

CITY OF SOMERVILLE

FY2010 Budget Overview

*“Managing Through Difficult
Economic Times”*

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Mayor

June 22, 2009

Somerville



All-America City



2009



OUTLINE

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 - Financial Challenges
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SETTING THE STAGE

The 2008-2009 Economic Downturn

The steepest economic decline since the Great Depression:

- Decreased investment, development, and economic activity
- Housing bubble bursts and mortgage defaults on the rise
- Unemployment skyrockets in Massachusetts
 - May 2008 Mass. unemployment = 4.9%
 - May 2009 Mass. unemployment = 8.2%

This affects all of us:

- Individuals and families lose jobs, wages, savings, and hard earned financial stability
- Government loses revenues, and the capacity to provide and enhance services, while demand grows and intensifies

WHAT ABOUT OUR PEERS?

No city or town in Massachusetts is immune to the economic forces hurting our nation and our State:

- Governor – third time in seven months emergency cuts necessary; 5,000 executive staff take 5 day furloughs; additional 700 jobs cut
- Boston – Over 565 layoffs (212 teachers; 67 police officers)
- New Bedford – 200 layoffs (38 fire; 38 police)
- Brockton – 75 layoffs expected (30 police; 20 fire; 22 city hall)

INITIAL BUDGET PROJECTIONS

- Somerville faces an estimated FY2010 deficit of over -\$12M next fiscal year

FY2010 Original Budget Projections	
Original Projected Expenditures	\$178,618,677
Original Projected Revenues	\$166,537,447
<i>FY2010 Projected Deficit</i>	<i>-\$12,081,230</i>

BUILDING THE BUDGET

“Our approach is guided by our core principles”

- **Fiscal Responsibility:** Avoid irresponsible cuts that generate short-term savings at the expense of long term prosperity. We will not build long-term plans on short-term fixes.
- **Uphold Commitments and Values:** Ensure the safety and education of our residents. Support the growth of our economy and protect the quality of our services. Give every child an opportunity to succeed. Assist our senior citizens when needed. Any budget must keep these promises.
- **Shared Sacrifice:** No group will bear a disproportionate burden from this challenge alone. We’re all in this together.

BUILDING THE BUDGET

“A strategic and cooperative approach to meet financial challenges”

1. Maintain core services using a more efficient organizational structure and workforce
2. Continue to depend on our employees to do more with less, while paying the utmost respect to the taxpayer dollars
3. Use Stimulus funding when and where possible
4. Continue infrastructure and economic investments
5. Convened outside experts (FAC) to bring new ideas and opportunities for cost control and revenue enhancement
6. Preserve reserves and free cash to maintain favorable bond ratings and prepare for “unforeseen problems” in FY2010 and beyond

BUILDING THE BUDGET

The Financial Challenges

“Tough, logical choices based on sound reasoning and prudent fiscal policy”

1. Declining Revenues:

- Local receipts outlook
- State Aid summary

2. Controlling Expenditures:

- Stabilize wages and health care benefits (bargaining)
- Manage pension liabilities
- Utilities projected
- Capital and debt management for both on-going capital and maintenance needs and larger capital projects such as East Somerville Community School, Assembly Square, Community Parks, and others

LOCAL RECEIPTS

Property Tax Levy and Growth projected for FY2010:

- Property Tax Levy = \$96,363,571
- Up \$3,829.107 or 4.14% from FY09
- We are at our Proposition 2 ½ Levy Limit
- New Growth in FY10 projected at +\$1,548,312
- Additional New Growth can be added up until June 30, 2009

Economically sensitive local receipts are stagnant or declining due to economic conditions:

- Motor vehicle excise
- Hotel/Motel
- Investment incomes
- Building permits and construction related

Raised Fees and fines across the board:

