



# Financial Presentation

City Council  
March 29, 2022



# Building the FY2023 Budget

## Balancing Revenues and Expenditures

- Revenue Projections Developed
- Expenditure Requests Received
- Revenue Projections Refined
- Expenditures Recommendations Developed

Presentation of Balanced Revenues and Expenditures Budget

City Council Reviews and Votes Final Budget Expenditures



# Financial Indicators

## Moody's Aa2 stable

- healthy growth in tax base
- diverse economy
- unused tax levy

### What this means for Framingham:

- economic development
- stabilization of tax levy
- stabilization of debt

## Upgrade

- growth in reserves and liquidity
- significant decline in debt burden
- strengthening of resident income levels

## Downgrade

- decline in reserves and liquidity as a percent of revenue
- multi-year trend of tax base value declines
- continued growth in debt burden



# FY2023 Operating Budget Drivers

## Departmental Budget Drivers

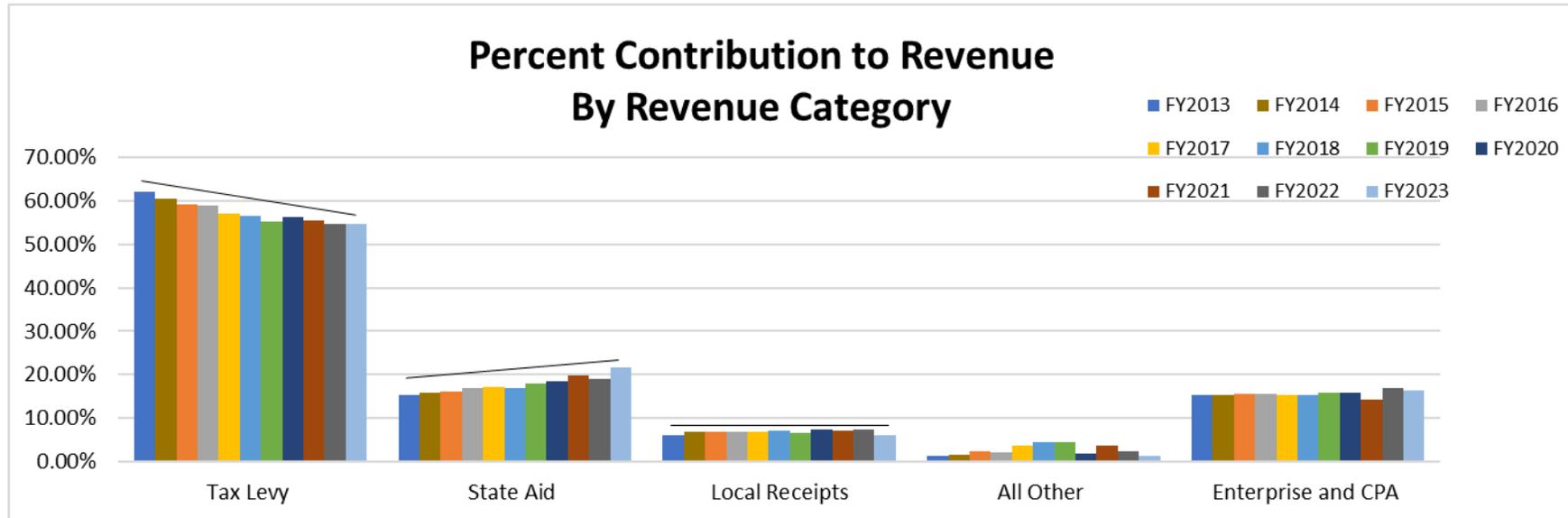
- Inflation
  - fuel, electricity delivery, tipping fees
- Collective bargaining and salary adjustments
  - multi-year increase for salary adjustments
- Regulatory changes
  - CDL licensing, elevator safety

## Unclassified Budget Drivers

- Health Insurance premiums and enrollment
- Excluded debt service



# Trends in FY2023 Projected Revenue



- Tax levy as a percent of total revenue continues to decrease in FY2023 primarily due to a significant increase in anticipated State Aid.
- State Aid continues to increase as a percent of total revenue.
- Local receipts estimates lowered to reflect actuals.
- Reliance on non-recurring revenue reduced.



