

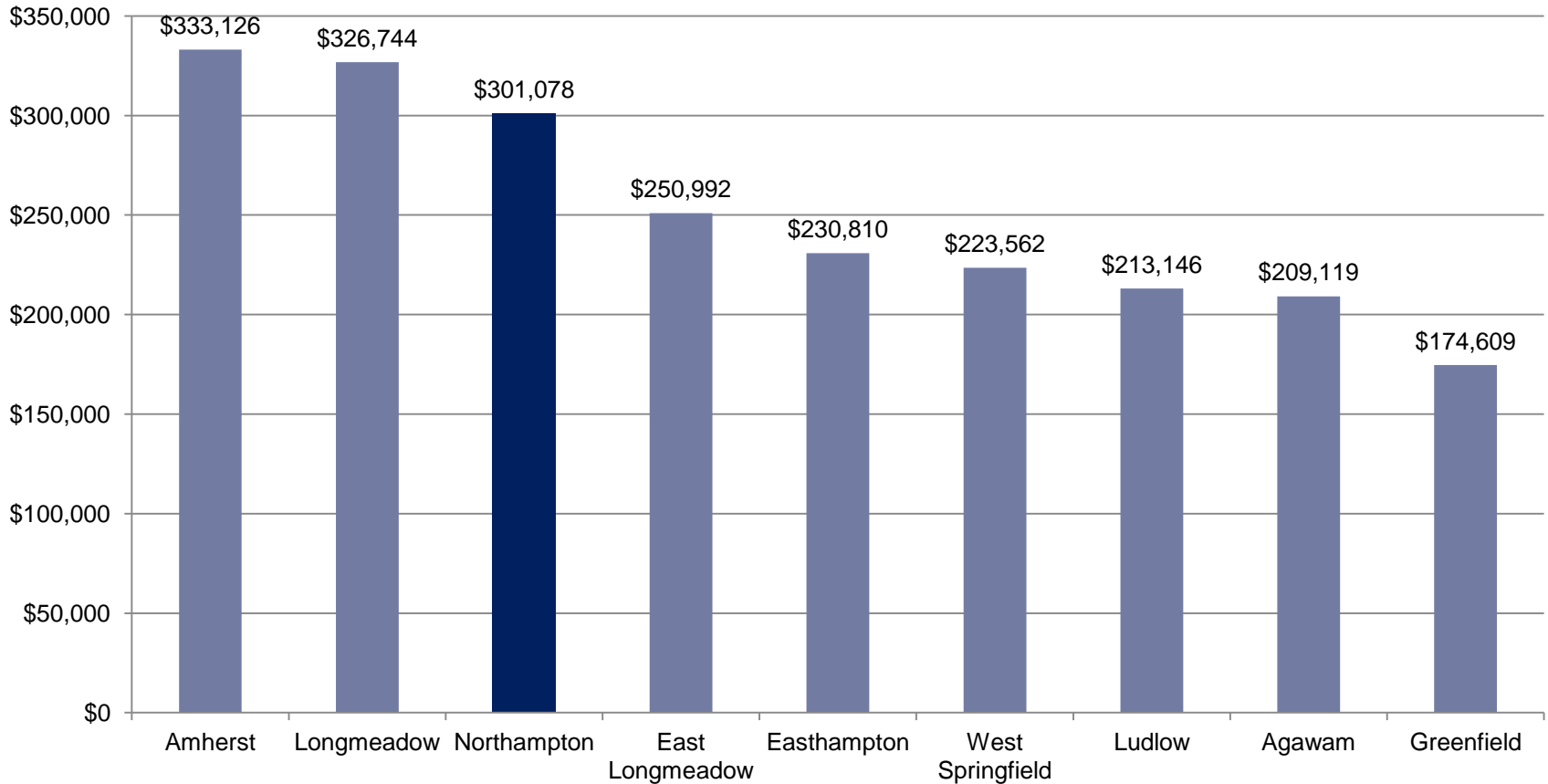
Financial Trends and Projections for FY2016 General Fund Budget Process

Joint Meeting of the Northampton City Council and School Committee
Mayor David J. Narkewicz, January 29, 2015

