



THE CITY OF SPRINGFIELD, MASSACHUSETTS

MAYOR DOMENIC J. SARNO

HOME OF THE BASKETBALL HALL OF FAME

June 12, 2012

To the City of Springfield and the Springfield City Council:

I am respectfully submitting to you today my Fiscal Year 2013 budget recommendations that total \$551.8 million. This bottom line represents a 1.8% decrease from the current year budget that will end on June 30, 2012. This includes funding for 1,207 City-side General Fund employees or a reduction of 7% from the current fiscal year and down from 1,581 FTEs in Fiscal Year 2008, a reduction of 24%. I consider this budget to be austere in nature in order to address the City's revenue outlook for the coming year. It is balanced and sound and makes every effort to provide core City services to the best of each department's ability within the restricted resources available to City government. I would ask that these recommendations be reviewed by the Committee of the Whole so that the entire body can hear from departments both timely and efficiently.

Although we continue to cut back City services due to the triple negative forces of reduced property tax revenues, lack of increased assistance from the state, and increased non-discretionary expenditures, we weathered two major natural disasters in calendar year 2011, we developed a master plan for rebuilding, we are beginning the process of rebuilding, our momentum is gaining and we are optimistic for our future. Although our efforts to gain additional State assistance for Fiscal Year 2013 have not been very successful, we have given the State nine options and we will continue to press the State to do more for us in future years. While we know that this is not an easy fight, we will continue to fight for our residents in need of municipal core services such as police, fire and public works. We have also looked from within for continued budget cuts, use of reserves and a revenue package that is currently before the City Council. This package includes a \$10 increase to the trash fee and the implementation of the hotel/motel local option offered by the State and implemented in other large communities. Without this revenue package, more service cuts and layoffs will take place. Each year we have had to cut back, we have begun the budget process with a set of worst case assumptions and each year we have been able to generate creative and collaborative solutions to minimize the reduction in core services. We fully expect that Fiscal Year 2014 will be very difficult as well but we are confident that working together we can continue to come up with creative and collaborative solutions to minimize the reduction in core services.

We do not subscribe to the pessimistic view that things will not get better and that we should address our structural deficit in one fell swoop, no matter what the consequences for our ability to provide core services to our citizens in need.

One of the major strategies we have pursued is the consolidation of services with the School department. Procurement and Chief Financial Officer services have been successfully consolidated for at least two years now. Custodial services were consolidated this year. For Fiscal Year 2013, we are recommending the consolidation of facilities trades services and payroll services. This model can reduce costs and improve both efficiency and effectiveness. Another major theme is the series of recommendations to increase fees, which we will examine each year to ensure that we cover our costs and provide relief for our General Fund which is severely constrained by the triple forces mentioned earlier.

Developing the Fiscal Year 2013 has challenged me personally but also each Department Head and their staff to consider the work of City government and our ability to provide services in the same way as we have for the past several years. I have attempted to make the process that my Administration has struggled with for the past six months as open and honest as possible. I have tried to preserve services that I know are so important to the City and its citizens, residents and businesses which requires preserving City jobs where ever possible. However, the recommendations in this budget will impact what the public has grown to expect from our City. From departmental requests, 108 FTEs are impacted including the elimination of 96 vacant positions and 12 layoffs. Areas impacted include:

- In the Police Department, 29 newly requested positions and 31 previously funded positions that are currently vacant have been eliminated from the department's staffing complement. In light of this, our Police Commissioner will be reviewing his deployment strategies where ever possible to ensure appropriate police coverage at all hours of the day and night.
- Also, in the Police department, I will continue to fund the City's 50% portion of the Quinn bill (education incentive) funding. I am recommending, as a prudent fiscal measure, the reservation of \$1.8 million in a separate fund to be used if needed depending upon the results of current contractual negotiations for the State's portion of Quinn which the State abandoned several years ago.
- In the Fire Department, 12 vacant firefighter positions have been eliminated which requires the closure of one fire company known as Ladder 9. This area will be covered by Odessa Street, Parker Street and Mason Square companies.

If the budget recommendations are accepted, including the additional revenue options pending Council action, no lay-offs of sworn officers from our Police and Fire departments will occur.

