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March 10, 2011

Mayor Sarno and Members of the City Council:

As the City's Chief Administrative and Financial Officer, I am pleased to present the City's annual draft four year financial plan for FY12 through FY15 for your review and consideration. As dictated by Chapter 468 of the Acts of 2008, the CAFO is required to submit a four year financial plan to the Mayor and City Council no later than March 30th of each fiscal year. This draft plan is being released to you and the public in order to solicit feedback to be incorporated into the plan and into our budget planning process for the coming fiscal year.

The policy ideas included in this plan incorporate the themes of consolidation, civilianization, marketization and regionalization of City programs and services. It provides a detailed projection of the City's expenses and revenues for the next four fiscal years, based on conservative assumptions. This document should be considered a planning tool which will allow the City to shape its future direction. While the figures presented are subject to change, they are representative of the City's current financial situation. Policy decisions designed to offset major cost drivers and future liabilities are discussed in detail. These cost drivers are, as detailed in the report, health care, pension liabilities, enterprise fund supplement, debt service, capital liabilities, and salaries.

The projected constraints in financial resources demonstrated in this plan require an honest and public discussion of Government's core services and how those services are delivered. Based on this plan, it is clear that continuing to provide what we provide today in the same manner creates annual funding shortfalls culminating in an \$87 million shortfall in FY15. Government as we know it is not sustainable therefore changes and tough choices must be made to sustain core needs.

This planning document outlines proposals to help reduce the projected funding gap. By developing strategies to deliver services within revenue constraints, the City creates a sustainable government while focusing on the City's strategic priorities of Public Safety, Education, Economic Vitality, Healthy Neighborhoods, and Fiscal and Operational Excellence. I look forward to your ideas and feedback.

Sincerely,

Lee C. Erdmann
Chief Administrative and Financial Officer



CITY OF SPRINGFIELD

MULTI-YEAR FINANCIAL PLAN (FY12-FY15)





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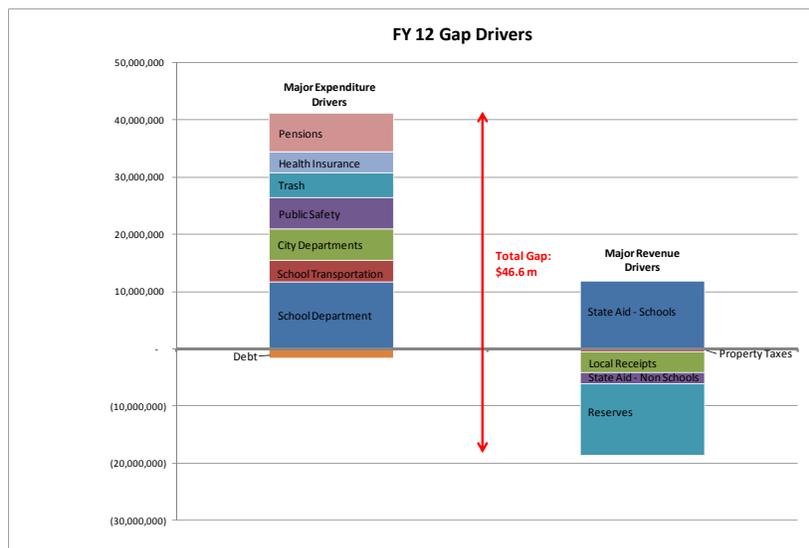
EXECUTIVE SUMMARY

The City of Springfield is governed by strict financial policies adopted as ordinances in September of 2009. Section 4.44.020 (G) stipulates that “The chief administrative and financial officer shall produce and issue a four (4) year financial plan for the city by March 30th of each year. Said plan shall be comprised of reasonable revenue estimates and all expenditures the city may reasonably experience during said period. All assumptions contained in the forecasts shall be clearly presented within the forecast document.”

The following pages represent adherence to this requirement and show actual spending in FY07, FY08, FY09 and FY10, the Adopted, and the second quarter Projected budgets for FY11 and the projected budgets for FY12, FY13, FY14 and FY15. The projected budgets for FY12 through FY15 were estimated by using appropriate and conservative assumptions for revenues and spending including:

- 2% - 2.5% growth in City Departments spending
- 3% growth in School Department spending
- 10% growth in Health Insurance Costs
- Pension growth based on the current schedule adopted for FY12
- 1% growth in Property Taxes
- Level collections for other local receipts
- 1% growth in major State Aid categories

The top spending drivers include Pensions whose increase is based on an updated actuarial valuation as required by State law. Health Insurance also increases due to rate and enrollment increase assumptions and Trash Collection increases based on the current City Council vote to eliminate the trash fee for FY12. The School Department spending increases are required by State law and are supported by additional revenues provided by the State. On the revenue side, the plan assumes no reserves will be used, local receipts will decrease slightly based on the projected FY11 budget and non-school aid will decrease based on the Governor’s H.1 assumptions. The graphic below illustrates the major cost drivers.





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, reduce or eliminate programs and services and ask the State for additional assistance to meet the core service needs that the City provides to residents, businesses and visitors. Beginning in FY12, the gap between spending and revenue is estimated to be \$46.6 million growing to \$87.8 million by FY15.

Section 1, titled “Multi-Year Financial Plan (FY12-FY15)” includes the assumptions used to develop this plan and provides a graphic representation of recent history of actual expenditures and revenues, the FY11 adopted, revised and projected budgets, and a four-year financial forecast plan for FY12 through FY15. This graph shows that the City, despite a strong Stabilization Reserve balance and strict financial ordinances, continues to face major budget gaps from FY12 through FY15. This demands a proactive approach to budgeting and policy decision-making that will have impacts on the programs and services that the City can provide.

Section 2, titled “Four-Year Performance Targets” details the four-year performance measures for the City based on the five strategic priorities outlined in the City’s first ever Draft Strategic Action Plan published in January of 2011. These priorities include Public Safety, Education, Economic Vitality, Healthy Neighborhoods, and Fiscal and Operational Excellence. The history presented and the targets developed as part of our strategic planning process will allow City officials to gauge the effectiveness of their funding strategies and policy decisions.

Section 3, titled “Policy Themes and Options” discusses specific options that will govern the decision making process. The City has compiled a list of policy decisions and suggestions from the public gathered by email, neighborhood meetings, and the 311 Call Center. Additionally, divisional highlights and selected targeted policy measures are included. The policy decisions presented could help minimize the forecasted budget gap, however, the options available will require difficult decision-making by the elected leadership.

Lastly, this document includes appendices such as an overview of the City’s Reserve funds, an overview of the City’s long term liabilities, a copy of the City’s adopted Financial Ordinances and other news and related articles. These informational pieces provide important context for this financial plan.



MULTI-YEAR FINANCIAL PLAN FY12 THROUGH FY15

The following assumptions were used for FY12 through FY15. These assumptions consider historical revenue collections and spending and the current economic climate.

Revenue Assumptions

State Aid – In January, the Governor’s budget recommendations were released for the State’s FY12 budget. The assumptions used in the FY12 portion of this plan reflect the Governor’s recommendations. For the remaining years, in general a 1% increase in State Aid is assumed.

- *Chapter 70* - The City’s largest source of state aid is 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, the minimum the district must spend on education each fiscal year. The projection assumes 4.8% increase in FY12 consistent with the Governor’s budget recommendations and a 1% increase in the remaining years of the plan. The FY12 increase is so substantial to account for the elimination of Federal ARRA dollars in FY12 that supported Chapter 70 in FY10 and FY11.
- *Charter School Tuition Reimbursements* - The Commonwealth provides assistance to municipalities whose resident students attend charter schools. Sending districts are reimbursed a portion of the costs associated with students attending charter schools, 100 percent of the tuition increase for the first year, 60 percent in the second year, and 40 percent in the third year. The Governor’s budget assumes a decrease in Charter School reimbursements strictly based on enrollment information. The remaining years of the projection assume this level remains flat.
- *Unrestricted General Government Aid (UGGA)* - In January of 2009, the Governor announced that the Commonwealth was combining Lottery Aid and Additional Assistance into a new state aid category, entitled Unrestricted General Government Aid. The Governor’s budget for FY12 assumes a 7.2% decrease, the fourth consecutive year of decreasing revenue, which is reflected in the FY12 assumptions for the City with a 1% annual growth rate in the remaining years of the plan.
- *School Building Assistance Aid* - The Massachusetts School Building Authority (MSBA) reimburses approved school building projects through School Building Assistance aid. This program is designed to help struggling communities keep building costs at a manageable level and provide students first class facilities in which to learn. The assumption includes a 90 percent reimbursement for the new Putnam High School and the renovation of Forest Park Middle School. These are the final projects statewide being funded under the “old” MSBA method. The official reimbursement amount will be published later this fiscal year therefore the FY12 through FY15 assumptions maintain a level amount to the current reimbursement received.
- *Other State Aid* - The following are the assumptions for the other state aid categories Springfield receives:
 - The State’s budget for FY11 again reduced the Police Career Incentive aid (Quinn Bill), partial reimbursements for additional police officer education. The Governor’s budget for FY12 appropriates 5% of the total program with the City required to fund the remaining 95%. The FY12 assumptions include the Governor’s amount and the State funding is eliminated in future years.
 - The City receives a 75 percent reimbursement on all spending towards veterans’ financial, medical and burial benefits. The increase reflected for FY12 is



- consistent with the Governor's FY12 recommendations and the remaining years assume a 1% annual increase.
- Chapter 59 of Massachusetts General Laws set 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 increase reflected for FY12 is consistent with the Governor's FY12 recommendations and the remaining years assume a 1% annual increase.
 - The State reimburses municipalities for state owned land. The projection assumes level funding for the next four years.

Local Source Revenue - The remainder of revenue collected by the City is through local source revenue, including property taxes, excise tax on motor vehicles, fees, fines and payments-in-lieu of taxes. Over the last several years, the City made great strides in improving local source revenue collections. These revenue sources are discussed in greater detail, as some are relatively stable while others are cyclical with the economy.

- *Property Taxes* – The forecast assumes that the FY12 levy will be equal that the FY11 levy with 1% annual growth in the remaining projection years, Under the constraints of Proposition 2 ½ , the current economy and property values and political dynamics around property taxes, it is not assumed that an increase will be had in the near future. In addition, the forecast assumes a 98% collection rate.
- *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. All local receipts, with the exception of PILOT assume level to FY11 levels for the entirety of the plan. This includes motor vehicle excise, rooms occupancy tax, fees and fines, interest income and license and permit revenue among others.
- *PILOT* – The 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.
- *Reserves* – For the purposes of the forecast it is assumed that no reserves will be used. Although the City will make every effect to build its healthy reserve balance, some reserves will likely be utilized to avoid the potentially severe impacts of budget reductions. City Leaders will want to ensure that reserves are used judiciously to ensure that such funds are not exhausted in the short term.

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 that must be accommodated within the revenue available. The following are the assumptions for spending in the large categories of the City's budget:

- *City Departments* - The projection assumes a two percent increase for all City Departments which generally reflects contractual increases and other than personnel increases such as fuel, energy and rent that should be anticipated. The Public Safety Division is the exception where 2.5% increases are assumed based on current contractual practices.
- *School Department* - The School Department projection is based on a projected enrollment increase and the required funding rate per student. The FY12 projection is



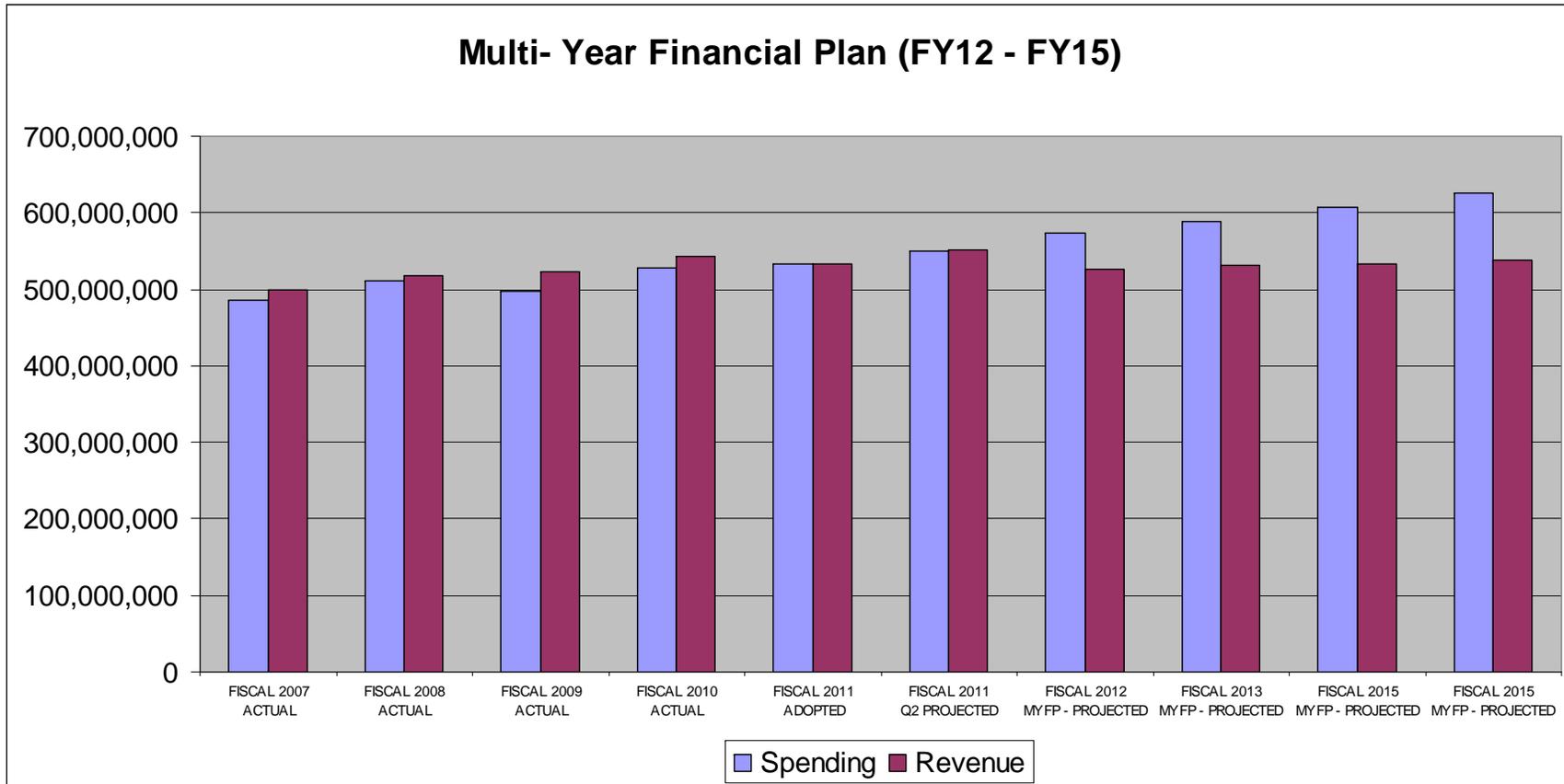
based on the Governor's budget recommendations with the remaining years assuming a 3% annual increase.

- *Trash Enterprise Fund* - The projection assumes the elimination of the trash fee in accordance with Chapter 468 before Fiscal Year 2012, therefore the full cost of waste management will be assumed by the City without any revenue from a fee offsetting the cost. The Mayor has currently proposed a Graduated Bin Trash system that includes an associated fee that will avoid significant increases in our disposal fee over the next 5 years.
- *Debt Service* - The City's debt service is based on its current schedule plus an assumed 3% annual growth rate to account for additional bond issuances in future years.
- *Health Insurance* - The City has annually saved millions by receiving its health insurance through the Group Insurance Commission. This financial forecast assumes an overall increase of 16% associated with health insurance for FY12 with 10% annual increases for the remaining years of the plan. The GIC has currently voted on a 3.9% increase which will help offset some of the original amounts used in developing the FY12 assumptions.
- *Retirement* - The retirement projection is based on the City's most recent actuarial report which assumes annual increases to get to full funding by 2040.



