

**Manchester-by-the-Sea  
Finance Committee  
ANNUAL REPORT  
2017**



**Please be sure to attend  
Town Meeting  
at Memorial School  
April 3, 2017 at 7:00 P.M.  
and  
bring this report with you.**

## **Definitions used in discussing money articles**

### **Apportionment**

A formula used to compute the amount each town owes to the Regional School District.

### **Article 4**

The operating budgets for the town.

### **Article 5**

Most, but not all, capital items.

### **Assessors' overlay**

A fund in reserve for the Board of Assessors to cover abatements.

### **Assessment**

The Town Board of Assessor's opinion of the value of your property.

### **Available funds**

Fund balances plus amounts in other accounts that are not Enterprise funds.

### **Borrowing**

Loans the town takes to pay for large capital items.

### **Capital budget**

One-time expenses. Traditionally Manchester has included some maintenance, including road repair, new roofs, etc. as capital expenditures.

### **Chapter 70**

The Chapter of the State law that governs the funding of schools. It is also the common name for the largest part of state funding to schools.

### **Cherry sheets**

State aid to the town. So called because they were once printed on red paper.

### **Choice**

Money that flows into the school district from the state when the system accepts students from outside the district.

### **Enterprise fund**

An account separate from the town's general fund for the revenue and expenses of a particular function of the town.

### **Exclusion**

An item that the Town Meeting and voters agree to fund outside the limits of Proposition 2 1/2 .

### **Fund balances**

Formerly known as free cash, the amount of money left over in the general fund at the end of the year. Most of the fund balances come from unanticipated revenues.

### **General fund**

The Town's checking account. The General Fund can be expended only for the items approved by Town Meeting.

### **Hold**

The request to delay consideration of one part of a multi-part article. Any item that a Town Meeting member questions is marked as a hold and will be discussed after the unquestioned items have been voted.

*Definitions are continued on the inside back cover*

**TAX RATE ESTIMATE FOR  
FISCAL YEAR ENDING JUNE 30, 2018  
JULY 1, 2017 - JUNE 30, 2018**

As Recommended  
By FinCom

**Fiscal year 2018**

Article 4 Department Requests (salaries and normal operating expenses)	13,944,760
Article 5 Capital items requested by Departments	2,278,500
Article 6 Regional School Operating and Debt	15,242,817
Other Articles (4)	1,357,780
Town Meeting Total	<u>32,823,857</u>

**PLUS:**

State Assessments	168,326
Assessors' Overlay	220,000
Snow Deficit	100,000
Tax Lien Purposes	10,000
Gross Amount to be Raised	<u>33,322,183</u>

**LESS:**

State Aid	228,328
Estimated Receipts - Local Revenues	1,816,976
Enterprise Accounts - Water & Sewer	2,381,829
Community Preservation Funds (CPA)	622,633
Unreserved Fund Balance ( Free Cash)	745,864
Overlay Surplus	125,000
Available Funds	846,215
Subtotal of Deductions	<u>6,766,845</u>

Net Amount to be Raised by Taxation	<u>26,555,338</u>
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Permitted Levy Limited	23,437,688
Estimated new growth factor	243,000
Previous Debt Exclusion	2,574,650
Capital Exclusion	300,000
Maximum Permitted Levy	<u>26,555,338</u>

TOTAL ASSESSED VALUATION AS OF FY-2017	2,354,252,445
FISCAL YEAR 2017 TAX RATE (PER THOUSAND)	11.00
ESTIMATED FISCAL YEAR 2018 TAX RATE * (PER THOUSAND)	11.28

\*BASED ON FY-2017 PROPERTY VALUATIONS

## **ANNUAL REPORT OF THE FINANCE COMMITTEE TO THE VOTERS OF THE TOWN**

Beginning in early December, the Finance Committee began reviewing the Town's budgets and capital items for fiscal year 2018 to be presented to the voters at the Annual Town Meeting on April 3, 2017. We would like to thank Manchester town employees, the Manchester Essex Regional School District, elected officials, and volunteers who prepared detailed budgets and appeared before us to answer questions and provide information about these budgets, their plans, and objectives. In particular, we appreciate the hard work and cooperation of all the Department Heads who continue to show good discipline in managing their ongoing budgets and operations. We would also like to thank Andrea Mainville, Town Accountant, and Town Administrator, Greg Federspiel, for their coordination and efforts in assembling all of these budget items, their attention to detail, and particularly for their thorough grasp of the needs of the Town and putting in place a solid plan for addressing those needs.

The Finance Committee met regularly with the Town Administrator, the Town Accountant, and individually with the heads of the major departments to review the Town's operating and capital budgets. We also met with leaders of the School District, attended School Committee meetings, and participated in the school budget working group with other representatives from both Essex and Manchester. Throughout this budget review process, the Finance Committee also met with various consultants to gather additional information and refine particular recommendations. We have continued our ongoing benchmarking efforts to compare Manchester's financials, spending and revenues with other similar communities in Massachusetts. Looking beyond the coming year, we reviewed multiyear models for both the Town's operating and capital budgets as well as the multiyear budget model prepared by the School District. These multiyear models project the impact that this year's budget, and its changes, will have on future year's budgets, debt levels, capital needs, and reserve balances.

As a result of careful and consistent management by the personnel of the Town and School District personnel, coupled with consistently strong local receipts including items such as excise tax payments, beach fees, etc. the Town is in good financial shape. Moving forward, we are comfortable recommending a fiscal year 2018 budget that we believe maintains the level of public services and quality programs that the citizens of Manchester expect and deserve while keeping the Town's operating and capital spending within the levy limit permitted by Proposition 2 ½.

We are continually looking at ways to deliver Town services even more efficiently. Over the last year, the Town conducted a series of benchmarking projects to compare our services, costs, and resources, to those of other similar towns in Massachusetts. Selecting the appropriate towns for comparison, gathering the relevant data, and analyzing this information has been a detailed and ongoing process. Significant work has been done on reviewing public safety with a close look at the Police and Fire departments that make up a substantial portion of the Town's budget. This effort has collected information on staffing, compensation, needed equipment, and operating procedures in comparison with our peer communities. Similar work is being reviewed for the Department of Public Works. Members of the Finance Committee, the Board of Selectmen, and various town employees have been instrumental in moving this benchmarking effort forward. We hope to have more complete information and specific recommendations to share with you in the coming year. This benchmarking effort also ties in with the ongoing, long range master planning effort now underway in the Town.

Significant portions of our infrastructure were put in place decades ago that require continual maintenance, and ongoing replacement. Over this last year, the Town has experienced some unexpected and costly efforts to repair and replace sections of pipe for water and sewer deliv-

ery and treatment. We are now in our fourth year of a multiyear plan to update, repair, and replace our aging infrastructure. We hope to continue this effort. The current version of this plan appears later in this booklet. The overall strategy behind this capital plan is to use reserves that have been growing better than expected in recent years and to replace existing debt as it is retired over the coming years with new, similar debt. Through this strategy, the Town should be able to update its physical assets with minimal effect on the tax rate.

As with the Town of Manchester, the School District is also facing concerns about its infrastructure and a feasibility study is underway for the renovation or potential replacement of the Memorial Elementary School. This process will likely unfold over the next 2 to 5 years, and has direct impact on the town budgets of Manchester and Essex. The funds for the feasibility study were appropriated at last year's Town Meeting and will be expended in FY2017-2019. If the future building project is approved by both towns, it will further contribute to the Town's debt.

### **Financial Highlights:**

- In Fiscal 2016, which concluded on June 30, 2016, the Town had an undesignated Fund Balance (free cash) of \$2,524,774. This fund balance decreased slightly as a result of the record snow removal costs in 2015 and transfers made to the Stabilization Fund which has a value of \$1.45 million and the OPEB Trust which has a value of \$1.06 million..
- Fiscal 2017, ending on June 30, 2017, should close with an undesignated Fund Balance (free cash) of approximately \$2.6 million and a Stabilization Account of \$1.55 million. The growth in reserves is due to careful financial management coupled with receipts that are higher than the conservative estimates used in the budget process, and a year without major snow removal expenditures. Furthermore, the Town maintains a AAA bond rating amongst its creditors, the highest rating that is reserved for financially well managed municipalities and towns.
- Fiscal 2018 compared to Fiscal 2017:
  - Town: 2.48% increase (tax funded operating expenses increased 2%)
  - School: 3.71% increase (verses District increase of 3.26% -- see below)
- Total appropriations for the FY2018 budget are up 2.8%. However, projects paid with Community Preservation Act funds will continue to decrease in fiscal year 2018, due to the reduction in matching CPA funds available from Massachusetts. A tax increase of 2.5% plus revenues from new construction and local receipts will fund our increased operating and capital expenses.
- Debt service is projected to decrease in FY2018. Use of a capital expenditure exclusion vote aims to keep the amount of excluded taxation basically unchanged.
- Salaries make up over 42% of the Town's operating budget. Salaries increased due to management's proposal of additional hours and adjustments made for specific positions that have been low relative to comparable positions in other communities. Additional salaried hours have been added for the Town Planner to assist with the Manchester's Affordable Housing Trust (funded by Community Preservation funds) and also additional hours for computer, IT, and website support. A boost in the overtime account for the Fire Department was provided in light of fewer call fire fighters able to respond to emergencies pushing the total Town salary increase to 4% year to year.
- Non-salaried expenses make up approximately 27% of the Town's operating budget. Expenses have increased 2.4% which is lower than the 6.1% increase last year as select hires have been made resulting in lower professional service costs and corresponding increases in salaries.

- Pension expense is up 5.1%, mandated by the state to move toward fully pre-funding pensions. Health insurance expenses are on par from FY2017 to FY2018. The lack of an increase in the health insurance expenses is a result of employees paying a higher share of the costs, changes made in plan design, and replacement hires opting out of the Town's health insurance plans.
- Capital expenditures for FY2018 are anticipated to be \$6,278,500, an increase of 20%, to be funded through a combination of taxation, the Town's Fund Balance, water and sewer rates, waterway funds, a new bond, and other sources. The increase in this expenditure is driven mainly by the new bond amounts for water and sewer which reflects the ongoing effort to improve the Town's infrastructure as described in other areas of this report.
- New this year is a proposed use of a Capital Expenditure Exclusion in the amount of \$300,000 for full LED streetlight replacement in town to conserve energy, reduce long term costs, and realize a payback within 5 years. Capital expenditure exclusions are paid with cash raised outside the limits of Proposition 2 ½ and are more efficient than debt exclusions as ongoing interest payments are eliminated.
- Manchester's share of the Manchester – Essex Regional School District (MERSD) operating budget is up 3.71% for FY2018. This increase represents a balance between maintaining current levels of service and a strong effort to limit increased operating costs. Manchester's enrollment growth is outpacing Essex's resulting in Manchester picking up a higher share of the total costs. The District's total budget is increasing 3.26% or \$783,888 while our appropriation is increasing 3.71% (Essex has a 2.28% increase).
- The budget should leave the Town at the end of FY2018 with financial reserves (Fund Balance plus Stabilization Fund) slightly greater than the estimated FY2017 level of approximately \$3.97 million.

We encourage you to review the information and graphs presented later in this booklet, which depict various aspects of the Town's Operating Budget and financial position.

## **Overview of the FY2018 Town Operating Budget**

The FY2018 budget implements these basic principles in order to preserve the financial strength the Town has worked hard to achieve;

1. Ensure current revenues are sufficient to support current expenditures.
2. Never fund operating expenditures from debt.
3. Maintain strong General Fund reserves.
4. Provide adequate contingency funds in the budget.
5. Budget sufficient maintenance and replacement dollars to ensure capital facilities and equipment are properly maintained.
6. Strive to maintain the quality of services currently provided, while addressing new or increased service demands through enhanced efficiencies.

Each of the Town's departments has once again worked diligently to develop an efficient budget. All town departments have shown admirable restraint in their requests. Most departmental discretionary expense budgets were held neutral or slightly reduced for FY2018. Within several departments, salary expenses have increased due to recent hires as the Town works to fill leadership vacancies. Union contract negotiations are still underway for a new three-year contract that begins in FY2018. Negotiations are seeking a balance between pay increases and employee contributions to health insurance costs. There are no additional employees planned

for FY2018 but the budget does reflect a shift in personnel to better support the needs of the various planning boards and committees and to accommodate the Town's long-range planning effort. The Town has a few employee vacancies that will not be filled until the department needs and requirements can be more fully analyzed.

Over this last year, the Town again experienced some unexpected costs for repairs. An emergency repair totaling approximately \$200,000 was needed for the sewer outfall pipe. The replacement of the boat ramp came to an overall total of \$630,000 which was \$245,000 higher than the original bid. The 2016 winter was relatively light on snow allowing for savings in the snow removal budget. The unanticipated costs were funded from the Town's Reserve Fund and re-assigned capital funds.

The Town's website (<http://www.manchester.ma.us>) provides detailed information on this budget.

### **Other Post-Employment Benefits (OPEB) and Pension Liabilities**

During the past few years, the Town has reduced the unfunded liabilities for healthcare obligations to current and future retirees, commonly called OPEB (Other Post-Employment Benefits). This reduction has involved direct steps to reduce the future liabilities to the Town and setting aside assets to fund those liabilities.

