

# Review of Dedham's Credit Ratings and its Statement of Net Position

M. Butler to Dedham Finance and Warrant Committee

March 16, 2022

# S&P Credit Ratings

	YEAR	2021	2020	2019	2018	2017	2016
<b>S&amp;P CREDIT RATING</b>		AAA	AAA	AAA	AAA	AAA	AAA
<b>OUTLOOK</b>		Stable	Stable	Stable	Stable	Stable	Stable
<b>ECONOMY</b>		Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong
Per capita effective buying income v national average (%)		163	163	157	149	152	143
Market value per capita		\$212,230	\$212,230	\$200,320	\$190,844	\$177,896	\$161,000
Total Assessed Value (\$ billions)		5.5	5.5	5.1	4.8	4.6	4.1
County % unemployment rate - previous year		2.3 - 15.5	2.5	3.3	3.2	3.20%	4.3
% of tax base that is residential		80	80	80	80	80	80
% of Assessed Value - 10 largest taxpayers		10.5	10.5	10.5	10.5	11.0	11.0
<b>BUDGETARY PERFORMANCE</b>		Adequate	Adequate	Adequate	Strong	Strong	Strong
% of general fund revenue from property tax		73			75	75	77
Operating results in the general fund (deficit)		neg 2.3%	neg 1.8%	neg 2.2%	0.8%	4.0%	8.0%
Operating results in all government funds (deficit)		neg 1.8%	neg 0.8%	neg 3.4%	neg 0.6%	4.3%	7.8%

- AAA since 2013 and affirmed annually since
- Stable Outlook has a 2 year horizon
- 4 criteria rated Very Strong
- 2 criteria rated Adequate - FWC may want to have further discussion about the goals for each category
- Note that S&P uses some 2020 Economy data in 2021
- S&P Credit rating reports are on Finance Dept. webpages

# S&P Credit Ratings

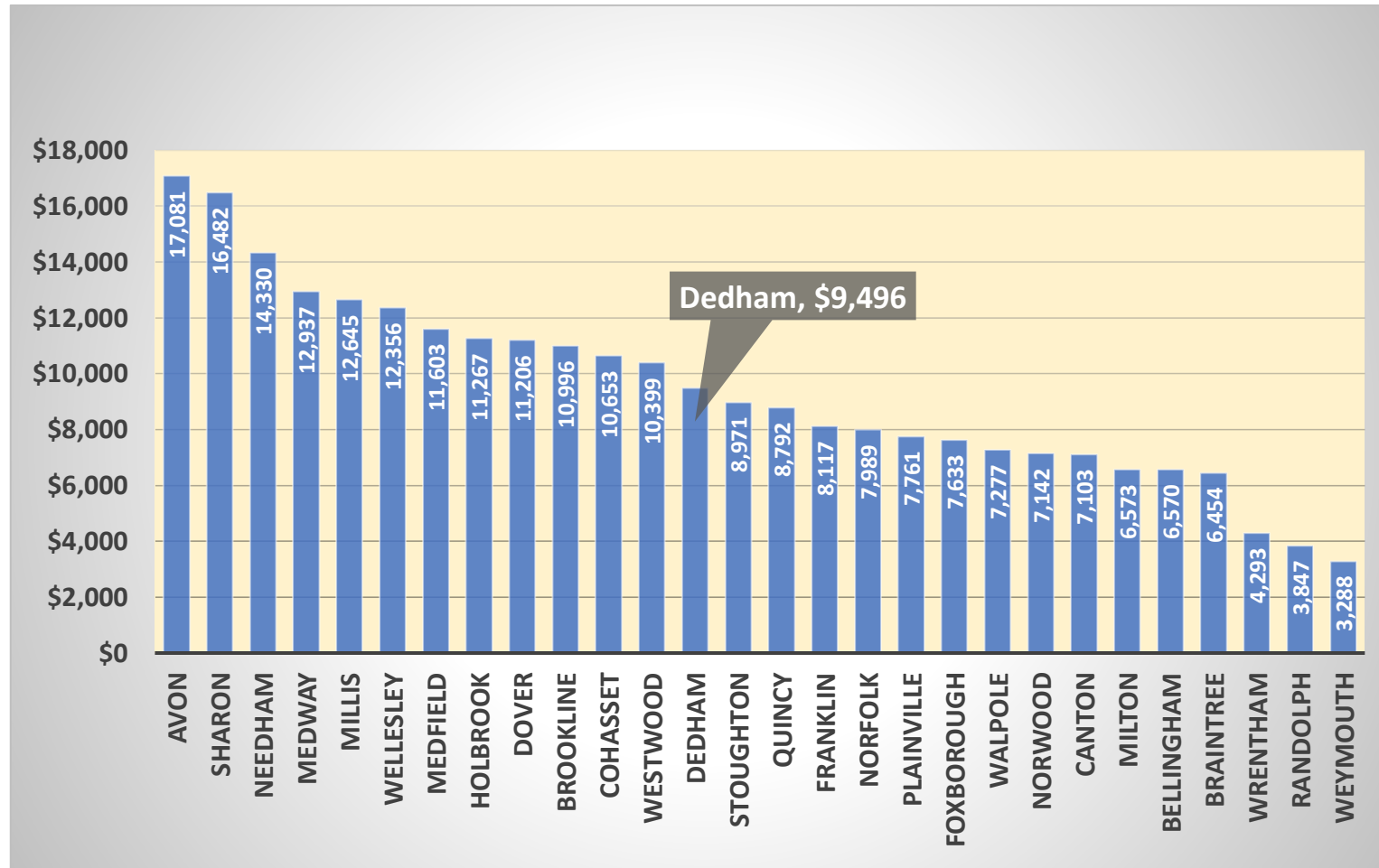
	YEAR	2021	2020	2019	2018	2017	2016
<b>BUDGETARY FLEXIBILITY</b>		Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong
Available fund balance as a % of Opex		20	20	26	31	40	37
Unassigned general fund balance (\$ millions)		24.8	27.6	29.7	34.0	41.0	36.2
Unused levy capacity (\$ millions)		9.1	9.1	9.1	7.7	6.8	NA
<b>LIQUIDITY</b>		Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong
Cash as a % of total GF expenditures		29.5	27.8	23.6	36.4	43.4	43.4
Cash as multiple of previous year's debt service		3.6x	3.3x	3.1x	5.0x	6.0x	5.9
<b>DEBT AND CONTINGENT LIABILITY</b>		Adequate	Adequate	Strong	Strong	Strong	Very Strong
Total govt fund debt service/total expenditures - %		8.2	8.5	7.7	7.3	7.3	7.4
Net direct debt as a % of total government fund revenue		86.8	74.4	82.5	87.3	78.8	64.2
Overall net debt as a % of market value		2.0	1.8	2.0	2.1	1.8	1.8
Following this issue total direct debt will be		\$117MM	\$96.9MM	\$101MM	NA	\$83.5MM	NA
Required contribution to pension obligations -%of budget		2.9	3.9	4.0	3.8	4.0	3.6
Opeb payments - % of budget		4.5	4.3	4.0	4.9	6.3	4.3
Pension plan % funded ratio previous yr		85	78.9	99	86	82	86
OPEB plan % funded ratio previous year		28	27	25	18	11	11
<b>MANAGEMENT</b>		Very Strong	Very Strong	Very Strong	Very Strong	Very Strong	Very Strong

