

**Manchester-by-the-Sea
Finance Committee
ANNUAL REPORT
2020**



**Please be sure to attend
Town Meeting
Date, Time and Location
to be Announced
and
bring this report with you.**

Definitions used in discussing money articles

Apportionment

A formula used to compute the amount each town owes to the Regional School District.

Article 4

The operating budgets for the town.

Article 5

Most, but not all, capital items.

Assessors' overlay

A fund in reserve for the Board of Assessors to cover abatements.

Assessment

The Town Board of Assessor's opinion of the value of your property.

Available funds

Fund balances plus amounts in other accounts that are not Enterprise funds.

Borrowing

Loans the town takes to pay for large capital items.

Capital budget

One-time expenses. Traditionally Manchester has included some maintenance, including road repair, new roofs, etc. as capital expenditures.

Chapter 70

The Chapter of the State law that governs the funding of schools. It is also the common name for the largest part of state funding to schools.

Cherry sheets

State aid to the town. So called because they were once printed on red paper.

Choice

Money that flows into the school district from the state when the system accepts students from outside the district.

Enterprise fund

An account separate from the town's general fund for the revenue and expenses of a particular function of the town.

Exclusion

An item that the Town Meeting and voters agree to fund outside the limits of Proposition 2 1/2 .

Fund balances

Formerly known as free cash, the amount of money left over in the general fund at the end of the year. Most of the fund balances come from unanticipated revenues.

General fund

The Town's checking account. The General Fund can be expended only for the items approved by Town Meeting.

Hold

The request to delay consideration of one part of a multi-part article. Any item that a Town Meeting member questions is marked as a hold and will be discussed after the unquestioned items have been voted.

Definitions are continued on the inside back cover

Tax Rate Estimated for the Fiscal Year Ending June 30, 2021
July 1, 2020 - June 30, 2021

		Recommended By FinCom
Estimated Tax Rate - Fiscal year 2021		
Article 4 Department Requests (salaries and normal operating expenses)		14,605,605
Article 5 Capital items requested by Departments		3,478,600
Article 6 Regional School Operating and Debt		18,047,562
Other Articles (4)		858,314
	Town Meeting Total	<u>36,990,081</u>
PLUS:		
State Assessments		177,910
Assessors' Overlay		200,000
Tax Lien Purposes		10,000
	Gross Amount to be Raised	<u>37,377,991</u>
LESS:		
State Aid		274,092
Estimated Receipts - Local Revenues		2,449,000
Enterprise Accounts - Water & Sewer		2,549,187
Community Preservation Funds (CPA)		424,500
Unreserved Fund Balance (Free Cash)		1,164,370
Overlay Surplus		125,000
Available Funds		272,242
Subtotal of Deductions		<u>7,258,391</u>
	Net Amount to be Raised by Taxation	<u>30,119,600</u>
Permitted Levy Limited		25,998,046
Estimated new growth factor		140,000
Previous Debt Exclusion		3,949,932
Capital Exclusion		725,000
Maximum Permitted Levy		<u>30,812,978</u>
TOTAL ASSESSED VALUATION AS OF FY-2020		2,508,986,638
FISCAL YEAR 2020 TAX RATE		11.70 PER THOUSAND
ESTIMATED FISCAL YEAR 2021 TAX RATE	*	12.00 PER THOUSAND

*BASED ON FY-2020 PROPERTY VALUATIONS AND NET AMOUNT
TO BE RAISED BY TAXATION

2020 ANNUAL REPORT OF THE FINANCE COMMITTEE TO THE VOTERS OF THE TOWN

Beginning in the fall, the Finance Committee started reviewing the Town's budgets and capital items for the fiscal year 2021 which is presented to the voters at the Annual Town Meeting. We would like to extend our thanks to Manchester town employees, the Manchester Essex Regional School District, volunteers, and our elected officials who prepare detailed budgets and appear before us to answer questions and provide information about these budgets, their goals, plans, and objectives. We particularly appreciate the cooperation and hard work of all the department heads who continue to show strong discipline in managing their ongoing budgets and operations. We would also like to thank Andrea Mainville, Town Accountant, and Town Administrator, Greg Federspiel for their coordination and ongoing efforts in assembling all of these budget items, their attention to detail, and particularly for their thorough grasp of the needs of The Town and putting in place a solid plan for addressing those needs. We greatly appreciate Greg Federspiel's attendance at our meetings.

The Finance Committee met regularly with the Town Administrator and individually with the heads of the major departments to review the Town's operating and capital budgets. We also met with leaders of the School District, attended School Committee meetings, and participated in the school budget working group with other representatives from both Essex and Manchester. Throughout the budget review process, the Finance Committee also met with various consultants to gather additional information and refine particular recommendations. We have continued our benchmarking efforts to compare Manchester's financials, spending, and revenues with other similar communities in Massachusetts. In addition to the fiscal year 2021 budgets and plans, we reviewed multiyear models for both the Town's operating and capital budgets as well as the multiyear budget model prepared by the School District. These models project the impact that this year's budget, and its changes, will have on future budgets, debt levels, capital needs, and reserve balances in the years ahead.

Again, we are pleased to report that the Town is in solid financial shape because of the careful and conscientious work of town employees in following budgets, containing costs, and looking for efficiencies and a similar effort within the regional school district. This year, many town departments scrutinized their budgets and presented line items with a lower increase instead of the typical 2.5% increase. Local receipts that include excise taxes, beach fees, and other payments are exceeding estimates and have been strong contributors to town revenues. Our present fiscal 2020 budget year is on track and should meet all the planning and budget criteria on its completion, June 30, 2020. The Town works with conservative budgets and this past practice has served the community well.

Looking forward, we are comfortable recommending this proposed fiscal year 2021 budget which we believe maintains a solid level of public service and quality programs that the citizens of Manchester expect and deserve while keeping the Town's operating and capital spending within the levy limit permitted by proposition 2 ½. The Town's independent auditors have reviewed the Town's financial data and policies and given high marks for the management team and systems in place. The Town continues to maintain an AAA bond rating that is reserved for municipalities that show tight discipline in their financial controls and operations.

Each year, there is added pressure placed on the budget to absorb contractual costs and expense items such as health insurance, energy, and information technology. We are continually looking at ways to deliver town services more efficiently. New regionalization opportunities with our neighbors to share or reduce costs has proven successful and needs to be expanded and continued in the coming year. Our benchmarking efforts with similar towns in Massachusetts has also proven helpful. Selecting the appropriate towns for comparison, gathering the relevant data, and analyzing this information has been a detailed and ongoing process over the past several years. Studies are underway for public safety, our town library, and will shortly begin for

the department of public works. Manchester's three year, comprehensive master planning effort is complete and strategic recommendations are being reviewed and implemented. These efforts are aimed at making better long-term financial plans and decisions that will benefit the Town in the years to come.

The Town is now in its seventh year of a comprehensive capital improvement plan to address our aging infrastructure. A number of the underground water delivery and sewer pipes have been in place for over 100 years and are deteriorating, breaking, and clogging. Roads around town are heavily travelled and in frequent need of maintenance, upgrading, and repair. The repair and upgrading of this infrastructure is an important ongoing initiative and will continue in the coming budget year. The Finance Committee has been working with the Town Administrator and various department heads to develop short-term, medium term, and long-term capital improvement strategies. The Town has traditionally used debt to fund these long-term capital efforts but is now approaching the fourth year of a six-year transition plan that will significantly reduce debt service by using a pay-as-you-go capital exclusion strategy. With planning and discipline, this capital funding strategy will reduce debt and its associated interest costs to improve efficiency in the years ahead. We hope to continue this ongoing capital improvement effort and these plans and the recommended projects are detailed later in this booklet.

The School District faces many mandates, unfunded by the State, along with education requirements and works to maintain solid programs and operations, while keeping the costs to the two towns at a sustainable level. The School District is also addressing concerns about its aging facilities in Manchester and Essex, and in the fall of 2018, both towns approved funding for the construction of a new Memorial Elementary School. Financing for a majority of the building project was secured, at a favorable long-term borrowing rate of 3.29%, and construction is well underway and going well at this time. An additional and smaller round of financing will be needed toward the conclusion of the project in 2022. The funding strategy relies on declining interest, and after the final round of financing for construction, the debt service for the School District should decline at a steady rate. The good news is that with the favorable interest rate we received (3.29% vs the 5% estimate) Manchester will save nearly \$12 million over the 30 year bond period. The School District and the two towns have worked closely together on budgeting and capital considerations to find a balance that works well for all.

Financial highlights section;

- In fiscal 2019, which concluded on June 30, 2019, the town had a fund balance of \$3,886,033 which is an increase of \$206,000 over the prior year because of under spending on particular budget items combined with higher receipts and other revenue sources coming to the town.
- Fiscal 2020, ending June 30, 2020, should close with a fund balance (free cash) of approximately \$2.5 million and a balance in the stabilization account of \$1.74 million for an approximate total of \$4.2 million. These reserves had seen consistent growth in the last several years growing beyond our target range. Hence we believe adjustments in our approach to estimating expected non-tax revenues are warranted. Further details are included in the fund balances, other reserves, and debt section of this report.
- Fiscal 2021 departmental operating budgets compared to fiscal 2020;
 - o Town Budget: + 2.31%
 - o School Budget: +2.94%
- Total expenditures for the FY 2021 budget have decreased approximately 2% as a result of lower capital expenditures and utilizing less free cash.
- Town debt service is projected to decrease by \$59,961 or 4.9% in FY 2021. As a substitute for acquiring debt, the town is proposing a larger capital exclusion, coupled with

funds from our reserve and enterprise funds for additional projects as part of the ongoing capital and financial planning.

- Town salary expenses comprise approximately 46% of the town operating budget with an increase of 3.40%. This increase is partially due to additional staffing in the Department of Public Works in the highway, water, and sewer divisions. At least two of these three new hires will be temporary as we prepare for the transition in staff with upcoming retirements. Funds within other expense categories were reallocated to salaries to help offset the salary budget increases.
- Non-salaried expenses represent 27% the town's operating budget. Expenses increased by 2.72% due primarily to higher expenses for certain contracted services, especially solid waste disposal.
- Pension expense for town employees and retirees is up by 5.1%. This represents a smaller increase than last year. Pensions are mandated by the State to move toward full pre-funding.
- While health insurance expenses are often a source of higher expenses, the Town has benefited from an actual decrease in premiums this current year and level premiums for FY21.
- Capital expenditures for FY 2021 are anticipated to be \$3,478,600 which is a decrease of 22.3% when compared to last year's unusually high capital spending. This represents a decrease of approximately \$1 million and is closer in line with the typical \$3 million annual capital expenditures. These capital expenditures are to be funded through a combination of taxation, capital exclusions, water and sewer rates, community preservation funds, harbor fund, and the Town's fund balance.
- Manchester's share of the school district operating budget is up 2.94% for FY 2021. This is the second year of this increase being lower than the average for prior years and represents a careful balance between maintaining current levels of service and an effort to limit increased operating costs. Manchester's enrollment has declined slightly, relative to Essex's enrollment, so the appropriation to Manchester has not increased as much this year. Manchester's contribution is \$15,099,530 which is an increase of \$431,273. The MERSD school budget has a projected overall increase of 3.82% which is absorbed by the increase to Manchester in addition to an increase for Essex (3.61%) and the use of school district reserves in the amount of \$250,000.
- Manchester's contribution to the school debt is \$2,948,032 representing a decrease of 1.6% over FY 2020. This total is comprised of \$1.3 million debt service for the middle high school and an additional \$1.6 million for the new Memorial Elementary school building project currently underway.
- Manchester's contribution to the Essex North Shore Agricultural and Technical School is \$169,045 a 10% increase. Currently, Manchester has nine students enrolled at the school plus the addition of a choice student.
- This proposed budget should leave the town, at the end of FY 2021, with stable financial reserves (Fund Balance plus Stabilization) of \$4.2 million.

Please look at the information and graphs presented later in this booklet, which show various aspects of our town's operating budget and financial position.

Overview of the FY 2021 Town Operating Budget

Manchester's FY 2021 budget is built upon six primary principles in order to maintain the financial strength the Town is worked hard to achieve;

1. Current revenues must be sufficient to support current expenditures.
2. Debt is not used to fund operating expenditures.

3. Strong General Fund reserves are maintained.
4. Adequate contingency funds are budgeted.
5. Sufficient maintenance and replacement dollars are included to ensure capital facilities and equipment are properly maintained.
6. The budget strives to maintain the quality of services currently provided, while at the same time attempts to address any new or increased service demands through enhanced efficiencies.