# FY2023 Projected Revenue

(as of March 29, 2022)

	FY 2023 Projected	FY2022 Tax Recap	FY2021 Actual	FY2020 Actual	FY2019 Actual	FY2018 Actual	FY2017 Actual
Total Tax Levy	\$209,319,603	\$200,061,161	\$195,618,399	\$196,153,144	\$191,224,338	\$188,453,913	\$182,403,845
Tax Levy (w/o excl debt)	\$203,453,207	\$195,011,670	\$191,849,499	\$192,612,967	\$187,673,291	\$184,913,733	\$178,900,118
New Growth	\$3,500,000	\$3,566,245	\$3,346,826	\$3,227,116	\$3,224,491	\$3,202,598	\$3,155,119
Excluded Debt	\$2,366,396	\$1,483,246	\$422,074	\$313,061	\$326,556	\$337,582	\$348,608
State Aid (Cherry Sheet)	\$82,707,592	\$69,729,344	\$69,312,996	\$63,102,775	\$59,095,692	\$53,682,420	\$53,043,013
Local Receipts	\$23,162,459	\$26,368,052	\$22,399,466	\$22,582,660	\$28,510,604	\$25,014,451	\$23,091,600
Free Cash	\$3,000,000	\$6,514,282	\$9,788,361	\$5,500,668	\$6,596,983	\$11,148,613	\$8,401,893
All Other	\$2,000,000	\$2,099,613	\$2,842,898	\$912,826	\$8,825,850	\$3,482,613	\$3,308,083
Enterprise	\$60,755,750	\$59,332,378	\$50,113,678	\$55,344,577	\$54,726,645	\$50,793,074	\$49,092,186
CPA	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$382,945,404</b>	<b>\$366,104,830</b>	<b>\$350,075,798</b>	<b>\$343,596,650</b>	<b>\$348,980,112</b>	<b>\$332,575,084</b>	<b>\$319,340,620</b>

*FY2023 Revenue Budget Assumption*

- *Account for increased State Aid*
- *Begin Enterprise Fund return to financial viability*
- *Begin a multi-year decrease reliance on Free Cash and other non-recurring sources of funding for recurring expenses*
- *Project Local Receipts realistically based on actuals from prior years*
- *Increase Tax Levy to replace anticipated reduction in Free Cash*



# Community Preservation Act (CPA)

	FY 2023 Projected	FY2022 Tax Recap	FY2021 Actual	FY2020 Actual	FY2019 Actual	FY2018 Actual	FY2017 Actual
CPA	\$2,000,000	\$2,000,000	\$0	\$0	\$0	\$0	\$0

## CPA Allocation

- Determined by Tax Levy
- Final number to be determined with final revenue budget
- Incorporate CPA as potential source of funding for capital projects



# Enterprise Fund

	FY 2023 Projected	FY2022 Tax Recap	FY2021 Actual	FY2020 Actual	FY2019 Actual	FY2018 Actual	FY2017 Actual
Enterprise	\$60,755,750	\$59,332,378	\$50,113,678	\$55,344,577	\$54,726,645	\$50,793,074	\$49,092,186

## Financial Sustainability

- \$9.65M increase in budgeted rate revenue requirement
  - approximately 16% combined FY2022 water and sewer budgets
  - final rate revenue increase will depend on FY2022 revenue
- Bring capital funded positions into operating budget
- Level fund debt service for FY2023
- Budget full repayment of deficit – required by MassDOR
  - \$3.3M in fund deficit (increase of \$2M in fund deficit in FY2022)
- Eliminate reliance on non-recurring revenue
  - \$6.35M in one-time ARPA funding



# All Other

	FY 2023 Projected	FY2022 Tax Recap	FY2021 Actual	FY2020 Actual	FY2019 Actual	FY2018 Actual	FY2017 Actual
All Other	\$2,000,000	\$2,099,613	\$2,842,898	\$912,826	\$8,825,850	\$3,482,613	\$3,308,083

## FY2023 Projected Revenue

- Cable Access Fee
- Health Insurance Trust monies
  - Exhausted after FY2023 use

