

Town of Ashland, MA

Financial Trend Monitoring Report



FTM Report covers the period July 1, 2011 (FY2012) through June 30, 2021

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SECTION I. INTRODUCTION—THE FINANCIAL TREND MONITORING SYSTEM

Welcome to the Town of Ashland’s Financial Trend Monitoring System (FTMS) Report. The purpose of the FTMS is to analyze key financial indicators in order to assess the financial direction of the Town. The report is designed to bring issues and opportunities to the attention of decision-makers through a systematic method of trend analysis. If employed correctly, the FTMS will help Town officials:

1. Gain a better understanding of the Town’s current financial condition.
2. Identify hidden and emerging problems before they reach serious proportions.
3. Present straightforward picture of the Town’s financial strengths and weaknesses to elected and appointed officials, citizens, and credit rating firms.
4. Reinforce the need for long-range considerations during the annual budget process.
5. Provide a starting place for setting, reviewing and updating of financial policies that guide financial decision making.

Aspects of Financial Condition

- **Cash Solvency:** A government’s ability to pay immediate obligations
- **Budgetary Solvency:** It's ability to pay financial obligations within current fiscal period
- **Long-Run Solvency:** Its ability to continue paying obligations in future fiscal periods, and
- **Service-Level Solvency:** The government's ability to continue providing the level of service expected by its constituents.

The ultimate goal of the FTMS is to help local officials and management better assess and protect the Town of Ashland’s overall financial condition.

What is Financial Condition?

Financial condition is broadly defined as the ability of a Town to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline and change. It is often discussed from the perspectives of cash solvency, budgetary solvency, long-run solvency and service-level solvency.

In the narrowest sense, financial condition means the ability of the Town to pay its immediate obligations over the next 30 to 90 days in order to maintain operations. This is typically referred to as “cash solvency.”

Beyond meeting its monthly cash obligations, a Town must also be able to generate enough revenues during a fiscal year to meet all its expenditures, without incurring operational deficits. With few exceptions, such as snow and ice overdrafts, the Town is legally obligated to maintain “budgetary solvency,” or a balanced fiscal year budget, while providing services to residents.

In a broader sense, financial condition means the Town’s ability in the long-run to pay all the costs of doing business, including those which may not appear during the current fiscal year, such as pension costs and liabilities for other post-employment benefits. This long-run balance between revenues and costs is referred to as “long-run solvency” and includes items such as debt commitments and investments designed to maintain capital facilities such as buildings and roads. As many municipalities know all too well, it is possible to defer such costs in the short-run, but failure to adequately invest in capital needs will cost more in the future and could even create issues of budgetary solvency if the needs go unmet for too long.

Lastly, financial condition must also be viewed from the perspective of the services that residents’ desire. “Service-level solvency” refers to the level and quality of the services that residents expect in order to maintain the health, safety and welfare of the community. A Town lacking service-level solvency might in all other respects be in sound financial condition, but be unable to support critical services at an adequate level. In a financial crisis situation, trying to maintain service-level solvency might result in a municipality experiencing cash, budgetary, or long-run solvency problems. That is why it is important to view the issue of financial condition from all four perspectives. During this prolonged period of chronic fiscal constraint, the goal is to prevent fiscal distress, which is a temporary imbalance, from becoming fiscal crisis where obligations can no longer be met.

Although unforeseen events can sometimes create a fiscal crisis, the signs of fiscal distress are often revealed in several recurring indicators. These include structural, economic, demographic and institutional factors. The indicators might manifest in an erosion of the economic base, a significant change in population size, or an interruption in the tax base. A loss of financial independence (through a greater reliance on intergovernmental revenues), a decline in productivity, or a large amount of immediate local government costs can also be indicative of the development of financial imbalances. For the Town of Ashland, which is in good financial condition, the FTMS will help provide a systematic way to monitor changes and anticipate future problems.

Fiscal Distress is the imbalance between the level of financial resources the Town has committed and its potential available resources. Fiscal Crisis occurs when the local government can no longer pay its bills or provide existing levels of service.

What is a Financial Trend Monitoring System?

The Financial Trend Monitoring System (FTMS), as adapted from the system developed by the International City/County Management Association (ICMA), "identifies the factors that affect financial condition and arranges them in a rational order so that they can be more easily analyzed and measured."

It is a management tool that pulls together the pertinent information from the Town's budgetary and financial reports, mixes it with the appropriate economic and demographic data, and creates a series of Town-specific financial indicators that, when plotted over a period of time, can be used to monitor changes in financial condition. The financial indicators include such things as revenue and expenditure trends, financial reserves, changes in the tax base, one-time revenue dependencies, debt, and external revenue dependencies.

What are Financial Indicators?

Financial indicators are the primary tools of the Financial Trend Monitoring System. They represent a way to quantify changes in the factors with which they are associated. Many aspects of financial condition cannot be measured explicitly; however, by quantifying indicators and plotting them over a period of time, decision-makers can begin to monitor and evaluate the Town's financial performance. The use of these indicators will not provide answers as to why a problem is occurring or what the appropriate solution is, but it may provide the opportunity to make an informed management response.

Objectives of the FTMS

- **Predict:** so that the Town can be prepared to deal with fiscal distress before it becomes fiscal crisis
- **Avert:** and take action to avoid fiscal crisis
- **Mitigate:** through corrective action and/or policy changes regain sound financial footing, or at least contain the problem, and
- **Prevent:** a recurrence of fiscal distress after the Town addresses the current issue or crisis (i.e. reliance on one time revenue)

Expenditure Indicators

Expenditures are a rough measure of a local government's service output. Generally, the more a local government spends in constant dollars, the more services it is providing, although this does not take into account how effective the services are or how efficiently they are delivered. To determine whether a government is living within its revenues, the first issue to consider is expenditure growth rate.

Because local governments are required to have a balanced budget, it would seem unlikely that expenditure growth would exceed revenue growth. Nevertheless, the annual budget can be balanced in a number of subtle ways that will create a long-run imbalance in which expenditure outlays and commitments grow faster than revenues. Some of the more common ways are to use non-recurring revenues (one-time monies), to borrow (pay for operating capital through a long-term capital improvement plan), or make use of reserve funds (Stabilization or Free Cash) to fund

operational expenses. Other ways are to defer maintenance on capital items or to defer funding of a future liability, such as a pension obligation or other retiree benefits. In each case, the annual budget remains balanced, but the long-run budget develops a deficit. Although long-run deficits might, conceivably, be made up through windfalls such as additional State Aid, grants, or other revenue surges, allowing such deficits to develop is risky.

A second issue to consider is expenditure flexibility. Expenditure flexibility is a measure of a local government's freedom to adjust its service levels to changing conditions, and considers the level of mandatory or fixed costs. Ideally, a government's expenditure growth rate will not exceed its revenue growth rate, and the government will have maximum flexibility to adjust spending. An increase in mandatory costs, such as debt service, employee benefits, and property and other insurances, renders a government less able to adjust to change.

Revenue Indicators

Revenues determine the capacity of a local government to provide service. Important issues to consider in revenue analysis are growth, flexibility, dependability, diversity, administration, and elasticity. Under ideal conditions, revenues would grow at a rate equal to or greater than the combined effects of inflation and expenditures. They would be sufficiently flexible (free from spending restrictions) to allow adjustments to changing conditions. They would be balanced between elastic and inelastic in relation to inflation and the economic base; that is, some would grow with inflation and the economic base and others would remain relatively constant. Revenue sources would be diversified- not overly dependent on residential, commercial, or industrial land uses, or on external funding sources, such as discretionary State Aid. Fees would be regularly evaluated to cover cost increases.

Analyzing revenue structure will help to identify the following types of problems:

- Deterioration of the revenue base
- Practices or policies that may adversely affect revenue yields
- Poor revenue-estimating practices
- Inefficiency in the collection and administration of revenues
- Overdependence on obsolete or intergovernmental revenue sources
- Fees that are not covering the cost of services

This analysis may be used to provide the framework for the development of new, and update of existing fiscal policies to guide budget development.

Which Fiscal Indicators are included in the report?

Although the comprehensive ICMA model contains dozens of potential indicators for measuring municipal financial condition, a relevant sample has been selected as part of Ashland's Financial Trend Monitoring Report (FTMR). Others were omitted because either they are not applicable to Ashland's situation or because we do not have the data to be able to consistently develop these indicators at this time. We hope to further expand the indicators included in the report in the future. The 15 indicators that have been selected for use in monitoring the Town of Ashland's financial condition are displayed graphically on the following pages and were chosen based upon the availability of data and their appropriateness for Ashland.

Part 1 – Financial Indicators

- **Factor 1 – Revenue Indicators**
 - Intergovernmental Revenues
 - Elastic Revenues, Tax Revenues
 - Uncollected Property Taxes
 - Revenues per Capita

- **Factor 2 – Expenditure Indicators**
 - Expenditures per Capita
 - Expenditures by Function
 - Fringe Benefits

- **Factor 3 – Operating Position Indicators**
 - Financial Reserves/Fund Balance

- **Factor 4 – Debt Indicators**
 - Long Term Debt
 - Debt Service

- **Factor 5 – Unfunded Liability Indicators**
 - Post-Employment Benefits

Part 2 – Environmental Indicators

- **Factor 7 – Community Needs Indicators**
 - Population
 - Top Five Taxpayers

The FTMR is intended to assist the Town's Administration, Select Board, Finance Committee, and School Committee in setting long-range policy priorities, and can provide a logical way of introducing long-range considerations into the annual budget process. The following report has been developed using the ICMA manual entitled Evaluating Financial Condition, A Handbook for Local Government.

What Methodology was used to compile the data in the report?

The Financial Trend Monitoring System (FTMS) analysis covers the period of July 1, 2011 through June 30, 2021. Actual data has been presented for the Town's General Fund for the Fiscal Years 2012 through 2021. The actual data is taken from Schedule A, the Department of Revenue (DOR) Tax Rate Recapitulation reports as well as from various other DOR reports and the Town finance/accounting department. Adjustments and exceptions are noted in the report.

Constant dollars are nominal dollars adjusted for inflation using data from the U.S. Department of Labor, Bureau of Labor Statistics for the Boston-Brockton-Nashua statistical area. CPI-U data is the Consumer Price Index for all urban communities, Boston. For the purpose of this analysis, FY2012 is the base year beginning at 100. The average CPI-U was utilized for FY2021 utilizing the most recent months available.

Population data was derived from the 2010 and 2020 Federal Census. The 2020 Federal Census population was 18,832 and the 2010 Federal Census was 16,593. The population difference is 2,239 which correlates into an average increase of 1.3% each year. As the actual population is unknown each year, we factored in a 1.3% increase each year from the 2010 Federal Census figure.

SECTION II: FTMR Executive Summary

Current Financial Condition

Ashland is in excellent financial condition. The Town's financial reserves have improved drastically over the past several years due to strong management, conservative budgeting practices, and the financial reserve policy, which was drafted and implemented several years ago. The General Stabilization Fund closed the fiscal year with a balance of \$7,509,179 a solid 11% of the FY21 operating budget. On March 11, 2020, the World Health Organization declared a pandemic, which in just a few short months would bring life to a near standstill. Ashland took conservative measures and reduced the already approved FY21 budget by \$1,000,000 by reducing state aid estimates, local receipts & new growth by 20%. At the 6/30/2020 Annual Town Meeting, the Town also appropriated \$1,400,000 from the general stabilization fund to help balance the FY21 operating budget. The Town implemented a spending freeze in April 2020, which helped the Town generate a healthy free cash balance to then appropriate a portion back into the General Stabilization Fund at the 12/9/2020 Special Town Meeting. In total, over \$1.6M was appropriated back into the General Stabilization Fund in FY21. Debt is manageable and our bond rating was upgraded to AAA/Stable in August 2016 and reaffirmed at a December 2020 rating call.

Identify Emerging Problems

Future health insurance costs and the significant unfunded pension obligation of the Middlesex Retirement System remain significant areas of exposure for the annual operating budget. From a service level solvency standpoint, the Town has added many new positions over the last few years which include 4 new firefighters, two police officers, 2 human service positions, library staffing hours, several DPW workers, a procurement/capital specialist, and a Sustainability Manager. However, as the Town grows in population and work volume, a need to increase staffing levels in other departments will follow. Consequently, any increases in full-time staffing will have a multiplier effect on the budget for health insurance, pension and OPEB costs. In addition, it's been two years since the WHO announced a global pandemic. Ashland utilized its' financial reserves as outlined in a 3 year plan to minimize the financial impact to the town from the pandemic. However, from conservative budgeting methods and the free cash policy contributed to replenishing the rainy day fund above and beyond what was appropriated or utilized.

Financial Strengths and Weaknesses

The adoption of the Financial Reserves Policy in December 2013 strengthened the Town's financial condition with zero reliance on one-time revenues in the operating budget. In addition, the financial reserve policy appropriates a percentage of free cash to capital investment and the remainder to the stabilization funds which has insured that one-time funds are only utilized for one-time expenditures or to increase the Town's reserves. The growth in revenue from property taxes, which has kept pace with inflation, as well as excellent tax collections are financial strengths for the Town.

