

A photograph of the Natick Town Hall, a large brick building with a gabled roof and multiple windows. In the foreground, there are trees with vibrant autumn foliage in shades of orange and yellow. The sky is blue with some light clouds. The text "Financial Review" is overlaid in red on the upper part of the image.

Financial Review

Town of Natick

Select Board

September 20, 2023

01

FY23 Year-End Financial Review

Continued signs
of improvements
in Revenues

On-track Local
Receipts
Recovery

Consistent
pattern of
Expenditures

Enterprise Fund
Surplus

Town of Natick: Financial Indicator

Revenue Overview

Revenue Overview

REVENUE DRIVERS:

- TAX LEVY
- STATE AID
- LOCAL RECEIPTS
 - MOTOR VEHICLE
 - OTHER EXCISE

AS OF 6/30/2023	FY 2023 Actual	% of Target
TAX LEVY	\$ 133,771,412	98.62%
STATE AID	\$ 17,457,672	99.89%
LOCAL RECEIPTS	\$ 18,078,845	141.55%
MOTOR VEHICLE	\$ 6,039,448	125.82%
OTHER EXCISE	\$ 2,540,816	144.85%
PENALTIES & INTEREST TAXES/EXCISE	\$ 394,018	173.50%
PAYMENT IN LIEU OF TAXES	\$ -	0.00%
TRASH DISPOSAL CHARGES	\$ 1,285,859	104.48%
POLICE SPECIAL DUTY SERVICE CHARGES	\$ 50,845	112.99%
AMBULANCE FEES - OTHER CHARGES	\$ 1,989,928	198.99%
RECREATION	\$ 159,913	124.47%
OTHER DEPARTMENTAL REVENUE	\$ 1,005,717	456.73%
LICENSE/PERMITS	\$ 2,832,958	110.11%
SPECIAL ASSESSMENTS	\$ 602	120.48%
FINES/FORFEITS	\$ 128,563	414.72%
INVESTMENT INCOME	\$ 1,124,292	449.72%
MISCELLANEOUS RECURRING	\$ 327,572	65.51%
MISCELLANEOUS NON-RECURRING	\$ 198,316	
TOTAL	\$ 169,307,929	102.06%

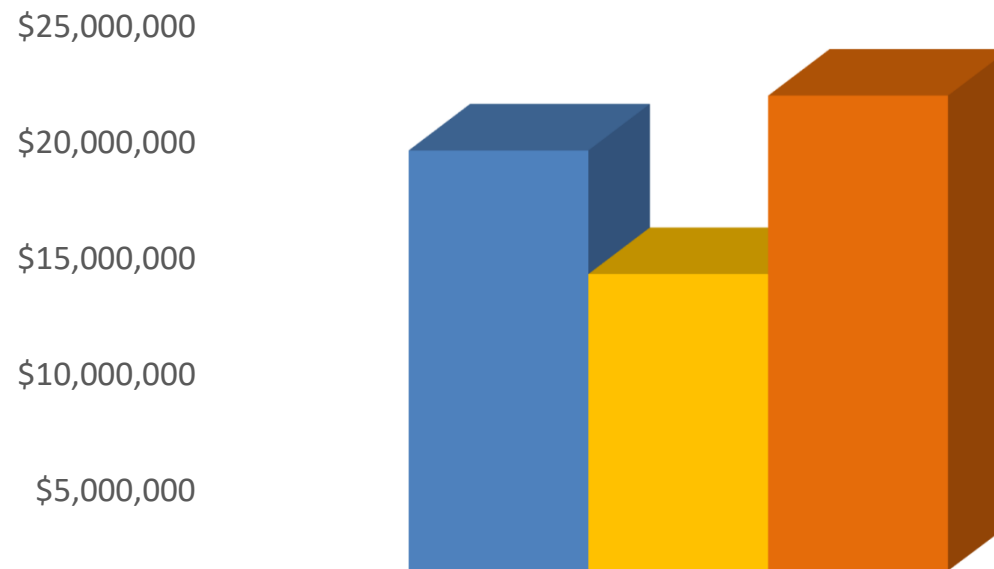
Local Receipts Comparison

FY23 % of Target: 141.5%

Projection: FY23 Budget x 5-yr average % of Target (FY18-22)

Estimates w/o COVID: Pre-COVID Local Receipts Level applied with consistent growth rate

