



# Finance Committee Budget Report

## City of Newton In City Council

**Monday, May 8, 2023**

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

Absent: Councilors Noel and Norton

City staff present: Comptroller Stephen Curley, Treasurer/Collector Ron Mendes, Chief Procurement Officer Nick Read, Chief Financial Officer Maureen Lemieux and Manager of Financial Planning & Analysis Perry Rosenfield, Senior Financial Analyst Connor Roach.

For more information regarding this meeting, a video recording can be found at the following link:  
<https://newtv.org/recent-video/107-committee-meetings-and-public-hearings/8048-finance-committee-may-8-2023>

### **DEPARTMENT BUDGET & CIP DISCUSSIONS:**

**Comptroller/Retirement**

**Treasurer**

**Purchasing**

**#1-23            Submittal of the FY 2024 to FY 2028 Capital Improvement Plan**  
HER HONOR THE MAYOR submitting the Fiscal Years 2024 to 2028 Capital Improvement Plan pursuant to section 5-3 of the Newton City Charter.

### **Referred to Finance and Appropriate Committees**

**#1-23(3)        Submittal of the FY24 Municipal/School Operating Budget**  
HER HONOR THE MAYOR submitting in accordance with Section 5-1 of the City of Newton Charter the FY24 Municipal/School Operating Budget, passage of which shall be concurrent with the FY24-FY28 Capital Improvement Program (#1-23).  
**EFFECTIVE DATE OF SUBMISSION 05/01/23; LAST DATE TO PASS THE BUDGET 06/15/23**

### **Referred to Finance and Appropriate Committees**

**#1-23(4)        Submittal of the FY24 – FY28 Supplemental Capital Improvement Plan**  
HER HONOR THE MAYOR submitting the FY24 – FY28 Supplemental Capital Improvement Plan.

### **Comptroller/ Retirement**

**Note:** Steve Curley, Comptroller joined the Committee to discuss the Comptroller's FY24 Budget. Mr. Curley explained that the Comptroller's Office is the center for financial compliance in the

City of Newton with a staff of 6 full time and one part time members. They are in charge of maintaining, preparing and distributing the financial statements for the City Council, the State and external auditors. The Comptroller's Office also works with the State during the year-end process to certify free cash, along with assisting the Assessing Department in setting the tax rate.

The Comptroller's budget is at \$830,000. While the full amount is at \$65.4 million, it is because the Comptroller's office oversees items for control purposes. He highlighted the interfund transfer of \$1.16 million dollars to the Capital Project line item for the Horace Mann School project. That item is contingent on the retirement COLA item that is before the Committee of the Whole of the City Council.

Other items under the Comptroller's budget for control: worker's comp transfer which is at \$800,000 and property insurance which has gone up to \$806,000 this year, mainly due to the rising costs of building supplies.

The reserve funds are \$3.6 million dollars in budgeted reserves that Maureen Lemieux, Chief Financial Officer and her team put together. Those funds include \$1.5 million for snow and ice reserve, the \$1.6 million in salary reserve, and \$500,000, the regular budgeted reserve line. Mr. Curley explained that those funding decisions are at the discretion of the administration.

## Q&A

Q: In looking at your organizational chart, are your Deputy and Assistant considered equal in responsibility?

A: Mr. Curley explained that he does consider them equal, but their duties fall under different responsibilities. The deputy is largely responsible for financial reporting, while the assistant oversees the day-to-day operations.

Q: Does the workers compensation represent the insurance premiums we pay to the State?

A: Ms. Lemieux explained that the city is self-insured and we do not pay to the State. This transfer goes into our Workers Comp Trust Fund.

Q: Is this straw vote including the Retirement section or just the Comptroller's department budget?

A: Mr. Curley said that typically the straw vote includes the retirement budget as well, but that this decision is up to the Committee. He expanded upon this question to state that the retirement obligation that shows on the budget is voted by the Newton Retirement Board. The city hires an actuary, and the actuary makes the actual evaluation which the retirement board votes on. That vote is a legally binding appropriation that needs to be funded by the city.

A discussion continued concerning the effects that the COLA increase vote before Council will have on the Comptroller's budget along with many factors still under debate between the Retirement Board,

the administration, and Council's Committee of the Whole. This debate led to the decision to amend the motion on the floor to hold.

The Finance Committee took a straw vote to hold the Comptroller's office proposed budget which passed 6-0.

### **Retirement**

Kelly Byrne, member of the Retirement Board and Barbara O'Brien, Director of the Newton Retirement Board joined for this discussion. The Retirement Board is regulated by State Laws, and they operate under the calendar year. They voted on their FY24 budget in February based on the January 2022 actuarial valuation that dictates the appropriation. It was well before any other discussions began, including the budget override. The Board, during their April meeting, voted to move the funding schedule out to 2032 at a 6.6% growth rate contingent on the request to pass a 3-year COLA base increase. Ms. Byrne stated that once the Committee of the Whole made their decision on the COLA base increase, then the Retirement Board will have direction.

