

**City of Newton, Massachusetts  
General Fund  
Fiscal Year 2020 Budget Analysis**

**Introduction**

The purpose of this document is to provide a summary level financial analysis of the Mayor’s recommended FY2020 **General Fund** budget dated April 16, 2019. This report is intended to supplement the information contained in the budget document.

**Budget Summary**

The Mayor’s recommended General Fund budget for FY2020 is \$430.3 million – \$17.8 million or 4.3% greater than the *original* current year FY2019 budget. The amended budget for FY2019 of \$417.6 million includes approved City Council orders through March 31, 2019. The following table is a year-by- year summary of growth in *original and final amended* budgets from FY2010 to FY2018, with average annual increases of 4.0% and 4.3%, respectively.

Fiscal Year	Original Budget	\$ Change Prior Year	% Change Prior Year	Amended Budget	\$ Change Prior Year	% Change Prior Year
<b>2020</b>	\$ 430,284,381	17,770,992	4.3%			
2019	412,513,389	17,199,652	4.4%	417,628,616	7,020,589	1.7%
2018	395,313,737	16,344,493	4.3%	410,608,027	17,858,759	4.5%
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%

The following two tables summarize the nature of amendments to the original budget, for both fiscal years 2019 and 2018. 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 March 31, 2019, contained in the FY2019 supplemental appropriations.

**Supplemental Appropriations by Purpose**

	FY 2019 YTD	FY 2018 Actual
Street Improvements	\$ 3,105,103	\$ 6,642,411
Capital outlay & improvements	1,750,000	3,148,105
All other - Municipal	231,320	1,671,477
Newton Public schools	28,804	132,297
Snow & ice control (including capital )	-	3,350,000
Rainy Day Fund contribution	-	350,000
<b>Total supplemental appropriations</b>	<b>\$ 5,115,227</b>	<b>\$ 15,294,290</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 FY2019.

**Supplemental Appropriations by Source**

	<u>FY 2019 YTD</u>	<u>FY 2018 Actual</u>
Free cash	\$ 1,873,804	\$ 9,646,025
Overlay surplus	1,750,000	5,000,000
Transfers from other Funds	1,465,979	369,360
Revenue	25,444	72,214
Debt exclusion bond premiums	-	206,691
<b>Total supplemental appropriations</b>	<b>\$ 5,115,227</b>	<b>\$ 15,294,290</b>

The Mayor's recommended 2020 budget is \$12.7 million or 3.0% more than the current year *amended* budget. The following table summarizes the major components of the recommended FY2020 budget financing plan along with the dollar and percentage change from the current year *amended* budget.

**FY2020 Budget Financing Plan (Revenue)**

	2020 Budget	%	\$ Change	% Change
	Recommended	Total	from 2019	from 2019
			Amended Budget	Amended Budget
Property taxes (net of abatement reserve)	\$ 356,892,067	82.9%	\$ 15,022,553	4.4%
Motor excise taxes	13,500,000	3.1%	-	0.0%
Hotel/motel room occupancy tax	2,500,000	0.6%	50,000	2.0%
Meals tax	1,900,000	0.4%	(16,808)	-0.9%
In lieu of tax payments	360,000	0.1%	-	0.0%
Interest & penalties	1,290,000	0.3%	-	0.0%
<b>Total Taxes</b>	<b>376,442,067</b>	<b>87.5%</b>	<b>15,055,745</b>	<b>4.2%</b>
Charges for service	3,551,783	0.8%	(128,167)	-3.5%
Fines & forfeitures	1,595,000	0.4%	(20,000)	-1.2%
Licenses & permits	7,007,425	1.6%	526,750	8.1%
Investment income	1,745,064	0.4%	945,064	118.1%
Other local revenue	250,000	0.1%	140,000	127.3%
<b>Total non-tax local revenue</b>	<b>14,149,272</b>	<b>3.3%</b>	<b>1,463,647</b>	<b>11.5%</b>
Cherry sheet aid	31,141,406	7.2%	1,037,520	3.4%
Other state & federal aid	1,660,000	0.4%	(369,580)	-18.2%
<b>Total Intergovernmental aid</b>	<b>32,801,406</b>	<b>7.6%</b>	<b>667,940</b>	<b>2.1%</b>
Transfers from other funds	4,986,700	1.2%	(1,207,596)	-19.5%
Fund balance	1,904,936	0.4%	(3,323,971)	-63.6%
<b>Total General Fund Revenue Budget</b>	<b>\$ 430,284,381</b>	<b>100.0%</b>	<b>\$ 12,655,765</b>	<b>3.0%</b>

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**Property taxes:** The following is a comparison of the budgeted tax levy for FY2020 and the actual levy for FY2019.

