

# Somerville Budget Overview



Mayor Joseph A. Curtatone  
June, 2014



Investing



in



Somerville

# Investing Today with an Eye on Tomorrow

Investing in our Schools and  
Neighborhoods

Making the City Safer Through Strategic  
Enhancements

Improving Inspections and Review By  
Adding Resources at ISD

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



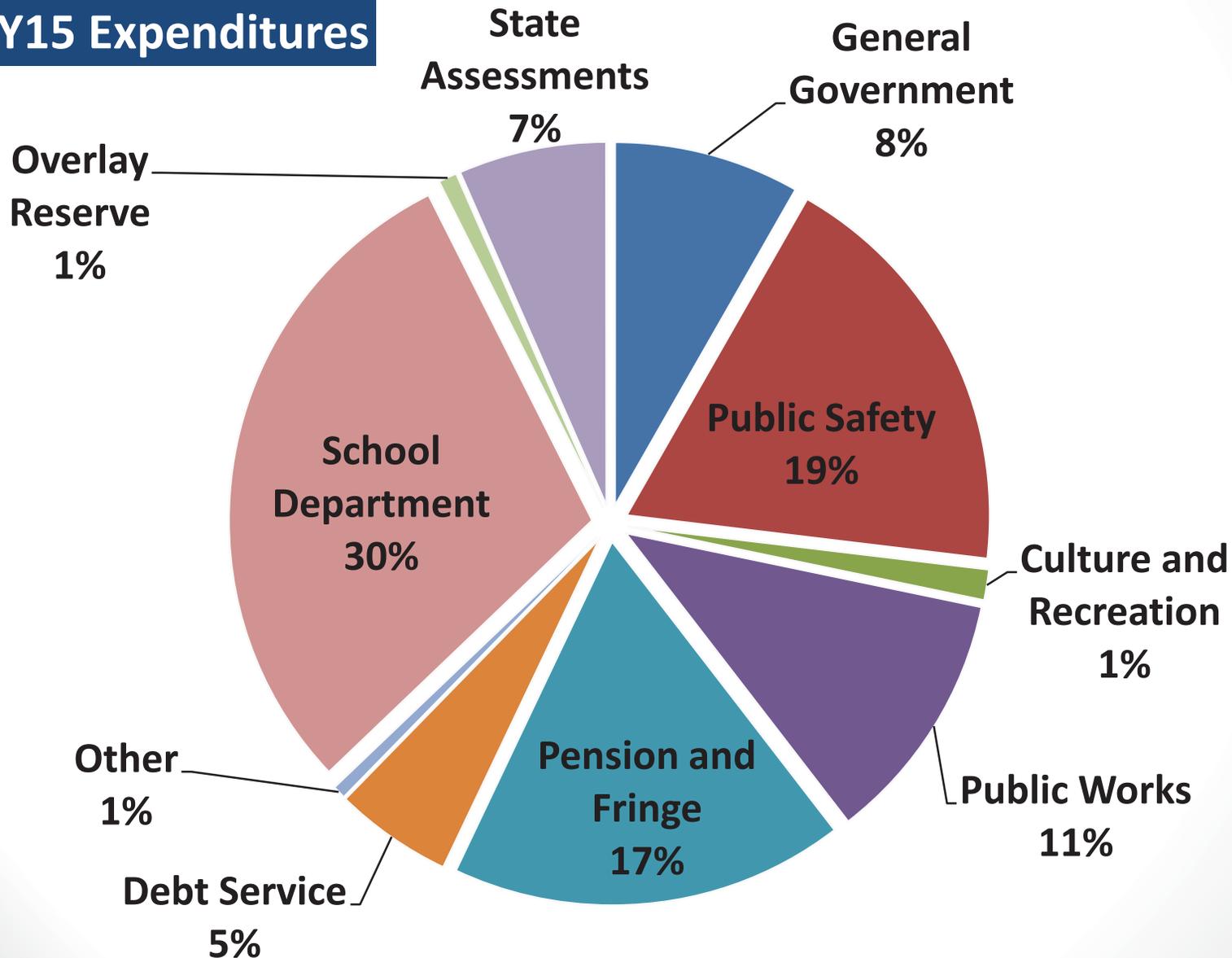
# FY2015 Appropriations

- Proposed Operating Budget = **\$203.1** Million
- General Fund Appropriation = **\$188.0** Million
- Municipal Appropriation = **3.8%** increase over FY2014

