

*(Henson's statements in italics)*

*Northampton is #8 in the entire state for cash reserves in hand. The real question is whether the consistent amount of free cash is reasonable. The way free cash ends up being leftover at year's end is due to underestimating our revenues and underfunding needed services, which results in millions leftover for the last few years. Not just an ARPA result although that's the administration's narrative.*

*Do we need such a large cash reserve? Especially when it comes at the expense of our public schools and sad state of streets and sidewalks. Priorities. They can be changed.*

We have \$33.4 million in reserves (as of July). This figure includes our Enterprise Funds reserves of \$17.4 million (water, sewer, stormwater and solid waste). Enterprise Funds are run entirely separately from the General Fund, which pays for everything else. They use only user fees (from water bills or trash bag fees, for example) and are legally dedicated to those purposes. Most of this is in the sewer reserve (\$12.4 million) - we just borrowed \$22.5 million for Wastewater Treatment Plant upgrades and this will help us pay it and fund \$7.5 million in additional sewer capital projects without raising user fees as much. Most communities don't have Enterprise Fund stabilization funds, which are legally separate, and not including those we are 77th in the State for General Fund stabilization funds.

That leaves \$16 million in five stabilization reserve funds which can be used for their intended purposes: Special Education, Fiscal Stability, General, Climate, and Capital. Our reserves have been built up over more than a decade and recently received a boost from Covid relief funding (ARPA).

Capital is buildings, vehicles, roads and sidewalks, pipes - the infrastructure that supports the operating budgets and our community. Spending less than is needed will result in deferred maintenance, costing us more later. Only giving up on a resource (selling a building or closing a street, for example) permanently reduces capital expenditures.

We have been funding essential capital needs that SOS folks have been calling for: roads & sidewalks received far more funding in the last couple of years, starting to make a dent in decades of deferred maintenance.

We have made a decision to generate less surplus, by estimating what we expect from our local receipts higher (hotel/motel, meals, and cannabis taxes; interest income and others). These estimates were increased by 18% this year, adding at least \$2 million to

operating costs to support schools, public safety and public works. It's risky, because what if receipts don't come in as high and you don't have a cushion? This means our surplus will be \$2 million less, and surplus is most of what funds capital needs.

So this is a high point for our reserves because we'll only have around \$4-5 million in surplus going forward. As an example, we spent \$2.7 million on roads and \$1 million on sidewalks this year alone. We'll have to draw down reserves to meet all our capital needs in the next few years, until local receipts or other funding rises enough that we won't need to do this (see the most recent Capital plan for details).

For more, see [my October newsletter](#).

*Most municipalities in the state use a vastly different way of budgeting: they plan for operating expenses (i.e., schools and city services like DPW) first and then capital projects. We do just the opposite. They prioritize present day needs over future cap projects. Not us.*

*Northampton is an outlier in the state = creating the capital budget first (with rubber stamp by the council) and then allocating the leftovers to the schools and city services. I believe this is an upside down way of budgeting!*

Our practice is not uncommon for cities with a city council and mayor form of government. The City of West Springfield, City of Springfield, City of Agawam and City of Newton all have similar charters to Northampton where the Capital Improvement Program (CIP) is brought forward before the budget, generally March or April or in the case of Newton as early as October, and the annual budget is presented to City Council in May.

The capital plan is a 5-year plan, renewed each year and updated based on our needs. Without proper capital funding, city departments (including schools) can't operate. We can only add money to an operating budget sustainably if there's a long term plan to fund it. If we cut capital one year to fund operating, we have to cut capital by an ever increasing amount for future years (because of rising wages etc.). Thus any plan for operating and capital must be planned out for several years, whether we do one a few months before the other or a few months after.

*The "change" candidates - of whom I am one - want to push for transparency & citizen input in the budget process (the capital non-committee - no minutes or public input - comprised of the mayor's picks including Alan wolf's wife). We also value seeking opinions & priorities of our community and then budgeting accordingly.*

Transparency is good and I advocate for more of it. The Capital Planning Committee is an advisory committee to the Mayor, not subject to Open Meeting Law. It would be the Mayor's decision as to whether to take more formal minutes at these meetings (any notes taken are public records).

The budget is done by listening to opinions and priorities of the whole community and planning for them in a sustainable fashion.

