

CITY of CHELSEA, MA



Five Year Financial Forecast for Fiscal Years 2023-2027

to be presented to the City Council and School Committee

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FY23-FY27 FINANCIAL FORECAST

AS OF 5/01/2022

	Projected FY2023	Projected FY2024	Projected FY2025	Projected FY2026	Projected FY2027
Revenue					
Group #1 Taxes	83,381,454	86,423,491	89,541,578	92,737,617	96,013,558
Group #2 Charges for Services	2,535,000	2,707,800	2,894,424	3,095,978	3,313,656
Group #3 Licenses & Permits	1,831,250	1,863,281	1,896,113	1,929,766	1,964,260
Group #4 Fines & Forfeits	2,137,500	2,175,938	2,215,336	2,255,719	2,297,112
Group #5a Cherry Sheet	118,326,209	120,557,442	122,832,605	125,152,566	127,518,209
Group #5c Federal	975,000	975,000	975,000	975,000	975,000
Group #6 Interfund Transfers	2,468,217	2,528,574	2,590,741	2,654,773	2,720,726
Group #8 Misc.	690,000	690,000	690,000	690,000	690,000
Total Revenue	212,344,630	217,921,526	223,635,798	229,491,419	235,492,522
Expenditures					
General Government	7,319,186	7,634,399	7,963,412	8,306,839	8,665,320
Public Safety	28,530,411	29,631,974	30,776,609	31,966,013	33,201,951
Education	119,542,287	122,530,844	126,294,116	130,251,450	133,507,737
Public Works	8,593,612	9,056,654	9,545,485	10,061,576	10,606,484
Health & Human Services	2,881,287	3,010,331	3,145,230	3,286,254	3,433,683
Debt Service (Schedule)	2,490,094	2,347,021	2,421,214	3,366,309	3,951,034
Employee Benefits	18,790,950	19,990,071	21,002,478	22,066,362	22,890,349
Other	24,196,803	24,862,098	25,441,526	26,035,439	26,644,200
Total Expenditures	212,344,630	219,063,392	226,590,070	235,340,242	242,900,757
SURPLUS (DEFICIT)	-	(1,141,866)	(2,954,273)	(5,848,823)	(7,408,235)

THE CITY'S CURRENT FINANCIAL POSITION IS VERY POSITIVE

- ▶ The City has strong Reserves.
- ▶ The City received significant federal financial assistance through ARPA.
- ▶ The School Department has adequate funding through Student Opportunity Act and ESSER.

SIGNIFICANT FEDERAL FINANCIAL ASSISTANCE FROM ARPA.

Support for City

- ▶ ARPA Direct Aid to City-- \$4,154,295.
- ▶ ARPA Aid through Suffolk County – \$7,709,317.
- ▶ ARPA Aid from Governor Baker -- \$28,459,494.

STUDENT OPPORTUNITY ACT FULLY FUNDED

- ▶ House budget continues second year of six-year implementation schedule for Student Opportunity Act. Significant additional revenue for Chelsea Schools.
- ▶ FY23 Chapter 70 = \$104,609,095
- ▶ FY22 Chapter 70 = \$ 95,092,112
Increase \$ 9,516,983
- ▶ Similar increases expected for next 4 years.

SIGNIFICANT FEDERAL FINANCIAL ASSISTANCE FOR COVID RELIEF

Support for Schools

- ▶ Elementary & Secondary Educational Emergency Relief (ESSER Funds) in Fed CARES Act March 2020 -- \$2,593,816
- ▶ ESSER II in Coronavirus Response and Relief Supplemental Appropriation Act Dec. 2020 -- \$9,234,748
- ▶ ESSER III in American Relief Plan Act March 2021 -- \$20,732,065.