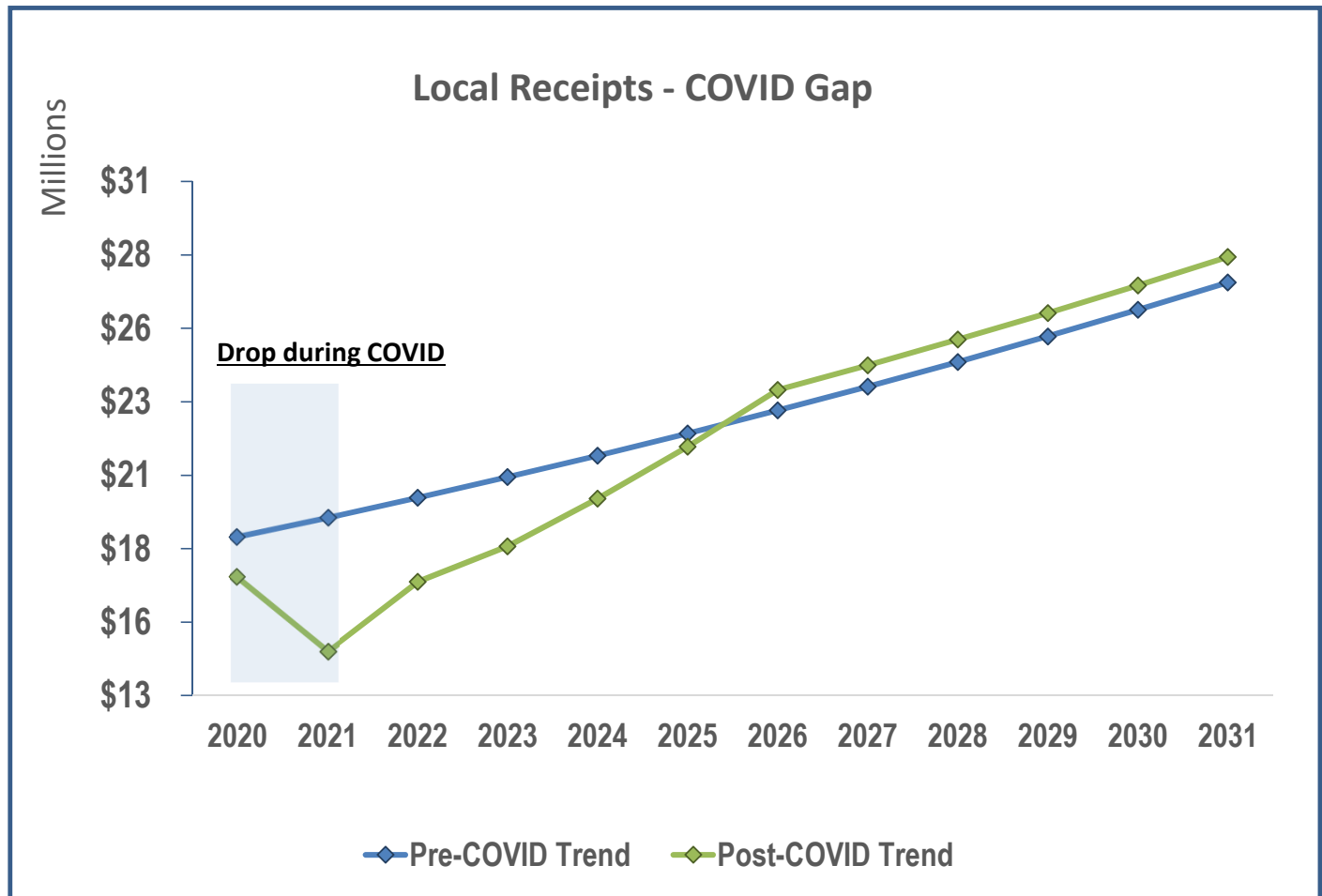
Local receipts outperforms projection while is still under estimates without COVID by 12%.



	\$0	Total Local Receipts
■ Actual		18,078,845
■ Projection		12,772,292
■ Estimates w/o COVID		20,433,159

Local Receipts – COVID Gap

Revenue will catch up with the Pre-COVID trend in FY 2026, indicating a full-recovery



Operating Expenditures Detail

(as of Sep. 14, 2023)

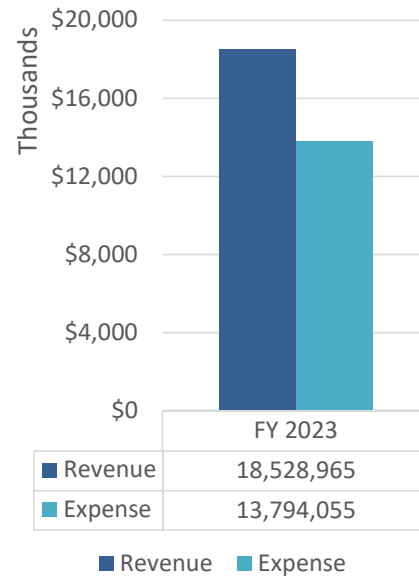
Expenditures keeps a consistent pace as historical rate.

	FY 2023 Revised	FY 2023 Actual	% of Budget
Natick Public School	\$ 79,000,000	\$ 78,846,350	99%
Keefe Tech	\$ 1,141,089	\$ 1,141,101	100%
Libraries	\$ 2,714,666	\$ 2,593,634	96%
Public Safety	\$ 19,878,282	\$ 18,429,937	93%
Public Works	\$ 9,892,523	\$ 10,464,874	106%
Health & Human Services	\$ 2,915,345	\$ 2,299,129	79%
General Admin	\$ 7,647,902	\$ 7,368,873	96%
Committees	\$ 117,550	\$ 86,651	74%
Shared Expenses	\$ 50,620,531	\$ 49,333,775	97%
Total General Fund Operating Expenses	\$ 173,927,888	\$ 170,564,324	98%

