



Revenue Presentation

City Council

March 21, 2023



Building the FY2024 Budget

Balancing Revenues and Expenditures

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

Presentation of Balanced Revenues and Expenditures Budget

City Council Reviews and Votes Final Budget Expenditures



FY2023 Financial Indicators (last year's slide)

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



FY2024 Financial Indicators

Moody's Aa2 negative (downgraded from stable)

- FY2021 – material decline in financial position
 - Use of reserves to balance operating budget
 - One-time funding uses towards school projects
 - Operating challenges in utility enterprise fund
- Credit strength
 - Sizeable tax base with large commercial and industrial presence
 - Above-average resident income and wealth
- Credit challenges
 - Recent reliance on reserves for operations and capital projects
 - Ability to maintain balanced general fund operations
- Downgrade to negative outlook reflects
 - Recent decline in financial position due to use of reserves and limited property tax revenue increases
 - Concern about commercial tax base: effect of COVID-19
 - Potential inability of City to stabilize its financial operations

Could be upgraded if

- Material growth in reserves
- Significant decline in leverage from debt, pension and OPEB liabilities
- Strengthening of resident income levels

What this means Framingham:

- increase reserves
- focus on economic development
- stabilize tax levy
- stabilize debt
- maintain balanced operations

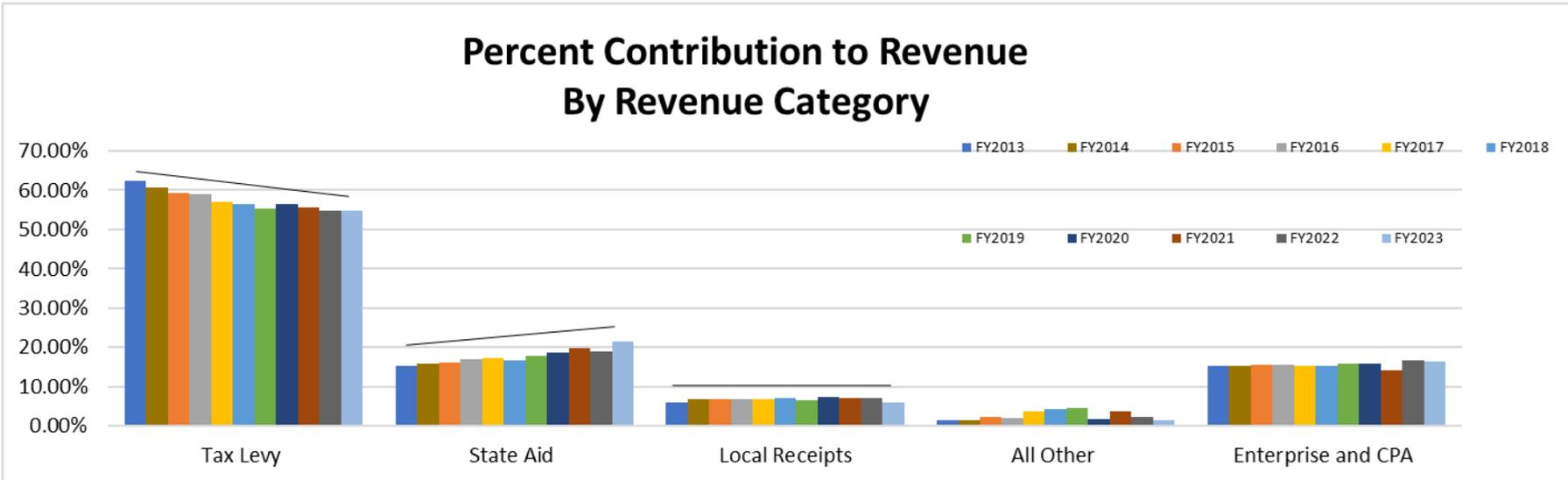
Budgetary goals:

- predictable budget growth
- clear statement of city goals
- clear statement of city services
- develop capital investment plan
- ensure cost-efficient operations



Trends in FY2024 Projected Revenue

**Percent Contribution to Revenue
By Revenue Category**



FY2024 trend:

- Stable tax levy as a percent of total revenue: equal to FY2023 (tax levy increase of 2.0%).
- State Aid continues to increase as a percent of total revenue.
- Local receipts estimates to reflect actuals. Reliance on non-recurring revenue reduced to \$2M in Free Cash for operations and \$1M for capital. No use of other non-recurring revenue.