- Clerk, Treasury, DPW, Fire, Police, Libraries, and OSPCD
- Traffic and Parking

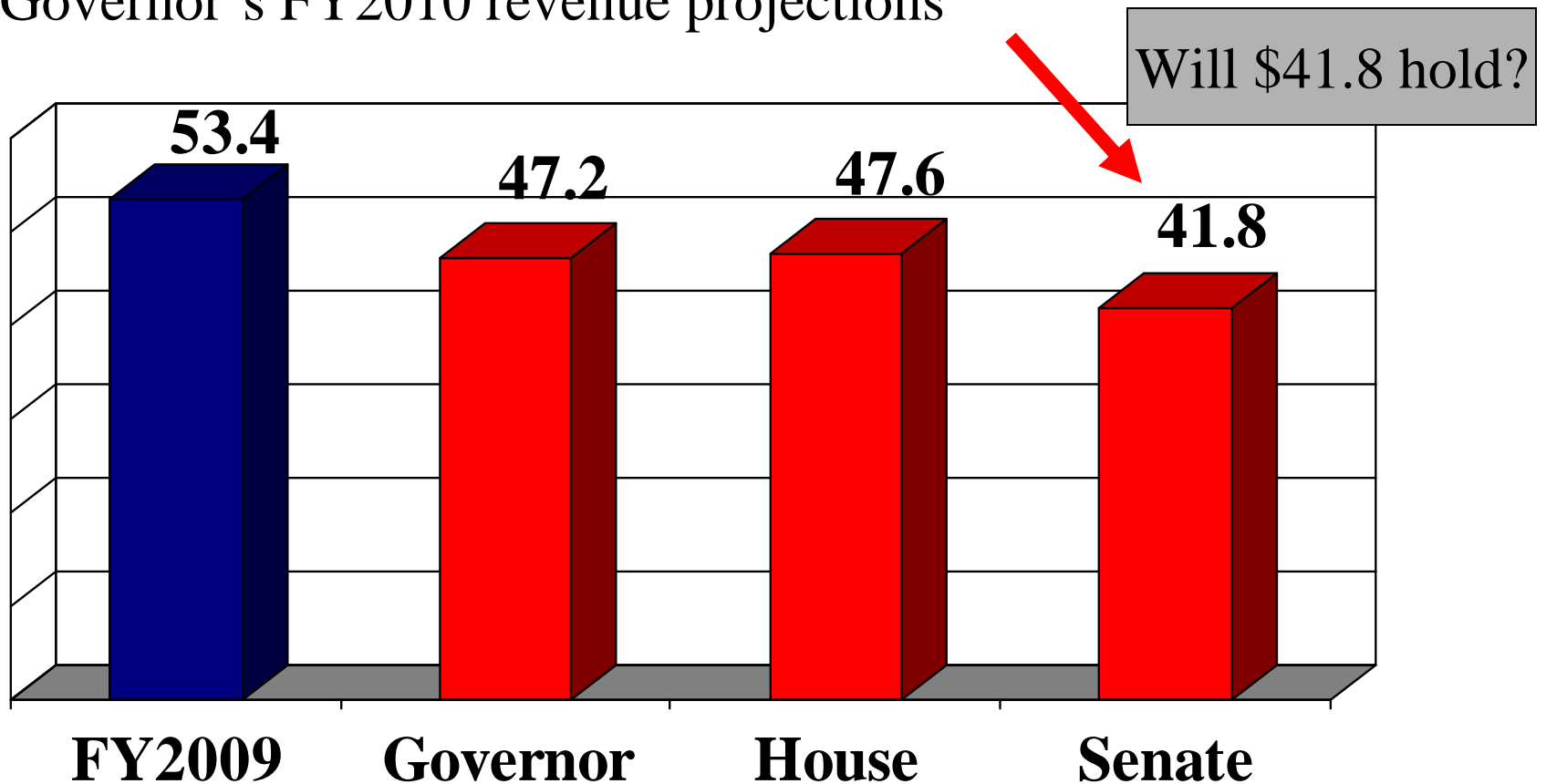
STATE AID

“Lack of direction from Beacon Hill”

- FY2009 State Aid:
 - “9C” cuts levied for the first time since 2002 (-\$2.9M)
 - Deficit mitigated without service reductions
- FY2010 State Aid:
 - Budget built using the final Senate amount
 - Potential for additional “9C” cuts next year are imminent – the end is not in sight
 - FY2010 amounts still not yet finalized
 - Awaiting final number from the Governor's office; likely this week

STATE AID

- In FY2010 State aid projection is down \$11.6M from the previous fiscal year
- Disagreement remains regarding Senate, House, and Governor's FY2010 revenue projections



STATE AID

This Administration strongly supports new components that may be included in this year's FY10 State Budget:

1. Implementing the Hotel/motel increase
2. Implementing the Meals tax
3. Closing the Telecom Loophole

FY2010 Projected Revenue Estimate	
Meals Tax .75% Increase Implement Sept.1	\$ 550,614
Room Occupancy 2% Increase	\$ 1,979,486
Hotel/Motel Implement date unknown	\$ -
Telecom Loophole	\$ 105,342
Total	\$ 2,635,442

EXPENDITURES

“Collaboration makes it possible to achieve our goals”

- Controlling Wages and Compensation:
 - Non-union wages stagnant (no COLA or raises)
 - 1– and 2– week furloughs for non-union personnel (City/School, BOA, and School Committee)
 - Collaboration with some unions (Superiors, Patrolmen, and E-911)
 - Left vacant positions unfunded and eliminated positions
- Controlling Health Costs:
 - Non-union and retiree premium increases (BOA support)
 - Union collaboration and progress (bargaining process)
- Pensions
 - Our schedule was fully funded by 2022; yet legal requirement only needs funding through 2030
 - Retirement Board extended the pension schedule from 2022 to 2026

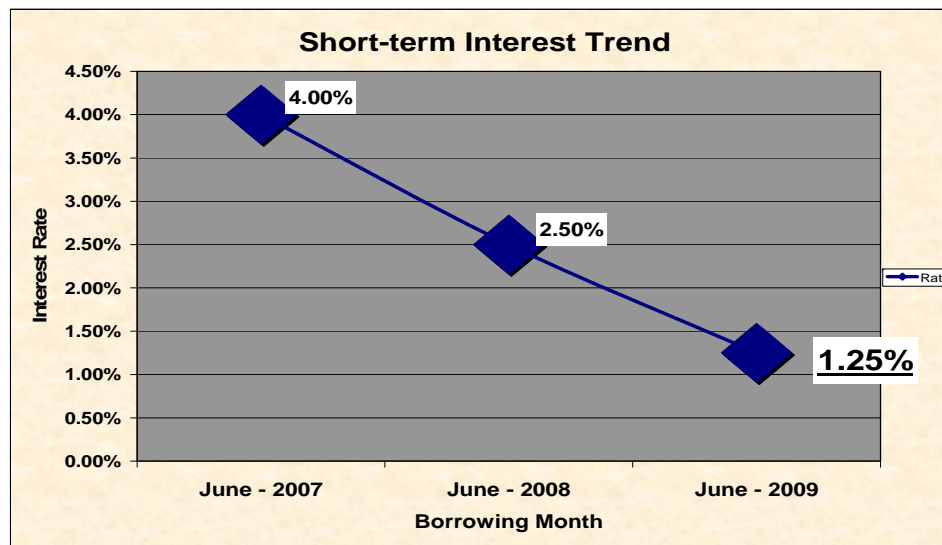
EXPENDITURES

- Utilities:
 - Commodity projections are down:
 - Electricity (-\$269K), Oil (-\$118K) , and Natural Gas (-\$37K)
 - New Contracts were sought-out (BOA support)
 - Sanitation projections are up:
 - Significant increases in Solid Waste (\$291K) and recycling (\$194K)
 - Anticipation of new contract will be higher
 - Technology savings achieved:
 - Computer supplies (-\$20K), Phone Maintenance (-\$15K), and Phone Lines (-\$40K)
- Capital Improvements and Debt Management:
 - Capital and Infrastructure Investments: leads to expanded tax base, and quality of life and education improvements
 - E. Somerville Community School
 - Public safety equipment
 - Parks
 - Municipal Indebtedness:
 - Prudent fiscal management practices, such as preserving reserves, led to extremely positive BAN response and praise from Moody's

EXPENDITURES

June 2009 BAN resulted in extremely favorable interest rate (1.25% - short-term):

