

**Manchester-by-the-Sea
Finance Committee
ANNUAL REPORT
2023**



**Please be sure to attend the
Annual Town Meeting on
Monday, April 3, 2023 6:30 PM
Manchester Memorial School
Gymnasium**

**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, 2024

July 1, 2023 - June 30, 2024

		Recommended By FinCom	
Estimated Tax Rate - Fiscal year 2024			
Article 4 Department Requests		15,694,873	
(Salaries and normal operating expenses)			
Article 5 Capital items requested by Departments		4,241,300	
Article 6 Regional School Operating and Debt		19,615,712	
Other Articles (3)		970,981	
	Town Meeting Total	<u>40,522,866</u>	
PLUS:			
State Assessments		185,616	
Assessors' Overlay		100,000	estimated
Tax Lien Purposes		5,000	
	Gross Amount to be Raised	<u>40,813,482</u>	
LESS:			
State Aid		303,891	
Estimated Receipts - Local Revenues		2,850,000	
Enterprise Accounts - Water & Sewer		2,740,130	
Community Preservation Funds (CPA)		436,600	
Unreserved Fund Balance (Free Cash)		1,715,700	
Overlay Surplus		125,000	
Available Funds		747,627	
Subtotal of Deductions		<u>8,918,948</u>	
	Net Amount to be Raised by Taxation	<u>31,894,534</u>	
Permitted Levy Limited		28,625,444	
Estimated new growth factor		200,000	
Previous Debt Exclusion		3,529,380	
Capital Exclusion		-	
Maximum Permitted Levy		<u>32,354,824</u>	
TOTAL ASSESSED VALUATION AS OF FY-2023		2,969,576,887	
FISCAL YEAR 2023 TAX RATE		10.43	PER THOUSAND
ESTIMATED FISCAL YEAR 2024 TAX RATE	*	10.74	PER THOUSAND *

***BASED ON FY-2023 PROPERTY VALUATIONS AND NET AMOUNT TO BE RAISED BY TAXATION

2.98% increase

2023 ANNUAL REPORT OF THE FINANCE COMMITTEE TO THE VOTERS OF THE TOWN

Last fall the Finance Committee began its review of the Town's fiscal year ("FY") 24 operating and capital budgets which will be presented at the Annual Town meeting on April 3, 2023. We thank Town employees, the Manchester Essex Regional School District, volunteers, and Boards who prepared budgets, met with us to answer questions and provided information about their budget goals and objectives. We appreciate the cooperation of the department heads in managing their budgets and operations. We also thank Town Accountant Andrea Mainville and Town Administrator Greg Federspiel for their ongoing efforts to assemble the budget, understand the needs of the Town and create a solid plan to address those needs.

We met regularly with the Town Administrator and the Town Accountant to review the budget along with major department heads and leaders of the School District and participated in a school budget working group with representatives from Essex and Manchester. As part of the review, we ask major department heads to benchmark their staffing and budget with similar communities in eastern Massachusetts. We also reviewed multiyear models of the Town's operating and capital budgets and a multiyear budget model prepared by the School District to understand the impact that this year's budget will have on future budgets, debt levels, capital needs, and financial reserves.

The Town remains in solid financial shape. Our current reserves exceed our target of 10% of the total operating budget and our local receipts continue to exceed estimates. In 2020 and 2021 we kept tax increases lower than the normal 2.5% resulting in excess levy capacity of about 3.5%, which may be appropriated at Town Meeting without requiring an override vote. In FY23 taxes increased 3.2%, a 2.5% increase in the levy limit and 0.7% as part of a previously approved debt exclusion for the Memorial Elementary School building. To support the FY24 budget, we expect taxes will increase 2.98%, a 2.5% increase in the levy limit and 0.48% from excess levy capacity. Our current FY23 budget is mainly on track to meet the revenue projections and appropriated expenses upon its completion on June 30, 2023, but we have concerns regarding funding excess police overtime incurred due to the loss of Reserve Officers and dispatchers and excess fire overtime due to the departure/retirement of two firefighters, changes in the Call Firefighter ranks and the difficulty hiring fully qualified replacements. We expect the excess police overtime to be funded with savings in the salary budget. We approved a \$95,000 transfer from the Finance Committee Reserve to fund the excess fire overtime through the end of FY23.

The proposed FY24 budget includes five (5) new positions in Public Safety: three (3) police officers/EMTs to cover the lobby (dispatch moved to the State Regional 911 Center on March 1, 2023), the loss of ten (10) Reserve Officers due to the Police Reform Act, expanded police presence on the water to support the Harbor Master, and shift coverage to decrease overtime; and two (2) firefighter/paramedics to allow four (4) firefighters per shift, dropping down to three (3) when necessary. In addition, the Fire Department will attempt to reinstate the call firefighter unit which may include Town employee volunteers and resident volunteers.

The proposed FY24 budget also includes funds for an additional position in the Health Department, the recently hired Public Health Director, which was funded with federal ARPA (American Rescue Plan Act) funds in FY23. The cost of this new position will be partially offset by a decrease in professional services, since the Public Health Director will review and approve Title V applications and perform health inspections, which were previously outsourced.

The proposed FY24 budget strengthens our Public Safety and Health departments while keeping the Town's operating and capital budgets within the Proposition 2 ½ limits. The Town's independent auditors reviewed the Town's financial data and policies and gave high marks to the management team for their financial controls. The Town continues to receive an

award for the strength of its financial reporting in the Annual Comprehensive Financial Report. The Town maintains its AAA bond rating which is reserved for municipalities that show tight discipline in their financial controls and operations and we consider factors used by the ratings agencies with a goal of maintaining our AAA rating when creating the budget.

There is always pressure on the budget to absorb contractual costs and expenses such as health insurance, energy, information technology and public safety. Three of the four Town union contracts are currently being negotiated. We continually strive to deliver Town services more efficiently, including regionalization opportunities with our neighbors to share and reduce costs. Our benchmarking efforts with similar towns in eastern Massachusetts have been helpful. Our goal is to improve long-term financial plans and decisions that will benefit the Town.

The Town utilizes a comprehensive capital improvement plan to address our aging infrastructure and has made substantial progress replacing or lining old water pipes (a portion of which is covered by one-time federal ARPA funds), lining sewer pipes to decrease our inflow and infiltration of ground water to improve the available capacity of the sewer treatment plant and continue road maintenance based on our long-term plan. The Finance Committee works with the Town Administrator and department heads to develop short, medium, and long-term capital improvement strategies, reducing our reliance on debt service for routine capital items by using a cash capital exclusion. This funding strategy decreases debt and its associated interest and service costs, thereby reserving debt capacity for future large capital projects. The recommended capital projects are detailed later in this booklet.

The School District faces many unfunded State mandates, including out-of-District special education placements with associated transportation costs, and works to maintain solid programs and operations while keeping the costs to the two towns at a sustainable level. However, over the past few years it has used its reserves to fund a portion of the operating budget and the FY24 budget reflects an adjustment to eliminate that dependence on the reserves, resulting in a FY24 total increase of 6.9%. In addition, the School District is close to finalizing a Facilities Report to consider upgrade or replacement options for the Essex Elementary School and upgrades to the Middle/High School which is now over 15 years old.

Financial Highlights

- The estimated tax increase is 2.98%, a 2.5% increase in the levy limit plus 0.48% from excess levy capacity.
- FY24 operating budgets compared to the FY23 operating budgets:
 - o Town: +3.09%
 - o School: +5.72%
- On July 1, 2022, the Town had financial reserves (fund balance plus stabilization fund) of \$5,497,420, a decrease of \$274,631 from the prior year, due to our strategy to utilize a portion of our excess reserves for capital improvements and OPEB. Our financial reserves were 14.3% of the operating budget, exceeding our 10% target. In addition, the water and sewer enterprise funds have retained earnings of \$889,981, a decrease of \$117,341 from the prior year and the fire apparatus fund equals \$1,115,000, resulting in a total of \$7,502,401.
- On July 1, 2023, after approval of the FY24 budget, we expect financial reserves (fund balance and stabilization fund) will be approximately \$3,900,410 about 9.7% of total operating budget. The water and sewer enterprise funds are expected to have retained earnings of \$614,981 and the fire apparatus fund is expected to be \$1,315,000, for a total of \$5,830,391. Since the MERSD maintains reserves equal to about 10% of their operating budget, we are contemplating changing the Town’s reserve target to be based on the Town’s operating budget, rather than the total including the MESRD operating budget. Further details are included in the fund balances, other reserves, and debt section of this report.

- Town debt service is projected to decrease by \$140,485, 13.57%, in FY24. Instead of acquiring new debt with associated interest and service costs, the Town is replacing expiring debt service amounts with cash payments for capital projects, using either annual cash exclusions or excess reserves as part of the ongoing capital and financial planning.
- Moving dispatch to the State Regional 911 Center on March 1, 2023, enables us to include three (3) new Police Officers in the FY24 budget. This will allow three (3) officers per shift to staff the lobby, support the Harbor Master on the water, respond to emergencies including EMT support for the Fire Dept., fill the gap for the loss of Reserve Officers, and reduce reliance on overtime. The cost is covered by a decrease in the Reserve Officers budget of \$108,000, a decrease in the overtime budget of \$7,000 and by dispatch employee savings of \$272,215.
- Two (2) new firefighter positions are included in the FY24 budget to allow 4 firefighters per shift and reduce reliance on overtime. The cost is partially offset by a \$120,000 decrease in the overtime budget.
- Pension expenses for Town employees and retirees will increase 4.1% over FY23 (less than the 7.1% increase in the FY23 budget), a calculation determined by the State based on payroll and includes higher payments to fund the unfunded liability over the next 10+ years, at which point the annual increase in our contribution is expected to decrease.
- Health insurance equals 9.38% of the Town's operating budget, an increase of 10.7% over FY23, based on a premium increase of 7.15% and additional plans for the new positions included in this budget.
- Capital budget recommended for FY24 is \$4,241,300, larger than our goal of \$3 million per year, due to the cost to reline or replace the Pleasant Street water main prior to the traffic diversion for the pending Central Street Culvert Project. These capital expenditures will be funded through \$1,550,600 in taxation, \$1,715,700 from the fund balance (reserves), \$475,000 from water funds, \$300,000 from sewer funds, \$100,000 from the harbor fund, and \$100,000 from Parks & Rec revolving program fund. In addition, \$150,000 in State Chapter 90 funds will be spent on additional road maintenance and over \$300,000 of one-time federal ARPA (American Rescue Plan Act) funds will be spent on the water pipe replacement/relining.
- The MERSD operating budget total assessment increase to the two towns is 6.90% for FY24. The town assessments are partially based on enrollments. Since enrollments have declined in Manchester and increased in Essex, Manchester's assessment will increase 5.72% for FY24, while Essex's assessment will increase 8.96%. Manchester's assessment is \$16,819,549, an increase of \$909,851. The MERSD operating budget assumes an adjustment to eliminate the ongoing use of School District reserves to help fund the Operating Budget.
- Manchester's assessment for the MESRD debt service is \$2,796,163, a decrease of 7.3% from FY23.
- The estimated assessment included in the FY24 budget for the Essex North Shore Agricultural and Technical School is \$245,081, an increase of \$21,701, which includes the enrollment of one additional Manchester student, for a total of 14 students.

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 FY24 Town Operating Budget

The FY24 budget is built on the following principles meant to maintain the financial strength of the Town:

- Current revenues cover current expenditures and no debt is used to fund operating expenses.
- Cash capital exclusions are used for normal capital items to reserve new debt for large projects.
- Maintain strong General Fund reserves, currently targeted at 10% of the total operating budget.
- Include contingency funds and realistic revenue projections to avoid a budget shortfall.
- Adequate maintenance and replacement budgets so capital facilities and equipment remain functional.
- Maintain the current quality of services, addressing new or increased service demands through enhanced efficiencies, when possible.

