

CITY OF NEWTON

IN BOARD OF ALDERMEN

FINANCE COMMITTEE AGENDA

MONDAY, APRIL 11, 2011

7 PM
Room 222

ITEMS TO BE DISCUSSED:

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

- #79-11 HIS HONOR THE MAYOR requesting authorization to appropriate the sum of two hundred thirty-five thousand two hundred thirty-two dollars (\$235,232) from 2010-2011 E-Rate Reimbursement Funds for the purpose of upgrading school technology. [02/28/11 @6:47 PM]
PROG & SERV APPROVED 5-0 (Lappin and Lennon not voting)

REFERRED TO PUBLIC SAFETY & TRANS. AND FINANCE COMMITTEES

- #101-11 HIS HONOR THE MAYOR requesting authorization to appropriate and expend two hundred twenty-five thousand dollars (\$225,000) from Free Cash for the purpose of supplementing the Fire Department overtime account. [03-28-11 @ 1:07 PM]
PS&T APPROVED SUBJECT TO SECOND CALL 6-0 (Harney not voting)
- #78-10 ALD. FULLER, GENTILE, FREEDMAN, JOHNSON, DANBERG AND BAKER requesting a review of the elements of the Financial Management Guidelines of January 2008, together with the Mayor's Office, to ensure they meet the current needs of the City. [03/09/10 @8:23 AM]
- 207-07(4) ALD. COLETTI proposing that the city's Financial Management Guidelines adopted under board order #207-07 be amended to allow the adjustment of self-funded health insurance plan rates in the event that rates and any accumulated excess resources not meet actual resource requirements. [07-02-08 @12:12 PM]
- #207-07(2) ALD. COLETTI proposing that the city's Financial Management Guidelines adopted under board order #207-07 be amended, effective FY10, as follows:
(A) total resources devoted to all forms of employee compensation shall not exceed the estimated growth in total general fund revenue for the following fiscal year;
(B) 6funds for salary and wage adjustments shall not exceed the difference between total estimated revenue growth and resources needed to fund growth in health/dental and life insurance benefits and growth in the actuarial required contribution for the city's retirement system for each fiscal year;

The location of this meeting is handicap accessible, and reasonable accommodations will be provided to persons requiring assistance. If you have a special accommodation need, please contact the Newton ADA Coordinator Kathleen Cahill, 617-796-1125, via email at KCahill@newtonma.gov or via TDD/TTY at (617) 796-1089 at least two days in advance of the meeting date.

(C) if collective bargaining contracts are not resolved at the time of budget submission, funds budgeted for such contracts shall be held in “municipal and compensation” reserve. [07-02-08 @ 12:12 PM]

Item recommended by full Board on 03/21/11:

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

#207-08 ALD. BRANDEL AND SANGIOLO proposing that the following question be put before the Newton voters: “Shall the City of Newton be allowed to exempt from the provisions of Proposition 2 ½ the amounts required to pay for the bond issuance in order to fund Newton North High School?” [05/21/08 @ 12:58 PM]
PROG & SERV APPROVED 4-3 (Fischman, Rice, Blazar opposed) on 03/09/11

ITEMS NOT SCHEDULED FOR DISCUSSION:

REFERRED TO COMMITTEES ON COMMUNITY PRESERVATION & FINANCE

#103-11 COMMUNITY PRESERVATION COMMITTEE recommending that \$1,103,500 be appropriated from the fiscal 2011 housing & general reserves of the Community Preservation Fund to the control of the Director of Planning & Development, for a grant to create 4 units of affordable ownership housing in a mixed-income development at 112-116 Dedham Street, as detailed in the Committee’s funding recommendation to the Board of Aldermen. [03-21-11 @ 8:48AM]

REFERRED TO ZONING AND PLANNING AND FINANCE COMMITTEES

#102-11 ALD. HESS-MAHAN, JOHNSON, COMMISSIONER LOJEK, AND CANDACE HAVENS requesting an amendment to Chapter 17 to establish a fee for filing a notice of condo conversion. [03-29-11 @ 4:55PM]

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

#100-11 HIS HONOR THE MAYOR requesting authorization to transfer the sum of thirty thousand dollars (\$30,000) from the FY11 Budget Reserve Account to the Department of Veterans Services for the purpose of supplementing the FY11 budget for veterans’ benefits. [03/28/11 @ 1:07 PM]

REFERRED TO PUBLIC FACILITIES & FINANCE COMMITTEES

#89-11 FINANCE COMMITTEE recommending that **Sec. 29-72(b) Same— Assessments upon owners of estates passed by new sewers.** of the City of Newton Rev Ordinances, 2007, be amended to increase the fixed uniform rates assessed upon owners of all estates passed by new sewers to rates that more accurately represent the estimated average cost of installing such sewers. [03-07-11 @ 9:30 AM]

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

#60-11 HIS HONOR THE MAYOR requesting the budget for the Newton North High School construction project be amended by transferring funds from the owner’s contingency line item to the construction manager at risk line item for the purpose of funding additional costs related to the demolition phase of the project. [02/10/11 @ 9:18 AM]

REFERRED TO COMMITTEES ON COMMUNITY PRESERVATION & FINANCE

- #45-11 COMMUNITY PRESERVATION COMMITTEE recommending that the sum of \$665,500 be appropriated from the fiscal 2011 community housing and general reserves of the Community Preservation Fund, to the control of the Planning and Development Department, for a project that will create three units of perpetually affordable rental housing at 61 Pearl Street in Newton Corner as detailed in the Committee's funding recommendation to the Board of Aldermen. [01-27-11 @9:27am]

REFERRED TO PROG. AND SERVICES AND FINANCE COMMITTEES

- #373-10 ALD. GENTILE, HARNEY, SANGIOLO requesting amendment to §20-13, *Noise Control*, of the City of Newton Revised Ordinances to prohibit outdoor athletic events from starting before 7 AM and increase the maximum fine to \$300. [12-10-10 @ 12:53 PM]

PROGRAMS & SERVICES HELD on 02/09/11

REFERRED TO PROG & SERV, PUBLIC FACIL. AND FINANCE COMMITTEES

- #367-10 HIS HONOR THE MAYOR requesting authorization to appropriate an amount not to exceed five million dollars (\$5,000,000) from bonded indebtedness for the following:
(B) installation of up to six modular classrooms at five elementary schools as well as the addition of permanent classrooms and renovations to the core of F.A. Day Middle School. [11/29/10 @ 3:23 PM]

REFERRED TO PUBLIC SAFETY & TRANS. AND FINANCE COMMITTEES

- #363-10 ALD. ALBRIGHT & DANBERG proposing a trial of parking meter free Saturdays between Thanksgiving and New Year for the shopping areas to support shopping at local businesses in Newton. [11/15/10 @ 6:30 PM]

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

- #311-10(A) HIS HONOR THE MAYOR requesting an appropriation in the amount of three million three hundred thirty-five thousand dollars (\$3,035,000) from bonded indebtedness for the purpose of funding the FY 2011 Capital Improvement Plan projects as follows:
(A) Architectural Design and Engineering/Next Scheduled Fire Station \$400,000
A-2 - HELD \$270,000 for final design bidding and construction admin
[11/29/10 @ 3:23 PM]

REFERRED TO PUBLIC SAFETY & TRANS. AND FINANCE COMMITTEES

- #311-10(B) HIS HONOR THE MAYOR requesting an appropriation in the amount of three hundred thousand dollars (\$300,000) from bonded indebtedness for the purpose of funding the Manet Road Emergency Communications Radio Tower Replacement, which is included in the FY 2011 Capital Improvement Plan. [11/29/10 @ 3:23 PM]
PUBLIC SAFETY & TRANSPORTATION APPROVED 7-0 on 12/08/10

REFERRED TO FINANCE AND APPROPRIATE COMMITTEES

- #311-10 HIS HONOR THE MAYOR submitting the FY'12-FY'16 Capital Improvement Program, totaling \$174,246,135 pursuant to section 5-3 of the Newton City Charter and the FY'11 Supplemental Capital budget which require Board of Aldermen approval to finance new capital projects over the next several years. [10/18/10 @5:24PM]

REFERRED TO PUBLIC FACILITIES, PROG&SERV AND FINANCE COMMITTEES

- #312-10 ALD. LENNON, LAPPIN, SCHNIFFER, SANGIOLO requesting a discussion with the School Committee on its plans to address space needs in the Newton public schools. [10-27-10 @11:07 AM]
- #259-10 COMPTROLLER transmitting Annual Financial Report for the audit of fiscal year ending June 30, 2010 for Board of Aldermen review/acceptance. [09/13/10 @ 12:26 PM]

REFERRED TO ZONING & PLANNING AND FINANCE COMMITTEES

- #391-09(2) ALD. DANBERG, MANSFIELD, VANCE & HESS-MAHAN requesting the establishment of a municipal parking mitigation fund whose proceeds, derived from payments-in-lieu of providing off-street parking spaces associated with special permits, will be used solely for expenses related to adding to the supply of municipal parking spaces, improving existing municipal parking spaces, or reducing the demand for parking spaces.

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

- #87-09 ALD. SANGIOLO, BRANDEL, FREEDMAN AND HESS-MAHAN requesting a Home Rule Petition to allow the City of Newton to require elected officials to contribute a higher percentage rate for health insurance benefits than is required for other employee groups. [03-10-09 @ 9:17 AM]
PROGRAM & SERVICES APPROVED 5-1-1 (Baker opposed; Merrill abstaining; Parker not voting) on 4/15/09
RECOMMITTED TO FINANCE ON 07/12/10

Item recommitted by full Board on 03/07/11:

REFERRED TO FINANCE AND PROGRAMS AND SERVICES COMMITTEES

- #245-06 ALD. JOHNSON AND HESS-MAHAN requesting an amendment to the City Charter to require the Mayor annually to prepare and submit to the Board of Aldermen a long-term financial forecast of anticipated revenue, expenditures and the general financial condition of the City, including, but not limited to identification of any factors which will affect the financial condition of the City; projected revenue and expenditure trends; potential sources of new or expanded revenues; anticipated municipal needs likely to require major expenditures; and a strategic plan for meeting anticipated municipal needs, to include, but not be limited to, any long or short-term actions that may be taken to enhance the financial condition of the City.

Respectfully submitted,

Leonard J. Gentile, Chairman



SETTI D. WARREN
MAYOR

City of Newton, Massachusetts
Office of the Mayor

#79-11

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E-mail
swarren@newtonma.gov

February 28, 2011

Honorable Board of Aldermen
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

11 FEB 28 P 6:47
CITY CLERK
NEWTON, MA 02159

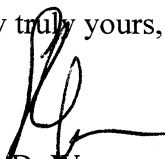
Ladies and Gentlemen:

On behalf of the School Committee I write to request that your Honorable Board docket for consideration a request to appropriate the sum of \$235,232 for school technology purchases from 2010-2011 E-Rate Reimbursements Funds.


The request from the School Committee, as well as, the prescribed process and policy of use of E-Rate funds are attached.

Thank you for your consideration of this matter.

