



Welcome
to
Newton
The Garden City

City of Newton, Massachusetts
Long-Range Financial Plan &
Five-Year Financial Forecast
FY2026-FY2030

October 7, 2024

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Note: In developing this financial forecast, we looked at forecasts and documents from other communities. We borrowed ideas from them, sometimes word for word. In particular, we looked at Five Year Forecasts from Arlington, Boston, and Pittsfield, Mass. and Oakland, California as well as guidelines issued by the Government Finance Officers Association (GFOA). In addition, we used studies and reports developed by and for the City of Newton, ranging from the Comprehensive Annual Financial Report to the Demographic Trends and Projections studies from Northeastern University. Sometimes, we took ideas from these reports word for word.

Message from Mayor Ruthanne Fuller and Chief Financial Officer Maureen Lemieux

As we deliver this Long-Range Financial Plan and Five-Year Financial Forecast for the City of Newton, we are reassured that in October 2024 the residents and taxpayers of Newton can expect steady, predictable, and sustainable growth allowing us to provide steady, predictable, and sustainable school and city operations.

This Long-Range Financial Plan and Five-Year Financial Forecast is comprehensive, forward looking, financially stable, and fiscally disciplined. Our Plan preserves reserves. Our Plan not only increases the funding levels for both types of our long-term retiree obligations – pensions and healthcare – but does more, clearing the deck on our Pension liability. The Plan includes bonding for important capital investments while the debt load remains stable. The Plan includes low and manageable budget gaps.

We have every reason to believe that we will retain the highest bonding rating level possible, a triple Aaa, confirming that our finances and operations are managed well and that we are appropriately balancing our current needs and future obligations.

One challenge is that for City operations, and especially for School operations, we will have to continue to manage carefully every taxpayer dollar. While there is growth in each subsequent Budget year, the growth is steady and stable rather than large and increasing exponentially. No financial cliff looms if we operate with expenses growing at the same rate as our revenues grow.

The challenging news is that this steady, predictable, and sustainable growth is at the average annual rate of 3.5% for the foreseeable future, net of debt exclusion override revenues and the interfund transfer from the NPS Stabilization Fund.

A. Revenue

For our operating purposes, why does revenue grow at 3.5%?

As you will see in the following analysis, we have multiple revenue streams that grow at different rates on average and in any individual year. These include property tax revenues, new growth or redevelopment, other revenue streams, debt excluded overrides and the NPS stabilization fund.

Property Tax revenues account for 83% of our revenue and grows by approximately 3.8% each year. All other revenues such as state aid, other taxes, permits and fees, interest income, and more do not increase at the same rate as the property tax levy, and in some cases may even decline during the years covered within this forecast. In fact, the total of the other sources is projected to grow by an average annual increase of approximately 2%.

Consequently, when 83% of our forecast grows by 3.8% and 17% of our forecast grows by 2%, the combined annual growth rate of the total forecast for the City of Newton approximates 3.5%.

Property Tax Revenue

Paraphrasing information from the Massachusetts Municipal Association, in our Commonwealth revenues in cities and towns to support local spending for schools, public safety, and other public services are raised through the property tax levy, state aid, local receipts, and a few other sources. The property tax levy is by far the largest source of revenue for most cities and towns. This is also true in Newton as our property tax levy accounts for 83% of our revenues.

Proposition 2½, approved by Massachusetts voters in 1980 and first implemented in fiscal year 1982, limits the amount of revenue a city or town may raise (often referred to as the levy) from local property taxes each year to fund municipal operations.

The law (M.G.L. Ch. 59, Sect. 21C) places two constraints on the amount of property taxes a city or town can levy. The first is particularly relevant for the City of Newton. A community's allowable levy for a fiscal year (called the levy limit) cannot increase by more than 2.5 percent of the maximum allowable limit for the prior year, plus certain allowable increases such as *new growth or redevelopment* from property added to the tax rolls. The second option available to municipalities for increasing the property tax levy comes in the form of operating expenditure overrides or debt exclusion overrides for large capital projects. Both operating overrides and debt exclusion overrides must be approved by the voters.

New Growth or Redevelopment

The City of Newton for a long time has increased the levy limit by 2.5% annually, the maximum allowed under Proposition 2 ½, plus the amount of new growth or redevelopment. (New growth or redevelopment is new construction, new businesses, substantial renovations, redevelopment, or property moving out of a non-profit into a for-profit.) Our forecast projects an additional 1.3% of property tax revenue added to our levy limit each year as a result of new growth from new development or redevelopment/refurbishment of existing properties.

All Other Revenues

To reiterate, in Newton, the property tax levy accounts for 83% of our revenues. Other taxes, fees, and revenue sources combine to generate the additional 17%, or \$90 million. Many of these sources such as Chapter 70 State Educational Aid (\$28M), Motor Vehicle Excise Taxes (\$15M), Building Permits (\$10M), Interest Income (\$7M), Interfund Transfers (\$7M), NPS Stabilization Fund (\$4M) and more do not increase at the same rate as the property tax levy, and in some cases may even decline during the years covered within this forecast. In fact, the total of these sources is projected to grow by an average annual increase of approximately 2%.

Voter Approved Operating and Debt Exclusion Overrides

Twice the voters of Newton have approved Operating Overrides (in 2002 for \$11.5 million and 2013 for \$8.4 million). In each of those cases, the request in the operating override was added to the tax base and formed a permanent increase to the property tax levy. The taxes due as a result of operating overrides become due as part of the next year's levy and increases annually as the City increases the budget under Proposition 2 ½.

In March 2013, for the first time since the adoption of Proposition 2 ½, the voters of the City of Newton approved two separate debt exclusion questions – one for the replacement of the Angier Elementary School, and the other for the addition/renovation of the Cabot Elementary School. The full cost of the annual debt service for these two elementary schools is very stable and has been included in our revenue projections. We only tax on the exact amount of the annual debt and this tax will conclude once the City has finished paying all of the debt service associated with these two school projects.

Additionally, in March 2023, the voters of the City approved two more debt exclusion questions – one for the replacement of the Countryside Elementary School, and the other for the replacement of the Franklin Elementary School. The cost of the annual debt service is only just beginning to be incurred, \$470K in FY2025, and will increase throughout the term of this five-year forecast to approximately \$6.8M in FY2030.

The additional amount of revenue raised each year from a debt exclusion is exactly tied to the annual cost of the debt payments required in that particular year. In years when debt excluded projects are under construction and funds being borrowed over the course of construction increase significantly, it is more useful for financial planning to reflect annual revenue growth rates net of revenue from the debt exclusions.

As is shown in the table below, the projected annual increase in operating revenue over the next five years, when adjusted for the revenue raised to support the excluded debt, totals 3.99% in FY2026, but dips dramatically in FY2028 and FY2030 to a growth rate of 2.92% and 2.71% respectively.

ANALYSIS OF REVENUE						
FY2025 BUDGET/FY2026 THROUGH FY2030 FORECAST						
ADJUSTED FOR VOTER APPROVED DEBT EXCLUSIONS						
	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST
TOTAL REVENUE PROJECTION	\$ 525,419,465	\$ 547,255,010	\$ 568,765,519	\$ 587,563,517	\$ 608,234,285	\$ 624,183,011
% Increase		4.16%	3.93%	3.31%	3.52%	2.62%
LESS: 2013 DEBT EXCLUSION	\$ 3,199,319	\$ 3,099,728	\$ 3,094,103	\$ 3,079,253	\$ 3,067,328	\$ 3,057,901
LESS: 2023 DEBT EXCLUSION	\$ 470,888	\$ 1,571,320	\$ 3,569,320	\$ 5,993,320	\$ 7,073,320	\$ 6,813,320
LESS TOTAL REV - DEBT EXCLU	\$ 3,670,207	\$ 4,671,048	\$ 6,663,423	\$ 9,072,573	\$ 10,140,648	\$ 9,871,221
TOTAL REVENUE W/O DEBT EXCL	\$ 521,749,258	\$ 542,583,961	\$ 562,102,096	\$ 578,490,944	\$ 598,093,637	\$ 614,311,789
% Increase		3.99%	3.60%	2.92%	3.39%	2.71%

As you will further see below, the FY2026-FY2030 Forecast includes one notable decreasing revenue stream, the Internal Transfer of Revenue from the NPS Educational Stabilization Fund. This fund is directly responsible for the dramatic dip in the revenue growth rate in FY2028 and FY2030.

The utilization by the Newton Public Schools of the NPS Stabilization Fund is handled financially as an Interfund Transfer Revenue. As part of the NPS annual budget, the NPS administration prepares a multi-year forecast for the following five-year period. The NPS utilization of the stabilization fund in the spring of 2024 projects a significant increase in FY2026 and FY2027, followed by a significant decrease in FY2028, stable utilization in FY2029, and finally no utilization in FY2030 as the fund would have been exhausted. This utilization strategy is problematical as this would lead to significant decreases in the NPS funding growth rate in FY2028 (by \$2M) and again in FY2030 (by \$4.1M).

Taking advantage of higher than usual interest income, our financial plan includes the appropriation of an additional \$2 million this fall from Free Cash to the NPS Educational Stabilization Fund to extend the life of the fund to support the Newton Public Schools in FY2030. We have had discussions with the NPS leadership about our expectation that these dollars be used in the out years, thus providing a cushion as the Stabilization Fund is drawn down. While the NPS Educational Stabilization Fund provides beneficial financial support over 5 or 6 years, it also creates a financial cliff when it has been fully utilized unless NPS takes active steps during the life of the Fund to prepare for the loss of that additional funding. Even better, we encourage NPS to have the use of the Stabilization Fund grow in a sustainable manner until FY2033 when additional funds will be available as our Pension liability will be fully funded.

ANALYSIS OF REVENUE						
FY2025 BUDGET/FY2026 THROUGH FY2030 FORECAST						
ADJUSTED FOR VOTER APPROVED DEBT EXCLUSIONS & NPS STABILIZATION FUND UTILIZATION						
	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST
TOTAL REVENUE PROJECTION	\$ 525,419,465	\$ 547,255,010	\$ 568,765,519	\$ 587,563,517	\$ 608,234,285	\$ 627,398,389
% Increase		4.16%	3.93%	3.31%	3.52%	3.15%
LESS: 2013 DEBT EXCLUSION	\$ 3,199,319	\$ 3,099,728	\$ 3,094,103	\$ 3,079,253	\$ 3,067,328	\$ 3,057,901
LESS: 2023 DEBT EXCLUSION	\$ 470,888	\$ 1,571,320	\$ 3,569,320	\$ 5,993,320	\$ 7,073,320	\$ 6,813,320
LESS TOTAL REV - DEBT EXCLU	\$ 3,670,207	\$ 4,671,048	\$ 6,663,423	\$ 9,072,573	\$ 10,140,648	\$ 9,871,221
TOTAL REVENUE W/O DEBT EXCL	\$ 521,749,258	\$ 542,583,961	\$ 562,102,096	\$ 578,490,944	\$ 598,093,637	\$ 617,527,167
% Increase		3.99%	3.60%	2.92%	3.39%	3.25%
NPS EDU STABILIZATION FUND	\$ 4,100,000	\$ 5,100,000	\$ 6,100,000	\$ 4,100,000	\$ 4,108,299	\$ 3,215,378
REV W/O DEBT EXCL & NPS STAB	\$ 517,649,258	\$ 537,483,961	\$ 556,002,096	\$ 574,390,944	\$ 593,985,338	\$ 614,311,789
% Increase		3.83%	3.45%	3.31%	3.41%	3.42%

When the revenue forecast is adjusted for both voter approved debt exclusions and the interfund transfer of the NPS Stabilization Fund, it is clear to see that the average annual growth rate is slightly less than 3.5% for the foreseeable future.

Although the average annual growth rate of total City revenues will approximate 3.5% for the five-year period included in this forecast, utilizing the NPS Stabilization Fund in conformance with the current NPS multi-year forecast will create problematic decreases in the NPS funding growth rate in FY2028 and again in FY2030.

Newton Public Schools projected Budget						
FY2025 BUDGET/FY2026 THROUGH FY2030 FORECAST						
Adjusted for \$2 Million Increase to Stabilization Fund from 2024 Free Cash and NPS Multi-Year Forecast Utilization Schedule						
	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST
NEWTON PUBLIC SCHOOLS	\$ 278,547,007	\$ 278,547,007	\$ 288,296,152	\$ 298,386,517	\$ 308,830,046	\$ 319,639,097
Annual Increase @ 3.5%		\$ 9,749,145	\$ 10,090,365	\$ 10,443,528	\$ 10,809,052	\$ 11,187,368
TOTAL NPS OPERATING BUDGET	\$ 278,547,007	\$ 288,296,152	\$ 298,386,517	\$ 308,830,046	\$ 319,639,097	\$ 330,826,465
% Increase City Funding		3.50%	3.50%	3.50%	3.50%	3.50%
NPS STABILIZATION FUND - NPS CURRENT STRATEGY	\$ 4,100,000	\$ 5,100,000	\$ 6,100,000	\$ 4,100,000	\$ 4,108,299	\$ 3,215,378
NPS TOTAL AVAILABLE FUNDING	\$ 282,647,007	\$ 293,396,152	\$ 304,486,517	\$ 312,930,046	\$ 323,747,396	\$ 334,041,843
% Increase		3.80%	3.78%	2.77%	3.46%	3.18%

NPS recognizes how crucial it is to strategically plan for the utilization of this fund. The Fuller Administration is looking forward to working with NPS as they refine their multi-year forecast and plan strategically for the utilization of this very important fund.

To summarize, we are currently projecting an average annual increase in City of Newton Total Available Operating Revenues of not more than 3.5% beginning in FY2027 through FY2030.

Three and a half percent (3.5%) annual growth is challenging in two respects.

On the one hand, for our taxpayers, property taxes growing at 2.5% (if you haven't done a renovation recently) or higher (if you have) results in a growing tax burden due to compounding. In addition to the 2.5% annual increase our taxpayers will also see the increasing impact of the 2023 Debt Exclusion Overrides, amounting to approximately an additional 2% over the course of the next five years. Further, if the residential market continues to increase in value at a greater rate than our commercial market, there is a slight shift of property taxes to the residential sector.

On the other hand, for our City and School leaders, revenues growing at 3.5% is challenging in a different way. Costs can rise more than 3.5% – especially in inflationary periods but also from spikes in particular sectors (e.g., trash/recycling, utility costs, bus transportation, special education out-of-district tuitions, construction, and/or health insurance). In addition, we frequently are asked to expand services to meet the needs of our students, residents and businesses or to address the challenges of our times (e.g., climate change (more extreme flooding, heat, cold, snow & ice) or mental health challenges). Our infrastructure needs are substantial from rebuilding older schools and our police headquarters to upgrading our water, sewer and stormwater systems to fixing roads and sidewalks in poor condition while making them safer and more usable for pedestrians and bicyclists. Our employees deserve pay increases annually, excellent health insurance, and secure, as well as well-funded pension and retiree health insurance funds, all of which are costly.

Our schools are facing particular challenges. As a result, we will continue to face financial pressures. While the next few years are quite manageable financially, we need to be extraordinarily careful with school operations and costs. To meet student needs, there are worthwhile opportunities to invest in curriculum, bolster current services, and

start new initiatives. This is true even as enrollment is declining. We recently went through a divisive strike which highlighted the desires of our teachers, the constraints of our finances, the necessity of balancing our budget, and the critical need to avoid layoffs.

As the Massachusetts Municipal Association reports, some communities and school districts are benefiting from the state's impressive commitment to funding the Student Opportunity Act. But the Newton Public Schools, for the most part, are not one of them. With our relatively stronger tax base and relatively lower percentage of low-income families, cities and towns like us are not major beneficiaries of state aid for schools. In fact, the state's failure to fund a broad range of school reimbursement commitments, exacerbated by the far-too-low state funding of student minimum aid, and rapid inflation in transportation, out-of-district special education tuitions and more, is sliding a majority of communities backwards financially. This is making it exceedingly difficult for most school districts and communities to maintain existing education services over the long term. In light of this, we are likely to want to consider whether an operating override to support NPS is necessary and if so, when and for how much. We were lucky that the Eversource legal settlement payment arrived in the summer of 2023 after the operating override in March 2023 was not approved by our voters. But the structural deficit in the Newton Public Schools continues. Our growth rate in revenues is 3.5%; their spend rate is closer to 4.1%. (Municipal departmental expenses are growing overall in the 3.5% range. However, Pensions and Retiree Health Care are growing at a faster rate.)

Newtonians are facing at least three other serious financial challenges – housing, childcare, and transportation – which the City has limited financial resources to help them address.

- Housing is extraordinarily expensive. We have established an Affordable Housing Trust Fund. The magnitude of the need, however, far outstrips the funds we currently have in the Trust and we do not foresee being able to add substantial new funding to it. Rather, consistent, steady funding will come to the Trust from our Community Preservation funds.
- Childcare is increasingly expensive as well. While the City of Cambridge just started offering free pre-Kindergarten for all its residents, Newton has no possibility of funding anytime soon the \$34 million that Cambridge has put towards its 777 four-year-olds.
- Transportation is also challenging for Newtonians with lower incomes and/or the inability to drive. Making sure that the MBTA and MassDOT invest in Newton is critically important. For our part, we just narrowed the scope of our transportation service (previously Newton in Motion (NewMo) and now GoGo Newton) when state grant funding was reduced significantly. While we offer more transportation subsidies than most localities in Massachusetts, we fully understand that more would help our residents but that is beyond our financial capacity to do so.

Simultaneously, our Long-Range Financial Plan must allow us to balance our current needs *and* future obligations – including debt for important capital investments and retiree benefits for our employees, all while retaining our Aaa credit rating from Moody's Investors Service.

Looking ahead, we have some choices. None of them will be easy; some may be controversial. As revenues grow stably while costs increase at higher levels, the need to consider the cost-saving potential of regionalization will become increasingly important. Economies of scale through regionalization might make sense for trash and recycling management, dispatch services, or aspects of health and human services, as three examples. We must keep innovating and implementing cost efficiencies. The power of AI could be harnessed for routine functions so we can redeploy those employees to the many areas where keen intellect and interpersonal skills are essential. We need to look for opportunities to zone for and attract businesses to Newton as that tax base is essential for our financial health. We will want to keep both operating and debt exclusion overrides on the table.

B. Expenditures

i. The Newton Public Schools

A key decision embedded in this Long-Range Financial Plan is maintaining the City's financial commitment to the Newton Public Schools. This commitment has been evidenced in the past by the significant financial support that Mayor Fuller has extended to NPS throughout her time in office, January 1, 2018 through the present. In that timeframe, the City's investment in the total NPS Operating Budget has grown from a FY2018 Budget of \$219.4 million to \$278.5 million in FY2025, an average annual increase of 3.85% over the seven budgets that Mayor Fuller has prepared.

Following the defeat in March 2023 of the operating override vote, Mayor Fuller and her administration developed a financial strategy that utilized significant one-time funds from a legal settlement with Eversource to create additional funding for the next five years for the Newton Public Schools. In March 2024, the City Council approved the Mayor's proposed NPS Educational Stabilization Fund with an initial funding amount of \$22 million dollars. 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. These educational purposes include but are 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 NPS Educational Stabilization Fund will be part of the City of Newton's overall financial strategy to support programs and services for our students.

In addition to last year's \$278.5 million FY2025 appropriation to NPS, the Mayor also proposed, and the Council approved, the appropriation of an additional \$4.1 million of funding from the NPS Educational Stabilization Fund for the current year's FY2025 NPS operating budget.

Taking advantage of higher than usual interest income, our financial plan includes the appropriation of an additional \$2 million this fall from Free Cash to the NPS Educational Stabilization Fund to extend the life of the fund to support the Newton Public Schools in FY2030. We have had discussions with the NPS leadership about our expectation that these dollars be used in the out years, thus providing a cushion as the Stabilization Fund is drawn down. While the NPS Educational Stabilization Fund provides beneficial financial support over 5 or 6 years, it also creates a financial cliff when it has been fully utilized unless NPS takes active steps during the life of the Fund to prepare for the loss of that additional funding. Even better, we encourage NPS to have the use of the Stabilization Fund grow in a sustainable manner until FY2033 when additional funds will be available as our Pension liability will be fully funded.

In other words, while the NPS Educational Stabilization Fund will provide a much-needed source of funding for NPS, it is a finite amount of money. If the budget for NPS (our largest department by far) grows faster than our revenues, we forecast that with the current strategy for the use of the Fund, NPS will need to be supplemented with other funding in future years (i.e., an operating override), be offset by revenue enhancements within NPS, or will need to put in place control of expenditures (and possibly layoffs) within the NPS budget.

ii. Public Safety

Twenty-first century public safety for the Newton community requires a holistic approach to ensure the delivery of excellent police, fire, emergency medical services, inspectional, and public health services. Our mission is to provide the public safety and security through prepared responses to emergencies and disasters of all kinds, including incidents involving hazardous materials, water rescue, and all emergencies requiring trained rescue personnel and equipment. That is why this Administration has made and will continue to make strategic investments in both personnel and initiatives within the Public Safety Departments.

We have multi-pronged strategies for supporting public safety. These include: continued commitment to optimum staffing levels of the combined emergency dispatch center; investment in a PFAS-Free primary turnout gear set for each firefighter; complete implementation of the Simulcast Public Safety Emergency Communications System; investing in equipment such as new cruisers and radios and, with negotiations with the relevant unions, additional non-lethal equipment and body cameras; expanding training and professional development opportunities for personnel; and continuous upgrading of the technology at the Emergency Operations Center.

iii. [Public Health & Community Services](#)

A vibrant, diverse community life through social and recreational programs, open space, cultural activities, and recreational amenities as provided by Parks, Recreation and Culture, the Newton Free Library, Older Adult Services, Veterans Services, and Historic Newton is vital to the overall well-being of our community.

