

**Manchester-by-the-Sea  
Finance Committee  
ANNUAL REPORT  
2021**



**Please be sure to attend  
the Town Meeting  
June 21, 2021, 6:30PM  
Hyland Athletic Field  
Middle-High School**

**PLEASE 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**

Also 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, 2022**  
**July 1, 2021 - June 30, 2022**

		Recommended By FinCom
<b>Estimated Tax Rate - Fiscal year 2022</b>		
Article 4 Department Requests (salaries and normal operating expenses)	14,737,015	
Article 5 Capital items requested by Departments	3,290,425	
Article 6 Regional School Operating and Debt	18,441,229	
Other Articles (4)	1,080,695	
Town Meeting Total	<u>37,549,364</u>	
PLUS:		
State Assessments	181,261	
Assessors' Overlay	180,000	estimated
Tax Lien Purposes	10,000	
Gross Amount to be Raised	<u>37,920,625</u>	
LESS:		
State Aid	263,852	
Estimated Receipts - Local Revenues	2,653,000	
Enterprise Accounts - Water & Sewer	2,601,472	
Community Preservation Funds (CPA)	623,004	
Unreserved Fund Balance ( Free Cash)	1,182,168	
Overlay Surplus	125,000	
Available Funds	466,108	
Subtotal of Deductions	<u>7,914,604</u>	
Net Amount to be Raised by Taxation	<u>30,006,021</u>	
Permitted Levy Limited	26,832,518	
Estimated new growth factor	125,000	
Previous Debt Exclusion	3,783,539	
Maximum Permitted Levy	<u>30,741,057</u>	
TOTAL ASSESSED VALUATION AS OF FY-2021	2,690,745,966	
FISCAL YEAR 2021 TAX RATE	10.99	PER THOUSAND
<b>ESTIMATED FISCAL YEAR 2022 TAX RATE</b>	<b>11.15</b>	<b>PER THOUSAND *</b>

\*BASED ON FY-2021 PROPERTY VALUATIONS AND NET AMOUNT  
TO BE RAISED BY TAXATION

## **2021 ANNUAL REPORT OF THE FINANCE COMMITTEE TO THE VOTERS OF THE TOWN**

In the fall, the Finance Committee started reviewing the Town's operating and capital budgets for the fiscal year 2022 which is presented to the voters at the Annual Town meeting on June 21, 2021. 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 creating a solid plan for addressing those needs.

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. When appropriate, 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 2022 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 will have on future budgets, debt levels, capital needs, and financial reserves in the years ahead.

We are pleased to report that the Town is in solid financial shape due to conscientious work by Town employees to carefully control their budgets to contain costs, look for efficiencies and seek grants. Our current reserves exceed our target of 10% of operating expenses and our local receipts consistently exceed estimates. As a result, we have been able to provide some relief to the taxpayers during the pandemic by adjusting the 2021 budget to result in a 0% increase in the tax rate. We are recommending a 2022 budget which will result in a 1.5% increase in the tax rate, rather than 2.5%, by using a portion of the excess reserves for capital items and using a more realistic estimate of local receipts. Despite the pandemic, our current 2021 budget year is on track to meet the revenue and expense criteria upon its completion, June 30, 2021. We have been able to absorb the shortfall in beach revenue and refund local fees to our small businesses within the revenue projections, since other local receipts remain strong.

We are comfortable recommending this proposed fiscal year 2022 budget which maintains a consistent level of public service and quality programs that the citizens of Manchester expect and deserve while keeping the Town's operating and capital spending at a level which will enable the tax increase to be less than the maximum permitted under Proposition 2 ½. The Town's independent auditors have reviewed the Town's financial data and policies and gave high marks for the management team and financial controls. The Town maintains an AAA bond rating which is reserved for municipalities that show tight discipline in their financial controls and operations. When crafting the budget, we monitor factors used by the ratings agencies with a goal of maintaining our AAA rating.

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 continually look for ways to deliver Town services more efficiently, including regionalization opportunities with our neighbors to share or reduce costs. Our benchmarking efforts with similar towns in Massachusetts have proven helpful. The Town's comprehensive revision of the Master Plan 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 eighth year of a comprehensive capital improvement plan to address our aging infrastructure. We have made substantial progress replacing water pipes that are over 100 years old and lining and replacing sewer pipes to decrease our inflow and infiltration of ground water and increase the available capacity of the sewer treatment plant. Town roads are heavily travelled and in frequent need of maintenance, upgrades, and repair which remains an important ongoing initiative 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 historically used debt to fund these capital efforts but is now approaching the fifth year of a six-year transition plan to significantly reduce debt service by using a pay-as-you-go capital exclusion strategy. With planning and discipline, this capital funding strategy will decrease debt and its associated interest costs to improve efficiency in the years ahead. We hope to continue this ongoing capital improvement effort with cash payments, reserving debt capacity for large capital projects. The recommended capital projects are detailed later in this booklet.

The School District faces many unfunded State mandates while striving to maintain high education requirements. It 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. Construction is well underway and is expected to be completed on time and within budget. The School District received a favorable interest rate (3.29% vs the 5% estimate) which will save Manchester nearly \$12 million over the 30-year bond period. An additional smaller amount of financing will be needed after the conclusion of the project in 2022. The School District and the two towns work closely together on budgeting and capital considerations to find a balance that works well for all.

**Financial Highlights**

- Increase used to set the Tax Rate
  - o FY2021: 0%
  - o FY2022: 1.5%
- In FY 2020, which concluded on June 30, 2020, the Town had financial reserves (fund balance and stabilization fund) of \$5,959,159, an increase of \$326,936 over the prior year, which is a result of under spending on budget items and higher receipts and other revenue sources coming to the Town, despite using a portion of the fund balance for capital improvements.
- FY 2021, ending June 30, 2021 should close with financial reserves (fund balance and stabilization fund) of approximately \$4.8 million. These reserves have grown consistently in the last several years and exceed our 10% of operating budget target. Further details are included in the fund balances, other reserves, and debt section of this report.
- FY 2022 departmental operating budgets compared to the revised fiscal 2021 town budget (FY 2021 increase decreased to 1.6%):
  - o Town Budget: + 2.23%
  - o School Budget: + 3.24%
- Town debt service is projected to decrease by \$54,874 or 4.7% in FY 2022. As a substitute for acquiring debt, we are proposing a larger request from taxation (previously a capital exclusion over and above the levy limit), 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 46.5% of the town operating budget

with an increase of 3.6%. This increase is partially due to temporary additional staffing in the water and sewer departments to prepare for upcoming retirements. Pay increases for FY 2022 range from 1-1.75%

- Non-salaried expenses represent 27.2% of the Town's operating budget. Expenses increased by 2% over last year.
- Pension expense for Town employees and retirees increased 9.9% over last year. The Town's required contribution is determined by the State based on payroll, which has a goal to move toward fully funding the unfunded liability.
- Although health insurance is often a source of higher expenses, the Town expects to benefit from a decrease in premiums of approximately \$65,000 for FY 2022.
- Capital expenditures for FY 2022 are anticipated to be \$3,290,425 which is in line with our goal of averaging \$3 million per year for capital expenditures. These capital expenditures are to be funded through \$1,829,425 in taxation, \$909,000 from the fund balance, \$345,000 from water and sewer rates, \$105,000 from water and sewer retained earnings, \$50,000 from the harbor fund, and \$52,000 from the government public cable access fund.
- The MERSD total increase in operating budget assessments to the two towns is 3.5% for FY 2022. The town assessments are partially based on enrollments. Since enrollments have declined more rapidly in Manchester than in Essex, Manchester's share of the school district operating budget is up 3.24% for FY 2022, while Essex will have a 3.96% increase. The School District attempts to carefully balance maintaining current levels of service and limiting increased operating costs. Manchester's contribution is \$15,589,705, an increase of \$489,870. The School District operating budget assumes the use of school district reserves in the amount of \$335,000.
- Manchester's contribution to the MESRD debt service is \$2,851,524, a decrease of 3.3% over FY 2021. The annual debt service payment includes \$1.26 million for the middle high school and \$1.59 million for the new Memorial Elementary school building project currently underway.
- Manchester's contribution to the Essex North Shore Agricultural and Technical School is \$184,523, an increase of \$15,478. Currently, the Town has eleven students enrolled at the school.
- This proposed budget should leave the town, at the end of FY 2022, with financial reserves (Fund Balance plus Stabilization) of \$4.3 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 2022 Town Operating Budget**

The Town's FY 2022 budget is built on six primary principles meant to maintain the financial strength the Town worked hard to achieve:

1. Current revenues are 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. Maintain the current quality of services and attempt 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 2022. The town continues to realize savings in this budget through new technology and prior capital programs, for example electrical savings from new LED streetlights, replacement of the HVAC system in town Hall and high-efficiency pumps at our treatment plants. Town departments are providing stronger in-house engineering expertise and guidance to better manage capital projects. The Town continues to pursue regional efforts with neighboring communities to improve efficiency and reduce expenses through cost sharing. Volunteers and employees are actively involved in applying for State and Federal grants to help offset costs and implement new programs in the Town.

The Town is fortunate to have skilled, knowledgeable, and dedicated employees. Employee union contracts run through FY 2023. The FY 2022 budget includes replacing contracted custodial services with a part-time employee to respond more promptly to needs as they arise. The department of public works budget includes one additional hire to provide a transition in advance of retirements.

