



**TOWN OF WINCHENDON MASSACHUSETTS**

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**OFFICE OF THE TOWN MANAGER**  
*Keith R. Hickey*  
*Town Manager*

# MEMO

**DATE:** May 28, 2020  
**TO:** Members of the Board of Selectmen, School Committee and Finance Committee  
**FROM:** Keith R. Hickey  
Town Manager

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**RE:** Strategies to Implement in Closing the FY20 Budget  
Changes to the Annual Town Meeting Date  
Implementing a Temporary FY21 Budget  
Planning for a Reduced FY21 Budget

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Strategies to Implement in Closing the FY20 Budget

A hiring and spending freeze was issued on the town budget on April 8<sup>th</sup>. All purchases since that date have needed a purchase order. Fortunately, there has not been any turnover in staffing so all positions remain filled.

My rationale for implementing the spending freezes was to reduce spending as much as possible for the balance of FY20 to provide as much Free Cash as possible to assist in funding the FY21 budget.

School Superintendent Joan Landers and I have had several conversations about what the School Department intends to turn back at year end. Superintendent Landers will be speaking to the School Committee just prior to the Tri Board meeting to discuss their FY20 budget. I am hopeful the School Department will turn back at least \$100,000 that will lapse into Free Cash.

Below is a summary of anticipated funding sources and budget cuts that could be applied to assist in balancing the FY21 budget.

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<b><u>FY20 Budget Impact to Free Cash</u></b>	
Transportation Savings	
In- town Transportation	\$76,515

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Sped Transportation	77,430	
Homeless Transportation	2,723	
Crossing Guard Salary	5,867	
School Dept. Unexpended Budget	100,000	
Town Unexpended Budget	100,000	
Revenue Surplus	<u>20,000</u>	\$382,535
<b><u>FY21 Budget Reductions</u></b>		
Defer Capital Purchases		
One Police Cruiser	\$40,000	
Public Works Septic	30,000	
Community Dev. Project Match	45,000	
10 Wheel Dump Truck Lease	54,846	
School Dishwashers	36,000	
Toy Town Hot Water Heater	26,600	
Unassigned Capital	<u>11,560</u>	\$244,006
<b>Free Cash</b>		<u>687,680</u>
<b>Total Anticipated Available Funds</b>		<b>\$1,314,221</b>
<b><u>Other Possible Funding Sources</u></b>		
Deficit Legislation Supp. Reserve	\$323,776	
Stabilization Fund	1,148,072	<u>\$1,471,848</u>
<b>Total Available Funds</b>		<b><u>\$2,786,069</u></b>

Changes to the Annual Town Meeting Date

The May 18<sup>th</sup> Town Meeting was obviously postponed. A new Town Meeting date has not been determined. I would anticipate Town Meeting not being held until sometime after mid-August. State legislation has been approved allowing communities that will not hold a Town Meeting prior to June 30<sup>th</sup> to present a 1/12 budget for Board of Selectmen consideration. I plan on presenting a 1/12 budget to the Board of Selectmen at their June 1<sup>st</sup> meeting. Once the Selectmen approve a 1/12 budget, the budget will be forwarded to the Department of Revenue for their consideration. If approved spending, will be allowed on a month to month basis based on the 1/12 budget until a Town Meeting is held and annual budget approved.

Implementing a Temporary FY21 Budget

I have attached a portion of Chapter 53, recently approved legislation that provides communities additional budgetary flexibility due to the impacts of COVID-19. Section 5 requires that the Selectboard, Town Council or Board of Commissioners approve an expenditure plan for the month of July for submission to the Director that provides sufficient expenditure authority necessary to achieve uninterrupted government operations and prudent fiscal restraint. The plan development and approval process will continue for each successive month while the emergency continues and prevents the adoption of a budget by the town or district meeting.

The monthly expenditure plan should include:

- an expenditure estimate for operations in the general fund and enterprise fund (estimates should consider that a reduction in estimated revenues may be required during the FY2021 tax rate setting process);
- amounts sufficient to cover regional school district, pension or other similar assessments; and
- debt service payments.

The monthly budget plan should not include:

- any activities which you have reason to believe will not be supported by the relevant appropriations (once adopted);
- increases in salaries called for in collective bargaining agreements that have not previously been approved by the legislative body;
- appropriations such as reserved premiums, overlay surplus, free cash, stabilization or other similar funds balances;
- capital or other items that ordinarily require special purpose appropriation by town or district meeting; and;
- estimated FY2020 COVID-19 emergency expenditure deficits or other emergency expenditure deficits given authorization by the director under G.L. c. 44, § 31.

Upon receiving Board of Selectmen approval of a 1/12 budget, a community must upload the approved budget into the states “Gateway” system for DOR Director approval. The Director will approve monthly expenditures for July if the submittal is in compliance with Section 5. If the emergency continues to prevent budget adoption by a town or special purpose district meeting, the process described above will continue as long as necessary.

#### Planning for a Reduced FY21 Budget

At the time this memo was written, there was no indication of what the impact to the state budget would be due to the pandemic. I have identified \$1.23 million of a combination of budget cuts and funding sources that could be applied to the anticipated gap in the FY21 budget once the state revises the FY21 Cherry Sheets. In addition, after the proposed reductions in capital purchases of \$244,006, \$170,447 remains in the proposed FY21 budget that could be used for additional cuts, if necessary.

In addition, Winchendon will receive up to \$961,998 from the Federal Coronavirus Relief Fund. Under federal law, eligible uses must meet three conditions. They must be:

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

I have attached the memo from Secretary Heffernan outlining the uses of the grant funds. There have been discussions about expending the allowable uses of these federal funds including lost revenue, but nothing has been finalized.

A section of Chapter 53 also provides an option for cities, towns and special purpose districts to amortize their FY2020 COVID-19 emergency expenditure account deficit and certain FY2020 revenue deficits over the next three fiscal years in equal installments or more rapidly. I am not anticipating the need to amortize a deficit at this time.

Once the Governor revises the FY21 Cherry Sheets I will revisit my recommended FY21 budget and make the modifications necessary to present a revised, balance budget to the Board of Selectmen and Finance Committee for consideration.