Long Range Budget Considerations

The population in the Town of Ashland is growing and the Town has made great strides in increasing service levels to keep pace. The Town has successfully added positions over the course of the years. Ashland has accomplished this while increasing and reaching its' goal of having 10% of budgeted revenues in the general stabilization fund. However, as the Town continues to grow, the need to address this growth and maintain service-level solvency may require a corresponding increase in personnel again in the future. The Town is also on year 3 of a 3 year plan to utilize its' general stabilization funds to balance the budget. As mentioned earlier, conservative budgeting methods and the free cash policy have since helped to replenish the rainy day fund. As the Town expects growth in FY24 and beyond, the financial forecast for the Town appears positive.

Policy Updates

The Town will continue to adhere to the financial policies set in place. Moving forward it will be important for the Town to continue to fund the OPEB liability. The OPEB Trust Fund was established at the May 2014 Annual Town Meeting for this purpose, and during FY2015 the first annual transfer was made to the Trust (\$500,000). The Trust Fund has a 6/30/21 balance of \$4,927,967. Economic development policies and programs will be continuously reviewed in order to stimulate ongoing development of the tax base.

FISCAL INDICATOR

FY2021

Part 1 - Financial Indicators

Factor 1 - Revenue Indicators:

Intergovernmental Revenues	Favorable
Elastic Revenues	Unfavorable
Tax Revenues	Favorable
Uncollected Property Taxes	Favorable
Revenues per Capita	Uncertain

Factor 2 - Expenditures Indicators:

Expenditures per Capita	Uncertain
Expenditures by Function	Favorable
Fringe Benefits	Uncertain

Factor 3 - Operating Position Indicators:

Financial Reserves/Fund Balance	Favorable
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Factor 4 - Debt Indicators:

Long Term Debt	Favorable
Debt Service	Favorable

Factor 5 - Unfunded Liability Indicators:

Other Post-Employment Benefits	Favorable
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Part 2 - Environmental Indicators

Factor 7 - Community Needs Indicators

Population	Uncertain
Top Five Taxpayers	Favorable

Section III - Factor 1: Revenue Indicators – Intergovernmental Revenues (State Aid)

Formula:
$\frac{\text{Intergovernmental operating revenues}}{\text{Operating revenues}}$

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: Increasing amount of intergovernmental operating revenues as a percentage of Operating revenues.

Description:

A reduction in State Aid as a percentage of operating revenues is generally perceived as a warning trend. However, intergovernmental revenues as a percentage of the operating budget are also important because an overdependence upon such revenues can be harmful. State governments struggle with their own budget problems and when the economy is not robust, frequently they have reduced aid to local governments. The reduction of intergovernmental funds leaves the municipal government with the dilemma of cutting programs or funding them from general fund revenues. Any decline in intergovernmental funding is difficult for a municipality to absorb. Standard & Poors reviews the composition of a municipality's revenue stream and the stability of major revenues such as intergovernmental aid.

Analysis:

The level of State Aid and other intergovernmental revenues provided to municipalities is a continuing concern in Massachusetts because State Aid is unreliable. During FY2007 through FY2010, the Town of Ashland was one of many communities that felt the impact of the Great Recession. The Great Recession was the largest downturn in economic activity since the Great Depression. At that time, Ashland relied on State Aid; therefore, when cuts were made, the Town was forced to utilize its free cash or reserves to balance the budget. The Town was utilizing its reserves at a rate greater than the funds being appropriated into the reserve fund. However, the Town of Ashland has seen a favorable trend from FY2013 through FY2019. The Town has increased its reserves from \$600,000 in FY2008 to over \$7.5 million in FY2021. The increase in the reserves are thanks to the financial reserve policy implemented in December 2013 and adherence to this policy. The Town did see a spike in State Aid in FY20 due to a formula change with Chapter 70 funding. As such, this level of state aid should remain constant. Despite an uptick in the percentage of revenues from state aid in FY20, the Town has the ability to absorb any cuts in state aid due to significant reserves, financial strategies, and conservative budgeting methods.

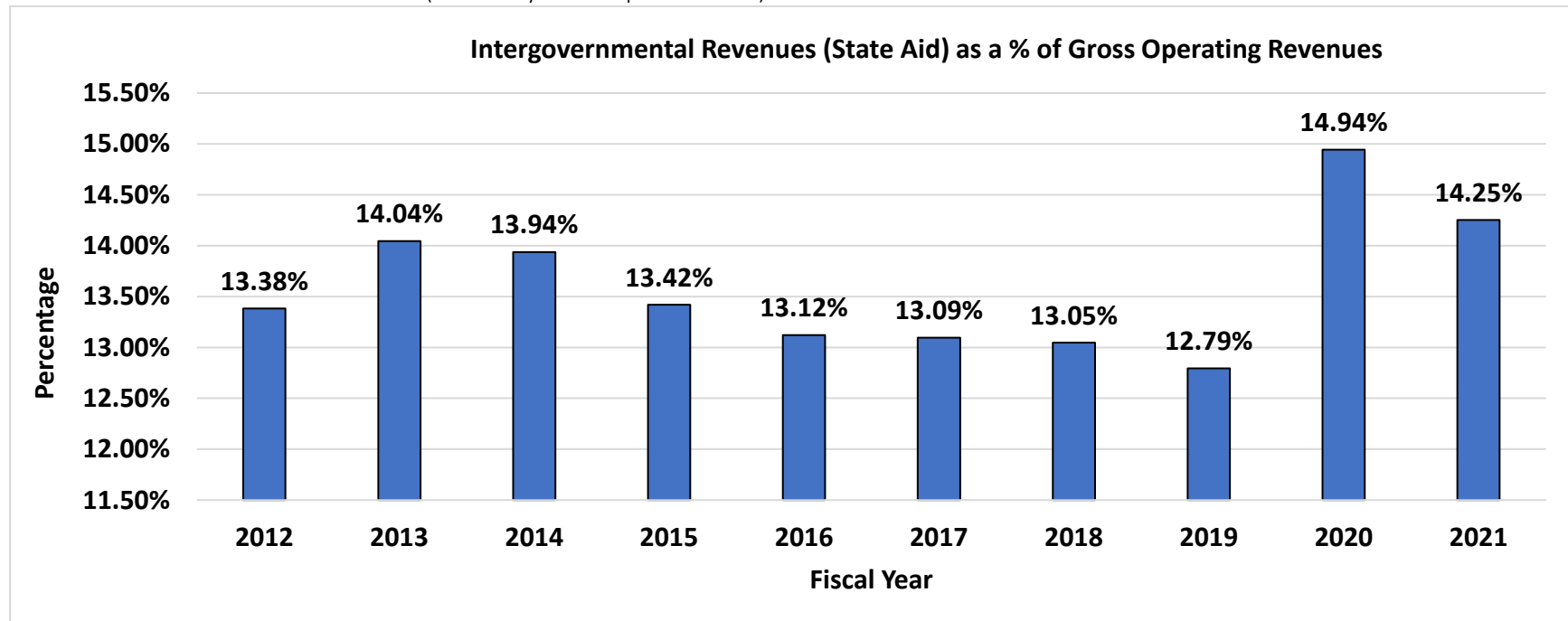
Section III - Factor 1: Revenue Indicators – Intergovernmental Revenues (State Aid)

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating revenue*	\$47,132,191	\$48,721,532	\$50,682,434	\$51,866,788	\$53,708,861	\$56,546,074	\$57,910,743	\$60,504,315	63,642,963	67,023,933
Actual State Aid Received**	\$6,306,918	\$6,842,317	\$7,063,033	\$6,960,576	\$7,047,364	\$7,404,687	\$7,555,765	\$7,740,404	9,509,973	9,552,160
State Aid as a % of Operating Revenue	13.38%	14.04%	13.94%	13.42%	13.12%	13.09%	13.05%	12.79%	14.94%	14.25%
CPI - U, Base Period = 1982-1984	247.7	251.1	255.2	256.7	260.5	267.0	275.8	281.0	284.3	291.5
CPI - U, Adjust to 2012 Base Year	100.00	101.39	103.02	103.64	105.17	107.81	111.35	113.44	114.78	117.68
CPI in decimals	1.00	1.01	1.03	1.04	1.05	1.08	1.11	1.13	1.15	1.18
Property Tax Revenue (constant dollars)	\$47,132,191	\$48,054,358	\$49,196,027	\$50,045,394	\$51,070,592	\$52,452,178	\$52,007,654	\$53,334,231	\$55,449,743	\$56,953,098
Actual State Aid Received (constant dollars)	\$6,306,918	\$6,748,621	\$6,855,889	\$6,716,143	\$6,701,186	\$6,868,593	\$6,785,574	\$6,823,125	\$8,285,685	\$8,116,878
State Aid as a % of Operating Revenue	13.38%	14.04%	13.94%	13.42%	13.12%	13.09%	13.05%	12.79%	14.94%	14.25%

Notes:

*Source: Schedule A - Total General Fund Revenues.

**Source: Balance Sheet Checklist submitted to DOR (Actual cherry sheet receipts net of offsets)



Section III - Factor 1: Revenue Indicators – Elastic (Economic Growth) Revenues

Formula:
$\frac{\text{Economic Growth Revenues}}{\text{Net Operating revenues}}$

Ashland Trend	
Favorable	
Marginal	
Unfavorable	X
Uncertain	

Warning Trend: Decreasing amount of elastic operating revenues (economic growth revenues) as a percentage of Operating revenues.

Description:

Revenues related to economic growth (elastic revenue sources) include tax levy growth from new development, motor vehicle excise taxes, as well as building permits and construction related permit fees. These revenues are sensitive to changes in the level of economic activity. A decrease in new economic development and building permit fees may be a leading indicator of smaller future increases in the tax levy. A balance between elastic and inelastic revenues mitigate the effects of economic growth or decline. Standard & Poors believes that diverse revenue sources strengthen financial performance.

Analysis:

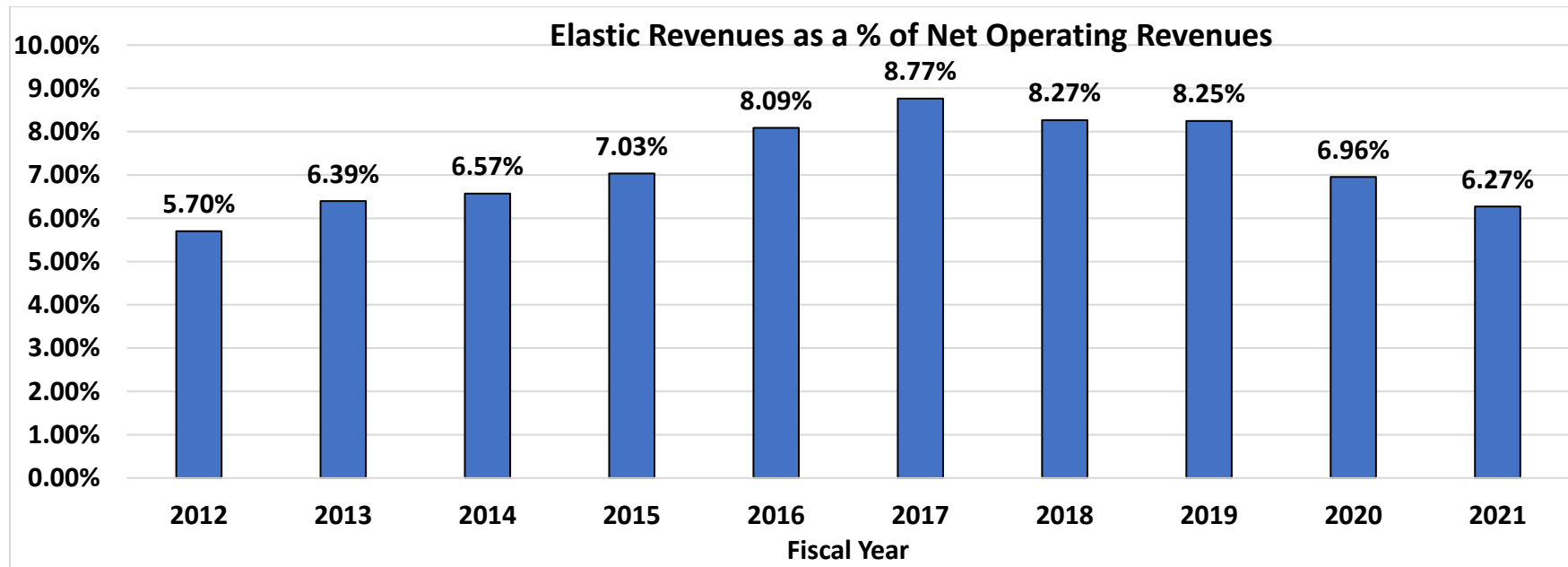
Recent years have shown a decrease in Ashland's economic revenues which signals a warning trend. A significant contributor in Ashland in the past years was the Rail Transit District project, a 398 apartment complex. However, this development is now complete. As such, building related permits and fees have started to decrease significantly. Motor vehicle revenue is starting to level out and in FY21 we saw our first decline in MVE tax collections in years. Although, MVE tax increased in FY20, it had the potential to be higher in FY20 and certainly higher in FY21 if not for the COVID-19 pandemic. Meals tax was also considerably lower in FY20 due to the pandemic and continues to be in FY21. Fortunately, meals tax revenue is no longer included in the general fund stream and does not affect general fund operations. The funds are now included in a separate special revenue fund. Despite seeing an unfavorable trend now, we are optimistic the economy will rebound in coming years as the pandemic comes to a conclusion. Also, Ashland has a few developments expected to come to fruition in coming years such as RTD Phase II, Town Line Development, 10-50 Main St, Development, Valentine Property, 81 West Union St (Phase II) and the mixed use development at 150 Chestnut St., which will help new growth and permit revenues.

