

Greater MetroWest Revenue: Financing Local Communities

OCTOBER 2023



Total Revenue in Greater MetroWest in 2022 was

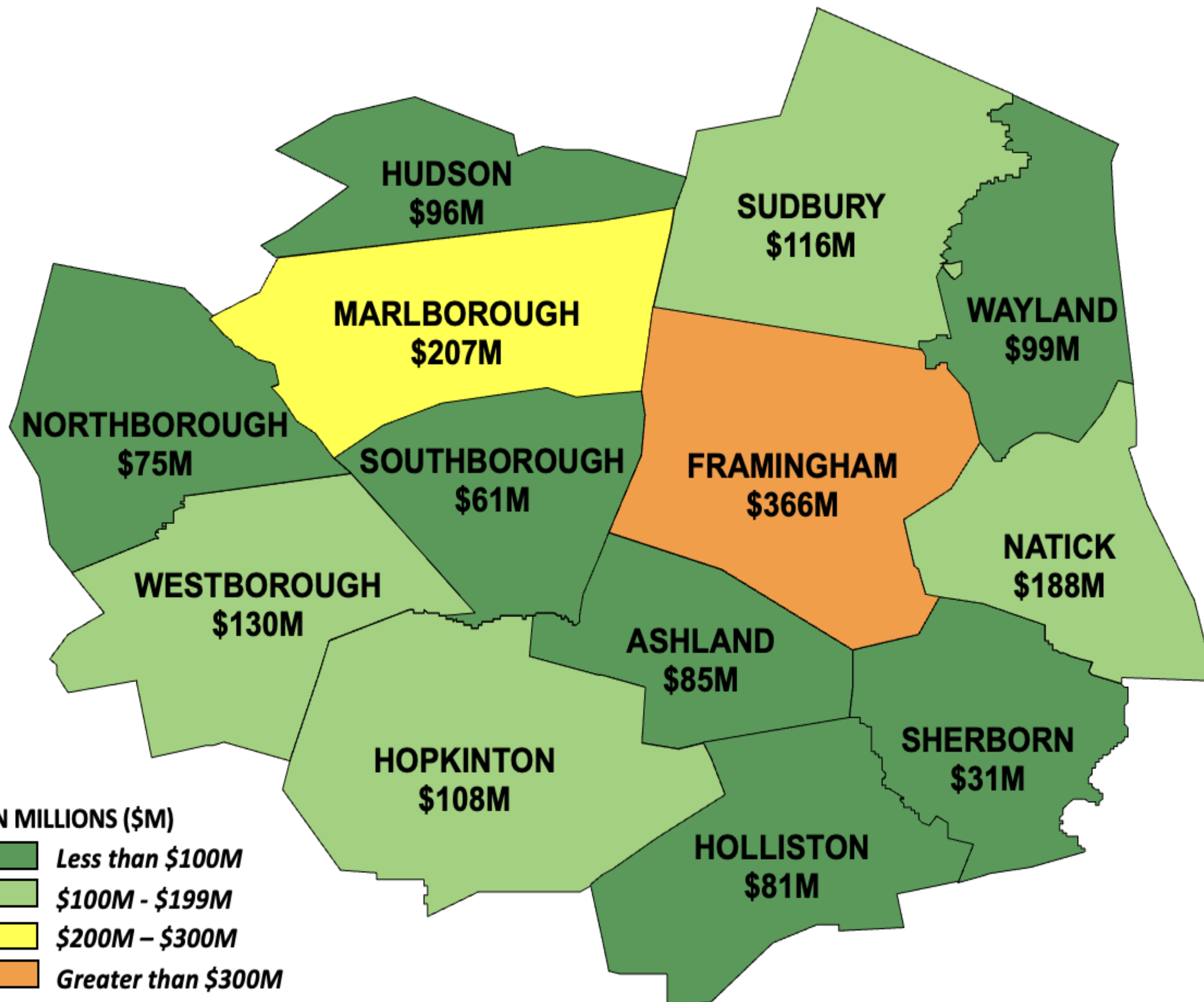
\$1.6 Billion

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Greater MetroWest Region (GMW)

Total Revenue by Community
FY2022
Total: \$1.6 Billion



The GMW Community with the largest Municipal Revenue in 2022 was Framingham with a revenue of **\$366M**.

Framingham accounted for **23%** of Greater MetroWest Municipal Revenue in 2022.

Local municipalities continuously face ongoing challenges in an attempt to limit tax increases and, at the same time, continue to provide services essential to the residents of the community. Under Massachusetts General Laws, municipalities are required to prepare a balanced budget in which expenses must match available revenue. This report provides in-depth details on selected revenue components and debt by community.

Greater MetroWest (GMW) Revenue for FY2022 for communities presented in this report is comprised of the budgeted revenue reported to the Massachusetts Department of Revenue, Division of Local Services by the respective municipalities. It consists of the Total Tax Levy, State Aid, Local Receipts, Community Preservation Act (CPA) and Enterprise Fund Receipts and an All Other category. Revenue and tax levy charts are covered in the first three pages of this report.

Municipalities can raise tax revenue beyond annual statutory limits proposed under Proposition 2 1/2 through a referendum to approve an override or an exclusion, or they can reduce the amount taxed through an underdrive. From time to time, overrides may be needed for tax increases to continue to provide services to the residents whose cost outpaced revenue growth allowed under Proposition 2 1/2. A more detailed summary of overrides is found on page three of this report.

A focus of this report includes an analysis of local receipts along with CPA and Enterprise Fund Receipts categories of revenue by community on pages four through six. Separate charts and tables are presented for these Local Receipts. Total Community Preservation Act (CPA) and Enterprise Fund Receipts are shown together in charts, by community.

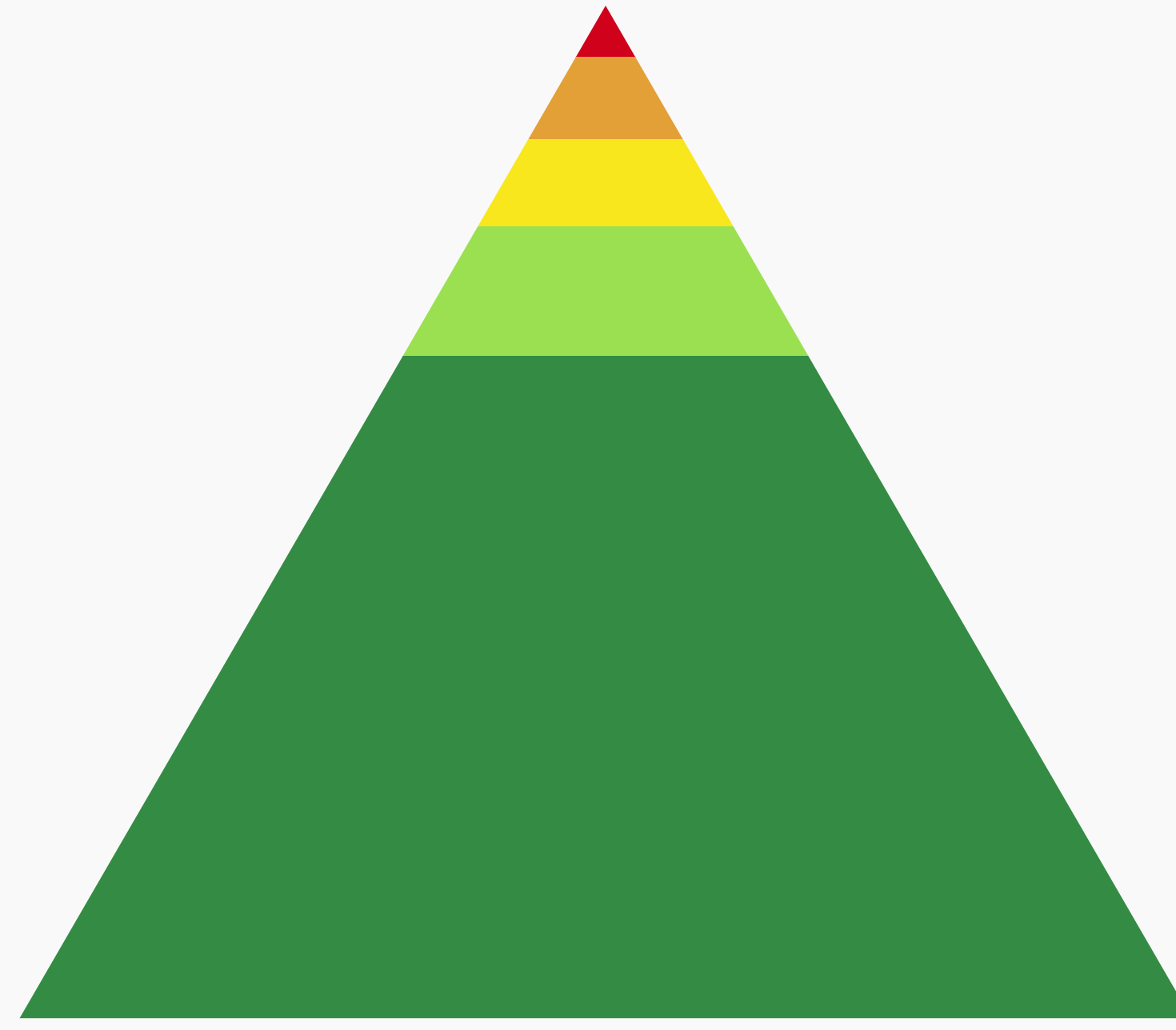
An Enterprise Fund is a separate accounting and financial reporting entity employed for municipal goods and services that are provided by 'user fees'. These funds are often established for business-like activities such as the provision of water and sewer services that are funded by user charges. Enterprise funds are self supporting: the revenue collected from user charges equals or exceeds expenses. Each Enterprise Fund has its own accounts and financial statements. In GMW, all communities other than Marlborough and Sherborn employ enterprise funds.

