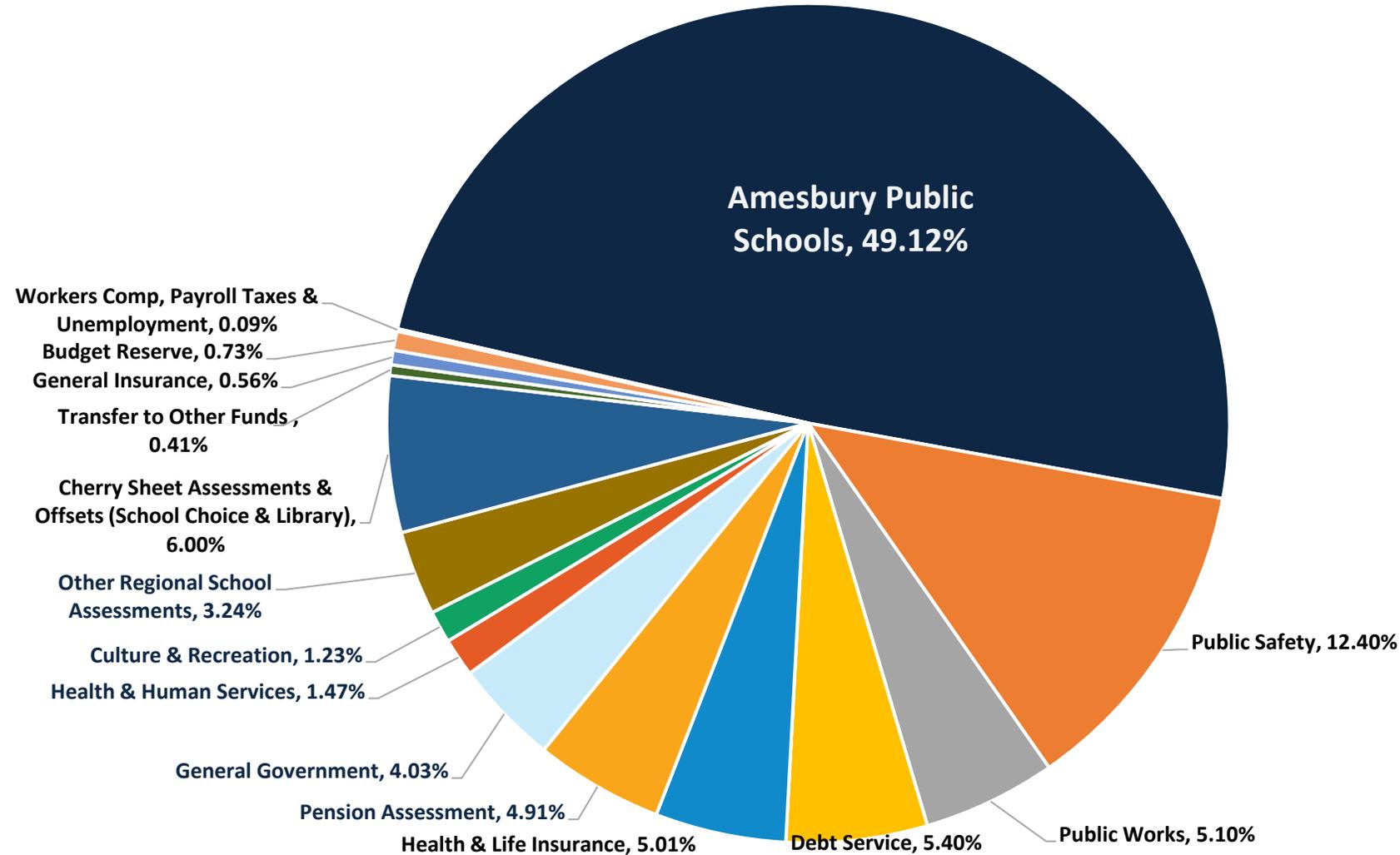


City of Amesbury

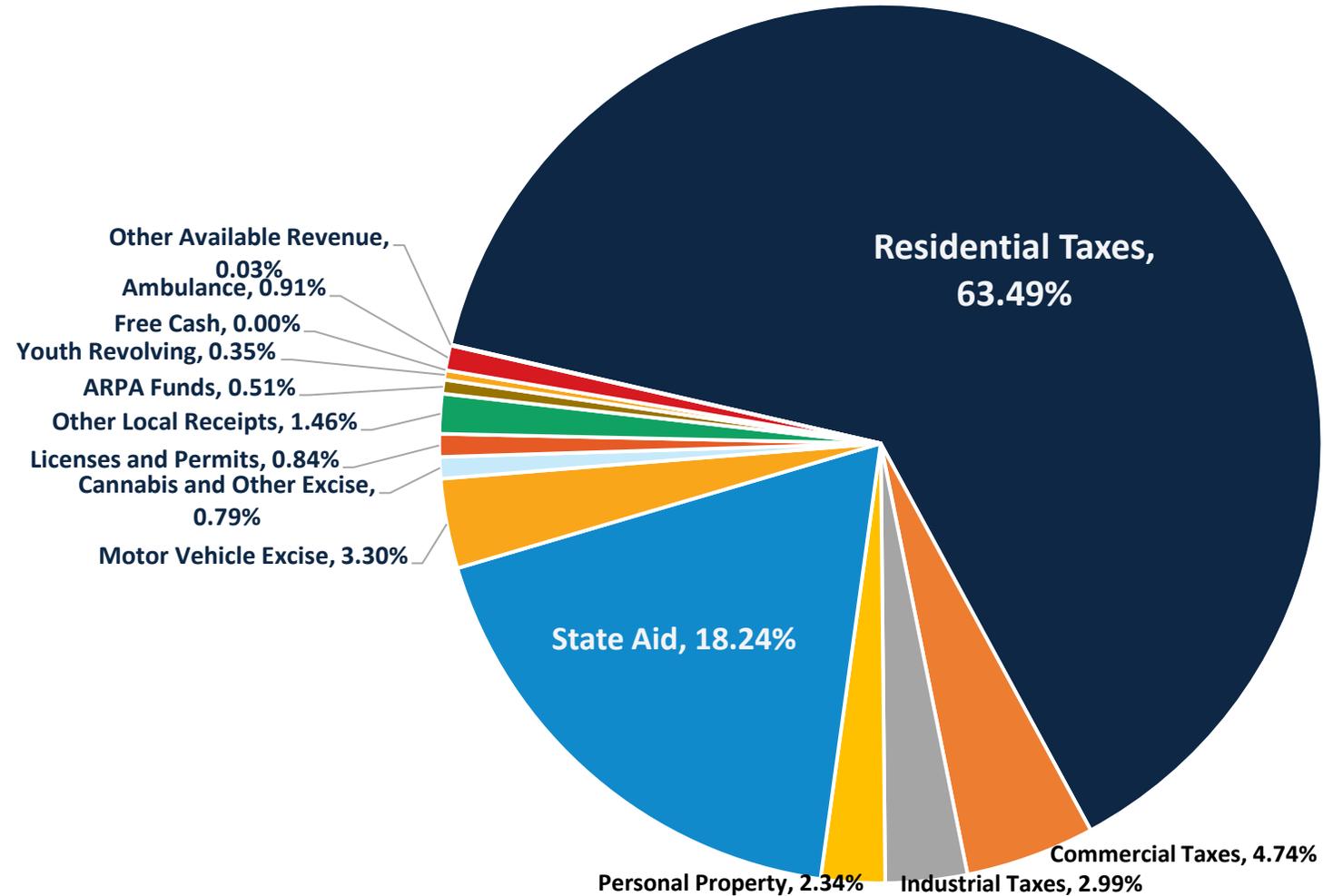
FY24 Financial Condition Presentation



FY23 Approved Budget

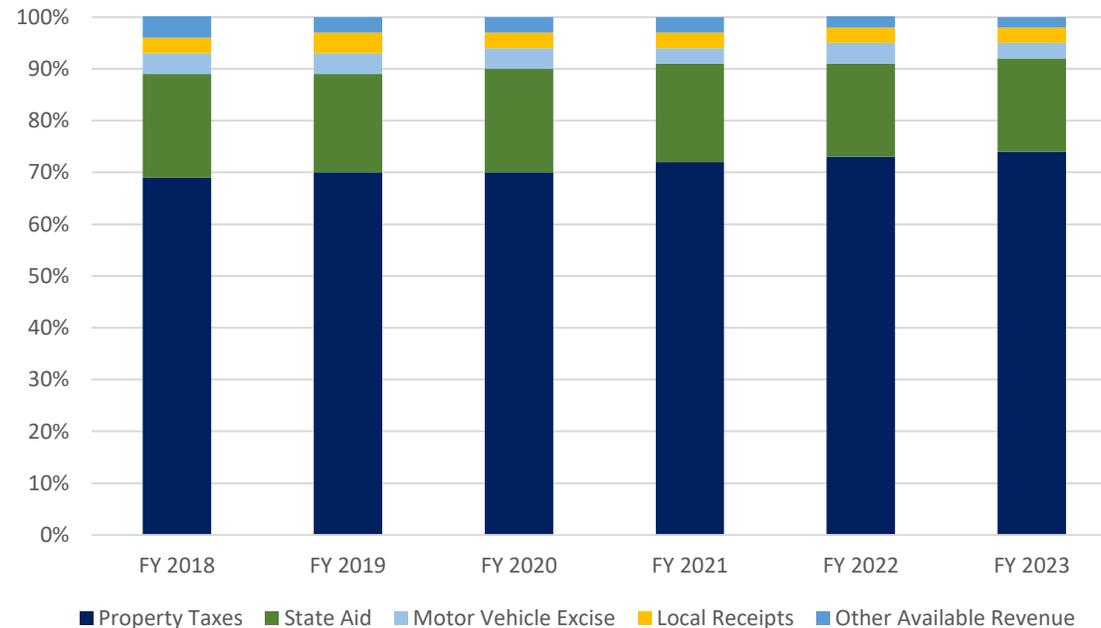


FY23 Revenue Sources



Revenue Sources History

| | Property Taxes | State Aid | Motor Vehicle Excise | Local Receipts | Other Available Revenue |
|---------|----------------|-----------|----------------------|----------------|-------------------------|
| FY 2018 | 69% | 20% | 4% | 3% | 5% |
| FY 2019 | 70% | 19% | 4% | 4% | 3% |
| FY 2020 | 70% | 20% | 4% | 3% | 3% |
| FY 2021 | 72% | 19% | 3% | 3% | 3% |
| FY 2022 | 73% | 18% | 4% | 3% | 3% |
| FY 2023 | 74% | 18% | 3% | 3% | 2% |



FY24 Overall Budget Goals

- Maintain high quality of City and School services
- Maintain conservative and sustainable operating budgets
- Efforts to continue Capital investment
- Continue to fund OPEB liability
- Balance Tax Bill Impact
 - Within Proposition 2 ½
 - Use of Tax Levy
- Continue compliance with financial reserve policies (CO #2017-094)
 - Limit Free Cash use to funding one-time expenditures (i.e. capital projects, emergencies and other unanticipated expenditures).
 - Reach a minimum balance of 5% of the current operating budget in the General Stabilization Fund (currently at 0.8%)
 - Establish and appropriate annually to a Capital Stabilization Fund (not yet established)



Excess Levy Capacity

- What is Excess Levy Capacity? The difference between the Levy and the Levy Limit.
 - Levy: Revenue raised through real and personal property taxes.
 - Levy Limit: Maximum dollar amount a community can raise in a fiscal year (prior year levy + 2 ½% + new growth + debt exclusion).



