

FY2021 BUDGET SUMMIT

(Financial) State of the Town

Board of Selectmen
Finance Committee
MRSD Committee/Administration
Town Manager and Department Heads

OCTOBER 27, 2020

Summit Outcomes

- Better understanding of the Town's financial condition
- Identify emerging problems before they reach serious proportions
- Identify existing problems requiring correction
- Present a comprehensive picture of our strengths and weaknesses, instead of focusing on one ratio/metric
- Discuss long-range considerations into the annual budget process
- *And....budgeting during a pandemic*

Agenda Item I. (State of the Town)

Current Fiscal Year FY2021 (July 1, 2020-June 30, 2021)

Overview – COVID-19 Pivot

Year-to-Date Review/Projections: Revenue &
Expenditures

Budgeting in the Unknown

The COVID-19 pandemic has caused financial uncertainty for the Town, not only in the short term (current fiscal year) but at a minimum the next two fiscal years.

- **What we do know is:**
 - Our financial world is uncertain, and the FY2021-23+ budget picture is unclear
 - Municipalities have planned ahead for a possible 12- to 18-month recession unlike any other. That means planning today for impacted FY2022/23 Budgets
 - Communication with the community and governing body is key to finding solutions

FY2021 Budget

Impact of COVID-19 on the Budget & Priorities

- January 13 – TM Budget Presented to BOS
- February 24 – Updated/reduced budget
- March – Review Articles/departmental budget
- April 6 – Budget Update
- April 13 – Funding Priorities
- April 27 – Re-open Warrant
- May 4 – Article Discussion
- May 7 – FY2021 Budget Presented
- June 22 – ATM - FY2021 Budget Approved

FY2021 Budget Priority Funding

With COVID, the Town Manager and Finance Director reviewed all budget items for FY2021 in context of providing relief to all taxpayers through the:

- Reduction of amount raised through the tax levy
- Core Services (reduced from Level Services)

Budget Adjustments for COVID-19

- FY2021 Operating Budget
 - Reduced to \$31,826,212 from \$32,733,626
 - A reduction of \$907,414 from original presentation
 - Budget Drivers for FY2021
 - Same Staffing Levels

- FY2021 Capital Plan at \$2,324,145 vs \$2,930,645
 - Preservation of Free Cash (fund balance)

- Spending Freeze issued March 23 (FY2020 Budget)

FY2021 Budget Pivot

	FY2021 Pre-Covid	FY2021 Covid Pivot	\$ Change	% Change
Revenues				
Property Tax	\$38,462,929	\$37,248,445	(\$1,214,484)	-3.16%
Local Receipts	\$7,007,349	\$5,001,827	(\$2,005,522)	-28.62%
State Aid	\$218,273	\$214,418	(\$3,855)	-1.77%
Other Available Funds	\$5,587,047	\$5,820,421	\$233,374	4.18%
Water Fund	\$4,523,449	\$4,326,617	(\$196,832)	-4.35%
	\$55,799,047	\$52,611,728	(\$3,187,319)	-5.71%
Expenditures				
Municipal Departments	\$32,733,626	\$31,826,212	(\$907,414)	-2.77%
School Department	\$9,381,678	\$9,323,966	(\$57,712)	-0.62%
Water Department	\$5,070,117	\$4,726,617	(\$343,500)	-6.77%
Capital Budget	\$2,930,645	\$2,324,145	(\$606,500)	-20.70%
Assessments	\$1,354,518	\$1,356,193	\$1,675	0.12%
Other Articles	\$4,328,463	\$3,054,595	(\$1,273,868)	-29.43%
	\$55,799,047	\$52,611,728	(\$3,187,319)	-5.71%

FY2021 Educational Assessments

May 7, 2020

- MRSD \$9,019,089

- CCRTHS \$304,877

Final (Post June 22 ATM;
Voted by School Committees)

- MRSD \$8,525,051
 - Decrease of \$494,038

- CCRTHS \$299,619
 - Decrease of \$5,258

FY2021 Tax Rate

- Value of Chatham – increase 0.99%
 - FY2021 \$7,479,607,480
 - FY2020 \$7,406,455,520
- Tax Rate - increase of 3.31%
 - FY2021 \$4.98
 - FY2020 \$4.82
- “Excess” Levy Capacity
 - FY2021 \$2,176,408
 - FY2020 \$1,848,609

Town's Fiscal Position – State of the Town

- Property values remain high/stable
- Tax rate remains low
- AAA Bond Rating (affirmed June 2020)
- Reserves stable to FY2020
- Capital projects – completed/scheduled
- OPEB funding strategy
- Budget and Financial Policies
- Budget Summits – Multi-year Forecasts

- *A cautionary tale...*

Agenda Item II. Set Stage for FY2022 Budget Decisions (and beyond)

Overview

Policy Discussion – Budget Directive

Looking Back to FY2010- Comparison

From a Difficult/Benchmark Budget Year
to Current Fiscal Year End (FY2021)