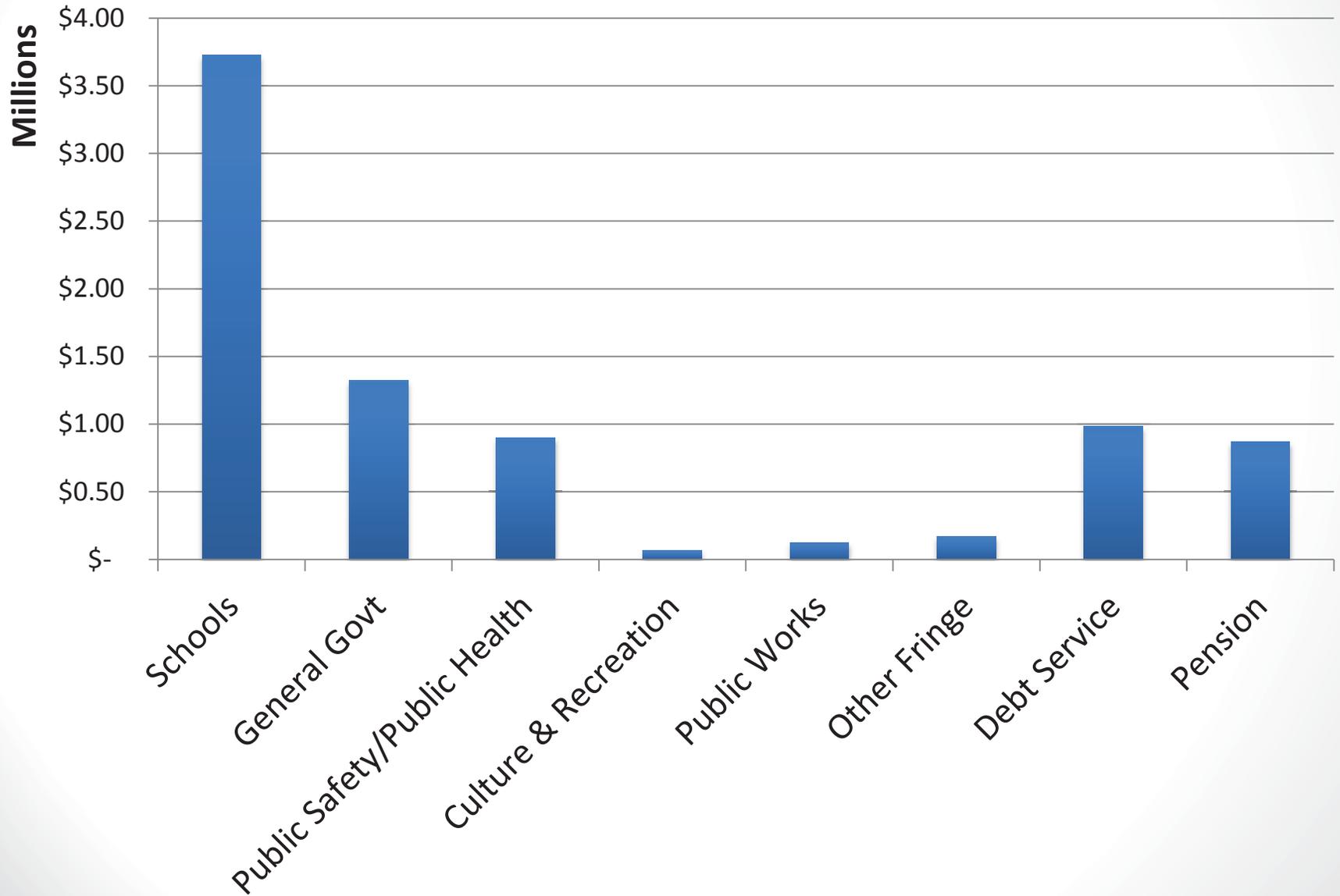


# General Fund Expenditures

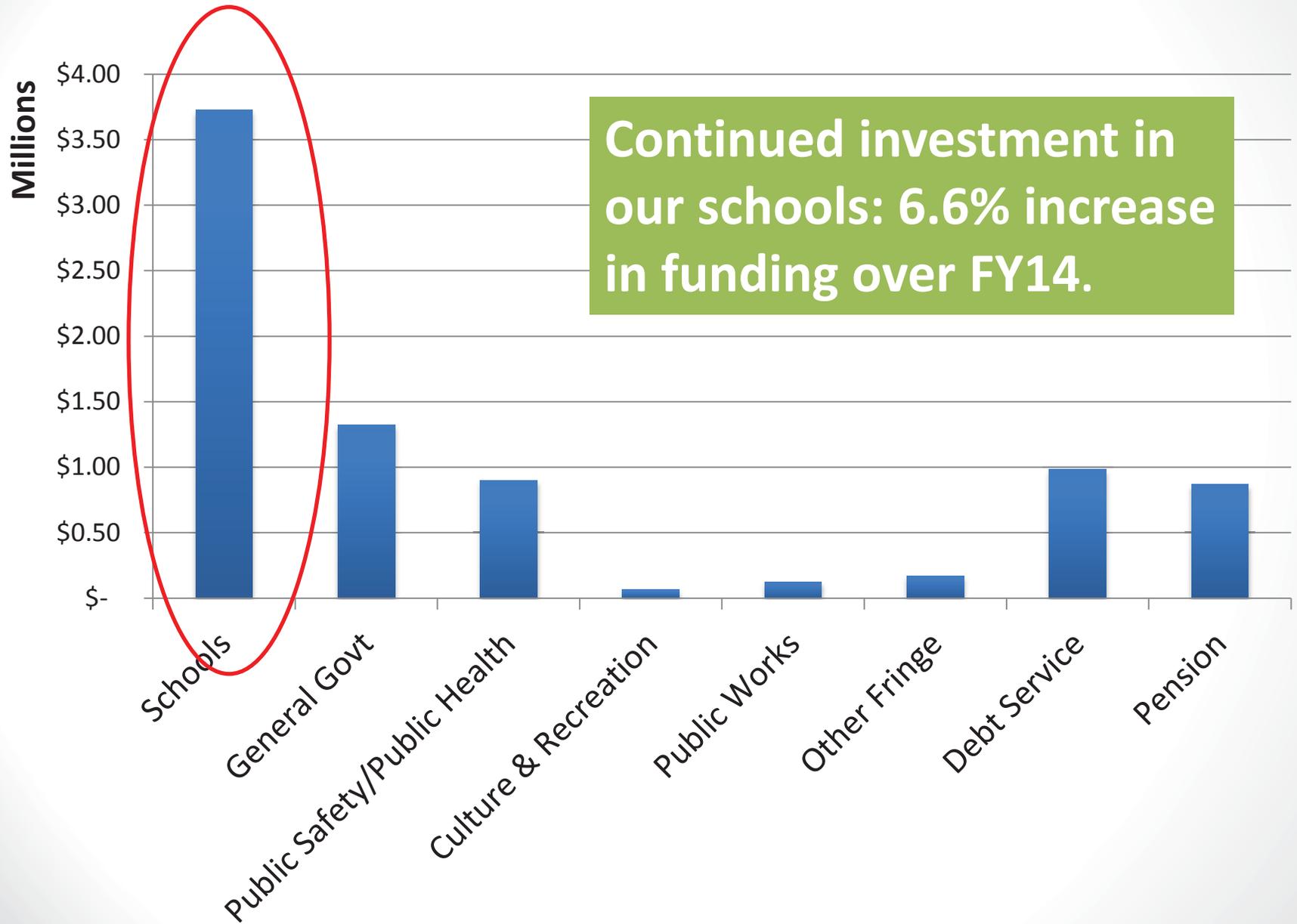
## FY15 Expenditures



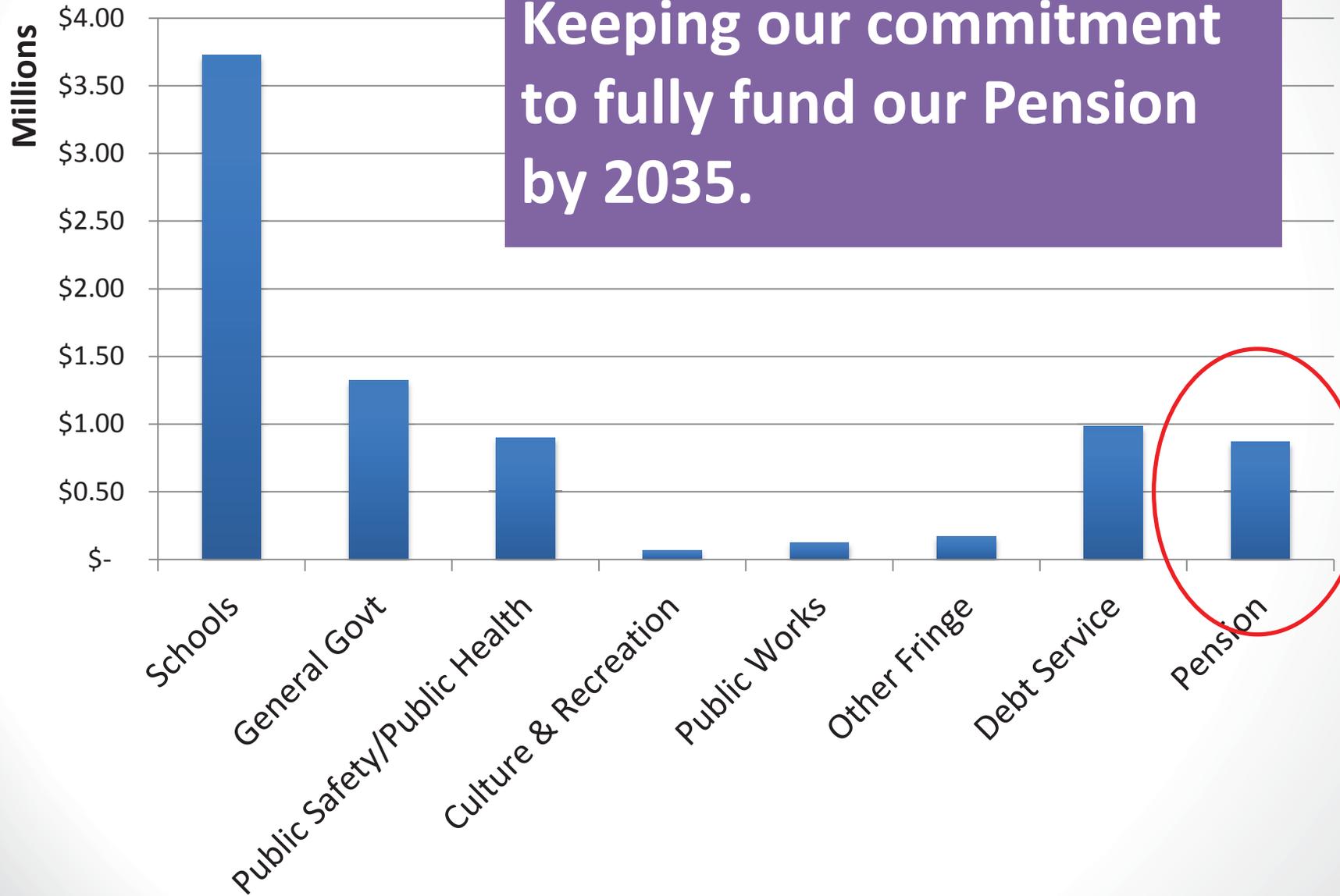
# Appropriations Overview



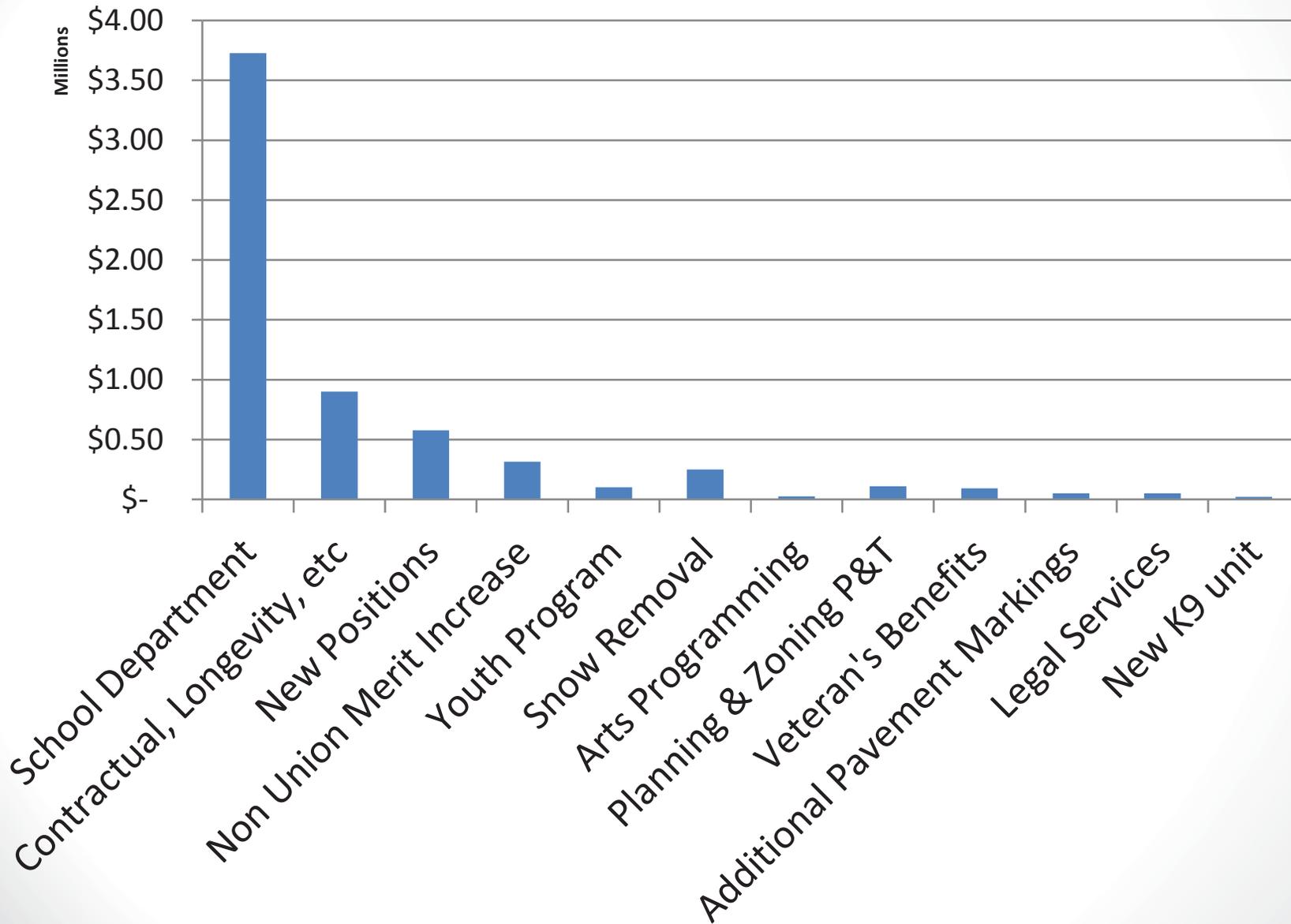
# Values Driven Budget



# Sound Fiscal Management

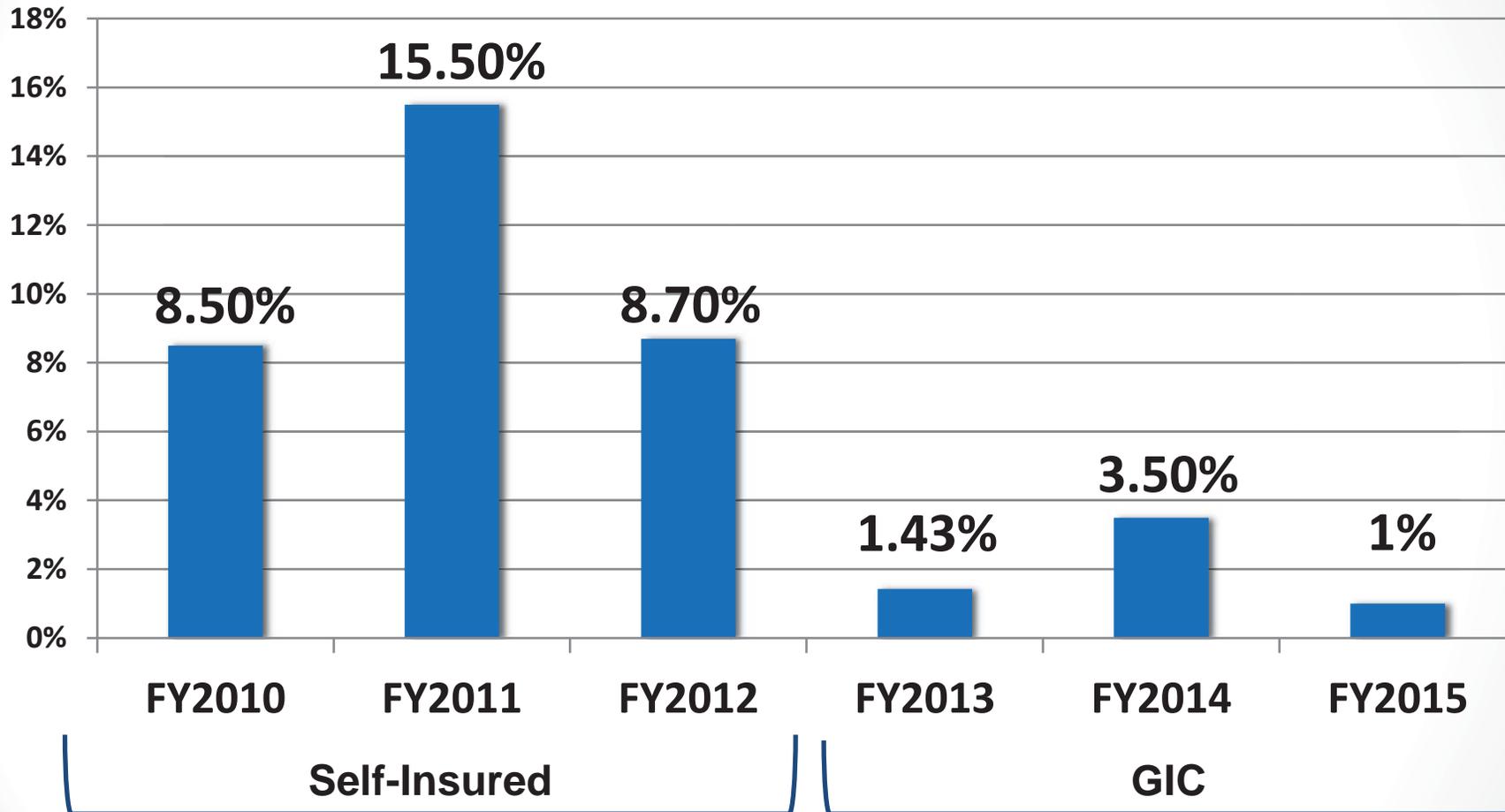


# Significant Requests



# GIC was the prudent choice

Average Health Insurance Premium Increase from Previous Year



A photograph of a park-like setting with a brick path, trees, and people walking and riding a bicycle. The scene is bright and sunny, with shadows cast on the path. In the foreground, a man in a black jacket and helmet is riding a bicycle towards the camera. To his right, a woman in a maroon jacket is walking. Further down the path, a man in an orange jacket and a woman in a light-colored jacket are walking away from the camera. The background is filled with tall trees and a clear sky.