Section III - Factor 1: Revenue Indicators – Elastic (Economic Growth) Revenues

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating revenue*	\$47,132,191	\$48,721,532	\$50,682,434	\$51,866,788	\$53,708,861	\$56,546,074	\$57,910,743	\$60,504,315	63,642,963	67,023,933
Less - Excluded Debt**	\$2,364,184	\$2,093,734	\$2,067,901	\$1,943,733	\$1,777,626	\$1,669,280	\$1,808,330	\$1,724,845	\$2,079,566	2,027,859
Net Operating revenue	\$44,768,007	\$46,627,798	\$48,614,533	\$49,923,055	\$51,931,235	\$54,876,794	\$56,102,413	\$58,779,470	\$61,563,397	64,996,074
Building Related Fees & Permits***	\$207,294	\$295,344	\$464,005	\$374,470	\$672,261	\$1,088,096	\$513,759	\$395,286	\$439,953	395,205
Motor Vehicle Excise&	\$2,085,271	\$2,401,472	\$2,358,597	\$2,401,517	\$2,547,445	\$2,724,638	\$2,780,873	\$2,897,255	\$2,920,444	2,838,101
Certified New Growth*	\$259,378	\$284,483	\$356,891	\$533,905	\$758,989	\$777,133	\$1,122,293	\$1,292,825	\$688,069	635,807
Meals Tax ^	\$0	\$0	\$14,943	\$200,474	\$220,800	\$220,643	\$220,500	\$263,506	\$233,380	207,511
Total Economic Growth Revenues	\$2,551,943	\$2,981,299	\$3,194,436	\$3,510,366	\$4,199,495	\$4,810,510	\$4,637,426	\$4,848,872	\$4,281,847	4,076,623
Economic Growth Revenues as a % of Net Operating Revenues	5.70%	6.39%	6.57%	7.03%	8.09%	8.77%	8.27%	8.25%	6.96%	6.27%

Notes:

*Source: Schedule A – Total General Fund Revenues; **Source: Gateway-Tax Rate-DE-1; ***Source: Ashland Finance Dept. – Building Related Fees & Permits includes building, gas & plumbing, and wiring permits. ****Source: Gateway-Tax Rate-Levy Limit Form; ^Source: Gateway-Tax Recap page 3 & Finance Dept.



Section III - Factor 1: Revenue Indicators – Property Tax Revenues

Formula:
<u>Net Property Tax Revenues</u>
Consumer Price Index

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: A decline in property tax revenues (measured in constant dollars) is considered a warning indicator.

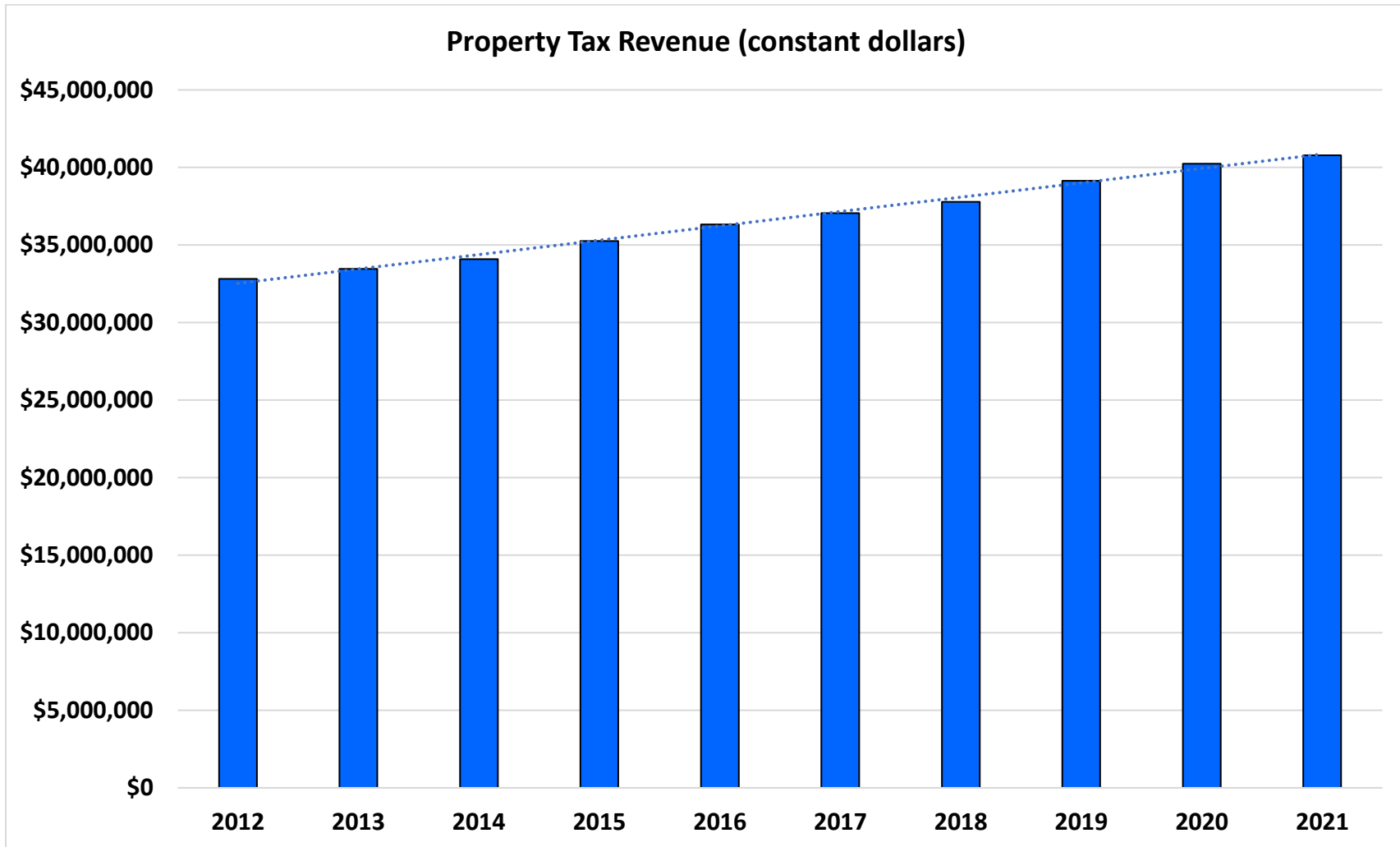
Description:

The property tax levy is the revenue a community can raise through real and personal property taxes. In Massachusetts, municipal revenues to support local spending for schools, public safety and other public services are raised through the property tax levy, state aid, local receipts and other sources. The property tax levy is the largest source of revenue for most cities and towns. The expenditure budget of a Town or City is the driver of the tax levy and determines how much needs to be raised in taxes (after adjusting for other sources of revenue). However, municipalities are restricted as to how much can be levied each year known as Proposition 2.5%. The name refers to the 2.5% ceiling on total property taxes annually as well as the 2.5% limit on property tax increases. In Ashland, property tax revenues account for approximately 70% of the revenue budget.

Analysis:

The analysis shows that property tax revenue adjusted to constant dollars is positive and have kept pace with inflation. Further, the Town’s revenue growth has occurred despite having no operating Proposition 2 ½ overrides.

Section III - Factor 1: Revenue Indicators – Property Tax Revenues



Section III - Factor 1: Revenue Indicators – Uncollected Property Taxes

Formula:
<u>Uncollected Property Taxes (as of 6/30)</u>
Net Property Tax Levy

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: Increasing amount of uncollected property taxes as a percentage of net property tax levy.

Description:

Every year, a percentage of property owners is unable to pay property taxes. Uncollected property taxes as a percentage of the net tax levy of 5% or more is considered negative by bond rating organizations. Credit-rating firms assume that a local governmental normally will be unable to collect 2 to 3 percent of its property taxes within the year that the taxes are due. An increase in uncollected property taxes could signal an overall decline or potential instability in the tax base of the town. As uncollected property taxes rise, liquidity is decreased and there is less cash on hand to pay bills or to invest. This early warning indicator is particularly critical to watch during periods of economic decline or uncertainty.

Analysis:

Property taxes provide over 70% of Ashland’s operating revenue, representing the single most important source of revenue. The analysis below indicates that Ashland’s property tax collection rate is excellent. The Town consistently collects 98%-99% of property taxes in each fiscal year. The Town’s percentage of uncollected property taxes has been consistently below 2% over the past 10 years which is within the allowable range of credit-rating firms.

Section III - Factor 1: Revenue Indicators – Uncollected Property Taxes

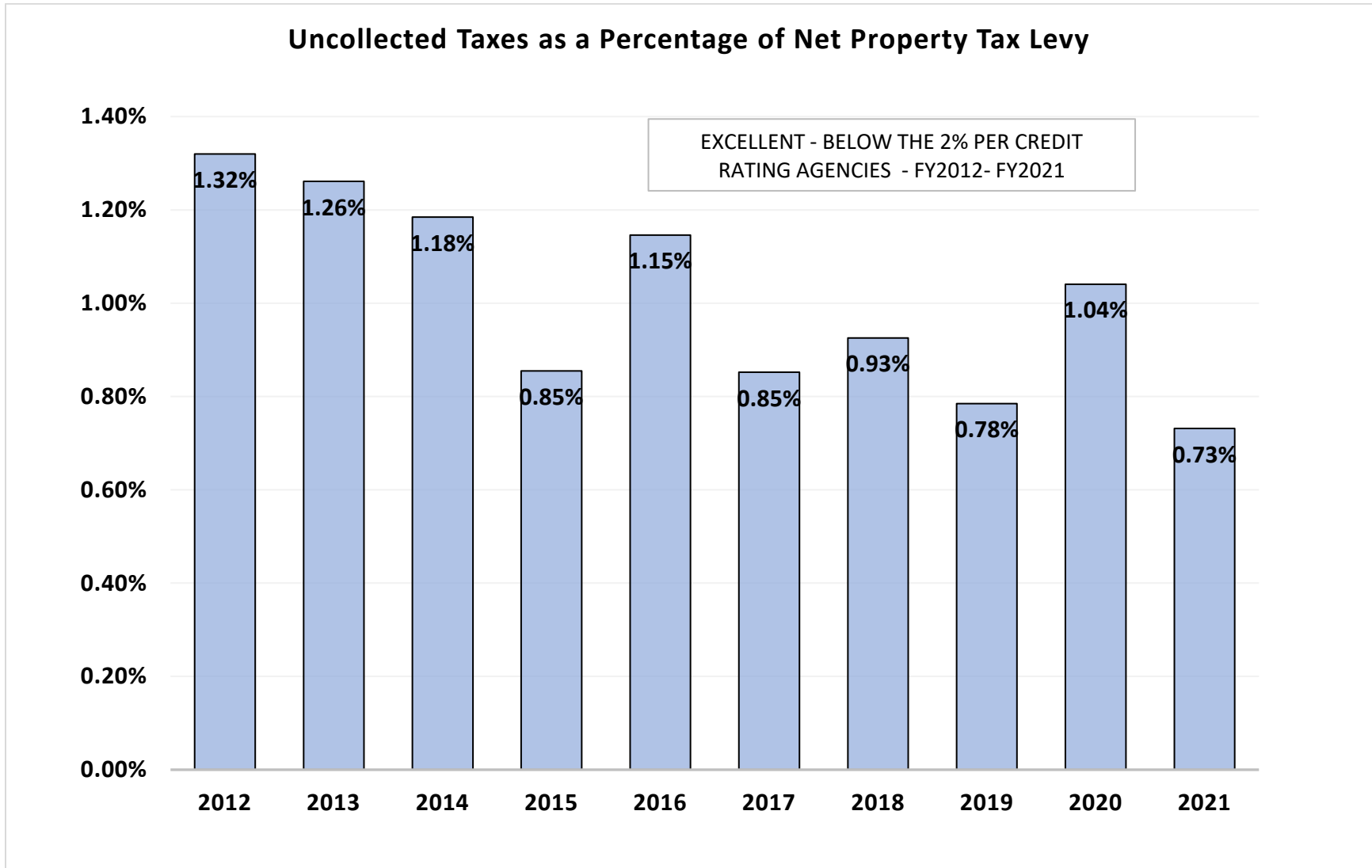
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Residential Property Tax Levy*	\$31,979,376	\$32,670,338	\$33,750,990	\$34,982,345	\$36,276,915	\$37,724,748	\$39,749,557	\$41,855,949	43,774,366	45,402,475
Open Space Tax Levy*	\$5,218	\$5,397	\$5,476	\$4,733	\$4,848	\$4,763	\$4,737	\$4,768	2,765	4,011
Commercial Property Tax Levy*	\$1,807,273	\$1,870,320	\$1,914,613	\$1,962,666	\$2,237,213	\$2,379,279	\$2,475,382	\$2,567,258	2,694,392	2,725,691
Industrial Property Tax Levy*	\$643,824	\$661,148	\$656,554	\$621,181	\$610,371	\$629,830	\$685,124	\$702,109	760,524	768,439
Personal Property Tax Levy*	\$746,453	\$804,897	\$866,559	\$909,703	\$858,484	\$871,678	\$963,671	\$998,240	1,029,489	1,121,417
Property Tax Subtotal	\$35,182,144	\$36,012,101	\$37,194,193	\$38,480,628	\$39,987,832	\$41,610,299	\$43,878,471	\$46,128,325	\$48,261,537	50,022,033
Reserved for Abatements & Exemptions*	\$281,001	\$515,930	\$246,286	\$252,026	\$245,000	\$215,000	\$260,000	\$477,313	\$150,000	\$199,952
Net Property Tax Levy	\$34,901,143	\$35,496,171	\$36,947,907	\$38,228,602	\$39,742,832	\$41,395,299	\$43,618,471	\$45,651,012	\$48,111,537	\$49,822,081
Uncollected Taxes as of June 30**	460,604	447,679	437,708	326,849	455,509	\$352,641	\$403,684	\$358,183	\$500,655	\$364,519
Uncollected Taxes as a Percentage of Net Property Tax	1.32%	1.26%	1.18%	0.85%	1.15%	0.85%	0.93%	0.78%	1.04%	0.73%
Percentage Collected in Current Year	98.68%	98.74%	98.82%	99.15%	98.85%	99.15%	99.07%	99.22%	98.96%	99.27%

