

Somerville Budget Overview



Mayor Joseph A. Curtatone
June 4, 2015

Serving Our
Community
as we
Grow Our
Future



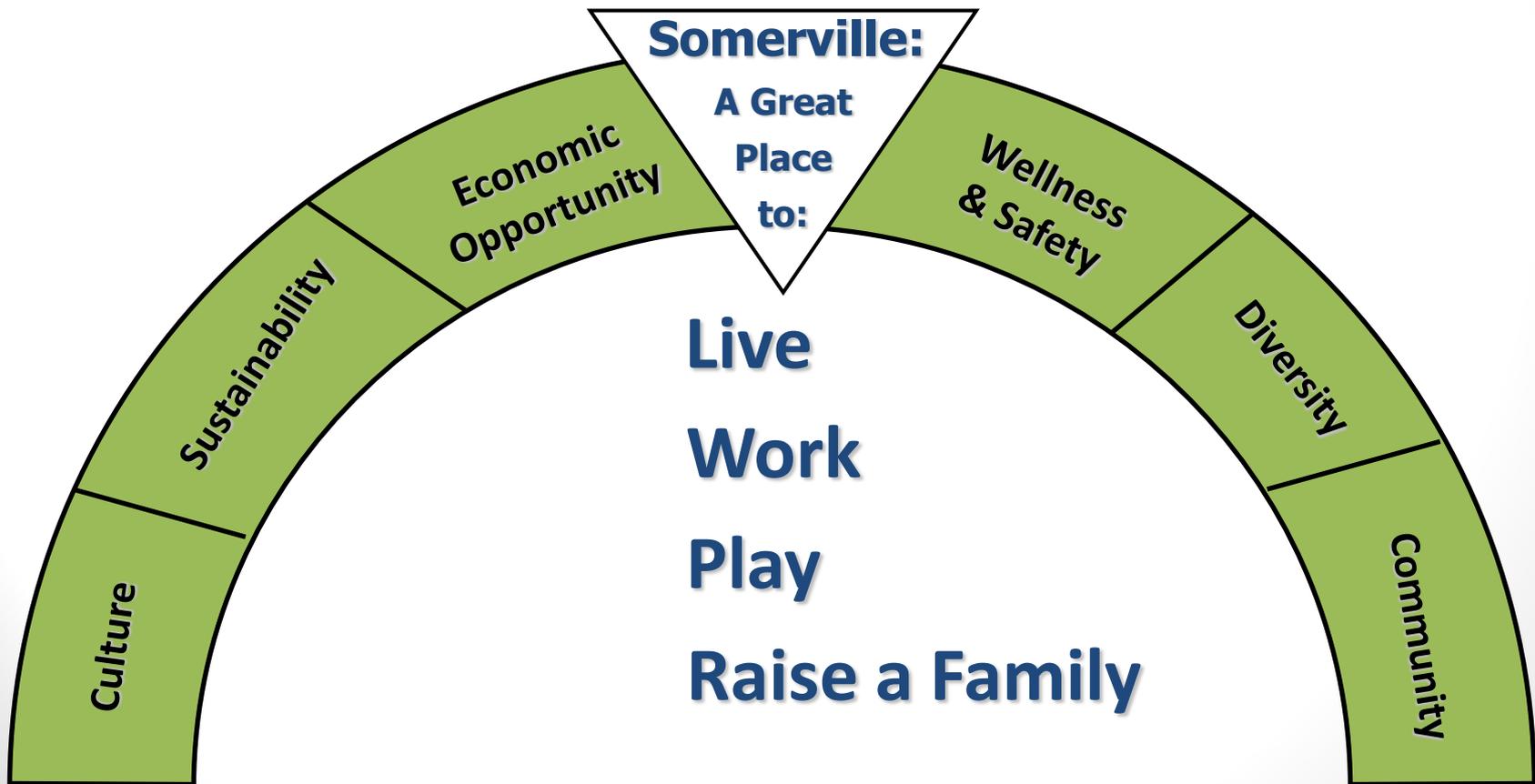
Serving Somerville Together

Investing in our Schools and Youth
Development

Strengthening Core Services to Enhance
Our Quality of Life

Taking on Our Greatest Challenges

A Budget Guided by Our Core Principles and the Community's Orienting Values



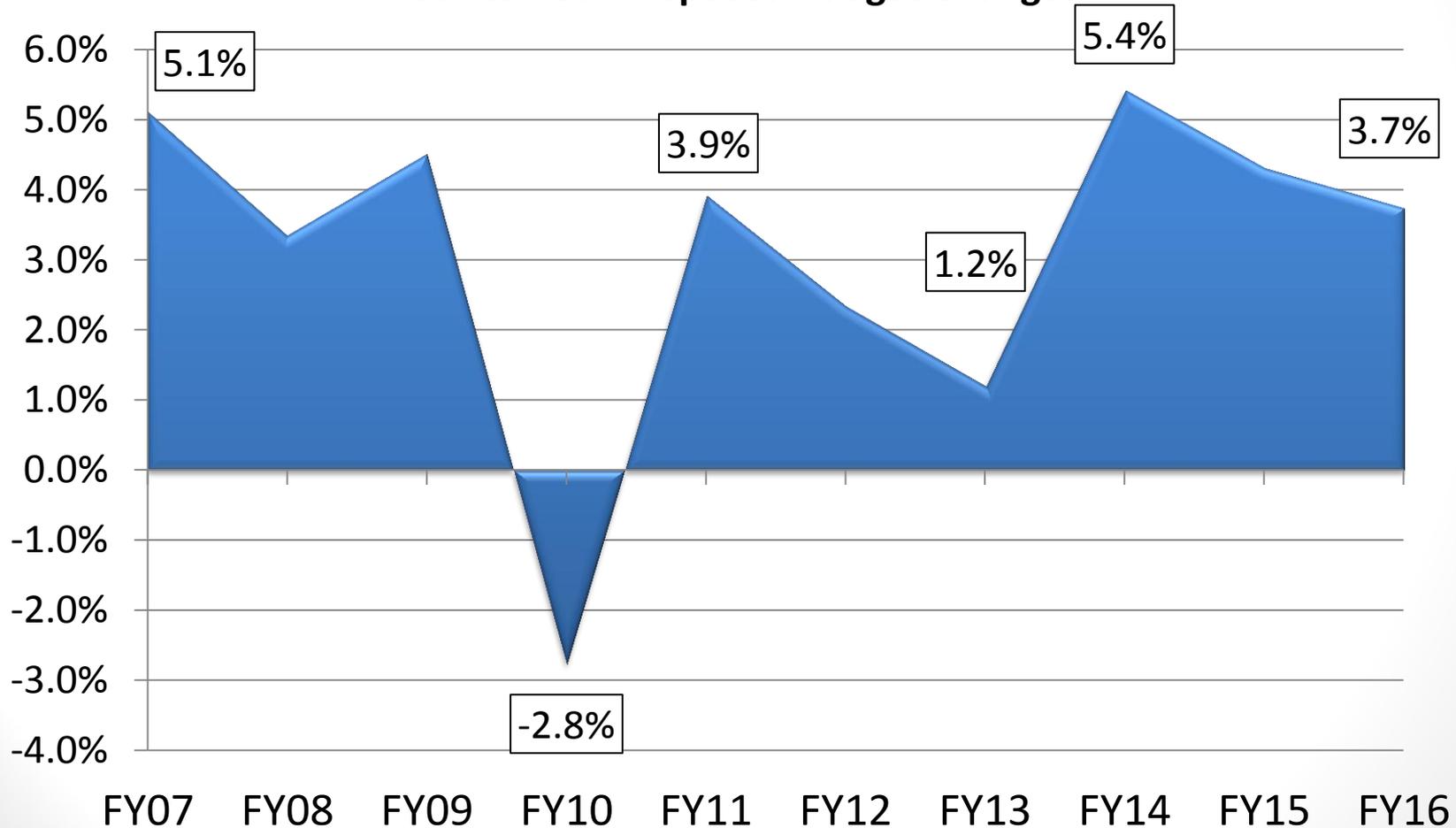
FY2016 Appropriations

- Proposed Operating Budget = **\$211** Million
- General Fund Appropriation = **\$195.9** Million
- General Fund Expense = **3.7%** increase over FY2015



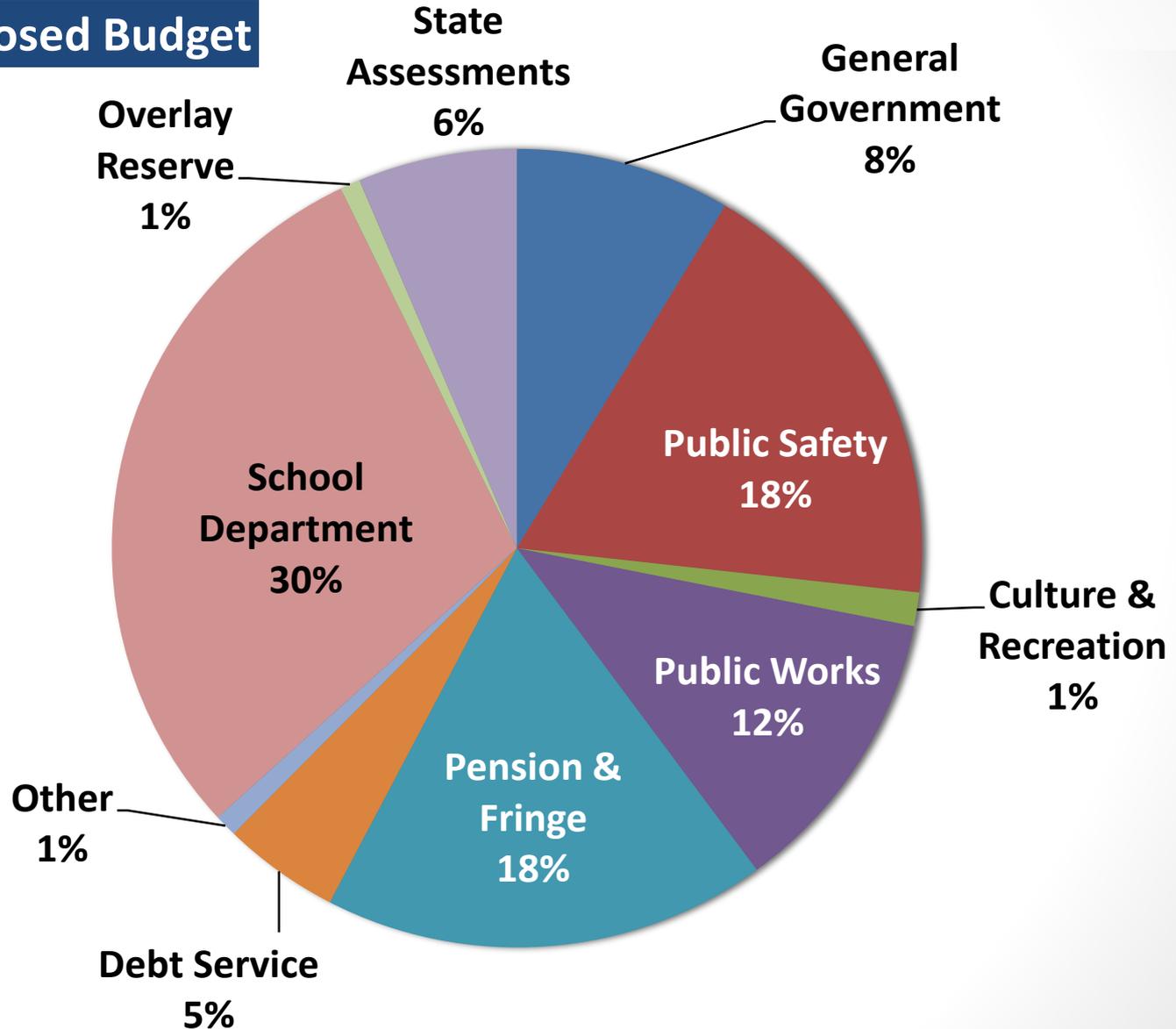
Historical Spending Increases Have Been Modest