Most Town departments have shown restraint in their budgetary requests and work diligently to develop an efficient budget. The Town continues to realize savings in this budget with new technology and prior capital programs, such as LED streetlights, new HVAC systems, high-efficiency pumps at our treatment plants and a consolidated facilities department under the Department of Public Works. DPW employees provide strong in-house engineering expertise and guidance in managing capital projects. The Town actively seeks out State and Federal grants to help offset costs and implement new programs.

The Finance Committee goals are to maintain the Town assets and infrastructure, prepare for future changes and events, including climate resiliency, and provide sustainable services for Town residents. We invest significant time looking at long-term financial planning and multiyear models for both operating and capital planning. Five primary guidelines are the basis for shaping the recommendations for this proposed budget and future budgets. These include:

- Minimize tax rate increases while maintaining current services.
- Maintain Reserves at 10% of total operating budget, using excess reserves for capital projects and OPEB.
- Limit debt service payments to 10% of total expenditures.
- Stay on course to fully fund our unfunded retiree liabilities (OPEB).
- Maintain Town debt/cash capital exclusions at the current level to allow future capacity for large capital projects.

Public Safety

Dispatch Services transferred to the State Regional 911 Center on March 1, 2023.

In the Police Department, due to the State Police Reform Act, our Reserve Officers who covered weekend dispatch shifts and Police shifts to reduce overtime have been reduced from 12 to 2. Due to the unexpected rapid loss of Reserve Officers in FY23, overtime is expected to exceed the amount budgeted, but is expected to be offset by savings in the salary budget. The Police Reform Act also restricts the police powers of the Harbor Master, requiring additional police presence on the water for enforcement. Thus, three (3) additional police officer positions are included in the FY24 budget allowing three person shifts to decrease overtime, staff the police lobby with a police officer between 8:00 am and midnight, provide improved staffing to respond to police and fire emergencies, and allow a police officer on the water to assist the Harbor Master.

In the Fire Department, due to turnover and difficulty in finding qualified replacements with both paramedic and firefighting skills, overtime in FY23 is expected to greatly exceed the amount budgeted. The Finance Committee is concerned that the Fire Chief used overtime not in the budget to maintain three (3) person shifts, rather than dropping down to two (2) person shifts as had been done in the past. The Fire Chief feels four people per shift is necessary for

appropriate coverage. An additional floater position was added in each of the FY22 and FY23 budgets to decrease the amount of overtime but did not achieve the desired result. Thus, the FY24 budget includes two (2) additional firefighter/paramedic positions to allow four (4) people to be assigned to each shift with the ability to drop down to three (3) people when needed. This takes into consideration that most calls are for medical emergencies, all police officers are certified as EMT's, the additional police department staffing will enable a police officer to assist in medical calls when needed and mutual aid is used for large structure fires. In addition, this budget includes funds to reinstitute the Call Firefighter Unit, possibly with police and other Town employee volunteers, as well as resident volunteers.

Below is a summary of the impact to the budget of these Public Safety changes:

Police Department

• 3 new officer positions salary and benefits	\$330,000
• Dispatcher positions salary and benefits	(\$272,205)
• Reduction in Overtime budget	(\$ 7,000)
• Loss of PSAP training grant	\$ 52,000
• Decrease in Reserve Officers	<u>(\$108,000)</u>
• Net change in Police/Dispatch employee costs	(\$ 5,205)

Fire Department

• 2 new firefighter/paramedic positions	\$200,000
• Reduction in overtime budget	(\$120,000)
• Call Firefighters & supplies	<u>\$ 31,500</u>
• Net Change in Fire employee costs	\$111,500

Additional Dispatch savings due to avoided costs include \$22,000 in the FY24 capital budget for a required new fingerprinting digital system and \$148,000 for dispatch equipment and an RMS upgrade. Additional capital expenditure savings will occur in future years including new updates to the radio system infrastructure, replacement of portable and mobile radios, replacement of laptops and Air Cards in police vehicles.

Other Post-Employment Benefits (OPEB) and Pension Liabilities

The Town continues its progress in reducing the unfunded liabilities for health insurance obligations to current and future retirees, commonly called OPEB (Other Post-Employment Benefits), by setting aside assets in a Trust and making annual contributions to the Trust to fund the liabilities.

On the liability side, our unfunded liability was \$3,314,197 on June 30, 2022, a decrease of \$1,250,185 from June 30, 2021. Town employees agreed to changes to the health insurance plans to reduce the unfunded OPEB obligations, including higher deductibles and co-payments, higher employee premium payments, enroll retirees in Medicare, wellness options and audit coverage rolls to eliminate ineligible.

On the asset side, the Town has been making annual contributions to its OPEB Trust in excess of the level that actuaries consider “fully pre-funded”. The value of the OPEB Trust was \$3,815,021 on June 30, 2022, an increase of \$284,939 over June 30, 2021. If the Town continues to make accelerated contributions, the Trust assets are expected to fully fund the unfunded liability within 15 years. While the actuarial analysis assumes a rate of return on invested funds of 7.5%, the Trust assets invested in the State Pension Reserves Investment Trust (PRIT), a large professionally managed fund, have grown at a significantly higher rate. Investment results which exceed the assumed rate decrease future Town contributions. For FY24, we recommend a contribution of \$289,300, an increase of \$11,127 (4%) above last year and greater than the

recommended minimum payment.

The Town also has unfunded pension liabilities and follows the State mandated program with the expectation the unfunded pension liabilities will be fully funded by 2035. Additional information on the Town's pension and OPEB liabilities is in the Select Board'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

Several years ago, Manchester adopted a more aggressive capital improvement plan to address past deficiencies and meet the Town's future infrastructure needs. We maintain a 5-year capital plan with projections for ten years. We continue our steady progress with significant improvement in water and sewer system infrastructure and an ongoing program of road resurfacing.

The FY24 capital budget recommends spending \$4,241,300, which is higher than our annual \$3 million goal. In addition, \$150,000 from State Chapter 90 funds will be used for additional road maintenance and over \$300,000 in federal ARPA (American Rescue Plan Act) funds will be used to fund additional water projects. This includes:

- 57% for water and sewer projects
- 19% for DPW projects
- 10% for Public Safety and Harbor
- 19% for Parks & Recreation
- 5% for other Town Departments, Library and Boards

The Town applies for grants to fund various capital projects and public safety equipment to enhance our capital budget. The list of recommended capital projects is included later in this booklet. The Finance Committee is a strong proponent of not deviating from the established five-year capital plan. Although opportunities come along, maintaining consistent capital spending on well-defined projects will best serve the Town in the long run. A facilities Master Plan is being prepared to enable the Town to prioritize larger projects, determine the best use of the available land and estimate the associated capital costs and available funding mechanisms.

Our support of the town's infrastructure is also enhanced by Community Preservation Funds, partially matched by the State. In FY24, we support the Community Preservation Committee's recommendation to spend \$436,600 on various projects including \$90,100 for Open Space/Recreation, \$200,000 for Community Housing, \$121,500 for Historic Preservation and \$25,000 for Administration.

The Town has adopted a strategy of "pay-as-you-go" cash capital exclusions for capital projects. Thus, we replace expiring debt service with cash payments for capital improvements, rather than acquiring additional debt with the associated interest and service costs. The goal of this capital funding strategy is to eliminate debt and interest costs for routine capital expenses to provide debt capacity for future large projects. In FY24, the capital budget proposes the use of excess reserves, rather than a cash capital exclusion. The proposed capital projects for FY24, detailed later in this booklet, will be funded through a combination of taxation, grants, water and sewer enterprise funds, waterway, State Chapter 90 funds and local receipts.

Fund Balances, Other Reserves, and Debt

If actual expenses are lower and/or revenues are higher than anticipated for a fiscal year, the excess amount is credited to the Town's Fund Balance (much like net income in a commercial context), essentially the Town's savings account. The Department of Revenue annually certi-

fies the available fund balance, also known as free cash. In the past, when reserves were lower, Town Meeting voted to move some of the Fund Balance to the more restricted Stabilization Fund, but it has not done so in recent years due to its size, with a balance of \$1,879,461 on 7/1/2022.

The Finance Committee believes it is prudent to maintain adequate financial reserves (Fund Balance plus Stabilization) for unforeseen events and to use excess reserves for capital expenditures and OPEB. A graph showing historical levels of reserves appears later in this booklet. The Finance Committee set a target that the financial reserves should equal about 10% of the Town total operating budget (including the MERSD budget). We will be reviewing the target in the future to determine whether to exclude the MERSD portion of the budget in the target calculation since it also maintains reserves of 10% of its operating budget.

On July 1, 2022, our reserves (Fund Balance plus Stabilization) were \$5,497,420. Since our reserves currently exceed our target, we recommend using some of the reserves for capital projects in the FY24 budget, in lieu of raising the funds through a higher tax rate or requesting a cash capital exclusion. In addition to our reserves, we have water and sewer enterprise funds retained earnings of \$889,981 and a fire apparatus fund of \$1,115,000 for a total of \$7,502,401.

On July 1, 2023, with approval of the FY24 budget, we expect reserves (fund balance and stabilization) will be \$3,900,410 plus \$614,981 in water and sewer enterprise funds retained earnings and \$1,315,000 in the fire apparatus fund for a total of \$5,830,391.

Manchester Essex Regional School District Budget

The Manchester Essex Regional School District and the School Committee (“School District”) are responsible for the school budget. The Finance Committee works with the School District and reviews the budget before recommending it to the voters at the Annual Town Meeting. A Finance Committee member participates in a small working group with representatives from the School District and the Towns of Essex and Manchester to provide input to the School District on the affordability of the budget. The entire Finance Committee met with School District officials during the budget process to discuss the budget and review the School District’s future financial plans.

The School District has done a good job of balancing their operating budget in conjunction with the town budgets for both Manchester and Essex. Despite this, the Finance Committee continues to have concerns about the increasing operating cost of the School District despite a declining enrollment. Manchester’s contribution to the MERSD and ENS Agricultural & Technical School represents 49% of the Town’s total budget and 54% of the total operating budget. The School District is seeking an increase of 5.72% (\$909,851) in the FY24 assessment to the Town of Manchester, for a FY24 assessment of \$16,819,549. The annual increase is negotiated between the School District, Manchester, and the Town of Essex. The overall School District operating budget for FY24 is \$30,236,064, an increase of 4.53% over FY23, and financial reserves total \$3.24 million. The FY24 operating budget includes an adjustment to eliminate the use of reserves to help fund the operating budget. The School District is wrestling with increasing salary costs, unfunded mandates, increasing health insurance costs, aging infrastructure, decreasing student enrollment and increasing special education costs, both in and out of District which make it difficult to create long-term budgets. The School District has indicated it expects the FY24 budget adjustment will enable the School District to return to annual increases of about 3.5% for the next few years which the Town has historically been able to absorb without impacting other Town services or necessary infrastructure repairs and replacements. In creating the FY24 budget, the School District added back some cuts in the curriculum and a late school bus which it had eliminated in FY23. We view the School District budget as an important challenge for the two Towns, their voters, and the School District to work on collectively in the coming years.

In addition to the School District operating budget, we will pay \$2,796,163 toward the School District's debt service payments, a decrease of \$221,472 (7.3%) from FY23. This payment covers a portion of principal and annual interest for the debt service. The FY24 debt service on the middle high school is \$1,063,853, declines each year and is due to be paid off in 2033. The FY24 debt service for the Memorial Elementary School is \$1,723,587, declines each year and is projected to be paid off in 2049. We hope that the funding for the replacement or renovation of Essex Elementary School will coincide with paying off the middle high school debt in 2033, but it appears that funding may be required before 2033.

The School District continues to do an admirable job of addressing its OPEB unfunded liabilities. During contract negotiations, the School District changed the health insurance program to decrease liabilities and pledged to apply annual savings from the changes to fund the OPEB unfunded liability. The School 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. The popularity of this educational option has increased substantially with 14 Manchester students now enrolled. The estimated FY24 cost of the ENS Agricultural & Technical School is \$245,081, \$21,701 higher than last year due to the enrollment of one additional student. We wholeheartedly support this educational option.

