



## **Committee on Finance and the Northampton City Council**

*Councilor Gina-Louise Sciarra, Chair  
Councilor Marianne LaBarge, Vice Chair  
Councilor Michael J. Quinlan, Jr.  
Councilor John Thorpe*

### **On line Zoom Teleconference Meeting**

Meeting Date: April 16, 2020

Note: The Finance Committee Meeting took place during the City Council Meeting as announced. The City Council Meeting began at 7 p.m.

1. **Meeting Called To Order:** At 8:52 p.m., Councilor Sciarra called the meeting to order.
2. **Roll Call:** Present were committee members Gina-Louise Sciarra (Chair), Marianne LaBarge (Vice-Chair), Michael J. Quinlan, Jr. and John Thorpe. Also present from the City Council were William H. Dwight, Alex Jarrett, Karen Foster, Rachel Maiore and Jim Nash.
3. **Approval of Minutes From The Previous Meeting**
  - A. **Minutes of April 2, 2020**

Councilor LaBarge moved to approve the minutes of April 2, 2020. Councilor Quinlan seconded. The motion passed unanimously 4:0 by roll call vote.
4. **COVID-19 Financial Update**

Presentation by Mayor Narkewicz

  - impacts on current FY2020 city budget
  - status of Capital Improvement Program
  - development of FY2021 budget with delayed implementation of March 3, 2020 Proposition 2 1/2 override

Mayor Narkewicz gave a Powerpoint presentation. (See attached) Among other things, he projected a loss of \$1.493 million in revenue for the 4<sup>th</sup> quarter of FY2020, made up of shortfalls due to the extension of deadlines for payment of real estate, personal property, excise taxes and utilities to June 30, 2020 (\$90,000), parking and ticket revenue losses (\$731,000) and significant decreases in Hotel/Motel taxes (\$70,000), meals taxes (\$80,000), Adult Use Marijuana Excise Tax (\$136,000), ambulance revenue (\$300,000) and building, wiring and plumbing permit revenue (\$86,000).

Between both the third and fourth quarters of FY2020, administrators are projecting total loss of revenue of \$1.858 million, he presented.

As they know, Governor Baker submitted his state budget back in January. Obviously, the somewhat optimistic outlook for revenue projections upon which that budget was based have changed dramatically.

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The next three slides were borrowed from the Massachusetts Municipal Association. He had a virtual meeting with mayors across the state and state Secretary of Administration and Finance Heffernan, who presented a revised revenue forecast for FY2021. The Massachusetts Taxpayers Foundation (MTF) is forecasting a 14.1% decrease in revenue, or \$4.4 billion. It is unclear whether the legislature will delay the budget process. The good news is that the state has a \$3.5 billion rainy day fund which will help mitigate budget impacts.

### **Status of FY2021 Capital Improvement Program**

His approach for FY2021 is to present very limited capital projects. Only critical, time-sensitive projects will be recommended for funding in FY2021 – all other projects will be pushed out one year, he presented.

### **FY2021 Budget**

Mayor Narkewicz presented the status of the city's stabilization funds. The Fiscal Stability Stabilization Fund is at \$2.9 million, the Capital Stabilization Fund is \$3.8 million and the Stabilization Fund is \$5.1 million. He heard concern during recent Town Hall meetings at the size of the stabilization funds, and he tried to explain at the time that the purpose of these funds is the type of unforeseen emergency and crisis that, unfortunately, Northampton finds itself in now. These will be the sources they will look to to try to lessen the pain of impending cuts. Obviously, they don't want to over-rely on these sources because they want to make them last and don't want to exhaust them.

Mayor Narkewicz presented potential impacts on FY2021 revenue. If the crisis continues, they are forecasting a \$1.5 million loss in revenue for the 1<sup>st</sup> quarter alone. Obviously, they will be looking very carefully at expenses for the FY2021 budget and fully expecting that they will have to make significant reductions to account for lost revenue. Mayor Narkewicz reviewed possible cuts. "We need to be prepared to take significant steps in building the FY2021 budget," he advised.

Mayor Narkewicz announced that he would delay implementation of the \$2.5 million override passed on March 3, 2020 until FY2022. Given the public health crisis and massive economic disruption, he could not in good conscience implement a voter-authorized property tax increase in just over two months.

"It was as concerning a presentation as I feared it would be," Councilor Sciarra observed.

Members asked questions and offered comments.

Councilor Thorpe said the presentation answered one question by confirming that the city is dealing with increased expenditures. He thanked the Mayor for notifying the council and especially those watching of the delayed implementation of the \$2.5 million override. He has heard from constituents who have been laid off and are concerned about how the tax increase would impact them.

Councilor LaBarge thanked Mayor Narkewicz and Finance Director Susan Wright for the very thorough presentation. She has heard great concerns via emails and phone calls from residents about how they are laid off, how they depend on two paychecks to pay their mortgage and put food on the table and whether a moratorium could be placed on the Proposition 2 ½ override. She expressed hope that, with the thorough, thorough budget presented, in the year of not having 2 ½, many people would be able to go back to work and get back on their feet. "I can't tell you how bad it is in this city right now. It's awful." She thanked both for the excellent presentation and all the work they did to present it tonight.

Councilor Dwight said he is not the least bit surprised by the way the Mayor and his staff have anticipated how to proceed in this crisis as it changes moment to moment. He is impressed beyond a proper way to express it. Regarding deferred implementation, he asked if the Mayor as chief executive has the authority to essentially declare a deferment on a voter initiative and whether it requires anything of the council.