The Finance Committee took a straw vote to hold the Retirement Board section of the Comptroller's proposed budget which passed 6-0.

### **Treasury**

**Note:** Ron Mendes, Treasurer/Collector joined the Committee for the discussion on the Treasury budget and provided an overview of his department's functions. There will be one deferral of a position since they are re-evaluating their responsibilities, as some duties are not relevant anymore with new technologies in place.

Mr. Mendes explained that a focus is to take in all the City's receipts and manage those monies while they are in the bank. The department also sees where efficiencies in banking can be achieved. With interest rates increasing, the results are in the investment receipts. The city had \$5 million dollars in investment income through March of the current fiscal year with three months to go, where the budgeted amount for the entire current fiscal year was \$600,000.

Another focus was implementing new technologies to increase productivity. The Treasurer's department has been working with ISD to implement the NewGov system which has changed how we take in money and relieves staff that usually would perform payments through paper.

The goals for the next year include an increase in the training budget so that there will be the opportunities for the staff to be able to attend classes towards certifications. Mr. Mendes also explained that they would like to manage uncashed checks and decrease the use of paper checks. They have mitigated some with direct deposit and a new vendor called Payload X, making vendor payments electronic.

## Q&A

Q: At what point does a position deferral mean elimination or transferring that position to another department?

A: Ms. Lemieux stated that the position cannot be eliminated without discussion with the Union.

Q: What are the guidelines in our control where our money is deposited, and do you follow bank ratings?

A: Mr. Mendes explained that he monitors the ratings of the banks and follows capitalization requirements, for example, the city does not have more than 15% of our equity in one bank.

Q: Investment income growing from \$600,000 to \$5 million is impressive, what are your thoughts in how to invest funds?

A: Mr. Mendes explained his process in how he invests the city funds, how diversification is important, and he researches what way is best at the current time; it could be T bills, money market accounts, or bank deposits.

Q: The \$5 million investment number, is that net or does this balance with spending money as well?

A: Mr. Mendes stated that he does not adjust for spending, it is not a net amount.

Q: Do you believe that the \$5 million is unusual or do you think this may be a long-term outcome?

A: Mr. Mendes believes that this is unusual but cannot be sure in predicting the interest rates.

Q: Was there anything else that was a significant change in the investment process that led to that high increase or was it just due to the higher interest rates?

A: Mr. Mendes stated that yes, it was mostly due to interest rates going up and moving funds into T bills.

Q: How has this \$5 million dollar increase boosted the budget?

A: Ms. Lemieux discussed that the past 13 years interest growth was not as high, and the city needs to be conservative with their projections. The FY24 budget projects \$2.5 million in interest income.

Q: Has the \$2.5 million been appropriated to a specific thing or project?

A: Ms. Lemieux said that no, there are no ties to any initiatives as revenues fluctuate every year.

Q: So, this amount just patched up from deficits in previous years?

A: Ms. Lemieux said that if any of these funds are not needed, it will become free cash next year but the city is not way ahead with this \$5 million dollar increase.

The Finance Committee took a straw vote to accept the Treasury's office proposed budget of \$33,356,691 which passed 5-0-1 with Councilor Gentile abstaining.

With that, all items are held until the Committee of the Whole deliberations.

## **Purchasing**

**Note:** Nick Read, Chief Procurement Officer was present for the discussion on the Purchasing Department's Budget. Mr. Read explained that there are 4 total employees in his department -- 3 employees in Purchasing and 1 employee in the print shop and mail room. He further explained that they handle all of the procurements for the city to ensure that they comply with Massachusetts Procurement Laws. They do approximately \$50 million dollars a year, with \$20 million being in purchases and \$30 million in bids. They manage a program with Newton high school students to deliver mail. The discretionary spending in this budget is only about \$20,000 and there are commitments on equipment and salaries.

## **Q&A**

Q: Some Councilors are interested in a requirement that in cases where it is not required by law, that the city is not allowed to use prison labor as a source of procurement, is this a possibility?

A: Mr. Read explained that the city has not had MassCor as a bidder outside of any purchases mandated by State law. He would be happy to discuss this further if needed.

Q: Once the contract has been approved, what role does your department play?

A: Mr. Read explained that contract administration is done through the appropriate department.

The Finance Committee took a straw vote to accept the Purchasing department's proposed budget of \$600,754 which passed 6-0.

With that, all items are held until the Committee of the Whole deliberations.

**Respectfully submitted,**

**Rebecca Walker Grossman, Chair**