

**City of Newton, Massachusetts**  
**General Fund**  
**Fiscal Year 2023 Comptroller's Budget Analysis**

**Introduction**

The purpose of this document is to provide a summary level financial analysis of the Mayor's recommended FY 2023 **General Fund** budget dated April 19, 2022. This report is intended to supplement the information contained in the budget document.

**Budget Summary**

The Mayor's recommended General Fund budget for FY 2023 is \$480 million – \$17.3 million or 3.7% greater than the *original* current year FY 2022 budget. The recommended General Fund budget includes \$3 million from the federal American Rescue Plan Act of 2021 (ARPA). The Mayor's recommended 2023 budget of \$480 million is \$14.6 million or 3.1% more than the current year *amended* budget. The amended budget for FY 2022 of \$465.3 million includes approved General Fund City Council Orders through March 31, 2022. The following table includes a year-by-year summary of growth in original and final amended budgets from 2013 to 2021, with average annual increases of 4.3% and 4.1%, respectively.

Fiscal Year	Original Budget	\$ Change Prior Year	% Change Prior Year	Amended Budget	\$ Change Prior Year	% Change Prior Year
<b>2023</b>	<b>\$ 479,995,878</b>	<b>17,326,339</b>	<b>3.7%</b>			
2022	462,669,539	23,130,092	5.3%	465,349,341	23,731,102	5.4%
2021	439,539,447	9,255,066	2.2%	441,618,239	3,237,122	0.7%
2020	430,284,381	17,770,992	4.3%	438,381,117	14,414,940	3.4%
2019	412,513,389	17,199,652	4.4%	423,966,177	13,358,150	3.3%
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%

The following two tables summarize the nature of amendments to the original budget for fiscal years 2021 and 2022. 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, 2022, contained in the FY 2022 supplemental appropriations.

**General Fund Supplemental Appropriations by Purpose**

	FY 2022 YTD	FY 2021 Actual
Capital outlay & improvements	\$ 70,262	\$ 2,093,285
All other - Municipal	2,609,540	1,862,049
Newton Public Schools	-	23,458
Rainy Day Stabilization	-	1,000,000
<b>Total supplemental appropriations</b>	<b>\$ 2,679,802</b>	<b>\$ 4,978,792</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 FY 2022.

**General Fund Supplemental Appropriations by Source**

	FY 2022 YTD	FY 2021 Actual
Free cash	\$ 1,565,000	\$ 4,360,743
Overlay surplus	-	-
Transfers from other Funds	1,060,735	456,000
Revenue	54,067	162,049
<b>Total supplemental appropriations</b>	<b>\$ 2,679,802</b>	<b>\$ 4,978,792</b>

The following table summarizes the major components of the Mayor's recommended FY 2023 Revenue Budget along with the dollar and percentage change from the current year **amended** budget. FY 2023 ARPA funds of \$3 million are included in the *Transfers from other funds* category.

**FY 2023 Budget Financing Plan (Revenue)**

	2023 Budget	%	2022 Budget	\$ Change	% Change
	Recommended	Total	(as amended) {1}	from 2022	from 2022
				Amended Budget	Amended Budget
Property taxes (net of abatement reserve)	\$ 403,390,395	84.0%	\$ 387,547,722	\$ 15,842,673	4.1%
Motor excise taxes	13,300,000	2.8%	12,800,000	500,000	3.9%
Hotel/motel room occupancy tax	1,000,000	0.2%	575,000	425,000	73.9%
Meals tax	1,800,000	0.4%	1,550,000	250,000	16.1%
In lieu of tax payments	310,000	0.1%	335,000	(25,000)	-7.5%
Interest & penalties	1,355,000	0.3%	1,355,000	-	0.0%
Cannabis State Tax	500,000	0.1%	350,000	150,000	42.9%
<b>Total Taxes</b>	<b>421,655,395</b>	<b>87.8%</b>	<b>404,512,722</b>	<b>17,142,673</b>	<b>4.2%</b>
Charges for service	3,883,335	0.8%	3,309,753	573,582	17.3%
Fines & forfeitures	1,055,000	0.2%	850,000	205,000	24.1%
Licenses & permits	8,766,625	1.8%	8,763,891	2,734	0.0%
Investment income	450,000	0.1%	300,000	150,000	50.0%
Other local revenue	112,000	0.0%	258,506	(146,506)	-56.7%
<b>Total non-tax local revenue</b>	<b>14,266,960</b>	<b>3.0%</b>	<b>13,482,150</b>	<b>784,810</b>	<b>5.8%</b>
Cherry sheet aid	32,687,523	6.8%	32,092,862	594,661	1.9%
Other state & federal aid	1,510,000	0.3%	1,160,000	350,000	30.2%
<b>Total Intergovernmental aid</b>	<b>34,197,523</b>	<b>7.1%</b>	<b>33,252,862</b>	<b>944,661</b>	<b>2.8%</b>
Transfers from other funds	8,266,823	1.7%	10,927,430	(2,660,607)	-24.3%
Fund balance	1,609,177	0.3%	3,174,177	(1,565,000)	-49.3%
<b>Total General Fund Revenue Budget</b>	<b>\$ 479,995,878</b>	<b>100.0%</b>	<b>\$ 465,349,341</b>	<b>\$ 14,646,537</b>	<b>3.1%</b>
<i>{1} 2022 Budget excludes continued appropriations from 6/30/2021.</i>					

