

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

The numbers in the below table are the total dollars raised through property taxes in Seabrook for the years 2014-2020. As you can see the total "levy" increased by \$440,912 in 2020 after declining by \$971,392 in 2019. That is a levy increase of just over 1%, and still leaves the total dollars raised by taxation below the 2018 number.

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

How we arrive at the total tax levy is very important, and we shall show the component parts of the spending below. For now we can look at these top-line numbers. The tax levy went up over these seven years by \$3,985,406, a 10.7% increase, or a 1.52% annual increase. The amount of tax dollars required to be raised comes from the budget, with the addition of warrant articles (capital spending) less the amount of "local revenue" raised, and the application of "fund balance" to subsidize the tax rate or fund warrant articles. Local revenue includes water and sewer revenues, I have attached the 2020 water report, and the 2020 sewer report. Local revenues are a key component in the tax rate as we can see from examining that increasing number.

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

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

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

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

In 2015 the Town number rose by \$504,778, which was the bulk of the increase in the total tax levy, which rose by \$574,406. In that cycle the Town held its budgeted spending steady, but voter approved capital spending accounted for the entire increase. (Aggregate approved warrant articles that year were over \$2.5

million) The relative split between the four categories was roughly the same, with a slight increase in the Town share of the overall burden. No fund balance was used to offset the tax rate. Local revenues were \$4,797,183. The ending Fund Balance was \$6,356,963. The combined percentage for education was 47.13%.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

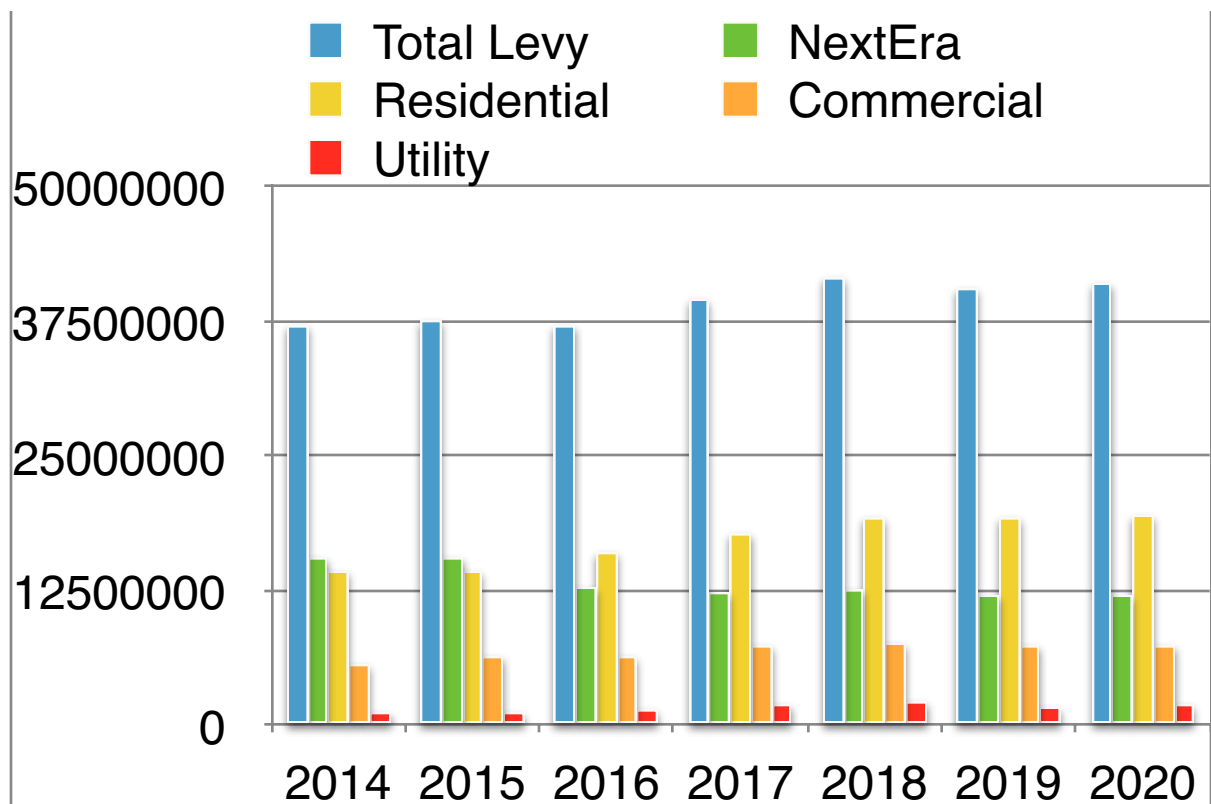
In light of the eventual agreement with NextEra their number was converted to \$12,000,000 in 2019, with the Board determining that abating the \$500,000 overage assessed in 2018 would be the best way forward. That abatement was paid in 2019. If NextEra is calculated at \$12,000,000 then their percentage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

