

CITY OF NEWTON

IN BOARD OF ALDERMEN

FINANCE COMMITTEE REPORT

MONDAY, APRIL 11, 2011

Present: Ald. Gentile (Chairman), Linsky, Salvucci, Rice, Danberg, Fuller and Freedman

Absent: Ald. Ciccone

Also present: Ald. Sangiolo

City officials present: Shelley Chamberlain (Director of Information Technology; School Department), Bruce Proia (Acting Chief of Fire), David Wilkinson (Comptroller), and Maureen Lemieux (Chief Financial Officer)

**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 8-0**

**ACTION: APPROVED 6-0 (Freedman not voting)**

**NOTE:** The School Department is requesting an appropriation from the E-Rate reimbursement funds to upgrade the wireless network at Newton South High School. The E-Rate fund account has accrued \$235,232, which is what is needed to fund the project. The upgrade will create parity with the wireless network at Newton North High School. In addition, the network will support the 1:1 computing model that allows students to integrate their personal mobile or school owned devices into the school curriculum. The attached memo from Ms. Chamberlain provides additional details on the request for funds.

E-Rate funds related to the Telecommunications Act of 1996, which are provided by the federal government to schools and libraries to be used for improvements to telecommunications and information services. The amount of reimbursement is based on economic need and location of the community. The attached handout from the Schools and Libraries Corporation provides further information on the E-rate Program.

Ald. Danberg moved approval of the item, which carried unanimously.

**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)**

**ACTION: APPROVED 7-0**

**NOTE:** The request is to appropriate funds from Free Cash to supplement the Fire Department's overtime account. The Public Safety and Transportation Committee approved the request subject to second call, as further information was requested. The requested information was related to the past five years of overtime costs, both budgeted and supplemental and the reasons for the overtime, which is attached.

The original budget for Fire Department overtime was \$500,000, which was supplemented with \$200,000 from the full-time salaries account. The department is currently operating in a deficit within the overtime account. The shortage is due to the winter-manning program, which requires staffing levels to increase by six firefighters per shift for the months of January, February, and March and a recent increase in the number of vacancies in firefighter positions. The Acting Fire Chief estimates that an additional \$225,000 is necessary to fund the overtime until the end of the fiscal year, as winter-manning requirements are no longer in effect.

Acting Fire Chief Bruce Proia stated that the department has reduced the number of overtime hours each year for the past three years and he would like to improve on that number next year. The Fire Department will be hiring a number of new recruits with little to no special leave and vacation time accrued, which should cut down on the need for overtime. There are currently seven vacant firefighter positions and the Acting Chief expects to send eleven recruits to the Fire Academy to fill those vacancies and any vacancies in the near future.

The budget for next year will include an increase in the overtime account in the Fire Department to \$800,000 and the Acting Chief expects that it will be enough to fund overtime in Fiscal Year 2012.

The \$225,000 appropriation from Free Cash will reduce current year Free Cash to \$1.1 million. A motion for approval was made and the Committee approved the motion unanimously.

#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]

**ACTION:**      **APPROVED 7-0**

**NOTE:** The discussion on the above item incorporated Docket Items #207-07(4) and #207-07(2), as they are related to the Financial Management Guidelines. Ald. Fuller, Comptroller David Wilkinson, and Chief Financial Officer Maureen Lemieux have worked to update the guidelines to address the current needs of the City. The attached cover memo highlights the amendments to the Financial Management Guidelines previously adopted by the Board of Aldermen in 2008. The amended Financial Management Guidelines are also attached. Ald. Fuller reviewed some of the highlights with the Committee.

The first change to the guidelines establishes financial principles, which address long – term needs and lead to a balanced budget. The principles are an essential part of maintaining a Aaa bond rating from Moody's Investors Services, Inc. During the recent bond sale, the City retained its current Aaa rating. The financial principles include a statement to address financing of long-term retiree liabilities otherwise known as Other Post Employment Benefits (OPEB). It

is the City's intention to fund retiree health care benefits for new employees in the year that they are earned much like how the pensions are funded. The City had lengthy conversations with both Moody's and First Southwest, the City's financial advisors, regarding the proposed amended guidelines, and they seemed pleased with the guidelines. Ms. Lemieux added that she is also pleased with the guidelines as they reflect the right polices for the right times.

