

FY2025 Budget Executive Summary

The challenges of our times are manifest: illness, isolation and loss of learning from the pandemic, financial insecurity, wars overseas unsettling us at home, expensive housing, disagreements over zoning and development, a lengthy strike by the teachers of our treasured Newton Public Schools, migrants needing a helping hand, flooding and climate change, traffic congestion and long commutes to name a few. These headwinds weigh heavily on all of us, fraying social bonds, eroding confidence in our democratic institutions, and fertilizing the dual maladies of anxiety and burnout.

Yet, I can't think of a better place than here in Newton to wrestle with these challenges and together develop transformative solutions.

This is difficult work. It challenges all of us to have empathy for those with whom we may disagree and build consensus born of pragmatism as we chart the path forward.

The duties of a City Government are varied and complicated, and success is measured not by how well we do in just one or two areas but rather in dozens. The rapid progress we yearn to make on one front is often tempered both by the responsibilities we must meet on many others, as well as the stubborn truth that our resources are finite.

Our experiences in the past few years have informed how many of us think about the challenges we face. Putting together the FY2025 budget reminds us that we must be judicious in our spending and investment decisions because we need to do three things simultaneously.

- First, move forward sustainably to make Newton greater, better and more beautiful, which includes excellent schools, first-rate public safety, outstanding services, better streets and sidewalks, refurbished buildings for schools, public safety, older residents and other services, and investments that support our community and businesses;
- Second, fulfill obligations made by prior Mayors and City Councils that we have not yet funded sufficiently, including those to our retired employees; and,
- Third, protect the City's financial strength and budgetary flexibility to face evolving and unpredictable conditions and risks, such as pandemics, economic downturns, inflationary cycles and weather events.

In everything we do, we are conscious of how much work lies ahead so we continue to be the community of choice that has attracted, in particular, so many families, generation after generation; how much of our aging infrastructure and roads still need updating; how much more we need to do for our students and older residents; how many more actions we must take locally to confront the global climate crisis; how much more care our athletic fields, parks, playgrounds and trees need; how we need to be responsive to our businesses and non-profits in these unsettled times. Addressing climate change, systemic racism, police reform, socio-economic inequality, mental health, inflation, and cyber insecurity are front and center as well. We have much that needs to be done.

In preparing the FY2025 Budget, we have been mindful of the implications these tremendous challenges have on our City. Our budget deliberations have helped us look at all the initiatives and recommendations and then pause and prioritize. We must think strategically and holistically as we utilize our financial resources to meet our expectations of what kind of community we want to be.

The FY2025 Mayor's Proposed Budget is \$525.4million, a \$25.7 million or 5.1% increase over the FY24 budget and represents a culmination of the framework that was laid during the first six years of the Fuller Administration. Integral to this budget is the utilization of the NPS Educational Stabilization Fund. With the support of the City Council, we have worked to transform \$22 million of one-time funds into on-going support to bolster operations for the Newton Public Schools over the next five years.

Total available funds for NPS for the 2024/2025 school year will be \$282.6 million, a total increase of \$14.0 million, or 5.2%. The proposed NPS Budget has been increased by \$9.9 million (3.7%) and will be supplemented by an additional \$4.1 million from the NPS Educational Stabilization Fund. With this increase, our Superintendent will be able to fund the recently settled teachers' contract, hire additional staff, increase mental health services at the elementary level, improve curriculum and pedagogy, and address class sizes to help meet the needs of our students.

All other areas, or what we often refer to as the "Cityside", including Pensions and Retiree Health Insurance, Debt Service, and all municipal operations will increase by \$11.8 million, or 5.1%. Exciting initiatives on the "Cityside" include funding for the soon to be completed (June 2024) Gath Pool Complex, ramping up of staffing in the latter part of FY2025 for the Cooper Center for Active Living (scheduled to open fall 2025), additional forestry staff (with a corresponding reduction of contract labor), additional support for dispatch of our public safety and emergency medical services, and furtherance of our commitment to increasing building maintenance, paving, traffic calming, and maintenance of our parks and recreational spaces.

To summarize, a budget is a statement of our values. A well-managed, fiscally-sound City is essential to providing exceptional teaching and learning to our 11,800 students, delivering top-notch city services to our residents and people who work here, helping our residents and businesses rebound, and making important updates to our infrastructure. Similarly, we must ensure our tax dollars are being used in an effective and accountable manner. Perhaps most importantly, we must make smart and sustainable financial decisions to create the funding for thoughtful investments in Newton's future and to weather difficult economic cycles or unanticipated crises like a pandemic. We must also ensure that we maintain our deep commitment to the health, well-being, and safety of our approximately 3,500 valued employees and honor our commitments to them in their retirement years.

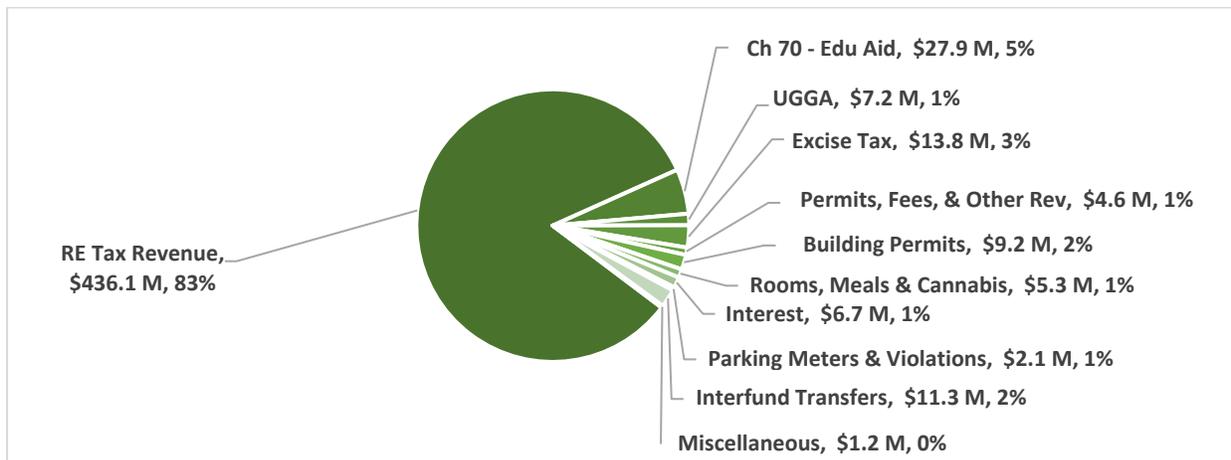
We will continue to carefully evaluate the many needs within our community and the opportunities we have. We will be judicious in our deliberations, transparent in our decision making and ensure that every investment that we make will be in the best interest of the people of this good city.

Projected Revenue - Fiscal Year 2025

The Fuller Administration’s policy is to project revenues both carefully and conservatively, so we do not overestimate and face revenue shortfalls during the year.

Fiscal Year 2025 Revenue is projected to total just over \$525.4 million, a \$25.7 million or 5.1% increase over the FY2024 original budget. This increase includes an additional \$17.1 million from property taxes and an additional \$700,000 of state education, unrestricted, and other aid. Of significance, FY2025 Interest Income from Investments has been increased by \$4.2 million (\$6.7 in FY2025 vs. \$2.5 million in FY24) as interest rates continue to be quite strong. Of the \$4.2 million, “ordinary” interest income has been increased by \$2.5 million, while “extraordinary” income resulting from the issuance of Bond Anticipation Notes to fund major construction projects over the next year which is expected to generate an additional \$1.7 million in interest income. Further, the total revenue will be supplemented by an additional \$4.1 million interfund transfer from the NPS Educational Stabilization Fund.

Projected FY2025 Revenue Sources - \$525.4 M



Property Tax Revenue

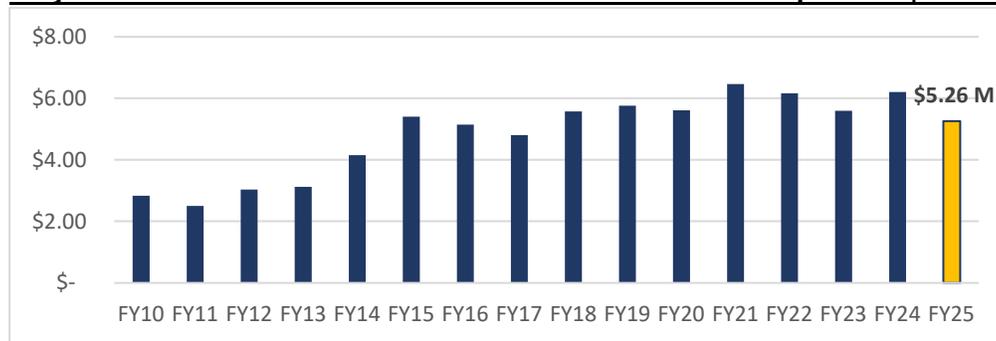
Property Taxes are far and away the largest revenue source, accounting for approximately 83% of total City of Newton revenue in the annual budget.

Proposition 2½, passed by the voters of the Commonwealth in 1980, requires that the annual increase of the tax levy for the City of Newton must not exceed 2½ percent of the prior year’s tax levy, in addition to the total amount attributable to taxes raised from new real property growth and redevelopment.

FY2025 property tax revenue is estimated to total \$436.2 million, an increase of \$17.1 million or 4.1%. This includes a 2.5% increase allowed by Proposition 2 ½ (\$10.5 million), increased taxes from “new growth and redevelopment” (\$5.3 million), and increased taxes to support newly issued bonds on projects approved by Newton’s voters in March 2023 for two debt excluded elementary school projects (\$500 K – Countryside and Franklin).

The 30-year average annual increase attributable to “new growth and redevelopment” as a percent of the tax levy is 1.4%. We have budgeted new growth at 1.25% this year, due to a slight reduction in numbers of permits issued, as well as a slight decrease in the value of those permits.

Projected FY2025 Revenue from New Growth and Redevelopment - \$5.26M



Senior Tax Deferral Program and Other Tax Relief Programs

In FY2023, Mayor Fuller with the support of the City Council expanded the eligibility for qualified older residents to delay paying their property taxes to allow more seniors to be able to afford to stay in Newton, as well as to increase the personal exemptions for qualifying residents on additional tax relief programs.

Senior Tax Deferral – Clause 41A

Under the Commonwealth’s Clause 41A, older residents may be able to delay payment of their property taxes. A property tax deferral does not discharge the tax obligation. Instead, it defers payment until the resident sells the property or passes away. A deferral allows older residents to use resources that would go to pay taxes to defray living expenses with the goal of enabling older residents on modest and oftentimes fixed incomes to stay in our City by delaying payment of real estate taxes. Taxpayers who qualify may defer all or part of their taxes each year; however, the total deferral cannot exceed 50% of the assessed value of the property.

The income limit for older residents to qualify set by the state in G.L. c. 59, sec. 5, cl. 41A in 1991 was \$40,000. In 2004, recognizing increases in the cost of living in the Newton area, the City of Newton was granted Home Rule legislation to allow a new upset limit of \$60,000, and then to \$86,000 in FY18.

In November 2022, the City Council approved Mayor Fuller’s request to amend City Ordinance Sec. 27-10, increasing the income limit of the tax deferral program to match the maximum allowable state circuit breaker amount of \$93,000 for the local M.G.L c. 59 sec. 5cl. 41A tax deferral program. Concurrent with this action, the total gross income limit for the city Water and Sewer Discount Program was automatically increased to \$93,000.

Other Tax Relief Programs

Additionally, in November 2022, the City Council approved Mayor Fuller’s request to accept M.G.L. c. 59 sec. 5C½, which provides for an additional real estate exemption for taxpayers who are granted personal exemptions on their domiciles under M.G.L. c. 59 sec. 5, including certain blind persons, veterans, surviving spouses and seniors, and to provide an additional exemption up to 100 percent of the personal exemption, to be effective for exemptions granted for any fiscal year beginning on or after July 1, 2023. A 100 percent increase is the maximum additional exemption permitted under Section 5C½. Specific details on the City of Newton’s tax relief programs can be found at www.newtonma.gov/tax-assistance.

Economic Development

In December 2023, the City Council voted to approve village center overlay district (VCOD) zoning and enabled by-right development in six village centers with MBTA rail service in compliance with the State’s MBTA Communities Act. The village center zoning along main commercial streets requires first floor commercial use to support economic development and vibrancy in our village centers.

Planning staff in collaboration with the City Council have advanced several incremental changes to the zoning ordinance to benefit small businesses. Approved zoning amendments have eased the permitting of animal service establishments (i.e., pet grooming), enabled craft brewing and distilling businesses, and made the bottling of

alcoholic beverages in Newton legal for the first time in a century. For 2024, Planning staff have identified nearly a dozen additional small zoning amendments that could benefit/encourage small business.