ADDITIONAL POSITIVE NEWS

- ▶ Strong reserves
- ▶ Group health insurance costs under control

STABILIZATION BALANCES STILL STRONG EVEN AFTER COVID SPENDING

General Stabilization as of April 1, 2022	\$17,045,941
Free Cash as of February 1, 2022	\$14,886,858

School Capital Stabilization as of April 1	\$694,163
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*Anticipated transfer from final MSBA payment on new Clark Ave School	\$2,054,585
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Potential School Capital Stabilization:	\$2,748,748
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GROUP HEALTH COSTS STABILIZED

- ▶ On May 6, 2019, City Council granted City Manager authority to impose plan design changes pursuant to M.G.L. c. 32B, §§21-23.
- ▶ As a result, new PEC Agreement signed:
 - ▶ Moved all retirees to Medicare;
 - ▶ Allowed use of trust fund reserves to reduce premiums
 - ▶ Provided for implementation of deductibles.
- ▶ Because of new agreement, costs to City in FY23 are \$7,433,697, a reduction of \$116,642 from FY22.
- ▶ Trust fund balance \$15,342,094 as of June 30, 2021 (unaudited number).
- ▶ Will allow for 4 week Premium Holiday in Dec. of 2022.

SAME LONG-TERM CONCERNS

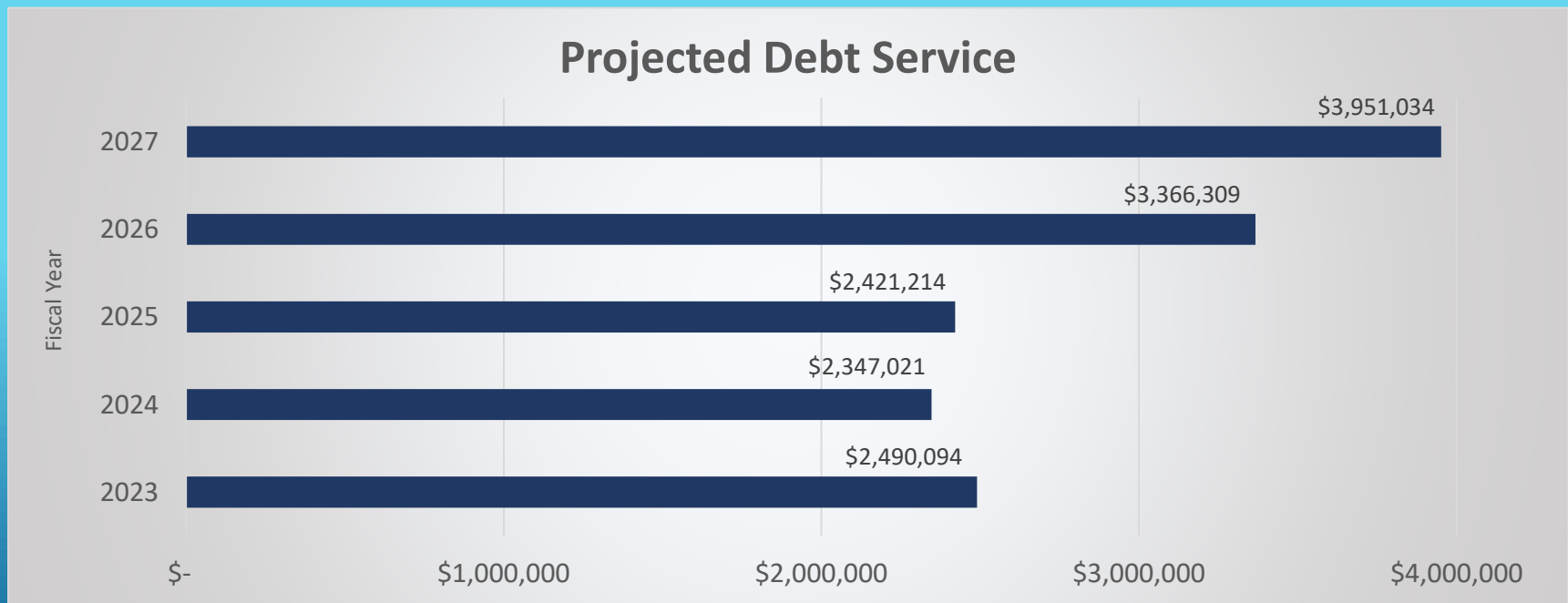
- Pension/OPEB Liability
- Debt Service Increases
- Excise Tax Dependence
- Northeast Metro Regional Vocational High School

