

# Town of Marblehead



**State of the Town**

**FY22**

**February 12, 2021**



# Overview of FY21 and Planning for FY22

- **The Town continues to manage increased financial pressures as a result of several factors:**
  - Historical and increasing reliance on free cash to support the Town's operating budget
  - Potential COVID-19 revenue impacts
  - Growing capital needs
- **For FY22 there remain unresolved issues affecting the budget process**
  - FY22 final state budget UGGA/Chapter 70/Charter School/Assessment data
  - Increase in health insurance costs
  - Contract negotiations with Town's labor unions

# FY21 Budget Decisions

- **In order to ensure a balanced and responsible FY21 budget difficult decisions were made:**
  - Staff reductions
  - Administrative salaries were frozen
  - Departments taking on more responsibility
- **FY21 projections versus actuals to-date**
  - State aid was level-funded; projected a 10% reduction
  - Projected a 7% reduction in local receipts based on prior recession impacts; local receipts are running 11% less to-date when compared to last year at this time

# FY22 Budget Assumptions

- **Key FY22 Budget Assumptions:**
  - Property tax levy increases 2 ½% plus projected new growth
  - State aid assumes level funding from FY21 based on Governor's budget proposal (this excludes charter school reimbursement which is driven by student enrollment)
  - Health insurance budget assumes increase of 3.5%
  - Level fund energy and utility reserves
  - Debt based on schedules as of last year's issuance
  - As always, multi-year approach taken with all budget decisions

# FY22 Projected Revenue

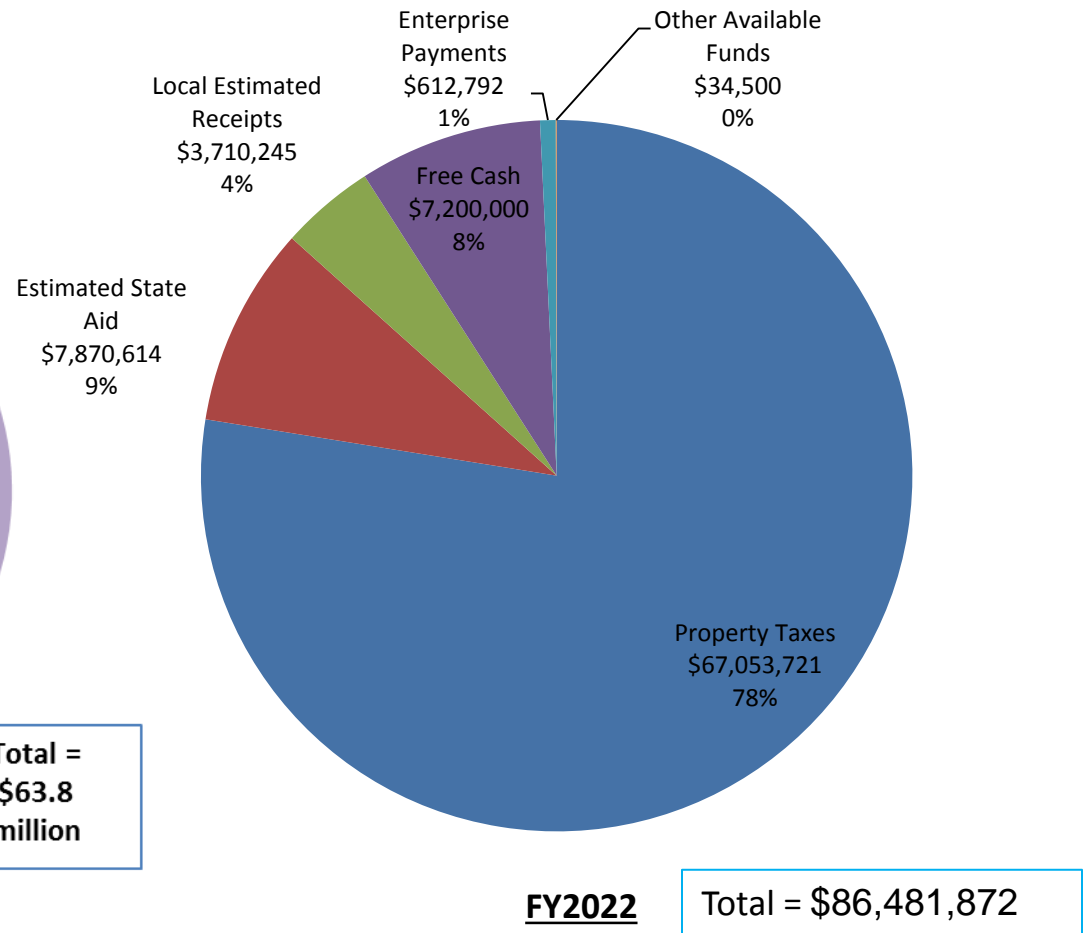
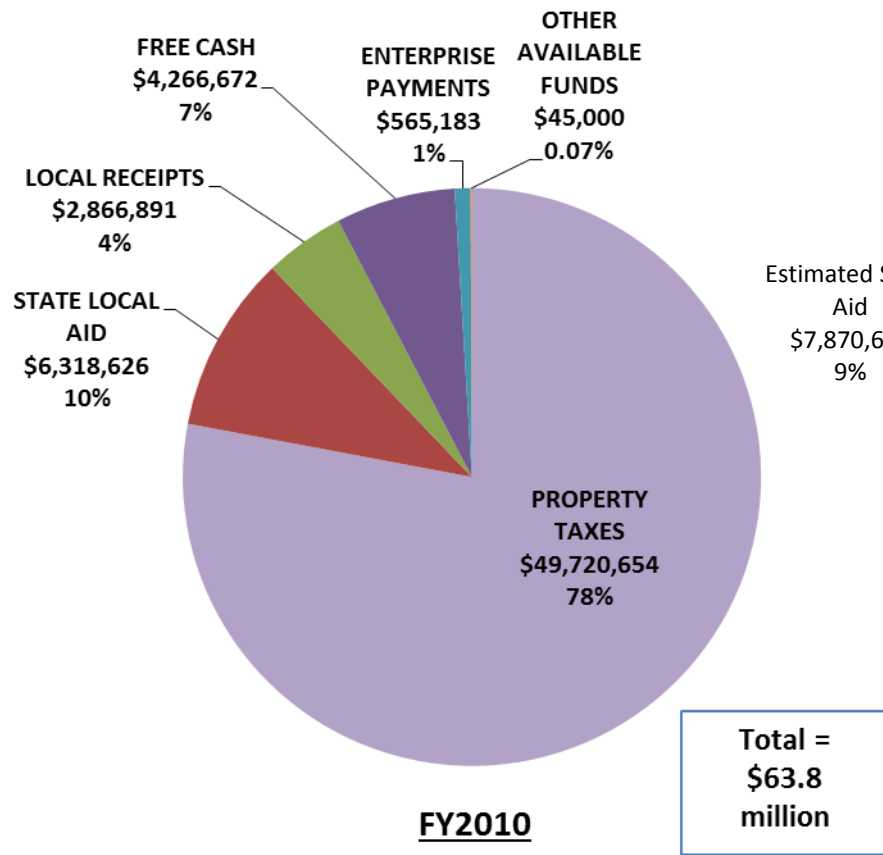
Property Taxes	\$67,053,721
Estimated State Aid	\$7,870,614
Local Estimated Receipts	\$3,710,245
Free Cash & Enterprise Payments	\$7,812,792
Other Available Funds	\$34,500
Total Estimated Revenues	<b>\$86,481,872</b>

