

CITY OF NEWTON

IN BOARD OF ALDERMEN

FINANCE COMMITTEE AGENDA

SPECIAL MEETING
MONDAY, JULY 16, 2007

7:45 p.m.
Room 222
City Hall

NEW BUSINESS:

******items to be discussed:***

REFERRED TO COMTE. ON COMM. PRES. AND FINANCE COMMITTEE

#120-07(2) COMMUNITY PRESERVATION COMMITTEE recommending phase II funding for the Durant Kenrick Homestead restoration and rehabilitation project as a grant in the amount of \$1.27M. The phase II funding would be used to purchase a preservation restriction on the adjacent open lot. The CPC further recommends that the funds be appropriated under the control of the Newton History Museum (Jackson Homestead) and that certain terms included in the CPC recommendation be incorporated in the agreement between the City and the Newton Historical Society. [05-29-07 @ 11:02am]

CMTE. ON COMM. PRES. APPROVED 5-0 ON 06/26/07

#226-07(2) HIS HONOR THE MAYOR requesting an appropriation in the amount of \$8,000 from Salary Reserve for the purpose of paying a salary adjustment for the City Clerk/Clerk of the Board retroactively for FY07 and prospectively for FY08 in accordance with the item filed by the President of the Board to amend the City Ordinance section relative to the Clerk's salary. [07-03-07 @ 5:00 PM]

#208-07 ALD. COLETTI respectfully requesting that Mayor Cohen initiate a Tax Payment agreement with the Woodland T. Station developer prior to issuance of an occupancy permit for that project. [06-12-07 @ 5:50 PM]

#228-07 HIS HONOR THE MAYOR requesting an appropriation in the amount of \$14,080 from budget reserve to the Comptroller's account for the purpose of fully funding the city's FY08 building insurance policy, to cover the increase in premiums effective July 1, 2008. [06-29-07 @ 4:38 PM]

REFERRED TO PUB. SAFETY/TRANS. AND FINANCE COMMITTEES

- #230-07 HIS HONOR THE MAYOR requesting that the sum of \$38,109, deemed as FY07 surplus funds within the Treasurer/Collector Department operating budget, be transferred to the Fire Department budget in order to pay heating oil bills incurred during FY07. [06-29-07 @ 4:38 pm]
PUB. SAFETY/TRANS. TO MEET PRIOR TO 8/13 FULL BOARD

REFERRED TO TRAFFIC COUNCIL AND FINANCE COMMITTEES

- #152-07(2) ALD. LINSKY, ALBRIGHT, JOHNSON, GENTILE AND SAMUELSON requesting an increase in parking fines to maximum allowable level by state law in the area designated (by Traffic Engineer and approved by the Board of Aldermen) for faculty, staff and student parking during the construction period of the new Newton North High School. [06-11-07 @ 9:16 PM]
TRAFFIC COUNCIL TO MEET PRIOR TO 8/13/07 FULL BOARD

REFERRED TO PUB. SAFETY/TRANS. AND FINANCE COMMITTEES

- #175-07 HIS HONOR THE MAYOR requesting that the sum of \$90,000 be appropriated from the Newton-Wellesley Hospital Emergency Department Expansion and Arborpoint at Woodland Station Traffic Mitigation Funds for the purpose of designing and preparing for the construction of improvements to the intersection of Commonwealth Avenue (Rte.30) and Washington Street (Rte.16). [05-15-07 @ 5:43 PM]
PS&T APPROVED 4-0 (Ald. Samuelson and Danberg not voting) ON 6/20/07

- #207-07 ALD. COLETTI (FINANCE COMMITTEE CHAIR) submitting City of Newton Financial Policies draft, prepared by the Comptroller, for review and adoption by the Board of Aldermen. [06-12-07 @ 5:50 PM]

REFERRED TO ZONING & PLANNING AND FINANCE COMMITTEES

- #192-07 HIS HONOR THE MAYOR requesting an appropriation in the amount of \$43,123.50 from Receipts Reserved for Appropriation fund for the purpose of making a grant for the rehabilitation of the Warren House. These funds are the portion of the Inclusionary Housing fees designated for the Newton Community Development Authority. [05-29-07 @ 4:54 PM]
ZONING & PLANNING APPROVED 4-0-3 (Ald. Baker, Danberg, Johnson abstaining) ON 06/11/07