- Our City's libraries will close 3 branches including East Forest Park, Liberty Street and Pine Point. Remaining libraries will maintain 18 hours each week. I am looking to make every effort to utilize the area in and around Dryden School to support a library branch for that neighborhood in the future. However at this time, it is not affordable to keep this branch's leased space open.
- Our City's Parks will discontinue mowing and maintenance to 10 City Parks including Walsh, Armory Commons, Gun Square, Angelina and others around the City.
- Our Department of Public Works will no longer conduct sidewalk repairs and our street sweeping program will be cut in half.
- Our Department of Public Works will no longer provide trash and recycling services for apartment complexes with 4 or more units and other commercial entities effective August 1, 2012.

Currently our State and Local Delegation has not supported the use of a portion of the Springfield Promise Trust fund to support City operations. I will continue to explore the feasibility of using a portion of these existing funds for operations including, but not limited to City libraries.

The decision to reduce or eliminate these services and positions named here, among others, did not come lightly. However the City cannot continue to maintain and sustain these services into the future based upon the revenues that are available for spending. Since most of the revenue constraints have been imposed by the State, I have already met with State Leaders to discuss the current impacts on State Aid and property taxes that our City is experiencing and have asked for a more detailed analysis of how revenues are allocated to us for the future. The process of change does not happen overnight and I will be relentless in my follow-up to ensure that Springfield is receiving its fair share of revenues to provide vital services.

Even with all of these changes, I believe that this City continues to move forward and there are certainly many programs and services that we can all continue to celebrate including:

- Our Police Department will continue its highly ranked deployment strategies such as the North End Initiative, Operation BADGE and the Ordinance/Flex Squad.
- Our shot-spotter system which detects gun shots covering six square miles continues to be funded to help react to crime.
- Our Dispatch Center will have a fully developed back-up for the primary Dispatch Center located on Pearl Street.
- Our Fire Department will continue fire prevention programs currently in place.
- Our City will have no-cost access to the State's Fire Training Facility on Grochmal Avenue in Indian Orchard.
- Our Fire department will appropriately replace turnout gear replacement and continue training in every effort to ensure firefighter safety.
- Our Parks Department's summer recreation programs are intact, including fully-staffed golf courses.
- Our pools, 5-Mile Pond and splash pads will be open during summer months.
- Terraces will be maintained across the City using the most cost effective labor available.
- Our Department of Planning and Economic Development is fully-staffed to continue all development and recovery activities that will move this City forward.
- Solid Waste division will continue to provide curb-side Single Stream Recycling pick-up, curb-side Yard Waste pick-up, Low Cost Bulk curb-side pick-up, and some Hazardous Waste Days – all at a very low annual cost to residents.
- Animal Control will spay/neuter, micro-chip, vaccinate, blood test, and treat for parasites 100% of all the animals prior to adoption.
- Libraries will continue to offer traditional youth programs that offer homework assistance and reading programs.

Our back-office functions will continue to serve all departments as necessary for things such as:

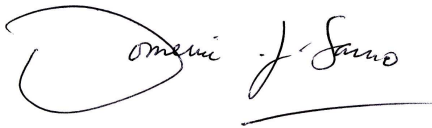
- Assessors - Utilizing a commercial appraiser to maximize commercial property values;
- Treasury - Continuing Tax Title and Collection Services to maximize the City's revenue collections;
- Elections - Reorganizing department staff to more efficiently service the residents and meet Government mandates;

- City Council – Receiving grant funds to install more cameras to televise meetings that are not currently broadcasted. This allows residents to view more public meetings and make the City more transparent;
- Information Technology – Implementing a high-speed data initiative using fiber optics.
- Human Resources / Labor Relations – Continuing to negotiate 25 collective bargaining contracts impacting almost every City employee; and
- Maximizing the City’s relationship with the School Department and cost sharing where ever possible. I would like to commend the School Committee and School Administration for being forthcoming and helpful in addressing our City’s needs.

I will continue to work tirelessly to ensure that our City is receiving its fair share of resources and that in turn, those resources are used in the most efficient and effective manner to maximize service delivery to all of you. I am proud of the efforts of my entire team – Cabinet Heads, Department Heads and staff that work hard every day for this City. I am also proud that for the fourth consecutive year, the City has received the Government Finance Officers Association’s (GFOA) “Distinguished Budget Presentation Award” and attribute the receipt of this award to having a strong team of financial professionals with over 60 years of budget experience.

Thank you for your consideration of these recommendations and look forward to your input in finalizing this budget for the start of Fiscal Year 2013 which begins July 1st.