FY2021 Debt Service, Outstanding Debt and Operating Budget data for GMW communities, the latest complete values available, are presented on pages seven and eight along with a comparative analyses by community. Debt Service is comprised of long term debt retired during the fiscal year, interest for the year on long-term and short-term debt and other miscellaneous interest payments for the year. Most long-term debt issues range between 5 and 20 years. Short-term debt issues are generally for one year or less. Total Outstanding Debt represents principal payments unpaid by fiscal year end. A community's debt limit equals 5% of the most recent equalized valuation (EQV). EQV is the fair cash value of municipal property. The Operating Budget represents estimated funds needed to run the community for the respective year.

SOURCE: Division of Local Services (2022). Revenue and Expenditure Reports 2022 [Data File]. Retrieved from November 1, 2022 - March 31, 2023; https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=ScheduleA.GenFund_MAIN
 Division of Local Services (2022). Revenue by Source [Data File]. Retrieved from November 1, 2022 - March 31, 2023; <https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=RevenueBySource.RBS.RevbySourceMAIN>

FY2022 GMW Revenue

TAX LEVY
ACCOUNTED FOR
65.4%
OF FY2022 GMW
REVENUE



■ Tax Levy (65.4%) ■ State Aid (12.8%) ■ CPA & Enterprise (8.6%) ■ Local Receipts (8.1%) ■ All Other (5.1%)

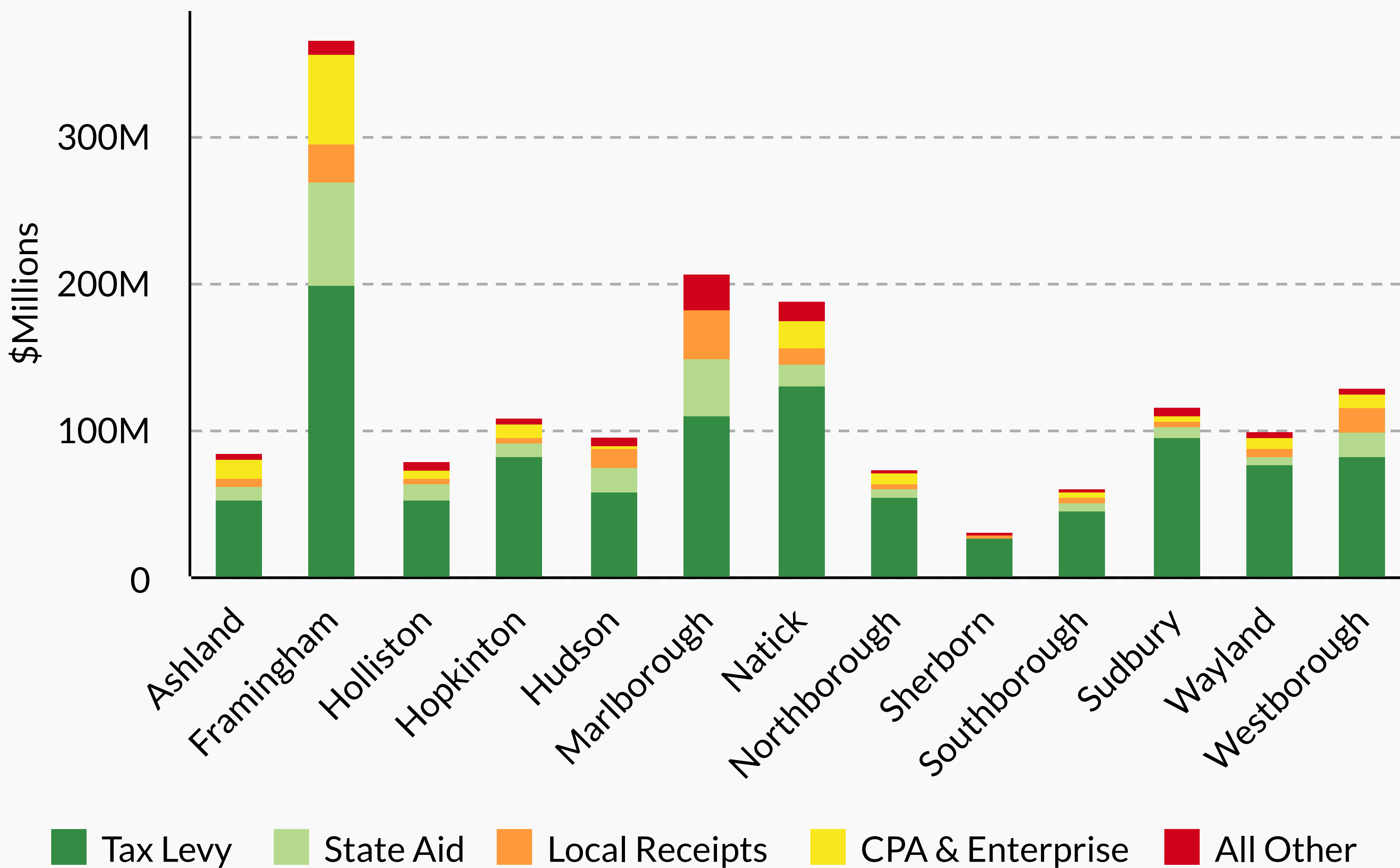
FY2022 GMW Revenue by Category

The Revenue covered in this report includes Tax Levy, Local Receipts, CPA & Enterprise Funds, and an All Other category.

Note: Revenue for water, sewer, and solid waste may be collected from Local Receipts OR Enterprise Funds depending on the community.

Type of Revenue	Definition	Example	Amount (\$)
Tax Levy	Property taxes: personal property, industrial, commercial, open space, and residential real estate.	Real estate tax	\$1,075,745,146
State Aid	Local or intergovernmental aid.	Funding for education & general government	\$210,139,387
Local Receipts	Non-property tax revenues generated by municipalities.	Motor vehicle excise tax, licenses & permits, fees, rentals, charges for services (water, sewer, hospital, solid waste fees), meals tax, room tax.	\$133,785,823
CPA & Enterprise	<u>CPA</u> : community preservation act surcharge on real estate tax levy on real property. <u>Enterprise</u> : fees for goods and services such as water, sewer, or trash disposal.	<u>CPA</u> : surcharge on property tax <u>Enterprise</u> : fees collected from power, water, and sewer.	\$141,142,237
All Other	Miscellaneous	Available free cash	\$83,299,271

FY2022 GMW Revenue



GMW Revenue by *Community* is presented by the distribution of these revenue components by category.

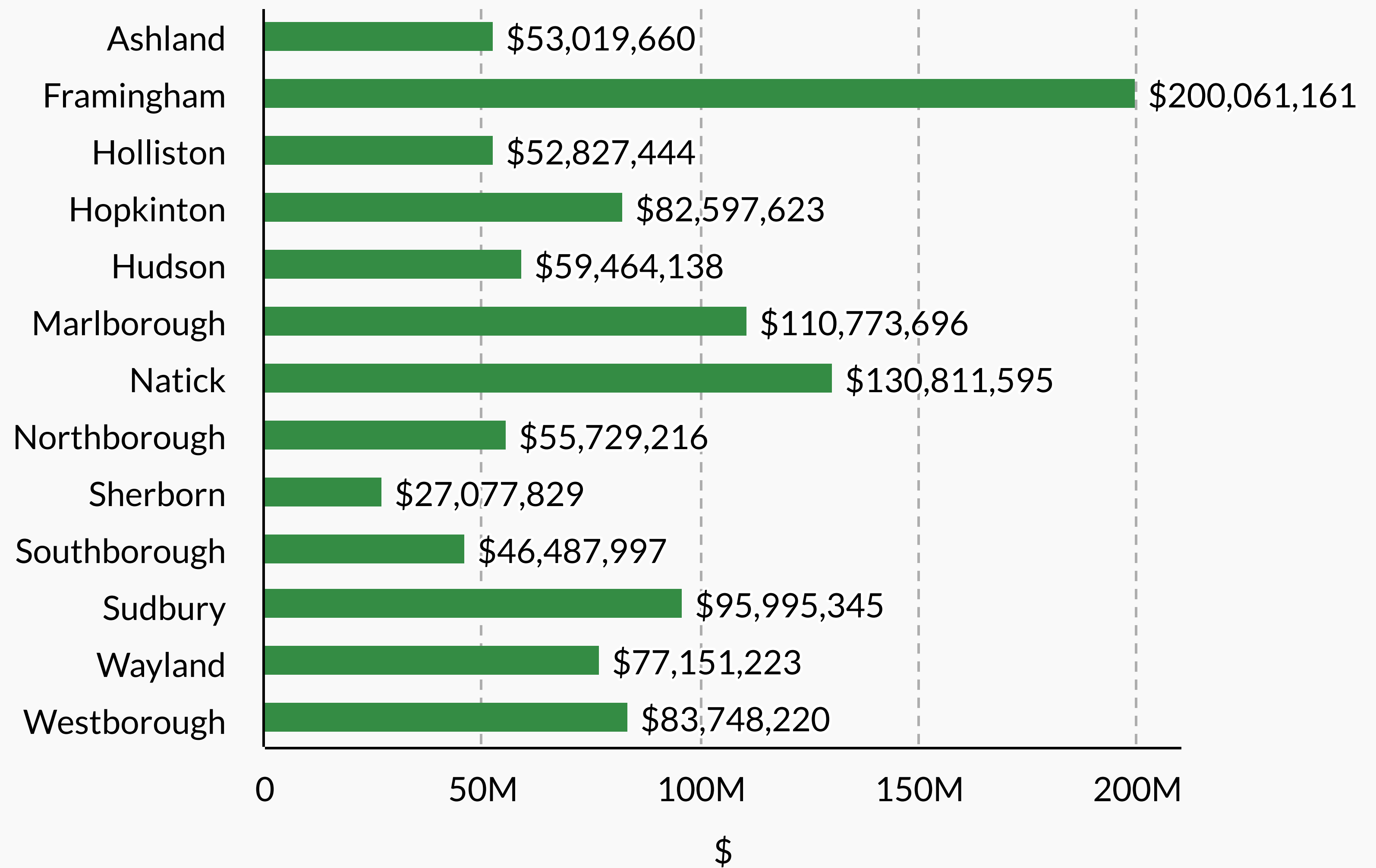
■ Tax Levy ■ State Aid ■ Local Receipts ■ CPA & Enterprise ■ All Other