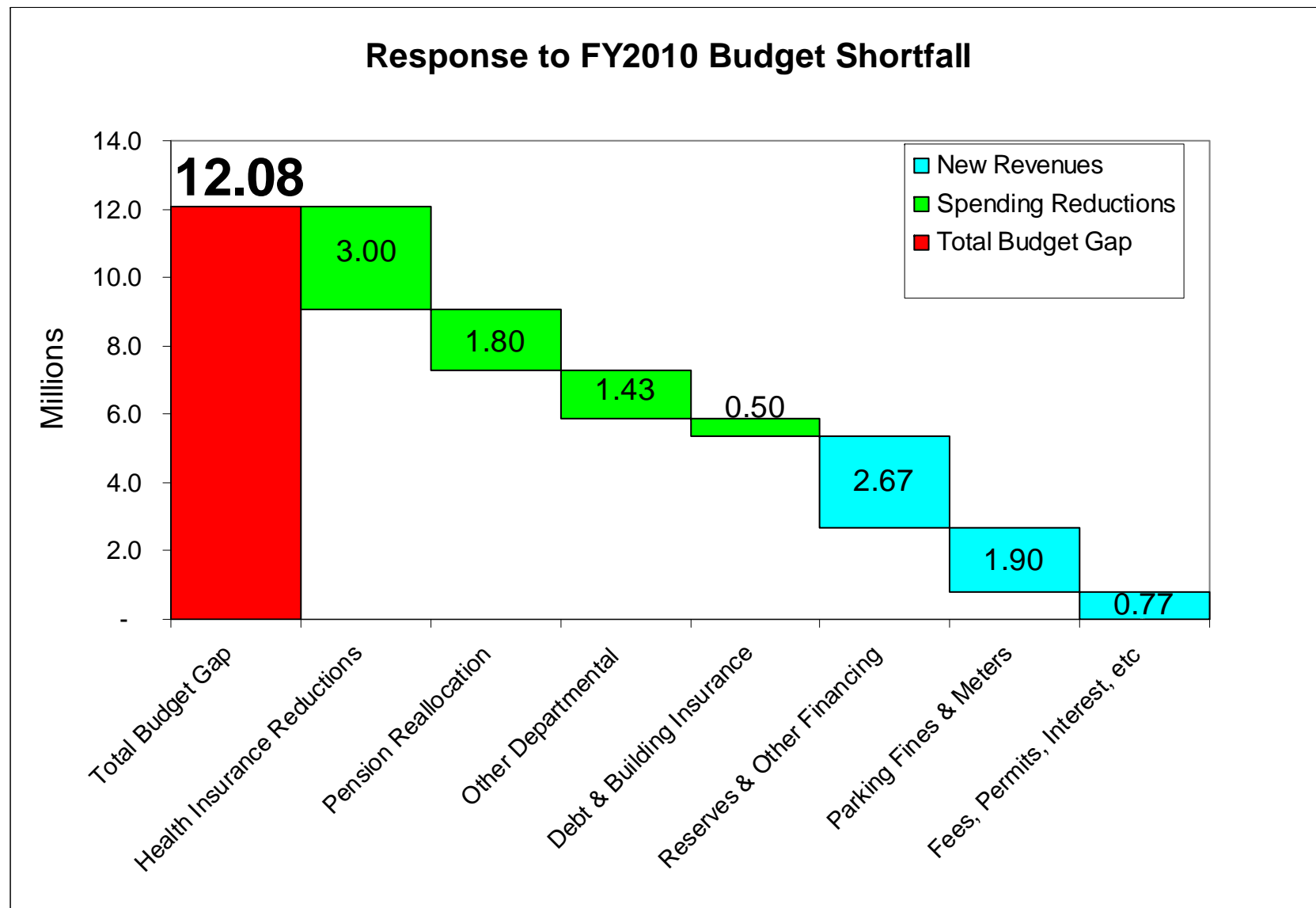
- *“Moody's believes Somerville's conservative budgeting approach and strong financial management will be integral to the city's financial stability over the next several years, given slowing revenues and continued reductions in state aid.”*



- *“...management's commitment to conservative revenue budgeting and demonstrated willingness to reduce expenditures will likely allow the city to weather the economic downturn without significant detriment to reserve levels.”*

SUMMARY OF ACTIONS

Tough and difficult choices were necessary to balance the budget



PROPOSED BUDGET

The FY2010 budget = \$160,272,078; (-\$4.8M less than FY09 or 3%)

This budget maintains service levels by:

