




Town of Saugus
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TO: The Honorable Board of Selectmen

FROM: Scott C. Crabtree, Esquire, Town Manager 

DATE: February 15, 2021

SUBJECT: Preliminary Operating Budget Estimate for Fiscal Year 2022

I am transmitting to you, under Article 2, Section 34, of the Town of Saugus Charter, a proposed *estimated* Expenditure and Revenue Budget for the Town of Saugus for Fiscal Year 2022.

The total estimated Expenditure Budget is \$103,326,122.00 for the General Fund and \$14,260,874.00 for the Water and Sewer Enterprise Funds, for a total Fiscal Year 2022 estimated expenditure amount of \$117,586,996.00.

This preliminary estimate of expenditures and revenues has been prepared based on Fiscal Year 2022 Preliminary Local Aid and Chapter 70 estimates recommended by the Governor of the Commonwealth of Massachusetts, at this time. As you know, the final recommendations will not be available from the Legislators until later in our budget cycle, at which time, we will have to revisit our revenue and expenditure estimates.

The estimates for the Fiscal Year 2022 tax revenue have been determined based on the Proposition 2 ½ increase on the tax levy, as well as, estimates of new growth provided by the Deputy Assessor. The local receipts, such as motor vehicle excise, local room and meal excise, licenses and permits, fine, etc., have been estimated conservatively based on Fiscal Year 2021 actuals. As you may recall, the local receipts estimates for Fiscal Year 2021 were reduced by 10% due to the pandemic and the local aid estimates were reduced by 16% as the Commonwealth did not finalize their budget until December 2020. The local estimate receipts remain at the same levels again in Fiscal Year 2022 to be conservative and the Governor has released the first round local aid estimates at this time.

There are challenges in preparing the estimates of expenditures in this Budget, such as, Town-wide fixed cost increases:

1. Health Insurance - The rates have not been finalized by the provider. The Town can expect that the rate will be set within the next few months. We have made a conservative estimate based on the current enrollment. We will have to revisit our estimate later in the budget cycle.

2. Trash hauling and incineration has been increasing at a concerning rate over the last couple of fiscal years. In addition, due to the changes in the recycling industry involving specifically China, the cost of disposal of recyclable materials is on the rise. We continue to monitor this budget for any fluctuations due to the pandemic and will consider making adjustments later in the budget cycle.
3. Pension Contribution - The pension appropriation increase of \$454,589.00 for a total payment in Fiscal Year 2022 of \$7,656,719.00 is based on a funding schedule prepared by PERAC (Public Employees Retirement Administration Commission) to fully fund the pension obligation by 2026. The funding schedule was amended based on the actuarial valuation as of January 1, 2019 and voted by the Saugus Retirement System.
4. Regional School Assessments – Vocational education, inclusive of Northeast Regional Vocational, Essex North Shore Tech, and (new in FY21) Medford Public Schools is budgeted for \$3,625,000.00 based on estimated numbers provided by DESE on our minimum required contribution. The DESE enrollment estimates for Northeast Regional School have decreased in FY22 as compared to FY21. DESE estimates indicate 170 students next year. As you know, enrollment information is not confirmed by the Department of Elementary and Secondary Education (DESE) until April 2021. At that time, we will receive information from Essex North Shore Tech regarding the number of Saugus students they have accepted to their school in September and Northeast Regional will have their budget voted and determined our assessment. We will reach out to Medford Public Schools for that assessment. Adjustments may be required to be made accordingly.

Additionally, Northeast Regional Vocational School has been approved for a school reconstruction project with the Massachusetts School Building Authority in the amount of \$318,000,000.00. The cost to the Town of Saugus is estimated at \$2.2m over the life of the loan based on the current reimbursement rate that has been approved by the MSBA and Saugus will begin to be assessed our share once construction is underway.

5. Other Insurance - The various property, liability, and workers compensation insurance premium estimates have been budget based on an increase of 8% over actual fiscal year 2021 premiums recommended by the provider. This includes an increase on the premium for the Middle School/High School Complex. The premiums will not be finalized until sometime in the spring.

The estimated fixed costs mentioned above don't take into consideration the contractual wage adjustments. All collective bargaining agreements have been funded.

In preparation of this or any other budget, there are concerns for those items that can vary and may change due to circumstances that occur during the fiscal year. Some items that continue to be a concern are building maintenance, utilities, motor fuel, waste collection and recycling, vehicle maintenance, and health insurance.

As we have seen over the past several months circumstances can change dramatically effecting the budgetary estimates for revenue and expenditures. During the final preparation of the Fiscal Year 2021 estimated budget, we were three months into a pandemic, something none of us had experienced before. Steps were taken to minimize the impact on the budget, and in order to stabilize services to the residents and maintain current staffing levels, \$2.4m was appropriated from the Stabilization Fund with the understanding that these funds would be replenished in order to not jeopardize our current AA+ bond rating. This was done to minimize the impact to the financial statements at year end. In December 2020 as we prepared to set the tax rate, the results of fiscal year 2020 were determined, the Commonwealth's local aid budget had been voted, and new growth certified, the vote was rescinded and the amount of \$1,500,000.00 was voted from Free Cash.