The Finance Committee invests significant time looking at long-term financial planning which is important as we embark on recommendations related to the financing of capital improvements, investments for efficiency and balancing operating costs to stay within the 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 are the basis for shaping the recommendations for this proposed budget and future budgets. These include:

1. Stay within the limits of Proposition 2 ½ for operating needs.
2. Maintain Reserves equal to 10% of total expenditures and use some excess reserves for capital items to create excess levy capacity.
3. Limit debt service payments to 10% of total expenditures.
4. Stay the course to fully fund our unfunded retiree liabilities.
5. Cap non-school debt/capital exclusions at their current level, to create capacity for future large capital projects.

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, a lack of call firefighters, cost structures, and capital requests are placing a significant burden on the Town's budget. The Town maintains a very high level of emergency services, including advanced life support, and consequently ranks near the very top of per capita spending and annual growth for fire departments in similar communities, so we have concerns about the long-term sustainability of this added cost burden on the taxpayers. The second concern is the steadily increasing costs for trash collection, trash disposal and recycling. Current marketplace trends indicate this service will continue to become more expensive for Town residents in the future. Our final concern is the increasing operating cost of the School District. Manchester's contribution to the regional school district represents over 50% of the Town's budget. Over the past three 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, enrollment is declining and with annual increases in the MERSD operating budget of more than 3%, the Town might be compelled to raise more revenue, reduce other services to residents and/or divert funding from much-needed infrastructure repairs and replacements. Additional educational costs, such as the ENS Agricultural & Technical School, add to this challenge. Our concern is that this trend is not sustainable over the long term. Members of the Manchester and Essex Finance Committees have begun meeting

with school leadership to address this concern.

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 eight 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), by taking steps to reduce the future liabilities and setting aside assets in a Trust to fund those liabilities.

On the liability side (our net unfunded liability was \$5,299,445 on 6/30/2020), with the cooperation of Town employees, changes have been made to the health insurance plans to reduce the unfunded OPEB obligations. Some of these important changes include:

- Insurance program changes to increase deductibles and employee co-payments.
- Require all eligible retirees to enroll in Medicare to reduce the Town's cost for supplemental insurance.
- Require employees and retirees to pay a higher share of the premiums for a given plan.
- Audit the benefit roles continuously to remove persons no longer entitled to Town benefits, identify eligible retirees not yet enrolled in Medicare, and ensure total deductions by the Town and employees match the corresponding plans in which they are enrolled.
- Establish wellness options to reduce claims which help control premium increases.

On the asset side, the Town created an OPEB Trust to which it contributes annually at a level that actuaries consider "fully pre-funded". The value of the OPEB Trust was \$2,511,675 on 6/30/2020. If the Town continues to make accelerated contributions, the assets in the Trust should cover the unfunded liability in less than 15 years. While the actuarial analysis assumes a rate of return on invested funds of 7.5%, the assets continue to grow at a significantly higher rate. With a goal to maximize the OPEB Trust Fund investment returns to offset future contributions, the Town decided to invest the Trust Fund in the State's Pension Reserves Investment Trust (PRIT), a large professionally managed fund. For FY 2022, we recommend a contribution of \$271,388, an increase of \$6,619 (2.5%) above last year and greater than the recommended minimum payment.

The Town also has significant unfunded 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 unfunded pension liabilities should be fully funded by 2035. 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 eighth 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 capital plan with an emphasis on the next five years. This last year saw steady progress on capital spending with significant improvement in water and sewer system repairs and road resurfacing.

The FY 2022 proposed capital budget recommends spending \$3,290,425 which is in line with our goal of averaging \$3 million a year on a multi-year basis for capital expenditures. This includes about:

- 30% repair and upgrade to our water delivery system



- 15% water and sewer plant upgrades
- 15% road repair and upgrades to drainage and sidewalks (excluding Chapter 90 funds)
- 14% Public Safety equipment, vehicles, and floating harbor master's office
- 13% facility and field upgrades and engineering assessments
- 7% other DPW projects, storm repair, facility upgrades and assessments
- 6% DPW vehicles

The Town continues its grant writing efforts to secure funds for various town capital projects and public safety equipment needs to enhance our capital budget. A full list of recommended capital projects is included later in this booklet. The Finance Committee is a strong proponent of following the established five-year capital plan without deviating. Opportunities always come along but maintaining consistent capital spending on well-defined projects will best serve the Town in the long run. The Town continues to review larger long-term projects, prioritizing them and determining the funding mechanism.

The Town is in year five of a six-year effort to transition to “pay-as-you-go” cash-based capital exclusions for capital projects. Instead of acquiring additional debt with the associated interest and service costs, the Town is replacing expiring debt service amounts with capital exclusions or unused levy capacity to pay for capital repairs and improvements with cash. With planning and discipline, this capital funding strategy will eventually eliminate debt, its associated interest costs and will provide debt capacity for potential future large projects. We hope to continue this ongoing capital improvement effort and the recommended projects. The proposed capital projects for FY 2022, detailed later in this booklet, will be funded through a combination of taxation, grants, water and sewer enterprise funds, harbor funds and a portion of 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 (much like net income in a commercial context). This Fund Balance is essentially the Town's savings account. Annually the Department of Revenue certifies the available fund balance, also known as free cash. From time-to-time Town Meeting votes to move some of the Fund Balance to the more restricted Stabilization Fund for emergencies and essential projects. The Stabilization Fund had a balance of \$1.8 million on 7/1/2020 which we feel is adequate and do not recommend increasing it in FY 2022.

The Finance Committee believes that it is prudent to maintain adequate financial reserves (Fund Balance plus Stabilization) for unforeseen events the Town may encounter. A graph showing historical levels of reserves appears later in this booklet. Given the Town's relatively high level of financial reserves, the Finance Committee is recommending using some of these reserves for capital projects in lieu of raising the funds through additional taxation. We are using some of the Fund Balance for Town projects, since it currently exceeds our target of 10% of the Town's operating budget. In the opinion of the Finance Committee, this will still provide a healthy reserve in the event of financial problems or unforeseen events.

### **Manchester Essex Regional School District Budget**

The School District Administration and the School Committee are responsible for the school budget. The Finance Committee reviews this budget 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 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 3.24% or \$489,870 in the FY 2022 assessment to the Town of Manchester, for a total assessment of \$15,589,705. The annual increases are negotiated between the School District, Manchester, and the Town of Essex. The overall School District operating budget for FY 2022 is \$27,930,703 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, some degree of uncertainty regarding student enrollment and the annual variation in the School District special education costs, both in and out of District. These variables make it difficult to create long-term budgets. The Finance Committee continues to have concerns that annual increases that exceed 3.2% will continue to be difficult for the Town to absorb. To address this concern, members of the Manchester and Essex Finance Committees are meeting with school leaders. We view this is 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 responsible for paying \$2,851,524 toward the School District's debt service payments which represents a decrease of 3.3% over FY 2021. This payment covers a portion of principal, annual interest, and debt service. The FY 2022 debt service on the middle high school is approximately \$1.26 million, which declines each year and is projected to be paid off in 2033. The FY 2022 debt service for the new Memorial Elementary School is approximately \$1.59 million, which declines each year and is projected to be paid off in 2049. The Towns and the School District worked with a professional funding organization to secure most of the funds required for the Memorial School 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%, considerably less than the original 5% interest rate estimate. A small amount of additional debt is expected to be issued after completion of the project.

The School District continues to do an admirable job of addressing its OPEB unfunded liabilities. During contract negotiations, the School District made significant changes in the health insurance program to decrease liabilities and pledged to apply annual savings from this new health insurance program to fund the OPEB unfunded liability. The district is on track to reach actuarial targeted contribution levels within a few years.

To better serve our entire student population, the Town also pays education costs for students enrolled in the ENS Agricultural & Technical School. Over the past several years, the popularity of this educational option has increased, with 11 Manchester students now enrolled. We wholeheartedly support this educational option. At present, the FY 2022 cost of the ENS Agricultural & Technical School will be \$184,523, \$15,478 higher than last year.

## **The COVID Pandemic**

The pandemic necessitated many operational changes and creative responses from the Town. Staff managed to continue to provide all Town services with minimal interruptions despite all the turmoil. Additional expenses, primarily related to PPE, extra cleaning and disinfecting and overtime as we created revised work schedules to ensure we always had rotating healthy crews available, should be covered by FEMA and federal CARES Act funds. As of this writing at the end of April, 2021, we are still waiting for the majority of requested reimbursements but we eventually expect to receive the needed reimbursements.

In addition to the adjustments made in Town operations, we have also assisted residents and local businesses. Through the Manchester Affordable Housing Trust, funds for housing assistance were administered for those in need through the local Action agency. Grant funds

to local businesses were obtained and annual fees for local businesses were waived providing financial relief. In the spring of 2021, the Town was awarded a Local Rapid Recovery technical assistance grant designed to develop additional strategies to aid in the recovery of our local shops and restaurants. A regional grant through the Cape Ann Chamber is providing additional promotional support as we emerge from the depths of the economic struggles the pandemic has caused.

Looking ahead, we anticipate the receipt of some \$1.5 million in direct funding from the federal American Recovery Plan Act (ARPA) over the next two years. These funds can be used to cover additional COVID related costs, assist in economic recovery, and help with water, sewer, and broadband infrastructure costs.

