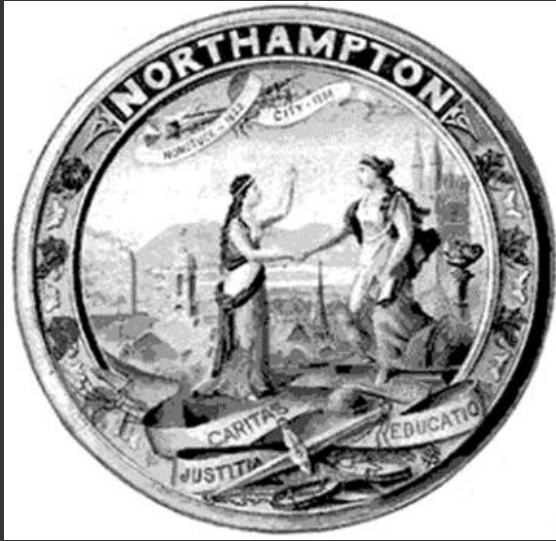




Financial Trends and Projections for FY2018 Budget Process

Joint Meeting of the Northampton City Council and School Committee

Mayor David J. Narkewicz, January 31, 2017

Agenda

- Northampton Compared with Neighboring and/or Similar Size Communities for selected financial indicators
- Review of Revenue and Expenditure Trends
- Five Year Fiscal Stability Plan – General Fund
- Revenue and Expenditure Projections for Fiscal Year 2018
- Fiscal Year 2018 Budget Calendar
- Questions and Comments

How do we compare fiscally to neighboring communities?

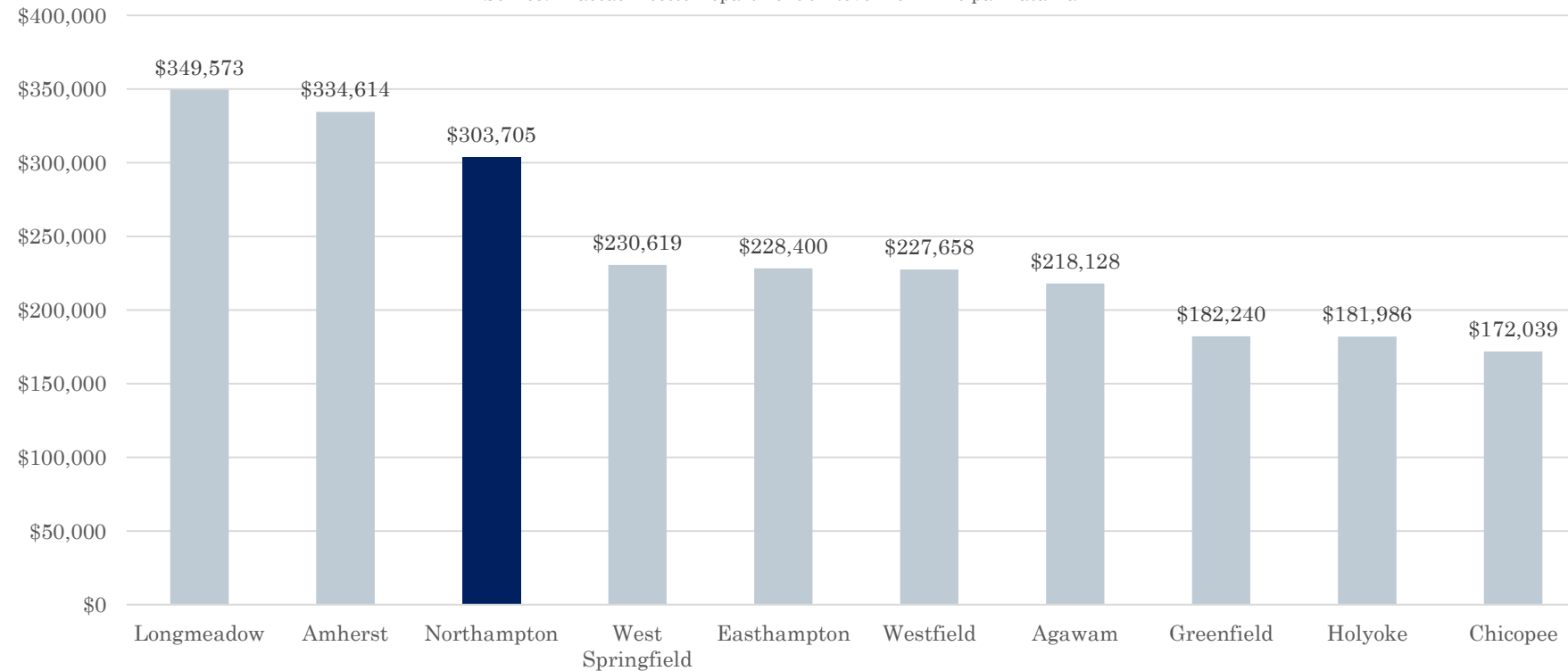
Agawam, Amherst, Chicopee, Easthampton, Greenfield, Holyoke,
Longmeadow, West Springfield, Westfield

Comparison with Neighboring Communities: Average Single Family Home Value

Average Single Family Home Value - FY2017

State Average is \$399,473

Source: Massachusetts Department of Revenue Municipal Data Bank

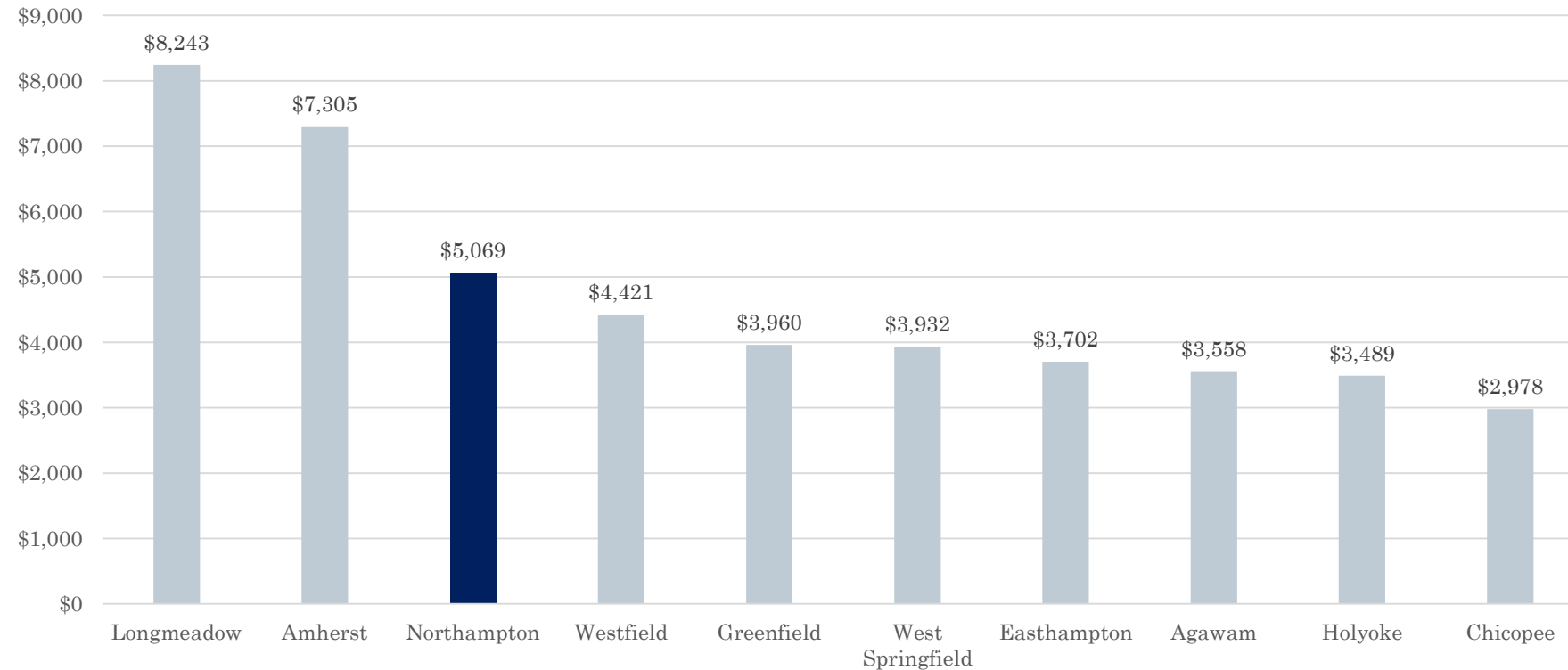


Comparison with Neighboring Communities: Average Single Family Tax Bill

Single Family Tax Bill - FY2017

State Average is \$5,621

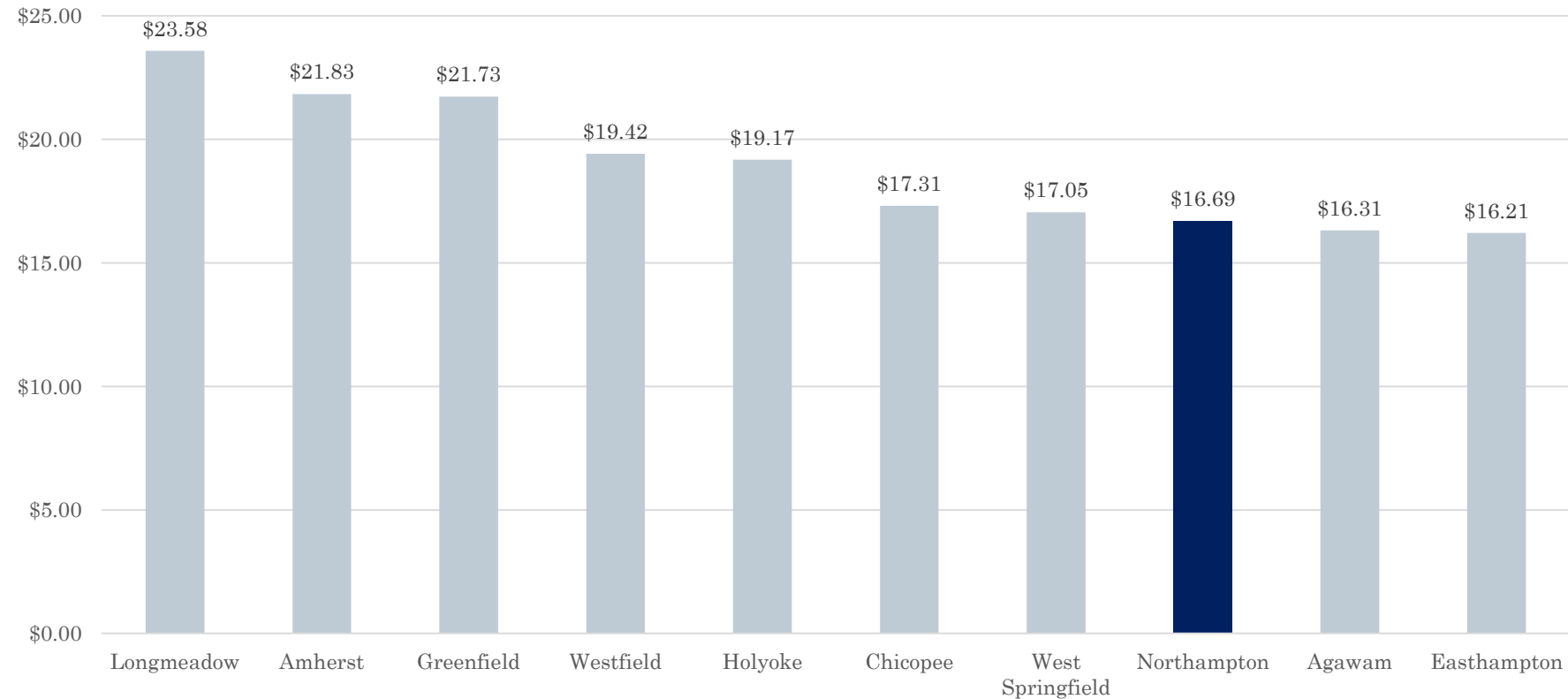
Source: Massachusetts Department of Revenue Municipal Data Bank



Comparison with Neighboring Communities: Residential Tax Rate

Residential Tax Rates - FY2017

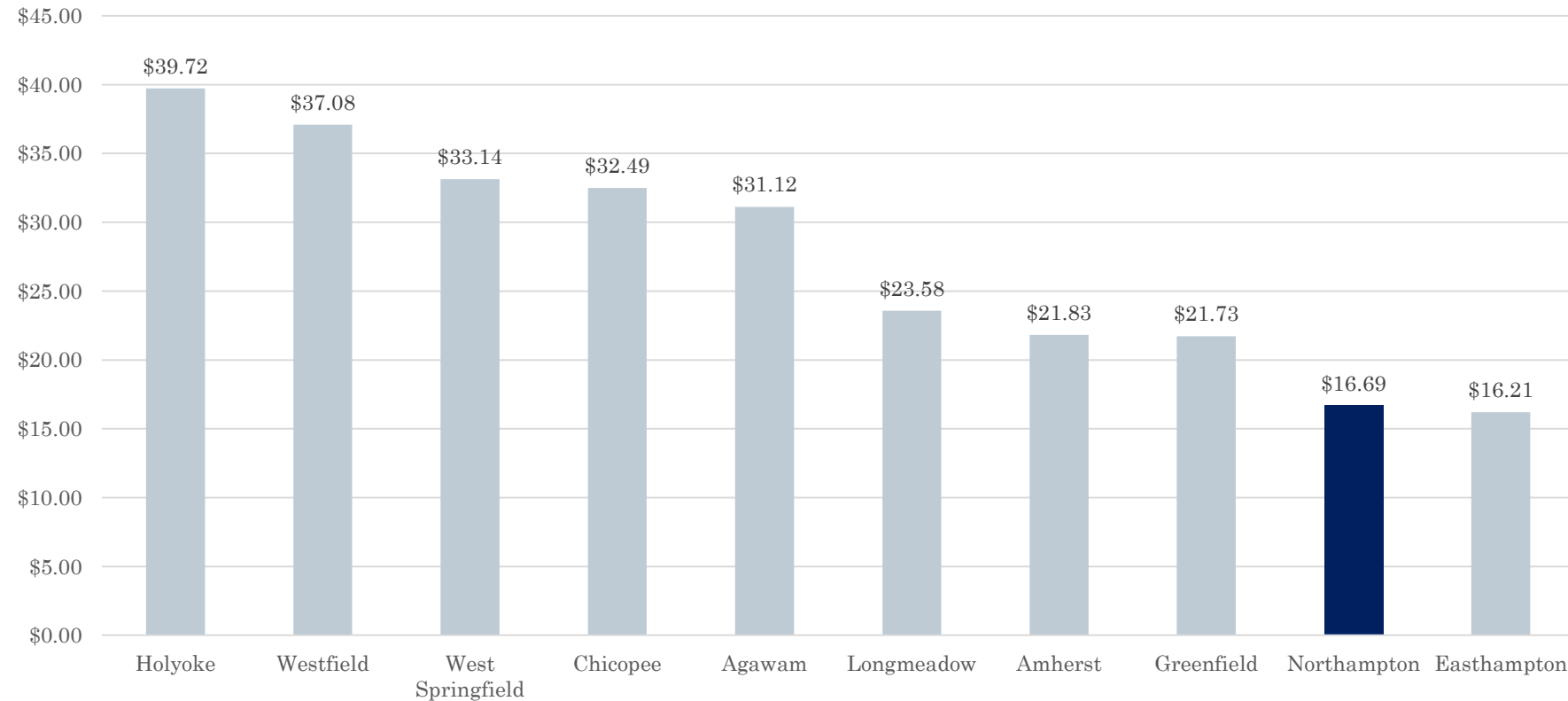
Source: Massachusetts Department of Revenue Municipal Data Bank



Comparison with Neighboring Communities: Commercial Tax Rate

Commercial Tax Rates - FY2017

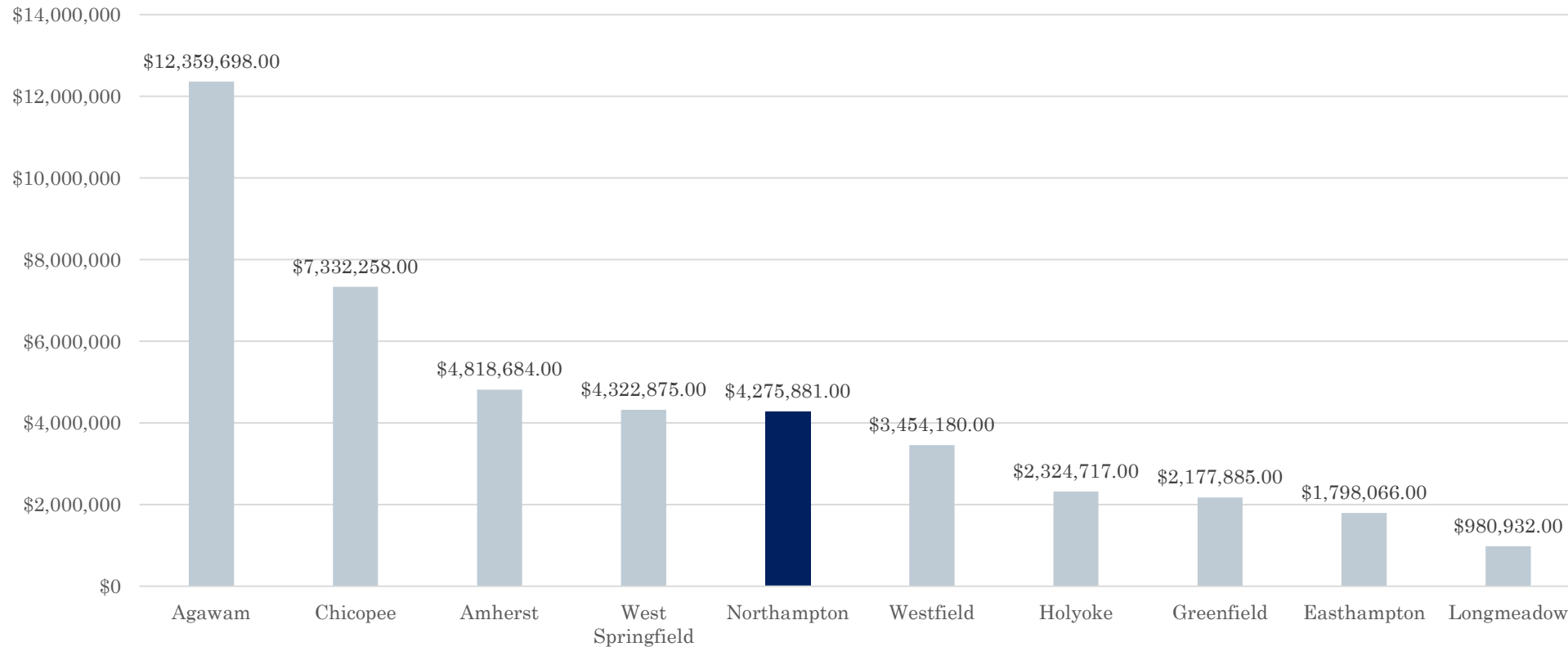
Source: Massachusetts Department of Revenue Municipal Data Bank



Comparison with Neighboring Communities: Undesignated Fund Balance (Free Cash)

Undesignated Fund Balance (Free Cash)- FY2017

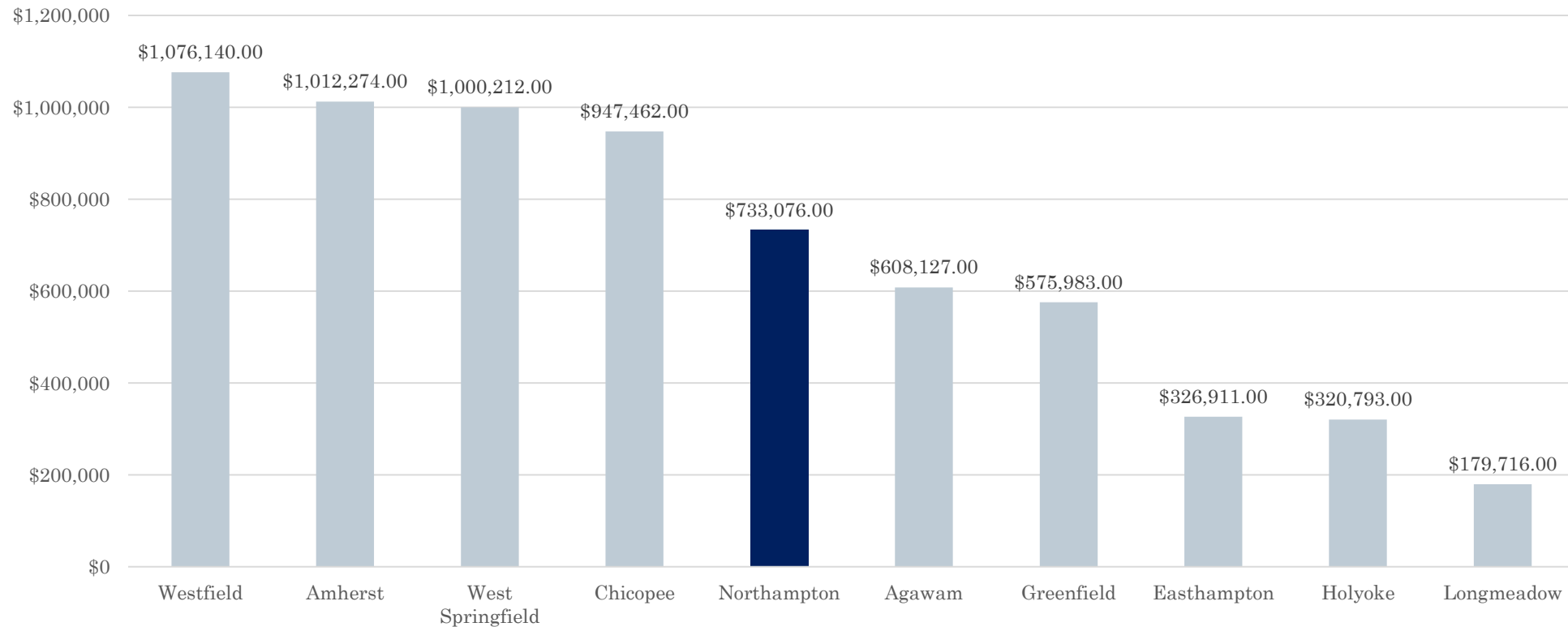
Source: Massachusetts Department of Revenue Municipal Data Bank