Respectfully,



Domenic J. Sarno
Mayor



Lee C. Erdmann
Chief Administrative & Financial Officer

Executive Summary

The recommended budget for FY13 is \$551,776,343. This represents a 1.8% increase over the FY12 Adopted Budget and a 1.8% decrease from the FY12 Projected Budget.

FY11 Actual	FY12 Adopted	FY12 Projected (Q3)	FY13 Recommended	% Change from FY12 Adopted	% Change from FY12 Projected (Q3)
545,187,696	542,203,022	561,722,153	551,776,343	1.8%	-1.8%

The annual budget for the City of Springfield is the financial plan for a given fiscal year. This plan outlines how much revenue will be available for spending and how that revenue will be spent on City services. The budget process for the City is a management tool that is used throughout the course of the year to ensure that the City’s revenue is spent legally and in accordance with how the budget document dictates. The City budget, like any personal budget, has limits to its income (money coming in) and expenses (money being spent) and must be balanced.

Fiscal Year 2013 will be a challenging year for the City and all of its departments. The planning alone for Fiscal Year 2013 was the most difficult budget process to date. During the budget planning process, certain assumptions were made to project the amount available for spending. Although the overall economy appears to be rebounding from the Great Recession, revenues for the City are experiencing a lag in that recovery. State Aid has not grown for the fifth consecutive year, property values have not rebounded and local receipts remain relatively level. Costs, however, continue to increase with the need to support legal and contractual obligations, employee costs and other fixed costs across all City departments.

The gap created between spending and revenue must be carefully evaluated and closed using a balanced approach; spending solutions, revenue enhancements and utilizing reserve funds have all been carefully considered to balance the FY13 budget.

Fiscal Year 2012 Budget Update

Based on the Quarterly Financial & Performance Report for the third quarter of FY12 (January—March 2012), a \$650,000 surplus is estimated for year-end. This projected surplus is smaller than prior years because the City has budgeted more appropriately in the areas that were previously driving the surpluses. For example, salary savings is one of the main drivers of the surplus. In prior years, the City budgeted an overall salary savings amount for the entire City. In FY12, the City implemented the practice of budgeting salary savings in two of the major departments – Police and Fire – in addition to a general salary savings amount for the remaining departments. Additionally, in prior years the City budgeted a premium growth rate and enrollment growth rate for Health Insurance based on estimates. For FY13, the GIC premium rates were known and factored into the analysis. No enrollment growth was included since new hires were not widely budgeted. In addition, on the revenue side, tax lien revenue is not budgeted for and in prior years any revenue collected was counted as surplus. That in combination with budgeting at a 98% collection rate drove significant surpluses to help build the City’s reserves. Overall, the City is working to maintain a realistic and balanced budget throughout the fiscal year, to encourage cost savings where ever possible and to scrutinize all expenses and revenue to ensure the budget remains balanced.

In FY12, the City conducted monthly review of spending and revenue. In addition, a quarterly review of spending and revenue, including year-end projections, in an effort to estimate our position at year-end to ensure that the budget could sustain its trajectory. Based on the Quarterly Financial & Performance report for the third quarter, a surplus of \$650,000 is anticipated and is comprised as follows:

Fiscal Year 2012 Budget			
	Adopted	Projected (Q3)	Surplus / (Deficit)
FY12 Spending	542,203,022	561,074,383	18,871,361
FY12 Revenue	542,203,022	561,722,153	19,519,131
Surplus / (Deficiency)	(0)	647,770	647,770

It is important to note that the year-end surplus estimate is based on a projection made at the end of the third quarter and is subject to change as the fiscal year is closed by the City Comptroller and surpluses are verified by the State Department of Revenue (DOR). Departments are responsible for living within appropriated amounts and spending funds as responsibly as possible. A surplus projection should not be considered a reason to spend more or spend faster. All surplus funds are reviewed by the DOR for certification of “Free Cash”. Once the DOR completes their certification, the funds are available to the City to spend (subject to appropriation) or for transfer to the Stabilization reserve to replenish some of what were used in FY12. Free cash is defined as remaining unrestricted funds from operations from the previous fiscal year. The City has had positive free cash at year-end since FY05. Prior to that, however, the City had certified negative free cash from 1989 - 2004.

Fiscal Year 2013 Budget Challenges

The budget process for a given fiscal year begins in January when departments submit their budget requests. Budget requests are meant to first build up the cost of providing the same level of programs and services and then add any program or policy expansion that is requested. In addition, departments were asked to submit proposals to reduce their budget by ten (10) percent below their FY12 adopted budgets and to provide impacts of those reductions. This allows the Mayor and his finance team to review requests and understand how departments would suggest living within lesser amounts.