The Tax Levy

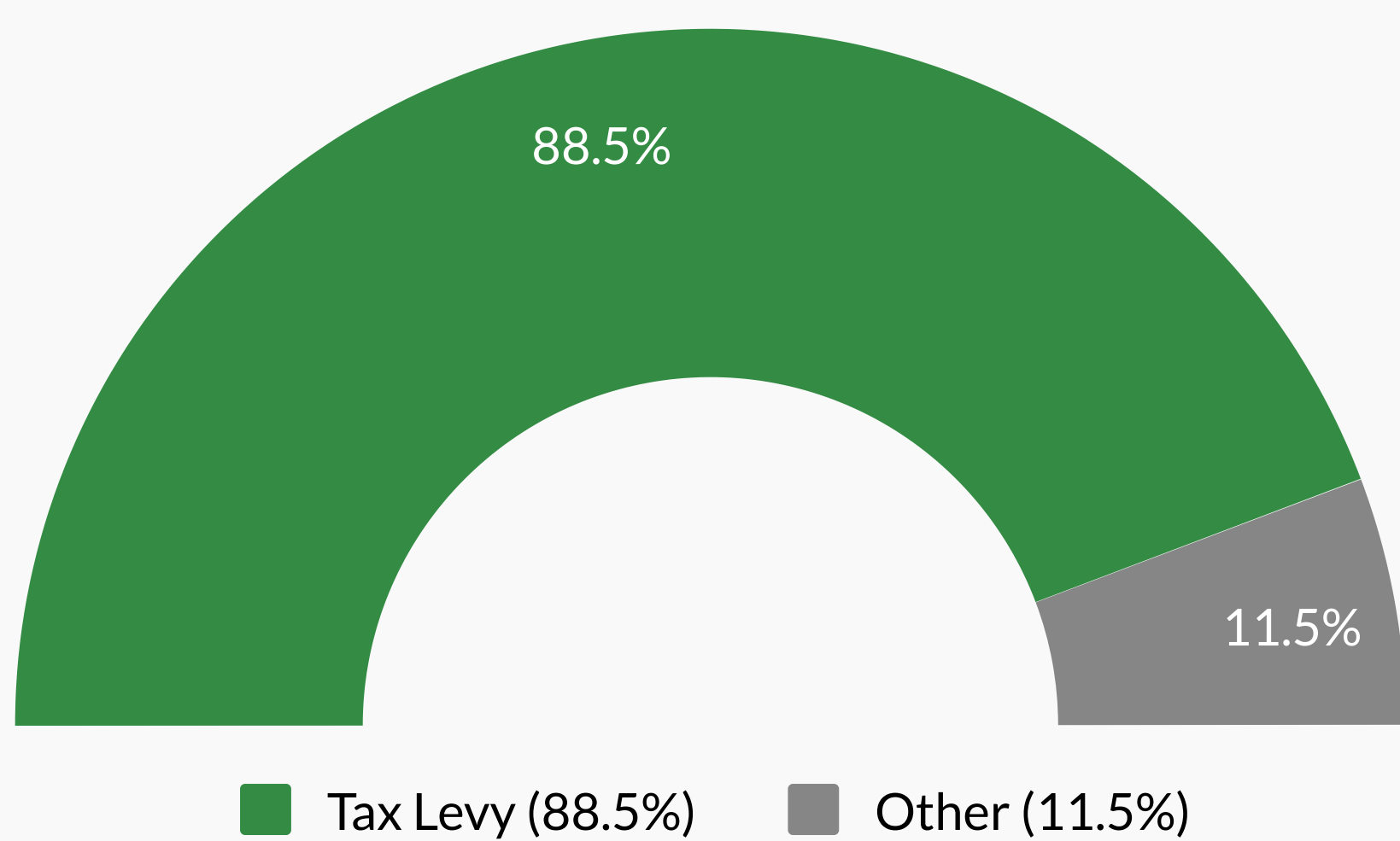
is comprised of taxes on real property and personal property known as property taxes. The Tax Levy consists of assessments on personal property, industrial, commercial, open space and residential real estate.

Personal Property includes furnishings of second homes and some inventories and equipment of unincorporated businesses. Underground cables and poles of utility companies are generally included in this category as well.

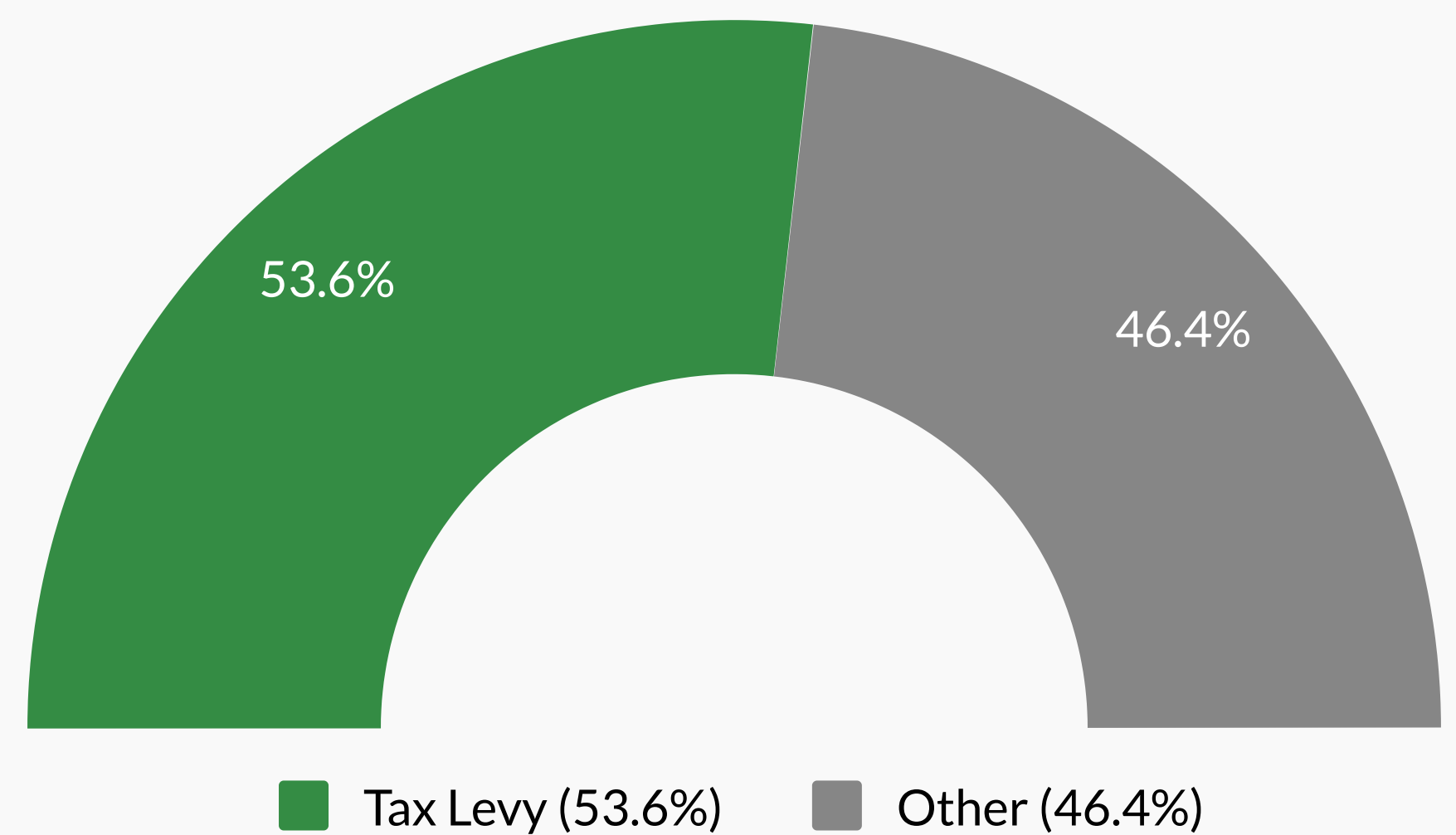
FY2022 Tax Levy by Community



The community with the largest percentage of revenue funded by the Tax Levy was **Sherborn** (88.5%).



The community with the smallest percentage of revenue funded by the Tax Levy was **Marlborough** (53.6%).



Overrides

Overrides are needed to maintain and improve facilities and services such as funding for student needs, park improvements, and updating senior services. Financing cities and towns involves taxes. Since **Proposition 2 1/2** limits tax increases, overrides are often necessary to provide essential services to residents of the communities.

Operating Overrides

allow a community to assess taxes in excess of the automatic annual **2.5%** increase, and this increase becomes a **permanent** increase in the levy limit of a community.