Comparison with Neighboring Communities: New Growth

New Growth – FY2017

Source: Massachusetts Department of Revenue Municipal Data Bank

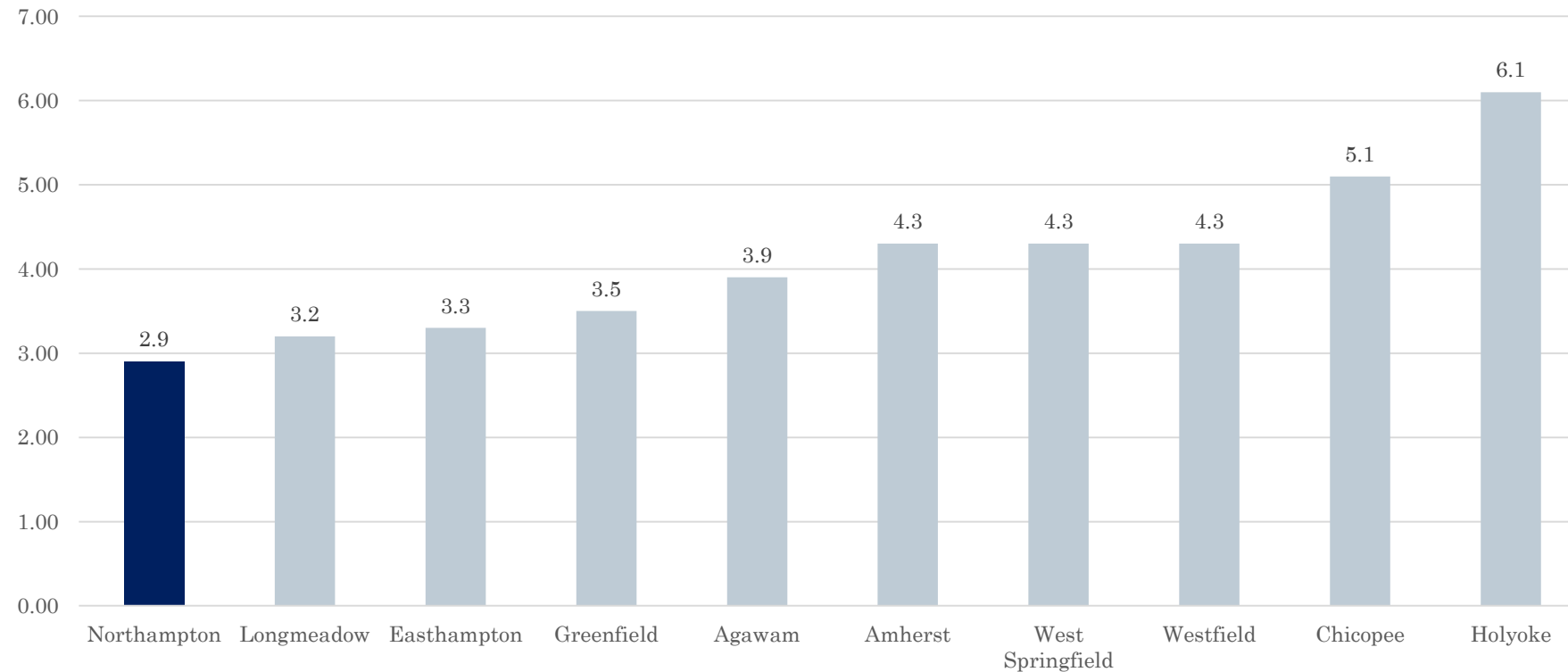


Comparison with Neighboring Communities: Unemployment

Unemployment - FY2017

Percentage Unemployed

Source: Massachusetts Department of Revenue Municipal Data Bank



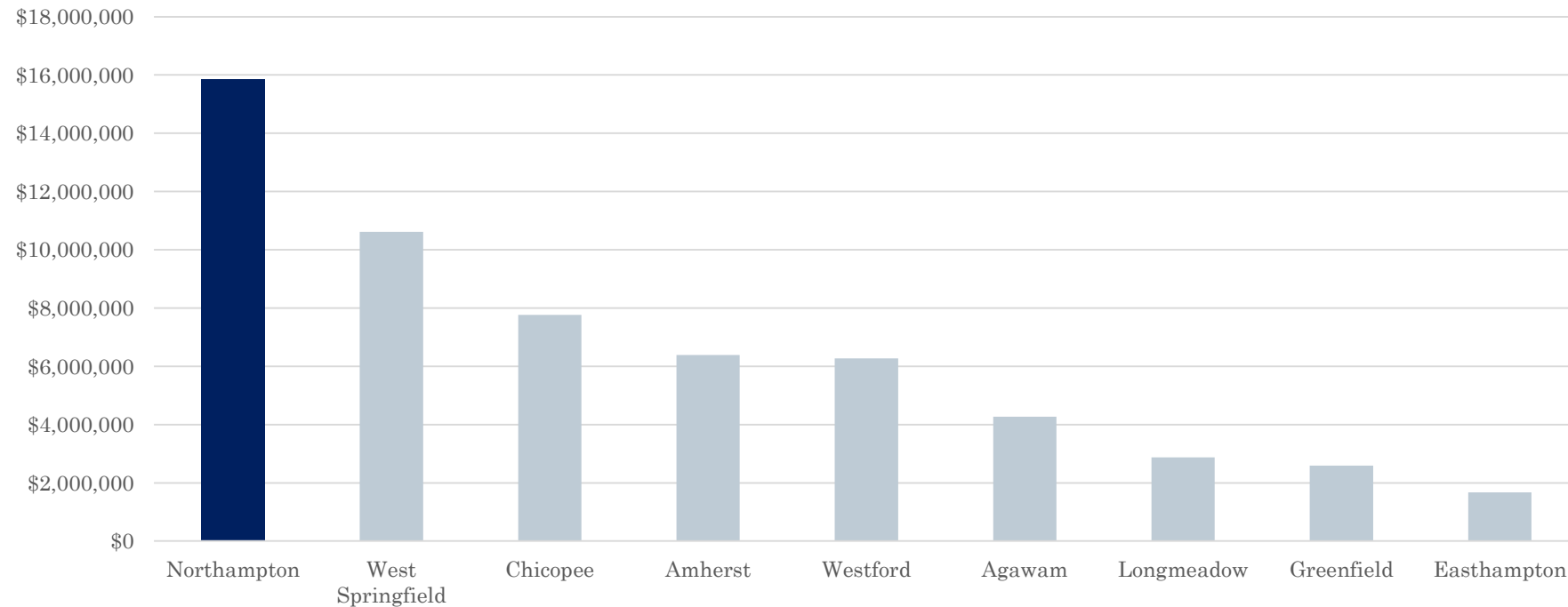
Comparison with Neighboring Communities: Stabilization Fund Balance

Stabilization Fund Balance - FY2016

Ending Balance - June 30, 2016

(Includes Stabilization, Capital Stabilization, Water Stabilization, Sewer Stabilization and Fiscal Stability Fund for Northampton)

Source: Massachusetts Department of Revenue Municipal Data

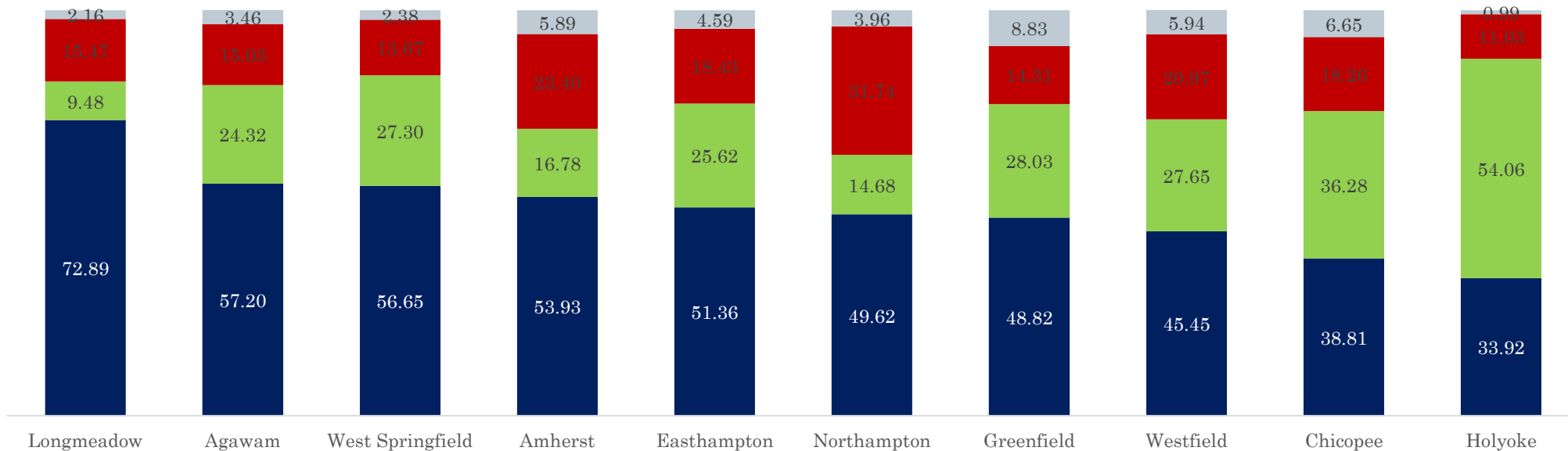


Comparison with Neighboring Communities: % of FY2017 Budget by Revenue Source

Budget Revenues FY2017 - Percent Derived from Tax Levy, State Aid, Local Receipts and
Other Sources

Source: Massachusetts Department of Revenue Municipal Data Bank

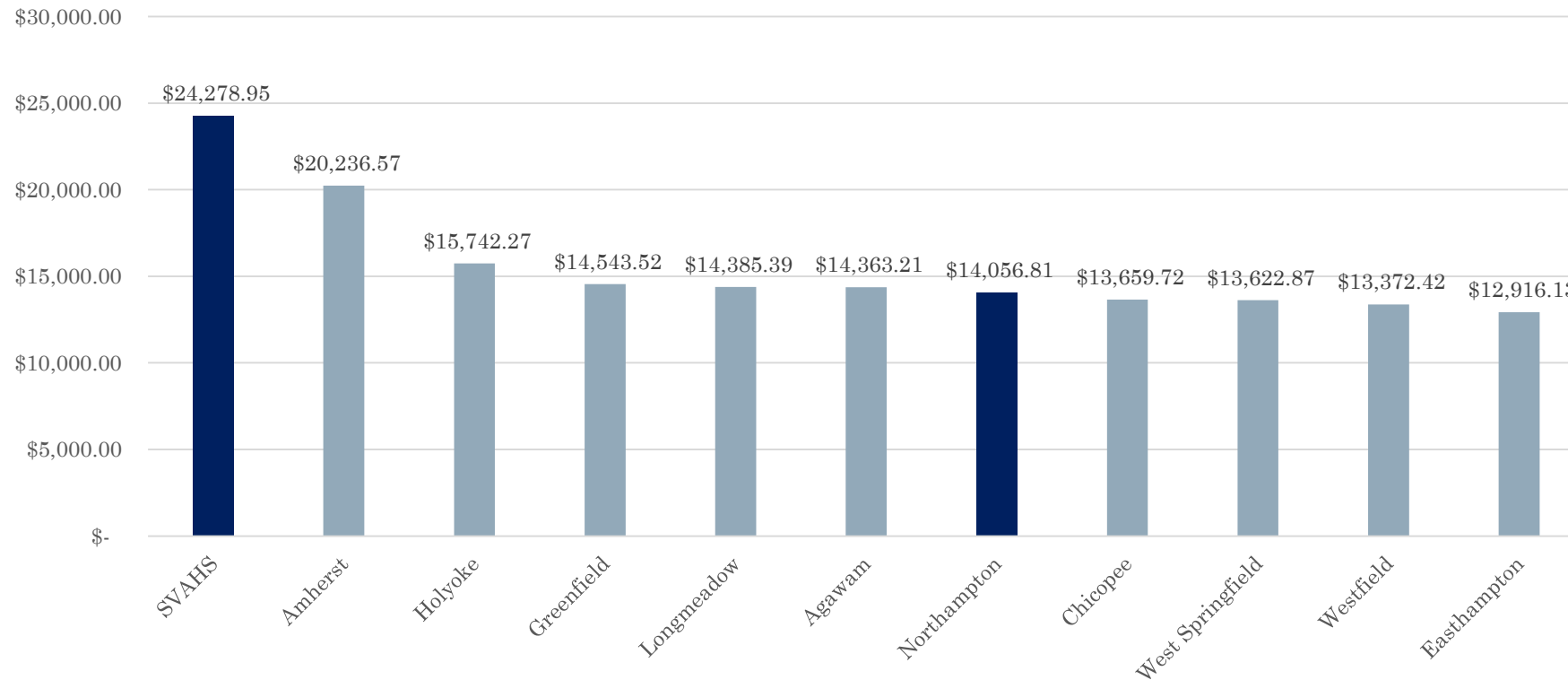
■ Tax Levy as % of Total ■ State Aid as % of Total ■ Local Receipts as % of Total ■ All Other as % of Total



Comparison with Neighboring Communities: Per Pupil Education Spending

Per Pupil Spending - FY2015

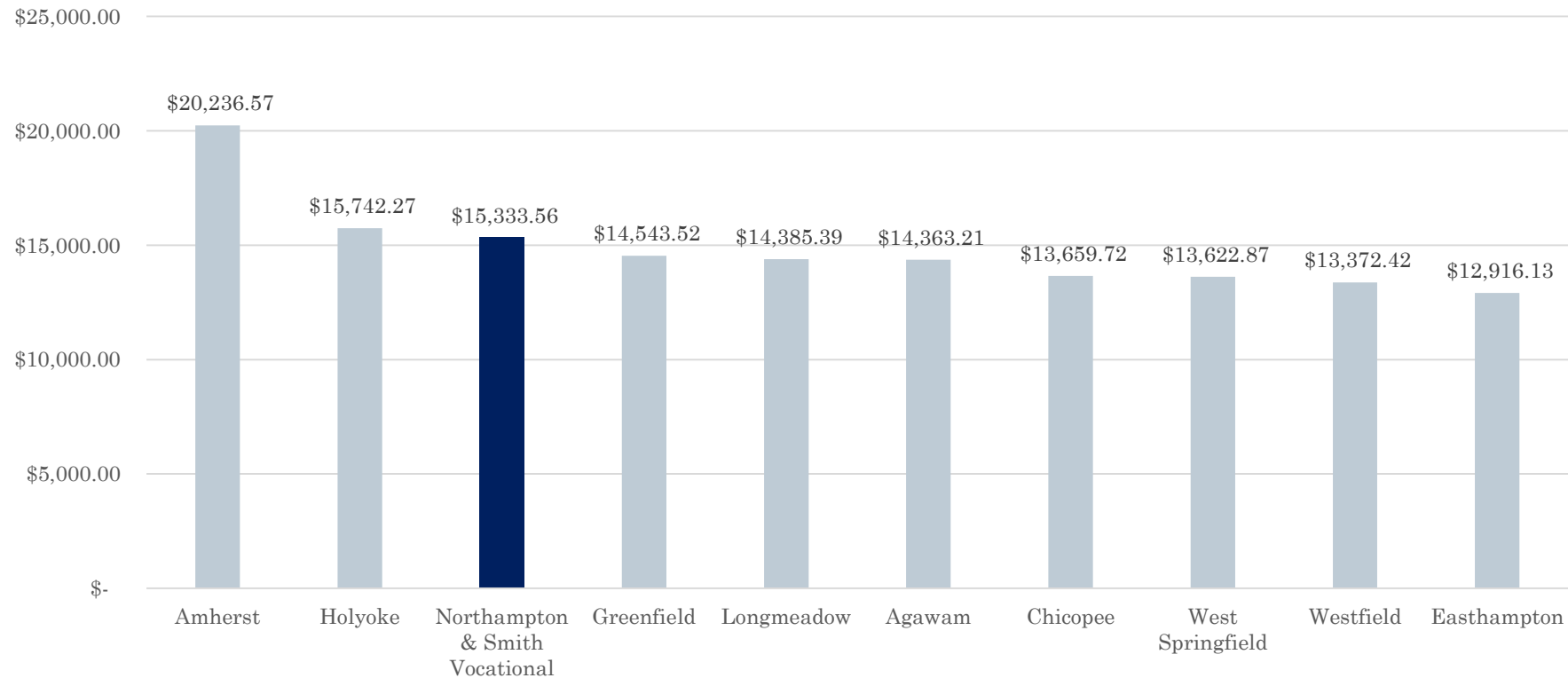
Source: Massachusetts Department of Elementary and Secondary Education
Northampton Public Schools and SVAHS Rates Combined



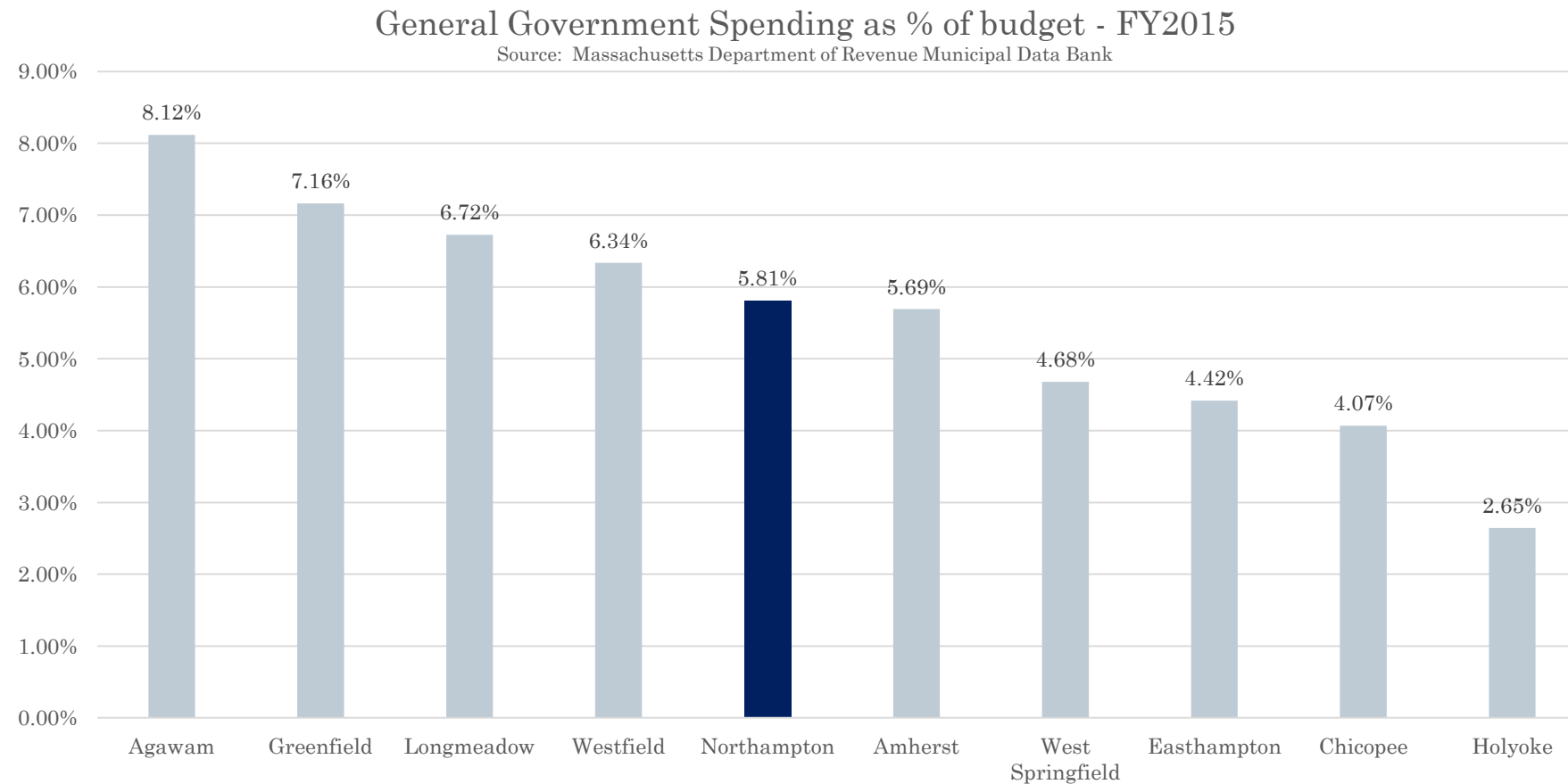
Comparison with Neighboring Communities: Per Pupil Education Spending (Blended NPS and SVAHS)

Per Pupil Spending - FY2015

Source: Massachusetts Department of Elementary and Secondary Education
Northampton Public Schools and SVAHS Rates Combined

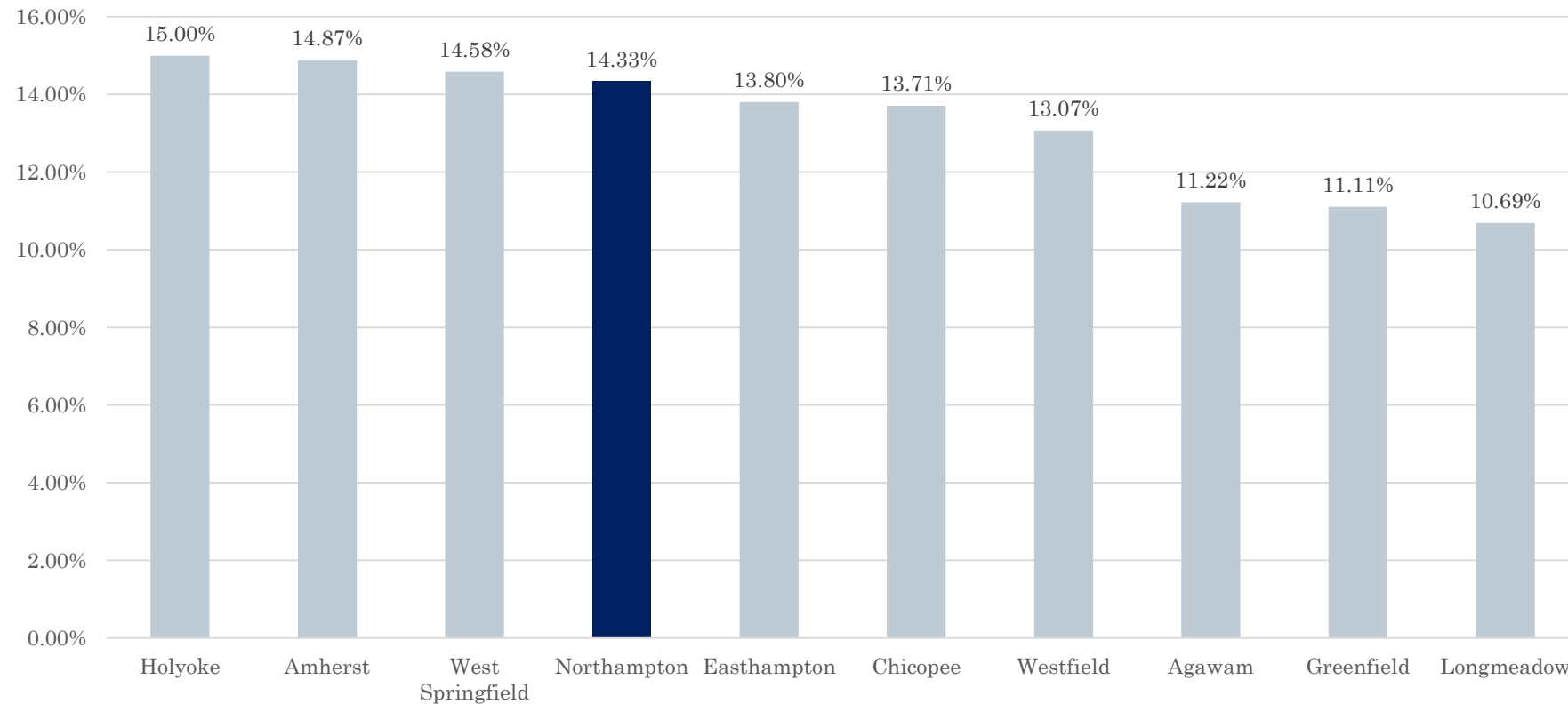


Comparison with Neighboring Communities: General Government Spending as % of Budget

