



Welcome  
to  
**Newton**  
The Garden City

City of Newton, Massachusetts  
Long-Range Financial Plan &  
Five-Year Financial Forecast  
**FY2025-FY2029**

September 5, 2023



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*Note: In developing this financial forecast, we looked closely at forecasts and forecast documents from several other communities. We borrowed ideas from them, sometimes word for word. In particular, we looked at Five Year Forecasts from Arlington, Boston, and Pittsfield, Massachusetts and Oakland, California as well as the guidelines issued by the Government Finance Officers Association (GFOA). In addition, we liberally used studies and reports developed by and for the City of Newton, ranging from the Comprehensive Annual Financial Report to the Demographic Trends and Projections studies from Northeastern University. Sometimes, we took ideas from these reports word for word.*

## Executive Summary

This Long-Range Financial Plan and Five-Year Financial Forecast for the City of Newton comes after a turbulent three years. The economy shut down in March 2020 as the COVID-19 pandemic engulfed us. The needs of our students, residents, and businesses skyrocketed as our revenues weakened. With the support of one-time Federal and State funding, combined with belt-tightening by us in areas such as funding our pensions and road improvements, we supported the people who live, work and go to school in Newton while balancing our budgets. In 2023, our community is still facing high interest and mortgage rates, staffing shortages, high construction costs and prices, and important questions about zoning, village centers, housing and funding union contracts.

I am reassured that in September 2023, this Long-Range Financial Plan and Five-Year Financial Forecast shows steady, predictable, and sustainable growth allowing us to provide steady, predictable, and sustainable school and city operations. We have every reason to believe that we will retain our Aaa credit rating, reassuring us that our finances and operations are managed well and that we are appropriately balancing our current needs and future obligations – including debt for important capital investments and retiree benefits for our employees. The Long-Range Financial Plan and Five-Year Financial Forecast are comprehensive, forward looking, financially stable, and fiscally disciplined. Our Plan preserves reserves. Our Plan increases the funding ratios for both types of our long-term retiree obligations – pensions and healthcare; the Plan does more, clearing the deck on our Pension liability. Debt load remains stable. No financial cliff looms. This Plan includes low and manageable budget gaps.

For City and School operations, we will have to continue to carefully manage every taxpayer dollar; while there is growth in each subsequent Budget, the growth is steady and stable rather than large and increasing exponentially.

This Long-Range Financial Plan supports our schools which are at the heart of Newton's values and justifiably receive the vast majority of our funding. The budgets grow for NPS every year and grow at a rate slightly higher than any other Department. The Long-Range Financial Plan provides funding for excellence in public safety, social and health services, library and cultural services, parks and recreation opportunities, and senior services. The Long-Range Financial Plan is crafted so we can make continued investments in our roads and climate initiatives, including improving safety for pedestrians & bicyclists as well as safety for residents and businesses as we face more extreme heat & cold, rain & snow. Simultaneously, this Long-Range Financial Plan allows for the many links people need to food, housing, and mental health resources.

This year's Five-Year Financial Forecast, Long-Range Financial Plan, and Five-Year Capital Improvement Plan comes forward less than a year after Newton voters considered a tax override proposal. In October 2022, as part of the Five-Year Financial Forecast, Long-Range Financial Plan, and Five-Year Capital Improvement Plan submissions, I, Mayor Ruthanne Fuller, asked the members of the City Council to approve a special election on March 14, 2023 to allow the residents of the City of Newton to support a total of three tax override questions:

**OPERATING OVERRIDE:** The first question asked for community support to fund \$4.5M for the Newton Public Schools to meet the increased mental health needs of our students, to deliver engaging and challenging coursework, and to continue the use of modern, innovative and readily accessible technology, \$775K for annual debt payments for the addition/renovation of the Horace Mann Elementary School, \$1.4M for repairs for our roads and sidewalks, \$1.0M for the rehabilitation of athletic fields, park spaces, and playgrounds, \$500K for expansion/maintenance of our urban tree canopy, \$500K for programs, services and support for our older residents, and \$500K for sustainability and electrification projects in our City and School buildings.

**COUNTRYSIDE ELEMENTARY SCHOOL DEBT EXCLUSION OVERRIDE:** The second question asked for community support to exclude the debt necessary to fund the construction of a new Countryside

Elementary School. Countryside had been invited into the state’s Massachusetts School Building Authority (MSBA) process where, should the community approve this debt exclusion, the City could expect to be reimbursed for approximately 30% (≈\$20 M) of the cost of this school building project.

FRANKLIN ELEMENTARY SCHOOL DEBT EXCLUSION OVERRIDE: The third question asked for community support to exclude the debt necessary to fund the construction of a new Franklin Elementary School. Because the MSBA had already invited the Countryside School into their process, this project would not be eligible for MSBA funds. Consequently, the entire cost of this project would be borne by the taxpayers of Newton.

The community supported the two debt exclusion questions moving forward with the Countryside and Franklin Elementary School building projects. They rejected the operating override.

The day after the election, I immediately looked for ways within our current revenue structure to provide financial support for the Newton Public Schools above and beyond what our 3.5% allocation could afford.

Therefore, during our FY2024 Budget process in April and May 2023, we proposed several measures, which the City Council approved. These measures created ongoing, sustainable funding to bolster NPS operations and solidify a viable, financial pathway forward as we provide excellent municipal and educational services, meet our long-term obligations to our current and retired employees, offer fair union contracts, and ensure that we protect the City of Newton’s financial health and stability while we address our long-term liabilities.

In the FY2024 Budget approved by the Newton City Council in May 2023:

- We strategically utilized \$10 million of Free Cash to reduce required debt service which in turn freed up operating budget capacity on a sustainable basis, thereby allowing us to increase the NPS appropriation by \$600,000 per year;
- We provided a “Bridge Grant” to the Newton Public Schools of \$1.4 million for a one-year gap in funding to address increased tuition costs imposed by the State for out-of-district student placements;
- We utilized City funds to pay NPS legal settlements totaling \$580,000, taking pressure off the NPS operating budget;
- We worked collaboratively with the Newton Retirement Board to increase the base pension on which retiree COLA’s are calculated and to extend our pension system full-funding date by one additional year to create a sustainable pathway forward to ensure full-funding of our pension system by August 2031 and to free up funding to move forward with the Horace Mann Elementary School building addition/renovation;
- We restructured our health insurance plans to provide access to excellent health care and a high level of plan designs while also implementing cost-saving measures for both our retirees and for the City and NPS, resulting in a decrease in Medicare Part B Reimbursement expenses for NPS in FY2024 of \$650,000 and an additional savings of \$325,000 in FY2025;
- We transferred \$3.182 million in retiree health care costs (OPEB) out of the NPS budget over to the City. The City will now provide the financial and administrative support for this program, assuming the costs, and taking the risks in support of the Newton Public Schools;
- We allocated an additional \$410,000 of ARPA funding for one-time NPS facility maintenance projects in order to allow the School Committee to minimize budgetary impacts on class sizes; and,
- We preserved the progress we have made in so many important areas such as paving, traffic calming, athletic fields and grounds maintenance, building maintenance, and forestry while providing additional, sustainable funding for the Newton Public Schools.

As a package, these financial measures provided more support for current operations. They did not provide funding at the level that the Operating Override would have so new initiatives and increased support for current initiatives is more modest, in line with voters preferences.

As Mayor, I continue to work with our team to ensure the long-term financial sustainability of Newton while simultaneously addressing our current operational needs.

I am pleased that two recent financial developments are enabling me to propose a significant initiative, an Operations Booster Stabilization Fund, to bolster both our current operations and long-term financial health. This initiative will provide additional financial support for the operations of the Newton Public Schools for the next eight years, help the City fully fund the City's pension system on our agreed upon schedule of Fiscal Year 2032, and strengthen the overall financial health of the City.

I understand that this financial strategy seems a bit complicated. There are a number of intersecting pieces, all a bit arcane.

The bottom line is that the Operations Booster Stabilization Fund helps our students, our residents, and our employees. We can provide additional support for the increased needs of our more than 11,300 students in the Newton Public Schools, provide city services such as paving roads, and pay down our long-term obligations. How? This plan transforms a one-time surplus into ongoing funding for school and city operating needs for the next 8 years. The financial strategy transforms an Overlay Surplus into a stabilization fund to provide *ongoing* funds to support the Newton Public Schools, the overall financial health of the City, and our Pension system. Each of these elements are described in detail below.

#### **Overlay and Appellate Tax Board Interest & Penalties**

The City of Newton Board of Assessors on an ongoing basis sets aside funds in an Overlay account to pay for possible abatements (and any interest or penalties payable on abatements) and exemptions of real estate property taxes and/or personal property taxes. The Overlay account also sets aside funds in the event that property taxes are deemed uncollectible.

The August 15, 2023 balance of the Overlay account was \$31.5 million.

In April 2022, the City received full payment of the principal and interest for Fiscal Years 2012 through FY2022 from Eversource, totaling approximately \$12.7M, for taxes that they had been challenging. While Eversource paid the taxes (and these funds were set aside in the Overlay account), they continued their legal appeal. We were required to hold these funds in reserve in Overlay until the appeal process was resolved.

On June 27, 2023, the City of Newton was notified that Eversource had withdrawn their Appellate Tax Board Filings for Fiscal Years 2012 through FY2020; however, Eversource declined to withdraw their appeals for FY2021 and FY2022.

As a result of the Eversource withdrawal of nine of their eleven appeals, the resolution of several other cases, and the passage of the Appellate Tax Board (ATB) filing deadline of August 1, Newton's Board of Assessors declared \$20.5 million of Overlay Surplus on August 21, 2023.

Notably, the Board of Assessors will be keeping \$11 million in the Overlay account for ongoing abatement, exemption, interest/penalties payable and uncollectible situations.

In addition to the funds held in the Overlay Account, the City has been holding \$5.5 million in the Appellate Tax Board (ATB) Interest & Penalties Account. The State allows municipalities to have a single overlay reserve (rather than requiring a separate overlay balance for each particular year) to cover the costs of potential abatements. The Board of Assessors has determined that \$11 million is the appropriate level to keep in the Overlay account for both abatements and any interest and penalties. Therefore, we no longer need an ATB Interest & Penalties Account or the funds within it and an additional \$5.5 million is now available.

In total, the City has available *one-time* funds of \$26 million – \$20.5 million in Overlay Surplus and \$5.5 million from the Appellate Tax Board (ATB) Interest and Penalties Account..

I want to thank our leaders in Newton’s Assessing Department for their wisdom and tenacity over more than a decade. Elizabeth Dromey and Jim Shaughnessy, working with a small handful of other Assessing Departments, reinvented how Eversource pays taxes. Their new approach is now the standard operating procedure across the Commonwealth. We have them to thank for this significant additional collection of taxes which we can use for our community.

### **Free Cash**

All cities and towns in Massachusetts annually have funds called Free Cash certified by the State. In layperson’s terms, Free Cash is the remaining, unrestricted funds from a City’s or Town’s operations from the previous fiscal year. Free Cash comes from unanticipated actual revenues in excess of revenue estimates, unexpected unspent funds in operating budget line items, and/or unanticipated unexpended free cash from the previous year.

The Newton’s Comptroller’s Office determines the amount of Free Cash in late August or early September as they progress through the year-end close process. They are still finalizing that analysis.

Although the Comptroller’s Office is still finalizing their calculations, it is clear that they will be submitting to the Massachusetts’ Department of Revenue a request to certify a Free Cash amount that is significantly higher than the amount typically declared for the City of Newton.

We expect Free Cash to be certified by the State in late September or early October in the range of \$21 - \$23 million. These are also *one-time* funds.

There are two specific reasons for this larger than normal Free Cash designation for the City of Newton. First, we held \$5.4 million from last year’s Free Cash for potential liabilities and settlements that we may be facing; the \$5.4 million rolled over into this year’s Free Cash. Second, interest rates have risen dramatically in the past eighteen months. Consequently, our actual interest earned from investments in FY2023 was \$8.4 million more than we had budgeted; this entire amount dropped into this year’s Free Cash. More specifically, when we were crafting the FY2023 Budget in March 2022, the Federal Funds Rate was 0.25% to 0.50%, which was the interest rate income that we built into our Budget. By the end of our fiscal year in June 2023, the Federal Funds Rate had dramatically and unexpectedly increased to 5.25%.

### **Financial Strategy**

Our one-time Free Cash funds will be used primarily for our immediate one-time needs. The uses will be prioritized in keeping with the City’s Financial Management Guidelines. These are likely to include, for example, road paving, legal settlements, one-time infrastructure investments, and snow & ice expenses. Each use of Free Cash will be submitted to the City Council for approval in the course of FY2024.

With the certification of significantly higher than usual Free Cash, we do not need to use the Overlay surplus for one-time needs. Instead, we have the opportunity to transform the entire *one-time* surplus amount of \$26 million



from Overlay Surplus and the ATB Interest & Penalties into *ongoing* funds to support our long-term Pension system obligation, the current operations of the Newton Public Schools, and the overall financial health of the City.

I have submitted a docket item to the City Council that requests authorization for three interrelated actions to achieve these goals. The combination of these three actions will create an “Operations Booster Stabilization Fund” with an initial balance of \$26 million. The Operations Booster Stabilization Fund will be used over the next eight fiscal years to pay for a portion of the City’s pension appropriations which otherwise would come in full from the General Fund. This will enable the City to not only fully fund the pension system by FY2032, but to also free up monies to “boost” the NPS budget during that same period and support the City’s financial health.

The three components of my docket request are as follows:

1. Establish the “Operations Booster Stabilization Fund” as a reserve fund to pay for a portion of the annual General Fund appropriations for the City’s pension system, known as the Newton Retirement System Funding Schedule;
2. Appropriate the Overlay Surplus of \$20.5 million as declared by the City’s Board of Assessors to the Operations Booster Stabilization Fund; and
3. Transfer funds of \$5.5 million from the Appellate Tax Board Interest and Penalties Fund to the Operations Booster Stabilization Fund.

**What is the Financial Impact of this Initiative?**

Currently the Newton Retirement Board has approved a funding schedule that increases by 6.6% per year through Fiscal Year 2032, at which time we are projected to attain full funding of the pension system.

Rather than increasing the General Fund appropriation by 6.6% each year, we will increase funding by 5.0% from the General Fund and utilize funds from this Operations Booster Stabilization Fund for eight years to pay the remaining 1.6% annual increase.

In so doing, we will be able to repurpose the value of the 1.6% primarily to fund NPS operational needs. We intend to appropriate 70% of the “savings” generated by this fund to the Newton Public Schools each year with 30% used to reduce the City of Newton forecasted gap (more about the gap later). To put this in context, 65% of the City’s overall expenditures are directed to the Newton Public Schools so I am prioritizing our students and the strength of the Newton Public Schools, Newton’s keystone.

Every year our team creates a Long-Range Financial Plan & Five-Year Financial Forecast. For at least a dozen years, this forecast has included a deficit or gap in the out years. We always acknowledge the gap. However, we manage our annual budgets and long-term commitments to personnel costs, debt service and new initiatives so that we always have a balanced budget. (By state law, cities and towns in Massachusetts must have balanced budgets.) This financial initiative via the Operations Booster Stabilization Fund makes the gap smaller, helping the overall financial health of the City.

This financial strategy allows me to increase the allocation to the Newton Public Schools for the next eight fiscal years, FY2025 through FY2032, from an increase annually of 3.5% to approximately 3.7%. The Financial Forecast shows the percent increase in the NPS allocation returning to 3.5% in FY2033.

In dollars, the increase from 3.5% to approximately 3.7% as a result of this financial strategy means an addition of approximately \$462,000 for NPS in FY2025 growing to an increase of \$5.485 million in FY2032; this increase is above and beyond the 3.5% increase which, for example, is \$9.4 million in FY2025. Altogether, the FY2025 increase in the Newton Public Schools budget will be \$9.862 million.

The Newton School Committee has the responsibility to determine how to spend these additional monies if the City Council approves my Administration's request for the Operations Booster Stabilization Fund and the use of these monies.

### **Why This Strategy?**

During the spring 2023 budget season, there was much discussion about establishing a "Stabilization Fund" to contribute to the Debt Service Payments of future projects; debt service bonds are typically for 30 years. As an administration, we did not support that plan as we would have committed the City to 30 years of debt payments but would have had a stabilization fund that was only able to fund the first 8 to 10 years of debt. Once the stabilization fund was used up, we then would have had either to find a new source of funding or to significantly reduce NPS and municipal department expenditures. In other words, a stabilization fund for debt service payments would have resulted in a financial cliff.

This financial strategy differs in a crucial way. The City will fully fund our pension system in eight years by FY2032. This "draw" for pension appropriations drops dramatically by \$54 million dollars on a 'date certain' – August 1, 2031 – from close to \$69 million in FY2032 to \$15 million in FY2033. In other words, after August 1, 2031, the funding for pensions drops dramatically just as the Operations Booster Stabilization Fund is depleted; that is why this plan works. We will have sufficient funds in FY2033 to pay the "normal" pension costs, to increase our funding for retirement health care costs (known as OPEB), and to continue to support NPS and municipal operations.

In summary, the Fuller Administration is fully committed to achieving full funding of our pension system by Fiscal Year 2032 – with the final payment scheduled for August 1, 2031. This plan retains the pension funding schedule and the full-funding date. Simultaneously, we have a sustainable financial plan that supports our students, our residents, and our property owners.

### **What's the Big Deal about One Time Funds vs. Ongoing Expenses?**

One time funds end. When the funding ends, current services that depend on that funding cannot continue. This is often called a fiscal cliff.

Our team at City Hall has been extra careful not to rely on one time funds for ongoing expenses. This was tempting when the Federal American Rescue Plan Act funds became available because our revenues dropped when the pandemic broke out. We used some ARPA funds for the operating budget but tapered it or "staircased" it down as revenues recovered so that next year, in FY2025, we don't expect to use any at all. Rather, we used the bulk of the ARPA funds for one-time uses – to make capital improvements, road and building repairs and ventilation upgrades, purchase instructional materials, and help people, non-profits and businesses with one time or time limited grants and services. During this period when one-time funds have been available, we have been careful to match increases in compensation that we offer our employees (as well as increases in the number of employees) with the level of increases in ongoing revenues. We have budgeted ongoing costs in line with ongoing revenues.

Like ARPA funds, the Overlay Surplus and Free Cash certifications are one-time cash infusions. They cannot directly be used to increase full time employees (FTEs) or increase compensation beyond the City's revenue growth because they run out, resulting in painful decisions such as closures and cuts.

Some ask if it would be best to use these one-time dollars now for critical needs and to increase ongoing costs and deal with the financial fallout later. But spending now with one-time funds results in terrible results such as layoffs for teachers and angst for students. It would set us up for a repeat of the Spring 2023 NPS budget. We must be financially healthy and stable now *and* over the long haul.

A year ago, the Newton Public Schools administration and the NPS School Committee understood we were facing a fiscal cliff for our school district with a budget growing faster than City revenue increases. We transparently asked Newton’s taxpayers for \$4.5 million in additional, ongoing (not one time) funding with the operating override request. Without that funding, the School Committee made difficult decisions in the spring of 2023.

**Why Not Put this Money Directly into the NPS/City Budgets?**

We explored alternatives for the use of the Overlay Surplus. Our goal is to support NPS and City operations in a sustainable manner while avoiding financial cliffs. The Operations Booster Stabilization Fund works because we have a significant drop in our Pension funding in eight years so the additional funding for NPS can continue. This works because fully funding the Pension system is a time limited obligation.

We firmly think this financial strategy provides certainty to the City, our school parents & guardians, and our taxpayers as we work towards our dual objectives of fully funding the Pension system for the City while addressing our operational needs over the next eight years.

Our unfunded liabilities for the pensions and retiree health insurance that we have promised our employees is more than \$700 million dollars. As Mayor, I am committed to providing current services and capital investments, paying employees fairly, addressing our significant pension and healthcare liabilities, all while maintaining a Aaa credit rating.

**How Did We Calculate Interest Income in the Booster Fund?**

The Operations Booster Stabilization Fund begins with \$26 million which will be drawn down over eight years. During this period, it will be in a completely safe, interest-bearing account, possibly the Massachusetts Municipal Depository Trust (MMDT).

We have been conservative in our calculation of the interest income that will be earned on this account. The rate in the MMDT, a money market mutual fund, historically tracks very closely to the interest rate of the Federal Funds Rate. The Federal Reserve provides projections of the median Federal Funds Rate via the St. Louis Fed. The June 2023 projection for the Median Federal Funds rates are 5.6% for 2023, 4.6% for 2024, 3.4% for 2025, and 2.5% thereafter. (As of this month, the MMDT earnings rate is 5.55%.)

We have utilized these conservative projections for interest income as we have developed this plan.

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While the Operations Booster Stabilization Fund will help improve school funding over the next eight years, it will not solve all our budgetary challenges created by the constraints of Proposition 2 ½ and many different cost pressures.

City and School leaders must remain steadfast in their determination to balance revenues and expenditures while addressing the educational, social and emotional, and extracurricular needs of every student in our diverse community; funding infrastructure needs; providing for the functions of government; fully funding all liabilities; and maintaining an appropriate level of reserves.

We must remain committed to and disciplined in our resolve to follow the planned funding schedules for pension and retiree health insurance or OPEB liabilities, to settle collective bargaining agreements that maintain parity between revenue and expenditures, and remain vigilant in our oversight of every hard earned taxpayer dollar that has been entrusted to us in order to provide the level of municipal services that the people of Newton expect and deserve.

The following table indicates how we will utilize the funds in the Operations Booster Stabilization Fund to supplement required annual increases to the pension funding schedule, “boost” NPS annual spending appropriation increases, and provide further financial support for the City’s overall financial strategy.

**CITY OF NEWTON, MASSACHUSETTS**  
**OPERATIONS BOOSTER STABILIZATION FUND PROJECTIONS FY2024 THROUGH FY2032**

	2024 BUDGET	2025 FCST	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST	2031 FCST	2032 FCST	2033 FCST
<b>PREVIOUS GENERAL FUND PENSION APPROPRIATION</b>										
GENERAL FUND PENSION APPROPRIATION @ 6.6%	\$ 41,242,922	\$ 43,964,955	\$ 46,866,642	\$ 49,959,840	\$ 53,257,190	\$ 56,772,164	\$ 60,519,127	\$ 64,513,389	\$ 68,771,273	\$ 15,000,000
<b>NEW GENERAL FUND PENSION APPROPRIATION</b>										
GENERAL FUND PENSION APPROPRIATION @ 5.0%	\$ 41,242,922	\$ 43,305,068	\$ 45,470,322	\$ 47,743,838	\$ 50,131,029	\$ 52,637,581	\$ 55,269,460	\$ 58,032,933	\$ 60,934,580	See note below
BOOSTER FUND PENSION APPROPRIATION @ 1.6%	\$ -	\$ 659,887	\$ 1,396,320	\$ 2,216,003	\$ 3,126,160	\$ 4,134,583	\$ 5,249,667	\$ 6,480,456	\$ 7,836,694	\$ -
<b>TOTAL GENERAL FUND PENSION APPROPRIATION</b>	<b>\$ 41,242,922</b>	<b>\$ 43,964,955</b>	<b>\$ 46,866,642</b>	<b>\$ 49,959,840</b>	<b>\$ 53,257,190</b>	<b>\$ 56,772,164</b>	<b>\$ 60,519,127</b>	<b>\$ 64,513,389</b>	<b>\$ 68,771,273</b>	<b>\$ 15,000,000</b>

GENERAL FUND FY2033	
Pension Approp	\$ 15,000,000
OPEB Incr	\$ 40,000,000
NPS Incr = 3.5% +	\$ 5,500,000

<b>OPERATIONS BOOSTER STABILIZATION FUND</b>										
BEGINNING BALANCE	\$ 26,013,000	\$ 26,988,488	\$ 27,387,243	\$ 26,776,024	\$ 25,179,917	\$ 22,612,816	\$ 18,949,881	\$ 14,054,561	\$ 7,777,629	\$ -
LESS: CONTRIBUTION TO PENSION FUNDING	\$ -	\$ (659,887)	\$ (1,396,320)	\$ (2,216,003)	\$ (3,126,160)	\$ (4,134,583)	\$ (5,249,667)	\$ (6,480,456)	\$ (7,836,694)	\$ -
PLUS: INTEREST EARNED	\$ 975,488	\$ 1,058,642	\$ 785,101	\$ 619,896	\$ 559,059	\$ 471,649	\$ 354,347	\$ 203,525	\$ 16,203	\$ -
<b>BOOSTER FUND ENDING BALANCE</b>	<b>\$ 26,988,488</b>	<b>\$ 27,387,243</b>	<b>\$ 26,776,024</b>	<b>\$ 25,179,917</b>	<b>\$ 22,612,816</b>	<b>\$ 18,949,881</b>	<b>\$ 14,054,561</b>	<b>\$ 7,777,629</b>	<b>\$ (42,861)</b>	<b>\$ -</b>

<b>GENERAL FUND BOOST FROM PENSION APPROPRIATION SAVINGS</b>										
TOTAL GENERAL FUND BOOST	\$ -	\$ 659,887	\$ 1,396,320	\$ 2,216,003	\$ 3,126,160	\$ 4,134,583	\$ 5,249,667	\$ 6,480,456	\$ 7,836,694	\$ -
NPS BUDGET BOOST @ 70% OF SAVINGS	\$ -	\$ 461,921	\$ 977,424	\$ 1,551,202	\$ 2,188,312	\$ 2,894,208	\$ 3,674,767	\$ 4,536,320	\$ 5,485,685	\$ -
REDUCTION OF OVERALL FORECASTED GAP	\$ -	\$ 197,966	\$ 418,896	\$ 664,801	\$ 937,848	\$ 1,240,375	\$ 1,574,900	\$ 1,944,137	\$ 2,351,008	\$ -

## 1.0 Introduction to the Long-Range Financial Plan

### 1.1 Purpose of Long-Range Planning

The City of Newton Long-Range Financial Strategy and FY2025-FY2029 Five-Year Financial Forecast is designed to help City decision makers make informed budgetary and operational decisions in the short term by anticipating long term future revenues and expenditures. The forecasting process also allows us to highlight and consider the City's financial strengths and challenges as well as potential risks, opportunities, and uncertainties.

By developing a forecast of revenues and expenditures under known conditions and budgeting appropriately for the unknowns, we move forward more thoughtfully with strategies for providing consistent and appropriate levels of service to our residents, educating our children well, compensating our employees fairly, investing sufficiently in roads, buildings and other capital assets, addressing long-term obligations, and developing sustainable budgets for the next year, the coming five years and over the long-term.

We need a sound financial forecast in order to be financially healthy and to spend wisely so we can achieve our overarching goals of:

- Ensuring academic excellence and educational equity
- Keeping Newton safe
- Making Newton more “all age” friendly with a focus on seniors
- Improving streets, sidewalks, and mobility & public buildings and infrastructure
- Preserving neighborhoods, increasing affordable housing, and diversifying housing options
- Promoting vibrant, walkable and financially robust village centers & commercial corridors
- Addressing climate change and sustaining our environment
- Protecting woods and open spaces & caring for our parks and recreation spaces
- Fostering art, culture & community life
- Facilitating a healthy, accessible and supportive Newton
- Providing excellent and responsive City services
- Meeting COVID-19 needs

### 1.2 Philosophy

The Fuller Administration is committed to a balanced and sustainable budget. While each annual budget must be balanced by state law, beyond that, we believe deeply in avoiding a sudden need to cut services and expenses, which often translates into layoffs as personnel costs are such a large percentage of our budget.

Therefore, to ensure a balanced budget, we consciously project revenues conservatively (i.e., we are extremely careful not to overestimate revenues). As per our Financial Management Guidelines (found in Appendix III), General Fund revenue financial forecast estimates are expected to capture 99% of total expected revenue for the year. We project expenditures in full (i.e., we are extremely careful not to underestimate costs). General Fund expenditure financial forecast estimates are expected to address not less than 100% of projected operating requirements of the various departments for the next fiscal year.

Throughout the past decade, the City has focused on developing conservative financial forecasts, improving financial reserves, reducing the utilization of non-recurring funding sources to balance the annual budget, making appropriate investments in the City's capital infrastructure, and funding aggressively our significant liabilities for retiree benefits.

The City had been moving methodically toward implementing expenditure budgets sufficient to address not less than 100% of projected operating requirements of the various departments. Although we have made significant progress in this endeavor, much remains to be done. While the FY2024 municipal budget continues to be impacted by the financial ramifications of COVID-19, the \$500 million in revenues reflect the decision we made to utilize \$2.0 million of the City's ARPA funding to augment our projected revenue so that we may continue our commitment to the funding necessary for NPS to deliver welcoming, inclusive, equitable, challenging, and engaging learning environments to our school children, provide for unparalleled public safety, support the vulnerable, and improve both our hardscape and softscape infrastructure while we reopen, recover, and rebuild.

We have given much attention over many years to the City's significant long-term retirement liabilities. As of January 1, 2023, the Newton Contributory Retirement System (the technical title of our pension system) actuarial value of assets totals \$500 million reflecting a funded percentage of 61.93%. Conversely, the unfunded actuarial accrued liability on the actuarial value of assets totals \$307 million, or 38.07%. As the City continues to implement its long-term strategy as well as the use of the Operations Booster Stabilization Fund for addressing these liabilities and moves closer to projected full funding in FY2032, the Retirement Board with our support has updated several assumptions to take a more conservative, realistic approach.

We continue to need significant additional investments in many buildings, including schools, parks and recreation facilities, the Senior Center, City Hall and the Library. We need to invest more in maintenance, including our roads, playgrounds, fields, and trees. We have not yet fully incorporated the entire likely costs of snow & ice removal or complete streets repairs into the operating budget. In each of these areas, we are committed to increasing the funding gradually in each fiscal year budget in line with the economy's recovery.

### 1.3 Methodology

The Long-Range Financial Forecast projects out ten years from Fiscal Year 2025 to Fiscal Year 2034. The next ten years are pivotal because of the critical need and important decision to fund fully the City's significant pension liability by FY2032 and then continue by using a significant portion of those monies to fund the City's retiree health care or OPEB liabilities through the 2030s and into the mid-2040s.

We built the forecast by first looking at revenue projections. The first key assumption is that real and personal property taxes will increase by 2.5% annually as allowed under Proposition 2 ½. The second key assumption involves our projected additional tax revenues resulting from new growth and redevelopment.

We carefully look at historical averages combined with current building permit activity to develop our assumed growth rate for new growth and redevelopment. History has shown us that although the 20-year average increase in City revenues from new growth and redevelopment approximates 1.46%, and the 10-year average increase has been a very robust 1.66%, slower economic times and high interest rates can result in additional tax revenues from new growth and redevelopment as low as only 1.0%.

We are currently experiencing an economic climate of rising interest rates coupled with rising construction costs. These trends have not only had a negative impact on our revenues from "New Growth and Redevelopment" as well as projected expenditures from higher construction and debt service costs on our building projects. This year (FY2024) we expect to recognize the lowest growth rate from New Growth and Redevelopment (1.33%) that we have seen in more than a decade. Therefore, we have taken a conservative approach as we developed our revenue forecast. We have assumed a 1.20% growth rate in FY2025, 1.25% FY2025 through FY2026, and 1.30% in FY2027 through FY2034. This significantly impacts our forecast of revenues, and thus, the amount that we can appropriately spend.

Funding the Newton Public Schools is extraordinarily important as supporting our children and their education is a bedrock value. Moreover, the Newton Public Schools is by far our largest department and expenditure line item. Although enrollments have declined and are expected to continue to do so based on projected demographic trends, we recognize that our students of all ages have been negatively impacted by the coronavirus pandemic and must be supported. This forecast has been developed with the goal of appropriating not less than a 3.50% increase to the NPS FY2025 – FY2034 Budgets, in addition to the requested funding provided by the Operations Booster Stabilization Fund which provides an additional 20 basis points, raising the appropriation to approximately 3.7%. This funding strategy will provide an additional \$462K to NPS in FY2025, which will grow to an additional \$5.485M by FY2032.

This forecast also has been developed with the goal of appropriating not less than a 3.45% increase to the FY2025–FY2034 Municipal Department Budgets. Because municipal services absorbed a much greater financial impact in the FY2021 Budget cuts stemming from the COVID uncertainties, there are some municipal accounts that need to increase to maintain our City’s sustainability. Reserves for costs associated with the removal of Snow & Ice, increased costs for the disposal of Solid Waste and Recyclables, and provisions to maintain a Rainy-Day Stabilization Fund equal to 5% of the total budget are just a few areas that must continue to increase each year until we fund 100% of the projected costs in the General Fund rather than relying on Free Cash.

Funding our long-term liabilities (Pensions and OPEB) must remain a priority for the City, and therefore, this forecast assumes increasing the Pension appropriation by 6.6% annually (5.0% from the General Fund and 1.6% from the Operations Booster Stabilization Fund), in line with the funding schedule approved by the Newton Contributory Retirement System Board of Trustees, as well as providing increases in the percentage appropriated for OPEB, especially starting in FY2033.

Further, this forecast recognizes the importance of investment in our capital infrastructure and is predicated on the assumption that we will move forward with our major building projects, the Gath Pool, NewCAL, Lincoln-Eliot, and Horace-Mann projects. Countryside and Franklin also move forward with the funding approved for the debt exclusion overrides. High interest rates combined with rising construction costs may necessitate an extended schedule on these projects, but we can assure the community that these projects will move forward and remain a very high priority for the Fuller Administration.

We will review this plan each year to determine if our financial resources will permit us to sustain or, conversely, force us to adjust these goals.

Even with the many financial strategies that we have deployed since last fall, this forecast shows a deficit beginning in FY2025 of \$1.0 million increasing to almost \$20 million in FY2032. A deficit of this magnitude has been included in Newton’s Long-Range Financial Plan for more than a decade. We acknowledge this gap. The size of the gap is manageable.

We will continue to manage our annual budgets and long-term commitments to personnel costs, debt service and new initiatives carefully. We will always have a balanced budget that ensures the financial health of the City. Revenues may be higher than expected throughout the next decade. Costs may be lower. Managers continuously look for ways to generate savings by delivering services more efficiently. They also consider new initiatives and propose reallocation of funds and/or modifications of service levels or the schedule for delivery. We also know that expected or unexpected cost increases may occur, also requiring cost reductions in other parts of the budget.

We keep top of mind the impact of tax increases on our residents and property owners, so we do not unduly burden our taxpayers and make Newton a community that is unattractive in which to live or work.

## 2.0 Background Information

### 2.1 The City of Newton

Settled in 1639, Newton incorporated itself as a City 234 years later in 1873. The City is located seven miles west of downtown Boston. It is bordered by the West Roxbury section of Boston on the southeast, the Town of Needham on the southwest, the Towns of Wellesley and Weston on the west, the City of Waltham and Town of Weston on the north; and the Town of Brookline and the Allston-Brighton sections of Boston on the east.

The City has a population of 88,923 (2020) and occupies a land area of 18.33 square miles. The City is principally suburban-residential in character. Unlike many communities that are established around a single Main Street or downtown, Newton is comprised of thirteen distinctive villages – Auburndale; Chestnut Hill; Newton Centre; Newton Corner; Newton Highlands; Newton Lower Falls; Newton Upper Falls; Newtonville; Nonantum; Oak Hill; Thompsonville; Waban; and West Newton. We pride ourselves on being known as “The Garden City” and open space comprises 21% of the City’s total land area, of which 62% is publicly owned.

Newton is a desirable community in which to live, work and raise a family. We have an excellent public school system; safe and attractive neighborhoods; an active community life; multiple transportation systems, including 7 MBTA green line and 3 commuter rail stations; proximity to Boston; and a well-managed City government.

The City provides a complete range of services to our residents. This includes education, public safety, public works, curbside trash and recycling, and recreation, library, cultural, and health & human services. The Massachusetts Water Resources Authority provides public water supply and sewage treatment services and the City operates water, sewer and stormwater systems.

To provide this complete range of services, the City is served by approximately 3,000 employees: approximately 2,000 in the Newton Public Schools and close to 1,000 in our “Municipal” departments. Many of Newton’s employees have dedicated their lives to municipal service -- educating our children, plowing roadways in dangerous conditions, and putting their lives on the line while serving in our Police and Fire Departments.

The Newton Public Schools (NPS) are among the best in the Commonwealth. Excellent schools are a critical city service and serve as the cornerstone of Newton’s success. Our educators focus on achieving our goals of academic excellence, educational equity, and social and emotional well-being. Our educators work diligently to meet the needs – educational, social and emotional, extracurricular – of every student in our diverse community. NPS focuses on challenging our students while providing a safe, supportive, and inclusive learning environment.

Newton is also home to a several private secondary and post-secondary schools which contribute to the fabric of Newton. Our major colleges/universities include Boston College, Lasell University, William James College, Hebrew College and UMass Amherst – Mount Ida. Their combined student enrollment is approximately 17,000 students.

Newton is a very “safe” city. The City has a fully accredited Newton Police Department and is one of the reasons we have been ranked one of the safest cities in America several times. Newton’s Fire Department, one of only eight “Class 1” Fire Departments in the Commonwealth as rated by the Insurance Service Office (ISO), has fully trained EMT’s on all apparatus and a highly specialized Technical Rescue Vehicle and Team.

The Department of Public Works maintains over 300 miles of public streets, sidewalks, water mains, sewer lines and storm water drains, collects and disposes of more than 17,600 tons of municipal solid waste and 8,900 tons of recyclable materials annually, and plows or treats the City’s roadways during an average of 26 snow and ice events each winter season.



