

Section 1: Introduction



CITY OF NEWBURYPORT
OFFICE OF THE MAYOR
DONNA D. HOLADAY
60 PLEASANT STREET • P.O. BOX 550
NEWBURYPORT, MA 01950
(978) 465-4413 • (978) 465-4402 (FAX)
WWW.CITYOFNEWBURYPORT.COM

May 8, 2017

Dear President O'Brien & Members of the City Council:

I am pleased to submit the City of Newburyport's Proposed Budget for fiscal year 2018. The proposed budget includes funds for the general operation and maintenance of the municipal government, education and debt service.

The proposed general fund budget includes expenditures of \$64,040,166 balanced by non-tax levy revenues totaling \$9,393,193 and estimated tax levy of \$54,647,598. Of the tax levy, \$3,166,609 funds the voted debt exclusions for the Newburyport High School renovation, the Public Library renovations and building project, the new Bresnahan Elementary School, renovations of the Nock/Molin School, the new Senior/Community Center and redevelopment of athletic fields. It is shown within the budget as dedicated revenue that offsets expenditures, which are recognized as "Excluded Debt Service." The FY2018 general fund operating budget represents a \$2,359,781 or 3.8% increase over last year's budget.

We began the development of the FY2018 budget just as we learned that Newburyport's net state aid would be decreasing by 6.2% in the Governor's budget proposal. We were also faced with a health insurance renewal of 5.3% and a pension obligation increasing by 4.6%. It was no question that this would be a challenging budget year. Fortunately, the health insurance renewal came down somewhat to 3.8%. Unfortunately, the decrease in state aid grew to 7.4% largely driven by an increase to the assessment for Charter School Sending Tuition. Nevertheless, like all budget years, I brought together our City department heads to carefully review all spending requests and I feel we have identified those that are most critical to delivering the necessary and desired services for our community.

Budget Goals

- Develop a FY2018 Budget that is within the confines of Proposition 2 ½ and in compliance with the City's financial policies;
- Maintain a level services budget, while identifying opportunities to improve service delivery, efficiency and effectiveness;
- Provide modest cost of living adjustments for City employees while striving to limit the City's long-term financial liabilities regarding contractual payouts;

- Continue to balance the budget without the use of free cash or stabilization funds;
- Continue to identify, develop and address a dynamic and workable five-year capital needs improvement plan;
- Continue to develop a budget process that results in clear, concise and comprehensive information and ensuring strict management of all proposed expenditures;
- Continue to maximize the pursuit of grant funding to support capital projects and programmatic improvements;
- Continue to aggressively manage employee benefits and associated costs;
- Identify emerging operational, capital and financial planning issues for future years; and
- Develop a budget document consistent with the recommended guidelines and best practices set forth by the Government Finance Officers Association (GFOA).

Capital Improvement Plan

The FY2018 budget contains both the proposed operating budget, as well as, the capital improvement program (CIP) since neither document can be viewed in a vacuum. This budget should be viewed as a tool to illustrate the importance of a coordinated approach to capital planning that ensures the acquisition of necessary equipment and provides for the completion of significant infrastructure and facility improvement projects.

I have placed significant emphasis on the value of developing an organized, coordinated and workable five-year CIP for the City. We have made a commitment to funding capital projects by way of selective borrowing authorizations and an annual appropriation to capital from Free Cash. Additionally, we have worked with the Department of Revenue, Division of Local Services to further develop capital planning policies as they relate to annual funding targets and long-range planning.

I urge members of the community and City Council to carefully read the CIP, which is included in Section 12 of this document, and appreciate your feedback during the public hearing process that takes place for the third time this year in keeping with the requirements of the new Charter.

Free Cash & Financial Policies

I am pleased to once again submit a balanced budget that does not include the need for an appropriation from either Free Cash or any Stabilization Funds. This is a testament to the work of department heads and staff who have continued to be innovative in developing ideas for cost saving measures and have capitalized on opportunities to deliver municipal services without a reliance on additional municipal funds.

As part of the development of the Capital Improvement Plan, the City adopted a Free Cash Policy that is outlined in great detail in the CIP. The Free Cash Policy attempts to align one-time revenues with appropriate one-time expenditures. A goal of the policy is to minimize the level at which recurring expenses, such as personnel, are dependent upon this revenue source. I am pleased to report that the FY2018 budget anticipates 100% compliance with this policy.

