

City of Newton
Long-Range Financial Plan &
Five-Year Financial Forecast
FY2025 – FY2029

Mayor Ruthanne Fuller
September 5, 2023





Retiree Funding

Climate Change

Interest Rates

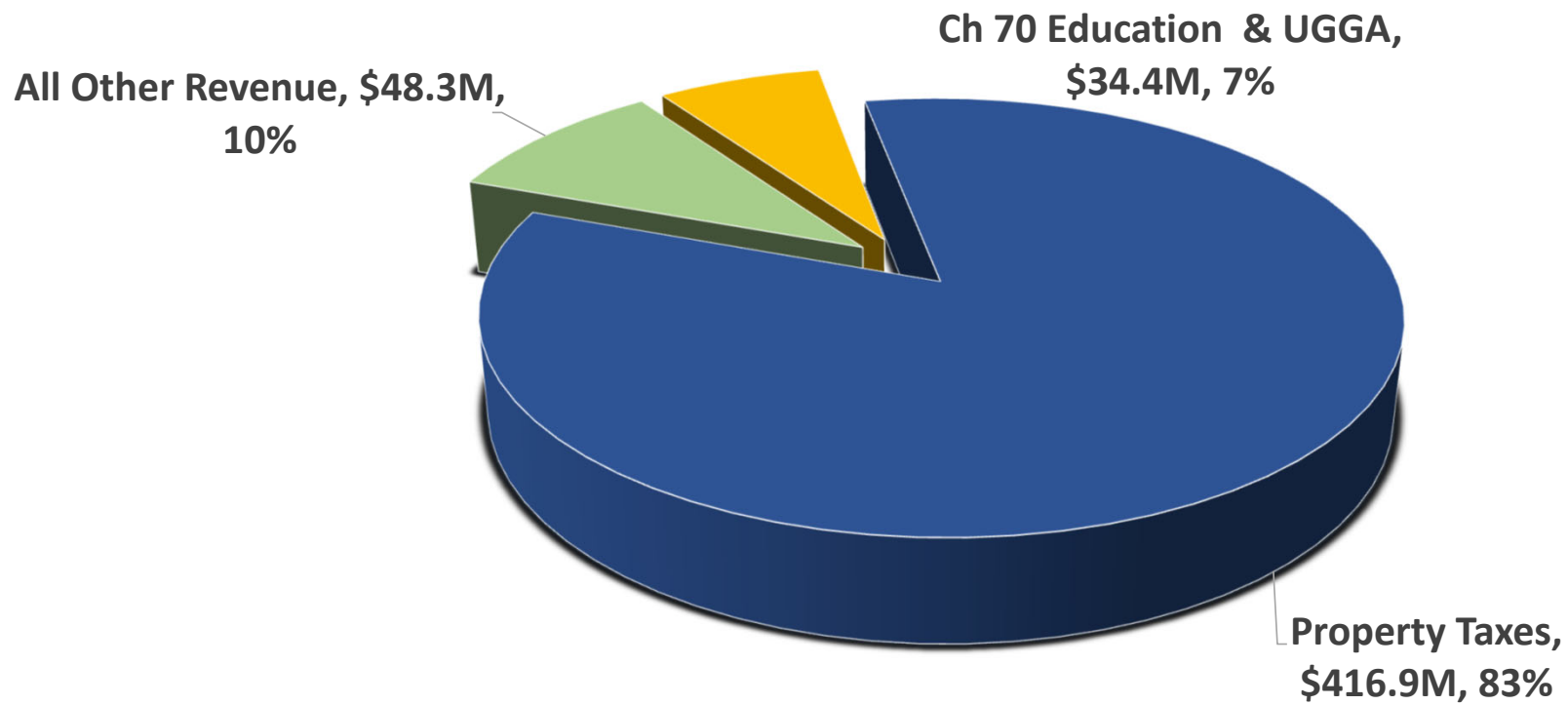
Pandemic

Inflation

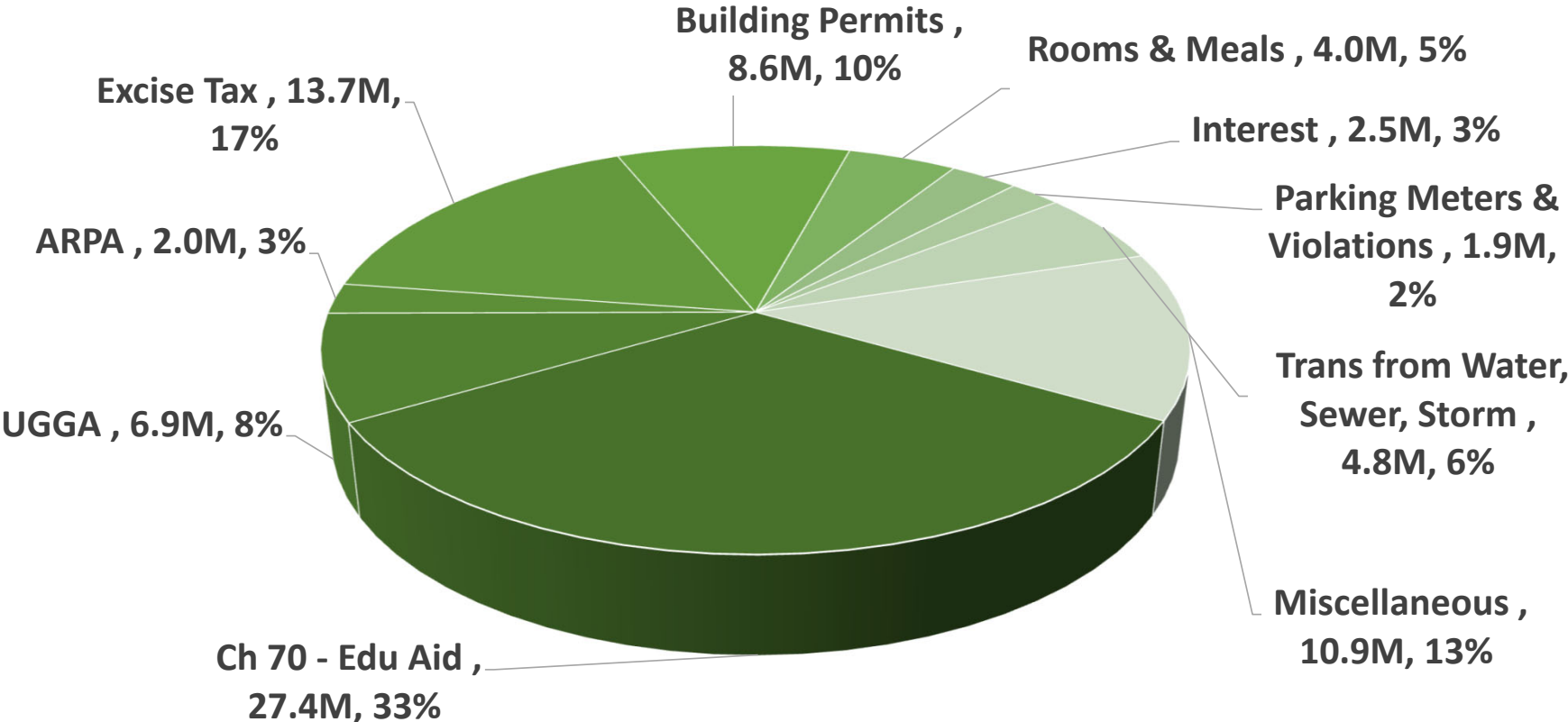
Mental Health

**The Long-Range Financial Planning
Process Begins with
REVENUE**

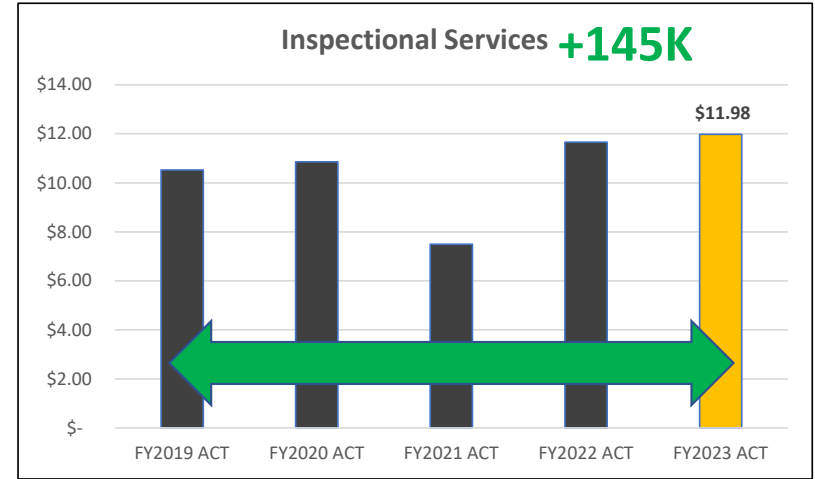
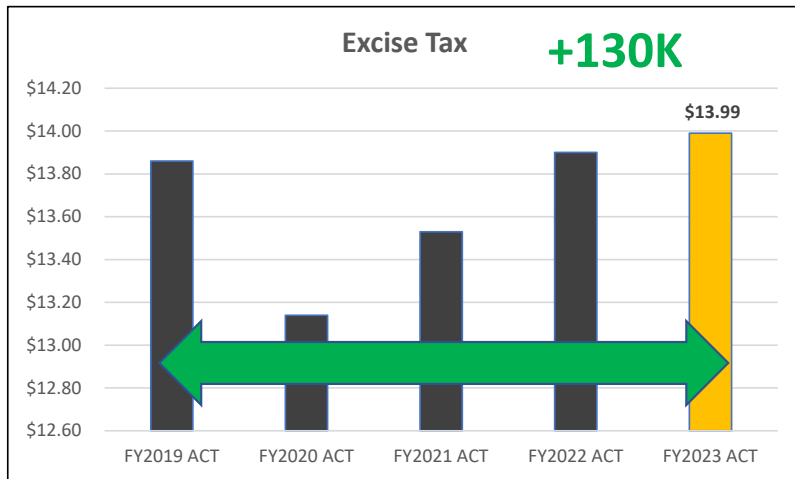
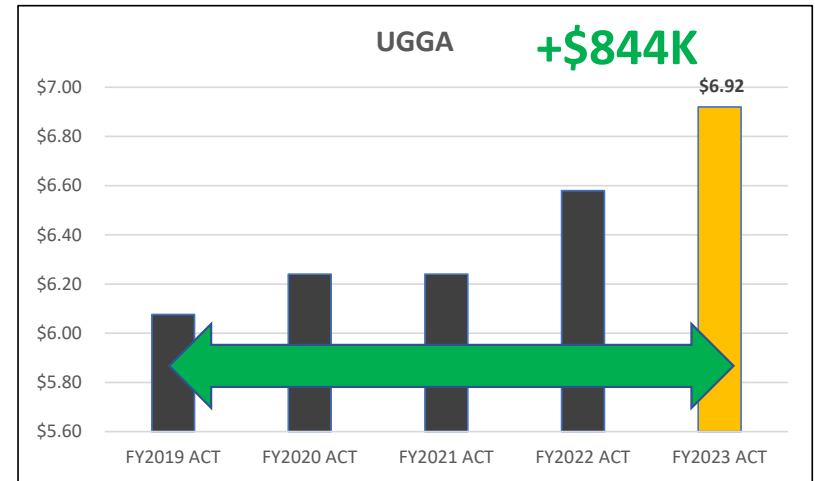
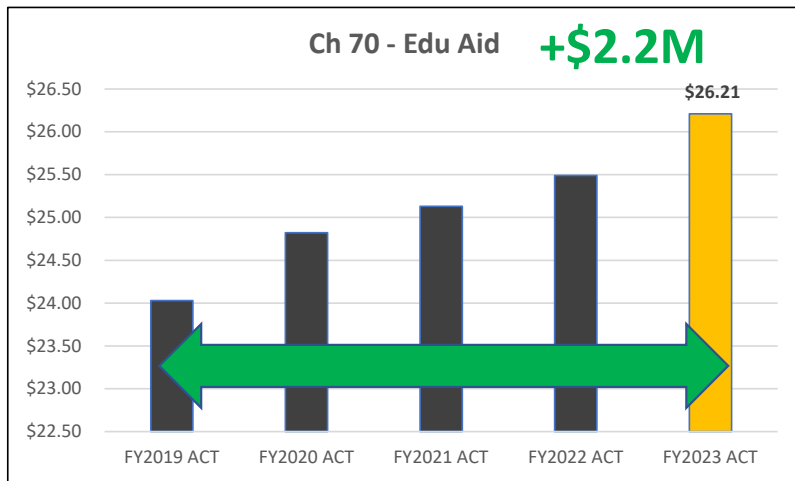
Fiscal Year 2024 – Property Taxes = \$416.9M



