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May 1, 2023

Honorable City Council
Newton City Hall
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To the Residents of Newton and our Honorable City Council,

I join you tonight to deliver the proposed Fiscal Year 2024 Budget for the City of Newton and our Supplemental Capital Improvement Plan for the next five years.

I do so filled with a deep sense of gratitude to be in a position to help guide this City I love. Together we are navigating a difficult period. As a community, we persevered through a multiyear pandemic. We are grappling with intractable societal issues from housing affordability and inequality to climate change and frayed mental health. We are facing inflation and a looming recession. While this has not been easy, Newton has risen to the occasion time and time again.

This month marks an important milestone for all of us. I am pleased that we can formally lift the City of Newton COVID-19 Declaration of Emergency on May 11, 2023. We do so on the same day that President Biden and Governor Healey are declaring the end of the Federal and State public emergencies. Although COVID-19 continues to circulate, we now have many ways to manage the virus.

With that welcome news, we are focused on setting the City on a course for recovery and reinvestment. We have used our one-time pandemic funds to help so many and to jumpstart initiatives; however, we have so much more that we want to and need to do to continue to be the community of choice, generation after generation.

As Mayor, I manage our financial resources to preserve our ability to do three things simultaneously:

- First, move forward sustainably to make Newton greater, better and more beautiful. We dedicate resources to provide excellent schools, first-rate public safety, better and safer streets, support for older residents and those struggling, outstanding services, beautiful green spaces, and vibrant villages. We take action across a range of issues – housing, transportation, economic development and climate resiliency – to keep moving forward;
- Second, fulfill promises made by prior Mayors, City Councilors and School Committee members and put us on the path to fund our long term financial obligations, including the \$1 billion dollars of unfunded pensions and retiree health care;

- Third, protect the City's financial strength and budgetary flexibility so we can face evolving risks and unpredictable financial conditions, such as pandemics, economic downturns, inflationary cycles and dramatic weather events.

My proposed Budget, which is just over a half billion dollars, is true to these three objectives. It includes \$499.7 million in the operating budget, \$64.7 million in enterprise funds for water, sewer and stormwater services, and another \$5.6 million in Community Preservation Funds. This Budget is the largest in Newton's history and funds the Newton Public Schools at historic levels. Yet, these historic investments come at a time of inflationary pressures and growing needs, forcing us to make hard decisions. Newton must balance its budget by law, with Fiscal Year 2024 being no exception.

This proposed Budget is also mindful of the decisions made by Newton voters six weeks ago on three override proposals.

I proposed these overrides because I know additional funding is needed to achieve in full our shared goals. In Massachusetts, voters get to decide whether to increase our taxes – a proud democratic tradition that I fully support. As a community, we decided to move forward with two school buildings but to hold off on additional funding for school and city operations.

That decision has left us with a constrained budget necessitating some uncomfortable choices.

I have prioritized the Newton Public Schools, maintained City operations, continued building projects using the debt exclusion override funding and bonding, and ensured our long-term financial sustainability. It is important that we continue to fund immediate needs while simultaneously addressing our long-term liabilities and preserving our Aaa bond rating.

Revenues

Let me turn first to the revenue side of our next fiscal year that begins July 1, 2023.

The City's revenues come overwhelmingly from one source, our property taxes. These account for 84% of our total revenues. My Budget proposal is based on a 2 ½ percent increase in the tax levy allowed under Proposition 2 ½. It also uses an additional 1.3% in property taxes from projected new growth and redevelopment. The other revenue sources, from State Aid to Motor Vehicle Excise Taxes to Licenses and Permits paid to our Inspectional Services Department, increase by \$4.3 million. Altogether, this proposed Budget is \$19.7 million more than last year's.

I am pleased to report that the majority of our revenue streams impacted by the pandemic have rebounded to pre-pandemic levels. Revenue from medical and retail cannabis establishments, however, is weakening. Our first cannabis retailer, Garden Remedies, has been open more than five years and their community impact fee requirement has expired. Two new operators have opened but with more limited sales. In addition, Hotel Room Occupancy Taxes are lower with one of our three hotels, the Indigo, permanently closed.

Operating Budget Expenditures

Let's turn next to the expenditures in the FY2024 proposed Budget.

