



SOMERVISION2040

Sustainability • Diversity • Opportunity • Connectivity • Community

Putting the 'Fun' in Budgeting Fundamentals

Mike Mastrobuoni, Budget Manager – City of Somerville



City of Somerville
Mayor Joseph A. Curtatone

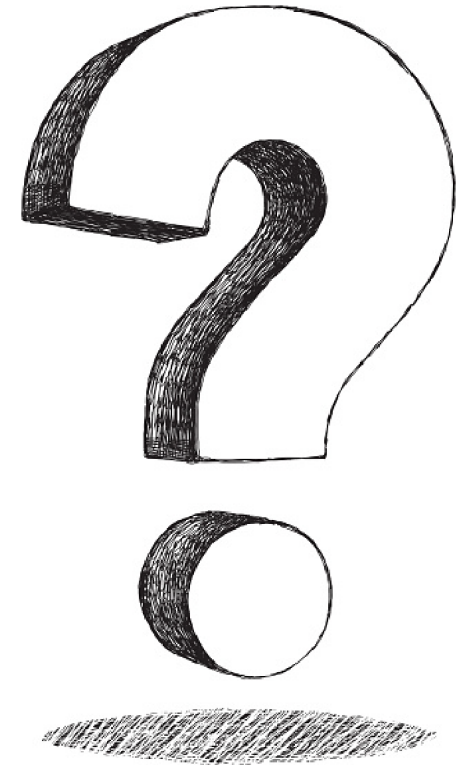
Agenda

- Big picture – How to think about budgeting
- Inputs & outputs – Revenue and expenses overview
- Even bigger picture – Capital planning & funding large projects
- Question & answer session



About the presenter

- Budget Manager in SomerStat since 2015.
- Lead development of the operating budget, long-range forecast, collaborate on the CIP.
- NOT an accountant.
- Work between the Finance department, Mayor's office, Law office, and SomerStat.



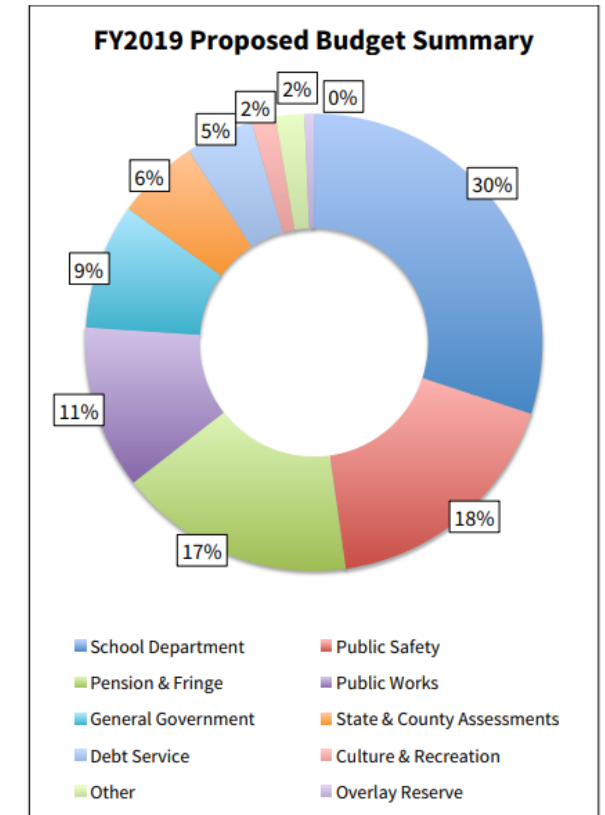
When we say 'budget'...

- General Fund
- Enterprise Funds
- Community Preservation Act
- Stabilization Funds and “Free Cash”
- Capital Planning Documents
- Special Revenue



A budget provides the resources to:

- Deliver mandated services.
- Maintain existing assets.
- Implement Strategic Plan goals (SomerVision).
- Implement the recommendations from Master Plans, studies, changes in existing service levels.