On the liability side, structural changes have been made to the Town's health insurance plans, to reduce its unfunded OPEB obligations. Some of these changes include:

- Requiring all eligible retirees to enroll in Medicare, reducing the cost to the Town for their health care costs.
- Auditing the benefit rolls on a continuous basis by removing persons no longer entitled to benefits from the Town, identifying eligible retirees who had not yet enrolled in Medicare, and ensuring total deductions by the town and employees match the corresponding enrolled plans.
- Changing the insurance program for current employees to increase deductibles and employee contributions.
- Requiring employees and retirees to pay a higher share of the premiums for a given plan.

On the asset side, the Town created an OPEB Trust that it funds on an annual basis at a level that actuaries consider "fully pre-funded". This means that, as long as the Town continues to make annual contributions at the appropriate level, within 30 years the assets in the trust will meet the Town's OPEB liabilities at that time. The current review of the Town's OPEB liabilities suggests that we may be running ahead of schedule in our effort to fund our OPEB liabilities fully. Or viewed another way, while the actuarial analysis assumed a rate of return on invested funds of 7.5%, we have a bit of a cushion that still works if the returns are closer to 5%. The Town's OPEB Trust Fund has been invested in the state's Pension Reserves Investment Trust (PRIT), a large and professionally managed fund, in order to maximize returns. For FY2018, we will be recommending a contribution amount consistent with prior years.

The Town also has significant pension liabilities. A state statute specifies the parameters that all municipalities must follow to fund these liabilities. Manchester is following the state mandated program, and its pension liabilities should be fully funded by 2035. To learn more about the Town's pension and OPEB liabilities, please see the Board of Selectmen's report contained in this booklet, the Town's OPEB actuarial report and the annual Town financial statements which are available online, or at the Town Hall.

## **Capital Plan and Sources of Funding**

Manchester is in year four of a new multi-year capital improvement plan to remedy past deficiencies and meet the Town's infrastructure needs into the future. This plan calls for significant spending on roads, the water treatment and distribution systems, the sewer collection system, and a number of the Town's vehicles and buildings. Ongoing weather events damaged seawalls and other aspects of our infrastructure that must be repaired and strengthened. The capital plan seeks to reduce future operating costs by making energy-saving improvements to a number of the Town's facilities and positioning the Town to take advantage of the Green Community grants and other similar funding sources.

Article 5 and 7 detail the recommended capital expenditures, requested from taxation and other sources, for a total of \$6,278,500 in FY2018, \$4 million of which is a replacement bond. These expenditures include a continuation of the replacement effort for aging water, sewer, and drainage pipes, the ongoing road improvement program, replacing an older fire truck and three DPW vehicles, preliminary site work in consideration for moving the DPW garage and its base of operations, and other town equipment and infrastructure improvements.

In FY2018, additional planned capital improvements cost \$1,144,633. These will be funded as follows; \$622,633 from Community Preservation Act funds for town projects, \$377,000 from grants, and Manchester expects to receive \$145,000 in Chapter 90 funds from the state which will be used for road repairs and improvements.

We are recommending the use of a Capital Expenditure Exclusion in the amount of \$300,000 to replace the Town's streetlights with new LED lamps to conserve energy, reduce our annual energy costs, and realize a payback in 5 years. This project, if approved, is planned for completion in FY2018. Capital exclusions are paid with cash and are efficient because borrowing, increased debt, and on ongoing interest payments are eliminated. As with larger debt exclusions, the voters at Town Meeting must approve capital exclusions with a majority vote and then a two thirds majority vote at the ballot in May. A capital exclusion is a one time tax. Our proposal is geared to keep the total taxes collected for excluded debt payments and for capital exclusions level year to year.

The next five-year portion of this ten year capital plan appears later in this booklet.

## **Fund Balances, Other Reserves and Debt**

When expenses are less than anticipated and/or revenues are higher than budgeted, the excess funds flow into the Town's Fund Balance (formally called "Free Cash" and much like net income in a commercial context). The Fund Balance is essentially the Town's savings account. On occasion, Town Meeting votes to move some of the Fund Balances to the Town Stabilization Fund maintained for emergencies and other projects. Accessing funds in the Stabilization Account requires a two-thirds majority approval at Town Meeting while use of the regular Fund Balance dollars is by a simple majority vote.

The Finance Committee believes that it is prudent to maintain adequate reserves (Fund Balance plus Stabilization) We estimate that reserves in FY2018 will equal approximately \$3.97 million or 14% of total expenditures, which is at the high end of our targeted range. A graph, showing historical levels of reserves, appears later in this booklet. The ongoing, 10 year capital spending plan anticipates keeping the reserves within this range.

A portion of the Town's outstanding debt will mature over the next several years as shown in the graphs at the end of this booklet. This will allow us to issue new debt in the coming years to address our 10-year ongoing capital improvement plan without increasing the tax rate.



## **Manchester-Essex Regional School District Budget**

The School Committee and the District Administration have responsibility for the school budget. The Finance Committee reviews this budget carefully before recommending it to Town Meeting. As previously mentioned, the Finance Committee has a representative on the small working group (consisting of representatives of the School District as well as the towns of Essex and Manchester) which plays an active role in developing the annual budget beginning in the late Fall. The entire Finance Committee has also met with School District officials during the budget process culminating in a detailed discussion of the final budget and review of the District's five-year financial plan.

The Manchester Essex School District is seeking an increase of 3.71% or \$493,622 in the FY2018 assessment to the Town of Manchester. The town budget presented includes this increase. However, we have concerns such increases will be difficult to sustain year after year, especially in light of the needs of the two elementary schools. The portion of the operating budget for the School District that is assessed to the Town of Manchester for FY2018 totals \$13,813,861. We also will be paying \$1,428,956 toward the District's debt payments.

This proposed budget allows the School District to fund its current level of operations for FY2018 without using more of its reserves which had been its practice in years past. The budget maintains the same level of personnel and services within the District and provides for some new technology and teaching tools in other key areas. In 2015, the Town of Manchester approved an override to fund the School District in response to increased enrollment so that it could operate within the levy limit for a number of years to come.

The Manchester Essex Regional School District is currently into a multiyear process to upgrade or replace the Manchester Memorial Elementary School and eventually the Essex Elementary School. This planning process began with an application and subsequent acceptance from the Massachusetts School Building Association (MSBA) for review, state funding, and guidance as the towns and the School District move into this process. The School District is presently in the second year of this feasibility and planning study.

The School District has done a commendable job in addressing its OPEB liabilities. Last year the District negotiated significant changes in its health insurance program that will reduce the long-term OPEB liabilities. The District has pledged to apply annual savings from this new health insurance program, approved by the teachers union, for funding the OPEB liability. This contribution coupled with a small amount of OPEB funding in the District's operating budget puts the schools on track to reach actuarial fully pre-funding (which means full funding over 30 years) within a few years.

### **Looking Ahead to FY2019**

The Town's fiscal year 2019 begins on July 1, 2018. Projecting the Town's future finances is difficult, but, we are optimistic that for several years to come we can continue to provide a high level of services for the residents of Manchester and repair the Town's infrastructure within the limits of Proposition 2 ½ and without increasing the debt service load. This plan depends on a number of factors such as the cost of health insurance, energy, and state and federal regulation - not to mention natural disasters and unexpected infrastructure failures - all of which are beyond the Town's control.

We are confident that the proposed budgets for the Town are in good shape. Moving forward, the Finance Committee, and others, will continue working on the benchmarking effort to evaluate the level of services delivered to the Town's residents and the costs, staffing, and resources needed for delivering these services. Approximately 8 similar communities have been selected for these ongoing comparisons. Information gathering and analysis are under-

way and tied in with the Town’s overall master planning effort.

We may see a change to the Public Safety department with a potential move to central dispatch for more efficient and faster emergency response and cost savings. A study of Fire Department staffing and availability of call firefighters has led to ongoing discussions about increasing the Town’s staffing in this area. Our benchmarking studies have revealed that our town receives a high level of public safety service and that our costs for this service level are amongst the very highest in the state on a per capita basis. Planning and review of the Town’s infrastructure has highlighted some specific needs for an improved and more efficient DPW facility, perhaps in a new town location.

In the future, both the towns of Manchester and Essex will have the opportunity to consider the upgrading or replacement of the Memorial Elementary School. This opportunity will bring options for financing, considerations for managing a successful design and building project, and absorbing debt. If we can keep increases in annual District operating expenses close to the 3% range for Manchester, funding the new debt needed for the new school facilities will pose less of an impact on taxpayers.

As always, we want to be sure that the residents of Manchester understand the financial condition of the Town. We will be prepared to review these details and discuss this further at Town Meeting and welcome your questions and input.

**Finance Committee Members**

Mory Creighton, Chair	2018
Sarah Mellish, Vice Chair	2019
John Croft	2018
Morgan Evans	2017
Charles W Furlong	2018
Diane Kaneb	2019
Andy Oldeman	2017
Scott Susko	2017
Sue Thorne	2017

# CAPITAL IMPROVEMENT PROGRAM

## Introduction

The proposed five year capital plan aims to make a significant investment in the infrastructure needs of the community. Like so many other municipalities, Manchester has a large backlog of deferred capital needs. The challenge here is to begin to catch up on this backlog without imposing large new tax burdens on property owners. Our approach to meeting this challenge relies on allocating a healthy amount of annual tax revenue to capital needs, slowly increasing the amount of funds the water and sewer enterprise funds devote to capital needs and replacing old debt with new debt as previously issued debt is retired. This approach avoids new spikes in taxes while still providing a significant amount of funds towards capital needs. Having a fair amount of debt that will be retired over the course of the next ten years contributes to the success of this plan. We also occasionally will seek voter approval for a capital expenditure exclusion instead of debt exclusions – cash instead of borrowing – as we aim to keep constant the amount of taxes raised outside the confines of Proposition 2 1/2.

The focus of the capital expenditures is on water and sewer pipes, rehabilitating roads, updating our very tired DPW facilities, and renovating our 48 year old Town Hall that basically has not been upgraded since it was built in 1969. A new harbor dredging plan anticipates new bonds every ten years to fund a quarter of the harbor dredging needs on a regular 40 year cycle, paid for through increased mooring and other harbor use fees.

While not shown in the Town's Capital Improvement Plan, we can anticipate the School District seeking a large new bond for either renovating or replacing the Memorial School, with a request likely to come before voters at the April 2019 Annual Town Meeting. While some debt has been retired for the regional middle/high school, not enough will have been paid off to allow a similar strategy of simply replacing new debt for retired old debt. One way to ease the burden of a large new school bond is to scale back on the annual increases in the school's operating budget (for example approving a 3.25% increase instead of a 3.7% increase, putting the difference aside toward paying for the new bond.)

While the emphasis is on the next five years, looking a bit further into the future we see that we will be facing additional capital needs in the form of the possibility of acquiring property for a future library expansion and the need to fortify beach revetments and seawalls, especially in the face of climate change and sea level rise. In order to address these and other future needs, it will be very beneficial to keep future operating cost increases on the Town side to about 2% annually and, on the School side, to about 3.25% annually. Doing so will make it possible to address these larger capital needs without the need for debt exclusion votes that increases our total debt amount and annual tax increases above 2 ½ %.

## Capital projects For FY18:

The enclosed spreadsheet and Article 5 summarize the list of projects, services and purchases by department. To fund the capital plan, a similar amount of general fund revenue use as the current year is proposed, approximately \$1.1 million. An amount of the Town's fund balance is added to this along with state Chapter 90 funds for road work, funds from the water and sewer enterprise accounts, and new general obligation bonds.

A new bond for \$4.0 million is proposed to pay for new water and sewer pipes. We have mapped out both systems and have prioritized which pipes are in the most critical need of replacing. Replacing water pipes improves both the quality and quantity of water that is delivered to the different neighborhoods in Town and all but eliminates the seemingly constant string of line breaks that prove to be so disruptive and costly. New sewer pipes vastly reduce

the amount of unwanted water from entering the collection system (which in turn allows us to offer sewer connections to new properties) and help to eliminate the number of blockages that occur in old, out of aligned pipes. Additional dollars are proposed for the replacement of worn out equipment at both the water and sewer treatment plants.

Various water and sewer treatment plant upgrades are proposed and are funded primarily through funds collected from water and sewer users.

*Other capital requests for Fiscal Year 2018 include:*

DPW 1 ton Trucks replacing a 2003 truck and a 2006 truck. (This is part of a scaled back replacement program that will result in fewer vehicles in total.)

Road repaving funds, to be coordinated with water and sewer pipe replacement – we want to be sure to replace underground pipes first than pave.

Funds for a new mower attachment to efficiently complete roadside trimming

Funds for a new guardrail replacement program

Funds for the repair of sidewalks and storm drains (re-assigning dollars originally set aside for the DPW garage expansion)

Funds to advance the design of the rebuilding of the culvert and seawall on Central Street where the Sawmill Brook enters the inner harbor as well as other improvements to Central Street (we should be in line to receive state funds to assist with the construction costs once we have completed design work)

Funds to evaluate and begin clean-up of potentially contaminated soils at the DPW garage and DPW compost site.

Town Hall upgrades – Upgrades are to include alterations to the Police station locker room area to accommodate both male and female officers. Funds are also targeted to upgrade the routers, switches and software that are part of the computer network in Town Hall.

