



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*

On-line Zoom Meeting

Meeting Date: August 20, 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 8:52 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, Alex Jarrett, Karen Foster, Rachel Maiore and Jim Nash.
3. **Approval of Minutes of July 9, 2020**
Councilor LaBarge moved to approve the minutes of July 9, 2020. Councilor Thorpe seconded. The motion passed unanimously 4:0 by roll call vote.
4. **FY2020 Fourth Quarter Financial Report**
Finance Director Susan Wright presented the fourth quarter financial report. The General Fund revenues shown pretty much represent the status as of the close-out for FY2020.

Starting with revenue from taxes and excise, Ms. Wright highlighted significant changes from prior years. For real estate tax revenue, the city brought in \$58.9 million in FY2020 with \$1.4 remaining to be collected. Last year, only \$500,000 was outstanding (\$539,000) at this point. This tells her that some tax payers were having some difficulty making their real estate tax payments on time.

Motor vehicle excise brought in \$2.7 million - the same as last year - so that line seemed unaffected, she observed.

Hotel/motel and meals taxes were definitely impacted by the pandemic, she noted. The city collected \$764,000 in hotel/motel taxes in FY2020; however, the 4th quarter of FY2020 brought in \$89,920 while the 4th quarter of FY19 brought in \$145,000, so they were down about \$56,000 for hotel/motel in the 4th quarter.

For the meals tax, the 4th quarter in FY20 brought in \$77,500 but the 4th quarter last year brought in \$184,000, so they were down \$106,000 in meals tax.

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Those are pretty significant numbers, she observed. Up until the 4th quarter, the hotel/motel tax was way above the previous year - about \$100,000 more - so they were doing really good. She reminded councilors that the 4th quarter payment for hotel/motel and meals represents February, March and April. The pandemic hit mid-March, so they can see that those numbers represent what they probably brought in for February and the beginning of March, after which things definitely tailed off.

For adult marijuana excise, they anticipated revenue of \$1.2 million. The city brought in \$1.64 million in FY20 but she pointed out that there was quite a dip in the 4th quarter. She read the quarterly amounts as follows: 1st quarter - \$535,000, 2nd quarter - \$444,000, 3rd quarter - \$389,000 and 4th quarter - \$271,000, so it was quite a dip. Between the 1st and 2nd quarter they dropped \$90,000, between the 2nd and 3rd quarter \$55,000 and between the 3rd and 4th quarter \$118,000.

They are definitely seeing a few things happening: 1) a decrease in market share, 2) the effect of a ban on vaping and 3) for a portion of the time, NETA was shut down completely. It makes predicting what their marijuana revenue will be going forward challenging, but they did bring in \$1.6 million in FY20, she acknowledged.

For the rest of this particular category, everything came in as planned, she reported.

For parking, this is where they did take a fairly large hit. Normally, parking revenue brings in about \$2 million a year and they estimate using \$1.8 million to support the budget. In FY20 they budgeted and the city council approved a \$1.85 million budget. They didn't bring that in; they actually brought in about \$1.3 million. They were \$363,000 short on the \$1.8 million they planned to use in the budget and short an additional \$200,000 on money intended to go to receipts reserved for capital expenditures. (Of \$2 million in revenue, they usually appropriate \$1.8 million for the budget and \$200,000 to the receipt reserved account, she explained.) They did not bring in \$1.8 million, they were \$363,000 short and also didn't bring in the \$200,000 ordinarily earmarked for reserves, she concluded.

Overall, parking was down \$553,000 for the whole year, or 27%.

Looking at the parking numbers it looks like the city brought in exactly what was budgeted. The reason is that the city council votes to take the expected revenue out of receipts reserved. Once actual revenue comes in over projection as it does every other year, the excess goes into receipts reserved. This year, because they didn't meet their target but voted to use the money from receipts reserved, they had to take that money out. They ended up moving \$363,000 out of the receipt reserved account into the general fund to make up for that revenue. This leaves \$1,038,000 in receipts reserved, but they would have had \$363,000 more plus another \$200,000 without this shortfall. Overall, what's significant is that the city usually brings in \$2 million in parking and lost \$533,000.