Year-to-Year Proposed Budget Changes

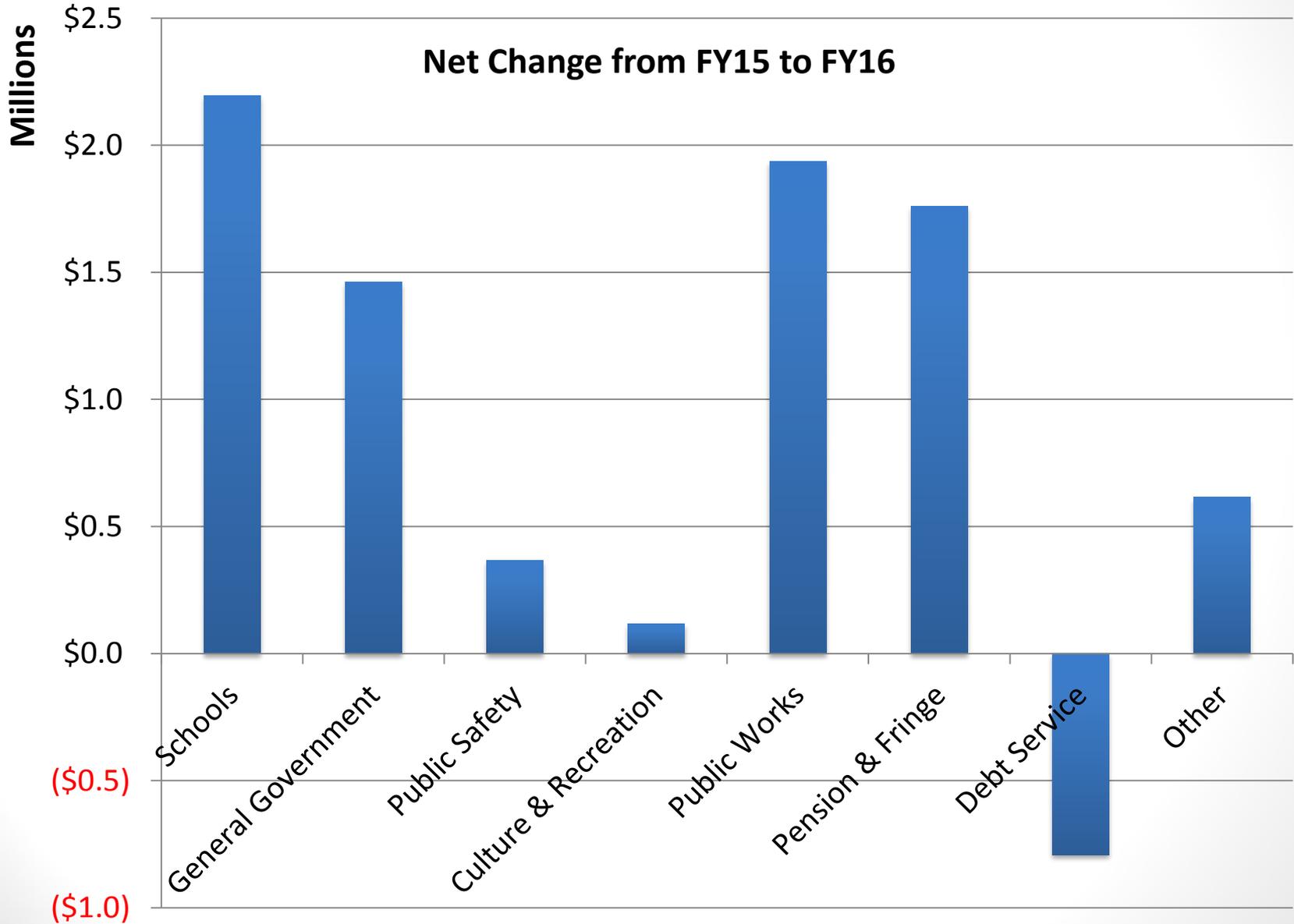


Operating Budget

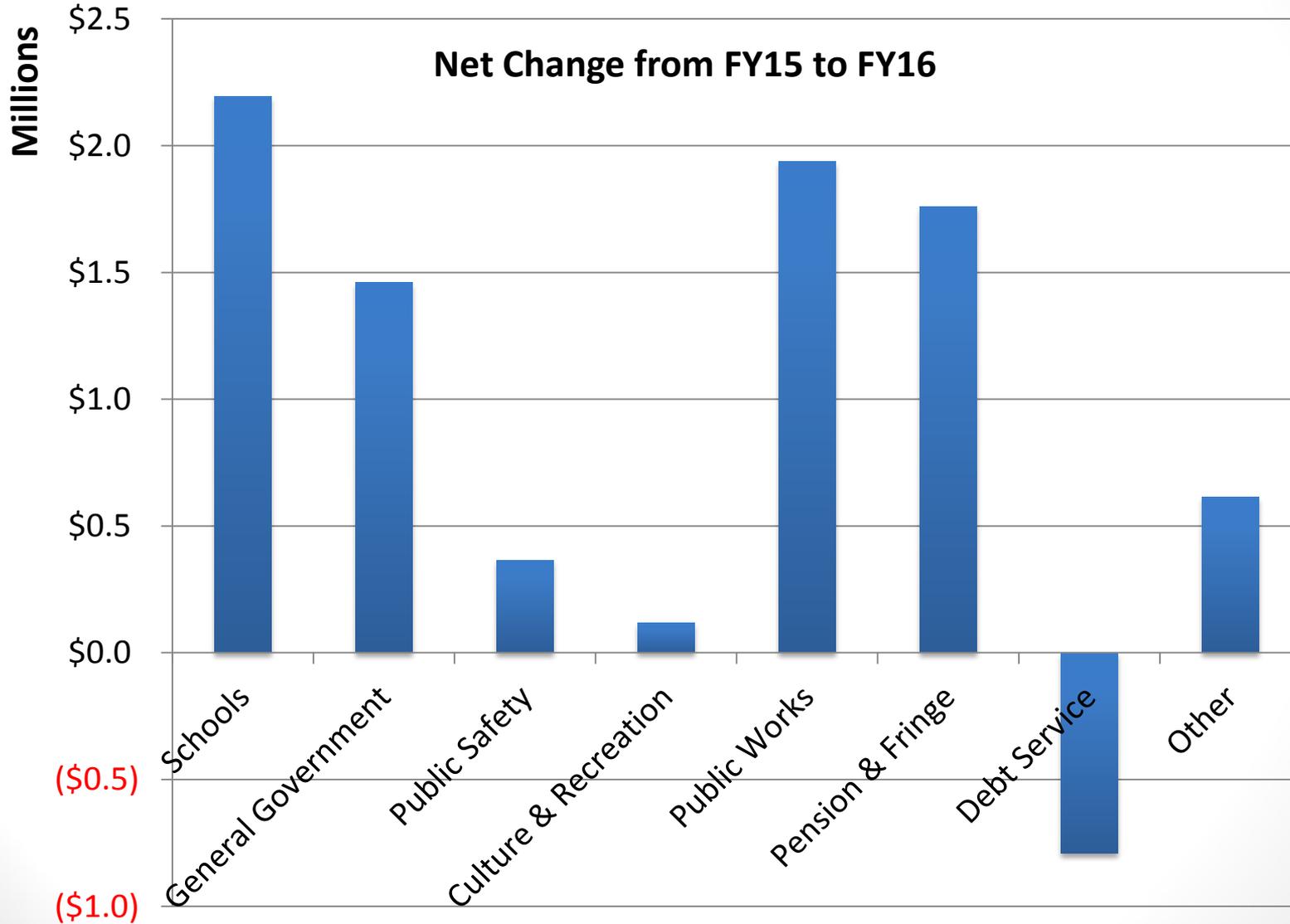
FY2016 Proposed Budget



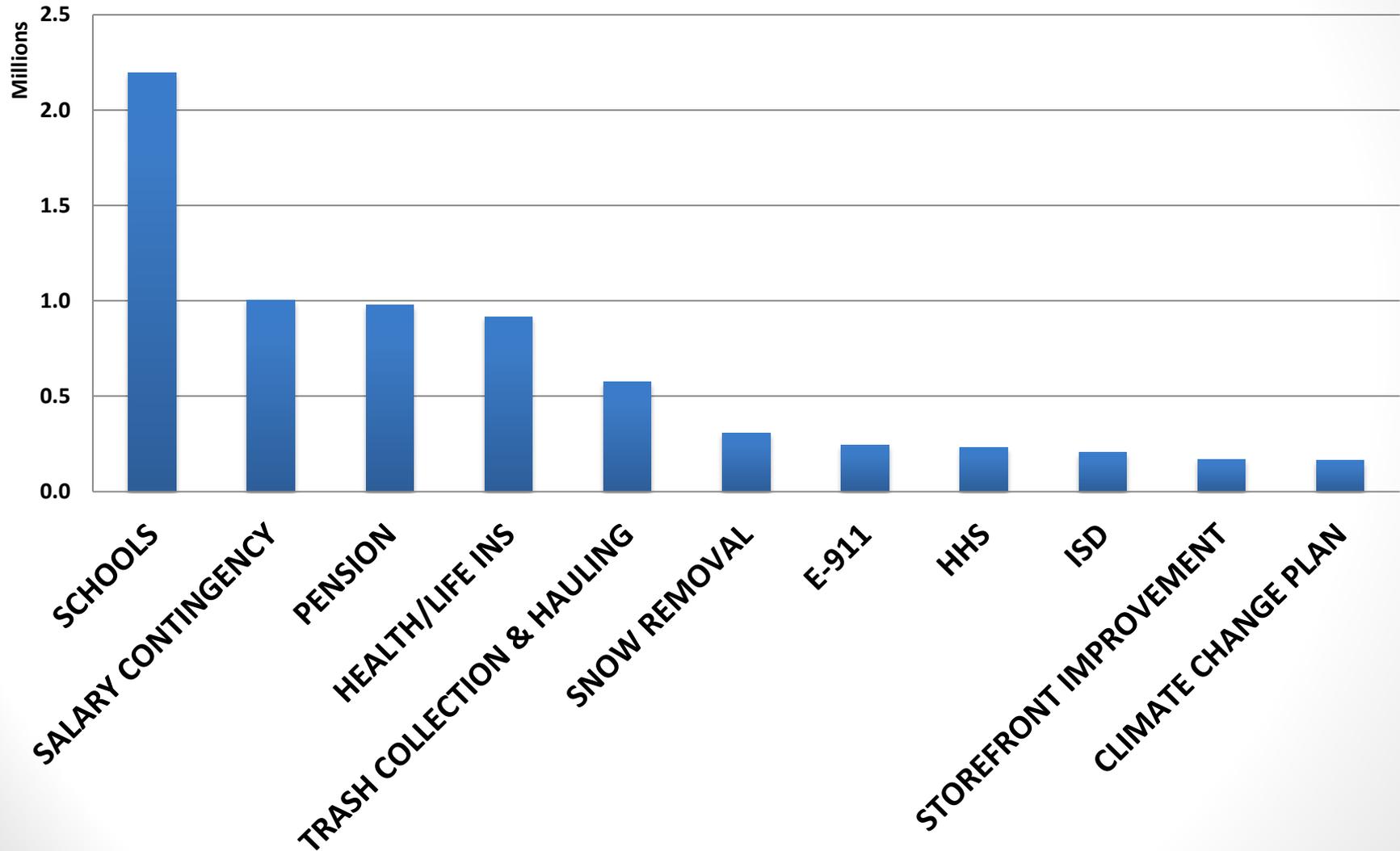
\$7M Increase Over FY15



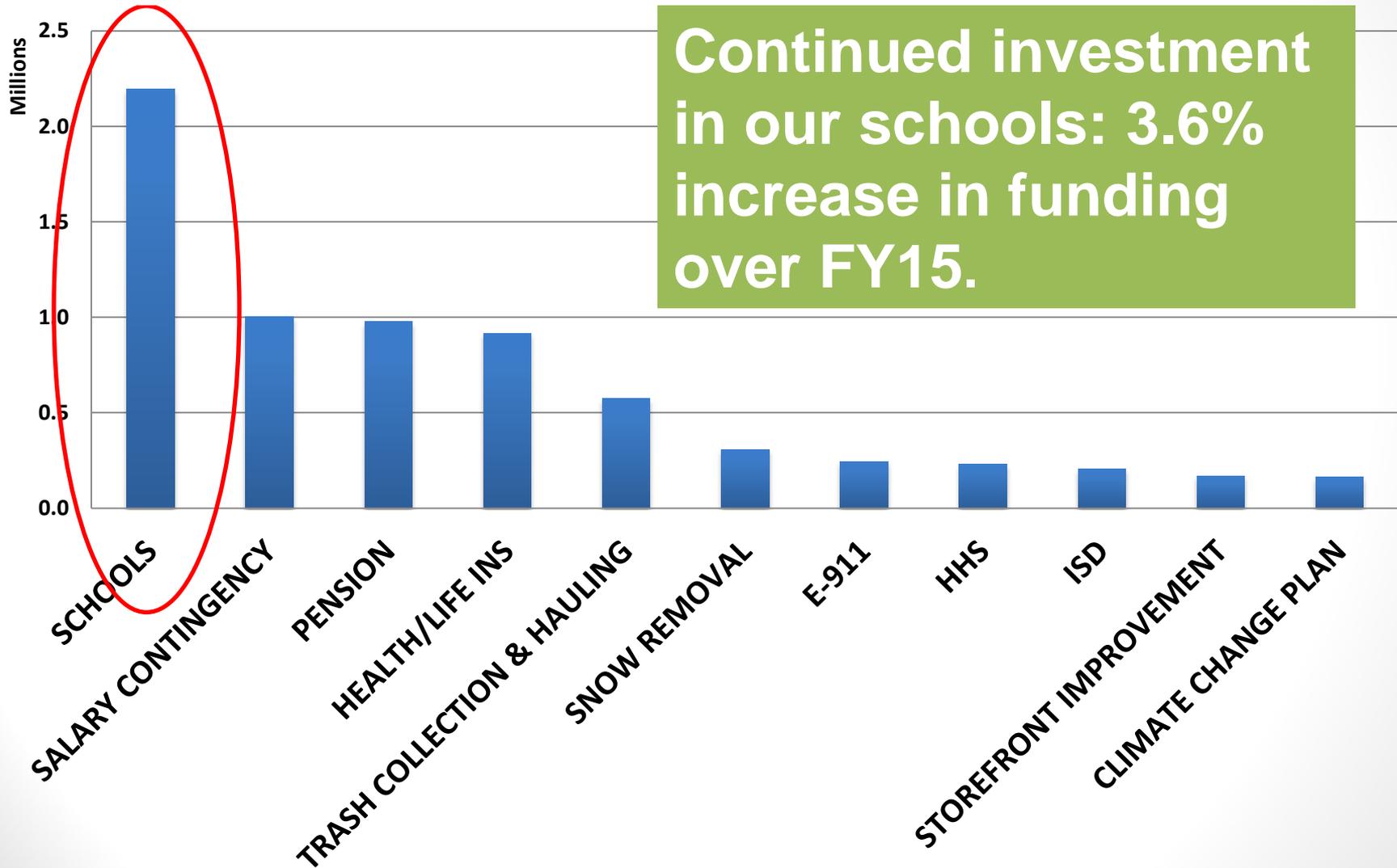
Values-Driven New Investments & Increasing Fixed Costs



