



Town of Topsfield Finance Committee

Attached are the Topsfield Finance Committee Budget Guidelines for Fiscal Year 2022. This year has been a very unusual year, with significantly greater uncertainty for future budgets than past years. COVID-19, and concern over associated significant reductions in revenue at the state and/or local level, implies a potential reduction in available funds for 2022 and beyond. At the federal level while there were Covid related grants this year we do not have any clarity on what support to Massachusetts or Topsfield may occur for the coming year. Historically reductions in revenue and significant economic events have taken a year or two to impact the town's budget. These factors have led the Finance Committee to recommend a conservative approach to our FY2022 budget plans.

It has also been a year in which we have clearly seen how important local government and services are to the community. The Town of Topsfield should be proud of the dedicated employees who have worked so hard to provide critical services to Topsfield residents. The Town of Topsfield Finance Committee wishes to thank the town and school employees for all they have done.

Purpose of Guidelines

The Finance Committee Guidelines initiate the annual Town Budget process in a consistent and reasonable manner. Based upon the preliminary information available today, the Guidelines consider the economic environment and our commitment to fiscal policies with the target of a balanced budget without overrides. This year the Finance Committee is also taking into consideration the possible need to rapidly adjust budgets as more information becomes available approaching the May 2021 Annual Town Meeting. The Guidelines are not a guarantee of Finance Committee recommendation of funding at any specific level (including Capital Items), as a balanced budget must be brought to Town Meeting.

Character of Budget

Balancing the needs of the Town with affordability, the Finance Committee is targeting the maintenance of essential Town services. Please note that the term “essential services” is different from “the same services as last year,” as specific services may no longer be necessary. No new program initiatives will be considered at this time. The Finance Committee will however consider proposals that may reduce spending in current or future years.

As the Town begins the FY2022 budget process, the Finance Committee would like to continue to highlight a Fundamental Disconnect in our Town Budget, and request that it be further addressed by the elected boards that oversee the different departments and schools.

Fundamental Disconnect

The vast majority of our Annual Budget is Personnel-related (salary, wages, healthcare, pensions, etc.). Even in the theoretical situation where the Town-wide headcount and personnel are identical between two consecutive years, Topsfield’s people-related costs would grow roughly 4-6%, which is 2X the rate of the 2.5% increase permitted with no new growth and without an override by Proposition 2 ½. This disconnect is caused by three main drivers:

- 1.) both represented and non-represented employee bases have been receiving Steps in addition to Cost of Living Adjustments over the recent past;
- 2.) Topsfield needs to pay fair compensation in order to attract and retain quality employees; and
- 3.) the costs of both healthcare and pensions have been growing at a rate higher than 2.5% per year over the last 5+ years.

It is the Finance Committee’s perspective that this is unsustainable, unless the Town:

- 1.) is open to an override every few years to account for this disconnect.
- 2.) reduces services delivered to the Town to account for this disconnect; or
- 3.) experiences significant new growth.

Given our primary responsibility to review and advise on the development of an annual budget we want to re-emphasize this disconnect to the negotiating boards. While limited progress has been made this problem will continue to compound until aggressively addressed. As such, the Finance Committee asks the Select Board members,

Town Administrator, Town Department Heads, Town Boards, and Topsfield and Masconomet School Committees to work together to put in place a long-term solution as they work through future planning as well as the FY2022 budget.

Methodology

This Town Budget will be constructed using a similar method as the last few years. Each Department is expected to model out the anticipated needed costs of the upcoming Fiscal Year, rather than simply adding to the Department's budget for the prior year. We are requesting that each Department Budget be formed in accordance with its respective Guidelines. Please be prepared to explain the essential nature of the budgeted services. Should essential services of that Department remain unfunded, they should then be listed and described on the attached Schedule.

Due to the many additional unknowns associated with the overall economy and revenue and aid from local, state and federal levels, we are asking the departments to be prepared to discuss with your liaison how you would manage the impact of a level dollars budget on your operations. This will not be the draft budget we work from but is simply a planning exercise to allow us to react quickly a worst-case scenario. We do not want to alarm anyone or make more work than is necessary to understand and build our FY2022 budget however we do anticipate future challenges and we all need to be prepared to react.

ALL CAPITAL REQUESTS SHOULD BE INCLUDED IN THE TOWN-WIDE PLANNING PROCESS. EVENTUAL PLACEMENT AS A SEPARATE WARRANT ARTICLE DOES NOT SUPERSEDE THIS REQUIREMENT.

Questions

Please address budget questions to your Finance Committee liaison(s).

As always, the Finance Committee appreciates your participation in this annual process.

Thank you,

Che R Elwell, Chair

FY 2022 Department Budget Guidelines
November 12, 2020

ESSENTIAL SERVICES BUDGET

- I. General Government:
 - A. Total of Salary & Wages: As per collective bargaining, other contractual obligations and the recommendation of the Town Administrator, as applicable.
 - B. Other: No more than **0.0%** increase. This increase is on the **total** of “Other”; distribute among line items in the department as appropriate.
 - C. Ongoing Financial Programs, such as automobile leasing, to be reviewed on a case-by-case basis.
 - D. Fuel and Electricity: Budget requests to be based on review of FY 2020 actual and FY 2021 projection of year to date actual, using anticipated rates.

- II. Capital Items (Equipment, Rolling Stock & Facilities):
 - A. Not to exceed \$300,000 Town-wide including Schools.
 - B. Larger projects may also be funded by borrowing.

- III. Elementary Schools: Recognizing that the town manages and funds the pensions and funds **2.75%** ATM (please note: Topsfield town’s budget funds school insurance and pensions costs) approved operating budget increase plus extraordinary special education costs; these should not be added to the base operating budget for calculation of future fiscal year increases.

- IV. Masconomet: **3.00%** (please note: Masconomet’s budget funds school insurance and pension costs) increase to overall ATM approved Community Contributions to the operating budget (“M&O budget”).

- V. No New Programs.

ATTACH SCHEDULE OF UNFUNDED ESSENTIAL SERVICES

- I. Attach Schedule: Detail all essential services items (salary & wages and/or other) not included in submitted essential services budget within Finance Committee Guidelines. Include the “Budget line” for each item.

- II. Attach Narrative: Describe the programmatic impact of those essential services items that were not included in the submitted Guideline budget.