

Section 1:

Introduction



CITY OF NEWBURYPORT
OFFICE OF THE MAYOR
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May 13, 2019

Dear President Connell & Members of the City Council:

I am pleased to submit the City of Newburyport's Proposed Budget for fiscal year 2020. 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 \$70,447,057 balanced by non-tax levy revenues totaling \$11,298,381 and estimated tax levy of \$59,148,676. Of the tax levy, \$3,165,464 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 FY2020 general fund operating budget represents a \$2,961,356 or 4.4% increase over last year's budget.

We began the development of the FY2020 budget with the House 1, Governor's budget proposal providing Newburyport net state aid at \$4,369,878, an increase of 0.6%. Subsequently in April, the House budget was released increasing the net state aid package to \$4,560,560, an increase of 5.0% over FY2019, largely driven by a decrease to the projection for Charter School Sending Tuition. However, even after the decrease, the Charter School Sending Tuition formula continues to negatively impact the City's school funding allocation with \$2,258,127 going to the Charter School to educate approximately 160 students and \$1,924,817 to educate over 2,300 students in our public school district. However, there is an increased effort in the legislature to impact school funding and implement the recommendations of the Foundation Review Commission. Hopefully, we will see changes implemented in the next fiscal year with 18 education bills under consideration.

Other challenges to our budget process include a 5% increase in pension obligations and a health insurance renewal of 2.0%. Although the health insurance increase was significantly less than in past years, funding for health care has increased over 60% over the past decade, far outpacing overall annual budget increases. 12% of the budget, or \$9.7 million is spend on health insurance, and the City's ability to implement measures to address the rising cost of healthcare has been severely constrained because Newburyport is one of only a handful of communities that has not adopted the Municipal Health Insurance Reform Laws of 2011 (Chapter 32B, Sections 21-22). Adopting healthcare reform laws would allow the City greater ability to ensure quality health insurance for employees is at a sustainable level.

In addition to pension and health insurance cost, another area of increasing pressure is the cost of to dispose of trash and recycling. In the FY2020 proposed budget, the solid waste budget increases by \$85,000 or 5.9% to \$1,525,000. With commodities pricing bottoming out due to a higher quality that is now required of domestic and international recyclables, costs to dispose of trash and recyclables continues to rise. While education and outreach programs have helped increase awareness of the issue, more needs to be done to reduce the overall solid waste tonnage that is being sent to incinerators and landfills with an increasingly limited capacity. The City's Waste Stream Task Force has developed recommendations to help address the increasing cost, as well as, the capacity issues. I am hopeful that the City will begin to implement some of the Task Force recommendations in the coming year.

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 FY2020 Budget that is within the confines of Proposition 2 ½ and in compliance with the City's financial policies;
- Develop a budget that maintains our current level of services 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 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 FY2020 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 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 FY2020 budget was developed with 100% compliance of 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. Our AAA credit rating, 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. Standard & Poor's reaffirmed the City's AAA credit rating in April 2019.

Tax Rate

The FY2019 tax rate is set at \$13.08 per \$1,000 based on a tax levy \$57,458,764 and a city-wide valuation of \$4,369,487,756. This tax rate represents a 1.84% increase to the levy limit out of the 2.50% maximum increase allowed under Proposition 2 ½. This results in a decrease to the tax rate of \$0.18 per \$1,000 compared to the FY2018 tax rate of \$13.26.

Based on the FY2019 valuation, the average single family home in Newburyport is now assessed at \$595,000, compared to \$560,300 in FY2018. This results in an average single family tax bill of \$7,783, which represents a 4.8%, or \$353, increase over FY2018's average single family tax bill. By defraying the increase to the tax levy by 0.66%, the average single family home experienced a \$42 savings from what would otherwise have been a \$395 increase.

The FY2020 budget is built on the maximum allowable tax levy under Proposition 2 ½ of \$59,573,676. In our revenue estimate, we also maintain a \$425,000 allowance for abatements and exemptions. This amount includes a contingency should the City Council place Clause 41C½ on the November 2019 ballot and it is approved by voters.

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 1.2% from FY2019 to FY2020, while the Sewer Enterprise Fund shows an increase of 2.9%. These budgets follow virtually level funded services for FY2020 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 6.6% 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

- \$750,000 in new growth revenue;
- \$90,000 increase in Local Receipts;
- \$218,789 increase in net State Aid;
- \$1,086,539 from the Parking Receipts Reserved for Appropriation Fund; 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.