Our highest bond rating ever  
A growing commercial tax base  
Continually Improving City Services

**SMART CHOICES ARE PAYING  
DIVIDENDS**

# Highest Bond Rating Ever

S&P **A+**  **AA+**  
2004 2014

Moody's **A2**  **Aa2**  
2004 2014

**Ratings guarantee savings for Somerville**

# Highest Bond Rating Ever

“Strong and growing economy”

“Budgetary performance has been strong”

## 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

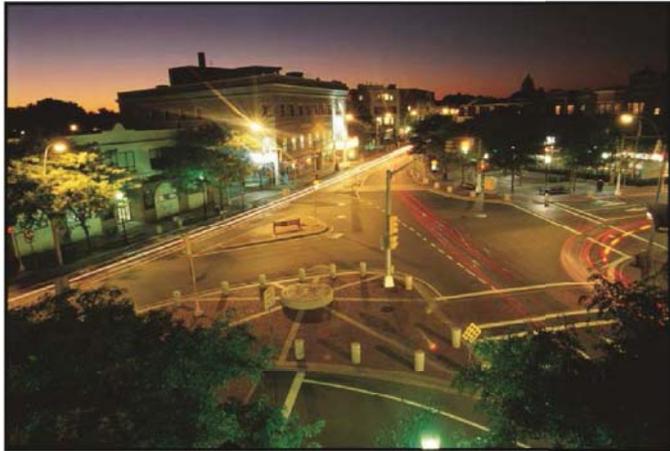
“Good financial practices”

# Other Budget Accolades

**Certificate of Achievement  
for Excellence in Financial  
Reporting for FY13 CAFR**

**CITY OF SOMERVILLE**  
MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended June 30, 2013**

Joseph A. Curtatone, Mayor  
Edward Bean, Finance Director

Prepared by the City of Somerville Finance Department



**GFOA Distinguished  
Budget Presentation  
Award for FY14 Budget**

City of Somerville  
**FY2014**  
Municipal Budget



**Mayor Joseph A. Curtatone**

# Our Past Investments are Paying Off...

Projecting \$4M  
in new growth  
property tax  
revenue

(\$2.4m from  
Assembly Row)\*

+

\$1M in new  
building permit  
revenue from  
blocks 5 & 6



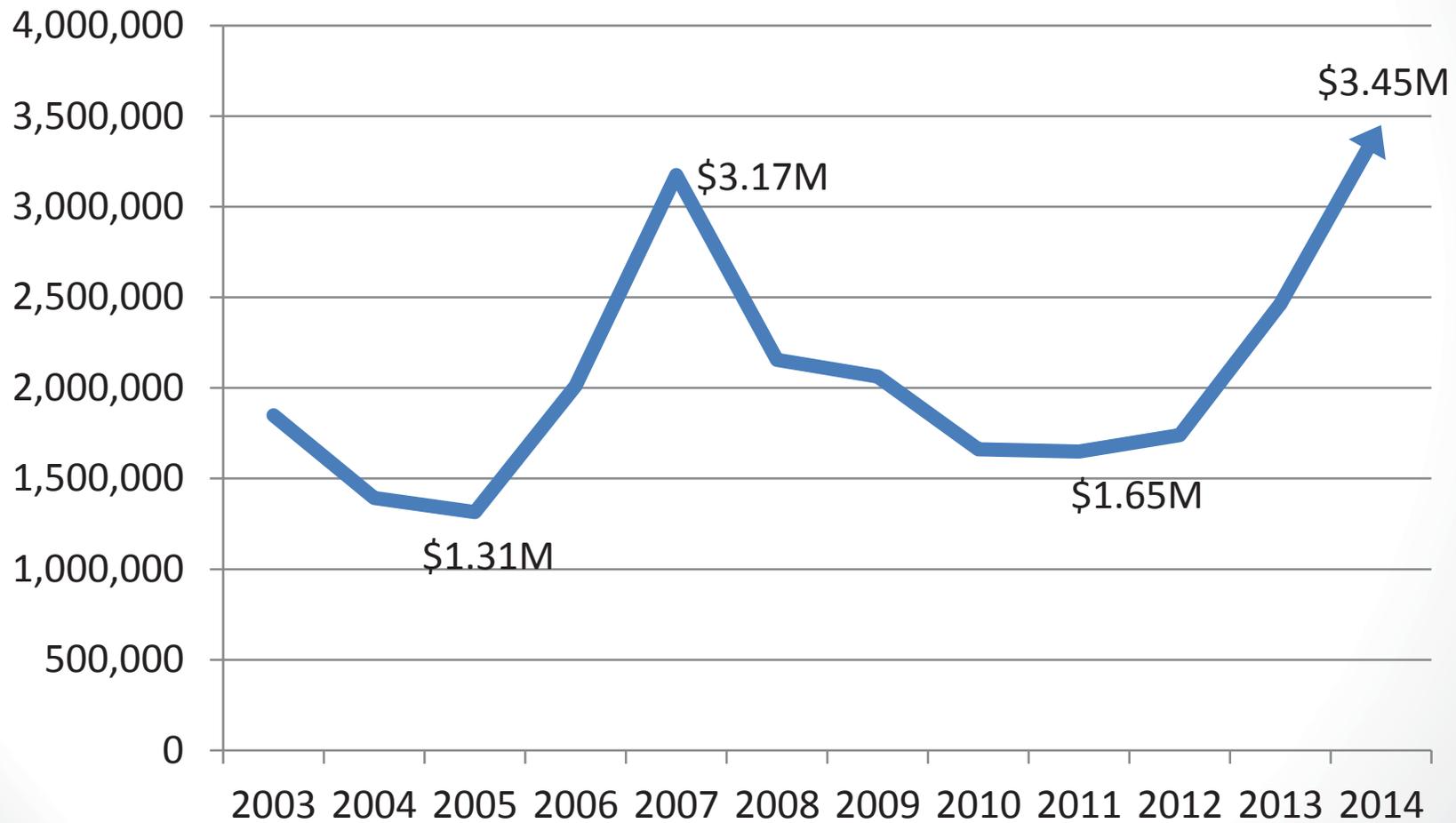
**\$101m**  
projected in  
captured  
increment tax  
dollars over 30  
years from the DIF  
blocks 1,3, and 4  
(\$60 m net after  
debt service)

**Assembly Row**

\*DIF taxes; \$1.4m net after debt service

# Most New Growth in a Decade

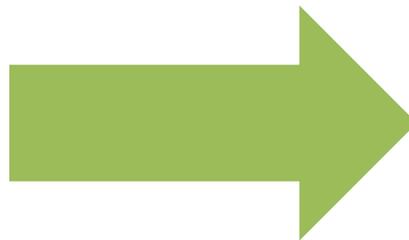
Annual New Growth – FY2003 through FY2014



# This growth allows us to continue to invest without raising fees and fines.

The only significant fee change will be to increase the Building Permit fee.

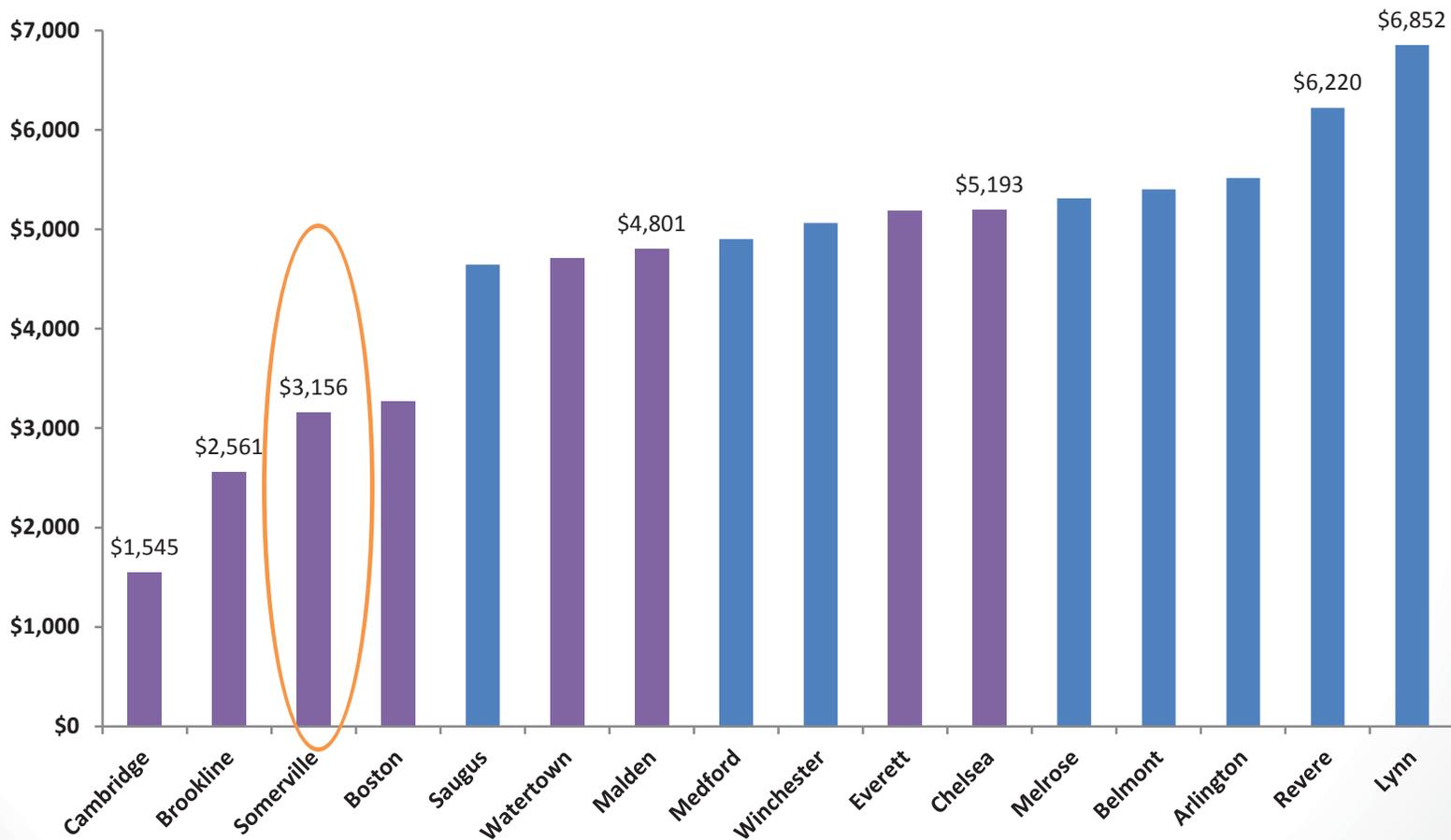
**\$19**  
per \$1,000  
construction cost