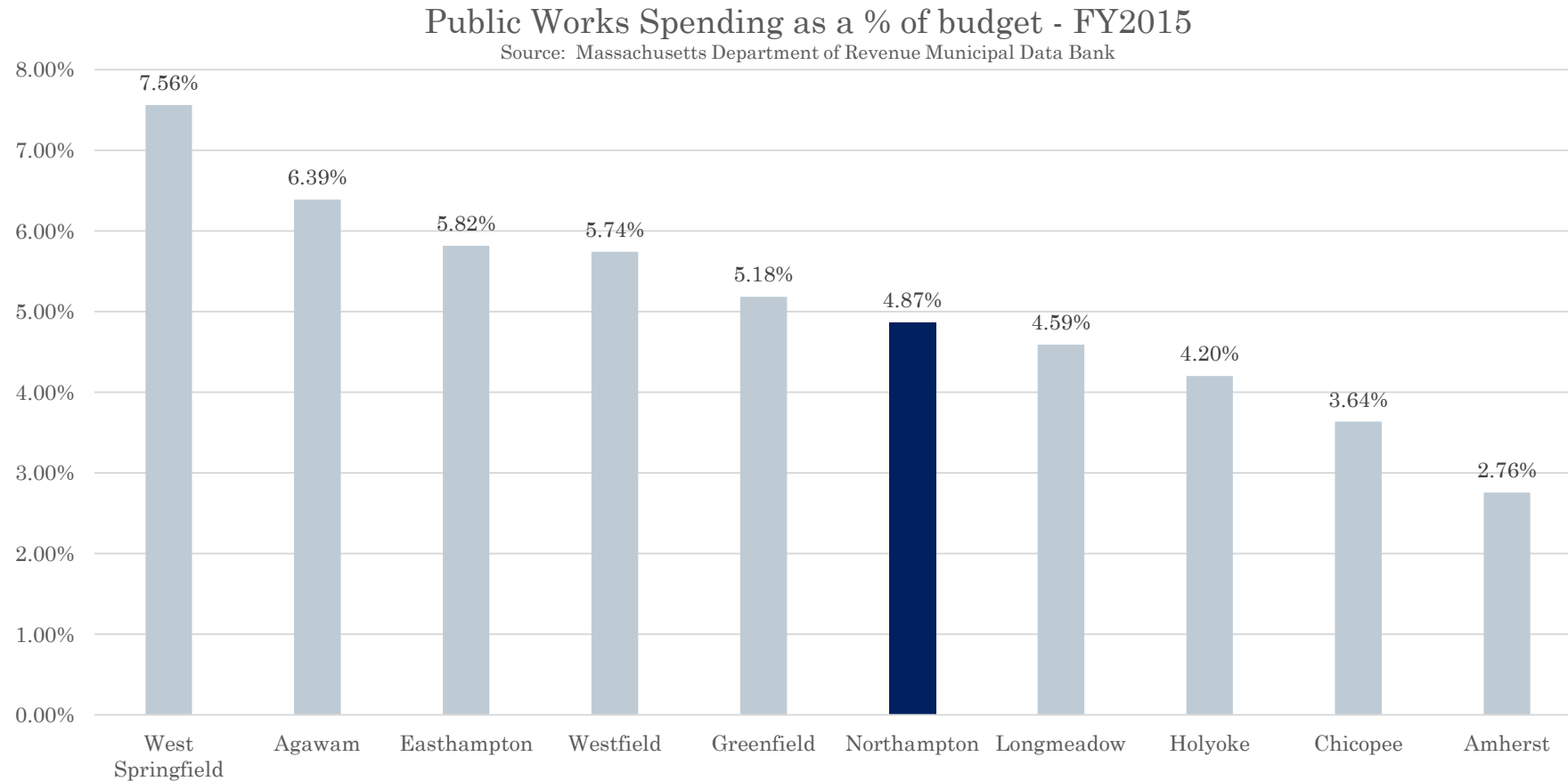


Comparison with Neighboring Communities: Public Safety Spending as % of Budget

Public Safety Spending - FY2015
Source: Massachusetts Department of Revenue Municipal Data Bank



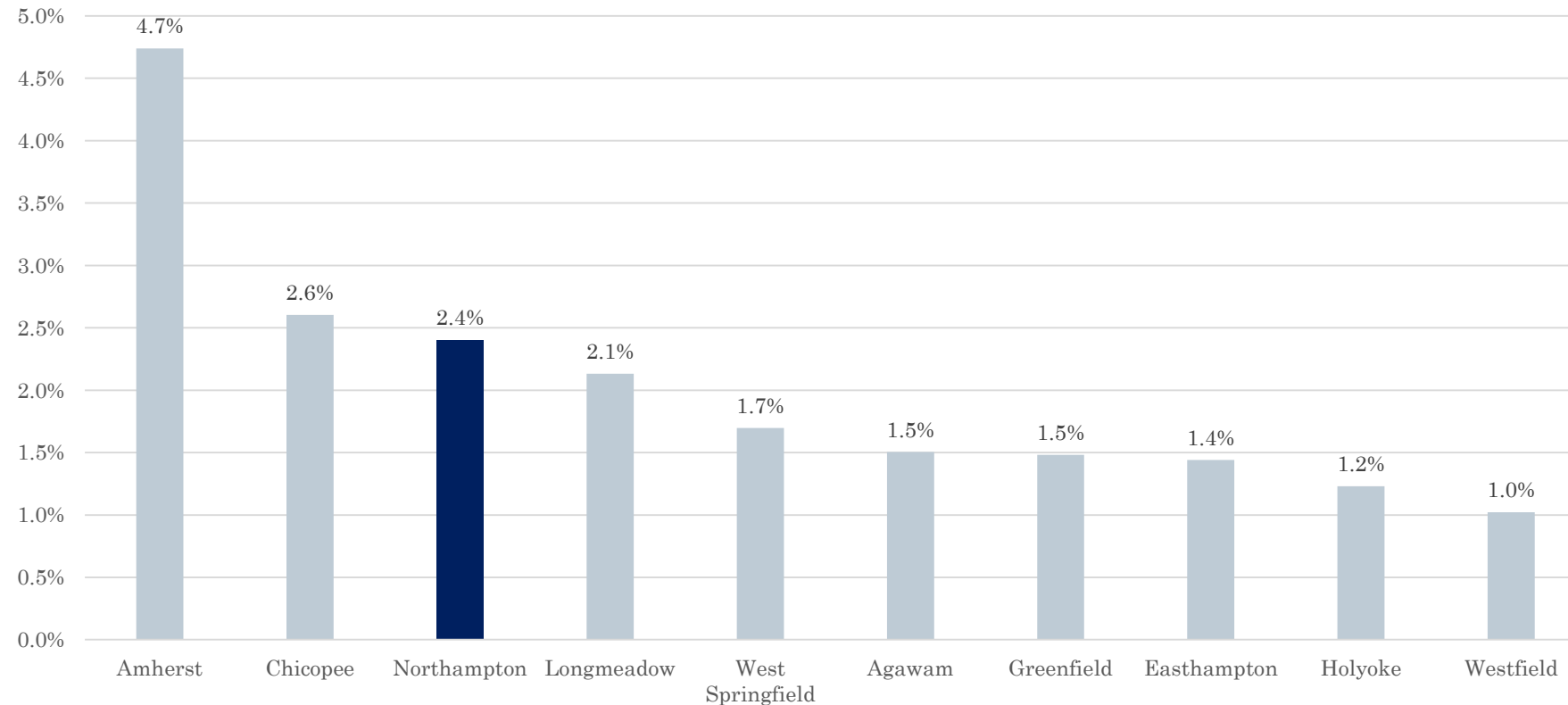
Comparison with Neighboring Communities: Public Works Spending as % of Budget



Comparison with Neighboring Communities: Culture and Recreation Spending as % of Budget

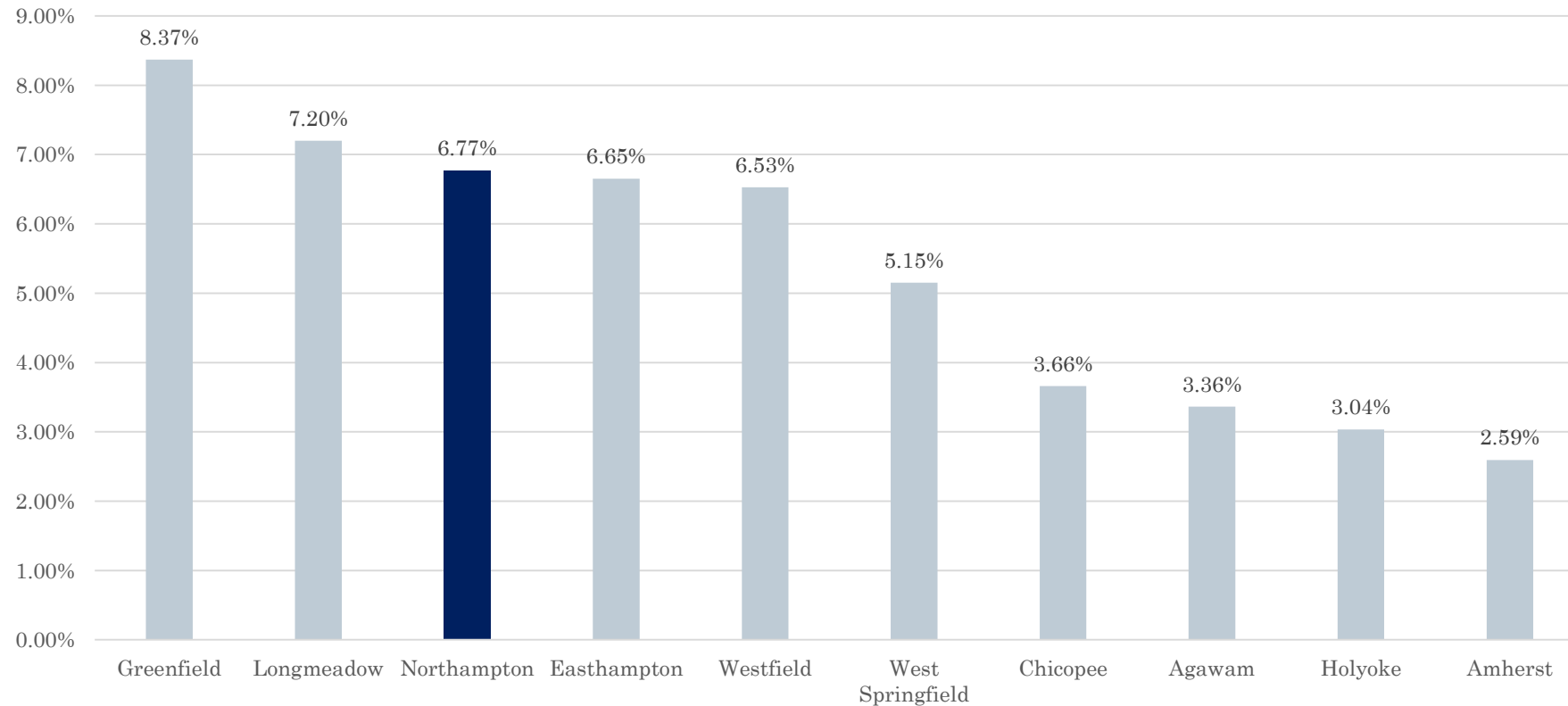
Culture and Recreation Spending as a % of budget - FY2015

Source: Massachusetts Department of Revenue Municipal Data Bank



Comparison with Neighboring Communities: Debt Spending as a % of General Fund Budget

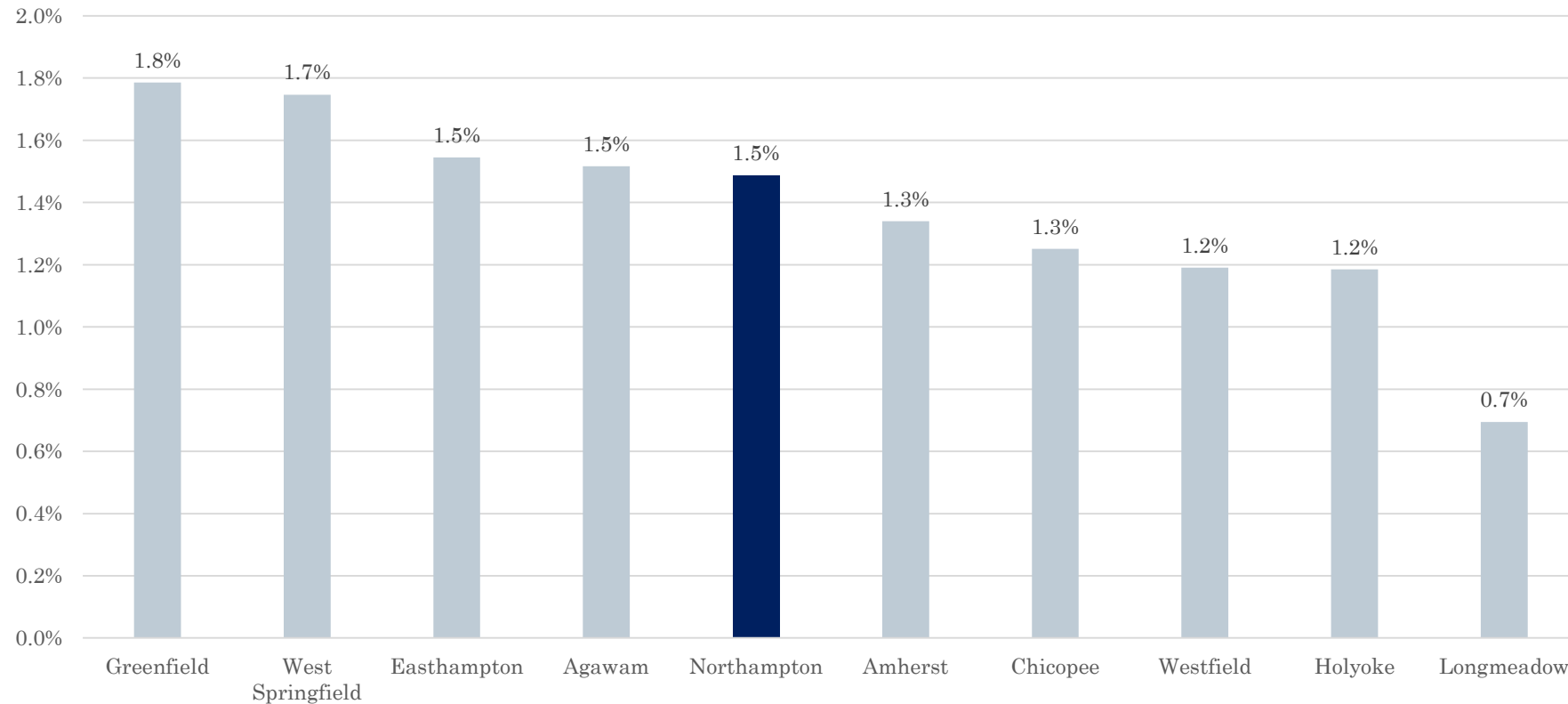
Debt as a % of Budget FY2015
Source: Massachusetts Department of Revenue Municipal Data Bank



Comparison with Neighboring Communities: Human Services Spending as a % of Budget

Human Services Spending as a % of Budget - FY2015

Source: Massachusetts Department of Revenue Municipal Data Bank

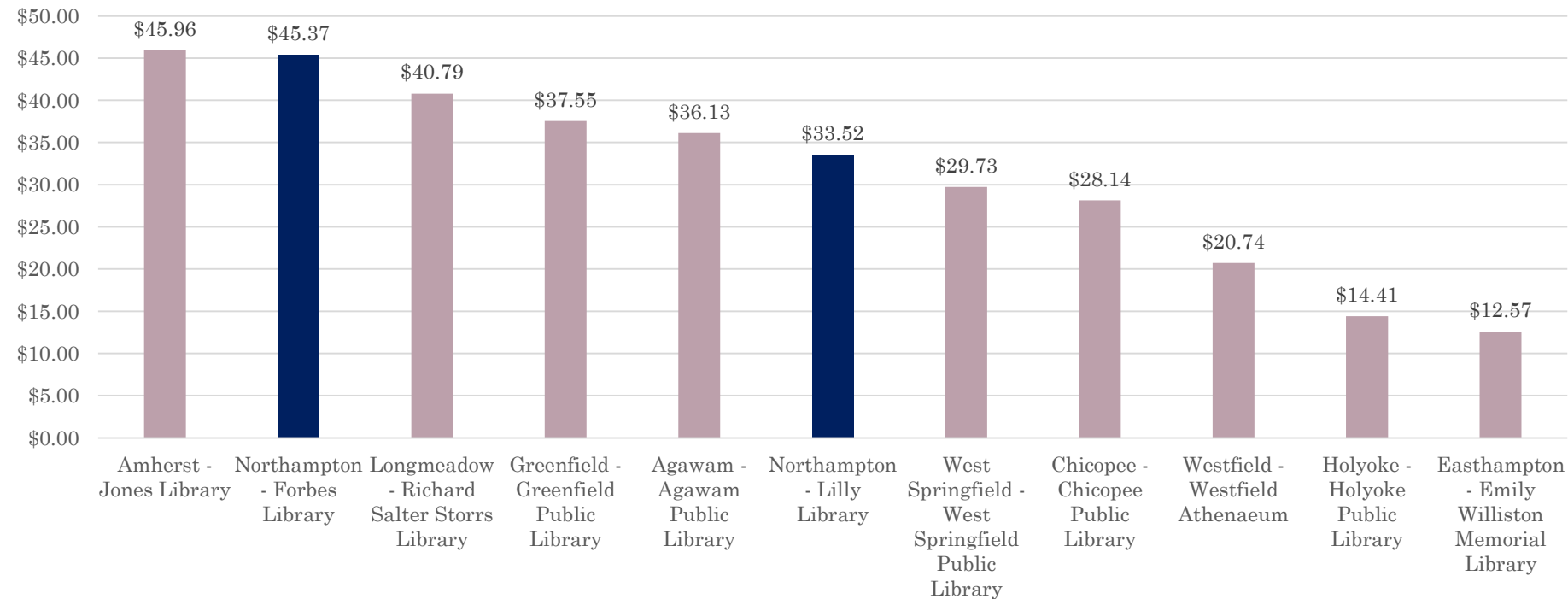


Comparison with Neighboring Communities: Libraries

Appropriated Municipal Income Per Capita -FY2015

State Median \$33.61 and State Average \$42.78

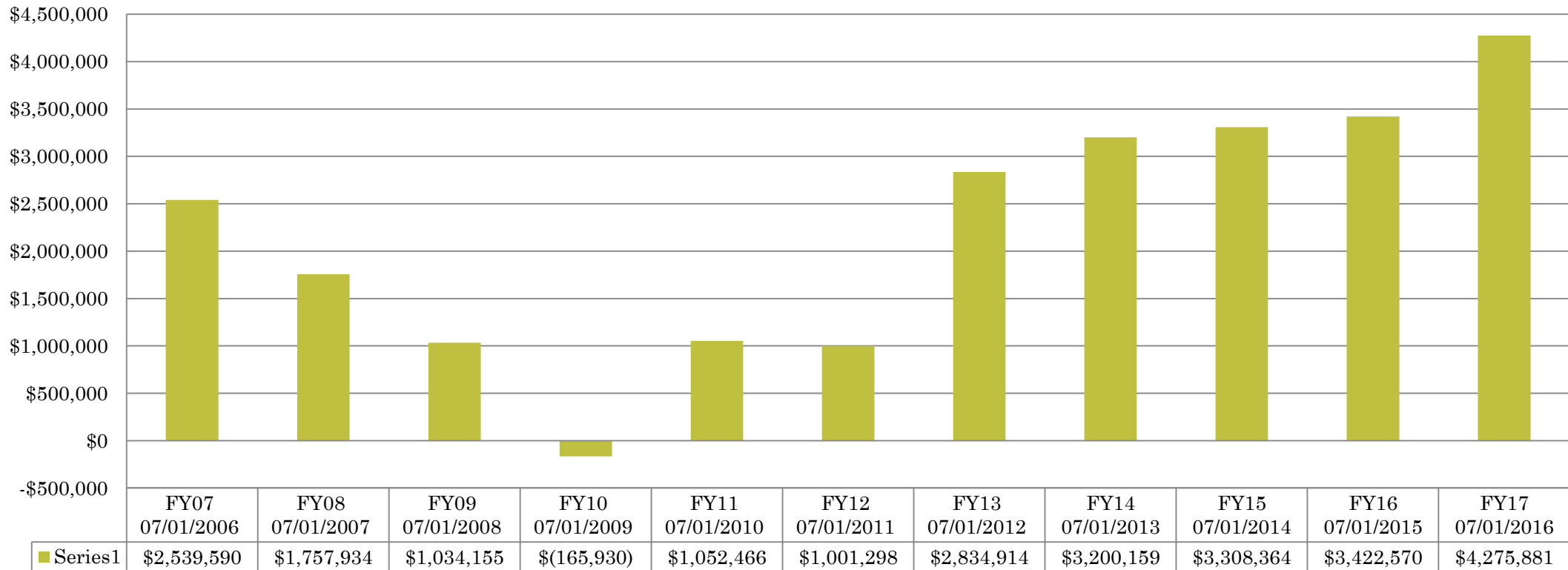
Source: Massachusetts Board of Library Commissioners



Northampton's General Fund Reserves

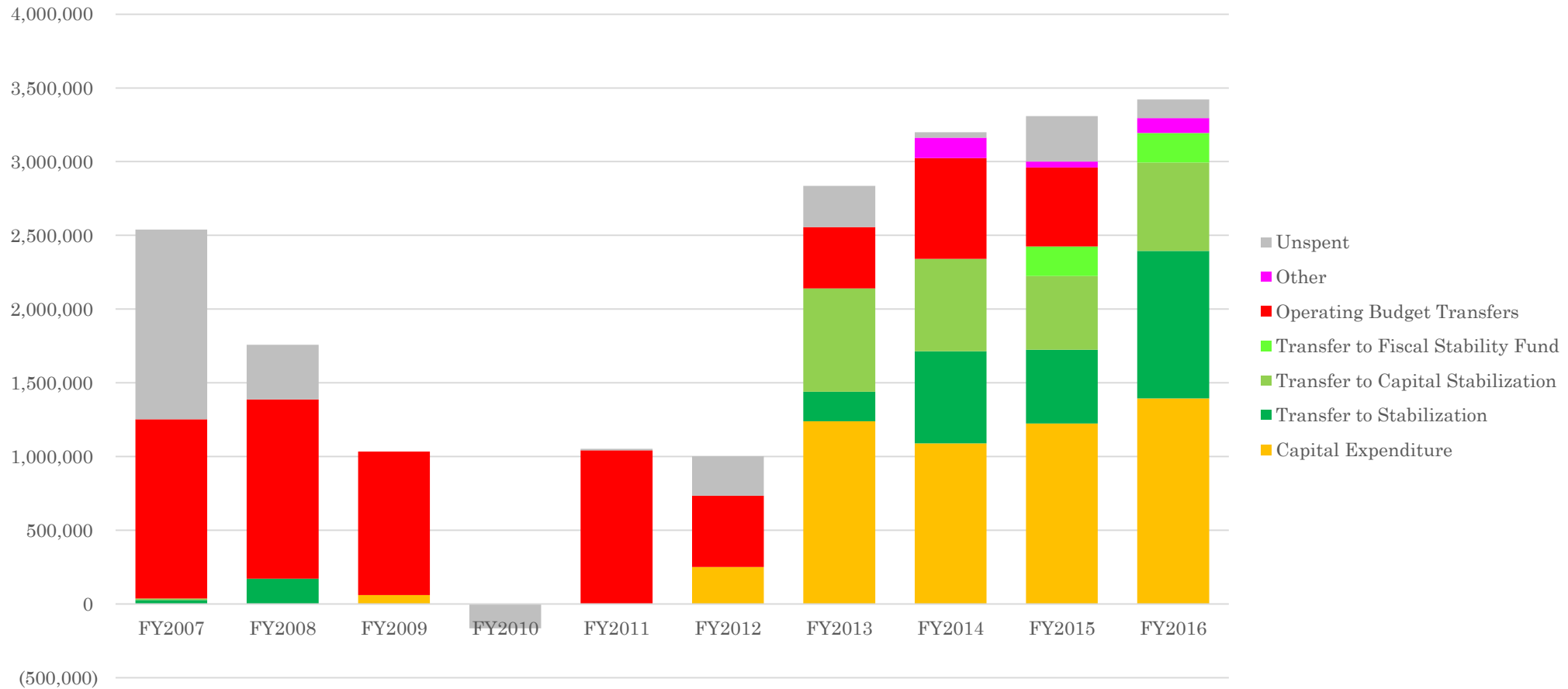
Northampton's Undesignated Fund Balance (Otherwise know as “Free Cash”)