He has checked with the Department of Revenue (DOR) and its legal department. Essentially, when voters granted authority to raise the additional \$2.5 million, they gave the city authority to raise the overall tax levy, Mayor Narkewicz advised. That does not mean that in any given year the city has to use the full tax levy capacity. It is an authority they are able to utilize as part of local municipal budget authority, he confirmed. He is not saying that he is wiping away the election result, because in the eyes of DOR Northampton has an additional \$2.5 million in levy capacity. What he is saying is that, as Mayor, he is going to submit a budget that doesn't utilize that \$2.5 million in this fiscal year. He will not do that until the next fiscal year. The additional revenue is authorized, but essentially they are not going to tap it until July 1, 2021. The City Council would be approving a budget that would not have that additional \$2.5 million in revenue as part of it, he clarified.

Councilor Nash noted that he stopped by the mayor's office March 4th and the word was that the mayor was meeting all day with administrators to plan the budget. The mayor had a week where he was implementing that budget and then, a week later, he knew they were going to have to redo that budget. He is so impressed with the assessment that he and the finance director were able to share tonight. He was expecting the Finance Director to share the third quarter report and say, 'it's looking bad.' This level of detail is super impressive. "It's amazing how nimble you guys have been to be able to pull this together in this crisis," he commented.

Mayor Narkewicz qualified the presentation by stressing that these are their best estimates right now. He cautioned that the numbers may change. He has been having Zoom departmental budget meetings all week to look at new scenarios, he shared.

Councilor Nash said he also appreciated all the work that had been done to build up the reserve funds over the last ten years. "This is what they're there for," he agreed.

He asked where the bonding for North Farms Road construction stands.

Mayor Narkewicz said he thinks their plan had been to not do that bonding until the fall but said he would defer to the finance director.

The DPW director will not be incurring any expenses related to the \$1.5 million for paving that City Council authorized in October until July, Ms. Wright confirmed. They decided not to bond for that until next spring. The first debt payment will be due in FY2022 instead of FY2021.

Councilor Nash asked about the status of the project for rebuilding Exit 19 and Damon Road.

Those projects have money already locked into them as part of the Transportation Improvement Program (TIP), Mayor Narkewicz advised. The state is planning to put Damon Road out to bid in May which is one of the reasons he is requesting two readings on the order to accept final easements from the railroad. King Street is planning to go out to bid in June.

The state is even moving forward with the project on North King Street in Hatfield. At least at the state level, these projects are continuing. It seems like outdoor construction of this kind will continue and the state is still on track to get those projects out.

Councilor Quinlan thanked the mayor for the honest and sobering look at the city's budget and the realistic view of the future. He thinks a delay in implementation of the override plus consideration of tapping into the stabilization funds shows a real compassion for the city. To be frank, he thinks that's why the override passed to begin with, because people appreciate that the mayor looks at it realistically with compassion for the residents. He echoed what Councilor Nash said about wanting to be kept abreast of road reconstruction projects in Ward 1.

He asked about host community funds for adult use marijuana, and the mayor said that is one of the many unanswered questions.

As they see the projections and the state the city is in in terms of offices being closed and people working from home, Councilor Quinlan asked if the city has laid anyone off or furloughed any employees.

It has not, Mayor Narkewicz said. The city and schools have taken the position that employees are in the middle of this same crisis and many of them are still working; they're just working remotely or reassigned to other tasks. Senior services staff are doing a lot of outreach work and the recreation department is trying to find ways to help people safely recreate and not go insane. At least through the end of FY2020, lay-offs are not anticipated, he indicated. They may freeze some hiring and not fill vacancies and there may be layoffs in FY2021.

Councilor LaBarge said she read that 35% of cities are not being funded with CDBG funds. She asked if Northampton is one of those.

There is a large cohort of cities that do not receive CDBG funding, but Northampton is not one of them, Mayor Narkewicz said. Northampton received an extra allotment under the CDBG CARES federal program.

Councilor Maiore said she appreciated his tenacity and thinks it's such a sign of great leadership. Personally, she always knew the importance of a stabilization fund but she doesn't think any of them are going to forget after this experience how it plays out and what a lifesaver it can be in this situation.

She asked whether the recently-approved property tax relief program for seniors is in effect now.

It takes effect July 1<sup>st</sup>, Mayor Narkewicz said. He believes the governor's order allowing municipalities to extend the deadline for paying property taxes also extended the deadline for filing for tax exemptions, which previously was in April. The new deadline is now June 1<sup>st</sup>. The new income limits go into effect July 1<sup>st</sup>.

#### **A. FY2020 Third Quarter Financial Report**

Susan Wright would normally present third quarter financial figures at this time. As councilors saw in the presentation, they don't see many COVID-19 impacts yet on the third quarter, Mayor Narkewicz reported.

The third quarter is somewhat shielded from impact except for parking, Ms. Wright confirmed. She thinks the difference in revenue between this quarter and the same quarter last year is mainly a timing issue.

Because of staff trying to figure out how to do things remotely, some things have not yet been entered in the accounting system.

In general, there's really nothing remarkable. The enterprise funds are doing quite well and have met all of their revenue targets. The General Fund is slightly below but she thinks that is mainly a timing issue due to delayed posting of deposits and the loss of two weeks of parking revenue.

In terms of expenditures, the payroll impacts of the COVID emergency haven't really hit in the 3<sup>rd</sup> quarter. In terms of financial impacts, there is nothing really remarkable to point out, she concluded.