In addition to the Free Cash Policy, we maintain several other financial policies that are outlined in

Section 13 of this budget document. Bond rating agencies often consider a municipality's commitment to and conformance with Financial Policies when reviewing its creditworthiness. As such, this policy has been a key factor in maintaining the City's AAA credit rating from Standard and Poor's. The creation of an OPEB Trust Fund, and subsequent appropriations, to address those long-range unfunded liabilities has also proved instrumental in maintaining this credit rating.

Tax Rate

The FY2017 tax rate is set at \$13.45 per \$1,000 based on a tax levy \$53,021,972 and a city-wide valuation of \$3,942,154,029. This tax rate represents a \$0.06 per \$1,000 increase over FY2016 and brings the City to the maximum tax rate allowable under Proposition 2 ½.

Based on the FY2017 revaluation, the average single family home in Newburyport is now assessed at \$540,300, compared to \$520,487 in FY2016, resulting in an average tax bill of \$7,267. This represents a \$298 or 4.3% increase over last year, compared to an average annual increase of \$377 or 6.1% that was experienced over the past three years as debt was issued to fund the two school projects and the Senior/Community Center.

Enterprise Funds

The Water, Sewer, and Harbormaster Funds are established as Enterprise Funds separate from the General Fund. The expenditures for both the Water and Sewer Funds are financed by water and sewer rate revenues, while the Harbormaster Fund is financed entirely through departmental receipts and waterway permits.

The Water Enterprise Fund is set to decrease 0.7% from FY2017 to FY2018, while the Sewer Enterprise Fund shows an increase of 10.6%. These budgets follow virtually level funded services for FY2017 and help to ensure the users of these services that these Departments have worked hard to keep their expenditures to the minimum necessary levels to maintain quality services. As expected, the Sewer Enterprise Fund budget is increasing due to major odor control improvements at the city's Wastewater Treatment Facility, in addition to, the replacement of a major pump station on Graf Road.

Lastly, the Harbormaster Enterprise Fund has increased 8.6% from last year's budget, due to higher operating costs driven by a new Transient Boater Facility and an increase to the state's minimum wage.

Budget Assumptions

- \$550,000 in new growth revenue;
- \$415,000 increase in Local Receipts;
- \$313,210 decrease in net State Aid; and
- No appropriation of either Free Cash or Stabilization Funds to balance the budget.

Budget Format

This year, we have continued our efforts in constructing a professional budget document that speaks

to the programs and services delivered by the City. We will build on this results-oriented approach to budgeting by continuing to add specific performance metrics incrementally over the next several years. The staff and I strive to identify the unique information requirements of the community and try to address those needs through this budget document.

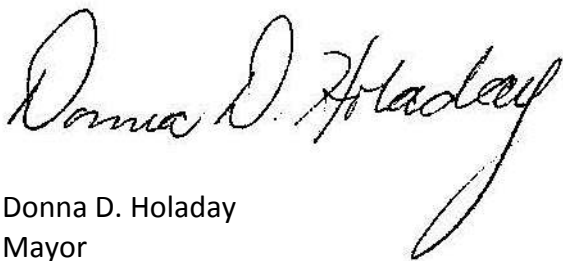
The Government Finance Officers Association (GFOA) has spent years developing guidelines for budget documents. I am pleased by the progress the City has made to adhere to the best practices and guidelines set forth by the GFOA and to be a recipient of the GFOA Distinguished Budget Presentation Award for our FY 2013 to FY 2017 budgets. We hope to continue to be recipients of this prestigious award for this budget document.

Conclusion

As we slowly emerge from these challenging economic times, we have made difficult but deliberative choices to ensure our City remains on solid financial ground. We have moved forward on long overdue infrastructure needs and are working diligently to address the growing list of streets and sidewalks in need of repair. We must also remain dedicated to rebuilding our school programs and this year's budget demonstrates my continued commitment to doing so. Although we are presenting a budget that allows us to maintain current level of programs and services, we must continue to be vigilant in efficiently managing these resources and maximizing benefits provided across the City.