The amendments also address snow and ice control budgeting. The guidelines establish a goal of budgeting at least \$1 million dollars for snow and ice control within the Department of Public Works budget and including an additional appropriation for snow and ice in the Budget Contingency appropriation. The total amount dedicated to snow and ice control is expected to be the five-year trailing average of the annual expenditure. Because the additional funds will be in the Budget Contingency appropriation, it will require Board of Aldermen approval to expend the funds. If there is a year where the cost of snow and ice control exceeds the five-year trailing average, funds from the inclement weather reserve fund, which is to be established and funded through left over Free Cash, will be used. Should there be an extraordinary winter and all other funds are used, the funds would come from the Rainy Day Stabilization Fund, which the Board of Aldermen has already established and funded through the New Falls agreement. Committee members suggested that the Administration look at the snow and ice clearing standards to determine if there is a way to decrease costs.

The changes to the guidelines include issuing a minimum of \$3.5 million per year in bonds for capital improvements and that a minimum of 5% of the annual general fund operating budget be budgeted for capital outlay and improvements. Furthermore, the guidelines state that the water and sewer funds are enterprise funds that must be self-sustaining. In the future, the budget will include an annual budget contingency reserve to address operating contingencies and a stabilization reserve fund for unforeseen revenue declines.

Former Ald. Coletti raised the following points regarding the Financial Management Guidelines. Mr. Coletti felt that the City should set a limit on the debt ceiling, the length of time things can be bonded for and what types of projects can be bonded. He also raised the possibility of the City asking for Home Rule Legislation to create a Capital Preservation Act Fund, similar to the Community Preservation Act Fund, to generate funds for the City's infrastructure needs. He added that the City has a problem implementing projects in a timely manner.

The Chairman agreed with most of Mr. Coletti stated but pointed out that it is hard to include specifics in the guidelines. The Administration needs some flexibility to address the unknown but the guidelines are definitely a step in the right direction. The guidelines can always be modified to address needs or changes in policy in the future. The Chairman went on to thank Ald. Fuller, Maureen Lemieux, David Wilkinson, and Ald. Danberg for all of their work. Ald. Salvucci moved approval of the guidelines, which carried unanimously.

#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]

**ACTION:** **NO ACTION NECESSARY 7-0**

**NOTE:** See the above note for the discussion on this item as it was addressed as part of Docket Item #78-10. Ald. Freedman moved no action necessary on the item, which carried unanimously.

#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) funds 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;  
 (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]

**ACTION:** NO ACTION NECESSARY 7-0

**NOTE:** Please refer to above Docket Item #78-10 for discussion of this item. Ald. Linsky moved no action necessary, which carried by a vote of seven in favor and none opposed.

*Item recommitted 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**

**ACTION:** APPROVAL FAILED TO CARRY 1-6 (Danberg, Freedman, Fuller, Gentile, Rice, Salvucci opposed)

**NOTE:** Ald. Sangiolo stated that her reasons for proposing a debt exclusion override for the Newton North High School project are laid out in the attached Newton Tab article. The Programs and Services Committee approved the proposal by a vote of four in favor and three opposed. The City's debt service for the one project is very large. Ald. Sangiolo realizes that the country is in an economic downturn but there is no good time to ask for an override and a debt exclusion override is good way to deal with the debt service. The passage of a debt exclusion override would allow the City to restore services and proceed with much needed capital projects next year. Ald. Sangiolo provided the attached projected annual tax impact to the taxpayers from the proposed debt exclusion and the debt service schedule for Newton North High School.

Ald. Linsky is in favor of the proposed debt exclusion. There is a certain advantage to asking for a debt exclusion override for the Newton North High School Project at this time, as the project is essentially complete. It is no longer tied to whether or not to do the project if a debt exclusion override was not approved by the voters. If the City is serious about getting to the

next phase of capital projects, it would seem prudent to move forward with a debt exclusion override for the Newton North High School.