Comparison with Neighboring Communities

Single Family Average Value - FY2015 State Average \$368,359

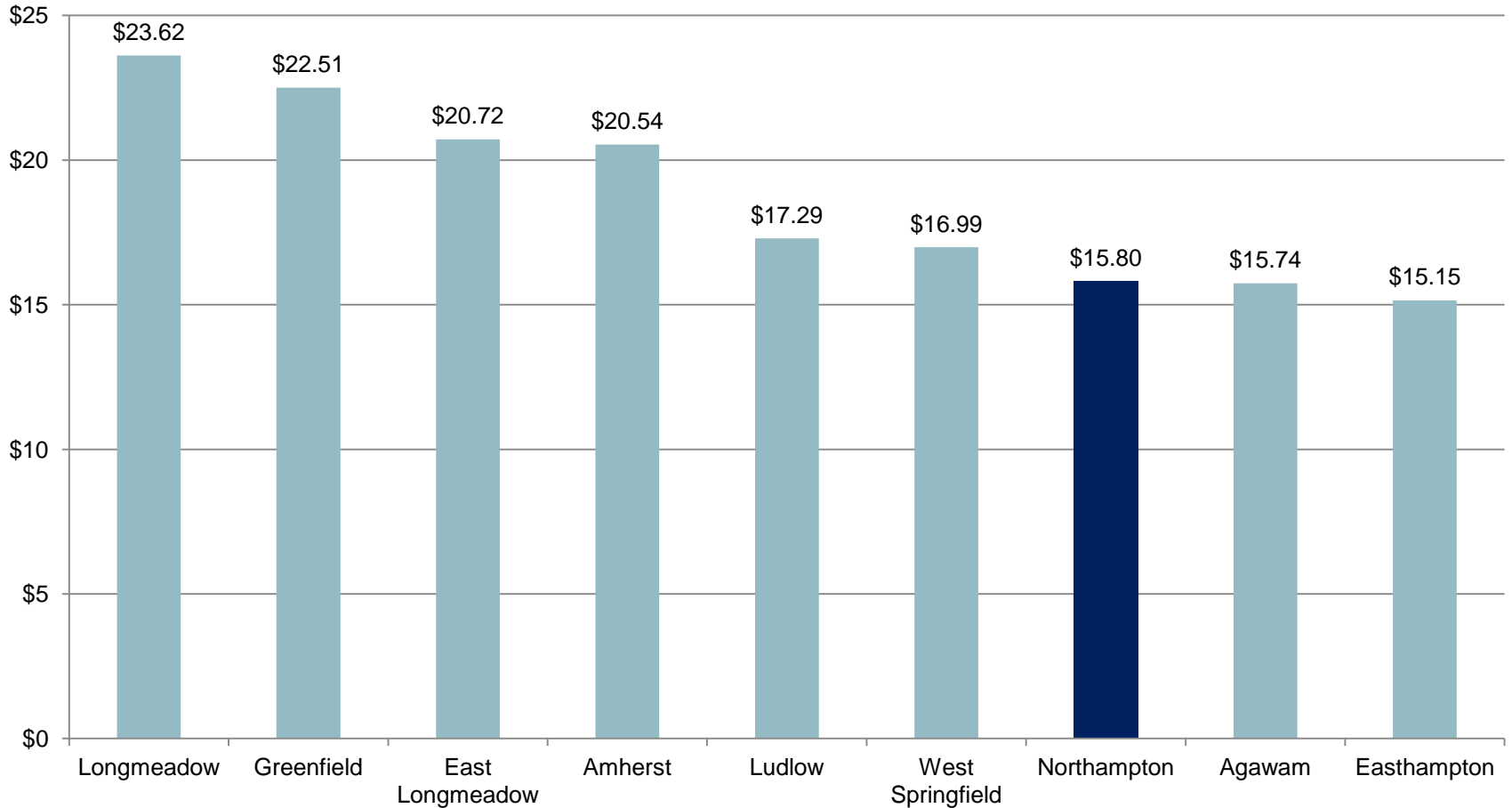
Source: DOR Municipal Data Bank



Comparison with Neighboring Communities

Residential Tax Rate - FY2015

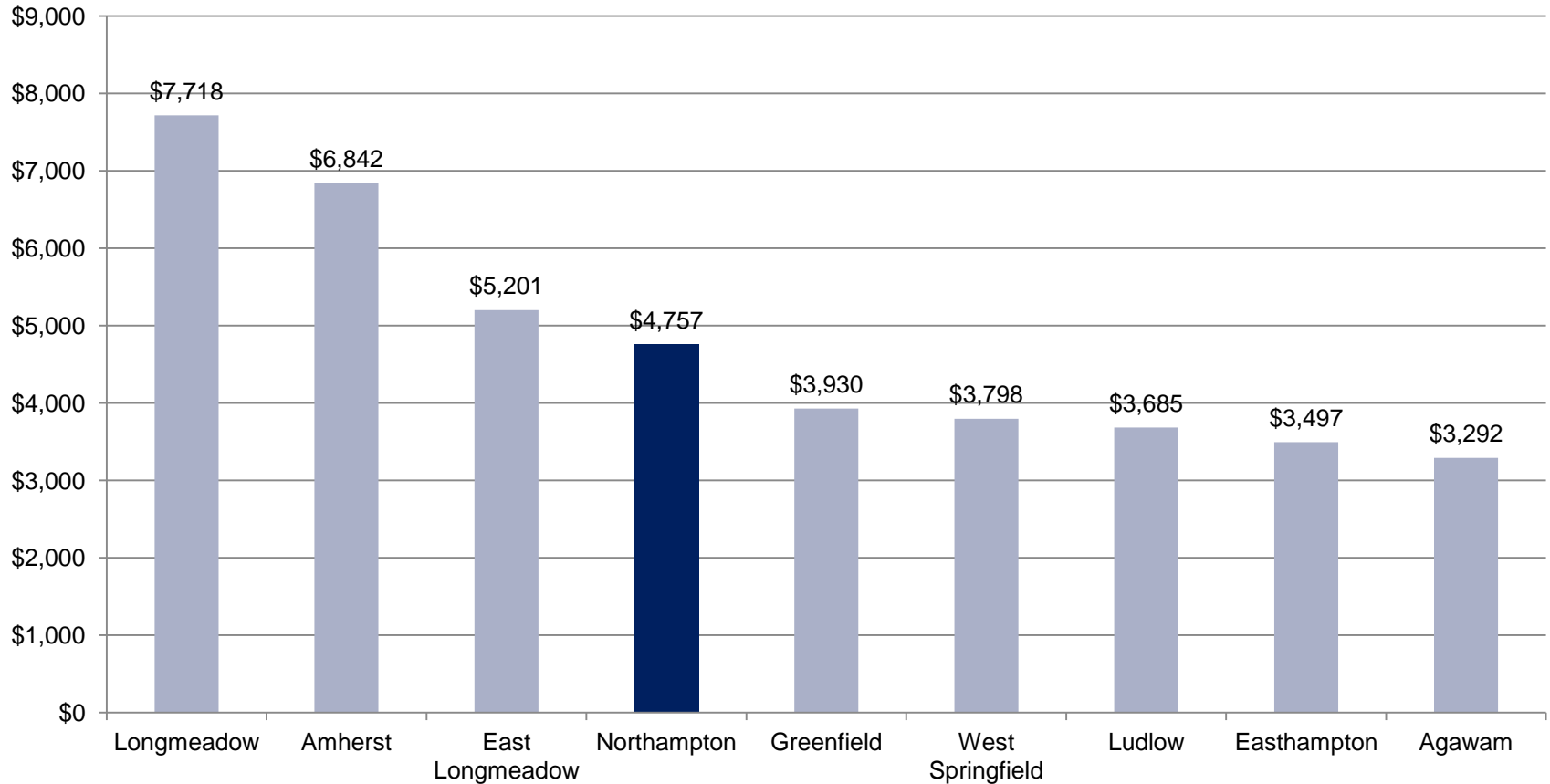
Source: DOR Municipal Data Bank



Comparison with Neighboring Communities

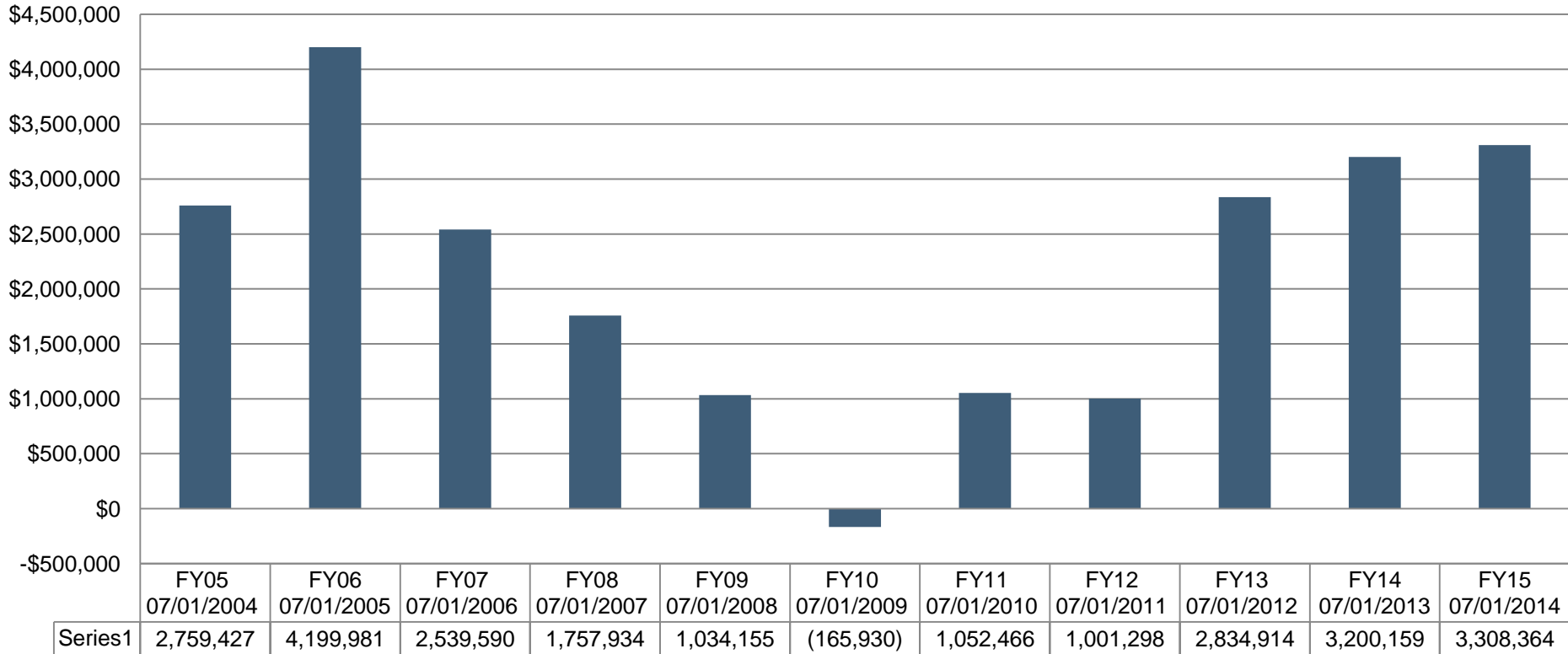
Average Single Family Tax Bill - FY2015 State Average \$5,231

Source: DOR Municipal Data Bank



Certified Undesignated Fund Balance (Free Cash)

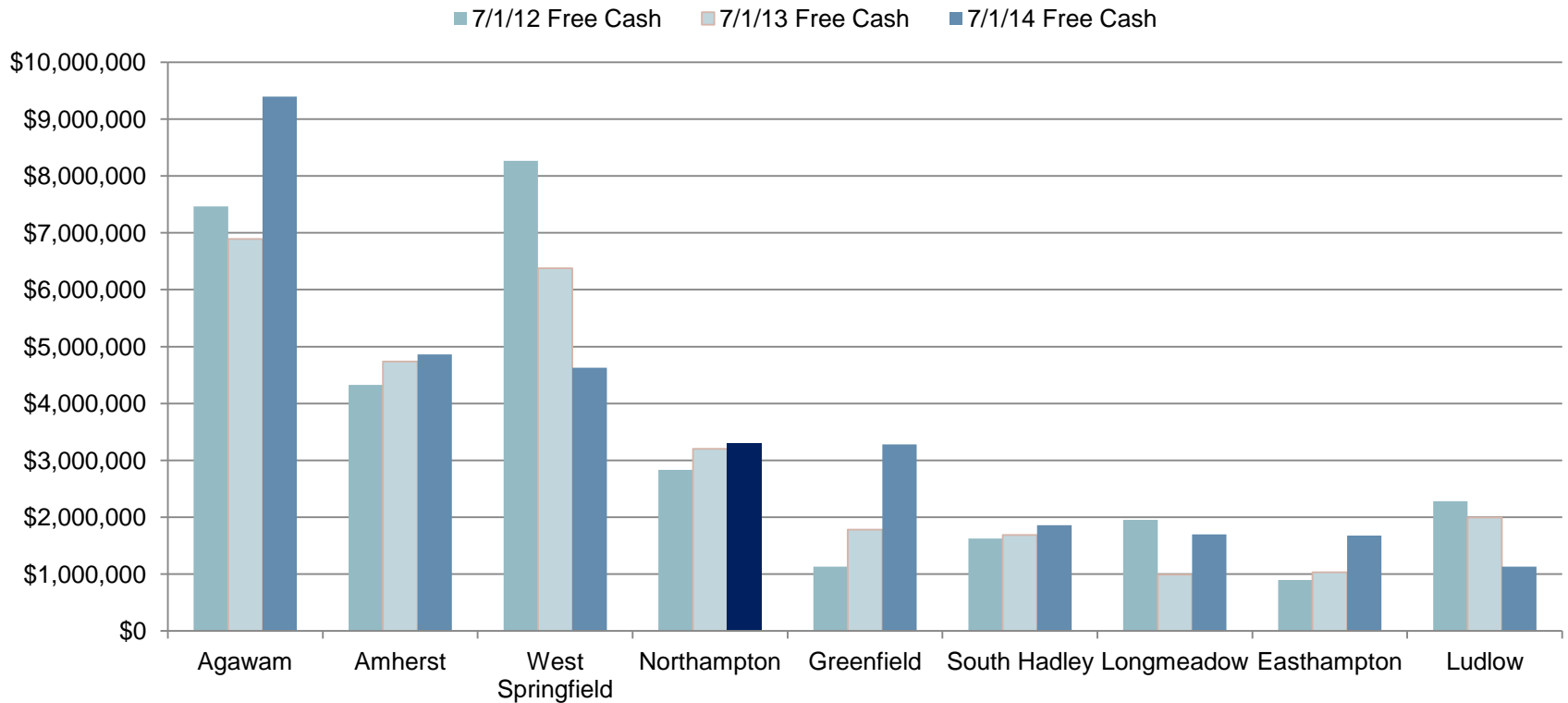
City of Northampton
General Fund Free Cash History FY2005 to FY2015



Comparison with Neighboring Communities

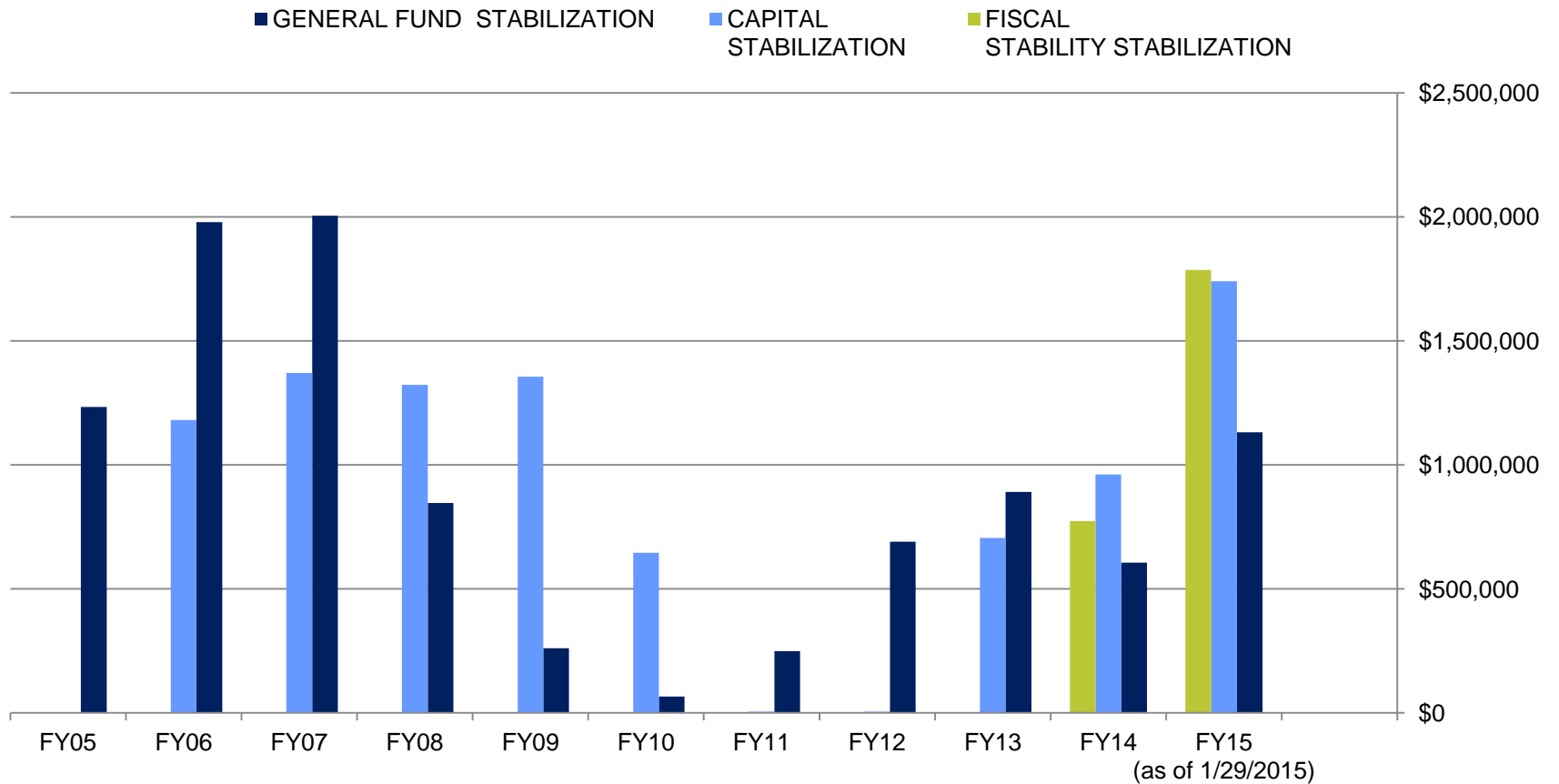
Certified Free Cash - July 1 – FY2013, FY2014, FY2015