## 5. Financial Orders

### A. 20.041 An Order To Authorize Acceptance Of Easements From MassDOT For Damon Road Reconstruction

Councilor Sciarra read the order.

Councilor Quinlan moved to put the order on the floor for discussion. Councilor Thorpe seconded.

The City Council previously approved the acquisition of easements mostly for private property along Damon Road, Mayor Narkewicz reminded. This happens to be an easement the city is getting from the Commonwealth; i.e. - the rail division of MassDOT. This will allow construction to move forward. It requires an agreement between the city and the Commonwealth and a vote to accept the easements, he explained.

The motion passed unanimously with 4 Yes, 0 No by roll call vote.

### B. 20.042 An Order To Authorize Intermunicipal Agreement With Towns For Public Health Nursing Program

Councilor Sciarra read the order.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Thorpe seconded.

This is what Director O'Leary was discussing earlier, Mayor Narkewicz advised. It involves a regional collaboration being funded by the Mass. Department of Public Health (DPH).

Councilor Quinlan said he was curious to see East Longmeadow included and asked how they came into this.

Mayor Narkewicz said his understanding is that the call was put out to communities who might want to pursue this, many of which don't have a full-time public health nurse. Contact tracing work is basically done with a phone and a computer and can be done from anywhere, he observed. They basically are bundling a bunch of grants to try to build an economy of scale.

Councilor Sciarra called the motion to a vote, and it passed unanimously 4 Yes, 0 No by roll call.

### C. 20.043 An Order To Appropriate Free Cash To NPS For Federal Foster Care Transportation Reimbursement

Councilor Sciarra read the order.

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Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Thorpe seconded.

This one of the school grant programs where the money comes to the city, and the city then appropriates it back to the public schools through Free Cash, Mayor Narkewicz explained. The council previously took a vote authorizing the schools to enter into the program.

The motion passed unanimously with 4 Yes, 0 No by roll call vote.

**D. 20.044 An Order To Authorize Intermunicipal Agreement With MEMA During COVID Emergency**

Councilor Sciarra read the order.

Councilor Quinlan moved to forward the order with a positive recommendation. Councilor LaBarge seconded.

The city needed a place to quarantine people who show COVID symptoms at the high school shelter to keep that a healthy shelter, Mayor Narkewicz presented. There was a conversation at the state level about the gap and the need for what the state calls isolation and recovery sites. He has been in close communication with Amherst Town Manager Paul Bockelman. Both Northampton and Amherst are trying to maintain their shelters but were discussing what to do with homeless people who have symptoms and can't remain in the shelter. They have had a series of conference calls and simultaneously conversations with MEMA about it standing up a shelter. They had a conference call this Saturday with the director of MEMA and ironed out the details. MEMA is basically renting out the entire hotel and it will be a recovery and resource center not just for Northampton but for all of Hampshire County. MEMA will staff the facility, and the one thing MEMA asked of Northampton is to provide security. Chief Kasper and the city agreed that the police department would detail an officer there. The city will be fully reimbursed. The state finds it easier to bring in local law enforcement who know the community. The order authorizes him to sign the MOU as a final important step in setting up this vital resource. They have already incurred some expenses by having folks in isolation. This will remove this burden from them and provide a place to safely put people who show up at the shelter sick. Recovery center occupants will be provided meals and medical attention. This would be a cluster of people with COVID-19 so it will be very important to make sure that access is controlled.

He respectfully requested two readings.

Members asked questions and offered comments.

It won't be taking away from resources on the street because the detail will involve off-duty officers. They would not divert active, on-duty officers to go there. It is similar to outside details at NETA and at the transfer station.

Councilor Sciarra called the motion to a vote, and it passed unanimously 4 Yes, 0 No by roll call.

**E. 20.046 An Order to Approve Gift Fund Expenditures For Resilience Hub**

Councilor Sciarra read the order.

Councilor Thorpe moved to forward the order with a positive recommendation. Councilor LaBarge seconded.

This concept of a resilience hub dovetailed nicely with the need previously identified and further exposed during this pandemic for a daytime resource center, Mayor Narkewicz related. One of the reasons the city stood up a shelter was that existing shelters were too small to provide social distancing. Also, the shelters now close in the morning and everyone has to leave and there is not another resource center where people can go during the day until the shelter opens again in the evening. They were already looking at the concept of a resilience hub, since it is a concept also related to climate change impacts, and it dovetailed with the need for a daytime resource center. Director Feiden had already been doing some preliminary work and having discussions of this concept and, because of this, they have already had residents step forward to make gifts to support it. They are asking to set up a special fund and to authorize expenditures for planning for a resilience hub.

For her, this is one of the recommendations she was most excited about, and she was really thrilled to have some discussion about it as part of CDBG committee discussions, Councilor Sciarra volunteered. The news of two substantial donations feels like a nice, needed ray of hope. She offered thanks to the donors.

Councilor Quinlan echoed the sentiment that this is really great, saying he is pleased people in the community are getting behind this. He wondered how far along the planning is around spending this money and developing this resilience hub. Is there a location? What other plans have been made? He asked.

Mr. Feiden is really in the early design stage and has put out a call to architects who want to work on this, Mayor Narkewicz advised. Before looking for a location planners really have to understand what 'it' is; in terms of size, layout and the types of amenities it would include. Once a concept is developed, they will move on to looking for a space and discussing who would operate it. They are in the early phase. Similar to the tiny home, small lot project Mr. Feiden advanced, he is in the process of engaging architects to develop the concept. It is still in the early pre-conceptual stage.

She is going to support this, Councilor LaBarge confirmed. There has been a lot of time and effort in place in making this happen, and it is a dire need.