Notes:

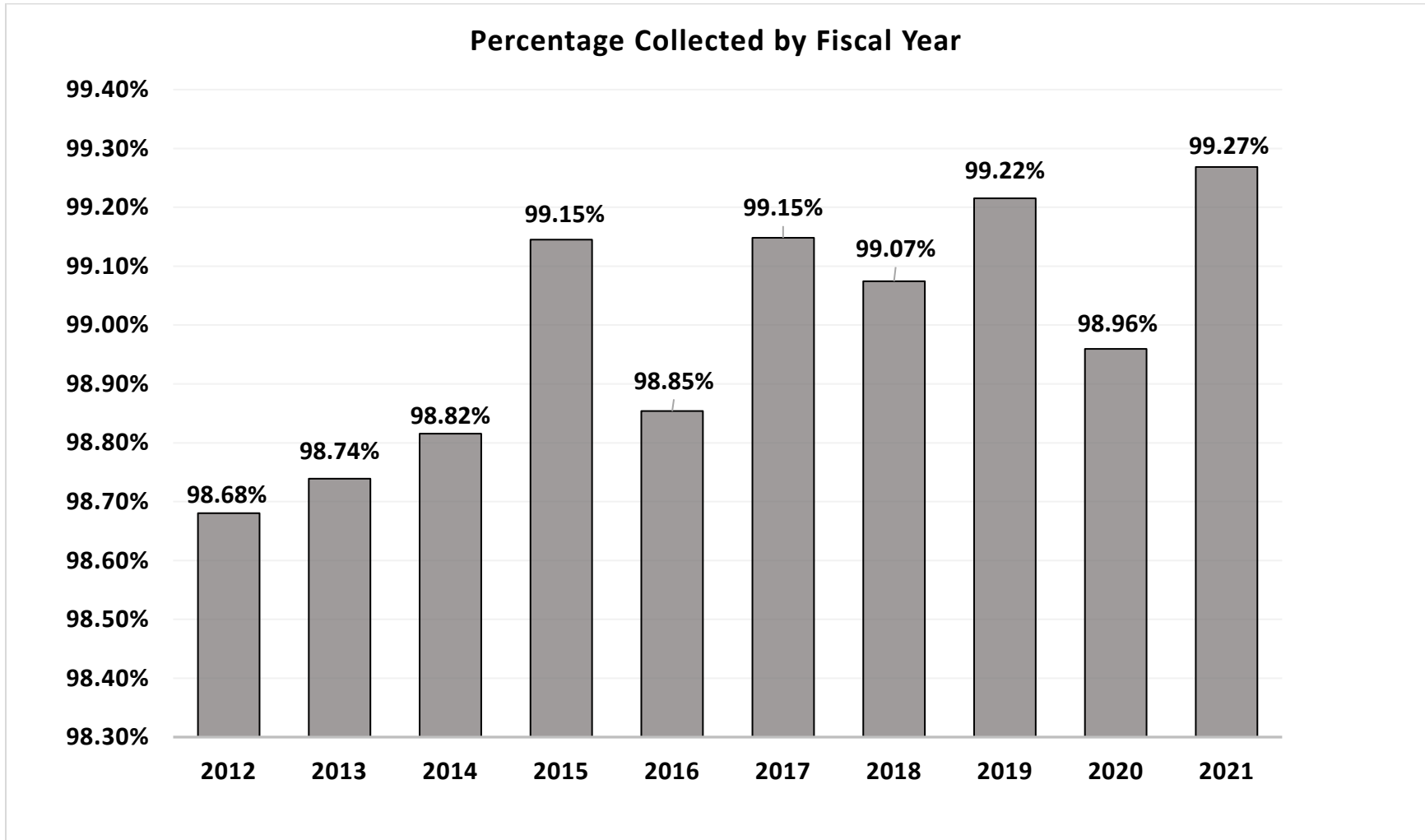
*Source: Tax Recap

**Source: Finance Dept.

Section III - Factor 1: Revenue Indicators – Uncollected Property Taxes



Section III - Factor 1: Revenue Indicators – Uncollected Property Taxes



Section III - Factor 1: Revenue Indicators – Revenues & Expenditures per Capita

Formula:
$\frac{\text{Operating Revenues or Expenditures (constant dollars)}}{\text{Population}}$

Ashland Trend	
Favorable	
Marginal	
Unfavorable	
Uncertain	X

Warning Trend: Decreasing revenues per capita and increasing operating expenditures per capita (measured in constant dollars) is considered a warning trend, especially if spending is increasing faster than revenues or if one-time revenues are consistently needed to achieve budgetary balance.

Description:

Revenues and expenditures per capita show changes relative to population. For enhanced analysis, revenues and expenditures per capita charted together provide a method to measure both sides of the municipal budget. As population increases, it might be expected that revenues and the need for services would increase proportionately and therefore the level of per capita revenues would remain constant. If per capita revenues are decreasing, the municipality may not be able to maintain existing service levels unless cost savings or new revenue sources are identified. Changes in per capita expenditures that reflect an increase may indicate that the cost of providing municipal services is outpacing the community’s ability to pay for those services, especially if spending is greater than can be counted for by inflation or the addition of new services.

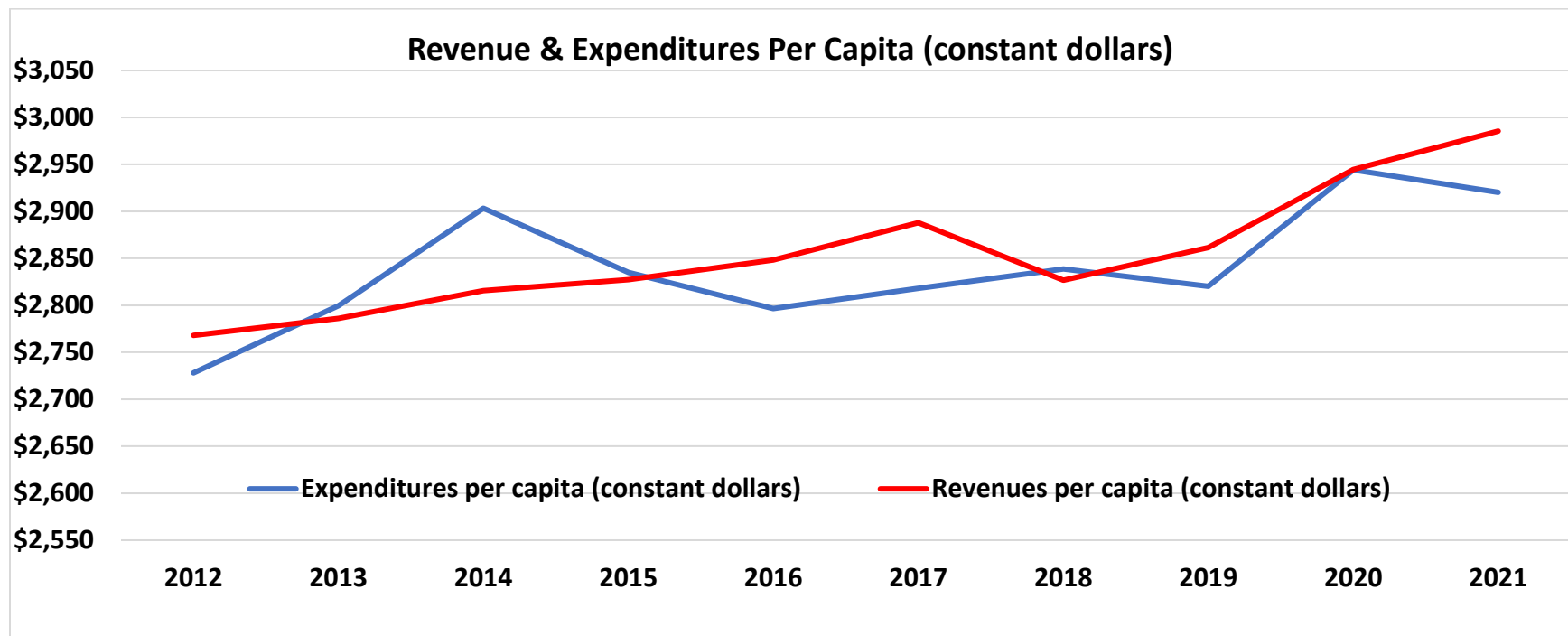
Analysis:

From FY2012 through FY2021, revenues and expenditures per capita have remained relatively close. The data is not consistent enough to develop a conclusion on whether or not the Town of Ashland is able to maintain the level of services while keeping up with population increases.

Section III - Factor 1: Revenue Indicators – Revenues & Expenditures per Capita

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenditures (nominal dollars)*	\$46,451,657	\$48,961,563	\$52,265,228	\$52,008,253	\$52,730,607	\$55,180,542	\$58,158,192	\$59,629,843	\$63,636,449	\$ 65,561,935
Revenues (nominal dollars)*	\$47,132,191	\$48,721,532	\$50,682,434	\$51,866,788	\$53,708,861	\$56,546,074	\$57,910,743	\$60,504,315	\$63,642,963	\$ 67,023,933
CPI - U, Base Period = 1982-1984**	247.7	251.1	255.2	256.7	260.5	267.0	275.8	281.0	284	291.5
CPI - U, Adjust to 2006 Base Year	100.00	101.39	103.02	103.64	105.17	107.81	111.35	113.44	114.78	117.68
CPI in decimals	1.00	1.01	1.03	1.04	1.05	1.08	1.11	1.13	1.15	1.18
Expenditures (constant dollars)	\$46,451,657	\$48,291,102	\$50,732,401	\$50,181,891	\$50,140,391	51,185,510	52,229,879	52,563,388	55,444,068	55,710,776
Revenues (constant dollars)	\$47,132,191	\$48,054,358	\$49,196,027	\$50,045,394	\$51,070,592	52,452,178	52,007,654	53,334,231	55,449,743	56,953,098
Population	17,027	17,249	17,473	17,700	17,930	18,163	18,399	18,638	18,832	19,077
Assessed Value***	\$2,123,243,440	\$2,101,056,070	\$2,138,826,500	\$2,224,313,748	\$2,352,225,396	\$2,491,634,647	\$2,641,690,000	\$2,833,435,192	\$2,986,481,230	\$3,140,115,050
Expenditures per capita (nominal dollars)	\$2,728	\$2,839	\$2,991	\$2,938	\$2,941	\$3,038	\$3,161	\$3,199	\$3,379	\$3,437
Revenues per capita (nominal dollars)	\$2,768	\$2,825	\$2,901	\$2,930	\$2,995	\$3,113	\$3,147	\$3,246	\$3,380	\$3,513
dollars)	\$2,728	\$2,800	\$2,904	\$2,835	\$2,796	\$2,818	\$2,839	\$2,820	\$2,944	\$2,920
Revenues per capita (constant dollars)	\$2,768	\$2,786	\$2,816	\$2,827	\$2,848	\$2,888	\$2,827	\$2,862	\$2,944	\$2,985

Notes: *Source: Schedule A, **Source: Mass DOR Databank, ***Source: Tax Recap



Section III - Factor 2: Expenditure Indicators – Expenditures by Function

Formula:
$\frac{\text{Operating expenditures for one function}}{\text{Total operating expenditures}}$

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: Increasing operating expenditures for one function as a percentage of total Operating expenditures.

