



Finance Committee Agenda

City of Newton In City Council

Monday, March 26, 2018

7:00 PM
Room 211

Note: Please bring your copy of the Fiscal Years 2019 to 2023 5-Year Financial Forecast. The forecast can be found online at: <http://www.newtonma.gov/civicax/filebank/documents/85507>

Items scheduled for discussion:

#192-18 **Transfer \$15,168.75 to the Law Department fund an indemnification award**
HER HONOR THE MAYOR requesting authorization to transfer the sum of fifteen thousand one hundred sixty-eight dollars and seventy-five cents (\$15,168.75) from Budget Reserve to the Law Department for the purpose of funding an indemnification award.

#193-18 **Transfer \$300,000 from CPA Housing to CPA Historic Rehabilitation**
COMMUNITY PRESERVATION COMMITTEE requesting the transfer of three hundred thousand dollars (\$300,000) from the Auburn Street Housing Account to the Auburn Street Historic Rehabilitation Account to reflect the intent of Council Order #221-17.

Referred to Public Facilities and Finance Committees

#194-18 **Appropriate \$500,000 for snow and ice removal expenses**
HER HONOR THE MAYOR requesting authorization to appropriate the sum of five hundred thousand dollars (\$500,000) from Free Cash to supplement the Department of Public Works' snow and ice operations budget.

Personnel Costs – Overtime	
(0140110-513001).....	\$150,000
Rental Vehicles	
(0140110-5273-5273)	\$350,000
Public Facilities Approved 7-0	

The location of this meeting is accessible and reasonable accommodations will be provided to persons with disabilities who require assistance. If you need a reasonable accommodation, please contact the city of Newton's ADA Coordinator, Jini Fairley, at least two business days in advance of the meeting: jfairley@newtonma.gov or (617) 796-1253. The city's TTY/TDD direct line is: 617-796-1089. For the Telecommunications Relay Service (TRS), please dial 711.

Referred to Public Facilities and Finance Committees

- #88-18** **Appropriate \$380,000 for design engineering services for Newtonville**
HER HONOR THE MAYOR requesting authorization to appropriate and expend three hundred eighty thousand dollars (\$380,000) from Free Cash for the purpose of funding expanded streetscape design and engineering services for Newtonville Village improvements, including Washington Street at Walnut Street, southerly on Walnut Street to Cabot Street, and Austin Street from Walnut Street to the 28 Austin Street development.
Public Facilities Approved as Amended 6-0 @ \$147,411 on 03/21/18
- #57-18** **Review/Acceptance of the FY 2019 – FY 2023 5-year Financial Forecast**
HIS HONOR THE MAYOR submitting the Fiscal Years 2019 to 2023 5-Year Financial Forecast for City Council review/acceptance.
- #153-18** **Discussion with Procurement Officer on criteria for bidding contracts**
COUNCILORS GENTILE, MARKIEWICZ, AND NORTON requesting a discussion with the Chief Procurement Officer regarding the City's process for hiring consultants. Discussion should focus in particular on 1) the criteria which determines whether a consulting contract is put out for public bid; and 2) when there is no bid process, what criteria are used to choose consultants.
- #195-18** **Investment Policy for the Rainy Day Stabilization Fund**
COUNCILOR GENTILE, on behalf of the Investment Advisory Committee, submitting its recommendation for an investment policy for the Rainy Day Stabilization Fund.

All other items before the Committee will be held without discussion.

Respectfully submitted,

Leonard J. Gentile, Chair



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Office of the Mayor

#192-18
Telephone
(617) 796-1100
Fax
(617) 796-1113
TDD/TTY
(617) 796-1089
Email
rfuller@newtonma.gov

March 12, 2018

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Council docket for consideration a request to transfer the sum of \$15,168.75 from Acct # 0110498-5790 FY18 Budget Reserve to fund an indemnification award. Specific details from Acting City Solicitor Ouida Young are attached.

Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in black ink that reads "Ruthanne Fuller".

Ruthanne Fuller
Mayor

LAW DEPARTMENT



CITY OF NEWTON, MASSACHUSETTS

CITY HALL

1000 COMMONWEALTH AVENUE

NEWTON CENTRE, MA 02459

TELEPHONE (617) 796-1240

FACSIMILE (617) 796-1254

ACTING CITY SOLICITOR
OUIDA C.M. YOUNGDEPUTY CITY SOLICITORS
ANGELA BUCHANAN SMAGULA
JEFFREY A. HONIGASSISTANT CITY SOLICITORS
MARIE M. LAWLOR
ROBERT J. WADDICK
MAURA E. O'KEEFE
ALAN D. MANDL
JULIE B. ROSS
JILL M. MURRAY
JONAH M. TEMPLE

March 12, 2018

Ruthanne Fuller, Mayor
City of Newton
1000 Commonwealth Avenue
Newton Centre, MA 02459

RE: In the Matter of Arbitration Between Matthew A. Cummings and the City of Newton


Dear Honorable Mayor Fuller:

In December of 2017, the City Council approved a partial payment of the indemnification award granted to former Police Chief Matthew Cummings. That payment in the amount of \$35,674.65 involved legal expenses incurred by the former Chief in connection with federal claims made against both him and the City by former employee Jeanne Sweeney Mooney. The Arbitrator also awarded the former Chief legal expenses for the state claims made by former employee Mooney, but given that that the award did not include the legal expenses related to the appeal taken by former employee Mooney in the state claim, this office held off requesting appropriation of funds to settle the indemnification award related to the state action.

