



Town of Medfield

FY2021 Budget Overview



Goals for Tonight

- How did we get here?
- Impacts of COVID-19
- Projected revenue reductions



Definitions

- Pre-COVID: no **revenue reductions** related to COVID-19
- Post-COVID: include **revenue reductions** related to COVID-19



Budget Focus Points

- Financial Policies
 - Boost Reserves
 - Maintain AA+ rating
 - Ensure Town is better prepared for economic downturn
- Capital Assets and Infrastructure
 - Lack of historical investment
 - Significant level of need
 - Capital Budget Committee
 - Capital Plan
 - Capital and Debt Stabilization Fund



Pre-COVID Budget Challenges

- ❑ Meet Financial Policy
- ❑ No Operating Override
- ❑ Free Cash: limit use to \$300,000
- ❑ Prepare for reduction in reserves due to MSBA funds decline
- ❑ Prepare for fiscal impact of new elementary school project



Financial Policy and Reserve Fund

- Board of Selectmen Adopted Financial Policy in 2018:
 - Free Cash balance = 2.5% of expenditures
 - Total Reserves = 9-12% of expenditures, not less than 7.5%



What is Free Cash?

- ❑ Actual receipts in excess of revenue estimates
- ❑ Unexpended amounts in departmental budget line items (“turnbacks”)
- ❑ Unexpended free cash from prior year
- ❑ Offset by property tax receivables and certain deficits



Free Cash – DOR Recommendations

- Maintain a balance of three to five percent of its annual budget
 - Medfield Policy: maintain balance of at least 2.5% of the budget
- Deter free cash from being depleted in any particular year and begin following year with a positive balance

Free Cash – DOR Recommendations

- Use of Free Cash:
 - One-time expenditures
 - Funding capital projects
 - Replenishing other reserves.
- *“If using Free Cash for regular operating budget, it is prudent to place a percentage restriction on the total free cash to be used”*



Reserve Fund Analysis

- ❑ Stabilization Fund
- ❑ MSBA Reimbursement Fund (early 2000s school projects reimbursement)
- ❑ Free Cash Balance
- ❑ Municipal Buildings Stabilization Fund Balance
- ❑ MSBA Interest Reserve Fund



Pre-COVID Balanced Budget

- Balanced budget without using Free Cash to avoid reducing reserves
- Capital cut to minimum requests
 - \$0 Capital in FY20, except for Parks and Recreation Revolving Fund
 - \$362,750 Capital Budget
 - \$162,750 Town requests (mostly leases, which add costs to future years)
 - \$200,000 in Town capital budget for school Chromebooks
- Town reductions to FY21 Request
- Medfield Public Schools reductions to FY21 Request

Town Departmental Reductions

- FY20 Approved Budget: \$12,181,688
- FY21 Request: \$12,469,339
 - 2.36% increase from FY20
- FY21 Balanced: \$12,156,001
 - -0.21% decrease from FY20
 - Reduction from FY20 approved budget



Medfield Public Schools

- FY20 Approved Budget: \$36,471,454
- FY21 Request: \$37,936,699
 - 4.02% increase from FY20
- FY21 Balanced: \$37,021,699
 - 1.51% increase from FY20
 - Not yet approved by the School Committee



Post-COVID Revenue Reductions

- State Aid
- Local Receipts
- New Growth

State Aid Projected Reduction

- No new information from state budget process
 - House and Senate budget process on hold
 - State may move forward into FY21 without a budget
 - 1/12 Budget, relying on FY20 numbers
- Consensus Revenue Hearing held in May
 - \$4 to \$6 billion decline in state revenues
- State expenses also increasing
 - COVID-19 costs
 - Unemployment, MassHealth
- Financial Team Recommendation: 10% Decrease



State Aid Projected Reduction

- FY20 State Aid Received: \$7,952,648
- FY21 Governor's Projection: \$8,069,828
 - Released in January, prior to COVID-19 pandemic
 - Net State Aid Increase of 1.67%
- Revised FY21 Financial Team Recommendation: \$7,262,845
 - Reduction of \$806,983
 - 10% decline from Governor's Budget



Local Receipts Reductions

- Variety of receipts, including:
 - Motor Vehicle Excise Taxes
 - Meals Tax
 - Rental Income
 - Interest Income
 - Other Departmental Revenue
 - Licenses and Permits



Local Receipts Reduction

- FY21 Original Estimate: \$4,290,266
- FY21 Revised Estimate: \$3,720,734
- Reduction of: \$569,532 (13.3%)



New Growth

- FY2021 Original Projection: \$415,000
- FY2022 Revised Projection: \$325,000
- Reduction of: \$90,000 (21.7%)
 - Permits not being completed or halted
 - Decline in ability for Assessors' Department to conduct full inspections



Post-COVID Revenue Reductions

- Total reductions: \$1,466,515
 - State Aid: -\$806,983 (10%)
 - Local Receipts: -\$569,532 (-13%)
 - New Growth: -\$90,000 (-22%)



Post-COVID Potential Increases

- Unemployment Budget
- Health Insurance
 - Will more employees join plan due to potential job losses in their family?
- Public Safety Budgets
 - Increased demand for services/enforcement



Post-COVID Deficit

- Pre-COVID Balanced Budget Surplus: \$248
- Post-COVID Deficit: -\$1,466,267



Outstanding Items

- Police Collective Bargaining Agreement (FY20-FY22)
- Fire Collective Bargaining Agreement (FY21-FY23)
- Health Insurance Budget
 - IAC's Proposal for Plan Design Changes with Unions for approval
 - Could result in health insurance rate decrease



Uncertainty Persists

- CARES Act Grant Funding
 - Approximately \$1 million for Medfield for COVID Expense Reimbursement
 - Cannot be used to supplement lost revenue
- Federal Stimulus Funds
 - US House of Representatives stimulus passed
 - Not likely to pass in Senate
- State Aid
- Economic rebound
- Tax collections