

FY21: A Year Like None Other

The FY21 budget process started off in August of 2019 with the issuance of our budget guidelines to each department asking to hold to a 2.25% increase per department and to make every effort to avoid requesting that the voters consider an operational override. Nothing in the proposed budget introduced any growth in the key areas of either Public Safety or Education.

While trying to keep to only a 2.25% increase, three key factors made this challenging:

1. Our Plymouth County Pension Assessment increased by over 13%
2. The escalation in Transfer Station costs of 25% due to the China Sword policy which no longer allowed for the acceptance of our recyclables
3. Ongoing union contract negotiations with seven (7) bargaining units for FY 20-22

To mitigate these costs, we:

1. Offset some pension costs with a withdrawal of \$213,700 from our Pension Reserve
2. Increased our Trash fees to offset rising prices in removal and hauling
3. Settled 3-year contracts with our bargaining units to our planned projections of 2%, 2.5% and 2.5%

With these factors considered, we were able to present a balanced budget with only a 3.24% increase to our departmental operating budgets.

In January and February, the Town's proposed operating and capital budget reviews were concluded by the Fiscal Advisory Committee, the Board of Selectmen, the School Committee and the Finance Committee. We anticipated meeting our annual goals for funding capital projects, providing level service funding to departments, and still building the Town's reserves. Warrant articles had all been reviewed and voted on and by February 27 and we were ready for the Saturday, March 14th Town Meeting.

Then, everything changed.

On March 11, 2020, the Novel Coronavirus Disease, COVID-19, was declared a pandemic by the World Health Organization and on March 13, 2020, a national emergency was declared in the United States concerning the COVID-19 Outbreak.

The impacts of COVID-19 have caused tremendous pain and suffering globally, nationally and locally and while creating never before seen changes to our society. The physical and emotional toll on each of us has been enormous. This public health crisis spawned an economic crisis as people have grappled with lost wages, housing and food insecurity, and an uncertain future. The disruption to every sector of the economy including the health, education, and government areas created enormous instability. Whole sectors of the economy ceased to operate. Traditional revenue sources for government plummeted and any prospect for reliable predictions became almost useless. While individuals and business owners have been hit the hardest, these closures have also affected the Town. Town operations were temporarily disrupted and our revenues fell. The pandemic has laid before us challenges in how best to continue service to the public while maintaining continuity of operations all with an eye toward an uncertain future.

After addressing the immediate service needs and ensuring our continuity of operations, we began to assess our revenue estimates. We recognized first that the services provided by the Town are important to our residents and second, that reduced revenues mandated reduced budgets. Thus, we set our sights on creating

a budget that would meet the financial needs of the Town while maintaining staffing and services to the extent feasible.

As part of this exercise, we looked at a best case, worst case, and the most likely case scenarios which ranged from a \$2M - \$5M revenue shortfall. We looked back at the data from the Great Recession and the revenues sources that were most vulnerable at that time:

1. *Motor Vehicles Sales*

Dropped 10% during the period 2008-2010.

2. *Drop in Meals Tax*

The Pandemic has hit the restaurant and entertainment industry very hard.

3. *Beach Sticker Sales*

The Beach was closed when the pandemic hit and would remain closed until early June which adversely effected FY 20 revenues. While we figured the FY 21 summer season would return, we weren't sure people would have the disposable income for stickers. With out-of-state travel severely limited, beach sticker sales did show a stronger than expected return but not to our pre-pandemic estimates.

4. *State Aid*

During the great recession, the Federal government helped the states. The Commonwealth used AARA funds to preserve and increase Chapter 70 funding.

In our most likely case scenario, we believe that something similar would happen to State Aid. In our worst-case scenario, the Federal government would not provide any stimulus to the states and the Commonwealth would not dip into their Stabilization fund to preserve State Aid to cities and towns.

Thus, the consensus was to revise our FY 2021 budget to cover a \$2M revenue reduction. The question then became, how best to do that? Do we slash budgets and positions in a time of economic uncertainty? Should we use one-time revenue sources like Free Cash and Stabilization to get us through FY 2021 until we have a clearer picture of what lies ahead? We also looked at the idea of going back to the unions after bargaining in good faith and having settled all of our contracts but with no clear picture ahead.

It was apparent that budget cutting would have to be done while trying to preserve Public Safety and Education. Thus, we took a hybrid approach to filling the \$2M revenue shortfall - we would cut budgets by a minimum of \$800K, utilize \$750K in Stabilization, and Free Cash for the remaining \$450K.

We do not take using Stabilization and Free Cash to balance budgets lightly. In fact, it is something that should never be done in best practice; with one rare exception - dire circumstances beyond one's control that are uncertain in nature. The Stabilization Fund is a special revenue account permitted by Massachusetts General Laws to allow savings to be set aside and made available for emergency expenditures. In this pandemic, we view revenue losses as temporary and the Stabilization Fund is meant to be used in an economic downfall to "stabilize" the budget.

Our financial policies prescribe keeping 5-10% of our budget in stabilization to help ensure a solid bond rating. By using only \$750K from Stabilization, this amount will still keep the Town above 5%, which is compliant with our policy, while still preserving some funds for a drawn-out recovery if that should become the case.

Under our current budget proposal, we have held onto as much Free Cash as possible and would like to hold on to what we have until such time as State Aid for Fiscal 2021 has been determined.

Therefore, we have brought forth a balanced budget that still preserves essential services such as Education and Public Safety. Our Council on Aging, Library, and the Percy Walker Pool have each been directly impacted by the Pandemic and as a result, they have borne the brunt of budget cuts but still not cutting services once things return to normal.

The original budget we were prepared to bring forward for your consideration was a 3.24% increase over FY20 while this newly revised budget in the post-Covid world represents a 2.08% increase.

We clearly realize that we will have to be pro-active during Fiscal Year 2021 and make tough decisions that will have budget efficiencies for FY 2022.

The budget motion to be considered this morning has always shown various funding sources as “other available funds.” That is because each of those sources have to be spent for specific purposes as required by those individual statutes. Free Cash and Stabilization are utilized to “defray” any costs that a city or Town may legally spend so therefore, those sources do not legally require specific reference to any line items.

Finally, I want to offer my thanks to the Board of Selectmen and Finance Committee for their continued support, encouragement and direction throughout this process. I would also like to thank the Fiscal Advisory Committee, School Committee and all of our volunteer board and committee members who serve our community so well - they are to be commended for their tireless efforts. Additionally, I would like to take this opportunity to thank each of our Department Heads and their staffs for their hard work and dedication and let them know that I appreciate all of their efforts. I am proud and honored to work alongside such a talented group of people – you all have my sincerest gratitude.