Parking was shut down mid-March when they closed city offices and resumed August 3rd.

Ambulance services. When the mayor spoke to them in April, calls had dropped off precipitously in the ambulance department so they were anticipating a loss. Also, all the insurance companies were closed so no payments were coming in. However, ambulance revenue picked up dramatically after the beginning of April and Northampton Fire Rescue began receiving money from insurance companies. They ended up bringing in \$2.2 million, a little more than last year. Fire rescue had 89 calls less than last year but brought in more money. The reason according to the chief was that most of the runs were more intensive. The city did bring in quite a bit more this year in ambulance revenue.

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Fees for the collector did not meet their target. They budgeted \$119,000 but only brought in \$62,600 so they were short \$56,000. This is basically because, once municipal offices shut down, legislation from the state allowed communities to extend the deadline for tax payments until June 30th. Tax payers were given extra time without penalty to make payments and, during this time, the city did not demand fees and other penalties it would normally get.

Smith Vocational and Agricultural High School (SVAHS) was short \$5,988 in tuition payments. This shortfall will be made up from the tuition revolving fund which acts similarly to the parking receipts reserved account.

For licenses and permits, there was a significant drop in revenue in this section, Ms. Wright reported. Six categories - Building Inspector, Plumbing Inspector, Wire Inspector, Weights & Measures, Periodic Inspections and Sidewalk Signs - total \$669,000. Last year, they brought in \$872,000, so permit fees were about 75% of what they were last year. The pandemic did slow down building and it's taken awhile to start back up again.

Under state revenue, the city is still waiting for money to come in from the state for abatements for veterans, blind people and surviving spouses. They are still expecting \$50,000 to \$60,000 to come in there.

Under Charter School Aid, the city did not receive as much as they were anticipating but charter school outgoing tuition is also down. Northampton paid out \$464,000 less than expected in outgoing tuition. They got less aid because they had fewer students.

With the shutdown of the parking system, parking tickets also took a hit. Tickets were down for the year \$135,338, or 16%.

Under miscellaneous revenue, interest on investments was one category which earned a lot more than anticipated because of the craziness happening in the stock market. Last year they brought in \$227,000. This year, they budgeted \$196,000 and brought in \$305,000, so their investments did very well.

\$283,000 in miscellaneous receipts is from an excess posted to the general fund after a reconciliation of the Chapter 90 account, ERATE reimbursement and community host fees from grants brought in by the health department.

Overall, the city met revenue projections by 100%. They actually exceeded projections because outstanding real estate taxes will get collected at some point. The ending number would have been a lot bigger if they had not had a pandemic but they did end in a fairly good position, she reported.

GENERAL FUND OPERATING BUDGET

Finance Director Wright reviewed expenditures from the General Fund operating budget. She noted that, in May, the city council did a whole bunch of transfers and moved money from accounts identified as having a lot of money into Personnel Services and Ordinary Maintenance budgets of departments having a lot of COVID-related expenses. Shortly after, the Department of Revenue (DOR) directed cities and towns to create two revolving funds, one for FEMA and one for federal CARES money, and move money into those. So they moved some money into departmental budgets but then moved COVID-related expenses elsewhere, so that's one reason they are seeing some overages in departmental PS and OM accounts.

Ms. Wright reviewed budgets with fairly large surpluses as follows:

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- ❖ The Collector's OM budget had almost \$100,000 left. This surplus was due to the shutdown of the parking system, she explained.
- ❖ Human Resources had about \$40,000 left in OM. They had planned to pay a consultant to work on a multitude of projects related to the functionality of MUNIS but due to the shutdown didn't do those projects.
- ❖ Central Services had a \$135,000 surplus. A lot of this was related to lower utility costs with a lot of buildings shut down.
- ❖ The Police Department had a surplus in salaries mostly due to vacancies, as did fire rescue.
- ❖ Veterans Services also had a fairly large surplus in OM, mostly from veterans' benefits. Northampton hit a high of \$664,000 in benefits paid out in 2014 and the number has been coming down ever since. Last year, the city spent \$465,000 and this year only \$400,000.