On the City side, with the hard work of many people in each department and the detailed scrutiny of our experienced Chief Financial Officer, Maureen Lemieux, we reviewed and analyzed every line item. Savings were found; efficiencies were made. As a result, we are maintaining the important services and programs that we provide Newtonians.

Newton Public Schools

The Newton Public Schools is by far our largest Department and is effectively receiving the largest increase in the proposed Budget. The School Department has approximately 2,100 positions and all in accounts for 65% of our total expenditures. (By way of reference, the other three large departments are Police, Fire and Public Works/Utilities with 209, 199 and 199 positions respectively.)

It's in our DNA here in Newton that we care deeply about our children and invest heavily in education. As in all things, we must balance our ambitions for our school district with the financial reality we face as a city. Despite record levels of investment, NPS faces dual challenges. First, the operating override did not pass in March which would have boosted the NPS budget by an additional \$4.5 million. Second, NPS is facing increased costs, higher student needs, the ending of one-time pandemic funding, and a long-standing structural deficit.

I have taken several steps as we prepared this Budget to provide additional, sustainable funding to address these challenges:

- We have strategically utilized \$10 million of Free Cash to reduce required debt service for the Lincoln-Eliot Elementary School project to free up operating budget capacity; this allowed me to increase the NPS appropriation by \$600,000 per year beyond this year's anticipated 3.5% annual increase.
- We have provided a "Bridge Grant" to the Newton Public Schools of \$1.4 million from Free Cash to offset significant increased costs imposed by the state for out-of-district placements.
- We have worked collaboratively with the Newton Retirement Board to increase the base pension on which retiree COLAs are calculated and extend our full-funding date by one additional year to create a sustainable pathway to fully fund our pension system by August 2031; this collaboration in turn has created flexibility to fund the \$23 million Horace Mann Elementary School addition/renovation;
- We have restructured our health insurance plans to provide continued access to excellent health care while eliminating an outdated reimbursement plan for Medicare Part B. This results in \$680,000 in savings for NPS for FY2024 and another \$680,000 for next year, FY2025.
- We have used Free Cash to pay NPS legal settlements totaling \$580,000.
- Even without the operating override, we initially allocated a 3.73% increase in funding to the Newton Public Schools for an increase of \$9.77 million dollars over last year's FY2023 NPS budget. This translated into a total FY2024 NPS budget of \$271.8 million. Last Tuesday, with my support, the School Committee voted to move \$3.1 million in NPS retiree health care costs out of this allocation and out of the NPS budget over to the City. NPS retiree health care costs are currently increasing at a greater rate than City

revenues so this action relieves pressure on the NPS budget. My proposed Budget tonight has the City administering this program, assuming the costs, and taking on the risks in support of the Newton Public Schools.

- Tonight, I am also announcing another step to support the Newton Public Schools. I am allocating \$400,000 of ARPA funds to pay for summer maintenance projects across NPS' 23 buildings. The School Committee voted last Thursday to postpone funding these necessary summer maintenance projects to minimize the impact on class sizes. This ARPA funding will allow these projects to be done now and next year, and NPS to access additional funding from health insurance to permanently build these maintenance expenditures into its budget.

Many of these actions to provide additional funding to the Newton Public Schools require the support of the City Council. We look forward to working with our Councilors and answering any questions starting the day after tomorrow at the Council's Committee of the Whole.

Even with this additional funding, no one – including the leadership at NPS, the School Committee and me – feel great about the NPS budget. Yes, the Superintendent's team has added 39 new positions for next year to provide special education programs, bolster curriculum development, and support teaching and learning. But, despite the substantial increase in the NPS budget, other positions had to be eliminated. Altogether, out of approximately 2,100 positions, NPS will have a net decrease of 40 positions next year.

The reality is that the costs of NPS have been growing faster than City revenues, creating an unsustainable structural deficit. The School Committee, on which I sit, faced difficult decisions and tough tradeoffs.

Over the last few weeks of working together, the School Committee, the NPS Administration and I found savings, added and redeployed funding, and worked creatively to ensure none of our elementary class sizes are over 25 students, to keep the elementary strings program for which so many of our students and families advocated so passionately, and to set aside \$32,000 in the budget specifically for disability inclusion curriculum efforts.

