

# Free Cash

# Generation of Free Cash



Free Cash is generated from three sources:

- ▶ Funds remaining and unspent from the prior year's fund balance
- ▶ Revenues that come in above projections
- ▶ Unspent amounts in departmental budgets

This balance is offset by any deficits the city may have, such as uncollected funds from grant reimbursements and Chapter 90 (funding for street improvements).

# Unspent funds from FY2024

\$4.8M not spent in FY2024 – represents 41.46% of the total certified free cash.

- ▶ \$3.15M from the \$10M of the ARPA Loss Revenue was taken in FY2022 as an eligible use. The Council voted to accept ARPA funds based on the Treasury's guidelines on 12/16/2021.
- ▶ \$1.68M remaining from regular free cash

# Targeted Uses of Unspent FY2024

- ▶ As indicated in the Mayor's Free Cash statement on December 17, 2024, written in the May 15, 2024 FAQ on Stabilization and Undesignated Fund Balances, and also in the FY25 Budget, it has been planned that these funds be used for construction of the underground infrastructure upgrades on Main Street, and the road safety improvements at Northampton High School. The plan to use ARPA funds for Main Street infrastructure is also in the Picture Main Street FAQ, released on Sept. 26, 2023
- ▶ On 1/19/23 the Council unanimously voted to appropriate \$500,000 from Free Cash for design for the NHS road safety improvements. There was a detailed discussion in Council, as well as a TPC meeting attended by most councilors preceding the vote. During the FY2024 CIP presentation in March 2023, the Mayor discussed that the Council had already appropriated the funds for the design for the project on that capital plan and reiterated that there will be significantly more funding needed for the next stages of the project, likely at least \$3M, but it needs final engineering to have that total.

# Revenues

- ▶ FY2024 Revenues generated equal 47.59% of the total certified Free Cash
- ▶ Broken down
  - ▶ Revenues excluding the high interest on Investments represents 26.72% of the total certified Free Cash
  - ▶ High interest on Investments represents 20.87% of the total certified Free Cash

# Interest on Investments

- ▶ In FY2023, in an effort to take advantage of the increased rates, the Treasurer identified a higher-interest banking vehicle for municipal and commercial entities.
- ▶ It provides 90% of the Secured Overnight Financial Rate (SOFR), which had resulted in an average rate between 4.8% to 4.9% in FY2024. In order to take advantage of that rate, the Treasurer has also made changes to manage the funds differently, resulting in more money going into this account and staying there longer.
- ▶ While this has resulted in a substantial increase in the revenue of this budget line in FY2023 & FY2024, it should be noted that the five-year average before FY2023 was \$201,924
- ▶ This budget line has not been relied on in the past as interest is an unpredictable revenue source as it is dependent on variable factors such as the amount of money in the account and the current interest rates.
- ▶ The Federal Reserve has dropped interest rates three times since September 2024 for a total of 1% with more cuts expected in 2025.
- ▶ The interest rate in the SOFR account has already dropped from 4.92% to 3.94% since June 2024.

# Investment Income – 20 Year history



# FY2024 Turn backs from PS & OM

\$1,276,159 or 1.09% of the FY2024 general fund budget operating budget (117 lines)