Councilor Maiore said how excited she was to see this on the agenda. Moving forward they are going to be looking at what they are going to have to cut back on. Thinking of ways that will help them all to recover as a community is really visionary and she thinks those donors saw that.

They have a committee of 16 or 17 people, about a third of them city department staff, including health and emergency services, and a lot of social service providers, Mr. Feiden elaborated. There is a lot of excitement. The biggest challenge right now is brainstorming and prioritizing all the services they would like to have there. Councilors heard Director O'Leary talk about day programs going on at the high school right now; many of them would also be appropriate for a resource center. They are in the process of engaging an architect to help plan and create a space plan and estimate the cost of the facility, he confirmed.

The motion passed unanimously 4 Yes, 0 No by roll call vote.

6. **New Business**  
**FY2021 Independent Audit Procurement Process**

Councilor Sciarra introduced a discussion of how to proceed with the FY2021 audit. She read a memo dated April 14, 2020 from Administrative Assistant Laura Krutzler.

The best practice recommendation is to conduct a full procurement process every five to eight years, she stressed. They will be entering the sixth year of a contract with Scanlon & Associates so they are still within that recommendation. She is ever mindful that they are presently in a state of emergency but they need to have this conversation now based on the timeline presented. The options are 1) embarking on a full procurement process, including putting out an RFP, interviewing firms and awarding a contract, 2) extending the contract with Scanlon for another year or 3) awarding a three-year contract with Scanlon as recommended by the Charter Review Committee.

She was one of the councilors who advocated going through the full procurement process in 2015, and she thinks the concept of 'fresh eyes' has merit. However, having gone through that process, she became aware of some of the practical realities involved in achieving that fresh set of eyes. Her preference for proceeding is that they **not** undertake this process at this time during this crisis. While the RFP process primarily uses the time of the administrative assistant and Finance Committee, if she remembers correctly, it did use quite a bit of other staff time. There are a lot of technical aspects to the proposal for which the council requires assistance from other city staff such as Director Wright. Also, beyond the procurement process, switching to a new auditing firm would be a massive undertaking for a lot of city departments and would likely have budget implications in a time which will already be one of financial challenge. Scanlon was by far the lowest bidder last time.

Councilor Dwight agreed absolutely with everything Councilor Sciarra said. It would be wholly inappropriate at this point to start that process now, he suggested. The process did take a long time and should take a long time; it should be given all due consideration. The point she made about Susan Wright and the whole financial department is one of the more cogent ones. It would put pressures on an agency and a department which is under enormous stress right now and from which they expect a great deal. To burden them with trying to bring another agency up to speed would be too onerous, he suggested.

He confirmed it is the Charter Review Committee's recommendation to award a three-year contract.

He can see absolutely no upside and a multitude of down sides in proceeding with option #1, he continued. He expressed support for the option of extending the contract for three years and, in three years' time, conducting a full procurement process.

Scanlon has served them very well, he added. Given the fact that there is not a large queue of people signing up to do Northampton's municipal audit, he thinks it would do an enormous disservice to the financial department and an enormous disservice to the citizens ultimately if they proceed with right now putting out to bid for a new auditor that they may or may not get.

Councilor Jarrett raised a point of process. This is the first time he's seen the 'New Business' subheading used in this council session. Council rules state that a measure introduced under New Business is "to be considered by the Council at the next meeting, but not to be debated during new business."

Mrs. Krutzler said she was not aware New Business had those restrictions so she might have put the subject under the wrong subheading. She confirmed that the item was posted in a timely matter and therefore is legally eligible for discussion.

In that case, Councilor Jarrett agreed with the points made by Councilors Sciarra and Dwight and said the options of either extending the contract for a year or three years both sound very prudent.

Councilor LaBarge agreed with Councilors Sciarra and Dwight that it would not be a good idea to bring in a new auditor at this time.

Councilor Quinlan said he agrees with everything everyone has said. His question would be if there were a chance to combine options #2 and #3 by extending the contract for this year and putting out an RFP next year while the sitting council is still in office.

Ms. Wright stressed that the hiring of the auditor is the City Council's decision and emphasized that, whatever decision it makes, the financial team will rise to the occasion. She does believe Scanlon would be the least expensive option at least for the next year since he has years and years of background data that a new auditor would need. The time involved at the staff level will be much increased just in the first year. Financial officers are very comfortable with him. It will be a difficult year, but, certainly, they will work with whatever decision the council makes.

In response to a question from Councilor Sciarra, Ms. Wright confirmed that municipal auditing is a specialty. Four firms actually responded to the last RFP but there are very few local firms, she clarified.

Councilor Quinlan moved to make a recommendation to the full council to extend the contract for one year. Councilor LaBarge seconded.

Members discussed that, if there is a consensus not to move forward with a full procurement this year, it is not necessary to make a commitment tonight to either extend the contract for one year or three. That discussion/decision could be put on the agenda at a later time.

It was stated for the record that there appeared to be a consensus not to move forward with a full procurement process this year and that the decision of whether to award a one-year or three-year contract could be made at a later time.

7. **Adjourn:** There being no further business, Councilor Quinlan moved to adjourn. Councilor LaBarge seconded. The motion carried on a roll call vote of 4 Yes, 0 No. The meeting adjourned at 10:48 p.m.