Transportation related improvements are integral to successful economic development. The \$30 million Mass DOT Needham Street project is well underway with completion of the Newton-Needham bridge and the Needham Street stretch between Oak Street and Winchester Street during the upcoming construction season. This year will also bring streetscape improvements to Pettee Square in Upper Falls. We are in the final design stages for both the Newton Highland village streetscape and Washington Street Pilot project. Finally, we are working closely with Mass DOT and the MBTA respectively on the designs for both the Newton Corner Circle improvement plan and the Newtonville Commuter Rail renovation project to increase service frequency and accessibility.

State Education Aid - Chapter 70

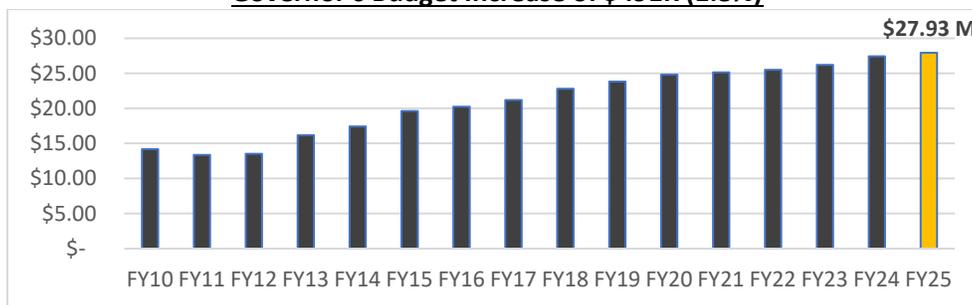
Chapter 70 State Education Aid is the largest source of financial aid from the State that the City of Newton receives.

The Student Opportunity Act, signed in 2019, introduced the most significant statewide update to the education funding formula since its inception in 1993. The bill, passed before COVID-19, is intended to infuse an additional \$1.5 billion annually into the state’s education aid, as well as to increase funding to school districts for transportation, school construction and renovation, and special education.

The bulk of the new funding has been directed to school districts with the highest concentrations of low-income students, thereby aiming to close achievement gaps and provide opportunity for all students in the Commonwealth. The additional financial support for the Newton Public Schools has been modest, increasing less than the rising costs of NPS and less than the growth in Newton’s revenues.

Governor Maura Healey’s FY2025 budget has proposed an increase of 1.797 percent. In dollar terms, this is \$27,926,713 in Chapter 70 State Education Aid for the City of Newton, an increase of \$491,907 over the final approved FY2024 grant of \$27,433,806.

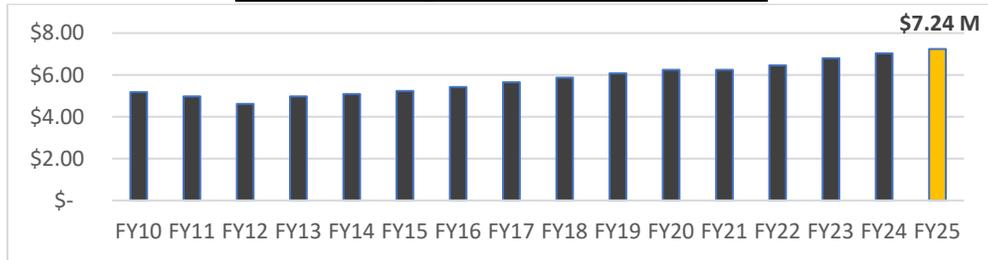
Projected FY2025 Chapter 70 State Education Aid
Governor’s Budget Increase of \$491K (1.8%)



Unrestricted General Government State Aid

In FY2010, the Lottery Aid Program (revenue from state lottery profits) and the Additional Assistance Program were combined to form a single revenue source from the State to cities and towns, now known as Unrestricted General Government Aid (UGGA). UGGA represents a much lower amount of State aid to the City compared to Chapter 70 at approximately 25% of the Ch. 70 state education aid. As indicated in the chart below, this revenue source has seen steady increases over the past several years. Governor Healey has proposed an increase in UGGA for Newton of \$210,760 for this coming year, for a total FY2025 grant of \$7,236,119. This represents an increase of 3.0 percent.

**Projected FY2025 Unrestricted General State Aid
Governor’s Budget Increase of \$210K (3.0%)**



Motor Vehicle Excise Tax Revenue

Massachusetts residents who own and register a motor vehicle annually pay a motor vehicle excise tax for the privilege of road use and those tax revenues go to the treasury of the local city or town. The amount of excise tax levied on each motor vehicle is \$25 per one thousand dollars of valuation.

Over the past decade, total excise tax revenue has fluctuated from a low of just over \$10 million in FY2011 to \$13.8 million in FY2023. While we decreased our Excise Tax projections during COVID-19, we have increased our FY2025 budgeted amount back to our pre-pandemic run-rate of \$13.75 million.

Projected FY2025 Revenue from Excise Taxes – \$13.75M



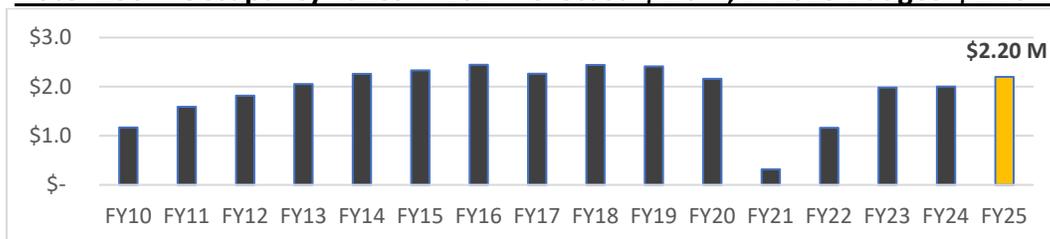
Hotel Room Occupancy Tax

The Commonwealth of Massachusetts has a state room occupancy excise tax rate of 5.7%. In addition, a city or town may adopt a local option room occupancy tax rate of not more than 6%. The Board of Aldermen of the City of Newton voted to accept the local option on October 7, 1985. As a result of the acceptance of this local option, the City of Newton received more than \$2 million of Hotel Room Occupancy Tax Revenue in each of the eight years prior to the pandemic.

Prior to the pandemic, Newton had three hotels in operation – the Four Points, the Marriott and the Hotel Indigo. Ultimately, the Indigo closed in March 2020 due to COVID and will not reopen.

In addition, almost immediately following the onset of the coronavirus pandemic, the hospitality industry began to experience unprecedented cancellations of conferences, vacations, weddings, and more. Consequently, we reduced our FY2021 forecast down to approximately \$300K. Fortunately, room tax revenues have since rebounded, and we have increased our FY2025 budget to \$2.2M, an additional \$200K over FY24 projections.

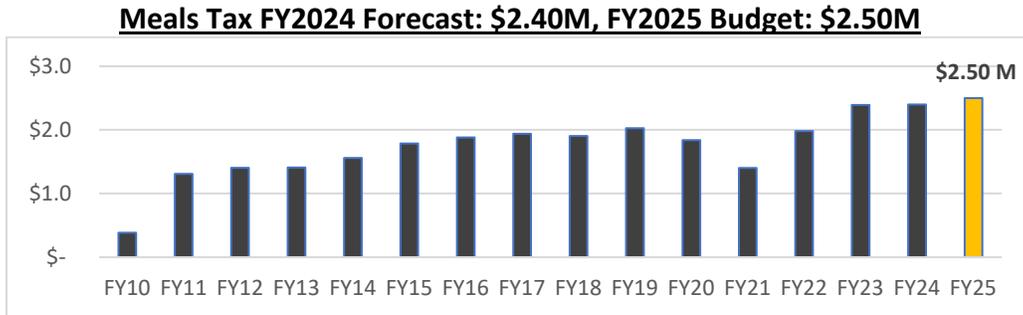
Hotel Room Occupancy Taxes FY2024 Forecast: \$2.0M, FY2025 Budget: \$2.20M



Meals Tax

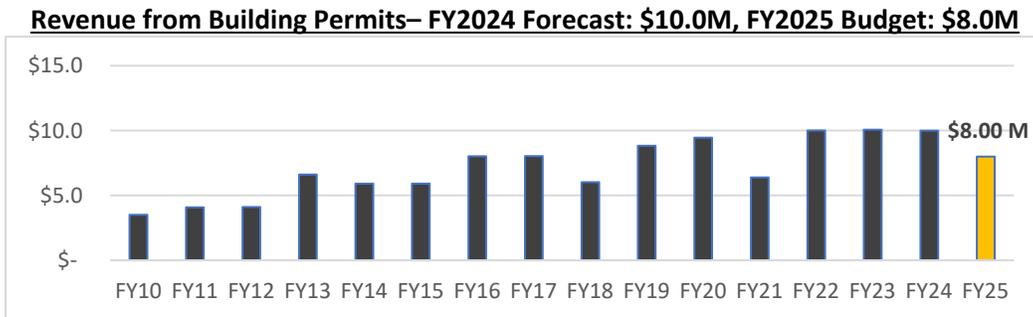
The Commonwealth of Massachusetts imposes a sales tax on meals sold by or bought from restaurants or any restaurant part of a store. The tax is 6.25% of the sales price of the meal. Additionally, a local option meals tax of 0.75% may be applied. In October 2009, the City of Newton adopted the local option meals tax effective January 1, 2010. This decision had provided the City with a steady revenue stream of approximately \$1.9 million prior to the pandemic.

COVID-19 also hurt the restaurant industry. Approximately 3,600 or 20% of all restaurants across the Commonwealth have permanently closed. Fortunately, we have seen a robust rebounding of this industry which is so vital to the success of our village centers and commercial corridors. We increased our FY2024 forecast for the meals tax to \$2.4M and have budgeted \$2.5 M for FY2025.



Revenue from Building Permits

Permitting activity is influenced heavily by the economy, interest rates, construction costs, as well as global events such as the pandemic. Although the Northland project was approved by both the City Council in 2019 and Newton voters in 2020, the coronavirus pandemic slowed its construction schedule. Additionally, the expected Riverside project is still on hold for the time being. Despite FY2024 revenue running significantly higher than originally budgeted, there are still considerable headwinds from the continued high borrowing rates, inflationary pressures, labor market and supply chain issues, and project delays, so we continue to be careful with this projection. The FY2025 budget for revenue from building permits has been set at \$8.0 million.



Projected Building Permit Fees for Significant Projects

	Construction Cost	Building Permit Fees	Construction Timeline
Northland	\$575,000,000	\$11,500,000	Q3 of 2022 to Q3 of 2030
Newton Crossing	\$85,000,000	\$1,700,000	Q2 of 2024 to Q4 of 2026

Note: Newton Crossing was formerly known as Dunstan East

Revenue from Interest Income

Interest income earned on the City’s cash reserves and investments has been as low as \$200,000 during the past decade when interest rates reached a record low of 0.25 percent in December 2008. In late April 2020, the Federal Reserve Bank decided in response to COVID-19 to again lower the Federal Funds Rate to that historical low of 0.25 percent. The Fed at that time signaled that they expected rates to remain at these historic lows until 2023. However, the Federal Open Market Committee (FOMC – the Fed committee that determines interest rates) started the “tightening” process in March 2022 by raising interest rates 0.25%. At subsequent meetings, the Fed greatly accelerated the pace of rate hikes, and by the end of 2022, the fed fund’s target rate stood at 4.25% to 4.50%. The 0.25% rate hike in March 2023 followed a similar rate increase in early February. The fed funds target rate, now in the 5.25% to 5.50% range, is at its highest level since October 2007.

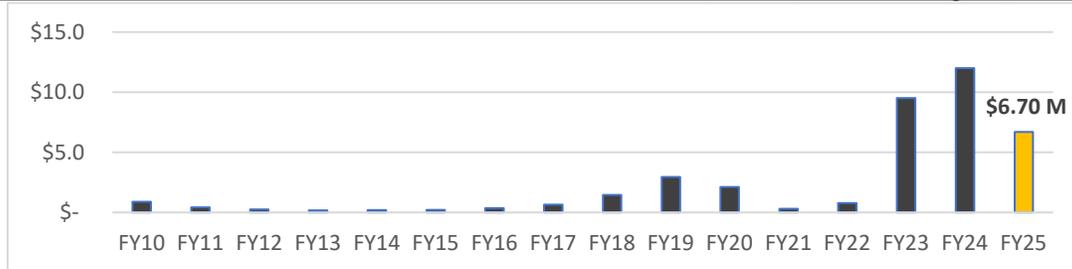
At its most recent meeting, March 19-20, 2024, the FOMC did not adjust interest rates. However, there is still wide anticipation that there will be three 25 basis point rate reductions in 2024. Further, it is anticipated that rates will fall to 3.75% - 4.00% by the end of 2025, and as low as 3.00% - 3.25% by the end of 2026.