Very truly yours,


Setti D. Warren
Mayor

From: Receipts Reserved
NPS E-Rate Receipts
14I301-5901 \$235,232
To: School E-Rate Technology
C301052-585111I \$235,232


02/26/2011

1000 Commonwealth Avenue Newton, Massachusetts 02459

www.newtonma.gov



DEDICATED TO COMMUNITY EXCELLENCE

Ward . . .
I Geoffrey Epstein
II Reenie Murphy, Vice-Chairperson
III Kurt Kusiak
IV Jonathan Yeo
V Susan Rosenbaum
VI Claire Sokoloff, Chairperson
VII Matthew Hills
VIII Margie Ross Decter

Newton School Committee
100 Walnut Street
Newtonville, MA 02460
Tel (617) 559-6110
Fax (617) 559-6101
www.newton.k12.ma.us
schoolcommittee@newton.k12.ma.us

Mayor Setti Warren
#79-11
Ex officio



February 15, 2011

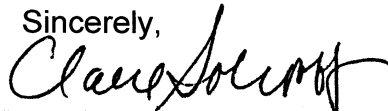
Mayor Setti Warren
Newton City Hall
1000 Commonwealth Ave.
Newton Centre, MA 02459

Dear Mayor Warren:

At the meeting of 2/14/11, the School Committee voted to approve the request for \$235,232 for school technology purchases from the 2010/2011 e-rate reimbursement funds. As you will note from the attached memos, this money will be used to upgrade the wireless network at Newton South High School.

This request and the recommended uses for the funding are within the prescribed process and policy on use of E-rate funds, as referenced in the attached memorandum from David Wilkinson.

The Committee requests that you docket this before the Board of Aldermen for their approval. Please do not hesitate to contact me if you have any questions.

Sincerely,

Claire Sokoloff,
Chairperson

c: Superintendent David Fleishman
Sandra Guryan, Deputy Superintendent/Chief Administrative Officer
Shelley Chamberlain, Director of Information Technology
David Wilkinson, Comptroller
Robert Rooney, Chief Operating Officer
Maureen Lemieux, Chief Financial Officer

Atts.

CS/djr

NEWTON PUBLIC SCHOOLS

100 Walnut Street, Newtonville, MA 02460

AREA CODE (617) 559-9025

Memorandum

TO: David Fleishman, Superintendent
School Committee

FROM: *SS* Sandra Guryan, Deputy Superintendent/Chief Administrative Officer

DATE: February 11, 2011

RE: E-Rate Funds for School Technology Spending

This memo serves as a request that the School Committee make a request of the Mayor that E-Rate funds collected through November 2010 be appropriated to the School Department.

Attached is a detailed request from Shelley Chamberlain, Director of Information Technology, for school technology purchases to be made using the funds received from E-Rate (Universal Service Discount) reimbursements. The new items will be used to upgrade the wireless network at Newton South High School, part of an initiative to upgrade all school buildings to 10-Gigabite wireless networks. The new equipment will not be purchased until the funds are approved. These funds currently total \$235,232, collected during FY10 and FY11 to date. Per agreement with the Board of Aldermen, the School Committee must request appropriation of these funds for the purpose of purchasing technology items for the schools. I have enclosed the April 29, 1998 memo with this provision and agreement. Since FY99, \$962,592 has been received. This request for school computer equipment has been prepared by Shelley Chamberlain in keeping with the current technology plan for the district. Please see the table on the next page for a listing of all E-rate funds received and appropriated from FY99 to the present.

In order to access these funds, the School Committee may vote to request them from the Board of Aldermen. After such vote, the School Committee must send a letter to the Mayor and Board of Aldermen requesting that this item be placed on the docket.

Attachments

- cc: David Wilkinson, Comptroller
- Robert Rooney, Chief Operating Officer
- Maureen Lemieux, Chief Financial Officer
- Shelley Chamberlain, Director of Information Technology

**NEWTON
PUBLIC SCHOOLS**

100 Walnut Street, Newtonville, MA 02460-1398
Office of Information Technology
Shelley B. Chamberlain, Director

Phone: 617-559-6190

Fax: 617-559-6191

Email: Shelley_Chamberlain@newton.k12.ma.us

Memo

To: Dr. David A. Fleishman
From: Shelley Chamberlain
Date: February 10, 2011

Subject: E-Rate Funds Request to Upgrade Newton South High School Network

The purpose of this memo is to request \$235,232 in E-Rate funds to upgrade the Newton South High School (NSHS) network from the current 1-Gigabit (Gb) bandwidth to 10-Gb service in order to address the disparity between the two high schools. The current 1-Gb connectivity is inadequate to support the 852 computers (457 desktops and 395 laptops) at South, plus the additional high-speed network demands of specialized software applications, such as the CAD Lab and Graphics Lab use.

It is important to note the marked increase in the number of high school students bringing their personally owned mobile devices (e.g. iPads, iTouch, laptops, smart phones, etc.) into the classroom. It is imperative that we prepare our networks to support the 1:1 computing model where every student will have a computing device, either personally owned or school supplied, that is integrated into the curriculum of the classroom.

Our master network strategy is to upgrade all 6 secondary schools to 10-Gb service over the next 2 years with the two high schools being targeted first. Newton North already has 10-Gb service, while Newton South, the four middle schools, and half of the elementary schools have the same 1-Gb network service. The rest of the elementary schools are in the process of being upgraded to 1-Gb and will be completed before the end of the school year. The middle school 10-Gb network upgrade is being targeted for the following summer 2012 and is estimated to cost \$80-100K per middle school, also requiring accrued E-Rate funds to complete. The Cisco network equipment needed for Newton North High School has already been funded and installed as part of the new building project. Therefore, the focus of this request is to purchase and implement a similar 10-Gb network service for NSHS that we would leverage federal E-Rate funds which are specifically targeted to network infrastructure improvements like this.

The requested funds will underwrite the upgrade/replacement of Cisco network components in eleven (11) network closets that span the floors and buildings of the NSHS campus. This is a major investment in distributed fiber-optic interface equipment which is capable of routing computer data between the eleven closets and back to the Ed Center, all at the 10-Gb speed. In comparison, the network investment for the new NNHS building was about \$530,000 that involved building a network from scratch rather than upgrading existing equipment. This \$225,000 investment to upgrade NSHS is about 40% of the network equipment cost of NNHS for the improved network performance which will be achieved.

Please let me know if I can answer any questions about this request.

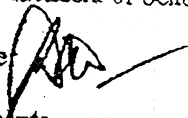
	E-Rate Funds Received	E-Rate Funds Appropriated
FY99	\$78,397	\$0
FY00	\$78,505	\$0
FY01	\$65,220	\$193,646
FY02	\$73,470	\$63,112
FY03	\$31,923	\$69,338
FY04	\$74,242	\$45,745
FY05	\$0	\$29,916
FY06	\$51,467	\$0
FY07	\$72,639	\$124,106
FY08	\$18,020	\$0
FY09	\$191,190	\$0
FY10	\$130,841	\$201,497
FY11	\$96,678	\$235,232 - requested
Total	\$962,592	\$962,592

COMPTROLLER'S OFFICE

1000 Commonwealth Avenue
 Newton, Massachusetts 02159
 (617) 552-7088

April 29, 1998

TO: Janet Goldrick, Acting Superintendent of Schools

FROM: David Wilkinson, Comptroller 

SUBJECT: Federal E-rate Reimbursements

Thank you for inviting me to the E-rate meeting at the Education Center yesterday afternoon. The purpose of this communication is to confirm my understanding of the financial accounting and reporting issues of this program.

Vendor Payment:

It is my understanding that the School Department will pay vendors the full cost of purchases potentially eligible for reimbursement under the E-rate program. The vendor will make application for reimbursement from the *Schools and Libraries Corporation* and will pass this refund on to the School Department. As I understand it the School Department will enter into a written agreement with each vendor to insure that any and all rebates that are granted will be passed along to the School Department in full. This agreement will be reviewed by the City Solicitor's Office to make certain that it is legally binding upon the vendor.

In order to avoid losing track of rebates that are owed to the City, I would recommend that employees of the School Department provide the Comptroller's Office with written notification of the dollar amount of each expected rebate, by vendor, at the point that it becomes known that a rebate is owed to the School Department. We will use this information to record an account receivable on the City's books, which can be monitored until such time as the rebate is actually received.

E-rate Cash Receipts:

All rebated cash receipts are City of Newton revenues, and can not be spent without an appropriation by the Mayor and Board of Aldermen. All rebate checks must be forwarded to the City Treasurer's Office, along with a standard cash receipt schedule, within one week of receipt. All E-rate cash receipts should be coded to Receipts Reserved for Appropriation account 14K301-4890.

The new receipts reserved for appropriation account will be used exclusively to account for E-rate reimbursements. As E-rate reimbursements are received, they will be deposited in this account, which will serve as a source for future technology appropriations. The appropriations can be requested of the Mayor and Board as frequently as you wish.

Funds appropriated from the E-rate Receipts Reserved for Appropriation account will be accounted for in the School Technology special appropriation section of the City's general ledger. This will insure that the funds are only used for school technology purposes. The specific expense budget account numbers will be provided to you within the text of the board order, which is used to appropriate the funds.

Please give me a call if you have any questions about these procedures.

Cc: Steve Cirillo
 Don Jensen
 Powers & Sullivan, CPA



SETTI D. WARREN
MAYOR

City of Newton, Massachusetts
Office of the Mayor

#101-11

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(617) 796-1113

TDD
(617) 796-1089

E-mail
swwarren@newtonma.gov

March 28, 2011

Honorable Board of Aldermen
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459

Ladies and Gentlemen:

I write to request that your Honorable Board docket for consideration a request to appropriate the sum of \$225,000 from Free Cash to Account # 0121002-513001 Fire Rescue Overtime.

The FY11 overtime budget for the Fire Department was \$500,000. Due to the winter manning program and a growing number of vacancies in the department an additional \$200,000 has been transferred to overtime from full time salaries. As of today, remaining funds approximate \$15,000. We believe that the department will incur an additional \$30,000 per week for the remaining 2 weeks of the winter manning period, and approximately \$10,000 to \$12,000 per week for the 13 weeks during the fourth quarter of the fiscal year. We will continue to evaluate the spend rate – and will update the Finance Committee when this item is discussed.

Thank you for your consideration of this matter.

Very truly yours,

Setti D. Warren
Mayor

Cc: Maureen Lemieux, Chief Financial Officer
Bruce Proia, Interim Fire Chief

NEWTON, MA 02459
CITY CLERK
MAR 28 P 11:01



Memorandum

To: Board of Aldermen

From: Mayor Setti Warren, Finance Chair Lenny Gentile, Alderman Ruthanne Fuller

Re: Financial Management Guidelines

Date: April 1, 2011

Attached please find for your consideration updated Financial Management Guidelines. The first version of the Financial Management Guidelines (Docket Item #207-07) was adopted in January 2008 after considerable work by Aldermen Lisle Baker, Paul Coletti, and Verne Vance. (The first version of the Financial Management Guidelines is available on the City of Newton website at the following address: http://www.newtonma.gov/comptrol/fy08_update/adopted_financial_guidelines_01222008.pdf)

This summer a group including the Comptroller, the Chief Financial Officer, and a number of Aldermen (Lenny Gentile, Ruthanne Fuller, and Vicki Danberg) updated them with three goals in mind. First, we wanted the policies to reflect the views of the new Administration. Second, we wanted to update the policies to help us act responsibly in the face of current economic realities and the fiscal condition of the City. Third, in some instances, we wanted to provide more detail on current policies and principles.