*Contact: G-L Sciarra @glsciarra@northamptonma.gov or 413-570-3133*

## **EXHIBIT A**

List of Documents Reviewed at April 16, 2020 City Council Committee on Finance Meeting:

1. April 16, 2020 Finance Committee Agenda
2. City Council Committee on Finance Meeting Minutes of April 2, 2020
3. Powerpoint Presentation entitled, "City of Northampton COVID-19 Financial Update," prepared by Mayor David J. Narkewicz dated April 16, 2020
4. FY2020 Third Quarter Financial Report
  - A. FY2020 General Fund Revenue for Period Ending March 31, 2020
  - B. FY2020 General Fund Expenditures for Period Ending March 31, 2020
  - C. FY2020 Enterprise Fund Revenue for Period Ending March 31, 2020
  - D. FY2020 Enterprise Fund Expenditures for Period Ending March 31, 2020
5. Memo from Laura Krutzler, Administrative Assistant, to City Council Committee on Finance dated April 14, 2020 re: FY2021 Independent Audit
6. MassDOR/Division of Local Services on Rotating Outside Auditors
7. Government Finance Officers Association Best Practice for Audit Procurement
8. Timeline for Procurement Process for Independent Audit to Allow City Council Award of Contract by September 15, 2020 – 1
9. Timeline for Procurement Process for Independent Audit to Allow City Council Award of Contract by September 15, 2020 – 2
10. City of Northampton Massachusetts Contract for Auditing of FY16 – FY18 between Scanlon & Associates and the City of Northampton dated September 28, 2015
11. City of Northampton Request for Proposal (RFP) for Auditing Services

**City of Northampton**  
**COVID-19 Financial Update**

**Mayor David J. Narkewicz**  
**April 16, 2020**

# Agenda

- Impact of COVID-19 on the Fiscal Year 2020 Budget
    - Third Quarter Revenue and Expenditure Reports for General and Enterprise Funds
    - Estimated impact on Third and Fourth Quarter Revenues and Expenditures for General Fund
  - Impacts of COVID-19 on State Aid in FY2020 and FY2021
  - Status of the Five Year FY2021-FY2025 Capital Improvement Program
  - Fiscal Year 2021 Budget
    - Revenue Impact of COVID-19
    - Expenditure Impact of COVID-19
    - Delayed Implementation of \$2.5 million override to FY2022
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# **Impact of COVID-19 on the Fiscal Year 2020 Budget**

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Third and Fourth Quarter Revenues and Expenditures

# FY2020 Third Quarter Revenues – General Fund

## (\$365,000)

- For the third quarter, 71.9% of budgeted revenues have been received compared with the third quarter of FY2019 where 73.7% of budgeted revenues had been received. Revenue reductions are the result of:
    - Timing relative to recording revenues due to city office closures which began March 17, 2020
    - Extension of due dates for city bills such as Real Estate, Personal Property, Excise and Utilities until June 30, 2020 resulting in decreased 3<sup>rd</sup> Quarter revenue in interest on taxes and collector demand fees - estimated lost revenue (\$25,000)
    - Approximately two weeks of parking and ticket revenue lost due to the suspension of parking fees and enforcement concurrent with city office closures which began March 17, 2020 - estimated lost revenue (\$240,000)
    - Estimated Ambulance Revenue lost in this quarter - estimated lost revenue approximately (\$100,000)
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# FY2020 Fourth Quarter Revenues – General Fund (\$1,493,000)

