

Town of Wenham

FINANCIAL OVERVIEW

NOVEMBER 15, 2022

Agenda

- I. Introduction
- II. Financial Indicators & Benchmarking to peer communities
- III. Budget Overview
- IV. Wrap Up

FINANCIAL TRENDS MONITORING SYSTEM

- The Financial Trend Monitoring System (FTMS) was developed by the International City/County Management Association (ICMA) as a method for monitoring the financial condition of local governments.
- The indicators described in the ICMA publication, *Evaluating Financial Condition, A Handbook for Local Government*, are designed to give local governments a method of monitoring financial condition using data that is easily accessible.
- Massachusetts and everyone else

Adjusting For Inflation- *Constant Dollars*

- The conversion from actual dollars to constant dollars allows for analysts to take into account the appearance of growth that may be due to inflation.

2011



2020



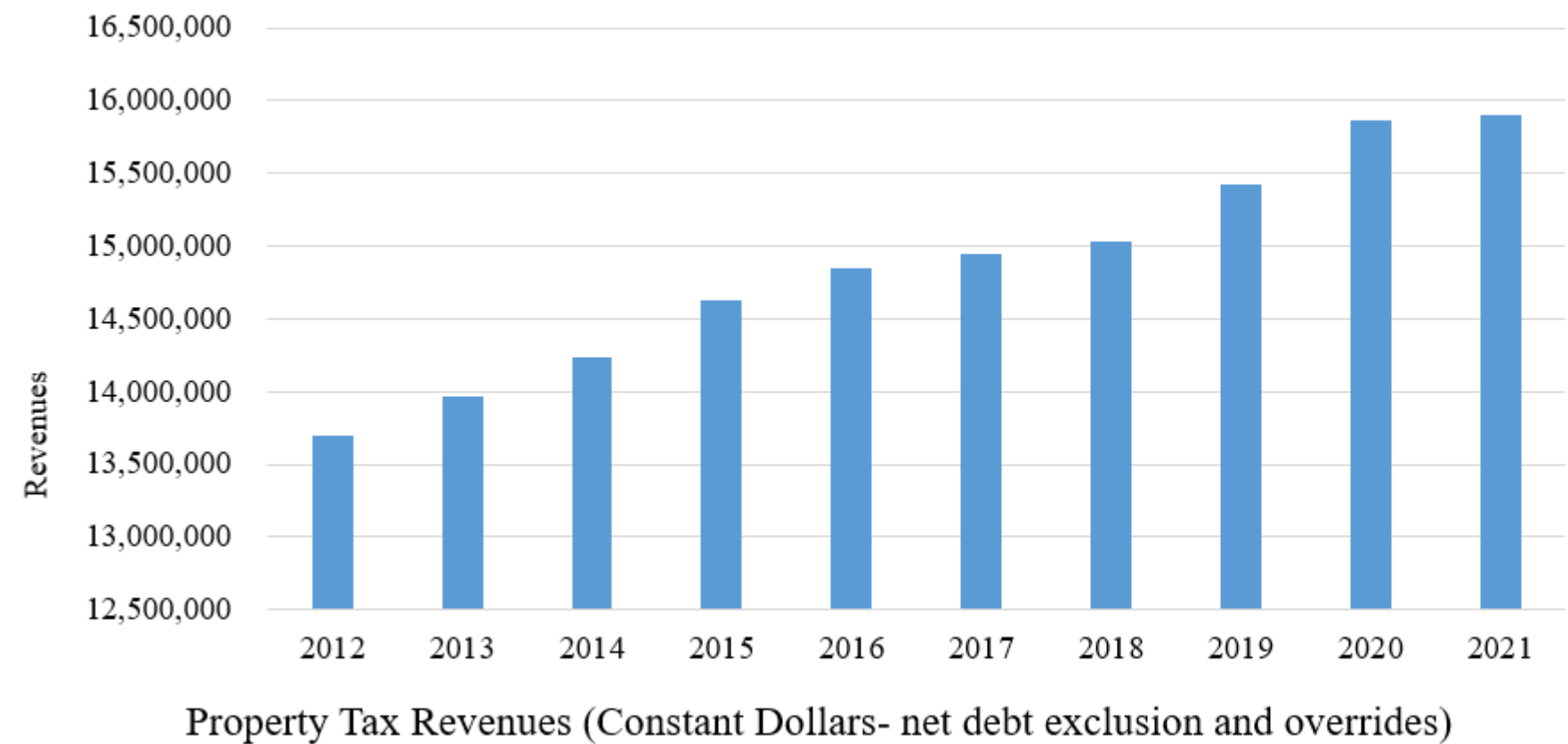
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Revenues

FINANCIAL INDICATOR - Property Tax Revenues - Levy Limit

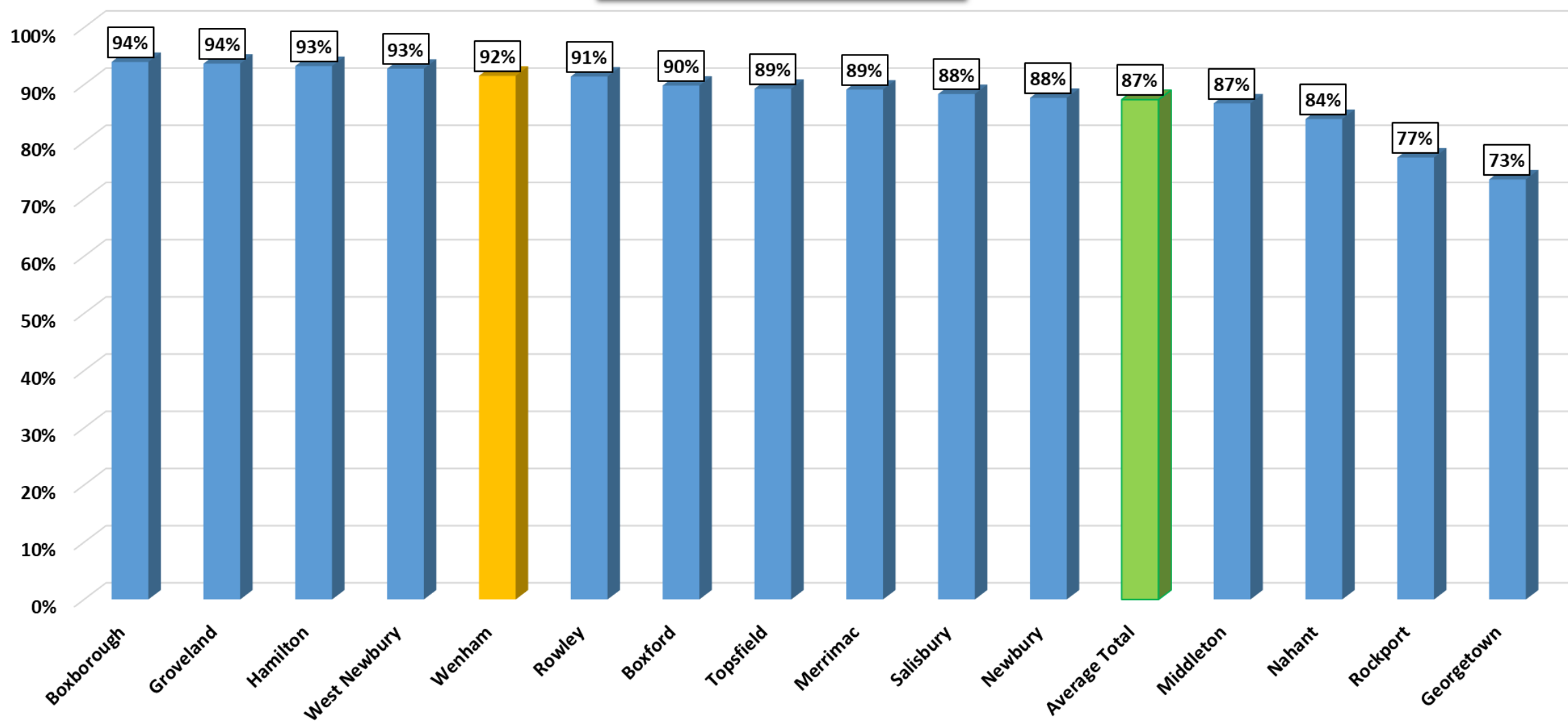
A decline in property tax revenues (constant dollars) is considered a warning indicator