As you may know, the School Committee voted 8 to 1 last Thursday on the \$268.7 million NPS budget that I bring forward tonight.

As Mayor, I will continue to prioritize the funding for educating our young people and for the Newton Public Schools.

School Buildings

The dramatic financial impact on City revenues and expenses brought about by COVID-19 delayed two important school building projects, the Newton Early Childhood Program (NECP) at the former Horace Mann and the new Lincoln-Eliot Elementary School relocating to 150 Jackson Road. I'm grateful that I had ARPA funds available so both projects could resume. NECP moved to their new home at 687 Watertown Street in January, and the design phase for the new home for Lincoln-Eliot is almost complete. Construction begins this fall and Lincoln-Eliot students will move into their new school in September 2025.

The Massachusetts School Building Authority (MSBA) invited the Countryside Elementary School into their grant program in late 2021 due to the building's significant condition issues. I am so pleased that Newton's voters approved the bonding in March to replace Countryside and that the MSBA will contribute a third of the \$61 million in project costs. Students will be in the new Countryside four years from now.

Voters also said "yes" to a new or renovated Franklin Elementary School and, as I just mentioned, with the help of the Retirement Board and the City Council, we have found a creative way to fund the Horace Mann addition/renovation.

These new and renovated schools are long overdue and will be terrific additions to neighborhoods, families, students and educators for decades to come.

Ensuring academic excellence and educational equity in our Newton Public Schools is a team effort involving people from all sorts of City departments. The 30 school nurses and the Director of School Health, for example, work for the City's Health and Human Services Department while the 52 school crossing guards are part of the Police Department. The major school building projects are overseen by the City's Public Buildings staff. The bonding costs of the associated debt are embedded in the municipal (rather than the school) budget. As mentioned earlier, starting this year, the health care costs of NPS retirees are also in the municipal budget.

Altogether, the NPS budget for FY2024 of \$268.7 million is supplemented by over \$40 million funded by the City in the municipal operating budget.

City Services

Let's shift now to City operations and the municipal budget.

While we're investing in our children's education, we're also investing in services for an even larger and faster growing group, our older residents. In our Senior Services Department, our goal is to improve and expand the ways in which our elders can participate in community life. That is why we are breaking ground soon on the Newton Center for Active Living or NewCAL. This budget brings on a Deputy Director at the end of the Fiscal Year to help prepare for the opening of NewCAL in 2024 and the department's next exciting chapter.

All of us are proud of Newton's record as a safe community. This Budget invests in our Police and Fire Departments for training, technology, equipment, vehicles and facilities as well as the wellness and safety of our officers and firefighters.

With this Budget, we're going to maintain high levels of investments in our streets and sidewalks. Commissioner McGonagle's DPW staff are getting Waverley & Ward, Homer, Lowell and the Comm Ave Carriageway paved this year, among others, and a lot of residential streets. We will install more Rectangular Rapid Flashing Beacons. We will focus on more sidewalks and accessibility ramps. We will begin construction of Pettee Square upgrades in Upper Falls.

We are also looking closely at how to adapt another aspect of transportation and mobility, Newton in Motion or NewMo, our shared ride service. Overall, it's been highly successful, helping older residents, teenagers,

employees and others with affordable, safe, convenient, and environmentally sensitive transportation. But, NewMo is expensive to operate. We have level-funded the senior portion of NewMo with \$275,000 since its inception, and that is not going to change. We have been creative and tenacious in securing the rest of the costs from state & regional grants and, to a lesser degree, from developers who pay to offset their traffic impacts. The state and regional grants are increasing difficult to secure. We're rethinking NewMo, including revisions to fares and the re-bidding of the service. As we do so, we stand committed to helping older residents have access to reliable and affordable transportation.

While not formally part of our Budget submission tonight, I want everyone to know that Congressman Auchincloss, our State delegation and I are all in on advocating for the funding to reconstruct all three of our commuter rail stations to make them accessible and designed to allow frequent service. Earlier today, I attended a meeting with Secretary of Transportation Gina Fiandaca and Phillip Eng, General Manager of the MBTA, and underscored the urgency and importance of providing funding for these stations.