# FY22 Property Tax Revenue

- Current FY21 Tax Levy Limit Before Capital & Debt Exclusions
- Plus 2 ½ %
- Plus Projected New Growth
- FY22 Tax Levy Limit Before Capital & Debt Exclusions

	\$65,122,516
\$1,628,063	
\$303,142	
	\$67,053,721

# Revenue sources: FY10 vs. FY22



# Estimated FY22 Spending

Projected FY22 Budget Appropriations	\$60,958,948
Employee Benefits	\$19,075,485
Other (property ins, reserve funds, articles, etc.)	\$3,182,583
State Assessments	\$2,814,856
Potential Deficits (Snow & Ice)	\$150,000
Overlay (potential abatements & exemptions)	300,000
Total Amount Needed for FY22	<b>\$86,481,872</b>



# Projected Spending Increases

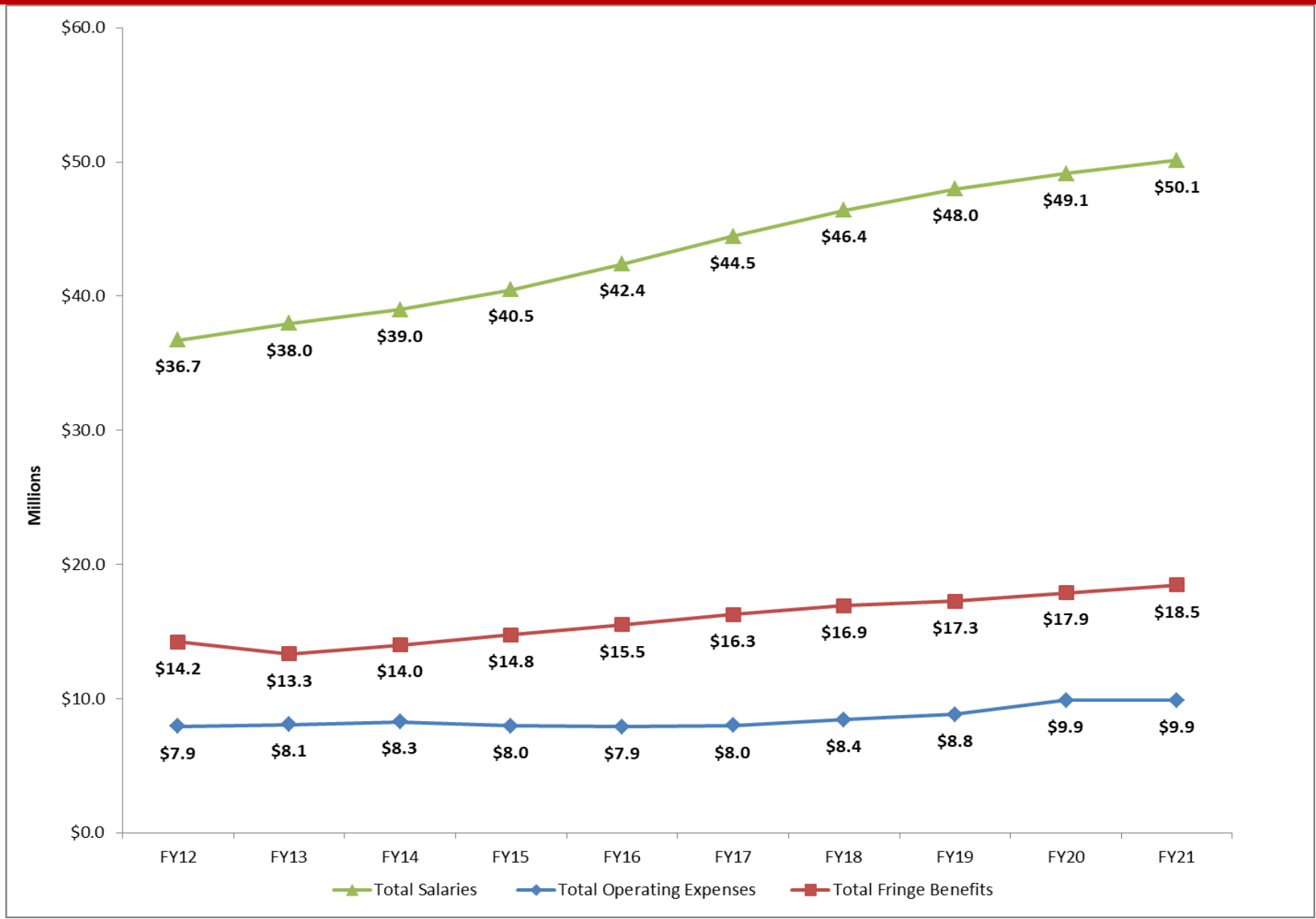
- Health Insurance: \$375,773
- Retirement Funding: \$308,881 (based on PERAC schedule)
- Curbside Trash & Recycling Collection: \$25,250
- Employer Share of Medicare Tax: \$25,000

