



Newton City Council

Committee of the Whole Report

With the Finance Committee Presiding

Wednesday, May 10, 2023

Present: Councilors Baker, Bowman, Crossley, Danberg, Downs, Gentile, Greenberg, Grossman, Humphrey, Kalis, Kelley, Krintzman, Laredo, Leary, Lipof, Lucas, Malakie, Markiewicz, Norton, Oliver, Wright & Albright

Absent: Councilors Noel, Ryan

City staff present: Chief Financial Officer Maureen Lemieux, Comptroller Steve Curley, Chief Operating Officer Jonathan Yeo

School Committee: Chris Brezski

Clerk's Note: The full Committee meeting can be viewed on the following link:

<https://newtv.org/recent-video/107-committee-meetings-and-public-hearings/8052-city-council-committee-of-the-whole-may-10-2023>

Action: Prior to the start of this meeting, Chair Grossman asked for a Motion to invite School Committee member Chris Brezski into the discussion. This Motion was passed unanimously by a voice vote.

Referred to a Committee of the Whole

#136-23

Request to increase the retiree COLA base

RETIREMENT BOARD requesting City Council approval of an increase to the retiree Cost Of Living Adjustment (COLA) base from twelve thousand dollars (\$12,000) to thirteen thousand dollars (\$13,000) in FY24, from \$13,000 to \$14,000 in FY25, and from \$14,000 to \$15,000 in FY26 pursuant to Chapter 32, Section 103(j), such increase to be effective July 1, 2023.

Item Held 24-0 on 5/03/23

Committee of the Whole Held 21-0

Note: The Chair first introduced the item and asked for a motion to invite School Committee member Chris Brezski into the discussion, which passed unanimously.

The Chair provided a background for this docket item. A subset of four City Council members (Councilors Grossman, Lipof, Albright and Markiewicz, known in short as "GLAM") got together to discuss whether it would

be possible to reduce the rate of growth of the pension appropriation, without pushing out the full funding date too far. Below are the responses to two questions that were presented at the last Committee of the Whole meeting on May 3, 2023.

Question #1: Would it be possible to reinstate Medicare Part B?

Answer: The Mayor responded that negotiation is not possible. Reinstating Medicare Part B would also mean that reinstatement of the expense would apply to school budget, which would mean that the City would reduce the numbers of teachers and reduce class size accordingly. Also, this is a separate issue from the COLA base and the pension schedule, and is not one that the City Council is given a vote on.

Question #2: Would it be possible to get in a room to discuss all this with the Mayor?

Answer: The Mayor has made it clear that she supports the plan she presented. In between the last Committee of the Whole meeting and this meeting, GLAM asked the Retirement Board's actuary, Kathy Riley, to model out a few scenarios. Although Ms. Riley had limited time, she was able to come back with some numbers. GLAM presented a few options in a chart for the Council to consider. In addition, one other Councilor put together a separate proposal, and that has been included in the chart as its own column. This Councilor's proposal suggests that with respect to Medicare Part B, existing retirees be "grandfathered" in, so that they do not lose this benefit, but that new retirees would not receive the benefit.

Council President Albright discussed her past motion, which was made at the Committee of the Whole meeting on May 3, 2023. This motion was to consider increasing up to 2 more years of COLA, and to reduce rate of growth to 5.5%. Council President Albright would like to amend this motion, after having studied it in detail. Her revised motion would be to allow the Council representatives to negotiate with the Retirement Board, with the parameters the pension appropriation grow at no greater than 6.6% while having a COLA increase that supports and balances the needs of retirees and the needs of the City and schools, as she believes the Council needs the flexibility to negotiate.

Councilors asked questions and held the following discussion:

A discussion began regarding the city's AAA bond rating. Multiple Councilors expressed concern over the possible loss of Newton's AAA bond rating. Ms. Lemieux confirmed that going below 6.6 % would put the AAA bond rating in jeopardy. Councilors asked questions about what has to happen to get us downgraded, and then how long it would take to be upgraded again, once the City's pension fund was fully funded. The terms liquidity and leverage ratios were defined by both Ms. Lemieux and Mr. Brezski, with liquidity meaning available cash (e.g., Rainy Day fund) and with leverage being expressed in a ratio of how much debt is owed versus how much income is coming in.

A discussion was held concerning the Mayor's decision to phase out the Medicare Part B reimbursement. Multiple Councilors expressed disappointment, and concern that this benefit to retirees that would not be offset by health insurance relief in the first year and would take several years for retirees to catch up. They also expressed disappointment that the Mayor was not willing to negotiate on this.

The Chair readdressed the motion on the floor. Regarding the Council President's motion, Councilors discussed a friendly amendment to add "while maintaining our AAA bond rating." Another Councilor offered the suggestion that there is a point person at Moody's who handles Newton's rating, and the City leadership, including City Council leaders, do have a right to a conversation with that point person. Councilors Grossman and Albright

agreed to explore this option, and Councilor Albright decided not to include the sentence about the AAA bonding into the Motion.

Councilor Albright's motion was approved in a straw vote and slightly modified language, to reflect the will of the Council as expressed through the discussion. This motion directed the Council representatives to negotiate with the Newton Retirement Board for the purpose of securing a pension funding rate of increase between 6.2% and 5.5% while securing a rate of COLA increase that balances the needs of our retirees and the city's needs for school and city services.

Councilor Kalis motioned to hold which passed unanimously.