Funds to advance the planning for new or renovated town facilities with a focus on options for the DPW garage/headquarters and Town Hall.

At the Library, funds are sought for the design of a new teen area in the building. Funds to construct the new layout will be requested in the FY19 budget once the design has been finalized and cost estimates prepared.

As part of the Cemetery work, a replacement pickup truck is needed. The majority of the funds for the new truck will come from interest earnings gleaned from the Perpetual Care fund. A new leave vacuum is also proposed to replace the old one.

*For Public safety:*

A new police cruiser is requested. This replaces one of the three front line patrol vehicles. These heavily used vehicles are replaced on a three year rotation, meaning we purchase a new one each year. The new Police Chief has proposed reducing the total number of vehicles.

A new Fire Chief SUV is requested, replacing the existing 8 year old pickup truck. A 4wd sport utility vehicle is a much more versatile vehicle for the Chief to use in a wide range of emergency situations. In addition, funds are sought to purchase a small, more nimble pumper truck replacing Engine 2 which is a larger pumper truck. The smaller pumper costs significantly less helping us reduce our costs in the future. A revamped vehicle replacement sched-

ule that achieves full funding at the time of replacement has been developed. In the short run, additional funding is necessary but the annual amounts will be trimmed down once we get onto the new plan.

Funds to purchase new fire fighter “turn-out” gear to replace worn out fire protective outerwear is proposed along with funds to purchase a power lift chair/stretchers to assist in the moving of very large patients.

For the Harbormaster, dollars from the waterways fund (mooring and other user fees) are planned to replace the worn out outboard motor on the Harbormaster’s Boat and pay consultant fees to prepare the necessary plans and paperwork to fully permit the floats located at Tuck’s point.

**Capital Expenditure Exclusion vote:**

A new article this year seeks voter approval for a capital expenditure exclusion. In the past, voters have approved capital debt exclusion votes where permission is given to borrow funds and the annual debt payments, both principle and interest, can be raised outside the limits of Proposition 2 ½. In other words, additional tax dollars are raised specifically for the purpose of paying back the borrowed funds.

State law also allows a town to raise additional tax dollars specifically for the purpose of paying cash for a capital project. This capital expenditure exclusion is just for the one year and for that specific project. This approach can save money by avoiding the cost of borrowing (issuance costs and interest payments).

**Using both debt exclusions and capital exclusions to maintain a level amount of excluded taxation year to year:** Our capital budget has traditionally relied on general funds as well as borrowed funds through bonds. Our multi-year capital plan assumes we will issue new bonds as old bonds are retired, keeping our annual debt payments fairly constant. It is not always possible to align new projects and new bonds to precisely replace old bonds. One way to help keep the total dollars devoted to our capital needs level is to use a combination of debt exclusions and capital expenditure exclusions. We would use capital expenditure exclusions only when our debt payments drop and we are not ready to issue new bonds. In this way, we maintain our amount of excluded revenues to keep us at a level amount of additional taxation allowing us to continue the needed aggressive capital replacement program we have identified.

Example:

Current excluded taxation for debt:	\$1,900,000	
Next year projected to be:	\$1,600,000	(lower debt payment as bonds retire)
Added capital exclusion:	\$ 300,000	(cash payment; avoids interest costs)
Total excluded taxation for New Year:	\$1,900,000	– same as current year

MANCHESTER'S 5-YEAR CAPITAL IMPROVEMENT PROGRAM

CAPITAL PLAN	FY17	FY18	FY19	FY20	FY21	FY22	Five Yr Total
Highway							
Roads & Guardrails	\$ 400,000	\$ 365,000	\$ 365,000	\$ 365,000	\$ 350,000	\$ 415,000	\$ 1,860,000
Vehicles	\$ 328,000	\$ 172,000	\$ 150,200	\$ 163,000	\$ 200,000	\$ -	\$ 685,200
Equip	\$ 25,000	\$ 40,000	\$ 10,000	\$ -	\$ -	\$ -	\$ 50,000
Sawmill brook	\$ -	\$ 280,000	\$ 1,100,000	\$ -	\$ -	\$ 600,000	\$ 1,980,000
Facilities	\$ -	\$ 125,000	\$ 4,500,000	\$ -	\$ -	\$ -	\$ 4,625,000
Stormdrains/Sidewalks	\$ 150,000	\$ 400,000	\$ 225,000	\$ 235,000	\$ 250,000	\$ 250,000	\$ 1,360,000
TOTAL	\$ 903,000	\$ 1,382,000	\$ 6,350,200	\$ 763,000	\$ 800,000	\$ 1,265,000	\$ 10,560,200
Town Clerk/Elections							
Voting Tabulators	\$ 13,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 13,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ConCom/Planning							
Open Space/Plan revisions	\$ -	\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ 25,000
Trail work/land improvements	\$ -	\$ -	\$ 10,000	\$ -	\$ 10,000	\$ -	\$ 20,000
TOTAL	\$ -	\$ -	\$ 10,000	\$ 25,000	\$ 10,000	\$ -	\$ 45,000
Town Buildings							
Facility Planning/Building Upgrades	\$ 100,000	\$ 140,000	\$ -	\$ 3,845,000	\$ -	\$ -	\$ 3,985,000
Equipment	\$ -	\$ 23,000	\$ -	\$ -	\$ -	\$ -	\$ 23,000
TOTAL	\$ 100,000	\$ 163,000	\$ -	\$ 3,845,000	\$ -	\$ -	\$ 4,008,000
Library							
Library Director's office	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan/Study for teen room expansion	\$ -	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ 7,500
Renovation of Archive room	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Construction of teen space	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Floors	\$ -	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
TOTAL	\$ 30,000	\$ 7,500	\$ 60,000	\$ 20,000	\$ -	\$ -	\$ 87,500
Parks and Recreation							
Vehicles/Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Singing Beach Septic	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Play Fields	\$ -	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ 150,000
TOTAL	\$ -	\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ 150,000
Public Safety							
Equipment	\$ 15,000	\$ 20,000	\$ 5,000	\$ -	\$ -	\$ -	\$ 25,000
Fire/Rescue Antennae	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fire/Police Stations	\$ 50,000	\$ -	\$ -	\$ 35,000	\$ -	\$ -	\$ 35,000
Police/fire Vehicles	\$ 39,500	\$ 79,000	\$ 39,000	\$ 241,000	\$ 39,000	\$ 39,000	\$ 437,000

Fire engine fund	\$ 60,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 500,000	\$ 250,000	\$ 250,000	\$ 1,500,000
Police Dispatch	\$ 41,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Turn out gear & Hose	\$ 56,000	\$ 15,000	\$ 60,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 105,000
<b>TOTAL</b>	\$ 262,100	\$ 364,000	\$ 354,000	\$ 536,000	\$ 549,000	\$ 299,000	\$ 299,000	\$ 2,102,000
<b>Council on Aging</b>								\$ -
Senior Services/COA van (grant match)	\$ -	\$ -	\$ 10,000	\$ 15,000	\$ -	\$ -	\$ -	\$ 25,000
<b>TOTAL</b>	\$ -	\$ -	\$ 10,000	\$ 15,000	\$ -	\$ -	\$ -	\$ 25,000
<b>Harbor</b>								\$ -
Dredging	\$ 1,500,000	\$ 18,000	\$ 45,000	\$ 50,000	\$ 1,050,000	\$ -	\$ -	\$ 1,163,000
Docks/Ramps	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment/Vehicle	\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 30,000
Tuck's point permitting	\$ 20,000	\$ 29,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,000
<b>TOTAL</b>	\$ 1,560,000	\$ 47,000	\$ 75,000	\$ 50,000	\$ 1,050,000	\$ -	\$ -	\$ 1,222,000
<b>Water Department</b>								\$ -
Pipes	\$ 1,500,000	\$ 2,000,000	\$ -	\$ 1,050,000	\$ -	\$ -	\$ -	\$ 3,050,000
Treatment Plant/Equipment Upgrades	\$ 150,000	\$ 160,000	\$ 200,000	\$ 210,000	\$ 220,000	\$ 270,000	\$ 270,000	\$ 1,060,000
<b>TOTAL</b>	\$ 1,650,000	\$ 2,160,000	\$ 200,000	\$ 1,260,000	\$ 220,000	\$ 270,000	\$ 270,000	\$ 4,110,000
<b>Sewer Department</b>								\$ -
II/I & Pipes	\$ 500,000	\$ 2,000,000	\$ 185,000	\$ 205,000	\$ -	\$ -	\$ -	\$ 2,390,000
Treatment Plant/Equipment Upgrades	\$ 200,000	\$ 155,000	\$ -	\$ 500,000	\$ 230,000	\$ 280,000	\$ 280,000	\$ 1,165,000
<b>TOTAL</b>	\$ 700,000	\$ 2,155,000	\$ 185,000	\$ 705,000	\$ 230,000	\$ 280,000	\$ 280,000	\$ 3,555,000
<b>GRAND TOTAL</b>	\$ 5,218,100	\$ 6,278,500	\$ 7,244,200	\$ 7,369,000	\$ 2,859,000	\$ 2,114,000	\$ 2,114,000	\$ 25,864,700
<b>REVENUES</b>								\$ -
General Fund (taxes)	\$ 1,125,000	\$ 1,135,000	\$ 1,140,000	\$ 1,145,000	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$ 5,720,000
Fund Balance	\$ 70,100	\$ 636,500	\$ 359,200	\$ 374,000	\$ 114,000	\$ 239,000	\$ 239,000	\$ 1,722,700
Chapter 90	\$ 185,000	\$ 145,000	\$ 145,000	\$ 145,000	\$ 145,000	\$ 185,000	\$ 185,000	\$ 765,000
Water Funds	\$ 150,000	\$ 160,000	\$ 170,000	\$ 180,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 890,000
Sewer Funds	\$ 100,000	\$ 125,000	\$ 155,000	\$ 175,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 855,000
Harbor Funds	\$ 560,000	\$ 47,000	\$ 75,000	\$ 50,000	\$ -	\$ -	\$ -	\$ 172,000
Other	\$ 28,000	\$ 30,000	\$ 200,000	\$ 450,000	\$ 10,000	\$ 150,000	\$ 150,000	\$ 840,000
Bonds	\$ 3,000,000	\$ 4,000,000	\$ 5,000,000	\$ 4,850,000	\$ 1,050,000	\$ -	\$ -	\$ 14,900,000
<b>Grand Total</b>	\$ 5,218,100	\$ 6,278,500	\$ 7,244,200	\$ 7,369,000	\$ 2,859,000	\$ 2,114,000	\$ 2,114,000	\$ 25,864,700

**BOARD OF SELECTMEN REPORT ON FUTURE OBLIGATIONS  
FOR RETIREMENT AND HEALTH CARE BENEFITS –  
AN UPDATE OF OUR FUTURE LIABILITIES**

Pursuant to the provisions of Article IX, Section 3 as amended of the Town’s General By-laws, the Board of Selectmen submit the following report concerning the Town’s future obligations for pensions and retiree health insurance.

**Introduction**

Pensions and retiree health insurance are benefits that are offered to all Town employees who work more than 20 hours a week per the requirements of Massachusetts General Laws. Like the vast majority of municipalities, Manchester had historically paid for these benefits in a “pay as you go” fashion – that is, we were paying only the bill that was due that year, not the bill we were incurring for future years in the form of promised retiree benefits. While this approach was fine when benefits were less expensive and the number of retirees were relatively modest, the cost trends, life expectancy trends and the desire for truer cost accounting have placed a new emphasis on putting money aside now in order to pay for future pay-outs. Such an approach has the added advantage of the power of compounding interest earnings, putting the money we set aside to work to ease the financial burden of the future benefits.

**Town Pensions**

The Town of Manchester is a member of the Essex Regional Retirement System. All employees contribute their own funds to the system but, in the past, not enough funds were collected to fully fund the future payments promised by the retirement board. While this has been corrected for new employees, all municipalities are contributing funds to make up for the under collection in the past. It is anticipated that the retirement system will be fully funded by 2035 at which time the Town will no longer have an unfunded pension liability.

The Essex Regional Retirement Board’s unfunded liability was estimated by an actuarial study to be \$358,844,560 as of January 1, 2016 based on current assets of approximately \$387 million and total liabilities of \$746 million. This is the present day value of obligations expected to be incurred over the next 30 years. Manchester employees comprise 3.37% of the total pool thus our share of the system’s liability is \$12,093,062 over the projected 30 years. Annually we contribute a portion of this liability. For FY17 we will contribute \$1,010,645 for both current and future liabilities. This number is expected to grow 7.4% annually through FY2022, 6.4% in FY2023 and 4% annually from FY2024 -2035.

