



**Town-Wide Financial Plan Fiscal Year 2021 Special Town Meeting
COVID-19 Update
Submitted by the Board of Selectmen**

October 5, 2020

Dear Town Meeting Members:

Please find an interim Fiscal Year 2021 COVID-19 update to the Town-Wide Financial Plan for the 2020 Annual Town Meeting ("ATM").

COVID-19

The Board of Selectmen (the Board) provided a COVID-19 update to Town Meeting in June 2020 in preparation for the ATM. Due to the extended closures of town facilities and unknown timeframe for reopening, the Board modified the Fiscal Year 2021 (FY21) Budget in June 2020 to reflect anticipated revenue shortfalls. These anticipated revenue reductions were balanced through reductions to Town capital budgets. Operating budgets remained the same, as originally proposed and evaluated by the Advisory Committee prior to the COVID-19 pandemic. At ATM in June, the Board committed to monitoring the FY21 financial impacts of COVID-19 on the Town during the initial months of FY21 and to work with the other boards and departments to identify any necessary modifications to the FY21 budget at the October 2020 Special Town Meeting.

State Budget and Reopening Status

Budgetary uncertainty continues as this update is prepared:

- The State Legislature has not yet approved the FY21 budget. In July, the House and Senate passed an interim budget to fund the state government through October 31, 2020. In August, they voted to extend the legislative session through the remainder of 2020 and are expected to pass an annual budget this fall. It is unclear whether further federal funds will be made available.
- The Town's Unrestricted General Government Aid (UGGA), Chapter 70 (state aid to public elementary and secondary schools) and Chapter 90 funds (capital roadway improvements) will remain flat from FY20, as was projected in June.
- The Commonwealth's reopening plan had been stalled at Phase 3, Step 1. Effective October 5, 2020, lower risk communities, including Wellesley, will be allowed to move to Phase 3, Step 2.

The Town is carefully tracking each departmental budget and has used Coronavirus Aid, Relief, and Economic Security (the "CARES Act") funds (detailed below) to cover expenses for operations related to COVID-19. The School Department and Health Department have experienced particularly significant impacts. The Board had planned to re-evaluate the full

FY21 budget after three months to consider whether a supplemental budget request in the fall would be necessary. However, continued economic uncertainty and a potential resurgence of COVID-19 make it challenging to predict expenses and the impact on operations for many Town departments. The Board may need to call a third Special Town Meeting in February 2021 if funding is needed to supplement departmental budgets for the remainder of FY21.

Budget Impact of CARES Act Funds and FEMA Reimbursement

To help municipalities address the impact of COVID-19, several financial measures have been implemented by the federal government and the Commonwealth. The federal CARES Act includes funds to cover costs incurred as a result of the COVID-19 outbreak. The CARES Act authorized \$150 billion through the Coronavirus Relief Fund for state and local governments, including \$2.7 billion for Massachusetts. Wellesley received \$2,616,201 in municipal funds in addition to \$1,097,100 in dedicated school CARES Act funds, \$101,127 in a remote school technology award, and \$123,519 in Elementary and Secondary School Emergency Relief funds (ESSER) sub-grant for remote summer learning for special education students.

Under federal law, CARES Act funds may only be used for expenditures that meet these three conditions:

1. "Necessary expenditures incurred due to the public health emergency with respect to ... COVID-19"
 - a. Funds may not be used to substitute for lost revenue
2. Not budgeted as of March 27, 2020, when the CARES Act was enacted
 - a. May not supplant state or municipal spending
3. Incurred on or after March 1, 2020, up to December 30, 2020

The Town's operational budget after December 31, 2020, must then absorb the remainder of the fiscal year's expenses (December 31 through June 30, 2021) associated with COVID-19 unless there is an additional federal or state appropriation.

