

CITY OF BEVERLY

FINANCIAL FORECAST

FY 2021 TO FY 2025

Prepared by
The Financial Forecasting Committee

April 2021
Addendum

Committee Members

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Addendum Summary

In December, 2020, the Financial Forecast Committee met and reported their findings as known at that time, consistent with the Beverly City Charter and appropriate City Ordinances. It was understood at that time that the Forecast Committee would update their findings once local aid was resolved due to Covid-19 issues. This addendum updates that previous information.

The FY21 budget was originally built with a 17.5% consensus reduction of state aid, based solely on Covid-19 revenue challenges. However, the impact that Covid-19 had on revenues was less than expected. Thus, the Commonwealth made mid-year adjustments to Beverly's local aid allocation. The Committee's original State Aid forecast indicated that Beverly would receive \$13,272,051, however the City ultimately received \$16,980,471, or a \$3,708,420 increase, as shown on Line G of the Addendum's spreadsheet. The Committee also increased its forecast regarding Motor Vehicles Excise by \$100,000, based upon FY22 collections to date. Finally, the Committee decreased their revenue projections regarding Other Available Funds by (\$1,059,808), mostly attributable to replenishing the stabilization draw to balance the budget. As a result of this information, the Forecast Committee made new adjustments to the FY22 revenue calculation. (see attached spreadsheets). The Committee now anticipates that FY22 revenue projections amount to \$143,415,583, an increase of \$4,261,677 from their previous research.

The Committee further calculated their expenditure projections, given that supplemental appropriations were approved by the City Council in December, 2020. FY21 adjustments were made to Salaries and Wages, Expenses, State/County Assessments, and school appropriations. These additional appropriations increased the FY21 budget by \$2,748,612. Due to these adjustments, the Committee increased their FY22 projections by \$4,261,677, with a total FY22 expenditure calculation in the amount of \$143,415,583.

The December, 2020 report indicated that the FY22 deficit for the City of Beverly amounted to \$4,570,205. The new updated information indicates that the FY22 deficit for Beverly is now **\$1,482,166**. The main factor for this adjustment is a result of additional local aid from the Commonwealth of Massachusetts. By law the city must pass a balanced budget. Forecasted future deficits are addressed in the course of preparing proposed budgets for future fiscal years.

The Committee further wishes to provide some historical perspective on how the City

closes its finances, and the fiduciary position therein at the end of each fiscal year. Two indicators of municipal financial health are the undesignated fund balance and the general fund free cash certifications. These indicators show the position of city funds at the close of the fiscal year.

“The Undesignated Fund Balance are monies in the various government funds as of June 30th that are neither encumbered nor reserved, and are therefore available for expenditure once certified as part of free cash.” (Source: Department of Revenue) The Balance is calculated by the city’s outside auditor and is typically available in late summer or early fall.

The undesignated fund balance for the past four years within the City of Beverly are:

FY18	FY19	FY20	FY21
\$12,248,110	\$11,142,961	\$12,398,994	\$12,538,124

“Free Cash is the remaining, undesignated funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30th, which is submitted by the community’s auditor, accountant, comptroller, or finance director. Free Cash is not available for appropriation until certified by the Department of Revenue’s Director of Accounts.” (Source: Department of Revenue) Historically, in Beverly, this certification occurs in November.

The free cash certification for the past four years within the City of Beverly are:

FY18	FY19	FY20	FY21
\$9,370,853	\$7,307,453	\$9,236,610	\$9,934,181

City of Beverly - General Fund Revenues
DRAFT Forecast FY 21 to FY 25

REVENUES:

	FY21 Budget	FY22 Forecast	FY23 Forecast	FY24 Forecast	FY25 Forecast
A	\$108,035,190	\$112,164,090	\$115,843,192	\$119,614,272	\$123,579,629
B	\$2,700,880	\$2,804,102	\$2,896,080	\$2,990,357	\$3,089,491
C	\$1,200,000	\$875,000	\$875,000	\$975,000	\$975,000
D	\$111,936,070	\$115,843,192	\$119,614,272	\$123,579,629	\$127,644,120
E	\$0	-\$600,000	-\$600,000	-\$600,000	-\$600,000
F	\$111,936,070	\$115,243,192	\$119,014,272	\$122,979,629	\$127,044,121
G	\$16,980,471	\$17,467,728	\$17,642,405	\$17,818,829	\$17,997,018
H	\$868,132	\$868,132	\$0	\$0	\$0
I	\$150,000	\$225,000	\$225,000	\$225,000	\$225,000
J	\$530,000	\$530,000	\$530,000	\$530,000	\$530,000
K	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
L	\$4,035,000	\$4,285,000	\$4,535,000	\$4,785,000	\$4,785,000
M	\$1,616,250	\$1,616,250	\$1,866,250	\$2,116,250	\$2,116,250
N	\$378,903	\$400,000	\$700,000	\$800,000	\$860,000
O	\$95,000	\$95,000	\$95,000	\$95,000	\$95,000
P	\$300,000	\$350,000	\$350,000	\$350,000	\$350,000
Q	\$1,238,535	\$1,238,535	\$1,238,535	\$1,238,535	\$1,238,535
R	\$496,746	\$296,746	\$496,746	\$496,746	\$496,746
S	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
T	\$0	\$250,000	\$0	\$0	\$0

