



# City of Northampton

## Financial Trends and Projections for FY2019 Budget Process

Mayor David J. Narkewicz

January 30, 2018

# Agenda

- Northampton Compared with Neighboring and/or Similar Size Communities for selected financial indicators
- Review of Revenue and Expenditure Trends
- Revenue and Expenditure Projections for Fiscal Year 2019
- Five Year Fiscal Stability Plan – General Fund
- Fiscal Year 2019 Budget Calendar
- Questions and Comments

How does Northampton compare to neighboring communities on key financial indicators?

- Agawam
- Amherst
- Chicopee
- Easthampton
- Greenfield
  - Holyoke
- Longmeadow
- West Springfield
  - Westfield

# Comparison with neighboring communities:

## Average Single Family Home Value - FY2018

State Average \$418,677

Holyoke is FY2017 (has not set tax rate for FY2018)



# Comparison with neighboring communities:

## Single Family Tax Bill - FY2018

State Average \$5858

Holyoke is FY2017 (has not set tax rate for FY2018)



# Comparison with neighboring communities:

## Residential Tax Rates - FY2018

Holyoke is FY2017 (has not set tax rate for FY2018)



# Comparison with neighboring communities:

## Commercial Tax Rates - FY2018

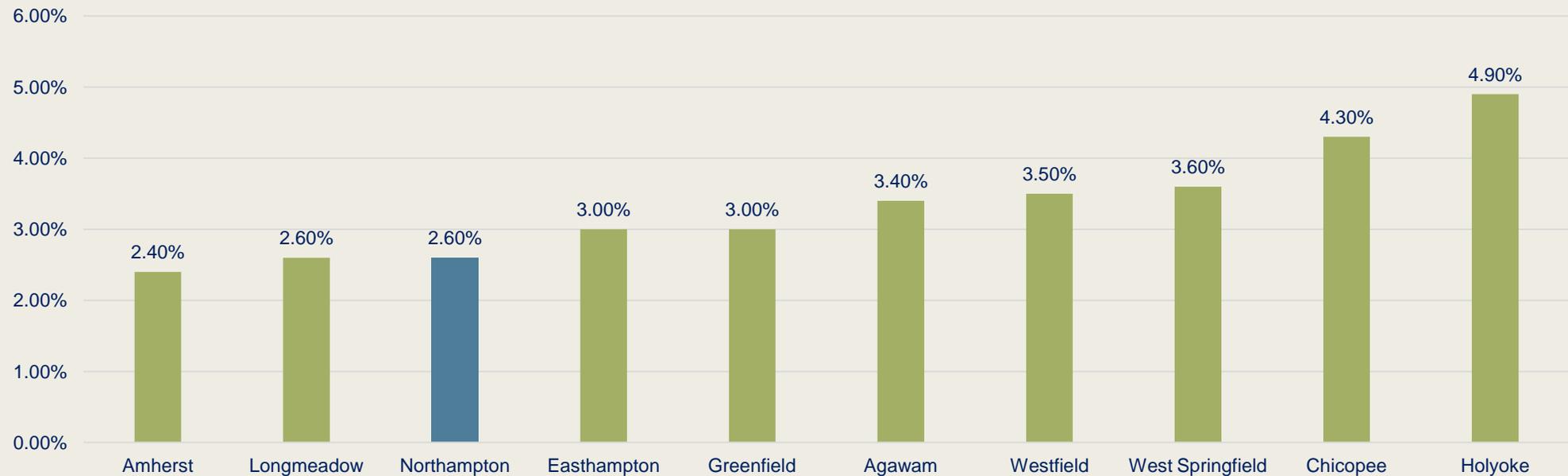
Holyoke is FY2018 (has not set tax rate for FY2018)



# Comparison with neighboring communities:

## Unemployment Rate - November 2017

Executive Office of Labor and Workforce Development



# Comparison with neighboring communities:



# Comparison with neighboring communities:

## Reserves as a Percentage of FY2017 Budgets

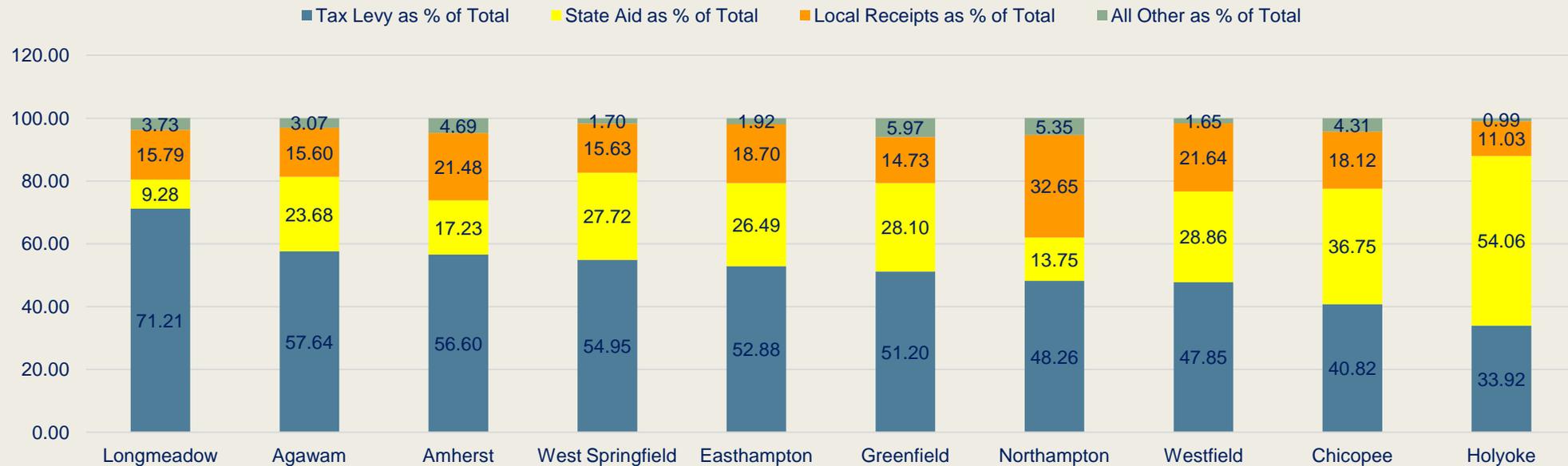
includes General Fund and Enterprise Funds



# Comparison with neighboring communities:

## % of General Fund Revenue by Source – FY2018

Holyoke data is FY2017– has not set tax rate



# Financial Flexibility

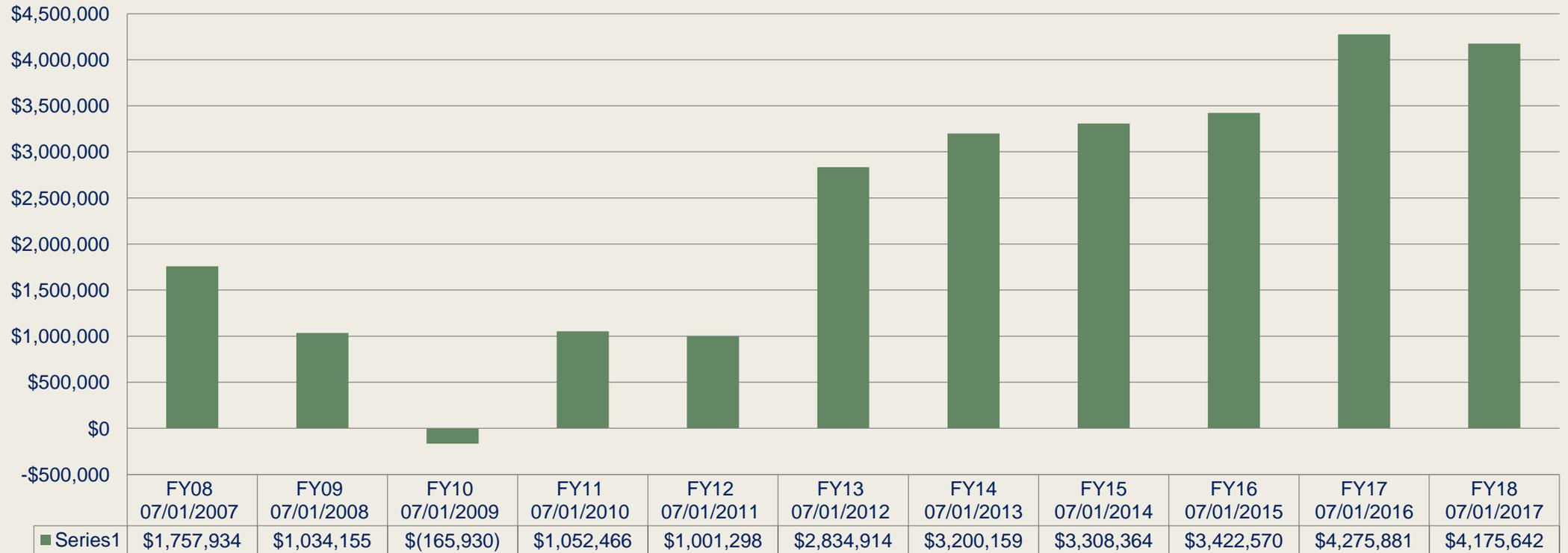
## TYPES OF RESERVE FUNDS IN THE GENERAL FUND:

