City of Springfield, Massachusetts
Multi-Year Financial Plan

FISCAL YEARS

2021-2024

PREPARED BY:

CITY OF SPRINGFIELD, MASSACHUSETTS
OFFICE OF MANAGEMENT AND BUDGET

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March 4, 2020

Honorable Mayor Domenic J. Sarno, Members of the City Council, and Springfield Residents:

I am pleased to present to you the City of Springfield's Multi-Year Financial Plan ("MYFP") for Fiscal Years 2021-2024. In compliance with City ordinance, the MYFP is meant to highlight projected revenue and expenditures for the next four years, using conservative assumptions. This plan serves as a vital tool that allows the City to see the long-term impact of its financial decisions and avoid future fiscal stress.

As the City's Chief Administrative and Financial Officer, it is critical that we make strategic and appropriate budgetary decisions that provide core services to our residents while maintaining continued fiscal sustainability. I am proud of the fact that through strategic planning, the City has successfully balanced the budget each year since the disbandment of the Financial Control Board in 2009, and notably, for the past five years, without the use of any stabilization reserves. Currently, our reserves equal $49.8M with a goal to grow this number by transferring free cash to reserves each fiscal year.

We continue to manage both our revenue and expense budgets to generate free cash. This is highlighted by the fact that we ended FY19 with a $3.1M surplus. Furthermore, we continue to maintain the discipline that is essential to the City's overall fiscal health, which has prompted Standard and Poor's to maintain our AA- bond rating and encouraged Moody's to reaffirm our A2 rating.

Multi-Year Financial Summary

Based on conservative assumptions, the City is projecting to have budgetary deficits ranging from $14.7M in FY21 and growing to $48.6M in FY24.

	FISCAL 2020 ADOPTED	FISCAL 2021 PROJECTED	FISCAL 2022 PROJECTED	FISCAL 2023 PROJECTED	FISCAL 2024 PROJECTED
Expense	691,704,328	740,615,018	767,322,966	795,389,707	823,942,479
Revenue	691,704,328	725,887,034	740,072,226	757,853,807	775,388,849
SURPLUS / (GAP)	**(0)**	**(14,727,984)**	**(27,250,741)**	**(37,535,900)**	**(48,553,630)**

Even with annual MGM revenue that Springfield began receiving in FY19, spending growth is projected to outpace revenue growth during the four-year period highlighted in this plan. This forces the City to continue making difficult decisions and tough compromises in upcoming fiscal years, in order to strategically manage our spending growth while still maintaining core services for our residents.

Fiscal Challenges

Meeting the demands of an urban city with limited revenue is always a challenge; specifically when nearly 54% of the City's budget is a direct pass-through of State Aid to the School Department. The remaining City budget relies heavily on property tax revenue, however Proposition 2 ½ sets strict limitations to the amount that we can levy each year. In 2009, Springfield's property values declined $1B, which severely dropped our levy ceiling, which is the maximum amount that we can levy in property taxes. Despite property values having increased, Springfield was capped at our levy ceiling for several years, resulting in a loss of millions of dollars in new growth revenue. From FY12-FY19 alone, the City lost approximately $43M in property tax revenue due to these levy limitations. We will continue seeking a legislative solution to capture new growth revenue in upcoming fiscal years.

Another challenge the City faces is a continual rise in operating costs. Non-discretionary spending amounts to 80% of the City's overall budget and includes net school spending, debt service, health insurance, and contribution retirement pension. We are strongly committed to addressing Springfield's low pension fund ratio, as evidenced by an aggressive payment schedule that increased the FY18 and FY19 appropriation by 14% and 15%, respectively, with annual increases of 9% beginning in FY20. Additionally, the City overfunded its original FY19 retirement appropriation by $3.1M, further addressing this issue. As long as we continue to maintain the current payment schedule, Springfield's pension liability will be fully funded by FY34. A recent actuarial valuation, which was performed in 2018, helped the City assess the best strategy for proactively addressing this liability.