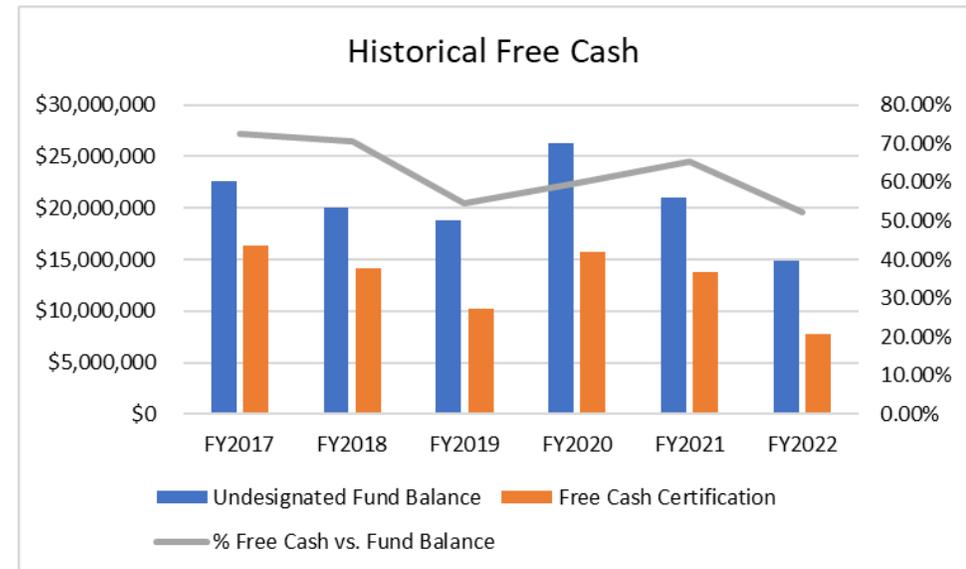


# Free Cash

	FY 2023 Projected	FY2022 Tax Recap	FY2021 Actual	FY2020 Actual	FY2019 Actual	FY2018 Actual	FY2017 Actual
Free Cash	\$3,000,000	\$6,514,282	\$9,788,361	\$5,500,668	\$6,596,983	\$11,148,613	\$8,401,893

- Free Cash lags budget by one fiscal year
- If undesignated fund balance continues declining, at risk of falling in FY2023 and FY2024
- Reduce reliance on Free Cash to fund FY2023 operations to \$3M from \$6M in FY2022
- FY2020 Undesignated Fund Balance Increase due to 2 one-time events: higher than usual building permits and state reimbursements for old projects
- Going forward:
  - Budget conservative revenue estimates
  - Budget realistic expenditures

	Undesignated Fund Balance	Free Cash Certification
FY2017	\$22,647,008	\$16,395,114
FY2018	\$19,996,935	\$14,144,287
FY2019	\$18,767,339	\$10,253,247
FY2020	\$26,226,418	\$15,701,938
FY2021	\$21,058,290	\$13,750,675
FY2022	\$14,923,272	\$7,823,173