Town departments have shown restraint in their budgetary requests and each department has once again worked diligently to develop an efficient budget. Most departmental discretionary expense budgets were held neutral or in some cases slightly reduced for FY 2021. The town continues to realize savings in this budget through new technology and prior capital programs, for example electrical savings from new LED streetlights and high-efficiency pumps at our treatment plants. Town departments are now providing stronger in-house engineering expertise and guidance for capital projects and managing these projects more carefully. The Town continues to pursue regional efforts with neighboring communities to help improve efficiency and to reduce expenses through cost sharing. Volunteers and town employees are actively involved in applying for State and Federal grants to help offset costs and implement new programs in the town.

The Town of Manchester is fortunate to have skilled, knowledgeable, and dedicated employees. Employee contracts run through FY 2020 and contract negotiations are currently underway for the next set of three year contracts. The FY 2021 budget includes provisions for additional staffing in the area of human resource management. Human resources work has grown increasingly complex and requires more specialized skills. The Department of Public Works budget includes provisions for three additional hires. The first is an additional highway division employee that restores an employee reduction from 2008, and will reduce the town's growing expenses for third-party contractors and overtime. The other additional two employees are for the water treatment and wastewater divisions where retirements are anticipated in the next 12 to 18 months and thus represents only a temporary increase in staffing during a transition/training period.

The Finance Committee invests significant time looking at long-term financial planning and this is important as we embark on recommendations regarding the financing of town capital improvements, investments for efficiency, and balancing operating costs to stay within our financial limits of proposition 2 ½. Multiyear models are used for both operating and capital planning and have proven to be a useful financial tool. Five primary guidelines have been developed which are shaping recommendations for this proposed budget and also future budgets. These include;

1. Staying within the limits of Proposition 2 ½ for operating needs.
2. Maintaining Reserves equal to 10% of total expenditures.
3. Keeping debt payments to a maximum of 10% of total expenditures.
4. Staying the course to fully funding our retiree liabilities.
5. Capping non-school exclusions at their current level - a significant change from the past 20 years of expanding exclusions for capital debt.

The goal is to maintain the town assets and critical infrastructure, prepare for future changes and events that may come along, while providing sustainable services for town residents.

The Finance Committee has several ongoing concerns where current spending trends are unlikely to be sustainable in the long term. The first is the Fire Department, where growing staffing requests, cost structures, and capital requests are placing a significant burden on the Town's budgets. Manchester maintains a very high level of service in this department and consequently ranks near the very top of per capita spending and annual growth for fire departments

in communities that are similar to ours. Looking ahead, with the steady decline of the call fire fighting force, we have concerns about hiring additional paid employees and the long-term sustainability of this added cost burden on the taxpayers. The second concern is in the area of trash collection and recycling where steadily increasing costs for both trash and now recycled materials is increasing at a rapid rate. Given the current trends in the marketplace, this service will continue to become more expensive for Town residents in the near future. Our final concern is the increasing operating cost of the regional school district. Manchester's contribution to the regional school district represents almost 50% of the Town's overall budget. Over the past two years, the School District has done an admirable job of balancing their operating budget in concert with the town budgets for both Manchester and Essex. The cost of education is rising steadily, particularly over the long term, and as the School District budget increases at a rate that is greater than 3%, the Town is pressured to raise more revenues or to reduce other services to residents and divert funding from much-needed infrastructure repairs and replacements. Additional educational costs, such as the ENS Agricultural & Technical School, further add to this challenge. Our concern is that this trend is not sustainable over the long term.

The Finance Committee meets on a regular basis and is always looking for ideas and feedback from town residents. We encourage you to attend our meetings or send us a note with your ideas and suggestions.

Other Post-Employment Benefits (OPEB) and Pension Liabilities

During the last seven years, the Town has made significant progress in reducing the unfunded liabilities for health insurance obligations to current and future retirees - commonly called OPEB (Other Post-Employment Benefits). This reduction has involved direct steps to reduce the future liabilities to the Town and setting aside assets to fund those liabilities.

On the liability side, with the cooperation of Town employees, changes have been made to the Town's health insurance plans to reduce its unfunded OPEB obligations. Some of these important changes include;

- Changing the insurance program for current employees to increase deductibles and employee contributions.
- Requiring all eligible retirees to enroll in Medicare, reducing the cost to the Town for their health care costs.
- Requiring employees and retirees to pay a higher share of the premiums for a given plan.
- Auditing the benefit roles on a continuous basis and removing persons no longer entitled to benefits from the Town, identifying eligible retirees who had not yet enrolled in Medicare, and ensuring total deductions by the Town and employees match the corresponding enrolled plans.
- Receiving low annual cost increases in the Town's health insurance program has a direct positive impact on near term coverage as well as on minimizing the growth of long term liabilities.

On the asset side, the Town created an OPEB trust that it funds on an annual basis at a level that actuaries consider "fully pre-funded". This means that, as long as the Town continues to make annual contributions at the appropriate level, within 20 years or less, the assets in the trust will meet the Town's OPEB liabilities at that time. The current review of the Town's OPEB liabilities suggests that we may be running ahead of schedule in our effort to fully fund these liabilities. Or viewed another way, while the actuarial analysis assumed a rate of return on invested funds of 7.5%, we have a bit of a cushion that still works if the actual returns are closer to 6%. The Town's OPEB Trust Fund is invested in the State's Pension Reserves Investment Trust (PRIT), a large and professionally managed fund, in order to maximize returns. For FY 2021,

we are recommending a contribution of \$264,769 which is an increase of \$6,458 or 2.5% above last year and above the recommended minimum.

The Town also has significant pension liabilities. A state statute specifies the parameters that all municipalities must follow to fund these liabilities. Manchester is following the state-mandated program and its pension liabilities should be fully funded by 2036. To learn more about the Town's pension and OPEB liabilities, please see the Board of Selectmen's report contained in this booklet and the Town's OPEB actuarial report in the annual town financial statements, which are available online, or at Town Hall.

Capital Plan and Sources of Funding

Manchester is in the seventh year of a more aggressive capital improvement plan to address past deficiencies and meet the Town's infrastructure needs into the future. We maintain a rolling 10 year plan with an emphasis on the next five years. This last year saw steady progress on capital spending relative to prior years, and significant improvement in water and sewer system repairs and road resurfacing.

The FY 2021 proposed budget recommends capital spending in the amount of \$3,478,600 which is a decrease of 22.3% when compared to last year's unusually high capital spending. This represents a decrease of approximately \$1 million and is closer in line with the typical \$3 million annual capital expenditures on a multi-year basis.

Approximately a third of this capital spending is recommended to accelerate repairs and upgrades to sections of the Town's water delivery system which are considered in need at this time. Roughly 13% of the capital recommendations are targeted at water and sewer plant upgrades. Road repair and improvements to drainage and sidewalks comprise about 17% of the recommended capital spending and investments in public safety vehicles and equipment total another 21% of the capital budget.

Over the last two years, the Town has undertaken a successful grant writing effort that has been helpful in securing funds for several town capital projects, for example, LED street lighting and engineering assistance on repair work for the Central Street dam. A full list of recommended capital projects is included later in this booklet. The Finance Committee is a strong proponent of using the established 5 year capital plan and not deviating from this course of action. Opportunities will always come along, however maintaining consistent capital spending on well-defined projects will best serve the Town in the long run.

The Town is in year four of a six-year effort to transition to a "pay-as-you-go" cash-based funding program for capital projects. Instead of acquiring additional debt, and the associated interest and service costs, the Town is replacing expiring debt service amounts with capital exclusions to pay for capital repairs and improvements. With planning and discipline, this capital funding strategy will eventually significantly reduce debt, and its associated interest costs, to improve project efficiency in the years ahead. We hope to continue this ongoing capital improvement effort and these plans, and the recommended projects, are detailed later in this booklet. The proposed capital projects for FY 2021 would be funded through a combination of capital exclusion, use of revenue from conservative budgeting of receipts, grants, funds from water and sewer enterprise funds, harbor funds, and town reserves.

Fund Balances, Other Reserves, and Debt

If expenses are less than anticipated and/or revenues are higher than budgeted, the excess funds from each budget year flow into the Town's Fund Balance (formally called "Free Cash" and much like net income in a commercial context). This Fund Balance is essentially the Town's savings account. From time to time town meeting votes to move some of the Fund Balance to the Town Stabilization Fund maintained for emergencies and other projects. Accessing

funds in the Stabilization Account requires a two-thirds majority approval at Town Meeting while the use of the regular Fund Balance dollars is by a simple majority vote.

The Finance Committee believes that it is prudent to maintain adequate reserves (Fund Balance plus Stabilization) for unforeseen events and problems the Town may encounter. We estimate that reserves in the FY 2021 will equal approximately \$4.2 million or approximately 11% of the total proposed operating budget which is now slightly above our targeted range. A graph showing historical levels of reserves appears later in this booklet. Given the relatively high level of recent reserves, the Finance Committee has been exploring recommendations for using some of these reserves for capital projects, debt reduction, easing the tax burden for taxpayers, and other options. Over the next 3 to 4 years, some of the reserve fund should be deployed for town projects and to maintain the Fund Balance at approximately 10% of the total operating budget. In the opinion of the Finance Committee, this would still provide a healthy reserve in the event of financial problems or unforeseen events. One of our recommendations is not to add to Stabilization in the FY 2021 budget because we feel the current level, at 35% of overall reserves, is adequate.

Manchester Essex Regional School District Budget

The School District Administration and the School Committee have responsibility for the school budget. The Finance Committee reviews this budget carefully before recommending it to the voters at Town Meeting. As previously mentioned, the Finance Committee has a representative on the small working group (consisting of representatives of the School District as well as the towns of Essex and Manchester) which plays an active role in developing the annual budget beginning in the fall. The entire Finance Committee has also met with School District officials several times during the budget process culminating in a detailed discussion of the final budget and review of the District's future financial plans. These meetings are open to the public and participation is encouraged.

Education continues to represent the largest portion of the Town's annual budget and this year the Manchester Essex School District is seeking an increase of 2.94% or \$431,273 in the FY21 assessment to the Town of Manchester. The portion of the operating budget for the school district that is assessed to the Town of Manchester for FY 2021 totals \$15,099,530. These annual increases are negotiated between the School District, Manchester, and the Town of Essex. The overall School District operating budget for F/Y 2021 is \$27,061,314 and financial reserves total \$3.15 million. Like the Town, the School District is wrestling with increasing costs, unfunded mandates, increasing health insurance costs, aging infrastructure and capital demands, and some degree of uncertainty regarding student enrollment and the in and out of district special education requirements from year to year. These variables all compound and create difficulties in preparing long-term budgets. The Finance Committee has had concerns in past years, and on future long-term budgets, that exceed 3.2% annual increases that are difficult for the Town to absorb. We view this as an important challenge for the two towns, their voters, and the School District to work on collectively in the coming years.

In addition to the School District operating budget, we are also responsible for paying \$2,948,032 toward the District's debt payments representing a decrease of 1.6% over FY 2020. This payment covers a portion of principal and interest on the annual debt service. The annual debt service on the middle high school is approximately \$1.3 million, is declining each year, and projected to be fully paid off in 2034. New debt has recently been layered in for the Memorial Elementary School building project in the annual amount of \$1.6 million which was approved by voters in the 2018 Fall Town Meeting.

A year ago, members of the Finance Committees in both towns along with both town administrators worked closely with the school district and a professional financial institution to secure the majority of the funds required for this building project. The funding is in the form

of bonds with declining principle over a 30-year period at an interest rate of 3.29%. Starting in 2023, we anticipate this annual debt service for the Memorial Elementary School building project to begin declining annually by about \$70,000. A minimal amount of additional financing should be required toward the end of the construction project in 2021 and additional financing will be needed at that time. The current low interest rate environment has provided opportunities to refinance portions of the remaining high school debt leading to additional savings moving forward.

The School District continues to do an admirable job at addressing its OPEB liabilities. In the last school contract negotiations, the District negotiated significant changes in its health insurance program that helps to reduce their long-term OPEB liabilities. The district has pledged to apply annual savings from this new health insurance program, which is approved by the teachers union, for funding the OPEB liability. Combined with a small amount of OPEB funding in the operating budget, the district is on track to reach the actuarial targeted contribution level within a few years.

