

UNDERSTANDING THE CITY OF SPRINGFIELD BUDGET

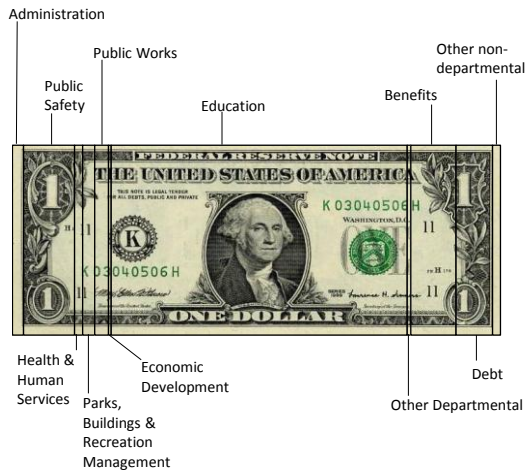
Municipalities across the country, including the City of Springfield, grappled with budget gaps driven largely by disappearing revenues caused by the great recession as well as growing expenses.

Springfield is in the unique situation of being heavily reliant on state aid to fund core municipal services – meaning that the revenue that supports key services is highly volatile and subject to change.

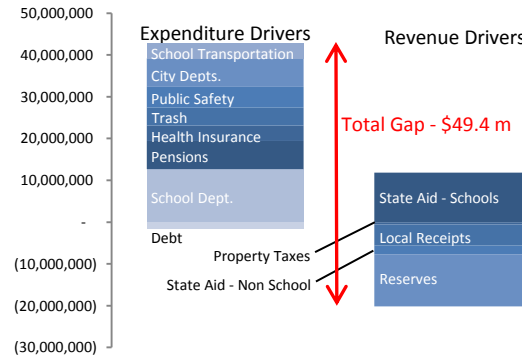
In the past months the city faced tough choices to balance the FY12 operating budget. The city started with a \$49.4 million gap in January 2011, requiring a careful balance of spending cuts, one-time solutions, and revenue enhancements to close the gap before submitting a balanced budget to City Council on May 16th. Here are some facts about municipal finance that are important to consider in the context of this budget.

THE COST OF PROVIDING MUNICIPAL SERVICES

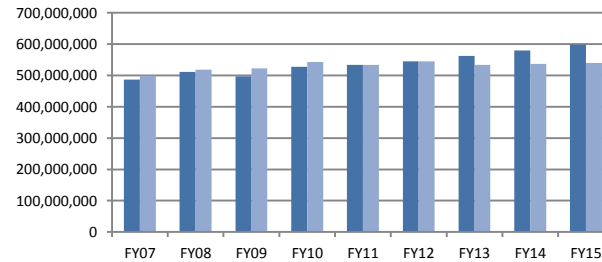
FACT: Only 20 cents of every dollar the city spends is discretionary spending, which includes public safety, public works, and other municipal services besides education.



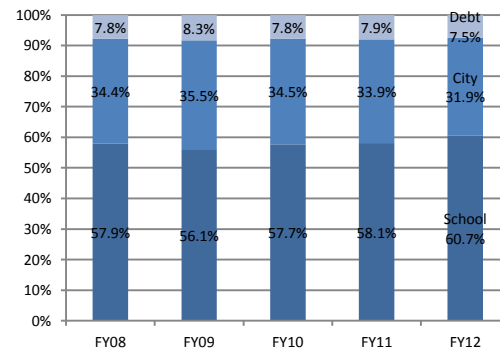
FACT: The \$49.4m budget gap for FY12 was largely driven by core services (public safety, trash and education) and obligations (health insurance and pension liability.)



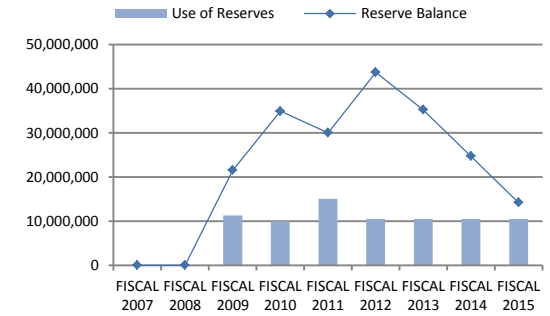
FACT: Using conservative estimates, the City's funding gap is projected to grow to \$58.3 million in Fiscal Year 2015.



