

Section 1: Introduction



CITY OF NEWBURYPORT
OFFICE OF THE MAYOR
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May 14, 2018

Dear President Connell and City Councilors:

It is with pleasure that I submit for your consideration my proposed fiscal year 2019 operating budget for the general operation and maintenance of the municipal government, education and debt service. This operating budget of \$80,830,437 represents an increase of \$4,173,379, or 5.4%, over the FY18 approved budget allocated as follows: \$67,493,702 for the General Fund, \$5,460,014 for Water Enterprise Fund, \$7,393,893 for Sewer Enterprise Fund and \$482,829 for Harbormaster Enterprise Fund.

As a City, together we have accomplished significant achievements in addressing necessary capital projects. These projects included the new Francis T. Bresnahan School, renovations to the Nock/Molin Schools, the Senior Community Center, the Harbormaster facility, extensive upgrades to the Water Plant and Wastewater Treatment Plant and Phase II of the Clipper City Rail Trail. We have anticipated and planned for the upcoming fiscal year and for the future of our City by continuing to focus on identified capital and departmental needs while recognizing the demand for housing and future growth.

It is our goal as we enter into our FY 2019 budget that we direct increased resources to infrastructure needs with specific attention to our streets, sidewalks and our neighborhoods. As I and City staff continue to have conversations with residents and City Councilors, these needs are being prioritized to be addressed as soon as possible. The past several winters have had a tremendous impact on our seacoast and on our roads and sidewalks. It is imperative that this year and moving forward that we include these projects in our FY18/19 CIP but in the outlaying years as well. I believe we will be able to achieve this goal by drawing from several sources of funding including specific projects in our operational budget, free cash transfers, the Complete Streets Grant and the Safe Routes to Schools grant. Although we receive only about \$517,000 from the State's Chapter 90 funds to aid in local street and sidewalk repair with strict operational guidelines we have allocated an additional \$675,000 for roadwork this year for a total of \$1.19M. Additionally, 50% of meals tax or approximately \$295,646 is budgeted directly for sidewalks and included in the General Fund Highway budget. This is the largest allocation to streets and sidewalks in the City to date.

Capital Improvement Plan

The FY2019 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 in the form of “pay-as-you-go” funding 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.

The CIP will continue to be updated annually and serve as the five-year plan and guideline for the allocation of resources to continue the infrastructure improvements that Newburyport needs at this time. One specific item in the FY18/19 CIP is the feasibility study for the City’s Storey Avenue Fire Station. Both of our fire stations are in need of major renovations and we prioritized work to the Storey Ave station. We must make a serious commitment and fiscal plan to address these necessary improvements. We have a responsibility to our first responders and to our residents to update these facilities to meet national codes and standards to ensure the safety for our firefighters.

We also will continue actively working on the adaptive reuse of the Brown School and locating a permanent home for Youth Services.

Budget Goals

- Develop a FY2019 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 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).

Budget Highlights

- The FY19 budget is based on the full levy limit allowable under Proposition 2½. In FY18, excess levy capacity was left on the table to allow one additional year for tax smoothing process for the debt exclusion projects. The FY19 budget assumes that the city will not leave excess levy capacity on the table again this year.

- Employee benefits continue to be a major budget pressure for the City account for almost 50% of the FY19 budgetary increase, which includes all city and school employees. The FY19 health insurance renewal was a 4.8% increase and the appropriation for the retirement system went up 5.3%.
- Increasing funding for the schools continues to be a major priority for my administration. For FY19 budget, the school budget appropriation will increase 4.2% over FY18. This increase meets significant financial pressures in the area of special education. It also allows for new staffing additions, such as a 0.5 reading teacher at the Nock, a 0.8 STEM/Math teach at the high school, a Social Worker at Bresnahan and hourly additions for a reading assistant and clerical support at the high school.
- The paid parking program is now part of the General Fund operating budget, whereas in previous year's it was accounted for in a Departmental Revolving Fund. This change adds \$366,433 in operating expenses, offset by the same amount of revenue from the newly established Paid Parking Fund.
- The solid waste budget shows an increase for \$315,000 for FY19 largely driven by impacts of China's "National Sword" program, which have trickled down to the local level. As you may be aware, this new policy bans the vast majority of recyclable materials that was previously shipped overseas. As a result, municipalities that were once getting paid for recyclables are now paying to dispose of recycled materials; most recently up to \$70-\$80 per ton.
- New storm water regulations come into effect July 1, 2018. As a result, we have made budgetary changes to reflect the increased requirements. The total impact for FY19 is \$145,000 which pays for a full-time storm water engineer, as well, as testing, consulting and maintenance programs.
- Collectively bargained and contractual increases appear throughout all the departmental operating budgets. The city most recently negotiated the city's ASFCME union, which is factored into departmental budgets for FY19. The only unsettled contract is the Teamster's Department Head Union, which is accounted for as a budget contingency so that funding may be put in place once settled.