While we do expect significant interest income to continue in FY2025, we cannot expect it to continue nor can we “bank on it” in subsequent years. Interest income will become a “declining” revenue stream over the next few years, and we must budget this source of funding carefully.

We have set the “Ordinary” interest income revenue budget at \$5.0 million, an increase of \$2.5 million over FY2024. Additionally, the issuance of Bond Anticipation Notes to fund major construction projects over the next year is expected to generate an additional \$1.7 million in interest income in FY2025. Therefore, we have included a one-year surge of \$1.7 million as “extraordinary” interest income in our revenue projections.

As always, all surplus interest income above the \$5.0 million will drop to Free Cash where it will be invested in and appropriated for much needed one-time expenditures.

Revenue from Interest on Investments – FY2024 Forecast: \$12.0M, FY2025 Budget: \$6.70M

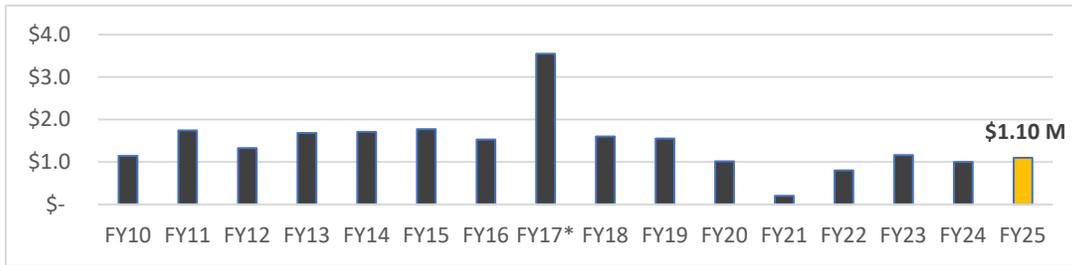


Revenue from Parking Meters & Parking Violations

Parking meters were first installed in the 1930s in an effort to instill some order to the chaos of street parking. Charging promotes turnover to regulate the use of a scarce and valuable resource – curb space in dense areas. Over the years, the City has installed new “smart” parking meters which accept credit card payments and allow us to monitor how consistently they are utilized.

Throughout the pandemic, the City made the conscious decision to not enforce parking policies, as an attempt to entice people back to our village centers. After the pandemic, the City began enforcing the parking restrictions again. As such, we expect our FY2024 parking meter revenues to total \$1.0 million and have included a projection of \$1.1 million in the FY2025 budget.

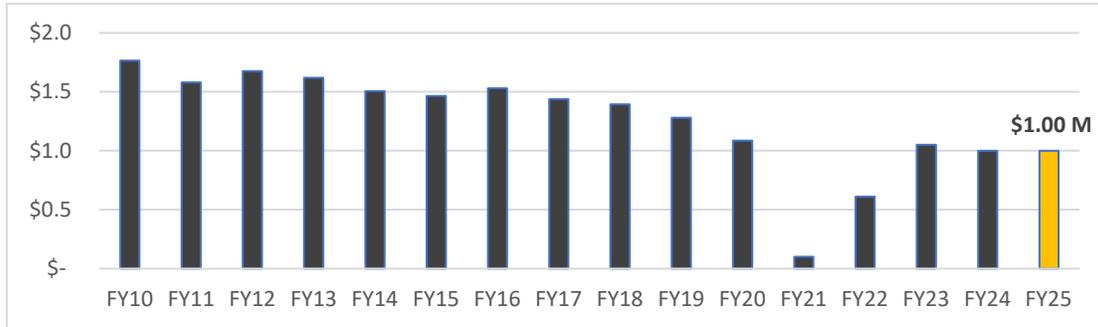
Revenue from Parking Meter Receipts – FY2024 Forecast: \$1.0M, FY2025 Budget: \$1.1M



*FY17 reflects a change in accounting for Parking Meter Receipts, generating a one-year “windfall” of revenue.

Enforcement of parking policies has a direct correlation with revenues from Parking Violations. Therefore, we have leveled out the projection for this revenue source at \$1 million.

Revenue from Parking Violations – FY2024 Forecast: \$1.00M, FY2025 Budget: \$1.0M



Tax Revenue and Impact Fees from Medical, Retail and Delivery Operation Cannabis Establishments

Beginning in 2019, the City of Newton could receive revenue from medical, retail and delivery cannabis establishments in two ways. First, by the City Council accepting a local option, the City received a three percent local tax the State applies on cannabis sales. This tax is collected by the State and returned to the City quarterly. For FY2025, we are forecasting a \$100K increase (20%) in cannabis taxes, totaling \$600K. The funds then go into the City’s general fund to support our operating budget. Second, the City has also received an additional three percent of sales from all marijuana establishments as a community impact fee pursuant to the City’s Host Community Agreement (HCA) with each establishment. These community impact funds have been used to directly address the public health, safety, education, administrative, infrastructure and other effects or impacts by the marijuana establishments on the City and our municipal and school programs, services, personnel, and facilities.

On November 9, 2022, comprehensive changes to the State’s cannabis laws went into effect. As part of the new laws, the Cannabis Control Commission recently issued updated regulations governing HCAs and community impact fees, effective March 1, 2024. These new regulations prohibit the collection of community impact fees after the first eight years of an establishments’ operation, substantially revise the regulatory oversight for and approval of HCAs, and establish penalties for municipalities that fail to, or improperly, document impact costs. Notably, the new laws significantly limit municipalities’ ability to collect community impact fees. The City is currently in the process of amending its existing HCAs to come into compliance with the new regulations and our projections reflect the new regulatory environment. While the City does retain the ability to collect HCA fees in very limited circumstances, for the second year in a row, the City no longer projects any future collection of community impact fees due to the extensive limits and strict criteria set forth in the new regulations. Notably, these legal changes do not impact the City’s continued collection of the three percent local tax on retail and delivery establishment sales but rather only the elimination of projected revenue of the additional 3% from HCA community impact fees.

Revenue from State and Federal Opioid Settlements

Over the last several years, the Commonwealth of Massachusetts has received several large opioid settlements, with municipalities sharing the funds. These payments will extend for another fourteen years through the end of FY2039. The City received slightly over \$446,000 in FY2023. Based on the funding schedule for subsequent payments, we expect Newton to have received a total of \$516,000 by the end of FY2024, and to receive \$200,000 in FY2025.

The State has very strict guidelines on the use of the funds by cities and towns. Furthermore, per the Massachusetts Attorney General's Office, the funds must not be used to supplant existing resources and rather must be used to implement one or more of the following strategies:

- Provide opioid use disorder treatment
- Support people in treatment and recovery
- Create connections to care
- Provide harm reduction
- Address the needs of criminal-justice-involved persons
- Support pregnant or parenting women and their families, including babies with neonatal abstinence syndrome
- Prevent misuse of opioids and implement prevention education

Newton formed a substance use coalition in October 2022 which consists of staff members from City and School Departments, community partners, and Newton residents. The coalition is focusing on youth prevention, parent support, community education, and harm reduction. The expertise and lived experience of the coalition members is helping guide the City's priorities in using the funds, which more specifically include:

- Expanding treatment options for individuals with opioid use disorder;
- Increasing connections to care for individuals at risk of developing opioid use disorder;
- Enhancing support for individuals who have lost someone to substance use and/or who currently have a loved one who is using substances;
- Implementing harm reduction measures such as increased access to naloxone; and
- Providing school and community-based substance use education, programming, and resources for community members across the lifespan.

A more detailed explanation of these funds can be found in the "Special Funds" section of this document.

Significant One-Time Revenues

American Rescue Plan Act (ARPA)

By far, the largest pandemic package benefitting Newton residents, businesses and non-profits is the American Rescue Plan Act of 2021 (ARPA), a \$1.9 trillion economic stimulus package signed into law by President Biden on March 11, 2021 to further respond to the economic and health effects of the COVID-19 pandemic. ARPA provided funding for a wide variety of purposes, including to local governments to bridge budget shortfalls and mitigate the fiscal impact of the pandemic.

The City of Newton received \$63.6 million dollars from ARPA which we began to use in FY2022. Congress created specific guidelines for how these funds can be used by municipalities with two categories being the most relevant for our City. Category A requires the funds be used to respond to the COVID-19 public health emergency and/or its negative economic impacts; and Category C allows investment of the funds to make up for the missed investments stemming from the City's "lost revenues" in the face of the pandemic.

In conjunction with other federal funds, ARPA funding allowed us to improve the ventilation systems in every school building. We bought iPads and Chromebooks for students. We helped businesses, restaurants and non-profits. We supported people who were struggling financially. We paved roads and improved villages. We improved parks and are creating a community garden on the north side of the city. We rebuilt the Children's Room at the Library. Students and schools received \$11.2M, COVID response \$10M, housing and human services \$8.6M, roads and traffic calming \$10.8M, parks, recreation and culture \$6.8M, municipal financial recovery \$4.4M, critical municipal infrastructure \$5.2M, and economic recovery for businesses, non-profits and village centers \$5.0M. Altogether, almost 98% of the funds have been allocated.

The following is a summary of the ARPA initiatives that Mayor Fuller has announced to date. An entire section of this FY2025 Budget is dedicated to discussing the City's utilization of these important one-time funds.

AMERICAN RESCUE PLAN ACT (ARPA) GRANT				
CITY OF NEWTON GRANT - \$63.6 MILLION				
	FY2022	FY2023	FY2024	TOTAL
STUDENTS & SCHOOLS				
NPS OPERATING BUDGET	\$ 2,485,968	\$ 1,620,000	\$ 1,080,000	\$ 5,185,968
COUNTRYSIDE FEASIBILITY STUDY	\$ 1,250,000			\$ 1,250,000
LINCOLN ELIOT DESIGN	\$ 350,000			\$ 350,000
HORACE MANN DESIGN	\$ 100,000			\$ 100,000
FRANKLIN FEASIBILITY STUDY	\$ 100,000			\$ 100,000
HORACE MANN PLAYGROUND	\$ 250,000			\$ 250,000
HIGH SCHOOL FIELD LIGHTS	\$ 1,400,000			\$ 1,400,000
WARD AND UNDERWOOD STUDY			\$ 100,000	\$ 100,000
NPS ELEMENTARY READING CURRICULUM			\$ 2,000,000	\$ 2,000,000
UNDERWOOD ELEMENTARY ROOF REPAIRS			\$ 41,120	\$ 41,120
NPS SUMMER MAINTENANCE			\$ 410,000	\$ 410,000
	\$ 5,935,968	\$ 1,620,000	\$ 3,631,120	\$ 11,187,088
COVID RESPONSE				
COVID ANTIGEN TESTS	\$ 76,100			\$ 76,100
PUBLIC BUILDING R-M	\$ 746,847			\$ 746,847
MEDICAL SUPPLIES	\$ 57,847			\$ 57,847
INSTRUCTIONAL TECHNOLOGY	\$ 10,754			\$ 10,754
REIMBURSEMENT - REMAINING COVID EXPENSE	\$ 1,090,000			\$ 1,090,000
SUMMER PROJECTS - VENTILATION, ETC	\$ 410,000			\$ 410,000
NPS TECHNOLOGY		\$ 1,050,000		\$ 1,050,000
BUILDING VENTILATION (NPS, CITY HALL, FIRE, POLICE)		\$ 2,200,000		\$ 2,200,000
CITY STAFF RECOGNITION	\$ 1,095,942			\$ 1,095,942
NPS STAFF RECOGNITION	\$ 3,293,650			\$ 3,293,650
	\$ 6,781,140	\$ 3,250,000	\$ -	\$ 10,031,140

