



Committee on Finance and the Northampton City Council

Finance Committee Members

Councilor Rachel Maiore, Chair

Councilor Marianne LaBarge, Vice Chair

Councilor Stanley W. Moulton, III

Councilor Jim Nash

Virtual Meeting

Meeting Date: January 25, 2023

Time: 6 p.m.

1. **Meeting Called To Order:** At 6 p.m. Chair Rachel Maiore called the meeting to order.
2. **Roll Call:** Present were Councilor Rachel Maiore, Chair; Councilor Marianne L. LaBarge, Vice Chair, Councilor Stanley W. Moulton, III and Councilor Jim Nash. Also present were Finance Director Charlene Nardi and Administrative Assistant Laura Krutzler.

Councilor Maiore announced that the meeting was being audio/video recorded.

3. **Approval Of Minutes From The Previous Meeting**

- A. **October 26, 2022 Minutes**

Councilor Nash moved to approve the minutes of October 26, 2022. Councilor LaBarge seconded. The motion passed unanimously 4:0 by roll call vote.

(Note: the January 3, 2023 Minutes were tabled for acceptance at the next meeting.)

4. **Second Quarter Financial Report**

Director Nardi reviewed General Fund (GF) revenues as of December 31, 2022. As mentioned last week, the city is on track for all its revenue. Taxes represent the largest percentage of revenue, being what really funds city government. Halfway through the fiscal year, her general expectation is to see 50% collected and receipts for personal property and real estate taxes are at 44% and 48%, respectively, where they generally are this time of year.

Motor vehicle excise is only at 19% but this is as expected because the majority of motor vehicle excise tax bills go out in February with payments coming in in March.

Hotel/motel tax revenue is at \$526,034.63, or 78%, so that is doing really well. They kept those projections a little lower because they weren't sure what hotel/motel revenue would look like when they set the budget in 2022. It is up 13% over this time last year and 1.7% over the second quarter of 2020 - the last quarter before the pandemic.

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Similarly, at \$407,814.65, receipts for meals tax have already reached 73.5% of projected revenue, ahead of FY2023 estimates, Director Nardi reported. Collections are up 11% over this time last year and 4% over the 2nd quarter in FY2020. All of this is good news. The question is whether the increase is because more people are going out to dinner or because of inflation and higher costs, she noted.

At \$454,954.28, adult marijuana excise is only at 46.7% of budgeted projections. This year (FY2023) she did not raise projected revenue because of concern about meeting projections and when she sets the budget for FY2024, she is actually going to reduce it. "I still see us dropping there," she observed.

Payments in lieu of taxes (PILOT's) were just invoiced in December with most due May 1st.

On pg. 2, total projected revenue for parking is \$1.21 million, Director Nardi continued. In this category, all line items are above 50% (parking garage revenue, 55.4%, parking pass revenue, 78.7%, etc.). As has been mentioned over and over, parking has changed and she doesn't think they expect it to return to pre-pandemic levels. It is hoped that rate changes recently voted by the City Council may bring in more income to make up some of the shortfall.

Ambulance services continues to rise and generate revenue for the city. The budget was estimated at \$2.4 million and collections are already at \$1.5 (\$1,592,833.89), 79% of projections. For FY2024, this is a budget line that, with the mayor's approval, she could actually increase. Right now, the budget is projected at \$2.4 but, if this continues, they could probably push it up to \$2.7 or \$2.8.

Councilor LaBarge related an experience of hearing from a resident who was going to go to the Gazette because he was so upset about a bill. The ambulance picked him up and brought him to the Cooley Dickinson Hospital (CDH) and his bill was over \$5,000, she shared. He was going to call the Mayor's office.

Director Nardi clarified that the intent is not to increase the cost of the service to individuals but to increase expected revenue. That is a different conversation, she clarified.

Fire/Rescue Chief Davine sends out reports to councilors monthly, Councilor Nash advised. One thing they have seen a big uptick in is calls for mutual aid. Part of the reason they are seeing an uptick in revenue is that their ambulance service is being pulled into other communities, he suggested.