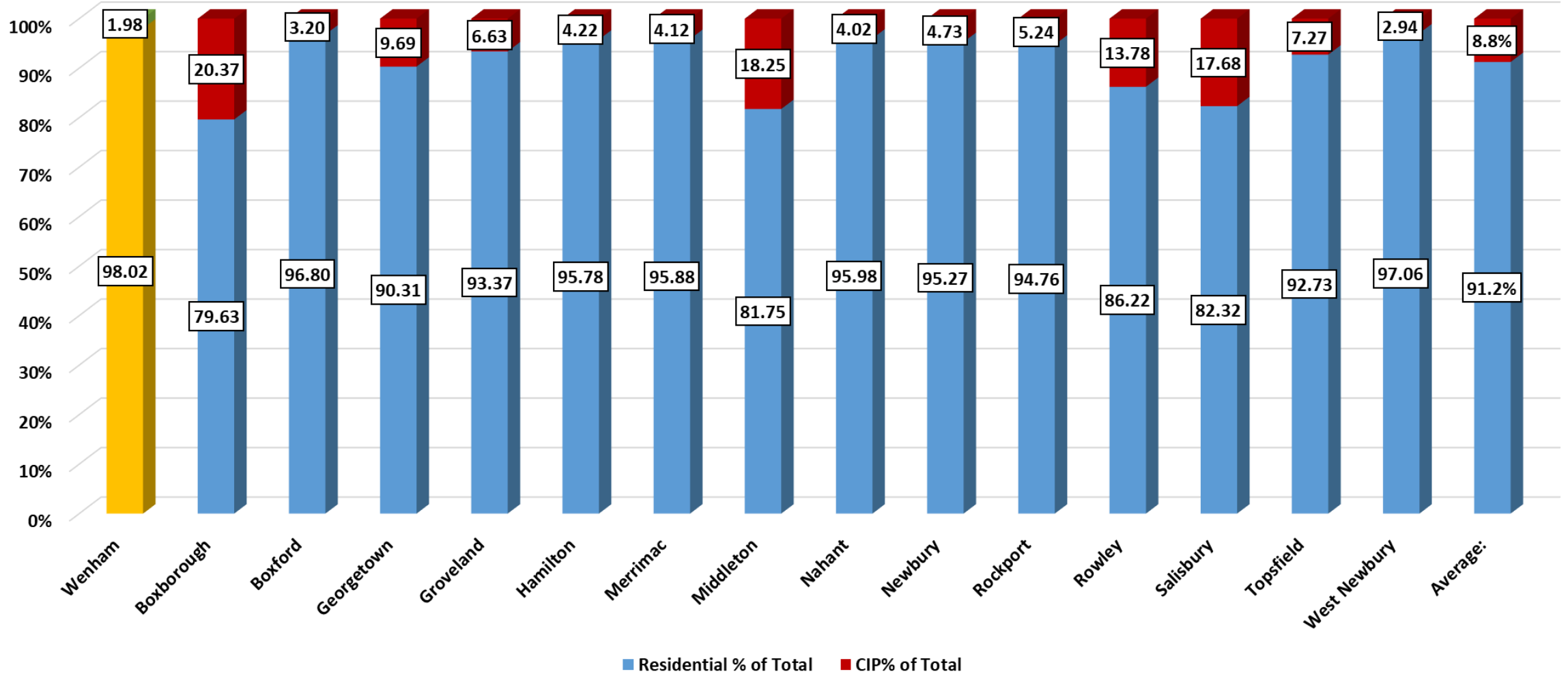
Trend Analysis	
X	favorable
	marginal
	unfavorable
	uncertain