- ▶ *2.14% is the 10 year average*

# Since the Pandemic, municipalities across the nation have experienced higher-than-usual free cash balances

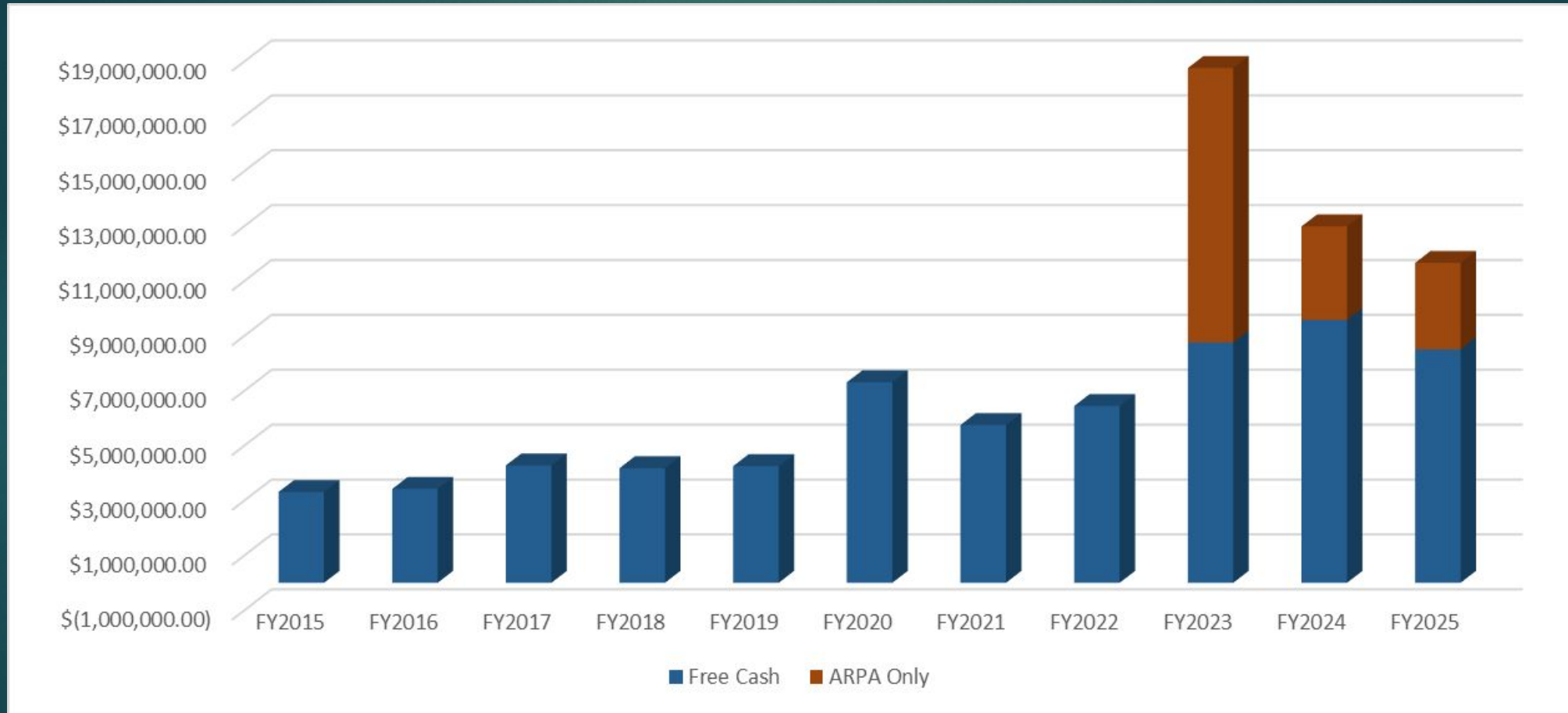
## Unprecedented Release of Federal Funds

- ▶ Coronavirus Relief Fund Act (CARES) funding
- ▶ Federal Emergency Management Agency (FEMA) funding
- ▶ American Rescue Plan Act (ARPA) funding