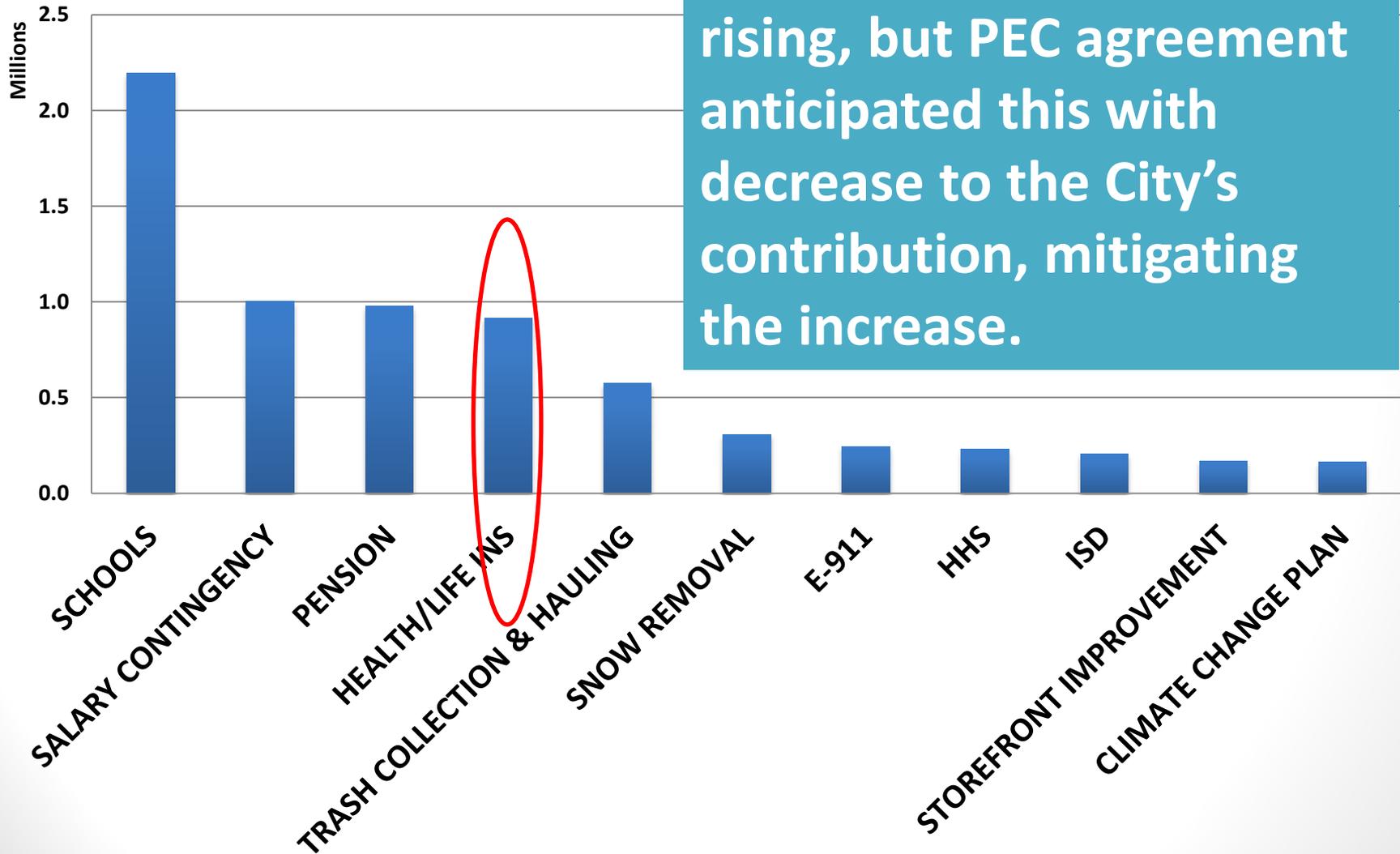
FY16 Significant Requests



Investing in our schools

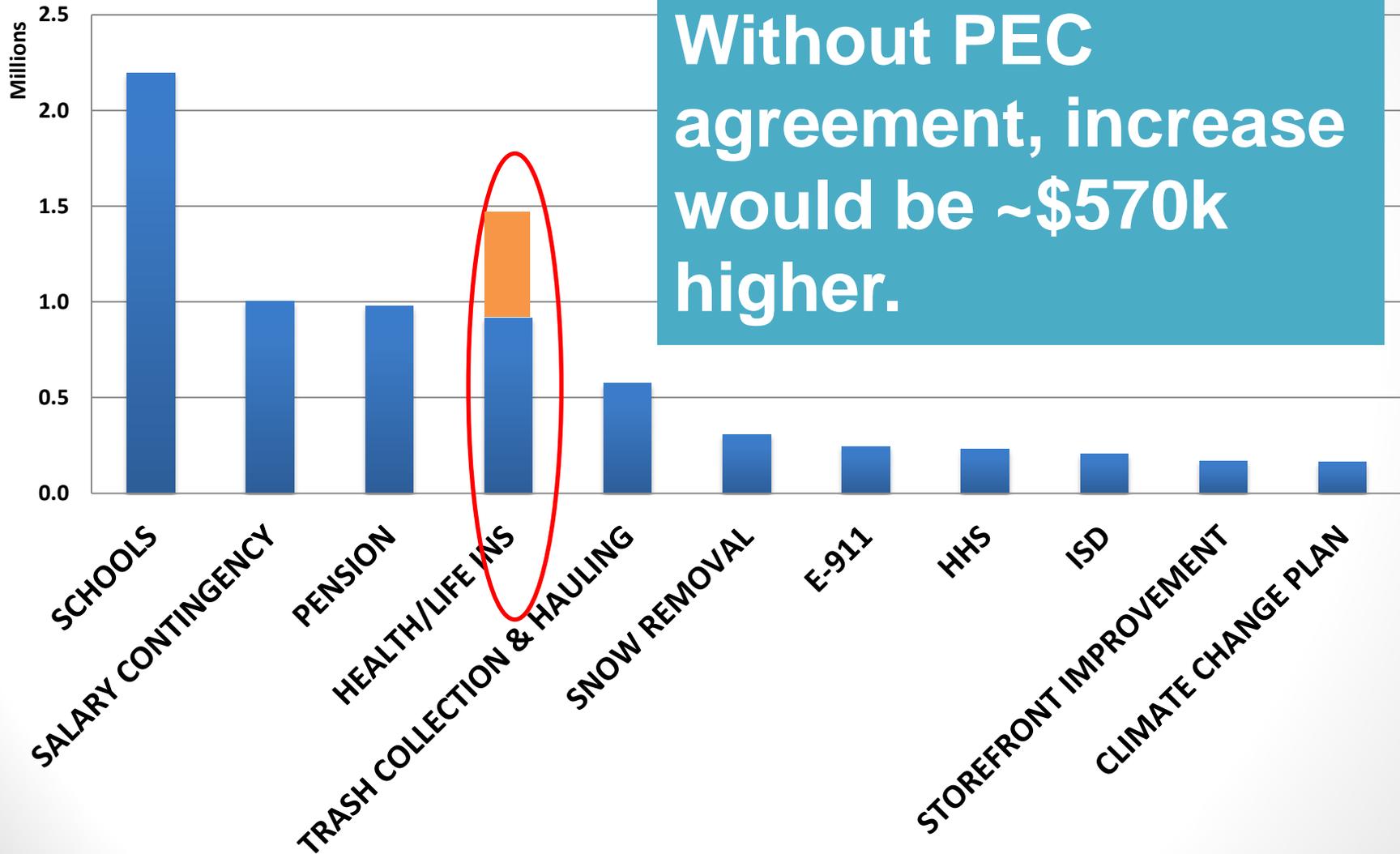


Planning Ahead

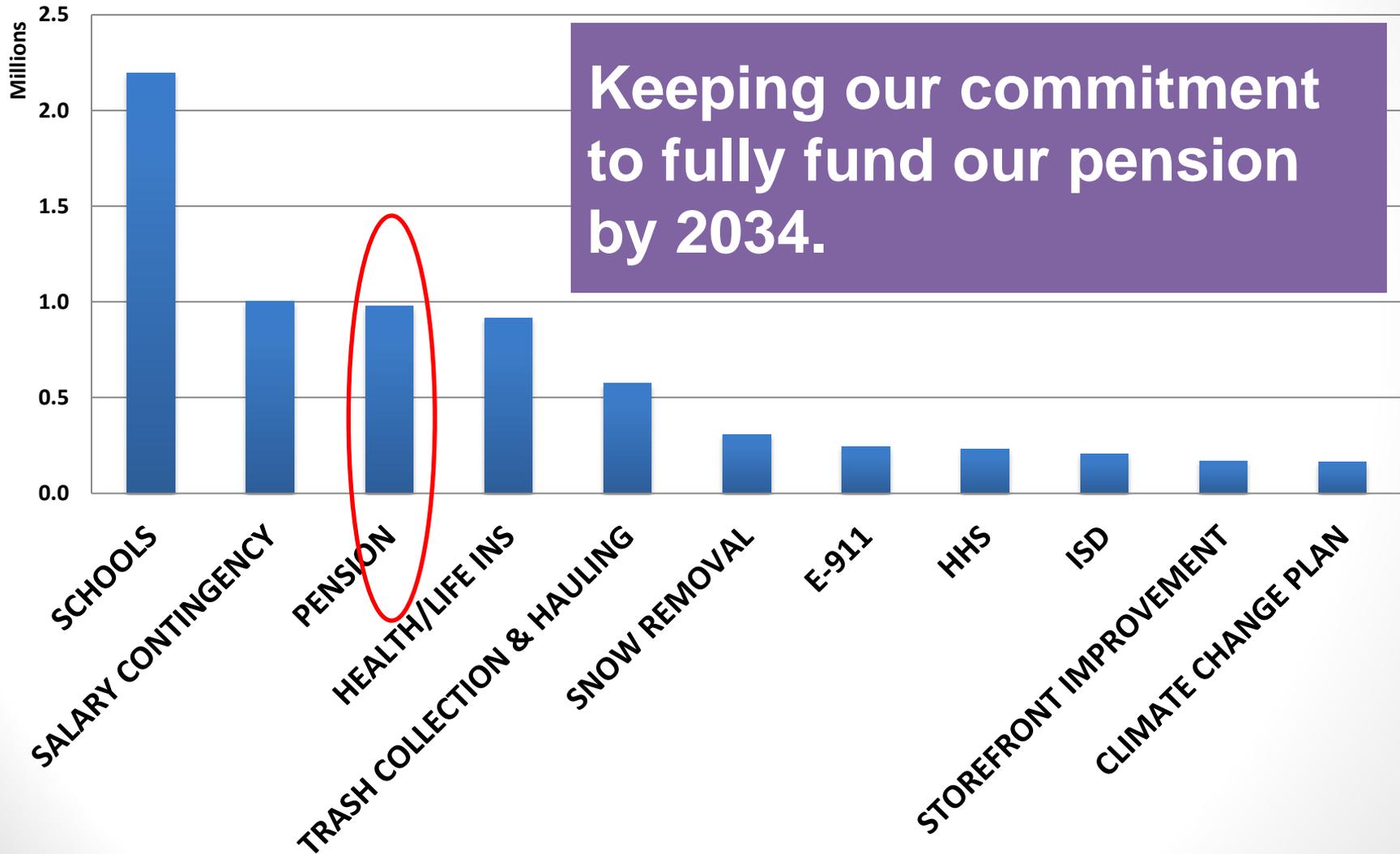


Health Insurance costs are rising, but PEC agreement anticipated this with decrease to the City's contribution, mitigating the increase.

Planning Ahead

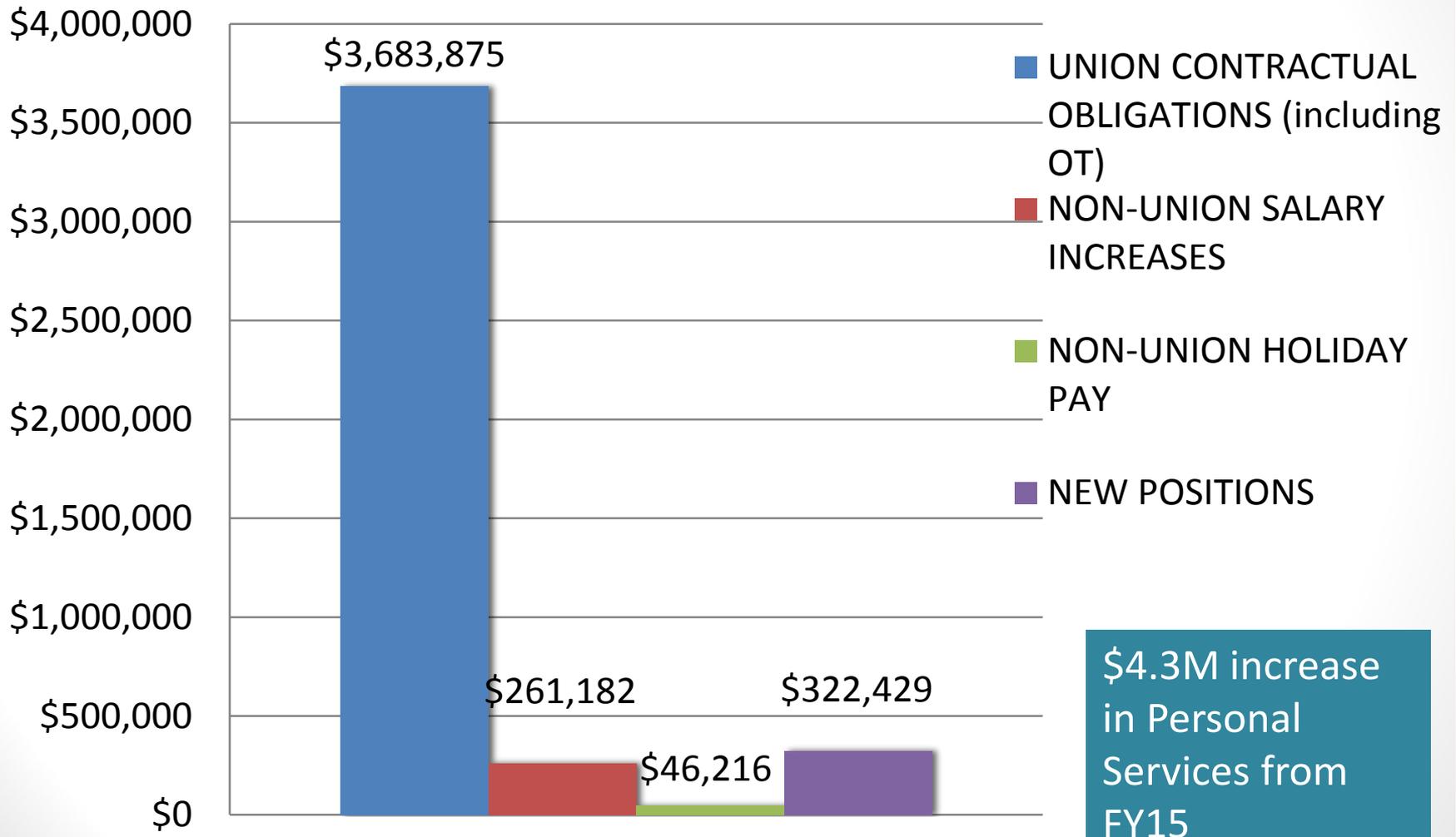


Sound Fiscal Management



Personal Services: Fixed & New Costs

Increases to Personal Services from FY15 to FY16

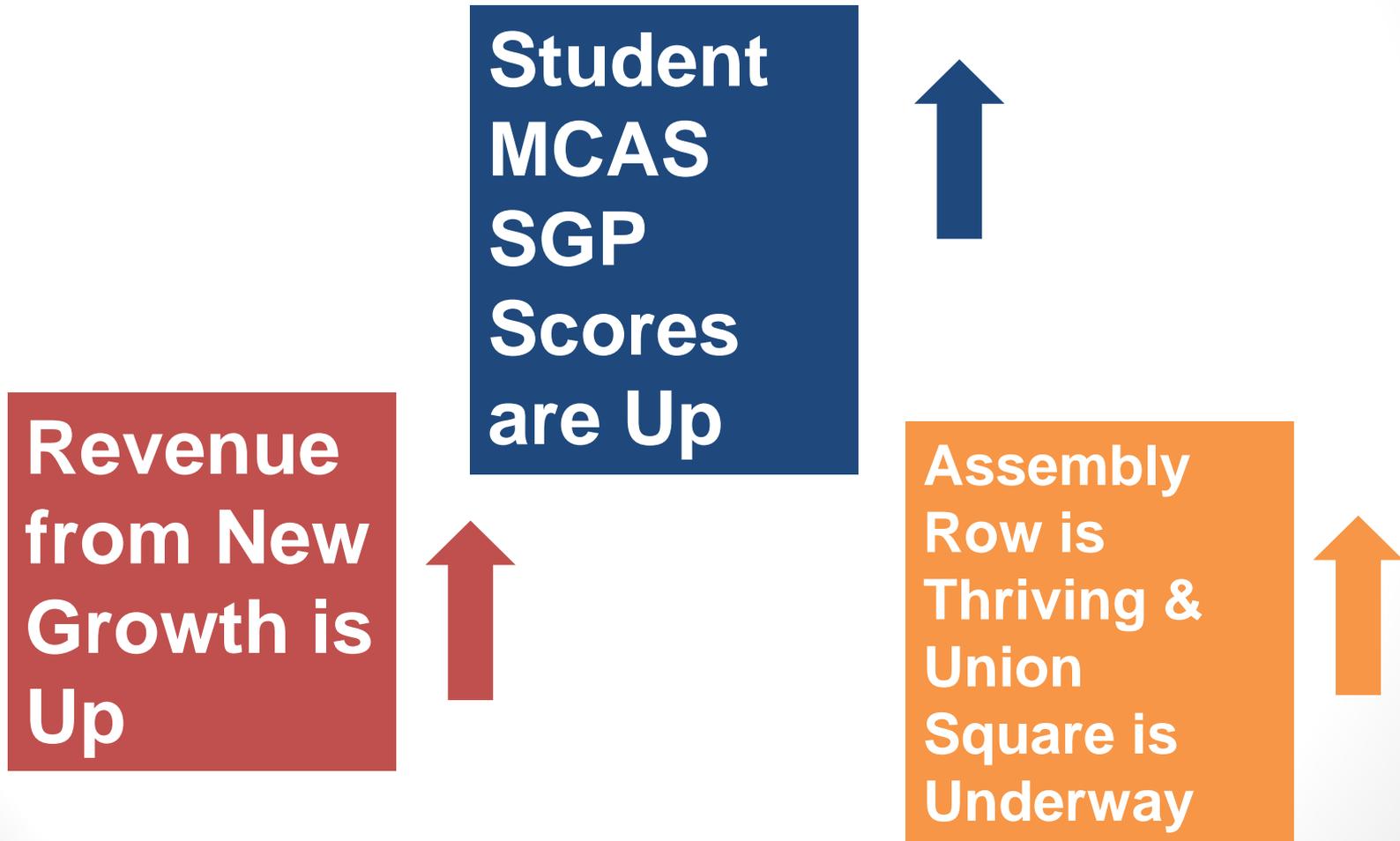


\$4.3M increase
in Personal
Services from
FY15

Building on Our FY15 Investments



Our Big Picture Investments Are Paying Off



Our Core Service Investments Are Paying Off



**Food
Inspections
Are Up**

**Range of
Recreation
Programming
is Up**



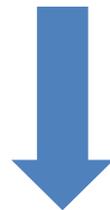
**Court Proceedings
Against Problem
Properties are Up**