Source: DOR Municipal Data Bank



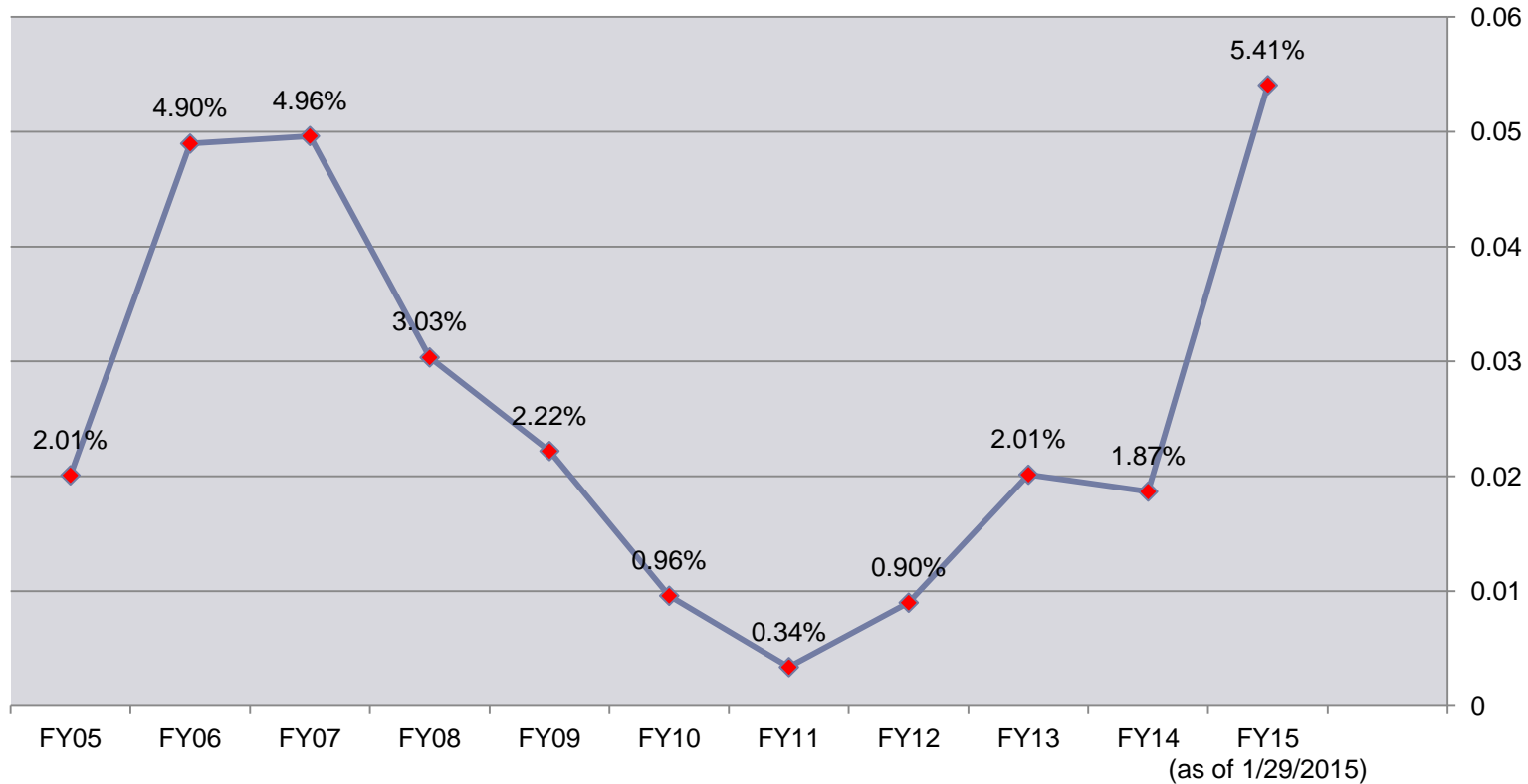
General Fund Reserves

City of Northampton
General Fund Reserves History FY2005 – 2015
Does not include appropriations by City Council scheduled for February 5, 2015



General Fund Regular and Capital Stabilization as % of General Fund Budget

City of Northampton
Stabilization and Capital Stabilization Funds as a
Percentage of General Fund Budget FY2005 - FY2015

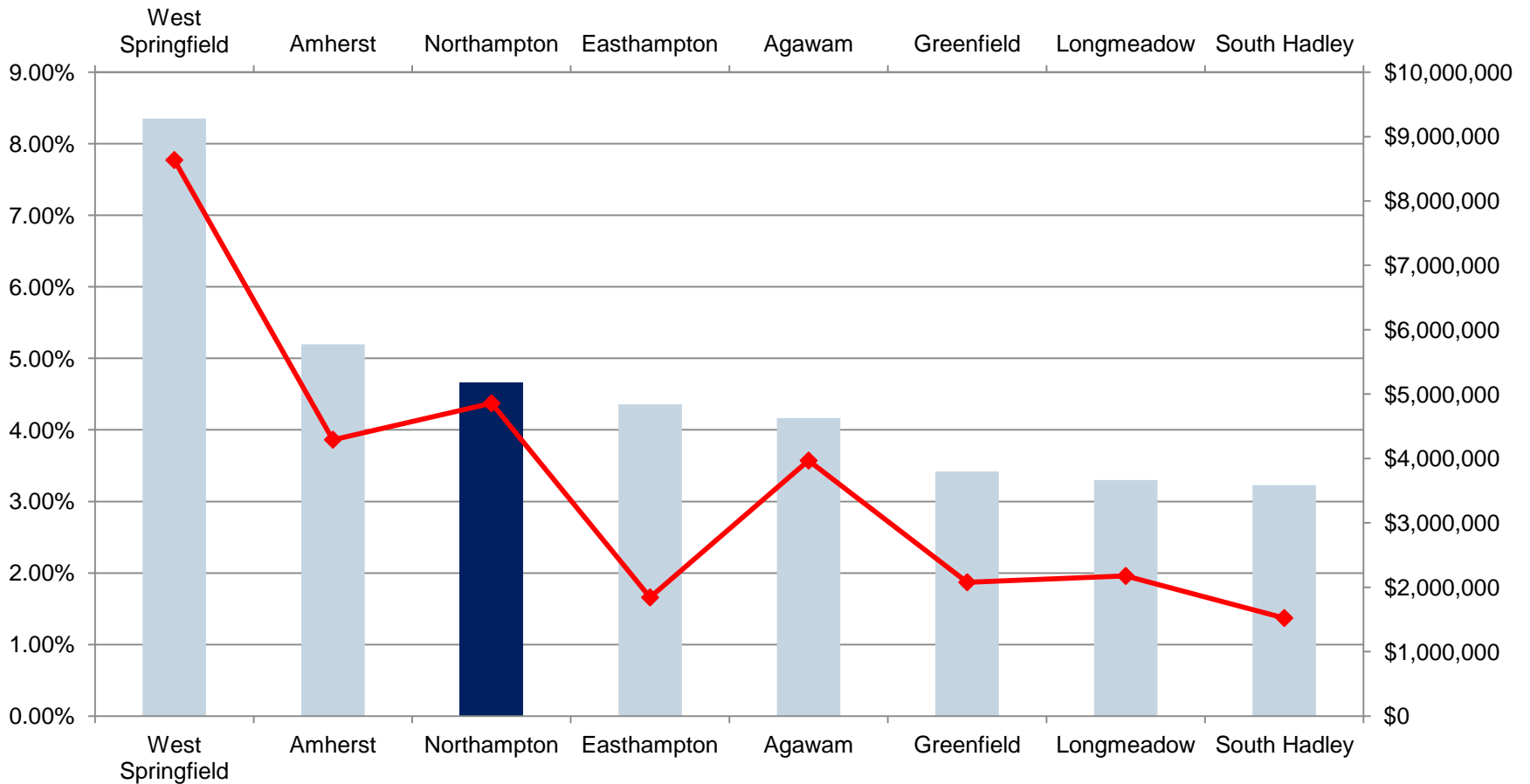


Comparison with Neighboring Communities

Stabilization Fund as a percentage of total budget

Recommended to have a minimum of 5%

■ Stabilization as % of Budget ◆ 6/30/2014 Stabilization Fund

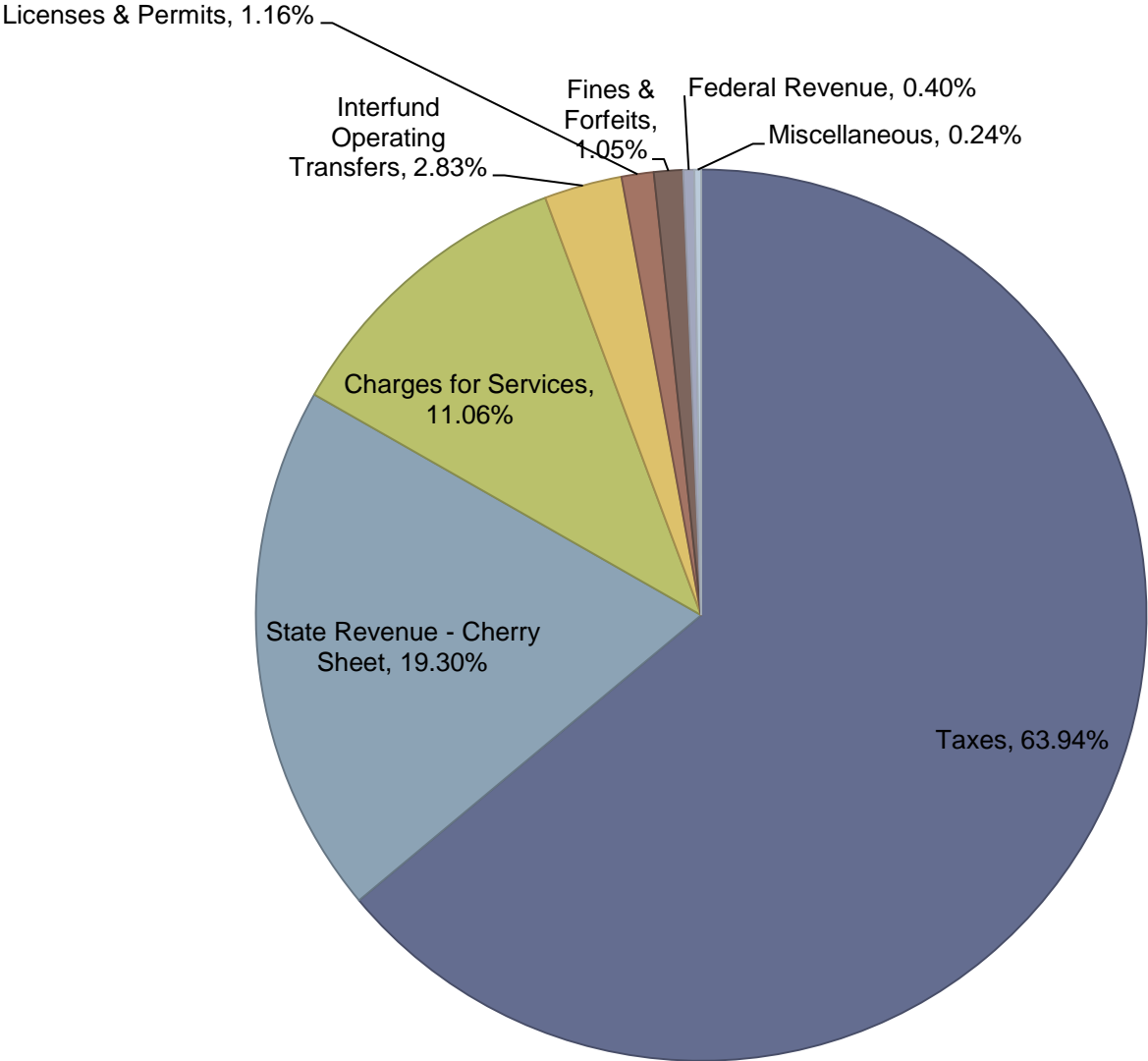


Why Reserves Matter

- ▶ 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
- ▶ Current Moody's Rating - Aa2 rating
 - ▶ **Strengths:**
 - Diverse tax base
 - Trend of increasing reserve levels
 - Recent approval of general override to Prop 2 ½
 - ▶ **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
- ▶ NEXT BOND ISSUE – SPRING 2015