The attorneys for the former Chief have now filed suit seeking to enforce the Arbitrator's award for unpaid legal expenses as well as back pay. The time has come to pay that portion of the indemnification award related to the legal expenses in the state law suit although there will be some additional legal expenses incurred if the Appeals Court grants oral arguments.

As noted in the original letter requesting settlement, this office was successful in significantly reducing the amount claimed for legal expenses in both the state and federal cases. The indemnification amount sought for the state case to date is \$15,168.75. The Law Department finds this amount is reasonable.

Therefore, the law Department respectfully requests that you docket this item seeking to appropriate \$15,168.75.

Very truly yours,

Ouida C.M. Young
Acting City Solicitor

CITY OF NEWTON

IN CITY COUNCIL

October 2, 2017


ORDERED:

That, in accordance with the recommendations of the Land Use Committee through its Chair Marc C. Laredo; and the Finance Committee through its Chair Leonard J. Gentile, **three hundred thousand for historic rehabilitation and six hundred seventy-seven thousand seven hundred dollars (\$677,700) for affordable housing** be hereby appropriated from the Community Preservation Fund as shown below to the Planning and Development Department for a grant to Citizens for Affordable Housing Development in Newton (CAN-DO) to create eight units of permanently affordable rental housing at 236 Auburn Street, Auburndale, including five units in a congregate home to be owned and operated by the Barry L. Price Rehabilitation Center, as described in CAN-DO's proposal submitted to the Community Preservation Committee in May 2017.

From: Community Preservation Budget Reserve (21R10498-5790)	\$331,597
Community Preservation Housing Reserve (21R10498-5790C)	\$346,103
Community Preservation Historic Resources Reserve (21R10498-5790B)	\$300,000

To: Auburn Street Housing (21C11423-5795)	\$977,700	new balance \$677,700
transfer to Auburn Street Historic Rehabilitation (21B11423-5795)		new balance \$300,000

Under Suspension of Rules
Readings Waived and Approved
21 yeas 2 nays (Councilors Ciccone and Gentile), 1 absent (Councilor Lappin)


(SGD) DAVID A. OLSON
City Clerk


(SGD) SETTI D. WARREN
Mayor

Date 10-6-17



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Office of the Mayor

#194-18
Telephone
(617) 796-1100
Fax
(617) 796-1113
TDD/TTY
(617) 796-1089
Email
rfuller@newtonma.gov

March 12, 2018

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Council docket for consideration a request to transfer the sum of \$500,000 from June 30, 2017 Certified Free Cash to the following accounts for Snow/Ice removal.

DPW Personnel Costs – Overtime – Acct # 0140110-513001	\$150,000
DPW Rental Vehicles (Contractors) – Acct# 0140110-5273	\$350,000

Thank you for your consideration of this matter.

Sincerely,

Ruthanne Fuller

Ruthanne Fuller
Mayor

From: [Jack Cowell](#)
To: [Shawna Sullivan](#)
Cc: [Daniel Nabi](#); [James Mcgonagle](#)
Subject: Snow Backup
Date: Thursday, March 15, 2018 4:32:09 PM
Attachments: [image001.png](#)

Hi Shawna,

Here is the latest breakdown of costs for snow this season.

	Budgeted	Expenses	Balance
Total Personnel	\$ 2,065,296.10	\$ 1,102,240.19	\$ 963,055.91
Total Contractors	\$ 4,640,028.55	\$ 3,659,905.41	\$ 980,123.14
Salt	\$ 258,030.00	\$ 925,317.69	\$ (667,287.69)
Equipment	\$ 244,923.85	\$ 750,362.18	\$ (505,438.33)
Total	\$ 7,208,278.50	\$ 6,437,825.47	\$ 770,453.03

Jack Cowell
Sr. Financial Analyst – City of Newton, MA
617-796-1082



Ruthanne Fuller
Mayor

City of Newton, Massachusetts
Office of the Mayor

#88-18

Telephone
(617) 796-1100

Fax

(617) 796-1113

TDD/TTY

(617) 796-1089

Email

rfuller@newtonma.gov

January 8, 2018

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Council docket for consideration a request to authorize the appropriation of \$380,000 for expanded streetscape design and engineering services for Newtonville Village improvements, including Washing Street at Walnut Street, southerly on Walnut Street to Cabot Street, and Austin Street from Walnut Street to the 28 Austin Street development.

Thank you for your consideration of this matter.