### **Looking Ahead to FY 2023**

The Town's FY 2023 begins on July 1, 2022 and the Finance Committee will begin working on that budget in the fall of 2021. It is difficult to predict with 100% accuracy the Town's future finances but we are optimistic that we can continue to provide a high level of service for the residents and continue to repair the Town's infrastructure within the limits of Proposition 2 ½, without increasing debt. This future planning depends on some factors beyond the Town's control, such as health insurance, state and federal regulations, energy costs, natural disasters, and unexpected infrastructure failures. 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 needs develop, the choices for additional hires, outsourcing, or regionalization efforts need to be considered. In the coming year, the Town will review the dispatch services provided in town and whether the cost savings of a regional solution will be deemed to be beneficial by the taxpayers.

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 emergency services and our benchmarking studies indicate the cost of these services, on a per capita basis, ranks as one of the most expensive in the State. The Town is looking for opportunities to collaborate with other communities to provide needed services and reduce costs.

Recently, after three years of work, the Town completed a comprehensive Master Plan with some recommendations that may impact the Town's future financial plans and strategic direction. Considerations include the development of a limited commercial district, the potential revenue and cost implications, as well as the Town's efforts to increase affordable housing.

The 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. Paying for this effort requires discipline and a multi-year approach. Significant progress is being made on addressing capital needs in part by using a cash-based capital exclusion strategy to avoid burdening the Town with future debt. The Town's capital needs are well defined and require discipline to maintain the current five-year plan to address our aging infrastructure. In addition, a longer multiyear plan is 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 everyone. 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**

Sarah Mellish, <i>Chair</i>	2022
Andy Oldeman, <i>Vice Chair</i>	2023
Dean Nahatis	2021
Mark Weld	2023
Michael Pratt	2023
Mory Creighton	2021
Peter Twining	2021

# 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 or using unused levy capacity on the same basis. 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 six years ago. The payments are declining yearly. For FY22 debt payments drop to 1.12 million and voters will be asked to approve \$780,000 on a cash basis using unused levy capacity 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 or unused levy capacity 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. In the 10-15 year timeframe we will face a number of large capital projects in the form of building upgrades including public safety, the Essex Elementary School, and the library. The sewer plant will either need to be heavily “armored” against flooding or relocated.

Whether we raise revenues for these larger projects through new debt exclusion votes and higher taxes on existing taxpayers or through taxes on an expanded tax base through strategically placed new growth is a debate that is taking place as new zoning regulations are reviewed.

## CAPITAL PROJECTS FOR FY22:

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 \$1.8 million. In addition, we propose using \$909,000 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, public cable access funds 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 3 old vehicles -- a large dump truck equipped for winter snowplowing, a medium sized truck with dump body and a pick-up)
- Compost Facility Construction Oversight
- Drainage and sidewalk repair funds –an annual amount as we address numerous drainage issues and crumbling sidewalks
- Additional funds for the Central Street Culvert project
- Study of DPW garage replacement/upgrade options
- Town Hall Elevator upgrades, ADA access to Police Station, New AV set-up
- Library – design of ADA accessible restrooms, reference room refurbishings
- Sweeney Park study of possible new turf field
- Reserve fund for future fire department vehicles
- Replacement Police Cruiser and lease of Police motorcycle
- New Speed Control Trailer
- Replacement of Fire equipment
- Harbormaster Floating Office
- Water pipe replacement and equipment upgrades
- Sewer plant upgrades
- Compost facility construction services
- Mechanic equipment

## **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 with completion slated for September. 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.

FIVE YEAR CAPITAL PLAN SUMMARY

Highway	FY22	FY23	FY24	FY25	FY26	5 Year Total
Roads & Guardrails	\$ 209,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,209,000
Vehicles	\$ 180,000	\$ 200,000	\$ 130,000	\$ 300,000	\$ 300,000	\$ 1,110,000
Equip	\$ 10,000	\$ 20,000	\$ -	\$ -	\$ -	\$ 30,000
Central St. Culvert/Sawmill brook	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Facilities	\$ 80,000	\$ 100,000	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,180,000
Stormdrains/Sidewalks	\$ 300,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,300,000
Storm Damage/Grant Match	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
TOTAL	\$ 979,000	\$ 820,000	\$ 2,630,000	\$ 1,800,000	\$ 1,800,000	\$ 8,029,000
Land Use Management						
Plans and Studies	\$ -	\$ 15,000	\$ -	\$ -	\$ 20,000	\$ 35,000
Trail work/land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Land Management	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000
TOTAL	\$ -	\$ 15,000	\$ -	\$ 10,000	\$ 20,000	\$ 45,000
Town Hall						
Town hall rehab	\$ 200,000	\$ -	\$ 100,000	\$ -	\$ 40,000	\$ 340,000
Equipment & Other	\$ 52,000	\$ 20,000	\$ -	\$ 100,000	\$ -	\$ 172,000
TOTAL	\$ 252,000	\$ 20,000	\$ 100,000	\$ 100,000	\$ 40,000	\$ 512,000
Library						
Interior Paint, rugs, etc	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Floors/Other Upgrades	\$ 40,000	\$ 75,000	\$ 30,000	\$ -	\$ -	\$ 145,000
TOTAL	\$ 40,000	\$ 75,000	\$ 30,000	\$ -	\$ -	\$ 145,000

continued

# **FIVE YEAR CAPITAL PLAN SUMMARY** *continued*

<b>Parks and Recreation</b>									
Facilities	\$	-	\$ 1,500,000	\$	-	\$	-	\$	1,500,000
Play Fields	\$	70,000	\$	-	\$ 25,000	\$	-	\$	95,000
<b>TOTAL</b>	<b>\$</b>	<b>70,000</b>	<b>\$ 1,500,000</b>	<b>\$</b>	<b>25,000</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,595,000</b>
<b>Public Safety</b>									
Fire/Police Stations	\$	56,000	\$	-	\$	-	\$	40,000	96,000
Police/fire Vehicles	\$	56,325	\$ 59,400	\$	54,000	\$ 55,000	\$	55,500	280,225
Fire engine fund	\$	250,000	\$ 200,000	\$	100,000	\$ 200,000	\$	320,000	1,070,000
			\$		\$				
Police Equip	\$	13,100	7,000	\$	7,000	7,000	\$	-	34,100
Public Safety Radio System	\$	-	\$	-	\$	-	\$	-	-
Fire Equip	\$	34,000	\$ 30,000	\$	22,000	\$ 40,000	\$	-	126,000
<b>TOTAL</b>	<b>\$</b>	<b>409,425</b>	<b>\$ 296,400</b>	<b>\$</b>	<b>183,000</b>	<b>\$ 302,000</b>	<b>\$</b>	<b>415,500</b>	<b>\$ 1,606,325</b>
<b>Council on Aging</b>									
Facilities/Equipment	\$	-	\$	-	\$ 30,000	\$	-	\$	30,000
<b>TOTAL</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 30,000</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>30,000</b>
<b>Harbor</b>									
Docks/Ramps	\$	-	\$	-	\$	-	\$	-	-
Equipment/vehicle	\$	-	\$ 207,000	\$	-	\$	-	\$	207,000
Harbor office	\$	50,000	\$	-	\$	-	\$	-	50,000
Dredging	\$	-	\$	-	\$ 28,000	\$ 2,000,000	\$	-	2,028,000
<b>TOTAL</b>	<b>\$</b>	<b>50,000</b>	<b>\$ 207,000</b>	<b>\$</b>	<b>28,000</b>	<b>\$ 2,000,000</b>	<b>\$</b>	<b>-</b>	<b>\$ 2,285,000</b>



FIVE YEAR CAPITAL PLAN SUMMARY *continued*

Water Department						
Pipes	\$ 1,000,000	\$ 1,000,000	\$ 900,000	\$ 800,000	\$ 400,000	\$ 4,100,000
Treatment Plant/Equipment Upgrades	\$ 190,000	\$ 180,000	\$ 270,000	\$ 270,000	\$ 270,000	\$ 1,180,000
TOTAL	\$ 1,190,000	\$ 1,180,000	\$ 1,170,000	\$ 1,070,000	\$ 670,000	\$ 5,280,000
Sewer Department						
I/I & Pipes	\$ -	\$ 200,000	\$ 100,000	\$ 200,000	\$ 100,000	\$ 600,000
Treatment Plant/Equipment Upgrades	\$ 300,000	\$ 450,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 1,590,000
TOTAL	\$ 300,000	\$ 650,000	\$ 380,000	\$ 480,000	\$ 380,000	\$ 2,190,000
GRAND TOTAL	\$ 3,290,425	\$ 4,763,400	\$ 4,576,000	\$ 5,762,000	\$ 3,325,500	\$ 21,717,325
REVENUES						
General Fund (taxes)	\$ 1,967,425	\$ 1,400,000	\$ 1,590,000	\$ 1,650,000	\$ 1,650,000	\$ 7,477,425
Fund Balance	\$ 866,000	\$ 826,400	\$ 1,488,000	\$ 642,000	\$ 205,500	\$ 4,027,900
Chapter 90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Funds	\$ 155,000	\$ 180,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 905,000
Sewer Funds	\$ 200,000	\$ 150,000	\$ 280,000	\$ 280,000	\$ 280,000	\$ 1,190,000
Harbor Funds	\$ 50,000	\$ 207,000	\$ 28,000	\$ 2,000,000	\$ -	\$ 2,285,000
Other	\$ 52,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,052,000
Bonds or cap exclusions	\$ 0	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 4,780,000
Grand Total	\$ 3,290,425	\$ 4,763,400	\$ 4,576,000	\$ 5,762,000	\$ 3,325,500	\$ 21,717,325

**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 Bylaws, 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 \$437,119,495 as of January 1, 2020 based on current assets of approximately \$508.8 million and total liabilities of \$945.9 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 12/31/19, Manchester’s net pension liability is 3.48891% with a net liability of \$14.7 million. Annually we contribute a portion of this liability. For FY21 we contributed \$1,330,489 for both current and future liabilities. This number is expected to grow 7.41% in FY2023 and 6.5% annually from FY2024- 2029, 6.01% for FY2030 and approximately 3.9% thereafter.