Description:

Expenditures by function shows a more detailed breakdown of a local government's general governmental funds expenditures. Expenditures by function will help analyze the cause of the increases in governmental spending over time. Expenditures by function will help analyze the cause of the increases in governmental spending over time. Standard & Poor's reviews expenditure composition and stability in the context of revenue patterns.

Analysis:

In reviewing the expenditures by Function, the largest components, of the operating budget, are Education, Other, and Police and Fire. The operating expenditures include capital items approved from the general fund capital account as well. However, the Schools only started receiving capital funding from the general fund capital account in FY2013. In FY13 through FY21, the schools may have received more funding for capital items and other departments less funding and vice versa. Education and the Other category, which consists of the insurance expenditures & transfers out, have increased as a percentage of the general fund expenditures. Overall, expenditures by function appear reasonable and there have been no significant increases in any one category.

Section III - Factor 2: Expenditure Indicators – Expenditures by Function

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Government*	\$2,281,863	\$2,294,633	\$2,429,312	\$2,230,712	\$2,177,452	\$2,534,658	\$3,750,962	3,814,570	4,295,414	\$3,285,638
Police, Fire, & Other Public Safety**	\$5,336,005	\$5,382,032	\$5,355,297	\$5,535,077	\$5,629,699	\$5,758,730	\$5,890,717	6,076,068	6,329,492	\$5,843,747
Education***	\$23,955,109	\$24,877,914	\$26,436,877	\$27,323,483	\$28,110,867	\$29,420,091	\$31,812,348	32,200,985	34,411,331	\$35,984,210
Public Works****	\$1,459,577	\$1,724,044	\$1,598,705	\$1,770,170	\$2,120,841	\$2,186,286	\$1,890,974	1,805,157	1,904,676	\$2,103,815
Human Services*****	\$761,647	\$647,865	\$424,683	\$402,837	\$397,881	\$530,895	\$532,610	567,760	610,786	\$659,666
Culture & Recreation &	\$354,701	\$374,387	\$386,824	\$397,111	\$442,789	\$442,050	\$445,687	473,767	489,606	\$457,662
Debt Service & Fixed Costs	\$2,914,745	\$3,465,638	\$4,505,660	\$3,217,329	\$3,120,945	\$3,031,062	\$3,293,951	3,371,166	4,074,570	\$3,811,296
State Assessments	\$994,901	\$1,098,933	\$1,231,824	\$1,276,233	\$1,114,171	\$953,139	\$660,744	621,927	601,764	\$420,793
Other &&	\$8,393,109	\$9,096,117	\$9,896,045	\$9,855,301	\$9,615,966	\$10,323,631	\$9,880,199	10,737,594	10,565,242	\$12,995,108
Total Operating Expenditures	\$46,451,657	\$48,961,563	\$52,265,227	\$52,008,253	\$52,730,611	\$55,180,542	\$58,158,192	\$59,668,994	\$63,282,881	\$65,561,935
GG as a percentage of Total operating expenditures	4.91%	4.69%	4.65%	4.29%	4.13%	4.59%	6.45%	6.39%	6.79%	5.01%
Police, Fire & Other PS as a percentage of Total operating expenditures	11.49%	10.99%	10.25%	10.64%	10.68%	10.44%	10.13%	10.18%	10.00%	8.91%
EDU as a percentage of Total operating expenditures	51.57%	50.81%	50.58%	52.54%	53.31%	53.32%	54.70%	53.97%	54.38%	54.89%
PW as a percentage of Total operating expenditures	3.14%	3.52%	3.06%	3.40%	4.02%	3.96%	3.25%	3.03%	3.01%	3.21%
HHS as a percentage of Total operating expenditures	1.64%	1.32%	0.81%	0.77%	0.75%	0.96%	0.92%	0.95%	0.97%	1.01%
C & R as a percentage of Total operating expenditures	0.76%	0.76%	0.74%	0.76%	0.84%	0.80%	0.77%	0.79%	0.77%	0.70%
Debt Service & Fixed Costs as a percentage of Total operating	6.27%	7.08%	8.62%	6.19%	5.92%	5.49%	5.66%	5.65%	6.44%	5.81%
State Assessments as a percentage of Total operating expenditures	2.14%	2.24%	2.36%	2.45%	2.11%	1.73%	1.14%	1.04%	0.95%	0.64%
Other as a percentage of Total operating expenditures	18.07%	18.58%	18.93%	18.95%	18.24%	18.71%	16.99%	18.00%	16.70%	19.82%

Notes: Source: Schedule A

*General Government includes: Town Manager, Town Accountant, Treasurer/Collector, Legal Counsel, Public Assessors, Operations Support, Town Clerk, Conservation, Planning

**Police, Fire & Other Public Safety includes: Police, Fire, Inspection Services, and Animal Control

***Education includes Education and Keefe Tech School Assessment

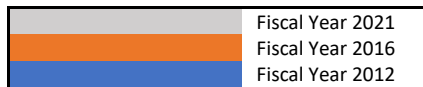
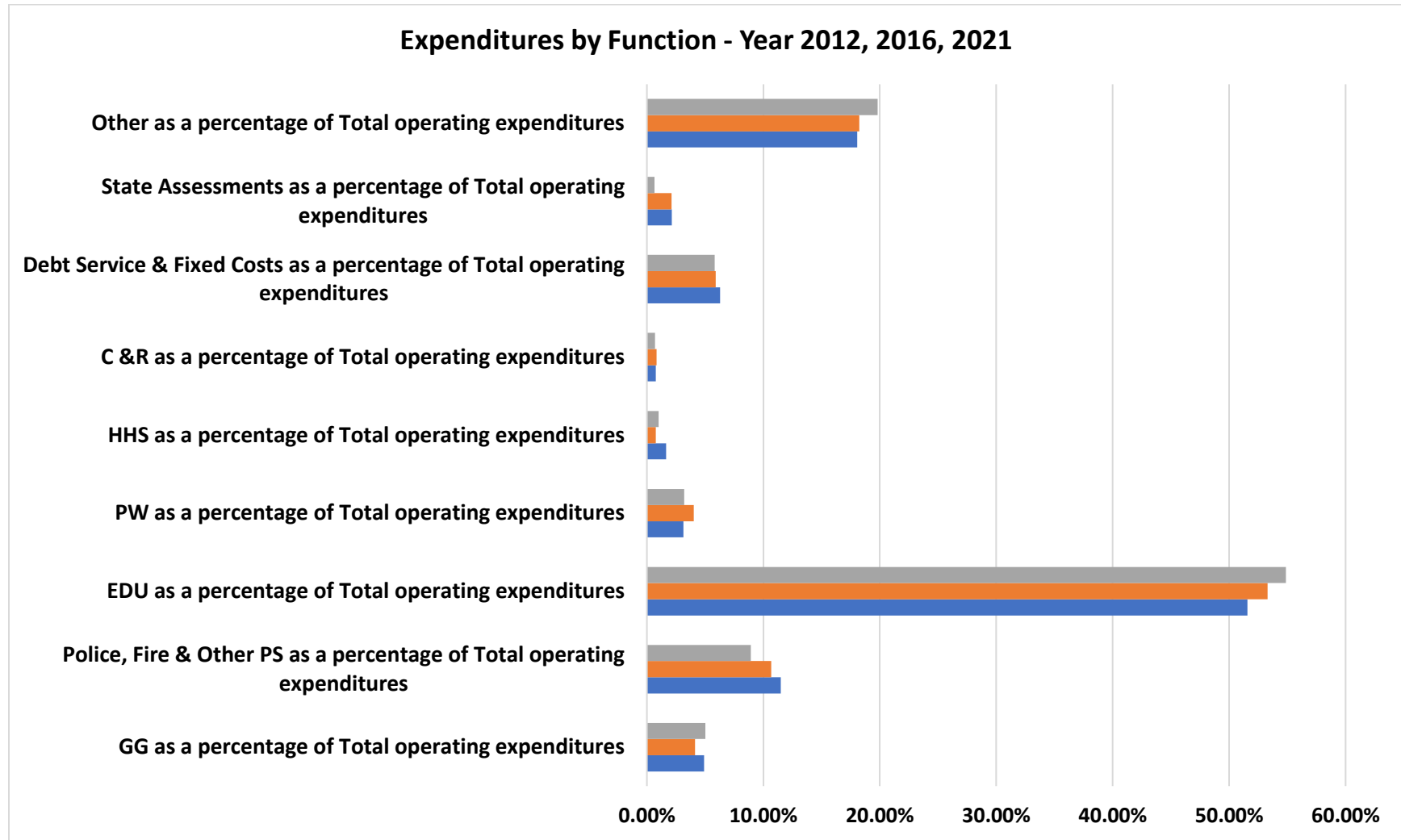
****Public Works includes Highway/Streets Snow & Ice, Highway/Streets Other, Waste Collection & Disposal, Streetlighting, & Building Maintenance

*****Human Services includes Health Dept., Special Program and Veterans,

& Culture & Recreation includes: Library and Recreation

&& Other includes: Worker's Compensation, Unemployment, Health Insurance, Other employee Benefits, Other Insurance, Retirement, & Transfers to Other Funds.

Section III - Factor 2: Expenditure Indicators – Expenditures by Function



Section III - Factor 2: Expenditure Indicators – Fringe Benefits

Formula:
<u>Employee Benefits</u>
Wages & Salaries

Ashland Trend	
Favorable	
Marginal	
Unfavorable	
Uncertain	X

Warning Trend: Increasing employee benefit costs as a percentage of salaries and wages.

Description:

The two most significant benefit items to consider in personnel discussions are health insurance and pensions. Both of these are, for the most part, prescribed by Commonwealth law, and municipalities are limited in the changes they can make to these items (pensions more so than health insurance). As employers, municipalities must offer health insurance to all benefit-eligible employees and current employees become vested in the pension system after ten years of creditable service. Municipalities do have some ability to manage and control both health insurance and pension costs. For example, communities can work to reduce their health insurance premium contribution rates, increase co-pays/deductibles, or move to the State Group Insurance Commission (GIC). Prudent management of staffing levels is also critical as increases in staffing increase both health insurance and pension costs.

Analysis:

Overall, total fringe benefits as a percentage of wages and salaries has increased less than 1% or less over the last 3 years. However, the retirement assessment continues to increase, primarily due to implementation of a funding plan to eliminate the unfunded liability by 2035. Health insurance rates continue to increase, as well as, the Town’s contribution to OPEB. Although it appears the trend is unfavorable, the Town is still at a lower percentage than in FY12-FY15. The Town overhauled its health insurance effective, 7/1/16 when it switched to the Group Insurance Commission. To date, this switch has saved the Town millions. The Town will be revisiting health insurance in the upcoming years. As the coronavirus pandemic comes to a conclusion, the delayed impact it could potentially have on health insurance providers and rates is still unknown.

