

**City of Newton, Massachusetts  
General Fund  
Fiscal Year 2019 Budget Analysis**

**Introduction**

The purpose of this document is to provide a summary level financial analysis of the Mayor’s recommended FY2019 **General Fund** budget dated April 17, 2018. This report is intended to supplement the information contained in the budget document.

**Budget Summary**

The Mayor’s recommended General Fund budget for FY2019 is \$412.5 million – \$17.2 million or 4.4% greater than the *original* current year FY2018 budget. The amended budget for FY2018 of \$408.7 million includes approved City Council orders through April 2, 2018. The following table is a year- by- year summary of growth in *original and final amended* budgets from FY2009 to FY2017, with average annual increases of 4.0% and 4.2%, respectively.

Fiscal Year	Original Budget	\$ Change Prior Year	% Change Prior Year	Amended Budget	\$ Change Prior Year	% Change Prior Year
<b>2019</b>	\$ 412,513,389	\$ 17,199,652	4.4%			
2018	395,313,737	16,344,493	4.3%	408,651,033	15,901,765	4.0%
2017	378,969,244	16,971,980	4.7%	392,749,268	22,710,926	6.1%
2016	361,997,264	16,778,700	4.9%	370,038,342	15,526,259	4.4%
2015	345,218,564	14,145,367	4.3%	354,512,083	16,810,290	5.0%
2014	331,073,197	18,093,233	5.8%	337,701,793	17,274,954	5.4%
2013	312,979,964	11,128,316	3.7%	320,426,839	12,801,016	4.2%
2012	301,851,648	10,241,663	3.5%	307,625,823	7,884,960	2.6%
2011	291,609,985	4,172,565	1.5%	299,740,863	6,000,009	2.0%
2010	287,437,420	12,352,042	4.5%	293,740,854	4,286,720	1.5%
2009	275,085,378	7,239,650	2.7%	289,454,134	10,691,632	3.8%

The following two tables summarize the nature of amendments to the original budget, for both fiscal years 2018 and 2017. Transfers from budget reserve are not considered to be amendments to the budget because they do not increase the total budget. Refer to Appendix A on page 9 for the specific City Council orders through April 2, 2018, contained in the FY2018 supplemental appropriations.

**Supplemental Appropriations by Purpose**

	FY 2018 YTD	FY 2017 Actual
Snow & ice control (including capital )	\$ 3,350,000	\$ 1,300,000
Capital outlay & improvements	7,380,516	9,866,175
Newton Public schools	32,297	499,653
All other - Municipal	574,483	1,574,309
Rainy Day Fund contribution	2,000,000	539,887
<b>Total supplemental appropriations</b>	<b>\$ 13,337,296</b>	<b>\$ 13,780,024</b>

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Funding for supplemental appropriations has been provided from the following sources. Refer to Appendix A on page 9 for more information on the sources of funds for FY2018.

**Supplemental Appropriations by Source**

	<u>FY 2018 YTD</u>	<u>FY 2017 Actual</u>
Revenue	\$ 72,214	\$ 269,720
Free cash	5,730,516	9,161,000
Overlay surplus	7,000,000	1,823,387
Debt exclusion bond premiums	171,606	425,532
Transfers from other Funds	362,960	2,100,385
<b>Total supplemental appropriations</b>	<b>\$ 13,337,296</b>	<b>\$ 13,780,024</b>

The Mayor's recommended 2019 budget is \$3.9 million or 1.0% more than the current year *amended* budget. The following table summarizes the major components of the recommended FY2019 budget financing plan along with the dollar and percentage change from the current year *amended* budget.

