



**To:** Finance Committee  
**From:** Councilor Humphrey  
**Date:** October 6, 2023  
**RE:** Regarding proposed operations booster stabilization fund

**Analysis:** The proposed operations booster stabilization fund over 8 years is not only extremely fiscally conservative in its assumptions, but it is also too pessimistic and is likely to create a self-fulfilling prophecy. If services continue to crumble from insufficient investment surges and if the NPS funding gap continues to widen, the chances of growing our city revenues permanently, from future override referenda or new growth, diminish. Any proposal ought to be aimed at rapidly restoring public confidence that the city is heading in the right direction and at visibly improving things that are falling apart. Some of this has been addressed with ARPA funding allocations this calendar year, but it has not gone far enough or quickly enough.

There has been discussion of the possibility of a "fiscal cliff" if too much one-time funding is used over too short of a period of time, but we are only trying to bridge a gap of eight fiscal years until the pensions pre-funding has been completed. Not only do we have extraordinary levels of one-time funding now (fairly likely to continue for at least one more fiscal year), but we should also want to get the city politically to a point where voters are willing to approve an operational funding override in between now and 2032. A proposal that makes this less likely, and assumes one will never pass, is making a worst-case scenario more likely, not less likely.

Additionally, Newton has options to ease a potential crunch between now and 2032, if we are willing to stop thinking inside one particular box. Many communities slow down their contributions and extend the self-imposed deadline closer to the state deadline as they approach full funding. This would buy additional general fund resources back in a particularly challenging year towards the end of the eight years. "Guidelines" around the use of the Rainy Day Stabilization Fund can also be relaxed temporarily as a "break glass in case of emergency" situation before the completion of pension pre-funding, if it is actually necessary to avert a fiscal cliff for a couple of fiscal years, rather than tying up tens of millions of dollars in a fund that is anticipated to "never" be used under any circumstance. There is little point in using the Rainy Day account to buy a higher bond rating if we've let the city fall apart in the meantime. Those funds can be replenished later.

One time funds and short-term revenues can be deployed in a fiscally responsible manner in short bursts of funding surges and operational coverage over the coming 8 years, whether or not there is significant new growth from development. This is especially true in view of recent repeated underestimates of revenues by a significant margin.

It is not necessary to lock in fiscal choices inflexibly over multiple Mayoral terms. Whoever holds the Mayor's office in the next two terms should have choices on how to manage the final six year crunch period.

**Proposal:** Below is an alternative proposal for the one-time funds of \$26 million from Eversource and unanticipated interest income, with a roughly 67% or 70% split in favor of NPS...

**Funding Surge:** FY24-26 (i.e. immediate, not starting next fiscal year) short-term funding surges, to complete the rest of this Mayoral term and get caught up on deferred maintenance:

- NPS Charter Maintenance rises to \$5 million per year for 3 fiscal years (\$800,000 more per year for \$2.4 million total new money) -- but the School Committee must level-fund their baseline charter maintenance for the fiscal years to qualify for this extra money, or some similar mechanism. This will improve working and learning conditions and boost community morale and confidence.

- Public Buildings Sub-75K Projects budget grows to \$3 million per year for 3 fiscal years (\$1.14 million more per year, which is \$3.42 million total new money) -- this will visibly improve quality of life in little ways around the entire city.

- Triple the DPW traffic calming/road safety projects budget to \$1.05 million per year for 3 fiscal years (for \$2.1 million total new money) -- we get these public requests constantly and can't keep just doing one project per year, and we need to do more

than just a few random bumpouts. This will shift public opinion to the city moving in the right direction on key safety priorities. These projects also tackle citywide congestion by smoothing out traffic flows better at complex intersections and other locations. (As a reminder, ARPA funds are being currently deployed toward paving projects more generally, so this is a specifically different proposal.)

- Surge the Parks & Rec Fields Maintenance budget to \$1 million per year for 3 fiscal years (\$700,000 more per year for a total of \$2.1 million in total new money) This would help get more grass fields back to good condition and faster. This will save resources longer-term.

- Fully fund NewMo at the prior highest service levels for 3 years to continue developing the service and buy us time to develop a permanent financing plan (I think without grant funding this is around \$1 million new money altogether for 3 years, but I am not sure precisely. The line item said something like \$350,000 to \$275,000 in various years and I don't know if that included grants or not)

Projects & maintenance catch-up is an especially good use of interest income because the inflation and rate changes that created that money have also eaten away at the purchasing power of dollars going to maintenance and projects.

**NPS Operations:** FY25-27 operational funding:

- 100% of remainder of the \$26 million to supplement NPS allocations over 3 fiscal years, potentially could be supplemented with additional funding from other free cash reserves. (If there's an argument for longer than 3 years that is fine, but 8 years is too long, even if it's based on getting to the 2032 pensions cutoff.)

- This amount should entirely close the NPS budget gap for 3 fiscal years, and then (if there still has not been an override passed or significant new growth) the Mayor and Superintendent and School Committee in the next Mayoral term can make appropriate decisions on whether to make cutbacks or continue strategically deploying one-time funds (or tap into other funds) in the remaining years of pressure during pension pre-funding. The goal is to get to 2032 if that year doesn't get pushed out further. But making pre-emptive cutbacks now, especially to critical intervention and catch-up programs to address learning effects from the recent pandemic does not make sense.

- Just as we have obligations to our retirees (which we are in no danger of failing to meet), we also have obligations to our students and to our educators now.

- Any interest earned on the funding earmarked for the surges can also be applied to the longer-term operational plan.

- Other one-time funding sources coming in this year and probably next year that can potentially be used to top this off for even longer, but let's start with this amount for this duration.

**Final observations:** Any proposal needs to be completely disentangled from the pensions and not based in any way on pension contribution figures. That's a dealbreaker. It should be re-docketed since the original docket item mentions pensions.

There are multiple pathways to fiscal responsibility with City of Newton and NPS resources and obligations. Politics cannot be separated from the long-term health of city finances, and they shouldn't be. NPS deserves enough funding and the current proposal on the table is not enough. As a City Councilor, I am also keenly aware that we need to avoid cannibalizing funding to city-side services as a means to provide sufficient funding to NPS for operations and maintenance, but we are in a fiscal position where that is not the problem currently facing us.

Sincerely,  
Bill Humphrey  
Newton Ward 5 Councilor