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

- #209-07 HIS HONOR THE MAYOR requesting an appropriation in the amount of \$124,106 from E-rate Receipts for the purpose of purchasing hardware necessary to implement the School Department Wireless Technology Plan for the elementary level. [06-12-07 @ 3:11 PM]
PROG. & SERV. APPROVED 4-0-1 (Ald. Johnson abstaining; Lipof not voting) ON 6/20/07

REFERRED TO PROG. & SERV., PUB. FAC. AND FINANCE COMMITTEES

- #229-07 HIS HONOR THE MAYOR requesting an appropriation in the amount of \$300,000 from the Capital Stabilization Fund for the purpose of purchasing outstanding items for the Newton South High School. (Note: After Free Cash for FY08 has been certified, the Mayor will request that these funds be returned to the Capital Stabilization Fund using available Free Cash funds) [06-29-07 @ 4:38 PM]
PROG. & SERV. APPROVED 7-0 (Ald. Coletti not voting) ON 7/11/07
PUB. FACILITIES APPROVED 8-0 ON 7/11/07

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

- #5-07(3) HIS HONOR THE MAYOR requesting a supplemental appropriation in the amount of \$218,606 from the Capital Stabilization Fund for the purpose of completely funding the installation of eight modular classrooms at five elementary schools. Said appropriation also includes a \$35,000 incentive for the modular manufacturer that will be paid if the installation is completed by mid-August. [07-03-07 @ 5:00 PM]
PUB. FACILITIES APPROVED 7-0 (Ald. Mansfield not voting) ON 7/11/07

******item not yet scheduled for discussion:***

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

- #196-07 HIS HONOR THE MAYOR requesting an appropriation in the amount of \$1,644,227 from bonded indebtedness for the purpose of funding the rehabilitation of Fire Station #4. [05-29-07 @ 5:54 PM]

UNFINISHED BUSINESS:

******items not yet scheduled for discussion:***

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

- #345-06 ALD. SCHNIPPER requesting that the contingency on smaller Public Buildings projects be increased from 5% to at least 8%.
- #91-06 COMPTROLLER providing interim reports on the financial condition of various City funds and account groups.

ITEM RECOMMITTED TO PUBLIC FACILITIES & FINANCE COMMITTEES

3/19/07:

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

- #76-07 HIS HONOR THE MAYOR requesting an appropriation in the amount of \$300,000 from Free Cash for the purpose of conducting a study of the municipal buildings throughout the city. [02-27-07 @ 4:16 PM]
PUBLIC FACILITIES APPROVED 6-0-1 (Ald. Gentile abstaining) on 3/7/07
FINANCE MOTION TO APPROVE FAILS TO CARRY 2-4-1 (Ald. Lennon, Salvucci, Gentile and Coletti opposed; Ald. Linsky abstaining) on 3-12-07

REFERRED TO PROG. & SERVICES AND FINANCE COMMITTEES

- #264-03(3) ALD. JOHNSON AND BAKER requesting update on the work of the Taxation Aid Committee established by the Board of Aldermen in March 2004 in administering aid to the elderly taxation fund.

ITEM RECOMMITTED on 3/5/07 TO FINANCE COMMITTEE ONLY:

REFERRED TO PROGRAMS AND SERVICES AND FINANCE COMMITTEES

- #23-06 ALD PARKER AND LINSKY requesting that the City adopt §19 of MGL Chapter 32B to allow retiree coalition bargaining of health care benefits
Programs & Services voted NO ACTION NECESSARY 4-0-2 (Parker, Merrill abstaining; Sangiolo not voting) on 3/8/06.
FINANCE NO ACTION NECESSARY 5-0-3 (Ald. Lennon, Linsky and Parker abstaining) ON 2/12/07

#453-06 LEON JR. AND MARION D. SEMONIAN, 373 Dedham Street, requesting total abatement of betterment assessment in the amount of \$2,690 (assessed for sidewalk/curbing/road improvements to Countryside Road and Patten Circle). [11-16-06@11:02 AM]

NOTE: The President asks that the following jointly referred item be discussed at the same time by the three Committees involved, since state officials would be invited and such a meeting would also depend on when such officials could attend:

REFERRED TO PROG&SERVICES, PUBLIC FAC & FINANCE COMMITTEES

#357-06 ALD. COLETTI, PARKER, ALBRIGHT, LINSKY, JOHNSON, MANSFIELD, SANGIOLO, & HARNEY requesting discussion with School Building Assistance Bureau representatives regarding factors affecting state reimbursement for Newton school projects, including Newton North High School.

