

Seabrook Financial Report

Executive Summary

The report submitted today will commence the conversation, and help to clarify some of the underlying issues, on Seabrook's financial future. The financial data was compiled with the assistance of Carrie Fowler, our Finance Manager, and Angie Silva, our Assessor.

The report looks at what factors go into setting our municipal tax rate, with the data showing us where we get our tax dollars, and where those tax dollars go. The report shows us the trend lines involved, with the goal of assisting our policy makers on the Board of Selectmen and the Budget Committee.

What are some of the important trends shown in the report? We see that the total dollars raised through taxation by the Town of Seabrook, in the measured period, (2014-2017) have grown by slightly over \$2 million, a rate of growth of less than 2%. That makes it difficult to make the case that Seabrook has a "spending" problem. The report shows the impact that the drop in NextEra tax revenue has had, and how that drop has fundamentally changed the percentages paid by the different classes of taxpayers. In 2016, for the first time since the Seabrook Station opened, the "residential" class of taxpayers paid more in taxes than NextEra. That trend line has accelerated since then. As this trend continues it will present major policy challenges for the Town. Another trend that the report highlights is the importance of the commercial/industrial/other utility category, which has grown in the measured period by over \$2 million, bringing that number to over \$9 million annually. This category will likely pass NextEra as a tax contributor in the next three to five years, and shows that the idea that Seabrook could do without this tax class is misplaced. The new growth numbers are examined, and show that \$2 million in new tax revenues have been derived in the measured period, and that "new growth" has been vital, financially, to Seabrook.

The report also examines where our tax dollars are going. It shows that the "town" portion of the overall dollars raised has declined slightly, with the local school portion rising correspondingly. It would appear, based on that trend, that the schools will pass the Town, budget wise, within three years. The four year increase in the total tax levy for the Town is \$322,711, which is a rate of increase of less than 1/2 of a percent a year. The report looks at some of the reasons for that number, including the history of the "unexpended fund balance," which was driven to over \$9 million in 2016, allowing the Board to strategically deploy some of those resources to hold down the tax levy. The drop in NextEra payments is also reflected in that number. It is further evidence that the issues facing us have less to do with a "spending" problem than with a "redistribution" of the relative tax burden.

As we look at some of the key numbers in the report each measured year looks at “local revenues,” and points out that the dollars raised through “local revenues” reduces the need for money to be raised through taxation. Appended to the main report are the two 2017 reports detailing the subsidy from taxpayers to the sewer fund, and the water fund. These two reports show that the subsidy amounts to over \$1.8 million without the inclusion of capital. If capital is included that number will exceed \$2 million. Operationally that is 8.2% of the operating (non-capital) budget, and a major issue facing us going forward.

The report looks at employee health care costs, which have been relatively stable over the course of the measured period, albeit at a major percentage of the overall budget. Those costs are over 15% of our operating budget, and the report looks at what a reduction in that number would mean for Seabrook’s budget. The report looks at this number in combination with the above mentioned water and sewer subsidy, recognizing that in combination those two items constitute 23% of the operating budget, and growing. The problem that creates, budget wise, is obvious. These two items are crowding out other necessary spending, and if the trajectory continues the strain will only become more substantial. The report looks at the 2017 tax rate, and determines that without a water and sewer subsidy the tax rate increase would have gone from the actual 9.9% to 2%.

The policy issues facing the governing body and the Budget Committee are discussed in general terms. What are they?

1. Should services be maintained at current levels?
2. If services are to be maintained should they be delivered in the same fashion?
3. If service cuts are to be made where should they come from?
4. Should steps be taken to end the subsidy from taxpayers to water and sewer ratepayers?
5. How should we deal with the trend of lower overall payments from NextEra?

This report is not the end, but rather the beginning of the many policy issues facing Seabrook. Hopefully it will provide some tools for our policy makers as this process begins.