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| OFFICE OF THE CHIEF FINANCIAL OFFICER/  DIRECTOR OF ADMINISTRATION AND FINANCE | |
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| **Mary Ellen Kelley**  Chief Financial Officer | | office phone (508) 532-5425  email address mek@framinghamma.gov  www.framingham.gov | | **MEMORIAL BUILDING**  150 Concord Street, Room 123  Framingham, MA 01702 |

Memorandum

To: Nicholas Lehman

From: Mary Ellen Kelley, CFO

CC: Carolyn Lyons, Treasurer/Collector

Lisa Driscoll, Hilltop Securities

Date: May 20, 2021

Re: Response to Review Questions for Spring 2021 short term borrow

1. Status and details for the fiscal 2022 budget
   1. What stage is the budget?

The FY22 General Fund and Enterprise Fund budgets were submitted to the City Council on April 30, 2021, in compliance with the Framingham Charter. The Budget is currently under review by the Finance Subcommittee (FSC). The charter defined deadline for FSC review is Monday May 25th. The FSC is meeting for its final time Monday May 24th and will make its recommendation to the City Council on Tuesday May 25th. The City Council has 21 days from May 25th to deliberate and vote the final budget.

* 1. What is the budget to budget % and $ change compared to 2021?

The budget submitted by the Mayor is balanced with a 3% increase in revenues and expenses over FY21. Among other sources, the budget relies on the use of $2.4 million of federal ARPA funds to offset local receipts revenue loss (rooms tax, meals tax, penalties and fines and user fees) in the General Fund and $4.6 million is federal ARPA money for revenue loss in the Utility Enterprise Fund (loss of consumption, primarily from commercial closures such as large office buildings and restaurants.

* 1. Key budget drivers?
     1. School Budget: increased $3.6 million (2.5%) all coming from the local contribution as the change in education aid is actually negative.
     2. Health insurance increase is $1.9 million (6%) based on enrollment and rate changes set by the state Group Insurance Commission. At $33.7 million for FY22 we are still $1.1 million less than the FY14 spending level for health insurance.
     3. Pension-Contributory Retirement: increasing $1.1 million (7%). The latest funding schedule (1/1/21) reduces the rate of return to 7.25% and maintains full funding in 2030.
     4. Solid waste and recycling removal: increase of $341,000 (15%). Decreasing number of available landfills will only make these costs higher in future.
  2. Anticipated % change in tax levy?
     1. The budget submitted by the Mayor increased the base levy by2.5%. New growth is estimated at $3 million. The estimated average single family home tax bill is $245.
     2. The Finance subcommittee is proposing the use of marijuana revenue (not used in the Mayor’s budget) of $1 million to offset the levy. Also to use $1 million of free cash, to be backfilled by FEMA reimbursements to offset the levy. A third proposal is to use more federal revenue to offset pandemic utility rate loss and increase the amount of indirect charge to the full charge (half charged in the Mayor’s budget). The additional revenue of $1.7 million would offset the levy. The move is to counter act two surcharges happening: CPA at 1% and Fuller Debt exclusion of $37 per residential taxpayer.
     3. Finance subcommittee proposing cutting municipal budgets by $1.2 million, to get to a another zero dollar levy.
  3. Anticipated use of free cash? If so, how much for operations/one-time use/capital funding?
     1. Mayor’s budget uses $5 million in free cash. $175,000 as a deposit into the stabilization fund and $4.825 as revenue.

1. Enterprise fund recovery plan – any changes/deviations to the plan as outlined and discussed in March?
   1. Budget is increasing 7%. Recommended rate increase of 9.7% to bring the structural rate base to fully fund expenditures. Amortizing part of last years’ revenue lost into base rate increase. Using $4.6 million in federal ARPA funds to offset pandemic related usage decline. Mayor’s plan phases indirect charges in over two years. Finance subcommittee countering will full indirect in FY22.
2. Any litigation outstanding that could financially impact the city?
   1. No.
3. Any other topics the district would like to mention that could impact the city’s credit profile? Building permits still robust and businesses are starting to rebound. Three recreational marijuana businesses of six licenses now operating.