



## Town of Topsfield Finance Committee

As we move into our third annual budget process in the shadow of COVID-19, we are heartened by the community that we all help to create and by the amazing employees of our town and schools. While we hopefully are moving in a positive direction there continues to be uncertainty around the long-term financial implications of COVID. These factors have led the Finance Committee to recommend a conservative approach to our FY2023 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 thanks the town and school employees for all they have done over the past year to keep our town and schools operating as close to normal as possible under difficult circumstances.

### **Purpose of Guidelines**

The Finance Committee Guidelines initiate the annual Town Budget process in a consistent and reasonable manner. The Guidelines consider the economic environment and our commitment to fiscal policies, with the goal 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 aid may be provided by the state and federal governments and as that information becomes available approaching the May 2022 Annual Town Meeting. These 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. We ask that departments look for opportunities to reduce long-term expenses. Any programs or approaches that reduce future liabilities or expenses will be evaluated and preferential treatment will be provided to those that offer a long-term return (either through savings or the avoidance of future spending).

As the Town begins the FY2023 budget process, the Finance Committee continues 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. We have seen the elected boards begin the difficult discussions regarding how we can continue to recognize and reward our town and school employees while staying within the budget capacity of the taxpayers. We ask that the community and their representative boards continue to respectfully engage in this important dialogue.

### **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 twice the rate of the 2.5% increase permitted by Proposition 2 ½ with no new growth and without an override. This disconnect is caused by three main drivers:

1. A majority of employees have been receiving increases in compensation based on longevity (steps) and Cost of Living Adjustments over the past 7 years
2. Topsfield needs to offer compensation to attract and retain the people that serve our town
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; and/or
2. adjusts salary and wages to match the growth in town revenues; and/or
3. reduces services delivered to the Town to account for this disconnect; and/or
4. 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 FY2023 budget.

## **Methodology**

This Town Budget will be constructed using a similar method as the past few years. Each department is expected to identify their needs and model out the anticipated costs of the upcoming fiscal year, rather than simply adding to the department's budget for the prior year. We request 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 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 to a worst-case scenario. We do not want to alarm anyone or make more work than is necessary to understand and build our FY2023 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.**

*The Finance Committee continues to have the perspective that one time revenue should not be spent on recurring costs, since in future years we will not have the revenue, but the costs will continue. With the likelihood of significant state and federal aid we ask that departments highlight any areas where one-time funds are being used for expenses that will likely outlast the associated aid.*

## **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  
Topsfield Finance Committee

**FY 2023 Department Budget Guidelines**  
**November 16, 2021**

**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 2021 actual and FY 2022 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: **3.00%** increase over the ATM-approved operating budget plus extraordinary special education costs; these should not be added to the base operating budget for calculation of future fiscal year increases. Please note: the Topsfield town budget funds elementary school insurance and pension costs.
  
- IV. Masconomet (please **note**: Masconomet budget funds school insurance and pension costs): **2.75%** increase to overall ATM-approved Community Contributions to the operating budget (“M&O budget”). It should be noted that Masconomet enrollment figures continue to trend downward, and we ask that the overall budget be evaluated against that lower enrollment, and incremental and variable savings realized.
  
- 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.