FY2010 Budget vs. FY2021 Budget

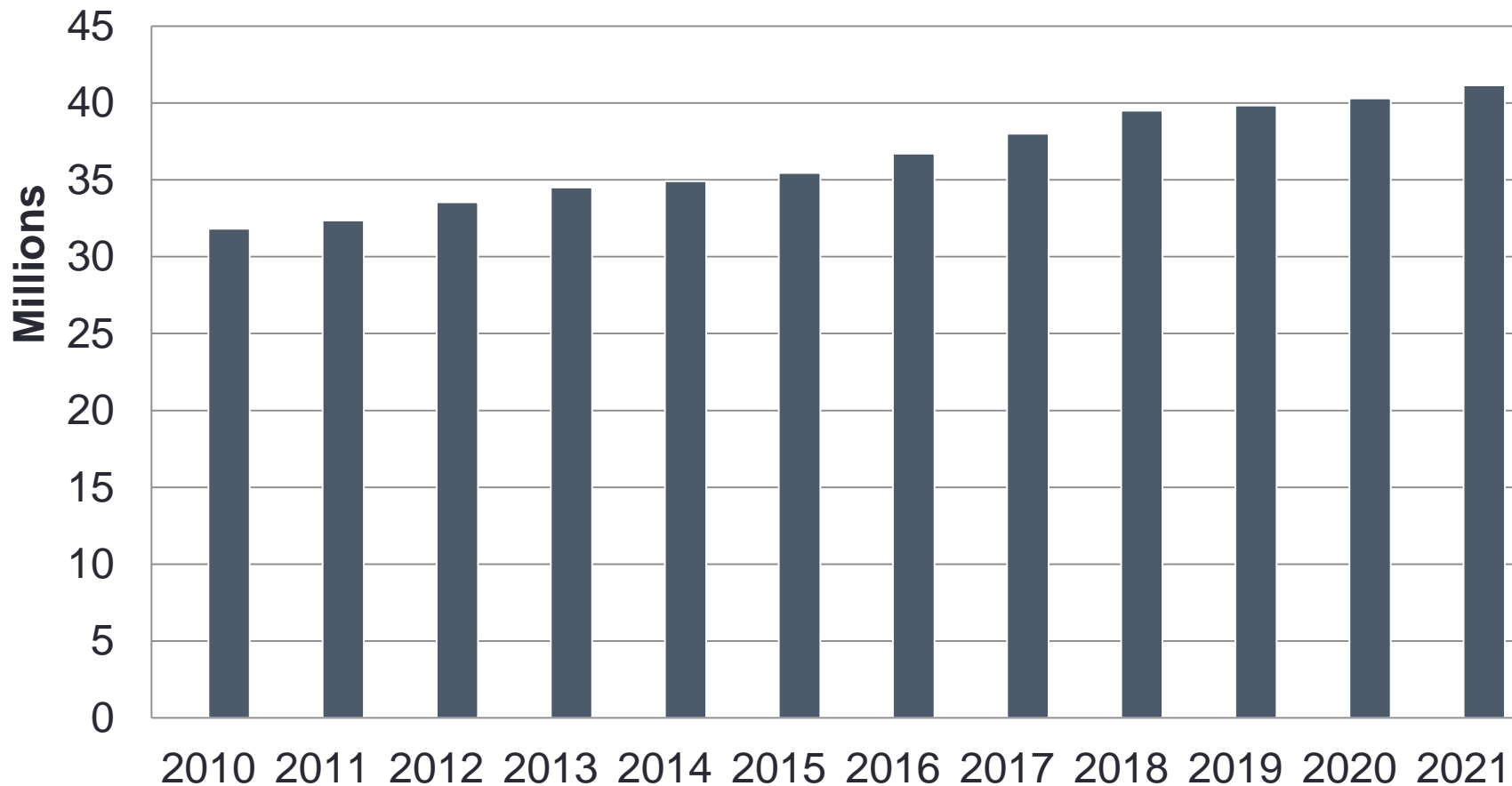
FY2010 Revenue vs. FY2021 Revenue

*FY2022 will be another difficult year; comparison by
percentage to 2010*



Town of Chatham
Financial Indicators

Operating Budget Growth

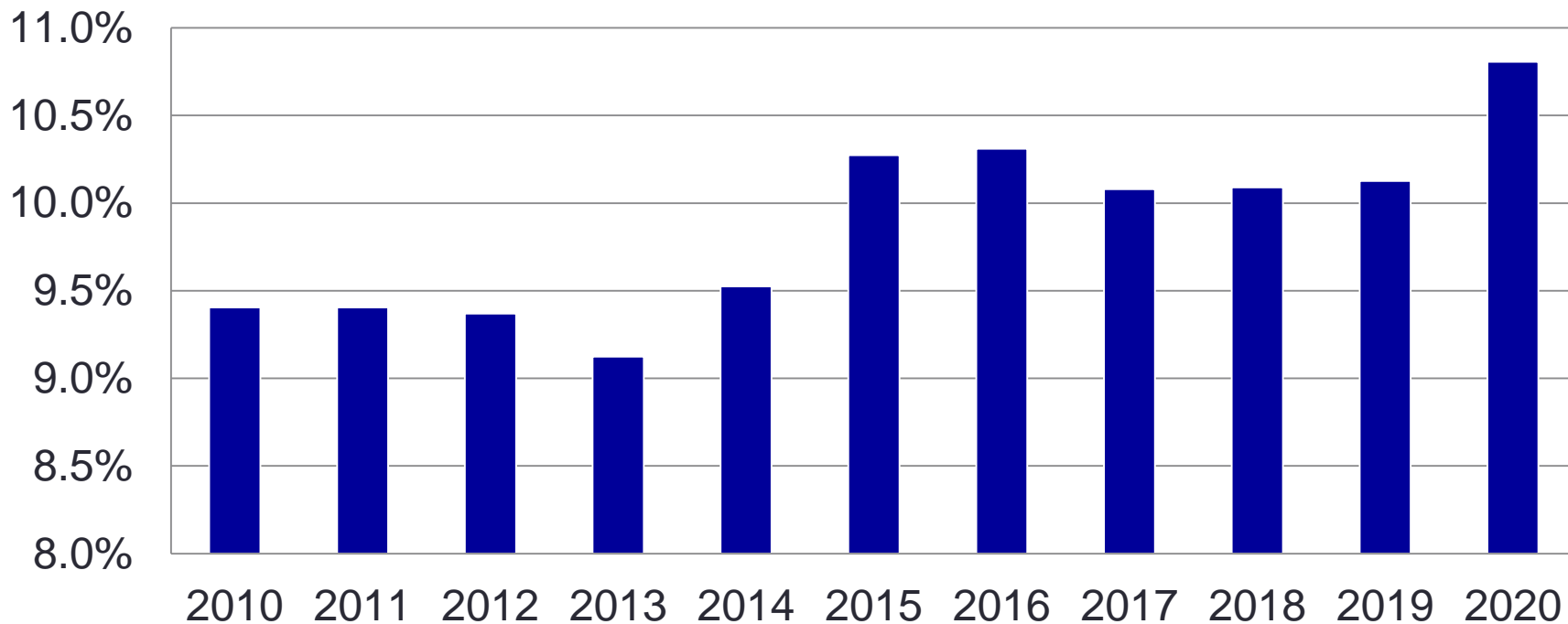


- Operating Budget Including Debt Service.



Town of Chatham
Financial Indicators

Local Receipts/Economic Growth Revenues



- Formula: “Growth” Revenues divided by net revenues
- Warning: Decreasing Growth Revenues as % revenues
- Trend: **Favorable/Stable**

Revenue Comparison June, July, Aug Q1FY20 vs Q1FY21

<u>Account</u>	<u>FY2020</u>	<u>FY2021</u>	<u>Difference</u>
Motor Vehicle Excise	122,180	78,607	(43,574)
P&I on taxes & excises	25,194	35,480	10,286
Payments in lieu of taxes	-	-	0
Hotel/Motel	754,829	-	(754,829)
<i>Traditional Lodging</i>		759,282	759,282
<i>Short-term Rental (new 7/1/19)</i>		913,303	913,303
Meals Tax	186,017	120,784	(65,233)
Departmental revenue-recreation	285,027	307,205	22,178
Charges for Services-sewerage	175,890	154,991	(20,899)
Charges for Services-solid waste disposal	303,157	372,190	69,033
Other charges for services	93,901	151,488	57,587
Fees	35,936	24,477	(11,459)
Rentals	16,186	100,000	83,814
Other departmental revenue	1,939	2,146	207
Licenses and Permits	140,192	144,320	4,128
Fines and forfeits	32,435	11,967	(20,468)