Regardless of these fiscal challenges, the City's administration is dedicated to maintaining core services for our residents by using a balanced approach that relies heavily on managing our annual budget growth, accomplished through expenditure reductions and revenue maximization, with the intention of providing vital programs and services to the City without implementing any layoffs.

Budget Priorities

The City will continue making strategic investments in public safety to combat the public perception of crime. In FY20, the Police Department has made significant strides toward the implementation of its body-worn camera program, which will be rolled out in the coming months. This initiative seeks to increase transparency and improve the safety of citizens and officers alike, and will make Springfield the largest police department in Massachusetts to have a full-scale program of this kind. Beginning in FY21, funding will be provided for the personnel needed to administer the program, as well as the storage of data recorded by the cameras. While these are additional expenses within the operating budget, the department will strategically utilize grant funding to offset as much of the cost as possible.

Despite its best efforts, the Police Department struggles to stay ahead of attrition. The department welcomed forty (40) recruits to the academy in December, and is planning another academy soon after the current recruits graduate in May. Even with this proactive approach, however, the department continually operates at staffing levels that are less than desired. This can be attributed to veteran officers retiring earlier than ever before, as they recognize the dangers and stress of their profession and leave as soon as they are eligible to receive their full pension. This amounts to decades of experience lost, which is detrimental when trying to train a newer force of officers. Additionally, the department struggles to recruit new officers, as policing is not perceived to be as prestigious or respected as it once was.

Through the strategic planning of more frequent police academies, the department hopes it can maintain a healthy balance of veteran and newly trained officers throughout its various divisions. To that end, the City plans to continue funding the successful North End Initiative, four C-3 Policing Units, the Ordinance Squad, and the Metro Policing Unit in Downtown Springfield. These initiatives are highly effective in crime reduction, as evidenced by FBI crime statistics which demonstrate a 45% decline in violent crime over the past several years. Investing in the Springfield Police Department will ensure it is operating at its full capacity in order to improve residents' and visitors' perceptions of safety in downtown areas, while continuing the concentration on quality neighborhood policing.

We will also continue our efforts towards enhanced public safety within the Springfield Fire Department, as well as Springfield Emergency Communications. Highlights of these investments include:

- Eight (8) additional firefighters, which will allow for two (2) additional firefighters per shift and ensure proper manpower when responding to calls for service. Additionally, two (2) new Lieutenants will be added to bolster the department's training division.
- Funding for a new fire apparatus, allowing the department to maintain its proactive replacement schedule and avoid costly repairs associated with an older fleet.
- Continuation of a health & wellness program that helps to decrease work-related injuries and sustain the overall health of the department.
- Funding for a fully-staffed Emergency Communications Department including a new Deputy Director, along with four (4) supervisor positions to allow for proper oversight on every shift.
- Implementation of a new, state-of-the-art Computer-Aided Dispatch and Records Management System, which will coincide with the department's move to a consolidated dispatch center. This allows for enhanced efficiency across all facets of departmental operations.
- Continued funding for Smart911 software, which provides Dispatchers a more effective method of obtaining information for emergency 911 calls.

Continuous investments will also be made to help improve the quality of life in our neighborhoods. The Downtown Cleaning Crew, introduced in FY19, will continue its upkeep of all downtown area parks that serve as "gateways" to the North & South End. The popular Sidewalk Crew, also introduced in FY19, continues to address the extensive list of much needed sidewalk repairs and replacements throughout Springfield. These two crews, which never previously existed, are crucial to ensuring healthy neighborhoods that are inviting to all those who live, visit, and work in the City of Springfield.

In addition to the exciting initiatives introduced in recent years, we will maintain funding for other critical services as well. We will continue to fund the care and maintenance of all City parks, traffic islands and terraces. Funding will also be provided to maintain a full staff of Code Enforcement Inspectors in both the Building & Housing Divisions, along with increased hours for Building Inspectors to accommodate the demands of large-scale commercial projects throughout Springfield. Furthermore, funding will be provided for the continuation of the Mayor's Clean City Program.