- For the fourth quarter revenues, COVID-19 will have a serious impact on our revenues:
    - Extension of due dates for city bills such as Real Estate, Personal Property, Excise and Utilities until June 30, 2020 will result in decreased 4<sup>th</sup> Quarter revenue in interest on taxes and collector demand fees - estimated lost revenue (\$90,000)
    - Parking and ticket revenue losses reflecting April, May, June 2020 revenues due to suspension of parking fees and enforcement - estimated lost revenue (\$731,000)
    - Hotel/Motel Excise Tax 4<sup>th</sup> Quarter reflects lost revenue in February, March, April 2020 - estimated lost revenue 50% - (\$70,000)
    - Meals Excise Tax 4<sup>th</sup> Quarter reflects lost revenue in February, March, April 2020 - estimated lost revenue 50% - (\$80,000)
    - Adult Use Marijuana Excise Tax 4<sup>th</sup> Quarter lost revenue in February, March, April 2020 - estimated lost revenue 33% - (\$136,000)
    - Ambulance Revenues – 4<sup>th</sup> Quarter reflects April, May, June 2020 - estimated lost revenue approximately \$100,000/month or (\$300,000)
    - Building, Wiring and Plumbing Permit Revenue – 4<sup>th</sup> Quarter reflects April, May, June 2020 – estimated lost revenue approximately (\$86,000)
    - IMPORTANT NOTE: Impact on state aid in current fiscal year unknown
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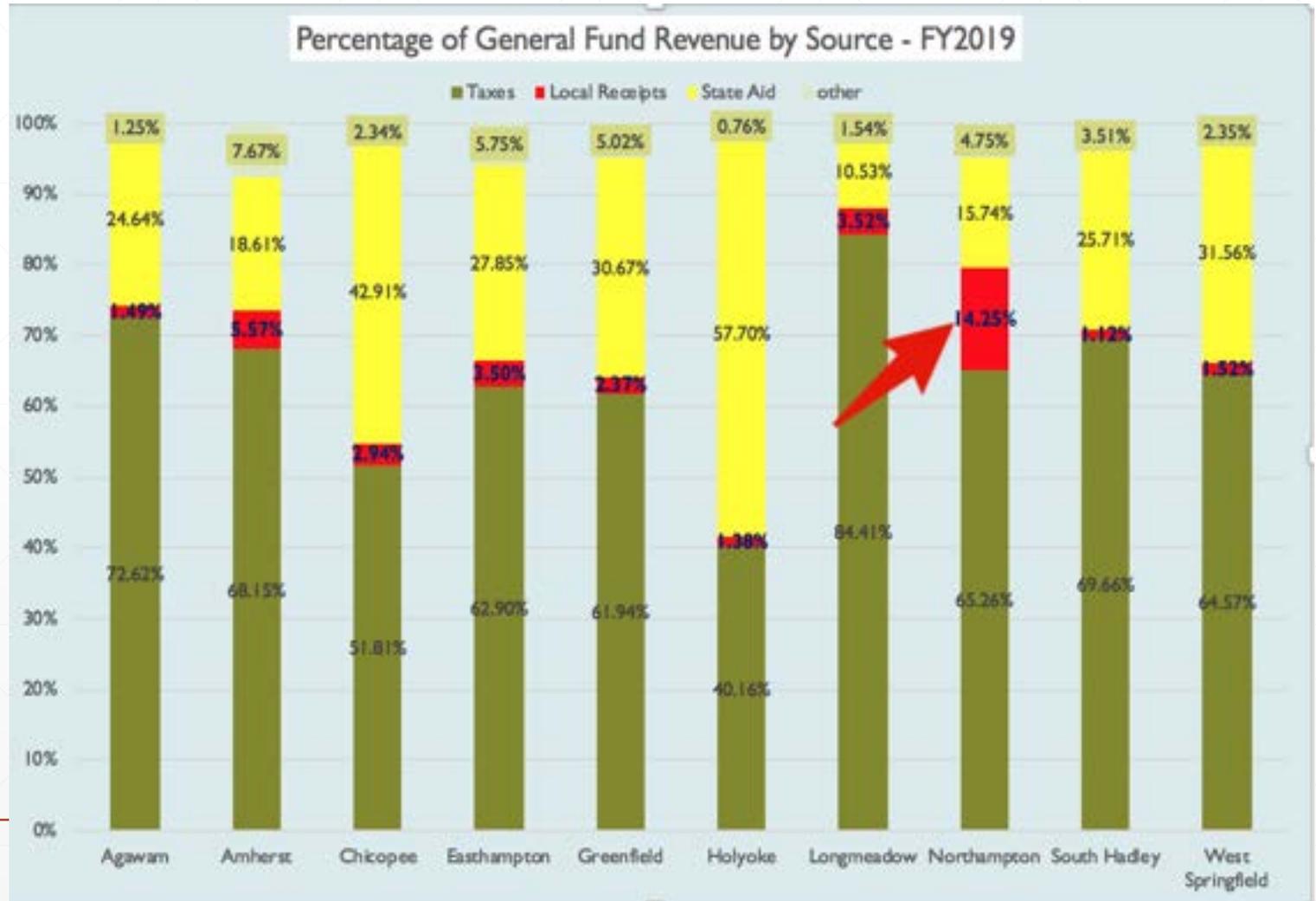
# Local General Fund Revenues most affected by COVID-19 and why Northampton will be disproportionately impacted:

Total estimated revenue loss for FY2020: (\$1,858,000)

## Types of Revenue Supporting the General Fund Budget

*Known revenues affected by COVID-19 Emergency Show in Red*

Taxes	Local Receipts	State Aid	Other
Real Estate	Parking Fees	C.70	Interest on Investments
Personal Property	Parking Tickets	UGGA	PVTA
	Ambulance Fees	Charter School Aid	Reimbursement
	Recreation Revenue	Veterans Benefits	Veterans District
	Collector Fees	Ambulance CPE	
	Motor Vehicle Excise	PILOT for State Land	
	Hotel/Motel Excise	Abatements	
	Meals Excise		
	Marijuana Excise		
	Interest on Tax Titles		
	PILOTS		
	License Fees		
	Building Permit Fees		
	Motor Vehicle Fines		
	Medicaid Reimbursements		



# **FY2020 General Fund Unbudgeted Expenses for COVID-19**

*NOTE: FEMA reimbursement for eligible expenses expected at 75%*

- Overtime to cover shifts for sick and/or quarantined staff providing essential services
  - Overtime for Health, Fire Rescue, Police and other departmental staff involved in the city's response to pandemic oversight, regulatory and administrative responsibilities, and relief and recovery activities such as federal emergency funding opportunities such as FEMA reimbursement and CDBG funding
  - Additional personnel costs related to working under emergency orders currently in place
  - Additional costs for PPE (Personal Protective Equipment) and disinfectant and cleaning supplies
  - Additional costs for technology solutions to facilitate staff working remotely from home – software and hardware solutions necessary to provide continuity of operations
  - Costs relative to necessary public health protective measures such as sheltering the city's vulnerable homeless residents
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# Impacts of COVID-19 on State Aid

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FY2020 and FY2021



Massachusetts  
Municipal  
Association

# State Revenue and Budget Outlook

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- No Clear Answers Yet for FY '20 or FY '21
- Serious Recession is Hitting Massachusetts, Nation and World
- Depth and Length will Depend on How Long the COVID-19 Crisis Lasts
- State & Local Revenues will Fall Due to Economic Standstill
  - Capital Gains will Fall Due to Near-Collapse of the Financial Markets
  - Income Tax will Fall Due to Widespread Unemployment
  - Sales Taxes will Fall Due to Depressed Economic Activity
  - Gaming and Lottery Revenues Falling Steeply
  - State's Delay of 2019 Income Tax Due Date will Create Cashflow Problems
  - Local Option Lodging and Meals Tax Revenues will Fall (hotel & dining standstill from March through June, and suppressed commerce beyond (20% loss in FY '20 would be \$80M and 50% loss in FY '21 would be another \$200M, with uneven impacts)
  - Federal Policy Preventing the Use of Aid to Fill Revenue Losses Must Be Reversed