Special assessments	13,467	5,934	(7,533)
Miscellaneous recurring	940	200	(740)
Miscellaneous non-recurring	146,101	92,416	(53,685)
Investment interest income	61,122	19,293	(41,829)
Total Receipts	\$ 2,394,513	\$ 3,294,083	\$ 899,570

FY2022 Revenue

- Estimated Levy *Limit* \$38,597,000
 - Allowed 2.5% increase - \$815,367
 - “New Growth” - \$300,000

- Estimated Local Receipts \$5,089,124
 - Approx. 60% of Prior Year (2020) Actual

- Estimated Other Available Funds
 - Landbank \$ 78,750 (Debt)
 - *Free Cash estim.* \$4,500,000
(\$2.265m from IMA) for Capital or One-time Expenses

Revenue Policy Decisions

- Revenue Diversion
 - Impact to FY2022 estimated receipts
- Short-term Rental Tax
 - Impact
- Fiscal Impact Equity
 - Effect of fees on entire community

Agenda Item III

FY2022 Budget Forecast

Critical Factors

Priorities/Policy Issues/Directives

Education Assessments

COVID-19 Funding

Budget Forecasts

5-Year Budget Forecast

- FY2019 & FY2020 Actual
- Current Year Budget as Voted
- FY2022 & FY2023 Forecast

Subject to change; assumptions are conservative.

FY2022 Factors

- Educational Budgets (draft 1/15/21)
- Small/Annual Capital items moved to Operating Budgets
- Debt Service - (debt drop off/new debt)
- Town Facilities/Maintenance/Resiliency – continued needs
- State/Federal Mandates - OSHA
- OPEB
- COVID-19