#127-23 Appropriate \$10,000,000 from FY22 Free Cash
HER HONOR THE MAYOR requesting authorization to appropriate and expend ten million dollars (\$10,000,000) in FY22 Free Cash for the Lincoln-Eliot Elementary School construction project.
Item Held 24-0 on 5/03/23
Committee of the Whole Approved 5-0-10 (Councilors Gentile, Grossman, Kalis, Krintzman, Laredo, Malakie, Markiewicz, Oliver, Wright, Albright abstaining and Councilors Baker, Downs, Kelley, Leary, Lipof, Lucas, Norton not voting)

#125-23 Appropriate \$1,400,000 from FY22 Free Cash
HER HONOR THE MAYOR requesting authorization to appropriate and expend one million four hundred thousand dollars (\$1,400,000) from FY22 Free Cash to provide a "bridge grant" to Newton Public Schools for the expected significant increase in student out-of-district cost in FY24.
Item Held 24-0 on 5/03/23
Committee of the Whole Approved 16-0 (Councilors Baker, Downs, Kelley, Leary, Lipof, Norton not voting)

#158-23 Discussion regarding use of non-recurring revenue in Newton
COUNCILORS ALBRIGHT, GROSSMAN, LIPOF, MARKIEWICZ requesting a comprehensive discussion with the Mayor regarding all one-time funds, regardless of source, and possible upcoming requests to the Council in order to have an appropriate context in which to discuss the two existing docket items (125-23 and 127-23). The one-time money discussion should include Free Cash, overlay surplus as well as any other possible one-time funding source.
Item Held 24-0 on 5/03/23
Committee of the Whole Held 22-0

Note: The Chair introduced the remaining items together, items #127-23, #125-23 and #158-23, for discussion and approval. The Chair and Council President Albright wrote a letter to the Mayor requesting a discussion to include the complete plan for this year's remaining free cash, including a discussion of other sources and uses of one-time funds currently available to the City to provide the big picture of free cash activity. Councilor Grossman introduced Ms. Lemieux again for her thoughts. Ms. Lemieux highlighted that there will be a total of 24 docket items related to this discussion that are either currently before the City Council or will be soon. The hope is that

the City Council will resolve all of these within the next 6 weeks. Ms. Lemieux explained that free cash items need to be approved by the full Council before the end of the Fiscal Year.

After the override failed, Ms. Lemieux's team put together a new budget plan to find ways to fund Newton Public Schools. In addition, Moody's feels that the City's reserves are low. For that reason, they would like to increase the Rainy Day fund from 5% to 6%. Ms. Lemieux submitted three spreadsheets (attached). One spreadsheet covers everything they plan to do with Free Cash, including end-of-year items, transfers, requests for transfers, and savings from different departments. One covers the FY24 Newton Public Schools funding, as Ms. Lemieux wanted Councilors to understand what goes into the school funding. And finally included is a spreadsheet of the current cost of health insurance for our retirees, and what the costs will be once we move to Blue Cross Blue Shield, and the elimination of Medicare Part B. She did not add in changes to the COLA base.

Councilors asked questions and held the following discussion:

Regarding the surplus and overlay: A Councilor had two questions for Ms. Lemieux, as follows: What is in our overlay account? What is in the surplus? This Councilor also asked to hear a recap of what we heard from our Treasurer with respect to interest income, specifically, what we have earned in interest income up to this point in the year, what we might end up with, and what will happen to that money.

Ms. Lemieux responded that interest income is less complicated than overlay. We have close to about 5 million in interest, which is phenomenal, with only \$600,000 budgeted for this year. It's coming in as a revenue, but we can't do anything with it right now. Ultimately it will drop to free cash for the next fiscal year. Parking violations and meters are running significantly below what we would expect, so some accounts will come in above budget this year, and some will be lower. Any excess revenue resulting from this interest income will fall to free cash and will be available next mid-to-late September. If this year's certified free cash hasn't been appropriated by the second meeting of the Council in June, it will also drop to next year's free cash. In FY23 interest income and building permit income will be significantly higher than expected and will drop to free cash in the fall. Ms. Lemieux did not have all the numbers for surplus in ISD, but is estimating around 3 million, so that will be substantial as well.

Regarding the overlay, Ms. Lemieux said the city has \$31 million in the account currently, with several million in potential abatements. The city has a liability with the Eversource deposits. If we lose the Eversource case, we would owe those funds back to them. The City has abatements that have been filed for FY23, totaling a little more than \$5 million dollars. All in all, there is some excess capacity, but not as much as some people have originally suggested. She has not been asked to declare surplus funds, nor do they intend to do so. Comptroller Curley clarified the timeline if overlay surplus gets declared between now and June 30; in that event, on June 30 the declared surplus funds would "zero out" to undesignated fund balance and turn into next year's free cash calculation. If surplus gets declared July 1st or later, then you would have it drop to free cash for the following fiscal year.

Regarding the surplus specifically: With item #127-23, multiple councilors expressed frustration at the fact the \$10 million dollars is not being spent right now, and that increasing the balance of Free Cash doesn't make sense, if we are holding too much cash in reserve. Spending it down now will free up operating capacity. There is still \$5 million in Free Cash that is not obligated. However, per Ms. Lemieux, they need to look ahead to contingencies and need to hold Free Cash for future items that may not have come to fruition in this fiscal year. It needs to roll over so that they have it for emergencies. The \$10 million to reduce the bond for Lincoln Eliot is to free up the debt service that we would have to pay otherwise. A Councilor asked, why not use the \$10 million to pay off some

of Horace Mann? Ms. Lemieux explained that paying down Lincoln Eliot was the best plan. The idea is to free up the debt service faster, and the schools needed a permanent source of revenue --one that will increase by 3.5% ad infinitum. The plan to not bond \$10mm of debt for Lincoln Eliot results in \$600,000 in savings. Councilors expressed a feeling that there are many other options of how to structure the money.

Regarding asking the Assessor to declare funds: surplus One councilor would like to ask our Assessor to declare as much as \$10 million in surplus, or a smaller figure. Usually the Mayor makes the request, but this Councilor suggested that the Council should ask the Assessor how much money we can declare surplus, to see what we have. Several Councilors noted that there is a lot of money in free cash and overlay, without the pension money. Another Councilor said that before taking a vote, they would like the Assessor to have a discussion with the Council regarding declaring as much as 10 million dollars as surplus.