The City must continue to focus on providing links to health and wellness services to all residents and improving its physical recreational assets. This includes improving play structures, tennis courts and ball fields, and increasing pedestrian and bicyclist mobility throughout the City.

iv. [Infrastructure – Municipal and School Buildings, Roads, Parks, Trees and More.](#)

The Fuller Administration has consistently recognized the need to improve the City's capital infrastructure and has implemented many such improvements while developing a long-term strategy to systematically address these needs. While it is tempting to defer non-urgent capital projects during tight fiscal times, communities ultimately pay a higher price when it inevitably becomes necessary to replace assets.

To that end, we completed last year a complete renovation and expansion of both the Newton Early Childhood Center and the children's room at the Newton Free Library. This year we completed the transformation of the Gath Pool Complex with two new pools and a splash pad, and we are currently building the Cooper Center for Active Living (formerly the Senior Center) and the new Lincoln-Eliot Elementary School at 150 Jackson Road. The Pettee Square Improvement Project, in the heart of Upper Falls, is also nearing completion this fall. Major athletic field improvement projects are underway over the next several months at Burr School, Albemarle, and McGrath Parks, greatly enhancing the playability and accessibility of these critical recreational assets. Using the City's design, MassDOT is rebuilding the Commonwealth Avenue Carriageway in Auburndale near Lyons Field to create new green space and add a continuous walking and bicycle path where the roadway currently exists by rerouting vehicular traffic lanes.

Additionally, design plans are well under way for the new Countryside and Franklin Elementary Schools, the renovation/addition of the Horace Mann Elementary School, the Police Headquarters Facility Project, and the Newton Highlands Village Center Improvement Project.

The City continues the intensive focus on the Transportation Network Improvement Program's road paving and traffic calming work. The City has dedicated \$9.5 million a year to this accelerated program to fix Newton streets and achieved great success improving conditions. Significant ARPA funds have been added to further expand this program. Major progress on improving our water, sewer, and stormwater infrastructure has continued as well, with water meter replacement, water pipeline replacement, lead pipe elimination, sewer line infiltration and inflow removal and a range of stormwater projects. The City has also kept up a commitment to keep major equipment, such as fire trucks, major DPW and Forestry vehicles, and police vehicles up to date, properly outfitted and fully functional.

As much of our infrastructure has very long lives, we often pay for non-maintenance upgrades by bonding. We carefully manage the level of debt and choose carefully what projects to do in any given year so that our operations are supported and our financial health is maintained.

v. [Climate Change & Sustainability](#)

The Energy and Climate Team (formerly called the “Sustainability Program”) of the Mayor’s Office spans all City departments in the development, coordination, implementation and oversight of all the City’s environmental, energy, and climate-related sustainability programs. We have given much thought, analysis, collaboration, and action, as well as exploration of new opportunities, since the City adopted its first Climate Action Plan (CAP) in Mayor Fuller’s second year in office in November 2019.

The City will continue to pursue an ambitious range of programs to reduce greenhouse gas emissions (GHG). They will focus on residences, including the City’s *4 Our Future* initiative, which encourages insulation and weatherization of buildings, the installation of heat pumps and solar panels, and promotes the use of electric vehicles. Additional programs include developing and supporting private and municipal renewable energy; and continuing Newton Power Choice, which is one of the State’s most progressive municipal aggregation program, with a default rate of 95% renewables.

The City’s Planning, Public Buildings, Schools and Public Works Departments are working with the Energy and Climate Team on implementation of Newton’s Climate Action Plan (CAP) and development of a “CAP 2.0.” This includes sustainable principles for transportation systems, the “complete streets” approach to road design, bike sharing, installation of electric vehicle (EV) charging stations, and sustainable materials management and waste disposal. It also includes moving away from fossil fuels in our buildings and renovating, updating or constructing new ones using energy efficient principles and electricity.

Energy use reduction and electrification are the backbones of our GHG emissions reduction plan. The City is taking steps to ensure that new construction meets standards necessary to achieve carbon neutrality by 2050. This includes adoption of the State’s Specialized Stretch Energy Code, which establishes a high energy efficiency standard. The City has also recently been approved by the State Department of Energy Resources for participation in the State’s new Ten Communities Program, which allows the City to require electrification of all new and substantially renovated buildings, and has passed the related electrification ordinance. Additionally, the City has adopted language into the Zoning Ordinance requiring special-permitted large new construction to conduct an embodied carbon analysis, to help further reduce emissions

Existing residential and commercial buildings in Newton are responsible for much of the City’s GHG emissions. The City will continue to work with homeowners to increase energy efficiency, reduce reliance on natural gas and heating oil, and increase the use of efficient electric appliances for heating, cooling, cooking, clothes drying, and hot water. The City and volunteer-led “Energy Coaching” program is helping educate and encourage homeowners, architects, and builders to install highly energy-efficient systems in place of fossil fuel systems wherever possible.

In addition to the “4 Our Future” campaign, which is focused on existing residential buildings, the Energy and Climate Team is working with the City Council to develop a Building Emissions Reduction and Disclosure Ordinance (BERDO), which is focused on large commercial buildings. BERDO would initially target 293 large commercial buildings, which account for 23% of the total emissions in the City of Newton.

All new construction and major renovations of City buildings will be all-electric and fossil fuel free and include EV charging and solar power. This includes the Lincoln-Eliot School and Cooper Center under

construction. Design is in progress for the new all-electric Countryside School and Franklin School, which will be our first City buildings to use ground source heat pumps (geothermal energy) for 100% of their heating and cooling. The Horace Mann School addition will also be all-electric; fossil fuel free. We are also working with the Newton Housing Authority to use ARPA funds to convert the entire Horace Mann apartment complex on Watertown Street to all electric HVAC.

In addition, the City is generating over 6 million kWh of solar power on municipal properties, and another 2 million kWh of solar power will be added when the Phase 3 solar projects are completed in the summer of 2025. This solar power will be equivalent to 40% of our municipal electricity use. The City will seek opportunities for both energy-efficiency and solar projects over the years to come and has seven additional solar projects in the pipeline.

vi. Long-Term Liabilities – Aaa Bond Rating and Pensions & Retiree Health Insurance (OPEB)

Long term financial stability evident through maintenance of the City of Newton’s Aaa Bond Rating, improved financial reserves, annual unqualified audit opinions, conservative financial forecasting, implementation of comprehensive financial policies, elimination of the “structural deficit,” reduction of non-recurring funding sources to balance the annual budget, and appropriate investment in capital infrastructure are core to the Fuller Administration’s actions.

The City must continue to advance its long-term financial position. This requires discipline in a number of areas – investing in areas that address long-term liabilities such as Pensions and retiree health insurance (OPEB), maintaining the City’s Rainy Day Stabilization Fund balance equal to 5% of the City Budget; maintaining parity between the rate of revenue growth and the rate of expenditure growth; and protecting the City’s financial strength and budgetary flexibility to face evolving and unpredictable conditions and risks, such as pandemics, economic downturns, inflationary cycles and calamitous weather events.

C. Financial Strategy

Each one of these investment areas are critically integral to the success and health of the City of Newton. We carefully and consciously invest our finite financial resources. 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; and 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 challenges, inflation, and cyber insecurity are front and center as well. We have much that needs to be done.

A well-managed, fiscally-sound City is essential to providing exceptional teaching and learning to our more than 11,700 students, delivering top-notch city services to our residents and people who work here, helping our residents and businesses prosper, and making important updates to our infrastructure.

Similarly, we must ensure our tax dollars are being used in an effective and accountable manner.

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. The pandemic, for example, reminded us that unexpected events upend our neat and tidy forecasts and encouraged us to continue to build slack (e.g., healthy reserves and conservative revenue forecasts) into our financial strategy so we can respond effectively when this inevitably happens.

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 must remain committed to and disciplined in our resolve to follow the planned funding schedules for pension and retiree health insurance or OPEB liabilities, to settle collective bargaining agreements that maintain parity between revenue and expenditures, and remain vigilant in our oversight of every hard earned taxpayer dollar that has been entrusted to us in order to provide the level of municipal services that the people of Newton expect and deserve.

We will continue to carefully evaluate the many needs within our community and the opportunities we have. We will be judicious in our deliberations and transparent in our decision making. We will maintain parity between the growth rate of our revenues and expenditures, and above all else, we will ensure that every investment we make will be in the best interest of the people of this good city.

This is difficult work. Decision making on where to invest and how much challenges all of us to listen carefully to those with whom we may disagree and build consensus born of pragmatism as we chart the path forward.



Ruthanne Fuller
Mayor



Maureen Lemieux
Chief Financial Officer

1.0 Introduction to the Long-Range Financial Plan

1.1 Purpose of Long-Range Planning

The City of Newton Long-Range Financial Strategy and FY2026-FY2030 Five-Year Financial Forecast is designed to help City and School decision-makers make informed budgetary and operational decisions in the short term by anticipating long term future revenues and expenditures. The forecasting process also allows us to highlight and consider the City's financial strengths and challenges as well as potential risks, opportunities, and uncertainties.

By developing a forecast of revenues and expenditures under known conditions and budgeting appropriately for the unknowns, we move forward more thoughtfully with strategies for providing consistent and appropriate levels of service to our residents, educating our children well, compensating our employees fairly, investing sufficiently in roads, buildings and other capital assets, addressing long-term obligations, and developing sustainable budgets for the next year, the coming five years and over the long-term.

We need a sound financial forecast in order to be financially healthy and to spend wisely so we can achieve our overarching goals of:

- Ensuring academic excellence and educational equity
- Keeping Newton safe
- Making Newton more “all age” friendly with a focus on older adults
- Improving streets, sidewalks, and mobility & public buildings and infrastructure
- Preserving neighborhoods, increasing affordable housing, and diversifying housing options
- Promoting vibrant, walkable and financially robust village centers & commercial corridors
- Addressing climate change and sustaining our environment
- Protecting woods and open spaces & caring for our parks and recreation spaces
- Fostering art, culture & community life
- Facilitating a healthy, accessible and supportive Newton
- Providing excellent and responsive City services

1.2 Philosophy

The Fuller Administration is committed to a balanced and sustainable budget. While each annual budget must be balanced by state law, beyond that, we believe deeply in avoiding a sudden need to cut services and expenses, which often translates into layoffs as personnel costs are such a large percentage of our budget.

Therefore, to ensure a balanced budget, we consciously project revenues conservatively (i.e., we are extremely careful not to overestimate revenues). As per our Financial Management Guidelines (found in Appendix III), General Fund revenue financial forecast estimates are expected to capture 99% of total expected revenue for the year. We project expenditures in full (i.e., we are extremely careful not to underestimate costs). General Fund expenditure financial forecast estimates are expected to address not less than 100% of projected operating requirements of the various departments for the next fiscal year.

Throughout the past fifteen years, the City has focused on developing conservative financial forecasts, improving financial reserves, reducing the utilization of non-recurring funding sources to balance the annual budget, making appropriate investments in the City's capital infrastructure, and funding aggressively our significant liabilities for retiree benefits.

The City has been moving methodically toward implementing expenditure budgets sufficient to address not less than 100% of projected operating requirements of the various departments. We have made significant progress in this endeavor, but much remains to be done. Although the current municipal budget, FY2025, is no longer augmented by ARPA funds, the Newton Public Schools' budget is now relying on \$4.1 million of proceeds from the NPS Educational Stabilization Fund to deliver challenging, inclusive, equitable and engaging learning environments to our school children. Furthermore, NPS deliberately sets aside funding annually to carry forward in its Circuit Breaker account to help fund future operations.

We have given much attention over many years to the City's significant long-term retirement liabilities. As of January 1, 2024, the Newton Contributory Retirement System (the technical title of our pension system) actuarial value of assets totals \$539 million, reflecting a funded percentage of 64.18%. Conversely, the unfunded actuarial accrued liability on the actuarial value of assets totals \$301 million, or 35.82%. As the City continues to implement its long-term strategy and moves closer to projected full funding in seven years or FY2032, the Retirement Board with our support has updated several assumptions to take a more conservative, realistic approach. In these years, we will continue to invest modestly in our retiree health insurance liabilities with the plan of funding them much more aggressively starting in FY2033 with full funding for OPEB achieved in approximately FY2045.

We continue to need significant additional investments in many buildings. This includes schools, parks and recreation facilities, Police Headquarters, and City Hall. We need to invest more in maintenance, including our roads, playgrounds, fields, and trees. We have not yet fully incorporated the entire likely costs of snow & ice removal or complete streets repairs into the operating budget. In each of these areas, we are committed to increasing the funding gradually in each fiscal year budget in line with the economic cycle.

1.3 Methodology

The Long-Range Financial Forecast projects out ten years from Fiscal Year 2026 through Fiscal Year 2035. These next ten years are pivotal because of the critical need and important decision to fund fully the City's significant pension liability by FY2032 and then use a significant portion of those monies to fund the City's retiree health care or OPEB liabilities through the 2030s and into the mid-2040s with full funding achieved by approximately 2045.

We built this forecast by first looking at revenue projections. The first key assumption is that real and personal property taxes will increase by 2.5% annually as allowed under Proposition 2 ½. The second key assumption involves our projected additional tax revenues resulting from new growth and redevelopment.

We carefully look at historical averages combined with current building permit activity to develop our assumed growth rate for new growth and redevelopment. History has shown us that although the 20-year average increase in City revenues from new growth and redevelopment approximates 1.47%, and the 10-year average increase has been a very robust 1.68%, more recently slower economic times and higher interest rates can result in additional revenues from new growth and redevelopment as low as only 1.0%.

We have been experiencing an economic climate of increased interest rates coupled with rising construction costs. Investment in commercial space, and in particular lab buildings and life-science facilities, has dropped dramatically in the past few years. This has caused both the Northland and Riverside developers to reassess their building plans. Developers of both sites are reducing originally approved commercial space and replacing it with residential units. Therefore, we are projecting a more conservative 1.30% average increase in revenue from new-growth and redevelopment throughout the years of this forecast.

Funding the Newton Public Schools is extraordinarily important as supporting our children and their education is a bedrock value. Moreover, the Newton Public Schools is by far our largest department and expenditure line item. Although enrollments have declined and are expected to continue to do so based on projected demographic trends, we recognize that our students of all ages are still negatively impacted by the coronavirus pandemic and growing

social and emotional needs, and must be supported. This forecast has been developed with not less than a 3.50% increase to the NPS FY2026 – FY2035 operating budgets, as well as an appropriation from the NPS Stabilization Fund of not less than \$4 million for each of the next four years, FY2026 – FY2029. The addition of \$2 million from Free Cash which will be added this year to the fund now extends the life of the fund into FY2030.

This forecast also has been developed with the goal of appropriating not less than a 3.5% increase to the FY2026–FY2035 Municipal Department Budgets. Reserves for costs associated with the removal of Snow & Ice, increased costs for the disposal of Solid Waste and Recyclables, and overtime costs in the Police and Fire Departments are just a few areas that must continue to increase each year until we fund 100% of the projected costs in the General Fund rather than relying on Free Cash.

Funding our long-term liabilities (Pensions and OPEB) must remain a priority for the City, and therefore, this forecast assumes increasing the Pension appropriation by 6.6% annually, in line with the funding schedule approved by the Newton Contributory Retirement System Board of Trustees. The Forecast also provides modest increases in the percentage appropriated for OPEB, with a significant increase starting in FY2033.

Further, this forecast recognizes the importance of investment in our capital infrastructure and is predicated on the assumption that we will continue to move forward with our major building projects, the Cooper Center for Active Living, and the Lincoln-Eliot and Horace-Mann elementary school projects. Countryside and Franklin Elementary Schools are also moving forward with the funding approved for by our voters via the debt exclusion overrides in March 2023.

We will review this Plan each year to determine if our financial resources will permit us to sustain or, conversely, force us to adjust these goals.

Even with the many financial strategies that we have deployed since last fall, this forecast as usual shows a deficit beginning in FY2026 of \$1.1 million increasing to approximately \$13 million in FY2032 when the City is expected to have reached full funding of our pension system. A deficit of this magnitude has been included in Newton’s Long-Range Financial Plan for more than a decade. We acknowledge this gap. The size of the gap is manageable.

We will continue to manage our annual budgets and long-term commitments to personnel costs, debt service and new initiatives carefully. We will always have a balanced budget that ensures the financial health of the City. Revenues may be higher than expected throughout the next decade. Costs may be lower. Our Department Heads continuously look for ways to generate savings by delivering services more efficiently. They also consider new initiatives and propose reallocation of funds and/or modifications of service levels or the schedule for delivery. We also know that expected or unexpected cost increases may occur, also requiring cost reductions in other parts of the budget.

We keep top of mind the impact of tax increases on our residents and property owners, so we do not unduly burden our taxpayers and make Newton a community that is unattractive in which to live or work.

2.0 Background Information

2.1 The City of Newton

Settled in 1639, Newton incorporated itself as a City 234 years later in 1873. The City is located seven miles west of downtown Boston. It is bordered by the West Roxbury section of Boston on the southeast, the Town of Needham on the southwest, the Towns of Wellesley and Weston on the west, the City of Waltham and City of Watertown on the north; and the Town of Brookline and the Allston-Brighton sections of Boston on the east.

The City has a population of 88,415 (2023) and occupies a land area of 18.33 square miles. The City is principally suburban-residential in character. Unlike many communities that are established around a single Main Street or downtown, Newton is comprised of thirteen distinctive villages – Auburndale; Chestnut Hill; Newton Centre; Newton Corner; Newton Highlands; Newton Lower Falls; Newton Upper Falls; Newtonville; Nonantum; Oak Hill; Thompsonville; Waban; and West Newton. We pride ourselves on being known as “The Garden City” and open space comprises 21% of the City’s total land area, of which 62% is publicly owned.

Newton is a desirable community in which to live, work and raise a family. We have an excellent public school system; safe and attractive neighborhoods; an active community life; multiple transportation systems, including 7 MBTA green line and 3 commuter rail stations; proximity to Boston; and a well-managed City government.

The City provides a complete range of services to our residents. This includes education, public safety, public works, curbside trash and recycling, and recreation, library, cultural, and health & human services. The Massachusetts Water Resources Authority provides public water supply and sewage treatment services and the City operates water, sewer and stormwater systems.

To provide this complete range of services, the City is served by approximately 3,000 employees: approximately 2,000 in the Newton Public Schools and close to 1,000 in our “Municipal” departments. Many of Newton’s employees have dedicated their lives to municipal service -- educating our children, plowing our roadways in dangerous conditions, and putting their lives on the line while serving in our Police and Fire Departments.

The Newton Public Schools (NPS) are among the best in the Commonwealth. Excellent schools are a critical city service and serve as the cornerstone of Newton’s success. Our educators focus on achieving our goals of academic excellence, educational equity, and social and emotional well-being. Our educators work diligently to meet the needs – educational, social and emotional, extracurricular – of every student in our diverse community. NPS focuses on challenging our students while providing a safe, supportive, and inclusive learning environment.

Newton is also home to several private secondary and post-secondary schools which contribute to the fabric of Newton. Our major colleges/universities include Boston College, Lasell University, William James College, Hebrew College and UMass Amherst – Mount Ida. Their combined student enrollment is approximately 17,000 students.

Newton is a very “safe” city. The City has a fully accredited Newton Police Department and is one of the reasons we have been ranked one of the safest cities in America several times. Newton’s Fire Department, one of only eight “Class 1” Fire Departments in the Commonwealth as rated by the Insurance Service Office (ISO), has fully trained EMT’s on all apparatus and a highly specialized Technical Rescue Vehicle and Team.

Public Works maintains over 300 miles of public streets, sidewalks, water mains, sewer lines and storm water drains, collects and disposes of more than 17,600 tons of municipal solid waste and 8,900 tons of recyclable materials annually, and plows or treats the City’s roadways during an average of 26 snow and ice events each winter season. Home to the outstanding Newton Free Library, often the busiest single library building in the Commonwealth, the City also provides many recreational opportunities for residents of all ages. Through our Parks, Recreation, and Culture Department, Senior Services, Newton Public Schools and Community Education Program, we offer camps, sports clinics, after school programs, swim facilities, trips and activities for older adults, and one of the largest therapeutic recreation programs in the state. The City maintains approximately 1,200 acres of parkland, playgrounds, school grounds, and burial grounds, as well as extensive municipal grounds and recreation buildings. Newton also has a special City history museum that served as a stop on the Underground Railroad.

2.2 Demographic Profile

Newton's population peaked in the 1960s at 92,384 residents, and then fell in the late 20th century. In the last 20 years, Newton's overall population has grown from 83,826 in 2000 to 88,415 residents in 2023. Simultaneously, after decreasing slightly in 2020, the number of households has increased slightly from 31,201 in 2000 to 33,196 households in 2022, with approximately 2.5 people per household¹.

Recent data indicates that the population of older adults continues to grow, both regionally and in Newton. Of the 88,415 residents in Newton, 18.7 percent are over 65 years old, 0.2 percent above the state as a whole. Of the city's total population, approximately 26.5% are under 19 years old or younger; 24.9% are 20 to 44 years old; 22.8% are 45 to 59 years old; 16% are 60 to 74 years old; and approximately 9.9% are 75 years and older².

The number of school-age children in Newton has fluctuated throughout the decades with its most recent peak in the 2017-2018 school year at 15,712. In more recent years, the number of school age children has declined. In 2023 the number of school age children in Newton was 15,129, or 220 students fewer than the previous year³.

