



MAYOR GINA-LOUISE SCIARRA

City of Northampton

Office of the Mayor

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Dear Members of the City Council,

For your consideration at a special City Council meeting scheduled for Monday, August 5, 2024, at 9 a.m., I am recommending that we rescind the order to authorize an Override question to be placed on the ballot for November 5, 2024.

This decision comes after careful examination of recent higher than expected returns and of our current financial standing.

As we are closing the books on FY2024, we are pleasantly but quite surprised to have a highly unusual uptick in 4th quarter revenues that were not anticipated by 3rd quarter numbers which were tracking just on target. This includes a particularly sharp increase in motor vehicle excise tax revenue as well as higher-than-expected hotel/motel tax revenue, which are heartening indicators of a strengthening economy and a vibrant city that continues to attract new residents and visitors.

Additionally and significantly, we have accrued about \$2 million in interest on our existing cash balances. This is thanks to Treasurer/Collector Kris Bissell who identified and took advantage of a new, higher-interest rate yielding banking vehicle that became available as interest rates reached a 23-year high. This is a testament to our collective commitment to responsible fiscal management and strategic planning, guided by policies recommended by the Massachusetts Department of Revenue (DOR).

While this surge is positive, the fluctuation also underscores the inherent volatility of undesignated fund balances, which is why DOR does not recommend using them for recurring expenses.

The unexpected gains provide support to the Fiscal Stability Stabilization fund, prompting me to recommend that we postpone the override. An override will still be necessary eventually. But, these additional funds will allow me and our experienced

finance team to monitor the economic trends for the next few months, including what the Federal Reserve does with interest rates, and to navigate past the presidential election and its associated uncertainties before deciding when the next override referendum should be placed on the ballot.

I understand, as I'm sure you do too, that excessively frequent overrides increase the cost of living in ways that are difficult for many residents in the city. So while our Fiscal Stability Plan anticipates the need for regular overrides to maintain services, my promise to the residents of Northampton, especially to those on fixed incomes for whom any increases in annual expenses can be hard, is to put forward override requests only when absolutely necessary. And in this economic moment—with the post-pandemic economy, nationally and locally, just beginning to accelerate after a period of high inflation that burdened Northampton households — I am happy that this turn of events allows us additional time to assess.

Just as former Mayor David Narkewicz extended the original Fiscal Stability Plan from four to seven years due to higher-than-expected new growth revenues, I am hopeful that I can extend the time to our next required override thanks to record-high interest revenues.

This unanticipated revenue from FY2024 allows us to immediately replace the \$2 million we just appropriated from the Fiscal Stability Stabilization funds for the Northampton Public Schools' (NPS) FY2025 budget. I previously requested that the override be placed on the ballot because that fund was drawn down by this year's appropriation and it appeared it would be necessary to generate the recurring tax base needed to make those increased \$2 million for the schools permanent and recurring. To be clear, an override will still be needed eventually to secure enough recurring revenues for our schools and other essential services.

Thank you for your continued partnership and dedication to the fiscal wellbeing of our city. And my thanks to all of you for coming together so quickly to meet the Elections Division deadline of August 7 for receiving an official paper copy of the certified order for rescinding the override.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gina-Louise Sciarra".

Gina-Louise Sciarra
Mayor