PENSION/OPEB CONCERNS

- City's unfunded pension liability is \$60.48 million as of Jan. 1, 2021.
- Payoff scheduled for FY29, but could be impacted by future recession.
- OPEB unfunded liability is \$123.8 million as of June 30, 2021. This is still quite high, but represents a \$39 million decline from the last valuation. The difference is due in large part to our PEC changes moving all retirees to Medicare.
- Plan is to start payoff schedule for OPEB in FY29 once pension system paid off. But, state could require greater commitment at earlier timeframe.

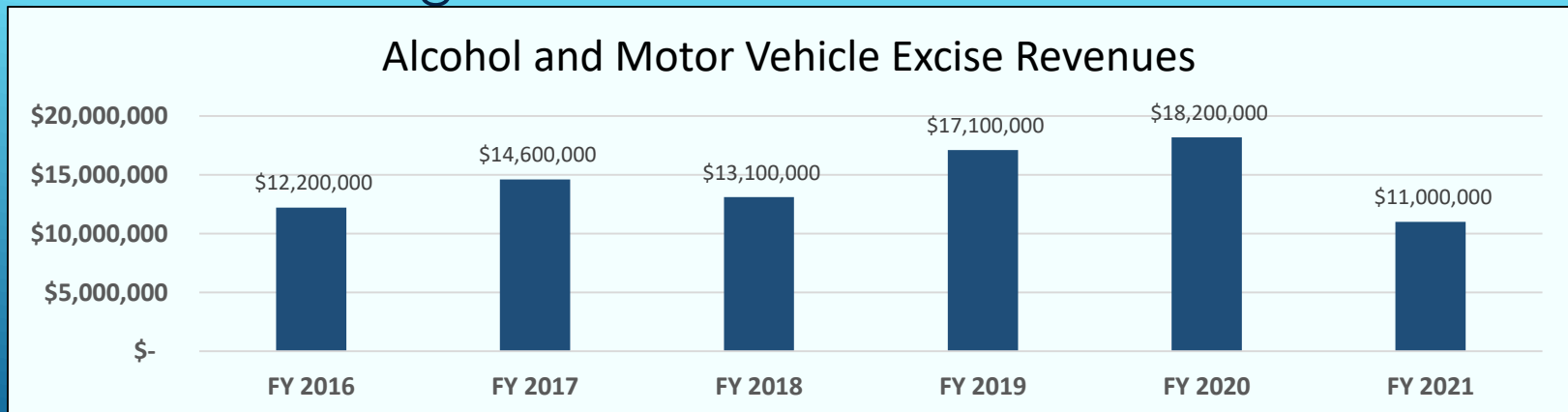
DEBT SERVICE INCREASES

- Debt Service is a bit lower than expected through FY25 because of ARPA funds, but this line item expected to increase significantly in FY26 and FY27.
- Investment necessary but comes at a cost.



MOTOR VEHICLE EXCISE TAX

- COVID had a negative impact on Motor Vehicle Excise Tax due to loss of Airport car rentals from Enterprise.
- Lost Excise Tax revenues will likely exceed \$10 million since pandemic struck in March of 2020. (Thankfully, ARPA allows for use of funds for “lost revenues.”)
- May take a few years for Excise Tax revenues to recover to pre-COVID numbers.
- Industry future uncertain given hailing services like Uber and self-driving vehicles.



COST OF NORTHEAST METROPOLITAN REGIONAL VOCATIONAL HIGH SCHOOL

- Northeast new high school approved by voters. Cost is approx. \$317 million.
- Additional annual cost to Chelsea will be \$1.9 million starting in FY26. This far exceeds our Prop 2 ½ tax raising ability.
- We will need to fund by using some Reserves and some monies previously paid to Unfunded Pension Liability once Pension fully funded in FY29.

FINAL COMMENTS

- Reserves and ARPA support should allow us to meet budgetary demands for next five years without any override.
- But, there always remains pressure on the City to promote new revenue growth through continued economic development.