In addition to the use of the \$3,937,947 (total CARES for municipal and schools), the Town is also eligible for FEMA reimbursement for measures taken in immediate response to the pandemic. FEMA reimburses up to 75% for emergency response costs and includes expenses related to First Responders, Personal Protection Equipment (PPE), First Responders' overtime, cleaning and disinfecting, and Health Department needs. The Town is working diligently to be reimbursed for every dollar spent as a result of COVID-19. Anticipated FEMA reimbursements currently total \$240,909. Financial Services has been working with each department to carefully calculate qualifying CARES expenditures. Below is a summary of anticipated expenses and expenses to date:

Total Assistance Available:

	Federal and State Assistance	FY20-FY21
Municipal CARES Allocated	\$ 2,616,201.00	
Schools CARES Allocated	\$1,097,100.00	
School ESSR Grant	\$123,519.00	
School CARES Remote Learning	\$101,127.00	
 Schools	 \$	 (2,638,717.00)
Health Dept.		(128,701.00)
Election		(84,419.00)
Morses Pond Summer Operations		(69,608.97)
Personnel Backfill		(18,239.23)
Cleaning/Disinfection		(549,915.83)
PPE (FEMA Component Reimbursable)		(274,180.45)
Technology (Non-School)		(23,182.44)
COVID-19 Supplies (signs)		(14,376.09)
Food Programs		(72,499.31)
Library		(43,100.00)
Subtotal CARES/Grants	\$ 3,937,947.00	\$ (3,916,939.32)
Potential FEMA Reimbursement	240,909.33	
CARES Available	\$ 4,178,856.33	\$ 261,917.01

School Department: Remote learning began in March 2020. The School Department in preparation of ongoing needs purchased laptops and iPads for school distance learning at a cost of \$200,873 in June with CARES Act funds. For the 2020-2021 school year, the School Department was required to establish a totally remote educational process (the Remote Learning School or RLS). With state-required RLS and contractual obligations to the Teacher's Union, the School Department determined that they required significant equipment and technology purchases, the addition of 33.57 full-time employees, the renting of tents to maximize outdoor space for mask/lunch/snack breaks, and the establishment of a viral testing program for students, faculty and staff to begin operations. Remote programs began through the summer, and the School Department expended their total educational CARES Act allocation of \$1,321,746. The Board authorized the use of municipal CARES Act funds on September 21, 2020, in the amount of \$1,116,098 to offset the RLS personnel costs through December 30, 2020, for additional staff and other COVID-19 expenses, including FFCRA coverage (explained below), and PPE.

The School Budget anticipates incurring an additional \$4,065,542 beyond the FY21 budget approved in June at the ATM.

- CARES funds budgeted to date: \$2,638,717
- Anticipated incremental Tax Impact \$1,426,825
 - Salaries (12/31/20- 6/30/21) is \$596,825
 - Health care benefits: \$530,000
 - COVID-19 Testing: 300,000
- Potential Additional Tax Impact: \$700,000 (tents through June 2021)

Health Department: The Health Department's workload has increased significantly due to COVID-19. The Health Department is responsible for enforcement of ALL COVID-19 contact tracing; enforcement of COVID-19 plans, protocols, and procedures; and COVID-19 responses. Meanwhile, the department must continue its usual work on licensing, mental health, mosquito and pest control, tobacco enforcement, vaccinations (flu in particular), inspections, and other duties. The workload of Health Department staff has effectively doubled due to the pandemic. Consequently, the Health Department is seeking permanent modifications in their Public Health Nurse positions, Social Work positions, and additional hours for environmental, inspection, and enforcement services

To address these significant shifts in responsibilities and needs, a budgetary increase of \$190,301 to the Health Department budget approved at ATM is being recommended:

- CARES fund eligible: \$128,701 (Salaries and Benefits through 12/30/20)
- Tax Impact: \$61,600 (Salaries from 12/31/20-6/30/21)

The Families First Coronavirus Response Act

The Families First Coronavirus Response Act (FFCRA) requires the Town to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. FFCRA will have an ongoing impact on expenses as town employees make use of this program as needed, with financial implications of up to 12 weeks income for employees who have worked for the Town for least 30 days.