To chart Newton's future thoughtfully, this Budget fully supports our Planning Department. They will continue working closely with City Councilors on updating our village center zoning, determining the right mix of housing and commercial and bringing the City into compliance with the Commonwealth's new MBTA Communities law. We are also investing in proactive planning with the help of residents and businesses for the Newton Highlands village center, a first-ever bike and pedestrian master plan, a re-envisioned section of Washington Street, and revised zoning for the California Street manufacturing area in Nonantum.

So much of what we do as a city government is meant to pass on an even better Newton to those who come after us. Environmental sustainability is a big part of that. Our Sustainability team is helping us implement our Climate Action Plan. They are here, along with experts from the community, to help people figure out how to insulate buildings, install heat pumps and solar panels, compost and switch to electric vehicles. We're continuing our best-in-the-state Newton Power Choice with 84% renewables, adding more solar on roofs and in parking lots, and weaning municipal and school buildings off fossil fuels. We're working with the City Council and the business sector as one of the ten communities who will pilot fossil fuel free new construction. We are also initiating a significant review of trash and recycling during FY2024. A new collection and disposal contract is approaching. We face growing environmental, operational and financial pressures to reduce solid waste and increase recycling and composting.

Parks, recreation and culture have been a consistent priority of my Administration. A new Gath Pool complex will open next summer with two pools and a splash pad. We are also investing over at Crystal Lake, our beautiful Newton Centre gem. We will be activating a 500 seat auditorium at 150 Jackson Road when we open the new home for Lincoln-Eliot. The three athletic field renovation projects will greatly improve the Burr School, McGrath, and Albemarle North fields. With this Budget, Commissioner Banks' team will be making improvements to playgrounds, tennis courts, and park buildings, adding a new community garden, while offering a wide array of affordable programs and artistic opportunities.

Building community means being there for everyone, especially our most vulnerable. That is why our Human Services and Housing teams are moving forward with ARPA funding on an economic stability and mobility program for vulnerable Newton families. With City Council support, we expanded our property tax assistance

programs for older residents and others on a tight budget. We're well on our way to creating 43 apartments at affordable rents at the West Newton Armory. With the help of the City Council, the Zoning Board of Appeals, the Community Preservation Committee and the Affordable Housing Trust, we're building and preserving affordable housing in meaningful numbers. We will also likely be welcoming 59 families facing homelessness this fall to 399 Grove Street and have heard from so many Newtonians that want to help.

The engine of Newton city government is the dedicated staff who work every day to deliver the services that make Newton so special. We will invest in our most valuable asset, our employees, through fair wages and benefits, good working conditions, training and professional development. Salaries, compensation, and benefits for the City's approximately 915 full-time and many part-time employees comprise 74% of the municipal department budgets. Most of the full-time employees (83%) are members of a union and are covered by Collective Bargaining Agreements. We have successfully settled all but one contract through the current fiscal year, with most remaining in effect through the end of the next fiscal year, FY2024. We look forward to collaborative discussions that result in fair agreements, fair to our employees and taxpayers alike, and maintain parity with the growth in our revenues. That is equally true for the School Committee. All four NPS union agreements are up in a few months.

Significant One-Time Investment Opportunities

Let me turn to the use of two sources of significant one-time revenues.

By far, the largest pandemic package helping the City of Newton is the American Rescue Plan Act of 2021, commonly known as ARPA. The City of Newton has received approximately \$63.6 million ARPA dollars to help the City respond to the COVID-19 public health emergency and its negative economic impacts and make up for the City's "lost revenues" from the pandemic.

ARPA allowed us to improve the ventilation systems in every school building. We bought iPads and Chromebooks for students. We helped businesses, restaurants and non-profits. We supported people who were struggling financially. We paved roads and enhanced village centers. We improved parks and are creating a community garden. We rebuilt the Children's Room at the Library.

Altogether students and schools received \$11.2 million, COVID response \$10 million, housing and human services \$9 million, roads and traffic calming \$8.5 million, economic recovery for businesses, non-profits and village centers \$5.2 million, parks, recreation and culture \$5.2 million, and critical infrastructure for the library, seniors and police \$4.3 million.

With revenues strengthening and the necessity to ween ourselves off the one-time pandemic recovery funds, we are utilizing \$2 million of the ARPA funding to augment our projected revenue for FY2024 to bolster School and City operations. Two years ago, in FY2022, we used \$4.6 million of ARPA funds for operations, tapering to \$3 million last year in FY2023, and now to \$2 million.