While departments build their budget requests, the Finance Department reviews revenue projections using the Governor’s proposal for State Aid, the City’s Board of Assessors projection for property taxes and an internal projection for other local receipts. All of this work combined creates a projection for the amount of spending projected, the amount of revenue available and the gap between the two.

For FY13, the projected gap at the beginning of the process totaled \$30.1 million driven by the following spending and revenue assumptions:

- State Aid – Assumptions based on Governor’s and Legislative for UGGA & C.70
- Property Taxes – Significant decline in the overall levy
- Other Local Receipts – Collections level to FY12 budgeted
- Reserves – Declining use
- Departmental Growth – Budget submissions were \$15 million or 13% greater than FY12
- Scheduled growth for pensions, debt service

Budget Solutions

A balanced approach was used to solve the projected budget gap. This approach relied upon spending reductions, revenue increases and a use of stabilization reserves. All of these things were considered in the context of providing vital programs and services to the City with the intention of minimizing layoffs that would impact vital services. The FY13 budget solutions include:

FY13 Budget Balancing	
FY13 Initial Gap (based on Departmental Budget requests submitted 1/23/12)	(30,121,049)
Spending Reductions - All Departments	15,042,414
Spending Reductions - School Transportation	1,685,378
Spending Reductions - Debt Service	1,000,000
Revenue Increases (no Council Action Required) - TJO, HHS, Assessors, Medicaid, Meals)	963,000
Revenue Increases - Schools Administrative Rate	2,121,457
Revenue Increases - (pending Council Action)	1,334,800
Revenue Increases - Additional Levy	289,000
DPW - EF Retained Earnings	300,000
Account Surplus Sweeps (Grants, Retirement Incentive)	385,000
Fire Training Center	1,000,000
Overlay Surplus	5,000,000
Additional Stabilization (7M initially built in)	1,000,000
FY13 Gap as of 5/31/12	(0)

Spending Reductions - All Departments

Every department was impacted by budget reductions in the Fiscal Year 2013 budget planning process. Including \$10.2 million in reductions from personal services (salaries, benefits, elimination of vacant positions, layoffs); \$4.6 million in reductions from other than personal services (OTPS); \$269,000 in reductions in capital expenditures.

Overall, the budget reductions across departments impacted 108.0 requested FTEs which is divided into the elimination of 96.0 FTE vacancies and the layoff of 12.0 FTEs. The General Fund FTE complement is at its lowest to date at 1,207.3 FTEs. That is a reduction of 374 FTEs or 24% since Fiscal Year 2008. Some specific departmental reductions include:

- Police Department - Reduction of \$1.8 million for the separate reservation of funds for the State's share of the Quinn Bill benefit ; elimination of 29 new positions requested; elimination of 31 funded vacancies.
- Fire Department - Reduction of \$700,000 for 12 funded vacancies which will shut down Ladder 9 on a full time basis and potentially brown out another apparatus, dependent on overtime for call backs.
- Public Works - Eliminates \$109,000 for the sidewalk repairs program; Reduction of \$112,000 that reduces the street sweeping program by half; Eliminates \$315,000 in potentially Federally mandated storm water program costs; and \$176,000 shifting the costs of 3 engineers to the Chapter 90 grant which reduces funding for road projects.
- Public Works - Trash - Eliminates \$500,000 for trash service to multi-family units and apartment complexes that are not eligible for City trash service per the City's trash ordinance.

- Libraries—Reduction of \$360,000 which permanently closes 3 Library branches including East Forest Park, Liberty Street, and Pine Point.
- Parks—Eliminates \$500,000 for After School Programming; Reduction of \$223,000 to Cyr Arena in an effort to explore other funding opportunities such as advertising revenue and trust funds to maintain the rink; \$100,000 reduction to the Horticulture program which eliminates mowing and maintenance of 10 Parks across the City.

In addition, every department took some type of reduction from the request for Fiscal Year 2013 which will have varying degrees of impacts. The point is that the City has continually been asked to do more with less and is at the point where doing less with less will be the reality.