Under the FFCRA, options for all employees include:

- Two weeks (up to 80 hours) of paid sick leave at the employee's regular rate of pay if the employee is unable to work because the employee is quarantined (pursuant to Federal, State, or local government order or advice of a health care provider), and/or experiencing COVID-19 symptoms and seeking a medical diagnosis;
- Two weeks (up to 80 hours) of paid sick leave at two-thirds the employee's regular rate of pay because the employee is unable to work because of a bona fide need to care for an individual subject to quarantine (pursuant to Federal, State, or local government order or advice of a health care provider), or care for a child (under 18 years of age) whose school or child care provider is closed or unavailable for reasons related to COVID-19, and/or the employee is experiencing a substantially similar condition as specified by the Secretary of Health and Human Services, in consultation with the Secretaries of the Treasury and Labor.

For employees who have been employed for at least 30 days:

- Up to an additional 10 weeks of paid expanded family and medical leave at two-thirds the employee's regular rate of pay where an employee is unable to work due to a bona fide need for leave to care for a child whose school or child care provider is closed or unavailable for reasons related to COVID-19.

Revenues

The most significant financial impact of COVID-19 to the FY21 budget was to new growth assumptions and the anticipated negative impact on local revenue. The Town reduced assumed growth in Motor Vehicle Excise Tax, Investment Income, and Building Permits by \$1,646,005. By the close of FY20, the Town showed some renewed resiliency in these areas. Although the Building Department experienced a slowdown from March 2020 through May 2020, construction between July 1 and September 30 has been consistent with past years reflecting less than a 5%

discrepancy in the number of permits issued. In September, the Town issued the foundation permit for the 40R project at Williams Street that brought in \$1.1M to the General Fund.

One area of significant concern is the drop in revenue from the Town's traffic and parking operations. These operations have historically been self-sustaining. COVID-19 resulted in a dramatic decrease in the use of public transportation and an increase in remote work, which has left the Town's commuter lots largely empty. The Town has also had to refund yearly parking passes. The Town is currently generating less than 2% of the normal traffic and parking revenues and is currently predicting a revenue shortfall of between \$700,000 and \$900,000. The traffic and parking fund has a reserve of \$353,620 that will be incorporated into the FY22 budget, but this is the first significant area the Town has identified where Free Cash will be necessary in FY22 to ensure continued operations. The traffic and parking division funds traffic consulting services for the Town, management and maintenance of the parking lots and parking meters, traffic calming, traffic signs, street line painting, and salaries for the Parking Clerk, meter attendants, and half of the salary of the Police Lieutenant who oversees the division.

Collections of property tax and excise tax reflect past year percentages and the Town has not seen a drop in valuation.

Status of Reserves

At the end of FY20, the Board evaluated extensively the use of Free Cash and the resulting impact on reserves as the Town prepared for the financial impacts of COVID-19. The Town's Financial Policies stipulate that reserves should range from 8% to 12% of revenue. The FY21 budget approved by ATM maintained funding levels for the stabilization funds and other reserves as well as Other Post-Employment Benefits (OPEB) and Pension contributions. In June 2020, anticipated reserve balances for FY20 were \$18,538,610, or 11.54% of revenue.

Despite all that was required of the Town in the immediate response to COVID-19 from March through June 2020 to facilitate remote work by staff, provide personal protective equipment (PPE) to first responders and town employees, increase digital town functions and expand cleaning and sanitizing activities, the Town was able to realize significant savings due to the closure of schools and municipal buildings, restrictions on spending, and a short-term hiring freeze.

Specifically, the Town realized \$5.7M in departmental turn back which raised the projected reserves to \$24,166,592 or 15.04%. Sources of turn back included:

- \$1.3M in payroll from vacant positions and a reduction in overtime;
- \$1.5M in reduced expenses as Town staff worked remotely; and
- \$1.4M realized by the School Department due to reduced expenses and a reduction in need for substitute teachers and transportation.

The Town also realized \$1.7M more than anticipated in revenues, primarily due to an additional \$1.2M in investment income and \$300,000 in motor vehicle excise tax.

The increased reserve balance will be critical as we complete FY21 and evaluate FY22 revenue shortfalls and/or deferred capital needs.

