

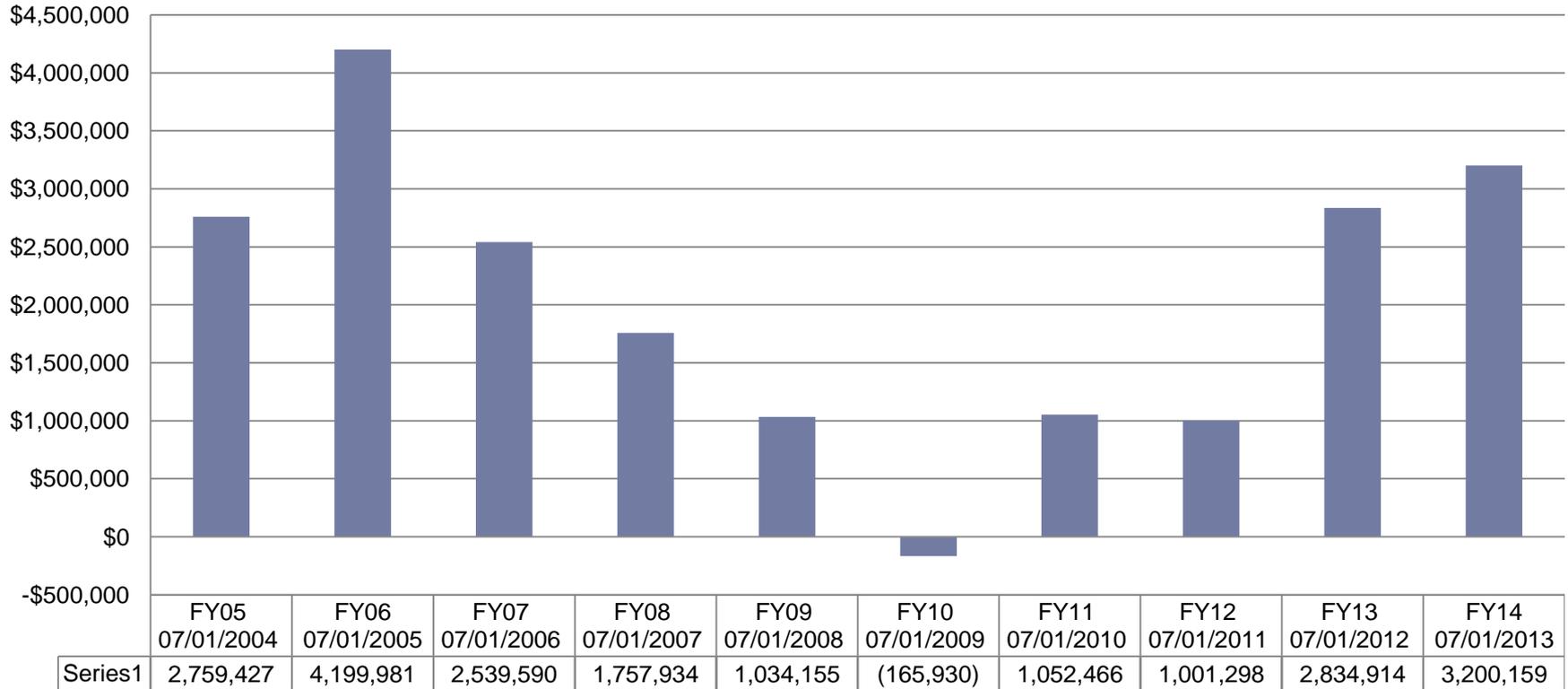


Financial Trends and Projections for FY2015 General Fund Budget Process

Joint Meeting of the Northampton City Council and School Committee
Mayor David J. Narkewicz, January 30, 2014

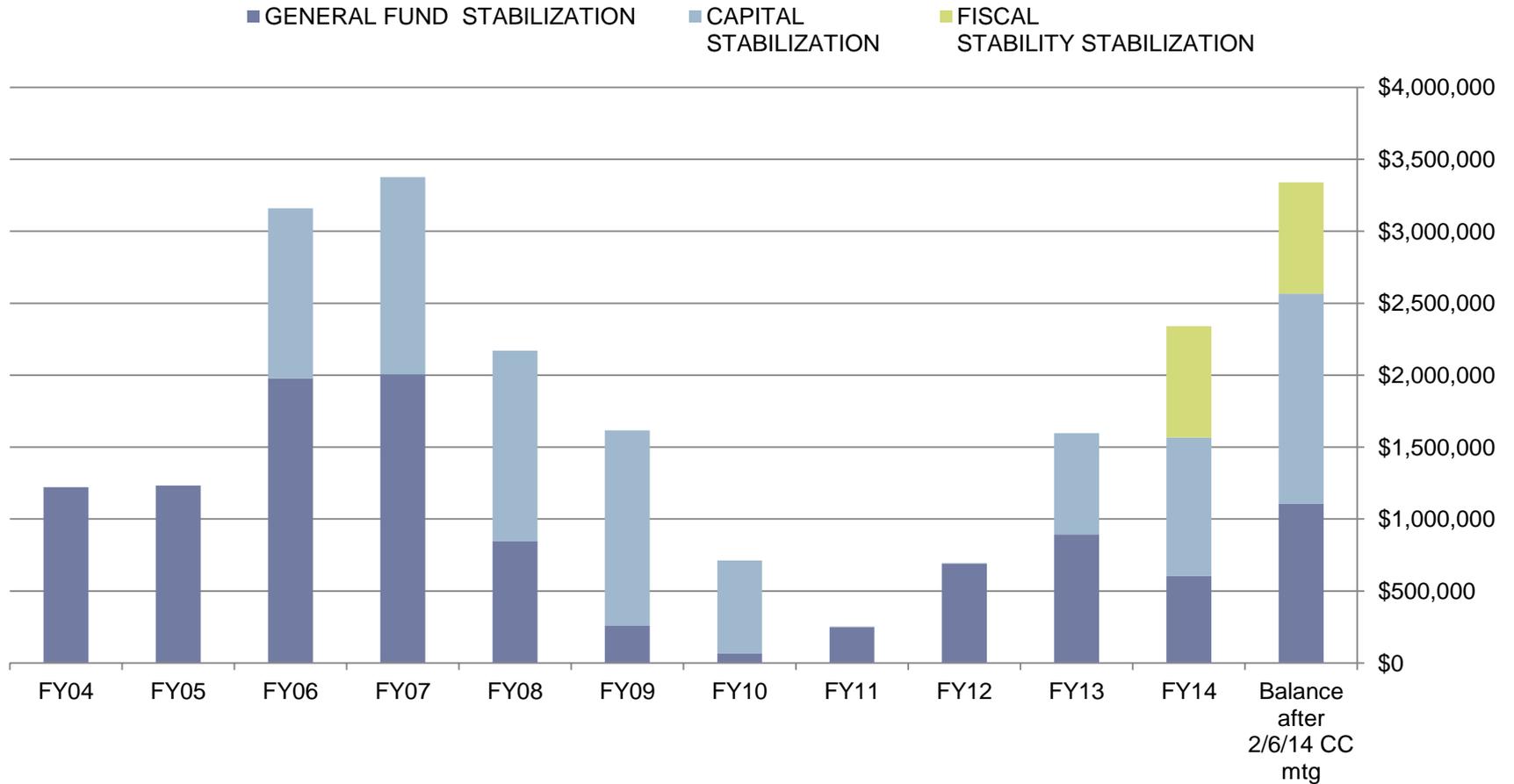
Certified Undesignated Fund Balance (Free Cash)

City of Northampton
General Fund Free Cash History FY2005 to FY2014



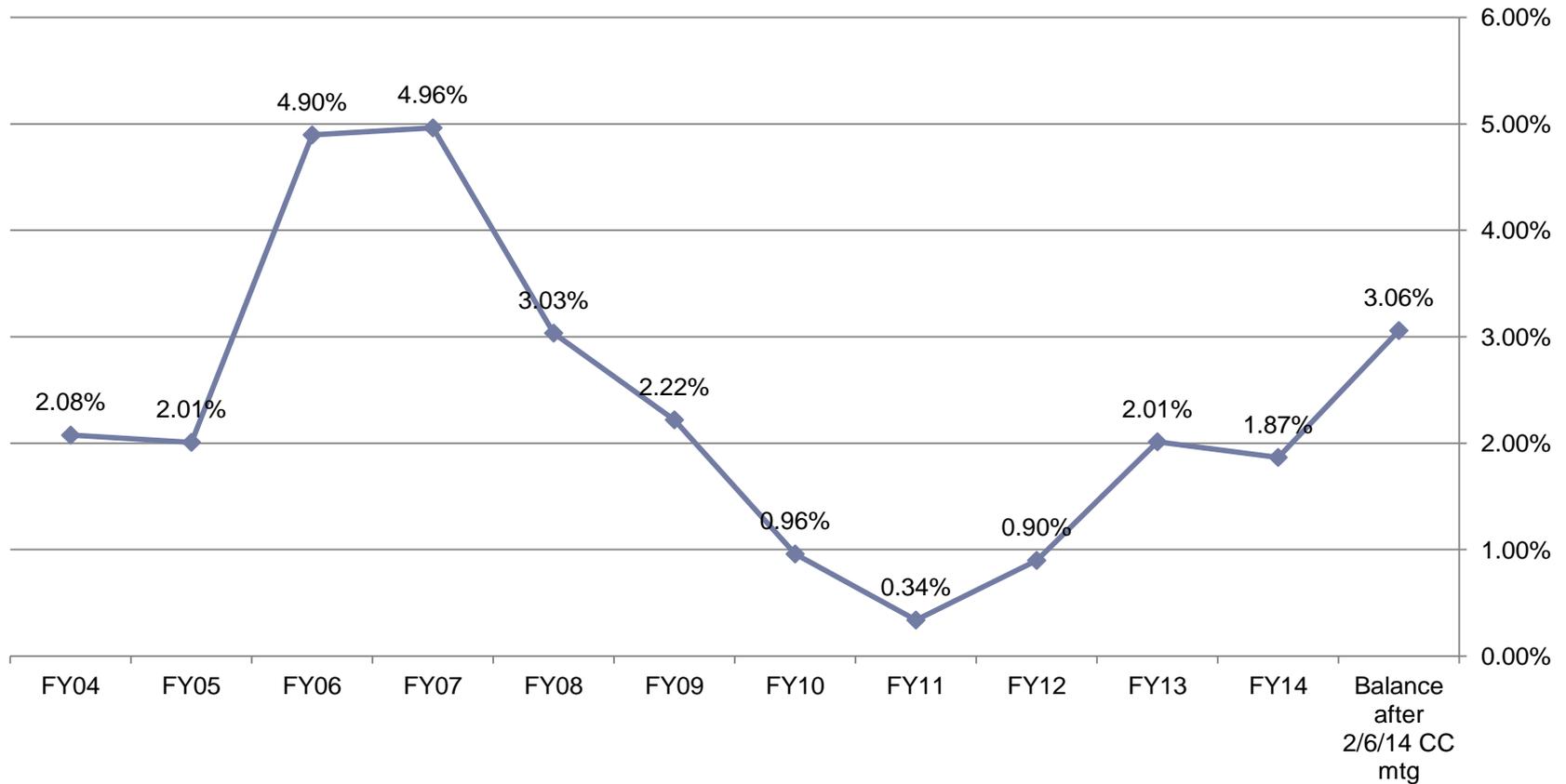
General Fund Reserves

City of Northampton
General Fund Reserves History FY2004 - FY2014



General Fund Stabilization as % of General Fund Budget

City of Northampton
Stabilization and Capital Stabilization Funds as a
Percentage of General Fund Budget FY2004 - FY2014



Why Reserves Matter

- ▶ To maintain financial flexibility to respond to emergency situations
- ▶ To maintain our Bond Rating which directly correlates to the cost of borrowing for capital projects
- ▶ To provide funding for capital improvements to maintain our infrastructure, facilities and equipment



Moody's Bond Rating – January 2014

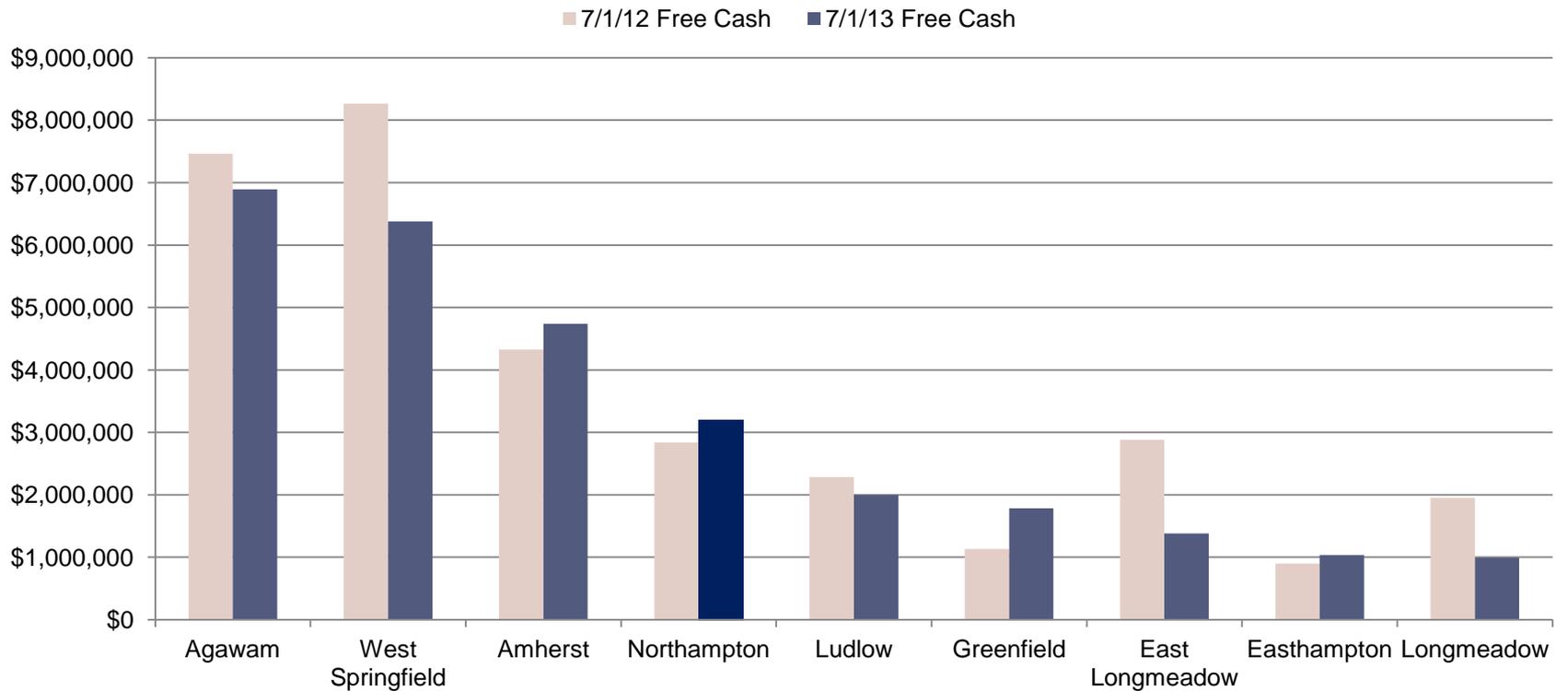
- ▶ Maintained our Aa2 rating [View Moody's Report Here](#)
 - ▶ Strengths:
 - Diverse tax base
 - Trend of increasing reserve levels
 - Recent approval of general override to Prop 2 1/2
 - ▶ What could make the rating go up:
 - Continued improvement in financial position with a trend of structurally balanced operations
 - Sizeable fund balance growth
 - ▶ What could make the rating go down:
 - A decline in reserves or liquidity position
 - Decrease in tax base
 - ▶ *“Going forward, review of the city’s credit strength will heavily weight its progress towards continuing to improve and maintain balanced operations and increasing reserves to levels equivalent to similarly-rated communities.”*
 - ▶ *Unassigned fund balance for FY2013 reached \$5.6 million or 6.4% of revenues, an improvement from FY2012 when unassigned fund balance was \$4.45 or 5.2% of revenues. The average for Aa2’s and Aa1’s is 12-15% - so we have a way to go, but have made significant progress from FY2009 when unassigned fund balance was 2.8% of revenues.*
-



