

# Dedham's Statement of Net Position Relative to Norfolk County Communities & Comments on Budgeting

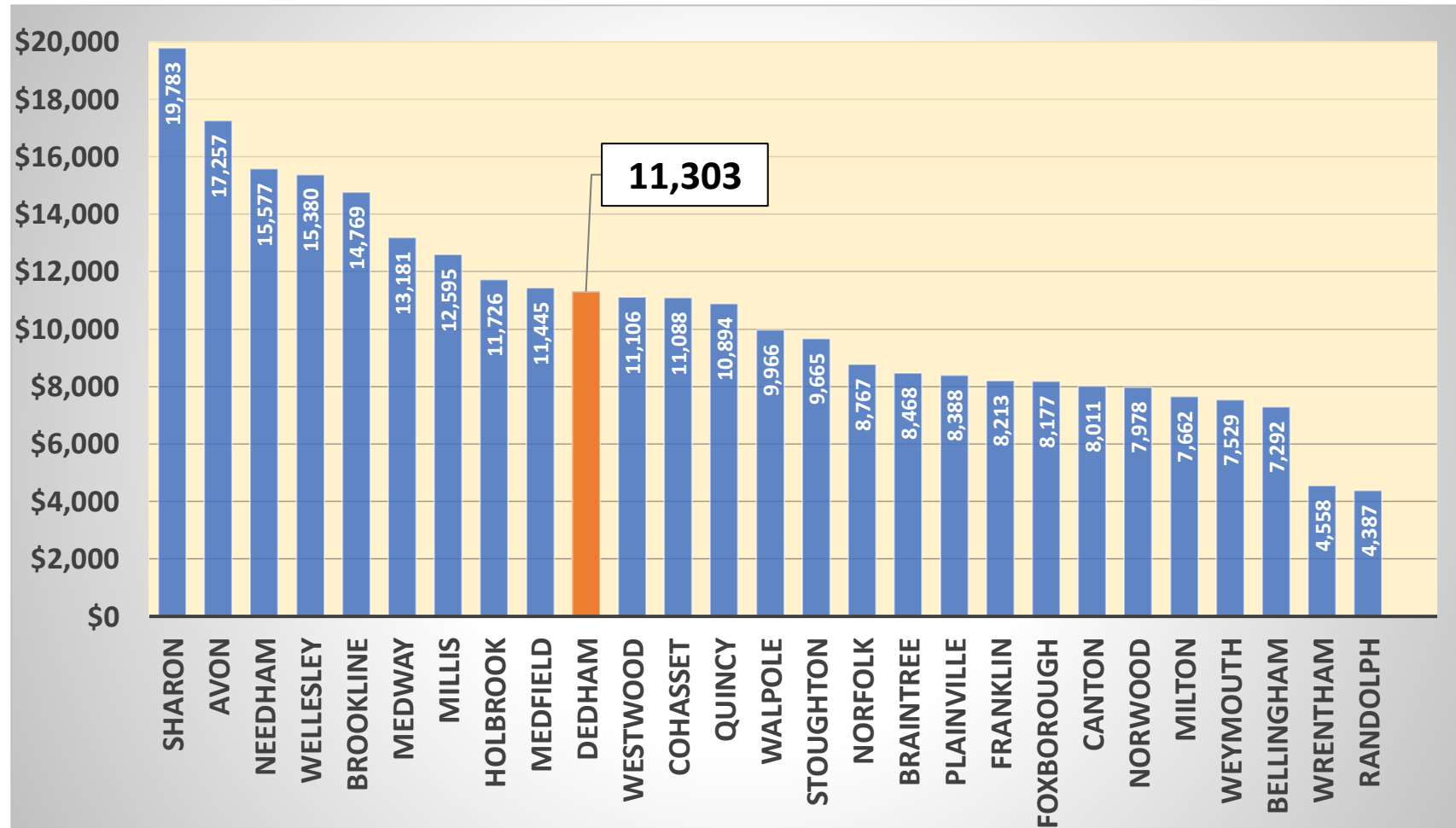
M. Butler to Dedham Finance and Warrant Committee

April 10, 2024

# The Statement of Net Position

- Provides a comprehensive view of a community's financial assets and liabilities (see last slide)
- It is compiled each year as of June 30 and can be found in the Town's Annual Comprehensive Financial Report <https://www.dedham-ma.gov/departments/finance/financial-reports>
- 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
- It is a way to evaluate a town's approach to interperiod or intergenerational equity
- For these reasons I believe there is value in periodic public discussions about it
- These slides include Government Activities only. Enterprise activities (i.e. sewer fund) are excluded.