# State Revenue and Budget Outlook

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- Legislature has Announced that the Fiscal 2021 Budget Process is Delayed
- Administration & Legislative Budget Writers Held April 15 Revenue Hearing to Agree on a Revised Revenue Forecast – Grim Outlook (MTF forecasts 14.1% decline, or \$4.4 billion, which would force massive cuts, others say \$5B)
- Legislature Unable to Meet in Full Session – Budget Process Unclear (perhaps it will be passed “in parts”)
- GOOD NEWS ... \$3.5 Billion in the State Rainy Day Fund should Help to Mitigate Fiscal 2020 Revenue Shortfalls (and Increased Expenditures)
- GOOD NEWS ... Massachusetts Received \$2.67 Billion from the Federal CARES Act to Pay for Unexpected/Unbudgeted COVID-19 Expenses; \$215M for K-12 Education; FEMA 75% Reimb.; \$40M CDBG for SOME (omits 35% of cities)



# State Revenue and Budget Outlook

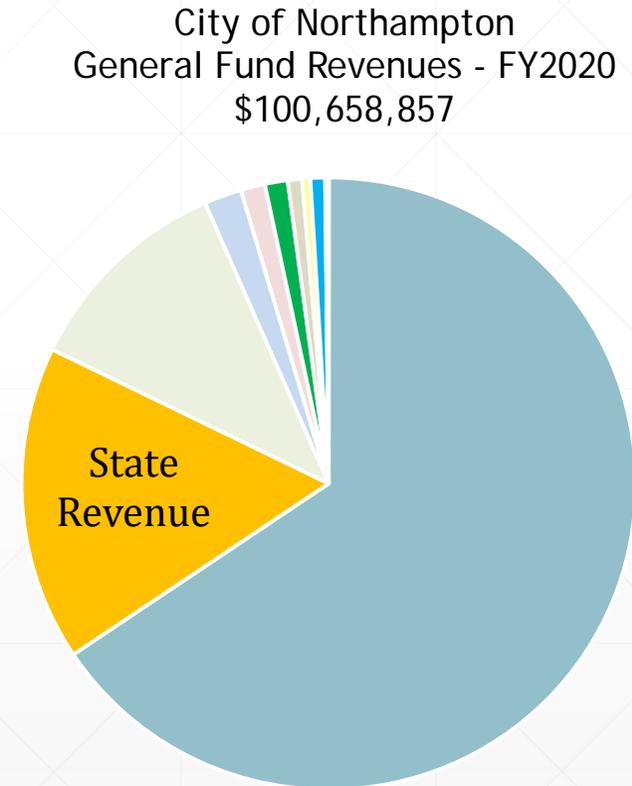
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- Some History May Provide Some Guidance:
  - In the Great Recession, State Tax Revenues Dropped by 10+%, and Unrestricted Aid was Cut by More than 20% (when Lottery & Additional Assistance were combined and cut)
  - But Education Aid (Chapter 70) was Not Cut as Deeply Due to Federal Stimulus Aid (ARRA)
  - New Local Option Meals & Higher Lodging Excise Helped, but those Revenues Threatened
- The Key Question is Whether the Federal Government will Provide New Stabilization Aid to Support State and Local Government
  - The MMA is Working with the National League of Cities to Call for AT LEAST \$150 Billion in Aid to Protect and Preserve State & Municipal Services in a 4<sup>th</sup> Stimulus Package
  - This would Provide Massachusetts with Nearly \$3 Billion for the State and Localities
  - Key Priority is Passage of the HR 6467 Coronavirus Community Relief Act (5 MA co-sponsors) – which would provide direct aid to all cities
- Without Federal Aid, the Budget Crisis will be Unnecessarily Painful

# Significant State Aid Categories anticipated to be impacted by COVID

State Aid comprises approximately 16.6% of our General Fund Budget approximately \$15.8 million

- Chapter 70 Education Aid approximately \$8.5 million
- Unrestricted General Government Aid approximately \$4.7 million
- Chapter 90 Roads - not part of the general fund budget, but a significant state revenue approximately \$1,000,000



# Status of FY2021-FY2025 Capital Improvement Program

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FY2021 Capital Improvement Program