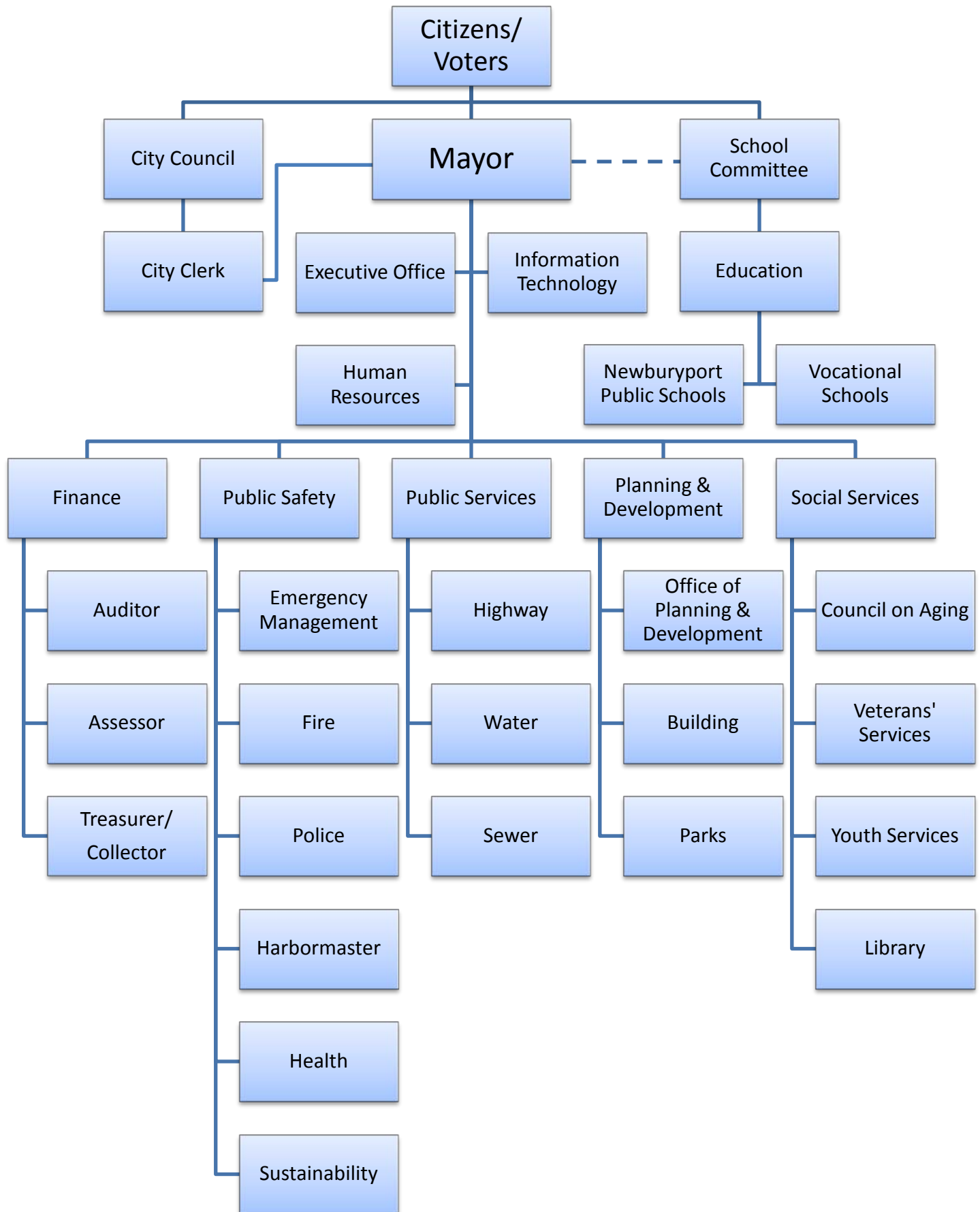
The development of this comprehensive budget and capital plan was a team effort and I am very grateful to the Finance Team members: Julie Languirand, Treasurer, Jill Brennan, Assessor, and especially Patty Moore, former Chief Administrative Officer and Ethan Manning, Finance Director/Auditor. Mr. Manning deserves much credit and recognition for his leadership and diligence in preparing this FY2018 budget. We are proud to submit this budget to you for consideration and look forward to working with you over the coming weeks to finalize this process and begin FY2018.

Respectfully Submitted,

A handwritten signature in black ink that reads "Donna D. Holaday". The signature is written in a cursive style with a large, sweeping flourish at the end.