City of Northampton General Fund Revenues FY2015



General Fund Revenue Sources

▶ **Taxes: 63.94%**

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

▶ **State Aid: 19.30%**

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

▶ **Charges for Services: 11.06%**

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

▶ **Inter-fund Oper. Transfers: 2.83%**

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

▶ **Licenses and Permits: 1.16%**

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

▶ **Fines and Forfeits: 1.05%**

- ▶ Reimbursement RMF
- ▶ Parking Tickets

▶ **Federal Aid: 0.40%**

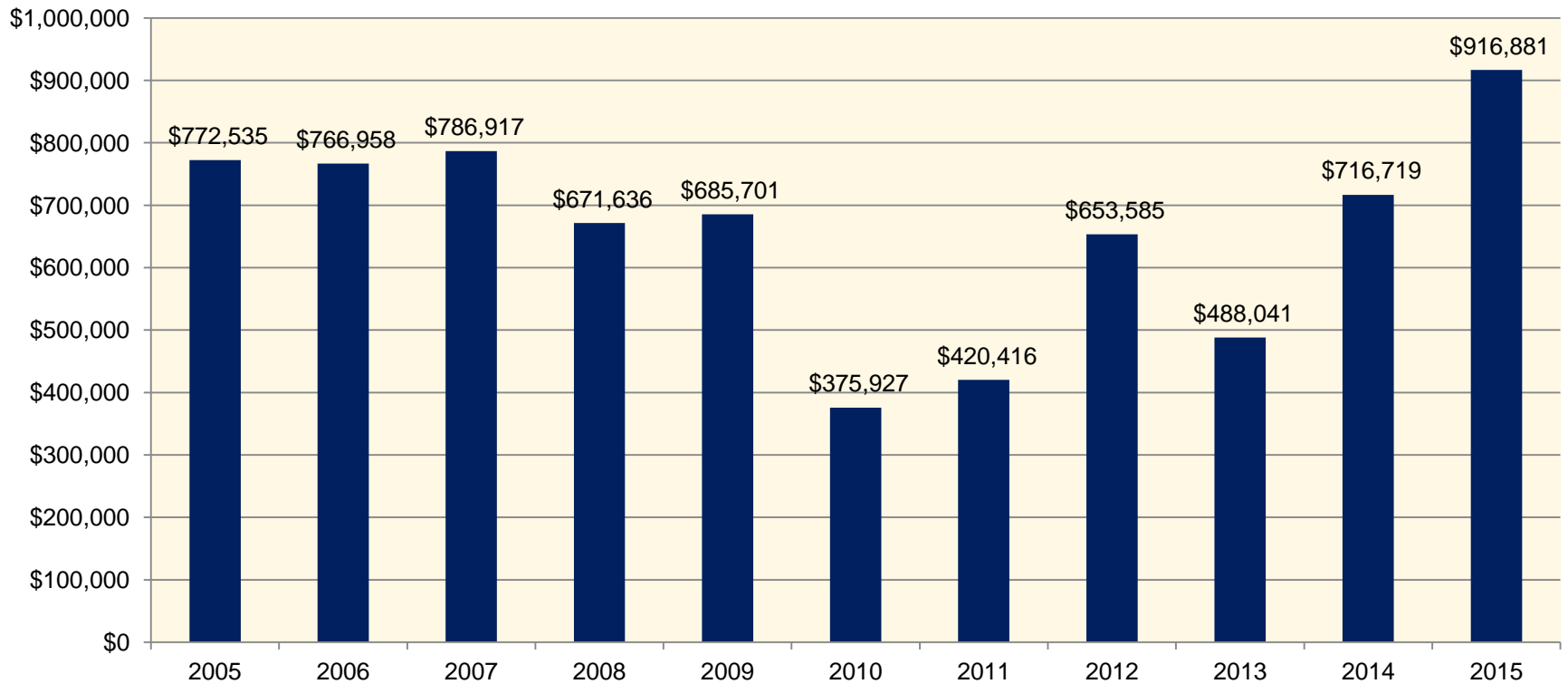
- ▶ Medicaid Reimbursements Schools
- ▶ Medicare Part D

▶ **Miscellaneous Revenue: 0.24%**

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

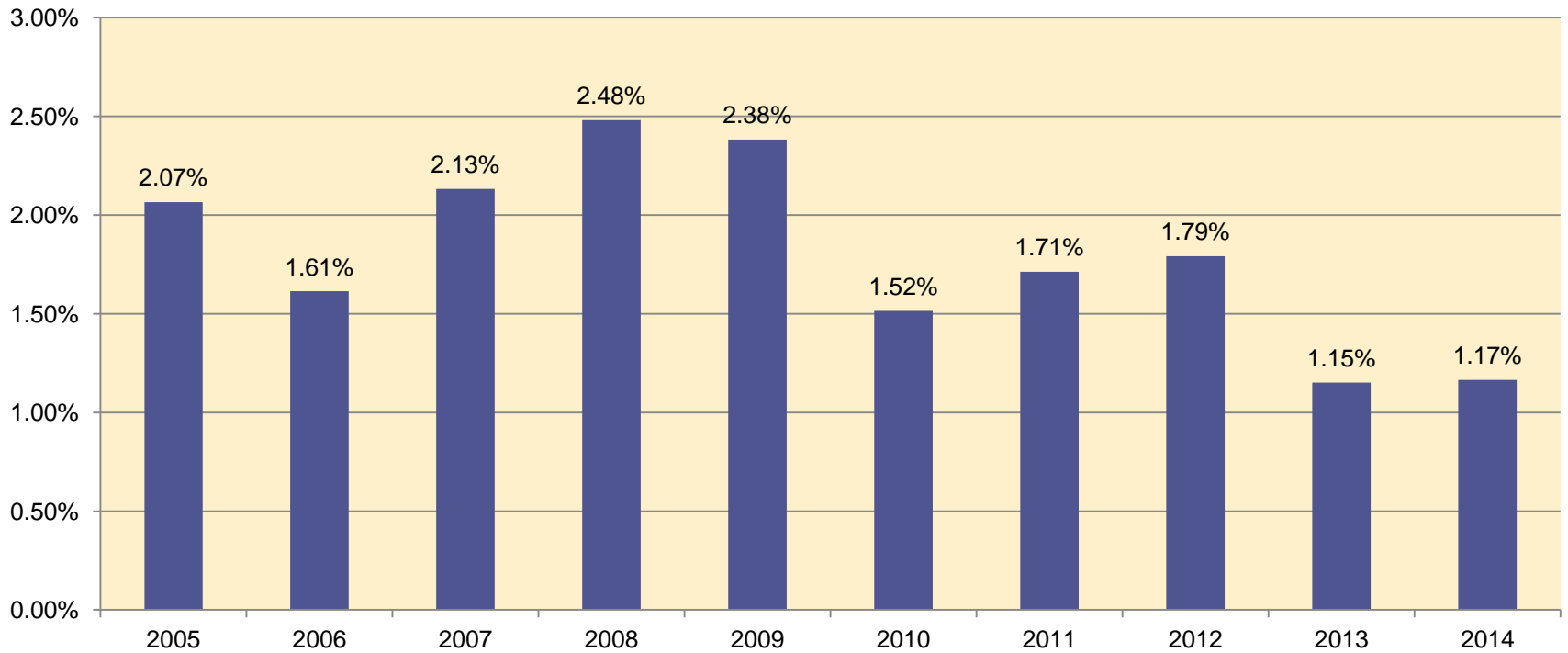
City of Northampton New Growth Trend FY2005 - FY2015

Source: DOR Municipal Data Bank



Uncollected Taxes as a Percentage of Net Property Tax Levy - FY2005 - 2015

Source: End of Year Financials



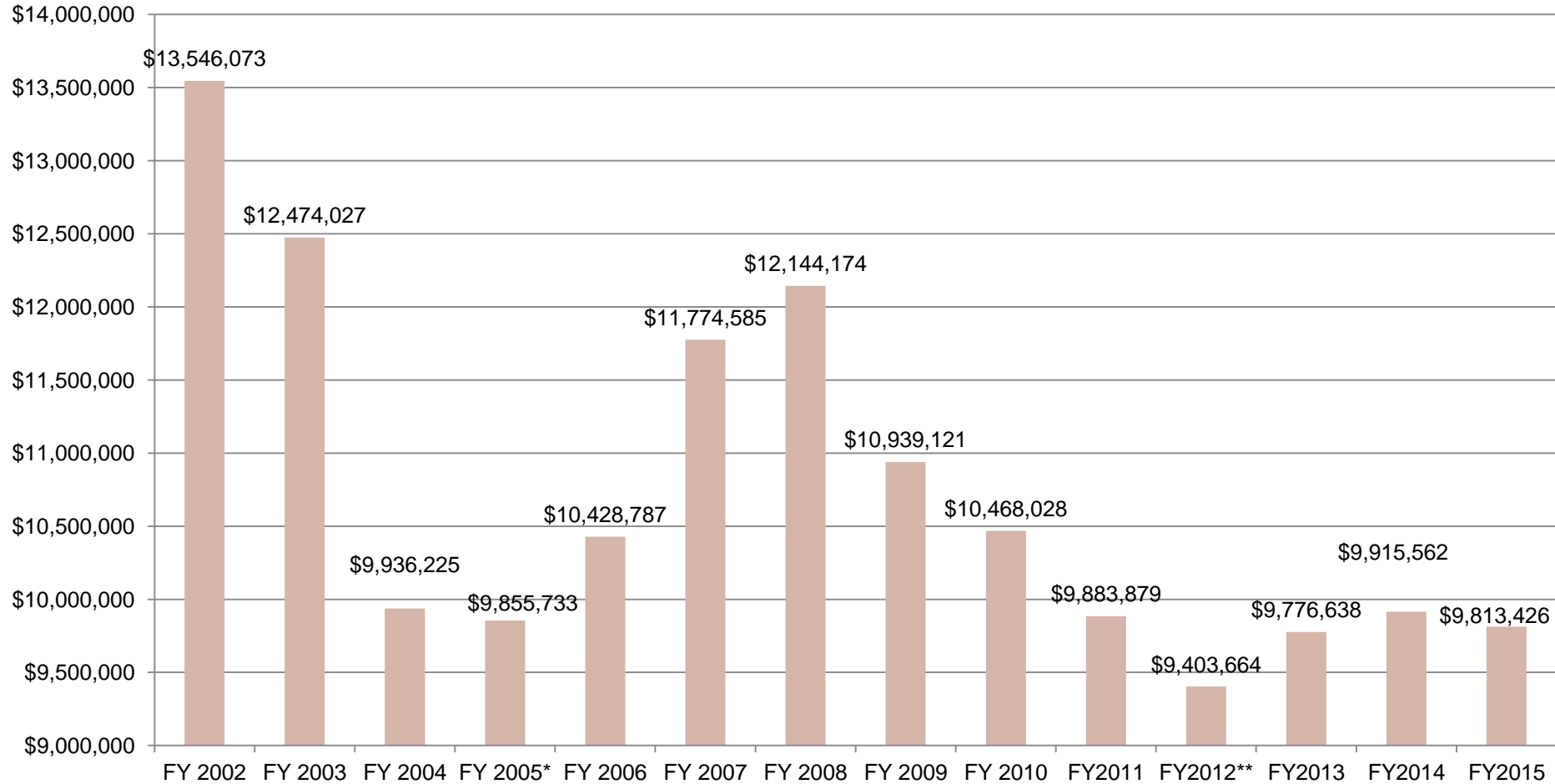
City of Northampton Net State Aid from FY2002 - FY2015