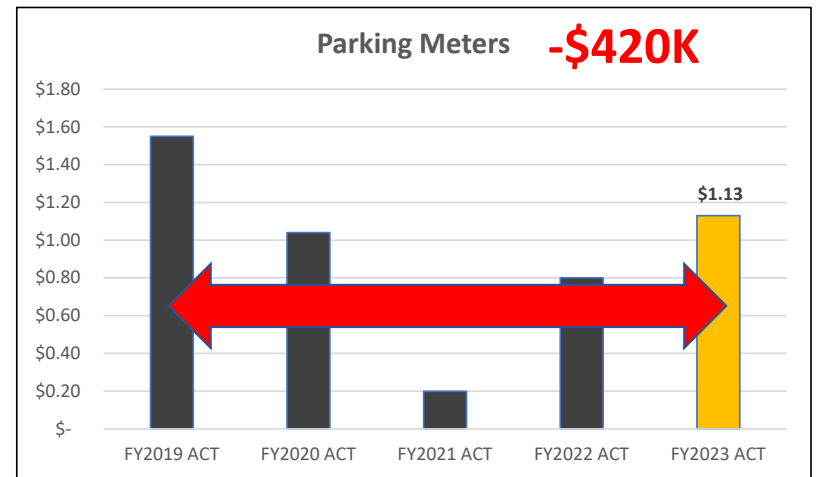
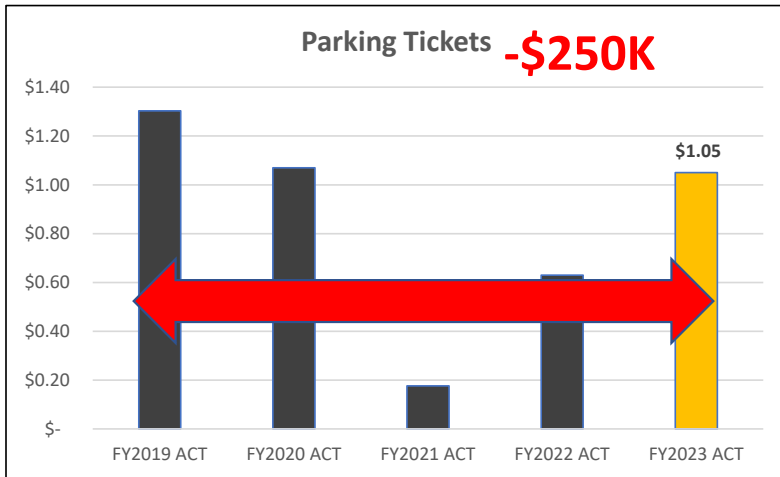
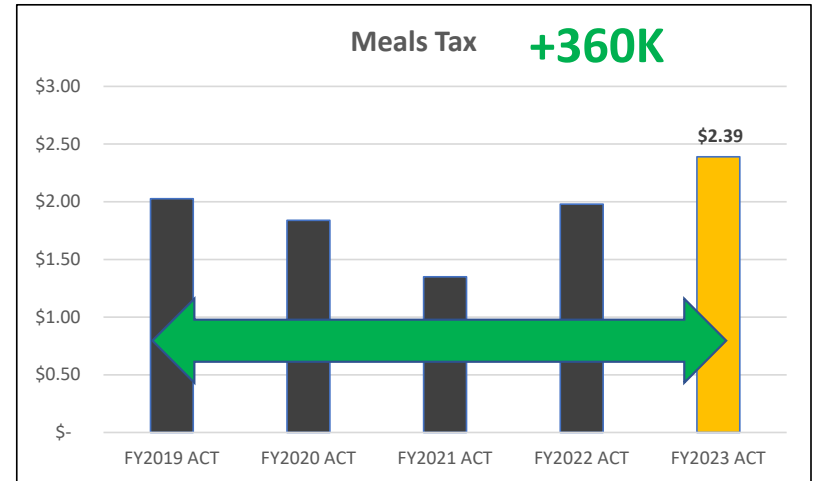
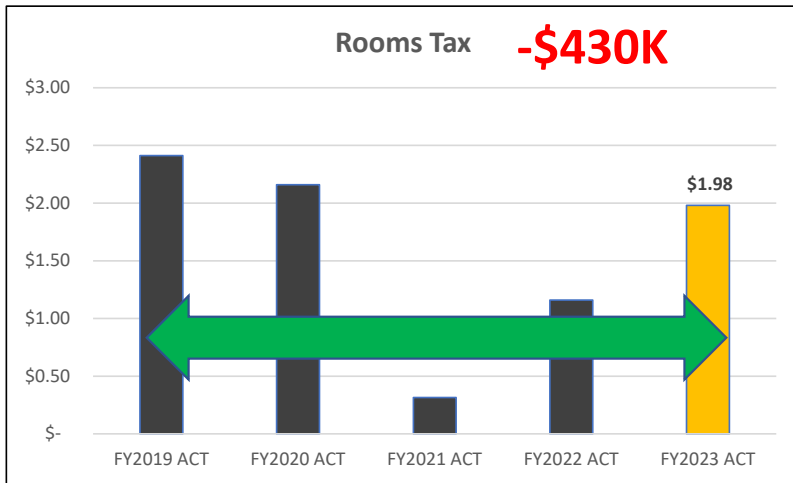
Fiscal Year 2024 – All Other Revenues = \$82.7M