Sincerely,

Ruthanne Fuller
Mayor

RECEIVED
Newton City Clerk
2018 JAN 8 PM 4:58
David A. Olson, CMC
Newton, MA 02459

City of Newton



DEPARTMENT OF PUBLIC WORKS
ENGINEERING DIVISION
OFFICE OF THE CITY ENGINEER
1000 Commonwealth Avenue
Newton Centre, MA 02459-1449

Ruthanne Fuller
Mayor

March 23, 2018

TO: Lenny Gentile, Chair
Members of the Finance Committee

FROM: James McGonagle, Commissioner of Public Works
Louis M. Taverna, P.E., City Engineer
Barney Heath, Director of Planning & Development
Lily Canan Reynolds, Planning Department

SUBJECT: Docket Item #88-18 Newtonville Village Streetscape Design and Engineering Services, Request for Additional Engineering Design Funds

Her Honor the Mayor is requesting authorization to appropriate and expend \$147,411 from Free Cash for the purpose of funding expanded streetscape design and engineering services for Newtonville Village improvements.

Public Works hired Environmental Partners Group in 2016 to perform engineering and streetscape design for the Walnut Street Enhancements Project in Newtonville. The original scope of services extended from the southern abutment of the Walnut Street Turnpike Bridge southerly to Elm Road (see Attachment A). Environmental Partners' not to exceed design fee is currently \$400,000, which includes concept design, survey, final design, and plans and specifications for public bidding. The original construction cost estimate is approximately \$3,000,000. Environmental Partners was selected based on skills, qualifications, and experience in intersection design including Newton projects at Washington Street at Harvard Street, Dedham Street at Nahanton Street and Brookline Street, and a peer review of Auburndale Square.

Purpose of an Integrated Scope

The scope of services for the integrated Newtonville Village Streetscape project described below has been revised in response to comments of the Public Facilities Committee on January 17, 2018. The services described will integrate streetscape improvements to be provided by Austin Street Partners, as required under the special permit for the 28 Austin Street project, with the City's overall investments in the streetscape and roadway in Newtonville under the existing Walnut Street Enhancements Project, presenting one consistent design under the City's direction.

Explanation of Requested Engineering Level of Effort

This request for additional design funds addresses portions of streets and sidewalks in Newtonville that lie between the original limits of the Walnut Street Enhancements Project and the adjoining development at 28 Austin Street. Planned investments by these two adjacent projects currently lack connection in key areas. Integrating these additional elements into the Walnut Street Enhancements Project will result in better connections for people parking and walking to and from retail shops, the new plaza at 28 Austin Street, the Senior Center, and points in Newtonville north of the Mass Turnpike. The proposed integrated scope now includes improvements to Bram Way and the intersections of Bram Way with Highland Ave and Austin Street, Austin Street from Walnut Street to the westerly end of the 28 Austin Street project, street lighting evaluation and design for the entire Walnut Street Enhancements Project, and roadway pavement marking plan and streetscape enhancements to the Walnut Street bridge over the Massachusetts Turnpike.

These additional design elements will be included in the plans and specifications for public bidding. The extent of the original Walnut Street Enhancements Project scope, location of proposed integrated elements, and the extent of work planned by Austin Street Partners are shown on Attachment A. The construction cost estimate for the additional elements is approximately \$450,000.

The additional scope of services and not-to-exceed fee will be a contract amendment to Environmental Partners Group's original engineering contract. The proposed not-to-exceed fee of \$147,411 is based on the man-hour level of effort required to perform the scope of the additional engineering services. The proposed man-hour level of effort is shown in Attachment B. The man-hour level of effort is an estimate only. Actual man-hours performed on the work are invoiced to the city monthly as charges accrue. Monthly invoices are reviewed by several Department of Public Works personnel and compared to the signed contract and work performed.

Previously Performed Work

During performance of the original Walnut Street Enhancements Project scope of services, preliminary alternate concepts were explored by the project team for the proposed integration elements. The three items listed as previously performed work (see Attachment B) represent relatively minor level of effort necessary for the exploration of alternate concepts. First, the consultant team analyzed and prepared alternate concepts for the realignment of Austin Street in order to advise the City of potential options for addressing these deficiencies. Second, at a critical timepoint in pre-construction for 28 Austin Street, the consultant team reviewed the proposed street, sidewalk, and plaza improvements planned by Austin Street Partners. Members of the Austin Street Liaison Committee and other stakeholders have continued to request these elements integrate appropriately with the planned streetscape for Newtonville. In order to determine the appropriate treatments, alternate design options were reviewed by the consultant team. Finally, the consultant team prepared concepts regarding the Walnut Street bridge over the Massachusetts Turnpike, as a preliminary determination of proposed traffic patterns for the bridge and to explore streetscape enhancements within limitations set by Massachusetts DOT, the owners of the bridge.

