

IMA Hartford Chapter

“Municipal Budgeting in the COVID-19 Era”

Presented by: Kevin Delaney

February 16, 2021



The Association of  
Accountants and  
Financial Professionals  
in Business



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Financial Professionals  
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HARTFORD CHAPTER

# Housekeeping

Thank you for joining us today!

Please note that you are **muted upon entry**.

Use the **Q&A** to ask questions and **Group Chat** to interact. Q & A session will be held at the end of the presentation.

A copy of the presentation is available now for download in the **Resource List**. *(if applicable)* The link to the recording will be emailed to attendees along with a link to download your CPE certificate.



# Housekeeping Cont.



To receive **full CPE** credit, you must:

- Attend the entire presentation
- Answer all polling questions
- Complete the Evaluation Form which can be found in the Survey icon on your tool bar.

# Welcome Message

Claude-Helene McIntyre  
IMA Hartford Chapter  
President  
2019-2021



# Municipal Budgeting in the COVID-19 Era

Kevin Delaney  
Finance Director/Treasurer  
Berlin, CT

MARCH 2020

# Governor Lamont early press conference on COVID-19



<https://portal.ct.gov/Office-of-the-Governor/News/Press-Releases/2020/03-2020/Governor-Lamont-Coronavirus-Update-March-10-2020-3PM>

# Early in the pandemic...

- Non-essential public facilities started to close for a day, then a week, then two weeks...how long would it last?
- CIAC action – winter & spring sports
- By May,
  - Most municipalities closed facilities to the public
  - A new way to engage with the public started and ramp up needed to be fast
  - Governor closed schools for the balance of the year

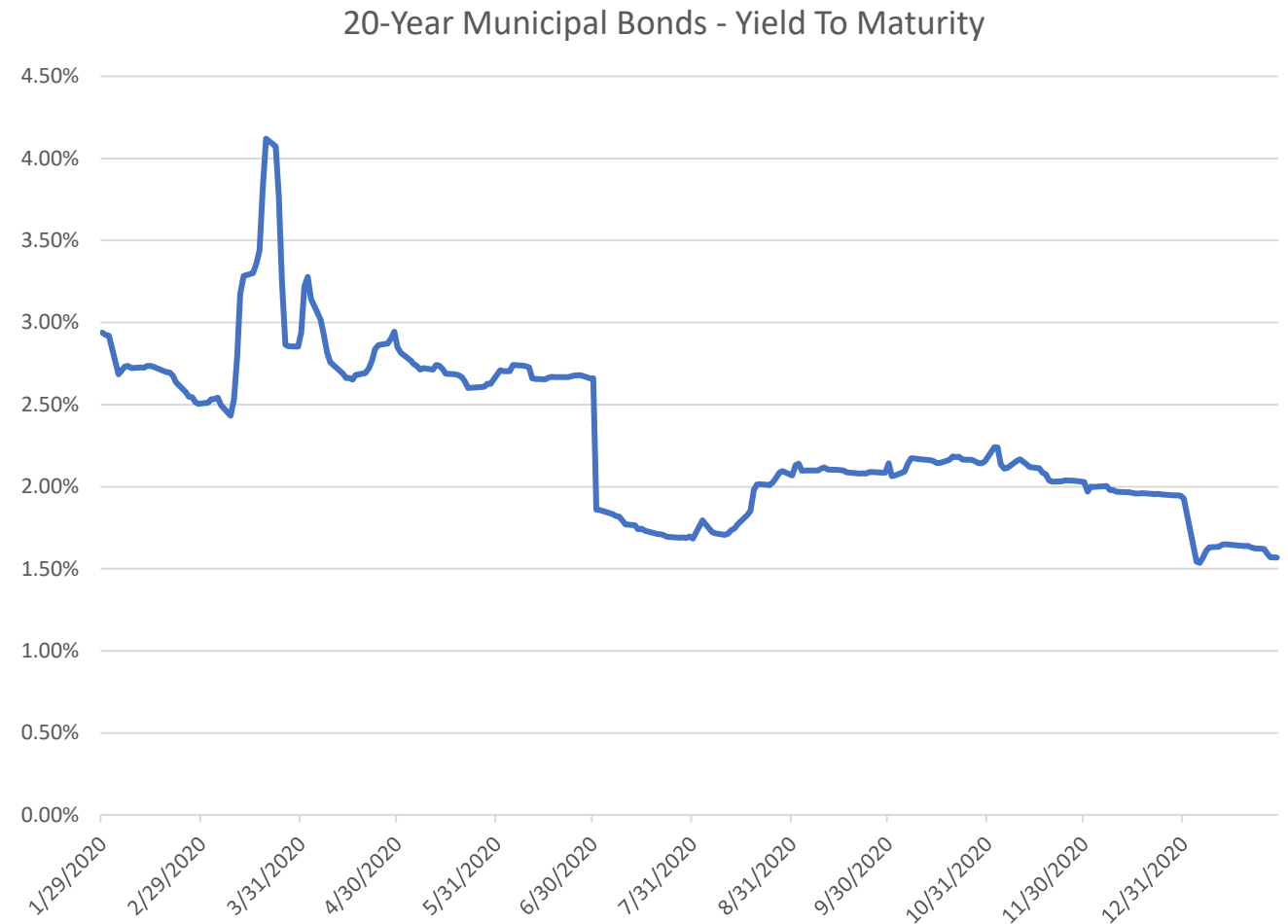
# Municipal lending...

