



Finance Committee Report

City of Newton In City Council

Monday, April 24, 2023

Present: Councilors Grossman (Chair), Humphrey, Noel, Oliver, Norton, Gentile and Malakie

Absent: Councilor Kalis

City staff present: Chief Financial Officer Maureen Lemieux, Comptroller Steve Curley, Treasurer Ron Mendes, Manager of Financial Planning & Analysis Perry Rosenfield, Senior Financial Analyst Connor Roach, Director of Transportation Operations Jason Sobel, Commissioner of Public Buildings Josh Morse

For more information regarding this meeting, a video recording can be found at the following link:
https://www.youtube.com/watch?v=R_4Q6asn7gw

#126-23 Appropriate \$1.15 million for Franklin Elementary School

HER HONOR THE MAYOR requesting authorization to appropriate and expend one million one hundred and fifteen thousand dollars (\$1,150,000) and authorize a general obligation borrowing of an equal amount for the feasibility study at the Franklin Elementary School and authorization to apply any premium received upon the sale of the bonds or notes, less the cost of preparing, issuing, and marketing them, and any accrued interest received upon the delivery of the bonds or notes to the costs of the project and to reduce the amount authorized to be borrowed for the project by like amount.

Public Facilities Approved 5-0 (Councilor Norton not voting) on 04/12/23

Action: **Finance Approved 7-0**

Note: Josh Morse, Commissioner of Public Buildings, presented the request to appropriate \$1.15 million dollars and authorize a general obligation bond for the renovation of Franklin Elementary School. Commissioner Morse explained the request is to move through the feasibility phase of the project and that this project is financially in line with what other communities spend for feasibility phases. The designer was selected through the designer selection process, using our Designer Selection Committee which has representatives from City Council. The firm is highly recommended, and the City has worked with them in the past. The timeline for this phase is working with the Designer Selection Committee in May and finalizing the contract in June.

Commissioner Morse confirmed Chair Grossman's statement that the funds will be coming from the debt exclusion and the money will be bonded.

Councilors asked the following question:

Q: Since the bond has not happened yet, how will this phase be funded?

A: It was noted by Comptroller Curley that bonds typically go out in January, so the appropriation will come from our general pool of cash until that time. Once an authorization of bonding is passed through Council, the City can spend those funds in anticipation of securing the bond money in the future.

Councilor Malakie motioned to approve which passed unanimously.

#139-23 Acceptance of equipment through the MassDOT Safe Routes to School program
HER HONOR THE MAYOR requesting authorization to accept two Combination Dynamic Speed Feedback and School Zone Speed Limit Sign Assemblies, awarded through the MassDOT Safe Routes to School (SRTS) program

Action: Finance Approved 7-0

Note: The Chair introduced item #139-23. She introduced Director of Transportation Operations Sobel who discussed the process leading up to the Safe Routes to School grant for safety updates to the existing school zone on Lexington Street, behind Burr Elementary School.

Director Sobel explained that this grant will provide all equipment and materials for flashing 20 MPH school zone signs, as well as speed feedback signs, consistent with other school zones in the city.

Councilors asked the following question:

Q: What is the estimated value of the equipment we are receiving?

A: It was noted that the costs of the equipment should total around \$12,000, supplied by this grant.

Councilor Noel motioned to approve which passed unanimously.

#140-23 Authorization to enter into a 5-year contract
HER HONOR THE MAYOR requesting approval to enter into a five-year (5) contract with a Parking Enforcement Services Vendor

Action: Finance Approved 7-0

Note: The Chair announced the next item on the agenda, item #140-23. She introduced Senior Financial Analyst Rosenfield to discuss the request for Committee approval on a 5-year contract for a parking enforcement services vendor which currently has a request for proposal (RFP) out now. He explained that a five-year contract needed Council approval and asked Director Sobel to provide the details of this contract.

Director of Transportation Operations Sobel explained that the RFP is due this Friday, April 28, 2023. This vendor will provide services for three city departments: Newton Police, Treasury, and Public Works. For the Newton Police, the services will include the actual equipment to issue parking tickets; for Treasury, all the payment processing and the interfacing with the RMV; and for Public Works, the technology will assist in the functionality regarding parking meters and the Passport application.

A Councilor opined about the enforcement of parking regulations and the City's needs to improve the issuance of tickets and overall parking enforcement within the City. The Chair voiced similar concerns.

Councilors asked the following questions:

Q: What is the typical number of vendors who bid and what type of specific services are included in this RFP?

A: It was noted that over the past nine years, the market has expanded, and it includes all aspects of parking enforcement.

Q: In a follow up question, the Councilor asked if the equipment has the technology for license plate scanning and is this included in the RFP?

A: Director Sobel said that yes, it is open in the RFP and that license plate scanning for enforcement is not being used at this time but is useful to keep track of parking time limits.

