

# Mid-Year Fiscal Report

**City of Somerville, MA**

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*Presented to  
Somerville City Council  
Finance Committee*

**March 21, 2023**

*In accordance with Ordinance 2022-07*

# Agenda

## 01. FY23 Performance

*Revenue & expenditures through 8 months*

## 02. Anticipated Levy Limit

*Anticipated levy limit for FY24 including new growth*

## 03. Free Cash

*Amount of certified free cash remaining*

## 04. State Aid Summary – Governor’s Proposal

*Initial data from the State on local aid & assessments*

## 05. Debt Service

*Borrowing expectations for the current fiscal year*

## 06. Other Major Fixed Costs

*Information sharing*

## 07. Staffing Report

*Recruitment, retention, and exit interview trends*

# **Section 1**

## **FY23 Performance**

How does the budget look for the current year?

# General Fund Performance FY2023

*Data presented through February, 2023*

Through 66.2% of the fiscal year, 65.8% of the General Fund appropriation has been spent or encumbered.

	Original Appropriation	Year-To-Date Expended	Encumbered	Available	Percent Used
CITY	219,340,165	126,397,569	18,158,365	74,784,230	65.9%
SCHOOL	92,693,702	53,833,446	6,851,605	32,008,650	65.5%
TOTAL	312,033,867	180,231,015	25,009,970	106,792,880	65.8%

# Compare to Previous Years-February (Period 8)

General Fund Appropriation Expended Encumbered

	2022	2021	2023
<b>CITY</b>	65.85%	70.82%	65.9%
<b>SCHOOL</b>	66.59%	60.12%	65.5%
<b>TOTAL</b>	66.06%	67.86%	65.8%

# City-Side Personal Services through February

Supplemental appropriations earlier in the year remedied potential PS shortages. Any remaining deficits can be dealt with via internal transfers.

Lag monies in departmental budgets due to hiring difficulties.

In some cases, lag monies used to hire new staff above entry step 5.

	Original Appropriation	Year-To-Date Expended	Available	% Used
<b>City Personal Services</b>	85,918,648	50,088,460	35,830,188	58.3%

*33 of 52 payroll weeks processed = 63.5% of Fiscal Year*

# General Fund Performance FY23: Snow Removal Deficit

Expenses for last 2 storms not yet booked

The FY19 snow deficit will be remediated through a combination of interdepartmental transfers and a Free Cash appropriation if necessary.

The Administration plans on continuing to increase the Snow Removal budget in the FY24 budget.

## FY23 Snow Removal Deficit

FY23 Budgeted	\$1,579,338
FY23 Expenditures To Date	\$1,615,550
Estimated Snow Removal Deficit	\$300,000-\$400,000

## **Other Potential Deficit Items**

- DPW Motor Gas & Oil
  - Budgeted: \$400,000
  - Currently expended: \$397,696
  - Estimated Need: \$100,000.
- HR Salary & Wage Compensation Study
  - Additional \$25,000 Needed

No other Ordinary Maintenance Deficits indicated by Department Heads. With 3.5 months remaining in the fiscal year, the possibility of other deficits may occur.

Unexpended balances or transfers within the operating budget are the preferred route to close the deficits.



# FY23 Revenue Performance

Revenue performance for the current year is **on track** through February.

Revenue Category	Budgeted	Collected	Percent Collected
Property Taxes	221,105,279	163,262,125	73.84%
Excise Taxes	11,270,260	3,913,390	34.72%
Penalties & Interest on Taxes	681,809	506,860	74.34%
Payment in Lieu of Taxes	1,555,551	51,682	3.32%
Sanitation Fees	40,000	36,724	91.81%
Fees	2,780,386	2,025,151	72.84%
Rentals	85,016	150,676	177.23%
Other Departmental Revenue	100,000	83,354	83.35%
Licenses & Permits	13,083,329	18,566,001	141.91%
Fines & Forfeits	5,181,644	4,348,509	83.92%
Investment Income	850,000	1,880,855	221.28%
Miscellaneous Recurring	1,329,594	1,415,628	106.47%
State Revenue	52,355,677	34,534,360	65.96%
Other Financing Sources	3,062,775	1,621,544	52.94%
<b>Total Revenue &amp; OFS</b>	<b>313,481,320</b>	<b>232,396,859</b>	<b>74.13%</b>

