

Five Year Financial Forecast for Fiscal Years 2021-2025

to be presented to the City Council and School Committee

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THE COVID-19 IMPACT

- ▶ The world and the economic outlook has changed dramatically in the past three months.
- ▶ Economic Impact of COVID-19 will be substantial in FY21 and may linger into FY22 and FY23.

PRE COVID-19

- ▶ It is worth looking at a snapshot of where we were as of March 6, 2020, before the economic impact of COVID-19.
- ▶ As of that date, the financial projection for FY21 was very positive.
- ▶ This was first fiscal year in my tenure that City would not need any Free Cash or other reserves to balance the budget.

FY21 BUDGET AS OF MAR. 6, 2020

	Final Budget FY2020	Projected FY2021
Revenue		
<i>Net RE & PP Tax</i>	60,769,574	63,253,652
Total Taxes	77,469,574	79,953,652
Total Charges for Services	2,548,500	2,705,580
Total Licenses & Permits	1,824,534	1,824,534
Total Fines & Forfeits	2,752,500	2,806,313
Total Cherry Sheet	92,894,693	105,261,350
Total Federal	1,350,000	1,350,000
Total Interfund Transfers	2,608,932	2,671,831
Total Interest on Investments	1,300,000	900,000
Total Revenue	182,748,733	197,473,260
Expenditures		
Total General Government	6,130,988	6,353,946
Total Public Safety	27,217,723	28,267,676
Total Education	98,235,329	109,219,078
Total Public Works	7,507,632	7,730,836
Total Health & Human Services	2,761,023	2,875,964
Debt Service (Schedule)	3,507,723	2,529,567
Total Employee Benefits	17,685,543	17,963,830
Total Other	20,412,705	22,464,053
Total Expenditures	183,458,666	197,404,950
SURPLUS (DEFICIT)	(709,933)	68,310

FY21 BUDGET AS SUBMITTED V. 3/6/20

	Projected FY2021 Pre – Covid19	Projected FY2021 Post – Covid19
Revenue	+/- \$	+/- \$
<i>Net RE & PP Tax</i>	63,253,652	62,753,652
Total Taxes	79,953,652	75,553,652
Total Charges for Services	2,705,580	2,548,500
Total Licenses & Permits	1,824,534	1,298,050
Total Fines & Forfeits	2,806,313	1,600,000
Total Cherry Sheet	105,261,350	90,152,223
Total Federal	1,350,000	1,300,000
Total Interfund Transfers	2,671,831	2,767,847
Total Interest on Investments	900,000	900,000
Total Revenue	197,473,260	176,120,272
Expenditures		
Total General Government	6,353,946	5,785,193
Total Public Safety	28,267,676	27,479,218
Total Education	109,219,078	98,053,162
Total Public Works	7,730,836	7,423,019
Total Health & Human Services	2,875,964	2,536,957
Debt Service (Schedule)	2,529,567	2,529,158
Total Employee Benefits	17,963,830	17,649,830
Total Other	22,464,053	19,629,554
Total Expenditures	197,404,950	181,086,091
SURPLUS (DEFICIT)	68,310	(4,965,819)

REVENUE CHANGES

	Projected FY2021 Pre-Covid19	Projected FY2021 Post-Covid19
Motor Vehicle Excise	12,100,000	10,000,000
Hotel Motel	1,950,000	1,000,000
Meals Tax	500,000	250,000
Building Permits	1,276,484	750,000
Fines & Forfeits - Parking	2,206,313	1,000,000
Chapter 70 School Aid	92,519,408	81,572,477
Unrestricted General Government Aid	8,965,341	6,104,804