# The Statement of Net Position

- Provides a comprehensive view of a community's financial assets and liabilities
- The SNP gives accurate, relevant information to describe the overall financial position of a town at a given moment in time
- Shows the accumulated results of all the individual budgeting decisions made over the years of the town's operations
- A helpful gauge of the long-term fiscal health of a town
- Just as communities prepare forecasts of their operating budgets so can they prepare proforma SNP's
- I believe there is value in periodic public discussions about it
- In doing so there will be important conversations about a variety of topics, including infrastructure and pension and OPEB liabilities
- It is a way to evaluate a town's approach to interperiod or intergenerational equity

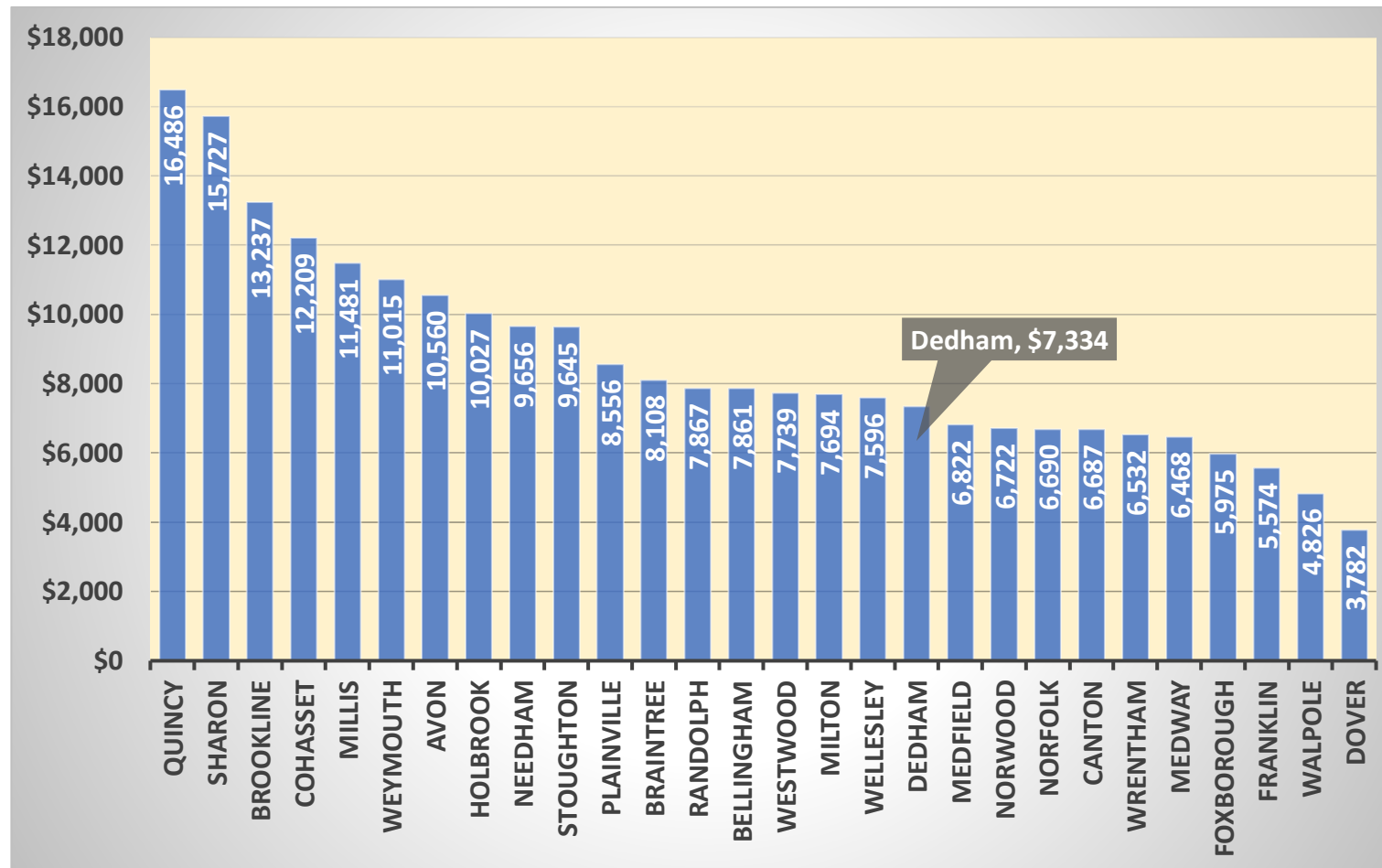
*See final slide for SNP as of June 30, 2020*