Lastly, the City will continue to maintain its curbside trash pickup services. We recently invested in new solid waste vehicles in a proactive effort to replace an aging fleet of existing trucks. This helps to reduce costly vehicle repair and maintenance expenses and, more importantly, ensure that our residents' trash continues to be picked up in a timely and efficient manner. Free single-stream recycling and yard waste pickup are also still available along with low-cost bulk pickup, and free hazardous waste drop-off.

Beyond the investments highlighted in the preceding paragraphs, the City continues to strategically invest in other crucial services such as education, new and improved school facilities, and many others. Moving forward, we will carefully evaluate the most critical needs of each City and School department to ensure key operations are maintained and that the residents, businesses, and visitors of Springfield receive the quality services they deserve.

Conclusion

This plan is meant to provide an honest outlook of the City's finances and the struggles we are facing. Despite the projected deficits summarized in this plan, the City has faced similar budget gaps in the past and has been able to successfully balance the budget each year with little to no use in reserves. It is important to all of us that we do what is necessary so that taxpayer dollars are spent in a manner that is most efficient, effective, and legal and I take my role in this very seriously.

I look forward to working with you on the FY21 budget planning process and I am open to all ideas that will positively benefit our city.

Sincerely,

Timothy J. Plante,
Chief Administrative and Financial Officer

Financial Forecast (FY21-FY24)

	FISCAL 2020 ADOPTED	FISCAL 2021 PROJECTED	FISCAL 2022 PROJECTED	FISCAL 2023 PROJECTED	FISCAL 2024 PROJECTED
SPENDING ASSUMPTIONS					
Administration and Finance Division	14,020,567	14,816,549	15,122,907	15,450,674	16,747,407
Development Division	4,268,719	4,354,093	4,441,175	4,529,998	4,620,598
General Government Division	3,823,627	3,972,100	4,008,357	4,128,524	4,211,094
Non-Mayoral Division	1,548,019	1,584,089	1,615,771	1,688,086	1,721,848
Health and Human Services Division	10,658,973	10,877,060	11,094,601	11,316,493	11,542,823
Public Safety Division	77,124,629	79,812,646	81,650,316	83,529,571	85,585,294
Public Works Division	15,838,672	17,205,149	17,549,252	17,900,237	18,258,242
Parks & Facilities Division	12,367,791	12,615,146	12,867,449	13,124,798	13,387,294
School Department*	444,890,001	479,221,965	496,527,406	514,465,171	533,058,722
Debt	27,843,303	29,469,210	29,469,210	29,552,373	27,721,613
Health Insurance & Fringe	27,133,630	28,825,981	30,629,159	32,550,499	34,597,823
Pensions**	43,473,383	47,464,242	51,731,574	56,382,833	61,452,567
Other Spending	8,713,015	10,396,786	10,615,789	10,770,449	11,037,153
Total	**691,704,328**	**740,615,018**	**767,322,966**	**795,389,707**	**823,942,479**
REVENUE ASSUMPTIONS					
Property Taxes	211,449,075	219,267,619	224,811,810	230,494,606	236,319,472
Local Receipts	63,362,250	61,416,850	60,504,250	61,935,673	62,040,333
State Aid	414,393,003	445,202,565	454,756,166	465,423,528	477,029,044
Reserves	-	-	-	-	-
Net School Spending	-	-	-	-	-
Other Financing Sources	2,500,000	-	-	-	-
Casino Revenue	-	-	-	-	-
Total	**691,704,328**	**725,887,034**	**740,072,226**	**757,853,807**	**775,388,849**
SURPLUS / (GAP)	**(0)**	**(14,727,984)**	**(27,250,741)**	**(37,535,900)**	**(48,553,630)**

**Includes School Department admin pension appropriation.*
***Pension appropriation for City non-school retirement.*

Summary

The City of Springfield is governed by strict financial policies adopted as ordinances in September of 2009, which dictate that the Chief Administrative and Financial Officer produce and issue a four-year financial plan by March 30th of each year. The purpose of this plan is to provide reasonable revenue and expenditure estimates that the City will experience in upcoming fiscal years ("FY"). This serves as a vital tool for the City as a way to see the long-term impact of its financial decisions while maintaining fiscal sustainability both now and in the future.