Looking Ahead to FY25

The Finance Committee will begin working on the FY25 budget, which begins on July 1, 2024, in the fall of 2023. It is difficult to predict the Town's future financial needs, but we are optimistic that we can continue to provide a high level of services for the residents and repair the Town's infrastructure within the limits of Proposition 2 ½, without incurring debt for routine capital requests. This planning includes some factors beyond the Town's control, such as health insurance, state and federal regulations, energy costs, natural disasters, unexpected infrastructure failures and climate sustainability needs. We are confident the financial structure, systems, and proposed budgets for the Town are in good shape. Determining 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. The Finance Committee is concerned about the rising costs, staffing, and future management issues throughout all sectors of Town Government and will continue to look for ways to reduce costs. Since we have been using excess reserves to fund a portion of our capital budget, we do expect that we may need to use excess levy capacity in FY25 which will result in a tax increase greater than 2.5%.

The School District represents the largest single expenditure for the Town. Annual increases to the Town that exceed 3.5% 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. The adjustment contained in the School District FY24 budget should allow typical annual increases over the next few years; however, the timing of the Essex Elementary School upgrade/replacement may occur sooner than previously forecast. The strong teamwork and cooperative effort between the two towns and the School District is promising as we all work together to resolve this important challenge in the coming years.

Cell Signaling Technology has purchased land and wishes to build a corporate campus in the Limited Commercial District with the goal of completing Phase 1 in 2025. This project could bring substantial additional tax revenue to the Town without putting pressure on the School District. The Finance Committee will compare any demand this project might place on Town services and infrastructure with the anticipated increase in Town tax revenues.

The long-term repair and upgrading of our aging infrastructure and climate sustainability

remain key priorities in developing the capital plan and a multi-year approach. Significant progress is being made addressing the smaller capital needs and using a cash capital exclusion strategy to avoid burdening the Town with future debt. The Town’s capital needs are significant and require discipline to maintain the current five-year plan. In addition, a longer multiyear plan is in place for addressing future capital needs and Town infrastructure improvements, which will be further refined later this year. A Facilities Report is expected to be completed in 2023 which will enable the Town to prioritize the repairing, upgrading or replacement of our outdated Town buildings and create a long-term plan for large projects by replacing debt being retired and cash capital exclusions with new debt and the potential receipt of additional tax revenues if the Cell Signaling Technology project is approved. We hope that the Town 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 Manchester residents to 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>	2025
Andy Oldeman, <i>Vice Chair</i>	2023
Dean Nahatis	2024
Tom Parkins	2023
Michael Pratt	2023
Mory Creighton	2024
Peter Twining	2024

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 next five years and flags potential larger, “special” projects in years 6-10. We have made significant progress in addressing our backlog of need capital improvements though there remains plenty more to do. The challenge here is to catch up on this backlog without imposing large new tax burdens on property owners. Our approach relies on gradually increasing the 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. We are able use this method because of the amount of debt we 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 eight years ago. The payments are declining yearly. Within a year, 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. 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. Either a major rehabilitation or replacement of the Essex Elementary School will soon be up for a vote. In the 10-15 year timeframe we will face a number of large capital projects in the form of building upgrades including public safety 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. By the early to mid 2030’s we will no longer be needing to put extra funds aside for our OPEB and pensions liabilities as these funds will be fully funded. These funds along with additionally freed up debt payments will allow the Town to take on new debt for some of the projected large projects.

CAPITAL PROJECTS FOR FY2022:

Warrant Article 5 lists the projects, services and purchases by department. To fund the capital plan, the current proposal is to decrease general fund revenue use slightly to \$1.55 million. However, a large increase in the use of the Town’s “Free Cash” or fund balance is proposed,

using \$1,715,700 as our fund balance is above the target range. Additional funds include state Chapter 90 funds for road work, funds from the water and sewer enterprise accounts and the waterways fund. (The Finance Committee reduced the amount of taxation going to capital this year redirecting funds to help pay for the larger funding request for FY24 by the school district and thus avoiding a larger tax increase. The DPW garage engineering work was deferred.)

A summary of the requests includes:

- Road repaving (focus on roads being dug up for water pipe replacement)
- Drainage and sidewalk repair funds –an annual amount as we address numerous drainage issues and crumbling sidewalks
- General Town Building upgrades including new HVAC at Seaside 1
- Chowder House and Tuck’s Point Restroom roof replacement
- Town Hall Computer and Voting Equipment upgrades
- Water task Force Additional Funding
- COA van replacements
- Library – flood proofing and a new generator for the building
- Funds for a village planning efforts
- Reserve fund for future Fire Department vehicles
- Replacement Police Cruisers for administrative uses
- Harbormaster dredging engineering
- Harbor Management Plan funds
- Water pipe replacement and equipment upgrades
- Sewer plant upgrades

School Capital:

The District faces the need to renovate or replace the Essex Elementary School. While originally it was hoped that the tow town could retire most of the debt for the middle high school (payments end in 2033) before embarking on a second elementary school project, the needs are such that the project will likely be needed sooner. Replacement of the turf for the two turf fields in Manchester are planned for the coming year with a relatively small new bond being proposed. The Town of Manchester is responsible for half the cost of the maintenance of Coach Field. By bonding, the district can hold onto their reserves for what will likely be various repairs to the Essex Elementary School while we await a permanent solution.

FIVE YEAR CAPITAL PLAN SUMMARY

CAPITAL PLAN	FY 24	FY 25	FY26	FY27	FY28	Five Yr Total
Highway						
Roads & Guardrails	\$ 550,000	\$ 550,000	\$ 600,000	\$ 600,000	\$ 450,000	\$ 2,750,000
Vehicles	\$ -	\$ 150,000	\$ 110,000	\$ 300,000	\$ -	\$ 560,000
Facilities	\$ 50,000	\$ 50,000	\$ 20,050,000	\$ 50,000	\$ 350,000	\$ 20,550,000
Stormdrains/Sidewalks	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 1,250,000
Storm Damage	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 125,000
TOTAL	\$ 875,000	\$ 1,025,000	\$ 21,035,000	\$ 1,225,000	\$ 1,075,000	\$ 25,235,000
Land Use Management						
PB Studies	\$ 37,500	\$ 10,000	\$ 20,000	\$ -	\$ -	\$ 67,500
Trail work/land improvements	\$ -	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000
TOTAL	\$ 37,500	\$ 10,000	\$ 20,000	\$ 10,000	\$ -	\$ 77,500
Town Hall						
Town Hall/Computer updates	\$ 50,000	\$ 50,000	\$ 40,000	\$ 75,000	\$ 75,000	\$ 290,000
Equipment & Other	\$ 16,000	\$ -	\$ -	\$ -	\$ -	\$ -
Water Task Force	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 96,000	\$ 50,000	\$ 40,000	\$ 75,000	\$ 75,000	\$ 336,000
Historic District Commission						
Historic survey work	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
TOTAL	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Town Clerk/Elections						
Equipment	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
TOTAL	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Library						
Building Upgrades	\$ 90,000	\$ -	\$ -	\$ 100,000	\$ -	\$ 190,000
TOTAL	\$ 90,000	\$ -	\$ -	\$ 100,000	\$ -	\$ 190,000
Parks and Recreation						
Facilities	\$ -	\$ 4,000,000	\$ -	\$ -	\$ -	\$ 4,000,000
Chowder House Roof	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Athletic Fields	\$ 400,000	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,400,000
TOTAL	\$ 470,000	\$ 6,000,000	\$ -	\$ -	\$ -	\$ 6,470,000

continued

FIVE YEAR CAPITAL PLAN SUMMARY continued

REVENUES	FY24	FY25	FY26	FY27	FY28	Total
General Fund (taxes)	\$ 1,550,600	\$ 2,167,600	\$ 2,490,200	\$ 2,712,000	\$ 2,915,500	\$ 11,835,900
Fund Balance	\$ 1,715,700	\$ 800,000	\$ 600,000	\$ 400,000	\$ 300,000	\$ 3,815,700
Chapter 90	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 750,000
Water Funds	\$ 475,000	\$ 550,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 2,225,000
Sewer Funds	\$ 300,000	\$ 500,000	\$ 250,000	\$ 200,000	\$ 150,000	\$ 1,400,000
Harbor Funds	\$ 100,000	\$ 100,000	\$ 5,050,000	\$ -	\$ -	\$ 5,250,000
Other	\$ 188,000	\$ -	\$ -	\$ -	\$ -	\$ 188,000
Bonds or cap exclusions	\$ -	\$ 6,000,000	\$ 20,000,000	\$ -	\$ -	\$ 26,000,000
Grand Total	\$ 4,479,300	\$ 10,267,600	\$ 28,940,200	\$ 3,862,000	\$ 3,915,500	\$ 51,464,600

CPC surcharge raised to 3% to cover bond for Sweeney and Tuck's Rotunda
Accelerated Water Pipe replacement with additional grants funds (ARPA/Infrastructure Act)
Harbor Dredging bond in FY26 paid by waterway funds
DPW bond in FY26 as well for new DPW facility (CST taxes could cover payments)



MANCHESTER-BY-THE-SEA

BOARD OF SELECTMEN • TOWN HALL
Manchester-by-the-Sea, Massachusetts 01944-1399
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BOARD OF SELECTMEN REPORT ON FUTURE OBLIGATIONS FOR RETIREMENT AND HEALTH CARE BENEFITS – AN UPDATE OF OUR FUTURE LIABILITIES

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

Introduction

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

Town Pensions

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

The Essex Regional Retirement Board's unfunded liability was estimated by an actuarial study to be \$347,248,109 as of January 1, 2022, based on current assets of approximately \$635 million and total liabilities of \$1 billion. 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 12/31/2021, Manchester's net pension liability is 3.526% with a net liability of \$12.2 million. Annually we contribute a portion of this liability. For FY23 we contributed \$1,564,930 for both current and future liabilities. This number is expected to grow 6.5% through FY2029 and 4% per year thereafter.

Essex Regional Retirement System (as of 1/1/2022 actuarial valuation)

Total Assets	= \$635 million
Present day Value of Liabilities	= \$1.052 billion
Unfunded Liabilities	= \$347 million
Manchester Share 3.526%	= \$12.2 million

Annual Town Payment (FY24) = \$1,628,887 (increasing annually through 2036)
-To be fully funded by 2036

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

The Town provides health insurance to all retirees eligible for a pension. Voters approved this benefit decades ago and, by state law, we must now continue to do so. Because the Town has been in operations for hundreds of years, our pool of retirees, while growing slightly, is relatively stable. Thus, our “pay as you go” amount started out already at 70% of the required Annual Required Contribution, or ARC. We are now at 100% + when we combine our annual pay as you go amount with the amount we add to the trust. Our most recent interim actuarial study (as of 6/30/22), completed by Sherman Actuarial Services, concluded that our total Actuarial Accrued Liability for both active employees and retirees comes to \$7 million. This is the present day value of the cost of retiree health insurance for the next 30 years.

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. Assuming voters approve the next payment installment to the OPEB Trust account at the April 2023 Town Meeting, we will have approximately \$4.1 million in the trust account which, when combined with our pay as you go amount is putting us ahead of the 30 year plan to be fully pre-funded for our OPEB obligations by the year 2032. The annual appropriation to the OPEB Trust is slated to grow in the 3% range.

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

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

OPEB Assets and Liabilities

Total OPEB Liability estimated as of 6/30/22 \$ 7 million

Current Assets (assumes April 2023 appropriation) \$ 4.1 million

On schedule to be fully funded by 2032



MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT

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AVI URBAS

DIRECTOR OF FINANCE AND OPERATIONS

March 6, 2023

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, 2022), contain the following estimates.

