

City of Newton, Massachusetts
General Fund
Fiscal Year 2025 Comptroller's Budget Analysis

Introduction

The purpose of this document is to provide a summary level financial analysis of the Mayor's recommended FY 2025 **General Fund** budget dated April 16, 2024. This report is intended to supplement the information contained in the budget document.

Budget Summary

The Mayor's recommended General Fund budget for FY 2025 is \$525.4 million – \$25.7 million or 5.1% greater than the *original* current year FY 2024 budget. The recommended General Fund budget includes a \$4.1 million transfer from the newly established NPS Education Stabilization Fund. The Mayor's recommended 2025 budget of \$525.4 million is \$15.9 million or 2.9% less than the current year *amended* budget. The amended budget for FY 2024 of \$541.3 million includes approved General Fund City Council Orders through March 31, 2024. This includes a transfer of \$22.0 million to the newly established NPS Education Stabilization Fund. The following table includes a year-by-year summary of growth in both original and final amended budgets from 2015 to 2023, with average annual increases of 4.2% and 4.6%, respectively.

Fiscal Year	Original Budget	\$ Change Prior Year	% Change Prior Year	Amended Budget	\$ Change Prior Year	% Change Prior Year
2025	525,419,465	25,709,256	5.1%			
2024	499,710,209	19,714,331	4.1%	541,328,604	38,770,937	7.71%
2023	479,995,878	17,326,339	3.7%	502,557,667	25,713,946	5.4%
2022	462,669,539	23,130,092	5.3%	476,843,721	32,325,482	7.3%
2021	439,539,447	9,255,066	2.2%	444,518,239	6,137,122	1.4%
2020	430,284,381	17,770,992	4.3%	438,381,117	14,414,940	3.4%
2019	412,513,389	17,199,652	4.4%	423,966,177	13,358,150	3.3%
2018	395,313,737	16,344,493	4.3%	410,608,027	17,858,759	4.5%
2017	378,969,244	16,971,980	4.7%	392,749,268	22,710,926	6.1%
2016	361,997,264	16,778,700	4.9%	370,038,342	15,526,259	4.4%
2015	345,218,564	14,145,367	4.3%	354,512,083	16,810,290	5.0%

The following two tables summarize the nature of amendments to the original budget for fiscal years 2023 and 2024. Transfers from budget reserve are not considered to be amendments to the budget because they do not increase the total budget. Refer to Appendix A on page 9 for the specific City Council Orders through March 31, 2024, contained in the FY 2024 supplemental appropriations.

General Fund Supplemental Appropriations by Purpose

	FY 2024 YTD	FY 2023 Actual
Capital outlay & improvements	\$ 6,851,831	\$ 17,628,524
All other - Municipal	1,603,186	2,750,111
Newton Public Schools	6,200,000	1,644,821
Street Improvements	5,250,000	258,333
Rainy Day Stabilization	-	-
NPS Stabilization Fund	22,000,000	-
Snow & ice control (including capital)	-	280,000
Total supplemental appropriations	\$ 41,905,017	\$ 22,561,789

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Funding for supplemental appropriations has been provided from the following sources. Refer to Appendix A on page 9 for more information on the sources of funds for FY 2024.

General Fund Supplemental Appropriations by Source

	FY 2024 YTD	FY 2023 Actual
Free cash	\$ 20,864,240	\$ 21,967,345
Overlay surplus	20,500,000	-
Transfers from other Funds	533,786	488,882
Revenue	6,991	105,562
Total supplemental appropriations	\$ 41,905,017	\$ 22,561,789

The following table summarizes the major components of the Mayor's recommended FY 2025 Revenue Budget along with the dollar and percentage change from the current year **amended** budget. FY 2025 NPS Education Stabilization funds of \$4.1 million are included in the *Transfers from other funds* category.