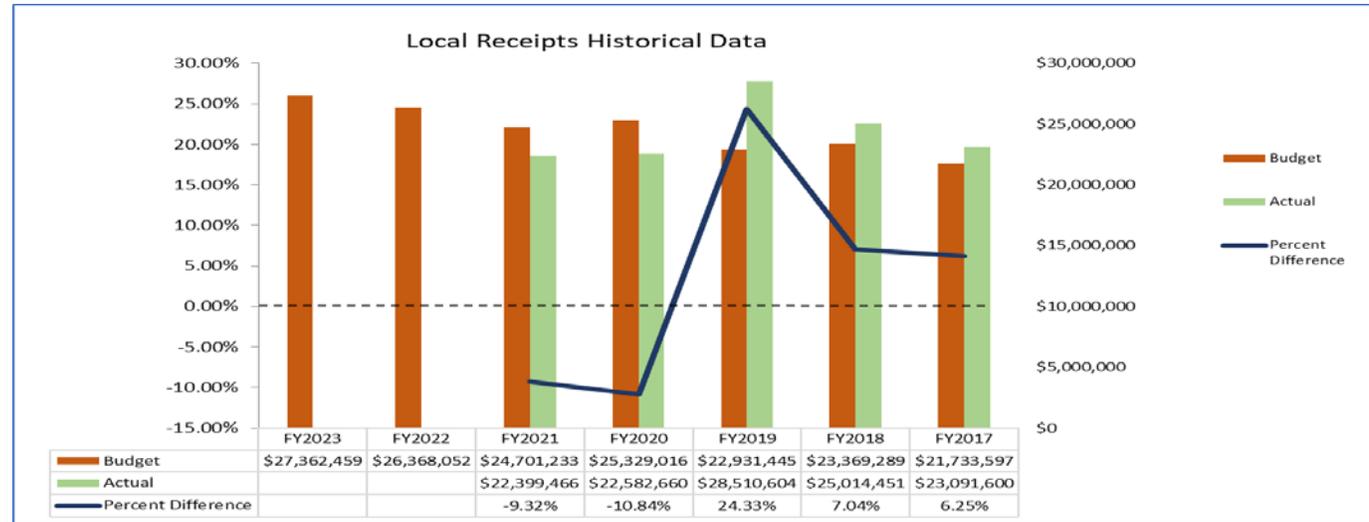




# Historical Data Local Receipts

	FY 2023 Projected	FY2022 Tax Recap	FY2021 Actual	FY2020 Actual	FY2019 Actual	FY2018 Actual	FY2017 Actual
Local Receipts	\$27,362,459	\$26,368,052	\$22,399,466	\$22,582,660	\$28,510,604	\$25,014,451	\$23,091,600

- FY2019
  - Higher than budgeted building permit revenue
- FY2020 and FY2021
  - Overestimated Local Receipts
  - COVID-19 pandemic contributed due to lower Meals and Room Taxes



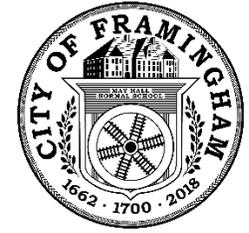


# Local Receipts

FY2023

- Use Averages of FY2017 through FY2021 Actuals

	FY2023 Proposed	Difference Between FY2022 and FY2023 Budget	FY2022 Budget	Average Budget FY2017-FY2021	Average Actual FY2017-FY2021	Average Percent Difference FY2017-FY2021
MOTOR VEHICLE EXCISE	8,500,000	24,500	8,475,500	8,474,685	8,486,617	0.20%
OTHER EXCISE						
a.Meals	1,500,000	1,500,000	1,400,000	1,402,616	1,379,984	-1.84%
b.Room	900,000	300,000	600,000	1,301,308	1,201,987	-10.55%
c.Other	224,000	0	224,000	218,688	222,969	2.09%
d.Cannabis	800,000	300,000	500,000	70,000	81,739	3.35%
PENALTIES AND INTEREST ON TAXES AND EXCISES	1,000,000	-448,200	1,448,200	1,097,365	1,059,658	1.04%
PAYMENTS IN LIEU OF TAXES	604,302	0	604,302	676,492	628,413	-7.20%
CHARGES FOR SERVICES - SOLID WASTE FEES	360,000	0	360,000	276,668	281,278	1.77%
OTHER CHARGES FOR SERVICES	475,000	-288,875	763,875	367,007	473,889	84.94%
FEES	675,000	-115,400	790,400	679,871	669,389	4.61%
a.Cannabis Impact Fee	0	-213,667	213,667	20,000	30,000	20.00%
RENTALS	165,000	-13,897	178,897	167,990	168,139	0.25%
DEPARTMENTAL REVENUE - SCHOOLS	500,000	100,000	400,000	731,000	663,500	-8.82%
DEPARTMENTAL REVENUE - LIBRARIES	0	0	0	30,601	25,845	-17.74%
DEPARTMENTAL REVENUE - CEMETERIES	0	0	0	36,000	0	-20.00%
DEPARTMENTAL REVENUE - RECREATION	400,000	43,500	356,500	473,840	430,255	-9.09%
OTHER DEPARTMENTAL REVENUE	150,000	-83,970	233,970	125,310	148,691	39.00%
LICENSES AND PERMITS	3,800,000	-38,800	3,838,800	3,857,831	4,276,971	14.63%
FINES AND FORFEITS	360,000	-27,100	387,100	399,583	361,934	-8.52%
INVESTMENT INCOME	499,157	0	499,157	240,168	443,927	237.64%
MEDICAID REIMBURSEMENT	1,000,000	-451,000	1,451,000	1,653,592	1,454,588	-11.31%
MISCELLANEOUS RECURRING	250,000	-41,865	291,865	264,837	249,723	-0.86%
MISCELLANEOUS NON-RECURRING	1,000,000	-2,350,819	3,350,819	1,047,465	1,580,261	157.37%
TOTAL	23,162,459	-1,805,593	26,368,052	23,612,916	24,319,756	2.99%