**Budgeted and Actual Tax Levies**

	2020 Budget	2019 Actual
Prior year levy limit	\$ 343,951,137	\$ 329,940,249
2.5% annual increase	8,598,778	8,248,506
New growth	4,321,451	5,762,382
Debt exclusion debt service	3,520,702	3,000,495
Overlay (abatements & exemptions)	(3,500,000)	(5,067,051)
Unused levy capacity	-	(15,067)
<b>Net tax levy</b>	<b><u>\$356,892,067</u></b>	<b><u>\$ 341,869,514</u></b>

**Motor excise tax:** The 2020 budget of \$13.5 million is unchanged from the current year revenue estimate. Revenue collections for fiscal year 2018 were \$13.54 million. Current year to date collections are \$10.1 million - 75% of the current year budget estimate and 4.0% lower than total collections for the first nine months of last fiscal year. Current year auto excise tax billings of \$12.0 million are \$115,000 or 1.0% more than the total amount that had been billed at this same time last year; a total of 279 fewer invoices have been mailed as compared to last year.

**Licenses & permits:** The 2020 budget of \$7.0 million includes a \$527,000 or 8% increase in this revenue source; over 85% of licenses and permits revenue stems from building and utility permits within the Inspectional Services department. FY2019 Inspectional Services department revenue is significantly higher than budget, with the first nine months of the year at \$7.8 million, an increase of \$2.3 million, or 43% higher than plan.

**Intergovernmental:** The Mayor's fiscal year 2020 cherry sheet local aid revenue estimate is \$31.1 million - \$1.0 million or 3.4% 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 2020 budget anticipates \$5.0 million in inter-fund transfer financing for the General Fund including \$4.2 million from Water, Sewer and Stormwater Funds indirect cost reimbursements; \$257,000 from the Cable Franchise Administrative Fund; \$200,000 in the Capital Stabilization Fund; and \$365,000 in various Receipts Reserved for Appropriation.

**Fund balance:** The recommended 2020 budget is balanced using \$1.9 million in fund balance, consisting of \$1.8 million in available free cash, and \$105,000 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 \$300,000 more than the original fiscal year 2018 and 2019 budgets due to the use of \$300,000 of free cash for the 2020 leap day. The \$1.9 million of fund balance is slightly less than one half of one percent of the total financing plan for the budget and is sustainable for future years.

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The following table summarizes the major appropriation components of the Mayor’s recommended 2020 budget, along with dollar and percentage changes from the current budget, as amended. The Mayor’s FY2020 Recommended Budget document provides a programmatic description of changes in municipal department budgets.

**Fiscal Year 2020 Recommended Annual Appropriations (Expense)**

	2020 Budget Recommended	%	\$ Change from 2019 Amended Budget (1)	% Change from 2019 Amended Budget
Newton Public Schools	\$ 236,372,312	54.9%	\$ 10,276,323	4.5%
Municipal Departments				
Salaries & wages	72,716,585	16.9%	2,793,723	4.0%
Benefits (excluding retirees)	12,986,762	3.0%	546,237	4.4%
Workers compensation	800,000	0.2%	-	0.0%
Capital outlay & equipment	1,439,500	0.3%	(5,217,503)	-78.4%
All other	26,800,139	6.2%	(52,648)	-0.2%
Total Municipal Departments	114,742,986	26.7%	(1,930,191)	-1.65%
Budget reserve (including snow & ice)	6,246,626	1.5%	996,626	19.0%
Retirement (including health benefits)	41,817,879	9.7%	2,641,935	6.7%
Transfer to other funds	150,000	0.0%	-	0.0%
Debt & interest	24,488,102	5.7%	439,928	1.8%
State assessments	6,466,476	1.5%	231,144	3.7%
<b>Total General Fund appropriations</b>	<b>\$ 430,284,381</b>	<b>100.0%</b>	<b>\$ 12,655,766</b>	<b>3.0%</b>

(1) 2019 Amended Budget excludes continued appropriations from 6/30/2018.

**Newton Public Schools:** The recommended \$236.4 million appropriation for the support of the Newton Public Schools represents an increase of \$10.3 million or 4.5% 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 \$31.6 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 \$7.6 million; school health services of \$2.5 million; administrative expenses of \$1.4 million; school crossing guards of \$515,000; school property insurance of \$431,000; 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 \$2.7 million salary/wage reserve is included in the Comptroller’s budget. The recommended salary and wage appropriation includes funding for a net of 5.6 new municipal positions. The total fiscal year 2020 recommended salary and wage appropriation of \$72.6 million is \$2.8 million higher than the amended fiscal year 2019 budget, a variance of 4.0%.