**FY2019 Budget Financing Plan (Revenue)**

	2019 Budget	%	\$ Change	% Change
	<u>Recommended</u>	<u>Total</u>	<u>from 2018</u>	<u>from 2018</u>
			<u>Amended Budget</u>	<u>Amended Budget</u>
Property taxes (net of abatement reserve)	\$ 342,183,546	83.0%	\$ 14,967,151	4.6%
Motor excise taxes	13,500,000	3.3%	375,000	2.9%
Hotel/motel room occupancy tax	2,500,000	0.6%	6,868	0.3%
Meals tax	1,956,589	0.5%	38,365	2.0%
In lieu of tax payments	360,000	0.1%	25,000	7.5%
Interest & penalties	1,290,000	0.3%	70,000	5.7%
<b>Total Taxes</b>	<b>361,790,135</b>	<b>87.7%</b>	<b>15,482,384</b>	<b>4.5%</b>
Charges for service	3,522,399	0.9%	214,538	6.5%
Fines & forfeitures	1,615,000	0.4%	110,000	7.3%
Licenses & permits	6,480,675	1.6%	(109,325)	-1.7%
Investment income	800,000	0.2%	275,000	52.4%
Other local revenue	110,000	0.0%	10,000	10.0%
<b>Total non-tax local revenue</b>	<b>12,528,074</b>	<b>3.0%</b>	<b>500,213</b>	<b>4.2%</b>
Cherry sheet aid	30,151,760	7.3%	1,160,069	4.0%
Other state & federal aid	1,710,000	0.4%	197,703	13.1%
<b>Total Intergovernmental aid</b>	<b>31,861,760</b>	<b>7.7%</b>	<b>1,357,772</b>	<b>4.5%</b>
Transfers from other funds	4,730,682	1.1%	(749,671)	-13.7%
Fund balance	1,602,738	0.4%	(12,728,342)	-88.8%
<b>Total General Fund Revenue Budget</b>	<b>\$ 412,513,389</b>	<b>100.0%</b>	<b>\$ 3,862,356</b>	<b>0.9%</b>

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**Property taxes:** The following is a comparison of the budgeted tax levies for both FY2019 and the current fiscal year.

**Budgeted Tax Levies**

	<u>2019 Budget</u>	<u>2018 Actual</u>
Prior year levy limit	\$ 329,940,249	\$ 316,455,830
2.5% annual increase	8,248,506	7,911,396
New growth	5,534,512	5,573,023
Debt exclusion debt service	1,960,280	1,960,280
Overlay (abatements & exemptions)	(3,500,000)	(4,656,077)
Unused levy capacity	-	(28,057)
<b>Net tax levy</b>	<b><u>\$ 342,183,546</u></b>	<b><u>\$ 327,216,395</u></b>

**Motor excise tax:** The budget of \$13.5 million assumes a \$375,000 or 2.9% increase in the current year revenue estimate. Revenue collections for fiscal year 2017 were \$13.8 million. Current year to date collections are \$10.5 million - 80.3% of the current year budget estimate and 3.0% lower than total collections for the first nine months of last fiscal year. Current year auto excise tax billings of \$11.8 million are \$532,000 or 5.0% more than the total amount that had been billed at this same time last year; a total of 879 more invoices have been mailed as compared to last year.

**Licenses & permits:** The budget assumes a \$109,000 or 1.7% decrease in this revenue source. Inspectional Services Department permit revenue, which is estimated to be \$6.5 million for fiscal year 2019, accounts for the decrease in this revenue category. Total Inspectional Services Department permit revenue for the first nine months of the current year is \$5.6 million as compared to \$6.0 million one year ago, a year-over-year decrease of 5.9%.

**Intergovernmental:** The Mayor's fiscal year 2019 cherry sheet local aid revenue estimate is \$30.2 million - \$1.2 million or 4.0% greater than the current year budget. Non-cherry sheet state and federal aid, primarily Special Education Medicaid and Medicare Part D reimbursements, is estimated at \$1.7 million.

**Transfers from other funds:** The 2019 budget anticipates \$4.7 million in inter-fund transfer financing for the General Fund including \$3.8 million from Water, Sewer and Stormwater Funds indirect cost reimbursements; \$250,000 from the Cable Franchise Administrative Fund; \$300,000 in the Capital Stabilization Fund; and \$350,000 in various Receipts Reserved for Appropriation. As per the *Municipal Modernization Act* of 2016, parking meter receipts are part of General Fund revenues; thus, an interfund transfer is no longer necessary.

**Fund balance:** The recommended 2019 budget is balanced using \$1.6 million in fund balance, consisting of \$1.5 million in available free cash, and \$103,000 representing the Massachusetts School Building Authority (MSBA) project reimbursements that must be used for future North and South High School project debt service financing. The total amount of fund balance is unchanged from the original

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fiscal year 2017 and 2018 budgets, represents slightly less than one half of one percent of the total financing plan for the budget, and is sustainable for future years.

The following table summarizes the major appropriation components of the Mayor's recommended 2019 budget, along with dollar and percentage changes from the current budget, as amended. The Mayor's FY 2019 Recommended Budget document provides a programmatic description of changes in municipal department budgets.