# Total Assets per Capita *as of June 30, 2020*



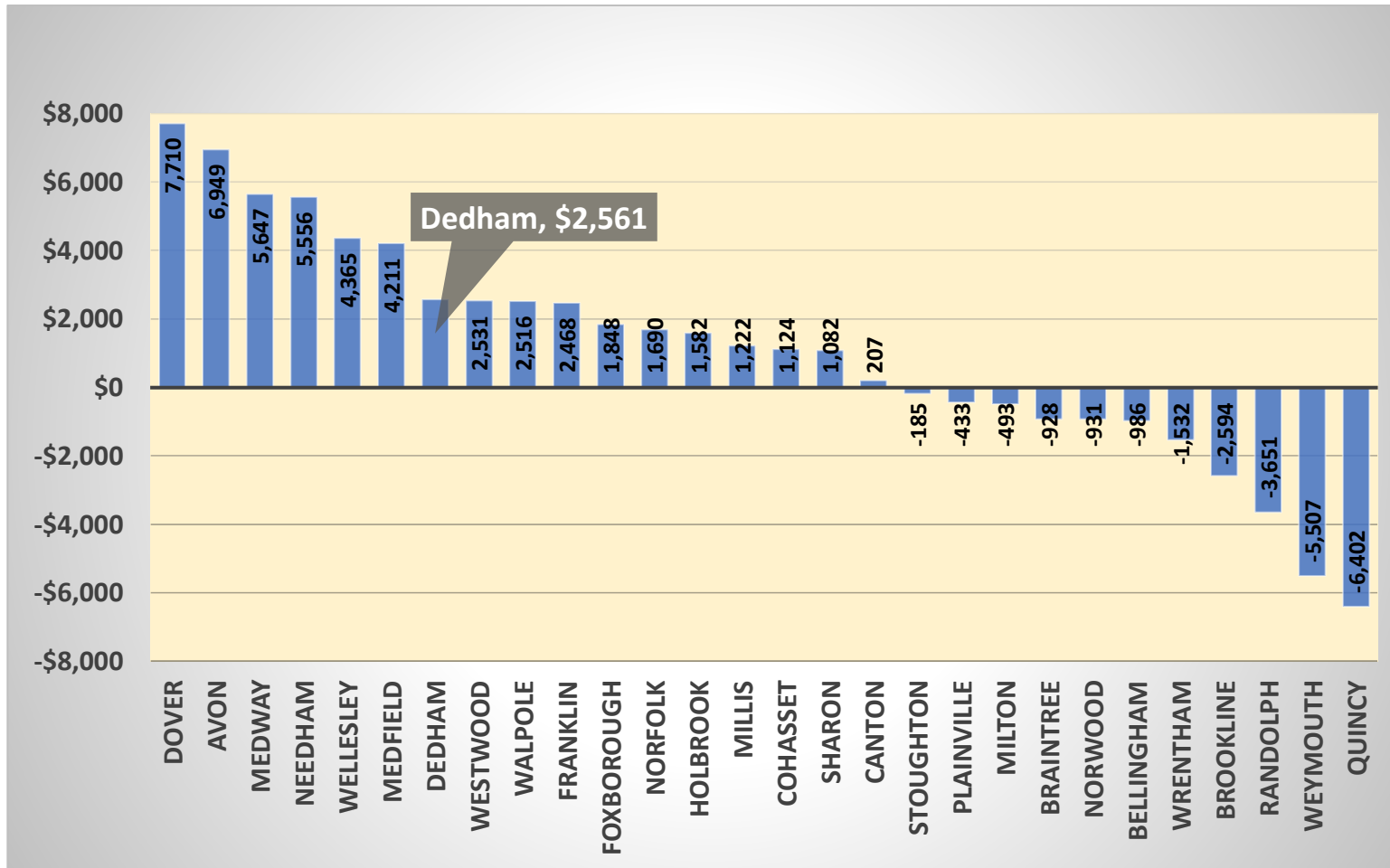
Assets: \$240,868,888  
 Population: 25,364  
 Per Capita: \$9,496