# 10-year Budget Trends

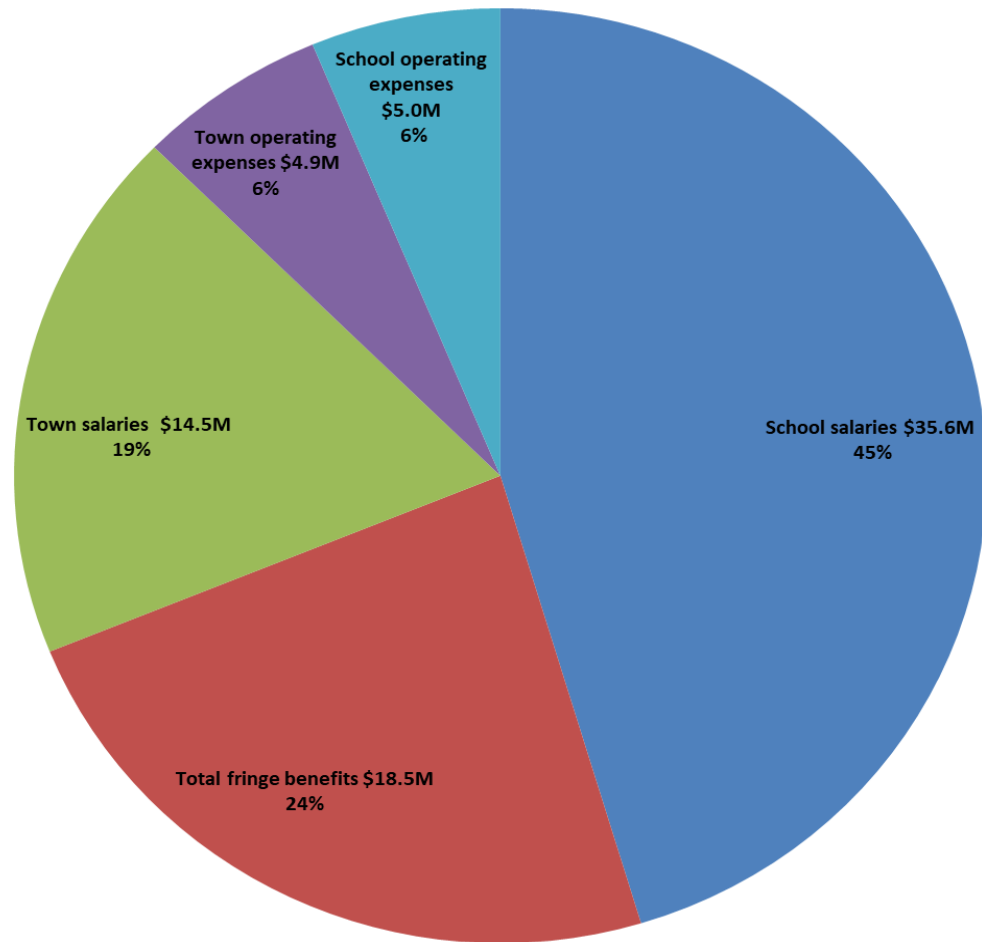
## FY12-FY21

- **Over a 10-year period:**
  - Town (non-school/non-enterprise) salary and operating budgets increased 23.2% or about 2.3% per year.
  - Fringe benefits increased 30% or approximately 3% annually on average.
  - The Town's school appropriation increased 41% or 4.1% annually on average.
  - The Town's tax levy limit before capital debt exclusion increased 33.3% or 3.3% per year

# 10-year Budget Trends - FY12-FY21



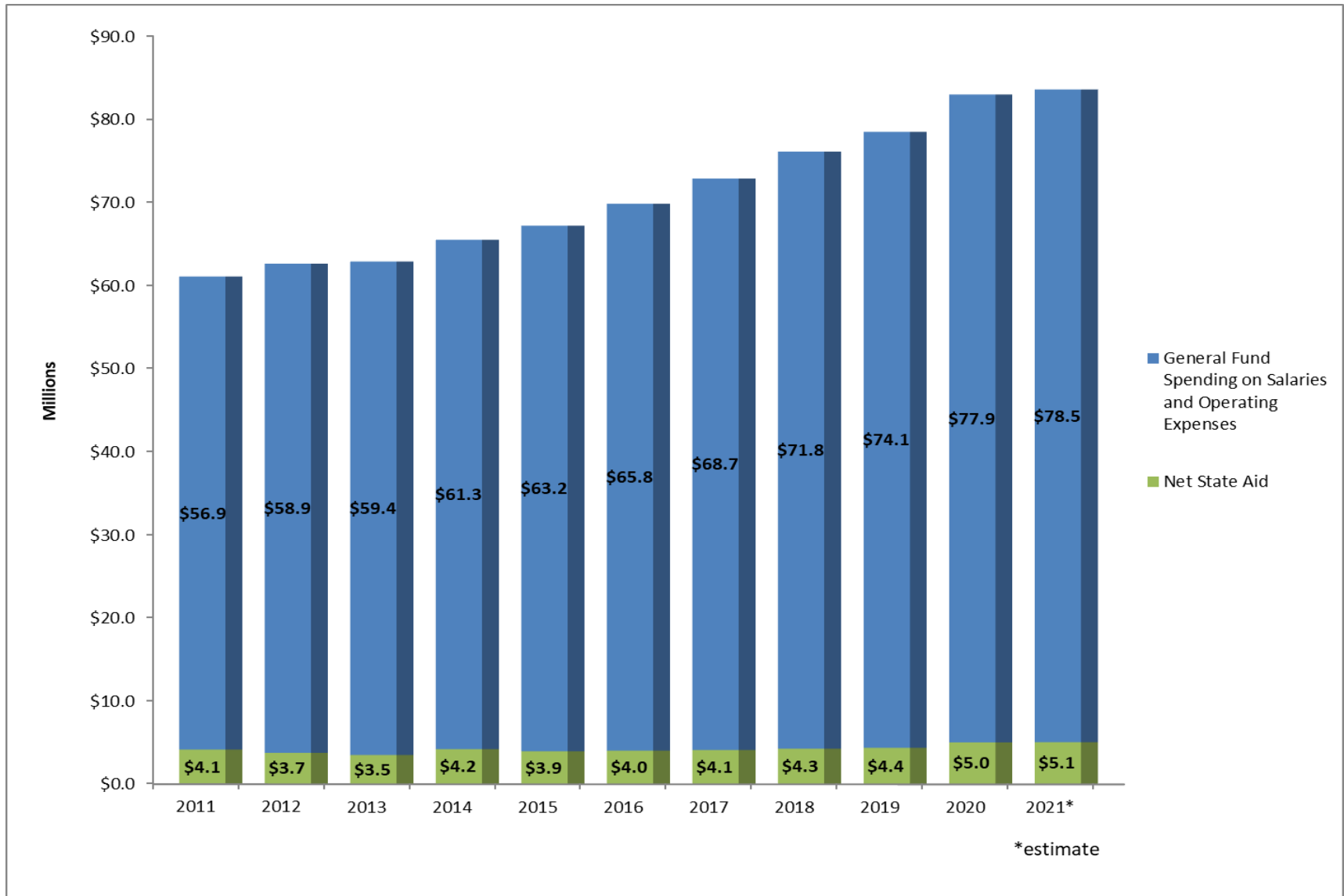
# FY21 General Fund Salary and Operating Budget Breakdown



