

This report will focus on a multi-year look at Seabrook’s overall finances, including the tax levy (overall dollars raised), where those dollars came from, (commercial, industrial, and utility, with NextEra broken out separately,) the tax rate, and budgets broken out by category. We will look at where our dollars are going, the stress on our tax rate, and what is causing that stress. In order to make informed budgetary policy decisions we need to understand where our tax dollars are coming from, and where they are going.

The numbers in the below table are the total dollars raised through property taxes in Seabrook for the years 2014-2021. As you can see the total “levy” increased by \$1,538,586 in 2021, or by 3.7%.

Dollars Raised Through Taxation	Total Tax Levy
2014	\$37,103,286
2015	\$37,677,692
2016	\$36,999,500
2017	\$39,810,446
2018	\$41,619,442
2019	\$40,648,050
2020	\$41,088,692
2021	\$42,627,278

How we arrive at the total tax levy is very important, and we shall show the component parts of the spending below. For now we can look at these top-line numbers. The tax levy went up over these eight years by \$5,523,992, a 14.88% increase, or a 1.86% annual increase. The amount of tax dollars required to be raised comes from the budget, with the addition of warrant articles (capital spending) less the amount of “local revenue” raised, and the application of “fund balance” to subsidize the tax rate or fund warrant articles. Local revenue includes water and sewer revenues, I have attached the 2021 water report, and the 2021 sewer report. Local revenues are a key component in the tax rate as we can see from examining that increasing number.

Let us take a look at how the overall tax burden in Seabrook has developed, year by year, starting in 2014.

2014	TAX RATE	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$15.27	\$37,103,286	
<b>Town</b>	\$6.37	\$16,986,651	45.8%
<b>Local School</b>	\$5.42	\$14,453,735	39%
<b>State School</b>	\$2.52	\$3,366,006	9.9%
<b>County</b>	\$0.96	\$2,555,394	6.89%

In 2014, including water and sewer, our “local revenues” were \$5,885,678. The Fund Balance at the close of 2014 was \$4,475,677, and no fund balance was applied to offset the tax rate. The combined percentage for education was 48.9%.

2015	TAX RATE	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$14.79	\$37,677,692	
<b>Town</b>	\$6.29	\$17,491,429	46.42%
<b>Local School</b>	\$5.17	\$14,393,160	38.20%
<b>State School</b>	\$2.37	\$3,363,153	8.93%
<b>County</b>	\$0.96	\$2,684,150	7.12%

In 2015 the Town number rose by \$504,778, which was the bulk of the increase in the total tax levy, which rose by \$574,406. In that cycle the Town held its budgeted spending steady, but voter approved capital spending accounted for the entire increase. (Aggregate approved warrant articles that year were over \$2.5 million) The relative split between the four categories was roughly the same, with a slight increase in the Town share of the overall burden. No fund balance was used to offset the tax rate. Local revenues were \$4,797,183. The ending Fund Balance was \$6,356,963. The combined percentage for education was 47.13%.

2016	TAX RATE	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$14.79	\$36,999,500	
<b>Town</b>	\$6.06	\$16,351,179	44.19%
<b>Local School</b>	\$5.40	\$14,577,887	39.40%
<b>State School</b>	\$2.31	\$3,559,778	9.62%
<b>County</b>	\$1.02	\$2,757,156	7.45%

This 2016 fiscal cycle saw the average tax burden rise by about 12%, a sharp increase. The numbers above should not have brought that type of increase, but of course these numbers do not tell the whole story. The overall “tax levy” was down by \$678,190 (meaning that the Town raised that much less in property taxes) and the Town levy was down by \$1,140,250. The Town drove the Fund Balance up to \$9,165,185, but then applied \$2,250,000 of that to offset the tax rate. That accounts for the drop in the Town tax levy. The Town also authorized, with voter approval, the utilization of \$325,000 for capital spending directly from the Fund Balance. That pushed the Fund Balance number down to \$6,590,185. We will add, below, some additional data on the NextEra tax payments that will bring a fuller understanding of what is driving the relative tax burden in Seabrook. Local revenues were \$5,560,176, with that number dropping to \$3,908,233 after the removal of water and sewer revenue, as well as other inter-governmental transfers. The Town percentage of the overall levy dropped by 2.23%. The combined educational percentage was 49.02%.