This Multi-Year Financial Plan shows the adopted budget for the current fiscal year (FY20), along with the projected budgets from FY21 through FY24. The projected budgets were created by using appropriate and conservative assumptions for revenues and expenses, including:

- 9% increase in the scheduled pension payment from FY21-FY24.
- 6.5% increase in projected health insurance costs.
- Adherence to the City's debt schedule, which includes funding for a new issuance of debt in FY21.

- 7.6% increase in Chapter 70 Aid, and a 2.8% increase for Unrestricted General Government Aid ("UGGA"), based on the Governor's FY21 budget projection.
- 2.5% increase in property tax revenue.
- No use of one-time revenue resources / reserves.
- Departmental spending growth ranging up to 2%.
- Level-funded local receipts.

As demonstrated in this plan, Springfield's operating costs are projected to outpace revenue during each of the next four fiscal years. Operational costs include legal and contractual obligations, employee salaries and benefits including our pension obligation, and citywide fixed expenses. With limited amounts in State Aid and property taxes, the City is unable to generate all of the revenue needed to fully support the operational costs desired. Even with the introduction of MGM Casino revenue in FY19, as outlined in the Host Community Agreement, the City still faces projected deficits ranging from $14.7M in FY21 and growing to $48.6M in FY24.

A new challenge the City faces beginning in FY21 is the cost of recycling. For years, Springfield has not incurred a cost to dispose of recycled goods, only trash. This changed due to the institution of China's National Sword Policy in 2018, which severely restricted its import market for recyclables. This left local governments and recycling processors scrambling to find new markets to sell these goods (previously, 70% of plastics collected for recycling in the U.S. were sold to China and repurposed by plastic manufacturers). As a result, the price of recyclable goods instantaneously plummeted, leaving processing companies unable to cover the cost of processing the recyclables and turn a profit. Because of this, these companies were forced to adjust their business model, meaning that processing costs that were once covered by the sale of recyclables have been shifted entirely onto local communities. As a result, Springfield is now required to pay for these services at a rate of nearly double what it costs for trash. We currently pay about $75.00 per ton of trash, and initial estimates show a cost of nearly $145.00 per ton for recycling. Based on annual recycling tonnage amounts, this represents a nearly $1M expense the City must now incur.

While Springfield allocates all trash-related services to a separate Enterprise Fund, the added cost of recycling will directly impact our General Fund budget. Each fiscal year we are required to supplement the Enterprise Fund, due to a shortage in revenue collection that does not meet operational expenses. The current supplement of $4.8M, which is allocated from the General Fund, will now increase due to the recycling expense. By pulling additional funds away from an already-limited pool of money, we will be forced to develop innovative solutions in order to balance our budget.

As illustrated in the preceding paragraphs, growing expenses and limited revenue sources force the City to make difficult budgetary decisions in order to maintain operations. It is important to note that over 80% of the City budget is non-discretionary, meaning that the costs are mandated by law or ordinance. This means that approximately 20% of the entire City budget must assume all of the reductions required to balance the budget. This forces the City's administration to develop creative solutions in an effort to reduce costs in an effective and efficient manner.

Revenue Assumptions

The State Aid projections illustrated in this plan are based on Governor Baker's FY21 proposed budget, which was released on January 22, 2020.

