departments currently input cash receipts and initiate purchases orders within MUNIS, they have familiarity with the accounting system, which can greatly facilitate this transition. The use of a decentralized system for invoice processing enables the Office of the City Auditor to transition resources from data processing to more value-added processes like reviews and enhanced financial analyses.
- The City Council adopts a line-item budget, which is very restrictive for a municipality the size of Marlborough. We noted that the Massachusetts Department of Revenue Division of Local Services ("DOR") recommended in a December 2006 *Financial Management Review* that the City Council adopt an abbreviated budget authorization format for all departments, which is widely used throughout the Commonwealth. We concur with the DOR's recommendation.
- The City's allocation of pension benefits to its water and sewer operations is not based on common allocation methodologies. As a result, these operations are assessed larger percentages than would typically be assessed. We've recommended that the City revalue its pension allocation methodology to employ a system based on actual payroll paid.
- The CDA and Marlborough Housing Authority share a number of resources. Recently, the Marlborough Housing Authority has been invoicing the CDA for its share of these costs. However, a formal cost sharing agreement between these two entities does not exist. We recommended that a simple, yet formal cost sharing agreement be executed between the two entities.

FINDINGS AND RECOMMENDATIONS

Custody of Student Activity Depository Accounts

Section 47 of Chapter 71 of Massachusetts General Law (“MGL”) govern the operation of student activities accounts in the Commonwealth of Massachusetts. In short, this section permits school departments to have custody and control of a student activity checking account to pay for valid student activities. Furthermore, this section requires student activity deposits to be made in an interest-bearing account under the control of the municipal treasurer; the statute refers to these depository accounts as student activity agency accounts. Periodically, to the extent that funds are available in the student activity agency accounts, the municipal treasurer shall reimburse the student activity checking accounts through the warrant process with the funds in the student activity agency accounts.

In addition to the statute within MGL summarized above, various MASBO guidelines have been issued over the years, all of which present consistent information regarding the custody of depository accounts.

In our letter to management dated January 9, 2015, we reported that the School Department maintains in its custody depository accounts for student activities, which is impermissible under MGL. This has not been corrected at the time of our field work for the audit of the City’s 2016 financial statements. We understand that there is some confusion regarding the statutes within the City and its School Department. However, the statutes and MASBO guidelines are clear.

We recommend that the School Department transfer custody of student activity agency accounts to the City Treasurer and implement mutually agreeable processes to ensure the timely replenishment of student activity checking accounts to comply with the letter and spirit of the law.

Capital Projects (updated from prior year)

As discussed in our February 1, 2016 letter to management, the City has experienced significant growth and development in the past decade. Hand in hand with such activity are the associated infrastructure improvements necessary to adequately support such growth. This has increased capital activity within the City significantly. Typically, construction is funded through short-term borrowings in the initial stages until a project is complete and then refinanced with permanent financing usually in the form of general obligation bonds. As a result, many projects begin with deficits that are carried for two years before being permanently financed.

In these situations it is important to monitor capital balances and ensure that funds are spent within the required timelines of the bond offering; and to ensure that all deficits are eventually funded.

We observed that the City has 20 individual funds in which aggregate balances are approximately \$(1.0) million. Some of these funds appear to have originated as far back as ten years ago. The City should make attempts to spend these funds as soon as possible for their intended purposes or redirect those funds to other projects that qualify under Massachusetts financing regulations. Stale bond proceeds could cause a violation of the bond issuance regulations and compromise the tax exempt status of the underlying bond.

The City also has 25 deficit balances totaling approximately \$12.7 million, which are covered by outstanding BANs. Several of these deficits appear to date back to 2010 and prior and should have been permanently financed by now. The City should conduct an analysis of each deficit to determine if it has been properly funded and if not, include these on the next permanent financing round or perhaps redirect from the surplus balances discussed in the previous paragraph.

CITY OF MARLBOROUGH, MASSACHUSETTS

**Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2016**

CITY OF MARLBOROUGH, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Honorable Members of the City Council
City of Marlborough, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Marlborough, Massachusetts, (the "City") as of and for the year ended June 30, 2016 (except for the Marlborough Contributory Retirement System, which is as of December 31, 2015) and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents,

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marlborough Community Development Authority – Housing Choice Voucher Program, a blended component unit that consists of \$1,548,694 of revenues and \$1,632,458 of expenditures and is included in the City's aggregate nonmajor funds. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for this blended presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of June 30, 2016, (except for the Marlborough Contributory Retirement System, which is as of December 31, 2015) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, its contributions to the pension plan, the Commonwealth's collective share of the MTRS pension plan, the funding progress and contribution funding of other postemployment benefits and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Roselli, Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts 01801
December 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the City of Marlborough, Massachusetts (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$76.6 million (*total net position*). The City's total net position increased by approximately \$3.0 million or approximately 4.1% year-over-year. The City's governmental activities increased by nearly \$2.4 million while its business-type activities increased by nearly \$0.6 million. The increase in the City's net position in its governmental activities was due primarily to strong revenue growth together with a significant net transfer in of over \$1.2 million from the enterprise funds.
- The City continues to report a deficit in its governmental activities unrestricted net position. In 2016, this deficit was approximately \$42.6 million at June 30, 2016. This deficit is primarily the result of the recording of over \$111.1 million in long-term obligations associated with other postemployment benefits and pension liabilities.
- A significant portion of the City's beginning construction in-process was placed in service in fiscal year 2016. The City placed over \$2.7 million in service in its governmental activities, which primarily related to street construction, and over \$60.0 million in its business-type activities, which primarily consisted of its new waste water treatment facility. Accordingly, the City experienced an increase in depreciation expense in fiscal year 2016 of nearly \$1.3 million.
- The City's total general obligation bond and notes payable debt increased over \$42.2 million in fiscal year 2016. The City issued approximately \$47.5 million in long-term general obligation bonds and notes and repaid nearly \$5.3 million in long-term debt in fiscal year 2016.
- The City's short-term borrowings, which primarily consist of bond anticipation notes, decreased nearly \$32.3 million in fiscal year 2016 to approximately \$18.7 million at June 30, 2016. A significant portion of this decrease was financed with long-term debt (see above).
- At the close of the current fiscal year, the City's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$40.1 million. This represents an increase of approximately \$22.7 million from the prior year. This increase was due to an approximate \$9.1 million increase in the general fund, \$11.7 million increase in City capital projects and a \$1.9 million increase in nonmajor funds. The increase in the general funds was due to strong revenue growth coupled with the receipt of approximately \$2.4 million in bond and note premiums. Bond proceeds of over \$21.4 million were recorded in City capital projects, much of which was expended in prior years. The increase in nonmajor funds was primarily a function of the timing of intergovernmental grants and their corresponding payouts.

- The government funds reported an approximate \$22.9 million unassigned fund balance at June 30, 2016 and is *available for spending* at the government's discretion. The remaining \$17.1 million is earmarked for specific expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$29.8 million, or over 21.9% of total fiscal year 2016 general fund expenditures. Deficits were reported in the City's unrestricted fund balances in its capital project funds (\$6.7 million) and nonmajor funds (\$0.2 million). These deficits are expected to be cured through future general obligation bond issuances in the case of the capital project funds or future intergovernmental receipts in the case of the nonmajor funds.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) governmental fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick pay).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the City include water and sewer enterprise funds.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- **Nonspendable**—amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- **Restricted**—amounts constrained by external parties, constitutional provision, or enabling legislation.
- **Committed**—amounts constrained by a government using its highest level of decision-making authority.
- **Assigned**—amounts a government intends to use for a particular purpose.
- **Unassigned**—amounts that are not constrained at all will be reported in the general fund of in other major funds if negative.

Governmental Funds – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and City capital project funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with its corresponding notes in this report.

Proprietary Funds – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for enterprise funds of the water and sewer activities.

Internal service funds are used to report activities that service all other City departments. The City uses an internal service fund to account for self-insured health and workers’ compensation insurance claims.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The condensed comparative statement of net position for the years ended June 30, 2016 and 2015 is as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<u>Assets</u>						
Current and other assets	\$ 73,256,101	\$ 69,571,142	\$ 19,870,090	\$ 16,318,032	\$ 93,126,191	\$ 85,889,174
Capital assets, net	116,550,944	108,142,513	128,635,147	123,608,665	245,186,091	231,751,178
Total Assets	189,807,045	177,713,655	148,505,237	139,926,697	338,312,282	317,640,352
<u>Deferred outflows of resources</u>						
Pensions	18,230,553	1,926,000	700,447	74,000	18,931,000	2,000,000
<u>Liabilities</u>						
Long-term liabilities	144,099,390	103,095,079	94,523,530	74,028,642	238,622,920	177,123,721
Other liabilities	25,259,556	42,089,940	14,834,575	26,811,564	40,094,131	68,901,504
Total Liabilities	169,358,946	145,185,019	109,358,105	100,840,206	278,717,051	246,025,225
Deferred inflows of resources	1,848,960	-	71,040	-	1,920,000	-
<u>Net Position</u>						
Net investment in capital assets	66,952,109	77,892,651	29,187,628	30,308,674	96,139,737	108,201,325
Restricted	12,468,987	11,933,716	-	-	12,468,987	11,933,716
Unrestricted	(42,591,404)	(55,371,731)	10,588,911	8,851,817	(32,002,493)	(46,519,914)
Total Net Position	\$ 36,829,692	\$ 34,454,636	\$ 39,776,539	\$ 39,160,491	\$ 76,606,231	\$ 73,615,127

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The City’s total net position increased by nearly \$3.0 million, or approximately 4.1% from the prior year. This increase was almost entirely due to the increase in net position in the City’s governmental activities. The majority of the increase in the City’s net position in its governmental activities was due to strong revenue growth together with a significant net transfer in of over \$1.2 million from the enterprise funds.

The largest portion of the City’s overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth of Massachusetts) used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the City’s total net position represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position*, which currently has a deficit balance of approximately \$32.0 million. This deficit is entirely attributable to the City's governmental activities, which includes the recognition of over \$111.1 million in long-term obligation associated with other postemployment benefits and pension liabilities.

The condensed comparative statement of activities for the years ended June 30, 2016 and 2015 is as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Revenues						
Program revenues:						
Charges for services	\$ 6,196,846	\$ 5,813,477	\$ 23,526,044	\$ 19,728,022	\$ 29,722,890	\$ 25,541,499
Operating grants and contributions	44,819,328	37,838,915	-	-	44,819,328	37,838,915
Capital grants and contributions	5,344,554	3,266,841	17,627	20,926	5,362,181	3,287,767
General revenues:						
Property taxes	90,929,762	88,460,013	-	-	90,929,762	88,460,013
Hotel, meals and motor vehicle excise	7,888,238	7,226,903	-	-	7,888,238	7,226,903
Intergovernmental	5,143,848	4,681,262	-	-	5,143,848	4,681,262
Other	1,615,874	1,312,489	-	-	1,615,874	1,312,489
Total revenues	161,938,450	148,599,900	23,543,671	19,748,948	185,482,121	168,348,848
Expenses						
General government	16,564,622	15,624,857	-	-	16,564,622	15,624,857
Public safety	23,913,583	21,851,829	-	-	23,913,583	21,851,829
Education	100,035,167	92,985,214	-	-	100,035,167	92,985,214
Public works	13,219,327	14,627,559	-	-	13,219,327	14,627,559
Health and human services	1,962,525	583,340	-	-	1,962,525	583,340
Culture and recreation	4,203,801	2,254,417	-	-	4,203,801	2,254,417
Debt service	871,914	574,889	-	-	871,914	574,889
Water and sewer services	-	-	21,720,078	18,080,835	21,720,078	18,080,835
Total expenses	160,770,939	148,502,105	21,720,078	18,080,835	182,491,017	166,582,940
Change in net position before transfers	1,167,511	97,795	1,823,593	1,668,113	2,991,104	1,765,908
Transfers	1,207,545	(6,349,648)	(1,207,545)	1,349,648	-	(5,000,000)
Change in net position	2,375,056	(6,251,853)	616,048	3,017,761	2,991,104	(3,234,092)
Net position - beginning of year	34,454,636	40,706,489	39,160,491	36,142,730	73,615,127	76,849,219
Net position, end of year	\$ 36,829,692	\$ 34,454,636	\$ 39,776,539	\$ 39,160,491	\$ 76,606,231	\$ 73,615,127

Governmental Activities – Total revenues in fiscal year 2016 in the City's governmental activities increased over \$13.3 million from fiscal year 2015. The City's largest revenue source is property taxes, which represented approximately 56% of total fiscal year 2016 revenues, which was 3% lower than the prior year. Operating grants and contributions represented approximately 28% of total fiscal year 2016 revenues versus 25% in the prior year, an increase of 3% year-over-year. Revenue shifts between these two major revenue sources was due primarily to an increase in MTRS on-behalf pension funding and other timing issues. No other revenue sources were greater than 10% of total revenues in fiscal year 2016 or 2015.

Education represents the largest expense category for the City. In total, education expenses represented approximately 62% of total fiscal year 2016 expenses, which was consistent with the prior year. Public safety expenses represented approximately 15% of both fiscal year 2016 and 2015 expenses. General government expenses represented 10% of both fiscal year 2016 and 2015 expenses. No other expense types were greater than 10% of total expenses in fiscal years 2016 or 2015.

Business-Type Activities – User charges for water and sewer services represent virtually all of the reported fiscal year 2016 and 2015 revenues in the City’s business-type activities. The water enterprise reported a nearly \$1.5 million operating income before transfers; the sewer operation reported a loss of approximately \$0.3 million. The sewer operations recorded a provision for bad debts of \$850,000 in fiscal year 2016.

Government Funds Financial Analysis

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the City’s governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$40.1 million. This represents an increase of approximately \$22.7 million from the prior year. This increase was due primarily to strong revenue growth in the general fund coupled with the receipt of approximately \$23.9 million in proceeds from bond and note sales together with offering premiums. Of the ending fund balance, approximately \$22.9 million is *available for spending* at the government’s discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$29.7 million, while total general fund balance reached approximately \$34.6 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance at year end represents over 21.9% of total fiscal year 2016 general fund expenditures, while total fund balance represents approximately 25.5% of that same amount.

The City also maintains a major fund to account for its City capital projects. This fund operates with a deficit fund balance of approximately \$6.7 million. This is due to the funding of certain capital projects with short-term notes that will be refinanced in future years.

The City’s aggregate nonmajor funds include the City’s special revenue funds and trust funds. The fund balances in the nonmajor funds increased nearly \$1.9 million in fiscal year 2016 to approximately \$11.5 million at June 30, 2016.

Proprietary Funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water fund was approximately \$13.3 million and net position of the sewer fund was approximately \$26.4 million. The internal service fund, which is used to account for the financial activity of the City’s self-insured health, dental and workers’ compensation insurance programs, had a net position of nearly \$8.2 million at June 30, 2016.

Fiduciary Fund – The City’s fiduciary fund is comprised of the City’s pension trust, OPEB trust, agency funds and private purpose trust funds.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. These amendments may be reviewed in more detail in the Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund.

Capital Asset and Debt Administration

Capital Assets –The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2016 totaled nearly \$247.9 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$13.4 million. Capital assets (net) within the City’s governmental and business-type activities increased approximately \$8.4 million and \$5.0 million, respectively. The City completed a number of significant infrastructure projects at both the City level and within the water and sewer enterprises.

Additional information on the City capital assets can be found in the notes to the basic financial statements.

Long-Term Debt – At June 30, 2016, the City’s total general obligation bond and notes payable debt increased by over \$42.2 million in fiscal year 2016 to \$127.9 million. The City issued over \$47.5 million in long-term debt and repaid nearly \$5.3 million in fiscal year 2016. This decrease was entirely due to normal scheduled debt repayments.

In addition, the City’s short-term borrowings, which at June 30, 2016 consist of bond anticipation notes, decreased from approximately \$50.9 million at June 30, 2015 to nearly \$18.7 million at June 30, 2016. The City repaid a significant portion of its short-term borrowings with the proceeds received from long-term bond issuances (see above). The City expects to finance these short-term borrowings with general obligation bonds in the near future.

Standard & Poor’s Financial Services LLC (“S&P”) assigning the City an AA+ credit rating, which signifies that the City’s general obligation bonds are of investment grade, high quality and very low credit risk. Furthermore, this is the second highest credit S&P issues on long-term debt; the highest being rated as AAA.

The City also holds a proportionate share of debt of other governmental units that provide services within the City’s boundaries. Debt service from such arrangements is assessed annually to the City. Additional information on the City’s debt can be found in the notes to the basic financial statements.

Economic Factors and Next Year’s Budgets and Rates

- The Bureau of Labor Statistics of the U.S. Department of Labor reported a 3.6% unemployment rate for Middlesex County for June 2016, which was slightly better than the state-wide unemployment rate of 4.3%. The City’s unemployment rate was 3.1% for June 2016. Labor markets have stabilized, particularly in region of Massachusetts the City occupies.
- The unused levy capacity for the City in fiscal year 2016 was over \$30.3 million. Unused levy capacity provides flexibility to the City in its budgeting process. The City has exceeded \$20 million in unused levy capacity for the past five fiscal years.
- The City’s real estate tax base is diverse. Residential real estate taxes represented approximately 55% of the fiscal year 2016 property tax levy. The City enjoys a significant commercial and industrial

base, whose property taxes represented approximately 38% of the fiscal year 2016 property tax base. There are several large industrial parks with facilities occupied by many well-established U.S. corporations. The City is also in close proximity to commuter rail service to Boston.

- Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the City's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The City's housing market has stabilized and prices of residential real estate now meet or exceed their pre-recession levels in most City neighborhoods.
- The City maintains significant "rainy-day funds" in the form of stabilization funds and an OPEB trust fund, which at June 30, 2016 total approximately \$11.6 million and \$6.2 million, respectively.

The above items were considered when the City accepted its budget for fiscal year 2017 at the June 2016 City Council Meeting. The City set its fiscal year 2017 tax rate on December 7, 2016.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the City Comptroller/Treasurer, Marlborough City Hall, 140 Main Street, Marlborough, Massachusetts 01752.

CITY OF MARLBOROUGH, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 29,573,722	\$ 6,226,168	\$ 35,799,890
Investments	35,546,236	567,731	36,113,967
Receivables, net:			
Property taxes	3,336,492	-	3,336,492
User fees	-	9,523,435	9,523,435
Excise taxes	872,877	-	872,877
Departmental and other	1,003,768	-	1,003,768
Intergovernmental	2,902,501	769,707	3,672,208
Other assets	20,505	-	20,505
Land	15,539,462	2,783,049	18,322,511
Construction in-process	6,260,864	10,729,590	16,990,454
Capital assets, net of accumulated depreciation	<u>94,750,618</u>	<u>117,905,557</u>	<u>212,656,175</u>
Total Assets	<u>189,807,045</u>	<u>148,505,237</u>	<u>338,312,282</u>
Deferred Outflows of Resources			
Pensions	<u>18,230,553</u>	<u>700,447</u>	<u>18,931,000</u>
Liabilities			
Warrants and accounts payable	2,682,331	999,923	3,682,254
Accrued payroll and withholdings	4,941,296	-	4,941,296
Retainage payable	576,595	230,037	806,632
Health claims incurred but not reported	1,343,101	-	1,343,101
Accrued interest	19,375	280,171	299,546
Other liabilities	485,018	-	485,018
Notes payable	9,555,765	9,098,235	18,654,000
Noncurrent liabilities:			
Due within one year	5,656,075	4,226,209	9,882,284
Due in more than one year	<u>144,099,390</u>	<u>94,523,530</u>	<u>238,622,920</u>
Total Liabilities	<u>169,358,946</u>	<u>109,358,105</u>	<u>278,717,051</u>
Deferred Inflows of Resources			
	<u>1,848,960</u>	<u>71,040</u>	<u>1,920,000</u>
Net Position			
Net investment in capital assets	66,952,109	29,187,628	96,139,737
Restricted:			
Permanent funds	1,390,731	-	1,390,731
Federal and state grants	1,505,680	-	1,505,680
Community development	202,139	-	202,139
Other purposes	9,370,437	-	9,370,437
Unrestricted	<u>(42,591,404)</u>	<u>10,588,911</u>	<u>(32,002,493)</u>
Total Net Position	<u>\$ 36,829,692</u>	<u>\$ 39,776,539</u>	<u>\$ 76,606,231</u>

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 16,564,622	\$ 3,168,589	\$ 2,170,759	\$ 737,107	\$ (10,488,167)		\$ (10,488,167)
Public safety	23,913,583	1,494,794	402,973	-	(22,015,816)		(22,015,816)
Education	100,035,167	1,023,646	41,186,836	-	(57,824,685)		(57,824,685)
Public works	13,219,327	200,322	590,514	3,729,927	(8,698,564)		(8,698,564)
Health and human services	1,962,525	170,725	328,465	-	(1,463,335)		(1,463,335)
Culture and recreation	4,203,801	138,770	113,264	877,520	(3,074,247)		(3,074,247)
Interest expense	871,914	-	26,517	-	(845,397)		(845,397)
Total governmental activities	160,770,939	6,196,846	44,819,328	5,344,554	(104,410,211)		(104,410,211)
Business-Type activities:							
Water	9,630,859	11,501,606	-	-		\$ 1,870,747	1,870,747
Sewer	12,089,219	12,024,438	-	17,627		(47,154)	(47,154)
Total business-type activities	21,720,078	23,526,044	-	17,627		1,823,593	1,823,593
Total Primary Government	\$ 182,491,017	\$ 29,722,890	\$ 44,819,328	\$ 5,362,181	(104,410,211)	1,823,593	(102,586,618)
General Revenues:							
Property taxes					90,929,762	-	90,929,762
Motor vehicle and other excise taxes					6,285,917	-	6,285,917
Intergovernmental					5,143,848	-	5,143,848
Hotel and meals excise					1,602,321	-	1,602,321
Penalties and interest on taxes					447,193	-	447,193
Unrestricted investment income					349,028	-	349,028
Miscellaneous					819,653	-	819,653
Transfers (net)					1,207,545	(1,207,545)	-
Total general revenues and transfers					106,785,267	(1,207,545)	105,577,722
Change in Net Position					2,375,056	616,048	2,991,104
Net Position:							
Beginning of year					34,454,636	39,160,491	73,615,127
End of year					\$ 36,829,692	\$ 39,776,539	\$ 76,606,231

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	City Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,886,844	\$ 4,642,028	\$ 9,709,264	\$ 21,238,136
Investments	33,963,010	-	977,616	34,940,626
Receivables, net of allowance for uncollectibles:				
Property taxes	3,336,492	-	-	3,336,492
Excise taxes	872,877	-	-	872,877
Departmental and other	-	-	408,768	408,768
Intergovernmental	992,856	-	1,909,645	2,902,501
Other assets	-	-	20,505	20,505
Total Assets	46,052,079	4,642,028	13,025,798	63,719,905
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 46,052,079	\$ 4,642,028	\$ 13,025,798	\$ 63,719,905
Liabilities				
Warrants and accounts payable	\$ 1,154,640	\$ 849,078	\$ 676,967	\$ 2,680,685
Accrued payroll and withholdings	4,723,379	-	217,917	4,941,296
Retainage payable	-	332,631	243,964	576,595
Other liabilities	477,634	-	7,384	485,018
Notes payable	-	9,555,765	-	9,555,765
Total Liabilities	6,355,653	10,737,474	1,146,232	18,239,359
Deferred Inflows of Resources				
Unavailable revenue - property taxes	3,210,148	-	-	3,210,148
Unavailable revenue - other	1,865,733	-	348,252	2,213,985
Total Deferred Inflows of Resources	5,075,881	-	348,252	5,424,133
Fund Balances				
Nonspendable	-	-	1,166,268	1,166,268
Restricted	34,479	562,876	10,537,704	11,135,059
Assigned	4,831,237	-	-	4,831,237
Unassigned	29,754,829	(6,658,322)	(172,658)	22,923,849
Total Fund Balances	34,620,545	(6,095,446)	11,531,314	40,056,413
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 46,052,079	\$ 4,642,028	\$ 13,025,798	\$ 63,719,905

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2016

Total Governmental Fund Balances	\$ 40,056,413
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	116,550,944
Other assets are not available to pay for current-period expenditures and are therefore deferred inflows of financial resources in the funds.	5,424,133
Assets and liabilities of the City's internal service funds are included in the statement of net position, but are not reported in the governmental funds.	8,191,449
In the statement of net position, interest is accrued on outstanding long-term debt whereas in the governmental funds, interest is not reported until due.	(19,375)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(33,947,624)
Compensated absences	(4,673,482)
Other postemployment benefits	(43,272,712)
Net pension liability	<u>(51,480,054)</u>
Net Position of Governmental Activities	<u>\$ 36,829,692</u>

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>City Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 90,411,401	\$ -	\$ -	\$ 90,411,401
Intergovernmental	38,800,066	-	16,012,379	54,812,445
Motor vehicle and other excises	5,214,863	-	-	5,214,863
Hotel and meals taxes	1,602,321	-	825,438	2,427,759
Licenses and permits	1,515,569	-	-	1,515,569
Penalties and interest on taxes	447,193	-	-	447,193
Fines and forfeitures	137,932	-	-	137,932
Investment income	270,203	-	73,820	344,023
Departmental and other revenue	1,406,745	-	3,387,848	4,794,593
Contributions and donations	-	-	636,533	636,533
Total Revenues	<u>139,806,293</u>	<u>-</u>	<u>20,936,018</u>	<u>160,742,311</u>
Expenditures				
Current:				
General government	7,930,901	1,796,417	4,625,535	14,352,853
Public safety	15,132,850	9,388	357,440	15,499,678
Education	72,267,687	43,497	7,429,852	79,741,036
Public works	7,555,667	4,364,782	4,539,022	16,459,471
Health and human services	935,402	90,344	233,127	1,258,873
Culture and recreation	1,226,604	3,380,556	606,519	5,213,679
Pension and fringe benefits	20,826,644	-	-	20,826,644
State and county assessments	6,792,877	-	-	6,792,877
Debt service:				
Principal	2,094,500	-	-	2,094,500
Interest	876,396	-	-	876,396
Total Expenditures	<u>135,639,528</u>	<u>9,684,984</u>	<u>17,791,495</u>	<u>163,116,007</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,166,765</u>	<u>(9,684,984)</u>	<u>3,144,523</u>	<u>(2,373,696)</u>
Other Financing Sources (Uses)				
Proceeds from general obligation bonds	-	21,441,900	-	21,441,900
Premium from short and long-term debt borrowings	2,427,877	-	-	2,427,877
Transfers in	3,861,023	-	-	3,861,023
Transfers out	<u>(1,403,446)</u>	<u>-</u>	<u>(1,250,032)</u>	<u>(2,653,478)</u>
Total Other Financing Sources (Uses)	<u>4,885,454</u>	<u>21,441,900</u>	<u>(1,250,032)</u>	<u>25,077,322</u>
Net Change in Fund Balances	9,052,219	11,756,916	1,894,491	22,703,626
Fund Balances - Beginning of year	<u>25,568,326</u>	<u>(17,852,362)</u>	<u>9,636,823</u>	<u>17,352,787</u>
Fund Balances - End of year	<u>\$ 34,620,545</u>	<u>\$ (6,095,446)</u>	<u>\$ 11,531,314</u>	<u>\$ 40,056,413</u>

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net Change in Fund Balances - Total Governmental Fund Balances		\$ 22,703,626
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net amounts are reflected as reconciling items:</p>		
Capital outlays	15,987,795	
Depreciation expense	<u>(7,579,364)</u>	
Net effect of reporting capital assets		8,408,431
<p>In the statement of activities, Internal Service Funds established to administer the City's health insurance and workers' compensation activities are included within the statement of activities whereas these activities are not presented in the statement of revenues, expenditures and changes in fund balances.</p>		
		(802,813)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The net amounts are reflected here as reconciling items:</p>		
Issuance of general obligation bonds	(21,441,900)	
Premiums on bonds and notes payable	(2,202,724)	
Repayments of debt	<u>2,094,500</u>	
Net effect of reporting long-term debt		(21,550,124)
<p>Revenues in the statement of activities that do not provide current financial resources are unavailable in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the following differences derived from unavailable revenue.</p>		
		965,981
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>		
Accrued interest	4,483	
Compensated absences	149,088	
Other postemployment benefits	(5,278,123)	
Net pension liability	<u>(2,225,493)</u>	
Net effect of reporting long-term liabilities		<u>(7,350,045)</u>
Change in Net Position of Governmental Activities		\$ <u>2,375,056</u>
<p>See accompanying notes to basic financial statements.</p>		

CITY OF MARLBOROUGH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Business-Type Activities			Governmental
	Water	Sewer	Total	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,983,858	\$ 4,242,310	\$ 6,226,168	\$ 8,335,586
Investments	567,731	-	567,731	605,610
Receivables, net:				
User charges	4,419,610	5,103,825	9,523,435	-
Intergovernmental	214,115	452,062	666,177	-
Reinsured claims receivable	-	-	-	595,000
Total current assets	<u>7,185,314</u>	<u>9,798,197</u>	<u>16,983,511</u>	<u>9,536,196</u>
Noncurrent assets:				
Intergovernmental receivables	-	103,530	103,530	-
Land	2,668,050	114,999	2,783,049	-
Construction in-process	5,560,212	5,169,378	10,729,590	-
Capital assets, net of accumulated depreciation	14,397,035	103,508,522	117,905,557	-
Total noncurrent assets	<u>22,625,297</u>	<u>108,896,429</u>	<u>131,521,726</u>	<u>-</u>
Total Assets	<u>29,810,611</u>	<u>118,694,626</u>	<u>148,505,237</u>	<u>9,536,196</u>
Deferred Outflows of Resources				
Pensions	378,620	321,827	700,447	-
Deferred Outflows of Resources	<u>378,620</u>	<u>321,827</u>	<u>700,447</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 30,189,231</u>	<u>\$ 119,016,453</u>	<u>\$ 149,205,684</u>	<u>\$ 9,536,196</u>
Liabilities				
Current liabilities:				
Warrants and accounts payable	\$ 88,282	\$ 61,641	\$ 149,923	\$ 1,646
Court judgement	-	850,000	850,000	-
Retainage payable	120,881	109,156	230,037	-
Health claims incurred but not reported	-	-	-	1,343,101
Accrued interest	3,575	276,596	280,171	-
Notes payable	6,247,948	2,850,287	9,098,235	-
Compensated absences	49,960	57,853	107,813	-
Bonds and notes payable	491,536	3,626,860	4,118,396	-
Total current liabilities	<u>7,002,182</u>	<u>7,832,393</u>	<u>14,834,575</u>	<u>1,344,747</u>
Noncurrent liabilities:				
Compensated absences	92,784	107,442	200,226	-
Other postemployment benefits	1,606,249	326,058	1,932,307	-
Net pension liability	1,409,380	1,197,973	2,607,353	-
Bonds and notes payable	6,716,648	83,066,996	89,783,644	-
Total noncurrent liabilities	<u>9,825,061</u>	<u>84,698,469</u>	<u>94,523,530</u>	<u>-</u>
Total Liabilities	<u>16,827,243</u>	<u>92,530,862</u>	<u>109,358,105</u>	<u>1,344,747</u>
Deferred Inflows of Resources	<u>38,400</u>	<u>32,640</u>	<u>71,040</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>16,865,643</u>	<u>92,563,502</u>	<u>109,429,145</u>	<u>1,344,747</u>
Net Position				
Invested in capital assets	9,383,280	19,804,348	29,187,628	-
Unrestricted	3,940,308	6,648,603	10,588,911	8,191,449
Total Net Position	<u>\$ 13,323,588</u>	<u>\$ 26,452,951</u>	<u>\$ 39,776,539</u>	<u>\$ 8,191,449</u>

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	Business-Type Activities			Governmental
	Water	Sewer	Total	Internal Service Fund
Operating Revenues:				
Charges for services	\$ 11,501,606	\$ 12,024,438	\$ 23,526,044	\$ -
Employee contributions	-	-	-	5,663,859
Employer contributions	-	-	-	13,225,861
Other	-	-	-	1,175,617
Total Operating Revenues	11,501,606	12,024,438	23,526,044	20,065,337
Operating Expenses:				
Operating costs	7,977,955	5,912,579	13,890,534	-
Depreciation	803,147	2,408,980	3,212,127	-
Employee benefits	719,310	1,031,462	1,750,772	20,873,155
Bad debts expense	-	850,000	850,000	-
Total Operating Expenses	9,500,412	10,203,021	19,703,433	20,873,155
Total Operating Income (Loss)	2,001,194	1,821,417	3,822,611	(807,818)
Nonoperating Revenues (Expenses):				
Court ordered judgement	-	(850,000)	(850,000)	-
Intergovernmental	-	17,627	17,627	-
Debt subsidy	(340,534)	340,534	-	-
Investment income	-	-	-	5,005
Interest expense	(130,447)	(1,036,198)	(1,166,645)	-
Total Nonoperating Revenues (Expenses)	(470,981)	(1,528,037)	(1,999,018)	5,005
Income (Loss) Before Capital Contributions and Transfers	1,530,213	293,380	1,823,593	(802,813)
Transfers:				
Transfers in	1,035	1,402,411	1,403,446	-
Transfers out	(2,610,991)	-	(2,610,991)	-
Transfers, net	(2,609,956)	1,402,411	(1,207,545)	-
Change in Net Position	(1,079,743)	1,695,791	616,048	(802,813)
Net Position - beginning of year	14,403,331	24,757,160	39,160,491	8,994,262
Net Position - end of year	\$ 13,323,588	\$ 26,452,951	\$ 39,776,539	\$ 8,191,449