Pensions

The unfunded portion of the pension liability attributable to MERSD is estimated to be \$5,029,673, down 15% from the prior year, and down 22% from five years ago.

Most pension programs require contributions from employees and employers. The large majority of MERSD employees are teachers and other licensed personnel (e.g. principals

and district administrators), who participate in the Commonwealth of Massachusetts' Teachers Contributory Retirement System (MTCRS). For these employees, the Commonwealth pays 100% of the employer share of pension expense, and employees also contribute directly by way of an 11% payroll deduction. **As a result, MERSD has no expense, nor any liability whatsoever, for pension costs related to licensed employees, including teachers and administrators.**

A smaller number of employees, who are not licensed by the Commonwealth (e.g. facilities staff, 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 \$667,994. 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 2035, in accordance with Massachusetts General Law. Doing so requires MERSD to increase its annual pension contribution by 6.5% each year through 2029, and by 4.0% 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, in order to achieve the full funding target. As of the most recent ERRS actuarial valuation, the pension program's liabilities were 67% funded, up from 52% in 2014.

The estimate referenced above for MERSD's portion of ERRS' unfunded pension liability is based on applying 1.45% of ERRS' \$347 million 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. MERSD's current 1.45% share of ERRS payroll and required contributions is down from the 1.71%-1.80% range observed between 2014 and 2018. It is also lower than the Town of Manchester's share of the ERRS liability (3.44%) and the Town of Essex's share (1.67%).

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

OPEB (Retiree Health Insurance)

MERSD's unfunded liability for OPEB is \$22,638,162 as of June 30, 2022, down 6% from the prior year, and down 8% from five years ago.

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 \$964,722 in the most recently concluded fiscal year. This cost has grown at an average annual rate of 7.0% over the past five years, reflecting both industry trends of growth in health care costs, and an increasing number of retirees that MERSD is obligated to cover by law. MERSD now covers nearly 20% more retirees (184) than active employees (155).

Overall growth of retiree health care has slowed, however, due to introduction of less costly plans and increasing contribution rates from covered retirees. In FY09, retirees contributed just 15% of the cost of health plans annually. By contrast, retirees currently contribute 20-30% of the annual cost, with a weighted average annual contribution of 21%. With half of MERSD active employees, and all new hires now required to contribute 30% of the annual cost, the average retiree contribution percentage is expected to continue to grow in the coming years, which will help to decrease the rate of budgetary growth for MERSD.

In addition to last fiscal year's "pay-as-you-go" expense, MERSD also contributed \$530,436 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, from 66.11% of the actuarially determined annual contribution needed to achieve full funding in fiscal year 2017 to an annual average of 92% over the past five years, far ahead of most regional school districts.

Additionally, the agreement migrated all employees to an insurance program with lower monthly premiums (which are split between MERSD and employees, based on contribution percentages referenced above) in exchange for introduction of deductibles and/or higher co-pays (which are paid by employees for each doctor's visit or procedure). The negotiated agreement stipulates that in return, all savings from these changes will be placed into an OPEB trust fund for the sole purpose of paying future OPEB costs.

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

As of June 30, 2022, MERSD has contributed a total of \$3,387,946 to its OPEB trust, and based on budget estimates for FY-23 and FY-24, MERSD is on track to contribute \$4.6 million to its OPEB trust fund in just 10 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 (81% 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 by 65% or \$7.2K per year per participating retiree, 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). MERSD has seen a significant improvement in claims/utilization from these plans, which helps to control costs and limit rate increases in subsequent years. Today, nearly 10% of retirees (those who have not yet aged into Medicare), and all active employees participate in the HRA plan, which costs nearly 20% less, or nearly \$9K annually per retiree, than the legacy pre-Medicare retiree healthcare plan.

- A new policy beginning July 1, 2013 prohibited retirees from adding insurance coverage after retirement, which will make changes in enrollment levels more predictable.

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

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



ANNUAL TOWN MEETING WARRANT

Essex, ss.

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

Greetings:

In the name of the Commonwealth of Massachusetts you are hereby required to notify and warn the inhabitants of the Town of Manchester-by-the-Sea qualified to vote in elections, to meet for the **Annual Town Meeting** at the Memorial Elementary School on Lincoln Street, in Manchester-by-the-Sea, on **Monday, the 3rd day of April**, two thousand and twenty-three AD, at six thirty o'clock in the evening.

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 Select Board

The Finance Committee takes no position.

The Select Board recommends approval

ARTICLE 2. To see if the Town will vote to fix the 12-month fiscal year salary and compensation of all elective officers of the Town as provided in Section 108 of MGL 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

The Finance Committee takes no position.

The Select Board recommends approval

ARTICLE 3. To see if the Town will vote to raise and appropriate or transfer from available funds \$245,081 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 Select Board

The Finance Committee recommends approval

The Select Board recommends approval

ARTICLE 4. To see what sums of money the Town will raise by taxation or otherwise to pay Town debts and charges for the ensuing 12 months, effective July 1, 2023, and appropriate the same.

DEPARTMENTAL REQUESTS AND
FINANCE COMMITTEE RECOMMENDATIONS

Item No.		Appropriations FY - 2023	Requests FY - 2024	Recommendations FY - 2024	Funding Sourcess
GENERAL GOVERNMENT					
33.50%					
SELECTMEN'S DEPARTMENT					
1	Salaries	319,232	326,434	326,434	TAXATION
2	Expenses	64,500	65,500	65,500	TAXATION
3	Audit	44,500	40,500	40,500	TAXATION
INFORMATION TECHNOLOGY					
4	Expenses	152,000	171,500	171,500	TAXATION
FINANCE COMMITTEE					
5	Salaries	3,800	3,800	3,800	TAXATION
6	Expenses	300	300	300	TAXATION
7	Reserve Fund	210,000	190,000	190,000	TAXATION 65,000 OVERLAY SUR. 125,000
ELECTION & REGISTRATION					
8	Salaries	9,506	5,150	5,150	TAXATION
9	Expenses	18,000	22,550	22,550	TAXATION
ACCOUNTING					
10	Salaries	166,915	173,356	173,356	TAXATION
11	Expenses	4,700	4,700	4,700	TAXATION
ASSESSORS					
12	Salaries	129,279	132,511	132,511	TAXATION
13	Expenses	62,150	62,750	62,750	TAXATION
TREASURER/COLLECTOR					
14	Salaries	163,906	167,953	167,953	TAXATION
15	Expenses	31,925	32,225	32,225	TAXATION
TOWN CLERK					
16	Salaries	104,894	109,841	109,841	TAXATION
17	Expenses	7,555	7,545	7,545	TAXATION
LEGAL/PROF. SERVICES					
18	Expenses	95,000	110,000	110,000	TAXATION
APPEALS BOARD					
19	Salaries	8,320	8,528	8,528	TAXATION
20	Expenses	12,050	12,000	12,000	TAXATION
PLANNING DEPARTMENT					
21	Salaries	101,153	103,682	103,682	TAXATION
22	Expenses	6,600	6,600	6,600	TAXATION
TOWN HALL & COMMON					
23	Expenses	38,200	39,400	39,400	TAXATION
PENSIONS					
24	Contributory	1,564,930	1,628,887	1,628,887	TAXATION 1,479,624 SEWER RATES 85,011 WATER RATES 64,252
INSURANCE					
25	Group Health Insurance	1,329,000	1,471,720	1,471,720	TAXATION 1,322,623 SEWER RATES 88,132 WATER RATES 60,965
26	Workers' Compensation	95,000	100,000	100,000	TAXATION 79,000 SEWER RATES 10,000 WATER RATES 11,000
27	Fire/Auto/Liability	130,000	135,000	135,000	TAXATION 111,000

					SEWER RATES	12,000
					WATER RATES	12,000
28	Unemployment Compensation	7,000	7,000	7,000	TAXATION	
29	FICA-Medicare	103,515	118,796	118,796	TAXATION	110,490
					SEWER RATES	4,608
					WATER RATES	3,698
Total General Government		4,983,930	5,258,228	5,258,228	TAXATION	4,781,562
					OVERLAY SUR.	125,000
					SEWER RATES	199,751
					WATER RATES	151,915
						5,258,228

PUBLIC SAFETY
26.05%

POLICE

30	Salaries	1,874,324	1,932,565	1,932,565	TAXATION	
31	Expenses	99,675	101,350	101,350	TAXATION	

PARKING CLERK/RESIDENT PARKING

32	Salaries	6,389	6,549	6,549	TAXATION	
33	Expenses	20,200	27,000	27,000	TAXATION	

FIRE

34	Salaries	1,431,714	1,502,525	1,502,525	TAXATION	
35	Expenses	145,100	173,550	173,550	TAXATION	

HARBOR MASTER

36	Salaries	186,359	191,017	191,017	MOORING FEES	
37	Expenses	26,610	26,610	26,610	MOORING FEES	217,627

BUILDING DEPARTMENT

38	Building Inspector	47,921	49,119	49,119	TAXATION	
39	Gas/Plumbing Inspector	14,150	14,504	14,504	TAXATION	
40	Sealer of Weights & Measures	3,000	3,000	3,000	TAXATION	
41	Electrical Inspector	14,150	14,504	14,504	TAXATION	
42	Inspector's Expenses	4,500	5,600	5,600	TAXATION	
43	Permit Software	29,316	18,160	18,160	TAXATION	

EMERGENCY MANAGEMENT

44	Expenses	1,000	750	750	TAXATION	
45	Emergency Notification	4,725	5,500	5,500	TAXATION	

ANIMAL CONTROL

46	Expenses	16,315	16,315	16,315	TAXATION	
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Total Public Safety		3,925,448	4,088,618	4,088,618	TAXATION	3,870,991
					MOORING FEES	217,627
						4,088,618

PUBLIC WORKS
14.61%

DEPARTMENT OF PUBLIC WORKS

47	Salaries	917,355	919,659	919,659	TAXATION	875,955
					SEWER RATES	21,852
					WATER RATES	21,852

48	Expenses	340,900	349,400	349,400	TAXATION	
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FACILITIES

49	Salaries	35,337	42,968	42,968	TAXATION	
50	Expenses	105,500	108,100	108,100	TAXATION	

SNOW REMOVAL

51	Salaries	32,000	32,000	32,000	TAXATION
52	Expenses	170,000	128,000	128,000	TAXATION
53	Street Lighting	60,000	60,000	60,000	TAXATION

SANITATION/COMPOSTING/RECYCLING

54	Salaries	15,000	5,000	5,000	TAXATION
55	Expenses	43,500	43,500	43,500	TAXATION
56	Rubbish Collection/Recycling	370,000	370,000	370,000	TAXATION
57	Disposal	230,000	235,000	235,000	TAXATION

Total Dept. of Public Works	2,319,592	2,293,627	2,293,627	TAXATION	2,249,923
				SEWER RATES 2	1,852
				WATER RATES	21,852
					<u>2,293,627</u>

OTHER ENVIRONMENTAL**0.51%****HISTORIC DISTRICT COMMISSION**

58	Salaries	5,000	5,125	5,125	TAXATION
59	Expenses	950	950	950	TAXATION

CONSERVATION COMMISSION

60	Salaries	67,845	69,531	69,531	TAXATION	64,531
					WETLANDS FD.	5,000
61	Expenses	2,800	2,900	2,900	TAXATION	
62	Chebacco Woods	1,250	1,250	1,250	TAXATION	

Total Other Environmental	77,845	79,756	79,756	TAXATION	74,756
				WETLANDS FD.	5,000
					<u>79,756</u>

HUMAN SERVICES**2.71%****HEALTH**

63	Salaries	76,264	166,303	166,303	TAXATION
64	Expenses	50,250	30,250	30,250	TAXATION

VETERANS' SERVICES

65	Expenses	15,000	17,250	17,250	TAXATION
66	Veterans' Benefits	5,000	5,000	5,000	TAXATION

COUNCIL ON AGING

67	Salaries	180,669	186,148	186,148	TAXATION
68	Expenses	18,810	20,480	20,480	TAXATION

Total Human Services	345,993	425,431	425,431	TAXATION	<u>425,431</u>
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LIBRARY**3.42%****LIBRARY**