Comparison with Neighboring Communities

Certified Free Cash - FY2013 and FY2014

Source: DOR Municipal Data Bank

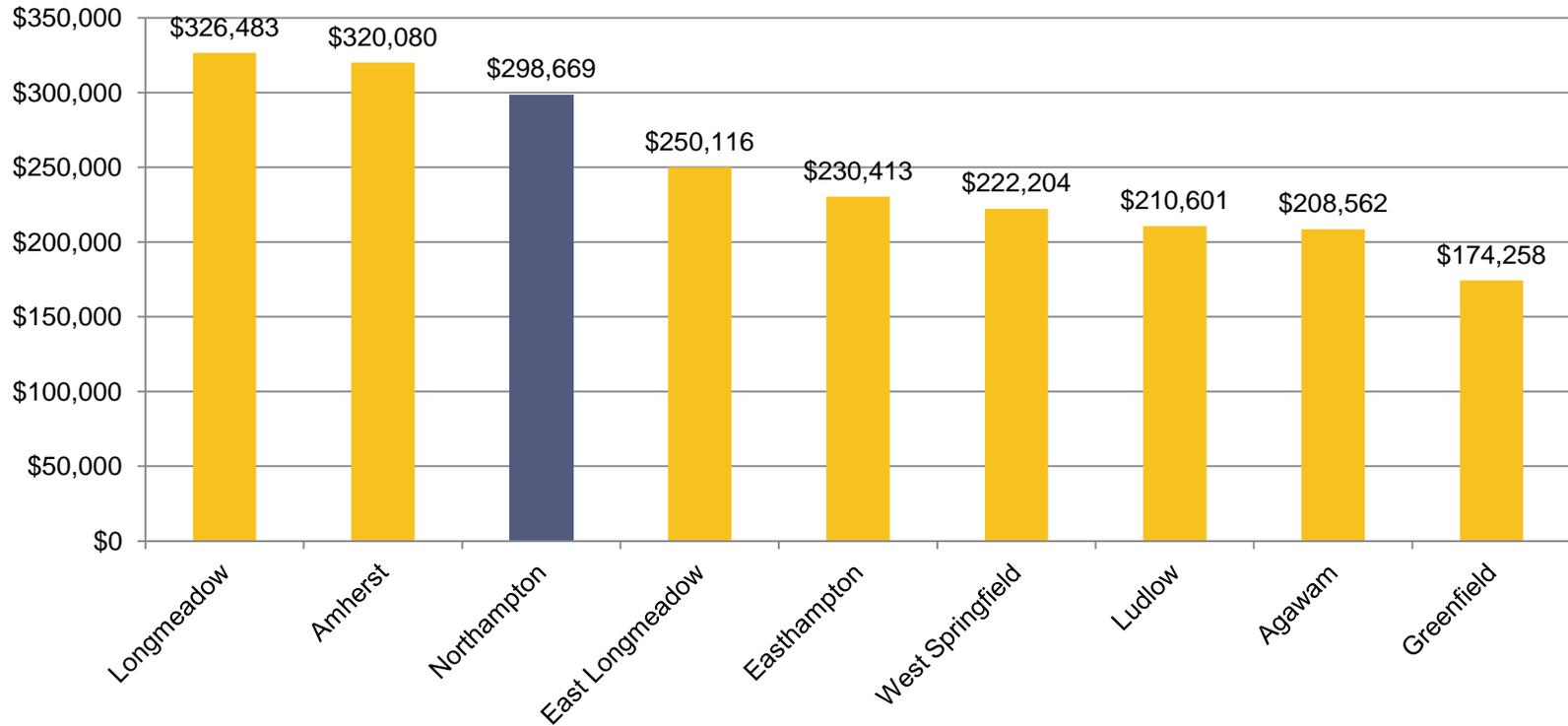


Comparison with Neighboring Communities

Single Family Average Value - FY2014

State Average \$356,794

Source: DOR Municipal Data Bank

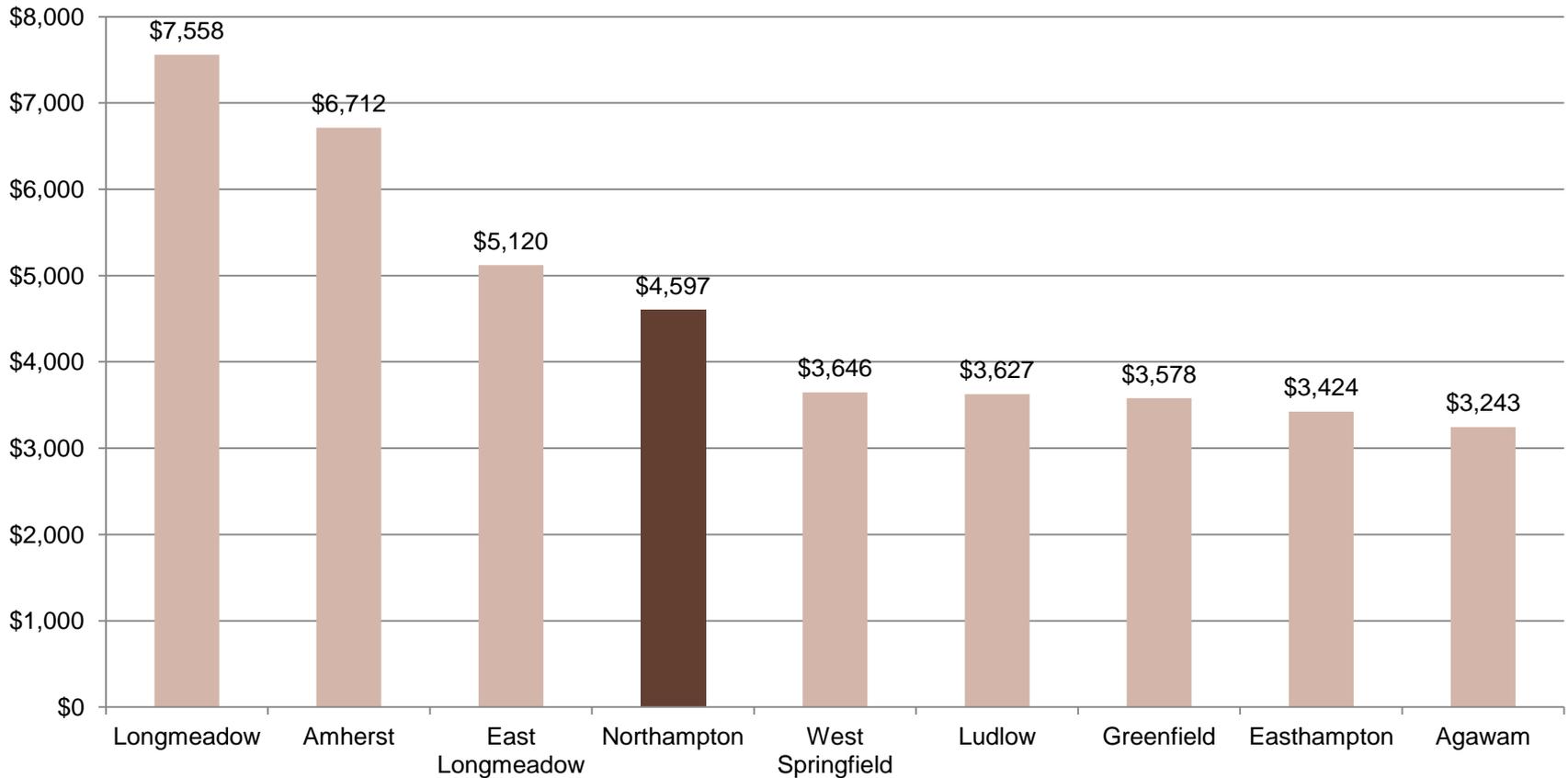


Comparison with Neighboring Communities

Average Single Family Tax Bill - FY2014

State Average \$5,039

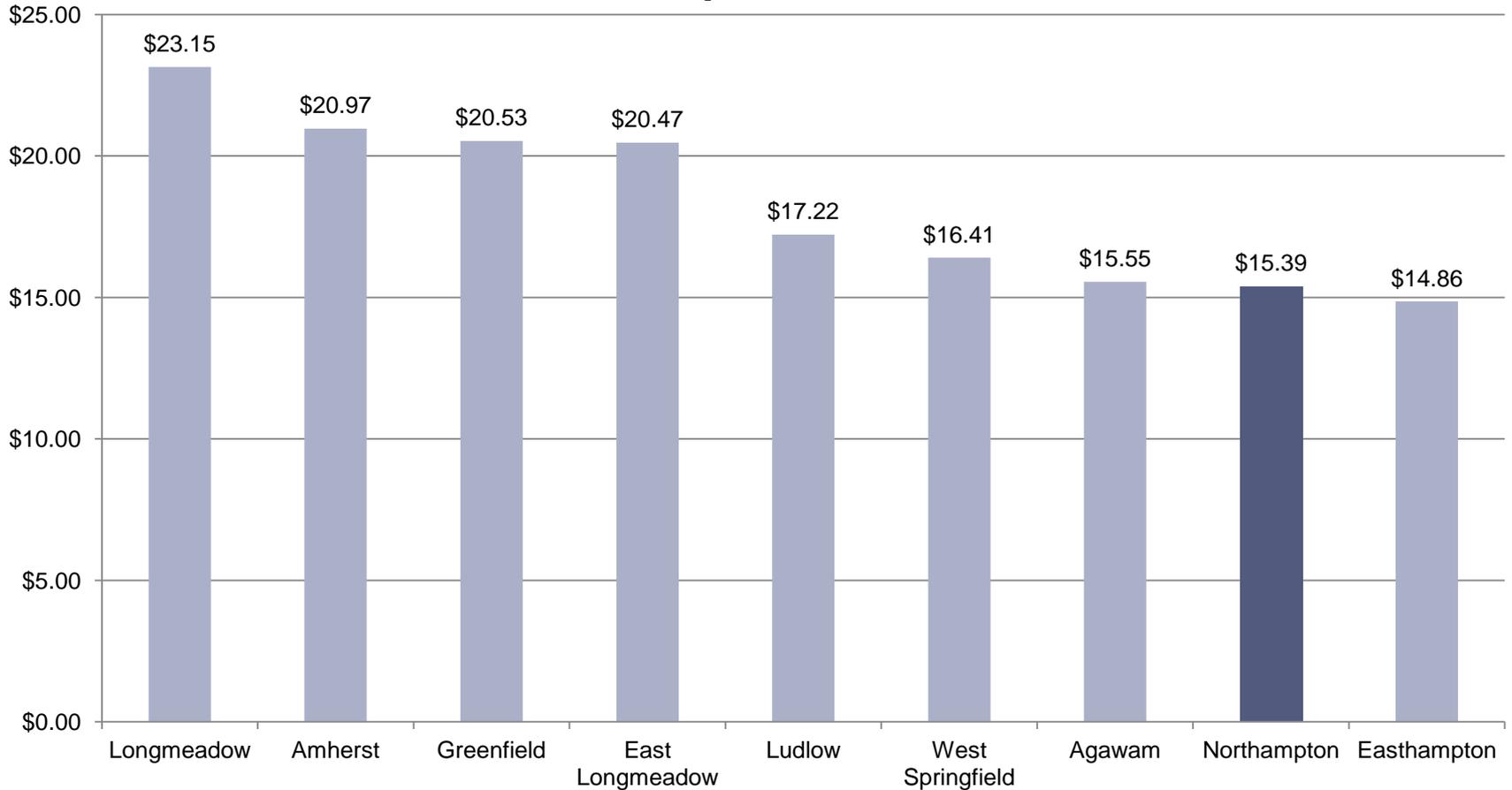
Source: DOR Municipal Data Bank



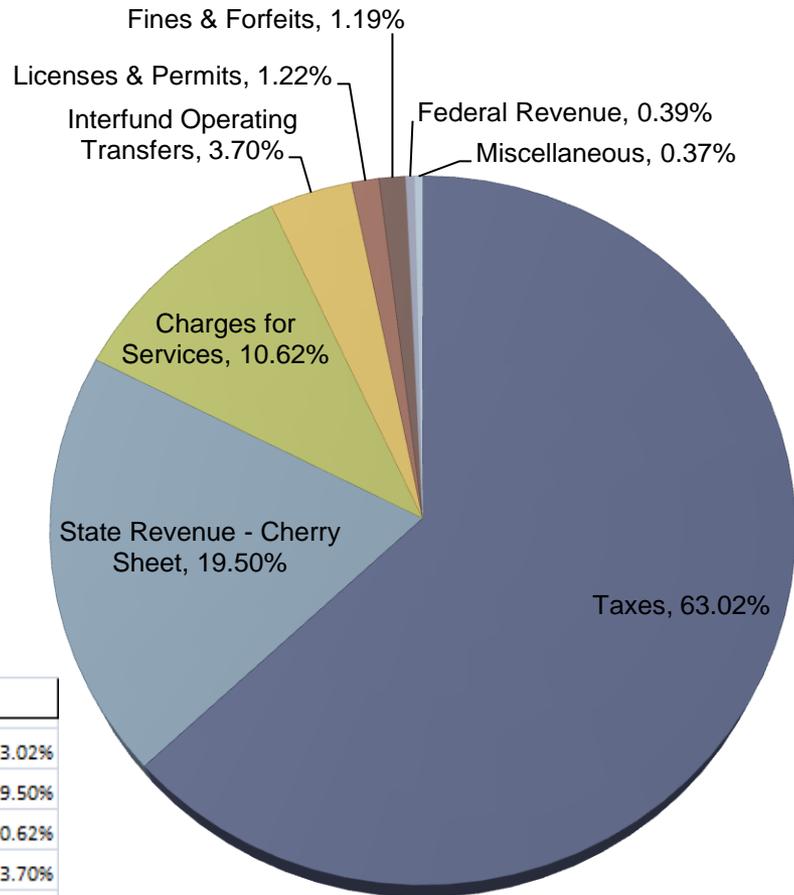
Comparison with Neighboring Communities

Residential Tax Rate - FY2014

Source: DOR Municipal Data Bank



City of Northampton General Fund Revenues FY2014



Fiscal Year 2014		
Taxes	52,887,427	63.02%
State Revenue - Cherry Sheet	16,365,502	19.50%
Charges for Services	8,914,606	10.62%
Interfund Operating Transfers	3,106,907	3.70%
Licenses & Permits	1,024,840	1.22%
Fines & Forfeits	997,000	1.19%
Federal Revenue	324,000	0.39%
Miscellaneous	307,781	0.37%
TOTAL REVENUES	83,928,063	100.00%

General Fund Revenue Sources

▶ **Taxes: 63.02%**

- ▶ Real Estate and Personal Property
- ▶ Motor Vehicle Excise
- ▶ Hotel/Motel and Meals Taxes
- ▶ Interest on Taxes and Tax Titles
- ▶ PILOT Payments

▶ **State Aid: 19.5%**

- ▶ C.70 School Aid
- ▶ School Construction Reimbursements
- ▶ Unrestricted General Govt. Aid
- ▶ Veterans Benefits
- ▶ Abatements for Elderly, Vets, Blind, etc.