Home to the outstanding Newton Free Library, often the busiest single library building in the Commonwealth, the City also provides many recreational opportunities for residents of all ages. Through our Parks, Recreation, and Culture Department, Senior Services, Newton Public Schools and Community Education Program, we offer camps, sports clinics, after school programs, swim facilities, senior trips and activities, and one of the largest therapeutic recreation programs in the state. The City maintains approximately 1,200 acres of parkland, playgrounds, school grounds, and burial grounds, as well as extensive municipal grounds and recreation buildings. Newton also has a special City history museum that served as a stop on the Underground Railroad.

## 2.2 Demographic Profile

Newton's overall population has grown in the last 20 years, from 83,826 in 2000 to 88,923 residents today.<sup>1</sup> Simultaneously, the number of households has decreased slightly, from 31,201 in 2000 to 30,657 households. Newton's peak population occurred in the 1960s at 92,384 residents. Approximately 72% of all households in Newton are families – defined as households with two or more people related by blood, marriage, adoption, or other operation of law. Close to half of these family households have children under 18.<sup>2</sup>

Recent data indicates that the population of older adults continues to grow in Newton. According to the city's 2016 Housing Strategy, between 2000 and 2013 Newton saw substantial growth in households with a head of household who is 45 years to 64 years of age, which was generally consistent with the data at the surrounding regional and state levels. In 2013, heads of household between 45 and 64 years comprised 41.7% of the households in the city.<sup>3</sup> Current data shows that households headed by people age 65 and older constitutes 31% of all Newton households. Of the city's total population, approximately 28% are 19 years old or younger; 28% are 20 to 44 years old; 21% are 45 to 59 years old; 16% are 60 to 74 years old; and approximately 8% are 75 years and older.<sup>4</sup>

The number of school-age children in Newton has fluctuated throughout the decades. During the 1979-1980 school year, there were 15,195 total school-age children (K-12) living in Newton, including both public and private school students. During the 1999-2000 school year, that number dropped to 13,638.<sup>5</sup> The number increased by the 2019-2020 school year, with a total of 15,510 school-age children living in Newton, approximately 17.5% of the total Newton population.<sup>6</sup>

Prior to COVID-19, the Newton Public Schools saw not just a leveling of the growth trend in enrollment of the prior decade but actual declines. While a decline in enrollment was projected for the 2020-2021 school year, the actual decline in enrollment was much larger than anticipated (-683), likely due to the COVID-19 pandemic. Enrollment numbers for the 2021-2022 school year continued to decline (-113 students) and an additional decline (-102 students) from 2022-2023. NPS is projecting a further reduction (-444) for the 2023-2024 school year. The enrollment information for 2023-2024 will be presented in late October 2023. NPS anticipates that there will be 1300 fewer students in our classrooms in October 2023 as compared to October 2019, which equates to a reduction of more than 10% over the past four years.

Based on an enrollment projection made just prior to the first week of school in September 2023, NPS will serve close to 11,300 students in our fifteen elementary schools, four middle schools, two high schools, and two alternative high school programs for the 2023-2024 school year. In addition, NPS will serve approximately 180 additional students in the Newton Early Childhood Program. (Enrollment is based on preliminary enrollment for the

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<sup>1</sup> U.S. Census Bureau, 2020 Census of Population and Housing

<sup>2</sup> U.S. Census Bureau, American Community Survey 2019 5-Year Estimates

<sup>3</sup> Housing Needs Analysis and Strategic Recommendations, City of Newton, MA, June 2016, Chapter 1, Demographic Trends, RKG Associates

<sup>4</sup> U.S. Census Bureau, American Community Survey 2019 5-Year Estimates

<sup>5</sup> Newton Public Schools, "NPS Enrollment Analysis Report, December 2019"

<sup>6</sup> Newton Public Schools

first week of school in September 2023; finalized numbers will be provided in the December 2023 NPS Enrollment Analysis Report.)

Enrollment numbers continue to be closely monitored. This includes analyzing demographic trends (e.g., birth rates and the age of adults living in Newton) as well as known and potential changes in the number and type of housing units in Newton so NPS has the appropriate amount of teachers, staff and space to educate all our students. Updated projections for the next five years will be provided in early December 2023 and will incorporate additional housing anticipated through special or comprehensive (40B) permits granted and approved building permits.

While racial and ethnic diversity has continued to increase in Newton, the City's 88,923 residents are still predominantly White (71%), while 16.5% identify as Asian, 3% as Black or African American and 5% as Hispanic or Latino.<sup>7</sup> Approximately 26% of the City's population today speaks a language other than English at home, of which 30% do not speak English very well. Based on data provided by the U.S. Department of Housing & Urban Development's (HUD) Office of Community Planning and Development (CPD), a majority of Asian households reside in the Auburndale, Newton Highlands, and Newton Upper Falls/Oak Hill villages (Census Tracts 3747, 3741, 3740, and 3738). Approximately 18-24% of the households in each of these four census tracts identified are Asian. In addition, the majority of Black / African American households in the City of Newton live in the Newton Corner, Newton Upper Falls/Oak Hill, Nonantum, and West Newton villages (Census Tracts 3731, 3733, 3745, and 3740). Approximately 5-8% of households in these four census tracts identified are Black / African American.<sup>8</sup>

In 1980, nearly 95% of the City's population was non-Hispanic white and 2% of the population was Asian. According to the city's 2016 Housing Strategy, in the year 2000 approximately 12% of Newton's population was non-white. Most of the city's minority population growth has occurred among Asians; however, the Latino population is also growing in Newton. In 2000, the Latino population constituted just over 2% of the city's population, and in 2013 it comprised 4.6%, which was below the statewide average of 9.9% that year. While growth rates indicate that Newton is becoming more racially and ethnically diverse, the minority population percent is below the surrounding Greater Boston region, particularly those communities with lower costs of living and more diverse, affordable housing options.<sup>9</sup>

Newton has a significant number of wealthy residents, with a median household income across the city of \$151,068. At the same time, approximately 17% of Newton's households have an annual income of less than \$50,000. By comparison, the median household income in Massachusetts is \$81,215.<sup>10</sup> The City of Newton does not have any racially and ethnically concentrated areas of poverty (where a census tract by definition must have a non-white population of 50% or more, and 40% or more of the population is living at or below the poverty line). HUD data indicates that Newton has one census tract (#3741, in Newton Upper Falls) with a disproportionate percentage of non-white households living in poverty compared to non-Hispanic white counterparts. Of the households living in census tract 3741, 23% are Asian and 11% of those are living at or below the poverty line.<sup>11</sup>

*The above data comes from the U.S. Census Bureau American Community Survey 2019 5-Year Estimates, unless otherwise specified.*

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<sup>7</sup> U.S. Census Bureau, 2020 Census of Population and Housing

<sup>8</sup> City of Newton and WestMetro HOME Consortium FY21-25 Consolidated Plan, July 2020.

<sup>9</sup> Housing Needs Analysis and Strategic Recommendations, City of Newton, MA, June 2016, Chapter 1, Demographic Trends, RKG Associates

<sup>10</sup> U.S. Census Bureau, American Community Survey 2019 5-Year Estimates

<sup>11</sup> U.S. Census Bureau American Community Survey 2019 5-Year Estimates

## 2.3 Economic Profile

In 2022, approximately 3,366 private, public, and nonprofit enterprises were operating in Newton. The city's employment base is defined by a plurality of 538 healthcare and social assistance firms (NAICS 62), including offices of physicians, therapists, mental health practitioners, and other family services. Other top industry sectors (with 296 firms) include the offices of attorneys, real estate agents, and investment managers (NAICS 54, 53, and 52)<sup>12</sup>.

Commercial uses occupy 4.1% of the City's land area. Nearly 24% of commercial land parcels are office uses; 21% are small retail uses; and 6% are storage or warehouse uses. Only 1.1% of the City's land area is industrial.

The pandemic also had a widespread and damaging impact on Newton businesses, particularly in the restaurant, retail, hotel and service industries.

## 2.4 Financial Health

Moody's Investors Service evaluated the City's financial health in January 2023 and reaffirmed its highest rating of Aaa. As a result of strong financial practices, Newton was well-positioned to weather the adverse economic effects of the Coronavirus Pandemic. Moody's commented on Newton's sizeable, wealthy, and diverse tax base and Newton's favorable location and institutional presence; our formal financial policies and conservative, multi-year budgeting approach; and our strong fiscal management.

Moody's noted, however, that the City has limited ability to raise property taxes under Proposition 2 ½ and has large long-term liabilities for pensions and retiree health care (also known as OPEB).

Moody's projected continued financial stability for the City due to our conservative budget forecasting, adherence to comprehensive financial and debt policies, and the strength of both the Newton and regional economies. It cautioned the City to avoid a multi-year trend in declining available General Fund balances, increased reliance on Free Cash appropriations to balance our operating budget, a material increase in our debt burden, and advised on the need to reduce our unfunded pension liability.

The City is not immune to the economic challenges and reduced revenue in areas brought on by the pandemic. Due to our comprehensive and conservative financial management practices, we were able to act swiftly to control our expenditures and adjust revenue expectations so as to maintain our financial strength in FY2020, through the present.

Newton's residents and businesses had been hurt significantly from the screeching halt in the economy from COVID-19. Newton's residents, though, were relatively less hurt compared to the state overall. Newton's unemployment rate is down from a high of 11.2% in July 2020 which compared to a 2% unemployment rate for August 2019. Currently for the month of June 2023 Newton had an unemployment rate of 2.5% compared to the State's unemployment rate of 2.6%, and the national rate of 3.5% according to the Department of Labor Statistics. .

## 3.0 Revenue Forecast: Key Drivers and Assumptions

### 3.1 Property Tax Revenues

The City of Newton has benefited from both strong residential and strong commercial sectors for much of its history. Its proximity to Boston, excellent public schools, and its commitment to culture and community life have all been contributing factors. Average home property values have grown to more than \$1.4 million and our village centers

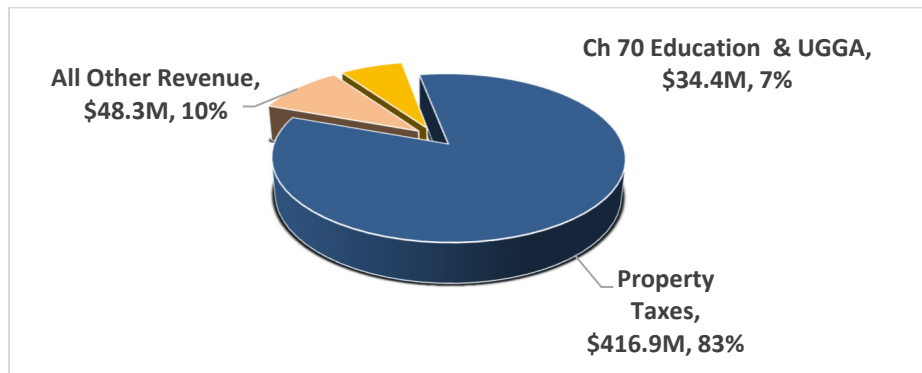
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<sup>12</sup> The U.S. Business Database, Data Axle Reference Solutions. Retrieved August 24, 2022, from <https://www.referenceusa.com/>

and commercial sectors have largely recovered following the pandemic.

Property taxes account for 83% of the City's total operating revenue. FY2024 budgeted property tax revenue is estimated to total \$416.9 million. This includes the 2.5% increase over last year (in line with Proposition 2 ½) as well as a projection of approximately \$5.0 million from "new growth and redevelopment".

Fiscal Year 2024 Budget – Property Taxes = \$416.9M



Projecting the amount of new growth is perhaps the single most important assumption in the Financial Forecast. Property tax revenue from new growth and redevelopment has averaged 1.46% of the property tax levy limit (the total allowable property tax calculated by the state) over the past twenty years and has averaged a very robust 1.66% over the past ten years. The increase in property tax revenues from "New Growth and Redevelopment" has significantly helped the City accomplish many of its goals. Sustaining these very positive historical trends may be challenging in these very uncertain times.

As mentioned earlier, we are currently experiencing an economic climate of rising interest rates coupled with rising construction costs. These trends have had a negative impact on construction costs and debt service costs for our homeowners and property developers and will consequently impact our revenues deriving from "New Growth and Redevelopment" over the next several years. Therefore, we have taken a conservative approach as we developed our revenue forecast. We have assumed a 1.20% growth rate in FY2025, 1.25% FY2026 through FY2027, and 1.30% in FY2028 through FY2034. This significantly impacts our forecast of revenues, and thus, the amount that we can appropriately spend.

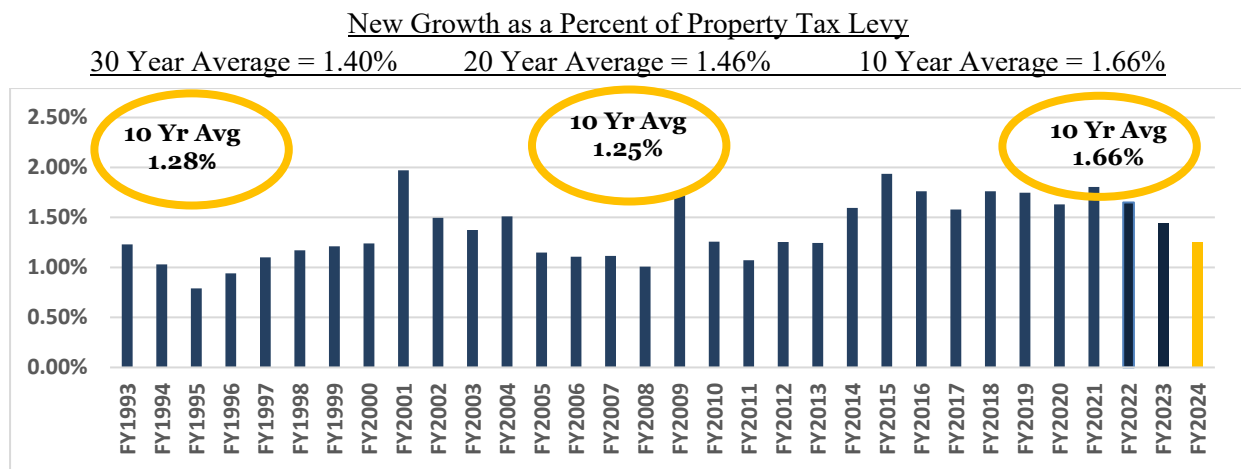
In the residential sector, renovations as well as demolitions followed by construction of a new home, add to the property tax base. Although these changes generate additional tax revenue, they can simultaneously significantly impact the character of our neighborhoods and make it increasingly difficult to find an affordable home in Newton.

Mayor Fuller is committed to supporting the business and non-profit community in Newton, preserving and improving the economic health and vitality of Newton's village centers and commercial areas, and continuing to expand the City's property tax base from new growth and redevelopment, where appropriate. Toward that end, significant projects such as the West Newton Square and the Newtonville Walnut Street complete streets improvement projects were specifically designed to enhance the village character and experience by shoppers and diners by providing a safer, more walkable and bikeable, and more aesthetic environment to be complemented by improved lighting and the addition of street trees and sidewalk furniture. Those projects are now complete and are beginning to have a real impact on the vitality of each of those village centers. A significant investment in Pettee Square in the heart of the Upper Falls village will be under construction soon and a complete streets renovation of Needham Street by the State is underway. The Administration is now turning its sights on the Washington Street Pilot Program and the Newton Highlands Village Center.

### 3.2 Revenue from “New Growth & Redevelopment” - Financial Modelling Techniques

As is true with any long-range financial plan, there will always be unexpected events and adjustments to be made. Never has this statement been truer than in the time since March 2020 as the City of Newton, the Commonwealth of Massachusetts, the United States of America, and the entire world grapple with the public health, social, emotional, educational, and economic effects of the coronavirus pandemic. The challenge and the responsibility is to prepare for exigencies and have a financial and management strategy in place to deal with them.

Revenue from “New Growth and Redevelopment” is perhaps the leading predictor of the City’s ability to implement this long-range plan. The City of Newton had been enjoying a period of unprecedented sustained new growth experiencing, as a percent of the levy limit, more than 1.5% increases annually for each of the previous eight years prior to the pandemic. In past years, we have always recognized that the economy is cyclical; however, in the pandemic, the economy closed with virtually no warning, devastating several industries and hurting many more.



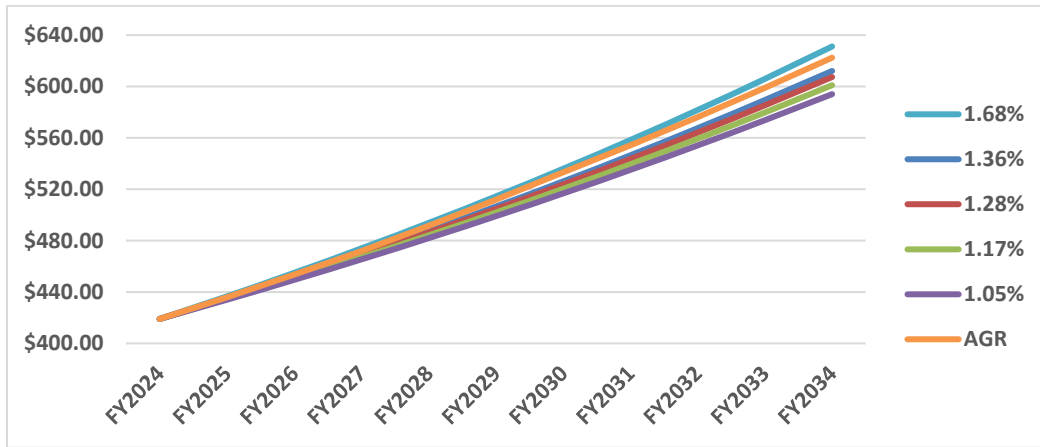
Revenue from new growth and redevelopment has averaged 1.46% over the past 20 years. Although we can “model” averages, each year fluctuates based on the economy, time frame of large developments and other factors. The most recent 10 years, FY2015 through FY2024, generated a 10-year average of 1.66% annual increase in property tax revenue from new growth and redevelopment. The prior 10-year period, FY2005 through FY2014 (including the years of the “great recession”), generated a 10-year average of 1.25% annual increase in property tax revenue from new growth and redevelopment. The “worst” 10 years (FY1991 – FY2000) generated a 10-year average of only 1.05%.

To prepare this strategic long-range forecast, we have not only utilized this very important data to create several different scenarios to develop a sensitivity analysis for our long-term revenue projections, but importantly have looked at the most recent years. As is clear from the chart above, we have seen a four-year decline in the rate of “New Grow and Redevelopment” from as high as 1.80% in FY2021 to as low as 1.33% in FY2024.

Using these different scenarios, we have modeled a range of revenue expectations.

As the chart below indicates, there is as much as a \$37 million swing a decade from now in FY2034 Revenue between the worst 10-year period average of new growth (1.05%) and the best 10-year average (1.68%). A crucial component in the development of the revenue projections in this financial forecast was the desire to avoid under-forecasting revenues, thereby causing under-investments in crucial services and personnel such as in education. Conversely, over-forecasting revenues can lead to a financial cliff with layoffs and service cuts. It is for this very reason that we prepare annual forecasts that reflect a modest “gap” between revenues and expenditures.

Total Revenue through FY2034  
New Growth & Redevelopment Ratios: 1.05% - 1.68%  
(\$ Millions)



In addition to the assumption of a 2.5% annual property tax increase as allowed under Proposition 2 ½, we have adjusted our assumed new growth rate (AGR) from a year ago in light of the current economic climate and conditions which we expect may persist for several years.

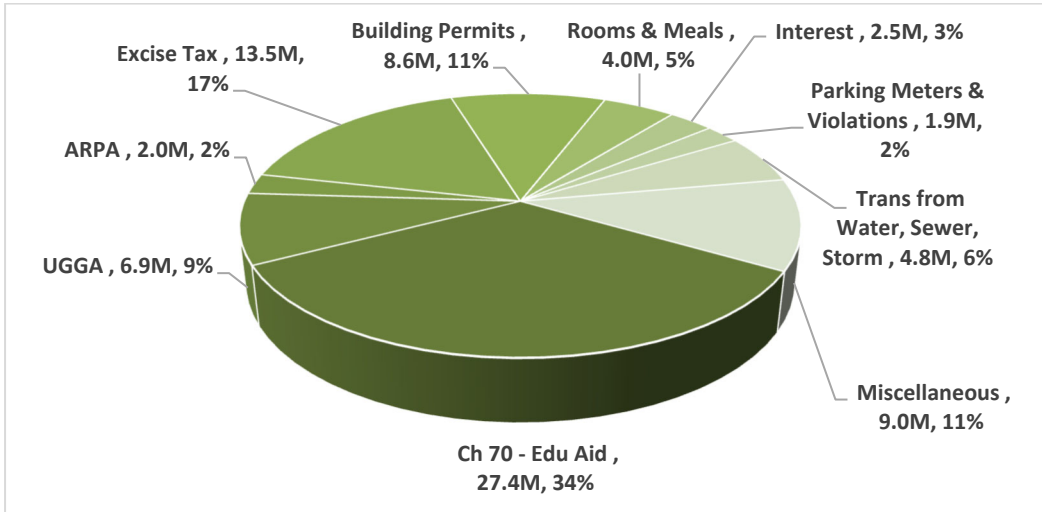
Therefore, our projections for new growth are as follows: FY25 1.20%, FY26-FY27 1.25%, FY28 – FY34 1.30%. These assumptions are based on the expected new tax revenues resulting from projects that are moving forward in the City, which are permitted, and a projection of redevelopment throughout the City in line with economic conditions. History has shown us that the 20-year average increase in revenues from new growth and redevelopment approximates 1.4%; however, it has also shown us that we could have a 10-year period that only slightly exceeds 1.0%.

**3.3 Non-Property Tax Revenues**

Non-property tax revenues account for 16% of the City of Newton’s FY2024 revenues and have been a declining portion of the City’s revenue base.

A few non-property tax revenue sources are particularly noteworthy: State Aid, Building Permitting Fees, Motor Vehicle Excise Taxes, Interest Income, Meals and Hotel Room Taxes, and Parking Meter and Parking Violations Receipts. It should be recognized that the City utilized \$4.6 million of ARPA funding to supplement the FY2022 general fund, \$3.0 million for FY2023, and \$2.0 million for FY2024, as key non-property tax revenues had not yet fully recovered. We consciously tapered the use of one-time ARPA funds to support ongoing services and expect to not use any in FY2025.

Fiscal Year 2024 – All Other Revenues - \$80.6M



State and Federal Funding

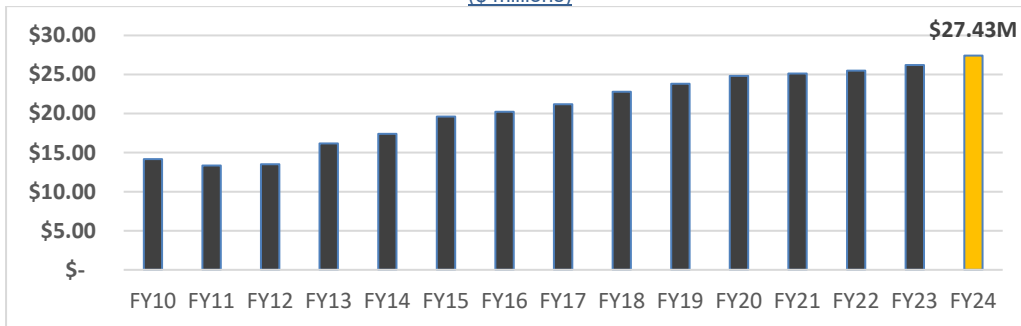
The most significant non-property tax revenue sources for the City of Newton are two funding sources from the Commonwealth – Chapter 70 State Education Aid and Unrestricted General Government Aid.

State Education Aid (Chapter 70) and State Unrestricted General Government Aid (UGGA)

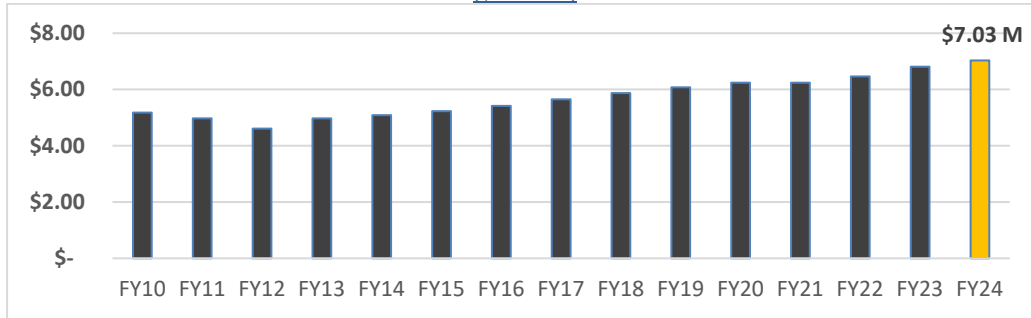
The Commonwealth of Massachusetts adopted the Student Opportunity Act on November 26, 2019, the most significant statewide update to the education funding formula since its inception in 1993. The bill, passed before COVID-19, is intended to infuse additional funding into the state’s education aid beginning in FY2020 growing to \$1.5 billion increase by FY2026. This act was also intended to increase funding to districts for transportation, school construction and renovation, and special education.

The bulk of the new funding has been directed to school districts with the highest concentrations of low-income students, thereby aiming to address achievement gaps and to provide opportunity for all students in the Commonwealth. The FY2024 Final State Budget reflects allocations for the City of Newton of \$27,433,806 in Chapter 70 State Education Aid, an increase of \$1,221,280 or 4.7%, over the final approved FY2023 grant, and \$7,025,359 in FY2024 UGGA, an increase of \$217,841 or 3.2%.

FY2024 Chapter 70 State Education Aid  
Final Budget Increase of \$1.22M (4.7%)  
 (\$ millions)



**FY2024 Unrestricted General State Aid (UGGA)**  
**Final Budget Increase of \$217.8K (3.2%)**  
(\$ millions)



In addition to Chapter 70 State Education Aid and Unrestricted Government General Aid, the two largest sources of state aid, the City of Newton typically receives substantial additional funding from a myriad of state agencies that also should be considered when discussing state aid.

Key areas of additional state funding to the City of Newton are as follows:

**Annual State Funds in FY2024**

School – Special Education Circuit Breaker Funds	\$5,500,000
School – METCO Program	\$2,500,000
Chapter 90 – Highway Improvement Fund	\$2,300,000
Green Communities Competitive Grant	\$ 100,000
Community Preservation Act (CPA) Matching Funds	\$ 713,012
Public Safety Funds	\$ 260,000
Meals & Rooms Tax Distribution	\$4,500,000
Cannabis Sales Taxes	\$ 500,000
Seniors & Veterans Assistance	\$ 625,000

**Recent One Time State Funds**

MSBA – Angier Elementary School – January 2016	\$10,000,000
MSBA – Cabot Elementary School – September 2019	\$14,000,000
MassWorks – Oak & Christina Intersection - Spring 2019	\$ 1,685,000

Additionally, the Commonwealth of Massachusetts is investing \$26 million in the reconstruction of Needham Street.

Likewise, the City benefits from several millions of dollars of federal funding on an annual basis that are crucial to many of the programs that we provide. The national economy and federal funding priorities, therefore, impact the City directly. Key areas of federal funding include:

**Annual Federal Funds**

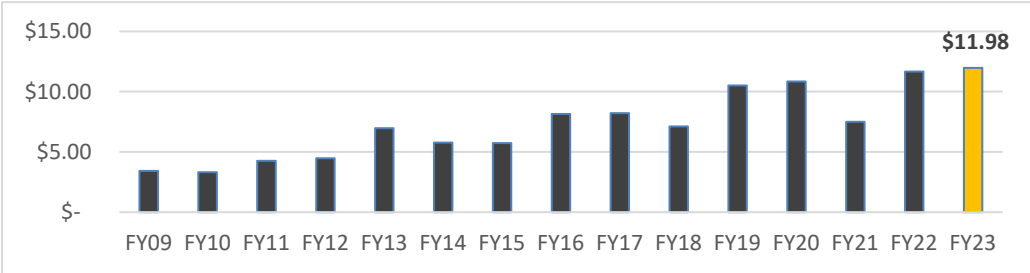
Community Development Block Grant & HOME Funds	\$2,000,000
Public Safety Funds	\$ 200,000
School – Special Education, Title I and other miscellaneous	\$4,800,000



Inspectional Services Building Licenses and Permitting Fees

Permitting and licensing activity is influenced heavily by the economy. The Northland project was approved by both the City Council in 2019 and Newton voters in 2020, and Riverside was approved by the City Council in 2020. Unfortunately, due to the pandemic and interest rate and construction cost climates, the Riverside project appears to be on hold, while the Northland project appears to be moving a slower pace than originally anticipated. Due to the current economic climate, we must be very conservative when forecasting this revenue stream. We will continue to follow this account very closely, as building permit revenues are a very important predictor of future “Revenue from New Growth and Redevelopment.”

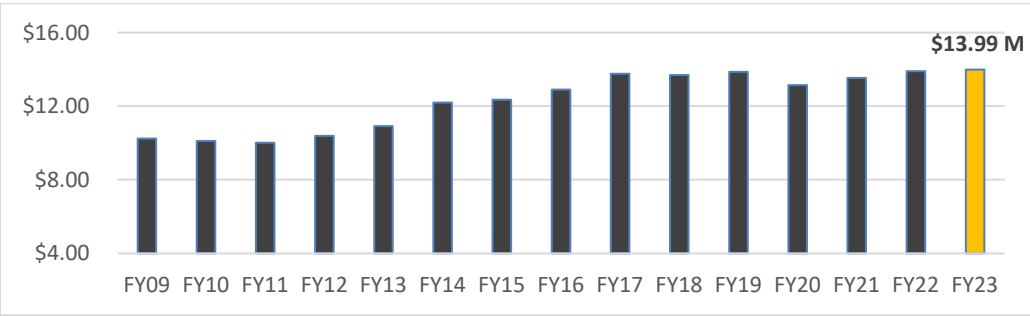
Inspectional Services  
FY2023 Actual \$11.98M  
 (\$ Millions)



Motor Vehicle Excise Taxes

Massachusetts residents who own and register a motor vehicle annually pay a motor vehicle excise tax for the privilege of road use and those tax revenues go to the treasury of the local community. The amount of excise tax levied on each motor vehicle is \$25 per one thousand dollars of valuation. Over the past decade, total excise tax revenue has fluctuated from a low of just over \$9.5 million in FY2011 (following the Great Recession) to just over \$13.9 million in both FY2022 and FY2023. Car buying has rebounded and this revenue line has surpassed its pre-pandemic peak this year.

Excise Tax  
FY2023 Actual - \$13.99M  
 (\$ Million)



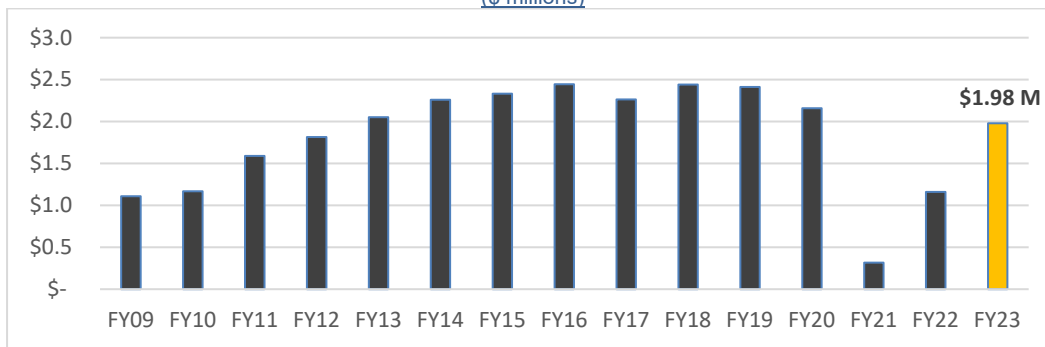
Hotel Room Occupancy Taxes

The Commonwealth of Massachusetts has a state room occupancy excise tax rate of 5.7%. In addition, a city or town may adopt a local option room occupancy tax rate of not more than 6%. The Board of Aldermen of the City of Newton voted to accept the local option on October 7, 1985. As a result of the acceptance of this local option, the City of Newton had received more than \$2 million of Hotel Rooms Tax Revenue each year since FY2013.

However, almost immediately following the onset of the Coronavirus Pandemic, the hospitality industry began to experience unprecedented cancellations of conferences, vacations, weddings, etc. As reported by NBC10 Boston July 13, 2021, the American Hotel and Lodging Association, reported that revenue per available room for Boston hotels plummeted from \$184 in May 2019 to \$61 in May 2021, a 67% drop surpassed only by the 70% decline in San Francisco.

Revenues for hotels have improved during the past year. FY2023 Hotel Room Occupancy Taxes improved to just under \$2 million, even though the City of Newton has only two rather than three hotels. The Hotel Indigo has permanently closed. Therefore, we do not expect our revenue to return to pre-pandemic levels.

Hotel Room Occupancy Taxes  
FY2023 Receipts: \$1.98M  
 (\$ millions)

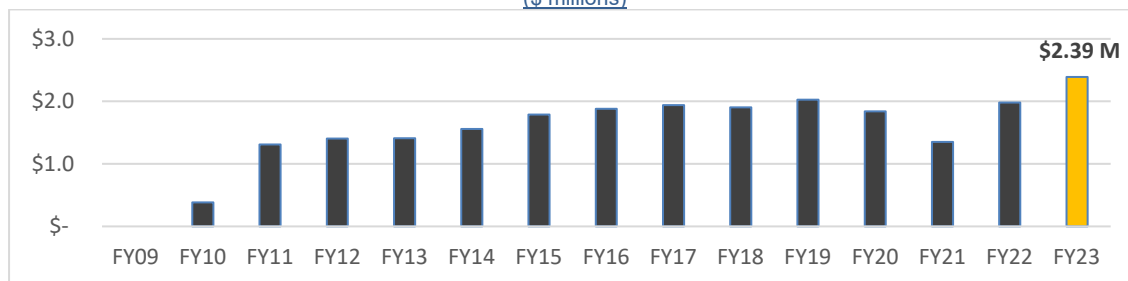


Meals Tax

The Commonwealth of Massachusetts imposes a sales tax on meals sold by or bought from restaurants or any restaurant part of a store. The tax is 6.25% of the sales price of the meal. Additionally, a local option meals tax of 0.75% may be applied by a city or town. In October 2009, the City of Newton adopted the local option effective January 1, 2010. This decision has provided the City with a steady revenue stream of approximately \$1.9 million over the past several years.

COVID-19 also hurt the restaurant industry. Approximately 3,600 or 20% of all restaurants across the Commonwealth permanently closed. Restaurants that had been able to weather this storm by providing “outdoor seating” through the summer months saw closures during the 2020/2021 winter. Fortunately, this industry has also seen an encouraging comeback with FY2023 revenues approaching \$2.4 million, significantly higher than ever before. (These increased revenues likely reflect increased costs for restaurants (e.g., staffing and food costs) and therefore are reflected in revenues as those costs are passed along to customers in the form of increased prices.)

Meals Taxes  
FY2023 Actual - \$2.39M  
 (\$ millions)



## Interest Income

Interest income earned on the City’s financial cash reserves and investments has been as low as \$200,000 during the past decade when interest rates reached a record low of 0.25 percent in December 2008. The Federal Reserve Bank raised rates through 2018 but implemented a sequence of rate decreases starting in July 2019. In late March 2020, the Fed decided in response to COVID-19 to lower the Federal Funds Rate to its historical low of 0.25 percent.

On September 22, 2021, the Federal Open Market Committee (FOMC) issued the following statement reaffirming its commitment to low rates.

*“The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation having run persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved. The Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee’s assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.”*

Since then, the world again experienced many changes which have impacted interest rates dramatically. The war in Ukraine, inflation, and the threat of recession are some of the reasons for significant tightening by the Fed.

At its most recent meeting, July 2023, the FOMC raised interest rates by another quarter of a percent to 5.25-5.50%, in support of its quest to bring down inflation to 2% and continuing rate hikes that began in March 2022.

The rapid rise in interest rates over the past sixteen months has led to unprecedented levels of revenue for the City from interest income. While most analysts expect the Fed to raise rates one more time in 2023, it is expected that rates will then begin to decline in 2024. In fact, the Federal Reserve provides projections of the median Federal Funds Rate via the St. Louis Fed. The June 2023 projection for the Median Federal Funds rates are 5.6% for 2023, 4.6% for 2024, 3.4% for 2025, and 2.5% thereafter.

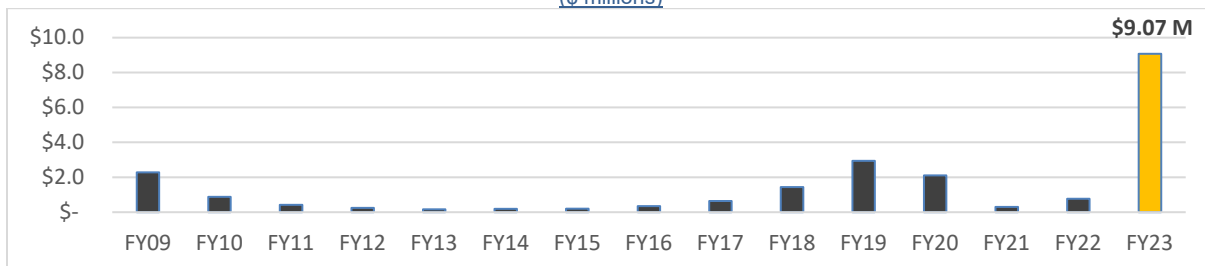
While we are currently enjoying extraordinary interest income, we must be careful not to become dependent on this revenue stream, as we can expect it to decrease almost as quickly as it has risen.

