The Original Fiscal Stability Plan - Spring of 2013

• In 2013, Northampton voters approved a general fund operating override for $2.5 million dollars, that was intended to provide fiscal stability from FY2014 thru FY2017 – a period of 4 years.

• The original plan called for setting aside override funds in a Fiscal Stability Stabilization Fund in FY2014, FY2015 and FY2016, and then using those funds to fund the FY2017 budget, at which point the FY2018 budget would need either another operating override or budget reductions to be balanced.

The Fiscal Stability Plan was able to be extended largely because of an improving economy which resulted in:

- Greater than anticipated new growth from building activity
- Building Permit and Motor Vehicle Excise Revenues exceeding projections
- Small but unanticipated gains in State Aid in Chapter 70 (school aid) and UGGA (Unrestricted General Government Aid)

Current Fiscal Stability Plan reflecting savings and use over 6 fiscal years
Current Balance $2,673,850

<table>
<thead>
<tr>
<th>Fiscal Stability Plan FY2014 - FY2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds Added to FS Stability</td>
</tr>
<tr>
<td>Used toward budget</td>
</tr>
<tr>
<td>Estimated Shortfall</td>
</tr>
</tbody>
</table>

![Graph showing Fiscal Stability Plan savings and use over 6 fiscal years]
New Growth:
New Growth over the last six years was higher than projected in the Original Plan

New Growth FY2009 to FY2013
Average over five years - $524,734

New Growth FY2014 - FY2019
Original Plan Projection versus Actual New Growth
Motor Vehicle Excise and Building Permit Revenue exceeded Original Projections:

- Motor Vehicle Excise Taxes averaged $2.15 million from FY2009 to FY2013
- The original projection for FY2014 to FY2018 was calibrated on an average of $2.20 million per year based on past performance – **red line**
- Actual Motor Vehicle Excise Taxes increased substantially from FY2014 to FY2018 due to the economy – **green line**

- Building Permit Revenue averaged $520,000 from FY2009 to FY2013
- The original projection for FY2014 to FY2018 was calibrated on an average of $525,000 per year based on past performance – **red line**
- Actual Building Permit Revenue increased substantially from FY2014 to FY2018 due to the economy – **green line**
Small Gains in State Aid:
State Aid consists of Chapter 70 School Aid, Unrestricted General Government Aid (UGGA), Charter School Reimbursements, Payments in Lieu of Taxes for State Owned Land, Veterans Benefits Reimbursements and Reimbursements for Abatements for Elderly, Disabled, etc.

- The only new money the city received in C.70 School Aid was minimum per pupil aid – an average of 1% more per year or approximately $90,000 more per year over the five year period
- The city also received small increases in UGGA – an average of 3.39% more per year or approximately $130,000 more per year over the five year period
- There were some decreases in State Aid as well which offset the gains in revenue, particularly with Charter School reimbursements being underfunded
- The net overall increase in state aid compared with the Original Plan was $844,592 or approximately $169,000 more per year over the five year period

<table>
<thead>
<tr>
<th>Year</th>
<th>Original Plan</th>
<th>Actual State Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>$12,790,436</td>
<td>$13,022,271</td>
</tr>
<tr>
<td>FY2015</td>
<td>$12,917,651</td>
<td>$13,067,591</td>
</tr>
<tr>
<td>FY2016</td>
<td>$13,022,271</td>
<td>$13,160,698</td>
</tr>
<tr>
<td>FY2017</td>
<td>$13,067,591</td>
<td>$13,291,107</td>
</tr>
<tr>
<td>FY2018</td>
<td>$13,160,698</td>
<td>$13,686,224</td>
</tr>
</tbody>
</table>

Does not include MSBA and Offsets for School Choice and Library Aid
Another Factor was Health Insurance:
Health insurance costs grew an average of 1.37% per year after joining the GIC, rather than the 3.0% we anticipated in the Original Plan

- From FY2008 to FY2013 Health Insurance grew at the rate of 3.2%
- The original projection for FY2014 – FY2018 was calibrated on a 3.0% increase per year based on past performance – red line
- In FY2014 the city opted into the Group Insurance Commission (GIC) which has contained increases to a five year average of 1.37% - saving approximately $5 million over the five year period – green line
Fiscal stability has allowed Northampton to:

- Maintain city and school staffing
- Rebuild and grow vital reserves for financial flexibility
- Upgrade city’s Bond Rating from A+ stable in FY2013 to AAA stable in FY2016 - present
- Fund important capital needs
- Invest in parks, open space, rail trails, affordable housing, renewable energy, bike share, climate resiliency and regeneration, etc.
- Maintain a competitive tax rate - $17.37/$1,000 in FY2019
Tax rate comparisons to surrounding communities

Commercial/Industrial Tax Rate - Residential Tax Rate - Average Single Family Tax Bill
Leading in New Growth and Development

New Growth over 5 years  FY2015 – FY2019
Total New Growth Value and Actual New Growth Applied to Levy Limit
Financial flexibility and bond rating gains are the direct result of our efforts to build reserves.

Northampton has worked to increase its reserves, regularly funding three Stabilization Funds:

- Stabilization – for emergencies
- Capital Stabilization – for capital needs
- Fiscal Stability Stabilization – for operating shortfalls
We have also made progress investing in our infrastructure, facilities, vehicles and equipment:

General Fund Capital Improvement Program Spending
FY2014 - FY2019
by Fiscal Year

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</thead>
<tbody>
<tr>
<td>Forbes</td>
<td>100,000</td>
<td>-</td>
<td>-</td>
<td>100,000</td>
<td>630,430</td>
<td>15,000</td>
</tr>
<tr>
<td>Schools</td>
<td>378,383</td>
<td>921,925</td>
<td>941,590</td>
<td>315,000</td>
<td>2,462,762</td>
<td>1,157,300</td>
</tr>
<tr>
<td>City Departments</td>
<td>555,749</td>
<td>1,019,619</td>
<td>1,603,950</td>
<td>2,896,053</td>
<td>1,887,700</td>
<td>792,950</td>
</tr>
<tr>
<td>Public Works</td>
<td>726,200</td>
<td>1,788,000</td>
<td>650,000</td>
<td>622,300</td>
<td>1,920,000</td>
<td>3,279,200</td>
</tr>
</tbody>
</table>
Investments in transportation infrastructure have also been prioritized. While at the same time our C.90 allotment from the state remains at a relatively static level with the exception of FY2015.
A key aspect of the Fiscal Stability Plan was stabilizing city finances while lobbying Governor & Legislature to address structural state funding issues such as:

- **Education Funding** – We are still waiting for reforms to the C.70 funding formula to take into account the real costs of special education, health insurance, etc. in the foundation formula (#FBRC)

- **Charter School Funding** – We are still waiting for full funding of Charter School Tuition Mitigation as per the state formula. We are also still waiting for a revision of the overall flawed Charter School funding model

- **Chapter 90** – We are still waiting for long overdue increases in much needed C.90 funds to improve our roads, bridges and sidewalks

- **Progressive Income Tax Reforms** – We are still waiting for income tax reforms like the ill-fated Fair Share Amendment (a.k.a. Millionaires Tax) need to increase state revenue fairly and progressively while taking pressure off of local property taxes

- **Local Control** - We are still waiting for greater local control over our own financial destiny from economic development reforms around liquor licenses to more local tax options other than property tax
New, long awaited Local Option Taxes:

The new Adult Use Marijuana Local Option Tax and the new Short-Term Rental Local Option Tax (Airbnb) are welcome news, but have taken a long time to come to fruition. For FY2020, we are working to determine an accurate and predictable revenue stream for these new revenues.
Governor Baker’s Proposed FY2020 Budget
Northampton projected to receive $160,954 LESS than FY2019