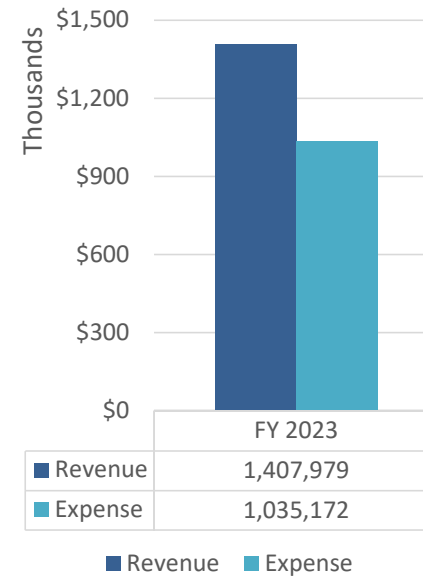
Enterprise Fund

Both Water Sewer and Golf Course Enterprise Funds maintain a good position of revenues by hitting the 105% and 132% of the Forecasted Revenues.

Water and Sewer



Sassamon Trace Golf Course



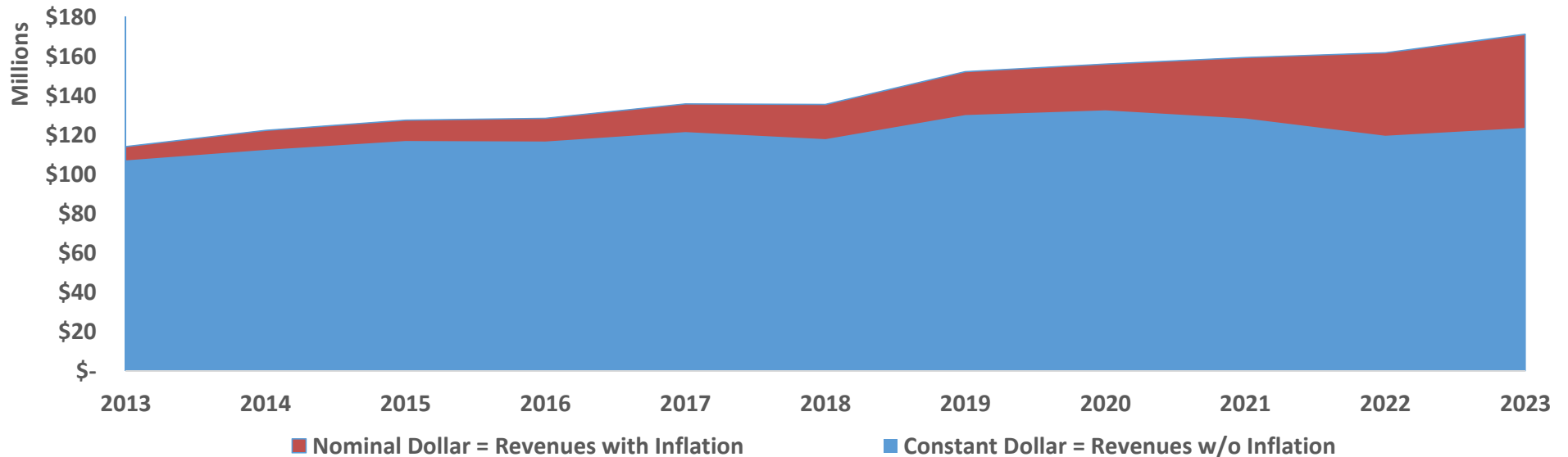
02

Financial Indicators

- Identifiable Trends that can be monitored
- Analysis allows the Town to make informed plans and recommendations
- Each slide has a graph, a trend guideline, analysis, and a traffic light for measures
- (green – favorable, yellow – marginal, red – unfavorable).