Levy History

| | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 (Projected) |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| Prior Year Levy Limit - Property Taxes | 42,109,486 | 44,116,384 | 45,766,634 | 47,359,518 | 49,055,688 | 50,731,043 | 52,744,046 |
| 2 1/2% Increase | 1,052,737 | 1,102,910 | 1,144,166 | 1,183,988 | 1,226,392 | 1,268,276 | 1,318,601 |
| New Growth | 954,161 | 547,340 | 448,718 | 512,182 | 448,963 | 744,727 | 550,000** |
| TOTAL LEVY LIMIT | 44,116,384 | 45,766,634 | 47,359,518 | 49,055,688 | 50,731,043 | 52,744,046 | 54,612,647 |
| Percentage Increase | | 3.74% | 3.48% | 3.58% | 3.42% | 3.97% | 3.54% |
| Debt Exclusion | 809,536 | 509,782 | 542,200 | 2,352,031 | 2,330,756 | 2,313,306 | 2,295,756 |
| TOTAL LEVY | 44,925,920 | 46,276,416 | 47,901,718 | 51,407,719 | 53,061,799 | 55,057,352 | 56,908,403 |
| Percentage Increase | | 3.01% | 3.51% | 7.32% | 3.22% | 3.76% | 3.36% |

** Reflects conservative estimate (based on permit activity and active projects). Final amounts are not available until after the budget has been approved.