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 FY2019 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 and, as such, I believe that what the City's Finance Team has drafted under my leadership is a major step in the right direction. In fact, 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 FY2018 tax rate is set at \$13.26 per \$1,000 based on a tax levy of \$54,794,917 and a city-wide valuation of \$4,132,346,602. This tax rate represents a \$0.19 per \$1,000 decrease over FY2017 and utilized \$373,762 in Free Cash to defray 0.75% of the increase allowed under Proposition 2 ½. Based on the FY2018 valuation, the average single family home in Newburyport is now assessed at \$560,300, compared to \$540,300 in FY2017. This results in an average single family tax bill of \$7,430, which represents a 2.3%, or \$163, increase over FY2017's average single family tax bill.

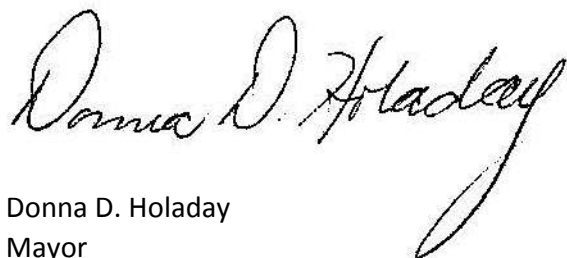
By defraying the increase to the tax levy by 0.75%, the average single family home experienced a \$50 savings from what would have otherwise been a \$213 increase. Given the robust real estate market that has encouraged new development and improvements or additions to existing homes, we added \$933,594 in value from New Growth for FY2018. This is a positive indicator of the local economy and part of the reason that I did not recommend taxing up to the maximum levy limit for FY2018.

Conclusion

As we begin our budgetary process we plan for the improvement of infrastructure needs but also must maintain our current fiscal practices for the long term positive financial position attained by continuing to use the best practices and standards that have allowed us to achieve and maintain a AAA bond rating and the Government Finance Officers Association's *Distinguished Budget Award* for the sixth year in a row. This has been a very challenging budget development process with loss of school revenues (grant-funded programs and school choice income) and increases in Special Education costs; increases in the cost of the municipal solid waste contract; unfunded Federal mandates as it relates to stormwater; and increases in health insurance. We must continue to advance our school programs recognizing new socio-emotional needs of students and expanding current levels of curriculum particularly in STEM, World Languages and NHS electives.

The development of this FY19 budget was the result of the solid work and input of the Department Heads and their staff. I am grateful to the extremely dedicated Finance Team including Julie Languirand, Treasurer; Jill Brennan, Assessor; Nancy Lysik, Executive Assistant to the Superintendent for HR and Finance; Paul O'Brien, Chief Administrative Officer; and Ethan Manning, Finance Director. I would like to extend special recognition to Ethan Manning for his lead role in developing this budget. We look forward to working with City Councilors in review of the budget and finalizing the FY19 budget over the upcoming weeks.

Respectfully Submitted,



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: 18,356

Form of Government:

Mayor-council City

Mayor: Donna D. Holaday

School Structure: K-12

FY2018 Average Single

Family Tax Rate: \$13.26 per \$1,000

FY2018 Average Single

Family Home Value: \$560,297

Coordinates:

42° 48' 45" N, 70° 52' 40" W

Address:

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60 Pleasant Street
Newburyport, MA 01950
(978) 465-4413
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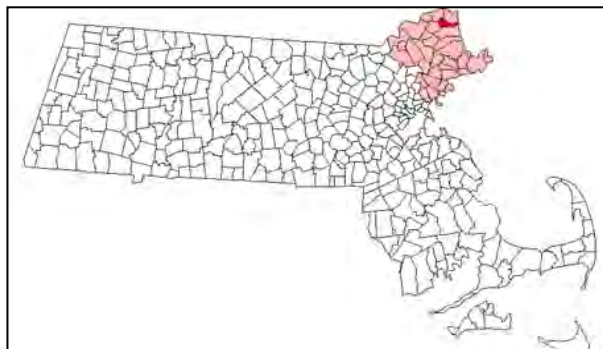
Newburyport is among the smallest cities in the state and is felt with some justification by its residents to be among the most beautiful, retaining as it does a large number of spacious, gracious Federalist homes built with the whaling and clipper ship fortunes of this 19th century seaport.

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. The City was recertified as a Coast Guard City in September of 2016. 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.



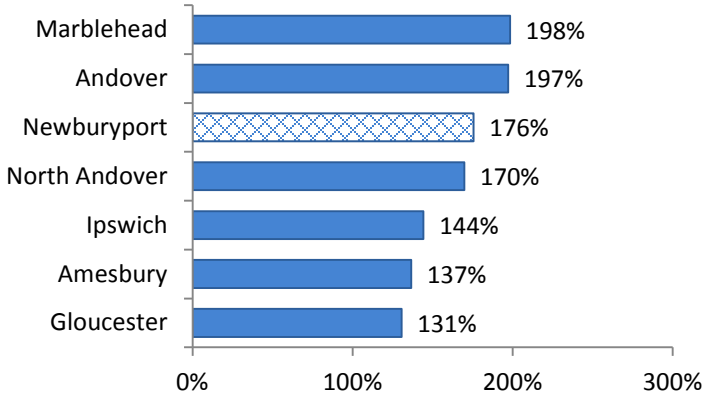
ECONOMY & TAXES

Property taxes and local revenue are critical to the operation and fiscal health of municipalities. The charts below show how Newburyport compares with neighboring communities in terms of per capita income, home values, tax rates and tax bills.