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

	Business-Type Activities			Governmental
	Water	Sewer	Total	Internal Service Fund
Cash Flows from Operating Activities:				
Receipts from users	\$ 10,745,797	\$ 10,013,562	\$ 20,759,359	\$ -
Employee contributions	-	-	-	5,663,859
Employer contributions	-	-	-	13,225,861
Receipts from other operating revenues	-	-	-	580,617
Payments to employees	(2,384,792)	(2,466,349)	(4,851,141)	-
Payments to vendors	(6,191,693)	(5,604,669)	(11,796,362)	-
Payments for interfund services used	-	-	-	(20,559,516)
Net Cash Provided by (Used in) Operating Activities	2,169,312	1,942,544	4,111,856	(1,089,179)
Cash Flows from Noncapital Financing Activities:				
Transfers in	1,035	1,402,411	1,403,446	-
Transfers out	(2,610,991)	-	(2,610,991)	-
Net Cash (Used in) Provided By Noncapital Financing Activities	(2,609,956)	1,402,411	(1,207,545)	-
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital grants	(214,115)	(374,396)	(588,511)	-
Debt subsidy	(340,534)	340,534	-	-
Intergovernmental	-	17,627	17,627	-
Acquisition and construction of capital assets	(4,822,843)	(3,415,766)	(8,238,609)	-
Proceeds from bond anticipation notes	6,247,948	2,850,287	9,098,235	-
Repayments of bond anticipation notes	(3,597,948)	(18,110,499)	(21,708,447)	-
Proceeds from long-term bonds	4,809,184	18,642,173	23,451,357	-
Principal payments on long-term bonds and notes	(306,500)	(2,887,930)	(3,194,430)	-
Interest payments on long-term bonds and notes	(130,799)	(983,439)	(1,114,238)	-
Premiums received on long-term bonds	-	419,567	419,567	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	1,644,393	(3,501,842)	(1,857,449)	-
Cash Flows from Investing Activities:				
Investment income	-	-	-	5,005
(Investment) release of operating cash	(2,386)	-	(2,386)	269,414
Net Cash (Used In) Provided by Investing Activities	(2,386)	-	(2,386)	274,419
Net Change in Cash and Cash Equivalents	1,201,363	(156,887)	1,044,476	(814,760)
Cash and Cash Equivalents:				
Beginning of the year	782,495	4,399,197	5,181,692	9,150,346
End of the year	\$ 1,983,858	\$ 4,242,310	\$ 6,226,168	\$ 8,335,586
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:				
Operating income (loss)	\$ 2,001,194	\$ 1,821,417	\$ 3,822,611	\$ (807,818)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	803,147	2,408,980	3,212,127	-
Provision for bad debts	-	850,000	850,000	-
Changes in assets and liabilities:				
Receivables	(755,809)	(2,010,876)	(2,766,685)	(595,000)
Accounts payable and accrued expenses	120,780	(1,126,977)	(1,006,197)	313,639
Net Cash Provided by (Used In) Operating Activities	\$ 2,169,312	\$ 1,942,544	\$ 4,111,856	\$ (1,089,179)

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

	<u>Marlborough Contributory Retirement (a)</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets				
Cash and cash equivalents	\$ 1,407,455	\$ 819,409	\$ 105,044	\$ 72,309
Investments	142,736,269	5,401,184	495,134	-
Receivables, net of allowance for uncollectibles:				
Employer and employee contributions	114,592	-	-	-
Other	500,000	-	-	317,218
Total Assets	144,758,316	6,220,593	600,178	389,527
Liabilities				
Warrants and accounts payable	161,709	-	-	6,391
Open trades	1,615,379	-	-	-
Agency liabilities	-	-	-	171,543
Planning board deposits	-	-	-	211,593
Total Liabilities	1,777,088	-	-	389,527
Net Position				
Held in trust for pension benefits	142,981,228	-	-	-
Held in trust for other postemployment benefits	-	6,220,593	-	-
Held in trust for private purposes	-	-	600,178	-
Total Net Position	\$ 142,981,228	\$ 6,220,593	\$ 600,178	\$ -

(a) As of December 31, 2015.

See accompanying notes to basic financial statements.

CITY OF MARLBOROUGH, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016**

	<u>Marlborough Contributory Retirement (a)</u>	<u>OPEB Trust</u>	<u>Private Purpose Trust Funds</u>
Additions:			
Contributions:			
Employer	\$ 7,796,221	\$ 1,100,000	\$ -
Plan members	2,990,349	-	-
Other contributions	642,766	-	-
Total contributions	<u>11,429,336</u>	<u>1,100,000</u>	<u>-</u>
Investment income:			
Interest and dividends	2,388,539	118,903	16,066
Net appreciation in fair value of investments	(2,811,191)	-	-
Less investment management fees	(581,202)	-	-
Net investment earnings (loss)	<u>(1,003,854)</u>	<u>118,903</u>	<u>16,066</u>
Other income	<u>14,522</u>	<u>-</u>	<u>-</u>
Total Additions	<u>10,440,004</u>	<u>1,218,903</u>	<u>16,066</u>
Deductions:			
Benefits and refunds to Plan members:			
Benefit payments to retirees and survivors	11,010,019	-	-
Member refunds	334,877	-	-
Transfers and reimbursements to other retirement systems	637,962	-	-
Administrative expenses:			
Payroll expenses of the Retirement System	145,215	-	-
Other administrative expenses	51,959	-	-
Public assistance:			
Scholarships	-	-	16,818
Total Deductions	<u>12,180,032</u>	<u>-</u>	<u>16,818</u>
Change in Net Position	<u>(1,740,028)</u>	<u>1,218,903</u>	<u>(752)</u>
Net Position - beginning of year	<u>144,721,256</u>	<u>5,001,690</u>	<u>600,930</u>
Net Position - end of year	<u>\$ 142,981,228</u>	<u>\$ 6,220,593</u>	<u>\$ 600,178</u>

(a) For the year ended December 31, 2015.

See accompanying notes to basic financial statements.

CITY OF MALBOROUGH, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

I. Summary of Significant Accounting Policies

The accompanying basic financial statements of the City have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board ("GASB"), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the City:

A. Reporting Entity

The City is located in Middlesex County, approximately twenty-five miles west of Boston. The City was incorporated as a town in 1660 and as a city in 1890. The City is governed by an elected Mayor and City Council, each of which is elected to serve coterminous two-year terms. The City provides governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are principally self-funded through user charges.

The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

Marlborough Contributory Retirement System – The Marlborough Contributory Retirement System (the "Retirement System") was established to provide retirement benefits to City employees, the Marlborough Community Development Authority employees and their beneficiaries. While legally separate, the Retirement System provides services almost entirely to the City. The Retirement System is reported as a pension trust fund in the fiduciary fund financial statements. An unaudited annual report, which includes financial statements, of the Retirement System at December 31, 2015 is available at the Retirement Office, 255 Main Street, Room 201, Marlborough, Massachusetts 01752.

Marlborough Community Development Authority – The Marlborough Community Development Authority ("CDA") is administered by a nine-member board. The CDA board is chaired by the City Mayor. In addition, by law, the City Auditor and Treasurer are members of the CDA board. The remaining six CDA board members are appointed by the City Mayor and City Council. The day-to-day operations of the CDA are overseen by a director, who is appointed by the City Mayor and Council. The CDA is reported as a blended component unit within the City's nonmajor governmental funds.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

In addition, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. For the most part, the effect of Interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmaturing interest on general long-term debt which is recognized when due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The City applies the susceptible to accrual criteria to intergovernmental revenues. In applying the susceptible to accrual concept, there are two types of revenues. In one, moneys must be expended for a specific purpose or project before any amounts will be paid to the; therefore, revenues are recognized as expenditures are incurred. In the other, moneys are virtually unrestricted and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues when cash is received, or earlier if the susceptible to accrual criteria are met. State aid is accrued as revenue in the year that the funds are appropriated by the Commonwealth of Massachusetts (the "Commonwealth").

The City considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major Governmental Funds:

General Fund – is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

City Capital Projects Funds – is used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Nonmajor Governmental Funds – consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The Permanent Funds are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary fund:

Water Enterprise Fund – is used to account for the operation of the City's water activities.

Sewer Enterprise Fund – is used to account for the operation of the City's sewer activities.

Additionally, the following proprietary fund type is reported:

Internal Service Fund – is used to account for the City's self-insured health and workers' compensation insurance related activities. Because these services primarily benefit governmental rather than business-type activities, they have been included within *governmental activities* in the government-wide financial statements.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and use the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs.

The City reports the following fiduciary funds:

Marlborough Contributory Retirement System – is used to account for the activities of the Retirement System, which accumulates resources for pension benefits to retired City employees.

OPEB Trust Fund – is used to accumulate plan assets used to reduce the City's other postemployment benefit unfunded liability

Private Purpose Trust Funds – is used to account for trust arrangements under which the principal in income benefit individuals, private organizations or other governments. This fund is used primarily for scholarships and other charitable purposes.

Agency Fund – is used to account for assets held in a purely custodial capacity. The City's agency funds consist primarily of student activities, off-duty work details and escrow and other deposits.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Equity

Deposits and Investments – The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair Value of Investments – The City reports its investments at fair value. When actively quoted observable prices are not available, the City generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the City’s best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the City’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2016:

<u>Investments by Fair Value Level</u>	<u>June 30, 2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities:				
U.S. Government obligations	\$ 595,133	\$ 595,133	\$ -	\$ -
Municipal obligations	1,785,934	1,785,934	-	-
Corporate bonds	293,823	293,823	-	-
Total debt securities	<u>2,674,890</u>	<u>2,674,890</u>	<u>-</u>	<u>-</u>
Mutual funds	4,145,404	4,145,404	-	-
State Treasurer investment pool	35,189,991	-	35,189,991	-
Total investments by fair value level	<u>\$ 42,010,285</u>	<u>\$ 6,820,294</u>	<u>\$ 35,189,991</u>	<u>\$ -</u>

Debt securities and mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities. The City’s investment in the State Treasurer investment pool is classified in Level 2 based on the composition and fair value of underlying investments contained within this pool, which can be determined using inputs other than quoted prices that are observable either directly or indirectly.

GASB No. 72 was not applicable to the Retirement System, whose fiscal year concluded on December 31, 2105, in fiscal year 2016.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes at the rate of 14% per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. Real estate taxes (as well as water and sewer user fees) are secured through a lien process within sixty days after the due date and are generally considered 100% collectible. Accordingly, any allowance for uncollectible balances for these receivables is not expected to be significant. All personal property tax, excise tax, user fees and other departmental receivables are shown net of an allowance for uncollectible accounts.

Mortgages receivable of the CDA are principally comprised of funds advanced to residents for the purpose of rehabilitating properties. The CDA receives these funds from the U.S. Department of Housing and Urban Development (“HUD”) under Community Development Block Grant (“CDBG”) and other programs for the City. Generally, these loans have been structured as 0% interest, fifty-year promissory notes. Borrowers are required to repay the outstanding principal on these loans within the earlier of fifty years or upon transfer of ownership of the property. The City secures these promissory notes with a lien; however these liens are subordinated to other liens such as bank mortgages. As a result, the CDA has experienced losses related to these loans. The City recorded an allowance for uncollectible accounts of \$1,900,000 at June 30, 2016 relative to these mortgages receivable.

The City has entered into loan agreements with the Massachusetts Clean Water Trust (“MCWT”), formerly known as the Massachusetts Water Pollution Abatement Trust, whereby it expects to be subsidized by the MCWT in future years for debt service costs relative to its sewer business-type activities until the maturity of these loan agreements. The City is legally obligated for the total amount of the debt; therefore portions of future debt service subsidies have been recorded as intergovernmental receivables in the accompanying basic financial statements under the sewer business-type activities.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, land improvements, buildings and improvements, machinery and equipment, vehicles, software and infrastructure (e.g. roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$25,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction in-process) are depreciated by the City and the CDA on a straight-line basis over the following estimated useful lives:

Land improvements	40 years
Buildings and improvements	40 years
Vehicles, machinery and equipment	5 to 7 years
Infrastructure	40 to 50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is voluntarily assigned to the general fund.

Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method if material. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources in its

government-wide financial statements relative to pension-related transactions. The City expects to recognize the reported deferred outflows of resources relative to pension-related transactions over the next five years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenues as deferred inflows of resources in its governmental funds financial statements. These amounts are expected to be recognized as an inflow of resources in the period in which the amounts become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Perpetual funds represent both the endowment portion of donor restricted trusts that support governmental programs and the spendable, yet restricted, amount of various trust funds that support governmental programs (i.e., expendable funds).

Federal and state grants represent assets that have restrictions placed on them from federal and state *granting* agencies.

Community development resources set aside or restricted to fund community development projects and activities.

Other purposes represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent in which the City is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

Non-spendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external

parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to formal action of the City Council through City Council Orders, which represent the most binding constraint that give rise to committed fund balance. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (through City Council Orders) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a *negative* unassigned fund balance amount.

The following table reflects the City's fund equity categorizations:

	<u>General</u>	<u>City Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Nonexpendable trust funds	\$ -	\$ -	\$ 1,166,268	\$ 1,166,268
Restricted:				
General government	-	84,793	1,842,930	1,927,723
Public safety	-	21,933	226,157	248,090
Education	-	94,182	5,301,105	5,395,287
Public works	-	353,112	338,816	691,928
Health and human services	-	-	194,916	194,916
Culture and recreation	-	8,856	2,431,641	2,440,497
Capital outlays	34,479	-	-	34,479
Community development	-	-	202,139	202,139
Assigned:				
General government	1,076,120	-	-	1,076,120
Public safety	187,212	-	-	187,212
Public works	1,768,250	-	-	1,768,250
Other purposes	1,799,655	-	-	1,799,655
Unassigned:				
Stabilization - general	11,631,178	-	-	11,631,178
Unrestricted	18,123,651	(6,658,322)	(172,658)	11,292,671
	<u>\$34,620,545</u>	<u>\$ (6,095,446)</u>	<u>\$11,531,314</u>	<u>\$40,056,413</u>

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed. The City has not established financial policies with respect to maintaining minimum fund balance amounts.

Stabilization Fund – The City maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the City Council. The balance of the fund totals \$11,631,178 at June 30, 2016 and is reported as unassigned fund balance in the general fund.

Encumbrances – The City's encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the City Controller as assigned, and (2) classify encumbrances that result from an action of the City Council as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The City reports \$4,831,237 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

E. Excess of Expenditures Over Appropriations and Deficits

The City incurred individual fund deficits in the following funds:

Nonmajor funds:	
State grant - highways	\$ 152,559
State grants – public safety related	20,099
Capital projects funds:	
Turf field	2,123,381
Senior center	1,923,833
Recreation facilities	1,529,381
Other projects	<u>1,081,727</u>
	<u>\$ 6,830,980</u>

These are anticipated to be raised in future years from bond issuances and intergovernmental grants.

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. **Deposits and Investments**

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and cash equivalents." The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the City to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer's investment pool (the "Pool"). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the City did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (the "MMDT"), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Deposits and Investments of the City (excludes the Retirement System)

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk relative to cash holdings. At June 30, 2016, approximately \$14.1 million of the City's bank deposits were not insured by the Federal Depository Insurance Corporation ("FDIC"), the Depositors Insurance Fund ("DIF") or other forms of collateralization and were therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the City may not be able to recover the full amount of its principal investment and/or investment earnings. The City does not have a formal investment policy related to custodial credit risk. All of the City's investments are registered in its name and cannot be pledged or assigned. As a result, the City is not exposed to custodial credit risk on its investments.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. The City does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the City mitigates interest rate risk by managing the duration of its investments.

Concentration of Credit Risk: Investments – The City does not place a limit on the amount that may be invested in any one issuer. At June 30, 2016, the City's investment in the MMDT represented nearly 62% of the City's total investment balance. No other individual investment exceeded 5% of the City's investment balance.

Investment Maturities – At June 30, 2016, the City had the following investments and maturities:

Investment Type	Fair Value	Time Until Maturity (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Corporate fixed income securities	\$ 293,823	\$ -	\$ 293,823	\$ -	\$ -
U.S. government obligations	2,381,067	99,965	2,281,102	-	-
Total investments with maturities	2,674,890	\$ 99,965	\$ 2,574,925	\$ -	\$ -
<u>Other Investments:</u>					
Mutual funds	4,145,404				
State Treasurer investment pool (MMDT)	35,189,991				
Total City investments	\$ 42,010,285				

Credit Risk: Investments – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City has not adopted a formal policy related to credit risk.

Of the \$293,823 in City investments in corporate fixed income, \$139,451 were rated by Moody’s Investors Service (“Moody’s”) as A1; \$99,867 were rated A2; and \$54,505 were rated Baa2. In addition, all of the City’s investments in government securities were rated Aaa by Moody’s. Investments in mutual funds and the MMDT were not rated by Moody’s or another rating agency.

Deposits and Investments of the Retirement System (as of December 31, 2015)

Massachusetts General Laws Chapter 32 and the Public Employee Retirement Administration Commission (“PERAC”) regulations require the Retirement System to invest funds only in pre-approved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The Retirement System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The Retirement System’s policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2015, the Retirement System had bank deposits of approximately \$1.4 million exposed to custodial credit risk because it was uninsured by the FDIC and uncollateralized.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Retirement System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the Retirement System. At December 31, 2015, the Retirement System was not exposed to custodial credit risk on its investments.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. Debt securities held by the Retirement System are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Retirement System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: Investments – The following investments held by the Retirement System at December 31, 2015 represent approximately 89% of the reported investment balance:

SSGA U.S. Aggregate Bond Index Fund	24 %
Rhumblin Advisers S&P 500 Pooled Index Fund	18 %
Fiduciary Funds FMI Large Cap Fund	11 %
Primus High Yield Bond Fund, L.P.	10 %
Rhumblin Advisers MSCI EAFE	9 %
SSGA U.S. TIPS Index Fund	9 %
Frontier Capital Appreciation Fund, L.P.	8 %

Investment Maturities – At December 31, 2015, all of the Retirement System’s holdings were in the form of pooled investment funds and therefore there are no associated maturities for these investments. None of the Retirement System’s investments were rated by Moody’s or any other rating agency.