Q: The Chair asked if the proposed equipment will be able to enforce and read permits where we allow parking by permit?

A: Director Sobel said that no, this aspect is not included in the RFP due to conversations with the Traffic Bureau, the Police Department, and City Treasurer Mendes. The parking permits that we have currently are complex with the multiple types used within the City, and there may be a separate RFP created later to address parking permits.

The Chair confirmed with Director Sobel that the team reviewing the bids includes including himself, City Treasurer Mendes, Public Works Deputy Commissioner Sullivan, Police Captain Ducette and possibly someone from the Executive office.

With no other questions from the Committee, Councilor Gentile made a motion to approve which passed unanimously.

#138-23 Authorization to enter into a 5-year contract

HER HONOR THE MAYOR requesting the authorization to execute a contract for investment management services for the John C. Chaffin fund with an initial contract term of five (5) years and option to renew for additional three year term.

Action: Finance Approved 7-0

Note: The Chair announced the next item on the agenda, item #138-23. She introduced City Treasurer Mendes to discuss the request for Committee approval on a 5-year contract for investment management services for the John C. Chaffin Fund. Treasurer Mendes explained that the John C. Chaffin Fund is a scholarship fund for Newton high school graduates and was established by John Chaffin after he passed away, many years ago. Today, this fund holds approximately \$6 million dollars, giving out between \$200,000 and \$250,000 dollars per year. Every ten years, the City goes out to bid for an investment manager. This means that after the 5-year contract ends, there are two 3-year extensions that are authorized to be signed. The need for the longer term is because investments are part of a long-term outlook portfolio; it is best to have the same investment manager to oversee those plans. Treasurer Mendes introduced Chaffin Fund Vice Chair, Bob Cowden, who was also present to answer any Committee questions.

Councilors asked the following question:

Q: The Chair asked if there have been many contributions over the years to amass this amount or if the amount has grown solely due to investments?

A: It was noted that this fund has existed for about 100 years and has not had any other contributions.

Q: A Councilor stated his usual concerns would be about the longer length of this contract but wanted confirmation that this contract could be terminated at any time?

A: Treasurer Mendes confirmed that this language is included in the contract.

Q: The Councilor followed up with a question, will the investment manager be paid based on performance or a flat fee?

A: Treasurer Mendes confirmed that it is based on performance. The fee is approximately 1% and in the new contract, the fee may go down to 65 basis points. They have identified a finalist in this contract and will hopefully sign a contract soon. The RFP process began in September and included interviews with prospective managers, with the Board of Trustees narrowing the list.

After Councilors commended the benefits of this Fund, it was requested to provide a memo on the last manager's yearly results.

Councilor Gentile made a motion to approve which passed unanimously.

#110-23 Request to transfer \$150,000 from Law Department Full Time Salaries

HER HONOR THE MAYOR requesting authorization to transfer the sum of one hundred fifty thousand (\$150,000) from Account #0110851-511001 Law Department Full Time

Salaries to Account #0110851-530900 Law Department Legal Services to retain outside counsel to continue the work of Deputy City Solicitor Jeffrey Honig.

Programs & Services Approved 8-0 on 04/12/23

Action: **Finance Approved 7-0**

Note: Chief Finance Officer Lemieux explained the request due to the sudden loss of an Assistant City Solicitor in October. She explained that he was involved in many critical items, and that hiring a law firm is the most effective way to complete these projects. This transfer would come from the salary savings to the legal services budget.

Councilors asked the following question:

Q: A Councilor asked for confirmation that this transfer is within the same department?

A: CFO Lemieux confirmed that it is from within the Law Department budget.

Q: A Councilor asked if the firm, Murphy, is the same firm used by the School Committee years ago?

A: CFO Lemieux was not sure if it is the same law firm but knows that the City has used this firm in the past.

Q: The Chair asked if the City has been pleased with this firm's work in the past?

A: CFO Lemieux said that she has been pleased with their work.

Councilor Gentile made a motion to approve which passed unanimously.

#137-23 Submittal of the ACFR, and external audit reports

COMPTROLLER transmitting the Annual Comprehensive Financial Report and external audit reports for fiscal year ending June 30, 2022 for City Council review/acceptance.

Action: **Finance Approved 7-0**

Note: The Chair introduced item #137-23. She introduced City Comptroller Curley and Matt Hunt, the City's independent auditor from Clifton Larson and Allen to discuss the Annual Comprehensive Financial Report (ACFR), the Single Audit Reports and the Management Letter. These documents can be found at the following link:

<https://www.newtonma.gov/home/showpublisheddocument/95118/638083691913500000>

Mr. Hunt explained that these documents have been reviewed by the City's Financial Audit Advisory Committee. He explained the auditor's opinion on the financial statements was an unmodified opinion which is the best opinion available in an audit. Mr. Hunt presented highlights of the ACFR.

