



**TOWN OF HOLLISTON
FINANCE COMMITTEE
703 Washington Street
Holliston, MA 01746**

Financial Update from the Finance Committee – For Immediate Release

To the Residents of Holliston:

We are certainly living through an extraordinarily difficult time for the world, the country, and Holliston. At our last Town Meeting in October most people did not even know what a coronavirus was, and now we all find ourselves expert in mask-wearing, hand washing, and social distancing.

Under ordinary circumstances, Holliston's Annual Town Meeting would have been held on May 4, at which time the Finance Committee would have provided our financial update (on changes since our last Annual Town Meeting) along with our recommendations, with Town Meeting having the opportunity to consider and approve a spending plan for fiscal year (FY) 2021 (beginning July 1, 2020). However, with Town Meeting now delayed until July 20, the town will be forced to begin the fiscal year with an interim spending plan for the month of July. While health matters related to the pandemic are obviously top priority, the Finance Committee feels it is important to keep residents informed of the economic impact of the pandemic, and how the committee is preparing to address the new fiscal challenges we face.

When the pandemic began to unfold, it was clear that the public health actions taken by the Governor would lead to significant financial disruption. The Finance Committee took immediate steps to mitigate long term damage to the town's finances. First, we recommended to the Select Board that they implement a town-wide spending freeze on all non-essential spending in FY20. The intent of this action was to immediately "conserve" funds in the face of tremendous uncertainty as the Governor effectively shut down the state's economy. Second, we revised our budget guidance for FY21 to reflect no increase over FY20 and asked all town boards and department heads to scrutinize their budgets carefully for potential budget cuts if the situation worsened. Finally, we began 'scenario planning' for FY21 based on information we had received from the state that convinced us that we are going to see significant cuts in local aid in FY21. This includes holding regular liaison meetings with the Budget Subcommittee of the School Committee to ensure we do everything financially feasible to support the school department as they do their own scenario planning for September.

The data coming from the state and federal governments is painting a very grim macroeconomic picture with no sign that things will improve quickly. Unemployment rates, both in MA and nationally, have reached depression-era levels. GDP is shrinking at unprecedented rates. At a state revenue review in April, the consensus estimate was that MA would likely see a drop in revenue in the range of 20%

compared to original FY21 estimates, which translates into a shortfall of approximately \$6 billion. We do not anticipate any further assistance from the federal government at this time. One expert at the review stated that MA would completely deplete its rainy-day fund in FY22. Towns all around us have been laying off or furloughing employees as they deal with the impact of current revenue shortfalls and the bleak outlook for next fiscal year. Even though the state is beginning to 're-open,' the restrictions that will be in place for the foreseeable future are likely to have a lasting economic impact. For the town, the Finance Committee expects that it will take several years before we see local aid from the state that approaches the level we received in FY20—it took 6 years for local aid to recover from the recession in 2008 and that was less severe than what we are now experiencing.

If there is any positive to the economic disaster that is unfolding it is that Holliston is better prepared than most of the towns around us. As anyone who has seen the many Finance Committee presentations to Town Meeting is aware, the Committee has worked diligently to build our reserves, to eliminate reliance on unstable revenue sources and to recommend budgets that align with our stable revenue streams. It is at moments like this that we get can realize the benefits of smart financial planning when the economy is strong. No one expected a pandemic or the accompanying financial tsunami. However, the Finance Committee's strict adherence to fiscal discipline and Town Meeting's support of our recommendations over the years will help the town better weather these tough times.

We are a long way from the end of the financial fallout and must proceed with caution, but you can rest assured that the Finance Committee will continue to recommend budgets that look to maintain long term financial stability for Holliston. We are continuing to do the due diligence the town expects from us and will not be sidelined by external distractions. Our objective for FY21 is to try to maintain town services through this crisis, to provide the necessary financial support for the ongoing public health crisis, and to do our best to minimize the financial impact to taxpayers. **We must not let this crisis cause us to lose the fiscal discipline that has positioned us to weather this storm.**

Until we see how long the pandemic goes and how bad the economy gets it is imperative that we take a defensive financial position. As the Finance Committee prepares an FY21 spending plan for your consideration, we are advising all town boards and departments to minimize operational spending, to defer non-essential capital requests, and to postpone spending on unapproved debt-funded projects until at least the October Special Town Meeting. At that time we hope to have a clearer picture of the situation for FY21 and possibly some insight into how long and how bad the economic damage will be. You will see this reflected in the recommendations in our report for the July 20 Town Meeting when it is released in July.

Furthermore, while we understand the public health reasons for the postponement of Town Meeting until July, the Finance Committee believes that it is paramount that town residents get to exercise their statutory obligation to approve a spending plan for FY21 as soon as it is safely possible. With Town Meeting now delayed until after the start of FY21, the Select Board, through a law passed shortly after the declared state of emergency, has the sole authority to determine an interim budget for the month of July. Although this will allow operations of the town to continue until Town Meeting, it removes the traditional balances and checks as well as the approval of the residents as the appropriating authority. With many weeks until July 20, and the state beginning to re-open, there is sufficient time to plan for a safe Town Meeting. The Finance Committee strongly believes the Select Board should do everything

possible to ensure that Town Meeting can be held on July 20 so that further interim budgeting is not needed.

Finally, we would like to remind everyone that the Finance Committee continues to meet (virtually) on Tuesdays at 7pm, with recordings of our meetings available on both the Town web site (www.townofholliston.us) and HCAT (www.hcattv.org). Information for viewing our meetings live can be found in our agendas posted on the town web site. You can also reach the committee using our email address fincom@fincom.holliston.k12.ma.us. We look forward to (safely) seeing everyone for Town Meeting on July 20.