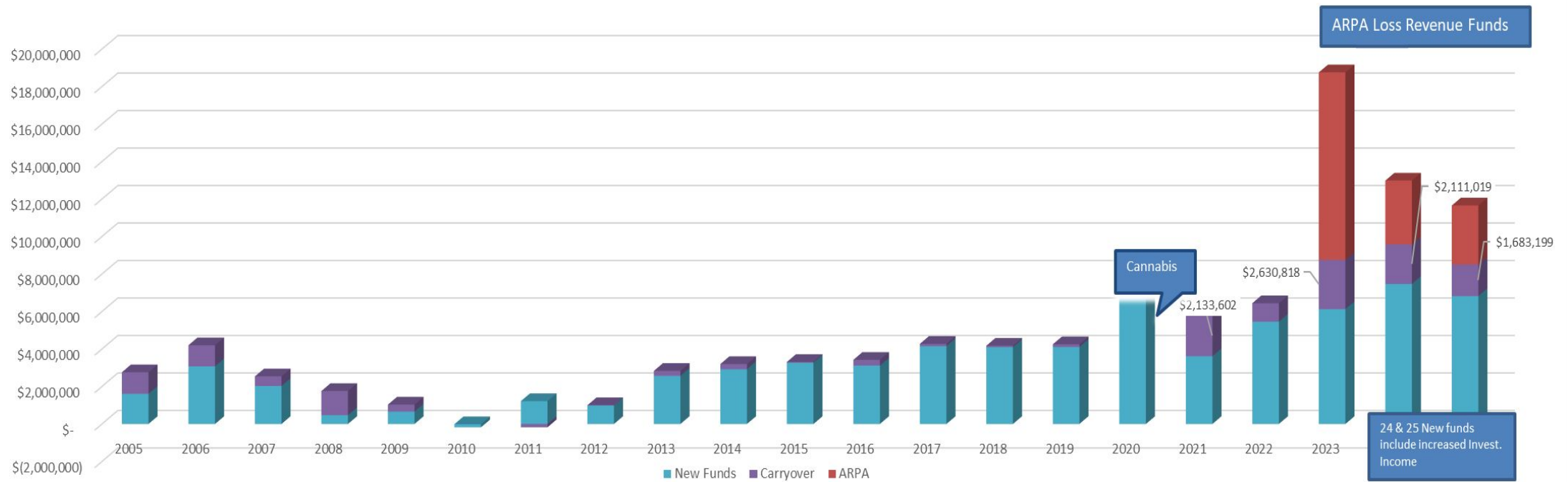
## Other Factors

- ▶ Reduced spending
- ▶ Cautious budgeting estimates
- ▶ Loss in work-force (DPW) resulting in turnbacks from vacancies
- ▶ Revenues Rebounding in FY2023