# Total Assets per Capita *as of June 30, 2022*



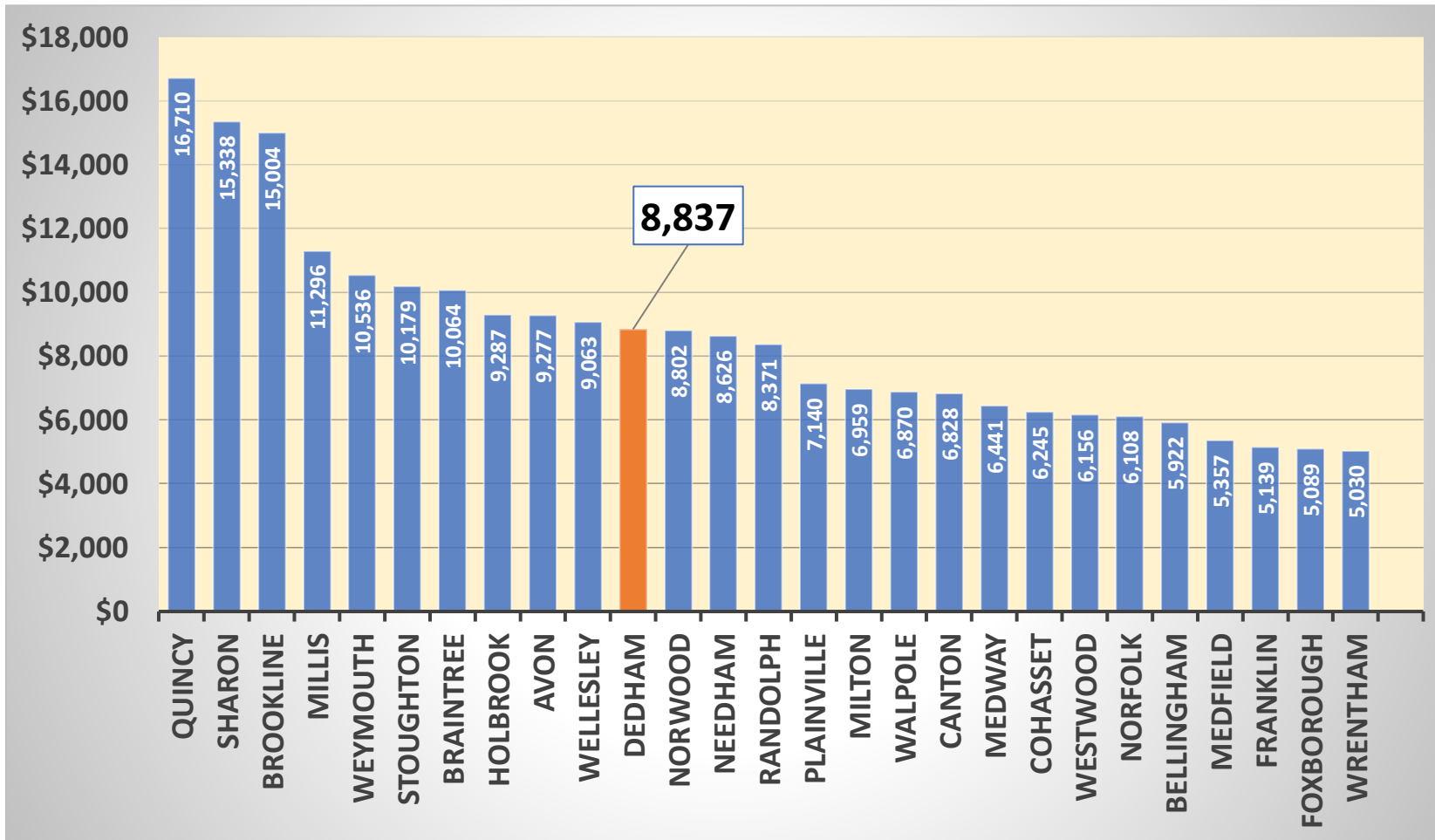
**Total Assets/Per Capita**  
**2018: \$239MM / \$9,438**  
**2022: \$282MM / \$11,303**