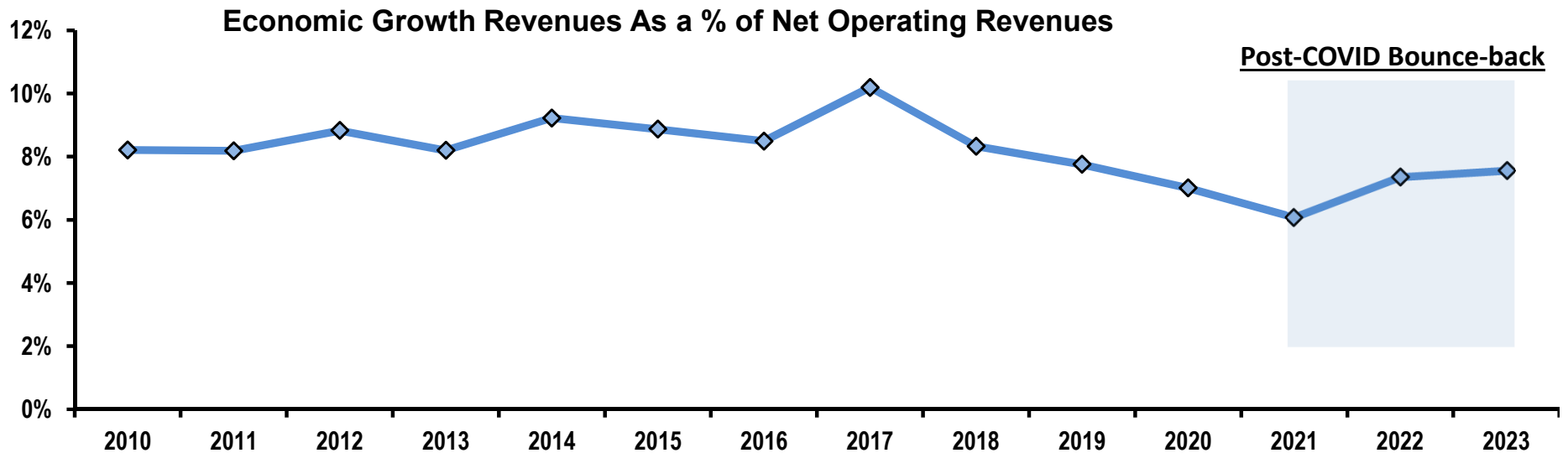


Total Net Operating Revenues

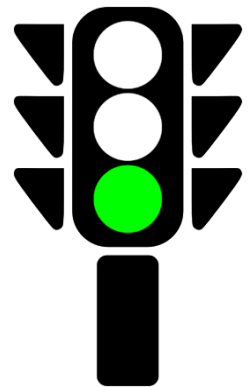


- **Trend Guideline:** A decline in constant dollar amount of net operating revenues is considered as a warning indicator. Constant Dollar adjusts Nominal Dollar for the effect of inflation.
- **Analysis:** Constant net operating revenues increased in 2023 by 3.34%, primarily due to an escalating local receipts, a continuous recovery from the pandemic. This moderate growth also reflected the steady collection rate of property tax, on-track state aid and one-time ARPA funding.
- **It is noted that FY2023 is the first year of the reverse-trend from the revenue drop in pandemic.**

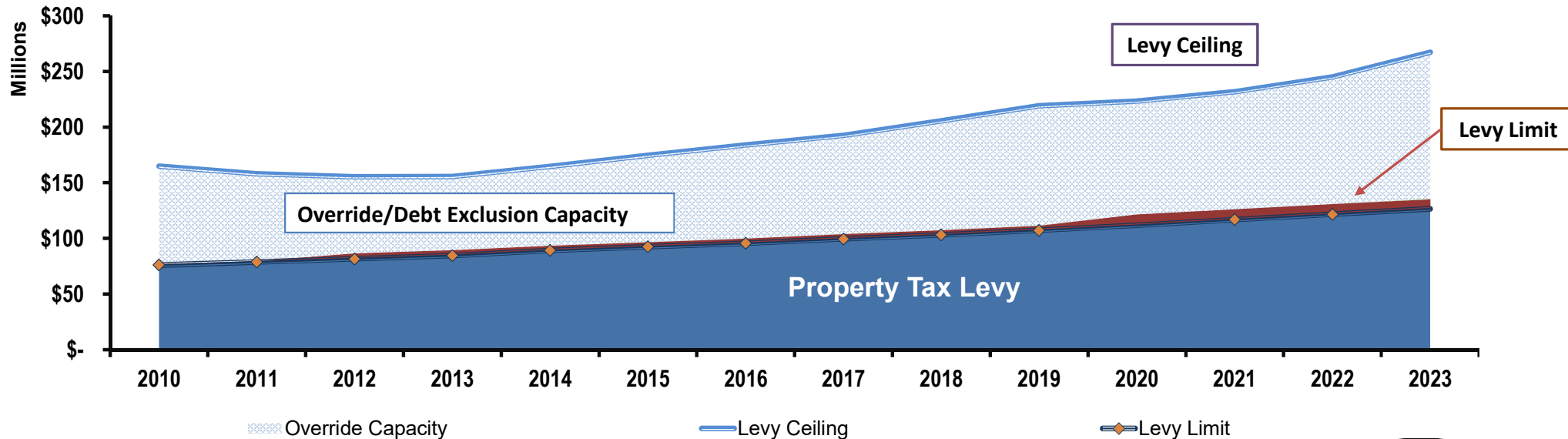




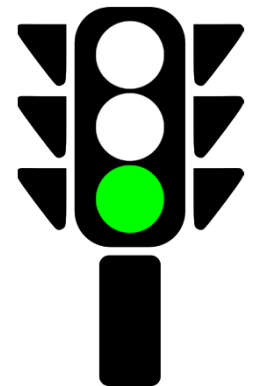
- **Trend Guideline:** An increasing ratio of economic growth revenues in net operating revenues is considered a favorable position.
- **Analysis:** Revenue related to economic growth include classifications such as: permit fees, new growth, and items such as motor vehicle excise taxes and meals & hotel taxes. Despite the inherent nature of this indicator to fluctuate with the economy, inflation and other influences, **Natick has been fortunate to have maintained the economic growth revenues at 7% of net operating revenues.**
- **With the current high inflation, it is desirable to have a high percentage of elastic revenues because inflation pushes up revenue yield, keeping pace with the higher prices we must pay.**