Chapter 70

The City's largest source of revenue is State Aid from Chapter 70 funds, which is devoted exclusively to education. Created from the Education Reform Act of 1993, the Commonwealth determines every municipality's required local contribution. A municipality's local contribution, combined with its Chapter 70 Aid, equals the school district's net school spending requirement, which is the minimum the district must spend on education each fiscal year. The projection assumes a 7.6% increase in FY21 consistent with the Governor's budget and a 3% increase in the remaining years of the plan based on pupil estimates.

It is important to note that the increase for FY21, which equates to nearly $28M, is much higher than years' past and is part of a statewide effort to provide a significant infusion of funding to Massachusetts public schools. Known as the "Student Opportunity Act", which the Governor signed into effect on November 26th, 2019, the State will invest an additional $1.5B in public K-12 education over the next seven years. This will help to properly address important priorities such as education for low-income students, special education and English language learners, guidance/psychological services, and many others. The Springfield Public Schools are eager to utilize this funding in a continued effort to enhance the quality of education for each and every student. Notably, Springfield's schools have made major strides in recent years by strategically investing in district services. From 2012 to 2019, the drop out rate fell by more than 50%, reaching an all-time low.

Charter School Tuition Reimbursements

The Commonwealth has committed to providing assistance to municipalities whose resident students attend charter schools. Sending districts shall be reimbursed a portion of the costs associated with students attending charter schools; 100% of the tuition for the first year, and 25% for each of the next five years. The projection assumes a $2.7M increase in Charter School reimbursements for FY21, based on the Governor's proposed budget. The remaining years of the projection assume an annual 25% decrease.

Unrestricted General Government Aid (UGGA)

Unrestricted General Government Aid is undedicated revenue provided by the State for municipal services. The Governor's budget includes an allocation of $41.3M, an increase of 2.8%, with future years projected to grow by 2%. As mentioned earlier in this document, this revenue is directly passed through to the School Department to ensure Springfield meets it's required local contribution, despite being "unrestricted" in how it can be spent.

Other State Aid

Listed below are the assumptions for the other State Aid categories Springfield receives:

- Veterans' Benefits - The City receives a 75% reimbursement on all eligible spending towards veterans' financial, medical and burial benefits. The projection assumes the Governor's FY21 budget recommendation for Veterans' Benefits.
- Tax Exemptions - Chapter 59 of Massachusetts General Laws sets a series of exemptions for Veterans and their surviving spouses, persons over 70 years old and legally blind persons. Those who meet the requirements as stated by Chapter 59 receive exemptions from their property taxes, ranging from $175 to $500. The State reimburses municipalities for these exemptions. The projection assumes the Governor's FY21 budget recommendation for tax exemptions.
- The State reimburses municipalities for a portion of the taxes lost on state-owned land. The projection assumes the Governor's FY21 budget recommendation for PILOT payments.

Property Taxes

The Commonwealth of Massachusetts is unique in that it limits property tax assessments levied by its municipalities. Under Proposition 2 ½, Springfield cannot tax higher than 2.5% of the total and full cash value of all taxable property. This is known as the levy ceiling. Under the statute, the maximum amount that a municipality can levy in property taxes each year is referred to as the levy limit. There are only three avenues through which the levy limit can be increased; a 2.5% increase over the prior year levy limit, new growth recognized in the tax base, or a voter override. The levy limit must always be below or the same as the levy ceiling.

A side effect of Proposition 2 ½ is that it severely limits the revenue a municipality can collect when property values decline. From FY09 to FY13, Springfield experienced over $1B in declining property values, which drastically reduced our levy ceiling. Although estimates from the City's Board of Assessors have shown that property values continue to rise, the levy ceiling remains very low, which prohibits the City from fully capturing its levy capacity. Property values did not fully recover to FY08 levels until FY18. From FY12 through FY19, the City of Springfield lost over $42.8M in property tax revenue due to these levy limitations. By not being able to capture this revenue, the City has been limited in its ability to enhance investments in current or new initiatives that may positively benefit our taxpayers.