FY2025 goals:

- Further analysis on components of local receipts and strategies for increasing.
- Review use in Free Cash. Establish amount of Free Cash attributable to end-of-year turnback, reinvest end-of-year turnback to subsidize tax levy in following year.
- Review and plan use of Free Cash for capital, thereby reducing borrowing and debt service.



FY2024 Operating Budget Drivers

Departmental Budget Drivers

- Inflation – contracts, fuel, utilities, supplies
- Labor shortages
 - Collective bargaining and salary adjustments
 - Contractor shortages and defaults

Unclassified Budget Drivers

- Health Insurance premiums and enrollment
- Interest rates for capital borrowing



FY2024 Projected Revenue

(as of March 21, 2023)

	FY24 Projected	FY 2023 Tax Recap	FY2022 Actual	FY2021 Actual	FY2020 Actual	FY2019 Actual	FY2018 Actual	FY2017 Actual
Total Tax Levy	\$216,354,900	\$207,909,727	\$200,061,161	\$195,618,399	\$196,153,144	\$191,224,338	\$188,453,913	\$182,403,845
Tax Levy (w/o excl debt)	\$209,651,958	\$201,500,474	\$195,011,670	\$191,849,499	\$192,612,967	\$187,673,291	\$184,913,733	\$178,900,118
New Growth	\$3,500,000	\$4,020,724	\$3,566,245	\$3,346,826	\$3,227,116	\$3,224,491	\$3,202,598	\$3,155,119
Excluded Debt	\$3,202,942	\$2,388,529	\$1,483,246	\$422,074	\$313,061	\$326,556	\$337,582	\$348,608
State Aid (Cherry Sheet)	\$99,764,205	\$83,256,855	\$70,544,127	\$69,312,996	\$63,102,775	\$59,095,692	\$53,682,420	\$53,043,013
Local Receipts	\$23,514,517	\$23,600,961	\$27,402,828	\$22,399,466	\$22,582,660	\$28,510,604	\$25,014,451	\$23,091,600
Free Cash	\$3,000,000	\$5,521,068	\$6,514,282	\$9,788,361	\$5,500,668	\$6,596,983	\$11,148,613	\$8,401,893
All Other	\$1,000,000	\$2,000,000	\$2,099,613	\$2,842,898	\$912,826	\$8,825,850	\$3,482,613	\$3,308,083
Enterprise	\$60,485,750	\$60,485,750	\$59,332,378	\$50,113,678	\$55,344,577	\$54,726,645	\$50,793,074	\$49,092,186
CPA	\$2,725,475	\$3,745,185	\$2,000,000	\$0	\$0	\$0	\$0	\$0
TOTAL	\$406,844,847	\$386,519,546	\$367,954,389	\$350,075,798	\$343,596,650	\$348,980,112	\$332,575,084	\$319,340,620

FY2024 Revenue Budget Assumption

- Account for increased State Aid
- Maintain Enterprise Fund with no rate increases
- Continue multi-year decrease reliance on Free Cash and other non-recurring sources of funding for recurring expenses
- Continue projecting Local Receipts realistically based on actuals from prior years
- Maintain Tax Levy percent contribution to total revenue – tax levy increase 2.0%

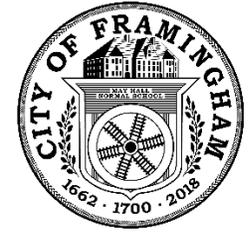


State Aid

Governor’s Proposed State Aid: increase of \$16.2M

- Governor’s Proposed State Aid is a good estimate of State Aid
- Significant increase in Chapter 70 funding: \$16.5M

