

Swampscott FY2022 Budget Recommendation Annual Town Meeting



What Principles Have Guided Us over the Past 3 Years?

- + **Slow the growth of taxes while promoting reasonable balance among spending priorities**
- + **Approve policy directing the Town to build budgets that limit projections of the property tax levy to:**
 - + **2.0% increase per year for Town Budget**
 - + **Limit new growth revenue of no more than \$425,000 (an increase that is less than the level permitted by Prop 2 ½)**
- + **Helped by a Zero-based budgeting and focus on balanced priorities**



Highlights of Article 2

FY2022 Budget

- The \$64,406,039 budget meets our fiscal policy of only a **2%** increase of the levy limit and \$425,000 budgeted for New Growth
- Net Local Aid is expected to decrease, but is more than offset by expected increases in Local Receipts
- Chapter 70 aid increase for Schools (part of Net Local Aid) was disappointingly low
- Appropriation from general fund to School increases by 2.6%⁺
- Appropriation to Town general fund municipal departments increases by 1.63%, including 3% COLAs for Public Safety union personnel based on concessions negotiated in the Collective Bargaining Agreements
- Schools (60%) and Town (40%) share certain costs of Facilities and Human Resources and additional opportunities to share costs are being discussed for future years

Highlights of Article 2

FY2022 Budget

(Cont.)

- + Collaborate with Town financial team on detailed cost of contract analyses for collective bargaining agreements and presented our findings of key cost drivers at two annual Town-wide financial summits.
- + Assessed, deliberated and debated need for revenue growth and appropriate balance between budget constraint, revenue growth and quality of life
- + Recommend use of Free Cash for one-time uses such as capital projects, collective bargaining agreement tradeoffs, and/or reducing the growth of tax levy
- + Recommend recent investments for Senior Center, Community Development and Facilities Department

KEY INVESTMENTS:

+ SENIOR CENTER

+ FY 19–FY 22 INCREASE: \$111K or 180%

+ COMMUNITY DEVELOPMENT

+ FY 19–FY 22 INCREASE: \$53K or 132%

+ FACILITIES DEPARTMENT

+ FY 19–FY 22 INCREASE: \$157k or 139%

Highlights of Article 2

FY2022 Budget

(Cont.)

- Financial Reserves at high end of range in Town financial guidelines without any funds proposed to be transferred to General Stabilization Fund
- Significant expense increases in our sewer enterprise fund, in solid waste, in our regional vocational school tuition, and in employee group health (including post-employment health)

Reserves	July 1, 2020 Balance	ATM 06/2020 Contributions	ATM 06/2020 Appropriations	STM 11/2020 Amended Approp	FYTD Investment Income	ATM 05/2021 Articles	Running Balance	Reserve Range	Reserve Position
General Stabilization Fund	\$6,750,956	\$300,000	(\$600,000)	\$200,000	\$421,365		\$7,072,321	9-10%	10.98%
Capital Stabilization Fund	\$976,908	\$300,000	\$0	\$0	\$3,148	\$500,000	\$1,780,056	2-4%	2.76%
OPEB Trust Fund	\$2,396,196	\$250,000	\$0	\$0	\$324,594	\$250,000	\$3,220,790		
Water Capital Stabilization	\$201,188				\$774		\$201,962		
Sewer Capital Stabilization	\$301,782				\$516		\$302,298		
Water Retained Earnings	\$1,027,489	Incl in DOR Certification	Incl in DOR Certification	Incl in DOR Certification			\$1,027,489	20%	23.80%
Sewer Retained Earnings	\$823,565	Incl in DOR Certification	Incl in DOR Certification	Incl in DOR Certification			\$823,565	20%	25.70%
PEG Retained Earnings	\$313,893					(\$165,756)	\$148,137	20%	42.91%