City of Springfield, Massachusetts
Multi-Year Financial Plan (FY12-FY15)
DRAFT – March 10, 2011

MULTI-YEAR FINANCIAL PLAN (FY12-FY15)



	FISCAL 2007 ACTUAL	FISCAL 2008 ACTUAL	FISCAL 2009 ACTUAL	FISCAL 2010 ACTUAL	FISCAL 2011 ADOPTED	FISCAL 2011 Q2 PROJECTED	FISCAL 2012 MYFP - PROJECTED	FISCAL 2013 MYFP - PROJECTED	FISCAL 2015 MYFP - PROJECTED	FISCAL 2015 MYFP - PROJECTED
Spending	486,545,473	511,186,697	497,191,651	527,184,693	533,463,456	549,796,949	573,316,554	588,226,629	606,803,234	626,120,502
Revenue	499,365,307	518,128,726	522,159,387	542,351,709	533,463,455	551,931,096	526,747,726	530,679,950	533,530,089	538,327,729
Surplus / (Gap)	12,819,834	6,942,029	24,967,736	15,167,016	(1)	2,134,147	(46,568,828)	(57,546,679)	(73,273,145)	(87,792,773)



FOUR-YEAR PERFORMANCE TARGETS

The City of Springfield's four year strategic metrics present targets for the next four years to realize goals set in the City's first ever four-year draft strategic action plan. Goals set in the plan are focused on advancing the Mayor's five priority areas of Public Safety, Education, Economic Vitality, Healthy Neighborhoods and Fiscal and Operational Excellence.

The draft four-year strategic action plan goals and metrics were established by internal and external stakeholders through several collaboration methods. Goals and metrics are intended to be far reaching but achievable given a level source of funding.

Each metric is either currently measured or a baseline needs to be determined. For those where a baseline needs to be determined, efforts are currently underway to identify a data source and the department responsible for reporting.



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PUBLIC SAFETY GOAL	METRIC	FY11 Projection	FY12 Goal	FY13 Goal	FY14 Goal	FY15 Goal
Improve the perception of public safety throughout the entire City						
	Number of communication outlets where regular maintenance plans are published	1	3	4	5	6
	Response times to 311 requests regarding potholes (days)	2	2	2	2	2
	Response times to 311 requests regarding stop sign and traffic signal knockdowns (days)	1	1	1	1	1
	Response times to 311 requests regarding snow complaints (days)	0.5	0.5	0.5	0.5	0.5
	Response times to 311 requests regarding park issues (days)	3	3	3	3	3
	Number of neighborhood meetings attended by TJO	3	4	5	6	6
	Number of neighborhood meetings attended by Police	108	109	109	109	109
	Number of web based interactions with community (i.e. Facebook, Twitter, Text-a-Tip, chats etc.) by Police	To be Reported				
	Number of neighborhood meetings attended by Fire	12	13	14	15	16
	Number of neighborhood meetings attended by DPW	3	4	5	6	6
	Number of library displays posting public safety information in public areas	5	10	10	10	10
	Number of cameras / shot spotters purchased	63	69	76	84	92
	Violent Crime Rate	To be Reported				
	Part One Crime Rate	To be Reported				
Improve the City's response to crime and quality of life issues regarding safety						
	Fire response times to calls within 2 minutes	90%	90%	90%	90%	90%
	DPW response times to potholes (days)	2	2	2	2	2
	DPW response times to stop sign and traffic signal knockdowns (days)	1	1	1	1	1
	DPW response times to snow complaints (days)	0.5	0.5	0.5	0.5	0.5
	TJO response times to calls (minutes)	19	18.5	18.5	17.5	17
	Police response time to Priority One calls (minutes)	6	6	6	6	6
	Number of after school program attendees in elementary schools (60 each)	360	360	360	360	360
	Number of after school program attendees in middle schools (40 each)	200	200	200	200	200
	Number of after school program attendees at Library branches	400	480	570	650	730
	Number of interdepartmental planning meetings conducted	2	4	4	4	4
	Number of individual department meetings with 311	15	20	25	30	31
Strengthen enforcement of public safety ordinances						
	Number of ordinance trainings conducted	1	2	2	2	2
	Annual survey to employees on knowledge of ordinances	1	1	1	1	1
	Number of coordinated neighborhood meetings conducted to discuss ordinance information per year	4	4	4	4	4
Strengthen tools that provide public safety information and awareness						
	Number of website hits	450,000	472,500	496,125	520,931	546,978
	Develop and circulate a regular newsletter	1	4	4	4	4
	Number of neighborhood meetings attended by Police	108	109	109	109	109



City of Springfield, Massachusetts
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EDUCATION GOAL	METRIC	FY11 Projection	FY12 Goal	FY13 Goal	FY14 Goal	FY15 Goal
Increase proficiency rate for all students						
	Percentage of core academic classes taught by teachers who are highly-qualified	92%	93%	94%	95%	96%
	Number of mentors	60	90	120	150	180
	Number of after school programs	42	52	61	70	79
	Number of students attending after school programs	430	510	600	680	760
	Proficiency rate of students participating in after-school programs	Establish Baseline				
Increase graduation rate						
	Student attendance rate	91%	92%	93%	94%	95%
	Number of third grade students proficient in reading according to MCAS	47	55	63	71	80
	Harris Poll overall rating of communication and involvement	6.5	N/A	7.3	N/A	8
Develop students' leadership skills for the 21st century						
	Number of City departments with staff volunteering	11	13	15	17	20
	Number of City staff participating in mentoring / internship experiences	18	25	35	45	50
ECONOMIC VITALITY GOAL	METRIC	FY11 Projection	FY12 Goal	FY13 Goal	FY14 Goal	FY15 Goal
Job creation and retention						
	Number of businesses assisted through city programs in targeted markets	Establish Baseline				
	Number of small business forums held per year	1	2	2	3	4
	Number of commercial property RFPs issued per year	Establish Baseline				
Market / Reposition the City						
	Number of video testimonials from City events posted on the internet	4	8	12	16	20
	Number of additional e-newsletter subscribers annually	Establish Baseline				
	Number of "good news" press releases provided to Mayors office by each city department on a monthly basis	1	1	2	2	2
	Increase city funding towards annual marketing campaign	50,000	62,500	93,750	140,625	210,938
	Increase favorable ratings in public opinion surveys	Establish Baseline				
Create a vibrant downtown						
	Number of city sponsored special events in downtown Springfield	1	2	3	4	5
	Number of new retail/restaurant establishments opened in downtown Springfield	5	6	7	8	9
	Number of area colleges offering off-campus housing in downtown Springfield	0	1	1	2	3
	Number of market-rate housing units in downtown Springfield	400	410	420	435	450
Develop workforce job skills						
	Number of businesses represented at Springfield high schools career days	5	5	10	10	15
	Number of city sponsored targeted job training programs	Establish Baseline				
	Number of students completing city sponsored job training programs	Establish Baseline				
	Total number of career days/career fairs offered at high schools	1	1	2	2	3
	Number of internships offered by partnering businesses	1	3	5	6	10
	Number of additional Senior Aide program training sites	1	1	2	2	3
Make Springfield a sustainable city						
	Number of contaminated properties put back into productive use	1	2	3	4	5
	Reduction in vacant residential units/structures	1,339	1,300	1,260	1,220	1,180
	Reduction in 311 complaints	Establish Baseline				
	City public facilities energy consumption	Establish Baseline				
	Number of historic properties put back into productive use	1	2	3	4	5
	City recycling rate	14%	17%	20%	23%	26%



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HEALTHY NEIGHBORHOODS		FY11 Projection	FY12 Goal	FY13 Goal	FY14 Goal	FY15 Goal
GOAL	METRIC					
Increase Environmental (Green) Efforts in Housing, Schools, Public Buildings and the Natural Environment by 20%.						
	Number of neighborhood forums organized	3	3	0	0	0
	Number of business/industry forums organized	1	0	0	0	0
	Number of municipal forums organized	1	1	1	1	1
	Number of target audiences reached	7	7	7	7	7
	Number of service calls to address environmental issues in municipal and school buildings	Establish Baseline				
	Reductions in municipal and school building energy usage (MMBtu)	405,000	308,000	370,000	362,000	355,000
	Reduction in amount of carbon emissions from public and school buildings	21,376	20,056	19,529	19,106	18,737
	Increase in number of residential renovation permits issued for environmental upgrades	Establish Baseline				
	Number of students on asthma alert	5,015	5,015	5,015	5,015	5,015
	Asthma related visits	2,806	2,525	2,273	2,046	1,841
	Number of children with elevated lead levels	Establish Baseline				
	City recycling rate	14%	17%	20%	23%	26%
Increase Housing Stability						
	Number of Housing education materials provided to residents	1	2	3	4	5
	Percentage of properties slated for demolition / out of total known population	Establish Baseline				
	Number of homes repaired through Emergency City funding	30	35	40	40	40
	Number of units in receivership	50	50	50	50	50
	Percentage of Proactive inspections	25%	28%	30%	33%	35%
	Average number of days to close code inspection cases not entering judicial system	Establish Baseline				
	Average number of days to close code inspection cases which entered the judicial system	Establish Baseline				
	Average number of days to file violations in Housing Court	Establish Baseline				
	Individual homeless population without children	203	193	183	174	165
Engage the community to increase awareness of available health services in Municipal Government						
	Number of health education material distributed	25,000	30,000	35,000	40,000	45,000
	Percentage utilization of city health services	5%	7%	9%	11%	12%
	Identify and secure funding sources for health services	790,000	830,000	870,000	940,000	1,000,000
Sustain departmental services that contribute towards a Healthy Neighborhoods						
	Number of programs per municipal department that create a Healthy Neighborhood	Establish Baseline				
	Percentage of each department's services that are Healthy Neighborhood related	Establish Baseline				
	Number of department interagency collaborative efforts to share staffing resources	Establish Baseline				
Expand access to municipal services / programs / materials that are linguistically appropriate and culturally competent (through translation and interpretation)						
	Number of interpreters available citywide	Establish Baseline				
	Number of languages serviced by interpreters per language	Establish Baseline				
	Number of materials translated per department	Establish Baseline				



City of Springfield, Massachusetts
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FISCAL AND OPERATIONAL EXCELLENCE		FY11 Projection	FY12 Goal	FY13 Goal	FY14 Goal	FY15 Goal
GOAL	METRIC					
Increase cross departmental communication and planning for City-wide projects						
	Number of cross-departmental projects planned for in budget	0	1	2	3	4
Maximize revenue through a uniform and coordinated collection process						
	City-wide collection rate	70%	72%	76%	80%	85%
	Number of revenue collection training sessions provided	50	70	90	100	90
	Percent of revenue budgeted compared to revenue received	85%	90%	95%	97%	99%
	Percentage of grants compared to School and City General Fund budget	20%	22%	25%	27%	30%
Improve efficiency and effectiveness by streamlining departmental procedures and policies across all City Departments						
	Number of days to prepare and execute contract process	50	46	36	28	25
	Number of City-wide policy and procedure trainings provided	1	3	5	7	10
	Number of City volunteers	175	200	225	250	300
	Number of processes streamlined using Lean techniques	2	3	4	5	6
Continue to adhere and improve upon City financial policy						
	Number of General Funded City FTEs	1,460	1,460	1,460	1,460	1,460
	Number of General Funded School FTEs	3,817	3,817	3,817	3,817	3,817
	Percentage growth in salaries and benefits	2.50%	2.50%	2.50%	2.50%	2.50%
	Operating Surplus	2%	2%	2%	2%	2%
	Tax revenue	30%	30%	30%	30%	30%
	Total reserves as a percentage of total General Fund budget	11.00%	11.30%	11.60%	11.90%	12.00%
	Debt as a percentage of assessed value	6.20%	6.10%	6.00%	5.80%	5.70%
	Long-term debt per capita	\$2,059	\$2,045	\$2,030	\$2,015	\$1,999



POLICY THEMES AND OPTIONS

Based upon the forecast included in this plan, the City of Springfield is facing a \$45.7 million budget gap for FY12. This gap has three main drivers:

1. Revenue – The overall economy will continue to affect the revenue sources of the City. Given that the City is reliant in State Aid for 60% of its revenue and the State continues to project a significant budget gap for FY12, State Aid will likely be affected. Based on the Governor's House 1 recommendations released in January, the City has received a 7.2% reduction in Unrestricted General Government Aid. The House and Senate will release their proposals for the fiscal year in April and May respectively. Additionally, within the constraints of Proposition 2 ½, it is difficult to forecast significantly increased property tax revenue in FY12. Increasing other local source revenue will be equally challenging as this would require an ordinance change to increase fees and fines.
2. Spending – Each year every budget (personal, business, government) has costs that grow for contractual and legal reasons. This annual increase does not change the level of programs and services provided, it simply is needed to maintain those programs and services.
3. Structural Deficit – For the past few years, the City has been reliant on one-time resources to balance the budget. During the budget process, it is the goal to develop a budget that is as sustainable as possible, however, in light of some of the program and service reductions that would need to occur, City leaders will utilize one-time sources to ensure public health and safety of the City.

Public Input:

On March 10, 2011 the City of Springfield published a draft of the Multi-Year Financial Plan through e-mail, telephone, letters, meetings with City staff and neighborhood councils. The City received numerous, thoughtful responses from the public, current and former employees, neighborhood councils, and the business community. An overwhelming sentiment from those responses is that the City is continuing to move in the right direction by publishing a multi-year financial plan.

PLACEHOLDER FOR PUBLIC INPUT (FY12-FY15 PLAN)

Policy Decisions Implemented in Fiscal Year 2011:

During the development of the first plan during the FY11 budget development process last year, ideas from both the public and internal were provided, some of which were implemented into the FY11 budget. The following ideas have been implemented, or are currently being implemented as part of the FY11 budget:

Public Safety

- The City's efforts toward consolidation and civilianization have been demonstrated in the area of Dispatch. The City has hired a civilian Dispatch Director. This hiring is the first step in a process that will enable employees of the Police and Fire Departments to be cross-trained to answer all types of calls, thus reducing the need for two different sets of staff to answer emergency calls.
- The position of Solid Waste Enforcement Coordinator was hired in FY11, with funding for the position included in the operating budget of the Solid Waste Enterprise Fund. It is this employee's goal to determine other ways to enforce the City's rules around solid waste and to increase recycling throughout the City.



- The DPW's internal milling and paving operation was reinstated in FY11. Routine maintenance of City streets extends their useful life, thus deferring capital maintenance costs without detriment to the quality of roadway surfaces.
- The Snow and Ice budget was level-funded for FY11, not increased. Increasing this line item would have locked the City into funding at the higher amount every year thereafter or jeopardized its ability to receive State funding for snow-related states of emergency. As authorized by MGL Chapter 44 Section 31d, the City is currently deficit spending this appropriation and seeking Federal and State assistance to help with this winter's activities.
- A comprehensive list of City employees with CDL licensure has been compiled. This list was utilized during the winter months in order to reduce the strain on DPW employees who drive both solid waste collection vehicles and winter street sanders.

Education

- During FY11, the City has worked to consolidate certain financial functions including sharing a CFO / Finance Director with the School Department. Other functions such as information technology, human resources, purchasing, and payroll should be considered for consolidation efforts.

Economic Vitality

- (Public Input – FY11 Budget) - The City Council approved a transfer from the City's Stabilization reserves upon request of the Mayor to lower both the residential and commercial tax factors for the majority of residents and businesses.

Healthy Neighborhoods

- (Public Input – FY11 Budget) - The inclusion of Big Belly Solar Trash Compactors at our under-utilized parks will decrease labor costs incurred by emptying standard trash receptors on a cyclical schedule. During FY11, the Parks department received 7 big belly trash compactors through grant funding which have been placed throughout the City based on the needs of the area.

Fiscal and Operational Excellence

- (Public Input – FY11 Budget) - The CAFO's office has reviewed all organizational studies completed within the last five to ten years. The City is moving to implement all conclusions that make financial and administrative sense to follow. In addition, these ideas have helped form the basis for the City's first ever Strategic Action Plan.
- (Public Input – FY11 Budget) - The Human Resource/Labor Relations Department issued a *Job Content Questionnaire* to all City employees. Results of this survey are expected at the beginning of calendar year 2011.
- (Public Input – FY11 Budget) - The City Council voted to forego one month of their salary in FY11, lowering their annual salary from \$15,000 to \$13,050.
- (Public Input – FY11 Budget) - The City continued to aggressively pursue outstanding real estate taxes using a Deputy Collector to focus on areas that have been previously difficult to collect.
- (Public Input – FY11 Budget) - The City will levy the trash fee for Fiscal Year 2011 and continue enforcement efforts to collect outstanding balances from prior years.