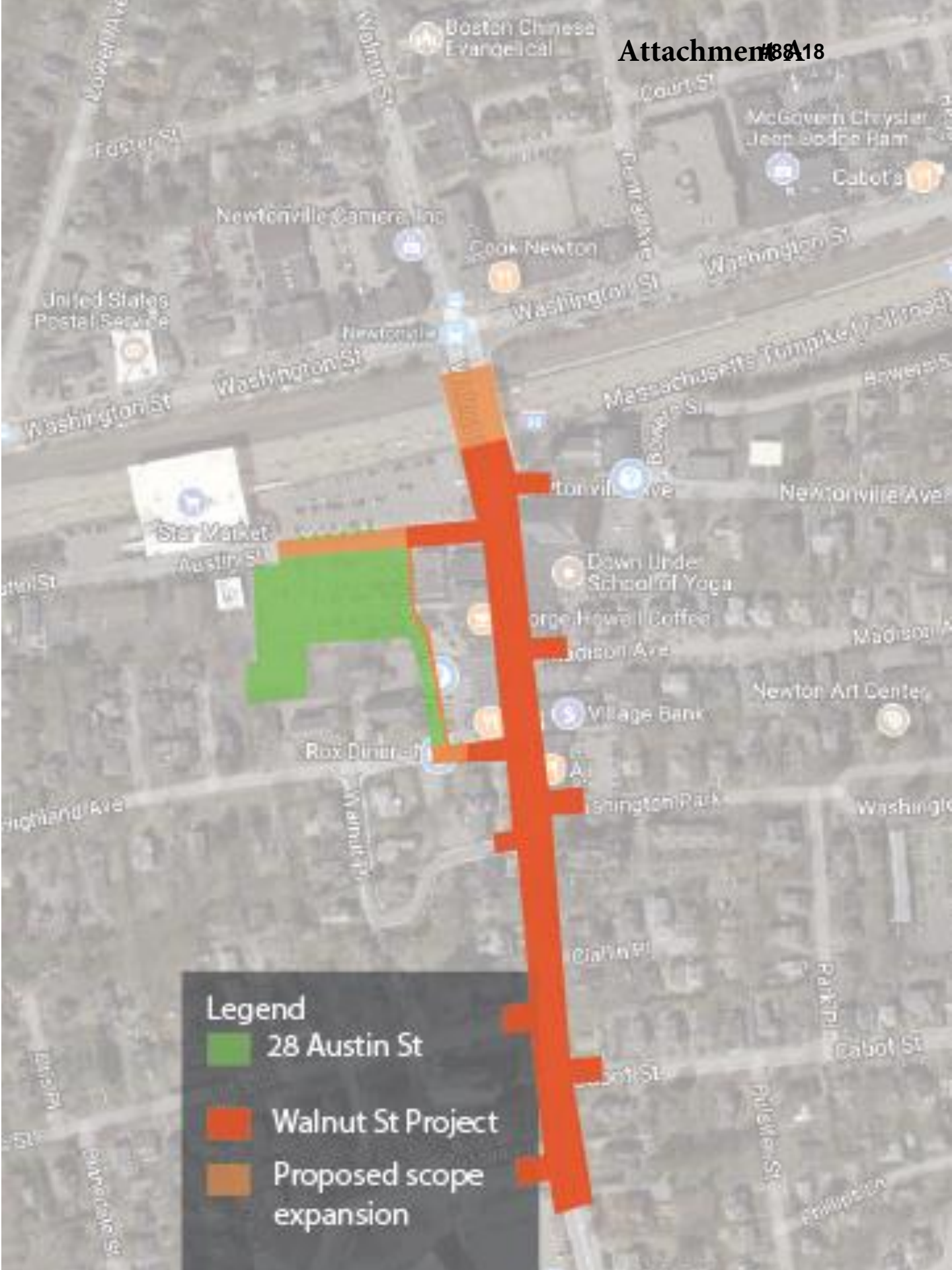
In summary:

- ***\$147,411 for engineering design services for new integrated scope (requested authorization)***
- \$400,000 for original Walnut Street Enhancements Project scope (previously authorized)
- \$3,000,000 estimated construction cost for original Walnut Street Enhancements (upcoming)
- \$450,000 estimated construction cost for the new integrated scope (upcoming)




The scope of services for the Newtonville Village Streetscape project has now been revised in response to comments of the Public Facilities Committee on January 17, 2018.