Overview of Reserves – Free Cash

FREE CASH Recommendations for Spending	Town Meeting	Amount	Running Balance
Certified Free Cash Available from 07/01/2020			\$4,716,580.00
FY2021 Tax Recap		\$2,076.78	\$4,714,503.22
FY2021 Recap Appropriated on or After July 1st to Reduce the Tax Rate	STM 11/16/2020 Art 5	\$1,550,000.00	\$3,164,503.22
Balance of Unappropriated Free Cash after Special Town Meeting			\$3,164,503.22
Collective Bargaining Agreements One Time Payments Police & Fire	ATM 05/17/2021 Art 3	\$157,500.00	\$3,007,003.22
Transfer to Capital Stabilization Fund	ATM 05/17/2021 Art 4	\$500,000.00	\$2,507,003.22
Transfer to Other Post Employment Benefits "OPEB"	ATM 05/17/2021 Art 4	\$250,000.00	\$2,257,003.22
Transfer to Conservation Fund	ATM 05/17/2021 Art 5	\$16,840.00	\$2,240,163.22
Transfer for Capital - Windsor Ave Playground	ATM 05/17/2021 Art 11	\$40,000	\$2,200,163.22
Balance of Unappropriated Free Cash after Annual Town Meeting			\$2,200,163.22

FREE CASH UNAPPROPRIATED BALANCE \$2,240,163.22		
FY 2022 Budget	Free Cash Target Range 3% - 5% of Proposed Budget	Free Cash Position
\$64,406,039	\$3,220,302 (5%) - \$1,932,181 (3%)	3.48%



FY 22 Proposed Budget

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Key Financial Planning Issues in FY2022



Covid-19 Impacts on Local Economy



Budgeting for uncertain times



Continued efforts to embrace principles of inclusion, equity, justice, and diversity