As mandated by the State, the Town is also absorbing education costs through the funding of student enrollment in the ENS Agricultural & Technical School. Over the past several years, Manchester has paid for the cost of five student enrollments, and with the increasing popularity of this educational option additional enrollments have grown in 2019 to a total of 9 students. We wholeheartedly support this educational option. At present, the annual cost of the ENS Agricultural & Technical School is \$169,045.

Looking Ahead to FY 2022

The Town's fiscal year 2022 will begin on July 1, 2021 and town employees, department heads, and members of the Finance Committee will again start working on this new budget and financial plans within about six months of the printing of this booklet. Looking forward, it is difficult to predict with 100% accuracy the Town's future finances but we are optimistic that for the next several years we can continue to provide a high level of service for the residents of Manchester and continue to work toward repairing the Town's infrastructure within the limits of proposition 2 ½ and without increasing debt. This future planning always depends on a number of cost factors such as health insurance, state and federal regulations, energy costs, and of course, avoiding natural disasters and unexpected infrastructure failures - all of which are beyond the Town's control. We are confident that the financial structure, systems, and proposed budgets for the Town are in good shape.

Finding the right level of staffing is a challenge and as the Town develops new staffing needs choices for additional hires, outsourcing, or regionalization efforts need to be considered. The Town is searching for a Fire Chief to lead the Fire Department. This will be an important hire and will shape the operation, efficiency, and long-term financial sustainability of this public safety department.

As mentioned earlier, the Finance Committee has strong concerns about the rising costs, staffing, and future management issues with the Fire Department. Our town has supported and receives a very high level of fire and ambulance service and our benchmarking studies indicate the cost of the service, on a per capita basis, ranks as one of the most costly in the State. Looking for opportunities to work with other communities for staffing, dispatch, and equipment could help this department control costs and provide additional benefits for the Town in the long run.

Last year, The Town completed a comprehensive three-year master planning effort and various recommendations may have direct impacts on the Town's future financial plans and strategic direction. Considerations include the additional development within the limited commercial district and its potential revenue and cost implications as well as the Town's efforts to increase affordable housing.

The regional School District represents the largest single expenditure for the Town. Annual increases to the Town that exceed 3% have a significant impact on the Town’s ability to maintain a balanced budget, remain within the limits of proposition 2 ½, and avoid frequent tax overrides for the taxpayers. The strong teamwork and cooperative effort between the two towns and the School District is promising as we all work together to face this important challenge in the coming years.

Capital needs and the long-term repair and upgrading of our aging infrastructure remain a key priority for the Town. Paying for this effort is a challenge that requires discipline and a multi-year approach. Significant progress is being made on addressing capital needs and more recently implementing an efficient cash-based capital strategy that avoids burdening the Town with future debt. The Town’s capital needs are well defined, and require discipline to maintain the current five year plan, for addressing our aging infrastructure. In addition, a longer multi-year plan is also in place for addressing future capital needs and town improvements. We hope that the Town, and the prevailing economic conditions, will continue to support this strategic capital and infrastructure plan.

The Finance Committee meets on a regular basis and our meetings are open to anyone who wants to attend. We welcome any ideas, suggestions, or recommendations, and encourage you to forward them along to any of our committee members. We want to make sure that the residents of Manchester understand the financial condition of the Town. We will be prepared to review these details and discuss this further at the annual Town meeting and welcome your questions and input.

FINANCE COMMITTEE MEMBERS

Mory Creighton, <i>Chair</i>	2021
Andy Oldeman, <i>Vice Chair</i>	2020
Ann Harrison	2021
Sarah Mellish	2022
Michael Pratt	2020
Mark Weld	2020

CAPITAL IMPROVEMENT PROGRAM

INTRODUCTION

The Town has a rolling “5 + 5” Capital Plan that we update annually. The plan has detailed projects spelled out for the first five years and flags potential larger, “special” projects in years 6-10. While progress is being made, like so many other municipalities, Manchester has a large backlog of deferred capital needs. The challenge here is to catch up on this backlog without imposing large new tax burdens on property owners. Our approach relies on allocating a healthy amount of annual tax revenue to capital needs, slowly increasing the amount of dollars the water and sewer enterprise funds devote to capital needs and replacing old debt with equivalent capital exclusions as previously issued debt is retired. This approach avoids new spikes in taxes while still providing a significant amount of funds towards capital needs. This is possible in large part to the amount of debt we have and continue to retire. The use of capital expenditures exclusions instead of new debt – a “pay as you go” approach instead of borrowing – allows us to keep constant the amount of taxes raised outside the confines of Proposition 2 ½ devoted to capital needs without the interest expense of borrowing. Such a strategy allows our dollars to go further, redirecting interest payments to actual project costs.

Debt service for Town projects totaled \$1.9 million annually five years ago. The payments are declining yearly. For FY21 debt payments drop to \$1.17 million and voters will be asked to approve \$725,000 in a capital exclusion vote to fund water pipe replacement work. Within 3 years, debt payments for town projects will drop below \$1.0 million, giving us the possibility of funding new projects with \$1.0 million in annual capital exclusions without increasing tax burdens. Combined with general and enterprise funds, this will give us over \$3 million annually we can allocate to capital without incurring new debt – an amount that will take care of all but the largest of our capital needs for the Town.

The focus of capital expenditures is on water and sewer pipes, rehabilitating roads, drainage and sidewalks, and replacing worn out vehicles. Plans for either upgrading the DPW garage or relocating it will depend on decisions regarding the DPW property. If the land is sold for housing, the sale proceeds could help fund a new facility located on other Town land. The harbor dredging plan anticipates new bonds every ten years to fund a quarter of the harbor dredging needs on a regular 40 year cycle, paid for through increased mooring and other harbor use fees.

While the emphasis is on the next five years, looking a bit further into the future we see that we will be facing the need to fortify beach revetments and seawalls, especially in the face of climate change and sea level rise. Grant funding will be aggressively pursued for these needs.

By the early 2030’s the Town budget, excluding our contribution to the School District, can be free of all debt payments. By this same time we also will have retired our pension and OPEB liabilities. Thus we will have freed up significant dollars that can be used for new capital expenditures either on a cash basis or borrowing for larger projects. The timing is good as we likely will need to address the impacts of sea level rise as well as town facility upgrades by this time – e.g.: a new public safety complex.

CAPITAL PROJECTS FOR FY21:

Warrant Article 5 lists the projects, services and purchases by department. To fund the capital plan, an increase in general fund revenue use is proposed, increasing the amount to \$1.43 million. In addition we propose using \$899,600 from the Town’s “Free Cash” account or reserves (which are above our target) along with state Chapter 90 funds for road work, funds from the water and sewer enterprise accounts and the waterways fund.

A summary of the requests includes:

- Road repaving (focus on roads being dug up for water pipe replacement)
- DPW vehicle replacement (replace a dump truck equipped for winter snowplowing)
- Drainage and sidewalk repair funds –an annual amount as we address numerous drainage issues and crumbling sidewalks
- Cemetery Expansion Study as the number of available plots is low
- Land management studies (Conservation Commission and the Planning Board)
- Town Hall Computer Network upgrades and new Financial Software
- Library – interior lighting upgrades
- Sweeney Park study of possible new turf field
- Radio upgrades for DPW, Fire and Police eliminating “dead zones” and improving communications among the three departments (Phase 3 of 4)
- Reserve fund for future fire department vehicles
- Replacement Fire pick-up Truck, Police Cruiser and lease of Police motorcycle
- Replacement of Fire equipment, including pond rescue boat
- Tuck’s Point Floats permitting/engineering
- Water pipe replacement and equipment upgrades
- Sewer plant upgrades

SCHOOL CAPITAL:

With voter approval of the new elementary school, the construction of the new building continues to make excellent progress. The work remains on time and on budget. Most of the new bonds have been secured thus we have seen a large increase in the District’s capital expenditure line due to these bonds. The strategy of waiting until old debt is retired before taking on new debt does not work for the School District as the bonds for the high school will not be paid off until 2033.

The District also faces the need to renovate or replace the Essex Elementary School. It would be very helpful to retire most of the debt for the middle high school (payments end in 2033) before embarking on a second elementary school project in order to avoid another large tax increase for bond payments. Maintenance needs of the middle high school, renovations to the turf fields and keeping the Essex Elementary School functioning until its next iteration is determined will all need to be addressed in the coming years.

MANCHESTER'S 5-YEAR CAPITAL IMPROVEMENT PROGRAM

CAPITAL PLAN	FY21	FY22	FY23	FY24	FY25	Five Yr Total
Highway						
Roads & Guardrails	\$ 205,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,205,000
Vehicles	\$ 130,000	\$ 84,000	\$ 200,000	\$ 130,000	\$ 300,000	\$ 844,000
Equip	\$ 32,000	\$ 10,000	\$ 20,000	\$ -	\$ -	\$ 62,000
Sawmill brook	\$ -	\$ 1,200,000	\$ -	\$ -	\$ -	\$ 1,200,000
Facilities	\$ 85,000	\$ 50,000	\$ 900,000	\$ 3,000,000	\$ 2,000,000	\$ 6,035,000
Stormdrains/Sidewalks	\$ 375,000	\$ 300,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,475,000
Grant match	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 877,000	\$ 1,894,000	\$1,620,000	\$ 3,630,000	\$2,800,000	\$ 10,821,000
Land Use Management						
Open Space/Plan revisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Trail work/land improvements	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Other Land Management	\$ 25,000	\$ 10,000	\$ 15,000	\$ -	\$ 10,000	\$ 60,000
TOTAL	\$ 35,000	\$ 10,000	\$ 15,000	\$ -	\$ 10,000	\$ 70,000
Town Hall						
Town hall rehab	\$ 160,000	\$ 50,000	\$ -	\$ 100,000	\$ -	\$ 210,000
Equipment & Other	\$ 95,000	\$ 15,000	\$ 20,000	\$ -	\$ 100,000	\$ 230,000
TOTAL	\$ 255,000	\$ 65,000	\$ 20,000	\$ 100,000	\$ 100,000	\$ 440,000
Library						
Interior Paint, rugs, etc	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Floors/Other Upgrades	\$ 10,000	\$ -	\$ 30,000	\$ -	\$ -	\$ 40,000
TOTAL	\$ 10,000	\$ -	\$ 30,000	\$ -	\$ -	\$ 40,000

continued

MANCHESTER'S 5-YEAR CAPITAL IMPROVEMENT PROGRAM. *continued*

Parks and Recreation									
Facilities	\$ -	\$ 25,000	\$ 1,200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,225,000
Play Fields	\$ 55,000	\$ 100,000	\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 180,000
TOTAL	\$ 55,000	\$ 125,000	\$ 1,200,000	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ 1,405,000
Public Safety									
Fire/Police Stations	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,000
Police/fire Vehicles	\$ 121,600	\$ 63,251	\$ 59,400	\$ 61,200	\$ 63,000	\$ -	\$ -	\$ -	\$ 368,451
Fire engine fund	\$ 240,000	\$ 250,000	\$ 250,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 840,000
Police Equip	\$ -	\$ 17,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ -	\$ -	\$ -	\$ 38,000
Public Safety Radio System	\$ 160,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,000
Fire Equip	\$ 40,000	\$ 18,000	\$ 20,000	\$ 22,000	\$ 24,000	\$ -	\$ -	\$ -	\$ 124,000
TOTAL	\$ 596,600	\$ 348,251	\$ 336,400	\$ 190,200	\$ 94,000	\$ -	\$ -	\$ -	\$ 1,565,451
Council on Aging									
Facilities/Equipment	\$ -	\$ 1,200,000	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 1,230,000
TOTAL	\$ -	\$ 1,200,000	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 1,230,000
Harbor									
Docks/Ramps	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Equipment/vehicle	\$ -	\$ 15,000	\$ 159,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,000
Harbor office	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dredging	\$ -	\$ 50,000	\$ -	\$ 25,000	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,075,000
TOTAL	\$ 10,000	\$ 65,000	\$ 159,000	\$ 25,000	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,259,000
Water Department									
Pipes	\$1,250,000	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,850,000