**AMERICAN RESCUE PLAN ACT (ARPA) GRANT
CITY OF NEWTON GRANT - \$63.6 MILLION**

	FY2022	FY2023	FY2024	TOTAL
HOUSING & HUMAN SERVICES				
COMMUNITY NEEDS ASSESSMENT	\$ 41,500			\$ 41,500
ECONOMIC STABILITY AND MOBILITY	\$ 2,006,300			\$ 2,006,300
EMERGENCY HOUSING RELIEF PROGRAM	\$ 575,700			\$ 575,700
ACCESSIBILITY PROJECTS		\$ 500,000		\$ 500,000
AUBURNDALE FAMILY AFFORDABLE HOUSING & WILLIAMS SCHOOL		\$ 2,450,000		\$ 2,450,000
AFFORDABLE HOUSING & CLIMATE RESILIENCY			\$ 3,000,000	\$ 3,000,000
NEWMO TRANSITIONAL OPERATIONS			\$ 75,000	\$ 75,000
	\$ 2,623,500	\$ 2,950,000	\$ 3,075,000	\$ 8,648,500
ROADS & TRAFFIC CALMING				
ACCELERATED NEIGHBORHOOD ROAD REPAIR & PAVING	\$ 2,500,000	\$ 4,000,000	\$ 2,000,000	\$ 8,500,000
ACCELERATED TRAFFIC CALMING		\$ 2,000,000		\$ 2,000,000
BICYCLE/PEDESTRIAN MASTER PLAN	\$ 80,000			\$ 80,000
CARRIAGEWAY EASEMENTS			\$ 230,000	\$ 230,000
	\$ 2,580,000	\$ 6,000,000	\$ 2,230,000	\$ 10,810,000
PARKS, RECREATION, & CULTURE INVESTMENTS				
NEIGHBORHOOD PARKS & GARDENS	\$ 300,000			\$ 300,000
PARKS & CONSERVATION TRAIL ACCESS	\$ 150,000			\$ 150,000
STREET TREE INVESTMENT	\$ 250,000			\$ 250,000
FEASIBILITY NEWTON CENTRE PAVILLION	\$ 50,000			\$ 50,000
ATHLETIC FIELDS/PARK/BEACH/GATH POOL		\$ 2,500,000		\$ 2,500,000
JACKSON HOMESTEAD & MUSEUM EXHIBITS		\$ 200,000		\$ 200,000
NNHS SYNTHETIC TURF FIELD AT ALBEMARLE			\$ 2,200,000	\$ 2,200,000
NSHS SYNTHETIC TURF FIELD			\$ 332,000	\$ 332,000
TENNIS COURT RESURFACING			\$ 100,000	\$ 100,000
NAHANTON PARK SURVEY FOR CONSERVATION RESTRICTION			\$ 60,000	\$ 60,000
CONTINGENCY FOR STATE-FUNDED PROJECTS (FARLOW, CHAFFIN, PELLEGRINI)			\$ 650,000	\$ 650,000
	\$ 750,000	\$ 2,700,000	\$ 3,342,000	\$ 6,792,000
MUNICIPAL FINANCIAL RECOVERY				
CITY OPERATING BUDGET	\$ 2,117,677	\$ 1,380,000	\$ 920,000	\$ 4,417,677
	\$ 2,117,677	\$ 1,380,000	\$ 920,000	\$ 4,417,677
CRITICAL INFRASTRUCTURE				
CHILDREN'S ROOM - LIBRARY	\$ 1,558,583			\$ 1,558,583
NEWCAL DESIGN	\$ 500,000			\$ 500,000
ACQUISITION OF 47 WALNUT PLACE		\$ 1,485,000		\$ 1,485,000
POLICE HQ IMPROVEMENTS FEASIBILITY STUDY		\$ 500,000		\$ 500,000
CHEESECAKE BROOK BIKE/PED BRIDGE			\$ 700,000	\$ 700,000
ALBEMARLE FIELD HOUSE EXTERIOR			\$ 49,650	\$ 49,650
NEWTON CENTRE FIELDHOUSE EXTERIOR			\$ 97,971	\$ 97,971
CRYSTAL LAKE BATHHOUSE AND PARKING LOT			\$ 40,000	\$ 40,000
LIBRARY PLAZA REPAIRS			\$ 100,000	\$ 100,000
FIRE DEPT VEHICLES REPLACEMENT			\$ 160,000	\$ 160,000
	\$ 2,058,583	\$ 1,985,000	\$ 1,147,621	\$ 5,191,204
ECONOMIC RECOVERY & VILLAGE CENTERS				
HELP FOR RESTAURANTS	\$ 15,330			\$ 15,330
NEWTON HIRES	\$ 28,600			\$ 28,600
REVITALIZE CREATIVE NEWTON	\$ 75,000			\$ 75,000
NEWTON HIGHLANDS VILLAGE CENTER	\$ 250,000	\$ 750,000		\$ 1,000,000
PETTEE SQUARE/CHESTNUT-OAK INTERSECTION		\$ 1,100,000		\$ 1,100,000
WASHINGTON STREET PILOT & DESIGN		\$ 2,770,000		\$ 2,770,000
	\$ 368,930	\$ 4,620,000	\$ -	\$ 4,988,930
FUNDS DELIBERATELY HELD IN RESERVE				
REMAINING UNASSIGNED FUNDS			\$ 1,522,967	\$ 1,522,967
			\$ 1,522,967	\$ 1,522,967
TOTAL NEWTON ARPA COMMITMENTS	\$ 23,215,797	\$ 24,505,000	\$ 15,868,708	\$ 63,589,505

Projected Expenditures – Fiscal Year 2025

Altogether, the FY2025 “Cityside” department budgets (including retiree pensions and health care, and debt service) are increasing by 5.1% while the school department budget is increasing effectively by 5.2%, including the monies from the NPS Educational Stabilization Fund.

To ensure that expenditures do not exceed revenues, the Fuller Administration projects revenues conservatively while simultaneously moving toward developing expenditure budget estimates sufficient to address not less than 100% of projected operating requirements of the departments of the City for the next fiscal year.

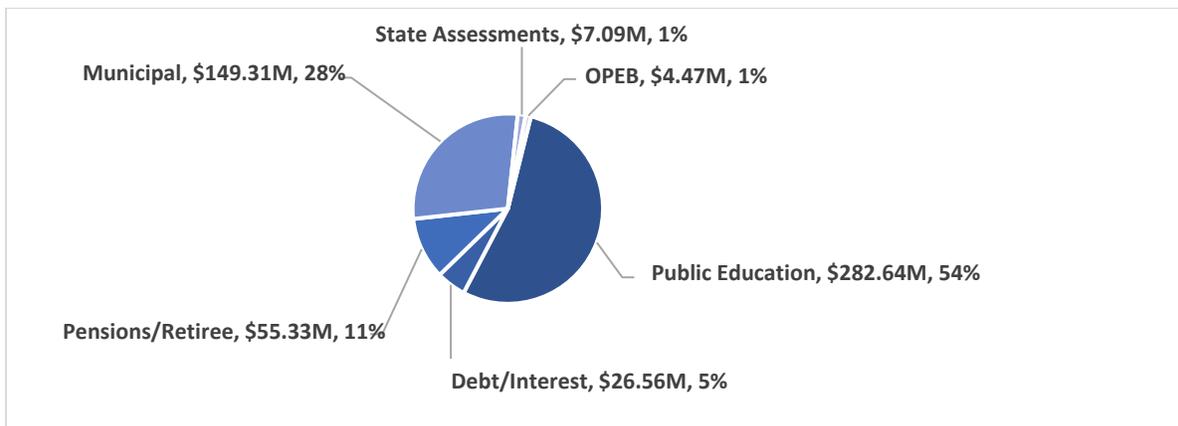
Although the City has made significant progress in budgeting anticipated expenditures sufficiently, much remains to be done. Therefore, the FY2025 municipal budget includes a significant commitment again to maintaining funding in maintenance of buildings and infrastructure, as well as increased funding to bolster the City’s snow and ice control budget, road improvements and pension and retiree health care liabilities.

Along with the Newton Public Schools, the City must remain committed to our long-term financial health and being disciplined in our expenditures. This includes three areas in particular:

- (1) Settling collective bargaining agreements that maintain parity between growth in revenue and expenditures,
- (2) Following the planned funding schedules for pension and retiree health care (a.k.a., OPEB) liabilities, and,
- (3) Remaining vigilant in committing to and managing other municipal and school expenditures, both large and small.

Fiscal Year 2025 expenditures will total \$525.4 million and will be invested as follows:

Projected FY2025 Appropriations Budget - \$525.4 Million



Commitment to Our Students

To paraphrase Horace Mann, public education is the cornerstone of our community and indeed our democracy ... and the future of public education in Newton is bright.

We have a visionary, energetic new Superintendent focusing on high standards, high supports, and high respect. The Superintendent brings a proven track record of using metrics, accountability, communication and transparency to drive both decision-making processes and excellence in learning. We just signed a contract with our educators that improves education for our students, allows Superintendent Nolin to move forward with important initiatives, provides competitive pay and benefits, and works within our financial framework.

We have great teachers who are dedicated to this important work and parents and caregivers who are highly engaged.

Integral to this budget is the utilization of the NPS Educational Stabilization Fund. With the support of the City Council, we have worked to transform \$22 million of one-time funds from an unusual settlement with Eversource in August 2023 into on-going support to bolster operations for the Newton Public Schools over the next five years.

Total available funds for NPS for the 2024/2025 school year will be \$282.6 million, a total increase of \$14.0 million, or 5.2%. The proposed NPS Budget has been increased by an allocation of \$9.9 million (3.7%) and will be supplemented by an additional \$4.1 million from the NPS Educational Stabilization Fund. With this increase, our Superintendent will be able to fund the recently settled teachers' contract, hire additional staff, increase mental health services at the elementary level, improve curriculum and pedagogy, and address class sizes at the high schools to help meet the needs of our students.

Personnel salaries and benefits make up 87% of the NPS budget. Our educators will receive competitive raises and highly competitive wages, and we are happy to pay those wages and stretch our budget to prioritize education.

We will need to keep investing in education and we will, ensuring that the future of our students and our public schools in Newton is bright.

What will remain constant after this tumultuous year is the City of Newton's and the Newton Public Schools' commitment to serve all students; that is the goal of this budget within the financial constraints we face. We will continue our commitment to meeting the academic, social and emotional needs of our children and to supporting our teachers and educators who do this important work, and the Fuller Administration will continue to prioritize the funding of the Newton Public Schools.

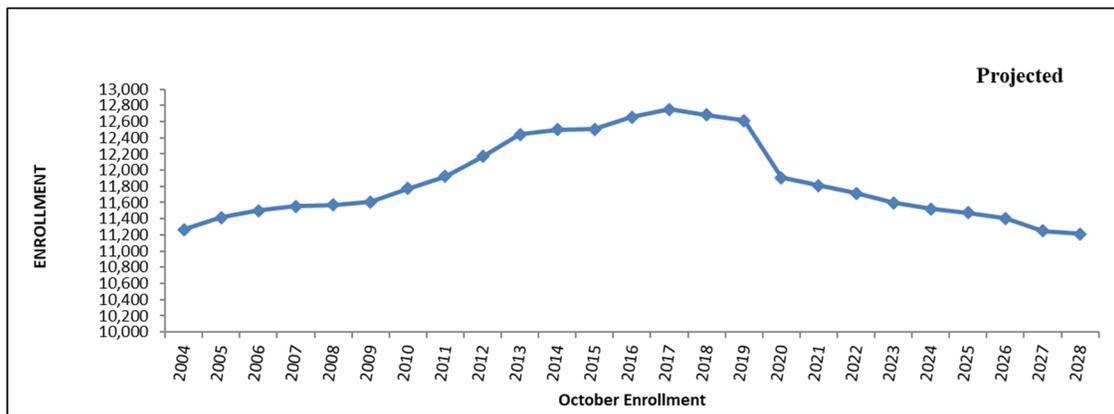
Student Enrollment Trends

In total, including the district's integrated preschool and out of district placements, NPS expects to serve approximately 11,800 students in FY2025. For Kindergarten – Grade 12, Newton's projections for next year (FY2025) indicate a decline in enrollment of 74 students to 11,522 (or a decline of -0.6%). This decline is not consistent across the three levels. Elementary schools are projected to decline by -2.2% (-108 students), middle schools are projected to remain stable (-1 student), and high schools are projected to increase by 0.9% (+35 students).

The current five-year enrollment projections through 2028-29 show overall district enrollment declines in each year, as larger classes graduate, and smaller kindergarten classes are projected to enter. As in prior years, the five-year enrollment projections include students projected to enroll from permitted residential developments.

This is the seventh year of enrollment declines in Newton. Statewide, Massachusetts has experienced a -4% statewide decline from seven years ago. This trend in declining enrollments is expected to continue; the US Department of Education is projecting a nationwide enrollment decline of -4.4% between 2021-2030, and a decline of -4.5% in Massachusetts over the same period. Due to declining enrollment, most of our elementary schools are no longer experiencing enrollment pressure. Most of Newton's middle and high schools are expected to be enrolled close to capacity for the next five years. Detailed enrollment information is found in the [NPS Enrollment Analysis Report](#).