▶ **Charges for Services: 10.62%**

- ▶ Parking Garage and Meters
- ▶ Ambulance Revenues
- ▶ Tuition - Smith Vocational
- ▶ Departmental Fees
- ▶ Departmental Revenues

▶ **Inter-fund Oper. Transfers: 3.70%**

- ▶ Enterprise Fund Indirect Costs
- ▶ Comcast I-net Reimbursement Fund
- ▶ Energy Rebates
- ▶ Reserve for Police Station Debt

▶ **Licenses and Permits: 1.22%**

- ▶ Liquor Licenses
- ▶ Other Department Issued Licenses
- ▶ Building, Plumbing & Wiring Permits

▶ **Fines and Forfeits: 1.19%**

- ▶ Reimbursement RMF
- ▶ Parking Tickets

▶ **Federal Aid: 0.39%**

- ▶ Medicaid Reimbursements Schools
- ▶ Medicare Part D

▶ **Miscellaneous Revenue: 0.37%**

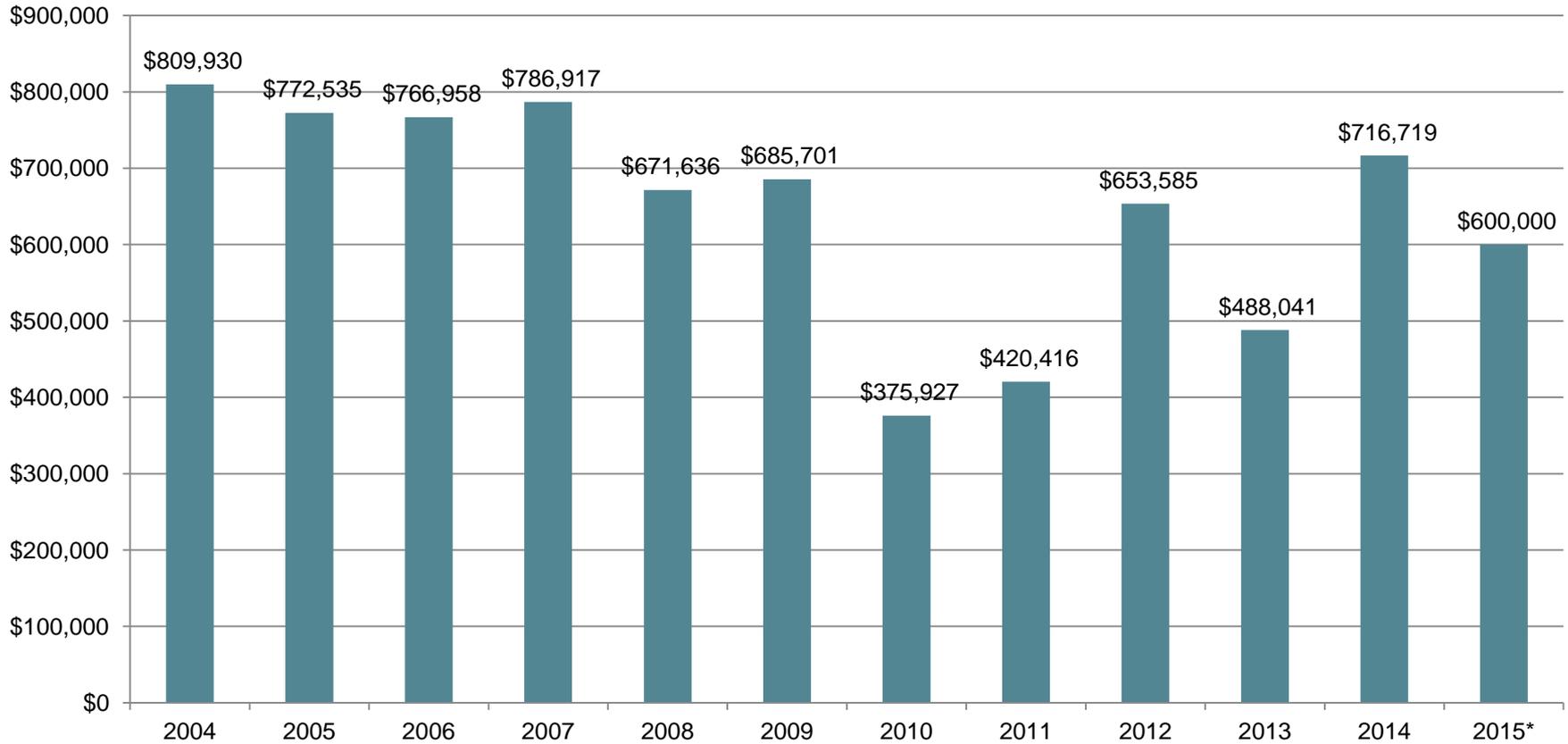
- ▶ PVTA 5 College Reimbursement
 - ▶ Veterans Regional District
 - ▶ Interest on Investments
-



City of Northampton New Growth Trend FY2004 - FY2015

Source: DOR Municipal Data Bank

*FY15 is estimated, all other years reflect actual receipts



City of Northampton
Uncollected Taxes as a Percentage of
Net Property Tax Levy - FY2004 - FY2013

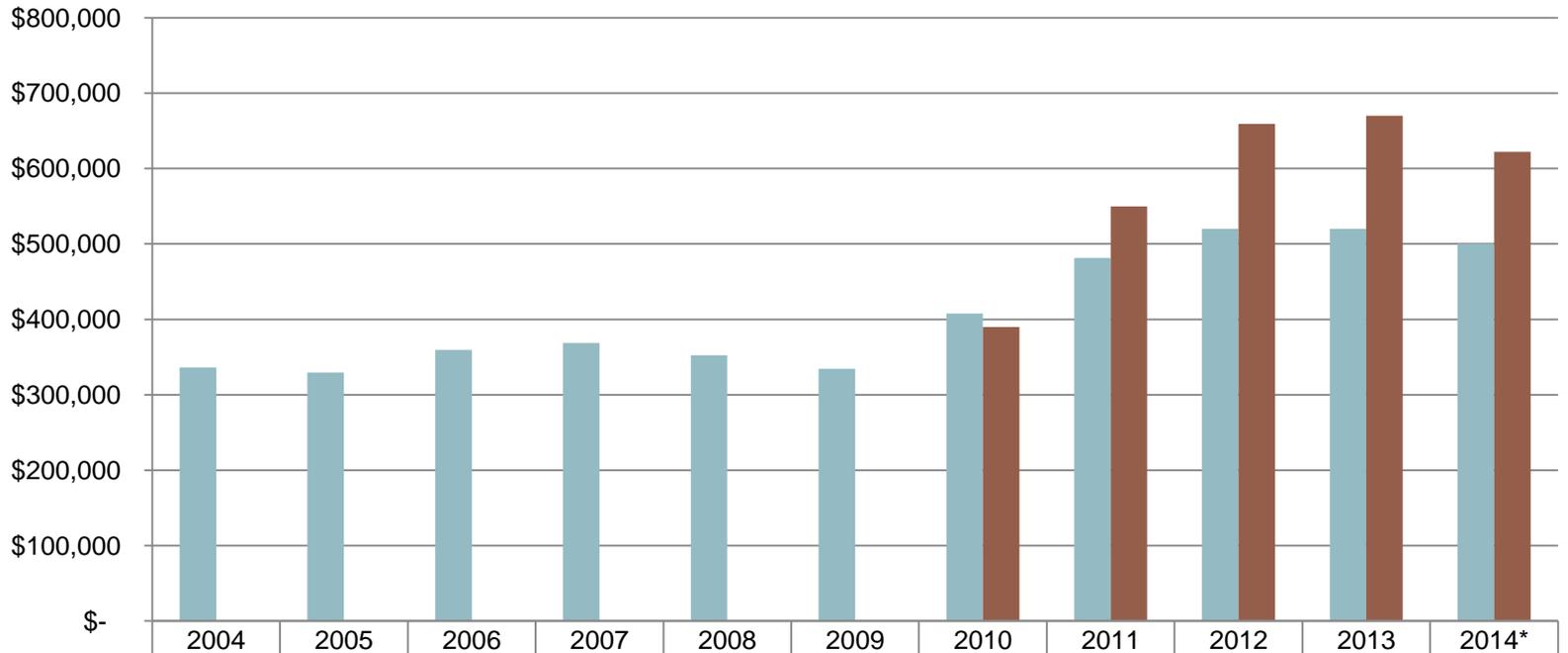
Source: End of Year Financials



City of Northampton Hotel-Motel and Meals Tax FY2004 - FY2014

Source: End of Year financials
*FY14 is estimated, all other years reflect actual receipts

■ Hotel-Motel Taxes ■ Meals Taxes



Hotel-Motel Taxes	\$336,309	\$329,332	\$359,388	\$368,770	\$352,264	\$334,406	\$407,727	\$481,230	\$520,001	\$520,231	\$500,000
Meals Taxes							\$389,700	\$549,624	\$659,041	\$670,041	\$622,026

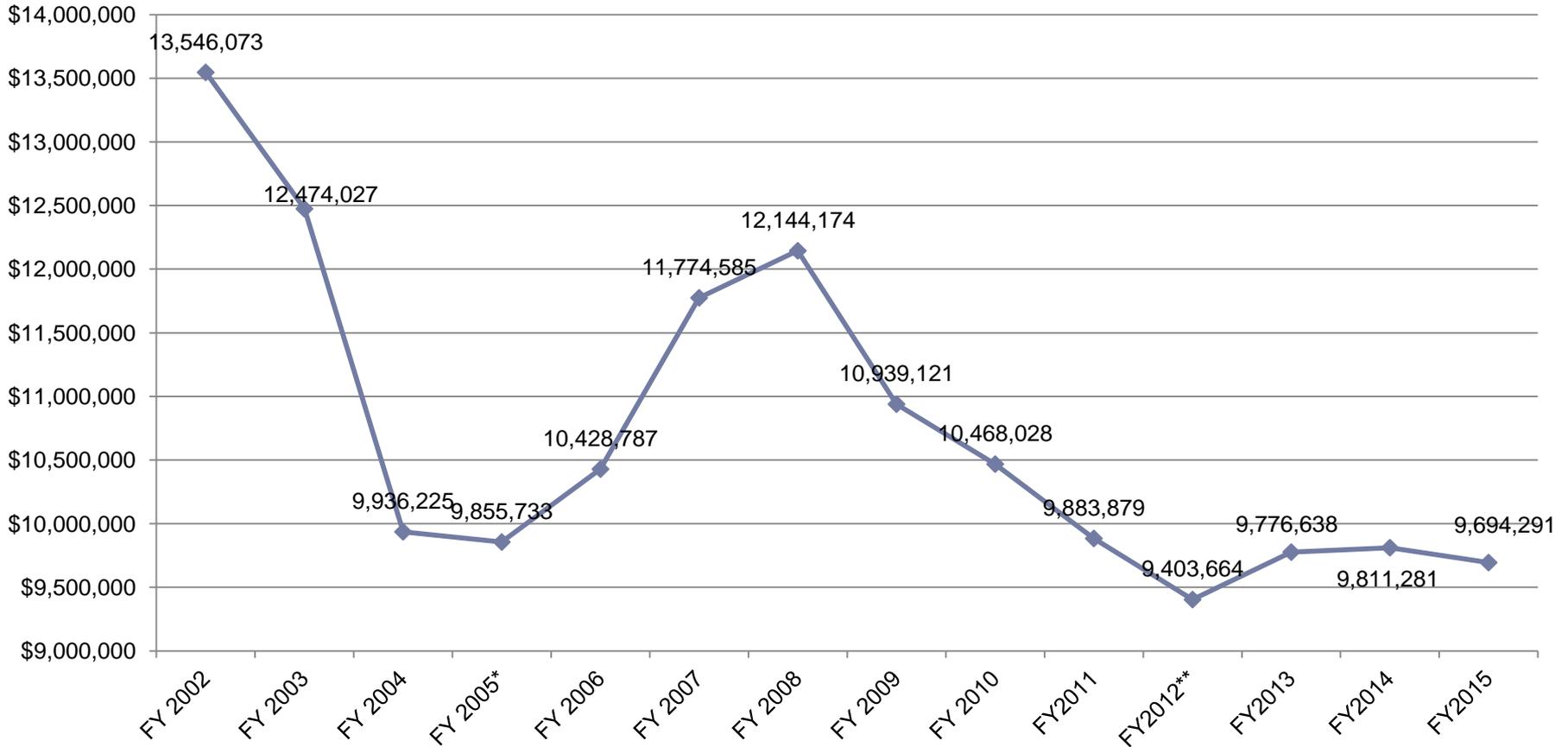


City of Northampton Net State Aid from FY2002 - FY2015

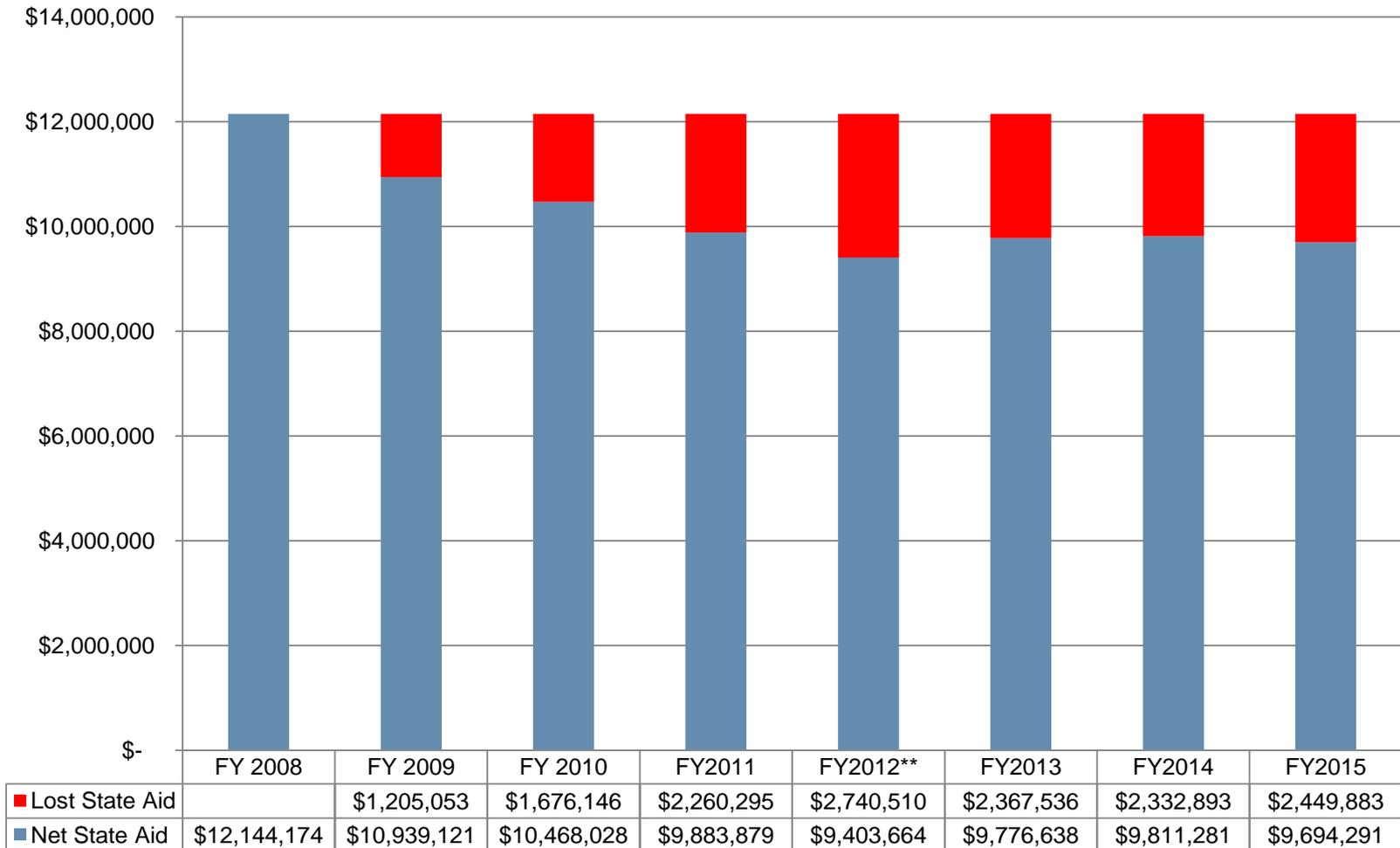
net state aid excludes offsets and MSBA payments