- The City contracted with an outside Deputy Collector to increase efforts to collect unpaid personal property taxes.
- MUNIS, the City's financial software, was vital to the City's financial revival under the Finance Control Board. Additional modules within MUNIS, such as contract management, general billing, and grants management, have been implemented citywide, but continual training is required to maximize employee productivity. In an effort to stay updated with the latest technology, the City is upgrading its MUNIS system in FY11 to the latest version available.
- The City's Solid Waste Enterprise Fund (EF) FY11 budget incorporates all solid waste activities: solid waste, recycling, yard waste, bulk disposal, and household hazardous waste. In addition, ideas are continually researched to ensure that best practices are being implemented around solid waste collections and to encourage recycling.
- The Grants Unit has added an additional employee in order to provide better support to departments and offer additional means to pursue outside funding.
- The City explored the option of early retirement for staff based upon the requirements of the Municipal Relief legislation adopted by the state. It was determined that the backfill restrictions would have detrimental effects on the workforce and was not recommended for adoption.
- The City investigated what services should be provided to the public. Instead of cutting individual line items in order to balance a budget, the City cut programs that may not be essential. This includes reductions to things such as office supplies, travel, and professional services based on historical spending along with salary savings and shifting costs to grants funds where available.
- Employees whose salary is partially or fully grant-funded are not transferred to vacant positions in the General Fund without prior approval by the Personnel Review Committee.
- Stipends funded by grants have been evaluated and changes made to positions and overtime where appropriate in an effort to eliminate the "stipend" and properly pay employees.
- Development of a Cost Allocation Plan will allow the City to charge grants for overhead and administrative costs. A contract has been signed and the project is being coordinated by the City's Grants Director.
- Investment of available cash resources within the constraints of City cash management policies and Massachusetts General Law is being done. Any investment vehicles would be considered based on safety, liquidity, and yield. The City will also take into consideration local banks in the City of Springfield for investment purposes.

Policy Decisions Proposal for Consideration in Fiscal Year 2012 Budget

The City is currently working to develop the Fiscal Year 2012 budget recommendations and plans to draw from the list of ideas included in this plan. All ideas will be considered and will ultimately be selected based upon their impact on the City's budget and Strategic Action Plan. The ideas immediately following are City-wide ideas that would impact many if not all departments. Specific department ideas are included later in this report. Note that final budget recommendations will be submitted to the Council in May 2011, therefore some items are subject to change prior to that submission.



Operational Policy Decisions - These decisions would impact the overall operations of the City including many if not all departmental operations.

- Evaluate all Ordinances of all Departments, identify the core mission and update or eliminate services based on that.
- Investigate the cost of offering a cash stipend to employees who opt out of the City's health insurance plan.
- Manage all overtime effectively and ensure proper usage of overtime by all departments.
- Cross-train City employees and the creation of an Inspectional Services Division incorporating the Housing, Building, Fire, and Health Departments would increase efficiency and the workforce could eventually be reduced by attrition.
- Consider the Accela system for all City departments. Currently the Building, Housing, Fire, Health, DPW and Planning are part of the project, but inclusion of the City Clerk and Police Department would increase the amount of collectible revenue.
- Request contract concessions by collective bargaining units.
- Consider programmatic cuts weighed in light of several factors: whether the service provided is a core service of local government, the ability of residents to find comparable services offered by private vendors, and the cost of the service in comparison to the value of the provided benefit.
- Consider cutting all less-essential vacant positions.
- Consider pay freezes for bargaining employees.
- Consider pay freezes for non-bargaining employees.
- Consider a strict hiring freeze and eliminate staff as attrition occurs.
- Investigate entering into a bi-weekly and paperless payroll process.
- Update policies for Special Education.
- Update policies for School Transportation.
- Consider updating divisional and departmental reorganization studies. These reorganizations could eliminate duplication of services and transfer those resources to other high-priority departmental functions.
- Eliminate the requirements for contracts under \$25,000.
- Increase the age for pension eligibility and retirements. This has been recommended by the State (as it requires a State law change) and is being reviewed by the Retirement Board as to its impact on the City.
- Review all functions that have been outsourced to assess if costs have really been reduced.
- Consider targeted reductions in force that would eliminate specific programs and services.
- Evaluate the implementation of a 4-day work week that would shut down buildings and / or reduce employee pay.
- Implement performance evaluations for all employees and base annual raises and terms of employment on that evaluation.
- Invest in training and prevention (fires, other depts.) and City marketing programs to increase the tax base.

Revenue Policy Decisions – These decisions would impact the City's ability to generate and collect and enforce the collection of revenue.



- Increase the local hotel-motel tax by 2.75%, as allowed by State statute, which is an estimated increase in revenue for FY12 of \$400K. The City must be cognizant of the impact on conventions and business in the City.
- Change the CAFO's review of local fees to an annual review to better adapt to changing economic conditions and implement reasonable cost adjustments and avoid larger, less-frequent increases.
- Increase the collection of taxes by offering a satellite office or kiosk in other parts of the City. This would be able to handle all taxes and fees levied by the City.
- Attach all unpaid tickets to the property tax bill, particularly work with the legislative delegation to either get special legislation or universal legislation that would allow the attachment of unpaid fees and fines to tax bills as an additional charge without requiring that a lien be filed with the registry of deeds.
- Seek alternative ways of processing paperwork and payments. If the City processed more payments online, additional convenience would be provided to the taxpayer and the City could capitalize on revenue that might otherwise go uncollected.
- Conduct an analysis of services to determine how many non-residents are benefiting from City-funded programs. Out-of-town residents could be charged a fee (or a greater fee, depending on the program) for participation.
- Review undervalued types of real property - cell towers/antennas and billboards. Both of these types of real property bring significant income to the parcels where they are located and this income should be included in the valuation process for these parcels.
- Consider advertising on City property.
- Work with tax exempt entities on Payment in Lieu of Taxes (PILOT) agreements.
- Implement charges for certain programs such as after school activities and night swim.

Grant Policy Decisions – These policy decisions will effect how grants are sought and managed by all City departments.

- Grant funded positions should be classified as temporary positions that terminate upon the expiration of the grant's term.
- Grant applications should be targeted toward awards that enhance the core services of the City and support the City's Strategic Action Plan, not necessarily grants that add additional, non-essential programs or services.

Financial Reserve Policy Decisions – These policies will effect how the City utilizes its reserves for City expenses.

- The City is required by its financial policies to have between 5-15% of General Fund Revenues, less debt exclusion, maintained in a stabilization reserve. This limits the amount of reserves available for appropriation and the use of reserves must therefore be the last option considered when balancing the City's annual operating budget.
- Any future use of reserves should target non-recurring costs that support essential services of the City.

Capital Policy Decisions – These policies will affect our Capital Plan and process for issuing new debt to support the City's infrastructure.

- Explore voter approval to raise taxes over its current levy limit and levy ceiling by debt exclusion. By doing this, the City could raise the taxes necessary to cover the debt service increase. This would be in effect for the life of the debt only. Reimbursements



such as state reimbursements for school building construction are subtracted from the amount of the exclusion.

- Increase the annual appropriation for Pay-As-You-Go capital funding in order to reduce the outstanding capital liability.
- Identify costs or budget requests for capital projects that are currently in the operating budget and determine if existing or new bond funds can be used to support these costs.
- Utilize bond, General Fund and grant funding to update old heating and lighting units, as well as, new technologies that will allow the City to better control energy usage.



DIVISIONAL BUDGET AND POLICY OPTIONS

The following pages include specific budget and policy decisions for the City's departments. Implementation of these ideas will be considered on a case-by-case basis based on its impact on the City's budget and implementation of the City's Strategic Action Plan.

Administration and Finance Division

The Division of Administration and Finance is responsible for the overall financial, human capital, and technology management of the City of Springfield. Policy ideas to help address the multi-year forecast include:

- CitiStat – Expand CitiStat to include Schools and all quasi-public entities including the Springfield Water and Sewer Commission, Springfield Contributory Retirement Board, Springfield Parking Authority, MA Career Development Institute, and the Springfield Museums Association.
- 3-1-1 – Expand 311 services to incorporate all City Departments. The Service Center currently receives phone calls for eleven (11) City departments and has the capacity to accept calls from additional departments.
- CAFO / Finance – Consolidate all of the City's financial services under one department. While this has been effective, it will be beneficial to provide proper training in all financial matters to cut waste from OTPS budgets at the beginning of the budget process.
- CAFO / Finance - Relocate the Springfield Municipal Retirement System's offices out of the Tapley Street facility and into City Hall would centralize all payroll and personnel related functions under one roof.
- Procurement – Expand procurement to include all aspects of School Department purchasing and procurement. Additional staffing will provide a dedicated resource for the School Department's procurement questions and provide significant savings by ensuring that goods and services are purchased from the lowest, responsible vendors.
- Treasurer / Collector – Provide historical information from the City Clerk's office and the Treasurer/Collector Office online.
- Information Technology - Consolidate technology functions of the City, Police Department, Fire Department, and Libraries. This consolidation will reduce duplication of efforts and eliminate redundant positions through attrition.
- Information Technology – Eliminate Connect CTY services (reverse 911) and utilize other in house technology to communicate.

Parks, Recreation and Building Maintenance Division

The Parks, Recreation and Building Maintenance Division's (PRBM) mission is to improve residents' quality of life by maintaining and improving the City's parks and open space while offering a diverse range of recreation programs and maintaining and improving City-owned facilities including schools. PRBM policy decisions include:

- Fund the City's two golf courses, pools and Cyr Arena through enterprise funds. Budgeting in enterprise funds would allow the golf courses and pools to become self-sufficient operations.
- Reconfigure recreational program fees from a standard flat rate to an income based fee will generate additional revenue to cover the cost of administering recreational program.
- Develop a revolving fund, as allowable by MGL Chapter 44, § 53D, for the Recreation Division. This accounting mechanism would allow the City's recreational services geared toward youth to be self-sufficient.



- Increase Adult League Field Fees to generate additional revenue that could be used to maintain additional ball fields.
- Consider outsourcing or issuing a request for proposal for utility management.

Development Division

The Development Services Division integrates the resources of each department to enhance the quality of life in our City, to facilitate growth and development, to ensure appropriate planning and enforcement of regulatory standards, and to oversee and facilitate the revitalization of each neighborhood of the City. Policy decisions for the Development Division include:

- Offer additional Tax Incremental Financing (TIF) agreements with emerging industries (i.e. green technology, Brownfield redevelopment) in order to expand the City's economic base. While revenue would be reduced in the early years, the City's taxable base would increase in future years.
- Start a "Landlord License" program to force many of the City's landlords to maintain the properties that are owned.
- Consolidate inspectional services that are currently provided at Code, Health and Fire.

Health and Human Services Division

The Health and Human Services ("HHS") Division serves to provide awareness of contemporary health issues, as well as, advocate for and provide health services to the citizens of Springfield. Policy decisions for the Health and Human Services Division include:

- Consider partnering with neighboring communities to provide regionalized health services such as flu clinics and cancer screenings. This measure would reduce the per capita expenditure within Springfield while providing greater opportunities for State-supplied grant funding.
- Consolidate back office functions of all Health and Human Services departments,
- Animal Control - Privatize Animal Control for the City and the communities it serves.
- Animal Control - Provide services to only the City of Springfield eliminating services to surrounding communities
- Animal Control - Re-negotiate the per-capita rate charged to the current partner communities in order to reduce the burden on Springfield's tax base.
- Animal Control – Charge other fees or update fees charged by Animal Control to properly account for the cost of the service.
- Libraries – Examine the number of branch libraries in the City to determine if the potential cost savings from closing branches outweigh the benefits provided by keeping the branches open. This will require work with the Department and the Library Commission if necessary.

Public Works Division

The mission of the Department of Public Works (DPW) is to maintain, preserve and improve the City of Springfield's public way infrastructure. The DPW also manages the Solid Waste Enterprise Fund. Policy decisions for the Public Works Division include:

- Submit a graduated bin system proposal to the Council and have it passed to ensure costs of the tipping fee can be fairly recouped through a fee.
- Review the collective bargaining agreement that governs solid waste employees that allows them to leave early once the Solid Waste Manager is certain that all daily routes



will be completed. The next collective bargaining agreement could increase productivity by reinstating a 5-day work week, with solid waste collection remaining on a 4-days-per-week schedule, and employees assigned to other duties within the DPW on Mondays.

- Consolidated all fleet maintenance for all departments under the Fleet Maintenance subdivision. The Police and Fire Departments each employ a fleet manager and several maintenance technicians.
- Purchase an indoor vehicle storage facility is a priority for Fleet. Storing vehicles outside increases weather-related damage and shortens the lifespan of the asset. A potential site has been located and is undergoing evaluation.
- Implement the Cartegraph software by all departments including DPW, Police, and Fire to track vehicle inventory and maintenance records.
- Conduct a thorough review of each position with access to overnight vehicle privileges.
- Consider leasing portions of the City's fleet, or car-sharing (through a company like ZipCar, for example).

Public Safety Division

The Public Safety division's mission is to keep the citizens of Springfield safe, establish partnerships between the public and the police in order to enhance the quality of life, law enforcement, preservation of public peace, and providing the highest quality emergency response and fire prevention services. Policy decisions for the Public Safety Division include:

- Consolidate the Business Offices of the Police, Fire, and Dispatch Departments.
- Consolidate the SPD's fleet maintenance function into DPW. This transfer would allow the SPD to place one (1) additional sworn officer into active patrol duty.
- Evaluate all job functions to determine if any can be performed by civilian employees (or retired police officers) to free up sworn personnel.
- Suspend Quinn Bill payments until the State starts to reimburse the City.
- Adopt MA General Law Ch 41 § 111K to override the collective bargaining agreement and give the Commissioner more flexibility in staffing. Currently, the Fire Commissioner cannot deny a request to use vacation time unless the number of employees out on leave exceeds 16.
- Assign the Fire PIO job functions to the on-scene commander at any incident, with the firefighter currently in this position reassigned to an apparatus. The Public Information Officer (PIO) position, required by NFPA 1035, is currently a stand-alone position.
- Charge a fee for out-of-town referrals for the Fire Stop program. The Fire Stop program for juvenile fire-starter intervention, currently manages cases for all surrounding cities in towns in Western MA.
- Move Public Safety Dispatch functions to a single, dedicated facility would provide better oversight for the Director and set the stage to implement a Regionalized Public Safety Dispatch Center.
- Obtain grant funding for Centralized, and eventually Regionalized Dispatch.



APPENDIX 1: RESERVE FUNDS

The City has various reserve funds some of which are designated for specific purposes and others that can be used for operational expenses upon action by the Mayor and City Council. After decades of certifying negative reserve fund balances, the City has certified five consecutive years of positive reserve fund balances.

Stabilization Reserve Funds

The City's Stabilization Reserve Fund (Fund 8213) currently has a balance of \$43.7 million. The purpose of this reserve is to provide long-term financial stability for the City while improving its financial flexibility and credit worthiness. The City's financial policies require the City to maintain a stabilization reserve fund equal to between 5% and 15% of operating revenues, less debt exclusions.

Chapter 656 Reserve Fund

Chapter 656 of the Acts of 1989 established a fiscal stability reserve fund for the City of Springfield. The balance of this reserve is to be one percent of the gross amount raised as shown in the assessors' tax recapitulation sheet approved by the Department of Revenue. This reserve is maintained in the general fund and has a balance of \$5.7 million.

Self Insurance Reserve Fund

The City is self insured, meaning that it does not have property or liability insurance and pays all damage claims without the use of insurance policies. The Self Insurance Reserve Fund (Fund 8219) is designed to provide the City financial support should a significant liability occur; this allows the City to avoid making unplanned reductions in its operating budget or reserve funds. The current balance of the Self Insurance Reserve Fund is \$565K.

Productivity Bank Fund

The purpose of this "bank" is to distribute loans to departments to finance projects that generate additional revenue or reduce costs. Departments are required to repay Productivity Bank loans over five years, and departments are permitted to "gain share" in savings and additional revenue in excess of the amounts required to repay the loan. The Productivity Bank (Fund 3415) is intended to reduce costs, increase revenue and create a cycle of innovation, accountability and entrepreneurship across the City. The current balance is \$700K.