City of Northampton
General Fund Free Cash History FY2007to FY2017



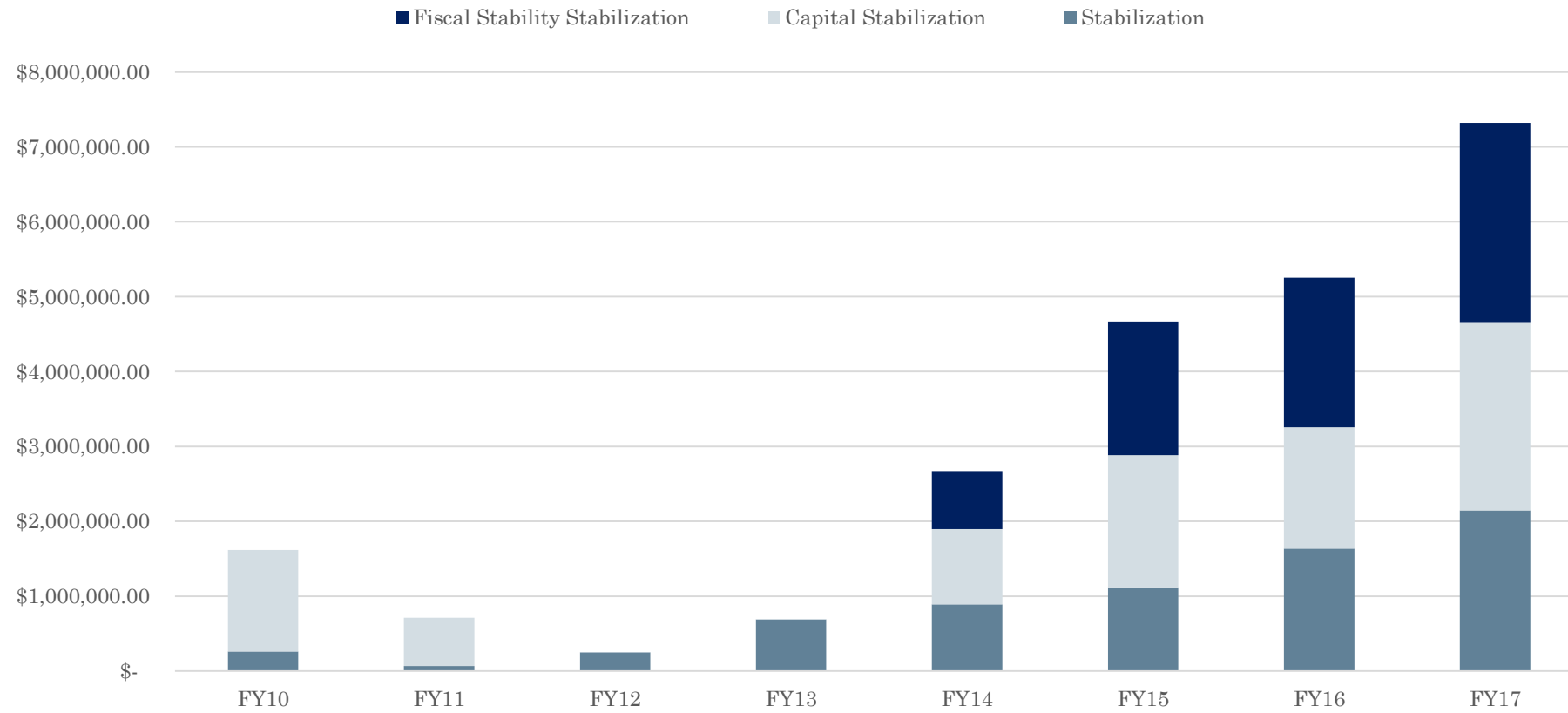
Northampton's General Fund Free Cash History

Use of Free Cash from FY2007 – FY2016



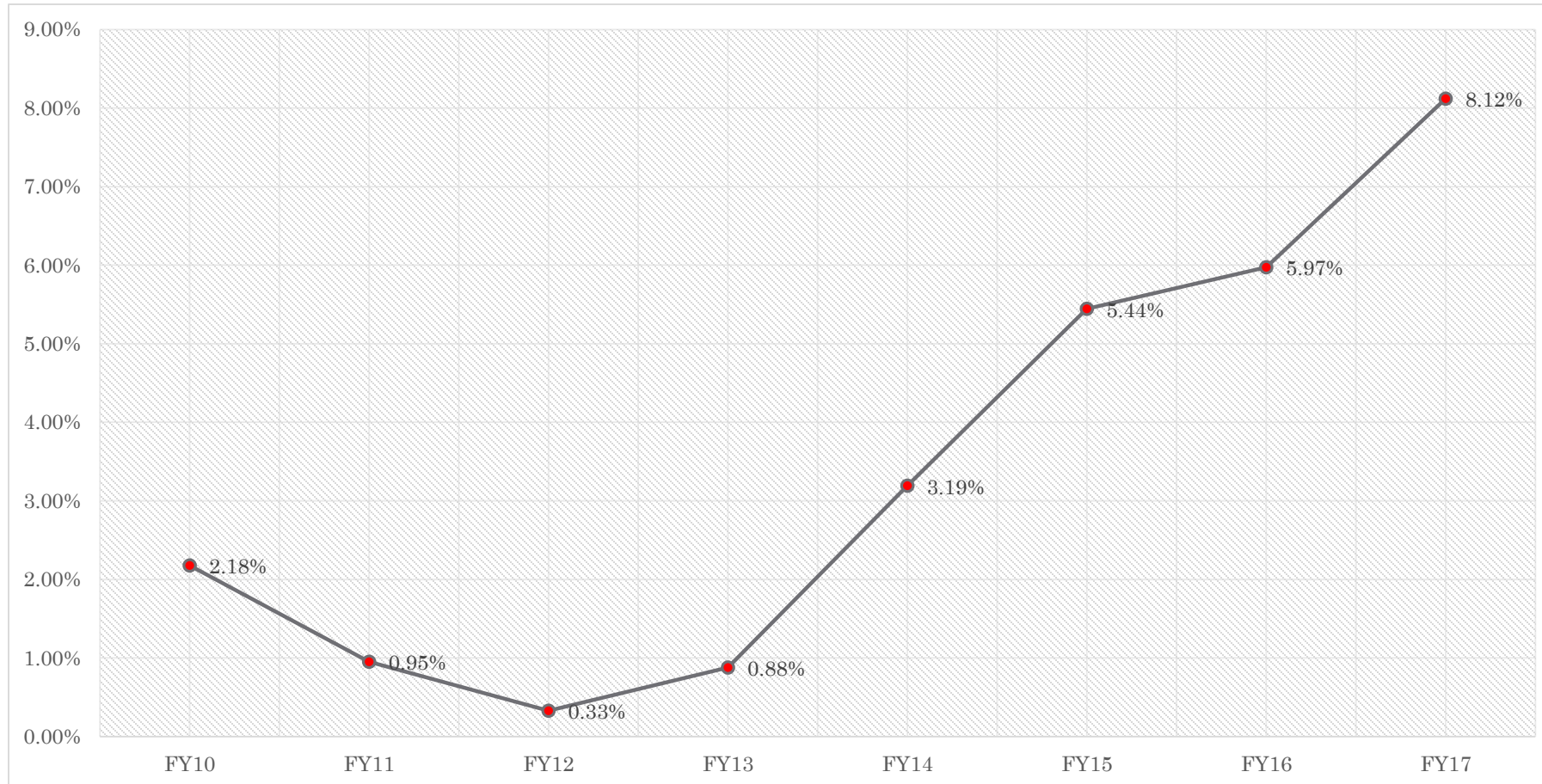
Northampton's General Fund Reserves History

Stabilization, Capital Stabilization and Fiscal Stability Funds FY2010-FY2017



Northampton's General Fund Reserves as a % of Budget:

Stabilization, Capital Stabilization and Fiscal Stability Funds FY2010-FY2017



Northampton's Bond Rating:

Northampton's Bond Rating History:
FY2011-FY2016

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

Neighboring Communities Current
Bond Ratings: S & P Global Ratings:

S & P Global Ratings		
City/Town	Year Last Rated	Rating
Northampton	2016	AAA
Agawam	2016	AA+
Amherst	2015	AA+
Easthampton	2014	AA
Holyoke	2014	AA
West Springfield	2014	AA
Chicopee	2016	AA-
Greenfield	2016	AA-

Standard and Poor's Global Ratings

June 2016 Rating Excerpt:

Very Strong Management

We view the city's management as very strong, with strong financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable. The city is conservative in its management and budgeting practices.

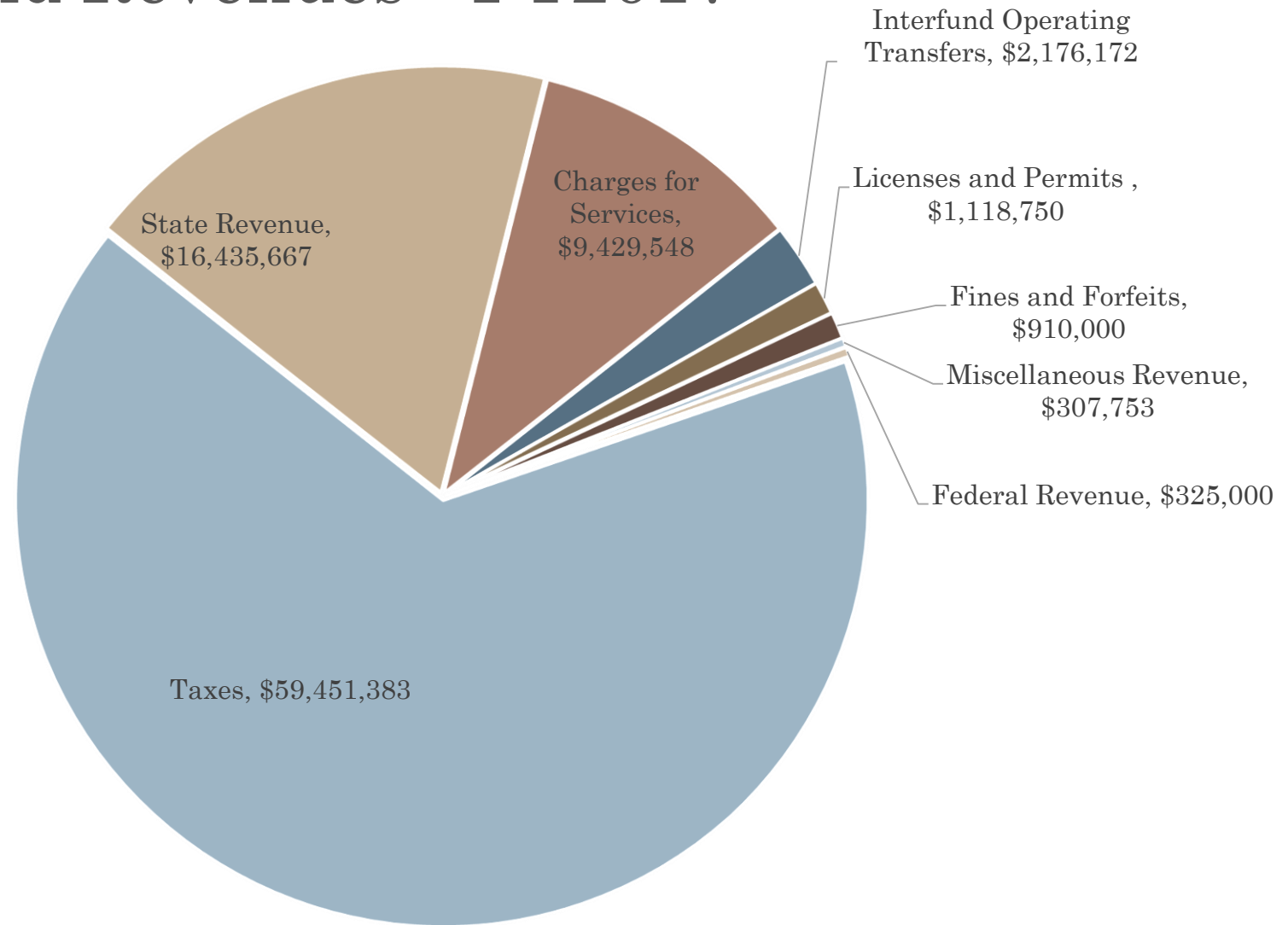
Outlook

The stable outlook reflects our opinion that we do not expect any change to the rating within the next two years, based on our view of Northampton's very strong liquidity and debt profile, along with the city's healthy reserve levels. The city also continues to demonstrate strong budgetary performance. Those factors are further supported by the city's growing economy. However, if reserves were to significantly decline, resulting in a weaker budgetary performance, we could lower the rating.

General Fund

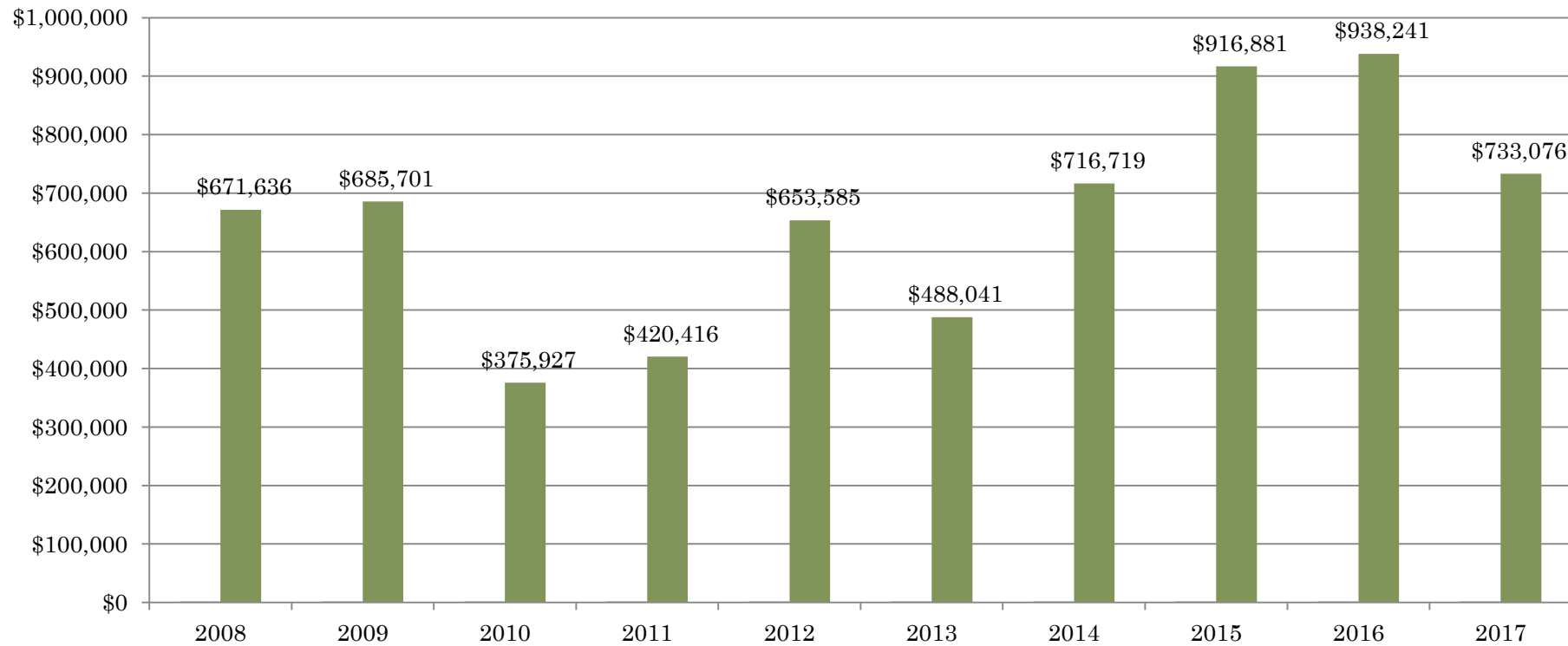
Revenue Trends

General Fund Revenues - FY2017



New Growth:

City of Northampton, MA - New Growth Trend
FY2008 - FY2017



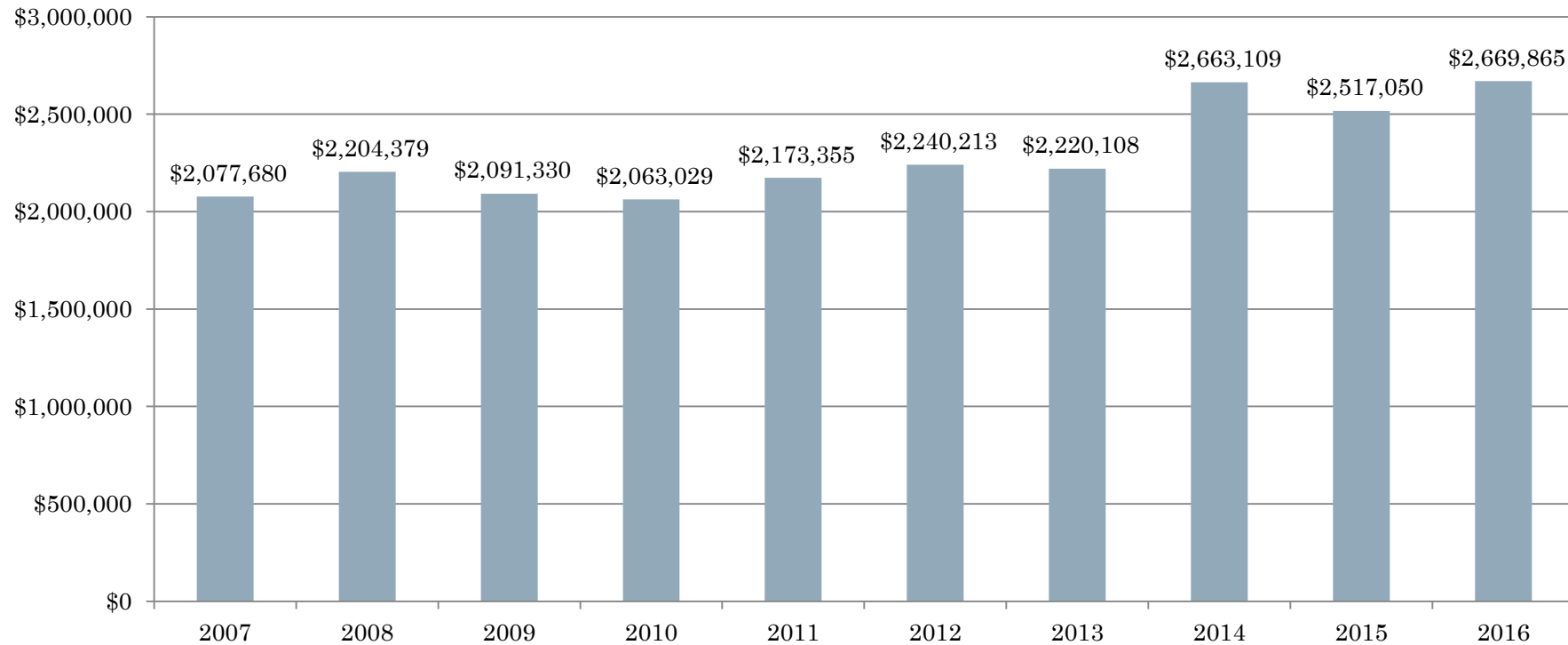
Uncollected Taxes:

City of Northampton, MA - Uncollected Taxes as a Percentage of Net
Property Tax Levy
FY2007 - FY2016