FY2015 is estimated based on the Governor's Budget, all other years reflect actual receipts

** does not include additional State Municipal Relief Aid 2005*

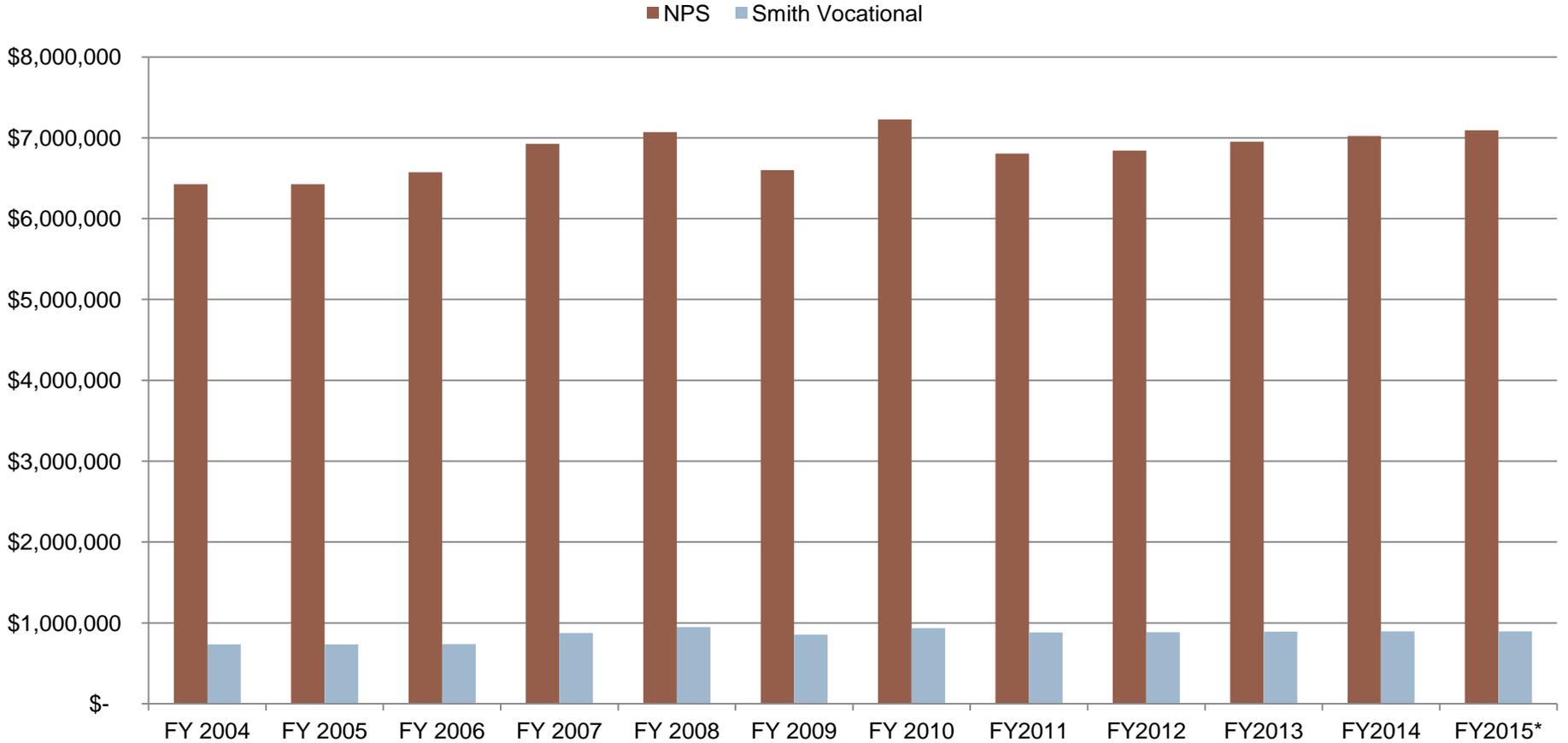


**Net State Aid showing lost revenue if funding had been
LEVEL since FY2008
\$15,032,316 total lost state aid over seven years**



City of Northampton C.70 Education Aid FY2004 - FY2014

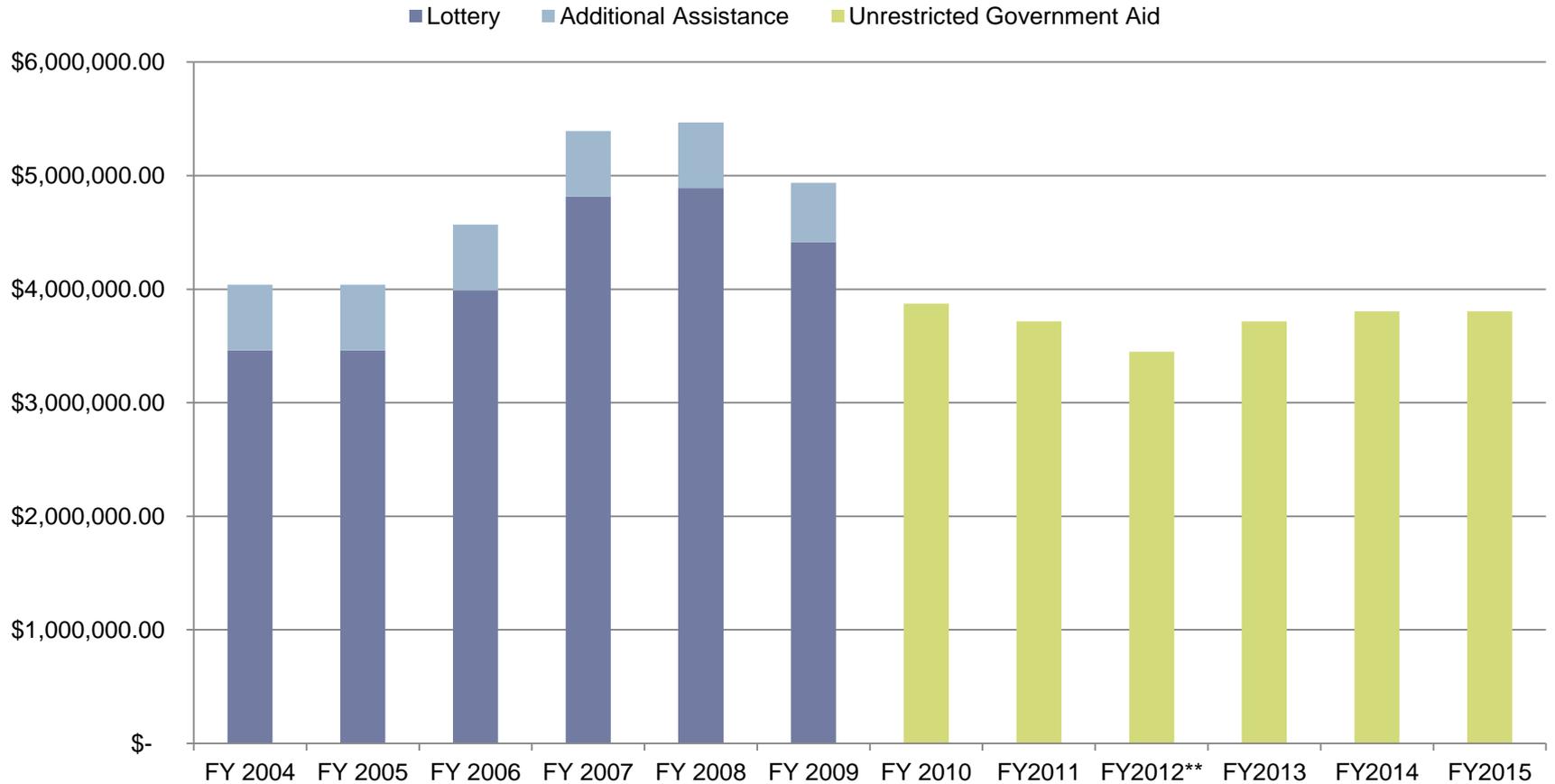
Source: Department of Elementary and Secondary Education



City of Northampton Unrestricted Local Aid from the State FY2004 to FY2014

Source: End of Year Financials

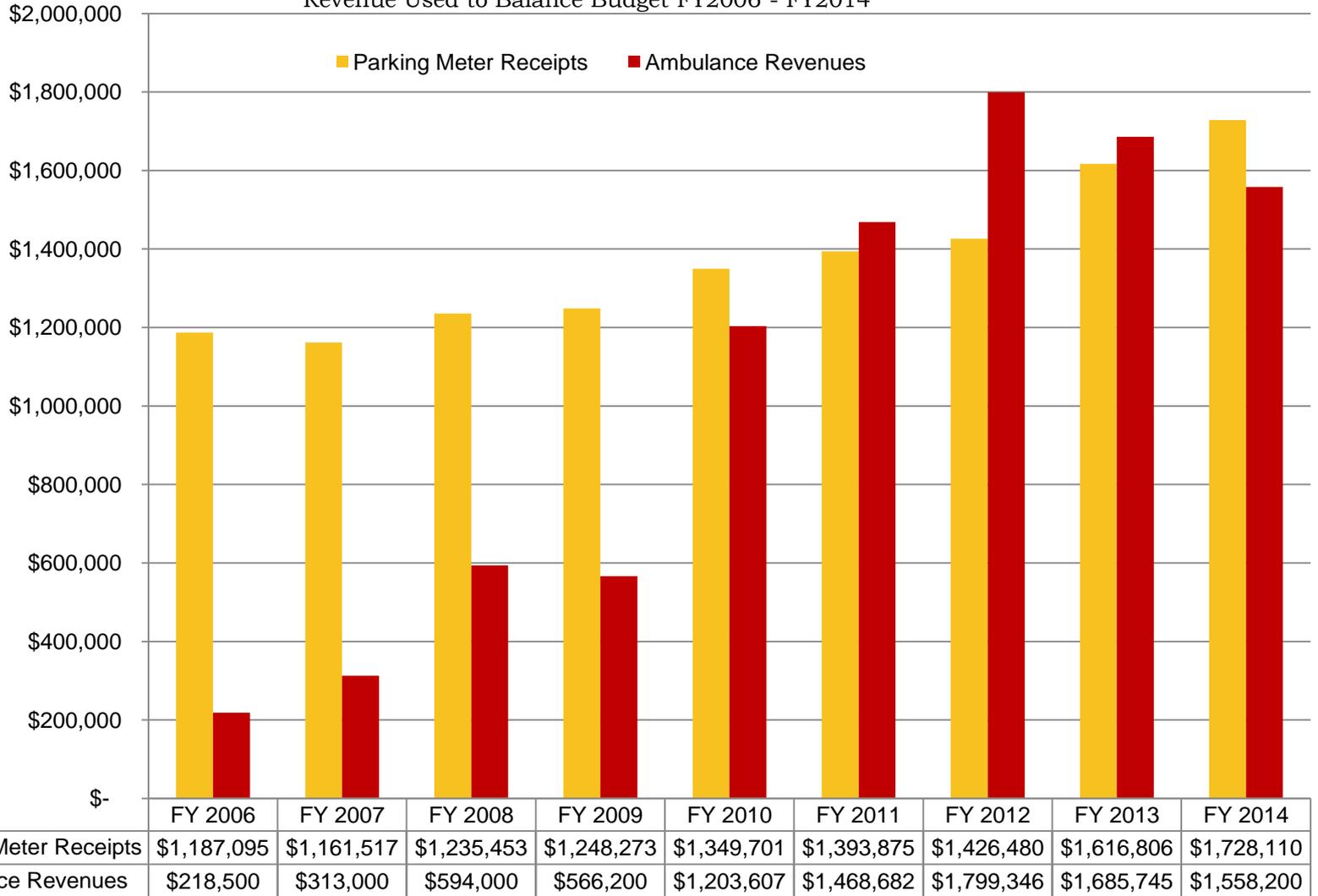
** does not include supplemental appropriation October 2011



City of Northampton

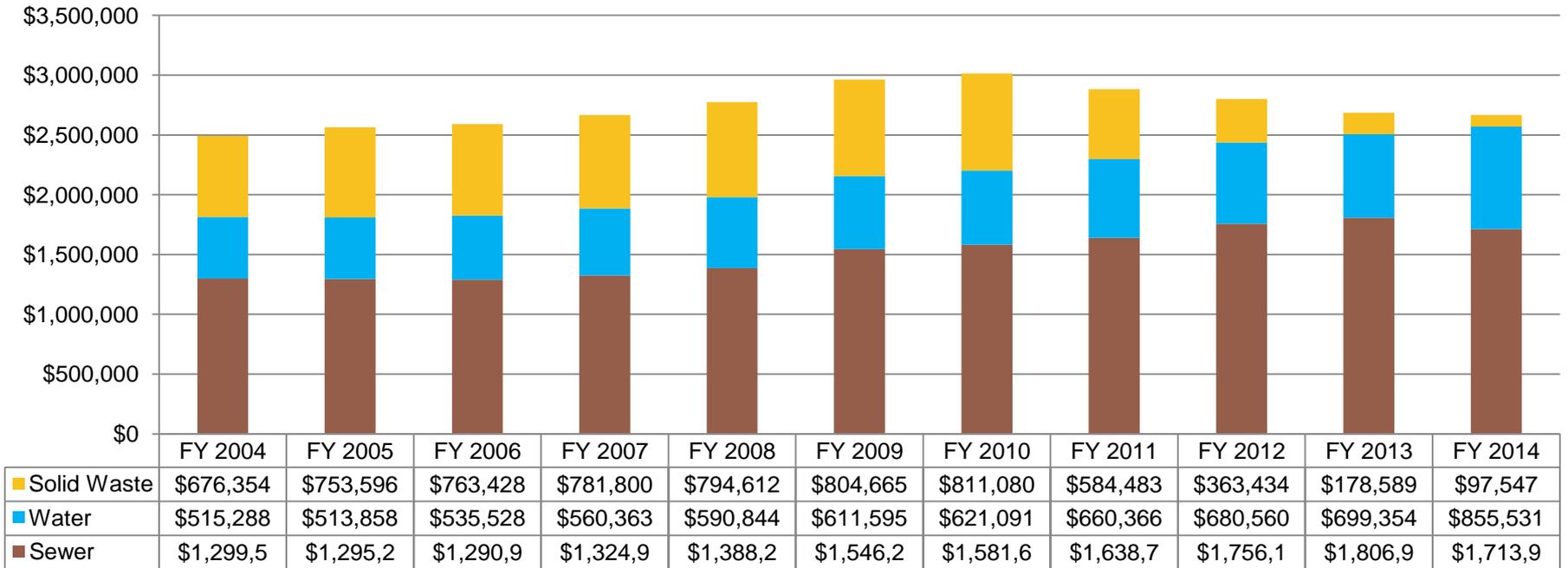
Charges for Services - Parking and Ambulance