source data: DLS Databank

FY2021 Taxes as a % of Total Revenue



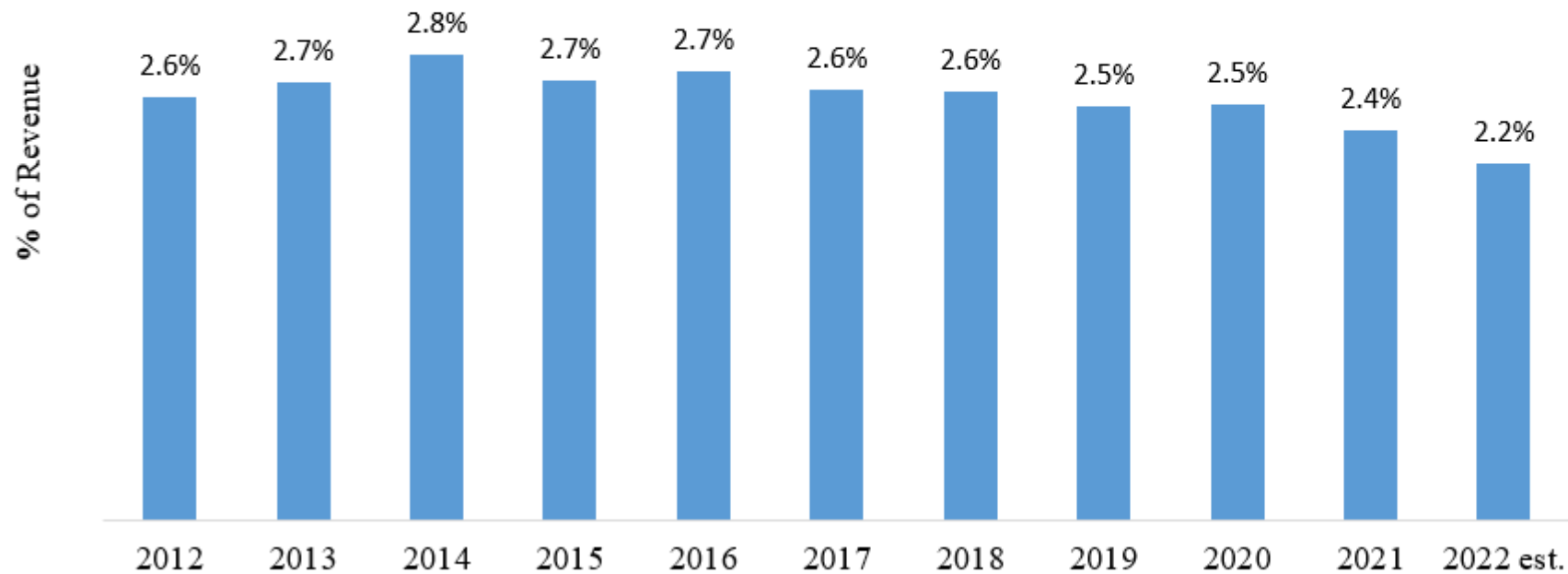
FY2022 Assessed Values By Class



FINANCIAL INDICATOR - State Aid

Reductions in State Aid, as a percentage of operating revenues, is considered a warning indicator

State Aid as a percentage of operating expenditures

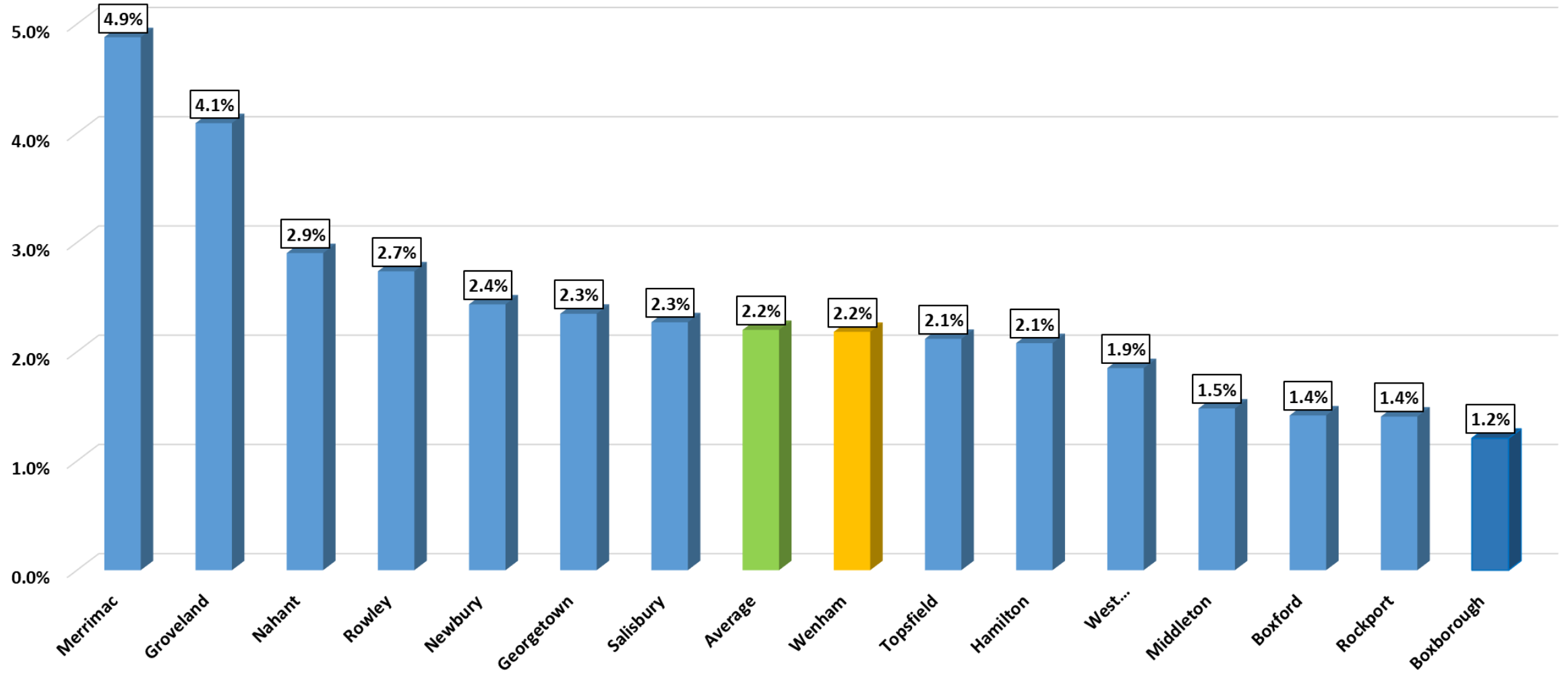


Trend Analysis	
	favorable
X	Stable / marginal
	unfavorable
	uncertain

source data: DLS Databank

formula:
$$\frac{\text{state aid}}{\text{operating revenue}}$$

FY2021 State Aid as % of Total Revenue



FINANCIAL INDICATOR - Economic Growth

Decreasing economic growth revenues, as a percent of net operating expenditures, is considered a warning indicator