FY 2025 Budget Financing Plan (Revenue)

	2025 Budget	%	2024 Budget	\$ Change	% Change
	Recommended	Total	(as amended) {1}	from 2024	from 2024
				Amended Budget	Amended Budget
Property taxes (net of abatement reserve)	\$ 436,109,164	83.0%	\$ 419,038,328	\$ 17,070,836	4.1%
Motor excise taxes	13,750,000	2.6%	13,500,000	250,000	1.9%
Hotel/motel room occupancy tax	2,200,000	0.4%	2,000,000	200,000	10.0%
Meals tax	2,500,000	0.5%	2,000,000	500,000	25.0%
In lieu of tax payments	200,000	0.0%	222,000	(22,000)	-9.9%
Interest & penalties	889,934	0.2%	1,050,000	(160,066)	-15.2%
Cannabis State Tax	600,000	0.1%	500,000	100,000	20.0%
Total Taxes	456,249,098	86.8%	438,310,328	17,938,770	4.1%
Charges for service	3,330,296	0.6%	3,569,746	(239,450)	-6.7%
Fines & forfeitures	1,042,000	0.2%	927,000	115,000	12.4%
Licenses & permits	10,380,925	2.0%	9,704,712	676,213	7.0%
Investment income	6,696,341	1.3%	2,500,000	4,196,341	167.9%
Other local revenue	25,000	0.0%	25,000	-	0.0%
Total non-tax local revenue	21,474,562	4.1%	16,726,458	4,748,104	28.4%
Cherry sheet aid	35,339,798	6.7%	34,672,204	667,594	1.9%
Other state & federal aid	925,000	0.2%	925,000	-	0.0%
Total Intergovernmental aid	36,264,798	6.9%	35,597,204	667,594	1.9%
Transfers from other funds	9,817,005	1.9%	7,719,164	2,097,841	27.2%
Fund balance	1,614,002	0.3%	42,975,450	(41,361,448)	-96.2%
Total General Fund Revenue Budget	\$ 525,419,465	100.0%	\$ 541,328,604	\$ (15,909,139)	-2.9%
<i>{1} 2024 Budget excludes continued appropriations from 6/30/2023 .</i>					

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Property taxes: The following is a comparison of the budgeted tax levy for FY 2025 and the actual levy for FY 2024. The FY 2025 budgeted net tax levy of \$436.1 million represents 83.0% of all recommended revenues; this is the *Property taxes* category in the revenue budget.

Budgeted and Actual Tax Levies

	2025 Budget	2024 Actual
Prior year levy limit	\$ 420,868,485	\$ 404,500,255
2.5% annual increase	10,521,712	10,112,506
New growth	5,260,856	6,255,724
Debt exclusion debt service	3,671,131	3,222,266
Overlay (abatements & exemptions)	(4,213,020)	(5,042,325)
Unused levy capacity	-	(10,098)
Net tax levy	\$ 436,109,164	\$ 419,038,328

Motor excise tax: The 2025 budget of \$13.8 million is \$250,000 more than the current year revenue estimate. Revenue collections for fiscal year 2023 and 2022 were \$13.8 million and \$13.7 million, respectively. FY 2024 year to date collections through March 31, 2024 are \$11.6 million, or 86% of the annual budget. Current year auto excise tax billings of \$12.8 million are \$750,000 or 5.8% more than the total amount billed at a comparable point last year; there have been about the same amount of invoices mailed so far this year compared to the same point last year.

Licenses & permits: The 2025 budget of \$10.4 million is \$676,000 higher than last year's budget; 88% of licenses and permits revenue stems from building and utility permits within the Inspectional Services department. FY 2024 Inspectional Services department revenue through March 31, 2024 is \$9.3 million of the \$10.4 million in total licenses and permits received. The \$10.4 million received is already more than the FY 2024 budget.