COVID-19 AND REBOUNDED REVENUE FY19 VS FY23 ACTUALS



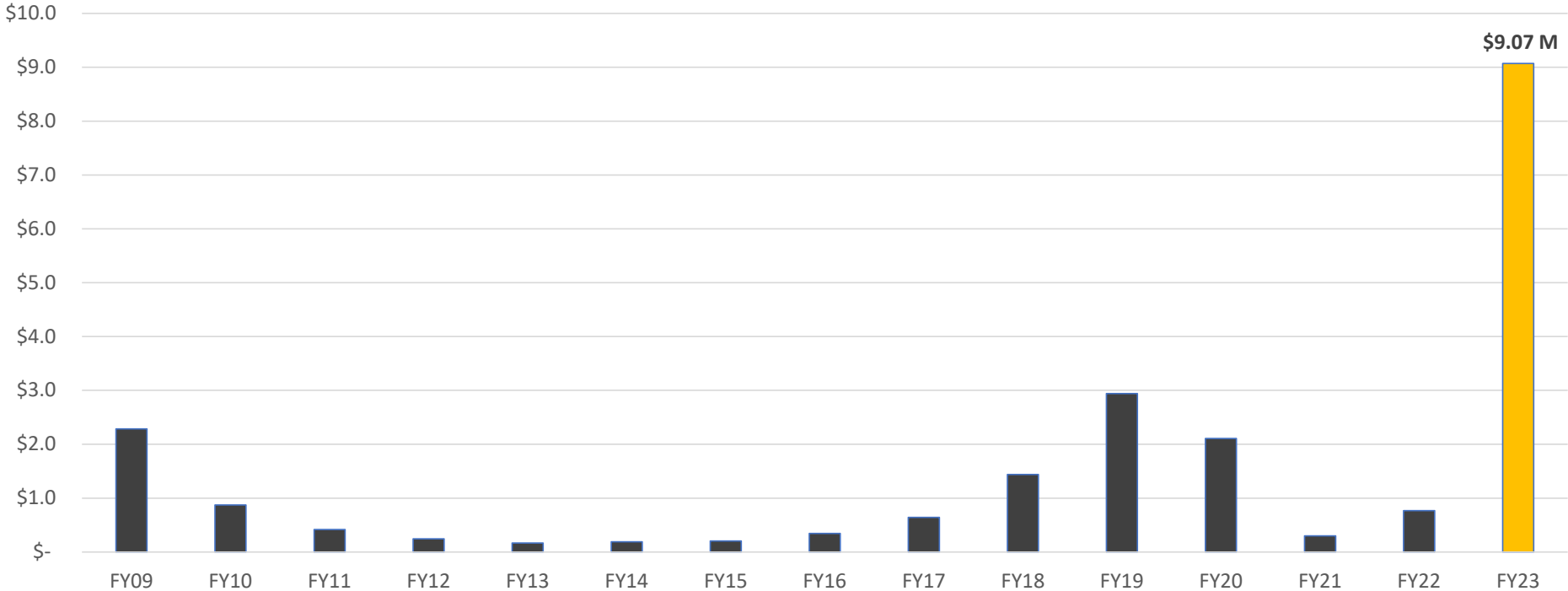
COVID-19 AND REBOUDING REVENUE FY19 VS FY23 ACTUALS



Revenue from Interest Income

FY2023 Actual - \$9.07M

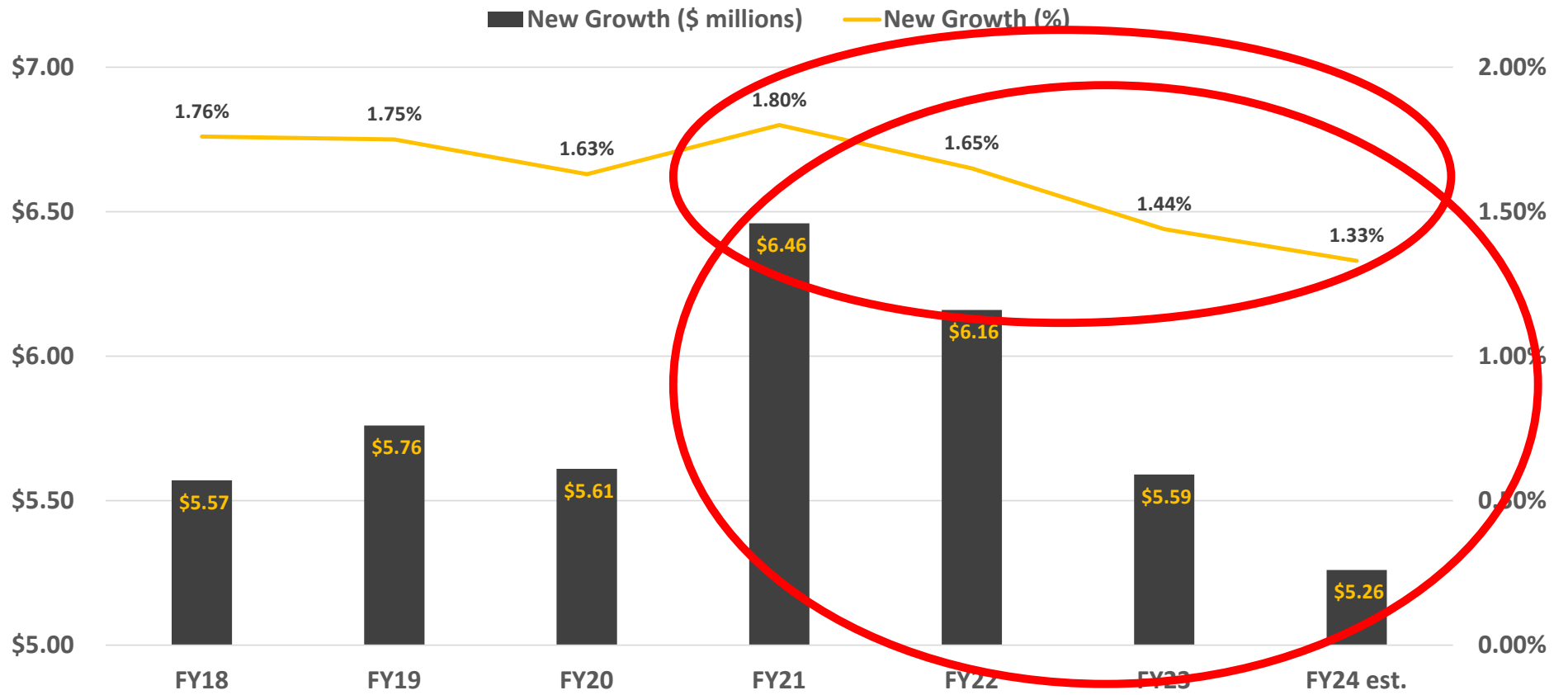
(\$ millions)



\$8.4 M Will Drop Directly to Free Cash

Revenue from “New Growth and Redevelopment”