69	Salaries	367,823	377,518	377,518	TAXATION
70	Expenses	156,606	160,012	160,012	TAXATION

Total Culture and Informational Services	524,429	537,530	537,530	TAXATION	<u>537,530</u>
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RECREATION 2.7%					
PARKS & RECREATION					
71	Salaries	152,722	156,704	156,704	TAXATION 106,704 PROGRAM FEES 50,000
72	Expenses	8,334	8,200	8,200	TAXATION
SINGING BEACH OPERATIONS					
73	Salaries	79,424	105,634	105,634	TAXATION
74	Expenses	18,400	19,300	19,300	TAXATION
LIFEGUARDS					
75	Salaries	64,893	86,308	86,308	TAXATION
76	Expenses	3,500	3,500	3,500	TAXATION
TUCK'S POINT					
77	Salaries	8,000	10,640	10,640	TAXATION
78	Expenses	17,820	20,100	20,100	TAXATION
OTHER RECREATION					
79	Memorial Day	3,000	4,000	4,000	TAXATION
80	Fourth of July	10,000	10,000	10,000	TAXATION
Total Recreation		366,093	424,386	424,386	TAXATION 374,386 PROGRAM FEES 50,000 424,386
DEBT SERVICE 5.7%					
DEBT SERVICE					
	Principal on Bonds	764,861	651,270	651,270	
	Interest on Bonds	268,998	242,201	242,201	
	WPAT Administration Fees	1,704	1,607	1,607	
81	Total Debt Service	1,035,563	895,078	895,078	TAXATION 742,537 SEWER RATES 152,541 895,078
ENTERPRISE FUNDS 10.8%					
SEWER FUND					
82	Salaries	306,233	317,763	317,763	SEWER RATES
83	Expenses	329,600	337,800	337,800	SEWER RATES
WATER FUND					
84	Salaries	254,763	255,006	255,006	WATER RATES
85	Distribution Expenses	142,000	135,500	135,500	WATER RATES
86	Treatment Expenses	612,720	646,150	646,150	WATER RATES
Total Enterprise Funds		1,645,316	1,692,219	1,692,219	SEWER RATES 655,563 WATER RATES 1,036,656 1,692,219
TOTAL ARTICLE 4		15,224,209	15,694,873	15,694,873	
EXPENSES BUDGET SUMMARY					
GENERAL GOVERNMENT					
34%	4,983,930	5,258,228	5,258,228		TAXATION 4,781,562 OVERLAY SUR. 125,000 SEWER RATES 199,751 WATER RATES 151,915 5,258,228

PUBLIC SAFETY	26%	3,925,448	4,088,618	4,088,618	TAXATION	3,870,991
					MOORING FEES	217,627
						<u>4,088,618</u>
DEPARTMENT OF PUBLIC WORKS	15%	2,319,592	2,293,627	2,293,627	TAXATION	2,249,923
					SEWER RATES	21,852
					WATER RATES	21,852
						<u>2,293,627</u>
OTHER ENVIRONMENTAL	1%	77,845	79,756	79,756	TAXATION	74,756
					WETLANDS FD.	5,000
						<u>79,756</u>
HUMAN SERVICES	3%	345,993	425,431	425,431	TAXATION	<u>425,431</u>
LIBRARY	3%	524,429	537,530	537,530	TAXATION	<u>537,530</u>
PARKS & RECREATION	3%	366,093	424,386	424,386	TAXATION	374,386
					PROGRAM FEES	50,000
						<u>424,386</u>
DEBT SERVICE	6%	1,035,563	895,078	895,078	TAXATION	742,537
					SEWER RATES	152,541
						<u>895,078</u>
ENTERPRISE FUNDS	11%	1,645,316	1,692,219	1,692,219	SEWER RATES	655,563
					WATER RATES	1,036,656
						<u>1,692,219</u>
TOTALS	100%	<u>15,224,209</u>	<u>15,694,873</u>	<u>15,694,873</u>		<u>15,694,873</u>
FUNDING SOURCES SUMMARY						
			13,057,116			
TAXATION			125,000			
OVERLAY SURPLUS			217,627			
MOORING FEES			50,000			
PROGRAM FEES			5,000			
WETLANDS FD			1,029,707			
SEWER RATES			1,210,423			
WATER RATES			<u>15,694,873</u>			
TOTAL						

Per petition of the Select Board

The Finance Committee recommends approval
The Select Board recommends approval

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	\$400,000	\$400,000	Fund Balance
2.	DPW	DPW Facility Design work	\$350,000	\$ 0	
3.	DPW	Drainage/Sidewalk Improvements	\$250,000	\$250,000	Fund Balance
4.	DPW	Storm Damage Repair	\$ 25,000	\$ 25,000	Fund Balance
5.	DPW	General Building Upgrades	\$ 50,000	\$ 50,000	Fund Balance
6.	DPW	Seaside 1 HVAC	\$ 8,000	\$ 8,000	Fund Balance
7.	Town Hall	Upgrades inc. IT	\$ 50,000	\$ 50,000	Fund Balance
8.	Town Hall	Voting Booths and Tabulators	\$ 10,000	\$ 10,000	Fund Balance
9.	Land Mgmt	Downtown/3a Planning Studies	\$ 37,500	\$ 37,500	Fund Balance
10.	Land Mgmt	Water Resources Protection Studies	\$ 30,000	\$ 30,000	Fund Balance
11.	Land Mgmt	Hist. District – National Registry Survey	\$ 15,000	\$ 15,000	Fund Balance
12.	Library	Waterproofing and Generator	\$ 45,000	\$ 45,000	Fund Balance
13.	Park/Rec	Chowder House/ Restroom Roofs	\$ 35,000	\$ 35,000	Fund Balance
14.	Park/Rec	Brook St Turf Replacement	\$400,000	\$400,000	Fund Balance & Revolving Fund
15.	COA	Van Replacements (matching grant)	\$ 25,000	\$ 25,000	Fund Balance
16.	Public Safety	Fire Engine Replacement Fund	\$250,000	\$200,000	Fund Balance
17.	Public Safety	Fire Gear Washer /Dryer/Racks	\$ 35,000	\$ 35,000	Fund Balance
18.	Public Safety	Police Tasers	\$ 12,600	\$ 12,600	Fund Balance
19.	Public Safety	Replacement Police Admin Vehicles (2)	\$ 88,200	\$ 88,200	Fund Balance
20.	Public Safety	Fire Station repairs/upgrades	\$ 30,000	\$ 0	(in operating Budget)
21.	Harbor	Dredging Engineering/Permitting	\$ 50,000	\$ 50,000	Waterway Fund
22.	Harbor	Harbor Management Plan	\$100,000	\$100,000	Fund Balance & Waterway Fund
23.	Water	Plant Upgrades/ Equipment Replacement	\$200,000	\$200,000	Water Enterprise
24.	Water	Pipe replacement/improvements	\$1,875,000	\$1,875,000	Water Enterprise Retained Earnings & Taxation
25.	Sewer	Plant Upgrades/ Equipment Replacement	\$300,000	\$300,000	Sewer Enterprise
TOTAL				\$4,241,300	

Per petition of the Select Board

The Finance Committee recommends approval

The Select Board recommends approval

ARTICLE 6: 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 MGL 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-three; or take any other action relative thereto.

Per petition of the Manchester-Essex Regional School Committee
The Finance Committee recommends approval
The Select Board recommends approval

ARTICLE 7: To see if the Town will vote to approve the indebtedness authorized by the Regional District School Committee of the Manchester Essex Regional School District to pay costs of renovating and making extraordinary repairs and other improvements to the District’s outdoor athletic facilities, and for the payment of all costs incidental and related thereto, or to take any other action relative in connection therewith.

Per petition of the Manchester-Essex Regional School Committee
The Finance Committee recommends approval
The Select Board 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 2024 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 2024; 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 2024 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)	\$ 25,000*
2. Trail maps, brochures and digital app	(open space & recreation)	\$ 4,000
3. New Roof for Chowder House and Restrooms, Tuck’s Point	(open space & recreation)	\$ 40,000
4. Signs at Coach Filed and Sweeney Park	(open space & recreation)	\$ 12,000
5. Picnic Tables at Tuck’s Point	(open space & recreation)	\$ 12,000
6. Sound Mitigation for Pickleball Courts	(open space & recreation)	\$ 20,000
7. Lifeguard Chair	(open space & recreation)	\$ 2,100
8. Affordable Housing Trust Project Funding	(community housing)	\$ 200,000

9. Restoration of Town Cemeteries	(historic preservation)	\$ 65,000
10. Library Floodproofing and Generator	(historic preservation)	\$ 45,000
11. Seaside 1 HVAC	(historic preservation)	\$ 8,000
12. Historic Origin of “Masconomo” Sign	(historic preservation)	\$ 3,500
TOTAL		436,600

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

Per petition of the Select Board and the Community Preservation Comm
The Finance Committee recommends approval
The Select Board recommends approval

ARTICLE 9: To see if the Town will vote to raise and appropriate or transfer from available funds \$289,300 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
The Finance Committee recommends approval
The Select Board recommends approval

ARTICLE 10: To see if the Town will vote to amend the General By-laws of the Town by adding to Article IV, Section 11 a new revolving fund pursuant to MGL Chapter 44, Section 53E ½ for the Board of Health/Health Department for expenses, supplies, and contractual services necessary for the operation of emergency dispensing sites and clinics, including medical and non-medical/ancillary personnel. The table in Article IV, Section 11 is proposed to be amended as follows (new language shown in bold):

Program or Purpose	Representative of Board Authorized to Spend	Department Receipts
Costs Associated with Town of Manchester Recreation Programs	Recreation Director	Registration Fees or other funds intended to support the programs offered by the Recreation Department
Costs Associated with the operation and supplies necessary for the operation of emergency dispensing sites and clinics	Health Director/Agent and Public Health Nurse	Insurance and other reimbursements for vaccination clinics or other emergency dispensing sites

and to set the Fiscal Year 2024 spending limitations on expenditures from the revolving fund at \$50,000; or take any other action relative thereto.

Per petition of the Select board and the Board of Health
The Finance Committee recommends approval
The Select Board recommends approval

ARTICLE 11: To see if the Town will vote, pursuant to the provisions of MGL c.44, §53E½ to set the following Fiscal Year 2024 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;
FY2024 spending limit: \$375,000.
Or take any other action relative thereto.

Per petition of the Select Board

The Finance Committee recommends approval
The Select Board recommends approval

ARTICLE 12: To see if the Town will vote to adopt the provisions of MGL Chapter 41, Section 110A allowing for Town offices to be closed on Saturdays, and the provisions of MGL Chapter 4, Section 9 shall apply in the case of such closing of any such office on any Saturday to the same extent as if such Saturday were a legal holiday; or take any other action relative thereto.

Per the petition of the Select Board

The Finance Committee takes no position
The Select Board recommends approval

ARTICLE 13: To see if the Town will vote to rescind MGL Chapter 90, Section 20A establishing parking fines at \$25.00 and adopt MGL Chapter 90, Section 20A ½ establishing parking fines at \$50.00 or as otherwise stated in Section 20A ½; or take any other action relative thereto.

Per the petition of the Select Board

The Finance Committee recommends approval
The Select Board recommends approval

ARTICLE 14: To see if the Town will vote to adopt the provisions of MGL Chapter 148, Section 26I establishing the requirement the any building constructed or substantially renovated to constitute the equivalent of new construction, and is occupied in whole or in part for residential purposes and contains four or more dwelling units including lodging houses, boarding houses, fraternity houses, dormitories, apartments, town houses, condominiums, hotels, motels or group residences, shall be equipped with an approved automatic sprinkler system; or take any other action related thereto.

