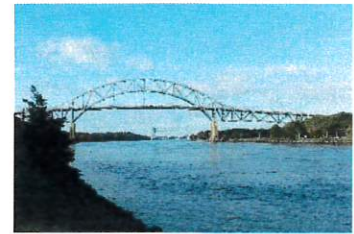


TOWN OF BOURNE

Town Administrator
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January 14, 2020

The Honorable Board of Selectmen
Town of Bourne - Town Hall
24 Perry Avenue
Buzzards Bay, MA 02532

Dear Board Members:

As required by the Town of Bourne Charter, I am forwarding the proposed Fiscal Year 2021 Budget and Capital Plan along with this budget message. This message includes a summation of projected revenues, anticipated expenditures and presents a balanced budget for Fiscal Year 2021. As the town's new administrator, having started in early November, it has been a fast paced process to get to this point in less than sixty (60) work days. I want to thank all the department heads and other committees, such as Capital Outlay, in their patience, etc., as I have had many questions regarding current processes used in developing the town's budget and capital plan. Because I plan to bring a requirements/outcomes focused approach to the process over time, my methodology to budgeting only minimally impacted the FY21 process given the short timeframe I had to work.

The Town of Bourne remains in a good financial position overall with healthy reserves and an operating budget that maintains a "core" level of service to the community across all departments. That said, there were a number of caution flags that came about during the FY21 budget development process. Like many communities, of which Bourne is no exception, the rate of rise in fixed costs is outpacing the rate of rise in our revenue. We will see the results of that reality in next year's budget proposal as we work to provide both a responsible and sustainable budget while dealing with these constraints and stressors to the overall financial picture.

Bourne continues to adhere to and remain in compliance with its financial policies as presented in December 2019 by the Finance Director. However, the future landscape will likely require an update to our policies and shift in focus to again provide sound guidance for long term sustainability.

As is typical in municipal finance during budget preparations, we took a conservative approach to revenue estimates, and made a number of educated assumptions as it relates to certain expenditures, since at this early in the process they remain unknown. For this reason, it is important as we move through the process toward a final FY21 budget to present to town meeting, that we always keep these unknowns in the forefront and avoid the tendency to jump on hopeful revenue increases primarily as state aid comes into focus, since we know these are often moving targets that can become bargaining chips leading to the final state budget.

For the reasons noted above, revenue estimates for the FY21 budget are expected to increase by 2.12% or \$1,609,431. Consistent with past practice, free cash in the amount of \$906,169 was needed in this budget in order to bring it into balance. It is my suggestion and goal moving forward that we work to end the reliance on free cash in the operating budget and to meet the intent of what “balanced” truly means. I am anticipating that FY20 will be the last year of significant “turn backs” toward free cash and as a result, continued use of free cash for the operating budget in FY22 and beyond would present budget sustainability issues in a relatively short amount of time.

As mentioned earlier, increases in “fixed” and “must pay” costs quickly absorbed the available revenue thereby decreasing the amount available for town/school expenses. The most notable increases were Health Insurance (3%), County Pension Assessment (9.46%), Insurances (3%), Upper Cape Technical School (+22 students) and contractual increases (3% town and 2.75% schools). It should be noted that the Bourne Fire Department contract is set to expire on June 30, 2020 and the cost of this contract is not fully known for FY21.

These increases posed significant challenges to funding other expenses while maintaining a focus to reduce the use of free cash for operating expenses. As a result, general government expenses are estimated to rise only 0.03% for FY21. The results of a nearly negligible increase means that no new staff or programs will be added in FY21 and nearly all expense lines were initially level funded. This method still did not present a budget that would keep free cash use at or below FY20 levels and, therefore, led to additional review/analysis inside each expense line to look for possible reductions as long as it did not affect current service levels.

The FY21 budget, as presented, fully incorporates the results of both of those efforts. I have met with and had discussions with the Interim Superintendent of Bourne Public Schools (BPS) and staff regarding my recommendation of a 2% increase for BPS and the revenue/fixed cost challenges discussed in this memo. It must be noted, that the school district is only just beginning its budgeting process and will need some time to analyze their needs against the backdrop of the current financial landscape.

Two new technology programs were added in FY20, E-Permitting and Dude Solutions Facility Management Software, and both are funded in FY21. We look to use these programs to increase efficiency in operations or as a planning tool to ensure we program for the maintenance, repair and replacement of our infrastructure in order to achieve their full useful life.

In addition, our new police facility will be fully operational for all of FY21 and our new Intermediate School will be in its second year of operation. In both cases, the cost of operating them are somewhat soft at this point, however, we have used a conservative approach in planning for their energy and electricity usage costs until better data is available.

As mentioned previously, I am a proponent of a requirements or outcomes based approach to providing resources to departments, etc., and this is especially true when considering new spending. In that regard, I am not planning to fill the Economic Development Director position or ask that an HR Director position be authorized in FY21 until I have sufficient time to consider, study and establish a set of requirements for each. These requirements will serve to better inform me as to the exact expectations for each before adding personnel and taking on the associated costs with doing so. In the meantime, I plan to utilize other means, namely contracted services, to assist in getting our economic development program off the ground.


I am comfortable with both the revenue and expenditure budgets for both the ISWM and Sewer Enterprise funds. The changes made/implemented in the FY20 expenditure budget for ISWM are working as intended and will assist in keeping the enterprise fund healthy and operating smoothly. Also, the new Buzzards Bay Waste Water Treatment facility is moving forward. Looking to the future, an operational plan/model and associated cost structure will need to be developed and incorporated into future year's budgets.

The Capital Outlay committee has done an excellent job again this year in vetting requests for inclusion in the FY21 Capital Program for both the town and school department. For FY21, I am proposing \$816,000 in Free Cash, \$1,787,000 and \$729,000 in general and enterprise debt borrowing respectively for capital items. It is further proposed that \$205,000 be used from the Waterways Fund and \$167,000 from enterprise retained earnings for capital purchases. Total recommended capital funding for FY21 is \$3,704,000. In light of the challenges and stressors mentioned earlier, we must monitor closely the rate of raise of our non-exempt general fund debt payments and whether a shift to a more pay-as-you go approach is prudent.

In summary, the recommended TOTAL FY 2021 General Fund Operating Budget excluding Enterprise Funds is \$70,856,022. As is nearly always the case, some modifications to this proposed budget will be necessary prior to the final budget being presented to Town Meeting. It takes a team effort to pull together a complex budget such as this and again I wish to thank all the department heads, members of my finance team and everyone who assisted me in crafting the FY21 budget and Capital Program.

I look forward to discussing the budget in more detail with the Board of Selectman, Finance and School Committees and the residents of Bourne.

Respectfully



Anthony Schiavi
Town Administrator