

April 29, 2020

To: Mayor and City Councilors  
From: Joseph Nicholson, City Manager  
CC: Laura Sitrin, Director of Finance  
RE: FY2021 Budget

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The FY2021 Proposed Budget is attached. This was a difficult budget due to an assumed reduction in revenues primarily from the impacts of Coronavirus. The revenues in the General Fund alone are reduced from FY2020 by \$3,557,885.

The budget proposes no increase in property tax rates or sewer rates.

It maintains the Motor Vehicle exemption at \$6,000 and assumes the phase-out rate will remain at current levels. We are proposing to delay the preparation and mailing of Motor Vehicle tax bills until September 1, 2020. This gives us time to wait for further clarification from the State as to how they will vote on the Motor Vehicle Phase-Out proposal.

The Maritime and Parking Fund budgets assume use of cash of approximately \$500,000 each to offset revenue losses in those funds.

We have requested that the fire, AFSCME and NEA supervisory unions re-open negotiations for FY2021 because the City is not in a position to afford the negotiated 2% COLA in each bargaining agreement. The police contract expires as of June 30, 2020, and no COLA's have been budgeted for police or non-union personnel. Elimination of the previously negotiated COLA's will save the City approximately \$500,000.

So how do we propose to eliminate \$3.5 million from the General Fund?

- Salary and benefit savings of \$500,000 from removal of COLA's
- Eliminate transfer to OPEB Trust of \$820,000
- Eliminate transfers to revolving equipment replacement accounts of \$1,261,600
- Drastically reduce capital funding to \$1,602,562 – a reduction from FY20 of \$2.4 million.
- No increase in funding for school or library operations (we did leave in required school capital funding)
- Other miscellaneous operating reductions

The impact of the reductions will be felt for years to come, as many of these are annual funding amounts that are being eliminated. Equipment replacement funding, capital and the OPEB Trust contributions will have to be slowly replaced over the next 2-3 years. However, assuming union cooperation, we have managed to propose a budget that does not require layoffs in the face of overwhelming economic disruption and unemployment.