You may want to pay particular attention to the following sections as they reflect either new policies or greater elaboration on current ones:

- Financial principles (pg. 1-2): These principles are fundamental ones that help Newton meet its long-term needs, achieve a balanced operating budget, and maintain a AAA bond rating.
- Free cash (pg. 3-4): This section outlines a new policy of generating a limited amount of free cash and using it in the following order: (1) A maximum of \$1.5 million as a general revenue source for the ensuing year's operating budget; (2) replenishing reserve funds; (3) investing a minimum of 40% of the remaining free cash for the Rainy Day Stabilization Fund; and (4) funding one-time, non-recurring expenditures. In unusual circumstances, an additional portion of Free Cash may be used for the ensuing year's School or municipal operating budget.
- Salaries and wages (pg. 4): This section outlines the policy of analyzing public safety overtime annually, taking into consideration the median annual requirements for the trailing five year period, adjusted for any extraordinary and non-recurring overtime requirements.
- Other post employment contribution (pg. 4): This outlines a new policy of making an annual contribution to the Other Post-Employment Benefits Liability Trust Fund.

- Snow and ice control (pg. 5): This section includes the policy of having the annual appropriation for snow and ice control starting in FY2014 in the Department of Public Works of not less than \$1 million. In addition, an additional appropriation for snow and ice will be in the Budget Contingency Appropriation. The sum of these two appropriations will be based on the benchmark of the median annual expenditure for the trailing five year period for snow and ice. By having a majority of the funds in the Budget Contingency Appropriation, the Board of Aldermen will continue to oversee closely the expenditure of these funds.
- Debt service (pg. 5): This section says the City may use debt to pay for a single piece of equipment or a building improvement project with a cost of at least \$100,000 and preferably \$250,000 and a useful life of at least five years. (In the past, the official policy set the limit at \$500,000.)
- Capital outlay and improvements: The City will continue the practice of issuing a minimum of \$3.5 million in bonds for capital improvements annually with the financing for the associated debt service coming from the General Fund. A minimum of 5% of the annual General Fund Operating Budget will be budgeted for capital outlay and improvements. (In the past, the policy was a minimum of 3%.)
- Financial contingencies and reserves (pgs. 5- 10): A more comprehensive approach to contingencies and reserves is outlined.
 - A Budget Contingency Appropriation: similar to the current Budget Reserve.
 - An Inclement Weather Stabilization Reserve: This is a new \$1 million non-lapsing reserve fund for unusual weather related costs.
 - A Rainy Day Stabilization Reserve Fund: This is a new reserve fund to be used during multiple-year economic recessions or for rare, catastrophic expenditures. It will be built to 5% of the annual General Fund Operating Budget (i.e., \$15 million) and act as a non-lapsing reserve fund.
 - A Capital Project Stabilization Fund: There is the long-term goal of setting aside money in a new fund for capital projects in order to equalize the effect of capital expenditures over time and supplement monies from other sources.
 - Contingencies and reserves in the Water and Sewer Utility Funds: Over time, budget contingency reserves and stabilization reserves will be funded in the water and sewer utility funds. This is a new practice.
- Property tax allowance for abatements and exemptions (pg. 10): The target level will be 0.75% - 1.5% of the gross annual tax levy. (This is a change from 1.0% to 1.5 %.)
- Financial Reporting (pg. 13): Monthly financial reports to the Finance Committee from the Comptroller will be developed on such areas as self-insurance funds, financial reserves, overtime, and snow and ice control. This will help the Board of Aldermen effectively oversee expenditures in these areas.

CITY OF NEWTON, MASSACHUSETTS
FINANCIAL MANAGEMENT GUIDELINES
Edits as of March 17, 2011

The government of the City of Newton exists to provide quality community services to residents, businesses and visitors to the Garden City. Governmental services that benefit all or substantially all community stakeholders are financed principally from the local property tax and accounted for in the City's General Fund. Business-like services that benefit distinct segments of the population are financed principally from user fees and charges and are accounted for in special revenue funds.

Budgets are used for planning and accountability purposes for all City funds. Formal fixed budgets, recommended by the Mayor and adopted by the Board of Aldermen, are used for all governmental and business-like services.

Financial principles: The City of Newton is committed to sound financial policies that meet long-term needs, lead to a balanced operating budget, and maintain a AAA bond rating from at least one national rating agency. The following fundamental financial principles guide these financial management guidelines:

- **Balanced budget** – The City is committed to the financial principle of a balanced budget.
- **Long range financial planning** – The City will follow financial planning processes that assess the long-term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, and programs.
- **Asset inventory** – The City is committed to inventorying and assessing the condition of all major assets in order to plan for the ongoing financial commitments required to maximize the public's benefit.
- **Fees and charges** – The City is committed to identifying the manner in which fees and charges are set and reviewing such fees annually.
- **Use of one-time revenues** – The City discourages the use of one-time revenues for ongoing expenditures.
- **Use of unpredictable revenues** – The City will identify the expected volatility of revenue sources and develop allocation actions or contingency plans when one or more revenue sources are substantially higher or lower than projected.
- **Debt capacity, issuance and management** – The City is committed to using debt appropriately and having an appropriate amount of debt outstanding and debt service at any time.

- Revenue and stabilization accounts – The City will maintain a prudent level of financial resources to protect against the need to reduce service levels or raise taxes or fees due to temporary revenue shortfalls or unpredicted one-time expenditures.
- Operating and capital expenditure accountability – The City will compare actual expenditures to budget periodically and decide on actions to bring the budget into balance if necessary.
- Inter-period equity in the financing of long term liabilities – The City will match debt terms associated with capital debt with the projected useful life of related capital assets.
- Inter-period equity in the financing of long term retiree liabilities – The City intends to fund retiree health care benefits for new employees in the year(s) that they are earned (instead of on a pay-as-you-go basis). (Pensions are already funded this way.)
- Grants, gifts and revolving funds – To the extent possible, services funded by grants, gifts and revolving funds will be provided by contracted services rather than full time City employees to minimize the liability from the reduction or elimination of that funding source. When full time employees are used, the full cost of the benefit packages as well as salaries will be provided for in the grants, gifts or revolving funds.

These financial management guidelines describe the policies and practices that the Mayor and the Board of Aldermen will follow when developing financial forecasts, operating budgets, insurance and reserve policies, capital plans, financial reports, compensation practices and other financial decisions. While the Mayor and the Board of Aldermen expect to follow these guidelines, the Mayor has the authority and responsibility to recommend the allocation of financial resources in the manner in which he or she determines best meets the needs of the City, and the Board of Aldermen has the authority and responsibility to confirm or reject those financial allocations.

The Mayor will recommend to the Board of Aldermen modifications to these guidelines, policies and practices when appropriate.

Financial planning: The City will update annually the City’s General Fund multi-year financial forecast. Revenue estimates and expenditure assumptions for the annual budget will be developed by the Chief Financial Officer.

The multi-year forecast shall include actual revenue and expenditures for the last five complete fiscal years; the current year budget; and complete operating and capital expenditure and revenue projections for the next five fiscal years, and shall be structured around major revenue and expenditure classifications in the City’s accounting system chart of accounts.

Not later than 120 days after fiscal year-end, the Mayor will submit the five-year financial forecast to the Board of Aldermen.

In accordance with state law, not later than 60 days prior to the fiscal year-end, the Mayor will submit a recommended annual operating budget to the Board of Aldermen for the ensuing fiscal year. The Board of Aldermen will adopt the budget within 45 days of receipt and the adopted budget will become effective on the first day of the new fiscal year.

Revenue budgeting: General Fund revenue financial forecast estimates are expected to capture 99% of total expected revenue for the year. Estimates will be modified from the guidelines below when necessary to take into consideration unusual economic conditions, recent trends and anticipated state aid.

- Property taxes – The City expects to annually levy property taxes up to the statutory limit imposed by Proposition 2 ½ . Projected new growth will be estimated at the median annual new growth rate for the trailing 5 year period. The allowance for exemptions and abatements will be budgeted at between 0.75% and 1.5% of the gross property tax levy.
- Motor excise taxes, hotel room occupancy taxes, inspectional services permits, investment income and all other local non-tax revenue will be estimated based on the prior year actual, adjusted for recent trends and forecasted changes.
- Unrestricted state and federal aid – State “Cherry Sheet” aid will be estimated based upon the most recent information posted on the Massachusetts Department of Revenue website, or, in the absence of any such information, the Mayor’s best estimate of the probable amount of such state assistance for the next fiscal year. All other state and federal aid will be estimated based upon actual revenues for the most recent fiscal year, adjusted for any known changes in reimbursement policies and rates.
- Transfers from other funds – Reimbursements to the General Fund for the administrative and support services provided to other self-supporting funds will be based upon an annual analysis of the estimated value of such administrative and support services to the other funds. Under no circumstances shall the dollar amount of any reimbursement exceed the estimated value of services provided by the General Fund to the other self-supporting funds, in accordance with state law.
- Free Cash – Free Cash represents the accumulated difference of unrestricted funds between General Fund revenues and expenditures, on a cash basis of accounting. The City expects to generate a limited amount of Free Cash which comes from unanticipated actual revenues in excess of revenue estimates (including overlay surplus), unexpected unspent funds in operating budget line items, and/or unanticipated unexpended free cash from the previous year.

It is the intent of the City to use Free Cash in the following manner, understanding that this will take a number of years to implement fully. First, a maximum of \$1.5 million will be used as a general revenue source for the ensuing year’s operating budget. Second, Free Cash will be used to replenish Reserve Funds depleted in the previous year. Third, a

minimum of forty percent (40%) of the remaining certified Free Cash will be put in the Rainy Day Stabilization Fund until the Rainy Day Stabilization Fund reaches its target level. Fourth, any additional Free Cash will be used for one-time, non-recurring expenditures. In unusual economic circumstances, an additional portion of Free Cash may be used for the ensuing year's School or municipal operating budget.

Expenditure budgeting: It is the goal of the city to prepare expenditure budget estimates that will be sufficient to address not less than 100% of projected operating requirements of the various departments of the City by the Fiscal Year 2014 Municipal Budget.

- Salaries and wages – Budgeted salary and wage appropriations will be sufficient to fund all full-time and permanent part-time positions identified in each department's table of organization and schedule of full and permanent part-time personnel, at the appropriate union contract or salary schedule rates for the new fiscal year. General Fund employee salaries and wages that are expected to be funded in full or in part from funds other than the General Fund will be included in both the table of organization and schedule of full-time and permanent part-time personnel with an identification of other projected sources of financing. In the event that salary rates are not known at the time that the budget is being prepared, all salary and wages will be budgeted at current rates and provisions will be made for future wage and salary increases as part of the Budget Contingency Reserve appropriation. Salaries and wages will be budgeted based upon the exact number of pay periods for the fiscal year. Public safety overtime will be analyzed annually, taking into consideration the median annual requirements for the trailing five year period, adjusted for any extraordinary and non-recurring overtime requirements (i.e., overtime to cover significant staff vacancies that have been filled).
- Employee benefits – Funding will be included in each department operating budget for the projected cost of providing contributory health, life, dental and Medicare payroll taxes for all eligible employees at the benefit rates expected for the new fiscal year, except for pension and other post employment contributions.
- Pension contribution – The annual contribution to the defined benefit contributory retirement fund shall not be less than the annual required contribution (ARC) prescribed by the Retirement Board's actuary, and the annual appropriation for non-contributory retirement benefits will be the benefit estimate of the Retirement Board.
- Other post employment contribution – The City will make an annual contribution to the Other Post Employment Benefits Liability Trust Fund. The City will make every effort to make each subsequent contribution at a greater amount than the year before until full funding is accomplished.
- Energy and utilities – Funding for energy and utility needs of the various departments of the City will be included at consumption levels estimated by the various departments and at consistent unit prices estimated to be reasonable by the Chief Financial Officer.