NPS – Historical and Projected Enrollment Trends



Long-Range School Facilities Planning

We are in a period of significant progress on school building projects and facility improvements across the district. Construction of the Newton Early Childhood Program (NECP) project at 687 Watertown Street was completed in December 2022, with students attending school in the new location in January 2023. Design of the Lincoln-Eliot Elementary School at 150 Jackson Road was completed and the project was put out to bid in the fall of 2023. A groundbreaking ceremony was held in December 2023 and construction is underway, with students expected to be in the renovated/new building for the start of school in September 2025.

The two “yes” votes on the March 14, 2023 Special Election ballot questions #2 and #3 is allowing Newton to proceed with the Countryside and Franklin Elementary School building projects. The Countryside School project has completed the project scope, budget agreement, and funding -1- agreement with the Massachusetts School Building Authority (MSBA). This important milestone documents the MSBA’s approval of the project to move forward and their agreement to provide more that \$20 million (approximately 30% of the total cost) in state funding reimbursement for all eligible project costs. The Countryside project is now in the Design Development phase and construction is anticipated to be completed by September 2027. The Franklin Elementary School project is in the Schematic Design phase and the project team is working toward site plan approval this spring 2024. The Franklin Elementary School project is also anticipated to be completed by September 2027.

In June 2023, following the unsuccessful outcome of the operating override vote in March, the Newton Retirement Board voted to adjust their funding program to free up monies for the Horace Mann Elementary School renovation and addition project. The project was restarted in July 2023 and is now in Schematic Design.

In addition to the four major school building projects that are currently in design or construction, the Mayor recently allocated an additional \$5.3 million for a number of smaller, but significant, capital improvement projects across the school district. Funding for these projects was approved by the City Council in February 2024. These projects include roof replacements, mechanical system improvements, restroom and other upgrades. To help guide continued short- and long-term facility planning for NPS, in the spring of 2023, ARPA funds were allocated by the Mayor to hire a planning and design consultant to conduct a School Facilities and Enrollment Planning Study. While the study initially focused on the Underwood and Ward Elementary Schools, the two oldest school buildings in the district, it was later expanded to include the six remaining elementary schools that have not been renovated or replaced recently. Space utilization and building condition data has now been collected for Ward and Underwood, as well as the other six elementary schools. In the coming months, this data will be used to develop recommendations to address long-term facility and enrollment needs.

City Investments in Education

The NPS budget of \$278.5 million is supplemented by \$4.1 million from the NPS Educational Stabilization Fund and, notably, more than \$44 million funded by the City in the municipal operating budget for education related costs. These municipal costs for education include school building debt service, pension and retiree health care for certain school employees, school health and school nurse services, school crossing guards, school athletic field maintenance, school property insurance, removal of solid waste and recyclables from schools, snow and ice control at school locations, as well as school building water and sewer charges.

Commitment to Municipal Svcs; Our Residents, Businesses and Non-Profits Salaries, Compensation, and Benefits

The Fuller Administration is deeply grateful to the ~932 municipal employees of the City who are working every day to make Newton greater, better and more beautiful. The costs of salaries, compensation, and benefits for the City's current employees are 75% of the municipal operating expenditures (excluding retiree pensions, retiree health benefits, debt service, and state assessments), and are the single most important cost element.

When the Fuller Administration was tasked in April 2020 in the early days of the pandemic with making the very difficult decisions, one of the places that we had to evaluate was personnel. Funding the appropriate number of employees to provide City services, keep Newton safe, improve streets, sidewalks, and mobility as well as public buildings and infrastructure, cultivate economic, artistic and cultural development, plan for Newton's future, make Newton more "all age" friendly, address climate change, and provide appropriate financial and administrative staff to support the operations of the City was and is a critical priority.

The FY2021 budget contained no layoffs or furloughs of permanent, full-time employees. Instead, we eliminated many historically vacant positions, and put many other vacancies on hold for either six months or a year. Thus, we began FY2021 with 19 fewer full-time equivalents (FTEs) in the budget, after moving forward with only the 4.5 most strategic and necessary hires. The FY2022 Budget included the restoration of many of the positions put on hold in FY2021 and added positions for the Finance/Payroll reorganization, as well as strategic positions to maintain a continuity of operations and to provide social, emotional, and mental health support for our vulnerable residents, particularly as we began to emerge from the crisis of the coronavirus pandemic.

The Fuller Administration has continued to be extraordinarily careful about adding staff, analyzing each position to ensure that we only add what we can sustain into the future.

Within the City increase, we have carefully and strategically invested in personnel. The FY2025 budget includes the continued deferral of 2 full-time and 1 part-time positions, the elimination of 2 part-time positions, the reduction of hours of 1 part-time position, and the addition of 8 full-time and 1 part-time positions.

- Elimination/Deferral
 - Executive Office – PT Boards & Commissions Coordinator (continued deferral from FY2023)
 - Treasury – Assistant Teller Supervisor (continued deferral from FY2024)
 - City Solicitor – PT City Solicitor (Mandl Retired) (eliminated in FY2025)
 - Financial Services – Payroll Analyst (continued deferral from FY2023)
 - Police – PT Dispatcher moved to FTE. PT position not funded (-.49 FTE in 2025).

- Added/Restored
 - Clerk of the Council – PT Admin Assistant (restored 0.49 FTE)
 - Fire Department – Firefighter/Dispatch (added 8 FTE)*
 - Parks, Rec & Culture – Director of Programs (1/2 year, 1 FTE)
 - Parks, Rec & Culture – Tree Maintenance Specialists (added 3 FTE)

*Note: The Fire Department continues to include 4 temporary FTE's in Fire Rescue in anticipation of retirements

Collective Bargaining Agreements

As mentioned earlier, salaries, compensation, and benefits for the City's approximately 932 full-time and many part-time dedicated employees comprise 75% of the municipal department budgets. Most of the full-time employees (83%) are members of a union and are covered by Collective Bargaining Agreements. Although not our preference, Collective Bargaining Agreements are not always settled before a contract has expired. Generally, the new contract, once it is settled, will be retroactive, with an effective date coinciding with the expiration of the prior contract. In such cases, the employees will usually receive a retroactive payment for wages that would have been earned under the terms of the newly negotiated contract. In anticipation of this, we set aside a wage reserve, recognizing that we will always reach agreement and will owe retroactive payments to our valued employees. In other words, we set aside funds to pay for increases in pay so that the funds are available once a contract that has expired is settled.

We have successfully settled all but two contracts through FY2024. When contracts are open for several years, we carry-forward the retroactive portion of the prior years' wage reserve and continue to budget a current year wage reserve that equals the projected settlement of each contract.

Some of the FY2025 department budgets reflect what appear to be smaller than anticipated wage increases. Cost of living increases that will be negotiated for FY2025 and beyond are carried in the Current Year Wage Reserve accounted for in the Comptrollers' budget.

STATUS OF CONTRACTS – MUNICIPAL DEPARTMENTS

Settled through June 30, 2021

- Newton Police Association (NPA) – 110 budgeted positions

Settled through June 30, 2023

- MNA – Nurses – 31 budgeted positions

Settled through June 30, 2024

- Teamsters – 170 budgeted positions
- AFSCME – 3092 & 3092B – City Hall Associates – 183 budgeted positions
- AFSCME – 1703 – Engineers – 13 budgeted positions
- AFSCME – 2443 – Foremen – 22 budgeted positions
- AFSCME 2913 - Parking Control & Crossing Guards – 10 FT Parking Control Officers budgeted, and 52 PT Crossing Guards budgeted
- International Association of Firefighters (IAFF Local 863) – 201 budgeted positions for FY2025
- Newton Police Superior Officers Association (NPSOA) – 35 budgeted positions

STATUS OF CONTRACTS – NEWTON PUBLIC SCHOOLS

Settled through June 30, 2023

- Newton Public School Custodians Association – 87 members

Settled through August 31, 2027

- Newton Teachers Association (NTA) – 2,162 members
- Newton Educational Secretaries Association (NESA) – 80 members

In addition to our unionized employees, the City employs approximately 162 municipal and 78 NPS unaffiliated, or non-unionized, staff members.

The City is committed to fair and sustainable agreements and to settling collective bargaining agreements that maintain parity between growth in revenue and expenditures.

Health Insurance Benefits

The City provides health insurance benefits to more than 8,000 people. This includes approximately 2,400 active employees and their dependents and more than 2,600 retirees and their spouses.

The City has been able to provide excellent health benefits by being self-insured for all active employees. Being self-insured means that rather than paying an insurance company to pay medical and pharmacy claims, the City of Newton pays the claims ourselves with the help of a third-party health insurance carrier to process the claims on our behalf.

The costs of a self-insured program fall into three main areas: (1) the actual cost of claims, (2) the administrative fees charged by the health insurance carrier, and (3) an “Excess Policy” or “Stop Loss Policy” for catastrophic claims. Rather than paying “premium” rates, the City has worked with its insurance carrier to develop “working” rates. These working rates are projections of costs. If actual costs are less than projected, the City “saves” money. Conversely, if the actual costs are more than projected, the City must pay the difference. To do this, the City maintains a Health Insurance Trust Fund to manage any variances between the projections and actuals.

Sound business practices suggest that employers should bid out their group health coverage periodically to ensure their health plan providers are delivering competitive pricing and services.

In March of 2023, the City of Newton bid out our group health coverage and following extensive, substantive evaluation with our Health Insurance Consultants, Lockton Companies – Boston (Lockton) and a unanimous vote by the Insurance Advisory Committee determined that migrating to Blue Cross Blue Shield of Massachusetts (Blue Cross) Health Plans, effective July 1, 2023, was the most advantageous decision for the City. The Blue Cross Plan includes a fully-insured plan for Medicare eligible retirees and a self-insured plan for all active employees and non-Medicare eligible retirees.

Higher costs due to inflationary pressures, a resurgence in doctor visits following the pandemic, and increased utilization of specialty drugs, among other factors, are pushing medical cost trend rates to the highest levels in recent years. Unfortunately, the City of Newton is not immune from these cost pressures. Health Insurance rates for active and non-Medicare eligible retired employees will rise by 7.5% on average in FY2025.

Medicare Part B Reimbursement

Mayor Fuller and her Administration had been looking closely at the City’s Medicare Part B Reimbursement program since she assumed office in 2018.

Decades ago, as Medicare coverage expanded and improved, the City of Newton, as well as most municipalities, began to pay a Medicare Part B Reimbursement subsidy as an incentive for Medicare eligible retirees to select Medicare as their health insurance plan.

On March 16, 2009, Newton’s Board of Aldermen voted to accept the provisions of Section 18A of Chapter 32B of the Massachusetts General Laws which require all eligible municipal retirees to enroll in Medicare. This acceptance allowed the City to enroll eligible retirees in health insurance plans that supplement Medicare coverage, resulting in cost savings to both retirees and the City.

Throughout the years, most municipalities have eliminated the Medicare Part B Reimbursement Program as retirees no longer required an incentive to enroll. The City of Newton had not taken that action until we could find cost savings for our valued retirees.

Our change to the fully-insured Blue Cross Medicare Complement Plan saves our retirees approximately \$700 per year in premium contributions, beginning in July 2023.

Therefore, the City decided to phase out the payment of the Medicare Part B Reimbursement program as follows:

- Reimbursement level for June 2023 (Fiscal Year 2023 – ending June 30, 2023) remained at \$925.44 (at the rate of \$77.12 per eligible month).
- Reimbursement level for June 2024 (Fiscal Year 2024 – July 1, 2023 through June 30, 2024) will be \$462.72.
- Reimbursement level for June 2025 (Fiscal Year 2025 – July 1, 2024 through June 30, 2025) will be \$230.
- Reimbursement level for June 2026 and beyond will be \$230 for Medicare eligible retirees who meet certain income levels. All Medicare eligible retirees who have incomes exceeding the policy limits will not be eligible for reimbursement.

People retiring from the City of Newton after June 30, 2023 will not be eligible for the Medicare Part B Reimbursement Program.

Retiree Benefits: Pensions and Healthcare

The City’s current unfunded long-term pension and retiree health insurance obligations total just over \$714 million. (\$307 million Pension and \$407 million OPEB)

Our employees earn two types of compensation — current and deferred. Salaries and other forms of current compensation (e.g., health insurance) are received by employees during their employment. Deferred compensation is received after the employee retires and only when vesting and age requirements have been met.

There are two major categories of deferred compensation for City of Newton employees. First are pensions, monthly payments to a retiree from an investment fund to which both the employee and the City of Newton have contributed. Notably, public employees in Massachusetts, including employees of the City of Newton, are not covered by, and therefore do not receive, Social Security benefits. The second category of deferred compensation is retiree health insurance and life insurance, otherwise known as non-pension post-employment benefits or “Other Post-Employment Benefits” or OPEB.