But also..

- Educate citizens and community stakeholders about Budget issues and pressures.
- Respond to community priorities.
- Describe the successes of the past year.



Breaking down the components

General Fund Revenue

- Taxes
- Permits and Licenses
- Fees, Fines, and Forfeits
- State Aid
- Other Financing Sources
- ~~Water & Sewer Fees~~
- ~~Grants~~

General Fund Expenditures

- School Department
- Public Safety and Public Works
- General Government Activities
- Debt Service
- Pension and Fringe
- State Assessments
- ~~Spending on Water & Sewer Infrastructure~~



How do we develop the budget?

Phase 1: Level Service Development

- City staff review prior year spending and make projections for the coming year to create level service budgets.
- Personnel costs are recalculated based off collective bargaining contracts.
- Revenues are projected using a combination of historical trends, departmental expertise, and guidance from the Commonwealth.

Phase 2: Program Improvements

- Departments submit proposals for new positions, programs, or investments.
- Based on capacity, the budget team reviews and discusses with the Mayor's office all potential investments.
- A final balanced budget is developed and printed.
- The City Council reviews the proposed budget, proposes cuts, and makes resolutions for their priorities.



Inputs & Outputs: Revenue

- Revenue types
- State aid
- Property taxes & New growth
- The role of residential vs commercial
- One time vs recurring revenue



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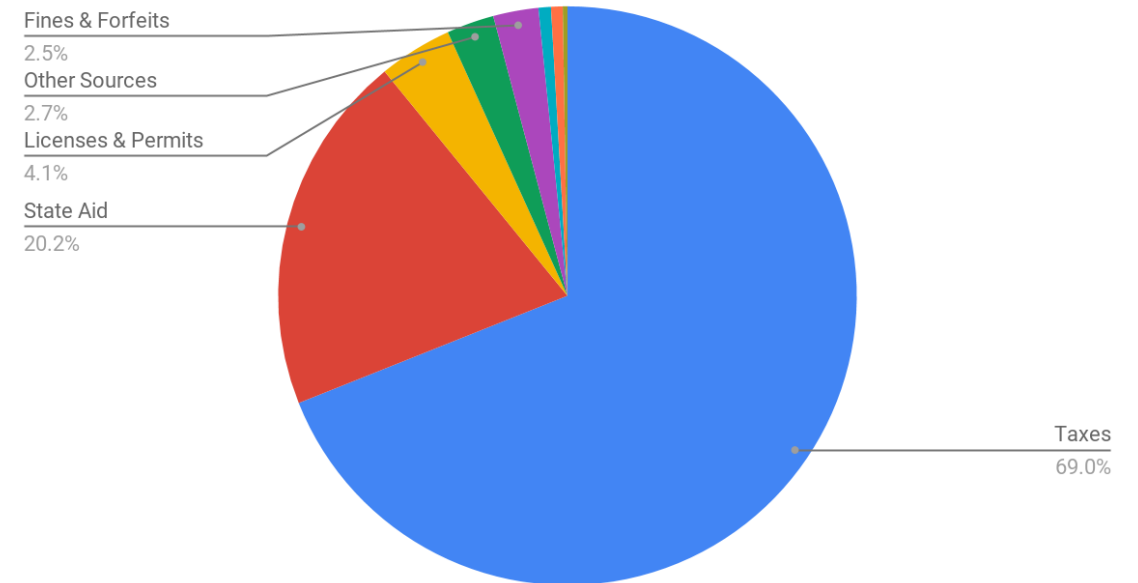


Image Source: Marissa Babin via Flickr

Revenue Proportions

- Proportions shift over time
- Significant reduction in State Aid in 2002
- Increasing reliance on Property Tax

