

DRAFT

Town of Holliston Finance Committee Meeting Minutes April 14, 2020

The meeting was held under the guidelines that were issued because of the emergency caused by the COVID-19 virus. All participation for this meeting was through remote attendance because of the COVID-19 virus. In addition, all votes taken during this meeting were done as a roll call vote.

Mr. Szajda called the meeting to order at 7:00 PM. In attendance were Chairperson Ken Szajda, Vice – Chair Benjamin Sparrell, Clerk Vincent Murphy, Daniel Alfred, Tim Maxwell, Sue Nersessian, and Michelle Zeamer.

Mr. Szajda stated he attended the state’s virtual economic round table and briefed the Finance Committee on some statistics discussed at the meeting. The economic round table gives the House and Senate information to set the revenue forecast. The State Treasurer said lottery expenses were down. State tax revenue for FY20 Liquor sales is up. The State’s stabilization fund is in good shape. Massachusetts tax revenue is falling 14% in FY20. Unemployment will reach 17.8% in Q2 and the net annual wage will drop by 12%. There will be a big hit in FY21 with a recovery in FY22. There will be a reduction in car sales which will be a significant reduction in excise tax revenue. Also, some of the speakers had noted that they did not think there will be an economic recovery until people feel safe and there will not be a full recovery until there is a vaccine. The pessimistic view is that the fall will be the peak or that the virus drags out longer or there are waves of illness. The optimistic view is that it will peak in April or May. Massachusetts has additional risk factors due to density of population, a slightly older population, and a globally connected population. The state is looking at a potential drop of \$5B in revenue with \$2.6B in aid from the Cares Act in FY20. The Beacon Hill Institute said that the GDP will likely be down 7.2% in Massachusetts. In addition, unemployment is expected to soon be at 14.7%.

Since the beginning of the lockdown the state to date has lost 30% of the GDP. Unemployment is currently at 12% and by June some are forecasting it will be up to 20%. All models expect FY21 to be worse than FY08. S&P and Moody’s had representatives there as well to talk about the big picture. A key thing to remember is that the US is a service economy and with the pandemic the service industry collapses. It was also suggested that schools need to reopen to see a robust recovery since many workers rely on schools to be their ‘day care’ providers when they go to work.

The Finance Committee (the Committee) also reviewed their budget model for FY21. The Committee also discussed local aid and whether it should be modeled at a 10% or 15% reduction. Revenue projections are still a guessing game until it is better understood how the virus works and how the lockdown plays out. A treatment for the virus is needed to fully recover. Massachusetts has been hit hard because hospitals are losing revenue and schools are not in session. Based on the information above, it was suggested that local aid should be modeled at a 15% reduction. There should be more information about the situation in a month. Current property tax revenue in Holliston is stable, but members did wonder if collections of those real estate tax would be a challenge as the economy goes into a recession. Mr. Szajda noted that Proposition 2½ prevents tax revenue from dropping significantly

in the same way it prevents it from rising significantly. Mr. Szajda will research the real estate tax collection from 2008 and 2009 for reference to see if tax collections were severely impacted during the last recession.

Mr. Szajda also discussed the draft email from the Finance Committee to be sent out to put all Town departments on notice concerning potential budget reductions. In addition, he suggested that the budget could be revisited in the fall, and any new developments could result in changes to the budget. The memo addressed that Departments should plan to only fund essential items for the Town in FY21 at this time. Revolving funds may not be as much of an issue because, if the revenue drops, the expenses should drop accordingly. The Parks Department should look into altering maintenance plans if the fields are not in use. Reductions should not impact public and health safety. The point of the memo is to get departments to think about what they need to get by. The Finance Committee Liaisons will reach out to department heads. The overall appropriation guidance increase will now be 0%. The Department heads will not need to present their budgets to the Finance Committee again. The Finance Committee is looking for the information from departments to make potential reductions. The Finance Committee could recommend furloughs and layoffs if the situation warrants it so departments should be prepared if that scenario unfolds. The Town has been funding the stabilization fund for this type of a crisis. However, the stabilization fund is an emergency bridge and should not be used for pay raises.

A concern was raised that due to layoffs of spouses of town employees the Town could see an increase in family health insurance, because where a spouse loses a job, the town employee could become the family provider of insurance. The Finance Committee will follow up on the potential cost impact.

If there are Town personnel cuts, it is the Select Board's decision to make them, but if the situation warrants it, financially the Select Board may have no choice. If recovery from the virus does not start until late summer, furloughs may need to be considered as most of the budget is salaries. It is state law that if we go into FY21 with no budget, the Town needs to fund departments at no less than 1/12 of their FY20 budget. If necessary, the members of the Finance Committee stated that they prefer to take significantly less than \$1M from the stabilization fund since the money may be needed for many years if the recession lasts for a long time.

The Town departments need to be aware that the cuts could happen later in the year even if they do not happen now. Departments need to bring forth ideas that will get them to the bare minimum. Hours that departments are open to the public is a potential way to reduce costs. Projects and expenses that can be deferred need to be deferred. Another potential cost reduction could be delaying the search for a new Town Administrator, although that is a Select Board matter.

Mr. Szajda noted that the Finance Committee is not part of the Town Administrator search committee, however the Finance Committee can meet with the candidates prior to hire and give a recommendation to the Select Board, if requested.

Mr. Szajda also noted that if budgets are resubmitted the Select Board, the Finance Committee will need to review again. The members of Finance Committee expressed a preference to not bring the Heads of the Departments in front of the Committee again the numbers have already been presented.

The Finance Committee needs to communicate to department heads, that they need to be looking at reductions. The article about the Town Clerk's salary that was the draft warrant for the Spring Town Meeting that was provided to the Committee by the Town Administrator was discussed. It was agreed that this article should remain on the warrant, unless money was taken away from other department heads.

Discussion concerning the memo to be sent to the Department Heads resumed and it was noted that the memo should include something about the fact that the Fincom may need to make recommendations for reductions. But if reductions are not brought forward by Town departments, the Finance Committee will have no choice but determine the reductions. Mr. Szajda also noted that the Schools are reviewing the draft FY21 budget for reductions as well. Mr. Murphy suggested that the memo should state that the Heads of the Departments should plan to meet and work with their Finance Committee liaisons to develop a reduced FY21 budget.

Mr. Maxwell made a motion to approve the budget memo to be sent to department heads and oversight boards. Mr. Alfred seconded and the motion was carried 7 to 0.

There was also a discussion about the backlog of Finance Committee meeting minutes. A recommendation was made to have Town personnel who are unable to work full-time due to the pandemic help out. Mr. Szajda will discuss with Ms. Mary Bousquet, the Treasurer to see if she is aware of any staff who could assist with this project.

Chief Cassidy then provided an update on the pandemic and the Town's response to it. He noted that the peak of the surge is now not expected to hit the State until the end of April. He also stated that the Town's supply of PPE is good. There were minimal expenses this week. The ongoing costs continue to be Technology and Food Service costs. The school nurses sent out a note reminding people to take precautions when going out. The Chief stated that there were currently 18 residents of Holliston who tested positive for COVID-19, and that 11 of them had been cleared from quarantine. In addition, there has been one (1) fatality from COVID-19 so far in Holliston. He also stated it is still difficult for people to get tested and therefore, number of cases may be lower than what is actually out there.

Mr. Alfred made a motion at 8:58pm to adjourn. Ms. Nersessian seconded and the motion was carried 7 to 0.