Debt Exclusion Overrides

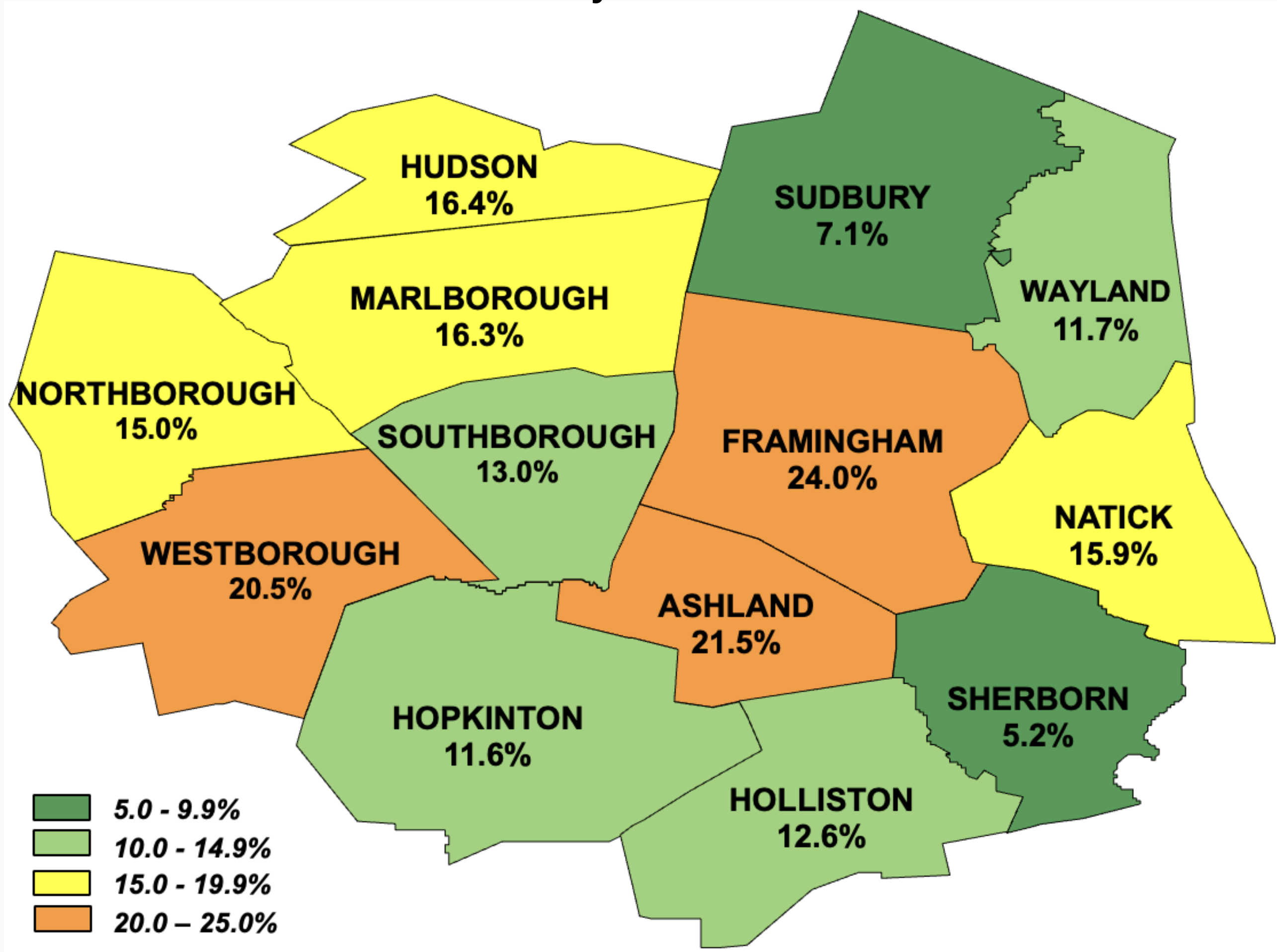
allow a community to assess additional taxes to pay the debt service consisting of principal and interest from issuing bonds for a specific capital product (ex: renovation or replacement of a school). The additional amount is added to the levy limit for the life of the debt only. Unlike an operating override, a debt exclusion override is **temporary** and does not become part of the base used to calculate future years' levy limits.

Rates for Property

Some communities choose to tax residential and commercial and industrial (C&I) property at the same rate while others use split rates. The following nine communities have chosen to use one rate for residential and C&I property: Ashland, Holliston, Hopkinton, Natick, Northborough, Sherborn, Southborough, Wayland, and Westborough. Tax rates for GMW communities are not covered in this report.

Greater MetroWest Region (GMW)

Local Receipts and CPA & Enterprise Funds as Percentage of Community Revenue: 2022



Local Receipts and CPA & Enterprise Funds accounted for almost **1/4th** of Framingham's total revenue in 2022.

Local Receipts and CPA & Enterprise funds made up more than 20% of community revenue in **Ashland, Framingham, and Westborough.**

This map represents Local Receipts and CPA & Enterprise fund receipts as a percentage of community revenue. Pages four and five of this report breaks down the local receipts category, and page six breaks down CPA & Enterprise Funds.

Selected FY2022 GMW Local Receipts Without CPA and Enterprise

The Motor Vehicle Excise Tax accounted for **1/3rd** or **33%** of Local Receipts Revenue in GMW.

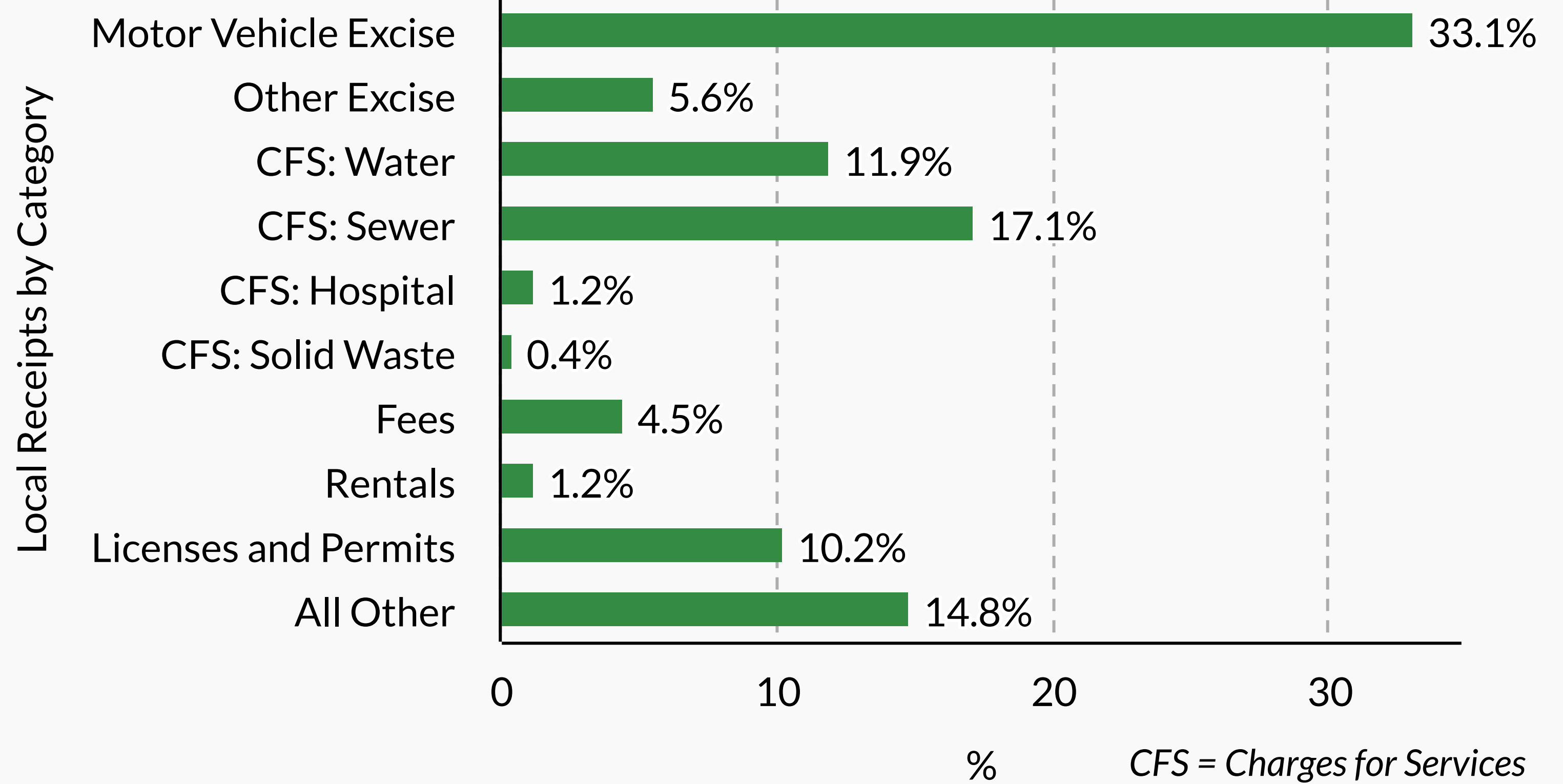
Revenue from Local Receipts in Greater MetroWest in 2022 was