**Above the County mid-point.**

**Increase due to new buildings:  
 Public Safety,  
 Town Hall,  
 and Early Childhood  
 Education Center.**

Note: Dover information not available

# Total Liabilities per Capita *as of June 30, 2022*

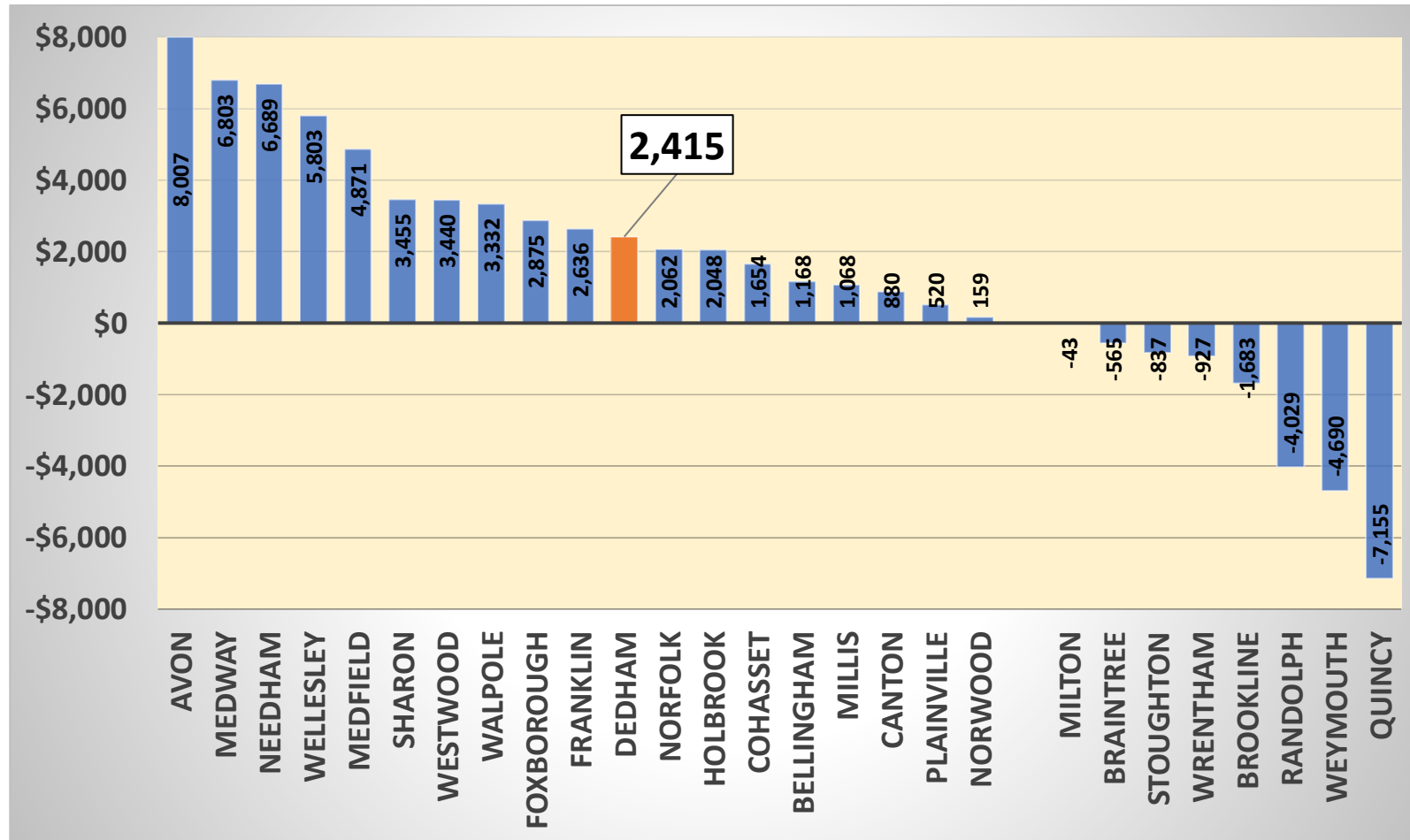


**Liabilities / Per Capita**  
**2018: \$176MM / \$6,967**  
**2022: \$221MM / \$8,837**

**Increase due to OPEB  
and Capital Debt.**

**Dedham was 17th  
highest in 2018 and is  
11<sup>th</sup> highest in 2022.**

# Net Position per Capita as of June 30, 2022

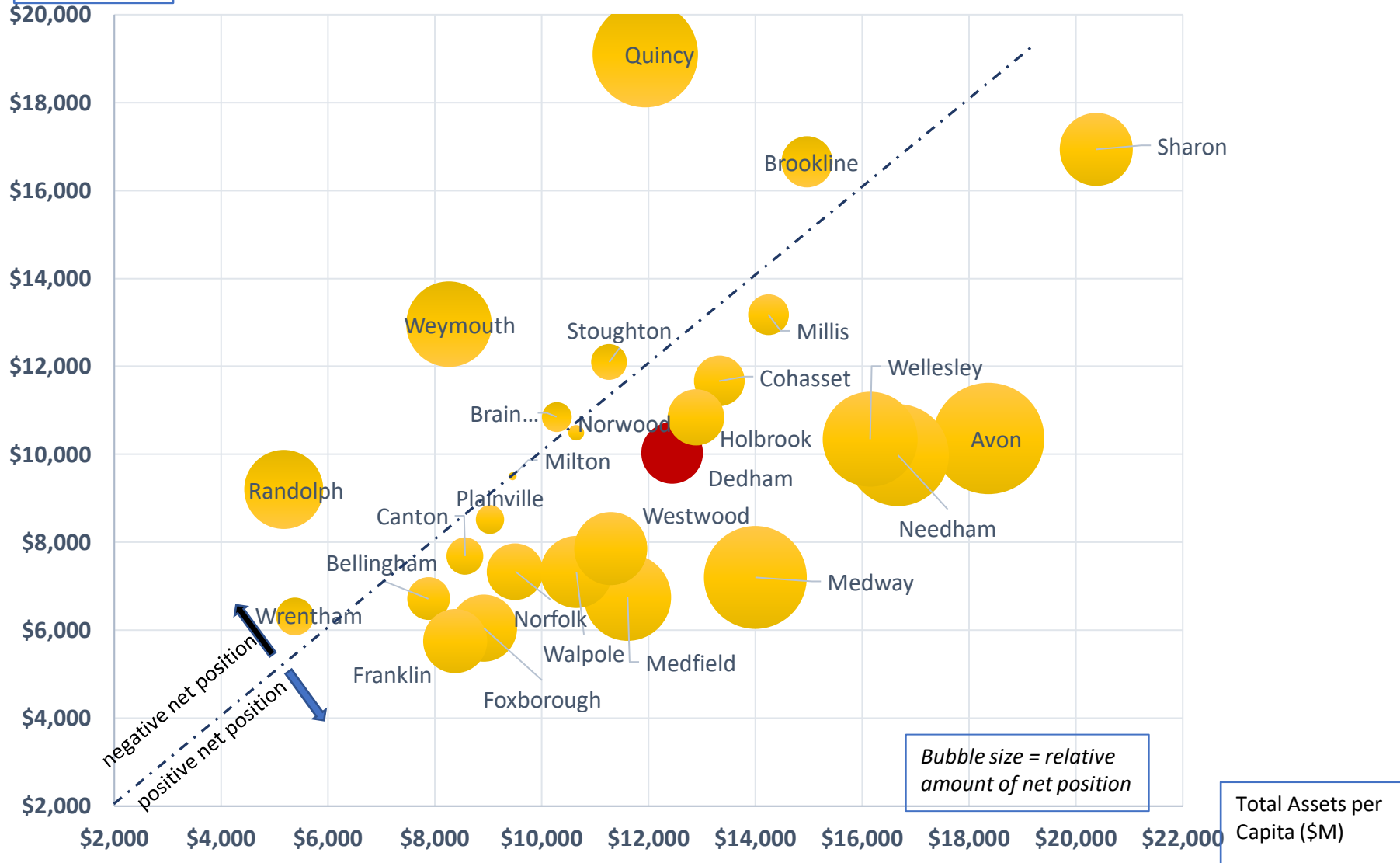


**Dedham's  
Net Position/Per Capita**  
 2018: \$71.0MM /\$2,807  