Pg. 6 presents expenditures for municipal debt service. \$40,000 is remaining in this line item because the city gets a rebate from the federal government for the ESCO and KREB projects. They have to budget fully because the federal government is not always reliable in paying rebates.

Although 98.7% was expended, the medical insurance line item ended with a balance of \$146,000. This is mostly explained by vacant positions.

Cherry Street Assessments. The city paid out \$464,000 less in charter school tuition than projected but paid \$94,000 more in school choice payments, so they ended up with a net savings of \$369,000 from the amount assessed on the cherry sheet.

The operating budget ended with a fairly normal surplus, she concluded. They are never going to spend 100%. Administrators try to keep the budget within 5%. Free Cash generated from this is typically between 3 and 5% of the city's budget.

Councilor LaBarge asked the total amount of the Police Department budget.

The police budget totaled \$6.7 million, Ms. Wright said. The department spent \$6 million, encumbered \$25,000 and returned \$676,000, she elaborated. The bulk of the turn back was in salaries.

Councilor Jarrett asked about the health department, which showed only 76.8% of its budget spent.

The city council actually moved quite a bit of money into the department in May because they knew how much overtime employees were working, Ms. Wright confirmed. But later, DOR directed them to move COVID-related expenses to FEMA or CARES, so they did. The city spent a lot in the health department this year; it just doesn't look like it here. They just filed an application with FEMA for almost half a million in reimbursement and have received \$340,000 thus far from the CARES act. Between what they applied for from FEMA and received from CARES they are up to almost a million dollars. COVID has been costing the city a lot, but they are fortunate right now to have FEMA and CARES to take a lot of those costs off their plate. FEMA reimbursements are being handled jointly by her and Josh Shanley and she is doing CARES.

Councilor LaBarge thanked Ms. Wright for the excellent report.

Councilor Quinlan expressed surprise that none of the budgets came in over budget.

Ms. Wright reminded him that administrators do budget transfers throughout the year, so they have moved money into those accounts in deficit in anticipation of shortfalls. There were departments that exceeded expenses, she confirmed.

ENTERPRISE FUNDS

Director Wright presented revenue and expenditures for the four enterprise funds, all of which are shown on a single report. The most notable thing on the revenue side is that sewer and water rates both came in about 94%-95% of what they anticipated. According to Department of Public Works (DPW) Director Donna LaScaleia, water was down because Smith College went home. While residential use was up slightly, business use was down. What happens in water happens in sewer because the two are tied together. With other revenue sources, water came in at 98.9% and sewer at 99.7%. Stormwater came in at 100% and solid waste came in slightly above.

All of the revenue line items for the enterprise funds with the exception of rates came in pretty much as expected, she observed.

With expenditures, particularly in water and sewer, a lot of large projects that are ongoing are encumbered because a lot of the projects happen over the summer. There are very few surprises in the enterprise funds. Other than in rates, the pandemic does not seem to have had as much of an effect on the enterprise funds as it has had on the general fund, she concluded.

For the hotel/motel tax, Councilor Nash asked if the state has been able to break out the portion of revenue that comes from short-term rentals yet.

Short-term rental (STR) tax is still folded into hotel/motel, Ms. Wright responded. However, STR community impact fees brought in \$4,699, so that gives a little bit of a sense of what STR's have been bringing in.

5. Financial Orders

A. 20.101 An Order to Accept Donation Of Easement For Olander Drive Extension

Councilor Sciarra read the order.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Quinlan seconded.