MANCHESTER'S 5-YEAR CAPITAL IMPROVEMENT PROGRAM. continued

Treatment Plant/Equipment Upgrades	\$ 210,000	\$ 270,000	\$ 190,000	\$ 270,000	\$ 270,000	\$ 1,210,000
TOTAL	\$1,460,000	\$ 870,000	\$ 190,000	\$ 270,000	\$ 270,000	\$ 3,060,000
Sewer Department						
I/I & Pipes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treatment Plant/Equipment Upgrades	\$ 230,000	\$ 280,000	\$ 780,000	\$ 280,000	\$ 280,000	\$ 1,850,000
TOTAL	\$ 230,000	\$ 280,000	\$ 780,000	\$ 280,000	\$ 280,000	\$ 1,850,000
GRAND TOTAL	\$3,478,600	\$ 4,857,251	\$4,350,400	\$ 4,550,200	\$5,554,000	\$ 22,740,451
REVENUES	FY21	FY22	FY23	FY24	FY25	
General Fund (taxes)	\$1,434,000	\$ 1,550,000	\$1,570,000	\$ 1,590,000	\$ 1,590,000	\$ 7,832,000
Fund Balance	\$ 899,600	\$ 1,747,251	\$ 451,400	\$ 1,465,200	\$ 494,000	\$ 4,909,451
Water Funds	\$ 180,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 940,000
Sewer Funds	\$ 230,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 1,350,000
Harbor Funds	\$ 10,000	\$ 65,000	\$ 159,000	\$ 25,000	\$ 2,000,000	\$ 2,259,000
Other	\$ -	\$ 25,000	\$ 700,000	\$ -	\$ -	\$ 725,000
Bonds or cap exclusions	\$ 725,000	\$ 1,000,000	\$1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,725,000
Grand Total	\$3,478,600	\$ 4,857,251	\$4,350,400	\$ 4,550,200	\$ 5,554,000	\$ 22,740,451

Accelerated spending in FY20 and FY21 for water pipes to ensure adequate fire flows
Harbor Dredging bond in FY25 paid by waterway funds

**BOARD OF SELECTMEN REPORT ON FUTURE OBLIGATIONS
FOR RETIREMENT AND HEALTH CARE BENEFITS –
AN UPDATE OF OUR FUTURE LIABILITIES**

Pursuant to the provisions of Article IX, Section 3 as amended of the Town’s General By-laws, the Board of Selectmen submit the following report concerning the Town’s future obligations for pensions and retiree health insurance.

Introduction

Pensions and retiree health insurance are benefits that are offered to all Town employees who work more than 20 hours a week per the requirements of Massachusetts General Laws. Like the vast majority of municipalities, Manchester had historically paid for these benefits in a “pay as you go” fashion – that is, we were paying only the bill that was due that year, not the bill we were incurring for future years in the form of promised retiree benefits. While this approach was fine when benefits were less expensive and the number of retirees was relatively modest, the cost trends, life expectancy trends and the desire for truer cost accounting have placed a new emphasis on putting money aside now in order to pay for future pay-outs. Such an approach has the added advantage of the power of compounding interest earnings, putting the money we set aside to work to ease the financial burden of the future benefits.

Town Pensions

The Town of Manchester is a member of the Essex Regional Retirement System. All employees contribute their own funds to the system but, in the past, not enough funds were collected to fully fund the future payments promised by the retirement board. While this has been corrected for new employees, all municipalities are contributing funds to make up for the under collection in the past. It is anticipated that the retirement system will be fully funded by 2036 at which time the Town will no longer have an unfunded pension liability.

The Essex Regional Retirement Board’s unfunded liability was estimated by an actuarial study to be \$393,498,781 as of January 1, 2018 based on current assets of approximately \$450 million and total liabilities of \$843 million. This is the present day value of obligations expected to be incurred over the next 30 years. According to the System’s annual financial report as of 12/31/2018, Manchester’s net pension liability is 3.497% with a net liability of \$14.8 million. Annually we contribute a portion of this liability. For FY20 we contributed \$1,253,062 for both current and future liabilities. This number is expected to grow 7.4% annually through FY2022, 6.4% in FY2023 and 4% annually from FY2024-2036.

Essex Regional Retirement System (as of 1/1/2018 actuarial valuation)

Total Assets	= \$450 million
Present day Value of Liabilities	= \$843 million
Unfunded Liabilities	= \$393 million
Manchester Share 3.497%	= \$ 14.8 million
Annual Town Payment (FY20)	= \$ 1,253,062 (increasing annually)
-To be fully funded by 2036	

Town OPEB (other post employment benefits – retiree health insurance)

The Town provides health insurance to all retirees eligible for a pension. Voters approved this benefit decades ago and, by state law, we must now continue to do so. Because the Town has been in operations for hundreds of years, our pool of retirees, while growing slightly, is relatively stable. Thus, our “pay as you go” amount started out already at 70% of the required Annual Required Contribution, or ARC. We are now at 100% + when we combine our annual pay as you go amount with the amount we add to the trust. Our most recent interim actuarial study (as of 7/1/19), completed by Sherman Actuarial Services, concluded that our total Actuarial Accrued Liability for both active employees and retirees comes to \$8.37 million, an increase of some \$182,000 from the last report. This is the present day value of the cost of retiree health insurance for the next 30 years. However, this does not take into account the decrease in premiums we received in FY20.

In addition to the pay as you go funding, the Town has established and is funding annually an OPEB Trust Account. The contribution schedule we are following is contained in the Sherman Actuarial Study. Our current contribution rate to the trust assumes a more conservative return on investment of about 5.25% annually compared to the 7.5% ROI the study used. Assuming voters approve the next payment installment to the OPEB Trust account at the April 2020 Town Meeting, we will have approximately \$2,530,000 in the trust account which, when combined with our pay as you go amount is putting us ahead of the 30 year plan to be fully pre-funded for our OPEB obligations by the year 2032. The annual appropriation to the OPEB Trust is slated to grow in the 3% range.

In addition to funding the Trust, the Town continues to work on controlling the cost of our health insurance obligations. We have successfully implemented plans that have higher co-pays and deductibles. We require all eligible retirees to enroll in Medicare. We continue to pursue wellness strategies to keep cost increases down. We work with our unions to negotiate fair premium cost sharing. As of 7/1/2017, new employees pay 35% of the premium and veteran employees pay 25-30% with all employees paying under 30% phasing from 25% to 30% over the next few years.

Legislative changes also may help to lower our liabilities. Beacon Hill may pursue changes in retiree eligibility rules that will reduce our future obligations for new hires. We will monitor these developments and urge our legislative delegation to push for more needed reforms to the laws that govern how we provide benefits to our retirees to ensure that we can afford to provide a fair and cost effective package.

OPEB Assets and Liabilities

Total OPEB Liability estimated as of 6/30/19	\$ 8.37 million
Current Assets (assumes 4/6/20 appropriation)	\$ 2.5 million
Annual Town Appropriation FY20	\$ 0.8 million increasing 3% yearly
On schedule to be fully funded by 2032	



MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT

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AVI URBAS

DIRECTOR OF FINANCE AND OPERATIONS

March 9, 2020

To the Residents of Manchester and Essex:

This letter provides an annual update on the status of "Unfunded Liabilities" for the Manchester Essex Regional District (MERSD), specifically employee pensions (excluding teacher pensions, which are funded by the Commonwealth) and retiree health insurance, which is also known as Other Post-Employment Benefits (OPEB).

What Are Unfunded Liabilities?

Pensions and retiree health insurance are benefits that are offered as a requirement of Massachusetts General Law to employees of MERSD. Because these benefits are legally mandated, government entities must include in their financial statements an estimate of the value of future obligations (i.e., liabilities) related to these programs.

In the past, most school districts and towns in the State paid the cost of these benefits as they came due each year. This approach is often referred to as "pay-as-you-go," and does not include any pre-funding of future obligations. This lack of pre-funding is the origin for the term "unfunded" liabilities. Pre-funding is considered important by many because actuarial estimates indicate that the cost of these obligations could potentially grow faster over time than taxpayer funded budgets can absorb.

There are two common approaches to reducing unfunded liabilities. First, pension and OPEB cost growth must be contained to ensure that benefits are appropriate and affordable for taxpayers. Second, government employers must begin to move from the "pay as you go" approach towards a strategy that pre-funds future year obligations and invests those funds to ensure that larger obligations due in future years can be afforded without undue pressure on the annual operating budget.

In recent years, MERSD has increased its pre-funding of pension and retiree health insurance obligations, and has also restructured its health insurance plans considerably, putting the district on a clear path to full funding over time.

How Big Are MERSD's Unfunded Liabilities?

Estimates of these liabilities are updated each year and published in MERSD's financial statements which are audited by an outside accounting firm. The financial statements for the most recently concluded fiscal year (which ended on June 30, 2019), contain the following estimates.

Pensions

The unfunded portion of the pension liability attributable to MERSD is estimated to be \$6,332,236.

Most pension programs require contributions from employees and employers. The large majority of MERSD employees are teachers and other licensed personnel (e.g. principals and district administrators), who participate in the Commonwealth of Massachusetts' Teachers Contributory Retirement System (MTCRS). For these employees, the Commonwealth pays 100% of the employer

The Manchester Essex Regional School District does not discriminate in its programs, activities or employment practices based on race, color, age, national origin, religion, gender, sexual orientation or disability.

share of pension expense, and employees also contribute directly by way of an 11% payroll deduction. As a result, MERSD has no expense nor any liability whatsoever, for pension costs related to licensed employees.

A smaller number of employees, who are not licensed by the Commonwealth (e.g. custodians, and administrative, school building and teaching assistants), participate in the county pension program, known as Essex Regional Retirement System (ERRS). In the current fiscal year, MERSD's employer-share obligation for ERRS contributions totaled \$511,014. ERRS has begun to require its members, including MERSD and the Towns of Manchester and Essex, to pre-fund future pension liabilities and the program is on track to achieve full-funding by 2036, in accordance with Massachusetts General Law. Doing so requires MERSD to increase its annual pension contribution by 5-7% each year through 2023, and by slightly less than 4% thereafter.

The estimate referenced above for MERSD's portion of ERRS' unfunded pension liability is based on applying 1.499% of ERRS' \$422,465,618 unfunded liability to MERSD. This percentage represents MERSD's percentage of total ERRS payroll. ERRS applies this percentage to the total annual required contributions from its members to arrive at MERSD's employer share obligation for the year.

Because pensions, by law, are guaranteed contracts, benefit levels cannot be changed. Although MERSD does not establish benefit levels, we do have the ability to manage pension costs by carefully controlling staffing levels for pension eligible positions. For example, outsourcing custodial services at the new Middle High School when it first opened and at the elementary schools in subsequent years has helped to lower MERSD's percentage of ERRS payroll and, as a result, MERSD's percent of ERRS' pension obligations. MERSD has also outsourced all food service and transportation positions, which further mitigates its future pension liability.

OPEB (Retiree Health Insurance)

MERSD's unfunded liability for OPEB is \$25,830,377 as of June 30, 2019.

By law, MERSD must provide health insurance to all employees who retire with eligibility for pension. The district contributes 70-80% (based on retirement date) of the cost of insurance premiums throughout the duration of retirement, with retirees paying the remaining 20-30%. MERSD's annual obligation for insurance payments on behalf of retirees was \$949,072 in the most recently concluded fiscal year.

In addition to this "pay-as-you-go" expense, MERSD also contributed \$498,605 towards pre-funding future year obligations, in attempt to reduce its unfunded OPEB liability. This additional contribution is funded from savings generated by a negotiated agreement with the Manchester Essex Teachers Association (META) to change benefit levels. The result of this agreement was a \$1.6 million or 87% reduction in the annual gap between pay-as-you-go costs and full pre-funding of annual OPEB contributions. Negotiated benefit changes included reducing the district contribution for health care premiums to 75% for active employees and 70% for new hires, from 80% previously. Additionally, the agreement migrated all employees to an insurance program with lower monthly premiums (which are split between MERSD and employees, based on contribution percentages referenced above) in exchange for introduction of deductibles and/or higher co-pays (which are paid by employees for each doctor's visit or procedure). The negotiated agreement stipulates that in return, all savings from these changes will be placed into an OPEB trust fund for the sole purpose of paying future OPEB costs.

OPEB trust funds can be invested in accordance with restrictions in Massachusetts General Law to earn higher rates of return, thereby reducing future required contributions from MERSD, staff and taxpayers. In FY-17, MERSD established a relationship with the Pension Reserve Investment Management Board (PRIM) to invest the district's OPEB trust funds in the same diversified portfolio used for the State's pension system, MCTRS, and the large majority of regional retirement systems as well, including ERRS. By sending OPEB trust funds to PRIM, MERSD is able to outsource investment risk to specialized professionals with significant experience in long-term investing. By earning a return on its OPEB trust fund investment, MERSD can further reduce the contribution it needs to make from budget funds each year.