Newton Public School enrollment numbers have continued to decline as well with 11,596 students enrolled in October 2023; 1,015 fewer than in the 2019-2020 school year, or a decrease of 8.4 percent. Enrollment projections indicate that this decline will continue, with NPS serving approximately 11,522 students in Newton's fifteen elementary, four middle, and two high schools, and two alternative high school programs for the 2024-2025 school year, 74 fewer students than the 2023-2024 school year. Though overall enrollment has declined in the past year, the percentage of students receiving special education services has remained consistent at 18%⁴. In addition to overall enrollment, NPS will serve approximately 185 additional students in the pre-school, the Newton Early Childhood Program.

Enrollment continues to be closely monitored. We pay attention to the trends in the United States and Massachusetts and focus in particular on Newton. In the United States, census data shows population growth has slowed dramatically. The nation's population increased by an average of 1.3% per year during the 1990s. By 2020, the population was still growing, but at a notably slower rate. According to experts, the 0.7% percent annual increase between 2010 and 2020 was the second-slowest growth rate between censuses in U.S. history. The growth rate slowed even more during COVID to just 0.1% between 2020 and 2021. This may translate into small Kindergarten classes in the next few years.

Newton Public Schools staff with the help of the City's Planning Department analyze demographic trends (e.g., birth rates and the age of adults living in Newton) as well as known and potential changes in the number and type of housing units in Newton, so NPS has the appropriate number of teachers, staff and space to educate all our students. Finalized numbers will be provided in the December 2024 NPS Enrollment Analysis Report. For more detailed information on enrollment statistics, please see the 2023 Enrollment Analysis Report on the Newton Public Schools website.

In 1980, nearly 95% of the City's population was non-Hispanic White and 2% of the population was Asian. While racial and ethnic diversity has increased in Newton, residents are still predominantly White (74.7%), while 14.3% identify as Asian, 2.7% as Black or African American and 3.6% as Hispanic or Latino. Approximately 25.3% of the City's population today speaks a language other than English at home. The minority population percent is below

¹ 2022 American Community Survey 1-Year Estimate

² 2022 American Community Survey 1-Year Estimate

³ 2022-2023 Non-public/private School Enrollment – School Committee Memo

⁴ Enrollment Analysis Report - 2023

the surrounding Greater Boston region, particularly those communities with lower costs of living and more diverse, affordable housing options⁵.

Newton has a significant number of higher income residents, with a median household income of \$176,373. At the same time, approximately 4.6% of Newton’s population is living in poverty. By comparison, the median household income in Massachusetts as a whole is \$96,505 and 10.4% of people in Massachusetts are living in poverty.

For more information on the demographics of Newton, please visit the Planning Department’s Demographics Webpage Here: <https://www.newtonma.gov/about/demographics>.

SOURCES: U.S. Census Bureau American Community Survey 2018-2022 ACS 5-year estimates, unless otherwise specified.

2.3 Economic Profile

Per 2023 data*, Newton is home to approximately 4,246 private, public, and nonprofit enterprises, which employ 46,834 people. The two largest industry sectors—healthcare and social assistance (NAICS 62) and educational services (61)—together represent 40% of local employment. About 18% of employees work in professional and technical services (54) or administrative and waste services (56). And 15% of the local workforce is employed in retail trade (44-45) or accommodation and food services (72).

Only 4.1% of Newton’s land is zoned for commercial uses[†]. In Fiscal Year 2024, the commercial, industrial, and personal property (CIP) classes represented 8.41% of all assessed property values, compared to 91.59% for residential property classes[‡].

Effects of the pandemic may persist in employment numbers, which remain slightly below the 2019 peak, and in the commercial office vacancy rates, which exceeded 20% in the second quarter of 2024[§]. However, revenues generated by local hotel, meals, and cannabis taxes have shown strong year-over-year growth and now exceed 2019 combined revenue by 13% despite the closure of one of the three local hotels in 2021.

*SOURCES: *2023 Average Employment and Wages by Industry for All Ownership. Department of Economic Research, Executive Office of Labor and Workforce Development. †City of Newton GIS. ‡City of Newton Classification Hearing, Nov. 20, 2023. §Newmark Boston Office Market Overview, 2Q24. ¶City of Newton Treasurer Collector.*

2.4 Financial Health

Moody’s Investors Service evaluated the City’s financial health in January 2024 and reaffirmed its highest rating of Aaa. As a result of strong financial practices, Newton was well-positioned to weather the adverse economic effects of the Coronavirus Pandemic. Moody’s commented on Newton’s sizeable, wealthy, and diverse tax base and Newton’s favorable location and institutional presence; our formal financial policies and conservative, multi-year budgeting approach; and our strong fiscal management.

Moody’s noted, however, that the City has limited ability to raise property taxes due to Proposition 2 ½ and has large long-term liabilities for pensions and retiree health care (also known as OPEB).

Moody’s projected continued financial stability for the City due to our conservative budget forecasting, adherence to comprehensive financial and debt policies, and the strength of both the Newton and regional economies. It cautioned the City to avoid a multi-year trend in declining available General Fund balances, increased reliance on Free Cash appropriations to balance our operating budget, a material increase in our debt burden, and advised on the need to reduce our unfunded pension liability.

⁵ Housing Needs Analysis and Strategic Recommendations, City of Newton, MA, June 2016, Chapter 1, Demographic Trends, RKG Associates

3.0 Revenue Forecast: Key Drivers and Assumptions

Total Revenue is projected to grow from the FY2025 Budget of \$525 million to almost \$624 million by FY2030 or an average annual growth rate of 3.77% over that five-year period. However, as was discussed in detail in the Executive Summary the “gross” revenue increase does not tell the whole story.

Because the Property Taxes due from the 2023 Debt Exclusion will be growing significantly over the next five years, the “true” average annual growth rate of total available revenue will be slightly less than 3.5% for the foreseeable future.

3.1 Property Tax Revenues

The City of Newton has benefited from both strong residential and strong commercial sectors for much of its history. Its proximity to Boston, excellent public schools, and its commitment to culture and community life have all been contributing factors. Average home property values have grown to more than \$1.6 million and our village centers and commercial sectors have largely recovered following the pandemic.

Property taxes account for 83% of the City’s total operating revenue. FY2025 budgeted property tax revenue is estimated to total just under \$437 million. This includes the 2.5% increase over last year (in line with Proposition 2 ½) as well as a projection of approximately \$5.2 million from “new growth and redevelopment,” and a total of \$3.7 million property tax revenue for all four of our debt excluded projects (Angier, Cabot, Countryside, and Franklin).

Projecting the amount of new growth is perhaps the single most important assumption in the Financial Forecast. Property tax revenue from new growth and redevelopment has averaged 1.47% of the property tax levy limit (the total allowable property tax calculated by the state) over the past twenty years and has averaged a very robust 1.68% over the past ten years. The increase in property tax revenues from “New Growth and Redevelopment” has significantly helped the City accomplish many of its goals. However, sustaining these very positive historical trends may be challenging in these very uncertain times.

We have been experiencing an economic climate of increased interest rates coupled with rising construction costs. Investment in commercial space, and in particular lab buildings and life-science facilities, has dropped dramatically in the past few years, and has caused both the Northland and Riverside developers to reassess their building plans. Developers of both sites are reducing originally approved commercial space and replacing it with residential units. Therefore, we are projecting a more conservative 1.30% average increase in revenue from new-growth and redevelopment throughout the years of this forecast.

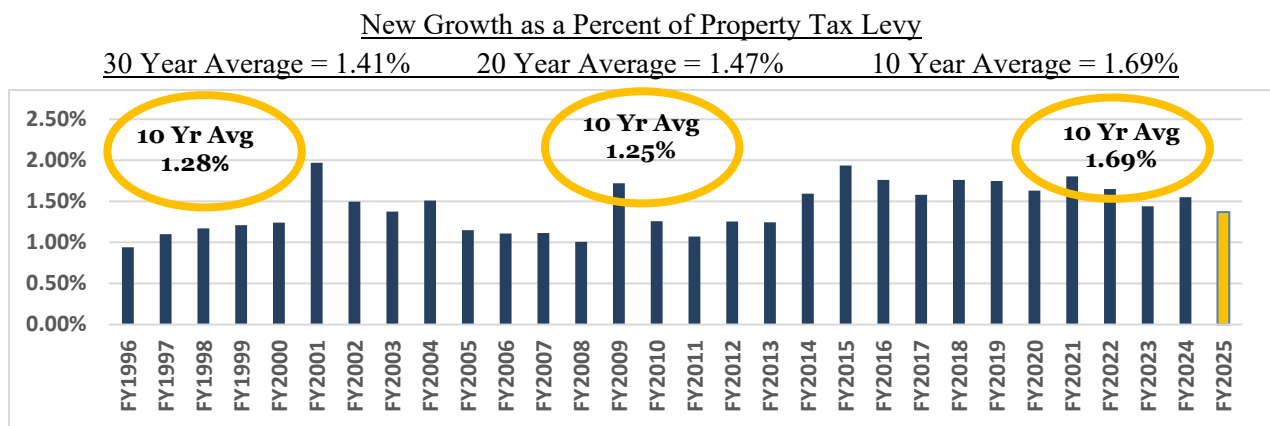
In the residential sector, renovations as well as demolitions followed by construction of a new home add to Newton’s property tax base. Although these changes generate additional tax revenue, they can simultaneously impact the character of our neighborhoods and make it increasingly difficult to find an affordable home in Newton.

Mayor Fuller is committed to supporting the business and non-profit community in Newton, preserving and improving the economic health and vitality of Newton’s village centers and commercial areas, and continuing to expand the City’s property tax base from new growth and redevelopment, where appropriate. Toward that end, significant projects such as the West Newton Square and the Newtonville Walnut Street complete streets improvement projects were specifically designed to enhance the village character and experience by shoppers and diners by providing a safer, more walkable and bikeable, and more aesthetic environment complemented by improved lighting and the addition of street trees and sidewalk furniture. Those projects are now complete and are having a real impact on the vitality of each of those village centers. A significant investment in Pettee Square in the heart of the Upper Falls village is almost finished and a complete streets renovation of Needham Street by the State is well underway. The Administration has now turned its sights to the Washington Street Pilot Program in between West Newton Square and Newtonville and is finalizing the designs for the Newton Highlands Village Center.

3.2 Revenue from “New Growth & Redevelopment” - Financial Modeling Techniques

As is true with any long-range financial plan, there will always be unexpected events and adjustments to be made. Never has this statement been truer than in the time since March 2020 as the City of Newton, the Commonwealth of Massachusetts, the United States of America, and the entire world grappled with the public health, social, emotional, educational, and economic effects of the coronavirus pandemic. The challenge and the responsibility of City leaders is to prepare for exigencies and have a financial and management strategy in place to deal with them. Modeling different scenarios is a useful tool to help us shape our strategy so we have the resources to manage effectively in times of financial duress.

Revenue from “New Growth and Redevelopment” is perhaps the leading predictor of the City’s ability to implement this long-range plan. The City of Newton had been enjoying a period of unprecedented sustained new growth. The City has been experiencing, as a percent of the levy limit, more than 1.6% increases annually for each of the previous five years, FY2018 to FY2022. This new growth is a result of building decisions and approvals made prior to the pandemic. In past years, we have always recognized that the economy is cyclical; however, in the pandemic, the economy closed with virtually no warning, devastating several industries and hurting many more. Consequently, in the past two years, FY2023 and FY2024, New Growth has slowed, landing at 1.44% and 1.55% respectively. The City is expecting to submit a New Growth estimate of 1.37% to the Department of Revenue in November 2024.



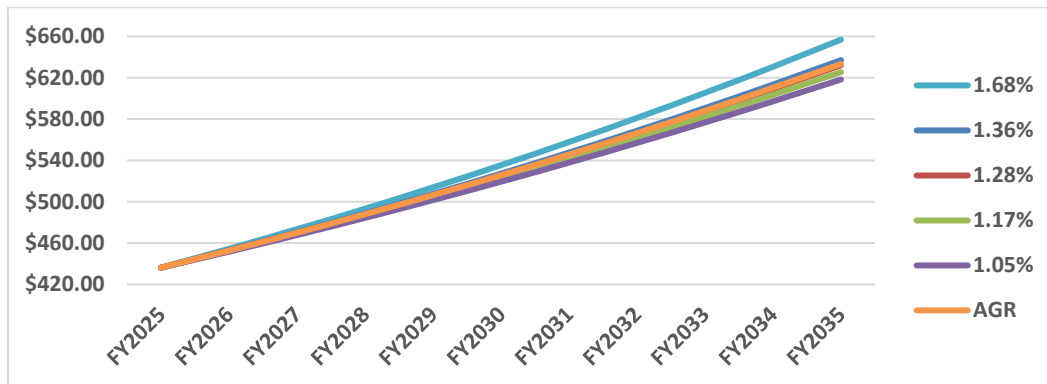
Revenue from new growth and redevelopment has averaged 1.47% over the past 20 years. Although we can “model” averages, each year fluctuates based on the economy, time frame of large developments and other factors. The most recent 10 years, FY2015 through FY2024, generated a 10-year average of 1.68% annual increase in property tax revenue from new growth and redevelopment. The prior 10-year period, FY2005 through FY2014 (including the years of the “great recession”), generated a 10-year average of 1.25% annual increase in property tax revenue from new growth and redevelopment. The “worst” 10 years (FY1991 – FY2000) generated a 10-year average of only 1.05%.

To prepare this strategic long-range forecast, we have not only utilized this very important historical data to create several different scenarios to develop a sensitivity analysis for our long-term revenue projections, but importantly have looked at the most recent years and expectations of economists about the next five. As is clear from the chart above, we have seen a recent decline in the rate of “New Growth and Redevelopment” from as high as 1.80% in FY2021 to as low as 1.44% and 1.55% in FY2023 and FY2024 respectively.

Using these different scenarios, we have modeled a range of revenue expectations.

As the chart below indicates, there is as much as a \$39 million swing a decade from now in FY2035 Revenue between the worst 10-year period average of new growth (1.05%) and the best 10-year average (1.68%). A crucial component in the development of the revenue projections in this financial forecast was the desire to avoid under-forecasting revenues, thereby causing under-investments in crucial services and personnel such as in education. Conversely, over-forecasting revenues can lead to a financial cliff with layoffs and service cuts. It is for this very reason that we prepare annual forecasts that reflect a modest “gap” between revenues and expenditures.

Total Revenue through FY2035
New Growth & Redevelopment Percent Increases: 1.05% - 1.68%
 (\$ Millions)



In addition to the assumption of a 2.5% annual property tax increase as allowed under Proposition 2 ½, we have assumed an average growth rate (AGR) of 1.30% for FY2026 through FY2035.

This assumption is based on the expected new tax revenues resulting from projects that are moving forward in the City, which are permitted, and a projection of redevelopment throughout the City in line with economic conditions. History has shown us that the 20-year average increase in revenues from new growth/redevelopment approximates 1.4%; however, it has also shown us that we could have a 10-year period that only slightly exceeds 1.0%.

3.3 Non-Property Tax Revenues

Non-property tax revenues account for 17% of the City of Newton’s FY2025 revenues.

A few non-property tax revenue sources are particularly noteworthy: State Aid, Building Permitting Fees, Motor Vehicle Excise Taxes, Interest Income, and Meals and Hotel Room Taxes.

Notably, the City utilized \$4.6 million of ARPA funding to supplement the FY2022 general fund, \$3.0 million for FY2023, and \$2.0 million for FY2024 as key non-property tax revenues had not yet fully recovered. We consciously tapered the use of one-time ARPA funds to support ongoing services and did not use any in our current operating budget, FY2025. As a result, we are not facing a financial cliff as this revenue source winds down.

Integral to this Long-Range Financial Plan is the utilization of the NPS Educational Stabilization Fund. With the support of the City Council, we worked to transform \$22 million of one-time funds into on-going support to bolster operations for the Newton Public Schools over the five-year period beginning in FY2025 through FY2029.

The Fuller Administration supplemented the NPS Operating Budget of \$278.5 million for the 2024/2025 school year by an additional \$4.1 million from the NPS Educational Stabilization Fund. With this increase, our Superintendent has been able to fund the recently settled teachers’ contract, hire additional staff, increase mental health and multi-tiered academic support services at the elementary level, improve curriculum and pedagogy, and address class sizes to help meet the needs of our students.

This forecast includes the appropriation of \$2 million from June 30, 2024 Free Cash to extend the life of this very important financial resource for NPS. It is expected that proceeds from the fund will supplement the NPS budget for the five-years including FY2025 through FY2029 and into FY2030. By FY2030, it is anticipated that Superintendent Nolin will have identified either new revenues or cost efficiencies in the NPS budget sufficient enough to absorb the loss of this revenue stream as the NPS Educational Stabilization funds will have been exhausted.

State and Federal Funding

The most significant non-property tax revenue sources for the City of Newton are two funding sources from the Commonwealth – Chapter 70 State Education Aid and Unrestricted General Government Aid (UGGA).

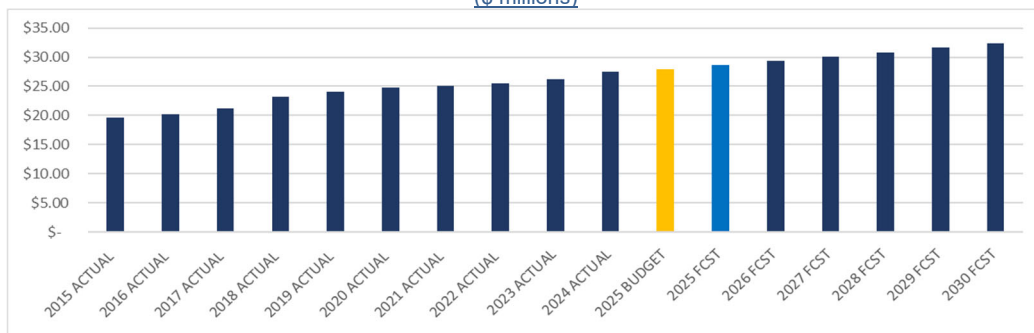
State Education Aid (Chapter 70) and State Unrestricted General Government Aid (UGGA)

The Commonwealth of Massachusetts adopted the Student Opportunity Act on November 26, 2019, 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 additional funding into the state’s education aid beginning in FY2020 growing to A \$1.5 billion increase by FY2026. This act was also intended to increase funding to districts for transportation, school construction and renovation, and special education.

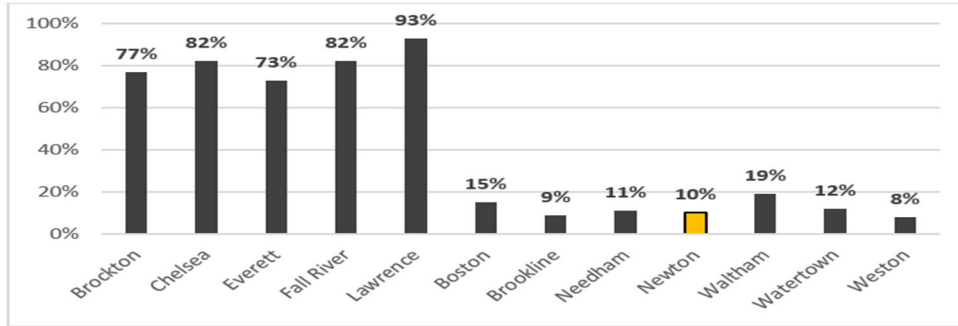
The bulk of the new funding has been directed to school districts with the highest concentrations of low-income students, thereby aiming to address achievement gaps and to provide opportunity for all students in the Commonwealth. The FY2025 City of Newton Budget includes a Chapter 70 allocation from the State of \$27,926,713 as originally proposed in the Governor’s Budget. The FY2025 Forecast reflects the Final State Budget as approved by the Conference Committee of \$28,656,534 in Chapter 70 State Education Aid, an increase of \$1,222,728 or 4.46%, over the final approved FY2024 grant.

Using data from the Massachusetts Department of Elementary and Secondary Education (DESE) database, this Chapter 70 Aid for FY2024 represents 10% of the overall Newton Public Schools operating budget as they calculate it. It is useful to see the wide range of funding from the State to communities in Massachusetts. While 10% of Newton’s public school expenditures are funded by the State, in a community such as Lawrence, the state aid covers 93% of their public school education costs (see the chart below). State aid to Newton for Unrestricted General Government Aid is forecasted at \$7,236,119 in FY2025 UGGA, an increase of \$210,760 or 3.00%.

Chapter 70 State Education Aid
FY2025 Final Budget Increase of \$1.22M (4.7%)
 (\$ millions)

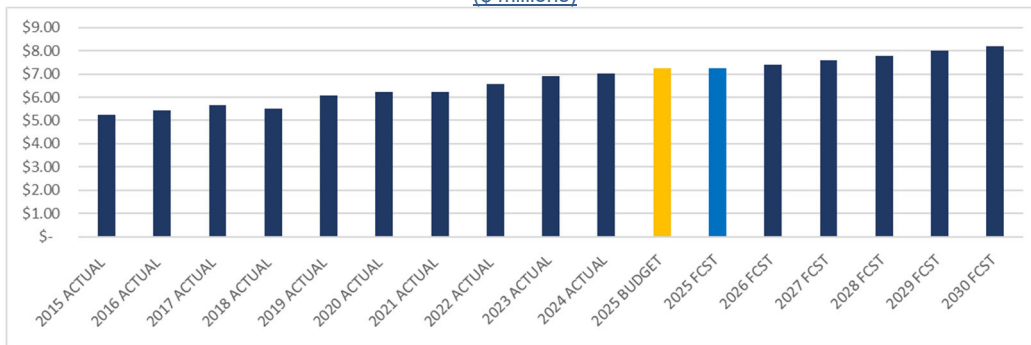


Percent of Public School Costs covered by Ch. 70 State Aid in FY2024



Source: MA Dept of Elem and Secondary Ed Ch 70 District Profiles for FY24

Unrestricted General State Aid (UGGA)
FY2025 Final Budget Increase of \$210.7K (3.0%)
 (\$ millions)



In addition to Chapter 70 State Education Aid and Unrestricted General Government Aid, the two largest sources of state aid, the City of Newton typically receives substantial additional funding from a myriad of state agencies that also should be considered when discussing state aid.