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

As mentioned the 2019 tax year managed to slow some trends that were not favorable for the Town, and especially to residential taxpayers. The actual dollars paid by residential taxpayers actually **declined** in 2019 (residential tax levy) although that category slightly increased as a percentage of the overall levy. (Due to the large decrease in the overall levy) The NextEra percentage increased slightly, stopping, at least for 2019, the steep decline in their percentage of the overall levy. (\$12,000,000 on the negotiated tax agreement, and \$130,000 for ancillary properties.) Another item of note is the decline in the category of other utilities, which is a function of state legislation laying out valuation methodology for these utilities, as well as some negotiated settlements of long standing tax cases in this category. Even with that the combined commercial/utility category accounted for \$9,183,919 or 22.59% of all property tax dollars raised in Seabrook.

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

As with 2019 the fiscal policies undertaken by the Board of Selectmen have stabilized the residential tax levy, which ticked up slightly from 2019, while NextEra's relative burden ticked slightly downward. Since the inception of this report NextEra's relative burden has declined from 42% of the total levy down to 29.5%, while the residential burden has increased from 38.8% to 47.8%. (The NextEra Shift) The commercial and other utility category stood at \$9.2 million, or 22.6% of the total tax levy, unchanged from 2019.

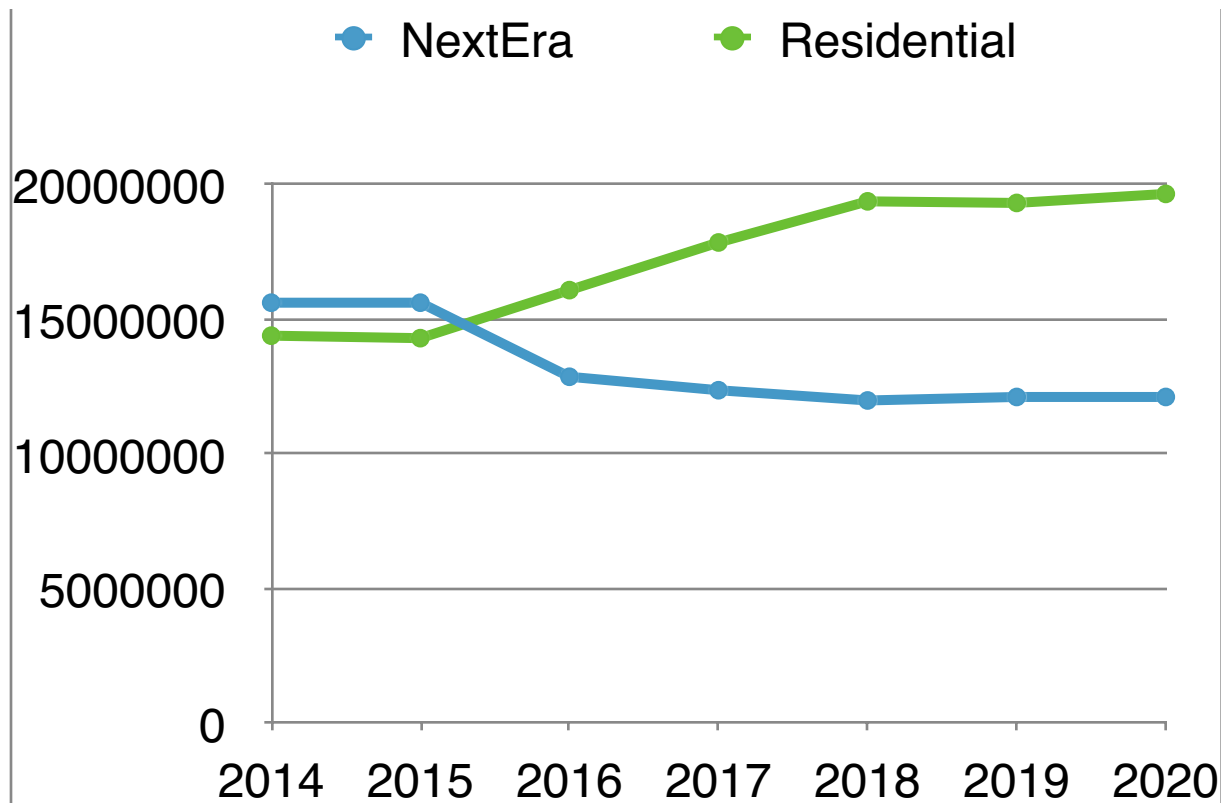


The value, carried on the assessor's book, for Seabrook Station from 2016 forward.