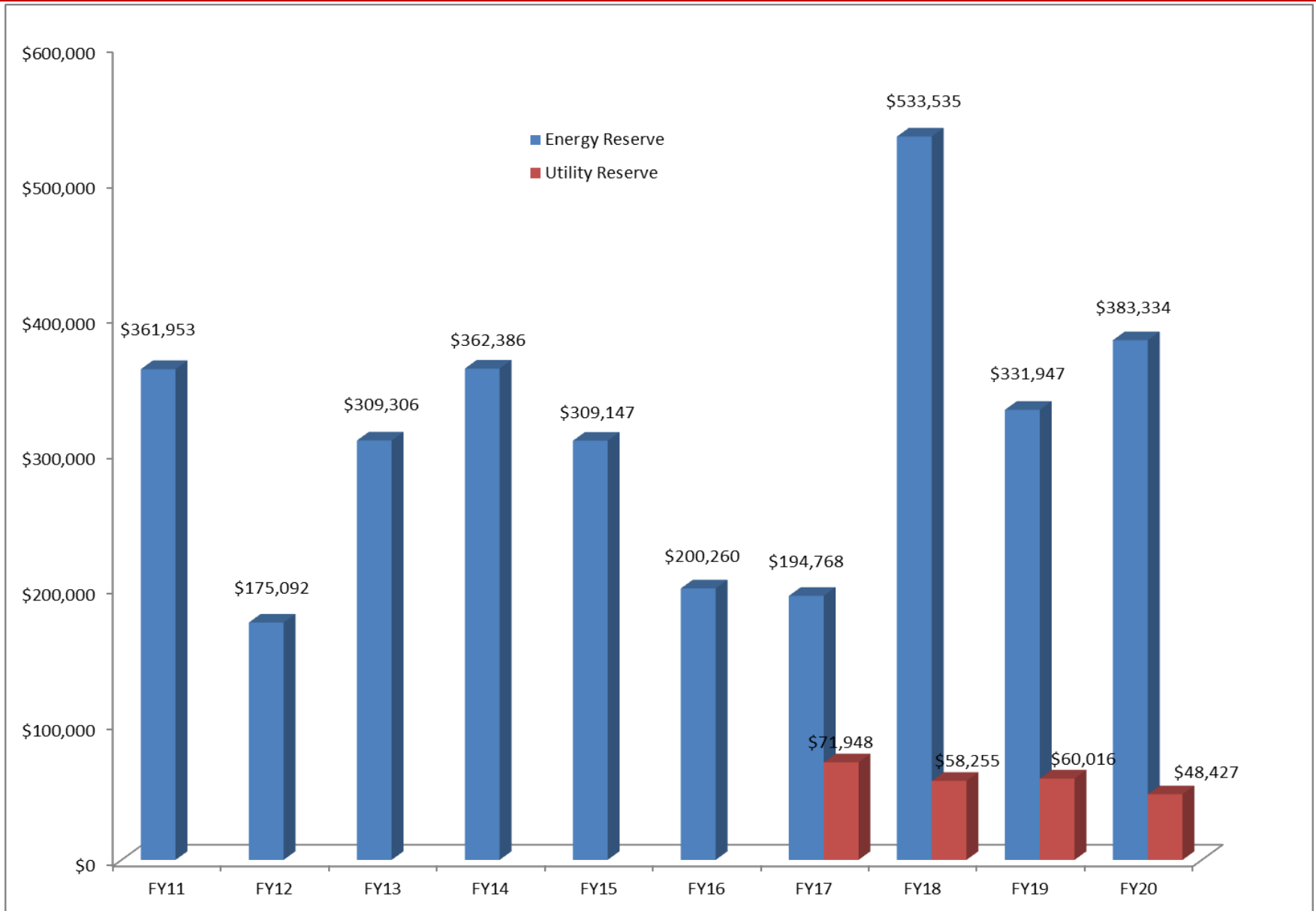
# Governor's State Aid Numbers

	FY21 Cherry Sheet Estimate	FY22 Governor's Budget Proposal
<b>Total Estimated Receipts</b>	<b>\$7,607,391</b>	<b>\$7,870,614</b>
Chapter 70	\$5,952,147	\$6,035,307
UGGA	\$1,209,205	\$1,251,527
<b>Total Estimated Charges</b>	<b>2,541,313</b>	<b>2,814,856</b>
MBTA	\$462,168	\$465,534
Tuition Assessments	\$1,975,565	\$2,260,149
<b>Net State Aid</b>	<b>\$5,066,078</b>	<b>\$5,055,758</b>