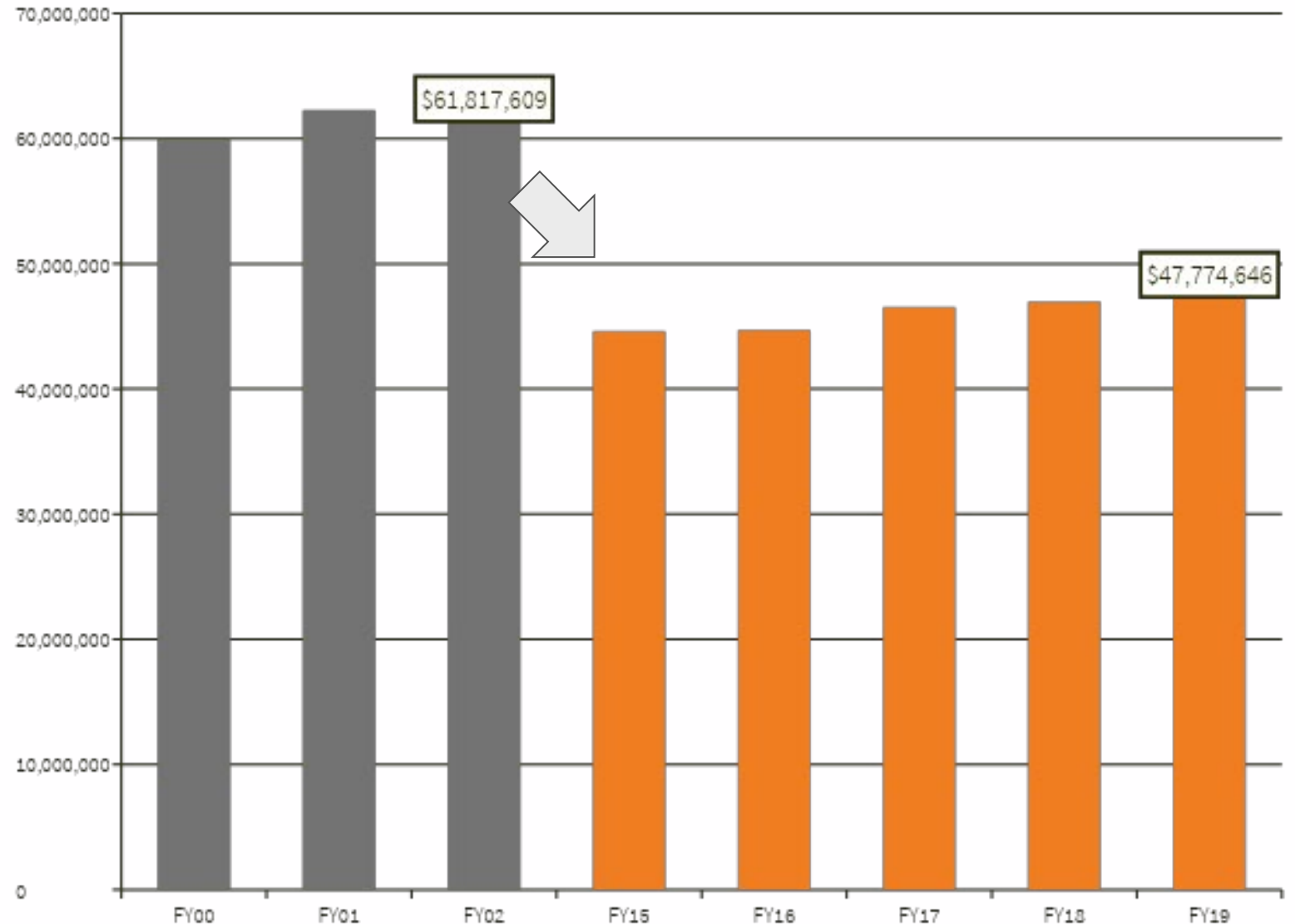
FY19 Revenue Breakdown



State Aid reductions are significant

- Somerville receives \$14M less in state aid than it did twenty years ago.
- This cumulative reduction is in the hundreds of millions of dollars - leading to increased reliance on local revenue.