Despite the lost revenue over the past eight years, Springfield has now broken away significantly from its levy ceiling, with $1.9M in excess levy capacity. This is an extremely positive change and can be attributed to a healthy rise in property values, a sign of economic strength that hasn't been this prominent since prior to the recession more than a decade ago. It is through this strong growth in our values that we are able to fund new services and address any structural deficits without the need to make major service reductions. The administration is ever hopeful that this trend will continue and that no money is being left on the table due to circumstances beyond our control.

The United States is currently in its longest economic expansion of the modern era. When a recession does occur, it will likely have a negative impact on property values. Since Springfield remains close to its levy ceiling, this could once again cause the City's tax levy to fall, even as expenses continue to rise. With this in mind, the City has been proactive in building strong reserves during this expansion, so that it can weather the next economic downturn without being forced to make major service reductions.

Although some new growth is anticipated in FY21 and future years, this MYFP takes a conservative measure by not building it into the revenue projections. The City will continue to monitor this closely and, if appropriate, seek legislative solutions to help capture new growth revenue in future fiscal years.

Local Receipts

In general, the forecast for Local Receipts does not substantially change on an annual basis unless it is affected by a legal change such as a fee or fine increase. This includes motor vehicle excise, rooms occupancy tax, fees and fines, interest income and license and permit revenue, among others.

PILOT

The Payments in Lieu of Taxes ("PILOT") revenue assumes a gradual decline based on the agreements in place and their expiration dates. Some agreements may be renewed which would positively impact revenue collections. As these PILOT agreements expire, the City should see the tax revenue proportionally increase as these entities cycle back onto the tax rolls.

Reserves

For the purposes of the initial forecast, it is assumed that no funding from one-time revenues (for example, reserves, or free cash) will be used. The City will be strategic when deciding to use reserves or one-time revenue to balance the budget and wants to avoid jeopardizing its bond rating. As the City prepares to sell debt for two major capital projects, the Brightwood-Lincoln and Homer-DeBerry collocated elementary schools, it must be highly cognizant of the message its actions send to ratings agencies and investors, as a downgrade in its bond rating could increase the debt service costs of financing these projects by millions of dollars.

Spending Assumptions

Overall, the projection represents level service funding for the entire forecast period. Even with this assumption, there are still areas of the budget that continue to grow and must be accommodated with the revenue available. Listed below are the assumptions for spending within the largest categories of the City's budget.

City Departments

The projection assumes a 2% increase for nearly all City Departments which encompasses cost of living increases for non-bargaining employees, settled collective bargaining contracts, and those currently being negotiated.

School Department

The School Department projection is based on a projected enrollment increase and the required funding rate per student, set out by the Commonwealth's calculation for "Net School Spending (NSS)". This is the required amount of annual spending on schools that the Chapter 70 formula dictates, and is a combination of state aid for schools and the district's required contribution.

The current projection assumes a 7.7% increase for FY21 and 3.5% thereafter, with approximately 90% of the School Department budget being offset by State Aid. The difference will be a direct cost to the City. In addition to the City's contribution to meet NSS, it also is responsible for non-NSS costs such as transportation, leases and adult basic education ("ABE"), all of which must be funded through the City's operating budget without any support from State Aid. Transportation costs alone are projected to increase more than 9% in FY21, and these costs are highly dependent on the amount and operation of local charter schools.

Debt Service

The City's debt service projection uses the current debt schedule, which accounts for the City's most recent sale of Bonds and Bond Anticipation Notes ("BANs"). The current schedule is designed to have the debt service number decline over the next several years. However, it is hoped that by maintaining a level debt service payment, the City can make strategic investments in its capital needs, as spelled out in the Capital Improvement Plan.

This projection also includes estimates of the debt service payments that will need to be paid on capital projects approved by the Mayor and City Council, such as investments needed to run the body-worn camera program, the redevelopment of the Court Square Hotel, multiple MSBA school repair and renovation projects, and the construction of four new elementary schools.