With the Budget submittal tonight, I am simultaneously allocating the remaining \$4.9 million of ARPA funding. These investments include \$2 million for road paving and another \$2.1 million for a variety of infrastructure

repairs and improvements – such as NPS summer maintenance projects, a second synthetic turf field for Newton North High School at Albemarle so South and North each have two, the roof of the Underwood Elementary School, a second pedestrian bridge at Albemarle, and repairs to the Albemarle fieldhouse, the former Newton Corner Library and Farlow Park, the Pellegrini Rec Center, the Library Plaza, the Crystal Lake bathhouse and parking lot, and more.

Let me turn next to Free Cash, a second major source this year of one-time revenues. Free Cash, in lay person's terms, is the remaining unspent, unrestricted funds from operations from a previous fiscal year.

This year's Certified Free Cash of \$28.8 million is significantly higher than in most years due to unexpected revenue from a contested property value case involving Eversource (\$8M) and an early "Payment in Lieu of Taxes" from a non-profit (\$2.2M).

This year, Free Cash will help us in so many ways. Highlights include:

- Paying in part for the new Lincoln-Eliot and supporting NPS operations,
- Replacing the two synthetic turf fields at Newton South and one at Newton North,
- Providing a "bridge grant" to NPS for Out-of-District tuitions,
- Buying large vehicles for DPW, construction equipment, a Fire Engine, sidewalk plows, and police cruisers,
- Replacing the Newton Free Library's HVAC system,
- Purchasing new election equipment, and
- Upgrading the Police Department's computer and IT systems.

I'm pleased that we can make these collective investments that support our shared goals.

Our fiscal discipline continues to serve us well as we continue to earn a Aaa credit rating from Moody's.

A noteworthy aspect of this Budget is that it initiates a three-year plan to increase Newton's Rainy-Day Stabilization Fund to equal 6% of our annual operating budget (an increase from the current 5%) to provide funding for contingencies and to be responsive to Moody's new algorithm that assesses the financial strength and resiliency of a municipality. I want to give a shout out to Councilor Gentile who worked so collaboratively with Mayor Warren a decade ago to get us to the 5%. I look forward to working with Councilor Grossman, Chair of the Finance Committee, as we move up to 6%.

Gratitude

Let me close by offering my thanks not only to those in this chamber tonight but also to all of you living, working and investing in our good City.

I am grateful to Maureen Lemieux, our talented CFO, Jonathan Yeo, our hard working COO, and our world class Department Heads and their staffs for their excellent work not just creating this proposed Budget but also for their good work in serving our community.

I thank Perry Rosenfield and Connor Roach, in particular. They are unsung heroes. As our financial analysts, they have competently analyzed each line item in the budget and created innumerable excel spread sheets.

I also want to thank four people in my office who work tirelessly to support me and all of you – Ellen Ishkanian, Sam Nighman, Hattie Kerwin-Derrick, and Amalia Timbers. Thank you for everything.

All of us need to give a huge thank you to Interim Superintendent of the Newton Public Schools Kathy Smith. Dr. Smith has been an extraordinary leader bringing wisdom, steadiness, and empathy to NPS. In a difficult year with budget pressures, a Superintendent search, intense questions about curriculum, pedagogy, equity, academic excellence and more, Dr. Smith helped us find true north. Even as we look forward to welcoming Dr. Anna Nolin, our incoming Superintendent, we offer our thanks to Kathy.

I want to add one last thank you. For eighteen years, we have been so well served by a person of integrity, deep knowledge, judgment and grit. Coming into Newton on the heels of five Commissioners serving in the course of six years, our Commissioner of Inspectional Services, John Lojek, transformed our Inspectional Services Department into a professional, well-oiled machine. Commissioner Lojek has decided to retire and spend more time with his beloved wife, Carla, his four children and five grandchildren. He leaves us in July with a special feather in his cap having transformed the way we do business by envisioning and implementing an innovative permitting and management information system, NewGov. Godspeed John.

The City of Newton is a wonderful community. I am confident that with commitment, collaboration, creativity and caring, we will thoughtfully execute our responsibilities and come through these times stronger and better.

Sincerely,



Ruthanne Fuller
Mayor