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

The trend lines have been evident through the measured period. The “NextEra Shift” has been the predominant issue facing us through 2020, although not the only issue. Past reports and discussions, especially with the Board and the Budget Committee, have centered on managing this shift in an orderly fashion, in an attempt to protect residential property tax payers from huge year to year tax increases. The above numbers show that NextEra, as a percent of the total tax levy, has dropped from 42% to 29.52% in just seven years. The bulk of that difference has been made up by the residential taxpayer, who has gone from 38.8% of the total, to 47.8% of the total. In effect, without accounting for spending increases, the relative tax burden over that period has shifted from NextEra to our residential taxpayers, and to a lesser degree to other utilities and commercial taxpayers. When you combine “other utilities” with “commercial” that category increases as a percent of the total from 19.12% in 2014, to 22.61% in 2020, a 3.49% increase. In total dollars that amounts to \$2,193,130 in increased revenue to the Town from those sources over the 7 years. That is a vital component of the overall revenues of the Town of Seabrook.

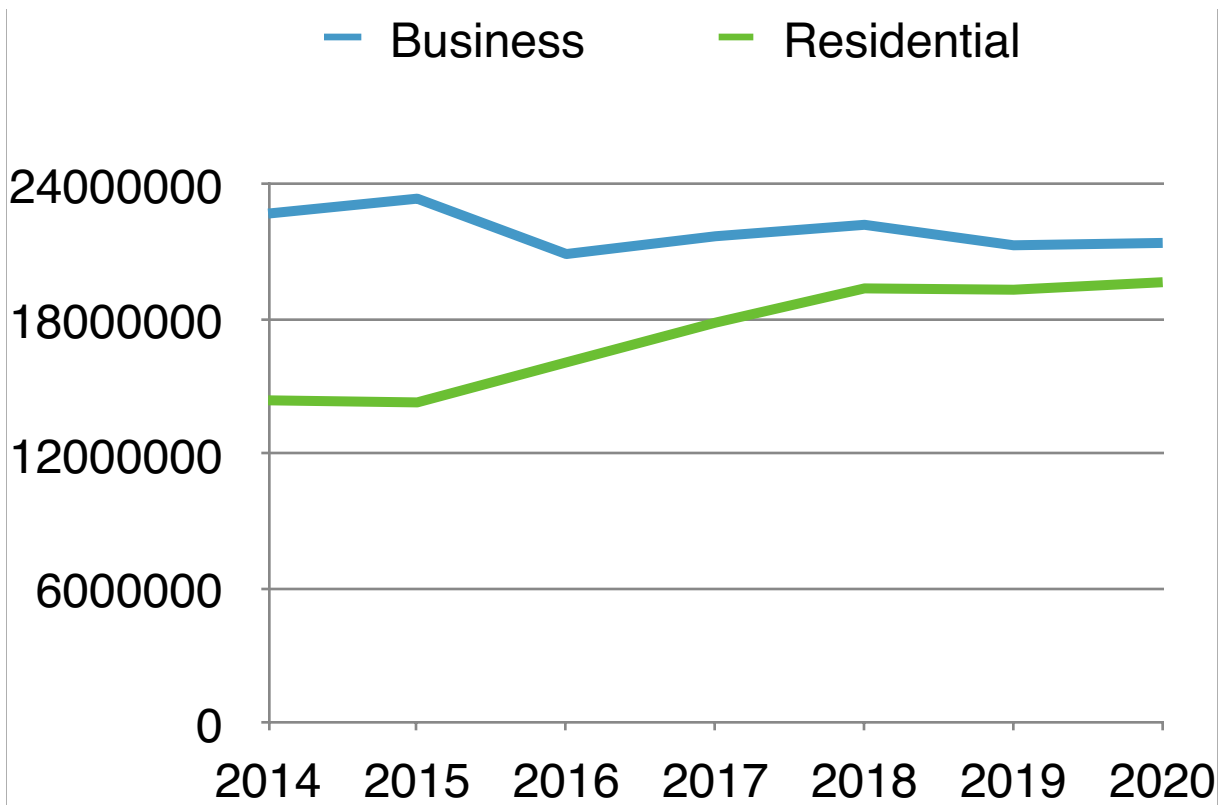
As mentioned previously the total levy has risen by an average of 1.52% annually over the measured period. That number is extraordinary, and reflects a strong commitment by the Board of Selectmen to manage the annual budget process in a fiscally conservative way. The below chart shows the intersection of NextEra tax dollars with residential tax dollars. In 2016 the residential category surpassed