net state aid excludes offsets and MSBA payments

FY2015 is based on the Governor's Budget

* does not include additional State Municipal Relief Aid FY2005

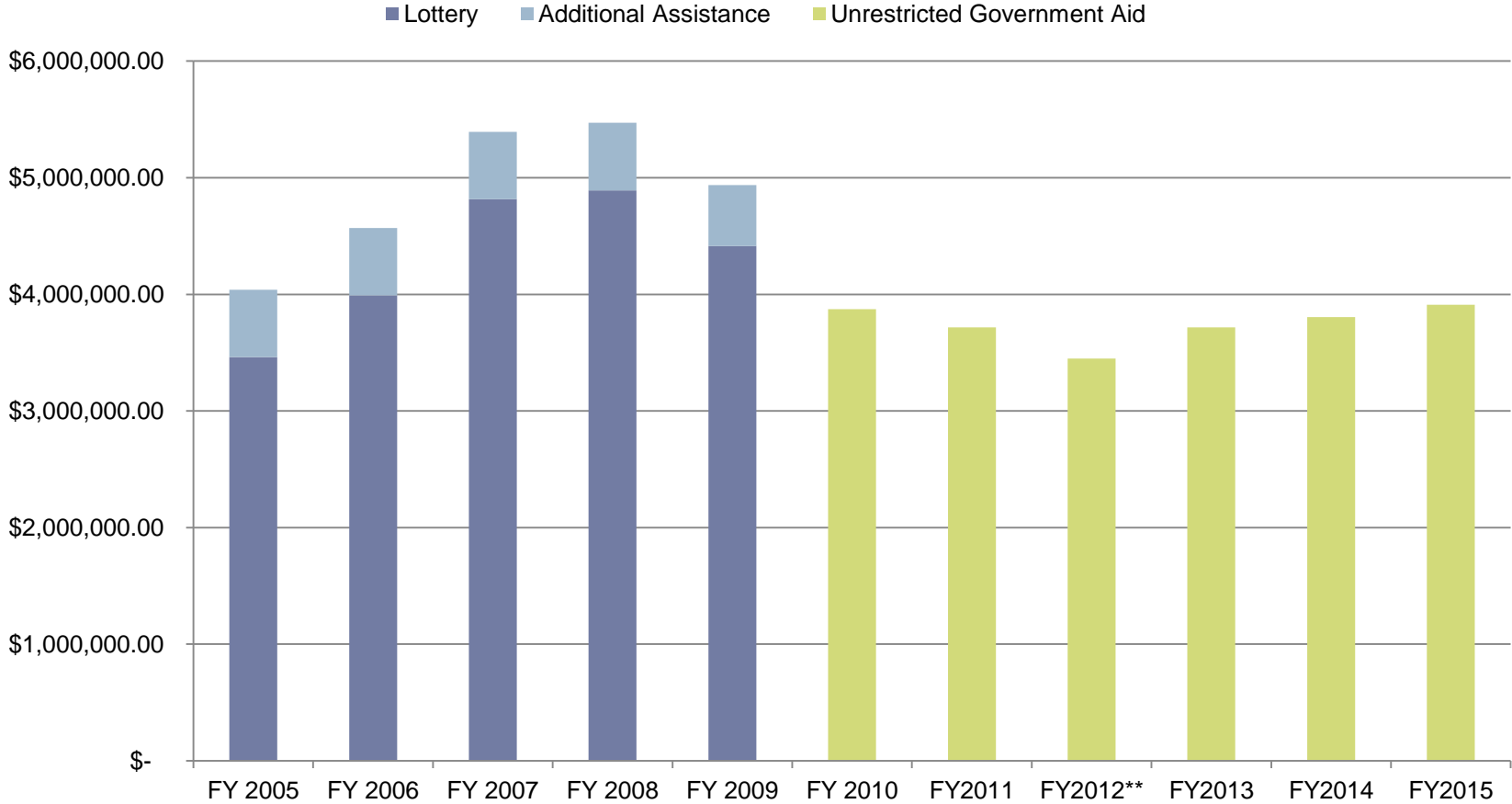
** does not include supplemental appropriation in



City of Northampton Unrestricted Local Aid from the State FY2005 to FY2015

Source: End of Year Financials

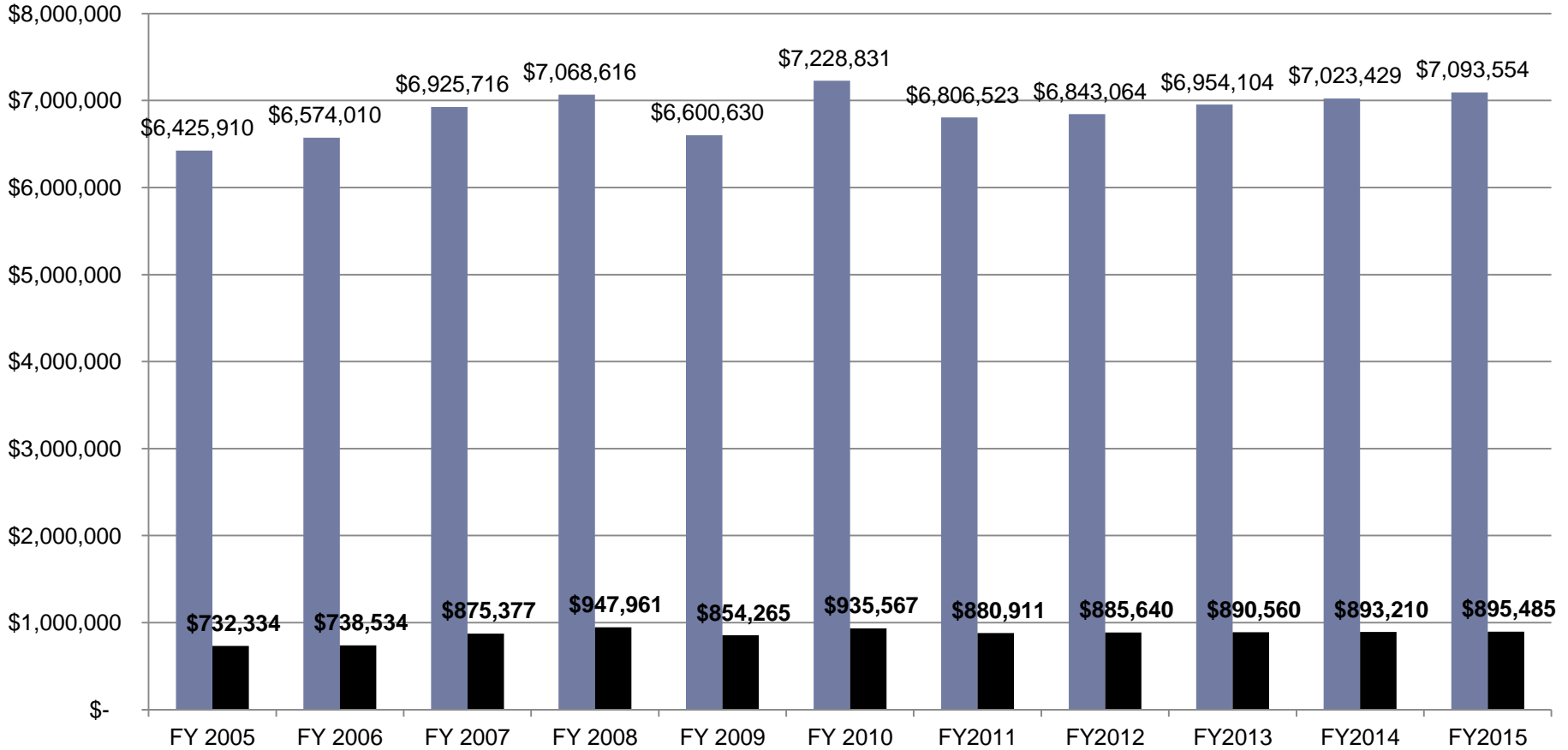
** does not include supplemental appropriation October 2011



City of Northampton C.70 Education Aid FY2005 - FY2015

Source: Department of Elementary and Secondary Education

■ NPS ■ Smith Vocational

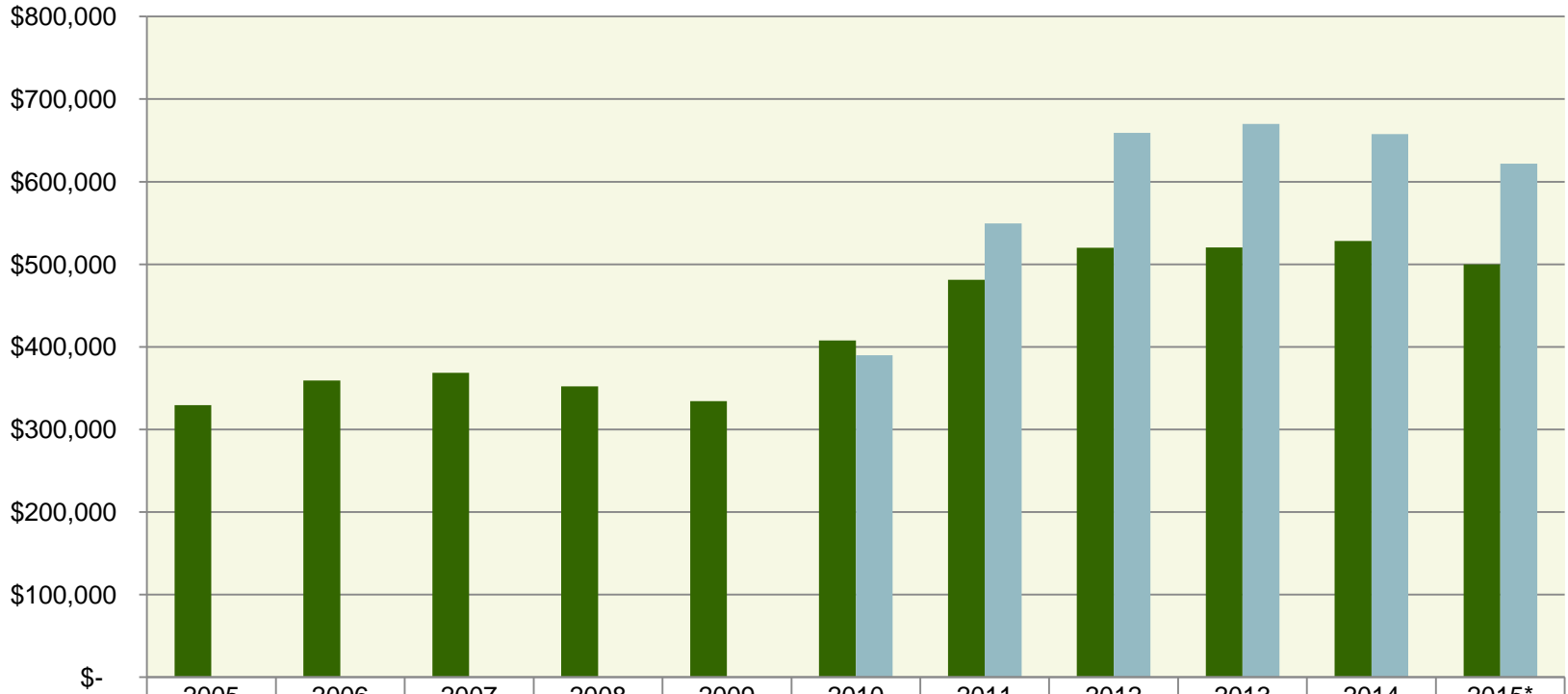


City of Northampton

Hotel-Motel and Meals Tax FY2005 - FY2015

Source: End of Year financials
FY15 is estimated, all other years reflect actual receipts

■ Hotel-Motel Taxes ■ Meals Taxes



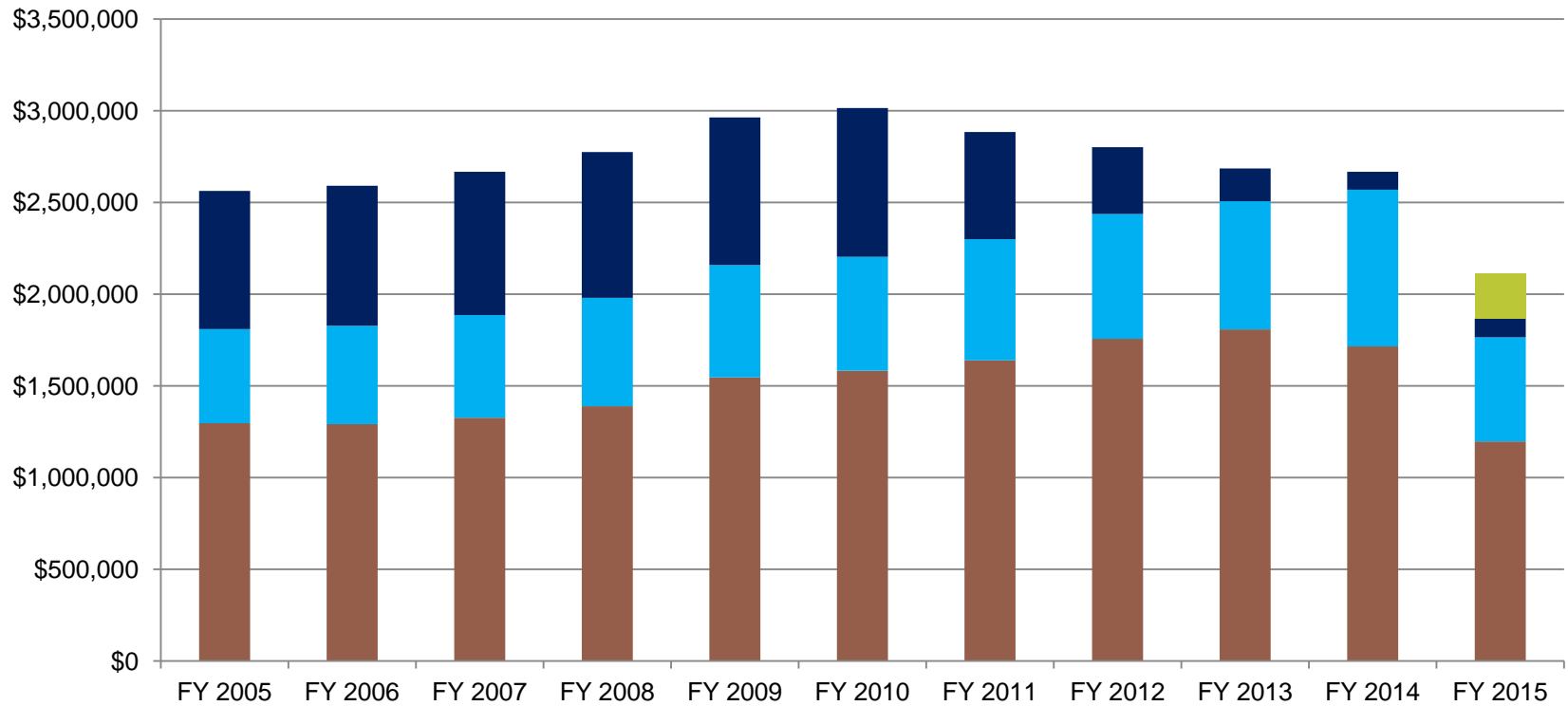
Hotel-Motel Taxes	\$329,332	\$359,388	\$368,770	\$352,264	\$334,406	\$407,727	\$481,230	\$520,001	\$520,231	\$528,329	\$500,000
Meals Taxes						\$389,700	\$549,624	\$659,041	\$670,041	\$657,608	\$622,026