Spending Reductions - School Transportation

The City is responsible for funding 100 % of School Transportation costs, which totals \$21.7 million in Fiscal Year 2013. This is a reduction from the original request by \$1.7 million to account for current year operating efficiencies, utilizing the PVTA for some services and assuming State funding for homelessness transportation as approved by the State House of Representatives.

Spending Reductions - Debt Service

The City is responsible for 100% of all City and School department debt service for large scale capital projects. The City's debt schedule was adjusted several years ago to be on a declining schedule in an effort to not have a large spike in future years. The City has a Capital Improvement Plan (CIP) worth \$413 million. It was hoped that an investment in the issuance of new debt to help meet some of these critical capital needs could be afforded in Fiscal Year 2013. In light of the significant budget gap, however, it was decided that preserving jobs and services should be prioritized. Debt service is a non-discretionary obligation that must be funded before all other people, programs and services, including payroll. The issuance of new debt, therefore, must always be carefully considered.

Revenue Increases - No Council Action Required

Animal Control and Health and Human Services provided for fee increases controlled by their departments that will generate \$56,000 and \$92,000 respectively. These fee changes can be implemented administratively for animal adoption fees at Animal Control and 20 License fees that are provided by Health and Human Services. In addition, a \$350,000 increase in revenue from original projections for the City's Medicaid reimbursement for specific health services provided to students in special education programs. More stringent fines will also be assessed to business that are not complying with State mandated reporting requirements in the Assessor's Office which is likely to generate \$65,000 annually. Lastly, based upon recent trends for the City's disbursement of the local option meals tax, and increase of \$400,000 was built in to the base.

Revenue Increases - Schools Administrative Rate

Federal and State laws allow communities to charge an administrative rate to School department grants to recoup the costs of back office services provided in support of those grants. The City had not previously charged this rate but is instituting this charge for Fiscal Year 2013 at 4% which is lower than the 6.24% composite rate calculated in the City's Cost Allocation Plan. This will not take away from

services to children and will truly reflect the City's costs associated with these grants.

Revenue Increases - Pending Council Action

City departments submitted revenue increases totaling \$1.3 million that are pending City Council review and action. The first is a \$10 increase to the trash fee that will increase revenues by \$400,000. In addition, increasing the demand fee for trash so that it is consistent with the demand fee for taxes is estimated to generate \$20,000 in new revenue. Enacting the final municipal partnership act local option for an increase to the hotel/motel tax is expected to generate \$400,000 annually. In the past, the City was reluctant to increase its hotel/motel tax because of its already higher rate for being a convention center community. Other convention center communities in the State (Boston, Worcester, Lowell), however, have enacted this increase without adverse effect. The City Clerk has proposed fee increases to physicians fees, tag sales, charitable solicitations, raffle permits and dog licenses that would increase revenue by \$135,000. In addition, the Building Commissioner proposes updating the entire fee schedule for building permits based upon comparisons made to surrounding communities. These increases would generate \$367,000 annually. Lastly, Animal Control has submitted fee increases for boarding and impounding that will generate \$12,800 over current collections. All of the required ordinances have been submitted to Council and are currently being reviewed by their respective committees.

Revenue Increases - Additional Levy

The City's Assessors Office is continually working to update the levy through the budget planning year. As a result of this review, an additional \$289,000 in levy capacity was identified. Reviewing the values of City properties ensures that tax payers are being appropriately taxed and maximizes the amount that the City can raise.

DPW Enterprise Fund - Retained Earnings

As part of the annual Free Cash calculation completed by the Department of Revenue, the Enterprise Fund is analyzed for its free cash or surplus funds. Based upon the FY11 calculation approximately \$300,000 in Free Cash remains in the Enterprise Fund for appropriation. Since all revenues associated with trash services must stay with the Enterprise Fund, this revenue will be used to lower the General Fund subsidy to the Enterprise Fund.

Account Sweeps for Surpluses

A review of grant and other accounts maintained on the City's books revealed some residual balances that are still available for expenditure however the need of the grant or other service has been met. This allows for a sweep of these balances into the City's General Fund revenue for next year. The City is continually reviewing accounts to ensure that balances are cleaned and accounts are properly reported or closed in MUNIS, the City's financial book of record.

Fire Training Center

In Fiscal Year 2012, the City finalized the sale of its Fire Training Center to the State in order for the State to operate a western MA facility for training. The City will receive \$2 million from this sale and proposes using \$1 million toward City operating costs. The remaining \$1 million may be used to ad-

dress some capital needs of the Fire department for apparatus replacement. As part of the sale, the City has free access to the training center.