Assumptions for FY2022

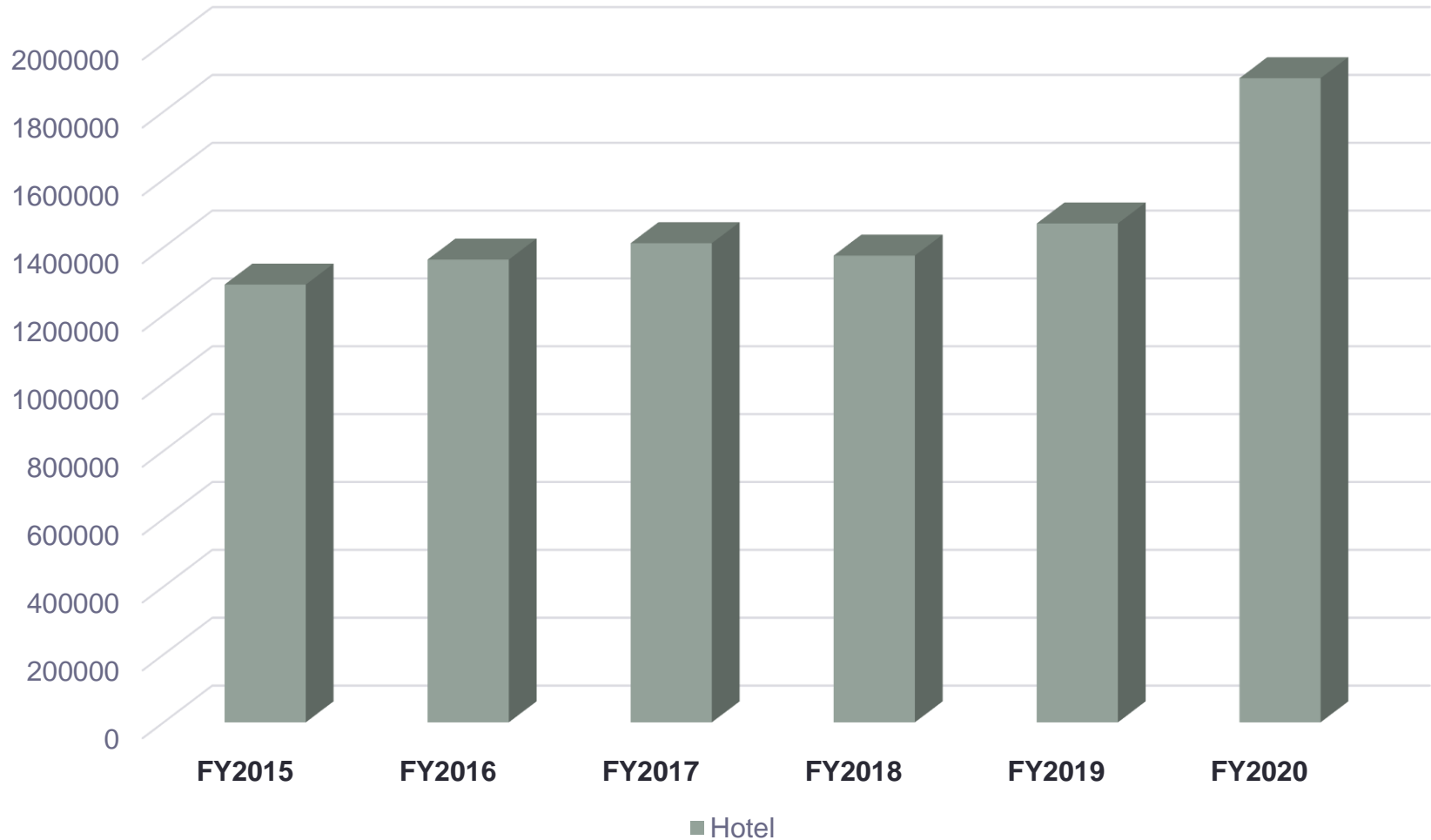
- Revenue
 - Level Receipts to FY2021 (60% of FY2020)
 - COVID impact
 - Diversion to Revolving Fund

- Expenditures
 - Priorities - Additional Services – Resiliency Efforts
 - Debt – per schedule
 - Education – MRSD Regional Agreement & CCRTHS