# Total Liabilities per Capita *as of June 30, 2020*



Liabilities: \$186,007,197  
 Population: 25,364  
 Per Capita: \$7,334

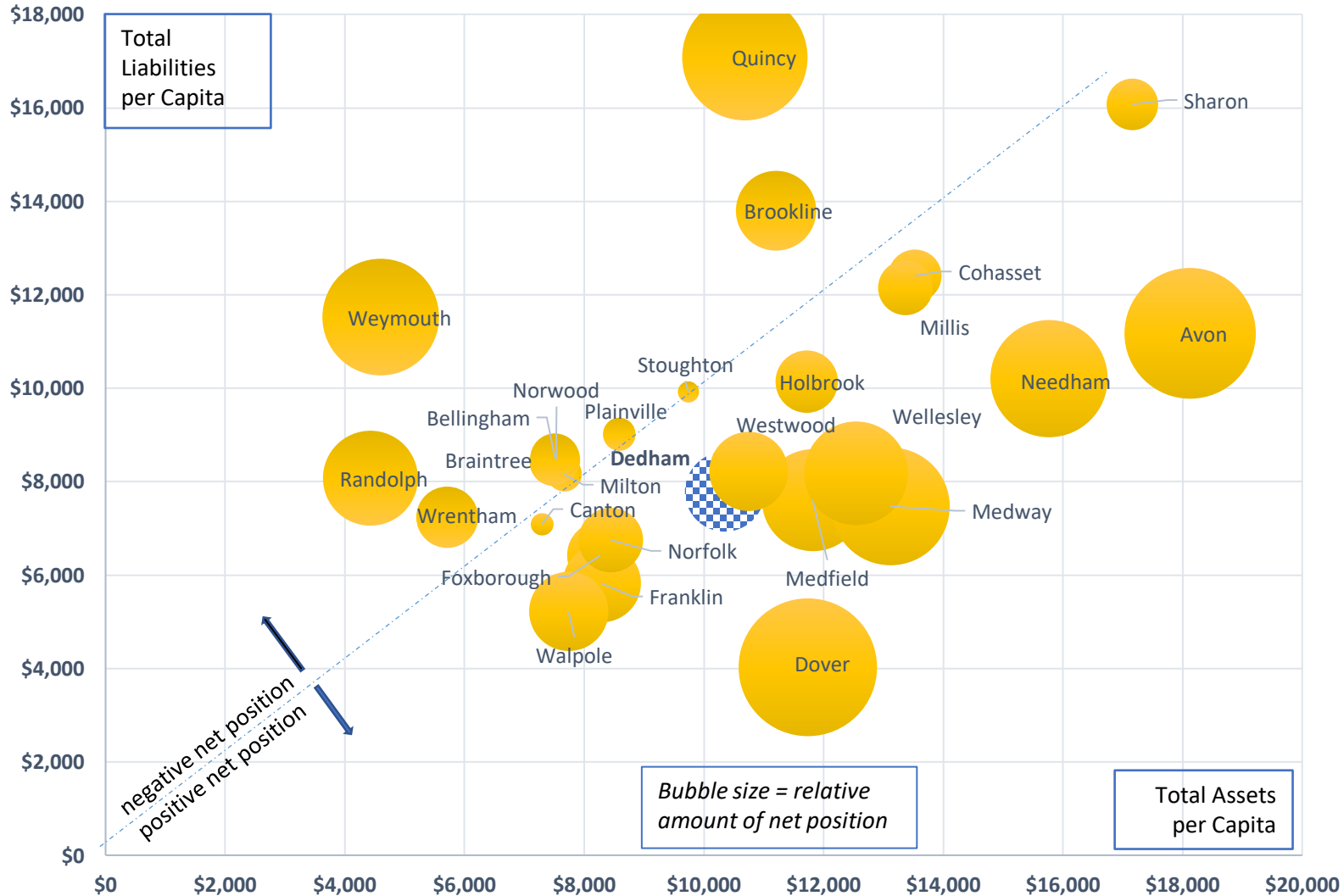
# Net Position per Capita as of June 30, 2020



Dedham's Net Position:  
\$64,964,108  
Population: 25,364  
Per Capita: \$2,561

Net Position, essentially, is the difference between Assets and Liabilities. Note there are some