# History of State Aid vs. General Fund Spending



# Energy and Utility Reserve Use

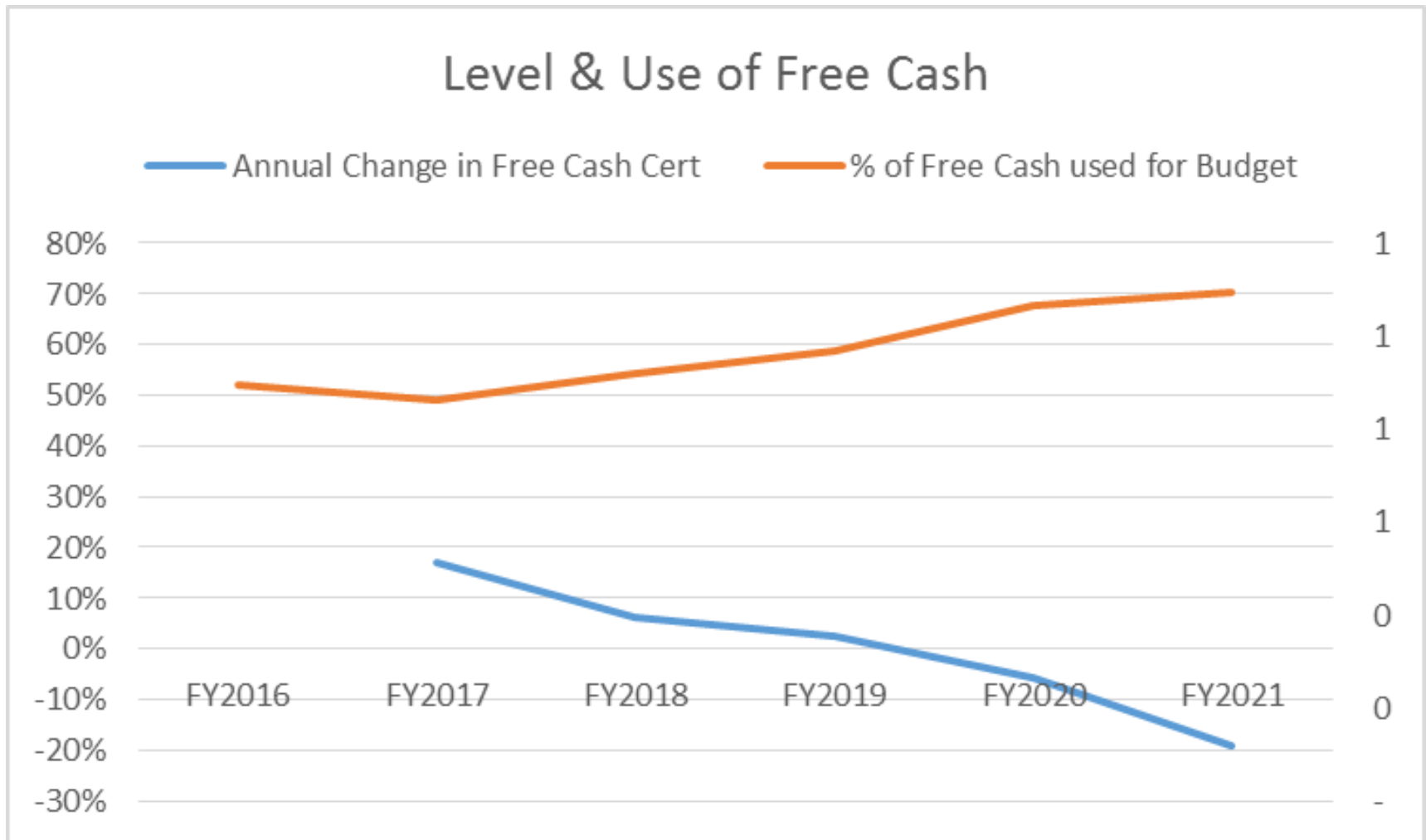


# Debt Service as a Percentage of the Tax Levy

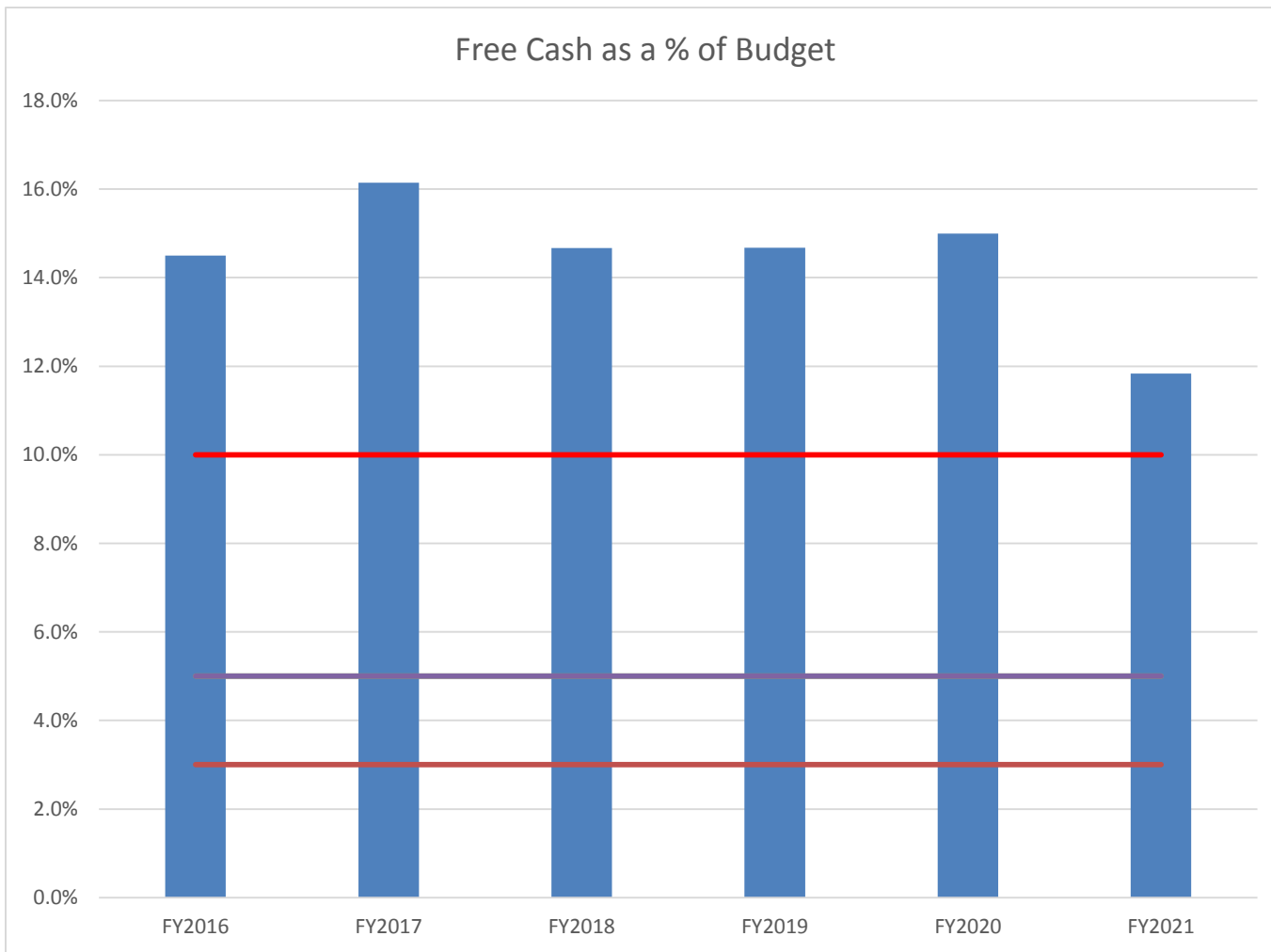
Fiscal Year	Capital and Debt Exclusions	Debt Service as % of Tax Levy
2013	\$ 4,089,817	7.47%
2014	\$ 4,328,247	7.63%
2015	\$ 4,916,563	8.33%
2016	\$ 5,477,832	8.93%
2017	\$ 6,208,216	9.71%
2018	\$ 6,726,010	10.14%
2019	\$ 6,441,113	9.50%
2020	\$ 6,570,804	9.41%
2021	\$ 7,290,456	10.1%
2022 est.	\$ 9,210,949	12.1%
10 year average		9.33%



