

FY 21 Free Cash

August 30, 2021

PRESENTATION OVERVIEW

- FY21 Free Cash Summary
- Breakdown of Free Cash
- What Got us There?
- School Breakdown
- Next Steps
- Public Input

FY21 CERTIFIED FREE CASH

\$15.7 Million

1. COVID-19 Impact

2. Conservative Fiscal Management

FY21 CERTIFIED FREE CASH

FY21 FREE CASH was certified at \$15.7M, generated by:

- 1) The impact of COVID uncertainty on salaries, benefits and expenses. Department operating budgets were not fully expended due to COVID-19 impact. In FY21 the Town received COVID grant funds for the Town and Schools.
- 2) Conservative fiscal management: through spending , funds received from the FY20 state aid adjustment, and FY20 Free Cash roll over.
- 3) Close out of old encumbrances that have been released to Free Cash, due to a review by new management in the Accounting office.
- 4) Large number of vacancies due to: turnover, a challenging hiring market, and a pending override vote.

BREAKDOWN OF FREE CASH

FREE CASH FACTORS	
FY20 Free Cash Roll Over per guidelines	\$4.0M
Receipt of FY 20 State Aid Adjustment	\$3.2M
School: Salaries & Benefits	\$1.3M
Expenses	\$1.09M
Town: Salaries & Benefits	\$2.3M
Expenses	\$0.8M
Fixed Costs: Borrowing (Favorable Interest Rate)	\$0.8M
Release of Encumbrances	\$1.5M
Prior Year Adjustments	<u>\$0.7M</u>
TOTAL	\$15.7M

COVID IMPACTS

COVID impacted the operating budget for the Town and the Schools, for example:

- ❑ **\$330,000** Vocational Education reduction of spending due to fewer number of students.
- ❑ **\$186,000** Recreation Department reduction of spending due to the pool being closed and reduced programs for residents.
- ❑ **\$71,000** Health Department reduction in spending due to COVID grant funding and hybrid staffing.
- ❑ **\$40,000** Assessing Department reduction in spending due to the lack of cyclical inspections because residents refused entry.
- ❑ **\$303,000** Facilities Department reduction in spending due to a decrease in the use of Town buildings, which impacted utility costs and maintenance.

CONSERVATIVE FISCAL MANAGEMENT

The Town was conservative in its modeling and spending, for example:

- ❑ **\$4.0M** Free Cash roll over was included in the override modeling in January and February of 2021, per the Town's Free Cash Reserve guidelines.
- ❑ **\$3.2M** FY20 State Aid Adjustment. The state was late approving FY21 State Aid after the Town's budget was approved.
- ❑ **\$0.64M** Unexpended Benefits. Less health insurance activity has resulted in a higher turnback. The Town is prepared for a post COVID spike.
- ❑ **\$1.10M** Reduction in street lights operating expense, due to the installation of LED lights that consume less energy.
- ❑ **\$0.8M** Belt-tightening efforts by departments to reduce spending.

RELEASE OF ENCUMBRANCES

Improved efficiencies in the Accounting Office from previous management.

- ❑ The FY21 financial books were closed on August 3rd. The Balance sheet was submitted to the Department of Revenue shortly thereafter.
- ❑ The Department of Revenue certified Free Cash on August 19th. This is two months earlier than the last several years.
- ❑ **\$1.5M was released in encumbrances:** Encumbrance funds that close out from prior years flow to Free Cash. The Town Accountant was diligent in closing out older encumbrances, resulting in an increase in the Free Cash total, for example:
 - **\$342,000** In FY20, DPW encumbered money for Solid Waste and Recycling, due to the volatility in the recycling market.
 - **\$43,000** in old grants was closed out.
 - **\$347,000** upgrades at the Police Station.
 - Additional smaller items that were released such as older design projects, consulting services and maintenance.

VACANCIES

The Town had 25+ vacancies in FY21 due to turnover, challenges in the hiring market, and a pending override vote.

- ❑ Annual staff exchange due to retirements, relocations, health issues, etc.
- ❑ We had turnover in some Department Head positions, and in some cases Assistants served in an acting capacity.
 - Fire Chief
 - HR Director
 - Facilities Director
 - Town Accountant
- ❑ **\$500,000** Vacant positions in the Office of Community Development, Fire, and the Department of Public Works were not filled due to regular turnover, retirement, and the funding uncertainty related to the override.
- ❑ **\$600,000** 7 Critical positions in the Police Departments are vacant. This is due to the challenges within the hiring market. None of these positions have been filled to date.
- ❑ **\$183,000** The Library had vacancies in over 10 positions, largely for COVID related reasons.

SCHOOLS

The budget was not fully expended due to operational changes for remote learning, in response to COVID; as well as use of federal COVID grants for School and the Town

❑ Turn-back amount: **\$2.39M**

Salary savings: **\$1.3M**

- ❑ Increase in staff on leave (COVID and non-COVID); substitutes hired at a lower rate
- ❑ Staff exchanges, attrition & back-filling generally at a lower rate
- ❑ Contract negotiations savings
- ❑ Fewer extracurricular programs run, and fewer stipends paid

Non-salary savings: **\$1.09M** (Net savings after COVID expenses)

- ❑ Remote & hybrid instructional supplies & materials purchases funded through CVRF Grant
- ❑ Teacher laptops and student software subscriptions to support remote teaching and learning funded through CVRF Grant
- ❑ COVID-related expenses originally charged to School GF, later reclassified to Town CARES Act Grant in Q4
- ❑ Transportation savings for remote days (regular ed. & Sped); Sped invoices Dec-Jun received in Q4
- ❑ Sped tuitions under budget, in conjunction with SC voted carryover balance amount; CB increase in Q4

NEXT STEPS

What does this mean as we move toward FY23 and beyond?

- Uncharted times in municipal finance: COVID unknowns were/are too great, therefore the Town budgeted conservatively and things broke our way.
- The Town still carries a Structural Deficit. In the FY22 budget the Town used \$7.2M in one-time funds, which is anticipated to level fund the budget in FY23.
- Continue to look for ways to tighten the belt, as residents have requested.
- Continue community conversations as we begin the FY23 budget process. The Town has an additional benefit of incorporating American Rescue Plan Act (ARPA) funding into the financial model.
- The Town is well positioned due to the early certification of Free Cash. The Town is able to accelerate budget modeling for FY23 & beyond.