Regarding the Horace Mann Community: Several Councilors had concerns about linking the funding of Horace Mann to the Mayor's plan with respect to the pension liability. One Councilor asked if we could use free cash to fund the design phase of Horace Mann. A couple of Councilors felt that Horace Mann should be fully funded, and should not have been part of the override, and should have been separately bonded, like all the other schools.

A suggestion was made that if the City is using the \$10 million of free cash to pay off Lincoln Eliot bonding, they could take that same \$10 million and pay for Horace Mann. If that amount can't pay 100% of Horace Mann, they could bond the remaining amount. A Councilor asked if there is a Plan B for Horace Mann. Per Ms. Lemieux the Mayor is absolutely committed to Horace Mann. If current plan does not go forward, Ms. Lemieux will go back to the drawing board and it could take several years. The city needs a permanent source of funds to pay off the 30-year bond.

Regarding one-time expenses vs. ongoing recurring expenses: Ms. Lemieux explained they are not considering the pension funds as one-time funds. The bonding for Horace Mann will be \$1.3 million a year for 30 years. It is through the pension savings, that gives the city capacity to move forward with the Horace Mann project.

Every year, the first \$1.5 million in Free Cash goes to next year's budget. Ms. Lemieux stated the need to set aside free cash for snow removal, emergencies, contingencies, et cetera.

We do not need to contribute any additional money to the Rainy Day fund to maintain the 5% threshold this year. The administration has docketed a request for a free cash contribution to the Rainy Day fund to bring the ratio up to 6% of the City's budget, which is intended to bolster the case for maintaining our AAA rating.

Almost every year the city uses Free Cash to supplement projects. Moody's does not like to see our Free Cash number drop; however, Ms. Lemieux feels that if they are fully funding everything that they need to in a year, that they shouldn't need to have a bunch of Free Cash. Moody's is used to every community relying on Free Cash.

A Councilor expressed concerns about reducing 17 kindergarten aides and reducing services at the middle school level.

Regarding all the numbers discussed over the course of this meeting, a few Councilors did not feel it was helpful to have a lot of numbers thrown at them verbally, as opposed to having them written down. Councilors requested that Ms. Lemieux to put it on a simple sheet and to show what money is going where.

Regarding the Rainy Day fund: A discussion ensued and there was agreement that the Rainy Day fund had a positive impact on our bond rating. A Councilor further pointed out that Rainy Day fund exists really to buy a higher bond rating, in that the City does not spend it, so it does not have the benefit of the actual funds. The City is not going to spend the Rainy Day for emergencies, as it can rely on the federal government, e.g., ARPA, CARES Act, for most emergencies. It seems like we would only use these funds for a civilization-threatening disaster, and it's not clear if the funds would even be available, if there really were such a disaster.

Regarding the issue of Free Cash carried over to the next year: A Councilor had requested that Mr. Curley look up the amount of Free Cash that had been carried over in previous years. Mr. Curley presented the below in dollars: 2022 = \$20,000; 2021 = \$1.5 million; 2020 = \$860,000; 2019 = just under \$2 million.

A Councilor noted that this year we are holding back \$5 million, higher than any other of the recent years. Ms. Lemieux explained that given last year's amount was so small, they needed to hold back money for Eversource appeals, in case it was needed. A Councilor suggested funding the schools out of the cash freed up by reducing the rate of growth of the pension appropriation, and funding Horace Mann out of Free Cash.

For item #127-23, Councilor Humphrey motioned to approve, which passed with 5 yeas, 0 nays and 10 (Councilors Gentile, Grossman, Kalis, Krintzman, Laredo, Malakie, Markiewicz, Oliver, Wright, Albright abstaining) Councilors Baker, Downs, Kelley, Leary, Lipof, Lucas, Norton not voting.

For item #125-23, Councilor Markiewicz motioned to approve, which passed unanimously.

For item #158-23, Councilor Kalis motioned to hold, which passed unanimously.

The meeting adjourned at 10:57 pm.

Respectfully submitted,
Rebecca Walker Grossman Chair, Finance Committee

Comparison of Retirement Board Voted Plan to Status Quo:

	Retirement Board	
	Status Quo	Voted Plan
Rate of Funding Growth ¹	9.60%	6.60%
COLA Base ²	\$12,000	FY24 - \$13,000 FY25 - \$14,000 ≥FY26 - \$15,000
Model Full Funding Date ³	August 1, 2030	August 1, 2031
Approximate Cash Freed Up Through Fiscal 2030 ⁴	N/A	\$47,300,000
Incremental Unfunded Liability vs Status Quo ⁵	N/A	\$11,400,000

¹ Represents constant rate of year/year growth in the City's contribution to the pension trust

² The maximum amount off which COLA is calculated; Status quo is a 3% COLA on up to \$12,000 of pension income, or \$360/yr, which accumulates year after year (i.e. \$720 following year and \$1,080 in two years, etc.)

³ Date on which actuarial model projects fully funded status of pension trust, assuming 9.6% return on plan assets

⁴ Cumulative amount of cash available for current City services relative to Status Quo through fiscal 2030

⁵ Incremental unfunded liability (present value) incurred with COLA base increases per actuarial analysis; calculated as \$3.8mm/yr for 3 years

Comparison of Alternatives to Retirement Board Voted Plan:

	Retirement Board Voted Plan	Fiscal FY32 Actuarial Plan	Fiscal FY33 Plan; Incremental COLA	Councilor Gentile Plan
Rate of Funding Growth ¹	6.60%	6.20%	5.50%	6.60%
COLA Base ²	FY24 - \$13,000 ≥FY26 - \$15,000	FY25 - \$14,000	FY24 - \$13,000 FY25 - \$14,000 FY26 - \$15,000 ≥FY27 - \$16,000	\$13,000
Model Full Funding Date ³	August 1, 2031	August 1, 2031	August 1, 2032	August 1, 2031
Approximate Cash Freed Up Through Fiscal 2031 ⁴	N/A	\$7,900,000	\$21,400,000	\$0
Incremental Unfunded Liability vs NRB Voted Plan ⁵	N/A	\$0	\$3,400,000	(\$7,600,000)
\$925 Medicare Part B Reimbursement ⁶	phased-out	phased-out	phased-out	mostly restored

¹ Represents constant rate of year/year growth in the City’s contribution to the pension trust

² The maximum amount off which COLA is calculated; Status quo is a 3% COLA on up to \$12,000 of pension income, or \$360/yr, which accumulates year after year (i.e. \$720 following year and \$1,080 in two years, etc.)