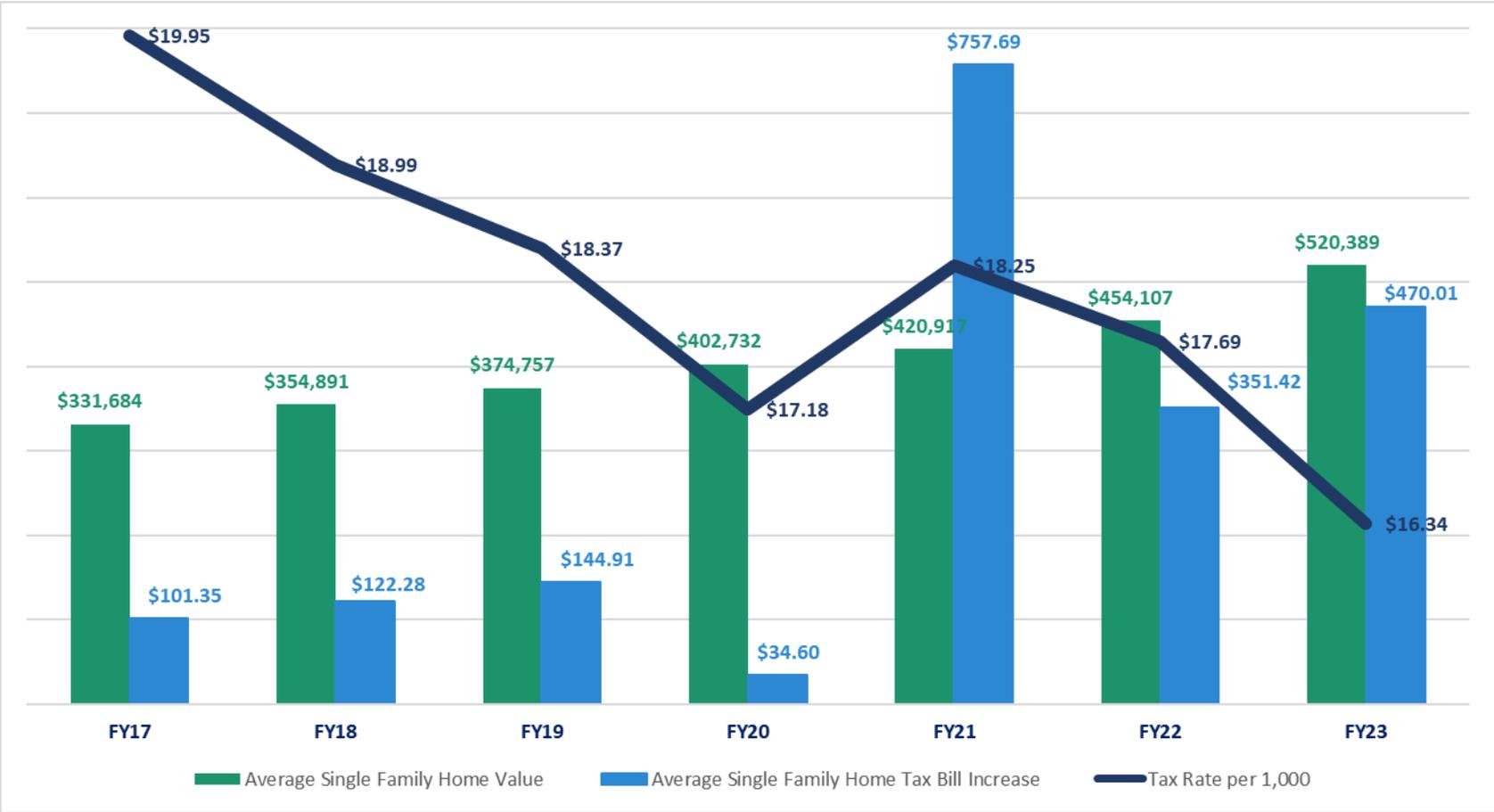


New Growth

- What is New Growth? Additions to the tax base from new construction and property improvements.



Tax Rate

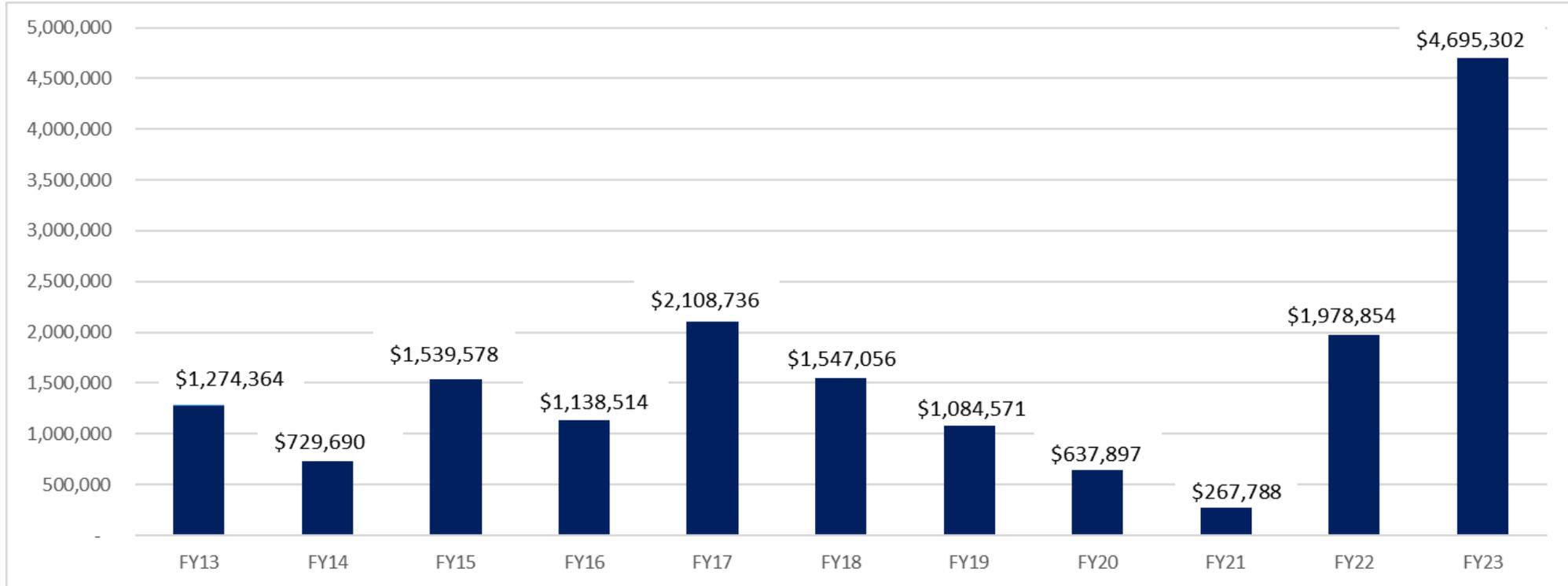


Free Cash

- What is Free Cash?
 - The Division of Local Services (DLS) defines Free cash as “a revenue source that results from the calculation, as of July 1, of a community's remaining, unrestricted funds from its operations of the previous fiscal year based on the balance sheet as of June 30. It typically includes actual receipts in excess of revenue estimates and unspent amounts in departmental budget line items for the year just ending, plus unexpended free cash from the previous year. Free cash is offset by property tax receivables and certain deficits, and as a result, can be a negative number”. DLS must certify free cash before the City can appropriate it.