Revenue Used to Balance Budget FY2006 - FY2014



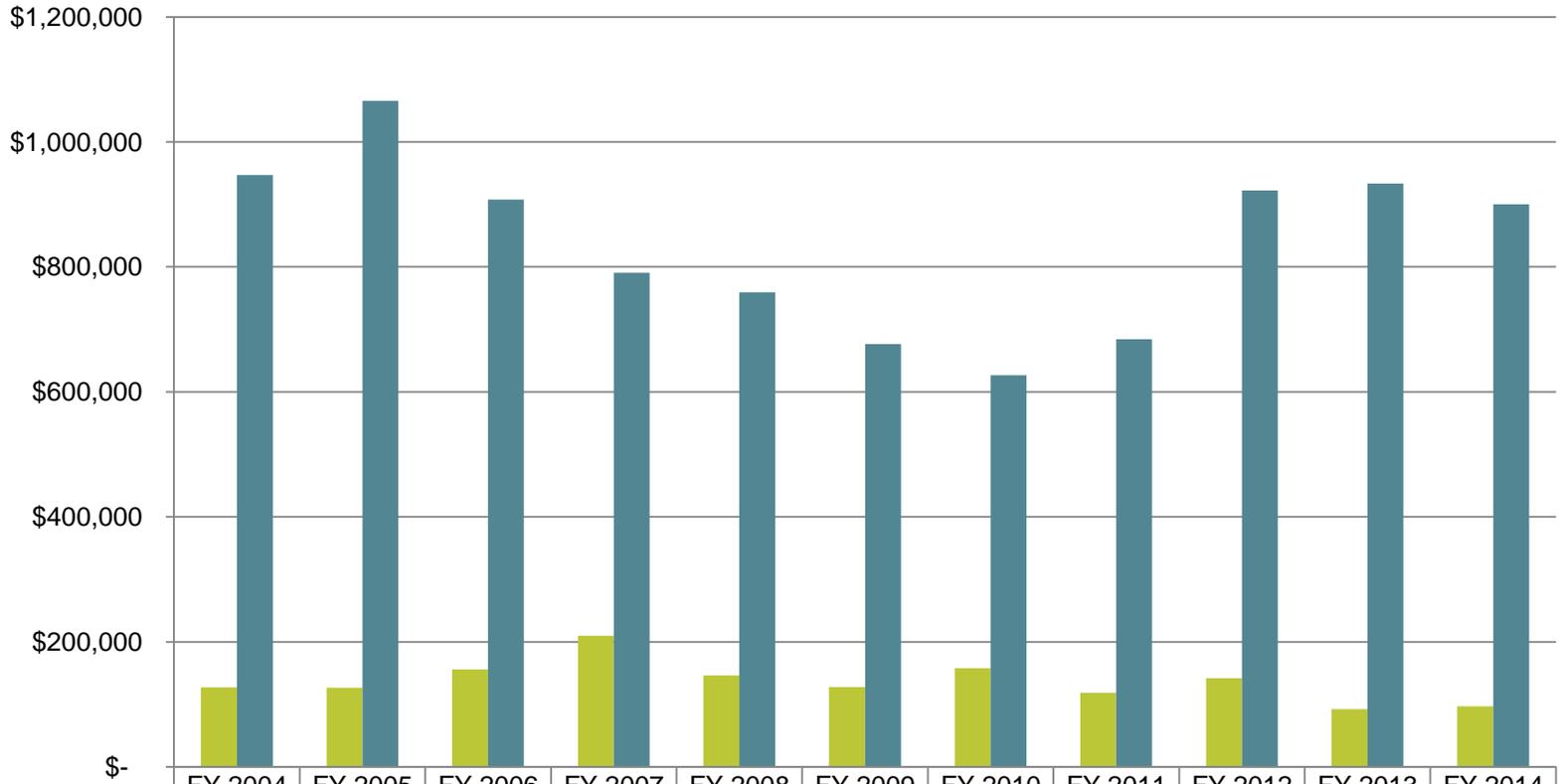
City of Northampton
Inter-Fund Operating Transfers
 Enterprise Fund Indirect Charges FY2004 - FY2014
 Source: End of Year Financials

■ Sewer ■ Water ■ Solid Waste



City of Northampton Fines and Forfeits - Parking Tickets and RMV Fines FY2004 – FY2014

Source: End of Year Financials
FY14 is estimated, all others are actual receipts

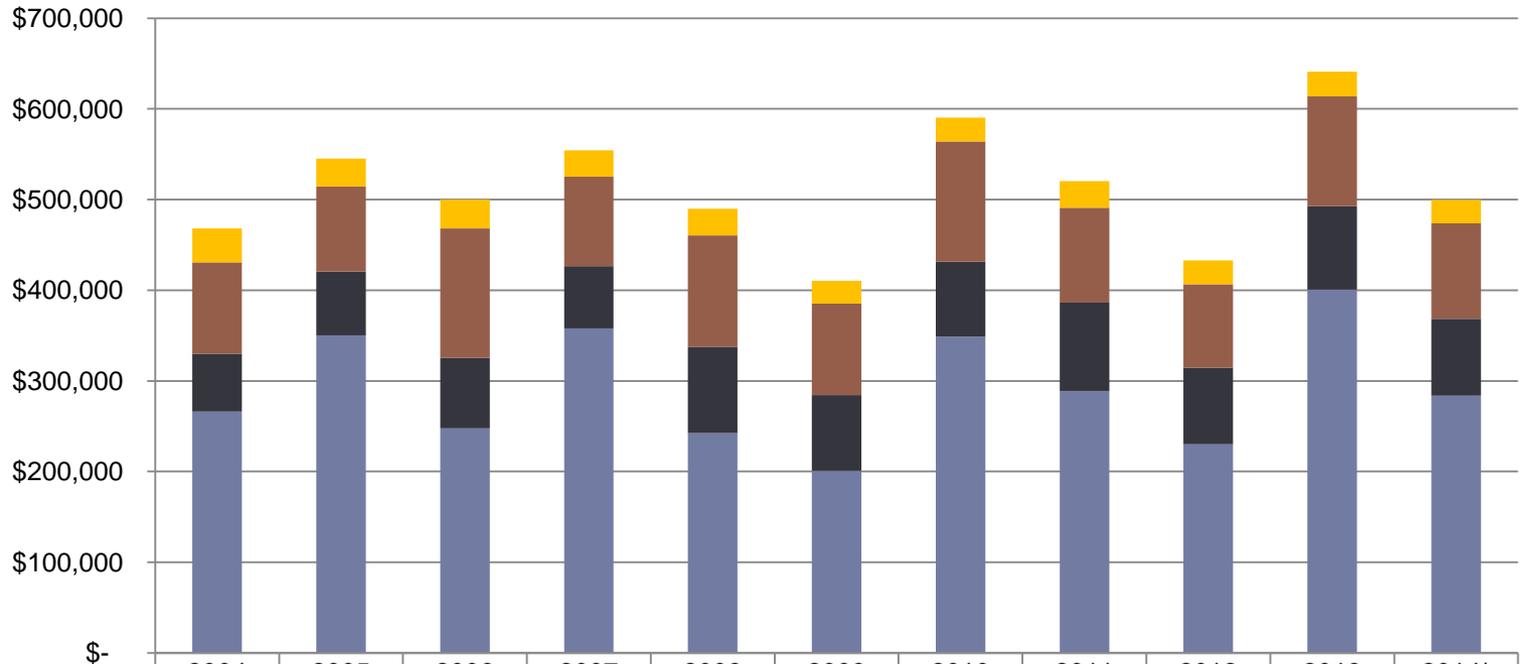


■ CMVI Reimbursements RMV	\$127,100	\$126,720	\$155,718	\$209,823	\$146,151	\$127,710	\$158,145	\$118,678	\$141,730	\$92,480	\$97,000
■ Parking Tickets	\$947,209	\$1,065,300	\$907,750	\$790,698	\$759,494	\$676,451	\$626,670	\$684,392	\$922,127	\$933,352	\$900,000



City of Northampton Building, Plumbing, Wiring and Weights and Measures Permit Fees FY2004 - FY2014

Source: End of Year Financials
FY14 are estimated, all other years reflect actual receipts



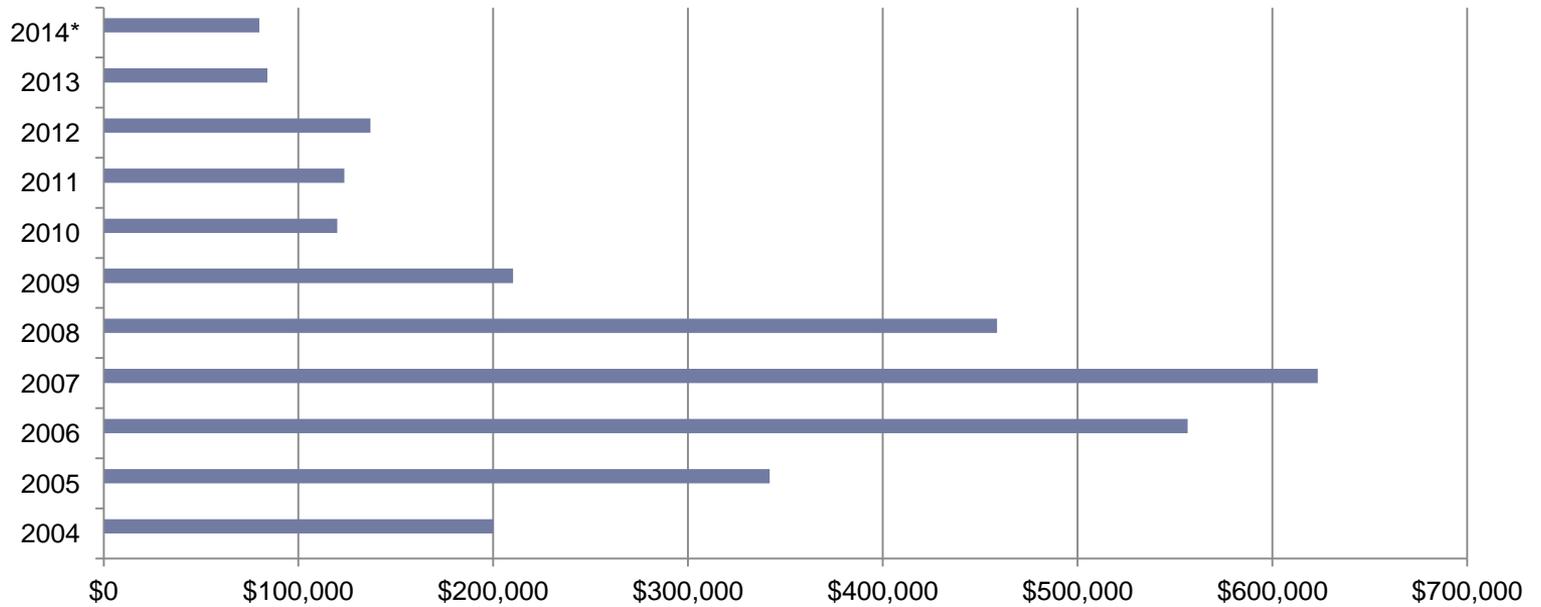
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
■ Permits - Weights & Measures	\$37,478	\$30,700	\$31,711	\$29,035	\$29,444	\$25,427	\$26,417	\$29,352	\$25,987	\$27,289	\$26,000
■ Permits - Wire Inspector	\$100,752	\$93,878	\$142,996	\$98,768	\$123,050	\$100,624	\$132,439	\$104,376	\$92,023	\$121,105	\$105,000
■ Permits - Plumbing Inspector	\$63,770	\$70,202	\$77,485	\$68,553	\$95,057	\$83,584	\$82,820	\$97,330	\$84,585	\$91,830	\$85,000
■ Permits - Building Inspector	\$266,239	\$350,306	\$247,814	\$357,892	\$242,533	\$200,964	\$348,789	\$289,164	\$230,130	\$400,741	\$283,656



City of Northampton Investment Income FY2004 - FY2014

Source: End of Year Financials

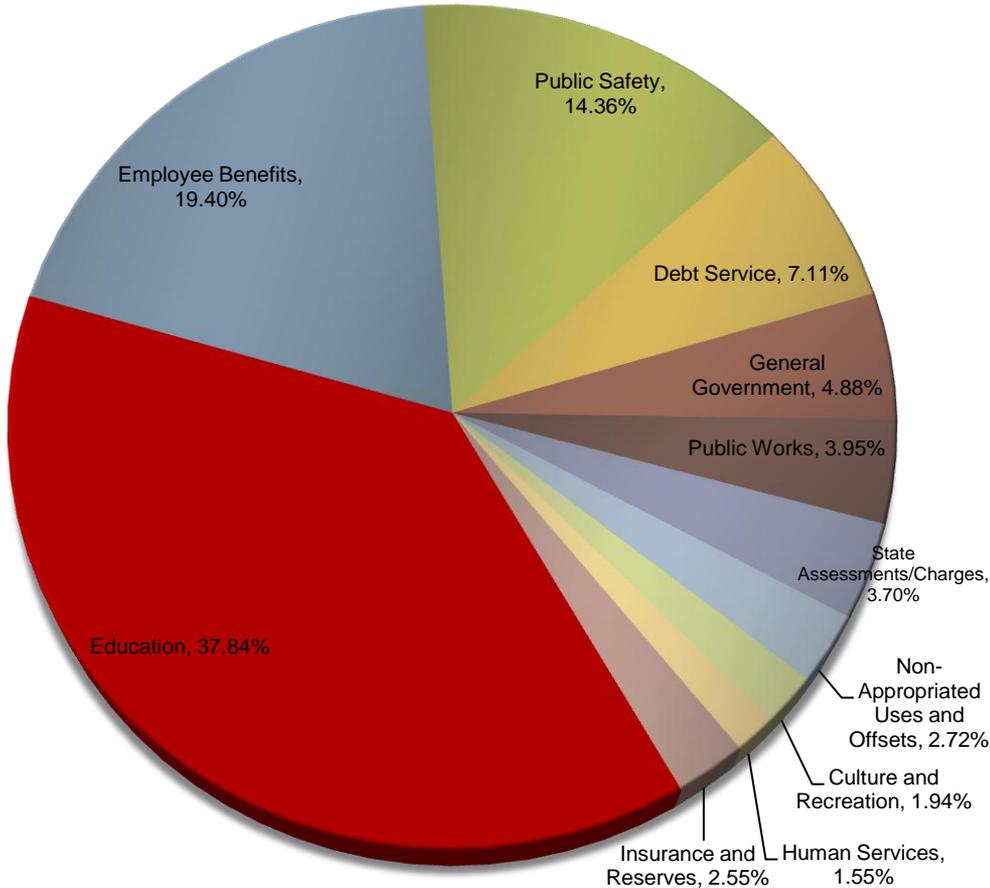
*FY14 is estimated, all other years reflect actual receipts



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*
Investment Income	\$200,166	\$341,974	\$556,430	\$623,188	\$458,686	\$210,258	\$119,975	\$123,556	\$136,956	\$84,037	\$80,000



City of Northampton General Fund Expenditures FY2014



Fiscal Year 2014

Education	31,756,497	37.84%
Employee Benefits	16,285,687	19.40%
Public Safety	12,055,120	14.36%
Debt Service	5,965,805	7.11%
General Government	4,092,941	4.88%
Public Works	3,313,930	3.95%
State Assessments/Charges	3,104,398	3.70%
Non- Appropriated Uses and Offsets	2,284,945	2.72%
Culture and Recreation	1,626,495	1.94%
Human Services	1,302,981	1.55%
Insurance and Reserves	2,139,265	2.55%
TOTAL EXPENDITURES	83,928,063	100.00%



▶ **Education: 37.8%**

- ▶ Northampton Public Schools
- ▶ Smith Vocational and Agricultural School

▶ **Employee Benefits: 19.4%**

- ▶ Retirement
- ▶ Workers Comp and Police and Fire Accident
- ▶ Unemployment
- ▶ Medical Insurance
- ▶ Payroll Taxes

▶ **Public Safety: 14.4%**

- ▶ Police
- ▶ Fire and Ambulance
- ▶ Parking Enforcement and Maintenance
- ▶ Building Inspections
- ▶ Dispatch

▶ **Debt Service: 7.1%**

- ▶ Long Term Bonds Principal and Interest
- ▶ Short Term Borrowing Principal and Interest
- ▶ Capital Leases

▶ **General Government: 4.9%**

- ▶ Mayor and City Council
- ▶ Auditor, Treasurer, Collector and Assessors
- ▶ Legal Services
- ▶ Human Resources
- ▶ Management Information Services
- ▶ City Clerk and Licensing Commission
- ▶ Planning and Development
- ▶ Central Services

▶ **Public Works: 3.9%**

- ▶ Engineering and Administration
- ▶ Streets – General and Snow and Ice
- ▶ Storm Drains
- ▶ Flood control
- ▶ Cemeteries
- ▶ DPW Parks and Recreation

▶ **State Assessments: 3.7%**

- ▶ PVTA
- ▶ RMV Non-Renewal Surcharge
- ▶ Charter School Sending Tuition
- ▶ School Choice Sending Tuition