- State and county charges (including MWRA and MTBA charges) – The appropriation for “Cherry Sheet” assessments will be the most recent estimates posted on the Massachusetts Department of Revenue website, or, in the absence of such information, 2.5% greater than the current year assessment and charge total.
- Judgments and settlements – The annual appropriation for self-insured liability claims and settlements for routine, incidental claims will not be less than the median annual expenditure for this purpose for the trailing five year period, adjusted for any other factors that may impact the actual amount required.
- Snow and ice control – As of the Fiscal Year 2014 Municipal Budget, the annual appropriation for snow and ice control in the Department of Public Works will not be less than \$1 million. In addition, an additional appropriation for snow and ice will be in the Budget Contingency Appropriation. This amount will be based on the benchmark of having the total of the two sums equal to the median annual expenditure for snow and ice for the trailing five year period.
- Debt service – The appropriation will be consistent with the long-term debt schedule for all issued and planned debt and will include interest, principal and anticipated issuance costs.

The City has the option of using debt to pay for a single piece of equipment or a building improvement project with a cost of at least \$100,000, and preferably \$250,000, and a useful life of at least five years.

- Capital outlay and improvements – It is the practice of the City to issue a minimum of \$3.5 million in bonds for capital improvements annually; financing for the associated debt service will come from the General Fund. It is anticipated that a minimum of 5% of the annual General Fund operating budget will be budgeted for capital outlay and improvements.
- Budgetary control – Budgetary control will be exercised at the levels and under conditions specified in the Annual Appropriations order recommended by the Mayor and adopted by the Board of Aldermen each fiscal year.

Financial contingencies and reserves: Funds for financial contingencies and reserves are necessary in order for the City to continue to provide essential public services in the face of extraordinary and unforeseen financial and natural events that could not have been reasonably anticipated and provided for in the annual operating budget. Sufficient financial reserves are also required by credit rating agencies.

In order to minimize the magnitude of reserves that must be held for extraordinary and unforeseen financial risks, revenues will be estimated conservatively; all known expenditure requirements will be funded at levels consistent with experience from prior years, along with any unique factors likely to impact the new fiscal year; and non-recurring revenues and/or financing

sources will only be used for non-recurring expenditure purposes.

Similarly, in order to minimize General Fund reserve requirements, activities funded by fees and user charges will maintain adequate reserves within their appropriate special revenue fund(s). Fees and user charges will be set at least annually at levels sufficient, when appropriate, to meet the full operating and capital replacement costs, and maintain the level of financial reserves established for that fund. Commercial insurance will also be purchased to transfer financial risk associated with any activities that the City cannot reasonably fund from available reserves in self insurance funds.

The General Fund's contingencies and reserves will consist of a Budget Contingency Appropriation, an Inclement Weather Stabilization Reserve, a Rainy Day Stabilization Reserve and a Capital Project Stabilization Fund. The other major funds (e.g., the Stormwater, Water and Sewer Funds, and the Revolving Funds) will have a budget contingency reserve and stabilization reserve.

- The **Budget Contingency Appropriation** will be an annual appropriation. It will address both annual operating expenditure contingencies which are non-recurring and of an extraordinary and unforeseen nature as well as funds needed for anticipated collective bargaining costs.

Non-recurring, extraordinary and unforeseen events might include but are not limited to general contingencies for unforeseeable operating expenditures, retirements (e.g., vacation pay-outs and sick buy-backs), unusual weather related contingencies (e.g., floods, unusual number of winter storms, unusual levels of snow or ice) and public liability claims.

The Budget Contingency appropriation may include anticipated expenditures to be awarded for costs associated with the settlement of collective bargaining agreements. Any funds included in this account that exceed actual collective bargaining settlement requirements will be closed out to Free Cash at year end. To the extent that contract settlements remain unresolved at year end, any funds in the Budget Contingency appropriation earmarked for collective bargaining costs will be carried over within the Budget Contingency appropriation into the following year.

Any funds in the Budget Contingency appropriation that are not needed for operating expenditure contingencies and unresolved contracts during a given fiscal year are to be closed out to Free Cash at year end.

- An **Inclement Weather Stabilization Reserve Fund** will be established and used for unusual (but not extraordinary) weather related costs in departments such as Public Works, Parks and Recreation, Police and Fire. For example, such costs may stem from floods, an unusual number of winter storms, or an unusual level of snow or ice. The goal of this reserve fund is to make sure monies are set aside for unusual weather conditions.

While the annual appropriation for snow and ice control will not be less than the median annual expenditure for the trailing five year period (by the FY14 Budget), the City will inevitably face costs related to weather conditions at the high end of the trailing five years. After the City has exhausted the annual appropriation, it will first use monies either from the Budget Contingency appropriation, projected unexpended appropriations for these costs, or possibly Free Cash. Next, it will use monies from the Inclement Weather Stabilization Reserve Fund. Only after the Inclement Weather Stabilization Reserve Fund is depleted will the City use funds from the Rainy Day Stabilization Fund.

The Inclement Weather Stabilization Reserve Fund will be funded initially with \$1 million from Free Cash by the end of FY2014 and then will remain at the \$1 million level. In other words, the Inclement Weather Stabilization Reserve Fund is a non-lapsing reserve fund in which unexpended funds in any given fiscal year remain within it. Any funds that are expended from the Inclement Weather Stabilization Reserve Fund will be replenished from Free Cash or from a Budget Appropriation.

- A **Rainy Day Stabilization Reserve** fund will be used when the City faces a multiple year economic recession or a rare, catastrophic expenditure. These funds would help the City address cyclical declines in operating revenues, generally resulting from economic factors outside the control of the City, or an unusually large expenditure resulting from a rare legal settlement or catastrophic weather event, etc. The primary reason for the segregation of such monies is to prevent these reserves from being used for unrelated City needs, and to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need.

In the case of the City's General Fund, cyclical declines typically would be evidenced by significant reductions in: state aid, economically sensitive taxes such as the motor vehicle excise tax, the hotel room occupancy tax, the local option meals tax, and building permit and investment income revenues.

A catastrophic weather event or series of events typically would be evidenced by the Federal Emergency Management Agency (FEMA) or the Massachusetts Emergency Management Agency (MEMA) providing reimbursements. The Rainy Day Stabilization Fund would also be used for storm events if the Inclement Weather Stabilization Reserve Fund was depleted.

To ensure that the rainy day stabilization reserve funds are available for multiple years of an economic downturn, no more than one quarter (25%) of the funds to one-third (33%) should be used in any single fiscal year. Appropriations may be made from the Rainy Day Stabilization Reserve Fund into the General Fund for operating purposes, upon recommendation of the Mayor and by a two-thirds vote of the Board of Aldermen.

Any funds that are not needed for rainy day contingencies in a given fiscal year will remain in the rainy day stabilization fund.

The target size of the City's General Fund Rainy Day Stabilization Reserve fund is 5% of the annual General Fund operating budget. Once established by formal vote of the Mayor and Board of Aldermen, annual contributions will be made to the fund until such time as the contributions and accumulated investment income equal 5% of total annual General Fund operating budget.

The City recognizes that the target amount of the Rainy Day Stabilization Reserve fund is somewhat less than national norms; however, this target level is considered prudent given the following considerations:

- A Budget Contingency appropriation will be included in the annual operating budget to meet extraordinary and unforeseen requirements.
- The Budget Contingency appropriation, the Rainy Day Stabilization Fund, the Inclement Weather Stabilization Reserve Fund and the majority of free cash are not expected to serve as recurring operating or capital budget financing sources.
- Employee salaries and wages will be budgeted in full within annual operating budgets and provision is made in the Budget contingency appropriation account for expected collective bargaining and salary scale adjustments.
- Legal claims and settlements will be budgeted at the median annual expenditure level for the trailing five year period adjusted for any factors that may impact the actual amount required, with back-up reserve capability in the Liability Self Insurance Fund.
- Snow and ice control costs will be appropriated at the median annual expenditure level for the trailing five year period, with back-up reserve capacity in the Budget Contingency appropriation and the Inclement Weather Stabilization Reserve Fund.
- Separately funded self insurance funds are maintained for Group Health and Workers Compensation liability exposures.
- Property loss risk exposures are covered by commercial insurance.
- The property tax serves as the City's primary source of revenue and revenues from this source are more predictable, stable, and not as economically sensitive as revenues from sales and wage taxes. The City of Newton has a diversified tax base with no one taxpayer representing more than 1.5% of revenues and the ten largest taxpayers representing less than 6% of total tax revenues.
- Property taxes are payable in quarterly installments which provides the City with a source of regular and stable cash flow, with delinquencies assessed penalties of 14% per annum.

The City expects to be able to achieve the target level Rainy Day Stabilization Reserve fund (as the current Capital Stabilization Fund is depleted) by:

- Making significant strides toward properly budgeting for all regular and recurring operating needs, including snow and ice control, public safety overtime, and recurring legal settlements beginning with the fiscal year 2012 operating budget;
 - Closing all future overlay surplus balances not needed for funding ongoing revaluation activity to Free Cash;
 - Retaining extraordinary, non-recurring revenue items within Free Cash; and
 - Appropriating a portion of Free Cash in the coming years to this reserve.
- A long-term goal is to establish a **Capital Project Stabilization Fund**. This stabilization fund is a mechanism for setting aside money for capital projects in order to equalize the effect of capital expenditures over time and supplement monies for capital projects from the General Fund, debt service, unexpended/unobligated bond proceeds, state and federal grants, sale of surplus property, water and sewer charges, and other available funds. Massachusetts General Law, Chapter 40, Section 5B provides for the establishment and maintenance of Capital Project Stabilization Funds. The Mayor and the Board of Aldermen may vote to appropriate sums of money into a Capital Project Stabilization Fund for purposes of accumulating sums for future capital project financing. Appropriations may be made from a Capital Project Stabilization Fund by a two-thirds vote of the Board of Aldermen for any purpose for which the City is authorized to borrow under Chapter 44, Sections 7 and 8.

If there are remaining funds in the current Capital Stabilization Fund, they will move into the Capital Project Stabilization Fund.

- **Contingencies and Reserves for Water and Sewer Utility Funds:** In order to minimize the need for multiple rate increases in a single fiscal year, the postponement of needed capital outlay and improvements, and potential General Fund subsidies, water and sewer rates will be determined annually, based upon the historical consumption patterns, recent trends and forecasted changes. The Water and Sewer funds are enterprise funds and must be self-sustaining. Revenues generated through water, sewer and stormwater fees should be adequate to cover 100% of operating costs in these enterprise funds, including debt service for capital projects and regular maintenance. An annual ***budget contingency reserve*** equal to one half of one percent of the annual budget will, in time, be included in each year's operating budget for operating contingencies. A ***stabilization reserve fund*** will be funded over time. A stabilization reserve fund equal to at least 10% of the budget shall be maintained in each fund to mitigate extraordinary and unforeseen revenue declines.