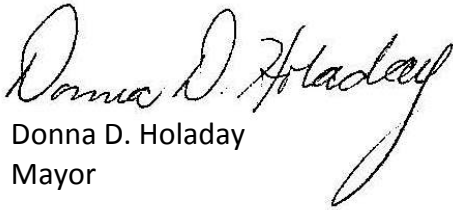
The Government Finance Officers Association (GFOA) has spent years developing guidelines for budget documents. I am pleased by the progress the City has made to adhere to the best practices and guidelines set forth by the GFOA and to be a recipient of the GFOA Distinguished Budget Presentation Award for our FY2013 to FY2019 budgets. We hope to continue to be recipients of this prestigious award for this budget document.

Conclusion

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 also remain dedicated to supporting the significant increases to our school budget over the past decade to rebuild our school programs and this year's budget demonstrates my continued commitment to doing so. We are presenting a budget that allows us to maintain current level of programs and services, and 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/Collector, Jill Brennan, Assessor, Nancy Lysik, School HR/Finance Manager and especially Matthew Coogan, Chief of Staff and Ethan Manning, Finance Director/Auditor. Mr. Manning deserves much credit and recognition for his leadership and diligence in preparing this FY2020 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 FY2020.

Respectfully Submitted,



Donna D. Holaday
Mayor

CITY ORGANIZATIONAL CHART



BOARDS & COMMISSIONS

Affordable Housing Trust

Judith Tymon*
Susanne Cameron
Madeline Nash
Karen Wiener

Board of Health

Dr. Robin Blair*
Dr. Sam Merabi
Dr. Robert Slocum

Board of Registrars

E. Douglas Bolick
Susanne Gallagher
Mary Zinck

Commission on Disability

Jennie Donahue*
Christopher Carey
Kristen Farrell
Brian Greenberg
Karina Moltz
Lisa Rowan
Dr. Rich Traister

Community Preservation Act Committee

Michael Disette*
Jane Healey
Paul Healey
Mark Rosen
Don Walters
Ron Ziemba
Dan Koen
Don Little
Karen Popken

Conservation Commission

Joseph Teixeira*
Dan Bourdeau
Paul Healey
Stephen Moore
Douglas Muir

David Vine
Daniel Warchol

Council On Aging

Fran Munroe*
Charles Carroll
Richard Eaton
Miller Graf
John Green
Janice Kelley
JoAn Kincaid
Annie Maurer
Yvonne McQuilkin
Cynthia Muir
John Ronan

Cultural Council

Jane Niebling*
Judy Avery
Patricia Cannon
Susan Bryant Carnduff
Cynthia Kowal
Adrienne Silversmith
Ronald Ziemba

Emma Andrews Library Commission

Aine Ellrott*
Donna Conway
Elizabeth Valeriani
Elizabeth Watson

Energy Advisory Committee

Mike Strauss*
William Clary
Manfred Raschke
Arthur Wallace
Richard England
Don Walters
Jo Ann Clemens
Pauliina Swartz
Cliff Goudey
Stephen Wiehe

Phil Smith

Fruit St. Local Historic Committee

Maurice Southworth*
Leslie Eckholdt
Marian Leighton Levy
Bonnie Sontag
Kevin Wallace

Harbor Commission

Andrew Casson*
Adam Armstrong
Robert Dow
Justin Dutcher
Christopher Kealey
James Knapp
Walter Lesynski
Daniel May
Ronald Thurlow

Highland Cemetery Commission

Jeffrey Tomlinson*
Jeffrey Briggs
Donna Harrington
Gary Robinson
Patricia Spaulding

Historical Commission

Glenn Richards*
Bonnie Sontag
Malcolm Carnwath
Stephen Dodge
Christopher Fay
Edmund McGrath
Glenn Richards
Ronald Ziemba

Human Rights Commission

Katherine Preftes*
Peter Blaiwas
Thomas Getz

Jennifer Groskin
Ahmer Ibrahim
Margaret McQuilkin
Sheila Trieff

Library Board of Directors

Josiah Welch*
Monica Blondin
Kathleen Carey
James Connolly
Barbara Dowd
Marcia Edson
Gary Gorski
Christian Hansen
Stephen Moore
Sarah Spaulding
Elizabeth Valeriani