Essex Regional Retirement System (as of 1/1/2020 actuarial valuation)

Total Assets	= \$508.8 million
Present day Value of Liabilities	= \$945.9 million
Unfunded Liabilities	= \$437.1 million
Manchester Share 3.48891%	= \$ 14.7 million
Annual Town Payment (FY21)	= \$ 1,330,489 (increasing annually)
Projected to be fully funded by June 30, 2036, if all assumptions are met and there are no changes in the plan of benefits or actuarial assumptions.	

**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 actuarial study (as of 6/30/2020), completed by Sherman Actuarial Services, concluded that our total Actuarial Accrued Liability for both active employees and retirees comes to \$7.81 million, a decrease of some \$560,000 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 FY21. 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 June 2021 Town Meeting, we will have approximately \$2,780,000 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 2033. The annual appropriation to the OPEB Trust is slated to grow in the 2.5-3% 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 copays 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 6/30/20	\$ 7.81 million
Current Assets (assumes June 2021 appropriation)	\$ 2.78 million
Annual Town Appropriation FY21	\$0.84 million (2-3% yrly increase)
On schedule to be fully funded by 2032	



MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT  
**Office of the Superintendent**  
P.O. Box 1407  
Manchester-by-the-Sea, MA 01944

Tel. (978) 526-4919  
Fax: (978) 526-7585  
urbasa@mersd.org

AVI URBAS  
DIRECTOR OF FINANCE AND OPERATIONS

May 4, 2021

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, 2020), contain the following estimates.

#### *Pensions*

The unfunded portion of the pension liability attributable to MERSD is estimated to be \$5,770,239.

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.

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 annual contributions totaled \$578,315. 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 6-7% each year through 2030, and by slightly less than 4% thereafter. ERRS has adjusted this funding schedule on several occasions with a general trend of increasing the number of initial years with required higher percentage contribution growth.

The estimate referenced above for MERSD's portion of ERRS' unfunded pension liability is based on applying 1.370% of ERRS' \$421,315,930 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. As noted in its financial statements, MERSD's current share of ERRS payroll and required contributions has declined steadily over the past several years.

#### *OPEB (Retiree Health Insurance)*

MERSD's unfunded liability for OPEB is \$23,910,132 as of June 30, 2020.

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 \$988,715 in the most recently concluded fiscal year.

In addition to this "pay-as-you-go" expense, MERSD also contributed \$525,677 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. This gap reduction has improved in recent years, and as of June 30, 2020, MERSD's OPEB plan now covers 96.48% of the actuarially determined annual contribution needed to achieve full funding, far ahead of most regional school districts.

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

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, 2020, MERSD has contributed a total of \$2,307,422 to its OPEB trust, and based on budget estimates for FY-21 and FY-22, MERSD is on track to contribute \$3.5 million to its OPEB trust fund in just 8 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](http://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 at the Middle-High School Hyland Athletic Field, on Lincoln Street, in Manchester-by-the-Sea, on Monday, the 21st day of June, two thousand and twenty-one AD, at six thirty 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 recommend 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 recommend 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 recommend 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, 2021, and appropriate the same.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen recommend approval*

**DEPARTMENTAL REQUESTS AND  
FINANCE COMMITTEE RECOMMENDATIONS**

Item No.		Appropriations FY - 2021	Requests FY - 2022	Recommendations FY - 2022	Funding Sources
<b>GENERAL GOVERNMENT</b>					
<b>32%</b>					
<b>SELECTMEN'S DEPARTMENT</b>					
1	Salaries	243,664	309,884	309,884	TAXATION reallocated staffing costs
2	Expenses	32,050	65,300	65,300	TAXATION reallocated contracted services
3	Audit	47,000	38,500	38,500	TAXATION
<b>INFORMATION TECHNOLOGY</b>					
4	Expenses	125,000	135,000	135,000	TAXATION
<b>FINANCE COMMITTEE</b>					
5	Salaries	3,500	3,500	3,500	TAXATION
6	Expenses	320	300	300	TAXATION
7	Reserve Fund	160,000	160,000	160,000	TAXATION 35,000 OVERLAY SUR. 125,000
<b>ELECTION &amp; REGISTRATION</b>					
8	Salaries	4,650	4,650	4,650	TAXATION
9	Expenses	20,265	17,475	17,475	TAXATION
<b>ACCOUNTING</b>					
10	Salaries	157,722	160,663	160,663	TAXATION
11	Expenses	4,700	4,700	4,700	TAXATION
<b>ASSESSORS</b>					
12	Salaries	160,795	131,118	131,118	TAXATION
13	Expenses	52,875	57,200	57,200	TAXATION
<b>TREASURER/COLLECTOR</b>					
14	Salaries	153,572	159,584	159,584	TAXATION
15	Expenses	28,940	28,940	28,940	TAXATION
<b>TOWN CLERK</b>					
16	Salaries	119,603	104,886	104,886	TAXATION
17	Expenses	5,300	5,300	5,300	TAXATION
<b>LEGAL/PROF. SERVICES</b>					
18	Expenses	120,000	80,000	80,000	TAXATION
<b>APPEALS BOARD</b>					
19	Salaries	1,600	8,320	8,320	TAXATION
20	Expenses	8,750	9,550	9,550	TAXATION
<b>PLANNING DEPARTMENT</b>					
21	Salaries	93,762	96,635	96,635	TAXATION
22	Expenses	6,600	6,600	6,600	TAXATION
<b>TOWN HALL &amp; COMMON</b>					
23	Salaries	-	25,000	25,000	TAXATION
24	Expenses	84,050	60,500	60,500	TAXATION



**PENSIONS**

25	Contributory	1,330,489	1,461,004	1,461,004	TAXATION	1,329,898
					SEWER RATES	74,670
					WATER RATES	56,436
26	Non-Contributory	2,111	-	-	N/A	

**INSURANCE**

27	Group Health Insurance	1,350,000	1,285,000	1,285,000	TAXATION	1,128,652
					MOORING FEES	18,500
					SEWER RATES	81,483
					WATER RATES	56,365
28	Workers' Comp.	95,000	95,000	95,000	TAXATION	74,000
					SEWER RATES	10,000
					WATER RATES	11,000
29	Fire/Auto/Liability	130,000	130,000	130,000	TAXATION	106,900
					SEWER RATES	11,550
					WATER RATES	11,550
30	Unemployment Comp.	7,000	7,000	7,000	TAXATION	
31	FICA-Medicare	97,850	100,500	100,500	TAXATION	90,764
					SEWER RATES	5,300
					WATER RATES	4,436

Total General Government	4,647,168	4,752,109	4,752,109	TAXATION	4,285,819
				OVERLAY SUR.	125,000
				MOORING FEES	18,500
				SEWER RATES	183,003
				WATER RATES	139,787
					4,752,109

**PUBLIC SAFETY  
25%****POLICE**

32	Salaries	1,665,592	1,730,836	1,730,836	TAXATION	
33	Expenses	97,164	96,314	96,314	TAXATION	

**PARKING CLERK/RESIDENT PARKING**

34	Salaries	12,674	6,264	6,264	TAXATION	
35	Expenses	16,550	21,600	21,600	TAXATION	

**FIRE**

36	Salaries	1,320,336	1,346,748	1,346,748	TAXATION	
37	Expenses	143,850	142,750	142,750	TAXATION	

**HARBOR MASTER**

38	Salaries	154,760	157,468	157,468	MOORING FEES	
39	Expenses	23,260	23,260	23,260	MOORING FEES	180,728

**BUILDING DEPARTMENT**

40	Building Inspector	46,173	46,981	46,981	TAXATION	
41	Gas/Plumbing Inspector	13,634	13,873	13,873	TAXATION	
42	Sealer Wgths/Meas	3,000	3,000	3,000	TAXATION	
43	Electrical Inspector	13,634	13,873	13,873	TAXATION	
44	Inspector's Expenses	4,500	4,500	4,500	TAXATION	
45	Permit Software	-	27,920	27,920	TAXATION	23,040
					MOORING FEES	4,880

**EMERGENCY MANAGEMENT**

46	Salaries	4,000	-	-	TAXATION	
47	Expenses	1,000	1,000	1,000	TAXATION	
48	Emergency Notification	4,500	4,725	4,725	TAXATION	