Property tax allowance for abatements and exemptions: The Assessor will establish the assessed value of property each fiscal year. The assessment will represent the estimate of 100% of market value as of January 1st of the previous calendar year. The Board of Assessors, as required by law, will include a provision in the annual tax levy for real and personal property statutory tax exemptions; over-valuation abatements, senior citizen property tax work-off programs, and uncollectible personal property tax. The target level will be 0.75% - 1.5% of the gross annual tax levy for these purposes and is determined annually by the Board of Assessors. They may base their determination upon prior year experience and risk exposure for the new fiscal year, or such other method as they deem appropriate. At least annually, the Board of Assessors analyzes the balance in all outstanding abatement and exemption reserves and makes an overlay surplus declaration for any balance(s) which exceed the sum of uncollected personal property taxes and pending abatement claims for that fiscal year's reserve at such times as it determines to be appropriate. The Overlay Surplus declaration will be made by the Board of Assessors by October 15 each year. The Overlay Surplus shall be available for appropriation by the Mayor and Board of Aldermen. To the extent that any overlay surplus balance remains unappropriated at June 30, it will be closed to Free Cash.

Cash management and investments: Absent legal and/or contractual restrictions, City operating cash will be pooled, with ownership information maintained in the City's accounting system. All investment income on temporarily idle cash will be credited to General Fund revenue, unless legal authority exists to allocate the investment income to another fund. Investment income earned on pooled cash will be allocated quarterly based upon month end cash balances and Massachusetts Municipal Depository Trust (MMDT) month end interest rates.

Investments will be limited to those authorized by state law and City investment policy.

General ledger cash and investment totals are reconciled to the Treasurer's records and supporting bank statements on a monthly basis.

Risk management: The City will purchase commercial insurance to transfer any risk too large to self fund.

- Property insurance – Commercial insurance, including terrorism coverage, will be purchased for all City buildings and their contents. Coverage is provided for scheduled locations only, subject to not less than a deductible of \$100,000 per loss event. Insured values are adjusted annually for both improvements to the structures and an estimate of the increase in replacement values.
- Vehicle insurance – The City retains vehicle risk exposure for all vehicles, except Parks and Recreation automobiles and vans used to transport members of the public. The cost of the Parks and Recreation vehicle insurance premium is financed from the Recreation Activity/Classes Revolving Fund. Staff of the City Law Department manages all vehicle claims, and settlements are paid from an annual appropriation in the Law Department budget.
- Liability insurance – The City retains all public liability risk exposures, except for

retirement system fiduciary liability, for which the Retirement Board purchases commercial insurance coverage through a state-wide insurance pool, and special events for which commercial liability insurance is required by law or contract. Staff of the City Law Department manages all liability claims, and settlements are paid from an annual appropriation in the Law Department budget.

- Crime/employee dishonesty – Individual fidelity bonds are purchased for the City Treasurer/Collector, Deputy Treasurer/Collector and City Clerk, as required by state law. A fidelity bond is also purchased for the Chief Procurement Officer in accordance with local ordinance. All other employees of the City are covered under a blanket honesty bond, subject to a deductible of \$10,000 per loss, except for school principals with custody of student activity funds who are required to furnish individual fidelity bonds with no deductibles.
- Workers' compensation – The City retains all Workers' Compensation and public safety employee injured on duty risk exposures. The City's Human Resources and Law Departments are responsible for claims administration. Public safety employee injured on duty compensation is paid from the Police and Fire Department operating budgets. Workers' Compensation benefits for non-public safety employees and police and fire medical bills are paid from the City's Workers' Compensation Self-Insurance Fund. The City contracts annually for an actuarial valuation of the Workers' Compensation fund liability and a determination of the required annual contribution to the self-insurance fund.

For workers compensation self insurance purposes, the City will annually arrange for an independent actuarial valuation of the City's workers compensation plan liabilities and will make contributions to the fund in the following year at a level sufficient to meet the actuarial estimate of projected losses. In lieu of purchasing commercial stop loss insurance, the City may maintain a reserve equal to 10% of the sum of the accrued actuarial liability plus projected following year expected losses, in order to fund extraordinary and unforeseen claims experience. To the extent that fund reserves exceed the target level, excess reserves may be used to reduce the City's annual appropriation.

- Group health insurance - The City offers contributory group health benefits to employees regularly working 20 or more hours per week and to retirees. The City retains the full risk associated with health benefits coverage, subject to a \$250,000 annual limit on individual claims, which is covered through a commercial excess insurance policy. The City contracts for claims administration services. Health benefit self-insurance premiums will be established annually by the City, at a level expected to cover the full cost of paid claims; incurred but unreported claims; claims administration; excess insurance premiums; and a reserve for extraordinary and unforeseen claims experience. The target claims reserve is one and one half to two months of average paid claims (net of the incurred but unreported claims liability that is to be recalculated at least annually based upon actual claims payment data provided by plan administrators). All self-insured group health insurance activity takes place in a Group Health Insurance Fund, for which individual fund balances are maintained for each benefit plan option.

Official and officer compensation: The City expects to maintain compensation policies (including salaries, benefits and deferred compensation) designed to attract and retain well qualified officials and officers. Management level employees will be expected to maintain the highest level of professional competency during their employment with the City. To this end, the City will provide resources for ongoing professional training and staff development.

- Elected officials – In accordance with the requirements of the City Charter, compensation for the Mayor, members of the Board of Aldermen, and School Committee is established by ordinance. Elected official compensation will generally be subject to review by a Blue Ribbon Compensation Committee, every five to ten years.
- Management and non-union employees – The salaries of all Newton Public School management and non-union employees are determined by a vote of the School Committee. All municipal management and non-union employee salaries, except for the City Clerk/Clerk of the Board of Aldermen, are governed by a pay plan approved by the Mayor and subject to funding by the Board of Aldermen. The salary of the City Clerk/Clerk of the Board of Aldermen is established by ordinance, as required by law. When H grade adjustments are made, the salary of the City Clerk/Clerk of the Board of Aldermen will be reviewed. The salaries of all municipal employees are published in the annual budget.

Procurement: In order to demonstrate that City resources are being used in an effective and efficient manner, the City expects to make maximum use of competitive bids and proposals for the purchase of goods and services.

Capital Planning: The City acquires, constructs and maintains a range of capital assets for purposes of providing governmental and business-like services. In accordance with the requirements of the City Charter, the Mayor annually prepares a five-year capital improvement plan, whose objective is to identify and prioritize projects and financing sources for needed capital outlay improvements.

When planning capital projects, the City will utilize life-cycle cost analysis.

Capital outlay and improvements with a value of \$250,000 or more, along with those financed with capital grants and/or debt will be accounted for in a Capital Project Fund. Capital outlay and improvements with a value of less than \$250,000, but which are expected to require replacement annually, will be accounted for within the operating budget of the appropriate department. Non-recurring capital outlay and improvements with a value of less than \$250,000 will be accounted for by department in the special appropriation sub-fund of the appropriate City fund. In order to accumulate resources for future capital needs, a Capital Project Stabilization Fund will be maintained, with such separate sub-funds as the Mayor and Board of Aldermen shall agree to be necessary in order to effectively plan for future capital needs.

In order to spread the cost of capital improvements over the generations of Newton stakeholders

expected to benefit from the improvements, debt financing is expected to be the principal financing source for major capital improvements. Debt maturity terms will not exceed the expected life of the capital asset being financed. Debt service for capital improvements benefiting all or the majority of the stakeholders of the City is to be financed from General Fund resources. Debt Service for water and sewer (including storm-water projects) will be financed from special revenue fund resources and debt service for eligible community preservation fund projects will be financed from Community Preservation Fund resources.

Financial Reporting: The accounting records of the City will be maintained such that financial statements and supporting schedules can be prepared in accordance with the City's budgetary basis of accounting; the requirements of the Commonwealth of Massachusetts Departments of Revenue and Education; and generally accepted accounting principles for state and local governments.

The Board of Aldermen, through an Audit Sub-Committee of the Board's Finance Committee, shall make arrangements for an independent annual financial audit of the City's financial statements and accounts, which is expected to be presented no later than 180 days after the end of the City's fiscal year. Copies of the City's audited Comprehensive Annual Financial Report, Federal Single Audit Report, and Management Letter will be posted on the City's website.

Quarterly budgetary-basis financial reports, in a format requested by the Mayor and the Finance Committee of the Board of Aldermen, will be rendered within 30 days after the close of each fiscal quarter, with the exception of year-end, when a complete budgetary basis annual financial report shall be presented within 60 days of the end of the fiscal year. Monthly financial reports that include information pertinent to the Board of Aldermen Finance Committee will be developed by the Comptroller (e.g., self insurance funds, financial reserves, overtime, snow and ice control). A complete copy of the budgetary-basis annual financial report will be posted on the City's website. More frequent financial reports will be rendered as needed in order to assure that the Mayor and Board of Aldermen are made aware of unanticipated results of financial operations.

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#207-07

CITY OF NEWTON, MASSACHUSETTS
FINANCIAL MANAGEMENT GUIDELINES

Edits as of March 17, 2011

The government of the City of Newton exists to provide quality community services to residents, businesses and visitors to the Garden City. Governmental services that benefit all or substantially all community stakeholders are financed principally from the local property tax and accounted for in the City's General Fund. Business-like services that benefit distinct segments of the population are financed principally from user fees and charges and are accounted for in special revenue funds.

Budgets are used for planning and accountability purposes for all City funds. Formal fixed budgets, recommended by the Mayor and adopted by the Board of Aldermen, are used for all governmental and business-like services.

Financial principles: The City of Newton is committed to sound financial policies that meet long-term needs, lead to a balanced operating budget, and maintain a AAA bond rating from at least one national rating agency. The following fundamental financial principles guide these financial management guidelines:

- Balanced budget – The City is committed to the financial principle of a balanced budget.
- Long range financial planning – The City will follow financial planning processes that assess the long-term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, and programs.
- Asset inventory – The City is committed to inventorying and assessing the condition of all major assets in order to plan for the ongoing financial commitments required to maximize the public's benefit.
- Fees and charges – The City is committed to identifying the manner in which fees and charges are set and reviewing such fees annually.
- Use of one-time revenues – The City discourages the use of one-time revenues for ongoing expenditures.
- Use of unpredictable revenues – The City will identify the expected volatility of revenue sources and develop allocation actions or contingency plans when one or more revenue sources are substantially higher or lower than projected.
- Debt capacity, issuance and management – The City is committed to using debt appropriately and having an appropriate amount of debt outstanding and debt service at any time.
- Revenue and stabilization accounts – The City will maintain a prudent level of financial resources to protect against the need to reduce service levels or raise taxes or fees due to temporary revenue shortfalls or unpredicted one-time expenditures.
- Operating and capital expenditure accountability – The City will compare actual expenditures to budget periodically and decide on actions to bring the budget into balance if necessary.
- Inter-period equity in the financing of long term liabilities – The City will match debt terms associated with capital debt with the projected useful life of related capital assets.

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CITY FINANCIAL MANAGEMENT GUIDELINES¶
Adopted January 22, 2008¶
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• Inter-period equity in the financing of long term retiree liabilities – The City intends to fund retiree health care benefits for new employees in the year(s) that they are earned (instead of on a pay-as-you-go basis). (Pensions are already funded this way.)