**Essex Regional Retirement System**

Total Assets	= \$387 million
Present day Value of Liabilities	= \$746 million
Unfunded Liabilities	= \$359 million
Manchester Share 3.37%	= \$ 12 million
Annual Town Payment	= \$1,062,507 increasing 4-7.4% annually
On schedule to be fully funded by 2035	

**Town OPEB (other post employment benefits – retiree health insurance)**

The Town provides health insurance to all retirees eligible for a pension. Voters approved this benefit decades ago and, by state law, we must now continue to do so. Because the Town has been in operations for hundreds of years, our pool of retirees, while growing



slightly, is relatively stable. Thus, our “pay as you go” amount started out already at 70% of the required Annual Required Contribution, or ARC. We are now at 100% + when we combine our annual pay as you go amount with the amount we add to the trust. Our most recent actuarial study (as of 7/1/16), completed by Sherman Actuarial Services, concluded that our total Actuarial Accrued Liability for both active employees and retirees comes to \$7.87 million, a decrease of some \$500,000 from the last report done two years ago. This is the present day value of the cost of retiree health insurance for the next 30 years. This calculation has come down significantly as the full impact of the lower cost health insurance plan that was introduced is realized, the recent years of lower annual premium increases is factored in, and the advantage of pre-funding begins to work (interest earnings on funds means the present day value of the liability is reduced.)

In addition to the pay as you go funding, the Town has established and is funding annually an OPEB Trust Account. The contribution schedule we are following is contained in the Sherman Actuarial Study. Our current contribution rate to the trust assumes a more conservative return on investment of about 5.25% annually compared to the 7.5% ROI the study used. Assuming voters approve the next payment installment to the OPEB Trust account at the April 2017 Town Meeting, we will have approximately \$1,350,000 in the trust account which, when combined with our pay as you go amount, should put us ahead of the 30 year plan to be fully pre-funded for our OPEB obligations. The annual appropriation to the OPEB Trust is slated to grow in the 3% range.

In addition to funding the Trust, the Town continues to work on controlling the cost of our health insurance obligations. We have successfully implemented plans that have higher co-pays and deductibles. We require all eligible retirees to enroll in Medicare. We continue to pursue wellness strategies to keep cost increases down. We work with our unions to negotiate fair premium cost sharing. While negotiations are currently underway to possibly change the percentages, presently new employees pay 30% of the premium; veteran employees pay 25%.

Legislative changes also may help to lower our liabilities. Beacon Hill may pursue changes in retiree eligibility rules that will reduce our future obligations for new hires. We will monitor these developments and urge our legislative delegation to push through more needed reforms to the laws that govern how we provide benefits to our retirees to ensure that we can afford to provide a fair and cost effective package.

OPEB Assets and Liabilities

Present Day value of Liabilities over 30 years	\$ 7.86 million
Current Assets (assumes 4/3/17 appropriation)	\$ 1.35 million
Annual Town Appropriation	\$ 0.78 million increasing 3% yearly
On schedule to be fully funded within 30 years	



MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT

## Office of the Superintendent

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AVI URBAS

DIRECTOR OF FINANCE AND OPERATIONS

March 10, 2017

To the Residents of Manchester and Essex:

In the past few years, our budget presentations have included information about “Unfunded Liabilities,” specifically employee pensions (excluding teacher pensions, which are funded by the Commonwealth) and retiree health insurance, which is also known as Other Post-Employment Benefits (OPEB). This letter is intended to provide:

- A brief explanation of what these liabilities are
- An update on the magnitude of these liabilities for the Manchester Essex Regional School District (MERSD), and
- A summary of steps that MERSD is taking to address these liabilities, which face not only every other governmental entity in Massachusetts, but also most government entities nationwide.

### What Are Unfunded Liabilities?

Pensions and retiree health insurance are benefits that are offered as a requirement of Massachusetts General Law to employees of MERSD. Because these benefits are legally mandated, government entities must include in their financial statements an estimate of the value of future obligations related to these programs.

In the past, MERSD, like most school districts and towns in the state, paid the cost of these benefits as they came due each year. This is often referred to as a “pay as you go” approach. Recently, attention has turned to the growing nature of these costs and the concern that benefit costs will grow faster than municipal budgets can absorb in future years.

A potential solution to this challenge has two main facets. First, cost growth must be contained to ensure that benefits are appropriate and affordable for taxpayers. Second, government employers must begin to move from the “pay as you go” approach towards a strategy that pre-funds future year obligations and invests those funds to ensure that larger obligations due in future years can be afforded without undue pressure on the annual operating budget. Setting aside money for these obligations in advance would begin to render these liabilities “funded” in accounting terms instead of “unfunded.”

In recent years, MERSD has increased its pre-funding of pension and retiree health insurance obligations and also restructured its health insurance plans considerably, putting the district on a clear path to full funding over time.

### How Big Are MERSD’s Unfunded Liabilities?

Estimates of these liabilities are updated each year and published in MERSD’s financial statements which are audited by an outside accounting firm. The financial statements for the most recently concluded fiscal year (which ended on June 30, 2016), contain the following estimates.

### *Pensions*

The unfunded portion of the pension liability attributable to MERSD is estimated to be \$6,545,348.

Most pension programs require contributions from employees and employers. MERSD teachers and other licensed personnel (e.g. principals and district administrators) participate in the Commonwealth of Massachusetts' Teachers Contributory Retirement System (MTCRS). For these employees, the Commonwealth pays 100% of the employer share of pension expense, and employees also contribute directly by way of an 11% payroll deduction. As a result, MERSD has no expense nor any liability whatsoever, for pension costs related to licensed employees.

Non-licensed employees (e.g. custodians, and administrative or school building assistants), participate in the county pension program, known as Essex Regional Retirement System (ERRS). In the current fiscal year, MERSD's employer-share obligation totaled \$506,787. ERRS, by way of this contribution, has begun to require its members, including MERSD and the Towns of Manchester and Essex, to pre-fund future pension liabilities and the program is on track to achieve full-funding by 2036, in accordance with Massachusetts General Law. Doing so requires MERSD to increase its annual pension contribution by 6-7% each year through 2023 and 4% thereafter.

The estimate referenced above for MERSD's portion of ERRS' unfunded pension liability is based on applying 1.801% of ERRS' total unfunded liability to MERSD. This percentage represents MERSD's percentage of total ERRS payroll. ERRS applies this percentage to the total annual required contributions from its members to arrive at MERSD's employer share obligation for the year.

### *OPEB (Retiree Health Insurance)*

MERSD's unfunded liability for OPEB is \$17,950,092 as of July 1, 2015, the date of the most recent bi-annual actuarial valuation. This has declined by 28% from the prior valuation, due to cost reduction measures initiated by the district and the beginning of a pre-funding program that sets aside funds for future obligations. MERSD will update its valuation this fall to determine the size of this liability as of July 1, 2017.

By law, MERSD must provide health insurance to all employees who retire with eligibility for pension. For current retirees, the district contributes 80% of the cost of insurance premiums throughout the duration of retirement, with retirees paying the remaining 20%. MERSD's annual obligation for insurance payments on behalf of retirees was \$593,692 in the most recently concluded fiscal year. As a relatively new Regional School District, however, MERSD does not yet have many retirees. Our actuary estimates that as this changes, costs will continue to rise and our annual obligation for retiree health insurance will grow at an annual rate that exceeds MERSD's typical budget growth each year, which would put excessive constraints on important educational spending. To fully fund this obligation as benefit payments come due in the future, an annual contribution of \$1.7 million, invested with a rate of return of 6.0% per year, would be necessary starting now. This amount is equivalent to 2.8 times our most recent 'pay as you go' annual expense.

### **What is MERSD's Plan to Address these Challenges?**

Management of these Unfunded Liabilities is a critical priority for MERSD. In its District Improvement Plan established several years ago, MERSD identified the need to develop, by FY-15, a sustainable, long-term financial plan to address these challenges, with actual pre-funding to begin by FY-16. MERSD is pleased to have met these self-imposed objectives ahead of schedule, and is ahead of most regional school districts in proactively planning for future OPEB obligations.

In FY-14, the MERSD School Committee endorsed a “Roadmap for Funding OPEB,” which proposed a mixture of cost reduction and added funding concepts to close a gap between the ‘pay as you go’ budget for retiree health and the actuarially projected annual cost to fully fund OPEB.

In early FY-15, MERSD successfully negotiated an agreement with the Manchester Essex Teachers Association (META) to change benefit levels, reducing the projected gap by approximately 87% or \$1.6 million per year with no need for additional taxpayer funds. Changes included reducing the district contribution for health care premiums to 75% for active employees and 70% for new hires, from 80% previously. Additionally, the agreement migrates all employees to an insurance program with lower monthly premiums (which are split between MERSD and employees, based on contribution percentages referenced above) in exchange for introduction of deductibles and/or higher co-pays (which are paid by employees for each doctor’s visit or procedure). The negotiated agreement stipulates that in return, all savings from these changes will be placed into an OPEB trust fund for the sole purpose of paying future OPEB costs. These trust funds can be invested in accordance with restrictions in Massachusetts General Law to earn higher rates of return, thereby reducing future required contributions from MERSD, staff and taxpayers.

MERSD’s actuary has projected that these changes would leave a remaining annual gap of just \$235,000, which could be addressed over time by gradually increasing annual funding each year. The FY-15 budget, which was established prior to the negotiated agreement, included an initial deposit of \$50,000 into the trust fund. In FY-16, MERSD contributed \$349,544 to its OPEB trust fund, or \$47,544 more than its budget, as savings from agreed upon benefit changes exceeded initial estimates. Based on budget estimates for FY-17 and FY-18, MERSD is on track to contribute \$1.2 million to its OPEB trust fund in just 4 years, setting the district on a clear path to fully fund its OPEB obligation. In just five years, MERSD has increased its annual OPEB contributions from just 20% of the actuarially determined target to 75%.

In FY-17, MERSD established a relationship with the Pension Reserve Investment Management Board (PRIM) to invest the district’s OPEB trust funds in the same diversified portfolio used for the State’s pension system, MCTRS, and the large majority of regional retirement systems as well, including ERRS. By sending OPEB trust funds to PRIM, MERSD is able to outsource investment risk to specialized professionals with significant experience in long-term investing. By earning a return on its OPEB trust fund investment, MERSD can further reduce the contribution it needs to make from budget funds each year.

Other initiatives that MERSD has undertaken over time also help to mitigate the cost of OPEB including:

- Annual competitive bidding of insurance programs to get the best rates from the market. Rate increases for the past five years of bids for MERSD plans have been 0%, 3.6%, 0%, 4.0%, 7.7% and 4.5% respectively. This average increase of 3.3% per year is significantly lower than the 4.5%-7.0% rate assumed by our actuaries in forecasting the future costs. Savings from this bidding process reduce the annual cost of retiree health, and will help to contain growth of the OPEB liability forecasts in future actuarial reports as well.
- All retirees who are eligible for Medicare are now required to enroll, so MERSD will no longer be their primary insurer. MERSD pays for some supplemental insurance for these retirees, but implementing this change reduces MERSD’s cost per participating retiree by 52%, based on the differential in current rates between the district and Medicare supplemental plans.
- Prior year negotiations between MERSD and META have helped to curtail growth in spending on insurance as well. Prior to 2011, the district paid 85% of premiums compared to 70% today.

- A new policy beginning July 1, 2013 prohibited retirees from adding insurance coverage after retirement, which will make changes in enrollment levels more predictable.

MERSD will continue to monitor legislative proposals and work collaboratively with META and other employee groups to make sure that health insurance costs are affordable to employees, retirees, and the district.

With regard to pensions, which are by law a guaranteed contract, benefit levels cannot be changed. Although MERSD did not establish benefit levels, we are committed to paying for them and will continue to make the contributions required by ERRS to achieve full funding by 2036. For the next several years, the 7% increase in our annual pension expenditure will have a noticeable, but manageable impact on the budget. Knowing this allows MERSD to plan ahead and identify funding sources from savings in other areas of the budget. For example, outsourcing evening custodial services at the new Middle High School when it first opened and doing so at the elementary schools in FY-14 as part of budgetary cuts not only generated salary savings, but will also bring fewer future employees into the pension system, which will keep the cost of MERSD's contributions down. MERSD has also outsourced all food service and transportation positions, which further mitigates its future pension liability.

For more information about MERSD's unfunded liabilities, please visit [www.mersd.org](http://www.mersd.org), follow the Quick Link "Budget," and choose the "Unfunded Liabilities" link. This site contains presentations regarding MERSD's plans to address these liabilities, copies of actuarial reports, and other informational resources about this topic.

COMMONWEALTH OF MASSACHUSETTS  
TOWN OF MANCHESTER-BY-THE-SEA



**ANNUAL TOWN MEETING WARRANT**

**Essex, ss.**

To any of the Constables of the Town of Manchester-by-the-Sea:

Greetings:

In the name of the Commonwealth of Massachusetts you are hereby required to notify and warn the inhabitants of the Town of Manchester-by-the-Sea qualified to vote in elections, to meet in the Memorial School, on Lincoln Street, in Manchester-by-the-Sea, on Monday, the third day of April, two thousand and seventeen AD, at seven o'clock in the evening, for the purpose, to wit:

**ARTICLE 1.**

To see if the Town will vote to receive and place on file the reports of the Town boards and committees appearing in the Annual Report, or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**

*The Board of Selectmen recommends approval*

**ARTICLE 2.**

To see if the Town will vote to fix the 12-month fiscal year salary and compensation of all elective officers of the Town as provided in Section 108 of Chapter 41, as amended, as follows; or take any other action relative thereto.