Attachment A: Map of Original Scope and Proposed Integrated Scope

Attachment B: Project Fee Schedule Newton Village – Additional Services



Legend

-  28 Austin St
-  Walnut St Project
-  Proposed scope expansion

Project Fee Schedule

#88-18
Attachment B

City of Newton

Newtonville Village - Additional Services

REV 02/06/18

TASK DESCRIPTION	EPG				KMDG			TOTAL PER TASK		
	STAFF				Princ.	Assoc.	Jr Designer			
	PM	Sr. Eng.	Eng	Jr. Eng.						
HOURLY RATE	J. Fitzgerald	B. Hung	J. Crabb	A. Towle	K. Martin	K. Petschke	A. Allen	HOUR PER TASK	TOTAL	
1. Highland Avenue										\$17,350
a. coordinate & incorporate additional survey into Walnut Street base plan; Site visit for verification	0.5	1	2					3.5	\$518	
b. finalize Bram intersection conceptual design on surveyed plan using previously developed concept	1	3			2	4	8	18	\$2,330	
c. Preliminary Design (Construction, Profile, Sign and Pavement Marking Plan, Grading plans & est.)	4	6	10	4				24	\$3,470	
d. Preliminary Design (Landscape/Streetscape plans and estimate); incorporate LA plans	1		2		2	4	8	17	\$1,965	
e. Final Design (Construction, Sign and Pavement Marking Plan, Grading plans, Curb Tie and est.)	4	6	12	4				26	\$3,690	
f. Final Design (Landscape/Streetscape plans and estimate); incorporate LA plans	1		2		2	4	8	17	\$1,965	
Misc. coordination with expanded limits for Highland Avenue; No meetings anticipated	6	2			4			12	\$2,412	
EXPENSES (EPG)									\$200	
EXPENSES (KMDG)									\$200	
EXPENSES (Survey)									\$600	
EXPENSES (Lighting)									\$0	
2. Austin Street										\$37,728
Previously performed- develop Austin Street alternatives	3	5			1			9	\$1,788	
a. coordinate & incorporate additional survey into Walnut Street base plan; Site visit for verification	0.5	1	4						\$738	
b. finalize Austin Street sidewalk and roadway concept using one of the previously developed concepts	1	3			2	4	8	18	\$2,330	
c. Preliminary Design (Construction, Profile, Sign and Pavement Marking Plan, Grading plans & est.)	6	16	36	6				64	\$8,880	
d. Preliminary Design (Landscape/Streetscape plans and estimate); incorporate LA plans	1		2		2	4	16	25	\$2,625	
e. Final Design (Construction, Sign and Pavement Marking Plan, Grading plans, Curb Tie and est.)	6	16	40	6				68	\$9,320	
f. Final Design (Landscape/Streetscape plans and estimate); incorporate LA plans	1		2		2	4	16	25	\$2,625	
Misc. coordination and (3) meetings for the expanded limits	16	8			9			33	\$6,622	
EXPENSES (EPG)									\$200	
EXPENSES (KMDG)									\$200	
EXPENSES (Survey)									\$2,400	
EXPENSES (Lighting)									\$0	
3. Bram Way										\$18,638
a. coordinate & incorporate additional survey into Walnut Street base plan; Site visit for verification	0.5	1	3					4.5	\$628	
b. lay out sidewalk and driveway apron concepts (2 alternatives)	2	4						6	\$1,190	
c. Preliminary Design (Construction, Profile, Sign and Pavement Marking Plan, Grading plans & est.)	4	8	16	4	2	4	4	42	\$5,730	
d. Final Design (Construction, Sign and Pavement Marking Plan, Grading plans, Curb Tie and est.)	4	8	20	4	2	4	4	46	\$6,170	
Misc. coordination with expanded limits for Bram Way	6	2						8	\$1,620	
EXPENSES (EPG)									\$200	
EXPENSES (KMDG)									\$200	
EXPENSES (Survey)									\$2,900	
EXPENSES (Lighting)									\$0	
4. Austin Street Development										\$26,254
Previously performed- meetings and coordination with City, design team and developer	11	7			6	6		30	\$5,534	
a. design oversight of the streetscape investments					8	8		16	\$2,552	
b. 2 to 3 meetings with Austin St Partners team	12				6	2		20	\$3,890	
ongoing coordination/questions	6				8	8		22	\$3,782	
REVIEW Streetscape & Landscape along Austin St and Brah Way based on Master Pl					8	16		24	\$3,520	
REVIEW Landscape design:										
prepare report on lighting, landscaping, streets, and sidewalks					8	4		12	\$2,068	
one additional review of minor changes					4	4		8	\$1,276	
write up of additional LA review (above)					8	4		12	\$2,068	
f. Shop drawing and materials reviews to ensure consistency with Walnut St project					2	8		10	\$1,364	
EXPENSES (EPG)									\$0	
EXPENSES (KMDG)									\$200	
EXPENSES (Survey)									\$0	
EXPENSES (Lighting)									\$0	
5. Photometric Analysis and Lighting Design										\$11,866
a. Photometric analysis (between Elm Road and Walnut Place); Preliminary Design (plan and est.)	1	2	4					7	\$1,035	
b. Final Design (Lighting Plan and estimate)	1	2	4			8	4	19	\$2,333	
EXPENSES (EPG)									\$0	
EXPENSES (KMDG)									\$0	
EXPENSES (Survey)									\$0	
EXPENSES (Lighting- Prelim.)									\$4,406	
EXPENSES (Lighting- Final)									\$4,092	
6. Massachusetts Turnpike Bridge										\$35,577
previously performed bridge concept and presentation					8	16	32	56	\$6,160	
a. finalize pavement markings using the previously developed concept	1	2						3	\$595	
b. develop artistic treatments on Mass Pike bridge fence	2				12	16	32	62	\$7,362	
c. Preliminary Design (Construction, Sign and Pavement Marking Plan, and estimate)	1	4		4				9	\$1,365	
d. Preliminary Design (Landscape/Streetscape plans and estimate); incorporate LA plans	1		2		4	16	40	63	\$6,453	
e. Final Design (Construction, Sign and Pavement Marking Plan, and estimate)	1	4		4				9	\$1,365	
f. Final Design (Landscape/Streetscape plans and estimate); incorporate LA plans	1		2		4	16	40	63	\$6,453	
Misc. coordination and (2) meetings with MassDOT for approval	14	6			8			28	\$5,624	
EXPENSES (EPG)									\$200	
EXPENSES (KMDG)									\$0	
EXPENSES (Lighting)									\$0	
TOTAL:									\$147,411	
SAY:										

The above budget is based on several assumptions listed in the "Scope of Services- Walnut Street Enhancements Project: Expanded to Integrate Investments from Austin Street Partners" document.