Investors began withdrawing from municipal mutual funds: For the week ending March 18<sup>th</sup>, investors withdrew a record-setting \$12 billion—almost 2.5 percent of assets—and another \$13.7 billion the following week.

Between March 9<sup>th</sup> and March 20<sup>th</sup>, state and local governments managed to sell only about \$6 billion of the \$16 billion in bonds they were seeking to issue.

These withdrawals were accompanied by sharp increases in the interest rates borrowers were required to pay.

<https://www.brookings.edu/blog/up-front/2020/03/31/whats-going-on-in-the-municipal-bond-market-and-what-is-the-fed-doing-about-it/>



# Response...

- Money market mutual funds have come under pressure in recent days as investors pull money from funds in favor of cash, and those funds have been looking to sell some of their holdings to shore up their own **cash positions**. (<https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/fed-takes-step-to-aid-municipal-bond-liquidity-faces-calls-to-do-more-57694575>)
- Federal Reserve - Municipal Liquidity Facility
  - Created April 9, 2020 – expanded April 27, 2020
  - “The facility, as revised, will purchase up to \$500 billion of short-term notes issued by U.S. states (including the District of Columbia), U.S. counties with a population of at least 500,000 residents, and U.S. cities with a population of at least 250,000 residents. The new population thresholds allow substantially more entities to borrow directly from the MLF than the initial plan announced on April 9.” (<https://www.federalreserve.gov/newsevents/pressreleases/monetary20200427a.htm>)

# Agenda

- Municipal services & Responses to COVID-19
- Municipal budgeting framework
- Budgeting during COVID-19
- Case study: Berlin, CT

# Municipal services

**MUST**

**Education**



**NEED**

**Infrastructure**



**WANT**

**Senior & Social  
Services**



**Library &  
Cultural**

**Public Safety**



**Debt  
Service**



**Oversight & Public  
Participation**

**Recreation**



# Where do property tax dollars go?

## Berlin FY21 Budget

Education	55.7%		
Public Safety	11.6%		
Debt Service	11.5%	78.8%	MUST
Physical Services	9.7%		
General Government	2.7%		
Townwide	2.0%	14.4%	NEED
Parks, Rec & Library	4.0%		
Health & Human Services	2.0%		
Community Development	0.8%	6.8%	WANT
TOTAL	100.0%	100.0%	

# Polling Question 1

Typically, education represents the largest single cost driver in municipal budgets in Connecticut?

A) True

B) False

# Municipal Budget Framework

# PUBLIC VS. PRIVATE

SIMILARITIES	DIFFERENCES
LABOR	STATE/FEDERAL MANDATES
UTILITIES	NON-PROFIT
INSURANCE	BUDGET REFERENDUM
CYBERSECURITY	LIMITED CONTROL OF REVENUE METHODS
DEBT	ELECTED OFFICIALS
CONSTITUENT/CUSTOMER DEMANDS	