Rising Utility and Solid Waste Costs



Facilities and Capital Needs

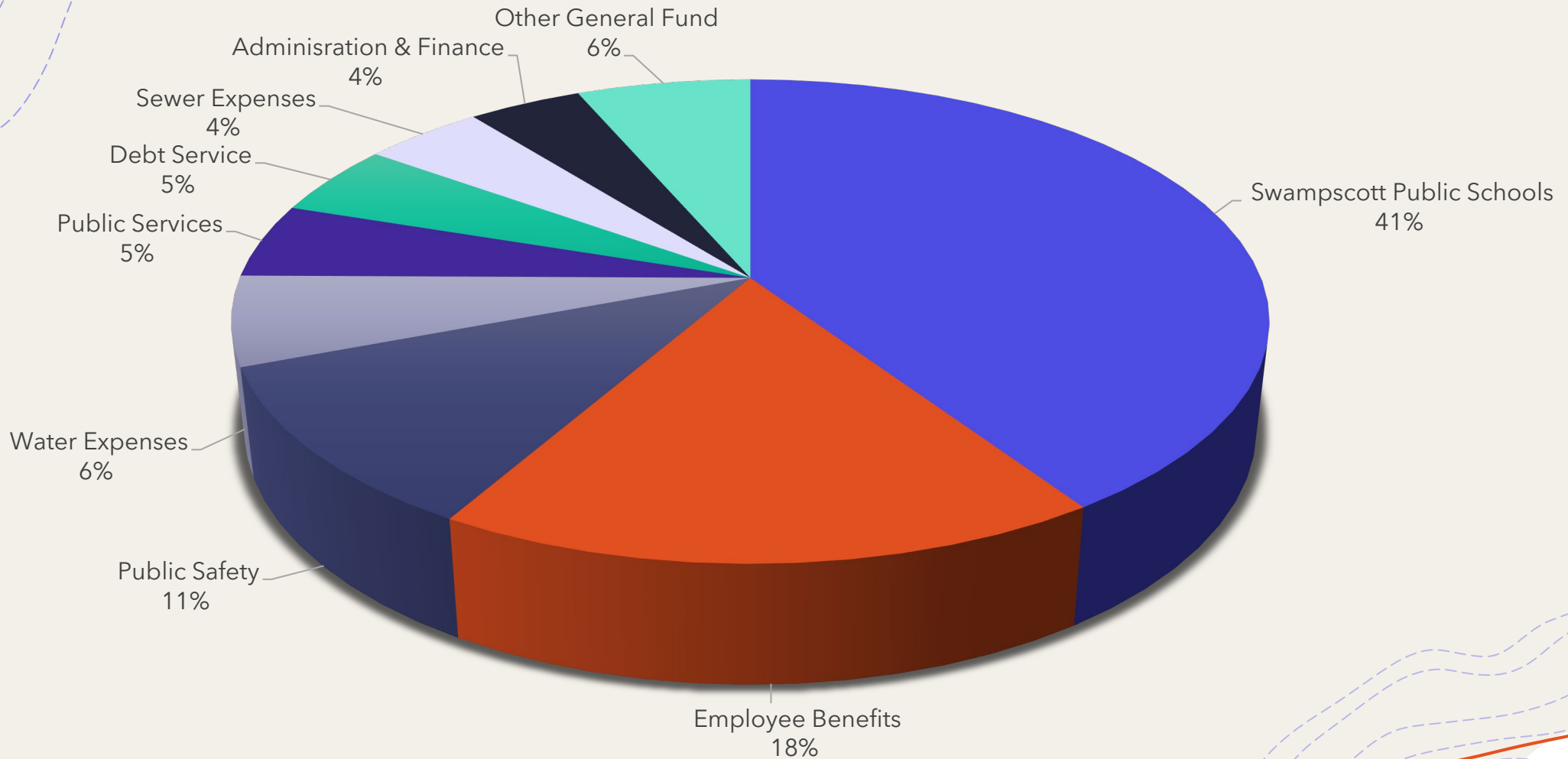
Summary of CARES Spending

	CARES	% of CARES
Schools		
HVAC	\$433,786	32.31%
IT/Chromebooks	\$303,442	22.60%
Occ. Health Nurse	\$23,239	1.73%
Food for Families	\$23,199	1.73%
Total Schools Use	\$783,666	58.37%
Town		
Testing	\$140,503	10.47%
Police/Fire OT	\$108,895	8.11%
PPE	\$59,261	4.41%
Cleaning/Sanitation	\$90,368	6.73%
Meals for Seniors & Wellness Check-ins	\$40,068	2.98%
Telework	\$25,626	1.91%
Compliance	\$9,673	0.72%
BOH / Emergency Equip	\$57,985	4.32%
Misc.	\$26,485	1.97%
Total Town Use	\$558,864	41.63%
	\$1,342,530	100%

Expenditure Budget FY2022

July 1, 2021 – June 30, 2022

Total Proposed Expenditures : \$72,271,888



Departmental Budget Summary

+ **ADMINISTRATION & FINANCE**

- + Increase of \$128,838, or +4.38%, over FY21, total FY22 budget: \$3,067,073
- + Major driver is expected and known retirements/contractual end of employment costs
- + Collective Bargaining Agreement (CBA) for DPW is being negotiated and a contingency is included in salary reserve, along with projected increases for non-union staff.
- + Negotiations with the Public Employee Committee (PEC) over town contributions to employee health insurance has begun as the current agreement is scheduled to expire June 30, 2021.

+ **COMMUNITY & ECONOMIC DEVELOPMENT**

- + Increase of \$255, or +0.4%, over FY21, total FY22 budget: \$719,911
- + Health Department now includes Mental Health Referral Service, and reflects transfer of Animal Control to the Police Department

+ **PUBLIC SERVICES**

- + Decrease of \$302,112, or -7.9%, over FY21, total FY22 budget: \$3,521,857
- + Includes a shift of all School Facilities expenses to the School Department budget, plus a recognition of shifting some facilities payroll expenses to the School Department budget.
- + Also, includes some strategic adjustments in DPW expenses related to landscaping work and sidewalk repairs to reflect actual costs based on experience.
- + Increase of 3.24% in Solid Waste costs based on expected tonnage rates and transportation costs.

Departmental Budget Summary (CONT.)

ENTERPRISE FUNDS

- + Increase of \$526,963, +7.35%, over FY21, total FY22 budget: \$7,700,093
- + Enterprise Fund Revenue will need to increase by a total of 15.08% in the Sewer Fund and 4.46% in the Water Fund to fully offset expenses. These can be achieved through a combination of increases in user fees and transfers from retained earnings.
- + A Water & Sewer Rate Advisory Committee has recently been established to research the possibility of enacting block rates or some other rate structure designed that will more fairly mitigate the impact of higher costs to residents. A recommendation to the Select Board is expected by summer.

PUBLIC SAFETY

- + Increase of \$17,229, +0.22%, over FY21, total FY22 budget: \$7,807,395
- + Considerable savings are being realized due to employee census changes and retirements, which is largely the result of the small increase. This should not be expected to repeat itself in future years.
- + New agreement is in place to allow better control by the Department over Overtime costs due to changes in minimum staffing language.

HUMAN SERVICES

- + Decrease of \$76,262, -6.4%, over FY21, total FY22 budget: \$1,116,097
- + Senior Center expenses now include hiring a Director of Elder Services and includes transportation to and cost of Adult Day Care Services.
- + Proposed Library budget continues to support development of Library based Community Programs.