### FY2020 Preliminary Cherry Sheet Estimates
Based on Governor’s Budget
Northampton

<table>
<thead>
<tr>
<th></th>
<th>FY2019 Cherry Sheet Estimate</th>
<th>FY2020 Governor’s Budget Proposal</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education Receipts:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chapter 70</td>
<td>8,387,214</td>
<td>8,443,334</td>
<td>56,120</td>
</tr>
<tr>
<td>Charter Tuition Reimbursement</td>
<td>319,146</td>
<td>191,763</td>
<td>-127,383</td>
</tr>
<tr>
<td>Sub-Total, Education Items:</td>
<td>8,700,360</td>
<td>8,635,087</td>
<td>-65,273</td>
</tr>
<tr>
<td><strong>General Government:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted Gen Gov’t Aid</td>
<td>4,544,558</td>
<td>4,667,261</td>
<td>122,703</td>
</tr>
<tr>
<td>Veterans Benefits</td>
<td>415,275</td>
<td>437,906</td>
<td>22,631</td>
</tr>
<tr>
<td>Exemp: VBS and Elderly</td>
<td>115,897</td>
<td>115,741</td>
<td>-156</td>
</tr>
<tr>
<td>State Owned Land</td>
<td>95,951</td>
<td>95,638</td>
<td>-313</td>
</tr>
<tr>
<td>Sub-Total, All General Government:</td>
<td>5,171,681</td>
<td>5,316,546</td>
<td>144,865</td>
</tr>
<tr>
<td><strong>Total All Estimated Revenues:</strong></td>
<td>13,872,041</td>
<td>13,951,633</td>
<td>79,592</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY2019 Cherry Sheet Estimate</th>
<th>FY2020 Governor’s Budget Proposal</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Assessments and Charges:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Pollution Districts</td>
<td>8,485</td>
<td>8,332</td>
<td>-153</td>
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<tr>
<td>RMV Non-Renewal Surcharge</td>
<td>81,640</td>
<td>81,640</td>
<td>0</td>
</tr>
<tr>
<td>Regional Transit</td>
<td>442,864</td>
<td>442,864</td>
<td>0</td>
</tr>
<tr>
<td>Special Education</td>
<td>0</td>
<td>4900</td>
<td>4,900</td>
</tr>
<tr>
<td>School Choice Sending Tuition</td>
<td>436,947</td>
<td>485,135</td>
<td>48,188</td>
</tr>
<tr>
<td>Charter School Sending Tuition</td>
<td>2,690,375</td>
<td>2,877,986</td>
<td>187,611</td>
</tr>
<tr>
<td><strong>Total All Estimated Charges:</strong></td>
<td>3,660,311</td>
<td>3,900,857</td>
<td>240,546</td>
</tr>
</tbody>
</table>

**Net of Increased Revenues and Increased Charges:**  
-160,954
FY2020 Key Budget Factors Known and To-Be-Determined (TBD):

- Adult Use Marijuana Local Option Tax - $$$ TBD
- Short Term Rental (Airbnb) Local Option Tax - $$$ TBD
- Anticipated Revenue from two Solar PILOTs - $$$ TBD
- Employee Health Insurance - $$$ TBD
- Net State Aid – Governor - $160,546 / House and Senate - $$$ TBD
  - Charter School Tuition - $187,611 increase
  - Charter School Reimbursement - $121,393 decrease
- New City and School Collective Bargaining Agreements - $$$ TBD
- City Retirement Assessment - $475,143 increase
- Capital Debt Service - $87,814 increase
Current and Future Viability of the Fiscal Stability Plan

The FY2019 Budget relies on $277,850 of Fiscal Stability Funds. The balance at the end of FY2019 will be $2,673,850.

Over the next several months we will be evaluating the impact of new local option taxes, solidifying key budget costs (collective bargaining, health insurance, etc.) and assessing the likelihood of structural changes to state funding, in order to update the Fiscal Stability Plan.

ANNUAL DISCLAIMER: When the Fiscal Stability Plan is exhausted, we will either need another operating override or significant cuts in city and school services to balance future budgets.
FY2020 Budget Timeline:

• **January 31, 2019** – Mayor’s joint meeting of the City Council & School Committee

• **April 16, 2019** – Northampton Public Schools and Smith Vocational & Agricultural High School adopted budgets submitted to the Mayor

• **Late April 2019** – Mayor holds Town Hall Budget Meetings

• **May 16, 2019** – Mayor submits proposed City of Northampton FY2020 Budget

• **June 30, 2019** – Deadline for City Council to hold a public hearing and vote on proposed FY2020 Budget
City of Northampton, MA
FY2020 Budget Forecast
Mayor David J. Narkewicz, January 31, 2019