Moderator	\$0.00
Chairman, Selectmen	\$0.00
Other four Selectmen	\$0.00

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**

*The Board of Selectmen recommends approval*

**ARTICLE 3.**

To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money as the Town's share of the Essex North Shore Agricultural and Technical School District, or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**

*The Board of Selectmen recommends approval*

**ARTICLE 4.** To see what sums of money the Town will raise by taxation or otherwise to pay Town debts and charges for the ensuing 12 months, effective July 1, 2017, and appropriate the same.

Per petition of the Board of Selectmen

**DEPARTMENTAL REQUESTS AND  
FINANCE COMMITTEE RECOMMENDATIONS**

Item No.		Appropriations FY '17	Requests FY '18	Recommendations FY '18	Funding Sources
<b>GENERAL GOVERNMENT</b>					
<b>31%</b>					
<b>SELECTMEN'S DEPARTMENT</b>					
1	Salaries	191,620	197,774	197,774	TAXATION
2	Expenses	24,350	23,600	23,600	TAXATION
3	Audit	36,000	37,000	37,000	TAXATION
<b>INFORMATION TECHNOLOGY</b>					
4	Salaries	-	5,500	5,500	TAXATION
5	Expenses	102,750	101,000	101,000	TAXATION
<b>MODERATOR</b>					
5	Expenses	50	50	50	TAXATION
<b>FINANCE COMMITTEE</b>					
6	Salaries	2,000	3,000	3,000	TAXATION
7	Expenses	320	320	320	TAXATION
8	Reserve Fund	175,000	150,000	150,000	TAXATION 25,000 OVERLAY SUR. 125,000
<b>ELECTION &amp; REGISTRATION</b>					
9	Salaries	3,800	3,800	3,800	TAXATION
10	Expenses	11,000	10,080	10,080	TAXATION
<b>ACCOUNTING</b>					
11	Salaries	120,533	124,620	124,620	TAXATION
12	Expenses	4,850	4,700	4,700	TAXATION
<b>ASSESSORS</b>					
13	Salaries	142,537	148,241	148,241	TAXATION
14	Expenses	39,675	38,605	38,605	TAXATION
<b>TREASURER/COLLECTOR</b>					
15	Salaries	148,149	151,827	151,827	TAXATION
16	Expenses	26,840	27,490	27,490	TAXATION
<b>TOWN CLERK</b>					
17	Salaries	97,698	100,010	100,010	TAXATION
18	Expenses	6,050	6,250	6,250	TAXATION
<b>LEGAL/PROFESSIONAL SERVICES</b>					
19	Expenses	100,000	118,000	118,000	TAXATION
<b>APPEALS BOARD</b>					
20	Salaries	18,245	21,326	21,326	TAXATION
21	Expenses	13,600	11,250	11,250	TAXATION
<b>PLANNING BOARD</b>					
22	Salaries	45,507	67,843	67,843	TAXATION
23	Expenses	19,050	8,950	8,950	TAXATION

**TOWN HALL & COMMON**

24	Expenses	70,650	73,100	73,100	TAXATION
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**PENSIONS**

25	Contributory	1,010,645	1,062,507	1,062,507	TAXATION	961,668
					SEWER RATES	57,622
					WATER RATES	43,217

26	Non-Contributory	2,200	2,200	2,200	TAXATION
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**INSURANCE**

27	Group Health Insurance	1,559,928	1,560,000	1,560,000	TAXATION	1,442,776
					SEWER RATES	68,338
					WATER RATES	48,886

28	Workers' Compensation	65,000	65,000	65,000	TAXATION	45,500
					SEWER RATES	9,000
					WATER RATES	10,500

29	Fire/Auto/Liability	125,000	120,000	120,000	TAXATION	98,450
					SEWER RATES	10,000
					WATER RATES	11,550

30	Unemployment Comp.	10,000	7,000	7,000	TAXATION
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31	FICA-Medicare	85,495	90,000	90,000	TAXATION	83,200
					SEWER RATES	3,500
					WATER RATES	3,300

Total General Government		<u>4,258,542</u>	<u>4,341,043</u>	<u>4,341,043</u>	TAXATION	3,950,130
					OVERLAY SUR.	125,000
					SEWER RATES	148,460
					WATER RATES	117,453
						<u>4,341,043</u>

**PUBLIC SAFETY**  
**24%**

**POLICE**

32	Salaries	1,552,253	1,602,873	1,602,873	TAXATION
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33	Expenses	114,250	103,650	103,650	TAXATION
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**PARKING CLERK/RESIDENT PARKING**

34	Salaries	11,518	11,808	11,808	TAXATION
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35	Expenses	11,955	11,955	11,955	TAXATION
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**FIRE**

36	Salaries	1,150,217	1,223,930	1,223,930	TAXATION
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37	Expenses	124,700	126,100	126,100	TAXATION
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**HARBOR MASTER**

38	Salaries	93,087	95,415	95,415	MOORING FEES	78,415
					BOAT EXCISE	17,000

39	Expenses	18,800	18,800	18,800	MOORING FEES
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**BUILDING DEPARTMENT**

40	Building Inspector	44,406	46,243	46,243	TAXATION
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41	Gas/Plumbing Inspector	12,351	12,660	12,660	TAXATION
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42	Scaler Of Weights & Measures	3,395	3,000	3,000	TAXATION
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43	Electrical Inspector	12,351	12,660	12,660	TAXATION
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44	Inspectors' Expenses	4,800	4,800	4,800	TAXATION
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**EMERGENCY MANAGEMENT**

45	Salaries	6,000	4,000	4,000	TAXATION
46	Expenses	1,000	1,000	1,000	TAXATION
47	Emergency Notification	5,500	5,500	5,500	TAXATION

**ANIMAL CONTROL**

49	Expenses	17,500	17,500	17,500	TAXATION
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Total Public Safety	<u>3,184,083</u>	<u>3,301,894</u>	<u>3,301,894</u>	TAXATION	3,187,679
				MOORING FEES	97,215
				BOAT EXCISE	17,000
					<u>3,301,894</u>

**PUBLIC WORKS**  
**14%**

**DEPARTMENT OF PUBLIC WORKS**

50	Salaries	562,606	541,449	541,449	TAXATION
51	Expenses	394,850	412,250	412,250	TAXATION

**BUILDINGS & GROUNDS**

81	Salaries	75,269	77,018	77,018	TAXATION
82	Expenses	45,000	46,250	46,250	TAXATION

**SNOW REMOVAL**

52	Salaries	32,000	32,000	32,000	TAXATION
53	Expenses	170,000	170,000	170,000	TAXATION

54	Street Lighting	95,000	100,000	100,000	TAXATION
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**SANITATION/COMPOSTING/RECYCLING**

55	Salaries	22,550	22,550	22,550	TAXATION
56	Expenses	59,000	45,000	45,000	TAXATION

57	Rubbish Collection/Recycling	245,000	410,000	410,000	TAXATION
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58	Disposal	108,000	82,000	82,000	TAXATION
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Total Dept. of Public Works	<u>1,809,275</u>	<u>1,938,517</u>	<u>1,938,517</u>	TAXATION	1,938,517
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**OTHER ENVIRONMENTAL**  
**1%**

**HISTORIC DISTRICT COMMISSION**

59	Salaries	3,000	4,279	4,279	TAXATION
60	Expenses	1,200	700	700	TAXATION

**CONSERVATION COMMISSION**

61	Salaries	61,984	63,253	63,253	TAXATION	48,253
					WETLANDS FD.	15,000

62	Expenses	2,650	2,650	2,650	TAXATION
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63	Chebacco Woods	1,250	1,250	1,250	TAXATION
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Total Other Environmental	<u>70,084</u>	<u>72,132</u>	<u>72,132</u>	TAXATION	57,132
				WETLANDS FD.	15,000
					<u>72,132</u>

**HUMAN SERVICES****2%****HEALTH**

64	Salaries	62,355	63,880	63,880	TAXATION
65	Expenses	58,650	53,625	53,625	TAXATION

**VETERANS' SERVICES**

67	Expenses	15,050	14,500	14,500	TAXATION
68	Veterans' Benefits	500	500	500	TAXATION

**COUNCIL ON AGING**

69	Salaries	140,431	149,420	149,420	TAXATION
70	Expenses	16,400	16,550	16,550	TAXATION

Total Human Services	<u>293,386</u>	<u>298,475</u>	<u>298,475</u>	TAXATION	298,475
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**LIBRARY****3%****LIBRARY**

71	Salaries	296,955	310,041	310,041	TAXATION
72	Expenses	152,962	155,723	155,723	TAXATION

Total Culture and Informational Services	<u>449,917</u>	<u>465,764</u>	<u>465,764</u>	TAXATION	465,764
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**RECREATION****2%****PARKS & RECREATION**

73	Salaries	134,930	136,163	136,163	TAXATION
74	Expenses	8,550	8,300	8,300	TAXATION

**SINGING BEACH OPERATIONS**

75	Salaries	63,884	67,084	67,084	TAXATION
76	Expenses	14,325	13,800	13,800	TAXATION

**LIFEGUARDS**

77	Salaries	51,414	54,614	54,614	TAXATION
78	Expenses	3,400	3,400	3,400	TAXATION

**TUCK'S POINT**

79	Salaries	6,000	6,000	6,000	TAXATION
80	Expenses	30,370	30,370	30,370	TAXATION

**OTHER RECREATION**

83	MEMORIAL DAY	3,000	3,000	3,000	TAXATION
84	FOURTH OF JULY	11,000	12,000	12,000	TAXATION

Total Recreation	<u>326,873</u>	<u>334,731</u>	<u>334,731</u>	TAXATION	334,731
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**DEBT SERVICE****12%****DEBT SERVICE**

PRINCIPAL ON BONDS	1,623,704	1,221,815	1,221,815
INTEREST ON BONDS	314,087	396,829	396,829
TEMPORARY LOANS/INTEREST	30,000	30,000	30,000
WPAT ADMINISTRATION FEES	1,025	244	244

85	Total Debt Service	<u>1,968,816</u>	<u>1,648,888</u>	<u>1,648,888</u>	TAXATION	1,266,978
					SEWER RATES	266,910
					MOORING FEES	115,000
						<u>1,648,888</u>

**ENTERPRISE FUNDS**  
**11%**

**SEWER FUND**

86	Salaries	259,899	290,315	290,315	SEWER RATES
87	Expenses	285,750	324,750	324,750	SEWER RATES

**WATER FUND**

88	Salaries	236,306	245,239	245,239	WATER RATES
89	Distribution Expenses	144,300	142,800	142,800	WATER RATES
90	Treatment Expenses	532,694	540,212	540,212	WATER RATES

Total Enterprise Funds	<u>1,458,949</u>	<u>1,543,316</u>	<u>1,543,316</u>	SEWER RATES 615,065
				<u>WATER RATES 928,251</u>
				<u>1,543,316</u>

TOTAL ARTICLE 4	<u>13,819,925</u>	<u>13,944,760</u>	<u>13,944,760</u>	
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**EXPENSES BUDGET SUMMARY**

GENERAL GOVERNMENT	31%	4,258,542	4,341,043	4,341,043	TAXATION 3,950,130
					OVERLAY SUR. 125,000
					SEWER RATES 148,460
					<u>WATER RATES 117,453</u>
					<u>4,341,043</u>

PUBLIC SAFETY	24%	3,184,083	3,301,894	3,301,894	TAXATION 3,187,679
					MOORING FEES 97,215
					<u>BOAT EXCISE 17,000</u>
					<u>3,301,894</u>

DEPARTMENT OF PUBLIC WORKS	14%	1,809,275	1,938,517	1,938,517	<u>TAXATION 1,938,517</u>
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OTHER ENVIRONMENTAL	1%	70,084	72,132	72,132	TAXATION 57,132
					<u>WETLANDS FD. 15,000</u>
					<u>72,132</u>

HUMAN SERVICES	2%	293,386	298,475	298,475	<u>TAXATION 298,475</u>
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LIBRARY	3%	449,917	465,764	465,764	<u>TAXATION 465,764</u>
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PARKS & RECREATION	2%	326,873	334,731	334,731	<u>TAXATION 334,731</u>
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DEBT SERVICE	12%	1,968,816	1,648,888	1,648,888	TAXATION	1,266,978
					SEWER RATES	266,910
					MOORING FEES	115,000
						<u>1,648,888</u>
ENTERPRISE FUNDS	11%	1,458,949	1,543,316	1,543,316	SEWER RATES	615,065
					WATER RATES	928,251
						<u>1,543,316</u>
TOTALS	<u>100%</u>	<u>13,819,925</u>	<u>13,944,760</u>	<u>13,944,760</u>		<u>13,944,760</u>

#### FUNDING SOURCES SUMMARY

TAXATION	11,499,406	
OVERLAY SURPLUS	125,000	
MOORING FEES	212,215	
BOAT EXCISE	17,000	
WETLANDS FD	15,000	
SEWER RATES	1,030,435	
WATER RATES	1,045,704	
TOTAL	13,944,760	An increase of 0.9% over FY2017

#### Budget Notes:

- 1) Planning: Added hours for Planner to support the work of the Affordable Housing Trust (paid for by the Trust)
- 2) Fire: Added \$42,000 to Overtime Salaries due to fewer Call Fire Fighters available to respond to emergencies
- 3) Sanitation: One time spike due to transition costs to new hauler
- 4) Library: Added to salaries to pay for Sunday hours previously funded by grant
- 5) Debt: Decreased by over \$300,000; Article 6 seeks approval to raise \$300,000 through a capital exclusion vote instead.
- 6) Sewer: Increased cost of sludge disposal added \$23,000 to expenses

### WE RECOMMEND APPROVAL

*The Board of Selectmen recommends approval*

**ARTICLE 5.**

To see if the Town will vote to raise and appropriate the sums of money called for under the following items, or any other sums, for the purposes indicated, and to determine whether the money shall be provided by taxation, by appropriation from available funds in the Treasury, or by borrowing, or take any other action relative thereto.