• Grants, gifts and revolving funds – To the extent possible, services funded by grants, gifts and revolving funds will be provided by contracted services rather than full time City employees to minimize the liability from the reduction or elimination of that funding source. When full time employees are used, the full cost of the benefit packages as well as salaries will be provided for in the grants, gifts or revolving funds.

These financial management guidelines describe the policies and practices that the Mayor and the Board of Aldermen will follow when developing financial forecasts, operating budgets, insurance and reserve policies, capital plans, financial reports, compensation practices and other financial decisions. While the Mayor and the Board of Aldermen expect to follow these guidelines, the Mayor has the authority and responsibility to recommend the allocation of financial resources in the manner in which he or she determines best meets the needs of the City, and the Board of Aldermen has the authority and responsibility to confirm or reject those financial allocations.

The Mayor will recommend to the Board of Aldermen modifications to these guidelines, policies and practices when appropriate.

Financial planning: The City will update annually the City’s General Fund multi-year financial forecast. Revenue estimates and expenditure assumptions for the annual budget will be developed by the Chief **Financial Officer**.

- The multi-year forecast shall include actual revenue and expenditures for the last five complete fiscal years; the current year budget; and complete operating and capital expenditure and revenue projections for the next five fiscal years, and shall be structured around major revenue and expenditure classifications in the City’s accounting system chart of accounts.

Not later than 120 days after fiscal year-end, the Mayor will submit the five-year financial forecast to the Board of Aldermen.

In accordance with state law, not later than 60 days prior to the fiscal year-end, the Mayor will submit a recommended annual operating budget to the Board of Aldermen for the ensuing fiscal year. The Board of Aldermen will adopt the budget within 45 days of receipt and the adopted budget will become effective on the first day of the new fiscal year.

- **Revenue budgeting:** General Fund revenue financial forecast estimates are expected to capture 99% of total expected revenue for the year. Estimates will be modified from the guidelines below when necessary to take into consideration unusual economic conditions, recent trends and anticipated state aid.

• Property taxes – The City expects to annually levy property taxes up to the statutory limit imposed by Proposition 2 ½ . Projected new growth will be estimated at the median annual new growth rate for the

Deleted: Based upon consensus revenue and expenditure assumptions for existing service levels, revenue estimates will be developed by the City’s senior financial management team (Chief Administrative Officer; Chief Budget Officer; Treasurer/Collector; Chair of the Board of Assessors; Assistant Superintendent of Schools for Finance and Planning; and the Comptroller of Accounts).

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The annual five-year forecast shall be submitted to the Mayor for his review, modification and approval not later than 60 days after the conclusion of each fiscal year.

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trailing 5 year period. The allowance for exemptions and abatements will be budgeted at between 0.75% and 1.5% of the gross property tax levy.

• Motor excise taxes, hotel room occupancy taxes, inspectional services permits, investment income and all other local non-tax revenue will be estimated based on the prior year actual, adjusted for recent trends and forecasted changes.

• Unrestricted state and federal aid – State “Cherry Sheet” aid will be estimated based upon the most recent information posted on the Massachusetts Department of Revenue website, or, in the absence of any such information, the Mayor’s best estimate of the probable amount of such state assistance for the next fiscal year. All other state and federal aid will be estimated based upon actual revenues for the most recent fiscal year, adjusted for any known changes in reimbursement policies and rates.

• Transfers from other funds – Reimbursements to the General Fund for the administrative and support services provided to other self-supporting funds will be based upon an annual analysis of the estimated value of such administrative and support services to the other funds. Under no circumstances shall the dollar amount of any reimbursement exceed the estimated value of services provided by the General Fund to the other self-supporting funds, in accordance with state law.

• Free Cash – Free Cash represents the accumulated difference of unrestricted funds between General Fund revenues and expenditures, on a cash basis of accounting. The City expects to generate a limited amount of Free Cash which comes from unanticipated actual revenues in excess of revenue estimates (including overlay surplus), unexpected unspent funds in operating budget line items, and/or unanticipated unexpended free cash from the previous year.

It is the intent of the City to use Free Cash in the following manner, understanding that this will take a number of years to implement fully. First, a maximum of \$1.5 million will be used as a general revenue source for the ensuing year’s operating budget. Second, Free Cash will be used to replenish Reserve Funds depleted in the previous year. Third, a minimum of forty percent (40%) of the remaining certified Free Cash will be put in the Rainy Day Stabilization Fund until the Rainy Day Stabilization Fund reaches its target level. Fourth, any additional Free Cash will be used for one-time, non-recurring expenditures. In unusual economic circumstances, an additional portion of Free Cash may be used for the ensuing year’s School or municipal operating budget.

Expenditure budgeting: It is the goal of the city to prepare expenditure budget estimates that will be sufficient to address not less than 100% of projected operating requirements of the various departments of the City by the Fiscal Year 2014 Municipal Budget.

• Salaries and wages – Budgeted salary and wage appropriations will be sufficient to fund all full-time and permanent part-time positions identified in each department’s table of organization and schedule of full and permanent part-time personnel, at the appropriate union contract or salary schedule rates for the new fiscal year. General Fund employee salaries and wages that are expected to be funded in full or in part from funds other than the General Fund will be included in both the table of organization and schedule of full-time and permanent part-time personnel with an identification of other projected sources of financing. In the event that salary rates are not known at the time that the budget is being prepared, all salary and wages will be budgeted at current rates and provisions will be made for future wage and salary increases

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Inspectional

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<#>Investment income – Investment income will be estimated based upon the prior year actual revenue, adjusted for the Treasurer/Collector’s forecast of interest rate changes over the next twelve month period.

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as part of the Budget Contingency Reserve appropriation. Salaries and wages will be budgeted based upon the exact number of pay periods for the fiscal year. Public safety overtime will be analyzed annually, taking into consideration the median annual requirements for the trailing five year period, adjusted for any extraordinary and non-recurring overtime requirements (i.e., overtime to cover significant staff vacancies that have been filled).

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• Employee benefits – Funding will be included in each department operating budget for the projected cost of providing contributory health, life, dental and Medicare payroll taxes for all eligible employees at the benefit rates expected for the new fiscal year, except for pension and other post employment contributions.

• Pension contribution – The annual contribution to the defined benefit contributory retirement fund shall not be less than the annual required contribution (ARC) prescribed by the Retirement Board’s actuary, and the annual appropriation for non-contributory retirement benefits will be the benefit estimate of the Retirement Board.

• Other post employment contribution – The City will make an annual contribution to the Other Post Employment Benefits Liability Trust Fund. The City will make every effort to make each subsequent contribution at a greater amount than the year before until full funding is accomplished.

• Energy and utilities – Funding for energy and utility needs of the various departments of the City will be included at consumption levels estimated by the various departments and at consistent unit prices estimated to be reasonable by the Chief Financial Officer.

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• State and county charges (including MWRA and MTBA charges) – The appropriation for “Cherry Sheet” assessments will be the most recent estimates posted on the Massachusetts Department of Revenue website, or, in the absence of such information, 2.5% greater than the current year assessment and charge total.

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• Judgments and settlements – The annual appropriation for self-insured liability claims and settlements for routine, incidental claims will not be less than the median annual expenditure for this purpose for the trailing five year period, adjusted for any other factors that may impact the actual amount required.

• Snow and ice control – As of the Fiscal Year 2014 Municipal Budget, the annual appropriation for snow and ice control in the Department of Public Works will not be less than \$1 million. In addition, an additional appropriation for snow and ice will be in the Budget Contingency Appropriation. This amount will be based on the benchmark of having the total of the two sums equal to the median annual expenditure for snow and ice for the trailing five year period.

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• Debt service – The appropriation will be consistent with the long-term debt schedule for all issued and planned debt and will include interest, principal and anticipated issuance costs.

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The City has the option of using debt to pay for a single piece of equipment or a building improvement project with a cost of at least \$100,000, and preferably \$250,000, and a useful life of at least five years.

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• Capital outlay and improvements – It is the practice of the City to issue a minimum of \$3.5 million in bonds for capital improvements annually; financing for the associated debt service will come from the General Fund. It is anticipated that a minimum of 5% of the annual General Fund operating budget will be budgeted for capital outlay and improvements.

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• Budgetary control – Budgetary control will be exercised at the levels and under conditions specified in the Annual Appropriations order recommended by the Mayor and adopted by the Board of Aldermen each fiscal year.

Financial contingencies and reserves: Funds for financial contingencies and reserves are necessary in order for the City to continue to provide essential public services in the face of extraordinary and unforeseen financial and natural events that could not have been reasonably anticipated and provided for in the annual operating budget. Sufficient financial reserves are also required by credit rating agencies.

In order to minimize the magnitude of reserves that must be held for extraordinary and unforeseen financial risks, revenues will be estimated conservatively; all known expenditure requirements will be funded at levels consistent with experience from prior years, along with any unique factors likely to impact the new fiscal year; and non-recurring revenues and/or financing sources will only be used for non-recurring expenditure purposes.

Similarly, in order to minimize General Fund reserve requirements, activities funded by fees and user charges will maintain adequate reserves within their appropriate special revenue fund(s). Fees and user charges will be set at least annually at levels sufficient, when appropriate, to meet the full operating and capital replacement costs, and maintain the level of financial reserves established for that fund. Commercial insurance will also be purchased to transfer financial risk associated with any activities that the City cannot reasonably fund from available reserves in self insurance funds.

The General Fund’s contingencies and reserves will consist of a Budget Contingency Appropriation, an Inclement Weather Stabilization Reserve, a Rainy Day Stabilization Reserve and a Capital Project Stabilization Fund. The other major funds (e.g., the Stormwater, Water and Sewer Funds, and the Revolving Funds) will have a budget contingency reserve and stabilization reserve.

• The Budget Contingency Appropriation will be an annual appropriation. It will address both annual operating expenditure contingencies which are non-recurring and of an extraordinary and unforeseen nature as well as funds needed for anticipated collective bargaining costs.

Non-recurring, extraordinary and unforeseen events might include but are not limited to general contingencies for unforeseeable operating expenditures, retirements (e.g., vacation pay-outs and sick buy-backs), unusual weather related contingencies (e.g., floods, unusual number of winter storms, unusual levels of snow or ice) and public liability claims.

The Budget Contingency appropriation may include anticipated expenditures to be awarded for costs associated with the settlement of collective bargaining agreements. Any funds included in this account that exceed actual collective bargaining settlement requirements will be closed out to Free Cash at year end. To the extent that contract settlements remain unresolved at year end, any funds in the Budget Contingency appropriation earmarked for collective bargaining costs will be carried over within the

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Budget Contingency appropriation into the following year.

Any funds in the Budget Contingency appropriation that are not needed for operating expenditure contingencies and unresolved contracts during a given fiscal year are to be closed out to Free Cash at year end.

- An **Inclement Weather Stabilization Reserve Fund** will be established and used for unusual (but not extraordinary) weather related costs in departments such as Public Works, Parks and Recreation, Police and Fire. For example, such costs may stem from floods, an unusual number of winter storms, or an unusual level of snow or ice. The goal of this reserve fund is to make sure monies are set aside for unusual weather conditions.

While the annual appropriation for snow and ice control will not be less than the median annual expenditure for the trailing five year period (by the FY14 Budget), the City will inevitably face costs related to weather conditions at the high end of the trailing five years. After the City has exhausted the annual appropriation, it will first use monies either from the Budget Contingency appropriation, projected unexpended appropriations for these costs, or possibly Free Cash. Next, it will use monies from the Inclement Weather Stabilization Reserve Fund. Only after the Inclement Weather Stabilization Reserve Fund is depleted will the City use funds from the Rainy Day Stabilization Fund.