specific GFOA rules that make the calculation of Net Position more complex than that.

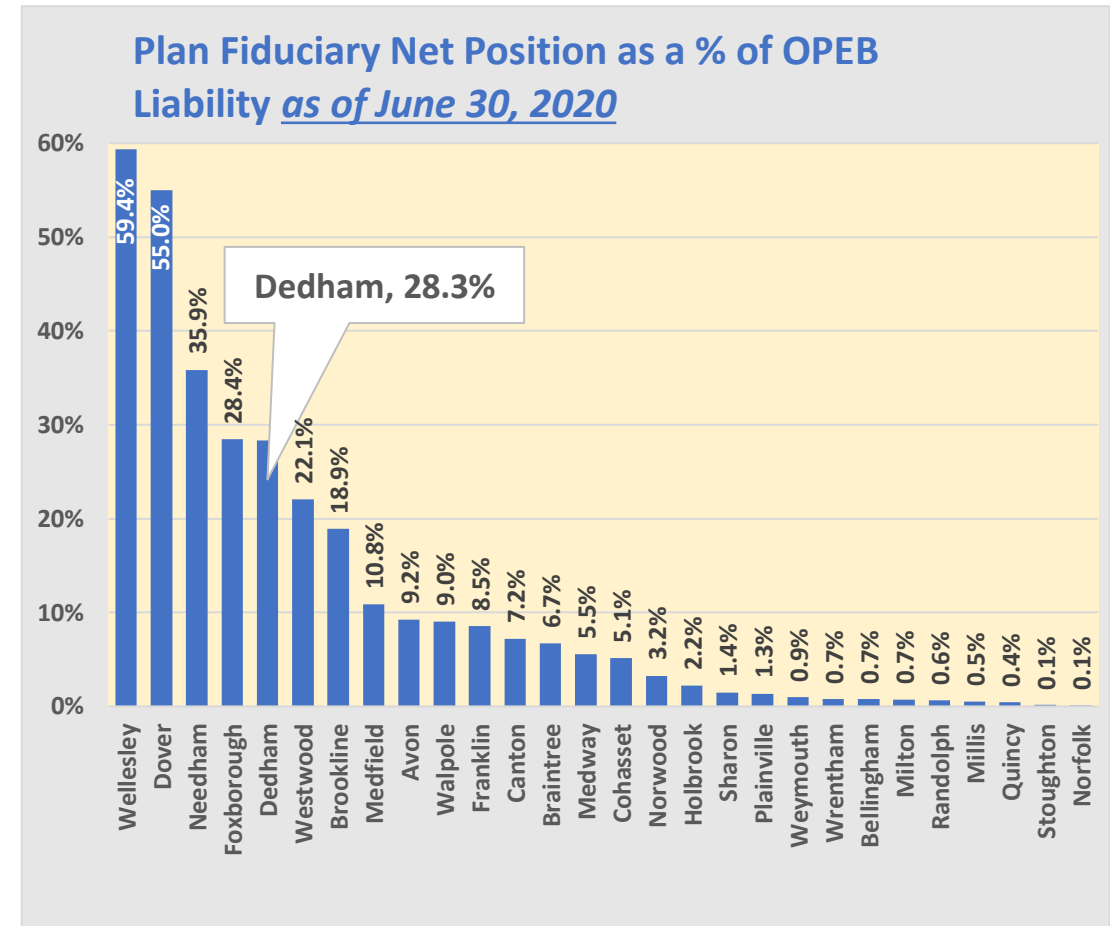
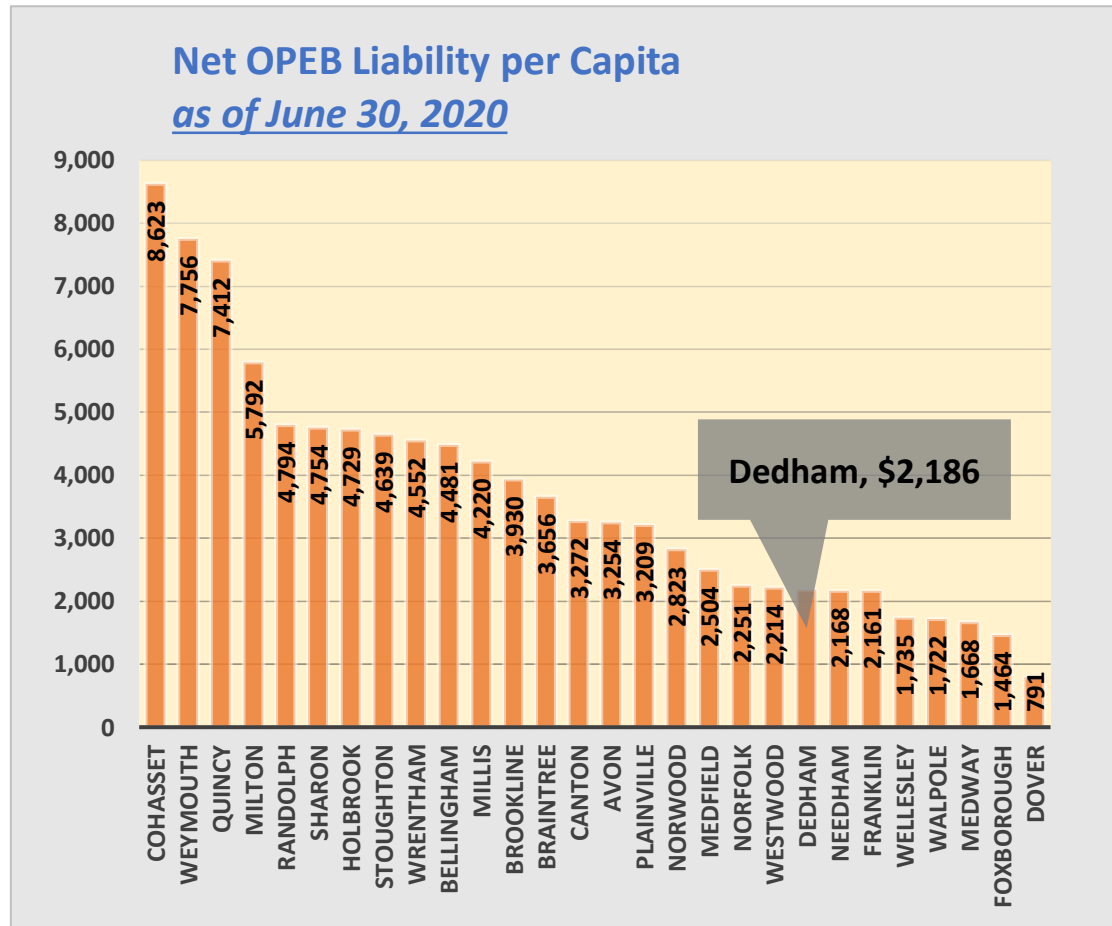
**Net Position per Capita Norfolk County Communities @ June 30,2020**  
**Net Position = (Total Assets+ Deferred Outflows)-(Total Liabilities+ Deferred Inflows)**  
*Placing your cursor near the edge of a bubble will display details*



