

To the Voters of Carlisle:

The **Carlisle** Finance Committee has completed its budget review and presents its recommendations regarding the revision of the Fiscal Year 2021 (“FY21”) budget that was approved by the Town Meeting on June 20, 2020.

Introduction

The Finance Committee, appointed by the Board of Selectmen, advises the Town Meeting on financial matters. The Committee, as required by law, presents a balanced budget to the annual Town Meeting. In this budget, Town expenditures are fully funded by revenues from property taxes within the levy limit, state aid, forecasted local receipts and transfers from available funds such as Free Cash and Overlay Surplus. Revenue from potential overrides may not be used to fund the balanced budget.

Balancing the Budget during the Pandemic

In June the Committee recommended an FY21 budget with a 0% change in operating expenditures relative to FY20. This recommendation was based on both the uncertainties raised by the ongoing pandemic and the continued pressure on the budget as rising costs exceed revenue from new growth. It was the Committee’s expectation that many of the uncertainties resulting from COVID-19 would be clarified by the time of this Special Town Meeting.

There have been some significant clarifications. The Commonwealth announced that Municipal and School Aid, important revenue sources for Carlisle, would remain at the levels of FY20. Town revenue from property taxes is running only slightly lower than in FY20. Both the Carlisle Public School and the Concord-Carlisle High School have resumed classes, albeit with extensive modifications. Emergency rules from the Commonwealth allow the Town to use Free Cash certified in FY20 to help balance our revised budget.

However, there continues to be substantial financial uncertainty facing the Town, both in FY21 and in FY22. The Commonwealth does not yet have an FY21 budget.

Will expected declines in state revenue impact cities and towns as the year progresses? Will sustained high levels of unemployment, including in Carlisle, affect both property tax payments and local receipts? Will changing rules prevent the Town from taking full advantage of CARES Act funds? Will increased cases of COVID-19 either at the state or local level lead to a new lockdown?

The Committee believes that the level of uncertainty remains high and, therefore, urges us to be cautious in financial planning. The Revised FY21 budget contained in the Warrant Book recommends keeping total operating expenditures at the level approved in June, that is, a 0% increase from FY20. We believe this budget will maintain all Town operations while positioning the Town well for unanticipated developments during the Fiscal Year.

Budget Revisions

Although total expenditures remain the same as in June, there are numerous changes in departmental and other line items. The increases are all due to personnel costs, either from the COLA approved by the Board of Selectmen (BOS) in June or changes in hours and grades approved by the BOS or from collective bargaining agreements that went into force July 1, 2020. The Committee has proposed offsetting those increases with savings from the CCRSD operating budget and debt service as a result of a smaller share of students originating from Carlisle. This savings is \$219,995. We also have further lowered the proposed contribution to OPEB by \$144,307.

Other Postemployment Benefits (OPEB) refers to benefits, other than pensions, employees are entitled to after retirement. The Town has created a Trust to which it has been contributing for the last few years. This is intended to help offset the costs of OPEB in future years. While the Town's liability for OPEB is substantial, the Committee feels the contribution in FY21 can be minimal especially since we pay current year costs for OPEB from the operating budget. However, a reduced OPEB contribution should not become a practice for the Town as our liability will continue to grow.

The Finance Committee has adhered to a policy of maintaining liquid reserves - Free Cash and Stabilization Fund - of between 10% and 12% of the operating budget. Our FY20 Free Cash, certified by the state, is \$2,725,187 and the

Stabilization Fund is \$1,197,777. The practice of the Committee has been to allocate Free Cash to non-operating costs. Free Cash is an accumulating reserve resulting from appropriated funds that are not spent and from unexpected revenues that occur during a fiscal year. We are recommending using \$475,000 in Free Cash to pay for Warrant Articles 5 and 6: \$175,000 for Long Term Capital Requirements and \$300,000 for Municipal Facilities projects. The expenditures proposed in these Warrant articles are only a portion of the needs the Town has to replace aging equipment and to maintain its buildings. Assuming these Warrant articles pass, Free Cash would then equal about 11% of the operating budget.

The Tax Levy and the resulting impact on households is an important part of the budget process. In proposing a flat budget with Warrant articles covered by Free Cash, the required Tax Levy would then be less than the Levy from FY20 of \$28,573,389. Under the rules of Proposition 2.5 the Town can increase the Levy by 2.5%. It can also add properties that enter the tax roll during the Fiscal Year. With these additions, the Maximum Levy permitted to the Town would rise to an estimated \$31,307,588. Since we are proposing a flat Levy requirement, our Excess Levy Capacity would increase to an estimated \$3,060,903. In FY20 it was \$1,864,422. Excess Levy Capacity represents a potential source of revenue should the Town experience significant expenditure needs in future years. And it also represents the fiscal discipline that the Town has implemented in FY21 and prior years.

It is the Committee's hope that a flat operating budget will translate into stable tax bills for most voters. However, 2020 is a mandatory Revaluation Year under state law. Adjustments in home values will be reflected in tax bills in 2021. These adjustments may impact some voters more than others.

Conclusion

When the Finance Committee developed its original FY21 budget, prior to the pandemic, there were a number of proposed expenditures, both operating and in potential Warrant articles that, while worthy in themselves, were not included. The financial pressures on the Town mean that it is a perennial challenge to balance the essential services funded by the Town with the demands placed on taxpayers to generate the funds required. This process has been tested during the pandemic. The Finance Committee recommends this Revised FY21 budget with an

acute sense of caution concerning the remainder of this Fiscal Year and the one that will begin next July. We believe it supports the services the Town needs and provides scope for responding to changes that may occur.

We welcome citizen input into the process beyond this Special Town Meeting. Committee meetings are posted at Town Hall (and on the Town website) as well as the Mosquito. We urge you to attend or email your thoughts to us.

We invite you to review the material published for the Special Town Meeting and attend the Finance Committee hearing on the Warrant at 7:00 pm via Zoom on October 8, 2020. This remotely located meeting is open to the public by emailing the Chairman at carlislefincom@gmail.com.

Sincerely,

The Carlisle Finance Committee

Jim Darr, Chair

Lynne Lipinsky, Vice Chair

James Catacchio

Aaron D'Elia

Victor Liang

Melissa Sampson McMorrow

Scott Triola