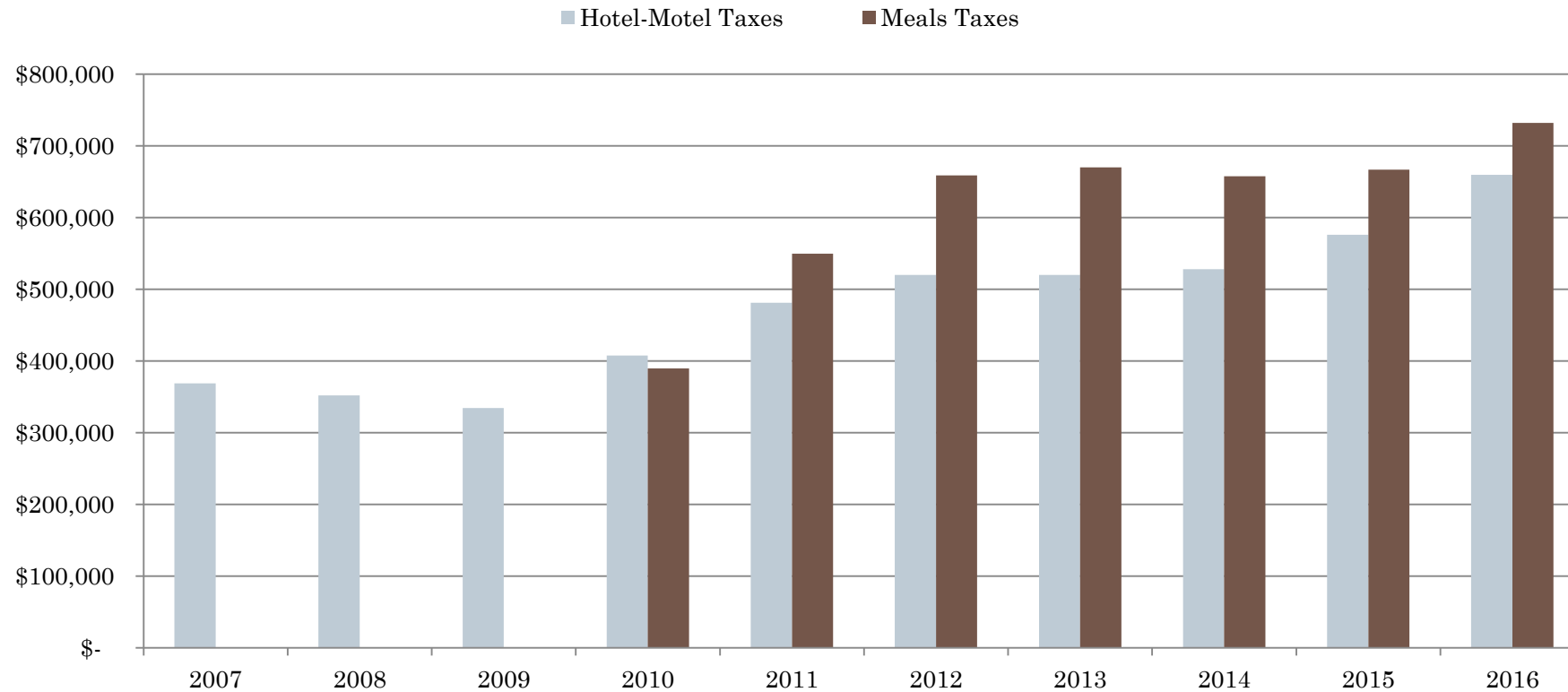
Motor Vehicle Excise Taxes

City of Northampton, MA - Motor Vehicle Excise Trend
FY2007 - FY2016



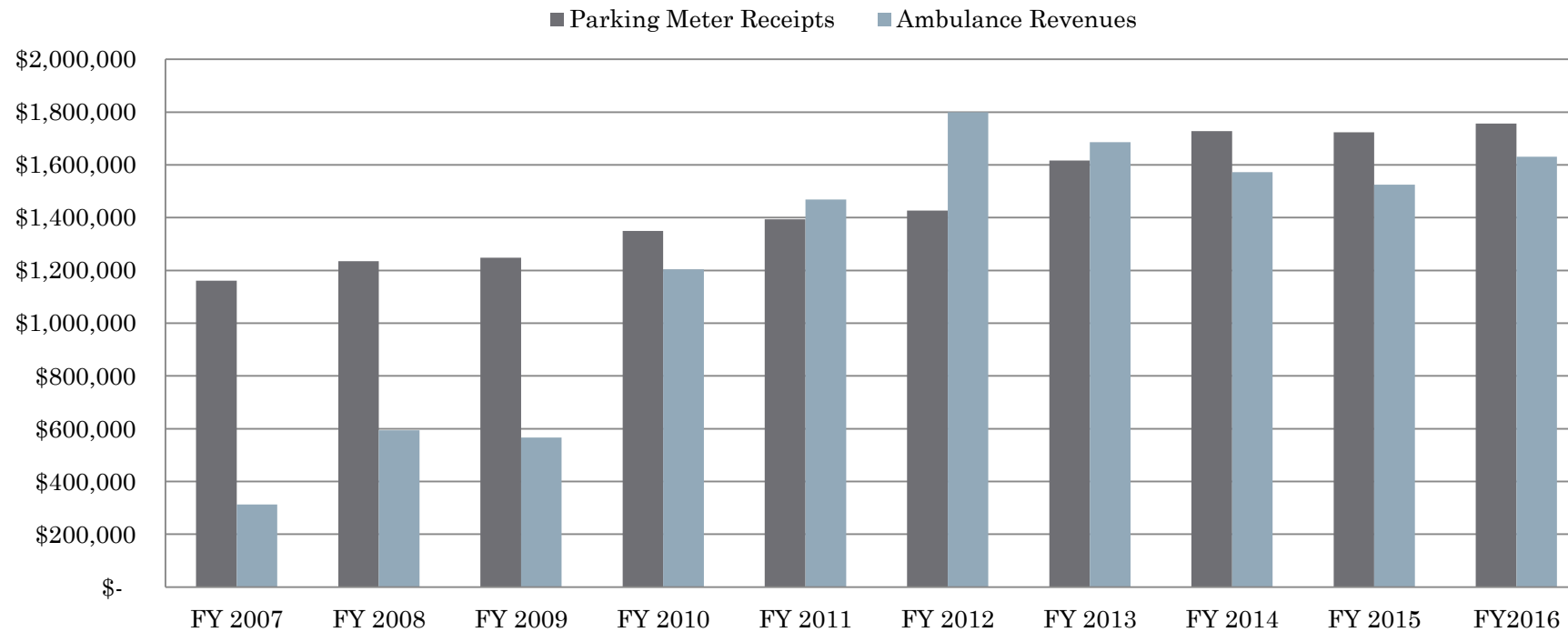
Hotel-Motel and Meals – Local Tax Revenue

City of Northampton, MA - Hotel-Motel and Meals Tax
FY2007 - FY2016



Parking and Ambulance Revenue

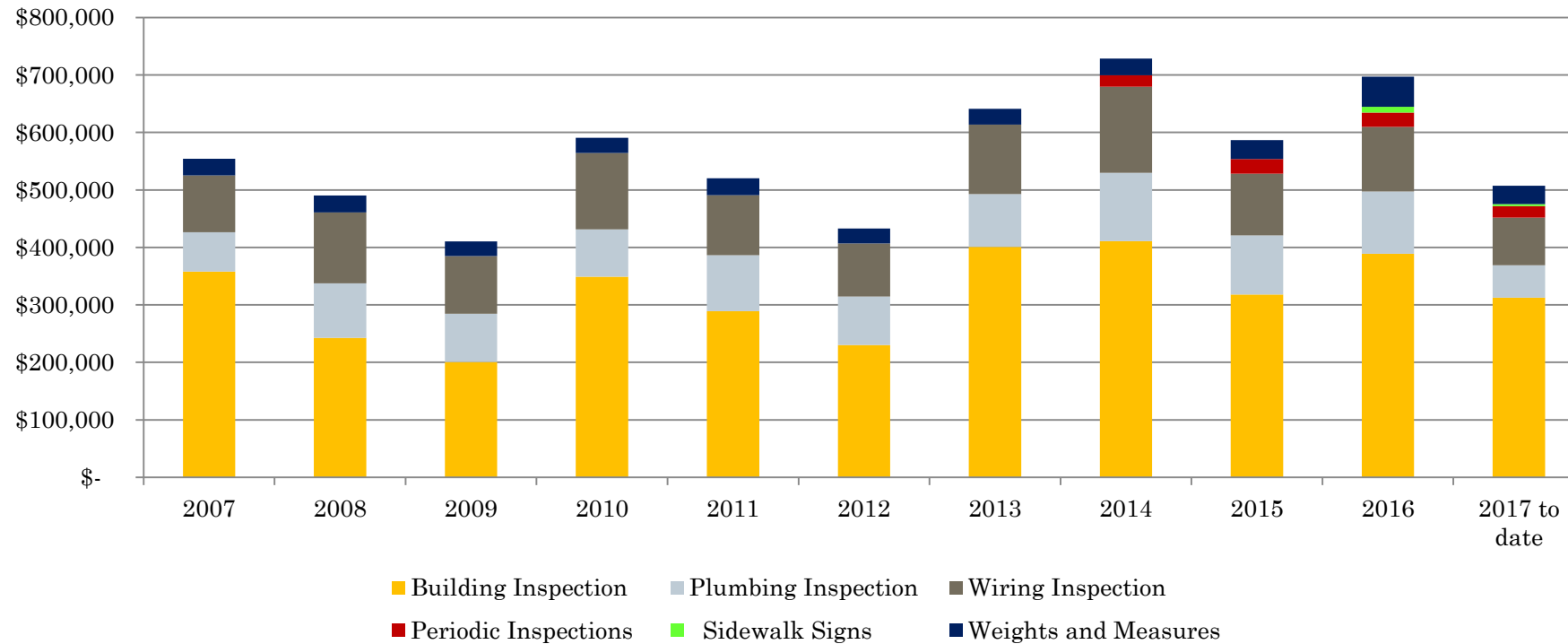
City of Northampton, MA – Parking and Ambulance Revenue
(Note: Parking Revenue used to fund General Fund Budget)
FY2007 – FY2016



Building, Wiring, Plumbing, and Associated Permits

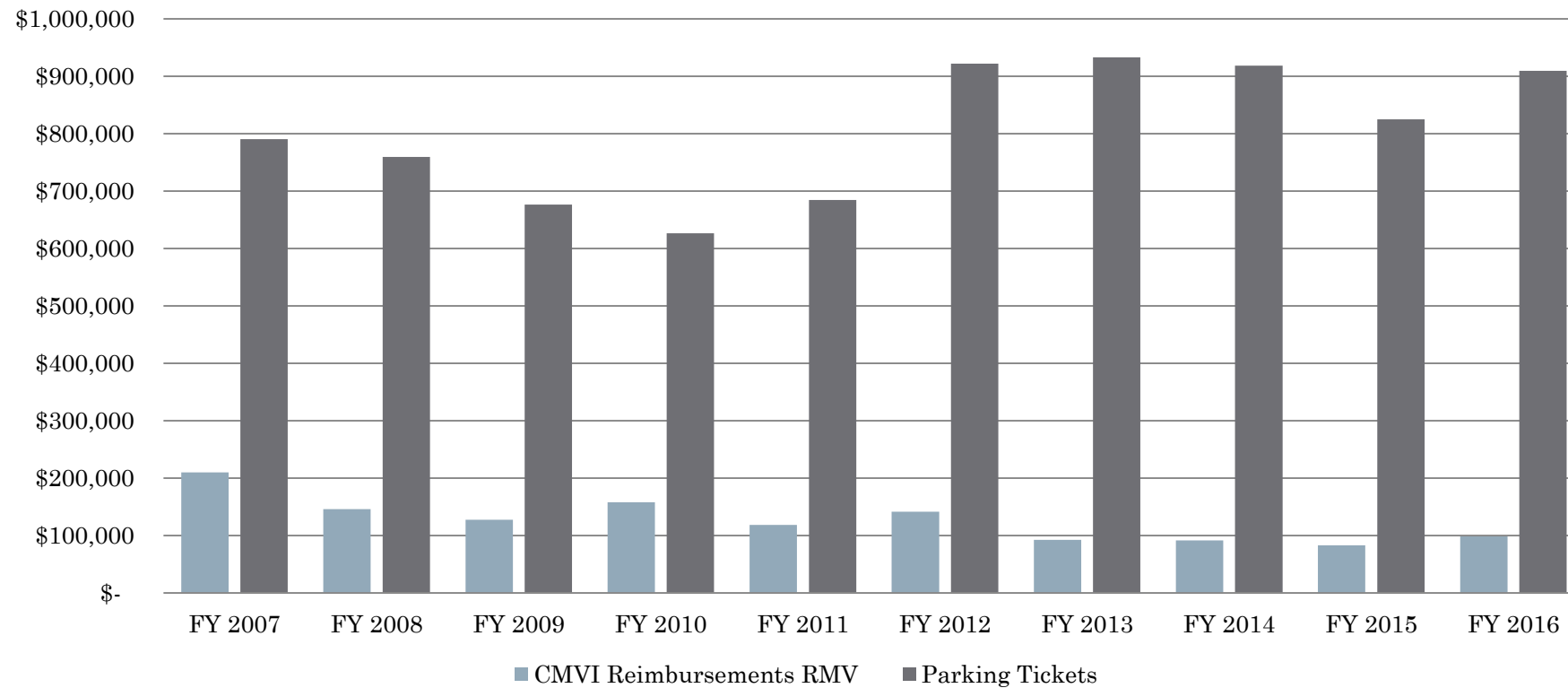
City of Northampton, MA - Building, Plumbing, Wiring and Weights and Measures Permit Fees

FY2007 - FY2017 (to date – January 2017)



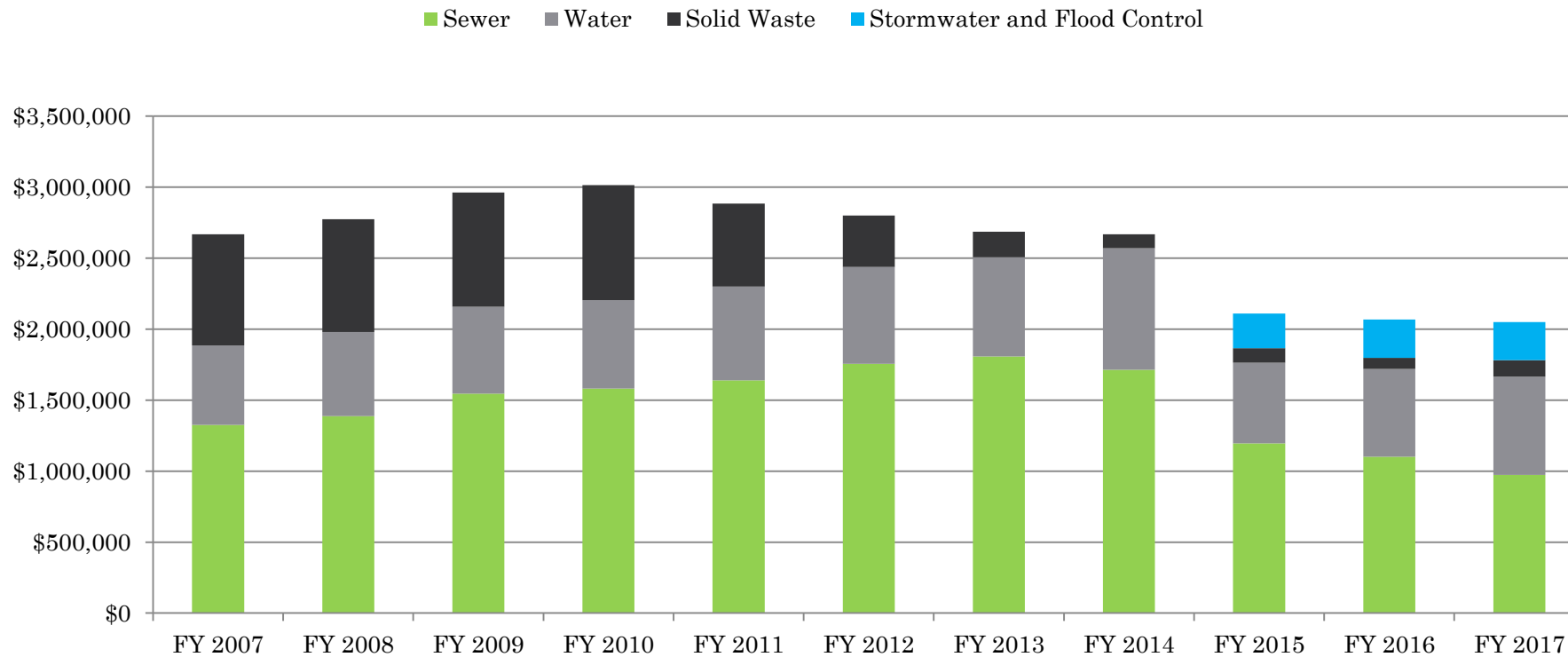
Revenue from Fines

City of Northampton, MA - Parking Tickets and RMV Fines
FY2007 - FY2016



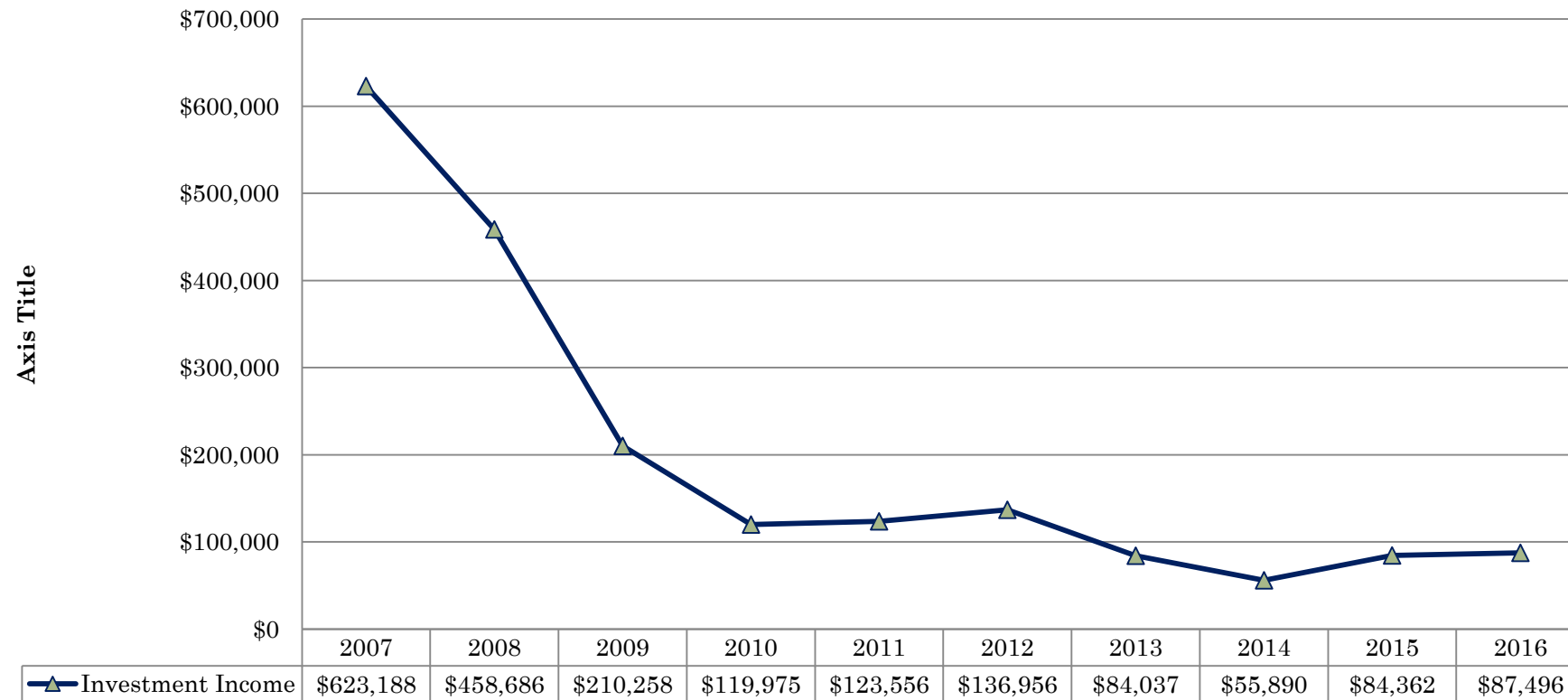
Enterprise Fund Indirect Charges

City of Northampton, MA - Enterprise Fund Indirects
FY2007 - FY2017



Investment Income

City of Northampton, MA - Investment Income
FY2007 - FY2016



Net State Aid

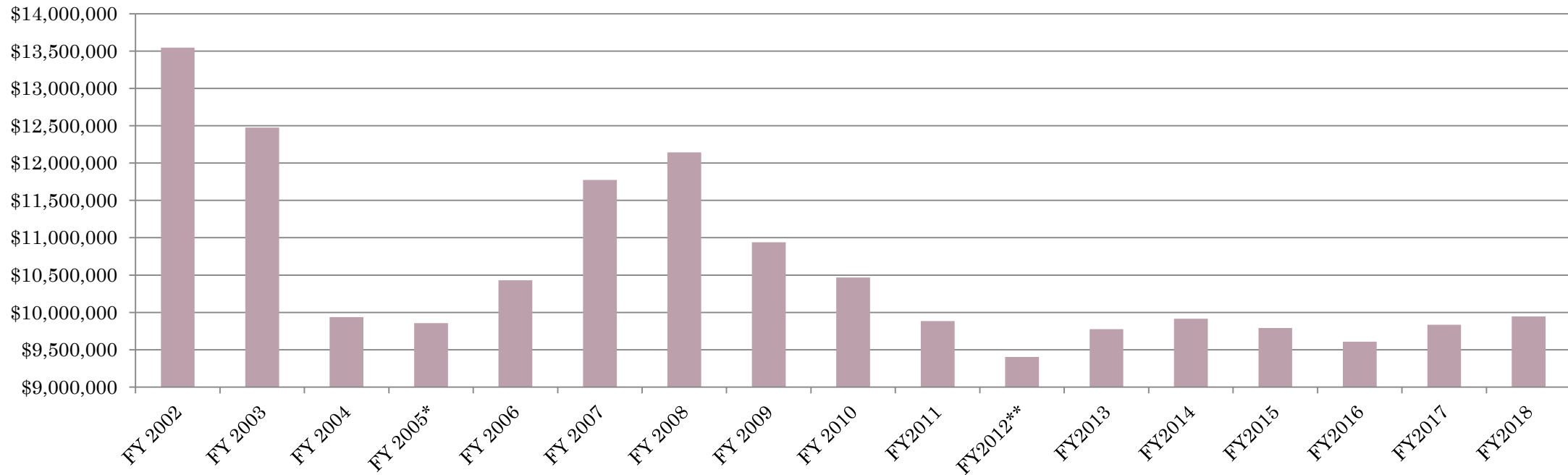
City of Northampton, MA - Net State Aid from FY2002 - FY2018

net state aid excludes offsets and MSBA payments

FY2018 is based on the Governor's Budget

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

*** does not include supplemental approp*

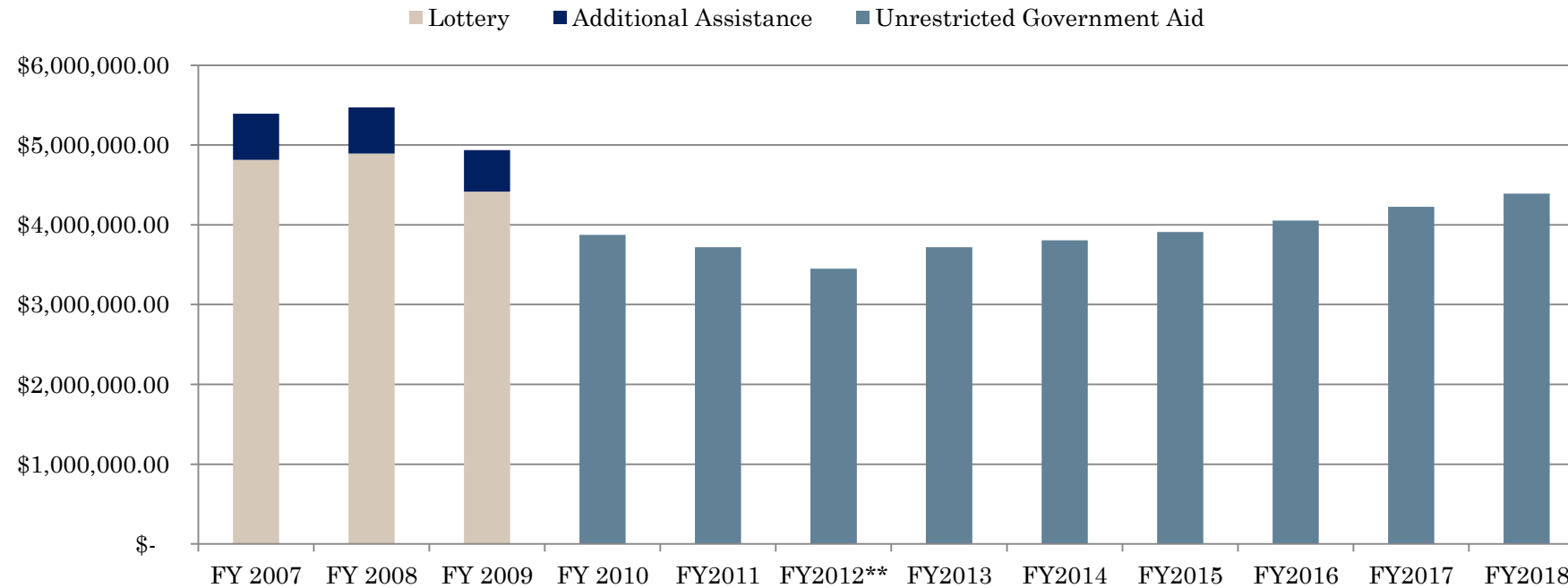


Local Aid - Unrestricted

City of Northampton, MA - Unrestricted General Government Aid FY2007 to FY2018

FY2018 is based on the Governor's Budget – January 2017

Increase in U.G.G.A for FY2018 - \$164,816 (proposed)