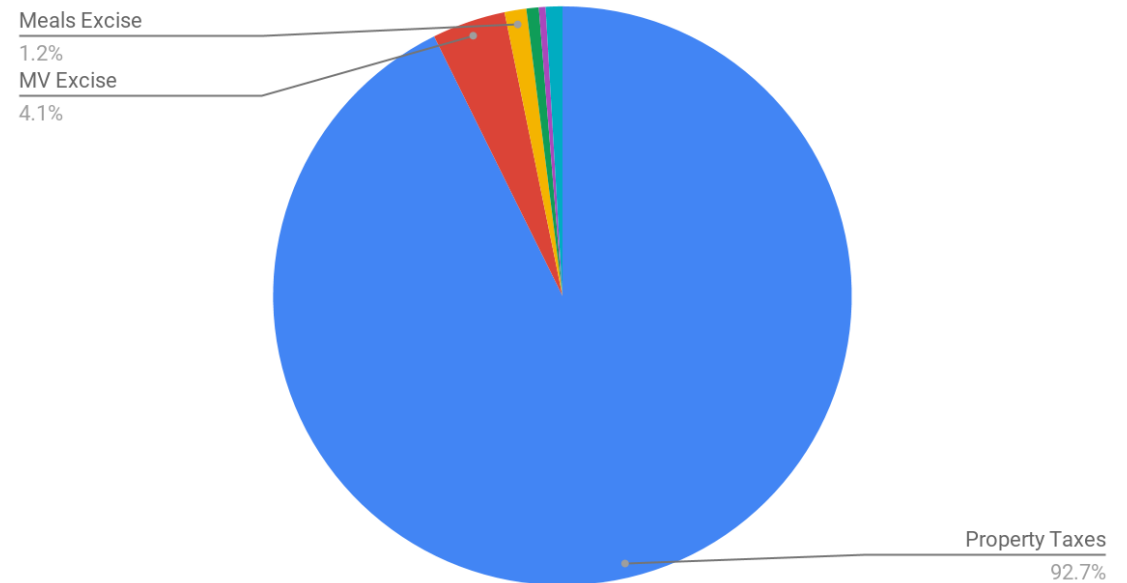
State Aid Comparison FY00-FY19



Tax Breakdown

- Property Taxes make up the majority of the City's tax revenue.
- Motor Vehicle and Meals Excise have grown significantly in the past decade.
- Opportunities for creativity are limited, but recreational marijuana and short-term rentals are on the horizon.

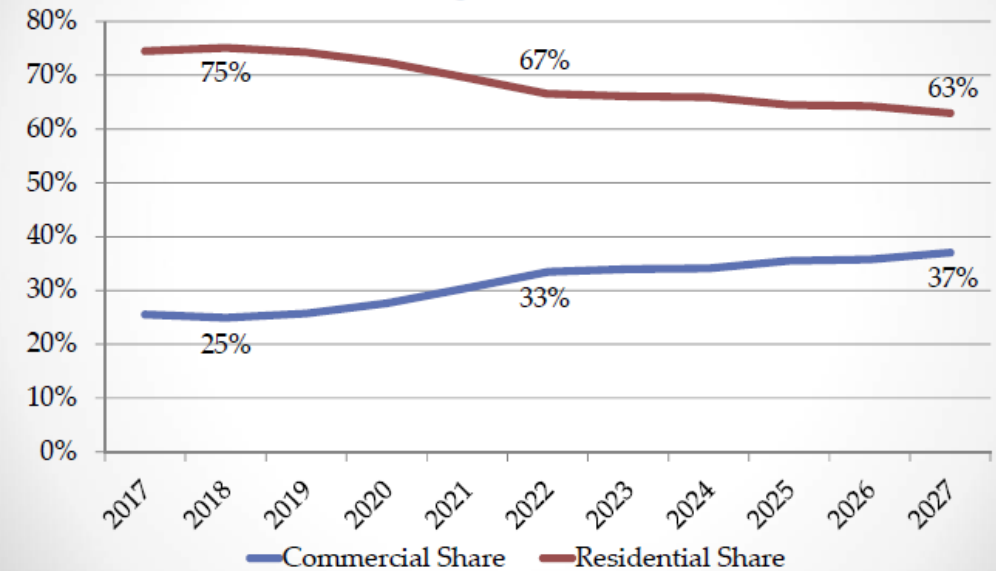
Tax Revenue Breakdown (FY19)



Shifting the burden from residential to commercial

- New Growth is key!
- Commercial New Growth is even more key!