The City’s commitment to funding long-term retiree obligations – specifically pensions and OPEB – following sound financial policies and developing conservative budgets and forecasts will be key factors in the City’s ability to maintain the Aaa rating it has earned from Moody’s Investors Service. Commitment to fully funding the long-term retiree liabilities is also critical to maintaining the City of Newton’s financial sustainability. The combined Pensions, Municipal Retiree and NPS OPEB increase approximates \$500K or a total increase of 0.8%, a much smaller increase than in previous years, mostly due to the aforementioned health insurance changes of Medicare-eligible retirees becoming fully- insured.

Pensions

The City of Newton Contributory Retirement Plan is our pension plan. It covers more than 3,500 current active employees, inactive participants, and retired employees and beneficiaries. (Inactive refers to people who no longer work for us but have left their contributions on deposit in the plan to take at a later date.)

Notably, the teachers of the Newton Public Schools are not a part of the City of Newton Retirement plan. Rather, they are part of the Massachusetts Teachers Retirement System, and the City is not “responsible” for their pensions. However, other school employees (e.g., aides, custodians, and secretaries) are part of the City’s plan. In the City of Newton Contributory Retirement Plan, school employees make up 42% of the active employees and account for slightly more than 20% of the unfunded liability.

Prior to the 2008 downturn in the economy, the total funded actuarial accrued pension liability was approximately 67%. However, because of the dramatic drop in the value of the stock market experienced by the fund in the years of the “Great Recession” combined with the increased life expectancy of Americans, the total funded actuarial accrued liability fell to a low of 50.8% but has begun to increase and is 61.9% as of January 1, 2023. Unfortunately, Newton continues to lag many of the surrounding communities in percent funded for this significant liability.

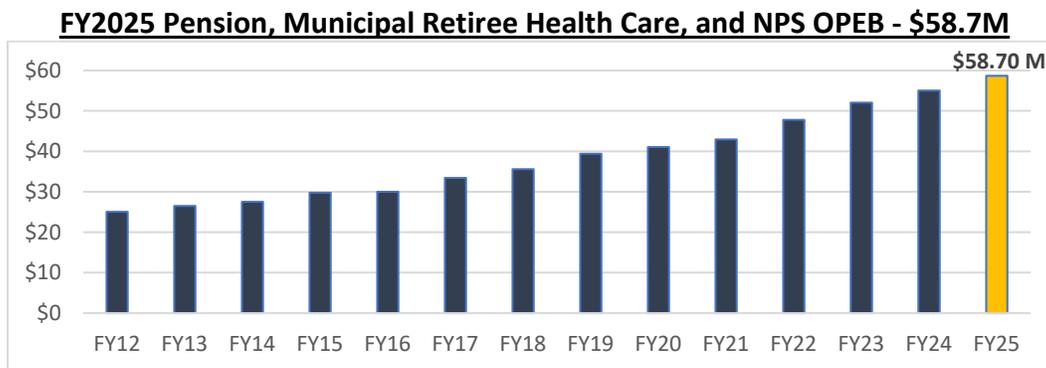
Newton also lagged other communities when determining the base pension on which any Cost-of-Living Adjustments will be applied. Consequently, last year in April 2023, Mayor Fuller asked the Newton Retirement Board to increase the COLA base for our retirees from \$12,000 to \$13,000 effective July 1, 2023, from \$13,000 to \$14,000 effective July 1, 2024, and from \$14,000 to \$15,000 effective July 1, 2025, to provide inflationary relief to our valued retirees.

The FY2025 Budget reflects the increase in COLA base from \$13,000 to \$14,000 effective July 1, 2024.

The FY2025 Budget also reflects an increase in General Fund Pension Funding of \$2.75M or 6.6%,

Additionally, during the FY2024 NPS budget deliberations last year, with the Mayor’s support, the School Committee voted to move \$3.182 million in retiree health care costs out of the district’s allocation and out of the NPS budget over to the City. The City now provides the financial and administrative support for this program, assuming the costs, and taking the risks in support of the Newton Public Schools. The FY2025 Pension, Municipal Retiree Health Care, and NPS OPEB costs are now reflected in this manner in this budget.

The magnitude of the pension and healthcare liabilities and the complexity of the issues as well as changes in accounting requirements require the City of Newton to focus on long-term financial sustainability and funding long-term liabilities while simultaneously providing current services and capital investments, all while maintaining a Aaa credit rating.



Retiree Health Insurance or OPEB

In addition to pension obligations, the City of Newton (like most municipalities) provides health insurance to retirees (known as Other Post-Employment Benefits or OPEB). The Commonwealth sets the minimum percentage that a city must contribute to retiree health insurance at 50%. The City of Newton provides a contribution rate consistent with that which our retirees were receiving when they were an active employee (to date typically 80%), which is more than the minimum required level of contributions and benefits. However, in contrast to pensions, the State does not yet require pre-funding for retiree health and life insurance benefits.

In 2004, the Government Accounting Standards Board (GASB) instituted a requirement that all city, county and state governmental entities “recognize” the cost of OPEB benefits, provide information about the actuarial liabilities, and report such liabilities on their financial statements.

In 2010, the City established an Other Post-Employment Benefits (OPEB) Liability Trust Fund and subsequently established an OPEB Trust Agreement for the purpose of providing an irrevocable, dedicated trust fund as a vehicle to make advance contributions for these retirement health care benefits.

The FY2014 Budget by then Mayor Setti Warren included the implementation of a funding schedule for the City’s OPEB liability for the first time; the Warren Administration appropriated approximately \$200,000 or 2.5% of the salary for all newly insured employees beginning July 1, 2012, with the expectation that this percentage would

increase gradually over time. Additionally, it was anticipated that as the City brought on more and more new employees, this funding method would cause the OPEB appropriation to grow exponentially.

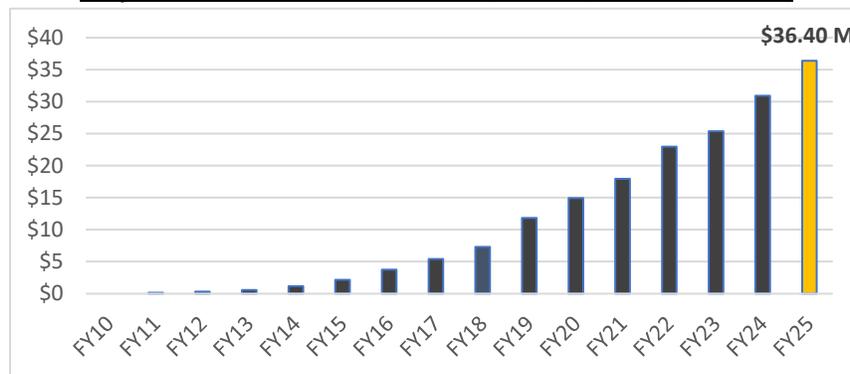
The Fuller Administration, in its first Budget, increased the percentage in the FY2019 Budget from 3.25% to 3.50% for newly insured employees beginning July 1, 2012 and has continued that strategy so that the percentage increased to 3.75% in FY2024. The FY2025 budget includes an OPEB set-aside of 3.75% of the salaries of all newly insured employees.

It is important to note that the City should be setting aside approximately 8% of the salary of all employees and it is the goal of the Fuller Administration to keep moving towards the 8% level.

Due to the continued addition of employees (1,501 currently) covered using this financial strategy as well as the gradually increasing percentage, the February 29, 2024 value of the OPEB liability trust fund totaled \$35.7 million (an increase of \$7.4 million over the February 28, 2023 value).

As mentioned earlier in this analysis, with the Mayor’s support, the School Committee voted in April 2023 to move \$3.182 million in retiree health costs out of their allocation and NPS budget over to the City. The City will now provide the financial and administrative support for this program, assuming the costs, and taking the risks in support of the Newton Public Schools. The Mayor’s proposed budget for NPS reflects this change.

Projected OPEB Trust Fund Value (June 30, 2024- \$36.40M)



Instead of pre-funding, most municipalities use a policy of pay-as-you-go for retiree health insurance benefits. In other words, the city or town pays the cost of health insurance benefits for retirees from current operating revenues as those benefits come due. As Newton is setting aside a small portion of its liability, the City’s policy is primarily pay-as-you-go. However, after the pension liability is fully funded, which is expected in FY2032, the City will be able to make significant payments towards funding OPEB, starting in FY2033.

The Unfunded Actuarial Accrued Liability for the City of Newton’s Other Post-Employment Benefits as reported by our Actuary, Segal Consulting, as of June 30, 2023, is \$406.6 million. The change from the Tufts MCP Plan to the Blue Cross Blue Shield Medex 2 w/PDP Plan resulted in a large decrease in the OPEB liability, as the prior plan was self-funded. The discount rate (or expected rate of return on the assets) for this valuation is 6.9%.

However, as a result of a change in how OPEB obligations are now calculated and reported under GASB 74/75, all Other Post-Employment Benefit Plans that operate on a “pay-as-you-go” policy (as Newton does) must value their plan using a 20-year municipal bond index rate, known as the “GO-Bond” rate. (GO-Bond refers to municipal general obligation bonds.) The GO-Bond rate is typically significantly lower than the discount rate utilized for a long-term investment strategy.

When the GO-bond rate decreases, the amount of the unfunded OPEB liability increases; conversely, when the GO-bond rate increases, the amount of the unfunded OPEB liability decreases. In periods like the United States is currently experiencing with volatile interest rates, the level of the liability can fluctuate widely.

The “GO-bond” rate decreased from 3.66% for plan year ending June 30, 2022, to 3.65% for plan year ending June 30, 2023. This change in the GO-bond rate resulted in more than a \$9 million increase, resulting in a total unfunded OPEB liability as of June 30, 2023 of \$675.8 million, for reporting purposes.

The differences in these methodologies have caused wide swings in the estimates of the unfunded liability. Unfortunately, until such time as the City has significantly reduced this unfunded liability, we are likely to continue to see volatility in this valuation.

The way that the City had been dealing with each of these significant long-term retiree healthcare liabilities over the past several decades is problematic. That practice transferred costs of former Newton taxpayers to current and future Newton taxpayers, costs that were accrued throughout the past few decades.

The year in which residents receive services from employees is the year the City should set aside funds for the compensation the employees will receive in their retirement. The Fuller Administration is committed to increasing gradually the funding for current employees for their retiree health insurance to do just this.

The Fuller Administration remains committed to the funding strategy of investing significantly in the pension system liabilities for the next eight years until full funding, currently projected in August 2031. Then the City of Newton will begin significant investments in the retiree health care or OPEB liability with a goal toward full funding by 2045.

Investing in Capital Infrastructure

One of the top priorities for the Fuller Administration is to maintain and improve the City of Newton’s infrastructure. The school buildings, police and fire stations, parks, libraries, roadways, and emergency and public works vehicles are some of the many assets that require regular replacement and maintenance to continue to meet the needs of this active city. To plan funding for these projects, the City of Newton has created a Capital Improvement Plan, updated semiannually, that provides a five-year outlook for capital investments.

The FY2025-FY2029 Capital Improvement Plan (CIP) is a mission and risk-based prioritized list of investments in the capital assets of the City of Newton. The CIP addresses infrastructure needs, reflects community values, supports city operations, programs, and services, and exemplifies sustainable financial, accessibility and environmental best practices. The prioritization plan was developed by thoroughly evaluating the City’s capital needs, the vision and goals of each department along with the services they will provide over the coming years, and Mayor Fuller’s overarching goals. This results in a plan put into a financial context by which to evaluate investments over the next five years.

The Supplemental FY2025-FY2029 CIP provides updated funding plans for projects, schedules, and funding.

Debt Service

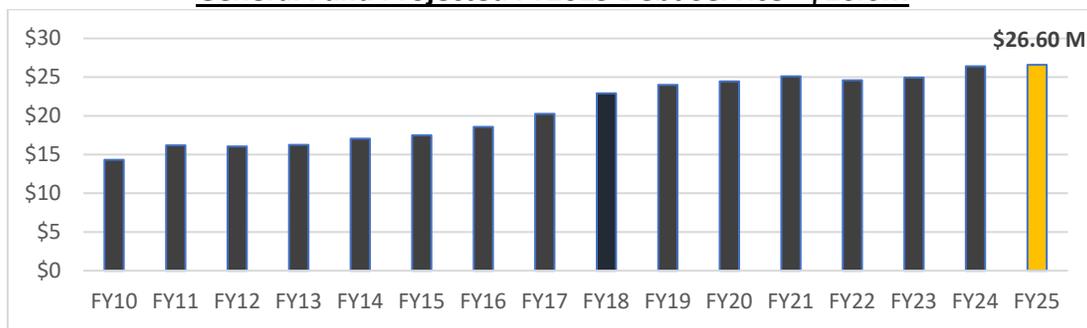
Capital assets with a life expectancy of ten or more years that cost more than \$150,000 are eligible to be paid for through bond sales by the City of Newton. Massachusetts’ municipal finance law limits the total amount of long-term debt that the City can incur for most purposes to not more than 5% of the City’s equalized valuation (i.e., the full and fair cash value of the property in Newton). The City’s current (October 2023) equalized valuation is approximately \$40.5 billion, which means that the current statutory debt limit is just over \$2.03 billion. The City’s current outstanding principal of bonded debt is approximately \$350 million or 17% of the City’s debt capacity. Including the City’s most recent debt sale, earlier this year, we are budgeting a \$1.30M (5.1%) increase in debt service costs, bringing the City’s total debt to \$26.56M.

