



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*

**City Council Chambers, 212 Main Street
Wallace J. Puchalski Municipal Building
Northampton, MA**

Meeting Date: January 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 7:27 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, Karen Foster, Alex Jarrett, Rachel Maiore and Jim Nash.
3. **Approval Of Minutes From The Previous Meeting**
 - A. **Minutes of December 19, 2019**

Councilor LaBarge moved to approve the minutes of December 19, 2019. Councilor Quinlan seconded. The motion passed unanimously 4:0 by voice vote.
4. **Second Quarter Financial Report**

Finance Director Susan Wright reviewed the second quarter financial report consisting of revenue and expense reports for the General Fund (GF) and four enterprise funds. The GF is the largest fund in the city encompassing basic city services such as schools, police, fire, libraries, etc., she explained. The enterprise funds are comprised of four self-contained, self-supporting utilities – i.e. – water, sewer, solid waste and Stormwater. The city has many other funds such as grants, revolving funds and trusts but these are the ones included in the quarterly financial reporting.

For GF revenue, the first subheading – taxes and excise - consists not only of property taxes but excise tax, hotel/motel tax, meals tax, adult use marijuana tax and PILOT's, Ms. Wright stated. She directed councilors' attention to the last three columns of the spreadsheet, which list actual year-to-date revenue, remaining revenue and percent collected. Although revenue is shown as negative numbers, it actually represents receipts to the city, she stressed.

She called attention to the hotel/motel tax and meals tax. For hotel/motel, the second quarter came in at \$290,000, 30% higher than the second quarter the previous year. Hotel/motel revenue compared to last year is running about 12% higher than last year after two quarters, she observed.

Second quarter meals tax came in about 3.4% higher than receipts for the same time last year. The first quarter was a little lower so overall it is running about the same as last year.

One reason hotel/motel revenue may have seen a big spike is the short-term rental option approved by the City Council last year. Unfortunately, the state doesn't break it down so it's not possible to tell what portion comes from this source. She thinks they can attribute the uptick in part to short-term rentals since this is all new revenue.

For adult use marijuana, the second quarter payment was about \$100,000 below the quarter before. This could in part be because of the ban on vaping and in part because of the shifting in Northampton's market share due to the opening of new stores. It is something they will be watching very closely since it is a huge revenue source, she assured.

Each of the payment-in-lieu of taxes (PILOT) agreements was separately negotiated and all have slightly different formulas, she explained. All of these get billed after the city sets the tax rate because the assessments are based on the tax rate.

Ms. Wright reviewed charges for services, focusing briefly on parking and ambulance revenue. Ambulance revenue exceeded projections halfway through the year and so will probably exceed estimates.

Commenting on licenses and permits, she noted that this revenue source includes building permits and is highly dependent on the economy. When it is higher, it indicates an increase in new growth.

Under federal revenue, the only line item left is Medicaid revenue. This is for students who may be receiving Medicaid-eligible services in the schools.

State revenue includes the two biggest pots of money from the state, Chapter 70 money and Unrestricted General Government Aid (UGGA), Ms. Wright continued. The state pays quarterly except for School Construction (\$1.1 million), which is paid the last week of June. This represents the last payment for the high school since, as the Mayor stated in his presentation last night, all of the debt exclusions (the fire station, the high school and JFK) are now paid off. The police station is the only remaining debt exclusion, she presented.

Overall, city officials estimate they will bring in \$96.5 million in revenue. With collections year-to-date of \$45 million, they have collected 47%, she concluded.

In response to a question from Councilor Quinlan, Ms. Wright said the city exceeded revenue projections last year because of new revenue from adult use marijuana.

Ms. Wright fielded questions from other members.

GENERAL FUND EXPENSES

Ms. Wright reviewed the GF expenditures report, offering explanatory comments as needed. She reviews the Personnel Services (PS) section of the report to make sure departments are where they should be at

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this point in the fiscal year and not exceeding budgeted amounts. In OM, percentages are not as useful since some expenses are due and payable at the beginning of the fiscal year.

The document does not include a breakdown of the school budget because the School Committee is in charge of this budget. The School Committee receives regular reports from its budget director on the status of its budget.

Page six shows the status of the city's debt service in two line items. Municipal Indebtedness shows the amount of principal payments while Interest on Debt shows payments made against interest. This includes not only the police station, but other debts such as the \$2.5 million in paving recently borrowed.

The city has its own contributory retirement system toward which it pays an annual assessment. This year's assessment is \$6.3 million.