**\$20**  
per \$1,000  
construction  
costs over \$100K

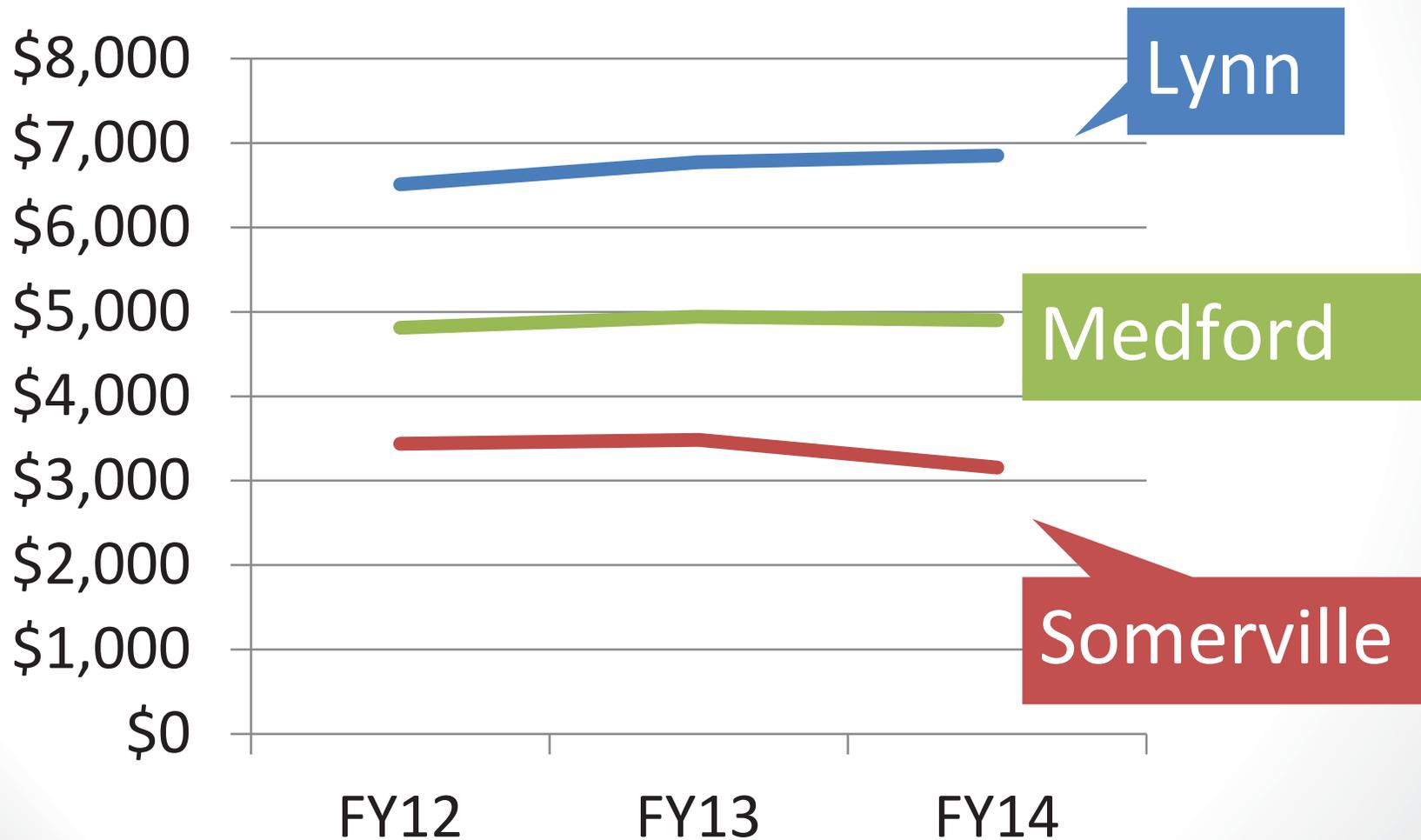
# We're holding taxes low

FY14 tax with exemption on \$400k home ■ Residential exemption ■ No residential exemption



The Somerville fiscal year 2014 residential exemption is **\$1,907.53**.

# Tax on \$400k Property w/ Residential Exemption



# Hearing TODAY on raising Residential Exemption from 30% to 35%

Average Tax Bill for Two-Family Property in Somerville

30% ResX

\$4,794

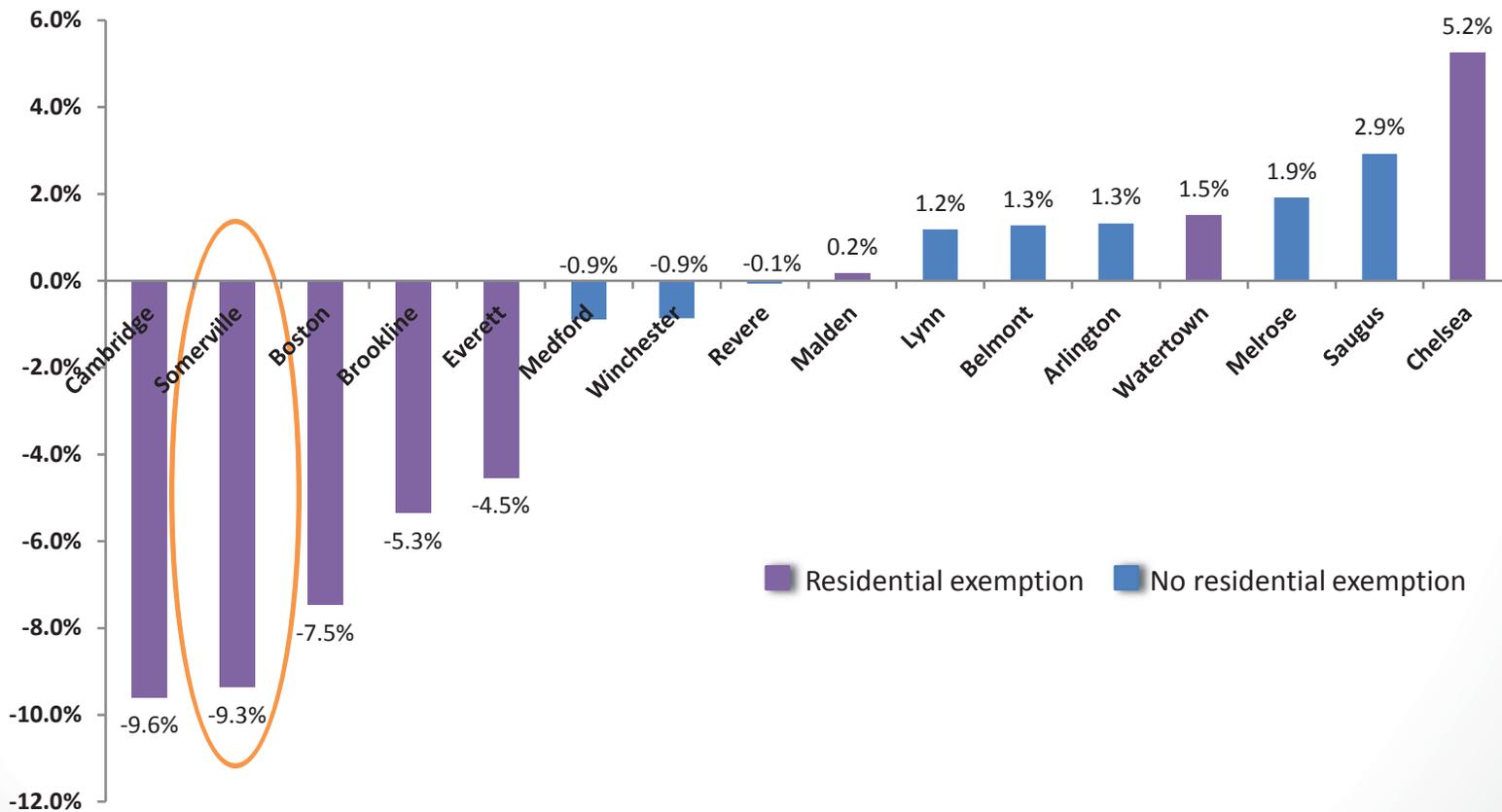
35% ResX

\$4,639

Savings  
of \$155  
annually

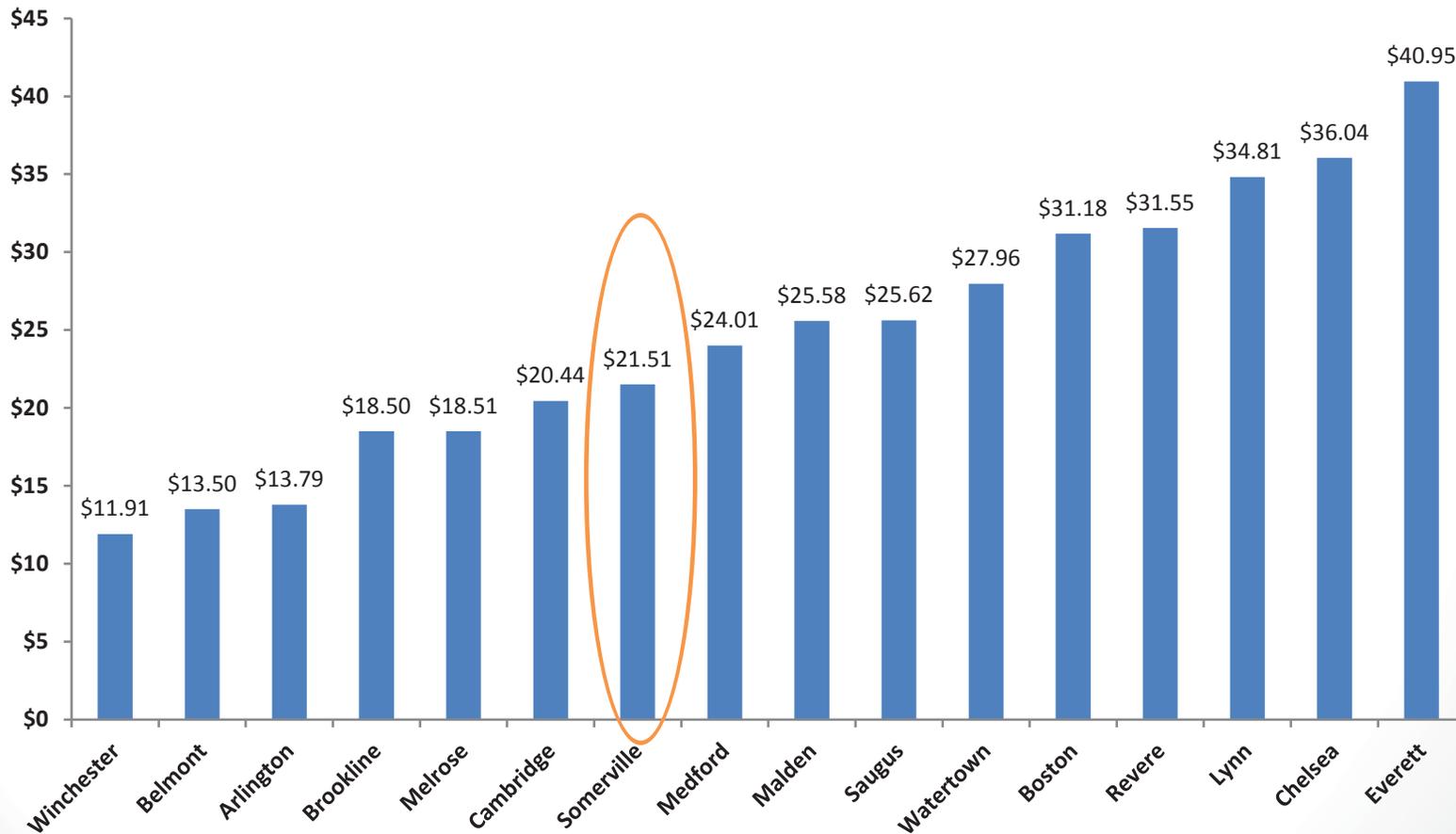
# One of the largest Declines in Property Taxes