Annual State Funds in FY2025

School – Special Education Circuit Breaker Funds	\$5,500,000
School – METCO Program	\$2,500,000
Chapter 90 – Highway Improvement Fund	\$2,300,000
Green Communities Competitive Grant	\$ 100,000
Community Preservation Act (CPA) Matching Funds	\$ 713,012
Public Safety Funds	\$ 260,000
Meals & Rooms Tax Distribution	\$4,500,000
Cannabis Sales Taxes	\$ 500,000
Older Adults & Veterans Assistance	\$ 625,000

Current One Time State Project Contributions

MSBA – Countryside Elementary School - Opening Jan 2027	\$20,000,000
Needham Street Reconstruction - Estimated Completion Fall 2025	\$26,000,000
Commonwealth Ave Carriageway – Estimated Completion Fall 2025	\$ 5,000,000

Other Recent One Time State Funds

MSBA – Angier Elementary School – January 2016	\$10,000,000
MSBA – Cabot Elementary School – September 2019	\$14,000,000
MassWorks – Oak & Christina Intersection - Spring 2019	\$ 1,685,000

Likewise, the City benefits from several millions of dollars of federal funding on an annual basis that are crucial to many of the programs that we provide. The national economy and federal funding priorities, therefore, impact the City directly. Key areas of federal funding include:

Annual Federal Funds

Community Development Block Grant & HOME Funds	\$2,000,000
Public Safety Funds	\$ 200,000
School – Special Education, Title I and other miscellaneous aid	\$4,800,000

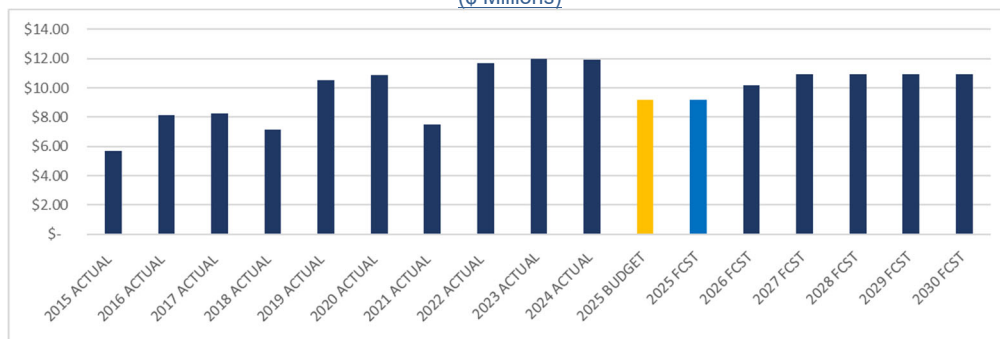
Inspectional Services Building Licenses and Permitting Fees

Permitting and licensing activity is influenced heavily by the economy. The Northland project was approved by both the City Council in 2019 and Newton voters in 2020, and Riverside was approved by the City Council in 2020.

However, as was mentioned earlier, we have been experiencing an economic climate of increased interest rates and rising construction costs coupled with a dramatic drop in investment in commercial space, and in particular lab buildings and life-science facilities. This has caused both the Northland and Riverside developers to reassess their building plans. Developers of both sites are reducing and/or eliminating originally approved commercial space and replacing it with residential units.

We must always be very conservative when forecasting this revenue stream. We will continue to follow this account very closely, as building permit revenues are a very important predictor of future “Revenue from New Growth and Redevelopment.”

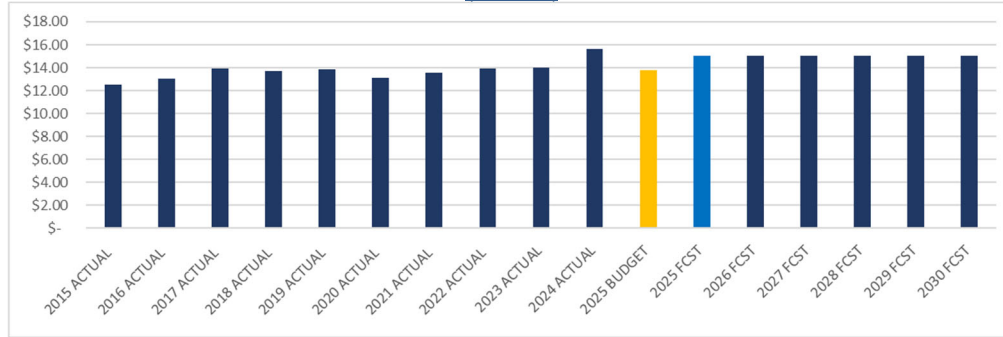
Inspectional Services
FY2024 Actual \$11.95M
 (\$ Millions)



Motor Vehicle Excise Taxes

Massachusetts residents who own and register a motor vehicle pay a motor vehicle excise tax annually for the privilege of road use and those tax revenues go to the treasury of the local community. 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 \$12.5 million in FY2015 to a high of \$15.6 million in FY2024. Car buying has rebounded from a low point in 2020 during the pandemic. This revenue line has surpassed its pre-pandemic peak this past fiscal year, FY2024.

Excise Tax
FY2024 Actual - \$15.65M
 (\$ Million)



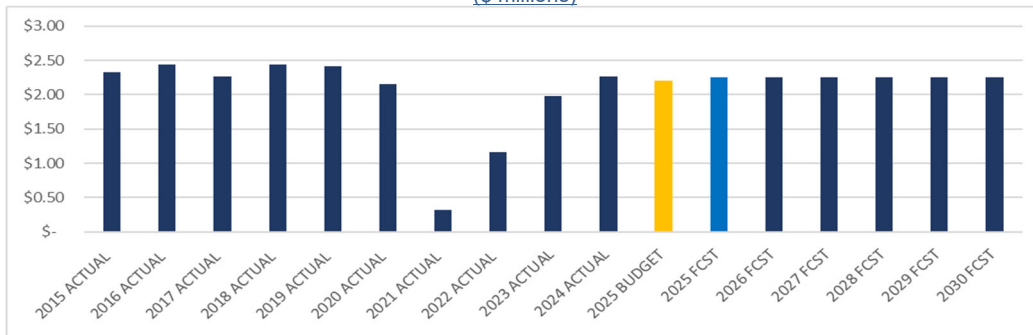
Hotel Room Occupancy Taxes

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 had received more than \$2 million of Hotel Rooms Tax Revenue each year since FY2013 until the pandemic.

Almost immediately following the onset of the Coronavirus Pandemic, the hospitality industry began to experience unprecedented cancellations of conferences, vacations, weddings, etc. As reported by NBC10 Boston July 13, 2021, the American Hotel and Lodging Association, reported that revenue per available room for Boston hotels plummeted from \$184 in May 2019 to \$61 in May 2021, a 67% drop surpassed only by the 70% decline in San Francisco.

Fortunately, revenues for hotels have rebounded. FY2023 Hotel Room Occupancy Taxes improved to just under \$2 million, and FY2024 Room Taxes totaled \$2.27 million, even though the City of Newton has only two rather than three hotels. (The Hotel Indigo permanently closed in 2021.) Therefore, we do not project our revenue to fully return to pre-pandemic levels.

Hotel Room Occupancy Taxes
FY2024 Receipts: \$2.27M
 (\$ millions)

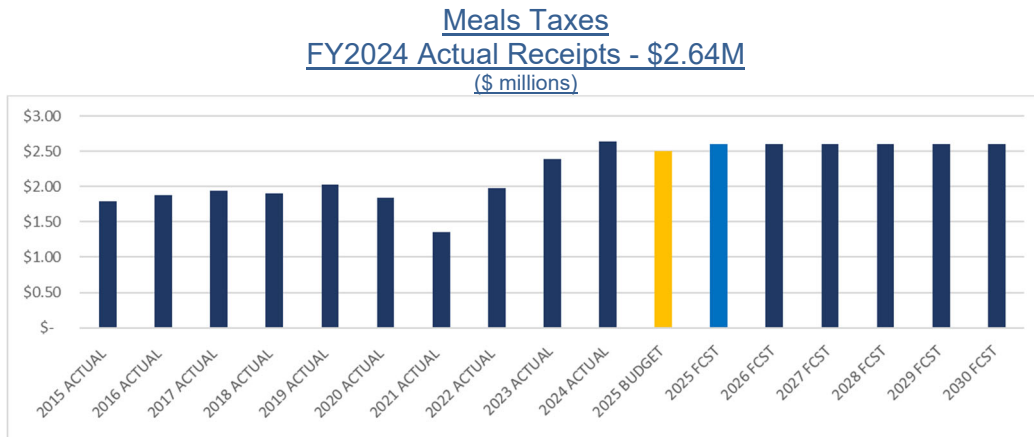


Meals Tax

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 by a city or town. In October 2009, the City of Newton adopted the local option effective

January 1, 2010. This decision had provided the City with an annual revenue stream of approximately \$1.9 million over several years.

COVID-19 also hurt the restaurant industry. Approximately 3,600 or 20% of all restaurants across the Commonwealth permanently closed. Restaurants that had been able to weather the pandemic by providing “outdoor seating” through the summer months in 2020 saw closures during the 2020/2021 winter. Fortunately, this industry has also seen an encouraging comeback with FY2024 revenues exceeding \$2.6 million, significantly higher than ever before. (These increased revenues likely reflect increased costs for restaurants (e.g., staffing and food costs) and are reflected in revenues as those costs are passed along to customers in the form of increased prices.)



Interest Income

Interest income earned on the City’s financial 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. The Federal Reserve Bank raised rates through 2018 but implemented a sequence of rate decreases starting in July 2019. In late March 2020, the Fed decided in response to COVID-19 to lower the Federal Funds Rate to its historical low of 0.25 percent.

Since then, the world again experienced many changes which have impacted interest rates dramatically. The war in Ukraine, inflation, and the threat of recession were some of the reasons for significant tightening by the Fed. In July 2023, the FOMC raised interest rates by another quarter of a percent to 5.25-5.50%, where it remained until their most recent meeting. On September 18, 2024, the Federal Reserve issued the following statement:

“In light of the progress on inflation and the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/2 percentage point to 4-3/4 to 5 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

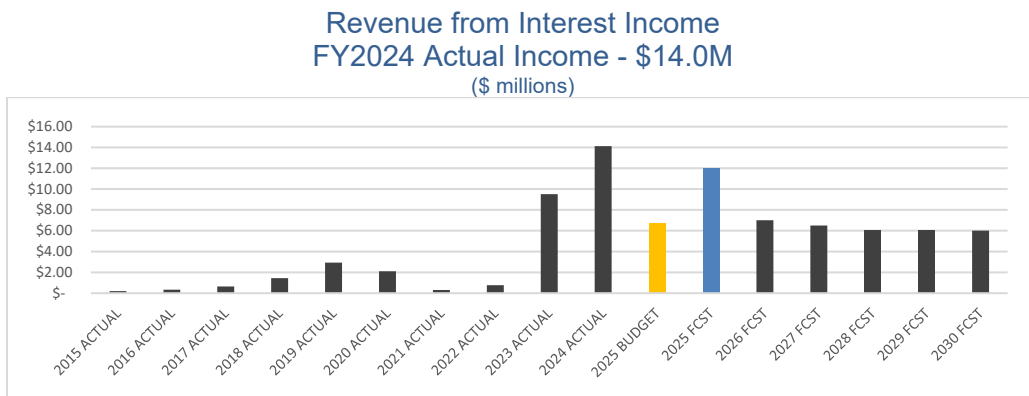
In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee’s goals. The Committee’s assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.”

Although the FOMC voted to lower interest rates, they still remain strong. Therefore, we have adjusted our forecast for Interest Income to \$7 million in FY2026, the highest level we have ever forecasted, and only going as low as \$6

million in the foreseeable future. We will continue to monitor this critical revenue stream and will adjust our forecasts accordingly.

While we are currently enjoying extraordinary interest income, we must be careful to strike a balance in our forecast so as not to become too dependent on current levels, as we can expect the Fed to take action when and if they determine it is necessary and this will be out of the City’s control.

Notably, even as the City expects to see healthy revenues from interest income, simultaneously we expect to experience the negative side of higher interest rates when we go out to the bond market to borrow funds for capital investments. We will make strategic decisions when to bond or when to use bond anticipation notes (BANs) to get the best rates.



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 forecasted a \$100K increase (20%) in cannabis taxes, totaling \$600K. These funds 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 has amended 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, 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 that the State applies 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 and \$516,000 in FY2024. Based on the funding schedule for subsequent payments, we expect Newton to receive \$200,000 in FY2025.

The State has very strict guidelines on the use of the funds by cities and towns. Additionally, per the Massachusetts Attorney General's Office, the funds must not be used to supplant existing resources but 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.

The following table reflects the City of Newton Total Operating Revenue Forecast for FY2026 through FY2030.

City of Newton Annual General Fund Revenue Forecast						
FY2025 BUDGET/FY2026 THROUGH FY2030 FORECAST						
NPS STABILIZATION FUND - REFLECTS \$2M FROM 2024 FREE CASH AND NPS MARCH 2024 FORECAST						
	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST
TOTAL REVENUE						
PROPERTY TAXES W/O DEBT EXCL, DEFER'D/ACCR'D, EXTRAORD PMTS	\$ 433,323,914	\$ 450,273,106	\$ 467,463,105	\$ 485,192,885	\$ 503,596,398	\$ 522,699,243
% ANNUAL INCREASE		3.91%	3.82%	3.79%	3.79%	3.79%
MOTOR VEHICLE EXCISE TAX	\$ 13,750,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
% ANNUAL INCREASE		9.09%	0.00%	0.00%	0.00%	0.00%
SALES TAXES: ROOMS, MEALS & CANNABIS	\$ 5,300,000	\$ 5,500,000	\$ 5,506,500	\$ 5,513,065	\$ 5,519,696	\$ 5,526,393
% ANNUAL INCREASE		3.77%	0.12%	0.12%	0.12%	0.12%
ISD BUILDING/MECHANICAL PERMITS	\$ 9,180,000	\$ 10,180,000	\$ 10,905,000	\$ 10,905,000	\$ 10,905,000	\$ 10,905,000
% ANNUAL INCREASE		10.89%	7.12%	0.00%	0.00%	0.00%
OTHER PERMITS, FEES, AND REVENUES	\$ 4,654,671	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171
% ANNUAL INCREASE		-0.96%	0.00%	0.00%	0.00%	0.00%
STATE REVENUE/CHERRY SHEET	\$ 35,328,895	\$ 36,940,379	\$ 37,835,139	\$ 38,777,892	\$ 39,744,215	\$ 40,734,695
% ANNUAL INCREASE		4.56%	2.42%	2.49%	2.49%	2.49%
INTEREST INCOME FROM INVESTMENTS	\$ 6,700,771	\$ 7,000,000	\$ 6,500,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
% ANNUAL INCREASE		4.47%	-7.14%	-7.69%	0.00%	0.00%
TOTAL PARKING METER RECEIPTS	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000
% ANNUAL INCREASE		0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL PARKING VIOLATIONS	\$ 1,000,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000
% ANNUAL INCREASE		5.00%	0.00%	0.00%	0.00%	0.00%
SUBTOTAL OPERATING REVENUES	\$ 510,318,251	\$ 531,633,656	\$ 549,949,915	\$ 568,129,014	\$ 587,505,479	\$ 607,605,502
% ANNUAL INCREASE		4.18%	3.45%	3.31%	3.41%	3.42%
TOTAL TAX DEFERRALS/ACCRUALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ARPA - AMERICAN RESCUE PLAN ACT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL INTERFUND TRANSFERS	\$ 7,331,007	\$ 5,850,305	\$ 6,052,181	\$ 6,261,930	\$ 6,479,859	\$ 6,706,288
TOTAL EXTRAORDINARY PAYMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUES W/DEFERRALS/ACCRUALS & INTERFUND TRANSFERS	\$ 517,649,258	\$ 537,483,961	\$ 556,002,096	\$ 574,390,944	\$ 593,985,338	\$ 614,311,789
% ANNUAL INCREASE		3.83%	3.45%	3.31%	3.41%	3.42%
2013 DEBT EXCLUSION	\$ 3,199,319	\$ 3,099,728	\$ 3,094,103	\$ 3,079,253	\$ 3,067,328	\$ 3,057,901
2023 DEBT EXCLUSION	\$ 470,888	\$ 1,571,320	\$ 3,569,320	\$ 5,993,320	\$ 7,073,320	\$ 6,813,320
REVENUES INCL'G DEBT EXCLUSIONS	\$ 521,319,465	\$ 542,155,010	\$ 562,665,519	\$ 583,463,517	\$ 604,125,986	\$ 624,183,011
% ANNUAL INCREASE		4.00%	3.78%	3.70%	3.54%	3.32%
NPS EDUCATIONAL STABILIZATION FUND	\$ 4,100,000	\$ 5,100,000	\$ 6,100,000	\$ 4,100,000	\$ 4,108,299	\$ 3,215,378
TOTAL REVENUE	\$ 525,419,465	\$ 547,255,010	\$ 568,765,519	\$ 587,563,517	\$ 608,234,285	\$ 627,398,389
% ANNUAL INCREASE		4.16%	3.93%	3.31%	3.52%	3.15%

4.0 General Fund Expenditures

There are several key drivers and assumptions underlying the expenditure forecast.

Employees and Retirees

The Fuller Administration is deeply respectful of and grateful to the more than 2,000 employees of the Newton Public Schools and the more than 1,000 full- and part-time employees of the City who work so hard to help our students reach their full potential and to make Newton greater, better and more beautiful. The heart and soul of our Newton city government and our schools are the people who labor to deliver to our residents and children the services and education that make Newton such a special place to live and work. We will invest in our employees through fair salaries, good working conditions, excellent health care plans, funded pension and retiree health care plans, and training & professional development.

The cost of salaries, compensation, and benefits for active and retired NPS employees accounts for 87% of the Newton Public Schools' operating expenditures while the cost of salaries, compensation, and benefits for active municipal employees account for more than 71% of the municipal operating expenditures. (Municipal retiree pensions and health benefits, and municipal and school debt service are tracked separately.) Consequently, the cost of personnel is the single most important cost element in our budget and has a significant impact on our forecast.

Although not anyone's preference, Collective Bargaining Agreements are not always settled until sometime after the previous 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 covered employees. In other words, we set aside funds in a wage reserve to pay for increases in pay so that the funds are available once a contract that has expired is settled.

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.

STATUS OF CONTRACTS – MUNICIPAL DEPARTMENTS

Settled through June 30, 2021

- Newton Police Association (NPA) – 110 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 full time (FT) Parking Control Officers budgeted, and 52 part time (PT) Crossing Guards budgeted
- Newton Police Superior Officers Association (NPSOA) – 35 budgeted positions
- MNA – Nurses – 31 budgeted positions

Settled through June 30, 2027

- International Association of Firefighters (IAFF Local 863) – 201 budgeted positions for FY2025

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 170 municipal and 70 NPS unaffiliated, or non-unionized, staff members.

Providing municipal and educational services for all cities and towns is a labor-intensive service model. As technology, enrollment, and demographic needs change, we must be ready to change with them. We also must be ever mindful of the long-term obligations associated with increasing our numbers of employees. The Fuller Administration is committed to evaluating each and every municipal position and request for additional municipal personnel so that we do not find ourselves in a predicament where a “reduction in force” is necessary if revenue growth is slower than the growth in personnel costs.

4.1 Newton Public Schools

The delivery of an excellent education to our students by the Newton Public Schools (NPS) is a critically important service of the City of Newton as education is a ‘bedrock’ value of our community. In fact, our investments in the Newton Public Schools account for 62% of all our expenditures.

With the leadership of Superintendent Anna Nolin, the focus of NPS is on our core mission – academic instruction, around which we will cultivate our learners and nourish them to flourish in personalized ways.

With a major overhaul of the elementary school day, families will experience a more cohesive grade-level schedule, with intervention and extension time built into children’s days. This means we will be better able to ensure grade level instruction and content to everyone and plan for supports for those receiving extra help and extensions for more advanced learners.

The focus remains on creating joyful learning environments, cultivating high-quality instruction in all classrooms, and supporting our educators so they can continue their leadership as a well qualified, highly-skilled and trained group. The math curriculum, science curriculum, instructional practices and special education experiences are receiving particular attention.

An important outcome of last year’s contract negotiations is a social worker in each school building and expanded pay for our very important and versatile staff who serve as assistant teachers, paraprofessionals and behavior technicians. This in turn means better, more personalized service to children, especially as we seek to meet the rising tide of mental health needs of our students.

The Newton Public Schools are committed to expanding opportunities for students, building the capacity to support the social and emotional needs of students, implementing promising initiatives to address race and achievement, maintaining favorable class sizes, offering a wide breadth of educational and extra-curricular opportunities, and continuous improvement of school facilities – all with the goals of positive, productive and fulfilling learning experiences for all students and welcoming, inclusive, equitable, challenging and engaging learning environments for students to thrive.

4.1.1 Student Enrollment Trends

A key assumption in the forecast is the number of students in the Newton Public Schools.

Prior to COVID-19, the Newton Public Schools saw not just a leveling of the growth trend in enrollment of the prior decade but actual declines. While a decline in enrollment was projected for the 2020-2021 school year, the actual decline in enrollment was much larger than anticipated (-700). Families chose alternatives to meet their needs during the pandemic, including homeschooling and private schools. As with many other school districts, enrollment numbers have continued to decline due to demographic factors.