 2022: \$60.4MM /\$2,415  
 2023: \$50.2MM /\$2,011

**Above the County mid-point.**

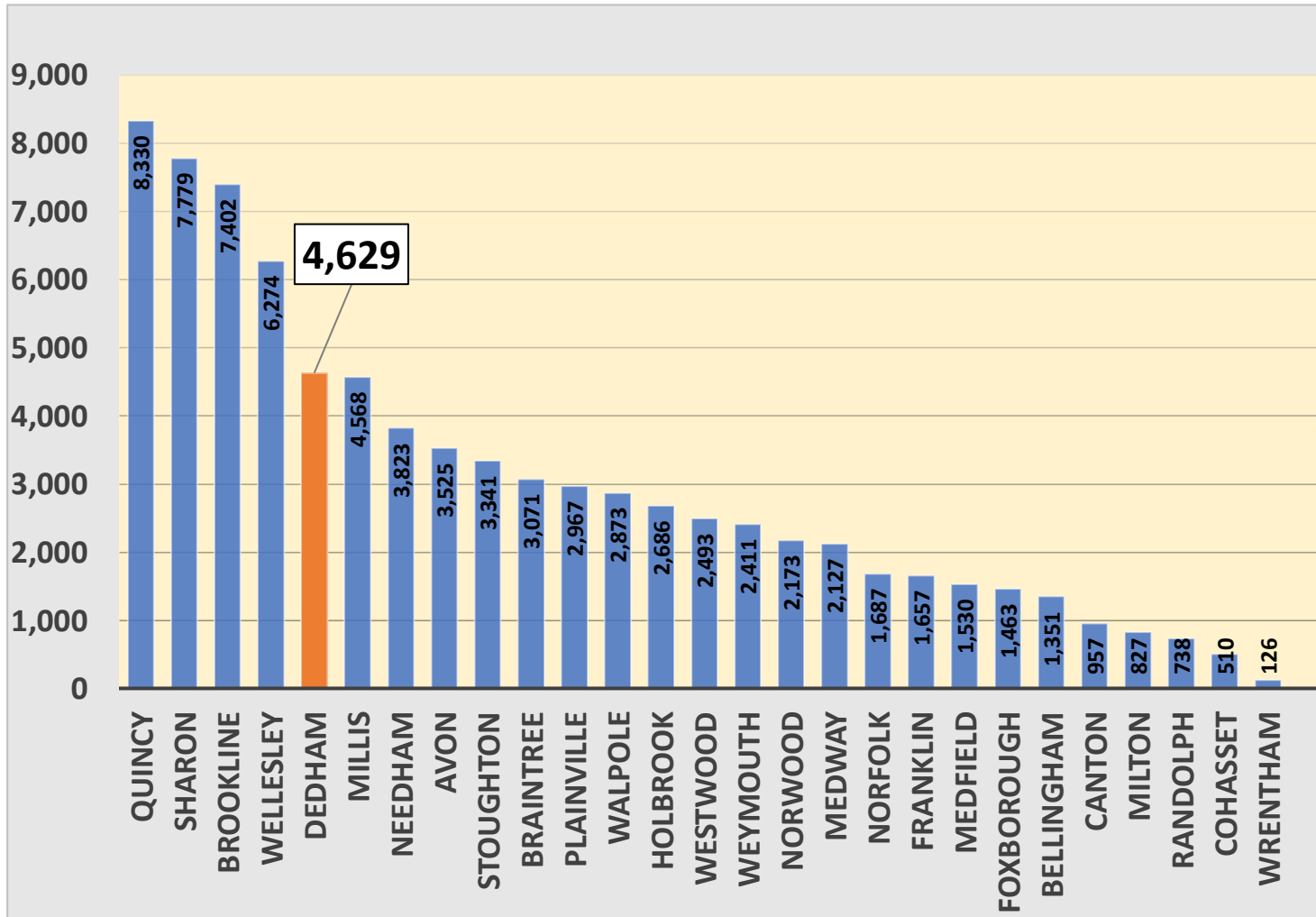
**Net Position, essentially, is the difference between Assets and Liabilities. Note there are GASB rules that make the calculation of Net Position more involved than that.**

**Net Position per Capita Norfolk County Communities @ June 30, 2022**  
**Net Position = (Total Assets+ Deferred Outflows)-(Total Liabilities+ Deferred Inflows)**



**This chart combines the information on slides 3, 4 and 5. 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 maroon bubble. Just about in the middle, and below the diagonal.**