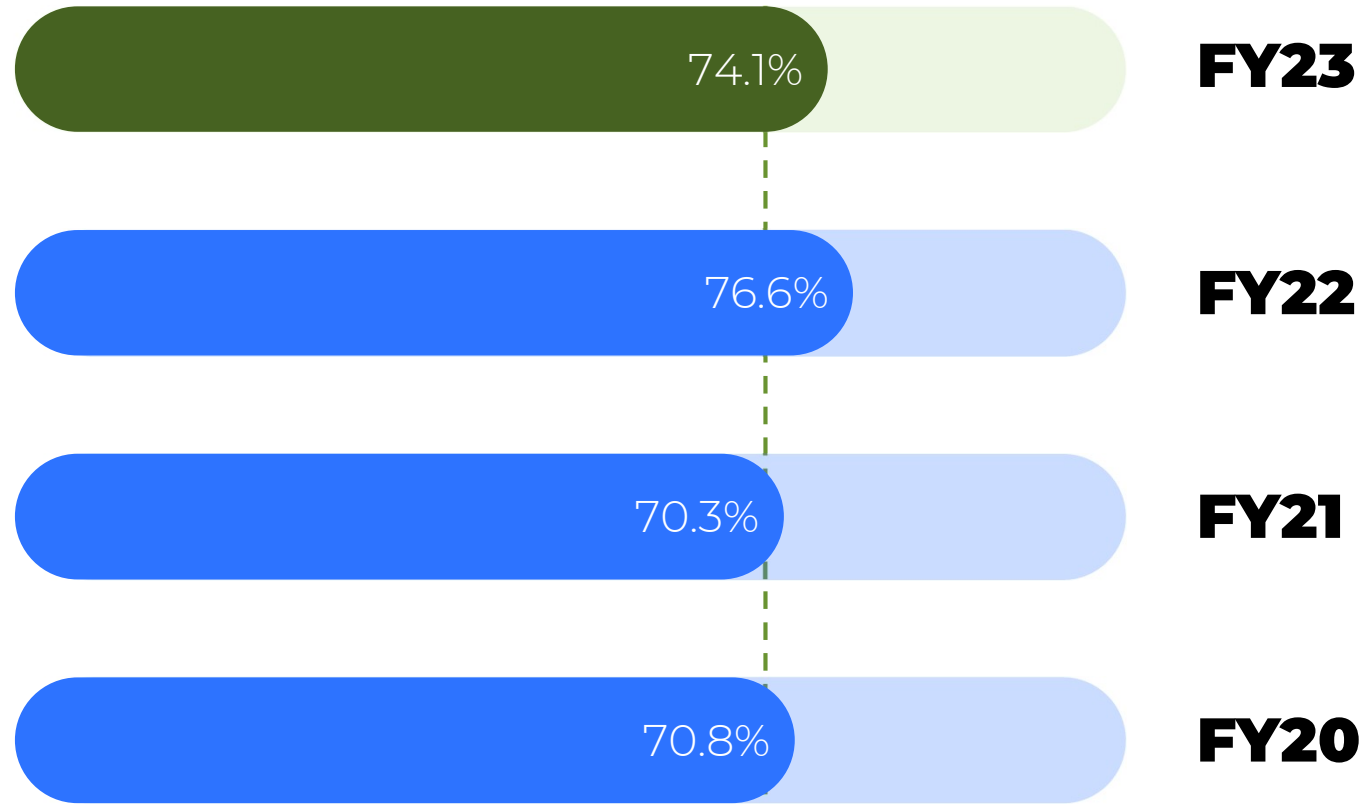
# FY23 Revenue Key Drivers

Revenue Object	Budget	Collected	% Budget
Building Permits	8,500,000	15,489,850	182.2%
Local Meals Excise	2,650,803	1,359,052	51.3%
Local Room Excise	2,000,000	1,552,373	77.6%
Investment Income	850,000	1,880,855	221.3%

Economically-sensitive revenue source collections remain strong.