2017	TAX RATE	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$16.25	\$39,810,446	
<b>Town</b>	\$6.67	\$17,309,362	43.48%
<b>Local School</b>	\$6.35	\$16,498,709	41.44%
<b>State School</b>	\$2.31	\$3,609,848	9.07%
<b>County</b>	\$0.92	\$2,392,527	6.01%

These 2017 numbers also brought us a tax increase, but this time it is easier to see why. The overall tax levy was up by \$2,810,946, with the Town portion up by \$958,183, and the Schools up by \$1,920,822. Once again Town side spending was driven by voter approved capital spending, with that number exceeding \$2 million. Local revenues were \$5,887,849, with that number dropping to \$4,421,747 after the removal of water and sewer revenues and inter-governmental transfers. The Fund Balance was raised back up to \$8,380,584 from the 2016 ending number of \$6,590,185, an increase of \$1,790,399. That increase enabled a Fund Balance allocation of \$2 million to reduce the tax rate, with \$270,000 also utilized for voter approved capital projects. That brought the ending Fund Balance down to \$6,110,584, a decrease of only \$479,601 from the ending 2016 number, despite the utilization of \$2,270,000 of Fund Balance. The combined educational percentage was 50.51%.

<b>2018</b>	<b>TAX RATE</b>	<b>TAX LEVY</b>	<b>PERCENT OF LEVY</b>
<b>Total</b>	\$16.25	\$41,619,442	
<b>Town</b>	\$7.00	\$18,893,219	45.40%
<b>Local School</b>	\$6.22	\$16,767,508	40.29%
<b>State School</b>	\$2.13	\$3,537,626	8.50%
<b>County</b>	\$0.90	\$2,421,089	5.82%

This is the 2018 data, and it requires some explanation and analysis. The total “levy” (the amount raised by taxation) rose by \$1,808,996, or 4.5%. The total school portion of the amount raised by taxation is \$20,305,134, or 48.79% of the total. The Town percentage, as shown in the above table, is at 45.4%. In 2018, on a year to year basis, the percentage of the total levy attributed to schools declined slightly, while the Town percentage was up slightly. If we look at the data from 2014 the breakdown between that year and 2018 has essentially stayed the same. In 2018 local revenues were \$5,041,131, and the authorized expenditure from the fund balance was \$975,000 (\$495,000 to subsidize the tax rate, \$480,000 to fund the warrant article for the sewer outfall pipe.) The NextEra assessment for 2018 led to a tax bill of \$12,500,000, up from \$12,380,000 in 2017, as there was no agreement at tax setting time. A three year deal was struck in 2019 (that included 2018) at \$36,000,000, which has an implication for how we look at the overall tax levy for 2018. This agreement will also have ramifications for 2019. We will further explore those issues in the NextEra portion of the report. The combined educational percentage was 48.79%.

2019	TAX RATE	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$15.75	\$40,648,050	
<b>Town</b>	\$6.57	\$17,950,073	44.16%
<b>Local School</b>	\$6.21	\$16,956,127	41.71%
<b>State School</b>	\$2.08	\$3,560,050	8.76%
<b>County</b>	\$0.89	\$2,440,800	6.00%

Here are the 2019 numbers, and they break down the tax levy numbers discussed at the top of the report by category. We see a decline in the town portion of the tax levy, from \$18,893,219 down to \$17,950,073, a decline of \$943,146, which essentially accounts for all of the decrease in the overall tax levy. Based on that the total percentage of tax dollars raised going to the Town declined by 1.24%, while the combined school percentage went up by 1.68%, with the schools taking over 50% of all property tax dollars raised in 2019. It is worth noting here that the goal of the Board of Selectmen was to end the massive subsidy going from the taxpayer to water and sewer users, and that has largely been accomplished. The tax rate, and the overall tax levy, for 2019, has been stabilized. The combined educational percentage was 50.47%

2020	TAX RATE	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$15.97	\$41,088,692	
<b>Town</b>	\$6.57	\$17,926,201	43.63%
<b>Local School</b>	\$6.41	\$17,503,975	42.60%
<b>State School</b>	\$2.07	\$3,560,072	8.66%
<b>County</b>	\$0.92	\$2,510,694	6.11%

While the tax rate and the total levy both increased in 2020 the Town levy actually decreased slightly from year to year, while the Town tax rate remained constant at \$6.57. The schools exceeded 51% of the total levy, and the total levy to support the schools exceeded the Town side number by \$3.1 million. The combined educational percentage was 51.26%

2021	TAX RATE	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	<b>\$13.73</b>	<b>\$42,627,278</b>	
<b>Town</b>	<b>\$6.01</b>	<b>\$19,277,067</b>	<b>45.22%</b>
<b>Local School</b>	<b>\$5.33</b>	<b>\$17,449,256</b>	<b>40.93%</b>
<b>State School</b>	<b>\$1.64</b>	<b>\$3,456,679</b>	<b>8.11%</b>
<b>County</b>	<b>\$0.75</b>	<b>\$2,444,276</b>	<b>5.73%</b>