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**Property taxes:** The following is a comparison of the budgeted tax levy for FY 2023 and the actual levy for FY 2022. The FY 2023 budgeted net tax levy of \$403.4 million represents 84% of all recommended revenues; this is the *Property taxes* category in the revenue budget.

**Budgeted and Actual Tax Levies**

	2023 Budget	2022 Actual
Prior year levy limit	\$ 389,181,547	\$ 373,675,762
2.5% annual increase	9,729,539	9,341,894
New growth	5,253,951	6,163,891
Debt exclusion debt service	3,225,358	3,129,345
Overlay (abatements & exemptions)	(4,000,000)	(4,747,973)
Unused levy capacity	-	(15,197)
<b>Net tax levy</b>	<b>\$ 403,390,395</b>	<b>\$ 387,547,722</b>

**Motor excise tax:** The 2023 budget of \$13.3 million is \$500,000 more than the current year revenue estimate. Revenue collections for fiscal year 2021 and the prior fiscal year were \$13.3 million and \$13.0 million, respectively. FY 2022 year to date collections through March 31, 2022 are \$10.8 million, or 84% of the annual budget. Current year auto excise tax billings of \$11.5 million are \$1.7 million or 17% more than the total amount billed at a comparable point last year; 3,002 more invoices have been mailed so far this year.

**Licenses & permits:** The 2023 budget of \$8.8 million is consistent with last year's budget; 86% of licenses and permits revenue stems from building and utility permits within the Inspectional Services department. FY 2022 Inspectional Services department revenue through March 31, 2022 is \$8.4 million of the \$9.8 million in total licenses and permits received. The \$9.8 million is already more than the FY 2022 budget.

**Intergovernmental:** The Mayor's fiscal year 2023 cherry sheet local aid revenue estimate of \$32.6 million is \$595,000, or 1.9% more than the current year budget. The state is not expected to finalize the FY 2023 budget until June or July of 2022. Non-cherry sheet state and federal aid, primarily Special Education Medicaid and Medicare Part D reimbursements, is estimated at \$1.1 million, or 22% more than the current budget.

**Transfers from other funds:** The 2023 budget anticipates \$8.3 million in interfund transfer financing for the General Fund including \$3 million from the federal American Rescue Plan Act of 2021, \$4.6 million from Water, Sewer and Stormwater Funds; \$300,000 from the Cable Franchise Administrative Fund; and \$332,000 from various Receipts Reserved for Appropriation.

**Fund balance:** The recommended 2023 budget is balanced using \$1.6 million in fund balance, consisting of \$1.5 million in available free cash, and \$109,177 representing the Massachusetts School Building Authority (MSBA) project reimbursements for past North and South High School project debt service. The use of \$1.6 million of fund balance is 0.3% of the total financing plan for the budget.

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The following table summarizes the major components of the Mayor's recommended fiscal year 2023 budget, along with dollar and percentage changes from the current budget, as amended. The Mayor's FY 2023 Recommended Budget document provides a programmatic description of changes in municipal department budgets.