Per the petition of the Select Board

The Finance Committee takes no position
The Select Board recommends approval

ARTICLE 15: To see if the Town will vote to grant the Select Board authority to research, develop, and participate in a contract or contracts, to aggregate the electricity load of the residents and businesses in the Town and other related services, independently, or in joint action with other municipalities, retaining the right of individuals and businesses to opt-out of the aggregation; or take any other action relative thereto.

Per the petition of the Select Board

The Finance Committee recommends approval
The Select Board recommends approval

ARTICLE 16: To see if the Town will vote to accept the provisions of MGL c. 40, §42G-I and MGL c 40, §42K allowing for the levy of special assessments to meet the whole or part of the cost incurred of laying water pipes for the conveyance or distribution of water and allowing such assessments of water betterments through the so-called “uniform unit method”; or take any other action relative thereto.

Per the petition of the Select Board

The Finance Committee recommends approval

The Select Board recommends approval

ARTICLE 17: To see if the Town will vote to amend the Zoning By-laws, by adding a new Section 8.6 Adult Entertainment to provide regulations of such establishments by special permit of the Planning Board; or take any other action relative thereto. The full text of the proposed changes is as follows:

8.6 Adult Entertainment Establishments

8.6.1 Purpose and Intent: It is the purpose of this section to establish reasonable and uniform regulations to prevent the concentration of sexually oriented businesses within the Town of Manchester by the Sea in accordance with MGL chapter 272, Section 31 and MGL chapter 40A, Section 9A.; and, it is the intent to promote the health, safety and general welfare of the citizens of Manchester by the Sea; and it is the intent of this section that these provisions be utilized to prevent the problems of blight, deterioration and/or secondary impacts (increased crime, adverse impacts on health, adverse impacts on business climate of the Town, adverse impacts of property values of residential and commercial properties, and adverse impacts on the quality of life in the Town) which typically accompany and are brought about by the concentration of sexually oriented businesses. All of said secondary impacts are adverse to the health, safety and general welfare of the Town and its residents.

Furthermore, the provisions of this By-law have neither the purpose or intent of imposing a limitation on the content of any communicative matter or materials, including sexually oriented matter or materials. Similarly, it is not the purpose and intent of this By-law to restrict or deny access by adults to Adult Entertainment Establishments or to sexually oriented matter or materials that are protected by the Constitution of the United States of America or of the Commonwealth of Massachusetts, nor to restrict or deny rights that distributors or exhibitors of such matter or materials may have to sell, rent, distribute or exhibit such matter or materials. Neither is it the purpose or intent of this By-law to legalize the sale, rental, distribution or exhibition of obscene or other illegal matter or materials.

MGL Chapter 272, Section 31 and MGL Chapter 40A, Section 9A allow a municipality to issue and control special permits for adult bookstores, adult motion pictures theaters, adult paraphernalia stores, adult video stores or establishments which display live nudity.

8.6.2 Definitions: Definitions for this Section shall be as defined in MGL. Chapter 40A, Section 9A and in MGL Chapter 272, Section 31.

8.6.3 Applicability. An Adult Entertainment Establishment may be permitted

as set forth in the Table of Use Regulations by special permit of the Planning Board provided a written decision is issued by said Board that the special permit decision criteria of this bylaw have been met.

Adult Entertainment Establishments shall be allowed in the Limited Commercial District as a Special Permit only, provided that the following locational standards, site appearance criteria and other conditions are complied with:

8.6.3.1 No structure containing an Adult Entertainment Establishment shall be permitted within any of Manchester by the Sea's School Zones, 1,000 ft. of the property line of a church or place of worship, parish house or convent, a public, parochial or private school, another structure containing an adult use, a structure proposed to contain an adult use for which a building permit has been applied for, or 400' of a residence or child day care facility. The measure of distance between any Adult Entertainment Establishment and other named point of reference shall be measured in a straight line.

8.6.3.2 No sexually explicit material or advertising shall be visible from outside the building.

8.6.3.3 No private viewing rooms or booths shall be constructed unless one side is always open to a public central area.

8.6.3.4 No one under the age of eighteen (18) shall be permitted inside such a use and a procedure shall be developed to keep those under eighteen (18) from entering the building.

8.6.3.5 Adult Entertainment Establishments which have been established at their existing locations prior to the effective date of this By-Law and which are not in conformity with the requirements of this By-law, may continue to operate until one year after the effective date of this By-law. Thereafter, unless any such Adult Entertainment Establishment conforms to the provisions of this By-Law, it shall no longer be permitted to operate.

8.6.3.6 Said Board shall prohibit the issuance of such special permits to any person convicted of violating the provisions of MGL section sixty-three of chapter one hundred and nineteen or MGL section twenty-eight of chapter two hundred and seventy-two.

8.6.4. Restrictions on Other Retail Uses.

For those retail uses permitted by right in the General and Limited Commercial Districts which sell sexually explicit goods and paraphernalia but do not meet the 25% thresholds outlined in Section 8.6.2, such goods and paraphernalia shall be located either behind a counter, or in a separate room or enclosure where citizens under the age of 18 are not allowed to enter. Such sexually explicit goods and paraphernalia must be located so that the materials in question are not within view of minors or readily visible to children.

8.6.5 The measure of distance between any adult use and other named point of reference shall be measured in a straight line.

8.6.6 Once established in a permitted location under this Ordinance, an adult use operating as a conforming use is not rendered a non-conforming use by the subsequent location of:

- A. A church or place of worship, parish house or convent within 1,000 ft.
- B. A residence or child day care facility within 400 ft.
- C. A public, parochial, or private school within 1,000 ft. or the designation of a School Zone within 1,000 ft.

8.6.7 Violation of the use provisions of this ordinance is declared to be a public nuisance per se, which shall be abated by the Town by way of civil abatement procedures.

8.6.8 Nothing in this Ordinance is intended to authorize, legalize, or permit the establishment, operation, or maintenance of any business, building or use which violates any Town of Manchester by the Sea bylaw or the Commonwealth of Massachusetts regarding public nuisances, sexual conduct, lewdness or obscene or harmful matter or the exhibition or public display thereof.

8.6.9 If any section, subsection, sentence, clause, phrase, or any portion of this Bylaw is for any reason held to be invalid or unconstitutional by the decision of any court or competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Bylaw.

Per Petition of the Select Board and Planning Board
The Finance Committee takes no position
The Select Board recommends approval

ARTICLE 18: To see if the Town will modify the Zoning Bylaws by amending section 9.1.2: Accessory Dwelling Units in Single Residences Districts A, B, C, and E of the Zoning By-Laws as follows; or take any other action relative thereto:

- 1) Deleting Section 9.1.2.2 (a) ~~“Except in Single Residential District E, the lot size shall be two (2) times the minimum lot size as determined by zoning regulations”~~² and replacing it with a new Section 9.1.2.2 (a) as follows: **Except in Single Residential District E, the lot size shall meet the minimum lot size requirement within the zoning regulations for the district.”**
- 2) Amending 9.1.2.2 (b) by deleting ~~“the single family dwelling shall have existed on the lot as of March 1, 1984”~~ and replacing it with **“The single family dwelling shall have existed on the lot with an occupancy permit for five (5) or more years.**
- 3) Adding to Section 9.1.2.2 (d) a second sentence. The new sentence reads as follows: **“The second unit shall be subject to a lease of at least twelve (12) months in duration, pursuant to applicable regulations.”**

Thus, the amended section 9.1.2 is proposed to be as follows with the new wording in bold:

- 9.1.2 Accessory Dwelling Units in Single Residence Districts A, B, C, and E:
- 9.1.2.1 An owner or owners of a single-family dwelling in Single

Residence Districts A, B, C, and E may apply to the Board of Appeals for a Special Permit for the construction of one accessory dwelling unit in such single family dwelling.

9.1.2.2 After notice and public hearing the Board of Appeals may grant such a permit provided that:

- (a) **Except in Single Residential District E, the lots size shall meet the minimum lot size requirement within the zoning regulations for the district.**
- (b) **The single-family dwelling shall have existed on the lot with an occupancy permit for five (5) or more years.**
- (c) Off-street parking for at least four (4) vehicles shall be provided in a manner consistent with the character of a single-family dwelling.
- (d) Either the accessory dwelling unit or the main dwelling shall be occupied by the owner of the property except for temporary absences of up to one year. **The second unit shall be subject to a lease of at least twelve (12) months in duration, pursuant to applicable regulations.**
- (e) The construction and occupancy of the accessory dwelling unit will not be detrimental to the neighborhood or injurious to persons or property.
- (f) The accessory dwelling unit is accessory to the principal residence. The floor area of the accessory dwelling unit will not exceed 35% of the floor area of the principal dwelling and the accessory dwelling unit combined.
- (g) No exterior changes shall be made which alter the single-family character of the dwelling. Any additions made shall not increase the floor area or volume by more than 10% and shall meet all applicable setback requirements.
- (h) Adequate provisions shall be made for the disposal of sewage, waste and drainage caused by the occupancy of such dwelling unit.
- (i) There is no other accessory dwelling unit in the dwelling.

(Continued as currently in the bylaw . . .)

Per Petition of the Select board and Planning Board
The Finance Committee takes no position, The Select Board will make its recommendation at the meeting, the Planning Board recommends passing over

ARTICLE 19: To see if the Town will vote to amend the Zoning By-laws, by adding a new Section 9.3. Senior Housing to provide regulations that allow, by special permit, the development and use of alternative housing and nursing care for seniors and to create health care, housing and other supportive services for the senior populations in all Districts and amending the Table 4.2 Table of Use Regulations to add Senior Housing by Special

Permit of the Planning Board in all Districts; or take any other action relative thereto. The full text of the proposed changes is as follows:

- 1. Adding a row to Table 4.2 Manchester-by-the-Sea Table of Allowed Uses in subsection A, 7. to indicate Senior Housing, subject to footnote 16, as an allowed use by special permit by the Planning Board (PB) in Single Residence Districts A, B, C, and E and Residence Districts D1 and D2, General District and Limited Commercial District, consistent with the following example, with the new row in bold

Use	Districts							
	A	B	C	D1	D2	E	G	LCD(1)
A. Residential								
7. Senior Housing (16)	PB	PB	PB	PB	PB	PB	PB	PB

- 2. Adding a new footnote in the Notes to Table section of Table 4.2 reading as follows in bold:

Note 16. See Section 9.4 for requirements.”

- 3. **9.4 SENIOR HOUSING**

9.4.1 Purpose. The objectives of this Section are to achieve the following public purposes:

- 1. To provide for the development and use of alternative housing and nursing care for seniors.
- 2. To create home health care, housing and other supportive services for the senior population outside of an institutional setting.
- 3. To provide housing which is less costly.
- 4. To provide such accommodations in a manner harmonious with the surrounding land uses while protecting community character, natural resources and open space.

9.4.2 Definitions. See Section 2, “Senior Housing.” (already in the bylaw)

9.4.3 Applicability. The Planning Board may grant a special permit for Senior Housing as defined in Section 2 and as set forth in the Table of Allowed Uses, subject to the requirements of this Section.

- 1. This Section shall not apply to Senior Housing existing on the date of adoption of this Section.
- 2. An Independent Living Facility as defined in Section 2 located in the Limited Commercial District must be part of a larger complex of Senior Housing (as defined in Section 2) and senior-oriented facilities which may include assisted living, long-term care, nursing, and adult day care programs.
- 3. Each dwelling unit shall be deed restricted to be occupied by at least one person over the age of 55. All other residents shall be over the age of 18.