Credit Risk: Investments – In the case of investments, there is the risk that in the event that an invested party will be unable to fulfill its obligations, such as to provide required payments to investors, to meet current or future performance expectations, to abide by industry regulations and proper operational practices, ceasing to exist, or filing for bankruptcy. In those instances, the System may not be able to recover the full amount of its principal investment and/or investment earnings. As previously noted, PERAC and Massachusetts statutory regulations have been enacted to reduce this risk. In evaluating its credit risk, the Retirement System relies on credit ratings assigned by Moody’s and/or Standard and Poor’s Financial Services LLC. The Retirement System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Retirement Board’s discretion. The Retirement System maintains a significant portion (approximately 99%) of its monetary assets as investment holdings.

B. Receivables

Receivables as of June 30, 2016 for the City’s major governmental funds, capital projects funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, were as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Real estate taxes	\$ 1,228,211	\$ -	\$ 1,228,211
Personal property taxes	1,102,020	(41,466)	1,060,554
Mortgages receivable	2,243,252	(1,900,000)	343,252
Tax liens	1,047,727	-	1,047,727
Motor vehicle and other excise taxes	976,411	(103,534)	872,877
Departmental and other	65,516	-	65,516
Intergovernmental	2,902,501	-	2,902,501
Total	<u>\$ 9,565,638</u>	<u>\$ (2,045,000)</u>	<u>\$ 7,520,638</u>

Receivables as of June 30, 2016 for the City’s proprietary funds were as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
Receivables:			
Water user charges	\$ 4,569,610	\$ (150,000)	\$ 4,419,610
Sewer user charges	6,503,825	(1,400,000)	5,103,825
Intergovernmental	<u>769,707</u>	<u>-</u>	<u>769,707</u>
Total	<u>\$ 11,843,142</u>	<u>\$ (1,550,000)</u>	<u>\$ 10,293,142</u>

Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The following table identifies the components of unavailable revenues in the governmental funds:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivable type:			
Real estate and personal property taxes	\$ 2,162,421	\$ -	\$ 2,162,421
Tax liens	1,047,727	-	1,047,727
Motor vehicle and other excise taxes	872,877	-	872,877
Intergovernmental and other	<u>992,856</u>	<u>348,252</u>	<u>1,341,108</u>
Total	<u>\$ 5,075,881</u>	<u>\$ 348,252</u>	<u>\$ 5,424,133</u>

School Building Assistance Reimbursement – As of June 30, 2016, the City expects to receive the balance of grants from the Massachusetts School Building Authority (“MSBA”) of \$851,545 for approved school construction costs. These costs are reimbursed to the City in equal installments over the life of the related bond issues and are subject to appropriation only by the State Legislature. An intergovernmental receivable of \$783,071 has been recorded in the City’s general fund, which is the principal portion of these expected future receipts.

MCWT Loan Subsidies – The City has entered into several loan agreements with the MCWT. The City recorded an intergovernmental receivable of \$142,908 in its sewer enterprise fund at June 30, 2016. This amount represents future debt principal subsidies the City will receive from the MCWT through fiscal year 2021. In addition to these principal subsidies, the City expects to receive an additional \$24,794 in interest subsidies in its sewer enterprise fund through fiscal year 2021.

C. Interfund Receivables, Payables and Transfers

The composition of interfund transfers for the year ended June 30, 2016 is as follows:

Transfers Out	Transfers In			Total	
	General Fund	Water	Sewer		
General Fund	\$ -	\$ 1,035	\$ 1,402,411	\$ 1,403,446	(1)
Nonmajor funds	1,250,032	-	-	1,250,032	(2)
Water	2,610,991	-	-	2,610,991	(3)
Total	\$ 3,861,023	\$ 1,035	\$ 1,402,411	\$ 5,264,469	

- (1) Transfer to water and sewer enterprise funds to subsidize operations.
- (2) Transfers to general fund from receipts reserved for appropriation to supplement the budget.
- (3) Transfers to general fund for indirect costs and to the sewer enterprise fund for debt service.

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated:				
Land	\$ 15,186,299	\$ 353,163	\$ -	\$ 15,539,462
Construction in process	4,429,393	4,571,017	(2,739,546)	6,260,864
Total capital assets not being depreciated	19,615,692	4,924,180	(2,739,546)	21,800,326
Capital assets being depreciated:				
Buildings and improvements	111,121,609	1,964,205	-	113,085,814
Infrastructure	213,844,410	9,836,744	-	223,681,154
Machinery and equipment	13,456,091	1,099,274	-	14,555,365
Vehicles	4,985,444	902,938	(37,141)	5,851,241
Total capital assets being depreciated	343,407,554	13,803,161	(37,141)	357,173,574
Less accumulated depreciation for:				
Buildings and improvements	(60,545,434)	(2,862,360)	-	(63,407,794)
Infrastructure	(182,483,203)	(3,152,916)	-	(185,636,119)
Machinery and equipment	(8,855,913)	(1,045,601)	-	(9,901,514)
Vehicles	(2,996,183)	(518,487)	37,141	(3,477,529)
Total accumulated depreciation	(254,880,733)	(7,579,364)	37,141	(262,422,956)
Total capital assets being depreciated, net	88,526,821	6,223,797	-	94,750,618
Total governmental activities capital assets, net	\$108,142,513	\$ 11,147,977	\$ (2,739,546)	\$116,550,944

(continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,783,049	\$ -	\$ -	\$ 2,783,049
Construction in process	<u>66,262,340</u>	<u>4,483,557</u>	<u>(60,016,307)</u>	<u>10,729,590</u>
Total capital assets not being depreciated	<u>69,045,389</u>	<u>4,483,557</u>	<u>(60,016,307)</u>	<u>13,512,639</u>
Capital assets being depreciated:				
Buildings and improvements	89,535,093	60,704,903	-	150,239,996
Infrastructure	36,891,412	1,041,525	-	37,932,937
Machinery and equipment	<u>1,412,254</u>	<u>2,024,931</u>	<u>-</u>	<u>3,437,185</u>
Total capital assets being depreciated	<u>127,838,759</u>	<u>63,771,359</u>	<u>-</u>	<u>191,610,118</u>
Less accumulated depreciation for:				
Buildings and improvements	(51,048,235)	(2,065,449)	-	(53,113,684)
Infrastructure	(18,574,230)	(950,049)	-	(19,524,279)
Machinery and equipment	<u>(869,969)</u>	<u>(196,629)</u>	<u>-</u>	<u>(1,066,598)</u>
Total accumulated depreciation	<u>(70,492,434)</u>	<u>(3,212,127)</u>	<u>-</u>	<u>(73,704,561)</u>
Total capital assets being depreciated, net	<u>57,346,325</u>	<u>60,559,232</u>	<u>-</u>	<u>117,905,557</u>
Total business-type activities capital assets, net	<u>\$ 126,391,714</u>	<u>\$ 65,042,789</u>	<u>\$ (60,016,307)</u>	<u>\$ 131,418,196</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities: Water</u>				
Capital assets not being depreciated:				
Land	\$ 2,668,050	\$ -	\$ -	\$ 2,668,050
Construction in process	<u>3,464,946</u>	<u>3,888,510</u>	<u>(1,793,244)</u>	<u>5,560,212</u>
Total capital assets not being depreciated	<u>6,132,996</u>	<u>3,888,510</u>	<u>(1,793,244)</u>	<u>8,228,262</u>
Capital assets being depreciated:				
Buildings and improvements	18,856,184	-	-	18,856,184
Infrastructure	14,909,004	737,095	-	15,646,099
Machinery and equipment	<u>1,292,574</u>	<u>1,990,482</u>	<u>-</u>	<u>3,283,056</u>
Total capital assets being depreciated	<u>35,057,762</u>	<u>2,727,577</u>	<u>-</u>	<u>37,785,339</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,370,285)	(221,759)	-	(14,592,044)
Infrastructure	(7,408,667)	(392,688)	-	(7,801,355)
Machinery and equipment	<u>(806,205)</u>	<u>(188,700)</u>	<u>-</u>	<u>(994,905)</u>
Total accumulated depreciation	<u>(22,585,157)</u>	<u>(803,147)</u>	<u>-</u>	<u>(23,388,304)</u>
Total capital assets being depreciated, net	<u>12,472,605</u>	<u>1,924,430</u>	<u>-</u>	<u>14,397,035</u>
Total water capital assets, net	<u>\$ 18,605,601</u>	<u>\$ 5,812,940</u>	<u>\$ (1,793,244)</u>	<u>\$ 22,625,297</u>

(continued)

Business-Type Activities: Sewer

Capital assets not being depreciated:

Land	\$ 114,999	\$ -	\$ -	\$ 114,999
Construction in process	62,797,394	595,047	(58,223,063)	5,169,378
Total capital assets not being depreciated	62,912,393	595,047	(58,223,063)	5,284,377

Capital assets being depreciated:

Buildings and improvements	70,678,909	60,704,903	-	131,383,812
Infrastructure	21,982,408	304,430	-	22,286,838
Machinery and equipment	119,680	34,449	-	154,129
Total capital assets being depreciated	92,780,997	61,043,782	-	153,824,779

Less accumulated depreciation for:

Buildings and improvements	(36,677,950)	(1,843,690)	-	(38,521,640)
Infrastructure	(11,165,563)	(557,361)	-	(11,722,924)
Machinery and equipment	(63,764)	(7,929)	-	(71,693)

Total accumulated depreciation	(47,907,277)	(2,408,980)	-	(50,316,257)
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Total capital assets being depreciated, net	44,873,720	58,634,802	-	103,508,522
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Total sewer capital assets, net	\$ 107,786,113	\$ 59,229,849	\$ (58,223,063)	\$ 108,792,899
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(concluded)

Depreciation expense was charged to functions/programs as follows in fiscal year 2016:

Governmental Activities:

General government	\$ 617,645
Public safety	448,468
Education	2,319,268
Public works	3,854,296
Health and human services	228,126
Culture and recreation	111,561
	<u>\$ 7,579,364</u>

Business-Type Activities:

Water	\$ 803,147
Sewer	2,408,980
	<u>\$ 3,212,127</u>

E. Temporary Debt

The City is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the City and carry maturity dates that are limited by state law. Interest expenditures and expenses for temporary borrowings are accounted for in the general fund and enterprise funds, respectively. Temporary notes outstanding at June 30, 2016, are payable as follows:

Type	Interest Rate	Maturity Date	July 1, 2015	Additions	Retirements	June 30, 2016
BAN	1.50%	matured	\$ 29,206,994	\$ -	\$ (29,206,994)	\$ -
BAN	2.00%	6/17/17	-	9,555,765	-	9,555,765
Total Governmental Notes			29,206,994	9,555,765	(29,206,994)	9,555,765
BAN	1.50%	matured	9,798,235	-	(9,798,235)	-
MWPAT interim loan	0.00%	matured	11,910,212	-	(11,910,212)	-
BAN	2.00%	6/17/17	-	9,098,235	-	9,098,235
Total Business-Type Notes			21,708,447	9,098,235	(21,708,447)	9,098,235
Total Notes Payable			\$ 50,915,441	\$ 18,654,000	\$ (50,915,441)	\$ 18,654,000

BANS issued and outstanding in the City's capital projects funds were used for athletics fields (\$3,020,771), street construction (\$2,543,833), senior center (\$2,000,000), building renovations (\$1,010,000), outdoor recreation facilities (\$681,161) and landfill (\$300,000).

The issued and outstanding BAN in the business-type funds was for sewer construction (\$2,850,287), water mains (\$3,766,476) and water meters (\$2,481,472).

F. Long-term Obligations

The City issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the City incurs various other long-term obligations relative to associated personnel costs.

State law permits a municipality, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of five percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, a city may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following reflects the current year activity in the long-term liability accounts:

Description of Issue	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds and notes	\$ 12,397,500	\$ 21,441,900	\$ (2,094,500)	\$ 31,744,900	\$ 3,685,900
Unamortized bond premium	-	2,202,724	-	2,202,724	334,456
Compensated absences	4,822,571	-	(149,089)	4,673,482	1,635,719
Other postemployment benefits	37,994,590	9,071,140	(3,793,018)	43,272,712	-
Net pension liability	51,180,561	23,751,883	(7,070,797)	67,861,647	-
Total Governmental Activities	\$ 106,395,222	\$ 56,467,647	\$ (13,107,404)	\$ 149,755,465	\$ 5,656,075
Business-Type Activities - Water:					
General obligation bonds and notes	\$ 2,705,500	\$ 4,809,184	\$ (306,500)	\$ 7,208,184	\$ 491,536
Compensated absences	165,944	-	(23,200)	142,744	49,960
Other postemployment benefits	1,632,209	-	(25,960)	1,606,249	-
Net pension liability	1,062,940	693,690	(347,250)	1,409,380	-
Total Water	5,566,593	5,502,874	(702,910)	10,366,557	541,496
Business-Type Activities - Sewer:					
Bond and note debt	70,520,046	18,642,173	(2,887,930)	86,274,289	3,583,092
Unamortized bond premium	-	419,567	-	419,567	43,768
Compensated absences	152,191	-	13,104	165,295	57,853
Other postemployment benefits	160,277	276,288	(110,507)	326,058	-
Net pension liability	903,499	677,764	(383,290)	1,197,973	-
Total Sewer	71,736,013	20,015,792	(3,368,623)	88,383,182	3,684,713
Total Business-Type Activities	\$ 77,302,606	\$ 25,518,666	\$ (4,071,533)	\$ 98,749,739	\$ 4,226,209

The long-term liabilities of the governmental activities will be liquidated by the City's general fund. The long-term liabilities of the business-type funds will be liquidated by the individual enterprise fund reporting the long-term liabilities.

General obligation bonds and notes payable outstanding at June 30, 2016 were as follows:

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
Governmental Activities:					
General obligation bonds	2.00 - 6.00%	\$ 10,661,000	\$ 21,441,900	\$ (1,688,000)	\$ 30,414,900
Refunding bonds	2.50 - 3.25%	1,736,500	-	(406,500)	1,330,000
Total Governmental Activities		12,397,500	21,441,900	(2,094,500)	31,744,900
Add: unamortized bond premium		-	2,202,724	-	2,202,724
Total Governmental Activities, net		\$ 12,397,500	\$ 23,644,624	\$ (2,094,500)	\$ 33,947,624

(continued)

Description of Issue	Interest Rates	Beginning Balance	Additions	Maturities and Deductions	Ending Balance
Business-Type Activities - Water:					
General obligation bonds	2.00 - 6.00%	\$ 2,145,000	\$ -	\$ (165,000)	\$ 1,980,000
Refunding bonds	2.50 - 3.25%	470,500	-	(96,500)	374,000
MWRA loans	0%	90,000	-	(45,000)	45,000
MCWT notes payable	2.00%	-	4,809,184	-	4,809,184
Total Water		2,705,500	4,809,184	(306,500)	7,208,184
Business-Type Activities - Sewer:					
General obligation bonds	2.00 - 6.00%	8,769,000	3,682,100	(747,000)	11,704,100
Refunding bonds	2.50 - 3.25%	513,000	-	(142,000)	371,000
MWRA loans	0%	1,600,000	-	(200,000)	1,400,000
MCWT notes payable	0.00 - 5.25%	59,638,046	14,960,073	(1,798,930)	72,799,189
Total Sewer		70,520,046	18,642,173	(2,887,930)	86,274,289
Add: unamortized bond premium		-	419,567	-	419,567
Total Sewer, net		70,520,046	19,061,740	(2,887,930)	86,693,856
Total Business-Type Activities, net		\$ 73,225,546	\$ 23,870,924	\$ (3,194,430)	\$ 93,902,040

(concluded)

Payments on outstanding general obligation bonds and notes payable due in future years consist of the following:

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	
Governmental Activities							
2017	\$ 3,685,900	\$ -	\$ 3,685,900	\$ 1,153,267	\$ -	\$ 1,153,267	\$ 4,839,167
2018	3,222,000	-	3,222,000	1,026,921	-	1,026,921	4,248,921
2019	3,249,000	-	3,249,000	913,373	-	913,373	4,162,373
2020	3,286,000	-	3,286,000	795,146	-	795,146	4,081,146
2021	2,741,000	-	2,741,000	663,669	-	663,669	3,404,669
2022 - 2026	10,281,000	-	10,281,000	1,801,987	-	1,801,987	12,082,987
2027 - 2031	3,820,000	-	3,820,000	488,764	-	488,764	4,308,764
2032 - 2036	1,460,000	-	1,460,000	80,544	-	80,544	1,540,544
Total	\$ 31,744,900	\$ -	\$ 31,744,900	\$ 6,923,671	\$ -	\$ 6,923,671	\$ 38,668,571
Business-Type Activities							
2017	\$ 4,074,628	\$ (39,378)	\$ 4,035,250	\$ 1,085,763	\$ (14,208)	\$ 1,071,555	\$ 5,106,805
2018	4,059,067	(42,799)	4,016,268	1,020,217	(7,110)	1,013,107	5,029,375
2019	4,068,691	(43,698)	4,024,993	952,346	(3,476)	948,870	4,973,863
2020	3,806,089	(8,081)	3,798,008	884,637	-	884,637	4,682,645
2021	3,835,261	(8,952)	3,826,309	818,969	-	818,969	4,645,278
2022 - 2026	17,746,846	-	17,746,846	3,176,943	-	3,176,943	20,923,789
2027 - 2031	16,678,369	-	16,678,369	2,013,128	-	2,013,128	18,691,497
2032 - 2036	15,914,956	-	15,914,956	1,596,675	-	1,596,675	17,511,631
2037 - 2041	14,347,564	-	14,347,564	1,005,415	-	1,005,415	15,352,979
2042 - 2046	8,951,002	-	8,951,002	110,929	-	110,929	9,061,931
	\$ 93,482,473	\$ (142,908)	\$ 93,339,565	\$ 12,665,022	\$ (24,794)	\$ 12,640,228	\$ 105,979,793