\$133,785,823

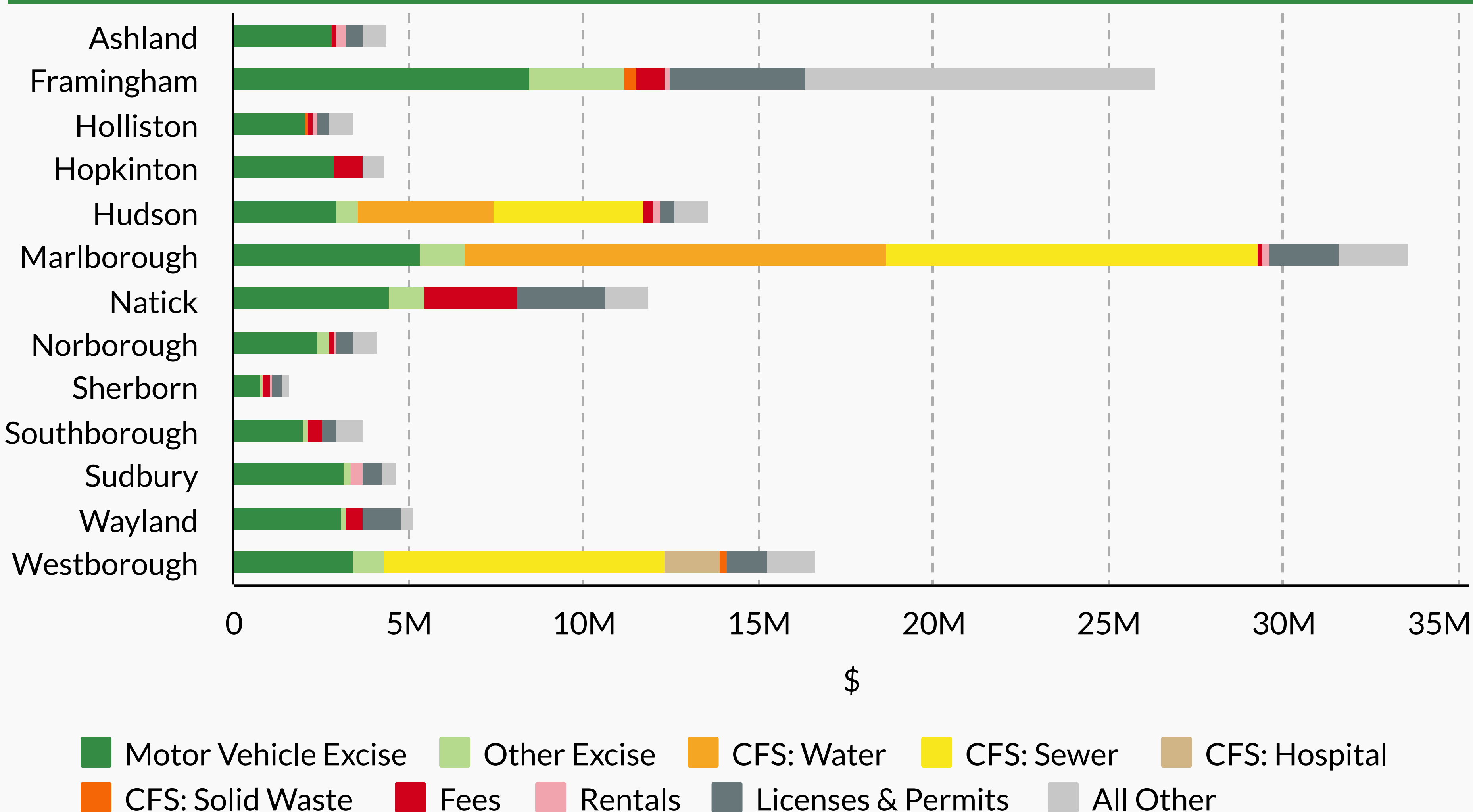
Local Receipts accounted for

8.1%

of Greater MetroWest Region's Revenue.



FY2022 GMW Local Receipts by Community



Most communities in GMW have chosen to collect water, sewer, and solid waste fees through enterprise funds instead of local receipts. Therefore, revenue collected from sewer, water, and solid waste may not show up in this graph.

Hudson, Marlborough, and Westborough are the only GMW communities that have collected sewer fees through Local Receipts (seen in yellow)

FY2022 Selected Local Receipts: Revenue by Category

Community	Motor Vehicle Excise	Fees	Rentals	Licenses & Permits	All Other
Ashland	\$2,835,000	\$140,000	\$290,000	\$505,000	\$619,000
Framingham	\$8,475,500	\$790,400	\$178,897	\$3,838,800	\$10,000,455
Holliston	\$2,125,000	\$100,000	\$160,000	\$350,000	\$706,332
Hopkinton	\$2,949,000	\$777,000	\$0	\$45,000	\$569,307
Hudson	\$3,000,000	\$245,000	\$250,000	\$375,000	\$975,437
Marlborough	\$5,400,000	\$128,000	\$200,834	\$2,000,000	\$1,980,600
Natick	\$4,500,000	\$2,598,477	\$0	\$2,575,370	\$1,201,635
Northborough	\$2,424,000	\$103,000	\$100,000	\$491,000	\$678,000
Sherborn	\$818,149	\$219,000	\$92,500	\$290,000	\$143,151
Southborough	\$2,070,500	\$370,000	\$0	\$425,000	\$752,025
Sudbury	\$3,200,000	\$0	\$292,000	\$550,000	\$418,088
Wayland	\$3,100,000	\$498,000	\$0	\$1,048,296	\$381,704
Westborough	\$3,442,507	\$20,000	\$4,005	\$1,100,000	\$1,386,631
GMW	\$44,339,656	\$5,988,877	\$1,568,236	\$13,593,466	\$19,812,365

Local Receipts: Revenue from Charges For Services

Community	Charges for Services: Water	Charges for Services: Sewer	Charges for Services: Hospital	Charges for Services: Solid Waste Fees
Ashland	\$0	\$0	\$0	\$0
Framingham	\$0	\$0	\$0	\$360,000
Holliston	\$0	\$0	\$0	\$60,000
Hopkinton	\$0	\$0	\$0	\$0
Hudson	\$3,885,000	\$4,275,000	\$0	\$0
Marlborough	\$12,080,000	\$10,580,000	\$0	\$0
Natick	\$0	\$0	\$0	\$0
Northborough	\$0	\$0	\$0	\$0
Sherborn	\$0	\$0	\$0	\$0
Southborough	\$0	\$0	\$0	\$0
Sudbury	\$0	\$0	\$0	\$0
Wayland	\$0	\$0	\$0	\$0
Westborough	\$0	\$8,015,573	\$1,620,000	\$170,000
GMW	\$15,965,000	\$22,870,573	\$1,620,000	\$590,000

Local Receipts by Community

Revenue from Other Excise

Community	Meals Tax	Room Tax	Other Excise	Other Excise Total
Ashland	\$0	\$0	\$0	\$0
Framingham	\$1,400,000	\$600,000	\$724,000	\$2,724,000
Holliston	\$0	\$0	\$0	\$0
Hopkinton	\$0	\$0	\$0	\$0
Hudson	\$349,000	\$51,000	\$203,500	\$603,500
Marlborough	\$0	\$1,000,000	\$253,000	\$1,253,000
Natick	\$515,000	\$515,000	\$4,150	\$1,034,150
Northborough	\$269,000	\$106,000	\$0	\$375,000
Sherborn	\$35,000	\$1,000	\$0	\$36,000
Southborough	\$40,000	\$75,000	\$0	\$115,000
Sudbury	\$195,000	\$30,000	\$0	\$225,000
Wayland	\$172,000	\$0	\$0	\$172,000
Westborough	\$500,000	\$400,000	\$0	\$900,000
GMW	\$3,475,000	\$2,778,000	\$1,184,650	\$7,437,650

Tax Rates

Meal & Marijuana Tax Rates

Community	Meals Tax Rate	Future Marijuana Tax Rate
Ashland	0.75%	-
Framingham	0.75%	3.0%
Holliston	-	-
Hopkinton	-	-
Hudson	0.75%	3.0%
Marlborough	0.75%	3.0%
Natick	0.75%	3.0%
Northborough	0.75%	-
Sherborn	0.75%	-
Southborough	0.75%	-
Sudbury	0.75%	-
Wayland	0.75%	-
Westborough	0.75%	-

*Note: Ashland did not account for the meals tax in the local receipts category.

Community Preservation Act (CPA)

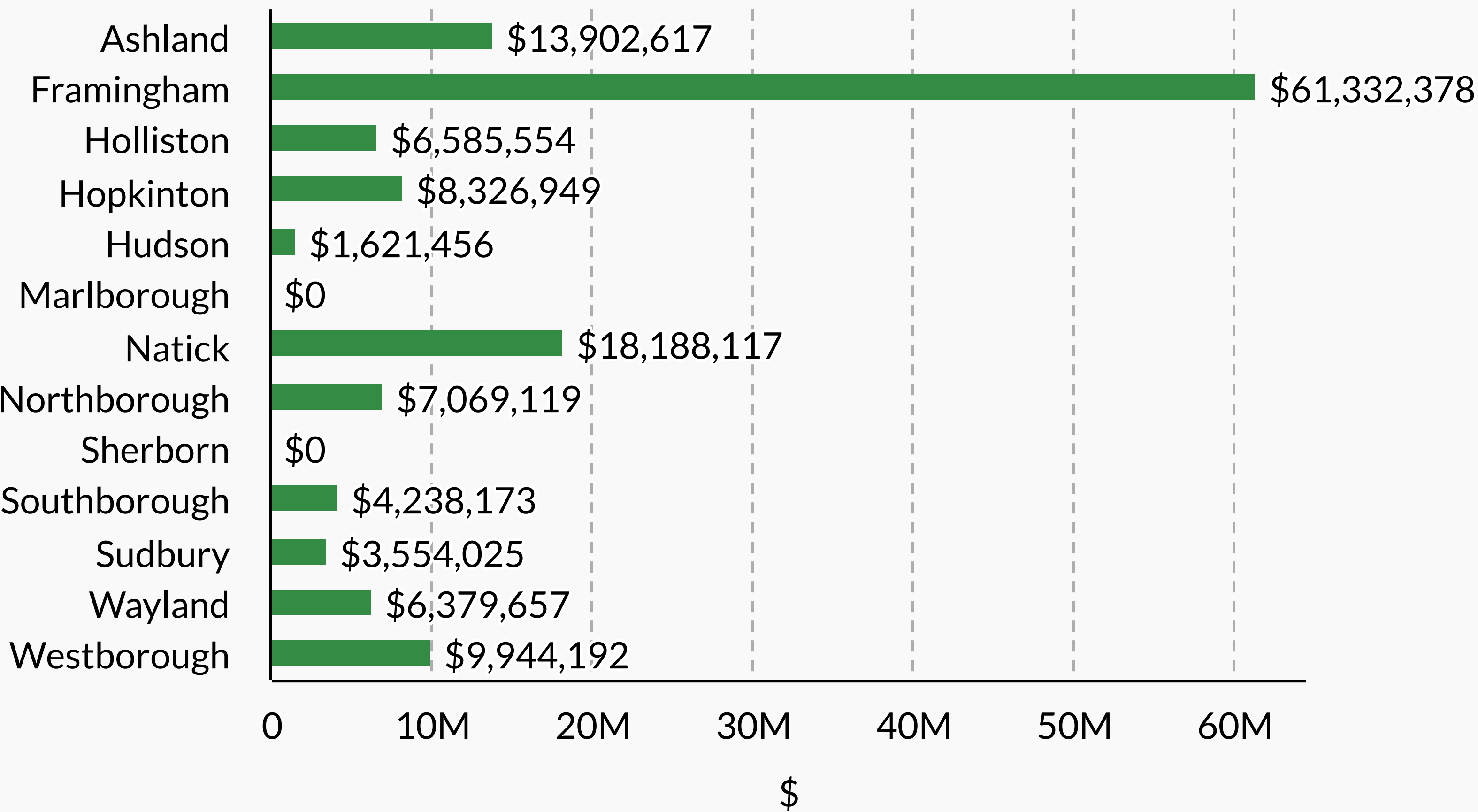
The CPA allows communities to adopt a local Community Preservation Act which raises money through a surcharge of up to 3% of the real estate tax levy on real property for open space protection, historic preservation, and the provision of affordable housing. The act also creates a significant state matching fund, which serves as an incentive to communities to pass the CPA. Town meetings can adopt a surcharge of up to 3% on property tax bills to fund qualified projects for open space, historic preservation, affordable housing, and recreation.