Section III - Factor 2: Expenditure Indicators – Fringe Benefits

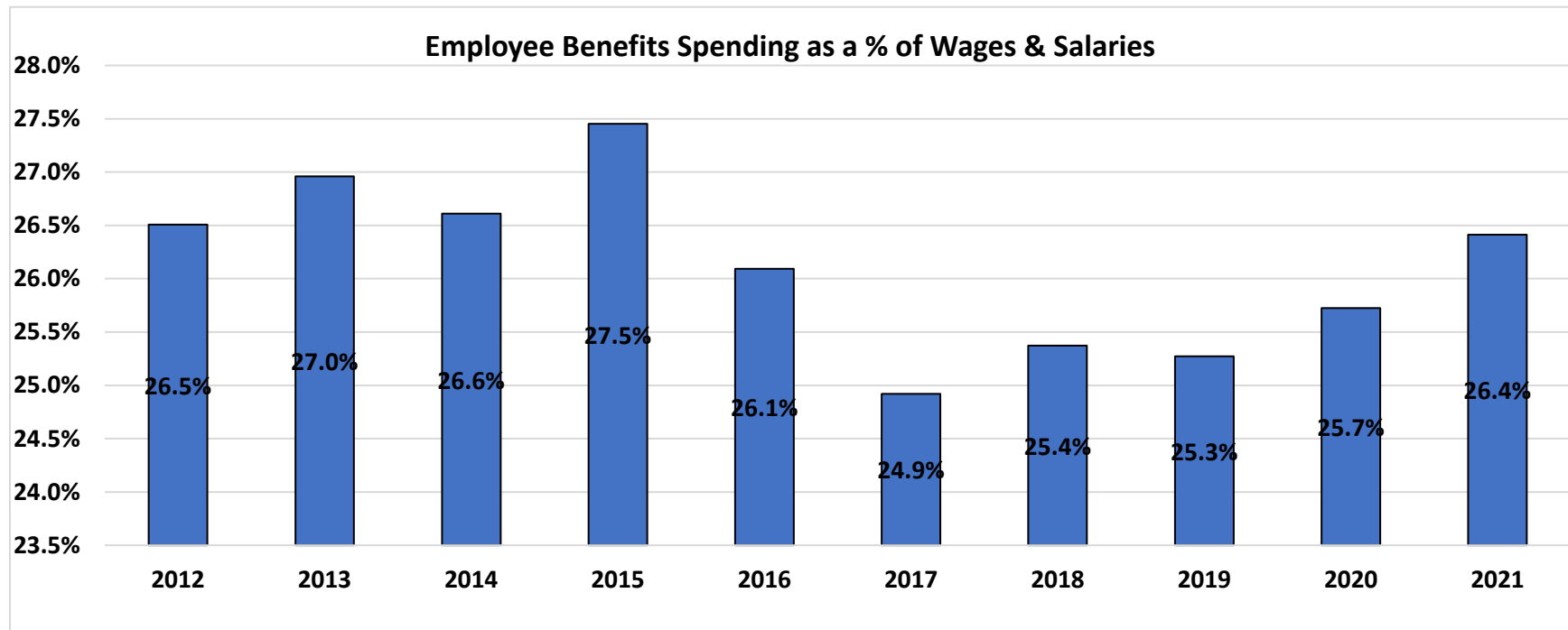
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Employee Benefits*	\$244,246	\$243,956	\$195,205	\$153,269	\$168,033	\$298,358	\$273,034	\$305,057	\$369,857	\$278,218
Total Health Insurance Benefits**	\$4,845,210	\$5,039,661	\$5,231,756	\$5,646,781	\$5,392,313	\$5,209,997	\$5,560,658	\$5,661,561	\$5,833,769	\$6,156,308
Total Retirement Benefits***	\$1,907,362	\$1,986,493	\$2,085,359	\$2,206,657	\$2,283,740	\$2,424,682	\$2,757,454	\$2,922,071	\$3,029,022	\$3,192,876
Benefits Total	\$6,996,818	\$7,270,110	\$7,512,320	\$8,006,707	\$7,844,086	\$7,933,037	\$8,591,146	\$8,888,690	\$9,232,648	\$9,627,402
Salaries Total	\$26,395,739	\$26,965,209	\$28,230,649	\$29,165,137	\$30,062,783	\$31,835,160	\$33,859,722	\$35,171,011	\$35,889,331	\$36,448,977
Total Benefits Spending as % of Salaries	26.5%	27.0%	26.6%	27.5%	26.1%	24.9%	25.4%	25.3%	25.7%	26.4%
Percent Increase	-2.0%	1.7%	-1.3%	3.2%	-5.0%	-4.5%	1.8%	-0.4%	1.8%	2.7%

Source: Finance Department

*Employee Benefits include: Worker's Compensation & Unemployment Compensation

**Health Insurance Benefits include: Health, Life, FICA, Long Term Disability Insurance, & OPEB Contribution

***Retirement Benefits include: County Retirement Assessment



Section III - Factor 3: Operating Position Indicator – Financial Reserves/Fund Balance

Formula:
$\frac{\text{Financial Reserves}}{\text{General Fund Budget}}$

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: Declining financial reserves as a percentage of operating revenues.

Description:

The size of a local government’s fund balance and financial reserves can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow. Municipalities usually try to operate each year at a surplus to maintain positive fund balance and thus maintain adequate reserves. An unplanned decline in fund balance may mean that the municipality will be unable to meet a future need.

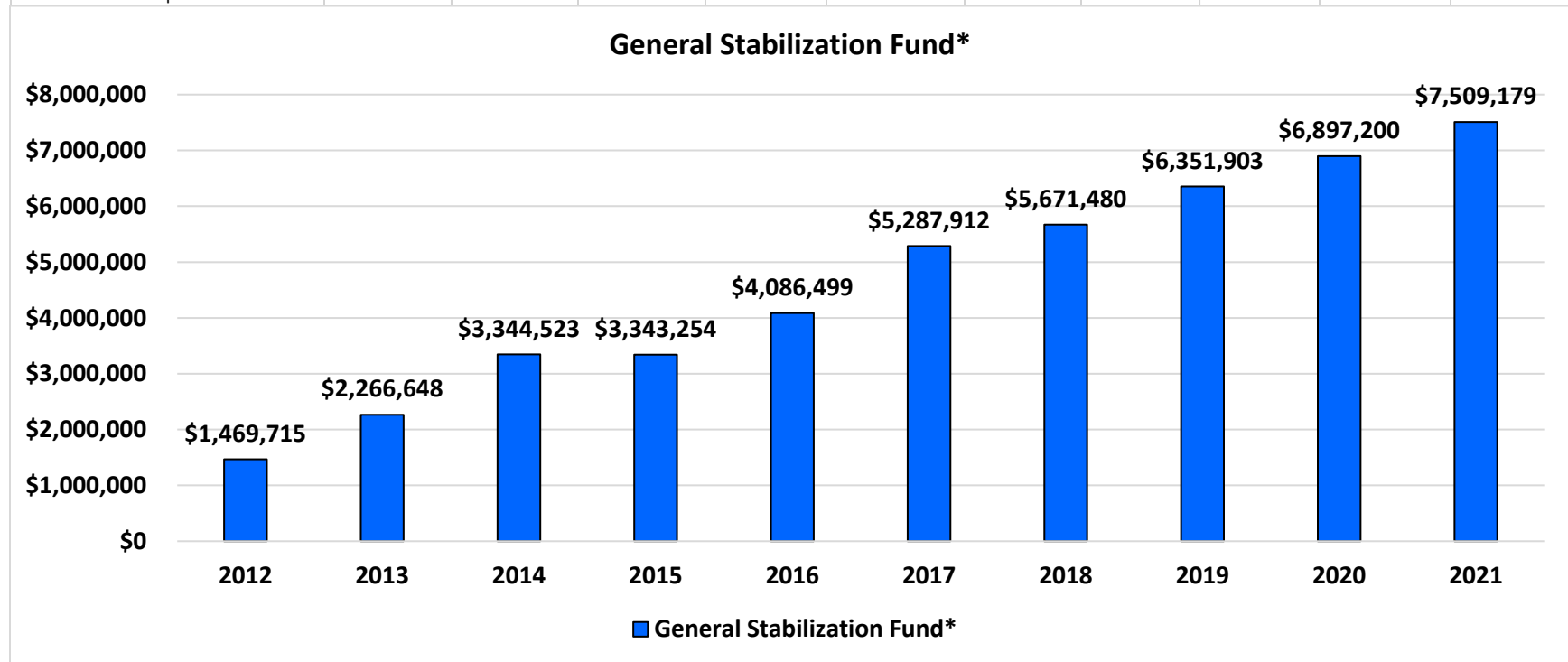
Analysis:

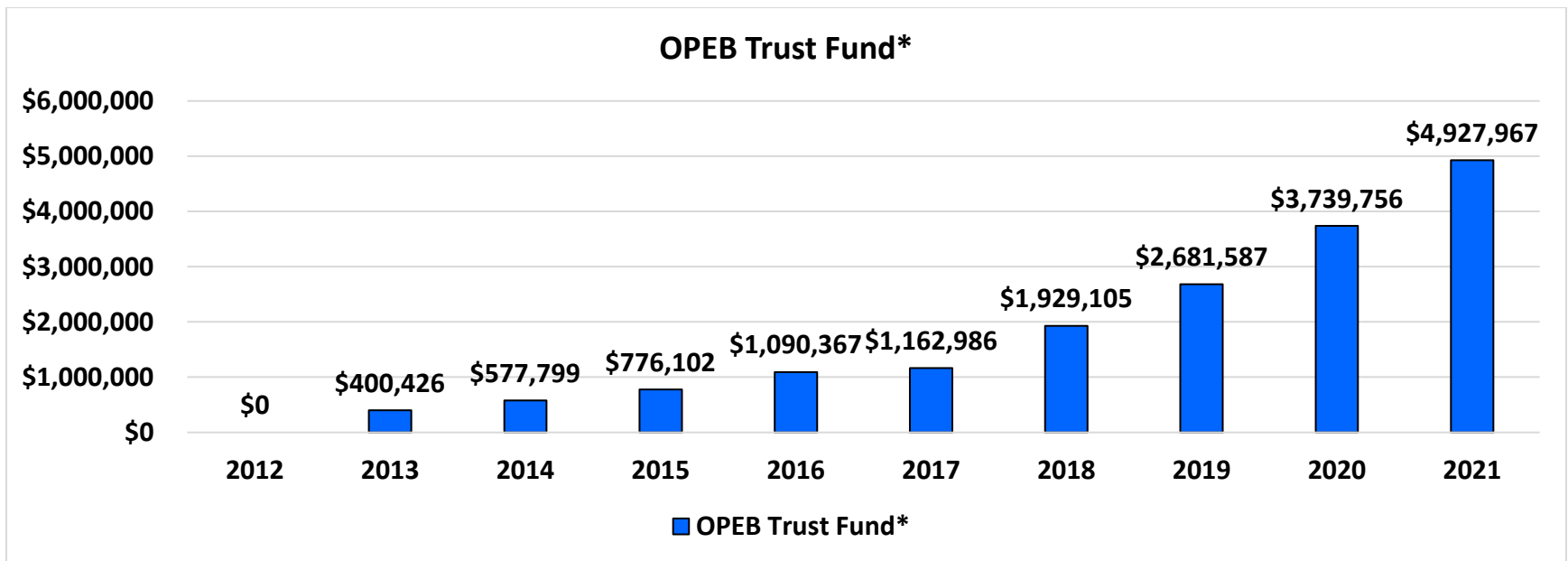
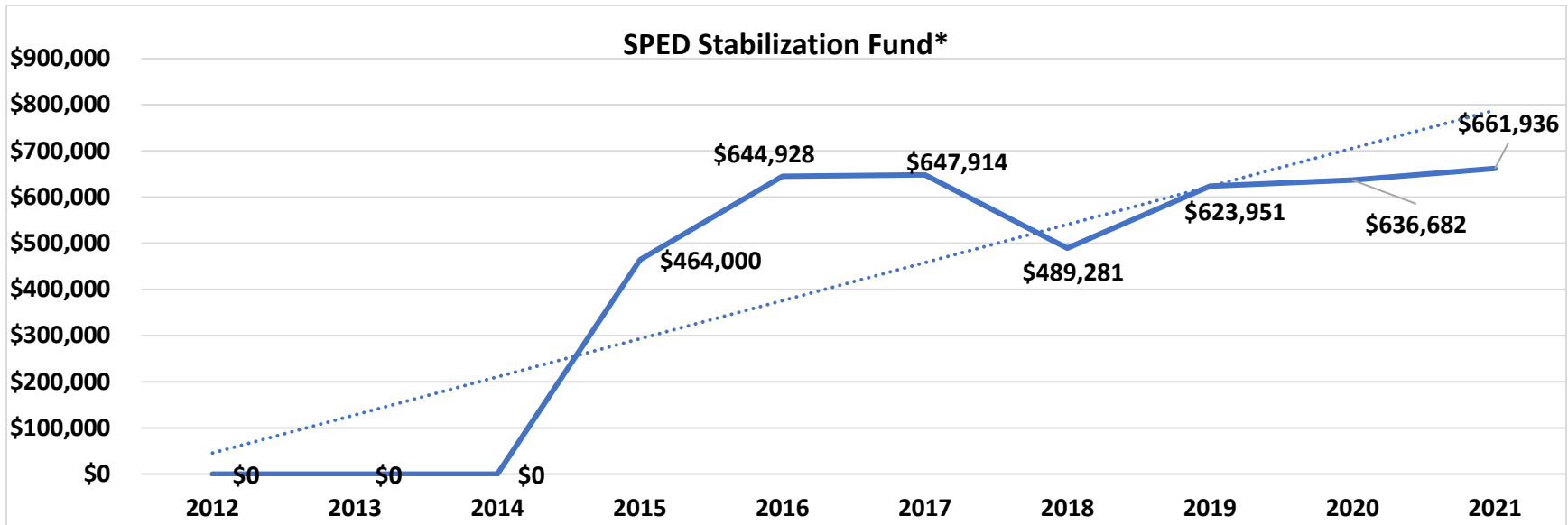
The Government Finance Officers Association (GFOA) recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. For Ashland, this standard equates to an approximate minimum balance in reserves of \$7.9 million, which is based on the July and August of FY22. At the end of FY21, Ashland had \$7,509,179 in its' general reserves. The Town did utilize \$1.4M in FY21 from its' general stabilization fund but was able to replenish the fund with free cash. The Town has established a financial reserves policy, effective December 2013 which provides a plan for funding and maintaining reserves for each of the Town's Stabilization Funds. The reserves are defined to include the Town’s General Stabilization Fund, SPED Stabilization Fund, OPEB Trust Fund, and Capital Stabilization Fund. The financial reserves policy can be found on the Town's website on the Accounting/Finance department page. Adequate reserves are critical in times of a recession such as the Great Recession & more recently, coronavirus pandemic.