9.4.4 Dimensional Requirements and Design Standards. Dimensional requirements and design standards shall be as follows:

- 1. **Minimum Lot Size.** The minimum lot size (square feet) shall be that required in the District.
- 2. **Building Height.** Any addition or new construction shall

- not exceed the height restrictions of the District. This shall not preclude the reuse and renovation of existing structures which may exceed this height limit.
3. **Building Coverage.** The maximum building coverage, including accessory buildings, shall conform to the requirements for new construction or expansion of existing structures in that District.
 4. **Building Setbacks.** Buildings shall have the setbacks required in the District.
 5. **Setback from Residential Dwellings.** All new buildings associated with the Senior Housing Facility shall be no closer than 50 feet from existing residential dwellings; however, with respect to accessory structures not greater than 300 square feet, the Planning Board, in its discretion, may reduce said setback by an amount up to but not greater than 30 feet if it determines that said structure will not adversely impact the use and enjoyment of the existing residential dwelling.
 6. **Minimum Lot Frontage.** The minimum lot frontage shall conform to the requirements of the district where such use is located.
 7. **Design Standards.** In addition to the listed requirements the following shall be required:
 - a. Senior Housing shall be limited to no more than two (2) bedrooms per living unit.
 - b. At least one bedroom and bathroom shall be located on the same floor as the kitchen and living/family room.
 - c. Maximum area shall be 1,200 net square feet for a 2-bedroom unit; 900 net square feet for a one-bedroom unit; and 600 net square feet for a studio unit.
 - d. All units shall be American with Disabilities (ADA) compliant, in accordance with the laws of the Commonwealth of Massachusetts.
 8. **Town Services.** Where available, facilities shall be serviced by public water and sewer of sufficient capacity to serve the project. Any extension and/or replacement of sewer and/or water lines necessary to provide sufficient capacity shall be the responsibility of the applicant.
 9. **Transportation Services.** The operator of the facility shall be encouraged to provide or arrange for transportation to town services and facilities.
 10. **Common Open Space:** In the Residence Districts, there shall be an area of contiguous common open space accessible to all residents equal to at least 20% of the lot area. Land set aside for sewage treatment facilities, roadways, driveways, parking areas or wetlands may not be included in the calculation of open space. The Planning Board, in its discretion, may increase this requirement.
 11. **Parking.** The minimum number of parking spaces required in Section 6 may be altered by Special Permit.

12. **Access and On-site Circulation.** Adequate on-site circulation shall be provided to and from the site, taking into consideration the adjacent sidewalks and streets and accessibility of the site and building(s) thereon for emergency vehicles. Adequate provision shall be made for off-street loading and unloading requirements of delivery vehicles and passengers using private transportation.
13. **Public Safety.** The facility shall have an integrated emergency call, telephone and other communication system to provide monitoring for its residents. There shall be sufficient site access for public safety vehicles. A plan shall be approved by the Fire Department for the emergency evacuation of residents with emphasis on ensuring the safety of residents with physical impairments. The Planning Board shall consult with the Fire Chief and Chief of Police in its review.
14. **Landscaping.** Landscaping and screening are required to obscure visibility from beyond the boundaries of the premises of parking areas, dumpster locations and loading areas. The minimum setback from all property lines of such parking areas, dumpster locations, and loading areas, except for their points of ingress and egress, shall be 15 feet.
15. **Conversion of Existing Structures.** Applicants are encouraged to convert existing buildings that are no longer needed or suitable for their original use to senior housing facilities. The Planning Board shall consider such conversions if they are compatible with the character of the neighborhood, and which take into consideration the interests of abutters, neighbors and the public, especially where the site abuts a residential area or the building(s) merit preservation. Any non-conformity must be referred to the Board of Appeals for consideration under Section 7 of this Zoning Bylaw.

9.4.5 Accessory Uses. At the sole discretion of the Planning Board during the special permit application, the operator of the Senior Housing Facility may also be permitted to provide optional services on the site for the convenience of residents, including but not limited to transportation, barber/beauty services, sundries for personal consumption, laundry services and other amenities, provided such uses serve primarily the residents and staff of the Senior Housing Facility and the accessory uses shall be wholly within a residential structure and shall have no exterior advertising display. A Senior Housing Facility may also provide adult social day care to nonresident participants as an accessory use.

9.4.6 Special Permit Procedure. The procedure for the granting of a special permit under this Section shall be governed by the relevant sections of this By-laws.”

Per Petition of the Select Board and Planning Board
The Finance Committee takes no position, The

Select Board will make its recommendation at the meeting, the Planning Board recommends passing over.

ARTICLE 20: 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

The Finance Committee will make its recommendation at the Meeting

The Select Board will make its recommendation at the 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 6thth day of March, 2023.

BOARD OF SELECTMEN

Rebecca Jaques, Chair

Ann Harrison, Vice Chair

Catherine Bilotta

Brian Sollosy

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.

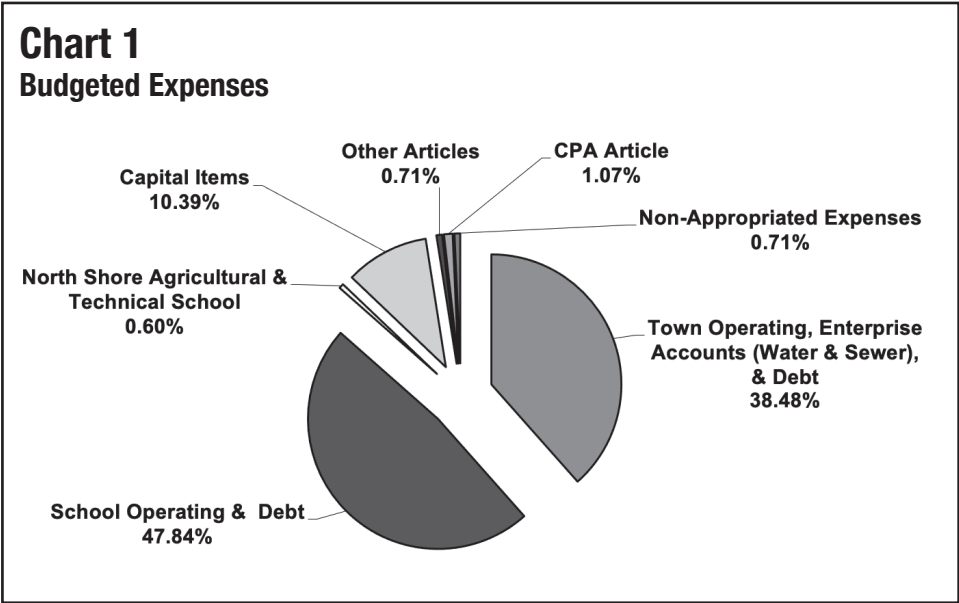
Constable

Date of Posting

Received by Town Clerk

FY-2024 BUDGET

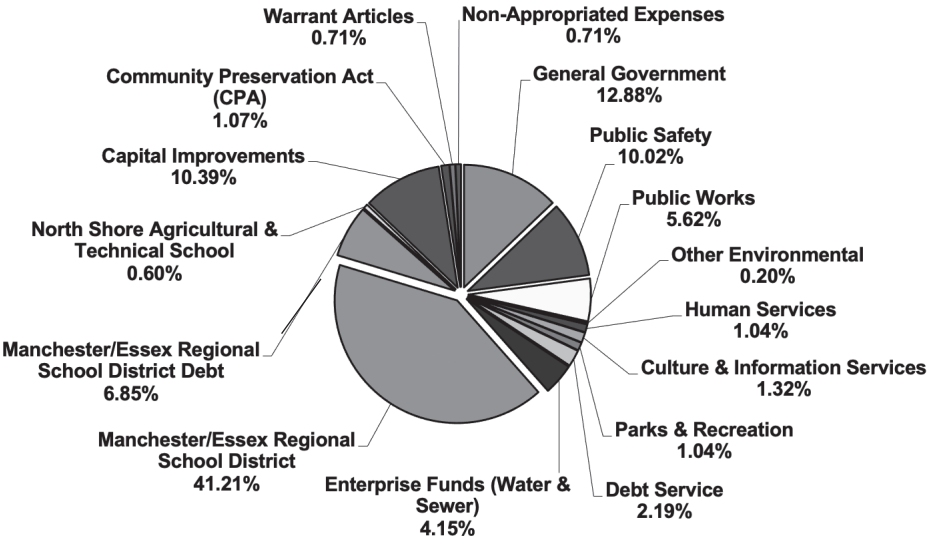
TOWN OPERATING, ENTERPRISE (WATER & SEWER), & DEBT	\$15,694,873
SCHOOL OPERATING & DEBT	19,615,712
NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL	245,081
CAPITAL ITEMS	4,241,300
OTHER ARTICLES	289,300
CPA ARTICLE	436,600
NON-APPROPRIATED EXPENSES	290,616
TOTAL FY-2023 BUDGET	<u><u>\$40,813,482</u></u>



EXPENDITURES

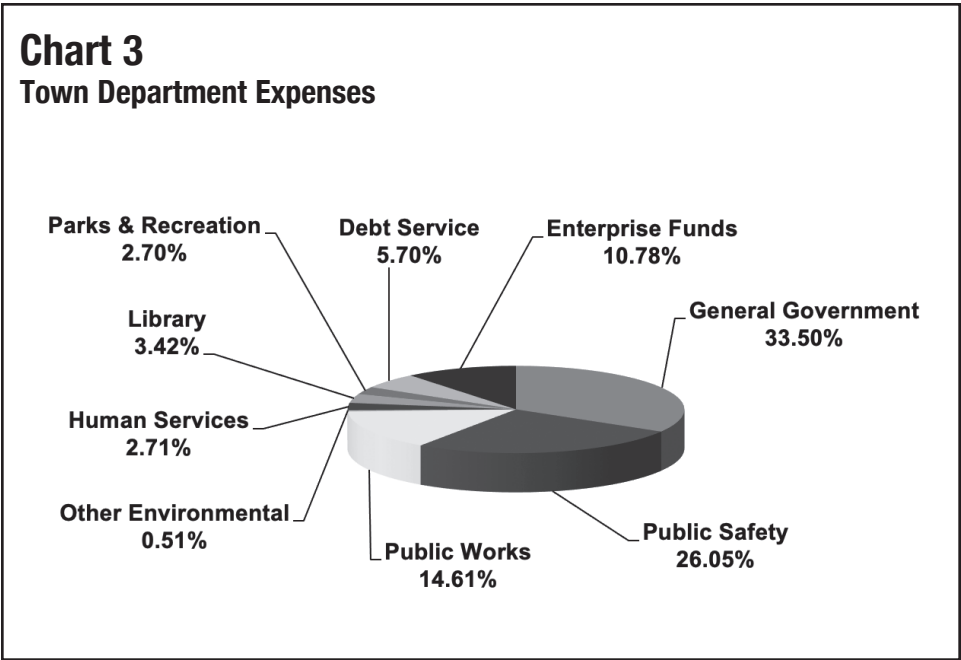
GENERAL GOVERNMENT	\$5,258,228
PUBLIC SAFETY	4,088,618
PUBLIC WORKS	2,293,627
OTHER ENVIRONMENTAL	79,756
HUMAN SERVICES	425,431
CULTURE & INFORMATION SERVICES	537,530
PARKS & RECREATION	424,386
DEBT SERVICE	895,078
ENTERPRISE FUNDS (WATER & SEWER)	1,692,219
MANCHESTER/ESSEX REGIONAL SCHOOL DISTRICT	16,819,549
MANCHESTER/ESSEX REGIONAL SCHOOL DISTRICT DEBT	2,796,163
NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL	245,081
CAPITAL IMPROVEMENTS	4,241,300
COMMUNITY PRESERVATION ACT (CPA)	436,600
WARRANT ARTICLES	289,300
NON-APPROPRIATED EXPENSES	290,616
TOTAL EXPENSES	<u><u>\$40,813,482</u></u>