Notably, even as the City expects to see increased revenues from interest income, simultaneously we expect to experience the negative side of rising interest rates when we go out to the bond market to borrow funds for capital investments. We will make strategic decisions when to bond or when to use bond anticipation notes (BANs) to get the best rates.

### Revenue from Interest Income

FY2023 Actual - \$9.07M

(\$ millions)



### Revenue from Parking Meters & Parking Violations

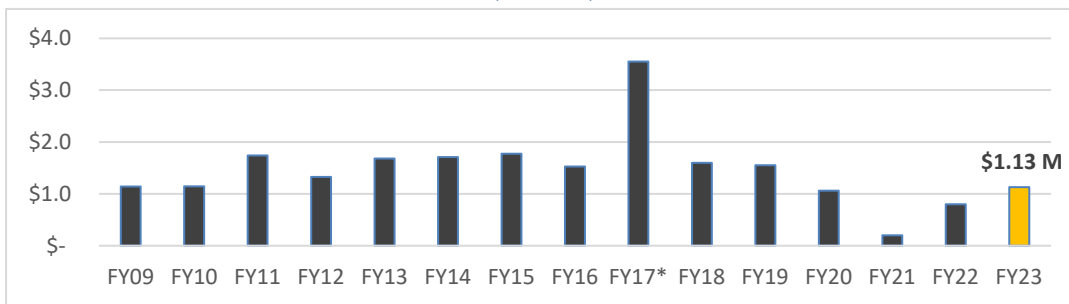
Parking meters were first installed in the 1930's in an effort to instill some order to the chaos of street parking. Charging promotes turnover to regulate the use of a scarce and valuable resource – curb space in dense areas. Many municipalities charge increased fees at popular parking places to encourage employees and longer-term patrons to park a little further away from their desired location.

The City made a conscious effort not to “enforce” our parking policies during the height of the pandemic as one of the many approaches the City took to promote our village centers and support our businesses. Additionally, we took that opportunity to install new “smart” parking meters and kiosks citywide and we are upgrading our communication system currently to make them work more effectively.

#### Revenue from Parking Meter Receipts

FY2023 Actual - \$1.13M

(\$ millions)



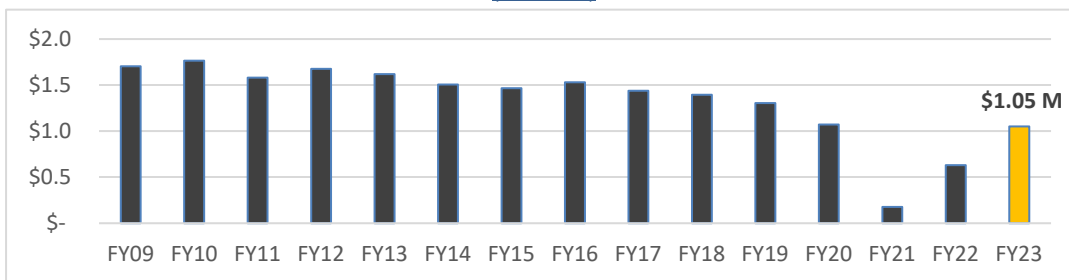
\*The Municipal Modernization Act changed the accounting procedures for recognizing the Parking Meter revenue, essentially allowing Newton to recognize two years of receipts in FY17.

Enforcement of parking policies has a direct correlation with revenues from Parking Violations.

#### Revenue from Parking Violations

FY2023 Actual - \$1.05M

(\$ millions)



### Revenue from Medical and Retail Cannabis Establishments

The City of Newton currently receives two streams of money from stores selling cannabis (a.k.a., marijuana). The City approved as a local option a three percent tax collected by the State from adult recreational sales (non-medical marijuana) that comes to the City and goes into the General Fund to support our operating budget. An additional three percent of revenues from both medical and recreational retail cannabis sales may, to repeat, may, come to us as a community impact fee if agreed to as part of a Host Community Agreement (HCA). On August 11, 2022, Governor Charlie Baker signed a comprehensive cannabis regulation law which eliminates the inclusion of community impact fees in host community agreements after the first eight years of a licensee’s operation, with the Cannabis Control Commission needing to approve each HCA annually. Furthermore, these HCA funds must be used to address the public health, safety, education, administration, infrastructure and other effects or impacts by the cannabis establishment on the City and our municipal and school programs, services, personnel, and facilities.

As this is still an emerging industry with significant uncertainty about the level of the funding stream, the Administration will be conservative in budgeting this source of revenue. Knowing that the funds may be limited to only eight years per establishment, that the local HCA funds may be eliminated entirely, and that we may see a shake-out in the number of stores and fluctuations in the level of sales, we will lean to using the funds for one-time expenditures rather than ongoing operating expenses. While we will be inclined to fund new initiatives, the funds may also be used for current ones, especially if the City is facing economic pressures, as we are this year.

We will continue to watch any legislation that deals with HCA's and will forecast this revenue stream accordingly.

### Revenue from State and Federal Opioid Settlements

Over the last several years, the Commonwealth of Massachusetts has signed onto several large opioid settlements, with municipalities sharing the funds. These payments will extend through the end of FY2039. The City has received slightly over \$446,000 in FY2023. Based on the funding schedule for subsequent payments, we expect Newton to receive an additional \$265,000 in FY2024.

The State has very strict guidelines on the use of the funds. Per the Massachusetts Attorney General's Office, the funds must not be used to supplant existing resources and must be used to implement one or more of the following strategies:

- Provide opioid use disorder treatment
- Support people in treatment and recovery
- Create connections to care
- Provide harm reduction
- Address the needs of criminal-justice-involved persons
- Support pregnant or parenting women and their families, including babies with neonatal abstinence syndrome
- Prevent misuse of opioids and implement prevention education

Newton formed a substance use coalition in October 2022 which consists of staff members from City Departments, community partners, and Newton residents. The work of the coalition focuses on youth prevention, parent support, community education, and harm reduction. The expertise and lived experience of the coalition members will help guide the city's priorities in using the funds, which include:

- Expanding treatment options for individuals with opioid use disorder;
- Increasing connections to care for individuals at risk of developing opioid use disorder;
- Enhancing support for individuals who have lost someone to substance use and/or who currently have a loved one who is using substances;
- Implementing harm reduction measures such as increased access to naloxone; and
- Providing school and community-based substance use education, programming, and resources for community members across the lifespan.

**City of Newton, Massachusetts**  
**Annual General Fund Revenues**  
**FY2024 Budget/FY2025-FY2029 Forecast**

	<u>2024 BUDGET</u>	<u>2025 FCST</u>	<u>2026 FCST</u>	<u>2027 FCST</u>	<u>2028 FCST</u>	<u>2029 FCST</u>
<b>TOTAL REVENUE</b>						
PROPERTY TAXES W/O DEBT EXCL, DEFR'D/ACCR'D, EXTRAORD PMTS	\$ (416,904,075)	\$ (431,900,063)	\$ (448,369,301)	\$ (465,374,375)	\$ (482,978,785)	\$ (501,153,155)
% ANNUAL INCREASE	3.52%	3.60%	3.81%	3.79%	3.78%	3.76%
TOTAL EXCISE PAYMENTS	\$ (13,650,000)	\$ (13,750,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)
% ANNUAL INCREASE	-2.41%	0.73%	1.09%	0.00%	0.00%	0.00%
TOTAL ROOMS, MEALS & CANNABIS SALES TAXES	\$ (4,500,000)	\$ (4,925,000)	\$ (5,023,500)	\$ (5,053,735)	\$ (5,084,272)	\$ (5,115,115)
% ANNUAL INCREASE	-10.27%	9.44%	2.00%	0.60%	0.60%	0.61%
TOTAL ISD BUILDING/MECHANICAL PERMITS	\$ (8,560,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)
% ANNUAL INCREASE	-28.57%	15.71%	0.00%	0.00%	0.00%	0.00%
TOTAL PERMITS, FEES, AND OTHER REVENUES	\$ (6,831,105)	\$ (7,070,671)	\$ (7,229,671)	\$ (6,879,671)	\$ (6,879,671)	\$ (6,879,671)
% ANNUAL INCREASE	-31.92%	3.51%	2.25%	-4.84%	0.00%	0.00%
TOTAL STATE REVENUE/CHERRY SHEET	\$ (34,562,916)	\$ (35,361,911)	\$ (36,242,834)	\$ (37,145,779)	\$ (38,071,299)	\$ (39,019,956)
% ANNUAL INCREASE	2.43%	2.31%	2.49%	2.49%	2.49%	2.49%
TOTAL INTEREST INCOME	\$ (2,500,000)	\$ (4,500,000)	\$ (3,500,000)	\$ (3,000,000)	\$ (2,500,000)	\$ (2,500,000)
% ANNUAL INCREASE	-73.72%	80.00%	-22.22%	-14.29%	-16.67%	0.00%
<b>SUBTOTAL OPERATING REVENUES</b>	<b>\$ (487,508,096)</b>	<b>\$ (507,412,645)</b>	<b>\$ (524,170,306)</b>	<b>\$ (541,258,561)</b>	<b>\$ (559,319,027)</b>	<b>\$ (578,472,898)</b>
% ANNUAL INCREASE	0.11%	4.08%	3.30%	3.26%	3.34%	3.42%
2013 DEBT EXCLUSION	\$ (3,118,903)	\$ (3,112,603)	\$ (3,099,728)	\$ (3,094,103)	\$ (3,079,253)	\$ (3,067,328)
% ANNUAL INCREASE	-3.30%	-0.20%	-0.41%	-0.18%	-0.48%	-0.39%
2023 DEBT EXCLUSION	\$ -	\$ (300,000)	\$ (1,000,000)	\$ (2,400,000)	\$ (3,500,000)	\$ (4,600,000)
% ANNUAL INCREASE	#DIV/0!	#DIV/0!	233.33%	140.00%	45.83%	31.43%
TOTAL EXTRAORDINARY PAYMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% ANNUAL INCREASE	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>SUBTOTAL REAL REVENUES</b>	<b>\$ (490,626,999)</b>	<b>\$ (510,825,248)</b>	<b>\$ (528,270,034)</b>	<b>\$ (546,752,664)</b>	<b>\$ (565,898,280)</b>	<b>\$ (586,140,226)</b>
% ANNUAL INCREASE	0.08%	4.12%	3.42%	3.50%	3.50%	3.58%
TOTAL TAX DEFERRALS/ACCRUALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% ANNUAL INCREASE	-100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL INTERFUND TRANSFERS	\$ (9,083,210)	\$ (7,142,825)	\$ (7,316,524)	\$ (7,496,302)	\$ (7,682,373)	\$ (7,874,956)
% ANNUAL INCREASE	3.74%	-21.36%	2.43%	2.46%	2.48%	2.51%
<b>TOTAL REVENUE LESS OPERATIONS BOOSTER FUND TRANSFER</b>	<b>\$ (499,710,209)</b>	<b>\$ (517,968,073)</b>	<b>\$ (535,586,558)</b>	<b>\$ (554,248,966)</b>	<b>\$ (573,580,653)</b>	<b>\$ (594,015,181)</b>
% ANNUAL INCREASE	-0.11%	3.65%	3.40%	3.48%	3.49%	3.56%
TRANSFER FROM OPERATIONS BOOSTER STABILIZATION FUND	\$ -	\$ (659,887)	\$ (1,396,000)	\$ (2,216,000)	\$ (3,126,000)	\$ (4,134,000)
<b>TOTAL REVENUE WITH ALL INTERFUND TRANSFERS</b>	<b>\$ (499,710,209)</b>	<b>\$ (518,627,960)</b>	<b>\$ (536,982,558)</b>	<b>\$ (556,464,966)</b>	<b>\$ (576,706,653)</b>	<b>\$ (598,149,181)</b>
% ANNUAL INCREASE	-0.11%	3.79%	3.54%	3.63%	3.64%	3.72%

## 4.0 General Fund Expenditures

There are several key drivers and assumptions underlying the expenditure forecast.

### Employees and Retirees

The Fuller Administration is deeply respectful of and grateful to the more than 2,000 employees of the Newton Public Schools and the more than 1,000 full- and part-time employees of the City who work so hard to help our students reach their full potential and to make Newton greater, better and more beautiful. The heart and soul of our Newton city government and our schools are the people who labor to deliver to our residents and children the services and education that make Newton such a special place to live and work. We will invest in our employees through fair salaries, good working conditions, excellent health care plans, funded pension and retiree health care plans, and training & professional development.

The cost of salaries, compensation, and benefits for active and retired NPS employees accounts for 90% of the Newton Public Schools operating expenditures while the cost of salaries, compensation, and benefits for active municipal employees account for more than 70% of the municipal operating expenditures. (Municipal retiree pensions and health benefits, and debt service are tracked separately). Consequently, the cost of personnel is the single most important cost element in our budget and has a significant impact on our forecast.

Although not anyone's preference, Collective Bargaining Agreements are not always settled until sometime after the previous contract has expired. Generally, the new contract, once it is settled, will be retroactive, with an effective date coinciding with the expiration of the prior contract. In such cases, the employees will usually receive a retroactive payment for wages that would have been earned under the terms of the newly negotiated contract. In anticipation of this, we set aside a wage reserve, recognizing that we will always reach agreement and will owe retroactive payments to our covered employees. In other words, we set aside funds in a wage reserve to pay for increases in pay so that the funds are available once a contract that has expired is settled.

When contracts are open for several years, we carry-forward the retroactive portion of the prior years' wage reserve and continue to budget a current year wage reserve that equals the projected settlement of each contract.

### STATUS OF CONTRACTS – MUNICIPAL DEPARTMENTS

#### Settled through June 30, 2021

- Newton Police Association (NPA) – 111 budgeted positions

#### Settled through June 30, 2023

- MNA – Nurses – 30 budgeted positions
- Newton Police Superior Officers Association (NPSOA) – 35 budgeted positions

#### Settled through June 30, 2024

- Teamsters – 161 budgeted positions
- AFSCME – 3092 & 3092B – City Hall Associates – 183 budgeted positions
- AFSCME – 1703 – Engineers – 13 budgeted positions
- AFSCME 2913 - Parking Control & Crossing Guards – 10 FT Parking Control Officers and 52 PT Crossing Guards budgeted
- AFSCME – 2443 – Foremen – 21 budgeted positions
- International Association of Firefighters (IAFF Local 863) – 193 budgeted positions

## STATUS OF CONTRACTS – NEWTON PUBLIC SCHOOLS

### Settled through August 31, 2023

- Newton Teachers Association (NTA) – approximately 2,225 members
- Newton Educational Secretaries Association (NESAs) – approximately 84 members
- Newton Public School Custodians Association – approximately 90 members

In addition to our unionized employees, the City employs approximately 170 municipal and 70 NPS unaffiliated, or non-unionized, staff members.

Providing municipal and educational services for all cities and towns is a labor-intensive service model. As technology, enrollment, and demographic needs change, we must be ready to change with them. We also must be ever mindful of the long-term obligations associated with increasing our numbers of employees. The Fuller Administration is committed to evaluating each and every municipal position and request for additional municipal personnel so that we do not find ourselves in a predicament where a “reduction in force” is necessary if revenue growth is slower than the growth in personnel costs.

### 4.1 Newton Public Schools

The delivery of an excellent education to our students by the Newton Public Schools (NPS) is a critically important service of the City of Newton as education is a ‘bedrock’ value of our community.

The COVID-19 global pandemic has been an incredibly challenging event for all school districts. The impact of COVID-19 for our students, staff, families and guardians cannot be underestimated; it has been far-reaching and damaging, and significantly changed the way that all educators had to contemplate the delivery of a quality education.

What has not changed is the Newton Public Schools’ commitment to expanding opportunities for students, building the capacity to support the social and emotional needs of students, implementing promising initiatives to address race and achievement, maintaining favorable class sizes and a wide breadth of educational and extra-curricular opportunities, and improving school facilities – all with the goals of ensuring positive, productive and fulfilling learning experiences for all students and creating welcoming, inclusive, equitable, challenging and engaging learning environments for students to thrive.

When NPS re-opened its doors during the fall of 2020 to resume in-person teaching and learning during the pandemic, they did so with many goals, including:

- Supporting students with unfinished learning and those who were significantly below grade level,
- Ensuring that race and equity was prioritized,
- Supporting the social and emotional needs of students, and
- Integrating technology even more to support teaching and learning.

Three years later, these goals and needs remain front and center along with academic excellence. The City of Newton and the Newton Public Schools’ commitment to providing a full range of academic, social and emotional support to our students in an equitable manner will remain constant and steadfast.

#### 4.1.1 Student Enrollment Trends

A key assumption in the forecast is the number of students in the Newton Public Schools. Yet another impact of COVID-19 has been a decline in enrollment, as families have chosen alternatives to meet their needs during the pandemic, including homeschooling and private schools, at higher rates than in previous years and have chosen to continue to have those students in the non-NPS alternatives.

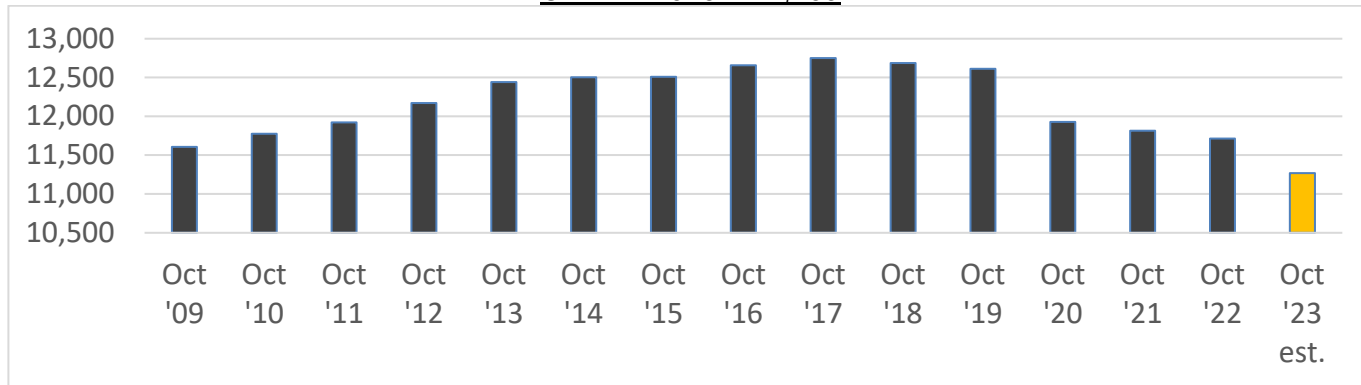


Prior to COVID-19, the Newton Public Schools saw not just a leveling of the growth trend in enrollment of the prior decade but actual declines. While a decline in enrollment was projected for the 2020-2021 school year, the actual decline in enrollment was much larger than anticipated (-683), likely due to the COVID-19 pandemic. Enrollment numbers for the 2021-2022 school year continued to decline (-113 students) and an additional decline (-102 students) from 2022-2023. NPS is projecting a further reduction (-444) for the 2023-2024 school year. The enrollment information for 2023-2024 will be presented in late October 2023. NPS anticipates that there will be 1300 fewer students in our classrooms in October 2023 as compared to October 2019, which equates to a reduction of more than 10% over the past four years.

Based on an enrollment projection made just prior to the first week of school in September 2023, NPS will serve close to 11,300 students in our fifteen elementary schools, four middle schools, two high schools, and two alternative high school programs for the 2023-2024 school year. In addition, NPS will serve approximately 180 additional students in the Newton Early Childhood Program. (Enrollment is based on preliminary enrollment for the first week of school in September 2023; finalized numbers will be provided in the December 2023 NPS Enrollment Analysis Report.)

Enrollment numbers continue to be closely monitored. This includes analyzing demographic trends (e.g., birth rates and the age of adults living in Newton) as well as known and potential changes in the number and type of housing units in Newton so NPS has the appropriate amount of teachers, staff and space to educate all our students. Updated projections for the next five years will be provided in early December 2023 and will incorporate additional housing anticipated through special or comprehensive (40B) permits granted and approved building permits.

Newton Public Schools – Projected Enrollment  
October 2023 – 11,269



**4.1.2 NPS Budget**

A key assumption of this plan maintains the City’s commitment to the Newton Public Schools. This commitment is evidenced in the significant financial support that the Mayor has extended to NPS in this very difficult time.

While the voters supported the debt exclusion questions in March 2023, they rejected an operating override that would have provided \$4.5M for the Newton Public Schools to meet the increased mental health needs of our students, to deliver engaging and challenging coursework, and to continue the use of modern, innovative and readily accessible technology. Based on this vote, and the recognition that the Newton Public Schools needed financial support above and beyond what our 3.5% allocation could afford, during our FY2024 Budget process in the spring of 2023 we proposed several measures, which the City Council approved, to create ongoing, sustainable funding to bolster NPS operations and solidify a viable, financial pathway forward as we provide excellent municipal

and educational services, meet our long-term obligations to our current and retired employees, and ensure that we protect the City of Newton’s financial health and stability while we address our long-term liabilities.

- We strategically utilized \$10 million of Free Cash to reduce required debt service to free up operating budget capacity on a sustainable basis, thereby increasing the NPS appropriation by \$600,000 per year;
- We provided a “Bridge Grant” to the Newton Public Schools of \$1.4 million for a one-year gap in funding to address increased tuition costs imposed by the State for out-of-district placements;
- We utilized City funds to pay NPS legal settlements totaling \$580,000;
- We worked collaboratively with the Newton Retirement Board to increase the base pension on which retiree COLA’s are calculated and to extend our pension system full-funding date by one additional year to create a truly sustainable pathway forward to ensure full-funding of our pension system by August 2031 and to provide funding to move forward with the Horace Mann Elementary School addition/renovation;
- We restructured our health insurance plans to provide access to excellent health care and a high level of plan designs while also implementing cost-saving measures for both our retirees and for the City and NPS, resulting in a decrease in Medicare Part B Reimbursement expenses for NPS in FY2024 of \$650,000 and an additional \$325,000 in FY2025;
- We transferred \$3.182 million in retiree health care costs (OPEB) out of the NPS budget over to the City. The City will now provide the financial and administrative support for this program, assuming the costs, and taking the risks in support of the Newton Public Schools;
- We allocated an additional \$410K of ARPA funding for one-time facility maintenance projects in order to allow the School Committee to minimize budgetary impacts on class sizes; and,
- We preserved the progress we have made in so many important areas such as paving, traffic calming, athletic fields and grounds maintenance, building maintenance, and forestry while providing additional, sustainable funding for the Newton Public Schools.

As a package, these financial measures provided more support for current operations. They did not provide funding at the level that the Operating Override would have so new initiatives and increased support for current initiatives is more modest, in line with voters preferences.

As Mayor, I continue to work with our team to ensure the long-term financial sustainability of Newton while simultaneously addressing our current operational needs.

I am pleased that two recent financial developments are enabling me to propose a significant initiative, an Operations Booster Stabilization Fund, to bolster both our current operations and long-term financial health. This initiative will provide additional financial support for the operations of the Newton Public Schools for the next eight years, help the City fully fund the City’s pension system on our agreed upon schedule of Fiscal Year 2032, and strengthen the overall financial health of the City.

I understand that this financial strategy seems a bit complicated. There are a number of intersecting pieces, all a bit arcane.

The bottom line is that the Operations Booster Stabilization Fund helps our students, our residents, and our employees. We can provide additional support for the increased needs of our more than 11,300 students in the Newton Public Schools, provide city services such as paving roads, and pay down our long-term obligations. How? This plan transforms a one-time surplus into ongoing funding for school and city operating needs for the next 8 years. The financial strategy transforms an Overlay Surplus into a stabilization fund to provide *ongoing* funds to support the Newton Public Schools, the overall financial health of the City, and our Pension system.

I have submitted a docket item to the City Council that requests authorization for three interrelated actions. The combination of these three actions will create an “Operations Booster Stabilization Fund” with an initial balance of \$26 million. The Operations Booster Stabilization Fund will be used over the next eight fiscal years to pay for a portion of the City’s General Fund pension appropriations. This will enable the City to not only fully fund the pension system by FY2032, but to also free up monies to “boost” the NPS budget during that same period and support the City’s financial health.

Rather than increasing the General Fund appropriation by 6.6% each year, we will increase funding by 5.0% from the General Fund and utilize funds from this Operations Booster Stabilization Fund for eight years to pay the remaining 1.6% annual increase.

In so doing, we will be able to repurpose the value of the 1.6% primarily to fund NPS operational needs. We intend to appropriate 70% of the “savings” generated by this fund to the Newton Public Schools each year with 30% used to reduce the City of Newton forecasted gap. To put this in context, all in 65% of the City’s municipal budget is directed to the Newton Public Schools so I am prioritizing our students and the strength of the Newton Public Schools, Newton’s keystone.

This financial strategy allows me to increase the allocation to the Newton Public Schools for FY2025 through FY2032 from an increase annually of 3.5% to approximately 3.7%. The percent increase in the NPS allocation returns to 3.5% in FY2033.

In dollars, the increase as a result of this financial strategy means an addition of approximately \$462,000 for NPS in FY2025 growing to an increase of \$5.485 million in FY2032; this increase is above and beyond the 3.5% increase which, for example, is \$9.4 million in FY2025.

The Newton School Committee has the responsibility to determine how to spend these additional monies if the City Council approves my Administration’s request for the Operations Booster Stabilization Fund.

#### 4.1.3. Long-Range School Facilities Planning

Newton’s significant capital investments in school facilities prior to COVID-19 had significantly improved the district’s ability to create favorable class sizes, implement full-day kindergarten in 2019-20, reduce widespread school crowding, address condition issues, and improve space for districtwide programs for all students, including diverse learners.

Due to the financial impact of COVID-19, all major capital projects were placed on hold during the 2020-21 school year, with the important exception of a three-classroom addition at Oak Hill Middle School. This addition became available to students in September 2021.

Given the dramatic impact on City revenues and expenses brought about by COVID-19, two important projects, the Newton Early Childhood Program (NECP) and the new Lincoln-Eliot Elementary School at 150 Jackson Road, were initially delayed; they were quickly resumed with an allocation by Mayor Fuller of ARPA funds. NECP moved to their new home at 687 Watertown Street in January 2023 during the 2022/2023 school year, and the design phase of the Lincoln-Eliot Elementary School at 150 Jackson Road is well underway with construction beginning in the fall/winter of 2023/2024 with the Lincoln-Eliot community moving to their new home in 2025/2026. Notably, both of these projects are funded directly through the City of Newton’s bonding capacity.

Complete renovations of two additional elementary school buildings, Countryside and Franklin, are moving forward and are in the design phase. Two debt override questions allowing for the amounts required to pay for the bonds issued in order to renovate or replace the Countryside Elementary School and the Franklin Elementary School were

approved by the voters of Newton in March 2023. These new schools are long overdue and will be terrific for the students and educators in the Newton Public Schools and for their neighborhoods.

The Massachusetts School Building Authority (MSBA) Board of Directors voted to invite the Countryside Elementary School into the Eligibility Period of the MSBA's core grant program on April 14, 2021. Countryside faces considerable accessibility problems, insufficient special education and support spaces, poor building conditions, inadequate classrooms/library/music, art/physical education spaces as well as chronic flooding. The design of this project is well underway.

The Franklin Elementary School project is equally paramount even though MSBA funding is not providing financial assistance to the City of Newton. The 83-year-old school is obsolete. Due to the lack of sufficient and adequate space, staff and students must utilize the basement for teaching and learning, and like Countryside, this space has chronic water infiltration issues. Physical barriers prevent universal accessibility and inclusive teaching and learning. With the successful passage of the debt exclusion question, planning for this project is also well underway.

While the debt exclusions passed, the operating override which would have raised additional revenue to support the debt associated with the addition/renovation of the Horace Mann Elementary School did not.

Although we will not be able to fund the other municipal initiatives that were included in the operating override, Mayor Fuller's commitment to NPS and the Horace Mann school community remains firm. Consequently, as mentioned previously, we have worked to adjust our pension and bonding schedules. By pushing the pension funding schedule back one year and thus lowering our pension allocation as well as deferring some projects that otherwise would have been completed sooner, we are continuing to move forward with the detailed design and construction of the Horace Mann addition/renovation.

The district's two oldest elementary school buildings, Underwood and Ward, will reach their centennials this decade. Both schools have low enrollment, outdated and undersized facilities, and are located on small NPS properties with districts that are adjacent to each other. A consultant had been selected for the Underwood and Ward School Facility and Enrollment study, and NPS is continuing to assess the best way to address educational needs for the students in these two buildings. The district simultaneously plans to engage in a district wide strategic planning process for all of its elementary schools.

## 4.2 Municipal/City Expenditures

### 4.2.1 Salaries and Other Compensation

The costs of salaries, compensation, and benefits for active municipal employees account for 70% of the municipal operating expenditures (excluding Retiree Pension & Health Insurance and Principal & Interest on Bond Payments). Consequently, personnel costs are the single most important cost element in the City of Newton's budget and have a significant impact on our forecast.

Three municipal unions are currently working with expired contracts. Those unions are:

#### Settled through June 30, 2021

- Newton Police Association (NPA) – 111 budgeted positions

#### Settled through June 30, 2023

- MNA – Nurses – 30 budgeted positions
- Newton Police Superior Officers Association (NPSOA) – 35 budgeted positions

The City continues to negotiate with these employee groups. The City Administration will work collaboratively and respectively with union leadership during this time of tremendous uncertainty to develop compensation packages that are fair to the employees and taxpayers alike.

#### 4.2.2 Health Insurance Benefits

The City provides health insurance benefits to more than 8,600 people. This includes approximately 2,400 active employees and their dependents and more than 2,800 retirees and their spouses.

The City had been self-insured for both active and retired employees. Being self-insured means that rather than paying an insurance company to pay medical and pharmacy claims, the City of Newton pays the claims ourselves with the help of a third-party health insurance carrier to process the claims on our behalf.

The costs of a self-insured program fall into three main areas: (1) the actual cost of claims, (2) the administrative fees charged by the health insurance carriers, and (3) an “Excess Policy” or “Stop Loss Policy” for catastrophic claims. Rather than paying “premium” rates, the City has worked with its two insurance carriers to develop “working” rates. These working rates are projections of costs. If actual costs are less than projected, the City “saves” money. Conversely, if the actual costs are more than projected, the City must pay the difference. To do this, the City maintains a Health Insurance Trust Fund to manage any variances between the projections and actuals.

Sound business practices suggest that employers should bid out their group health coverage periodically to ensure their health plan providers are delivering competitive pricing and services. The City of Newton had planned to competitively bid its health insurance benefits in 2020; however, those plans were disrupted with the onset of COVID-19 in March 2020. Consequently, we started the process in August 2022.

The first step in our competitive bidding process for health insurance benefits was to use a public, transparent bidding process to issue a Request for Proposal seeking a health insurance consultant to manage and oversee the City’s procurement of group health insurance and prescription drug plans for our eligible employees and retirees. The City established an Evaluation Committee, comprised of members of City administration, NPS administration, and municipal and school Union leadership to review, evaluate and rate each proposer’s technical information, and determine the most advantageous consulting firm based on its Technical and Price Proposals.

In November 2022, the Evaluation Committee selected Lockton Companies – Boston (Lockton) as our consultant for procuring group health coverage. Lockton oversaw the collection of data, drafted a request for proposals (RFP) for health insurance and prescription drug plans, analyzed the bids, coordinated the interview process for selected carriers, presented to the City and our Insurance Advisory Committee, and worked with the City and NPS administrations to coordinate the implementation of selected plans. (The Insurance Advisory Committee is made up of the union leadership from each City and School union, as well as a retiree representative.)

Our goals in the procurement process were to continue providing high-quality health plans that balance cost and value for our employees, retirees, and taxpayers alike and to minimize disruption in plan designs and pharmacy benefits.

The City of Newton following extensive, substantive evaluation from Lockton and a unanimous vote by the Insurance Advisory Committee determined that the proposal from Blue Cross Blue Shield of Massachusetts (Blue Cross) was the most advantageous carrier proposal. The Blue Cross proposal included a fully-insured plan for Medicare eligible retirees and a self-insured plan for all active employees and non-Medicare eligible retirees.

Throughout the bidding process, we sought to have the bidders match the current benefits provided to our employees and retirees by the City. Since the State’s Group Insurance Commission (GIC) does not provide client

specific plan design, the Fuller Administration asked our benefits consultant, Lockton, to provide a full analysis of the GIC health insurance plan costs and plan designs as compared to the Blue Cross proposal. The analysis showed that while a transfer to the GIC would result in overall lower premium costs, it would result in significant cost shifting/increased costs to employees, dependents, and retirees.

Final results of the procurement process were presented to the City's Insurance Advisory Committee. On March 29, 2023, the IAC submitted a unanimous recommendation to Mayor Fuller requesting that the City select Blue Cross.

The City of Newton selected Blue Cross Blue Shield of Massachusetts as our new health insurance carrier effective July 1, 2023.

It is important to recognize that whenever an employer the size of the City of Newton makes a change in the health insurance carrier, not all doctors, formularies, and practices match up exactly. Throughout this process, our goal was to minimize disruption to our valued active and retired employees and we recognize that some employees/retirees are experiencing negative financial impacts. (Formularies is the technical term for the list of prescription drugs covered in an insurance plan.)

#### Active Employees and Non-Medicare Eligible Retirees

Minimizing disruption for our active employees and non-Medicare eligible retirees in networks, benefits and pharmacy benefits was one of our key goals and Blue Cross substantially provides this with plan designs that mirror our current health plans. As a result of significant increases in utilization and costs of actual claims, as well as a complete restructuring of our rates, our active employees experienced an "average" increase of 13% (ranging between 8% and 20% increases) in their "working rates."

#### Medicare Eligible Retirees

Prior to now, the City has been "self-insured" for our retiree Medicare complement plan where the City was responsible for the actual cost of all claims and we developed our own "working rates" to cover these costs. With Blue Cross, we have become part of a "commercially-insured" plan where Blue Cross will charge the City "premium rates" each month and the City no longer bears the risk of being responsible for any claims over those amounts. This change is projected to save our Medicare eligible retirees approximately \$636 per year (\$53 per month in monthly premiums) based on projected FY2024 rates. An additional benefit to our Medicare eligible retirees is that they will have a \$0 co-pay for all doctor visits. This will save an average retiree who has 7 doctor visits per year an additional \$70. Altogether, Medicare eligible retirees, with 7 doctor visits per year, will see savings of \$706 dollars next year (and can expect savings to escalate in subsequent years as well).

One drawback to the initial Blue Cross plan for Medicare eligible retirees was that it did not include a Maximum Out of Pocket prescription drug cost per year; this was not acceptable to us, and we were able to negotiate a \$1,500 Maximum Prescription Drug Out of Pocket Cost per year.

#### Medicare Part B Reimbursement

The Fuller Administration had been looking closely at the City's Medicare Part B Reimbursement program since Mayor Fuller assumed office in 2018.

Decades ago, as Medicare coverage expanded and improved, the City of Newton, as well as most municipalities, began to pay a Medicare Part B Reimbursement subsidy as an incentive for Medicare eligible retirees to select Medicare as their health insurance plan.

On March 16, 2009, Newton’s Board of Aldermen voted to accept the provisions of Section 18A of Chapter 32B of the Massachusetts General Laws which require all eligible municipal retirees to enroll in Medicare. This acceptance allowed the City to enroll eligible retirees in health insurance plans that supplement Medicare coverage, resulting in cost savings to both retirees and the City.

Throughout the years, most municipalities have eliminated the Medicare Part B Reimbursement Program as retirees no longer required an incentive to enroll.

The City of Newton had resisted that action until we found cost savings for our valued retirees.

Our change to the fully-insured Blue Cross Medicare Complement Plan will save our retirees approximately \$700 per year, beginning in July 2023.

Therefore, the City decided to phase out the payment of the Medicare Part B Reimbursement program as follows:

- Reimbursement level for June 2023 (Fiscal Year 2023 – ending June 30, 2023) remained at \$925.44 (at the rate of \$77.12 per eligible month).
- Reimbursement level for June 2024 (Fiscal Year 2024 – July 1 2023 through June 30, 2024) will be \$462.72.
- Reimbursement level for June 2025 (Fiscal Year 2025 – July 1, 2024 through June 30, 2025) will be \$230.
- Reimbursement level for June 2026 and beyond will be \$230 for Medicare eligible retirees who meet certain income levels. All Medicare eligible retirees who have incomes exceeding the policy limits will not be eligible for reimbursement.