The 2021 numbers are new to this report and are of major interest. The top line numbers show that the Town levy went up \$1,350,866, or 7.5%, which is a major increase. The town percentage of the total levy rose to 45.22%, an increase of 1.59%. The combined school percentage of the levy is 49.04%, down from the 2020 percentage of 51.26%. The county portion was also down slightly. Despite the increase in the town levy the schools still constitute almost half of the total levy, and are 3.82% above the town as far as levy utilization. There is substantially more to the numbers in 2021 which I will examine in different ways in this report, and in the executive summary.

Now let us take a look at NextEra, and other sources of our tax revenues, to see what those numbers tell us. The total levy number will differ slightly from above due to overlay and statutory exemptions, but that difference is insignificant. Let us look at those numbers, which will answer some of the questions raised by the numbers above.

2014	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	<b>\$37,132,224</b>	
<b>NextEra</b>	<b>\$15,630,000</b>	<b>42.09%</b>
<b>Other Utilities</b>	<b>\$1,350,094</b>	<b>3.64%</b>
<b>Commercial</b>	<b>\$5,746,280</b>	<b>15.48%</b>
<b>Residential</b>	<b>\$14,405,850</b>	<b>38.80%</b>

2015	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$37,704,890	
<b>NextEra</b>	\$15,630,000	41.45%
<b>Other Utilities</b>	\$1,353,955	3.59%
<b>Commercial</b>	\$6,407,459	16.99%
<b>Residential</b>	\$14,313,476	37.96%

2016	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$37,020,380	
<b>NextEra</b>	\$12,880,000	34.79%
<b>Other Utilities</b>	\$1,579,489	4.27%
<b>Commercial</b>	\$6,464,472	17.46%
<b>Residential</b>	\$16,096,419	43.48%

2017	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$39,582,296	
<b>NextEra</b>	\$12,380,000	31.28%
<b>Other Utilities</b>	\$1,998,632	5.05%
<b>Commercial</b>	\$7,337,322	18.54%
<b>Residential</b>	\$17,866,342	45.14%

2018	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$41,619,442	
NextEra	\$12,500,000	30.03%
Other Utilities	\$2,121,841	5.10%
Commercial	\$7,604,466	18.27%
Residential	\$19,393,143	46.60%

In light of the eventual agreement with NextEra their number was converted to \$12,000,000 in 2019, with the Board determining that abating the \$500,000 overage assessed in 2018 would be the best way forward. That abatement was paid in 2019. If NextEra is calculated at \$12,000,000 then their percentage of the levy drops to 28.8%. That would be a reduction of 2.48% in their relative tax burden, which we have pushed out to 2019. That is a substantial reduction year to year, and a huge reduction from the 42% they paid in 2014. Again that impact has been pushed into 2019 but it continues the trend of NextEra paying less of the overall tax burden, and residential taxpayers picking up that difference. (The NextEra Shift) That NextEra Shift saw the residential tax levy increase by \$1,526,801 in 2018, which is 84% of the total levy increase. With NextEra paying less overall that percentage has largely been shifted to the residential category.

2019	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$40,648,050	
NextEra	\$12,130,000	29.84%
Other Utilities	\$1,850,585	4.55%
Commercial	\$7,333,334	18.04%
Residential	\$19,334,132	47.56%

As mentioned the 2019 tax year managed to slow some trends that were not favorable for the Town, and especially to residential taxpayers. The actual dollars paid by residential taxpayers actually **declined** in 2019 (residential tax levy)

although that category slightly increased as a percentage of the overall levy. (Due to the large decrease in the overall levy) The NextEra percentage increased slightly, stopping, at least for 2019, the steep decline in their percentage of the overall levy. (\$12,000,000 on the negotiated tax agreement, and \$130,000 for ancillary properties.) Another item of note is the decline in the category of other utilities, which is a function of state legislation laying out valuation methodology for these utilities, as well as some negotiated settlements of long standing tax cases in this category. Even with that the combined commercial/utility category accounted for \$9,183,919 or 22.59% of all property tax dollars raised in Seabrook.

