



**Town of Saugus**  
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Town Manager

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TO: The Honorable Board of Selectmen

FROM: Scott C. Crabtree, Esquire, Town Manager

DATE: February 15, 2020

SUBJECT: Preliminary Operating Budget Estimate for Fiscal Year 2021

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 2021.

The total estimated Expenditure Budget is \$94,201,412.00 for the General Fund and \$13,694,265.00 for the Water and Sewer Enterprise Funds, for a total Fiscal Year 2021 estimated expenditure amount of \$107,895,677.00

This preliminary estimate of expenditures and revenues has been prepared based on Fiscal Year 2021 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 2021 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 2019 actuals and historical trend.

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 and will consider making adjustments later in the budget cycle.

3. Pension Contribution - The pension appropriation increase of \$251,017.00 for a total payment in Fiscal Year 2021 of \$7,202,130.00 is based on a funding schedule prepared by PERAC (Public Employees Retirement Administration Commission) to fully fund the pension obligation by 2026 from 2029. The funding schedule was amended based on the actuarial valuation as of January 1, 2017 and voted by the Saugus Retirement System.
4. Regional School Assessments – Vocational education, inclusive of Northeast Regional Vocational and Essex North Shore Tech, is budgeted for \$3,775,000.00 based on estimated numbers provided by DESE on our minimum required contribution. The DESE enrollment estimates for Northeast Regional School have decreased in FY21 as compared to FY20. DESE estimates indicate 179 students next year. As you know, enrollment information is not confirmed by the Department of Elementary and Secondary Education (DESE) until April 2020. 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. Adjustments may be required to be made accordingly.
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 2020 premiums recommended by the provider. 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.

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 are building maintenance, utilities, motor fuel, vehicle maintenance, and health insurance.

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 2021 estimated budget recommendation is \$30,075,250.00, an increase of \$500,000.00 over the Fiscal Year 2020 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 2018 according to DESE based on actual expenditures the Town is 49.35% over the required net school spending and 49.62% for Fiscal Year 2019 based on budgeted data from DESE.

One appropriation that is not included on the Source and Use Document is the snow and ice deficit. We have been very fortunate so far this winter that our snowfall has been somewhat limited. As we all know, that can change in an instant.

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.