ESCO Stabilization Reserve Fund

The Finance Control Board restructured the City's debt portfolio in 2007 and again in 2009 to address the City's prior inappropriate management of debt and capital investment. As part of the structure of the 2007 bond issuance, the Board appropriated funds into a stabilization reserve fund to help finance a more aggressive debt schedule for the City's energy services contract (ESCO) debt (Fund 3267). The more aggressive debt structure has saved the City substantial interest expenses while also helping to re-shape the City's bond repayment plan to allow future capital investment and prevent the "debt spikes" that were built into the City's debt schedule prior to 2004. The current balance of this Fund is \$205K.



APPENDIX 2: LONG-TERM LIABILITIES

As with any large organization long-term liabilities are continually evaluated and help drive decisions on current year services.

- *Property Tax Limitations* - From 1996 to 2000 Springfield's tax levy was up against its 2.5 percent levy ceiling, limiting the City's ability to increase property taxes. Since 2004, the City increased its room between the tax levy and the tax ceiling through additional economic development and higher assessed values. In 2009, Springfield's assessed values decreased by 7.2 percent and, in 2010, decreased by an additional 3.4 percent. Although a lesser decline than originally expected was encountered in FY11, the City made an effort to reduce property taxes for the majority of businesses and residents. The levy for the projection period will be limited by Proposition 2 ½ and political needs to maintain a level tax rate.
- *State Aid* - The Commonwealth reduced state aid (Unrestricted General Government Aid) to Springfield by 30% since FY08 and the Governor's FY12 budget proposal initiates a 7.2% reduction below FY11. Chapter 70 Aid continues to grow, however, so do our education expenses including the City's required contribution and the non-School eligible spending cost for transportation. Because the City's budget is reliant on State Aid for 60% of our revenues, our budget follows the same economic cycles experienced by the State.
- *Personnel* - One of the largest costs in the City's budget is personnel. The City is able to manage these costs through strict control mechanisms such as the Personnel Review Committee. This Committee reviews every hire, backfill, and promotion prior to filling a vacancy and frequently drives a re-examination and modernization of departmental structures as part of its review. Department heads must justify and/or reaffirm the need for every position when a vacancy occurs. Union positions make up the majority of the City's FTEs along with the need to address their annual contractual pay increases.
- *Benefits* - Prior to Fiscal Year 2007, the City's health insurance costs were increasing at a rate of 18 percent annually. The City became the first community to join the Group Insurance Commission (GIC). The GIC purchases health insurance for 265,000 state employees and retirees and has significant purchasing power. Over the last number of years, GIC premiums increased at an average 9% annually which is significant growth but much more controlled than under the previous situation.
- *Retirement* - Retirement benefits for local and state employees are uniform across the Commonwealth. Until July 2009, Chapter 32 of the Massachusetts General Laws required municipalities to fully fund their retirement liability by 2028. The Commonwealth's Fiscal Year 2010 budget included an extension of this requirement to 2030, and further modifications to 2040 were adopted in FY11. The City must revalue its schedule every 3 years and adjust the schedule accordingly. Springfield's most recent actuarial valuation estimated the City's unfunded actuarial accrued liability (UAAL) at \$532.6 million as of January 1, 2010. Our funded status is 34.3%.
- *Other Post Employment Benefits* - In addition to providing pension benefits, the City provides health, dental, vision and life insurance to retired employees and their survivors, in accordance with Chapter 32 of the Massachusetts General Laws. The City's OPEB unfunded actuarial accrued liability is estimated at \$688.7 million as of July 1, 2011. In order to fully fund this liability in 30 years, as it does with retirement, the City would have to appropriate \$67.2 million on an annual basis. We currently fund 21.2% of this amount.



- *Debt Service and Capital Needs* - The City has a \$373 million Capital Improvement Plan that identifies major equipment and construction needs over the next five years. Due to previous deferred maintenance and the number of facilities and parks, the City has significant capital needs. Based on the October 2010 report entitled “Analysis of Outstanding Debt” we are currently evaluating our capacity to sell notes and bonds over the next few fiscal years.



City of Springfield, Massachusetts
Multi-Year Financial Plan (FY12-FY15)
DRAFT – March 10, 2011

APPENDIX 3: MYFP DETAILED PROJECTION

	FISCAL 2007 ACTUAL	FISCAL 2008 ACTUAL	FISCAL 2009 ACTUAL	FISCAL 2010 ACTUAL	FISCAL 2011 ADOPTED	FISCAL 2011 Q2 PROJECTED	FISCAL 2012 MYFP - PROJECTED	FISCAL 2013 MYFP - PROJECTED	FISCAL 2015 MYFP - PROJECTED	FISCAL 2015 MYFP - PROJECTED
SPENDING ASSUMPTIONS										
Administration and Finance Division	17,164,654	15,845,306	18,536,154	13,731,554	13,651,033	14,898,401	14,538,580	14,829,352	15,125,939	15,428,457
Development Division	2,389,814	2,832,446	2,892,223	2,870,878	3,398,437	3,398,438	3,434,880	3,503,577	3,573,649	3,645,122
General Government Division	2,265,321	3,131,045	2,925,895	2,801,918	2,784,908	2,769,908	2,993,384	3,053,252	3,114,317	3,176,603
Non-Mayoral Division	757,134	765,287	807,558	1,262,991	1,337,132	1,353,502	1,417,303	1,445,649	1,474,562	1,504,053
Health and Human Services Division	7,617,157	8,317,270	8,528,806	8,047,715	8,524,684	9,894,553	10,139,222	10,342,006	10,548,846	10,759,823
Public Safety Division	53,320,000	57,172,232	56,369,902	55,040,121	57,749,845	58,563,965	63,571,572	65,149,765	66,767,190	68,424,825
Public Works Division	18,716,252	16,712,869	15,699,373	12,430,298	14,171,098	14,782,661	19,707,381	20,101,529	20,503,559	20,913,630
Parks & Facilities Division	19,381,375	20,160,730	19,156,500	21,212,624	20,320,840	21,581,034	14,781,676	15,077,310	15,378,856	15,686,433
School Department	274,895,677	296,909,519	282,212,288	310,099,714	310,011,601	321,359,240	332,411,163	342,383,498	352,655,003	363,234,653
Debt	36,470,755	39,522,411	39,231,614	41,455,993	42,404,055	42,404,055	40,778,830	42,002,195	43,262,261	44,560,128
Health Insurance & Fringe	30,506,966	23,934,870	23,119,014	25,368,878	25,320,713	25,445,381	29,012,609	31,603,461	34,453,399	37,588,330
Pensions	18,876,050	21,685,459	20,844,904	22,372,681	24,612,185	24,468,084	31,305,280	29,365,769	30,428,901	31,531,255
Other Spending	4,184,318	4,197,253	6,867,420	10,489,328	9,176,922	8,877,727	9,224,674	9,369,268	9,516,753	9,667,188
TOTAL	486,545,473	511,186,697	497,191,651	527,184,693	533,463,456	549,796,949	573,316,554	588,226,629	606,803,234	626,120,502
REVENUE ASSUMPTIONS										
Property Taxes	141,134,996	144,389,339	158,790,820	165,100,169	161,236,913	163,984,866	160,705,169	162,336,720	163,984,588	165,648,933
Local Receipts	52,976,157	45,260,105	47,973,995	42,537,995	39,866,448	38,606,812	36,357,754	35,757,754	33,857,754	33,857,754
State Aid	305,254,154	328,479,282	304,090,352	316,123,756	319,860,094	319,853,427	329,684,803	332,585,476	335,687,747	338,821,041
Reserves	-	-	11,304,220	10,000,000	12,500,000	15,050,023	-	-	-	-
Net School Spending				4,240,600		10,881,300				
Other Financing Sources				4,349,189		3,554,668				
TOTAL	499,365,307	518,128,726	522,159,387	542,351,709	533,463,455	551,931,096	526,747,726	530,679,950	533,530,089	538,327,729
SURPLUS / (GAP)	12,819,834	6,942,029	24,967,736	15,167,016	(1)	2,134,147	(46,568,828)	(57,546,679)	(73,273,145)	(87,792,773)



APPENDIX 4: FINANCIAL ORDINANCES

COMMONWEALTH OF MASSACHUSETTS

CITY OF SPRINGFIELD FINANCE CONTROL BOARD

EXECUTIVE ORDER

#04-09-13-2009

This Executive Order is issued pursuant to the provisions of Chapter 169 of the Acts of 2004, *An Act Relative to the Financial Stability of the City of Springfield.*

Pursuant to the authority granted under section 4(d)(7) of Chapter 169 of the Acts of 2004, the Springfield Financial Control Board hereby amends Title 4 of the Revised Ordinances of the City of Springfield, 1986, as amended, through further amendment, by adding a new Chapter 4.44 thereto: Financial Ordinances

AMENDING TITLE 4, OF THE REVISED ORDINANCES OF THE CITY OF SPRINGFIELD, 1986, AS AMENDED HEREBY FURTHER AMENDED BY ADDING A NEW CHAPTER 4.44 THERETO: FINANCIAL POLICIES.

Title 4, of the Revised Ordinances of the City of Springfield, 1986, as amended, hereby further amended by adding the following new Chapter 4.44 thereto:

Chapter 4.44

FINANCIAL ORDINANCES

Sections:

- 4.44.010 Compliance with finance laws
- 4.44.020 Ordinances with regard to the budget.
- 4.44.030 Revenue policies.
- 4.44.040 Policies with regard to self-operations.
- 4.44.050 Capital planning policies.
- 4.44.060 Financial reserve policies.
- 4.44.070 Debt policies.
- 4.44.080 Policies regarding cash management.
- 4.44.090 Polices regarding financial reporting and reconciliation.
- 4.44.100 Polices regarding financial responsibilities of departments.
- 4.44.110 Policies regarding grants.

4.44.010 Compliance with finance laws. A. All city employees, agents, boards, commissions and authorities shall comply with all General Laws, Special Acts of the Commonwealth, and city ordinances that relate to finance and financial management.

B. By September 30 of each year, the finance department shall provide to all departments an update regarding the financial policies and ordinances of the city of Springfield. By November 1 of each year, the law department shall provide to all departments an annual update regarding changes to municipal finance law and regulations that may impact departmental operations.

4.44.020 Ordinances with regard to the budget. A. The mayor shall propose to the city council and the city council shall adopt balanced budgets in which non-one-time revenue equals or exceeds expenditures.

B. The city will not balance the budget by using one time or other nonrecurring revenues to fund ongoing expenditures. Transfers from "free cash" and a "stabilization reserve fund" shall be the only exception; appropriation from free cash or a stabilization reserve fund to fund ongoing expenditures shall require a written disclosure by the chief administrative and financial officer of the size of the appropriation, the remaining balance in reserve after said appropriation and a projection as to how the city will finance these recurring expenses in upcoming fiscal years.

C. The city will not use budgetary procedures that balance the budget at the expense of future years, including postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt.

D. The annual budget shall include the following sections: the expenditure budget, a summary of the city's financial condition, an analysis of revenues used in the proposed budget, a proposed allotment schedule for the budget as required by Chapter 656 of the Acts of 1989, an analysis of outstanding debt and a summary of the city's capital condition, including municipal buildings, infrastructure, equipment, rolling stock and information technology.

E. The city's annual budget shall be adopted at the level of departmental salaries, expenses and capital.

F. The budget will provide for adequate maintenance and the replacement of capital plant and equipment. In the event

that the budget is not able to provide for adequate maintenance and replacement of capital plant and equipment, the city will identify and report on the funding gap and the maintenance, equipment and capital which are not funded in the proposed budget. All budgetary procedures will conform with existing state and local regulations.

G. The chief administrative and financial officer shall produce and issue a four (4) year financial plan for the city by March 30th of each year. Said plan shall be comprised of reasonable revenue estimates and all expenditures the city may reasonably experience during said period. All assumptions contained in the forecasts shall be clearly presented within the forecast document.

H. Within two (2) weeks of the start of the fiscal year, the comptroller shall encumber all personnel service funds in all departments for the entire fiscal year for each budgeted position then occupied by an employee.

I. The comptroller shall provide to the mayor and city council a monthly report of revenues and expenditures at the line item level.

4.44.030 Revenue policies. A. The city's annual budget shall include a revenue budget that is created in line item detail for City operations.

B. The City will estimate its revenue using conservative methods and present this along with the balanced budget.

C. The chief administrative and financial officer shall review and propose to the city council an updated fee schedule for each of the city's departments no less than every two (2) years to ensure the cost of services is being adequately recovered.

D. The city may build into its revenue base from one fiscal year to the next an increase in each revenue line item of no more than three percent (3%), with the exception of

1. Real and personal property taxes, whose increase shall not exceed the revenue permitted under law, with New Growth set at a level certified by the Assessors as reasonable.

2. Chapter 70 (school) aid and school building assistance payments from the Commonwealth, which shall be budgeted in an amount no greater than the estimates provided by the Commonwealth of Massachusetts, and

3. Certain fees and fines, which may increase more than three percent (3%) only if the underlying cost of the fee or fine is increased. In such an instance, the city may budget the entire increase associated with the fee and/or fine so long as said revenue assumptions are certified as reasonable by the chief administrative and financial officer.

E. Any revenue increase in excess of the three percent (3%) limit established herein shall be considered upwardly volatile revenue and may only be expended to increase reserve fund levels or to fund non-recurring capital expenditures.

F. The city will maintain property assessment for the purpose of taxation at full and fair market value, as prescribed by State law.

G. The city shall collect all revenue using fair and consistent methods, exercising all powers provided to it under law. On or before May 30th of each year, the city shall commence tax title proceedings against all properties that owe property taxes to the city.

4.44.040 Policies with regard to self supporting operations. A. The city shall annually adopt the rates and fees for all enterprise fund activities, and the chief administrative and financial officer shall propose no less than every two years the rates and fees for all other rate- and fee-supported services in city government.

B. In the event that an enterprise fund requires General Fund or other support because its revenue does not fully support its operations, the finance director and relevant department head shall make a report to city council regarding the fund, its revenue and expenditure position and the reason a deficit occurred.

4.44.050 Capital planning policies. A. For purposes of this ordinance, the term "capital" shall refer to a facility, object or asset costing more than twenty-five thousand dollars (\$25,000) with an estimated useful life of ten (10) years or more.

B. The capital improvement program will directly relate to the long-range plans and policies of the city.

C. The capital improvement plan shall be issued by March 30th of each year and shall be produced by and in the form designated by the chief administrative and financial officer. At a minimum, the capital improvement plan shall be a "rolling" five (5) year plan which shall be submitted to the city council for approval annually.

D. The capital improvement plan shall be reviewed by the capital improvement planning committee and shall include all capital expenditures proposed by the various departments. The committee shall recommend in each year of the plan the capital investments to be funded, and how these expenditures should be financed.

E. The capital improvement planning committee shall be comprised of the city's chief administrative and financial officer or his/her designee, the finance director, a representative from the city council, the director of parks, buildings and recreation management, the budget director, the planning director, the director of capital asset construction, the director of public works and the director of community and economic development or other officials with different titles who perform the duties of said positions. Any member with an interest in a capital item before the committee shall recuse him/herself from deliberations regarding said items. The committee shall provide its recommendations in writing to the mayor and city council. Any capital funding request that is at variance from the committee's recommendation shall be accompanied by a written justification of the variance, including a comparison of cost-benefit analyses for the effected projects.

F. Except as required by an emergency, all approved capital projects must be part of the adopted capital improvement plan. Capital projects that were not included in the capital improvement plan may not be conducted unless an emergency has occurred and a written report explaining the emergency has been provided to the city council.

G. All capital expenditure decisions shall analyze the potential use of alternative energy and fuel/energy efficient technologies and devices, and the use of recycled materials and environmentally preferable products.

H. The capital improvement plan shall include a multi-year forecast of annual debt service requirements for items in the plan to permit the examination of the future implication of debt issuance.

I. Each capital item in the capital improvement plan shall be accompanied by an analysis that includes the identification and cost estimation of additional operational and personnel costs associated with that capital improvement.