Nearly 80% of the 351 communities in MA have adopted the CPA, with rates ranging from 1% to 3% of initial tax assessments. The Commonwealth of MA has created a significant state matching fund that encourages the adoption of this provision. This table reflects the CPA rates and year adopted by GMW communities.

GMW CPA Rates

Community	CPA Rate	Year Adopted
Ashland	3.0%	2003
Framingham	1.0%	2022
Holliston	1.5%	2002
Hopkinton	2.0%	2002
Hudson	1.0%	2007
Marlborough	-	-
Natick	-	-
Northborough	1.5%	2006
Sherborn	-	-
Southborough	1.0%	2004
Sudbury	3.0%	2003
Wayland	1.5%	2002
Westborough	-	-

FY2022 GMW CPA & Enterprise Funds Revenue by Community Total: \$141M



The CPA & Enterprise Fund Receipts in Greater MetroWest in 2022 were **\$141,142,237.**

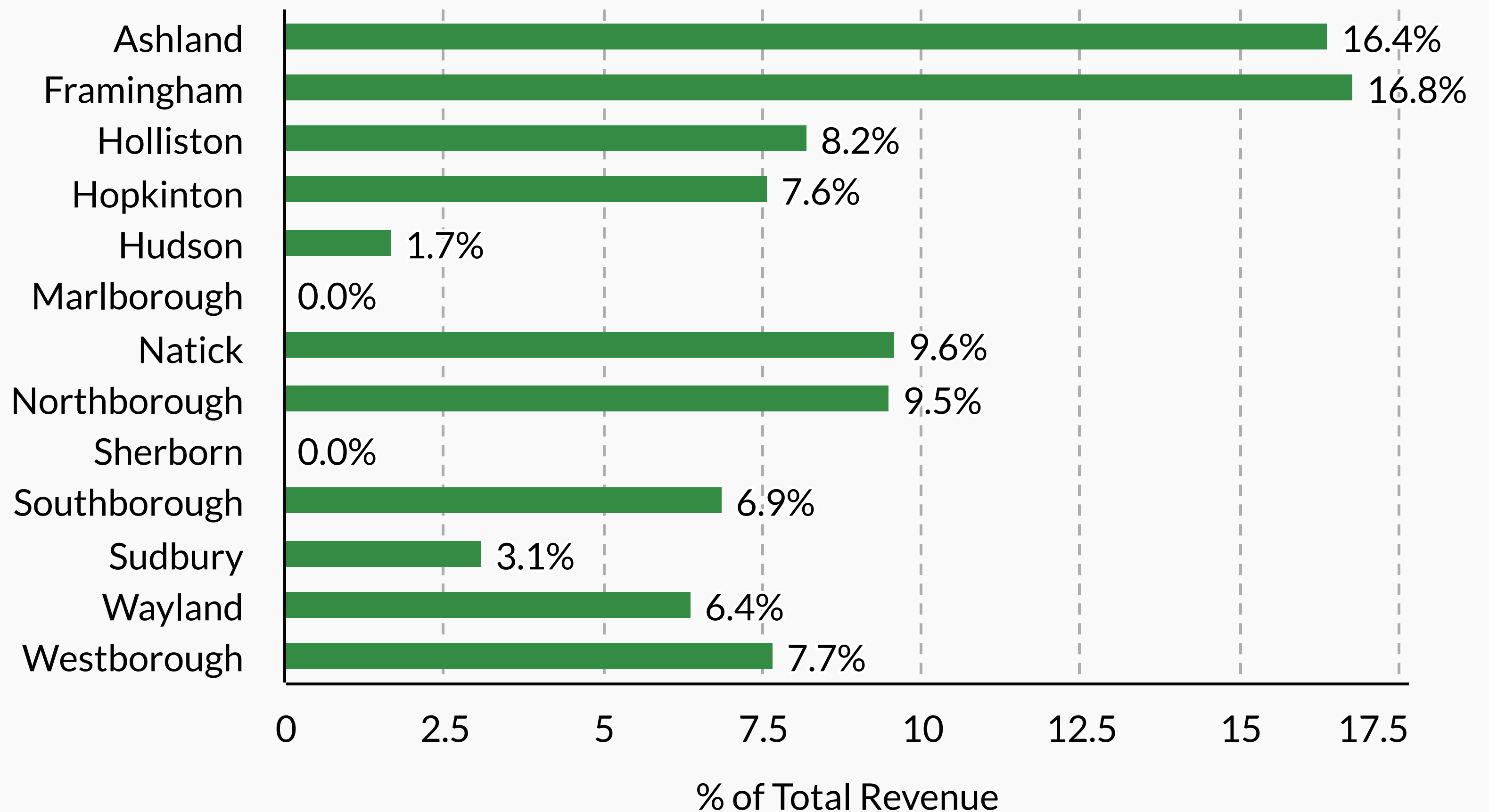
The CPA & Enterprise fund equals **8.6%** of the Greater MetroWest Region's Revenue.

CPA: Surcharge on real estate tax levy (property tax)
Enterprise Funds: Fees for goods and services (water, sewer, power, trash disposal)

GMW CPA & Enterprise Fund Receipts as % of Community Revenue 2022

High rates for CPA & Enterprise Fund Receipts as percentages of community revenue are seen in **Framingham (16.8%)** and **Ashland (16.4%).**

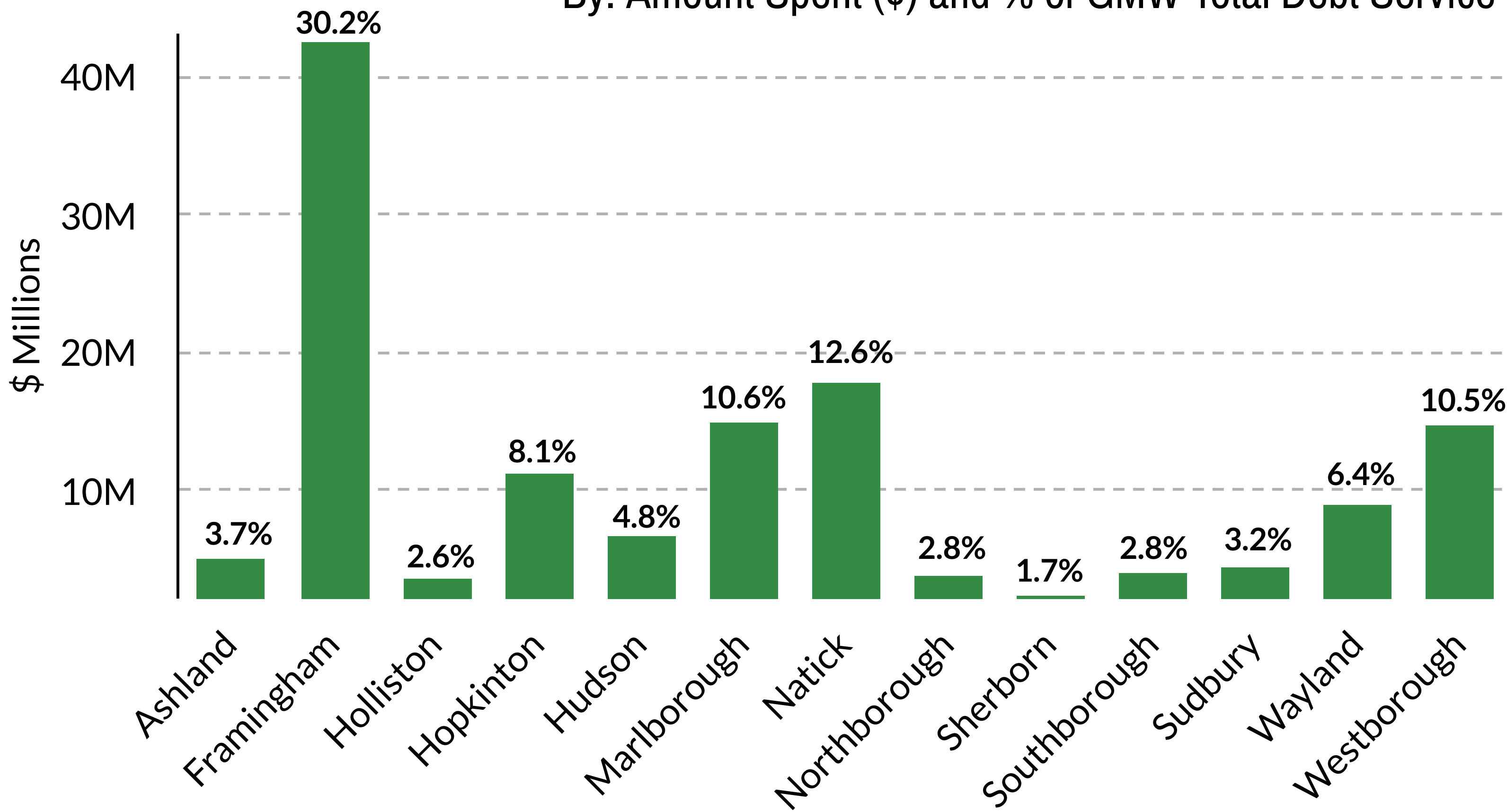
Marlborough and Sherborn have not employed enterprise funds and have not approved the local CPA option, therefore, their rate is **0%.**



SOURCE: Massachusetts Division of Local Services (2022). Local Option CPA [data file]. Retrieved from November 1, 2022 to March 31, 2023; https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=Local_Option_CPA. Division of Local Services (2022) Revenues by Source [data file]. Retrieved from November 1, 2022 to March 31, 2022; <https://dls.gateway.dor.state.ma.us/reports/rdPage.aspx?rdReport=RevenueBySource.RBS.RevbySourceMAIN>

FY2021 Total Debt Service by GMW Community

By: Amount Spent (\$) and % of GMW Total Debt Service



Total Debt Service in GMW was
\$140,763,134
in 2021.