³ Date on which actuarial model projects fully funded status of pension trust, assuming 9.6% return on plan assets

⁴ Cumulative amount of cash available for current City services relative to Retirement Board Voted Plan through fiscal 2031

⁵ Incremental unfunded liability (present value) incurred with COLA base increases per actuarial analysis; calculated as \$3.8mm/yr for 3 years; \$3.4mm in fourth year

⁶ Impact of Medicare Part B reimbursement included for informational purposes only

Lenny Gentile

To: Carol Moore; Cassidy Flynn
Cc: City Council
Subject: Retirement

Councilors,

I sent this to the Mayor and Ms. Lemieux this morning. Keeping you in the loop.

I am sending an updated spreadsheet with a new 3rd column, light brown, hoping to reach a compromise that continues the Medicare reimbursement for our current retirees. Going forward new retirees would not be eligible for the reimbursement. Below are the similarities and differences when compared to the 4th column, which is yellow.

Annual increases are kept to 6.6% in both plans.

The system is fully funded in FY32 with both plans

The COLA cap increases one year to 13,000 vs. 3 years to 15,000

The unfunded liability is approximately 3.8 M vs 11.4M if you increase COLA 1 year vs. 3

The actual costs to the system are 18 M vs. 34M if you increase COLA 1 year vs. 3



Lenny Gentile | Producing Branch Manager, NMLS ID# 5999

Direct: 617-431-1803 | Mobile: 617-429-0146
Office: 617-964-5254 x1406 | Fax: 617-209-7613
LGentile@fbchomeloans.com
450 Lexington Street, Suite 201, Newton, MA 02466

[APPLY NOW](#)



FBC Mortgage, LLC NMLS ID# 152859 | Equal Housing Lender | Legal/Licensing

****IMPORTANT NOTICE:** Never trust wiring instructions sent via email. Potential fake emails look convincing and sophisticated. Always inde confirm wiring instructions in person or via a telephone call to a trusted and verified phone number. Never wire money without double-chk the wiring instructions are correct ******

Annual % Increase =>	FY 2031 9.6 w/o COLA	FF 2032 rate 6.6 w/o COLA	FF 2032 6.6 w/1 COLA**	FF 2032 rate 6.6 w/3 COLA	Cost difference per year 9.6 w/o COLA and 6.6 w/1 COLA
2023	40,847,226	40,847,226	40,847,226	40,847,226	-
2024	44,768,560	43,543,143	43,543,143	43,543,143	(1,225,417)
2025	49,066,342	46,416,990	46,416,990	46,416,990	(2,649,352)
2026	53,776,711	49,480,511	49,480,512	49,480,511	(4,296,199)
2027	58,939,275	52,746,225	52,746,225	52,746,225	(6,193,050)
2028	64,597,445	56,227,476	56,227,476	56,227,476	(8,369,969)
2029	70,798,800	59,938,489	59,938,490	59,938,489	(10,860,310)
2030	77,595,485	63,894,429	63,894,430	63,894,429	(13,701,055)
2031	35,863,135	68,111,461	68,111,463	68,111,461	32,248,328
2032	8,234,159	34,988,433	41,570,764	57,570,769	33,336,605

Funding through FY31	496,252,979
Additional Cost	new baseline w/losses

Funding through FY32	504,487,138	516,194,383	522,776,719	538,776,719
Additional Cost	new baseline w/losses	11,707,245	18,289,581	34,289,581

**took \$16M off to get rid of 2 COLAs

This is the FY24 appropriation that was voted by NRB on 2/21/23

*Difference in Full Appropriation, not just GF, which accounts for ~94.7%



RUTHANNE FULLER
MAYOR

City of Newton, Massachusetts
Office of the Mayor

#136-23

Telephone
(617) 796-1100

Telefax
(617) 796-1113

TDD
(617) 796-1089

E-mail
rfuller@newtonma.gov

To: Councilor Rebecca Walker Grossman, Chair Finance Committee

Cc: Mayor Ruthanne Fuller
Jonathan Yeo, C.O.O.
All City Council Members
Carol Moore, Clerk of the Council
Stephen Curley, Comptroller

From: Maureen Lemieux, C.F.O.

Date: May 10, 2023

Subject: Backup Materials – COTW 5/10/2023

I respectfully submit the following information to assist members of your Honorable Council as backup for your Committee of the Whole meeting scheduled for Wednesday, May 10, 2023.

Docket Item # 136-23

- Summary of Moody's Credit Opinion, January 16, 2023
- Moody's Scorecard – City of Newton, January 16, 2023
- Comparison Pension & OPEB Funding of Moody's Triple A Rated Communities
- Gap Reduction on Long-Range Forecast – 9.6% vs 6.6% Growth in Pension Funding
- COLA Illustration for a Retiree – Current \$12,000 COLA Base vs Proposed 3-Year Increase

Docket Item # 158-23

- Summary of 24 docket items from Free Cash and Other Funding Sources that are (or soon will be) before you as you work through the FY24 budget process.
- Utilization of FY23 Free Cash, Reserve for Snow Costs, Budget Reserve and other one-time transfers for FY23 year-end.
- FY24 NPS Funding & FY25 Loss of One-Time Funding
- Estimated 5-Year Cost of Loss of Medicare Part B Reimbursement for Average Retiree

I hope you will find this information helpful and look forward to the discussion tonight.

