



## Joint City Council and School Committee Meeting

### Meeting Minutes

On January 31, 2017 a joint meeting of the Northampton City Council and the School Committee was held at JFK Middle School, 100 Bridge Street in Florence. The meeting was called in accordance with Northampton Charter §7-2 Annual Budget Policy.

At 7:10 pm Mayor Narkewicz called the joint meeting to order. A roll call was taken by Pamela L. Powers, Administrative Assistant to the City Council. Present were:

William H. Dwight, City Councilor At-Large  
Ryan R. O'Donnell, City Councilor At-Large  
Dennis P. Bidwell, Ward Two City Councilor  
James Nash, Ward Three City Councilor  
Gina-Louise Sciarra, Ward Four City Councilor  
David Murphy, Ward Five City Councilor (7:30 pm departure)  
Marianne L. LaBarge, Ward Six City Councilor  
Alisa F. Klein, Ward Seven City Councilor  
Molly B. Burnham, School Committee Member At-Large  
Nathaniel M. Reade, School Committee Member At-Large  
Rebecca Busansky, Ward One School Committee Member  
Laura Fallon, Ward Two School Committee Member  
Howard T. Moore, Ward Three School Committee Member  
Edward S. Zuchowski, Ward Four School Committee Member  
Ann M. Hennessey, Ward Five School Committee Member  
Thomas J. Baird, Ward Six School Committee Member

Maureen T. Carney, Ward One City Councilor and Downey Meyer, Ward Seven School Committee Member were absent.

Also present were: Susan Wright, Finance Director, Candice Walczak, NPS Business Manager, and John Provost, Superintendent of Northampton Public Schools.

Mayor Narkewicz gave a slide presentation which depicted the financial condition of the city, revenue and expenditure forecasts, and other relevant information that will be used to develop the FY2018 budget for the city. The presentation was followed by a question and answer period. No votes were taken during the meeting.

As part of the presentation, Mayor Narkewicz gave comparisons of selected financial indicators between Northampton and other communities that were similar in size. Other communities that were selected for this report were: Agawam, Amherst, Chicopee, Easthampton, Greenfield, Holyoke, Longmeadow, West Springfield and Westfield.

The FY2017 indicator for Single Family Home Value shows the average single family home value in Northampton is \$303,175; Northampton is the third highest of the selected cities behind Amherst and Longmeadow. The average value for single family homes in Massachusetts is \$399,473.

A comparison with neighboring communities showing the Average Single Family Tax Bill shows Northampton is third highest at \$5,069. Amherst (\$8,243) and Longmeadow (\$7,305) both have higher average single family tax bills while the state average is \$5,621.

The Residential Tax Rate for Northampton in FY2017 is \$16.69, the third lowest of the comparison communities. Only Easthampton and Agawam's residential tax rate is lower.

Northampton's Commercial Tax Rate for FY2017 is \$16.69, the second lowest among the comparison communities; only Easthampton was lower.

Free cash helps to fund many capital improvement projects for the city and the schools. Mayor Narkewicz reported a positive trend in Certified Undesignated Fund Balance since FY2011. The FY17 amount of free cash was certified at \$4,275,881. Mayor Narkewicz also noted that the way communities set up how they use their reserve funds can dictate some of the variations. Agawam keeps all their undesignated fund balances in free cash; they chose this approach over moving some of the funds into a stabilization account.

New Growth in FY17 shows Northampton came in just about in the middle of the comparison communities @ \$733,076. Westfield had the highest new growth at \$1,076,140; Longmeadow had the lowest at \$179,716. This indicator fluctuates from year to year. The amounts represent new construction that comes onto tax rolls including both residential and commercial properties.

Unemployment in Northampton is the lowest of the comparison communities at 2.9%. Holyoke has the highest at 6.1%.

One slide shows the comparison of Northampton with neighboring communities in the area of % of FY2017 Budget by Revenue Source reflects how each community generates revenue, whether by tax levy, state aid, local receipts, or other sources. Northampton's revenue sources show that 49.62% of the total revenue is derived from taxes; 14.68% is derived from state aid; 31.74% is generated from local receipts meals tax, hotel/motel tax; and 3.96 % is generated from all other sources.

When looking at Per Pupil Education Spending, a blend of both NPS and SVAHS shows that Northampton spends \$15,333.56 per pupil. Only Amherst spends more at \$20,236.57 per pupil.

Mayor Narkewicz shared numerous slides comparing neighboring communities with Northampton's spending in various categories as a percent of the overall budget. Categories discussed included:

General Government Spending; Public Safety Spending; Public Works Spending; Culture and Recreation Spending; Debt Spending; Human Services Spending.