- Undesignated Fund Balance (Free Cash)
- Regular Stabilization Fund
- Capital Stabilization Fund
- Fiscal Stability Stabilization Fund

# Reserves:

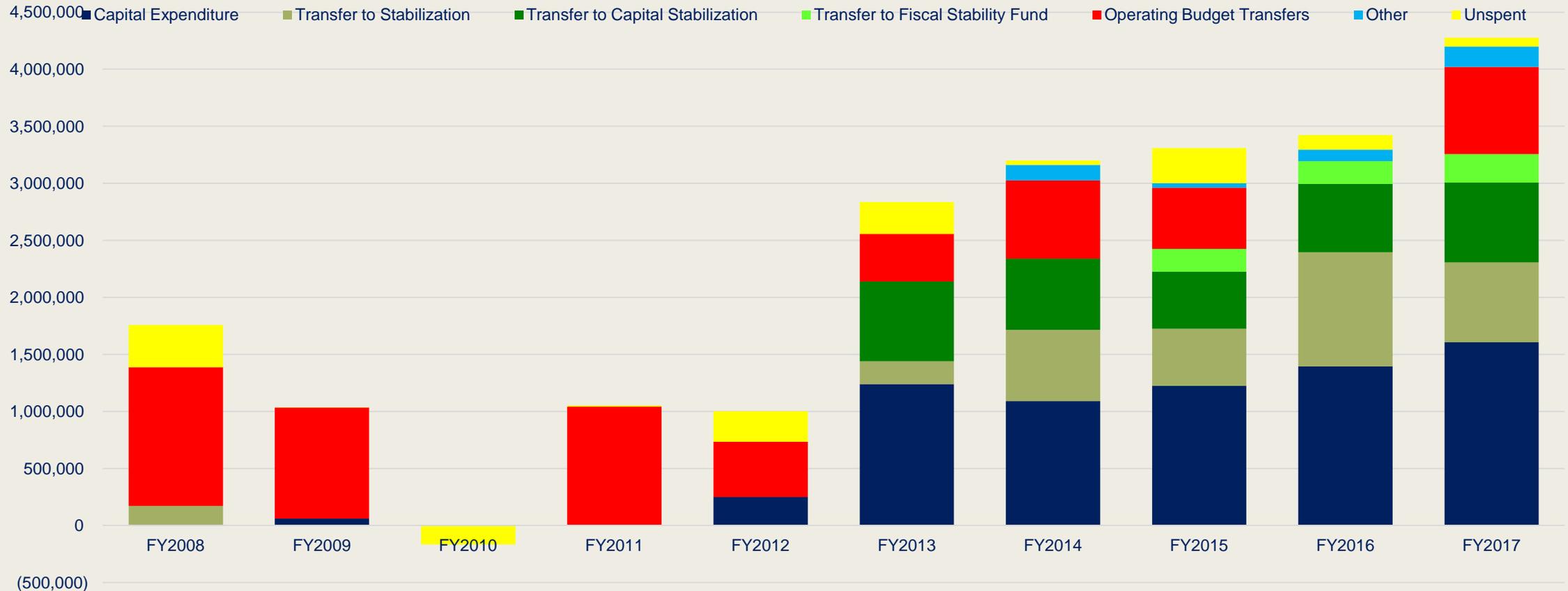
## General Fund Free Cash History FY2008 to FY2018

*Department of Revenue financial best practices is to generate between 3% -5% of the General Fund Budget as free cash*



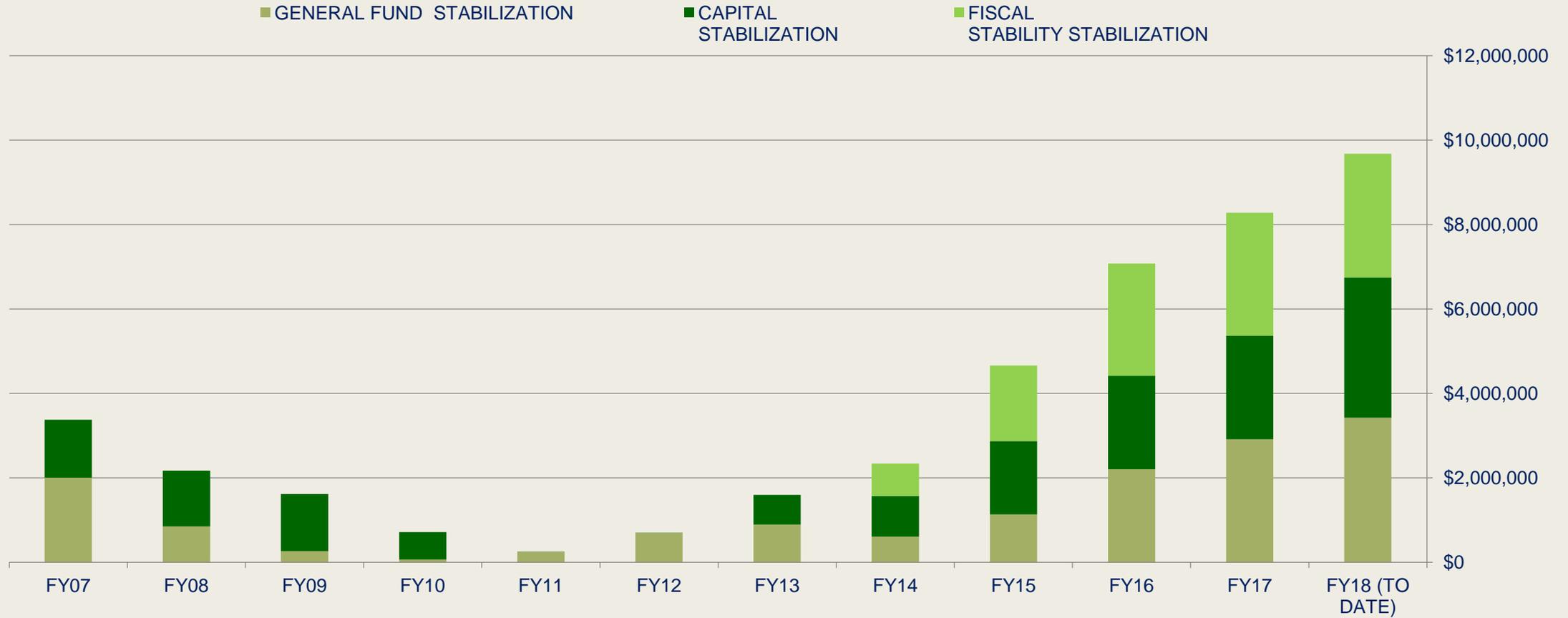
# Reserves:

## Northampton's Use of Free Cash FY2008 - FY2017



# Reserves:

## General Fund Reserves History FY2007 - 2018



# Northampton's Bond Rating

- Northampton's Bond Rating History:

S & P Global Ratings City of Northampton		
Rating Year	Rating	Outlook
2011	A+	Negative
2012	A+	Stable
2014	AA+	Stable
2015	AA+	Stable
2016	AAA	Stable
2017	AAA	Stable

- Northampton's Bond Rating compared with neighboring communities – S & P Global Ratings:

Municipality	Standard and Poors Rating as of 2017
Northampton	AAA
Agawam	AA+
Amherst	AA+
Easthampton	AA
West Springfield	AA
Westfield	AA
Chicopee	AA-
Greenfield	AA-
Holyoke	A+

# Standard and Poor's Global Ratings

## June 2017 Rating Report for Northampton excerpts:

The rating reflects our opinion of the following factors for the city:

- Very strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with strong financial policies and practices under our Financial Management Assessment methodology;
- Strong budgetary performance, with an operating surplus in the general fund and a slight operating surplus at the total governmental fund level in fiscal 2016;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2016 of 20% of operating expenditures, and an ability and willingness to raise taxes when needed;
- Very strong liquidity, with total government available cash at 44.5% of total governmental fund expenditures and 7.5x governmental debt service, and access to external liquidity we consider strong;
- Very strong debt and contingent liability position, with debt service carrying charges at 6.0% of expenditures and

net direct debt that is 32.2% of total governmental fund revenue; low overall net debt at less than 3% of market value; and rapid amortization, with 87.7% of debt scheduled to be retired in 10 years; and

- Strong institutional framework score.