Section III - Factor 3: Operating Position Indicator – Financial Reserves/Fund Balance

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SPED Stabilization Fund*	\$0	\$0	\$0	\$464,000	\$644,928	\$647,914	\$489,281	\$623,951	\$636,682	\$661,936
General Stabilization Fund*	\$1,469,715	\$2,266,648	\$3,344,523	\$3,343,254	\$4,086,499	\$5,287,912	\$5,671,480	\$6,351,903	\$6,897,200	\$7,509,179
OPEB Trust Fund*	\$0	\$400,426	\$577,799	\$776,102	\$1,090,367	\$1,162,986	\$1,929,105	\$2,681,587	\$3,739,756	\$4,927,967
Capital Stabilization Fund*	\$0	\$0	\$0	\$10,000	\$16,843	\$17,639	\$17,640	\$20,011	\$542,403	\$63,671
Total Reserves	\$1,469,715	\$2,667,074	\$3,922,322	\$4,593,356	\$5,838,636	\$7,116,452	\$8,107,506	\$9,677,452	\$11,816,041	\$13,162,753
Total General Fund Budget	\$47,200,662	\$49,663,200	\$52,424,175	\$50,213,782	\$53,400,938	\$54,830,013	\$54,830,014	\$59,531,185	\$63,979,538	\$66,030,936
SPED as a % of Total Budget	0.0%	0.0%	0.0%	0.9%	1.2%	1.2%	0.9%	1.0%	1.0%	1.0%
Stabilization Fund as a % of Total Budget	3.1%	4.6%	6.4%	6.7%	7.7%	9.6%	10.3%	10.7%	10.8%	11.4%
OPEB Fund as a % of Total Budget	0.0%	0.8%	1.1%	1.5%	2.0%	2.1%	3.5%	4.5%	5.8%	7.5%
Capital Stabilization Fund	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	0.1%
Reserves as a % of Total Budget	3.1%	5.4%	7.5%	9.1%	10.9%	13.0%	14.8%	16.3%	18.5%	19.9%

*Source: Finance Dept.





Section III - Factor 4: Debt Indicators – Long Term Debt

Formula:
$\frac{\text{Net Direct bonded long-term debt}}{\text{Assessed valuation or population}}$

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: Increasing long-term debt as a percentage of assessed valuation, population, or personal income.

Description:

"Direct debt" is bonded debt for which the local government has pledged its full faith and credit. "Self-supporting debt" is bonded debt that the local government has pledged to repay from a source separate from its general tax revenues. An example would include a water bond that is being repaid from the Water Enterprise Fund. "Net direct debt" is direct debt minus self-supporting debt. An increase in long term debt as a percentage of assessed valuation or population can mean that the government's ability to repay is diminishing - assuming that the government depends on the property tax to pay its debts. The per capita measure relates debt increases to changes in population size. As the population increases, capital needs, and hence, long-term debt, would be expected to increase. If, however, long-term debt is increasing as population stabilizes or declines, debt levels may be reaching or exceeding the government's ability to pay. Standard and Poors analyzes a municipality's debt and contingent liability position in great detail.

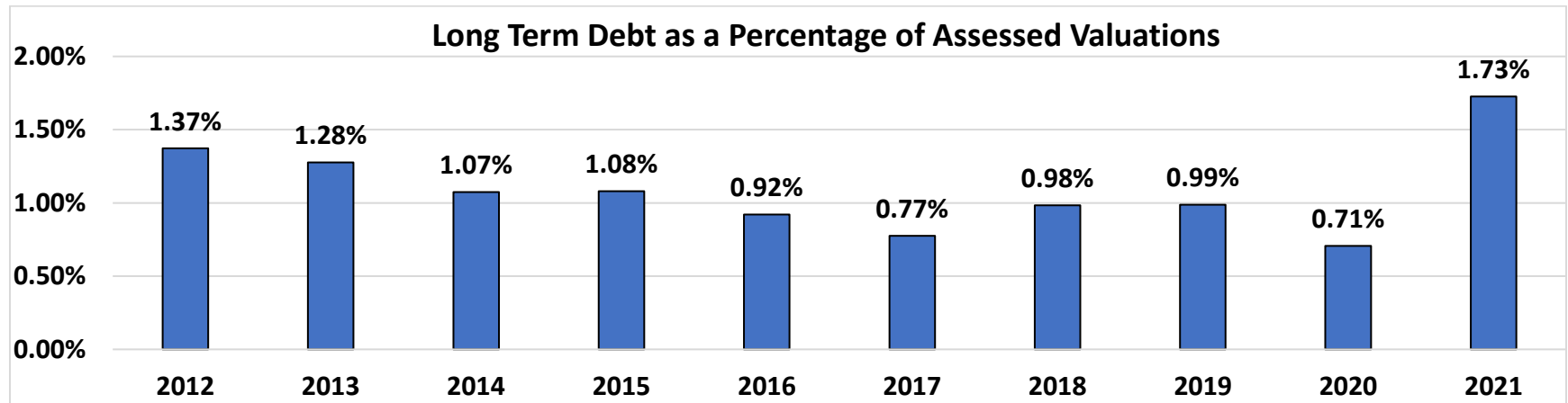
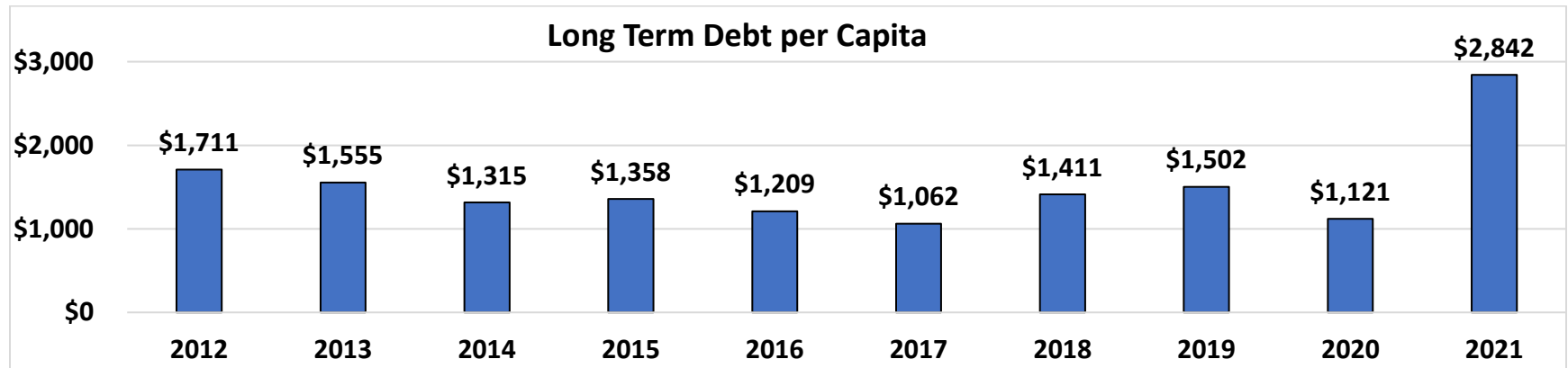
Analysis:

The Town of Ashland's long term debt per capita has decreased over the past several years which is mainly attributable to the rapid amortization of the debt schedule and the refunding of debt in FY2014. The Town has been able to borrow funds for much needed capital projects and items over the past several years. In addition, the long term debt as a percentage of assessed valuations has remained consistently below 1.50%. Like debt service, rating agencies look at long term debt as a percentage of assessed valuations and per capita. A warning signal for net debt is overall net debt exceeding 10% of assessed valuation. Overall, Ashland's long term debt has remained low through FY20. There is a sharp increase from FY20 to FY21 due to the addition of the new public safety building and new Mindess school building. Although considered part of direct debt, these borrowings are excluded from Proposition 2 1/2. Ashland is more than capable of repaying its debts in future years. S&P raised Ashland's bond rating in August 2016 one notch to 'AAA' from 'AA+' with a stable outlook. The rating was reaffirmed in January 2022.

Section III - Factor 4: Debt Indicators – Long Term Debt

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Outstanding Debt*	\$29,126,250	\$26,827,160	\$22,981,454	\$24,031,328	\$21,671,410	\$19,296,450	\$25,967,517	\$27,991,209	\$21,116,000	\$54,217,000
Total Assessed Valuations*	\$2,123,243,440	\$2,101,056,070	\$2,138,826,500	\$2,224,313,748	\$2,352,225,396	\$2,491,634,647	\$2,641,690,000	\$2,833,435,192	\$2,986,481,230	\$3,140,115,050
Population*	17,027	17,249	17,473	17,700	17,930	18,163	18,399	18,638	18,832	19,077
Long Term Debt as a % of Assessed Valuations	1.37%	1.28%	1.07%	1.08%	0.92%	0.77%	0.98%	0.99%	0.71%	1.73%
Long Term Debt per Capita	\$1,711	\$1,555	\$1,315	\$1,358	\$1,209	\$1,062	\$1,411	\$1,502	\$1,121	\$2,842

Notes: *Source: Balance Sheet – State of Indebtedness (less self-supporting debt), Tax Recap, Federal Census



Section III - Factor 4: Debt Indicators – Debt Service

Formula:
$\frac{\text{Net Direct debt service}}{\text{Operating Revenues}}$

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: Increasing net direct debt service as a percentage of Operating revenues.

Description:

Debt service is defined as the amount of principal and interest that a local government must pay each year on net direct bonded long-term debt plus the interest it must pay on direct short-term debt. Increasing debt service reduces expenditure flexibility by adding to the government's obligations. Debt service can be a major part of a government's fixed costs, and its increase may indicate excessive debt and fiscal strain. Debt service exceeding 20% of operating revenues is considered a potential problem. Ten percent is considered acceptable by the credit industry.

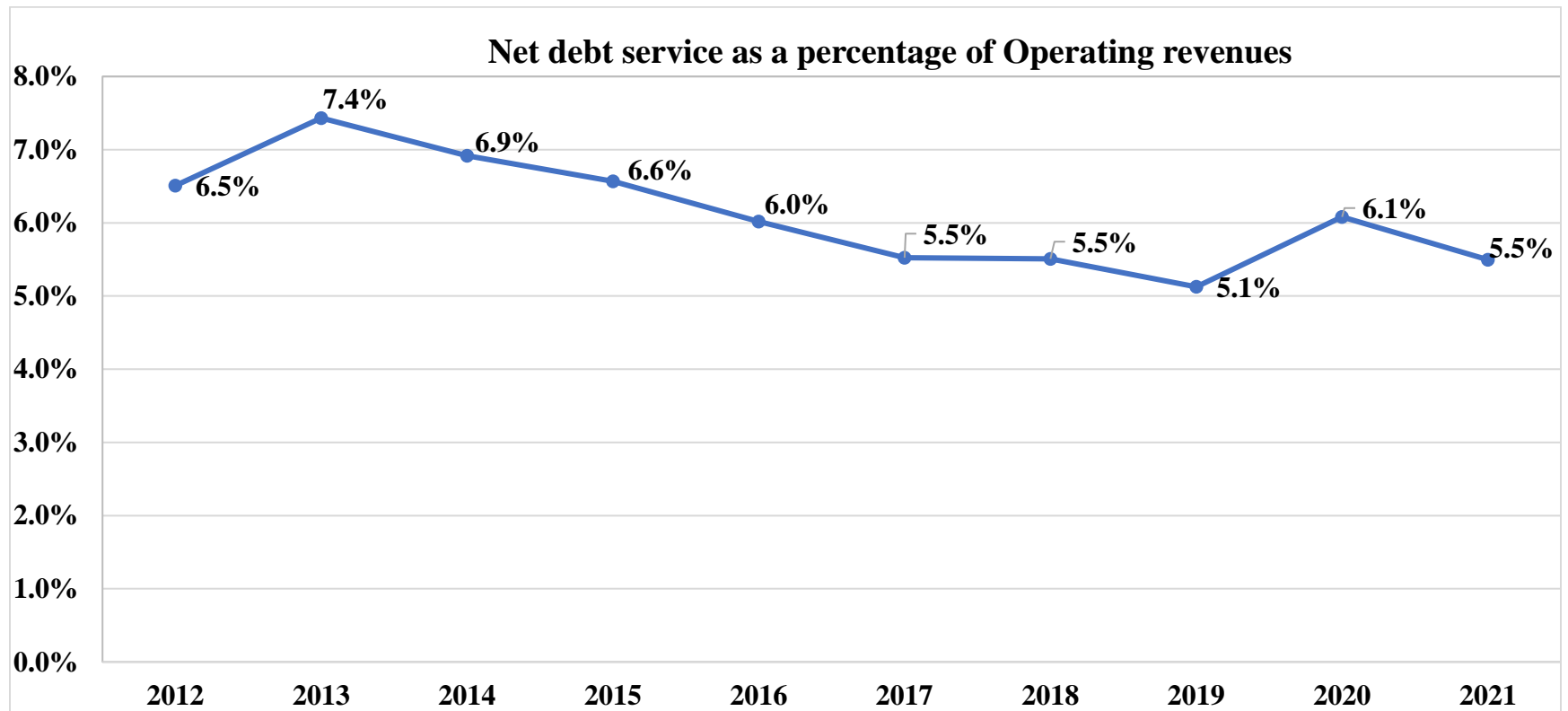
Analysis:

Ashland maintains a strong credit rating of 'AAA' with a Stable Outlook from Standard & Poors due in part to a low percentage of debt relative to general fund revenue. From FY2006 through FY2010, debt service dropped considerably each year and has continued to drop at a steady pace since FY2013. This gives the Town the flexibility to issue new debt.