PUBLIC FACILITIES NO ACTION NECESSARY 7-0 (Ald. Weisbuch not voting) ON 3/21/07

NOTE: The President asks that the following jointly referred item be discussed at the same time by the three Committees involved to avoid duplication of effort:

REFERRED TO PROG&SERVICES, PUBLIC FACILITIES & FINANCE COMMITTEES

#379-06 ALD. BAKER, SCHNIPPER, HESS-MAHAN & Vance requesting a report from the Executive Department and City Comptroller on state reimbursement and loan subsidies available for Newton School projects, including Newton North High School, as well as how best to ask for further clarification, as desired, from staff of the Massachusetts School Building Authority as to such issues as timing, amount and conditions of such funding.

PUBLIC FACILITIES NO ACTION NECESSARY 7-0 (Ald. Weisbuch not voting) ON 3/21/07

REFERRED TO FINANCE AND PROGRAMS & SERVICES COMMITTEES

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

REFERRED TO PUB. SAFETY/TRANS. AND FINANCE COMMITTEES

- #455-05 HIS HONOR THE MAYOR requesting an appropriation in the amount of
(21-05.2) \$6,000 from the Riverside Traffic Mitigation Fund for the purpose of
funding the installation of a radar-controlled speed limit sign at the
intersection of Concord and Grove Streets. (#65-05)

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

- #267-06(3) ALD. PARKER, BURG, LINSKY, FISCHMAN, HESS-MAHAN,
VANCE, HARNEY, JOHNSON, & DANBERG proposing Home Rule
Legislation authorizing the City of Newton to apply the ordinance
proposed in item #267-06(2) to assets held by the City's retirement
system.

REFERRED TO ZONING & PLANNING AND FINANCE COMMITTEES

- #168-02 HIS HONOR THE MAYOR requesting that the Board of Aldermen
establish new civil fines under Section 20-21 of the City of Newton
Ordinances for the violation of various environmental provisions enforced
by the Conservation Commission.
ZONING & PLANNING APPROVED 6-0 ON 12/13/04
- #29-06 ALD. JOHNSON AND PARKER requesting creation of a Citizen
Financial Advisory Committee to work with city officials and staff to
facilitate bench markers, strategic planning and other initiatives to
improve the financial operation of the City.
(President's Note: While not formally referred to the Long Range
Planning Committee, this item might usefully be discussed there in light of
prior discussions of similar issues.)

REFERRED TO ZONING & PLANNING AND FINANCE COMMITTEES

- #364-04 ALD. SANGIOLO & HARNEY requesting a RESOLUTION to His
Honor the Mayor to ask that the City acquire, whether by eminent domain
or by purchase, the two parking lots associated with the St. Bernard's
property for the purpose of providing commuter parking.
**ZONING & PLANNING APPROVED AS AMENDED 8-0 ON
9/13/04**

REFERRED TO PUBLIC FACILITIES & FINANCE COMMITTEES

- #55-02 ALD. YATES requesting that the water/sewer discount rate be made
available to homeowners who receive Fuel Assistance, Supplementary
Security Income, Food Stamps, Supplementary Disability Income, General
Relief, Low Income Sewer and Water Assistance, School Breakfast and
Lunch and other income based State and Federal programs.
PUBLIC FACILITIES APPROVED 6-0 on 6/16/04

REFERRED TO PROG. & SERV., PUB. FAC. AND FINANCE COMMITTEES

- #309-01 ALD. PARKER requesting increase in the income eligibility level of the 30% water/sewer discount for low-income senior citizens.
- #209-05 ALD. STEWART requesting that the Mayor provide the Board of Aldermen with a list of all salaried City employees who receive additional compensation (other than overtime) along with an explanation of the exact reasons for said additional payments.