Commercial/Residential Tax Levy Share



Source: City of Somerville Assessing Dept

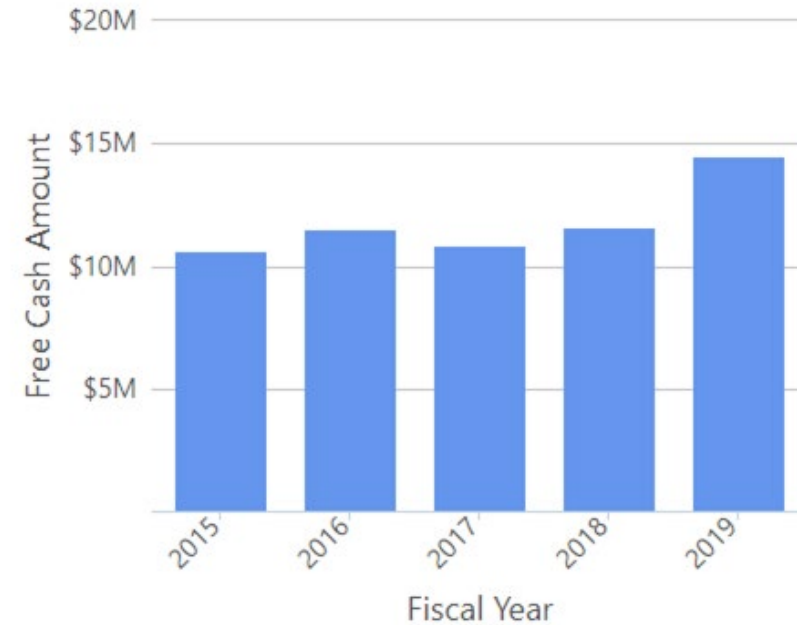
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Using one-time revenues

- Building Permits
(\$4, \$6, \$11 Million in recent years)
- Free Cash and Stabilization Funds

Certified Free Cash



Inputs & Outputs: Expenditures

- High level overview
- The budget process
- Discretionary vs non-discretionary
- Debt service
- Funding through alternative means
(grants & federal)



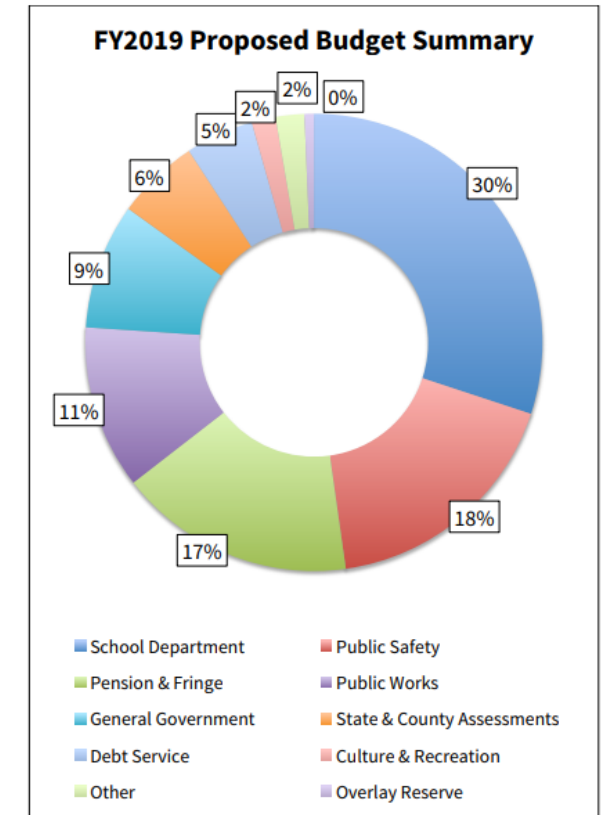
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Image Source: Marissa Babin via Flickr

“What are we buying?”

