Indicator Dashboard

FY2011 - FY2021

1. Net Operating Revenues

Favorable

Consistent revenue growth is one measure of a city's ability to maintain existing service levels in the face of increasing costs. This indicator shows the change in net operating revenues over time. Net operating revenues are calculated by using the total gross revenue available from all sources, less tax revenue raised from a debt exclusion. Revenue raised for the purpose of servicing exempt debt is temporary and tied to a specific use, and so excluding it from this calculation provides a more accurate representation of the revenue available to the city for funding routine public services. Ideally, the annual percentage increase from prior year revenues should be steady, positive, and predictable. A trend of decreasing net operating revenues, after accounting for the effects of inflation, is a warning indicator; if municipal revenues are decreasing, they may soon be insufficient to maintain a consistent level of service. Likewise, a high degree of volatility in the rate of year-to-year change may also be a warning sign. **Amesbury's net operating revenue, adjusted for inflation, has increased on average 1.26% annually.**

2. Economic Growth Revenues as % Total Net Revenue

Favorable

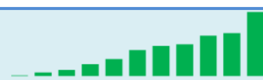
New growth and certain local receipts are generally responsive to changes in the local economy. Periods of healthy economic activity are often linked to an increase in local economic development, which creates new growth for the property tax levy while also generating increases in permit fees related to new construction and an acquisition of business-related personal property. Additionally, periods of prosperity generally affect the meals and rooms taxes, and make it more likely that residents will purchase vehicles. Conversely, a downturn in the economy may lead to a decrease in these revenue-generating factors. Maintaining a balance between revenues tied closely to the economy and other revenues helps mitigate the effects of economic slowdowns or recessions. Even though new growth is part of the property tax, it is included in this analysis since it is a reflection of new value added to the tax rolls as a result of construction. A declining trend in revenues related to economic growth may indicate that these revenue sources will need to be supplemented or replaced by others in the future. **Amesbury's economic growth revenue, adjusted for inflation, has increased on average 5.69% annually.**

3. State Aid as % Net Operating Revenue

Unfavorable

A trend showing decline in state aid as a percentage of total revenue may be considered a warning indicator. **Amesbury's net state aid, adjusted for inflation, has declined from 15.5% of net operating revenue in 2011 to 13.1% in 2021.**

4. Property Tax Revenue



Favorable

A decline in property tax revenues, adjusted for inflation, indicates a city or town may face increasing difficulty funding a consistent level of service into the future. Tax levy growth is attributed both to the 2.5% annual increase in the levy limit allowed by Proposition 2.5, as well as any new growth. **Amesbury's property tax revenue, adjusted for inflation, has increased on average 1.28% annually.**

(a) Levy Limit

Favorable

The levy ceiling (an amount equal to 2.5% of the community's total assessed value) is a cap on the size of a city or town's maximum allowable levy. Although a community can pass an override or a debt exclusion to exceed its levy limit, it cannot exceed the levy ceiling. If the levy limit calculation produces a number greater than the levy ceiling, the ceiling must be used in its place. If a community cannot increase its levy limit normally, it is said to have reached the "levy cap." When a community hits the levy cap and its levy ceiling is in decline, it becomes progressively more difficult to raise funds from the property tax. This environment also severely hampers a community's ability to expand services or finance large capital projects through an override or exclusions, since the levy ceiling is directly tied to a community's override capacity (the difference between the levy limit and the levy ceiling). **Amesbury's excess levy capacity is currently $3,840,358 and its override capacity is $14,111,853.**

6. Operating Expenditures

Favorable

A steep increase in annual operating costs, after accounting for inflation, may indicate that a community's expenses are unsustainable without accompanying revenue increases or budget adjustments. **Amesbury's operating expenditures , adjusted for inflation, have increased on average 1.03% annually.**

7. Personnel Costs as % Operating Expenditures

Favorable

A trend of increasing salaries, wages, and employee health benefits as a percentage of a community's annual operating expenditures may indicate that those costs are rising at an unsustainable rate. As these costs grow relative to the total budget they may crowd out departmental spending on other areas, including routine facility maintenance and necessary capital investment. **Amesbury's personnel costs including benefits account for 62% of the operating budget. The personnel costs as a percent of the operating budget have increased on average .21% annually.**