# State Aid

Governor's Proposed State Aid:  
increase of \$12M

- Governor's Proposed State Aid is a good estimate of State Aid

	Fiscal Year	Governor's	Net Governor's	House Preliminary	Net House	Senate Preliminary	Net Senate	Final	Net Final
Receipts	2017	\$51,543,014	\$44,787,592	\$51,238,532	\$44,341,976	\$52,951,632	\$46,055,076	\$53,043,013	\$46,225,314
Charges/Assessments		\$6,755,422		\$6,896,556		\$6,896,556		\$6,817,699	
Receipts	2018	\$53,479,723	\$46,137,715	\$53,636,253	\$46,136,973	\$53,647,394	\$46,135,132	\$53,682,420	\$46,081,726
Charges/Assessments		\$7,342,008		\$7,499,280		\$7,512,262		\$7,600,694	
Receipts	2019	\$58,237,963	\$50,580,099	\$58,500,768	\$50,681,547	\$59,095,507	\$51,275,146	\$59,095,692	\$51,191,336
Charges/Assessments		\$7,657,864		\$7,819,221		\$7,820,361		\$7,904,356	
Receipts	2020	\$62,039,064	\$53,641,482	\$62,266,369	\$54,013,578	\$63,087,630	\$54,808,294	\$63,102,775	\$54,860,807
Charges/Assessments		\$8,397,582		\$8,252,791		\$8,279,336		\$8,241,968	
Receipts	2021	\$69,112,379	\$60,612,399	\$69,192,671	\$60,692,691	\$69,202,133	\$60,702,153	\$69,312,996	\$60,635,902
Charges/Assessments		\$8,499,980		\$8,499,980		\$8,499,980		\$8,677,094	
Receipts	2022	\$69,807,623	\$60,729,970	\$69,589,642	\$60,719,517	\$69,580,645	\$60,792,879	\$69,729,344	\$60,800,050
Charges/Assessments		\$9,077,653		\$8,870,125		\$8,787,766		\$8,929,294	
Receipts	2023	\$82,707,592	\$72,845,367		\$0		\$0		
Charges/Assessments		\$9,862,225							

Note: FY2021 had a preliminary and revised Governor's Budget and the Final Budget differed from Conference. This analysis looks at the revised Governor's and the Final Budgets.  
A number of fiscal years had a Final Budget that Differed from Conference. This analysis uses the Final Budget rather than Conference.

	Fiscal Year	Final	Net Final	% Increase
Receipts	2017	\$53,043,013	\$46,225,314	
Charges/Assessments		\$6,817,699		
Receipts	2018	\$53,682,420	\$46,081,726	-0.31%
Charges/Assessments		\$7,600,694		
Receipts	2019	\$59,095,692	\$51,191,336	11.09%
Charges/Assessments		\$7,904,356		
Receipts	2020	\$63,102,775	\$54,860,807	7.17%
Charges/Assessments		\$8,241,968		
Receipts	2021	\$69,312,996	\$60,635,902	10.53%
Charges/Assessments		\$8,677,094		
Receipts	2022	\$69,729,344	\$60,800,050	0.27%
Charges/Assessments		\$8,929,294		
Receipts	2023			19.81%
Charges/Assessments				

- Unpredictability in State Aid cautions against use of full increase to support operating budget increases
- FY2023 Chapter 70 allocation challenge