Intergovernmental: The Mayor's fiscal year 2025 cherry sheet local aid revenue estimate of \$35.3 million is \$668,000, or 1.9% more than the current year budget. The state is not expected to finalize their FY 2025 budget until June or July of 2024. Non-cherry sheet state and federal aid, primarily Special Education Medicaid is estimated at \$925,000, the same as the current budget.

Transfers from other funds: The 2025 budget anticipates \$9.8 million in interfund transfer financing for the General Fund including \$4.1 million from the NPS Education Stabilization Fund, \$5.0 million from Water, Sewer and Stormwater Funds; \$300,000 from the Cable Franchise Administrative Fund; and \$435,000 from various Receipts Reserved for Appropriation.

Fund balance: The recommended 2025 budget is balanced using \$1.6 million in fund balance, consisting of \$1.5 million in available free cash, and \$114,000 representing the Massachusetts School Building Authority (MSBA) project reimbursements for past North and South High School project debt service. The use of \$1.6 million of fund balance is 0.3% of the total financing plan for the budget.

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The following table summarizes the major components of the Mayor's recommended fiscal year 2025 budget, along with dollar and percentage changes from the current budget, as amended. The Mayor's FY 2025 Recommended Budget document provides a programmatic description of changes in municipal department budgets.

Fiscal Year 2025 Recommended Annual Appropriations (Expense)

	2025 Budget	%	2024 Budget	\$ Change	% Change
	Recommended	Total	(Amended) {1}	from 2024	from 2024
				Amended Budget (1)	Amended Budget
Newton Public Schools	\$ 282,647,007	53.8%	\$ 268,655,413	\$ 13,991,594	5.2%
Municipal Departments					
Salaries & wages	89,925,795	17.1%	86,506,371	3,419,424	4.0%
Benefits (excluding retirees)	16,490,787	3.1%	14,630,769	1,860,018	12.7%
Workers compensation	800,000	0.2%	850,000	(50,000)	-5.9%
Capital outlay & equipment	1,586,000	0.3%	1,161,000	425,000	36.6%
All other	34,324,300	6.5%	43,413,963	(9,089,663)	-20.9%
Total Municipal Departments	143,126,882	27.2%	146,562,103	(3,435,221)	-2.3%
Budget reserve (including snow & ice)	6,158,986	1.2%	3,297,790	2,861,196	86.8%
Retirement (including health benefits)	58,670,850	11.2%	58,182,289	488,561	0.8%
Transfer to other funds	1,160,684	0.2%	32,597,789	(31,437,105)	-96.4%
Debt & interest	26,562,133	5.1%	25,264,715	1,297,418	5.1%
State assessments	7,092,923	1.3%	6,768,505	324,418	4.8%
Total General Fund appropriations	\$ 525,419,465	100%	\$ 541,328,604	\$ (15,909,139)	-2.9%

(1) 2024 Amended Budget excludes continued appropriations from 6/30/2023.

Newton Public Schools: The recommended \$282.6 million appropriation for the support of the Newton Public Schools represents an increase of \$14.0 million or 5.2% over the current year budget, as amended. This sum includes all funds designated as transfers to other funds, specifically workers compensation, the school athletics program and food service. The School Committee voted to transfer the OPEB contribution over to the City's budget starting in FY 2024 and continuing in subsequent years. The total school appropriation does not, however, include approximately \$44 million which is included in other categories of the municipal budget, specifically for the following: school project debt service of \$20.5 million; pension funding and retiree health care for school participants in the Newton Contributory Retirement System of \$12.9 million; school's portion of the OPEB contribution of \$3.35 million; school health services of \$2.8 million; administrative expenses of \$1.1 million; school crossing guards of \$800,000; school property insurance of \$620,000; Horace Mann school \$1.16 million and school building water and sewer charges of \$774,000.

Municipal Salaries and Wages: Funding for non-union employees and for approved collective bargaining agreements are included in each department's personnel appropriation. A \$4.2 million

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salary/wage reserve is included in the Comptroller's budget. The total fiscal year 2025 recommended salary and wage appropriation of \$89.9 million is \$3.4 million more than the amended fiscal year 2024 budget, an increase of 4.0%. The 2025 recommended salary and wage budget has a net increase of 11.4 FTE citywide.