8. Funded Pension Liability

Marginal

A community's funded ratio is the total value of a pension plan's assets weighed against its accrued liabilities. A trend showing the funded ratio decreasing over time indicates a diminishing ability for the community to cover its accrued liability, which may put pressure on the budget as other items are cut to make pension payments. **Although the Amesbury Municipal Retirement Board is only 58.8% funded, they are on target to fully fund its current unfunded pension liability of $39,858,728 by 2035 as per the state mandate.**

9. Long-Term Debt as % Assessed Valuation

Favorable

Total long-term debt in excess of 5 percent of a community's assessed valuation is generally prohibited under MGL Chapter 44 §10, and approaching this limit is often considered a warning sign by bond rating agencies. Evaluating a community's debt in this way is an indicator of both a community's overall debt burden as well as its effort in consistently investing in its capital assets. While a high debt load may be an indication of fiscal strain, low and decreasing debt may indicate underinvestment in capital assets and infrastructure. **Amesbury's debt over the past 10 years has fluctuated between 1.33% and 2.77% of the City's total assed valuation with the recent increase due to the Amesbury Elementary School construction project.**

10. Debt Service as % Operating Revenue

Favorable

Annual debt service in excess of 10 percent of net operating revenues may indicate that a community's debt load is too high. A trend of increasing debt load may negatively affect a community's ability to maintain spending on essential services as more revenues must be set aside to service debt. Conversely, a declining trend may indicate that a community is not maintaining investment in its capital assets and is losing the capacity to do so as operating expenses take on a greater proportion of the budget. The community should find a favorable balance between these two extremes, ideally set by policy. **Amesbury's debt is currently 5.74% of its operating revenue.**

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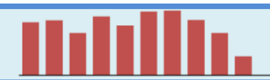
(b) Assessed Values

Favorable

Massachusetts law requires municipalities to establish the full and fair cash value of all real estate as of January 1st of each year. Full and fair cash value is also known as "current market value". Property sales are the primary source for determining property values. Annually, the Massachusetts Department of Revenue certifies each community's valuation and "new growth" or the amount of new construction added to the levy limit. A community's steady increase in total assessed valuation is a favorable economic indicator. **Amesbury's total valuation has increased by 41.59% since 2011 with the primary driver being residential valuations.**

11. Reserves as % Operating Revenue



Unfavorable

Maintaining a healthy level of reserves allows a community to finance emergencies and other unforeseen needs, hold money for specific future purposes, or in limited instances, to serve as revenue sources for the annual budget. Reserve balances and policies can also positively impact a community's credit rating and consequently its long-term cost to fund major projects. Declining reserves as a percentage of a town's net operating revenue is considered a warning indicator by credit rating agencies, and may indicate a declining ability to finance community obligations in the face of an emergency. Reserves below 5-7% of revenues may be considered unfavorable. Ideally, a community's reserve levels should be set by policy. **Amesbury's reserves have declined to 1.56% of its operating revenue.**

5. Uncollected Receivables as % Levy

Marginal

A trend of uncollected property tax receivables greater than 5% of the total annual property tax levy (net of overlay) is a warning indicator. Practically speaking, an increase in uncollected taxes may lead to a decrease in liquidity, introducing some uncertainty as to whether the town will have available revenue to fund its appropriations. **Amesbury's uncollected property tax receivables increased to 3.2% of the total levy as of 6/30/20. This appears to be a result of extending the property tax deadline from May 1st to June 1st due to COVID-19 as most of the reported outstanding receivables have since been collected.**

12. Population and Enrollment

Favorable

A trend of population growth over time indicates an increased burden on government services and should be monitored to better plan for future expenses. As the number of residents increase, there is a greater need for police and fire protection, trash collection, an increase in wear and tear on local roads and infrastructure, and increases in demand for other government services. Additionally, a population increase may also lead to more school-age children and a corresponding uptick in school enrollment, which greatly impacts education costs. **Amesbury's population has increased 6.8% since 2011 while school enrollment has decreased by 15%.**