FY22 Budget Cycle

The Town's budget cycle usually begins in July with the Board's initial discussion with the larger departments including School Department, the Facilities Management Department (FMD), and Department of Public Works (DPW). All summer, the Town continued to work on generating and implementing COVID-19 protocols and the School Department worked to design three scenarios of potential fall reopening plans. Consistent with the delays in the Commonwealth budget, the Town's budget process has also been delayed. Guidelines for FY22 are now scheduled to be finalized by November 2, 2020. The delay in the budget cycle will in turn require a delay in the start of the 2021 ATM. The Board currently projects that ATM will begin in the latter part of April to ensure the Town's thorough budget vetting process with all boards and the Advisory Committee. The Board anticipates the amount of reserves needed to balance the FY22 budget may be greater than in recent years due to revenue shortfalls.

Key Financial Planning

Each year at ATM, the Board and staff update the Town-Wide Financial Plan with input from the Town's departments, boards, and committees, guided by the conservative financial policies adopted over the last decade. Due to COVID-19, an extensive analysis was performed following ATM as well. As in prior years, the key issues impacting the Town's financial planning include:

- Growth in personnel costs
- Employee benefit costs
- Facilities and other capital needs.

Growth in Personnel Costs

The largest recurring item in the year-over-year growth of the Town budget is the cost of wage increases ("Cost of Living Adjustments" or COLA) for existing employees. Most Town employees are unionized and their annual wage increases are a subject of collective bargaining. There are 11 unions representing 1,129 employees, the largest of which is the Teacher's Association. This year, eight of the Town's union contracts have been negotiated. (The teacher's union contract does not expire until June 30, 2022.) Four union contracts were approved at the 2020 ATM in June, including Police (Superior Officers and Patrol), Fire, and Library. Of the remaining four contracts, three will be brought forward at the STM including Police Dispatchers and DPW (Supervisors and Production). The remaining contract for FMD custodians remains in negotiation. At ATM, the Town set aside funds for contract settlement costs in the amount of \$580,000. At the close of ATM after funding already-approved contracts, the balance for the remaining settlements was \$521,532. The new proposed contract settlements can be fully funded through this ATM appropriation and no additional appropriation is needed. The Town will begin negotiations in the near future with all unions on a new multi-year contract for health care benefits for FY22 and beyond.

Police Dispatch Union Settlement

Negotiations began with the Dispatch Union in January 2020 and were stalled in March due to COVID-19. The dispatch positions continue to experience high turnover on an annual basis. The position is largely seen as a stepping-stone to other emergency personnel positions such as EMTs, Police Officers, Fire Fighters, or nursing positions. This past year, five Wellesley

dispatchers moved on to other positions within the Town and elsewhere. The goal of this contract was to encourage retention and support individuals seeking to make dispatch a career through the addition of new long-tenured steps.

Key Terms of Police Dispatch Collective Bargaining Agreement:

Contract Covers

- 10 Dispatch Positions

Financial Terms

- Three-year agreement (FY21-FY23)
- 2% COLA Each Year
- New 12-year Step (2%)
- New 20-year Step (3%)
- Elimination of Longevity
- Reduced Sick Time Accumulation from 150 days to 90 days
- Amendment to vacation schedule
- Increased training stipend by 0.5 hours per shift

FY21 Cost of Settlement

Total cost is \$13,258

Department of Public Works Union Settlements

Negotiations with the DPW Production and DPW Supervisor Unions began in February 2020 and were curtailed due to COVID-19. The negotiations for both unions focused on making it possible for the Town to implement GPS/AVL (Global Positioning System/Automatic Vehicle Locator) systems in the DPW vehicles for work efficiency, public safety tracking of snow routes, and data analysis. For the Supervisory Unit, the job positions were evaluated and reclassified by Human Resources and the COLA reflect the increase in reclassification. The Production Unit settlement focused on encouraging employee retention, extending the probationary period to 12 months to evaluate new hires and creating equity with Municipal Light Plant standby (on-call) pay.