Percent change in tax on \$400k property with residential exemption, FY13-FY14

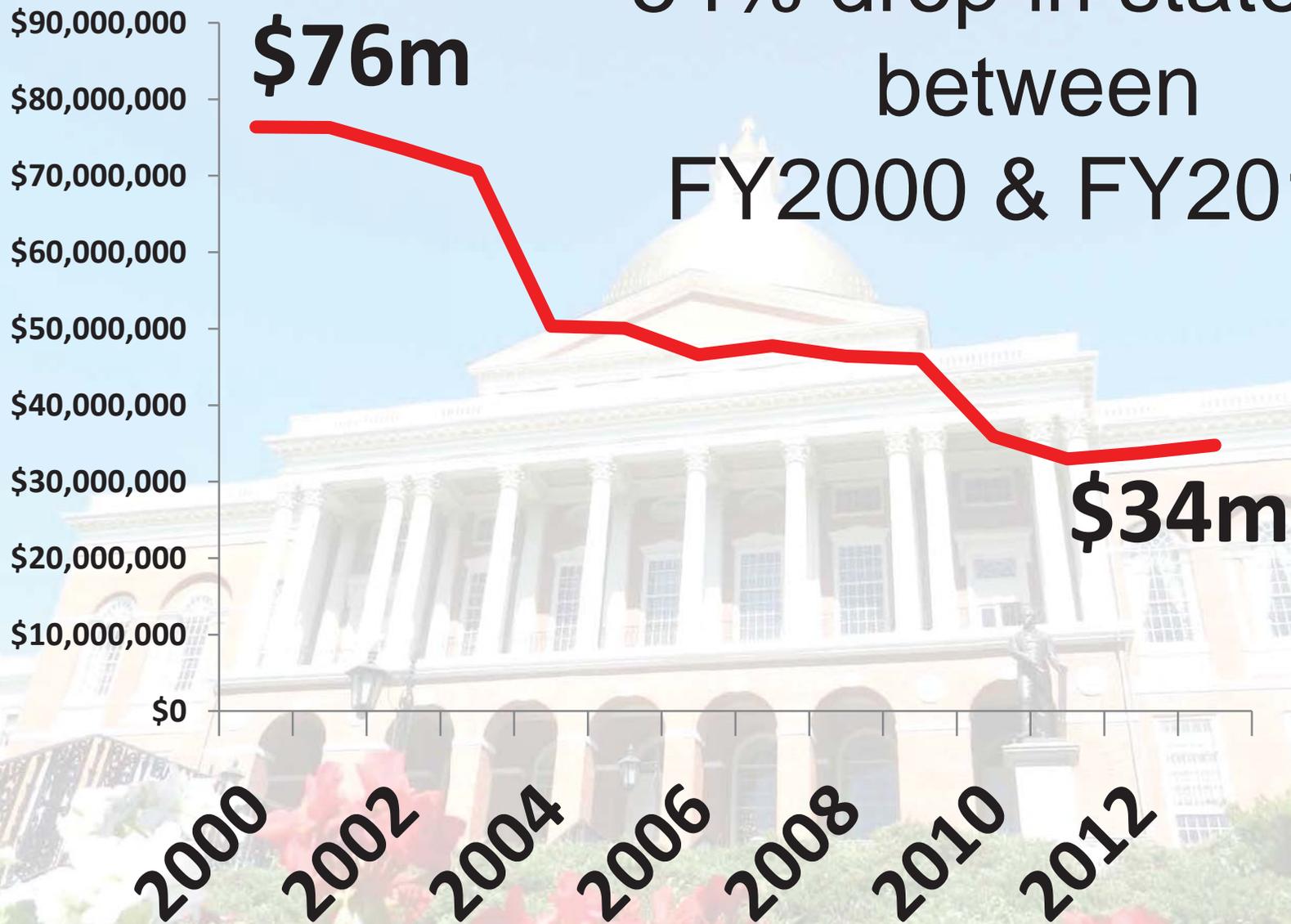


# We're holding taxes low: Commercial Rate

FY14 commercial tax rate



54% drop in state aid  
between  
FY2000 & FY2013\*



\*adjusting for inflation

# \$41.6 M

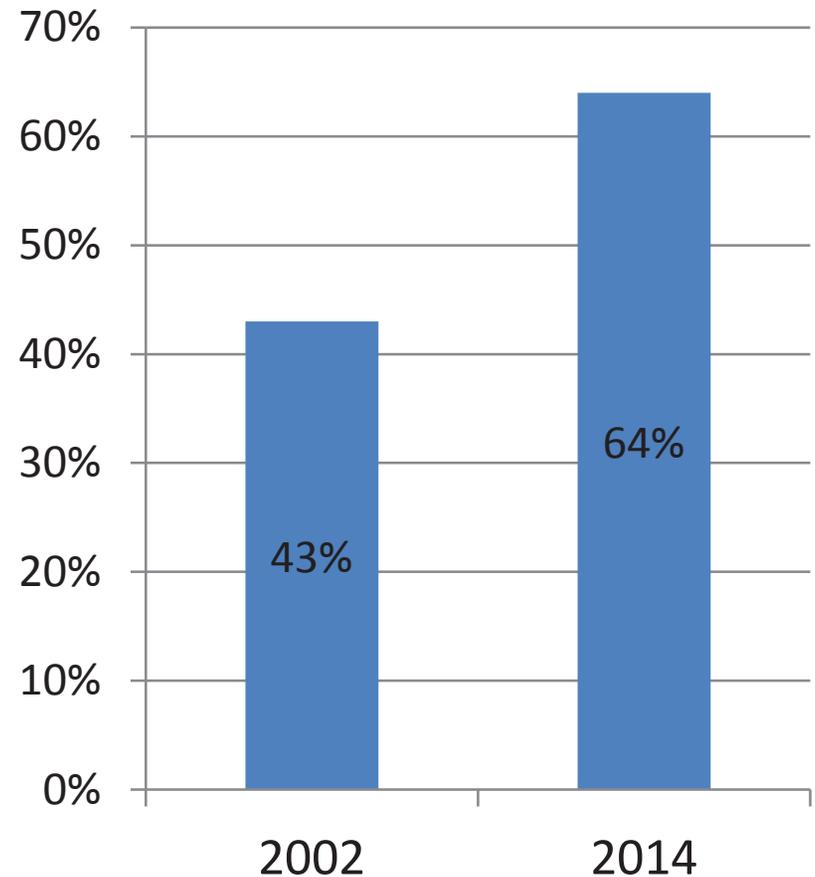
in State Aid cut since 2000\*



# Taxpayers Pick up the Burden

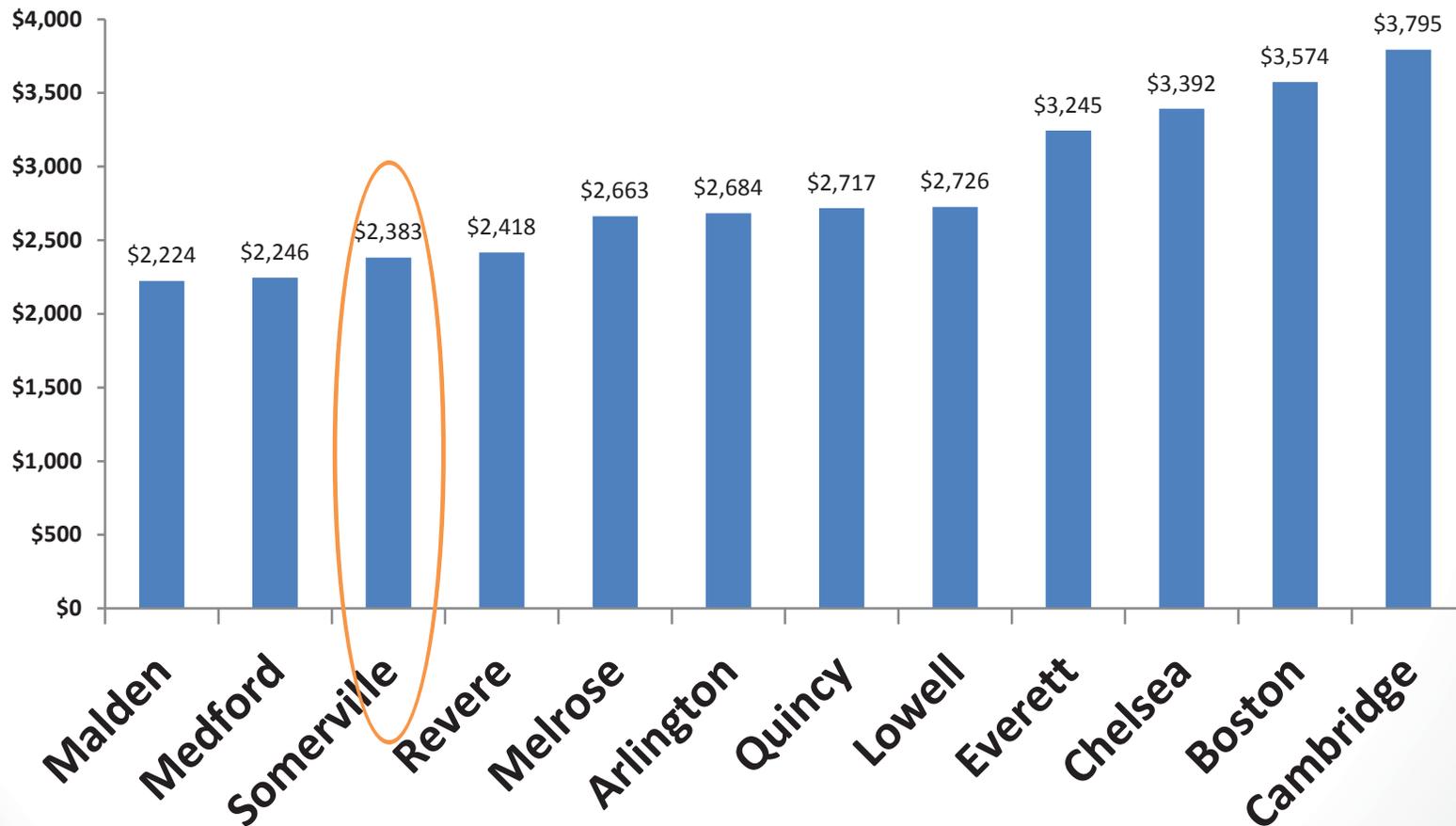


### Percent of Budget Covered by Tax Revenue



# Some of the Lowest Spending Per Capita

FY13 general fund spending per capita



# Spending per Capita

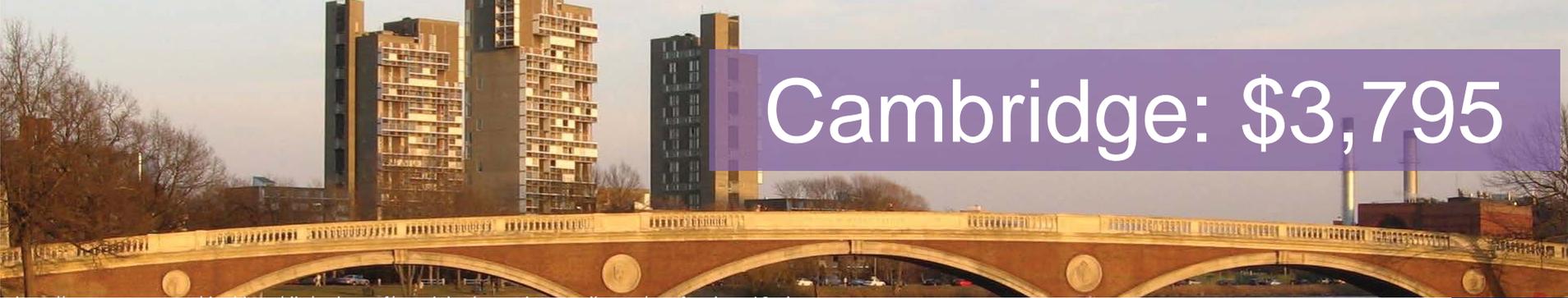
(General Fund FY13)