As of June 30, 2019, MERSD has contributed a total of \$1,781,745 to its OPEB trust, and based on budget estimates for FY-20 and FY-21, MERSD is on track to contribute \$2.9 million to its OPEB trust fund in just 7 years, setting the district on a clear path to fully fund its OPEB obligation.

Other initiatives that MERSD has undertaken over time also help to mitigate the cost of OPEB including:

- All retirees who are eligible for Medicare (80% of current retirees) are now required to enroll, so MERSD will no longer be their primary insurer. MERSD pays for some supplemental insurance for these retirees, but implementing this change reduces MERSD's cost per participating retiree by 65%, based on the differential in current rates between the district and Medicare supplemental plans.
- MERSD's most recent contract with META included a move to higher deductible plans, with corresponding savings in the cost to MERSD and employees of monthly premiums. A portion of these savings have been set aside for an employer funded Health Reimbursement Account (HRA). In the first year of implementation, MERSD has seen a significant improvement in claims/utilization, which helps to control costs and limit rate increases in subsequent years.
- Prior year negotiations between MERSD and META have helped to curtail growth in spending on insurance as well. Prior to 2011, the district paid 85% of premiums compared to 70% today.
- A new policy beginning July 1, 2013 prohibited retirees from adding insurance coverage after retirement, which will make changes in enrollment levels more predictable.

For more information about MERSD's unfunded liabilities, please visit www.mersd.org, and follow the Quick Link, "Budget." This site contains presentations regarding MERSD's plans to address these liabilities, and copies of audited financial statements and actuarial reports.

COMMONWEALTH OF MASSACHUSETTS
TOWN OF MANCHESTER-BY-THE-SEA



ANNUAL TOWN MEETING WARRANT

Essex, ss.

To any of the Constables of the Town of Manchester-by-the-Sea:

Greetings:

In the name of the Commonwealth of Massachusetts you are hereby required to notify and warn the inhabitants of the Town of Manchester-by-the-Sea qualified to vote in elections, to meet in the Memorial School, on Lincoln Street, in Manchester-by-the-Sea, on Monday, the sixth day of April, two thousand and twenty AD, at seven o'clock in the evening, for the purpose, to wit:

ARTICLE 1. To see if the Town will vote to receive and place on file the reports of the Town boards and committees appearing in the Annual Report, or take any other action relative thereto..

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 2. To see if the Town will vote to fix the 12-month fiscal year salary and compensation of all elective officers of the Town as provided in Section 108 of Chapter 41, as amended, as follows; or take any other action relative thereto.

Moderator	\$0.00
Chairman, Selectmen	\$0.00
Other four Selectmen	\$0.00

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 3. To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money as the Town's share of the Essex North Shore Agricultural and Technical School District, or take any other action relative thereto.

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 4. To see what sums of money the Town will raise by taxation or otherwise

to pay Town debts and charges for the ensuing 12 months, effective July 1, 2020, and appropriate the same.

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

DEPARTMENTAL REQUESTS AND FINANCE COMMITTEE RECOMMENDATIONS

Item No.		Appropriations FY - 2020	Requests FY - 2021	Recommendations FY - 2021	Funding Sources
GENERAL GOVERNMENT					
33%					
SELECTMEN'S DEPARTMENT					
1	Salaries	247,473	268,664	268,664	TAXATION
2	Expenses	32,325	32,050	32,050	TAXATION
3	Audit	38,000	47,000	47,000	TAXATION
INFORMATION TECHNOLOGY					
4	Salaries	2,500	-	-	TAXATION
5	Expenses	111,500	125,000	125,000	TAXATION
FINANCE COMMITTEE					
6	Salaries	4,500	3,500	3,500	TAXATION
7	Expenses	320	320	320	TAXATION
8	Reserve Fund	160,000	160,000	160,000	TAXATION 35,000 OVERLAY SUR. 125,000
ELECTION & REGISTRATION					
9	Salaries	4,650	4,650	4,650	TAXATION
10	Expenses	19,205	20,265	20,265	TAXATION
ACCOUNTING					
11	Salaries	153,927	157,722	157,722	TAXATION
12	Expenses	4,700	4,700	4,700	TAXATION
ASSESSORS					
13	Salaries	156,955	160,795	160,795	TAXATION
14	Expenses	41,375	52,875	52,875	TAXATION
TREASURER/COLLECTOR					
15	Salaries	174,137	153,572	153,572	TAXATION
16	Expenses	27,540	28,940	28,940	TAXATION
TOWN CLERK					
17	Salaries	116,930	119,603	119,603	TAXATION
18	Expenses	5,300	5,300	5,300	TAXATION
LEGAL/PROF. SERVICES					
19	Expenses	110,000	120,000	120,000	TAXATION
APPEALS BOARD					
20	Salaries	15,657	1,600	1,600	TAXATION
21	Expenses	8,750	8,750	8,750	TAXATION
PLANNING DEPARTMENT					
22	Salaries	82,296	98,762	98,762	TAXATION
23	Expenses	8,600	6,600	6,600	TAXATION
TOWN HALL & COMMON					
24	Expenses	82,050	84,050	84,050	TAXATION
PENSIONS					
25	Contributory	1,265,948	1,330,489	1,330,489	TAXATION 1,207,616 SEWER RATES 69,981 WATER RATES 52,892

26	Non-Contributory	2,111	2,111	2,111	TAXATION	
INSURANCE						
27	Group Health Insurance	1,450,000	1,450,000	1,450,000	TAXATION	1,298,954
					MOORING FEES	18,500
					SEWER RATES	78,349
					WATER RATES	54,197
28	Workers' Compensation	75,000	95,000	95,000	TAXATION	75,500
					SEWER RATES	9,000
					WATER RATES	10,500
29	Fire/Auto/Liability	120,000	130,000	130,000	TAXATION	108,450
					SEWER RATES	10,000
					WATER RATES	11,550
30	Unemployment Compensation	7,000	7,000	7,000	TAXATION	
31	FICA-Medicare	95,000	97,850	97,850	TAXATION	90,846
					SEWER RATES	3,605
					WATER RATES	3,399
Total General Government		4,623,749	4,777,168	4,777,168	TAXATION	4,330,195
					OVERLAY SUR.	125,000
					MOORING FEES	18,500
					SEWER RATES	170,935
					WATER RATES	132,538
						4,777,168
PUBLIC SAFETY						
24%						
POLICE						
32	Salaries	1,671,909	1,665,593	1,665,593	TAXATION	
33	Expenses	95,263	97,164	97,164	TAXATION	
PARKING CLERK/RESIDENT PARKING						
34	Salaries	12,365	12,674	12,674	TAXATION	
35	Expenses	16,350	16,550	16,550	TAXATION	
FIRE						
36	Salaries	1,274,942	1,320,336	1,320,336	TAXATION	
37	Expenses	141,850	143,850	143,850	TAXATION	
HARBOR MASTER						
38	Salaries	152,442	154,760	154,760	MOORING FEES	
39	Expenses	19,300	23,260	23,260	MOORING FEES	178,020
BUILDING DEPARTMENT						
40	Building Inspector	48,835	46,173	46,173	TAXATION	
41	Gas/Plumbing Inspector	13,302	13,634	13,634	TAXATION	
42	Sealer of Weights & Measures	3,000	3,000	3,000	TAXATION	
43	Electrical Inspector	13,302	13,634	13,634	TAXATION	
44	Inspector's Expenses	4,500	4,500	4,500	TAXATION	
EMERGENCY MANAGEMENT						
45	Salaries	4,000	4,000	4,000	TAXATION	
46	Expenses	1,000	1,000	1,000	TAXATION	
47	Emergency Notification	4,500	4,500	4,500	TAXATION	
ANIMAL CONTROL						
48	Expenses	16,315	16,315	16,315	TAXATION	

Total Public Safety	3,493,175	3,540,942	3,540,942	TAXATION	3,362,922
				MOORING FEES	178,020
					3,540,942
PUBLIC WORKS					
15%					
DEPARTMENT OF PUBLIC WORKS					
49 Salaries	848,971	916,026	916,026	TAXATION	889,226
				SEWER RATES	13,400
50 Expenses	358,950	389,800	389,800	WATER RATES	13,400
				TAXATION	
SNOW REMOVAL					
51 Salaries	32,000	32,000	32,000	TAXATION	
52 Expenses	170,000	170,000	170,000	TAXATION	
53 STREET LIGHTING	40,000	35,000	35,000	TAXATION	
SANITATION/COMPOSTING/RECYCLING					
54 Salaries	14,000	14,500	14,500	TAXATION	
55 Expenses	60,000	60,000	60,000	TAXATION	
56 Rubbish Collection/Recycling	426,000	416,000	416,000	TAXATION	
57 Disposal	120,000	164,250	164,250	TAXATION	
Total Dept. of Public Works	2,069,921	2,197,576	2,197,576	TAXATION	2,170,776
				SEWER RATES	13,400
				WATER RATES	13,400
					2,197,576
OTHER ENVIRONMENTAL					
1%					
HISTORIC DISTRICT COMMISSION					
58 Salaries	1,600	1,600	1,600	TAXATION	
59 Expenses	850	850	850	TAXATION	
CONSERVATION COMMISSION					
60 Salaries	76,657	78,813	78,813	TAXATION	73,813
				WETLANDS FD.	5,000
61 Expenses	2,425	2,640	2,640	TAXATION	
Total Other Environmental	81,532	83,903	83,903	TAXATION	78,903
				WETLANDS FD.	5,000
					83,903
HUMAN SERVICES					
2%					
HEALTH					
62 Salaries	64,916	66,505	66,505	TAXATION	
63 Expenses	52,800	50,800	50,800	TAXATION	
VETERANS' SERVICES					
64 Expenses	15,000	15,000	15,000	TAXATION	
65 Veterans' Benefits	20,000	28,000	28,000	TAXATION	
COUNCIL ON AGING					
66 Salaries	168,224	172,808	172,808	TAXATION	
67 Expenses	18,025	19,100	19,100	TAXATION	
Total Human Services	338,965	352,213	352,213	TAXATION	352,213

		LIBRARY 3%				
LIBRARY						
68	Salaries	328,510	338,203	338,203	TAXATION	
69	Expenses	160,300	163,029	163,029	TAXATION	
Total Culture and Informational Services		488,810	501,232	501,232	TAXATION	501,232
		RECREATION 3%				
PARKS & RECREATION						
70	Salaries	142,721	146,827	146,827	TAXATION	96,827
71	Expenses	7,609	7,609	7,609	PROGRAM FEES	50,000
					TAXATION	
SINGING BEACH OPERATIONS						
72	Salaries	72,041	74,341	74,341	TAXATION	
73	Expenses	16,300	16,800	16,800	TAXATION	
LIFEGUARDS						
74	Salaries	59,259	60,740	60,740	TAXATION	
75	Expenses	3,400	3,400	3,400	TAXATION	
TUCK'S POINT						
76	Salaries	6,400	6,600	6,600	TAXATION	
77	Expenses	30,870	31,195	31,195	TAXATION	
OTHER RECREATION						
78	Memorial Day	3,000	3,000	3,000	TAXATION	
79	Fourth of July	14,000	15,000	15,000	TAXATION	
Total Recreation		355,600	365,512	365,512	TAXATION	315,512
					PROGRAM FEES	50,000
						365,512
		DEBT SERVICE 8%				
DEBT SERVICE						
Principal on Bonds		883,365	850,018	850,018		
Interest on Bonds		349,150	322,746	322,746		
WPAT Administration Fees		2,248	2,038	2,038		
80	Total Debt Service	1,234,763	1,174,802	1,174,802	TAXATION	978,144
					SEWER RATES	196,658
						1,174,802
		ENTERPRISE FUNDS 11%				
SEWER FUND						
81	Salaries	284,554	323,332	323,332	SEWER RATES	
82	Expenses	318,300	300,950	300,950	SEWER RATES	
WATER FUND						
83	Salaries	232,071	268,749	268,749	WATER RATES	
84	Distribution Expenses	163,500	136,000	136,000	WATER RATES	
85	Treatment Expenses	591,000	583,225	583,225	WATER RATES	
Total Enterprise Funds		1,589,425	1,612,256	1,612,256	SEWER RATES	624,282
					WATER RATES	987,974
						1,612,256
TOTAL ARTICLE 4		14,275,940	14,605,605	14,605,605		