The Inclement Weather Stabilization Reserve Fund will be funded initially with \$1 million from Free Cash by the end of FY2014 and then will remain at the \$1 million level. In other words, the Inclement Weather Stabilization Reserve Fund is a non-lapsing reserve fund in which unexpended funds in any given fiscal year remain within it. Any funds that are expended from the Inclement Weather Stabilization Reserve Fund will be replenished from Free Cash or from a Budget Appropriation.

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- A **Rainy Day Stabilization Reserve** fund will be used when the City faces a multiple year economic recession or a rare, catastrophic expenditure. These funds would help the City address cyclical declines in operating revenues, generally resulting from economic factors outside the control of the City, or an unusually large expenditure resulting from a rare legal settlement or catastrophic weather event, etc. The primary reason for the segregation of such monies is to prevent these reserves from being used for unrelated City needs, and to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need.

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In the case of the City's General Fund, cyclical declines typically would be evidenced by significant reductions in: state aid, economically sensitive taxes such as the motor vehicle excise tax, the hotel room occupancy tax, the local option meals tax, and building permit and investment income revenues.

A catastrophic weather event or series of events typically would be evidenced by the Federal Emergency Management Agency (FEMA) or the Massachusetts Emergency Management Agency (MEMA) providing reimbursements. The Rainy Day Stabilization Fund would also be used for storm events if the Inclement Weather Stabilization Reserve Fund was depleted.

To ensure that the rainy day stabilization reserve funds are available for multiple years of an economic

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downturn, no more than one quarter (25%) of the funds to one-third (33%) should be used in any single fiscal year. Appropriations may be made from the Rainy Day Stabilization Reserve Fund into the General Fund for operating purposes, upon recommendation of the Mayor and by a two-thirds vote of the Board of Aldermen.

Any funds that are not needed for rainy day contingencies in a given fiscal year will remain in the rainy day stabilization fund.

The target size of the City’s General Fund Rainy Day Stabilization Reserve fund is 5% of the annual General Fund operating budget. Once established by formal vote of the Mayor and Board of Aldermen, annual contributions will be made to the fund until such time as the contributions and accumulated investment income equal 5% of total annual General Fund operating budget.

The City recognizes that the target amount of the Rainy Day Stabilization Reserve fund is somewhat less than national norms; however, this target level is considered prudent given the following considerations:

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- A Budget Contingency appropriation will be included in the annual operating budget to meet extraordinary and unforeseen requirements.
- The Budget Contingency appropriation, the Rainy Day Stabilization Fund, the Inclement Weather Stabilization Reserve Fund and the majority of free cash are not expected to serve as recurring operating or capital budget financing sources.
- Employee salaries and wages will be budgeted in full within annual operating budgets and provision is made in the Budget contingency appropriation account for expected collective bargaining and salary scale adjustments.
- Legal claims and settlements will be budgeted at the median annual expenditure level for the trailing five year period adjusted for any factors that may impact the actual amount required, with back-up reserve capability in the Liability Self Insurance Fund.
- Snow and ice control costs will be appropriated at the median annual expenditure level for the trailing five year period, with back-up reserve capacity in the Budget Contingency appropriation and the Inclement Weather Stabilization Reserve Fund.
- Separately funded self insurance funds are maintained for Group Health and Workers Compensation liability exposures.
- Property loss risk exposures are covered by commercial insurance.
- The property tax serves as the City’s primary source of revenue and revenues from this source are more predictable, stable, and not as economically sensitive as revenues from sales and wage taxes. The City of Newton has a diversified tax base with no one taxpayer representing more than 1.5% of revenues and the ten largest taxpayers representing less than 6% of total tax revenues.

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- Property taxes are payable in quarterly installments which provides the City with a source of regular and stable cash flow, with delinquencies assessed penalties of 14% per annum.

The City expects to be able to achieve the target level Rainy Day Stabilization Reserve fund (as the current Capital Stabilization Fund is depleted) by:

- Making significant strides toward properly budgeting for all regular and recurring operating needs, including snow and ice control, public safety overtime, and recurring legal settlements beginning with the fiscal year 2012 operating budget;
- Closing all future overlay surplus balances not needed for funding ongoing revaluation activity to Free Cash;
- Retaining extraordinary, non-recurring revenue items within Free Cash; and
- Appropriating a portion of Free Cash in the coming years to this reserve.

- A long-term goal is to establish a **Capital Project Stabilization Fund**. This stabilization fund is a mechanism for setting aside money for capital projects in order to equalize the effect of capital expenditures over time and supplement monies for capital projects from the General Fund, debt service, unexpended/unobligated bond proceeds, state and federal grants, sale of surplus property, water and sewer charges, and other available funds. Massachusetts General Law, Chapter 40, Section 5B provides for the establishment and maintenance of Capital Project Stabilization Funds. The Mayor and the Board of Aldermen may vote to appropriate sums of money into a Capital Project Stabilization Fund for purposes of accumulating sums for future capital project financing. Appropriations may be made from a Capital Project Stabilization Fund by a two-thirds vote of the Board of Aldermen for any purpose for which the City is authorized to borrow under Chapter 44, Sections 7 and 8.

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If there are remaining funds in the current Capital Stabilization Fund, they will move into the Capital Project Stabilization Fund.

- **Contingencies and Reserves for Water and Sewer Utility Funds:** In order to minimize the need for multiple rate increases in a single fiscal year, the postponement of needed capital outlay and improvements, and potential General Fund subsidies, water and sewer rates will be determined annually, based upon the historical consumption patterns, recent trends and forecasted changes. The Water and Sewer funds are enterprise funds and must be self-sustaining. Revenues generated through water, sewer and stormwater fees should be adequate to cover 100% of operating costs in these enterprise funds, including debt service for capital projects and regular maintenance. An annual **budget contingency reserve** equal to one half of one percent of the annual budget will, in time, be included in each year's operating budget for operating contingencies. A **stabilization reserve fund** will be funded over time. A stabilization reserve fund equal to at least 10% of the budget shall be maintained in each fund to mitigate extraordinary and unforeseen revenue declines.

Property tax allowance for abatements and exemptions: The Assessor will establish the assessed value of property each fiscal year. The assessment will represent the estimate of 100% of market value as of January 1st of the previous calendar year. The Board of Assessors, as required by law, will include a provision in the annual tax levy for real and personal property statutory tax exemptions; over-valuation abatements, senior citizen property tax work-off programs, and uncollectible personal property tax. The target level will be 0.75% - 1.5% of the gross annual tax levy for these purposes and is determined annually by the Board of Assessors. They may base their determination upon prior year experience and risk exposure for the new fiscal year, or such other method as they deem appropriate. At least annually, the Board of Assessors analyzes the balance in all outstanding abatement and exemption reserves and makes an overlay surplus declaration for any balance(s) which exceed the sum of uncollected personal property taxes and pending abatement claims for that fiscal year's reserve at such times as it determines to be appropriate. The Overlay Surplus declaration will be made by the Board of Assessors by October 15 each year. The Overlay Surplus shall be available for appropriation by the Mayor and Board of Aldermen. To the extent that any overlay surplus balance remains unappropriated at June 30, it will be closed to Free Cash.

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Cash management and investments: Absent legal and/or contractual restrictions, City operating cash will be pooled, with ownership information maintained in the City's accounting system. All investment income on temporarily idle cash will be credited to General Fund revenue, unless legal authority exists to allocate the investment income to another fund. Investment income earned on pooled cash will be allocated quarterly based upon month end cash balances and Massachusetts Municipal Depository Trust (MMDT) month end interest rates.

Investments will be limited to those authorized by state law and City investment policy.

General ledger cash and investment totals are reconciled to the Treasurer's records and supporting bank statements on a monthly basis.

Risk management: The City will purchase commercial insurance to transfer any risk too large to self fund.

- Property insurance – Commercial insurance, including terrorism coverage, will be purchased for all City buildings and their contents. Coverage is provided for scheduled locations only, subject to not less than a deductible of \$100,000 per loss event. Insured values are adjusted annually for both improvements to the structures and an estimate of the increase in replacement values.

- Vehicle insurance – The City retains vehicle risk exposure for all vehicles, except Parks and Recreation automobiles and vans used to transport members of the public. The cost of the Parks and Recreation vehicle insurance premium is financed from the Recreation Activity/Classes Revolving Fund. Staff of the City Law Department manages all vehicle claims, and settlements are paid from an annual appropriation in the Law Department budget.

- Liability insurance – The City retains all public liability risk exposures, except for retirement system fiduciary liability, for which the Retirement Board purchases commercial insurance coverage through a state-wide insurance pool, and special events for which commercial liability insurance is required by law or contract. Staff of the City Law Department manages all liability claims, and settlements are paid from

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• Crime/employee dishonesty – Individual fidelity bonds are purchased for the City Treasurer/Collector, Deputy Treasurer/Collector and City Clerk, as required by state law. A fidelity bond is also purchased for the Chief Procurement Officer in accordance with local ordinance. All other employees of the City are covered under a blanket honesty bond, subject to a deductible of \$10,000 per loss, except for school principals with custody of student activity funds who are required to furnish individual fidelity bonds with no deductibles.

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• Workers' compensation – The City retains all Workers' Compensation and public safety employee injured on duty risk exposures. The City's Human Resources and Law Departments are responsible for claims administration. Public safety employee injured on duty compensation is paid from the Police and Fire Department operating budgets. Workers' Compensation benefits for non-public safety employees and police and fire medical bills are paid from the City's Workers' Compensation Self-Insurance Fund. The City contracts annually for an actuarial valuation of the Workers' Compensation fund liability and a determination of the required annual contribution to the self-insurance fund.

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For workers compensation self insurance purposes, the City will annually arrange for an independent actuarial valuation of the City's workers compensation plan liabilities and will make contributions to the fund in the following year at a level sufficient to meet the actuarial estimate of projected losses. In lieu of purchasing commercial stop loss insurance, the City may maintain a reserve equal to 10% of the sum of the accrued actuarial liability plus projected following year expected losses, in order to fund extraordinary and unforeseen claims experience. To the extent that fund reserves exceed the target level, excess reserves may be used to reduce the City's annual appropriation.

• Group health insurance - The City offers contributory group health benefits to employees, regularly working 20 or more hours per week and to retirees. The City retains the full risk associated with health benefits coverage, subject to a \$250,000 annual limit on individual claims, which is covered through a commercial excess insurance policy. The City contracts for claims administration services. Health benefit self-insurance premiums will be established annually by the City, at a level expected to cover the full cost of paid claims; incurred but unreported claims; claims administration; excess insurance premiums; and a reserve for extraordinary and unforeseen claims experience. The target claims reserve is one and one half to two months of average paid claims (net of the incurred but unreported claims liability that is to be recalculated at least annually based upon actual claims payment data provided by plan administrators). All self-insured group health insurance activity takes place in a Group Health Insurance Fund, for which individual fund balances are maintained for each benefit plan option.

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• Official and officer compensation: The City expects to maintain compensation policies (including salaries, benefits and deferred compensation) designed to attract and retain well qualified officials and officers. Management level employees will be expected to maintain the highest level of professional competency during their employment with the City. To this end, the City will provide resources for ongoing professional training and staff development.