**Fiscal Year 2019 Recommended Annual Appropriations (Expense)**

	2019 Budget Recommended	% Total	\$ Change from 2018 Amended Budget (1)	% Change from 2018 Amended Budget
Newton Public Schools	\$ 227,560,263	55.2%	\$ 8,091,480	3.7%
Municipal Departments				
Salaries & wages	69,922,862	17.0%	(7,860)	0.0%
Benefits (excluding retirees)	12,440,525	3.0%	1,164,053	10.3%
Workers compensation	800,000	0.2%	-	0.0%
Capital outlay & equipment	1,801,900	0.4%	(1,061,415)	-37.1%
All other	25,128,389	6.1%	(4,473,446)	-15.1%
Total Municipal Departments	110,093,676	26.7%	(4,378,668)	-3.83%
Budget reserve (including snow & ice)	5,250,000	1.3%	(1,600,000)	-23.4%
Retirement (including health benefits)	39,175,944	9.5%	2,740,815	7.5%
Transfer to other funds	150,000	0.0%	(2,000,000)	-93.0%
Debt & interest	24,048,174	5.8%	979,979	4.2%
State assessments	6,235,332	1.5%	28,750	0.5%
<b>Total General Fund appropriations</b>	<b>\$ 412,513,389</b>	<b>100.0%</b>	<b>\$ 3,862,357</b>	<b>0.9%</b>

(1) 2018 Amended Budget excludes continued appropriations from 6/30/2017.

**Newton Public Schools:** The recommended \$227.6 million appropriation for the support of the Newton Public Schools represents an increase of \$8.1 million or 3.7% over the current year budget, as amended. This sum includes all funds designated as transfers to other funds, specifically workers compensation and the school athletics program. The total school appropriation does not, however, include \$30.0 million which is included in other categories of the municipal budget, specifically for the following: school project debt service of \$18.5 million; pension funding and retiree health care for school participants in the Newton Contributory Retirement System of over \$7.5 million; school health services of \$2.5 million; school crossing guards of \$500,000; school property insurance of \$510,000; and school building water and sewer charges of \$675,000.

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**Municipal Salaries and Wages:** Funding for non-union employees and for approved collective bargaining agreements are included in each department’s personnel appropriation. A \$2.0 million salary/wage reserve is included in the Comptroller’s budget. The recommended salary and wage appropriation includes funding for a net of 7.5 new municipal positions. The total fiscal year 2019 recommended salary and wage appropriation of \$69.9 million is \$7,900 less than the amended fiscal year 2018 budget, a variance of 0%.

**Employee Benefits:** The 2019 employee benefit appropriations include funding for active employee contributory health, life, and dental benefits; the City’s Medicare payroll tax match; and unemployment compensation. The recommended 2019 benefits budget of \$12.4 million is 17.8% of recommended municipal salaries and wages. The amount budgeted for 2019 active employee health insurance benefits is \$10.5 million, which is \$353,000 (3.0%) more than the amount budgeted for this purpose in the current fiscal year. Health insurance appropriations are used to pay premiums to one of the City’s self-insured health plans.

As of March 2018, the City’s Group Health Self-Insurance Fund had reserves totaling \$9.1 million, the equivalent of 1.9 months of paid claims. The City’s fund balance policy for the group health self-insurance fund is 1.5 to 2.0 months of monthly paid claims. Reserves are used to fund claims experience in excess of the amount anticipated in annual premiums.

**Workers Compensation:** The City’s 2019 contribution to the cost of the self insured workers compensation benefit program is funded at \$800,000, the same as the amount included in the current year budget. As of March 31, 2018 the Workers Compensation Fund has assets of \$14.1 million, accrued liabilities of \$7.7 million, and a positive fund balance of \$6.4 million. The fund balance at this time last year was \$4.3 million. A total of \$150,000 of the 2019 workers compensation appropriation is earmarked for police and fire injured on duty medical bills and the remaining \$650,000 for statutory workers compensation benefit obligations.

**Snow & ice:** The following table summarizes snow and ice control expenditures for fiscal year 2018 (year to date) and the three prior fiscal years.

**Snow and Ice Expenditure Trends**

	2018 YTD	2017	2016	2015
	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>
Salaries & wages	1,408,113	1,311,380	926,421	1,778,531
Private contractors	2,182,397	2,301,669	1,420,600	3,884,382
Sand & salt	941,179	1,292,375	949,179	1,138,800
Capital equipment	149,925	163,470	8,795	319,360
All other	<u>789,038</u>	<u>417,957</u>	<u>344,684</u>	<u>467,526</u>
Total snow & ice expenditures	\$ 5,470,652	\$ 5,486,851	\$ 3,649,680	\$ 7,588,599

The fiscal year 2019 recommended budget includes a total of \$4.25 million for snow and ice control, including \$1.5 million in the Department of Public Works budget, and another \$2.75 million in budget reserve to be transferred if needed by vote of the Mayor and City Council. The median annual expenditure for snow and ice control over the trailing five years is \$4.9 million.