Other fixed costs include unemployment insurance, worker's compensation and medical insurance, she continued. Medical insurance is the single largest line item in the budget, she observed.

Cherry sheet assessments consists largely of charter school tuition and outgoing school choice.

The last item on the spreadsheet is capital improvements. If she were to give them the detail, it would probably be about 50 projects. It includes all of the capital improvements the City Council has approved that are not funded through borrowing.

On the issue of the city's retirement liability, Councilor Dwight asked about trends in this obligation.

The retirement system is just pensions and does not include teachers, who are in the MTRB (Massachusetts Teacher's Retirement System), Ms. Wright explained. The retirement system has to have an actuarial evaluation every two years since the law says that by 2040 all retirement funds are supposed to be self-funding. The estimate for how much this will cost varies since it is based on assumptions about the interest rate the retirement system will earn on its investments and the life expectancy of beneficiaries/subscribers. Once Northampton gets to full funding, contributory retirement will no longer be a budget line item because employees will be fully funding the system. Now they are about 65% funded. The system has adopted new mortality tables because people are living longer. City officials have been increasing the retirement assessment by 5 or 6% a year. They want to get to full funding because once they get to full funding they can divert the money to another liability. When the retirement system is fully funded, the city will shift the money to fund Other Post-Employment Benefits (OPEB), or health insurance, for retirees.

Councilor Dwight cited retirement and OPEB liabilities as an ongoing pressure that will continue, something that is often overlooked. They represent the city's commitment to its retirees and are their obligation to pay, he confirmed.

There have been reforms in the law, Ms. Wright added. Retirement used to be based on the average of the highest three years salary. It is now based on the average of the highest five years. Employees are also contributing more. Most employees in the city are contributing 11% of their salaries.

ENTERPRISE REPORTS

Ms. Wright reviewed the four enterprise reports. She looks at sewer rates for the sewer and water rates for the water, she noted. Both are on target, she reported.

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In general, there are very few surprises in these funds. Water revenue is at 52.6%, sewer at 52.7%, etc. She has no concerns with the revenue streams in any of the four funds.

In enterprise funds, percentages for expenditures are a little low. The percentages are a bit misleading because there are a lot of large, multi-year capital projects folded in.

The enterprises are run as utilities, and the funds are set up so that the users of the service are the ones paying for the service. Only users of the water pay for the water and only users of the transfer station buy trash bags. This is to keep these services self-supporting and self-sustaining.

Councilor Jarrett asked Ms. Wright to explain what direct and indirect expenses and the 'reserve cap' are.

Indirect expenses are costs that are charged to the GF for enterprise fund employees, such as health insurance, unemployment and liability insurance, Ms. Wright responded. It is a bill to the utility for the portion of services it gets from the GF.

Reserve cap is the amount from the sewer budget that was put into the sewer stabilization fund. It will be used for the planned renovation of the sewage treatment plant.

Councilor Quinlan asked about the stabilization funds for enterprises. Is there a goal for those or are they unlimited? He asked. He was wondering if they might be able to take some of that money and put it somewhere else.

Ms. Wright reviewed the balances of the various stabilization accounts and the planned uses for these funds. The solid waste stabilization fund is used for post-closure costs for the landfill. The sewer stabilization has the most money because they have been planning for many years for a renovation of the plant.

5. Financial Orders

- A. 20.007 An Order to Appropriate CPA Funds for Historic Preservation of Parsons House and Shepherd Barn
- B. 20.008 An Order to Appropriate CPA Funds to Purchase 105 Acres at Former Pine Grove Golf Course
- C. 20.009 An Order to Appropriate CPA Funds for Affordable Home on Glendale Road
- D. 20.010 An Order to Appropriate CPA Funds to Community Builders for North Commons Project
- E. 20.011 An Order to Appropriate CPA Funds to NHA for Hampshire Heights Playground

As all five orders propose the appropriation of Community Preservation Act (CPA) funds, Councilor Sciarra read all five aloud in preparation for their discussion as a group.

Councilor LaBarge moved to take the orders as a group. Councilor Quinlan seconded.

Community/Preservation Planner Sarah LaValley presented the recommended appropriations. As background, LaValley noted that the CPA was passed by Northampton voters in 2005 and re-affirmed in 2011. The funding comes from a 3% local property tax surcharge together with a state match from registry of deed's fees. Northampton's CPA has contributed to over 125 projects so far in all eligible areas, including open space, historic preservation, affordable housing and recreation. The Community Preservation Committee (CPC) is comprised of nine members, four of which are elected/appointed and five consisting of

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representatives from other boards and committees. The CPC makes recommendations for funding through two competitive grant rounds each year.