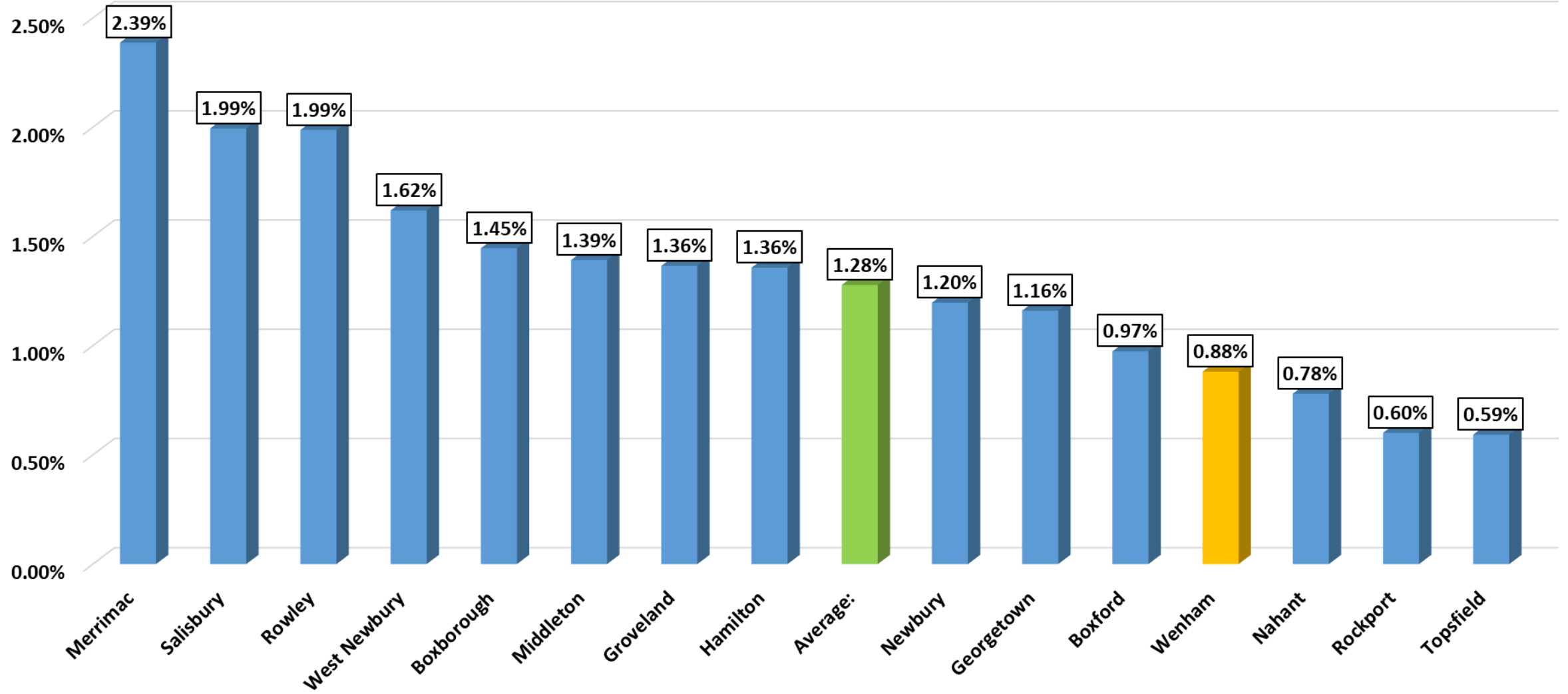
Trend Analysis	
	favorable
X	Stable / Marginal
	unfavorable
	uncertain

source data: DLS Databank; Accounting Dept.

formula:
$$\frac{\text{economic growth revenues}}{\text{operating revenues}}$$

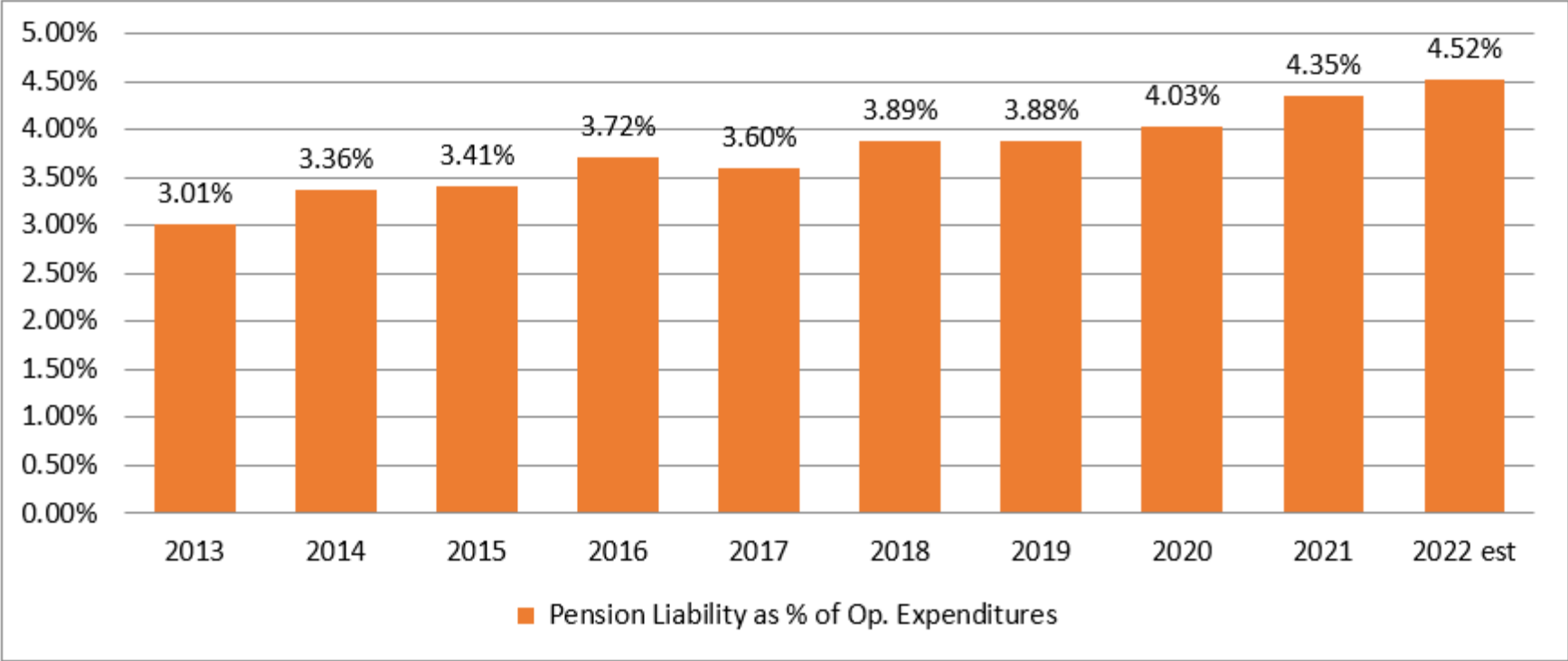
fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Expenditures	14,120,791	14,248,823	13,828,663	14,959,587	15,153,897	16,377,882	17,188,844	18,402,896	18,883,909	20,264,818
Permits and Liscenses	66,414	98,067	95,216	127,393	133,253	108,730	139,572	180,841	158,696	176,427
Motor Vehicle Excise	490,670	543,344	623,305	639,825	711,246	734,987	730,810	786,561	710,228	815,768
Tax Levy from New Construction	60,532	103,038	130,638	108,041	63,095	90,337	187,557	287,521	225,444	150,756
Total: Economic Growth Revenues	617,616	744,449	849,159	875,259	907,594	934,054	1,057,939	1,254,923	1,094,368	1,142,951
Economic Growth revenues as a percentage of operating expenditures	4.37%	5.22%	6.14%	5.85%	5.99%	5.70%	6.15%	6.82%	5.80%	5.64%

FY2022 New Growth as a % of Prior Year Levy Limit



Expenditures

FINANCIAL INDICATOR - Pension Liability Funding Schedule Costs
Increasing pension costs as a percentage of total spending is considered a warning indicator.