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• Elected officials – In accordance with the requirements of the City Charter, compensation for the Mayor, members of the Board of Aldermen, and School Committee is established by ordinance. Elected official compensation will generally be subject to review by a Blue Ribbon Compensation Committee,

every five to ten years.

• Management and non-union employees – The salaries of all Newton Public School management and non-union employees are determined by a vote of the School Committee. All municipal management and non-union employee salaries, except for the City Clerk/Clerk of the Board of Aldermen, are governed by a pay plan approved by the Mayor and subject to funding by the Board of Aldermen. The salary of the City Clerk/Clerk of the Board of Aldermen is established by ordinance, as required by law. When H grade adjustments are made, the salary of the City Clerk/Clerk of the Board of Aldermen will be reviewed. The salaries of all municipal employees are published in the annual budget.

Procurement: In order to demonstrate that City resources are being used in an effective and efficient manner, the City expects to make maximum use of competitive bids and proposals for the purchase of goods and services.

Capital Planning: The City acquires, constructs and maintains a range of capital assets for purposes of providing governmental and business-like services. In accordance with the requirements of the City Charter, the Mayor annually prepares a five-year capital improvement plan, whose objective is to identify and prioritize projects and financing sources for needed capital outlay improvements.

When planning capital projects, the City will utilize life-cycle cost analysis.

Capital outlay and improvements with a value of \$250,000 or more, along with those financed with capital grants and/or debt will be accounted for in a Capital Project Fund. Capital outlay and improvements with a value of less than \$250,000, but which are expected to require replacement annually, will be accounted for within the operating budget of the appropriate department. Non-recurring capital outlay and improvements with a value of less than \$250,000 will be accounted for by department in the special appropriation sub-fund of the appropriate City fund. In order to accumulate resources for future capital needs, a Capital Project Stabilization Fund will be maintained, with such separate sub-funds as the Mayor and Board of Aldermen shall agree to be necessary in order to effectively plan for future capital needs.

In order to spread the cost of capital improvements over the generations of Newton stakeholders expected to benefit from the improvements, debt financing is expected to be the principal financing source for major capital improvements. Debt maturity terms will not exceed the expected life of the capital asset being financed. Debt service for capital improvements benefiting all or the majority of the stakeholders of the City is to be financed from General Fund resources. Debt Service for water and sewer (including storm-water projects) will be financed from special revenue fund resources and debt service for eligible community preservation fund projects will be financed from Community Preservation Fund resources.

Financial Reporting: The accounting records of the City will be maintained such that financial statements and supporting schedules can be prepared in accordance with the City’s budgetary basis of accounting; the requirements of the Commonwealth of Massachusetts Departments of Revenue and Education; and generally accepted accounting principles for state and local governments.

The Board of Aldermen, through an Audit Sub-Committee of the Board’s Finance Committee, shall make

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At least 3% of General Fund revenue, plus all Massachusetts School Building Assistance grant reimbursements, will be dedicated to capital improvement financing. To the extent that annual debt service requirements are less than this sum, the difference will be appropriated to the City’s Capital Stabilization Fund for future capital financing.¶
¶
All of the foregoing is a reflection of existing practice.¶
¶

Deleted: principals

arrangements for an independent annual financial audit of the City’s financial statements and accounts, which is expected to be presented no later than 180 days after the end of the City’s fiscal year. Copies of the City’s audited Comprehensive Annual Financial Report, Federal Single Audit Report, and Management Letter will be posted on the City’s website.

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Quarterly budgetary-basis financial reports, in a format requested by the Mayor and the Finance Committee of the Board of Aldermen, will be rendered within 30 days after the close of each fiscal quarter, with the exception of year-end, when a complete budgetary basis annual financial report shall be presented within 60 days of the end of the fiscal year. Monthly financial reports that include information pertinent to the Board of Aldermen Finance Committee will be developed by the Comptroller (e.g., self insurance funds, financial reserves, overtime, snow and ice control). A complete copy of the budgetary-basis annual financial report will be posted on the City’s website. More frequent financial reports will be rendered in order to assure that the Mayor and Board of Aldermen are made aware of unanticipated results of financial operations.

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Deleted: Free Cash – Free Cash represents the accumulated difference between General Fund revenues and expenditures, on a cash basis of accounting. It is a goal of the City that Free Cash is not expected to be a recurring source of financing for either the operating or capital budget of the City. It is a goal of the City that the primary purpose of Free Cash is to serve as a financing source for third tier budget contingencies (revenues or expenditures) that are not provided for in either operating Department or Budget Reserve appropriations of the annual General Fund budget, and to hedge against reductions in annual state aid distributions to the City. The target amount of free cash is 1% - 3% of General Fund revenue. The City recognizes that the target amount of Free Cash is significantly less than national norms, however, the target level is considered prudent, given the stability of our revenue sources and the following recommendations contained in this document:

- <#>General Fund Revenues budgeted at 99% of what actual collections are expected to be.
- <#>Free Cash is not expected to serve as a recurring operating or capital budget financing source.
- <#>Employee salaries and wages budgeted in full within annual operating budgets and provision is made for expected collective bargaining and salary scale adjustment in a separate wage reserve.
- <#>Legal claims and settlements, budgeted at the median annual expenditure level for the trailing five year period, with backup reserve capability in the Liability Self Insurance Fund.

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Deleted: appropriated at the median annual expenditure level for the trailing five year period, with backup reserve capacity in the appropriated Budget Reserve (

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Separate funded self

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Deleted: Health and Workers' Compensation liability exposures.

Deleted: <#>A Budget Reserve (revenue and expenditure) contingency of 0.5% of total revenues is included in the annual operating budget to meet recurring extraordinary and unforeseen requirements.¶

¶
<#>The property tax serves as the City's primary source of revenue and revenues from this source are not as economically sensitive as revenues from sales and wage taxes.¶

¶
<#>Property taxes are payable in quarterly installments, with delinquencies assessed penalties of 14% per annum, which provides the City with a source of regular and stable cash flow.¶

¶
<#>It shall be the practice of the Mayor to inform the Board of Aldermen whenever these guidelines, goals, policies and practices need to be modified in a particular instance.¶

¶

#207-08

ALD. BRANDEL AND SANGIOLO proposing that the following question be put before the Newton voters:

“Shall the City of Newton be allowed to exempt from the provisions of Proposition 2 ½ the amounts required to pay for the bond issuance in order to fund Newton North High School?” [05/21/08 @ 12:58 PM]

FINANCE VOTED NO ACTION NECESSARY ON 3/8/10

APPROVED 4-3-0 (Fischman, Rice, and Blazar opposed)

NOTE: The Committee discussed the possibility of a debt exclusion to cover the cost of the new Newton North High School. The Committee was split between those in favor of this item and those who would be open to discussing debt exclusions as they are related to Newton North or in general. Ald. Sangiolo brought forth this item before budget talks begin to give time for the Board to decide if they want to propose this as an alternative revenue raising strategy. Newton North still remains a major part of our budget problems as we have about \$10 million in debt to repay per year. Alderman Sangiolo suggested that if the Committee did not feel inclined to put a question related to Newton North on the ballot, would they consider docketing a parens 2 to this docket item proposing a discussion with the Mayor and City Department heads on the future possibility of debt exclusions.

Ald. Hess Mahan began the discussion by asking whether Ald. Sangiolo has spoken to the Mayor about this idea and what his reactions were. He thinks that debt exclusions are a great funding tool, but if it's not in the Mayor's long range capital plan then the item won't progress. He believes though that a conversation about this is important and should happen with the administration. For that reason he moved to docket the parens 2 item.

Ald. Sangiolo responded by stating that, based on their last discussion, the administration has no interest in putting a Newton North question on the ballot. Furthermore, Ald. Sangiolo has attended town hall meetings and heard nothing about the possibility of debt exclusions. Ald. Sangiolo stated that when the budget is presented there will be a number of difficult decisions/choices to make and suggested that debt exclusions could be presented as an alternative to these other cuts.

Alderman Linsky joined in support of a discussion about debt exclusions, stating that a discussion now would give us the opportunity to put something on the next municipal ballot. He does not believe that a vote of No Action Necessary would be the appropriate action.

Ald. Fischman, Rice, and Blazar took issue with a debt exclusion related to Newton North being put to the voters. Ald. Blazar stated that people don't want to go back to worrying about Newton North, and if the Mayor isn't in support of debt exclusions then all of this is an exercise in futility. Ald. Rice shared his opinion that debt exclusions could be valuable, but that they should be proposed to the voters for things they want to see done in the future, not about Newton North.

Ald. Sangiolo closed by stating that this City has a lot of infrastructure needs that have to be dealt with. Debt exclusions are the appropriate method to cover these capital needs.

The committee voted to create the _parens 2 docket item so that a discussion with the administration and department heads can be held. Ald. Linsky moved approval of this item. The Committee voted 4-3 on the issue.

REFERRED TO PUBLIC FACILITIES COMMITTEES AND PROG AND SERV

#8-09

ALD. HESS-MAHAN, LINSKY, ALBRIGHT, FREEDMAN, MANSFIELD, JOHNSON, HARNEY & VANCE proposing an ordinance requiring that the installation of synthetic in-filled turf athletic fields on city-owned property shall use sustainable, recyclable, lead-free, non-toxic products to the maximum extent feasible. [12/30/08 @ 9:55 AM]

APPROVED 7-0

NOTE: Commissioner DeRubeis joined the table to discuss the item. He informed the Committee that the Parks and Recreation Commission discussed this issue at their meeting in January. Mr. DeRubeis relayed that there was some confusion from the Commission as to why this is coming up now, whether the material we are using right now is toxic, and what the language “maximum extent feasible” is supposed to imply.

Ald. Hess-Mahan addressed these concerns. This issue came to the forefront at a time when both high schools were installing new turf with some infill. There have been lots of studies done on whether there are health and environmental effects from the materials used in synthetic fields. Until recently, the grass installed by these companies was contained lead; the public requested companies offer lead-free grass, and companies responded by developing alternative materials.. The infill that is used is composed of crumb rubber which is filled with many different, potentially dangerous, materials including cyanide. Within 10-15 years, the infill and/or turf of our recently installed fields will need to be replaced. Companies will make adjustments if that’s what the market demands of them, and there are currently options on the market that are of less consequence than what we’ve seen in the past.

Synthetic turf is desirable because you can run sports programs on them practically year round; you don’t have to wait for fields to dry, or worry about seeding, or cutting; the maintenance costs are less, but if we’re going to use this material we need to be responsible and make sure we are selecting material with the least health and environmental consequences. We just don’t know what the health effects are with the material that has been used to date. The other problem with these materials is disposal. They cost more to dispose because they have to be sent to a landfill. Using the material we have now could have health and environmental concerns at both ends. The reason to include the phrase “maximum extent feasible” was not meant to create a standard that no one can meet, or to make it so expensive that it’s impossible to execute. Rather, the purpose of that language is to insist on selecting the fields that have the least impact on the environment and people’s health. All that said, what’s already been installed would be grandfathered in.. However it is necessary that we ensure that only the materials with the least consequences to the environment and to the public health are considered and installed in the future.

Ald. Hess-Mahan closed by stating that when NNHS on Lowell Ave was built, the City made the decision to save \$50,000 by putting asbestos into the building instead of another fire retardant material. It would have saved the City a lot of money in the long