A. Key Terms of DPW Supervisor Collective Bargaining Agreement

Contract Covers

- 6 Supervisors

Financial Terms

- Three-year agreement (FY21-FY23)
- FY21: Add step 9 to Job Group S55 at 4% above Step 8
- FY21: 0% COLA; FY22: 0% COLA; FY23: 1.75% COLA
- FY22: Increase longevity scale by \$125
- Implementation of GPS/AVL

FY21 Cost of Settlement

Total cost is \$31,071

- Tax Impact is \$21,011
- Water and Sewer Enterprise Fund Impact is \$10,060

B. Key Terms of DPW Production Collective Bargaining Agreement

Contract Covers

- 76 Positions

Financial Terms

- Three-year agreement (FY21-FY23)
- FY21: 2% COLA; FY22: 2% COLA; FY23: 2% COLA
- FY21: Add step 7 at 4% above Step 6
- Increase standby pay from \$20 to \$50 per day and \$25 to \$50 per night
- Modification of Recycling and Disposal Facility (RDF) work week from Tuesday to Saturday to Monday to Friday.
- Implementation of GPS/AVL
- Increase probationary period to 1 year

FY21 Cost of Settlement

Total cost is \$275,537

- Tax Impact is \$194,399
- Water and Sewer Enterprise Fund Impact is \$81,238

Future Projected Capital Projects and Borrowing needs

This fiscal mid-year review is a tool to inform the Town on the impacts COVID-19 has had on revenue generation and budgetary assumptions. The Board considers funding capacity when issuing the Budget Guidelines. As noted, the Board typically generates Budget Guidelines in September of each year; however, the current schedule has Budget Guidelines being finalized by the beginning of November. Several assumptions have been made for purposes of projecting the Town's Sources and Uses of funds for the years FY22-24 and evaluating potential overrides. The original placeholders established for the FY22 budget are as follows:

Revenues

• Levy growth	2.5% plus \$1.5 million of new growth
• State Aid	Reduction anticipated in FY22 because of students transitioning to private or home schooling in 2020-21, and 2% increase for FY23-FY24
• Local revenue	\$499,000 decrease for FY22, 2% increase for FY23-FY24
• Use of Free Cash	\$2.5 million/year

Expenses

• Town operating budgets	average 2.5% increase
• School operating budgets	average 2.5% increase
• Pension	per approved funding schedule
• Health insurance	2% increase
• Other employee benefits	0% increase

These modified assumptions along with significant capital expenditure reductions will allow the Town to strive to reach balanced budgets in the out-years. Any increases in estimates may require operational overrides or reductions in departmental operations. The initial assumptions for FY22 will need continued evaluation as more information about the economic condition becomes available. It is also likely that to balance the FY22 budget, further reductions may become necessary.

The foregoing expenditure assumptions do not include emerging, changed or new priorities, adoption of additional initiatives identified in Town planning documents (Unified Plan, Housing Production Plan, the Human Services areas), or strategic plan items. Many initiatives are likely to continue to be stalled because of the economic impact of COVID-19. It is also worth noting that, given the relative size of the School budget, deviation from the existing assumption regarding the growth in School spending or State Aid to Schools will have the greatest impact on the Town's financial position and budget.