1. Upholding our core commitments and values
 2. Paying the utmost respect to the tax dollar and the tax payer
 3. Becoming more efficient and effective in our delivery of services; and
 4. Relying on our employees to continue to do more with less:
- **Public Safety:** upholds our commitment to provide a safe environment;
 - Funds the SAFER Grant, the police sub-stations, and the Community Policing program
 - No cops or firefighters will be taken off of our streets
 - **Education:** upholds our commitment to excellent public education;
 - Protects core programs
 - Protects class-size: Maintain Pre-K at 19, Kindergarten to grade 2 at 22, grade 3 to grade 5 at 23, grade 6 to grade 8 at 24, and SHS at 25
 - Maintains program support for classroom services and teachers
 - Maintains professional development

PROPOSED BUDGET

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- **Public Works:** upholds our commitment to respond to emergencies
 - Continues the operation and maintenance of capital facilities and infrastructure
- **Libraries and Recreation:** upholds our commitment to maintain services;
 - library hours of operations were preserved, along with current programming levels in both Libraries and Recreation.
 - A more efficient organization structure is being implemented, as well as relying on trust funds and grant funding
- **Aging:** upholds our commitment to our older generations;
 - Maintaining service levels and relying on outside funding sources to offset operation costs
- **Youth and Volunteerism:** upholds our commitment to our children;
 - Funds Summer Jobs program to keep our kids engaged in our community
 - Funds Volunteer Coordinator Position to better leverage volunteer support and civic activism that is growing in our community

PROPOSED BUDGET

Other Financing Sources:

- Last Free Cash Certification was \$10.2M – highest in History – and ranked #9 out of 351 cities and towns
- An annual appropriation of \$3.5M from “Free Cash” will be sought to help balance the FY2010 Budget
 - FRIT Development Covenant: \$1.0M payment to be distributed to the City for municipal purposes deemed appropriate by the City
 - A \$3.0M appropriation from “Free Cash” will be sought to create a “Rainy Day” Stabilization Fund to help navigate through tough economic times including impending “9c “ cuts
- An appropriation of \$1M from “Free Cash” will be sought for the Capital Stabilization Fund for the FY2010 Capital Investment Plan
 - Scaled down from \$2.0M – FY10 Budget predicated on using \$477,373 from Cap Stab to balance the budget – net new money = +\$522,727

FEDERAL STIMULUS

- Although stimulus funds cannot be directly used in the General Fund operating budget, this Administration is aggressively pursuing ARRA and stimulus funding whenever and wherever possible

<u>Transportation</u>	
Magoun Square	\$3.1m on 2010 TIP
<u>Public Safety & Security</u>	
Cops Hiring Program	Applied for 4 entry-level officer positions
Byrne Competitive Grant	Funding of \$156,117 for P/T Victim Advocate & electronic fingerprint machine
<u>Education</u>	
Title 1	\$680,000
Special Ed (IDEA)	\$810,284
<u>Economic Development</u>	
Community Development Block Grant	\$772,000
<u>Energy and Environment</u>	
Energy Efficiency & Conservation Block Grant	\$651,000

LOOKING AHEAD

Assembly Square:

- Mixed-use, transit-oriented riverfront urban village
 - Phase 1AA Update
 - *IKEA / demolition update*
- New Orange Line MBTA Stop: \$25 million earmarked by Congressman Capuano, \$15 million from Federal Realty & IKEA

The city's already large, \$8.7 billion tax base will continue to expand and diversify given the city's favorable location and a number of substantial projects expected in the near- to medium-term.”

-Moody's

LOOKING AHEAD

Union Square Update:

- Zoning Amendment Rewrite
 - *Transit oriented development*
 - *Emphasis on ground-level retail*
 - *43D Development Sites*

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LOOKING AHEAD

Upcoming Projects:

- Green Line Extension
- Davis Square Hotel
- Magoun Square
- Washington Street / McGrath overpass
- Lower Broadway
- ESCS
- Somerville Avenue Project Update

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SUMMARY

- The FY2010 budget process was the most open and transparent in our history
- Unprecedented collaboration between the BOA, School Committee, and this Administration and employees
- Taxpayers were solicited for feedback and kept informed through ResiStat meetings, online budget surveys, and numerous Aldermanic presentations
- Convened the FAC – outside group of public, private and academic leaders

ALL AMERICA CITY

Somerville



**THANK
YOU!!**

*“The best-run city in Massachusetts is not the biggest. Tiny Somerville...
is chockablock with cutting-edge ideas”* - Boston Globe Magazine

CITY OF SOMERVILLE

Questions?

Somerville



2009