New Growth

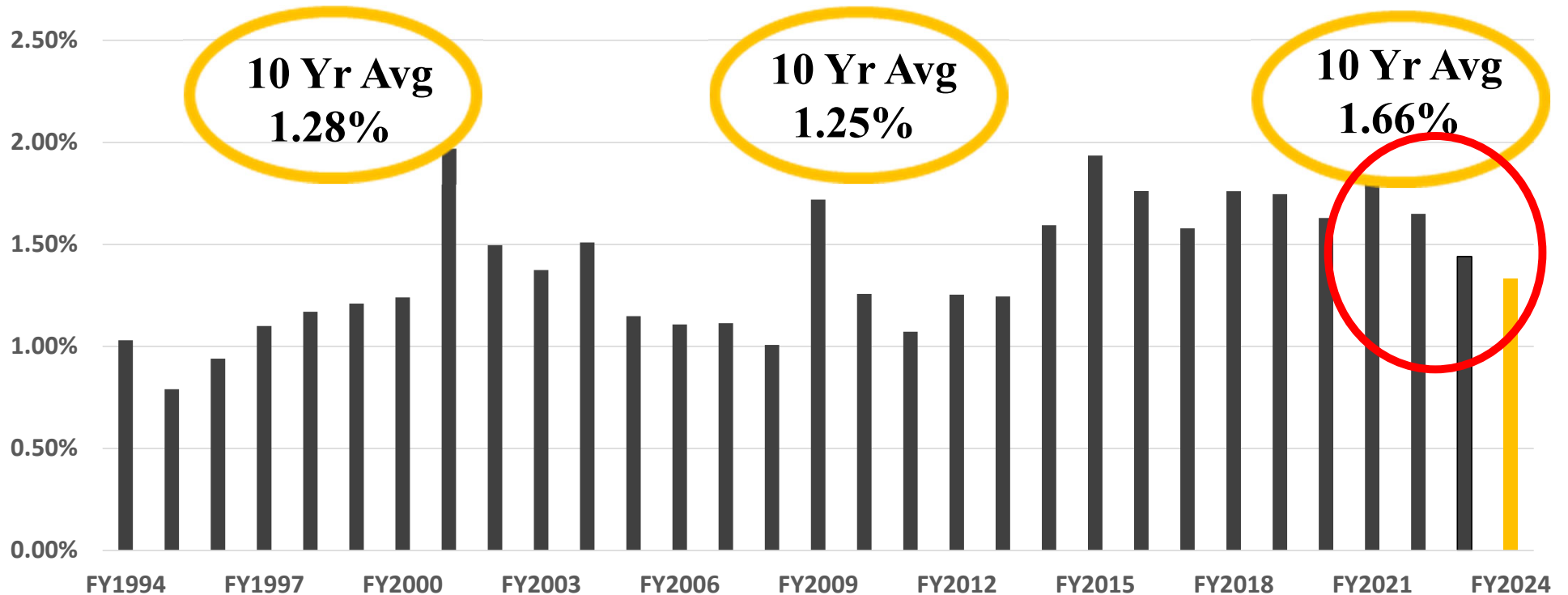


New Growth as a Percent of Property Tax Levy

30 Year Average = 1.40%

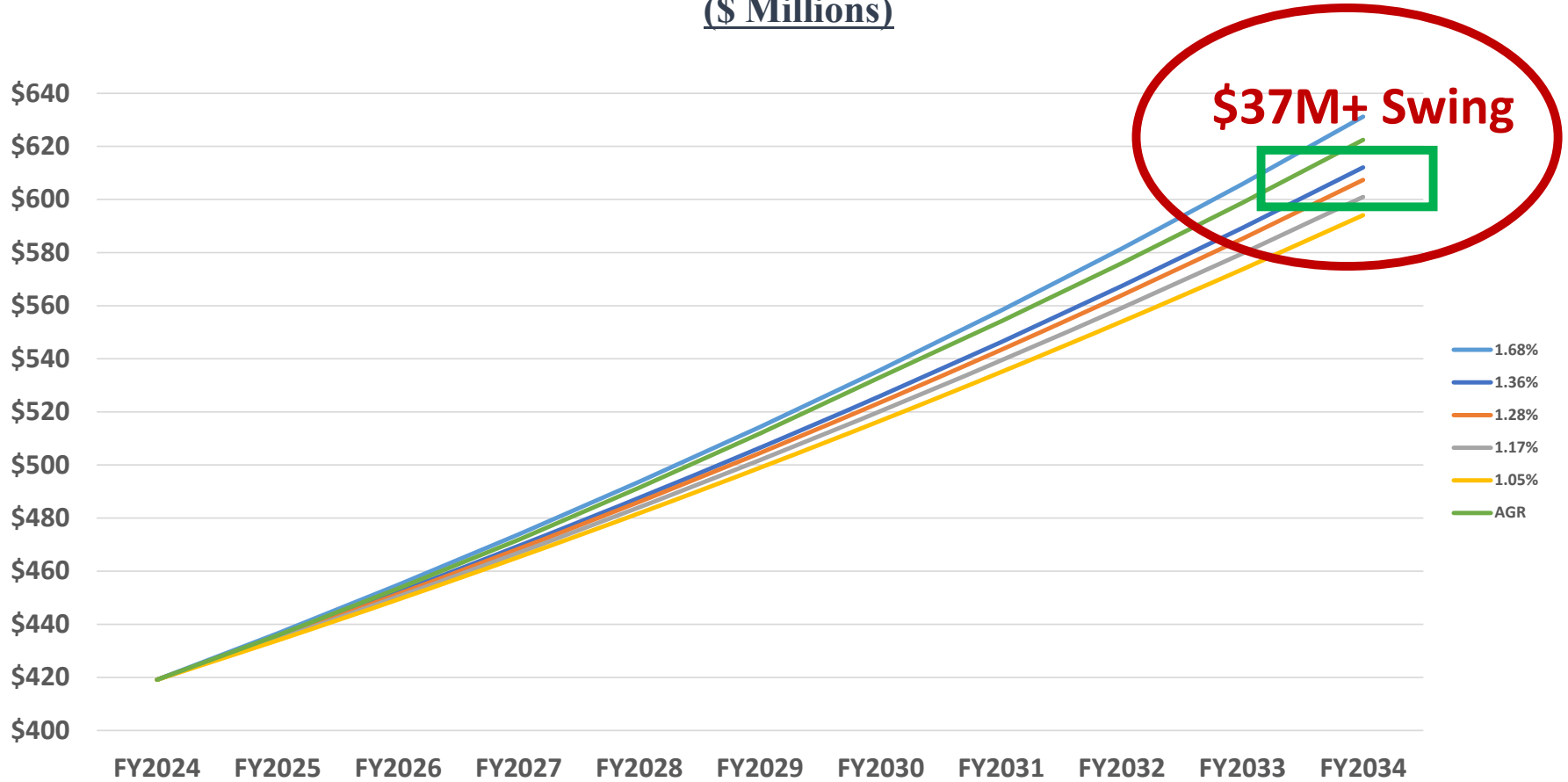
20 Year Average = 1.46%

Current Projection – November 2023 = 1.33% - Lowest in 10 Years

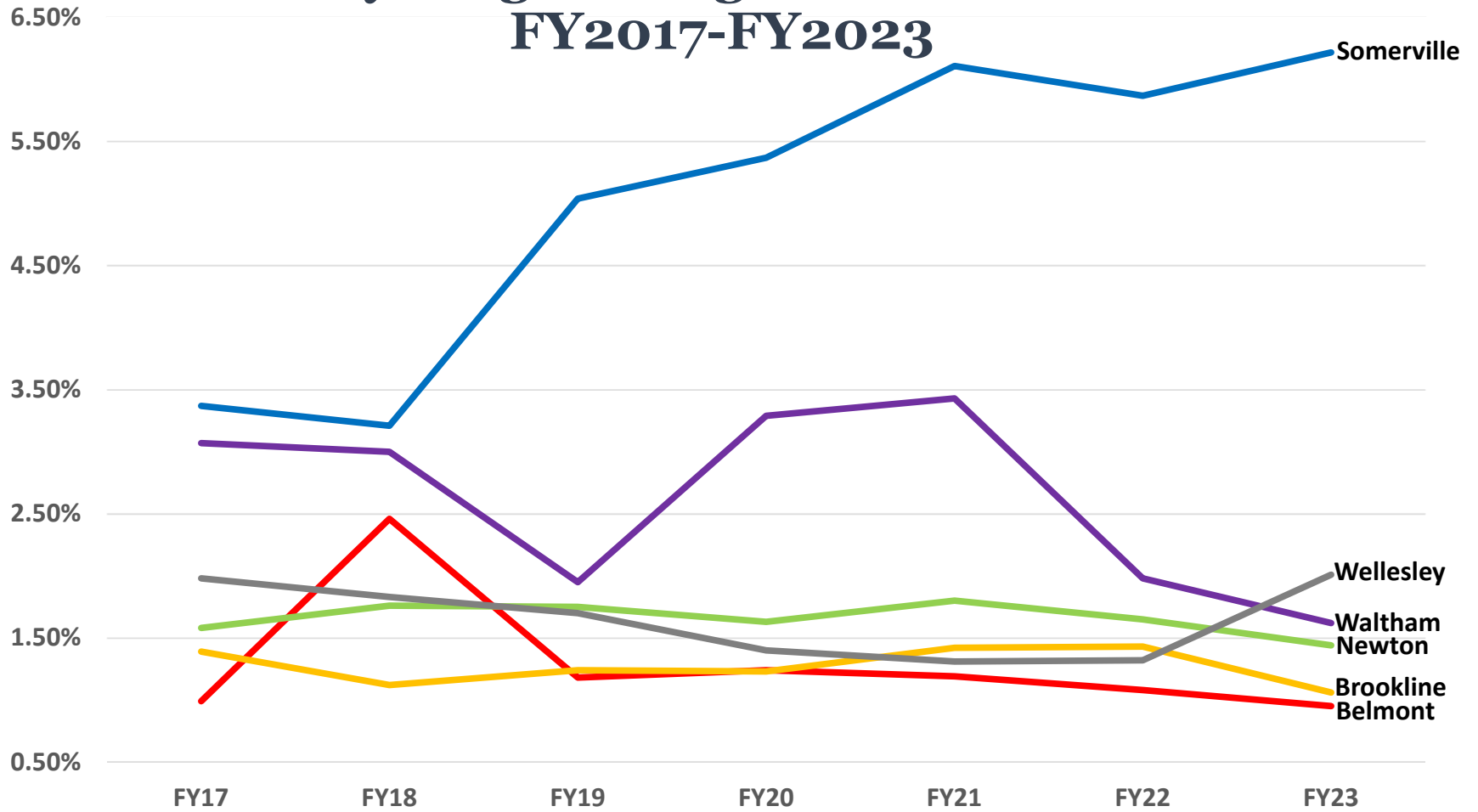


3 CONSECUTIVE YEARS OF DECREASING NEW GROWTH %

Total Revenue through FY2034
New Growth & Redevelopment Ratios:1.05% - 1.67%
(\$ Millions)



New Growth Percentage Increases By Neighboring Communities FY2017-FY2023



NPS - Newton Public Schools

Commitment to Newton Public Schools FY2024 Budget Initiatives

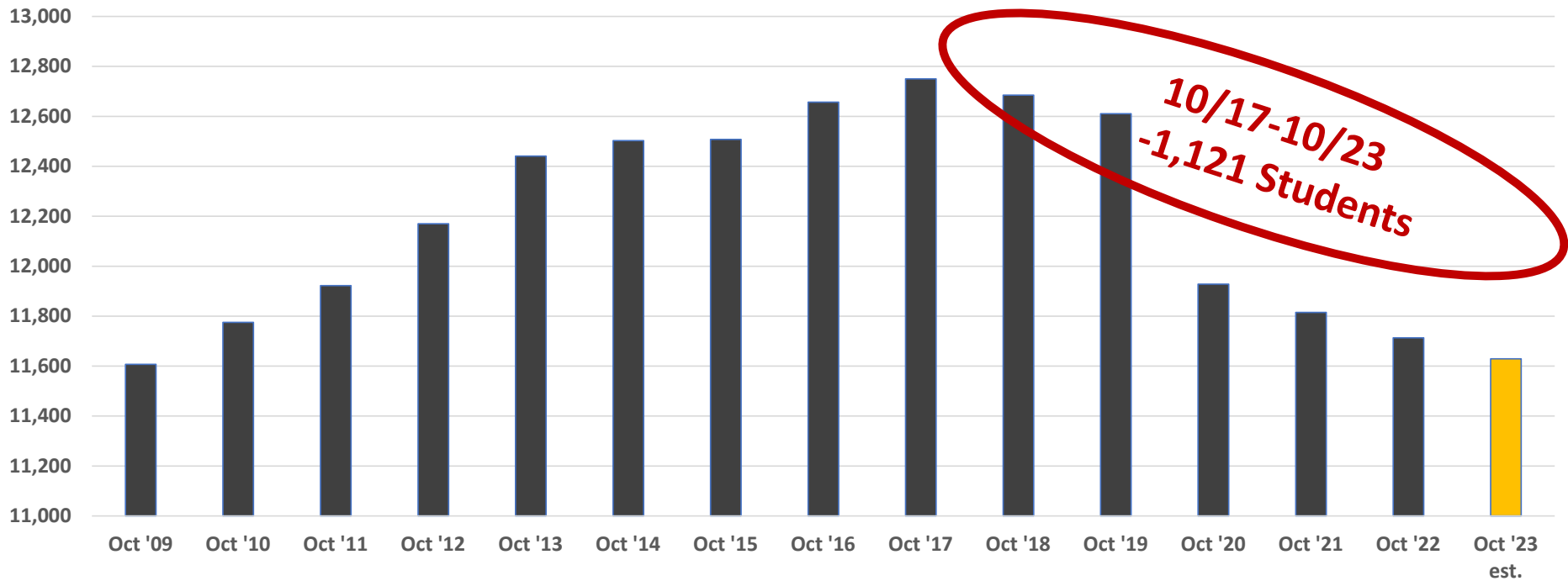
- ❑ We strategically utilized **\$10 million of Free Cash** to reduce required debt service which in turn freed up operating budget capacity on a sustainable basis, thereby allowing us to **increase the NPS appropriation by \$600,000 per year**;
- ❑ We provided a “**Bridge Grant**” to the Newton Public 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;

Commitment to Newton Public Schools FY2024 Budget Initiatives (cont'd)

- 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.**

Newton Public Schools – Estimated Enrollment

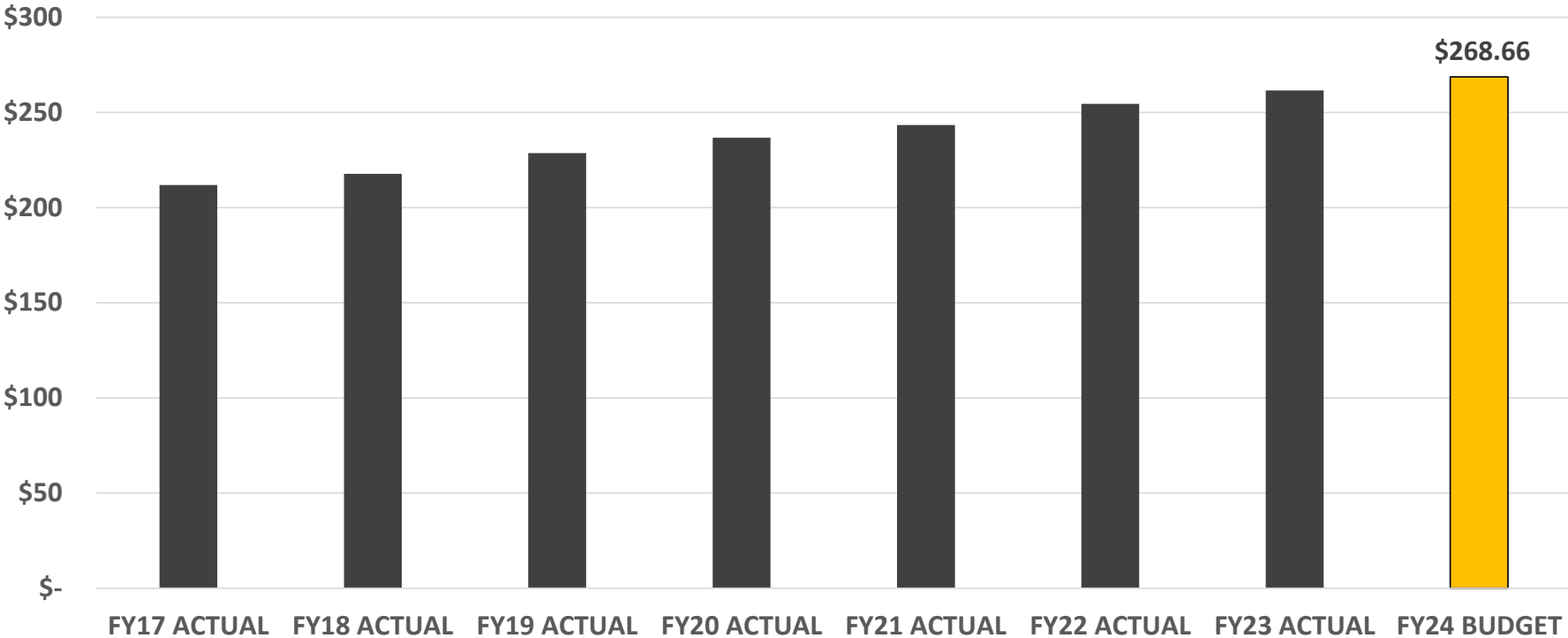
October 1, 2023 – 11,629



Please note, the original version of the Long-Range Financial Forecast was published with an incorrect enrollment forecast of 11,269 students. When providing the enrollment projection to the City, NPS staff inadvertently transposed the numbers. The correct enrollment projection for fall of 2023 is 11,629 students.