Employee Benefits: The 2025 employee benefit appropriations include funding for active employee contributory health, life, and dental benefits; the City's Medicare payroll tax match; and unemployment compensation. The recommended 2025 benefits budget of \$16.5 million is 18.3% of recommended municipal salaries and wages. The amount budgeted for 2025 active employee health insurance benefits is \$13.7 million, or \$1.8 million more than budgeted for this purpose in the current fiscal year. Health insurance appropriations are used to pay premiums to the City's self-insured health plans.

As of March 31, 2024, the City's Group Health Self-Insurance Fund had reserves totaling \$6.4 million, the equivalent of 5 weeks of paid claims. The City's fund balance policy for the group health self-insurance fund is 1.5 to 2.0 months of monthly paid claims. Reserves are used to fund claims in excess of the amount anticipated in annual premiums.

Workers Compensation: The City's FY 2025 contribution to the cost of the self-insured workers compensation benefit program is funded at \$800,000, \$50,000 less than the amended amount in the current year budget. As of March 31, 2024, the Workers Compensation Fund has assets of \$19.1 million, accrued liabilities of \$10.7 million, and a positive fund balance of \$8.4 million. The fund balance at this time last year was \$5.9 million. A total of \$400,000 of the FY 2025 workers compensation appropriation is earmarked for medical bills for injured on duty police and fire personnel and the remaining \$400,000 is for statutory workers compensation benefit obligations.

Snow & Ice: The following table summarizes the FY 2025 budget for snow and ice control as well as expenditures for fiscal year 2024 through March 31, 2024 and the four prior fiscal years. The median annual expenditure for snow and ice control from FY 2020 through FY 2023 is \$4.2 million; the average over the same four years is \$4.1 million. The fiscal year 2025 recommended budget includes a total of \$5.0 million for snow and ice control, including \$3.5 million in the Department of Public Works budget, and another \$1.5 million in budget reserve to be transferred if needed by vote of the Mayor and City Council.

Snow and Ice Expenditure Trends

	2025	2024 YTD	2023	2022	2021	2020
	<u>Recommended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>
Salaries & wages	950,000	596,312	844,832	1,054,253	1,055,030	736,246
Private contractors	1,400,000	1,006,862	1,425,190	2,161,432	2,273,610	1,241,790
Sand & salt	400,000	458,674	610,381	766,933	755,063	523,517
Capital equipment			-	-	-	-
All other	750,000	815,398	651,063	934,002	809,408	723,296
Total snow & ice expenditures	\$ 3,500,000	\$ 2,877,246	\$ 3,531,466	\$ 4,916,620	\$ 4,893,111	\$ 3,224,849

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Capital Outlay and Equipment: A total of \$1.6 million is included in the FY 2025 budget for capital outlay and equipment as compared to \$1.4 million one year ago. The following chart is a summary of the nature of the FY 2025 capital outlay appropriation budget as compared to FY 2024, illustrating the categories of the \$175,000 year-over-year increase.

Capital Outlay and Equipment

	2025	2024 Original	Change	
	Recommended	Budget	2025 vs 2024	% Change
Public Works vehicles	400,000	400,000	-	0%
Police vehicles	400,000	350,000	50,000	14%
Building improvements	300,000	250,000	50,000	20%
Computer hardware & software	110,000	100,000	10,000	10%
Public Safety communications equip	110,000	100,000	10,000	10%
Other Public Safety equipment	81,000	61,000	20,000	33%
Elections/Clerk's Office equipment/f	10,000	-	10,000	-
Public Grounds Improvements	175,000	150,000	25,000	14%
Total Capital Outlay and Equipme	\$ 1,586,000	\$ 1,411,000	\$ 175,000	12%

Legal: The City does not purchase commercial insurance for liability risk exposures, but rather funds claims and settlements from resources included in the annual operating budget. The 2025 budget includes \$100,000 for legal settlements. The following is a summary of actual expenditures for fiscal year 2024 year-to-date and the three prior fiscal years. There was one out of the ordinary legal settlement in FY 2024, totaling \$525,000, of which the increase was funded through Free Cash.