EXPENSES BUDGET SUMMARY

GENERAL GOVERNMENT	33%	4,623,749	4,777,168	4,777,168	TAXATION 4,330,195 OVERLAY SUR. 125,000 MOORING FEES 18,500 SEWER RATES 170,935 WATER RATES 132,538 <u>4,777,168</u>
PUBLIC SAFETY	24%	3,493,175	3,540,942	3,540,942	TAXATION 3,362,922 MOORING FEES 178,020 <u>3,540,942</u>
DEPARTMENT OF PUBLIC WORKS	15%	2,069,921	2,197,576	2,197,576	TAXATION 2,170,776 SEWER RATES 13,400 WATER RATES 13,400 <u>2,197,576</u>
OTHER ENVIRONMENTAL	1%	81,532	83,903	83,903	TAXATION 78,903 WETLANDS FD. 5,000 <u>83,903</u>
HUMAN SERVICES	2%	338,965	352,213	352,213	TAXATION <u>352,213</u>
LIBRARY	3%	488,810	501,232	501,232	TAXATION <u>501,232</u>
PARKS & RECREATION	3%	355,600	365,512	365,512	TAXATION 315,512 PROGRAM FEES 50,000 <u>365,512</u>
DEBT SERVICE	8%	1,234,763	1,174,802	1,174,802	TAXATION 978,144 SEWER RATES 196,658 <u>1,174,802</u>
ENTERPRISE FUNDS	11%	1,589,425	1,612,256	1,612,256	SEWER RATES 624,282 WATER RATES 987,974 <u>1,612,256</u>
TOTALS	100%	14,275,940	14,605,605	14,605,605	<u>14,605,605</u>

FUNDING SOURCES SUMMARY

TAXATION	12,089,898
OVERLAY SURPLUS	125,000
MOORING FEES	196,520
PROGRAM FEES	50,000
WETLANDS FD	5,000
SEWER RATES	1,005,275
WATER RATES	1,133,912
TOTAL	<u>14,605,605</u>

ARTICLE 5. To see if the Town will vote to raise and appropriate the sums of money called for under the following items, or any other sums, for the purposes indicated, and to determine whether the money shall be provided by taxation, by appropriation from available funds in the Treasury, or by borrowing; or take any other action relative thereto:

	Dept.	Item	Requested	Recommended	Funding Source
1.	DPW	Road resurfacing	\$250,000	\$205,000	Fund Balance
2.	DPW	F750 Truck to replace 2013 Dump Truck	\$130,000	\$130,000	Fund Balance
3.	DPW	Compressor (replaces 20+yr old unit)	\$ 22,000	\$ 22,000	Fund Balance
4.	DPW	Shop Equipment	\$ 10,000	\$ 10,000	Taxation/Fund Bal.
5.	DPW	Drainage/Sidewalk Improvements	\$450,000	\$375,000	Taxation
6.	DPW	DPW Garage Upgrades	\$ 75,000	\$ 75,000	Fund Balance
7.	DPW	Cemetery Expansion Study	\$ 10,000	\$ 10,000	Taxation
8.	Town Hall	Renovations/New HVAC System	\$160,000	\$160,000	Fund Balance
9.	Town Hall	Computer Network/Upgrades	\$ 20,000	\$ 20,000	Fund Balance
10.	Town Hall	Financial Software Replacement	\$ 75,000	\$ 75,000	Taxation
11.	Land Mgmt	Planning Board Rezoning Efforts	\$ 25,000	\$ 25,000	Fund Balance
12.	Land Mgmt	Conservation Lands Management Plan	\$ 40,000	\$ 10,000	Fund Balance
13.	Land Mgmt	Planning Board Parking Study	\$ 25,000	\$ 0	(Grant Funded)
14.	Land Mgmt	Open Space & Recreation Plan	\$ 35,000	\$ 0	(Grant Funded)
15.	Library	Interior Upgrades	\$ 10,000	\$ 10,000	Taxation
16.	Park/Rec	Sweeney Park Design/Engineering Efforts	\$150,000	\$ 55,000	Fund Balance
17.	Park/Rec	Pay and Display Parking Meter units	\$ 50,000	\$ 0	NA
18.	Public Safety	Public Safety Radio System upgrades	\$255,000	\$160,000	Taxation
19.	Public Safety	Fire Engine Replacement Fund	\$300,000	\$240,000	Taxation
20.	Public Safety	Fire Unit 1 Pick-up Replacement	\$ 60,000	\$ 60,000	Fund Balance
21.	Public Safety	Police Cruiser Replacement & Motorcycle	\$ 61,600	\$ 61,600	Fund Balance
22.	Public Safety	Fire Gear and Hose replacement	\$ 20,000	\$ 20,000	Fund Balance
23.	Public Safety	Fire Station repairs/upgrades	\$ 35,000	\$ 35,000	Fund Balance
24.	Public Safety	Fire Dept. "Zodiac" boat replacement	\$ 6,500	\$ 6,500	Fund Balance
25.	Public Safety	Fire "Knox Box" Replacement	\$ 13,500	\$ 13,500	Fund Balance
26.	Harbor	Tuck's Point Floats Permitting	\$ 10,000	\$ 10,000	Waterway Fund
27.	Harbor	Harbormaster Office	\$150,000	\$ 0	NA

28. Water	Plant Upgrades/Equipment Replacement	\$210,000	\$210,000	Water Enterprise & Taxation
29. Water	Pipe replacement/improvements	\$775,000	\$525,000	Taxation
30. Sewer	Plant Upgrades/Equipment Replacement	\$230,000	\$230,000	Sewer Enterprise

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL of the “recommended” column amounts and that:

Items 1-3	\$357,000 to be funded by Fund Balance
Item 4	\$9,000 to be funded by Taxation and \$1,000 by Fund Balance
Items 5, 7, 10, 15	\$470,000 to be funded by Taxation
Items 6, 8, 9, 11, 12, 16	\$345,000 to be funded by Fund Balance
Items 18-19	\$400,000 to be funded by Taxation
Items 20-25	\$196,600 to be funded by Fund Balance
Item 26	\$10,000 to be funded by Water Funds
Items 28-29	\$555,000 by Taxation and \$180,000 by Water Enterprise Funds
Item 30	\$230,000 by Sewer Enterprise Funds

The Board of Selectmen recommends approval

ARTICLE 6: To see if the Town will vote to raise and appropriate \$725,000 for the purpose of making capital improvements to the water distribution system, including the payment of all costs incidental and related thereto; provided, however, that said appropriation shall be contingent upon the approval by the voters of a Capital Expenditure Exclusion question in accordance with G.L. c.59, §21C; or take any other action relative thereto.

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 7. To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money for the Town’s assessment from the District for the Gross Operating and Maintenance Budget of the Manchester-Essex Regional School District including debt service - said sum to be calculated solely in accordance with the "Agreement Between the Towns of Essex and Manchester-by-the-Sea, Massachusetts with Respect to the Formation of a Regional School District", as most recently amended, by invoking and approving the provision found in paragraph four of G.L. c. 71, § 16B allowing District members "to reallocate the sum of their required local contributions to the District in accordance with the regional agreement", for the fiscal year beginning July first, two thousand twenty; or take any other action relative thereto.

Per petition of the Manchester-Essex Regional School Committee

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 8. To see if the Town will vote to hear and act on the report of the Community Preservation Committee on the Fiscal Year 2021 Community Preservation budget and to appropriate from the Community Preservation Fund estimated annual revenues a sum of money to meet the administrative expenses and all other necessary and proper expenses of the Community Preservation Committee for Fiscal Year 2021; and further to reserve for future appropriation a sum of money from the Community Preservation Fund estimated annual revenues for open space, including land for recreational space, historic resources, and community housing purposes, as well as a sum of money to be placed in the 2021 Budgeted Reserve for general Community Preservation Act purposes; and further to appropriate from the Community Preservation Fund a sum or sums of money for Community Preservation projects or purposes as recommended by the Community Preservation Committee as follows; or take any other action relative thereto.

1. Community Preservation Committee Expenses (studies, etc.) (administrative)	\$ 20,000*
2. Sweeney Park: Design/engineering for field upgrades (open space & recreation)	\$ 50,000
3. Landscape Restoration for all Parks and Tucks Point (open space & recreation)	\$ 35,000
4. Park and Recreation facility improvements (open space & recreation)	\$ 12,000
5. Preservation of Conservation Lands (open space and recreation)	\$ 20,000
6. Affordable Housing Trust Project Funding (community housing)	\$ 150,000
7. Housing Production Plan Update (community housing)	\$ 8,500
8. Restoration of Historic Cemeteries (historic preservation)	\$ 35,000
9. Veterans Honor Role (historic preservation)	\$ 25,000
10. Exterior Restoration, Seaside 1 (historic preservation)	\$ 39,000
11. First Parish Church Steeple Restoration (historic preservation)	\$ 30,000
TOTAL	\$ 424,500

(*Administrative amount limited to 5% of total annual revenue)

Per petition of the Community Preservation Committee
Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 9. To see if the Town will vote to raise and appropriate or transfer from available funds \$264,769 to be deposited into the Town's Other Post Employment Benefits Trust Fund, subject to said appropriation being expended from the Trust Fund only for the purposes authorized by section 20 of Chapter 32B of the General Laws of the Commonwealth of Massachusetts; or take any other action relative thereto.

Per petition of the Board of Selectmen

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 10. To see if the Town will vote, pursuant to the provisions of G.L. c.44, §53E½ as most recently amended, to set the following Fiscal Year 2021

spending limitations on expenditures from the revolving fund(s) set forth in the Town's Revolving Fund By-law, Article IV, Section 11 of the General By-laws:

Program or Purpose: Costs Associated with Town of Manchester-by-the-Sea Recreation Programs; FY2021 spending limit: \$290,000.

Or take any other action relative thereto.

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 11. To see if the Town will vote to amend Section 5 of Article XXI (Affordable Housing Trust Fund) of the Town's General By-laws, as follows, by deleting text shown below as stricken through, or take any action relative thereto.

Section 5 Tenure of Trustees

The Trustees hereunder shall be appointed by the Board of Selectmen or Town Moderator. Only persons who are residents of the Town shall be eligible to hold the office of Trustee. Trustees shall serve for a term not to exceed two years and may be re-appointed at the discretion of the Board of Selectmen or Town Moderator, as applicable. Any Trustee who ceases to be a resident of the Town shall cease to be a Trustee hereunder provided that a written notification of the change in residence has been filed with the Town Clerk. Any Trustee may resign by written instrument signed and acknowledged by such Trustee and duly filed with the Town Clerk ~~and recorded with the Registry of Deeds and filed with the Land Registration Office~~. If a Trustee shall die, resign, or for any other reason cease to be a Trustee hereunder before his/her term of office expires, a successor shall be appointed by a joint meeting of the appointing authority and the remaining Trustees to fill such vacancy provided that in each case the said appointment and acceptance in writing by the Trustee so appointed is filed with the Town Clerk ~~and recorded with the Registry of Deeds and filed with the Land Registration Office~~. Upon the appointment or election of any succeeding Trustee and the filing of such appointment or a certificate of such election the title to the Trust estate shall thereupon and without the necessity of any conveyance be vested in such succeeding Trustee jointly with the remaining Trustees. Reference to the Trustee shall mean the Trustee or Trustees for the time being hereunder. Of the original Trustees, four shall hold office until July 1, 2017 and three shall hold office until July 1, 2018.

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

ARTICLE 12. To see if the Town will vote to accept the provisions of Massachusetts General Laws Chapter 40, Sections 42A through 42F, and authorize the Town to establish a lien on property for overdue and unpaid water service charges and commit such unpaid amounts to the property tax bill for said property, or take any other action relative thereto.

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

- ARTICLE 13.** To see if the Town will vote to accept the provisions of G.L. c.64G, §3A, authorizing imposition of the so-called local room occupancy tax on the rental of rooms in a bed and breakfast establishment, hotel, lodging house, short-term rental or motel, at the rate of 6% of the total value of such occupancy, to take effect on July 1, 2020, or take any other action relative thereto.