Director Nardi reviewed charges for services. Overall, this category is a little low (26.7%) because tuition for Smith Voke is included. Due to its billing cycle, only a quarter of the \$8.5 million expected has been received so far. The city is still owed \$6.3 million but it is exactly where it should be this time of year.

Under licenses and permits, Director Nardi drew attention to the higher than anticipated receipts from building permits. The last year or two that line item has been low so they had lowered projections. Now halfway through the year, revenue is at 97%. (She estimated \$325,500 and they are already at \$316,000). Her interpretation is that inventory and supply chains are opening up and building is coming back.

Overall, licenses and permits are at 78.6% - good news for revenue. Receipts in excess of projections such as this are one of the sources of Free Cash often mentioned. According to best practices and Department of Revenue (DOR) recommendations, communities are encouraged to generate Free Cash equal to 3 to 5% of their budgets each year, she advised.

She reviewed federal revenue (primarily Medicaid reimbursement) and state aid figures, noting that state aid is right at the 50% mark.

Things are looking really good, meaning they are on track to meet the revenue needs of their budget, she confirmed.

Councilors asked questions and offered comments. Councilor Moulton commented that the bright picture is not entirely unexpected. It is partly due to the Finance Director and Mayor being sharp and conservative in terms of their budgeting and revenue projections and partly due to an improving economy, he suggested.

Director Nardi proceeded to review enterprise fund revenue and GF expenditures.

In response to a question from Councilor LaBarge about stormwater liens, Director Nardi said she would find out the city's process for handling unpaid balances on enterprise fund accounts.

In looking at GF expenses, Director Nardi said she looks to make sure salaries are at or below 50%. This is again where Free Cash could be generated if budgets are not fully expended. From here on, she will track personnel services (PS) budgets for all departments. PS is running a little bit lower for the DPW because Director LaScaleia is having trouble filling positions.

She reviewed some of the larger fixed expenses, such as Worker's Compensation and Health Insurance.

Councilor Moulton noted that there is no separate Division of Community Care (DCC) PS budget, saying he assumes it is part of the health department PS budget.

Director Nardi said yes.

He expressed his understanding that FY2023 was going to be the year they increase staffing for the DCC.

A lot of DHHS staff are paid out of grants, Director Nardi said. She knows Commissioner O'Leary and the mayor are working on getting the DCC up and running. She thinks they will see more of those expenses the second half of the fiscal year. She is not really involved in that other than the finances.

ENTERPRISE FUND EXPENSES

Expenses in the sewer enterprise are running at about 37%, Director Nardi reported. Some costs here aren't incurred on a quarterly basis and hit at different times and not in equal amounts each quarter.

Water enterprise fund expenses are at 48.5%, stormwater fund expenses are at 30.2% and solid waste is at 33.4%, she added. For budgeting purposes, Director LaScaleia has done a great job this year in not overspending in these utilities.

Director Nardi also reviewed a spreadsheet showing revenue from meals, short-term rental, hotel/motel and cannabis excise taxes for FY2020 to FY2023.

Councilor Nash expressed his understanding that, based on the quarters reported for this year, they are seeing roughly \$40 million worth of economic activity across all sectors, a good chunk of which represents businesses in their downtown. They are seeing some really strong economic activity since COVID showing that Northampton's economy is recovering, he suggested.

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With that kind of economic activity, there's a lot of vibrancy here to encourage other business owners. Despite the empty storefronts, there's a lot of opportunity. These are key indicators that people are staying in Northampton, buying meals, etc. and that central pieces of their economy are actually doing pretty well.

Former Finance Director Susan Wright always said that, 'as downtown goes, so does our revenue,' Director Nardi confirmed. She was a firm believer in supporting the economics of the city as that is the driving force behind local revenue. In line with that, Chief of Staff Alan Wolf and Economic Development Coordinator Annie Lesko really focus on trying to do things to bring people downtown.

Councilor Moulton said he was impressed by the FY2023 Quarter 2 figure of \$5.4 million for traditional hotels. It is higher by far than the amount shown in earlier periods on the chart.

December of 2019 (FY2020) is the next strongest quarter at \$4.8 million, representing August, September and October when the five colleges had family weekends, it was noted. They see the same bump in meals and hotel/motel revenue in September which reports revenue from May and June graduations.