# Limited Capital Improvement Program for FY2021

- Original Capital Improvement Program (CIP) for FY2021-2025 was initially delayed awaiting the outcome of the March 3, 2020 Proposition 2 ½ override which was then immediately followed by the COVID-19 emergency declaration
  - CIP now delayed until budget projections relative to state aid and local receipts are known to preserve financial capacity
  - Debt schedule will be revised lower debt service to create operating budget capacity in FY2021 – projects and associated borrowing delayed for one year
  - Only critical time sensitive projects will be recommended for funding in FY2021 – all other projects will be pushed out one year
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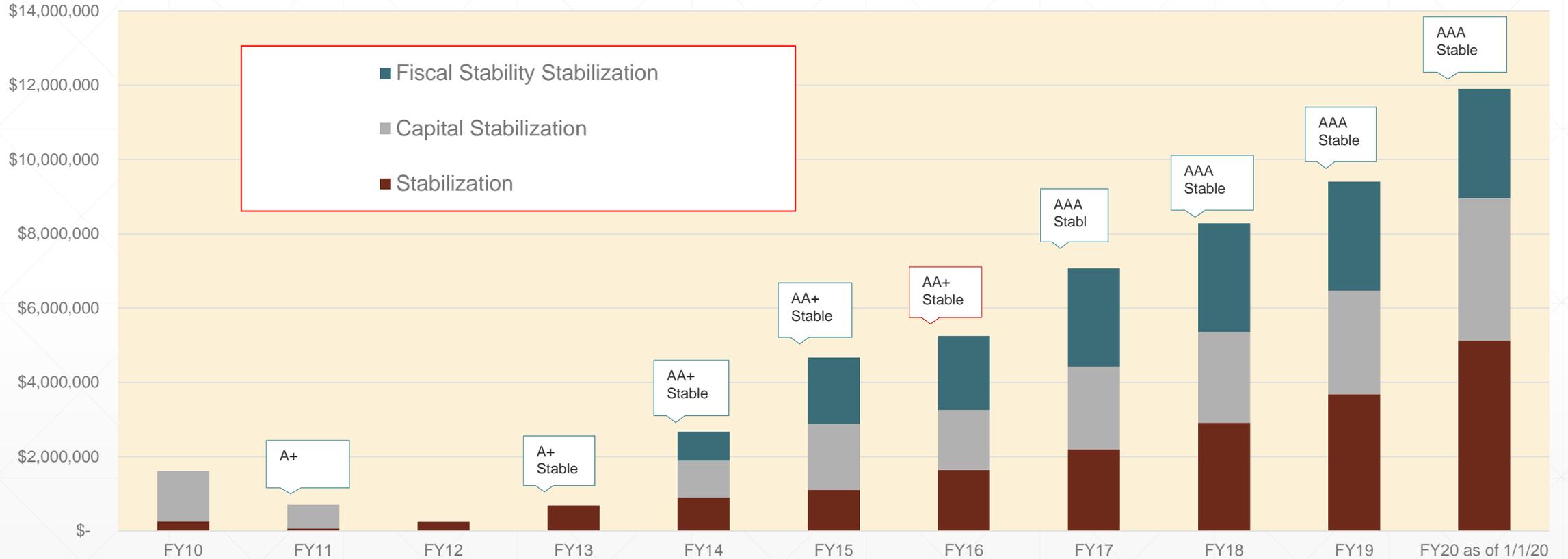
# Fiscal Year FY2021 Budget

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Impacts on Revenues, Expenditures and the Proposition 2 ½ Override

# Reserves: Stabilization and Fiscal Stability Fund

Current Balances: Fiscal Stability Stabilization Fund \$2.9 million  
Capital Stabilization Fund \$3.8 million, Stabilization Fund \$5.1 million



# FY2021 First Quarter Revenues – General Fund Potential Impacts\*

Estimated Revenue Impacts of COVID-19 on General Fund First Quarter FY21	
Hotel/Motel 1st Quarter (May, June, July) 90% reduction	\$ (170,000.00)
Meals 1st Quarter (May, June, July) 85% reduction	\$ (160,000.00)
Adult Use Marijuana 1st Quarter (May, June, July) 67% reduction	\$ (260,965.00)
Parking 1st Quarter (July, Aug, Sept) 75% reduction	\$ (375,000.00)
Parking Tickets 1st Quarter (July, Aug, Sept) 75% reduction	\$ (150,000.00)
Recreation Revenues 25% of annual revenues	\$ (11,500.00)
Ambulance Revenues (estimate \$100,000/mth reduction)	\$ (300,000.00)
Permits Building, Wiring, Plumbing, W&M (July, Aug, Sept) 15% reduction	\$ (20,000.00)
Medicaid Schools	\$ (50,000.00)
Interest on Investments	\$ (50,000.00)
<b>Total Estimated Lost Revenue 1st Quarter:</b>	<b>\$ (1,547,465.00)</b>

***\*Reductions in State Aid unknown at this point but anticipated to be significant***

# FY2021 Expenditures – General Fund Potential Impacts

- Ongoing COVID-19 expenses related to the city's response to pandemic oversight, regulatory and administrative responsibilities, and relief and recovery activities, and required public health protective measures
  - Reduction or elimination of services or programs in departments resulting in:
    - some vacant positions not being filled
    - staff reductions since 73% of the General Fund budget is salaries
  - Reductions in employee benefits concurrent with staff reductions such as health insurance and Medicare
  - Northampton Public Schools revised downward its FY2021 budget in recognition of COVID-19 induced budgetary constraints
  - Elimination of annual contribution to Stabilization Fund, Cash Capital projects and reduction in Debt Service due to deferred bonding
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# Delayed Implementation of Proposition 2 1/2 Override to FY2022

- On March 3, 2020, Northampton voters adopted a Proposition 2 1/2 Override authorizing the city to raise an additional \$2.5 million dollars in revenue to support city and school services for the fiscal year beginning July 1, 2020.
  - Just one week later on March 10, 2020, Governor Baker declared a state of emergency in response to the COVID-19 pandemic, a public health crisis that has created massive economic disruption, record unemployment, and an almost certain recession.
  - Given the uncertain duration of the COVID-19 crisis and severe economic stress facing Northampton residents - including many furloughed or laid off from jobs and local businesses forced to close - we cannot in good conscience implement a voter-authorized property tax increase in just over two months.
  - My proposed FY2021 budget will forgo the use of the \$2.5 million in additional revenue and delay implementation of the Proposition 2 1/2 Override until FY2022 beginning July 1, 2021.
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