Somerville: \$2,383



Boston: \$3,574

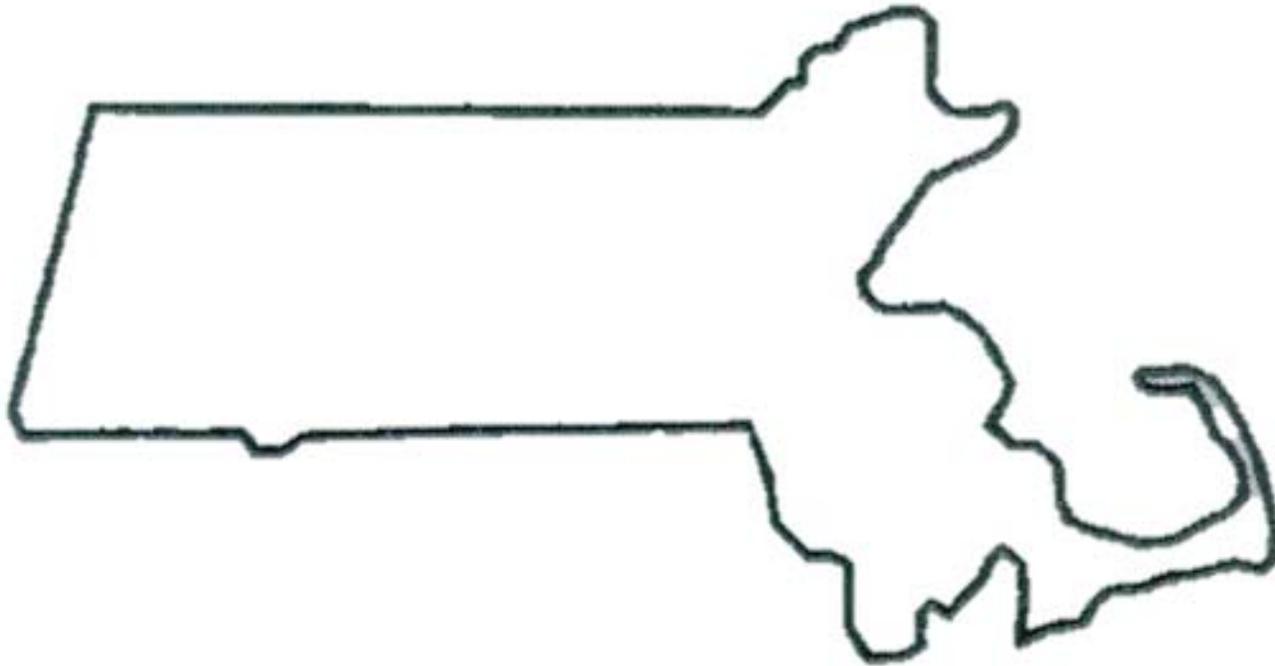


Cambridge: \$3,795

Since 2000,

**220 Mass. Communities** have requested

**1,423 overrides**



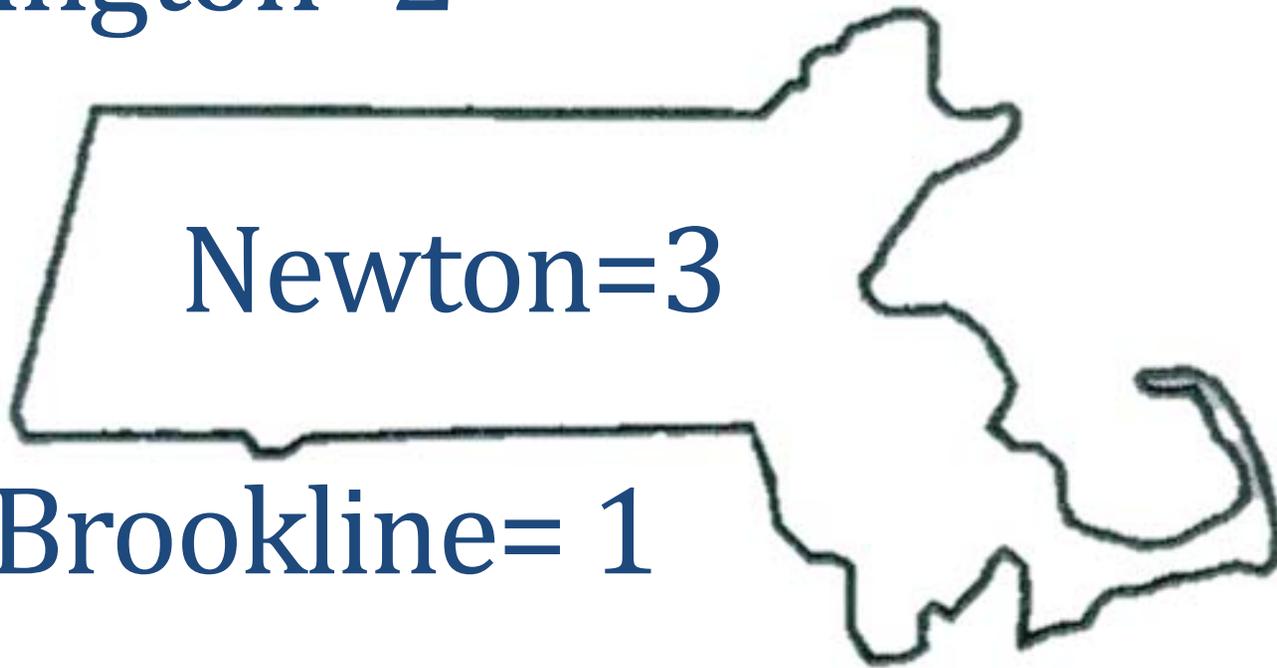
Somerville = 0

Arlington=2

Belmont = 3

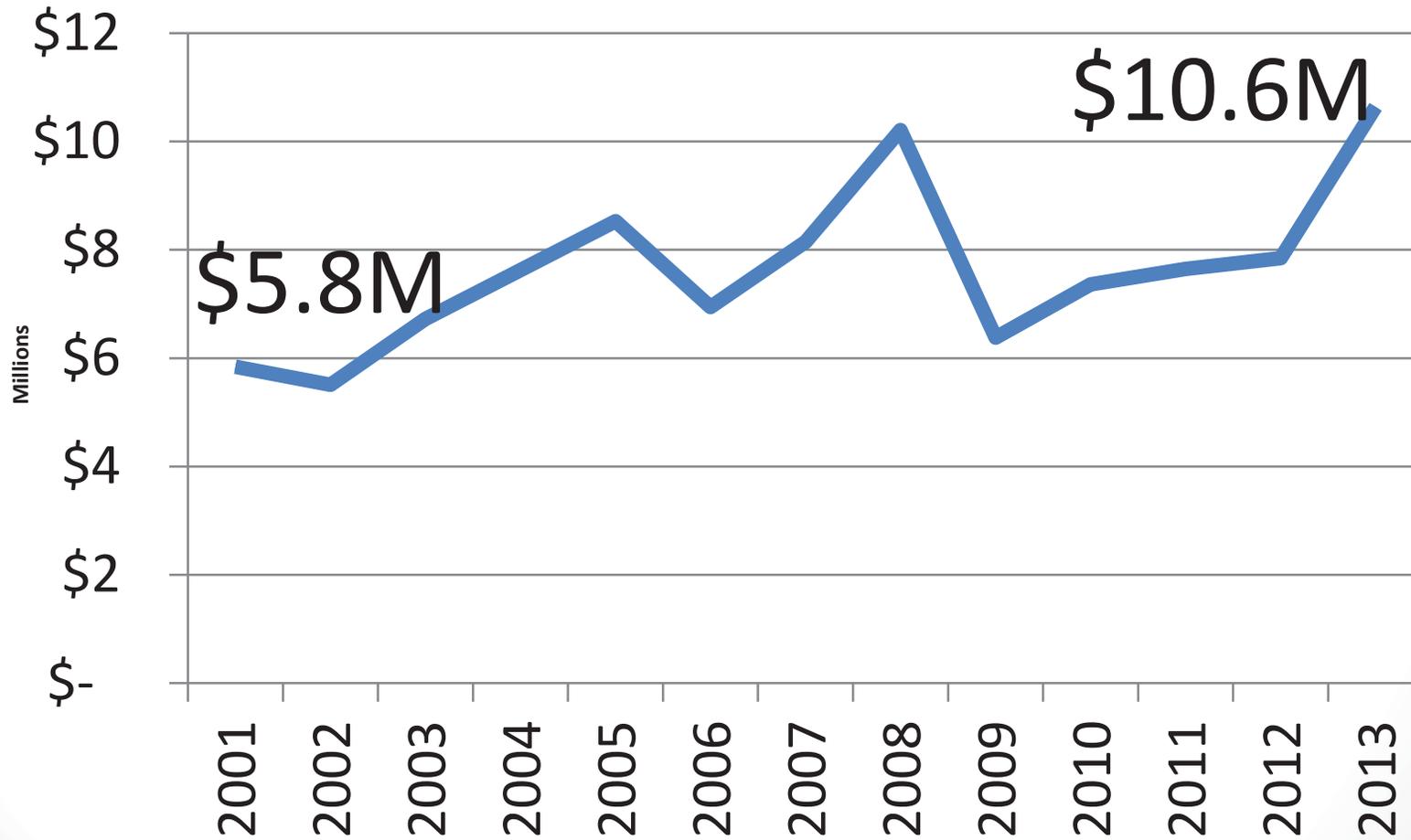
Newton=3

Brookline= 1



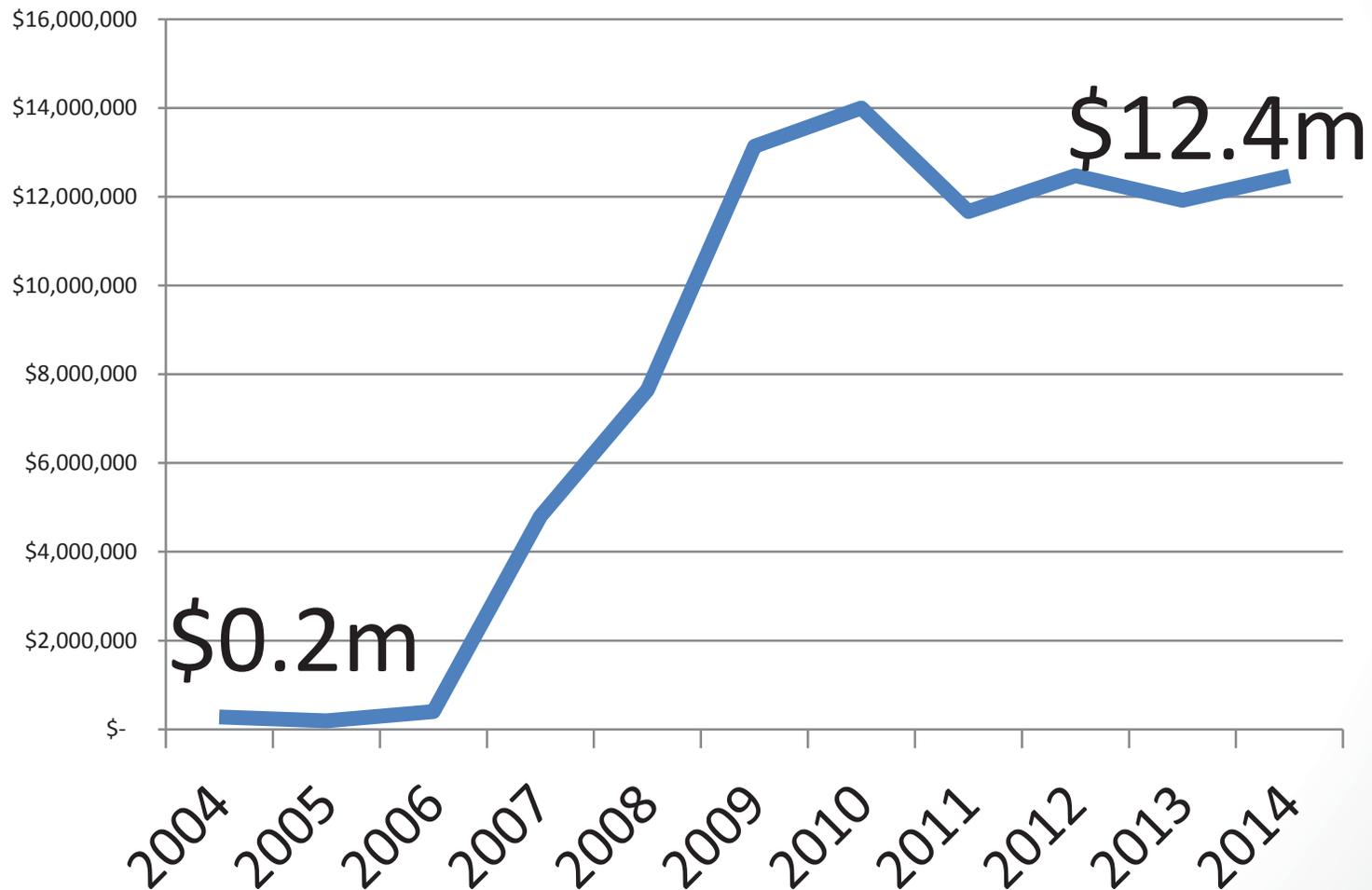
# Growing Somerville's Free Cash

Free Cash as of July 1



# Expanding Our Stabilization Funds

Growth in Stabilization Funds



# Finding Cost Savings Everywhere

- Streetlights have saved more than \$600k over the past 2 Years
- Correcting a glitch in the Ch. 90 formula will mean more money for street repairs
- E-payables generated over \$70,000 – as well as reduced paper
- Lower debt costs from bond rating increases



# Innovations in Service, for example...



## Parkmobile

- Enhance current parking meters with pay-by-cell technology.