Councilor Nash thanked Director Nardi for the deep dive.

5. Discussion of Independent Audit Procurement Process

Finance Committee members discussed options for renewing the City's Council's contract for independent auditing services. Charter Section 7-6 charges the City Council with providing for an annual outside audit and awarding a three-year contract for auditing services every third year by September 15th. According to council rules, the Finance Committee is supposed to oversee the process of selection of an independent auditor and make a recommendation on the award of a contract to the full Council.

The current contract with Scanlon and Associates, LLC covers the FY2021 through FY2023 audits and was awarded on September 3, 2020.

The committee heard the strong recommendation from Finance Director Charlene Nardi that it consider recommending renewal of the city's contract with Scanlon and Associates. A key reason presented was the recent retirement of longtime Finance Director Susan Wright and pending retirements of internal auditor Joyce Karpinski and Human Resources Director Glenda Stoddard, key members of the city's financial team.

Among other things, Director Nardi said there is no law requiring communities to change auditors or go through the statutory procurement process for auditing services. Most municipal auditing firms rotate out lead auditors so yearly examinations of financial statements have the benefit of a fresh set of eyes. One advantage to developing a relationship with a firm is that, as auditors become more familiar with a city's books, they are more easily able to detect changes from previous years and can do a deeper dive.

In addition to conducting the formal audit, auditors maintain ongoing communication and a working relationship with the city's financial officers throughout the year, Director Nardi added. Scanlon served as an incredibly important resource for handling American Rescue Plan Act (ARPA) funds as the firm worked directly with the Department of Revenue (DOR) to understand its tracking and reporting guidelines and was able to provide guidance on this to the city, she related.

She expressed her opinion that communities should do a check on the price every six to nine years to make sure it is competitive. Most of the auditing firms out there are all good.

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Members discussed the timeline City Council and the Finance Committee would need to follow if they make the decision to conduct a full procurement process. In order to interview applicants and make a recommendation to the full City Council by September 15th, the council would need to issue a Request for Proposals by June 1st, Mrs. Krutzler suggested. Councilor Maiore noted that this would coincide with the time frame of the City Council holding its hearings and making decisions on the FY2024 budget.

Following additional discussion, Councilor Moulton said he was comfortable based on Director Nardi's recommendation with renewing with Scanlon for another three years. That will be a decade beyond when the last full-fledged procurement was conducted, he pointed out.

Councilor Moulton moved to recommend renewing Scanlon for another three-year contract to the full City Council. Councilor LaBarge seconded.

Mrs. Krutzler said it would be possible for her to contact surrounding communities to find out what they are paying for auditing services for comparison purposes, if appropriate.

Councilor Nash said he thought getting a little more information and getting an official quote from Scanlon would be in order.

Councilor Moulton withdrew his motion for tonight with the expectation that they would probably get this information at their next meeting.

6. **FY2024 City Council Office Budget**

Members reviewed the City Council's departmental budget for FY2024. The budget is basically level-funded from last year, Councilor Nash advised. He suggested adding the 'Top 10' list of the council's accomplishments for 2022 that Councilor Moulton came up with to the narrative. He asked Councilor Moulton to please send this list to the administrative assistant.

Director Nardi shared that she participated in a webinar today with DOR. They have a training program for new positions which she thought was valuable. She said she would send members the link.

7. **Review/Confirmation Of Upcoming Finance Committee Meeting Dates**

Councilor Maiore reviewed the dates of upcoming Finance Committee meetings as follows: February 8th, February 22nd, March 8th, March 22nd, April 12th, April 26th, May 10th, May 24th, June 7th and June 21st.

Generally, the Finance Committee meeting will be held the Wednesday following a City Council meeting at 6 p.m. if one or more financial orders are referred.

8. **New Business**

-Reserved for topics that the Chair did not reasonably anticipate would be discussed.
None.

9. **Adjourn:** There being no further business, **Councilor LaBarge moved to adjourn. Councilor Moulton seconded. The motion carried on a roll call vote of 4 Yes, 0 No. The meeting was adjourned at 7:52 p.m.**

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