**School
Enrollment
is Up**



**Rodent
Sightings
are Down**



Together, We Improved Services

**Online
Building
Permits
Introduced**

**Online Playing
Field Permits
Now Offered**

**Somerville by
Design Public
Planning
Processes
Increased
Dramatically**

**LED Street
Light Project
Will Save
Energy and
Costs**

**SomerViva
Outreach
and Services
to Immigrant
Community
Doubled**

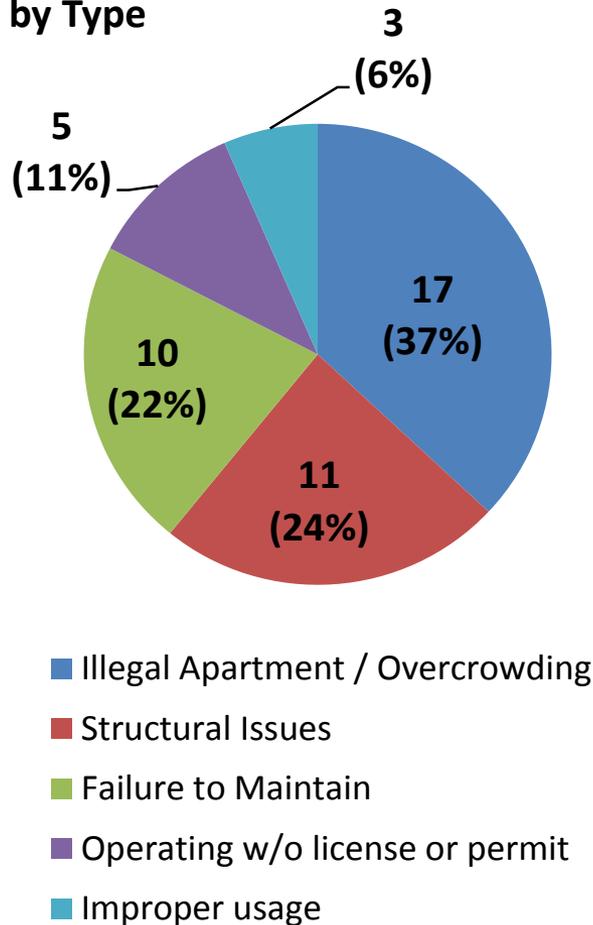
Increasing MCAS SGP with the help of significant school investments



- Somerville Public Schools led all urban school districts in Student Growth Percentile (SGP) for **2nd straight year**
- Only urban district among **top 10%** for SGP in the Commonwealth

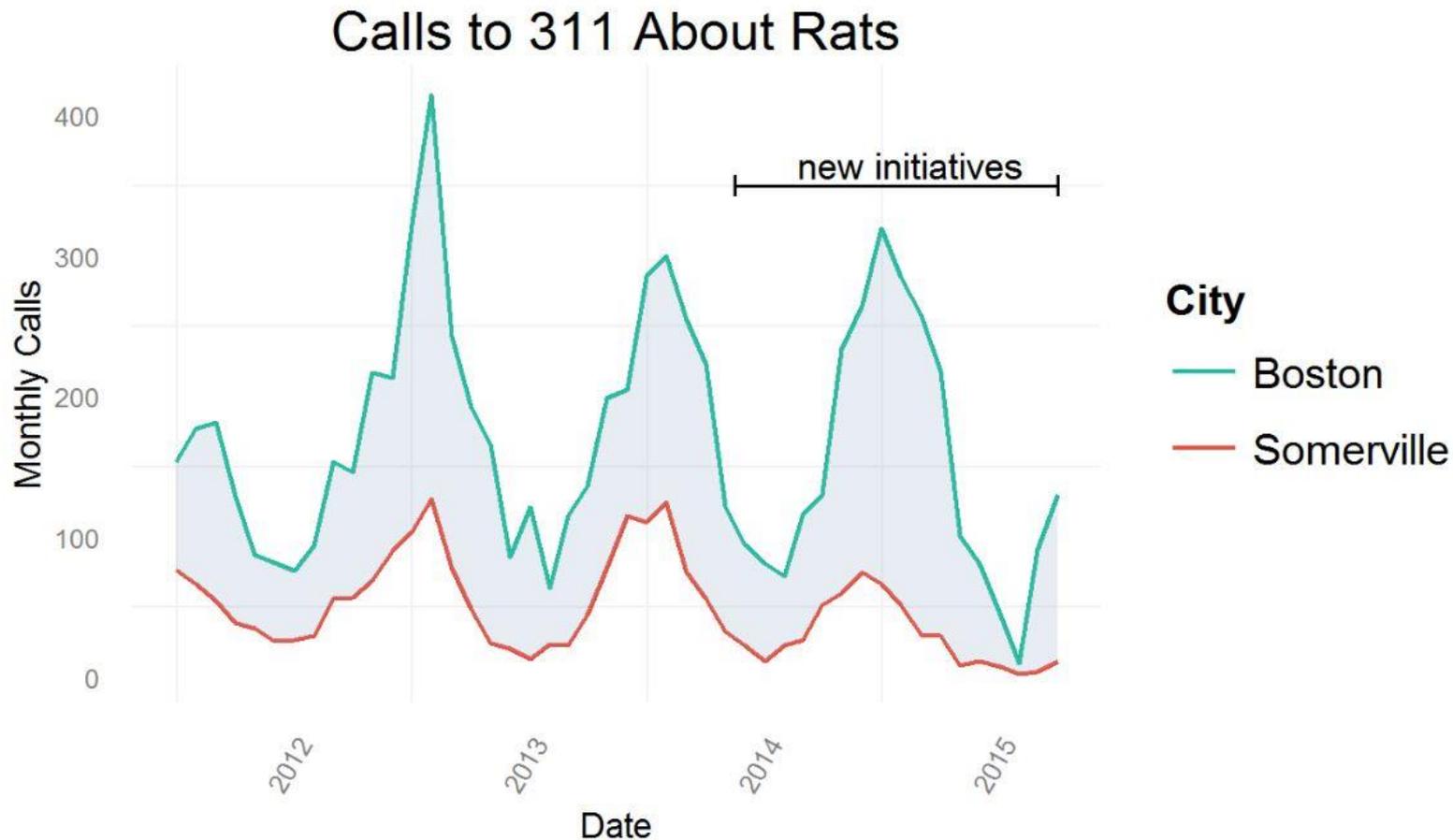
Neighborhood Impact Team Efforts Growing

NIT Cases by Type



Addressing
Problem
Properties with
the help of a new
Paralegal

Driving Rodent Calls Down 40%



New initiatives include uniform trash carts and increased dumpster inspections and enforcement.

Then it snowed...



but we were
prepared

Snow Budget vs. Actual Snow Costs



DPW Snow Removal Account	\$9,947,825
FY2015 Snow Removal Budget	- \$977,652
Current Deficit	\$8,970,173

Estimated Snow Removal Costs

Department of Public Works	Personal Service, Contractors, and Police Details	\$9,947,825
Fire Department	Overtime	\$108,755
Police Department	Overtime	\$76,720
Traffic and Parking	Overtime	\$34,684
Constituent Services	Overtime and Extra Hours	\$4,262
Total Operating Costs		\$10,172,246
Capital Costs	Heavy Equipment	\$809,425
Total		\$10,981,671

- Fire Department overtime costs can be covered by a free cash appropriation (submitted to the BOA)
- Police, Traffic and Parking, and Constituent Services overtime costs can be covered from within those departments' budgets
- Equipment was bonded and the cost will be spread out

Plan to Pay Down Snow Costs

Current Deficit	\$8,970,173
Transfers from Other Departments FY15	- \$629,307
Appropriation of Free Cash FY15	- \$3,000,000
Appropriation from Rainy Snowy Day Stabilization Fund FY15	- \$2,000,000
Estimated FEMA Reimbursement	- \$1,700,529
Deficit Balance	\$1,640,337



Photo by Todd Van Hoosear

Plan to Pay Down Snow Costs

- The Commonwealth will allow cities and towns to amortize snow costs over fiscal years 2016, 2017, and 2018
 - Currently, that would be \$546,779 each year
- The City has an upcoming meeting with FEMA

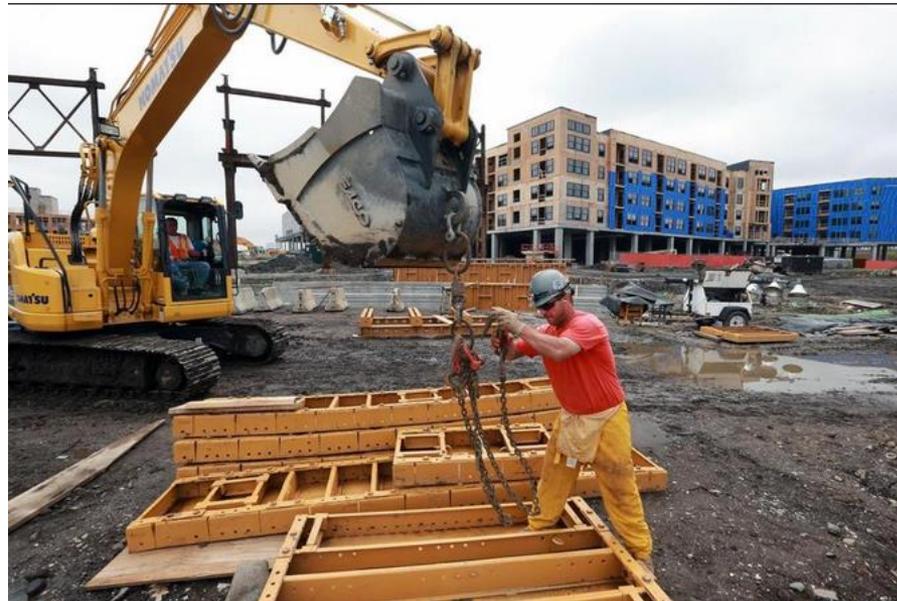
Parking Permit Increases

- **Visitor's Permits**
 - Currently \$10, Proposed \$20
 - \$418,630 in increased annual revenue
- **Resident Permits**
 - Currently \$30, Proposed \$40
 - \$349,140 in increased annual revenue
- **Affordable parking**
 - Still only \$3.33 monthly for residential parking.
- **High parking demand**
 - More than 11,600 registered vehicles per square mile.

Residential parking permits are always free for Seniors and handicapped residents.

Building Permit changes

- **Two-tier system**
 - From \$19 to \$20 under \$100,000 valuation
 - From \$20 to \$21 over \$100,000 valuation
- \$165,000 estimated revenue increase



Together, we've kept our finances strong and sound

Our highest bond rating ever

A growing commercial tax base

Growing stabilization funds

Highest Bond Rating Ever

S&P

A+

2004



AA+

2014

Moody's

A2

2004



Aa2

2014

Ratings guarantee savings for Somerville

Highest Bond Rating Ever

Summary:

Somerville, Massachusetts; General Obligation

Credit Profile

Somerville GO

Unenhanced Rating

AA+(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its rating on Somerville, Mass.' general obligation (GO) debt by two notches to 'AA+' from 'AA-', based on its local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the city's full faith credit and credit secures the bonds.

The rating reflects our assessment of the following factors for the city:

- A **very strong and growing economy**. Somerville is a four-square-mile city of approximately 74,000, adjacent to Boston and Cambridge. Development has been fairly robust, which has translated to stronger taxable levy growth and ancillary revenues. Its projected per capita effective buying income is 115% of the U.S. The city's per capita market value is \$113,000.
- Somerville's **budgetary performance has been strong** in our view, with a surplus in the general fund in fiscal 2013 of \$5.4 million, equal to 2.8% of expenditures. Across all funds, the city also realized a surplus equal to 1.9% of expenditures, after adjusting for capital spent from bond proceeds. For fiscal 2014, the city anticipates a surplus, suggesting general fund performance will remain strong.
- The city's budgetary flexibility remains very strong. Audited fiscal 2013 reserves were \$34.8 million or 17% of expenditures. Management expects 2014 reserves to remain in line with years past.
- Supporting the city's finances is liquidity we consider very strong, with total government available cash at 30% of total governmental fund expenditures and roughly 7x debt service. Moreover, based on past debt issuance, we believe the city has strong access to capital markets to **provide for liquidity needs**.
- We view the city's management conditions as strong with **good financial practices**.
- In our opinion, Somerville's debt and contingent liability profile is strong. The city maintains roughly \$113 million of total direct debt. Of that amount, we calculate roughly \$11 million is tax-secured enterprise debt with partial self-support. Overall, Somerville's total governmental fund debt service is 4% of total governmental fund expenditures, and net direct debt is 43% of total governmental fund revenue. Further bolstering our view of the city's debt profile is that overall net debt is a low 1.2% of market value and debt amortization is aggressive.
- An additional long-term credit consideration is the city's long-term pension and other postemployment benefit

“Strong and growing economy”

“Budgetary performance has been strong”

“Good financial practices”

Moody's Assigns Positive Outlook June 2015

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns positive outlook to Somerville, MA's GO rating

Global Credit Research - 01 Jun 2015

Assigns MIG 1 to \$40.9M GO BANS, affirms Aa2 on \$95.9M GO debt

SOMERVILLE (CITY OF) MA
Cities (including Towns, Villages and Townships)
MA

Moody's Rating

ISSUE	RATING
Series A General Obligation Bond Anticipation Notes	MIG 1
Sale Amount	\$8,906,449
Expected Sale Date	06/11/15
Rating Description	Note: Bond Anticipation

Series B General Obligation Bond Anticipation Notes	MIG 1
Sale Amount	\$32,000,000
Expected Sale Date	06/11/15
Rating Description	Note: Bond Anticipation

Moody's Outlook POS

NEW YORK, June 01, 2015 --Moody's Investors Service has assigned a MIG 1 rating MA's \$8.9 million Series A General Obligation Bond Anticipation Notes (dated June 11, 16, 2015), and \$32 million Series B General Obligation Bond Anticipation Notes (dated June 10, 2016). Concurrently, Moody's has assigned a positive outlook and affirmed the city's \$95.9 million in outstanding GO debt.

SUMMARY RATING RATIONALE

The MIG 1 rating reflects the city's strong underlying long-term credit strength, sufficient management of refinancing risk. The rating also incorporates the city's successful record as a frequent issuer over the last five years.

The Aa2 rating reflects the city's sizeable tax base which has experienced significant growth on ongoing redevelopment efforts. Additionally, the Aa2 incorporates the stable financial healthy reserve levels, as well as manageable long-term liabilities for pension and OPEB.

OUTLOOK

The positive outlook reflects our expectation that the city will continue to prudently manage and maintain its reserves at a minimum at the current levels. Additionally, growth in the tax base is expected to continue due to ongoing redevelopment efforts which are bolstered by the approved Green Line extension project.