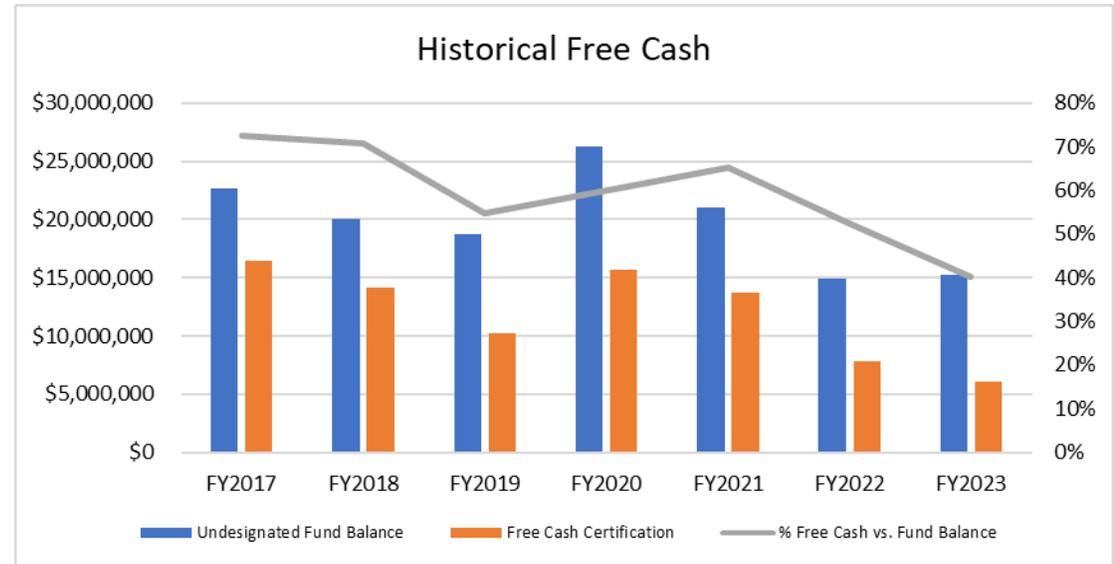
	Fiscal Year	Governor's	Net Governor's	House Preliminary	Net House	Senate Preliminary	Net Senate	Final	Net Final	% Increase
Receipts	2017	\$51,543,014	\$44,787,592	\$51,238,532	\$44,341,976	\$52,951,632	\$46,055,076	\$53,043,013	\$46,225,314	
Charges/Assessments		\$6,755,422		\$6,896,556		\$6,896,556		\$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	-0.31%
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	11.09%
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	7.17%
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	10.53%
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	0.27%
Charges/Assessments		\$9,077,653		\$8,870,125		\$8,787,766		\$8,929,294		
Receipts	2023	\$82,707,592	\$72,845,367	\$82,760,518	\$73,055,569	\$83,232,187	\$73,527,238	\$83,256,855	\$73,466,126	19.81%
Charges/Assessments		\$9,862,225		\$9,704,949		\$9,704,949		\$9,790,729		
Receipts	2024	\$99,764,204	\$89,887,270							
Charges/Assessments		\$9,876,934								

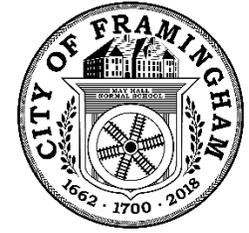


Free Cash

- Free Cash determined after offsets to undesignated fund balance
 - lags budget by one fiscal year
- FY2023: small increase undesignated fund balance
 - FY2020 Undesignated Fund Balance Increase due to 2 one-time events: higher than usual building permits and state reimbursements for old projects. Undesignated Fund Balance drastically reduced with dip in FY2022 due to use of one-time funds.
- Reduce reliance on Free Cash to fund FY2023 operations to \$4M from \$6M in FY2022. Further reduction to \$2M proposed for in FY2024.
- Going forward:
 - FY2024 financial goal: develop an undesignated fund balance and free cash policy

	Undesignated Fund Balance	Free Cash Certification	% Free Cash vs. Fund Balance
FY2017	\$22,647,008	\$16,395,114	72.39%
FY2018	\$19,996,935	\$14,144,287	70.73%
FY2019	\$18,767,339	\$10,253,247	54.63%
FY2020	\$26,226,418	\$15,701,938	59.87%
FY2021	\$21,058,290	\$13,750,675	65.30%
FY2022	\$14,923,272	\$7,823,173	52.42%
FY2023	\$15,210,838	\$6,114,394	40.20%





Historical Data Local Receipts

- Generally flat year over year
 - FY2019
 - Higher than budgeted building permit revenue and State reimbursements
 - FY2022
 - Higher than average miscellaneous non-recurring (COVID-related one-time funds)