**ANIMAL CONTROL**

49	Expenses	16,315	16,315	16,315
----	----------	--------	--------	--------

TAXATION

Total Public Safety

3,540,942	3,657,427	3,657,427
-----------	-----------	-----------

TAXATION	3,471,819
MOORING FEES	185,608
	<u>3,657,427</u>

**PUBLIC WORKS**  
**15%**

**DEPARTMENT OF PUBLIC WORKS**

50	Salaries	861,026	894,464	894,464
----	----------	---------	---------	---------

TAXATION	\$866,860
SEWER RATES	\$13,802
WATER RATES	\$13,802

51	Expenses	389,800	382,800	382,800
----	----------	---------	---------	---------

TAXATION

**SNOW REMOVAL**

52	Salaries	32,000	32,000	32,000
----	----------	--------	--------	--------

TAXATION

53	Expenses	170,000	170,000	170,000
----	----------	---------	---------	---------

TAXATION

54	Street Lighting	35,000	35,000	35,000
----	-----------------	--------	--------	--------

TAXATION

**SANITATION/COMPOSTING/RECYCLING**

55	Salaries	14,500	15,000	15,000
----	----------	--------	--------	--------

TAXATION

56	Expenses	60,000	60,000	60,000
----	----------	--------	--------	--------

TAXATION

57	Rubbish Collection/Recycling	416,000	426,400	426,400
----	------------------------------	---------	---------	---------

TAXATION

58	Disposal	164,250	174,250	174,250
----	----------	---------	---------	---------

TAXATION

Total Dept. of Public Works		<u>2,142,576</u>	<u>2,189,914</u>	<u>2,189,914</u>
-----------------------------	--	------------------	------------------	------------------

TAXATION	2,162,310
SEWER RATES	13,802
WATER RATES	13,802
	<u>2,189,914</u>

**OTHER ENVIRONMENTAL**  
**1%**

**HISTORIC DISTRICT COMMISSION**

59	Salaries	1,600	1,600	1,600
----	----------	-------	-------	-------

TAXATION

60	Expenses	850	950	950
----	----------	-----	-----	-----

TAXATION

**CONSERVATION COMMISSION**

61	Salaries	78,813	59,595	59,595
----	----------	--------	--------	--------

TAXATION	54,595
WETLANDS FD.	5,000

62	Expenses	2,640	2,760	2,760
----	----------	-------	-------	-------

TAXATION

63	Chebacco Woods	-	1,250	1,250
----	----------------	---	-------	-------

TAXATION

Total Other Environmental		<u>83,903</u>	<u>66,155</u>	<u>66,155</u>
---------------------------	--	---------------	---------------	---------------

TAXATION	61,155
WETLANDS FD.	5,000
	<u>66,155</u>

**HUMAN SERVICES**  
**2%**

**HEALTH**

64	Salaries	66,505	72,510	72,510
----	----------	--------	--------	--------

TAXATION

65	Expenses	50,800	48,750	48,750
----	----------	--------	--------	--------

TAXATION

**VETERANS' SERVICES**

66	Expenses	15,000	15,000	15,000
----	----------	--------	--------	--------

TAXATION

67	Veterans' Benefits	28,000	28,000	28,000
----	--------------------	--------	--------	--------

TAXATION

**COUNCIL ON AGING**

68	Salaries	172,808	175,897	175,897	TAXATION	
69	Expenses	19,100	18,600	18,600	TAXATION	
Total Human Services		352,213	358,757	358,757	TAXATION	358,757

**LIBRARY  
3%****LIBRARY**

70	Salaries	338,203	345,683	345,683	TAXATION	
71	Expenses	163,029	165,575	165,575	TAXATION	
Total Culture and Informational Services		501,232	511,258	511,258	TAXATION	511,258

**RECREATION  
3%****PARKS & RECREATION**

72	Salaries	146,827	149,633	149,633	TAXATION	99,633
					PROGRAM FEES	50,000
73	Expenses	7,609	7,909	7,909	TAXATION	

**SINGING BEACH OPERATIONS**

74	Salaries	74,341	75,642	75,642	TAXATION	
75	Expenses	16,800	17,500	17,500	TAXATION	

**LIFEGUARDS**

76	Salaries	60,740	61,803	61,803	TAXATION	
77	Expenses	3,400	3,400	3,400	TAXATION	

**TUCK'S POINT**

78	Salaries	6,600	6,715	6,715	TAXATION	
79	Expenses	31,195	31,820	31,820	TAXATION	

**OTHER RECREATION**

80	Memorial Day	3,000	3,000	3,000	TAXATION	
81	Fourth of July	10,000	10,000	10,000	TAXATION	

Total Recreation		360,512	367,422	367,422	TAXATION	317,422
					PROGRAM FEES	50,000
						367,422

**DEBT SERVICE  
8%****DEBT SERVICE**

	Principal on Bonds	850,018	822,409	822,409		
	Interest on Bonds	322,746	295,646	295,646		
	WPAT Administration Fees	2,038	1,873	1,873		

82	Total Debt Service	1,174,802	1,119,928	1,119,928	TAXATION	927,895
					SEWER RATES	192,033
						1,119,928

**ENTERPRISE FUNDS  
12%****SEWER FUND**

83	Salaries	323,332	365,484	365,484	SEWER RATES	
84	Expenses	300,950	306,500	306,500	SEWER RATES	

**WATER FUND**

85	Salaries	268,749	305,909	305,909	WATER RATES	
86	Distribution Expenses	136,000	138,500	138,500	WATER RATES	
87	Treatment Expenses	583,225	597,652	597,652	WATER RATES	

Total Enterprise Funds		<u>1,612,256</u>	<u>1,714,045</u>	<u>1,714,045</u>	SEWER RATES 671,984 WATER RATES 1,042,061 <u>1,714,045</u>
TOTAL ARTICLE 4		<u>14,415,604</u>	<u>14,737,015</u>	<u>14,737,015</u>	
<b>EXPENSES BUDGET SUMMARY</b>					
GENERAL GOVERNMENT	32%	4,647,168	4,752,109	4,752,109	TAXATION 4,285,819 OVERLAY SUR. 125,000 MOORING FEES 18,500 SEWER RATES 183,003 WATER RATES 139,787 <u>4,752,109</u>
PUBLIC SAFETY	25%	3,540,942	3,657,427	3,657,427	TAXATION 3,471,819 MOORING FEES 185,608 <u>3,657,427</u>
DEPARTMENT OF PUBLIC WORKS	15%	2,142,576	2,189,914	2,189,914	TAXATION 2,162,310 SEWER RATES 13,802 WATER RATES 13,802 <u>2,189,914</u>
OTHER ENVIRONMENTAL	1%	83,903	66,155	66,155	TAXATION 61,155 WETLANDS FD. 5,000 <u>66,155</u>
HUMAN SERVICES	2%	352,213	358,757	358,757	TAXATION <u>358,757</u>
LIBRARY	3%	501,232	511,258	511,258	TAXATION <u>511,258</u>
PARKS & RECREATION	2%	360,512	367,422	367,422	TAXATION 317,422 PROGRAM FEES 50,000 <u>367,422</u>
DEBT SERVICE	8%	1,174,802	1,119,928	1,119,928	TAXATION 927,895 SEWER RATES 192,033 <u>1,119,928</u>
ENTERPRISE FUNDS	12%	1,612,256	1,714,045	1,714,045	SEWER RATES 671,984 WATER RATES 1,042,061 <u>1,714,045</u>
TOTALS	100%	<u>14,415,604</u>	<u>14,737,015</u>	<u>14,737,015</u>	<u>14,737,015</u>
<b>FUNDING SOURCES SUMMARY</b>					
TAXATION			12,096,435		
OVERLAY SURPLUS			125,000		
MOORING FEES			204,108		
PROGRAM FEES			50,000		
WETLANDS FD			5,000		
SEWER RATES			1,060,822		
WATER RATES			1,195,650		
TOTAL			<u>14,737,015</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	\$350,000	\$209,000	Fund Balance
2.	DPW	Vehicle Replacements (3)	\$180,000	\$180,000	Taxation
3.	DPW	Compost Facility Engineering	\$ 30,000	\$ 30,000	Taxation
4.	DPW	Shop Equipment	\$ 10,000	\$ 10,000	Taxation
5.	DPW	Drainage/Sidewalk Improvements	\$300,000	\$300,000	Fund Balance
6.	DPW	DPW Garage Assessment	\$ 50,000	\$ 50,000	Taxation
7.	DPW	Central Street Culvert	\$300,000	\$150,000	Fund Balance
8.	DPW	Storm Damage Repair	\$ 50,000	\$ 50,000	Taxation
9.	Town Hall	Renovations/Upgrades incl. elevator	\$200,000	\$200,000	Taxation
10.	Town Hall	Room 5 AV equipment	\$ 52,000	\$ 52,000	PEG Access Funds
11.	Land Mgmt	Planning Board Studies/Rezoning	\$ 38,000	\$ 0	NA
12.	Library	Accessible Bathroom Design; Furnishings	\$ 40,000	\$ 40,000	Taxation
13.	Park/Rec	Sweeney Park Design/Engineering Efforts	\$ 70,000	\$ 70,000	Taxation
14.	Public Safety	Fire Engine Replacement Fund	\$250,000	\$250,000	Fund Balance
15.	Public Safety	Police Speed Trailer	\$ 13,100	\$ 13,100	Taxation
16.	Public Safety	Police Station Access Control; Cell Cameras	\$ 26,000	\$ 26,000	Taxation
17.	Public Safety	Replacement Police Cruiser & Motorcycle	\$ 56,325	\$ 56,325	Taxation
18.	Public Safety	Fire Gear and rope rescue equipment	\$ 34,000	\$ 34,000	Taxation
19.	Public Safety	Fire Station repairs/upgrades	\$ 30,000	\$ 30,000	Taxation
20.	Harbor	Harbormaster Floating Office	\$ 50,000	\$ 50,000	Waterway Fund
21.	Water	Plant Upgrades/Equipment Replacement	\$190,000	\$190,000	Water Enterprise, & Taxation
22.	Water	Pipe replacement/improvements	\$1,000,000	\$1,000,000	Water Enterprise, & Taxation
23.	Sewer	Plant Upgrades/Equipment Replacement	\$300,000	\$300,000	Sewer Enterprise, Retained Earnings, & Taxation
<b>TOTAL</b>				<b>\$3,290,425</b>	