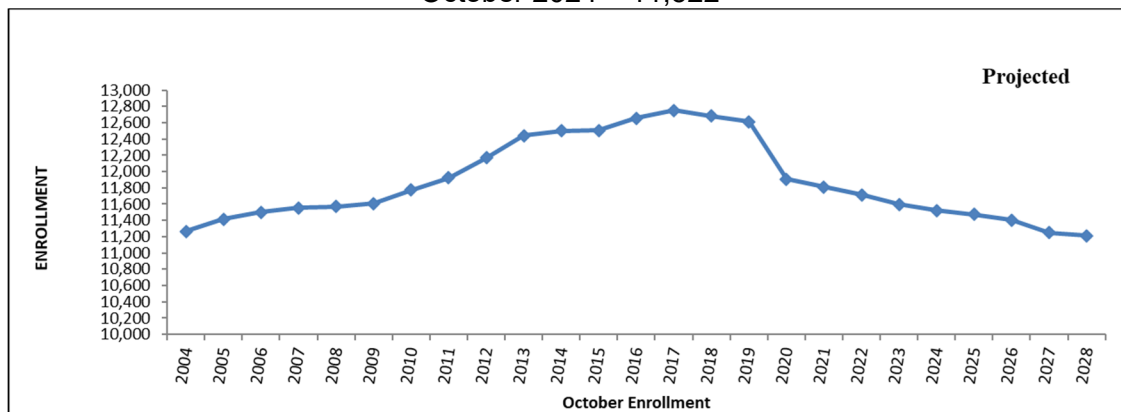
NPS anticipates that there will be 1,200 fewer students in our classrooms in October 2024 than in October 2017 (NPS' enrollment peak), which equates to a reduction of almost 10%. Much of the reduction has been at the elementary level, with a reduction of 1,000 students (17%) during this time period. That is equivalent to about three elementary schools.

Based on preliminary enrollment during the first week of school in September 2024, NPS will serve approximately 11,510 students in our fifteen elementary schools, four middle schools, two high schools, and two alternative high school programs for the 2024-2025 school year. In addition, NPS will serve approximately 180-250 additional students in the Newton Early Childhood Program (enrollment in NECP grows over the school year as students turn three years of age and become eligible for preschool with rolling admissions). Final enrollment numbers will be presented in the NPS February 2025 Enrollment Analysis Report.

Enrollment numbers will continue to be closely monitored, analyzed and projected throughout the fall. This includes analyzing demographic trends (e.g., birth rates and the age of adults living in Newton) as well as known and potential changes in the number and type of housing units in Newton so that NPS has the appropriate number of teachers, staff and space to educate all our students. Updated projections for the next five years will be provided in February 2025 and will incorporate additional housing anticipated through special or comprehensive (40B) permits granted and approved building permits.

While enrollment information is important to any long-term forecast of Newton Public School needs it is only piece of more complex educational planning by Superintendent Anna Nolin and her team. There are quickly changing educational needs at primary and secondary levels that impact total staffing, types of positions and programs, out-of-district placements, and curriculum that lead to budgetary needs.

Newton Public Schools – Projected Enrollment
October 2024 – 11,522



4.1.2 NPS Budget

A key decision embedded in this Long-Range Financial Plan is maintaining the City's financial commitment to the Newton Public Schools. This commitment has been evidenced in the past by the significant financial support that Mayor Fuller has extended to NPS throughout her time in office, January 1, 2018 through the present. In that timeframe, the City's investment in the total NPS Operating Budget has grown from a FY2018 Budget of \$219.4 million to \$278.5 million in FY2025, an average annual increase of 3.85% over the seven budgets that Mayor Fuller has prepared. This is a higher rate of increase than the municipal departments received.

Following the defeat in March 2023 of the operating override vote, Mayor Fuller and her administration developed a financial strategy that utilized significant one-time funds from a legal settlement with Eversource to create additional funding for the next five years for the Newton Public Schools. In March 2024, the City Council approved the Mayor's proposed NPS Educational Stabilization Fund with \$22 million dollars. 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 NPS Educational Stabilization Fund will be part of the City of Newton's overall financial strategy to support programs and services for our students.

In addition to last year's \$278.5 million FY2025 appropriation to NPS, the Mayor also proposed and the Council approved the appropriation of an additional \$4.1 million of funding from the NPS Educational Stabilization Fund for the current year's FY2025 NPS operating budget.

Taking advantage of higher than usual interest income, our financial plan includes the appropriation of an additional \$2 million this fall from Free Cash to the NPS Educational Stabilization Fund to extend the life of the fund. We have had discussions with the NPS leadership about our expectation that these dollars be used in the out years, thus providing a cushion as the Stabilization Fund is drawn down. While the NPS Educational Stabilization Fund provides beneficial financial support over 5 or 6 years, it also creates a financial cliff when it has been fully utilized unless NPS takes active steps during the life of the Fund to prepare for the loss of that additional funding. Even better, we encourage NPS to have the drawdown of the Stabilization Fund grow in a sustainable manner until FY2033 when additional funds will be available as our Pension liability will be fully funded. We explore this financial strategy later in the Long-Range Financial Plan.

In other words, while the NPS Educational Stabilization Fund will provide a much-needed source of funding for NPS, it is a finite amount of money. If the budget for NPS (our largest department by far) grows faster than our revenues, we forecast that with the current strategy for the use of the Fund, NPS will need to be supplemented with other funding in future years (i.e., an operating override), be offset by revenue enhancements within NPS, or put in place control of expenditures (and possibly layoffs) within the NPS budget.

4.1.3. Long-Range School Facilities Planning

Newton's significant capital investments in school facilities prior to COVID-19 had significantly improved the district's ability to create favorable class sizes, implement full-day kindergarten in 2019-20, reduce widespread school crowding, address condition issues, and improve space for districtwide programs for all students, including diverse learners.

Due to the financial impact of COVID-19, all major capital projects were placed on hold during the 2020-21 school year, with the important exception of a three-classroom addition at Oak Hill Middle School. This addition became available to students in September 2021.

Given the dramatic impact on City revenues and expenses brought about by COVID-19, two important projects, the Newton Early Childhood Program (NECP) and the new Lincoln-Eliot Elementary School at 150 Jackson Road, were initially delayed; they were quickly resumed with an allocation by Mayor Fuller of ARPA funds. NECP moved to their new home at 687 Watertown Street in January 2023 during the 2022/2023 school year, and the construction phase of the Lincoln-Eliot Elementary School at 150 Jackson Road is well underway with the Lincoln-Eliot community projected to move to their new home in September 2025. Notably, both of these projects are funded directly through the City of Newton's bonding capacity.

Complete new construction replacement of two additional elementary school buildings, Countryside and Franklin, are moving forward and are in the design phase. Two debt override questions allowing for the amounts required to pay for the bonds issued in order to renovate or replace the Countryside Elementary School and the Franklin Elementary School were approved by the voters of Newton in March 2023. These new schools will be terrific for the students and educators in the Newton Public Schools and for their neighborhoods.

The Massachusetts School Building Authority (MSBA) Board of Directors voted to invite the Countryside Elementary School into the Eligibility Period of the MSBA's core grant program on April 14, 2021. Countryside faces considerable accessibility problems, insufficient special education and support spaces, poor building conditions, inadequate classrooms/library/music, art/physical education spaces as well as chronic flooding. This project is currently in the final stage of design and is expected to go out to bid in the winter of 2025. In addition to roughly \$21M in state grant funds from the MSBA, this project will also receive approximately \$6 million in energy grants and rebates to fund the first geothermal project in the City.

The Franklin Elementary School project is equally paramount even though MSBA funding is not providing financial assistance to the City of Newton. The 95-year-old school is obsolete. Due to the lack of sufficient and adequate space, staff and students must utilize the basement for teaching and learning, and like Countryside, this space has chronic water infiltration issues. Physical barriers prevent universal accessibility and inclusive teaching and learning. With the successful passage of the debt exclusion question, design for this project is also well underway.

While the debt exclusions for the Countryside and Franklin projects passed, the operating override which would have raised additional revenue to support the debt associated with the addition/renovation of the Horace Mann Elementary School did not.

Although we will not be able to fund the other municipal initiatives that were included in the operating override, Mayor Fuller's commitment to NPS and the Horace Mann school community remains firm. Consequently, the Mayor worked with the Newton Contributory Retirement Board of Trustees to adjust our pension and bonding schedules. By pushing the pension funding schedule back one year and thus lowering our pension allocation as well as deferring some projects that otherwise would have been completed sooner, we are continuing to move forward with the detailed design and construction of the Horace Mann addition/renovation.

To support continued long-range facility planning for our schools, in 2023 the Mayor allocated funds to hire a consultant for an Elementary School Facility and Enrollment Planning study, and Perkins and Eastman, a planning and design firm, was hired through the city's designer selection process. While the study initially focused on the Ward and Underwood Schools, the two oldest and smallest elementary schools in the district, the study was later expanded to also include the remaining 6 elementary schools that have not recently been reconstructed and were not already in design or construction. This study was completed in spring 2024 and provides rich data for the district to use to update NPS' long-range facility plan.

Following the successful completion of the Elementary School Facilities and Enrollment Planning study, NPS is now moving forward with a similar Facility and Enrollment Planning study for the secondary schools. To accomplish this,

the District has contracted with Raymond Design Associates (RDA), a planning and design firm. RDA has begun gathering building data and will be meeting with school principals to confirm and document building plans and space utilization information. The following phase will include gathering and documenting building condition data. Once completed, the study information will be used to help inform the long-range facilities plan and can be tied into the district-wide strategic planning process, allowing the district to set a clear course for future capital investments that fully and appropriately support educational programs.

4.2 Municipal/City Expenditures

4.2.1 Salaries and Other Compensation

The costs of salaries, compensation, and benefits for active municipal employees account for 70% of the municipal operating expenditures (excluding Retiree Pension & Health Insurance and Principal & Interest on Bond Payments). Consequently, personnel costs are the single most important cost element in the City of Newton's budget and have a significant impact on our forecast.

The IAFF (Fire Department) is the only municipal union who has entered into a contract through FY2027. All other City unions expired at the end of FY2024 except for the Newton Patrolman's Association. The NPA contract expired on June 30, 2021. The City and NPA are currently working through the state mediation process. The City continues to negotiate with the other employee groups. The City Administration will work collaboratively and respectfully with union leadership to develop compensation packages that are fair to the employees and taxpayers alike.

4.2.2 Health Insurance Benefits

The City provides health insurance benefits to more than 8,600 people. This includes approximately 2,400 active employees and their dependents and more than 2,800 retirees and their spouses.

Prior to FY2024, the City had been self-insured for both active and retired 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 carriers, and (3) an "Excess Policy" or "Stop Loss Policy" for catastrophic claims. Rather than paying "premium" rates, the City has worked with its consultant 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.

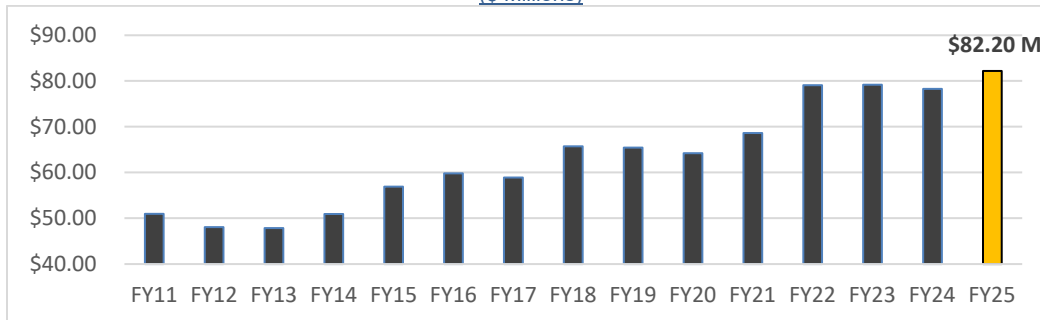
Sound business practices suggest that employers should bid out their group health coverage periodically to ensure their health plan providers are delivering competitive pricing and services.

In March of 2023, the City of Newton bid out our group health coverage. 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.

As a result of the COVID-19 pandemic and a temporary but almost complete elimination of elective procedures, we saw a slight decrease in our actual cost of claims in Fiscal Year 2020. However, by FY2022, we saw a substantial increase in our average weekly cost of claims. This substantial increase continued into FY2023 and FY2024, and may very well be the new “normal” cost of health insurance for the City of Newton.

Total Cost of Newton’s Health Insurance Program
Including City, Employee and Retiree Contributions
(\$ Millions)



4.2.3 Solid Waste and Recyclables

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 operations.

Residential trash generation has been steadily decreasing since FY2004 when Newton had reached “peak trash” at 31,760 tons. By FY2024 that number was nearly half, 16,700 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 FY2024, 8,030 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 8,030 tons in FY2024 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 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 for trash and has been volatile for recycling, leading to the substantial budget increases that Newton is experiencing currently.

In conjunction with the Newton Sustainable Materials Management Commission and a state-assisted study that DPW conducted, the City has been examining critical next steps on residential trash and recycling collection, hauling and disposal. Recommendations included, among other things, implementing a competitive request for proposal process with a potential to consider decoupling procurement of curbside services, enhancing collection and processing contracts with innovative provisions that incentivize waste reduction, understanding and addressing greenhouse gas emissions from curbside services, removing more food waste from solid waste collections, and considering a curbside collection model to increase trash reduction incentives.

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 successfully negotiated directly with the same waste hauler since the time that the City

“outsourced” this service in the 1990s. However, regardless of whether the City is completely satisfied with the performance of its contractor (as the City of Newton has been with our solid waste/recycling collector), sound business practices mean that municipalities should bid out their collection of trash and recycling periodically to ensure their providers are delivering competitive pricing and services. In light of the fact that our current five-year contract will expire in June of 2025, we are in the process of bidding out this very important service to ensure that we are utilizing best practices while achieving the best pricing.

Due to contractor staffing shortages and supply chain issues in 2022, the City was forced to re-evaluate its 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.

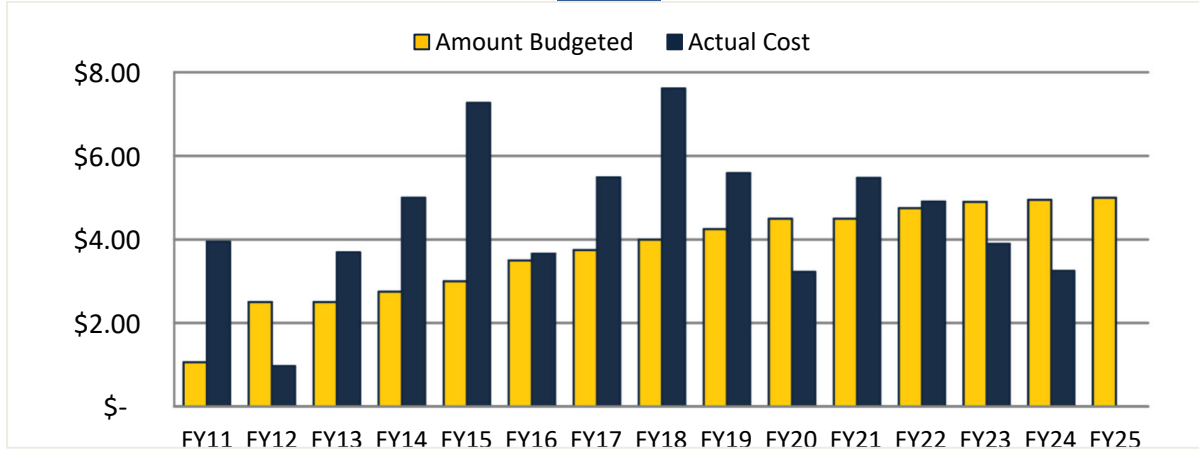
The processing fee for recyclables increased from \$60/ton in FY2019 to \$89/ton in FY2020 as a new contract took effect. In FY2025, the contracted processing fee is capped at \$108/ton. This significant increase is a result of global shifts in supply and demand for recyclable commodities. Prior to 2018, 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, costs have leveled out, but the commodity value of the recovered materials remains unpredictable. The \$108/ton cost is a cap on the recycling processing cost. When commodities from recycling increase in value that value is subtracted from Newton’s cost. In FY2024, our average cost paid per ton of single stream recycling was \$65.86, with a high of \$95.05 in August 2023 and a low of \$41.80 in June 2024.

4.2.4 Costs of Removal of Snow & Ice, and Other Significant Inclement Weather Events

While climate change and sustaining our environment continues to be one of the most daunting challenges of our generation, we must be prepared for the financial implications of the resulting large-scale shifts in weather patterns. We have seen over the last decade a noticeable increase in heavy rains and snowfall amounts in our region. So too have we seen increased storms with higher wind speeds than ever before, impacting emergency forestry operations.

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 the average cost of the previous several years. This target currently approximates \$6 million while our appropriation is currently \$5 million.

Budgeted Appropriations vs. Actual Costs of Snow and Ice Removal and
Costs of Other Significant Weather Events
(\$ Millions)



4.3 Retirees: Pensions and Retiree Health Care (OPEB)

Our employees earn two types of compensation — current and deferred. Salaries and other current compensation (e.g., health insurance) are received 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, is both critical to our employees as we have made this commitment to them and to the City’s ability to maintain the Aaa rating it has earned from Moody’s Investors Service.

Commitment to fully funding these liabilities is also critical to the City’s financial sustainability. Due to periods of market under-performance as well as a desire to assist our retirees during these inflationary times, the Newton Retirement Board of Trustees has recommended, and the Fuller Administration is now following, a funding schedule designed to eliminate the City’s unfunded pension liability by FY2032 and to fully fund the City’s OPEB liability in 2045.

4.3.1 Pensions

The City of Newton Contributory Retirement Plan is our pension plan. It covers just under 3,600 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 48% of the active employees and account for slightly more than 22% 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%. The funding percentage has now finally begun to increase and is 64.17% as of January 1, 2024. Unfortunately, Newton continues to lag most of the surrounding communities in percent funded for this significant liability.

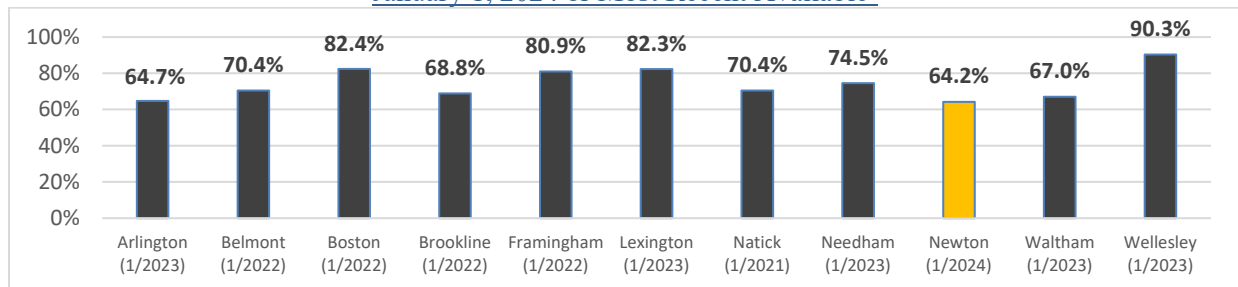
As a result of the 2022 investment losses experienced by the City of Newton Contributory Retirement System, the City’s actuary, Segal Consulting, determined that, notwithstanding a 9.6% increase to the annual appropriation, it would not be possible to fully fund the retirement system by the year the Retirement Board had been projecting, FY2030. Full funding would need to be extended to FY2031 even with the 9.6% increase to the annual appropriation.

At the April 6, 2023 special meeting, the Retirement Board voted 5-0 to assume a 6.6% annual increase to the rate of funding (rather than the previous assumed rate of 9.6% annual increase to the rate of funding), and to extend the funding date to FY2032, as requested by Mayor Fuller.

Newton also lagged other communities when determining the base pension on which any Cost-of-Living Adjustments will be applied. Therefore, at that April meeting and with full support of Mayor Fuller, the Newton Retirement Board voted 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.

Additionally, during the FY2024 NPS budget deliberations, 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 full financial and administrative support for OPEB, assuming the costs, and taking the risks in support of the Newton Public Schools. The Pension, Municipal Retiree Health Care, and NPS OPEB costs are now reflected in this manner in this forecast.

Percent of Pensions Funded based on Actuarial Value of Assets by Community
January 1, 2024 or Most Recent Available[†]



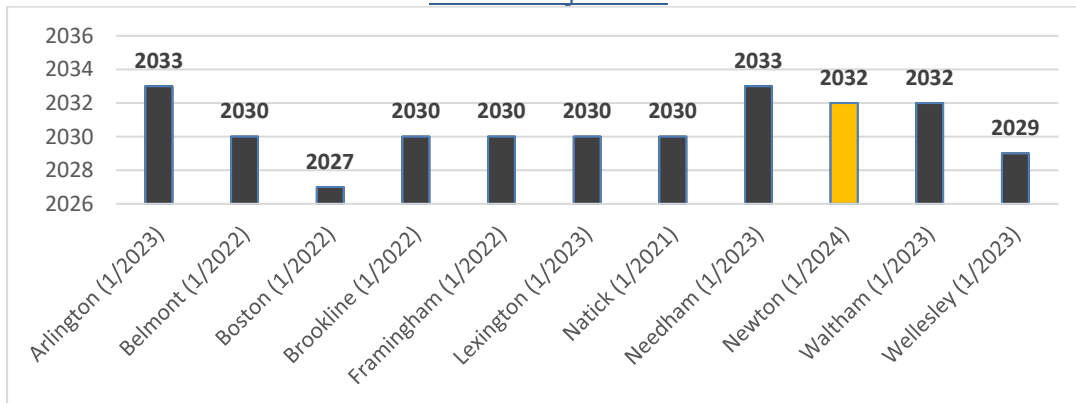
*Boston funding percentage does not include Boston Teachers’ Pension

[†]Quincy has been removed from comp set, due to fully funding their pension via a \$475 million Pension Obligation Bond

Newton’s employees, like all Massachusetts public employees, do not pay into, nor do they receive, Social Security in their retirement. Newton employees depend on their pensions for income in their retirement. The gaps between funded ratios and full funding matter, because as a greater portion of Newton’s budget is needed to fund commitments to retirees that were made years ago, funds available for current services may be impacted. The challenge lies in strategically and carefully managing tax revenues, operating expenditures, capital investments and retiree benefit expenses while maintaining a Aaa credit rating. The magnitude of the pension and retiree healthcare liabilities and the complexity of the issue as well as changes in accounting requirements require the City of Newton

to focus on long term financial sustainability by creating a long-range financial strategy that extends beyond the funding of the pension system.