As we prepared the Fiscal Year 2022 estimated revenue and expenditure budgets, many of the same concerns exist as when the Fiscal Year 2021 budget was approved. The pandemic continues, revenues have not returned to levels prior to the pandemic as economic recovery continues, and the fixed cost increases and contractual obligations have absorbed the Proposition 2 ½ and new growth projections. In this budget, Town departmental estimates are recommended at levels equal to or less than FY20 appropriations amounts with the exception of fixed costs and contractual obligations. As a result, to balance the Fiscal Year 2022 budget, maintaining current services to the residents and preventing reductions to staffing through layoffs, the recommendation is to use \$1,400,000.00 from reserves.

In addition to estimated appropriation expenditures, the Budget contains estimates for items such as state assessments, again based on recommendations from the Governor of the Commonwealth of Massachusetts, overlay, and cherry sheet offsets. Those items are itemized on the Sources and Uses of Funds document, under the heading "Use of Funds"

The School Department Fiscal Year 2022 estimated budget recommendation is \$29,875,250.00, an increase of \$300,000.00 over the Fiscal Year 2021 budget voted by Town Meeting. This increase does not include the indirect costs paid by the Town on behalf of the School Department and included as part of the total Net School Spending (NSS) calculation required by the Massachusetts Department of Elementary and Secondary Education (DESE). For Fiscal Year 2019 according to DESE based on actual expenditures the Town is 49.25% over the required net school spending.

One appropriation that is not included on the Source and Use Document is the snow and ice deficit. The cost of snow and ice events continue to be a concern as there are several snow and ice events in the forecast.

As this Budget process moves forward, there are areas of this estimated budget that will continue to evolve and change such as State aid, local revenue estimates, State assessments, and other fixed costs.

TOWN OF SAUGUS
SOURCES AND USES OF FUNDS
FISCAL YEAR 2022
February 15, 2021

	TOWN MANAGER RECOMMENDATION 2.15.21
Source of Funds:	
General Fund:	
Property Taxes	
Prior Levy Limit	\$ 70,854,683
2.5% Increase	\$ 1,771,367
New Growth	\$ 500,000
Debt Exclusion: Construct Veterans Memorial School (4/06/99)	\$ -
Debt Exclusion: Municipal Purpose (05/11/04)	\$ 12,163
Debt Exclusion: Belmonte Middle School Repair Project	\$ 680,338
Debt Exclusion: High School/Middle School New Construction	\$ 5,120,688
Debt Exclusion: Veterans / Belmonte Reconfiguration	\$ 1,233,779
Total Property Taxes	\$ 80,173,018
State Aid	
Cherry Sheet Estimate (C.S. 1-ER Total)	\$ 11,336,817
Total State Aid	\$ 11,336,817
Local Receipts	
Recurring (Recap. Lines 1-17, 19 & 20)	\$ 9,108,814
Special Assessment (Recap Line 18) I & E Lien	
Miscellaneous Non-Recurring (Recap. Line 22: Snow & Ice: FEMA)	\$ -
Miscellaneous Non-Recurring (Recap. Line 22: One Time State Aid)	\$ -
Total Local Receipts	\$ 9,108,814
Transfers/Reserves to be Used in the General Fund	
Water Revenue to Fund General Fund Overhead/Health & Liability Insurance Expense	\$ 654,440
Sewer Revenue: to Fund General Fund Overhead/Health & Liability Insurance Expenses	\$ 653,033
Reserve of MSBA grant on Veterans School	
Reserve of Premium on Long Term Debt June 2013	
Overlay Surplus	
Appropriation from the Stabilization Fund / Free Cash	\$ 1,400,000
Total Transfers/Reserves to be Used in the General Fund	\$ 2,707,473
Total Source of Funds:	\$ 103,326,122
Other Funds:	
Water Enterprise Fund	\$ 7,821,858
Water Retained Earnings	
Sewer Enterprise Fund	\$ 6,439,016
Sewer Retained Earnings	
Sewer I & I Fund	
Chapter 90	
Total Other Funds:	\$ 14,260,874
Grand Total Available Funds:	\$ 117,586,996

TOWN OF SAUGUS
SOURCES AND USES OF FUNDS
FISCAL YEAR 2022
February 15, 2021

	TOWN MANAGER RECOMMENDATION 2.15.21
Use of Funds:	
General Fund:	
Operating Budgets:	
General Fund Operating Budgets	\$ 67,549,054
School Fund Operating Budget	\$ 29,875,250
Total General Fund Operating Budgets	\$ 97,424,304
Other Items To Be Raised	
State & County Cherry Sheet Charges	\$ 5,193,639
Special Articles	
Settlements	
Overlay Deficits	
Cherry Sheet Offsets	\$ 43,179
Deficits:	
Snow & Ice Deficits	\$ -
Allowance for Abatements and Exemptions	\$ 665,000
Total Other Items To Be Raised	\$ 5,901,818
Other Funds	
Water Enterprise Fund	\$ 7,821,858
Sewer Enterprise Fund	\$ 6,439,016
Chapter 90	\$ -
Total Other Funds:	\$ 14,260,874
Grand Total Use of Funds	\$ 117,586,996
Variance: Surplus / (Deficit)	\$ (0)
Prior Year Deficits:	\$ -
Total Prior Year Deficits:	\$ -
Total Surplus/(Deficit)	\$ (0)