Donna D. Holaday
Mayor

CITY ORGANIZATIONAL CHART



A CITIZEN'S GUIDE TO THE BUDGET

We have included this document to assist the reader in better understanding one of the most important documents produced by your community. The annual budget document is much more than just numbers; it is a reflection of our community's values, priorities and goals. The budget document serves as a policy document, a financial guide and a communications device to our residents. To this end, it is designed to be as user-friendly as possible. This guide was created to help orient interested readers by providing a brief overview of the budget process, as well as, an explanation of the organization of the budget document itself. We hope you find this introductory guide a useful tool providing the latest financial and planning information for the City of Newburyport.

THE BUDGET PROCESS

The City of Newburyport operates under state statutes and the Home Rule Charter as amended to establish the Mayor-Council form of government. The legislative body of the city is an eleven member City Council, with six members representing each of the city's wards and five members elected at-large. Each Councillor's term of office is two years. To maintain separation of powers, the Charter contains a prohibition on Councillors performing any executive function or giving orders or direction to any city employee, publically or privately. Such authority rests solely with the Mayor, who likewise is prohibited from exercising any legislative powers.

The annual budget planning process starts with a joint meeting in November of the Mayor, City Council, and School Committee to review relevant financial information and forecasts. Under the Charter, the Mayor must submit the proposed annual budget to council by May 15. The School budget would be submitted to the Mayor at least 10 days before that.

The Council will hold a public hearing on the budget and must act on it within 45 days of its submission. The Council may reduce or delete any line items, but it cannot add to any line item. The budget takes effect at the start of the next fiscal year on July 1.

BUDGET CALENDAR

July

Fiscal Year begins July 1st

August/September

Review CIP Goals & Update Strategic Needs for Supplemental Budget

October/November

Free Cash / Retained Earnings Certification
Joint Meeting of City Council and School Committee

January

Budget packets and Capital Improvement Plan sent out to Department Heads

February

Department Budget Requests due to Mayor
CIP requests due to Mayor

March

Mayor meets with Department Heads to review budgetary needs and CIP requests
CIP submitted to City Council before April 1st

April

School Committee approves budget

May

Mayor's Proposed Budget submitted to City Council by May 15th

June

City Council budget approval
Fiscal Year ends June 30th

COMMUNITY PROFILE

Name: City of Newburyport

Settled: 1635

Incorporated: 1764

Total Area: 10.6 Sq. Miles

Land: 8.4 Sq. Miles

Water: 2.2 Sq. Miles

Elevation: 37 Feet

Public Roads: 76.0 Miles

County: Essex

Population: 17,800

Form of Government:

Mayor-council city

Mayor: Donna D. Holaday

School Structure: K-12

FY2017 Average Single

Family Tax Rate: \$13.45 per
\$1,000

FY2017 Average Single

Family Home Value:
\$540,320

Coordinates:

42° 48' 45" N, 70° 52' 40" W

Address:

Newburyport City Hall
60 Pleasant Street
Newburyport, MA 01950
(978) 465-4413
www.cityofnewburyport.com

Newburyport is among the smallest cities in the state and is felt with some justification by its residents to be among the most beautiful, retaining as it does a large number of spacious, gracious Federalist homes built with the whaling and clipper ship fortunes of this 19th century seaport.

The city is very proud of its history; proud of the fact that the first tea party in opposition to England's tax on tea was held in Newburyport, well before the more famous one in Boston; and pleased to be the birthplace of the United States Coast Guard since the first ship commissioned for the Coast Guard, the frigate Massachusetts, was built in the City. Protective of its heritage, the City launched a massive redevelopment scheme in the early 1960s, using state and federal funds to reclaim its historic neighborhoods of granite, brick and cobblestones and provide up-to-date infrastructure such as water and sewer renovations. However steeped in the past, the City did not neglect to prepare for a lively present and built an industrial park at the same time, which now houses diversified small industries under a new title – the Newburyport Business and Industry Park.

On August 4, 2012, Newburyport was honored to be named the 14th Coast Guard City in the US. This designation recognizes the significant role that the City plays, both historically and presently, in supporting the efforts of the men and women of the United States Coast Guard. It has also recently been designated as a Cultural District and is recognized as a Green Community.

The City has a strong tourist industry and was the first community in the state to complete a master plan and a harbor plan. Its adjacent river is used for recreation and its old fire station now houses a theatre and restaurant. Many residents of the heavily residential community commute daily to Boston via the MBTA's commuter rail service or one of several bus companies that offer easy commuting to and from the City.

Residents are proud of the fact that many families have lived in the City for generations, and equally proud of the fact that the City welcomes newcomers and the innovative ideas they bring.