Northampton received a \$950,000 grant from MassWorks last year, Office of Planning and Sustainability Director Wayne Feiden reminded. The grant is paying for Memorial Park, which is virtually complete, and, starting in September, will pay for an extension of Olander Drive to serve 53 units of affordable housing The Community Builders (TCB) is building. Even though it will be a private road, in order to use grant funds, MassWorks requires that the city have a public interest in the right-of-way, so the order allows them to accept an easement. The street will look like a public road. He anticipates that TCB will take ownership in a week or two. They are ready to grant an easement immediately and TCB is ready to start construction so he is asking for two readings tonight.

Councilor Dwight referred to a process the city went through not too long ago to accept a massive number of streets because they were legally private ways although the city was maintaining them. He wondered if this sets them up for a situation in the future where there would be an expectation for maintenance, storm-water management and plowing.

The easement specifically spells out that the city has no responsibility to maintain the road, Mr. Feiden said. The key point is that the city should make sure that it doesn't start plowing it, he stressed.

Councilor Jarrett asked if there is public access to the road.

It is a private road but the easement gives the public all rights as if it were a public road, Mr. Feiden noted. There is access to the Mill River greenway on the bike path, he confirmed.

The motion passed 4:0 by roll call vote.

A. 20.103 An Order To Award Contract For FY2021-FY2023 Audit To Scanlon and Associates

Councilor Sciarra read the order.

Councilor Quinlan moved to forward the order with a positive recommendation. Councilor Thorpe seconded.

An open question for the Finance Committee is whether to award the contract for a single year or three years, Councilor Sciarra noted.

Members may recall that one of the recommendations of the Charter Review Committee (CRC) is to amend the charter to grant these contracts for three years, Councilor Dwight related. It is not in effect but it is a recommendation, he clarified. There are those who are concerned that the city should have new eyes on its financial statements, but Scanlon has accommodated that concern by focusing on different financial areas from one audit to another, he continued. They are very thorough and have proven to be an unimpeachable agency but it's possible that a new auditor would present information which otherwise would not have been noticed. His personal preference would be to grant the three-year contract as if the recommendations from the CRC stood.

Councilor LaBarge expressed support for awarding a three-year contract to Scanlon and Associates, pointing to their extensive knowledge and experience with city financial operations and record of responsiveness. Councilor Sciarra noted that awarding the contract for three years will lock in the prices quoted in the proposal while, if the contract is awarded for one year, the council will need to solicit a new quote at the end of the contract term.

Councilor Maiore thanked Mrs. Krutzler for doing the ground work and price comparisons. She feels pretty comfortable thinking of a more long-term three-year relationship, she agreed.

Councilor Quinlan moved to add the language that had been stricken back into the order to create in essence a three-year contract. Councilor Thorpe seconded. The motion to amend passed unanimously 4:0 by roll call vote.

The motion to positively recommend the order as amended passed unanimously 4:0 by roll call vote.

B. 20.104 An Order to Reprogram Surplus from CS Security Upgrade to CS Elevator Roof Project

Councilor Sciarra read the order.

Councilor LaBarge moved to forward the order with a positive recommendation. Councilor Quinlan seconded.

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As indicated, Central Services has had an ongoing repair project it has been bidding to fix the roof directly over the elevator shaft, Mayor Narkewicz explained. When approaching the Puchalski building from the Roundhouse side, a separate shaft structure is visible presently covered with a tarp. The frame of the structure has become rusted and the glass panels have begun to leak, so they want to get it fixed. The city has received a bid. The project involves removing the existing structure, repointing and sealing the masonry at the top of the shaft and installing a new roof with wooden framing, a rubber membrane roof and metal trim. Administrators are seeking to move money from another project into this project to cover the full cost of the bid. They are seeking two readings to start the work in the fall before the weather turns.

Councilors pointed out several scrivener's errors: "City of Northampton" is missing from the heading and there are a couple of extraneous words ('to' and 'the') in the body of the order.

The motion passed unanimously 4:0 by roll call vote.

6. **New Business**

None.

7. **Adjourn:** There being no further business, Councilor LaBarge moved to adjourn. Councilor Thorpe seconded. The motion carried on a roll call vote of 4 Yes, 0 No. The meeting adjourned at 9:45 p.m.

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