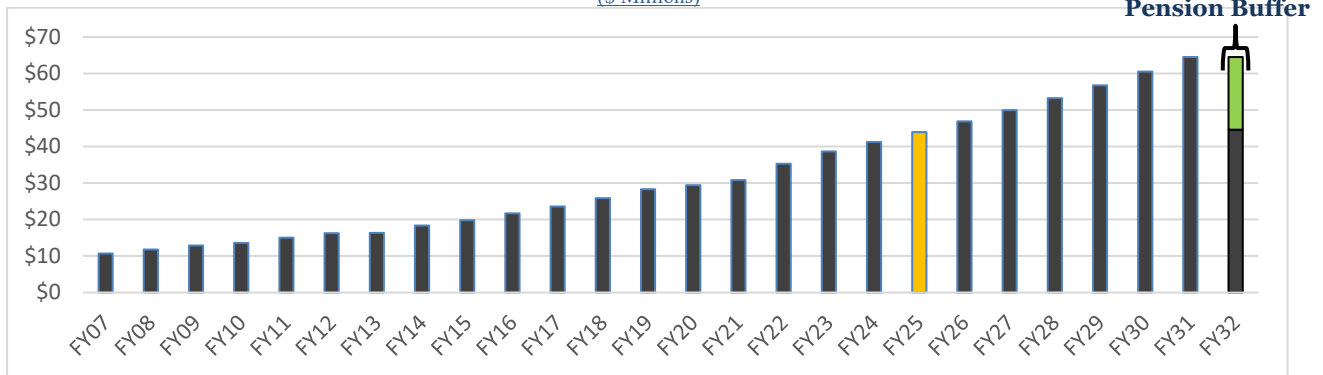
Achievement Year of Fully Funded Pension System by Community
Current Projections†



*Boston funding percentage does not include Boston Teachers' Pension

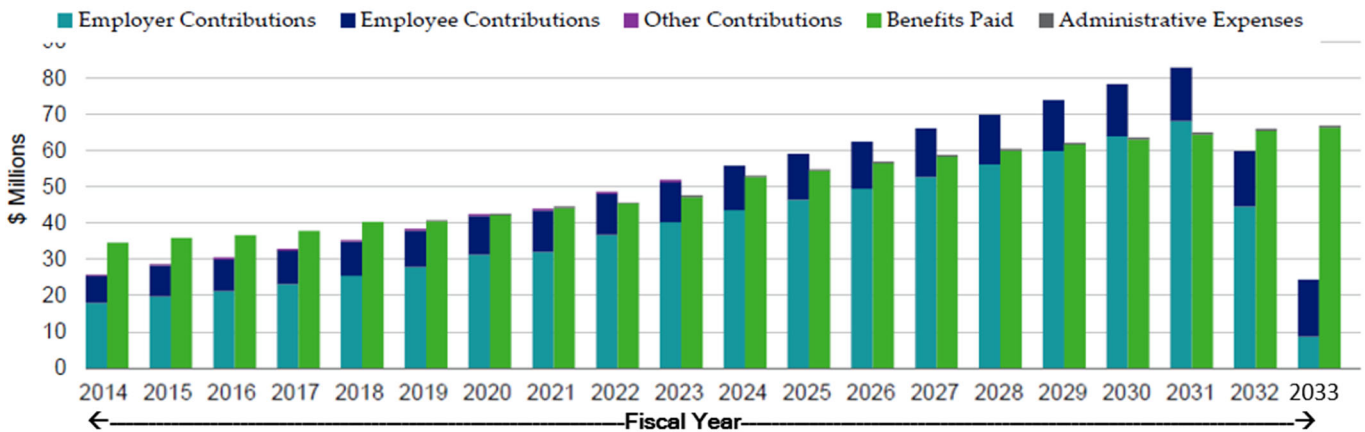
†Quincy has been removed from comp set, due to fully funding their pension via a \$475 million Pension Obligation Bond

Projected City of Newton General Fund Pension Contributions – through Full Funding in 2032
(\$ Millions)



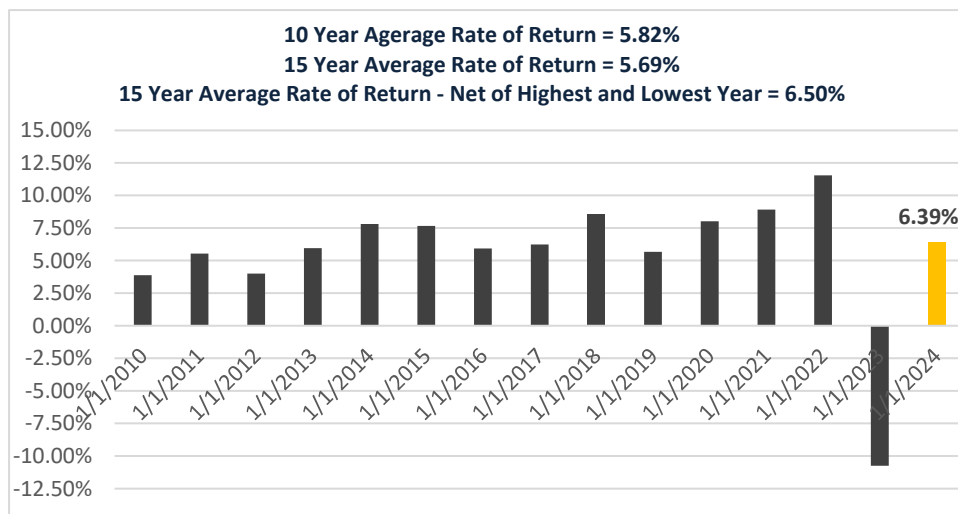
Another way of looking at the strength of our Newton Contributory Retirement Plan (i.e. the pension plan) is comparing the annual contributions paid into the plan by the City and the employees to the benefits paid out each year. The annual benefits paid out over the past decade had been higher than the annual contributions of both the City and the employees, hence our funded ratio had not increased in a noticeable way. However, In FY2021, we finally reached the point where we are now contributing more than we are withdrawing each year, and can finally expect to see our funding ratio increase exponentially.

Comparison of Contributions with Benefits
For FY2014 – FY2033



Importantly, a funding schedule is only as good as the assumptions within it. Over the past few years, the Newton Retirement Board – again with the support of the Mayor’s Office – has taken several steps to implement more accurate and conservative assumptions. The funding schedule includes updated mortality information (our retirees are living longer), adjusted salary increases, and a reduced assumed rate of return on investment from 8.00% down to 6.9%.

Unfortunately, one underperforming year can significantly impact our “average” rates of return. As a result of poor investment performances of the stock market in 2022, the ten-year average had fallen from a ten-year average rate of return of 6.88% to a ten-year average rate of return of 5.96%. The rate of return on the actuarial value of assets was 6.39% for the year ending December 31, 2023 due to the recognition of prior years’ investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 6.9%.



To be clear, the Newton Retirement Board is responsible for adopting the funding schedule for our pension system (not the Mayor or the City Council). We look forward to working with the Board as they review this information annually.

Once the City has fully funded its pension obligations, it will then be able to reduce its pension appropriation to the “normal cost” for current employees plus a Market Performance Contingency. The “normal cost” is the annual cost of setting aside in advance pension benefits for the current employees. In contrast, much of the costs we are facing currently are for the pensions of former employees who have retired; the City of Newton did not set aside sufficient

funds in the past for their pensions. Once we have fully funded our pension liability in FY2032 (barring a dramatic decline in the stock market), we will be in a position to tackle our other, even larger, unfunded long-term retiree obligation – retiree health insurance or OPEB.

4.3.2 Pension Obligation Bonds

The Fuller Administration is not pursuing Pension Obligation Bonds to fund our pension liability as this financial strategy is very risky and potentially much more costly.

The following excerpt has been taken directly from the Government Finance Officers' Association (GFOA):

Pension obligation bonds (POBs) are taxable bonds that some state and local governments have issued as part of an overall strategy to fund the unfunded portion of their pension liabilities by creating debt. The use of POBs rests on the assumption that the bond proceeds, when invested with pension assets in higher-yielding asset classes, will be able to achieve a rate of return that is greater than the interest rate owed over the term of the bonds. However, POBs involve considerable investment risk, making this goal very speculative. Failing to achieve the targeted rate of return burdens the issuer with both the debt service requirements of the taxable bonds and the unfunded pension liabilities that remain unmet because the investment portfolio did not perform as anticipated. In recent years, local jurisdictions across the country have faced increased financial stress as a result of their reliance on POBs, demonstrating the significant risks associated with these instruments for both small and large governments.

The Government Finance Officers Association (GFOA) recommends that state and local governments do not issue POBs for the following reasons:

- *The invested POB proceeds might fail to earn more than the interest rate owed over the term of the bonds, leading to increased overall liabilities for the government.*
- *POBs are complex instruments that carry considerable risk. POB structures may incorporate the use of guaranteed investment contracts, swaps, or derivatives, which must be intensively scrutinized as these embedded products can introduce counterparty risk, credit risk and interest rate risk.*
- *Issuing taxable debt to fund the pension liability increases the jurisdiction's bonded debt burden and potentially uses up debt capacity that could be used for other purposes. In addition, taxable debt is typically issued without call options or with "make-whole" calls, which can make it more difficult and costly to refund or restructure than traditional tax-exempt debt.*
- *POBs are frequently structured in a manner that defers the principal payments or extends repayment over a period longer than the actuarial amortization period, thereby increasing the sponsor's overall costs.*
- *Rating agencies may not view the proposed issuance of POBs as credit positive, particularly if the issuance is not part of a more comprehensive plan to address pension funding shortfalls.*

4.3.3 Retiree Health Insurance or OPEB

In addition to pension obligations, the City of Newton provides health and life insurance to employees once they retire (Other Post-Employment Benefits or OPEB). The Commonwealth prescribes the minimum percentage that a city or town must contribute towards retiree health insurance (50%). The City of Newton provides 80%. 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.

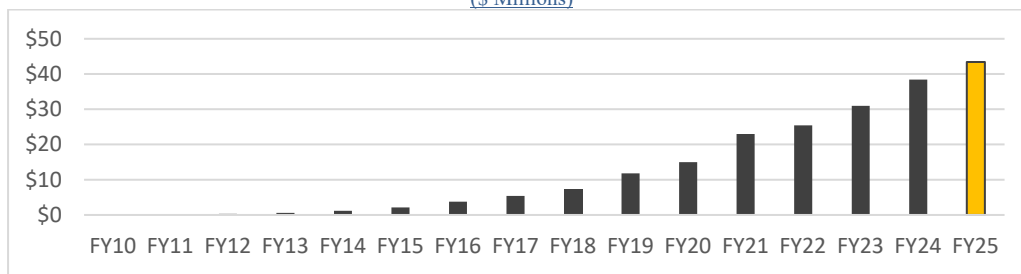
In 2010, the City established an Other Post-Employment Benefits (OPEB) Liability Trust Fund and subsequently established an OPEB Trust Agreement for the purpose of providing an irrevocable, dedicated trust fund as a vehicle to make advance contributions for these retirement health care benefits.

The FY2014 Budget included the implementation of a funding schedule for the City’s OPEB liability for the first time in the City of Newton. The City appropriated approximately \$200,000 or 2.5% of the salaries for all newly hired and 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 appropriation to grow exponentially.

In the years since Mayor Fuller came into office on January 1, 2018, she has increased the percentage several times, from a starting point of 3.25% to the current set aside of 3.75% of the salaries for all newly insured employees beginning July 1, 2012.⁶ This level is important to note as the City should be setting aside approximately 8% of the salary of all employees. The City currently sets aside the OPEB appropriation on the salaries of 1,515 employees.

Due to the continued addition of employees covered under this protocol as well as the increased percentage, the June 30, 2024 value of the City of Newton OPEB Trust Fund now exceeds \$38 million.

OPEB Trust Fund Value - June 30, 2024- \$38.42 million
(\$ Millions)



Instead of pre-funding the OPEB liability, 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. In this period when Newton is setting aside a very small portion of its liability ahead of time, the City’s policy is primarily pay-as-you-go.

The discount rate that is used to determine the liabilities reported in accordance with GASB Statements No. 74 and 75 is a blend of the long-term expected rate of return on OPEB Trust assets and a yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. (The City has used the Bond Buyer General Obligation 20-year Municipal Bond Index Rate for this calculation.) The blending is based on the sufficiency of projected assets to make benefit payments.

The expected rate of return on the City’s OPEB assets is 6.90%. The GO-Bond rate was 3.65% as of June 30 2023, and 3.93% as of June 30, 2024.

In 2017, when GASB 74 was first effective, our actuary, Segal Company determined a blended rate that took into account the assets on hand and future contributions to the OPEB Trust, including an expected increase in the OPEB contribution when the Newton Retirement System was expected to be fully funded. The City did not use the

⁶ The percent of salaries for newly hired and newly insured employees that has been appropriated for OPEB funding is: 2.5% for FY14, 3.0% for FY15, 3.25% for FY16-FY18, 3.5% for FY19, 3.6% for FY20-FY21, 3.65% for FY22, 3.7% for FY23, and 3.75% for FY2024-FY2025.

blended rate for its disclosure, but opted to use the GO-Bond rate. At that time, the City felt there was too much uncertainty in relying on the retirement contributions to achieve the blended discount rate.

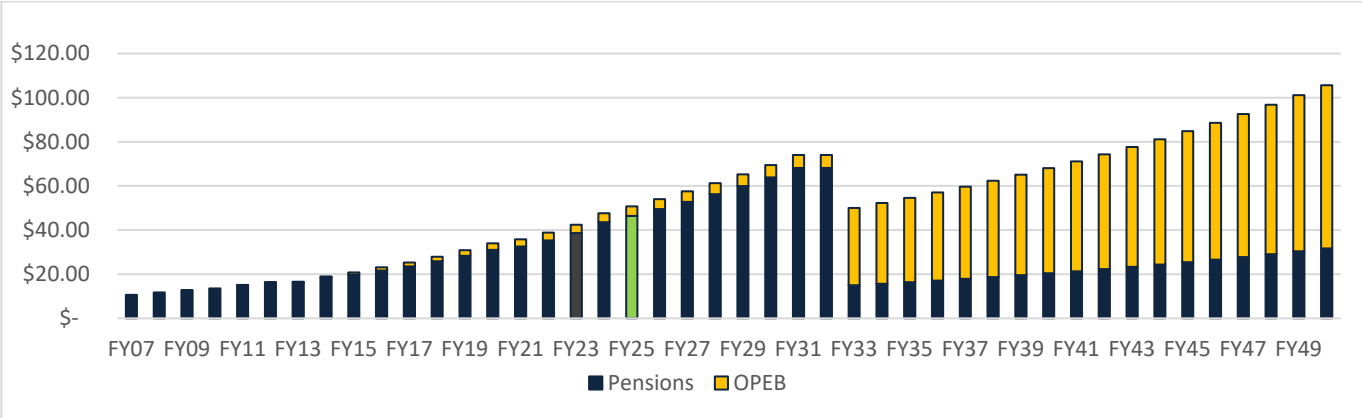
As part of the process of determining the interest rate to use for the June 30, 2024, GASB 74/75 accounting reports, Segal has completed the blend calculation based on the results of the June 30, 2023 OPEB valuation. With the June 30, 2023 OPEB Trust balance of \$30,923,390 and assuming contributions to the OPEB Trust of \$3,000,000 per year, the OPEB plan's fiduciary net position is projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investment can be applied to all periods of projected benefit payments to determine the total OPEB liability.

As a result of the foregoing information, the City has conservatively chosen to use an expected rate of return on the City's OPEB assets of 6.0%. This decision has reduced the OPEB unfunded liability to \$465 million.

4.3.4 The Long-Range Strategy for Funding Pensions and Retiree Health Care (OPEB)

The Fuller Administration's funding strategy is to make significant investments in the pension system for the next seven years, until full funding, currently projected in fiscal year 2032. Then, the City of Newton will begin significant investments in the retiree health care or OPEB liability. In other words, with the projected full funding of the Newton Contributory Pension Retirement Fund in FY2032, the City will then repurpose approximately \$35 million in retiree liability appropriations to the OPEB Trust Fund. This is a viable, sustainable financial strategy to fully fund all the City's retiree costs by FY2045.

OPEB Funding Strategy
The Challenge is Getting to Fiscal Year 2032



4.4 Capital Investments, Bonding and Debt Service

One of the top priorities of the Fuller Administration is to maintain and improve the City of Newton's infrastructure. Our school buildings, police and fire stations, parks, recreation facilities, libraries, roadways, and emergency and public works vehicles are some of the many assets that require regular replacement and/or maintenance to continue to meet the needs of this active city. In order 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 FY2026-FY2030 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 and school operations, programs and services, and exemplifies sustainable financial, accessibility and environmental best practices. The prioritization plan is 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 twelve overarching goals. This results in a plan put into a financial context by which to evaluate investments over the next five years.

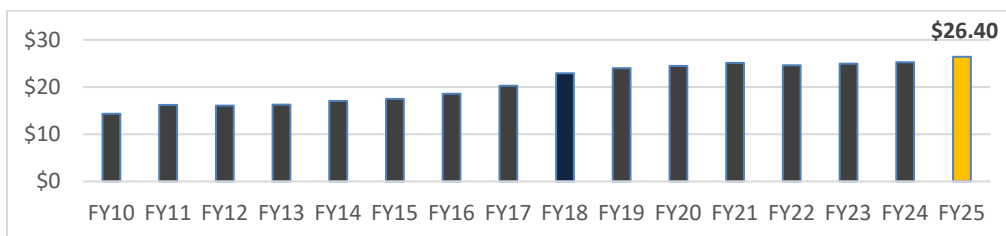
Capital assets with a life expectancy of ten (10) or more years that cost more than \$150,000 are typically paid for through bond sales by the City of Newton.

Massachusetts municipal finance law limits the total amount of long-term debt that a municipality can incur for most purposes to not more than 5% of the City’s equalized valuation (i.e., the taxable value of the real estate tax base). The City of Newton’s current (August 2024) equalized valuation is approximately \$40 billion, which means that the current statutory debt limit is approximately \$2 billion. Current outstanding principal of bonded debt is significantly lower and approximates \$329 million or 16% of the City’s debt capacity.

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. Debt service, which includes both principal and interest, totals 5.0% of the Fiscal Year 2025 Municipal Budget.

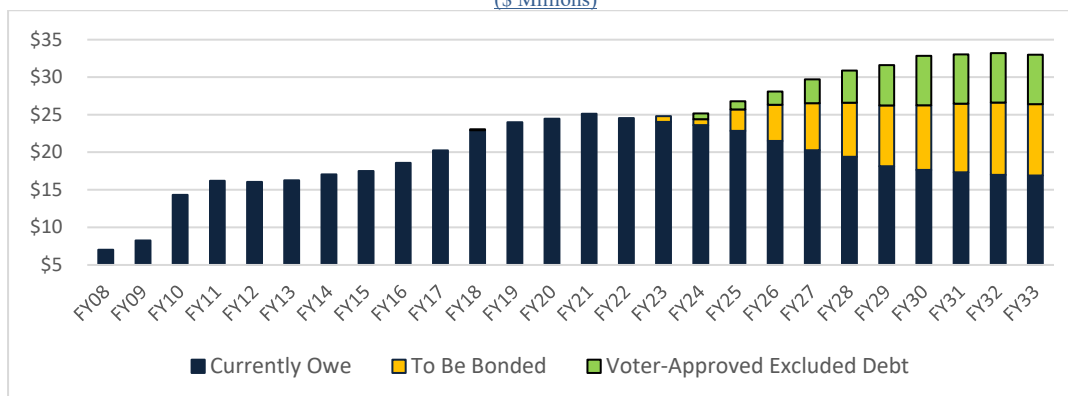
The City has made significant investments in capital assets in the last decade and needs to continue to do so. Debt payments for principal and interest have grown from \$8.3 million or 3% of revenues in FY2009 under prior philosophies to \$26.4 million or 5.0% in FY2025. This increase reflects both this Administration’s and the previous one’s commitment to better maintenance of capital assets from school buildings to roads. We are forecasting using between 5.0% and 6.0% of operating revenues for debt service going forward for the next several years.

FY2025 Debt Service - \$26.4M
(\$ Millions)



This long-range plan has been developed simultaneously with the City’s FY2026 – FY2030 Five-Year Capital Improvement Plan. Projected debt service costs reflect those capital investments in the CIP. Importantly, any significant building projects (e.g., reconstruction of a school building or a significant investment in Police Headquarters) requires debt exclusion approval from Newton’s voters to pay for the associated debt service.