**Fiscal Year 2023 Recommended Annual Appropriations (Expense)**

	2023 Budget	%	2022 Budget	\$ Change	% Change
	Recommended	Total	(Amended) {1}	from 2022	from 2022
				Amended Budget (1)	Amended Budget
Newton Public Schools	\$ 262,070,208	55%	\$ 253,207,930	\$ 8,862,278	3.5%
Municipal Departments					
Salaries & wages	84,644,238	18%	83,567,067	1,077,171	1.3%
Benefits (excluding retirees)	13,854,048	2.9%	13,437,471	416,577	3.1%
Workers compensation	800,000	0.2%	800,000	-	0.0%
Capital outlay & equipment	1,454,100	0.3%	1,692,059	(237,959)	-14.1%
All other	31,616,237	7%	31,758,485	(142,248)	-0.4%
Total Municipal Departments	132,368,623	28%	131,255,082	1,113,541	0.8%
Budget reserve (including snow & ice)	2,000,000	0.4%	1,512,798	487,202	32.2%
Retirement (including health benefits)	52,020,527	11%	48,152,428	3,868,099	8.0%
Transfer to other funds	-	0%	-	-	0%
Debt & interest	24,936,069	5%	24,599,153	336,916	1.4%
State assessments	6,600,451	1%	6,621,950	(21,499)	-0.3%
<b>Total General Fund appropriations</b>	<b>\$ 479,995,878</b>	<b>100%</b>	<b>\$ 465,349,341</b>	<b>\$ 14,646,537</b>	<b>3.1%</b>
(1) 2022 Amended Budget excludes continued appropriations from 6/30/2021.					

**Newton Public Schools:** The recommended \$262 million appropriation for the support of the Newton Public Schools represents an increase of over \$8.8 million or 3.5% over the current year budget, as amended. This sum includes all funds designated as transfers to other funds, specifically workers compensation, the school athletics program and food service. The total school appropriation does not, however, include approximately \$40 million which is included in other categories of the municipal budget, specifically for the following: school project debt service of \$19.1 million; pension funding and retiree health care for school participants in the Newton Contributory Retirement System of \$10.9 million; school health services of \$2.9 million; administrative expenses of \$1.7 million; school crossing guards of \$610,000; school property insurance of \$563,000; and school building water and sewer charges of \$756,000.

**Municipal Salaries and Wages:** Funding for non-union employees and for approved collective bargaining agreements are included in each department's personnel appropriation. A \$1.5 million salary/wage reserve is included in the Comptroller's budget. The total fiscal year 2023 recommended salary and wage appropriation of \$84.6 million is \$1.1 million more than the amended fiscal year 2022

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budget, an increase of 1.3%. The 2023 recommended salary and wage budget has a net increase of 9.17 FTE citywide; this is in large part to the 7.51 FTE increase in Public Works regarding waste management related activities.

**Employee Benefits:** The 2023 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 2023 benefits budget of \$13.9 million is 16.4% of recommended municipal salaries and wages. The amount budgeted for 2023 active employee health insurance benefits is \$11.3 million, or \$250,000 more than 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 31, 2022, the City's Group Health Self-Insurance Fund had reserves totaling \$18.3 million, the equivalent of 13 weeks 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 in excess of the amount anticipated in annual premiums.

**Workers Compensation:** The City's 2023 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, 2022, the Workers Compensation Fund has assets of \$18.3 million, accrued liabilities of \$10.9 million, and a positive fund balance of \$7.4 million. The fund balance at this time last year was \$9.9 million. A total of \$150,000 of the 2023 workers compensation appropriation is earmarked for medical bills for injured on duty police and fire personnel and the remaining \$650,000 is for statutory workers compensation benefit obligations.

**Snow & Ice:** The following table summarizes the FY 2023 budget for snow and ice control as well as expenditures for fiscal year 2022 through March 31, 2022 and the four prior fiscal years. The median annual expenditure for snow and ice control from FY 2018 through FY 2022 is \$4.9 million; the average over the five years is \$4.5 million. The fiscal year 2023 recommended budget includes a total of \$4.9 million for snow and ice control, including \$3.4 million in the Department of Public Works budget, and another \$1.5 million in budget reserve to be transferred if needed by vote of the Mayor and City Council.