WHAT COULD MAKE THE RATING GO UP

- Continued tax base expansion, and improvement in resident wealth levels
- Continued improvement in available reserves
- Reduced reliance on annual free cash appropriations

WHAT COULD MAKE THE RATING GO DOWN (removal of the positive outlook)

- Material declines in the tax base
- Lack of additional tax base expansion
- Deficit operations and failure to maintain structural balance
- Significant reduction in reserves
- Significantly increased debt burden beyond current expectations

STRENGTHS

- Sizeable tax base
- Strong and growing economy in Boston-metro area
- Healthy reserve levels
- City maintains and adheres to formal financial policies

CHALLENGES

- Sizeable long-term pension liability
- Socioeconomic indices trail the state median
- City relies on annual free cash appropriations

RECENT DEVELOPMENTS

The city's total debt of \$95.9 million is composed of the following:

replenishing an amount of \$46.5 million is participating in the Green Line extension project to balance

AVAILABLE TAX BASE

in its favorably on management's part in line extension

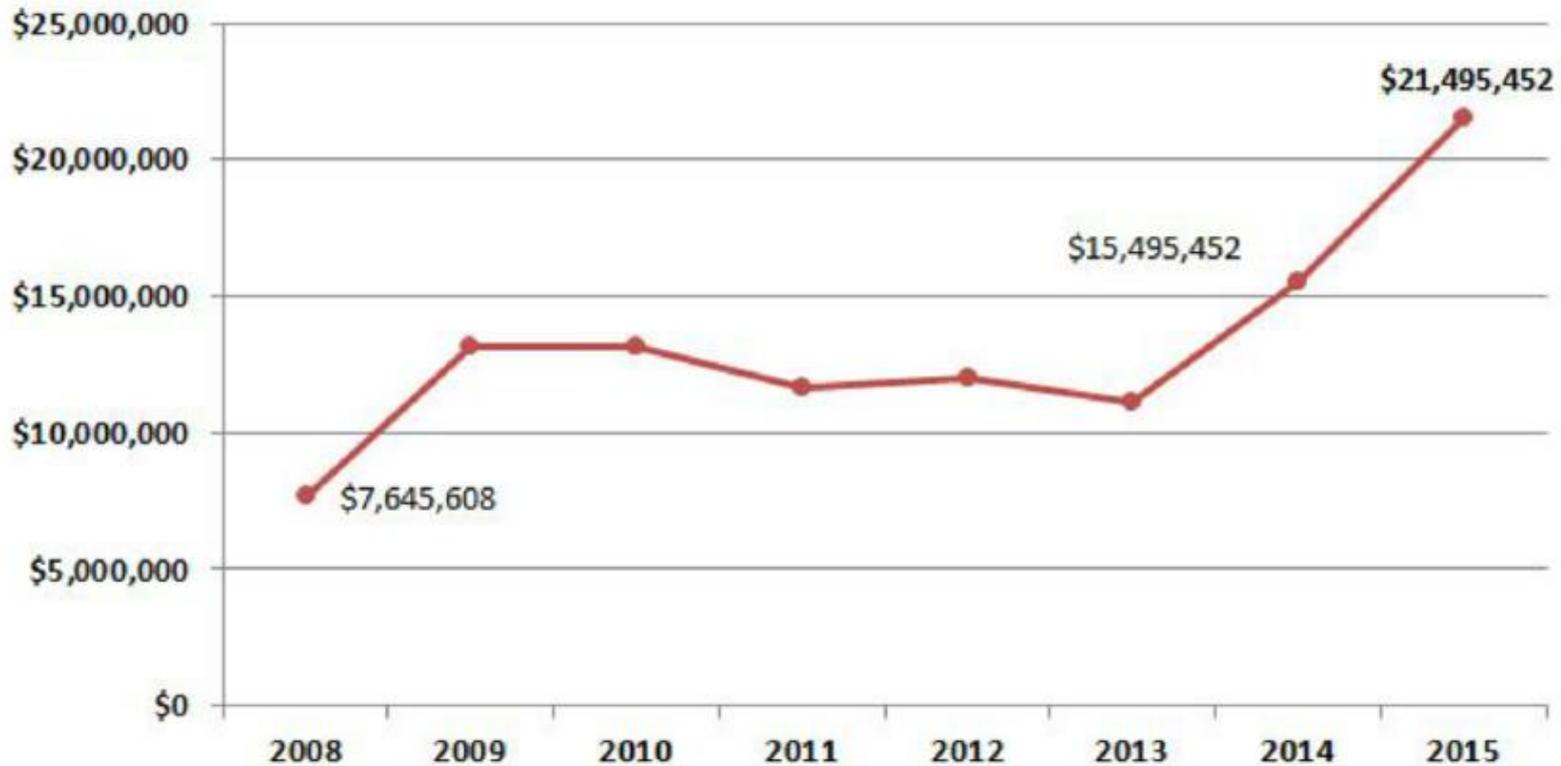
city saw modest growth in 2015, however, the large scale impact of this growth,

To capitalize on Somerville's desirable location and to facilitate future growth, city management has embarked on an ambitious economic development plan, including commissioning various feasibility studies to identify potential projects, rezoning initiatives to facilitate investment and pursuit of state and federal grant funds. One of the drivers for the city's recent growth has been the 145-acre Assembly Square Project, including two million square feet of office space, over 2,000 housing units, and 1.2 million square feet of retail space which includes shopping, dining, and entertainment. The site is now directly served by a newly constructed subway stop on the Massachusetts Bay Transportation Authority's (MBTA, Aa1 stable) orange line, which opened in September of 2014. Additionally, Partner's Healthcare System, MA (Aa3 stable) is currently constructing its new 875,000 square foot headquarters on this site.

“Strong & growing economy”
“Healthy reserve levels”