Overlay Surplus

Annually, the City's Board of Assessors reviews the overlay account to determine if obligations have been met and balances can be declared as surplus. Each year, the City reserves a new amount for that fiscal years potential obligations. The Assessors have declared surpluses in the overlay accounts for FY07, FY08, FY09 and FY10 totaling \$5 million.

Additional Reserves

The City is proposing to use a total of \$8 million in reserves from its \$40 million reserve account. The amount recommended would leave the fund balance at 6% of the overall budget which complies with the City's financial ordinances. Utilizing reserves is necessary to fund programs and services that would otherwise be decimated by that level of reductions. In addition to using reserves, the Mayor has already begun discussions with the State on the need to revisit local funding in light of the revenue constraints that the City is experiencing.

All of these actions combined make for a balanced Fiscal Year 2013 budget that preserves programs and services however changes many areas of service delivery across the City.

City of Springfield – General Fund Revenue and Expenditures

FY13 Revenue

To understand a budget, it is important to understand the sources of revenue available to Springfield including:

State Aid

State aid is the largest source of revenue for the City of Springfield, historically comprising approximately 60% of the City's total revenue. All State Aid is distributed via the Cherry Sheet for each city and town in the Commonwealth based on State appropriated amounts for each category. The Cherry Sheet, named for the red colored paper that it used to be physically printed on, is the official notification from the Massachusetts Department of Revenue (DOR) regarding the next Fiscal Year's state aid to municipalities. The Cherry Sheet is updated throughout the State budget process, first in January based on the Governor's budget, then again for each of the House and Senate budgets. They are finalized based on the final State budget known as the General Appropriations Act (GAA) by July 1st of each year. For FY13, the House and Senate have generally agreed on State Aid numbers of the major categories of Aid which include Chapter 70 and Unrestricted General Government Aid (UGGA) however the final GAA is pending in Conference Committee.

Property Tax

Property tax is the largest and most dependable local source revenue, but is also highly regulated. A property tax levy is the amount a community can raise from taxing real property, including land, buildings and improvements, and personal property, such as inventories, machinery, and furniture. The Board of Assessors determines the value of taxable property, which is revalued every three years and updated annually. Proposition 2 ½ fundamentally changed property taxes for Massachusetts municipalities after its passage in 1980. Proposition 2 ½ created two levy limits: the levy ceiling and the levy limit. First, a community cannot levy more than 2.5 percent of the total full and fair cash value of all taxable real and personal property in the community. This is known as the levy ceiling. Second, a community's levy is also constrained in that it cannot increase more than 2.5 percent over the prior year's levy limit. The levy limit will always be below, or at most, equal to the levy ceiling. A municipality's levy limit is only increased in three ways: 2.5 percent increase over the previous year's levy limit, new growth in the tax base, and a voter override. If the voters approve an override, the amount approved can permanently increase the municipality's levy limit. Springfield's property tax rate is \$19.83 per \$1,000 of value for residential property and \$39.99 per \$1,000 of value for commercial, industrial, and personal property. Estimates on the tax rate for the FY13 budget are still being reviewed and will be part of the tax rate setting process this fall.

Local Receipts

Local receipts include vehicle excise tax, building permits, parking ticket fines, and hotel/motel tax. Local receipts generally remain relatively flat from year to year unless a policy change is implemented that would change the amount or schedule by which this revenue is collected. The City has also made great strides in recent years to improve its collection of local receipts.

Reserves

At the end of every fiscal year, actual receipts in excess of revenue estimates and unspent amounts in budget line items result in free cash. In prior years, the City experienced negative Free Cash meaning that spending exceeded revenues for a given Fiscal Year. Through strict controls and monitoring, the City has made great strides in controlling spending and certified positive Free Cash for the last six consecutive years, which will help to continue to build the City's Stabilization Fund.

FY13 Spending

The City's revenue is spent across 12 major areas of the budget that focus on varying aspects of maintaining City programs and services.

Non-Mayoral Division - This division consists of three departments: the City Council, the City Clerk and the Internal Auditor. The City Council is elected by the residents of Springfield, with the City Clerk and the City Auditor reporting to the Council.

General Government Division - These departments provide a variety of functions for the city, including administrative support, expertise, oversight and supporting the vision of the Mayor.

Administration and Finance Division - These departments are responsible for the overall financial management of the City of Springfield, which includes providing information technology support, centralized procurement, human resources, data analysis, and collection of taxes.