### Outlook

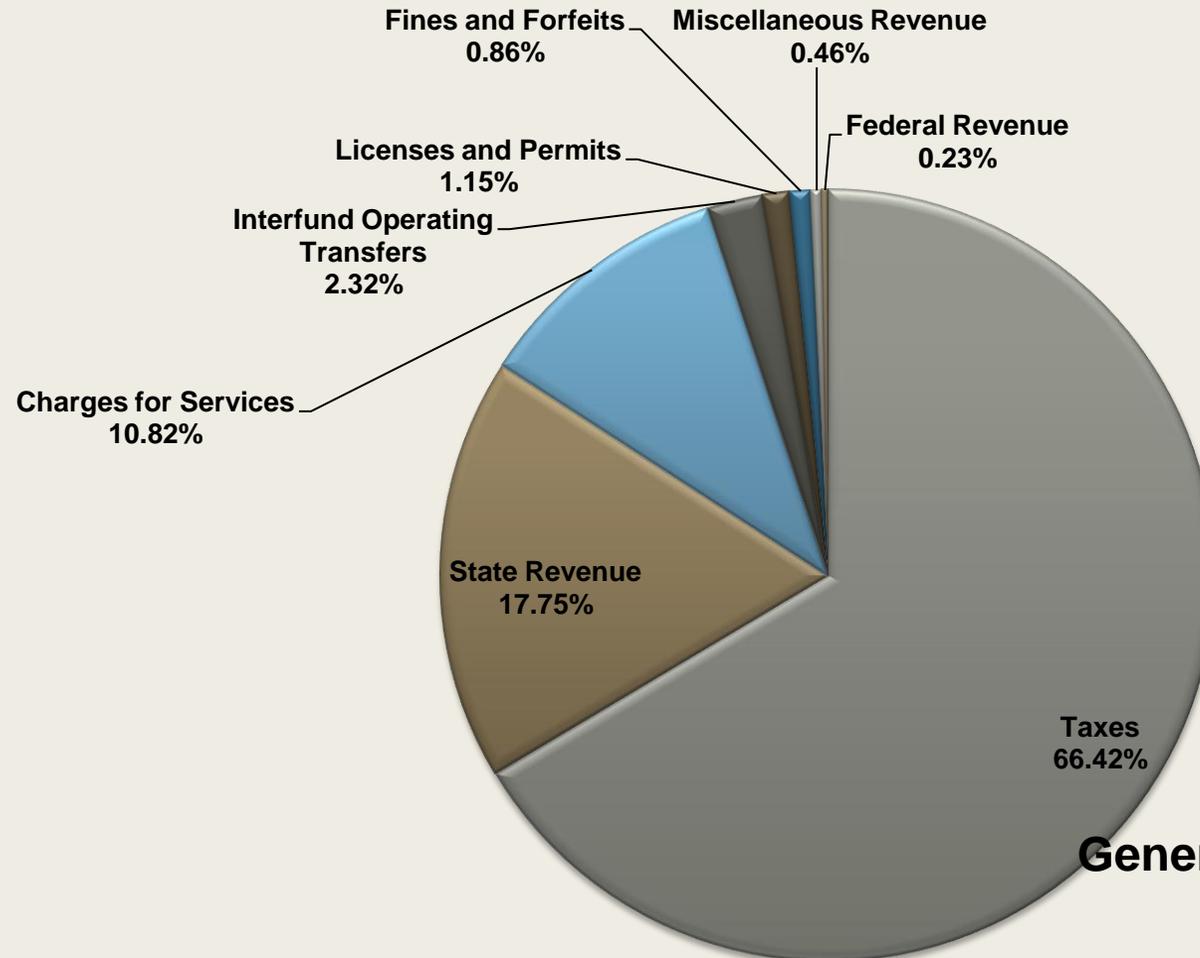
The stable outlook reflects S&P Global Ratings' opinion that Northampton's strong management team will maintain strong performance and strong reserves. The city's strong economy and access to local universities provide additional stability. As such, we do not expect to lower the rating within our two-year outlook horizon.

However, if pension and OPEB costs continue to rise, pressuring budgetary performance and leading to reduced reserves, we could lower the rating.

# General Fund Budget Issues for FY2019

- What revenue trends are important in FY2019?
- How much new revenue can we build into the budget?
- What expenditures are projected to grow in FY2019?
- What is the long term budget outlook for the General Fund?

# FY2018 Revenue Sources:



City of Northampton  
**General Fund Revenues - FY2018**  
**\$92,969,797**

# Estimated New Property Tax Revenue for FY2019 = \$1,948,035

## Property Tax Revenue Trend FY2008 - FY2019

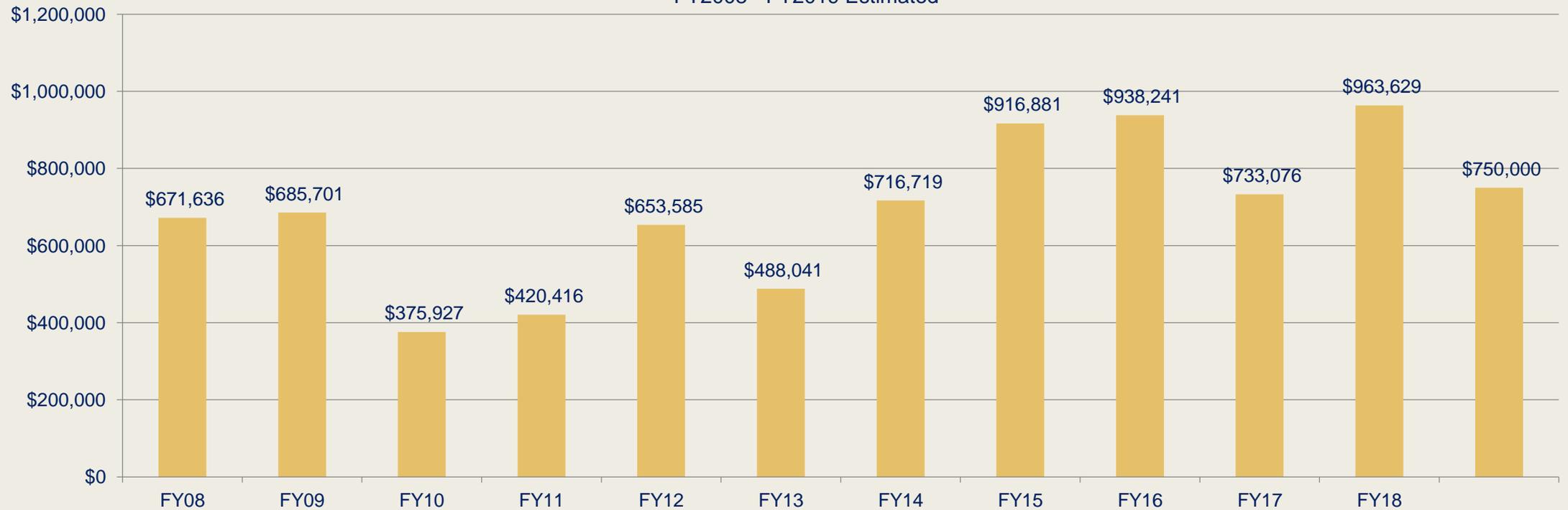
\*override year



# Estimated increase in Property Tax Revenue for FY2019 includes an estimated \$750,000 in new growth

## New Growth Trend

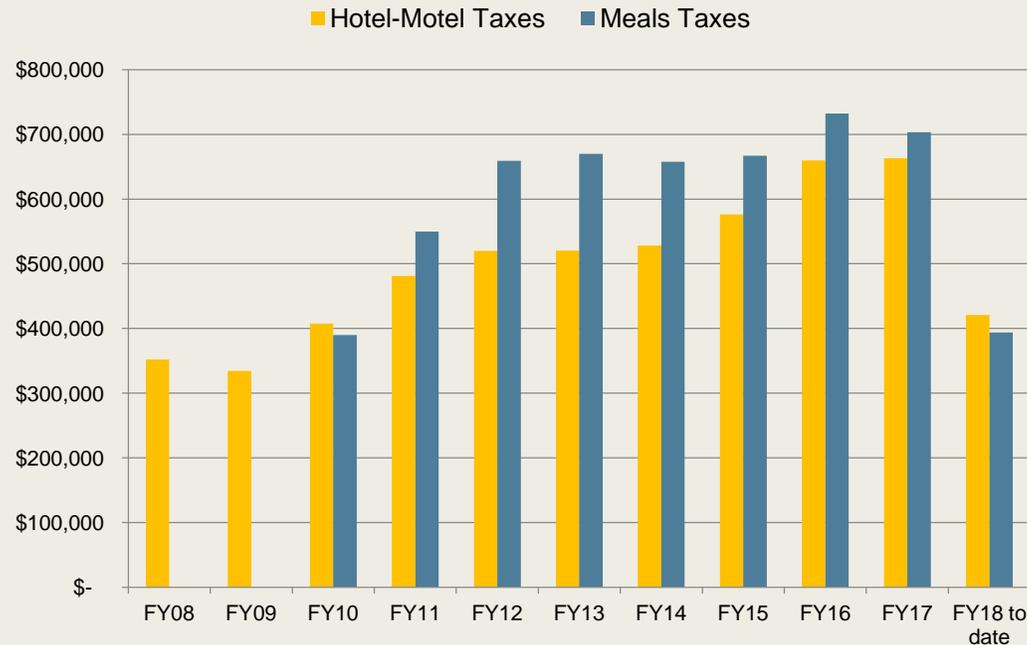
FY2008 - FY2019 Estimated



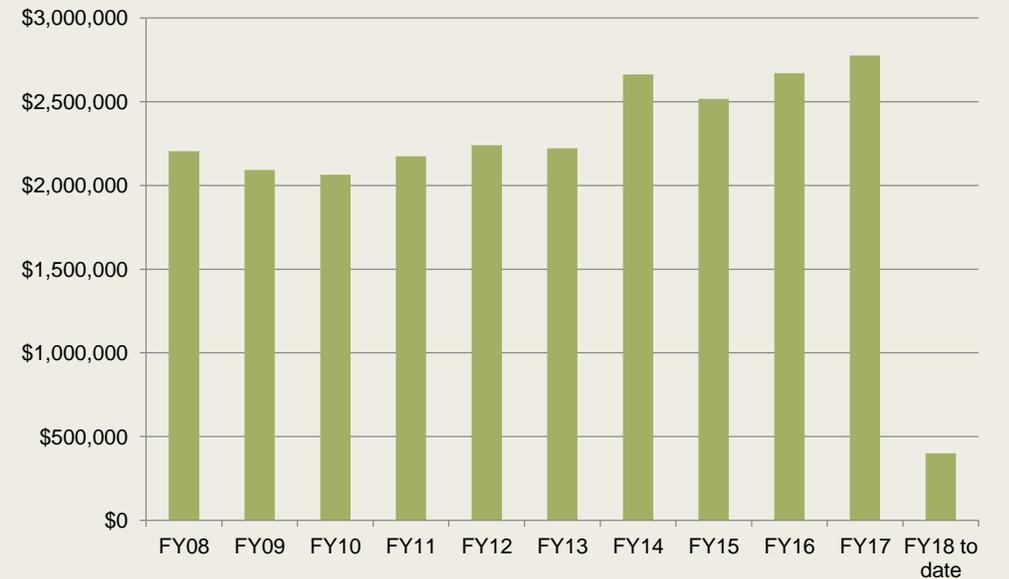
# Estimated increase in other taxes for FY2019 = \$113,144