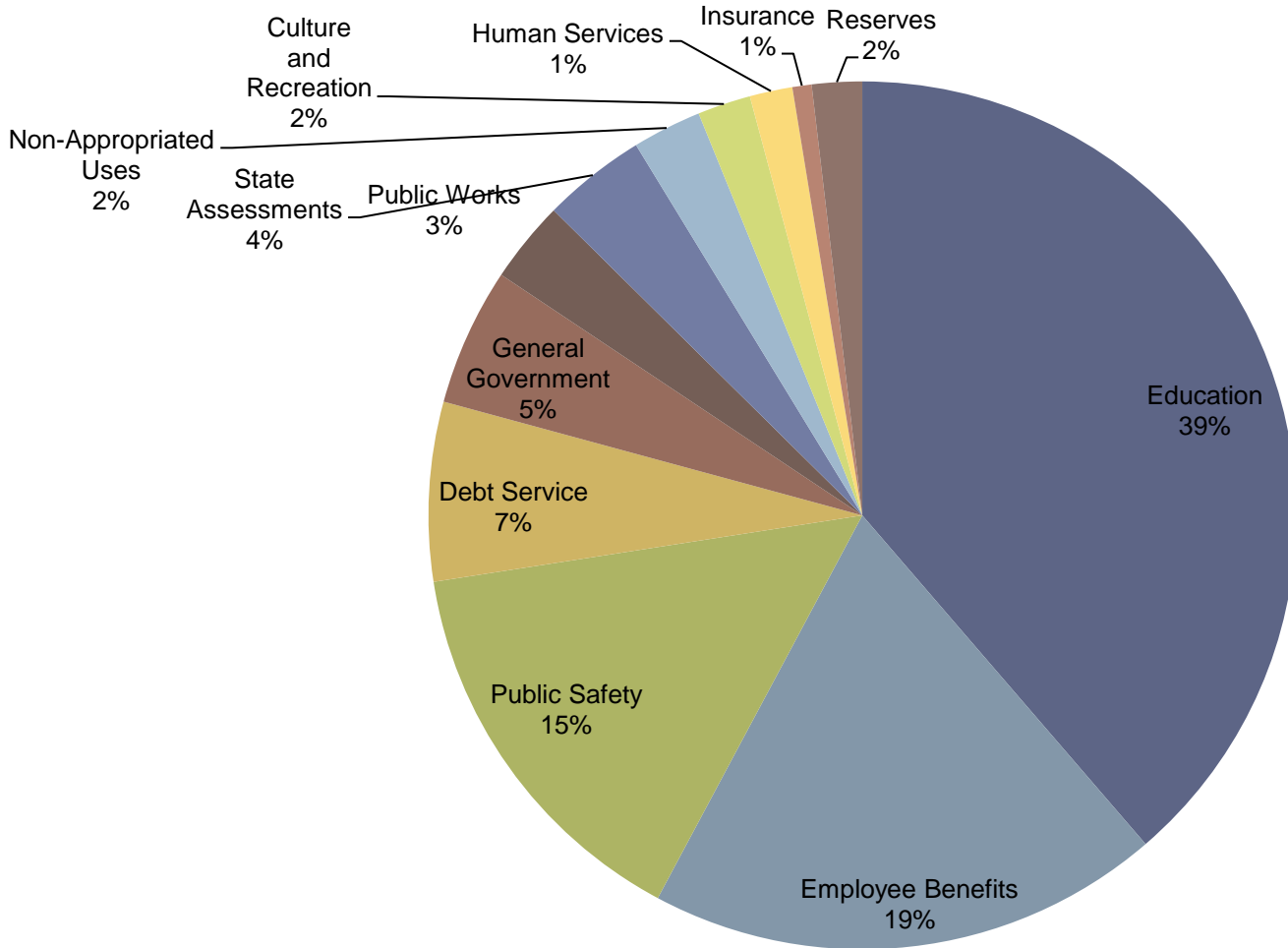
City of Northampton INTER-FUND OPERATING TRANSFERS - Enterprise Fund Indirects FY2005 - FY2015

Source: End of Year Financials

■ Sewer ■ Water ■ Solid Waste ■ Storm Water



City of Northampton General Fund Expenditures FY2015



▶ **Education: 38.68%**

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

▶ **Employee Benefits: 19.14%**

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

▶ **Public Safety: 14.74%**

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

▶ **Debt Service: 6.67%**

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

▶ **General Government: 5.13%**

- ▶ 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: 3.05%**

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

▶ **State Assessments: 3.86%**

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

▶ **Non-Appropriated Uses: 2.58%**

- ▶ Overlay and Deficits
- ▶ County Lock-Up

▶ **Insurance and Reserves: 2.58%**

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

▶ **Culture and Recreation: 1.98%**

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

▶ **Human Services: 1.59%**

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



Actual Educational Expenditures – 55.40%

- ▶ The \$33.3 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	\$	7,510,913
▶ Insurance (Property, Vehicle, Liability)	\$	159,924
▶ School Crossing Guards (Police Budget)	\$	53,196
▶ Debt for School Capital Projects	\$	2,832,834
▶ General Govt (MIS, HR, Auditor, etc)	\$	979,100
▶ Charter School Tuition for Outgoing Northampton Students	\$	2,368,444
▶ School Choice Tuition for Outgoing Northampton Students	\$	<u>510,214</u>
▶ TOTAL ADDITIONAL SPENDING ON EDUCATION IN FY2015	\$	14,414,625
▶ LINE ITEM SPENDING ON EDUCATION IN FY2015	\$	<u>33,336,963</u>
▶ TOTAL EDUCATIONAL SPENDING IN FY2015	\$	47,751,588

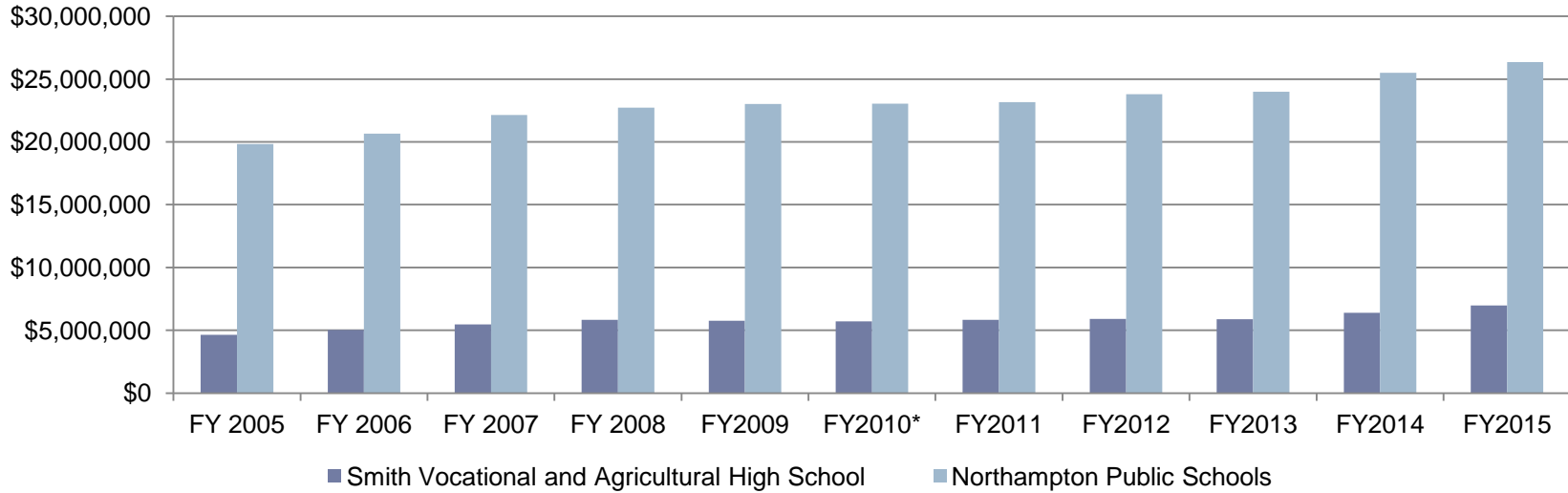
- ▶ *Note: These numbers also do not include the cash capital projects the city regularly funds for the schools.*
-



City of Northampton

General Fund Appropriation for Education

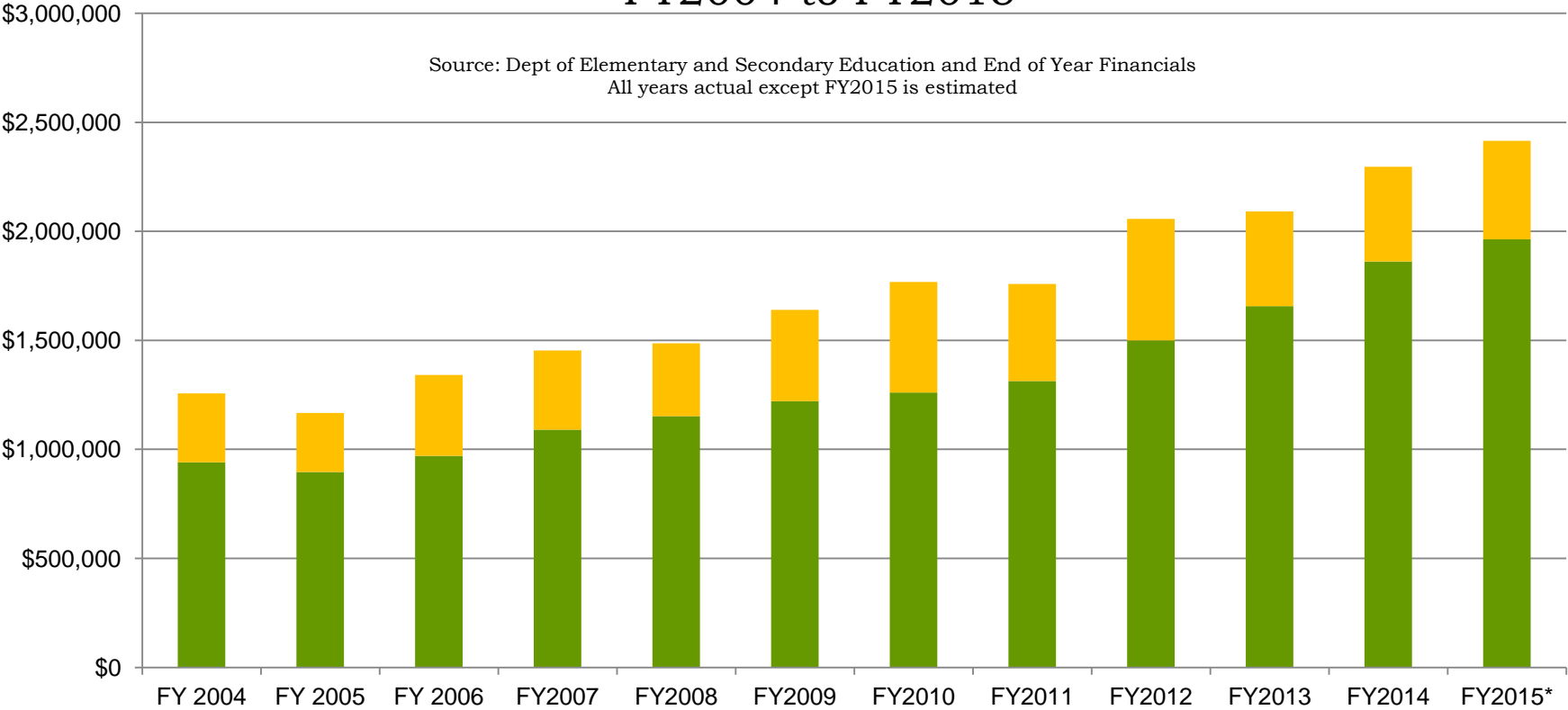
does not include annual indirect costs for employee benefits, school capital debt
* denotes override years