# Bonds and Notes Payable per Capita *as of June 30, 2022*

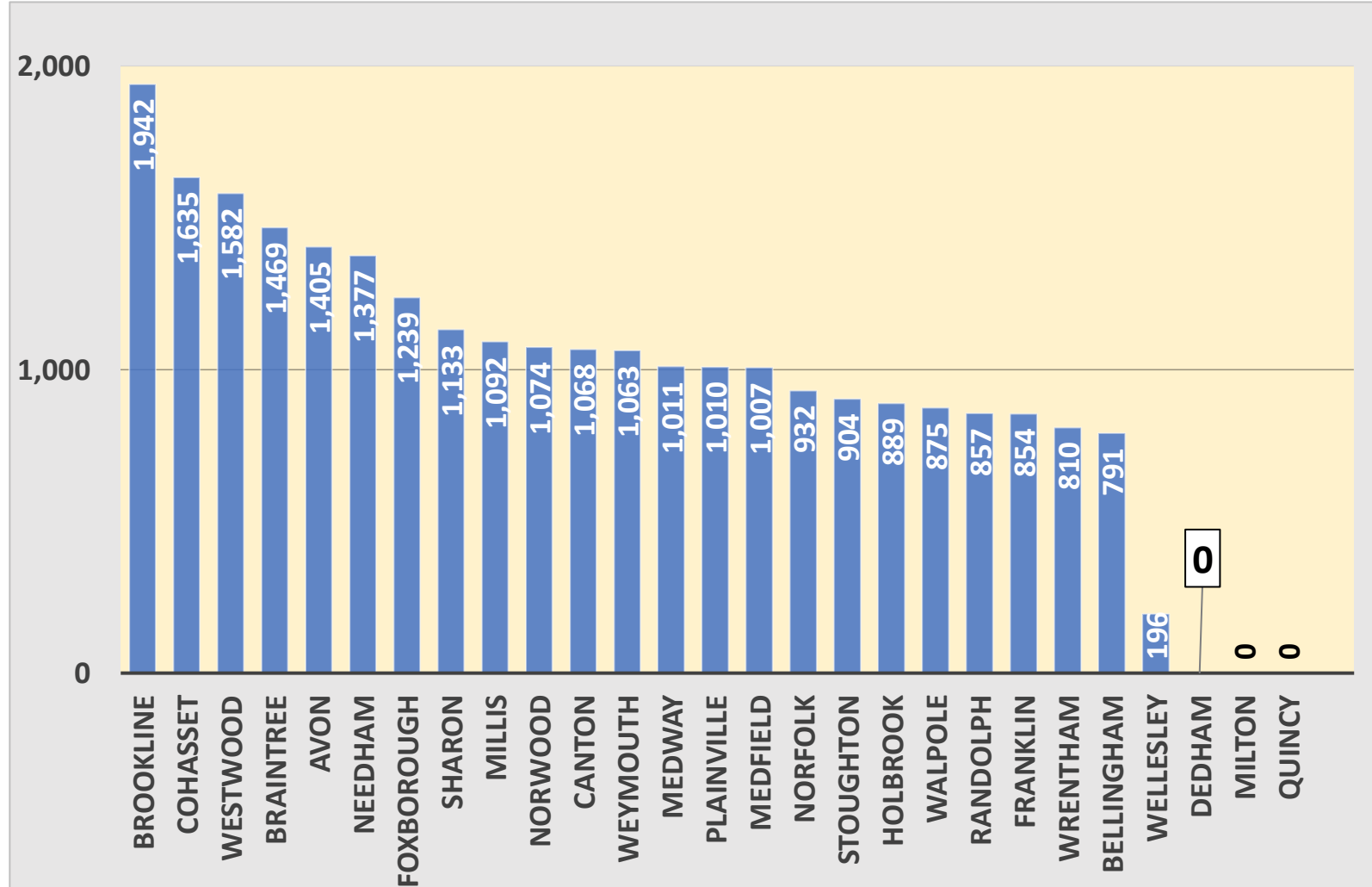


**Total Debt/ Per Capita**  
**2017: \$72MM / \$2,842**  
**2022: \$117MM / \$4,629**

**County wide total:**  
**2017: \$1.1 Billion**  
**2022: 2.8 Billion adj to 2.4 Billion**  
**due to Quincy's pension obligation bond.**

**Low interest rates and a strong regional economy were two major reasons construction spending and the supporting debt has increased since 2017.**

# Net Pension Liability per Capita *as of June 30 2022*



This is positive news:  
**Net Pension Asset:**  
**FY2022 \$ 641,186**

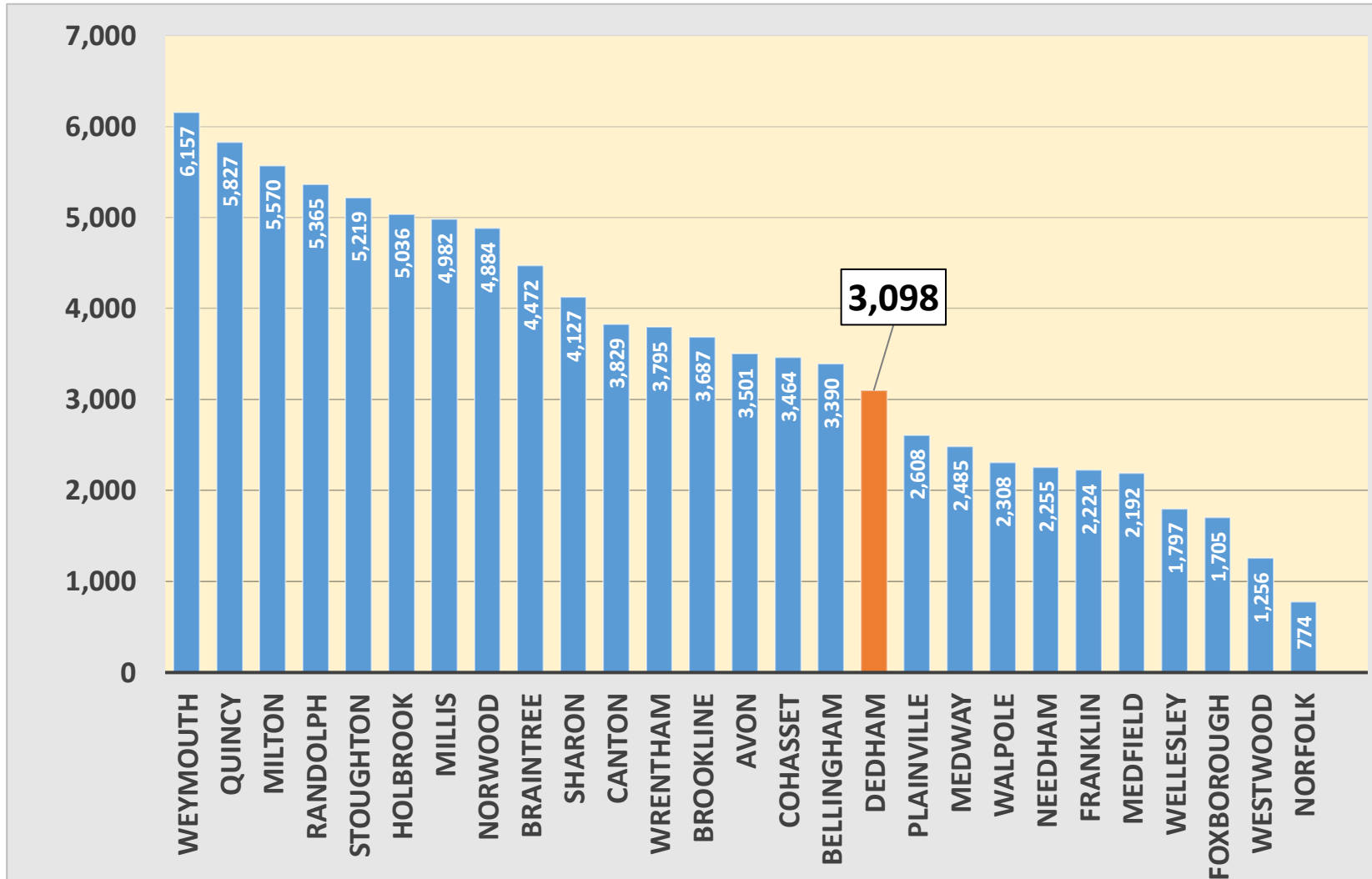
**Unfunded Pension Liability:**  
**FY 2021 \$16.2MM/ \$ 641**  
**FY 2023 \$31.7MM / \$1,270**

This 'snapshot' shows the system is in a good position but does not mean the pension system is fully funded. Actuaries have a more comprehensive methodology.

As a system approaches full funding the net liability will fluctuate quite a bit due to changes in the value of the investment portfolio. Investment results vary, as we know.