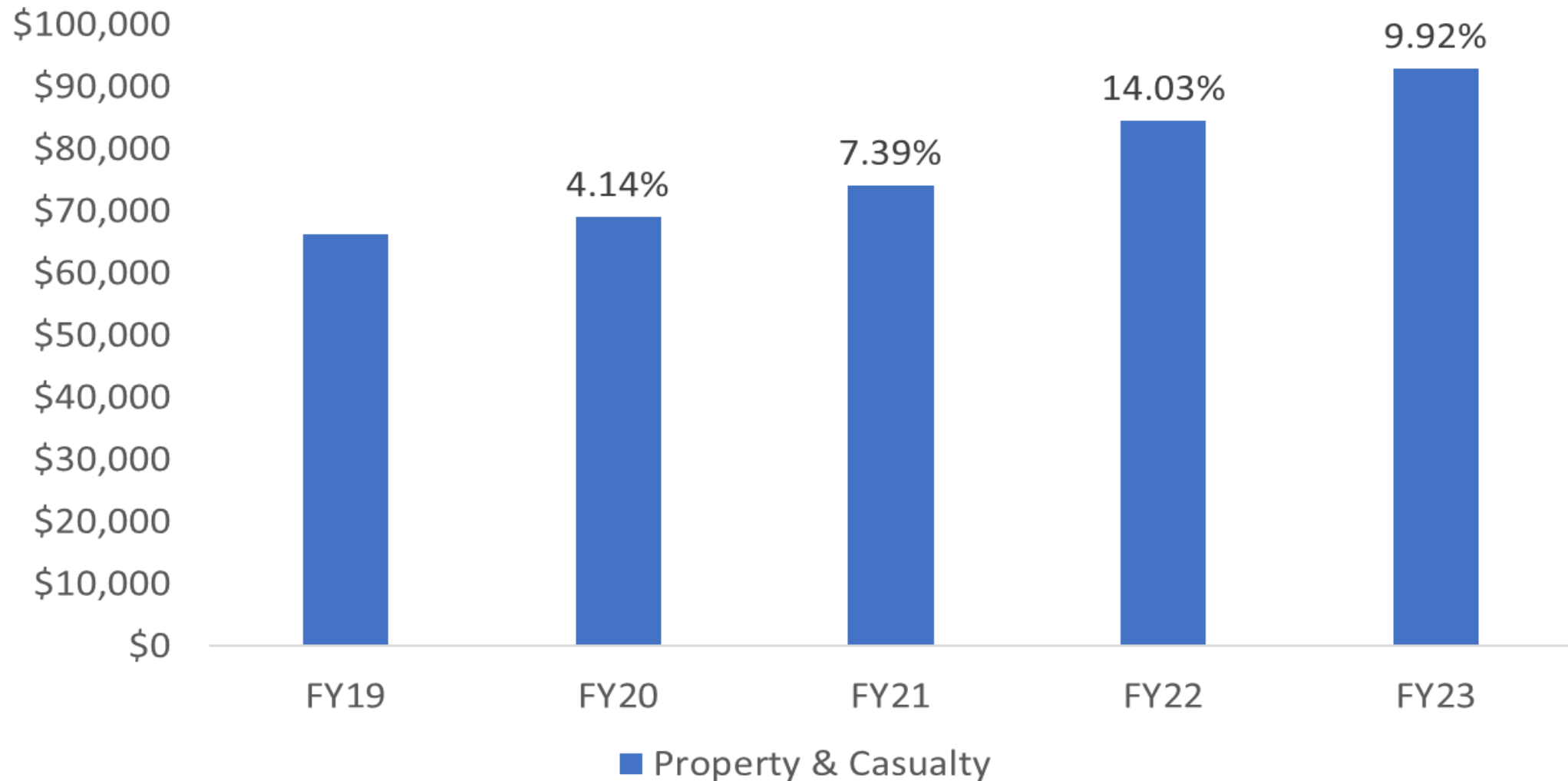


Trend Analysis	
	favorable
	marginal
X	unfavorable
	uncertain

source data: Accounting; CAFR

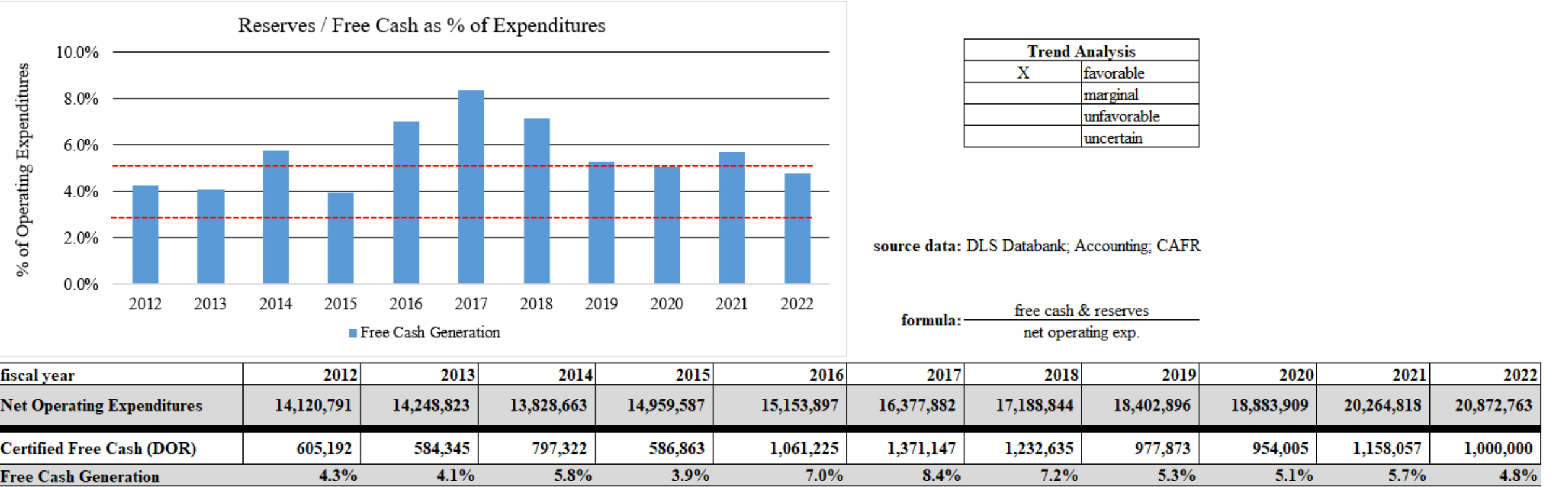
formula:
$$\frac{\text{Pension Assessment}}{\text{Op. Exp.}}$$