Section III - Factor 4: Debt Indicators – Debt Service

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Debt Service*	\$2,914,745	\$3,465,638	\$3,361,933	\$3,278,039	\$3,125,645	\$3,031,062	3,090,124	3,012,619	3,743,842	3,571,595
Operating Revenue*	\$47,132,191	\$48,721,532	\$50,682,434	\$51,866,788	\$53,708,861	\$56,546,074	\$57,910,743	\$60,504,315	\$63,642,963	\$67,023,933
Less - Excluded Debt*	\$2,364,184	\$2,093,734	\$2,067,901	\$1,943,733	\$1,777,626	\$1,669,280	\$1,808,330	\$1,724,845	\$2,079,566	2,027,859
Operating revenue	\$44,768,007	\$46,627,798	\$48,614,533	\$49,923,055	\$51,931,235	\$54,876,794	\$56,102,413	\$58,779,470	\$61,563,397	\$64,996,074
Net debt service as a percentage of Operating revenues	6.5%	7.4%	6.9%	6.6%	6.0%	5.5%	5.5%	5.1%	6.1%	5.5%

Notes: *Source: Balance Sheet – State of Indebtedness (less self-supporting debt), Tax Recap, Federal Census



Section III - Factor 5: Unfunded Liability Indicator (Other Post-Employment Benefits-OPEB Liability)

Formula:
$\frac{\text{OPEB Assets}}{\text{OPEB Liability}}$

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: Decreasing funded ratio for Other Post-Employment Benefits Liability

Description:

An unfunded liability is one that has been incurred during the current year or prior year, which does not have to be paid until a future year and for which reserves have not been set aside. It is a legal commitment to pay at some time in the future. If such obligations are permitted to grow over a long period of time, they can have a substantial effect on a government's financial condition.

OPEBs are the set of benefits offered to retirees and their dependents other than pensions. These benefits mainly consist of medical insurance. Currently, employees who retire at age 55 having worked for at least 20 hours per week for at least ten years are eligible to receive these medical benefits for life. Unlike pensions, these medical benefits are not adjusted to account for full or part-time work, years of service, or age of the recipient at the time of retirement.

Obligations for Other Post-Employment Benefits (OPEBs) represent a \$30 billion liability for municipalities in the Commonwealth. The magnitude of these costs becomes even more relevant as the Governmental Accounting Standards Board (GASB) now requires that OPEB liabilities be reported on municipal balance sheets. This information is of particular interest to bond rating agencies and investors.

In 2011, the state enacted municipal health insurance reform, giving municipal officials a set of tools to change plan design features for active employees and retirees. But even with this authority, municipalities have little or no control over the primary drivers of general health care costs. With communities having little or no recourse for raising revenues in the Proposition 2 ½ era, if unaddressed, this unsustainable cost will crowd out funding for other key line items in municipal budgets, threatening jobs and core municipal services.

Section III - Factor 5: Unfunded Liability Indicator (Other Post-Employment Benefits-OPEB Liability)

Analysis:

Then Town created an OPEB Stabilization Fund at the November 28, 2012 Special Town Meeting and appropriated \$400,000 to the fund from free cash. At the May 7, 2014 Annual Town Meeting, the Town voted to create an OPEB Trust fund for the purpose of holding appropriations to offset the anticipated costs of premium payments for retired employees and eligible spouses or dependents. At the May 6, 2015 Annual Town Meeting, the Town voted to appropriate \$500,000 from the OPEB Stabilization Fund into the OPEB Trust Fund. The Town has an agreement with Rockland Trust Company (Investment Manager) regarding the objectives, goals, risk tolerance, and investment guidelines for the OPEB Trust Fund. As OPEB funds are long-term investments, the Town has agreed upon the balanced investment portfolio strategy. Ashland's financial reserve policy includes the funding of the OPEB trust fund. The funding of the OPEB trust fund is dependent upon the balance in the general stabilization fund. The Town also has implemented a 'pay as you go' system for each new employee. As new employees are hired, the Town will contribute their portion of the OPEB cost each year. Although future medical costs are unknown, Ashland remains dedicated to the funding policy and plan for OPEB and we continue to see the funded ratio increase.

Fiscal Year	Measurement Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio
2016	7/1/2015	\$ 775,553	\$ 39,515,084	\$ 38,739,531	1.96%
2017	7/1/2016	\$ 635,080	\$ 43,923,762	\$ 43,288,682	1.45%
2018	7/1/2017	\$ 767,172	\$ 46,923,549	\$ 46,156,377	1.63%
2019	7/1/2018	\$ 2,681,587	\$ 46,866,080	\$ 44,184,493	5.72%
2020	7/1/2019	\$ 3,740,542	\$ 53,207,564	\$ 49,467,022	7.03%
2021	7/1/2020	\$ 4,771,577	\$ 66,943,733	\$ 62,172,156	7.13%

Notes:

Source: Town of Ashland OPEB Valuation Report

Section III - Factor 7: Community Needs and Resources Indicators - Population

Formula:
Population

Ashland Trend	
Favorable	
Marginal	
Unfavorable	
Uncertain	X

Warning Trend: Rapid change in population.

Description:

The exact relationship between population change and other economic and demographic factors is uncertain. Population change can directly affect both governmental revenues and expenditures. Intergovernmental revenues and grants are at time distributed according to population. However, a sudden increase in population can create immediate pressures for new capital outlay and higher levels of service. A decline in population on the other hand would, at first glance, appear to relieve the pressure for expenditures, because the population requiring services is smaller. But in practice, a local governmental faced with population decline is rarely able to make reductions in expenditures. Many costs, such as debt service, pensions, and governmental mandates are fixed and cannot be reduced in the short run. A more in depth look at the population, such as age and population density, can help assess the impact of population changes further.

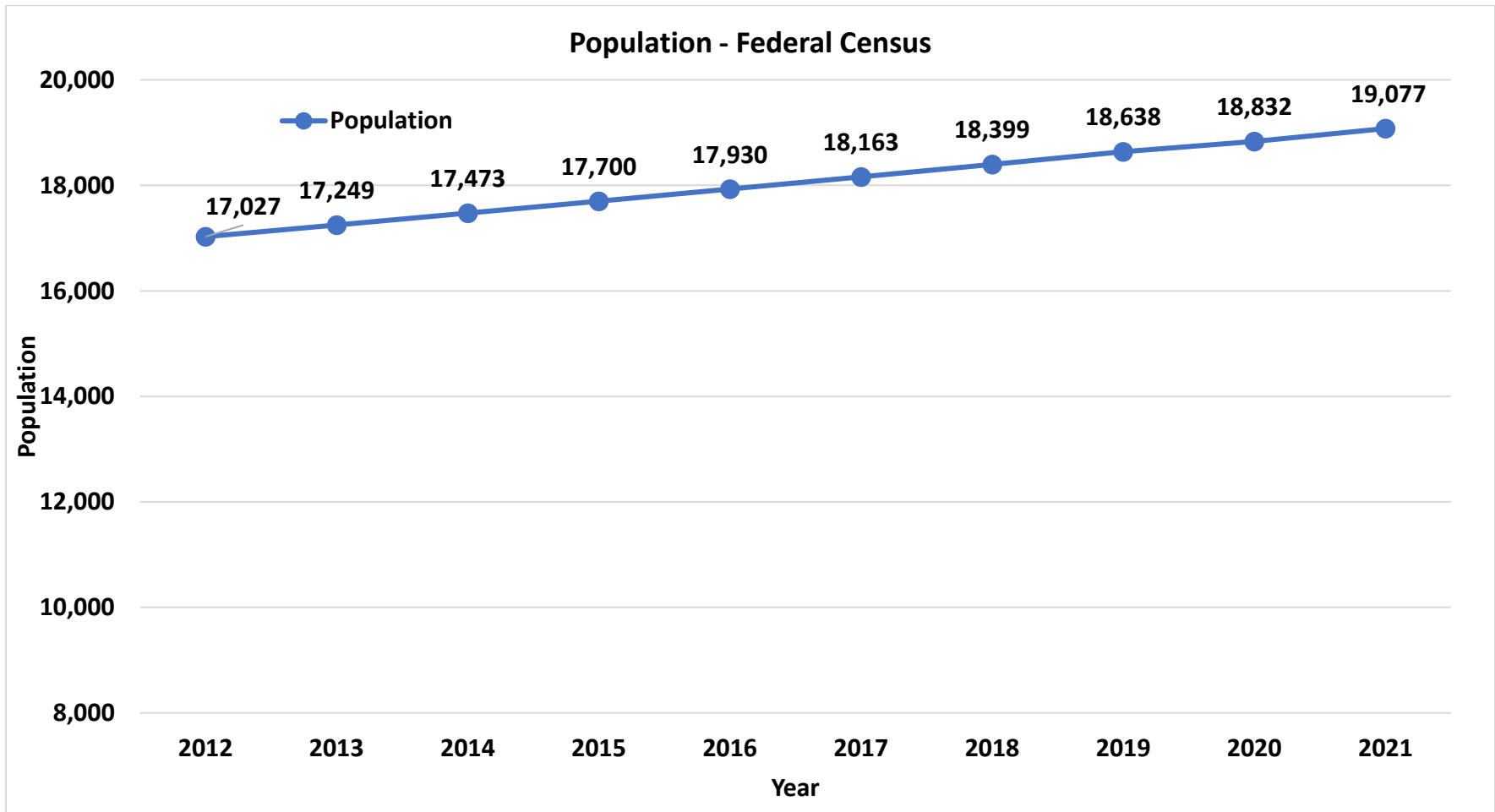
Analysis:

Based upon the local census and federal census, the Town of Ashland's population is growing. Per the 2010 Federal Census, the population was 16,593. The 2020 Federal Census revealed a population of 18,832. The population has grown 2,239 in 10 years. On average, this correlates to approximately 1.3% per year. This growth can be attributed to available land and a great location which drew the attention of developers. Ashland has seen several residential and condo/apartment developments go up over the past several years, more recently the Rail Transit District - a 398 apartment complex, which is 100% occupied. Additional larger scale developments are planned for future years which will increase Ashland's population.

Section III - Factor 7: Community Needs and Resources Indicators - Population

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Population	17,027	17,249	17,473	17,700	17,930	18,163	18,399	18,638	18,832	19,077

Source: 2010 and 2020 Federal Census.



Section III - Factor 7: Community Needs and Resources Indicators – Top 5 Taxpayers

Formula:
$\frac{\text{Total assessed value for top five taxpayers}}{\text{Total assessed valuation}}$

Ashland Trend	
Favorable	X
Marginal	
Unfavorable	
Uncertain	

Warning Trend: High percentage or increasing percentage of overall assessed valuation owned by a few taxpayers.

Description:

This indicator measures the concentration of property values in the community and helps to analyze the vulnerability of the economic base to the fortunes of a few taxpayers. The bond rating agencies use this indicator to determine the degree of concentration. The leading taxpayers are profiled and assessed for their direct and indirect effects on the economy. If a local government relies heavily on a few taxpayers for property taxes, it is vulnerable to any changes in these taxpayer's assessments. Generally, the local government may have cause for concern if the top five taxpayers hold more than 20 percent of the community's total valuation.

Analysis:

Ashland is well below the 20 percent warning mark, the Town has seen marginal increases in the valuation percentage held by the top five taxpayers. The top taxpayers of the Town in 2020 were the following: 1) Ashland Transit Apartments 2) NStar Electric Company 3) Chestnut Place Apartments 4) Ashland, MA Senior Property LLC 5) NStar Gas Company. The Town considers these taxpayers to be financially stable. However, Ashland is always looking for ways to diversify the community's property tax base.

Section III - Factor 7: Community Needs and Resources Indicators – Top 5 Taxpayers

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total assessed value for top five taxpayers*	\$57,528,140	\$57,820,670	\$58,832,260	\$61,472,320	\$60,535,810	\$63,888,210	\$80,387,600	\$128,200,390	\$134,539,260	\$141,424,320
Total assessed value*	\$2,123,243,440	\$2,101,056,070	\$2,138,826,500	\$2,224,313,748	\$2,352,225,396	\$2,491,634,647	\$2,641,690,000	\$2,833,435,192	\$2,986,481,230	\$3,140,115,050
Valuation percentage help by top five taxpayers	2.71%	2.75%	2.75%	2.76%	2.57%	2.56%	3.04%	4.52%	4.50%	4.50%

Notes:

Source: Finance Department – MUNIS