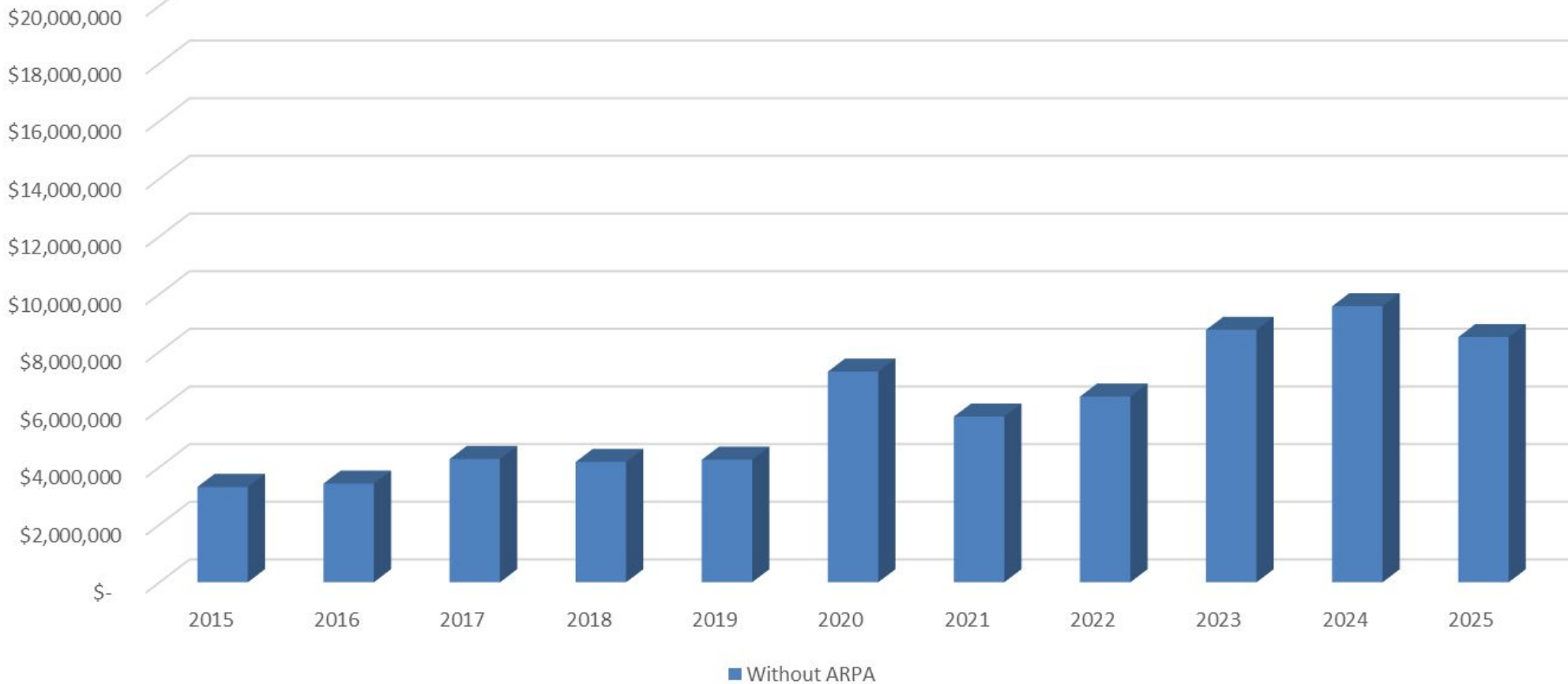
# Certified Free Cash



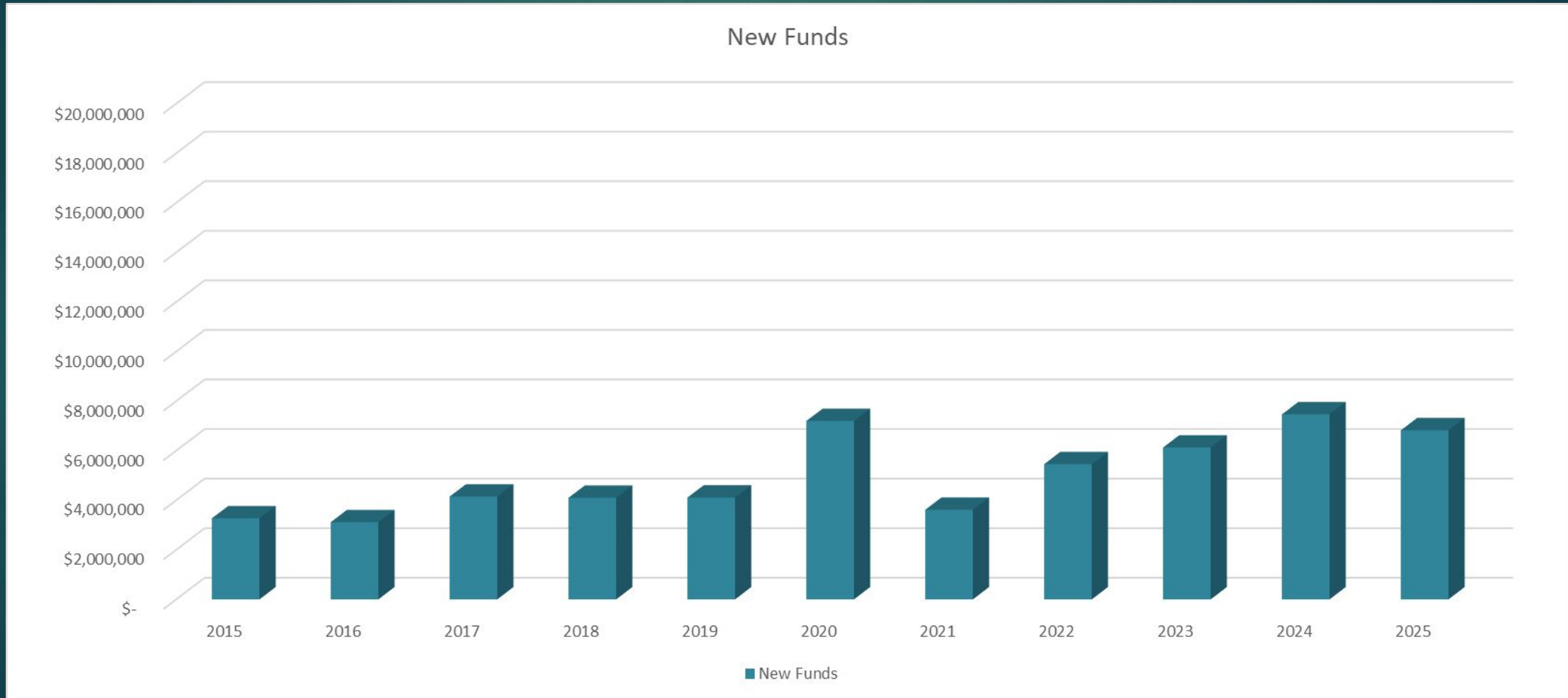
# Free Cash New Funds, Carryover, ARPA



# Free Cash without ARPA



# Free Cash without Carryover – Just new funds



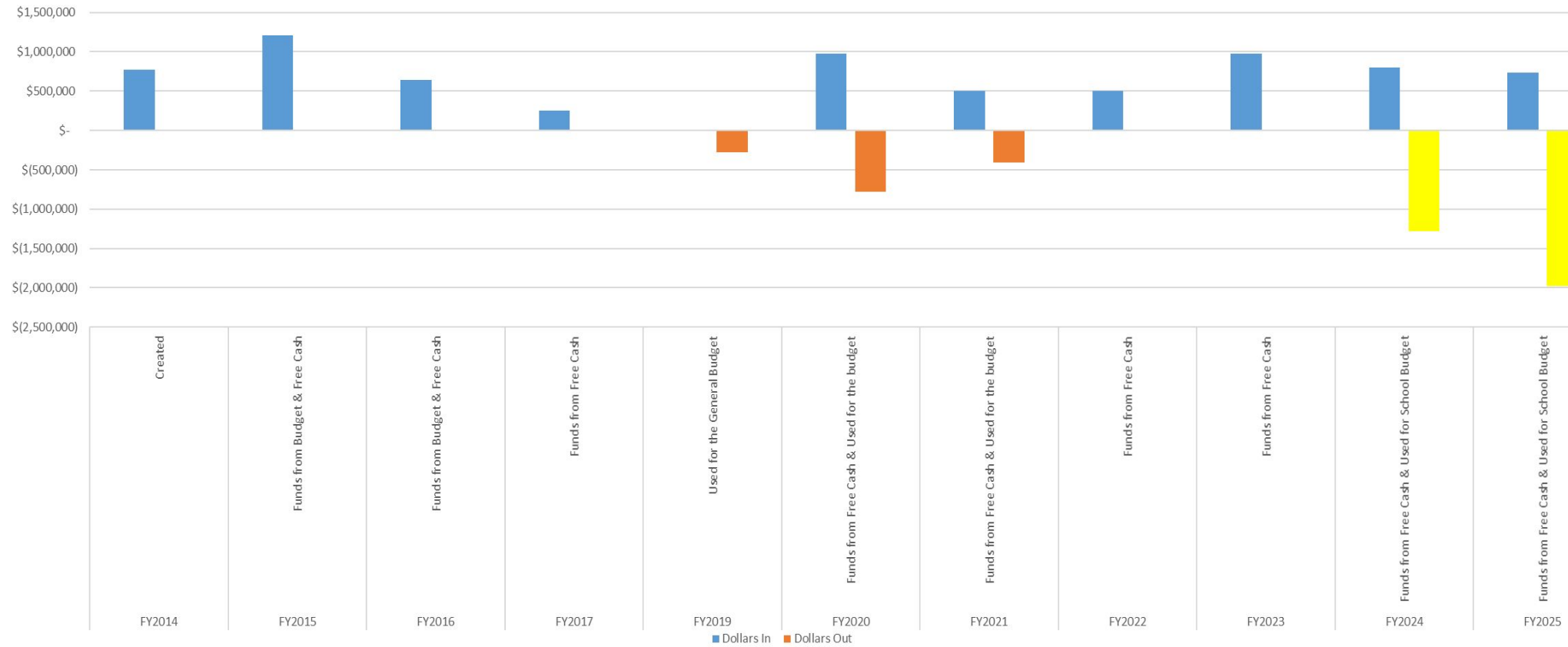
# Revenue Uses

- ▶ Cautious budgeting of revenue projections ensures that we do not exceed projections and leaves enough revenue to absorb increases in expenses in future years. Revenues over projections also help fund reserve accounts and supports capital infrastructure.
- ▶ Reserves are for emergencies, unexpected expenses (General Stabilization), capital projects (Capital and Climate Mitigation Stabilization), and supports the NPS special educational expenses (NPS Special Educational Stabilization).
- ▶ Generally, reserves should not be used for ongoing yearly expenses – operational budget, except in planned manner which is the purpose of the Fiscal Stability Stabilization fund. The transfer of funds from the Fiscal Stability Stabilization Fund supports the operational budget in a planned manner between Overrides.
- ▶ As revenue projections are pushed more to support increases in the operational budget, there will be less Free Cash generated to support reserves.
- ▶ By pushing both revenue projections and using reserves for operational needs (recurring expenses), you will eventually have a significant deficit.
- ▶ The City of Northampton uses its revenues for ongoing operations and its reserves for one-time expenses.