The rest of the Committee members expressed concern about proposing a debt exclusion override for a project that had funding in place. All of the members were in favor of looking at possible debt exclusion overrides for future projects but felt it would not be beneficial to propose one in retrospect, particularly for the Newton North High School Project, as there is still a lot of anger associated with the project. If a debt exclusion override were proposed for a future project, the Administration would have the opportunity to present a thoughtful plan to the voters.

Former Ald. Coletti stated that during the discussions on the Newton North High School Project the taxpayers were told that the City would bond for the project. The citizens expect that the City has a funding plan in place for Newton North. The City should look at debt exclusion overrides for smaller projects such as the fire stations.

Ald. Linsky moved approval of the item, which failed by a vote of one in favor and six opposed.

The Committee adjourned at 9:00 p.m. and all other items before the Committee were held without discussion. Draft Board Orders for the above items are attached.

Respectfully submitted,

Leonard J. Gentile, Chairman

## **Universal Service Program**

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On May 7, 1997, the Federal Communications Commission (FCC) adopted a Universal Service Order implementing the Telecommunications Act of 1996. The Order ensures that all eligible schools and libraries have affordable access to modern telecommunications and information services. Up to \$2.25 billion annually is available to provide eligible schools and libraries with discounts, often referred to as the "E-rate," for authorized services, beginning January 1, 1998.

### **Overview**

#### *Level of Discounts*

Discounts range from 20 percent to 90 percent, depending on economic need and location (urban or rural). The level of discount is based upon the percentage of students eligible for participation in the federal free and reduced price school lunch program. Libraries will use the school lunch eligibility percentage and urban/rural status for their local school district.

#### *Services Eligible for Discount*

Discounts can be applied to all commercially available telecommunications services, Internet access, and internal connections. Discounts are available in all states, as long as the state adopts intrastate discount levels at least equal to the federal discounts.

#### *Application Process*

Discounts will be applied as of January 1, 1998, for qualified pre-existing contracts. For contracts covering new services with approved discounts, the discounts will be applied as of the date the contract is signed. A technology plan must be developed, and approved by an independent agency, such as a state education or library agency, or the Schools and Libraries Corporation (SLC). Eligible institutions must submit a self-certification of eligibility (attesting that all criteria have been met) to the SLC along with a description of the services requested.

The percentage discount mechanism for administering this program means that this program is not a grant program. Schools and libraries are required to pay only the "non-discounted" portion of their costs for telecommunications services, Internet access and internal connections. The discounted portions of the services are directly applied to reduce the bills to be paid by schools and libraries and these amounts will be reimbursed directly to the service providers from the fund administrator. Requiring schools and libraries to pay a share of the costs from their own funds is intended to insure cost-effective purchases.

#### *Fund Administration*

SLC, a newly formed independent not-for-profit entity established by FCC rules, has responsibility for administering the schools and libraries program. The Universal Service Administrative Company (USAC), a subsidiary of the National Exchange Carrier Association (NECA), has been named by the FCC as the interim, overall administrator of Universal Service Fund collection and distribution.

## Consortia

A school or library can apply for a discount on a specific service either as an individual entity or as part of a consortium.

Entities within a community (e.g., schools, school districts, libraries, library systems, government, and health care providers) could identify their common communication needs and plan for a community infrastructure. A consortium could negotiate with service providers from a position of strength due to the aggregated demand.

Consortia may include both eligible and ineligible entities. Ineligible entities are those members of a consortium that are not entitled to a discount. Entities not eligible for universal service discounts, however, may benefit from lower *pre-discount* prices from such aggregation. Mixing eligibility will place significant record-keeping responsibility on consortia. They will be required to demonstrate that only eligible entities receive the discounts.

Consortia are not required but are encouraged. Consortia advantages are:

- Aggregating demand attracts competitors and allows negotiating lower prices.
- Consolidating services achieves improved efficiency.
- Sharing both network infrastructure and knowledge results in lower costs for all.
- Sharing facilities reduces costs.
- Sharing technical staff reduces costs.