MIIA Insurance Costs Annual Premium Increases



Reserves and Free Cash

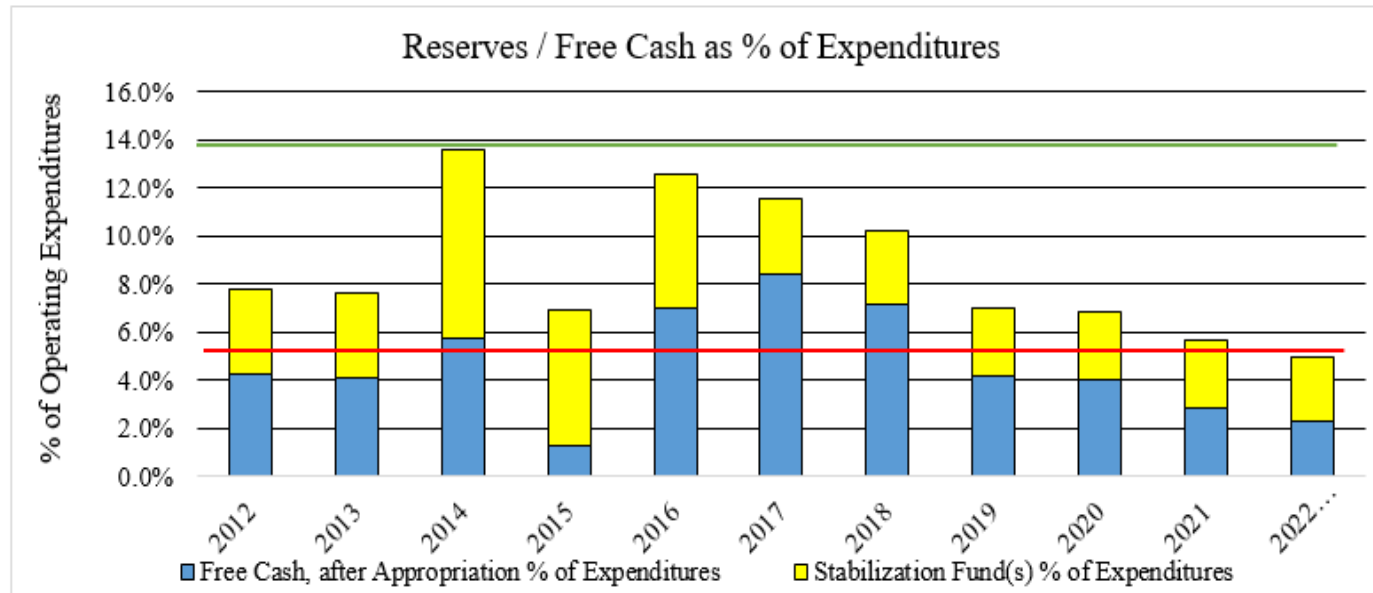
FINANCIAL INDICATOR - Annual Free cash Certification
DLS recommends that a municipality strive to generate free cash in an amount equal to 3-to-5% of its annual budget



Department of Local Services (DLS) recommends that a municipality strive to generate free cash in an amount equal to 3-to-5% of its annual budget, less enterprise funds.

FINANCIAL INDICATOR - Reserves / Free Cash (After Appropriation)

Declining reserves as a percentage of operating expenditures is considered a warning indicator



Trend Analysis	
	favorable
	marginal
X	unfavorable
	uncertain

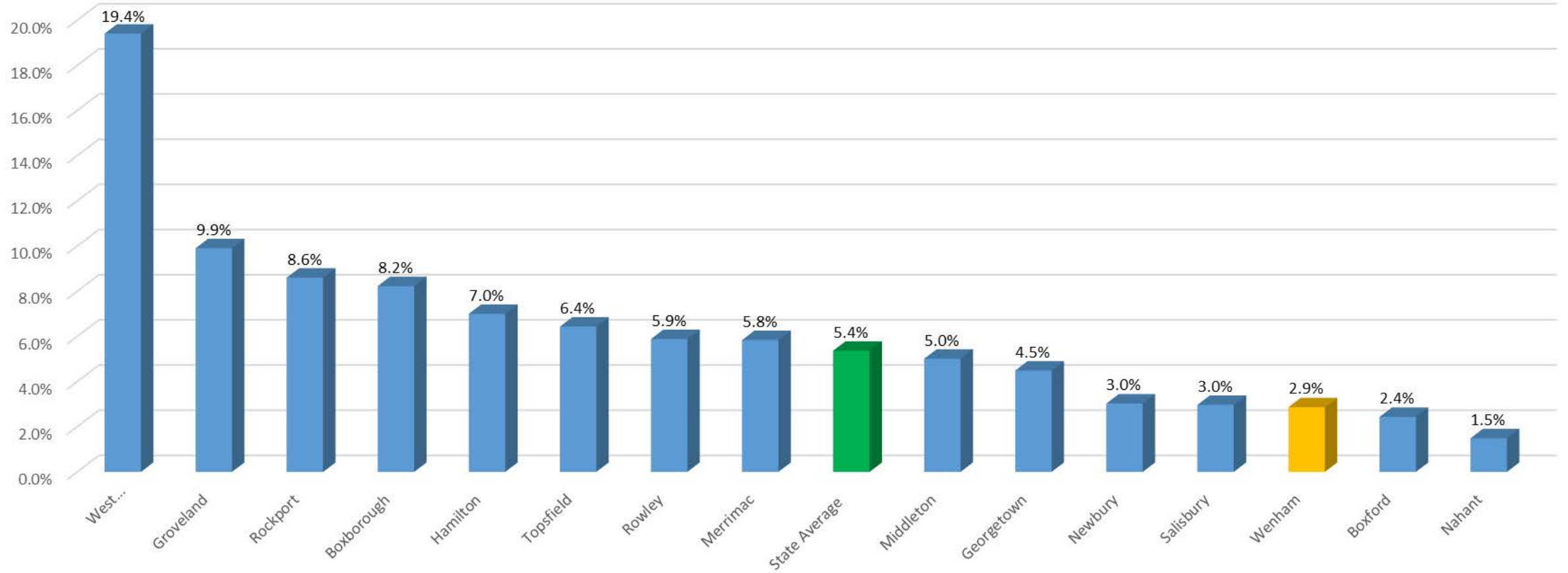
source data: DLS Databank; Accounting; CAFR; Collins Center