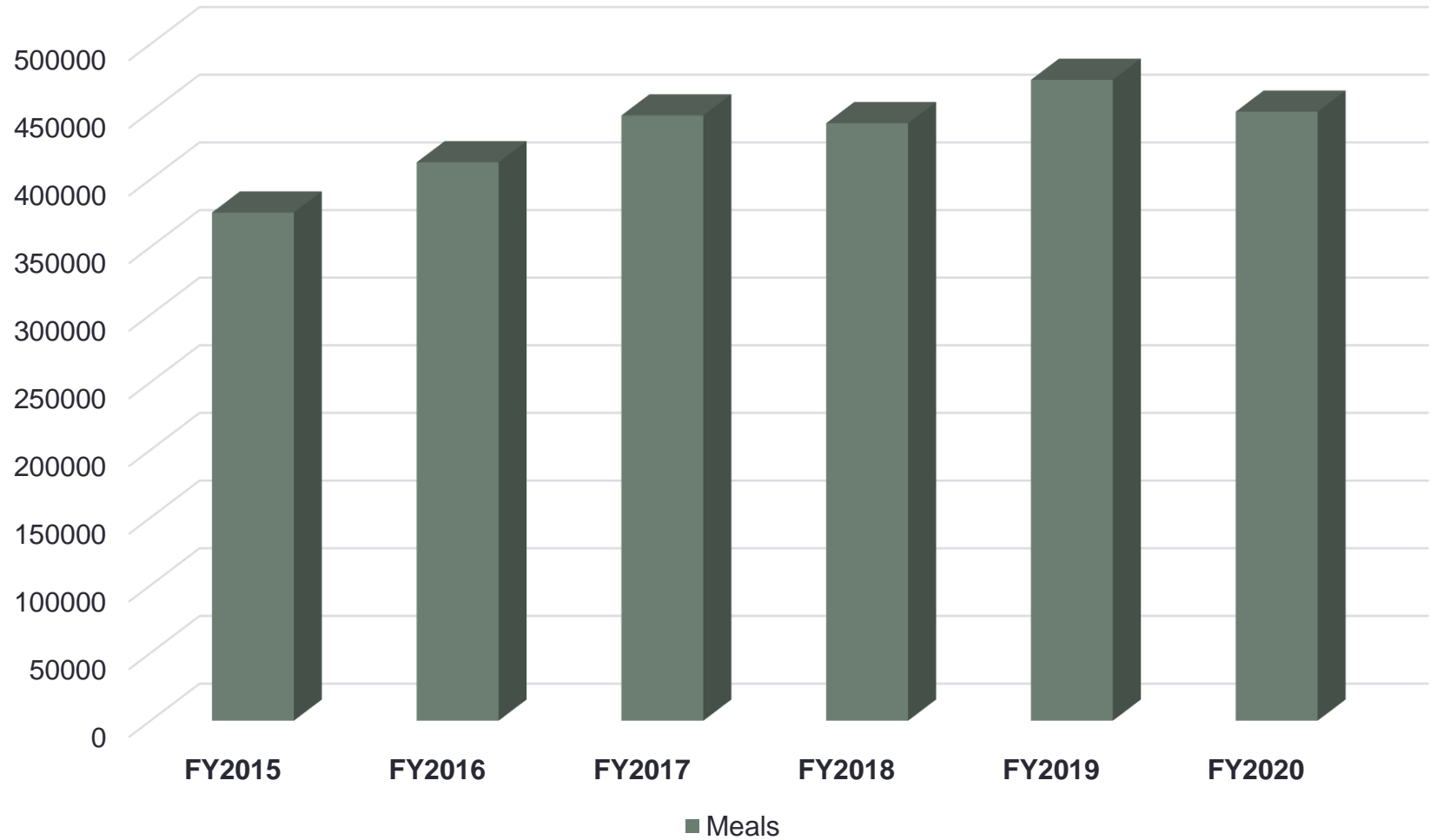
Revenues – Projections

- Allowable Growth (Prop. 2 ½ + new growth)
estimated \$1,115,367
- Local Receipts *60% of Prior Year Actual*
 - Unknown due to COVID Uncertainty
- State Aid
 - Level to FY2020 budget
 - *(still awaiting final FY2021 numbers)*

Hotel/Motel Tax



Meals Tax



COVID-19 Funding

CARES ACT CvRF – Application due 10/30/20

- \$543,113 of funding for eligible expenses.
- Received \$100,043 for expenses through 6/30/20
- Eligible for 25% supplement to FEMA

FEMA/MEMA 4496DR-MA expires 12/30/20

- 75% of eligible expenses
- Reduced eligibility as of 9/15/2020

Other Available Funds

- Free Cash -
 - Capital Budget
 - Other 'one-time' items
 - Other capital articles
- Land Bank –
 - Used for existing Debt Service
- PEG Access Funds -
 - Channel 18 Capital & Operating budget(s)
- Waterways Improvement Fund -
 - Harbormaster Capital & Operating budget(s)

Other Available Funds

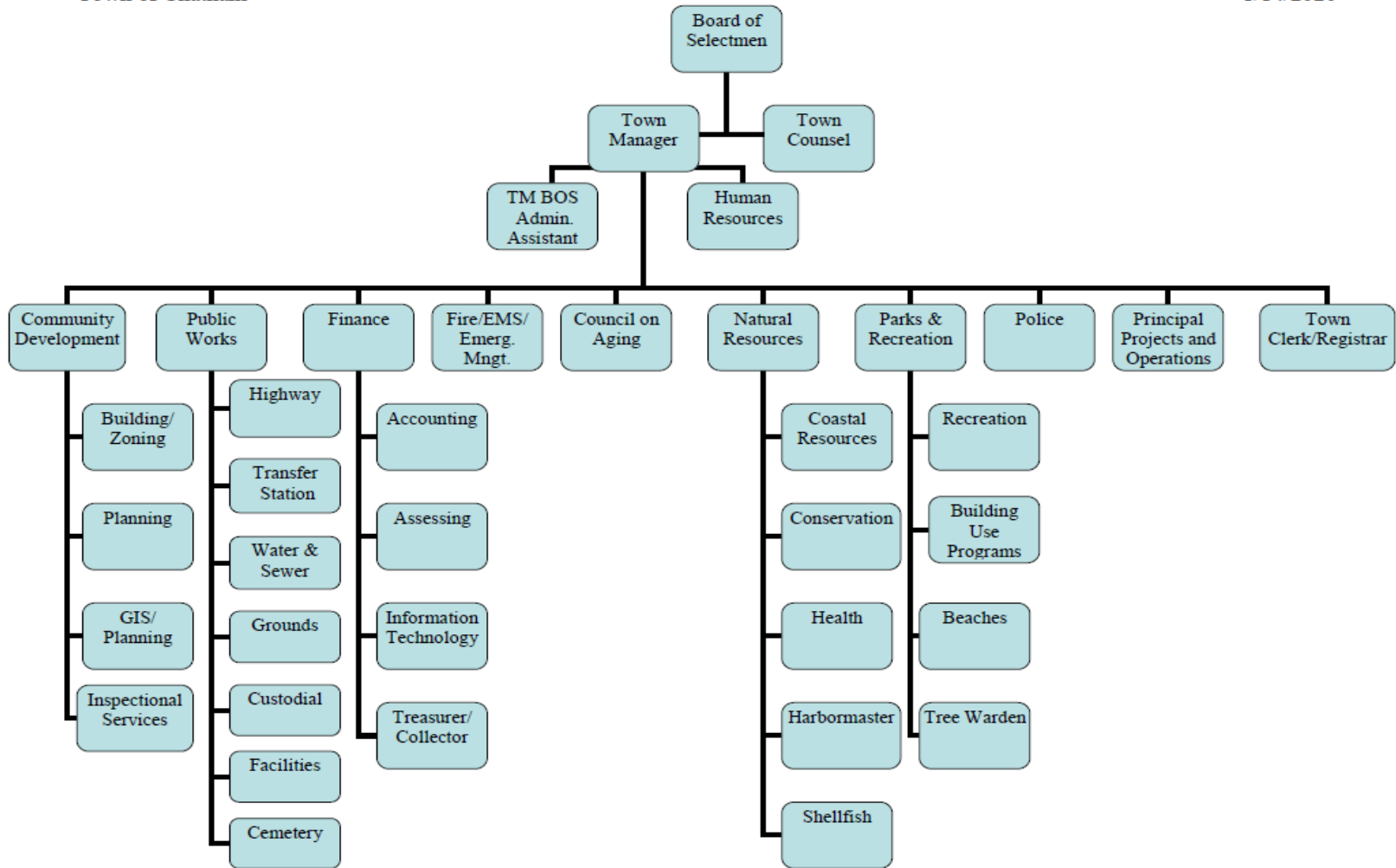
- Revolving Funds
 - Recreation Revolving Funds (program costs, not staffing)
 - Shellfish Revolving (for propagation costs)
- Receipts Reserved for Appropriation
 - PEG Access Fund (cable related expenses)
 - Waterways Improvement Fund (Harbormaster expenses)
- Chapter 90 (Highway) State Aid Fund
- Waterways User Fee Revolving Fund
 - Balance \$911,432 (6/30/2020)