Projected Debt Service Costs
based on 5.0 – 6.0% Debt to Revenue Ratio
(\$ Millions)



In prior years, the City has accomplished additional infrastructure improvements with annual appropriations within the operating budget as well as with the utilization of Free Cash. These appropriations have included:

- \$1.5 million expenditures on fleet replacement, building improvements, police cruisers, etc. through annual operating budget capital expenditures;
- \$3.2 million annual investment in capital improvements in school facilities in the school department operating budget (known as Charter Maintenance); and
- \$9.5 million annual investment in pavement management and Complete Streets Program through the operating budget and Free Cash.

In addition to the current bonded debt in the City's operating budget, significant capital investments have also been made 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. The projects currently underway include:

- \$4.5 million annual cleaning and lining or replacement of the City's Water System infrastructure,
- \$5.0 million annual Sewer Improvement Program to reduce inflow and infiltration; and
- \$2.25 million annual Stormwater System improvements.

The following table reflects the City of Newton Total Operating Expenditure Forecast for FY2026 through FY2030.

City of Newton Annual General Fund Expenditure Forecast						
FY2025 BUDGET/FY2026 THROUGH FY2030 FORECAST						
	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST
TOTAL REVENUE	\$ 525,419,465	\$ 547,255,010	\$ 568,765,519	\$ 587,563,517	\$ 608,234,285	\$ 627,398,389
% ANNUAL INCREASE		4.16%	3.93%	3.31%	3.52%	3.15%
CURRENT PROJECTED EXPENSES						
NEWTON PUBLIC SCHOOLS	\$ 268,655,412	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467
NPS 3.5% ANNUAL INCREASE	\$ 278,058,351	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467
CITY PROVIDED FUNDING FOR 2 COVID POSITIONS	\$ 220,000					
ADDITIONAL 0.1% INCREASE - FY25	\$ 268,655					
REPURPOSE PENSION APPROPRIATION						
NPS ALLOCATION	\$ 278,547,007	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467
NPS EDUCATIONAL STAB FUND	\$ 4,100,000	\$ 5,100,000	\$ 6,100,000	\$ 4,100,000	\$ 4,108,299	\$ 3,215,378
PROJECTED NPS AVAILABLE FUNDS W/NPS STAB FUNDS	\$ 282,647,007	\$ 293,396,153	\$ 304,486,519	\$ 312,930,047	\$ 323,747,397	\$ 334,041,845
% ANNUAL INCREASE	5.21%	3.80%	3.78%	2.77%	3.46%	3.18%
MUNICIPAL EXPENDITURES	\$ 157,643,905	\$ 163,053,357	\$ 168,760,224	\$ 174,666,832	\$ 180,780,171	\$ 187,107,477
% ANNUAL INCREASE	4.47%	3.50%	3.50%	3.50%	3.50%	3.50%
DEBT SERVICE						
DEBT MATURITIES - CURRENTLY OWED		\$ 14,951,867	\$ 14,319,667	\$ 14,024,667	\$ 13,309,667	\$ 13,090,667
INTEREST ON DEBT - CURRENTLY OWED		\$ 8,542,344	\$ 7,923,073	\$ 7,333,990	\$ 6,750,681	\$ 6,196,337
TOTAL DEBT - CURRENTLY OWED	\$ 24,390,474	\$ 23,494,211	\$ 22,242,740	\$ 21,358,657	\$ 20,060,348	\$ 19,287,004
% ANNUAL INCREASE	-3.46%	-3.67%	-5.33%	-3.97%	-6.08%	-3.86%
Forecasted Projects Totals	\$ 1,596,341	\$ 4,470,000	\$ 6,294,000	\$ 6,714,000	\$ 7,134,000	\$ 7,777,200
Debt Exclusion Totals	\$ 470,888	\$ 1,571,320	\$ 3,569,320	\$ 5,993,320	\$ 7,073,320	\$ 6,813,320
DEBT SERVICE - TOTALS	\$ 26,457,703	\$ 29,535,531	\$ 32,106,060	\$ 34,065,977	\$ 34,267,668	\$ 33,877,524
% ANNUAL INCREASE	4.72%	11.63%	8.70%	6.10%	0.59%	-1.14%
PENSIONS & RETIREE HEALTH INSURANCE	\$ 58,670,850	\$ 62,367,114	\$ 66,296,242	\$ 70,472,905	\$ 74,912,698	\$ 79,632,198
% ANNUAL INCREASE	0.84%	6.30%	6.30%	6.30%	6.30%	6.30%
TOTAL PROJECTED EXPENDITURE BUDGETS	\$ 525,419,465	\$ 548,352,155	\$ 571,649,045	\$ 592,135,761	\$ 613,707,935	\$ 634,659,044
% ANNUAL INCREASE		4.39%	4.25%	3.58%	3.64%	3.41%
VARIANCE +/-	\$ 0	\$ (1,097,145)	\$ (2,883,526)	\$ (4,572,244)	\$ (5,473,649)	\$ (7,260,655)
GAP AS % OF REVENUE		-0.20%	-0.51%	-0.78%	-0.90%	-1.16%

4.5 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 (typically in late September or October) and it is not available for appropriation until certified.

The Massachusetts Department of Revenue certified an amount of \$23,633,416 of available funds for Free Cash as of June 30, 2024. Once again, this higher-than-normal amount of Free Cash reflects interest rates that have been at thirty-year highs. The excess Interest Income accounts for approximately \$11.5 million of the Certified Free Cash.

Especially as the City of Newton is not yet fully funding 100% of anticipated expenditures (e.g., removal of snow and ice, maintenance of roadways, etc.), the City depends on and pays close attention to the amount and uses of Free Cash.

Free Cash in the Fuller Administration is an important part of the financial strategy and is used in a prioritized manner:

- First: the difference between the actual budget for snow and ice removal and the most recent current maximum spent;
- Second: the amount necessary to supplement the prior year's Interest Income from the Rainy Day Stabilization Fund and the amount of the required following year's Rainy Day appropriation;
- Third: Up to \$1.5 million is used as a general revenue source for the ensuing year's operating budget;
- Fourth: One-time, non-recurring expenditures and/or funding to replenish reserve funds depleted in the previous year, such as the Inclement Weather Stabilization Reserve.

If funds are still available, we prioritize one-time capital expenditures, particularly those with bonding terms of 10 years.

It has been a long-standing goal of the Fuller Administration to eliminate the City's reliance on \$1.5 million from the prior year's Free Cash to support the following year's budget. For the first time in more than two decades, this forecast has accomplished that goal. Beginning with the development of the FY2026 Operating Budget, the City will no longer rely on Free Cash as a general revenue source for the ensuing year's budget. Our goal is to continue to have Free Cash available to fund the other purposes listed above when needed.

The City has benefitted from significantly larger than typical Free Cash certifications from FY2022 and FY2023. The April 2022 Eversource payment of the principal and interest for Fiscal Years 2012 through FY2022, totaling approximately \$12.7 million combined with the highest interest rates that we have seen in three decades have generated \$28.8 million and \$27.9 million Free Cash to be used in FY2023 and FY2024 respectively.

The Fuller Administration has committed significant one-time funding from these unusually high levels of Free Cash in the past two years to capital investments. Significant initiatives for which June 30, 2022, and June 30, 2023 Certified Free Cash has been utilized include:

FY2023 and FY2024 Free Cash Appropriations for NPS - \$24.8 Million

- Contribution toward the construction of the new Lincoln-Eliot at 150 Jackson Road to free up \$600K of annual operating funds which have been permanently added to the NPS appropriation (\$10M),
- Replacement of the two turf fields at Newton South High School (\$3.2M),
- Replacement of the turf field at Newton North High School (\$2.4M),

- Curriculum Investments (\$925K),
- NPS Educational Stabilization Fund (\$3.8M),
- Newton North Pool Air Handling Unit (\$425K),
- Replace Entire Roof System – Peirce Elementary School (\$1.2M),
- Replace Entire Roof System – Mason Rice Elementary School (\$1.1M),
- Replace Parking Area – Brown Middle School (\$300K),
- Replace Chiller – Newton South High School Building H – (\$350K),
- Repair Auditorium Ceiling, Playground Improvements, and Toilet Room Installation – Williams Elementary School – (\$325K),
- Install New PA Systems – Bigelow and Brown Middle Schools (\$300K), and
- Toilet Room Upgrades – Day Middle, Mason Rice, Bowen, Memorial Spaulding, and Peirce Elementary Schools (\$1.275M).

FY2023 and FY2024 Free Cash Appropriations for Municipal Purposes - \$11.65 Million

- Paving, Road Improvements and Traffic Calming – (\$5.25M)
- Large vehicle/construction equipment purchases (\$2M),
- Purchase of 2 trackless sidewalk plows (\$300K),
- Replacement of Fire Department Engine 7 (\$800K),
- Fire Station #2 – Installation of Heat Pumps (\$350K),
- Police Headquarters – Repave Parking Lot and Install Fencing (\$600K),
- Police IT (\$640K),
- Police Cruisers (\$260K),
- Replacement of Newton Free Library HVAC system (\$1.2M), and
- Election Equipment (\$250K).

Additionally, as is customary, funds were utilized to supplement the following year’s operating budgets, public safety overtime, settlements and agreements, and other operating necessities.

Free Cash – June 30, 2024

The City of Newton has once again benefitted from the highest interest rates that we have seen in three decades. Consequently, Interest Income from City Investments exceeded \$14 million in FY2024. Again, this revenue stream contributed to significantly higher-than-typical June 30, 2024 Free Cash.

Significant initiatives for which we expect to utilize June 30, 2024 Free Cash include:

FY2025 Projected Free Cash Appropriations for NPS - \$5.0 Million

- NPS Educational Stabilization Fund (\$2.0M),
- NPS Math Curriculum (\$2.0M),
- NPS Phone over Internet (VoIP) Technology – Newton North and Newton South (\$300K), and
- NPS Small Capital Projects (\$700K).

FY2025 Projected Free Cash Appropriations for Municipal Purposes - \$5.0 Million

- Replacement of Fire Ladder 3 (\$1.8M),
- PFAS-Free Protective Fire Gear (\$1.0M),
- Police and Fire Building Security Upgrades (\$225K),
- Traffic Calming (\$200K),
- DPW Fleet Replacement (\$1.0M), and
- Small Municipal Capital Projects (\$775K).

Additional decisions will be made regarding the utilization of additional Free Cash as the fiscal year progresses and we have completed the winter storm season and have gained more clarity in our operating needs for these funds.

4.6 American Rescue Plan Act – ARPA

We have used our \$63.5 million in American Rescue Plan Act (ARPA) funds to invest heavily in our students and schools, our COVID response, and in affordable housing and human services. We moved forward with one-time infrastructure investments – from roads and traffic calming to village centers and commercial corridors, and police facilities to multiple elementary school buildings. We supported the recovery of small businesses, restaurateurs and artists. We helped the youngest users of our Library and the oldest residents of our City. We improved our parks, athletic fields, playgrounds and recreation facilities as well as added more trees.

Altogether, the investment of the ARPA funds will be transformative for all Newtonians:

- We are helping residents facing hardships and people disproportionately impacted by the pandemic – too often people of color – with both short-term emergency housing support and longer-term economic stability and mobility initiatives.
- Four homes were bought to add to our stock of affordable housing.
- Rapid antigen tests were purchased.
- Ventilation systems in key City facilities and schools were improved.
- Chromebooks were provided to students.
- We supported our little ones as they emerged from the isolation of the pandemic with a much larger, fully renovated Children’s Room at the Newton Free Library.
- A new community garden is fast taking shape on the north side of the City.
- Trails were improved and trails and playgrounds became more accessible.
- Athletic fields were improved with lighting.
- More trees were cared for.
- Our employees received stipends for their extraordinary service during the pandemic.
- Dozens and dozens of roads were repaired.
- High priority traffic calming projects were designed and constructed.
- Artists were supported and Historic Newton’s City history exhibits were updated.
- A new Senior Center was designed and additional green space for the users and the Newtonville community was acquired.
- We moved forward with architects to rebuild, renovate or improve four elementary schools – Countryside, Lincoln-Eliot, Horace-Mann and Franklin.
- Village center improvements were designed for Newton Highlands and constructed in Upper Falls.
- Improvements to City Park facilities including Crystal Lake, tennis courts, Pellegrini and Albemarle Fieldhouses, Farlow Pond and Chaffin House were completed, and
- A Citywide Walk, Ride and Roll Plan was developed with significant stakeholder input

We have the final \$2.8 million of funding to allocate at this point. We are using these funds to:

- Pave dozens of more roads and install traffic calming features at priority locations
- Complete the wonderful Gath Pools & Splash Pad Project
- Improve Captain Ryan’s Park in West Newton Square
- Improve the historic East Parish Burying Grounds on Centre Street
- Convert the remaining gas street lamps to solar powered lamps
- Make improvements to the condition and function of the Police Headquarters locker rooms, rest rooms and weight room.

A full discussion of our ARPA investments is included in Appendix I.

4.7 Transportation Network Improvement Program

In FY2017, the City began the implementation of a Transportation Network Improvement Program which substantially increased yearly expenditures on roadway infrastructure repairs from approximately \$3.3 million to \$9.5 million in order to increase the average condition index of all of Newton's streets to either "good" or "very good" condition within ten years. Roads are rated 0 to 100 (0 being a road in very poor condition and 100 being a new road); this rating is known as the Pavement Condition Index (PCI).

The Pavement Management Program seeks to use these funds in an efficient and effective manner and is utilizing a Cost Benefit Value (CBV) Report that prioritizes the streets. The CBV is a data driven analysis to prioritize roadway repairs based on several factors (traffic volumes, cost to repair/maintain, repair technique, roadway rating, etc.). Development of this program is done in coordination with underground utility work, village and intersection enhancement projects, along with forecasting future street paving condition ratings.

This program includes efforts to address the needs of all modes of transportation including pedestrian and bicycle accommodations, traffic calming, intersection safety improvements at signalized and unsignalized locations, as well as rehabilitation of City-owned parking lots. The accelerated street repair work has raised the average Pavement Condition Index (PCI) from 62.5 in 2018 to 72.6 in 2022, a significant increase. The City is in the process of developing updated PCI numbers and anticipates having a new average PCI and rating for each roadway in late fall 2024 or early winter 2025.

The Fuller Administration remains completely committed to this goal and will continue to aggressively fund this critical citywide initiative. Mayor Fuller has also dedicated \$12.6 million in ARPA funds to Newton's transportation network. The ARPA funds have allowed the city to pave over 120 neighborhood roadways, design and implement high-priority traffic calming projects in multiple areas of the City. DPW's Transportation Operations team has developed a multi-factor prioritization system to evaluate the hundreds of street safety and traffic calming requests that come in from residents and City Councilors concerned about traffic volumes, speeds and safety. This data-driven evaluation process prioritizes the requests and is updated annually. Design improvements are specific to each location. The techniques include speed feedback displays, pedestrian actuated devices, new or improved pavement markings, and roadway geometry changes (e.g., moving curbs or using tactile techniques such as flexible posts). Over the past two years, DPW has implemented permanent traffic calming measures at 8 locations plus adding 20 Rapid Rectangular Flashing Beacons (RRFBs) for crosswalk safety. Eleven traffic calming projects are in design or construction, including raised table intersections at Waverley Ave/Franklin St and Brookline St/Hartman Rd (near Memorial Spaulding Elementary School). DPW has completed 2024 rankings for 220 street segments to assist in prioritization for funding opportunities.

The City will continue to utilize these ARPA funds over the next two construction seasons to improve the transportation network for all modes of transportation.

5.0 Addressing Climate Change and Sustaining our Environment

Climate change and sustaining our environment continues to be one of the most daunting challenges of our generation. We need to continue to focus on climate change, including both global warming from human emissions of greenhouse gases and the resulting large-scale shifts in weather patterns.

The Energy and Climate Team of the Mayor's Office spans all City departments in the development and coordination of all the City's environmental, energy, and climate-related sustainability programs. The City will continue to pursue an ambitious range of programs, including renewable energy (e.g., geothermal at Countryside and Franklin Elementary Schools); energy efficiency in residential, commercial, and municipal buildings; sustainable materials management; Newton Power Choice which supports the development of renewable energy; LED lighting

installations in municipal buildings; electric vehicles, electric vehicle charging and bike lane creation; bike sharing; implementation of the City's first Climate Action Plan and development of the second Plan; and State climate legislation. We are also moving forward with swapping out the last of our gas street lamps with solar units.

In March 2021, the City hired its first ever full-time Energy Coach in order to facilitate the implementation of the Climate Action Plan. In collaboration with the Mayor, Executive Office, City Departments, grassroots organizations, utilities, state-level organizations and buildings professionals, the Energy Coach has provided guidance to building owners, occupants, contractors, developers, designers, and City Departments to maximize the implementation of green building practices in new construction and retrofits in the residential and commercial sectors. The Energy Coach also supervises the City's volunteer energy coach program.

The Climate Action Plan includes a great many efforts aimed at reducing Greenhouse Gas (GHG) emissions citywide to net zero by 2050. The City is working with many partners, including the Newton Citizens' Committee on Energy and volunteer organizations, to develop and implement programs and actions in all sectors. This includes a program called "4 Our Future," which encourages households to insulate; use electric heat pumps for heating, cooling, and hot water; install solar energy; and use electric vehicles (EVs) and other efficient transportation options.

The City has adopted the most progressive available building codes, adopted an ordinance to address embodied carbon in new construction, and is requiring electrification in new construction through its participation in the State's Ten Communities Program and through the support of new State legislation. The goal of the electrification ordinance is to build new buildings and major renovations without the need for the use of fossil fuels. The City is also working on the adoption of a BERDO ordinance (Building Emissions Reduction and Disclosure Ordinance) to reduce GHG emissions in existing buildings over 20,000 square feet to zero by 2050. These 413 buildings account for 28% of total emissions in the City of Newton. As part of that effort, the City has reached out to building owners to encourage their participation in the development of the ordinance.

The City has developed an electricity aggregation program for Newton electricity customers called Newton Power Choice, which currently provides as the default the purchase of 95% renewable power for participants. Newton customers can also opt up to 100% renewable power or choose not to participate in the program.

The City has installed 22 Level 2 EV chargers, with 44 charging ports, available for public use and is working on expanding that network.

The City has also constructed 19 solar projects on City property that generate over six million kWh per year, the equivalent of 30% of total municipal electricity use. The City has an additional 12 projects in the pipeline. Six of these are scheduled for construction in the spring and summer of 2025: Angier and Cabot School roofs and Ed Center, Brown, Wheeler Rd and Memorial Spaulding parking lot canopies. In addition to these six projects, projects are being planned for all new and renovated buildings that are under construction and in design, including Lincoln-Eliot School, Cooper Center for Active Living Center, Countryside and Franklin Elementary Schools and at Mason Rice and Peirce Schools which have new roofs either completed or planned.

Beyond these programs, the City's Planning and Public Works staffs are working to implement additional portions of the Climate Action Plan. These include sustainable practices for transportation systems, the "complete streets" approach to road design, bike sharing, installation of EV charging stations for EVs in City parking lots, and EV car sharing. The City's own passenger vehicle fleet is now all-electric (36 vehicles).

In the City's first Climate Action Plan, entitled "Use Less and Green the Rest," the City has set a carbon-neutral Newton goal for 2050. The Plan includes six areas of action: A) Implementing the plan by adapting internal operations and working with partners; B) Promoting clean and renewable power; C) Greening Newton's

transportation and streetscapes; D) Improving new construction and major renovations; E) Improving existing buildings; and F) Reducing emissions associated with consumption and disposal. While much of the focus of the Climate Action Plan is on private buildings and private vehicles (where the vast majority of greenhouse gases are generated), there are several areas involving municipal resources, in which the Plan calls for new City investment, using both the operating or capital budget. The City is currently involved in developing its second Climate Action Plan.

6.0 Zoning and Land Use Planning for the Future

The City Council's Zoning and Planning Committee (ZAP), supported by Newton's Planning Department staff, recently completed a significant update to the zoning for Newton's village centers. The Village Center Overlay District (VCOD) is the culmination of a three-year effort to update the zoning that had been in place since 1987. That 1987 zoning drastically reduced or eliminated the ability to build multi-family housing and mixed-use development by right. The VCOD zoning was adopted by the City Council in December 2023 and has been submitted to the state Executive Office of Housing and Livable Communities (EOHLC) for review of compliance with the MBTA Communities Act.

The Village Center Overlay District (VCOD) includes new zoning regulations for the commercial centers and immediately surrounding residential areas of 6 of Newton's transit-oriented village centers. The zoning includes three sub-districts with maximum heights between 2.5 and 4.5 stories, applied to each village center uniquely, along with incentives for the conversion of existing homes to multiple units.

In addition to the VCOD, Planning staff have been working with the City Council to consciously and conscientiously reconsider other aspects of our zoning, so it meets current and future community needs consistent with city-wide goals to:

- Increase housing options – make it easier to build housing of varying types and sizes.
- Support local businesses – simplify rules for opening and growing businesses.
- Reduce greenhouse gas emissions – encourage fossil free development per the electrification ordinance and BERDO.
- Create more affordable/accessible housing – allow smaller units, encourage accessory dwelling units, and review the inclusionary zoning ordinance for effectiveness.

In 2021, Mayor Fuller and the Newton City Council created the Newton Affordable Housing Trust. The Trust's mission is to preserve existing affordable housing units and create new ones that are affordable to low and moderate-income households, which are households which make less than 80% of the Area Median Income (AMI). The Trust has the ability to create a streamlined process to provide funding to new affordable housing projects and take advantage of development opportunities which might otherwise not be available to the City. Two major funding sources for the Trust are CPA funds and Inclusionary Zoning funds. Newton's Community Preservation Committee members decided to allocate 35%, or \$1.9 million, of its annual budget to the Trust for affordable housing. In 2023, the Trust voted to fund two projects: a proposal brought forward by FamilyAid to redevelop the Chetwynde Nursing Home into a transitional living facility for single parents and their children and a proposal from 2Life Communities for continued support of their Coleman House preservation project. The City also contributed CDBG funding to the FamilyAid proposal for the West Newton Family Navigation Center to construct an accessible pathway from Washington Street to the entrance of the building. This path will help the parents with small children access the building on foot.