- Hotel/Motel Taxes – up \$17,000
- Meals Taxes – up \$19,900
- Motor Vehicle Excise – up \$74,880
- Other – Boat Excise, Interest on Tax Titles, and PILOTS (formal agreements) – up \$1,364

### Hotel-Motel and Meals Tax FY2008 - FY2018 (to date)



### Motor Vehicle Excise Trend FY2008 - FY2018 (to date)



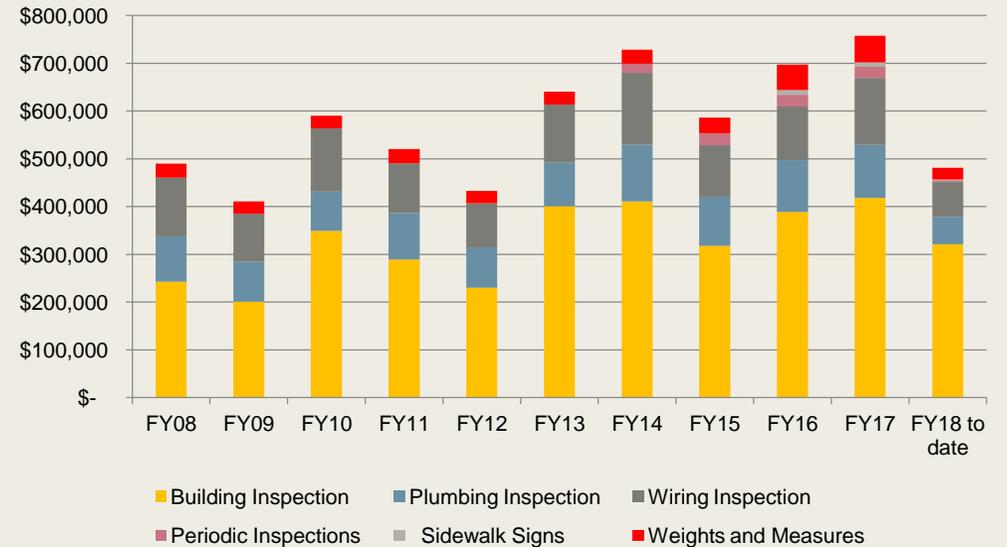
# Estimated increase in local receipts for FY2019 = **\$344,152**

- Ambulance Receipts – up \$145,797
- Building, Wiring and Plumbing Permits – up \$32,063
- Medical Marijuana Host Agreement – up \$150,000
- Miscellaneous such as interest income, veterans district, fines, etc – up \$16,292

Ambulance Receipts  
FY2008 – FY2018 (to date)



Building, Plumbing, Wiring and Weights and Measures Permit Fees  
FY2008 - FY2018 (to date)



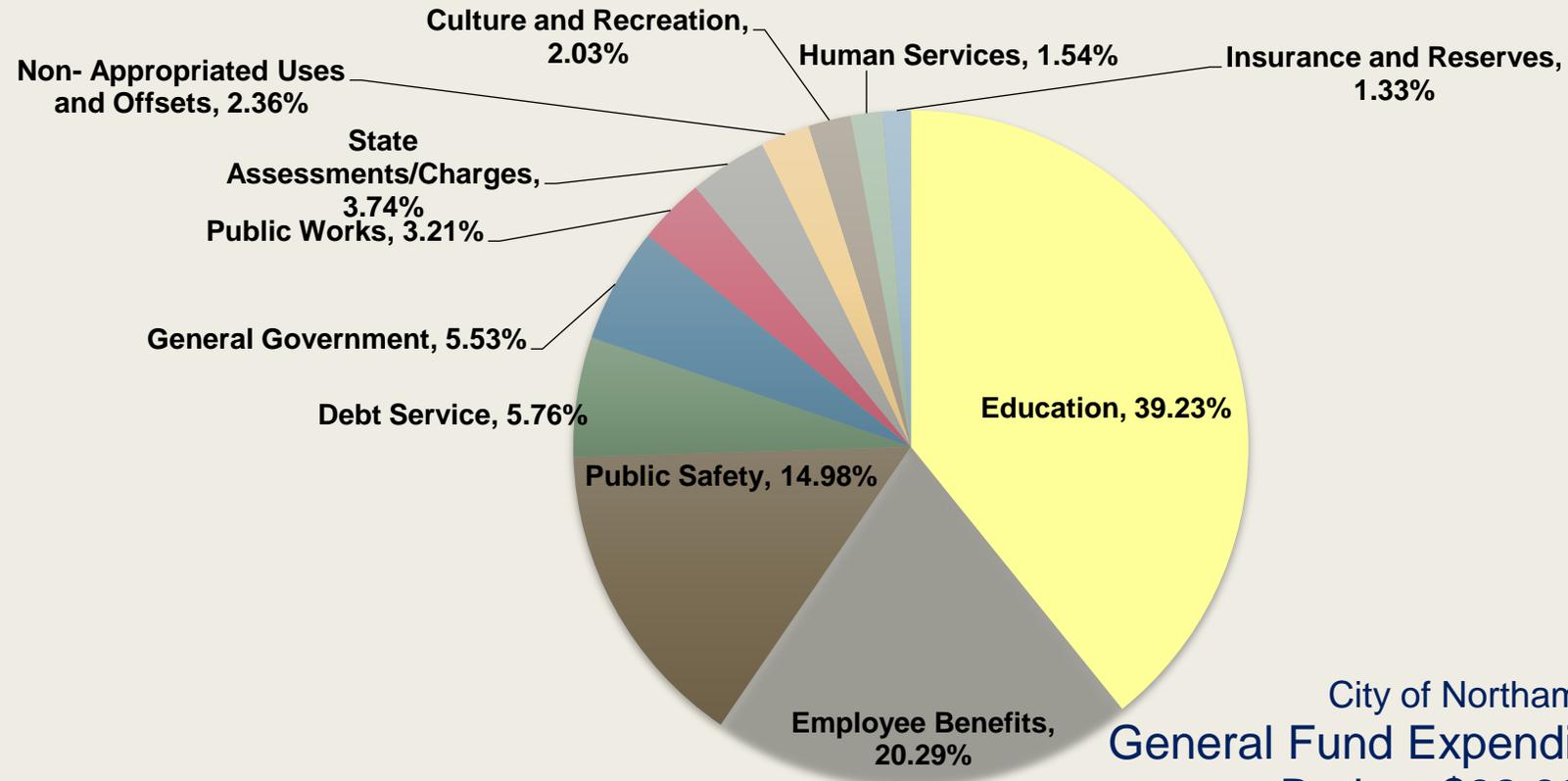
# Estimated increase in state aid for FY2019 = \$66,081

FY2019 Local Aid Estimates Northampton							
	FY2018 Cherry Sheet Estimate	FY2019 Governor's Budget Proposal	FY2019 House Budget Proposal	FY2019 Senate Budget Proposal	FY2019 Conference Committee	Net Change - FY19 Governor's Budget versus FY18 State Aid	Net Change %
<b>Education:</b>							
Chapter 70	8,302,674	8,358,974				56,300	0.68%
School Transportation	0	0					
Charter Tuition Reimbursement	225,368	333,838				108,470	48.13%
Smart Growth School Reimbursement	0	0					
<b>Offset Receipts:</b>							
School Choice Receiving Tuition	1,617,281	1,495,074				-122,207	-7.56%
<b>Sub-total, All Education Items:</b>	<b>10,145,323</b>	<b>10,187,886</b>				<b>42,563</b>	<b>0.42%</b>
<b>General Government:</b>							
Unrestricted Gen Gov't Aid	4,390,877	4,544,558				153,681	3.50%
Local Sh of Racing Taxes	0	0					
Regional Public Libraries	0	0					
Urban Revitalization	0	0					
Veterans Benefits	571,215	415,275				-155,940	-27.30%
State Owned Land	63,791	95,772				31,981	50.13%
Exemp: VBS and Elderly	123,551	115,897				-7,654	-6.20%
<b>Offset Receipts:</b>							
Public Libraries	48,562	50,012				1,450	2.99%
<b>Sub-Total, All General Government</b>	<b>5,197,996</b>	<b>5,221,514</b>				<b>23,518</b>	<b>0.45%</b>
<b>Total Estimated Receipts</b>	<b>15,343,319</b>	<b>15,409,400</b>				<b>66,081</b>	<b>0.43%</b>