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**Capital outlay and equipment:** A total of \$1.8 million is included in the 2019 budget for capital outlay and equipment. The following chart is a summary of the nature of the 2019 capital outlay appropriation recommendations.

**Fiscal Year 2019 Recommended Capital Outlay and Equipment**

Police vehicles	\$ 350,000
Public Works construction equipment	349,000
Public Works vehicles	250,000
Building improvements	200,000
Playground Equipment	150,000
Computer hardware & software	125,000
Public Works other equipment	123,400
Public Safety communications equipment	108,000
Fire vehicles	60,000
Other Public Safety equipment	48,000
Conservation land improvements	25,000
Newton Public Library hardware	12,500
Elections/Clerk's Office equipment/furniture	9,000
Total Capital Outlay and Equipment	<u>\$ 1,809,900</u>

**Legal:** The City does not purchase commercial insurance for liability risk exposures, but rather funds claims and settlements from resources included in the annual operating budget. The 2019 budget includes \$100,000 for legal settlements. The following is a summary of actual expenditures for fiscal year 2018 year-to-date and the three prior fiscal years.

**Legal Settlement Expenditure Trends**

	2018 YTD	2017	2016	2015
	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>
Claims & settlements	\$ 72,421	\$ 151,809	\$ 376,285	\$ 107,282

**Energy and utilities:** The total budget for energy and utilities is \$3.2 million, an increase of \$350,000 (12%) as compared to the current year's budget; the year-over-year budget increase is due mainly to electricity. All school utilities except for water and sewer are included in the school department budget. The following table compares the recommended 2019 budget to the current year budget and to actual expenditures for the three prior fiscal years.

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**Energy and Utilities Expenditure Trends**

	2019	2018	2017	2016	2015
	<u>Recommended</u>	<u>Budget</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>
Electricity	\$ 1,218,138	\$ 879,338	\$ 935,739	\$ 768,776	\$ 727,929
Natural gas	364,500	355,000	392,629	330,250	361,745
Water & sewer	1,036,354	1,051,414	1,023,320	917,759	691,361
Heating oil	40,000	46,500	41,113	84,548	199,741
Gasoline	358,375	340,025	270,840	308,965	487,655
Diesel	217,500	213,000	191,710	212,912	389,059
Total Energy and Utilities	<u>\$ 3,234,867</u>	<u>\$ 2,885,277</u>	<u>\$ 2,855,351</u>	<u>\$ 2,623,209</u>	<u>\$ 2,857,490</u>

**Budget Reserve:** The 2019 budget includes a \$3.25 million budget reserve including \$500,000 for extraordinary and unforeseen purposes and \$2.75 million for snow and ice. Transfers from the budget reserve account require prior approval of the Mayor and City Council. The current year budget included an original appropriation of \$3.5 million for the budget reserve, all but \$626,000 of which has been either transferred or obligated to date.

**Retirement:** The retirement and retiree health benefit appropriations of \$39.2 million have increased by \$2.7 million or 7.5% from the current year budget. The City's fiscal year 2019 actuarially required contribution to the defined benefit pension plan is \$27.1 million, or 69% of the total retirement appropriation. This contribution represents a \$2.6 million or 10.7% increase over the current year appropriation.

The 2018 defined benefit plan contribution is based upon the funding schedule that was developed in conjunction with the January 1, 2017 actuarial valuation of plan assets and liabilities and is intended to achieve full actuarial funding of pension benefit obligations of the City in fiscal year 2030. Non-contributory pension benefits, which are funded on a pay-as-you-go basis, are budgeted at \$76,300 for fiscal year 2019, an increase of \$1,200.

Fiscal year 2019 retiree health and life benefit appropriations are \$12.5 million, or \$658,000 (6%) more than the current year budget for retiree health benefits. This sum is principally for the pay-as-you-go funding requirement for retiree health benefits, but also includes \$510,000 in projected Other Post-Employment Benefits (OPEB retiree health insurance) fund contributions. The February 28, 2018 fund balance of the City's OPEB trust was \$7.8 million and the actuarial value of accrued retiree health benefits at June 30, 2017 was \$639.0 million.