# Fiscal Stability Funding and Uses

Fiscal Yr.	Purpose	Fiscal Stability	
		Dollars In	Dollars Out
FY2014	Created	\$ 774,090	
FY2015	Funds from Budget & Free Cash	\$ 1,213,323	
FY2016	Funds from Budget & Free Cash	\$ 641,926	
FY2017	Funds from Free Cash	\$ 250,000	
FY2019	Used for the General Budget		\$ (277,850)
FY2020	Funds from Free Cash & Used for the budget	\$ 980,414	\$ (775,874)
FY2021	Funds from Free Cash & Used for the budget	\$ 500,000	\$ (411,367)
FY2022	Funds from Free Cash	\$ 500,000	
FY2023	Funds from Free Cash	\$ 973,123	
FY2024	Funds from Free Cash & Used for School Budget	\$ 798,127	\$ (1,284,954)
FY2025	Funds from Free Cash & Used for School Budget	\$ 737,556	\$ (1,980,757)
	Total	\$ 7,368,559	\$ (4,730,802)

# Fiscal Stability Funding and Uses



# DOR – Stabilization Funds as a % of the Budget



**D L S**  
 DIVISION OF LOCAL SERVICES  
 MA DEPARTMENT OF REVENUE

Data Analytics and Resources Bureau  
 Category 1 - Stabilization & Special Purpose Stabilization  
 Funds as a % of Total Budget  
 Data current as of 12/26/2024

For Questions or Assistance Email us at :  
[databank@dor.state.ma.us](mailto:databank@dor.state.ma.us)

Select Municipalities:  Select Fiscal Years:




DOR Code	Municipality	Schedule A Fiscal Year	Stabilization Fund Balance	Special Purpose Stabilization Fund Balance	Total Stabilization Fund Balance	Operating Budget	Stabilization Fund as % of Budget	Special Purpose Stabilization as % of Budget	Total Stabilization as % of Budget
214	Northampton	2020	31,635,784	0	31,635,784	104,777,753	30.19%	0.00%	30.19%
214	Northampton	2021	27,643,292	0	27,643,292	113,522,777	24.35%	0.00%	24.35%
214	Northampton	2022	29,143,247	0	29,143,247	113,249,765	25.73%	0.00%	25.73%
214	Northampton	2023	6,123,343	27,845,135	33,968,478	131,121,232	4.67%	21.24%	25.91%
214	Northampton	2024	5,673,579	30,192,149	35,865,728	131,214,300	4.32%	23.01%	27.33%

# Explanation of Information in the Department Of Revenue Chart

- ▶ The details of this chart are from each municipality's schedule A information. Prior to FY2023 all stabilization balances were combined into one total. In FY2023 the DOR started distinguishing a general stabilization fund from all special purpose stabilization funds.
- ▶ The City currently has one general stabilization fund and eight special purpose stabilization fund accounts with funds in them.
- ▶ The General Stabilization Fund totals \$5.67M in FY2024
- ▶ Special purpose stabilization accounts are established and voted for specific purposes.
- ▶ The City of Northampton has had ten special purpose stabilization funds over the years. The Cannabis stabilization and Opioid Stabilization accounts no longer have funds in them. Of the remaining eight special purpose stabilization accounts, four are general fund stabilization funds and four are enterprise stabilization funds.
- ▶ The four general fund stabilization accounts are Capital Stabilization, Fiscal Stability Stabilization, Climate Mitigation Stabilization, and the Northampton Public School Special Education Stabilization. These total \$13.66M in FY2024
- ▶ The four enterprise stabilization funds are Water, Sewer, Solid Waste and Stormwater. These total \$16.52M in FY2024. Not all city and towns have enterprise systems and even if they do have them, they may not have enterprise stabilization accounts.
- ▶ The operating budget listed in the DOR account includes the operating budget listed in the budget booklet plus all votes from free cash, stabilization, gifts, and all general fund appropriations for the Capital Improvement Program. It does not include the enterprise operating budgets or enterprise stabilization appropriations or appropriations from the Community Preservation Act (CPA) funds.