Shawna Sullivan

From: Maureen Lemieux
Sent: Wednesday, January 10, 2018 11:30 AM
To: Shawna Sullivan
Subject: Docket Item

Shawna,

Mayor Fuller submitted a docket item requesting \$380,000 for Design Funds for Newtonville. I apologize for the omission of source of funds.

It should be Free Cash.

Thanks,

Maureen

RECEIVED
Newton City Clerk
2018 JAN 10 AM 11:33
DAVID A. OLSON, CMC
Newton, MA 02459

#57-18



SETTI D. WARREN
MAYOR

City of Newton, Massachusetts
Office of the Mayor

Telephone
(617) 796-1100

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(617) 796-1113

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(617) 796-1089

E-mail
swarren@newtonma.gov

October 13, 2017

Honorable City Council
Newton City Hall
1000 Commonwealth Avenue
Newton Centre, MA 02459

Ladies and Gentlemen:

In accordance with the City of Newton Financial Management Guidelines, I write to request that your Honorable Council docket for consideration the Fiscal Year 2019 – Fiscal Year 2023 5-Year Financial Forecast.

Thank you for your consideration of this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Setti D. Warren".

Setti D. Warren
Mayor

RECEIVED
Newton City Clerk
2017 OCT 13 PM 4:40
David A. Olson, CMC
Newton, MA 02459

INVESTMENT POLICY

GUIDELINES

FOR THE

NEWTON RAINY DAY

STABILIZATION FUND

Adopted Date

Newton Rainy Day Stabilization Fund

Investment Policy Statement

INTRODUCTION

In 2010 the City of Newton established a Rainy Day Stabilization Fund and on December 21, 2015, the City Council (formerly known as the Board of Aldermen) of the City of Newton through Board Order # 337-15 authorized the conversion of the Undesignated Stabilization Fund (known as the Rainy Day Stabilization Fund) to a formal statutory stabilization fund per MGL Chapter 40, Section 5B to improve investment income earnings for the Rainy Day Stabilization Fund. The fund was established as a reserve for years when the City faces a multiple year economic recession or a rare, catastrophic, expenditure. These funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the City's control, or an unusually large expenditure resulting from such things as a catastrophic weather event. The primary reason for these segregated funds is not only to prevent these reserves from being depleted for unrelated city needs, but to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need while creating a growing safeguard for the debt and credit rating vital to the City.

To ensure that the Rainy Day Stabilization funds are available for multiple years of an economic downturn, no more than 1/3rd of the funds can be used in any single fiscal year. Appropriations may be made from the Rainy Day Stabilization Fund into the General Fund for operating purposes, upon the recommendation of the Mayor and by a two-thirds vote of the City Council. The target size of the Rainy Day Stabilization Fund is 5% of the annual general fund operating budget. The fund reached the desired goal of 5% of the City's Budget in November 2014 and has remained at that level ever since.

Maintaining a Rainy Day Stabilization Fund that totals 5% of the City's Annual Budget requires that the City set aside 5% of the annual budget increase each year or approximately \$750,000. Because interest rates have been historically low for the past several years, the City has had to "appropriate" a large portion of this amount, consequently preventing the appropriation of these funds that would otherwise be used to provide City services or improve City infrastructure. Therefore, as mentioned previously, the City Council of the City of Newton approved Board Order # 337-15 to authorize the conversion of the Undesignated Stabilization Fund (known as the Rainy Day Stabilization Fund) to a formal statutory stabilization fund.

Consistent with MGL c. 40 §5B, the Treasurer may invest stabilization funds in a trust company, co-operative bank or savings bank, national bank, federal savings bank or federal savings and loan association, provided these institutions have locations in Massachusetts and provided

federally or state-chartered banks are insured by the FDIC; in participation units in a combined investment fund established by the Treasurer of the Commonwealth pursuant to MGL c. 29 §38A; or in securities that are legal investments for savings banks under Massachusetts Law, pursuant to the “List of Legal Investments” issued annually by the Commissioner of Banks pursuant to MGL c. 167 §§15A - 15K.

Additionally, the City Council, through Board Order # 25-15, established the City’s Investment Advisory Committee. Per the Board Order, the Investment Advisory Committee was established to maximize investment income earnings on temporarily idle cash in the City treasury, consistent with state and federal law and City investment policies. The activities of the Investment Advisory Committee shall be advisory only.

The Committee shall take no action that is inconsistent with State law or the City Charter or Code of Ordinances, nor shall it abridge any investment management authority/responsibility assigned to the City Treasurer/Collector or Trustee by virtue of State Law; City Charter or Code of Ordinance; or trust agreement.