Development Services- The Developmental Services Division facilitates growth and development, revitalization of neighborhoods, and enforcement of regulatory standards within the city.

Public Safety Division - These departments provide emergency response, prevention, and outreach to the City and its residents to ensure their safety.

Public Works Division - The department maintains and preserves the City's public way infrastructure, including streets, sidewalks, street signs and traffic signals, administers the solid waste, recycling, and yard waste programs, and maintains the City's inventory of vehicles and equipment, Public Safety assets excepted.

Health & Human Services Division - This division includes support for the elderly and veterans, provides public health and animal control services to the community, and maintains the City's library system.

Parks, Buildings, and Recreation Management Division- The Parks, Buildings, and Recreation Management division maintains the City's parks and open space, provides recreation programs, and maintains all municipal buildings, including the schools.

School Department – The City's School Department operates the second largest school district in the Commonwealth and is comprised of 38 elementary schools, six middle schools, six high schools, and seven specialized schools. The District serves over 27,000 students who comprise about 17% of the total city population. With over 5,000 employees, including 2,500 teachers, the District boasts a 90% Highly Qualified rate in core subjects taught. The Springfield Public Schools system is governed by a

school committee which creates policy and appoints a superintendent to manage the day-to-day operations of the District. The Superintendent has a cabinet of eight (8) chiefs who are each in charge of various segments of the organization.

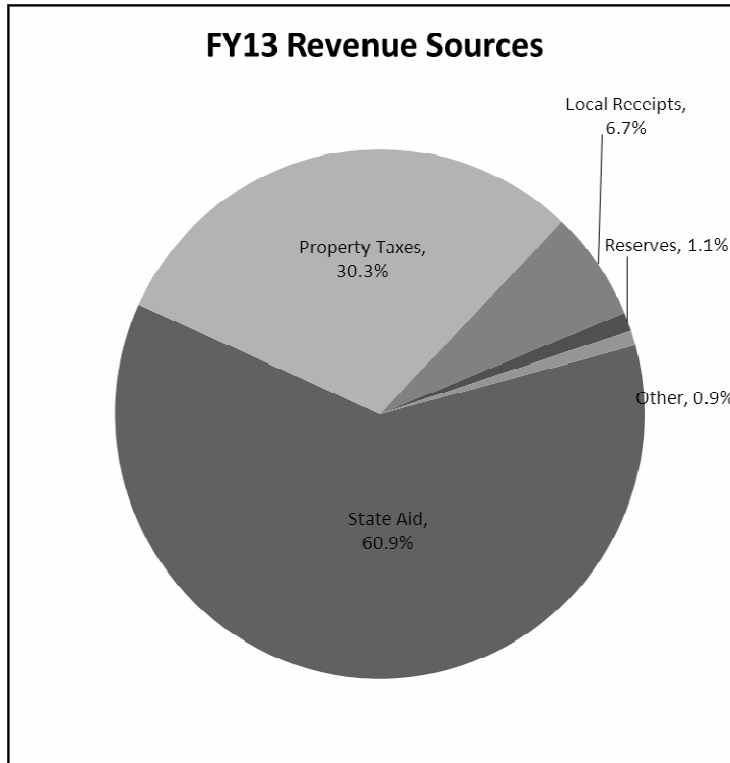
Benefits – This includes benefits for all City active and retired employees including Health Insurance and Retirement.

Debt Service - Municipalities issue debt to finance capital improvements because the costs are too expensive to finance through the operating budget. Spreading the cost of a project over time creates a manageable annual expense for a Massachusetts community that is limited by Proposition 2 ½ in raising additional property tax revenue. Debt occurs when a city or town borrows money from lenders. The lender charges interest on the borrowed amount and the municipality repays the debt over a number of years. Debt service is the cost of repaying a government’s debt, including both principal and interest payments.

Other – This category includes other payments made on behalf of the City to varying entities including the payment to the City’s Museum, the contract with the Springfield Parking Authority and the City’s reserve for emergency expenses that may come up throughout the year.

