APRIL 12, 2022

FINANCIAL REPORT 2021

EXECUTIVE SUMMARY

TOWN of SEABROOK N.H.
INCORPORATED 1768

EXECUTIVE SUMMARY

FINANCE REPORT 2021

The annual report covered some critical historical data that shows where our tax dollars come from, and where they are going. While this is an executive summary of that report we can take a short deeper dive into some of the numbers.

The finance report showed us that the 2021 fiscal cycle was difficult due to an expanded municipal budget through the budget process and the addition of over $4 million in capital spending approved by the warrant. Beyond the voter approved capital spending the budget, through the standard budgetary process, went up 9%, or $2,182,702. What was the driver of the increase? Let us take a look.

	2021-2022	
Budget Increase		$2,182,702
Police Increase	$1,299,694	
Fire Increase	$650,728	
Combined Police Fire Increase		$1,950,422
All Other Increase		$232,280

The combined public safety increases constituted **89.3%** of the total budgetary increase. When you look at "all other" and measure that against the 2020 budget you will see that all other municipal budgets grew at **under 1%.**

Inside those two departments it is not hard to determine what drove the increases. The police department, through the 2020 warrant, was able to add two patrolmen to the roster. The full impact of that addition of personnel was not felt until FY 2021. In Fire the overtime number has climbed dramatically. Additionally the New Hampshire Retirement System number rose by $603,921 in FY 2021. That NHRS number constituted 31% of the total increase in the public safety budgets.

As shown by the data the bulk of the non-capital budgetary increases are driven by public safety. We have held all other budgets, year to year, essentially constant. The other pieces of the budget will have increasing needs in the years to come; holding those departments essentially flat will become more difficult in the years to come.

WHAT ABOUT FY 2022?

The Town adopted a default budget for FY 2022 of $28,141,007. My analysis of the warrant articles gives me a tax impact number of $345,924. That would give the Board a total budget of $28,486,931, which is a reduction from 2021 of $2,312,536, or 7.5%. That number looks good, but is somewhat deceiving, as $4 million in fund balance was utilized in FY 2021. The true impact in 2022, on the Town side, would be the necessity to raise $28,486,931, less local revenues and any application of a (diminished) fund balance. In 2021 that number was $26,799,467. The utilization of one time revenue, such as fund balance, is appealing, but always leaves a budgetary gap to be filled in the next fiscal cycle. The independent audit is scheduled and will deliver to us the certified “fund balance” number in the next 60 days or so. The Board will be setting the tax rate in the October/November time frame, with the above numbers being the amount that will need to be raised.

FUTURE FISCAL CHALLENGES

The report is not just meant to be a rehashing of past numbers but instead should identify challenges for policy makers. While the Board has managed to stop some negative trend lines in critical budgetary areas these successes have not completely solved the problems. In past reports we have identified some critical areas.

1. The category of "other revenues" has been addressed by ending the operational subsidy for the water department, and closing it substantially for sewer. For every dollar raised in "other revenues" one less dollar needs to be raised through property taxation. When the Board addressed these issues capital projects for each department were omitted in rate calculation. Both departments need new infrastructure and will have major capital projects in the years to come. Those expenses, as laid out today, will be borne by taxpayers. I will be providing a water report and a sewer report which should spur discussion of the current subsidies going from the taxpayers to the ratepayers.

2. In the 2018 report the question was raised about how to deal with the decline of NextEra's payments as a percentage of the total budget. These are stark and difficult choices, but choices they are. If a major source of revenue declines the choices for policy makers, while difficult, are clear.
   A. Cut services to match the decline in revenue.
   B. Maintain services but seek alternative ways to deliver those services.
   C. Maintain services in the same fashion, shifting the relative tax burden from one class of taxpayer to another. We have seen that impact in Seabrook already, as additional burden has been shifted to residential taxpayers.

The goal of the reports is to spur discussion by policy makers in advance of budget season, with a focus on the larger issues facing Seabrook.