**Snow and Ice Expenditure Trends**

	2023	2022 YTD	2021	2020	2019	2018
	<u>Recommended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>
Salaries & wages	950,000	801,318	1,055,030	736,246	1,013,434	1,413,268
Private contractors	1,300,000	702,500	2,273,610	1,241,790	2,356,893	3,070,411
Sand & salt	400,000	480,361	755,063	523,517	669,481	941,179
Capital equipment	-	-	-	-	197,570	149,925
All other	<u>750,000</u>	<u>697,725</u>	<u>809,408</u>	<u>723,296</u>	<u>776,717</u>	<u>988,990</u>
<b>Total snow &amp; ice expenditures</b>	<b>\$ 3,400,000</b>	<b>\$ 2,681,904</b>	<b>\$ 4,893,111</b>	<b>\$ 3,224,849</b>	<b>\$ 5,014,095</b>	<b>\$ 6,563,773</b>

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**Capital Outlay and Equipment:** A total of \$1.45 million is included in the 2023 budget for capital outlay and equipment as compared to \$1.5 million one year ago. The following chart is a summary of the nature of the FY 2023 capital outlay appropriation budget as compared to FY 2022, illustrating the categories of the \$71,000 year-over-year decrease.

**Capital Outlay and Equipment**

	2023	2022 Original	Change	
	Recommended	Budget	2023 vs 2022	% Change
Public Works other equipment	\$ 10,000	\$ -	\$ 10,000	100%
Public Works vehicles	420,000	420,000	-	0%
Police vehicles	350,000	350,000	-	0%
Building improvements	250,000	250,000	-	0%
Computer hardware & software	100,000	106,000	(6,000)	-6%
Public Safety communications equipment	100,000	100,000	-	0%
Other Public Safety equipment	46,600	44,000	2,600	6%
Conservation land improvements	25,000	25,000	-	0%
Elections/Clerk's Office equipment/furniture	2,500	5,000	(2,500)	-50%
Public Grounds Improvements	150,000	225,000	(75,000)	-50%
<b>Total Capital Outlay and Equipment</b>	<b>\$ 1,454,100</b>	<b>\$ 1,525,000</b>	<b>\$ (70,900)</b>	<b>-5%</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 2023 budget includes \$100,000 for legal settlements. The following is a summary of actual expenditures for fiscal year 2022 year-to-date and the three prior fiscal years. There were two out of the ordinary Legal Settlements in FY 2022, totaling \$1.6 million, of which the increase was funded through Free Cash.

**Legal Settlement Expenditure Trends**

	2023	2022 YTD	2021	2020	2019	2018
	Recommended	Expended	Expended	Expended	Expended	Expended
<b>Claims &amp; settlements</b>	\$ 100,000	\$ 1,777,106	\$ 126,534	\$ 470,867	\$ 368,203	\$ 102,852

**Energy and Utilities:** The total budget for energy and utilities is \$3.9 million, a net increase of \$350,000 (10%) as compared to the current year's budget; 90% (\$316,000) of the total increase is projected in gasoline and diesel due to rising costs. Other increases in heating oil (\$2,000), water and sewer (\$15,000), and electricity (\$19,000) more than offset a small projected decrease in natural gas (\$1,500). Rates in water and sewer are expected to increase in FY 2023, but that exact determination has not been made. All school utilities except for water and sewer are included in the school department budget. The following table compares the recommended 2023 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**

	2023	2022	2021	2020	2019
	Recommended	Budget	Expended	Expended	Expended
Water & sewer	\$ 1,127,970	\$ 1,112,970	\$ 794,037	\$ 1,091,356	\$ 1,086,431
Electricity	1,404,500	1,385,500	1,367,626	1,327,050	1,262,363
Natural gas	402,500	404,000	335,360	375,993	419,605
Gasoline	579,553	354,475	269,914	259,198	422,817
Diesel	322,632	231,500	223,588	179,961	243,635
Heating oil	55,000	53,000	41,572	58,277	66,665
<b>Total Energy and Utilities</b>	<b>\$ 3,892,155</b>	<b>\$ 3,541,445</b>	<b>\$ 3,032,097</b>	<b>\$ 3,291,835</b>	<b>\$ 3,501,516</b>

**Budget Reserve:** The 2023 budget includes a \$2.0 million budget reserve including \$500,000 for extraordinary and unforeseen purposes and \$1.5 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 \$2.0 million for the budget reserve, \$1.7 million of which has been either transferred or obligated to date.

**Retirement:** The retirement and retiree health benefit appropriation of \$52 million has increased by \$3.9 million or 8.0% from the current year budget. The City's fiscal year 2023 general fund actuarially required contribution to the defined benefit pension plan is \$38.6 million, or 74.2% of the total retirement appropriation. The FY 2023 contribution represents a \$3.3 million or 9.6% increase over the current year appropriation.