Health Insurance

The City of Springfield has annually saved millions of dollars by receiving its health insurance through the Group Insurance Commission ("GIC"). The GIC, which provides and administers health insurance for approximately 425,000 members throughout the Commonwealth, seeks to identify low cost plans that are affordable for not only for its members, but also the municipal agencies in which they work for. The City has seen a direct benefit from its collaboration with the GIC, recognizing nearly $6.4M of combined savings from FY18-FY20 when compared to initial budgetary estimates (see table below).

Health Insurance Budgetary Detail - FY18-FY20

Fiscal Year	Projected Cost	Adopted Budget	Variance (+/-)
FY18	$ 25,761,110	$ 25,383,533	$ 377,576
FY19	$ 27,591,901	$ 24,147,257	$ 3,444,644
FY20	$ 26,248,068	$ 23,707,094	$ 2,540,974
Total	**$ 79,601,078**	**$ 73,237,884**	**$ 6,363,194**

Despite the decrease in projected costs over the past three fiscal years, this financial forecast conservatively assumes an overall increase of 6.5% for health insurance expenditures from FY21 to FY24. This is a strategic effort to ensure that the City is accounting for a large increase in insurance rates, should this occur during any given year. Due to the large budgetary cost associated with our health insurance benefit, it is vital that we always seek a fiscally responsible solution in order to preserve our limited financial resources.

Retirement

The City's municipal pension remains one of the lowest funded in the Commonwealth, with a current funding ratio of 27.0% and an unfunded liability totaling $883.2M. Poor market and economic conditions are contributing factors that led to Springfield's low pension fund. Pension funds rely heavily on growth of approximately 7.5% a year from investments; any return lower than this would have adverse effects on the unfunded liability amount. In 2008, the fund reported losing 28% of its value due to the stock market crash of that year. Although the market has since rebounded, limited revenue sources have made it challenging to contend with higher pension payments.

To address this issue, the City deliberately lowered its rate of return to reflect market rates and assumed an aggressive payment schedule with the goal to be fully funded by FY34, six years earlier than the state-mandated deadline. As part of this, the City increased its FY18 and FY19 pension appropriations by 14% and 15%, respectively. To further bolster our efforts towards addressing this liability, the City transferred in an additional $2M from its Pension Stabilization Reserve Fund in October 2018, and $1.1M in Free Cash in March 2019. This is a testament to the administration's commitment to developing creative solutions that will continue to reduce the liability and thus improve the City's overall financial position.

Looking ahead, the payment projections for the upcoming fiscal years shown on this plan are based on the City's most recent pension funding schedule, which was evaluated and finalized in 2018. Starting with FY20, payment increases equate to 9% over the previous year's amount, and will remain that way until the liability is fully funded in FY34. Developing this aggressive payment schedule certainly addresses the City's low pension problem; however, it also comes with concerning fiscal challenges.

The FY21 pension appropriation amounts to $69.1M, which is divided amongst three separate entities; the City of Springfield, the Springfield Housing Authority, and the Springfield Water and Sewer Commission. Given that pension is currently the third largest expense in the City's operating budget, significant increases in annual payments will likely have an impact on City services if alternative revenue sources are not actualized. To avoid future risk, the City will continue to reassess its pension funding schedule every two years when the actuarial valuation is updated.

Conclusion

Based on these assumptions, it is clear that spending growth will continue to outpace revenue growth for the coming years, forcing the City to develop creative solutions. It is important to note that the revenue assumptions in this document are conservative and will be updated as more information becomes available concerning property values or other revenue opportunities. In future years, we look towards the spin off effect of all the City's economic development projects, as this will continue to grow our tax base and generate new growth, allowing the City more financial flexibility.

Despite the projected budget gaps in the coming fiscal years, the City has overcome similar deficits in the past. We have successfully balanced and maintained the City's annual operating budget by making strategic and compassionate decisions that align with the administration's top policy priorities. This approach will not change, and we will continue to make thoughtful, sustainable financial decisions that are in the best interest of the City's taxpayers.