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

- # 35-06 ALD. JOHNSON AND HESS-MAHAN requesting discussion with the School Department and School Committee members regarding the results of the studies addressing compensation for management and executive personnel and organizational structure of central administrative salaries.
PROG. & SERV. HELD 5-0 (Sangiolo not voting) ON 3/2/06

REFERRED TO PUBLIC FACILITIES AND FINANCE COMMITTEES

- #160-05 ALD. HARNEY, SANGIOLO, PARKER AND HESS-MAHAN requesting an independent audit and possible appointment of an independent commission to investigate the Newton South construction project.
PF AND FINCOM HELD IN COMMITTEE ON FLOOR OF THE BOARD ON 11/21/05

REFERRED TO CMTE. ON COMM. PRESERV. AND FINANCE COMMITTEE

- #276-06 COMMUNITY PRESERVATION COMMITTEE recommending that the sum of \$2,253,000 be appropriated from the Community Preservation Fund for purposes of funding the *Newton South High School Synthetic Turf* recreation project.

REFERRED TO PROG. & SERV., PUB.FAC. AND FINANCE COMMITTEES

- #276-06(2) HIS HONOR THE MAYOR requesting an appropriation in the amount of \$1,800,000 from bonded indebtedness for the purpose of funding the construction of a new synthetic turf recreation complex at Newton South High School (these funds will supplement the requested CPA funds for this project under item #276-06).
PROG. AND SERV. HELD AWAITING CCP ACTION ON #276-06 ON 10/18/06
PUBLIC FACILITIES TO MEET

REFERRED TO PROGRAMS & SERVICES AND FINANCE COMMITTEES

- #86-07 HIS HONOR THE MAYOR requesting an appropriation in the amount of \$2,300,000 from bonded indebtedness for the purpose of funding the construction of a new synthetic turf recreation complex at Newton South High School.
[03-13-07 @ 7:04 PM]

REFERRED TO PROG. & SERV., PUB. FAC.AND FINANCE COMMITTEES

- #453-05 HIS HONOR THE MAYOR requesting that the sum of \$150,000 be appropriated from bonded indebtedness for the purpose of funding a space needs study for the elementary schools throughout the City.
PROG. & SERV. APPROVED 4-0-1 (Sangiolo abstaining; Baker not voting) ON 3/22/06

Respectfully Submitted,

Paul E. Coletti, Chairman

CITY OF NEWTON, MASSACHUSETTS
DRAFT FINANCIAL MANAGEMENT POLICIES

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

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

Financial planning: The first step in the annual budget process will be an update of the City's General Fund multi-year financial forecast, based upon consensus revenue and expenditure assumptions for existing service levels, developed by the City's senior financial management team (Chief Administrative Officer; the Chief Budget Officer; the Treasurer/Collector; Chairman of the Board of Assessors; the Assistant Superintendent of Schools for Finance and Planning; and the Comptroller).

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

The annual five year forecast shall be submitted to the Mayor for his review, modification, and approval not later than 60 days after the conclusion of each fiscal year. Not later than 120 days after fiscal year-end, the Mayor shall submit the multi-year financial forecast to the Board of Aldermen with such modifications as he deems appropriate. Not later than 60 days prior to the fiscal year-end, the Mayor will submit a recommended annual operating budget to the Board of Aldermen for the ensuing fiscal year. The Board of Aldermen will adopt the budget within 45 days of receipt and the adopted budget will become effective on the first day of the new fiscal year.

Revenue budgeting: General Fund revenue budget estimates are expected to capture 99% of total expected revenue for the year.

- Property taxes – The City expects to annually levy property taxes up to the statutory limit imposed by Proposition 2 ½. Projected new growth will be estimated at the median annual new growth rate for the trailing 5 year period, and the allowance for exemptions and abatements will be budgeted at between 1% and 1.5% of the gross property tax levy.
- Motor excise taxes – Motor vehicle excise taxes will be estimated based upon the prior year actual total plus the average annual rate of growth over the trailing five year period.