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen will make its recommendation at the Town Meeting

- ARTICLE 14.** To see if the Town will vote to authorize the Board of Selectmen to acquire, by purchase, gift, and/or eminent domain and on such terms and conditions as the Board deems appropriate, a parcel of land containing 12 acres, more or less, known as the “Christian Hill Lot”, identified by the Assessors as Parcel 62 0 37, and described in a deed recorded with the Essex South District Registry of Deeds in Book 3746, Page 149, for water supply protection, open space and passive recreation purposes, including the incidental right to use, widen or otherwise improve the existing logging road thereon, after consultation with the Conservation Commission, for passive recreation purposes and/or pedestrian and vehicular access to other conservation or recreational land, with the care, custody and control of said parcel to be held by the Conservation Commission under the provisions of G.L. c. 40, §8C and subject to Article 97 of the Massachusetts Constitution; and to raise and appropriate and/or transfer from available funds \$65,000 under G.L. c. 44, §§ 7 or 8, G.L. c. 44B, the Community Preservation Act, and/or any other enabling authority to cover the cost of the acquisition and costs incidental or related thereto; and, further, to authorize the Board of Selectmen to grant a perpetual conservation restriction on said parcel pursuant to the provisions of G.L. Ch. 184, Sections 31-33, in compliance with G.L. Ch. 44B, Section 12(a), protecting the parcel for the purposes for which it is acquired, and to enter into all agreements and execute any and all instruments as may be necessary or convenient to effectuate the foregoing purposes; or take any other action relative thereto.

Per petition of the Board of Selectmen

WE RECOMMEND APPROVAL

The Board of Selectmen recommends approval

- ARTICLE 15.** To see what sum of money the Town will vote to appropriate or transfer from available funds for the purpose of reducing the tax rate, or take any other action relative thereto.

Per petition of the Board of Selectmen

We will make our recommendation at the Town Meeting

The Board of Selectmen will make its recommendation at the Town Meeting

And you are directed to serve this warrant by posting attested copies thereof, one at the Town Hall Building, one at the Police Station, one at the Fire House, one at the Memorial School, and one at the Post Office, twenty-one (21) days, at least, before the time of holding said meeting.

Hereof fail not to make due return of this warrant, with your doings thereon, to the Town Clerk three (3) days before the day of this meeting.

Given under our hands at Manchester-by-the-Sea, aforesaid, this ____ day of March, 2020.

BOARD OF SELECTMEN

Eli G. Boling, Chairman

Margaret F. Driscoll, Vice Chairperson

Arthur Steinert

Rebecca Jaques

Jeffrey Bodmer-Turner

To the Town Clerk:
I have served the foregoing Warrant by posting attested copies thereof as directed by the By-Law of the Town and the Commonwealth.

Constable

Date of Posting

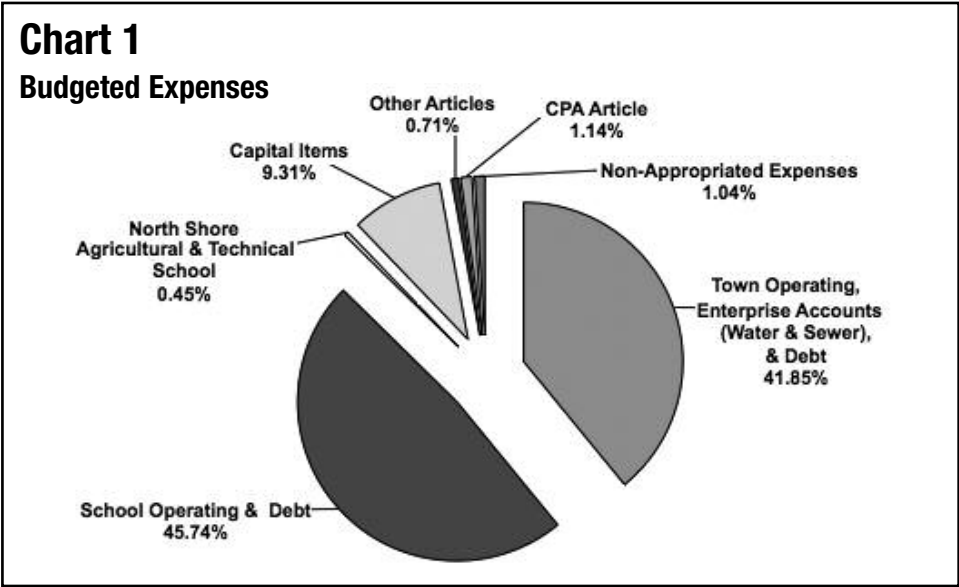
Received by Town Clerk

And you are directed to serve this warrant by posting attested copies thereof, one at the Town Hall Building, one at the Police Station, one at the Fire House, one at the Memorial School, and one at the Post Office, twenty-one (21) days, at least, before the time of holding said meeting.

Hereof fail not to make due return of this warrant, with your doings thereon, to the Town Clerk three (3) days before the day of this meeting.

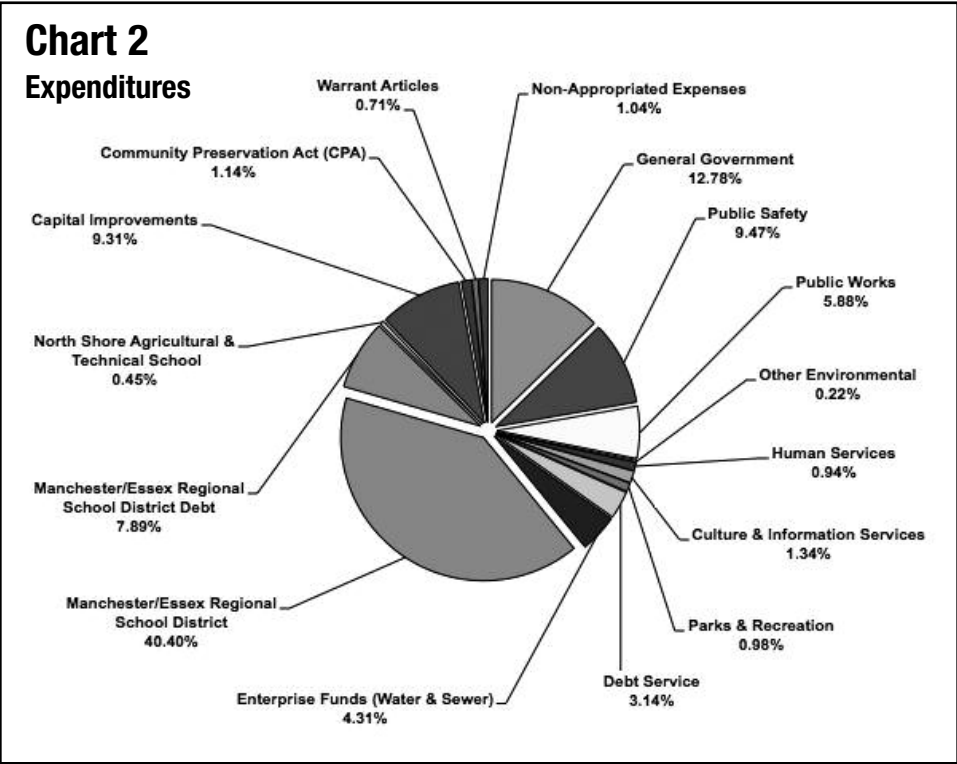
FY-2021 BUDGET

TOWN OPERATING, ENTERPRISE (WATER & SEWER), & DEBT	14,605,605
SCHOOL OPERATING & DEBT	18,047,562
NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL	169,045
CAPITAL ITEMS	3,478,600
OTHER ARTICLES	264,769
CPA ARTICLE	424,500
NON-APPROPRIATED EXPENSES	387,910
TOTAL FY-2021 BUDGET	<u><u>\$37,377,991</u></u>



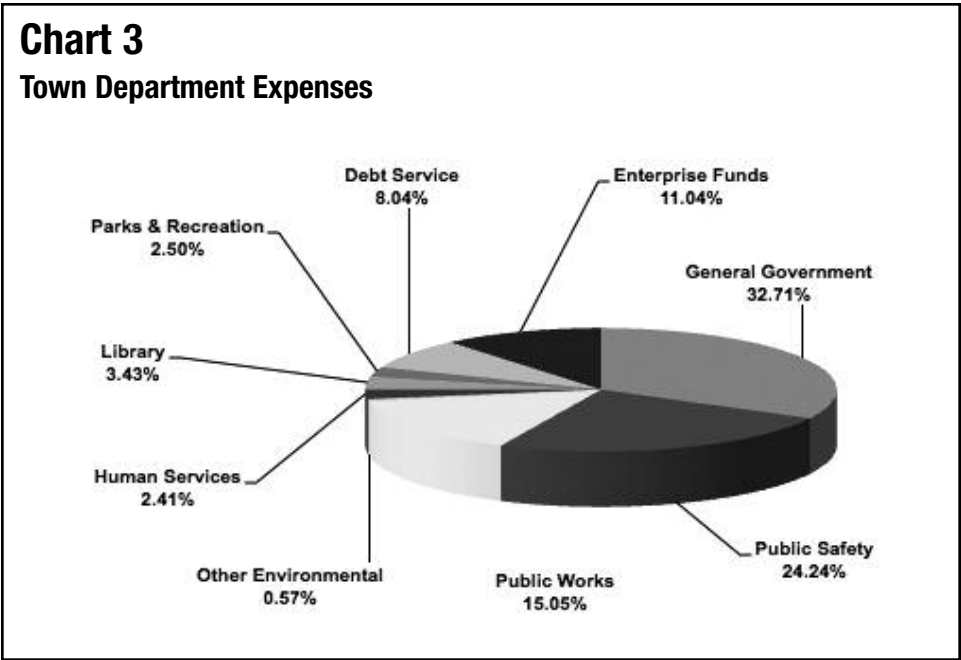
EXPENDITURES

GENERAL GOVERNMENT	\$4,777,168
PUBLIC SAFETY	\$3,540,942
PUBLIC WORKS	\$2,197,576
OTHER ENVIRONMENTAL	\$83,903
HUMAN SERVICES	\$352,213
CULTURE & INFORMATION SERVICES	\$501,232
PARKS & RECREATION	\$365,512
DEBT SERVICE	\$1,174,802
ENTERPRISE FUNDS (WATER & SEWER)	\$1,612,256
MANCHESTER/ESSEX REGIONAL SCHOOL DISTRICT	\$15,099,530
MANCHESTER/ESSEX REGIONAL SCHOOL DISTRICT DEBT	\$2,948,032
NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL	\$169,045
CAPITAL IMPROVEMENTS	\$3,478,600
COMMUNITY PRESERVATION ACT (CPA)	\$424,500
WARRANT ARTICLES	\$264,769
NON-APPROPRIATED EXPENSES	\$387,910
TOTAL EXPENSES	<u><u>\$37,377,991</u></u>



TOWN DEPARTMENT EXPENSES

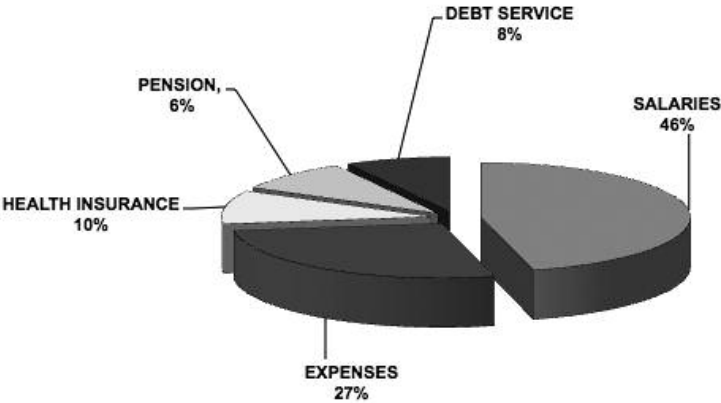
GENERAL GOVERNMENT	\$4,777,168
PUBLIC SAFETY	\$3,540,942
PUBLIC WORKS	\$2,197,576
OTHER ENVIRONMENTAL	\$83,903
HUMAN SERVICES	\$352,213
LIBRARY	\$501,232
PARKS & RECREATION	\$365,512
DEBT SERVICE	\$1,174,802
ENTERPRISE FUNDS	\$1,612,256
	<hr/>
TOTAL ARTICLE 4	<u><u>\$14,605,605</u></u>



SUMMARY ARTICLE 4

SALARIES	\$6,717,031
EXPENSES	\$3,931,172
HEALTH INSURANCE	\$1,450,000
PENSION	\$1,332,600
DEBT SERVICE	\$1,174,802
TOTAL ARTICLE 4	<u><u>\$14,605,605</u></u>