Dept.	Item	Requested	Recommended	Funding Source
1. DPW	Road resurfacing	\$350,000	\$350,000	Taxation/Chap.90
2. DPW	2 1-Ton Trucks w/Utility Boxes	\$122,000	\$122,000	Taxation
3. DPW	Flail Mower			
	Attachment for Trackless	\$ 30,000	\$ 30,000	Taxation
4. DPW	Guardrail Replacement	\$ 15,000	\$ 15,000	Taxation
5. DPW	Drainage/Sidewalk Improvements	\$250,000	\$400,000	Taxation/ Reallocation
6. DPW	Leaf Vacuum	\$ 10,000	\$ 10,000	Taxation
7. DPW	Cemetery Pickup	\$ 50,000	\$ 50,000	Taxation/ Cem. Fund
8. DPW	Central Street Culvert/ Seawall Design	\$100,000	\$280,000	Taxation
9. DPW	Garage Site Decontamination/ Improvement	\$125,000	\$125,000	Taxation
10. Library	Design Plans for Consolidated Teen Area	\$ 7,500	\$ 7,500	Taxation
11. General	Computer Network/ IT Upgrades	\$ 23,000	\$ 23,000	Taxation
12. General	Town Hall Upgrades	\$ 40,000	\$ 40,000	Taxation
13. General	Facility Planning/Design	\$500,000	\$100,000	Taxation
14. Conservation Commission	Trail work/ land improvements	\$ 10,000	\$ -	----
15. Public Safety	Fire Chief Vehicle	\$ 40,000	\$ 40,000	Taxation
16. Public Safety	Radio Upgrades	\$ 56,000	\$ -	----
17. Public Safety	Fire Engine 2 Replacement	\$250,000	\$250,000	Fund Balance
18. Public Safety	Fire Turn Out Gear, Hose, SCBA	\$ 60,000	\$ 15,000	Taxation
19. Public Safety	Ambulance Equipment	\$ 20,000	\$ 20,000	Fund Balance
20. Public Safety	Police Cruiser	\$ 39,000	\$ 39,000	Taxation
21. COA	Van Replacement Matching Funds	\$ 20,000	\$ -	----
22. COA	Garaging Facility for COA Vans	\$ 25,000	\$ -	----
23. Harbor	New Motor for Patrol Boat	\$ 18,000	\$ 18,000	Waterway Fund
24. Harbor	Reed Park Dock Expansion	\$440,000	\$ -	(Grant Funded)
25. Harbor	Tuck's Point Floats Permitting	\$ 29,000	\$ 29,000	Waterway Fund
26. Water	Plant Upgrades	\$160,000	\$160,000	Water Enterprise
27. Sewer	Plant Upgrades	\$155,000	\$155,000	Sewer Enterprise & Fund Balance
	Total	\$2,934,500	\$2,278,500	

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL** of the “Recommended” column amounts and that:

**Item 1: \$205,000 be funded by taxation and \$145,000 from Chapter 90 (state) funds**

**Item 5: \$20,000 be funded by taxation and \$380,000 from previously approved but unexpended capital funds for the expansion/upgrades of the DPW garage**

**Item 7: \$20,000 be funded by taxation and \$30,000 from the Cemetery perpetual care fund**

**Item 17 & 19: \$270,000 be funded by Fund Balance**

**Items 23 & 25: \$47,000 be funded by Waterway Funds**

**Item 26: \$160,000 be funded by Water Rates**

**Item 27: \$30,000 by Fund Balance and \$125,000 by Sewer Rates**

**Items 2-4, 6, 8-13, 15, 18, & 20: \$846,500 be funded by taxation**

*The Board of Selectmen recommends approval*

**ARTICLE 6:**

To see if the Town will vote to raise and appropriate \$300,000 for the purpose of purchasing and converting to LEDs the streetlights in Town currently owned and maintained by National Grid; provided, however, that said appropriation shall be contingent upon the approval by the voters of a Capital Expenditure Exclusion question in accordance with G.L. c.59, §21C,; or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**

*The Board of Selectmen recommends approval*

**ARTICLE 7.**

To see if the Town will vote to raise and appropriate, transfer from available funds, and/or borrow up to \$4,000,000 for the purposes of capital improvements to Town water and wastewater systems, including the payment of costs incidental or related thereto; or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**

*The Board of Selectmen recommends approval*

**ARTICLE 8.** To see if the Town will vote to rescind the authorized, but unissued balances of various borrowing authorizations approved by the Town from time to time, which amounts are no longer needed to pay costs of completing the projects for which they were originally approved, or to take any other action relative thereto.

<u>Town Meeting Date</u>	<u>Article</u>	<u>Purpose</u>	<u>Amount</u>
April 5, 2010	5	Dept. Equipment	\$ 246
April 6, 2015	13	Temp. Road Repairs	\$200,000
September 9, 2015	1	Water Treatment	\$296,733
		Plant Repair/Improvements	

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen recommends approval*

**ARTICLE 9.** To see if the Town will vote to raise and appropriate or transfer from available funds a sum of money for the Town’s assessment from the District for the Gross Operating and Maintenance Budget of the Manchester-Essex Regional School District including debt service - said sum to be calculated solely in accordance with the "Agreement Between the Towns of Essex and Manchester-by-the-Sea, Massachusetts with Respect to the Formation of a Regional School District", as most recently amended, by invoking and approving the provision found in paragraph four of G.L. c. 71, § 16B allowing District members "to reallocate the sum of their required local contributions to the District in accordance with the regional agreement", for the fiscal year beginning July first, two thousand seventeen; or take any other action relative thereto.

Per petition of the Manchester-Essex Regional School Committee

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen recommends approval*

**ARTICLE 10.** To see if the Town will vote to hear and act on the report of the Community Preservation Committee on the Fiscal Year 2018 Community Preservation budget and to appropriate from the Community Preservation Fund estimated annual revenues a sum of money to meet the administrative expenses and all other necessary and proper expenses of the Community Preservation Committee for Fiscal Year 2018; and further to reserve for future appropriation a sum of money from the Community Preservation Fund estimated annual revenues for open space, including land for recreational space, historic resources, and community housing purposes, as well as a sum of money to be placed in the 2018 Budgeted Reserve for general Community Preservation Act purposes; and further to appropriate from the Community Preservation Fund a sum or sums of money for Community Preservation projects or purposes as recommended by the Community Preservation Committee as follows; or take any other action relative thereto.

1. Community Preservation Committee Expenses (studies, etc.)	(administrative)	\$ 17,220 *
2. Singing Beach Bath House Restoration	(recreation/open space)	\$ 5,000
3. Tuck's Point Chowder House	(recreation/open space)	\$ 300,000
4. Masconomo Park Leveling and Reseeding	(recreation/open space)	\$ 20,000
5. Boater Safety Weather station, Inner Harbor	(recreation/open space)	\$ 20,000
6. Trail Improvements, Trail markers and Trail Brochures	(recreation/open space)	\$ 25,413 **
7. Affordable Housing Trust Project Funding	(community housing)	\$ 100,000 ***
8. Affordable Housing Trust Administrative Expenses	(community housing)	\$ 25,000
9. Community Housing Reserve Account	(community housing)	\$ 10,000
10. Cemetery Restoration Work	(historic preservation)	\$ 30,000
11. Town Common Landscape Design work	(historic preservation)	\$ 15,000
12. Central Street Seawall/Culvert Railing	(historic preservation)	\$ 35,000
13. Town Hall – Town Records Archiving	(historic preservation)	\$ 5,000
14. MBTA Canopy Restoration Funding	(historic preservation)	\$ 15,000
TOTAL		\$ 622,633

(\*Administrative amount limited to 5% of total annual revenue)

(\*\*For bog bridges at Dexter Pond, trail markers at Powder House Hill Reservation, and brochure and web site maps).

(\*\*\* This \$100,000 was previously set aside in the Community Housing Reserve account.)

Per petition of the Community Preservation Committee  
Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL of Items 1-4, and 8-14.  
We will make our recommendation for item 7 on the  
Town Meeting floor. We do not recommend approval of  
items 5 & 6.**

*The Board of Selectmen recommends approval*

#### **ARTICLE 11.**

To see if the Town will vote to raise and appropriate or transfer from available funds \$245,864 to be deposited into the Town's Other Post Employment Benefits Trust Fund, subject to said appropriation being expended from the Trust Fund only for the purposes authorized by section 20 of Chapter 32B of the General Laws of the Commonwealth of Massachusetts; or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE WILL MAKE OUR RECOMMENDATION ON  
THE TOWN MEETING FLOOR**

*The Board of Selectmen recommends approval*

#### **ARTICLE 12.**

To see if the Town will vote, pursuant to the provisions of G.L. c.44, §53E½ as most recently amended, to amend the General Bylaws by inserting a new bylaw establishing various revolving funds, specifying the departmental receipts to be credited to each fund, the departmental purposes or programs for which each fund may be expended, and the entity authorized to expend each fund, such bylaw to provide as follows:



## ARTICLE IV SECTION 11: Revolving Funds

Program or Purpose	Representative or Board Authorized to Spend	Department Receipts
Costs Associated with Town of Manchester Recreation Programs	Recreation Director	Registration Fees or other funds intended to support the programs offered by the Recreation Department

Expenditures from each revolving fund set forth herein shall be subject to the limitation established annually by Town Meeting or any increase therein as may be authorized in accordance with G.L. c.44, §53E½.

And, further, to set FY2018 spending limits for such revolving funds as follows:

Program or Purpose: Costs Associated with Town of Manchester Recreation Programs;  
FY2018 spending limit: \$255,000.

Or take any other action relative thereto.

Per petition of the Board of Selectmen

### **WE RECOMMEND APPROVAL**

*The Board of Selectmen recommends approval*

**ARTICLE 13.** To see if the Town will vote to amend Article II of the General By-laws by deleting in its entirety Section 12 (which states “No person, other than the Chairman of the Finance Committee, shall speak on the same subject more than twice, nor more than ten (10) minutes in all, without the consent of the meeting.”) and renumbering all the following sections to be consistent with this deletion and sequential, or take any other action relative thereto.

Per petition of the Board of Selectmen

### **WE TAKE NO POSITION ON THIS ARTICLE**

*The Board of Selectmen recommends approval*

**ARTICLE 14.** To see if the Town will vote to amend Article II, Section 15 of the General By-laws by inserting after the first sentence the following, or take any other action relative thereto: “A motion for reconsideration shall be in order only at the same session of a meeting as the action to be reconsidered.”

Section 15 would then read in its entirety: “No vote of the meeting shall be reconsidered except by a two-thirds vote. A motion for reconsideration shall be in order only at the same session of a meeting as the action to be reconsidered. When a motion for reconsideration is decided, that question shall not be reconsidered, and no question shall be reconsidered more than once.”

Per petition of the Board of Selectmen

### **WE TAKE NO POSITION ON THIS ARTICLE**

*The Board of Selectmen recommends approval*

**ARTICLE 15.** To see if the Town will vote to raise and appropriate or transfer from available funds \$5,950 for the purpose of paying charges from a previous fiscal year which were received after the closing of accounts for that fiscal year, or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen recommends approval*

**ARTICLE 16.** To see if the Town will vote to accept the provisions of G.L. c.90, §17C, which allows the Board of Selectmen [or other entity with charge of streets] to establish a speed limit of 25 miles per hour in any thickly settled or business district in the Town that is not a state highway, or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE TAKE NO POSITION ON THIS ARTICLE**  
*The Board of Selectmen recommends approval*

**ARTICLE 17.** To see if the Town will vote to accept the provisions of G.L. c.90, §18B, allowing the Board of Selectmen [or other entity with charge of streets] to establish designated “safety zones” with a speed limit of 20 miles per hour on, at or near any way in the Town that is not a state highway, and, if a state highway, with the approval of the Department of Transportation, or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE TAKE NO POSITION ON THIS ARTICLE**  
*The Board of Selectmen recommends approval*

**ARTICLE 18.** To see if the Town will vote to raise and appropriate or transfer from available funds \$100,000 to the Stabilization Fund, or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen recommends approval*

**ARTICLE 19.** To see if the Town will vote to supplement each prior vote of the Town that authorizes the borrowing of money to pay costs of capital projects to provide that, in accordance with G.L. c.44, §20, as most recently revised, the premium received by the Town upon the sale of any bonds or notes thereunder, less any premium applied to the payment of the costs of issuance of such bonds or notes, may be applied to pay project costs and the amount authorized to be borrowed for each such project shall be reduced by the amount of any such premium so applied, or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen recommends approval*

**ARTICLE 20.** To see if the Town will vote to: 1. Rescind the action taken under Article 14 of the 1955 Annual Town Meeting; 2. Adopt a general bylaw as follows, or take any action relative thereto.