Certified Free Cash by Fiscal Year



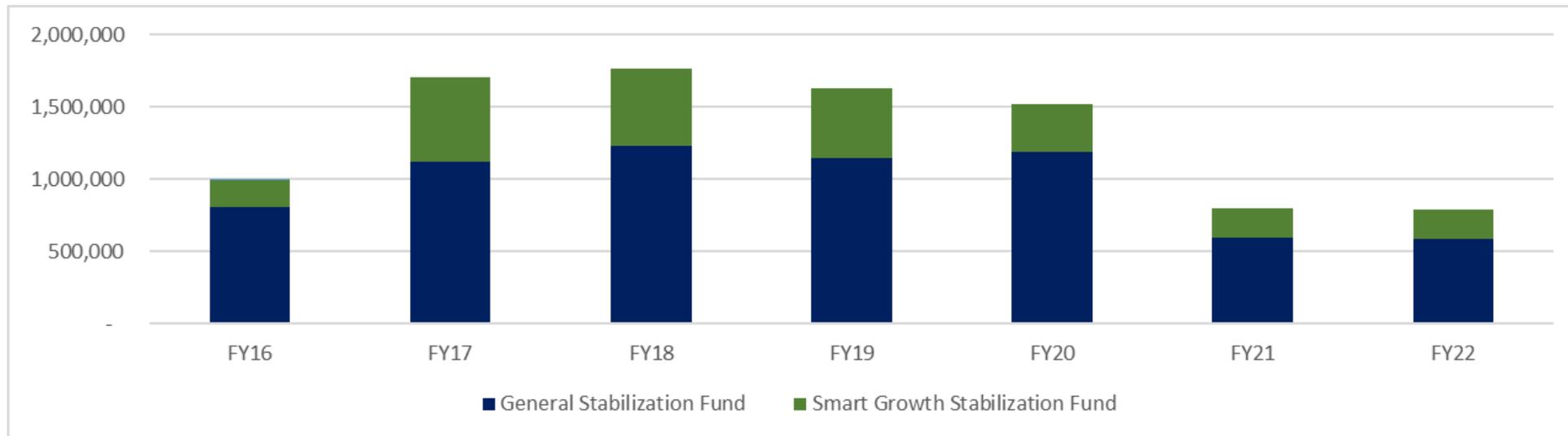
Reserves

- General Stabilization Fund
 - MGL Chapter 40, Section 5B, allows communities to set aside funds to be held in a Stabilization Fund in order to provide for unforeseen needs and/or capital projects. Although, these funds can be used for any lawful municipal purpose. Appropriations into the fund can be done by majority vote but a 2/3 vote is required to make an appropriation from the fund. This fund is often referred to as the “Rainy Day” fund.
- Smart Growth Stabilization Fund
 - Special purpose stabilization fund established on 9/26/2007 (CO #2007-075). To be known as the Smart Growth Housing and Expedited Permitting Fund. The purpose of the fund is to offset the impacts, additional costs and expenses of Low and Moderate Income Housing Projects applied under Chapter 40B, 40R, or 40S, and projects applied for under Chapter 43D “Expedited Permitting”.



Reserves

| | General Stabilization Fund | Smart Growth Stabilization Fund | Total |
|------|----------------------------|---------------------------------|-------------|
| FY16 | 808,807 | 186,327 | \$995,134 |
| FY17 | 1,117,853 | 588,005 | \$1,705,857 |
| FY18 | 1,232,662 | 530,355 | \$1,763,016 |
| FY19 | 1,147,742 | 479,705 | \$1,627,447 |
| FY20 | 1,188,232 | 327,296 | \$1,515,529 |
| FY21 | 592,812 | 207,695 | \$800,507 |
| FY22 | 582,646 | 204,134 | \$786,780 |