Licensing Board

Craig Holt*
Bruce Bergwall
Bette Jacques
Gregg Ogden
Ted Waldron

**Newburyport Housing
Authority**

Thomas O'Brien
Mary Karabatsos
Daniel Koen
Chrystal Kornegay
Kimberley Logue
Cheryl Amey

**Newburyport
Redevelopment Authority**

Leslie Eckholdt
Richard Person
Andrew Sidford
David St. Cyr

Open Space Committee

Michael Dissette*
George Blaxter
Leslie Eckholdt
Elizabeth Marcus
Michael Frey
Erin LaRosa

Parks Commission

Kimberly Turner*
Matt Ellsworth
Charles Griffin
Ann Lagasse
Karen Popken

Planning Board

Bonnie Sontag*
MJ Verde
Donald Walters
Rick Taintor
Rishi Nandi
Leah McGavern

Tree Commission

Constance Preston*
Paul Bevilacqua
David Dylewski

Scott Hanley
Kathryn Haried
Paul Harrington
Crispin Miller
Jane Niebling
Sheila Taintor

Trust Fund Committee

Richard O'Brien*
Richard Eaton
Keith Hogan

Water/Sewer Commission

Robert Cook*
Brendan Coffey
Sandy Friede
Roger Jones
Charles Kennedy
John Tomasz

Waterfront Trust

Steven Hines*
Sean Bradley
Dan Mello
Matthew Pieniazek
Wilbur Shenk

Zoning Board of Appeals

Edward Ramsdell*
Renee Bourdeau
Edward Cameron
Robert Ciampitti
Mark Moore
Maureen Louise Pomeroy

*Denotes Chairperson

Thank you to the many volunteers who serve on Newburyport's Boards, Commissions and Committees. These volunteers contribute countless hours, energy and their expertise, which greatly enhance the operations of our City. Without the help of this generous group of individuals, the City would not enjoy the many benefits that we have become accustomed; they are the silent champions that all too often go unnoticed. Although I cannot begin to express my gratitude and appreciation for their commitment and dedication, I would like to publicly thank them.

- Mayor Donna D. Holaday

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: 18,060

Form of Government:

Mayor-City Council

Mayor: Donna D. Holaday

School Structure: K-12

FY2019 Average Single

Family Tax Rate: \$13.08 per
\$1,000

FY2019 Average Single

Family Home Value:
\$595,000

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

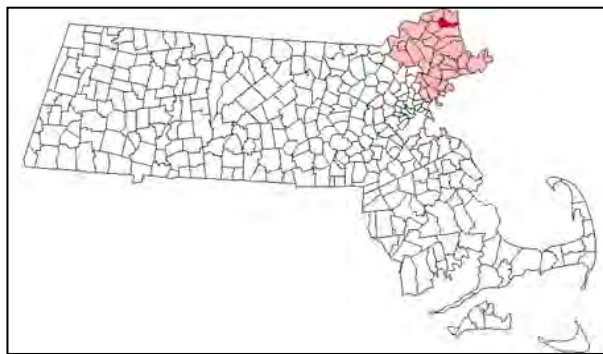
Newburyport is among the smallest cities in the state and is felt with some justification by its residents to be among the most beautiful, retaining as it does a large number of spacious, gracious Federalist homes built with the whaling and clipper ship fortunes of this 19th century seaport.

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, 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 is a designated Green Community and certified Municipality Vulnerability Preparedness (MVP) community. In addition, the City has established a Cultural District to support and showcase the City's arts and tourism.

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.



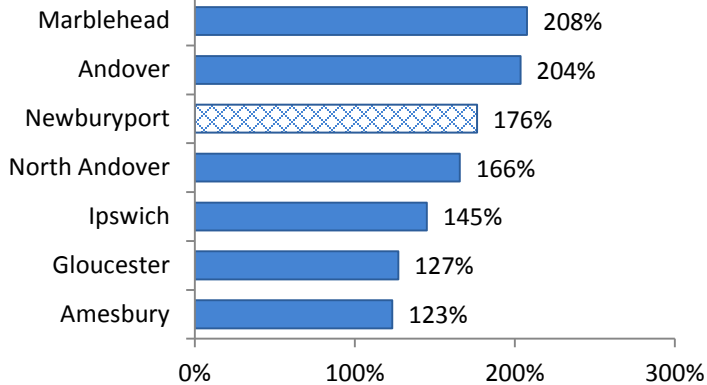
ECONOMY & TAXES

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.