▶ **Non-Appropriated Uses: 2.7%**

- ▶ Overlay and Deficits
- ▶ County Lock-Up

▶ **Insurance and Reserves: 2.5%**

- ▶ General Liability, Property and Auto
- ▶ Public Employees Liability
- ▶ Cash Capital
- ▶ Reserve for Personnel
- ▶ Capital Stabilization Fund

▶ **Culture and Recreation: 1.9%**

- ▶ Forbes and Lilly Libraries
- ▶ Recreation
- ▶ First Night and Arts Council

▶ **Human Services: 1.6%**

- ▶ Board of Health
- ▶ Veterans
- ▶ Council on Aging



Total Educational Expenditures

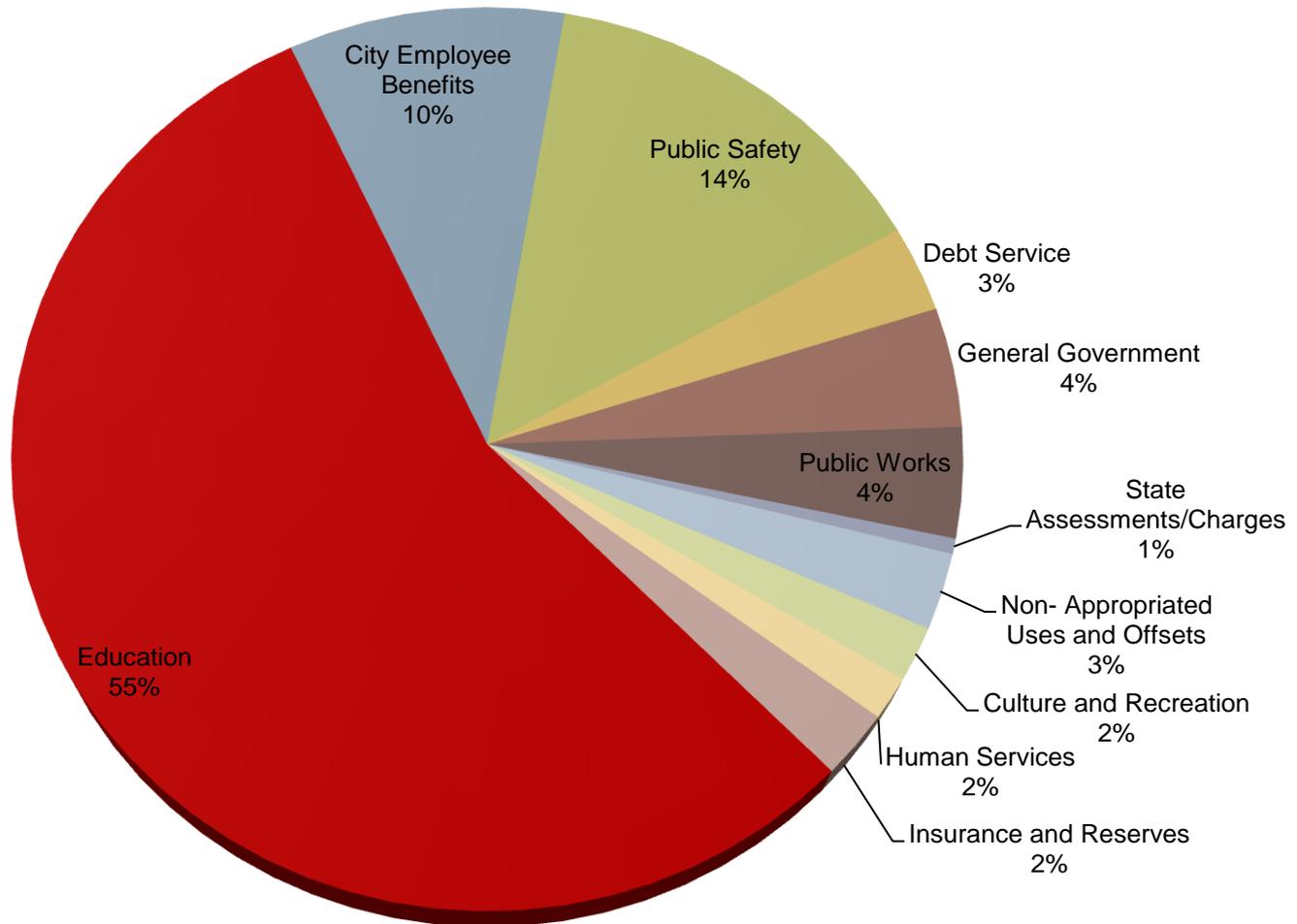
- ▶ The \$31.7 million in the General Fund for Northampton Public Schools and Smith Vocational and Agricultural School reflect only direct operating expenses. A more accurate total spending on education must also include the following expenditures that are reflected in other budgets within the General Fund:

▶ Employee Benefits	\$	8,158,091
▶ Insurance (Property, Vehicle, Liability)	\$	122,375
▶ School Crossing Guards (Police Budget)	\$	49,1040
▶ Debt for School Capital Projects	\$	3,361,469
▶ General Govt (MIS, HR, Auditor, etc)	\$	495,425
▶ Charter School Tuition for Outgoing Northampton Students	\$	2,209,230
▶ School Choice Tuition for Outgoing Northampton Students	\$	<u>434,770</u>
▶ TOTAL ADDITIONAL SPENDING ON EDUCATION IN FY2014	\$	14,830,464
▶ LINE ITEM SPENDING ON EDUCATION IN FY2014	\$	<u>31,756,497</u>
▶ TOTAL EDUCATIONAL SPENDING IN FY2014	\$	46,586,961

- ▶ *Note: These numbers also do not include the cash capital projects the city regularly funds for the schools.*
-



City of Northampton
General Fund –
Percentage of
Educational Expenses FY2014



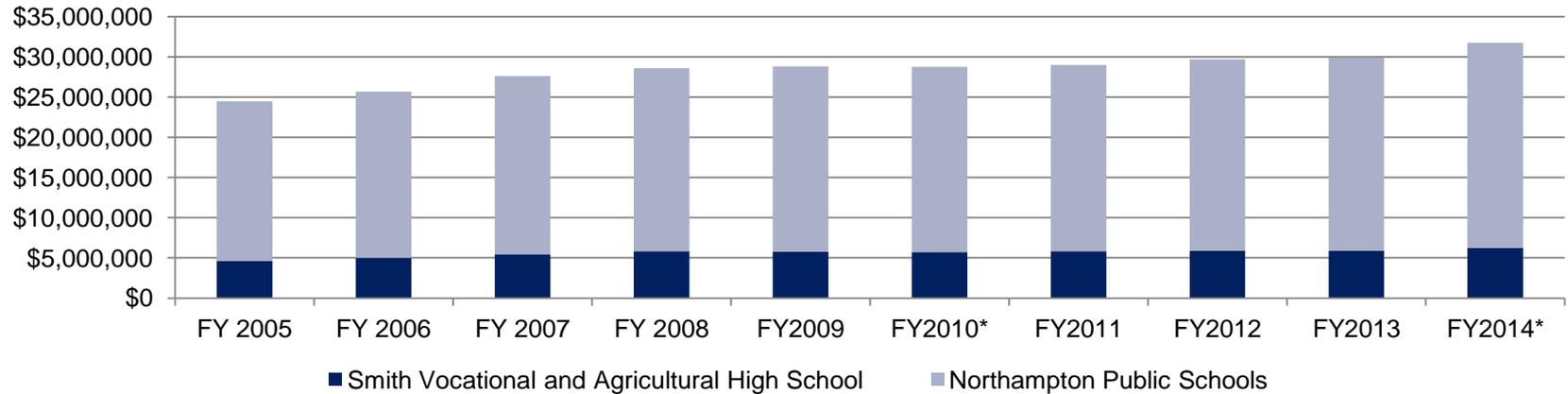
City of Northampton General Fund Appropriation for Education

does not include annual indirect costs for employee benefits, school capital debt

denotes override years

Source: End of Year Financials

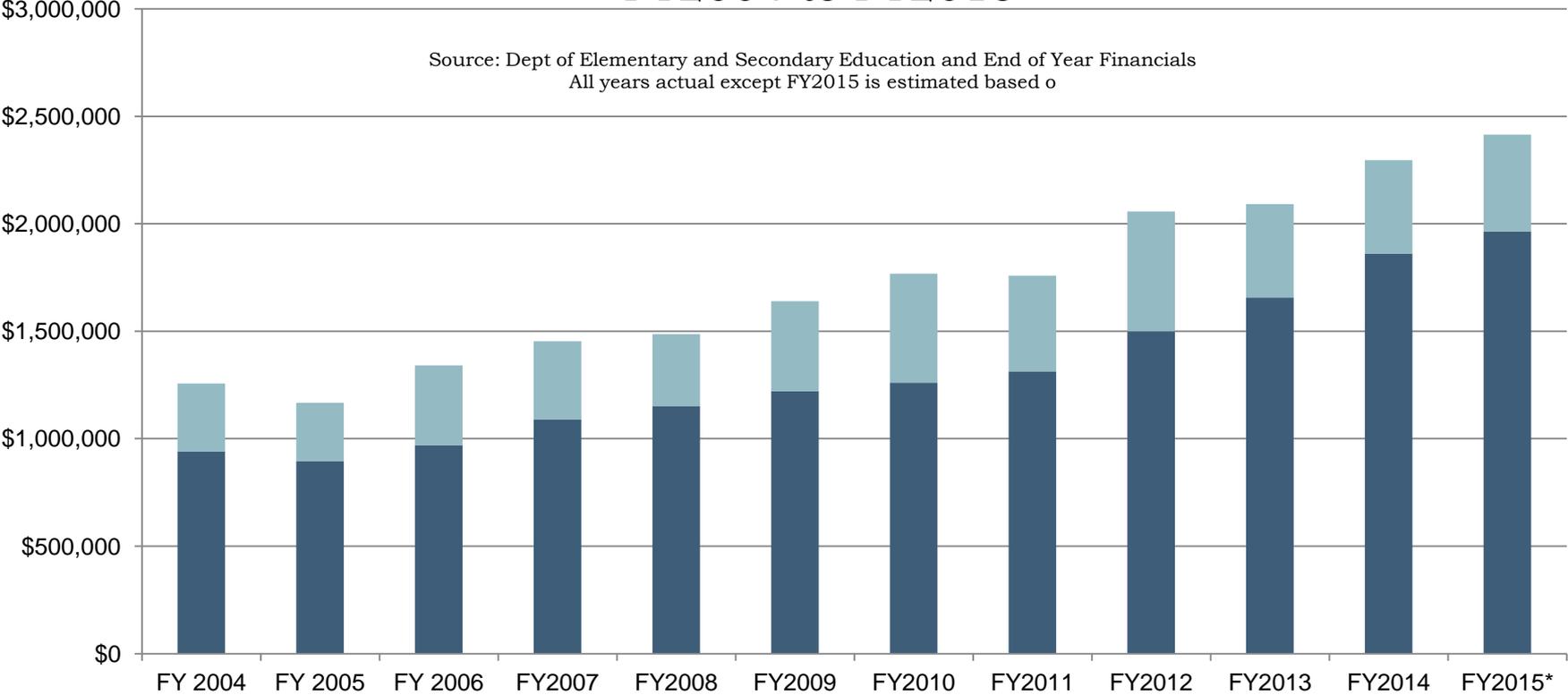
Five Year Average increase 2.5%



CITY APPROPRIATION	Actual	Budget								
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010*	FY 2011	FY 2012	FY 2013	FY 2014*
Smith Vocational and Agricultural High School	4,635,000	5,022,405	5,470,219	5,835,262	5,763,184	5,715,472	5,825,366	5,906,058	5,870,164	6,248,728
SVAHS % increase in budget	1.37%	8.36%	8.92%	6.67%	-1.24%	-0.83%	1.92%	1.39%	-0.61%	6.45%
Northampton Public Schools	19,835,000	20,664,356	22,146,943	22,732,823	23,024,209	23,035,153	23,157,544	23,795,643	24,003,643	25,507,769
NPS % increase in budget	0.00%	4.18%	7.17%	2.65%	1.28%	0.05%	0.53%	2.76%	0.87%	6.27%



City of Northampton
School Choice and Charter School Sending Tuition
Net of State Charter Tuition Reimbursement
 FY2004 to FY2015



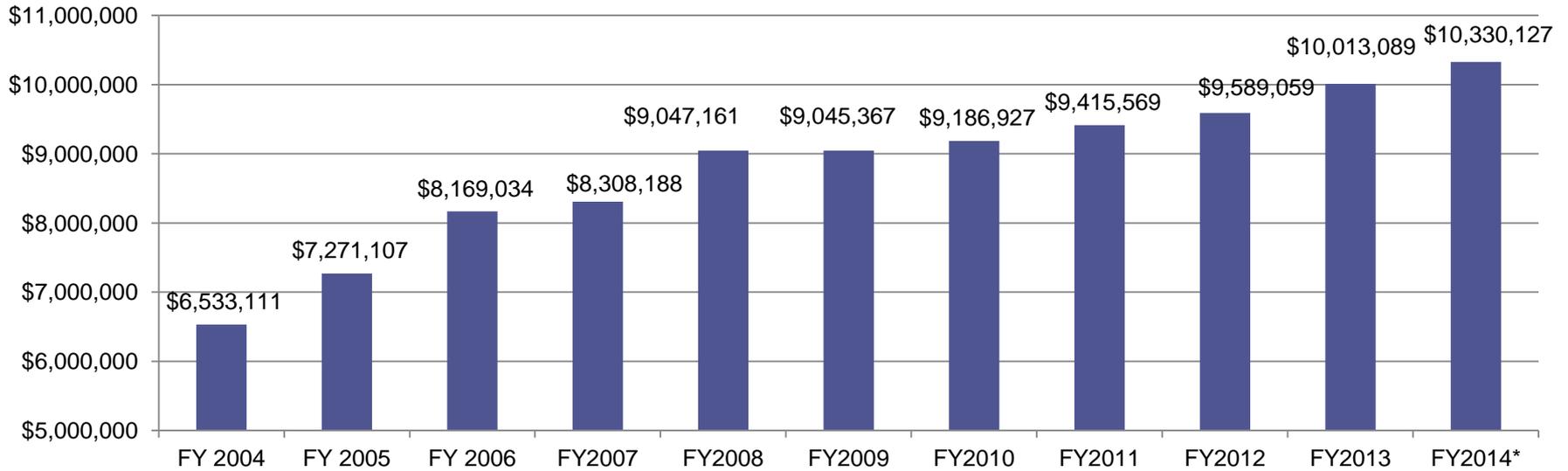
NET OUTGOING CHARTER SCHOOL TUITION ASSESSMENT
 SCHOOL CHOICE SENDING TUITION ASSESSMENT



City of Northampton

Health Insurance Expenditures FY2004 - FY2014

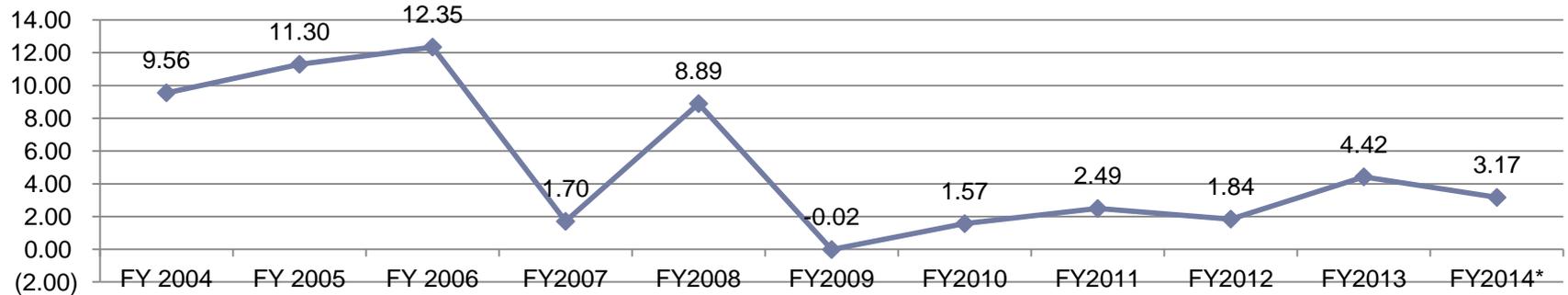
*FY14 estimated , all other years actual expenditures
Source: End of Year Financials