J. All proposals for capital improvements shall include a proposed source of funding for each capital improvement. Pay-as-you-go capital funding shall be considered as a financing source for each proposed capital improvement.

K. As part of a comprehensive capital improvement program, the city shall maintain net tax-financed capital improvement expenditures (pay as you go) at a level of one and one-half percent of local source revenue.

L. The finance director shall review the finances and status of all capital projects no less than annually. For a non-construction capital expenditure, the city shall conduct project close out within six (6) months of project completion.

For a construction-related capital expenditure, the city shall conduct project close out within nine (9) months of the end of construction. The city shall release unexpended bond proceeds within six (6) months of project close out and may reuse said proceeds consistent with the provisions of Massachusetts General Law.

4.44.060 Financial reserve policies. A. The city shall maintain an undesignated fund balance of between five percent (5%) and fifteen percent (15%) of general fund revenues, less debt exclusions.

B. In the event that the city's undesignated fund balance falls below five percent (5%) of general fund revenues, less debt exclusions, a plan for specific expenditure reductions and/or revenue increases that will bring the city into compliance with the minimum fund balance requirement shall be submitted to the city council during the next budget cycle.

C. Pursuant to the provisions of Chapter 656 of the Acts of 1989, the city shall maintain a reserve for extraordinary expenses of at least one percent (1%) and not greater than three percent (3%) of the prior year's tax levy. No direct drafts shall be permitted from this fund, but transfers may be made from it in the same manner as required for other budgetary transfers.

D. The amount of money to be held in free cash shall not be less than three percent (3%) or more than six percent (6%) of General Fund operating revenue, less debt exclusions.

E. The city shall maintain a primary stabilization reserve fund equal to between five percent (5%) and fifteen percent (15%) of General Fund operating revenues, less debt exclusions. As prescribed by Massachusetts General Law, however, at no time may an appropriation into this fund exceed 10% of the previous year's property tax levy, nor can the fund balance exceed ten percent (10%) of the equalized value of the city.

F. Pursuant to the provisions of Chapter 169 of the Acts of 2004, the city shall annually fund a capital reserve of at least one and half percent (1.5%) of the committed property taxes from the prior fiscal year. Said fund may be expended on capital projects for which the city may issue bonds for a term of ten (10) years or longer as provided for in Chapter 44 of the Massachusetts General Laws.

G. Whenever the city is self insured for the purposes of property, liability and/or workers' compensation insurance, it shall maintain a Self Insurance Reserve Fund that may be expended to pay for the loss of or damage to municipal property, whose loss or damage would be covered by property and liability

insurance had the city purchased it. Said Reserve may also be used to pay justified damage, liability and workers' compensation claims against the city and shall be in the amount of 5% of the aggregate assessed valuation of City Hall, Symphony Hall and the Campanile.

4.44.070 Debt policies. A. The city shall comply with debt limitations as detailed in Massachusetts General Law.

B. The City shall manage the issuance of debt in line with the following debt ratios:

1. General Fund debt service as a percentage of general fund revenues, net of debt exclusions - not to exceed eight percent (8%).

2. Enterprise fund debt service as a percentage of enterprise operating revenue - not to exceed fifteen percent (15%).

3. Percentage of total debt that will be retired at the end of ten (10) years - at least sixty-five percent (65%).

C. Short-term debt, such as bond anticipation notes, tax anticipation notes, or grant anticipation notes, may be used when it provides immediate financing and an interest rate advantage, or if there is an advantage to delaying long-term debt until market conditions are more favorable.

D. The city may use inter-fund and inter-account operating loans rather than outside debt instruments to meet short-term cash flow needs. Such loans may only occur if the affected fund or account has excess funding available and the use of these funds will not impact the fund's or account's current operations. All such loans shall be repaid by June 30th of each year.

E. Any bond anticipation debt will be retired within six (6) months after completion of the project it financed.

F. Short-term debt will not be rolled over beyond two (2) years without a principal pay down or as prescribed by state law.

G. The term of debt issued to finance capital improvements or procurements may not exceed the useful life of the asset or improvement so financed.

H. The city shall conduct debt financing on a competitive basis unless, for reasons of market volatility, unusual financing structure or a complex security structure the city would be better served through a negotiated financing.

I. In all instances in which the city issues bonds or notes of a term exceeding twelve (12) months, the city shall utilize the services of a financial advisor firm to advise it on structuring the transaction, issues related to the compensation paid to firms involved in the transaction and other items. Said

firm may not have served as underwriter for a city debt transaction during the thirty-six (36) months prior to the issuance of the bonds or note then being financed.

J. The finance director shall annually conduct and release to the public a report on the amount and affordability of debt issued by the city, using established and generally accepted benchmarks as a basis for comparison.

K. The city shall establish and maintain a debt schedule that avoids large increases in debt service on a year-to-year basis, and shall seek to use an "equal principal" repayment structure rather than level debt service structure.

L. The City may issue refunding bonds if the savings associated with the refunding are at least twice the cost of issuing the refunding bonds, there are positive savings in each year of the refunding bonds so issued, the present value of the savings is at least three percent (3%) of the par amount of the refinancing issuance, and the refunding bonds do not extend the term of the debt to be refinanced.

M. The city may not use bond proceeds to finance operating expenses other than those certified by the chief administrative and financial officer as being specifically related to implementation of the project. The city may not use bond accounts or bond proceeds as a source of inter-fund or inter-account operating loans.

N. The City shall comply with all Federal and State government laws and polices with regard to arbitrage earnings on bond proceeds.

4.44.080 Policies regarding cash management. A. The city shall manage its cash resources in a prudent and diligent manner with an emphasis first on safety of principal, second on liquidity and third on financial return on invested cash. The treasurer/collector shall ensure investment managers who invest municipal funds operate in a manner consistent with these requirements.

B. Except when cash is invested in the Massachusetts Municipal Depository Trust, the city shall not invest cash in instruments with a term exceeding three hundred sixty-five (365) days. Cash invested outside of the Massachusetts Municipal Depository Trust shall only be invested in cash, money market funds and certificates of deposit, with a preference for insured certificates of deposit where appropriate. The city shall not invest in derivatives of cash products or any structured financial vehicle.

C. The treasurer/collector shall submit a written report with regard to the city's cash investments to the office of internal audit no less than quarterly. Said report shall be in

the form required by the director of internal audit and shall document the city's cash investments in detail to ensure compliance with Massachusetts General Law and relevant policies and ordinances.

D. Except as otherwise provided for in Massachusetts General Law, all fees, fines and other revenue shall be collected by the office of the city collector. The finance director may permit individual departments to collect fees, fines and other revenue if, in his/her judgment, said department has established proper policies, procedures and controls and that said controls are followed at all times. All receipts collected by any department shall be forwarded to the city collector on a daily basis or on another schedule as may be approved in writing by the finance director.

E. The finance director shall develop, document and publish a system of internal controls for cash management, including but not limited to receipt of money, safeguarding of assets, verification of accuracy, use of financial computer systems, promotion of operational efficiency, proper segregation of duties and others.

4.44.090 Policies regarding financial reporting and reconciliation. A. All department heads shall notify the chief administrative and financial officer in writing within one (1) week of becoming aware of non-compliance with any financial ordinance or policy of the city of Springfield. The chief financial officer shall provide a written report to the city council when the city fails to comply with any financial policy of the city of Springfield. Said report shall occur within three weeks of the failure to comply, and shall be updated no less than annually. This shall explicitly include instances of intentional non-compliance, such as the use of non-recurring revenue (reserves) to support the operating budget, failure to maintain minimum reserve fund levels, and others.

B. The comptroller shall produce and present to the mayor and chief administrative and financial officer a statement of monthly revenues and monthly expenditures, both of which shall be compared to budget estimates and historical trends.

C. The treasurer/collector shall reconcile the city's revenues and bank accounts on a monthly basis, within fifteen (15) business days of the close of each month.

D. The city shall reconcile revenues and expenditures for each fiscal year within two (2) months of the end of the fiscal year.

4.44.100 Policies regarding financial responsibilities of departments. A. All departments authorized to collect receipts

by the finance director shall remit them to the city collector on a daily basis, or on another schedule approved by the finance director in writing on a case by case basis.

B. All departments shall utilize the city's central accounting system and shall post all financial transactions thereto in a timely manner.

C. No department shall open an account in any financial institution or maintain a checkbook or other means of receiving or making payments without the prior written approval of the finance director and may not make any payment outside of the city's central financial system.

D. No department shall be permitted to over-expend a line item in its budget unless authorized to do so by Massachusetts General Law, and then only after following the procedures established in said Laws. Pursuant to Chapter 656 of the Acts of 1989, any department head who over-expends their budget may be held individually and personally liable and required to make payment to the city in the amount of the over-expenditure, with determination of said liability made by the mayor.

E. No department may seek procurement for any capital project for which funding is not legally available via appropriation, bond funding, grant funding, gift or other legal source unless specifically permitted by law. In instances where law permits procurement without a previously-identified funding source, said department must seek and receive the approval of the finance director prior to initiating procurement activity.

F. All departments that issue fines and tickets under law and city ordinance shall provide written monthly reports to the finance director of the number and dollar value of tickets issued and paid. Said report shall be reconciled prior to submission so as to provide an accurate accounting of collections and outstanding unpaid balances to date.

G. The city shall commence and actively pursue collections activities against properties which are delinquent on their property taxes and personal property taxes at the earliest timeframe permitted by law.

4.44.110 Policies regarding grants. A. The grant director shall oversee all grants for the city of Springfield and, to the extent permitted by law, for the Springfield public school department. With the approval of the chief administrative and financial officer, he/she shall establish policies and procedures regarding the management and administration of grants, including the submission of grant applications for funding.

B. Departments shall be encouraged to pursue all available grants funding consistent with the mission and strategic direction of the department and the city.

C. All grant applications shall be reviewed by the grant director prior to submission. Departments shall provide all information requested by the grant director in a timely manner to allow proper oversight and reporting to grantors and others.

D. To the extent allowed by the granting entity, all grant applications which seek to fund personnel costs shall request funding for fringe benefit costs. A department applying for a grant which can not pay for fringe benefits shall stipulate to the grant director in advance how the department will pay for the related fringe benefit costs.

E. Grant funds shall be expended prior to the expenditure of general fund operating budgets whenever possible. Grant reimbursements shall be submitted in a timely manner; a schedule for submitting grant reimbursements, which shall be binding on all parties, may be established by the finance director if he/she finds that reimbursements are not taking place in a timely manner.

F. Department heads shall notify the finance director no later than three (3) months prior to the expiration of a grant if they reasonably believe grant funds may be returned unspent to the granting agency.

G. All employees, entities, boards, commissions or others which submit grant applications requiring a city match shall identify an available source of funding which shall serve as the matching funding for the grant, prior to submitting the grant to the grant director for review.

H. No employee paid in whole or in part from the General Fund shall be moved to being funded by a grant without the prior written approval of the finance director. No employee who is paid in whole or in part from a grant shall be moved to being funded by the General Fund without the prior written approval of the finance director.

Approved as to Form

Associate City Solicitor



APPENDIX 5: RATING AGENCY REPORT

**STANDARD
& POOR'S**

225 Franklin Street, 15th Floor
Boston, MA 02110-2804
tel 617 530-8303
reference no.: 40298897

February 17, 2011



City of Springfield
City Hall
36 Court Street
Springfield, MA 01103
Attention: Mr. Timothy Plante, Director of Finance

Re: *City of Springfield, Massachusetts, General Obligation Bonds*

Dear Mr. Plante:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have affirmed the "AA-" rating and changed the outlook to positive from stable. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Mr. Timothy Plante
Page 2
February 17, 2011

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

If you have any questions, or if we can be of help in any other way, please feel free to call or contact us at nypublicfinance@standardandpoors.com. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. We appreciate the opportunity to work with you and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a Standard & Poor's Financial Services LLC business

Standard & Poor's (signature)

cf
enclosure

STANDARD & POOR'S

Standard & Poor's Ratings Services Terms and Conditions Applicable To Public Finance Ratings

You understand and agree that:

General. The ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. A rating is not a recommendation to purchase, hold, or sell any securities nor does it comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular rating outcome nor provides or will provide consulting, advisory, financial or structuring advice.

All Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private rating or a withdrawal of a rating, or termination of this Agreement. Ratings Services will not convert a public rating to a confidential or private rating, or a private rating to a confidential rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private rating or the existence of a confidential or private rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services all information requested by Ratings Services in accordance with its applicable published ratings criteria. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, as of the date such information is provided, (i) contains no untrue statement of material fact and does not omit a material fact necessary in order to make such information, in light of the circumstances in which it was provided, not misleading and (ii) does not infringe or violate the intellectual property rights of a third party. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean verbal or written information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such

information is “Proprietary and Confidential.” Notwithstanding the foregoing, information disclosed by you or your agents or advisors to Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party’s disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates. Ratings Services acknowledges that it is aware that U.S. and state securities laws impose restrictions on trading in securities when in possession of material, non-public information and has adopted securities trading policies to that effect.

Ratings Services’ Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may (i) use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and (ii) share Confidential Information with its affiliates engaged in the ratings business who are bound by appropriate confidentiality obligations; in each case, subject to the restrictions contained herein, Ratings Services and such affiliates may publish information derived from Confidential Information. Ratings Services may also use, and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations (“Relevant Affiliates and Agents”), for modelling, benchmarking and research purposes; in each case, subject to the restrictions herein, Ratings Services and such affiliates may publish information derived from Confidential Information. With respect to structured finance ratings not maintained on a confidential or private basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors (“Relevant Data”), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, such publication would not breach any confidentiality obligations you may have toward third parties. Ratings Services will comply with all applicable U.S. and state laws, rules and regulations protecting personally-identifiable information and the privacy rights of individuals. Ratings Services acknowledges that you may be entitled to seek specific performance and injunctive or other equitable relief as a remedy for Ratings Services’ disclosure of Confidential Information in violation of this Agreement. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an “expert” or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an “underwriter” or “seller” as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Rating Services has not performed the role or tasks associated with an “underwriter” or “seller” under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. As of the date of this Agreement, (a) neither you nor the issuer (if you are not the issuer) or any of your or the issuer’s subsidiaries, or any director or corporate officer of any of the foregoing entities, is the subject of any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC Sanctions”), (b) neither you nor the issuer (if you are not the issuer) is 50% or more owned or controlled, directly or indirectly, by any person or entity (“parent”) that is the subject of OFAC Sanctions, and (c) to the best of your knowledge, no entity 50% or more owned or controlled by a direct or indirect parent of you or the issuer (if you are not the issuer) is the subject of OFAC sanctions. For so long as this agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services’ Use of Confidential and Private Ratings. Ratings Services may use confidential and private ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services may disclose a confidential or private rating as a confidential credit estimate or assessment to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates or

assessments on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent Ratings Services from acting in accordance with applicable laws, regulations and Ratings Services' policies as published from time to time. Subject to the prior sentence, this Agreement, including any amendment made in accordance with provisions hereof, constitutes the complete and entire agreement between the parties on all matters regarding the rating provided hereunder. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors hereunder, including without limitation, terms and conditions found on, or applicable to, websites or other means through which you or your agents and advisors make such information available to Ratings Services, regardless if such terms and conditions are entered into before or after the date of this Agreement. Such terms and conditions shall be null and void as to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are finally determined by a court of competent jurisdiction in a proceeding in which you and Ratings Services are parties to result from gross negligence or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of seven times the aggregate fees paid to Ratings Services for the rating giving rise to the cause of action, up to a maximum of US\$5,000,000 except to the extent such monetary damages directly result from Ratings Services' intentional wrongdoing or willful misconduct. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third-Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended or superseded except by a writing that specifically refers to this Agreement and is executed manually or electronically by authorized representatives of both parties.

Governing law. You irrevocably agree that this Agreement and the rating letter, for purposes of any claim against Rating Services that may be asserted by you, your affiliates or any person asserting claims on your behalf, shall be governed by the internal laws of the State of New York. You irrevocably agree that, for purposes of any claim against Rating Services that may be asserted by you, your affiliates or any person asserting claims on your behalf in any dispute arising out of or relating to this Agreement, the state courts of New York located in the County of New York or the U.S. federal court for the Southern District of New York shall be the exclusive forums for such disputes and the parties hereby consent to the personal jurisdiction of such courts. For purposes of any claim against you that Rating Services may assert in any dispute arising out of or relating to the Agreement, neither party waives its right to contest the applicable governing law or the appropriate forum, including in connection with any assertion of sovereign immunity.