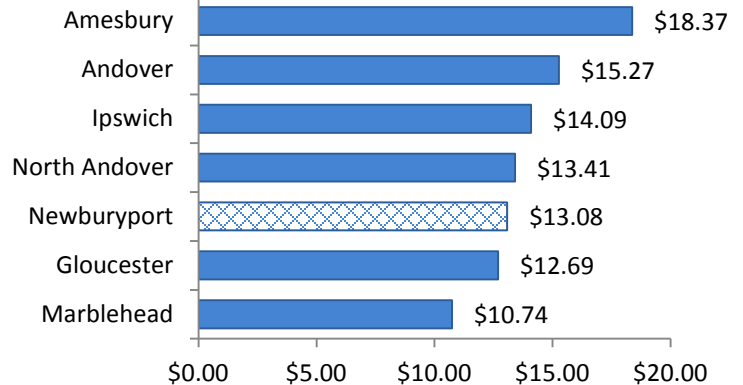
Income

Per Capita Income as % U.S. Average



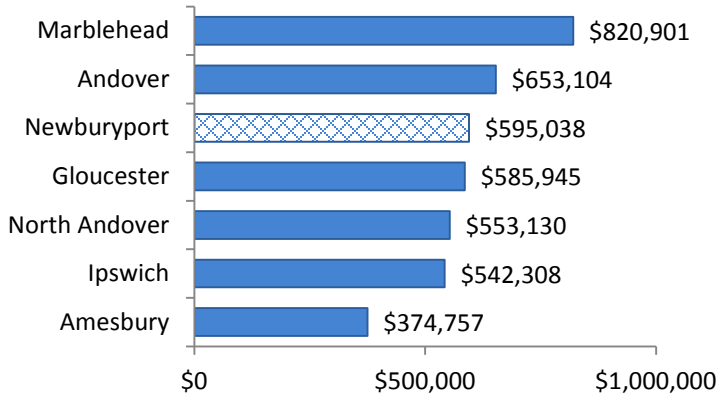
Tax Rate

FY19 Residential Tax Rate (per \$1,000)



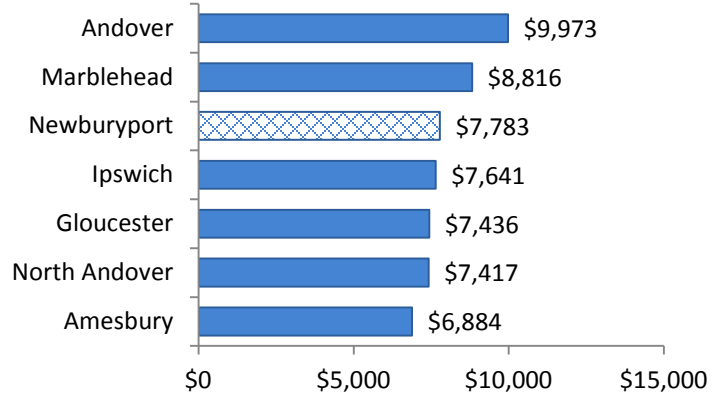
Home Values

FY19 Average Single Family Home Value



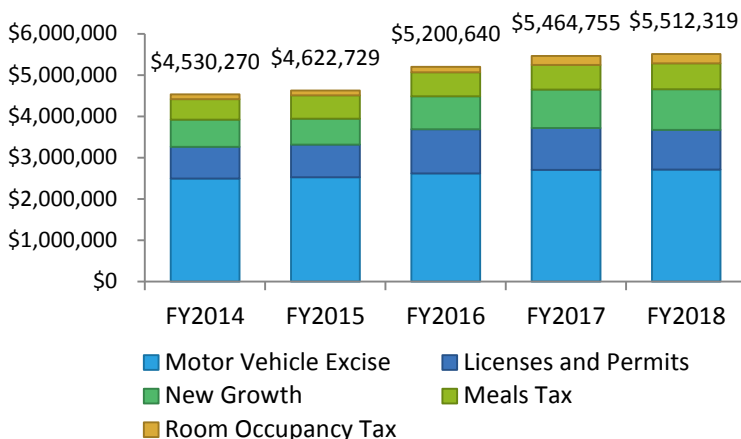
Tax Bills

FY19 Average Single Family Tax Bill



Local Economy

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



Tax Base

FY19 Tax Levy by Class