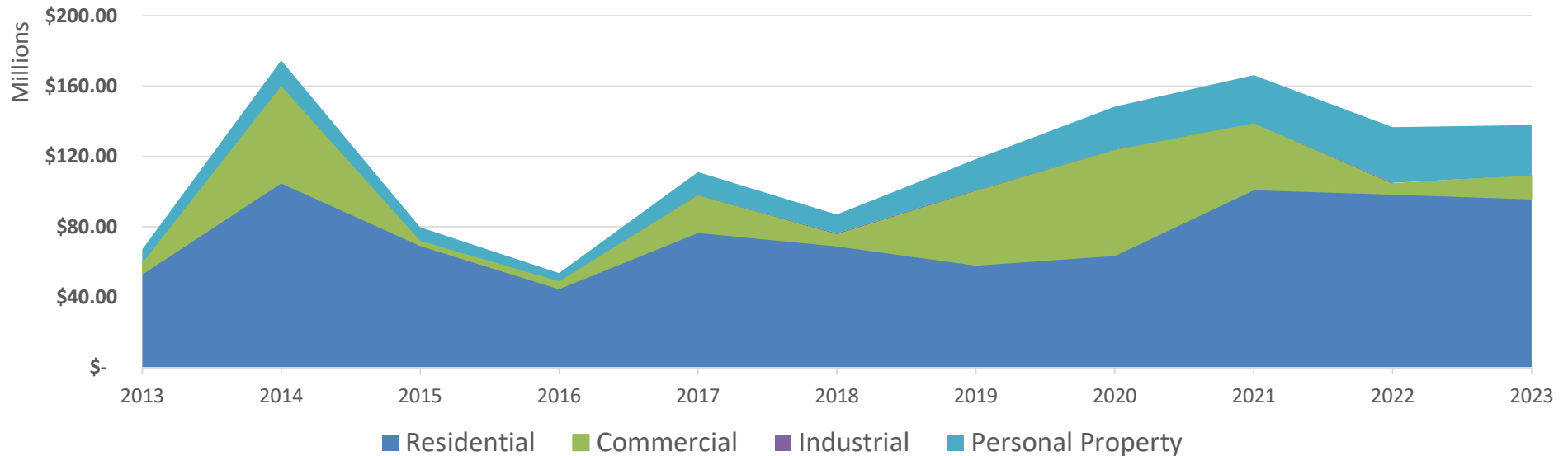
Override and Levy Capacity



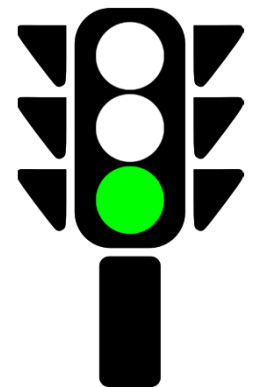
- **Trend Guideline:** An increasing Override/Debt Exclusion(DE) Capacity indicates the growing ability of a municipality to raise the revenue from the property tax levy.
- **Analysis:** The levy ceiling stands for 2.5% of the community's total assessed value and is a cap on the size of the town's maximum allowable levy. The Override/DE Capacity is the difference between the levy ceiling and levy limit.
- Over the last decade, Natick's override capacity has been moderately increasing, on average, above 46% of the levy ceiling represents the Override/DE Capacity. This suggests that Natick have adequate ability to expand services or finance large capital projects through an override or debt exclusions.



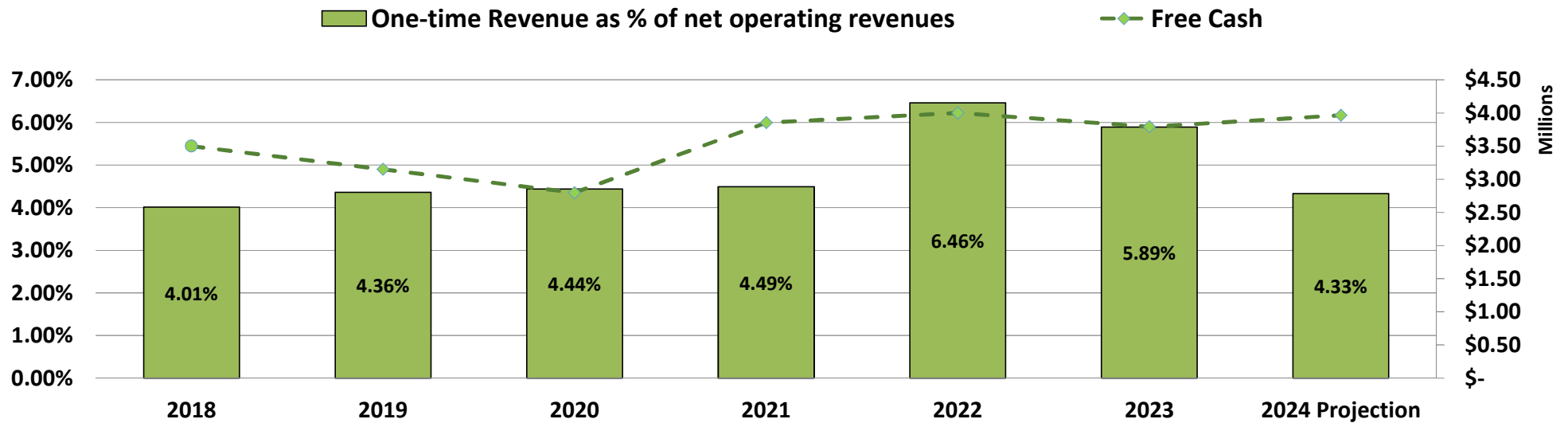
New Growth by Class



- **Trend Guideline:** Total New Growth that remains above the historical level is considered as a favorable position, suggesting a profound economic development in the Town.
- **Analysis:** New growth, by its nature, fluctuate along with the new construction projects carried out in the year. With the historical average level of \$1.1 million, Natick's local economy continues to thrive. This is supported by a strong real estate market and ongoing commercial and residential development.
- In FY 2023, the Town's New Growth was certified at \$1,841,203, indicating the consistent economic trend as the prior years.