Financial Statements

The financial statements are broken down into different components. Mr. Hunt began with the General Fund, the most important fund in the City's financial statements, as it is the fund the bond rating agencies look at the most closely. The overall general fund balance was approximately \$104 million. The unassigned fund balance is at approximately \$73 million, including the \$24 million dollars in the Rainy-Day Stabilization Fund. That amount represents about 14% of the City's annual revenues, which is the highest that ratio has been in the past six years. He stated that the City has done a great job building up those general fund reserves over the years.

Mr. Hunt reviewed the Enterprise Funds. The Sewer Enterprise Fund has \$90 million dollars, Water Enterprise Fund has \$61 million dollars and the Storm Water Enterprise Fund has \$9 million dollars. Also, within those same statements, there is the Internal Service Fund, which represents the City's self-insured health, insurance and workers compensation. Those balances are also healthy. At the end of the year, the total net position is \$16 million overall. The City's net position and the aforementioned self-insured funds represent about 2.5 months' worth of claims.

Mr. Hunt pointed out other important funds. The Pension Trust Fund at the end of the year was \$526 million, with the OPEB trust at \$25 million. The OPEB trust is not as close to fully funded as the pension trust, with the understanding that the City has a long-term plan to address that liability. The net position of the liabilities is at \$667 million, which is a decrease from the previous year because interest rates have risen. As a result, the discount rate applied to the OPEB Liability, which is based on the 20-year municipal bond interest rate, goes up, causing the value of the liability to go down.

In terms of the pension trust fund, the liability went down but for different reasons. Because the investment markets did so well in 2021, that had a direct impact on the City's pension liability. The pension liability went from \$290 million to \$245 million, so we are continuing to get closer to fully funding that particular liability.

Mr. Hunt stopped to take any Councilor questions before moving on to the other two reports.

Councilors asked the following question:

Q: The Chair asked Mr. Hunt if he was aware of the changes being made to the City's healthcare and if he had an opinion as to whether the fact that the City's healthcare costs are going down will reduce the size of the OPEB liability?

A: Mr. Hunt was not aware of those changes. As for the second part of the question, assuming no changes to other factors, a reduction of healthcare costs would reduce the liability.

Q: The Chair asked with respect to reserves, what other balances do the ratings agencies consider besides the Rainy-Day Stabilization Fund?

A: From his limited amount of experience, they will look to see whether the Enterprise Funds are self-sustaining and look way beyond numbers in a financial statement.

Q: A Councilor asked for clarification on where Mr. Hunt was finding his numbers, which line items were they and what are they called?

A: On page 18 of your Financial Statement, the Governmental Funds balance sheet and has a column for the General Fund and towards the bottom, there is a section titled Fund Balances and that is where you can see the unassigned fund balance number of \$73 million.

Q: A Councilor stated that the total fund balance is \$103 million, and the unassigned fund balance is \$73 million, what are the remaining funds?

A: It was noted that the City has various restricted and committed amounts. The majority are unspent budget amounts from the previous year being carried over to the following year. It is money that is obligated.

Mr. Hunt stated that Page 9 of the financials gives a history of the General Fund balance.

Single Audit Report and Management Letter

Mr. Hunt explained that the Single Audit is used to test compliance on federal grants. This year the auditor reviewed 2 different grants. Those grants had no findings, and the City should be proud of this.

Many of the findings from previous years have been resolved so now there are only a few management letter comments. There were findings in the previous year concerning the integration of the general ledger for police details, which they understand is being worked on, and some comments related to information technology. The Finance Audit Advisory Committee asks for a special project each year. This year, Mr. Hunt explained, they reviewed the Housing Utility Relief program during COVID. The findings they came across were benign.

Councilors asked the following question:

Q: The Chair asked Mr. Rosenfield if the Management Letter findings concerning the IT department involved hiring a consultant to help resolve the findings?

A: Mr. Rosenfield checked in with CFO Lemieux who was in another meeting. She messaged back that she has not made a decision on where the monies to support a consultant will come from.

The Chair confirmed with Mr. Rosenfield that the police detail issue is dependent upon developing this process through Munis. Comptroller Curley detailed that the new IT Director of the Police Department is working on the payroll portion under this new software.

Mr. Hunt wrapped up by reiterating that the City has an unmodified opinion and good reserves. The City has a clean Single Audit and Management Letter, and he considers this a solid audit for the City. Mr. Hunt commended Comptroller Curley for his work on the audit.

Councilor Malakie motioned to accept the Annual Comprehensive Financial Report, the Single Audit Reports and the Management Letter which passed unanimously.

The Committee adjourned at 8:19 pm.