Departmental Budget Summary (CONT.)

SWAMPSCOTT PUBLIC SCHOOLS

- + Decrease of \$754,925, +2.49%, over FY21, total FY22 budget: \$31,094,801
- + This reported decrease in funding to the School Department **includes** funding from the nonresident tuition revolving fund that was established in FY21 to provide direct support to the School Department's operations.
- + Increase to general fund appropriation is 2.6%, or \$744,609.

Overview: FY 22 General Fund Revenue

LOCAL AID/ GENERAL FUND REVENUE ESTIMATES

- + The Town has taken extra steps in recent years to review and forecast revenues based on a detailed review of prior year actuals and projected revenues.
- + We have also considered the current and predicted economic environment to ensure that we are not overestimating, but also not under-estimating revenues.
- + Based on this review we are proposing a 6.23% increase in the estimated local receipts used for the Proposed FY22 budget.
- + It is important to understand that these receipts will be reviewed month-to-month and forecasted in Fall 2021 as we look to set the FY22 tax classification and levy.

NET LOCAL AID

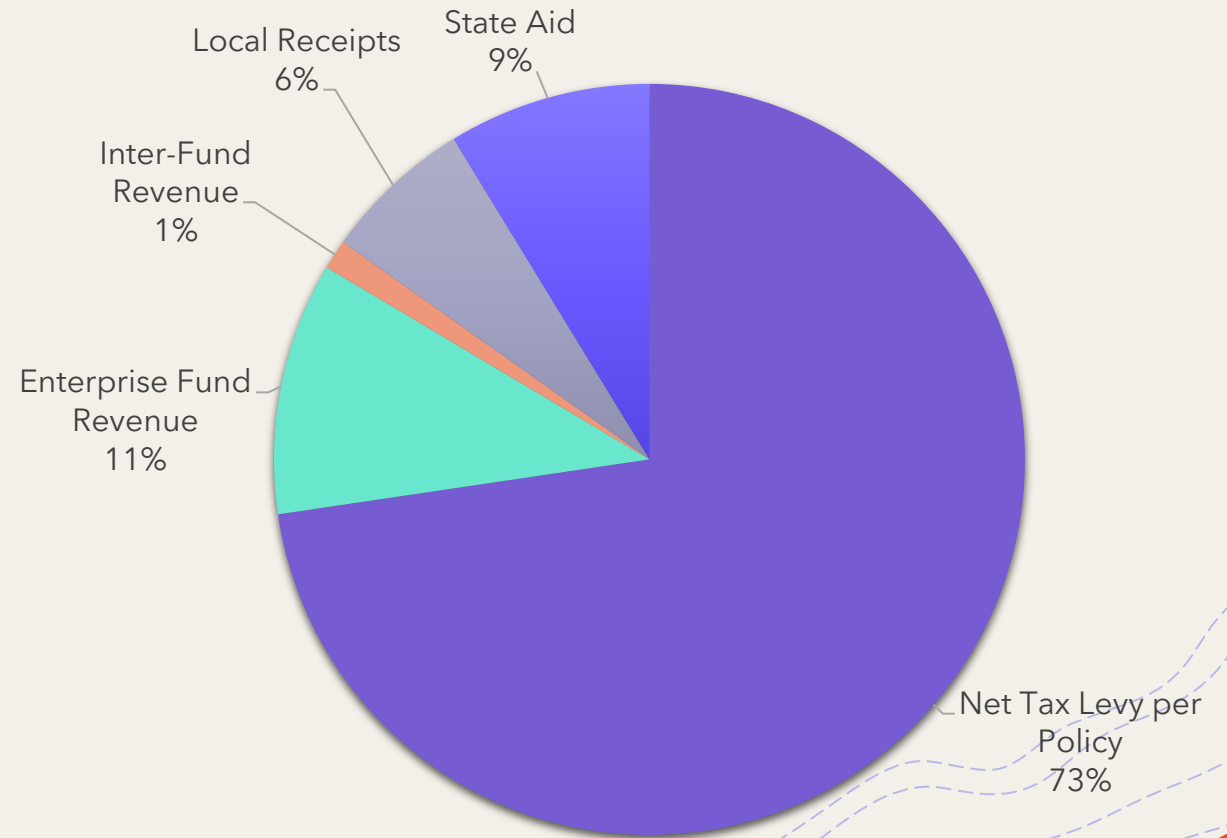
- + Inclusive of state assessments, and based on the Governor's proposed FY22 state budget, Net Local Aid is expected to **decrease** by 1.56% as compared to FY21; total FY22 budgeted aid is \$6,236,804, less state assessments totaling \$1,490,668, equals a **net decrease** of \$88,542.
 - 🕒 *The Governor's budget for FY22 includes a modest 1.4% increase to Chapter 70 aid & a substantial 28.7% decrease to the charter school reimbursement; furthermore, this is in addition to the substantial 13.6% increase in the Charter School assessment.*
 - 🕒 *The Legislature is debating the FY 22 State Budget which will give us a better idea if there would be any additional increase especially in Chapter 70 school funding, and whether the substantial increase in the Charter School assessment is going to hold.*