# Free Cash Trends



# Free Cash Trends



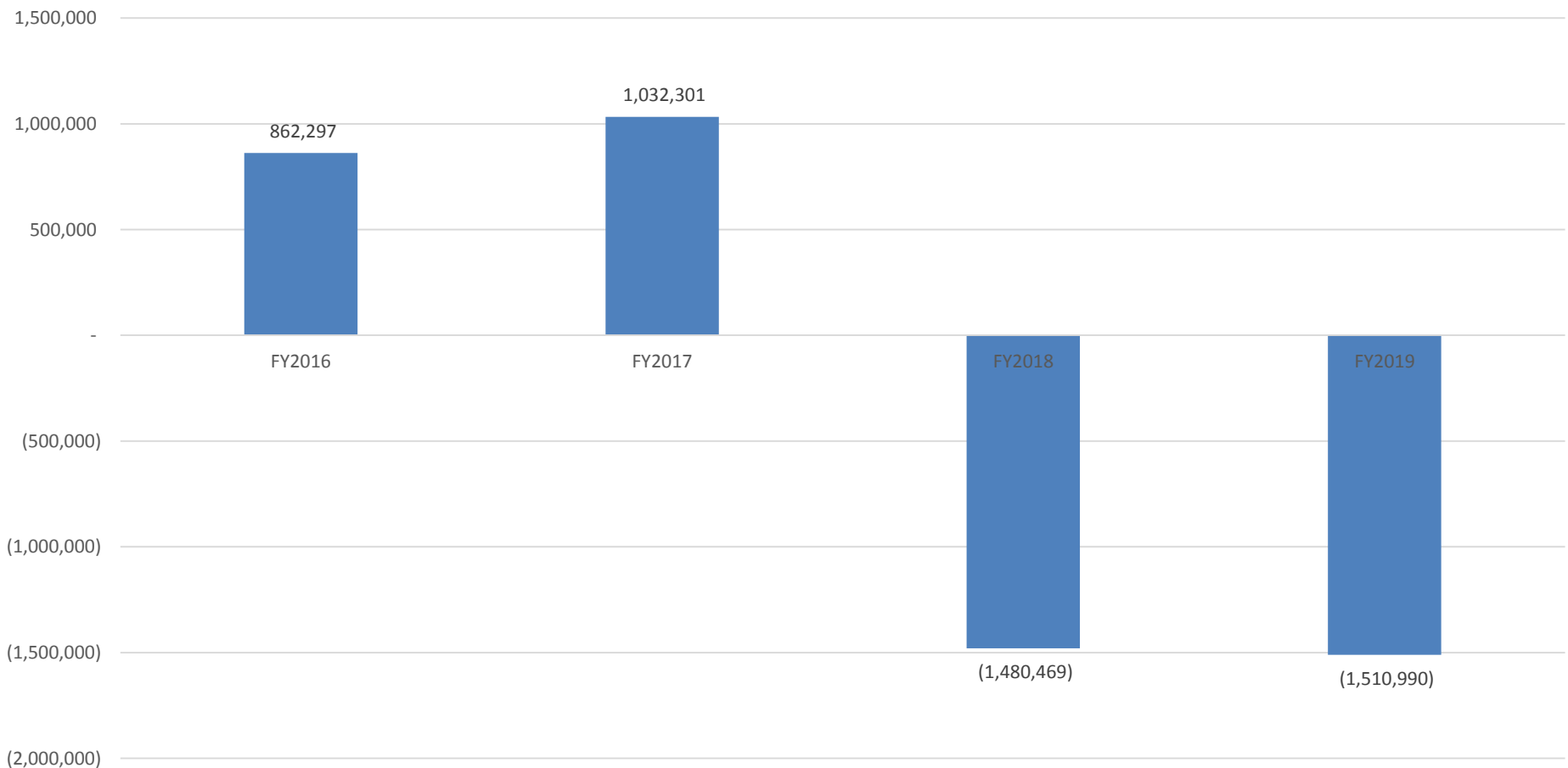
Total Reserve Target High Point

Total Reserve Target Low Point

Free Cash Target Low

# Free Cash Trends

Comparison of Free Cash Used for Operating and Total of Excess Receipts and Budget Turn Backs



# Free Cash Trends

Available for Fiscal Year	Free Cash Certification	Free Cash for Budget	Free Cash for Particular Purposes	Total Free Cash Appropriated	Balance after Town Meeting
2016	10,521,579	5,460,000	-	5,460,000	5,061,579
2017	12,326,173	6,025,000	-	6,025,000	6,301,173
2018	13,087,811	7,100,000	-	7,100,000	5,987,811
2019	13,432,440	7,900,000	-	7,900,000	5,532,440
2020	12,675,462	8,575,000	592,783	9,167,783	3,507,679
2021	10,243,709	7,200,000	34,500	7,234,500	3,009,209

# FY22 Budget Process Update

- Department budget worksheets have all been submitted to the Finance Department.
- Initial meetings began between departments, board/committees, Finance Committee liaisons, and the Collins Center this week.
- The Town is working with the Collins Center at UMASS to produce a more comprehensive operating budget document compliant with the requirements of the Government Finance Officials Association Distinguished Budget Award.
- The Town has also worked with the Collins Center on producing a more robust financial forecasting tool which is close to completion.

# Conclusion

- While the Town continues to maintain its AAA bond rating and is in good financial health we will need to continue to closely monitor our free cash balance to ensure continued fiscal stability and an appropriate level of service.
- Ongoing considerations to ensure the Town's financial health:
  - Alternative sources of revenue
  - Efficiencies in service delivery and operations
  - Reduce reliance on free cash
- Variables that still exist for FY22:
  - Final state aid numbers
  - GIC
  - Labor negotiations