CITY APPROPRIATION	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010*	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	Budgeted FY 2015
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	6,386,693	6,972,816
SVASHS % increase in budget	1.37%	8.36%	8.92%	6.67%	-1.24%	-0.83%	1.92%	1.39%	-0.61%	8.80%	9.18%
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	26,364,147
NPS % increase in budget	0.00%	4.18%	7.17%	2.65%	1.28%	0.05%	0.53%	2.76%	0.87%	6.27%	3.36%



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



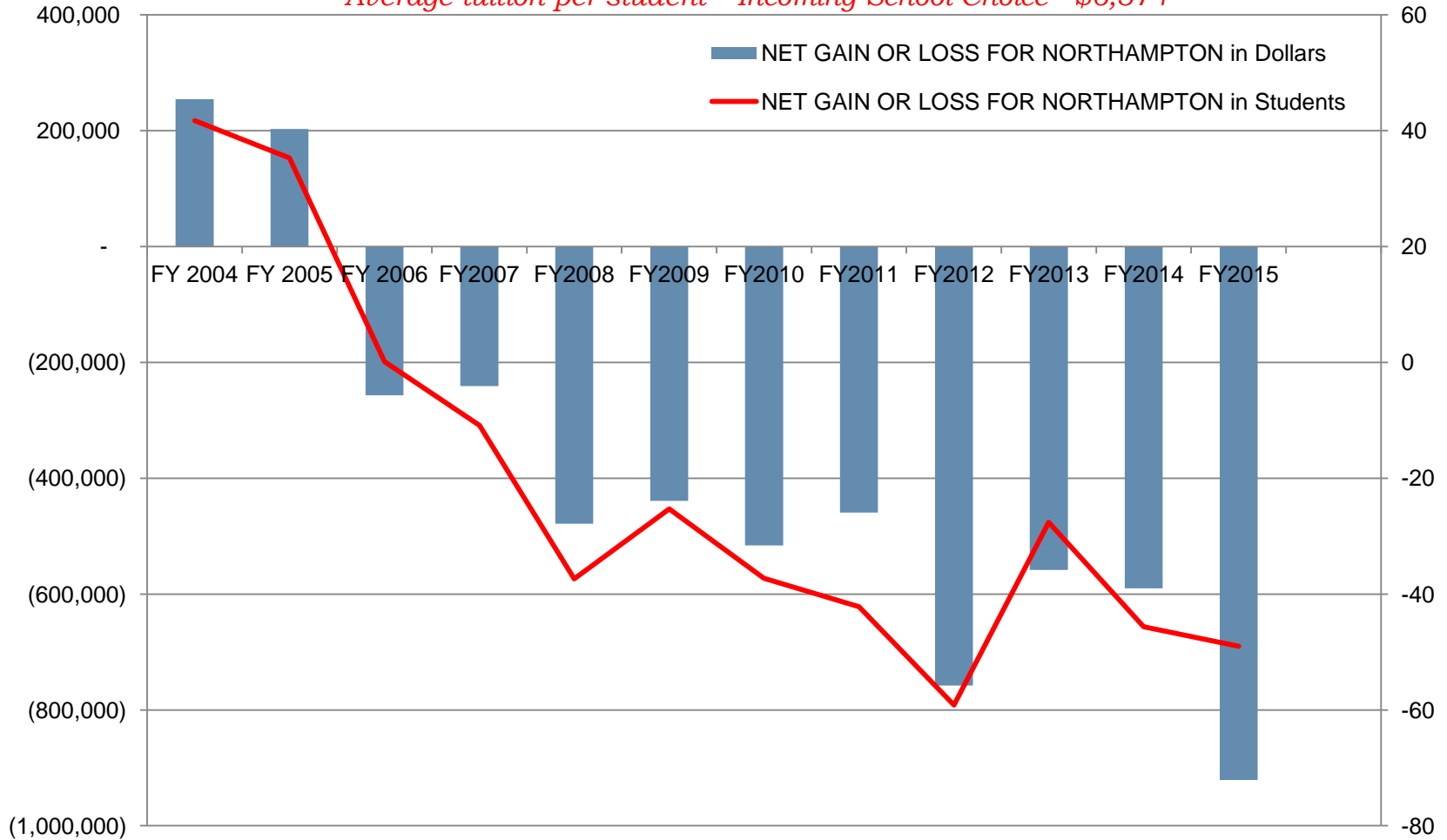
**City of Northampton - Outgoing Charter and School Choice Students and Dollars
Compared with Incoming School Choice Students and Dollars**

	FY2015
Charter Students	201
Charter School Sending Tuition	\$ 2,324,459
Charter School Chapter 46 Aid	\$ (254,597)
Charter School Facilities Aid	\$ (178,921)
CHARTER SCHOOL TUITION MINUS REIMBURSEMENT FROM STATE	\$ 1,890,941
School Choice Outgoing Students	68
School Choice Sending Tuition	\$ 432,243
Total Charter and Choice Students	269
TOTAL NET CHARTER AND SCHOOL CHOICE OUTGOING TUITION	\$ 2,323,184
School Choice Incoming Students	220
TOTAL INCOMING SCHOOL CHOICE TUITION	\$ 1,402,463
NET GAIN OR LOSS FOR NORTHAMPTON in Students	-49
NET GAIN OR LOSS FOR NORTHAMPTON in Dollars	\$ (920,721)



City of Northampton
 Outgoing Charter and School Choice Students and Dollars
 compared with
 Incoming School Choice Students and Dollars
net of state reimbursement for charters

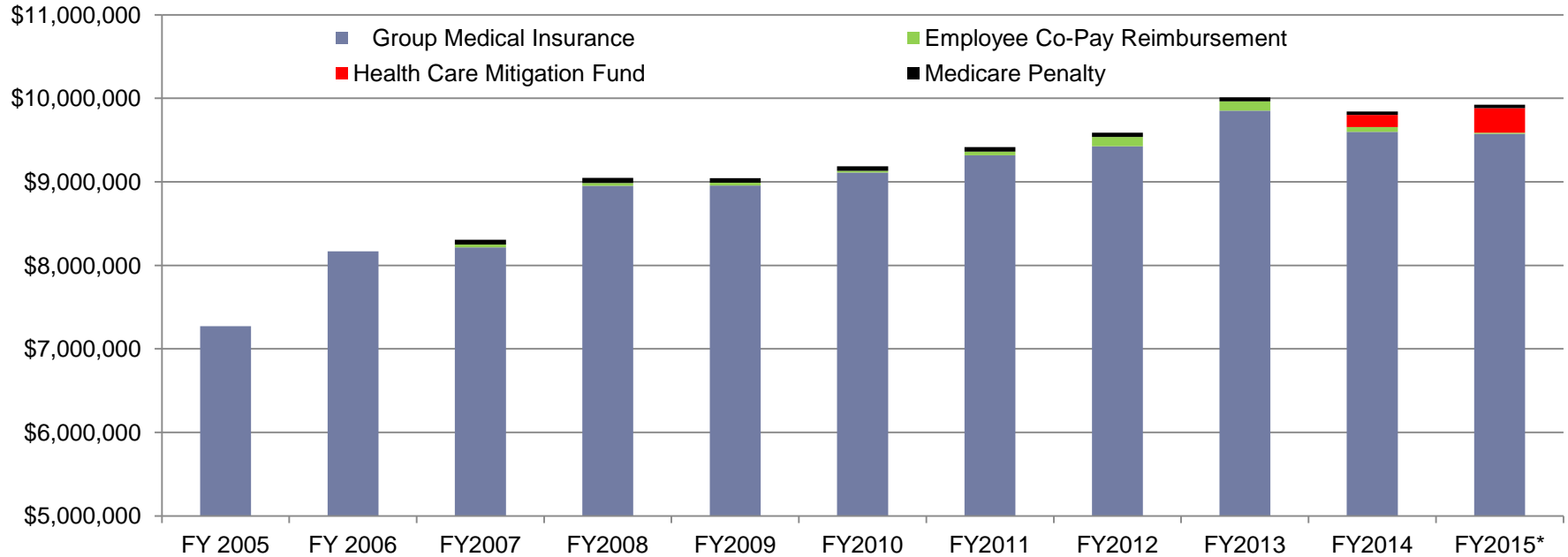
Average tuition per student – Outgoing Charter \$9,407
Average tuition per student – Outgoing School Choice \$6,356
Average tuition per student – Incoming School Choice \$6,374



City of Northampton Health Insurance Expenditures FY2005- FY2015

*FY15 estimated , all other years actual expenditures

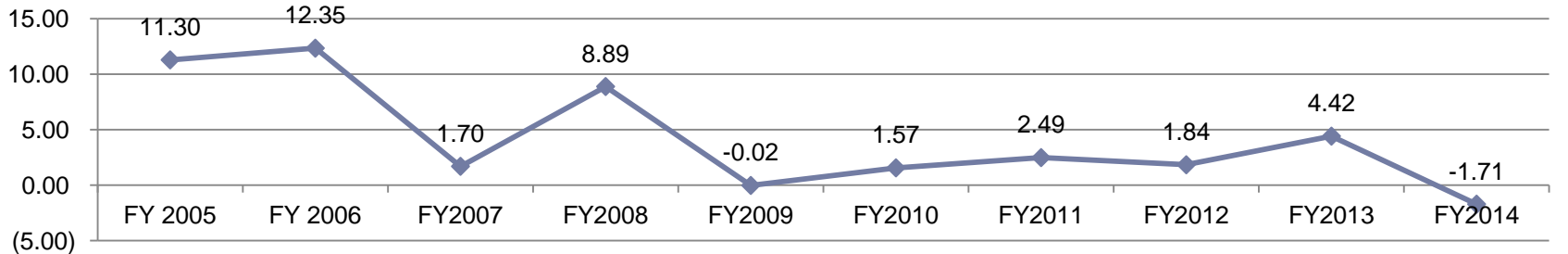
Source: End of Year Financials



Health Insurance increases - percentage change from previous year

Five year average increase in actual costs = 1.7%

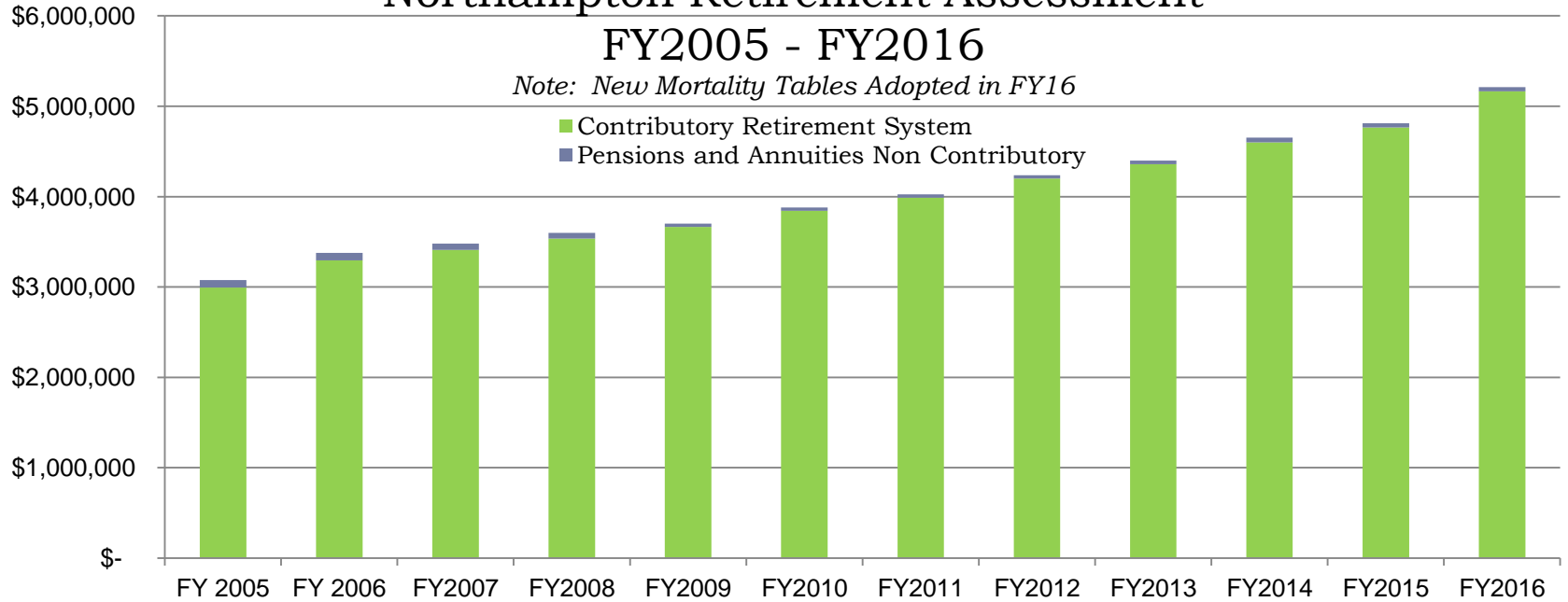
Ten year average increase in actual costs = 4.3%