Credit Ratings

- What are Credit Ratings?
 - Are opinions about credit risk.
 - They can express a forward-looking opinion about the capacity and willingness of an entity to meet its financial commitments.
 - Opinion on the credit quality of an individual debt issue.
 - Important factor affecting the interest cost on bonds.
 - Typically reviewed once every two years unless the City issues debt beforehand.
- What is the City Credit Rating?
 - AA credit rating reaffirmed in October 2021 by Standard and Poor's
- What is the Rating Criteria?
 - Economy
 - Debt Structure
 - Financial Condition
 - Demographic Factors
 - Management practices of the governing body and administration



Credit Ratings

For reference purposes, the following table shows the comparable investment grade ratings of two major rating agencies:

| | Moody's | S&P Global |
|--------------------|---------|------------|
| Best Quality | Aaa | AAA |
| High Quality | Aa1 | AA+ |
| | Aa2 | AA |
| | Aa3 | AA- |
| Upper Medium Grade | A1 | A+ |
| | A2 | A |
| | A3 | A- |
| Medium Grade | Baa1 | BBB+ |
| | Baa2 | BBB |
| | Baa3 | BBB- |



ARPA Update

American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds

- On March 11, 2021, the President of the United States signed into law the American Rescue Plan Act of 2021 (ARPA).
- This law provided resources through the new Coronavirus Local Fiscal Recovery Fund (CLFRF) to local governments to respond to the economic and public health impacts of COVID-19.
- The US Treasury's Final Rule (which took effect April 1, 2022) allows local governments to adopt a standard allowance for revenue loss of \$10 million (or up to their full award if they were allocated less than \$10 million).
 - Allowed smaller communities to utilize ARPA funding more broadly for "provision of governmental services" and to take advantage of streamlined compliance and reporting requirements.
- Local government received funds in two allocations (2021 and 2022).
- Funds must be obligated by December 31, 2024, and spent by December 31, 2026.



ARPA Update

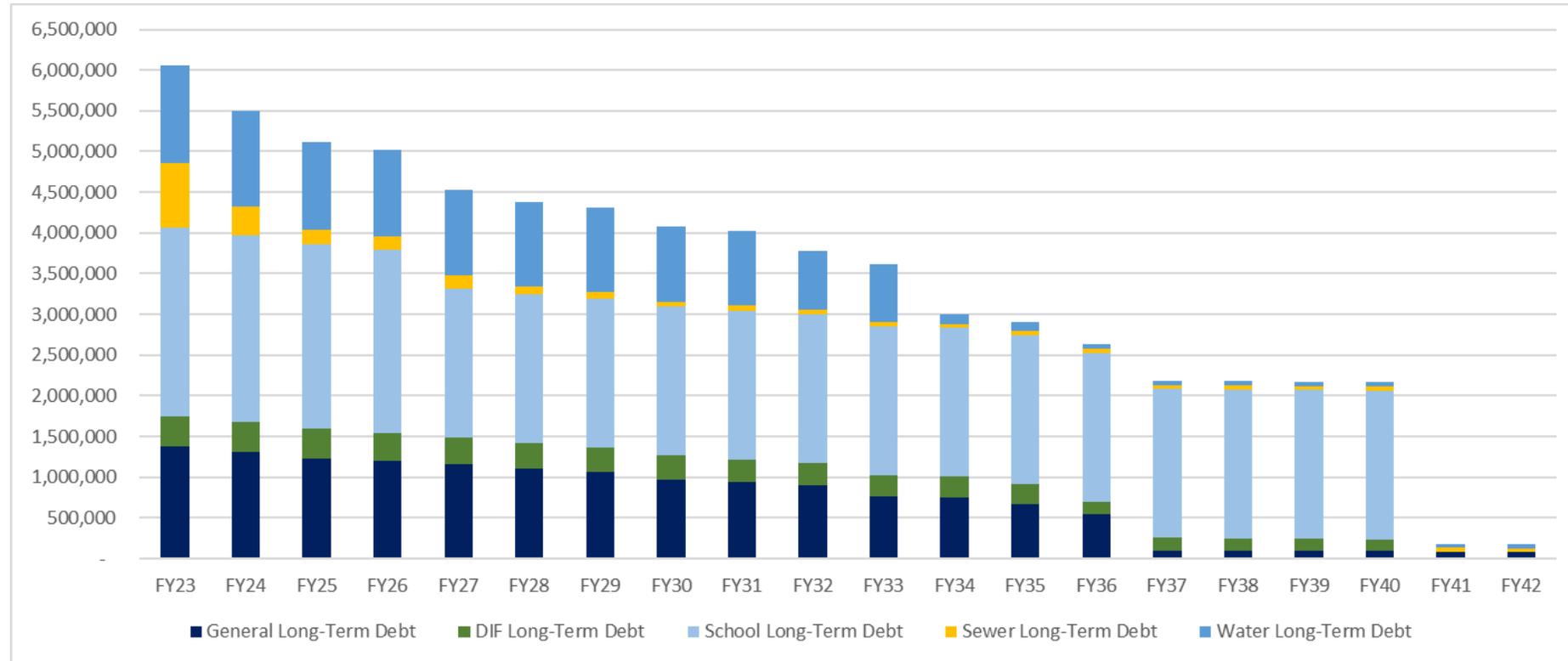
American Rescue Plan Act Coronavirus Local Fiscal Recovery Funds