formula:
$$\frac{\text{free cash \& reserves}}{\text{net operating exp.}}$$

fiscal year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 Estimated
Net Operating Expenditures	14,120,791	14,248,823	13,828,663	14,959,587	15,153,897	16,377,882	17,188,844	18,402,896	18,883,909	20,264,818	20,872,763
Certified Free Cash (DOR)	605,192	584,345	797,322	586,863	1,061,225	1,371,147	1,232,635	977,873	954,005	1,158,057	1,000,000
Amount Appropriated	-	-	395,000	-	-	5,000	216,000	200,500	576,000	524,925	-
Net of Free Cash after Appropriation	605,192	584,345	797,322	191,863	1,061,225	1,371,147	1,227,635	761,873	753,505	582,057	475,075
General Stabilization Fund	\$496,506.00	\$504,872.00	\$1,085,109.00	\$840,608.00	\$845,149.00	\$520,169.00	\$523,108.00	\$529,620.00	\$545,485.00	\$559,603.00	\$559,603.00
Subtotal - Reserve Funds	1,101,698	1,089,217	1,882,431	1,032,471	1,906,374	1,891,316	1,750,743	1,291,493	1,298,990	1,141,660	1,034,678

Government Finance Officials Association (GFOA) and the Edward J. Collins, Jr. Center for Public Management recommends that a municipality strive to maintain a reserve in an amount equal to 5% to 17% of its annual budget.

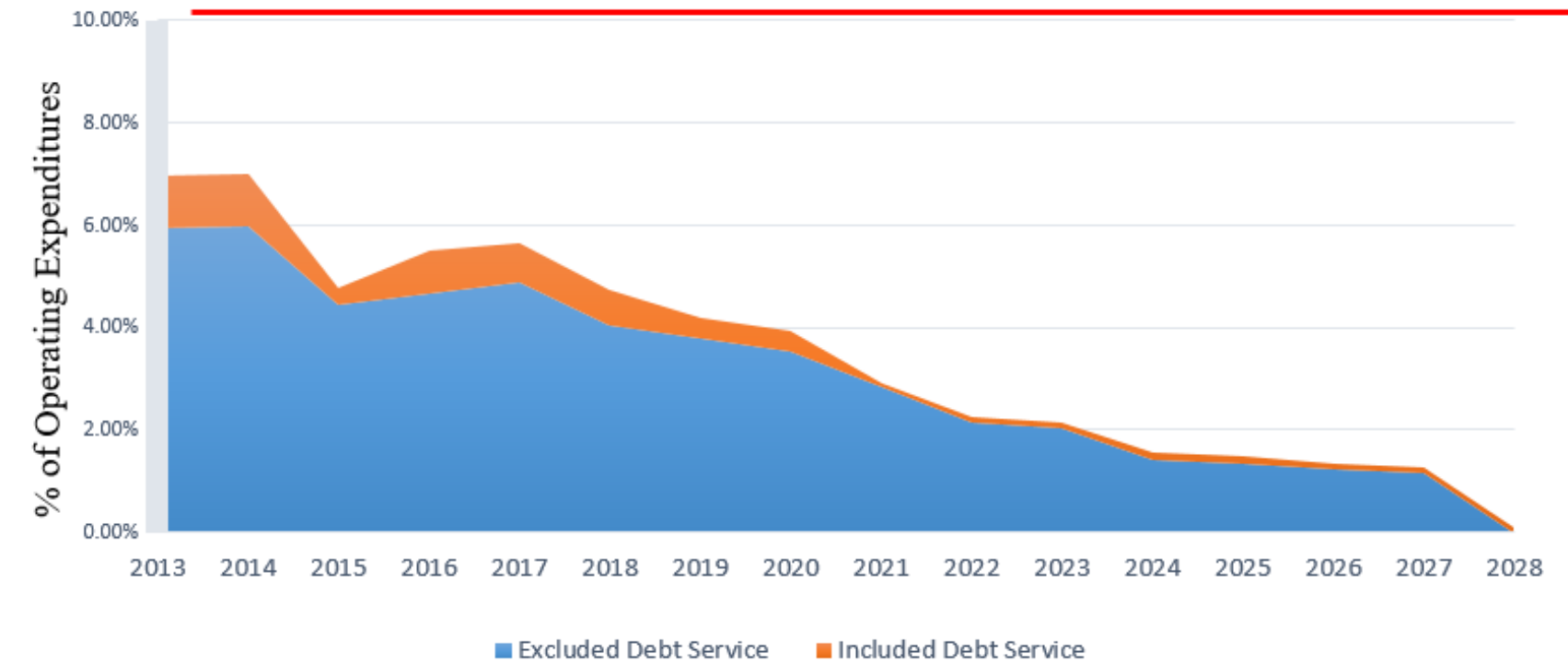
FY 2020 Stabilization Fund as % of Total Revenue



FINANCIAL INDICATOR - Debt Service

Non Exempt Debt Service exceeding 10% of operating expenditures is considered a warning indicator by the credit rating agencies

Debt Service as % of Expenditures



Trend Analysis	
X	favorable
	marginal
	unfavorable
	uncertain

source data: DLS Databank; Hill Top Securities

formula:
$$\frac{\text{free cash \& reserves}}{\text{net operating exp.}}$$

Exempt Debt is debt service that is funded though a debt exclusion voted at Town Meeting. It is not considered part of the levy limit.