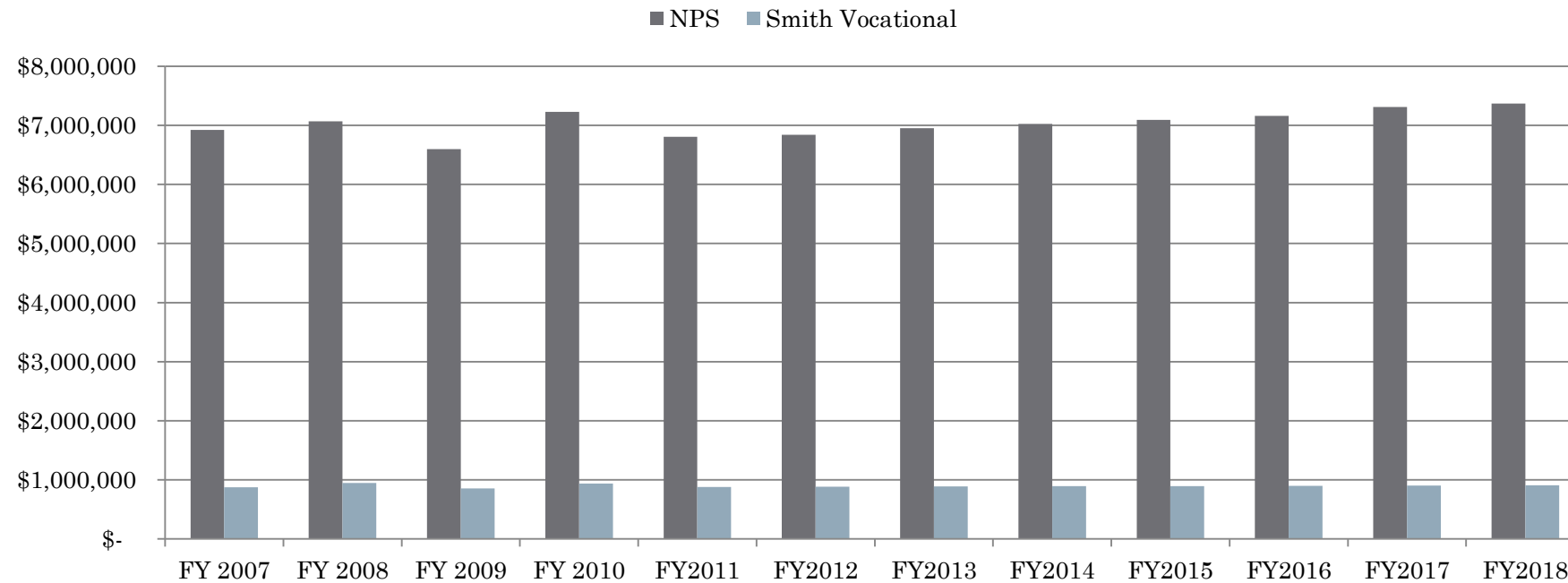
Local Aid – Chapter 70 Education Aid

City of Northampton, MA - C.70 Education Aid

FY2007 - FY2018

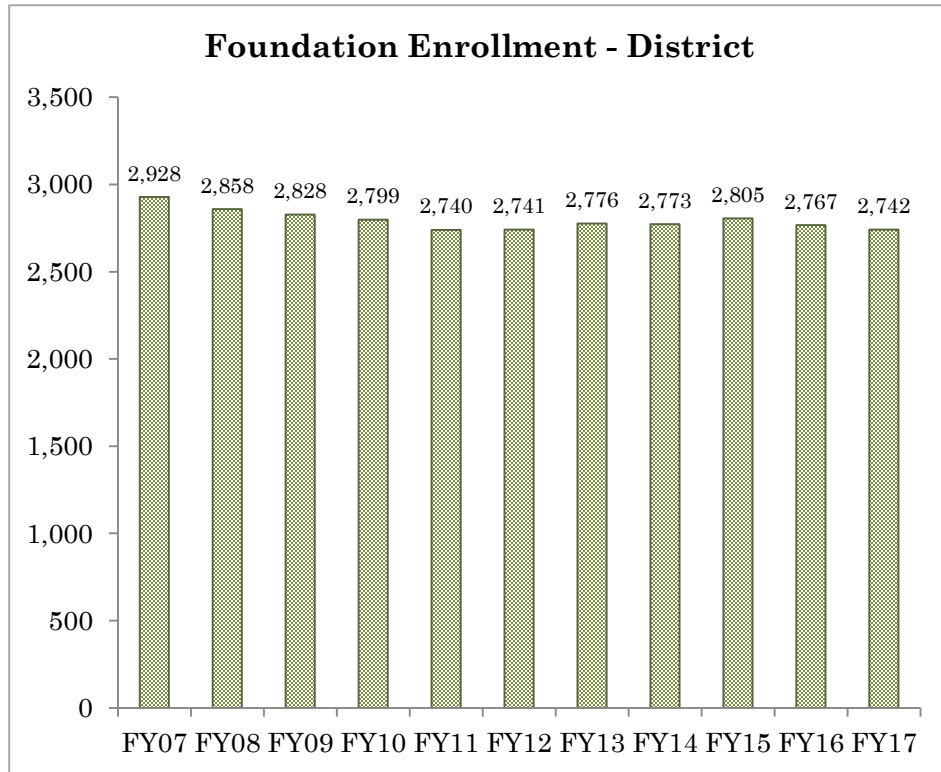
FY2018 is based on the Governor's Budget – January 2017

Increase for C.70 Aid - \$57,040 (total combined both districts)

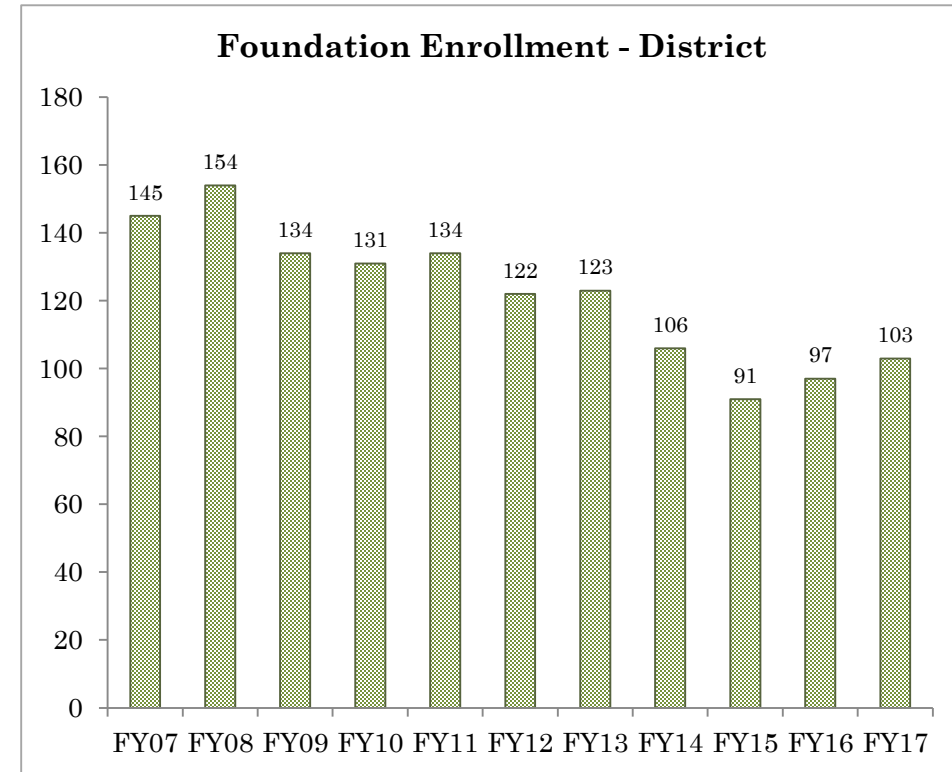


Schools – Enrollment – FY2007 - FY2017

Northampton Public Schools

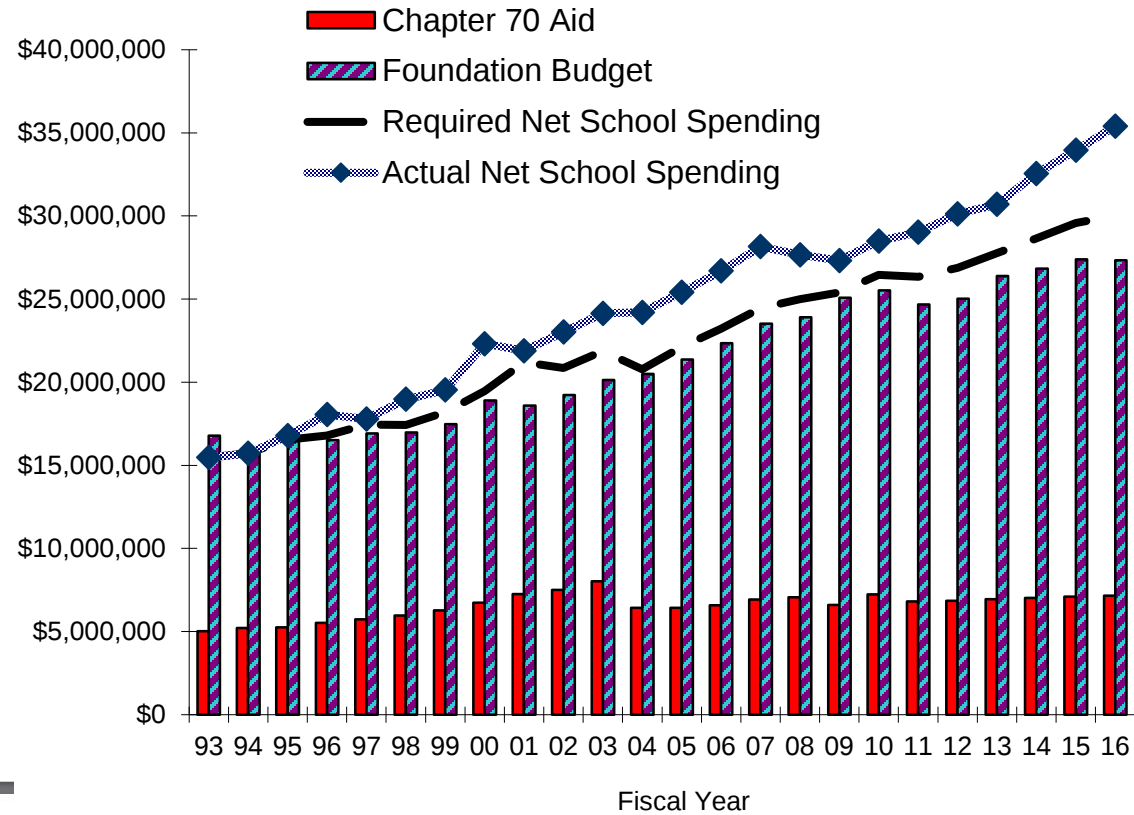


Smith Vocational and Agricultural High School

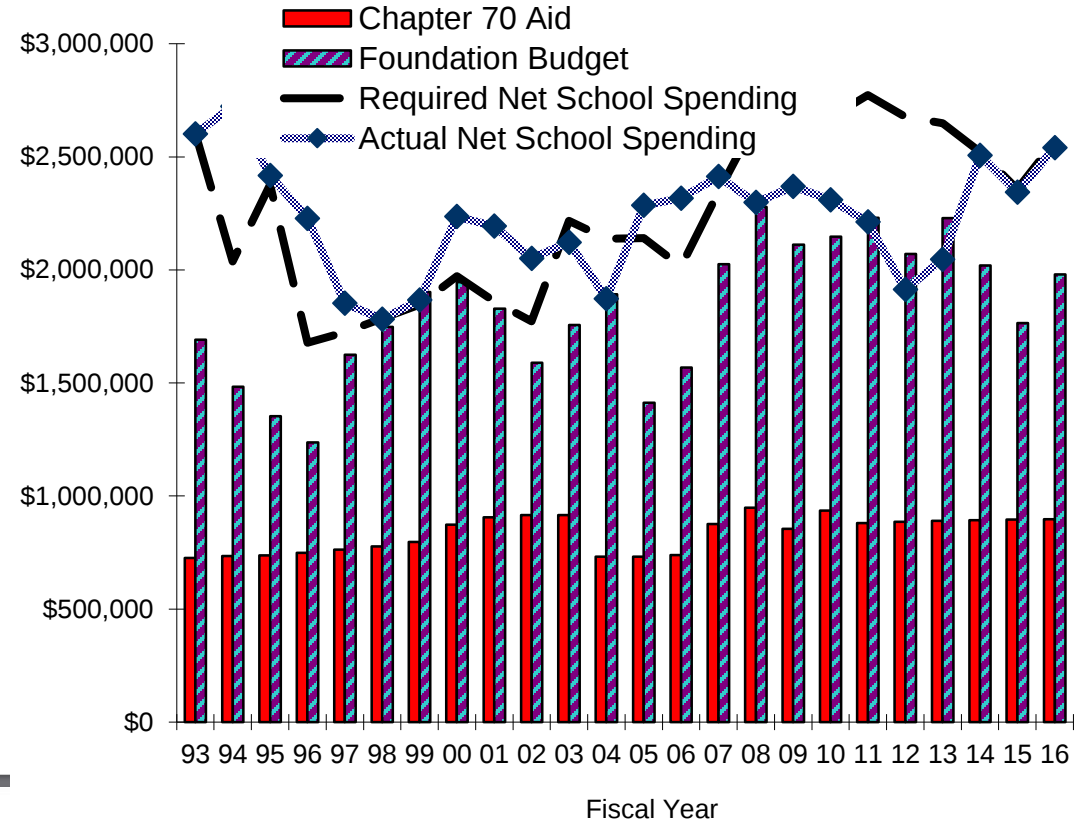


Schools – Foundation Budget, Required Net School Spending, Actual Spending and C.70 Aid – FY1993 – FY2016

Northampton Public Schools

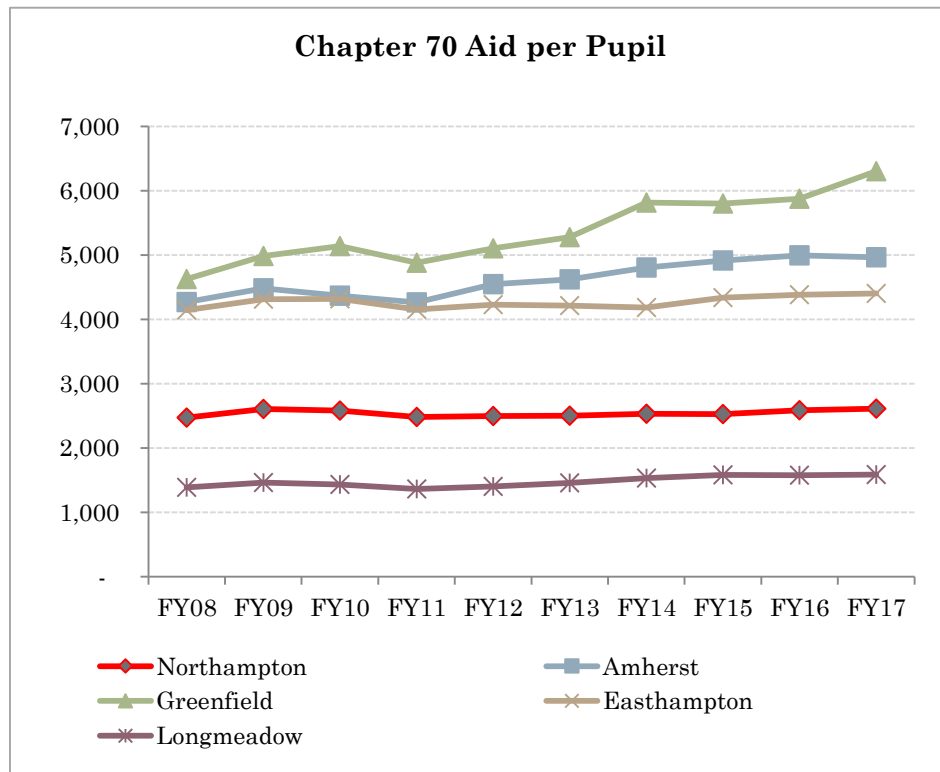


Smith Vocational and Agricultural High School

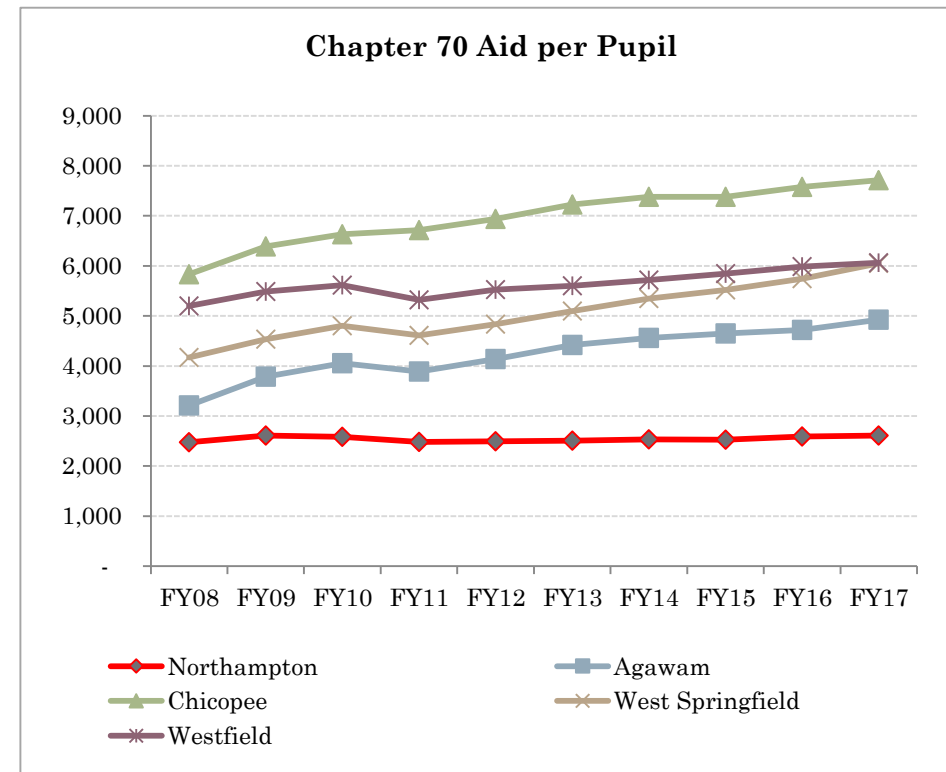


Schools – C.70 Aid per Pupil – Comparison with Neighbors

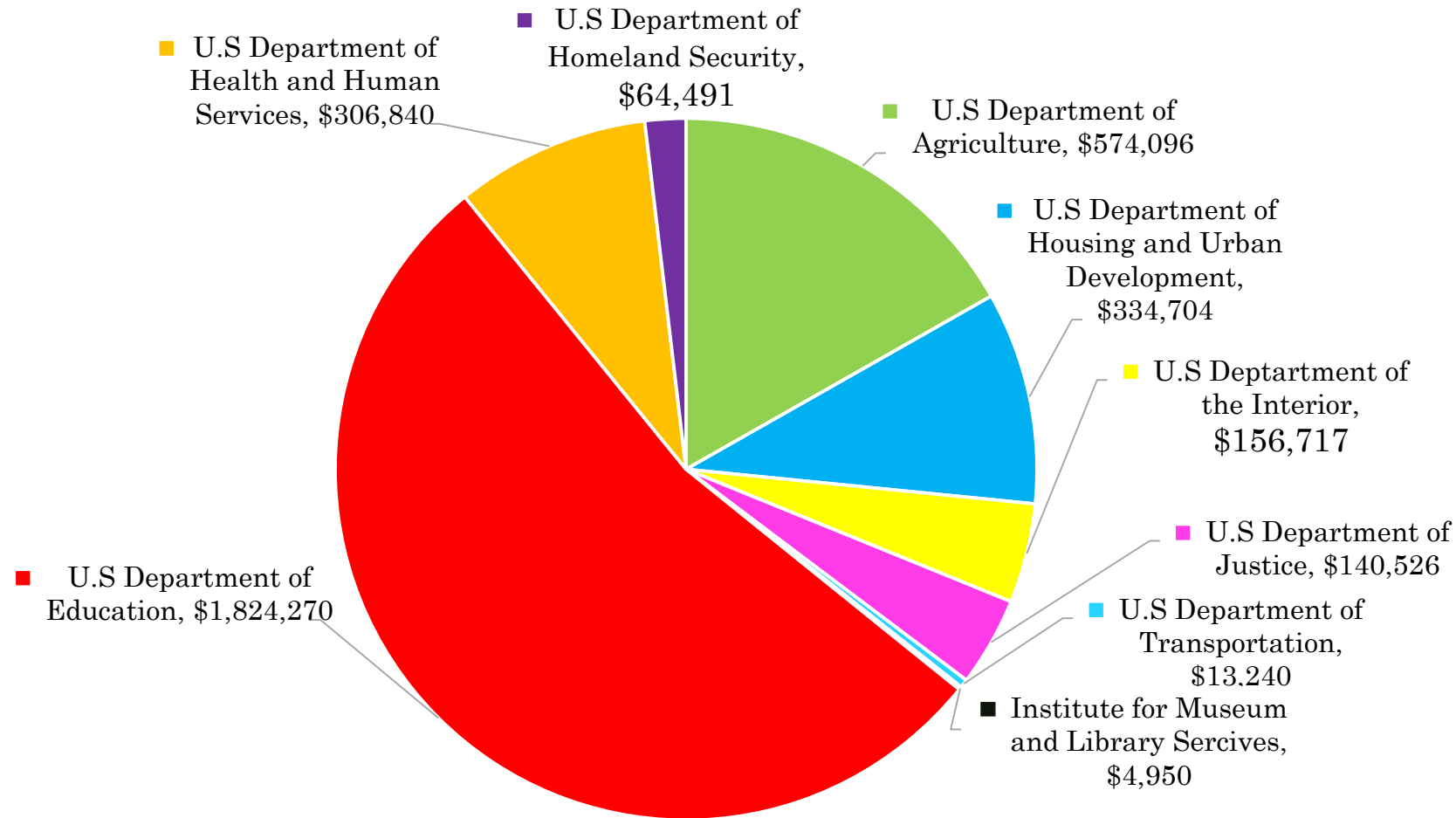
Northampton compared with Amherst, Greenfield, Easthampton and Longmeadow