# Stabilization Funds as a % of the Budget adjusted to remove enterprise funds



Schedule A Fiscal Year	Stabilization Fund Balance	Special Purpose Stabilization Fund Balance	Total Stabilization Fund Balance	Regular Stabilization	Special Stabilization (OPIOID, Cannabis, Special Educ., Climate, Capital, Fiscal)	Total General Funds (no Enterprise)	Enterprise Stabilization Funds ONLY	Operating Budget (includes all votes from FC, Stab, gifts, CIP but not Enterprise)	Regular Stab as % of Budget	Special Purpose Stabilization as % of Budget	Only General Fund Stabilization funds as % of the budget	Total Stabilization as % of Budget
2020	\$ 31,635,784	\$ -	\$ 31,635,784	\$ 5,275,509	\$ 9,847,223	\$ 15,122,732	\$ 16,513,051	\$ 104,777,753	5.03%	9.40%	14.43%	30.19%
2021	\$ 27,643,292	\$ -	\$ 27,643,292	\$ 5,814,089	\$ 6,413,435	\$ 12,227,524	\$ 15,415,767	\$ 113,522,777	5.12%	5.65%	10.77%	24.35%
2022	\$ 29,143,247	\$ -	\$ 29,143,247	\$ 6,294,535	\$ 7,529,085	\$ 13,823,620	\$ 15,319,627	\$ 113,249,765	5.56%	6.65%	12.21%	25.73%
2023	\$ 6,123,343	\$ 27,845,135	\$ 33,968,478	\$ 6,123,343	\$ 12,065,772	\$ 18,189,115	\$ 15,779,363	\$ 131,121,232	4.67%	9.20%	13.87%	25.91%
2024	\$ 5,673,579	\$ 30,192,149	\$ 35,865,728	\$ 5,673,579	\$ 13,663,095	\$ 19,336,675	\$ 16,529,053	\$ 131,214,300	4.32%	10.41%	14.74%	27.33%

# List of Stabilization Funds

## Amherst, Easthampton, Northampton FY24

### Amherst – total \$18.1M

General stabilization - \$9.98M

Special Stabilization Funds – \$8.18M

- Capital Stabilization - \$7.69M
- Reparatons Stabilization \$484K

Enterprise Stabilization Funds

- None

### Easthampton – total \$9.17M

General stabilization - \$5.02M

Special Stabilization Funds – \$4.1M

- Capital Stabilization - \$4.06M
- Tax Rate Stabilization - \$85k

Enterprise Stabilization Funds

- None

### Northampton – total \$35,865,727

General stabilization - \$5.67M

Special Stabilization Funds – \$13.66M

- Capital Stabilization - \$4.84M
- Fiscal Stability Stabilization - \$4.12M
- Climate Mitigation Stabilization - \$3.89M
- Special Education Stabilization - \$800K

Enterprise Stabilization Funds – \$16.52M

- Water Stabilization – \$2.39M
- Sewer Stabilization - \$11.84M
- Solid Waste Stabilization - \$1.7M
- Stormwater Stabilization - \$588K

# Stabilization Funds as a % of the Budget Comparison to neighboring communities – FY2024



Municipality	Regular Stabilization	Special Stabilization	Total General Funds (no Enterprise)	Enterprise Stabilization Funds ONLY	Operating Budget (includes all votes from FC, Stab, gifts, CIP but not Enterprise)	Regular Stab as % of Budget	Special Purpose Stabilization as % of Budget	Only General Fund Stabilization funds as % of the budget	Total Stabilization as % of Budget
Amherst	\$ 9,986,173.66	\$ 8,184,577.06	\$18,170,750.72	\$ -	\$ 101,016,562	9.89%	8.10%	17.99%	17.99%
Easthampton	\$ 5,025,975.38	\$ 4,151,807.33	\$ 9,177,782.71	\$ -	\$ 60,180,723	8.35%	6.90%	15.25%	15.25%
Northampton	\$ 5,673,579	\$ 13,663,095	\$ 19,336,675	\$ 16,529,053	\$ 131,214,300	4.32%	10.41%	14.74%	27.33%

### Only General Fund Stabilization funds as % of the budget