This chart combines the information from slides 5,6 and 7. The diagonal line equals a net position of \$0. Towns below and to the right of the line have positive net position. Dedham is the bubble with the blue checkerboard pattern.

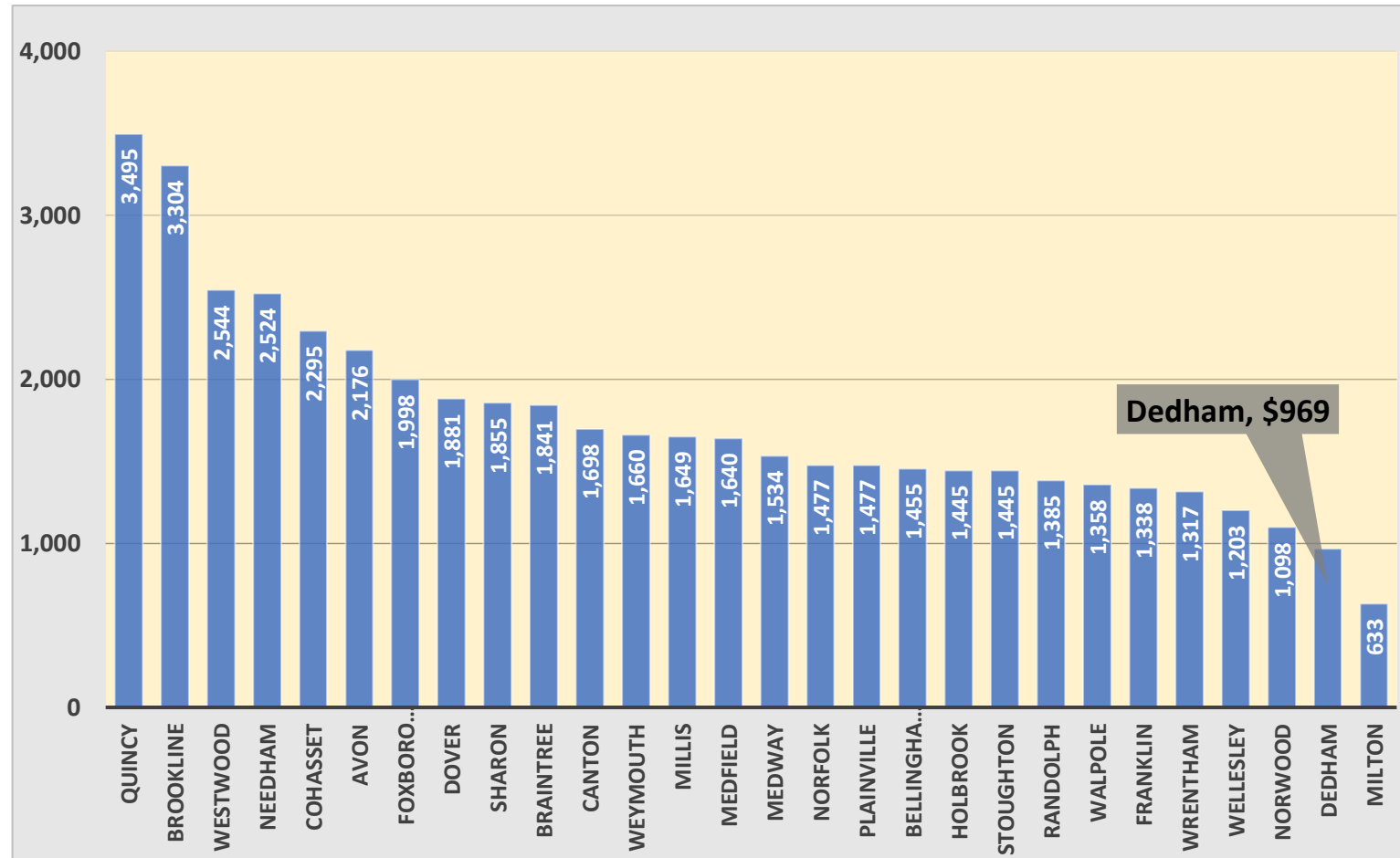


# Other Post Employment Benefits (OPEB)



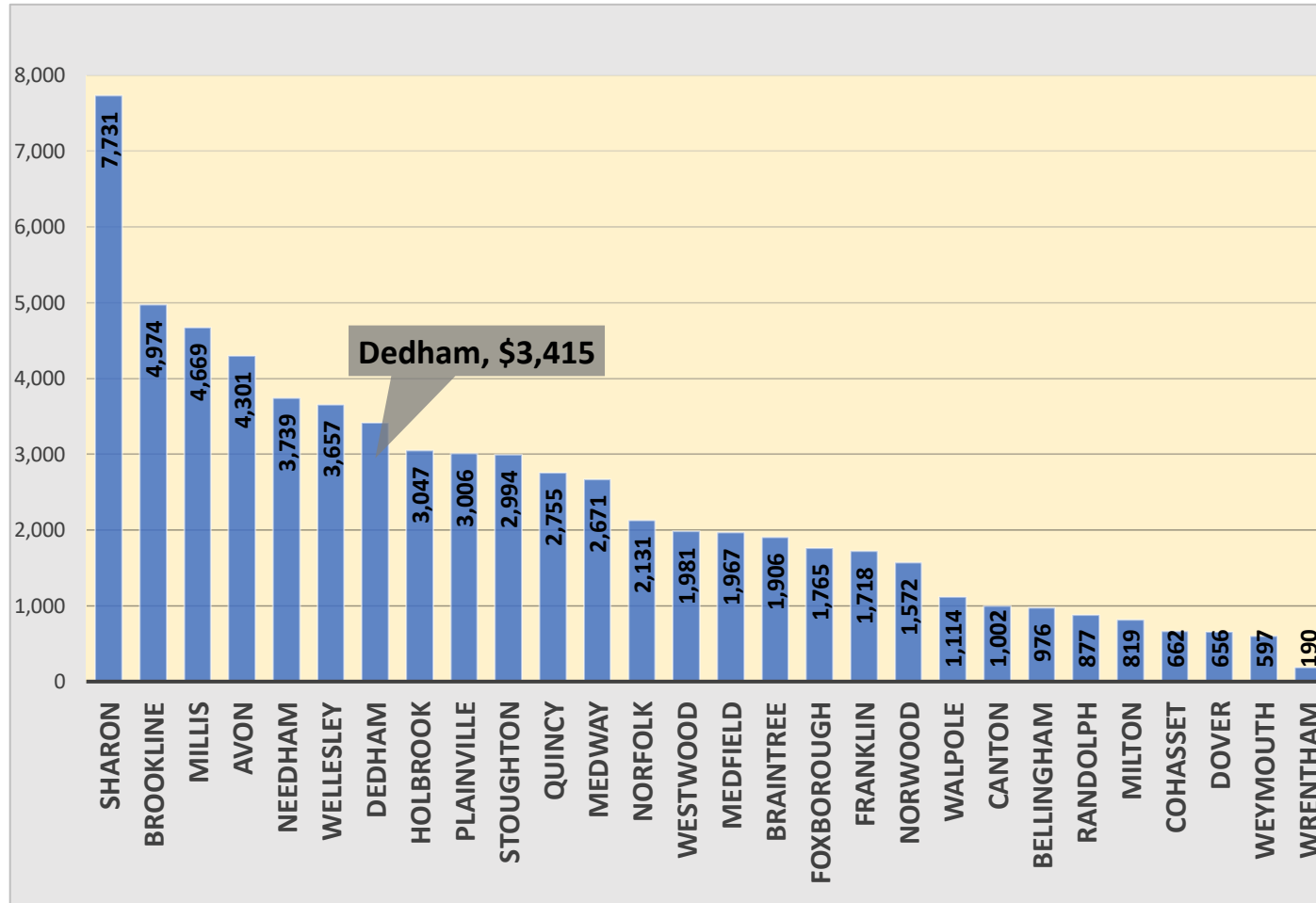
Dedham began funding OPEB the OPEB trust fund in 2009 and continued each year through FY2021 with a target date of ~2040. There was no pre-funding in FY2022. The annual Town contribution from FY17-20 ranged from \$1.5-1.7MM. *I recommend the Town resume funding in FY2023.*

# Net Pension Liability per Capita *as of June 30 2020*



The biennial “Actuarial Valuation and Review” is underway now. It assesses the system as of Jan 1, 2022. Results due later this year.