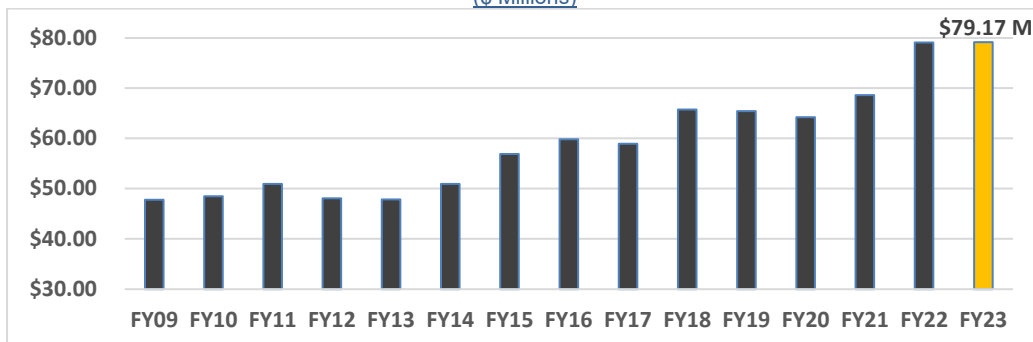
People retiring from the City of Newton after June 30, 2023 are not eligible for the Medicare Part B Reimbursement Program.

By phasing out the payment of the Medicare Part B Reimbursement program, the Newton Public Schools will save approximately \$650,000 in FY2024 and an additional \$350,000 in FY2025.

**4.2.2.1 Cost of Claims**

As a result of the COVID-19 pandemic and a temporary but almost complete elimination of elective procedures, we saw a slight decrease in our actual cost of claims in Fiscal Year 2020. However, by FY2022, we saw a substantial increase in our average weekly cost of claims. This trend had been continuing in FY2023. Due to a ransomware attack, Harvard Pilgrim Health Plan was not able to bill the City of Newton for actual cost of claims for most of the spring of 2023. Therefore, the FY2023 costs are artificially deflated. We will watch closely the “run out” of claims throughout the next few months in order to understand what the actual FY2023 costs were.

Total Cost of Newton’s Health Insurance Program  
Including City, Employee and Retiree Contributions  
 (\$ Millions)



### 4.2.3 Solid Waste and Recyclables

The Sustainable Materials Management Division of the Department of Public Works manages trash, recycling, yard waste, organics and household hazardous waste generated by residents through curbside collection and drop-off collection at the Newton Resource Recovery Center. Trash and recycling services for municipal buildings are also in this Division's purview.

The residential trash and recycling generated in FY2020 grew by 3% and 0.7%, respectively, over FY2019 as a result of more time spent at home during the pandemic. Residential trash and recycling generated in FY2021 increased by 5.4% and 2.1%, respectively, compared to pre-pandemic FY2019. Through July of 2023, trash tonnage has decreased year over year by 5.4%, which is a 10.4% decrease from the height of the pandemic. Recycling tonnage has decreased by 7.3% year over year and is 13.4% lower than the height of the pandemic.

Newton DPW started an in-house yard waste collection operation in April 2022. This change was implemented because the outside contractor was not able to provide service that met resident expectations, primarily due to staffing shortages and supply chain issues causing lengthy equipment downtime. Bringing this operation in-house also saved money compared to the increasing costs of private haulers. Overall, this in-house program has been beneficial to residents, staff, and to DPW operations.

In 2022, Newton DPW added six positions to form the yard waste crew and rented four rear-load packer trucks. During the spring and fall, the two heavy seasons, the daily operation was supplemented with overtime staffing in the evenings. Additionally, during the winter off-season, the yard waste crew served as additional early morning staffing to salt and plow roads during snow and ice operations.

The processing cost of recyclables increased from \$60/ton in FY2019 to \$89/ton in FY2020 as a new contract took effect. This significant increase is a result of global shifts in supply and demand for recyclable commodities. Prior to 2018, China had been purchasing 40% of the world's recycling. In 2018, the China National Sword policy placed import restrictions on recyclables that effectively banned imports of scrap plastics and paper. An increased demand for higher quality recyclables has also increased operational costs in collection and sorting of single stream recycling. As other overseas buyers were sought and domestic markets have opened up, pricing has leveled out, but the commodity value of the recovered materials is still recovering. The \$89/ton cost is a cap on the price and will adjust as recyclable commodity values increase.

In conjunction with the Newton Sustainable Materials Management Commission and a state-assisted study that DPW is working on, the City is currently examining critical next steps on residential trash and recycling collection, hauling and disposal.

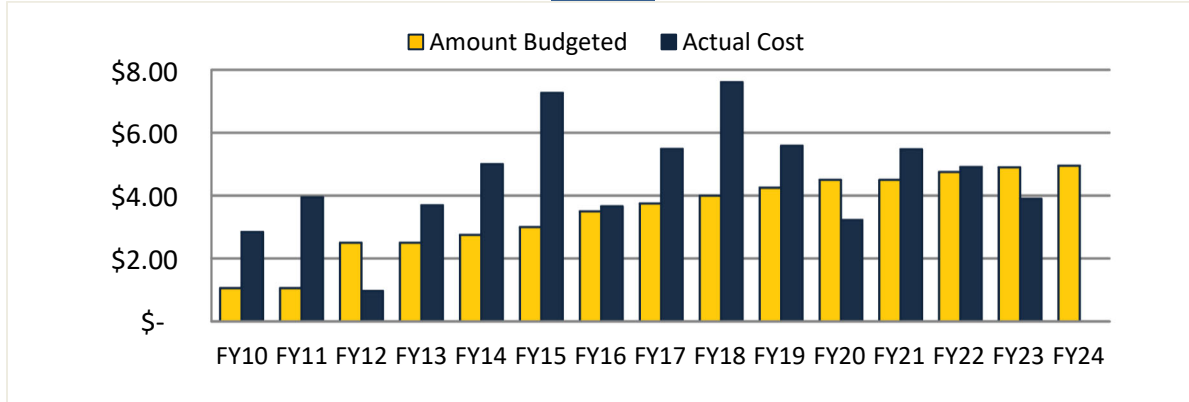
### 4.2.4 Costs of Removal of Snow & Ice, and Other Significant Inclement Weather Events

While climate change and sustaining our environment continues to be one of the most daunting challenges of our generation, we must be prepared for the financial implications of the resulting large-scale shifts in weather patterns. We have seen over the last decade a noticeable increase in heavy rains and snowfall amounts in our region. So too have we seen increased storms with higher wind speeds than ever before.

The policy of the Fuller Administration has been to increase the annual amount appropriated for the removal of snow and ice and to address the cost of other significant storm damage until the appropriation equals the average cost of the previous five years. This target currently approximates \$6 million. Due to budgetary constraints, the FY2024 budget for the removal of snow and ice has only been increased by \$50,000, bringing the FY2024 total budget for this purpose to \$4,950,000.



Budgeted Appropriations vs. Actual Costs of Snow and Ice Removal and  
Costs of Other Significant Weather Events  
(\$ Millions)



### 4.3 Retirees: Pensions and Retiree Health Care (OPEB)

Our employees earn two types of compensation — current and deferred. Salaries and other current compensation (e.g., health insurance) are received during their employment. Deferred compensation is received after the employee retires and only when vesting and age requirements have been met.

There are two major categories of deferred compensation for City of Newton employees. First are pensions, monthly payments to a retiree from an investment fund to which both the employee and the City of Newton have contributed. Notably, public employees in Massachusetts, including employees of the City of Newton, are not covered by, and therefore do not receive, Social Security benefits. The second category of deferred compensation is retiree health insurance and life insurance, otherwise known as non-pension post-employment benefits or “Other Post-Employment Benefits” or OPEB.

The City’s commitment to funding long-term retiree obligations, specifically pensions and OPEB, is both critical to our employees as we have made this commitment to them and to the City’s ability to maintain the Aaa rating it has earned from Moody’s Investors Service.

Commitment to fully funding these liabilities is also critical to the City’s financial sustainability. Due to recent market under-performance as well as a desire to assist our retirees during these inflationary times, the Newton Retirement Board of Trustees has recommended, and the Fuller Administration is now following, a funding schedule designed to eliminate the City’s unfunded pension liability by the year 2032 and to fully fund the City’s OPEB liability by the year 2045.

#### 4.3.1 Pensions

The City of Newton Contributory Retirement Plan is our pension plan. It covers just under 3,600 current active employees, inactive participants, and retired employees and beneficiaries. (Inactive refers to people who no longer work for us but have left their contributions on deposit in the plan to take at a later date.)

Notably, the teachers of the Newton Public Schools are not a part of the City of Newton Retirement plan. Rather, they are part of the Massachusetts Teachers Retirement System, and the City is not “responsible” for their pensions. However, other school employees (e.g., aides, custodians, and secretaries) are part of the City’s plan. In the City of Newton Contributory Retirement Plan, school employees make up 46% of the active employees and account for slightly more than 34% of the unfunded liability.

Prior to the 2008 downturn in the economy, the total funded actuarial accrued pension liability was approximately 67%. However, because of the dramatic drop in the value of the stock market experienced by the fund in the years of the “Great Recession” combined with the increased life expectancy of Americans, the total funded actuarial accrued liability fell to a low of 50.8% but has now finally begun to increase and is 61.93% as of January 1, 2023. Unfortunately, Newton continues to lag most of the surrounding communities in percent funded for this significant liability.

Due to the negative impact to funding ratios for pension plans in most communities in 2008, the Massachusetts State Legislature passed legislation enabling cities and towns to have until the year 2040 to “fully fund” pension retirement plans. Although the City of Newton had been willing to extend the time period to fully fund its retirement fund to 2038 when leaders were dealing with the financial crisis of the structural deficit, financial sustainability requires earlier funding which in turn allows the City to address the even larger OPEB unfunded liability sooner.

As a result of the 2022 investment losses experienced by the City of Newton Contributory Retirement System, the City’s actuary, Segal Consulting, determined that, notwithstanding a 9.6% increase to the annual appropriation, it would not be possible to fully fund the retirement system by the year the Retirement Board had been projecting, FY2030.

Newton also lagged most other communities when determining the base pension on which any Cost-of-Living Adjustments will be applied. Only six of the 104 pension systems across the Commonwealth limit COLA adjustments to the first \$12,000 of a pension. All other 98 pension systems provide COLA adjustments to their retirees on a base pension between \$13,000 and \$18,000.

Recognizing that our funding schedule by necessity must be moved to at least FY2031, Mayor Fuller asked the Retirement Board in the spring 2023 budget process to consider the following:

1. Increase the COLA base for our retirees from \$12,000 to \$13,000 effective July 1, 2023, from \$13,000 to \$14,000 effective July 1, 2024, and from \$14,000 to \$15,000 effective July 1, 2025 to provide inflationary relief to our valued retirees; and
2. Extend the estimated full-funding date by one additional year to August 2031 (FY2032) in order to not only absorb the 2022 investment losses, but also provide cost relief to the City of Newton.

At the April 6, 2023 special meeting, the Retirement Board voted 5-0 to extend the funding date, as requested by Mayor Fuller, assuming a 6.6% annual increase to the rate of funding (rather than the previous assumed rate of 9.6% annual increase to the rate of funding). As part of their vote, the Board made the change in funding date contingent upon the City Council approving the three \$1,000 increases to the retiree COLA base, over the next three years. In FY2024, the COLA base would be \$13,000; in FY2025, the COLA base would be \$14,000; and in FY2026, the COLA base would peak at \$15,000. The City Council approved this proposal in May 2023.

As mentioned earlier in this report, recent financial developments enabled Mayor Fuller to propose a significant initiative to provide additional financial support for the operations of the Newton Public Schools for the next eight years while helping the City fully fund the City’s pension system on our agreed upon schedule of Fiscal Year 2032.

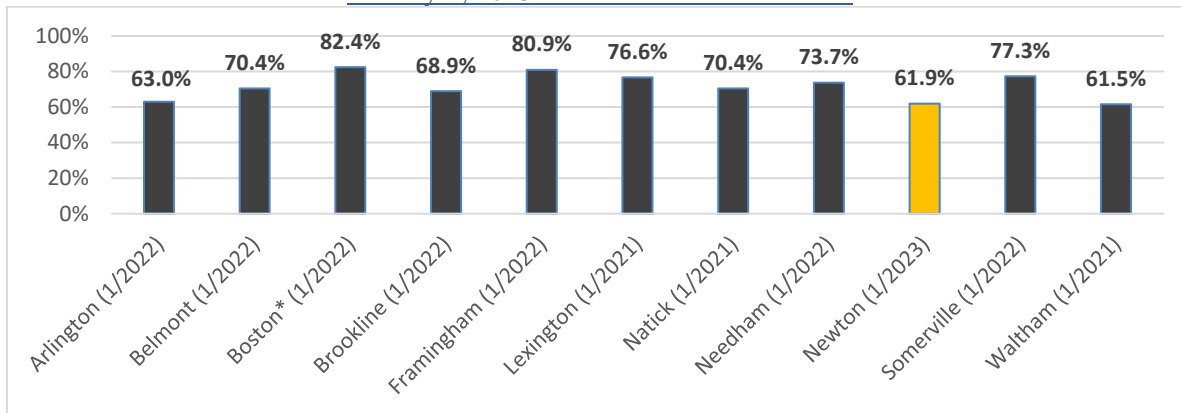
The Mayor has submitted a docket item to the City Council that requests authorization for three interrelated actions to achieve these goals. The combination of these three actions will create an “Operations Booster Stabilization Fund” with an initial balance of \$26 million. The Operations Booster Stabilization Fund will be used over the next eight fiscal years to pay for a portion of the City’s pension appropriations which otherwise would come in full from the General Fund. This will enable the City to not only fully fund the pension system by FY2032, but to also free up monies to “boost” the NPS budget during that same period and support the City’s financial health.

Maintaining the funding schedule of 100% by August 2031 (FY2032) will remain one of the highest priorities for the Fuller Administration in order to ensure the financial health of the City.

The magnitude of the pension and healthcare liabilities and the complexity of the issues as well as changes in accounting requirements require the City of Newton to focus on long-term financial sustainability while simultaneously providing current services and capital investments, all while maintaining a Aaa credit rating.

The Fuller Administration has included the 6.6% year-over-year increase in the pension appropriation, as well as the 50% reduction in the Medicare Part B reimbursement in the FY2024 budget.

Percent of Pensions Funded by Community  
January 1, 2023 or Most Recent Available<sup>†</sup>

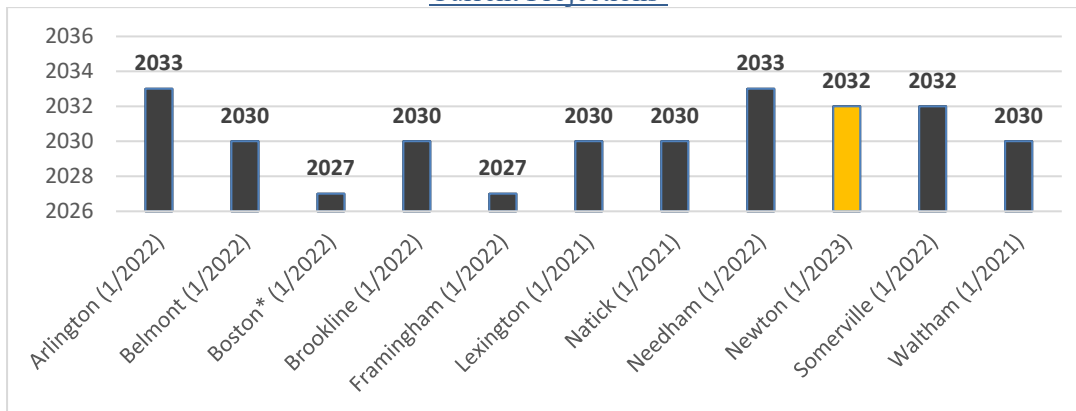


\*Boston funding percentage does not include Boston Teachers' Pension

<sup>†</sup>Quincy has been removed from comp set, due to fully funding their pension via a \$475 million Pension Obligation Bond

These funding gaps matter. Newton's employees, like all Massachusetts public employees, do not pay into, nor do they receive, Social Security in their retirement. Newton employees depend on their pensions for income in their retirement. The funding gaps also matter because as a greater portion of Newton's budget is needed to fund commitments to retirees that were made years ago, funds available for current services may be impacted. The challenge lies in strategically and carefully managing tax revenues, operating expenditures, capital investments and retiree benefit expenses while maintaining a Aaa credit rating. The magnitude of the pension and retiree healthcare liabilities and the complexity of the issue as well as changes in accounting requirements require the City of Newton to focus on long term financial sustainability by creating a long-range financial strategy that extends beyond the funding of the pension system.

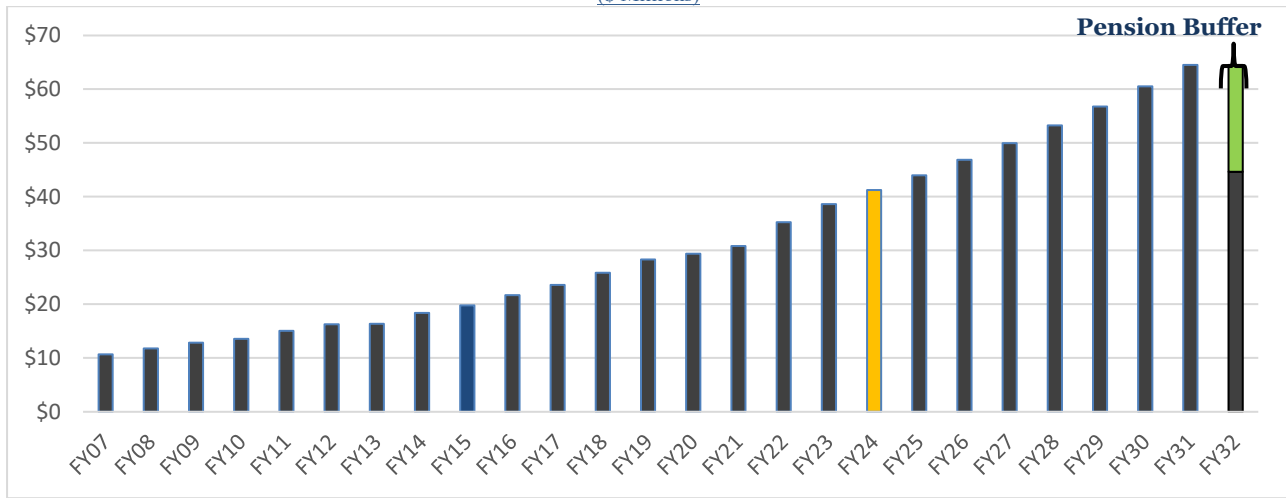
Achievement Year of Fully Funded Pension System by Community  
Current Projections<sup>†</sup>



\*Boston funding percentage does not include Boston Teachers' Pension

<sup>†</sup>Quincy has been removed from comp set, due to fully funding their pension via a \$475 million Pension Obligation Bond

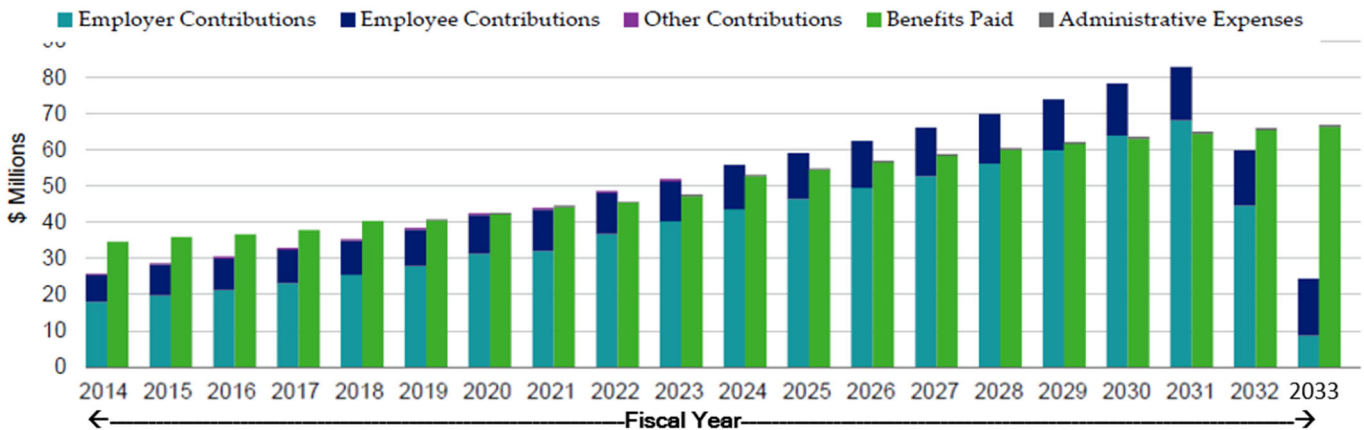
Projected City of Newton General Fund Pension Contributions – through Full Funding in 2032  
(\$ Millions)



Another way of looking at the strength of our Newton Contributory Retirement Plan (i.e. the pension plan) is comparing the annual contributions paid into the plan by the City and the employees to the benefits paid out each year. The annual benefits paid out over the past decade had been higher than the annual contributions of both the City and the employees, hence our funded ratio had not increased in a noticeable way.

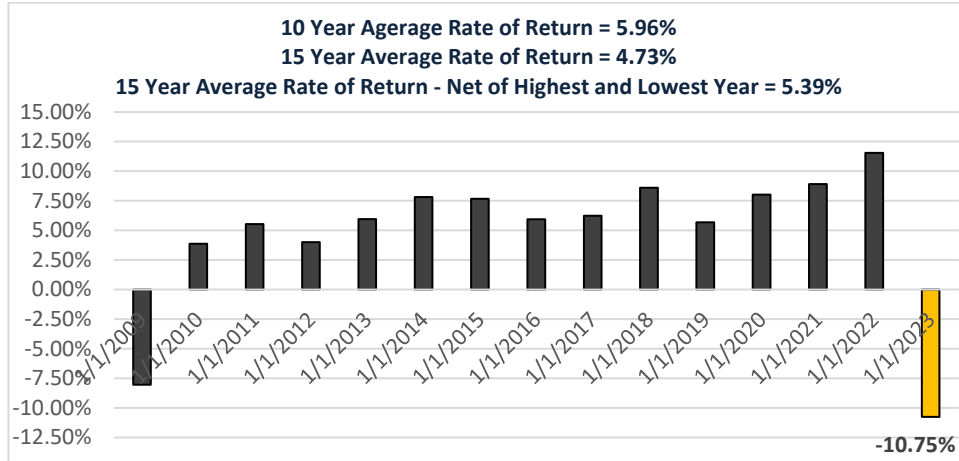
However, this has all begun to change. We finally reached a point a few years ago where we are contributing more than we are withdrawing each year, and can finally expect to see our funding ratio increase exponentially.

Comparison of Contributions with Benefits  
For FY2014 – FY2033



Importantly, a funding schedule is only as good as the assumptions within it. Over the past few years, the Newton Retirement Board – with the support of the Mayor’s Office – has taken several steps to implement more accurate and conservative assumptions. The funding schedule includes updated mortality information (our retirees are living longer), adjusted salary increases, and a reduced assumed rate of return on investment from 8.00% down to 6.9%.

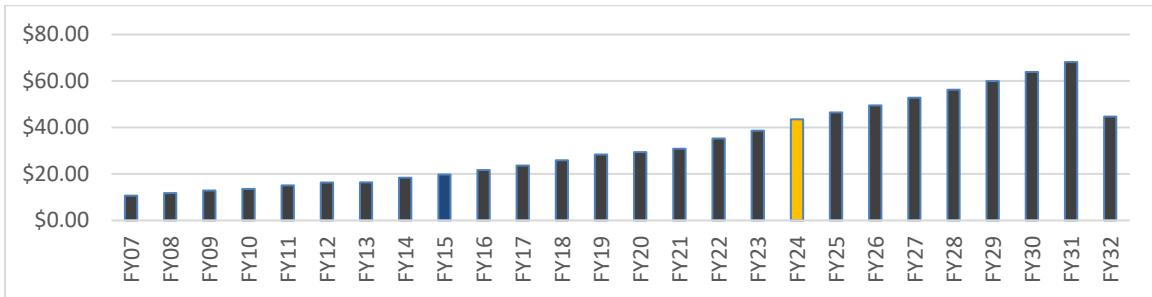
Unfortunately, one underperforming year can significantly impact our “average” rates of return. As a result of poor investment performances in 2022, the ten-year average has fallen from a ten-year average rate of return of 6.88% to a ten-year average rate of return of 5.96%. The Newton Contributory Retirement Board will continue to annually review all assumptions.



To be clear, the Newton Retirement Board is responsible for adopting the funding schedule for our pension system (not the Mayor or the City Council). We look forward to working with the Board as they review this information annually.

Once the City has fully funded its pension obligations, it will then be able to reduce its pension appropriation to the “normal cost” for current employees. The “normal cost” is the annual cost of setting aside in advance pension benefits for the current employees. In contrast, much of the costs we are facing currently are for the pensions of former employees who have retired; the City of Newton did not set aside sufficient funds in the past for their pensions. Once we have fully funded our pension liability in 2032 (barring a dramatic decline in the stock market), we will be in a position to tackle our other, even larger, unfunded long-term retiree obligation – retiree health insurance or OPEB.

General Fund Pensions at Normal Cost Funding beginning FY2033  
 (\$ Millions)



#### 4.3.2 Retiree Health Insurance or OPEB

In addition to pension obligations, the City of Newton provides health and life insurance to retirees (also known as Other Post-Employment Benefits or OPEB). The Commonwealth prescribes the minimum percentage that a city or town must contribute towards retiree health insurance (50%) and the minimum level of benefits. The City of Newton provides 80%. In contrast to pensions, the state does not yet require pre-funding for retiree health and life insurance benefits.

In 2004, the Government Accounting Standards Board (GASB) instituted a requirement that all city, county and state governmental entities “recognize” the cost of OPEB benefits, provide information about the actuarial liabilities, and report such liabilities on their financial statements.

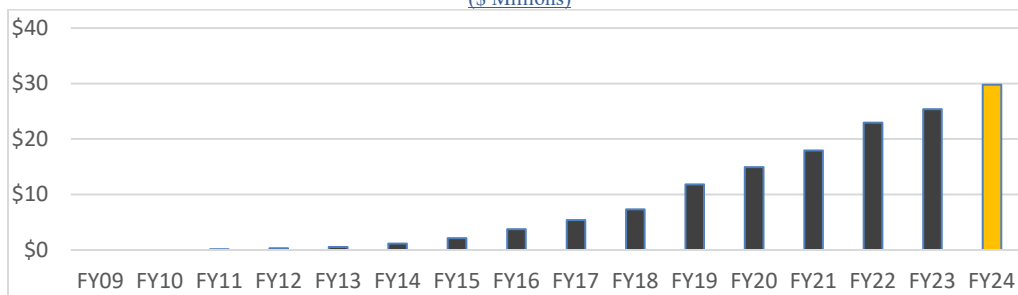
In 2010, the City established an Other Post-Employment Benefits (OPEB) Liability Trust Fund and subsequently established an OPEB Trust Agreement for the purpose of providing an irrevocable, dedicated trust fund as a vehicle to make advance contributions for these retirement health care benefits.

The FY2014 Budget included the implementation of a funding schedule for the City’s OPEB liability for the first time by appropriating approximately \$200,000 or 2.5% of the salaries for all newly hired and newly insured employees beginning July 1, 2012, with the expectation that this percentage would increase gradually over time. Additionally, it was anticipated that as the City brought on more and more new employees, this funding method would cause the appropriation to grow exponentially.

For the first time in several years, the Fuller Administration when it came into office increased the percentage in the FY2019 Budget from 3.25% to 3.50%, and then again in each budget thereafter (excluding the FY2021 Pandemic Budget) and now equals 3.75% set aside of the salaries for all newly insured employees beginning July 1, 2012.<sup>13</sup> This is important to note as the City should be setting aside approximately 8% of the salary of all employees.

Due to the continued addition of employees covered under this protocol as well as the increased percentage, the June 30, 2023 value of the City of Newton OPEB Trust Fund totaled \$29.81 million.

OPEB Trust Fund Value - June 30, 2023- \$29.81 million  
(\$ Millions)



Of note, the City currently applies the OPEB set-aside on the salaries of approximately 1,466 employees.

Instead of pre-funding, most municipalities use a policy of pay-as-you-go for retiree health insurance benefits. In other words, the city or town pays the cost of health insurance benefits for retirees from current operating revenues as those benefits come due. In this ten-year period when Newton is setting aside a very small portion of its liability ahead of time, the City’s policy is primarily pay-as-you-go.

As a result of a change in how OPEB obligations are now calculated under the Governmental Accounting Standards Board (GASB) 74/75, all Other Post-Employment Benefit Plans that operate on a “pay-as-you-go” policy must value their plan using a 20-year municipal bond index rate. The City will receive its next scheduled valuation in late fall 2023 for plan year ending June 30, 2023. The June 30, 2023 “GO-bond” rate of 4.06% is significantly higher than the 2.21% for plan year ending June 30, 2021 – the date of our last valuation. This change in the discount rate will cause a significant reduction in the calculation of the City’s unfunded liability which now approximates \$418 million. As long as the City’s policy remains classified as “pay-as-you-go,” with a high unfunded liability we will be subject to the fluctuations of the GO Bond rates, thereby causing significant volatility in the calculation of this liability.

Cities and towns that Newton uses as benchmarks are more alike when it comes to gaps in funding for retiree health insurance or OPEB than with pensions. In our comparison group, many cities and towns have set aside little to meet

<sup>13</sup> The percent of salaries for newly hired and newly insured employees that has been appropriated for OPEB funding is: 2.5% for FY14, 3.0% for FY15, 3.25% for FY16-FY18, 3.5% for FY19, 3.6% for FY20-FY21, 3.65% for FY22, and 3.7% for FY23.

these OPEB obligations. However, as of June 30, 2021, four communities have set aside meaningful sums: Wellesley (56.70% funded), Needham (35.30% funded), Boston (28.20% funded), and Brookline (20.70% funded).

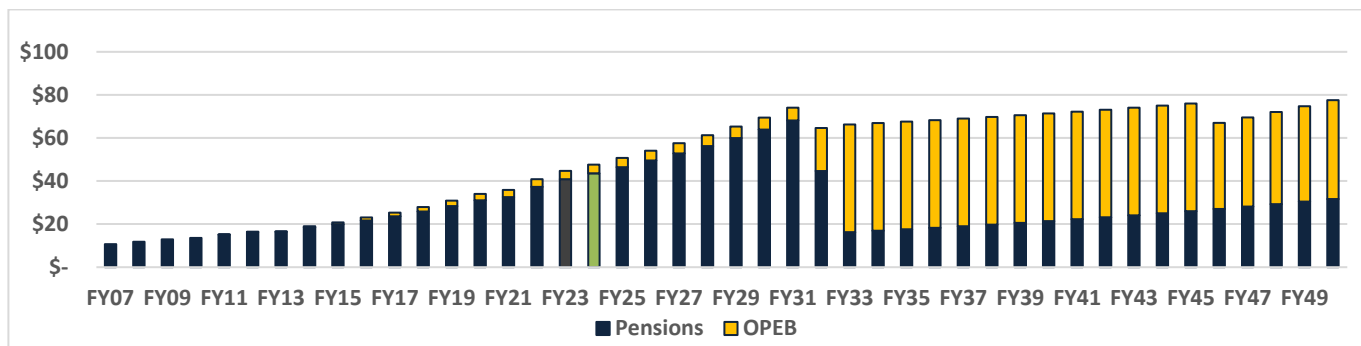
The way that the City has historically underfunded both of these significant long-term retiree liabilities is problematic. This past practice has transferred costs of former Newton taxpayers to current and future Newton taxpayers, costs that were accrued over the past few decades.

The year in which residents receive services from employees is the year the City should set aside funds to pay for the compensation the employees will receive in their retirement. The Fuller Administration is committed to this principle. We look forward to full funding of pensions in FY2032 and are committed to gradually increasing the funding for current employees for their retiree health insurance for the next 8 years and then even more starting in FY2033 when the pension appropriation will drop significantly.

### 4.3.3 The Long-Range Strategy for Funding Pensions and Retiree Health Care (OPEB)

The Fuller Administration’s funding strategy is to make significant investments in the pension system for the next eight years, until full funding, currently projected in the fiscal year 2032. Then, the City of Newton will begin significant investments in the retiree health care or OPEB liability. In other words, with the projected full funding of the Newton Contributory Pension Retirement Fund in FY2032, the City will then repurpose approximately \$50 million in retiree liability appropriations to the OPEB Trust Fund. This is a viable, sustainable financial strategy to fully fund all the City’s retiree costs by FY2045.

OPEB Funding Strategy  
The Challenge is Getting to FY2032 and FY2045



## 4.4 Capital Investments and Debt Service

One of the top priorities for the Fuller Administration is to maintain and improve the City of Newton’s infrastructure. Our school buildings, police and fire stations, parks, recreation facilities, libraries, roadways, and emergency and public works vehicles are some of the many assets that require regular replacement and/or maintenance to continue to meet the needs of this active city. In order to plan funding for these projects, the City of Newton has created a Capital Improvement Plan, updated semiannually, that provides a five-year outlook for capital investments.

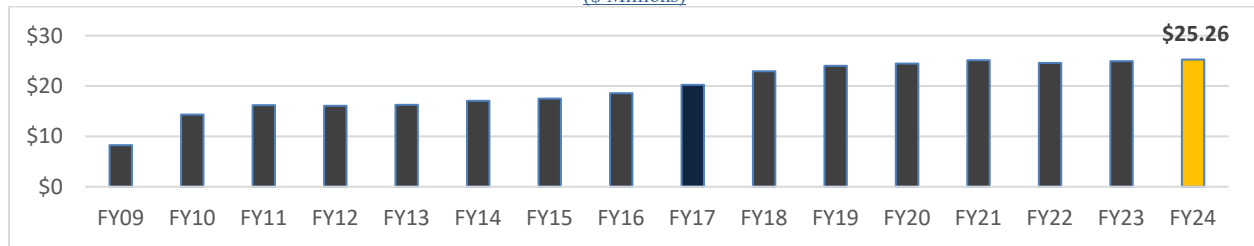
The FY2025-FY2029 Capital Improvement Plan (CIP) is a mission and risk-based prioritized list of investments in the capital assets of the City of Newton. The CIP addresses infrastructure needs, reflects community values, supports city and school operations, programs and services, and exemplifies sustainable financial, accessibility and environmental best practices. The prioritization plan is developed by thoroughly evaluating the City’s capital needs, the vision and goals of each department along with the services they will provide over the coming years, and Mayor Fuller’s thirteen overarching goals. This results in a plan put into a financial context by which to evaluate investments over the next five years.

Capital assets with a life expectancy of ten (10) or more years that cost more than \$150,000 are typically paid for through bond sales by the City of Newton. Massachusetts municipal finance law limits the total amount of long-term debt that a City can incur for most purposes to not more than 5% of the City’s equalized valuation (i.e., the taxable value of the real estate tax base). The City of Newton’s current (August 2023) equalized valuation is approximately \$36.3 billion, which means that the current statutory debt limit is approximately \$1.82 billion. Current outstanding principal of bonded debt is significantly lower and approximates \$329.6 million or 18% of the City’s debt capacity.

In conjunction with the state statutory debt limit, the City of Newton has developed its own financial policy of limiting debt service on long-term bonded debt to between 4.0% and 7.5% of the annual General Fund budget. Debt service, which includes both principal and interest, totals 5.06% of the Fiscal Year 2024 Municipal Budget.

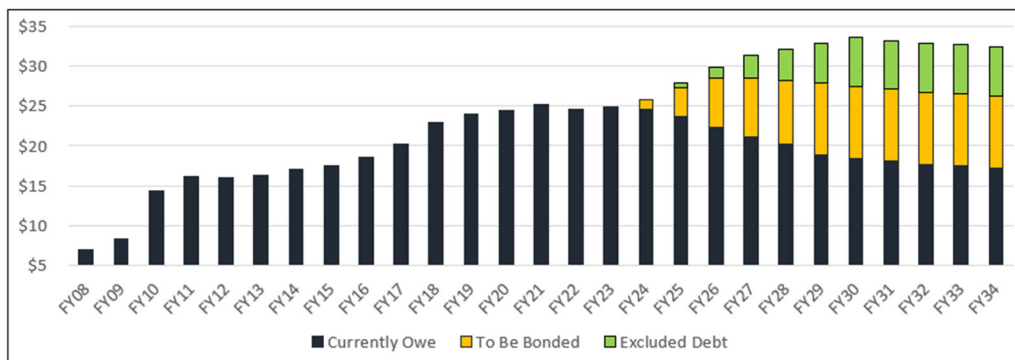
The City has made significant investments in capital assets in the last decade and needs to continue to do so. Debt payments for principal and interest have grown from \$8.3 million or 3% of revenues in FY2009 under Mayor David Cohen to \$25.3 million or 5.06% in FY2023. This increase reflects both this Administration’s and the previous one’s commitment to better maintenance of capital assets from school buildings to roads. With the economic uncertainty and the lingering impacts of the pandemic, we will forecast using between 5.0% and 6.0% of operating revenues for debt service going forward for the next several years.

FY2024 Debt Service - \$25.26M  
(\$ Millions)



This long-range plan has been developed in conjunction with the City’s FY2025 – FY2029 Five-Year Capital Improvement Plan. Projected debt service costs reflect those capital investments.

Projected Debt Service Costs  
based on 5.0 – 6.0% Debt to Revenue Ratio  
(\$ Millions)



In prior years, the City has accomplished additional infrastructure improvements with annual appropriations within the operating budget as well as the utilization of Free Cash. These appropriations have included:



- \$1.5 million expenditures on fleet replacement, building improvements, police cruisers, etc. through annual operating budget capital expenditures;
- \$3.2 million annual investment in capital improvements in school facilities in the school department operating budget (known as Charter Maintenance); and
- \$9.5 million annual investment in pavement management and Complete Streets Program through the operating budget and Free Cash.