NextEra in terms of total dollars, and percentage, for the first time, as part of the discussed NextEra shift.

When we combine commercial and other utility into one category we can see the trend lines shown by the below graph. Commercial/Utility is lumped into one category, and although that trend is positive it is not enough to offset the loss of revenue from NextEra. The negative trends that were accelerating were blunted successfully in 2019 and 2020 but have the potential to reaccelerate without careful planning.

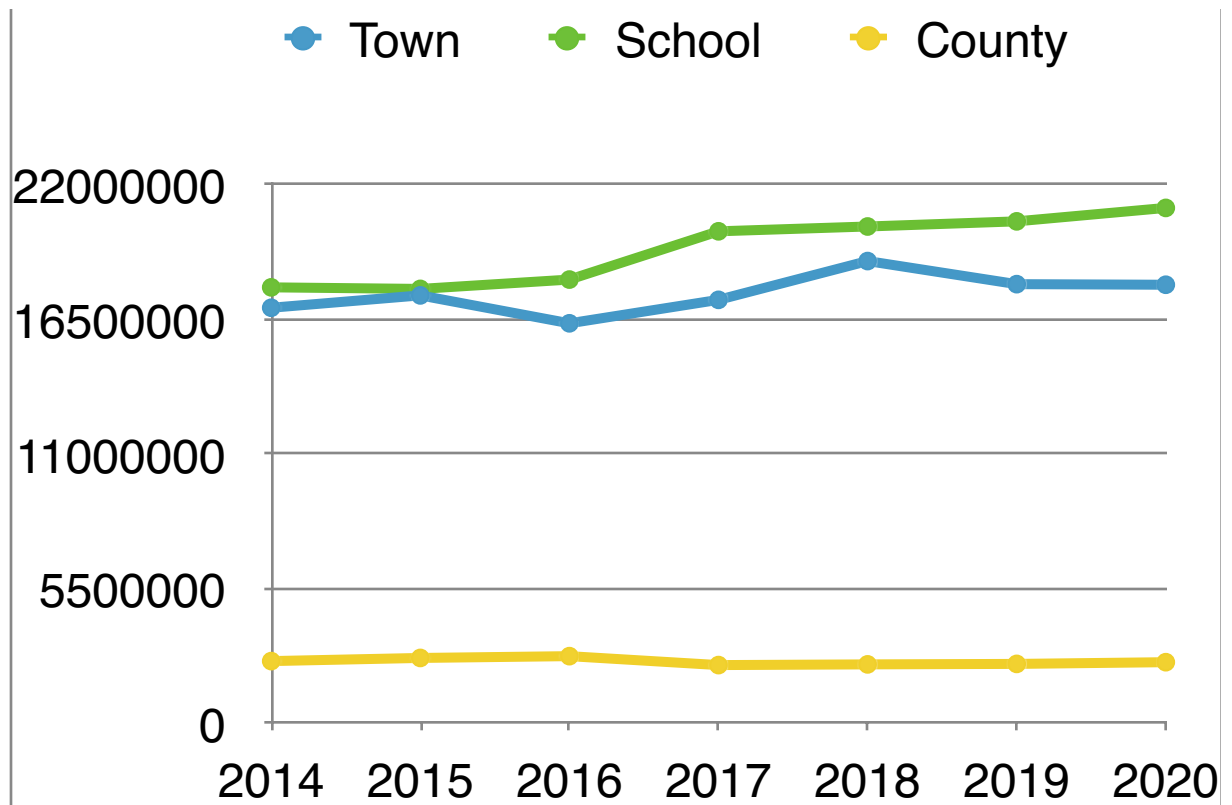
One data set that we just included in last years report is a relatively simple one, comparing residential dollars raised in comparison with all other (business) categories combined. The trend lines are contained in the below graph which shows residential taxpayers still below 50% of the overall tax burden. The percentages are unchanged from 2019.



