



# CITY OF FRAMINGHAM

Dr. Yvonne M. Spicer  
Mayor

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MEMORIAL BUILDING  
150 Concord Street, Room 121  
Framingham, MA 01702

Thatcher W. Kezer III  
Chief Operating Officer

## MEMORANDUM

To: George P. King, Chair, Councilor at Large  
Adam C. Steiner, Vice Chair, District 3 City Councilor  
Janet Leombruno, Councilor at Large  
Christine A. Long, District 1 City Councilor  
Cesar Stewart-Morales, District 2 City Councilor  
Michael P. Cannon, District 4 City Councilor  
Robert D. Case, District 5 City Councilor  
Phillip R. Ottaviani, Jr., District 6 City Councilor  
Margareth Basilio Shepard, District 7 City Councilor  
John A. Stefanini, District 8 City Councilor  
Tracey Bryant, District 9 City Councilor

From: Dr. Yvonne M. Spicer, Mayor  
cc: Jeanette Galliardt, Executive Assistant; Mary Ellen Kelley, CFO  
Date: December 4, 2020  
Re: Appropriation to Maintain Negative Levy and Close Enterprise Fund Deficit

Dear Councilors,

Upon request of our Chief Financial Officer, the attached budget package and background information is submitted for your review and action. It is necessary to make these adjustments in order to preserve the negative tax levy and corresponding tax bill reduction developed in the FY21 budget process over the last six months.

The original plan to amortize water and sewer pandemic revenue losses over three years is only partially approved by the state Division of Local services; they require the City to close the FY21 shortfall before setting the tax rate. By using a combination of budget reductions and free cash revenue we can close the rate revenue shortfall without a rate increase and keep the tax reduction.

This budget request follows a lengthy memo to the Council Chair and Finance Committee Chair and a memo to the Council and School Committee membership that fully explains the financial and logistical events that have happened over the last four days and the limitations on our timeline for passage of this budget request.

Thank you for your attention and your consideration of this request.

Attachments:

1. Recommended Budget Adjustments to resolve the FY21 Tax Rate Impact from Enterprise Fund Revenue Deficit
2. Draft order for final budget changes to close enterprise fund deficit and keep negative tax levy



# CITY OF FRAMINGHAM

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OFFICE OF THE CHIEF FINANCIAL OFFICER/  
DIRECTOR OF ADMINISTRATION AND FINANCE

**Mary Ellen Kelley**  
Chief Financial Officer

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email address [mek@framinghamma.gov](mailto:mek@framinghamma.gov)  
[www.framingham.gov](http://www.framingham.gov)

**MEMORIAL BUILDING**  
150 Concord Street, Room 123  
Framingham, MA 01702

## MEMORANDUM

**TO:** Dr. Yvonne M. Spicer, Mayor  
Thatcher Kezer, Chief Operating Officer

**FROM:** Mary Ellen Kelley, Chief Financial Officer

**DATE:** December 4, 2020

**RE:** Recommended Budget Adjustments to resolve the FY21 Tax Rate Impact from Enterprise Fund Revenue Deficit

As a result of multiple discussions with the State Division of Local Services, the Council Chair and Finance Subcommittee Chair, the Chief Operating Officer, the Director of DPW, and written communication to the School Committee Chair and Superintendent, my recommendation is to file the FY21 budget adjustment order of \$2.5 million today, December 4th and ask that the Chair refer it directly to the Finance Subcommittee for its meeting of December 8th. We will post it to the City website today as well to satisfy the posting requirement. The Finance Subcommittee could then refer a recommendation (hopefully to approve the appropriation) for a vote at the December 15th City Council meeting, which also can be the public hearing. Then if we could have a second City Council meeting on December 16th or 17th for the second vote, we would be done in enough time to get the tax rate certified and send the tax bills out by the December 31st deadline.

The recommended budget adjustments are:

- Reduce the Water Department appropriation by \$100,000
- Reduce the Sewer Department appropriation by \$100,000

The total FY21 water and sewer department salary and operating budgets have already been cut during the FY21 budget process and are a combined \$810,148 less than the FY20 budget. Reducing funds puts our state required maintenance and operations plan at risk. The majority of the Enterprise Fund budgets are assessments to MWRA which is fixed, and debt service which is legally required to be paid. This recommendation is not welcomed by the Director of DPW and will not be easily accommodated but he understands the issue at hand and will work with us to make the cut as least impactful as possible.