# Total estimated new revenue for FY2019: \$2,542,109 or 2.74%

Property Taxes and New Growth	\$ 1,948,035
Motor Vehicle, Hotel/Motel, Meals, etc.	\$ 113,144
Local Receipts (Ambulance, Medical Marijuana, Building Permits, etc.)	\$ 344,152
State Cherry Sheet - Governor's Budget	\$ 66,081
Other (Ambulance Reimbursements and Inter-fund Transfers)	\$ 70,697
<hr/>	
Total Estimated New Revenue in FY2019	\$ 2,542,109

# FY2018 Expense Breakdown:



City of Northampton  
General Fund Expenditures - FY2018  
Budget \$92,969,797

# Total Education Spending – 56.5%

The \$36.4 million in the General Fund for Northampton Public Schools and Smith Vocational and Agricultural School shown in the pie chart grows to **\$52.2 million** when including expenses related to education that are borne in other line items within the city budget. *(Figures for FY2018)*

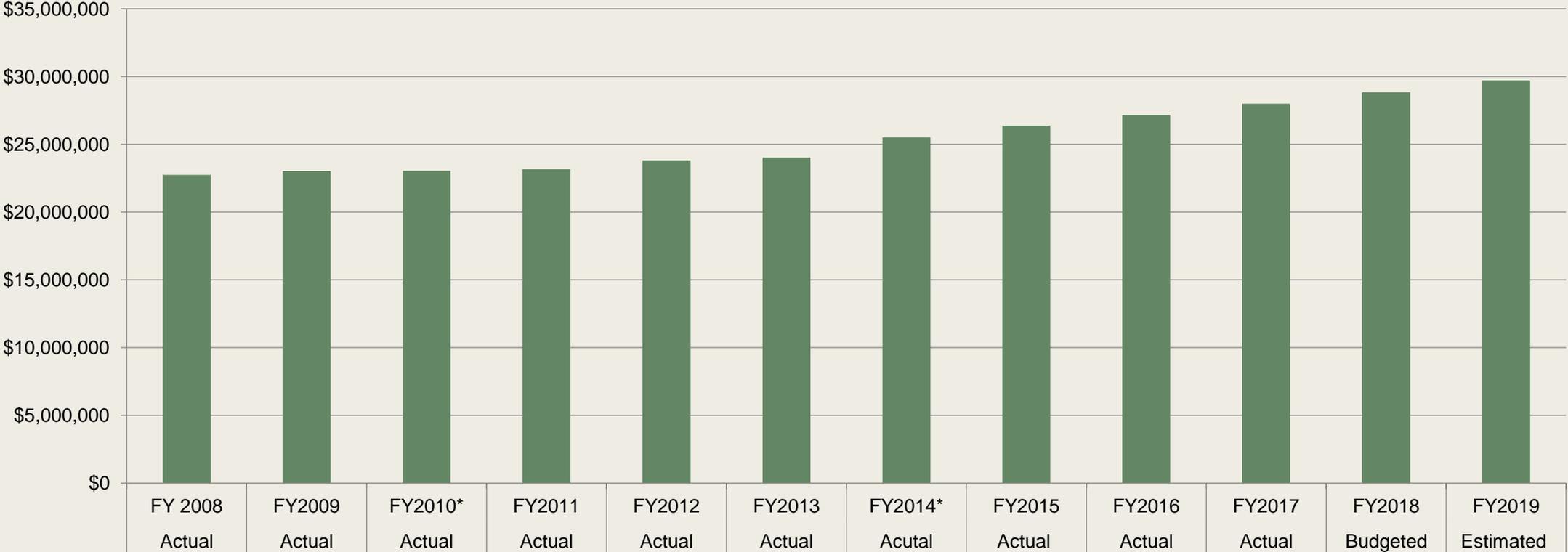
<b>Additional Spending Reflected in City Budget</b>	<b>NPS</b>	<b>SVAHS</b>	<b>Total</b>
Employee Benefits	\$ 7,277,525	\$ 1,430,759	\$ 8,708,284
Insurance (Property, Vehicle, Liability)	\$ 88,770	\$ 31,809	\$ 120,579
School Crossing Guards (Police Budget)	\$ 54,791	\$ -	\$ 54,791
Debt for School Capital Projects	\$ 1,569,242	\$ 242,383	\$ 1,811,625
Cash Capital Spending Approved for FY17	\$ 1,357,762	\$ 105,000	\$ 1,462,762
General Government (IT, HR, Auditor, etc.)	\$ 587,251	\$ 150,533	\$ 737,784
Central Services	\$ 207,649	\$ 33,842	\$ 241,491
Charter School Tuition for Outgoing Northampton Students	\$ 2,406,895	\$ -	\$ 2,406,895
School Choice Tuition for Outgoing Northampton Students	\$ 557,627	\$ -	\$ 557,627
<b>TOTAL ADDITIONAL SPENDING ON EDUCATION IN FY2017</b>	<b>\$ 14,107,512</b>	<b>\$ 1,994,326</b>	<b>\$ 16,101,838</b>
<b>LINE ITEM SPENDING ON EDUCATION IN FY2017</b>	<b>\$ 28,838,966</b>	<b>\$ 7,630,926</b>	<b>\$ 36,469,892</b>
<b>TOTAL EDUCATIONAL SPENDING IN FY2018</b>	<b>\$ 42,946,478</b>	<b>\$ 9,625,252</b>	<b>\$ 52,571,730</b>
<b>FY2018 Total General Fund Budget</b>			<b>\$ 92,969,797</b>
<b>% School Related Expenses:</b>			<b>56.5%</b>

# Total estimated increase for Northampton Public Schools for FY2019 – 3.0% or **\$865,169**

## General Fund Appropriation for Northampton Public Schools

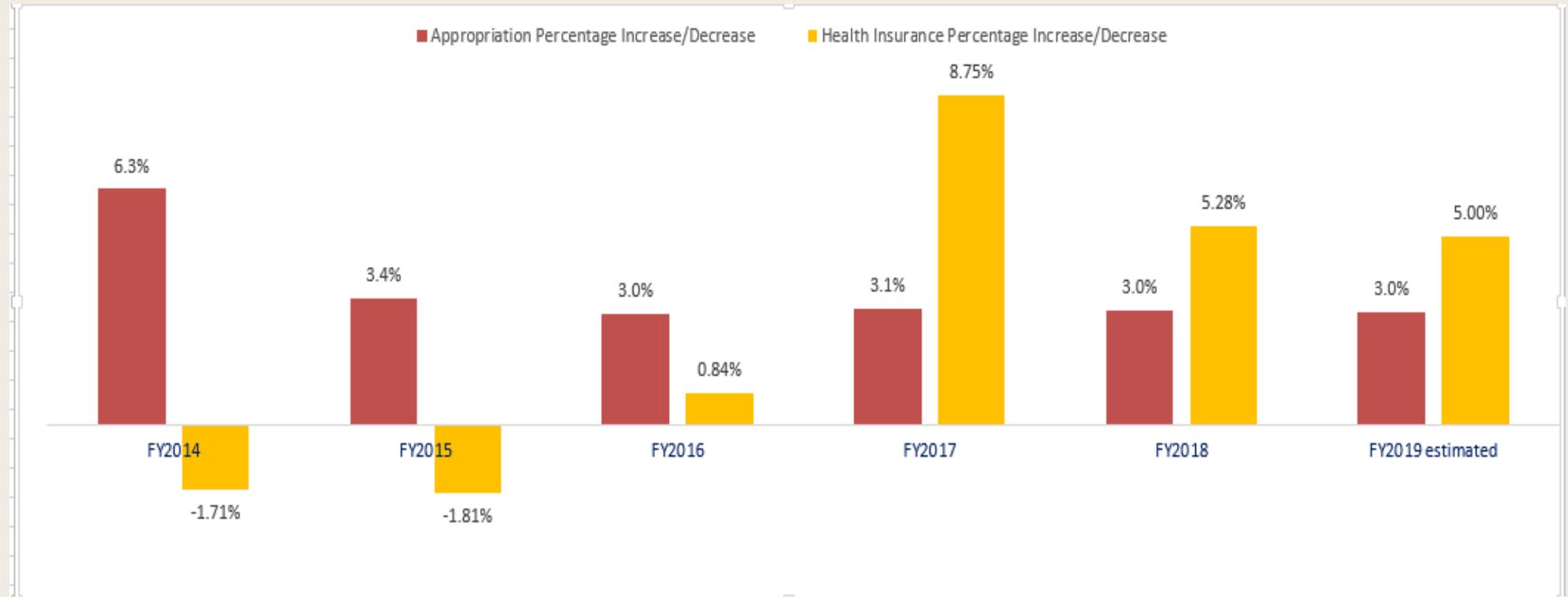
does not include annual indirect costs for employee benefits, school capital debt