State Aid (to General Fund) net school choice reimb
School Construction Reimbursement
PILOTS
Medicaid
Medicare D
Motor Vehicles, Boat Excise
Local Receipts
Meals and Room Tax
Interest Income
Land / Building Rental
Transfers from Enterprise Funds
Other Available Funds (Special Rev. transfers)
Penalties and Interest
One Time Revenue

\$0 Remaining McKay school proceeds

ESTIMATED REVENUES 139,175,107 143,415,583 147,243,208 151,984,989 156,287,669

City of Beverly - General Fund Expenditures
DRAFT Forecast FY 21 to FY 25

EXPENDITURES:

	FY21 Revised Budget	FY22 Forecast	FY23 Forecast	FY24 Forecast	FY25 Forecast
A SALARIES & WAGES	\$25,378,086.43	\$25,885,648.16	\$26,403,361.12	\$26,931,428.34	\$27,470,056.91
Four additional FF (Grant) phased in	inc. above	\$134,262.62	\$199,679.10	\$203,672.68	\$207,746.14
Dispatch Staffing (assumes no attrition of police net of FF dispatch savings)					2% place holders in FY22, FY23, FY24 and FY25
B EXPENSES	\$0.00	\$336,991.00	\$343,730.82	\$350,605.44	\$357,617.55
C CAPITAL OUTLAY	\$7,007,910	\$7,113,029	\$7,219,724	\$7,328,020	\$7,437,940
D PROPERTY/CASUALTY INSURANCE	\$705,500	\$750,000	\$768,750	\$787,969	\$807,668
	\$855,000	\$920,650	\$948,270	\$976,718	\$1,006,019
E SANITATION	\$1,301,000	\$1,901,000.00	\$1,981,000.00	\$2,061,000.00	\$2,141,000.00
HEALTH INSURANCE (CITY SIDE & RETIREES)	\$11,187,802	\$11,523,436	\$11,869,139	\$12,225,213	\$12,591,970
F	\$9,684,146	\$11,158,106	\$9,994,724	\$9,764,902	\$11,046,104
G Total Debt per Cap ex schedules					3% annual increase
J RETIREMENT ASSESSMENT	\$11,595,354	\$12,117,145	\$12,662,417	\$13,232,225	\$13,827,675
Ja OPEB trust contribution	\$70,000	\$71,400	\$72,828	\$74,285	\$75,770
K WORKERS COMP, PAYROLL TAX, LIFE INS.	\$666,000	\$679,320	\$692,906	\$706,765	\$720,900
L STATE/COUNTY ASSESSMENTS	\$1,708,407	\$1,759,488	\$1,777,083	\$1,794,854	\$1,812,802
M RESERVES (UNFORESEEN, Retirements, 53rd pay week)	\$693,560	\$750,000	\$750,000	\$750,000	\$750,000
N ROADS AND SIDEWALKS	\$1,400,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
O One time expenses of supplemental	\$1,614,409	\$0	\$0	\$0	\$0
Total Projected Municipal Expenditures	\$73,867,174	\$77,100,476	\$77,683,612	\$79,187,656	\$82,253,270
Q SCHOOL FUNDING	\$63,285,805	\$65,714,482	\$67,685,917	\$69,717,494	\$71,807,989
R VOCATIONAL SCHOOL ASSESSMENT	\$2,022,128	\$2,082,792	\$2,145,276	\$2,209,634	\$2,275,923
GRAND TOTAL	\$139,175,107	\$144,897,750	\$147,514,804	\$151,114,784	\$156,337,181

ESTIMATED REVENUES

	\$139,175,107	\$143,415,583	\$147,243,208	\$151,984,989	\$156,287,669
Potential Surplus / (Deficit)	0	(1,482,166)	(271,596)	870,205	(49,512)