Health Insurance increases - percentage change from previous year

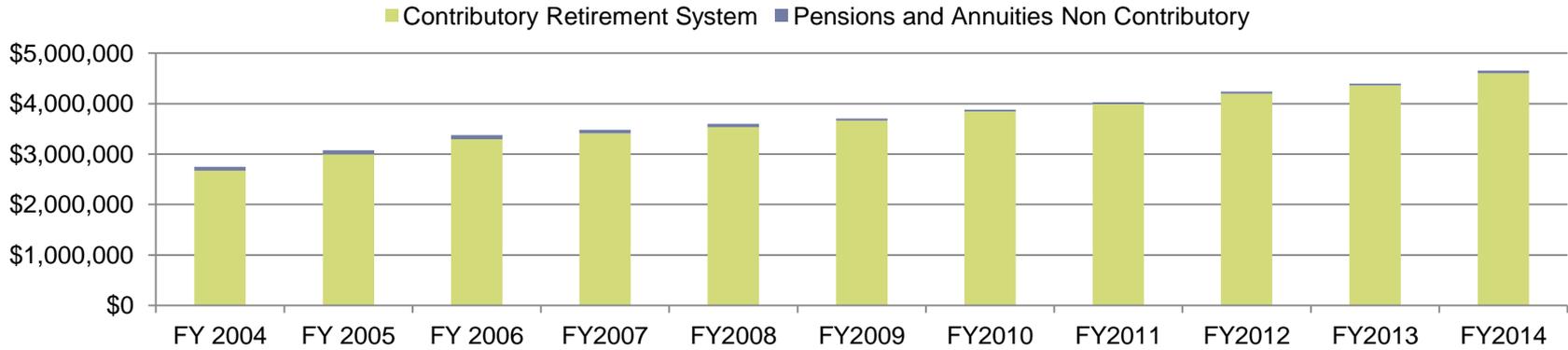
Five year average increase = 2.7%

Ten year average increase = 4.8%

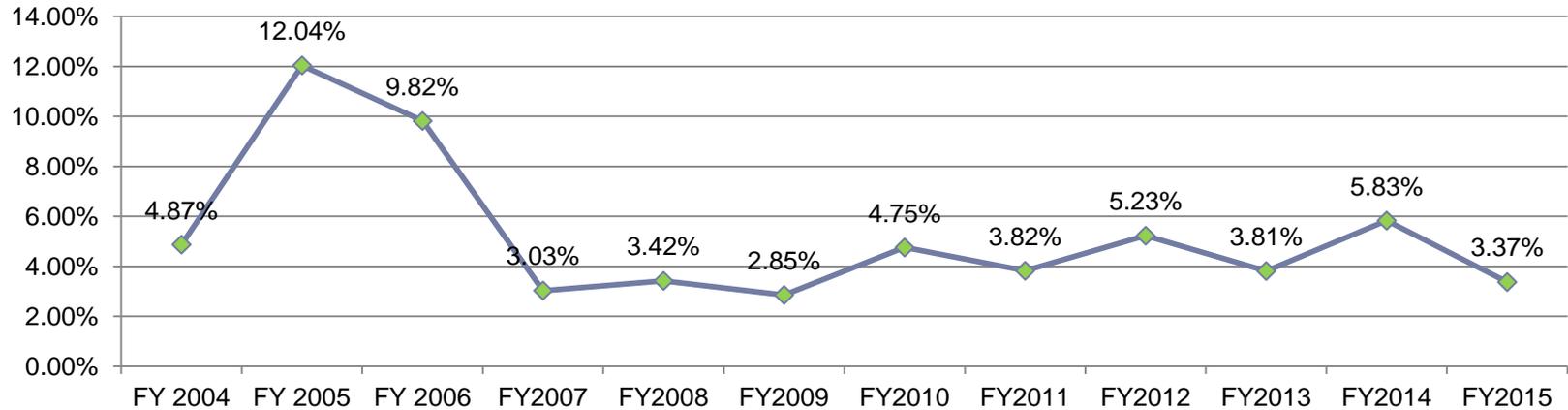


City of Northampton Retirement Assessment FY2004 to FY2015

Source: End of Year Financials

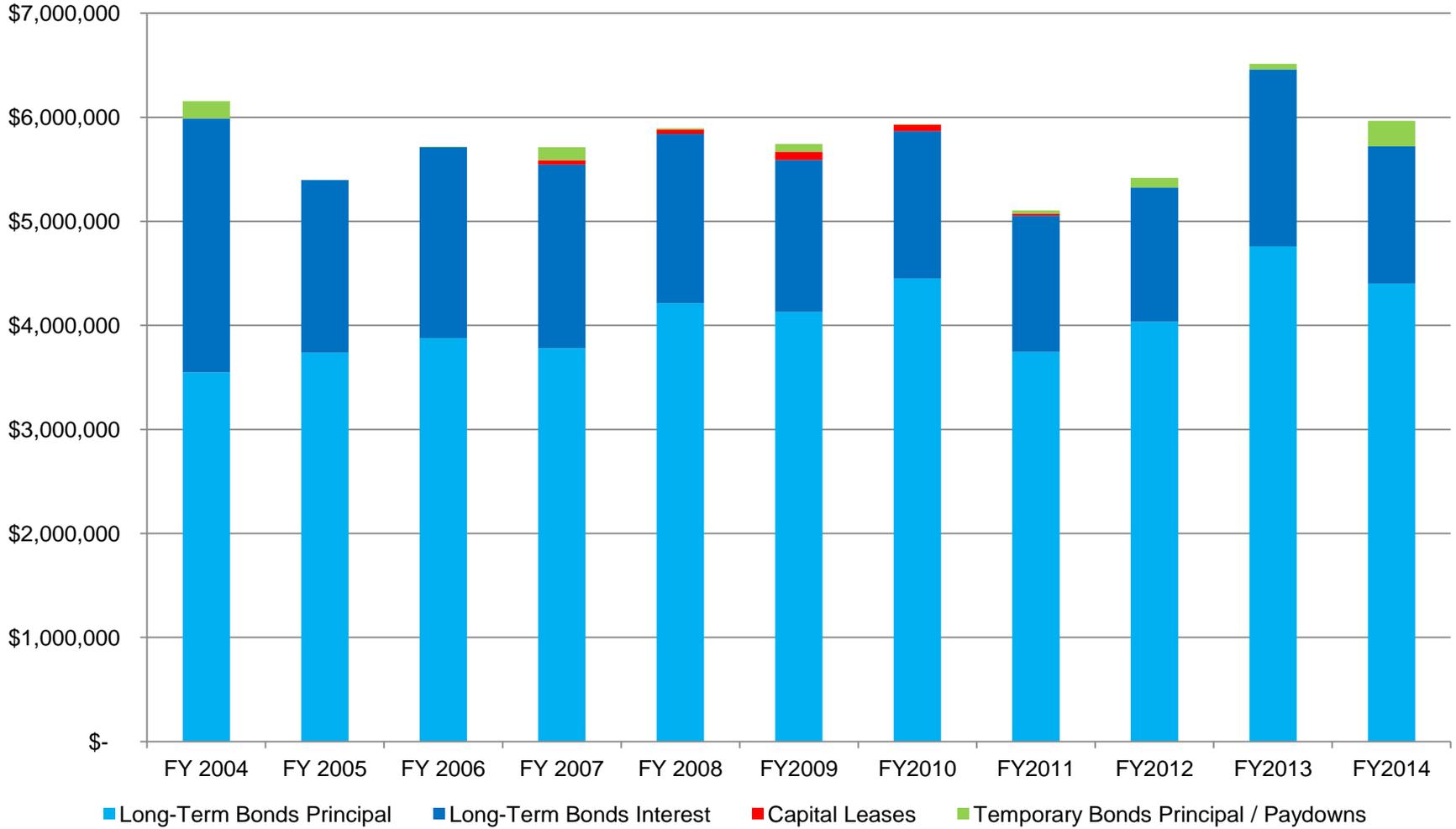


Retirement System Increase
Percentage change from previous year



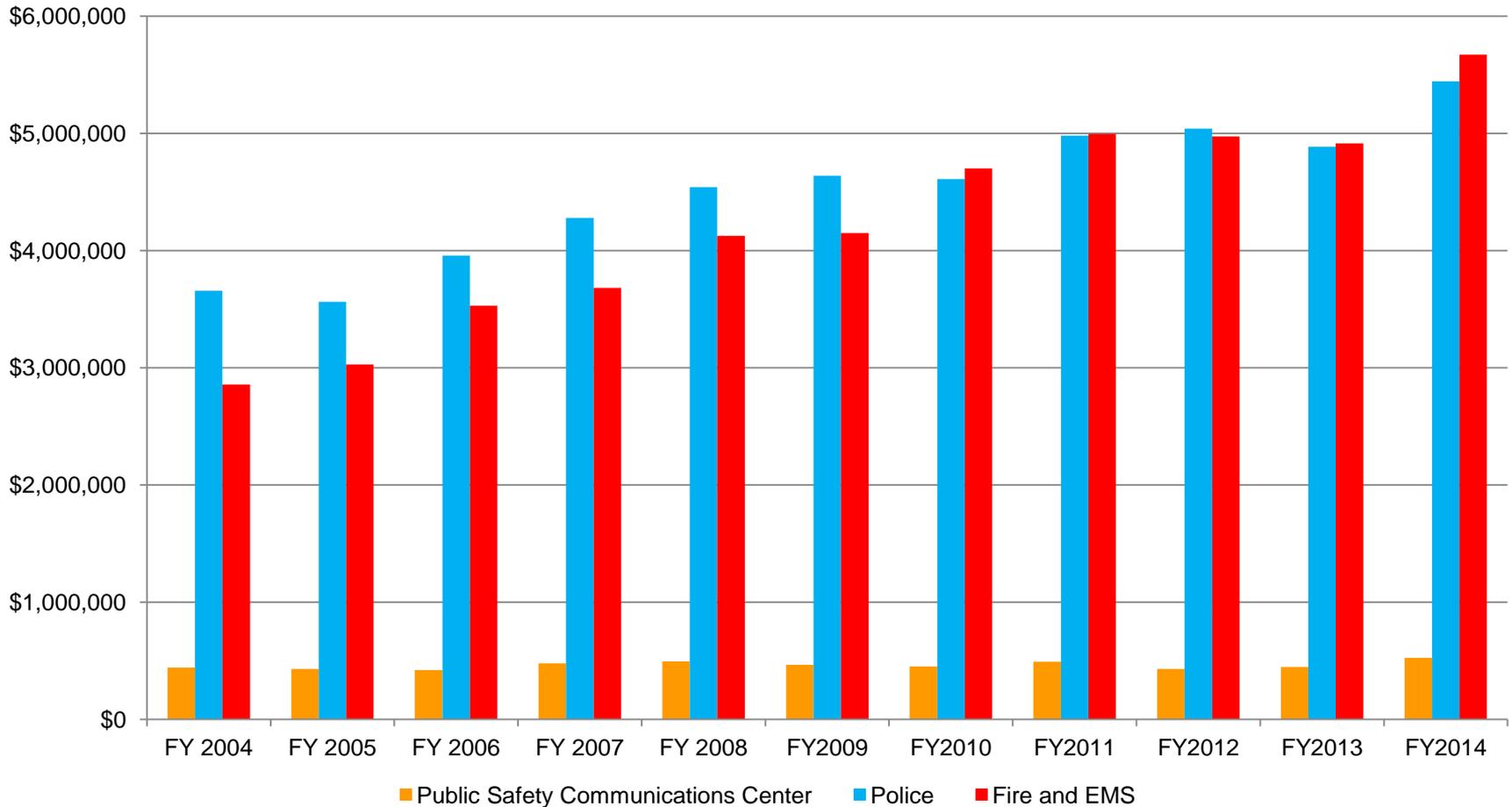
City of Northampton General Fund Debt Expenditures

Source: End of Year Financials
All years actual expenditures, FY2014 budgeted



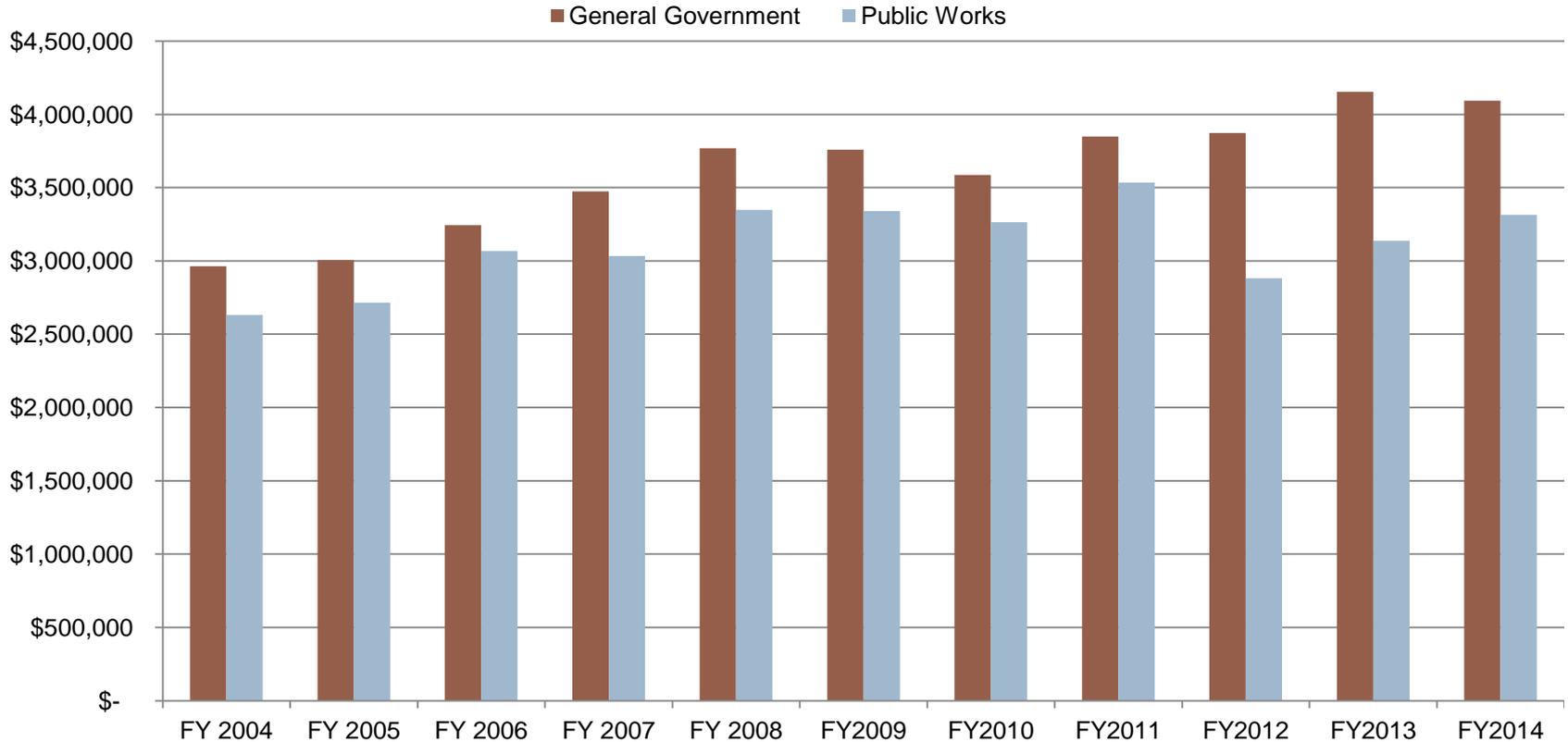
City of Northampton
Public Safety - Police, Fire and EMS, Dispatch
FY2004 – FY2014