The last two charts drill down on City's economic-oriented revenue and the composition of the tax base.

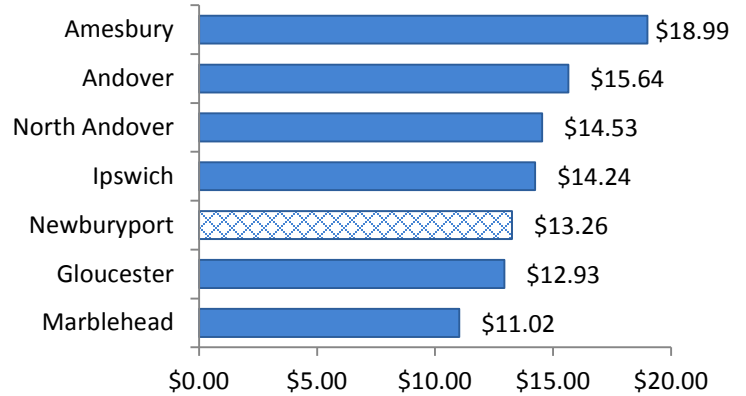
Income

Per Capita Income as % U.S. Average



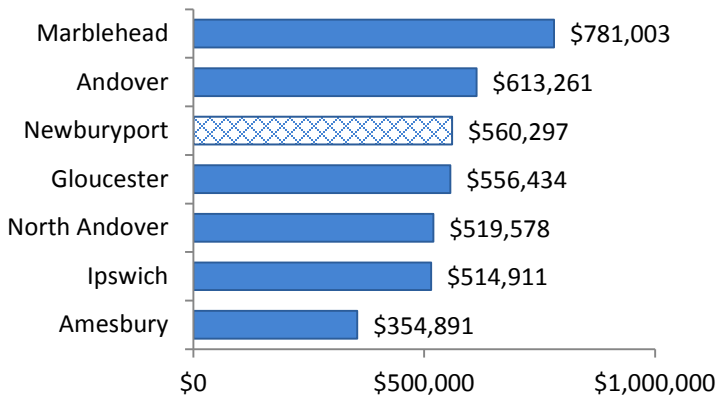
Tax Rate

FY18 Tax Rate (per \$1,000)



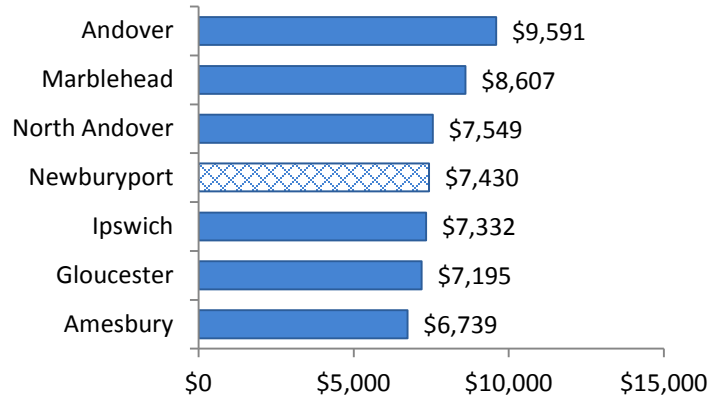
Home Values

FY18 Average Single Family Home Value



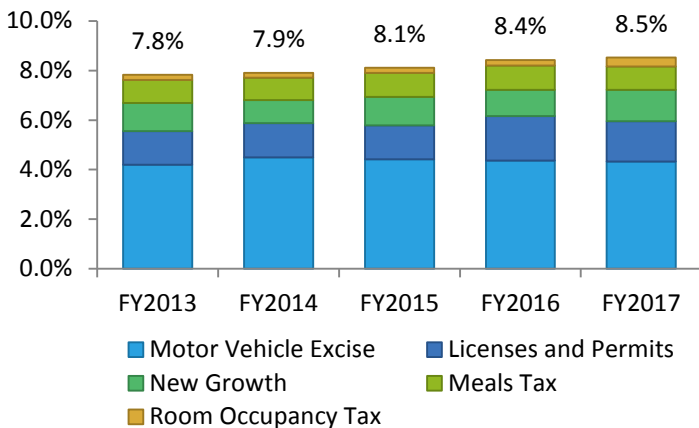
Tax Bills

FY18 Average Single Family Tax Bill



Local Economy

Revenue Sources Correlated to Local Economy (as % of Total Revenue)



Tax Base

FY18 Tax Levy by Class