**Employee Benefits:** The 2020 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 2020 benefits budget of \$13.0 million is 18.0% of recommended municipal salaries and wages. The amount budgeted for 2020 active employee health insurance benefits is \$10.9 million, \$383,000 (4.0%) 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 1, 2019, the City’s Group Health Self-Insurance Fund had reserves totaling \$14.6 million, the equivalent of 3.0 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 2020 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 1, 2019, the Workers Compensation Fund has assets of \$13.2 million, accrued liabilities of \$7.9 million, and a positive fund balance of \$5.3 million. The fund balance at this time last year was \$6.4 million. A total of \$150,000 of the 2020 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 2019 (year to date) and the three prior fiscal years.

**Snow and Ice Expenditure Trends**

	2019 YTD <u>Expended</u>	2018 <u>Expended</u>	2017 <u>Expended</u>	2016 <u>Expended</u>
Salaries & wages	1,007,593	1,413,268	1,311,380	926,421
Private contractors	2,293,837	3,070,411	2,301,669	1,420,600
Sand & salt	639,275	941,179	1,292,375	949,179
Capital equipment	197,570	149,925	163,470	8,795
All other	850,426	988,990	417,957	344,684
Total snow & ice expenditures	\$ 4,988,701	\$ 6,563,773	\$ 5,486,851	\$ 3,649,680

The fiscal year 2020 recommended budget includes a total of \$4.5 million for snow and ice control, including \$1.5 million in the Department of Public Works budget, and another \$3.0 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 \$5.5 million.

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**Capital outlay and equipment:** A total of \$1.4 million is included in the 2020 budget for capital outlay and equipment. The following chart is a summary of the nature of the 2020 capital outlay appropriation recommendations.

**Fiscal Year 2020 Recommended Capital Outlay and Equipment**

Police vehicles	\$ 350,000
Public Works vehicles	350,000
Building improvements	200,000
Playground Equipment	150,000
Computer hardware & software	125,000
Public Safety communications equipment	100,000
Fire vehicles	60,000
Other Public Safety equipment	48,000
Conservation land improvements	25,000
Newton Public Library hardware	12,500
Public Works other equipment	10,000
Elections/Clerk's Office equipment/furniture	9,000
<b>Total Capital Outlay and Equipment</b>	<b>\$ 1,439,500</b>

**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 2020 budget includes \$100,000 for legal settlements. The following is a summary of actual expenditures for fiscal year 2019 year-to-date and the three prior fiscal years.

**Legal Settlement Expenditure Trends**

	2019 YTD	2018	2017	2016
	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>
Claims & settlements	\$ 116,799	\$ 102,852	\$ 151,809	\$ 376,285

**Energy and utilities:** The total budget for energy and utilities is \$3.3 million, an increase of \$67,000 (2%) as compared to the current year's budget; the year-over-year net budget increase is due to water and sewer. The water and sewer increase of \$129,000 is offset by decreases in all other utilities of \$62,000. All school utilities except for water and sewer are included in the school department budget. The following table compares the recommended 2020 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**

	2020	2019	2018	2017	2016
	<u>Recommended</u>	<u>Budget</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>
Water & sewer	\$ 1,209,930	\$ 1,081,104	\$ 1,041,379	\$ 1,023,320	\$ 917,759
Electricity	1,150,700	1,173,586	1,253,540	935,739	768,776
Natural gas	394,200	395,750	405,592	392,629	330,250
Gasoline	343,675	384,185	323,924	270,840	308,965
Diesel	202,500	188,797	213,058	191,710	212,912
Heating oil	42,500	53,106	48,571	41,113	84,548
Total Energy and Utilities	<u>\$ 3,343,505</u>	<u>\$ 3,276,528</u>	<u>\$ 3,286,064</u>	<u>\$ 2,855,351</u>	<u>\$ 2,623,209</u>

**Budget Reserve:** The 2020 budget includes a \$3.5 million budget reserve including \$500,000 for extraordinary and unforeseen purposes and \$3.0 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 \$3.25 million for the budget reserve, all but \$300,000 of which has been either transferred or obligated to date.