**ARTICLE XIII, SECTION 5: Sewer Betterment Assessments**

- A. The Board of Selectmen, acting as sewer commissioners in accordance with G.L. c.83, §§14, 15, and 23, and under the authority conferred by virtue of Chapter 373 of the Acts of 1912, as amended by Chapter 161 of the Acts of 1954, may assess betterments upon benefitted properties for all, or such lesser portion as the Board shall determine, of the cost of constructing municipal sewer system facilities;
- B. In fixing the amount of such betterments, the Board of Selectmen may, at their discretion, utilize the fixed uniform rate or the uniform unit rate method as set forth in G.L. c.83, §15.
- C. Further in accordance with G.L. c.83, §15, the Selectmen may, in assessing such betterments, separate the costs of general benefit facilities, including but not limited to pumping stations, trunk and force mains, from that of special benefit facilities, including but not limited to sewer mains, serving adjacent properties, and may apportion an equitable portion of the costs of the general benefit facilities by the uniform unit method on all properties benefitted by such facilities;
- D. The Selectmen may assess and collect estimated betterment assessments for the construction of sewer facilities in accordance with G.L. c.83, §15B.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen recommends approval*

**ARTICLE 21.** To see if the Town will vote to raise and appropriate or transfer from available funds \$20,000 for the purpose of funding electronic voting at Town Meetings held during FY2018, or to take any other action relative thereto.

Per petition of the Board of Selectmen

**WE RECOMMEND APPROVAL**  
*The Board of Selectmen will make its recommendation on the Town Meeting Floor*

**ARTICLE 22.** To see what sum of money the Town will vote to appropriate or transfer from available funds for the purpose of reducing the tax rate, or take any other action relative thereto.

Per petition of the Board of Selectmen

**WE WILL MAKE OUR RECOMMENDATION ON THE TOWN MEETING FLOOR**  
*The Board of Selectmen will make its recommendation on the Town Meeting Floor*

And you are directed to serve this warrant by posting attested copies thereof, one at the Town Hall Building, one at the Police Station, one at the Fire House, one at the Memorial School, and one at the Post Office, twenty-one (21) days, at least, before the time of holding said meeting.

Hereof fail not to make due return of this warrant, with your doings thereon, to the Town Clerk three (3) days before the day of this meeting.

Given under our hands at Manchester-by-the-Sea, aforesaid, this 8th day of March 2017.

BOARD OF SELECTMEN

\_\_\_\_\_  
Eli G. Boling, Chairman

\_\_\_\_\_  
Susan M. Beckmann, Vice Chairperson

\_\_\_\_\_  
Paul M. Barclay

\_\_\_\_\_  
Thomas P. Kehoe

\_\_\_\_\_  
Margaret F. Driscoll

To the Town Clerk:

I have served the foregoing Warrant by posting attested copies thereof as directed by the By-Law of the Town and the Commonwealth.

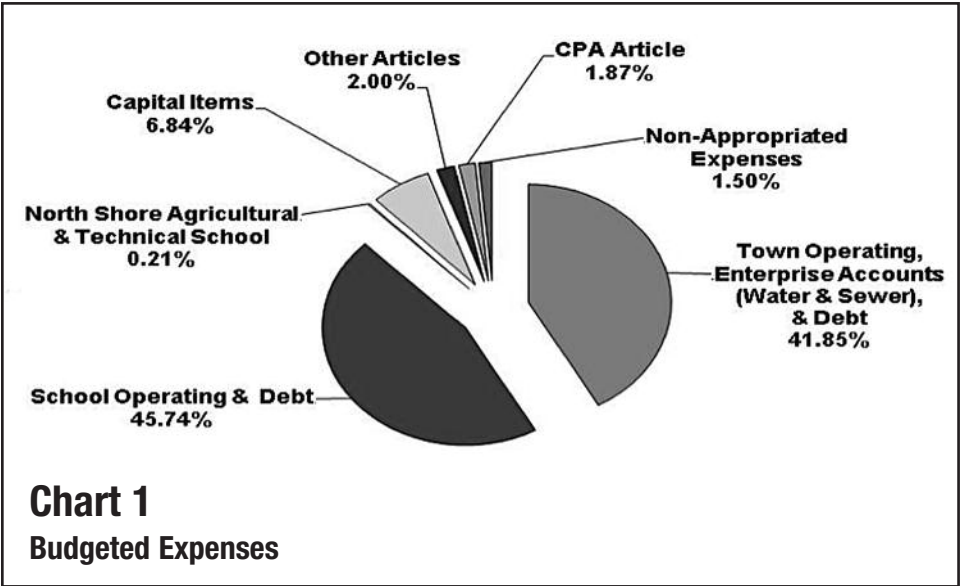
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Constable

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Date of Posting

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Received by Town Clerk

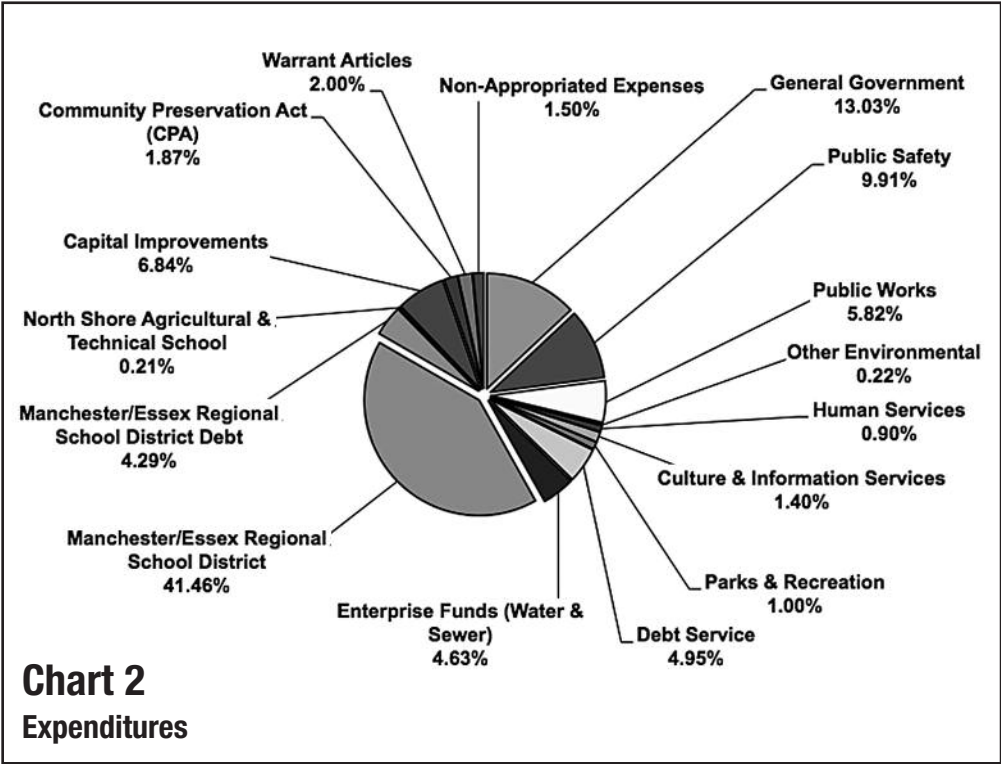
**FY-2018 BUDGET**

TOWN OPERATING, ENTERPRISE (WATER & SEWER), & DEBT	13,944,760
SCHOOL OPERATING & DEBT	15,242,817
NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL	69,283
CAPITAL ITEMS	2,278,500
OTHER ARTICLES	665,864
CPA ARTICLE	622,633
NON-APPROPRIATED EXPENSES	498,326
TOTAL FY-2018 BUDGET	<u><u>\$ 33,322,183</u></u>



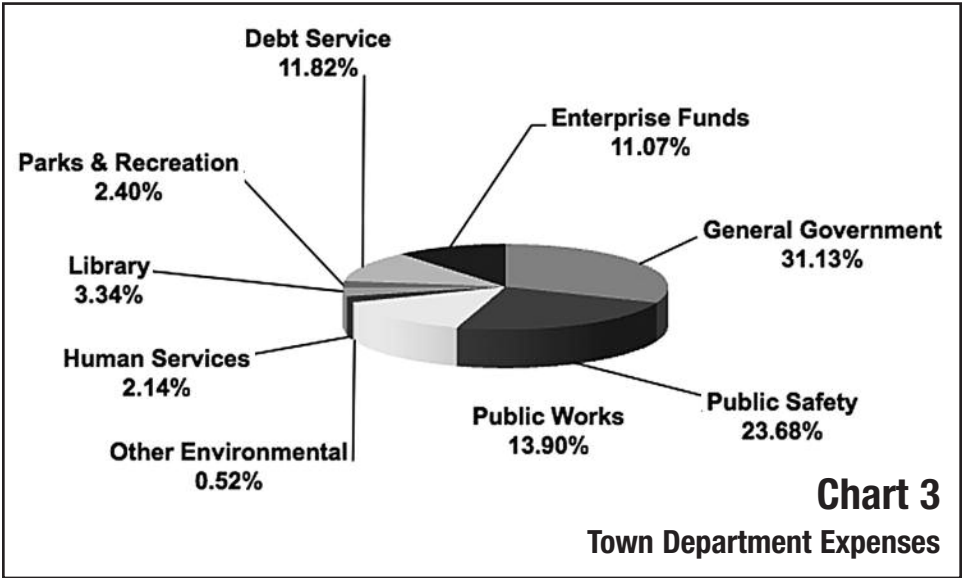
# EXPENDITURES

GENERAL GOVERNMENT	\$4,341,043
PUBLIC SAFETY	\$3,301,894
PUBLIC WORKS	\$1,938,517
OTHER ENVIRONMENTAL	\$72,132
HUMAN SERVICES	\$298,475
CULTURE & INFORMATION SERVICES	\$465,764
PARKS & RECREATION	\$334,731
DEBT SERVICE	\$1,648,888
ENTERPRISE FUNDS (WATER & SEWER)	\$1,543,316
MANCHESTER/ESSEX REGIONAL SCHOOL DISTRICT	\$13,813,861
MANCHESTER/ESSEX REGIONAL SCHOOL DISTRICT DEBT	\$1,428,956
NORTH SHORE AGRICULTURAL & TECHNICAL SCHOOL	\$69,283
CAPITAL IMPROVEMENTS	\$2,278,500
COMMUNITY PRESERVATION ACT (CPA)	\$622,633
WARRANT ARTICLES	\$665,864
NON-APPROPRIATED EXPENSES	\$498,326
TOTAL EXPENSES	<u><u>\$33,322,183</u></u>



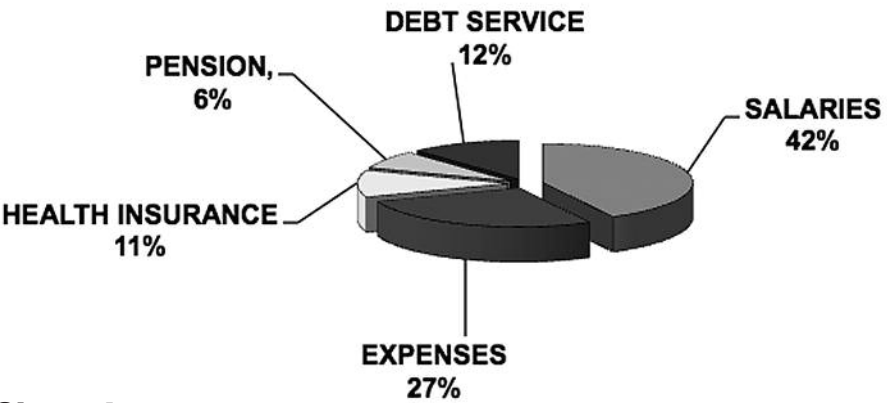
**TOWN DEPARTMENT EXPENSES**

GENERAL GOVERNMENT	\$4,341,043
PUBLIC SAFETY	\$3,301,894
PUBLIC WORKS	\$1,938,517
OTHER ENVIRONMENTAL	\$72,132
HUMAN SERVICES	\$298,475
LIBRARY	\$465,764
PARKS & RECREATION	\$334,731
DEBT SERVICE	\$1,648,888
ENTERPRISE FUNDS	\$1,543,316
TOTAL ARTICLE 4	<u>\$13,944,760</u>



**SUMMARY ARTICLE 4**

SALARIES	\$5,891,335
EXPENSES	\$3,779,830
HEALTH INSURANCE	\$1,560,000
PENSION	\$1,064,707
DEBT SERVICE	\$1,648,888
TOTAL ARTICLE 4	<u>\$13,944,760</u>