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- Hotel room occupancy taxes – Hotel room occupancy taxes will be estimated based upon the prior year actual total plus the average annual rate of growth over the trailing five year period.
- Inspectional services permits – Inspectional services permit income will be estimated based upon the median annual revenue for the trailing five year period.
- Investment income – Investment income will be estimated based upon the prior year actual revenue, adjusted for the Treasurer/Collector’s forecast of interest rate changes over the next twelve month period.
- All other local non tax revenue – Revenues from charges for services; penalties and fines; and in-lieu of taxes will be estimated based upon the prior year actual revenues, adjusted for any proposed change in fee/fine schedules, and/or non recurring prior year revenue collections.
- Unrestricted state and federal aid – State “Cherry sheet” aid will be estimated based upon the most recent information posted on the Massachusetts Department of Revenue web site, or in the absence of any such information, the Mayor’s best estimate of the probable amount of such state assistance for the next fiscal year. All other state and federal aid will be estimated based upon actual revenues for the most recent fiscal year, adjusted for any known changes in reimbursement policies and rates.
- Transfers from other funds – Reimbursements to the General Fund for administrative and support services provided to other self-supporting funds will be based upon an annual analysis of the estimated value of such administrative and support services to the other funds. Under no circumstances shall the dollar amount of any reimbursement exceed the estimated value of services provided by the General Fund to the other self-supporting funds.
- Free cash – Free cash may be used as a financing source for the operating budget to the extent that the total amount being used can reasonably be expected to be available for support of the following year’s budget; however, it is not expected to serve as a recurring source of budget financing.

Expenditure budgeting: Expenditure budget estimates will be sufficient to address not less than 100% of projected operating requirements of the various departments of the City for the next fiscal year.

- Salaries and wages – Budgeted salary and wage appropriations will be sufficient to fund all full time and permanent part-time positions identified in each department’s table of organization and schedule of full and permanent part time personnel, at the appropriate union contract or salary schedule rates for the new fiscal year. General Fund employee salaries and wages that are expected to be funded in full or in part from funds other than the General Fund will be included

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in both the table of organization and schedule of full time and permanent part time personnel with an identification of the projected sources of financing for any reduction made in the appropriation for such employees. In the event that salary rates are not known at the time that the budget is being prepared, all salary and wages will be budgeted at current rates and provision will be made for future wage and salary increases in a separate wage reserve appropriation. Salaries and wages will be budgeted based upon the exact number of pay periods for the fiscal year. Public safety overtime will be budgeted at levels sufficient to meet the median annual requirements for the trailing five year period, adjusted for any extraordinary and non recurring overtime requirements (i.e. overtime to cover significant staff vacancies that have now been filed)

- Employee benefits – Funding will be included in each department operating budget for the projected cost of providing contributory health; life; dental; and Medicare payroll taxes for all eligible employees at the benefit rates expected for the new fiscal year.
- Pension contribution – The annual contribution to the defined benefit contributory retirement fund shall not be less than the annual required contribution (ARC) prescribed by the Retirement Board’s actuary. The annual appropriation for non contributory retirement benefits will be the benefit estimate of the Retirement Board.
- Energy and utilities – Funding for energy and utility needs of the various departments of the City will be included at consumption levels estimated by the various departments and at consistent unit prices estimated to be reasonable by the Chief Budget Officer.
- Debt service – Appropriations for interest and principal will be the amounts certified by the Treasurer for the repayment of General Fund current issued debt and any debt service on new permanent and/or temporary debt that can be reasonably estimated by the Treasurer.
- State and county charges – The appropriation for “Cherry sheet” assessments will be the most recent estimates posted on the Massachusetts Department of Revenue web site, or in the absence of such information, 2 ½% greater than the current year assessment and charge total.
- Judgments and settlements – The annual appropriation for self-insured liability claims and settlements will be not less than the median annual expenditure for this purpose for the trailing five year period. The annual appropriation order shall authorize the Comptroller to transfer any unexpended year-end balance in this appropriation to the City’s Liability Self Insurance Fund for extraordinary claims and settlement exposure funding.

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- Snow and ice control – The annual appropriation for snow and ice control purposes will be not less than the median annual expenditure for this purpose for the trailing five year period. Any unexpended balances in snow and ice appropriations are expected to be transferred prior to year end and used by the Department of Public Works for street and sidewalk maintenance purposes.
- Capital outlay and improvements – The difference between budgeted debt service and 3% of total estimated revenues for the year, will be budgeted for capital outlay and improvements. Additionally, the sum of anticipated revenue from Massachusetts School Building Authority debt service reimbursements for school projects will be dedicated to capital financing.
- Budget Reserve – In order to provide for extraordinary and unforeseen revenue and expenditure budget contingencies, a budget reserve contingency in the amount of 0.5% (one half of one percent) of total estimated revenue will be included in each annual General Fund budget. Any balance in the Budget Reserve at year end will close to Free Cash.