The Fuller Administration has also committed significant one-time funding from the American Rescue Plan Act (ARPA) monies and an unusually high level of Free Cash in the fall of 2022 to capital investments. These include:

Free Cash:

Significant initiatives for which June 30, 2022 Certified Free Cash has been utilized include the following:

- Contribution toward the construction of the new Lincoln-Eliot at 150 Jackson Road to free up \$600K of annual operating funds which have been permanently added to the NPS appropriation (\$10M),
- Replacement of the two turf fields at Newton South High School (\$3.2M),
- Large vehicle/construction equipment purchases (\$1M),
- Purchase of 2 trackless sidewalk plows (\$300K),
- Replacement of Fire Department Engine 7 (\$800K),
- Police IT (\$640K),
- Police Cruisers (\$260K),
- Replacement of Newton Free Library HVAC system (\$750K), and
- Election Equipment (\$250K).

A full discussion of our ARPA investments is included in Appendix I.

In addition to the current bonded debt in the City’s operating budget, significant capital investments have also been made in the Water, Sewer and Stormwater infrastructure systems. The water, sewer and stormwater systems are in separate enterprise accounts rather than part of the City’s General Fund because fees, rather than taxes, pay for these services. The projects currently underway include:

- \$4.5 million annual cleaning and lining or replacement of the City’s Water System infrastructure,
- \$5.0 million annual Sewer Improvement Program to reduce inflow and infiltration; and
- \$2.25 million annual Stormwater System improvements.

All these annual infrastructure improvements and appropriations will continue to be evaluated in these uncertain financial times.

#### 4.5 Transportation Network Improvement Program

In FY2017, the City began the implementation of a Transportation Network Improvement Program which substantially increased yearly expenditures on roadway infrastructure repairs from approximately \$3.3 million to \$9.5 million in order to increase the average condition index of all of Newton’s streets to either “good” or “very good” condition within the next 10 years. Roads are rated 0 to 100 (0 being a road in very poor condition and 100 being a new road); this rating is known as the Pavement Condition Index (PCI).

The Pavement Management Program seeks to use these funds in an efficient and effective manner and is utilizing a Cost Benefit Value (CBV) Report that prioritizes the streets. The CBV is a data driven analysis to prioritize roadway repairs based on several factors (traffic volumes, cost to repair/maintain, repair technique, roadway rating, etc.).

Development of this program is done in coordination with underground utility work, village and intersection enhancement projects, along with forecasting future street paving condition ratings.

This program includes efforts to address the needs of all modes of transportation including pedestrian and bicycle accommodations, traffic calming, intersection safety improvements at signalized and unsignalized locations, as well as rehabilitation of City-owned parking lots. The accelerated street repair work has raised the average Pavement Condition Index (PCI) from 62.5 to 72, a significant increase.

The Fuller Administration remains completely committed to this goal and will continue to aggressively fund this critical citywide initiative. Mayor Fuller has also dedicated \$8.8 million in ARPA funds to Newton's transportation network, in part because we cut \$4 million in spending in a belt-tightening effort when the pandemic first shut down the economy and decreased City revenues.

**City of Newton, Massachusetts**  
**Annual General Fund Expenses**  
**FY2024 Budget/FY2025-FY2029 Forecast**

	2024 BUDGET	2025 FCST	2026 FCST	2027 FCST	2028 FCST	2029 FCST
<b>TOTAL REVENUE WITH ALL INTERFUND TRANSFERS</b>	\$ 499,710,209	\$ 518,627,960	\$ 536,982,558	\$ 556,464,966	\$ 576,706,653	\$ 598,149,181
<b>CURRENT PROJECTED EXPENSES</b>						
NEWTON PUBLIC SCHOOLS	\$ 268,655,413	\$ 278,058,352	\$ 287,790,395	\$ 297,863,059	\$ 308,288,266	\$ 319,078,355
OPERATIONS BOOSTER APPROPRIATION	\$ -	\$ 461,921	\$ 977,200	\$ 1,551,200	\$ 2,188,200	\$ 2,893,800
<b>PROJECTED NPS APPROPRIATION W/BOOSTER FUNDS</b>	<b>\$ 268,655,413</b>	<b>\$ 278,520,273</b>	<b>\$ 288,767,595</b>	<b>\$ 299,414,259</b>	<b>\$ 310,476,466</b>	<b>\$ 321,972,155</b>
% ANNUAL INCREASE	2.51%	3.67%	3.68%	3.69%	3.69%	3.70%
MUNICIPAL EXPENDITURES	\$ 137,294,859	\$ 144,891,836	\$ 149,890,605	\$ 155,061,830	\$ 160,411,464	\$ 165,945,659
% ANNUAL INCREASE	4.87%	3.45%	3.45%	3.45%	3.45%	3.45%
SOLID WASTE	\$ 10,312,933	\$ 10,931,709	\$ 12,571,465	\$ 13,325,753	\$ 15,324,616	\$ 16,244,093
% ANNUAL INCREASE	2.57%	6.00%	15.00%	6.00%	15.00%	6.00%
DEBT SERVICE	\$ 25,264,715	\$ 26,560,000	\$ 27,640,000	\$ 30,405,000	\$ 32,060,000	\$ 32,870,000
% ANNUAL INCREASE	1.32%	5.13%	4.07%	10.00%	5.44%	2.53%
PENSIONS & RETIREE HEALTH INSURANCE	\$ 58,182,289	\$ 58,741,851	\$ 62,505,296	\$ 66,512,566	\$ 70,779,307	\$ 75,322,446
% ANNUAL INCREASE	11.84%	6.00%	6.41%	6.41%	6.41%	6.42%
<b>TOTAL PROJECTED EXPENDITURE BUDGETS</b>	<b>\$ 499,710,209</b>	<b>\$ 519,645,670</b>	<b>\$ 541,374,961</b>	<b>\$ 564,719,408</b>	<b>\$ 589,051,852</b>	<b>\$ 612,354,353</b>
% ANNUAL INCREASE	4.11%	3.99%	4.18%	4.31%	4.31%	3.96%
<b>VARIANCE +/-</b>	<b>\$ -</b>	<b>\$ (1,017,710)</b>	<b>\$ (4,392,403)</b>	<b>\$ (8,254,442)</b>	<b>\$ (12,345,199)</b>	<b>\$ (14,205,172)</b>
<b>GAP AS % OF REVENUE</b>		<b>0.20%</b>	<b>0.82%</b>	<b>1.48%</b>	<b>2.14%</b>	<b>2.37%</b>

## 5.0 Addressing Climate Change and Sustaining our Environment

Climate change and sustaining our environment continues to be one of the most daunting challenges of our generation. We need to continue to focus on climate change, including both global warming from human emissions of greenhouse gases and the resulting large-scale shifts in weather patterns.

The Sustainability Program of the Mayor's Office spans all City departments in the development, coordination, and oversight of all the City's environmental, energy, and climate-related sustainability programs. The City will continue to pursue an ambitious range of programs, including the development and support of residential, commercial, and municipal renewable energy; sustainable materials management; Newton Power Choice; LED lighting installations in municipal buildings; supporting electric vehicles and bicycling & walking; and implementation of the City's first Climate Action Plan.

In March 2021, the City hired its first ever full-time Energy Coach in order to facilitate the implementation of the Climate Action Plan (CAP). In collaboration with the Mayor, Executive Office, City Departments, grassroots organizations, utilities, state-level organizations and buildings professionals, the Energy Coach is providing guidance to building owners, occupants, contractors, developers, designers and City Departments to maximize the implementation of green building practices in new construction and retrofits in the residential and commercial sectors.

The Climate Action Plan includes a great many efforts aimed at reducing Greenhouse Gas (GHG) emissions citywide to net zero by 2050. The City is working with many partners, including volunteer organizations, to develop and implement programs and actions in all sectors. This includes a program called "4 Our Future," which encourages households to insulate; use electric heat pumps for heating, cooling, and hot water; install solar energy; and use electric vehicles and other efficient transportation options.

The City has adopted the most progressive available building codes, adopted an ordinance to address embodied carbon in new construction, and is encouraging electrification in new construction through its prospective participation in the State's Ten Communities Program and through the support of new State legislation. The goal of an electrification ordinance is to build new buildings without the need for the use of fossil fuels for any purpose. The City is also working on the adoption of a BERDO ordinance (Building Emissions Reduction and Disclosure Ordinance) to reduce GHG emissions in existing buildings over 20,000 square feet to net zero by 2050. As part of that effort, the City is reaching out to building owners to encourage their participation in development of the ordinance.

The City has developed an electricity aggregation program for Newton electricity customers called Newton Power Choice, which currently provides as the default the purchase of 84% renewable power for participants. Newton customers can also opt up to 100% renewable power or choose not to participate in the program. In the next Newton Power Choice contract, beginning in January 2024, the default level of renewables will be 95%.

The City has installed 22 Level 2 Electric Vehicle chargers, with 44 charging ports, available for public use.

The City has also constructed 18 solar projects on City property that generate six million kWh per year, the equivalent of 30% of total municipal electricity use.

Beyond these programs, the City's Planning and Public Works Departments are working to implement other portions of the Climate Action Plan, including sustainable principles for transportation systems, the "complete streets" approach to road design, bike sharing, installation of electric vehicle (EV) charging stations and preferential parking for EVs in City parking lots, EV car sharing and shared trips for Newton's residents (NewMO). The City's own

passenger vehicle fleet is now all electric (36 vehicles). The City has installed nineteen electric vehicle chargers with 38 ports around the City available for public use and will be expanding on that network in the future.

In the City's Climate Action Plan, entitled "Use Less and Green the Rest," the City has set a carbon-neutral Newton goal for 2050. The Plan includes six areas of action: A) Implementing the plan by adapting internal operations and working with partners; B) Promoting clean and renewable power; C) Greening Newton's transportation and streetscapes; D) Improving new construction and major renovations; E) Improving existing buildings; and F) Reducing emissions associated with consumption and disposal. While much of the focus of the Climate Action Plan is on private buildings and vehicles (where the vast majority of greenhouse gases are generated), there are several areas involving municipal resources that the Plan calls for new City investment using either the operating or capital budget.

Click here: <http://www.newtonma.gov/civicax/filebank/documents/98185> to read the City of Newton's Climate Change Vulnerability and Action Plan.

## 6.0 Zoning and Land Use Planning for the Future

The City Council's Zoning and Planning Committee (ZAP), supported by Newton's Planning Department staff, is working on a long-standing assignment to update Newton's zoning code comprehensively. Since 2021, this effort has focused on the creation of new zoning for Newton's village center districts. The current zoning for village centers has been in place since 1987, when zoning drastically reduced or eliminated the ability to build multi-family housing and mixed-use development.

Under the City Council's guidance, and with input from more than two years of community engagement, the Planning Department drafted zoning that includes the Village Center Overlay District (VCOD). This proposed set of zoning regulations for the commercial centers and immediately surrounding residential areas of 12 of Newton's village centers, covering less than 4% of the city, includes four sub-districts with maximum heights between 2.5 and 4.5 stories, applied to each village center uniquely.

Though the Village Center Overlay District proposal, the City Council is consciously and conscientiously reconsidering our zoning so it meets current and future community needs consistent with city-wide goals to:

- Increase housing options – easier to build housing of varying types and sizes.
- Support local businesses – simplify rules for opening and growing businesses.
- Reduce greenhouse gas emissions – fossil free development per the electrification ordinance.
- Create more affordable/accessible housing – smaller units and more inclusionary units.

Zoning plays a role in the development potential and profitability for an individual property owner and impacts the goals of individual buyers and sellers (who may be developers). Zoning impacts home values, the number of teardowns, and construction costs. In other words, the zoning ordinance directly impacts the type of housing that is likely to and/or can be made available and can impact the price point associated with that housing.

Working in partnership with the City Council, the Fuller Administration is committed to expanding our housing options, creating housing diversity, and has recently established an Affordable Housing Trust to help facilitate the achievement of these goals.

Mayor Fuller and the Newton City Council established the Newton Affordable Housing Trust in December 2021 for the purpose of creating and preserving affordable housing in Newton for the benefit of low- and moderate-income households. The Trust will use Community Preservation Act funds and other funding sources and create a streamlined and efficient process for funding projects which preserve existing affordable housing, create new

affordable housing, and convert existing buildings into affordable housing opportunities throughout Newton. The Trust is an important, nimble resource for the City to use in meeting its affordable housing goals.

Altogether, these efforts seek to make us a better city that is more affordable and more inclusive of diverse housing preferences and needs.

## 7.0 Reserves, Rainy Day Stabilization Fund and Free Cash

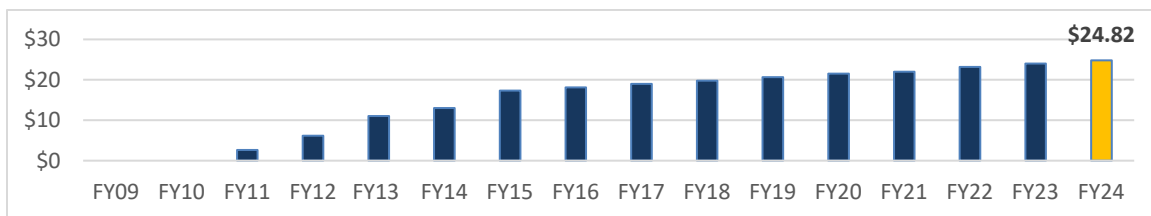
The City of Newton established a Rainy Day Stabilization Fund in 2010 to serve as a reserve for years when the City faces a multiple year economic recession or a rare, catastrophic event requiring a significant expenditure. More specifically, these funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the City’s control, or an unusually large expenditure resulting from such things as a catastrophic weather event. The funds remain segregated to prevent the reserves from being depleted for other city needs, and to demonstrate that resources are being set aside for extraordinary and unforeseen revenue disruption or catastrophic expenditure. Through collaboration with the City Council’s Finance Committee, the Comptroller, members of the City Council, and the Warren and Fuller Administration, the fund continues funding its goal of 5% of the total operating budget. The current fund balance totals approximately \$25 million.

One of the most important decisions that the Fuller Administration made at the onset of the Coronavirus Pandemic was the decision to maintain the 5% balance in the City’s Rainy Day Stabilization Fund. Although we were experiencing unprecedented and tremendously uncertain times, we knew maintaining the Rainy Day Fund Balance was important. Otherwise, the City would now be facing the additional financial pressure of returning the used funds into the Rainy Day fund.

This has proven to be a very wise decision. In part, the City of Newton was helped enormously when we received a total American Rescue Plan Act (ARPA) distribution of just over \$63 million, making dipping into the Rainy Day Fund less necessary, even though those funds are one-time resources and have certain restrictions.

We have maintained this fund so that we can absorb a deeper and protracted crisis, significant reductions in state aid and other revenues, or a catastrophic weather event. We chose to address the “known unknown” revenue decreases in the FY2021 and FY2022 budgets by reducing expenditures. We continue to hold on to our Rainy Day Stabilization Fund for the “unknown unknowns” that may confront the City in the coming months and years.

Rainy Day Stabilization Fund Value  
Current Balance \$24.82M, 5% of City of Newton Operating Budget



Free Cash is technically the accumulated difference of unrestricted funds between General Fund revenues and expenditures on a cash basis of accounting. In less technical terms, free cash is the remaining, unrestricted funds from operations from the previous fiscal year. Free Cash 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. The Massachusetts State Bureau of Accounts certifies Free Cash (typically in late September or October) and it is not available for appropriation until certified.

Although it is still too early for a final determination of this year's Free Cash as of June 30, 2023, it is our expectation that it will exceed \$20 million.

There are two specific reasons for this larger than normal Free Cash designation for the City of Newton. First, we held \$5.4 million from last year's Free Cash for potential liabilities and settlements that we may be facing which rolled over into this year's Free Cash; the \$5.4 million rolled over into this year's Free Cash. Second, interest rates have risen dramatically in the past eighteen months. Consequently, our actual interest earned from investments in FY2023 was \$8.4 million more than we had budgeted; this entire amount dropped into this year's Free Cash. The total of these two accounts amount to almost \$14 million of our projected free cash designation. More specifically, when we were crafting the FY2023 Budget in March 2022, the Federal Funds Rate was 0.25% to 0.50%, which was the interest rate income that we built into our Budget. By the end of our fiscal year in June 2023, the Federal Funds Rate had dramatically and unexpectedly increased to 5.25%.

Especially as the City of Newton is not yet fully funding 100% of anticipated expenditures (e.g., removal of snow and ice, maintenance of roadways, etc.), the City depends on and pays close attention to the amount and uses of Free Cash.

Free Cash in the Fuller Administration is an important part of the financial strategy and is used in a prioritized manner.

- First: the difference between the actual budget for snow and ice removal and the most recent current maximum spent;
- Second: the amount necessary to supplement the prior year's Interest Income from the Rainy Day Stabilization Fund and the amount of the required following year's Rainy Day appropriation;
- Third: Up to \$1.5 million is used as a general revenue source for the ensuing year's operating budget;
- Fourth: One-time, non-recurring expenditures and/or funding to replenish reserve funds depleted in the previous year, such as the Inclement Weather Stabilization Reserve.

If funds are still available, we prioritize one-time capital expenditures, particularly those with bonding terms of 10 years. Our goal is to continue to have Free Cash available to fund the four purposes listed above. The forecast reflects this goal.

**City of Newton, Massachusetts  
Annual General Fund Revenues  
FY2024 Budget/FY2025-FY2034 Forecast**

	2024 BUDGET	2025 FCST	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST	2031 FCST	2032 FCST	2033 FCST	2034 FCST
<b>TOTAL REVENUE</b>											
PROPERTY TAXES W/O DEBT EXCL. DEFER'D/ACCR'D, EXTRAORD PMTS	\$ (416,904,075)	\$ (448,369,301)	\$ (465,374,375)	\$ (482,978,785)	\$ (501,153,155)	\$ (520,164,088)	\$ (539,896,123)	\$ (560,377,976)	\$ (581,638,199)	\$ (603,706,188)	\$ (630,706,188)
% ANNUAL INCREASE	3.52%	3.60%	3.81%	3.79%	3.78%	3.76%	3.79%	3.79%	3.79%	3.79%	3.79%
TOTAL EXCISE PAYMENTS	\$ (13,650,000)	\$ (13,750,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)
% ANNUAL INCREASE	-2.41%	0.73%	1.09%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL ROOMS, MEALS & CANNABIS SALES TAXES	\$ (4,500,000)	\$ (4,925,000)	\$ (5,023,500)	\$ (5,053,735)	\$ (5,084,272)	\$ (5,115,115)	\$ (5,146,266)	\$ (5,177,729)	\$ (5,209,506)	\$ (5,241,601)	\$ (5,274,017)
% ANNUAL INCREASE	-10.27%	9.44%	2.00%	0.60%	0.60%	0.61%	0.61%	0.61%	0.61%	0.62%	0.62%
TOTAL ISD BUILDING/MECHANICAL PERMITS	\$ (8,560,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)
% ANNUAL INCREASE	-28.57%	15.71%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL PERMITS, FEES, AND OTHER REVENUES	\$ (6,831,105)	\$ (7,070,671)	\$ (7,229,671)	\$ (6,879,671)	\$ (6,879,671)	\$ (6,879,671)	\$ (6,879,671)	\$ (6,879,671)	\$ (6,879,671)	\$ (6,879,671)	\$ (6,879,671)
% ANNUAL INCREASE	-31.92%	3.51%	2.25%	-4.84%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL STATE REVENUE/CHERRY SHEET	\$ (34,562,916)	\$ (35,361,911)	\$ (36,242,834)	\$ (37,145,779)	\$ (38,071,299)	\$ (39,019,956)	\$ (39,992,330)	\$ (40,889,014)	\$ (42,010,614)	\$ (43,057,754)	\$ (44,131,073)
% ANNUAL INCREASE	2.43%	2.31%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%
TOTAL INTEREST INCOME	\$ (2,500,000)	\$ (4,500,000)	\$ (9,500,000)	\$ (9,000,000)	\$ (2,500,000)	\$ (2,500,000)	\$ (2,500,000)	\$ (2,500,000)	\$ (2,500,000)	\$ (2,500,000)	\$ (2,500,000)
% ANNUAL INCREASE	-73.72%	80.00%	-22.22%	-14.29%	-16.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>SUBTOTAL OPERATING REVENUES</b>	\$ (487,508,096)	\$ (507,412,645)	\$ (524,170,306)	\$ (541,258,561)	\$ (559,319,027)	\$ (578,472,898)	\$ (598,487,356)	\$ (619,247,537)	\$ (640,782,767)	\$ (663,122,166)	\$ (686,295,950)
% ANNUAL INCREASE	0.11%	4.08%	3.30%	3.26%	3.34%	3.42%	3.46%	3.47%	3.48%	3.49%	3.49%
2013 DEBT EXCLUSION	\$ (3,118,903)	\$ (3,112,603)	\$ (3,099,728)	\$ (3,094,103)	\$ (3,079,253)	\$ (3,067,328)	\$ (3,057,901)	\$ (3,050,369)	\$ (3,042,869)	\$ (3,032,869)	\$ (3,022,869)
% ANNUAL INCREASE	-3.30%	-0.20%	-0.41%	-0.18%	-0.48%	-0.39%	-0.31%	-0.25%	-0.25%	-0.33%	-0.33%
2023 DEBT EXCLUSION	\$ -	\$ (300,000)	\$ (1,000,000)	\$ (2,400,000)	\$ (3,500,000)	\$ (4,600,000)	\$ (5,800,000)	\$ (5,800,000)	\$ (5,800,000)	\$ (5,800,000)	\$ (5,800,000)
% ANNUAL INCREASE	#DIV/0!	#DIV/0!	233.33%	140.00%	45.83%	31.43%	26.09%	0.00%	0.00%	0.00%	0.00%
TOTAL EXTRAORDINARY PAYMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% ANNUAL INCREASE	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
<b>SUBTOTAL REAL REVENUES</b>	\$ (490,626,999)	\$ (510,825,248)	\$ (528,270,034)	\$ (546,752,664)	\$ (565,898,280)	\$ (586,140,226)	\$ (607,345,257)	\$ (628,097,906)	\$ (649,625,636)	\$ (671,955,035)	\$ (695,118,819)
% ANNUAL INCREASE	0.08%	4.12%	3.42%	3.50%	3.50%	3.58%	3.62%	3.42%	3.43%	3.44%	3.45%
TOTAL TAX DEFERRALS/ACCRUALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% ANNUAL INCREASE	-100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL INTERFUND TRANSFERS	\$ (9,083,210)	\$ (7,142,825)	\$ (7,316,524)	\$ (7,496,302)	\$ (7,682,373)	\$ (7,874,956)	\$ (8,074,279)	\$ (8,280,579)	\$ (8,494,099)	\$ (8,715,093)	\$ (8,943,821)
% ANNUAL INCREASE	3.74%	-21.36%	2.45%	2.46%	2.48%	2.51%	2.53%	2.56%	2.58%	2.60%	2.62%
<b>TOTAL REVENUE LESS OPERATIONS BOOSTER FUND TRANSFER</b>	\$ (499,710,209)	\$ (517,968,073)	\$ (535,586,558)	\$ (554,248,968)	\$ (573,580,653)	\$ (594,015,181)	\$ (615,419,536)	\$ (636,378,485)	\$ (658,119,736)	\$ (680,670,128)	\$ (704,062,640)
% ANNUAL INCREASE	-0.11%	3.65%	3.40%	3.48%	3.49%	3.56%	3.60%	3.41%	3.42%	3.43%	3.44%
TRANSFER FROM OPERATIONS BOOSTER STABILIZATION FUND	\$ -	\$ (659,887)	\$ (1,396,000)	\$ (2,216,000)	\$ (3,126,000)	\$ (4,134,000)	\$ (5,249,000)	\$ (6,480,000)	\$ (7,836,000)	\$ -	\$ -
<b>TOTAL REVENUE WITH ALL INTERFUND TRANSFERS</b>	\$ (499,710,209)	\$ (518,627,960)	\$ (536,982,558)	\$ (556,464,968)	\$ (576,706,653)	\$ (598,149,181)	\$ (620,668,536)	\$ (642,858,485)	\$ (665,955,736)	\$ (689,670,128)	\$ (714,062,640)
% ANNUAL INCREASE	-0.11%	3.79%	3.54%	3.63%	3.64%	3.72%	3.76%	3.58%	3.59%	3.59%	3.44%



**City of Newton, Massachusetts  
Annual General Fund Expenses  
FY2024 Budget/FY2025-FY2034 Forecast**

	2024 BUDGET	2025 FCST	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST	2031 FCST	2032 FCST	2033 FCST	2034 FCST
<b>TOTAL REVENUE WITH ALL INTERFUND TRANSFERS</b>	\$ 499,710,209	\$ 518,627,960	\$ 536,982,558	\$ 556,464,966	\$ 576,706,653	\$ 598,149,181	\$ 620,668,536	\$ 642,858,485	\$ 665,955,736	\$ 680,670,128	\$ 704,062,640
<b>CURRENT PROJECTED EXPENSES</b>											
NEWTON PUBLIC SCHOOLS	\$ 268,655,413	\$ 278,058,352	\$ 287,790,395	\$ 297,863,059	\$ 308,288,266	\$ 319,078,355	\$ 330,246,097	\$ 341,804,711	\$ 353,767,876	\$ -	\$ -
OPERATIONS BOOSTER APPROPRIATION	\$ -	\$ 461,921	\$ 977,200	\$ 1,551,200	\$ 2,188,200	\$ 2,893,800	\$ 3,674,300	\$ 4,536,000	\$ 5,485,200	\$ -	\$ -
PROJECTED NPS APPROPRIATION W/BOOSTER FUNDS	\$ 268,655,413	\$ 278,520,273	\$ 288,767,595	\$ 299,414,259	\$ 310,476,466	\$ 321,972,155	\$ 333,920,397	\$ 346,340,711	\$ 359,253,076	\$ 371,826,933	\$ 384,840,876
% ANNUAL INCREASE	2.51%	3.67%	3.68%	3.68%	3.69%	3.70%	3.71%	3.72%	3.73%	3.50%	3.50%
MUNICIPAL EXPENDITURES	\$ 137,294,859	\$ 144,891,836	\$ 149,890,605	\$ 155,061,830	\$ 160,411,464	\$ 165,945,659	\$ 171,670,784	\$ 177,593,426	\$ 183,720,400	\$ 190,058,753	\$ 196,615,780
% ANNUAL INCREASE	4.87%	3.45%	3.45%	3.45%	3.45%	3.45%	3.45%	3.45%	3.45%	3.45%	3.45%
SOLID WASTE	\$ 10,312,933	\$ 10,931,709	\$ 12,571,465	\$ 13,325,753	\$ 15,324,616	\$ 16,244,093	\$ 17,218,739	\$ 18,251,863	\$ 19,346,975	\$ 20,507,793	\$ 21,738,261
% ANNUAL INCREASE	2.57%	6.00%	15.00%	6.00%	15.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
DEBT SERVICE	\$ 25,264,715	\$ 26,560,000	\$ 27,640,000	\$ 30,405,000	\$ 32,060,000	\$ 32,870,000	\$ 34,543,000	\$ 35,205,000	\$ 35,840,000	\$ 36,556,800	\$ 37,287,936
% ANNUAL INCREASE	1.32%	5.13%	4.07%	10.00%	5.44%	2.53%	5.09%	1.92%	1.80%	2.00%	2.00%
PENSIONS & RETIREE HEALTH INSURANCE	\$ 58,182,289	\$ 58,741,851	\$ 62,505,296	\$ 66,512,566	\$ 70,779,307	\$ 75,322,446	\$ 80,159,825	\$ 85,310,490	\$ 86,537,000	\$ 77,939,000	\$ 80,645,000
% ANNUAL INCREASE	11.84%	6.00%	6.41%	6.41%	6.41%	6.42%	6.42%	6.42%	1.44%	-9.94%	3.47%
<b>TOTAL PROJECTED EXPENDITURE BUDGETS</b>	\$ 499,710,209	\$ 519,645,670	\$ 541,374,961	\$ 564,719,408	\$ 589,051,852	\$ 612,354,353	\$ 637,512,745	\$ 662,701,490	\$ 684,697,450	\$ 696,889,280	\$ 721,127,853
% ANNUAL INCREASE	4.11%	3.99%	4.18%	4.31%	4.31%	3.96%	4.11%	3.95%	3.32%	1.78%	3.48%
<b>VARIANCE +/-</b>	\$ -	\$ (1,017,710)	\$ (4,392,403)	\$ (8,254,442)	\$ (12,345,199)	\$ (14,205,172)	\$ (16,844,210)	\$ (19,843,005)	\$ (18,741,715)	\$ (16,219,153)	\$ (17,065,213)
<b>GAP AS % OF REVENUE</b>		0.20%	0.82%	1.48%	2.14%	2.37%	2.71%	3.09%	2.81%	2.38%	2.42%

## 8.0 Strengths; Challenges; Risks, Opportunities and Uncertainties

The Fuller Administration continuously is looking for ways to capitalize on our strengths, manage our challenges effectively, plan for known risks, look for opportunities, and be prepared when the unexpected occurs. We are acutely aware that a host of factors can impact the City budget and quickly change the financial forecast. These uncertainties, such as a pandemic, stay-at-home orders, high unemployment, a recession, a war, unusual inflation and staggering business losses, are one of the primary reasons why we maintain reserves and forecast conservatively. We know that revenues can, and hopefully will, exceed our forecast. (As noted earlier, we consciously forecast for 99% of revenues and 100% of expenditures.) If major new developments with positive net fiscal impacts are constructed or new revenue sources such as additional recreational retail cannibas establishments are approved, there can be a positive financial impact. Likewise, drops in City revenues, additional competition for Massachusetts School Building Authority (MSBA) building improvement matching funds, and escalating building, maintenance, energy, busing, or recycling/trash costs may yield negative financial impacts.

### Capitalizing on Our Strengths

- Strong residential and commercial sectors
- Diverse regional economy
- Manageable capital debt levels
- Conservative budgets
- Strong cash reserves

### Managing Our Challenges

- Paying for long-term retiree obligations
  - Pensions
  - Retiree Health Care or OPEB
- Funding appropriately capital assets
- Balancing annual operating budgets
- Incorporating all expenditures fully into the operating budget
- Depending on State and Federal funding
- Rising costs and interest rates

### Preparing for Risks, Opportunities and Uncertainties

- Managing the City during a worldwide pandemic
  - Providing public health protocols, contact tracing, vaccines, mental health supports, etc.
  - Responding to food insecurity
  - Supplementing housing costs
  - Providing technology for distance learning
  - Implementing office reconfigurations to allow for physical distancing
- Managing the City during an economic contraction
  - End of bull stock market impacting both pension investments and residents
  - Increased unemployment
  - Retail and commercial vacancies
- Responding to Demographic and Social Trends
  - Significant shifts in:
    - Student enrollment
    - Out of district tuitions
    - Older residents
    - Opioid use and mental health issues

- Housing costs
- Staffing Shortages and Paying for Additional Public Safety during Emergencies and Weather Events
- Funding Unexpected Spikes in Costs
  - Student transportation
  - Waste and recycling costs
  - Interest rates on bond financing
  - Energy
  - Medical costs
  - Construction costs
  - Technology
- State and Federal Legislation with Unfunded Mandates
  - Stormwater regulations
- Implementing New Initiatives
  - Climate change actions
  - Full Day Kindergarten
  - Late Start High School
  - Newton Center for Active Living (NewCAL)

## 9.0 Beyond the General Fund: Water, Sewer, and Stormwater Enterprise Funds

Newton’s Public Works Department through its Utilities Division supplies all water distribution and provides all sewer operations to more than 32,000 households, institutions, and business, and maintains stormwater drainage systems throughout more than 300 miles of roadways. While Newton purchases its water from the Massachusetts Water Resources Authority (MWRA) and sends its sewage to the MWRA treatment facility at Deer Island, the City owns all the pipes, drains, and infrastructure required to supply these critical services.

The City of Newton has established a Water Enterprise Fund, Sewer Enterprise Fund, and a Stormwater Enterprise Fund. Through these Enterprise Funds, fees are charged to all property owners to support each of these three different enterprise activities. These funds are separate from the general operating fund of the City (which is supported primarily through tax revenues). The Fee Rates are set on an annual basis and must cover all operations of each enterprise activity. Combined fee revenue for all three services for FY2024 approximates \$64.7 million, with more than \$38 million, or almost 60%, of that payable to the MWRA for water and sewer treatment.

Several years ago, the City recognized that the aging water, sewer, and stormwater infrastructure needed a strategic investment plan for its repair and maintenance. The capital investment needs for these three enterprise funds exceeded \$100 million. Therefore, the City developed a capital improvement plan and funding schedule with the commitment of maintaining no more than a 3.9% total annual increase in fees in the combination of these three funds.

### 9.1 Water Enterprise Fund

The City of Newton has been identifying, evaluating and improving Newton’s water distribution system for many years. In fact, in 2016, the Newton Fire Department was rated a “Class 1” agency, the highest possible ranking from the Insurance Service Organization (ISO). Improvements made over the prior several years to the City’s Water Distribution System played an integral part in this upgrade. The ISO grades on a point system, with fire department operations accounting for 50 percent of the rating, fire flow or available water supply accounting for 40 percent of the grade, and dispatch operations constituting the remaining 10 percent. The City’s investment in ensuring excellent water supply from hydrants made a difference.

The City recognized the need to increase the renewal of the aging water distribution pipe network, much of which dates back to the 1870's, and developed a comprehensive capital improvement program as part of the Water and Sewer Strategic Plan initiative.

From 2013 through 2016, we aggressively targeted water main improvements for fire flow purposes, focusing on replacement of pipes, not just cleaning and lining old pipes. We completed a hydraulic model analysis in 2016, and we redirected our efforts to target and replace leak prone pipes, especially the leak-prone pipes installed circa World War II. We are currently in construction of phases eight and ten of a 20-phase water main cleaning and lining program. Phase nine of the program was the replacement of the Needham Street water main, which was completed this year.

The City utilized a pipe renewal needs forecasting software program to provide a long-range calculation of the anticipated pipe replacement quantities required to keep pace with the expected end of useful service life of pipe assets in the distribution system. The results take the form of a customized pipe replacement needs distribution curve for the City's pipe assets showing by pipe type how much replacement is required annually. The results of the analysis indicate that the City should be replacing or cleaning and lining approximately 4 to 5 miles of water main pipes per year.

In addition, a risk-based ranking system was developed for integrating and managing the water system pipe asset rankings. The ranking takes into account the consequence of the failure of the pipe and the probability of its failure. Consequence of failure takes into account the proximity of the pipe to critical facilities (e.g., hospitals, schools) as well as the potential for flood damage due to breakage. Probability of failure takes into account pipe type, age, joint type, and vibrations under heavy loads (e.g., highways, railroad tracks). The water main assets were then grouped into a risk matrix, by condition and criticality, from low priority to high priority, with recommended actions that range from immediate pipe replacement to acoustic monitoring, advanced in-pipe inspection, as well as cleaning and cement lining.

The City is in the process of removing and replacing 125 commercial electromagnetic water meters, upgrading our automatic reporting system with a new advanced metering infrastructure (AMI) system, and replacing all our +/-26,000 residential and small commercial water meters.

More detailed information on the City's water system infrastructure plan can be found in the City's FY2025-FY2029 Capital Improvement Plan.

## 9.2 Sewer Enterprise Fund

Prior to the development of the City's comprehensive strategic plan for the improvement of its sewer infrastructure, it was estimated that more than 60% of the sewage and wastewater that was sent to the Massachusetts Water Resource Authority (MWRA) for processing by the City of Newton was the result of inflow (stormwater from direct illegal connections) and infiltration (groundwater that gets into the sewer pipes through cracks and other imperfections). The additional flow to MWRA in the form of inflow and infiltration was costing the City well in excess of \$5 million per year. Furthermore, back-ups in the sewer lines due to insufficient capacity with the additional groundwater/stormwater resulted in sewer surcharges from some street and park manholes during intense rain events.

The City developed an 11-year program to systematically address the approximately 300 miles of sewer mains and related manhole structures, beginning with those areas known to have significant inflow and infiltration problems, as well as those areas that were experiencing flooding or sewer surcharging problems. The work in each project area is accomplished in 3 steps:

- Inspection and Assessment, including heavy cleaning;

- Design of repair work; and
- Construction, including post-construction flow assessment.

The work in each project area from inspection & assessment through construction has been expected to be completed over a 2-year period.

As a result of the financial benefits of recent MWRA sewer assessment increases that are much lower for Newton than most other MWRA communities, but prior to the onset of COVID-19, this program had been accelerated so it would be completed in 10 years. However, based on the economic downturn, and escalating costs of sewer repairs, we are bifurcating the construction of some of the remaining project areas over two construction seasons, rather than one, ultimately extending the number of years it will take to complete each individual project area and all of this work.

More detailed information on the City's sewer system infrastructure plan can be found in the City's FY2025-FY2029 Capital Improvement Plan.

### 9.3 Stormwater Enterprise Fund

Like many communities, Newton's storm water system is old and faces challenges related to storm water quantity and quality, system maintenance and upgrades, and localized flooding.