Source: End of Year Financials
All years actual expenditures, FY2014 budgeted



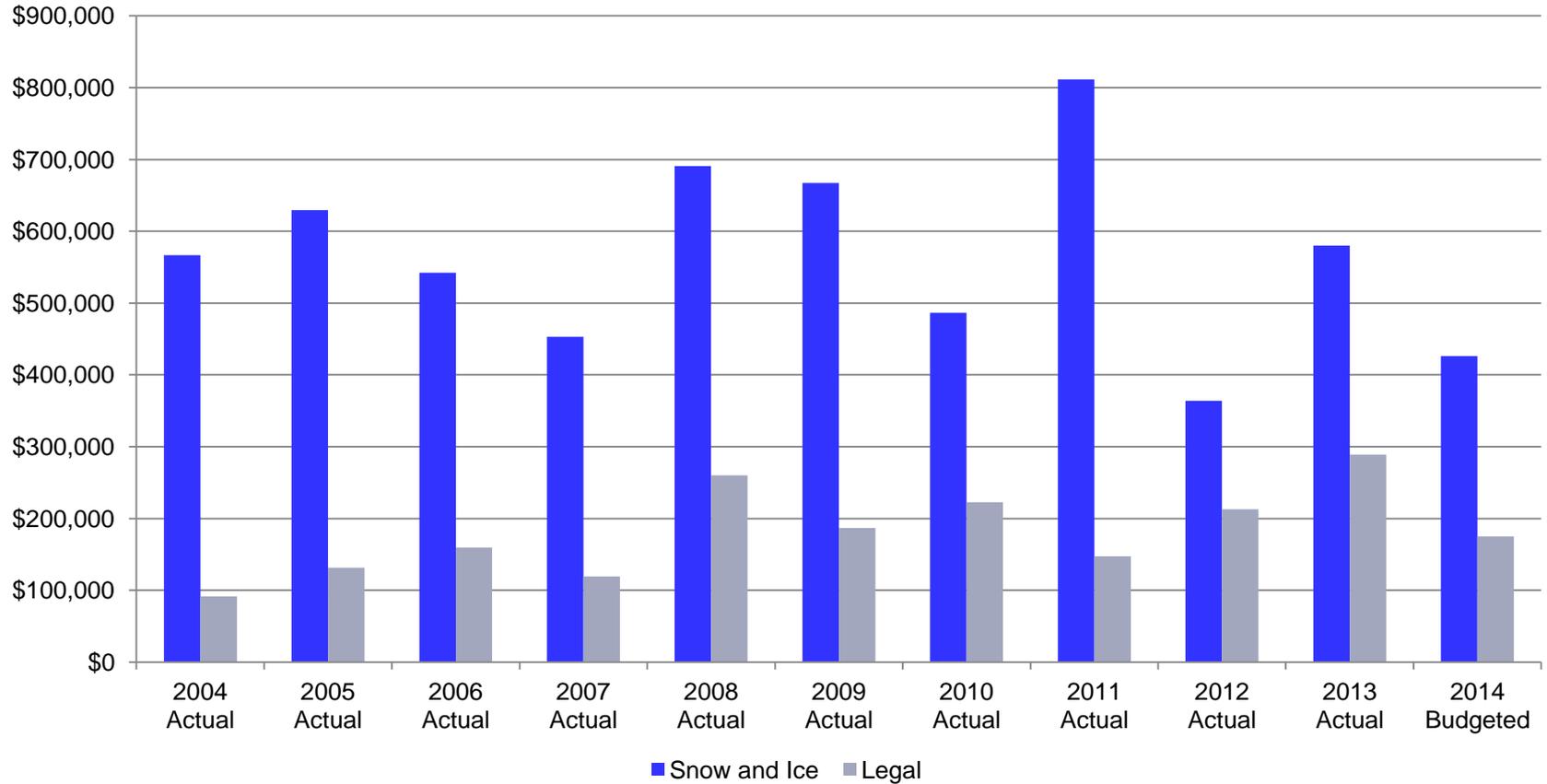
City of Northampton General Government and Public Works FY2004 - FY2014

Source: End of Year Financial Data
All years actual expenditures, FY2014 budgeted



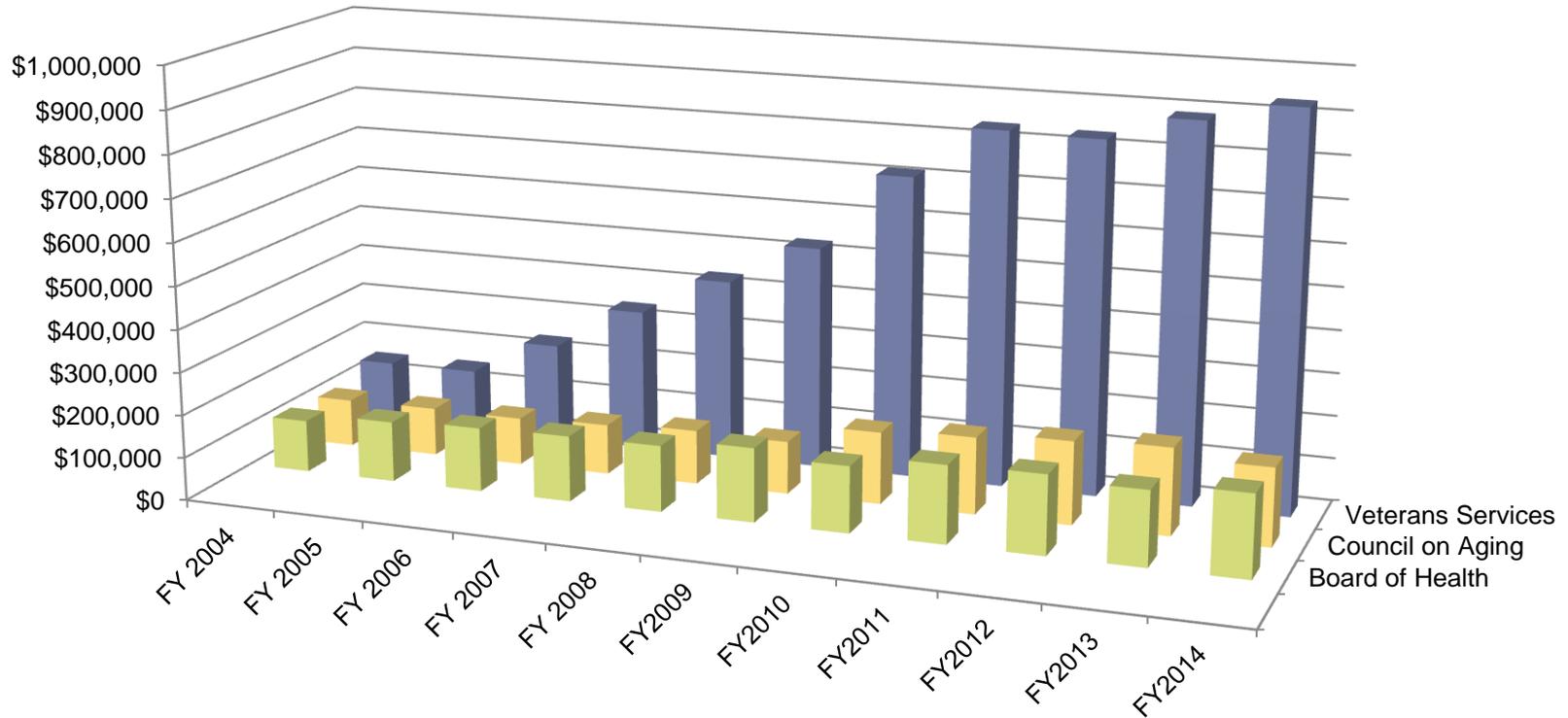
City of Northampton Snow and Ice and Legal FY2004 - FY2014

Source: End of Year Financials
All years actual, FY2014 Budgeted



City of Northampton Human Services Spending FY2004 - FY2014

Source: End of Year Financials
All years actual expenditures, FY2014 Budgeted

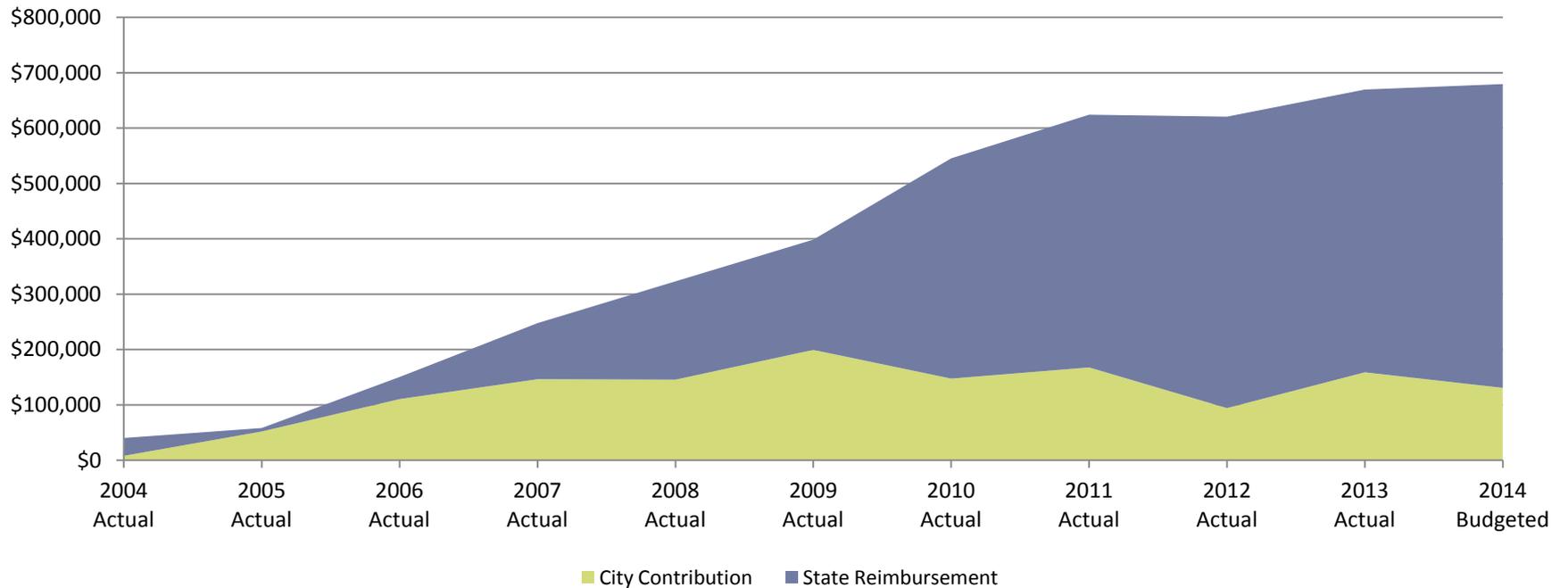


Veterans Services
Council on Aging
Board of Health



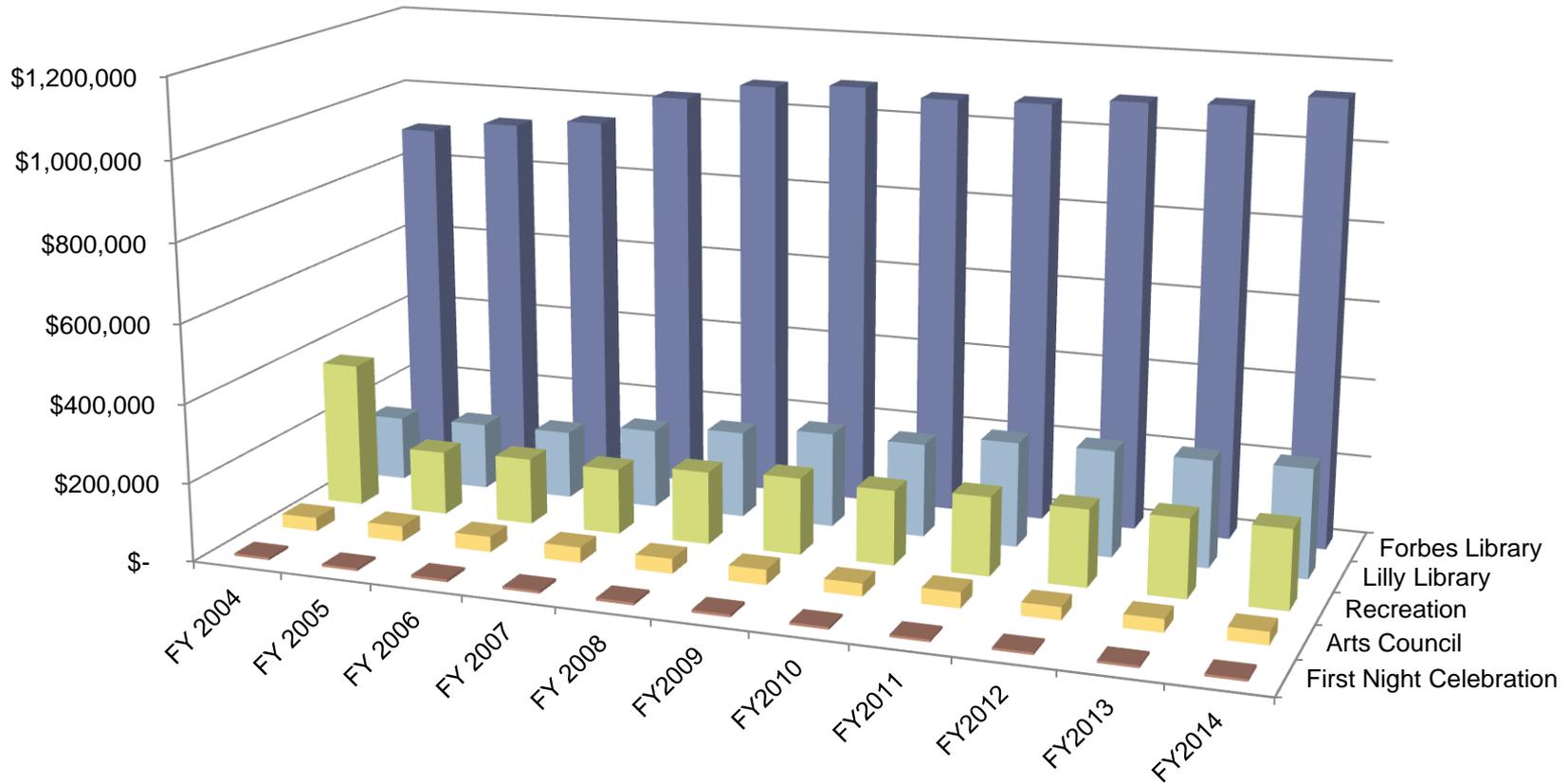
City of Northampton
Veterans Benefits State Reimbursement and City
Contribution
FY2004 - FY2014

Source: End of Year Financials
All years actual, FY2014 Budgeted



City of Northampton Culture and Recreation Spending FY2004 - FY2014

Source: End of Year Financials
All years actual, FY2014 Budgeted



FY2015 Budget Process Timeline

- ▶ **January 30, 2014** – Mayor’s joint meeting of the City Council & School Committee
- ▶ **February 6, 2014** – City department budgets due to Mayor
- ▶ **March 3, 2014** – Mayor submits 5-year Capital Improvement Program to City Council
- ▶ **April 15, 2014** – Northampton Public Schools and Smith Vocational & Agricultural High School Adopted Budgets Submitted to the Mayor
- ▶ **May 15, 2014** – Mayor presents proposed City of Northampton FY2015 Budget to City Council
- ▶ **June 1, 2014** – Deadline for City Council to hold public hearing and vote on 5-year Capital Improvement Program
- ▶ **June 30, 2014** – Deadline for City Council to hold a public hearing and vote on proposed FY2015 Budget