Property tax allowance for abatements and exemptions – The Board of Assessors are required by law to include a provision for real and personal property tax exemptions; valuation abatements; and personal property tax uncollectibles in the annual tax levy. The target allowance is 1.0% - 1.5% of the gross tax levy, to be determined annually by the Board of Assessors, based upon prior year experience and risk exposure for the new fiscal year. In addition, the City will maintain a reserve from prior year overlay surplus balances of not less than \$1.1 million for extraordinary and unforeseen abatement experience. It is expected that the allowance will be at the upper end of the range in revaluation years. At least annually, prior to March 31 of each fiscal year, the Board of Assessors will analyze the balance in all outstanding abatement and exemption reserves and make an overlay surplus declaration for any balance(s) which exceed the sum of uncollected personal property taxes and pending abatement claims for that fiscal year's reserve. The overlay surplus shall then be available for appropriation by the Mayor and Board of Aldermen between April 1 and June 30. To the extent that any overlay surplus balance remains unappropriated at June 30, it will be closed to free cash.

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

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

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

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Risk management: The City purchases commercial insurance for only those risk exposures that can not be effectively managed and financed internally.

- Property insurance – Commercial insurance, including terrorism coverage, is purchased for all City buildings and contents. Coverage is provided for scheduled locations only, subject to a deductible of \$100,000 per loss event. Insured values are adjusted annually for both improvements to the structures and an estimate of the increase in replacement values. Property insurance premiums are currently financed from an inter-fund transfer from the City’s Building Insurance Fund.
- Vehicle insurance – The City retains vehicle risk exposure for all vehicles, except Parks and Recreation automobiles and vans used to transport members of the public. The cost of the parks and recreation vehicle insurance premium is financed from the Recreation Activity/Classes Revolving Fund. Staff of the City Law Department manages all vehicle claims and settlements are paid from an annual appropriation in the Law Department budget.
- Liability insurance – The City retains all public liability risk exposures, except for retirement system fiduciary liability, for which the Retirement Board purchases commercial insurance coverage through a state-wide insurance pool and special events for which commercial liability insurance is required by law or contract. Staff of the City Law Department manages all liability claims and settlements are paid from an annual appropriation in the Law Department budget.
- Crime/employee dishonesty: Individual fidelity bonds are purchased for the City Treasurer/Collector; Deputy Treasurer/Collector; and City Clerk, as required by state law. A fidelity bond is also purchased for the Chief Procurement Officer in accordance with local ordinance. All other employees of the City are covered under a blanket honesty bond, subject to deductibles of \$5,000 to \$10,000 per loss.
- Workers compensation: The City retains all workers compensation and public safety employee injured on duty risk exposures. The City’s Human Resources and Law Departments are responsible for claims administration. Public safety employee injured on duty compensation is paid from the Police and Fire department operating budgets. Workers compensation benefits for non-public safety employees and police and fire medical bills are paid the City’s Workers Compensation Self-Insurance Fund. The City contracts annually for an actuarial valuation of the workers compensation fund liability and a determination of the required annual contribution to the self-insurance fund.
- Group health insurance: The City offers group health benefits to employees, regularly working 20 or more hours per week and to retirees. The City retains the full risk associated with health benefit coverage, subject to a \$250,000 annual limit on individual claims, which is covered through a commercial excess

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insurance policy. The City contracts with Harvard-Pilgrim Health and Tufts Health plans for claims administration services. Health benefit self-insurance premiums are established annually by the City, at a level expected to cover the full cost of paid claims; incurred but unreported claims; claims administration; excess insurance premiums; and a reserve for extraordinary and unforeseen claims experience. The target claims reserve is two months of average paid claims. Employees and retirees currently contribute 20% of the cost of coverage and the City funds the balance. All self-insured group health insurance activity takes place in a Group Health Self Insurance Fund, for which individual fund balances are maintained for each benefit plan option.

Official and officer compensation: The City expects to maintain compensation policies designed to attract and retain the most qualified officials and officers possible. Management level employees will be expected to maintain the highest levels of professional competency during their employment with the City. To this end it will be the policy of the City to provide resources for ongoing professional training and development.