While the City had completed a number of localized storm water drainage repairs, the Department of Public Works recognized the need to develop a comprehensive plan to identify and address all storm water needs throughout the City and to establish a funding plan to accomplish this work. A Stormwater Fee was approved in 2006 and a Stormwater Infrastructure Improvement Plan was created in 2015. In addition, the National Pollutant Discharge Elimination System (NPDES) MS4 Permit, which is mandated for all communities by the EPA, took effect on July 1, 2018. The NPDES MS4 Permit significantly increases requirements for the City of Newton for maintaining and improving storm water quality. These needs must also be factored into all storm water planning and funding.

The system-wide assessment conducted to develop the 20-year Storm Water Infrastructure Improvement Plan includes four primary areas: National Pollutant Discharge Elimination System (NPDES) compliance; localized flooding; stream improvements; and culvert maintenance. Recommended projects include removal of debris within the stream bed and on nearby embankments; removal of sediment in stream beds, culverts and ponds; structural and capacity evaluation; rehabilitation and maintenance of pipes and culverts; repair of failing retaining walls; and public education.

The NPDES MS4 Permit has increased requirements for maintaining and improving storm water quality. Developing solutions to address the impact of stormwater runoff is paramount to the long-term sustainability of local waters including the Charles River. The City is working hard on our submittal of our Phosphorus Control Plan, due in September 2023 as part of the MS4 Permit requirements. In anticipation of the requirements, the City implemented an updated Storm Water Ordinance with rules and regulations in 2022 to require stormwater mitigation on residential and commercial properties.

The City is currently in the bid specification process for a project to dredge the City Hall ponds, working on design options on the Bulloughs Pond dam repair, completing the Illicit Discharge and Detection Elimination Investigations in the Laundry Brook Drainage Basin, and completing the design of the Union Street Drainage Project.

In FY2023, the City completed its repairs to the Newton Free Library Parking Lot. This project involved expansion of the existing lot, as well as repaving, and improved drainage and accessibility. The work allows more stormwater

to be absorbed by the land itself, as opposed to running into the storm drains. While it will not address very intense rainfall amounts, it provides much improved storm water mitigation.

A methodology and rating criteria are being used to prioritize the list of storm water projects based on probability of failure and consequence of failure. Probability of failure is based entirely on the condition of the asset. Consequence of failure takes into consideration the potential impacts related to the potential failure of the asset including: public health and safety, property damage, cost of deferred maintenance, number of people impacted, and impacts to traffic and infrastructure in the City. Combined with regulatory timelines for implementation of projects associated with the NPDES MS4 Permit and the financial impacts for each of the identified projects, the City has prioritized the work in the Stormwater Infrastructure Improvement Plan.

The DPW Utilities team anticipates that the needed investments in the City's stormwater system will be increasing significantly in the years ahead for us to be in compliance with the NPDES MS4 Permit. We will be analyzing the costs and working with the City Council in the coming months on the necessary fee structures and the impact on our property owners.

More detailed information on the City's stormwater system infrastructure plan can be found in the City's FY2025-FY2029 Capital Improvement Plan.

## 10. Summary - Long-Range Financial Plan

To summarize, a well-managed, fiscally-sound City of Newton is essential to provide exceptional teaching and learning to over 11,000 students, deliver top-notch city services to our residents, support our residents and businesses, and make important updates to our infrastructure. Similarly, we must ensure our tax dollars are being used in an effective and accountable manner. Perhaps most importantly, we must make smart and sustainable financial decisions to create the funding for thoughtful investments in Newton's future and to weather difficult economic cycles or unanticipated crises like a pandemic. We must also ensure that we maintain our deep commitment to the health, well-being, and safety of our approximately 3,000 valued employees and honor our commitments to them in their retirement years.

For the City's budget and finances to remain sustainable, we must remain steadfast in our determination to balance the annual operating budget while addressing infrastructure needs, provide services our residents need and want, fully fund all liabilities from debt service to pensions to retiree health care, and develop and maintain an appropriate level of reserves for economic downturns, dramatic weather events and other unpredictable events.

The COVID-19 pandemic was certainly a dramatic, unpredictable event. The first reported death in the United States occurred on February 29, 2020. This year as we deliver the FY2025 – FY2029 Five-Year Financial Plan on September 5, 2023, we are operating in a world that has changed dramatically in the past 3 ½ years. In the worst months of the pandemic, we experienced physical distancing, isolation, quarantining, unemployment, remote schooling, missed milestones, and uncertainty. In the fall of 2023, we are still living with the uncertainties and anxieties stemming from inflation, a potential recession, political divisiveness and a war in Ukraine.

The role that our municipal government has served during this health pandemic and will continue to serve as we continue to recover from this health, financial, social, emotional, and educational crisis is critical. We worked diligently to propose both a FY2024 City of Newton Budget and a FY2025 – FY2029 Five-Year Financial Plan that are responsive to the needs of Newtonians, reflect the financial challenges and opportunities that the City faces, and are sustainable for the years ahead.

## **APPENDIX I**

**Responding to the Coronavirus Pandemic:**

**Federal, State and Local Funding**

## 1.0 Responding to the Coronavirus - Federal, State and Local Funding

Beginning immediately in March 2020, the Fuller Administration focused on helping people, students, businesses and non-profits during the pandemic and took advantage of a variety of funding opportunities to support those efforts.

Federal and state agencies created a wide array of programs and the rules and restrictions of each often changed. We kept track of each of them and moved quickly to take advantage of the help they offered. We kept re-thinking what we needed to do locally to support our community even as federal and state legislation and the virus itself kept evolving. We also retained detailed records of our expenditures so we could take full advantage of reimbursement opportunities. When a program expanded what expenses and how much of them could be reimbursed (e.g., the Federal Emergency Management Agency (FEMA)), we nimbly reallocated our expenses to match those opportunities.

To track these revenues and expenditures, the City of Newton established several accounts, comprised of state and federal reimbursements, grants, and taxpayer funds. The two most significant federal aid packages were the federal Coronavirus Aid, Relief, and Economic Security Act (known as the CARES Act) and the American Rescue Plan Act (known as ARPA).

### 1.1 The CARES Act - \$7.8 Million

The Federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), enacted on March 27, 2020, was a \$2.2 trillion economic stimulus bill in further response to the economic fallout of the COVID-19 pandemic in the United States. The legislation provided for a one-time cash payment to certain individuals (typically \$1,200); increased unemployment benefits; created the Paycheck Protection Program that provided forgivable loans to small businesses; gave loans to corporations; and provided funding for state and local governments.

The CARES Act included funds for local governments to use to pay costs incurred in responding to the COVID-19 outbreak. Under federal law, eligible uses must have met three conditions:

1. “Necessary expenditures incurred due to the public health emergency with respect to ... COVID–19.” Funds could not be used to substitute for lost revenue.
2. Expenditures not budgeted as of March 27, 2020 when the CARES Act was enacted. The funds could not supplant municipal spending.
3. Expenditures must have been incurred on or after March 1, 2020 up to December 31, 2021 (including the time extension).

The City of Newton received \$7,838,462. The Fuller Administration focused over 80 percent of our CARES funding (\$6.4 million of our \$7.8 million appropriation) on the Newton Public Schools. \$4.9 million was spent to improve the ventilation systems throughout all school buildings, almost \$1.0 million was spent on the health and safety of our educators, staff, and students through COVID-19 medical screenings and testing, and another approximately \$500K was spent on tents for outdoor learning, reconfiguration of space, and other social distancing strategies in our schools. In addition, the Fuller Administration invested CARES funds to help vulnerable residents with housing and utility costs, new COVID election related expenditures, and municipal COVID expenses such as ventilation upgrades, PPE and cleaning services. See the table below for more details.



FEDERAL CARES ACT FUNDS				
CITY OF NEWTON GRANT - \$7,838,462				
	FY20 ACTUAL	FY21 ACTUAL	FY22 ACTUAL	TOTAL
<b>CARES FUNDS - CITY DEPT OPERATIONS</b>				
2020 PRESIDENTIAL ELECTION		\$ 125,682		\$ 125,682
CLEANING/CUSTODIAL SUPPLIES & SVCS	\$ 39,711	\$ 187,443	\$ 99,629	\$ 326,783
PUBLIC HEALTH STAFFING			\$ 19,517	\$ 19,517
UNEMPLOYMENT BENEFITS		\$ 85,120	\$ 16,983	\$ 102,103
MISC MUNICIPAL EXPENSES		\$ 38,874		\$ 38,874
<b>TOTAL CITY DEPT OPERATIONS</b>	<b>\$ 39,711</b>	<b>\$ 437,119</b>	<b>\$ 136,129</b>	<b>\$ 612,959</b>
<b>CARES FUNDS - CITY INFRASTRUCTURE</b>				
BUILDING VENTILATION/RECONFIGURATIONS		\$ 364,707		\$ 364,707
<b>TOTAL CITY DEPT INFRASTRUCTURE</b>	<b>\$ -</b>	<b>\$ 364,707</b>	<b>\$ -</b>	<b>\$ 364,707</b>
<b>CARES FUNDS - NPS OPERATIONS</b>				
REGULAR OVERTIME		\$ 151,497		\$ 151,497
CLEANING/CUSTODIAL SVS		\$ 6,739		\$ 6,739
MEDICAL SCREENINGS		\$ 909,876		\$ 909,876
MEDICAL SERVICES		\$ 23,900		\$ 23,900
OFFICE SUPPLIES		\$ 56,231		\$ 56,231
BUILDING MAINT SUPPLIES		\$ 134,004		\$ 134,004
TENTS THROUGHOUT DISTRICT		\$ 247,623		\$ 247,623
TESTING SUPPLIES		\$ 27,232		\$ 27,232
CONSTRUCTION SUPPLIES		\$ 13,130		\$ 13,130
PUBLIC SAFETY SUPPLIES		\$ 2,431		\$ 2,431
<b>TOTAL NPS OPERATIONS</b>	<b>\$ -</b>	<b>\$ 1,572,663</b>	<b>\$ -</b>	<b>\$ 1,572,663</b>
<b>CARES FUNDS - NPS INFRASTRUCTURE</b>				
NPS HVAC/VENTILATION/RECONFIGURATION		\$ 4,514,031	\$ 249,372	\$ 4,763,403
NPS PROJECT- PUB BLDG'S PT MGMT		\$ 106,730		\$ 106,730
<b>TOTAL NPS INFRASTRUCTURE</b>	<b>\$ -</b>	<b>\$ 4,620,761</b>	<b>\$ 249,372</b>	<b>\$ 4,870,133</b>
<b>CARES FUNDS - VULNERABLE RESIDENTS</b>				
ASSISTANCE TO RESIDENTS FOR HOUSING & UTILITY COSTS			\$ 418,000	\$ 418,000
<b>CARES ASSISTANCE-VULNERABLE RESIDENTS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 418,000</b>	<b>\$ 418,000</b>
<b>TOTAL NEWTON CARES GRANT</b>	<b>\$ 39,711</b>	<b>\$ 6,995,250</b>	<b>\$ 803,501</b>	<b>\$ 7,838,462</b>

## 1.2 The American Rescue Plan Act – (ARPA) - \$63.6 Million

By far, the largest federal pandemic package is the American Rescue Plan Act of 2021 (ARPA), a \$1.9 trillion economic stimulus package signed into law by President Biden on March 11, 2021 to further respond to the economic and health effects of the COVID-19 pandemic.

The American Rescue Plan Act provides funding for expanded unemployment benefits; \$1,400 direct payments to certain individuals; emergency paid sick leave; extension of a 15% increase in food stamps; child tax credits and other tax credit provisions; grants to small businesses; funds to reopen schools; funds for housing and rental assistance, vaccines, testing and contact tracing, health care and public health; public transit; and funds to state and local governments to bridge budget shortfalls and mitigate the fiscal impact of the pandemic.

The City of Newton has received approximately \$63.6 million dollars from the American Rescue Plan Act of 2021, often called ARPA. Congress created specific guidelines for how these funds can be used with two key categories

being the most relevant for our City. Category (A) requires the funds be used to respond to the COVID-19 public health emergency and/or its negative economic impacts; and Category (C) allows investment of the funds to make up for the missed investments stemming from the City’s “lost revenues” in the face of the pandemic.

The original legislation as passed in March 2021 outlined the requirements as follows:

*REQUIREMENTS:*

*(1) USE OF FUNDS.—Subject to paragraph (2), and except as provided in paragraph (3), a State, territory, or Tribal government shall only use the funds provided under a payment made under this section, or transferred pursuant to section 603(c)(4), to cover costs incurred by the State, territory, or Tribal government, by December 31, 2024—*

*(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;*

*(B) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;*

*(C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or*

*(D) to make necessary investments in water, sewer, or broadband infrastructure.*

*(2) FURTHER RESTRICTION ON USE OF FUNDS.—*

*(A) IN GENERAL.—A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.*

*(B) PENSION FUNDS.—No State or territory may use funds made available under this section for deposit into any pension fund.*

The U.S. Department of the Treasury issued the “Final Rule” effective April 1, 2022 to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act. It includes the following guidance:

### Section (1A) - ARPA Funds - Responding to the Public Health Emergency and Negative Economic Impact

Accordingly, to assess whether a program or service is included in this category of eligible uses, a recipient should consider whether and how the use would respond to the COVID-19 public health emergency.

Assessing whether a program or service “responds to” the COVID-19 public health emergency requires the recipient to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact. While the COVID-19 public health emergency affected many aspects of American life, **eligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.**

### Section (1C) - Reduction in Revenue due to the COVID-19 Health Emergency

Sections 602(c)(1)(C) and 603(c)(1)(C) of the Act allow **recipients facing budget shortfalls to use payments from the Fiscal Recovery Funds to avoid cuts to government services** and, thus, enable State, local, and Tribal governments to continue to provide valuable services and ensure that fiscal austerity measures do not hamper the broader economic recovery. The Interim Final Rule implements these provisions by establishing a definition of “general revenue” for purposes of calculating a loss in revenue and by providing a methodology for calculating revenue lost due to the COVID-19 public health emergency.

*Calculation of Loss.* In general, recipients will compute the extent of the reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic. This approach measures losses in revenue relative to the most recent fiscal year prior to the COVID-19 public health emergency by using the most recent pre-pandemic fiscal year as the starting point for estimates of revenue growth absent the pandemic.

For purposes of measuring revenue growth in the counterfactual trend, **recipients may use a growth adjustment of either 4.1 percent per year<sup>14</sup> or the recipient’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, whichever is higher.**

Recipients should calculate the extent of the reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023.

Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending December 31, 2020.

#### 1.2.1 Lost Revenue Calculation for the City of Newton

Calculating the lost revenue for the City of Newton using the formula provided by the Department of Treasury begins with the City of Newton’s most recent fiscal year prior to the COVID-19 public health emergency which was Fiscal Year 2019 (FY2019). FY2019 covered the twelve-month period beginning July 1, 2018 and ending June 30, 2019. FY2019 total City of Newton Revenue from all sources was \$656 million, while net revenue after adjustments for federal funds, bond sale proceeds, interfund transfers and other miscellaneous revenues totaled just over \$486 million. This net FY2019 Revenue amount of \$486 million is used as the most recent pre-pandemic fiscal year and will be the starting point for estimates of revenue growth absent the pandemic.

The City must next determine whether the growth adjustment of 5.2 percent per year (see Footnote 16 below) or

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<sup>14</sup> Originally, the Department of Treasury’s *Interim Final Rule* allowed a counterfactual revenue growth rate of 4.1%. However, the Department of Treasury’s *Final Rule* adjusted the allowable growth rate to 5.2%. This change in growth rate benefits the City of Newton, in that now all of our expenditure of ARPA funds can qualify for the *Section (1C) - Reduction in Revenue due to the COVID-19 Health Emergency*.

the City’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency is higher. We have done these calculations; we have determined that the City’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency is not higher than 5.2%. Therefore, we will use the U.S. Treasury guideline of 5.2% for all calculations for the growth adjustment for the counterfactual trend.

The Administration has now calculated the Calendar Year (CY) 2020 and 2021 Counterfactual Revenue as well as CY 2020 and 2021 Actual Revenue. This new calculation (based on 5.2%) has yielded a CY 2020 Lost Revenue factor of just under \$38.4 million and a CY 2021 Lost Revenue factor of just under \$30 million. Simply put, this means that to date, the City is able to use the guidelines of “the provision of government services” for the full amount of ARPA funds that have been allocated to the City of Newton. While the Lost Revenue expenditures in Category (C) are less restrictive than those in Category (A), we are mindful of the importance of using the ARPA funds to respond to the negative impacts of the pandemic. We will continue to measure our “lost revenue” as of Dec. 31, 2022, and Dec. 31, 2023, so as to determine exactly which guidelines we will follow for our ARPA expenditures.

The *Final Rule* also includes the guideline that in Category (C) which allows ARPA funds to provide government services to the extent of the reduction in revenues from COVID-19 that the definition of government services is broad, including infrastructure, health services, education and public safety. Specifically, the guideline states: *Government services can include, but are not limited to, maintenance or pay-go funded building of infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.*

AMERICAN RESCUE PLAN ACT - ARPA - \$63.6 MILLION	
CALCULATION OF LOST REVENUE	
MOST RECENT FULL FISCAL YEAR PRE-PANDEMIC - FY2019	
FISCAL YEAR NET REVENUE	\$ 486,267,673
COUNTERFACTUAL GROWTH RATE	5.20%
ALLOWABLE REVENUE CALENDAR YEAR 2020	\$ 524,685,435
CALENDAR YEAR 2020 ACTUAL REVENUE	\$ 485,795,813
<b>REVENUE LOSS CALENDAR YEAR 2020</b>	<b>\$ 38,889,622</b>
ALLOWABLE REVENUE CALENDAR YEAR 2021	\$ 551,969,077
CALENDAR YEAR 2021 ACTUAL REVENUE	\$ 521,679,721
<b>REVENUE LOSS CALENDAR YEAR 2021</b>	<b>\$ 30,289,356</b>
<b>TOTAL REVENUE LOSS THROUGH DECEMBER 31, 2021</b>	<b>\$ 69,178,978</b>

### 1.2.2 Investing ARPA Funds to Recover and to Build a Better Future

The Mayor has set out several goals for how we invest these one-time ARPA funds. We should seed those initiatives that will help Newtonians and our City not just stabilize and recover but permanently be more resilient, more livable, more vibrant, more inclusive, and more sustainable. We should invest the funds using the lens of equity, ensuring all geographic areas of Newton, all ages, all ethnicities and all people are supported while we help those hurt by the pandemic.

Our ARPA investments should be strategic so as to complement those of State and Federal programs. We will want to invest early in the design of “shovel-ready” infrastructure projects, so we are well positioned to take advantage

of Federal and State infrastructure aid. Simultaneously we will pay close attention to Federal and State spending decisions, so we don't inadvertently use Newton's ARPA monies when other funding streams are available.

Many people have provided great ideas. Our City Councilors and School Committee members weighed in. Residents, community groups, business owners and the heads of non-profits have spoken up. Many people sent along thoughtful emails to [ARPAinput@newtonma.gov](mailto:ARPAinput@newtonma.gov).

Mayor Fuller will continue to ask for input as many of the investment decisions will be made in the future. We have 3 to 5 years to use the funds. Monies must be incurred by December 2024 or encumbered by that date (i.e., specifically set aside in a special account) and spent by December 2026.

Additionally, the category of "lost revenues" is calculated each year, beginning with calendar year ending December 31, 2020 through calendar year ending December 31, 2023 using the U.S. Department of Treasury methodology comparing pre-pandemic City of Newton revenue growth to what happened during and afterwards.

On September 15, 2022, Mayor Fuller shared the next set of transformative investments we are making with the City of Newton's American Rescue Plan Act (ARPA) funds. These investments reflect input from across our community, and they will make Newton more resilient, more livable, more vibrant, more inclusive, and more sustainable for years to come.

Prior to September 15, we were already underway with investments of a little over one half (\$34 million) of the City's \$63.5 million in ARPA funds. On September, we committed another \$23 million towards pressing needs facing Newton:

### **Schools & Students**

- \$2 million towards new reading curriculum materials for students and teachers, Kindergarten – 5<sup>th</sup> Grade in all 15 elementary schools;
- \$100,000 towards professional services to inform facility decisions for the Ward and Underwood elementary schools.

### **Housing & Human Services**

- \$3.5 million towards the creation of affordable housing and/or energy retrofits for affordable housing;
- \$500,000 in accessibility investments in curb ramps and playgrounds.

### **Roads & Traffic Calming**

- \$4 million to repave roads in the worst condition in our neighborhoods;
- \$2 million for traffic calming measures to improve safety.

### **Parks, Recreation & Culture**

- \$2.5 million for investments in our athletic fields, Gath Pool, Crystal Lake beach, parks, playgrounds and recreation facilities;
- \$1.8 million towards renovating the performing arts auditorium at 150 Jackson Road to serve students at the new home for the Lincoln-Eliot Elementary School and the larger Newton community;
- \$200,000 towards revitalizing the exhibits at Newton's History Museum to better reflect our diverse heritage.

### **Economic Recovery & Village Centers**

- \$3 million to make Washington Street along the Mass Pike safer and more inviting;

- \$750,000 for the final design of improvements to Newton Highlands to support a business-friendly, multimodal (pedestrians, bicyclists, drivers, public transit users), resilient and inviting village center.

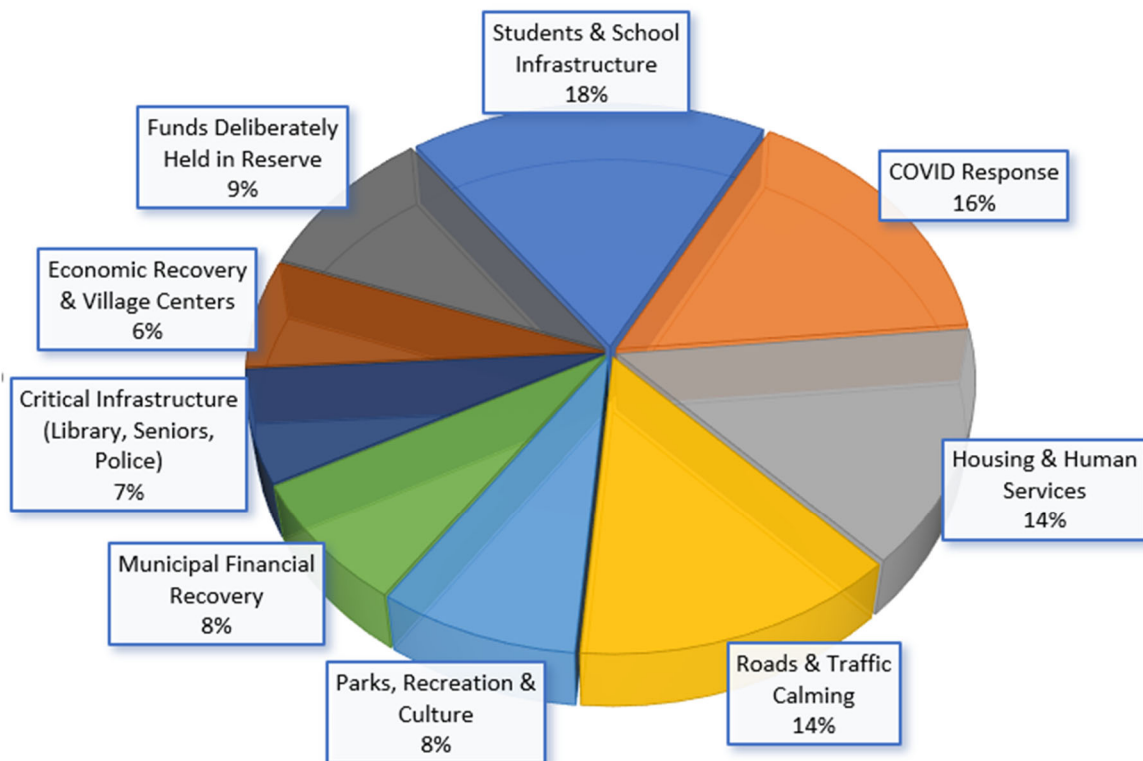
**City of Newton Financial Recovery**

- \$2 million to recover from lost revenues in the City’s General Fund in FY24 and \$1 million for FY25 to support our services and programs for students, residents and businesses.

With the unprecedented one-time federal funding from the American Rescue Plan Act, the City of Newton is supporting those most impacted by the pandemic, investing in the operations of the Newton Public Schools and the City, and seeding initiatives that will help Newtonians and our City not just stabilize and recover but permanently become more resilient, livable, vibrant, inclusive, and sustainable. We are investing these funds with the lens of equity, ensuring all geographic areas of Newton, all ages, and all people are supported while we help those disproportionately hurt by COVID-19.

All of Newton has come together to craft this plan. Through community meetings and listening sessions, an [ARPAinput@newtonma.gov](mailto:ARPAinput@newtonma.gov) email address, and with open office hours, calls, emails and letters, our City Councilors, School Committee members, community groups, residents, businesspeople and non-profit leaders have weighed in to help guide our investments. I am grateful for this guidance and it shaped our decisions.

We have invested heavily in our students and schools, our COVID response, and in affordable housing and human services. We moved forward with one-time infrastructure investments – from roads and traffic calming to village centers and commercial corridors, and police facilities to multiple elementary school building. We supported the recovery of small businesses, restauranters and artists. We helped the youngest users of our Library and the oldest residents of our City. We improved our parks, athletic fields, playgrounds and recreation facilities as well as added more trees. The pie chart below shows our strategic intent; click on it for more details.



Altogether, the investment of the ARPA funds will be transformative for all Newtonians:

- We are helping residents facing hardships and people disproportionately impacted by the pandemic – too often people of color – with both short-term emergency housing support and longer-term economic stability and mobility initiatives.
- Four homes were bought to add to our stock of affordable housing.
- Rapid antigen tests were purchased.
- Ventilation systems were improved.
- Chromebooks were provided to students.
- We supported our littles ones as they emerged from the isolation of the pandemic with a much larger, fully renovated Children’s Room at the Newton Free Library.
- A new community garden is fast taking shape on the north side of the City.
- Trails were improved and trails and playgrounds became more accessible.
- Athletic fields were improved with lighting.
- More trees were cared for, something that proved particularly timely with the extreme drought we’ve been through this summer.
- Our employees received stipends for their extraordinary service during the pandemic.
- Roads were repaired.
- Artists were supported.
- A new Senior Center was designed and additional green space for the users and the Newtonville community was acquired.
- We moved forward with architects to rebuild, renovate or improve four elementary schools – Countryside, Lincoln-Eliot, Horace-Mann and Franklin.

Please see the full list of investments on the City website [here](#).

We are consciously retaining \$6 million, almost 10%, of the ARPA funds. These funds may still be needed for continued COVID-19 response and recovery efforts and for unforeseen repercussions of the pandemic, additional financial hardships or unpredictable circumstances.

While we received many great suggestions for worthy investments, the dollar value of the suggestions far outstripped the amount of funding. That said, the spirit of almost all the recommendations have been honored. The values and goals embodied in the requests will continue to inform our deployment of our capital and operating investments.

As we take these significant steps to move Newton forward, I'm conscious of how much challenging work we still have in front of us; how much of our aging infrastructure still needs updating; how much more we need to do for the most vulnerable among us and for our children, our students and our older residents; how much more we must do to confront the climate crisis. We are a tremendous community of engaged, caring, passionate people – I'm honored to answer the future's challenges alongside you.



**AMERICAN RESCUE PLAN ACT (ARPA) GRANT  
CITY OF NEWTON GRANT - \$63.6 MILLION**

	FY2022	FY2023	FY2024	FY2025	TOTAL
<b>HOUSING &amp; HUMAN SERVICES</b>					
COMMUNITY NEEDS ASSESSMENT	\$ 50,000				\$ 50,000
ECONOMIC STABILITY AND MOBILITY	\$ 2,000,000				\$ 2,000,000
EMERGENCY HOUSING RELIEF PROGRAM	\$ 582,000				\$ 582,000
ACCESSIBILITY PROJECTS		\$ 500,000			\$ 500,000
AUBURNDALE FAMILY AFFORDABLE HOUSING & WILLIAMS SCHOOL		\$ 2,450,000			\$ 2,450,000
AFFORDABLE HOUSING & CLIMATE RESILIANCY			\$ 3,500,000		\$ 3,500,000
	\$ 2,632,000	\$ 2,950,000	\$ 3,500,000	\$ -	\$ 9,082,000
<b>ROADS &amp; TRAFFIC CALMING</b>					
ACCELERATED NEIGHBORHOOD ROAD REPAIR & PAVING	\$ 2,500,000	\$ 4,000,000	\$ 2,000,000		\$ 8,500,000
ACCELERATED TRAFFIC CALMING		\$ 2,000,000			\$ 2,000,000
BIKE/PED MASTER PLAN	\$ 80,000				\$ 80,000
	\$ 2,580,000	\$ 6,000,000	\$ 2,000,000	\$ -	\$ 10,580,000
<b>PARKS, RECREATION, &amp; CULTURE INVESTMENTS</b>					
NEIGHBORHOOD PARKS & GARDENS	\$ 300,000				\$ 300,000
PARKS & CONSERVATION TRAIL ACCESS	\$ 150,000				\$ 150,000
STREET TREE INVESTMENT	\$ 250,000				\$ 250,000
FEASIBILITY NEWTON CENTRE PAVILLION	\$ 50,000				\$ 50,000
ATHLETIC FIELDS/PARK/BEACH/GATH POOL		\$ 2,500,000			\$ 2,500,000
JACKSON HOMESTEAD & MUSEUM EXHIBITS		\$ 200,000			\$ 200,000
NNHS SYNTHETIC TURF FIELD AT ALBEMARLE			\$ 2,200,000		\$ 2,200,000
NSHS SYNTHETIC TURF FIELD			\$ 332,000		\$ 332,000
TENNIS COURT RESURFACING			\$ 100,000		\$ 100,000
NAHANTON PARK SURVEY FOR CONSERVATION RESTRICTION			\$ 60,000		\$ 60,000
	\$ 750,000	\$ 2,700,000	\$ 2,692,000	\$ -	\$ 6,142,000
<b>MUNICIPAL FINANCIAL RECOVERY</b>					
CITY OPERATING BUDGET	\$ 2,116,000	\$ 1,380,000	\$ 920,000	\$ 276,000	\$ 4,692,000
	\$ 2,116,000	\$ 1,380,000	\$ 920,000	\$ 276,000	\$ 4,692,000
<b>CRITICAL INFRASTRUCTURE</b>					
CHILDREN'S ROOM - LIBRARY	\$ 2,000,000				\$ 2,000,000
NEWCAL DESIGN	\$ 500,000				\$ 500,000
ACQUISITION OF 47 WALNUT PLACE		\$ 1,500,000			\$ 1,500,000
POLICE HQ IMPROVEMENTS FEASIBILITY STUDY		\$ 500,000			\$ 500,000
CHEESECAKE BROOK BIKE/PED BRIDGE			\$ 700,000		\$ 700,000
ALBEMARLE FIELD HOUSE EXTERIOR			\$ 50,000		\$ 50,000
NEWTON CENTRE FIELDHOUSE EXTERIOR			\$ 100,000		\$ 100,000
CRYSTAL LAKE BATHHOUSE AND PARKING LOT			\$ 40,000		\$ 40,000
LIBRARY PLAZA REPAIRS			\$ 100,000		\$ 100,000
FIRE DEPT VEHICLES REPLACEMENT			\$ 160,000		\$ 160,000
	\$ 2,500,000	\$ 2,000,000	\$ 1,150,000	\$ -	\$ 5,650,000
<b>ECONOMIC RECOVERY &amp; VILLAGE CENTERS</b>					
HELP FOR RESTAURANTS	\$ 12,830				\$ 12,830
NEWTON HIRES	\$ 28,600				\$ 28,600
REVITALIZE CREATIVE NEWTON	\$ 75,000				\$ 75,000
NEWTON HIGHLANDS VILLAGE CENTER	\$ 250,000	\$ 750,000			\$ 1,000,000
PETTEE SQUARE/CHESTNUT-OAK INTERSECTION		\$ 1,100,000			\$ 1,100,000
WASHINGTON STREET PILOT & DESIGN		\$ 3,000,000			\$ 3,000,000
	\$ 366,430	\$ 4,850,000	\$ -	\$ -	\$ 5,216,430
<b>FUNDS DELIBERATELY HELD IN RESERVE</b>					
CONTINGENCY FOR STATE-FUNDED PROJECTS			\$ 650,000		\$ 650,000
REMAINING UNASSIGNED FUNDS			\$ 64,974		\$ 64,974
	\$ -	\$ -	\$ 714,974	\$ -	\$ 714,974
<b>TOTAL NEWTON ARPA COMMITMENTS</b>	<b>\$ 23,630,530</b>	<b>\$ 24,750,000</b>	<b>\$ 14,608,974</b>	<b>\$ 600,000</b>	<b>\$ 63,589,504</b>

## **ARPA FUNDS – Students & Schools**

### **FY22-FY25 NPS Financial Recovery - \$5,508,000**

The partial shutdown of the economy continues to have a negative impact on many of the City's revenue sources with lower revenues expected to continue from sources such as Rooms & Meals Taxes, Parking Meter Receipts, Payments of Parking Violations, and more, approximating \$7 million in FY2022. Therefore, for the FY22 budget the Mayor committed \$4.6 million in ARPA funds to supplement the overall City Operating Budget, with another \$3 million in FY23, \$2 million in FY24 and \$600K in FY25. As the NPS budget is approximately 54% of the City's overall operating budget, they will receive \$5,508,000 from FY22-FY25 in ARPA funding to supplement their budget. The utilization of these funds to augment our projected revenues enables the School Department to have additional funds to continue supporting the teaching and learning.

### **Countryside Elementary School Renovation/Replacement Feasibility Study - \$1,250,000**

The City of Newton and the Newton Public Schools continue to plan for the renovation and renewal of our school buildings. As part of this process, we often look for financial help to the Massachusetts School Building Authority (MSBA). In June 2021, the Massachusetts School Building Authority (MSBA) voted to "invite" the City to participate in its "Feasibility Phase" for the Countryside Elementary School. The City has appropriated \$1,250,000 of ARPA funds to pay the costs of professional services for the Feasibility Study/Schematic Design and for the Site Plans needed for the approval of the Countryside Elementary School renovation or replacement.

### **Lincoln Eliot Elementary School - Schematic Design - \$350,000**

The City of Newton and the Newton Public Schools continue to plan for the renovation and renewal of our school buildings. As part of this program, we are investing \$350,000 of ARPA funds to allow us to continue the schematic design phase for a wonderful facility, new playgrounds, fields, and so much more at 150 Jackson Road, the future home of the Lincoln Eliot community.

### **Horace Mann Elementary School – Feasibility Study - \$100,000**

In addition to \$250,000 of ARPA funds for a new playground at Horace Mann, \$100,000 of ARPA funds will be invested to allow us to further the design efforts that began before COVID for much needed additional space at the new home of the Horace Mann Elementary School.

### **Franklin Elementary School – Feasibility Study - \$100,000**

The City of Newton and the Newton Public Schools continue to plan for the renovation and renewal of our school buildings. As part of this program, we are investing \$100,000 of ARPA funds to allow us to begin the feasibility phase for a renovation/addition or new building as well as new playgrounds and fields for the Franklin School and neighborhood.

### **Horace Mann Elementary School Playground Equipment - \$250,000**

When the Horace Mann Elementary School community moved in September 2019 to a recently renovated former elementary school, they were not able to bring their large playground structure with them. We will invest \$250,000 of ARPA funds to provide new playground equipment that will allow for the physical and social growth of the Kindergarten through 5th grade students.

### **High School Field Lights - \$1,400,000**

Throughout the pandemic, it became clear that outdoor recreational space was critical. That fact, coupled with the change to a later high school start time and the limited number of playing fields in the City, highlighted the need for high-quality lighting systems to allow for late afternoon/evening playing time at our two unlit artificial turf fields (one at Newton South High School known as the Brandeis Field and the other at Newton North High School's

stadium on the Lowell Avenue side). The Mayor has committed \$1,400,000 of ARPA funds for this purpose. Of note, the Newton North Boosters will mount a fundraising campaign to reimburse some of this funding.

#### Ward and Underwood - \$100,000

School Committee members and Newton Public Schools staff began to work with the Ward and Underwood Task Force just before the Covid-19 pandemic began. The Ward and Underwood communities have been patiently waiting for this process to restart after the pandemic forced us to put the work on hold. We are now poised to tackle the facility and enrollment challenges that exist at both schools, and to determine how best to address them. Last fall, Mayor Fuller announced the City was reserving ARPA funds to make sure that Newton Public Schools and the Ward and Underwood Task Force have resources to move this important initiative forward. It is now time to make that funding available. The City is allocating \$100,000 in ARPA funding to support the Newton Public Schools and the Ward and Underwood school communities. These funds will help NPS provide professional services to evaluate the facilities, analyze enrollments and educational models, and clarify the challenges and opportunities to help with the decision making.

#### Newton Public Schools Elementary Reading Curriculum - \$2,000,000

The Newton Public Schools have had a terrific committee of elementary teachers and administrators reviewing materials for a new reading curriculum for grades K-5. Our current reading units were written between 2002-2012 and developed in-house by multiple teachers and literacy specialists. The work on finding the best curriculum for Newton began in 2019 (before the pandemic) and continued last year. The team reviewed a wide range of elementary reading programs, visited schools using different curricula, and piloted materials at various grade levels to find the best one for Newton — comprehensive, engaging, high-quality, cohesive, culturally responsive, standards-aligned and research-based. While NPS is currently in the process of selecting a reading curriculum, I am setting aside \$2 million to fund this critical one-time investment to equip our students and teachers with the materials they need across our 15 elementary schools. Strong literacy skills (reading, writing, speaking, listening and language) in the elementary years are foundational to student success and supporting these efforts in the wake of the pandemic is an excellent investment of Newton's one-time ARPA funds.