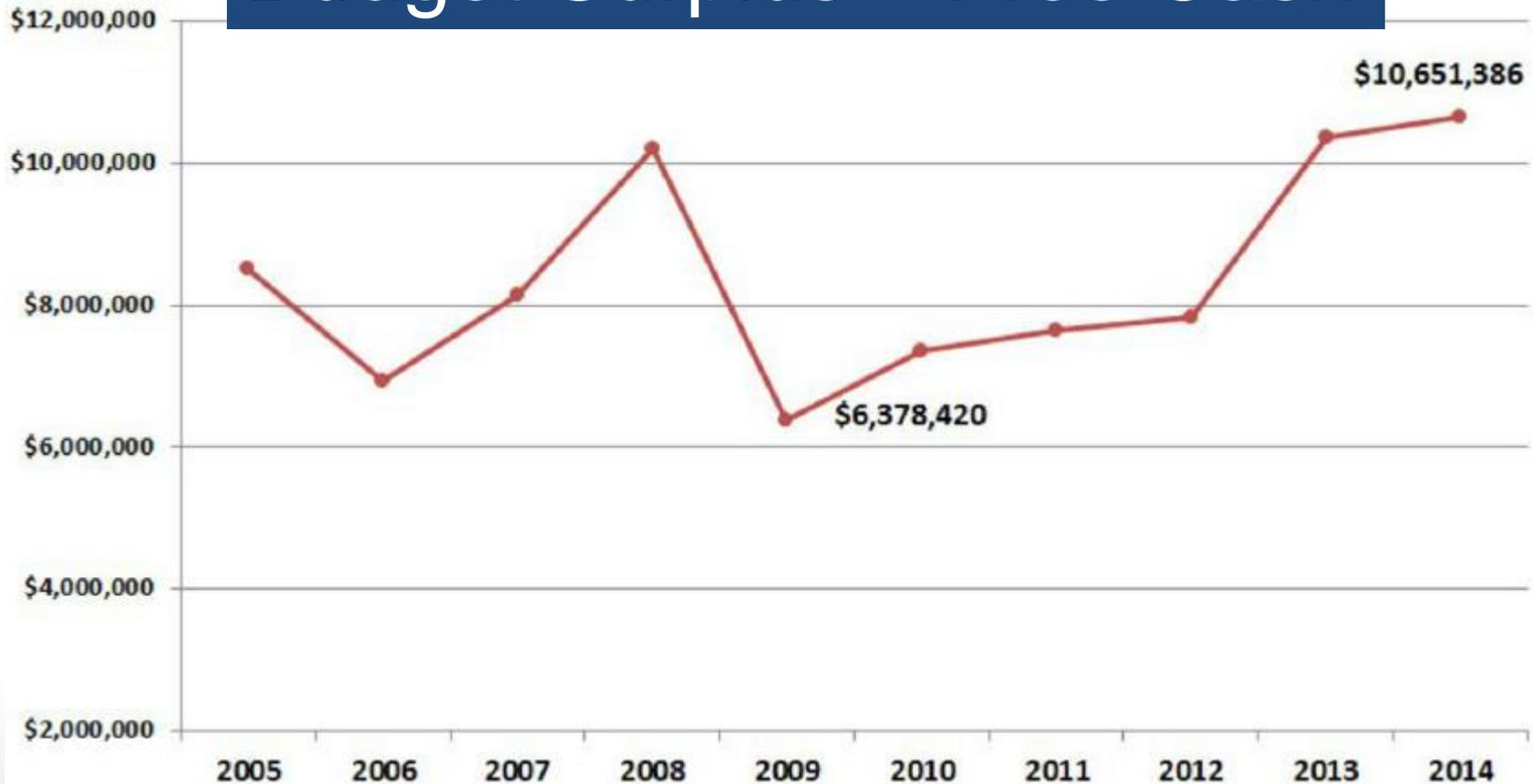
Highest ever stabilization funds

Growth in Stabilization Funds

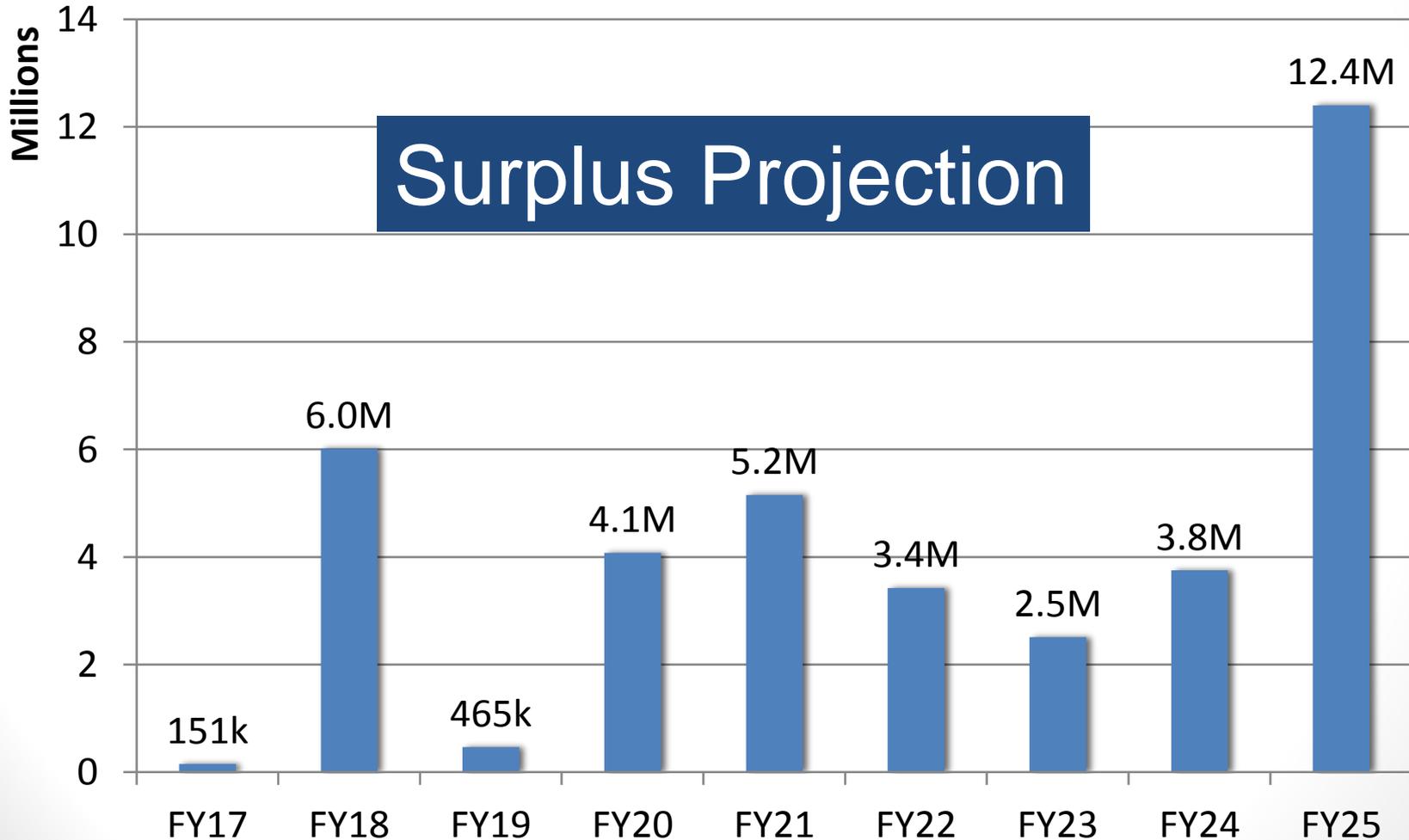


Increasing free cash

Budget Surplus – Free Cash



Budget Surplus Projections from Long-Range Plan

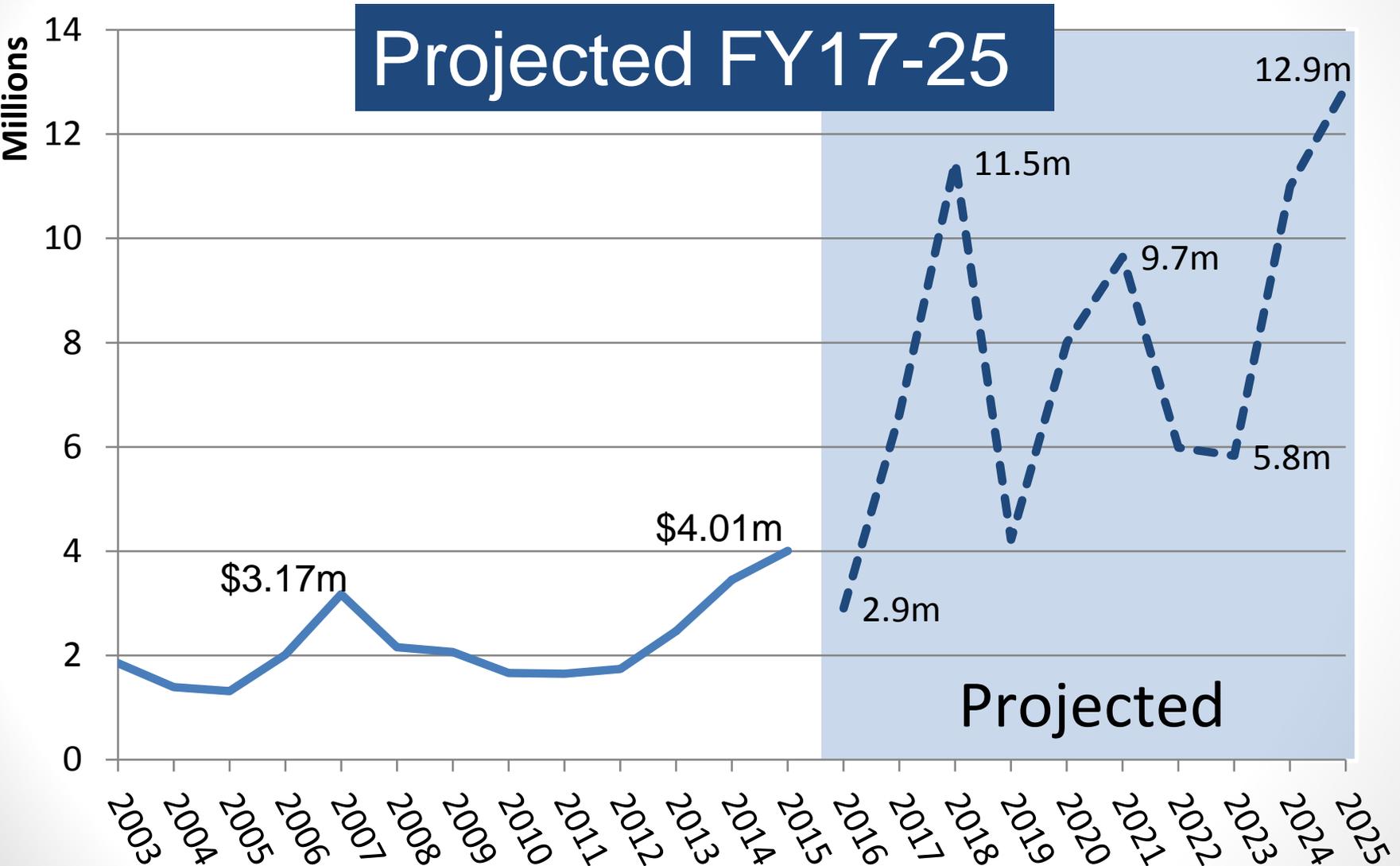


We have achieved the most new growth in a decade

Annual New Growth FY03-15



Annual New Growth is Projected to Increase



Businesses are choosing Somerville

156

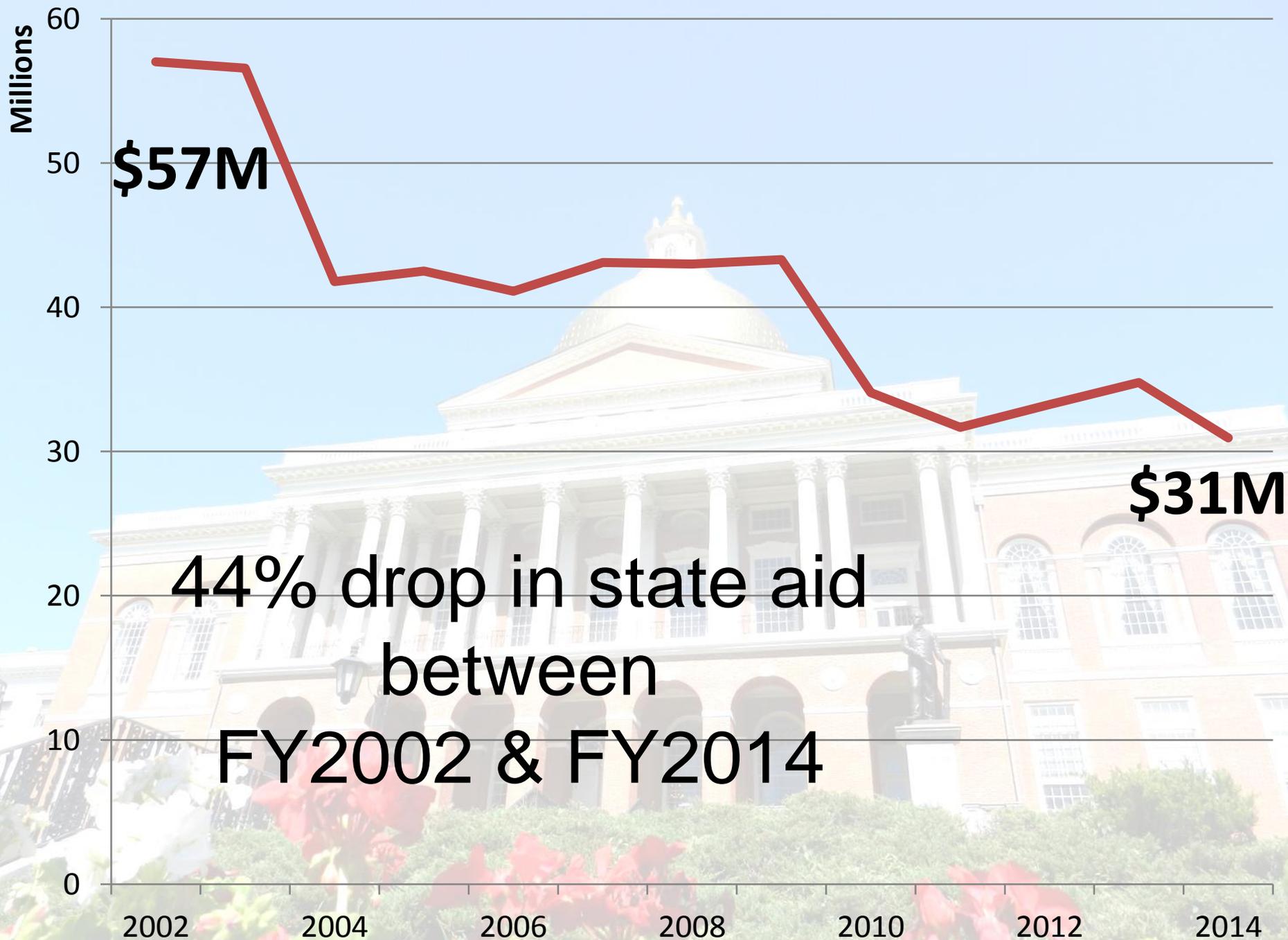
net new small businesses in

4.1

square miles

since **2010**

As of June 2015



\$57M

\$31M

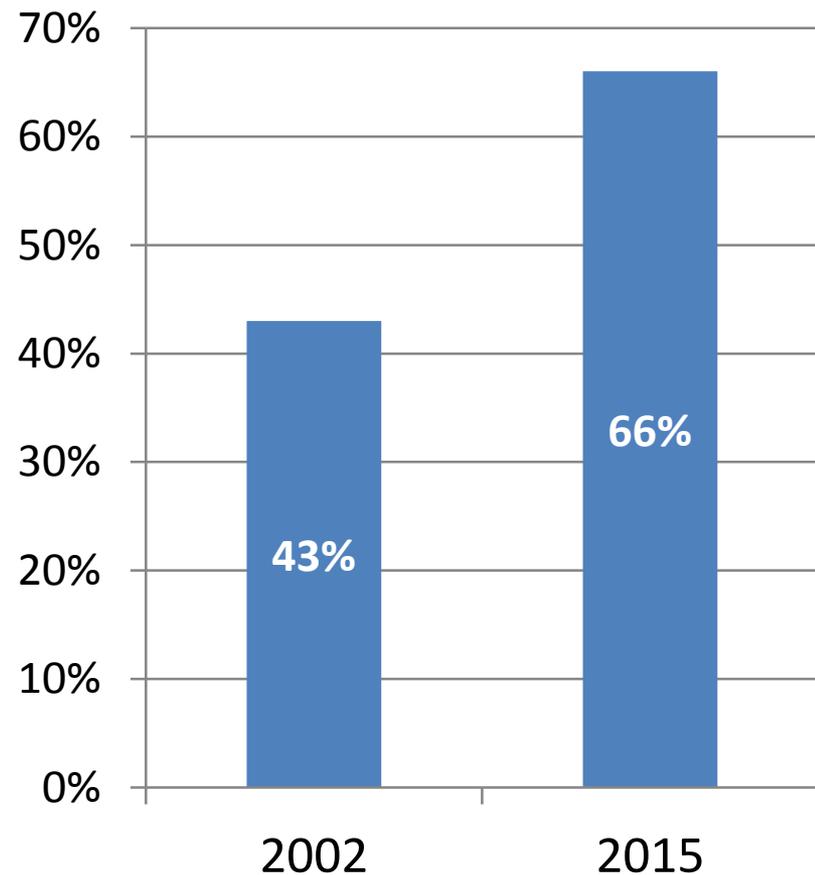
**44% drop in state aid
between
FY2002 & FY2014**

State Aid Cuts



Taxpayers Pick up the Burden

Percent of Budget Covered by Tax Revenue



We will be going to the tax levy

**2.5% overall
increase in FY16 tax
levy over FY15**

But we will not seek to
override it

Since 1985,

300 Mass. Communities have requested
4,225 overrides



Somerville = 0

One of the Lowest Spending per Capita in State

(General Fund FY15)



Somerville: \$2,577



Boston: \$4,180

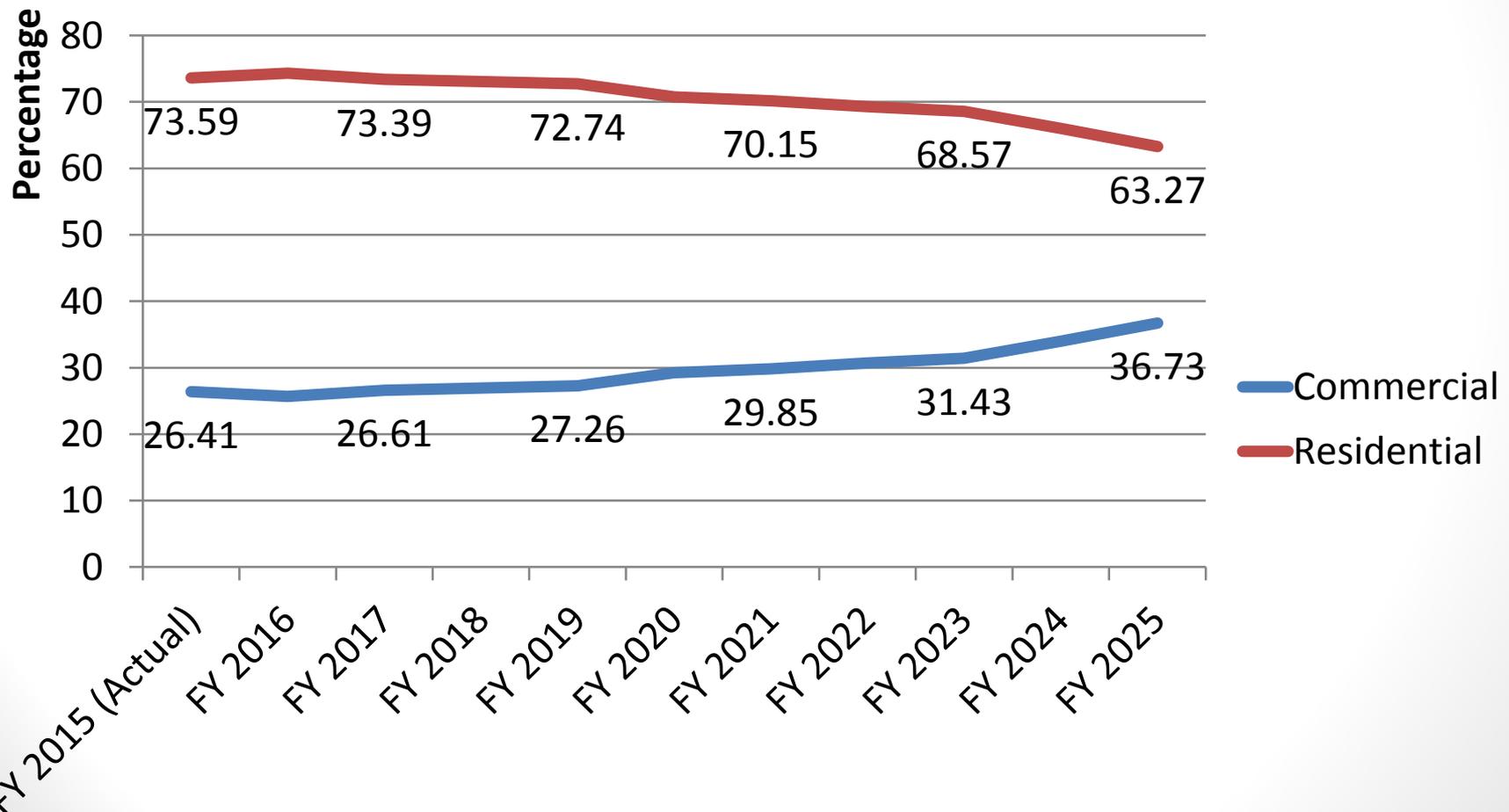


Cambridge: \$4,888

Based on 2103 American Communities Survey population data and published 2015 city budgets.