Operational Use of One-time Funds



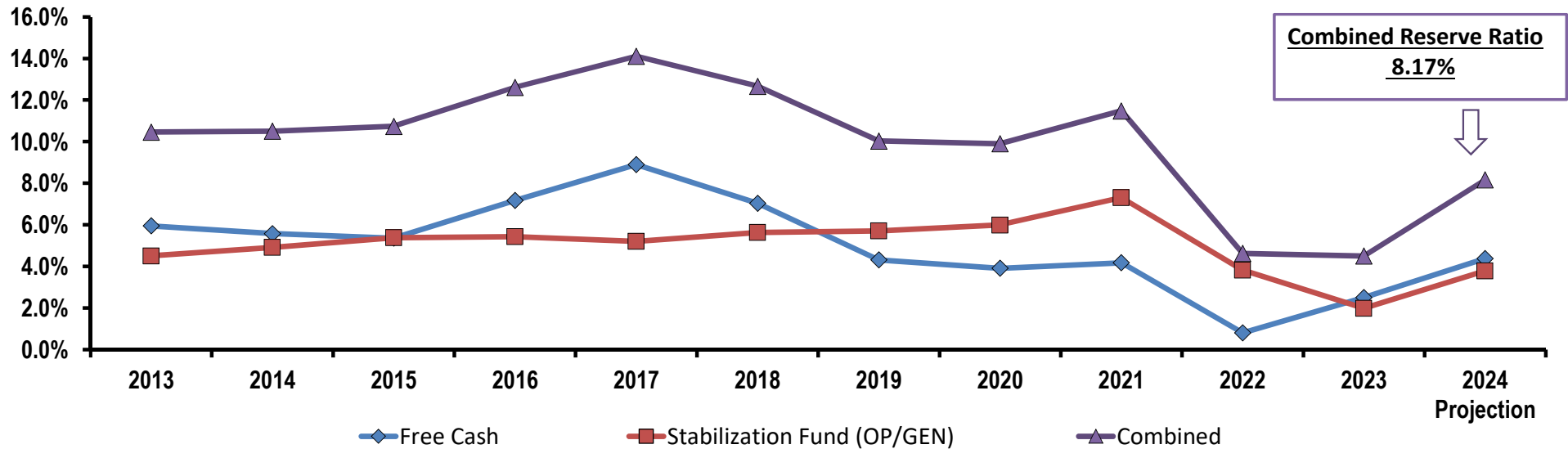
- **Trend Guideline:** The use of one-time fund to offset the operational costs is considered as a warning indicator, suggesting an insufficient revenue stream to cover the service level.
- **Analysis:** Municipalities may utilize reserves and one-time revenues to balance annual operating budgets, sustain programs in times of economic downturn, or fund one-time expenses. As a general rule, however, one-time revenues should not be used to sustain ongoing operations.
- Coming out COVID, Natick has decreased the operational use of one-time fund in 2024 budget, which bring the level back to 2019. However, with the local revenue loss due to pandemic and high inflation, \$3M ARPA fund was applied to offset the increasing cost and to make up for the revenue gap.



Town of Natick: Financial Indicator

Free Cash and Fund Balance

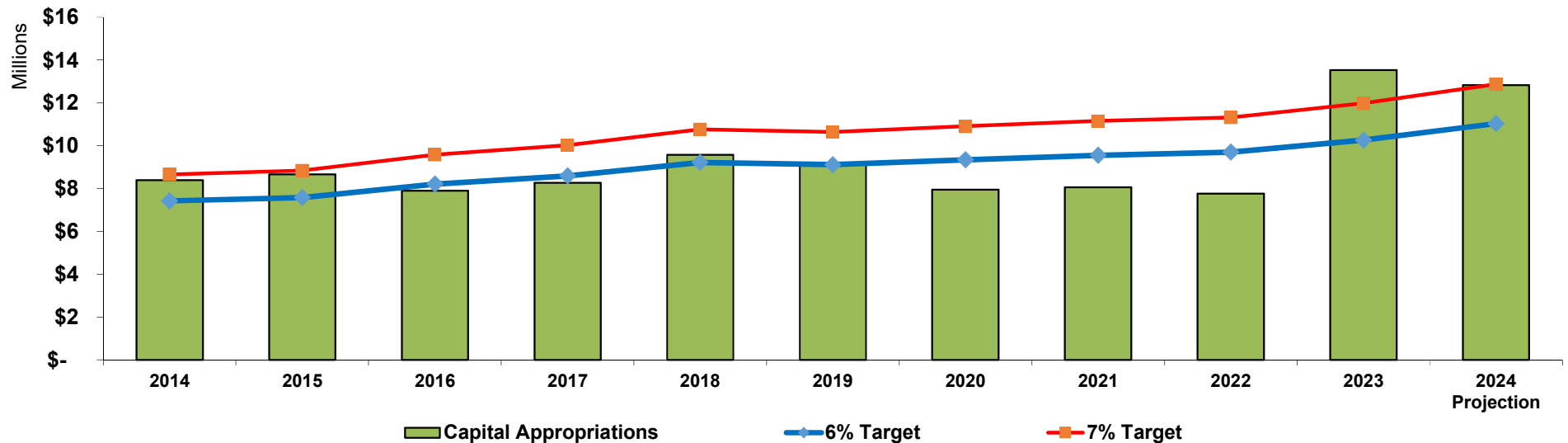
Reserves as a Percentage of Net Operating Revenues