Exhibit II

	FY20 Budget	FY21 Request	\$ Inc/(Dec)	% Inc/(Dec)	FY22 Projection	FY23 Projection	FY24 Projection
Sources of Funds							
Taxes	\$ 134,008,497	\$ 138,658,709	\$ 4,650,212	3.5%	\$ 143,625,177	\$ 148,715,807	\$ 153,933,702
State Aid	10,714,574	10,685,003	(29,571)	-0.3%	10,335,003	10,541,703	10,752,537
Local Revenue	11,352,726	11,343,995	(8,731)	-0.1%	10,844,995	11,041,895	11,242,733
Free Cash to balance	2,515,000	2,639,066	124,066	4.9%	2,500,000	2,500,000	2,500,000
Other Free Cash items	4,529,670	1,225,409	(3,304,261)	n/a	-	-	-
Other Sources	2,364,445	2,407,851	43,406	1.8%	1,839,045	2,916,716	2,923,265
CPA for North 40	552,044	553,444	1,400	0.3%	553,244	550,244	552,044
Exclusions & Exemptions	10,888,408	10,638,135	(250,273)	-2.3%	12,117,045	12,597,008	13,813,935
Total Sources	<u>\$ 176,925,364</u>	<u>\$ 178,151,612</u>	<u>\$ 1,226,248</u>	<u>0.7%</u>	<u>\$ 181,814,509</u>	<u>\$ 188,863,373</u>	<u>\$ 195,718,216</u>
Uses of Funds							
School	\$ 76,783,930	\$ 80,379,651	\$ 3,595,721	4.7%	\$ 82,389,142	\$ 84,860,817	\$ 87,406,641
Other Town Departments	39,069,488	40,891,799	1,822,311	4.7%	41,914,094	43,171,517	44,466,662
Employee Benefits	31,033,447	32,398,243	1,364,796	4.4%	33,447,185	34,044,176	34,716,683
Cash Capital	5,893,417	3,881,232	(2,012,185)	-34.1%	7,877,499	8,458,996	8,555,411
Debt (inside Levy)	4,300,000	5,000,000	700,000	16.3%	5,900,000	7,427,161	7,648,743
Other Uses	8,404,630	4,409,108	(3,995,522)	-47.5%	4,308,897	4,570,399	4,584,758
Exclusions & Exemptions	11,440,452	11,191,579	(248,873)	-2.2%	12,670,289	13,147,252	14,365,979
Total Uses	<u>\$ 176,925,364</u>	<u>\$ 178,151,612</u>	<u>\$ 1,226,248</u>	<u>0.7%</u>	<u>\$ 188,507,106</u>	<u>\$ 195,680,318</u>	<u>\$ 201,744,877</u>
Surplus/(Deficit-Override)	\$ 0	\$ 0			\$ (6,692,597)	\$ (6,816,945)	\$ (6,026,662)

Based on the above assumptions the current projected deficit for FY22 is \$6,692,597 with no modifications to the Cash Capital or application of additional Free Cash. This is approximately \$1.1 million more than projected in June 2020, largely based on the impact to traffic and parking. The FY23 and FY24 out-year projections have deficits in the range of \$6.0 to \$6.8 million; these deficit projections are based on revised pandemic revenue assumptions and reflect the currently evolving economic situation.

Strict adherence to the debt policy (expenses within a range of 6.2%-6.8% of revenues) will contribute significantly to reducing these deficits and the Board is committed to rigorous analysis of capital requests; conversely, allowing any growth in operating guidelines could outstrip

resources available inside the levy. Debt exclusions to be placed on the ballot over the next few years, will increase taxes. Debt exclusions include:

- Middle School Systems repairs
- Construction of the Hunnewell School
- Construction of the MSBA school (Hardy/Upham)
- Renovations to the interior of Town Hall

The remaining major projected projects and a potential timetable are as follows:

Major Project Financing Schedule: Six Year Look-Ahead														
September 23, 2020			FY2021	FY2022		FY2023		FY2024		FY2025		FY2026		FY2027
Project	Phase	Estimated Cost	Fall 2020	Spring 2021	Fall 2021	Spring 2022	Fall 2022	Spring 2023	Fall 2023	Spring 2024	Fall 2024	Spring 2025	Fall 2025	Spring 2026
<i>Hunnewell Project</i>	Construction	\$58M			X - DE									
<i>Hardy/Upham Project</i>	Design/Construction	\$77.2M			X - DE									
<i>Town Hall Interior Renovation</i>	Design	\$1.5M		X - ITL										
	Construction	\$13.5M					X - DE							
<i>Middle School Systems</i>	Construction	\$14.5M	X - DE											
<i>Library Renovation</i>	Construction	\$2.9M	X - ITL											
<i>Library Roof Replacement</i>	Construction	\$1.3M	X - ITL											
<i>DPW New RDF Admin. Bldg</i>	Design	\$500K			X - ITL									
	Construction	\$2.75M				X - DE								
<i>DPW Reno: RDF Bader Bldg</i>	Design	\$300K							X - ITL					
	Construction	\$1.6M								X - ITL				
<i>DPW Reno: Park & Hwy</i>	Design	\$1.1M			X - ITL									
	Construction	\$6.4M				X - DE								
<i>Middle School Paving</i>	Construction	\$2.35M			X - ITL									
<i>Sprague & Bates Roofs</i>	Design	\$300k					X - ITL							
	Construction	\$2.78M						X - ITL						
<i>Sprague & Bates Parking Lots</i>	Design	\$100k						X - ITL						
	Construction	\$670k							X - ITL					
<i>PAWS</i>	Design	\$2.0M								X - ITL				
	Construction	\$18.0M									X - DE			
<i>Middle School Roof Replace</i>	Design	\$400k								X - ITL				
	Construction	\$4.2M									X - ITL			
TOTALS (Millions) =		\$213.0	\$18.7	\$1.5	\$135.2	\$4.0	\$22.7	\$0.3	\$0.0	\$3.2	\$0.0	\$4.7	\$0.0	\$22.2
<i>Inside the Levy =</i>		\$22.6	\$4.20	\$1.50	\$0.00	\$3.95	\$0.00	\$0.30	\$0.00	\$3.18	\$0.00	\$4.67	\$0.00	\$4.20
<i>Debt Exclusion =</i>		\$190.4	\$14.50	\$0.00	\$135.20	\$0.00	\$22.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18.00	
<i>DE</i> = Debt Exclusion														
<i>ITL</i> = Inside The Levy														

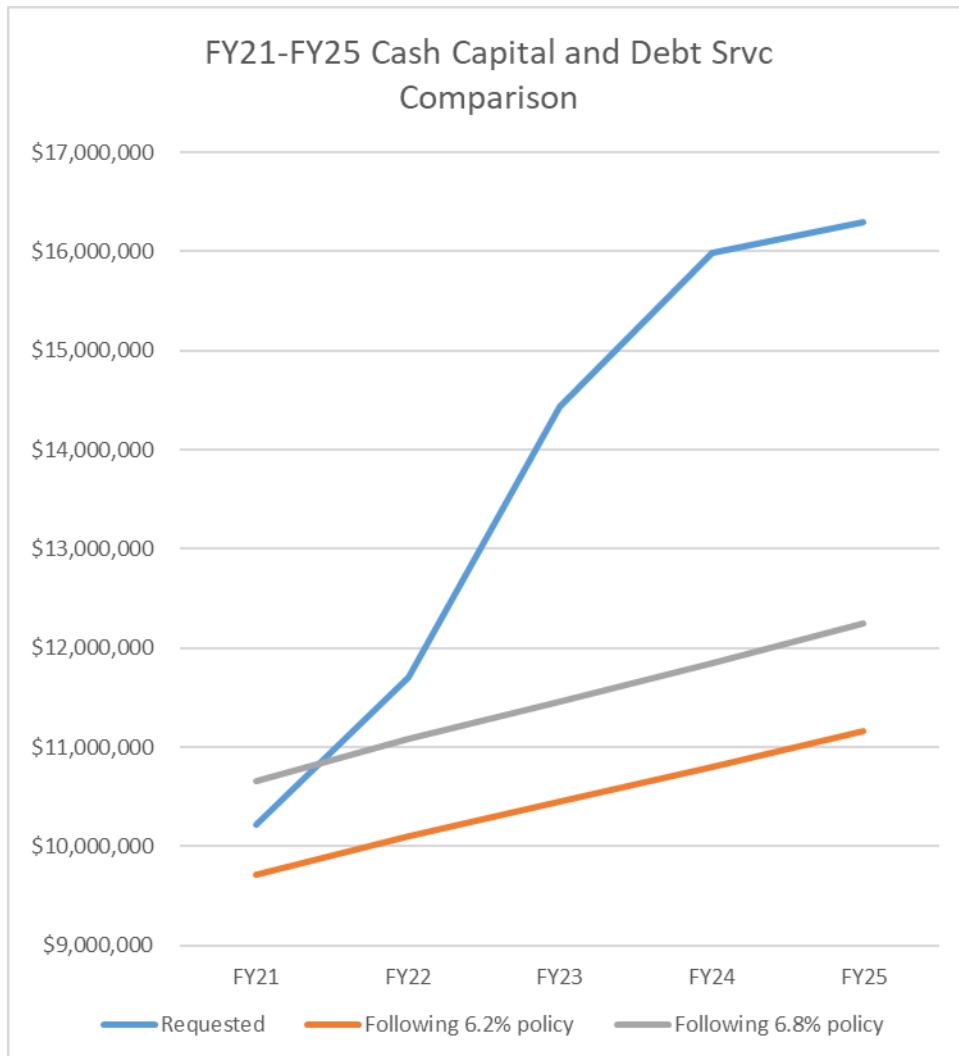
For informational purposes only, a model of the impact on debt and deficits utilizing the **top** of the debt policy range at 6.8% of operating revenues, rather than the higher figures previously identified or requested, has been created. The chart below shows that the deficits would be significantly reduced over the three-year period; however, since debt service is largely determined from the Major Project Schedule, except for three new inside the levy borrowings (Library Interior Renovation, Library Roof, and Sprague Chiller), future Cash Capital allocations would require limitations of