- Reduce the School Department budget by \$800,000



## CITY OF FRAMINGHAM

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The total FY21 School Department budget is \$143,249,434 which is a \$4.76 million increase from FY20. This recommendation would reduce the School budget to \$142,769,434, which would still be an increase of \$3.96 million over FY20. Current School operations are primarily remote – there are 500 students in schools. The transportation budget has been fully funded for the FY21 fiscal year at about \$5.5 million. The district transports about 7,000 students in a “normal” school year; for four months of the school year, the district is transporting less than 10% of the students for two months. For the first four months of the school year there should be \$1.8 million. It will be more than that if the district remains in remote learning operation beyond the start of the fiscal year. The City CARES act fund is paying for more the \$1 million of the School District’s eligible pandemic costs in FY21 in order for the School to have more flexibility with their Coronavirus funds for the rest of FY21 and into FY22. The \$800,000 budget reduction can be entirely absorbed by the savings in transportation costs alone.

- Appropriate \$1.5 million in Free Cash to the Enterprise Fund to fund the remainder of the revenue shortfall that has been caused by the declining commercial usage during the pandemic.

There is a free cash balance of \$8 million, this would consume 19% of the balance which would leave \$6.5 million available for future use. There is no need to use the City’s Stabilization Fund, which has a balance of more than \$17 million. That will still provide a financial stabilizer for FY22 and FY23 depending upon how many future fiscal years are impacted by the pandemic.

We did not want to increase rates until the pandemic was over, or close to over. Until people saw some return to employment and office buildings and restaurants increased usage (spreading an increase across all customers, not just residential). I also anticipated (and still do) some type of federal funding that can be used for revenue loss. The timing is not going to work out for federal funds; so, I had discussed the option of a small increase in January (6%) and a similar small increase in rates in July (another 6%). DLS will not approve the tax rate on a prospective W/S rate increase, which is something I had not anticipated.

We have tried to use our CARES act funds to assist businesses with reopening and/or facility upgrades to accommodate reduced seating and have been told we cannot use the funds for that purpose. This has been one area where we could give some relief. This solution will keep that goal in sight.

I understand this is a lot to ask, but we are in extraordinary times and it is difficult to forecast what may occur in the next month let alone in the next seven months. If we recognize some recovery back to normal business operations before the spring, we may not have as great a revenue shortfall in FY21 – but we can’t say that will happen at this time.

We are going to refinance some of our issued debt from 2009 and 2010, which will reduce costs in FY22 forward (especially if we get rates like we did earlier this week at 1.38%), although that doesn’t solve this immediate issue. We have the resources available to resolve the problem without having to impact taxpayers or rate payers at a time when their resources are scarce and dwindling.

**CITY OF FRAMINGHAM**  
**IN COUNCIL**

ORDER NO. 2020-\_\_\_\_

ORDERED: Amend the FY2021 General Fund voted budget by supplementing or reducing the following budget appropriations:

Reduce Framingham Public Schools by \$800,000 from \$143,249,434 to \$142,449,434

Decrease the FY2021 Enterprise Fund voted budgets by reducing the following budget appropriations:

Reduce Water Department Enterprise Fund budget by \$100,000 to \$22,796,293

Reduce Sewer Department Enterprise Fund budget by \$100,000 to \$29,169,794

Appropriate \$1,500,000 from Free Cash to the Utility Enterprise Fund to offset anticipated revenue loss from COVID pandemic impact on water and sewer system consumption

*Introduced In City Council and Referred to Finance Committee: \_\_\_\_\_, 20\_\_*

*Finance Committee Report Received by City Council: \_\_\_\_\_, 20\_\_*

*Vote of City Council Held: \_\_\_\_\_, 20\_\_ ( \_\_\_\_\_ yeas ([insert names of Councilors]),  
\_\_\_\_\_ nays ([insert names of Councilors]), \_\_\_\_\_ absent ([insert names of Councilors]))*

*Approved by the Mayor: \_\_\_\_\_, 20\_\_*

\_\_\_\_\_  
*Mayor's Signature*