Revenue Budget FY2022

July 1, 2021 – June 30, 2022

**Total Proposed Revenue :
\$72,271,888**

- + **Property Taxes** : This is the amount the Town collects from taxes on Real Estate and Personal Property
- + **Local Receipts** : Departmental Revenue, Motor Vehicle and Boat Excise Taxes, Licenses & Permits, Court and Parking Fines
- + **Enterprise Fund** : Revenue received from Usage Charges for Water and Sewer
- + **Inter-Fund Revenue** : Revenue that is received from the Enterprise Funds to the General Fund for Town services provided to the Enterprise Funds





FY 22 Summary

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FY 22 BUDGET STRIKES A BALANCE

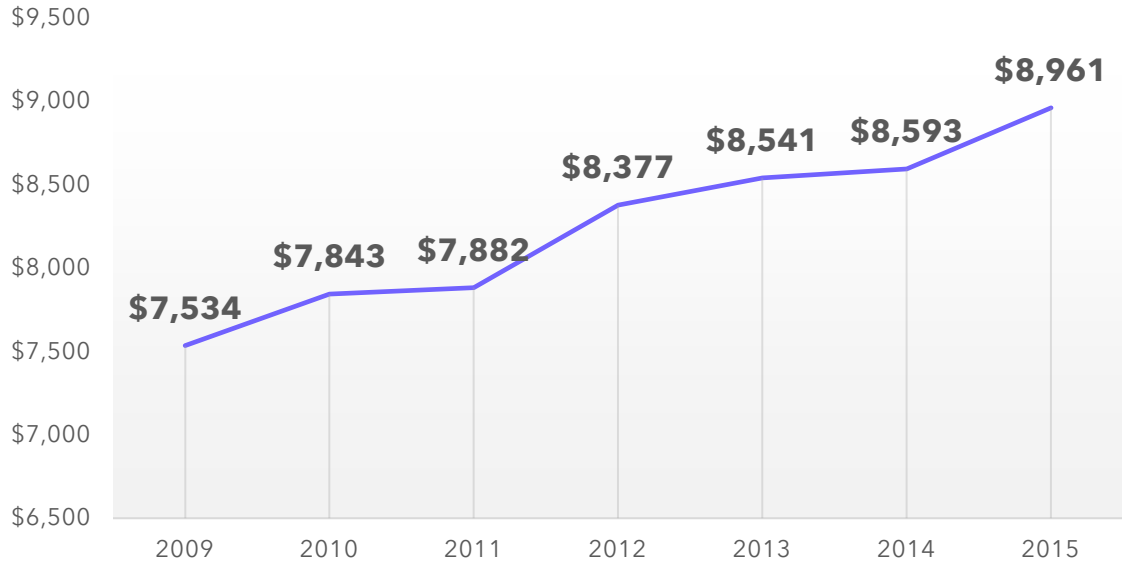
The FY 22 Budget strikes a fundamental balance as we work to make bold investments in Swampscott's infrastructure and enhancements that make our citizens passionate about living in such an extraordinary community.

- + This year, we want to highlight the leadership and support from the Town that helped to achieve outstanding progress in key areas:
 - + Another year with a comprehensive tax classification process that lead to another year of a tax savings for the Average Single-Family Tax Bill.
 - + Improvements to the Capital Planning process that will lead to more transparency in advancing capital projects, while ensuring that needed investments in the community continue.
 - + Continued leadership as Swampscott worked with the Massachusetts School Building Authority to develop strategies for School Improvements
 - + Inspired work to develop Swampscott into an "Age Friendly" community.
 - + This means addressing how we enhance our commercial base, improve the delivery of our governmental and educational services, maintain and improve our beaches and environmental resources, while keeping Swampscott affordable.
 - + As a community, Swampscott must continue our focus on planning for the future, not simply financially, but what we expect Swampscott to be in the next 25 - 50 years.