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

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

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

Capital outlay and improvements with a value of \$500,000 or more; those financed with capital grants and/or debt will be accounted for in a Capital Project Fund. Capital outlay and improvements with a value of less than \$500,000, but which are expected to require

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replacement annually, will be accounted for within the operating budget of the appropriate department. Non recurring capital outlay and improvements with a value of less than \$500,000 will be accounted for by department in the special appropriation sub-fund of the appropriate City fund. In order to accumulate resources for future capital needs, a Capital Stabilization Fund will be maintained, with such separate sub-funds as the Mayor and Board of Aldermen shall agree to be necessary in order to effectively plan for future capital needs.

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

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

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

The Board of Aldermen, through an Audit Sub-Committee of the Board's Finance Committee, shall make arrangements for an independent annual financial audit of the City's financial statements and accounts, which is expected to be presented not later than 180 days after the end of the City's fiscal year. Copies of the City's audited Comprehensive Annual Financial Report; Federal Single Audit Report; and Management Letter will be posted on the City's web-site.

Quarterly budgetary-basis financial reports, in a format requested by the Mayor and Finance Committee of the Board of Aldermen, will be rendered within 30 days after the close of each fiscal quarter, with the exception of year-end, when a complete budgetary basis annual financial report shall be presented within 60 days of the end of the fiscal year. A complete copy of the budgetary basis annual financial report will be posted on the City's web site. More frequent financial reports will be rendered as needed in order to assure that the Mayor and Board of Aldermen are made aware of unanticipated results of financial operations.

CITY OF NEWTON, MASSACHUSETTS
DRAFT FINANCIAL MANAGEMENT POLICIES

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

- General Fund revenues are budgeted at 99% of what actual collections are expected to be.
- Free cash is not expected to serve as a recurring operating or capital budget financing source.
- Employee salaries and wages are budgeted in full within annual operating budgets and provision is made for expected collective bargaining and salary scale adjustments in a separate wage reserve.
- Legal claims and settlements are budgeted at the median annual expenditure level for the trailing five year period, with back up reserve capability in the Liability Self Insurance Fund.
- Snow and ice control is appropriated at the median annual expenditure level for the trailing five year period, with back up reserve capacity in the appropriated Budget Reserve (contingency).
- Separate funded self insurance funds are maintained for Group Health and Workers Compensation liability exposures.
- A budget reserve (revenue and expenditure) contingency of 0.5% of total revenues is included in the annual operating budget to meet recurring extraordinary and unforeseen requirements.
- The property tax serves as the City's primary source of revenue and revenues from this source are not as economically sensitive as revenues from sales and wage taxes.
- Property taxes are payable in quarterly installments, with delinquencies assessed penalties of 14% per annum, which provides the City with a source of regular and stable cash flow.

**CITY OF NEWTON, MASSACHUSETTS
DRAFT FINANCIAL MANAGEMENT POLICIES**

NEWTON PUBLIC SCHOOLS
OFFICE OF THE SUPERINTENDENT
EDUCATION CENTER
100 WALNUT STREET
NEWTON, MA 02460

#229-07

MEMORANDUM

TO: Mayor David B. Cohen
Board of Aldermen

FROM: Jeffrey M. Young, Superintendent

DATE: July 6, 2007

RE: Newton South High School Projects

The School Department and School Committee have identified \$300,000 worth of projects for immediate action at Newton South High School. These items directly affect the safety and functionality of the building for students and staff. The costs of these items are still estimates; if some cost less than the indicated amount, we would intend to add additional small projects.

Based on the Mayor's indication that \$300,000 would be available to address these pressing needs at Newton South, the School Committee voted on June 25, 2007 to pursue this course of action. The Committee and I will be pleased to answer any questions you may have and thank you in advance for your support of this timely request.

Orchestra Pit Filler	\$16,000
Phones in Math, Science and Lab Theater	\$30,000
Tech Ed Equipment and Electrical Upgrades	\$105,000
LCD Projectors – Auditorium and Lecture Hall	\$40,000
Mirrors in Dance Studio	\$25,000
Theatre Rigging	\$9,000
Outside Track Repair	\$15,000
Ceramic Room Air Purifiers	\$25,000
Painting	\$35,000
TOTAL	\$300,000

JY:mm

cc: School Committee
Sandy Pooler, Chief Administrative Officer
A. Nicholas Parnell, Commissioner, Public Buildings