**Revenue:**  
**FY23 YTD vs**  
**Prior Years**

Through February, 74.1% of budgeted General Fund revenue has been received. This is in line with prior years, which have ranged from 70.3% to 76.6%.



Data presented is through February. Dotted line indicates straight-line projection.

# **Section 2**

# **FY24 Levy Limit**

Estimates for next year's property tax levy

## FY24 Levy Calculation

\$214,419,396	FY2023 Property Tax Levy
\$ <u>897,646</u>	PLUS FY2023 Unused Levy
<b>\$215, 317,042</b>	<b>EQUALS FY2023 Levy Limit</b>

\$215, 317, 042	FY2023 Levy Limit
+ \$ 5,382, 926	PLUS 2 ½ %
+ \$ <u>14,000,000</u>	PLUS Estimated new growth
<b>\$234,699,968</b>	<b>EQUALS FY2024 Levy Limit</b>

A potential \$20,280,572 in new property tax revenue could be raised in FY2024.

*\*This projection assumes \$14M in new growth.*

# **Section 3**

# **Free Cash**

Current free cash balances for FY23

## Free Cash Balance

Date	Description	Amount	Remaining
	Free Cash Starting Amount as of 1/26/23		38,970,525
3/9/2023	Legal Settlement	702,500	38,268,025
3/9/2023	Legal Settlement	137,500	38,130,525
3/9/2023	Outdoor Prefabricated Toilet Facilities	805,000	37,325,525
3/9/2023	Municipal Housing Vouchers	1,847,374	35,478,151
Pending	Safe Consumption Site Construction	827,000	34,651,151

# **Section 4**

## **State Aid Summary**

Minimal growth in net State Aid predicted for FY24



## State Aid – Governor’s FY24 Proposal

Category	Program	FY23 Cherry Sheet	FY24 Governor’s Proposal	Variance
Education	Chapter 70	20,939,048	21,092,048	153,000
Education	Charter Tuition Reimbursement	1,872,073	1,518,995	-353,078
Gen. Govt.	Unrestricted General Government Aid	29,187,187	29,770,931	583,744
Gen. Govt.	Veterans Benefits	128,042	79,485	-48,557
Gen. Govt.	Exemp: VBS & Elderly	229,327	220,837	-8,490
Offset Receipt	Public Libraries	142,167	162,341	20,174
	Total Estimated Receipts	52,497,844	52,844,637	+346,793

# FY24 Cherry Sheet - Assessments

Category	Assessment	FY23 Cherry Sheet	FY24 Governor's Proposal	Variance
State Charges	Air Pollution Districts	32,473	33,589	1,116
State Charges	MAPC	45,265	46,255	990
State Charges	RMV Non-Renewal Surcharge	184,000	160,500	-23,500
Transportation	MBTA	5,614,530	5,807,352	192,822
Transportation	Boston Metro Transit District	1,163	1,198	35
Annual Charges	Special Education	22,503	17,516	-4,987
Tuition	School Choice Sending Tuition	75,757	118,064	42,307
Tuition	Charter School Tuition	9,076,854	8,961,214	-115,640
	<b>Total Estimated Assessments</b>	<b>15,052,545</b>	<b>15,145,688</b>	<b>+93,143</b>

# FY24 Net State Aid Summary

	FY23	FY24	\$ Increase	% Increase
Total Estimated Receipts	52,497,844	52,844,637		
Total Estimated Assessments	15,052,545	15,145,688		
Net State Aid	37,445,299	37,698,949	+253,650	0.68%

# **Section 5**

# **Debt Service**

Projected debt service for FY24 and influencing factors

## **FY24 Debt Service Factors**

Debt costs are expected to grow with Capital Investments and rising interest rates.

General Fund Debt Service in FY2023 is \$13,112,510 plus SHS Debt Exclusion of \$6,602,863 for total of \$19,715,373

City will be going to market in mid-May with the assistance of Hilltop Securities to finance numerous projects.