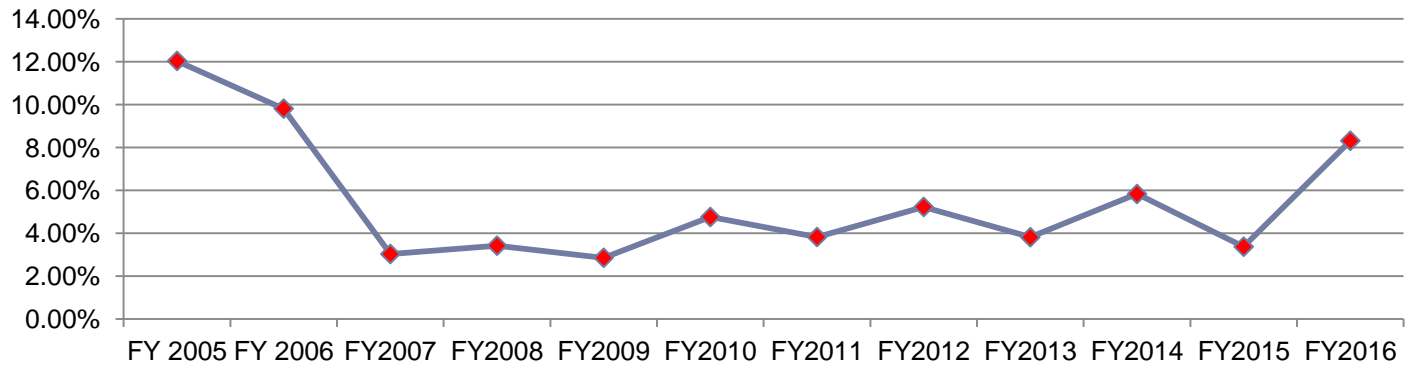
Northampton Retirement Assessment

FY2005 - FY2016

Note: New Mortality Tables Adopted in FY16



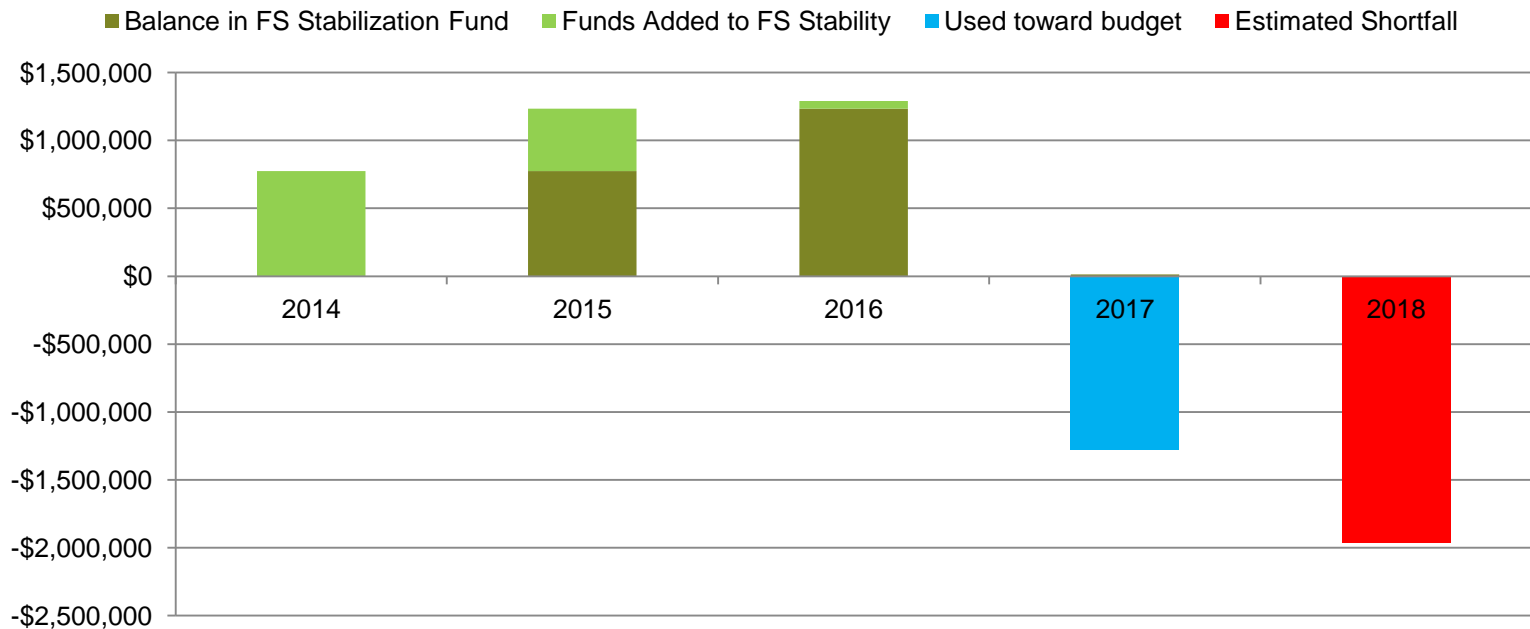
Retirement System Increase
Percentage change from previous year



Fiscal Stability Plan

- ▶ June 2013 voters adopted \$2.5 million operating override as part of multi-year Fiscal Stability Plan
- ▶ FY2014 Budget used \$1,726,285 to preserve city and school services and \$773,715 deposited into new Fiscal Stability Stabilization Fund

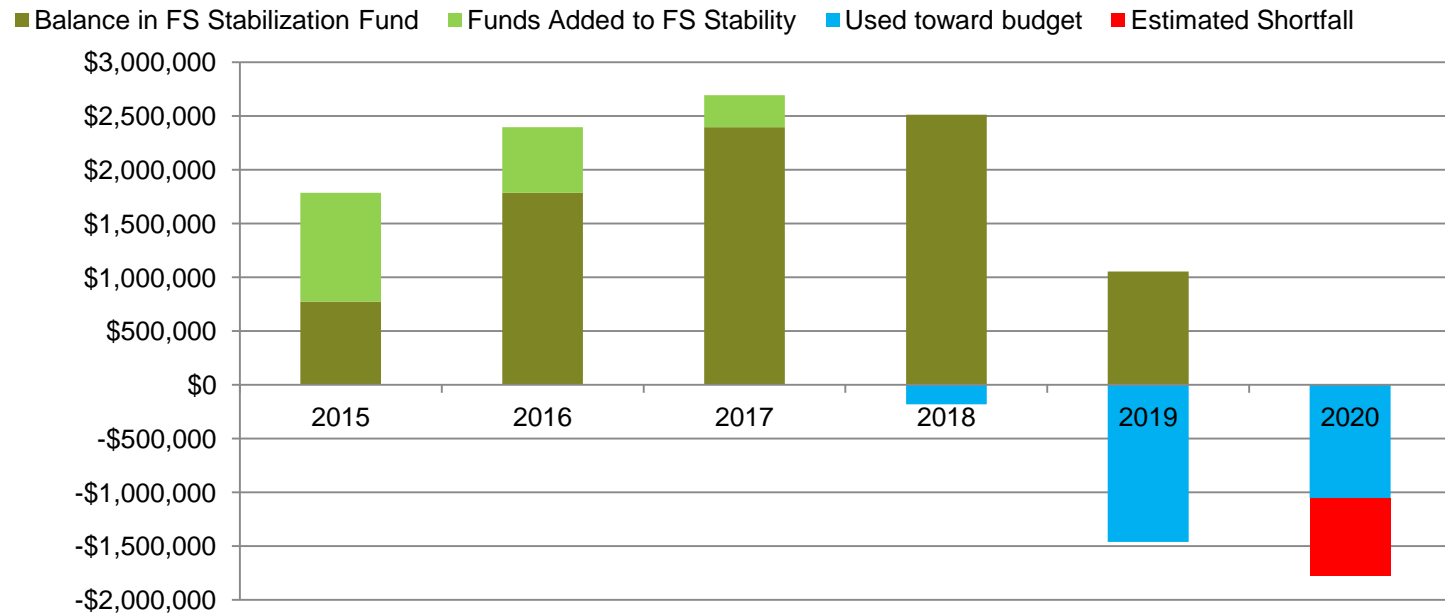
Original FY2014 - FY2018 Fiscal Stability Plan



Fiscal Stability Plan

- ▶ FY2015 Budget deposits \$1,013,323 into Fiscal Stability Fund – plan extended by two years
- ▶ FY2016 Budget – projected deposit to Fiscal Stability Fund \$611,087

Updated FY2015 - FY2020 Fiscal Stability Plan



FY16 Revenue Issues

- State Aid - 19.3% of budget revenue - is unknown until Governor Baker submits his first budget to the legislature on or before March 4, 2015.
- Significant local revenue sources such as motor vehicle excise, hotel/motel and meals taxes, parking and ambulance revenues remain flat.
- Indirect revenue from the Sewer Enterprise Fund will decrease under new methodology phase-in.
- Due to MSBA reimbursement timing, the final JFK Middle School Renovation Project payment requires lowering the levy limit temporarily by \$456,763. This benefits taxpayers with a one time credit applied to other debt excluded projects but results in less revenue available to the city in FY2016.



FY16 Expenditure Issues

- Retirement Assessment – increase of \$400,052 or 8.31% due to adoption of new mortality tables. This is 3% higher than initially projected.
- Health Insurance – GIC rates are anticipated to increase above historic average increases
- Electric rates are unknown after October 2015 - electricity costs comprise approximately \$1 million of our total city budget including enterprise funds and schools
- Capital Program needs and costs continue to increase
- Continued fiscal pressures relative to outgoing Charter and School Choice Assessments



FY2016 Budget Process Timeline

- ▶ **January 29, 2015** – Mayor’s Joint meeting of the City Council & School Committee
- ▶ **February 2, 2015** – City department budgets due to Mayor
- ▶ **March 3, 2015** – Mayor submits 5-year Capital Improvement Program to City Council
- ▶ **April 2, 2015** – Mayor submits proposed Water and Sewer rates to City Council
- ▶ **April 15, 2015** – Northampton Public Schools and Smith Vocational & Agricultural High School Adopted Budgets Submitted to the Mayor
- ▶ **May 15, 2015** – Mayor presents proposed City of Northampton FY2016 Budget to City Council
- ▶ **June 1, 2015** – Deadline for City Council to hold public hearing and vote on 5-year Capital Improvement Program
- ▶ **June 30, 2015** – Deadline for City Council to hold a public hearing and vote on proposed FY2016 Budget