CREDIT OPINION

19 January 2023



Contacts

Nicholas Lehman +1.781.672.1124
 VP-Senior Analyst
 nicholas.lehman@moodys.com

Douglas Goldmacher +1.212.553.1477
 VP-Senior Analyst
 douglas.goldmacher@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
 Asia Pacific 852-3551-3077
 Japan 81-3-5408-4100
 EMEA 44-20-7772-5454

City of Newton, MA

Update to credit analysis

Summary

[Newton](#) (Aaa stable) benefits from a diverse economy with a strong residential housing market as well as significant commercial and institutional presence. The city's resident income and wealth levels are high and taxpayers have supported votes for debt exclusions and general overrides to the tax levy limit. The financial position is likely to remain stable with healthy reserves and liquidity given prudent fiscal management and commitment to annual tax levy increases to the levy limit. The city's leverage will remain relatively average for the rating category given an affordable fixed costs ratio supporting a large capital plan and unfunded pension and OPEB liabilities.

Credit strengths

- » Strong economy with high resident income and wealth
- » Strong fiscal management including a five-year forecasting, a capital plan and formal policies
- » History of taxpayer support for debt exclusions and general overrides to the tax levy limit

Credit challenges

- » Below-average reserves and liquidity for the highest rating category
- » Revenue raising constraint under the tax levy limit of Proposition 2½
- » Large unfunded pension and OPEB liabilities

Rating outlook

The stable outlook reflects our expectation that the economy and taxpayers will continue to support the city's financial position and its ability to manage a large capital plan while also reducing the unfunded pension and OPEB liabilities.

Factors that could lead to an upgrade

- » Not applicable

Factors that could lead to a downgrade

- » Decline in the available fund balance and liquidity ratios
- » Significant increase in leverage as a percent of revenue

Rating methodology and scorecard factors

The US Cities and Counties Rating Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 8

Newton (City of) MA

	Measure	Weight	Score
Economy			
Resident income ratio	210.9%	10.0%	Aaa
Full value per capita	410,999	10.0%	Aaa
Economic growth metric	0.7%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	23.2%	20.0%	A
Liquidity ratio	27.6%	10.0%	A
Institutional Framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio	250.5%	20.0%	A
Fixed-costs ratio	12.3%	10.0%	Aa
Notching factors			
Additional Strength in Local Resources	1.0		
Scorecard-Indicated Outcome			Aa1
Assigned Rating			Aaa

Sources: US Census Bureau, Newton (City of) MA's financial statements and Moody's Investors Service

CITY OF NEWTON, MASSACHUSETTS
Moody's Aaa Rated Communities in Massachusetts
5/10/2023

<u>Communities</u>	<u>FY Pension Funded</u>	<u>Pension %</u>	<u>Total Unfunded Pension Liability</u>	<u>Yearly Pension Increase</u>	<u>Fiscal Year OPEB Funded</u>	<u>OPEB %</u>	<u>Total Unfunded OPEB Liability</u>
Belmont	2030	70.40%	\$ 62,088,044	4.45%	N/A	4.5%	\$ 99,843,000
Boston	2027	82.40%	\$ 1,498,317,850	8.85%	N/A	28.2%	\$ 3,058,539,000
Brookline	2030	68.80%	\$ 188,151,037	7.85%	N/A	20.7%	\$ 285,411,000
Cambridge	2026	90.60%	\$ 175,369,060	12.10%	N/A	2.5%	\$ 731,595,000
Concord	2028	93.40%	\$ 14,070,132	2.00%	N/A	6.5%	\$ 59,898,000
Hingham	2033	78.80%	\$ 42,226,719	7.00%	N/A	19.9%	\$ 76,922,000
Lexington	2030	76.60%	\$ 60,796,630	\$750,000	N/A	11.5%	\$ 137,586,000
Newton	2031	61.05%	\$ 301,159,374	9.60%	N/A	1.7%	\$ 699,424,000
Wellesley	2031	84.93%	\$ 43,104,963	3.03%	N/A	56.7%	\$ 132,314,000
Winchester	2029	84.72%	\$ 25,096,719	7.70%	N/A	3.4%	\$ 112,706,000

<u>County Retirement Programs</u>							
Dover		71.81%	\$ 8,983,139	6.70%	N/A	55.0%	\$ 10,424,000
Nantucket	2038	65.76%	\$ 74,087,657	5.80%	N/A	2.7%	\$ 118,004,000
Wayland	2037	57.31%	\$ 54,979,088	6.41%	N/A	39.0%	\$ 40,422,970
Weston	2037	52.67%	\$ 68,215,799	6.60%	N/A	27.9%	\$ 69,374,000

CITY OF NEWTON, MASSACHUSETTS
COMPARISON OF OVERALL GAP -- 9.6% PENSION FUNDING VS. 6.6% PENSION FUNDING
10-May-23

10-Year Long-Range Financial Forecast from Fall 2022 (includes Operating Override)

	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>	<u>FY30</u>	<u>FY31</u>	<u>FY32</u>	<u>FY33</u>
Revenue (M)	\$ 507.0	\$ 526.9	\$ 544.6	\$ 563.4	\$ 584.9	\$ 606.6	\$ 629.3	\$ 651.6	\$ 675.0	\$ 699.3
Expenses (M)										
NPS	\$ 275.7	\$ 285.4	\$ 295.4	\$ 305.7	\$ 316.4	\$ 327.5	\$ 339.0	\$ 350.8	\$ 363.1	\$ 375.8
Municipal	\$ 149.7	\$ 154.9	\$ 160.2	\$ 165.8	\$ 171.5	\$ 177.4	\$ 183.5	\$ 189.9	\$ 196.4	\$ 203.2
HI/Retirement	\$ 56.5	\$ 61.3	\$ 66.6	\$ 72.4	\$ 78.7	\$ 85.6	\$ 93.1	\$ 79.2	\$ 82.4	\$ 85.7
Debt	\$ 25.2	\$ 26.8	\$ 28.1	\$ 29.7	\$ 30.8	\$ 31.6	\$ 32.8	\$ 33.0	\$ 33.2	\$ 32.9
Gap (M)	\$ (0.1)	\$ (1.5)	\$ (5.7)	\$ (10.2)	\$ (12.6)	\$ (15.5)	\$ (19.1)	\$ (1.2)	\$ (0.0)	\$ 1.7