\* denotes override years



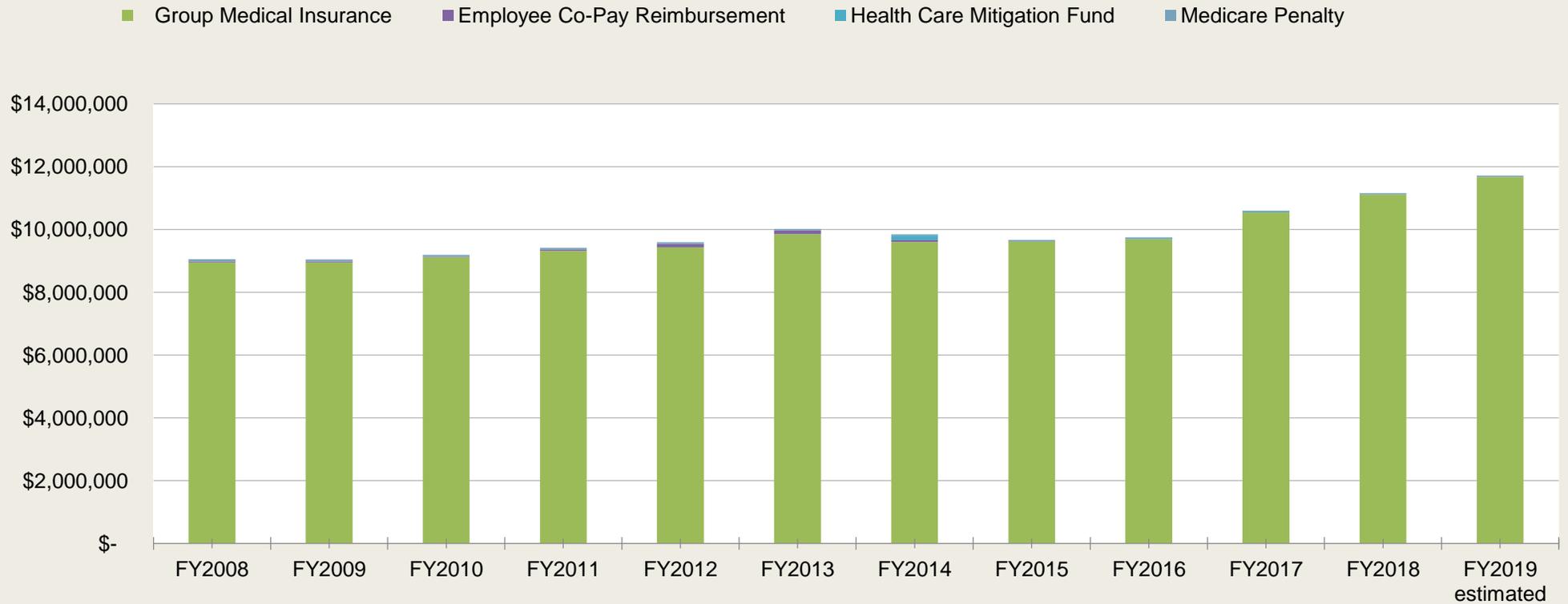
# Comparison of growth in the appropriations for Northampton Public Schools and employee/retiree health insurance:

(49.3% of health insurance costs are for NPS active/retired employees)



# Total estimated increase for employee health insurance – 5% anticipated premium increase - \$558,619

## City of Northampton



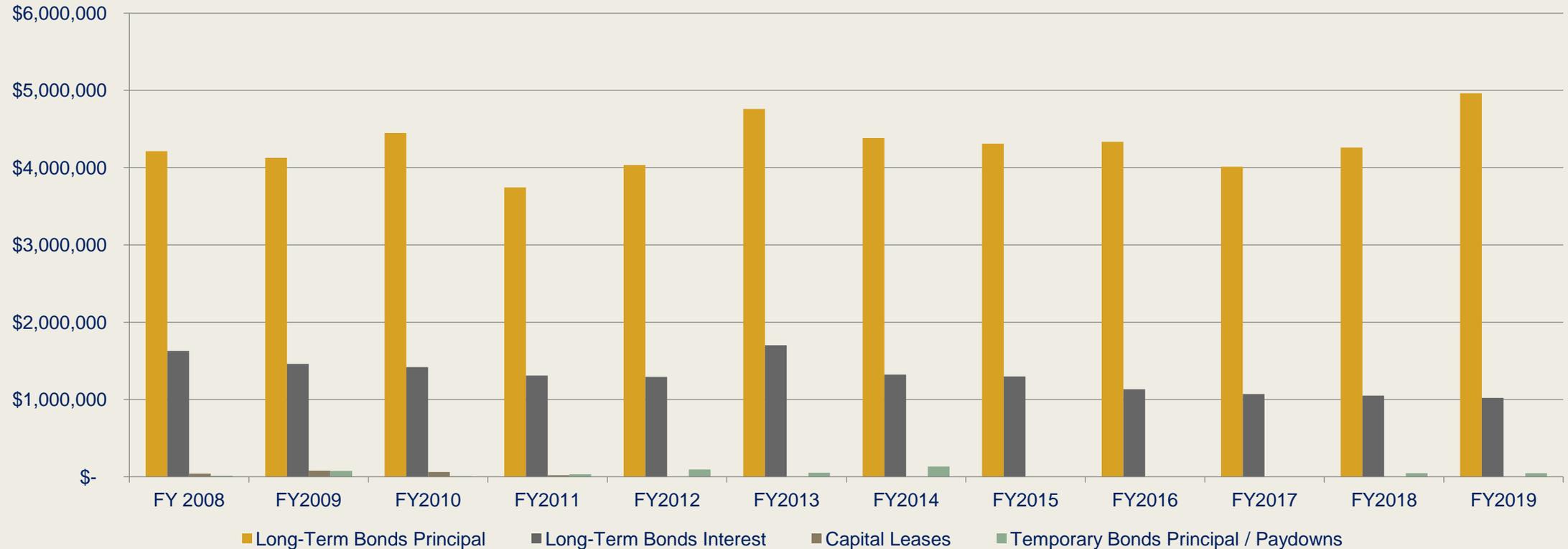
# Total estimated increase for debt service – \$675,434

(\$414,500 is related to the increase in non-debt excluded Police Station Debt)

## General Fund Debt Expenditures

FY2008 - FY2019

FY2019 Estimated



# Estimated increase in state charges for FY2019 = \$315,805

	FY2019 Local Aid Assessments Northampton					Net Change - FY19 Governor's Budget versus FY18 State Aid	Net Change %
	FY2018 Cherry Sheet Estimate	FY2019 Governor's Budget Proposal	FY2019 House Budget Proposal	FY2019 Senate Budget Proposal	FY2019 Conference Committee		
<b>County Assessments:</b>							
County Tax	0	0					
Suffolk County Retirement	0	0					
Essex County Reg Comm Center	0	0					
<b>Sub-Total, County Assessments:</b>	<b>0</b>	<b>0</b>				<b>0</b>	<b>0.00%</b>
<b>State Assessments and Charges:</b>							
Retired Employees Health Insurance	0	0					
Retired Teachers Health Insurance	0	0					
Mosquito Control Projects	0	0					
Air Pollution Districts	8,305	8,485				180	2.17%
Metropolitan Area Planning Council	0	0					
Old Colony Planning Council	0	0					
RMV Non-Renewal Surcharge	81,640	81,640				0	0.00%
<b>Sub-Total, State Assessments:</b>	<b>89,945</b>	<b>90,125</b>				<b>180</b>	<b>0.20%</b>
<b>Transportation Authorities:</b>							
MBTA	0	0					
Boston Metro. Transit District	0	0					
Regional Transit	426,966	442,864				15,898	3.72%
<b>Sub-Total, Transp Authorities:</b>	<b>426,966</b>	<b>442,864</b>				<b>15,898</b>	<b>3.72%</b>
<b>Annual Charges Against Receipts:</b>							
Multi-Year Repayment Program	0	0					
Special Education	0	0					
STRAP Repayments	0	0					
<b>Sub-Total, Annual Charges:</b>	<b>0</b>	<b>0</b>					
<b>Tuition Assessments:</b>							
School Choice Sending Tuition	557,627	451,800				-105,827	-18.98%
Charter School Sending Tuition	2,406,895	2,812,449				405,554	16.85%
<b>Sub-Total, Tuition Assessments:</b>	<b>2,964,522</b>	<b>3,264,249</b>				<b>299,727</b>	<b>10.11%</b>
<b>Total Estimated Charges:</b>	<b>3,481,433</b>	<b>3,797,238</b>				<b>315,805</b>	<b>9.07%</b>