	FY2024 Proposed	FY2023 (Revised)
MOTOR VEHICLE EXCISE	8,750,000	8,750,000
OTHER EXCISE		
a.Meals	1,500,000	1,500,000
b.Room	1,000,000	850,000
c.Other	240,000	240,000
d.Cannabis	650,000	650,000
PENALTIES AND INTEREST ON TAXES AND EXCISES	1,000,000	1,000,000
PAYMENTS IN LIEU OF TAXES	650,000	604,302
CHARGES FOR SERVICES - SOLID WASTE FEES	350,000	350,000
OTHER CHARGES FOR SERVICES	670,000	670,000
FEES	700,000	700,000
a.Cannabis Impact Fee	0	0
RENTALS	175,000	175,000
DEPARTMENTAL REVENUE - SCHOOLS	0	400,000
DEPARTMENTAL REVENUE - LIBRARIES	0	0
DEPARTMENTAL REVENUE - CEMETERIES	0	0
DEPARTMENTAL REVENUE - RECREATION	450,000	450,000
OTHER DEPARTMENTAL REVENUE	100,000	100,000
LICENSES AND PERMITS	4,000,000	4,000,000
FINES AND FORFEITS	330,000	330,000
INVESTMENT INCOME	199,157	199,157
MEDICAID REIMBURSEMENT	1,500,000	1,500,000
MISCELLANEOUS RECURRING	250,000	250,000
MISCELLANEOUS NON-RECURRING	1,000,000	882,502
TOTAL	23,514,157	23,600,961



Tax Levy

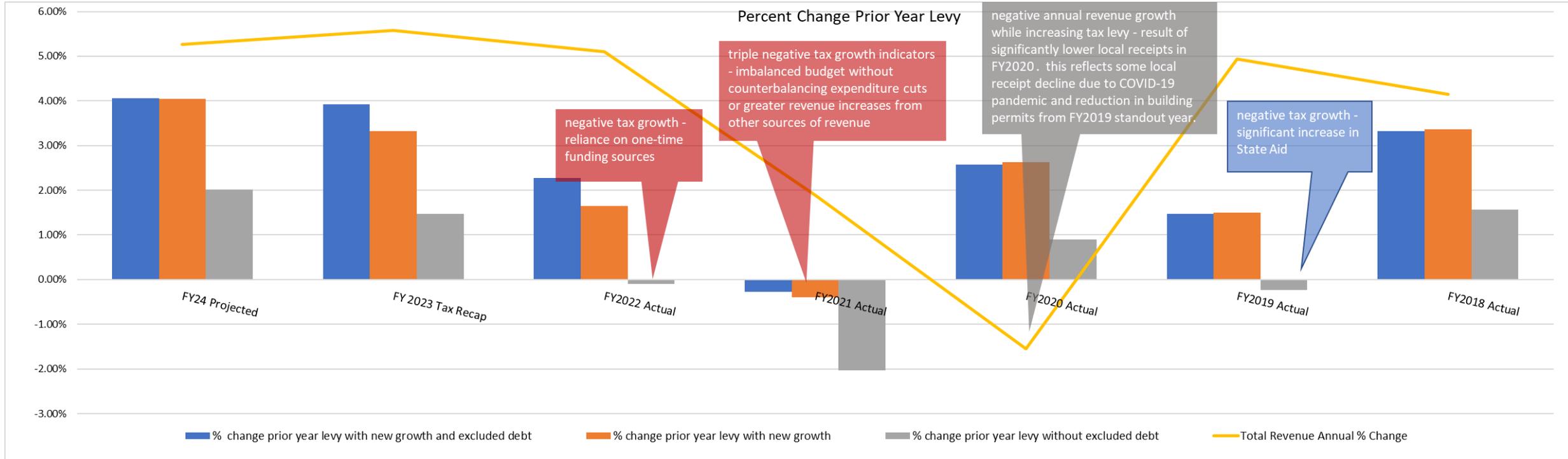
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FY2024 Total Tax Levy

- Increase in Excluded Debt (Fuller Middle School and High School)
- New Growth projection based on average
- 2.0% increase in tax levy (\$4.1M)



Sustainability of Tax Levy



FY24: return to sustainability
 small decrease in year over year total revenue increase
 increase in tax levy: 2.0%
 level new growth projection
 total levy change with new growth: 4.0%



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 capital
- debt service plan for capital
- manage pension and OPEB



Budget Process

- Completed

- Draft Capital Plan
- Develop Revenue Projections
- Work with School Department and School Committee on FY24 School Budget Request
- Review Water and Sewer Rates

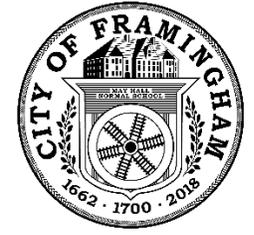
- Next Steps

- Discuss Capital Plan and Debt Service Projections with Council
- Review Expense Budget Requests and Submit City's Expense Budget



FY2024 Budget Development

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



Thank you

Questions?