## Data Dashboard

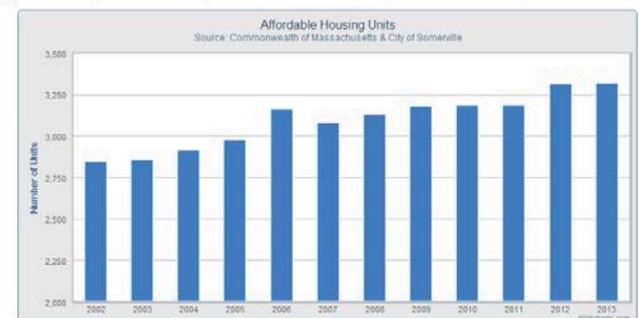
- Done in-house
- Accessed by thousands

### The City of Somerville's Key Systems Indicators

#### Housing

Somerville's stock of affordable housing units has increased by nearly 500 since 2002. These units represent almost 10% of the City's housing stock. Somerville residents set a goal of adding an additional 1,200 affordable units through the SomerVision process.

Summary	
Housing Units in the City	Designated Affordable
33,720	3,315
SomerVision goal for new housing:	
6,000	
Permanently Affordable:	
1,200 (20%)	
<a href="#">More Info</a>	

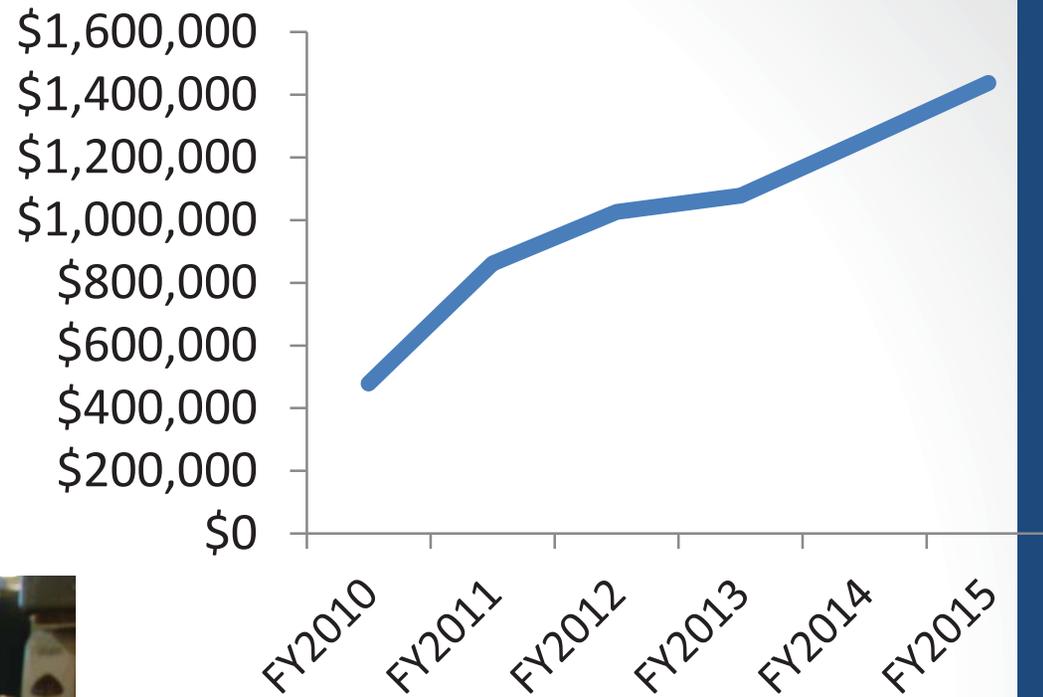


Somerville is thriving because we invest, for the long-haul, in our orienting values

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



# Local Meals Excise Tax Revenue is Up 15%



# Local Room Excise Tax revenue is Up 4.6%

# Businesses are choosing Somerville

**119**

net new small businesses in

**4.1**

square miles

since **2010**

As of 2014

# Our reputation for good management and innovation is growing

- **“Best Run City in the Commonwealth”** – Boston Globe Magazine
- **All-America City** 1972, 2009
- **100 Best Communities for Young People** – 2008, 2009, 2010, 2011
- **Green Communities Award** 2011
- **E-Government Award** 2007-2011
- **U.S. HHS Let’s Move Award** – 2011

## The New York Times

How Happy Are You? A Census Wants to Know



Rick Friedman for The New York Times  
Residents of Somerville, Mass., like Jamie Thatcher and Maddie Carlson, are being asked to rate their happiness on a 1-to-10 scale.

By JOHN TIERNEY  
Published: April 30, 2011

SOMERVILLE, Mass. — When they filled out the city’s census forms this spring, the people of [Somerville](#) got a new question. On a scale of 1 to 10, they were asked, “How happy do you feel right now?”

# Our Quality of Life is Gaining Notice

- **9th Most Bikeable City in USA**
- **7<sup>th</sup> Most Walkable City** –  
walkscore.com
- **Healthiest City in Massachusetts**  
2010 – MA Health Council
- **One of 14 best places to live in MA**  
– Boston Magazine
- **“One of the 27 Coolest Suburbs”** –  
Travel & Leisure
- **“Best Place to Date a Nerd”** –  
Match.com



# Listening to the Public: Community Budgeting



We can make smarter investments knowing what the community wants.



At 3 Community Budgeting sessions residents shared over 200 ideas about investments they want made in those values.



Residents outlined their broad values in SomerVision.

# Investing in Somerville Talent

## Redesigning Compensation

- Competitive pay scales that will attract and retain qualified workers



## Promoting Transparency

- New framework for annual evaluations
- Tying salary increases to performance

# Investing in Somerville Talent

## **New Collective Bargaining Agreements Settled**

- School Custodians
- Crossing Guards





# Investing

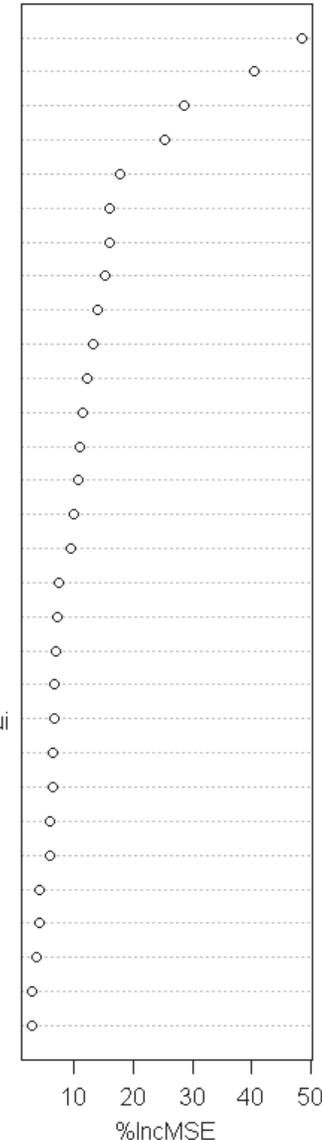
in

# the Next Generation

# Listening to Residents



- overall would you say that the city of
- now satisfied are you with your life in
- public schools
- appearance maintenance of parks
- traffic enforcement
- police services
- which age group do you fall in would you
- recreation programs
- street cleaning
- snow removal
- when it comes to parking enforcement
- services for youth
- sidewalk maintenance
- garbage collection
- how long have you lived in somerville
- yard waste pickup
- are you of hispanic latin or spanish
- are you presently
- ward
- in to which of the following categories
- code enforcement weeds abandoned bui
- what is your marital status
- fire services
- which ward of somerville do you live in
- weight new 6/14/2011
- gender
- do you own or rent your home
- public library services
- street maintenance potholes paving
- how many children under the age of 18 li



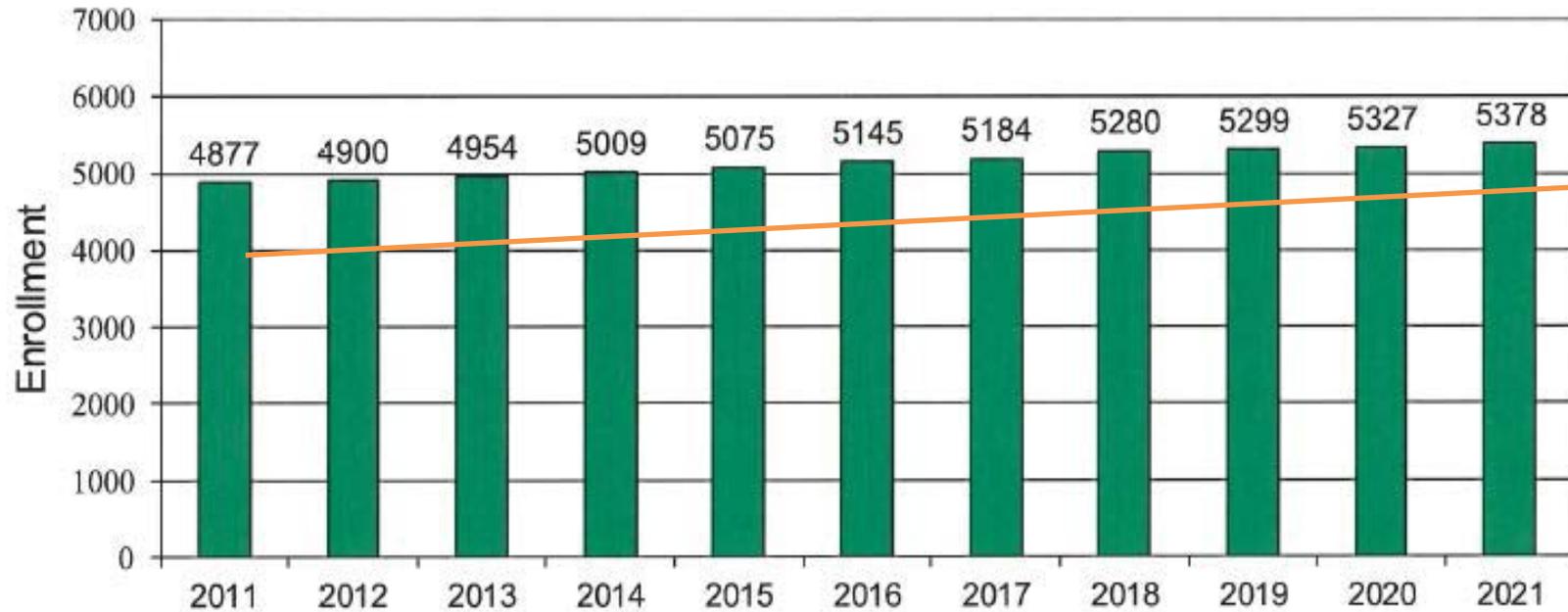
\*Residents consistently rank **schools** as a top priority. Their perception of the schools is highly predictive of their satisfaction with the City.