The 2022 defined benefit plan contribution is based upon the funding schedule that was developed in conjunction with the January 1, 2021 actuarial valuation of plan assets and liabilities and is intended to achieve full actuarial funding of pension benefit obligations by fiscal year 2030. There are no longer any Non-contributory pension benefits.

FY 2023 retiree health and life benefit appropriations are \$13.4 million, or \$550,000 (4.3%) more than the current year budget; this account is for the pay-as-you-go funding requirement for retiree health benefits. The City's FY 2023 budget also includes fund contributions of \$979,000 to Other Post-Employment Benefits (OPEB retiree health insurance). Similarly, the school budget includes \$2.9 million for Other Post-Employment Benefits, bringing the total OPEB fund contribution budget to \$3.9 million. The February 28, 2022 fund balance of the City's OPEB trust was \$26.0 million and the actuarial value of accrued retiree health benefits at June 30, 2021 was \$898.5 million.

**Transfer to the Rainy Day Stabilization fund:** The fiscal year 2023 appropriation does not include a contribution to the City's Rainy Day Fund. As of April 2022, there is a pending docket item to transfer \$800,000 from the June 30, 2021 Certified Free Cash to the Rainy Day Stabilization fund. This docket item when approved would raise the balance in the fund to the required value of 5% of the FY23 general fund operating budget to \$24 million.

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**Debt service:** The fiscal year 2023 appropriation for bond maturities and interest totals \$24.9 million, or 5.2% of the budget. The fiscal year 2023 debt service budget is \$389,000 (1.6%) more than the current year debt service budget and includes \$3.2 million in debt service for the Angier and Cabot elementary school debt exclusion projects. Total bonded debt was \$331.4 million at March 31, 2022, including \$278.8 million for the general fund, and \$38.8 million for water, sewer, and stormwater, and \$13.8 million for the Community Preservation Fund. Total bonded debt is less than one fifth of the City's statutory debt limit.

**State assessments:** The fiscal year 2023 budget includes an estimate of \$6.6 million for state assessments, principally MBTA service.



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**Appendix A: FY 2022 General Fund Supplemental Appropriations as of March 31, 2022**

<b>FY 2022 by Purpose</b>	<b>Description</b>	<b>CO#</b>	<b>Amount</b>
<b>Capital Outlay &amp; Improvements</b>	Library Design Stormwater management	#278-21	\$ 37,500
	Crystal Lake ADA Swim Chair	#319-21	\$ 2,262
	Washington St Fence	#145-22	\$ 30,500
			<b>\$ 70,262</b>
<b>All other- Municipal</b>	Revise State Assessments to final cherry sheet	tax recap	\$ 54,067
	Legal Settlement	#104-22	\$ 1,500,000
	Legal Settlement	#105-22	\$ 65,000
	Executive Consulting-PEG	#255-21	\$ 200,000
	NHA Affordable Housing	#346-21	\$ 643,216
	Fire Prevention Activities	#102-22	\$ 2,600
	Bond Issuance Costs	N/A	\$ 144,657
		<b>\$ 2,609,540</b>	
<b>Total FY 2022 by Purpose</b>			<b>\$ 2,679,802</b>

<b>FY 2022 by Source</b>	<b>Description</b>	<b>CO#</b>	<b>Amount</b>
<b>Revenue</b>	Revise State Assessments to final cherry sheet	tax recap	\$ 54,067
			<b>\$ 54,067</b>
<b>Free Cash</b>	Legal Settlement	#104-22	\$ 1,500,000
	Legal Settlement	#105-22	\$ 65,000
			<b>\$ 1,565,000</b>
<b>Transfers from other Funds</b>	Executive Consulting-PEG (RR)	#255-21	\$ 200,000
	Library Design Stormwater management (SW)	#278-21	\$ 37,500
	Crystal Lake ADA Swim Chair (RR)	#319-21	\$ 2,262
	NHA Affordable Housing (RR)	#346-21	\$ 643,216
	Fire Prevention Activities (RR)	#102-22	\$ 2,600
	Bond Issuance Costs (RR)	N/A	\$ 144,657
	Washington St Fence (RR)	#145-22	\$ 30,500
		<b>\$ 1,060,735</b>	
<b>Total FY 2022 by Purpose</b>			<b>\$ 2,679,802</b>