*Of course we need reserve funds. No one disputes that. It's the MANNER of budgeting, plus the scooping of all free cash (remember that the Mayor has discretion and could put some of the free millions into a fund for the schools & city services as other cities have done instead of ALL the free cash going into reserves) away from our present needs, that we want to change.*

Free cash (also called the undesigned fund) is the surplus at the end of each year - our operating budget income minus expenses. This surplus is intentional as it pays for most capital projects and to replenish reserves.

Free cash does not all go into reserves. The general policy is that one third goes immediately to capital projects, one third is held for emergencies or one time funding (like we did this past spring with one-time school funding), and one third replenishes reserves. It's important to note that we are pulling from reserves often for capital projects and to support the operating budget. We've pulled \$5 million from the Fiscal Stability reserve to support the operating budget of the schools over the last three years. If they are not replenished, they will be depleted.

*At the NHS forum Monday night, one the mayor's candidates said something like, "the fiscal stability plan is working - we just need to stick to the plan" yet for many of our residents, this plan is NOT working!*

Any budgeting plan must be sustainable, or we'll reach a fiscal cliff and have to cut services. We produce a plan each year that looks ahead 5 years, with reasonable estimates about future revenues and expenses. In order to fund schools more, we have to cut other departments, cut capital spending for years to come, or raise more revenue. Any proposed change to the plan needs to show how it will balance.

Change and proposed changes are not the problem. The problem is lack of specificity in how to accomplish the stated goals of many candidates. What will you cut, or how will you raise revenue?

Here is [the spreadsheet](#) showing the current fiscal stability plan and [an explanation](#) from June.

*Schools are losing child-facing staff, violating civil rights of children on IEPs, and streets and sidewalks are in terrible shape making it difficult for safe passage especially for those with limited mobility or in wheelchairs ... and Picture Main Street is a vision for our city that many find unacceptable due to safety risks (the supposed rationale for the project) that have been presented to the administration with no meaningful response. Plus, funding issues - Trump has recently clawed back a \$20 million dollar grant from Boston bc the planned project was not supportive of car traffic. He's done that across the country. Why should we expect that we'll be immune from his cuts for bike/ped projects?*

There is a perfect storm of pressures on municipal governments, which include inflation (both to city expenses and to our personal expenses), a decline in State funding, Covid relief ending, and charter schools (with \$3 million going out each year, and our costs do not decline that much). Times are tight and we must carefully balance many competing needs.

The questions I've heard about Picture Main Street have been answered in the City's FAQ (<https://northamptonma.gov/faq.aspx?TID=44>). This plan is supportive of moving all traffic safely: walking, rolling, cycling, public transit and private motor vehicles. The City has paid for the design out of capital funds (almost completed) and the underground utility infrastructure out of the Water & Sewer Enterprise Fund budget, with a \$3.15 million boost to this from Covid relief funds (ARPA). The State pays for everything else. Once the state commits to the project it will be seen through. If funding is cancelled before it begins, then it will be put on hold.

*A trial run is crucial in ferreting out possible problems - Pittsfield & Boston and other cities have executed such trial runs and ended up making necessary changes.*

*So, more dialogue and study are needed. Why the stonewalling from the city? Let the trial run (a full one not like the tentative 2020 one that was pulled 3 weeks after it began) show the outcome.*

A trial run is not feasible. See questions 3 of the [FAQ](#).

*Budgeting is key. Listening to our community essential. Change is in the air.*

Agreed on the first two points. If candidates who disagree with the current approach win, they will face the same difficult math that we do. We can't fix problems with accounting changes - actual spending cuts or revenue increases have to be found.

*Please feel free to reach out to me for further discussion if you want (offlist) whether you agree or disagree with me. I want to encourage dialogue, dive deeply into how this city is managed and how YOUR tax dollars are being spent (did I mention the overpayment to Eric Suher for the church as another example of messed up priorities? ).*

The appraisal for the church was done by a state registered appraiser who actually saw the inside of the building and the large amount of work that had been done there. The City is not allowed to pay more than the appraised price. The second appraisal paid for by opponents of the purchase just looked at the outside to determine the price and is not accurate.

I also want to encourage dialogue and I hope this has been useful. Feel free to reach out!