2020	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$41,088,692	
NextEra	\$12,130,000	29.52%
Other Utilities	\$1,891,280	4.60%
Commercial	\$7,398,224	18.01%
Residential	\$19,669,187	47.87%

2021	TAX LEVY	PERCENT OF LEVY
<b>Total</b>	\$42,627,278	
NextEra	\$12,097,634	28.4%
Other Utilities	\$2,069,138	4.9%
Commercial	\$6,648,167	15.6%
Residential	\$21,812,339	51.2%

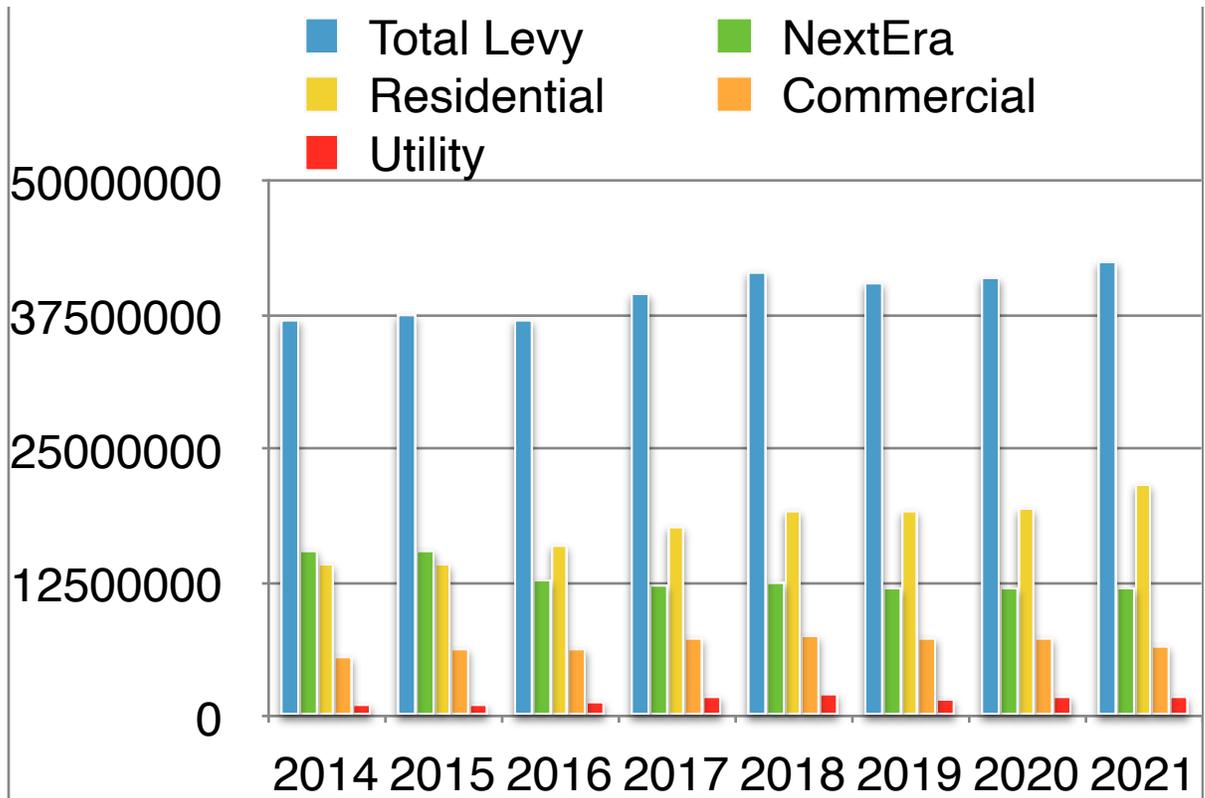
The 2021 numbers continue a negative trend for residential taxpayers. This is the data that has created, and will continue to create, difficulties in property taxation for Seabrook. The NextEra percentage of the total levy has declined by 1.12%. That number comes without a tax agreement between Seabrook and NextEra and

is the subject of current discussion between the parties. It bears repeating that with fixed dollar agreements between the Town and NextEra that do not go up year to year NextEra's percentage of the overall levy will continue to decrease. (The NextEra shift) That agreement methodology gives both parties certainty and has been successfully utilized for a number of years. It also insulates NextEra from any share of budgetary increases for capital projects voted through the warrant, or general budgetary increases of an operational nature. The capital costs associated with water exploration have been substantial and despite the fact that NextEra is a major portion of our water system they have been, in my view, artificially protected from those costs through the fixed dollar agreements. Whether the Town should continue to be supportive of such agreements is open to question, especially with the major changes occurring in the energy markets.