Massachusetts Qualified Bond Program

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Credit Profile

Chelsea GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Hampshire Regl Sch Dist GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Haverhill GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Lowell GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Springfield GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised

Ratings Detail

Rationale

Standard & Poor's Ratings Services has revised the rating outlook on Massachusetts' qualified bonds to positive from stable following the revision of the rating outlook on the commonwealth's general obligation (GO) bonds to positive from stable.

Standard & Poor's rates intercept or withholding programs that meet certain requirements at a level one notch off the rating on the commonwealth's GO debt—on par with the rating on the commonwealth's appropriation debt—reflecting the appropriation nature of the intercept or withholding mechanism. Accordingly, if the commonwealth rating changes, so will the program rating. The Massachusetts Qualified Bond Program meets this requirement.

Under the Qualified Bond Act (Massachusetts General Law, Chapter 44A), the state treasurer pays debt service directly to the paying agent and withholds the amount of the payment from the borrower's annual state aid appropriation. Approval by the Municipal Finance Oversight Board (formerly the State Emergency Finance Board), which oversees and monitors the program, is required.

The upgrades affect only the following Massachusetts municipalities and school districts, which have qualified debt rated by Standard & Poor's: Central Berkshire Regional School District, Chelsea, Fall River, Gloucester, Hampshire Regional School District, Haverhill, Hawlemont Regional School District, Lawrence, Lowell, Lynn, Medford, Pittsfield, Quincy, Revere, Salem, Springfield, and Taunton.

(For more information on the commonwealth, please refer to the full analysis titled "Massachusetts," published on Feb. 10, 2011, on RatingsDirect on the Global Credit Portal.)

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008

Ratings Detail (As Of 18-Feb-2011) (cont.'d)		
Central Berkshire Regl Sch Dist GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Fall River GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Gloucester GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Hinsdale GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Lawrence GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Lowell GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Lynn GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Medford GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Revere GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Salem GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Springfield GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Taunton GO bnds		
Long Term Rating	AA-/Positive	Outlook Revised
Hawlemont Regl Sch Dist GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Pittsfield GO bnds		
Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
Quincy GO bnds		

Ratings Detail (As Of 18-Feb-2011) (cont.'d)

Unenhanced Rating	AA-(SPUR)/Positive	Outlook Revised
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Many issues are enhanced by bond insurance.

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The McGraw-Hill Companies



APPENDIX 6: NEWS AND ARTICLES

Worcester Business Journal

Economic Forecast: 11 For 2011

12/27/10

This year, for the first time ever, the Worcester Business Journal editorial team has put together its own set of predictions for the coming year. We tackled the hottest business topics and made educated guesses as to where our economy is headed.

Keep our list of 11 predictions for 2011 handy throughout the next 12 months. We'll review how accurate we were this time next year.

1. Unemployment

PREDICTION

Rate will decrease to 7 percent in Massachusetts

The unemployment rate in Massachusetts hovered around 9 percent for much of 2010. But toward the end of the year, the rate improved, hitting a low point of 8.1 percent during October.

In 2011, we expect the unemployment rate to continue to decline, reaching a low point of 7 percent during the fall months.

Massachusetts will continue to fare better than the nation as a whole when it comes to unemployment. The MetroWest region will fare the best in 2011, reaching an unemployment rate of 6.5 percent next year.

2. Financial Services Sector

PREDICTION:

More consolidation to come

2010 was pretty light in terms of consolidation in the banking sector in Central Massachusetts. There was one bank failure - Marlborough-based Butler Bank - but no mergers or acquisitions. That makes 2010 an anomaly compared to the last few years, where there was a flurry of activity, most notably Worcester-based Commonwealth National Bank's acquisition by West Springfield-based United Bank in 2009.

In 2011 we're sure to see an uptick in activity. With increased regulations driving up costs for banks and credit unions, the smallest institutions in our region - with less than \$100 million in assets - will struggle to stay competitive. There is likely to be a number of mergers, or at a minimum strategic partnerships, in the year ahead.

3. Dow Jones Industrial Average

PREDICTION:

The Dow will hit 12,500

Remember the good old days when the stock market just kept going up and up and our 401(k)s just kept growing? Well, we all learned in 2008 that what goes up must come down. And it stayed down for much of 2009. But the stock market has come back in force over the last 12 months.

As of the deadline for this publication, the Dow Jones Industrial Average was at 11,478. That's up nearly 11 percent for the year. We expect the Dow to hit a high of 12,500 next year, which would be an 8-percent increase over 2010.

4. Mobile Technology

PREDICTION:

QR Codes will pick up steam

Smartphones like the iPhone or Android already seem ubiquitous. But the truth is, only 28 percent of Americans own the devices. But

that number is only going to grow and pretty soon, your only choice will be to buy a smartphone at the store. As adoption of mobile technology ramps up, we expect QR Codes, also known as 2D barcodes, to flourish. You'll start seeing them popping up in print advertisements and tradeshow with great frequency in 2011.

5. CitySquare

PREDICTION:

Another major office tenant will sign

Worcester has had its fair share of false starts when it comes to downtown development. But we believe strongly in the CitySquare project now that it has the backing of Hanover Insurance of Worcester and Leggatt McCall of Boston. Demolition has already begun on the massive parking garage attached to the former Common Outlets Mall and Unum has signed on as the major office tenant. We fully expect another major office tenant to finalize a deal for the development in the next 12 months.

6. Home Prices

PREDICTION:

Will rise a modest 3%

The housing market has not recovered as quickly as we might have hoped. The median price of a single-family home in Massachusetts reached \$289,000 in October 2010, a 3.2-percent increase of the same month a year earlier, according to data from The Warren Group of Boston. At the same time, homes are staying on the market for a prolonged period of time.

With such tepid demand through the end of 2010, we expect growth in the housing market, but not much. Look for an average increase in housing prices of just 3 percent in 2011.

7. Consumer Spending

PREDICTION:

Creeps up by 4%

Americans have been sitting on their money ever since the economic collapse of 2008. Personal spending dropped 0.3 percent in 2008 and 1.2 percent in 2009. In 2010, spending began to recover and increased by nearly 3 percent during the third quarter.

We expect spending to continue its increasing trend line after catching some momentum during the holiday season.

8. Media

PREDICTION:

Online-only news sites will take hold

2010 was the year of the online news site. Several local sites under the CentralMassNews.com umbrella sprung up around Worcester in the last 12 months, while the national chain owned by AOL, Patch.com, entered the MetroWest market with several community-focused news sites. In 2011, look for an increase in traffic to these sites and greater penetration in the local markets. At the same time, established community news publications, including the Worcester Telegram & Gazette, will continue to up its online efforts to stay competitive.

9. Commercial Real Estate

PREDICTION:

Vacancy rates in MetroWest will improve modestly

Drive around the MetroWest/Interstate 495 corridor and you'll likely see a fair number of so-called "see-through buildings." Economic conditions have not been kind to the commercial real estate sector, and we don't expect any major improvements in 2011. There aren't enough companies adding workers to prompt major moves and

Massachusetts' tax climate won't make it a major draw for out-of-state firms. But overall improving conditions should help office vacancy rates drop below 20 percent in 2011.

10. Casinos

PREDICTION:

Another gaming proposal will fail

We expect 2011 to feel a bit like Groundhog Day on Beacon Hill. After an effort to allow resort-style gambling failed early in 2010, there was talk by the end of the year of another set of proposals. We fully expect a new proposal for some form of gambling to go before the Legislature, but we are predicting that this effort will once again fall short.

11. Health Care

PREDICTION:

New legislation will address costs

All the stars seem to be in alignment for a renewed focus on controlling health-care costs in Massachusetts. Talk to any business owner and they'll tell you about the unsustainable premium increases. Talk to any hospital executive and they'll tell you about their own frustrations with our current system. With little happening on the federal level to seriously curb costs, the Bay State will take the issue into its own hands and propose changes in 2011 that will take the cost conundrum head-on.



Road to recovery still long, winding

Sunday, February 13, 2011

By **JIM KINNEY**

Business writer

Patricia H. Crosby, executive director of the Regional Employment Board of Franklin and Hampshire Counties, is having a more difficult time getting volunteer executives to show up for meetings.

And that, she said, is a good thing.

"People are getting busier," she says. "Businesses are getting busier."

Better, but not yet good is how just about everyone describes the economy here in the Pioneer Valley.

Many economic indicators, from retail sales to home prices, are rising.

Bright spots on the horizon include: Smith & Wesson plans to move 225 jobs here from Rochester, N.H.; Baystate Health's nearing completion on its \$259 million Hospital of the Future; and plans for the state data center in Springfield.

But, the only economic indicator most people care about, the unemployment rate and the prospects unemployed people have for finding work, seems mired at recession levels, leaving many people wondering if recovery is just around the corner or if there is still a long road back.

The state's unemployment rate was 8.2 percent in November and December, lower than the national average of 9.4 percent, but Western Massachusetts has had a consistently higher unemployment rate.

James T. Brett, president and chief executive of the New England Council, a Boston business lobbying firm, says it could take until 2014 for the state's economy to gain back all the jobs it has lost. Companies lay off in big chunks but add in ones and twos, he said.

"I think there are a lot of base hits that we can all hit," said Brett. "But, there is no magic bullet. It's going to be a long process, but we are on the right road."

The gross regional product, a measure of all the goods and services produced, of the Pioneer Valley, rose by 0.7 percent in the third-quarter of last year, according to a study by the Brookings Institution. That's about the same average growth as the nation as a whole, according to Brookings, a Washington-based think-tank.

The valley's gross metropolitan product is down 0.9 percent since the peak of the last economic cycle in 2008. Once again, that's about equal to the national average of 1 percent decline.

In its year-end "Beige Book" economic report, the Federal Reserve Bank of Boston said companies were telling researchers there to expect moderate, but steady growth over 2011. It also warned that rising prices for commodities, like fuel and food, could prove to be a problem.

Robert J. Nakosteen, a professor of economics and statistics at the Isenberg School of Management of the University of Massachusetts at Amherst, points to that pesky unemployment rate which never seems to change.

"We seem to have hit a pause button," Nakosteen said. "It may be that in the next few months we are going to see the corner really turn."

But Western Massachusetts is still expected to lag. Nakosteen said a tight state budget will hurt municipalities, not to mention UMass and Westfield State University, both major drivers in the region's economy. Also, manufacturing and construction are always slow to take off in an economic recovery, he said.

But the state has added 45,600 jobs in 2010, according to Joanne F. Goldstein, state secretary of Labor and Workforce Development. Goldstein is especially happy that the job gains are across all sectors of the economy, including 11,500 new jobs in science, engineering and professional services for a gain of 2.5 percent, and 12,000 new jobs, or 1.8 percent, in education and health-care services.

All important and highly-paid manufacturing jobs are up just 600 jobs, or 0.2 percent.

"Manufacturing is a tough sector to grow in," Goldstein said, "but, Governor (Deval L.) Patrick and the administration are focused on those industries."

The automation and efficiencies that make it cost-effective for manufacturers to stay in business also make them unlikely to add jobs, said Andre Mayer, senior vice president for research at Associated Industries of Massachusetts, a business lobbying group.

"If you go to one of these factories, they have one person running four machines," Mayer said. "It's when you push that to one guy running five machines that you start to have trouble. It's a metaphor, but that is going to be what starts happening."

The high cost of health-care coverage is going to serve as a brake on that growth, Mayer said. Health-care costs impact small and mid-sized employers more heavily because they don't have much bargaining power in the marketplace.

Rexene A. Picard, executive director of FutureWorks, a one-stop career center in Springfield, says there are jobs to be had, especially in the often overlooked medical fields like laboratory technician or phlebotomist. There is also demand for machinists who know how to run computer-numerically-controlled lathes.

Many job seekers made the mistake of holding out for a job that paid at least what they were making before getting laid off, said Kevin E. Lynn.

"Which is understandable," Lynn added.

But, studies have shown that if people take a job, any job, as soon as they can after being laid off they can usually work their way back to their former salary in a year. Simply put, it's easier to find a better job if you have a job, even if the job you have is not that impressive.

"We have recruiters tell us they don't want to see anybody who is out of work," Lynn said. "It's outdated thinking. But they figure if you got laid off there must be something wrong."

Jim Kinney can be reached at jkinney@repub.com

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PMplus



Managing Government in Hard Times: Prudent Options for Balancing Public Budgets

by Roger Kemp, Ph.D.

Public officials in communities across the nation have to balance their respective budgets, keep tax increases to a minimum, and make every effort to maintain existing public services. Particular fiscal problems can be state specific, but at this difficult time in our nation's history, all local officials must cope with these difficult issues.

Local government officials can make good use of lessons learned from the past. There is no need to reinvent the wheel when it comes to balancing public budgets in hard times.

The national pressure for cutback management began in the state of California a generation ago. At the time, I was both working for the city of Oakland, California, and preparing my doctoral dissertation. For my dissertation I chose the subject of coping with Proposition 13 because I had been assisting in developing the city's budget in response to the revenue reduction imposed by this citizens' mandate. The practices I learned from this experience, plus my other budget reduction experience that has been gained from serving in communities on both coasts of the United States since then, are reflected in this article.

Over the years, numerous budget development processes have projected, enhanced, and protected revenues; guided department managers and elected officials; and worked to ensure that public services were reduced only marginally, with the goal of balancing the annual budget in the most positive way possible.

Strategies, measures, tactics, and programs useful for today's public officials—both elected and appointed—are noted below. The purpose of presenting these options is to ensure that budget reduction practices and adoption processes are prudent yet optimize the use of existing revenue sources and make every effort to minimize the reduction of public services to citizens being served.

No new public services. During difficult financial times, there must be a policy of no new public services. No additional services should be added to the budget unless they are cost covering from a revenue standpoint. This means that, if user fees and charges cover the cost of providing the service, then it can be approved. If not, consideration of the service must be postponed until subsequent fiscal years. This is a fact of life when revenues are limited.

Implement a hiring freeze. One of the most obvious ways to save money is to impose an organization-wide hiring freeze. During these difficult financial times, elected officials early in the budgetary process should officially approve a hiring freeze. This creates immediate savings

in salaries, fringe benefits, and other budget line items used in the provision of public services. Everyone should know that the elected officials are taking such action to avoid or at least minimize layoffs of employees and reductions of services later in the budget development process.

Form a union-management cost-savings committee. To balance public budgets, it is a positive measure to involve major stakeholders such as public unions in the process. The local government manager should meet with union representatives as appropriate (usually one member from each union) and ask for their cooperation in reviewing expenses and operations and in jointly recommending ways to save funds and avoid employee layoffs if at all possible. Asking elected officials for approval to form such a committee should have a positive effect because a message is being sent to citizens that both management and unions are involved in reducing the budget.

Update user fees and charges. Reevaluating the user-fee structure seems self-evident, but few cities and counties routinely update their user fees and charges for public services. Although the private sector updates prices annually because of increased costs, governments seldom perform this task with any regularity. User fees and charges should be updated to reflect the actual cost of providing the services rendered to the public. It is also appropriate to provide discounts or free-use periods to selected citizens subject to the approval of their elected representatives.

Check existing enterprise funds. The national trend is to create enterprise funds in which the user fees and charges generated by the service make it cost covering. These funds are appropriate when only the users of a specific service benefit from its provision (sewer, water, arenas, stadiums, museums, golf courses, parking, and the list goes on). As budgets increase for such services, the user fees and charges should increase also, to ensure that the revenues cover the entire cost of providing the service. If discounts are approved for certain groups, user fees and charges must be increased for other citizens who use the service in order to offset this revenue loss.

Create other enterprise funds. After you check your existing enterprise funds, also review your government's public services to see whether other services should be set up in this manner. Sewer and water services have long been cost covering from a revenue standpoint, but other public services must be considered for enterprise fund status when they do not benefit the entire community. If a public service benefits only certain citizens, then those users should pay for the cost of the service. Funding for golf courses, arenas, stadiums, zoos, and museums is headed in this direction.