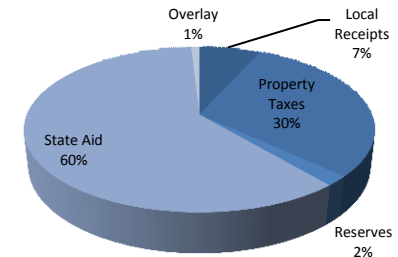
FACT: Since FY09, the percentage of the total budget spent on city services has declined relative to the school budget and debt service payments.



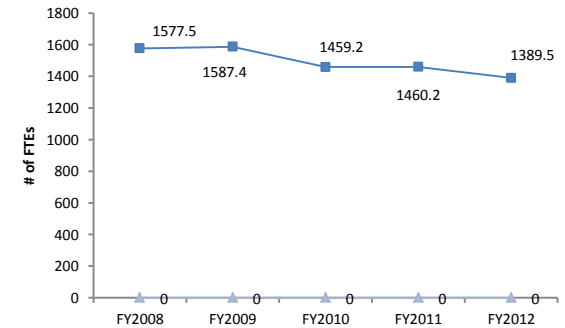
FACT: Until Fiscal Year 2009, the City had no stabilization reserves – and continued reliance on reserves to balance the budget will quickly deplete the reserves.



FACT: A majority of Springfield's revenue, 60%, is provided by the state. This leaves Springfield very vulnerable to losing money necessary to fund important municipal services.



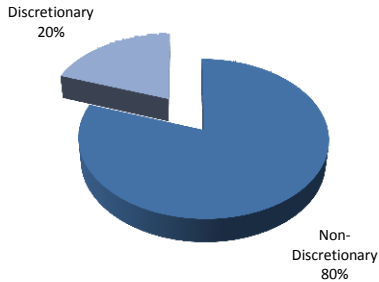
FACT: City staffing levels have been constant or declining since FY08, with 1389.5 FTEs authorized for the FY12 budget.



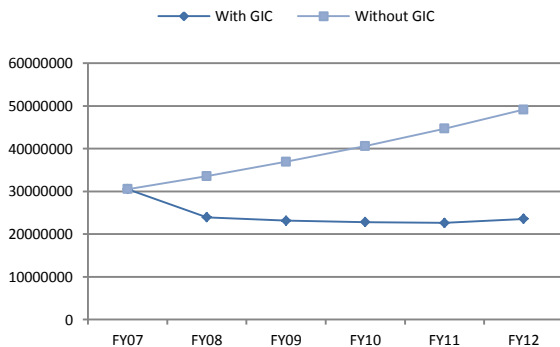
FACT: Mandated spending for the City of Springfield is over \$400 million. Roughly 20% of the city's budget pays for all other city services.

	FY 2012
Debt Service	(40,778,830)
Education	(330,834,330)
Employee Benefits	(50,520,321)
State Assessments	(2,886,688)
Snow & Ice Removal	(1,590,960)
Utilities	(6,592,588)
Total	(432,906,558)
State and Local Revenues	544,884,572
REMAINING	111,978,014

FACT: 80% of the city's budget is non-discretionary, meaning the city is under legal obligation to spend that money. The remaining 20% accounts for all non-school services, including public safety, parks, and public works.



FACT: In FY12 alone the City of Springfield avoided over \$20 million in potential costs by participating in the Massachusetts Group Insurance Commission for health insurance for municipal employees.



A Message from the Mayor



The City of Springfield faced another year of tough choices. The planning process for the fiscal year 2012 budget has been the most difficult in a stretch of very difficult years.

For the fourth year in a row, the state has reduced the amount of general government aid to the city, the recession is still impacting our property tax revenues, and the state has stopped footing the bill for Quinn payments to our police officers.

In turn, the state has given municipalities some tools with which to grapple with financial difficulties. Springfield is far ahead of other Massachusetts communities, and even with the tools from the state Springfield still faced a \$49.4 million gap between revenues and expenditures at the start of the budget process.

Through careful analysis and tough decision making, we were able to reduce the size of that budget gap to \$5.4 million and keep everyone working. We cut spending wherever possible while maintaining service levels. Closing the budget gap completely, though, required asking employees for concessions and implementing layoffs. In addition, we recommended and the council is in the process of authorizing the city to collect the trash fee for the upcoming budget.

Over the past several years prudent financial management has built our reserves up to \$43.7 million. The city must maintain a healthy reserve in order to be viewed favorably in the bond market. Closing the budget gap will require the use of some of this rainy day fund – but we must not rely on it to solve all of our problems.

My team and I have worked very hard over the last months to cut expenses wherever possible, but we still needed to make tough choices. The budget I have submitted to council is responsible, maintains service levels and will keep moving Springfield forward.