(continued)

Year Ending June 30,	Principal			Interest			Total
	Balance	Subsidy	Net of Subsidy	Balance	Subsidy	Net of Subsidy	
<i>Business-Type Activities: Water</i>							
2017	\$ 491,536	\$ -	\$ 491,536	\$ 175,082	\$ -	\$ 175,082	\$ 666,618
2018	450,764	-	450,764	169,978	-	169,978	620,742
2019	453,084	-	453,084	157,843	-	157,843	610,927
2020	417,498	-	417,498	145,681	-	145,681	563,179
2021	422,008	-	422,008	132,631	-	132,631	554,639
2022 - 2026	1,831,189	-	1,831,189	493,756	-	493,756	2,324,945
2027 - 2031	1,659,574	-	1,659,574	272,111	-	272,111	1,931,685
2032 - 2036	1,482,531	-	1,482,531	88,258	-	88,258	1,570,789
	<u>\$ 7,208,184</u>	<u>\$ -</u>	<u>\$ 7,208,184</u>	<u>\$ 1,635,340</u>	<u>\$ -</u>	<u>\$ 1,635,340</u>	<u>\$ 8,843,524</u>
<i>Business-Type Activities: Sewer</i>							
2017	\$ 3,583,092	\$ (39,378)	\$ 3,543,714	\$ 910,681	\$ (14,208)	\$ 896,473	\$ 4,440,187
2018	3,608,303	(42,799)	3,565,504	850,239	(7,110)	843,129	4,408,633
2019	3,615,607	(43,698)	3,571,909	794,503	(3,476)	791,027	4,362,936
2020	3,388,591	(8,081)	3,380,510	738,956	-	738,956	4,119,466
2021	3,413,253	(8,952)	3,404,301	686,338	-	686,338	4,090,639
2022 - 2026	15,915,657	-	15,915,657	2,683,187	-	2,683,187	18,598,844
2027 - 2031	15,018,795	-	15,018,795	1,741,017	-	1,741,017	16,759,812
2032 - 2036	14,432,425	-	14,432,425	1,508,417	-	1,508,417	15,940,842
2037 - 2041	14,347,564	-	14,347,564	1,005,415	-	1,005,415	15,352,979
2042 - 2046	8,951,002	-	8,951,002	110,929	-	110,929	9,061,931
	<u>\$ 86,274,289</u>	<u>\$ (142,908)</u>	<u>\$ 86,131,381</u>	<u>\$ 11,029,682</u>	<u>\$ (24,794)</u>	<u>\$ 11,004,888</u>	<u>\$ 97,136,269</u>

(concluded)

The following represents authorized and unissued debt at June 30, 2016:

Project	Amount
<i>Governmental:</i>	
Street construction	\$ 7,009,552
School building renovations	4,412,381
Parks and recreation	4,140,000
Field improvements - Middle School	3,855,059
Building construction and renovation	3,010,000
Other	324,100
<i>Business-Type:</i>	
Water	7,601,476
Sewer	5,903,843
Total authorized and unissued	<u>\$ 36,256,411</u>

III. Other Information

A. Retirement Systems

Pension Plan Description – The City contributes to the Marlborough Contributory Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws. The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). The Retirement Board, subject to Chapter 32, has the authority to amend or modify the Retirement System’s funding policies. Stand-alone financial statements for the year ended December 31, 2015 were issued and are available by submitting a request to the Retirement System at 255 Main Street, Room 201, Marlborough, Massachusetts 01752.

Current membership in the Retirement System as of December 31, 2015 was as follows:

Active employees	657
Inactive employees	184
Retirees and beneficiaries currently receiving benefits	<u>385</u>
	<u>1,226</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers’ Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest three-year or five-year average annual rate of regular compensation, depending on the participant’s date of hire. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in 2015.

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The City contributed \$7,796,221 to the Retirement System in fiscal year 2016, which equaled the actuarially-determined contribution requirement for the fiscal year. The City's contributions as a percentage of covered payroll was approximately 23% in fiscal year 2016.

Net Pension Liability – At June 30, 2016, the City reported a liability of \$70,469,000 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2015. The following significant assumption changes were made in the January 1, 2015 actuarial valuation from the previous actuarial valuation dated January 1, 2013:

- The discount rate was decreased from 7.75% to 7.50%;
- The salary increase assumption was lowered to 3% per year for the next three years and will increase to the long-term assumption of 4.25% for group 1 and 2 employees and 4.75% for group 4 employees thereafter;
- The mortality rates for pre-retirement, post-retirement and disabilities were modified; and
- The retirement age for inactive vested participants was reduced from age 65 to age 60 for group 1 and 2 members.

The City's proportion of the net pension liability is based on a projection of the City's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The City's proportion was approximately 98.88% and the CDA's portion was approximately 1.12%; these proportions were relatively consistent year-over-year. However, as the CDA is a blended component unit of the City, 100% of the net pension liability is reflected in the City's statement of net position.

Fiduciary Net Position – The elements of the Retirement System’s basic financial statements (that is, all information about the Retirement System’s assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System’s full financial statements as of and for the year ended December 31, 2015, which can be obtained by contacting the Retirement Board.

The Retirement System’s fiduciary net position was determined using the accrual basis of accounting. The Retirement System’s accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The City recognized \$10,116,000 in pension expense in the statement of activities in fiscal year 2016.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,920,000
Changes of assumptions	7,967,000	-
Net difference between projected and actual earnings on pension plan investments	10,964,000	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
	<u>\$ 18,931,000</u>	<u>\$ 1,920,000</u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the City’s pension expense as follows:

<u>Year ended June 30,</u>	
2017	\$ 4,076,000
2018	4,076,000
2019	4,075,000
2020	3,575,000
2021	<u>1,209,000</u>
	<u>\$ 17,011,000</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2015. The significant actuarial assumptions used in the January 1, 2013 actuarial valuation included:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.5% per annum
Projected salary increases:	3% per year for next three years then 4.25% for groups 1 and 2 employees and 4.75% for groups 4 employees thereafter
Cost of living adjustments:	3% on the first \$12,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally using Scale BB from 2009. Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally using Scale BB from 2009.
Disabled life mortality:	RP-2000 Healthy Annuitant Mortality Table set forward 3 years for males projected generationally using Scale BB from 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System’s target allocation as of December 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Public domestic equity	28% to 38%	6.49%
Public foreign equity:		
Developed markets	5% to 13%	7.16%
Emerging markets	1% to 5%	9.46%
Private equity	3% to 7%	11.04%
Real estate	2% to 8%	4.37%
Bonds:		
High yield	7% to 13%	4.76%
Investment grade	17% to 27%	1.68%
TIPS	7% to 13%	3.60%
Emerging market debt	1% to 5%	3.00%
Cash	less than 5%	1.11%

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2015 actuarial valuation report was 7.50%, which was a reduction from the previous discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as the City’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
City’s proportionate share of the net pension liability	\$ 94,746,000	\$ 70,469,000	\$ 49,955,000

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the City’s school department participate in the Massachusetts Teachers’ Retirement System (“MTRS”), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth’s legislature has the authority to amend or modify the MTRS’s funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the City is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2016, the Commonwealth contributed \$5,522,272 to the MTRS on behalf of the City. The City’s proportionate share of the collective MTRS net pension liability at this reporting date was 0.540377%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the City as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the City’s proportionate share of the following:

	Commonwealth Portion	Paid (or assumed) On Behalf of the City	City Portion
Net pension liability	\$ 110,721,259	\$ (110,721,259)	\$ -
Pension expense	8,980,480	(8,980,480)	-

The City recognized \$8,980,480 in intergovernmental revenue and pension expense relative to this arrangement.

C. Other Postemployment Benefits (OPEB)

Plan Description – The City administers a single-employer defined benefit healthcare plan (the “Plan”). The Plan provides health, dental and life insurance benefits to current and future retirees, their dependents and beneficiaries in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and City ordinance. All benefits are provided through the City’s self-funded insurance program described previously. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 1,095 active employees and 711 retired or disabled employees for a total of 1,806 participants.

Funding Policy – The contribution requirements of Plan members and the City are established and may be amended by the City, through negotiation with the City employee unions. Retirees currently contribute the following for Plan benefits; the City pays the remainder:

Health Insurance – retirees/beneficiaries contribute 30% to 40% of stated health insurance premiums.

Dental Insurance –retirees/beneficiaries contribute 50% of stated dental insurance premiums.

Life Insurance – retirees contribute 40% of the premiums for up to \$5,000 in group term-life insurance.

The City bears the cost of administering the Plan. The City contributes on a pay-as-you-go basis.

The City established a formal OPEB trust in 2015. In fiscal year 2016, the City contributed \$1,100,000 to the OPEB trust, which at June 30, 2016 had a net position of \$6,220,593.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual OPEB cost is calculated based on the annual required contribution, or ARC, of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the City’s OPEB obligation:

Annual required contribution ("ARC")	\$ 9,799,169
Interest on net OPEB obligation	1,392,547
Adjustment to ARC	<u>(1,862,455)</u>
Annual OPEB cost ("AOPEBC")	9,329,261
Expected employer contributions	<u>(3,911,318)</u>
Increase in net OPEB obligation	5,417,943
Net OPEB obligation - beginning of year	<u>39,787,076</u>
Net OPEB obligation - end of year	<u>\$ 45,205,019</u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percent of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 9,329,261 *	41.9%	\$ 45,205,019
June 30, 2015	8,894,114	97.1%	39,787,076
June 30, 2014	10,181,876	34.0%	39,530,554

* Reflected in the statement of activities by functional program as follows:

General Government \$342,945; Public Safety \$1,877,420; Education \$5,961,002; Public Works \$725,531; Health and Human Services \$64,561; Culture and Recreation \$99,681; Water \$(18,167); and Sewer \$276,288.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2016, based on the most recent actuarial valuation performed as of June 30, 2015, was as follows:

<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
\$ 6,220,593	\$ 115,430,044	\$ 109,209,451	5.4%	\$ 64,347,534	169.7%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The significant methods and assumptions as of the latest valuation are as follows:

Valuation date:	June 30, 2015
Remaining amortization period:	23 years as of June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Amortized increasing at 4% over year over 30 years at transition

Interest discount rate:	3.5 %
Projected salary increases:	3.0 %
Inflation rate:	2.5%
Healthcare/Medical cost trend rate:	5.0% per year

D. Risk Financing

The City is exposed to various risks of loss related to general liability; torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three years.

Group Health Insurance Plan – The City maintains a “reinsured cost reimbursement program,” which covers the group health insurance requirements of a majority of City employees (the “Insurance Plan”). The Insurance Plan is essentially a self-insurance program and employee claims in excess of \$100,000 are reinsured by the Insurance Plan. The Insurance Plan allows employees to participate in an exclusive provider organization (“EPO”) or preferred provider organization (“PPO”). The City reimburses the costs of the EPO and PPO 70% and 60%, respectively. The City accrues an amount representing claims incurred but not reported (“IBNR”), which is based on a retrospective review of claims paid. At June 30, 2016, the amount of the liability for IBNR health insurance claims totaled \$1,343,101. This liability is the best estimate based on available information. In the government-wide financial statements, the City reports the activities of the Insurance Plan in the Internal Service Fund where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Changes in the reported liability for the past two fiscal years are as follows:

	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year	Current Portion
Fiscal Year 2016	\$ 986,638	\$ 17,874,207	\$ (17,517,744)	\$ 1,343,101	\$ 1,343,101
Fiscal Year 2015	1,000,053	18,143,082	(18,156,497)	986,638	986,638

Workers’ Compensation – The City is also self-insured for its workers’ compensation activities, which are accounted for in the funds incurring the expenditures. Workers’ compensation claims are administered by a third-party and are funded on a pay-as-you-go basis from annual appropriations. The estimated future workers’ compensation liability is based on history and injury type.

Changes in the reported liability for the past two fiscal years are as follows:

	Balance at Beginning of Year	Claims and Changes in Estimates	Claim Payments	Balance at End of Year	Current Portion
Fiscal Year 2016	\$ -	\$ 961,454	\$ (961,454)	\$ -	\$ -
Fiscal Year 2015	600,000	1,811,974	(2,411,974)	-	-

E. Commitments

The City completed, or was near complete, a significant number of construction projects in fiscal year 2016 including the roadway reconstruction at Simarano Drive, improvements to Artemas Ward Park, a major upgrade to the City's easterly waste water treatment plant and an upgrade to the Millham water treatment plant. The City is continually completing construction projects; the most notable in-process construction project at June 30, 2016 that was not completed or substantially completed was a track and field renovation at a school, which has an unexpended open contract for its primary contractor of over \$2.4 million at June 30, 2016.

F. Contingencies

General – During its day-to-day operations, the City is party to certain legal claims, which are subject to many uncertainties. The outcome of individual litigation matters in these situations cannot be reasonably estimated. Although the amount of liability, if any, in these situations at June 30, 2015, cannot be determined, management believes that the resulting liability, if any, should not materially affect the basic financial statements of the City at June 30, 2016.

Appellate Tax Board – The City has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). Property values for real estate assessments contested by tax payers in ATB exceeded \$104.3 million at June 30, 2016. Property values for personal property assessments contested by tax payers in ATB totaled over \$55.8 million and were entirely related to telephone and telegraph companies, who continued to challenge the assessed values of personal property throughout the Commonwealth. As the outcome in these matters cannot be determined (or even estimated), no provision has been made in the City's financial statements. However, the City does not believe that any adjustments to these property tax assessments will materially impact the financial statements.

Grants – Other amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Arbitrage – The City is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The City does not believe it has failed to comply with any of these agreements.

G. Economic Dependence

During the year ended June 30, 2016, approximately 27.8% of total general fund revenues were recognized from the Commonwealth.

IV. Implementation of GASB Pronouncements

A. Current Year Implementations

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 addressed accounting and financial reporting issues relating to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes. The provisions of this Statement became effective for the City in fiscal year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provision of GASB Statement No. 67 and No. 68*. The objective of GASB 73 was to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement established requirements for defined benefit pensions that are not within the scope of Statement 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it established requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions of this Statement were effective for financial reporting periods beginning after June 15, 2015 (fiscal year 2016) – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2106 (fiscal year 2017). The provisions of this Statement became effective for the City in fiscal year 2016 and did not have a material effect on its financial statements.

In June 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of GASB 76 was to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted principles, or GAAP. This Statement reduced the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the City's financial statements.

In December 2015, the GASB issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB 79 established criteria for which an external investment pool may qualify to measure its investment value at amortized cost versus fair value. The provisions of this Statement became effective in fiscal year 2016 and did not have a material effect on the City's financial statements.

B. Future Year Implementations

In June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74's objective is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The City is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 requires the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The City is currently evaluating whether adoption will have a material impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 are applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state of local governmental employer. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. This Statement is not expected to have a material effect on the City's financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 apply to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. Such component units should be included in the reporting entity financial statements using the blending method. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2016 (fiscal year 2017), although early adoption is encouraged. The City is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016 (fiscal year 2018) and should be applied retroactively. The City is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 73 was to address issues raised with respect to previously issued statements related to pensions. Specifically, the Statement addressed issues regarding (i) the presentation of payroll-related measures in required supplementary information, (ii) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting and (iii) the classification of payments made by employers to satisfy employee (plan member) contributions requirements. The requirements for this Statement are effective for reporting periods beginning after June 15, 2016 (fiscal year 2017), except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for

the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017; earlier application is encouraged. The City is currently evaluating whether adoption will have a material impact on the financial statements.

* * * * *

CITY OF MARLBOROUGH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
 YEAR ENDED JUNE 30, 2016

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

	Year Ended December 31,	
	2014	2014
City's proportion of the net pension liability (asset)	100.00%	100.00%
City's proportionate share of the net pension liability (asset)	\$ 70,469	\$ 53,147
City's covered-employee payroll	\$ 33,257	\$ 32,804
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	211.9%	162.0%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	73.14%

SCHEDULE OF THE CITY'S CONTRIBUTIONS TO PENSION PLAN
(dollar amounts are in thousands)

	Year Ended December 31,	
	2014	2014
Actuarially determined contribution	\$ 7,796	\$ 7,700
Contributions in relation to the actuarially determined contribution	<u>7,796</u>	<u>7,700</u>
Contribution deficiency (excess)	\$ -	\$ -
City's covered-employee payroll	\$ 33,257	\$ 32,804
Contributions as a percentage of covered-employee payroll	23.44%	23.47%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

CITY OF MARLBOROUGH, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - MTRS
YEAR ENDED JUNE 30, 2016

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

	Year Ended June 30,	
	2015	2014
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%
City's proportion of the collective net pension liability (asset)	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

CITY OF MARLBOROUGH, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

SCHEDULES OF FUNDING PROGRESS

Other Postemployment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
6/30/2015	\$ 6,220,593	\$ 115,430,044	\$ 109,209,451	5.4%	\$ 64,347,534	169.7%
6/30/2013	-	120,970,711	120,970,711	0.0%	61,803,115	195.7%
6/30/2011	-	133,815,827	133,815,827	0.0%	57,928,920	231.0%

SCHEDULES OF CONTRIBUTION FUNDING

Other Postemployment Benefits

<u>Year Ended June 30,</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2016	\$ 9,799,169	\$ 3,911,318	39.9%
2015	9,372,996	8,637,592	92.2%
2014	9,708,012	3,457,460	35.6%

See accompanying independent auditor's report.