Legal Settlement Expenditure Trends

	2025	2024 YTD	2023	2022	2021
	Recommended	Expended	Expended	Expended	Expended
Claims & settlements	\$ 100,000	\$ 597,305	\$ 657,554	\$ 1,858,054	\$ 126,534

Energy and Utilities: The total budget for energy and utilities is \$4.0 million, a net increase of \$207,000 (5.1%) as compared to the current year's budget; Gasoline decreased \$40,000 from last year and water and sewer decreased \$22,000. The increases include electricity (\$191,000), natural gas (\$64,000) and heating oil (\$15,000), while diesel remained unchanged. Rates in water, sewer and stormwater are expected to increase in FY 2025, by approximately 3.9% overall. All school utilities except for water and sewer are included in the school department budget. The following table compares the recommended 2025 budget as well as expenditures for fiscal year 2024 through March 31, 2024 and actual expenditures for the three prior fiscal years.

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Energy and Utilities Expenditure Trends

	2025	2024 YTD	2023	2022	2021
	<u>Recommended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>	<u>Expended</u>
Water & sewer	\$ 1,122,210	\$ 787,631	\$ 1,116,519	\$ 1,108,543	\$ 794,037
Electricity	1,619,500	874,211	1,612,029	1,498,258	1,367,626
Natural gas	470,000	399,621	438,061	417,295	335,360
Gasoline	404,400	280,017	426,706	326,861	269,914
Diesel	362,000	293,112	325,104	180,145	223,588
Heating oil	69,000	31,754	64,045	35,201	41,572
Total Energy and Utilities	\$ 4,047,110	\$ 2,666,346	\$ 3,982,464	\$ 3,566,303	\$ 3,032,097

Budget Reserve: The FY 2025 budget includes a \$2.0 million budget reserve including \$500,000 for extraordinary and unforeseen purposes and \$1.5 million for snow and ice. Transfers from the budget reserve account require prior approval of the Mayor and City Council. The current year budget included an original appropriation of \$2.0 million for the budget reserve, \$300,000 of which has been either transferred or obligated to date.

Retirement: The retirement and retiree health benefit appropriation of \$58.7 million has increased by \$489,000, or 0.8% from the current year budget. This includes the \$3.35 million in OPEB benefits that were moved from the School budget to the City budget starting in FY 2024. The City's fiscal year 2025 General Fund actuarially required contribution to the defined benefit pension plan is currently \$43.9 million based off of the Newton Retirement Board's vote on February 27, 2024, with an annual increase of 6.6%. This is 74.8% of the total retirement appropriation. The Mayor's budget's FY 2025 pension contribution represents a \$2.7 million or 6.6% increase over the current year appropriation.

The FY 2025 defined benefit plan contribution is based upon the funding schedule that was developed in conjunction with the January 1, 2023 actuarial valuation of plan assets and liabilities and is intended to achieve full actuarial funding of pension benefit obligations by fiscal year 2032.

FY 2025 retiree health and life benefit appropriations are \$11.3 million, or \$2.6 million (21%) less than the current year budget. There is a significant decrease as a result of this being the first full year in which Medicare-eligible retirees' plans will be fully insured as opposed to self-insured pay-as-you-go plans. This change makes the plan less expensive for the City.

The City's FY 2025 budget also includes fund contributions of \$4.6 million to Other Post-Employment Benefits (OPEB retiree health insurance), including the \$3.35 million absorbed from the school. The March 31, 2024 fund balance of the City's OPEB trust was \$36.6 million and the actuarial value of accrued retiree health benefits at June 30, 2023 was \$675.8 million.

