

Budget Message FY2019

I am pleased to present the annual budget to the Board of Selectmen for FY 2019.

The departmental budgets, during my tenure of five years, have been essentially flat-lined. Increases in budgets have been contractually obligated, with health care being a major driver of past increases. In FY2018 we saw some relief on the health care front, but the recent notice from the Health Trust showed us an increase of over 16% for the FY2019 budget, which amounts to about \$400,000. In FY 2018 we raised overtime allocations in both Police and Fire. We have made only a slight adjustment in the 2019 for Police overtime based on an additional allocation for the K-9 program.

This proposed budget increases spending over FY2018 by \$730,925, or 3.2%. Of that total the health increase is \$400,000, or 55% of the total increase. When you look at the year to year increase without the health care number the budget increase drops to 1.4%. Additionally, there is a \$16,198 increase in our obligations to the NH Retirement, which is a year to year decline from the 2018 number. When we examine the numbers from a contractual obligation perspective our estimate is that of the \$730,925 increase \$645,612 is contractually obligated, leaving a “discretionary” increase of \$84,315, or under 1%. You cannot get leaner than that from a budgetary perspective.

The NextEra tax situation is critical to our future but remains in flux. The 2018 tax payment has not yet been determined, forcing us to budget without knowing what our largest taxpayer will contribute. In 2017 NextEra constituted 31% of the total tax levy, and if there is a fixed dollar tax agreement that looks similar to the two prior agreements that percentage will decline further over the next few years. We need to plan for a future that has less revenue from NextEra as a total, and that will unfortunately require some hard choices to be made in the future.

This year’s independent audit showed our unexpended fund balance as approximately \$7 million. Our number last year was about \$8.3 million, with \$2 million used to stabilize the tax rate, and \$270,000 used to fund several warrant articles. This year no determination has been made on allocation for tax rate support, but \$480,000 was allocated for the sewer outfall pipe project.

The budget currently gives a \$2 million “subsidy” to our water and sewer ratepayers. The Board of Selectmen have voted to close this subsidy starting in January of 2019, which will increase local revenues by about \$2.2 million. That will have a significant, and positive, impact when the Board looks to set the 2019 tax rate. Many have asked what the specific impacts would

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be for the tax rate if these water and sewer rates are implemented. Let us look at the 2017 rate, and what the impact would have been on that rate. The 2017 rate rose 9.9% to \$16.253. I have recalculated that rate with the inclusion of the additional funds for water and sewer, and find that the rate would have been \$15.082, dropping the increase from 9.9% to 2%. That number gives a clear answer to the question of the impact on the tax rate of the coming rate adjustments in water and sewer.

The Board of Selectmen have active contract discussions with all four municipal unions ongoing, with a bit more time needed to come to conclusion on those negotiations. It should be noted that all four contracts were defeated by the voters in 2018, meaning that the 2018 budget contained no increases of any kind for our employees.

We have prepared the 2019 CIP, which has been submitted to you. It is an important document for the community and will guide us as we contemplate future capital spending needs. I have supplied a six- year analysis of Seabrook Capital spending, and a CIP narrative, as well as “cut sheets” for the 2019 departmental CIP requests. The CIP spending for 2018 was \$177,766, and human service spending was \$94,611.

We have submitted a budget that attempts to meet the needs of Seabrook residents and taxpayers while maintaining the current level of outstanding service. While the Board has made a major adjustment to bring additional local revenue (water and sewer) we continue to face the “NextEra shift,” which increases the upward pressure on our residential taxpayers even with no spending increases. This budget holds the line but does not address some of the requested increases for additional resources by our departments. Holding this level of service at these budgetary figures is becoming more difficult by the year, and some tough choices lay ahead.

I would like to thank my staff for all of the hard work that has gone into preparation of the municipal budget. Our Finance Manager Carrie Fowler has done an outstanding job in preparation. Our Deputy Town Manager Kelly O’Connor has worked diligently to assist in preparation. My thanks to Procurement Manager Shaylia Marquis, who worked to prepare our CIP. All of our Department Heads have worked very hard to make this budget process a smooth one, even when they hoped for different results. Seabrook is blessed with top quality professionals serving our citizens.