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Haverhill

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To The Honorable City Council

Attached are the revenue and expense reports through December 2025.

For the fourth consecutive month, the city is experiencing a decline in local revenue receipts. Although there has been some progress in the past month, local receipts, excluding investment earnings, are trending down by almost 4% compared to this time last year. We anticipate that investment earnings will not continue at the current rate once the invested funds from Consentino and ARPA are fully expended in the next 12 months. Earnings on investments have increased by more than 45% since fiscal 2024.

As key revenue sources, such as motor vehicle excise taxes decline, we are unfortunately seeing an increase in penalty and interest collections, which are up 10.3% year-over-year. This trend underscores the strain our local economy is under, as evidenced by delays in real estate and motor vehicle excise payments, thus resulting in late fees and interest. These indicators suggest that our local economy is facing a contraction.

The operating budgets are generally on target. However, you may notice that most salary budgets show a year-to-date overage. This is primarily due to cost-of-living adjustments (COLAs) and collective bargaining agreements, which have been allocated to a reserve account. These funds will be distributed to departments closer to the year-end, bringing salary budgets back in line with projections.

There are some actual overages in employee benefits, specifically for items such as sick leave and vacation buyback. The city will need to cover these from the budget reserve or free cash. The budget reserve account is designated for emergency and unforeseen expenses, as well as for additional snow and ice removal costs. The balance in the budget reserve account is just over \$743,000, representing 0.27% of the total operating budget.

We will keep a close eye on the snow and ice budget, which so far has incurred expenses totaling \$566,000, or 46% of this year's total appropriation of \$1.21 million.

Sincerely,

Angel A. Perkins, CPFO, CGA, CFE
City Auditor & Chief Financial Officer