\*Source: Happiness Survey

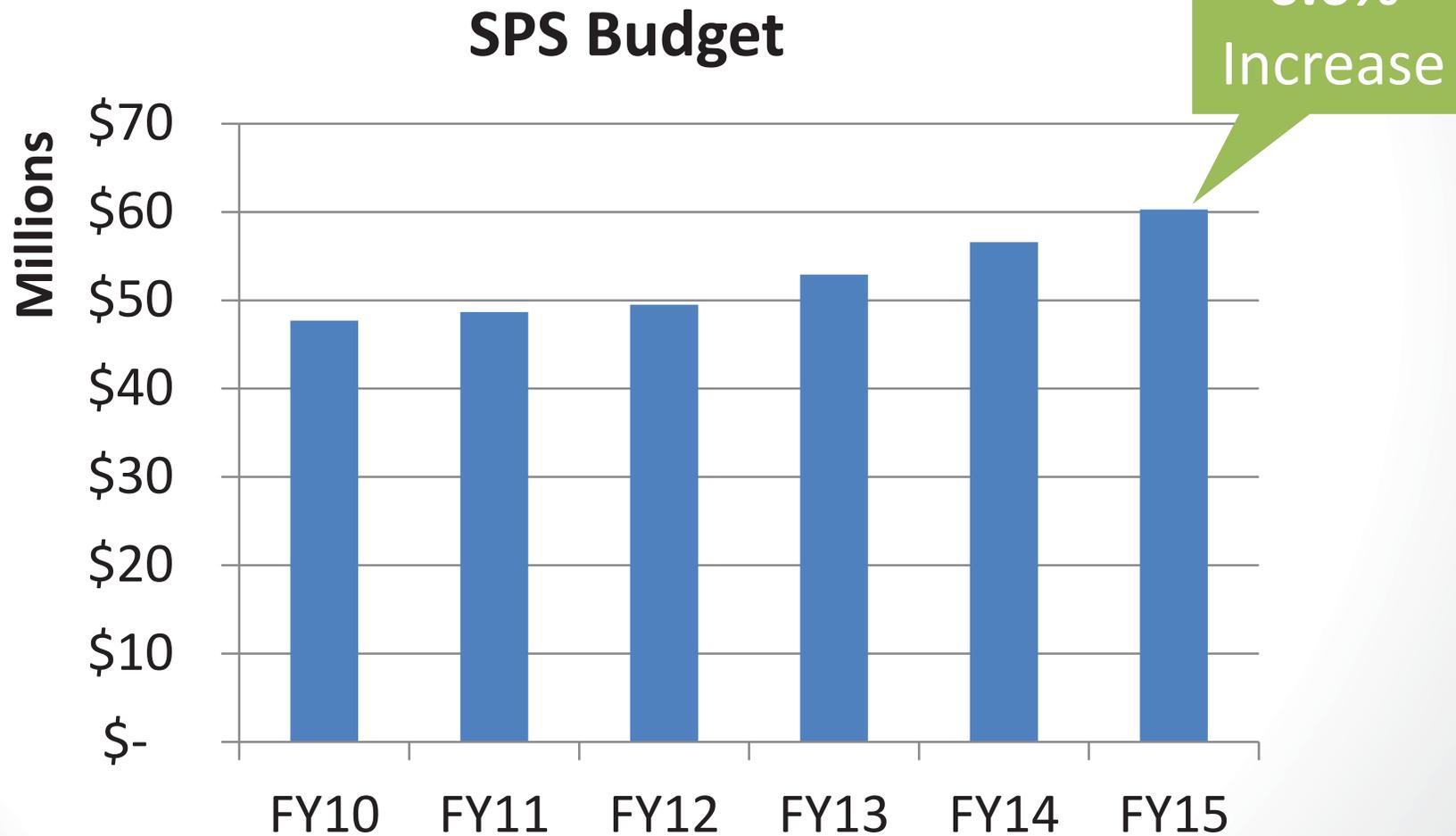
# Enrollment Projected to Rise



PK-12 TO 2020 Based On Data Through School Year 2011-12



# A Historic Investment in Our Schools: a 26% increase since FY10



# Expanding Early Education

- New SPS/Head Start classroom partnership at Healey School
- Developing innovative early childhood network with Tufts-STELLAR program
- Recruiting new early education director



# Investing in Diversity

- Additional reading support for Argenziano and Healey schools
- New ELL program liaison
- Expanding special needs teaching staff





Investing

in

Safety

# Making the City Safer

- FIRE – Fire Protection Engineer – new civilian position will allow us to move firefighter back into suppression unit from prevention unit
- Police – Senior IT Specialist
- K9 unit – last dog was retired due to promotion of his keeper
- \$50K for additional pavement markings – complete streets/public safety



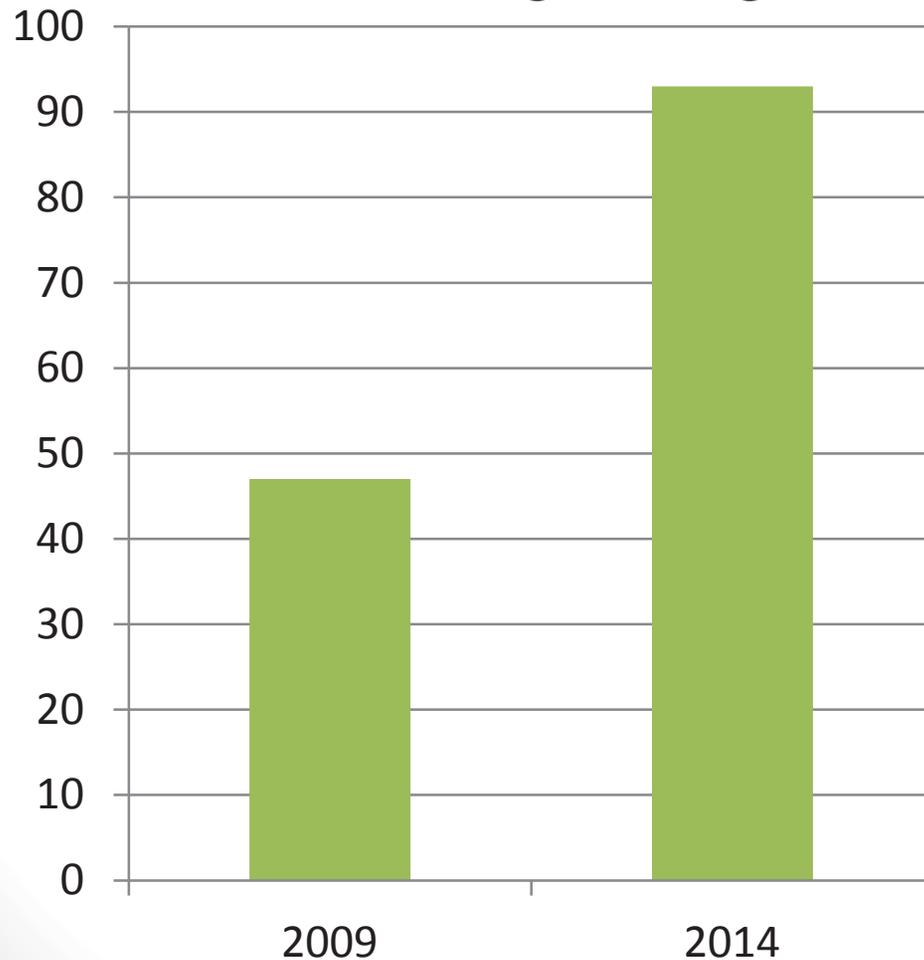
Investing in

Community



# Keeping our youth healthy and active: Investing in Recreation

Youth Programming



**Over 45  
programs added  
since 2009:  
↑98%**



# Continuing to Improve Customer Service in ISD

- Senior Code Enforcement Inspector (food safety)
- Plumbing & Gas fitting inspector
- Zoning Review Planner (ISD/Planning & Zoning liaison)
- Paralegal
- Additional Prof. & Tech. investments in Food Safety and Emergency Preparedness



# Community Preservation Act



Open Space & Outdoor Recreation

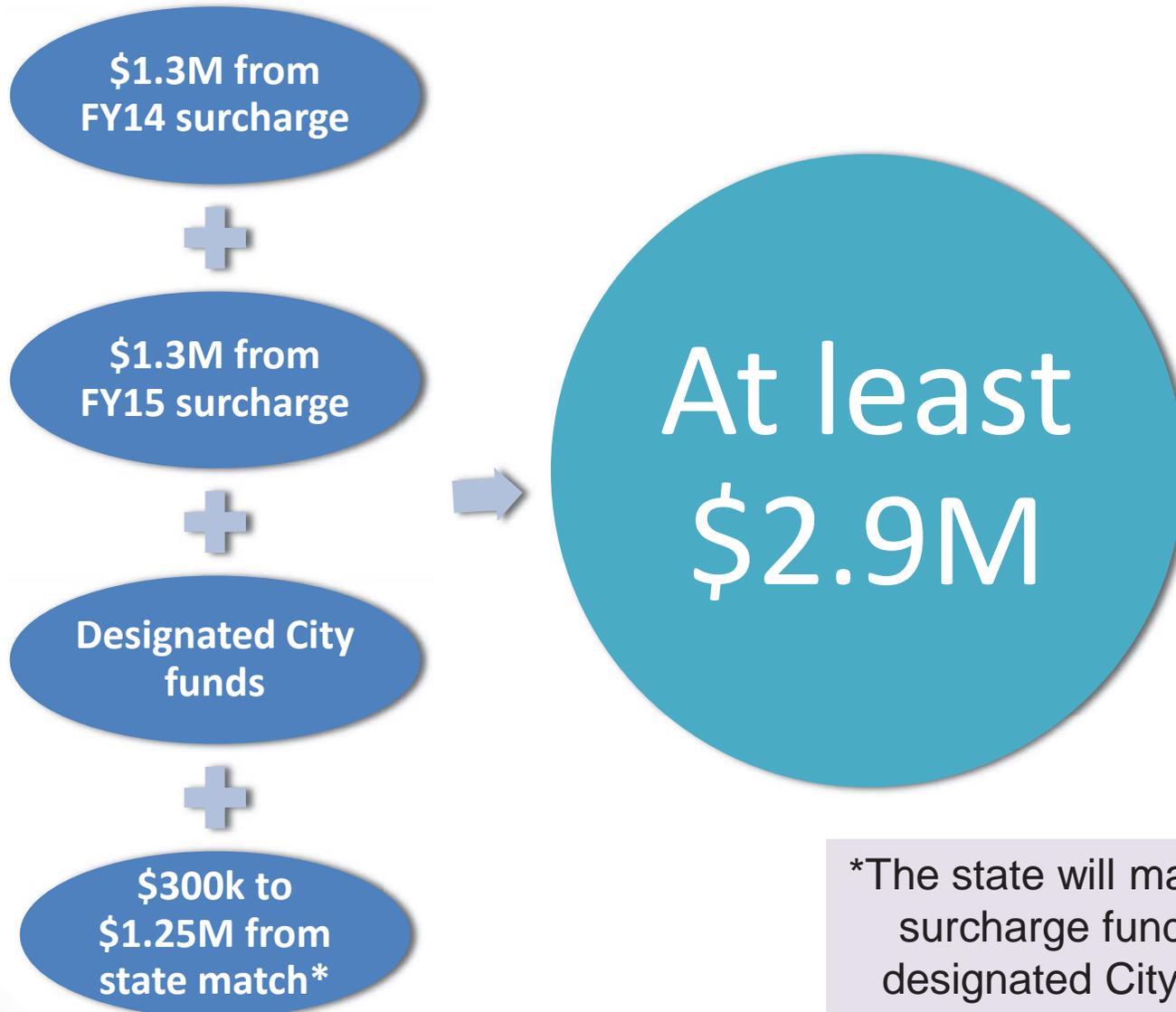


Affordable Housing



Historic Preservation

# Expected Benefits FY15



\*The state will match both surcharge funds and designated City funds.

Investing

in

neighborhoods

health

business

parks

rec

schools

health

events

safety

people

streets

Somerville



LIVE



WORK



PLAY



FAMILY

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