Transfer to the Rainy Day Stabilization fund: The fiscal year 2025 appropriation does not include a contribution to the City's Rainy Day Fund. The Rainy Day Stabilization balance is \$25.7 million as of March 31, 2024. City policy has been to maintain a Rainy Day Stabilization Fund of 5% of the General Fund operating budget.

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Debt service: The fiscal year 2025 appropriation for bond maturities and interest totals \$26.6 million, or 5.1% of the budget. The fiscal year 2025 debt service budget is \$1.3 million (5.1%) more than the current year debt service budget and includes \$3.7 million in debt service for the Angier, Cabot, Franklin and Countryside school debt exclusion projects. Total bonded debt was \$330.8 million at March 31, 2024, including \$262.5 million for the General Fund; \$43.9 million for Water, Sewer, and Stormwater; and \$24.4 million for the Community Preservation Fund. Total bonded debt is less than one fifth of the City's statutory debt limit.

State assessments: The fiscal year 2025 budget includes an estimate of \$7.1 million for state assessments, principally MBTA service.

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Appendix A: FY 2024 General Fund Supplemental Appropriations as of March 31, 2024

FY 2024 by Purpose	Description	CO#	Amount
Capital Outlay & Improvements	Williams School Playground Accessibility	#274-23	\$ 10,831
	NNHS Turf and Track Replacment	#359-23	\$ 2,400,000
	Municipal Infrastructure and Street Improvements	#33-24	\$ 6,200,000
	Library HVAC System	#112-24	\$ 1,191,000
	NewCal Construction	#109-24	\$ 2,300,000
			\$ 12,101,831
Newton Public Schools	NPS Curriculum Materials	#27-24	\$ 925,000
	NPS Infrastructure Improvements	#33-24	\$ 5,275,000
	NPS Stabilization Fund	#107-24	\$ 22,000,000
			\$ 28,200,000
All other- Municipal	Revise state assessments to final cherry sheet	tax recap	\$ 6,991
	Bond Issuance costs	***	\$ 286,622
	PEG- NEWTV Consultants	#258-23	\$ 200,000
	Opioid Mitigation	#357-23	\$ 446,105
	Legal Claims and Settlement	#355-23	\$ 612,135
	Operation Access	#354-23	\$ 3,000
	NewMo Transportation	#272-23	\$ 33,333
	Elections Postage	#378-23	\$ 15,000
			\$ 1,603,186
Total FY 2024 by Purpose			\$ 41,905,017

FY 2024 by Source	Description	CO#	Amount
Revenue	Revise State Assessments to final cherry sheet	tax recap	\$ 6,991
			\$ 6,991
Free Cash	Opioid Mitigation	#357-23	\$ 446,105
	Legal Claims and Settlement	#355-23	\$ 612,135
	NNHS Turf and Track Replacment	#359-23	\$ 2,400,000
	Elections Postage	#378-23	\$ 15,000
	NPS Curriculum Materials	#27-24	\$ 925,000
	NPS and Municipal Infrastructure Improvements	#33-24	\$ 11,475,000
	Library HVAC System	#112-24	\$ 1,191,000
	NPS Stabilization Fund	#107-24	\$ 3,800,000
			\$ 20,864,240
Overlay Surplus	NPS Stabilization Fund	#107-24	\$ 18,200,000
	NewCal Construction	#109-24	\$ 2,300,000
			\$ 20,500,000
Transfers from other Funds	PEG- NEWTV Consultants	#258-23	\$ 200,000
	Williams School Playground Accessibility	#274-23	\$ 10,831
	Operation Access	#354-23	\$ 3,000
	NewMo Transportation	#272-23	\$ 33,333
	Pay Bond Issuance Costs	***	\$ 286,622
			\$ 533,786
Total FY 2024 by Purpose			\$ 41,905,017