10-Year Long-Range Financial Forecast, using the Mayor's Proposed FY2024 Operating Budget

	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>	<u>FY30</u>	<u>FY31</u>	<u>FY32</u>	<u>FY33</u>
Revenue (M)	\$ 499.7	\$ 517.2	\$ 535.3	\$ 554.0	\$ 573.4	\$ 593.5	\$ 614.3	\$ 635.8	\$ 658.0	\$ 681.0
Expenses (M)										
NPS (3.5%)	\$ 268.7	\$ 278.1	\$ 287.8	\$ 297.9	\$ 308.3	\$ 319.1	\$ 330.3	\$ 341.9	\$ 353.8	\$ 366.2
Municipal (3.5%)	\$ 145.4	\$ 150.5	\$ 155.8	\$ 161.2	\$ 166.8	\$ 172.7	\$ 178.7	\$ 185.0	\$ 191.5	\$ 198.2
HI/Retirement**	\$ 56.1	\$ 59.1	\$ 62.8	\$ 66.7	\$ 70.9	\$ 75.4	\$ 80.1	\$ 85.1	\$ 90.4	\$ 81.1
NPS OPEB	\$ 3.2	\$ 3.4	\$ 3.7	\$ 4.0	\$ 4.3	\$ 4.7	\$ 5.1	\$ 5.5	\$ 5.9	\$ 6.4
Debt	\$ 26.4	\$ 27.3	\$ 27.4	\$ 27.5	\$ 27.7	\$ 27.9	\$ 28.1	\$ 28.3	\$ 28.5	\$ 28.7
Gap (M)	\$ (0.0)	\$ (1.3)	\$ (2.2)	\$ (3.3)	\$ (4.7)	\$ (6.3)	\$ (8.0)	\$ (10.0)	\$ (12.1)	\$ 0.5

**HI/Retirement -- Pensions incr by 6.6%, Health Ins incr by 5%, OPEB incr by 8%

Gap Difference (M)	\$ (0.0)	\$ (0.3)	\$ (3.5)	\$ (6.9)	\$ (7.8)	\$ (9.2)	\$ (11.1)	\$ 8.7	\$ 12.1	\$ 1.2
---------------------------	----------	----------	----------	----------	----------	----------	-----------	--------	---------	--------

COLA Illustration for a Retiree in Pay Status

Current \$12,000 COLA Base

Proposed COLA Base

	Current \$12,000 COLA Base			Proposed COLA Base			Difference		
	Retirement Allowance before COLA	COLA Base	COLA	Retirement Allowance After COLA	Retirement Allowance before COLA	COLA Base		COLA	Retirement Allowance After COLA
FY24	20,000	12,000	360	20,360	20,000	13,000	390	20,390	30
FY25	20,360	12,000	360	20,720	20,390	14,000	420	20,810	90
FY26	20,720	12,000	360	21,080	20,810	15,000	450	21,260	180
FY27	21,080	12,000	360	21,440	21,260	15,000	450	21,710	270
FY28	21,440	12,000	360	21,800	21,710	15,000	450	22,160	360
FY29	21,800	12,000	360	22,160	22,160	15,000	450	22,610	450
FY30	22,160	12,000	360	22,520	22,610	15,000	450	23,060	540
FY31	22,520	12,000	360	22,880	23,060	15,000	450	23,510	630
FY32	22,880	12,000	360	23,240	23,510	15,000	450	23,960	720
FY33	23,240	12,000	360	23,600	23,960	15,000	450	24,410	810
FY34	23,600	12,000	360	23,960	24,410	15,000	450	24,860	900
FY35	23,960	12,000	360	24,320	24,860	15,000	450	25,310	990
FY36	24,320	12,000	360	24,680	25,310	15,000	450	25,760	1,080
FY37	24,680	12,000	360	25,040	25,760	15,000	450	26,210	1,170
FY38	25,040	12,000	360	25,400	26,210	15,000	450	26,660	1,260
FY39	25,400	12,000	360	25,760	26,660	15,000	450	27,110	1,350
FY40	25,760	12,000	360	26,120	27,110	15,000	450	27,560	1,440
FY41	26,120	12,000	360	26,480	27,560	15,000	450	28,010	1,530
FY42	26,480	12,000	360	26,840	28,010	15,000	450	28,460	1,620
FY43	26,840	12,000	360	27,200	28,460	15,000	450	28,910	1,710
									17,130

Prepared by Segal Consulting

FY2023 END-OF-YEAR AND FY2024 BUDGET DOCKET ITEMS

5/3/2023

FROM FREE CASH AND OTHER FUNDING SOURCES

mll

Docket Item	Department	Source of Funds	Purpose	Amount	Date Req'd
1 #1-23	Citywide	Various	Submittal of FY2024 - FY2028 Capital Improvement Plan		15-Jun-23
2 #1-23 (2)	Water/Sewer Storm	Fees	Water/Sewer/Storm Rates		15-Jun-23
3 #1-23 (3)	Citywide	General Fund	FY2024 Mayor's Proposed Budget	\$ 499,710,209	15-Jun-23
4 #1-23 (4)	Citywide	Bonding & Various Accts	Supplemental Capital Improvement Plan FY2024 - FY2028		15-Jun-23
5 #2-23	Citywide	Various	Review/Acceptance FY24-FY28 Financial Forecast & Long Range Plan		15-Jun-23
6 #158-23	Citywide	Various	Discuss utilization of one-time funds		15-Jun-23
7 #136-23	Retirement	Pension Fund	Increase Retiree COLA base by \$1,000/year for next 3 years		May
8 #154-23	Rainy Day Fund	Unspent Comptroller's Reserve for Snow Removal	1st Yr of increases to Rainy Day Fund - brings fund balance to 5.33% of City Budget	\$ 1,500,000	Early June
#154-23	Rainy Day Fund	Free Cash	1st Yr of increases to Rainy Day Fund - brings fund balance to 5.33% of City Budget	\$ 250,000	Early June
9 #125-23	NPS	Free Cash	\$1.4 million bridge-grant for state increase in Out of District placements	\$ 1,400,000	15-Jun-23
10 #127-23	NPS	Free Cash	Repurpose \$600K of debt payments permanently to NPS budget base by paying \$10 million cash toward Lincoln-Eliot	\$ 10,000,000	15-Jun-23
11 # 151-23	NPS	Free Cash	Legal Settlement	\$ 55,000	May
12 # 152-23	NPS	Free Cash	Legal Settlement	\$ 525,000	May
13 #160-23	City Clerk	City Clerk Savings from Attrition	On-line Code Management Program	\$ 21,950	May
14 #163-23	City Clerk	Free Cash	Elections Equipment - Voting Machines	\$ 250,000	May
15 To Be Dckt'd	Information Technology	IT Savings from Attrition	Conduct Risk Assessment of City's IT infrastructure as recommended by our external auditor	\$ 30,000	June