# Tax Levy

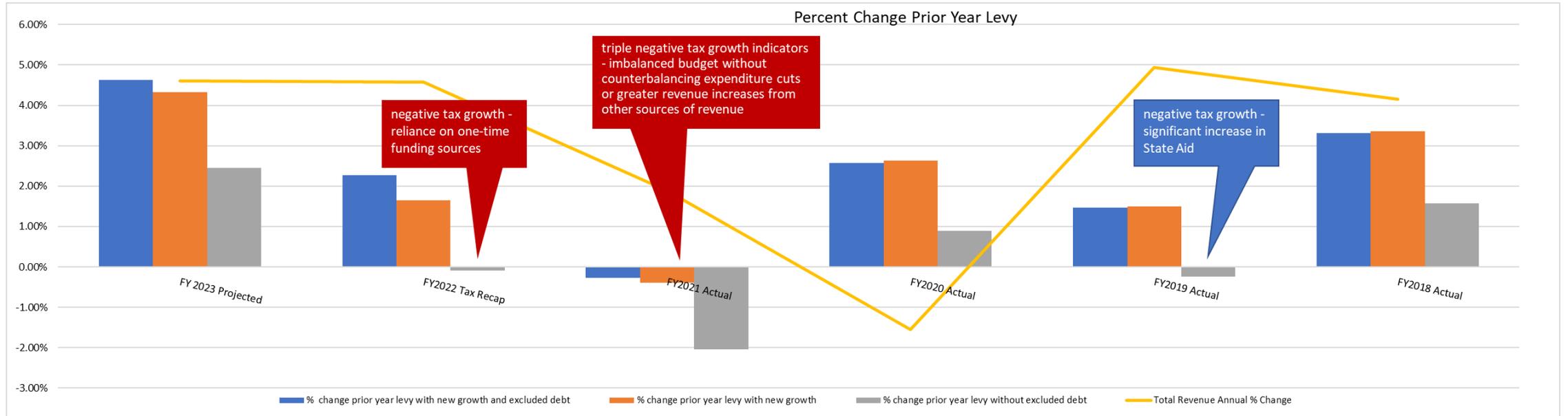
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Total Tax Levy	\$209,319,603	\$200,061,161	\$195,618,399	\$196,153,144	\$191,224,338	\$188,453,913	\$182,403,845
Tax Levy (w/o excl debt)	\$203,453,207	\$195,011,670	\$191,849,499	\$192,612,967	\$187,673,291	\$184,913,733	\$178,900,118
New Growth	\$3,500,000	\$3,566,245	\$3,346,826	\$3,227,116	\$3,224,491	\$3,202,598	\$3,155,119
Excluded Debt	\$2,366,396	\$1,483,246	\$422,074	\$313,061	\$326,556	\$337,582	\$348,608
TOTAL REVENUE BUDGET	\$382,945,404	\$366,104,830	\$350,075,798	\$343,596,650	\$348,980,112	\$332,575,084	\$319,340,620

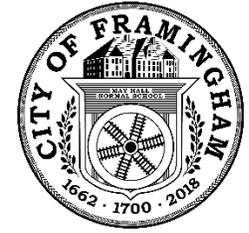
## FY2023 Total Tax Levy

- Increase in Excluded Debt (Fuller Middle School)
- Conservative New Growth projection
- 2.5% increase in tax levy (\$4.8M)
  - Replace one-time ARPA revenue of \$2.4M
  - Reduce Free Cash to support operations to \$3M



# Sustainability of Tax Levy





# Revenue Available for General Fund

FY2023 Projected Increase in Available General Fund Budget Revenue  
(as of March 29, 2022)

<b>Tax Levy Increase:</b>	<b>\$4,875,292</b>
<b>New Growth:</b>	<b>\$3,500,000</b>
<b>Local Receipts Decrease:</b>	<b>-\$1,805,593</b>
<b>State Aid:</b>	<b>\$12,045,317</b>
<b>Free Cash:</b>	<b>-\$3,000,000</b>
<hr/>	
<b>Total Increase:</b>	<b>\$15,615,016</b>



# Balanced Revenues and Expenditures

## Economic Development

- increase and continue to diversify tax base

## Stabilization of tax levy

- recurring revenue for recurring expenses
- predictable tax increases

## Stabilization of debt and long-term liabilities

- review use of debt for certain capital
- debt service plan for capital
- manage pension and OPEB



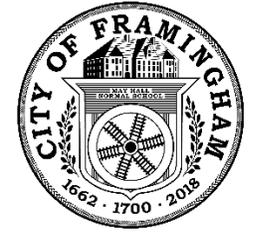
# FY2023 Budget Development

- Capital Improvement Plan
- Operating Budget
  - General Fund
  - Enterprise Fund
- Other Budgets
  - Recurring Grants
  - Non-Recurring Grants
  - Special Revenue Funds
- Revenue Development
  - General Fund
  - Enterprise Fund



# Next Steps

- Review Expense Budget Requests
- Review Capital Plan
- Develop Expense Budget
  - Work with School Committee and School Department
- Prepare Balanced Budget
- Set Water and Sewer Rates



Thank you

Questions?