FY21-FY25 FINANCIAL FORECAST AS OF 5/20/2020

	Final Budget FY2020	Projected FY2021	Projected FY2022	Projected FY2023	Projected FY2024	Projected FY2025
Revenue						
Total Group #1 Taxes	77,469,574	75,553,652	78,406,243	81,323,900	84,314,497	87,379,861
Total Group #2 Charges for Services	2,548,500	2,548,500	2,705,580	2,875,226	3,058,445	3,256,320
Total Group #3 Licenses & Permits	1,824,534	1,298,050	1,298,050	1,316,800	1,336,019	1,355,718
Total Group #4 Fines & Forfeits	2,752,500	1,600,000	1,625,000	1,650,625	1,676,891	1,703,813
Total Group #5a Cherry Sheet	92,894,693	90,152,223	91,875,245	93,632,269	95,423,969	97,251,031
Total Group #5c Federal	1,350,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Total Group #6 Interfund Transfers	2,608,932	2,767,847	2,643,162	2,708,767	2,776,340	2,845,940
Total Group #8 Misc.	1,300,000	900,000	900,000	900,000	900,000	900,000
Total Revenue	182,748,733	176,120,272	180,753,280	185,707,587	190,786,160	195,992,683
Expenditures						
Total General Government	6,130,988	5,785,193	5,997,073	6,271,242	6,446,046	6,683,845
Total Public Safety	27,217,723	27,479,218	28,291,334	29,127,506	29,998,450	30,874,900
Total Education	98,235,329	98,053,162	100,504,491	103,017,103	105,592,531	108,232,344
Total Public Works	7,507,632	7,423,019	7,644,960	7,873,540	8,108,958	8,351,419
Total Health & Human Services	2,761,023	2,536,957	2,638,985	2,745,371	2,856,311	2,972,009
Debt Service (Schedule)	3,507,723	2,529,158	3,033,590	3,136,043	4,222,998	4,581,214
Total Employee Benefits	17,685,543	17,649,830	18,559,065	19,528,744	20,550,099	21,625,916
Total Other	20,412,705	19,629,554	20,490,668	21,483,560	21,978,524	22,485,862
Total Expenditures	183,458,666	181,086,091	187,160,166	193,129,109	199,743,916	205,807,509
SURPLUS (DEFICIT)	(709,933)	(4,965,819)	(6,406,886)	(7,421,522)	(8,957,756)	(9,814,826)

ANY POSITIVE NEWS?

- ▶ Strong Reserves
- ▶ Group Health Insurance Costs Under Control
- ▶ Estimates are Conservative

STRONG RESERVES

▶ General Stabilization as of July 1, 2019	\$24,482,275.68
▶ <u>Affordable Housing Trust Fund Board</u>	- \$1,500,000
▶ Balance	\$22,982,275.68
▶ <u>Potential FY21 Budget Balance Requirement</u>	- \$4,965,819
▶ Remaining Balance for Use in FY22 and FY23	\$18,016,456.68
▶ School Capital Stabilization as of July 1	\$1,622,079.46
▶ Transfer from Land Sales Account	\$2,448,271.14
▶ <u>Approved FY21 CIP Requests</u>	- \$725,000
▶ Potential Balance:	\$3,345,350.60

STRONG RESERVES

▶ Free Cash	\$12,275,913
▶ Previously approved Free Cash Requests, including COVID-19 Expenditures	- \$6,247,400
▶ Pending requests (Deficits)	- \$195,153
▶ <u>FY21 CIP</u>	<u>- \$3,100,459</u>
▶ Balance that May Resurface in FY21	

\$2,732,901

STRONG RESERVES

▶ Water Enterprise Retained Earnings	\$3,215,836
▶ Previous Approved Upper Broadway	-\$ 900,000
▶ Beacham St. Water	-\$ 308,550
▶ <u>FY21 CIP Requests</u>	<u>\$ 250,000</u>
▶ Potential Balance:	\$1,757,286
▶ Sewer Enterprise Retained Earnings	\$3,159,704
▶ Previous Approved Upper Broadway	- \$900,000
▶ Beacham St. Sewer	\$322,716
▶ <u>Pending FY21 CIP Request</u>	<u>- \$220,000</u>
▶ Potential Balance	\$1,716,988

GROUP HEALTH COSTS STABILIZED

- ▶ On May 6, 2019, City Council granted City Manager authority to impose Plan Design Changes pursuant to M.G.L. c. 32B, §§21-23.
- ▶ As a result, new PEC Agreement signed:
 - ▶ Moved all Retirees to Medicare;
 - ▶ Allowed use of Trust Fund reserves to reduce premiums
 - ▶ Provided for implementation of deductibles.
- ▶ Because of new Agreement, costs to City in FY21 are \$7,575,608, a reduction of approx. \$300,000 from FY20.
- ▶ Trust Fund Balance \$9.65 million as of June 30, 2019 (Comprehensive Annual Financial Report, p. 103).

CITY REVENUE ESTIMATES ARE CONSERVATIVE

- ▶ If economy slowly improves, FY21 revenues might exceed 50% of FY20 numbers in Excise, Hotel, Building Permits and New Growth.
- ▶ If Federal Government approves direct aid to State and Local Government for lost revenues, need for reserves reduced.

OUTLOOK

- ▶ Grim in the short term, but if this is only a 1-2 Year Recession, we should have sufficient reserves to sustain us. We will then need to rebuild reserves.