# Net State Aid

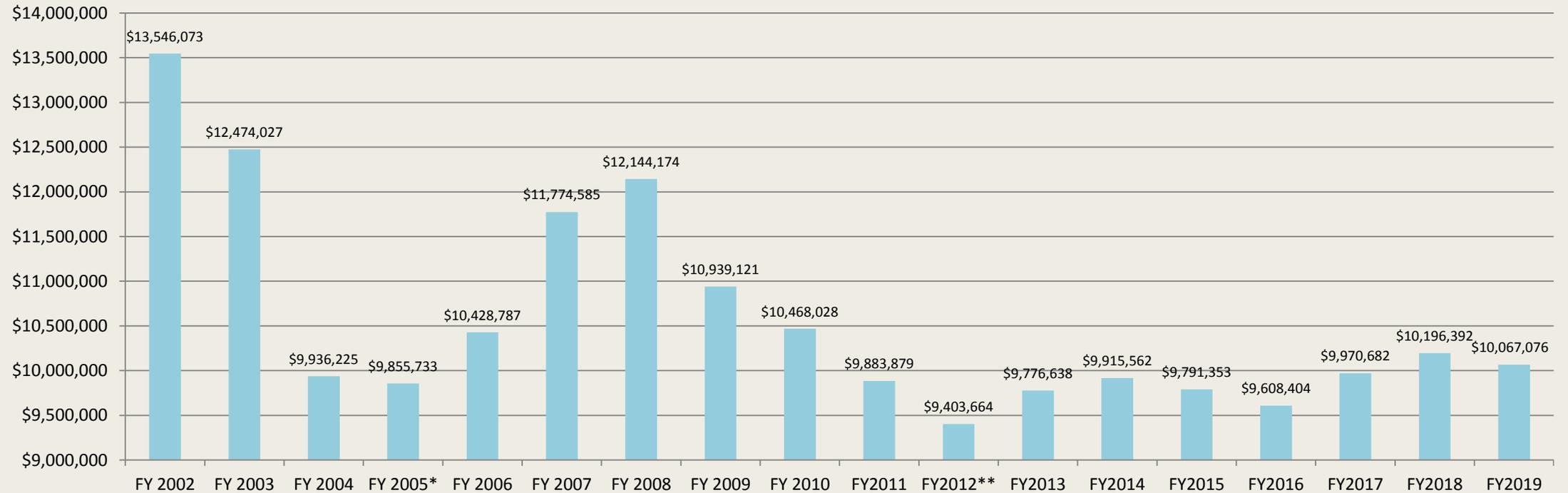
## Net State Aid from FY2002 - FY2019

net state aid excludes offsets and MSBA payments

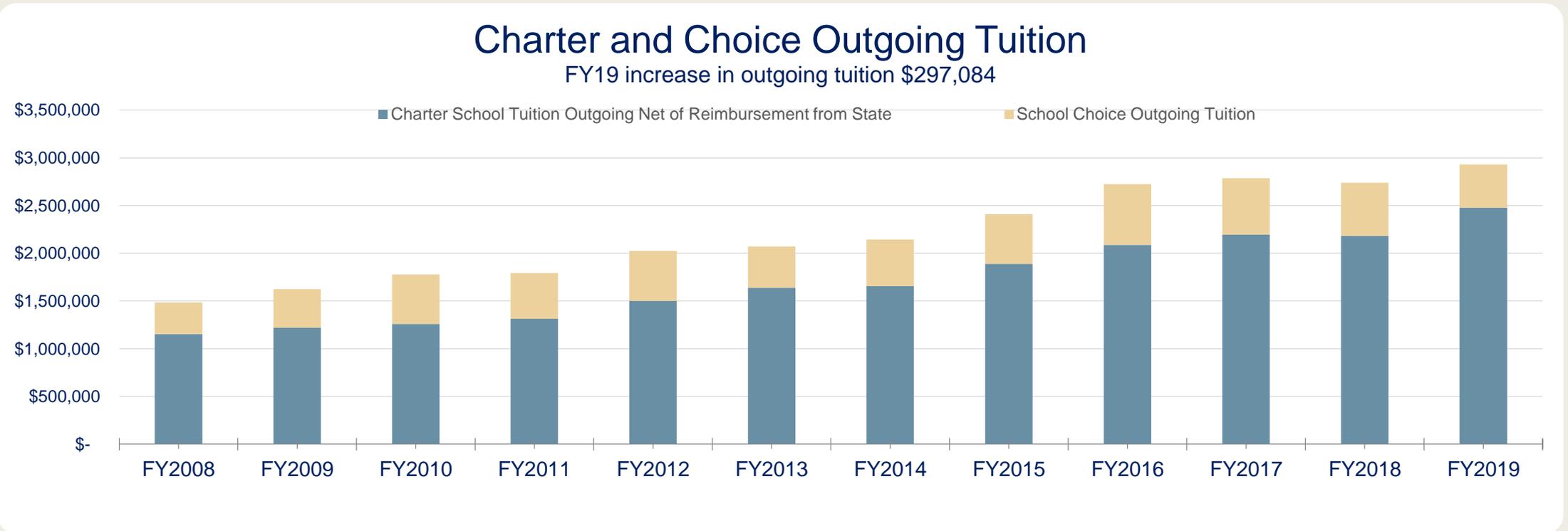
FY2019 is based on the Governor's Budget

\* does not include additional State Municipal Relief Aid in FY2005

\*\* does not include supplemental appropriation



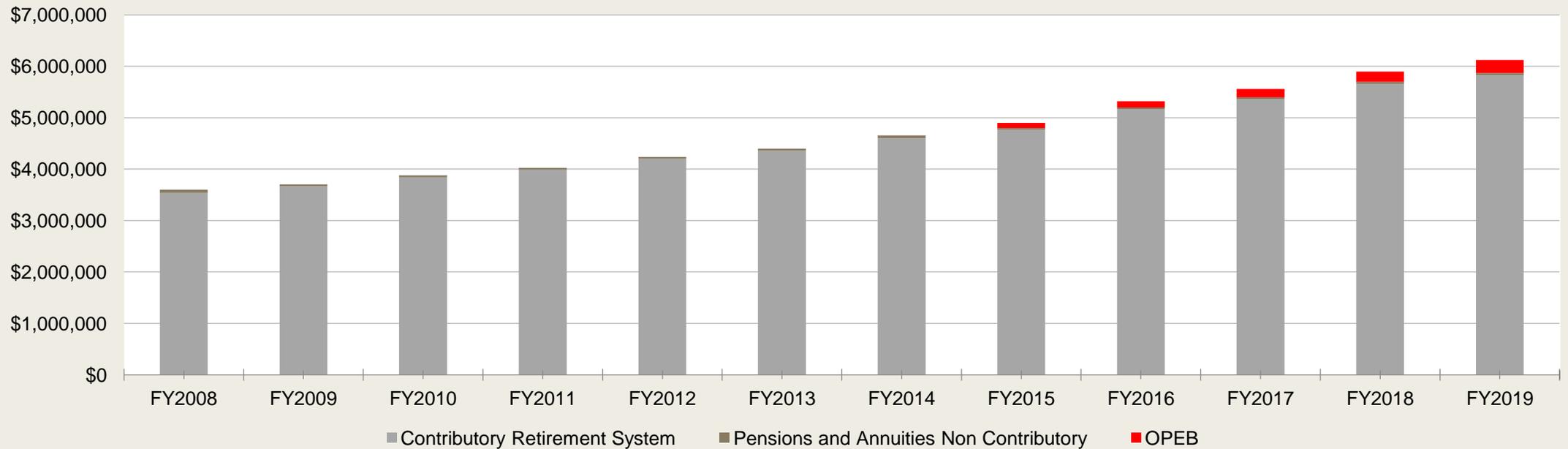
# Charter and School Choice – Outgoing tuition continues to increase with reimbursements not fully funded



Governor’s budget level-funds charter school reimbursement at \$80.5 million, approximately \$85 million below the amount needed to fully fund the schedule in state law. Meanwhile, total tuition assessments grow by \$66 million or 11% in fiscal 2019 to more than \$660 million.

# Retirement and OPEB Increases = \$224,515

Retirement System Contribution and OPEB Trust for Retiree Health Insurance  
FY2008 - FY2019  
FY2019 is estimated



# Preliminary estimate of increases/decreases in expenses for FY2019:

Education - Northampton Public Schools	\$ 865,169
Employee Health Insurance	\$ 558,619
Debt	\$ 675,434
State Cherry Sheet - Governor's Budget	\$ 315,805
Retirement and OPEB	\$ 224,515
Departmental (non- School) Increases at 2.75%	\$ 697,628
Other - Insurances, Cash Capital, Salary Reserve	\$ 159,922
<u>Off-sets for School Choice and Libraries</u>	<u>\$ (120,757)</u>
Preliminary Increases/Decreases Total:	\$ 3,376,334

# Estimated FY2019 Revenues vs Expenses:

Estimated New Revenue:	\$2,542,109
<u>Preliminary and incomplete estimate of increased expenses:</u>	<u>(\$3,376,334)</u>
Preliminary Shortfall:	(\$ 834,225)