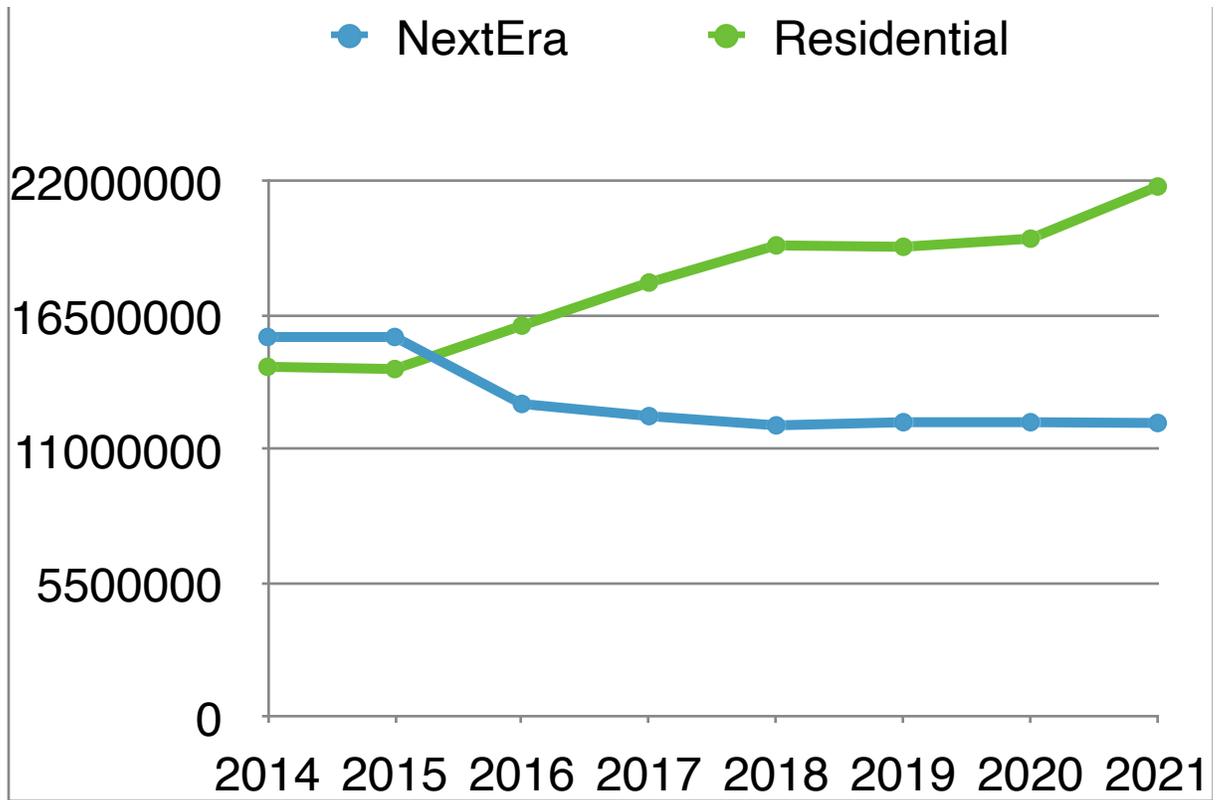
The commercial sector took a steep decline here, with a reduction of \$750,000 in levy paid, and a percentage drop of 2.41% of the overall levy. In combination with NextEra the percentage of the total levy paid by those two categories declined by 3.53%. That is a major hit, with the potential for more depending on what happens with NextEra. The combined commercial sector dropped to 48.9% from 52%, with residential picking up that difference. Municipal spending is but one piece of the issue here. The NextEra shift would create a heavier burden on the residential taxpayer even if spending remained constant.

The value, carried on the assessor's book, for Seabrook Station from 2016 forward.

Year	Value	Tax Dollars
2016	\$1,021,634,600	\$12,750,000
2017	\$878,766,150	\$12,250,000
2018	\$885,269,100	\$12,500,000
2019	\$877,834,700	\$12,000,000
2020	\$863,309,350	\$12,000,000
2021	\$1,151,000,000	\$12,097,634