Libraries per capita spending was compared to other communities. For Northampton, Forbes and Lilly Libraries were charted separately; Forbes Library per capita spending is \$45.37 and Lilly Library is \$33.52.

The Mayor explained that Bond Rating agencies look at the strength of the general fund reserve history when analyzing a municipality's performance. The primary goal is to get the reserves up to 10% of the overall budget. Currently the city is at 8.12%. This indicator has a direct impact on the city's bond rating.

Spending of free cash was discussed. The goal is to spend as little as possible of free cash on operating expenses. It is fiscally prudent to use reserves for onetime expenses, like capital expenses. The City has been focusing on better budgeting of legal expenses, snow and ice so that it would not rely on free cash to fund those items. In FY2016 free cash was used primarily to fund three categories: Capital Expenditures; Transfer to Stabilization and Transfer to Capital Stabilization.

The city's most recent bond rating was in June, 2016. The city achieved a Standard & Poors Rating of AAA stable. Noted strengths are the city's strong management with strong financial policies and practices; the city continues to demonstrate strong budgetary performance; the city is conservative in its management and budgeting practices.

Most city revenue comes from taxes and state revenue. Key revenue trends that were discussed include: new growth, uncollected taxes, motor vehicle excise tax, hotel/motel/meals tax, charges for various services in parking, ambulance, and inspection permits, fines (parking tickets and RMV reimbursements), enterprise fund indirect revenues, investment income, net state aid, unrestricted local aid, and Chapter 70 aid. The net state aid projected shows a slight increase for FY2018. Regarding Chapter 70 Education Aid to the city, Mayor Narkewicz reports that the city can expect an increase in FY2018 of \$57,040. Mayor Narkewicz also showed FY2016 Federal Funding to the City and indicated that the amount was \$3,419,834. The various categories of Federal Aid include: US Dept. of Education (\$1,824,270); USDA (\$574,096); US Housing & Urban Development (\$334,704); US Dept. of Health & Human Services (\$306,840); US Dept. of Interior (\$156,717); US Dept. of Justice (140,526); US Dept. of Homeland Security (\$64,191); US Dept. of Transportation (\$13,240) and Institute for Museum & Library Services (\$4,950).

Regarding expenses, Education and Employee Benefits are the top two city expenses and they account for 58.99% of city spending. The education amount includes outgoing charter school and school choice tuition; the employee benefit amounts include health insurance and retirement assessment.

The \$35 million in the General Fund for NPS and SVAS include only direct operating expenses. A more accurate total spending on education must also include other expenditures that are reflected in other budgets within the General Fund, like: employee benefits, insurance, school crossing guards, debt for school capital projects, general administration, and central services. The revised accounting for the total cost of education brings the cost of education from \$35,061,713 (38.89%) to \$49,786,058 (55.2%).

The average outgoing tuition for a charter student in FY2016 is \$10,398.45 and the average outgoing tuition with a school choice student is \$7,640.22. The average incoming tuition with a school choice student is \$8,262.79. Mayor Narkewicz explained that more students leave the city to attend school choice or charter schools, and those that come to the city for school choice come with less dollars. In FY2016, the city experienced a net loss of 62 students to choice and charter schools. In determining how much money each community will receive in reimbursement, the 1993 The Education Reform Act established a foundation budget for each community.

Health Insurance is a major driver of the employee benefits line item. Although the cost of health insurance for the next fiscal year is not yet known, even a small percentage increase can have a significant impact on this line item. The five year average increase in actual costs is 2.7% while the ten year average is 2.8%.

The Mayor shared spending trend information on key budgetary areas, including: Public Safety, Debt Service, General Government, Public Works, Culture and Recreation, and Human Services (Veterans' Services, Senior Services, and Health Department).

In 2013 voters adopted \$2.5 million operating override, partly to close a \$1.4 budget gap, and partly to set aside funds to maintain fiscal stability through 2018. Since the override, the city has been controlling costs and projecting revenues conservatively. As a result, a revised projection shows the fiscal stability fund won't be fully depleted until FY2020. There are a few factors that could impact the new projection. The Mayor predicts a 3% increase (\$2.35 million) in revenues. On the expense side, some of the expenditure issues are already determined while others won't be for a while. What we know now is that there will be an increase in the Retirement Assessment of \$289,010; Debt Service increases are expected to be \$343,000; Cherry Sheet Assessments are expected to increase by \$183,901. Still to be determined are: health insurance increase amounts; collective bargaining contract needs; department staffing needs and OM budgets for City Department needs.

A final slide showed the FY2018 Budget Process Timeline. The next step in the budgeting process will be for the Mayor to submit proposed water and sewer rates to the City Council; he expects that this will be done for the March 2, 2017 meeting.