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**

*The Board of Selectmen recommend approval*

**ARTICLE 6:** To see if the Town will vote to raise and appropriate or transfer from available funds \$1,780 for the purpose of paying charges for trail work done in Chebacco Woods (\$1150) and for filings at the Southern Essex Registry of Deeds (\$630) from fiscal year 2020 which were received after the closing of accounts for that fiscal year 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-one; 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 2022 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 2022; 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 2022 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)	\$ 68,375
3. Landscape Restoration for all Parks and Tucks Point (open space & recreation)	\$ 20,000
4. Pickleball Courts at Sweeney Park (open space & recreation)	\$ 75,000
5. Automatic Defibrillators for Parks (open space & recreation)	\$ 15,000
6. Singing Beach Bathroom preservation (open space & recreation)	\$ 5,000
7. Title Research/Survey Work Western Woods (open space & recreation)	\$ 25,000

8. Friends of Manchester Trees – Tree Restoration	(open space & recreation)	\$ 11,000
9. Affordable Housing Trust Project Funding	(community housing)	\$ 200,000
10. Historic Restoration of Library Landscaping	(historic preservation)	\$ 15,000
11. Morss Pier Engineering Study for restoration	(historic preservation)	\$ 33,000
12. Tuck’s Point Public Access Restoration	(historic preservation)	\$ 135,629
	<b>TOTAL</b>	<b>\$ 623,004</b>

(\*Administrative amount limited to a maximum of 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 \$271,388 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

**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 2022 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;  
FY2022 spending limit: \$325,000.

Or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen recommend approval*

**ARTICLE 11.** To see if the Town will vote to: (a) transfer from the Board of Selectmen, acting as the Board of Water and Sewer Commissioners, for the purpose of holding, storing, purifying or preserving water, to the Board of Selectmen for the conveyance of easements, the care, custody and control of portions of the Town-owned property located in the Town of Hamilton, which property is shown on Hamilton Assessors Map 71 as Parcel 1, described in the Order of Taking recorded with the Essex South District Registry of Deeds in Book 3713, Page 278, and subject to a conservation restriction held by the Hamilton Conservation Commission and recorded in Book 15373, Page 403, and which portions to be transferred are shown approximately as “Proposed Permanent 40’ Easement 33,530 Sq. Ft., 0.77 Acres” and “Proposed Temporary Construction Easement 20,916 Sq. Ft., 0.48 Acres” on a plan entitled “Town of Hamilton & Town of Manchester-By-The-Sea Proposed Easement Plan”, prepared by Wood-

ard & Curran, dated February, 2021, on file in the Town Clerk's office, as the same may be amended, (b) authorize the Board of Selectmen to convey to the Town of Hamilton a permanent public way easement and a temporary construction easement in, on and under the foregoing portions for the purpose of altering the layout of Chebacco Road in Hamilton, (c) to authorize the Board of Selectmen to accept from the Town of Hamilton, if applicable, deeds conveying Hamilton's right, title and interest in the portions of Chebacco Road to be discontinued upon said alteration, which discontinued portions are shown approximately on the aforesaid plan as "Existing ROW (To Be Abandoned) 31,272 Sq.Ft., 0.72 Acres" and "1964 ROW (To Be Abandoned) 44,726 Sq.Ft., 1.03 Acres" and are to be subject to the conservation restriction; and (d) authorize the Board of Selectmen to submit a petition to the General Court under Article 97 of the Massachusetts Constitution to authorize the change in use, transfer, and conveyance of easements in said portions of the Town-owned property and to amend the conservation restriction encumbering said property; or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE TAKE NO POSITION**

*The Board of Selectmen recommend approval*

**ARTICLE 12.** To see if the Town will vote:

- a) To express its opposition to the proposal by Strategic Land Ventures (SLV) to erect a large, multi-family complex on the parcel recorded as #43 0 18, which is adjacent to School Street and Route 128 and abuts land dedicated to conservation purposes which in aggregate approximate 1,600 acres in Manchester and Essex, and which is located within the major watershed supplying Manchester's drinking water, given that proposal's threats to the life, health and safety of residents throughout the Town and of wildlife on and near the parcel; and
- b) To express support for the goal of producing more affordable housing units in Manchester as noted in the Manchester Housing Production Plan, and to commend and endorse the work of the Manchester Affordable Housing Trust, the Manchester Housing Authority and their allied organizations in their efforts to do so including through expansion/renovation of housing units at Newport Park and The Plains, and through the pursuit of means other than the proposal by SLV to erect a large, multi-family complex on the parcel recorded as #43 0 18, i.e. that are more consistent with the scale of existing commercial properties in the Town, more pedestrian friendly in their locations and design, and not a significant threat to life, health and safety of Town residents or of wildlife.

Per petition of Citizens

**WE TAKE NO POSITION**

*The Board of Selectmen take no position*



**ARTICLE 13.** To see if the Town will vote to amend Article XII (Earth Removal) Section 4 (General Limitations,) of the General By-Laws by inserting the following:  
P. In consideration of the safety and health of Town residents, no permit for the use of dynamite or other explosives (Blasting) shall be approved for the purposes of constructing:  
i) Any commercial (i.e. non-residential) structure containing more than 100,000 square feet; or  
ii) Any individual structure in the Town containing more than twenty (20) housing units,

Unless a) the Board is satisfied that in its specific circumstances such Blasting will conform to the guidelines promulgated by the Board for the safe and effective use of Blasting for large projects, and will be monitored by the Fire Department for compliance with all applicable safety codes, and b) the Board manifests such satisfaction by the affirmative vote of at least two-thirds of its then current members.

Per petition of Citizens

**WE TAKE NO POSITION**  
*The Board of Selectmen recommend the advice of the Planning Board*

**ARTICLE 14.** To see if the Town will vote to amend Article X (Police and other Regulations) of the General By-laws by adding a new Section 46, as follows:  
  
Access to Large Developments: Construction of any housing project in the Town larger than either i) one hundred (100) units or ii) 75,000 square feet is prohibited unless such a project includes two paved access roads open at all times for ingress and egress. Two access roads are necessary to protect the safety and health of the residents of the project and the Town.

Per petition of Citizens

**WE TAKE NO POSITION**  
*The Board of Selectmen recommend not approving*

**ARTICLE 15.** To see if the Town will vote to maintain and fully support Police and Fire Dispatch services here in Manchester, and not regionalize these vital services to the North Shore Regional 911 Services in Middleton, MA.  
  
Per petition of Citizens  
**WE RECOMMEND NOT APPROVING**  
*The Board of Selectmen recommend not approving*

**ARTICLE 16.** To see if the Town will vote to pass over proposed zoning by-law recodifications to the 2018 Zoning By-laws at the 2021 Manchester-by-the-Sea Annual Town Meeting.  
  
Per petition of Citizens  
**WE TAKE NO POSITION**  
*The Board of Selectmen recommend passing over the article*

**ARTICLE 17.** 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 RECOCOMENDATION 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 3rd day of May, 2021.

BOARD OF SELECTMEN

\_\_\_\_\_  
Eli G. Boling, Chairman                      Jeffrey Bodmer-Turner, Vice Chairperson

\_\_\_\_\_  
Ann Harrison                      Rebecca Jaques                      John Round

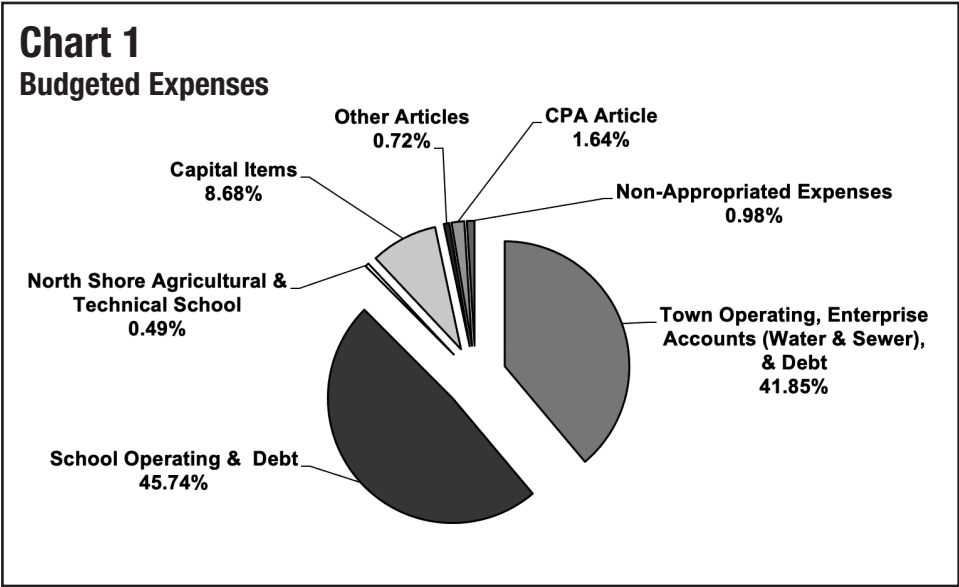
To the Town Clerk:

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

**FY-2022 BUDGET**

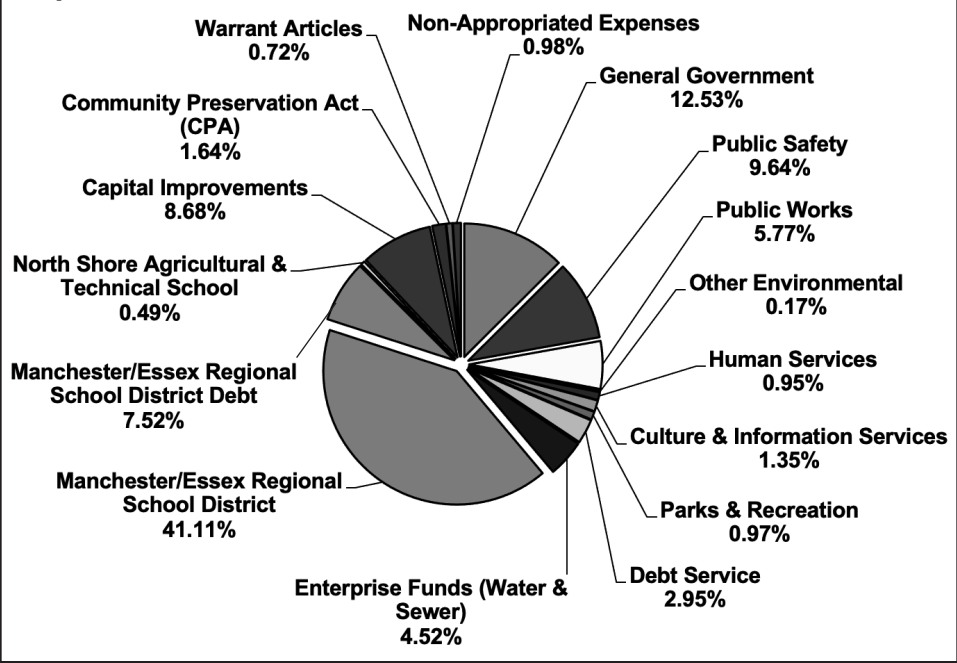
TOWN OPERATING, ENTERPRISE (WATER & SEWER), & DEBT	\$14,737,015
SCHOOL OPERATING & DEBT	18,441,229
NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL	184,523
CAPITAL ITEMS	3,290,425
OTHER ARTICLES	273,168
CPA ARTICLE	623,004
NON-APPROPRIATED EXPENSES	371,261
TOTAL FY-2022 BUDGET	<u><u>\$37,920,625</u></u>



# EXPENDITURES

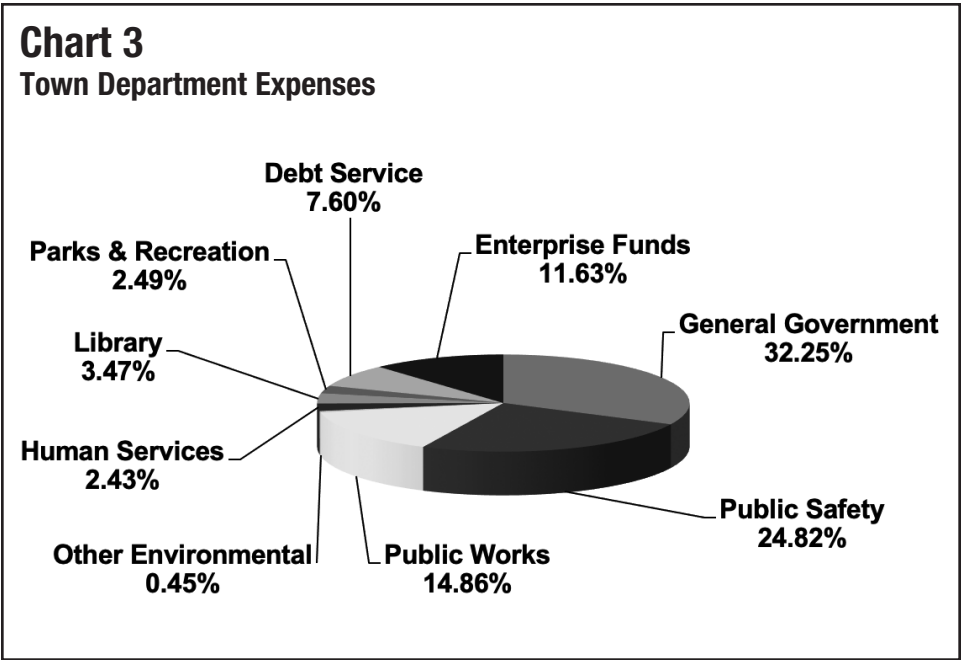
GENERAL GOVERNMENT	\$4,752,109
PUBLIC SAFETY	\$3,657,427
PUBLIC WORKS	\$2,189,914
OTHER ENVIRONMENTAL	\$66,155
HUMAN SERVICES	\$358,757
CULTURE & INFORMATION SERVICES	\$511,258
PARKS & RECREATION	\$367,422
DEBT SERVICE	\$1,119,928
ENTERPRISE FUNDS (WATER & SEWER)	\$1,714,045
MANCHESTER/ESSEX REGIONAL SCHOOL DISTRICT	\$15,589,705
MANCHESTER/ESSEX REGIONAL SCHOOL DISTRICT DEBT	\$2,851,524
NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL	\$184,523
CAPITAL IMPROVEMENTS	\$3,290,425
COMMUNITY PRESERVATION ACT (CPA)	\$623,004
WARRANT ARTICLES	\$273,168
NON-APPROPRIATED EXPENSES	\$371,261
TOTAL EXPENSES	<u><u>\$37,920,625</u></u>

**Chart 2**  
**Expenditures**



**TOWN DEPARTMENT EXPENSES**

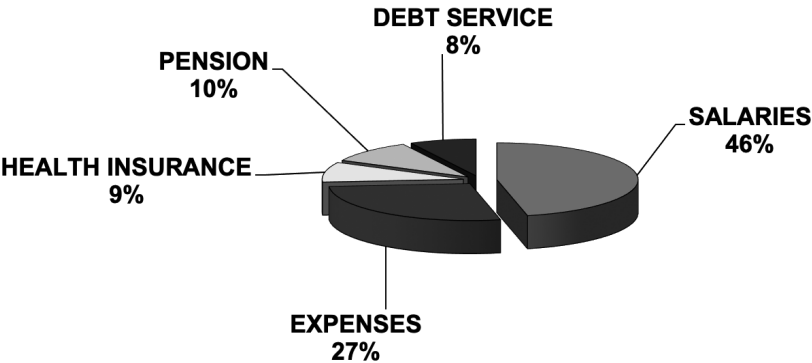
GENERAL GOVERNMENT	\$4,752,109
PUBLIC SAFETY	\$3,657,427
PUBLIC WORKS	\$2,189,914
OTHER ENVIRONMENTAL	\$66,155
HUMAN SERVICES	\$358,757
LIBRARY	\$511,258
PARKS & RECREATION	\$367,422
DEBT SERVICE	\$1,119,928
ENTERPRISE FUNDS	\$1,714,045
TOTAL ARTICLE 4	<u><u>\$14,737,015</u></u>



**SUMMARY ARTICLE 4**

SALARIES	\$6,857,218
EXPENSES	\$4,013,865
HEALTH INSURANCE	\$1,285,000
PENSION	\$1,461,004
DEBT SERVICE	\$1,119,928
TOTAL ARTICLE 4	<u><u>\$14,737,015</u></u>