# MAJOR FACTORS IN MUNICIPAL BUDGETS

STATE AID	GRAND LIST
USER FEES	PROPERTY TAX COLLECTION RATE
SLY	LOCAL ECONOMIC DEVELOPMENT
STUDENT PERFORMANCE	EXEMPT PROPERTY
STATE MANDATES (MBR, MINIMUM WAGE)	EMPLOYEE BENEFITS/PENSIONS
REQUIRED DEBT SERVICE PAYMENTS	INFRASTRUCTURE NEEDS

# Municipal budgeting comes down to four things...

- 1) What are the services taxpayers MUST/NEED vs. WANT?
- 2) What are the LEGAL, CONTRACTUAL & REGULATORY requirements in the upcoming year?
- 3) What is the value of the local economy (GRAND LIST)?
- 4) Split between TAXES, USER FEES & GRANTS?

The answers to these questions lead to...

$$\text{Mill Rate} = \frac{\text{Adopted Budget} - \text{Fees/Grants}}{\text{Grand List per thousand}}$$

...and mill rate leads to tax collections.

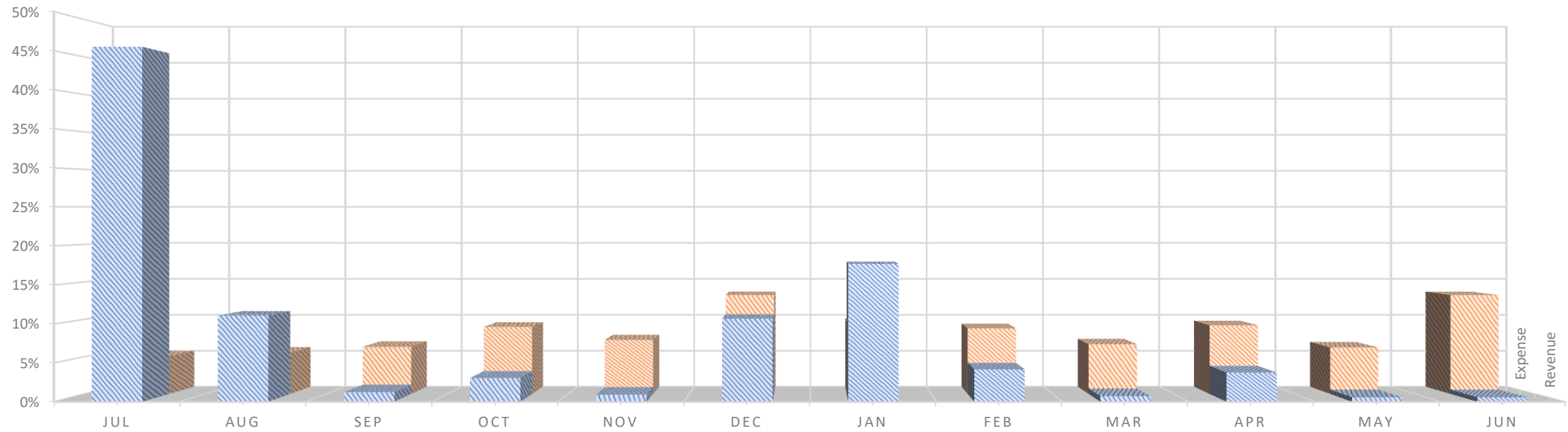
Key budget considerations...