- \$4,277,400 in FY22 (a decrease of \$3.5M from original requests);
- \$3,108,996 in FY23 (a decrease of \$5.3M); and
- \$2,230,411 in FY24 (a decrease of \$6.4M).

Impact on Deficit of Debt/Capital Policy

	2022	2023	2024
Projected deficit	\$ (6,692,597)	\$ (6,816,944)	\$ (6,026,662)
Debt/Capital	\$ 13,777,499	\$ 15,886,157	\$ 16,204,154
Percent requested	8.36%	9.33%	9.21%
If reduced to 6.8%	\$ 10,177,499	\$ 10,536,157	\$ 9,879,154
Revised deficit	\$ (3,092,597)	\$ (1,466,944)	\$ 298,338

The line graph below shows the impact of imposing a spending range on the capital and debt-service components of the annual budget. The jagged increasing line shows total capital as requested during this five-year period. The parallel lines increase at a steady rate according to projected revenues and show the lower and upper end of the debt policy range set by the Board (6.2% - 6.8%). As a point of context, the original FY21 budget was at 6.77% of gross annual revenues (now reduced to 5.33% to rebalance FY2021) or the high end on the range, and in FY22 – FY24 the graph shows the requested projects exceeding the top of the range. It will be necessary to develop a plan using an objective and rational process to prioritize projects that meet the needs of all constituencies in a fair and predictable manner in order to bring these costs in line with the debt policy.



The Board continues to be mindful that the requests for numerous debt exclusions in the upcoming years will have a significant impact on our taxpayers, particularly as revenues are projected to continue to fall within FY21. For FY21, the Board took the proactive step of expending \$2M in Free Cash to reduce the borrowing for the Hunnewell project. Work will continue to reduce or eliminate deficits without an override, and to investigate opportunities and methods to lower rates of spending growth, while the revenues continue to rebound from COVID19.

Conclusion

Although the Town's June assumptions have largely held, additional time is needed to determine whether a possible resurgence of COVID-19 will force the Town back to more remote work (which has both expenses and cost savings); whether there will be further FEMA or CARES appropriations; and how long the current statewide State of Emergency will last. At this time, the Board believes it is prudent to delay consideration of any supplemental FY21 budget appropriations through a commitment of Free Cash, and instead to safeguard reserves until a clear need is shown. Scheduling a winter Special Town Meeting would allow for approximately four more months of additional analysis of budgetary impacts from COVID-19 and a more highly developed understanding of operational cash-flow and departmental ability to absorb costs.

Members of the Board would like to express our sincere appreciation to Executive Director Meghan Jop, Assistant Executive Director Amy Frigulietti, Finance Director Sheryl Strother, and their staff as well as all Town boards and their respective staffs for their continued commitment to working with us to monitor and evaluate budgets and protect and preserve Town assets. We look forward to working collaboratively during the challenging FY22 budget cycle to maintain the strength and health (public and economic) of our community.

Sincerely yours,

Marjorie R. Freiman, Chair
Thomas H. Ulfelder, Vice Chair
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