CITY OF MARLBOROUGH, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Real estate and personal property	\$89,574,970	\$89,574,970	\$90,511,499	\$ -	\$90,511,499	\$ 936,529
Intergovernmental	29,638,823	29,638,823	29,819,586	-	29,819,586	180,763
Motor vehicle and other excises	6,123,000	6,123,000	6,817,184	-	6,817,184	694,184
Licenses and permits	1,330,521	1,330,521	1,515,569	-	1,515,569	185,048
Departmental and other revenue	863,000	863,000	1,406,745	-	1,406,745	543,745
Penalties and interest	505,000	505,000	447,193	-	447,193	(57,807)
Fines and forfeitures	194,000	194,000	137,932	-	137,932	(56,068)
Investment income	150,000	150,000	258,559	-	258,559	108,559
Other income	-	-	-	-	-	-
Total Revenues	128,379,314	128,379,314	130,914,267	-	130,914,267	2,534,953
Expenditures:						
General government	8,244,938	9,318,402	7,930,900	1,076,120	9,007,020	311,382
Public safety	16,002,351	16,410,678	15,132,850	187,212	15,320,062	1,090,616
Education	64,841,745	65,656,370	63,287,207	1,677,282	64,964,489	691,881
Public works	7,226,443	9,394,592	7,555,667	1,768,250	9,323,917	70,675
Health and human services	914,393	959,381	935,402	3,300	938,702	20,679
Culture and recreation	1,279,960	1,413,689	1,226,604	115,463	1,342,067	71,622
Fringe and pension benefits	23,045,956	21,745,490	18,601,044	3,610	18,604,654	3,140,836
State and county tax assessments	6,777,172	6,777,172	6,792,877	-	6,792,877	(15,705)
Debt service	3,516,632	3,458,032	2,970,896	-	2,970,896	487,136
Total Expenditures	131,849,590	135,133,806	124,433,447	\$ 4,831,237	129,264,684	5,869,122
Other Financing Sources (Uses):						
Premiums from long term debt and notes	-	-	2,427,877	-	2,427,877	2,427,877
Transfers in	1,851,801	3,056,158	3,861,023	-	3,861,023	804,865
Transfers out	(2,094,273)	(6,208,659)	(5,322,546)	-	(5,322,546)	886,113
Total Other Financing Sources (Uses)	(242,472)	(3,152,501)	966,354	-	966,354	4,118,855
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(3,712,748)	(9,906,993)	\$ 7,447,174	-	\$ 2,615,937	\$12,522,930
Other Budgetary Items:						
Prior year encumbrances	2,313,803	2,313,803	-	-	-	-
Free cash	-	6,194,245	-	-	-	-
Overlay release	1,398,945	1,398,945	-	-	-	-
Total Other Budgetary Items	3,712,748	9,906,993	-	-	-	-
Net Budget	\$ -	\$ -	-	-	-	-

See accompanying independent auditors' report.
 See notes to the required supplementary information of this schedule.

CITY OF MARLBOROUGH, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

I. Budgetary Basis of Accounting

Budgetary Information – An annual budget is legally adopted for the general fund and each enterprise fund. Financial orders are initiated by department heads, recommended by the Mayor and approved by the City Council. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. The City Council and the department head however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance. The City Auditor is responsible to ensure that budgetary control is maintained in the manner in which the appropriations were voted by City Council. Budgetary control is exercised through the City’s accounting system.

The City adopts an annual budget for the general fund in conformity with the guidelines described above. During fiscal year 2016, City Council approved various supplemental budgetary appropriations which resulted in a net increase of approximately \$3.3 million from the original voted budget.

Budgetary-to-GAAP Reconciliation – The City’s general fund is prepared on a basis of accounting other than GAAP to conform to the Uniform Municipal Accounting System basis of accounting as prescribed by the Massachusetts Department of Revenue. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2016, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 130,914,267
Stabilization revenue	\$ -	\$ 11,644	11,644
Revenue recognition adjustments	(100,098)	-	(100,098)
On behalf payments	8,980,480	-	8,980,480
Revenues on a GAAP basis	<u>\$ 8,980,480</u>	<u>\$ -</u>	<u>\$ 139,806,293</u>
Expenditures on a budgetary basis			\$ 124,433,447
Transfer treatment for Budget - internal service	\$ 2,225,600	\$ -	2,225,600
On behalf payments	8,980,480	-	8,980,480
Other	1	-	1
Expenditures on a GAAP basis	<u>\$ 8,980,481</u>	<u>\$ -</u>	<u>\$ 135,639,528</u>
Other financing sources (uses) on a budgetary basis			\$ 966,354
Transfer treatment for Budget - internal service	2,225,600	-	2,225,600
Stabilization transfers	-	1,693,500	1,693,500
Other financing sources (uses) on a GAAP basis	<u>\$ 2,225,600</u>	<u>\$ 1,693,500</u>	<u>\$ 4,885,454</u>

CITY OF MARLBOROUGH
Office of the City Council
140 Main Street
Marlborough, Massachusetts 01752
(508) 460-3711 TDD (508) 460-3610

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2017 MAR 16 A 10:46

City Councilor's Certification
Review of Evidence
Adjudicatory Public Hearing

Date: March 17, 2017

To: Marlborough City Council

From: City Councilor Peter Juaira

Subject: Certification – Review of the Public Hearing on an Application from Mina Property Group LLC for a Special Permit to construct a commercial automotive facility on less than one (1) acre of land at 408 Maple Street, Marlborough, MA, Map 93 Parcel 65

This letter serves to document for the public record that I have reviewed the February 27, 2017 public hearing video for the special permit application to construct a commercial automotive facility on less than one acre at 408 Maple Street.

In accordance with MGL c. 39, § 23D(a), I hereby certify that I have reviewed the testimony or other evidence received at the public hearing. This certification, which shall be part of the record of the hearing, now enables me to participate in the City Council's deliberation and to vote on the subject special permit application.

For Agenda: March 27, 2017

MIRICK O'CONNELL

A T T O R N E Y S A T L A W

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CITY OF MARLBOROUGH

2017 MAR 21 P 2:42

David K. McCay
Mirick O'Connell
100 Front Street
Worcester, MA 01608-1477
dmccay@mirickoconnell.com
t 508.860.1460
f 508.983.6273

March 17, 2017

VIA EMAIL AND FIRST CLASS MAIL

Council President Edward Clancy
Marlborough City Council
City Hall
Marlborough, MA 01752

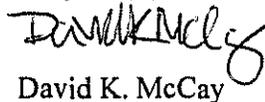
Re: Special Permit Application for BSL Marlborough Development
421 Bolton Street

Dear President Clancy:

On behalf of my client, BSL Marlborough Development LLC ("Benchmark"), I respectfully request that the City Council add this matter to its agenda for the Council's March 27, 2017 meeting in order to set a public hearing date on Benchmark's special permit application and publish public notice of the hearing. We request the public hearing be set for the Council's meeting on April 24, 2017, which will provide ample time for publishing notice of the hearing.

Thank you in advance for your assistance.

Very truly yours,



David K. McCay

DKM/ljg

cc: City Clerk Lisa Thomas
Eric Gardner
Arthur P. Bergeron, Esq. and Brian R. Falk, Esq.

MIRICK, O'CONNELL, DEMALLIE & LOUGEE, LLP

WORCESTER | WESTBOROUGH | BOSTON

www.mirickoconnell.com

CHAPA QUENTE RESTAURANT
201 Main Street
Marlborough, MA 01752
508-481-0230

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CITY OF MARLBOROUGH

2017 MAR 10 P 4: 26

To whom it may concern:

We Chapa Quente Restaurant would like to ask the City of Marlborough for permission to use city property for our outside seating,, which is the area right next to restaurant.
We would like to have 4 tables with 3 chairs each starting in May 2017 through October 2017.
We appreciate your consideration.

Sincerely,
Heider Rabelo
(Owner)



CHAPA QUENTE RESTAURANT CORP.
201 MAIN ST
MARLBOROUGH MA 01752-3850



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CITY OF MARLBOROUGH
2017 MAR 21 P 2:42

Certified Mail No. 7015 1660 0000 1038 7133
Return Receipt Requested

March 9, 2017

Karen Boule, City Council
Marlborough City Council
City Hall
140 Main Street
Marlborough, MA 01752

Dear Mr. Boule:

In accordance with the provisions of 301CMR 51.00, we would like to inform you that the Commonwealth of Massachusetts, acting through its Department of Conservation and Recreation (DCR), has under consideration the acquisition of approximately 33 ± acres of land, or other property interest, in the City of Marlborough. This land is currently being used for open space purposes. If acquired by the state, the property will continue to be used as open space, public passage, and natural resource protection as part of the Callahan State Park. Enclosed is a locus map marked "Exhibit A" which shows the property in which we are interested.

The applicable regulations require that an agency proposal to acquire property be made public in a local forum. To comply with this requirement, we ask that the City Council announce the Commonwealth is considering this acquisition for the above-stated purposes at its next regularly scheduled meeting, and document the announcement on the enclosed form. We also respectfully ask that the 120 day notice period be shortened (as allowed under the regulations) so that the Commonwealth, should it proceed, may complete this transaction in a shorter period of time than presently allowed. If you agree to the reduction in time, kindly indicate your approval on the public announcement and waiver form enclosed herewith, and return it to us in the self-addressed envelope enclosed for your convenience.

If you have any questions concerning this matter, please do not hesitate to contact Mike Harris, Director of Governmental Affairs at 617-626-4991. For your information similar notices are being sent to Senator James B. Eldridge, Representative Danielle Gregoire and Marc Draisen, Executive Director, Metropolitan Area Planning Council.

COMMONWEALTH OF MASSACHUSETTS · EXECUTIVE OFFICE OF ENERGY & ENVIRONMENTAL AFFAIRS

Department of Conservation and Recreation
251 Causeway Street, Suite 600
Boston MA 02114-2119
617-626-1250 617-626-1351 Fax
www.mass.gov/dcr



Charles D. Baker
Governor

Karyn E. Polito
Lt. Governor

Matthew A. Beaton, Secretary, Executive
Office of Energy & Environmental Affairs

Leo Roy, Commissioner
Department of Conservation & Recreation

Thank you very much for your assistance.

Very truly yours,

A handwritten signature in black ink, appearing to read 'T. LaRosa', written over a horizontal line.

Thomas J. LaRosa
Acting General Counsel

Enclosure
DCR File #: P-000843

**CERTIFICATE OF ANNOUNCEMENT
AND 120 DAY WAIVER**

In accordance with 301 CMR 51.08, the City of Marlborough hereby certifies that on _____, 2017, a public announcement was made at a regularly scheduled City Council's meeting of the Commonwealth's interest in acquiring said land, or other property interest, in the City of Marlborough. A locus map marked Exhibit A, showing the proposed acquisition is appended hereto.

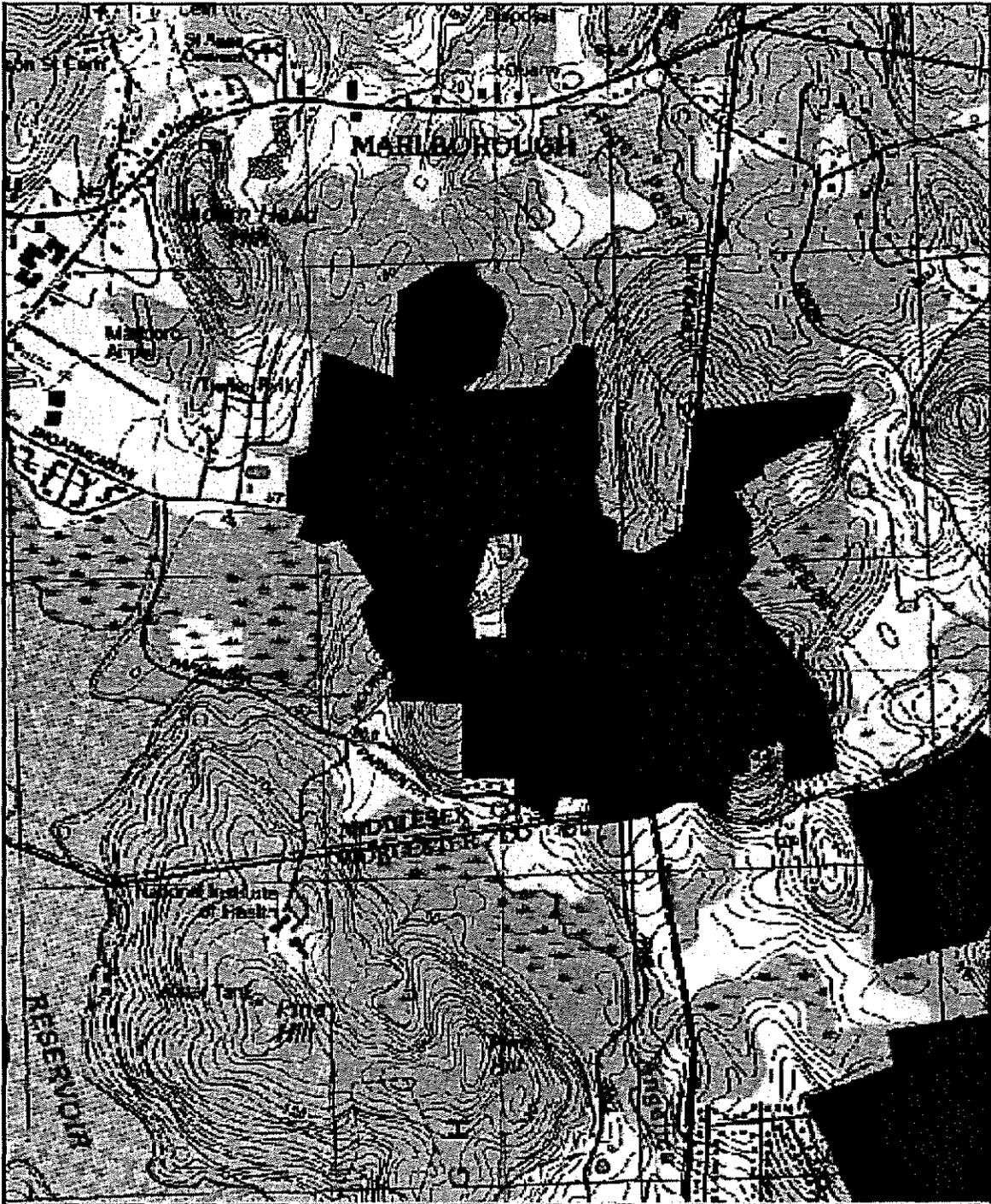
In accordance with said regulation, 301 CMR 51.00, *et seq.*, I, Karen Boule, Council Secretary, for the City of Marlborough, hereby agree to waive the 120 day notice period, and, do hereby approve the acquisition by the Department of Conservation and Recreation of approximately 33 +/- acres of land, or other property interest, in the City of Marlborough, in less than 120 days.

Date: _____

Karen Boule, Counsel Secretary
Marlborough City Council

DCR File #: P-000843

Exhibit A



Scale: 1 to 20,000

Boundary Lines Approximate



Subject Property



DCR Callahan State Park

dcr
Massachusetts



MIRICK O'CONNELL

ATTORNEYS AT LAW

RECEIVED
CITY CLERK'S OFFICE
CITY OF MARLBOROUGH

2017 MAR 23 A 8:50

Arthur P. Bergeron
Mirick O'Connell
100 Front Street
Worcester, MA 01608-1477
abergeron@mirickoconnell.com
t 508.929.1652
f 508.463.1385

March 23, 2017

HAND DELIVERED

Councilor Edward Clancy, President
Marlborough City Council
City Hall
Marlborough, MA 01752

Re: Apex Center - Proposed Delegation of Sign Review

Dear Councilor Clancy:

Enclosed for consideration by the City Council is a proposed Order whereby the Council delegates its authority to review and approve signage for the Apex Center project. As noted in the proposed Order, signage at the Apex Center must comply with the monument signage previously approved by the Council, and must comply with the requirements for sign dimensions and locations set forth in the Hospitality and Recreation Mixed Use Overlay District (HRMUOD) Ordinance.

Thank you for your time and attention to this matter.

Very truly yours,



Arthur P. Bergeron

APB/

Encl.

cc: Client
Brian R. Falk, Esq.

ORDERED:

Be it ordained by the City Council that notwithstanding the authority granted to the City Council under paragraph B. 1 of §650-35, Hospitality And Recreation Mixed Use Overlay District, of the City Code:

1. With respect to the application for Site Plan Approval by Walker Realty LLC for a mixed use development filed with the City Council on June 2, 2016 (the "Project"), the City Council hereby delegates its authority for sign review and approval to the Building Commissioner, provided that the Project's signs conform with:
 - a. The monument signage previously approved by the City Council through Order No. 16-1006443F-3; and
 - b. The requirements for sign dimensions and locations set forth in Paragraph H of §650-35.
2. With this Order, the City Council no longer retains authority over signage for the Project, notwithstanding Order No. 16-1006443F-1.