# Net OPEB Liability per Capita *as of June 30 2022*

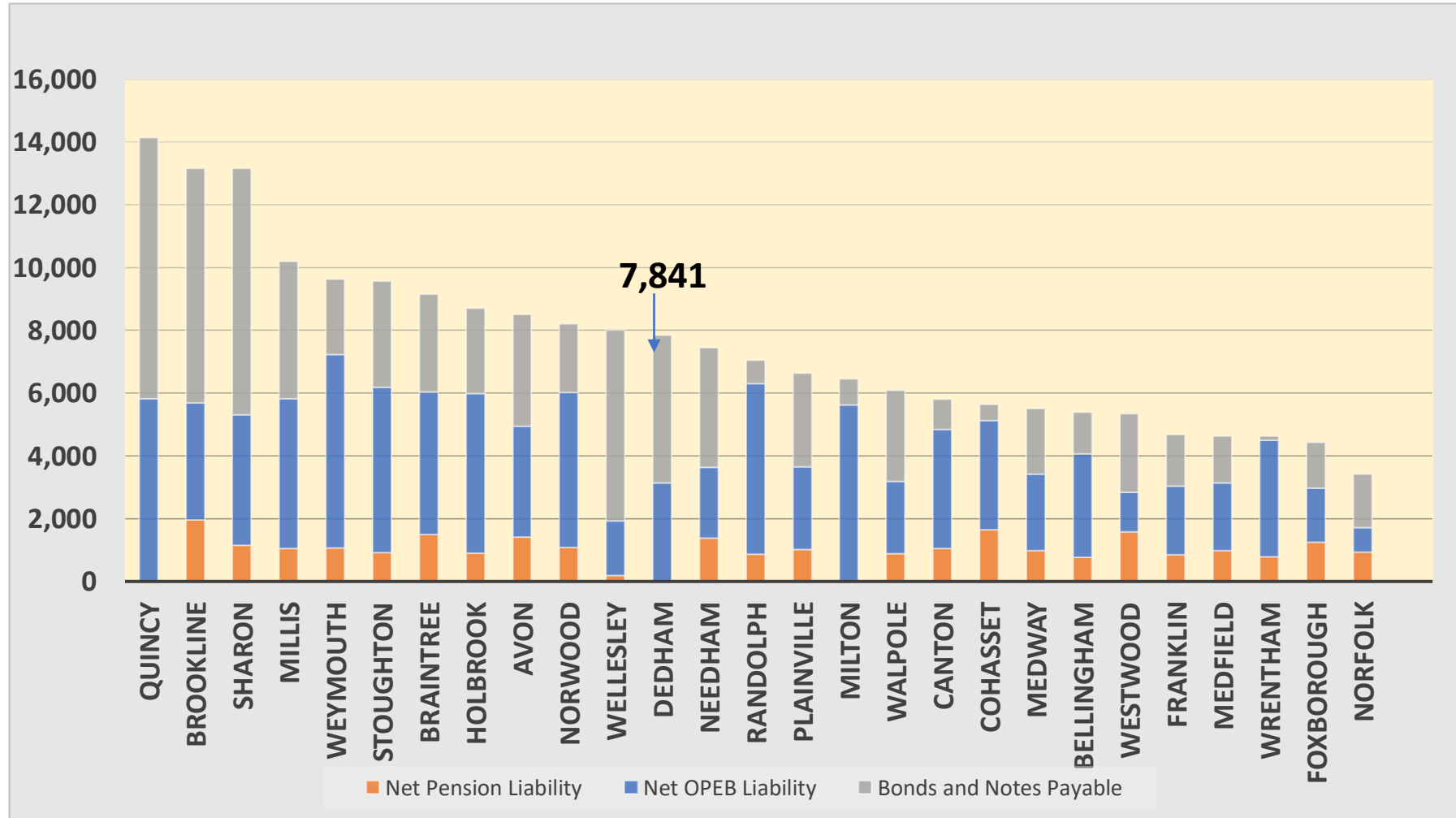


**Net OPEB Liability / Per Capita**  
**FY 21 : \$51.5MM / \$2,040**  
**FY 22: \$78.6MM / \$3,098**

**A reasonably good position. Dedham does continue to fund this at a reduced level vs. prior years with future plans to increase funding when it makes sense to do so.**

**OPEB Actuarial update is usually conducted every 2 years. This year's liability increased due to more conservative assumptions.**