Balance Sheet

Cash – Level & Timing

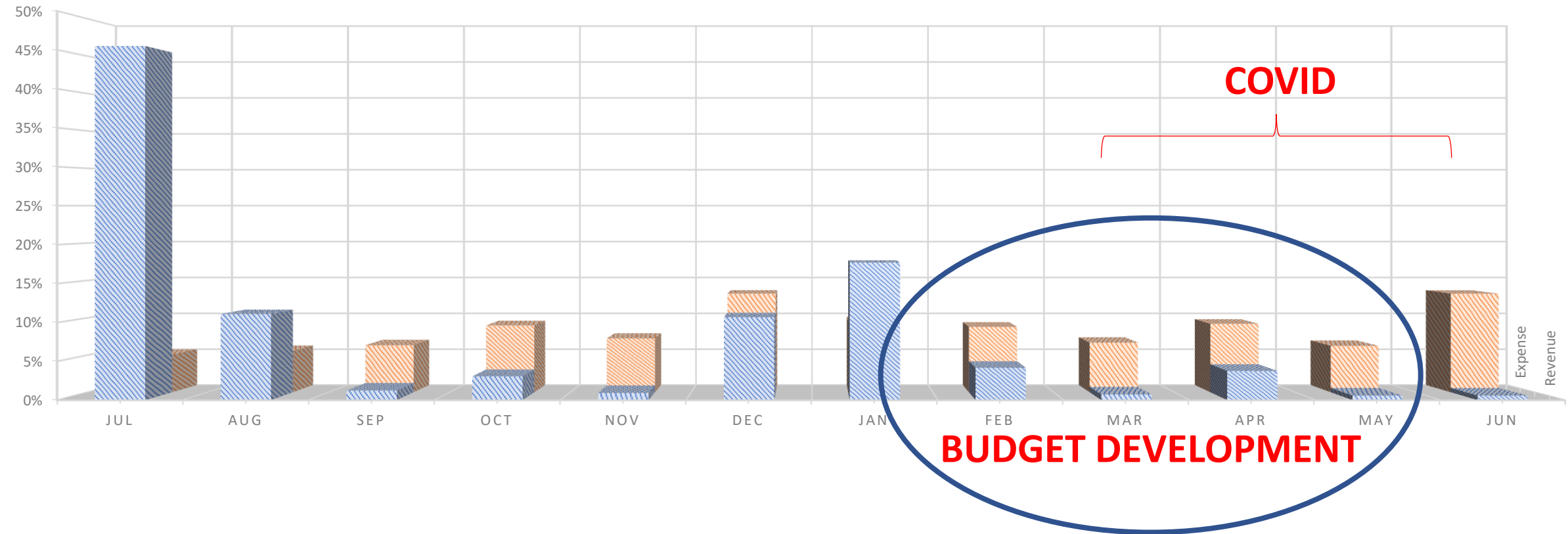
Required Operating Costs

BERLIN CT CASHFLOW CALENDARIZATION



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Revenue	45%	11%	1%	3%	1%	11%	18%	4%	1%	4%	1%	1%
Expense	5%	6%	6%	9%	7%	13%	10%	9%	7%	9%	6%	13%

BERLIN CT CASHFLOW CALENDARIZATION



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Expense	5%	6%	6%	9%	7%	13%	10%	9%	7%	9%	6%	13%

## Polling Question 2

Municipal revenue is concentrated in the tax collection months of July & January?

A) True

B) False

# Responses to COVID-19 Throughout 2020

## Early response was cautious...

West Hartford, Simsbury schools cancel overseas trips due to coronavirus threat (March 3, 2020)

On March 9, New Canaan Public Schools announced that they were going forward with a two-hour delayed opening due to coronavirus preparation.

Reg. 14 schools close for days to deep-clean after student reportedly came in contact with family member diagnosed with coronavirus (March 10, 2020)

#### April 29, 2020 Webinar: Preparing Municipalities for COVID-19 Long Term Recovery

[Preparing Municipalities for COVID-19 Long Term Recovery: Webinar Recording](#) - GoToWebinar will ask for your name and email address to view the recording.

[Preparing Municipalities for COVID-19 Long Term Recovery: Webinar Presentation](#)

[CT Rises: Planning for Long-Term Disaster Recovery - A Guide and Toolkit](#)

[Recovery Structure for COVID-19](#)

[CTRecovers](#)

#### April 28, 2020 Webinar: Re-forecasting Budgets in an Uncertain Economy

[Re-forecasting Budgets in an Uncertain Economy: Webinar Recording](#) - GoToWebinar will ask for your name and email address to view the recording

[Re-forecasting Budgets in an Uncertain Economy: Webinar Presentation](#)

#### April 21, 2020 Webinar: Our New Normal: Supporting Employee Emotional Wellbeing During COVID-19 & Beyond

[Our New Normal: Supporting Employee Emotional Wellbeing During COVID-19 & Beyond: Webinar Recording](#) - GoToWebinar will ask for your name and email address to view the recording

[Our New Normal: Supporting Employee Emotional Wellbeing During COVID-19 & Beyond: Webinar Presentation](#)

#### April 8, 2020 Webinar: Connecticut at the Moment: The Latest Information on the Coronavirus Response in CT

[Connecticut at the Moment: The Latest Information on the Coronavirus Response in CT: Webinar Recording](#) - GoToWebinar will ask for your name and email address to view the recording