Predicted Long-Term Borrowing Rate of 4.75%.

Predicted Short-Term Borrowing Rate of 3%.

The final FY24 appropriation will be determined based on market results. Projections at this time are best estimates.

# Projected Debt Service for FY24

Debt Service Type	FY 2024
<b>Current</b> – Projects already bonded as of June 30, 2022	<b>11,924,298</b>
<b>Active</b> – Projects already approved by Mayor & Council but not yet bonded	<b>2,395,587</b>
<b>New</b> – Projects not yet appropriated by City Council	<b>635,931</b>
<b>High School Debt Excluded</b>	<b>6,328,899</b>
<b>Grand Total</b>	<b>21,284,715</b>

*+\$1,569,342 from FY23*

Three potential new bonding authorizations by June 30<sup>th</sup>:

- 1985 Building design, OPM, and site demolition (\$7,950,100)
- Somerville Ave (SAUSI) General Fund portion supplemental appropriation (\$4,200,000)
- FY23 Building Improvements (\$2,840,000)

**Section 6**  
**Additional Updates**

# FY24 Major Cost Drivers: Health & Pension



## Health Insurance

Group Insurance Commission increases amount to 4-8% per plan. We anticipate the health insurance appropriation to increase by approximately \$900,000 in FY24

Insurance Type	FY23 Active Plans
Individual – Active	797
Family – Active	771
Retiree	1,321
Total	2,889



## Pension

Current unfunded accrued liability: **\$119,508,568.**

FY24 Appropriation will increase by \$717,931 to \$16,634,921.

Full funding schedule ends in 2033.

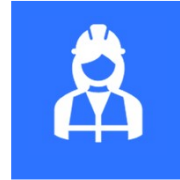


# FY24 Personal Services: Labor & Employee Staffing



## Salary & Wage Study

Currently underway for union, non-union, boards, commissions, and elected officials



## Collective Bargaining

The following bargaining units are in negotiations:

- Fire Suppression & Alarm
- Police Patrol
- E-911
- School Custodians
- SMEA

Settlements reached in the next few months will be built into Departmental Salaries. Monies will be built into Salary Contingency and Salary Stabilization for contracts not settled by budget time.

# PEG Access Transition to General Fund

## Budget

The FY23 budget for PEG Access is \$420,663 and will be transitioned to the General Fund in FY24.

## Staff

PEG Access operations include three full-time staff.

## Organizational Function

Payment of salaries, professional and technical services, and equipment for the following purposes: Produce content, program, and administer the City's two municipal cable television channels and related media

# **Section 7**

# **Staffing Report**

Staffing patterns have steadied, but vacancies in City government remain high.

# FY23 staffing updates



# current recruiting trends

•**86-day average from advertisement to offer acceptance.** This is lower than the NEOGOV average of 130 days for local government and 96 days for state government, but longer than the 36 days for private sector.

•**40% of job applicants and 76% of hires came from Somerville's Career Page.** In contrast, 54% of job applicants applied through Indeed but resulted in only 19% of all new hires.  
**Direct recruiter outreach and specialized paid job boards source the most hires and diverse qualified candidates!**

# key departmental vacancies

UPDATED FEBRUARY 2023

## HARD-TO-FILL POSITIONS

**Positions that were open for more than 150 days (but have now had offers accepted) include**

- Community Engagement Youth Specialist - Nepali
- Grants Development Specialist / Grant Writer
- Part-Time Equity and Recovery Outreach Workers
- Public Health Nurse
- Public Information Officer

**Positions that have been open for more than 150 days (and are still open) include...**

- Chief Labor Counsel
- Heavy Motor Equipment Operator/Laborers
- Special Heavy Motor Equipment Operators/Catch Basin Cleaners
- Water and Sewer Engineer
- Crossing Guards



## Question & Answer

Budget 101 Workshop is on 3/28  
[www.somervillema.gov/budget](http://www.somervillema.gov/budget)  
for more information