Town's Budgetary Components

- I. Balanced Budget: Revenue = Expense
- II. Revenue Outlook
 - a. Tax Levy
 - b. Local Receipts
 - c. Other Available Funds
- III. Expenditures
 - a. General Operating Budget
 - b. Educational Assessments
 - c. Water Operating Budget
 - d. Five Year Capital Plan
- IV. Other Capital Items
 - a. Separate Articles for Consideration

Organizational (Org) Charts

- The FY2022 Budget Book will include Org Charts
- Town Manager Level
- Departmental Level
- Division Level



Department/Division

Workload Challenges/Capacity – Remains Under COVID

Factors Leading to workload challenges:

- **Increased Demands** - Higher levels of service needed to address broader, and more time-consuming responses to Community priorities throughout the year
 - Communication – Public Information/Social Media/Website (BOS Goal+ Chatham 365 Recommendation)
 - Public engagement regarding project planning, communication
- **Greater Reliance on Technology** - improved analysis and failure/response capacity through Geographic Information Services mapping and data based management (Project Planning, Public Engagement, Mapping, Emergency Management, Efficiencies and Hazard/Failure Prevention)
- **Regulatory Compliance** - OSHA, ADA, Public Record Requests, Open Meeting Law, FAA, EPA, Procurement
- **Board/Commission/Committee Complexity and Staff Liaisons Requirements** – Daily tasks to maintain Boards & Committees diverts attention away from larger and more complex work required

Workload Challenges/Capacity – Remains Under COVID

Factors Leading to work-load and capacity stresses

Data and Work Back-Logs –

- Project Management Challenges – complexity and complication; more time or skilled labor required to initiate, manage and complete
- Training Needs –
 - New industry standards, evolving best practices, Federal mandates
 - Capability to provide new/recurring training without affecting daily tasks
- General Feed-Back - adjust capacity and capabilities
 - From employees related to workload – maintain healthy and productive staff
 - From the public related to expectations/needs/state of the art services

Under COVID, closed to public access. We shifted some staff whose roles changed to support COVID response

Educational Assessments

Directive to MRSD & CCRTHS

- Multi-year Financial/Enrollment Forecasts
- Capital Needs
- Debt Service

*First FY2022 Meeting of Monomoy Finance
(Chatham/ Harwich TM/TA, FDs and MRSD)
Team 10/28/20*

IV. CAPITAL IMPROVEMENT

Capital Budget

CIP 5-year Plan

Projects

Grants

Project Review Criteria

- Preserve or enhance Town assets
- Increase efficiency and effectiveness of government
- Fiscal Sustainability - generates revenues, grants
- Impact on Savings in the Operating Budget
- Impact on Utilization by Public
- Influence on policy areas
 - Aesthetics / Historic Preservation
 - Cultural and Recreational Opportunities
 - Economic Growth
 - Environmental Sustainability
 - Public Health & Safety

Under COVID, monitor projects and prioritize those that impact resident or property safety, and are an urgent need

Capital Budget - FY2021

CAPITAL PROGRAM & BUDGET SUMMARY	FY2021	FY2021
	Dept. Request	Town Manager Recommendation
General Government	435,000	300,000
Public Safety	167,145	102,145
Community Development	35,000	-0-
Natural Resources	1,757,200	297,000
Public Works (without Water)	14,308,000	1,148,000
Equipment	1,448,500	477,00
Total Town Funded Capital Budget	18,150,845	2,324,145
Funding Sources:		
Free Cash		2,074,148
Waterways Improvement Funds		150,000
Cemetery Sale of Lots		
PEG Access Fund		100,000
Prior Articles		
Raise & Appropriate (Tax Levy)		
Total Funding Sources		\$ 2,324,145

Five-Year Capital Plan

- FY2021 \$18,150,845; \$2,342,145 approved
- FY2022 \$16,573,995
- FY2023 \$14,097,645
- FY2024 \$ 3,673,645
- FY2025 \$ 3,402,395

WATERFRONT BOND (2017)