Newton Public Schools Expenditures – FY2017-FY2024

(\$ millions)

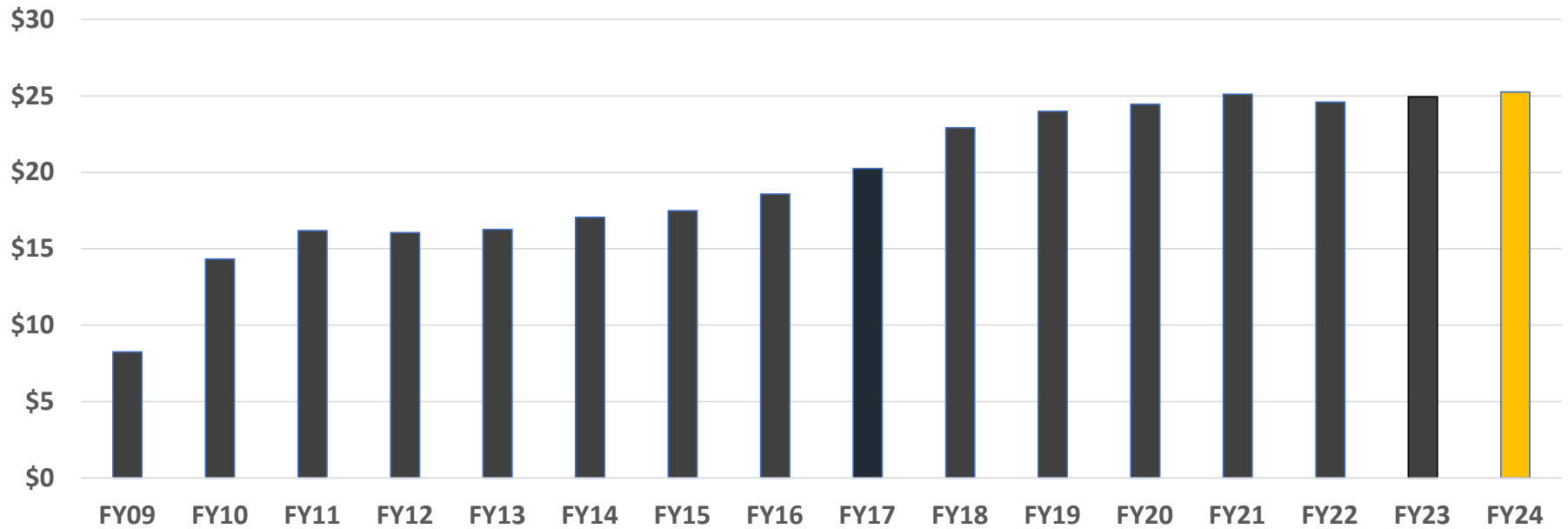


FY24 NPS OPEB Appropriation (\$3.2 M)
No Longer Included in NPS Budget

Debt Service

Investment in School & City Buildings, Fleet, Bridges, Equipment, Parks, Transportation Initiatives, Water/Sewer/Stormwater Systems

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



Projected Debt Service Costs

\$194 M Forecast – Spring 2023

5%-6% Debt to Revenue Ratio

(\$ Millions)

GENERAL FUND

NewCAL

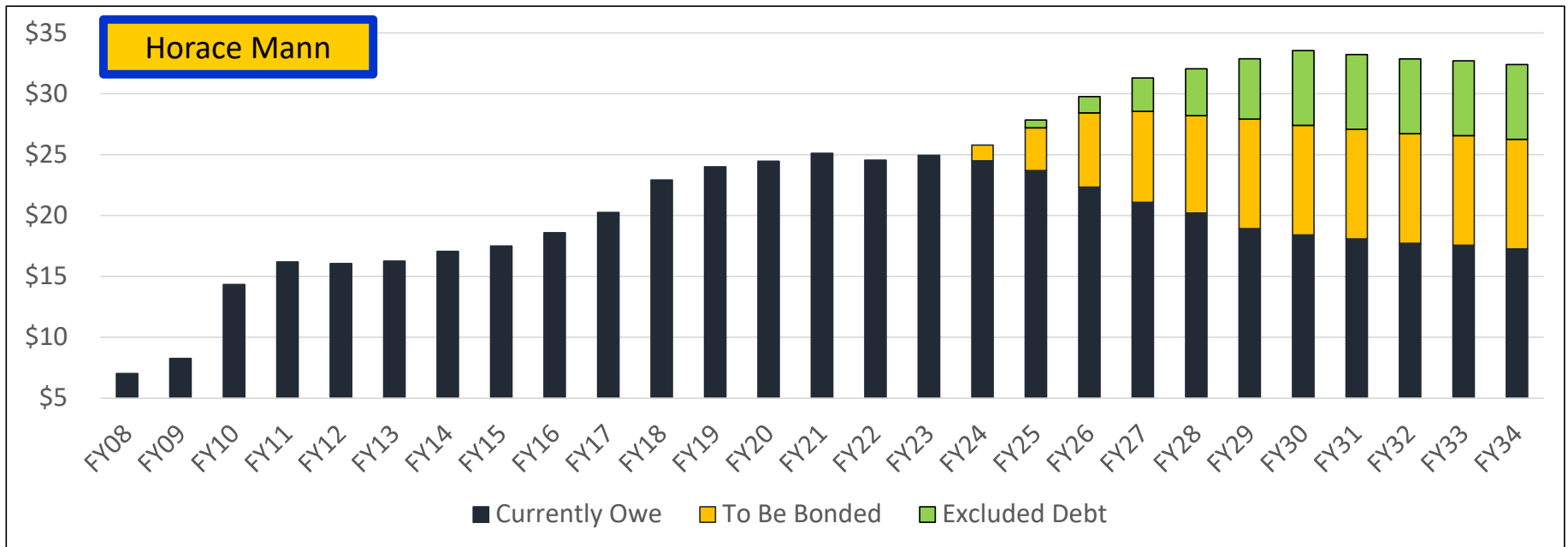
Lincoln-Eliot

Horace Mann

DEBT EXCLUSION

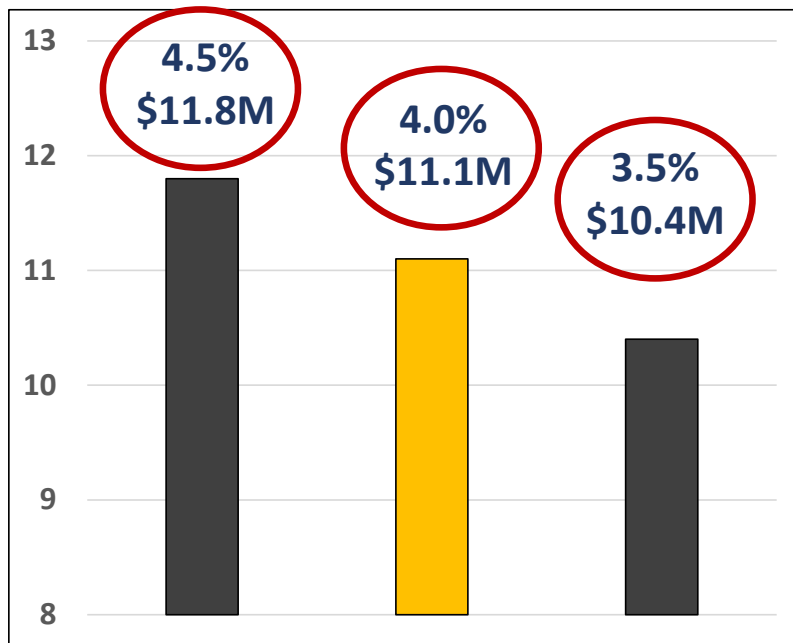
Countryside

Franklin

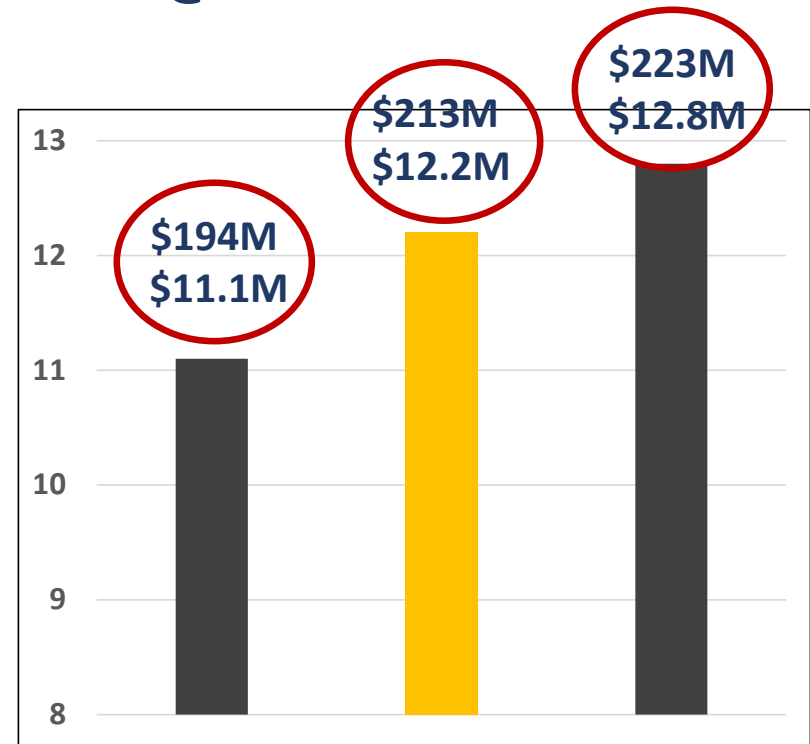


RIISING CONSTRUCTION COSTS & HIGH INTEREST RATES

Projected Cost – Spring 2023
\$194M
0.5% Change in Interest Rate



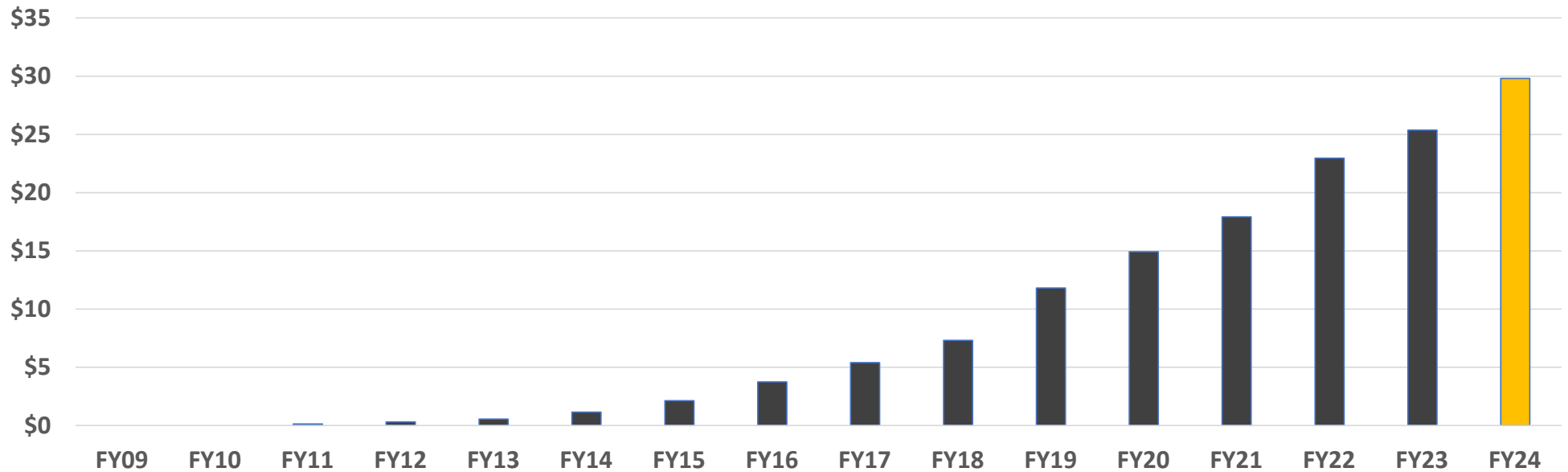
Projected Cost w/10% and 15% Incr
\$213M and \$223M
@ 4.0% Interest Rate