In conjunction with the state statutory debt limit, the City of Newton has developed its own financial policy of limiting debt service on long-term bonded debt to between 4.0% and 7.5% of the annual General Fund budget. In addition to the general fund debt service, which includes both principal and interest, the FY2025 budget shows the total debt service at 5.1% of the Fiscal Year 2025 General Fund Budget.

In addition to the current bonded debt in the City’s operating budget, significant capital investments are currently underway in the Water, Sewer and Stormwater infrastructure systems. The water, sewer and stormwater systems are in separate enterprise accounts rather than part of the City’s General Fund because fees, rather than taxes, pay for these services. Further, the City includes annual appropriations within the operating budget, the CIP, the Community Preservation Act as well as the use of Free Cash to accomplish additional infrastructure improvements.

The City also leverages funding from the State and Federal government to pay for capital improvements. Funding sources range from the Massachusetts School Building Authority and the State Chapter 90 infrastructure funds to the Massachusetts Transportation Improvement Program 3 (TIP) and federal Community Development Block Grant (CDBG) funds. Private developers also provide mitigation funds that help pay for such improvements as street, sidewalk and traffic signal improvements, undergrounding of utilities, and water and sewer upgrades. The Fuller Administration will continue to utilize these different funding strategies, as well as ARPA funds as allowed, to further improve the City’s infrastructure.

General Fund Projected FY2025 Debt Service - \$26.6M

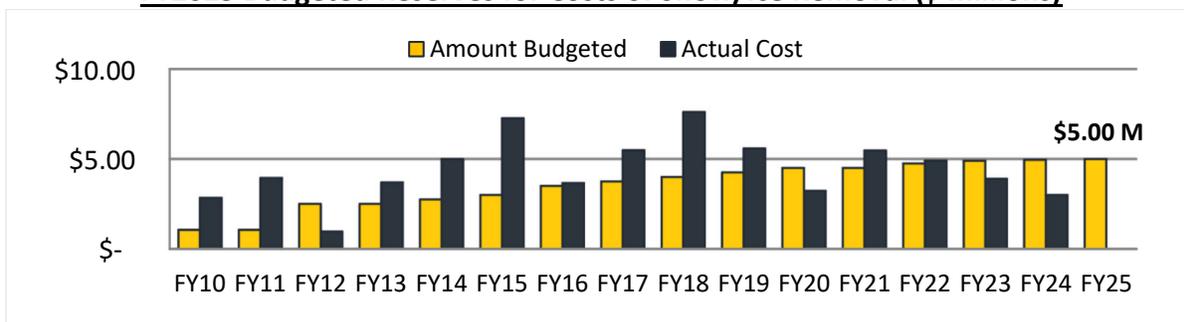


Cost of Removal of Snow and Ice/Inclement Weather Expenditures

The policy of the Fuller Administration has been to increase the annual amount appropriated for the removal of snow and ice and to address the cost of other significant storm damage until the appropriation equals at least the average cost of the previous seven to ten years. The current target range is \$6.0 million.

Due to budgetary constraints, the FY2025 budget for the removal of snow and ice has only been increased by \$50,000, bringing next year’s total budget for this purpose to \$5.0 million.

FY2025 Budgeted Reserves for Costs of Snow/Ice Removal (\$ millions)



Solid Waste, Recyclables and Soft Yard Waste

The Sustainable Materials Management Division of the Department of Public Works manages trash, recycling, yard waste, organics and household hazardous waste generated by residents through curbside services and drop-off collection at the Newton Resource Recovery Center. Trash and recycling services for municipal buildings, including Newton Public Schools, are also in this Division’s purview.

Residential trash generation has been steadily decreasing since FY04 when Newton had reached “peak trash” at 31,760 tons. In FY2023 that number has been cut nearly in half to 16,710 tons, the lowest tonnage of trash generated by Newton on record. There have been numerous waste reduction, reuse, recycling, and food waste diversion efforts that led to this decrease. Recycling tonnage collected in FY2023, 8,260 tons, was also the lowest on record. However, the data show that recycling tonnage collected has had much less variability ranging from a low of 8,260 in FY2023 to a high of 12,060 tons in FY2000. Particularly for recycling, but also for trash, the well documented industrial phenomenon of dematerialization in supply chains has resulted in documented lightweighting of both streams, leading to a steady decrease in weight. For example, there is less than 5% newsprint in the recycling now, whereas in 2000 newspapers made up 30-40% of the recycling stream. As mentioned above, tonnage for both waste and recycling has been steadily decreasing, however, the price per ton has been steadily increasing, leading to substantial budget increases that we’re experiencing today.

In conjunction with the Newton Sustainable Materials Management Commission and a state-assisted study that DPW conducted, the City is examining critical next steps on residential trash and recycling collection, hauling and disposal. The resulting report “Recommendations to Rethink Curbside Collection Services” (Recommendations report) was released in October 2023. Although only recommendations until adopted by the City, they included implementing a competitive request for proposal process with a potential to consider decoupling procurement of curbside services, enhance collection and processing contracts with innovative provisions that incentivize waste reduction, understanding and addressing greenhouse gas emissions from curbside services, improve recycling processing fairness to the City, update City ordinances to clearly define who receives collection services, reduce the holiday collection schedule down to six major holidays, get more food waste out of the trash, consider a curbside collection model to increase trash reduction incentives, and consider changing cart ownership to the hauler.

Services for collection of trash and recycling are among the most costly contracts for municipalities. These services are exempt from Chapter 30B procurement laws, which means that municipalities can negotiate directly with waste haulers. Newton has practiced this process of negotiating directly with the same waste hauler since the time that the City moved to contract out for services in the 1990s. However, sound business practices, rather than any displeasure with our long-time contractor, suggest that employers should bid out their collection of trash and recycling periodically to ensure their providers are delivering competitive pricing and services.

In Fall 2023, Newton began discussions with Brookline to pursue a waste and recycling request for proposals (RFP). This RFP was released in mid-February 2024 with proposals due in late-April with a contract start date of July 1, 2025. The goal for this process is that competition within the market, combined with increased scale of efficiency with two densely populated municipalities, will hedge the hauling cost increases Newton has seen in recent years. At the time of this writing in mid-April 2024, there has been strong interest in this RFP. We are hopeful that the process will be successful.

A unique opportunity for Newton by combining forces with Brookline is access to the Brookline Transfer Station. Currently, Newton pays for transportation of trash collection trucks to travel from Norton to Newton, running the collection routes in Newton, and then travelling to Millbury to the waste-to-energy-facility, with the trucks finally returning to Norton. By accessing the Brookline Transfer Station, trash generated in Newton can be deposited in Brookline, which is significantly closer in proximity. There are other operational efficiencies potentially to be gained, such as sharing a route manager across the contiguous municipalities to handle common day-to-day situations, such as truck breakdowns.

Due to contractor staffing shortages and supply chain issues in 2022, the City was forced to re-evaluate its soft-yard waste collection practices. Ultimately, DPW started an in-house yard waste collection operation in April 2022. In 2023, Newton DPW added six positions to form the yard waste crew and rented four rear-load packer trucks. During the spring and fall, the two heavy seasons, the daily operation was supplemented with overtime staffing in the evenings. Additionally, during the winter off-season, the yard waste crew served as additional early morning staffing to salt and plow roads during snow and ice operations.

Bringing this operation in-house has provided more control over service models. Overall, this in-house program has been beneficial to residents, staff, and to DPW operations.

The processing fee for recyclables increased from \$60/ton in FY2019 to \$89/ton in FY2020 as a new contract took effect. In FY2024, the contracted rate is capped at \$103/ton. This significant increase is a result of global shifts in supply and demand for recyclable commodities. Prior to 2018, China had been purchasing 40% of the world’s recycling. In 2018, the China National Sword policy placed import restrictions on recyclables that effectively banned imports of scrap plastics and paper. An increased demand for higher quality recyclables has also increased operational costs in collection and sorting of single stream recycling. As other overseas buyers were sought and domestic markets have opened up, pricing has leveled out, but the commodity value of the recovered materials is still recovering. The \$103/ton cost is a cap on the price and has adjusted as recyclable commodity values have increased. In FY2024, our average cost per ton has been \$75.61.

Forestry – Preserving Newton’s Tree Canopy

Over the past ten years, contractual tree work expenses have risen by about 60%. In 2025, we are projecting these costs will increase by another 20%. To help offset this increase and to bring the Urban Forestry Division closer to its long-term goals, we are proposing to “in-source” more of our forestry work. Therefore, Mayor Fuller’s FY2025 Proposed Operating Budget includes the addition of three (3) new Tree Care FTEs, creating an increase of 1,200 net crew hours. This in-sourcing will be offset by a reduction of \$300,000 or 500 fewer contracted crew hours.

Other Municipal Budget Increases

In preparing the FY2025 Budget, we have been mindful of the implications of the tremendous challenges we face. Our budget deliberations have helped us look at all the initiatives and recommendations and then pause and prioritize. We must think strategically and holistically as we utilize our financial resources to meet our expectations of what kind of community we want to be.

In addition to the areas that have previously been discussed in this document, we have added the following amounts to augment the following important areas:

Human Resources:	Training Expenses	\$ 25K
Public Buildings:	Public Buildings R-M	\$135K
Police Department:	Replacement Vehicles	\$ 50K
Police Department:	Less-Than-Lethal Equipment	\$ 38K
Fire Department:	Supplement Emergency Dispatch Ctr	\$750K
Public Works:	Granite Curbing for Betterments	\$ 75K
Public Works:	Paving Supplies	\$100K
Public Works:	Removal of Snow & Ice	\$ 50K
Public Works:	Vehicle Repair Parts	\$ 50K
Public Works:	Traffic Calming	\$ 50K
Health & Human Services:	Medical Vaccines	\$ 25K
Health & Human Services:	Mental Health Counseling Svcs	\$125K
Parks, Rec & Culture:	Public Grounds & Supplies – R & M	\$ 80K
Parks, Rec & Culture:	Playground/Court Maintenance	\$ 25K
Parks, Rec & Culture:	Outdoor Swimming/Gath Pool	\$ 70K

Free Cash, Rainy Day Stabilization Fund, and Overlay Reserve for Abatements

Free Cash

Free Cash is technically the accumulated difference of unrestricted funds between General Fund revenues and expenditures on a cash basis of accounting. In less technical terms, free cash is the remaining, unrestricted funds from operations from the previous fiscal year. Free Cash comes from unanticipated actual revenues in excess of

revenue estimates (including overlay surplus), unexpected unspent funds in operating budget line items, and/or unanticipated unexpended free cash from the previous year.

The Massachusetts State Bureau of Accounts certifies Free Cash and it is not available for appropriation until certified. This year we received notification from the Department of Revenue that our Certified Free Cash as of June 30, 2023, totaled \$27.9 million.

There are two specific reasons for this larger than normal Free Cash designation for the City of Newton. First, we held \$5.4 million from last year's Free Cash for potential liabilities and settlements that we may be facing which rolled over into this year's Free Cash. Second, interest rates have risen dramatically in the past eighteen months. Consequently, our actual interest earned from investments in FY2023 was \$8.4 million more than we had budgeted; this entire amount dropped into this year's Free Cash. The total of these two accounts amount to almost \$14 million of our projected free cash designation. More specifically, when we were crafting the FY2023 Budget in March 2022, the Federal Funds Rate was 0.25% to 0.50%, which was the interest rate income that we built into our Budget. By the end of our fiscal year in June 2023, the Federal Funds Rate had dramatically and unexpectedly increased to 5.25%.

At its most recent meeting, March 19-20, 2024, the Federal Open Market Committee (FOMC) did not adjust interest rates. However, there is still wide anticipation that there will be three 25 basis point rate reductions in interest rates in 2024. Further, it is anticipated that rates will fall to 3.75% - 4.00% by the end of 2025, and as low as 3.00% - 3.25% by the end of 2026.