**Transfers to other funds:** The \$150,000 fiscal year 2019 appropriation consists of a contribution to the City's Rainy Day Fund. Assuming a \$412.5 million FY2019 General Fund operating budget, the Rainy Day Fund should have a balance of \$20.6 million or 5% of the total budget in fiscal year 2019. The current balance in the Rainy Day Fund is \$22.1 million; however, \$2.0 million may be returned to

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overlay surplus at the end of April 2018 as per City Council Order #380-17, leaving a balance of \$20.1 million. There is a \$350,000 docket item currently before the City Council to supplement the \$20.1 million prior to June 30, 2018. This, in addition to the \$150,000 appropriation, will bring the rainy day fund balance to the required \$20.6 million.

**Debt service:** The fiscal year 2019 appropriation for bond maturities and interest totals \$24.0 million, or 5.8% of the budget, the same percentage as last year. The fiscal year 2019 debt service budget is \$980,000 (4.2%) greater than the current year debt service budget and includes \$3.0 million in debt service on the Angier and Cabot elementary school debt exclusion projects. Total General Fund financed bonded debt was \$326.7 million at March 31, 2018, an increase of \$23.0 million or 7.6% from the total amount outstanding at March 31, 2017.

**State assessments:** The fiscal year 2019 budget includes an estimate of \$6.2 million for state assessments, principally MBTA service.



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**Appendix A: FY 2018 Supplemental Appropriations**

<b>FY18 by Purpose</b>	<b>Description</b>	<b>CO#</b>	<b>Amount</b>
<b>Snow and Ice</b>	Snow- Rental Vehicles and OT (DPW)	#128-18	\$ 500,000
	Snow and Ice (rentals, tree service, OT)	#155-18	\$ 1,850,000
	Snow and Ice (rentals, tree service, OT)	#172-18	\$ 1,000,000
			<b>\$ 3,350,000</b>
<b>Capital Outlay &amp; Improvements</b>	Toughbooks for Police Cruisers	#354-17	\$ 106,000
	Financial Software Upgrade (MUNIS)	#350-17	\$ 1,507,105
	Accelerated Roads Program	#382-17	\$ 5,000,000
	West Newton Sq Rehab Design (DPW)	#87-18	\$ 120,000
	Walnut/Newtonville St Improvements (DPW)	#88-18	\$ 147,411
	Washington St Corridor Consultants (Plan)	#85-18	\$ 500,000
			<b>\$ 7,380,516</b>
<b>Newton Public Schools</b>	Homeless Student Transportation	#332-17	\$ 32,297
			<b>\$ 32,297</b>
<b>All other- Municipal</b>	Bond Premiums to pay issuance costs	N/A	\$ 171,606
	Operation Access (handicap parking enforcement)	#348-17	\$ 7,000
	NHA Housing- Jackson Gardens	#319-17	\$ 355,960
	Revise state assessments to final cherry sheet	tax recap	\$ 39,917
	Rainy Day Stabilization (may be reversed after 4/30/18)	#380-17	\$ 2,000,000
			<b>\$ 2,574,483</b>
<b>Total FY 2018 by Purpose</b>			<b>\$ 13,337,296</b>

<b>FY18 by Source</b>	<b>Description</b>	<b>CO#</b>	<b>Amount</b>
<b>Revenue</b>	Homeless Student Transportation	#332-17	\$ 32,297
	Revise state assessments to final cherry sheet	tax recap	\$ 39,917
			<b>\$ 72,214</b>
<b>Free Cash</b>	Toughbooks for Police Cruisers	#354-17	\$ 106,000
	Financial Software Upgrade (MUNIS)	#350-17	\$ 1,507,105
	West Newton Sq Rehab Design (DPW)	#87-18	\$ 120,000
	Snow- Rental Vehicles and OT (DPW)	#128-18	\$ 500,000
	Snow and Ice (rentals, tree service, OT)	#325-16	\$ 1,850,000
	Snow and Ice (rentals, tree service, OT)	#324-16	\$ 1,000,000
	Walnut/Newtonville St Improvements (DPW)	#356-16	\$ 147,411
	Washington St Corridor Consultants (Plan)	#382-16	\$ 500,000
			<b>\$ 5,730,516</b>
<b>Overlay Surplus</b>	Accelerated Roads Program	#382-17	\$ 5,000,000
	Rainy Day Stabilization (may be reversed after 4/30/18)	#380-17	\$ 2,000,000
			<b>\$ 7,000,000</b>
<b>Bond Premiums</b>	Bond Premiums to pay issuance costs	N/A	\$ 171,606
			<b>\$ 171,606</b>
<b>Transfers from other Funds</b>	NHA Housing- Jackson Gardens	#319-17	\$ 355,960
	Operation Access (handicap parking enforcement)	#348-17	\$ 7,000
			<b>\$ 362,960</b>
<b>Total FY 2018 by Source</b>			<b>\$ 13,337,296</b>