- Fish Pier
- South Jog Floats
- Coast Guard Float
- Trap Dock
- 90 Bridge Street
- Ryder's Cove
- OMBY
- Little Mill Pond Pier
- Barn Hill Ramp Walkway
- Crow's Pond Ramp

Other Articles – Pending Review

- Wastewater
- Drainage/Stormwater Project
- COA Design/Construction
- Community Preservation Projects
- Town Projects
 - Eldredge Public Library Envelope
 - Eldredge Garage Property
 - Beach Nourishment
 - Dredging
- Water Capital

OPEB Funding

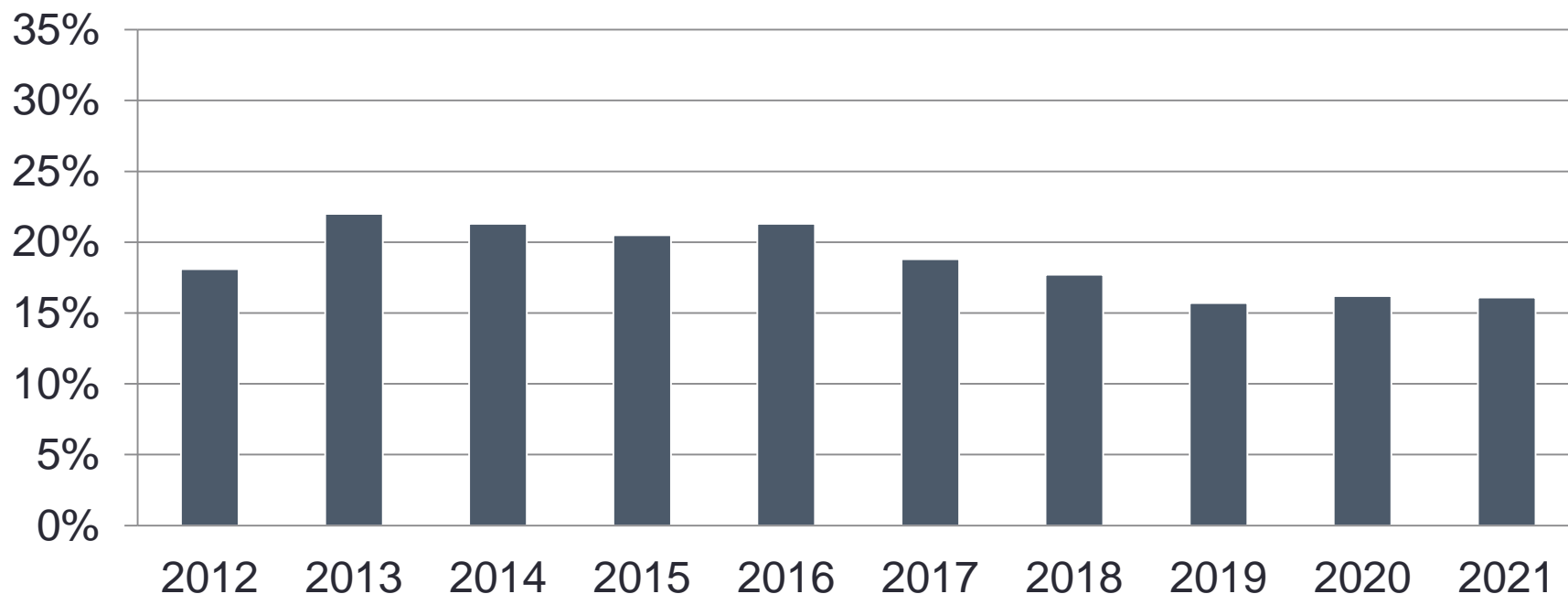
- Trust Fund Balance - \$1,543,743
- “Reallocation” of 1.5% (of 3%) Landbank surtax in FY2021 (November tax bill) commitment of \$553,778
- \$1,575,757 is our Required Annual Contribution
 - Approximately \$700,000 is included in the benefits budget on a ‘pay-as-you-go’ basis
- Liability \$19,183,634 (6/30/2019)