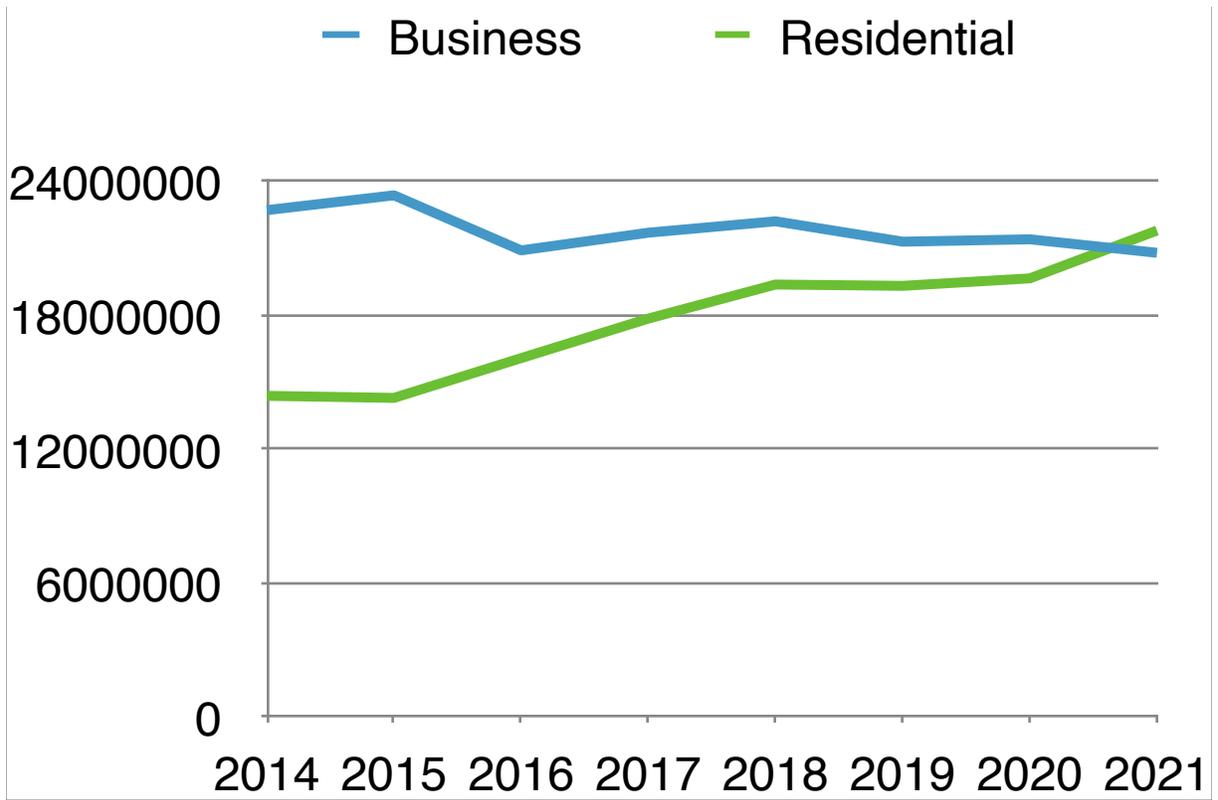


The trend lines as shown by the graphs, buttress the points made above. The graphs above and below show us the intersection of residential and NextEra (below) in 2016 and the climb in residential relative to the other categories (above.) The above numbers show that NextEra, as a percent of the total tax levy, has dropped from 42% to 28.4% in just eight years. The bulk of that difference has been made up by the residential taxpayer, who has gone from 38.8% of the total, to 51.2% of the total. In effect, without accounting for spending increases, the relative tax burden over that period has shifted from NextEra to our residential taxpayers, and to a lesser degree to other utilities and commercial taxpayers. When you combine “other utilities” with “commercial” that category increases as a percent of the total from 19.12% in 2014, to 20.5% in 2021, a 1.38% increase. We simply have not increased enough in the other commercial categories to make up for the NextEra shift.



As mentioned previously the total levy has risen by an average of 1.86% annually over the measured period. That number is extraordinary, and reflects a strong commitment by the Board of Selectmen to manage the annual budget process in a fiscally conservative way.