Total Debt Service =
Long-Term Debt +
Long-Term Interest +
Short-Term Interest +
Other Interest

Note: Percentages represent each community's Debt Service as a proportion of total GMW Debt Service.

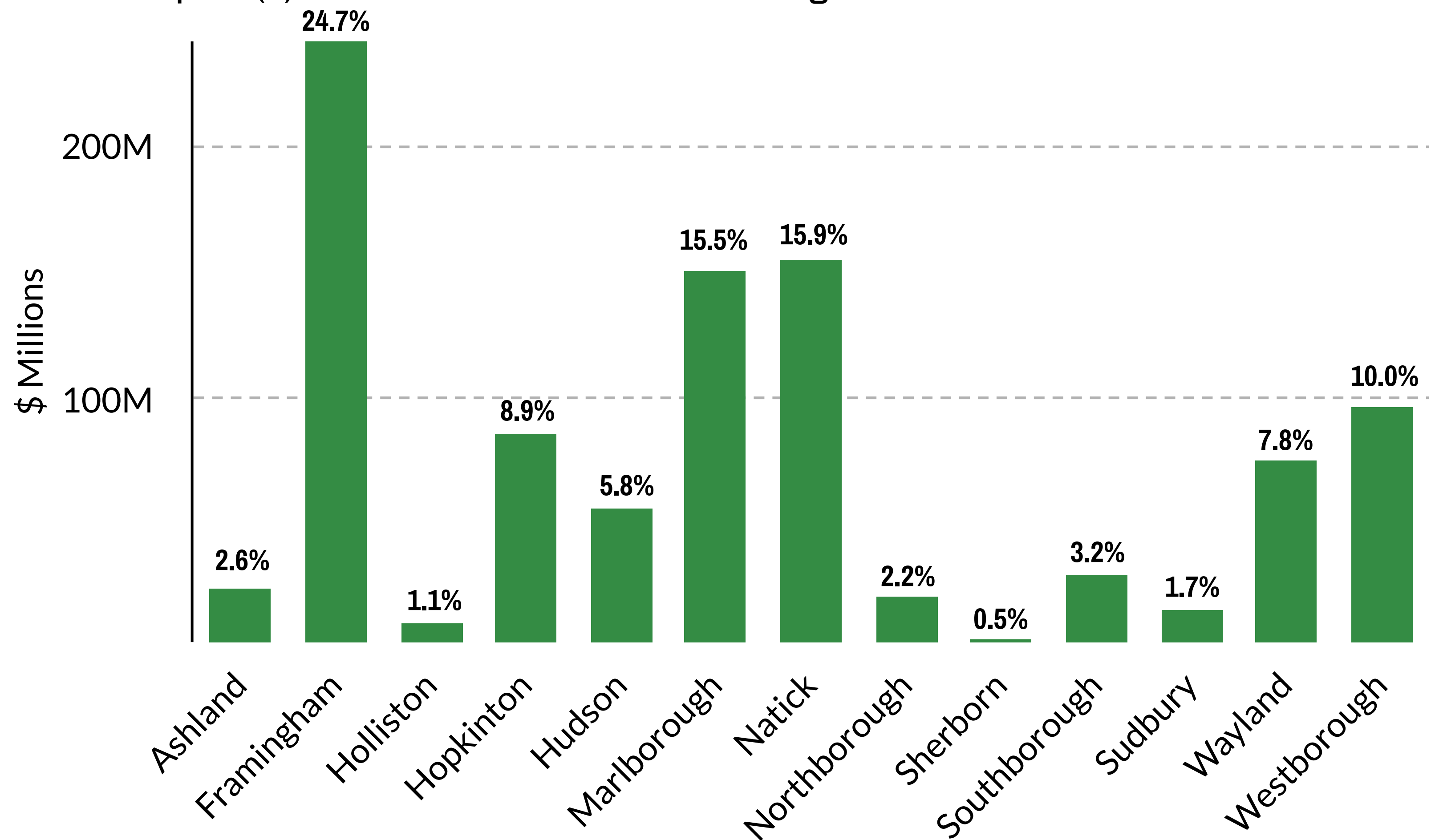
FY2021 Total Outstanding Debt by GMW Community

By: Amount Spent (\$) and % of GMW Total Outstanding Debt

Total Outstanding Debt in GMW was
\$975,018,077
in 2021.

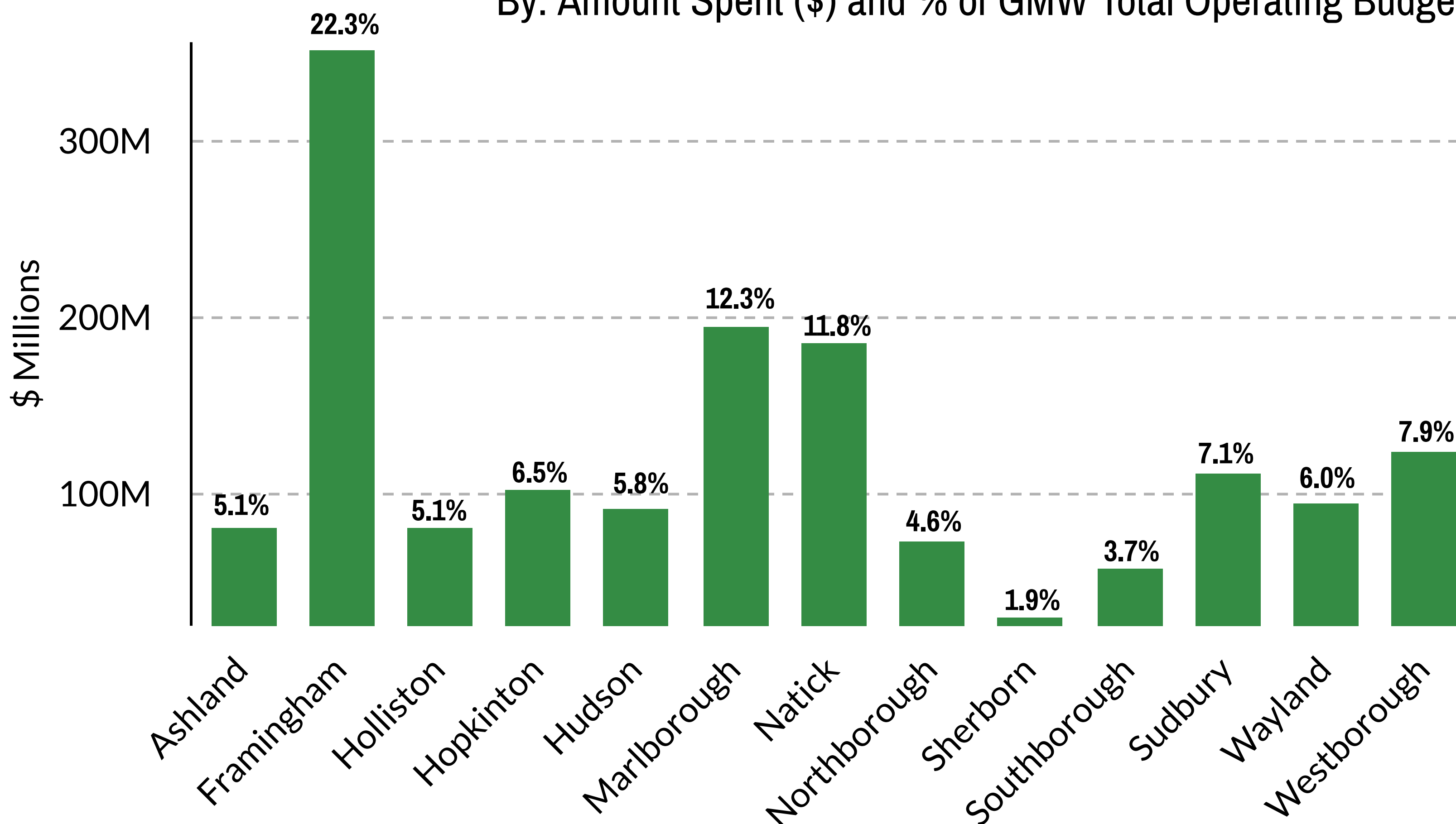
Total Outstanding Debt =
Total Community
Borrowings

NOTE: Percentages represent each community's Outstanding Debt as a proportion of total GMW Outstanding Debt.



FY2021 Operating Budget by GMW Community

By: Amount Spent (\$) and % of GMW Total Operating Budget



The Operating Budget in GMW was
\$1,583,114,580
in 2021.