#### Underwood Elementary School Roof Repair - \$42,000

Immediate roof repairs at the 99-year old Underwood Elementary School are a top priority of Newton Public Schools. These repairs, while not a complete replacement of the roof, will extend the life of the roof for many years.

#### Newton Public Schools Summer Maintenance - \$410,000

As part of the FY24 NPS budget process the School Committee reduced the Superintendent's proposed budget for "Charter Maintenance" funds by \$410,000, in order to restore some teaching positions. This funding will fill the gap for expected FY24 summer maintenance in elementary, middle, and high schools.

### **ARPA FUNDS – COVID Response**

#### COVID-19 Antigen Test Kits - \$76,100

Testing plays a key role in our efforts to contain and mitigate the COVID-19 pandemic by identifying infected individuals to help prevent further person-to-person transmission of the virus. Therefore, the City has utilized \$76,100 of ARPA funds to secure 7,560 over the counter at-home rapid antigen test kits to be distributed to our financially disadvantaged and/or our vulnerable residents in order to provide another tool to combat the spread of COVID-19.

#### NPS Covid Expenditures - \$2,330,000

The COVID-19 pandemic created significant costs for the Newton Public Schools along with revenue losses, both somewhat offset by direct state and federal grants to NPS. The City of Newton, separate from NPS, has also faced

new costs and revenue losses and also received state and federal grants. My goal since the pandemic began has been to provide the Newton Public Schools with financial support to help teaching and learning in these difficult times. We have been “all in” on using CARES and ARPA funds to cover their COVID-19 related costs.

As State and Federal grants directly to NPS have only partially made up for pandemic costs and revenue losses, the City has invested significant portions of its state/federal grants to assist the students. In addition to previously allocated support, we are providing NPS with \$820,000 in ARPA funds to cover important COVID-19 related expenditures. These include classroom air quality monitoring devices, air purifiers, medical supplies, and Wi-Fi hotspots. We are also providing \$1.51 million in ARPA funds to cover additional COVID-19 related projects that the NPS financial team found in April, 2022 and a number of summer projects involving ventilation and new space for specialized programs.

#### NPS Technology - \$1,050,000

Prior to the pandemic, the Newton Public Schools had invested heavily in technology and various types of computers for both students and educators. During the pandemic, NPS expanded the program so all students from Kindergarten on had an age-appropriate computer/laptop loaded with educational software. Learning could be done remotely, homework would be facilitated, communicating between teachers and students improved, and in-class pedagogy and individualized learning supported. During 2021-2022-2023, Newton Public Schools continues to update their Chromebook program for students and classrooms and make several one-time technology infrastructure improvements, including improving their complex network. In addition, NPS made hotspots available to students to allow better internet access from home, facilitating remote learning and communication.

#### COVID-19 Building Adaptations – Police, Fire and City Hall - \$2,200,000

**Police Headquarters:** These ARPA funds will allow us to replace the rooftop air handling units, chillers, controls, and also make improvements to the insulation and efficiency of the various equipment. These systems will all be fully electric with no use of fossil fuels onsite. This work will be coordinated with the installation of new emergency communication /equipment and computer upgrades.

**Fire Stations 1 & 2:** Upgrades at two fire stations will allow for a significant increase in the passive and active ventilation rates and fresh air introduction which are both pillars of the layered prevention strategy recommended by CDC and DPH. The work will include:

- Replacement of all windows at Station #2 with operable units to compliment the restoration of the central ventilation system in the attic completed in 2020, and
- Installation of central and localized ventilation systems at Station #1 to compliment the window replacement project completed in 2020.

**City Hall:** The ventilation system at the War Memorial auditorium in City Hall will receive upgrades to allow us to once again use this incredible asset for community events, public meetings, cultural programs, and staff meetings. Additionally, we will improve the basement spaces at City Hall, including operable windows to allow for increased fresh air flow and better ventilation.

#### City Employee Public Health & Public Service Stipend - \$1,100,000

In recognition of the commitment of our municipal employees to public service and public health, we have provided a one-time stipend to every permanent employee in the unions that signed agreements with the City as well as our permanent non-union employees. Those who worked through the most challenging months of the pandemic have received a stipend of \$1,500. Employees who joined our team more recently received \$500. In all cases, these amounts were pro-rated for part-time employees.

### School Employee Public Health, Public Service & Public Education Stipend - \$3,246,000

The Mayor has allocated \$3 million in ARPA funds to NPS so they provide stipends to NPS employees in recognition of their commitment to public service, public health and public education. Like City employees, those NPS employees who worked through the most challenging months of the pandemic will receive a stipend of \$1,500. Employees who joined our team more recently will receive \$500. In all cases, these amounts will be pro-rated for part-time employees.

### ARPA FUNDS – Housing & Human Services

#### Community Needs Assessment - \$50,000

The community needs assessment focused specifically on hearing from our low-income residents regarding their needs and how we could best develop responsive strategies for promoting economic stability. The Center for Governmental Research consulting group delivered the assessment report in February 2022. They found that the most pressing challenges faced by lower-resourced Newton households included the ability to pay bills, finding a job or sufficient hours, meeting mental and physical health needs, finding stable housing, securing affordable childcare and having food security. Our team is working on responsive programs that we look forward to implementing during the calendar year 2022 and beyond.

#### Economic Stability & Economic Mobility - \$2,000,000

We are using ARPA funding to assist those Newtonians who suffered disproportionately as a result of the pandemic. ARPA investments complement funding previously deployed, including \$418,000 in CARES funds, \$2.7 million of CPA funds, \$1.7 million in Community Development funds, and \$1.1 million in Emergency Solutions Grants. All of these dollars have supported pandemic relief, housing and rental assistance, and health and human services.

More is needed. I, along with our social services and housing staff, are acutely aware that the human impact of the pandemic is still being felt. A few days ago, I announced that our Annual Action Plan uses an additional \$3.5 million in Federal funds to support affordable housing, rental assistance, human services, and architectural access here in Newton in Fiscal Year 2023.

I am proud to announce that we will dedicate another \$2 million in ARPA funds to support low-income residents and residents impacted by the pandemic, both of which are disproportionately people of color. This allocation of funds comes after the completion of the Community Needs Assessment in February 2022, which includes a series of short-term and long-term recommended actions. We will make \$250,000 available for low-barrier emergency expenses such as rent and utility assistance to address immediate hardships and \$1.75 million for long-term economic mobility and self-sufficiency initiatives that address systemic barriers. This funding again complements the approximately \$2 million in ARPA funds that we have already committed to rent and utility relief and affordable housing.

One of our important goals is to make a permanent impact on affordable housing availability and stability. These ARPA investments, coupled with the development of the West Newton Armory and our support of the good work of partners such as 2LifeCommunities, the Newton Housing Authority, the Newton Community Development Foundation, and MetroWest, reinforces our forward momentum.

#### Emergency Housing Relief Program - \$582,000

We have committed \$582,000 of ARPA funds to our Emergency Housing and Utility Relief Program to provide eligible households with up to two months of rental or mortgage assistance, with possible extensions, and up to \$700 of utility assistance. The program will cover 70% of a household's monthly rent or mortgage payment, with a maximum monthly assistance amount of \$2,500 per household. Eligible recipients must currently live in Newton,

have had a negative economic impact caused by COVID-19, and have a total household income at or below 80% of the area median income.

#### Accessibility Projects (Intersections, Playgrounds) - \$500,000

We have been laser focused while improving many of our buildings, roads, sidewalks, parks, programs and services to consistently use universal design to provide accessibility. With the leadership of our Commission On Disability, the insights and wholehearted collaboration of our ADA Coordinator Jini Fairley, and our staffs from our Departments of Public Works, Public Buildings and Parks, Recreation and Culture, we continue to act vigorously to make our built environment one that all of our residents, businesspeople, employees and visitors are able to access and enjoy. This, in turn, helps make us an all-age friendly community. I am allocating \$500,000 in ARPA funds to accelerate the critical work of making our community more accessible. This funding will accelerate the construction of a significant number of accessible curb ramps and playground surfaces that the Commission On Disability recently prioritized, including:

- Newton Centre Curb Ramps: 12 new accessible curb ramps at the Beacon Street – Sumner Street – Langley Road intersections.
- Beacon Street Curb Ramps in Waban: Construction of accessible curb ramps along Beacon Street from Washington Street to Angier School
- Walnut Street/Dexter Road Accessibility in Newtonville: Construction of 3 new accessible curb ramps and new bump outs on both sides of Dexter Road.
- Accessible Playground Mats: Installation of playground matting at three playgrounds: in Auburndale Cove, at Davis Playground in West Newton, and at Williams Elementary School in Auburndale.

#### Auburndale Family Affordable Housing & Williams Elementary School Expansion - \$2,450,000

We invested ARPA funds in the amount of \$2,450,000 to acquire land and buildings located in the village of Auburndale directly adjacent to the Williams Elementary School and its playground and ballfield. The land will help us to expand the playground, have flexibility for future school renovations, while also allowing us to preserve four existing homes for permanently affordable family-sized homes next to an elementary school and playground, in walking distance to three forms of mass transit, and nestled into a residential neighborhood. We are attributing half of the purchase price to helping the Williams Elementary School.

#### Affordable Housing & Affordable Housing Climate Resiliency- \$3,500,000

I am allocating \$3,500,000 (1) to advance the creation of affordable housing and (2) to assist our already deed-restricted affordable housing properties in the City undertake important energy and electrification retrofits in a timely manner.

In the City of Newton, we are deeply committed to working together to ensure we have more permanently affordable homes and apartments so that our next generation can live here, our older residents have a place to downsize to so they can stay here, and people of all incomes can live here and be our neighbors. Our new Affordable Housing Trust is up and running and our Planning team is working closely with them to invest in affordable housing.

Simultaneously, the City's Sustainability team is actively seeking to help property owners shift away from fossil fuels to electricity to heat/cool their homes, heat their water, cook, and keep on their lights. These actions are essential to meeting the urgency of the climate crisis by reducing greenhouse gas emissions as we can make the electric grid cleaner and greener with renewable energy sources, especially solar and wind.

The City of Newton Planning and Sustainability teams will partner together to develop the Affordable Housing Climate Resiliency Grant Program. The City of Newton has over 2,000 deed restricted affordable housing units, many of which need deep energy retrofits. These energy retrofits will have the dual effect of reducing the property's

overall present and future operating costs for energy with efficiency measures, and of aligning with our Climate goals to get to zero carbon emissions through electrification of HVAC systems and conversion to heat pump-based technology. In other words, this funding will help residents “Use Less and Green the Rest,” the City of Newton Climate Action Plan’s motto. A first round of grants will be awarded next year.

As we convert [City-owned buildings](#) to non fossil-fuel systems and actively promote homeowners to do likewise with the [4ourFuture Program](#), the City is working with larger commercial building owners and with non-profit affordable housing managers. The City of Newton’s program will be designed to complement State funding opportunities which are also available for deep energy retrofits to affordable housing properties.

We will simultaneously continue to be actively supporting opportunities for the creation of affordable housing, an ongoing effort of our Planning and Development staff.

**ARPA FUNDS – Roads & Traffic Calming**

**Accelerated Neighborhood Road Paving - \$8,500,000**

In the City of Newton’s FY2021 Budget, developed in the early months of the pandemic in May 2022 when the economy shut down, we cut \$4 million dollars of spending out of our DPW paving budget. In May 2021, I used \$2.5 million of ARPA funds to restore partially the road repair and paving investments as our streets need so much work.

I am designating an additional \$4 million in ARPA funds to supplement the City’s accelerated road repair program. The funds will allow us to repave those roads in our neighborhoods which are in the poorest condition along their full length.

The City’s Pavement Condition Index (PCI) program rates all roadways in Newton on a 0-100 scoring system (0 being a poor roadway, 100 being a new one). The scores are based on data obtained from a sophisticated truck-based road radar system conducted City-wide every other year; the scores determine the prioritization of the street repairs. We expect this funding to allow us to repair the full length of those neighborhood roads which currently stand under a Pavement Condition Index (PCI) of 50 in the next two years. (We also have segments of roads that fall below a PCI of 50; we expect to make a lot of progress on these in the next few years as well.) Please know that following our protocols, the decisions on timing may be influenced by underground utility infrastructure improvements.

We have approximately 80 neighborhood roads spread across the City that meet the under 50 PCI classification. Some require a maintenance overlay while others need more substantial rehabilitation. The repairs will be conducted over the next two construction seasons in 2023 and 2024. The first group of roads (approximately 40) will be identified late this winter for the 2023 paving season. Examples of roads that will be fully repaired or repaved include:

	<u>Ward</u>	<u>PCI</u>
Barnes Road	1	42.8
Vineyard Road	2	47.8
Maynard Street	3	47.2
Evergreen Ter	4	28.8
Harrison Street	5	46.8
Wenham Road	6	29.8
Alderwood Road	7	44.5
Arnold Road	8	39.7

The repairs on these roads and segments will create a good riding surface and extend the useful life of the roadways for 10+ years. Roadways will be resurfaced with 1.5"-2" of new asphalt pavement. Utility structures in the roadway will be brought flush to the new pavement surface and driveway aprons will be blended. These repairs will allow users to traverse the roads by vehicle, bicycle or other means of transportation without having to worry about bumps and potholes. Some roads will also require sidewalk repairs or replacement and this work will be included.

This second phase will provide \$2 million to begin addressing streets with PCIs in the 50-55 range, which are also in poor condition. These efforts are focused on elevating the overall pavement condition index to help us transition from reactive to preventative maintenance. The Department of Public Works has begun to plan how this phase 2 will be accomplished during the 2023-2024 period.

This focus on smaller neighborhood roads compliments the City's larger road repair program that is addressing the major thoroughfares. This year portions of Walnut, Lowell, Wheeler, Waltham, Homer and the Commonwealth Avenue Carriageway are being paved.

### Accelerated Traffic Calming Top Priorities - \$2,000,000

Beginning with our first budget in FY2019, the Fuller Administration included a first-ever budget line for traffic calming projects, initially at \$150,000. While that budget allocation has since more than doubled to \$350,000, we continue to have quite a few traffic calming needs across the 300+ miles of roads and 2,500 intersections in the City.

Newton's Department of Public Works has developed a multi-factor prioritization system to evaluate the hundreds of traffic calming requests that come in from residents and City Councilors concerned about traffic volumes, speeds and safety. This data-driven evaluation process prioritizes the traffic calming requests and is updated annually.

I am designating \$2 million in ARPA funding to accelerate the City's efforts to address the next set of high priority traffic calming projects identified by DPW's prioritization system. The investments include:

- Chestnut Street, between Commonwealth Avenue and Beacon Street: Intersection traffic calming at Chestnut Street and Fuller Street.
- Webster Street, between Cherry Street and Rowe Street: New crosswalks and Rectangular Rapid-Flashing Beacons (RRFBs) to meet pedestrian needs.
- Brookline Street, between Dudley Road and Oak Hill Street: Construction of a raised table intersection at the Brookline Street/Spaulding Lane/Hartman Road intersection near the Memorial-Spaulding Elementary School.
- Lexington Street, between River Street and Auburndale Avenue: Sidewalk bump-outs at the two existing crosswalk locations with RRFBs.
- Waverley Avenue, between Kenrick Street and Church Street: Construction of a raised table intersection at Waverley Avenue and Franklin Street.
- Installation of an additional 15 Rectangular Rapid-Flashing Beacons at 15 existing crosswalk locations based on the RRFB prioritization evaluation. RRFBs allow people using a crosswalk to press a button which turns on solar powered flashing yellow lights to help drivers see people in the crosswalks sooner, thereby making crossing streets safer.

DPW will continue to move forward with additional traffic calming projects. These traffic calming projects use a variety of techniques, including intersection improvements, flex posts, pavement markings, signage, speed feedback displays, increased enforcement, speed cushions (currently being piloted on Grant Avenue), and RRFB installations at crosswalks.



### [Bicycle/Pedestrian Master Plan - \\$80,000](#)

ARPA funds are being used to enable the administration to develop a comprehensive, long-term bicycle and pedestrian master plan to help reduce greenhouse gas emissions, increase public health, and support community and economic development. The goal is to support safe, smart, accessible, livable and sustainable multi-modal transportation.

## **ARPA FUNDS – PARKS, RECREATION & CULTURE INVESTMENTS**

### [Investing in Neighborhood Parks & Gardens - \\$300,000](#)

Funds have been allocated for our Parks, Recreation and Culture staff (PRC) and residents to explore the possibility of a community garden at Spears Park, a small quarter acre green space, and to supplement neighborhood-funded park projects in village centers and pocket parks, as well as within traffic islands. These funds will be used toward smaller-scale park improvements as well as bike racks, benches, waste receptacles, and signage.

### [Parks, Conservation Trails, Accessible Improvements - \\$150,000](#)

We will use ARPA funds to upgrade our conservation trails and create accessible pathways to provide greater opportunities improved physical, mental and emotional health. By investing \$150,000 of ARPA funds into our trails and accessible pathways, more residents will be able to enjoy the natural beauty of our wonderful city.

### [Street Trees and Tree Canopy Program - \\$250,000](#)

We know trees provide beauty and make Newton more livable, improve air quality, help stormwater runoff, and reduce temperatures in hot weather. We will use ARPA funds to help revitalize our tree canopy through strategic planting and care of young trees, identification and removal of dangerous trees, and stump removal and grinding. Funds will also be used to purchase a new watering truck that will be designed and built specific to the tasks of tree planting, watering, tree mulching, and young tree care.

### [Newton Centre Outdoor Pavilion Architecture & Engineering \(A&E\) Feasibility Study - \\$50,000](#)

Mayor Fuller has authorized the use of \$50,000 in American Rescue Plan Act (ARPA) funding to conduct a feasibility study for an outdoor pavilion in the Newton Centre bowl. An outdoor performance venue in Newton Centre could be a wonderful new community resource and gathering spot, while also creating economic benefits. The ideas of our artists, performers, non-profits, businesses, residents, and City Councilors will shape our decisions during the feasibility study.

### [Athletic Fields/Parks/Beach/Gath Pool - \\$2,500,000](#)

The pandemic dramatically reminded us that getting outside, interacting with nature, playing and exercising is good for the body, the mind, and the soul. In the most challenging time of our generation, Newton's parks, playgrounds, athletic fields and recreation facilities were there for us – to nurture and to comfort, and to host safe and happy gatherings and sports outings.

Our team of professionals in the Parks, Recreation & Culture Department (PRC), Public Buildings Department, and Planning and Conservation Department have been working together with members of our community – the Parks and Recreation Commissioners, the Community Preservation Committee members, City Councilors and residents – to identify and bring forward improvements across our city to support active and passive recreation and community engagement in our parks and open/green spaces.

We have worked with residents, community groups and boards and commissions to develop plans to improve our fields, to upgrade our recreation facilities, and to care for our parks.

I am allocating an additional \$2.5 million dollars to accelerate the reinvestment in our parks and recreation areas, including Gath Pool, Crystal Lake, playgrounds, playing fields and open spaces. These additional ARPA funds will supplement the \$300,000 of ARPA funding going towards a new community garden at Spears Park in Nonantum and to support neighborhood pocket parks and traffic islands as well as the \$150,000 of ARPA funds being invested to improve our trails and paths in conservation areas and parks.

The additional infusion of \$2.5 million will be used to accomplish work in a number of areas:

- Gath Pool: Parks, Recreation & Culture (PRC) is working with the Community Preservation Committee (CPC) to move forward with the design and construction of a new pool, pool deck area and splash pad at Albemarle Park. Construction is slated to start a year from now in Fall 2023. ARPA funds will be used to supplement substantial CPC investments in the new Gath Pool facilities.
- Athletic Fields: PRC is working with the CPC on the design/engineering and then construction of major athletic field projects at Albemarle/Halloran Sports Complex, Burr School fields, McGrath Park fields, Forte Park and Oak Hill/Brown fields. These projects will transform tired playing fields for many athletes and a variety of sports teams and leagues into high quality surfaces that will support heightened athletic use with the City's substantially upgraded maintenance program.
- Crystal Lake Beach and Park Improvements: PRC is working with the community to design renovations to the park and the "Left Beach" at Crystal Lake. These improvements will protect the shoreline, improve accessibility, improve resiliency to impacts from climate change, and enable more fun and exercise.
- Park Improvements: This funding will accelerate needed investments at PRC facilities, including courts, playgrounds, pathways and open spaces.

#### Jackson Homestead & Museum Exhibits - \$200,000

I am allocating \$200,000 to jumpstart the updates to the permanent exhibits at Newton's Jackson Homestead and Museum. In this City-owned historic building run by a public/private partnership between the Newton Historical Society and the City of Newton, the museum has extraordinary rotating and permanent exhibits that bring alive the history of Newton, Massachusetts as well as the Underground Railroad.

The federal-style house built in 1809 sits at the corner of Washington Street and Jackson Road. It has operated as the City's official museum since 1950 with exhibitions for adults and children that range from the history of farming, and family life to slavery and anti-slavery. The current Newton history permanent exhibits were created in the 1980s and after 40 years no longer represent the full diversity of our heritage.

The Historic Newton staff is excited to document a more comprehensive history of the immigration of a wide variety of cultural groups, to lift up the extensive Black and Indigenous history in Newton, and to fill in gaps of the later 20<sup>th</sup> century. Historic Newton is planning to request CPA funds and to launch a special fundraising campaign by the Newton Historical Society to contribute to the funding for the new exhibits.

#### Newton North Synthetic Turf Field at Albemarle - \$2,200,000

The Newton North High School campus has only one synthetic turf field that can provide the high-traffic recreational playing surface that is necessary for the wide range of athletic team sports at a modern high school of its size. Newton South has two fields, which are both being replaced this summer as they are at end-of-life conditions. The Newton North campus does not have space for a second synthetic turf that wouldn't overlap with other playing areas such as baseball and softball fields. The main full-sized rectangular field at Albemarle, up against Craft Street, is currently grass but has not been able to withstand the heavy demand for field sports by both schools and leagues. With the remainder of the north end of the sports complex getting a \$7.4 million remake using CPA funds, this is

the best time to convert this field to synthetic turf using the new and improved surfaces and infill that will be installed this summer at Newton South.

The new field surface at Albemarle will be used by Newton North for football, soccer, lacrosse, field hockey, ultimate frisbee, and other teams that can't be sufficiently accommodated on campus. Synthetic turf provides a consistent surface that allows for uninterrupted practice and game time. In addition to being a critical asset to the organized sports activities, this field will be a tremendous amenity for the entire community, particularly youth sports, and it will help alleviate the usage pressure and impacts on our other natural grass fields. Coupled with the improved field house and brand-new field light systems, Albemarle Park will serve a satellite sport complex for NNHS student athletes.

#### [Newton South Synthetic Turf Field Replacement, Supplemental Funding - \\$332,000](#)

Based on early project cost estimates, the City Council approved the Mayor's request for \$3,240,000 in Free Cash funding to replace the two aging synthetic turf fields at Newton South as well as repair the track surface. The last few years have been very challenging times for project estimators given price escalations, supply chain problems and labor availability. The bid results for the South project came in \$332,000 high than the amount approved by the Council and we have decided to use ARPA to quickly fully-fund this project so the contract can be awarded and scheduled for summer installation. The turf fields and track are critically important in supporting the incredible school athletic programs and are also used heavily by the entire community.

#### [Tennis Court Resurfacing and Crack Repair - \\$100,000](#)

Many of PRC's sixty-four tennis courts were constructed 20-30 years ago and are in need of either complete resurfacing or crack repairs to maintain a playable surface. PRC will target four high-need courts with these funds.

#### [Nahanton Park Survey Needed for Completing Conservation Restriction - \\$60,000](#)

In 2013 the City temporarily moved Fire Station 10 to a portion of Nahanton Park while a new station was under construction. As part of that temporary use of the park, the City worked with the Parks & Recreation Commission, Newton Conservators and Friends of Nahanton Park to set an agreement that would provide site remediation and the placement of a permanent conservation restriction (CR) on the entire park. In order to complete the CR process the City needs to complete a boundary survey of the park, which is estimated to cost \$60,000. Once completed, the Law Department can final the CR process and obtain City Council approval.

### **ARPA FUNDS – Municipal Financial Recovery**

#### [FY22-FY25 Municipal Revenue Replacement - \\$4,692,000](#)

The partial shutdown of the economy continues to have a negative impact on many of the City's revenue sources with lower revenues expected to continue from sources such as Rooms & Meals Taxes, Parking Meter Receipts, Payments of Parking Violations, and more, approximating \$7 million in FY2022. Therefore, for the FY22 budget the Mayor committed \$4.6 million in ARPA funds to supplement the overall City Operating Budget, with another \$3 million in FY23, \$2 million in FY24 and \$600K in FY25. As the Municipal budget is approximately 46% of the City's overall operating budget, they will receive \$4,692,000 from FY22-FY25 in ARPA funding to supplement the budget.

## **ARPA FUNDS – CRITICAL INFRASTRUCTURE**

### **Library Children’s Room Expansion - \$2,000,000**

The Library Children’s Room Expansion Project is a transformative investment that will align the inefficient space with the incredible demand of our families with young children for our collections, services and programs. The project will increase the size of the Children’s Room, allow for expanded program space, and will provide ventilation system upgrades that will sustain a high-quality indoor environment.

### **Newton Center for Active Living (NewCAL) Design Funds - \$500,000**

Prior to the pandemic, we were scheduled to break ground on a new senior center in the summer of 2023 with a planned opening in the summer of 2025. To support this project, we are investing ARPA funds to move from the feasibility phase into the beginning of schematic design. This will include a schematic structural design, architectural site and building design, building renderings, floor plans and the detailed cost estimate for construction. We continue to hold community meetings where we work with all stakeholders to refine the design and site plan.

### **Acquisition of 47 Walnut Place - \$1,500,000**

The City used \$1.5 million of American Rescue Plan Act (ARPA) funds for the acquisition of a property located adjacent to the site of the current Senior Center. The acquisition of this property will create open space to support and benefit the Newton Center for Active Living (NewCAL).

### **Police Headquarters Improvements Feasibility Study - \$500,000**

The Newton Police Department Headquarters buildings have needed significant work for decades to support the department’s goals of 21st Century community policing, training, outreach, positive police interactions and officer wellbeing. The CIP has included a series of investments on the interior and exterior to support the work of NPD and its interactions with the public over the next five years.

As we embarked on the HVAC and communications work at Police HQ, it became clear that the next phases of reconfiguring interior spaces, developing an on-site well configured training space, reimagining the future of the Dispatch Center, upgrading the bathrooms, offices and locker rooms, improving site security and the condition of the parking lot, repairing the roof, installing a new back-up generator, and updating the evidence room could be done more effectively and efficiently if we looked comprehensively at the building’s needs.

We will use \$500,000 of ARPA funds to fund the master design needed to address our Police HQ in West Newton Square. We will be working with the entire Police Department and a firm with deep experience with police facilities, Kaestel Boos Associates, to perform a comprehensive needs assessment and feasibility study to begin the process of a strategic renovation of the Police facilities. This will ensure that we are providing the physical resources needed in a high-quality working environment which is used 24/7, 365 days a year. The needs assessment and feasibility studies will define the project. That said, we know and expect that we will make investments in technology, building systems, the building envelope, security systems, the configuration of spaces, finishes, and much more. This project will also include Dispatch. This project will complement the \$1.4M project currently in process to replace and upgrade the HVAC, communications, and data systems at Police Headquarters.

This new consolidated project is the combination of six projects previously listed in the CIP, including: - Police Training Facility and Space Upgrades, Police Site Security, Parking Lot, Accessibility, Police Headquarters – Roof, Police Headquarters – Interior, Police Headquarters – Plumbing and Finishes, Police Headquarters – Emergency Electrical.

### [Cheesecake Brook Bike/Ped Bridge at Albemarle Playground - \\$700,000](#)

With the new Gath Memorial Pool set for construction later this year, and new athletic fields and facilities planned on the north end of the Albemarle park complex, there is a need for better access to the north end of the park from the west side of Cheesecake Brook. Currently there is one footbridge at the southern end which provides a route over the brook for students and park users from Watertown Street, the Warwick/Wildwood neighborhood passage, and parking spots along this southbound section of Albemarle Road. The new bridge, located halfway between Craft Street and the current bridge, will allow for better access to the pool, fields, courts, and Day Middle School pathway route from parking locations along a large portion of the southbound lane of Albemarle Road near the Fessenden fields. The City is exploring investigating the possibility of coordinated parking improvements with the private school in this area. The second bridge will also help crowds navigate the area during the annual 4<sup>th</sup> of July celebration and fireworks, and the major sporting events. This project will include minor modifications to the existing bridge to make it fully accessible for people using wheelchairs and for little ones in strollers and wagons. When complete this project will ensure there are two fully-accessible means of crossing Cheesecake Brook for the tens of thousands of bicyclists, walkers, runners, and the residents and visitors who come to enjoy one of our premier destinations.

### [Albemarle Fieldhouse Exterior Improvements - \\$50,000](#)

The Albemarle Fieldhouse, built in 1956, is located next to Gath Pool and allows the Parks, Recreation & Culture (PRC) Department to provide summer camps, senior programs, and bathroom facilities for this large recreational complex. The building is located at a critical entrance area to the complex; the building exterior needs attention. It has dutifully served as a workhorse for park guests. Improving the integrity and appearance of this building is important and will be coordinated with the larger pool and park improvement projects slated for construction during 2023 and 2024.

### [The Newton Centre Fieldhouse \(aka “The Hut”\) Exterior Improvements - \\$100,000](#)

This 1892 building located on Tyler Terrace in Newton Centre Playground provides gym, program, and bathroom facilities for the Mason Rice after-school program, rentals, and summer programs. The exterior of the building is in tough shape, in need of paint, spot repairs and some security improvements to maintain the integrity of the building. This area is also now the home to a summer concert series in “The Bowl”, which provides natural stadium seating created by the hill off Tyler Terrace.

### [Crystal Lake Bathhouse and Parking Lot Improvements - \\$40,000](#)

The beach, park and bathhouse at Crystal Lake receive a tremendous amount of welcome day-time traffic through the swim season, as well as some unwelcome activities at night and off-season. Security improvements, including cameras, are needed to deter the unwanted activities and protect the facility. In addition, there are several minor projects at the bathhouse that will improve the user experience and help improve the general building condition. Striping improvements are also needed in the parking lot to better accommodate visitors using accessible parking spots. This package of improvements will improve the 2023 swim season.

### [Library Plaza Repairs - \\$100,000](#)

Newton Free Library was opened in 1991 with an extensive front plaza featuring brick surfacing. While these bricks matched the library exterior they have not weathered well over 32 years of winter snow removals and salting. This effort will convert the plaza surface to an attractive stamped concrete that will be fully accessible, safe for all users, welcoming, and will hold up over time.

### Replacement of Fire Department Vehicles - \$160,000

The Fire Department has two high-use aging Ford Taurus vehicles in the Fire Prevention unit that need replacement. The department will purchase two hybrid Ford Explorers, starting their conversion of passenger vehicles to hybrid/electrics.

## **ARPA FUNDS – ECONOMIC RECOVERY & VILLAGE CENTERS**

### Restaurant On-Street Dining - \$12,830

Over the last two years we expedited licensing and permitting of outdoor dining throughout the City, created brightly decorated communal picnic areas near village restaurants, and created on-street dining with free jersey barriers painted by Newton artists. ARPA funds have been used for one-time payments to restaurants to assist with breakdown, storage and reassembly of their on-street dining equipment (platforms, lighting, heaters, planters, tables, chairs, etc.) during the winter of 2021-2022. While we set aside \$50,000 originally for this program, only \$12,830 was utilized.

### Newton Hires - \$28,600

The Newton Hires program offered cash incentives of up to \$1,000 to unemployed or underemployed individuals who registered with MassHire, secured employment of up to 20 hours per week or more with a qualifying Newton employer, and remained employed with the business/non-profit for at least four weeks for an initial \$500 cash award and an additional \$500 cash award for individuals who stayed as employees with the same employer for at least an additional four weeks. While the City had set aside \$200,000 for this program, ultimately only \$28,600 was utilized.

### Non-Profit Arts & Culture Grants- \$75,000

I am allocating \$75,000 in ARPA funding for Revitalize Creative Newton, a grant program for the arts and culture sector of Newton to cover expenses related to reopening and resuming cultural programming and services. Newton arts and cultural organizations of any budget size that can demonstrate they have been economically impacted by COVID-19 are eligible to apply. This funding will provide much needed support to organizations within our arts community as they work to recover, rebuild and re-energize our city.

### Newton Highlands Village Center Design - \$1,000,000

ARPA funds are being used for a streetscape improvement project that will update the heart of Newton Highlands. Upon completion, this exciting infrastructure project will support a multi-modal, business-friendly, resilient, inviting village center to accommodate all modes of transportation (pedestrian, bicycle, vehicular, and public transit users).

The project will proceed in phases. We'll begin by gathering ideas and information from residents, business owners, City officials, Area Council members and key constituent groups; by thoroughly analyzing and assessing existing conditions; and by identifying conceptual alternatives for improvements. The one selected as the preferred alternative at the conclusion of this Engagement and Conceptual Design Phase will be advanced through the Preliminary and Final Design Phases, and ultimately the Construction Phase. This ARPA funding will allow this project to get to the construction phase.

### Pettee Square/Chestnut-Oak Intersection Improvements - \$1,100,000

Pettee Square, nestled in the heart of Upper Falls at the intersection of Chestnut and Oak Streets, is at an exciting turning point.

In recent years, the City of Newton completed the Greenway project which transformed an old rail line into a vibrant and beautiful walkway trail. Right next door, almost a billion dollars of private investment from Northland is moving

forward for housing, restaurants, shops, offices and a splash park on 22.6 acres at Needham and Oak Streets after approvals from the City Council and our voters.

We also previously completed a community informed design and engineering streetscape plan that will improve the look, function, accessibility and safety of Pettee Square.

Now, Secretary of Housing & Economic Development Mike Kennealy announced that Newton will receive \$2 million from the MassWorks Infrastructure Program to implement these plans. I have also set aside approximately \$1.1 million from ARPA for the City's matching funds.

The work in Pettee Square is exciting. It includes a raised table intersection and cross walks, traffic signal replacements, utility pole relocations, roadway milling and new paving, new concrete sidewalks, new ADA accessible curb cut ramps, upgrades to the drainage system, new pavement marking, lighting upgrades, benches and trees.

This work will improve the safety of the intersection for drivers, bicyclists and pedestrians. The area will be fresh and more beautiful and inviting. For bocce ball players, for people walking on the Greenway, for visitors to the Depot Coffee Shop, the Biltmore Bar & Grille and the other stores, this will be a nicer environment.

#### [Washington Street Pilot and Design - \\$3,000,000](#)

For some time now, we have been exploring how we might make improvements to the stretch of Washington Street from West Newton Square to Newton Corner along the Mass Pike. This is one of the most important transportation corridors in the City, serving many businesses and residents along its route. Currently, the corridor is not very attractive or safe. Along many sections, it is wide with four travel lanes and two parking lanes. Cars and trucks drive at high speeds. It has no bicycle facilities and unappealing pedestrian accommodations.

The City Council approved \$500,000 in May 2022 to design the first phase of a major, longterm "complete streets" redesign of Washington Street. The long-term goals are to:

- Create a vibrant, welcoming and inviting boulevard for customers, businesses, and residents of all ages through streetscape and sidewalk improvements, such as improved street lighting, better stormwater management, more plantings, and the addition of street furniture.
- Improve safety and accessibility for everyone, with a particular focus on vulnerable users such as people with disabilities as well as older and younger users.
- Improve biking and walking, including increasing the number and safety of pedestrian crossings, ensuring accessibility, and providing dedicated bike lanes.
- Support public transit service, optimizing MBTA bus operations and enhancing access for transit riders to the commuter rail and buses.

One of the first steps is to finish the design and then pilot a realignment of a section of the Washington Street corridor from Chestnut Street to Lowell Avenue in between West Newton Square and Newtonville. Once designed, we will trial a realignment of this portion of the corridor. It is likely to include a redesign from four to two travel lanes, plus turn lanes where needed. The pilot will maintain as much parking as possible and add bikes lanes. After the pilot, the City will move forward, applying complete streets design<sup>83</sup> 2 principles that work well for this unique street for the entire length of Washington Street along the Mass Pike.

I am allocating \$3 million in ARPA funds to advance this key project with construction funding for the pilot once the design is completed.

The larger scale project for the entire length of Washington Street will take many years and will require funding from the State. This ARPA investment will allow us to complete Phase 1a and 1b (as described below) and move these important improvements forward:

Phase 1a: Develop Design Concept and Evaluation Criteria for Pilot and Construct Pilot - A professional services team will assist the City in designing a “complete streets” pilot for Washington Street as a boulevard, most likely from Chestnut Street to Lowell Avenue. This will most likely include the re-alignment of Washington Street from 4 to 2 lanes (plus turn lanes where needed), with parking and dedicated bike lanes. Public input and outreach will be extensive. Once we have an agreed upon design, the City will construct the pilot.

Phase 1b: TIP Project Planning and Initiation – Create the plan for a phased approach to design and implementation of a MassDOT Transportation Improvement Program (TIP) funded project for the long-term, full reconstruction of Washington Street along the Mass Pike between West Newton Square and Newton Corner).