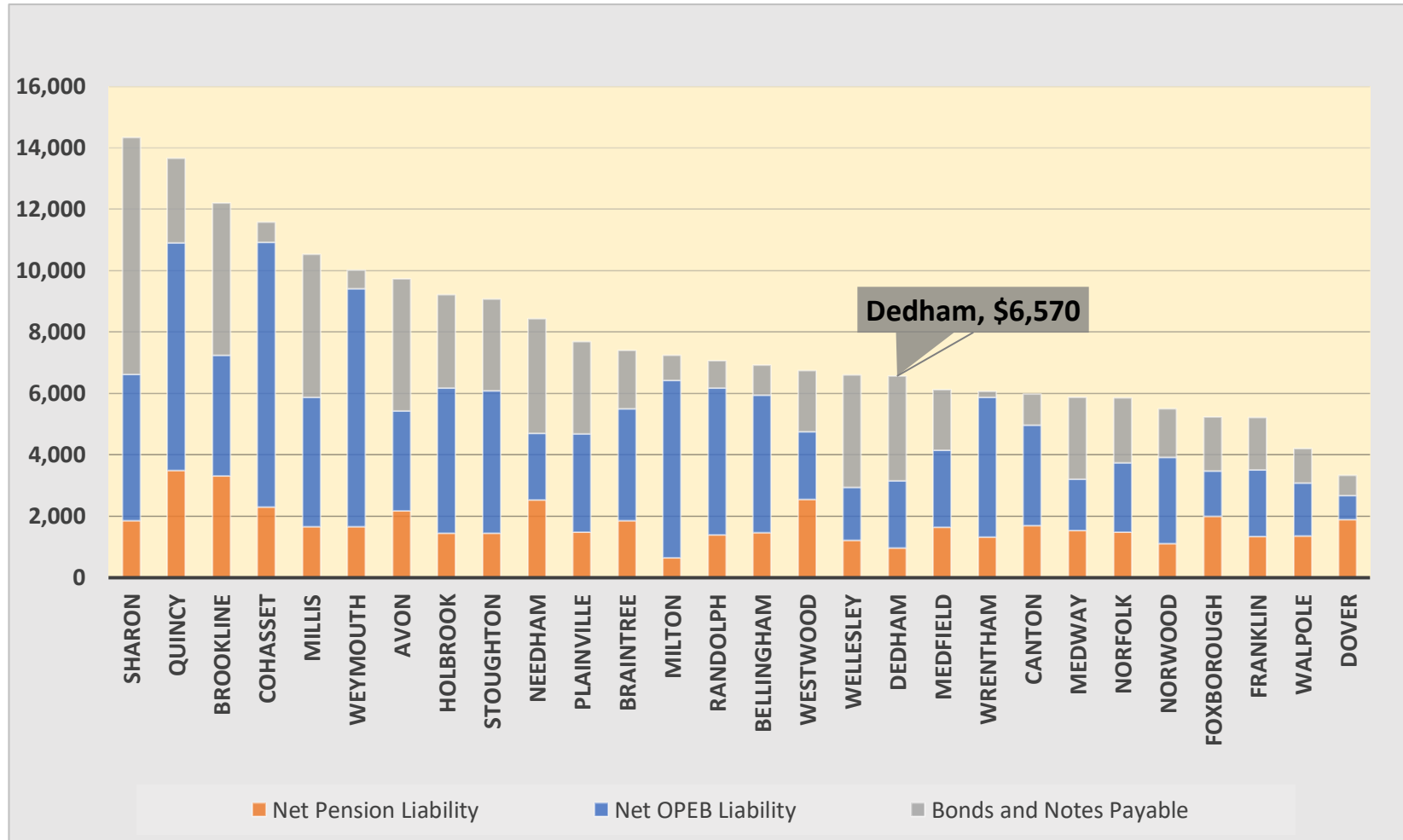
# Bonds and Notes Payable per Capita *as of June 30, 2020*



FWC may want further discussion on general obligation debt in the coming years. Debt will be rolling off and there will be additional capital requests. In addition, interest rates appear to be rising so the term of the bonds ought to be revisited (30, 25, 20 years).

# Total Pension, OPEB, Bonds and Notes Payable per Capita *as of June 30, 2020*

This ties to the S&P category of Debt and Contingent Liability.