Together, we're working to shift the tax burden

Projected Residential/Commercial Tax Share



Residential Exemption is now the highest in State at 35%

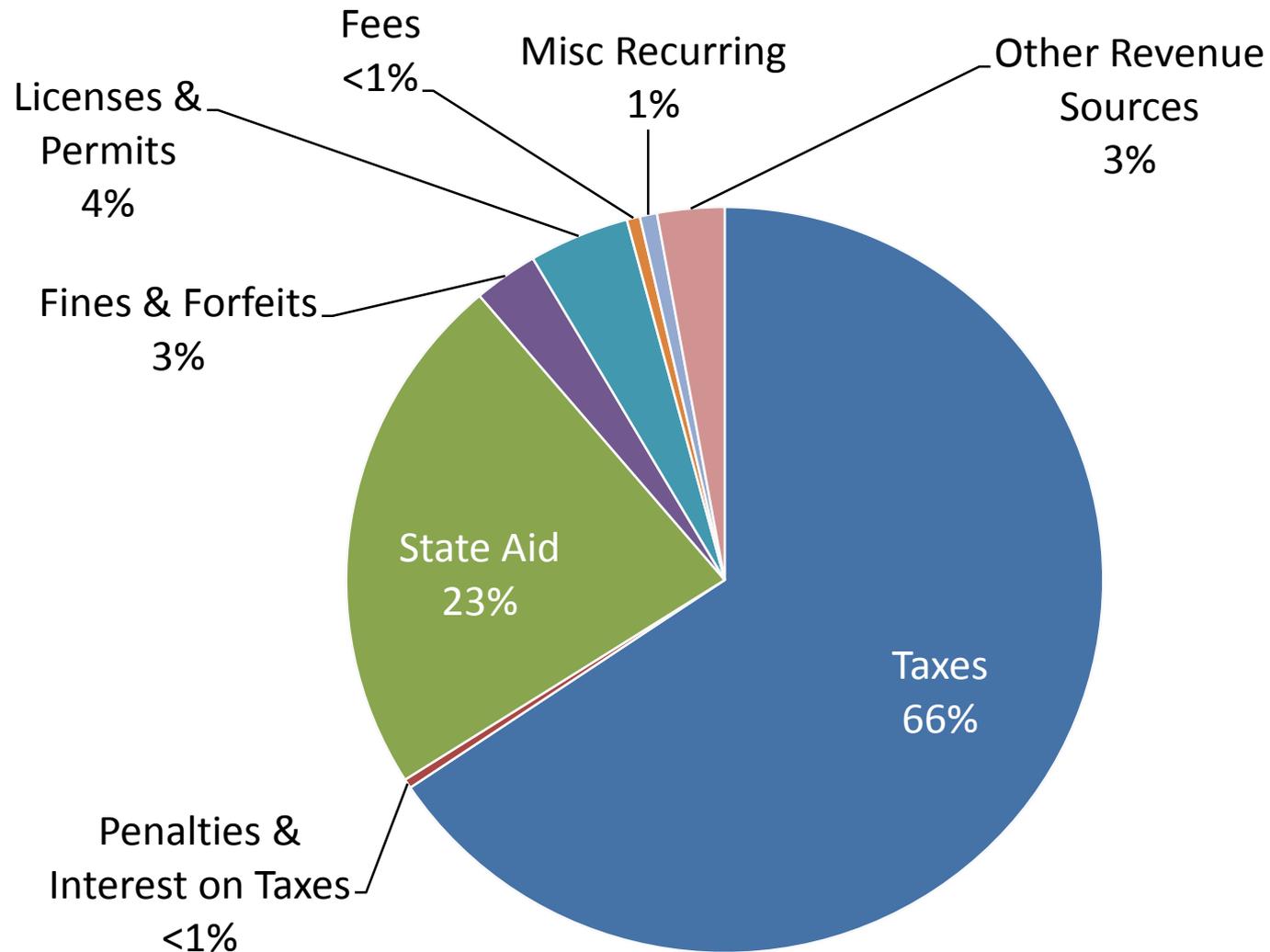
2015

35% ResX

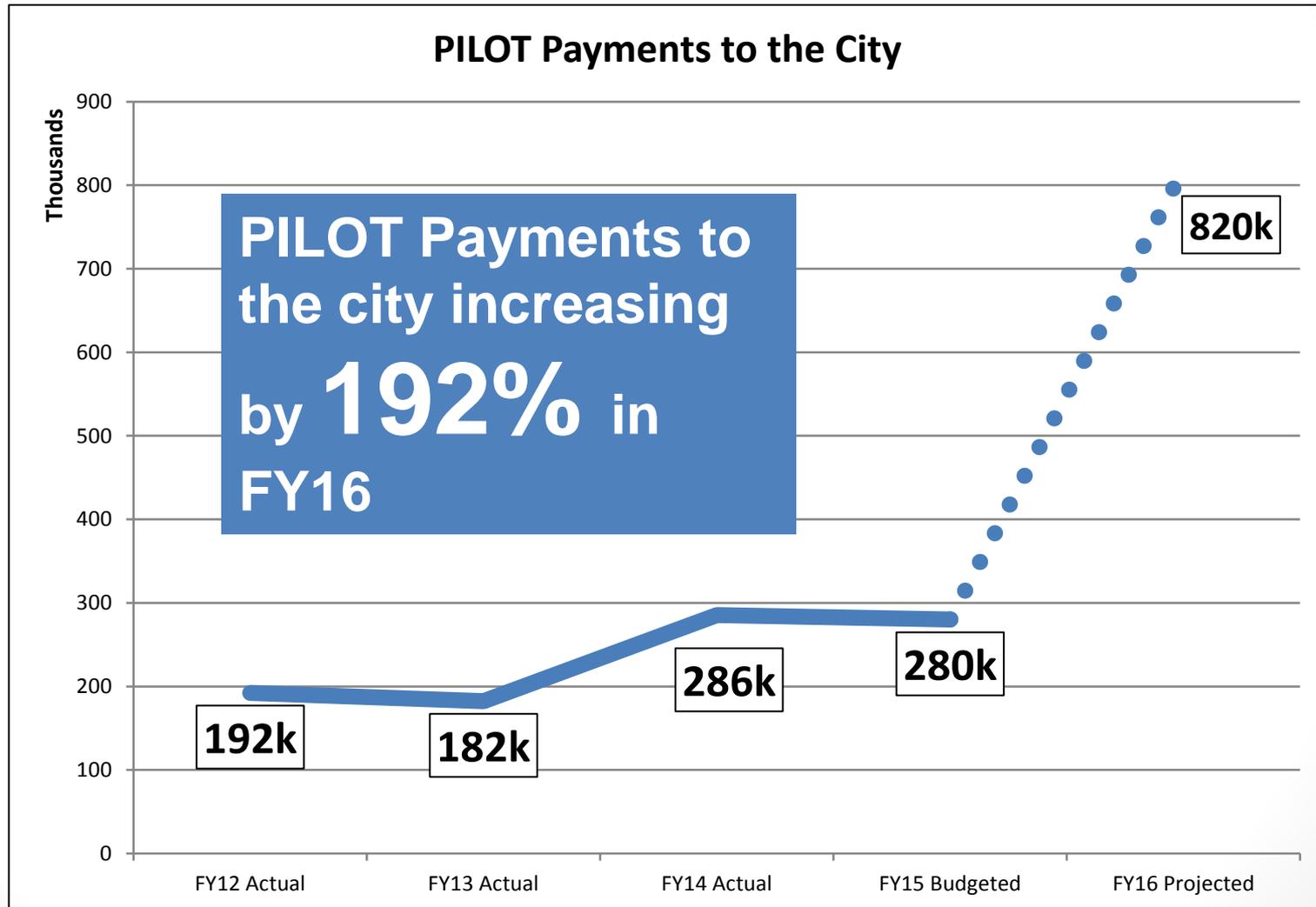
\$2,498

Savings of \$208
per month

FY2016 Revenue by Source



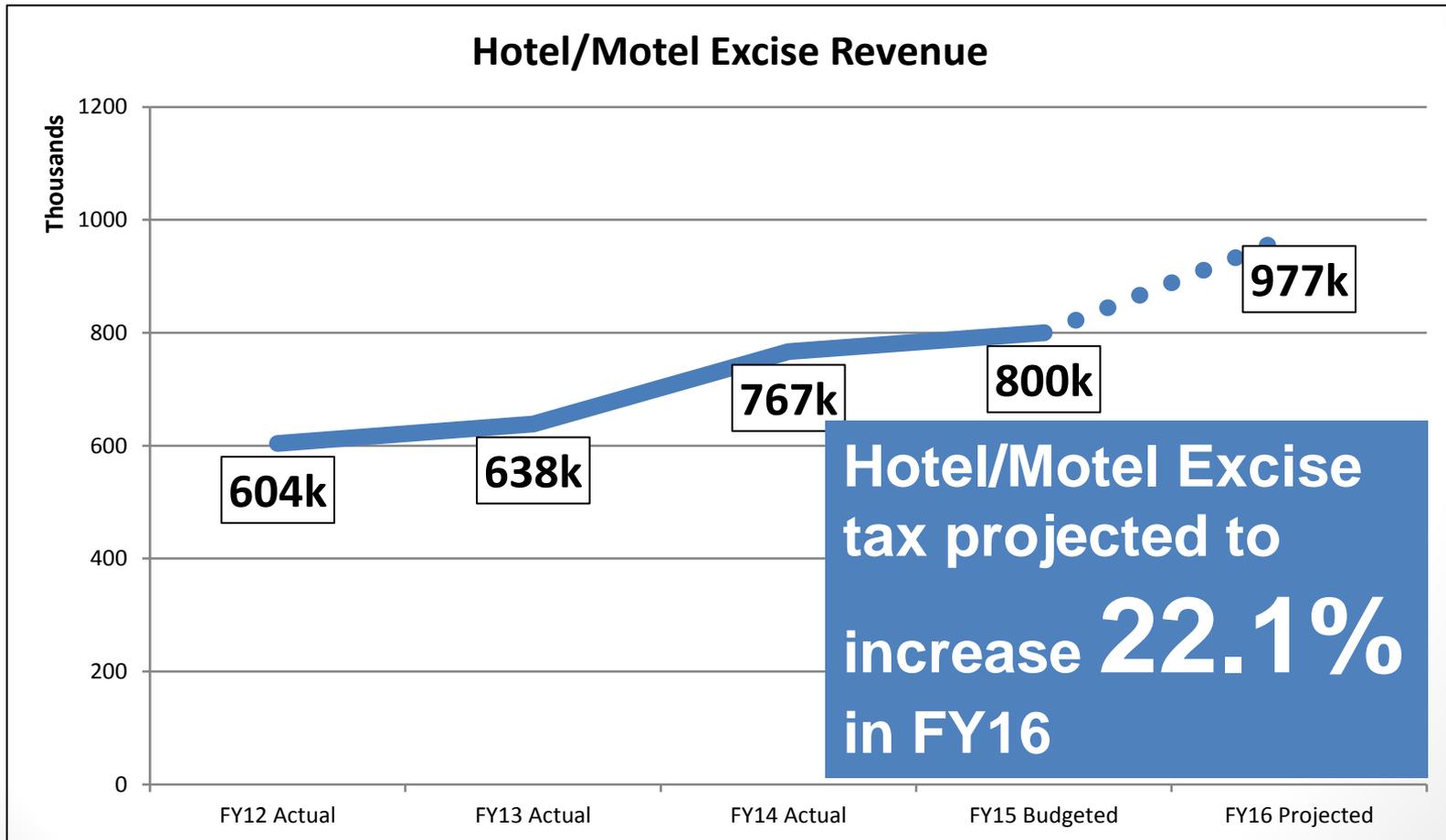
PILOT Payments Increasing



\$539,000 in PILOT
funds from Partners
included in this budget

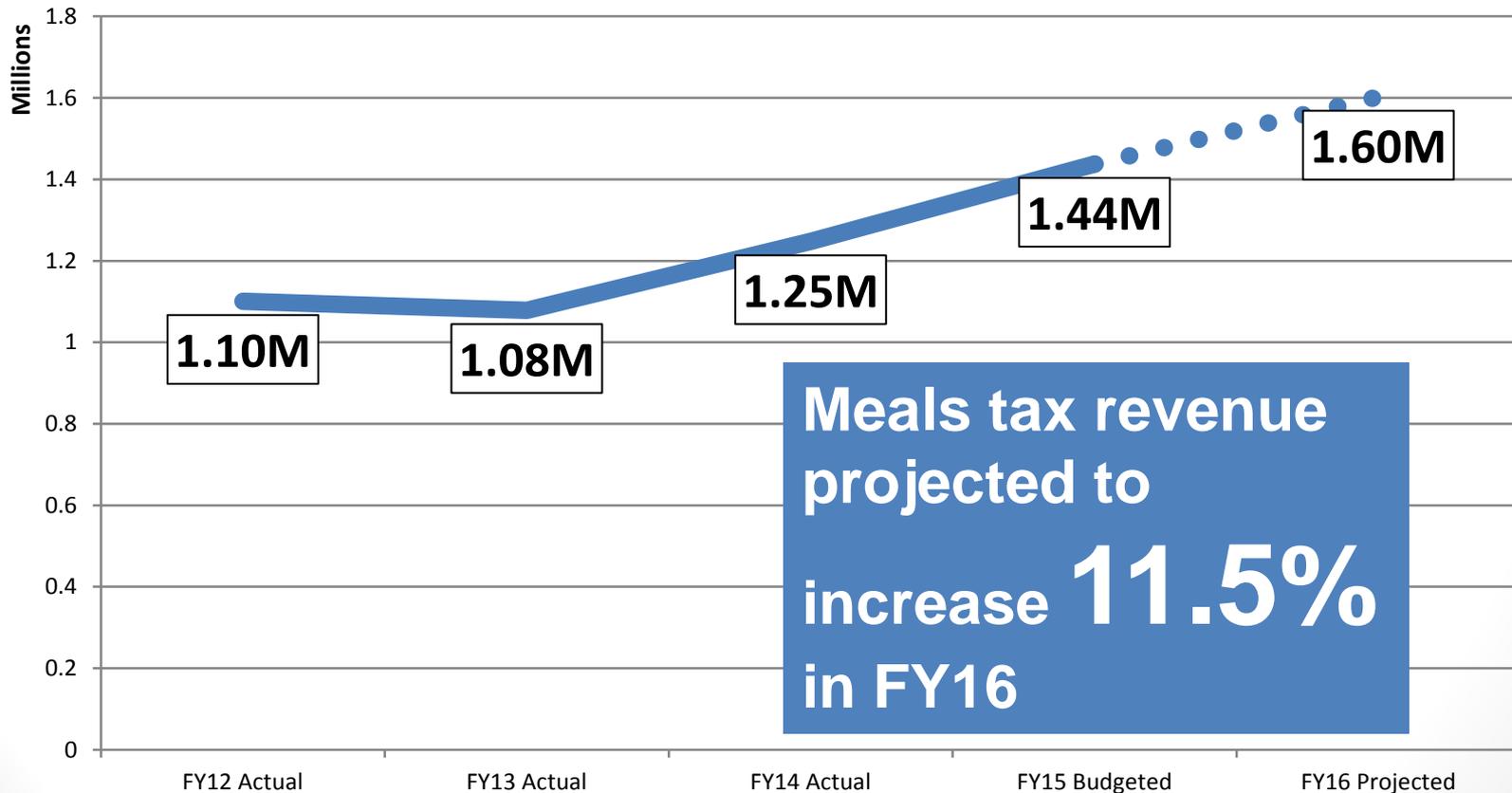


Hotel Tax Revenue Increasing



Meals Tax Revenue Increasing

Meals Tax Revenue



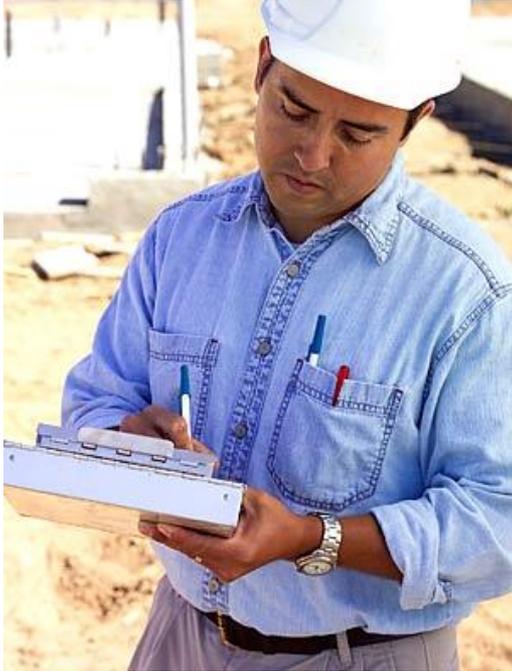
Somerville is thriving because we invest, for the long-haul, in our orienting values



So we can continue in FY16 to invest to make Somerville a great place to live, work, play, and raise a family.