Use one-time revenues wisely. It is not usually fiscally prudent to use one-time revenues or budgetary savings to fund future operating expenses. The only sound financial practice is to use one-time revenues or budget savings to fund one-time expenses, both operating and capital, as appropriate and subject to the approval of elected officials. Using one-time revenues and budget savings to finance operating expenses merely exacerbates an organization's fiscal problems in the future.

Always seek available operational grants. Make sure that the staff is informed and knowledgeable about all existing grants from other levels and types of governments as well as appropriate nonprofit foundations. Every public agency should attempt to take advantage of all external funding sources for which it may qualify, including grants made available from

nonprofit foundations. Most public libraries have reference books that list both regional and national nonprofit organizations and the programs for which they provide funding.

Optimize the use of available infrastructure grants. The federal government has made these grants available in the past under different administrations. When city and county managers know these funds are available, they should have their elected officials approve a projects list and start preparing plans and specifications to fast-track major projects that qualify for this funding. It is common for a local government to spend money up front to obtain engineering services in order to have important projects shovel ready when the grant funds become available. These project-related costs are often reimbursed subsequently by such grant programs.

Take measures to accommodate the truly needy. Elected officials and their staffs should not forget that, when public services are reduced and user fees and charges are increased, special consideration should be given to truly needy citizens. Special provisions, as defined and approved by elected officials, should be made for these residents. Modest user fees and charges, along with discounted charges that can include free use during low-utilization periods, are entirely appropriate during difficult financial times.

Consider employee work furloughs. The use of employee layoffs to balance a public budget should be a last resort. Efforts should be made to work with employee unions to avoid layoffs. One of the options available to save public funds and balance budgets is to have an employee work furlough. This requires selected employees to take time off for a number of days, up to a few weeks, typically staggered throughout the fiscal year, to reduce costs and minimize disruptions to public services. Elected officials usually favor this option because public services are not reduced substantially.

Avoid employee layoffs. Several options are available to save money, balance budgets, and avoid employee layoffs. Management and union representatives can agree to open labor negotiations to discuss various cost reduction and expense deferral options. Because governments basically deliver services, most of which are provided by people, public budgets are driven by salaries and fringe-benefit costs. All of these expenses can be reduced or deferred to avoid employee layoffs and severe service reductions. This is an appropriate option for major budget reductions.

Follow prudent bonding practices. The staff should recommend, and elected officials should approve, fiscally responsible bonding practices for all bond-funded public projects. Revenue bonds can be used to finance those projects with a solid revenue stream. General obligation bonds are typically used to finance public improvements and land acquisitions when no, or minimal, revenues are generated by these projects.

General obligation bonds are backed by the full faith and credit of the issuing government and have lower interest rates than revenue bonds. Public officials should also have established cost-limit policies for capital projects, land acquisitions, and major equipment purchases to qualify for bond financing. Also, some states provide bonding services to their local governments, which serves to aggregate purchases and thus provide lower interest rates for a bond issue.

Provide timely budget information to everyone. When reducing a public budget, make it a point to pursue all financial options to reduce operating costs and generate additional revenues. This means that all available operational and fiscal options should be listed and presented to

elected officials for their review and consideration. It is entirely appropriate to start such budget review practices early during the fiscal year. This means that city and county managers should have their staffs prepare revenue projections early to allow time to work with department managers and employee unions to explore all service reduction, revenue enhancement, cost reduction, and expense deferral options.

Direct department heads to look for accrued savings. Early in a difficult fiscal year, a directive should be sent to all department managers asking them to review their approved budgets with the goal of holding down expenses, including employee-related expenses such as overtime as well as those operating expenses that can be reduced immediately without negatively impacting public services. Everyone should be told that this effort is being made to increase budgetary savings to offset the projected deficit for the coming fiscal year and to minimize possible future service reductions and employee layoffs.

Consider early retirement programs. Everyone agrees that senior employees cost more than entry-level employees. To the extent that an early-retirement program, such as a small pension incentive, can be offered to encourage senior employees to retire, it will save any public agency considerable funds in the future. New employees for most jobs start at the entry level, saving salary and fringe-benefit expenses. The hiring of new employees can also be deferred, if necessary. Early-retirement programs are considered a favorable expense reduction option by public unions and their employees.

Implement prudent financial policies. More public agencies should be approving prudent financial and budgetary policies, especially during these difficult economic times. This is a public and official way to give direction to all employees. Many local governments wait until there is a budgetary or financial problem before adopting financial policies.

Because of this, such policies sometimes tend to be problem-specific. Now is the time to proactively adopt sound fiscal policies. By doing this, public officials will give permanent direction to their staffs and mitigate the impact of future financial difficulties during the coming years. When such policies are established by elected officials, and approved publicly, they stay in place until they are changed by majority vote at a future public meeting.

Review existing funds for appropriateness. Periodically, when the annual audit takes place, the auditor and top management and financial staff should be requested to review all of the organization's funds, and their balances, for appropriateness. Some funds may have been established for a purpose that has been changed by subsequent circumstances or legislation.

The size of all existing funds should also be reviewed to ensure that the funds do not exceed the level desired when they were established. Any changes to existing funds, or their levels of funding, should be reviewed with elected officials and must be changed at a public meeting as a part of the budgetary process. Any excess fund balances, or funds no longer needed, can be transferred to the general fund to offset a potential financial deficit.

Rank public service levels. One of the greatest problems in reducing any budget is the highly political question of the relative value of various public services. Public services may be categorized into four service levels:

Level 1 comprises essential public services, which should not be reduced under any circumstances. Basic minimal levels of police, fire, health, and public works services fall into this category.

Level 2 comprises those programs that are highly desirable, but not absolutely essential.

Level 3 comprises the nice-but-not-necessary services that have significant value but do not provide essential or necessary services to the public.

Level 4 services can be described as the first-to-go programs because they are not essential and serve only a small portion of the community.

The criteria used to rank public services should be determined by elected officials as they consider budget reduction options.

Evaluate the impact of service-level reductions. To properly assess proposed service reductions, their relative impact on prevailing services must be determined. Many program reductions, because of existing personnel vacancies, may have no substantial impact on services; however, other service reductions may have a measurable impact. Four stages of service reductions can be used for this purpose:

Stage 1 reductions would reduce a substantial portion of a program or eliminate the program entirely.

Stage 2 reductions would reduce a sizable portion of a program but would not affect basic services.

Stage 3 reductions would reduce only a small portion of a program and not affect essential public services.

Stage 4 reductions would have little or no impact on prevailing public services.

Management can recommend such criteria, but elected officials determine the final rankings.

Prepare public service impact statements. Last but not least, before final decisions are made on reducing a government's budget, citizens should be informed of the impact that a monetary decrease has on the services selected for possible reduction. Each budget reduction proposed should come with a public service impact statement. This information should be provided with the list of proposed budget reductions given to elected officials.

The statement should also be made available to citizens at the public hearings and meetings held on budget reductions. If time permits, signs should be prepared and placed at those public facilities where services might be reduced. Public officials have an ethical obligation to properly inform the public of the operational impact of their financial and budgetary decisions.

There is no doubt that these are difficult financial times for local public officials who represent the citizens and manage their organizations. All of these financial, budgetary, and operational choices are difficult to make, but they are a sign of the times. The sorting and prioritizing of public programs, and the rational reduction of government spending, form the most pressing

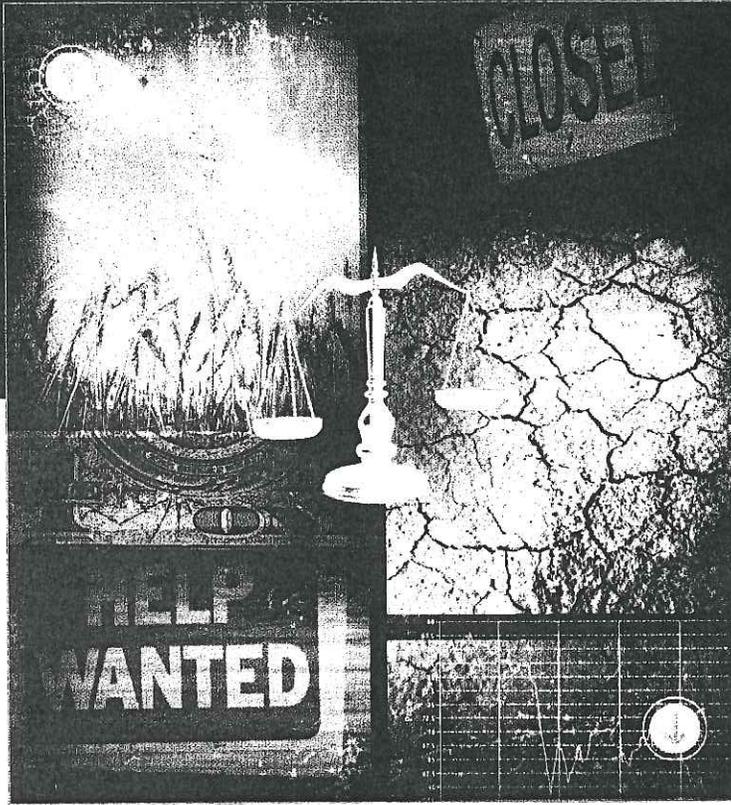
challenge facing public officials today. Analyzing the political and administrative choices implemented by other local governments over the years will facilitate the use of orderly and sound options by today's public officials as they balance their communities' budgets.

These suggested guidelines are offered with the intention of providing insight and clarity to this arduous process. Budget reduction and revenue enhancement strategies that reflect responsibility, not only to the beneficiaries of public services but also to those who must foot the bill, must ultimately prevail.

Welcome to the difficult world of sorting out the relative value of public services and making sound financial and budgetary decisions so that public budgets are balanced to meet available revenues!

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THE STATE OF THE STATE ECONOMY
ECONOMIC CURRENTS



A Feast or Famine Economy:

The Bay State's Robust but Imbalanced Economic Recovery

MASSACHUSETTS' REBOUND FROM THE RECESSION HAS OUTPACED THE NATION, BUT THE BAY STATE'S RECOVERY HAS BEEN SKEWED. IT HAS BEEN BUSINESS-LED, WHITE COLLAR, AND REGIONALLY IMBALANCED.

MICHAEL GOODMAN AND ROBERT NAKOSTEEN

A Robust Economic Recovery

By a number of different measures, the state's economic recovery from the "Great Recession" has been a robust one throughout 2010. The growth in overall economic activity has significantly exceeded that of the U.S. in each of the first three quarters of the year, employment has been expanding at a pace not seen since the mid-1980s, export growth has been strong and state tax revenues have been coming in above forecast.

However, for many across Massachusetts, it doesn't much feel like a strong recovery is underway. Statewide, consumer and business confidence remain weak, high levels of joblessness in key industries and major regions of the state persist, and the housing slump is entering its sixth year.

Part of the explanation for the disconnect between the undeniably strong macroeconomic performance of the state economy and the "lived experience" of this recovery in many sectors of the economy and regions of the state is revealed by a closer look at the areas of the economy and of the state that have been benefitting from this recovery and those that have not. In a number of important respects, this has been a business-led, white collar and regionally imbalanced recovery.

A Business-Led Recovery

As measured by the *MassBenchmarks* Current Economic Index (CEI), the state economy emerged from recession in the summer of 2009 and has grown steadily since.

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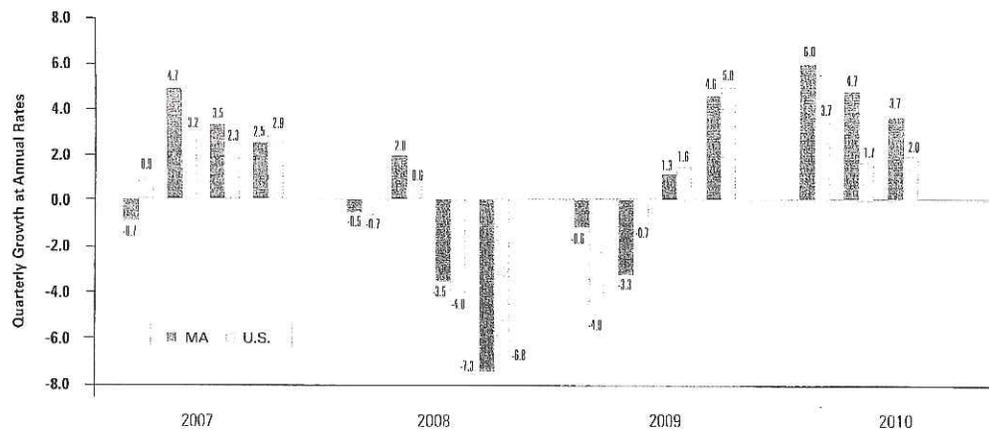
Throughout 2010 the pace of the Commonwealth's economic expansion has consistently outpaced the U.S., frequently by a substantial margin.

As can be seen in Figure 1, Massachusetts grew at nearly twice the rate of the U.S. in the first and third quarters and nearly three times as fast in the second quarter.

The Commonwealth's "growth premium" appears to be largely a function of the strength of the Massachusetts innovation economy that, unlike in recent recessions, helped buffer Massachusetts from the "Great Recession" and has been a growth driver during the recovery period.

Specifically, Massachusetts has benefitted significantly and disproportionately from the choices that consumers, firms and investors have been making in how they spend and invest the trillions of dollars in capital that have been injected into the national economy as the result of federal

Figure 1. Growth in Real Product, Massachusetts Current Economic Index vs. U.S. GDP



monetary and fiscal policy choices. According to the U.S. Bureau of Economic Analysis, as of the second quarter of 2010, corporate profits had nearly regained their prerecession peak.

To date, while federal stimulus efforts have had a demonstrable and positive impact on the national economy,¹ they have not succeeded in improving the national jobs picture sufficiently to induce a recovery in consumer spending, a prerequisite for more robust national growth in economic activity and job creation.

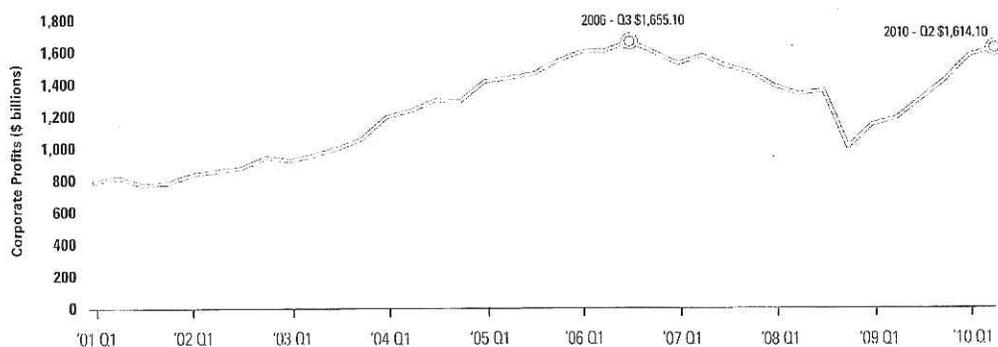
While weak consumer demand is understandable in light of the nation's high unemployment rate and uncertain economic outlook, weak demand, along with the current low interest rate environment, helps to explain why businesses have been in a cost-cutting mode, have been reluc-

tant to hire, and have been making significant investments in their future capacity to grow both through spending on inventory replenishment and investment in productivity-enhancing technology products and processes.

According to the most recent U.S. GDP report, investment in equipment and software — a reasonable proxy for investment in innovation and technology sectors — grew by 12 percent between the second and third quarters of 2010, dwarfing the more modest 2.6 percent rise in personal consumption expenditures and a 0.5 percent growth in disposable personal income during the same period.