ADOPTED

In City Council
Order No. 17-

Adopted

Approved by Mayor
Arthur G. Vigeant
Date:

A TRUE COPY
ATTEST:

CITY OF MARLBOROUGH MEETING MINUTES

RECEIVED
CITY CLERK'S OFFICE
CITY OF MARLBOROUGH

2017 MAR 10 A 10:47

Meeting: Council on Aging Board of Directors Meeting

Date: Tuesday, January 10, 2017

Time: 8:30 AM

Location: Senior Center Conference Room, 40 New Street, Marlborough, MA 01752

ATTENDANCE: *Leslie Biggar, Jim Confrey, Brenda Costa, Richard Cygan, Marie Elwood, Pat Gallier, Judy Kane, Trish Pope*

Excused: *Richard Collins, Jeanne McGeough*

- I. CALL TO ORDER at 8:35 a.m.
- II. APPROVAL OF December 13, 2016 MINUTES
- III. DIRECTOR'S UPDATE – Trish Pope, Director

Trish reported that Quinsigamond Community College has moved out of the Senior Center. Air pots were purchased to replace the ones Quinsigamond College had provided for senior center use. There will be pizza and salad served on Monday's, Wednesday's and Friday's. Trish is in discussions with Kennedy's, who have offered to run the Center Grill temporarily through January. The cost of meals will be more than the \$5.00 that Quinsigamond was able to charge and sign up for meals will be the day before.

Exercise sign up is next week. Sign up time is at 2:00 pm, with priority given to the wait list. Cost of classes is the same for now for 8 week long sessions. An informational letter is available.

Trish has received several resumes for the outreach position vacated by Ana Christina, who left last week to take a position with the Sudbury COA. Submission of resumes will remain open until next Friday. Another SHINE counselor will be coming from Framingham to help out at our senior center.

The volunteer for the senior center library cannot do it anymore. The Marlborough Public Library has agreed to help out during the interim.

IV. BOARD UPDATES

A. BAYPATH ELDER SERVICES UPDATE AND BRENDA COSTA REPLACEMENT TO SAME – Brenda Costa

Brenda and Jim reported on the highlights (attached) of the last BayPath board meeting.

Richard Cygan volunteered to be a guest and accompany Jim to the January BayPath board meeting in anticipation of accepting the board member position when vacated by Brenda Costa in July.

B. TRANSPORTATION REPORT – Jeanne McGeough

Jeanne was unable to attend the meeting. She sent her report to the board. In December there were 106 rides. Of those, 67 were to the senior center and 35 were shopping trips. There were 5 new riders.

V. NEW/OLD BUSINESS

A. DISCUSS SENIOR CENTER ISSUES AND HAPPENINGS

Richard Cygan had tried to contact the travel agency in the newsletter. The company had gone out of business.

B. DISCUSS BOARD RE-APPOINTMENTS APPROVAL BY CITY COUNCIL

Waiting for notice from the City.

C. DISCUSS AUTHORIZATION TO INCREASE CLASS SIZE FOR YOGA BY INSTRUCTOR AND LEGAL DEPT.

Trish reported that the Yoga instructor has not requested an increase in class size, just changes to classes themselves.

D. PREPARATION FOR MAYOR'S SENIOR OF THE YEAR

Leslie Biggar volunteered to get the list from the City Clerk's office of seniors 85 and older as of May 1st. Nominations need to be submitted by 3/31/17.

VI. MEETING ADJOURNED AT 9:40 a.m.

The next board meeting is Tuesday, February 14, 2017 at 8:30 a.m. in the conference room at the Senior Center, 40 New Street, Marlborough, MA.

Respectfully Submitted,

Brenda Costa, Secretary

BayPath Board Highlights

December 2016

Governor's Cuts to Adult Foster Care

The governor recently proposed cuts to the budget. While Home Care was not impacted unfortunately cuts will be made to the Adult Foster Care Program. At BayPath, there are approximately 37 individuals in the AFC Program. There are numerous regulations in the program having to do with staffing. Mass Home Care and several other entities have sent a letter to the governor and Secretary Marylou Sudders of HHS in an effort to weigh in on what the proposed cuts will mean and how it will affect the care of individuals who are in the Adult Foster Care Program. If the cuts take effect, they will take effect in January 2017. BayPath is not impacted severely as there are only 37 consumers.

Community Care Transitions Program (CCTP)

Our federally funded care transitions program will be ending soon. We have a nationally recognized program with outstanding results in reducing hospital readmissions. CMS is not funding this beyond the original five years. CMS had hoped that the physicians would see the benefit and pay for care transitions. The CCTP has improved outcomes, improved consumer satisfaction and decreased readmission rate. The care transitions program is a deficit program for the agency. Therefore, at the end of December we will stop taking referrals and the program will come to end by January 2017. A continued penalty will be imposed on the hospitals and physicians for readmissions. This penalty will extend to skilled nursing facilities as well. The care transitions team is working with Collaborative Health ACO as well as Blue Cross/Blue Shield.

Mass Health Community Partners

Mass Health is creating accountable care organizations. Accountable care organizations will be required to contract and work with certified community partners. We have been in conversations with a number of partners in the area. Earlier this week a Letter of Intent (LOI) was released. Those planning to apply as a community partner must complete an LOI and submit to Mass Health. The LOI is due in February. The application will be coming out in March 2017. One question we have is regarding regions and sub regions. Ms. Alessandro will continue to have conversations with colleagues. It is an important endeavor for the agency that we become a community partner.

Consumer Programs

The home care program enrollment has been decreasing since the first of the year. Home care has a total of 1,155 consumers; SCO, 1,014 consumers; PCA, 424 consumers; ICO, 50 consumers; AFC, 37 consumers.

Dementia Friendly Program

An action plan has been developed in Northborough, Hudson and Marlboro. Hudson is implementing an identification program for individuals with dementia. A caregiver can bring a dementia patient down to the police station for a photograph for easy identification. Marlborough is creating a website that will have a link to the City of Marlborough and Care Giving MetroWest Age and adding information for Dementia Friendly Communities.

**BayPath Board Highlights
December 2016**

Home Delivered Meals

Town	Nov-16
meal days	20
Ashland	250
Dover	8
Framingham	3997
Holliston	478
Hopkinton	178
Hudson	1133
Marlborough	1839
Natick	1038
Northborough	356
Sherborn	92
Southborough	371
Sudbury	496
Wayland	494
Westborough	408
Total	11138

Town Analysis – November 2016

Town	ECOP	Choices	Town	ECOP	Choices
Ashland	13	5	Natick	37	26
Dover	0	0	Northborough	14	2
Framingham	75	45	Sherborn	0	0
Holliston	9	5	Southborough	6	2
Hopkinton	14	2	Sudbury	4	4
Hudson	29	17	Wayland	8	2
Marlborough	26	23	Westborough	3	4

**ECOP Total = 238
Choices Total = 137**

The Enhanced Community Options Program (ECOP) provides a higher level of service in the community to elders who are ineligible for Mass Health Standard and meet the requirements for nursing facility services. Individuals must be assessed by a BayPath RN and meet the eligibility criteria in order to qualify for this program.

The Choices Program is designed to provide intensive services to enrollees in the Frail Elder Waiver (FEW) who are at imminent risk of nursing home placement. Consumers must be eligible for Mass Health Standard. Individuals must be assessed by a BayPath RN and meet the eligibility criteria in order to qualify for this program.

**Assabet Valley Regional Technical High School
School Committee
School Committee Meeting
Tuesday, February 21, 2017, 6:30 p.m.
School Committee Conference Room**

In Attendance:

Bill Charbonneau; Christopher Evers; Laura Ross; Lynn Ryan; Peggy Ayres (by remote access); Virginia Simms George

Also:

Ernest F. Houle; Kris Luoto; Mark Hollick; Dawn Bacon; Emily Blackwood

Not In Attendance:

Paul George

The School Committee met in regular session in the Conference Room. The meeting was called to order at 6:30 p.m. by the Chair.

Approval of Minutes

A motion was made by Virginia Simms George and seconded by Laura Ross to approve the regular session meeting minutes of January 10, 2017 as presented. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

Bills and Payroll

A motion was made by Virginia Simms George and seconded by Laura Ross to approve Warrant Nos. 19-21, 1070-1088, and 5564-5571. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

Audience

Keith Baldinger was present to give an update on JROTC activities.

Carolyn Madzar was present to answer any questions about the After Dark program and Discovery Camp brochures that were recently sent out.

Student Representative Report

Mr. Hollick gave a student report on behalf of the student representatives. Upcoming and completed student group activities were discussed. A complete list of the activities was provided to members.

Policy

Laura Ross asked if members had any input for previously distributed Policies C-F. Lynn Ryan noted that she had difficulty accessing the documents online. Members were

told the documents will be located in the BoardPaq library. Members will review the policies and prepare to discuss any questions or concerns and vote at the next meeting. Policies G-I will be added to the library for review as well.

Public Hearing

At 7:10, a motion was made by Virginia Simms and seconded to suspend the regular portion of the meeting and enter the Public Hearing for budget review. The motion was passed unanimously by roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

Kris Luoto gave an overview of the FY18 budget and assessments.

At 7:15 p.m., a motion was made by Lynn Ryan and seconded by Virginia Simms George to close the public hearing. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

Superintendent-Director's Report

- Ernie Houle discussed his report as follows:
- FY18 Budget Meetings – Meetings are upcoming and School Committee members are encouraged to join the Administration at their respective town meeting.
- DESE CPR Follow-Up Meeting: Safety – A follow-up meeting to the CPR Audit in the fall was held on February 7, the Final Report is expected in July or August.
- Potential Partnerships – Ernie Houle is speaking with several organizations in the area to discuss the possibility of partnerships and/or student internships.
- Manufacturing Roundtable Panel Invitation – Former Lieutenant Governor of Massachusetts, Tim Murray recently asked Mr. Houle to be part of a panel discussion held by the Worcester Regional Chamber of Commerce (WRCC) to be held in March 2017. Mr. Houle will update members after the event.

Additional Items Added after Superintendent-Director's Report was submitted:

- Ernie discussed his recent meeting with the Superintendent of West Boylston schools and DESE regarding the recent agreement to send West Boylston students to Leominster High instead of Assabet Valley.
- Ernie is in talks with Maynard regarding the TV and Radio Broadcasting program, he will keep the Committee updated.

Director of Business Operations Report

Kris Luoto discussed his report as follows:

- FY18 Budget: Vote on Setting Member Community Assessments – Members received an electronic copy of the Budget Book for FY18. A motion was made by Virginia Simms George and seconded by Laura Ross to approve the member town assessments as set forth in the FY18 Budget Book. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.
- FY18 Health Insurance Renewal – members reviewed the presentation from NFP (the district's Health Insurance Consultant) regarding rates for FY18. The IAC has met and unanimously recommended the approval of the rates to the School Committee.

A motion was made by Lynn Ryan and seconded by Virginia Simms George to approve the proposed 3% increase for health insurance and 6% increase for dental as defined in the presentation "Medical & Dental Renewal" effective July 1, 2017. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

- Update on the Assabet Stadium Project (Track and Field Renovation) – Kris updated members on the status of the project. Chris Huntress of Huntress Sports was present to answer any questions from members. Members received copies of the bids submitted. A motion was made by Lynn Ryan and seconded by Virginia Simms George to authorize the Administration to award the stadium project contract to Argus Construction, low bidder, in the amount of \$2,487,000. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

A motion was made by Virginia Simms George and seconded by Laura Ross to appropriate \$120,000 for contingency funds for the stadium project and to move ahead with the construction of the stadium project. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

Principal's Report

Mark Hollick discussed his report as follows:

- 2017-2018 School Calendar – Members received a copy of the proposed 2017-2018 school calendar for review. Lynn Ryan questioned the reason for half-days for staff Professional Development days. Mark noted that this has been preferential in the past. A motion was made by Virginia Simms George and seconded by Laura Ross to approve the 2017-18 school calendar as presented. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

- School Law – Senate Bill S2449 is currently waiting for final sign-off into law by the Governor. It will require all schools have an Automated External Defibrillator on premises by July 2018, along with staff trained on site for all school events. Assabet currently has four AED units in the building and multiple people are currently trained.
- School Safety and Security – Members were informed that a K-9 police search of the building was conducted on January 27 with the assistance of the Marlborough Police Department.
- Out-of-State/Overnight Travel Requests – The Business Professionals of America are seeking permission to participate in the State Conference from March 2-6 in Framingham, MA. A motion was made by Lynn Ryan and seconded by Laura Ross to approve the request. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.
- A request was made by the AV Sliders Ski Club for permission for a trip to Okemo Mountain on March 5, 2017. A motion was made by Lynn Ryan and seconded by Peggy Ayres to approve the request. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.
- The Biotechnology Program is asking for permission to go to Mystic Aquarium in Mystic, CT on May 25, 2017. A motion was made by Lynn Ryan and seconded by Laura Ross to approve the request. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.
- A request was made by the Varsity Baseball Team to participate in a Baseball trip to Cooperstown, NY on April 17-18 and to attend a Baseball Clinic in Mashpee on March 25-26. A motion was made by Lynn Ryan and seconded by Laura Ross to approve the request. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.
- School Events – The Junior Prom will be held on May 19, 2017 at Mechanics Hall in Worcester, and Graduation will be on June 3, 2017 at the DCU Center in Worcester.
- An article regarding donation of used baseball equipment to players in Cuba was passed around for members to review, as well as a photo of student Brian Colleoni-Pimenta being honored at the Hudson Rotary.

Communications

- Wicked Local Northborough article re: Assabet football field project gets thumbs up from Conservation Commission
- Community Advocate article re: Assabet Valley robotics team hosts kickoff for 2017 competition
- MASC Weekly updated – January 9, 2017

- Wicked Local Ashland article re: High schoolers test auto repair skills in Ashland
- Commonwealth Article re: Voc-tech schools are a Mass. Success story
- Community Advocate article re: Assabet Valley student honored as Student-Athlete of the Month
- Email from Ricci Hall, Principal at Claremont Academy Worcester, Main South Basketball, thanking Assabet Valley for a recent moment of silence at a basketball game to honor a Main South staff member who had passed away

Program Advisory Committee

A motion was made by Lynn Ryan and seconded by Virginia Simms George to approve the appointment of Kerri Nason to the Practical Nursing Program Advisory Committee. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

Personnel

Ernie informed the committee of a retirement. The position will be re-evaluated and a job description will be developed and brought to the next meeting for a vote.

Old Business

Members discussed attendance at the NSBA conference in Denver, CO March 25-27, 2017. Members present are not able to attend. Ernie will check with Paul George to see if he is interested in attending.

New Business

Discussion of upcoming MASC events.

Members received the Conflict of Interest Summary and Acknowledgement. Ernie asked that members review and submit the Acknowledgement form to Emily.

At 8:00 p.m., a motion was made by Lynn Ryan and seconded by Virginia Simms George to adjourn the meeting. The motion was passed unanimously by a roll call vote. Voting "yea" on the motion were Christopher Evers, Laura Ross, Lynn Ryan, Peggy Ayres, Virginia Simms George and Bill Charbonneau. There were no "nay" votes.

The minutes herein were recorded by the Clerk, approved by the Committee, and so noted in a subsequent record.

Laura Ross, Secretary

Accompanying Paperwork for School Committee Meeting – February 21, 2017

- Proposed meeting minutes of January 10, 2017
- Memo from Ernest Houle dated February 21, 2017 re: Warrant Vote
- School Board Meeting topics for Student Rep report
- Superintendent-Director's Report dated January 30, 2017
- Director of Business Operations Report dated February 7, 2017
- Huntress Sports Bid Results
- Huntress Sports letter dated February 15, 2017 re: AVRTHS – 400m Track & Field Construction
- Stadium photo rendering for stadium project
- MASS Memo re: FY2018 Governor's Chapter 70 and educational budget recommendation are released
- FY18 Budget Book
- NFP Insurance Renewal Meeting report dated January 30, 2017
- Principal's Report dated February 2, 2017
- Proposed 2017-2018 School Calendar
- Explanation of dates School Calendar 2017-2018
- February travel request Biotechnology, BPA, and AV Sliders
- Travel request from Varsity Baseball coach
- Wicked Local Northborough article re: Assabet football field project gets thumbs up from Conservation Commission
- Community Advocate article re: Assabet Valley robotics team hosts kickoff for 2017 competition
- MASC Weekly updated – January 9, 2017
- Wicked Local Ashland article re: High schoolers test auto repair skills in Ashland
- CommonWealth Article re: Voc-tech schools are a Mass. Success story
- Community Advocate article re: Assabet Valley student honored as Student-Athlete of the Month
- Email from Ricci Hall, Principal at Claremont Academy Worcester, Main South Basketball, thanking Assabet Valley for a recent moment of silence at a basketball game to honor a Main South staff member who had passed away
- Telegram article re: Assabet baseball donates equipment to share love of game
- Memo from Russell Mangsen re: Candidate Kerri Nason
- MASC Summit on Poverty flyer
- Summary of the Conflict of Interest Law for Municipal Employees

CITY OF MARLBOROUGH

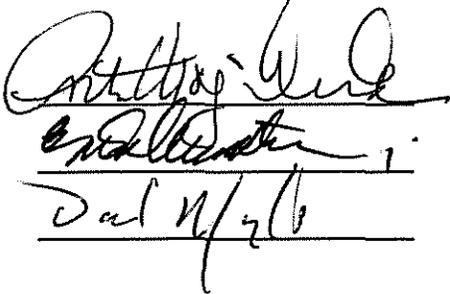
BOARD OF ASSESSORS

MEETING MINUTES: January 23, 2017

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2017 MAR 16 A 10:46

1. CALL TO ORDER: 9:00 am
MEMBERS PRESENT: Anthony Arruda, Ellen Silverstein, David Manzello
Also in attendance: Paula Murphy, Head Clerk
2. MOTION TO ACCEPT: minutes of the November 14, 2016 meeting: Mr. Arruda second Ms. Silverstein
Vote: 3-0
3. APPROVE AND SIGN: Senior Tax Work-Off Program Abatements for Fy 2017
Excise Tax Abatements for 6/18/16 through 1/20/17
4. DISCUSS AND VOTE: Application for Statutory Exemption: 220 Hildreth St
Motion to Deny: Mr. Arruda, second Ms. Silverstein
Vote:3-0
5. DISCUSS AND VOTE: Tax Deferral Application: 10 Hillcrest Rd
Motion to Deny: Mr. Arruda, second Ms. Silverstein
Vote: 3-0
6. DISCUSS AND VOTE: Settlement on 2016 ATB case: Brook Village East Apartments
(58-64, 64A, 65, 66, 67, 69B & 69C)
Motion to Grant: Mr. Arruda, second Ms. Silverstien
Vote: 3-0
7. Mr. Manzello informed the Board of ongoing cyclical and permit inspections and the gathering of information in preparation for Fy 2018 value calculations
8. MOTION TO CONCLUDE – Mr. Arruda, second Ms. Silverstein
Meeting Adjourned – 9:35 am


Anthony Arruda
Ellen Silverstein
David Manzello

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**MARLBOROUGH PLANNING BOARD
MARLBOROUGH, MA 01752**

2017 MAR 20 P 3:33

Call to Order

February 6, 2017

The Meeting of the Marlborough Planning Board was called to order at 7:00pm in Memorial Hall, 3rd Floor City Hall 140 Main Street, Marlborough, MA. Members present included: Barbara Fenby, Colleen Hughes, Sean Fay & Brian DuPont. Also in attendance were Board Secretary Melissa Peltier & City Engineer Thomas DiPersio

Shawn McCarthy & Philip Hodge were absent.