OUR CONTINUED FOCUS ON BALANCE:

- + **While the Town's financial fundamentals are relatively solid, there are several structural challenges facing the Town that need to be acknowledged so that they can be addressed over the long-term. These challenges developed over decades and cannot be fully solved over a few budget cycles.**
 - + Over the past several years we have significantly changed the way we budget and the historical growth of the operating budget.
 - + We are at a point where we cannot continue to cut our way out of some of our financial challenges, without significantly impacting services, some of the challenges are:
 - + The cost of retiree health insurance that is driven by the PEC agreement, costs the Town \$2.0 million a year and is growing at an extraordinary pace as the number of retirees on our health insurance far out paces the number of current employees. We are currently in the process of negotiating a successor PEC Agreement to the one that expires June 30, 2021.
 - + Continued focus on Collective Bargaining Agreements.
 - + We have also seen over the past decade a constant eroding of the commercial tax base in Town as many parcels that were previously commercial are giving way to residential development. Ensuring a vibrant local economy is necessary to making sure Swampscott preserves a sense of place, but it also provides a way of sharing the tax burden between residents and the business community that does not place an undue burden on either.

Avg Single Family Tax Bills 2009-2015



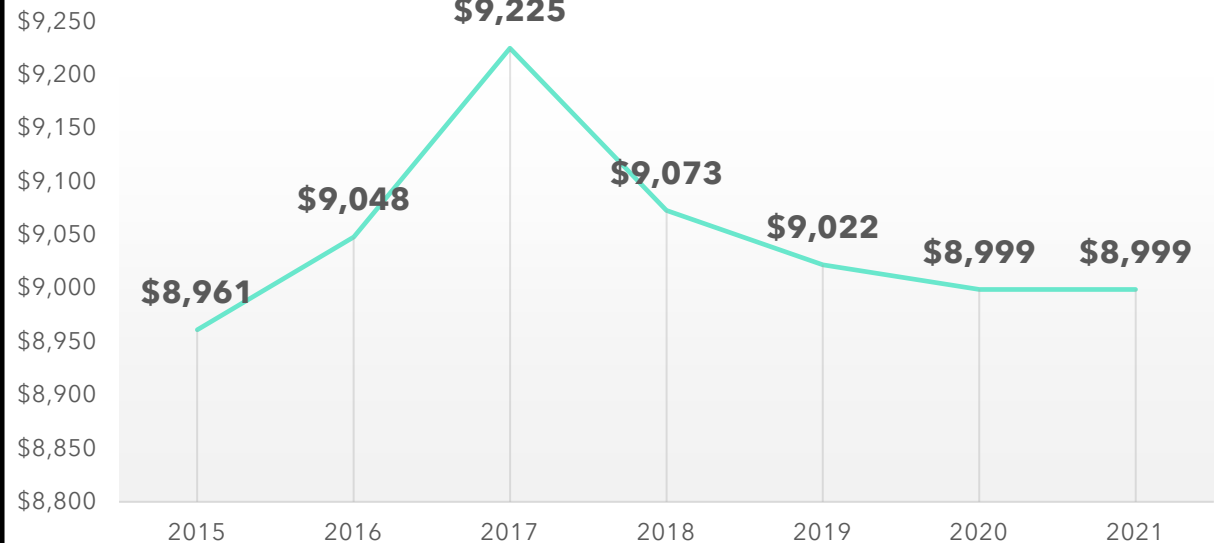
**Total Increase in Avg. Single Family Tax Bill (2009 - 2015):
\$1,668**

**Average Annual Increase in Avg. Single Family Tax Bill (2009 - 2015):
\$238**

**Total Increase in Avg. Single Family Tax Bill (2015 - 2021):
\$38**

**Average Annual Increase in Avg. Single Family Tax Bill (2015 - 2021):
\$6**

Avg Single Family Tax Bills 2015-2021





Our Legacy...is how
we best build
community, how we
best define the
highest quality of life
for this generation
and the next
generation to follow