V. DEBT SERVICE



Town of Chatham
Financial Indicators

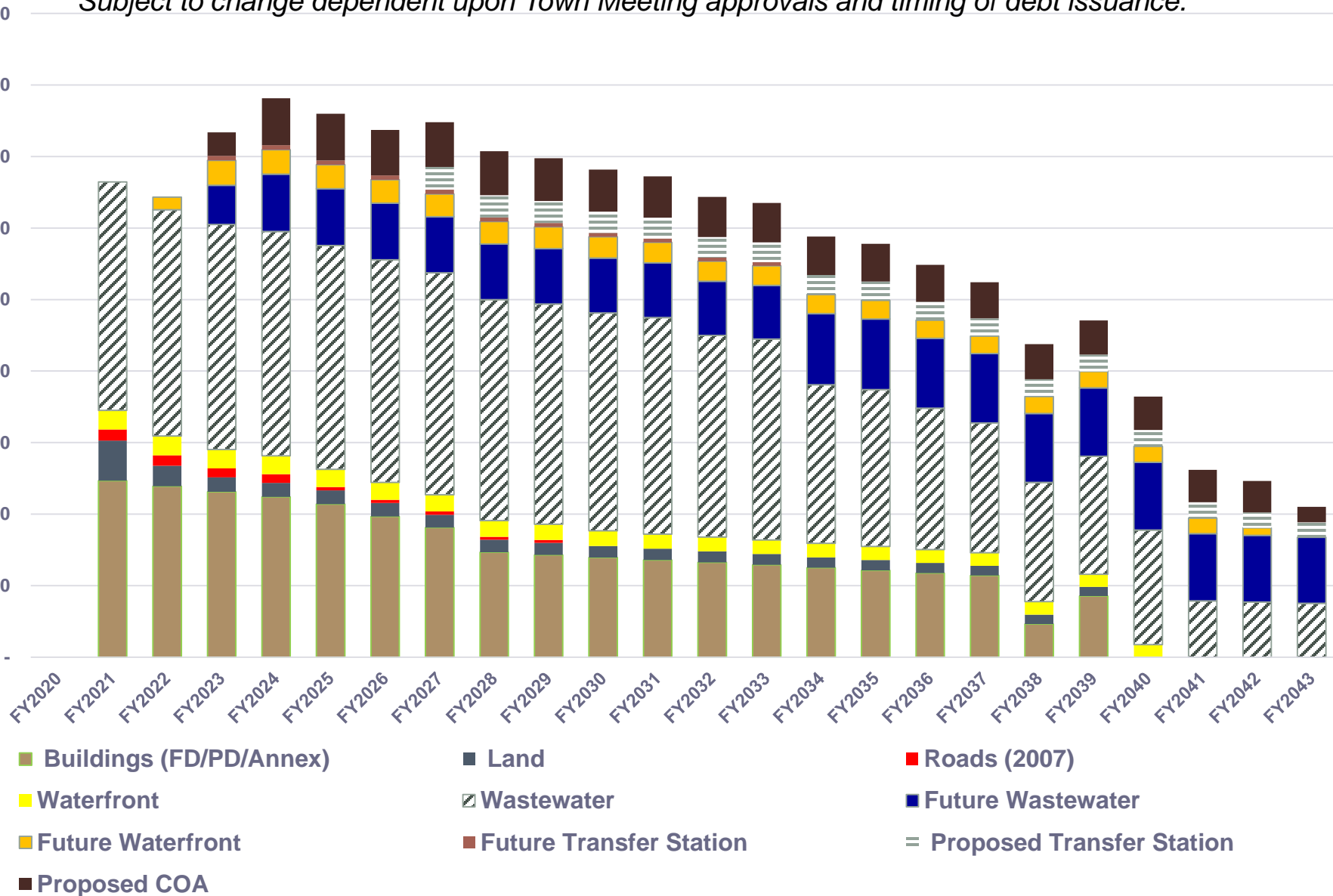
**Debt Service as a % of General Fund
Expenditures**



- Formula: Debt Service as % of Gen Fund Expenditures
- Warning: Increasing debt service as % of operating expenditures
- Trend: **Marginal/Stable**

Existing & Projected Debt Service Chart

Subject to change dependent upon Town Meeting approvals and timing of debt issuance.



VI. RECOMMENDATIONS /REVIEW

Finance Committee Recommendations

- Growth of Town Workforce
 - Institutional stress/staffing capacity vs. impact on benefit cost
- Level of Capital Spending
 - Capital Budget and separate articles
- Assessing Capital Projects
 - Full Accounting & Prioritization

SRAC Position Paper 2020

- Debt
 - Level debt service as consideration of capital projects as part of the prioritization of such projects.

Sustaining S&P AAA Bond Rating

- Increase Fund Balances (Stabilization & Free Cash)
- Pension & OPEB
 - Burden
 - Plan
- Budgetary Flexibility
- Fiscal & Budget Management Policies
 - Annual Review

Town Financial Policies Update

➤ 2020 Review

- Building and Maintaining Reserves
 - Free Cash = minimum of 3-5%

Prior Year Updates:

- Capital Improvements Budget
 - ✓ Percent = 9% of Operating Budget
- Purchase Orders
 - ✓ Required for expenses over \$5,000

VII. FY2022 BUDGET

- Review Process
- Directives
- Calendar

FY2022 – Looking Forward

Impact of COVID will likely go beyond FY2022

What can we do to prepare?

- **CORE SERVICES/LEVEL FUNDED to FY2021-**
Trim expenditures wherever possible. Focus on initiatives that streamline processes and make municipal government more efficient
- **STRATEGIC BUDGETING** -Identify ways to support residents & businesses to soften the impact and promote a faster recovery; adding or redirecting resources

FY2022 – Looking Forward

- COVID-19 RESPONSE Continues
 - Cleaning and disinfecting Town properties
 - Directing Resources to:
 - Technology – Hybrid Virtual Meetings/Virtual Town Hall
 - Website Enhancements; Communications
 - Social Infrastructure
 - Childcare Voucher – PARK program
 - CERT assistance – provided by COA?
 - Grocery deliveries
 - Foodbank; Food Securities
 - Rent Assistance
 - Economic Sustainability

FY2022 Budget Calendar

- October 27, 2020 Budget Kick-off Summit
- October 28 FY2022 Packets distributed to Departments
- November 13 FY2022 Budget Requests to Town Manager
- November 13 FY2022 Capital Requests to Town Manager
- December 11 Fiscal Articles to Town Manager
- January 15, 2021 MRSD Budget Request to Town Manager
- January 19 Town Manager Recommended Budgets to
BOS/Finance Committee
- Oct 28 – Feb 23 Finance Committee Recommendation to BOS
- February 23 BOS Approved Budgets to FinCom
- March 22 Finance Committee Recommendations
- May 10, 2021 Annual Town Meeting

* CAL 2021/FY2022 BOS Goals and Objectives in November 2020*