## Calculating the Discount

Discounts for eligible schools and libraries are set as a percentage discount from the pre-discount price. *Pre-Discount price* means the price the service provider agrees to accept as total payment for its telecommunications or information services. This price is the sum of the amount the service provider expects to receive as payment from the eligible school or library and the amount it expects to receive as reimbursement from the universal service support mechanisms for the discounts provided.

### *Schools*

The discount is based on the number of students eligible for participation in the national school lunch program and the school's classification as rural or urban. The *national school lunch program* is a program administered by the U.S. Department of Agriculture and state agencies that provides free or reduced price lunches to economically disadvantaged children.

For shared services, school districts applying for discounts on behalf of their individual schools may calculate the district-wide average percentage of eligible students. For example, a school district would calculate the appropriate discount rate for each individual school, then multiply each school's discount rate by the number of students in the school. Add up the total for all schools and divide by the total number of students in all schools that are receiving an appropriate

CITY OF NEWTON  
IN BOARD OF ALDERMEN

2011

ORDERED:

That in accordance with the recommendation of the Programs and Services Committee through its Chairman, Amy Mah Sangiolo, and the Finance Committee through its Chairman, Leonard J. Gentile, the sum of two hundred thirty-five thousand, two hundred thirty-two dollars (\$235,232) ) for the purpose of upgrading the wireless network at Newton South High School be and is hereby approved as follows:

From:	Receipts Reserved (14I301-5901) .....	\$225,000
To:	School E-Rate Technology (C301052-585111I).....	\$225,000

Under Suspension of Rules  
Readings Waived and Adopted

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETTI D. WARREN  
Mayor

Date: \_\_\_\_\_



Month	FY 2007	YTD	FY 2008	YTD	FY 2009	YTD	FY 2010	YTD	FY 2011	YTD
July	\$14,041		\$28,807		\$19,782		\$71,188		\$31,323	
Aug	\$15,994	\$30,035	\$38,565	\$67,372	\$35,503	\$55,285	\$138,357	\$209,545	\$49,396	\$80,719
Sept	\$9,971	\$40,006	\$19,054	\$86,426	\$36,406	\$91,691	\$76,750	\$286,295	\$23,790	\$104,509
Oct	\$18,510	\$58,516	\$20,273	\$106,699	\$265,414	\$357,105	\$61,586	\$347,881	\$39,878	\$144,387
Nov	\$7,116	\$65,632	\$34,959	\$141,658	\$37,262	\$394,367	\$60,011	\$407,892	\$44,791	\$189,178
Dec	\$25,797	\$91,429	\$78,903	\$220,561	\$103,869	\$498,236	\$76,058	\$483,950	\$60,207	\$249,385
Jan	\$72,101	\$163,530	\$89,120	\$309,681	\$121,002	\$619,238	\$103,580	\$587,530	\$164,981	\$414,366
Feb	\$114,324	\$277,854	\$97,381	\$407,062	\$123,028	\$742,266	\$100,707	\$688,237	\$110,520	\$524,886
Mar	\$135,616	\$413,470	\$124,252	\$531,314	\$212,433	\$954,699	\$187,209	\$875,446	\$176,391	\$701,277
April	\$90,969	\$504,439	\$44,072	\$575,386	\$73,600	\$1,028,299	\$56,417	\$931,863	\$31,678	\$732,955
May	\$44,897	\$549,336	\$19,689	\$595,075	\$68,064	\$1,004,672	\$30,099	\$961,962		
June	\$57,261	\$606,597	\$52,730	\$647,805	\$79,010	\$1,175,373	\$34,818	\$996,780		
Carry over	\$6,483	\$613,080	\$6,143	\$653,948	\$27,562	\$1,202,935	\$6,652	\$1,003,432		
FTE's	Chief 1	Asst Chief 1	Captains 11	Lieut.'s 33	FF's \$125	Wire Division 5	Mechanics 2	Clerks 3		