1. Meeting Minutes:

A. January 23, 2017

This item was carried over to the next regularly scheduled meeting. (February 27, 2017)

2. Chair's Business:

A. Update regarding Planning Board Page – Calendar

This item has been turned over to the Planning Board Secretary for the care and maintenance of the Planning Board page. Mr. Fay noted his continued objection to the lack of a Planning Board calendar to track expiration dates, and again expressed his concern that having to hunt and peck through a list of every open subdivision in the City will result in the Planning missing a deadline, expiration of a subdivision approval, or the lapse of a bond.

3. Approval Not Required:

A. Decision Hager St/Parmenter Rd (2 lots in Framingham, 1 in Marlborough)

Ms. Hughes read the favorable recommendation from City Engineer DiPersio into the record. On a motion made by Mr. DuPont, seconded by Mr. Fay it was voted to accept the correspondence and place it on file. Motion carried.

Titled: Plan of Land
Framingham/Marlborough, MA Middlesex County

Prepared For: South Coast Advisors LLC
2 Munroe Parkway
Wareham, MA

Prepared By: Engineering Design Consultants Inc
32 Turnpike Rd
Southborough, MA

Dated: January 13, 2017

On a motion made by Ms. Hughes, seconded by Mr. DuPont it was voted to endorse the plan as recommended by the City Engineer. Motion carried.

B. 560,566,568,574 Lincoln St (Hancock Associates) (February 27, 2017)

Mr. Dan Bremsler from Hancock Associates was in attendance to present the requested Approval Not Required Plan.

Board members questioned the reconfiguration of the “lots “ to include the “rat tail” design, generally the Board is not in favor of such designs.

On a motion made by Mr. Fay, seconded by Ms. Hughes it was voted to refer the Plan to the Engineering Department for review. Note was made that this plan must be reviewed and be available for the next regularly scheduled meeting on February 27, 2017. Motion carried.

4. Public Hearings (7:15): None

5. Pending Sub Division Plans: Updates and Discussion:

A. Engineers Report

City Engineer DiPersio reported out to the Board that the Goodale Estates subdivision was working on the roadway and drainage however there has been no decision regarding the sidewalk.

B. Marlborough Hub Continued Discussion (April 1, 2017)

Ms. Hughes read the lengthy communication from Attorney Bergeron into the record.

On a motion made by Ms. Hughes, seconded by Mr. DuPont it was voted to accept the communication and placed it on file. Motion carried.

Much discussion took place between the Board and Attorney Bergeron regarding the section of land being referred to as the former railroad land and the applicability of the use of that land as either “passive use” land per lot or just for counting in the minimum lot area for each intended lot. Attorney Bergeron proposed that his client could erect a sold fence removing the land in question from being utilized by the future owners of the properties. Attorney Bergeron also contended that his client could build on the non-railroad land as it stands with that land being beside the point.

Attorney Bergeron did note after being requested to provide a subdivision plan to the Board with no requested waivers, that the developer could not do that and this plan was never intended to “not” have waivers associated with it. The developer just does not have enough land to produce that type of a plan.

In particular, the Board is requiring the developer to provide the Board with legal authority to the satisfaction of the Board and City Solicitor that the developer can use the easement depicted on the submitted plan without "overloading" the easement. Mr. Fay noted that the authority provided by the City Solicitor seemed to clearly contradict the developer's position and the court in the case provided rejected the approach being forwarded by the developer. Mr. Fay also noted that the burden was on the developer to prove that they had the ability to use the easement for it's intended purpose and suggested that the developer provide a memorandum to the Board outlining the developer's position on that issue. The consensus of the Board was that absent proof to the Board's satisfaction and the satisfaction of the City Solicitor that the overloading issue has been addressed, the Board should not entertain a discussion on the merits of the requested

waivers.

The Board made clear to Attorney Bergeron that he needed to clear up the remaining issues collaborating with City Solicitor Rider. Attorney Bergeron noted that he will be requesting an extension from the current April 1 deadline at the next regularly scheduled meeting. (February 27, 2016)

This subdivision has not been further referred to the Engineering Department for review due to the issues that still need to be resolved.

6. Preliminary/Open Space Submissions/Limited Development Subdivisions: None

7. Definitive Subdivision Submission: None

8. Signs: None

9. Unfinished Business: None

10. Informal Discussion: None

11. Correspondence: None

12. Public Notices of other Cities and Towns:

A. Town of Framingham Zoning Board of Appeals, 11 Notices

B. Town of Framingham Planning Board, 4 Notices

On a motion made by Ms. Hughes, seconded by Mr. DuPont it was voted to accept and place on file items 12A-B. Motion carried.

Adjournment: On a motion made by Mr. DuPont, seconded by Mr. Fay it was voted to adjourn at 7:45pm. Motion carried.

Respectfully submitted,

Colleen Hughes
Clerk

/mai

RECEIVED
CITY CLERK'S OFFICE
CITY OF MARLBOROUGH

**MARLBOROUGH PLANNING BOARD
MARLBOROUGH, MA 01752**

2017 MAR 20 P 3:33

February 27, 2017

Call to Order

The Meeting of the Marlborough Planning Board was called to order at 7:00pm in Memorial Hall, 3rd Floor City Hall 140 Main Street, Marlborough, MA. Members present included: Barbara Fenby, Colleen Hughes, Sean Fay, Philip Hodge & Shawn McCarthy. Also in attendance were Board Secretary Melissa Peltier & City Engineer Thomas DiPersio

Brian DuPont was absent.

1. Meeting Minutes:

A. January 23, 2017

On a motion made by Ms. Hughes, seconded by Mr. Hodge it was voted to approve the minutes from the January 23, 2017 regular Planning Board meeting. Motion carried.

B. February 6, 2017

On a motion made by Mr. Hodge, seconded by Ms. Hughes it was voted to table the minutes from the February 6, 2017 regular Planning Board meeting. Motion carried

2. Chair's Business:

A. Update regarding Planning Board Page – Calendar

Secretary Melissa Peltier and City Engineer Thomas DiPersio presented to the Board the updated web page for the Planning Board. Included on the site there were two links one link to the Subdivision Status Calendar (Updated) and one link to the newly created Subdivision Status Report.

The updated calendar has the expiration dates, and extension dates for the currently active or under review subdivisions. The Status Report has more information on it in an easy to read per subdivision format.

The Board has requested from the City Engineer to continue to receive a hard copy of the Subdivision Status report complete with comments.

The Board in general was happy with this current configuration.

A new topic will be added to the meeting minutes entitled "Calendar Tracking Updates" All updates discussed at the meeting will be listed in this section and then transcribed into the calendar by Ms. Peltier. In an effort to give the Board the "at a glance" information that they have been asking for.

3. Approval Not Required:

A. Decision 560,566,568,574 Lincoln St (Hancock Associates) (February 27, 2017)

Mr. Dan Bremsler from Hancock Associates was in attendance to answer any questions the Board may have.

Ms. Hughes read the favorable recommendation from the Engineering Department into the record.

Of note the Board noticed that the ANR Plan itself contained a note stating the Planning Board

Endorsement Doe Not Imply Compliance With Zoning Bylaws.

On a motion made by Mr. Fay, seconded by Mr. McCarthy it was voted to move the recommendation of the City Engineer and to endorse the Plans as amended. Motion carried.

4. Public Hearings (7:00):

A. Proposed Temporary Cessation...Special Permit Housing Projects

Ms. Hughes read the notice into the record.

The Public Hearing was opened at 7:05pm Ms. Hughes read the notice into the record. The hearing was taken in the traditional 4 stages:

Presentation

Those speaking in favor-questions

Those speaking in opposition

Questions from Board Members

Presentation:

Mr. Joseph Delano, 10 Harper Circle, City Councilor Ward 1 and City Council Vice President

Mr. Edward Clancy, 106 Old Charter Road, City Councilor Ward 6 and City Council President

Both Councilors were in attendance representing the Mayor who was the driving force behind the proposed cessation.

The thought behind the proposed cessation is to give the City the ability to set in place regulations pertaining to the size and density of Special Permit required housing developments proposed within the City. The water and sewer capacity as well as the infrastructure of the City need to be balanced with the quality of life for the City's residents. To that end the City needs to take a step back and take a breath before delving into the next round of proposed housing of which there are several large projects in discussion stages.

Speaking in Favor or questions:

Attorney Arthur Bergeron 27 Prospect Street, Marlborough

Attorney Bergeron was speaking as an attorney for developers, he agrees with the proposed cessation with a couple of modifications, such as the proposed Assisted Living Facility for Bolton St should be allowed to move forward as they have already submitted a special permit application and the project is much advanced. The second modification should be for the allowance of Open Space Subdivisions (Planning Board Special Permits) as these types of developments are neutral in the housing units created by either conventional subdivision or open space.

Attorney Bergeron continued his comments as a private resident.

Mr. Bergeron believes this is a great idea. There has been so much work done already specifically in the creation of the Downtown Village District. This cessation time should be used to set some criteria in place as to what the housing should look like. Mr. Bergeron believes that in looking for affordable housing the first look should be at the older housing stock. Mr. Bergeron also believes that the criteria should not be focused on excluding families with children, but welcome larger families into the City.

Attorney David McCay from the Law Office of Mirick O'Connell

Attorney McCay is the representing attorney for the Benchmark Assisted Living Facility that is currently proposed for 421 Bolton St, Marlborough.

Attorney McCay believes that the proposed facility should be exempt from the proposed cessation due to the need for this specific type of housing as well as the fact that the Special Permit Application has already been filed with the City Council. This particular project has had many hours already sacrificed into it. There has been a zoning amendment filed for the property and approved there has been title work and plans drawn. This particular project is already well on its way to approval not in the planning or discussion stages. In closing, he feels this project should be exempted from the cessation regulation.

Speaking in Opposition:

Ms. Sandra Stetson, Owner Marlborough Airport Land, 685 Farm Road, Marlborough

Ms. Stetson stated that she is trying to sell the large parcel of land that includes that airport and is zoned as Limited Industrial (LI) land. She feels her life would be put on hold for the duration of the cessation (approximately 6 months) and she feels that is not fair to her.

Ms. Kathleen Robey, 97 Hudson Street, City Councilor At Large

Ms. Robey does not agree with the proposed cessation. Ms. Robey believes while the City Council has the ability to say No to a project that is not felt to be a good fit for the City as a whole, the Council does not evoke that privilege often (if ever). She feels there is no need for the cessation. This is the second public hearing regarding this proposal and the same people came out in support or against it. There seems to be no extreme feeling by the public in general either for or against this proposal.

Questions from Board Members:

Mr. Fay asked the simple question to both Councilor Delano and Councilor Clancy,

Why couldn't you just say no to any project that you feel is not a proper fit for either the location proposed or the City in general?

Councilor Delano feels that the Council could be put in an unfavorable position they may not have all of the information that could be required and the City could be stuck with a potentially low quality project.

Councilor Clancy noted that the Council is bound by law and can not just arbitrarily deny projects. There has to be a valid reason for the denial.

Mr. Fay questioned if this cessation would have a detrimental effect on the hard work that was done to create the interest and momentum in the Downtown Village.

Councilor Delano noted that most housing development in the Downtown Village District does not fall into the Special Permit category.

Mr. McCarthy questioned how the pent up demand will be dealt with at the end of the cessation time limit?

Councilor Clancy admitted that he had concerns regarding that issue as well. Councilor Delano noted that it is his feeling that the City Council would tell the potential developers what the City wanted in these locations and the developers would have to modify their proposed projects to fit within the design requirements. This potential issue will need to be worked through during

subcommittee discussions.

Ms. Hughes asked when the clock would start for the cessation?

Councilor Clancy noted that the intent is to set the final vote on the cessation for the second meeting in March. (March 27, 2017)

Ms. Hughes questioned whether the cessation would run from March 27, or from the initial date of the advertisement, which was January 13?

City Solicitor Don Rider noted that he and Attorney Bergeron agree that the cessation has not yet taken effect and will only take effect if and when the City Council votes to approve it. He further noted that where he and Attorney Bergeron disagree is whether the cessation, if approved, would have retroactive effect back to the date when the first newspaper ad ran for the City Council public hearing, which was January 13, 2017, or would instead have only prospective effect from the date of Council approval.

The Public Hearing was closed at 7:40pm.

On a motion made by Ms. Hughes, seconded by Mr. Fay it was voted to:

Forward an overall favorable recommendation to the City Council for the proposed six-month cessation of the Acceptance of Applications for Special Permit allowable housing projects with the following exceptions:

- Removal of the Open Space Special Permit issued by the Planning Board from the cessation requirement as these projects are neutral on the number of houses allowed in a particular development and,
- Removal of the proposed Assisted Living Facility project from the temporary cessation, as the zoning amendment enabling this project has already been approved and the project will be providing a much-needed senior living option within the City.

Motion carried.

5. Pending Sub Division Plans: Updates and Discussion:

A. Engineers Report

City Engineer DiPersio reported out to the Board that the Subdivision Status report has been updated. He continued on to note that there are upcoming deadlines in May for multiple Subdivisions Walker Brook Estates and Cider Mill Estates, currently Mauro Farms and Blackhorse Farms are in their maintenance periods.

B. Wayside Hollow—Acceptance of Bouffard Dr. & Easements ref. from City Council

Ms. Hughes read the favorable recommendation from the City Engineer into the record.

On a motion made by Ms. Hughes, seconded by Mr. Fay it was voted to accept the recommendation and place it on file as well as forward the recommendation to the City Council to accept Bouffard Dr. as well as all Easements associated with Bouffard Dr. to the City Council for final acceptance as a City Way. Motion carried.

C. Marlborough Hub Continued Discussion (April 1, 2017)

Attorney Bergeron submitted to the Board a request for an extension of time to review the Marlborough Hub Subdivision until July 1, 2017.

On a motion made by Mr. Fay, seconded by Ms. Hughes it was voted to accept the correspondence and place it on file as well as extend the deadline for review of the Marlborough Hub Subdivision until July 1, 2017.

Attorney Bergeron informed the Board that the City Solicitor had recently brought a potential issue to his attention regarding this proposed subdivision.

Solicitor Rider noted how the proposed subdivision is a lot split into 2 zoning districts with the railroad land being the more restrictive Industrial district. He stated his reading of case law that the use of the former railroad land portion of this proposed subdivision as the location for the detention basins would not be a passive use of the land in question, but rather would be prohibited as an active use of that land serving the Residence C portion of the proposed subdivision.

Attorney Bergeron notes that after his investigation if that holds true than that would be considered as a fatal flaw in the subdivision application. The developer would then reconsider the subdivision application.

6. Preliminary/Open Space Submissions/Limited Development Subdivisions: None

7. Definitive Subdivision Submission: None

8. Signs: None

9. Unfinished Business: None

10. Informal Discussion: None

11. Correspondence: None

12. Public Notices of other Cities and Towns:

A. Town of Framingham Planning Board, 5 Notices

On a motion made by Ms. Hughes, seconded by Mr. McCarthy it was voted to accept and place on file item 12A. Motion carried.

Calendar Tracking Updates:

Marlborough Hub Extension – July 1, 2017

Adjournment: On a motion made by Mr. DuPont, seconded by Mr. Fay it was voted to adjourn at 8:45pm. Motion carried.

Respectfully submitted,

Colleen Hughes
Clerk

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