

COMMONWEALTH OF MASSACHUSETTS

CITY OF LOWELL

In City Council

VOTE

Adopting the Minimum Residential Factor for Fiscal Year 2019.

IT IS VOTED BY THE CITY COUNCIL OF THE CITY OF LOWELL as follows:

To adopt the minimum residential factor of _____ percent for Fiscal Year 2019 which will shift the share of the Levy to the Commercial, Industrial and Personal Property classes.

V:minresfactor2019



Eileen M. Donoghue
City Manager

November 12, 2018

Mayor William J. Samaras
And
Members of the Lowell City Council

RE: Minimum Residential Factor

Mayor Samaras and Members of the City Council,

The attached vote will establish the Minimum Residential Factor ('MRF') for fiscal year 2019. This action will provide for the maximum tax relief to residential homeowners under the Massachusetts statute permitting the classification of properties. Each year, a natural shift of values occurs in the real estate market and if any one particular class- like the commercial, industrial, or personal property classes for example—grows at a slower pace than the single family or multi-family properties; the tax burden falls more heavily upon the class with the greatest amount of growth. By adopting the MRF, however, Lowell can protect residential homeowners from being unduly burdened by taxes to the maximum amount allowed by law.

The establishment of the FY19 property tax rate by the Board of Assessors, subject to the approval of the Massachusetts Department of Revenue ('DOR'), is the final step in the fiscal process that begins in the spring with the submission of the annual budget to the City Council. The MRF determination and vote are the remaining components of establishing this year's rate. I am recommending that this matter be referred to a public hearing on December 4, 2018. With this letter, I am transmitting to you my recommendation for the required vote necessary to minimize taxes on residential properties. In addition, a memorandum from my finance team is forthcoming with a more in-depth analysis of the facts and figures pertaining to the 2019 tax levy after it is approved by the DOR.

With approval of this recommendation, the eight year annual average (FY11-FY19) increase will be approximately 3.1%. The City has been able to successfully control budget growth and property tax levy increases, while at the same time expanding services and adding resources to support the City Council's priority areas. This is evidenced by the approximately \$19 million in 'excess levy capacity' available under the primary levy limit. This number is significant in that it is a measure of how far under the taxation limitation prescribed by Proposition 2 ½ Lowell is and the importance placed by the Lowell City Council on affordability for the residents. The average single family tax bill in Lowell, based on preliminary data, will remain significantly below other municipalities in Massachusetts, at approximately \$1,642 less than the average.



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Here is some of what the residential tax dollars will pay for:

- Investment in curb appeal (paving/ sidewalks/ other street projects)
 - \$3.21 million was invested in FY18 in paving, sidewalk, and curbing repairs. The city continues to leverage the Chapter 90 program by matching the annual apportionment with local funding to maximize the amount of paving money available during the construction season.
 - \$2 million was also appropriated in local funding to leverage \$15 million in MassDOT funding and a \$2 million MassWorks grant to completely reconstruct the Lord Overpass and the Thorndike Street corridor.
- Continued support of public safety
 - By maintaining the highest staffing levels in decades in the Lowell Police Department, crime rates have decreased according to data reported to the FBI. In FY19, The City Council also fulfilled its commitment to public safety by fully funding the Fire Department at 213 sworn personnel, despite the loss of significant grant funding from FEMA.
 - The City Council authorized \$610,000 in the capital plan to fund Phase 1 of a necessary overhaul of the Police Department's emergency communication network. The improvements will ensure that the LPD is using the most effective tools to maintain public safety. The Council also authorized the update to the Larimore criminal records system in the amount of \$152,988.
 - The Lowell Fire Department received a FEMA grant to replace turnout gear that was made possible with the appropriation of a local match by the Council in the FY19 capital budget the total is \$675,849. The Council also authorized \$150,000 in funding to repair the JFK Headquarters building and \$75,000 to use towards repair work at other stations.
 - DPW was able to purchase new heavy vehicles for snow removal with \$126,162 in funding from the FY19 capital budget.



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- Education

- The city has exceeded the required spending level set by the Commonwealth of Massachusetts by over \$8 million in the most recent year certified and is budgeted to continue to exceed the “net school spending” amount by a similar amount this for 2018. The projected funding for FY2019 continues the City Council’s commitment to education.
- An additional \$1.15 million was appropriate in the FY19 capital budget for LHS roof repair project on the 1922 building.
- \$1 million in capital improvements to school facilities, including HVAC system repair/ replacement was authorized to address building needs.
- The Council appropriated \$558,461 in the FY19 capital budget to fund the complete replacement of the telephone systems, district-wide. This change will significantly reduce the district’s recurring charges for service as well as enhance the communication within and between the schools.
- \$227,430 was authorized to replace maintenance equipment for the custodial department of the Lowell Public Schools, \$360,000 to repair ageing fire escapes at various schools throughout the public school district, and \$100,000 for building remediation, and \$80,000 in HVAC improvements at the Butler School.
- Almost \$300,000 was spent to repair the heating system in the Lowell High School locker rooms in the 1980s building.

- Economic Development/ Quality of Life

- \$764,500 in capital investment by the city to complete Streets F & G, a key component of development in the Hamilton Canal Innovation District (HCID),
- \$750,000 in environmental remediation on various parcels to affirm the City Council’s commitment to the environment, as well as \$75,000 in additional funding for remediation along Beaver Brook and \$50,000 to maintain MassDEP compliance at the former landfill on Westford Street.
- The Council approved \$150,000 in funding to further the Tanner Street alignment project in the Ayers City Industrial Park.
- The Lowell City Council also authorized in the FY2019 capital budget, \$35.4 million to fund the construction phase of the 940-space garage in the Hamilton Canal District, which will service the Judicial Center.



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The City Council is to be commended for continued funding of these key priority areas. Several budgetary challenges in FY2019 have made this, at times, an arduous task. Among those most notable were: the increase in Charter School expenses, which had a net impact on the city budget in FY19 of approximately \$2.1 million; a \$1.6 million increase in the city's pension assessment; and budgeting appropriately to absorb the financial impact of collective bargaining with the city's 17 unions. In addition to these fixed cost challenges, in FY19 the city continues to absorb losses in grant funding for firefighters from the federal government, as well as costs no longer shared by the school department, like the school resource officers in the police department. However, through various fiscal controls and constant collaboration between departmental management and the administration, we have been able to withstand these challenges.

Sincerely,

Eileen M. Donoghue
City Manager

Cc: Conor Baldwin, Chief Financial Officer