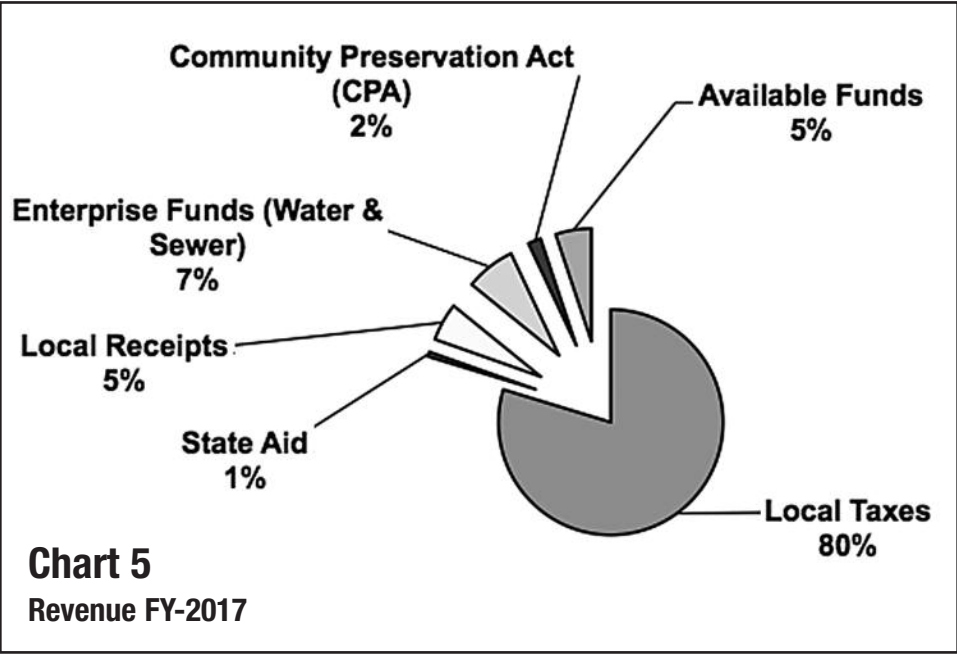


**Chart 4**  
**Summary Town Expenses**



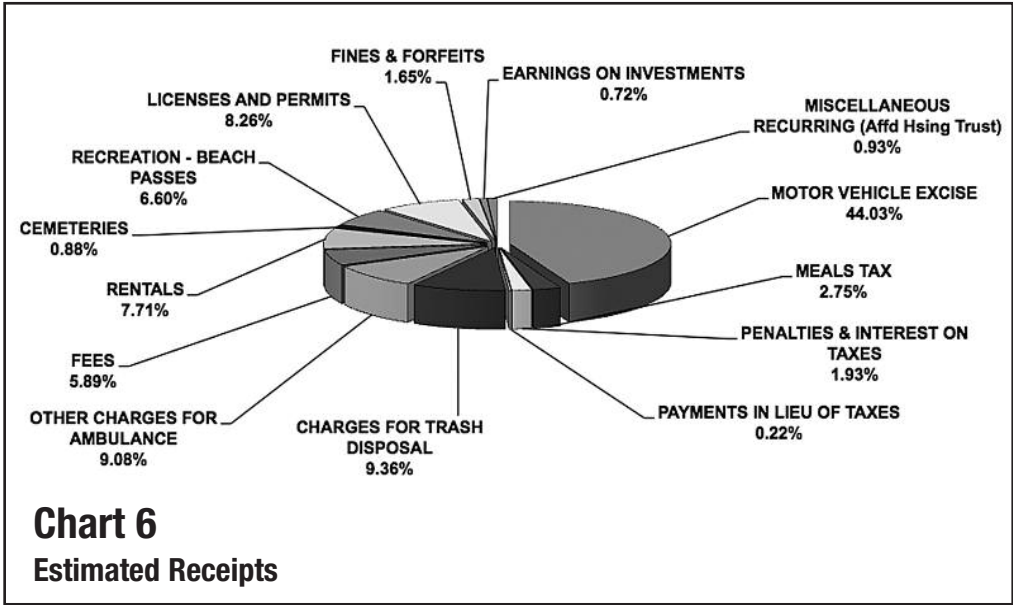
**REVENUES**

LOCAL TAXES	\$26,555,338
STATE AID	\$228,328
LOCAL RECEIPTS	\$1,816,976
ENTERPRISE FUNDS (WATER & SEWER)	\$2,381,829
COMMUNITY PRESERVATION ACT (CPA)	\$622,633
AVAILABLE FUNDS	\$1,717,079
	<u>\$33,322,183</u>



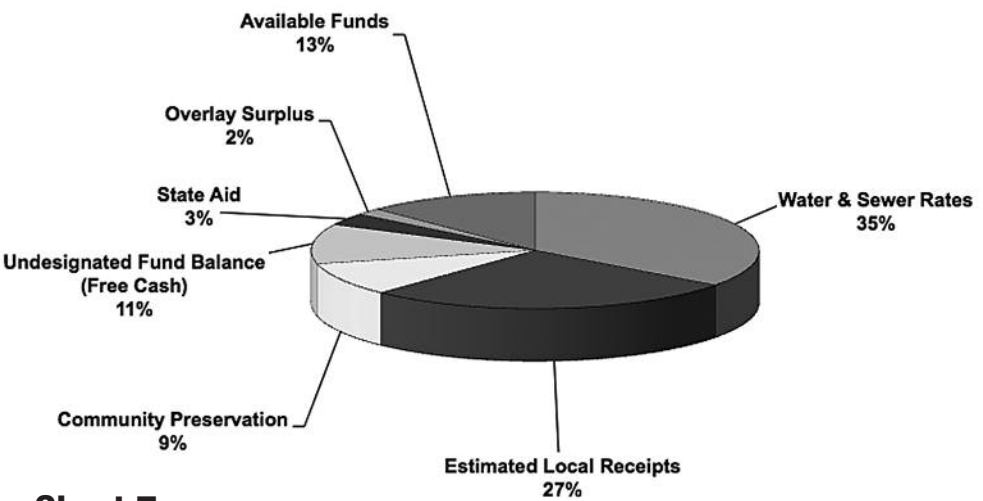
ESTIMATED LOCAL RECEIPTS

MOTOR VEHICLE EXCISE	800,000
MEALS TAX	50,000
PENALTIES & INTEREST ON TAXES	35,000
PAYMENTS IN LIEU OF TAXES	4,000
CHARGES FOR TRASH DISPOSAL	170,000
OTHER CHARGES FOR AMBULANCE	165,000
FEES	107,050
RENTALS	140,000
CEMETERIES	16,000
RECREATION - BEACH PASSES	120,000
LICENSES AND PERMITS	150,000
FINES & FORFEITS	30,000
EARNINGS ON INVESTMENTS	13,000
MISCELLANEOUS RECURRING (AFFD HSING TRUST)	16,926
TOTAL ESTIMATED LOCAL RECEIPTS	1,816,976



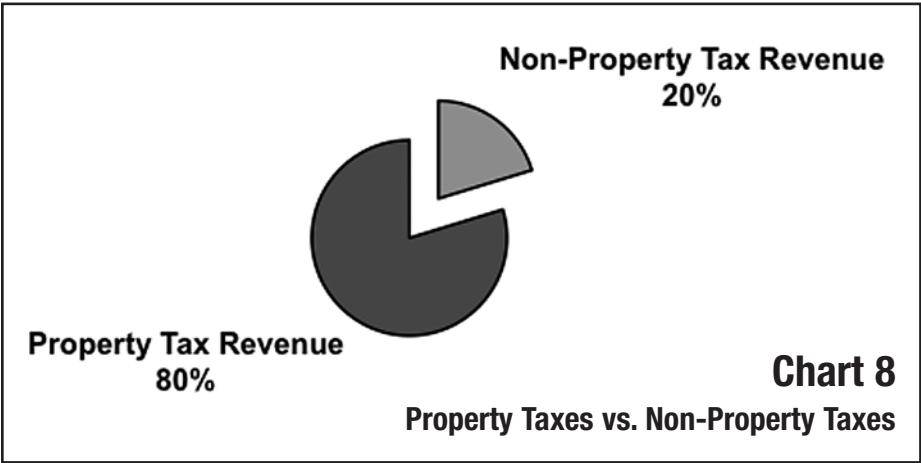
**NON-PROPERTY TAX REVENUE**

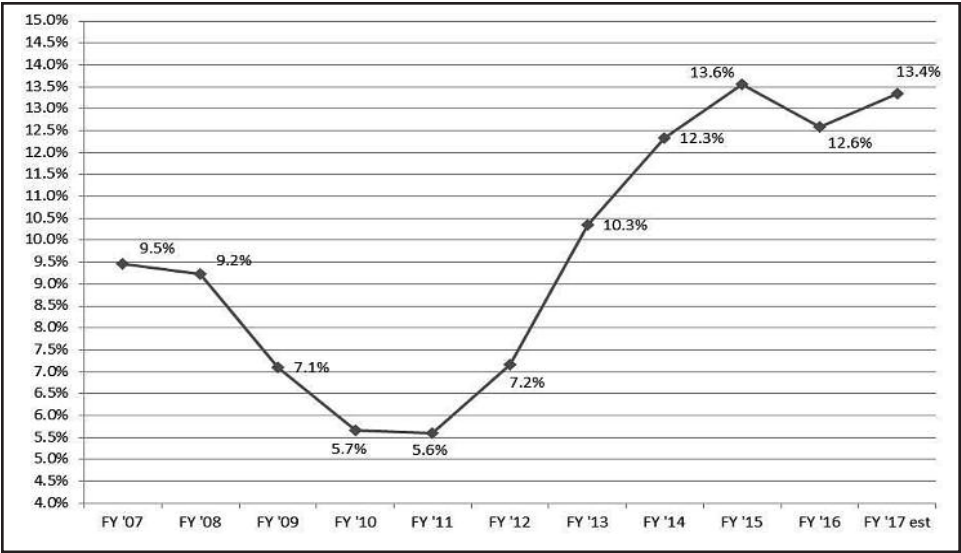
WATER & SEWER RATES	2,381,829
ESTIMATED LOCAL RECEIPTS	1,816,976
COMMUNITY PRESERVATION	622,633
UNDESIGNATED FUND BALANCE (FREE CASH)	745,864
STATE AID	228,328
OVERLAY SURPLUS	125,000
AVAILABLE FUNDS	846,215
	<u>6,766,845</u>



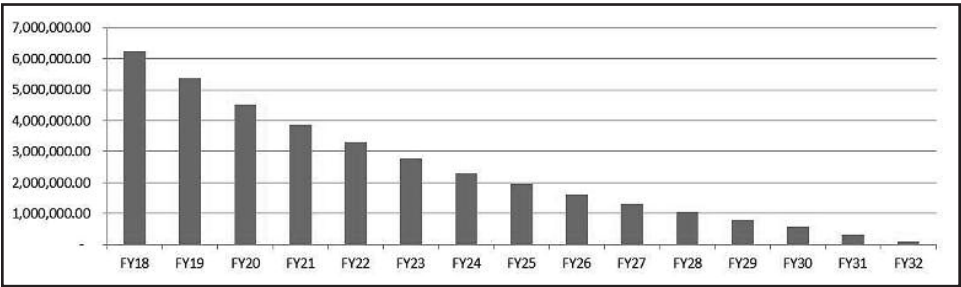
**Chart 7**  
**Non-Property Tax Revenue**

NON-PROPERTY TAX REVENUE	6,766,845
PROPERTY TAX REVENUE	26,555,338
	<u>33,322,183</u>





**Chart 9**  
**Reserves as a Percentage of Total Operating Budget**



**Chart 10**  
**Current MBTS Debt – Total Amount Outstanding**

# —Notes—

**Levy**

The amount that the town raises by property tax, computed by multiplying the total taxable assessment of the town (\$2,306,400,000) by the tax rate.

**Local Revenues**

Funds the town receives for fees, permits, excise tax, etc.

**New Growth**

An amount equal to the property tax that new construction, additions and renovations will generate.

**Offset**

An amount of a grant or aid package whose use is restricted to a particular item, e.g library, road maintenance, etc.

**Operating budget**

The routine expenditures of the Town plus the school assessment.

**Other revenue**

Town income from fees, excise taxes, fines, stickers, permits etc.

**Overlay Surplus**

Unexpended funds from the Assessor's overlay.

**Override**

A mechanism that allows the voters of the Town to reset the levy limit imposed by Proposition 2 1/2.

**Proposition 2 1/2**

Is the name associated with a state law that restricts the increase in the levy to 2 1/2% per year plus new growth.

**Reserve fund**

A sum of money available to meet unforeseen expenses.

**School budget**

The amount of the whole school budget apportioned to the town. The Town Meeting cannot change the school budget.

**School choice**

State legislation which allows students from one school district to attend school in another district.

**Sewer fund**

Money from the sewer rates that offsets costs associated with the sewer system.

**Stabilization fund**

Money put aside by the Town for major unexpected events.

**Taxation**

Town revenue raised through the property tax. All other forms of revenue are referred to as "other revenue" or "local revenue".

**Water fund**

Money from the water rates that offsets costs associated with the water system.

**More Information is available at <http://www.manchester.ma.us>**

# Electronic Voting at Town Meeting

## Getting Ready

- Every voter will receive a handset at the check-in desk.
- Your handset will be turned on when you receive it. If you need to turn it on, use the Power Button.

## Voting

- The Moderator will announce the start of a vote.

Press 1 for Yes

Press 2 for No

- You will have 30 seconds to complete your vote.
  - To change your vote, simply
  - vote again.
- The last vote showing on your handset will be counted.

- Please go to the Electronic Voting Help Desk if you have a problem with your handset

## During the Meeting

- If you leave your seat, take your handset with you.

## After the Meeting

- Place your handset in the box by the exit when you leave the meeting for home.