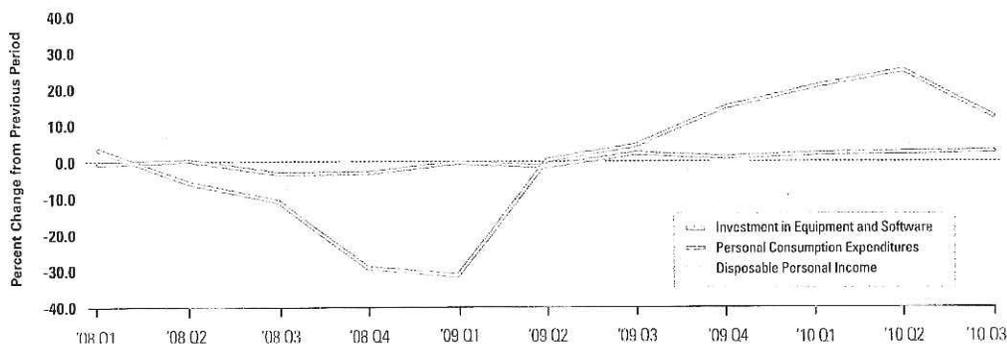
As can be seen in Figure 3, investments in equipment and software declined precipitously in the last half of 2008 but have recovered rapidly since. While the pace

Figure 2. Corporate profits before tax with inventory valuation and capital consumption adjustments
(Seasonally Adjusted Annual Rate, Billions of Dollars)



Source: U.S. Bureau of Economic Analysis, National Economic Accounts, National Income and Product Accounts, Table 6.16D

Figure 3. Business investment is driving current economic growth in Massachusetts



of growth has slowed of late, this pattern helps to explain why the innovation-intensive Massachusetts economy has been expanding significantly faster than the more consumer-dependent national economy.

A Largely White Collar Recovery

While the pace of job growth appears to have slowed in the late summer, through September job growth during 2010 has been strong in both absolute and relative terms. During the second quarter of 2010, payroll employment in Massachusetts expanded at a 4.5 percent annual rate — over twice as fast as the nation's during that period, the fastest quarterly growth in the past 25 years.

The strong job growth during the first three quarters of 2010 has had a significant impact on unemployment. On a seasonally adjusted basis, the state unemployment rate began the year at 9.5 percent (January) and by September had fallen to 8.4 percent. Since the state's labor force has grown throughout 2010, it is clear that this improvement is largely the result of workers finding jobs rather than leaving the labor force.

Significantly, the underemployment rate for Massachusetts, the U-6 rate, which includes discouraged workers and those working part-time who wanted full-time work, has fallen significantly in recent months according to an analysis by *MassBenchmarks* Senior Contributing Editor Alan Clayton-Matthews. As can be seen in Figure 4, the U-6 underemployment rate for Massachusetts fell (on a seasonally adjusted basis) from 16.8 percent in December of last year to 11.8 percent in September. During this same period, the U.S. rate declined only slightly (from 17.3 percent in December to 17.1 percent in September).

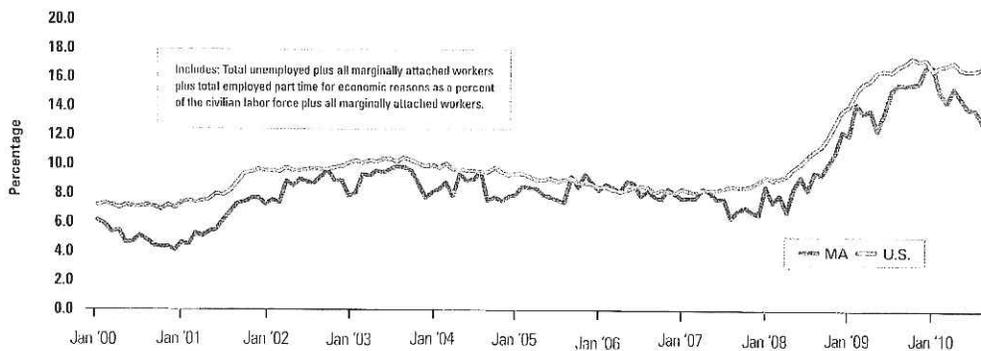
While the pace of job growth appears to have slowed in the late summer, through September job growth during 2010 has been strong in both absolute and relative terms.

Even though job growth appears to have come down to earth in recent months, the Commonwealth has continued to add jobs at a respectable clip. For the year ending in September 2010, Massachusetts added an estimated 23,400 net new jobs, an annual growth rate of 0.7%.

Not surprisingly, those sectors of the economy that benefit most from federal spending and private investments in innovation and technology have experienced the most robust job growth during the past year. In the year ending in September 2010, the following super-sectors added jobs at a faster rate than the state overall: Professional and Business Services (3.0%), Construction (2.0%), Information (1.1%), and Education and Health Services (1.6%).²

While construction employment has been expanding at a relatively rapid clip in the past year, employment in this sector remains well below prerecession levels. In the fourth quarter of 2007, Massachusetts was home to an

Figure 4. Underemployment Rate (U-6 Definition)



estimated 137,500 employed construction workers. As of September 2010 employment in this sector was 108,100, a decline of 22 percent. So while recent growth in construction employment is very welcome, this critical sector remains years away from a full recovery, even if one assumes that the current pace of job creation is sustainable.

A Regionally Imbalanced Recovery

The divide between the labor market outcomes of so-called blue collar and white collar workers is explored in more detail elsewhere in this issue (see Sum et al., page 12 of this issue). However, before concluding our discussion of the state of the state labor market, we briefly note that the disparities in the economic experiences of different workers and different industries also manifest regionally.

The so-called innovation economy has been a major growth driver for the Commonwealth in recent decades and during the current recovery. Massachusetts is home to world-class research universities and research and development institutions that are a magnet for public and private investment and have helped the Bay State to incubate and grow a wide variety of technology and knowledge-intensive enterprises in a wide variety of areas. These include information technology, life sciences, and a wide variety of advanced manufacturing sectors that contribute to and benefit from a robust industrial and economic ecosystem that has made Massachusetts a world leader in a wide variety of advanced technology fields.

This ecosystem and the lion's share of the benefits of Massachusetts' innovation economy remain concentrated in the Greater Boston and Northeast regions of the state. As can be seen in Figure 5, the unemployment rates in the Commonwealth's older industrial cities have been consistently higher, often significantly higher, than the overall state rate. While many significant efforts are underway to extend these opportunities and benefits to the rest of the

It appears that despite historically low mortgage interest rates, high inventory levels suggest slow growth is the most likely near-term outlook for the housing market in Massachusetts.

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state, these efforts have not yet made a significant impact on a number of the state's regional economies and urban areas. Consequently, the benefits of the business-led and largely white collar recovery described above have been regionally as well as industrially and occupationally imbalanced.

Those firms, regions and households that have been left behind during the recovery have had a far different experience than might have been expected given the relatively robust state recovery to date. For many households beyond the Route 495 belt, and those working in the construction, manufacturing, and consumer sensitive sectors statewide, it continues to look and feel like a recession.

The Housing Market Slump: Five Years and Counting

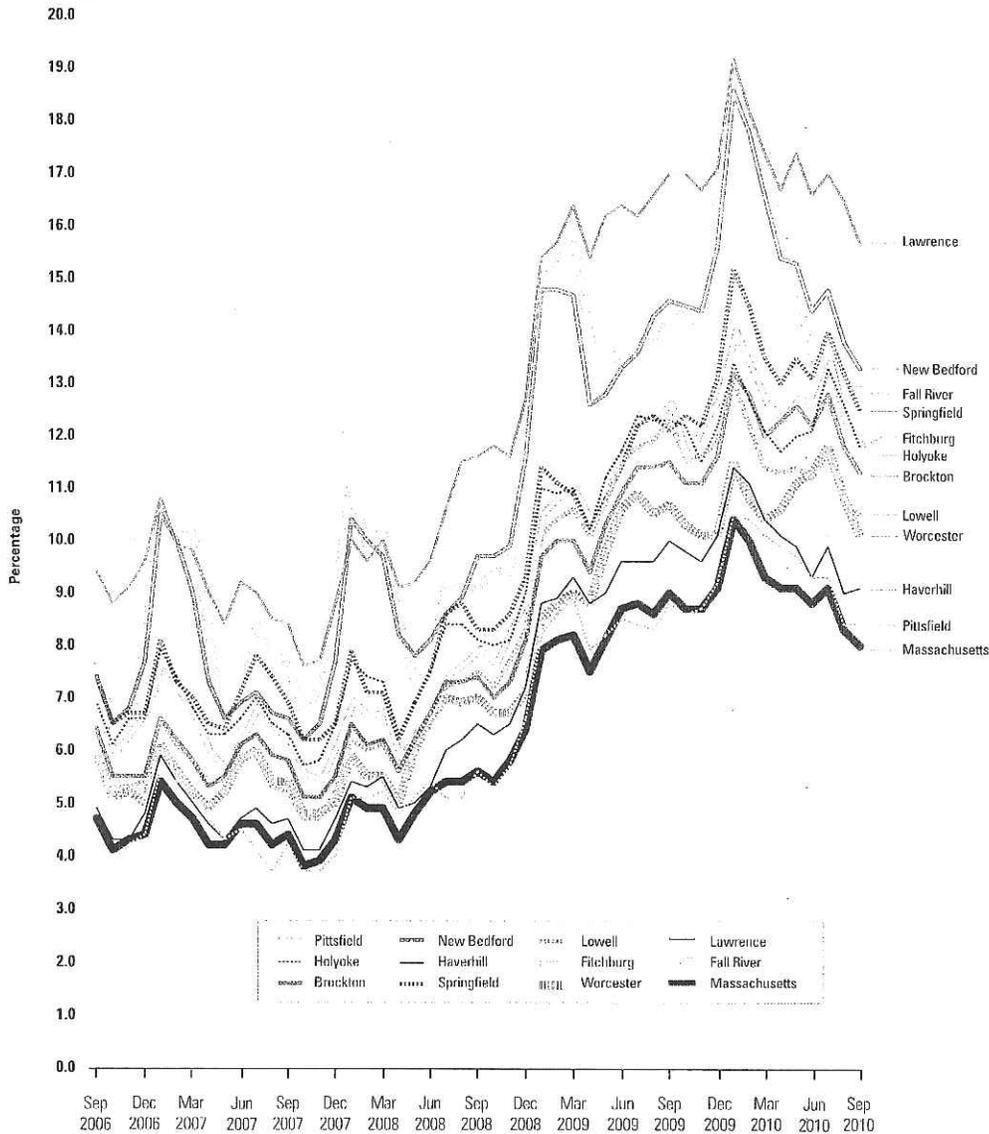
At the conclusion of the third quarter, the Commonwealth's residential housing entered the sixth year of its slump as measured by the S&P/Case-Shiller Home Price Indices for the Metro Boston market. As of August 2010, overall housing prices have fallen an estimated 13.7 percent from their peak in the third quarter of 2005, effectively returning to 2003 levels. These declines pale in comparison with those in other regions of the nation, several of which have experienced declines of over 50 percent during the same period.

These price declines have taken their toll on home equity and have pushed an estimated 15 percent of Massachusetts homeowners with a mortgage underwater (into a negative equity position).³ While price declines have yet to visibly improve housing affordability due to continued unemployment challenges and stagnant wage growth,⁴ they help to explain why foreclosure deeds in the first nine months of 2010 are up over 58 percent from a year earlier (from 6,796 to 10,777).⁵

It appears that despite historically low mortgage interest rates, high inventory levels suggest slow growth is the

3. U.S. Department of Housing and Urban Development, "Foreclosure Deeds in the First Nine Months of 2010,"

Figure 5. Unemployment Rates in the Gateway Cities
(Not Seasonally Adjusted)



Source: Massachusetts Executive Office of Labor and Workforce Development (EOLWFD), Labor Force and Unemployment Data, last accessed November 4, 2010.
Note: Unemployment rates are not seasonally adjusted to allow for a direct comparison between statewide and urban rates.

Massachusetts. According to the Massachusetts Association of Realtors, in July 2010 there were over 43,000 active listings. While the large number of listings may in fact represent evidence of a housing market gaining strength — as homeowners feel more confident about the outlook and put their homes on the market — given current levels of sales activity, this represents approximately nine months of supply and a considerable inventory overhang to be worked off. While the housing market is clearly struggling, there are some positive signs. “Time on the market” data show that houses are taking about the same time to sell as last year, when the homebuyer credit was still in effect. Further, a recent Mass Insight® consumer confidence survey reported that 75 percent of respondents thought it was a good time to buy rather than rent a home.

THE NATIONAL ECONOMY

The national economy appears to be in for a long, slow recovery from the recession. Recessions arising out of financial crises are especially difficult to break out of, as cleaning up both household and business balance sheets saps the potential for pent-up demand in these sectors. Protracted recovery with sustained high unemployment is the norm in the aftermath of a deep financial crisis. This is the situation that continues to weigh heavily on the national economy, and while the Commonwealth has been experiencing faster than national growth, it will prove unsustainable if the national economy does not begin to grow more quickly.

The short-term prospects for national growth, absent further stimulus from the federal government, are modest at best. Consumers and businesses are being cautious in their spending, the housing market remains quite weak and there are a number of global risks that could affect domestic growth. Under the circumstances, this suggests that the highest probability near-term growth outlook for the Commonwealth will involve slower, albeit positive, growth in the state economy.

A slower rate of growth in overall economic activity can be expected to, in turn, slow the rate of state employment growth. In addition to these significant cyclical employment challenges, the Massachusetts labor market faces substantial structural problems as well. The construction and manufacturing sectors have lost a multitude of jobs, many of which are unlikely to return to prerecession levels anytime soon. This creates profound challenges

for workers who have lost these jobs and a crucial workforce development challenge for state and regional education and training policymakers.

Another Difficult Year Ahead for State and Local Government Finances

In recent months the state has experienced stronger than expected growth in tax revenues, which, along with the defeat of ballot Question 3 (which would have cut the state sales tax from 6.25 to 3 percent), has put the state in a more solid fiscal position than many observers had expected earlier this year.

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In October of 2010, the state's Department of Revenue reported that revenues are 9.5 percent higher than they were a year earlier (in October 2009). This represents \$413 million dollars above expected levels for the first four months of FY 2011. Despite this welcome and not altogether expected growth in state revenue, the Commonwealth continues to face a large structural deficit that will present the governor and legislature with some very difficult decisions as they develop the FY 2012 state budget.

In the year ahead, Massachusetts budget writers will not have the luxury of relying on one-time revenues such as the federal stimulus and rainy-day funds to close the budget gap as they have in recent years. The Massachusetts Taxpayer's Foundation has estimated that the state faces a \$2+ billion dollar budget gap. In the absence of additional federal stimulus funds, closing it will require some very hard choices.

*The most vexing problem facing the state, and perhaps the nation as well,
is the uneven benefits of economic growth.*

COMMUNITY DEVELOPMENT

The relatively robust recovery of the Massachusetts economy in the aftermath of the "Great Recession" is a welcome change from the lagging performance of the Bay State during the recessions of the early 1990s and 2001–2003.

The most vexing problem facing the state, and perhaps the nation as well, is the uneven benefits of economic growth. The state's traditional path to middle class status has largely been through blue collar sectors, many of which have suffered disproportionately in recent years. In addition to sectorally imbalanced job growth, regional inequality remains a major challenge. Beyond metropolitan Boston, the prospects of robust economic growth are not bright, and the Commonwealth's challenges go well beyond the problems presented by the current business cycle. Many of these communities and regions are in a state of long-term stagnation, from which there seems little prospect of escape. Our imbalanced recovery underscores that in 21st century Massachusetts, the benefits of economic growth and the substantial incomes generated by our world-class innovation economy largely accrue to workers and regions with the necessary brainpower and physical, technological and intellectual infrastructure to compete at a high level in an increasingly competitive and global economy. Ensuring that a broader array of the state's regions and working families have the opportunity to reap the benefits of expected periods of future prosperity may be the most important and challenging issue facing both the political and business leaders of our Commonwealth. 

ENDNOTES

- 1.) See Blinder, A. and Zandi, M., July 27, 2010. "How the Great Recession Was Brought to an End," <http://www.economy.com/mark-zandi/documents/End-of-Great-Recession.pdf>.
- 2.) Current Employment Statistics (CES-790) program: 2009 Benchmark (3/04/10).
- 3.) First American Core Logic, Negative Equity Report, Q2 2010.
- 4.) For a more detailed discussion see Lindsay Koshgarian, "Is Housing in Massachusetts More Affordable?" *MassBenchmarks* 12, 1 (2010): 12-18.
- 5.) "Bay State Foreclosure Petitions Drop In September; Foreclosure Deeds Climb," The Warren Group, Press Release, October 21, 2010.
- 6.) MassInsight Consumer Confidence Report, Fall 2010 -- <http://www.massinsight.com/publications/confidence/121/>.

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