FY2023 END-OF-YEAR AND FY2024 BUDGET DOCKET ITEMS

5/3/2023

FROM FREE CASH AND OTHER FUNDING SOURCES

mll

Docket Item	Department	Source of Funds	Purpose	Amount	Date Req'd
16 To Be Dckt'd	Police Department	Free Cash	Police Overtime - Estimate	\$ 250,000	Early June
17 To Be Dckt'd	Police Department	Free Cash	Critical IT Infrastructure updates	\$ 640,000	Early June
18 #164-23	Fire Department	Free Cash	Fire Overtime	\$ 1,500,000	Early June
19 To Be Dckt'd	Public Works	FY23 Snow OT (\$100k) and Free Cash (\$280k)	Annual reshuffle of Snow & Ice costs for Legal Level of Control, and supplement snow cos	\$ 380,000	Early June
20 #156-23	Public Works	DPW Savings from Attrition	Paving	\$ 1,500,000	Early June
21 #157-23	Public Works	Free Cash	Large Construction Equipment Purchases - Paying cash instead of Bonding	\$ 1,000,000	Early June
22 #153-23	Library	Library Savings from Attrition	Electricity Costs	\$ 200,000	Early June
23 #165-23	Library	Free Cash	New HVAC System for Library	\$ 750,000	Early June
24 #155-23	Parks, Rec, & Culture	2nd Marathon Payment - FY2022	"Heartbreak Hill" Banner and Playground Improvements	\$ 140,000	Early June

City of Newton, Massachusetts							
FY2023 - Free Cash, Reserve for Snow/Ice Removal, Budget Reserve							10-May-23
							mll
Dkt #	Project	30-Jun-22	Docketed	Approved	BALANCE	FY23 Date Appr'd/Dckt'd	CURRENT STATUS
FREE CASH							
	2022	\$ 28,860,460	\$ -	\$ -	\$ 28,860,460		
#483-22	Engine #7		\$ -	\$ (800,000)	\$ 28,060,460	21-Nov-2022	
#499-22	(1)		\$ -	\$ (150,000)	\$ 27,910,460	21-Nov-2022	
#530-22	Demolition - 91 Newtonville Ave		\$ -	\$ (175,000)	\$ 27,735,460	5-Dec-2022	
#570-22	(2)		\$ -	\$ (150,000)	\$ 27,585,460	3-Jan-2023	
#20-23	Police Cruisers		\$ -	\$ (258,524)	\$ 27,326,936	17-Jan-2023	
#17-23	NSHS Artificial Turf Fields		\$ -	\$ (3,240,000)	\$ 24,086,936	17-Jan-2023	
#106-23	McKinney Vento & Foster Aid		\$ -	\$ (244,821)	\$ 23,842,115	3-Apr-2023	NAN'd #435-22
#127-23	Lincoln Elliot		\$ (10,000,000)	\$ -	\$ 13,842,115	3-Apr-2023	w/COTW
#125-23	Bridge Loan - Out of Disctrict Placements		\$ (1,400,000)	\$ -	\$ 12,442,115	3-Apr-2023	w/COTW
	FY24 Budget		\$ (1,500,000)	\$ -	\$ 10,942,115	1-May-2023	Approval happens as part of passage of the budget.
#154-23	Rainy Day Fund		\$ (250,000)	\$ -	\$ 10,692,115	1-May-2023	
#164-23	Fire Overtime		\$ (1,500,000)	\$ -	\$ 9,192,115	1-May-2023	
#163-23	Elections Equipment		\$ (250,000)	\$ -	\$ 8,942,115	1-May-2023	
#157-23	FY23 Construction Equipment		\$ (1,000,000)	\$ -	\$ 7,942,115	1-May-2023	Finance held - 5/8/2023
#165-23	Library HVAC		\$ (750,000)	\$ -	\$ 7,192,115	1-May-2023	
#151-23	School Settlement		\$ (55,000)	\$ -	\$ 7,137,115	1-May-2023	Approved by Finance - 5/8/2023
#152-23	NPS Lawsuit		\$ (525,000)	\$ -	\$ 6,612,115	1-May-2023	Approved by Finance - 5/8/2023
	Police Overtime		\$ (250,000)	\$ -	\$ 6,362,115	15-May-2023	
	Police IT Infrastructure Upgrade		\$ (640,000)	\$ -	\$ 5,722,115	15-May-2023	
	FY2023 Snow & Ice Removal		\$ (280,000)	\$ -	\$ 5,442,115	15-May-2023	
AVAILABLE FREE CASH FOR CONTINGENCY/EMERGENCY		\$ 28,860,460	\$ (18,400,000)	\$ (5,018,345)	\$ 5,442,115		
COMPTROLLER'S RESERVE FOR SNOW/ICE REMOVAL							
	FY23 COMPTROLLER BEG' G BAL	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000		
#154-23	Transfer to Rainy Day Stabilization Fund		\$ (1,500,000)	\$ -	\$ -	1-May-2023	
FY22 SNOW RESERVE		\$ 1,500,000	\$ (1,500,000)	\$ -	\$ -		
BUDGET RESERVE							