While we do expect significant interest income to continue in FY2025, we cannot expect it to continue nor can we "bank on it" in subsequent years. Interest income will become a "declining" revenue stream over the next few years, and we must budget this source of funding carefully.

As always, all surplus interest income will drop to Free Cash each year where it will be invested in and appropriated for much needed one-time expenditures.

Rainy Day Stabilization Fund

In 2010, the City of Newton established a Rainy-Day Stabilization Fund to serve as a reserve for years when the City faces a multiple year economic recession or a rare, catastrophic event requiring a significant expenditure. More specifically, these funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the City's control, or an unusually large expenditure resulting from such things as a catastrophic weather event. The funds remain segregated to prevent the reserves from being depleted for other city needs, and to demonstrate that resources are being set aside for extraordinary and unforeseen revenue disruption or catastrophic expenditure.

Through collaboration with the City Council's Finance Committee, the Comptroller, members of the City Council, and the Warren and Fuller Administrations, the fund reached its goal of 5% of the total operating budget in FY2015. The projected fund balance by June 30, 2024 will approximate \$25.9 million or 4.9% of the FY2025 Budget. This is approximately \$350K less than the target of 5% of the FY2025 Budget. Because the City is anticipating earning interest within the Rainy-Day Stabilization Fund in the first quarter of FY2025 that will bring the fund to the 5% target, we have chosen to forego supplementing the Rainy-Day Fund balance at this time. We anticipate the fund will continue to earn interest at the 5.0% - 5.5% range and will quickly surpass 5% of the FY2025 Operating Budget during the next fiscal year.

One of the most important financial strategies that the Fuller Administration has made throughout the financial uncertainties of the past four years is the maintenance of the City's Rainy Day Stabilization Fund. Although we have experienced unprecedented and tremendously uncertain times, we knew it was important to maintain this fund. We were fortunate to benefit from an infusion of one-time federal funds and have emerged from the pandemic with our Rainy-Day Stabilization fund intact so that we can have funds to tap into to absorb any

significant reductions in state aid and revenues, catastrophic weather events, a dramatic economic event, or other world and economic events. Furthermore, we haven't had to reduce current operational expenditures to replenish the fund.

Tax Overlay – Reserve for Abatements

Cities and towns by state law must maintain an account to fund anticipated property tax abatements (i.e., refunds), exemptions and receivable exposure for all fiscal years. This is referred to as the "Overlay" account. As part of the annual budget and tax rate process, Newton's Board of Assessors must analyze the balance in the overlay account and determine whether it is adequate to fund anticipated property tax abatements, exemptions and receivables during the upcoming fiscal year in addition to existing abatement, exemption and receivable exposure for all previous fiscal years, including all tax relief and tax deferral programs.

As a general rule, each year the City of Newton sets aside approximately one percent (1%) of the property tax levy for this reserve.

Last year, August 2023, the Board of Assessors was able to release \$26 million in principal and interest overlay that had been held for property owners that have challenged their assessments, primarily from Eversource.

While from time to time, the Board of Assessors declares overlay surplus as abatement cases settle, the amount of this declaration was highly unusual. Consequently, the City utilized these one-time funds to create an on-going funding stream for the Newton Public Schools over the next five years.

In addition to \$3.8 million of Free Cash, seventy percent (\$18.2 million) of these funds have been utilized to establish the NPS Educational Stabilization Fund. The NPS Educational Stabilization Fund, including interest earned from investment income, will be utilized in conjunction with general fund appropriations to provide funding for educational purposes including but not limited to faculty, staff, new initiatives, and any such expenditures that relate to the provision of educational services by the Newton Public Schools.

This fund is now part of the City of Newton's overall financial strategy to support programs and services for School operations.

Beyond the General Fund: Water, Sewer, Stormwater Enterprise Funds

Newton's Public Works Department through its Utilities Division supplies all water distribution and provides all sewer operations to more than 32,000 households, institutions, and businesses, and maintains stormwater drainage systems throughout more than 300 miles of roadways. While Newton purchases its water from the Massachusetts Water Resources Authority (MWRA) and sends its sewage to the MWRA treatment facility at Deer Island, the City owns all the pipes, drains, and infrastructure within the city required to supply these critical services.

As is customary in many municipalities, the City of Newton has established a Water Enterprise Fund, Sewer Enterprise Fund, and a Stormwater Enterprise Fund. Through these Enterprise Funds, fees are charged to all property owners to support each of these three different enterprise activities. These funds are separate from the general operating fund of the City (which is supported primarily through tax revenues). Rates are set on an annual basis and must cover all operations of each enterprise activity.

Last year, in FY2024, we raised the Water, Sewer, and Stormwater rates by a combined average of 3.9%, a percentage increase that the City has implemented for several years prior to the pandemic. While we intend to do that again for FY2025, we plan to place the majority of the rate increase into Stormwater (22% increase), with moderate increases for Water and Sewer (2.5% each).

Water Enterprise Fund

The City of Newton has been identifying, evaluating and improving Newton's water main distribution system for many years. In 2016, the Newton Fire Department was rated a Class 1 agency, the highest possible ranking from the Insurance Service Organization (ISO), in part because of improvements made to water flow and water pressure through the fire hydrants. The Newton Fire Department is one of only eight departments in the Commonwealth rated a Class 1 agency. (The ISO grades on a point system, with fire department operations accounting for 50 percent of the rating, fire flow or available water supply 40 percent of the grade, and dispatch operations constituting the remaining 10 percent.)

The City recognized the need to increase the renewal of the aging water distribution pipe network, much of which dates back to the 1870s, and developed a comprehensive capital improvement program as part of the Water and Sewer Strategic Plan initiative.

From 2013 through 2016, we aggressively targeted water main improvements for fire flow purposes. This required the replacement of pipes, not just cleaning and lining of older pipes.

We completed a hydraulic model analysis in 2016, and we redirected our efforts to target and replace leak prone pipes, especially the pipes installed circa World War II. FY2025 will be the eleventh year of this twenty-year water main repair, replacement, cleaning, and lining program.

The City utilized a pipe renewal needs forecasting software program to provide a long-range calculation of the anticipated pipe replacement quantities required to keep pace with the expected end of useful service life of pipe assets in the distribution system. The results take the form of a customized pipe replacement needs distribution curve for the City's pipe assets. It shows graphically, by pipe type, how much replacement is required annually. The results of the analysis indicate that the City should be renewing approximately 4 to 5 miles of water main pipe per year.

In addition, a risk-based ranking system was developed for integrating and managing the water system pipe assets. The ranking takes into account the consequence of failure of the pipe and the probability of its failure. Consequence of failure reflects the proximity of the pipe to critical facilities (e.g., hospitals, schools) as well as the potential for flood damage due to breakage. Probability of failure takes into account pipe type, age, joint type, and vibrations under heavy loads (highways, railroad tracks). The water main assets were then grouped into a risk

matrix by condition and criticality, from low priority to high priority, with recommended actions that range from immediate pipe replacement to acoustic monitoring, advanced in-pipe inspection, cleaning and cement lining.

Improvements to the City's major water storage facility, the Waban Hill Covered Reservoir in Chestnut Hill built in 1891, have recently been completed. Construction to replace valves, piping and roofing systems as well as the cleaning of four 2.5 million-gallon chambers was completed in CY2023. In late FY2023, the City began its water meter replacement program, which is scheduled to be complete in May of 2025, and will change out 125 larger water meters and approximately 26,000 residential meters as well as the transponders to keep the system up-to-date and reduce maintenance costs. The project will also include a new online customer portal for residents and businesses to closely track their water consumption and billings. As of April of 2024, over 12,000 meters have been replaced, equating to 41% of the total water meter inventory.

More detailed information on the City's water system infrastructure plan can be found in the City's FY2025-FY2029 Capital Improvement Plan.

Sewer Enterprise Fund

Prior to the development of the City's comprehensive strategic plan for the improvement of the sewer infrastructure, more than 60% of the sewage and wastewater that was sent to the Massachusetts Water Resource Authority (MWRA) for processing by the City of Newton was the result of inflow (stormwater from direct illegal connections) and infiltration (groundwater that seeps into the sewer pipes through cracks and other imperfections). Inflow and infiltration had been costing the City in excess of \$5 million per year. Furthermore, back-ups in the sewer lines due to insufficient capacity combined with the additional groundwater/stormwater resulted in sewer surcharges/overflows from some manholes in the streets and parks.

The City developed a 10-phase program to address systematically the approximately 300 miles of sewer mains and related manhole structures. The program began with those areas known to have significant inflow and infiltration problems, as well as those areas that were experiencing flooding or sewer surcharging problems. The work in each project area is divided into 3 categories: Inspection and Assessment, including heavy cleaning; Design of repair work; and Construction, including post-construction flow assessment. Sewer work in each project area is generally completed over a two-year period. As a result of the financial benefits of lower MWRA sewer assessment increases for Newton than most other MWRA communities, the funding and schedule for this program had been accelerated.

The City's program is now in Area 9, with all eleven project areas expected to be completed in 2028. At that time, the City will reassess the asset priorities, maintenance needs, and set further targets for I&I reduction.

The Utilities Division has recently completed a study of all 11 sewer pump stations that are critical for system reliability. The study identified a series of needed improvements that will be funded and completed over the next five years.

More detailed information on the City's sewer system infrastructure plan can be found in the City's FY2025-FY2029 Capital Improvement Plan.

Stormwater Enterprise Fund

Like many communities, Newton's storm water system is old and we face challenges related to storm water quantity and quality, system maintenance and upgrades, and localized flooding.

In 2006, the City became one of the first communities in Newton England to institute a Storm Water Fee to fund necessary improvements.

While the City has completed localized drainage repairs, the Department of Public Works' Utilities Division has developed a comprehensive plan to identify and address storm water needs throughout the City and the associated funding to accomplish this work. This includes addressing the National Pollutant Discharge Elimination System (NPDES) MS4 Permit, which is mandated for all communities by the EPA. (MS4 stands for Municipal Separate Storm Sewer System.) The NPDES MS4 Permit took effect on July 1, 2018 and has increased requirements for maintaining and improving storm water quality. Developing a solution to mitigate the impact of stormwater runoff is paramount to the long-term sustainability of local waters including the Charles River. The City is currently dredging the City Hall ponds, doing the design for work on the Bulloughs Pond dam repair, completing the Illicit Discharge and Detection Elimination Investigations in the Laundry Brook Drainage Basin, and continuing to monitor Crystal Lake, for a potential second phosphorous treatment.

In FY2023, the City completed its repairs to the Newton Free Library Parking Lot. This project involved expansion of the existing lot, as well as repaving, and improved drainage and accessibility. The work allows more stormwater to be absorbed by the land itself, as opposed to running into the storm drains.

More detailed information on the City's stormwater infrastructure plan can be found in the City's FY2025-FY2029 Capital Improvement Plan.

Sustainable Budget Strategy

To summarize, a well-managed, fiscally-sound City of Newton is essential to provide exceptional teaching and learning to the 11,800 students, deliver top-notch city services to our residents and people who work here, support our residents and businesses, and make important updates to our infrastructure. Similarly, we must ensure our tax dollars are being used in an effective and accountable manner. Perhaps most importantly, we must make smart and sustainable financial decisions to create the funding for thoughtful investments in Newton's future and to weather difficult economic cycles or unanticipated crises like a pandemic. We must also ensure that we maintain our deep commitment to the health, well-being, and safety of our approximately 3,500 valued employees and honor our commitments to them in their retirement years.

In order for the City's budget and finances to remain sustainable, we must remain steadfast in our determination to balance the annual operating budget while addressing infrastructure needs, providing services our residents need and want, fully funding all liabilities from debt service to pensions to retiree health care, and developing and maintaining an appropriate level of reserves for economic downturns, dramatic weather events and other unpredictable events.

Our world has changed dramatically in the past four years. After navigating physical distancing, isolation, quarantine, unemployment, and uncertainty for the last several years, some of those difficulties have waned. However, we continue to face inflationary pressures, supply chain and labor force issues, instability in energy markets, growing climate change risks and mental health challenges. The Newton Public Schools and the City are challenged by increasing costs, rising needs and the requirement of balancing our budget.

The role that our municipal government has served during and after the health pandemic and will continue to serve as we confront financial, social, emotional, and educational challenges is critical. We have worked diligently to propose a FY2025 City of Newton Budget that is responsive to the needs of our community and reflects the financial challenges that the City faces and funding opportunities we have.

We will continue to carefully evaluate the many needs within our community and the opportunities we have. We will be judicious in our deliberations, transparent in our decision making and ensure that every investment that we make will be in the best interest of the people of this good City.