O.P.E.B. Liability - \$400 M +

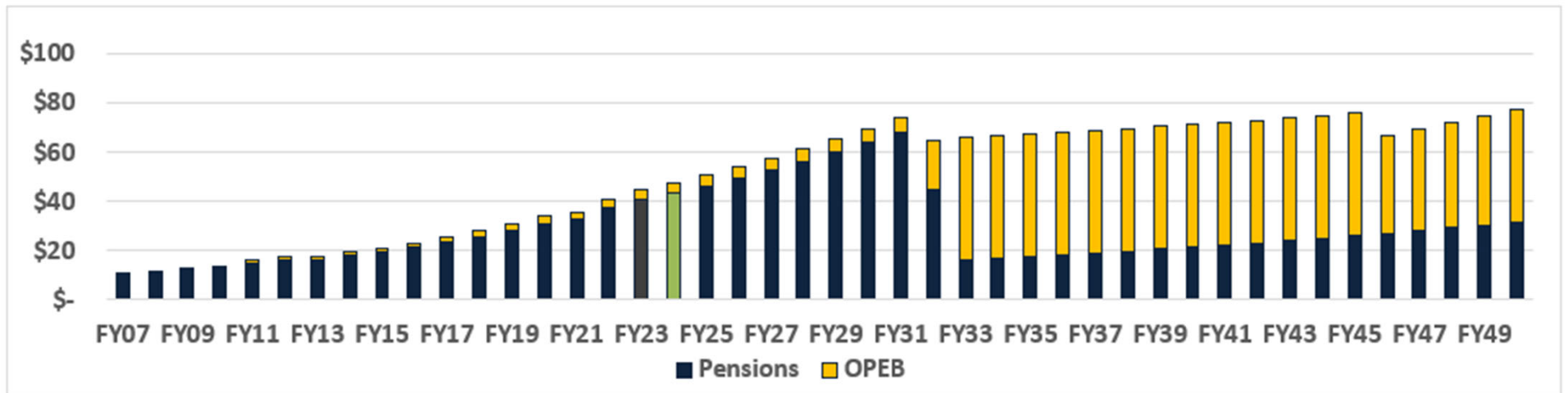
Other Post Employment Benefits/Retiree Health Insurance

OPEB Actual Trust Fund Total – June 30, 2023 - \$29.81M
Balances effective July 1, of each FY
FY2024 Budget \$4.24 Million



OPEB Funding Strategy

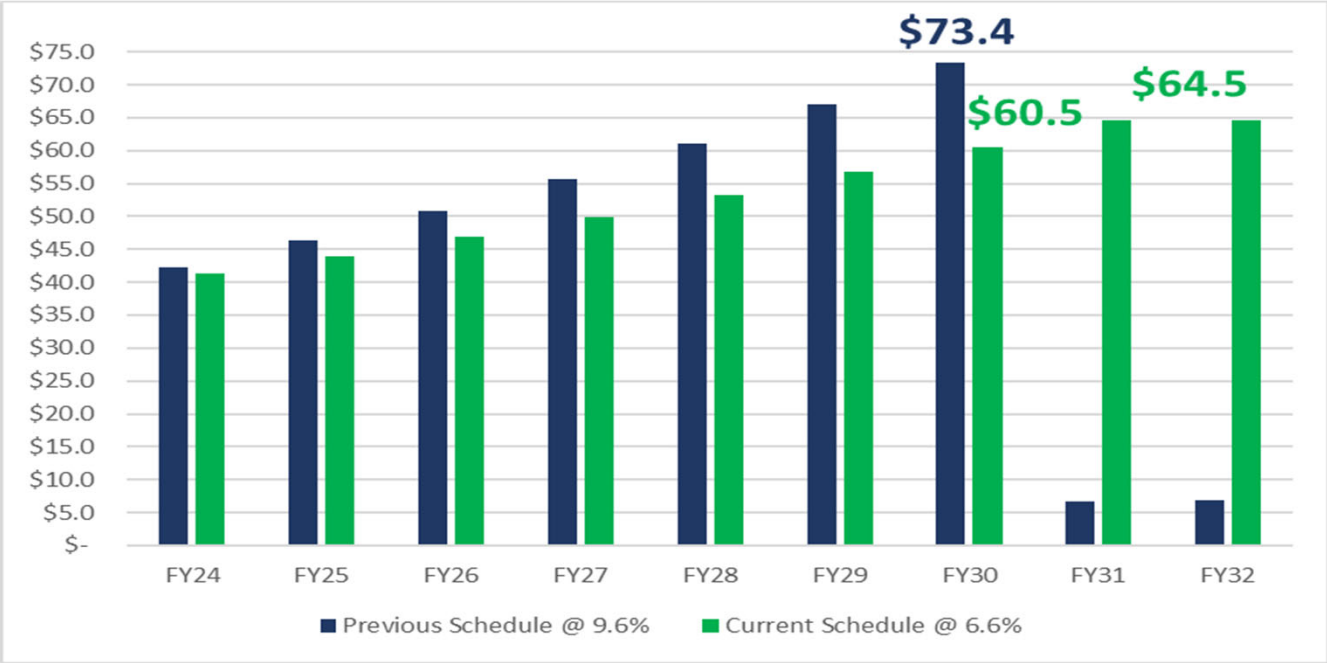
The Challenge is Getting to FY2032 and FY2045



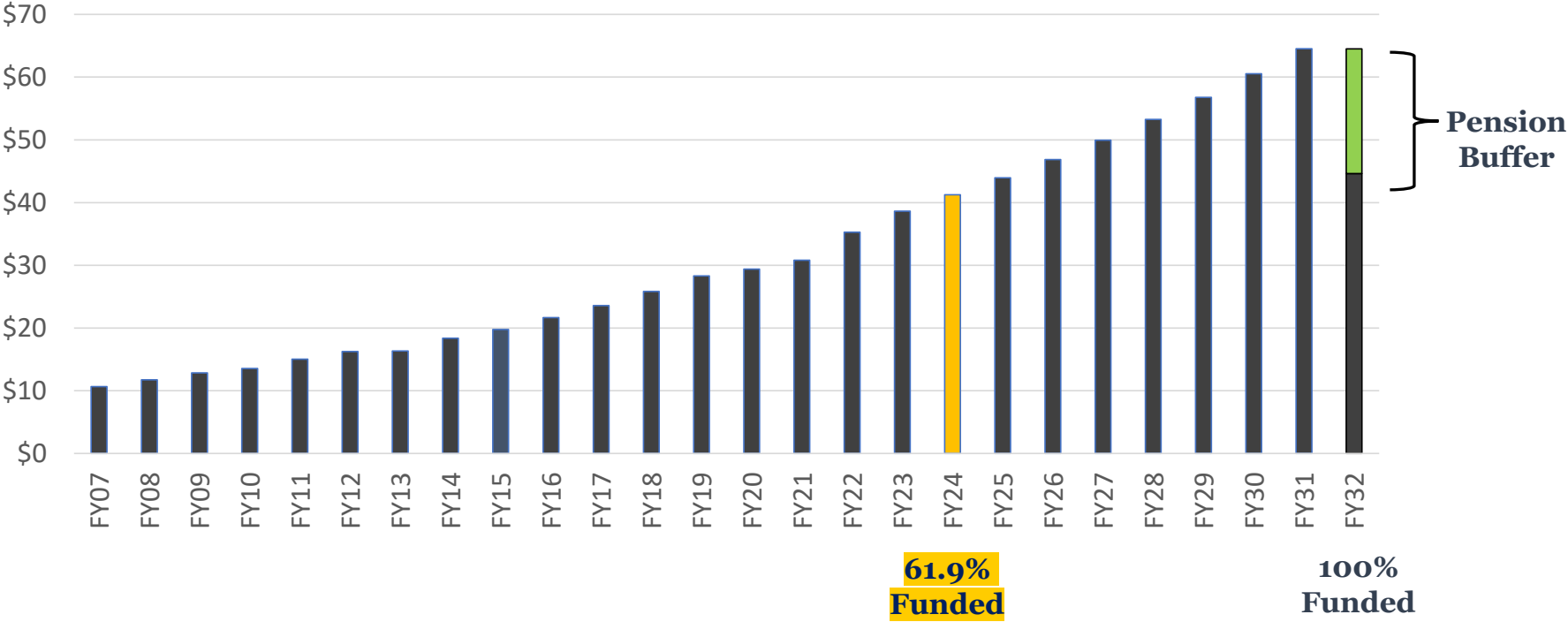
Unfunded Pension Liability = \$307M

Comparison of Pension Funding Schedules

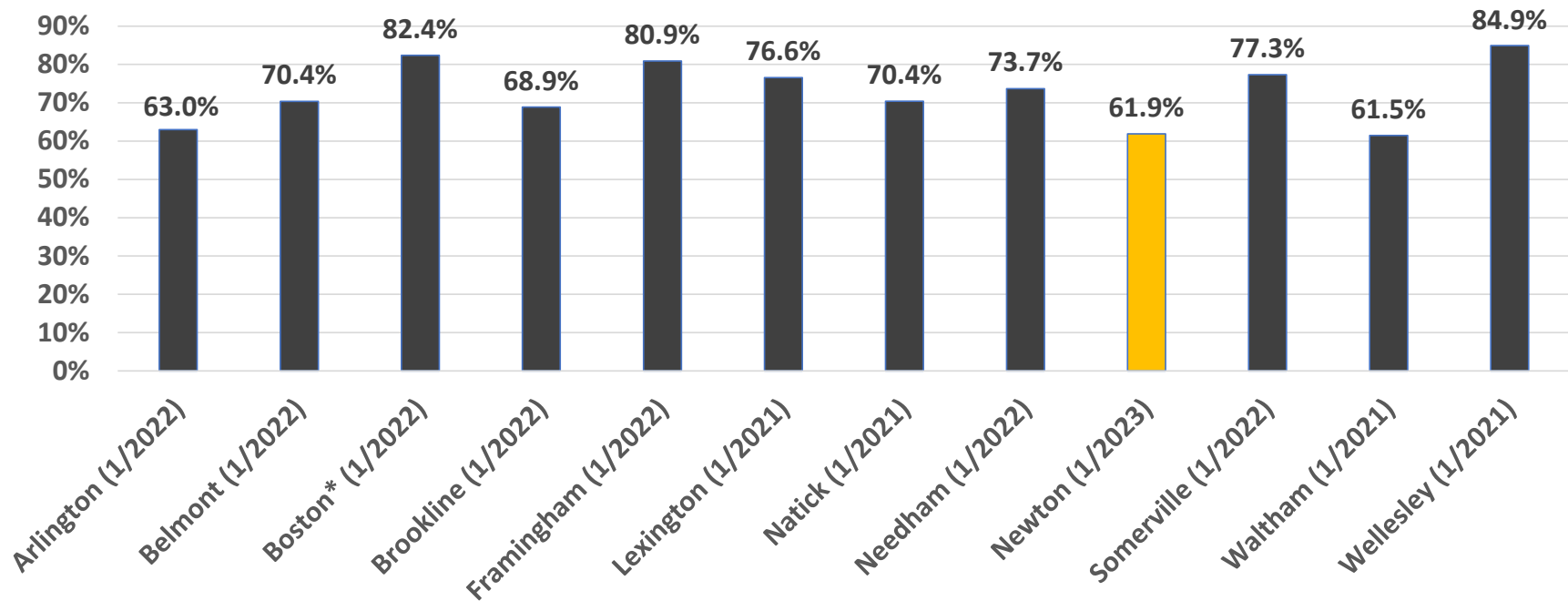
(\$ millions)