# Total Pension, OPEB, Bonds and Notes Payable per Capita *as of June 30, 2022*



**This combines the 3 previous slides.**

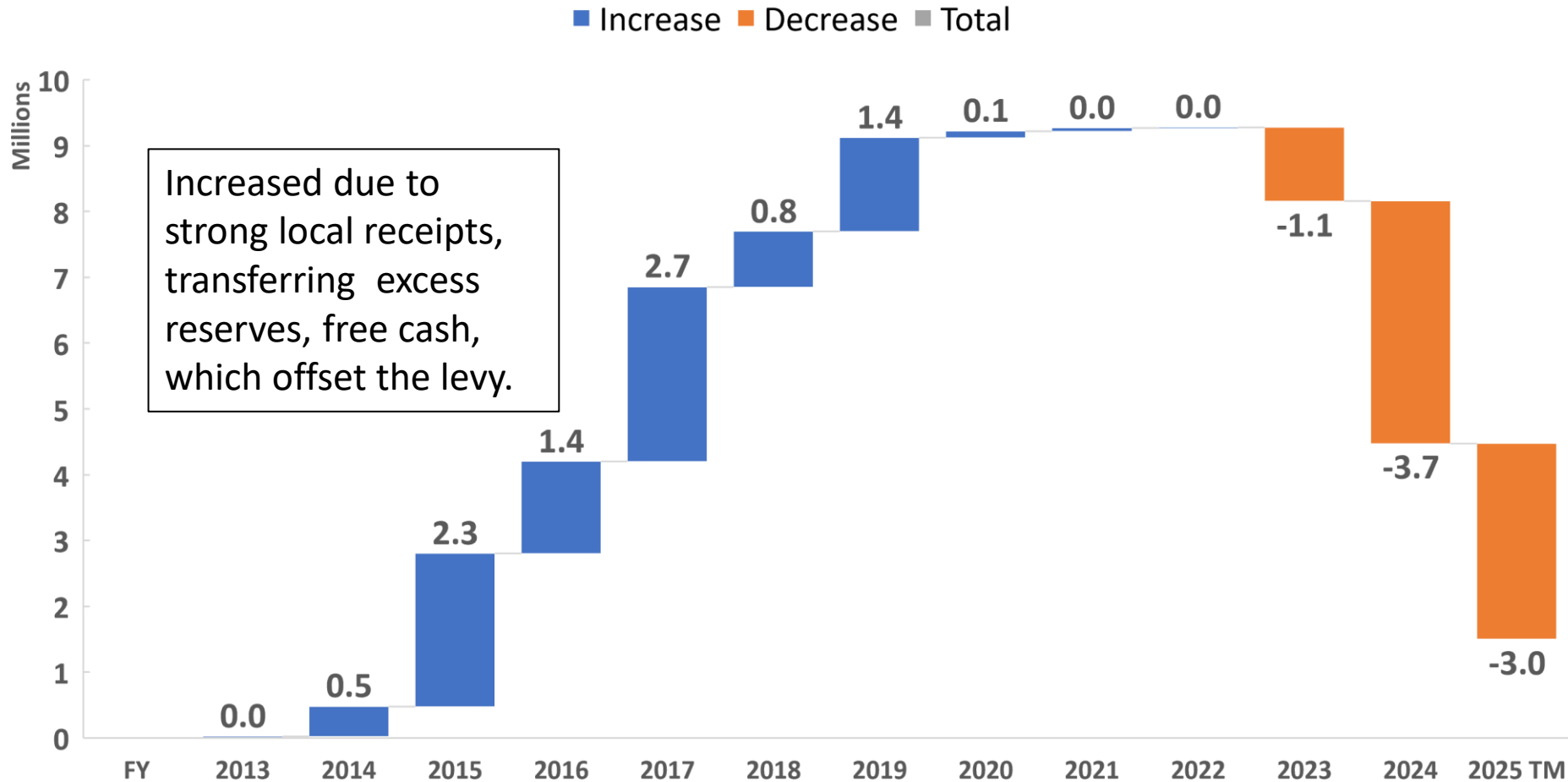
**Dedham is in the middle.**

## Excess Tax Levy Capacity

- When a community sets its levy below the limit, the difference between the actual levy and the levy limit is commonly referred to as excess levy capacity. This is an additional amount the community could levy, or choose not to levy.
- Here is an example with Dedham data (in \$MM):


- The max levy limit increased by 4.2MM in 2024 per the Prop 2 and ½ formula, while the actual levy increased by \$7.9MM. This is allowed because the Town had excess capacity of \$8.2MM and used \$3.7MM of it.

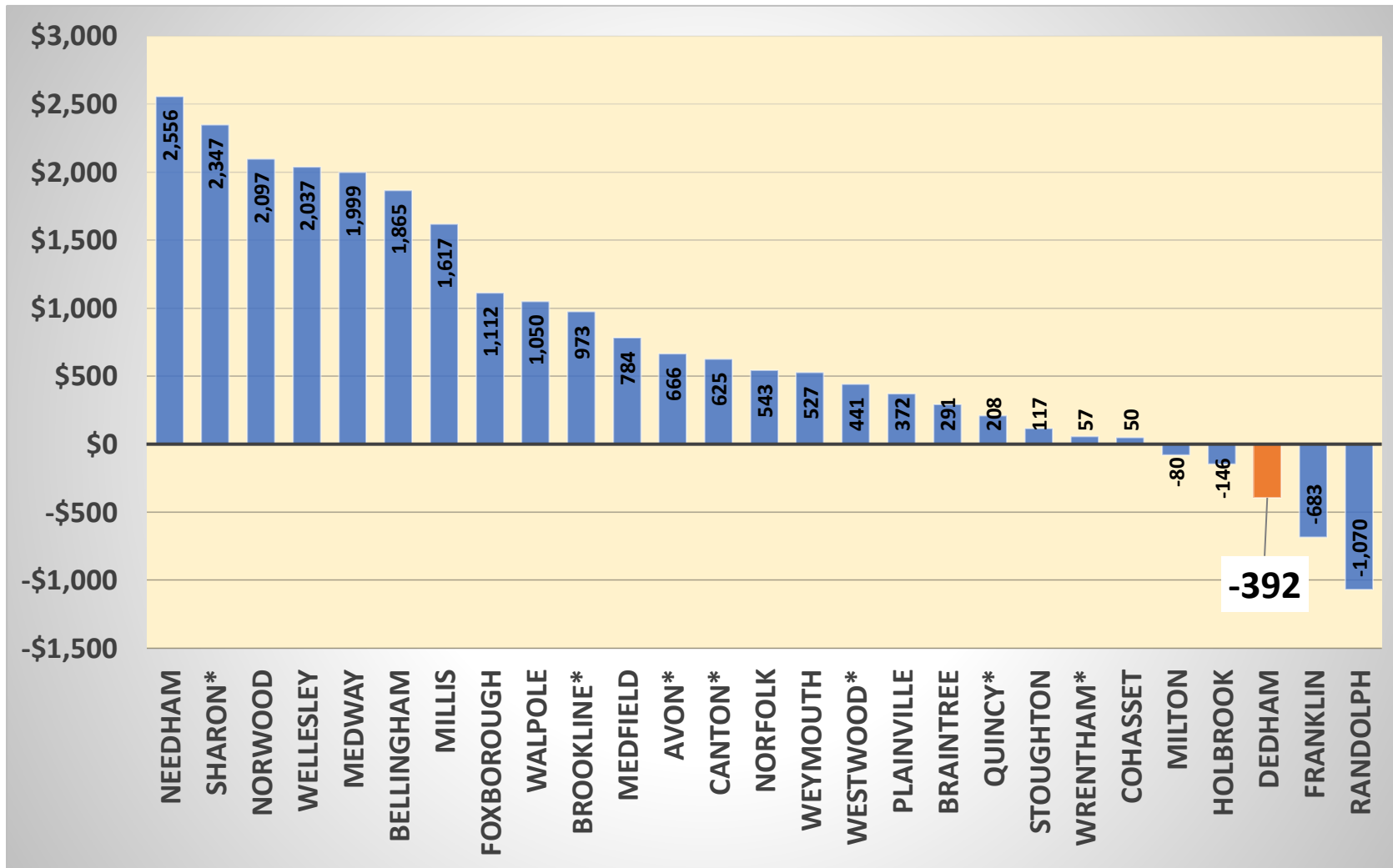
# Excess Tax Levy Capacity 2013-2025



Excess Tax Levy Capacity was ~ \$9.3MM in 20/21/22. It is \$4.5MM this year. Assuming TM accepts the Town Mgr. FY25 budget the excess levy could drop to \$1.5MM. Note: This means the actual tax levy increased more than the Prop 2 and 1/2 formula in response to lower meals and hotel room tax receipts and higher costs brought on by the pandemic and inflation. Total impact \$7.8MM + \$1.0MM reduced from OPEB – total of \$8.8MM.