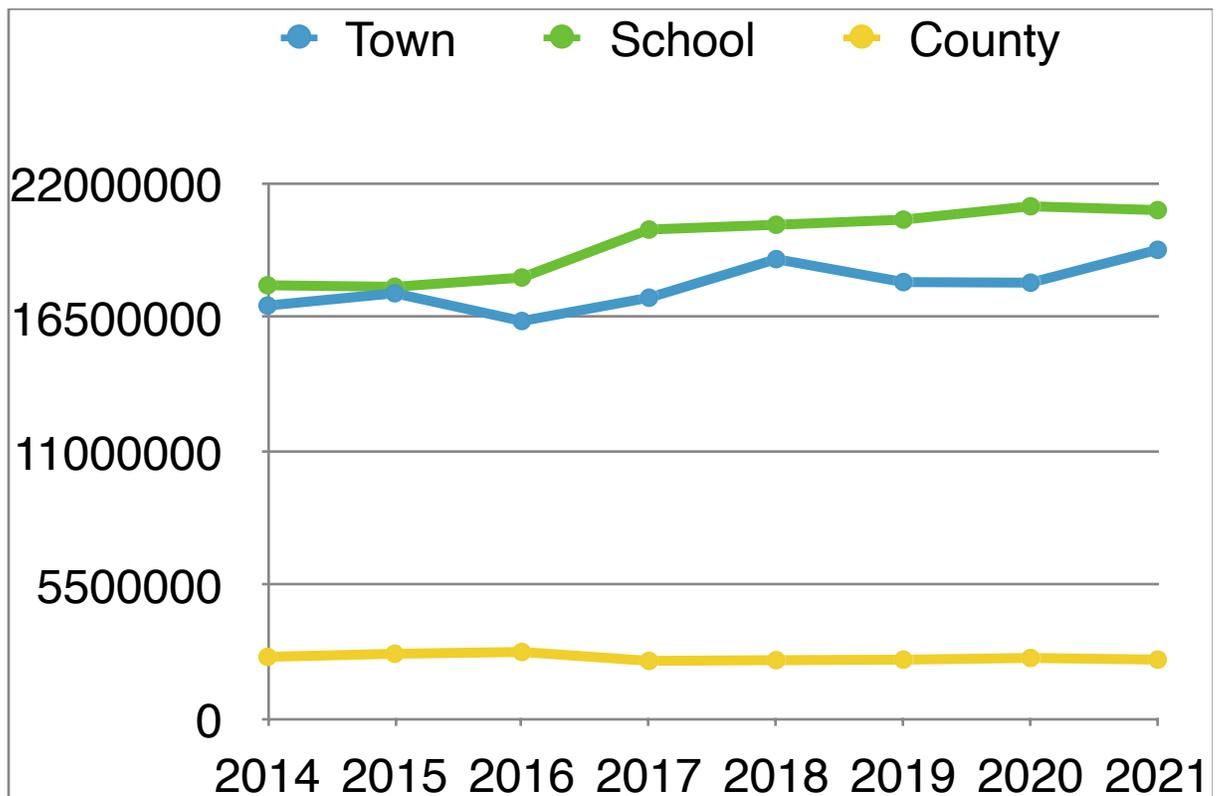
One data set that we just included in last years report is a relatively simple one, comparing residential dollars raised in comparison with all other (business) categories combined. The trend lines are contained in the below graph which shows residential taxpayers, in 2021, intersecting with, and exceeding, the combined business categories.



2020		
Total Levy	\$41,088,692	
Business	\$21,419,505	52%
Residential	\$19,669,187	48%

2021		
Total Levy	\$42,627,278	
Business	\$20,814,939	48.83%
Residential	\$21,812,339	51.17%

The report looks at both where we are getting our tax dollars, and where they are going. The below graph combines local and state education spending into one category. Over the measured period combined school spending has risen by \$3,086,194 an eight year increase of 17.31%, or 2.16% annually. The Town side has seen an increase of \$2,290,416, an overall increase of 13.48%, 1.68% annually. That number reflects collective bargaining increases, health care costs, and standard increases in the cost of doing business. To have produced a budgetary growth rate of 1.68% is extraordinary.



The Town has driven up, on an annual basis, the unexpended fund balance, and has used that fund balance to both subsidize the tax rate as well as to fund capital expenses. As we look at those figures in the below table we see that the successful building of fund balance has allowed the use of \$10,395,000 to subsidize the tax rate, as well as \$1,844,464 to fund critical capital projects. (\$12,239,464 in total.) This fund balance remains over \$4 million (unofficially) despite the withdrawal of the \$12 million referenced above. Fund balance is a major success story for the Town, and has been a significant factor in our ability to hold down the tax levy numbers. The FY 2021 independent audit, already underway, will give us the official number being carried for fund balance now.

Year	Fund Balance	Fund Balance Used (Tax)	Fund Balance Used (Capital)
2014	\$4,475,677	\$0	
2015	\$6,356,963	\$0	
2016	\$9,165,185	\$2,250,000	\$325,000
2017	\$8,380,584	\$2,000,000	\$270,000
2018	\$7,600,025	\$495,000	\$480,000
2019	\$7,035,744	\$750,000	\$274,464
2020	\$8,100,000	\$900,000	\$495,000
2021	\$4,127,360	\$4,000,000	\$0

	Capital Spending (Authorized)	Human Service
2013	\$1,333,400	\$165,879
2014	\$2,021,600	\$173,414
2015	\$2,519,709	\$160,487
2016	\$2,153,950	\$110,720
2017	\$2,385,800	\$141,897
2018	\$1,439,500	\$94,611
2019	\$3,864,700	\$95,130
2020	\$1,354,307	\$99,130
2021	\$4,244,137	\$103,530

I will provide a more detailed multi-year look at Seabrook capital spending in a separate report.