Chart 2
Expenditures



TOWN DEPARTMENT EXPENSES

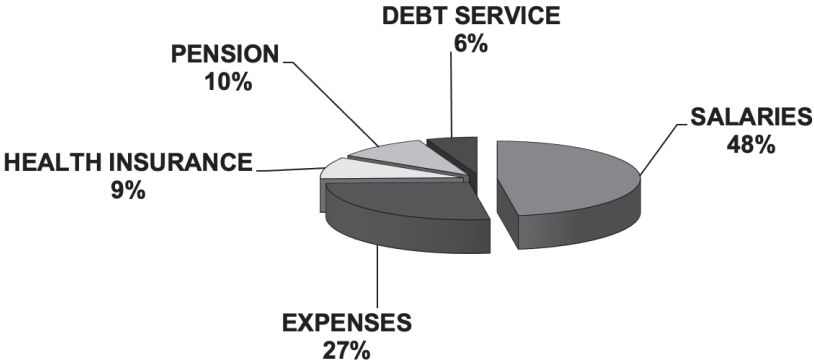
GENERAL GOVERNMENT	\$5,258,228
PUBLIC SAFETY	4,088,618
PUBLIC WORKS	2,293,627
OTHER ENVIRONMENTAL	79,756
HUMAN SERVICES	425,431
LIBRARY	537,530
PARKS & RECREATION	424,386
DEBT SERVICE	895,078
ENTERPRISE FUNDS	1,692,219
TOTAL ARTICLE 4	<u><u>\$15,694,873</u></u>



SUMMARY ARTICLE 4

SALARIES	\$7,478,345
EXPENSES	4,220,843
HEALTH INSURANCE	1,471,720
PENSION	1,628,887
DEBT SERVICE	895,078
TOTAL ARTICLE 4	<u><u>\$15,694,873</u></u>

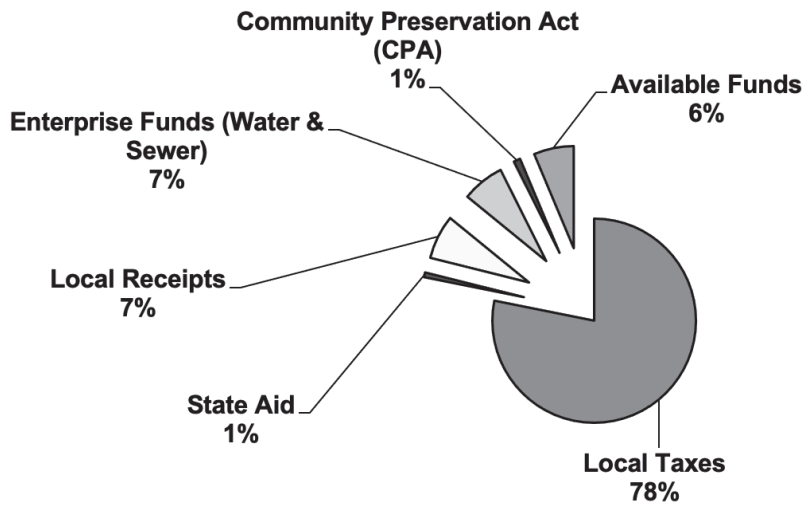
Chart 4
Summary Town Expenses



REVENUES

LOCAL TAXES	\$31,894,534
STATE AID	303,891
LOCAL RECEIPTS	2,850,000
ENTERPRISE FUNDS (WATER & SEWER)	2,740,130
COMMUNITY PRESERVATION ACT (CPA)	436,600
AVAILABLE FUNDS	2,588,327
	<u>\$40,813,482</u>

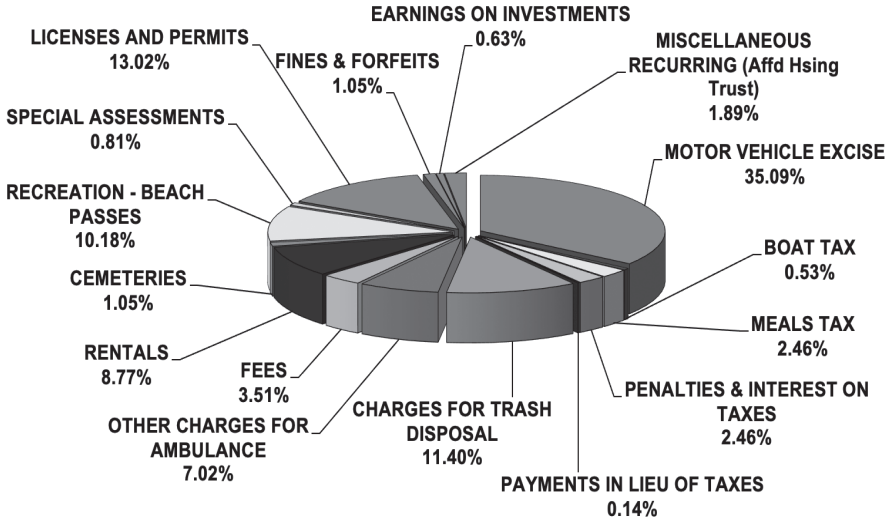
Chart 5
Revenue FY-2022



ESTIMATED LOCAL RECEIPTS

MOTOR VEHICLE EXCISE	\$1,000,000
BOAT TAX	15,000
MEALS TAX	70,000
PENALTIES & INTEREST ON TAXES	70,000
PAYMENTS IN LIEU OF TAXES	4,000
CHARGES FOR TRASH DISPOSAL	325,000
OTHER CHARGES FOR AMBULANCE	200,000
FEES	100,000
RENTALS	250,000
CEMETERIES	30,000
RECREATION - BEACH PASSES	290,000
SPECIAL ASSESSMENTS	23,000
LICENSES AND PERMITS	371,000
FINES & FORFEITS	30,000
EARNINGS ON INVESTMENTS	18,000
MISCELLANEOUS RECURRING (AFFD Hsing TRUST)	54,000
TOTAL ESTIMATED LOCAL RECEIPTS	<u><u>\$2,850,000</u></u>

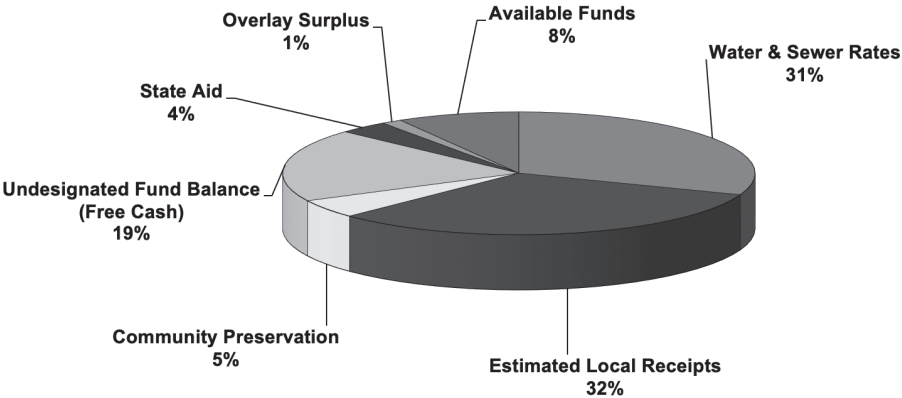
Chart 6
Estimated Receipts



NON-PROPERTY TAX REVENUE

WATER & SEWER RATES	\$2,740,130
ESTIMATED LOCAL RECEIPTS	2,850,000
COMMUNITY PRESERVATION	436,600
UNDESIGNATED FUND BALANCE (FREE CASH)	1,715,700
STATE AID	303,891
OVERLAY SURPLUS	125,000
AVAILABLE FUNDS	747,627
	<u>\$8,918,948</u>

Chart 7
Non-Property Tax Revenue



NON-PROPERTY TAX REVENUE	\$8,918,948
PROPERTY TAX REVENUE	31,894,534
	<u>\$40,813,482</u>

Chart 8
Property Taxes vs. Non-Property Tax Revenue

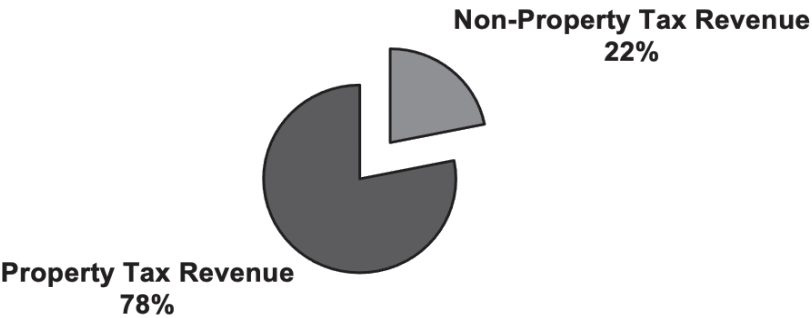


Chart 9
Reserves as a Percentage of Total Operating Budget

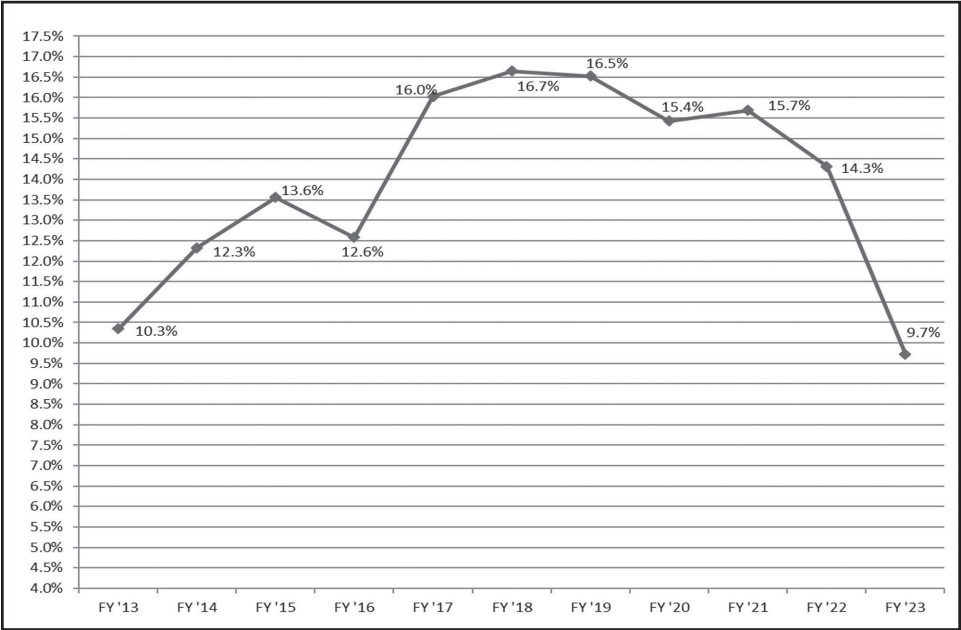
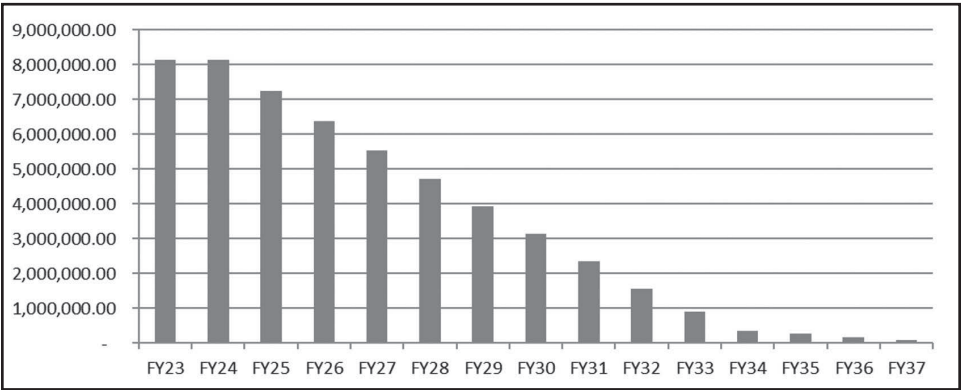


Chart 10
Current MBTS Debt – Total Amount Outstanding



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.