## Budget unknowns:

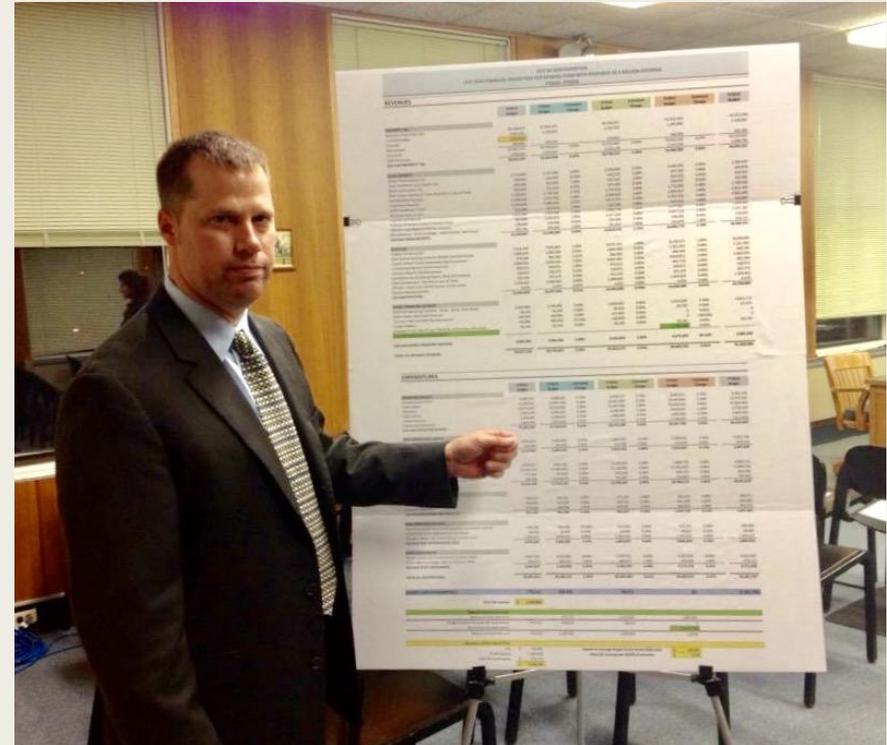
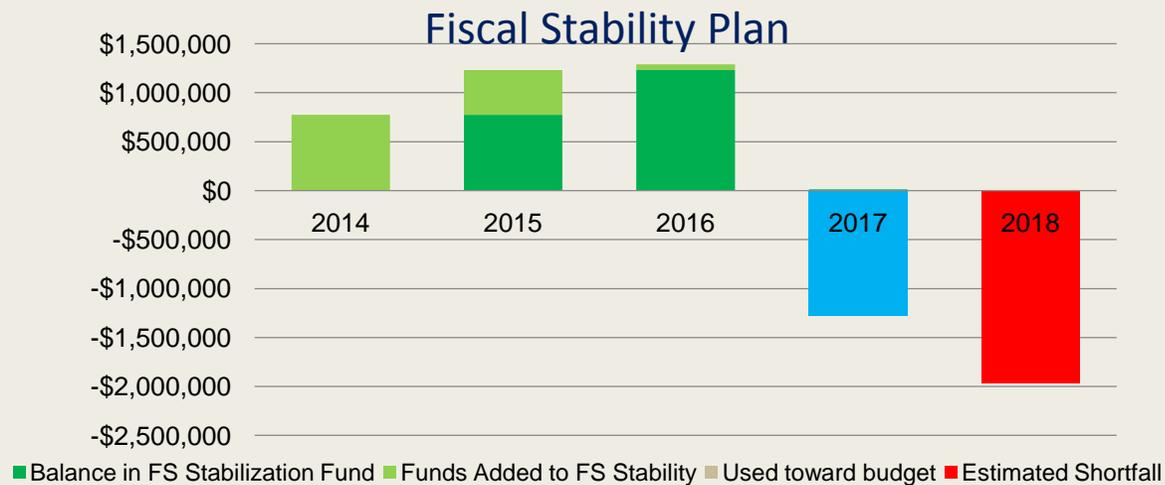
- ❖ Does not include increase for SVAHS – not yet determined
- ❖ Assumes a 5% increase for Health Insurance – not known until March
- ❖ Assumes 2.75% increases for non-school city departments – in process of developing budgets now
- ❖ Costs for Workers Comp, Property and Liability, Vehicle Insurance, etc not yet known
- ❖ House Budget versus Governor's Budget – state budget process has just begun
- ❖ Retail Marijuana Revenue?

# Fiscal Stability Plan

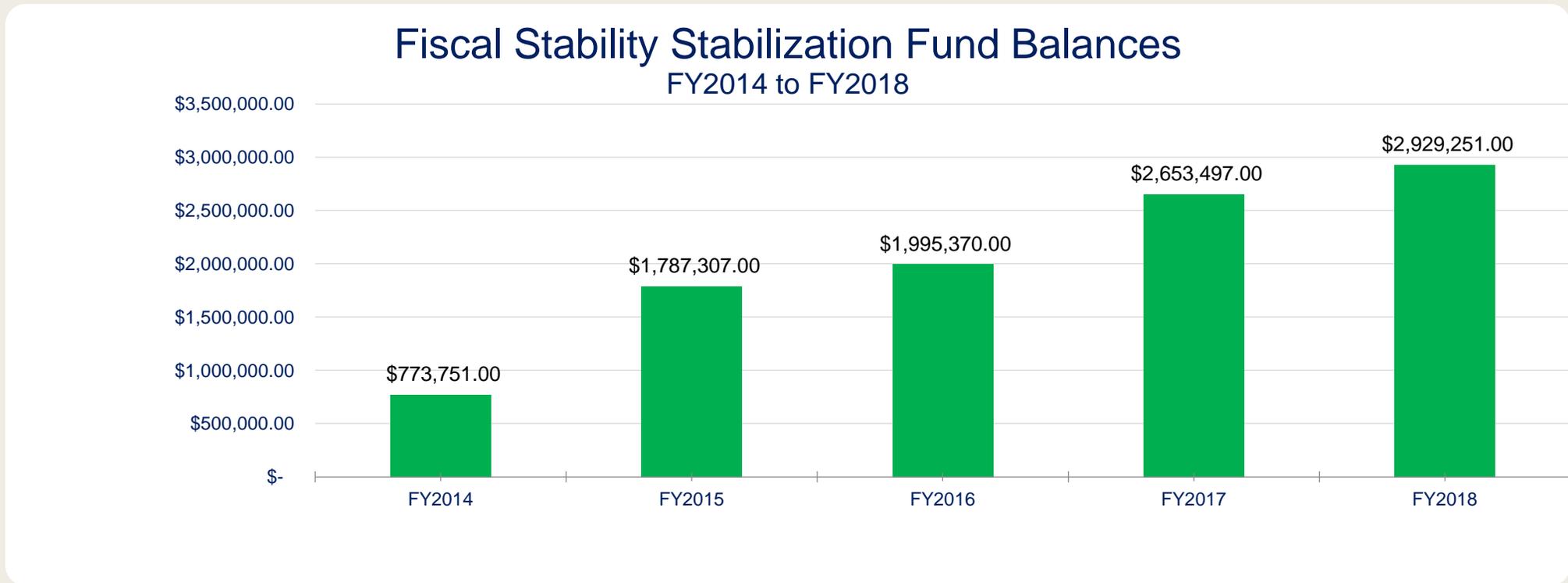
first presented to city council on April 18, 2013

*In June 2013 voters adopted \$2.5 million operating override as part of multi-year Fiscal Stability Plan that called for no service reductions for four years. Funds would be set aside in FY2014, FY2015 and FY2016 for use in FY2017 to maintain fiscal stability for four straight fiscal years.*

## Original FY2014 - FY2018



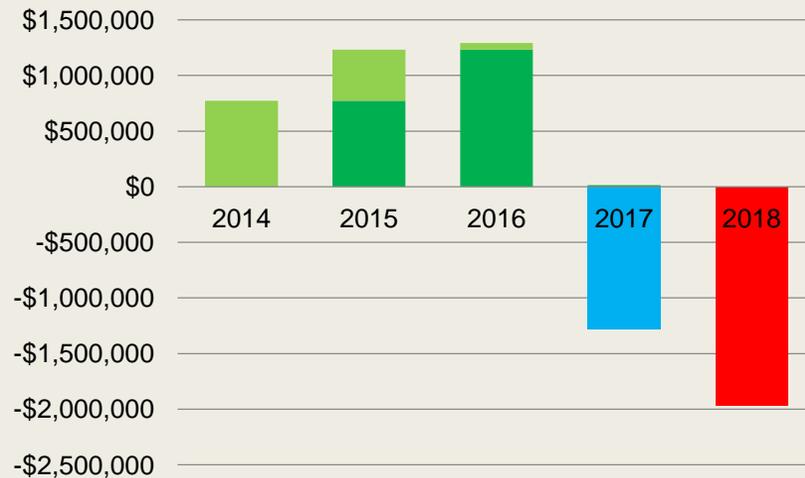
# Fiscal Stability Fund FY2014 – FY2018



# Fiscal Stability Plan – Preliminary FY2019 Update

Assumes use of approximately \$850,000 from the Fiscal Stability Fund for FY2019

Original Fiscal Stability Plan  
FY2014 - FY2018



Preliminary Updated Fiscal Stability Plan  
FY2014 - FY2021



■ Balance in FS Stabilization Fund  
 ■ Funds Added to FS Stability  
 ■ Used toward budget  
 ■ Estimated Shortfall

# FY2019 Budget Timeline

- **January 30, 2018** – Mayor’s Joint meeting of the City Council & School Committee
- **March 2018** – Mayor submits proposed FY2019 Water and Sewer rates to City Council
- **April 17, 2018** – Northampton Public Schools and Smith Vocational & Agricultural High School Adopted Budgets Submitted to the Mayor
- **Late April, 2018** – Mayor holds Town Hall Budget Meetings in Northampton, Florence, and Leeds - TBA
- **May 17, 2018** – Mayor submits proposed City of Northampton FY2019 Budget to City Council
- **May 31, 2018** – Deadline for City Council to hold public hearing and vote on 5-year Capital Improvement Program
- **June 30, 2018** – Deadline for City Council to hold a public hearing and vote on proposed FY2018 Budget