Respectfully submitted,

Rebecca Walker Grossman, Chair

CITY OF NEWTON
JOHN C CHAFFIN FUND (7 YEAR LOOKBACK)

ORG	OBJECT	DESC	FY 2023 YTD ACTUAL	FY 2022 ACTUAL	FY 2021 ACTUAL	FY 2020 ACTUAL	FY 2019 ACTUAL	FY 2018 ACTUAL	FY 2017 ACTUAL
		AS-OF DATE:	3/31/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
4800	1040	POOLED CASH	-62,599.49	0.00	0.00	0.00	0.00	0.00	0.00
4800	1110	CASH W/ INVESTMENT MGR	193,505.89	209,378.32	205,320.54	58,306.26	73,322.27	13,149.19	142,896.99
4800	1139	FIXED INCOME MUTUAL FUNDS	1,520,457.26	1,641,964.96	1,817,829.54	1,989,628.84	1,748,564.79	1,370,767.26	1,423,370.14
4800	1170	EQUITY INVESTMENTS	4,426,454.76	4,363,100.00	5,489,607.49	4,136,139.28	4,343,013.70	4,232,178.90	4,029,404.75
4800	1199	REIT FUNDS	0.00	0.00	0.00	0.00	0.00	151,688.60	0.00
4800	138010	ACCRUED INCOME	729.00	265.73	541.68	759.31	1,341.92	636.19	1,316.75
		INVESTMENT ACCOUNT	6,141,146.91	6,214,709.01	7,513,299.25	6,184,833.69	6,166,242.68	5,768,420.14	5,596,988.63
		TOTAL ASSETS	6,078,547.42	6,214,709.01	7,513,299.25	6,184,833.69	6,166,242.68	5,768,420.14	5,596,988.63
		ANNUAL RETURN	-1.18%	-17.28%	21.48%	0.30%	6.90%	3.06%	
		AVERAGE RETURN	2.21%						
4800	202000	WARRANTS PAYABLE	0.00	0.00	0.00	2,000.00	0.00	0.00	7,000.00
4800	240001	DT-GENERAL FUND	0.00	78,572.49	0.00	15,499.59	43,687.59	0.00	19,800.00
		LIABILITIES	0.00	78,572.49	0.00	17,499.59	43,687.59	0.00	26,800.00
4800	3212	FB RESV FOR PY ENCUMBRANCES	0.00	798,700.00	707,700.00	542,700.00	445,200.00	0.00	0.00
4800	329100	NON EXPENDABLE TRUST PRINCIPAL	170,799.73	170,799.73	170,799.73	170,799.73	170,799.73	170,799.73	170,799.73
4800	3447	UNREALIZED INVTM GAINS	721,154.30	557,530.76	2,232,872.45	1,022,756.59	1,133,197.27	774,626.69	642,577.65
4800	3599	UNDESIGNATED FUND BALANCE	5,244,182.49	4,609,106.03	4,401,927.07	4,431,077.78	4,373,358.09	4,822,993.72	4,756,811.25
4800	3910	REVENUE CONTROL	310,450.90	0.00	0.00	0.00	0.00	0.00	0.00
4800	3930	EXPENDITURE CONTROL	-368,040.00	0.00	0.00	0.00	0.00	0.00	0.00
		FUND BALANCE	6,078,547.42	6,136,136.52	7,513,299.25	6,167,334.10	6,122,555.09	5,768,420.14	5,570,188.63
		LIAB + FUND BAL	6,078,547.42	6,214,709.01	7,513,299.25	6,184,833.69	6,166,242.68	5,768,420.14	5,596,988.63
4800	450011	CHANGE -FAIR MKT VALUE	0.00	0.00	0.00	0.00	0.00	0.00	188,886.31
4800	450020	INTEREST/DIVIDEND INCOME	310,450.90	-1,134,090.24	1,501,465.15	211,779.01	563,822.54	395,456.58	427,145.70
4800C301	487000	GIFTS/DONATIONS	0.00	0.00	0.00	0.00	0.00	0.00	200.00
		REVENUE	310,450.90	-1,134,090.24	1,501,465.15	211,779.01	563,822.54	395,456.58	616,232.01
4800C301	514309	OTHER STIPENDS	0.00	5,000.00	0.00	0.00	185.00	715.00	1,150.00
4800C301	571800	SCHOLARSHIPS/AWARDS	372,040.00	238,000.00	155,500.00	167,000.00	209,500.00	196,500.00	210,000.00
4800C301	57MEDA	MEDICARE PAYROLL TAX	0.00	72.49	0.00	0.00	2.59	10.07	16.12
		EXPENSES	372,040.00	243,072.49	155,500.00	167,000.00	209,687.59	197,225.07	211,166.12
		SURPLUS/(DEFICIT)	-61,589.10	-1,377,162.73	1,345,965.15	44,779.01	354,134.95	198,231.51	405,065.89