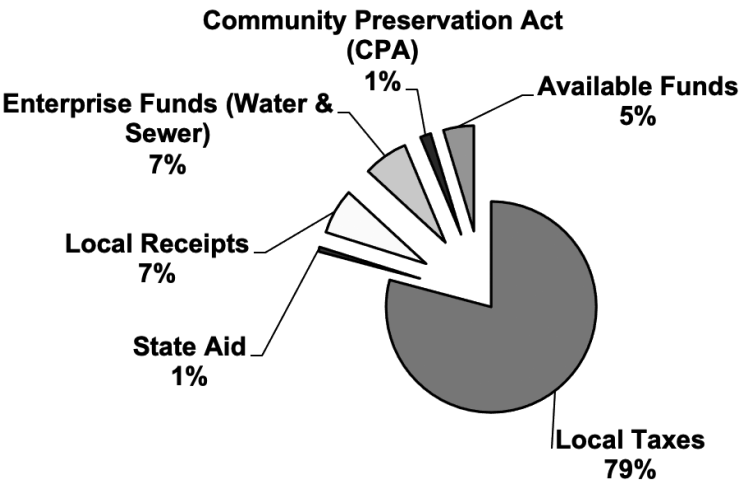
**Chart 4**  
**Summary Town Expenses**



**REVENUES**

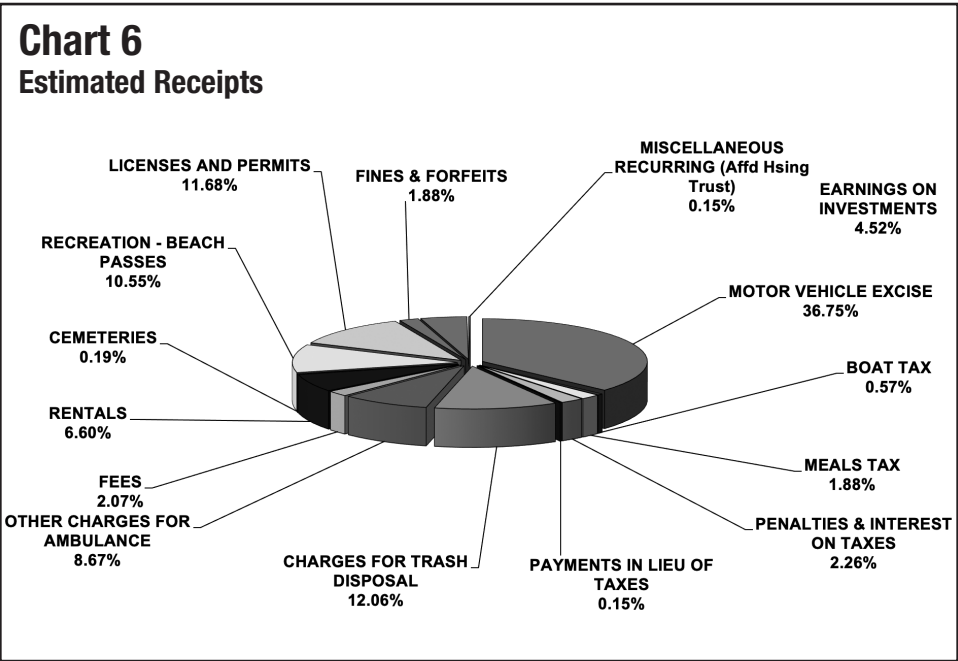
LOCAL TAXES	\$30,006,021
STATE AID	\$263,852
LOCAL RECEIPTS	\$2,653,000
ENTERPRISE FUNDS (WATER & SEWER)	\$2,601,472
COMMUNITY PRESERVATION ACT (CPA)	\$623,004
AVAILABLE FUNDS	\$1,773,276
	<u>\$37,920,625</u>

**Chart 5**  
**Revenue FY-2021**



# ESTIMATED LOCAL RECEIPTS

MOTOR VEHICLE EXCISE	\$975,000
BOAT TAX	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	230,000
FEES	55,000
RENTALS	175,000
CEMETERIES	5,000
RECREATION - BEACH PASSES	280,000
LICENSES AND PERMITS	310,000
FINES & FORFEITS	50,000
EARNINGS ON INVESTMENTS	120,000
MISCELLANEOUS RECURRING (AFFD HSING TRUST)	4,000
<b>TOTAL ESTIMATED LOCAL RECEIPTS</b>	<b><u><u>\$2,653,000</u></u></b>

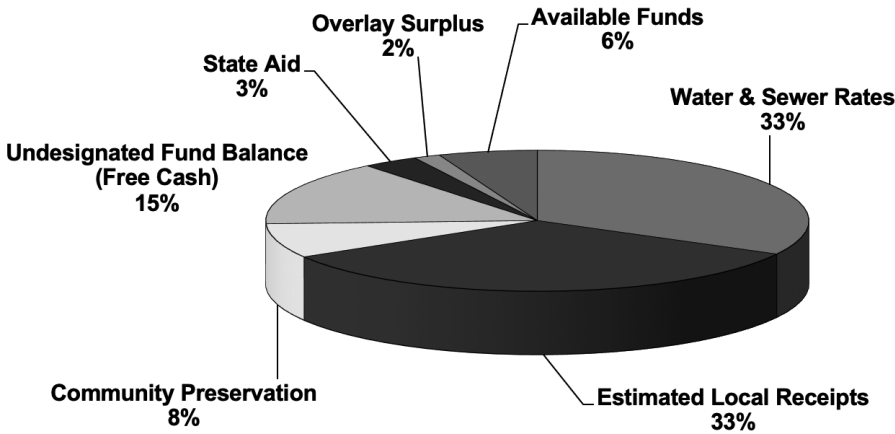




**NON-PROPERTY TAX REVENUE**

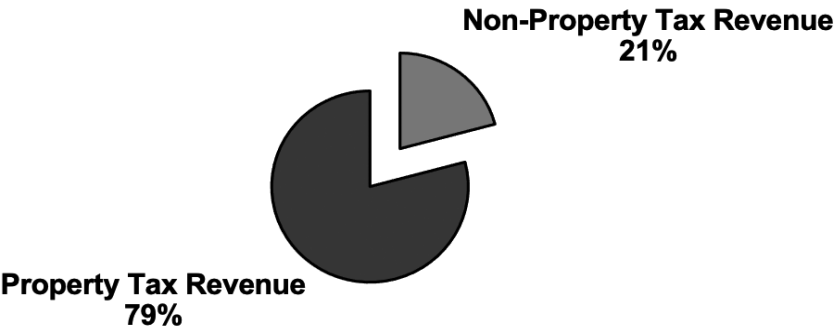
WATER & SEWER RATES	\$2,601,472
ESTIMATED LOCAL RECEIPTS	2,653,000
COMMUNITY PRESERVATION	623,004
UNDESIGNATED FUND BALANCE (FREE CASH)	1,182,168
STATE AID	263,852
OVERLAY SURPLUS	125,000
AVAILABLE FUNDS	466,108
	<hr/>
	<hr/>
	\$7,914,604

**Chart 7**  
**Non-Property Tax Revenue**

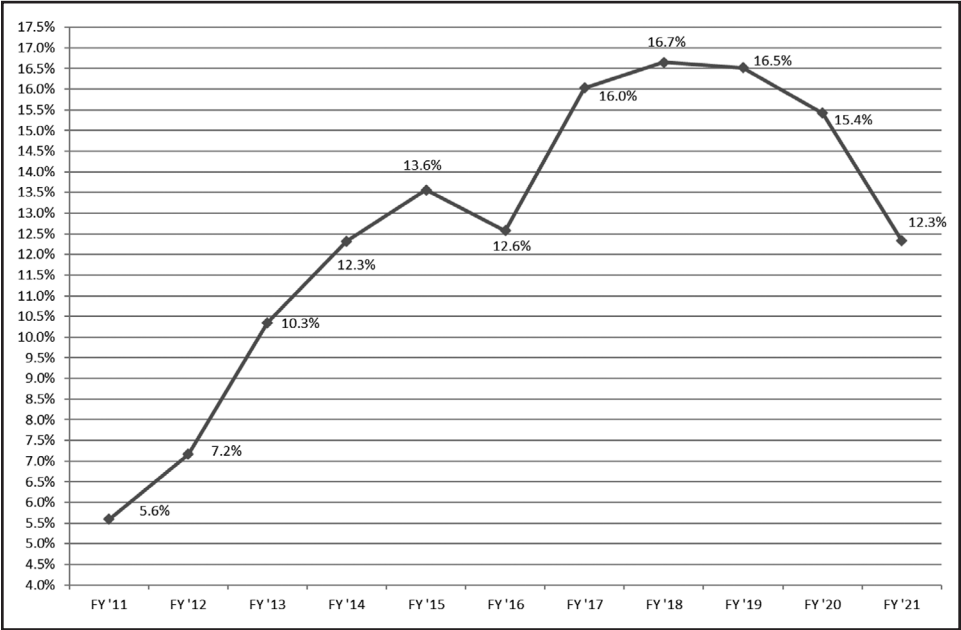


NON-PROPERTY TAX REVENUE	\$ 7,914,604
PROPERTY TAX REVENUE	30,006,021
	<u>\$37,920,625</u>

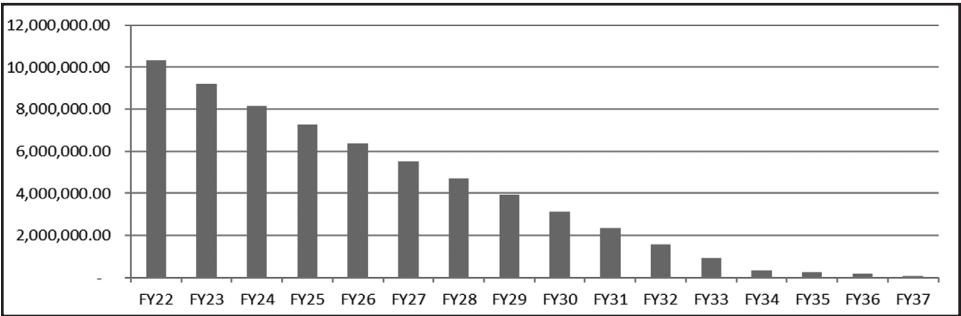
**Chart 8**  
**Property Taxes vs. Non-Property Tax Revenue**



**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 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 <https://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.