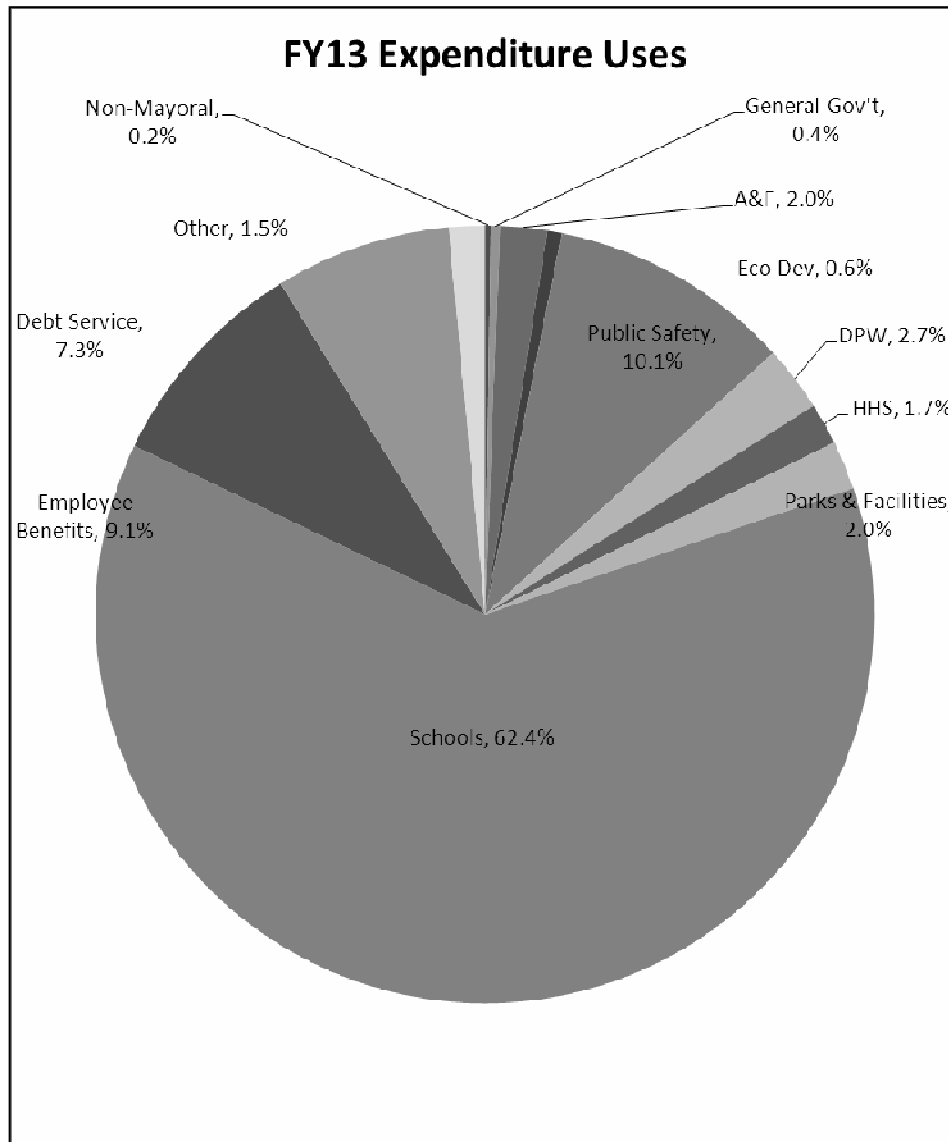
City Revenue – Where does it come from?

In determining the amount of revenue available to spend for each Fiscal Year, there are five major categories. For FY13, the chart below shows the percent of revenue coming from each of the major categories. It is important to note that State Aid, representing 60% of the City’s revenue. Much of this aid dedicated to specific purposes such as Education aid, Veterans and Tax Exemptions. The remaining revenue, generated locally, must be used to meet all other needs of the City.



City Spending – How is City Revenue Spent?

The City spends money within its Divisions and Departments based on the needs of City residents and priorities of the Mayor. For FY13, the chart below shows how the \$551.8 million of City revenue is spent across City divisions. It is important to note that much of the spending within the City is driven by the costs associated with operating our School Department. Expenses within the remaining Divisions are driven by the costs of employees. Salaries and benefits of City employees (exclusive of the School Department) represent 60% of the City's operating budget.



Conclusion

The FY13 Recommended Budget for the City is balanced and responsible. It addresses the priorities of its residents and aggressively looks for savings and efficiencies. It continues to require all City Departments to maximize its resources and do more with less. It also provides programs and services that cannot be found through any other private entity. While this budget is full of difficult decisions that will require hard work and creativity from the departments, the City will work to maintain core programs and services to its residents, business and visitors.