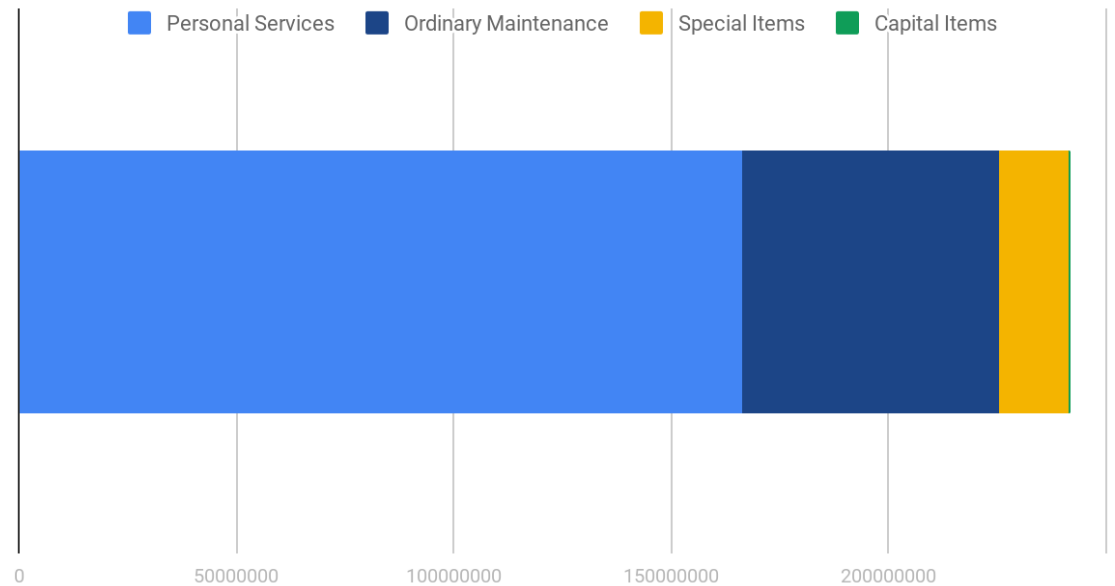
- Schools & Public Safety: 48%
- Pension, Fringe, & State Assessments: 23%
- Debt Service: 5%



Discretionary spending is valuable

- Personnel Costs: 74%
- Hard Costs: 20%
- State Assessments: 6%
- In FY19, \$6,000,000 of proposals were submitted by departments with only \$400,000 of discretionary space. Only 7% of requests were able to be funded.

Budget Makeup by Category



Understanding debt service

- Funding large projects requires bonding.
- Examples of projects range from fire apparatus to building upgrades to sewer reconstruction.
- Somerville borrows funds to pay back large expenditures over time.



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Alternative funding sources exist

- Grants
- Community Preservation Act
- Development
 - Via zoning requirements
 - Via cash payments
- Community Partners

Community Preservation Act



Join the Conversation



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Generational Investments: Capital Planning

- Why do we bond?
- The CIP – a plan for investing in Somerville



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Image Source: Marissa Babin via Flickr

How we plan capital needs

- Develop long-range forecast
- Review potential projects
- Assess the impact on debt service



What does the CIP look like?

Critical & Underway

Critical projects are those required to fulfill SomerVision and the USQ Neighborhood Plan. These projects are a prerequisite for attracting outside investments in the transformative district in part because they unlock future revenue that would otherwise go untapped.

Recurring

Recurring projects are investments the City has made and will continue making to maintain existing assets – for example, our vehicle fleet, tree canopy, streets, and buildings.