- **Trend Guideline:** Declining reserves as a percentage of operating revenues is considered a warning indicator.
- **Analysis:** Reserves can be used for many different purposes. Primarily, reserves are used to buffer against service reductions due to economic downturns or major emergencies. AAA communities are expected to maintain reserve positions between 8-15% of net operating revenues.
- With sufficient Free Cash and additional State Aid, FY2024 Budget applied \$4.3 Million in total to replenish the stabilization funds and brought up the reserve level to 8.2%, a relatively competitive ratio though further attention is needed for a full recovery.



Capital Replacement & Renewal: Actual vs. Targets, FY 2014-2024



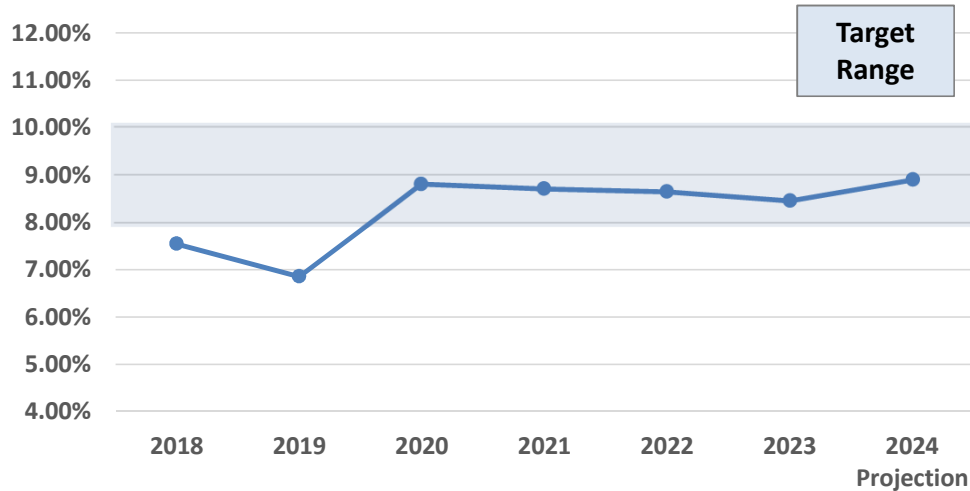
- **Trend Guideline:** An escalating trend that hit the high-end of the target is considered as a warning indicator.
- **Analysis:** Timely replacement of capital equipment and infrastructure benefits the community in the long-run as it increases efficiency and keeps maintenance costs lower while providing better facilities to the general public. But it also suggests an increasing future debt obligations.
- To catch up with the capitals delayed during the pandemic, FY2023 is a transition year when the capitals delayed during COVID are appropriated to catch up, leading to two bond issuance of total \$22 million.