In FY16, We Will Continue to Invest in Core Services



- Building Inspector
- GPS for Contractors
- Water & Sewer staff
- Admin Code Changes

We Will Also Invest to Take on Our Greatest Challenges

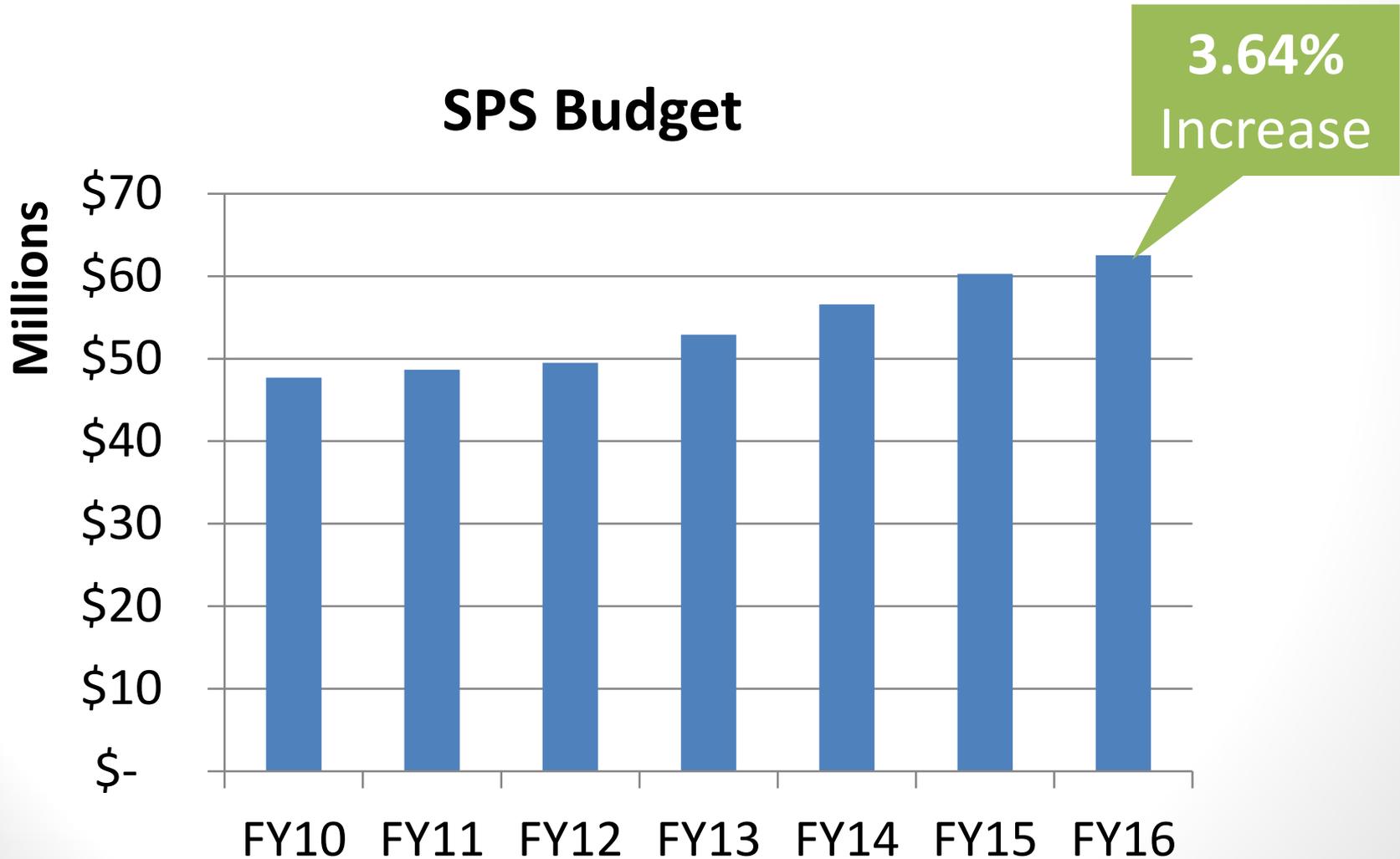


**From Affordable Housing
to Zoning Overhaul**

Youth Education & Development



A Historic Investment in Our Schools: 31% increase since FY10



Supporting the Whole Child

- New assistant to Director of Student Services
- Additional school psychologist
- Funding for board certified behavior analyst
- Biogen partnership provides part-time college financial aid counselor
- New full-time English Language Learner Department Chair



Sustaining Academic Success & Preserving Classroom Size



- New adaptive technology specialist
- Additional elementary teacher
- Absorbing previously grant funded positions, including pre-k teacher and two full-time paraprofessionals
- Support for additional AP classes working with Mass Insight

Investing in Youth Development: Recreation



2* New Outreach
Coordinators for
Recreation
(*1.5 new positions)



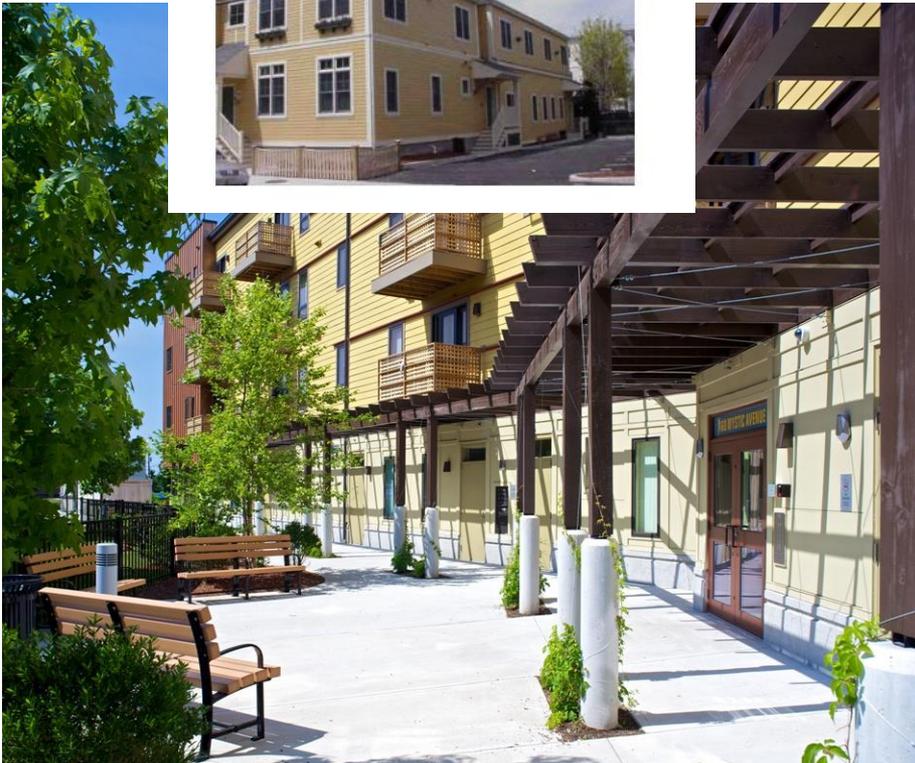
Growing Opportunities for At-Risk Youth



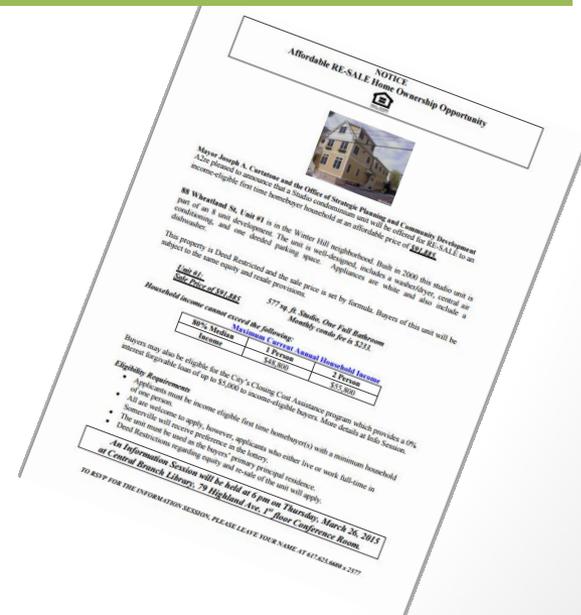
**Intensifying
Collaboration with
Teen Empowerment
and Roca.
Funding dedicated
to each
organization.**



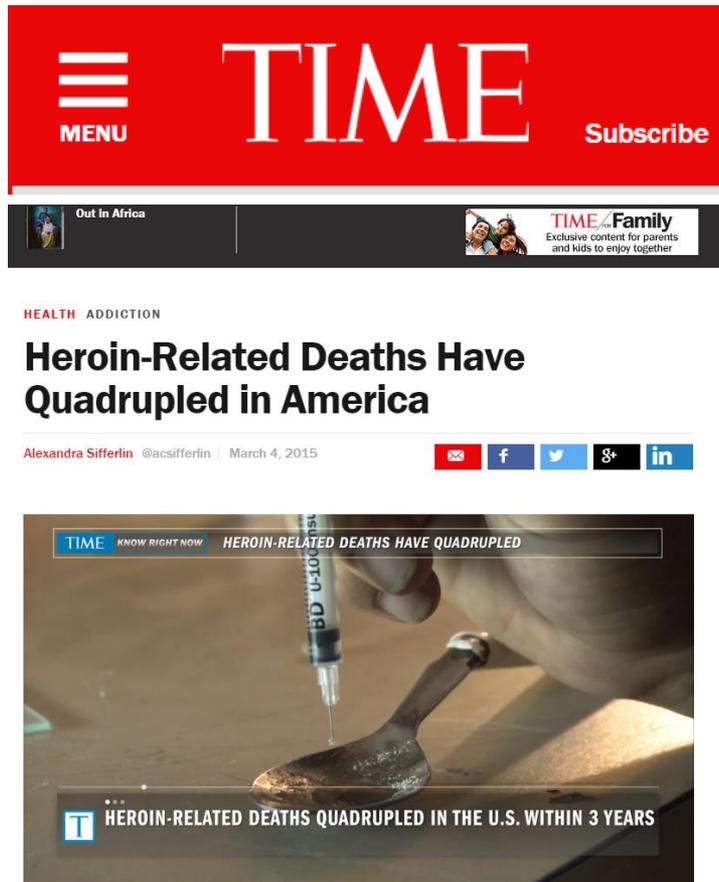
Intensifying Affordable Housing Efforts



- Funding for Universal Waitlist
- New Sustainable Neighborhoods Coordinator (2-year position)



Expanding Prevention Efforts



New federal data reports bad news for America's heroin

A Local Response to a National Crisis

- Moving SCAP Director and Director of Prevention Services from grants to General Fund
- Moving Jail Diversion Coordinator from grant to General Fund

Addressing Climate change

Investing in our Future

- GreenTech RFP
- Climate Study
- LED conversion



*Creating a Resilient &
Carbon Neutral Somerville*

Increasing the green environment in our urban city



- Funding for contract arborist to enhance care for our growing tree canopy
- Ash Borer prevention and mitigation

Maintaining Our Thriving Arts Community

Providing funding to help replace declining state funding for local arts and culture grants



Supporting our small businesses:

Before



After



- Increased funds for citywide storefront improvements
- Funding for Main Streets Initiatives

Community Preservation Act



Open Space & Outdoor Recreation



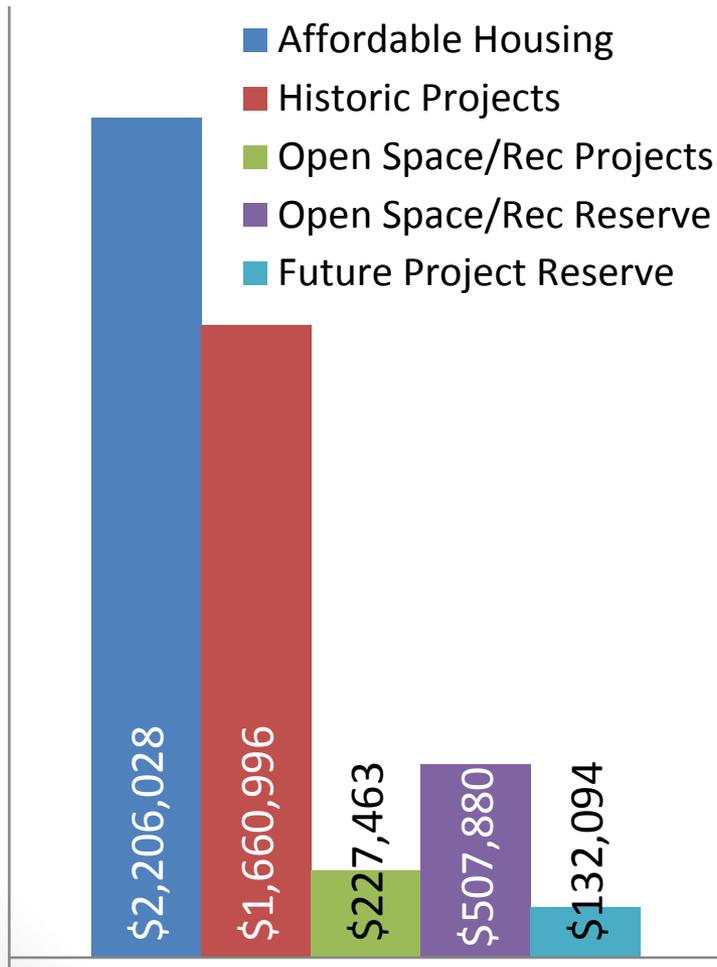
Affordable Housing



Historic Preservation

Community Preservation Act

Nearly \$5 million available in FY15 will fund...



- 163 Glen St. Redevelopment
- PASS Program
- Better Homes Program
- Housing at Mystic Water Works
- American Tube Works Complex National Register Nomination
- City Hall Rehab Design
- City Archives Processing
- Milk Row Cemetery Rehab
- Somerville Museum
- Temple B'nai Brith
- Prospect Hill Tower & Park
- Community Growing Center
- Healey to Mystic Master Plan
- Groundwork's School Garden Classrooms

Investing

in

sustainability

arts

neighborhoods

health

business

parks

schools

youth

rec

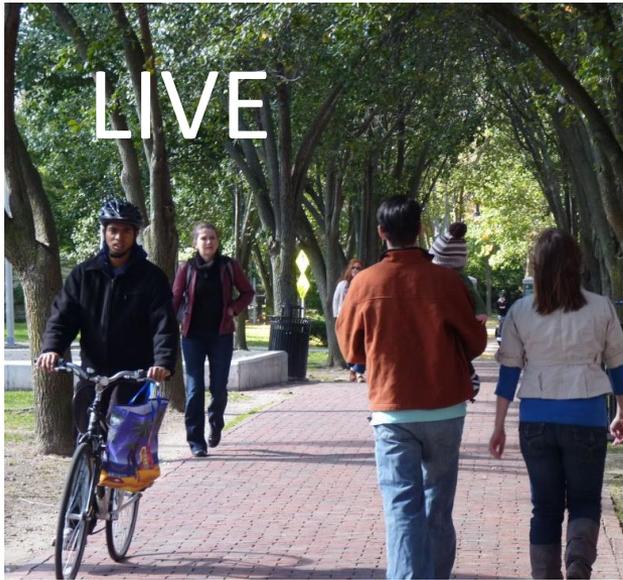
events

affordability

people

streets

Somerville



LIVE



WORK



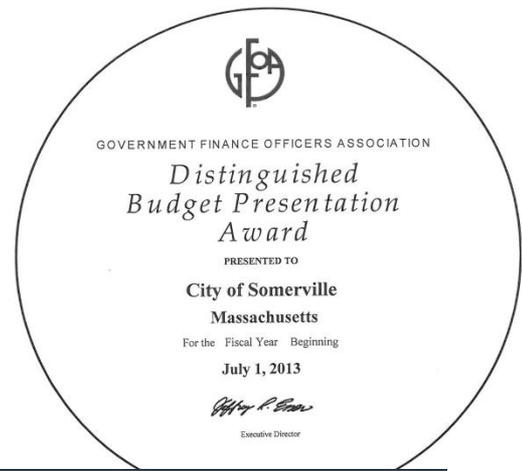
PLAY



FAMILY

**Make Somerville
a Great Place to
Live,
Work,
Play and
Raise a Family**

Budget Accolades



**Certificate of Achievement
for Excellence in Financial
Reporting for FY14 CAFR**

CITY OF SOMERVILLE MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



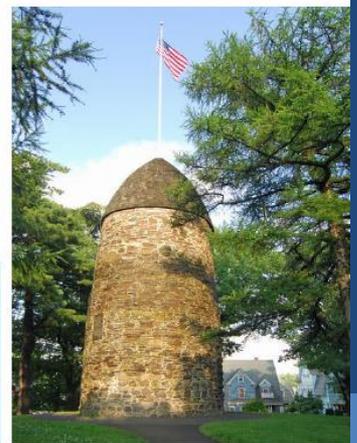
For the Year Ended June 30, 2014

Joseph A. Curtatone, Mayor
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department

**GFOA Distinguished
Budget Presentation
Award for FY15 Budget**

City of Somerville
FY2015
Municipal Budget
{Approved}



Mayor Joseph A. Curtatone

Thank you