Projected Newton Contributory Retirement System Funding Schedule through 2032 – 6.6% Annual Increase



Current Pension System Funding by Community January 1, 2023 – or Most Recent Available



*Boston funding percentage does not include Boston Teachers' Pension

Our Pathway Forward

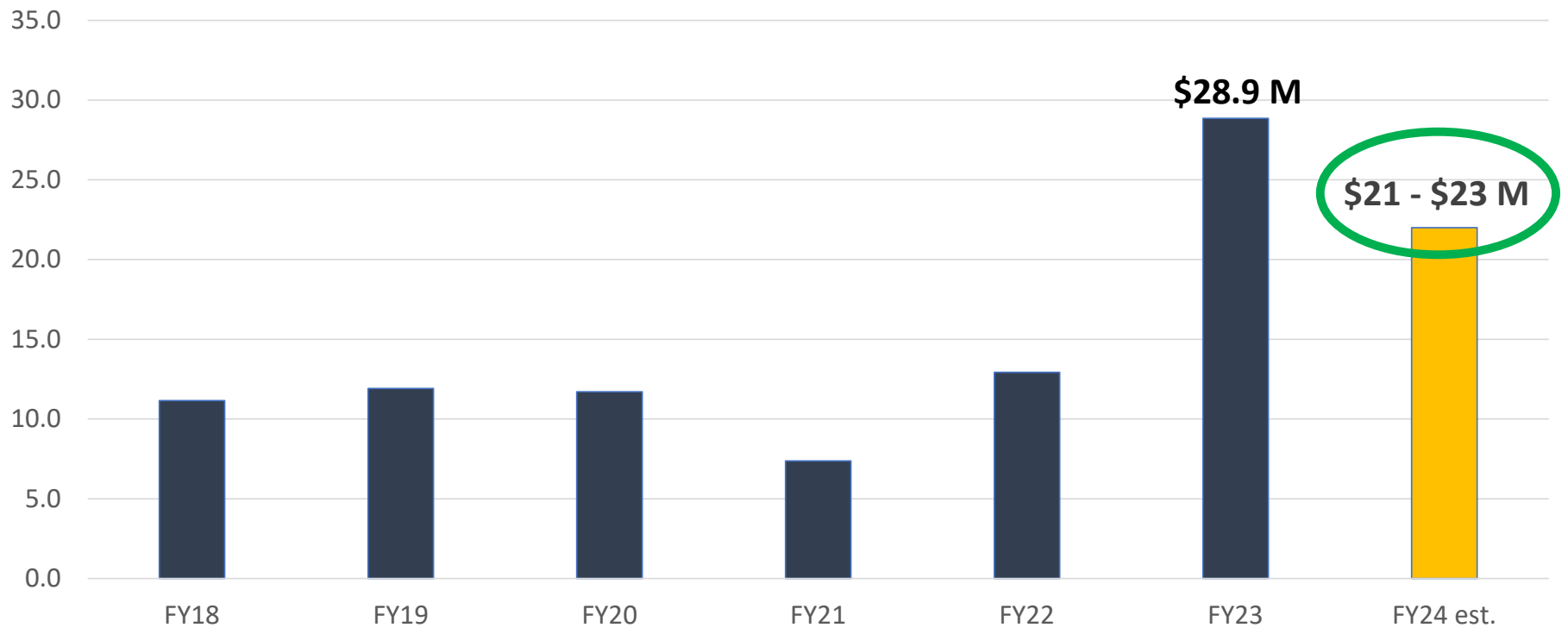
Overlay & ATB Interest Funding

☐ Overlay Surplus declared by Board of Assessors	\$20.5 M
☐ ATB Interest released	\$ 5.5 M

Operations Booster Fund - \$26.0 M

Free Cash (\$ Millions)

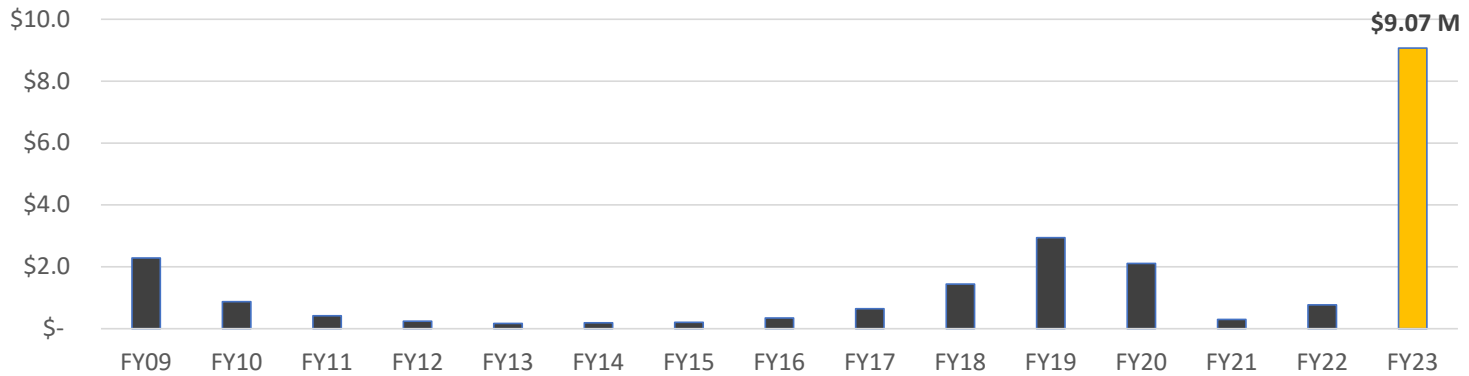
FY2024 Forecast \$21 - \$23 M



Sources of FY2024 Free Cash

FY2023 Carry Forward – Retroactive Wages, Legal Settlements \$5.4 M

FY2023 Interest Income – Actual to Budget Variance \$8.4 M



Operations Booster Stabilization Fund Purpose

- Boost Funding for NPS Operations
- Relieve Pressure on City Finances

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

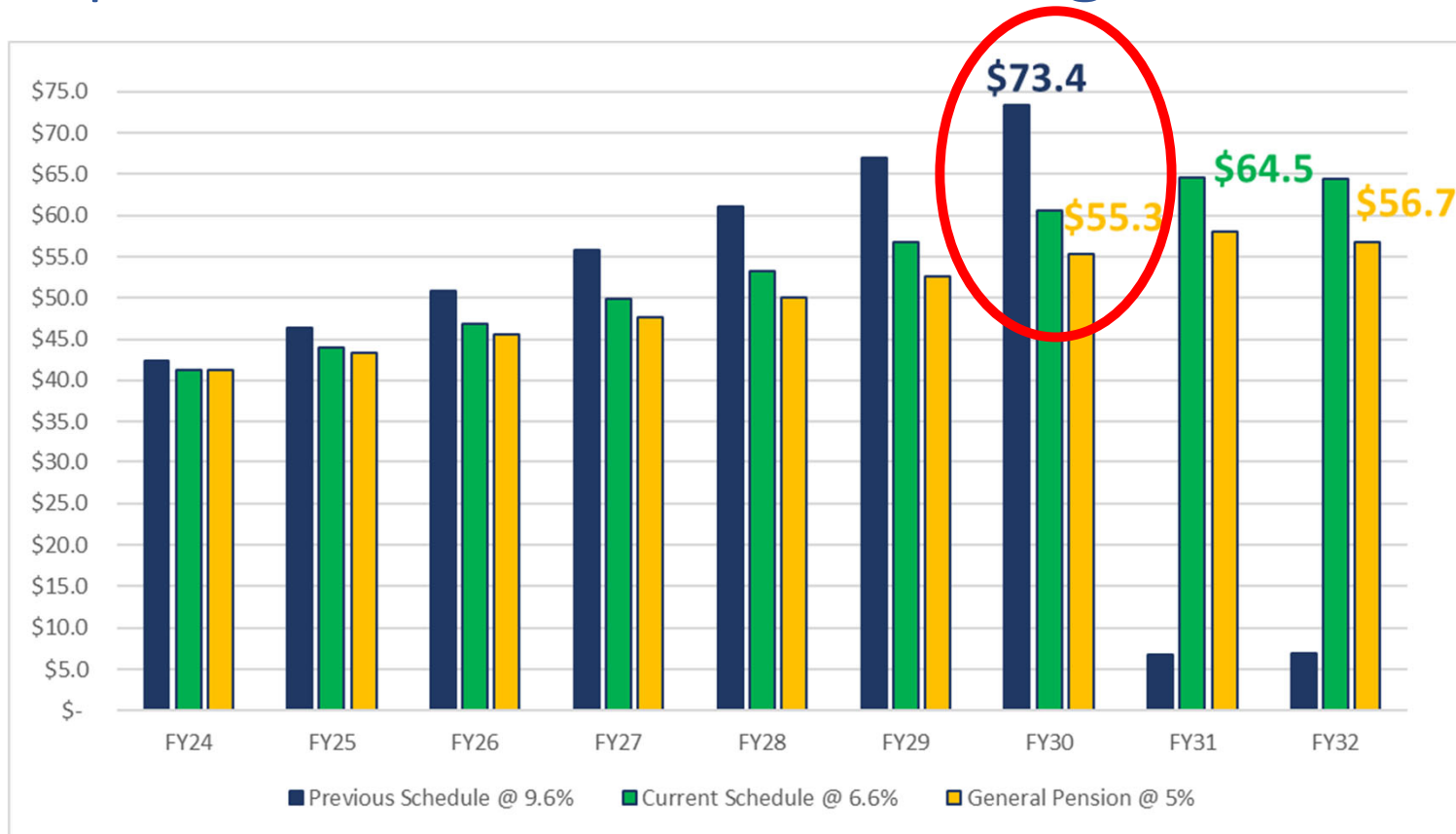
	<u>2024 BUDGET</u>	<u>2025 FCST</u>	<u>2026 FCST</u>	<u>2027 FCST</u>	<u>2028 FCST</u>	<u>2029 FCST</u>	<u>2030 FCST</u>	<u>2031 FCST</u>	<u>2032 FCST</u>	<u>2033 FCST</u>
PREVIOUS GENERAL FUND PENSION APPROPRIATION										
GENERAL FUND PENSION APPROPRIATION @ 6.6%	\$ 41,242,922	\$ 43,964,955	\$ 46,866,642	\$ 49,959,840	\$ 53,257,190	\$ 56,772,164	\$ 60,519,127	\$ 64,513,389	\$ 68,771,273	\$ 15,000,000
NEW GENERAL FUND PENSION APPROPRIATION										
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	\$ -
TOTAL GENERAL FUND PENSION APPROPRIATION	\$ 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