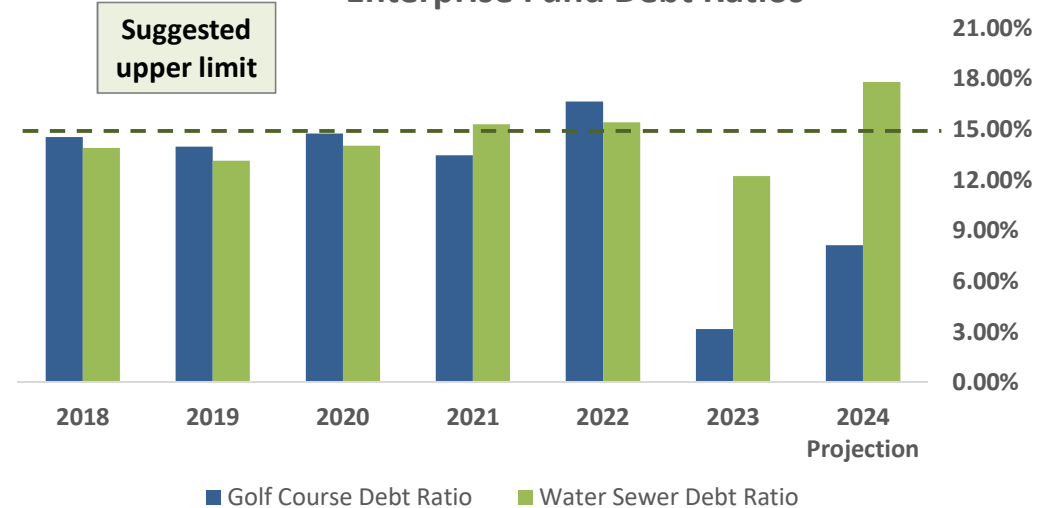
Town of Natick: Financial Indicator

Debt Ratios

General Fund Debt Ratio



Enterprise Fund Debt Ratios



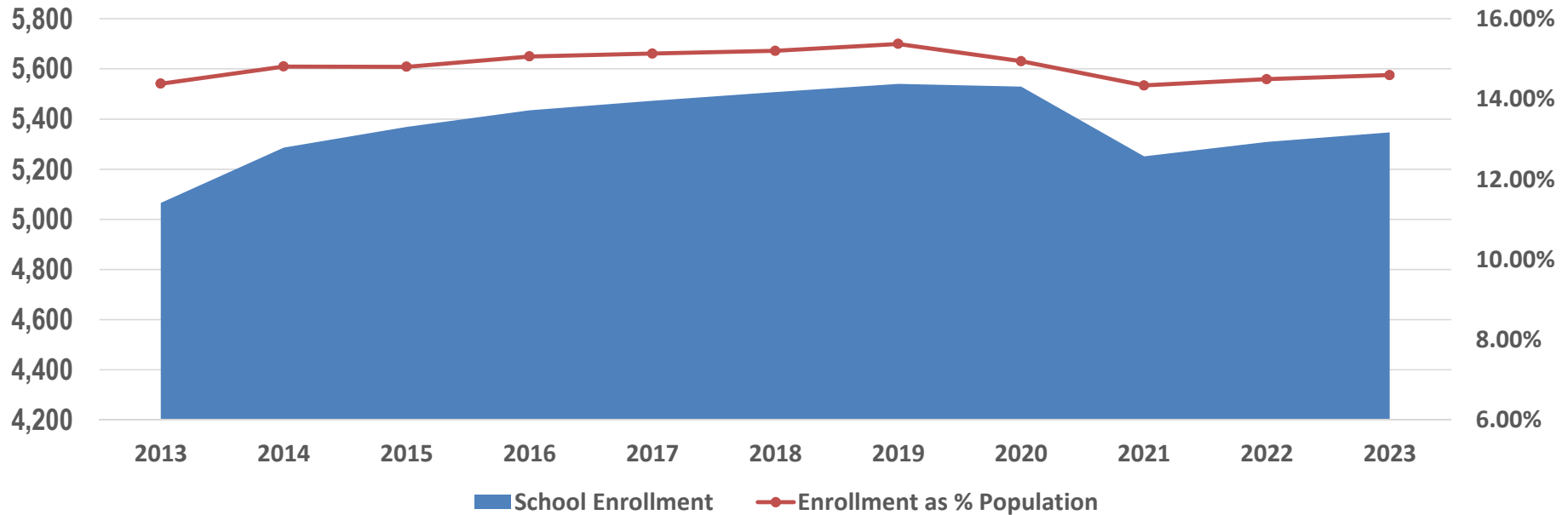
- General Fund debt ratio should be kept within 8-10%, according to Financial Management Principles
- As an AAA Municipality just renewed in 2023, general fund debt ratio is closely monitored and well managed under 9%.



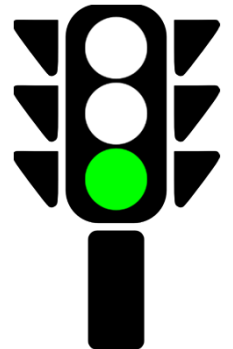
- Industry benchmark for enterprise fund debt ratio is 15%
- Water Sewer debt ratio is above the ideal range and expected to continually increase due to more capitals to address PFAs issue



School Enrollment as a Percentage of Total Population



- **Trend Guideline:** Rapid changes in school enrollment that affect service levels may be considered a warning indicator. (Above graph Student Enrollment pulled from DESE - Resource Allocation and District Action Reports - RADAR)
- **Analysis:** Similar to municipal services with increases in population, increases in student enrollment put pressure on operating budgets to provide quality education.



Natick Financial Indicators Dashboard

Financial Indicator	Trend	Highlights
Net Operating Revenues	Marginal	Adjusted for inflation, moderate increase is seen in 2023 but still underperform pre-COVID level
Economic Growth Revenue	Favorable	A consistent increase is experienced post-COVID.
Override and Levy Capacity	Favorable	Override Capacity steadily grows in the past 10 years
New Growth	Favorable	Consistent Economic Growth in Residential, Commercial and Personal Property
One-time Revenues for Operations	Marginal	Decreasing operational use of one-time revenues, back to 2019 level
Reserves & Fund Balance	Favorable	A surge in reserve expected in 2024; Further attention needed
Capital Assets & Renewal	Marginal	Both General Fund and Water Sewer hit the high-end of capital appropriation target
General Fund Debt Service Ratio	Favorable	General Fund is well-kept within the ideal range;
Enterprise Funds Debt Service Ratio	Unfavorable	Water Sewer Fund's debt ratio is above the industry benchmark and continues to increase
School Enrollment	Favorable	No significant changes in School Enrollment Data