She gave a powerpoint presentation presenting the \$928,824 in projects being recommended for funding.

Members asked questions and offered comments.

The Rocky Hill Greenway project was approved by the City Council last summer, LaValley reminded. The golf course is a tremendous conservation opportunity because it connects to a lot of existing open space. It's been heavily altered by golfing use so the Office of Planning and Sustainability has applied for a state grant to do restoration work.

Councilor LaBarge asked how many of the 105 acres of the golf course are wetlands.

Currently, not very many since the drainage has been altered to direct water away from the fairways, LaValley noted.

Councilor LaBarge noted that the price the city has paid for wetlands in the past has typically been \$800 to \$1,000 an acre. She asked the price of conservation land.

Every parcel is different and every owner has a different set of needs, LaValley responded. There are different price considerations for backland with no frontage as opposed to land with development value. Based on its past use as a golf course and how heavily disturbed it is, it would clearly be developable.

Councilor LaBarge commented on the tremendous amount of wildlife in the area and said she believed the land contains a pond.

Nashawannuck Brook flows through the middle of the property, and there is a pond that was created by damming the stream, Ms. LaValley confirmed.

Councilor LaBarge pointed out that they are strictly looking at conservation land tonight, but the land is also being subdivided into four housing lots which will bring tax revenue to the city.

The Glendale Road small home was an application by Habitat for Humanity, Ms. LaValley related. Habitat has come before the CPC and City Council before for some really successful projects. This is the last of four houses on Glendale Road constructed as affordable housing.

The North Commons at Village Hill is another affordable housing project which will have a 99-year affordability requirement because of CPA involvement in the project, Ms. LaValley presented. [The state requirement is to remain as affordable housing for 30 years.] This is one of the last development projects at Village Hill and a portion of the cost (for paving and installing utilities) is being funded through a recently-announced Massworks grant, she added. In conjunction with Village Hill Apartments, the development will contribute 65 units of mixed-income rental housing, 35 of which will be affordability-restricted. There is a playground associated with the project, she confirmed.

The Village Hill project has been going for 30 years and one of its primary incentives was providing affordable housing, Councilor Dwight reminded. This is the part of the project he's been waiting for for a

very long time and he's very excited to see the CPA commitment to funding. It's worth noting that the CPA is part of the impetus for this project to move forward and be realized, he noted.

The committee got to hear from a lot of residents, including children, about how important the Hampshire Heights Playground project is, Ms. LaValley reported. Hampshire Heights is one of the oldest public housing complexes in Massachusetts. It's never had a playground, and the Jackson Street playground is not available for families to utilize during school hours.

He had a chance to spend time at Hampshire Heights at a 'Families for Power' event and they're just so excited about this, Councilor Quinlan volunteered.

65% of residents of Hampshire Heights are children, Ms. LaValley confirmed, in response to a question from Councilor LaBarge. Councilor LaBarge expressed hope that they could look at some renovations at Florence Heights too.

This is the first application they've received from the Housing Authority and CPC members look forward to working with them in the future, Ms. LaValley assured.

The residents of Hampshire Heights have been discussing this for 25 years; the Housing Authority not so much, Councilor Dwight attested. He's glad to see that whatever obstacles prevented this from being considered in the past have been overcome. He mentioned some of the stressors on Hampshire Heights, including a child riding a bike being struck and killed in an adjacent parking lot 10 years ago and the lack of safe, convenient pedestrian access to adjacent stores. Hampshire Heights has a number of pressures without much accommodation for community and youth involvement. He is very impressed with the trend that's now occurring toward understanding that this is a neighborhood and functioning as such. Jackson Street has served as that center for some time, but this is something on the campus that makes so much sense. He is grateful to the CPA for contributing to this.

There being no further comments, Councilor Sciarra called the motion to forward the group of orders with a positive recommendation to a vote. The motion passed unanimously by voice vote with 4 Yes, 0 No.

6. **New Business**

-Reserved for topics that the Chair did not reasonably anticipate would be discussed.

None.

7. **Adjourn:** There being no further business, Councilor LaBarge moved to adjourn. Councilor Quinlan seconded. The motion carried on a voice vote of 4 Yes, 0 No. The meeting adjourned at 8:40 p.m.

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