Phase 2: Create the 25% Design for a MassDOT TIP Project

Phase 3: Create the 100% Engineering Design for a MassDOT TIP Project

Phase 4: Construction of the full stretch of Washington Street from West Newton Square to Newton Corner

## **Funds Deliberately Held in Reserve**

### **Contingency for State-Funded Projects - \$650,000**

Three city facilities may receive state FY24 budget amendment funding – Farlow Park pond improvements, Newton Corner former library (Chaffin House), building exterior work, and Pellegrini Park Fieldhouse (Nonantum) exterior work. \$650,000 will be put aside in case this state funding either falls through or is not sufficient to complete these projects. If the funds are not needed they will be repurposed to the other listed projects or new ones.

## **1.3 Other COVID-19 Funding**

### **Federal Emergency Management Agency (FEMA) – 100% of Qualified Expenditures**

The FEMA Public Assistance Program reimburses cities for eligible disaster related costs, including:

- Management, control and reduction of immediate threats to public health and safety (including Emergency Operation Center costs),
- Emergency medical care,
- Medical sheltering,
- Household pet sheltering and containment actions,
- Purchase and distribution of food, water, ice, medicine, and other consumable supplies, to include personal protective equipment and hazardous material suits, movement of supplies, and persons,
- Security and law enforcement,
- Communications of general health and safety information to the public,
- Search and rescue to locate and recover members of the population requiring assistance, and
- Reimbursement for local government force account overtime costs.



The City of Newton has submitted an application for \$1.08 million for FEMA reimbursement for a variety of costs that we incurred in the pandemic. These costs include overtime for first responders and custodians, personal protective equipment (PPE), cleaning supplies, N95 masks, disposable gloves, hand sanitizer, and emergency meals for low-income adults. We have not yet received confirmation as to whether FEMA will cover these expenditures. If not, we will submit these costs to one of our remaining grants.

**Federal Community Development Block Grant (CDBG) – CARES Funds - \$1,743,641**

Additional Community Development Block Grant funds through the CARES Act have been awarded to the City. These funds are being used for the following initiatives:

Community Development Block Grant Program - CARES FUNDS								
PROJECT NAME	CURRENT BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL YTD	TOTAL BILLED	%	BALANCE REMAINING
Emergency Housing Assistance Program	\$ 500,000.00	\$ 391,800.00	\$ 108,200.00	\$ -	\$ -	\$ 500,000.00	100%	\$ -
Small Business Recovery Grant Program	\$ 610,000.00	\$ 290,000.00	\$ 320,000.00	\$ -	\$ -	\$ 610,000.00	100%	\$ -
2Life Communities / Emergency COVID-19 Food Relief	\$ 40,000.00	\$ -	\$ 40,000.00	\$ -	\$ -	\$ 40,000.00	100%	\$ -
Barry Price Rehabilitation Center / Ensuring Safe and Enriching Se	\$ 17,500.00	\$ -	\$ 17,500.00	\$ -	\$ -	\$ 17,500.00	100%	\$ -
Family ACCESS of Newton / Childcare Scholarships	\$ 155,000.00	\$ -	\$ 61,934.16	\$ 93,065.84	\$ -	\$ 155,000.00	100%	\$ -
Horace Cousens Industrial Fund / Emergency Assistance for Utilitie	\$ 75,720.04	\$ -	\$ 67,196.36	\$ 8,523.68	\$ -	\$ 75,720.04	100%	\$ -
Newton Community Development Foundation / Resident Services	\$ 24,606.00	\$ 12,303.00	\$ 12,303.00	\$ -	\$ -	\$ 24,606.00	100%	\$ -
Newton Housing Authority / Resident Services Program	\$ 16,460.00	\$ -	\$ 16,460.00	\$ -	\$ -	\$ 16,460.00	100%	\$ -
Newton Senior Services / Food and Essential Item Shopping Progr	\$ 40,150.00	\$ 1,662.87	\$ 20,002.09	\$ 18,485.04	\$ -	\$ 40,150.00	100%	\$ -
Pathway to Possible / P2P COVID-19 Support	\$ 43,905.00	\$ -	\$ 35,950.00	\$ 7,955.00	\$ -	\$ 43,905.00	100%	\$ -
Boys & Girls Club / Out of School Time	\$ 33,500.00	\$ -	\$ 23,275.00	\$ 10,225.00	\$ -	\$ 33,500.00	100%	\$ -
West Suburban YMCA / Out-of-School Time Financial Aid	\$ 98,500.00	\$ -	\$ 32,080.30	\$ 66,419.70	\$ -	\$ 98,500.00	100%	\$ -
CDBG-CV Program Administration	\$ 88,299.96	\$ 18,415.39	\$ 49,997.51	\$ 8,217.26	\$ 114.80	\$ 76,744.96	87%	\$ 11,555.00
<b>CDBG Total</b>	<b>\$ 1,743,641.00</b>	<b>\$ 714,181.26</b>	<b>\$ 804,898.42</b>	<b>\$ 212,891.52</b>	<b>\$ 114.80</b>	<b>\$ 1,732,086.00</b>	<b>99.34%</b>	<b>\$ 11,555.00</b>

**Federal Emergency Solutions Grant Funds - \$1,483,400**

ESG-CV funds were provided through the City of Newton to prevent, prepare for, and respond to COVID-19 among individuals and families who are homeless or at-risk of homelessness in the Brookline-Newton-Waltham-Watertown (BNWW) region. The City of Newton serves as the administrator of this fund and distribution across the four communities is determined by a committee of members from these communities.

Emergency Solutions Grant								
PROJECT NAME	CURRENT BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL YTD	TOTAL BILLED	%	BALANCE REMAINING
Waltham Shelter Programs affected by the COVID-19 Pandemic --	\$ 211,191.00	\$ -	\$ 157,821.12	\$ 53,369.88	\$ -	\$ 211,191.00	100%	\$ -
City of Waltham's Temporary COVID-19 Emergency Tent Shelter --	\$ 67,564.00	\$ -	\$ 67,564.00	\$ -	\$ -	\$ 67,564.00	100%	\$ -
Post-Pandemic Re-Structuring -- Community Day Center of Waltha	\$ 52,320.00	\$ -	\$ 52,320.00	\$ -	\$ -	\$ 52,320.00	100%	\$ -
Winter Night Program -- Community Day Center of Waltham	\$ 428,835.00	\$ -	\$ 141,590.00	\$ 153,140.00	\$ 70,110.00	\$ 364,840.00	85%	\$ 63,995.00
Safe Housing for Emergency Shelter Guests during COVID-19 Pan	\$ 356,520.00	\$ -	\$ 325,707.52	\$ 30,812.48	\$ -	\$ 356,520.00	100%	\$ -
Homelessness Prevention COVID-19 Response Program -- Brook	\$ 184,055.17	\$ -	\$ 103,371.31	\$ 77,223.24	\$ 3,460.62	\$ 184,055.17	100%	\$ -
Homelessness Prevention for Survivors Impacted by COVID-19 --	\$ 60,000.00	\$ -	\$ 34,675.77	\$ 25,324.23	\$ -	\$ 60,000.00	100%	\$ -
Rapid Re-housing COVID-19 Response Program -- Brookline Con	\$ 100,664.83	\$ -	\$ 50,640.27	\$ 46,825.84	\$ 3,198.72	\$ 100,664.83	100%	\$ -
ESG-CV Program Administration	\$ 22,250.00	\$ 2,732.53	\$ 18,529.31	\$ 988.16	\$ -	\$ 22,250.00	100%	\$ -
<b>ESG Total</b>	<b>\$ 1,483,400.00</b>	<b>\$ 2,732.53</b>	<b>\$ 952,219.30</b>	<b>\$ 387,683.83</b>	<b>\$ 76,769.34</b>	<b>\$ 1,419,405.00</b>	<b>96%</b>	<b>\$ 63,995.00</b>

**Federal Assistance to Firefighters' Grant Funds - \$20,708**

The Newton Fire Department secured a grant from the Homeland Security FY2020 Assistance to Firefighter Grant program to be used to purchase PPE and related supplies, such as respirators, eye protection, and coveralls for the protection of our Firefighters when responding to COVID-19 calls.

## **Commonwealth of Massachusetts Funding**

### **MA Department of Public Health Grant - \$349,457**

The Massachusetts Department of Public Health COVID-19 Emergency Grant covers additional compensation in the form of overtime, additional personnel resources, and the purchase of emergency supplies necessary to help the City of Newton Health & Human Services Department prepare for and respond to COVID-19.

### **MA Executive Office of Public Safety and Security – Coronavirus Emergency Supplemental Funding (CESF) Program: \$47,575**

The Executive Office of Public Safety and Security offered one-time federal grant funding to address local public safety equipment, enforcement and programming needs. Newton Police Department received \$26,711, while the Newton Fire Department received \$20,864. Each department utilized these funds to purchase supplies and services to support the City during this pandemic.

### **MA – Secretary of the Commonwealth Grant: \$13,778**

The Massachusetts Secretary of the Commonwealth awarded the City a grant in the amount of \$13,778 for the purpose of funding a portion of the additional postage expenses incurred during the November 2020 election resulting from the COVID-19 pandemic.

## **City of Newton Taxpayer Funded Accounts**

### **City of Newton General Fund Non-Lapsing Appropriation - \$1,000,000**

At the outset of the pandemic, the Mayor requested a General Fund Non-Lapsing Appropriation in the amount of \$1 million to enable the Administration to meet the urgent needs of our residents, employees, and businesses. Expenditures for Overtime for our First Responders, the City's Food Distribution Program, Personal Protective Equipment (PPE), plexiglass shields and partitions, and costs associated with workspace reconfigurations to address physical distancing have been charged to this account. It is our expectation that most, if not all, of the expenditures in this account will be reimbursed.

### **City of Newton Community Preservation Funds - \$3,200,000**

Early in the pandemic, the Mayor requested \$2M in Community Preservation Funds which both the CPC and the City Council approved.

The Covid-19 Emergency Housing Relief Program was designed to provide short-term rental and mortgage payment assistance to Newton households who have been negatively impacted by the ongoing Covid-19 pandemic. The program pays up to 70% of a household's monthly rent or mortgage payments (up to \$2,500 per month, \$7,500 over three months) for households who are below 80% AMI. While the program is primarily focused on rental assistance, it may also provide mortgage assistance to households who own existing affordable deed-restricted units. The program is administered by Metro West Collaborative Development, which handles the application and initial review process, issues the checks to landlords monthly, and recertifies participants every three months.

While the program was initially created to provide 3 months of assistance, it quickly became clear that most households would need assistance for much longer. The program was extended several times, and in January 2021 a second request for another \$1.2 million was made to allow the program to extend through June 2021 and provide up to 12 months of assistance to households. The program was anticipated to stop accepting applications in June 2021 and to begin winding down at that time.

The initial \$2 million in CPA funding was approved for the program in FY20, along with \$500,000 in CDBG-CV (CARES Act) funding. The CDBG-CV funding was the first to be used for the program, so no CPA funding was released until August 2020. To date, the City has used \$2,727,018 of the \$3.2 million in CPA funding approved for this project which covers rental assistance through September 1, 2021. Final applications for the program were due June 30, 2020. The following is a summary of the program outcomes:

- A total of 253 households were assisted by the program since July 2020, including six households in deed-restricted affordable ownership units;
- Average monthly payments were \$1,100/household;
- 62% of participating households identified as a racial minority
- 82% of participating households had incomes below 65% AMI;
- 55% of participating households had incomes below 30% AMI.

### **Additional Funding Sources**

#### **U.S. Conference of Mayors – Assistance to Elections Officials - \$37,146**

The U.S. Conference of Mayors, through its Youth Involvement Task Force, established a grant to help cover election administration costs related to COVID-19. The City Clerk's Office applied for this grant and received \$37,146.

### **Funds to be Administered by the Newton Public Schools (NPS)**

#### **Federal Funds**

#### **NPS CARES Act – Coronavirus Relief Fund School Re-Opening Grant - \$2,886,525**

This program in the amount of \$225 per student is focused on providing schools and school districts with funding needed to deliver educational services and develop plans for the return to normal operations. Funds may be used for a wide variety of purposes, including, but not limited to staff; student services; food and transportation services; building services/temporary facilities; central costs; and other innovative efforts to support the safe reopening of schools.

#### **Elementary and Secondary School Emergency Relief Fund (ESSER I) - \$745,725**

The Elementary and Secondary School Emergency Relief Fund (ESSER I), authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides school districts with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools.

School districts must provide equitable services to students and teachers in non-public schools, as required under the CARES Act, so not all of these funds will go to NPS. The Newton Public School portion is expected to approximate \$683,985. These funds were set aside to purchase Chromebooks/technology to allow all Newton Public School students to participate in distance and remote learning programs.

#### **Elementary and Secondary School Emergency Relief Fund (ESSER II) - \$1,508,665**

The Elementary and Secondary School Emergency Relief Fund, (ESSER II), authorized under the Coronavirus Response and Relief Supplemental Appropriations (CRRSE) Act, 2021, enacted on December 27, 2020, provides school districts with further emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools.

### **Elementary and Secondary School Emergency Relief Fund (ESSER III) - \$3,365,788**

The American Rescue Plan Elementary and Secondary School Emergency Relief (ARPA ESSER III) Fund, under the American Rescue Plan (ARPA) Act of 2021, enacted on March 11, 2021 provides further funding to the Newton Public Schools of which at least 20% must be used to support students who have not made satisfactory progress over the past year and are currently below grade level. In addition, authorized uses include sanitation and PPE, school facility repairs, technology for online learning, student mental health services, and continuity of services.

### **State Grants to NPS**

#### **FY2021 State Coronavirus Prevention Fund Grant - \$421,400**

In January 2021, the state legislature authorized funding to school districts for additional assistance to support coronavirus prevention efforts and to maintain and increase educational quality during the pandemic. Eligible uses for the funds include, but are not limited to, personal protective equipment, hygienic supplies, costs associated with socially distanced onsite learning, remote learning, or hybrid approaches as determined by the district.

Recipients can also use their funds for any expenses required to ensure that low-income and other vulnerable students receive assistance and support that provides them equal access to educational opportunities, including but not limited to, assistance overcoming technological hurdles to learning and access to social services, mental health, and behavioral health resources to address the potential trauma and other effects of the pandemic on students.

#### **Remote Learning Technology Essentials Grant - \$67,050**

The RLTE Funds provided by the Department of Elementary and Secondary Education (DESE) were used to purchase Chromebooks to enable students to participate in distance and remote learning.

#### **Newton Schools Foundation - \$85,000**

Funds provided by the Newton Schools Foundation were also used to purchase Chromebooks.

<b>MUNICIPAL AND NEWTON PUBLIC SCHOOLS CORONAVIRUS PANDEMIC TOTAL GRANTS, REIMBURSEMENTS, AND OTHER REVENUES</b>	
<b>TOTAL MUNI GRANTS/REIMB/APPROP'S, ETC.</b>	<b>AMOUNT</b>
<b>FEDERAL FUNDS TO "CITY" ACCOUNTS</b>	
American Rescue Plan Act of 2021	\$ 63,589,505
Coronavirus Aid, Relief, and Economic Security Act (CARES)	\$ 7,838,462
FEMA - Fed'l Emergency Mgmt Agency (projected)	\$ 1,000,000
Community Development Block Grant	\$ 1,743,641
Emergency Solutions Grant	\$ 1,483,400
Assistance to Firefighter's Grant	\$ 20,708
<b>STATE FUNDS TO "CITY" ACCOUNTS</b>	
Mass Department of Public Health	\$ 349,457
Mass Office of Public Safety & Security	\$ 47,575
Mass Secretary of the Commonwealth	\$ 13,778
<b>TAXPAYER FUNDS TO "CITY" ACCOUNTS</b>	
Community Preservation Act Funds	\$ 3,200,000
City Council Free Cash Appropriation	\$ 1,000,000
<b>OTHER FUNDING SOURCES</b>	
U.S. Conf of Mayors - Youth Involvement	\$ 37,146
<b>TOTAL MUNI GRANTS/REIMB/APPROP'S, ETC.</b>	<b>\$ 80,323,672</b>
<b>TOTAL NPS GRANTS/REIMB/APPROP'S, ETC.</b>	
<b>FEDERAL FUNDS TO "NPS" ACCOUNTS</b>	
NPS CARES Act Funding - CvRF 102	\$ 2,886,525
ESSER 1 Funds	\$ 745,725
ESSER 2 Funds	\$ 1,508,665
ESSER 3 Funds	\$ 3,365,788
<b>STATE FUNDS TO "NPS" ACCOUNTS</b>	
DESE Coronavirus Prevention Fund Grant	\$ 421,400
State Remote Learning Technology Grant	\$ 67,086
Newton Schools Foundation Tech Grant	\$ 85,000
<b>TOTAL NPS GRANTS/REIMB/APPROP'S, ETC.</b>	<b>\$ 9,080,189</b>
<b>TOTAL NEWTON GRANTS/REIMB/APPROP'S, ETC.</b>	<b>\$ 89,403,861</b>

APPENDIX II  
City of Newton Finance and Budgeting Background Information

City of Newton, Massachusetts  
Annual General Fund Revenues

FY2019-FY2023 Actual/FY2024 Budget/FY2025-FY2029 Forecast

	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL	2024 BUDGET	2025 FCST	2026 FCST	2027 FCST	2028 FCST	2029 FCST
<b>TOTAL REVENUE</b>											
PROPERTY TAXES W/O DEBT EXCL. DEFERD/ACCRD. EXTRAORD PMTS	\$ (341,989,084)	\$ (352,802,258)	\$ (373,732,886)	\$ (385,483,559)	\$ (402,712,039)	\$ (416,904,075)	\$ (431,900,063)	\$ (448,369,301)	\$ (466,374,375)	\$ (482,878,785)	\$ (501,153,155)
% ANNUAL INCREASE	3.68%	3.16%	5.93%	3.14%	4.47%	3.52%	3.60%	3.81%	3.79%	3.78%	3.76%
TOTAL EXCISE PAYMENTS	\$ (13,850,602)	\$ (13,139,306)	\$ (13,536,885)	\$ (13,904,618)	\$ (13,967,098)	\$ (13,650,000)	\$ (13,750,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)	\$ (13,900,000)
% ANNUAL INCREASE	1.25%	-5.19%	2.95%	2.79%	0.59%	-2.41%	0.73%	1.09%	0.00%	0.00%	0.00%
TOTAL ROOMS, MEALS & CANNABIS SALES TAXES	\$ (4,437,396)	\$ (4,267,219)	\$ (2,029,882)	\$ (3,671,505)	\$ (5,014,960)	\$ (4,500,000)	\$ (4,925,000)	\$ (5,023,500)	\$ (5,053,735)	\$ (5,084,272)	\$ (5,115,115)
% ANNUAL INCREASE	2.17%	-3.84%	-52.43%	80.87%	36.59%	-10.27%	9.44%	2.00%	0.60%	0.60%	0.61%
TOTAL LSO BUILDING/MECHANICAL PERMITS	\$ (10,527,907)	\$ (10,860,897)	\$ (7,498,230)	\$ (11,662,686)	\$ (11,984,004)	\$ (8,560,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)	\$ (9,905,000)
% ANNUAL INCREASE	47.76%	3.16%	-30.96%	55.54%	2.76%	-28.57%	15.71%	0.00%	0.00%	0.00%	0.00%
TOTAL PERMITS, FEES, AND OTHER REVENUES	\$ (9,026,353)	\$ (7,975,022)	\$ (6,412,720)	\$ (9,406,781)	\$ (10,034,097)	\$ (6,831,105)	\$ (7,070,671)	\$ (7,229,671)	\$ (6,879,671)	\$ (6,879,671)	\$ (6,879,671)
% ANNUAL INCREASE	-8.27%	-11.85%	-19.59%	46.89%	6.67%	-31.92%	3.51%	2.25%	-4.84%	0.00%	0.00%
TOTAL STATE REVENUE/CHERRY SHEET	\$ (30,295,609)	\$ (31,250,688)	\$ (31,457,905)	\$ (32,931,577)	\$ (33,744,594)	\$ (34,562,916)	\$ (35,361,911)	\$ (36,242,834)	\$ (37,145,779)	\$ (38,071,299)	\$ (39,019,956)
% ANNUAL INCREASE	4.69%	3.15%	0.68%	4.68%	2.47%	2.43%	2.31%	2.49%	2.49%	2.49%	2.49%
TOTAL INTEREST INCOME	\$ (2,939,842)	\$ (2,106,940)	\$ (288,974)	\$ (771,959)	\$ (9,068,079)	\$ (2,500,000)	\$ (4,500,000)	\$ (3,500,000)	\$ (3,000,000)	\$ (2,500,000)	\$ (2,500,000)
% ANNUAL INCREASE	104.00%	-28.33%	86.28%	167.14%	1074.68%	-72.43%	80.00%	-22.22%	-14.29%	-16.67%	0.00%
SUBTOTAL OPERATING REVENUES	\$ (413,075,194)	\$ (422,402,332)	\$ (434,947,482)	\$ (457,832,686)	\$ (486,544,870)	\$ (487,508,096)	\$ (507,412,645)	\$ (524,170,306)	\$ (541,258,561)	\$ (559,319,027)	\$ (578,472,898)
% ANNUAL INCREASE	4.52%	2.26%	2.97%	5.26%	6.27%	0.20%	4.08%	3.30%	3.26%	3.34%	3.42%
2013 DEBT EXCLUSION	\$ (3,000,495)	\$ (3,336,395)	\$ (3,139,763)	\$ (3,129,345)	\$ (3,225,356)	\$ (3,118,903)	\$ (3,112,603)	\$ (3,099,726)	\$ (3,094,103)	\$ (3,079,253)	\$ (3,067,328)
% ANNUAL INCREASE	53.06%	11.19%	-5.89%	-0.33%	3.07%	-3.39%	-0.20%	-0.41%	-0.18%	-0.48%	-0.39%
2023 DEBT EXCLUSION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (300,000)	\$ (1,000,000)	\$ (2,400,000)	\$ (3,500,000)	\$ (4,600,000)
% ANNUAL INCREASE	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	233.33%	140.00%	45.83%	31.43%
TOTAL EXTRAORDINARY PAYMENTS	\$ (441,266)	\$ (449,449)	\$ (160,507)	\$ (14,646,301)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% ANNUAL INCREASE	-46.07%	218.16%	-64.29%	9025.02%	-100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
SUBTOTAL REAL REVENUES	\$ (416,216,955)	\$ (426,188,175)	\$ (438,247,752)	\$ (475,608,332)	\$ (489,770,228)	\$ (490,626,999)	\$ (510,825,248)	\$ (528,270,034)	\$ (546,752,664)	\$ (565,898,280)	\$ (586,140,226)
% ANNUAL INCREASE	4.72%	2.40%	2.83%	8.52%	2.98%	0.17%	4.12%	3.42%	3.50%	3.50%	3.58%
TOTAL TAX DEFERRALS/ACCRUALS	\$ (1,734,582)	\$ (3,064,429)	\$ (3,330,692)	\$ (3,610,159)	\$ (1,313,281)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% ANNUAL INCREASE	0.07%	76.67%	8.69%	8.39%	-63.62%	-100.00%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL INTERFUND TRANSFERS	\$ (6,345,656)	\$ (6,077,926)	\$ (5,585,160)	\$ (12,086,968)	\$ (8,755,705)	\$ (9,083,210)	\$ (7,142,825)	\$ (7,316,524)	\$ (7,496,302)	\$ (7,662,373)	\$ (7,874,956)
% ANNUAL INCREASE	14.92%	-4.22%	-8.11%	115.52%	-27.26%	3.74%	-21.36%	2.43%	2.46%	2.48%	2.51%
TOTAL REVENUE LESS PENSION STABILIZATION FUND TRANSFER	\$ (424,297,193)	\$ (435,330,531)	\$ (447,163,604)	\$ (491,255,459)	\$ (499,839,214)	\$ (499,710,209)	\$ (517,968,073)	\$ (535,586,558)	\$ (554,248,966)	\$ (573,580,633)	\$ (594,015,181)
% ANNUAL INCREASE	4.84%	2.60%	2.72%	9.86%	1.75%	-0.03%	3.65%	3.40%	3.48%	3.49%	3.56%
TRANSFER FROM OPERATIONS BOOSTER STABILIZATION FUND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (659,887)	\$ (1,396,000)	\$ (2,216,000)	\$ (3,126,000)	\$ (4,134,000)
TOTAL REVENUE WITH ALL INTERFUND TRANSFERS	\$ (424,297,193)	\$ (435,330,531)	\$ (447,163,604)	\$ (491,255,459)	\$ (499,839,214)	\$ (499,710,209)	\$ (518,627,960)	\$ (536,982,558)	\$ (556,464,966)	\$ (576,706,633)	\$ (598,149,181)
% ANNUAL INCREASE	4.84%	2.60%	2.72%	9.86%	1.75%	-0.03%	3.79%	3.54%	3.63%	3.64%	3.72%

**City of Newton, Massachusetts**  
**Annual General Fund Expenses**  
**FY2019-FY2023 Actual//FY2024 Budget/FY2025-FY2029 Forecast**

	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL	2024 BUDGET	2025 FCST	2026 FCST	2027 FCST	2028 FCST	2029 FCST
<b>TOTAL REVENUE WITH ALL INTERFUND TRANSFERS</b>	\$ 424,297,193	\$ 435,330,531	\$ 447,163,604	\$ 491,255,459	\$ 499,839,214	\$ 499,710,209	\$ 518,627,960	\$ 536,982,558	\$ 556,464,966	\$ 576,706,653	\$ 598,149,181
<b>CURRENT PROJECTED EXPENSES</b>											
NEWTON PUBLIC SCHOOLS	\$ 227,560,263	\$ 236,372,312	\$ 243,145,343	\$ 253,207,930	\$ 262,070,208	\$ 268,655,413	\$ 278,058,352	\$ 287,790,395	\$ 297,863,059	\$ 308,288,266	\$ 319,078,355
OPERATIONS BOOSTER APPROPRIATION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 461,921	\$ 977,200	\$ 1,551,200	\$ 2,188,200	\$ 2,893,800
PROJECTED NPS APPROPRIATION W/BOOSTER FUNDS	\$ 227,560,263	\$ 236,372,312	\$ 243,145,343	\$ 253,207,930	\$ 262,070,208	\$ 268,655,413	\$ 278,520,273	\$ 288,767,595	\$ 299,414,259	\$ 310,476,466	\$ 321,972,155
% ANNUAL INCREASE	3.54%	3.87%	2.87%	4.14%	3.50%	2.51%	3.67%	3.68%	3.69%	3.69%	3.70%
MUNICIPAL EXPENDITURES	\$ 113,357,060	\$ 114,301,754	\$ 118,245,165	\$ 126,365,086	\$ 130,914,738	\$ 137,294,859	\$ 144,891,836	\$ 149,890,605	\$ 155,061,830	\$ 160,411,464	\$ 165,945,659
% ANNUAL INCREASE	2.98%	0.83%	3.45%	6.87%	3.60%	4.87%	3.45%	3.45%	3.45%	3.45%	3.45%
SOLID WASTE	\$ 8,042,848	\$ 8,559,684	\$ 9,399,556	\$ 9,120,283	\$ 10,054,336	\$ 10,312,833	\$ 10,831,709	\$ 12,571,465	\$ 13,325,753	\$ 15,324,616	\$ 16,244,093
% ANNUAL INCREASE	4.32%	6.43%	9.81%	-2.97%	10.24%	2.57%	6.00%	15.00%	6.00%	15.00%	6.00%
DEBT SERVICE	\$ 24,033,615	\$ 24,456,169	\$ 25,117,481	\$ 24,599,140	\$ 24,936,069	\$ 25,264,715	\$ 26,560,000	\$ 27,640,000	\$ 30,405,000	\$ 32,060,000	\$ 32,870,000
% ANNUAL INCREASE	5.09%	1.76%	2.70%	-2.06%	1.37%	1.32%	5.13%	4.07%	10.00%	5.44%	2.53%
PENSIONS & RETIREE HEALTH INSURANCE	\$ 39,410,176	\$ 41,058,809	\$ 42,916,424	\$ 47,772,419	\$ 52,020,527	\$ 58,182,289	\$ 58,741,851	\$ 62,505,296	\$ 66,512,566	\$ 70,779,307	\$ 75,322,446
% ANNUAL INCREASE	10.81%	4.18%	4.52%	11.32%	8.89%	11.84%	6.00%	6.41%	6.41%	6.41%	6.42%
<b>TOTAL PROJECTED EXPENDITURE BUDGETS</b>	\$ 412,403,962	\$ 424,748,728	\$ 438,823,969	\$ 461,064,858	\$ 479,995,878	\$ 499,710,209	\$ 519,645,670	\$ 541,374,961	\$ 564,719,408	\$ 589,051,852	\$ 612,354,353
% ANNUAL INCREASE	4.14%	2.99%	3.31%	5.07%	4.11%	4.11%	3.99%	4.18%	4.31%	4.31%	3.96%
<b>VARIANCE +/-</b>	\$ 11,893,231	\$ 10,581,803	\$ 8,339,636	\$ 30,190,601	\$ 19,843,336	\$ -	\$ (1,017,710)	\$ (4,392,403)	\$ (8,254,442)	\$ (12,345,199)	\$ (14,205,172)
<b>GAP AS % OF REVENUE</b>							0.20%	0.82%	1.48%	2.14%	2.37%



## APPENDIX III

### Financial Management Guidelines

# CITY OF NEWTON FINANCIAL MANAGEMENT GUIDELINES

## **Financial Principles**

On April 20, 2011 the Honorable City Council adopted a revised set of Financial Management Guidelines. There are several guiding principles that are incorporated into these guidelines which have been included as an integral part of this plan. These guidelines include the following:

**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.

**Revenue Budgeting:** General Fund revenue budgets are expected to capture 99% of total expected revenue for the year.

**Expenditure Budgeting:** Expenditure budget estimates will strive to be sufficient to address not less than 100% of projected operating requirements of the various departments of the City for the next fiscal year. It is anticipated that this guideline will continue to take several years to fully implement.

**Debt Management Policy:** Massachusetts municipal finance law limits the total amount of long-term debt that the City can incur for most purposes to not more than 5% of the City's equalized valuation (taxable value of the real estate tax base). The City's current (October 2018) equalized valuation is approximately \$29 billion, which means that the current statutory debt limit is approximately \$1.4 billion. In addition to the statutory debt limit, the City of Newton has a self-imposed policy of limiting debt service on long term bonded debt to between 4.0% and 7.5% of the annual General Fund budget.

**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.

**Utilization of Free Cash:** 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 may 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.

**Inclement Weather Stabilization Reserve:** The Administration has established an Inclement Weather Stabilization Reserve Fund which will be 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.

**Rainy Day Stabilization Reserve:** The Rainy Day Stabilization Fund will be used when the City faces a multiple year economic recession or a rare, catastrophic expenditure. These funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the control of the City, or an unusually large expenditure resulting from a rare legal settlement or catastrophic weather event. 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.

## APPENDIX IV

### Debt Management Guidelines

# CITY OF NEWTON

## DEBT MANAGEMENT POLICY

November 28, 2016

The City of Newton uses a variety of capital assets for the purpose of providing community services. The assets consist of land, public buildings, recreation facilities, community infrastructure (road networks, storm and sanitary sewer networks, and water distribution networks) and major pieces of equipment.

The annual Capital Improvement Program (Section 5-3) of the City Charter is used to prioritize capital asset acquisition and improvement plans for the ensuing five (5) year period. The Capital Improvement Program represents the City's plan for meeting capital needs. Individual project funding appropriations and funding orders recommended by the Mayor and approved by the Council are required to execute the capital plan.

Since Newton residents, businesses, visitors and taxpayers benefit from capital assets over a period of years, long-term debt financing is the City's primary -- but not exclusive-- means of funding capital assets and improvements. In addition, as the community benefits from capital assets over a long period of time, the term of the debt generally coincides with the projected useful life of the asset.

All bond authorizations and related capital asset and improvement appropriations originate with a recommendation of the Mayor and require a two-thirds vote of approval by the City Council. Since bond authorizations and related capital appropriations are subject to the referendum provision of the City Charter (Section 10), no such authorization or appropriation is available for obligation until 20 days has passed from the Mayor's signature of the City Council vote on the matter. All authorized and unissued long-term debt and issued long term debt is accounted for on the City's general ledger in one of four General Long Term Debt Account Groups. The first group is for debt being repaid from general revenues of the City and the other three are for Stormwater, Sanitary Sewer, and Water debt that is expected to be repaid from the dedicated revenues from the individual enterprise funds.

**Debt limits:** Massachusetts municipal finance law limits the total amount of long-term debt that the City can incur for most purposes to not more than 5% of the City's equalized valuation (i.e., the taxable value of the real estate tax base). As of October 2016, the City's current equalized valuation is approximately \$26 billion, which means that the current statutory debt limit is approximately \$1.3 billion.<sup>15</sup> In addition to the statutory debt limit, the City of Newton has a self-imposed policy of limiting debt service on long term bonded debt to between 4% and 7.5% of the annual General Fund budget.<sup>16</sup> Massachusetts General Law Chapter 44, Sections 7 and 8 identify both the purposes for which the City is authorized to fund with long term debt and the maximum term for which debt can be issued. Although all debt issued by the City is general obligation debt (meaning that the full faith and credit of the City has been pledged to support full and timely repayment of all long-term debt obligations), debt service on bonded debt that is related to public services that are financed principally from dedicated revenues (water and sewer utilities and community preservation activities) is funded from the dedicated revenue sources and not from general revenues of the City.

**Debt structuring:** Insofar as the municipal finance laws of the Commonwealth of Massachusetts allow, the City makes every effort to issue debt for a term that approximates the projected useful life of the capital asset or improvement. All bonded debt of the City is issued at fixed rates of interest, based upon open and competitive sales. Although bond maturity schedules are generally issued so as to have an equal amount of debt retired each year, the City may structure maturity schedules such that the result is equal annual debt service, if this is determined to be in the best interests of the City.

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<sup>15</sup> As of November 2016, the City has \$334 million of debt.

<sup>16</sup> As of November 2016, the total debt represents 5.7% of the annual general fund budget.

**Debt issuance:** In order to assist the City in the efficient and effective planning for new debt issuance and refunding of outstanding debt, the City utilizes the services of an independent professional investment advisor and an attorney with expertise in tax-exempt bond law. Both are compensated on a fee for services basis.

In order to fund necessary capital projects as expenditures are being incurred, the City expects to sell long term debt on an annual basis. The timing of annual bond sales is expected to occur following the issuance of the audited Comprehensive Annual Financial Report for the prior fiscal year (typically by December 31st) and at a date that the City's independent financial advisor determines is likely to generate the most favorable financial terms for the City.

A financial goal of the City of Newton is to continue to have the highest credit rating available in order to borrow new money and to refinance existing debt at the lowest interest rates.

Although the City has historically utilized the services of a single credit rating agency for purposes of reporting on the creditworthiness of the City bonded debt, a second credit rating was sought in 2016. Multiple ratings will continue to be acquired if it is determined to be in the best interests of the City by the independent financial advisor and the City's senior financial management team.

All bond sales of the City are to be done through an open and competitive process, with the award being made to the financial institution offering the lowest net interest cost to the City over the term of the debt (including any premium offering).

The City will annually look for potential savings in the cost of debt by amazing the benefits of refunding opportunities.

**Debt management practices:** In addition to accounting for each debt authorization and debt issuance, the Comptroller of the City is responsible for maintaining a separate accounting of bond proceed sources and uses by individual capital project and improvement within one of several capital project funds on the City's general ledger. The department head to whom a debt financed capital project has been voted has primary responsibility for authorizing expenditures for those purposes specifically approved in the bond authorization and appropriation recommended by the Mayor and approved by the Council. The Comptroller is authorized to deny any proposed expenditure that he or she determines is outside the project scope and/or the term of the debt that has been issued for the project exceeds the projected useful life of the capital asset.

Premiums earned on the sale of long-term debt are generally general revenues of the City. However, premiums earned on projects that have been approved by the voters of the City for a Proposition 2 ½ debt exclusion are reserved on the general ledger for appropriation by the Mayor and Council for purposes of reducing the total amount of debt that will be issued for the debt excluded project.

In order to demonstrate compliance with federal requirements for the timely disbursement of bond proceeds, all cash proceeds from the sale of bonds are deposited in a separate money market account maintained by the Treasurer. Based upon the Comptroller's quarterly reports of debt financed project disbursements, the Treasurer reimburses general cash for the prior quarter's disbursements. The Comptroller maintains detailed records of debt financed capital project expenditures for arbitrage monitoring purposes.

The City's CFO, Treasurer, and Comptroller are responsible for monitoring the proposed and actual use of the assets funded by tax exempt bond proceeds for any potential "private activity uses" and for promptly notifying bond counsel of any potential issues for his or her review and final advice. In order to provide investors and credit rating agencies with current information on the financial position and operating results of the City, every effort is made to issue the Budgetary Basis Annual Financial Report by September 1 of each year and the audited Comprehensive Annual Financial Report by December 31 of each year and to make all other required disclosures on a timely and accurate basis. Interim monthly and quarterly financial reports are also posted on the Comptroller's page of the City web site.

Pursuant to the Massachusetts municipal finance law, any balance that remains in a debt financed capital project, after the project has been completed, is available for re-appropriation by the Mayor and Council for another project for which the City could have borrowed for a term equal or greater than the original purpose.