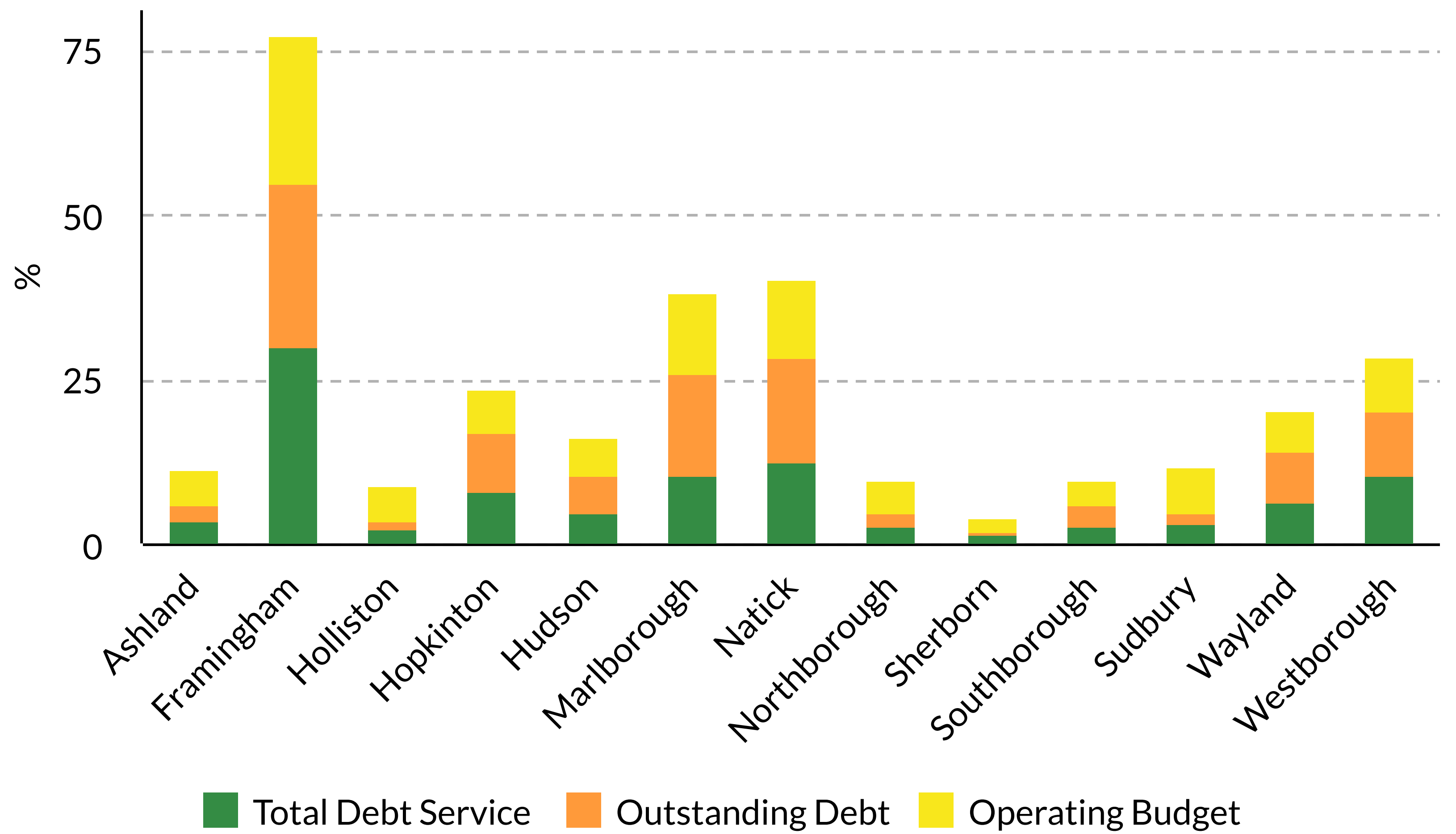
The Operating Budget is the
amount of money needed to
cover expenses that
deliver services to residents of
the community.

NOTE: Percentages represent each community's Operating Budget as a proportion of the total GMW Operating Budget.

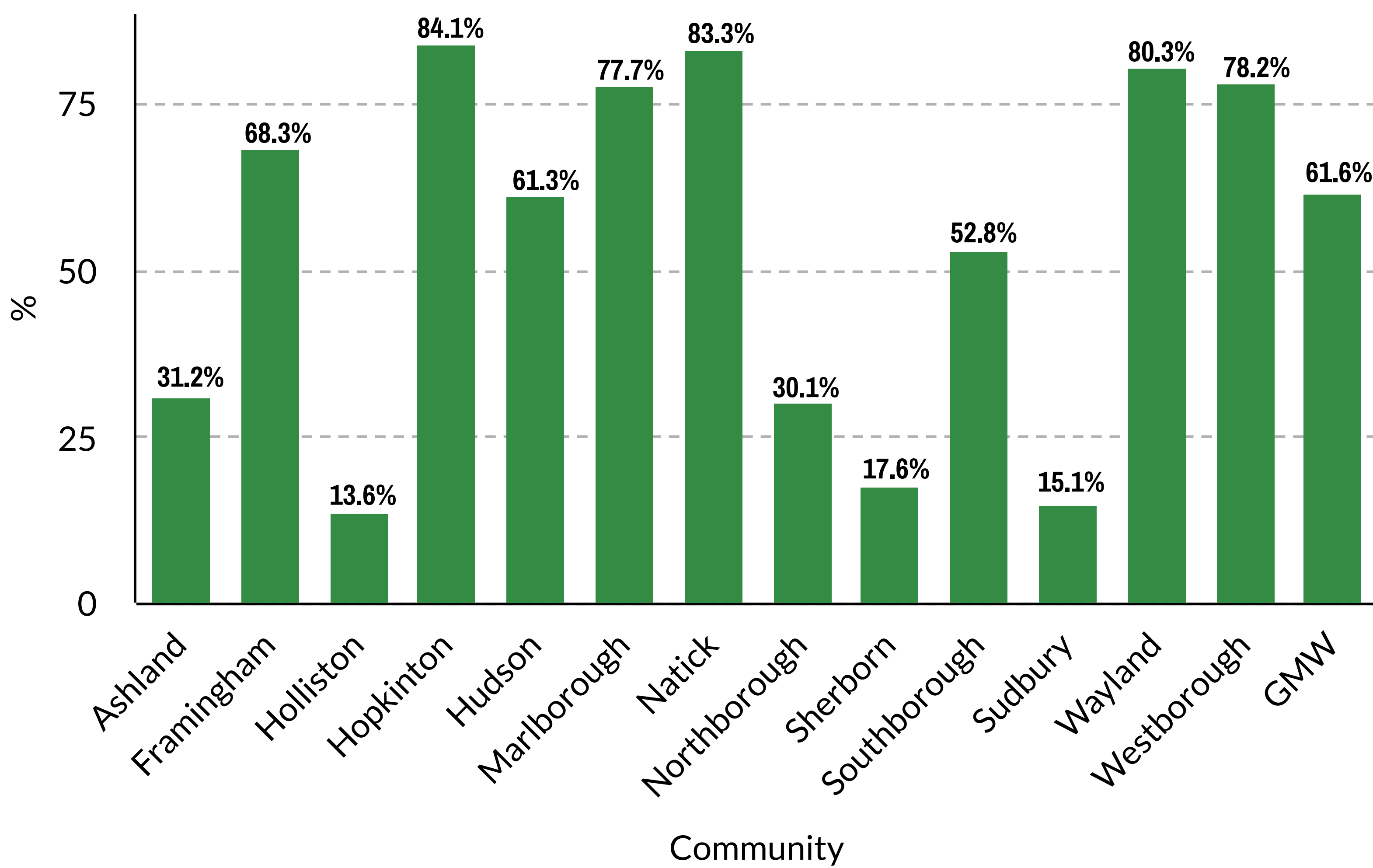
FY2021 % Debt to Operating Budget Comparisons by GMW Community

This graph represents each GMW community's Total Debt Service, Outstanding Debt, and Operating Budget as a proportion of GMW's Total Debt Service, Outstanding Debt, and Operating Budget. For example, each community's percentage of Total Debt Service added equals the Total Debt Service in GMW (100%).

This representation also reflects the GMW proportions for Total Debt Service, Outstanding Debt, and Operating Budget in each GMW community.



FY2021 Outstanding Debt Compared to Operating Budget by GMW Community



Burdensome Debt levels for each GMW community compared to Operating Budgets (estimated revenues) are revealed in this graph.

The five communities of **Hopkinton, Marlborough, Natick, Wayland, and Westborough** have Debt levels exceeding 70% for this measure.

Debt & Operating Budget: Main Takeaways

This section compares the relative size of Debt to Operating Budget by community as a share of GMW totals as well as Debt levels by community compared to Operation Budgets.

HIGH Outstanding Debt Shares compared to Operating Budget Shares

Marlborough

Outstanding Debt: \$151.4M or 15.5%
Operating Budget: \$194.9M or 12.3%

Natick

Outstanding Debt: \$155.2M or 15.9%
Operating Budget: \$186.2M or 11.8%

Percentages reflect total GMW Outstanding Debt Shares and GMW Operating Budget Shares

HIGH Total Debt Service Shares compared to Operating Budget Shares

Framingham

Debt Service: \$42.5M or 30.2%
Operating Budget: \$352.4M or 22.3%

Percentages reflect total GMW Debt Service Shares and GMW Operating Budget Shares

LOW Outstanding Debt Shares compared to Operating Budget Shares

Sudbury

Outstanding Debt: \$16.9M or 1.7%
Operating Budget: \$112.2M or 7.1%

Percentages reflect total GMW Outstanding Debt Service Shares and GMW Operating Budget Shares

Outstanding Debt compared to Operating Budget by Community

Current level of estimated Outstanding Debt compared to revenues fell between 13.6% in Holliston and 84.1% in Hopkinton. The thirteen communities of GMW averaged 61.6% of Outstanding Debt compared to their Operating Budget.