	\$858.08								
Minimum manning OT	Regular Staffing OT	Deputy Chiefs OT	Plowing OT	Haz Mat OT	Call Back	Mechanics	1 Hour holdover OT	#101-11 Rain Storm	
	\$500.54								
	\$745.96								
	\$1,163.09								
	\$858.08								
	\$858.08								
	\$858.08								
	\$1,012.03								
	\$500.54								
	\$1,163.09								
	\$357.53								
	\$310.82								
	\$858.08								
	\$858.08								
	\$500.54								
	\$1,012.03								
	\$4,752.24								
\$285,170.58	\$120,907.93	\$23,589.77	\$929.81	\$4,287.56	\$11,379.87	\$4,793.10	\$1,173.94	\$10,375.81	\$177,437.79

To: mlemieux@newtonma.gov  
Copies to: bproia@newtonma.gov  
Subject: Overtime  
Date sent: Thu, 17 Mar 2011 12:45:52

FYI - As of tomorrow, Friday March 18th, the overtime account (02-5130) will have a balance of \$3,900.00.

The weekly overtime charges for the two previous years were as follows:

		<u>FY-09</u>	<u>FY-10</u>
W/E	3/20	40,387.00	34,131.00
	3/27	51,298.00	53,152.00
	4/03	38,936.00	29,983.00
	4/10	17,305.00	15,653.00
	4/17	7,054.00	3,794.00
	4/24	14,973.00	9,848.00
	5/01	19,012.00	5,698.00
	5/08	15,096.00	8,634.00
	5/15	17,573.00	7,363.00
	5/22	16,889.00	9,379.00
	5/29	17,309.00	4,738.00
	6/05	11,257.00	12,325.00
	6/12	13,437.00	10,774.00
	6/19	13,739.00	9,459.00
	6/26	23,468.00	8,499.00
	6/30	<u>27,303.00</u>	<u>3,942.00</u>
TOTALS		345,036.00	227,374.00

CITY OF NEWTON  
IN BOARD OF ALDERMEN

2011

ORDERED:

That, in accordance with the recommendation of the Public Safety & Transportation and Finance Committees through their respective Chairmen Allen Ciccone Jr. and Leonard A. Gentile, a transfer of funds in the amount of two hundred twenty-five thousand dollars (\$225,000) to supplement the Fire Department's overtime accounts be and is hereby approved as follows:

From:	Free Cash (01-3497).....	\$225,000
To:	Fire Salaries (0120103-513001).....	\$150,000

Under Suspension of Rules  
Readings Waived and Adopted

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETTI D. WARREN  
Mayor

Date: \_\_\_\_\_



# Memorandum

To: Board of Aldermen

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

Re: Financial Management Guidelines

Date: April 1, 2011

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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](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 1<sup>st</sup> 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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# Sangiolo: The city budget, debt exclusions and the future of Newton

By Amy Sangiolo/Guest Columnist

Wicked Local Newton

Posted Apr 07, 2011 @ 05:10 PM



Newton —

Zope Wednesday 7 a.m. to home, news opinion

If voters approve a debt exclusion override, the debt service for North will be removed from our operating budget providing the city the ability to go beyond restoration of programs and services and address our long-term capital needs, giving city leaders breathing room to create a vision for Newton's future.

In a few weeks, the mayor will present his budget for the coming year. If the superintendent's budget is any indication of what we can expect from the municipal budget, then it is likely to consist of a combination of fees and elimination of services to balance the budget.

A debt exclusion override is an increase in taxes. Just like a proposition 2 1/2 override, it allows a community to assess taxes in excess of the automatic annual 2.5 percent increase and any increase due to new growth. However, unlike a general override, a debt exclusion override provides a temporary increase in the amount a community can levy to fund the payment of debt service costs. Each year until the debt is retired, the amount of the debt service payment due for that year is added to the levy limit to establish the minimum amount the community can levy. Once the debt is paid, the tax increase for that particular debt ends.

The Finance Committee will discuss a 2008 proposal to put a debt exclusion question to the voters to finance the debt on Newton North. The debt service on Newton North is currently being paid out of the city's operating budget and accounts for approximately \$9 million this year. Should the Board of Aldermen ultimately approve to place this on the ballot, voters would have an opportunity to remove that amount of debt service for Newton North from the operating budget each year until the debt service has been paid off.

