

AUGUST 15, 2024

FINANCIAL REPORT 2023

EXECUTIVE SUMMARY



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The annual report provides a large volume of historical data that can show us the trendiness in certain critical areas of Seabrook finance. This summary is designed to take a look at the most recent data and highlight, for policymakers, areas of concern, with a harder look at what the recent data shows us.

The first area that needs exploration is a critical one, and that is the total “levy.” The total levy is the amount of tax dollars needed to be raised to fund the municipal budget, the school budget, and the county government (after allowing for local revenues). If you had no levy increase year to year that means that you can say that there was not a property tax increase for that year. In FY 2023 the Town side levy was up by a full 10% at \$2,250,058. Additionally the school portion was up by 11% at \$2.4 million, and the county budget was up by 10%. When you add in the 2021 abatement for NextEra this makes up the “perfect tax storm.” Since we are looking at the Town side we need to understand where that levy increase came from. The below numbers do not include warrant articles but simply the Budget Committee number.

	2022-2023	
Town Levy Increase		\$2,250,058
Police Increase	\$257,749	
Fire Increase	<u>\$783,582</u>	
Health Care	<u>\$957,081</u>	
Combined Police Fire HC Increase		<u>\$1,998,412</u>
All Other Increase		<u>\$251,646</u>

The combined public safety/health care increases constituted **88%** of the total levy increase. When you look at “all other” and measure that against the 2022 budget you will see that all other municipal budgets grew at under **1%**.

One of the critical points here is that this is not a one year trend but a consistent feature over the years. As policy makers determine where to spend time reviewing budgets this might be a good place to start.

With a growth rate of 1% or less there is little room in the balance of the budget for savings, except through elimination of programs.

WHAT ABOUT HEALTH CARE?

The large report details not only the increase in dollars but also the percentages involved. Health care, after receding somewhat, moved back to being over 15% of the total adopted budget. You do not need to be a budgetary expert to understand that this spending is crowding out capital investment, other budgetary priorities, and even our ability to offer better collective bargaining agreements to our employees.

NOT ALL LEVY INCREASES ARE THE SAME.

I highlighted, in 2022, a major increase in the tax levy. (\$2,849,658) In that year however the NextEra payment went up by \$3.2 million and the residential levy went down, which translates into a slight tax cut for the residential sector. The Town obviously is concerned with all classes of taxpayers but this was good news for residential taxpayers.

WHAT HAPPENED IN 2023?

A major increase in the Town levy, the school levy, and the county levy, along with a decrease in the NextEra payment (all highlighted in the large report and above) brought a perfect storm. When asking why it happened we sometimes forget that a glance at the top line numbers will tell you the whole story.

THE 2.5% SOLUTION

As you look at the numbers the question becomes how do we avoid a repeat of 2023? The answer is, number wise, not that difficult to ascertain. In last years Executive Summary the following observation was made:

“Policy makers could direct that budgetary growth (in budget preparation) be limited to a certain percentage chosen by policy makers. That most certainly would contain growth to the listed percentage.”

Budgets are, at their core, choices made that reflect the priorities of policy makers. If we approve budgets that increase by double digits then the relative tax burden, absent an influx of new revenue, must go up. If policy makers adopt a rate of budget growth that is realistic and allows for reasonable rates of growth then the Town side budget will not be a root cause of spikes in the rate of growth in the levy. The 2.5% number mimics the property tax cap in Massachusetts but in reality could be any number chosen by the Board. That type of discipline will mean that many budget requests may not be filled, or will be partially filled. Choices.

WATER AND SEWER

The move to full enterprise accounting will relieve taxpayers, and move to ratepayers, the subsidy that has been on taxpayers for many years. That number could approach \$2 million, and will be explored more fully as we prepare for the 2025 budget. The initial numbers coming in for 2024 are positive.

NEXTERA

As frequently highlighted in past reports NextEra, as a percentage of total dollars raised in Seabrook, has dropped from 42% to 27%, with most of that shift being borne by residential taxpayers. With the last tax agreement the Board of Selectmen were able to reverse that trend, but there will be, unfortunately, some gyration in the NextEra number that we will have to live with.

SUMMARY OF SUMMARY

The drivers of town side budgetary increase have been identified. A prospective budgetary goal of limited but reasonable growth could help to stop one year spikes in the Town budget and tax levy.

As always the goal of the annual report and summary is to spur discussion by policy makers on tax and budget issues facing Seabrook, with a focus on the larger issues in front of the community.