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

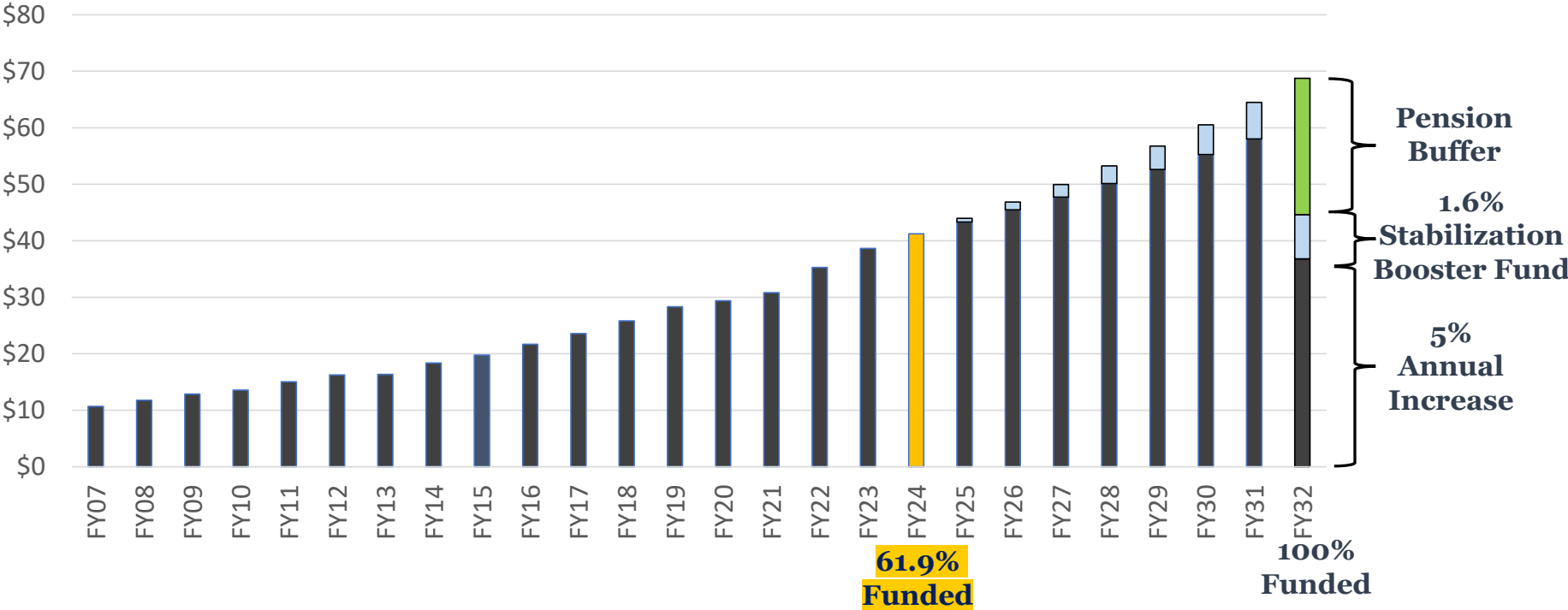
OPERATIONS BOOSTER STABILIZATION FUND										
BEGINNING BALANCE	\$ 26,013,000	\$ 26,988,488	\$ 27,387,243	\$ 26,776,024	\$ 25,179,917	\$ 22,612,816	\$ 18,949,881	\$ 14,054,561	\$ 7,777,629	\$ -
LESS: CONTRIBUTION TO PENSION FUNDING	\$ -	\$ (659,887)	\$ (1,396,320)	\$ (2,216,003)	\$ (3,126,160)	\$ (4,134,583)	\$ (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	\$ -
BOOSTER FUND ENDING BALANCE	\$ 26,988,488	\$ 27,387,243	\$ 26,776,024	\$ 25,179,917	\$ 22,612,816	\$ 18,949,881	\$ 14,054,561	\$ 7,777,629	\$ (42,861)	\$ -

GENERAL FUND BOOST FROM PENSION APPROPRIATION SAVINGS										
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	\$ -

Comparison of Pension Funding Schedules

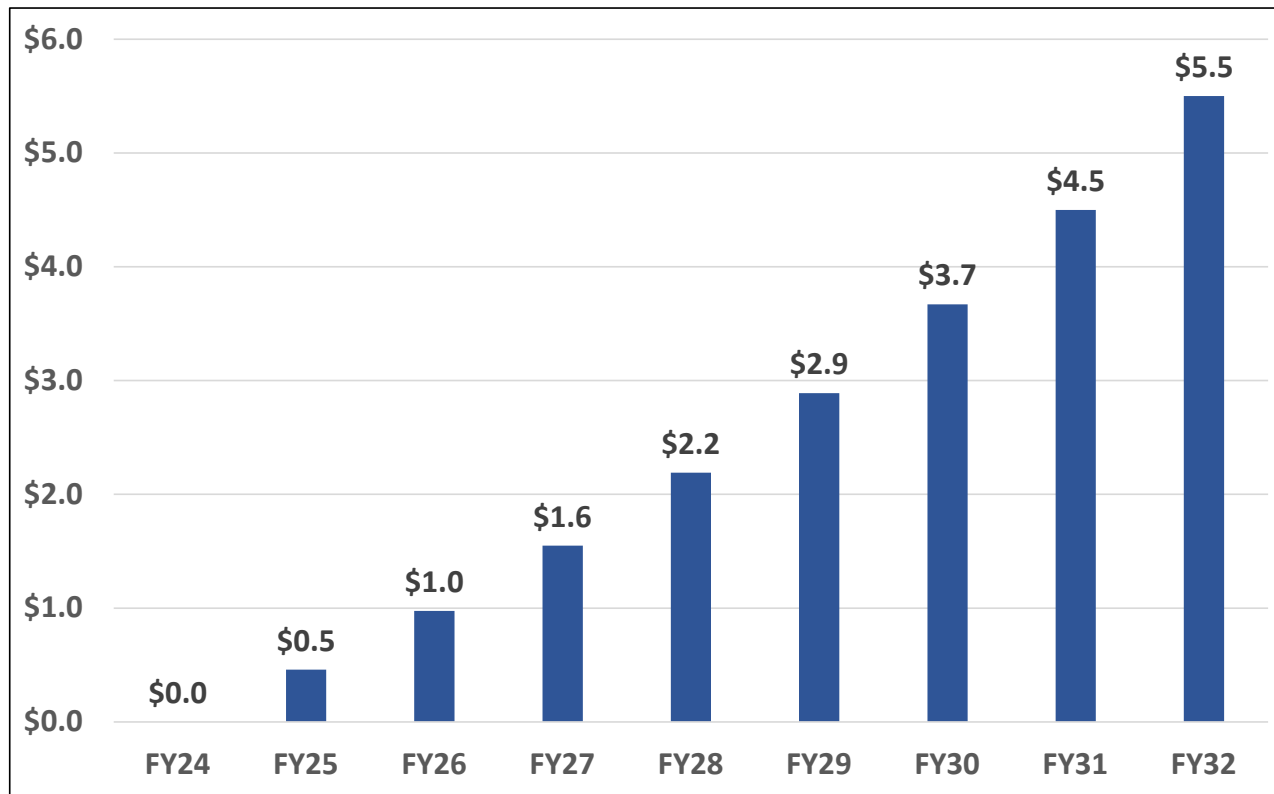


Projected Newton Contributory Retirement System Funding Schedule through 2032 – 6.6% Annual Increase incl. 1.6% Booster Stabilization Fund



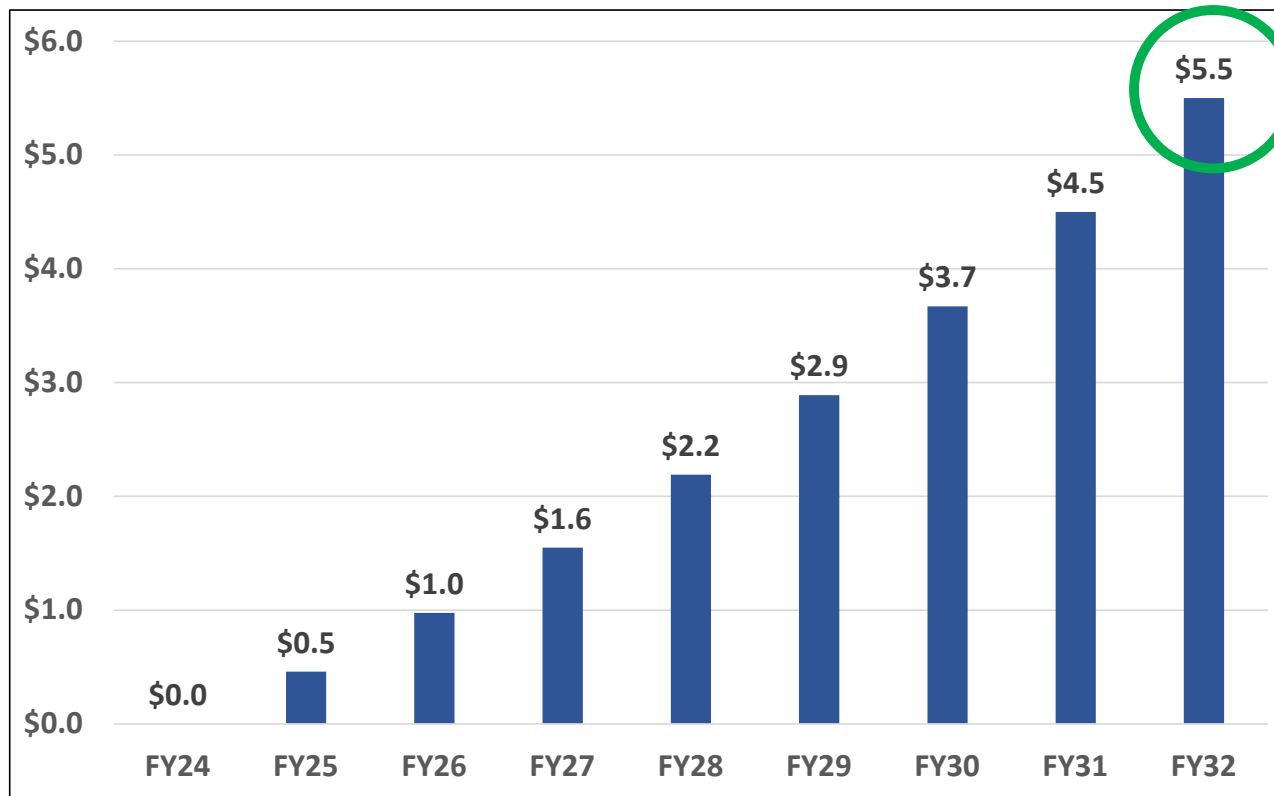
Newton Public Schools “Boosted” Funding

(\$ Millions)



Newton Public Schools “Boosted” Funding

(\$ Millions)





Addressing Climate Change & Sustaining Our Environment

Providing Academic Excellence and Educational Equity

Keeping Newton Safe

Promoting Village Centers and Commercial Corridors

We Will Do All of This While Maintaining Financial Sustainability

Digging Out and Cleaning Up after Weather Events

Economic Downturn & Interest Rate Spikes

Maintaining Roads, Snow Plowing, Solid Waste

Protecting Parks, Recreation, and Open Space

Preserving Neighborhoods and Creating Affordable Housing

Arts, Culture & Community Life

Providing Excellent City Services

“Accessible” and “Supportive” City

Settling Union Contracts Providing Fair Employee Compensation and Benefits

Making Newton “All Age Friendly”

Funding Long Term Liabilities Pension & OPEB

Video Footage taken from Smithsonian Institute