Many reasons have been put forth against putting this on the ballot. For example, the appropriate time to put debt exclusions to the voters is before, not after, commencement of a project. The Newton North project remains controversial and divisive and it would be a mistake to put this before the voters because it would not only fail to pass but it would taint voter sentiment on future debt exclusion proposals. The city must set its fiscal house in order before it asks voters for any additional money.

The benefits of putting the debt exclusion override before the voters outweigh those concerns. Passage of this measure would relieve some of the pressures on our operating budget.

Although debt exclusion questions are traditionally put before the voters prior to commencement of a project, Newton chose not to do so. Under the belief that the city could afford this project without an override, and hoping to avoid a negative outcome, the debt service was absorbed as part of our operating expenses. That decision occurred around the same time Newton's expenses (health care costs and retirements) began to outgrow the amount of revenue and state aid coming into the city, resulting in the budget deficit we have today. According to the mayor's FY2012 – FY2016 Five Year Financial Forecast, "debt service (primarily as a result of the Newton North High School Project) has increased by 48 percent in the past five years" and "average annual increases in retirements (5 percent) as well as the School Department (4 percent) have also outpaced revenue increases." There is no question that the debt service on Newton North has exacerbated an already stressed operating budget. The only question is whether we want to continue to pay for it out of our operating budget as we are today, or create a separate dedicated funding stream to pay for it.

While there may be sentiment that voter rejection of this ballot question would taint future debt exclusion proposals, there are persuasive reasons to consider an override. First, any future debt exclusion question will be specific to the project(s) or proposal(s) standing on its own merits and in its own context. While debt exclusion overrides could be crafted to address our infrastructure, to pay for our unfunded pension obligations or to add programs and services like expanded music and world language programs from K -8 grades, we cannot predict whether they will be free of controversy or will pass. Voter rejection of any of these will likely be construed as a reluctance to move those items forward. Second, while it is true, Newton North remains a controversial subject, voter rejection will indicate that voters are willing to leave the city in the same position we are in now - cutting teachers, increasing class sizes, reducing the breadth of programs in our schools and instituting new fees to generate revenue to keep us not even where we were last year. On the other hand, if voters approve a debt exclusion override, the debt service for North will be removed from our operating budget providing the city the ability to go beyond restoration of programs and services and address our long-term capital needs, giving city leaders breathing room to create a vision for Newton's future.

From a political standpoint, a debt exclusion override for a project as controversial as North is of course challenging. With a mayor who is opposed, community support to pass this debt exclusion override question will be even more difficult. The mayor has echoed community sentiment that Newton must put its fiscal house in order before asking the voters for any additional money. To his credit, he has begun this process by reorganizing and consolidating departments, looking at alternative ways at our purchasing practices and at alternative means of delivering our services in order to achieve some parity in the growth rate of our revenue and expenses. However, these measures will not make up the anticipated and projected deficits without also having to make a significant impact on the community's quality of life through cuts to programs and services and the increase and addition of fees.

The current financial state of the city is not good and it does not look like it will improve in the next few years. Our class sizes are increasing, our educational offerings are decreasing. Maintenance and repair of our roads and our facilities continue to be underfunded. Elementary schools that were hoping to be renovated or repaired over ten or more years ago continue to wait, as we scramble to meet short-term needs and further delay long range goals. The city of Newton is very fortunate in comparison to other communities in the Commonwealth. But we can do so much better.

A debt exclusion override for Newton North's debt service will not solve all of these problems but it might give us and the voters of Newton an opportunity to put Newton back on track – address some of our many other infrastructure needs and give us the chance to move forward with a vision for Newton instead of just "getting by."