| | <u>Amount</u> | <u>Date Received</u> |
|------------------------------------|--------------------------------------|----------------------|
| First 50% of Municipal Allocation | \$ 917,525.00 | 6/16/2021 |
| First 50% of County Allocation | \$ 1,702,693.00 | 8/17/2021 |
| Second 50% of Municipal Allocation | \$ 917,525.00 | 7/8/2022 |
| Second 50% of County Allocation | <u>\$ 1,702,693.00</u> | 9/29/2022 |
| Total Funding | <u><u>\$ 5,240,436.00</u></u> | |

| | <u>Allocation</u> | <u>YTD Expenditures</u> |
|-------------------------------|--------------------------------------|--------------------------------------|
| Community Projects | \$ 3,350,000.00 | \$ - |
| Revenue Loss | \$ 841,455.00 | \$ 841,455.00 |
| Public Health Response | \$ 77,152.74 | \$ 72,099.62 |
| General Governmental Services | <u>\$ 971,828.26</u> | <u>\$ 728,465.50</u> |
| | <u><u>\$ 5,240,436.00</u></u> | <u><u>\$ 1,642,020.12</u></u> |



Debt Service Payments by Fiscal Year



Total Outstanding Debt as of 6/30/22 = \$67,994,122



Pension

- Contributory retirement systems for public employees of the Commonwealth of Massachusetts are guided by the applicable provisions of Chapter 32.
- Participation is mandatory for all full-time employees whose employment commences prior to age 65. Eligibility with respect to part-time, professional, temporary employment is governed by the local board.
- FY24 Public Employee Retirement Administration Commission (PERAC) Appropriation = \$5,602,006
- Below is the Pension liability as reflected on the 1/1/22 Actuarial Valuation:

| | PENSION (1/1/22)* |
|--------------------------|----------------------|
| Total Liability | \$ 115,795,719 |
| Plan Assets | \$ 70,562,551 |
| Net (Unfunded) Liability | \$ 45,233,168 |
| Funding Ratio | 60.9% |
| Funding Date | FY36 |

* Pension Plan for Eligible Employees
(excludes Teachers - part of Massachusetts
Teacher's Retirement System)



OPEB

- Other Post-Employment Benefits (OPEB) refers to benefits, other than pension, offered to employees after they leave employment. The most common benefits are medical, dental, and life insurance.
- Odyssey Advisors “Year-End 2020 OPEB Trend Report” link:
https://www.odysseyadvisors.com/wp-content/uploads/2021/10/2020_OPEB_Trend_Report_.pdf
- FY23 Transfer to OPEB Trust Fund = \$100,000
- Projected FY24 Transfer to OPEB Trust Fund = \$105,000
- Below is the OPEB liability as reflected on the 6/30/22 Actuarial Valuation:

| | OPEB (6/30/22) |
|--------------------------|-------------------|
| Total Liability | \$ 98,789,104 |
| Plan Assets | \$ - |
| Net (Unfunded) Liability | \$ 98,789,104 |
| Funding Ratio | 0.0% |
| Funding Date | FY52 |



THANK YOU!



AMESBURY
MASSACHUSETTS