Northampton compared with Chicopee, Westfield, Agawam and West Springfield



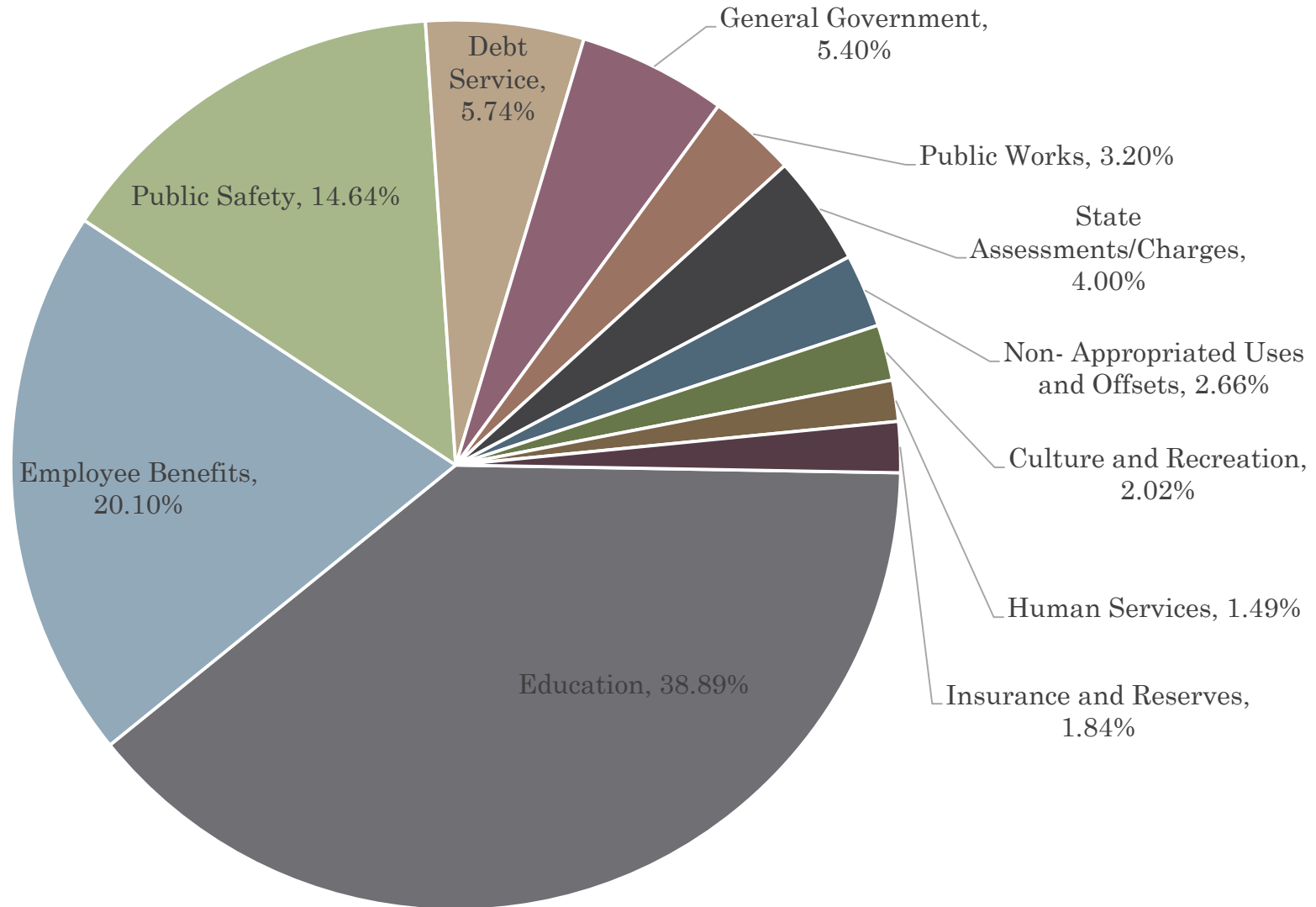
FY 2016 Federal Funding to the City of Northampton - \$3,419,834



General Fund

Expenditure Trends

General Fund Expenditures - FY2017



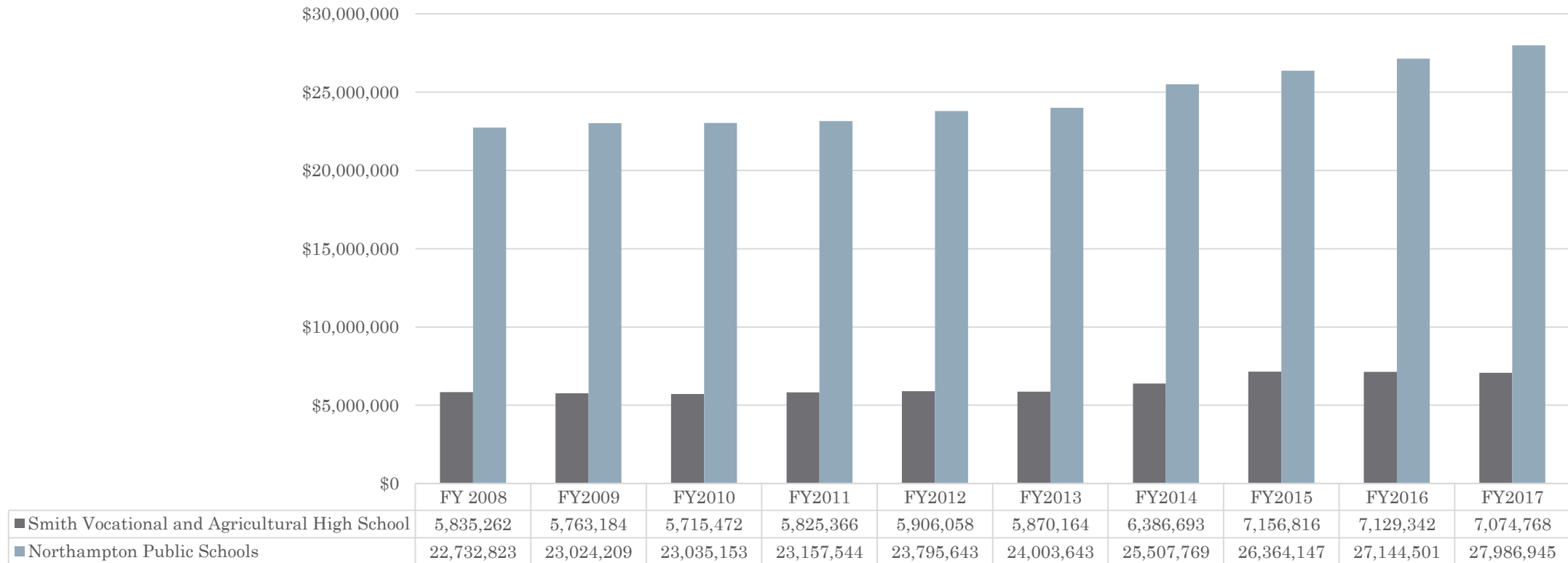
Total Education Spending – 55.2%

- The \$35 million in the General Fund for Northampton Public Schools and Smith Vocational and Agricultural School shown in the pie chart grows to \$49.8 million when including expenses related to education that are borne in other line items within the city budget. *(Figures for FY2017)*

Additional Spending Reflected in City Budget	NPS	SVAHS	Total
Employee Benefits	\$ 7,185,714	\$ 1,344,694	\$ 8,530,408
Insurance (Property, Vehicle, Liability)	\$ 122,398	\$ 39,046	\$ 161,444
School Crossing Guards (Police Budget)	\$ 54,791	\$ -	\$ 54,791
Debt for School Capital Projects	\$ 1,526,601	\$ 284,106	\$ 1,810,707
Cash Capital Spending Approved for FY17	\$ 315,000	\$ -	\$ 315,000
General Government (IT, HR, Auditor, etc.)	\$ 509,466	\$ 149,174	\$ 658,640
Central Services	\$ 54,136	\$ 48,890	\$ 103,026
Charter School Tuition for Outgoing Northampton Students	\$ 2,480,802	\$ -	\$ 2,480,802
School Choice Tuition for Outgoing Northampton Students	\$ 609,527	\$ -	\$ 609,527
TOTAL ADDITIONAL SPENDING ON EDUCATION IN FY2017	\$ 12,858,435	\$ 1,865,910	\$ 14,724,345
LINE ITEM SPENDING ON EDUCATION IN FY2017	\$ 27,986,945	\$ 7,074,768	\$ 35,061,713
TOTAL EDUCATIONAL SPENDING IN FY2017	\$ 40,845,380	\$ 8,940,678	\$ 49,786,058

General Fund Appropriation for Education Spending

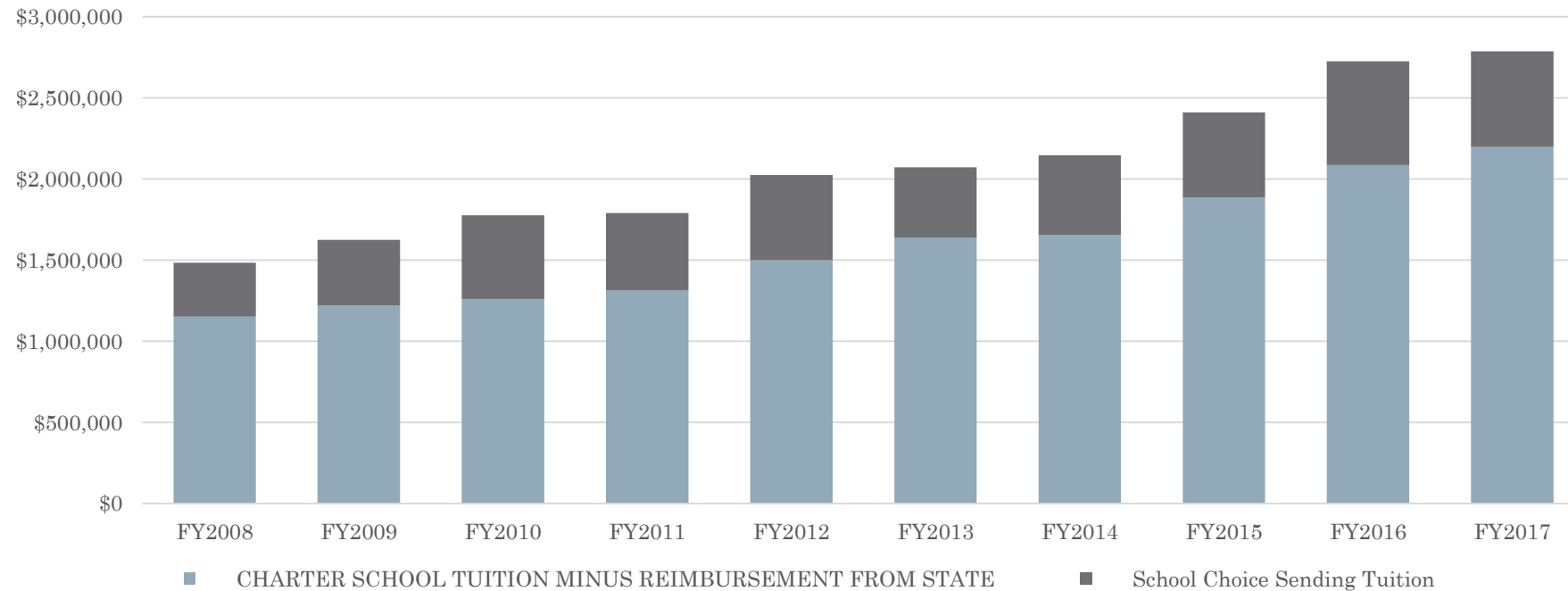
City of Northampton, MA - Northampton Public Schools and SVAHS Funding
FY2008 - FY2017



Impact of students leaving our District via Charter and School Choice

City of Northampton, MA - Charter School and Outgoing School Choice
Tuition

NET of State Charter Reimbursement
FY2008 - FY2017



Net Impact of Charter, School Choice Outgoing and School Choice Incoming on Northampton Public Schools in FY2017

Note: Net loss increased by \$145,398 in FY2017 compared to FY2016

City of Northampton - Outgoing Charter and School Choice Students and Dollars Compared with Incoming School Choice Students and Dollars	
	FY2017
Charter Students	198.00
Charter School Sending Tuition	\$ 2,509,570
Charter School Chapter 46 Aid	\$ 134,940
Charter School Facilities Aid	\$ 176,814
CHARTER SCHOOL TUITION MINUS REIMBURSEMENT FROM STATE	\$ 2,197,816
School Choice Outgoing Students	75.00
School Choice Sending Tuition	588,259
Total Charter and Choice Students	273.00
TOTAL NET CHARTER AND SCHOOL CHOICE OUTGOING TUITION	\$ 2,786,075
School Choice Incoming Students	228.00
TOTAL INCOMING SCHOOL CHOICE TUITION	1,745,205
NET GAIN OR LOSS FOR NORTHAMPTON in Students	-45.00
NET GAIN OR LOSS FOR NORTHAMPTON in Dollars	(1,040,870)

Impact on Neighboring Communities:
Students leaving local districts via Charter and outgoing School
Choice and students coming into local districts via incoming School
Choice in FY2016 – *NET IMPACT TO LOCAL DISTRICT*

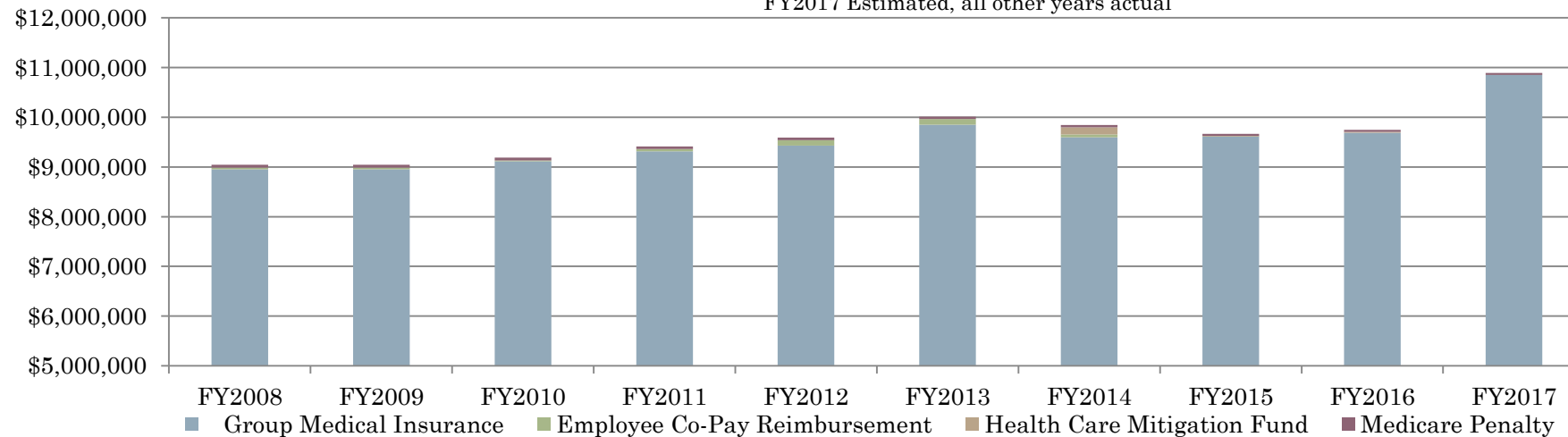
IMPACT OF CHARTER AND CHOICE ON NEIGHBORING SCHOOL DISTRICTS - FY2016											
	Charter Going Out			School Choice Going Out			School Choice Coming In			Net Gain or Loss	
Municipality	Students - Charter	Dollars net Charter Reimbursement	Average per student - Charter Out	Students	Dollars	Average per student	Students	Dollars	Average per student	Students	Dollars
Holyoke	827.57	\$ 9,572,068.00	\$ 11,566.48	337.02	\$ 2,134,577.00	\$ 6,333.68	52.69	\$ 293,066.00	\$ 5,562.08	(1111.90)	\$ (11,413,579.00)
Greenfield	90.22	\$ 997,755.00	\$ 11,059.13	323.16	\$ 2,503,449.00	\$ 7,746.78	116.55	\$ 710,935.00	\$ 6,099.83	(296.83)	\$ (2,790,269.00)
Chicopee	192.65	\$ 1,755,098.00	\$ 9,110.29	139.67	\$ 838,974.00	\$ 6,006.83	190.44	\$ 838,974.00	\$ 4,405.45	(141.88)	\$ (1,755,098.00)
Easthampton	93.79	\$ 742,468.00	\$ 7,916.28	174.98	\$ 1,183,176.00	\$ 6,761.78	86.1	\$ 490,764.00	\$ 5,699.93	(182.67)	\$ (1,434,880.00)
Amherst	83.05	\$ 1,273,664.00	\$ 15,336.11	25.07	\$ 238,888.00	\$ 9,528.84	49.96	\$ 336,133.00	\$ 6,728.04	(58.16)	\$ (1,176,419.00)
Northampton	200.72	\$ 2,087,177.00	\$ 10,398.45	83.42	\$ 637,347.00	\$ 7,640.22	221.36	\$ 1,829,052.00	\$ 8,262.79	(62.78)	\$ (895,472.00)
West Springfield	67.39	\$ 563,510.00	\$ 8,361.92	42.06	\$ 267,396.00	\$ 6,357.49	108.1	\$ 624,831.00	\$ 5,780.12	(1.35)	\$ (206,075.00)
Westfield	16.77	\$ 170,727.00	\$ 10,180.50	133.96	\$ 786,431.00	\$ 5,870.64	129.81	\$ 776,499.00	\$ 5,981.81	(20.92)	\$ (180,659.00)
Agawam	16.10	\$ 208,591.00	\$ 12,955.96	46.1	\$ 292,059.00	\$ 6,335.34	76.02	\$ 437,916.00	\$ 5,760.54	13.82	\$ (62,734.00)
Longmeadow	8.75	\$ 96,062.00	\$ 10,978.51	2.06	\$ 12,248.00	\$ 5,945.63	39.63	\$ 328,156.00	\$ 8,280.49	28.82	\$ 219,846.00
	1597.01	\$ 17,467,120.00	\$ 10,937.39	1307.5	\$ 8,894,545.00	\$ 6,802.71	1070.66	\$ 6,666,326.00	\$ 6,226.37	(1833.85)	\$ (19,695,339.00)

Employee Benefits – Health Insurance

City of Northampton, MA - Health Insurance Expenditures

FY2008- FY2017

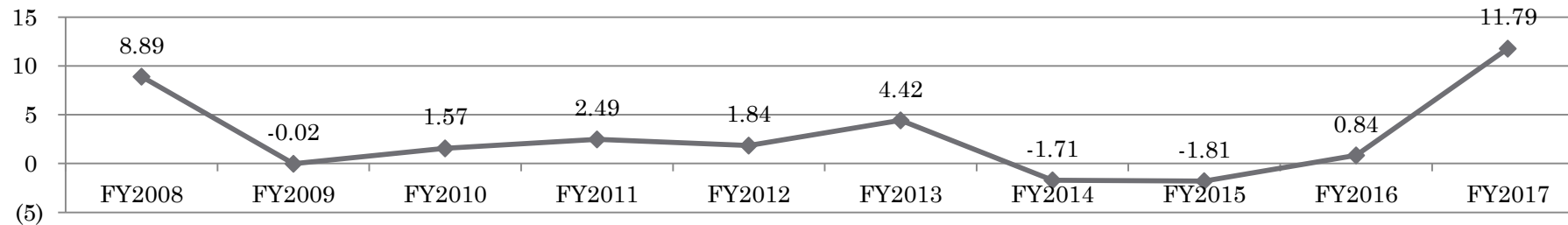
FY2017 Estimated, all other years actual



Health Insurance Total Expenditures - percentage change from previous year

Five year average increase in actual costs = 2.7%

Ten year average increase in actual costs = 2.8%

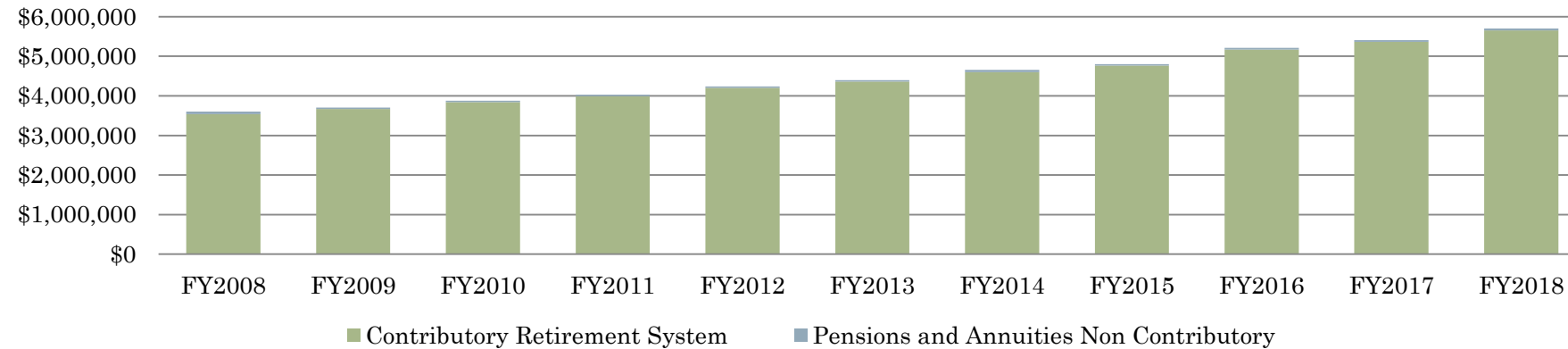


Employee Benefits - Retirement

City of Northampton, MA - Northampton Retirement Assessment

FY2008 - FY2018

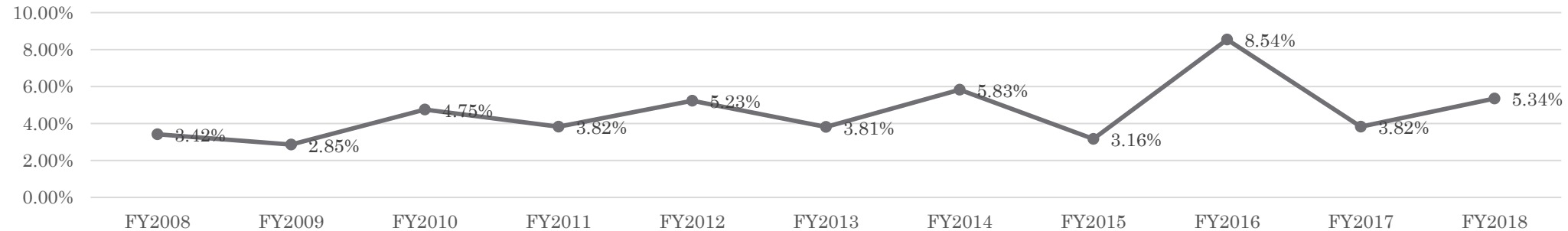
Increase for FY18 = 5.34% or \$289,010



Retirement - percentage change from previous year

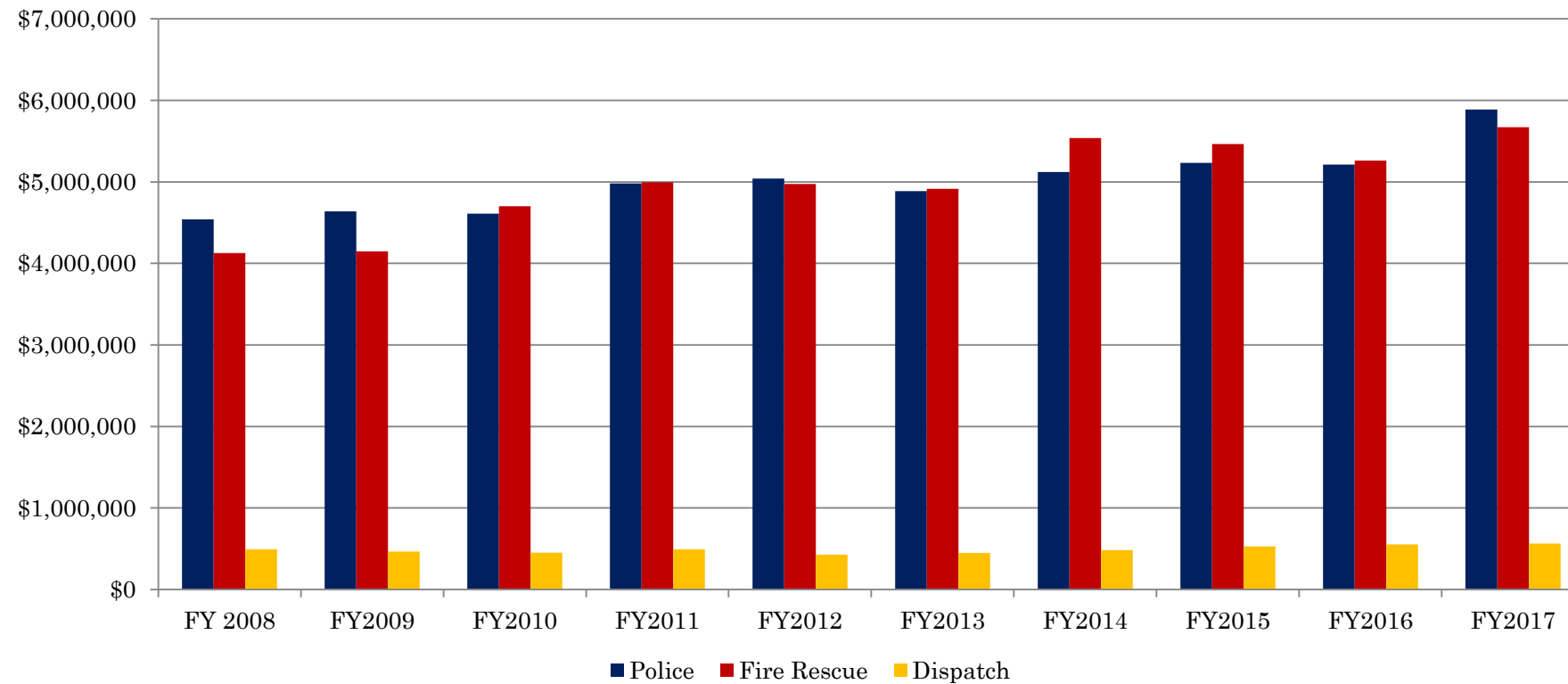
Five year average increase in actual costs = 5.34%