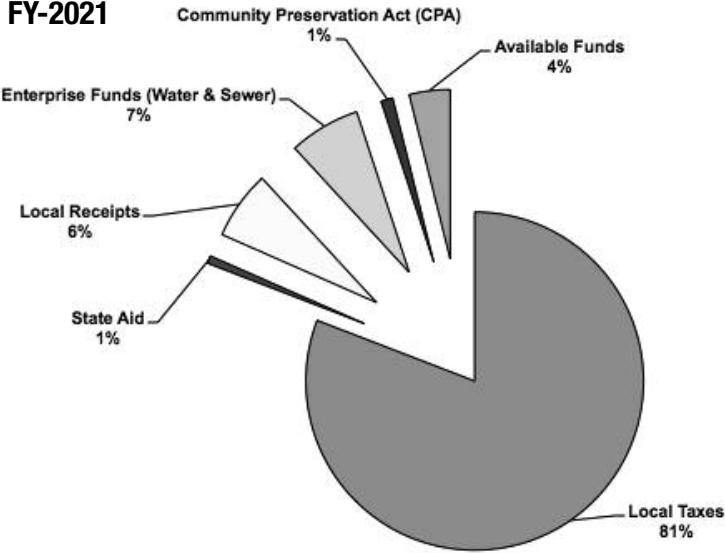
Chart 4
Summary Town Expenses



REVENUES

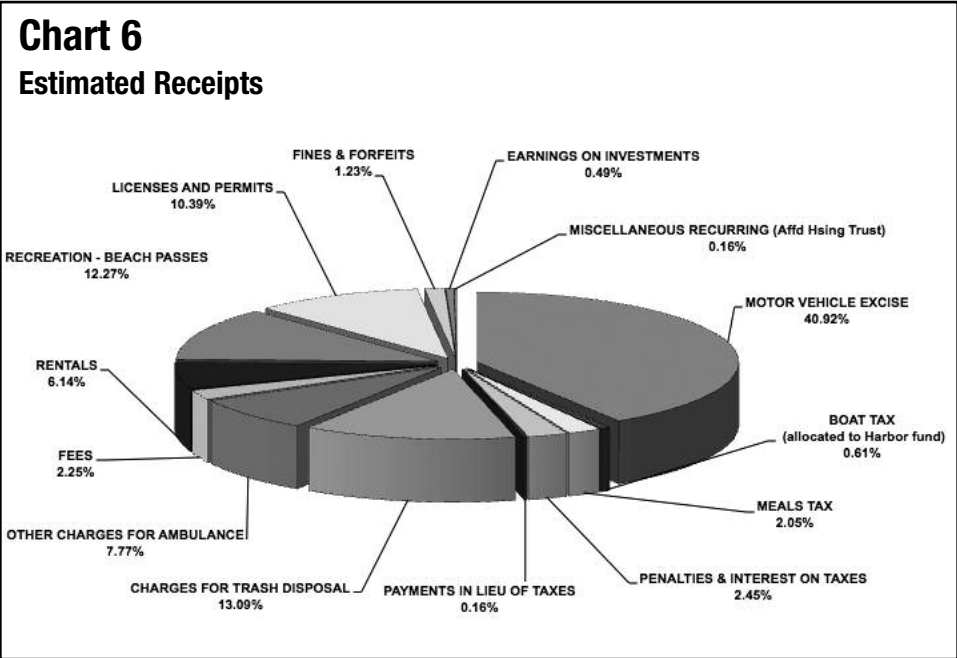
LOCAL TAXES	\$30,119,600
STATE AID	\$274,092
LOCAL RECEIPTS	\$2,449,000
ENTERPRISE FUNDS (WATER & SEWER)	\$2,549,187
COMMUNITY PRESERVATION ACT (CPA)	\$424,500
AVAILABLE FUNDS	\$1,561,612
	<u>\$37,377,991</u>

Chart 5
Revenue FY-2021



ESTIMATED LOCAL RECEIPTS

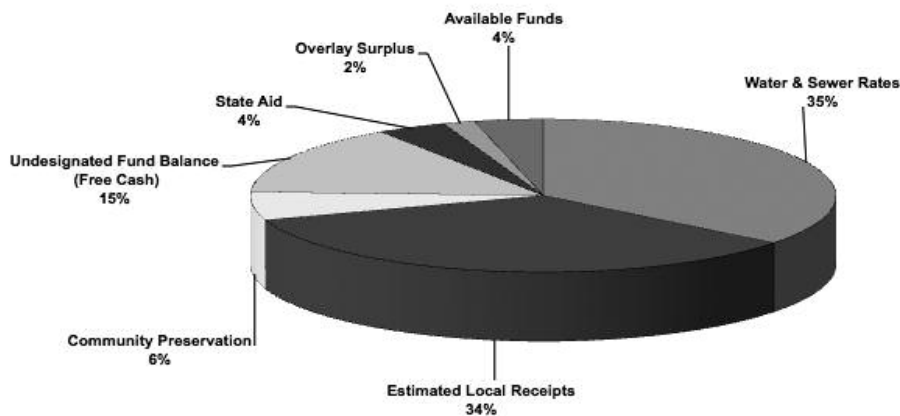
MOTOR VEHICLE EXCISE	1,000,000
BOAT TAX (allocated to Harbor fund)	15,000
MEALS TAX	50,000
PENALTIES & INTEREST ON TAXES	60,000
PAYMENTS IN LIEU OF TAXES	4,000
CHARGES FOR TRASH DISPOSAL	320,000
OTHER CHARGES FOR AMBULANCE	190,000
FEES	55,000
RENTALS	150,000
RECREATION - BEACH PASSES	300,000
LICENSES AND PERMITS	254,000
FINES & FORFEITS	30,000
EARNINGS ON INVESTMENTS	12,000
MISCELLANEOUS RECURRING (Affd Hsing Trust)	4,000
TOTAL ESTIMATED LOCAL RECEIPTS	<u>\$ 2,449,000</u>



NON-PROPERTY TAX REVENUE

WATER & SEWER RATES	2,549,187
ESTIMATED LOCAL RECEIPTS	2,449,000
COMMUNITY PRESERVATION	424,500
UNDESIGNATED FUND BALANCE (FREE CASH)	1,164,370
STATE AID	274,092
OVERLAY SURPLUS	125,000
AVAILABLE FUNDS	272,242
	<u>\$ 7,258,391</u>

Chart 7
Non-Property Tax Revenue



NON-PROPERTY TAX REVENUE	7,258,391
PROPERTY TAX REVENUE	30,119,600
	<u>\$ 37,377,991</u>

Chart 8

Property Taxes vs. Non-Property Tax Revenue

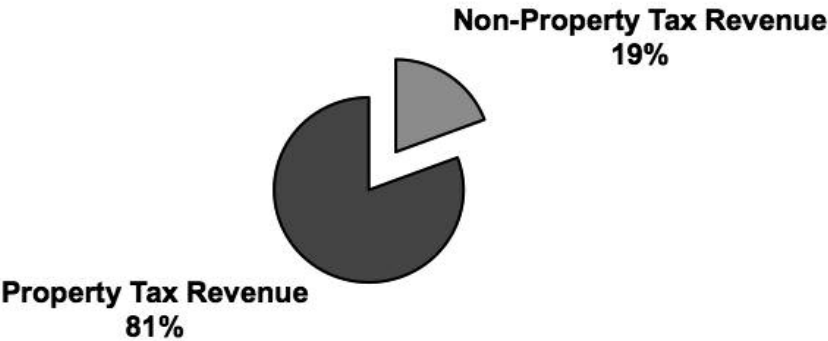


Chart 9
Reserves as a Percentage of Total Operating Budget

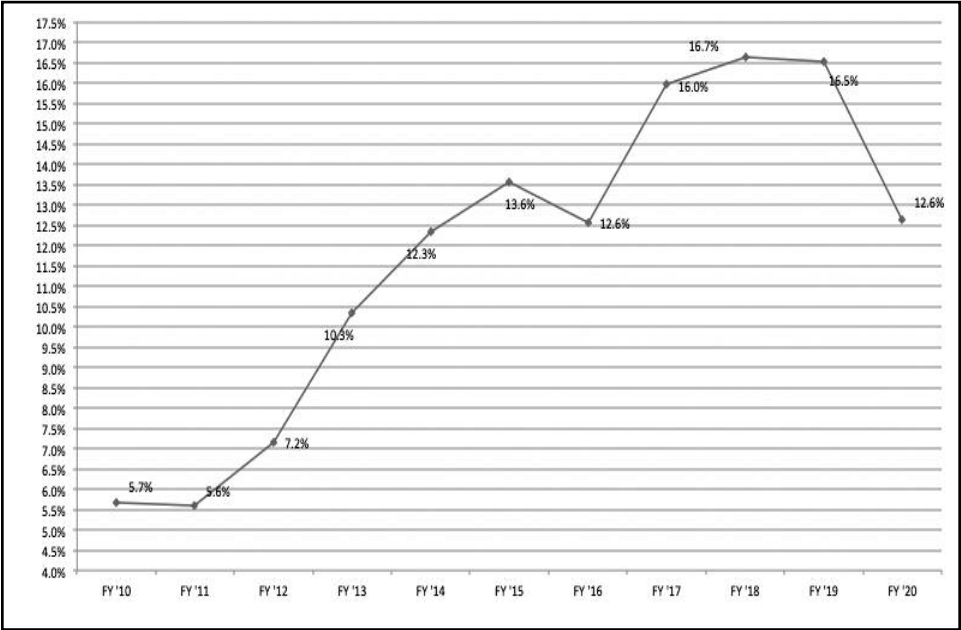
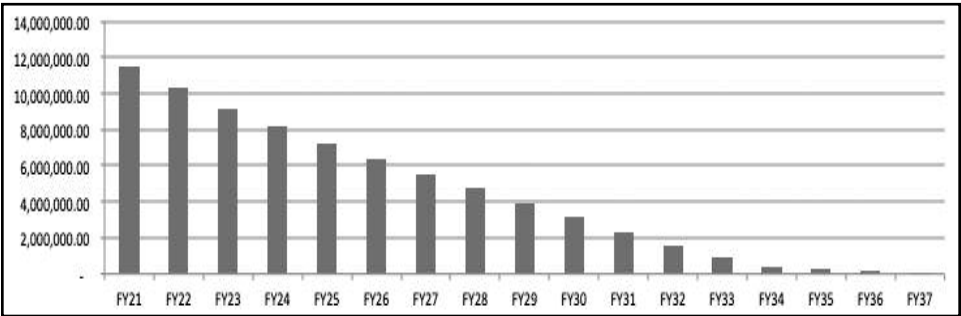


Chart 10
Current MBTS Debt – Total Amount Outstanding



—*Notes*—

—*Notes*—

—*Notes*—

Levy

The amount that the town raises by property tax, computed by multiplying the total taxable assessment of the town (\$2,306,400,000) by the tax rate.

Local Revenues

Funds the town receives for fees, permits, excise tax, etc.

New Growth

An amount equal to the property tax that new construction, additions and renovations will generate.

Offset

An amount of a grant or aid package whose use is restricted to a particular item, e.g library, road maintenance, etc.

Operating budget

The routine expenditures of the Town plus the school assessment.

Other revenue

Town income from fees, excise taxes, fines, stickers, permits etc.

Overlay Surplus

Unexpended funds from the Assessor's overlay.

Override

A mechanism that allows the voters of the Town to reset the levy limit imposed by Proposition 2 1/2.

Proposition 2 1/2

Is the name associated with a state law that restricts the increase in the levy to 2 1/2% per year plus new growth.

Reserve fund

A sum of money available to meet unforeseen expenses.

School budget

The amount of the whole school budget apportioned to the town. The Town Meeting cannot change the school budget.

School choice

State legislation which allows students from one school district to attend school in another district.

Sewer fund

Money from the sewer rates that offsets costs associated with the sewer system.

Stabilization fund

Money put aside by the Town for major unexpected events.

Taxation

Town revenue raised through the property tax. All other forms of revenue are referred to as "other revenue" or "local revenue".

Water fund

Money from the water rates that offsets costs associated with the water system.

More Information is available at <http://www.manchester.ma.us>

Your Vote Counts! Voting Electronically

- Each eligible voter will be given a ResponseCard keypad when checking in.
- For each motion push the button with the number that corresponds with the vote you wish to cast – **1/A is Yes; 2/B is No.** To abstain, do not press a key. Press 3 to clear. Your choice is displayed.
- If you push the wrong button, that's ok, the last button you push before voting is closed is the vote that will register. Voting is open for 15 seconds for each article.
- Please return the keypad when you leave.