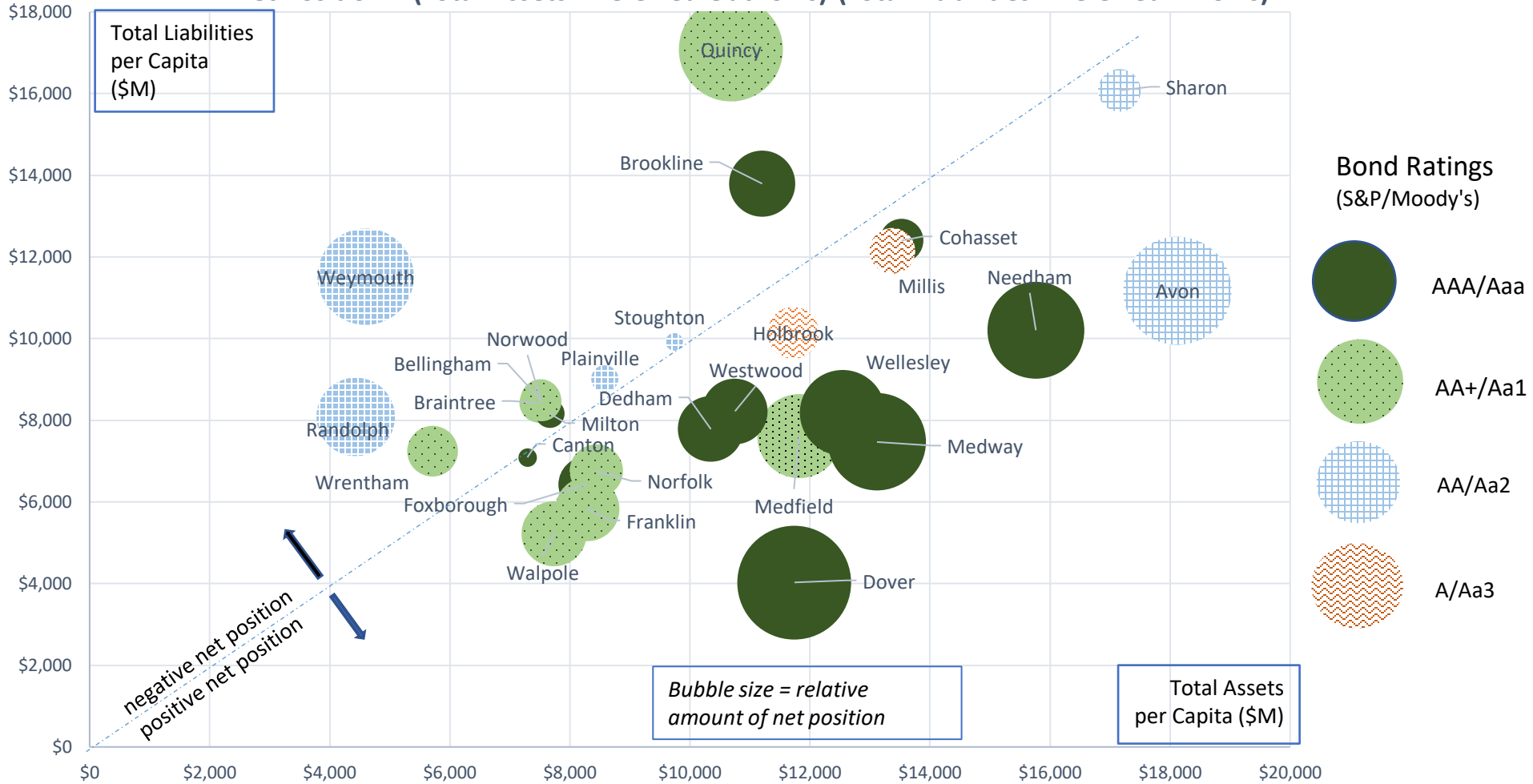
# Summary

- Successful strategies need periodic review. These topics merit further analysis, discussion and planning
  - Recent (small) operating budget deficits
  - Long term debt
  - Return to full OPEB pre-funding
  - The portion of tax increases paid by residents and by commercial property
- Dedham's SNP tells a story of a community that has adopted many best practices and has demonstrated a commitment to a sustained level of financial discipline
- Its financial policies have been, for the most part, successfully followed; this has resulted in a strong position that supports a wide range of services and investment for the future

# Appendix

# Net Position per Capita Norfolk County Communities @ June 30, 2020 and Credit Ratings

**Net Position = (Total Assets+ Deferred Outflows)-(Total Liabilities+ Deferred Inflows)**



This slide is the same as slide 6 with the credit ratings added, indicated by color of each bubble.

Sources: Town websites and MA DOR DLS Municipal Databank. S&P ranking is used if higher than Moody's.

# S&P Credit Ratings

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M. Butler March 1, 2022

Source: S&P Ratings reports for Town of Dedham, MA



**STATEMENT OF NET POSITION**

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 31,765,875	\$ 7,368,716	\$ 39,134,591
Investments.....	28,171,908	-	28,171,908
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,561,670	-	1,561,670
Tax liens.....	3,492,113	-	3,492,113
Motor vehicle and other excise taxes.....	471,331	-	471,331
User charges.....	-	2,077,578	2,077,578
Departmental and other.....	47,509	-	47,509
Intergovernmental.....	1,095,872	-	1,095,872
Total current assets.....	<u>66,606,278</u>	<u>9,446,294</u>	<u>76,052,572</u>
<b>NONCURRENT:</b>			
Capital assets, nondepreciable.....	23,954,575	-	23,954,575
Capital assets, net of accumulated depreciation.....	150,308,035	22,920,350	173,228,385
Total noncurrent assets.....	<u>174,262,610</u>	<u>22,920,350</u>	<u>197,182,960</u>
<b>TOTAL ASSETS.....</b>	<b><u>240,868,888</u></b>	<b><u>32,366,644</u></b>	<b><u>273,235,532</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	19,044,434	-	19,044,434
Deferred outflows related to other postemployment benefits.....	2,561,621	-	2,561,621
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b><u>21,606,055</u></b>	<b><u>-</u></b>	<b><u>21,606,055</u></b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	1,702,060	674,089	2,376,149
Accrued payroll.....	5,180,063	-	5,180,063
Tax refunds payable.....	101,000	-	101,000
Accrued interest.....	445,803	-	445,803
Other liabilities.....	882,480	-	882,480
Compensated absences.....	579,200	-	579,200
Notes payable.....	1,000,000	-	1,000,000
Bonds payable.....	7,751,209	304,671	8,055,880
Total current liabilities.....	<u>17,641,815</u>	<u>978,760</u>	<u>18,620,575</u>
<b>NONCURRENT:</b>			
Compensated absences.....	1,737,700	-	1,737,700
Net pension liability.....	24,567,717	-	24,567,717
Net other postemployment benefits liability.....	55,451,481	-	55,451,481
Bonds payable.....	86,608,484	4,078,605	90,687,089
Total noncurrent liabilities.....	<u>168,365,382</u>	<u>4,078,605</u>	<u>172,443,987</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>186,007,197</u></b>	<b><u>5,057,365</u></b>	<b><u>191,064,562</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes paid in advance.....	96,275	-	96,275
Deferred inflows related to pensions.....	6,100,710	-	6,100,710
Deferred inflows related to other postemployment benefits.....	5,306,653	-	5,306,653
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b><u>11,503,638</u></b>	<b><u>-</u></b>	<b><u>11,503,638</u></b>
<b>NET POSITION</b>			
Net investment in capital assets.....	96,813,501	20,479,377	117,292,878
Restricted for:			
Permanent funds:			
Expendable.....	1,358,957	-	1,358,957
Nonexpendable.....	794,115	-	794,115
Gifts and grants.....	2,112,981	-	2,112,981
Unrestricted.....	(36,115,446)	6,829,902	(29,285,544)
<b>TOTAL NET POSITION.....</b>	<b><u>\$ 64,964,108</u></b>	<b><u>\$ 27,309,279</u></b>	<b><u>\$ 92,273,387</u></b>

See notes to basic financial statements.