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

The report looks at both where we are getting our tax dollars, and where they are going. The below graph combines local and state education spending into one category. Over the measured period combined school spending has risen by \$3,244,306 a seven year increase of 18.2%, or 2.6% annually. The Town side has seen an increase of \$939,550, an overall increase of 5.7%, or under 1% annually. That number reflects collective bargaining increases, health care costs, and

standard increases in the cost of doing business. To have produced a budgetary growth rate of under 1% is extraordinary.



The Town has driven up, on an annual basis, the unexpended fund balance, and has used that fund balance to both subsidize the tax rate as well as to fund capital expenses. As we look at those figures in the below table we see that the successful building of fund balance has allowed the use of \$6,395,000 to subsidize the tax rate, as well as \$1,349,464 to fund critical capital projects. (\$7,744,464 in total.) This fund balance remains over \$6 million despite the withdrawal of the \$7.7 million referenced above. Fund balance is a major success story for the Town, and has been a significant factor in our ability to hold down the tax levy numbers.

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

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

A look at the municipal side budgets over the past seven years will show us the impacts of capital spending, and how the Budget Committee budget number submitted, debated, and voted on is only part of the story. Here is the seven year history of submitted municipal budgets, and the change to that number after the warrant was voted. The 2019 capital spending number, while large, was funded by primarily bond finance, which will impact our debt budget in the years to come.

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

The MS-232 number, shown in the above table, exhibits the growth in the budget after inclusion of the warrant articles. It is submitted annually to the DRA, and reflects the true budget after the warrant. While this study is limited to data up to 2020 it should be noted that this difference between the budget committee number and the total budget after inclusion of warrant articles in 2021 will be stark and have ramifications for tax setting time for 2021 later this year. There will be specific data on that in my submitted capital reports. So what do these town side numbers show us? The overall growth in the “budget committee” number was \$4,028,475 over seven years. That is a growth rate of 2.84% annually, and it includes the school allocation. As far as budgetary discipline goes the Board of Selectmen, and the Budget Committee, have held the budgetary increases under 3%, which shows that we have managed to hold the line on the spending side.

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

The above table, on health care costs, shows us a main driver of fixed costs in our budget. Health care costs have been held around 15% by the start of some cost sharing with the unions, but these costs crowd out other possible budgetary priorities.

One of the numbers that we need to include is what would be called the “new growth” number, representing taxes collected on new construction. There has been much commercial growth in Seabrook, and that is reflected in the \$9,700,000 in taxes paid by that sector.

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

Summary and Conclusions

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

1. The three year tax agreement with NextEra expired in 2020. That agreement was for \$36 million and no new agreement has been reached as of this writing. The terms of any new agreement will be critical to Seabrook's financial future.
2. I have filed the initial paperwork for the second tranche of federal money (American Rescue Plan) that Seabrook has coming. The estimate is for about \$880,000 divided over two years. Eligible uses for the money still have some fine tuning to be done but it is clear that water and sewer projects, broadly speaking, will be eligible.
3. We have received Cares Act reimbursements for COVID related spending in 2020. We have filed for FEMA reimbursements for additional COVID related expenses not covered by the CARES Act. Those reimbursements are pending.
4. I have sent memos on the ambulance fund. The 2021 budget made some adjustments by removing overtime entirely from the revolving fund. This fund needs a further look as the adjustments made appear to be insufficient.
5. The Communication Fund is listed here for the first time. We will submit a budget for that revolving fund, as the police radio bond will be paid from those funds.

6. The Town of Seabrook has received a federal ARPA COVID aid package of \$925,665.88, which will be split into two payments of \$462,832.94. The first payment has been received. The second payment will be received in FY 2022, likely in the summer. The utilization of this money must conform to U.S. government guidelines. I have attached the Treasury guidelines for the use of the money, and will also reference this in my capital spending report.

Revolving Fund 2020 Ending Balances

1. Ambulance \$259,366
2. Recycling \$207,113
3. Recreation \$118,619
4. Cemetery \$15,916
5. Scholarship Funds \$1,006,774
6. Communication \$162,076