The purposes of the Investment Advisory Committee shall be:

- 1) To advise the City Treasurer/Collector on investment management options that minimize the need for ongoing tax levy subsidies for the City’s Rainy Day Stabilization Fund, while maintaining appropriate levels of liquidity and complying with State law governing the investment of Stabilization Fund assets.
- 2) To advise the City Treasurer/Collector on investment management options to maximize investment earnings on temporarily idle operating cash that are consistent with liquidity needs; State and Federal law; and City investment policies.
- 3) To advise the City Treasurer/Collector on investment management options to maximize investment earnings on trust and internal service funds, consistent with liquidity needs; State and Federal law; and any related trust agreements.
- 4) To assist the Finance Committee in monitoring the City’s compliance with state law and City investment policies.
- 5) To recommend changes in the City’s investment policies and/or State law, when the Committee determines that such changes are appropriate in order to meet the City’s investment management safety/liquidity/return objectives.

RESPONSIBILITIES AND SCOPE

A. RESPONSIBILITIES

The Mayor, the Treasurer and the Comptroller, in consultation with the Investment Advisory Committee, shall develop the policy for investment of the City of Newton Rainy Day Stabilization Fund for the approval of the City Council. This policy shall be reviewed on a regular basis and, at a minimum, every five years. The Treasurer shall report on the review

to the City Council Finance Committee.

Pursuant to the City of Newton Investment Policy (Board Order # 15-13) the Treasurer has the responsibility and authority to manage the investment of City funds (see Massachusetts General Laws, Chapter 44, section 55B and Acts of 1985, Chapter 740). The Treasurer shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasurer. If the Treasurer wishes to make a decision to deviate from the terms of this policy, the Treasurer shall obtain prior written approval from the City Council. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

The selection of financial institutions and broker/dealers authorized to engage in transactions with the City of Newton shall be at the sole discretion of the Treasurer in consultation with the Investment Advisory Committee.

The Treasurer and those responsible to the Treasurer shall be bonded as required by law and insured for their fiduciary responsibilities.

The Treasurer shall be responsible for monitoring changes to the General Laws governing the type and method of investing City funds referred to in this Investment Policy.

B. SCOPE

This investment policy is to be used by the Treasurer as a general guideline for the investment of the City of Newton's Rainy Day Stabilization Fund. This policy specifically applies to the Rainy Day Stabilization Fund and only the Rainy Day Stabilization Fund.

STANDARDS OF CARE

A. PRUDENCE

The standard of prudence used by the Treasurer and employees involved in the investment process shall be the "prudent person" standard. Such fiduciaries must act in the manner of a prudent person, with judgment and care, discretion and intelligence. They must act not for speculation but for investment, considering the probable safety of the capital as well as the probable income to be derived, with the understanding that no investment is completely without risk. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

A. ETHICS AND CONFLICT OF INTEREST

The Treasurer and employees involved in the investment process as well as members of the Investment Advisory Committee shall disclose any business relationship that could conflict with the proper execution and management of the investment program, or that could

impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

OBJECTIVES

The Rainy Day Stabilization Funds are to be invested in a manner which will meet the specific purpose of the fund – to be available for extraordinary and unforeseen revenue disruption or catastrophic expenditure, while no more than 1/3rd of the funds are used in any single fiscal year. The investment activities shall conform to all applicable federal and state statutes and City ordinances governing the investment of public funds.

Consistent with MGL c. 40 §5B, the Treasurer may invest stabilization funds in a trust company, co-operative bank or savings bank, national bank, federal savings bank or federal savings and loan association, provided these institutions have locations in Massachusetts and provided federally or state-chartered banks are insured by the FDIC; in participation units in a combined investment fund established by the Treasurer of the Commonwealth pursuant to MGL c. 29 §38A; or in securities that are legal investments for savings banks under Massachusetts Law, pursuant to the “List of Legal Investments” issued annually by the Commissioner of Banks pursuant to MGL c. 167 §§15A - 15K.

Prohibited Investments

The City at the present time will not make direct investments in the following types of investments:

- Hedging, or speculative type of investments;
- Reverse Repos, Leveraging or similar investments;
- Master Trust and Custodial Bank Security Lending Programs;
- Unregistered or Registered Letter Stock;
- Private Placements, Short Sales, Margin Trading, Futures, Commodities;
- Non-publicly-traded Limited Partnerships and Limited Liability Corporations (LLC);
- Real Estate Purchases (excluding REITs);
- Any other investment type not authorized by this policy; and,
- Any entity doing business with Sudan pursuant to Newton City Ordinances Sec. 2-117, except as exempted by the ordinance.

RETURN ON INVESTMENT

TIER 1 – 1ST 34% OF THE FUND

Safety of principal and liquidity are the foremost goals of Tier 1 (or the 1st 34%) of the City’s Rainy Day Stabilization Fund. Investments shall be undertaken in a manner that seeks to ensure

the preservation of capital. Safety also is the assurance that the investment expectation will be fulfilled in a timely fashion. To attain this objective, diversification of types of investments, duration of investments and financial institutions holding the investments shall be considered. The Treasurer shall invest in quality issues and comply with state statutes regarding investment requirements.