[Connecticut at the Moment: The Latest Information on the Coronavirus Response in CT: Webinar Presentation](#)


# Summer recreation was different...

Distancing and one-way markers line the ground at the town pool facilities in Avon and Simsbury. They are both open for the season with restrictions. [pic.twitter.com/AWRNu5cRoN](https://pic.twitter.com/AWRNu5cRoN)

— Siobhan McGirl NBC CT (@siobhan\_mcgirl) [June 22, 2020](#)

A look at Ocean Beach Park in New London today. Distancing on the beach, but the swimming pool will remain closed for the season. [@NBCConnecticut](#) [pic.twitter.com/Z9SyMJXq2H](https://pic.twitter.com/Z9SyMJXq2H)

— Siobhan McGirl NBC CT (@siobhan\_mcgirl) [June 22, 2020](#)

Safety signs, 15 feet distancing and new changing room protocols. A look at Spaulding Pond Beach in Norwich  [pic.twitter.com/yPsjRfUcv6](https://pic.twitter.com/yPsjRfUcv6)

— Siobhan McGirl NBC CT (@siobhan\_mcgirl) [June 22, 2020](#)

# Budgeting During COVID-19

# Helped by lessons from the past...

S&L scandals & Colonial Realty – early 90's

Dot.com rise and fall – late 90's - 2000

9/11/2001

Great recession – 2007 - 2010

2017 State budget battle

# Core values...

Stick to your principals –

1. it's easy to give in to expediency
2. it's hard to "do the right thing" in the face of great challenges.

Avoid infighting. Every department has its purpose and providing as many resources as possible to deliver that purpose is critical.

Make the tough calls when times are good, don't wait for bad times.

Need to be willing to say NO occasionally...and maybe more than occasionally during the bad moments.

# Major issues facing towns developing FY21 budgets...

Crisis response (end of FY20)

Prepare for next fiscal year (end of FY20 - 1H FY21)

Handle MUST/NEED business from a distance (March 2020 - ???)

# How to budget for FY 2020-21?

REVENUE CONSIDERATIONS	EXPENDITURE CONSIDERATIONS
State & Federal Funding	<u>Opening schools</u> Health & Safety Staffing Transportation Distance Learning
<u>Tax collections:</u> Closed businesses Unemployment Collection limitations	<u>Fixed costs</u> Debt & pension payments Pension liability in low interest rate environment
Interest earnings	Elections
Fees	Public Safety
Use of savings/Reserves	Recreation

# State/Federal Aid...\$600 million+

- OPM reimbursed \$60 million Coronavirus Relief Fund (CRF) money to municipalities (originally \$75 million)...
  - \$14.5 million distributed on reimbursement basis for costs thru 6/30/20
  - \$45.5 million distributed on population-basis for costs thru 12/30/20
  - \$15.0 million reserved to, “expand regional testing opportunities for teachers and staff to mitigate this expense for LEA’s and municipalities and provide increased support for safe operations of our schools.”
- FEMA offered relief, but reimbursement process has been slow.
- To-date, the State/Federal government have reimbursed more than \$87 million in education grants (including meal funds).
- Emergency School Relief Fund II providing \$443 million in additional K-12 aid to be used by September 2022.

# Governor Lamont's major municipal executive orders...

Budget EO Number	Date	Order
EO 7C	3/15/20	<ul style="list-style-type: none"> <li>- Extension of municipal budget adoption deadlines</li> <li>- Extension of regional board of education budget adoption deadlines</li> </ul>
EO 7S	4/1/20	<ul style="list-style-type: none"> <li>- <b>Relief from certain municipal tax deadlines and collection efforts</b></li> <li>- Allow suspension of in-person voting requirements for critical and time sensitive municipal fiscal deadlines</li> <li>- Suspension of reapplication filing requirement for the homeowners' elderly/disabled circuit breaker tax relief program and for the homeowners' elderly/disabled freeze tax relief program</li> </ul>
EO 7CC	4/21/20	<ul style="list-style-type: none"> <li>- Applicability of Executive Order No. 7S, Section 7 to additional critical and time-sensitive municipal fiscal actions</li> </ul>
EO 7HH	5/1/20	<ul style="list-style-type: none"> <li>- Mandatory suspension of annual town meeting or referendum to adopt budget</li> </ul>
EO 9R	12/16/20	<ul style="list-style-type: none"> <li>- <b>Suspension and modification of tax deadlines and collection efforts for tax bills that become due and payable on January 1, 2021</b></li> </ul>