**Retirement:** The retirement and retiree health benefit appropriations of \$41.8 million have increased by \$2.6 million or 6.7% from the current year budget. The City's fiscal year 2020 general fund actuarially required contribution to the defined benefit pension plan is \$29.4 million, or 70% of the total retirement appropriation. This contribution represents a \$2.3 million or 8.6% increase over the current year appropriation.

The 2019 defined benefit plan contribution is based upon the funding schedule that was developed in conjunction with the January 1, 2018 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 \$62,800 for fiscal year 2020, a decrease of \$13,500 (18%).

Fiscal year 2020 retiree health and life benefit appropriations are \$12.4 million, or \$336,000 (2.8%) 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 \$611,000 in projected Other Post-Employment Benefits (OPEB retiree health insurance) fund contributions. The February 28, 2019 fund balance of the City's OPEB trust was \$10.4 million and the actuarial value of accrued retiree health benefits at June 30, 2018 was \$639.0 million.

**Transfers to other funds:** The \$150,000 fiscal year 2020 appropriation consists of a contribution to the City's Rainy Day Fund. Assuming a \$430.3 million FY2020 General Fund operating budget, the Rainy Day Fund should have a balance of \$21.5 million or 5% of the total budget in fiscal year 2020. The current balance in the Rainy Day Fund is \$21.0 million. There is a \$240,000 docket item currently before the City Council to supplement the \$21.0 million prior to June 30, 2019. This, in addition to the \$150,000 appropriation and interest earned on the account, will bring the rainy day fund balance to the required \$21.5 million.

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**Debt service:** The fiscal year 2020 appropriation for bond maturities and interest totals \$24.5 million, or 5.7% of the budget, 0.1% less than last year. The fiscal year 2020 debt service budget is \$440,000 (1.8%) greater than the current year debt service budget and includes \$3.5 million in debt service on the Angier and Cabot elementary school debt exclusion projects. Total General Fund financed bonded debt was \$334.7 million at March 31, 2019.

**State assessments:** The fiscal year 2020 budget includes an estimate of \$6.5 million for state assessments, principally MBTA service.



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**Appendix A: FY2019 Supplemental Appropriations**

<b>FY19 by Purpose</b>	<b>Description</b>	<b>CO#</b>	<b>Amount</b>
<b>Street Improvements</b>	Accelerated Roads Program	51-19	\$ 3,000,000
	Wells/Nahanton Signals & Intersection Improvements	540-18	\$ 105,103
			<b>\$ 3,105,103</b>
<b>Capital Outlay &amp; Improvements</b>	150 Jackson Road Feasibility Study	33-19	\$ 1,300,000
	Fire Station 1 and 2 Upgrades	561-18	\$ 300,000
	Lincoln-Eliot Windows and Accessibility Improvements	560-18	\$ 150,000
			<b>\$ 1,750,000</b>
<b>Newton Public Schools</b>	Homeless Student Transportation	534-18(2)	\$ 28,804
			<b>\$ 28,804</b>
<b>All other- Municipal</b>	Bond Premiums to pay issuance costs	N/A	\$ 103,876
	Fire Department Expenses	30-19	\$ 95,000
	Revise state assessments to final cherry sheet	tax recap	\$ 25,444
	Operation Access (handicap parking enforcement)	606-18	\$ 7,000
			<b>\$ 231,320</b>
<b>Total FY 2019 by Purpose</b>			<b>\$ 5,115,227</b>

<b>FY19 by Source</b>	<b>Description</b>	<b>CO#</b>	<b>Amount</b>
<b>Revenue</b>	Revise state assessments to final cherry sheet	tax recap	\$ 25,444
			<b>\$ 25,444</b>
<b>Free Cash</b>	150 Jackson Road Feasibility Study	33-19	\$ 1,300,000
	Fire Station 1 and 2 Upgrades	561-18	\$ 300,000
	Lincoln-Eliot Windows and Accessibility Improvements	560-18	\$ 150,000
	Fire Department Expenses	30-19	\$ 95,000
	Homeless Student Transportation	534-18(2)	\$ 28,804
			<b>\$ 1,873,804</b>
<b>Overlay Surplus</b>	Accelerated Roads Program	51-19	<b>\$ 1,750,000</b>
<b>Transfers from other Funds</b>	Accelerated Roads Program	51-19	\$ 1,250,000
	Wells/Nahanton Signals & Intersection Improvements	540-18	\$ 105,103
	Bond Premiums to pay issuance costs	N/A	\$ 103,876
	Operation Access (handicap parking enforcement)	606-18	\$ 7,000
		<b>\$ 1,465,979</b>	
<b>Total FY 2019 by Source</b>			<b>\$ 5,115,227</b>