A look at the municipal side budgets over the past seven years will show us the impacts of capital spending, and how the Budget Committee budget number submitted, debated, and voted on is only part of the story. Here is the eight year history of submitted municipal budgets, and the change to that number after the warrant was voted. The 2021 capital spending number is the largest in the measured period, and despite the application of fund balance obviously skews the budgetary number up. With that surge in capital spending the Budget Committee number moved beyond \$30 million, as shown in the below table.

Year	Budget Committee Number	MS-232
2014	\$20,220,353	\$21,234,702
2015	\$19,971,001	\$21,837,501
2016	\$21,540,733	\$23,865,403
2017	\$22,374,925	\$24,954,390
2018	\$22,903,403	\$24,437,514
2019	\$23,523,145	\$27,517,263
2020	\$24,249,098	\$25,871,906
2021	\$26,431,800	\$30,799,467

The MS-232 number, shown in the above table, exhibits the growth in the budget after inclusion of the warrant articles. It is submitted annually to the DRA, and reflects the true budget after the warrant. So what do these town side numbers show us? The overall growth in the “budget committee” number was \$6,211,447 over eight years. That is a growth rate of 3.83% annually. The importance of the capital budget cannot be over-estimated. Accordingly we will prepare the annual CIP book in a different format this year. The new format, hopefully, will be ready earlier, and will be able to be exhibited in different ways to the public, and to the Board of Selectmen, Budget Committee, and Planning Board. I am at work on that project now.

The below table, on health care costs, shows us a main driver of fixed costs in our budget. Health care costs have been held around 15% by the start of some cost sharing with the unions, but these costs crowd out other possible budgetary priorities. The 2021 health care number showed a decline as a percentage of the overall budget, but still consumes 14.22% of all budgetary dollars.

Year	Health Care Costs	% of Bud Com Budget
2014	\$3,230,593	15.97%
2015	\$2,960,812	14.82%
2016	\$2,983,044	13.84%
2017	\$3,461,048	15.46%
2018	\$3,487,453	15.22%
2019	\$3,268,166	13.89%
2020	\$3,749,527	15.46%
2021	\$3,759,045	14.22%

One of the numbers that we need to include is what would be called the “new growth” number, representing taxes collected on new construction.

New Growth	Value	Taxes
2014	\$28,500,000	\$434,000
2015	\$68,000,000	\$1,000,000
2016	\$27,000,000	\$400,000
2017	\$15,000,000	\$244,000
2018	\$15,000,000	\$244,000
2019	\$10,000,000	\$157,500
2020	\$11,000,000	\$175,000
2021	\$11,000,000	\$175,000

### **Summary and Conclusions**

This report is filed annually, and we attempt to focus some attention on areas where the numbers stand out.

1. The three year tax agreement with NextEra expired in 2020. That agreement was for \$36 million and no new agreement has been reached as of this writing. The terms of any new agreement will be critical to Seabrook's financial future.
2. The Town of Seabrook has received a federal ARPA COVID aid package of \$925,665.88, which will be split into two payments of \$462,832.94. The first payment has been received. The second payment should be received in the next few months. I will highlight these funds in the new CIP book that is being worked on now. The first mandatory federal report, due by April 30, 2022, has been filed by me.
3. 2021 was a unique year in growth of the municipal side budget. The application of \$4 million in fund balance was technically an allocation to subsidize the tax rate, but in reality it should be considered as funding the major capital projects approved through the warrant, which exceeded \$4 million. This report covers an eight year period. We will examine issues more specific to 2021, and some 2022 issues, in the executive summary.
4. As highlighted in the above the "shift" away from commercial, primarily NextEra, towards residential taxpayers presents rather severe challenges for policy makers. These challenges were highlighted in the first report of this nature in 2018, with some of those difficult decisions still facing us today. We will review some of those in the executive summary.
5. I have listed the revolving fund balances at the end of 2021 below. These numbers will be frequently referred to in budget deliberations.

**Revolving Fund 2021 Ending Balances**

1. Ambulance \$36,810.49
2. Recycling \$193,619.26
3. Recreation \$86,708
4. Cemetery \$16,430.65
5. Scholarship Funds \$1,351,055.90
6. Communication \$240,368.69