# Change in Net Position per Capita between FY18 and FY22

## *With several years of data we can look at trends*



**Dedham's Net Position:**  
**2018: \$71MM**  
**2022: \$60.4MM**  
**Per capita Change:**  
**FY18-22: \$ -392**  
**FY 18-23: \$ - 796**

Since 2018 Net Position increased in 22 towns and decreased in 5. Of the 22, 8 simultaneously increased their levy capacity\*. 3 decreased. How did those 8 communities do it? Conversely, is Dedham experiencing changes earlier that others will see in the near future?

# The Future Presents a Number of Options

## • \$ increase in the avg tax bill:

- FY20 - \$345
- FY21 - \$101
- FY22 - \$460
- FY23 - \$601
- FY24- \$663
- *FY25TM -\$577 +/-\**
- *FY22 -25 = \$2,300, on average FY21 bill of \$7,500, or 30%*
- *FY26 – how much will the budget grow?*
- *Dedham’s average tax bill has ranked about 70<sup>th</sup> statewide for the last decade*

## Additional possible local option tax increases – *depending on state legislature*

- Meals tax from 0.75% to 1.0% - \$400K
- Room Occupancy Tax from 6% to 7% - \$250K
- Vehicle Excise Tax surcharge of 5%- \$180K

## Existing Prop 2 and ½ Options

- Debt exclusion for next new school \$350+/-
- Debt exclusion for existing debt \$TBD
- Operational override \$TBD
- Operational underwrite as an alternate way to control tax increases \$TBD

\* May change quite a bit due to state aid, local receipts, portion of levy paid by residential and commercial.

# Summary

- Dedham's Net Position remains in the middle of Norfolk County towns, despite having decreased since 2018.
- Excess Levy capacity has decreased. It was \$9.3MM in 2022 and is projected to be \$1.5MM by the end of FY25. It may be even lower depending on Town Meeting appropriations.
- In 2018 the Town engaged CLA, a tax and accounting services firm, to analyze why levy capacity increased from 2013. Their forecast for FY 19-21 was fairly accurate. Because of the changes 2018 to date it is worth considering having CLA analyze levy capacity and the SNP for 2018 – 2024 and comment on implications for future budgeting decisions.
- The Town adopted a forecasting tool last year. How does last year's FY25 forecast compare with the proposed FY25 budget?
- The FY26 and FY27 forecasts and the CLA analysis should be carefully compiled with input from multiple stakeholders to understand the preferred cost and revenue options.

**STATEMENT OF NET POSITION**

JUNE 30, 2023

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 42,017,362	\$ 5,166,485	\$ 47,183,847
Investments.....	20,475,360	-	20,475,360
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	1,712,090	-	1,712,090
Tax liens.....	2,864,344	-	2,864,344
Motor vehicle and other excise taxes.....	350,957	-	350,957
User charges.....	-	1,881,374	1,881,374
Departmental and other.....	447,775	-	447,775
Intergovernmental.....	1,470,757	-	1,470,757
Special assessments.....	-	14,300	14,300
<b>Total current assets.....</b>	<b>69,338,645</b>	<b>7,062,159</b>	<b>76,400,804</b>
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	257,093	257,093
Capital assets, nondepreciable.....	23,222,361	-	23,222,361
Capital assets, net of accumulated depreciation.....	193,588,011	25,764,449	219,352,460
<b>Total noncurrent assets.....</b>	<b>216,810,372</b>	<b>26,021,542</b>	<b>242,831,914</b>
<b>TOTAL ASSETS.....</b>	<b>286,149,017</b>	<b>33,083,701</b>	<b>319,232,718</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	12,918,295	-	12,918,295
Deferred outflows related to other postemployment benefits.....	19,263,824	-	19,263,824
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>32,182,119</b>	<b>-</b>	<b>32,182,119</b>

**LIABILITIES**

**CURRENT:**

Warrants payable.....	4,098,138	42,936	4,141,074
Accrued payroll.....	6,487,677	-	6,487,677
Tax refunds payable.....	1,216,000	-	1,216,000
Accrued interest.....	659,464	-	659,464
Other liabilities.....	1,095,560	45	1,095,605
Unearned revenue.....	1,099,527	-	1,099,527
Compensated absences.....	582,000	-	582,000
Bonds payable.....	9,342,575	342,046	9,684,621
<b>Total current liabilities.....</b>	<b>24,580,941</b>	<b>385,027</b>	<b>24,965,968</b>

**NONCURRENT:**

Claims and judgments.....	5,000,000	-	5,000,000
Compensated absences.....	1,746,000	-	1,746,000
Net pension liability.....	31,738,978	-	31,738,978
Net other postemployment benefits liability.....	82,218,050	-	82,218,050
Bonds payable.....	117,820,347	5,795,841	123,616,188
<b>Total noncurrent liabilities.....</b>	<b>238,523,375</b>	<b>5,795,841</b>	<b>244,319,216</b>

**TOTAL LIABILITIES.....** 263,104,316 6,180,868 269,285,184

**DEFERRED INFLOWS OF RESOURCES**

Taxes paid in advance.....	47,402	-	47,402
Deferred inflows related to pensions.....	31,506	-	31,506
Deferred inflows related to other postemployment benefits.....	4,875,732	-	4,875,732

**TOTAL DEFERRED INFLOWS OF RESOURCES.....** 4,954,640 - 4,954,640

**NET POSITION**

Net investment in capital assets.....	102,271,752	19,626,562	121,898,314
Restricted for:			
Permanent funds:			
Expendable.....	1,914,784	-	1,914,784
Nonexpendable.....	794,115	-	794,115
Gifts and grants.....	2,128,532	-	2,128,532
Unrestricted.....	(56,837,003)	7,276,271	(49,560,732)
<b>TOTAL NET POSITION.....</b>	<b>\$ 50,272,180</b>	<b>\$ 26,902,833</b>	<b>\$ 77,175,013</b>