Unscheduled

Unscheduled projects are community priorities and identified needs or liabilities that currently have no assigned timetable. These projects have been put forth by the community, the BOA, or the Administration.



Capital Improvement Plan by the Numbers

➡ **\$500,000,000+**

Total estimated cost – as of last summer

➡ **19 PROJECTS** (EXCLUDING RECURRING)

Have made it on to the CIP.

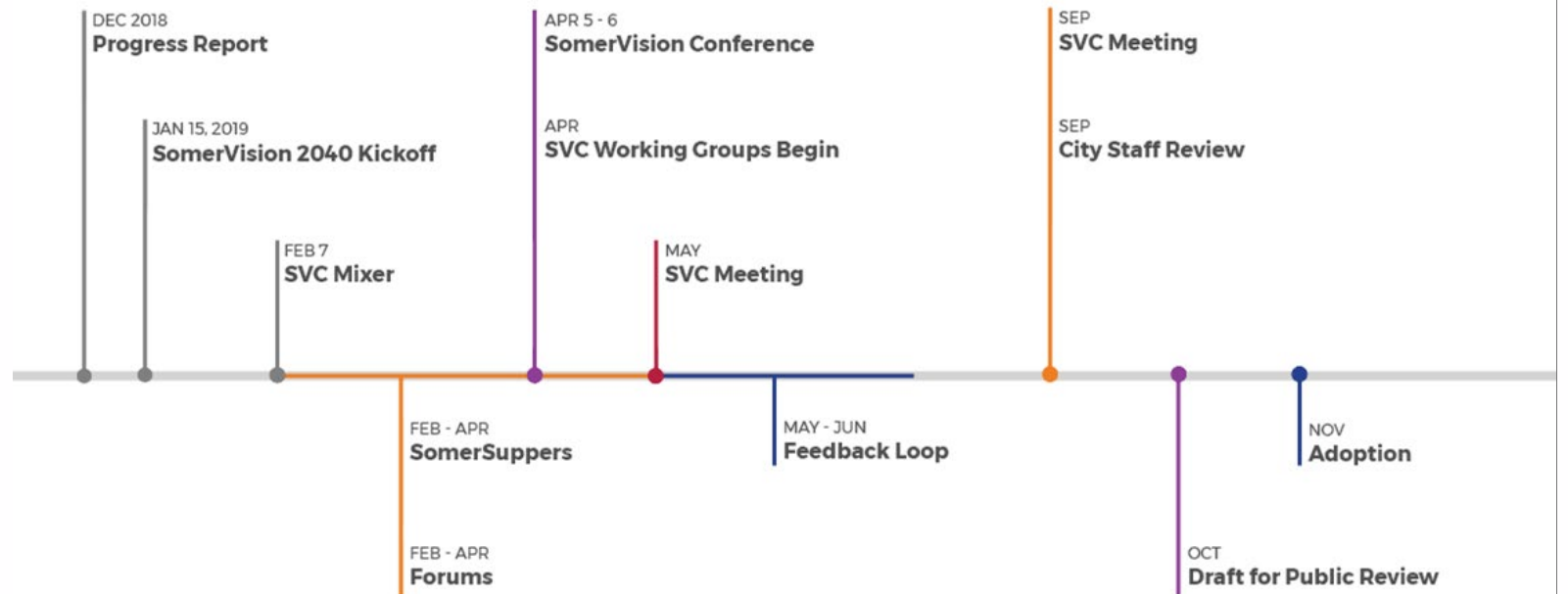
➡ **32 UNSCHEDULED**

Haven't even made it to the CIP yet.



How does SomerVision 2040 influence the CIP?

- Open space acquisition and development
- Enabling commercial development
- Maintain a focus on transformative districts
- Supporting housing goals
- Investing in mobility



Next: Breakout Session #2

Development 101 (Union Square)

Housing: Current Status & Future Directions (Assembly
Square 1)

Climate Forward (Assembly Square 2)

Starting at 1:15



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Thank you for attending!

This presentation will be posted on www.somervision2040.com



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