*Amy Sangiolo is an alderman at-large from Ward 4.*

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Read more: Sangiolo: The city budget, debt exclusions and the future of Newton - Newton, Massachusetts - Newton TAB  
<http://www.wickedlocal.com/newton/archive/x675819188/Sangiolo-The-city-budget-debt-exclusions-and-the-future-of-Newton#ixzzLJWRvEdfi>



Projected annual tax impact of NNHS debt exclusion

FY 2012 Debt service requirements	\$	9,596,429
January 1, 2010 taxable valuation	\$	20,232,810,000
Impact on average tax rate per \$1,000 of assessed valuation	\$	0.47
Impact on residential tax rate per \$1,000 of assessed valuation	\$	0.43
<b>Additional annual taxes on average valued residential single family home</b>	<b>\$</b>	<b>341.12</b>
<b>Additional annual taxes on median valued residential single family home</b>	<b>\$</b>	<b>291.96</b>

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CITY CLERK  
NEWTON, MA. 02159

CITY OF NEWTON, MASSACHUSETTS  
 NEWTON NORTH HIGH SCHOOL NEW CONSTRUCTION PROJECT  
 DEBT SERVICE SCHEDULE

#207-08

ALL DEBT ISSUED AS OF , March 31, 2011 {1}

Fiscal Year Ending	Principal	Interest	Total
2007	\$ 95,777	\$ 74,481	\$ 170,258
2008	366,777	669,563	1,036,340
2009	1,745,778	2,063,417	3,809,195
2010	3,125,778	5,304,571	8,430,349
2011	3,565,778	5,559,000	9,124,778
2012	3,962,445	5,633,984	9,596,429
2013	3,992,445	5,596,886	9,589,331
2014	4,036,331	5,453,510	9,489,841
2015	4,096,331	5,301,277	9,397,608
2016	4,166,331	5,154,349	9,320,680
2017	4,251,331	5,019,865	9,271,196
2018	4,326,331	4,865,194	9,191,525
2019	4,416,331	4,682,475	9,098,806
2020	4,511,331	4,495,454	9,006,785
2021	4,611,331	4,303,937	8,915,268
2022	4,725,218	4,107,465	8,832,683
2023	4,855,218	3,925,472	8,780,690
2024	5,015,218	3,738,080	8,753,298
2025	5,155,218	3,544,070	8,699,288
2026	5,095,218	3,339,578	8,434,796
2027	5,056,667	3,139,282	8,195,949
2028	5,106,667	2,935,043	8,041,710
2029	4,466,667	2,744,553	7,211,220
2030	4,646,667	2,559,307	7,205,974
2031	4,836,667	2,360,836	7,197,503
2032	5,041,667	2,153,796	7,195,463
2033	5,251,667	1,921,357	7,173,024
2034	5,481,667	1,678,667	7,160,334
2035	5,721,667	1,424,752	7,146,419
2036	5,976,667	1,159,138	7,135,805
2037	6,241,667	880,592	7,122,259
2038	6,521,667	589,121	7,110,788
2039	5,336,667	283,975	5,620,642
2040	751,667	31,030	782,697
2041	366,667	7,333	374,000
<b>Total</b>	<b>\$ 146,921,521</b>	<b>\$ 106,701,410</b>	<b>\$ 253,622,931</b>

CITY CLERK  
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{1} Includes debt service on \$11 million in MSBA subsidized loan funding for project financing.

CITY OF NEWTON  
IN BOARD OF ALDERMEN

2011

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, the amended Financial Management Guidelines dated March 17, 2011, on file with the Clerk of the Board of Aldermen, and attached hereto, be and is hereby approved.

Under Suspension of Rules  
Readings Waived and Approved

(SGD) DAVID A. OLSON  
City Clerk

(SGD) SETT D. WARREN  
Mayor

Date \_\_\_\_\_

CITY OF NEWTON

IN BOARD OF ALDERMEN

, 2011

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, the following item be and is hereby voted NO ACTION

NECESSARY:

#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.

Under Suspension of Rules

Readings Waived and Item Voted NO ACTION NECESSARY

(SGD) DAVID A. OLSON, City Clerk

CITY OF NEWTON

IN BOARD OF ALDERMEN

, 2011

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chairman Leonard J. Gentile, the following item be and is hereby voted NO ACTION NECESSARY:

- #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) funds 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;
  - (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.

Under Suspension of Rules

Readings Waived and Item Voted NO ACTION NECESSARY

(SGD) DAVID A. OLSON, City Clerk