Councilor O'Donnell wondered if short term rental tax might be something that could benefit Northampton; taxes for Air B & B's comes to mind. Mayor Narkewicz indicated that this is something that the City has been thinking about over the last several years. The state needs to come up with the legislative correction to close a loophole in the law. The revisions will apply to the "shared economy" providers.

When asked by SC Member Tom Baird, Superintendent Provost indicated that federal education grants have been stable or flat. One of the main factors for this is the poverty rate which trails two years. The latest update has just been received; the community poverty rate is up .98%. This would translate into a small increase in education grants. Mayor Narkewicz indicated that the Title I grant for Northampton was \$534,864 in FY2016; Special Education grants were \$983,401; Career and Voke Tech Education grants were \$115,169.

SCM Baird asked about charter school spending. There seems to be a big difference in the per student net loss when comparing Northampton to other communities. Mayor Narkewicz indicated that this was because each community pays a different rate based on foundation spending and above foundation spending.

Councilor Dwight noted that the Mayor's aggressive pursuit of alternative revenue streams has been beneficial to the City. He commends the Mayor and the Financial Director for their ability to provide a budget that works well for the City even when aid from various sources seems to be dwindling. Mayor Narkewicz explained that he is continuing to look at options for additional revenue sources given that aid from the state has not been what was expected.

Councilor Dwight asked about the P.I.L.O.T. program. Mayor Narkewicz explained that the two largest potential tax-exempt institutions declined to participate; however, they have made a commitment to a contribution. Smith College has pledged \$100,000 for three years; Cooley Dickenson Hospital has pledged \$10,000 for three years. It was a voluntary program; not all non-exempt organizations are willing to participate.

Councilor Klein feels that the City's financial picture is positive; she wonders whether future presentations could include what kinds of savings the City is realizing due to green infrastructure. She would like to see an overlay of what the costs would be without putting the green infrastructure in place. She also wondered if there was an update about how casinos would affect the downtown economy. Mayor Narkewicz explained that this is something that he tries to incorporate in the overall budget. This information will continue to be conveyed in the budget profile for the various departments that realize the savings. Regarding the casino; the impact that the casino will have on the downtown economy is a topic of conversation with many groups, including the D.N.A, and the Northampton Chamber.

SCM Fallon asked if the Mayor sees an opportunity to mitigate any changes that could be imposed at the federal level. Mayor Narkewicz feels that there is a lot to be concerned about at the federal level. Some of the social safety-net programs may be impacted due to potential block grant changes; affordable care act changes; transportation funding; and education funding. It was a big topic of discussion at the MMA conference.

Councilor Bidwell asked about the pros and cons of using stabilization funds versus keeping free cash funds in a single line item. Mayor Narkewicz explained that Northampton chose to establish stabilization funds based on fiscal policies that he and the Finance Director developed. They feel it is more transparent way to show the different types of accounts that there are which basically dictates what the funds would be used for in the future. One benefit of putting money in a stabilization account is that at the end of the fiscal year free cash goes away until the D.O.R. re-certifies the amount.

Councilor Klein asked about what the funds were for in the federal funding area, specifically whether the HHS money was CDBG funding. Mayor Narkewicz explained that HUD is CDBG and that HHS is most likely public health funds, either for the health department or public health in the schools. Councilor Klein also asked about the \$64,000 in Homeland Security; Mayor Narkewicz explained that it grants to purchase tactical equipment, bullet proof vests, etc. The Mayor feels that federal funding to communities cannot be eliminated as has been threatened by President Trump. It is difficult to tie

enforcement of one area of federal government to Title I funding which is part of a law enacted by Congress. The Mayor is less concerned; there are strong Tenth Amendment arguments case law, and law making in general as reasons why the stroke of a pen cannot remove federal funding.

SCM Burnham asked how Chapter 70 funding was determined for each community. Superintendent Provost indicated that the major drivers in the formula are property value, local median income, and enrollment. Mayor Narkewicz noted that the Mass Budget and Tax Policy Center has a few videos that explain how the formula is constructed.

SCM Fallon asked if insurance rates could fluctuate during the fiscal year; Mayor Narkewicz explained that they are set for an entire fiscal year period.

Councilor LaBarge asked about the status of union negotiations. Mayor Narkewicz explained that negotiations are still ongoing, but there is likely to be news in mid February or early March.

The presentation is available on the city's website.

At 8:45 p.m. Councilor Dwight moved to adjourn the meeting; Councilor LaBarge seconded the motion. All in favor; no opposition, no abstentions.

Prepared by:

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