City of Newton, Massachusetts							
FY2023 - Free Cash, Reserve for Snow/Ice Removal, Budget Reserve						10-May-23	
<i>mil</i>							
Dkt #	Project	30-Jun-22	Docketed	Approved	BALANCE	FY23 Date Appr'd/Dckt'd	CURRENT STATUS
	FY23 BEGINNING BALANCE	\$ 500,000	\$ -	\$ -	\$ 500,000		
#482-22	Override Election Costs		\$ -	\$ (210,000)	\$ 290,000	21-Nov-2022	
#109-23	PCO Contract			\$ (47,202)	\$ 242,798	3-Apr-2023	
FY20 BUDGET RESERVE AVAILABLE		\$ 500,000	\$ -	\$ (257,202)	\$ 242,798		
FY2023 END OF YEAR DOCKET ITEMS							
On-Line Code Management from City Clerk's Office							
#160-23	Salary Savings		\$ 21,950			1-May-2023	Approved by Finance 5/8/2023
	Municipal I.T. Risk Assessment from I.T. Dept Salary Savings		\$ 30,000			15-May-2023	
Paving/Transportation Network from DPW Salary Savings							
#156-23	Savings		\$ 1,500,000			1-May-2023	Approved by Finance 5/8/2023
#153-23	Library Electricity Costs from Library Salary Savings		\$ 200,000			1-May-2023	
Heartbreak Hill Banner and Playground Improvements from B.A.A. Marathon Payment							
#155-23	Improvements from B.A.A. Marathon Payment		\$ 140,000			1-May-2023	

FY2024 Newton Public Schools Funding & FY2025 Loss of One-Time Funding
 May 10, 2023

ml

			<u>\$ Increase Above</u>	<u>% Increase Above</u>	<u>City Council Role</u>
<u>NPS Base Budget</u>			<u>FY2023</u>	<u>FY2023</u>	
FY2023 Budget	\$	262,070,209			
FY2024 Orig Appropriation @ 3.5%	\$	271,242,666	\$ 9,172,457	3.50%	Budget Approval
\$10 million Free Cash - Debt Capacity to Base	\$	600,000			Dckt # 127-23
FY2024 Original Proposed	\$	271,842,666	\$ 9,772,457	3.73%	
Value of Medicare Part B	\$	681,000			N/A
Value of Budget Base	\$	272,523,666	\$ 10,453,457	3.99%	

One-Time Investments Free Cash /ARPA

Bridge Grant - Free Cash	\$	1,400,000			Dckt # 125-23
Legal Settlements to Maximize Carry Forward	\$	580,000			Dckt #'s 151-23 & 152-23
Summer Maintenance Projects - ARPA	\$	410,000			N/A
Total One-Time Investments	\$	2,390,000	\$ 2,390,000	0.91%	

TOTAL FUNDS APPROPRIATED TO NPS - FY2024	\$	274,913,666	\$ 12,843,457	4.90%	
---	-----------	--------------------	----------------------	--------------	--

FY2025 - NPS BUDGET IMPACT OF LOSS OF ONE-TIME FUNDS

FY2024 Carry Forward	\$	2,283,200			
FY2024 City ARPA Funded Summer Maintenance	\$	410,000			
Out of District Circuit Breaker @ 75%	\$	350,000			
Renegotiated Electricity Contract Increase	\$	1,000,000			

FY2025 LOSS OF ONE-TIME FUNDS & SIGNIFICANT INCREASES	\$	4,043,200			
--	-----------	------------------	--	--	--

Average Retiree - City of Newton
Estimated Cost of Loss of Medicare Part B Reimbursement
 Assumes 5% Annual Escalation

May 10, 2023
mll

	<u>FY2024</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>
<u>Current Plan - Self-Insured Medicare Plan</u>					
<i>Projected Total Monthly Cost</i>	\$ 636	\$ 668	\$ 701	\$ 736	\$ 773
<i>Projected City/NPS Monthly Share @ 80%</i>	\$ 509	\$ 534	\$ 561	\$ 589	\$ 618
Retiree Monthly Cost @ 20%	\$ 127	\$ 134	\$ 140	\$ 147	\$ 155
Retiree Annual Cost @ 20%	\$ 1,526	\$ 1,603	\$ 1,683	\$ 1,767	\$ 1,855
Annual Cost - Average 7 Dr Visits/yr @ \$10/ea	\$ 70	\$ 70	\$ 70	\$ 70	\$ 70
Less: Annual City Medicare Part B Reimbursement	\$ 925	\$ 925	\$ 925	\$ 925	\$ 925
True Cost to Retiree	\$ 671	\$ 747	\$ 827	\$ 912	\$ 1,000
<u>Blue Cross/Blue Shield Fully-Insured Medicare Plan</u>					
<i>Projected Total Monthly Cost</i>	\$ 382	\$ 401	\$ 421	\$ 442	\$ 464
<i>Projected City/NPS Monthly Share @ 80%</i>	\$ 306	\$ 321	\$ 337	\$ 354	\$ 371
Retiree Monthly Cost @ 20%	\$ 76	\$ 80	\$ 84	\$ 88	\$ 93
Retiree Annual Cost @ 80%	\$ 917	\$ 963	\$ 1,011	\$ 1,061	\$ 1,114
Annual Cost - Average 7 Dr Visits/yr @ \$0/ea	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Annual City Medicare Part B Reimbursement	\$ 463	\$ -	\$ -	\$ -	\$ -
True Cost to Retiree	\$ 454	\$ 963	\$ 1,011	\$ 1,061	\$ 1,114
<u>ADDITIONAL COST TO RETIREE</u>	\$ 217	\$ (215)	\$ (183)	\$ (150)	\$ (114)