Ten year average increase in actual costs = 4.72%



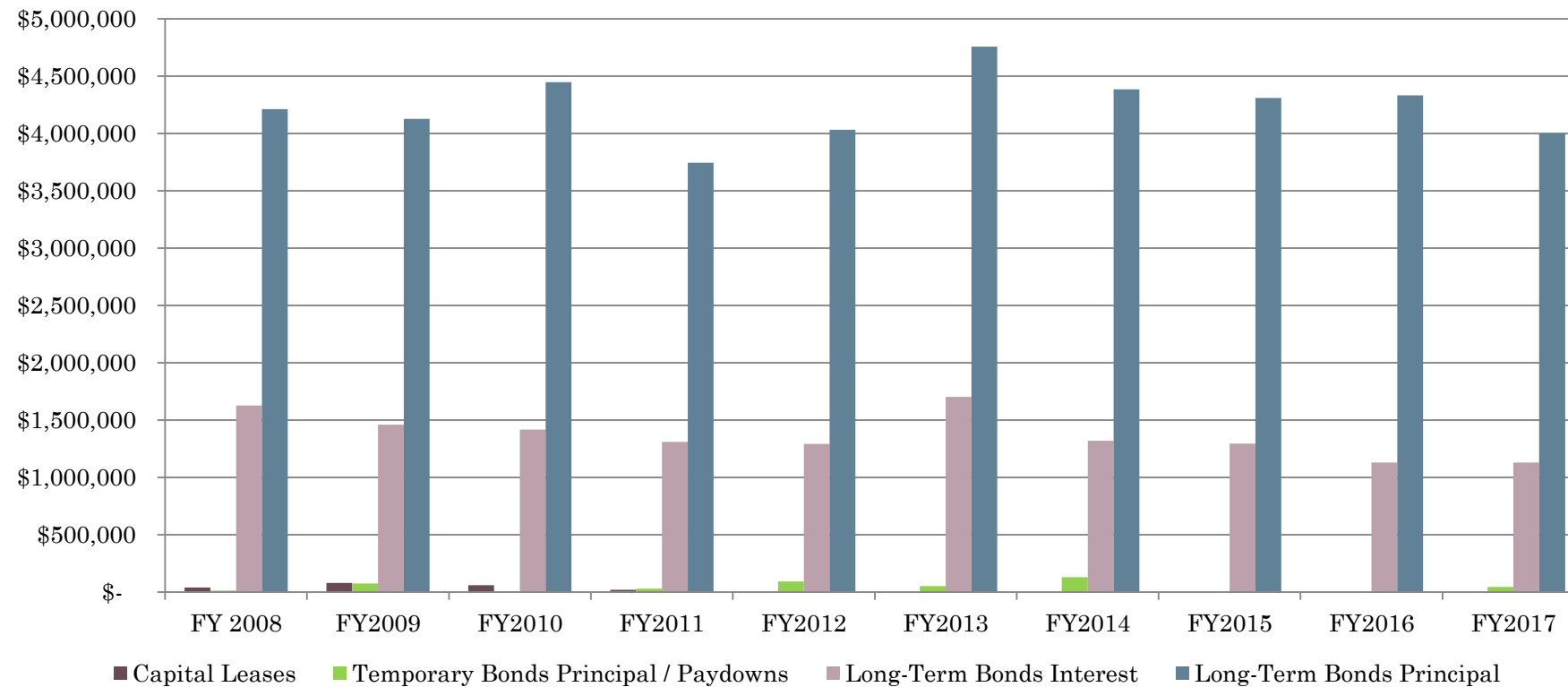
Public Safety Spending

City of Northampton, MA - Public Safety - Police, Fire Rescue, Dispatch
FY2008 - FY2017



Debt Service

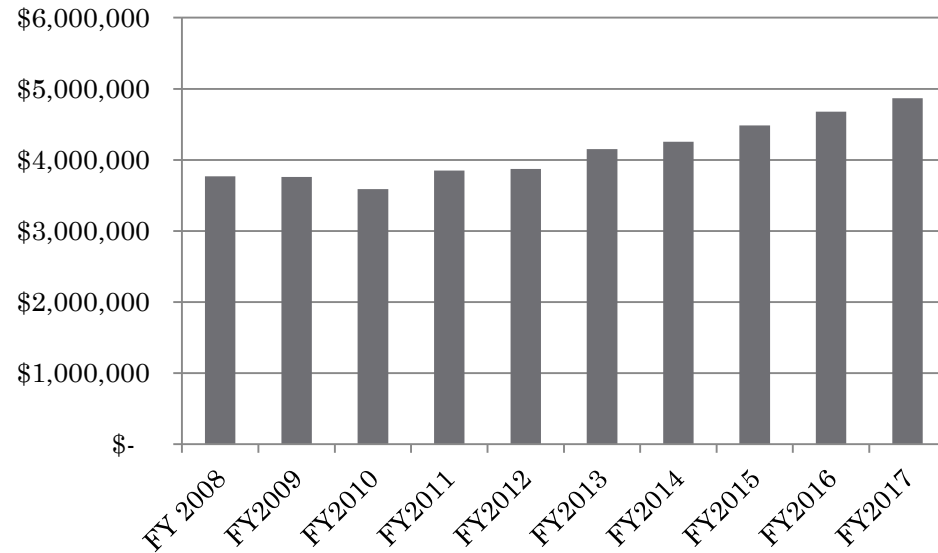
City of Northampton, MA - General Fund Debt Expenditures
FY2008 - FY2017



General Government and Public Works

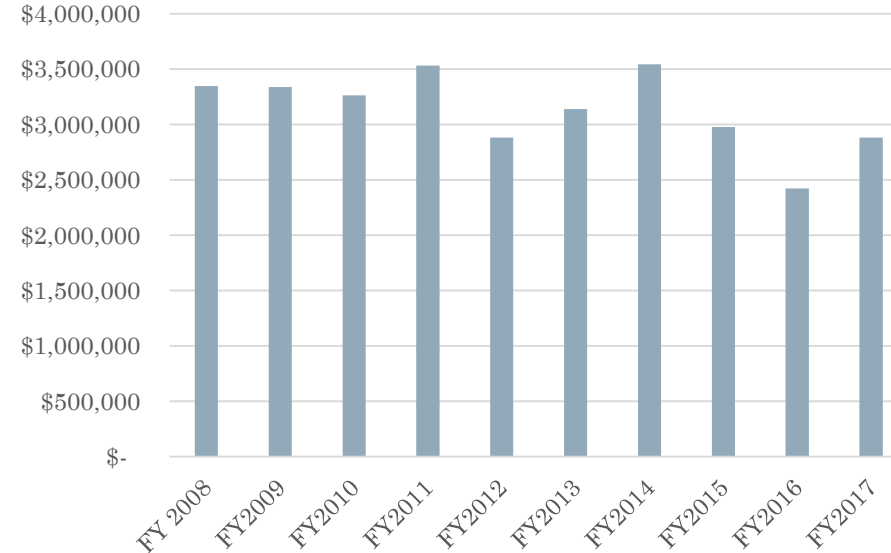
General Government

City of Northampton, MA - General
Government
FY2008 - FY2017



Public Works

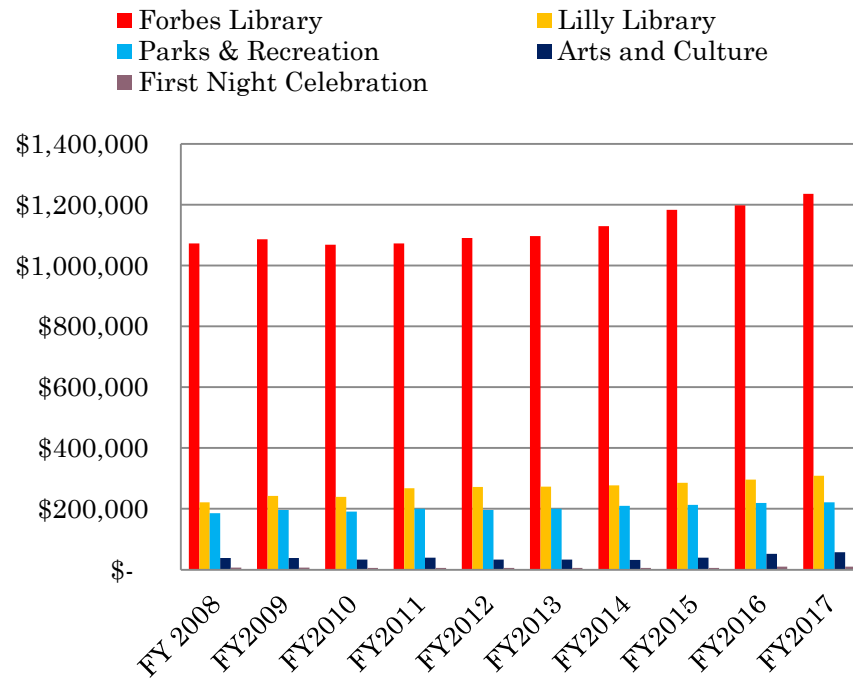
City of Northampton, MA - Public Works
FY2008 - FY2017
Note: FY2015 Storm Water Enterprise Fund Created
Note: Public Works Does Not Include Water, Sewer, Solid Waste or Storm
Water



Culture and Recreation and Human Services

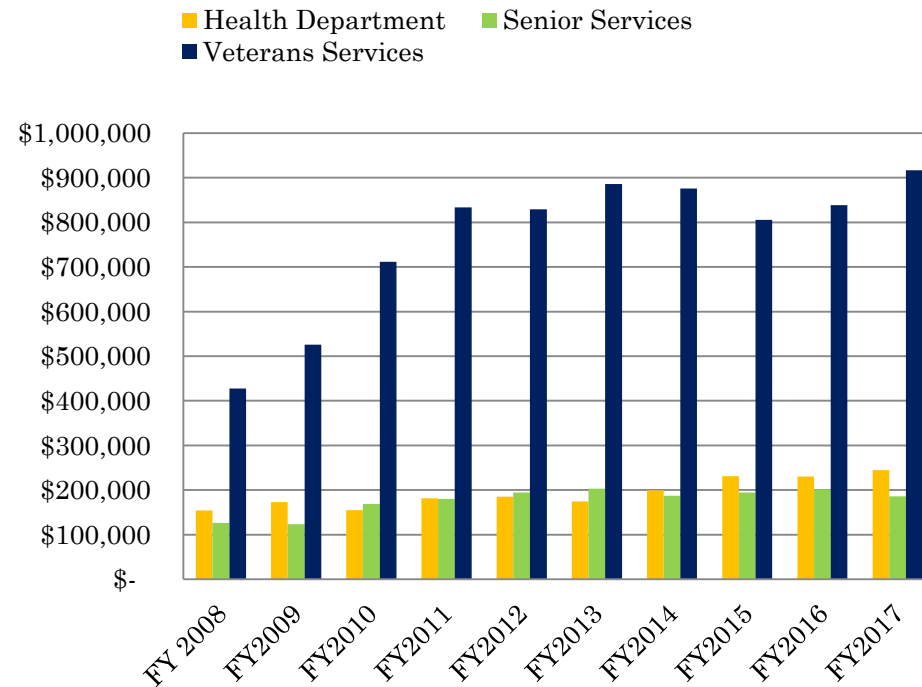
Culture and Recreation Spending

City of Northampton, MA - Culture and
Recreation Spending
FY2008 - FY2017



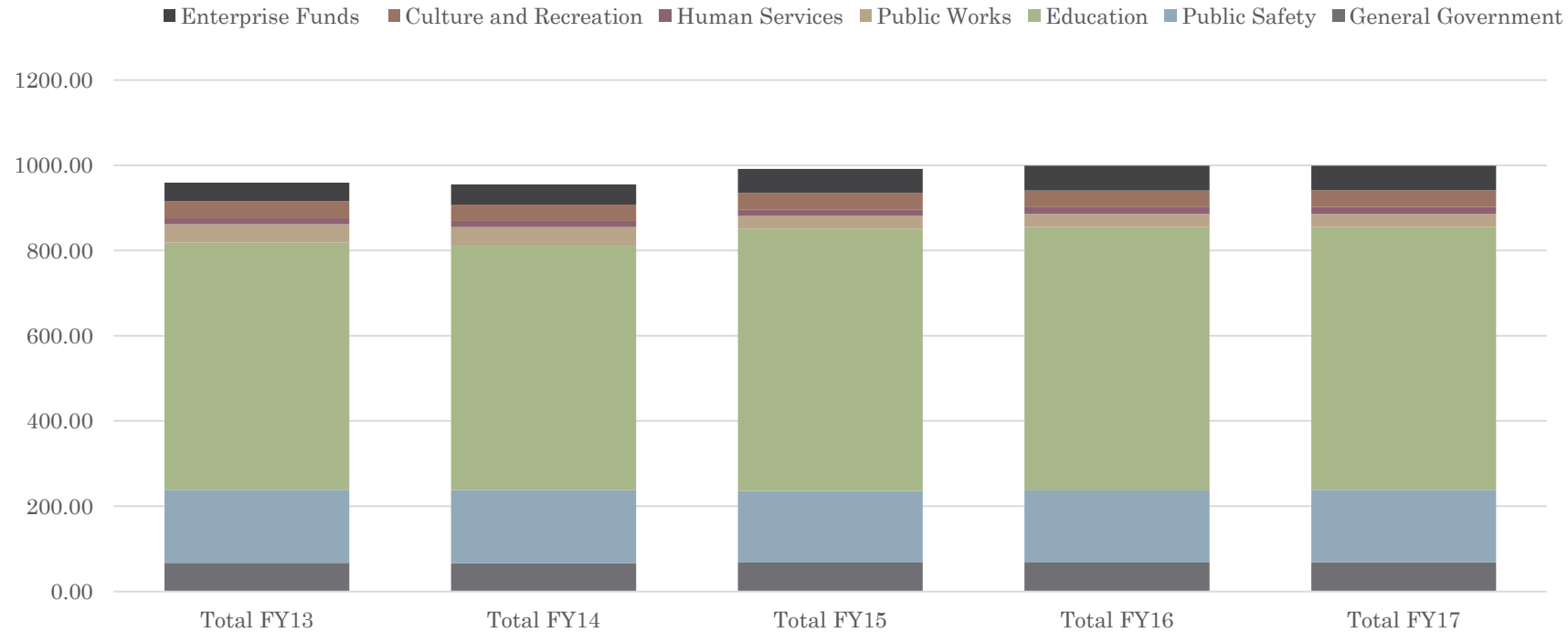
Human Services Spending

City of Northampton, MA -
Human Services Spending
FY2008 - FY2017



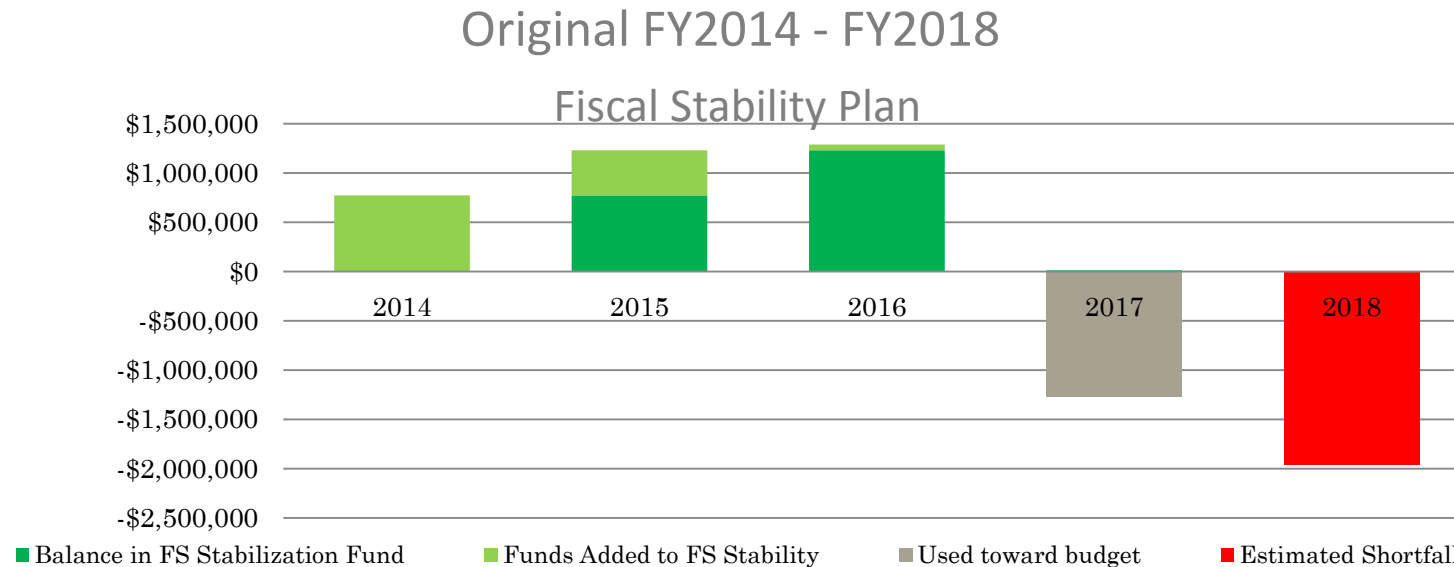
Staffing – Full Time Equivalents in Workforce

City of Northampton, MA - Staffing - Full Time Equivalents
FY2013 - FY2017



Fiscal Stability Plan

- 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.



Fiscal Stability Stabilization Fund

Fiscal Stability Stabilization Fund Balances
FY2014 - FY2017



Revenue Issues for FY2018

Overall, revenue is expected to increase 3% or \$2.35 million

- | | |
|---|-------------|
| - 2 ½% Increase: | \$1,360,847 |
| - New Growth Estimate: | \$ 600,000 |
| - Local Receipts Estimate: | \$ 100,000 |
| - Cherry Sheet Revenue (Governors Budget) : | \$ 294,620 |

Cherry Sheet (State Aid) Revenue

FY2018 Local Aid Estimates without Offsets for School Choice and Libraries

	Northampton			
	FY2017 Cherry Sheet Estimate	FY2018 Governor's Budget Proposal	Change from FY2017	FY2018 HWM Budget Proposal
				FY2018 SWM Budget Proposal
				FY2018 Conference Committee
Education:				
Chapter 70	8,217,114	8,274,154	57,040	
School Transportation	0	0	0	
Charter Tuition Reimbursement	280,649	310,270	29,621	
Smart Growth School Reimbursement	0	0	0	
Sub-total, All Education Items:	8,497,763	8,584,424	86,661	
General Government:				
Unrestricted Gen Govt Aid	4,226,061	4,390,877	164,816	
Local Sh of Racing Taxes	0	0	0	
Regional Public Libraries	0	0	0	
Urban Revitalization	0	0	0	
Veterans Benefits	526,965	575,318	48,353	
State Owned Land	63,851	63,851	0	
Exemp: VBS and Elderly	128,761	123,551	-5,210	
Sub-Total, All General Government	4,945,638	5,153,597	207,959	
Total Estimated Receipts	13,443,401	13,738,021	294,620	

Cherry Sheet Assessments

FY2018 Local Aid Assessments						
Northampton						
	FY2017 Cherry Sheet Estimate	FY2018 Governor's Budget Proposal	Change from FY2017	FY2018 HWM Budget Proposal	FY2018 SWM Budget Proposal	FY2018 Conference Committee
County Assessments:						
County Tax	0	0	0			
Suffolk County Retirement	0	0	0			
Essex County Reg Comm Center	0	0	0			
Sub-Total, County Assessments:	0	0	0			
State Assessments and Charges:						
Retired Employees Health Insurance	0	0	0			
Retired Teachers Health Insurance	0	0	0			
Mosquito Control Projects	0	0	0			
Air Pollution Districts	8,408	8,305	-103			
Metropolitan Area Planning Council	0	0	0			
Old Colony Planning Council	0	0	0			
RMV Non-Renewal Surcharge	99,120	81,640	-17,480			
Sub-Total, State Assessments:	107,528	89,945	-17,583			
Transportation Authorities:						
MBTA	0	0	0			
Boston Metro. Transit District	0	0	0			
Regional Transit	401,938	426,966	25,028			
Sub-Total, Transp Authorities:	401,938	426,966	25,028			
Annual Charges Against Receipts:						
Multi-Year Repayment Program	0	0	0			
Special Education	9,421	0	-9,421			
STRAP Repayments	0	0	0			
Sub-Total, Annual Charges:	9,421	0	-9,421			
Tuition Assessments:						
School Choice Sending Tuition	609,527	588,259	-21,268			
Charter School Sending Tuition	2,480,802	2,687,947	207,145			
Sub-Total, Tuition Assessments:	3,090,329	3,276,206	185,877			
Total Estimated Charges:	3,609,216	3,793,117	183,901			

Expenditure Issues for FY2018

WHAT WE KNOW:

Retirement Assessment – increase of \$289,010

Debt Service – estimated increase of \$343,000

Cherry Sheet Assessments – increase of \$183,901

WHAT WE DON'T KNOW YET:

Health Insurance – 3% increase is equivalent to \$327,283

5% increase is equivalent to \$545,472

Collective Bargaining – Contracts for FY2017, FY2018 and FY2019 – some still being negotiated – includes COLA's and Step Increases

Final State Revenues and Charges – House and Senate Versions

Department Staffing and OM Budget Needs

FY2018 Budget Timeline

- **January 31, 2017** – Mayor's Joint meeting of the City Council & School Committee
- **March 2, 2017** – Mayor submits proposed FY2018 Water and Sewer rates to City Council
- **March 2, 2017** – Mayor submits 5-year Capital Improvement Program to City Council
- **April 16, 2017** – Northampton Public Schools and Smith Vocational & Agricultural High School Adopted Budgets Submitted to the Mayor
- **May 16, 2017** – Mayor submits proposed City of Northampton FY2018 Budget to City Council
- **May 31, 2017** – Deadline for City Council to hold public hearing and vote on 5-year Capital Improvement Program
- **June 30, 2017** – Deadline for City Council to hold a public hearing and vote on proposed FY2018 Budget