Suitable investments for the Tier 1 – 1st 34% of the Fund include the following:

- Demand Deposit Accounts (DDA's),
- Money Market Accounts (MMA's and MMDT),
- Certificates of Deposit (CD's) with a maturity of 1 year or less, but "available" if needed within 5 business days of request of the funds, and
- Treasury securities with a 1 year maturity or less.

TIER 2 – 2ND 33% OF THE FUND

Investments will be limited to relatively low risk financial instruments in anticipation of earning a fair return relative to the risk being assumed. Similarly, investments are limited to financial instruments that have higher credit risks with all fixed income investments rated A, or above by Standard & Poor's (S&P) or a similar rating by another nationally recognized rating agency.

Suitable investments for the Tier 2 – 2nd 33% of the Fund include the following:

- Longer term – 2 year CDs (brokered and collateralized),
- Treasury securities with a maturity of up to 2 years,
- Commercial Paper rated A or higher, and
- Bonds.
- Investments not to exceed 2 years in maturity, but "available" if needed within 5 business days of request of the funds.

TIER 3 – REMAINING 33% OF THE FUND

The final 33% of the fund – or Tier 3 - shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and liquidity needs. Tier 3 – final 33% of the fund may be invested in those securities allowed by MGL for Stabilization Funds. Such funds should be consistent with the following guidelines:

- Portfolio diversification, liquidity, and professional management;
- Maturity of funds should be staggered;
- Regulated by the Securities and Exchange Commission;
- Portfolio contains no direct investment in derivative products; or individual stocks
- Mutual funds and other pooled products, where the multi-asset fund mimics a 60%/40% portfolio of equities and fixed instruments.

Tier 3 – Suitable Investments

Suitable investments to be considered for the Tier 3 – final 33% of the Fund include index funds, mutual funds, US Treasuries, specific equities, U.S. agency bonds, municipal bonds, and investment grade corporate bonds.

- a. **Equities** shall be common and preferred stocks publicly traded on the New York

Stock Exchange, American Stock Exchange, the NASDAQ Exchange, and regional exchanges. All equities must have readily determined market values and have necessary liquidity for easy marketability.

b. **Mutual funds** should be selected with due consideration given to performance history, current management history, and costs, including management fees, buying and selling “loads.”

c. **Unlevered Diversified Exchange Traded Funds**

d. **Fixed income instruments** must be U.S. Government or its Agencies or State or corporate obligation

A. Duration of the instruments must be prudently selected by the investment managers.

e. **Cash equivalents** must have ratings of Standard and Poor’s A-1 or Moody’s P-1.

Tier 3 - Asset allocation targets should be as follows. Investment management of the assets of the fund shall be in accordance with the strategic asset allocation parameters as mandated by the Treasurer and Investment Advisory Committee from time to time. Benchmarks are always recommended to gauge success of an investment strategy. The issue is that the investment managers are not managing the fund for growth of assets but rather to preserve capital and growth beyond the Lipper Money Market Index. Tier 3 asset allocation targets shall be as follows:

<u>Asset Class</u>	<u>Range</u>	<u>Benchmark</u>
Equity with Global ¹ Diversification	0% - 60%	MSCI (Morgan Stanley Capital International) ACWI (All Country World Index)
Bond	0% -85%	Bloomberg Barclays US Aggregate Bond Index
Short Term Bond (1-5 year Maturities)	0% - 85%	Bloomberg Barclays Capital U.S. 1-3 Year Treasuries Index
Cash and cash equivalents	0% - 100%	Lipper Money Market

Rebalancing the fund. Adjustments shall be made to keep the asset allocation and diversification within guidelines as specified in the above table. Exceptions to the limits as

¹ At no time shall more than 10% of the total value of the Rainy Day Stabilization Fund be invested in this class of funds.

specified above can only be made with approval of three-fourths of the entire Investment Advisory Committee.

OTHER POLICY REQUIREMENTS

Semi-Annual review. At least semi-annually, the Newton Rainy Day Fund Investment Advisory Committee shall formally review the asset allocation plan and the portfolio performance.

Insurance. If a custodian is chosen, the custodian must furnish insurance from the Securities Investor Protection Corporation (SIPC) and such further coverage as the Treasurer deems necessary to protect the portfolio's value against the custodian's business failure.

Buffer. In order to accomplish these objectives, the City has temporarily provided a reserve of \$2 million over and above the target value of the fund (5% of the City's Operating Budget). If the value of the fund should drop below 5% of the operating budget for more than 90 days, the City shall take action to reimburse the fund up to the 5% within 90 days.

OTHER CONSIDERATIONS

Reinvesting in the Newton Community. As with the City of Newton's Overall Investment Policy, the Treasurer and/or custodian is encouraged to consider financial institutions that have a record of financially reinvesting in the Newton community when making investment decisions; such consideration to be subordinate to the specifications and guidelines set forth within this Investment Policy.

The **Newton Rainy Day Fund Investment Committee** has adopted this Investment Policy Statement on XXXX, XX, 2018. (signed copy on file).