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Budget to Actual

		FY2021			FY2022			FY2023		
		Budgeted	Actual	(as of 11/1/2020)	Budgeted	Actual	(as of 11/1/2021)	Budgeted	Actual	(as of 11/1/2022)
Revenues										
	Property Tax (RE& PP)	\$ 18,329,854.00	\$ 7,459,808.37	41%	\$ 18,973,764.00	\$ 7,912,949.53	42%	\$ 19,602,878.00	\$ 9,272,859.74	47%
	Local Receipts	\$ 2,670,584.00	\$ 343,057.86	13%	\$ 2,517,305.00	\$ 512,432.41	20%	\$ 2,708,116.00	\$ 673,954.95	25%
	State Aid	\$ 184,634.00	\$ 103,465.00	56%	\$ 268,933.00	\$ 122,345.00	45%	\$ 268,934.00	\$ 125,693.33	47%
				37%			36%			40%
Expenditures										
100-199	General Governemnt	\$ 1,413,748.00	\$ 356,733.86	25%	\$ 1,503,542.00	\$ 304,865.33	20%	\$ 1,593,585.00	\$ 294,331.28	18%
200-299	Public Safety	\$ 2,444,435.00	\$ 707,853.56	29%	\$ 2,488,755.00	\$ 674,453.68	27%	\$ 2,655,569.00	\$ 669,351.80	25%
300-399	Education	\$ 11,767,404.00	\$ 4,769,768.00	41%	\$ 12,036,543.00	\$ 3,886,978.00	32%	\$ 11,900,790.00	\$ 4,924,988.42	41%
400-499	Public Works	\$ 1,605,988.00	\$ 424,789.67	26%	\$ 1,660,613.00	\$ 420,103.21	25%	\$ 1,505,045.00	\$ 401,670.84	27%
500-599	Human Services	\$ 187,233.00	\$ 25,020.84	13%	\$ 183,650.00	\$ 52,428.15	29%	\$ 190,864.00	\$ 53,983.00	28%
600-299	Culture & Recreation	\$ 1,090,946.00	\$ 319,301.35	29%	\$ 1,087,461.00	\$ 297,468.72	27%	\$ 1,125,419.00	\$ 335,387.60	30%
914/916/9	Benefits	\$ 997,275.00	\$ 176,105.65	18%	\$ 1,035,503.00	\$ 205,419.28	20%	\$ 970,776.00	\$ 241,942.64	25%
840/911	Pension	\$ 862,643.00	\$ 823,489.47	95%	\$ 889,074.00	\$ 881,569.00	99%	\$ 1,093,528.00	\$ 933,623.00	85%
29-450	Water Department	\$ 462,473.00	\$ 134,678.80	29%	\$ 543,387.00	\$ 188,067.23	35%	\$ 560,193.00	\$ 109,695.59	20%
945	Other (Gen Insurnace)	\$ 145,000.00	\$ 136,101.60	94%	\$ 160,000.00	\$ 155,268.00	97%	\$ 180,000.00	\$ 163,012.60	91%
700-799	Debt	\$ 450,186.00	\$ 430,060.00	96%	\$ 525,186.00	\$ 424,100.00	81%	\$ 505,595.00	\$ 414,275.00	82%
				45%			45%			43%

FY24 Budget Drivers

Essex Tech

- Assumes no increase in the Essex Tech enrollment and a 4% net operating increase

HRSDW

- Have begun budget meetings-
- Assuming a 4% overall increase
- Enrollment numbers will be finalized in October, number will change as we move into the year
- Could be school capital needs

FY24 Budget Drivers (cont.)

Health Insurance

- Per MIIA assume a 10% increase
- After the pandemic we are seeing an increase in surgeries, doctors visits etc

Utilities

- Increase from national grid at a high of projected 64%

FY 24 Budget Forecast Revenue Assumptions

New growth at \$250k based on newly and recent captured construction projects

No significant changes to local receipts

Reduction in free cash use from \$316,400 to \$0, continue this practice of no usage of free cash to balance the budget

Allowance for abatements and exemption remain at \$195,000 based on abatement history

FY24 Preliminary Expenditure Forecast

Expenses 0-3% increase

Personnel 2-4% increased, varies by department and CBA, non- union based on 2% COLA and up to 2% merit

Health Insurance – 10% increased based on trends and analysis from MIIA

OPEB - \$10K based on our policies on increasing this amount per FY

Not final numbers – Preliminary FY24

FY24 Preliminary Budget Forecast

Annual estimated revenues (not including one time funds) totals \$23,221,999

Projected FY24 Appropriations are \$24,127,941

FY24 Structural deficit of \$905,942

These numbers are based on preliminary estimates

BUDGET SUMMARY FISCAL YEAR 2024

	BUDGET 2023	PROPOSED BUDGET 2014		
REVENUE			\$ Chg	% Chg
PROPERTY TAX	\$ 19,044,025	\$ 19,670,125	\$ 626,101	3.29%
Debt Service Excluded Debt	\$ 563,553	\$ 574,824		
MSBA				
STATE AID	\$ 268,933	\$ 268,934	\$ 1	0.00%
LOCAL RECEIPTS	\$ 2,695,826	\$ 2,708,116	\$ 12,290	0.46%
FREE CASH	\$ -		\$ -	
OTHER	\$ 131,000		\$ (131,000)	-100.00%
TOTAL REVENUE				
(Net of Enterprise)	\$ 22,703,337	\$ 23,221,999	\$ 518,662	2.28%
EXPENDITURES			\$ Chg	% Chg
EDUCATION	\$ 12,171,755	\$ 12,658,625	\$ 486,870	4.00%
GENERAL GOVERNMENT	\$ 1,571,016	\$ 1,716,986	\$ 145,970	9.29%
PUBLIC SAFETY	2,711,129	2,844,884	\$ 133,756	4.93%
PUBLIC WORKS & FACILITIES	\$ 1,727,038	\$ 1,817,489	\$ 90,451	5.24%
HUMAN SERVICES	\$ 190,103	\$ 214,159	\$ 24,056	12.65%
CULTURE & RECREATION	\$ 1,126,202	\$ 1,156,515	\$ 30,313	2.69%
Benefits	\$ 1,965,180	\$ 2,102,420	\$ 137,240	6.98%
Pension/ OPEB/ Stabilization	\$ 80,000	\$ 90,000	\$ 10,000	12.50%
Water Department	\$ 550,193	\$ 566,269	\$ 16,076	2.92%
OTHER (Snow, State Fees, Over	\$ 375,000	\$ 455,000	\$ 80,000	21.33%
SUBTOTAL	\$ 22,467,614	\$ 23,622,346	\$ 1,154,732	5.14%
<i>Excluded DEBT PAYMENTS</i>	<i>\$ 505,595</i>	<i>\$ 505,595</i>		
TOTAL				
EXPENDITURES (Net of Enterprise)	\$ 22,973,209	\$ 24,127,941	\$ 1,154,732	5.03%
Net Debt	\$ 22,409,656	\$ 23,553,117	\$ 1,143,461	5.10%
Net Pension, debt, benefits	\$ 22,409,656	\$ 23,405,878	\$ 996,221	4.45%
Surplus/ (deficit)		\$ (905,942)		

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