Gov't EO Number	Date	Order
EO 7I	3/21/20	<ul style="list-style-type: none"> <li>- Suspension of in-person shareholder meeting requirements</li> <li>- Procedural relief for municipalities</li> </ul>
EO 7QQ	5/20/20	<ul style="list-style-type: none"> <li>- Modifications to permit the use of absentee ballots to reduce the risk of COVID-19 transmission during August 11, 2020 primary</li> </ul>

School EO Number	Date	Order
EO 7C	3/15/20	<ul style="list-style-type: none"> <li>- Cancellation of classes at all public schools</li> <li>- Flexibility of graduation requirements and prescribed courses of study</li> </ul>
EO 7L	3/24/20	<ul style="list-style-type: none"> <li>- Extension of class cancellations at all public schools to April 20</li> </ul>
EO 7R	3/31/20	<ul style="list-style-type: none"> <li>- Continuation of funding for boards of education</li> <li>- Continuation of payment of public-school staff</li> <li>- Preservation of student transportation services and special education providers</li> </ul>
EO 7II	5/5/20	<ul style="list-style-type: none"> <li>- Extension of school class cancellations for remainder of school year</li> </ul>

# Expenditures

- Eliminate new, non-mandated spending from budget proposals
- Dramatic reduction in capital spending
- Close recreation facilities
- Meet new needs for seniors
- Fund new needs in schools

# Case Study: Berlin, CT...

- FY20 finished favorable to budget
  - Expenses were lower because:
    - schools/buildings were closed – partially offset by higher distance learning costs
    - vendors were not comfortable doing work in enclosed buildings
  - Revenues were unfavorable to budget
  - General Government:
    - Reduced/eliminated public services
    - Many buildings open by appointment only
    - Increased reopening costs – PPE, internet-based meetings
    - More public access requires safety protocols
- FY21 is fragile...
  - July collections were consistent with prior years
  - Nearly all businesses remain
  - Economic growth continues

# Berlin results (cont.)

- Unmodified audit opinion, on-time
- AAA bond rating maintained by S&P in June 2020
- First sub-1% General Obligation bond issue in Town's history
- Continued execution of pay-as-you-go pension funding strategy
- Constructed boulevard for new public/private TOD initiative in conjunction with new train station & renovated tracks

# Traditional State Aid & New Mandates...

- State has honored budgeted commitment to Berlin in FY21
  - Education Cost Sharing on budget
  - TAR, Municipal Projects and LoCIP grants on budget
- Latest State budget projection is encouraging...need to gauge impact to FY22 this spring
- Gov. Lamont assurances at January Council of Small Town's meeting
- Notable New Mandates:
  - Police Accountability Bill added mandates for Town's to address – some start July 1, 2021 and others July 1, 2022
  - Air quality testing

# How did we get to these results?

It started years before the pandemic

- Follow fundamental financial principals in good times...
  - Greater focus and transparency on the balance sheet
  - Judicious use of debt
  - Fund DB pension plans or only offer DC
  - Annual investment in infrastructure and capital
- Make sure everyone understands the balance sheet...
  - Savings
  - Liabilities
  - Monthly cashflow & fund balance projections

Provided the path for municipality to “help itself” during this & future challenges.

# Polling Question 3

The State of Connecticut has distributed (or committed to distribute) over \$600 million in Federal Relief Funds to schools & municipalities?

- A) True
- B) False

## Upcoming Hartford Chapter Events

MAR 16  
6 pm EST

Virtual – on ON24 Platform - “Nonprofits Driving Inclusive Economic Growth”  
presented by Jay Williams – CEO & Bonnie Malley – CFO  
Hartford Foundation for Public Giving  
➤ Advance registration is required, watch your email for details

APR 20  
6 pm EST

Virtual – on ON24 Platform - “Property & Casualty Insurance –  
Developments and Trends in Times of COVID”  
presented by Craig Parrow – Sr. V.P, Marsh & McLennan  
➤ Advance registration is required, watch your email for details