Altogether, these efforts seek to make us a better city that is more affordable and more inclusive of diverse housing preferences and needs.

7.0 Rainy-Day Fund and NPS Educational Stabilization Fund

Rainy-Day Stabilization Fund

The City of Newton established a Rainy-Day Stabilization Fund in 2010 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 Administration, the fund continues funding its goal of 5% of the total operating budget. The current fund balance totals approximately \$26 million.

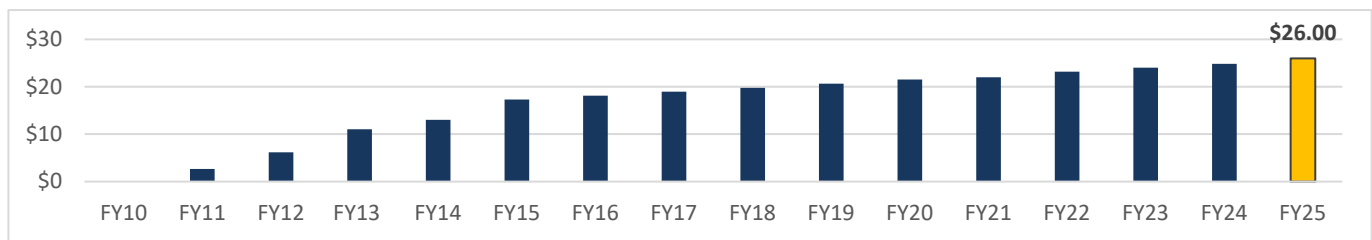
One of the most important decisions that the Fuller Administration made during the Coronavirus Pandemic was to maintain the 5% balance in the City’s Rainy-Day Stabilization Fund rather than dip into it. Although we were experiencing unprecedented and tremendously uncertain times, we knew maintaining the Rainy-Day Fund Balance was important. Otherwise, the City would now be facing the additional financial pressure of returning the used funds into the Rainy-Day fund.

This has proven to be a very wise decision. In part, the City of Newton was helped enormously when we received a total American Rescue Plan Act (ARPA) distribution of just over \$63 million, making dipping into the Rainy Day Fund less necessary.

We have maintained this fund so that we can absorb a deeper and protracted crisis, significant reductions in state aid and other revenues, or a catastrophic weather event. We chose to address the “known unknown” revenue decreases in the FY2021 and FY2022 budgets during the height of the pandemic by reducing expenditures. We continue to hold on to our Rainy-Day Stabilization Fund for the “unknown unknowns” that may confront the City in the coming months and years.

This financial decision also benefited the City during our bond rating process with Moody’s and, in part, led to our retaining the highest rating that Moody’s provides, a triple Aaa.

Rainy Day Stabilization Fund Value
Current Balance \$26.0M, 5% of City of Newton Operating Budget



NPS Educational Stabilization Fund

As was mentioned earlier in this document, integral to this financial strategy is the utilization of the NPS Educational Stabilization Fund.

In March 2024, the City Council approved the Mayor’s proposed NPS Educational Stabilization Fund with \$22 million dollars, made up in large part by the significant one-time funds from a legal settlement with Eversource. 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 NPS Educational Stabilization Fund will be part of the City of Newton's overall financial strategy to support programs and services for our students.

In addition to last year's \$278.5 million FY2025 appropriation to NPS, the Mayor proposed and the Council approved the appropriation of an additional \$4.1 million of funding from the NPS Educational Stabilization Fund for the current year's FY2025 NPS operating budget.

Taking advantage of higher than usual interest income, our financial plan includes the appropriation of an additional \$2 million this fall from Free Cash to the NPS Educational Stabilization Fund to extend the life of the fund. We have had discussions with the NPS leadership about our expectation that these dollars be used in the out years, thus providing a cushion as the Stabilization Fund is drawn down. While the NPS Educational Stabilization Fund provides beneficial financial support over 5 or 6 years, it also creates a financial cliff when it has been fully utilized unless NPS takes active steps during the life of the Fund to prepare for the loss of that additional funding. Even better, we encourage NPS to have the drawdown of the Stabilization Fund grow in a sustainable manner until FY2033 when additional funds will be available as our Pension liability will be fully funded.

Below we have illustrated how the strategic decisions of "when" and "how much" of the stabilization fund should be used in each of the next several years clearly shows the benefit to NPS of "stretching" out the utilization of this fund. The Fuller Administration looks forward to working with NPS to refine their original utilization strategy to extend the life of this important funding source for as long as possible.

NPS EDUCATIONAL STABILIZATION FUND
FY2025 BUDGET/FY2026 THROUGH FY2030 FORECAST
NPS EDUCATION STABILIZATION BASED ON NPS MARCH 2024 MULTI-YEAR FORECAST

	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST	2031 FCST	2032 FCST	2033 FCST
Interest Rate for Earnings on Investment	5.0%	4.0%	3.5%	3.5%	3.0%	2.5%			
Beginning Balance 7/1/2024	\$ 22,394,932	\$ 21,264,032	\$ 16,810,593	\$ 11,085,464	\$ 7,229,955	\$ 3,215,378	\$ -	\$ -	\$ -
Appropriation to NPS	\$ (4,100,000)	\$ (5,100,000)	\$ (6,100,000)	\$ (4,100,000)	\$ (4,108,229)	\$ (3,215,378)	\$ -	\$ -	\$ -
Remaining Balance	\$ 18,294,932	\$ 16,164,032	\$ 10,710,593	\$ 6,985,464	\$ 3,121,726	\$ -	\$ -	\$ -	\$ -
Fcst Interest Earned	\$ 921,600	\$ 646,561	\$ 374,871	\$ 244,491	\$ 93,652	\$ -	\$ -	\$ -	\$ -
Final Balance	\$ 19,216,532	\$ 16,810,593	\$ 11,085,464	\$ 7,229,955	\$ 3,215,378	\$ -	\$ -	\$ -	\$ -
Cash Infusion - December 2024	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Infusion - Interest Earned	\$ 47,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Final Balance	\$ 21,264,032	\$ 16,810,593	\$ 11,085,464	\$ 7,229,955	\$ 3,215,378	\$ -	\$ -	\$ -	\$ -

NPS EDUCATIONAL STABILIZATION FUND
FY2025 BUDGET/FY2026 THROUGH FY2030 FORECAST
NPS EDUCATION STABILIZATION BASED ON 3.5% ANNUAL GROWTH RATE

	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST	2031 FCST	2032 FCST	2033 FCST
Interest Rate for Earnings on Investment	5.0%	4.0%	3.5%	3.5%	3.0%	2.5%			
Beginning Balance 7/1/2024	\$ 22,394,932	\$ 21,264,032	\$ 17,701,353	\$ 13,775,157	\$ 9,552,443	\$ 4,993,027	\$ 126,601	\$ -	\$ -
Appropriation to NPS	\$ (4,100,000)	\$ (4,243,500)	\$ (4,392,023)	\$ (4,545,743)	\$ (4,704,844)	\$ (4,869,514)	\$ (126,601)	\$ -	\$ -
Remaining Balance	\$ 18,294,932	\$ 17,020,532	\$ 13,309,330	\$ 9,229,414	\$ 4,847,599	\$ 123,513	\$ -	\$ -	\$ -
Fcst Interest Earned	\$ 921,600	\$ 680,821	\$ 465,827	\$ 323,029	\$ 145,428	\$ 3,088	\$ -	\$ -	\$ -
Final Balance	\$ 19,216,532	\$ 17,701,353	\$ 13,775,157	\$ 9,552,443	\$ 4,993,027	\$ 126,601	\$ -	\$ -	\$ -
Cash Infusion - December 2024	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Infusion - Interest Earned	\$ 47,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Final Balance	\$ 21,264,032	\$ 17,701,353	\$ 13,775,157	\$ 9,552,443	\$ 4,993,027	\$ 126,601	\$ -	\$ -	\$ -

NPS EDUCATIONAL STABILIZATION FUND
FY2025 BUDGET/FY2026 THROUGH FY2030 FORECAST
NPS EDUCATION STABILIZATION HELD FLAT @ \$4.1 M PER YEAR

	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST	2031 FCST	2032 FCST	2033 FCST
Interest Rate for Earnings on Investment	5.0%	4.0%	3.5%	3.5%	3.0%	2.5%			
Beginning Balance 7/1/2024	\$ 22,394,932	\$ 21,264,032	\$ 17,850,593	\$ 14,231,864	\$ 10,486,479	\$ 6,578,073	\$ 2,540,025	\$ -	\$ -
Appropriation to NPS	\$ (4,100,000)	\$ (4,100,000)	\$ (4,100,000)	\$ (4,100,000)	\$ (4,100,000)	\$ (4,100,000)	\$ (2,540,025)	\$ -	\$ -
Remaining Balance	\$ 18,294,932	\$ 17,164,032	\$ 13,750,593	\$ 10,131,864	\$ 6,386,479	\$ 2,478,073	\$ -	\$ -	\$ -
Fcst Interest Earned	\$ 921,600	\$ 686,561	\$ 481,271	\$ 354,615	\$ 191,594	\$ 61,952	\$ -	\$ -	\$ -
Final Balance	\$ 19,216,532	\$ 17,850,593	\$ 14,231,864	\$ 10,486,479	\$ 6,578,073	\$ 2,540,025	\$ -	\$ -	\$ -
Cash Infusion - December 2024	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Infusion - Interest Earned	\$ 47,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Final Balance	\$ 21,264,032	\$ 17,850,593	\$ 14,231,864	\$ 10,486,479	\$ 6,578,073	\$ 2,540,025	\$ -	\$ -	\$ -

City of Newton Annual General Fund Revenue Forecast
 FY2025 BUDGET/FY2026 THROUGH FY2035 FORECAST
 NPS STABILIZATION FUND - REFLECTS \$2 M FROM 2024 FREE CASH AND NPS MARCH 2024 MULTI-YEAR FORECAST

	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST	2031 FCST	2032 FCST	2033 FCST	2034 FCST	2035 FCST
TOTAL REVENUE											
PROPERTY TAXES W/O DEBT EXCL.	\$ 433,323,914	\$ 450,273,106	\$ 467,463,105	\$ 485,192,885	\$ 503,596,398	\$ 522,699,243	\$ 542,527,997	\$ 563,110,243	\$ 584,474,615	\$ 606,650,833	\$ 629,669,747
DEFER'D/ACC'R'D, EXTRAORD PMTS											
% ANNUAL INCREASE	3.30%	3.91%	3.82%	3.79%	3.79%	3.79%	3.79%	3.79%	3.79%	3.79%	3.79%
MOTOR VEHICLE EXCISE TAX	\$ 13,750,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
% ANNUAL INCREASE	-12.15%	9.08%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SALES TAXES: ROOMS, MEALS & CANNABIS	\$ 5,300,000	\$ 5,500,000	\$ 5,506,500	\$ 5,513,065	\$ 5,519,696	\$ 5,526,393	\$ 5,533,157	\$ 5,539,988	\$ 5,546,888	\$ 5,553,857	\$ 5,560,895
% ANNUAL INCREASE	-4.66%	3.77%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.13%	0.13%
ISD BUILDING/MECHANICAL PERMITS	\$ 9,180,000	\$ 10,180,000	\$ 10,905,000	\$ 10,905,000	\$ 10,905,000	\$ 10,905,000	\$ 9,905,000	\$ 9,905,000	\$ 9,905,000	\$ 9,905,000	\$ 9,905,000
% ANNUAL INCREASE	-23.17%	10.89%	7.12%	0.00%	0.00%	0.00%	-9.17%	0.00%	0.00%	0.00%	0.00%
OTHER PERMITS, FEES, AND REVENUES	\$ 4,654,671	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171
% ANNUAL INCREASE	-27.31%	-0.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
STATE REVENUE/CHERRY SHEET	\$ 35,328,895	\$ 36,940,379	\$ 37,835,139	\$ 38,777,892	\$ 39,744,215	\$ 40,734,695	\$ 41,749,937	\$ 42,790,561	\$ 43,857,200	\$ 44,950,505	\$ 46,071,142
% ANNUAL INCREASE	0.56%	4.56%	2.42%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%	2.49%
INTEREST INCOME FROM INVESTMENTS	\$ 6,700,771	\$ 7,000,000	\$ 6,500,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
% ANNUAL INCREASE	-52.55%	4.47%	-7.14%	-7.69%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL PARKING METER RECEIPTS	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000
% ANNUAL INCREASE	-10.28%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL PARKING VIOLATIONS	\$ 1,000,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000
% ANNUAL INCREASE	-4.92%	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SUBTOTAL OPERATING REVENUES	\$ 510,318,251	\$ 531,633,656	\$ 549,949,915	\$ 568,129,014	\$ 587,505,479	\$ 607,605,502	\$ 627,456,262	\$ 649,085,963	\$ 671,523,874	\$ 694,800,366	\$ 718,946,956
% ANNUAL INCREASE		4.18%	3.45%	3.31%	3.41%	3.42%	3.27%	3.45%	3.46%	3.47%	3.48%
TOTAL TAX DEFERRALS/ACCRUALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ARPA - AMERICAN RESCUE PLAN ACT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL INTERFUND TRANSFERS	\$ 7,931,007	\$ 5,850,305	\$ 6,052,181	\$ 6,261,930	\$ 6,479,859	\$ 6,706,288	\$ 6,941,547	\$ 7,185,981	\$ 7,439,948	\$ 7,703,820	\$ 7,977,983
TOTAL EXTRAORDINARY PAYMENTS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUES W/DEFERRALS/ACCRUALS & INTERF	\$ 517,649,258	\$ 537,483,961	\$ 556,002,096	\$ 574,390,944	\$ 593,985,338	\$ 614,311,789	\$ 634,397,808	\$ 656,271,944	\$ 678,963,822	\$ 702,504,186	\$ 726,924,939
% ANNUAL INCREASE		3.83%	3.45%	3.31%	3.41%	3.42%	3.27%	3.45%	3.46%	3.47%	3.48%
2013 DEBT EXCLUSION	\$ 3,199,319	\$ 3,099,728	\$ 3,094,103	\$ 3,079,253	\$ 3,067,328	\$ 3,057,901	\$ 3,050,369	\$ 3,042,869	\$ 3,032,869	\$ 3,022,869	\$ 3,012,869
2023 DEBT EXCLUSION	\$ 470,888	\$ 1,571,320	\$ 3,569,320	\$ 5,993,320	\$ 7,073,320	\$ 6,813,320	\$ 6,813,320	\$ 6,813,320	\$ 6,813,320	\$ 6,813,320	\$ 6,813,320
REVENUES INCL'G DEBT EXCLUSIONS	\$ 521,319,465	\$ 542,155,010	\$ 562,665,519	\$ 583,463,517	\$ 604,125,986	\$ 624,183,011	\$ 644,261,498	\$ 666,128,134	\$ 688,810,011	\$ 712,340,375	\$ 736,751,128
% ANNUAL INCREASE		4.00%	3.78%	3.70%	3.54%	3.32%	3.22%	3.39%	3.41%	3.42%	3.43%
NPS EDUCATIONAL STABILIZATION FUND	\$ 4,100,000	\$ 5,100,000	\$ 6,100,000	\$ 4,100,000	\$ 4,108,299	\$ 3,215,378	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE	\$ 525,419,465	\$ 547,255,010	\$ 568,765,519	\$ 587,563,517	\$ 608,234,285	\$ 627,998,389	\$ 644,261,498	\$ 666,128,134	\$ 688,810,011	\$ 712,340,375	\$ 736,751,128
% ANNUAL INCREASE		4.16%	3.93%	3.31%	3.52%	3.15%	2.69%	3.39%	3.41%	3.42%	3.43%

City of Newton Annual General Fund Expenditure Forecast
 FY2025 BUDGET/FY2026 THROUGH FY2035 FORECAST

	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST	2031 FCST	2032 FCST	2033 FCST	2034 FCST	2035 FCST
TOTAL REVENUE	\$ 525,419,465	\$ 547,255,010	\$ 568,765,519	\$ 587,563,517	\$ 608,234,285	\$ 627,398,389	\$ 644,261,498	\$ 666,128,134	\$ 688,810,011	\$ 712,340,375	\$ 736,751,128
% ANNUAL INCREASE		4.16%	3.93%	3.31%	3.52%	3.15%	2.69%	3.39%	3.41%	3.42%	3.43%
CURRENT PROJECTED EXPENSES											
NEWTON PUBLIC SCHOOLS	\$ 268,655,412	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467	\$ 342,405,393	\$ 354,389,582	\$ 366,793,217	\$ 389,980,980	\$ 403,630,314
NPS 3.5% ANNUAL INCREASE	\$ 278,058,351	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467	\$ 342,405,393	\$ 354,389,582	\$ 366,793,217	\$ 389,980,980	\$ 403,630,314
CITY PROVIDED FUNDING FOR 2 COVID POSITIO	\$ 220,000										
ADDITIONAL 0.1% INCREASE - FY25	\$ 268,655										
REPURPOSE PENSION APPROPRIATION											
NPS ALLOCATION	\$ 278,547,007	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467	\$ 342,405,393	\$ 354,389,582	\$ 366,793,217	\$ 389,980,980	\$ 403,630,314
NPS EDUCATIONAL STAB FUND	\$ 4,100,000	\$ 5,100,000	\$ 6,100,000	\$ 4,100,000	\$ 4,108,299	\$ 3,215,378	\$ -	\$ -	\$ -	\$ -	\$ -
PROJECTED NPS AVAILABLE FUNDS W/NPS STAI	\$ 282,647,007	\$ 293,396,153	\$ 304,486,519	\$ 312,930,047	\$ 323,747,397	\$ 334,041,845	\$ 342,405,393	\$ 354,389,582	\$ 376,793,217	\$ 389,980,980	\$ 403,630,314
% ANNUAL INCREASE	5.21%	3.80%	3.78%	2.77%	3.46%	3.18%	2.50%	3.30%	6.32%	3.50%	3.50%
MUNICIPAL EXPENDITURES	\$ 157,643,905	\$ 163,053,357	\$ 168,760,224	\$ 174,666,832	\$ 180,780,171	\$ 187,107,477	\$ 193,656,239	\$ 200,434,207	\$ 207,449,404	\$ 214,710,134	\$ 222,224,988
% ANNUAL INCREASE	4.47%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
DEBT SERVICE											
DEBT MATURITIES - CURRENTLY OWED	\$ -	\$ 14,951,867	\$ 14,319,667	\$ 14,024,667	\$ 13,309,667	\$ 13,090,667	\$ 13,246,667	\$ 13,346,667	\$ 13,651,667	\$ 13,646,667	\$ 13,931,667
INTEREST ON DEBT - CURRENTLY OWED	\$ -	\$ 8,542,344	\$ 7,923,073	\$ 7,333,990	\$ 6,750,681	\$ 6,196,337	\$ 5,706,566	\$ 5,241,014	\$ 4,753,082	\$ 4,300,323	\$ 3,869,065
TOTAL DEBT - CURRENTLY OWED	\$ 24,390,474	\$ 23,494,211	\$ 22,242,740	\$ 21,358,657	\$ 20,060,348	\$ 19,287,004	\$ 18,953,233	\$ 18,587,681	\$ 18,404,749	\$ 17,946,990	\$ 17,800,732
% ANNUAL INCREASE	-3.46%	-3.67%	-5.33%	-3.97%	-6.08%	-3.86%	-1.73%	-1.93%	-0.98%	-2.48%	-0.81%
Forecasted Projects Totals	\$ 1,596,341	\$ 4,470,000	\$ 6,294,000	\$ 6,714,000	\$ 7,134,000	\$ 7,777,200	\$ 8,420,400	\$ 9,063,600	\$ 9,921,600	\$ 10,779,600	\$ 11,637,600
Debt Exclusion Totals	\$ 470,888	\$ 1,571,320	\$ 3,569,320	\$ 5,993,320	\$ 7,073,320	\$ 6,813,320	\$ 6,813,320	\$ 6,813,320	\$ 6,813,320	\$ 6,813,320	\$ 6,813,320
DEBT SERVICE - TOTALS	\$ 26,457,703	\$ 29,535,531	\$ 32,106,060	\$ 34,065,977	\$ 34,267,668	\$ 33,877,524	\$ 34,186,953	\$ 34,464,601	\$ 35,139,669	\$ 35,539,910	\$ 36,251,652
% ANNUAL INCREASE	4.72%	11.63%	8.70%	6.10%	0.59%	-1.14%	0.91%	0.81%	1.96%	1.14%	2.00%
PENSIONS & RETIREE HEALTH INSURANCE	\$ 58,670,850	\$ 62,367,114	\$ 66,296,242	\$ 70,472,905	\$ 74,912,698	\$ 79,632,198	\$ 84,649,026	\$ 89,981,915	\$ 92,950,000	\$ 97,327,000	\$ 101,966,620
% ANNUAL INCREASE	0.84%	6.30%	6.30%	6.30%	6.30%	6.30%	6.30%	6.30%	-18.93%	6.00%	6.00%
TOTAL PROJECTED EXPENDITURE BUDGETS	\$ 525,419,465	\$ 548,352,155	\$ 571,649,045	\$ 592,135,761	\$ 613,707,935	\$ 634,659,044	\$ 654,897,612	\$ 679,270,305	\$ 692,332,291	\$ 717,558,024	\$ 744,073,575
% ANNUAL INCREASE		4.39%	4.25%	3.58%	3.64%	3.41%	3.19%	3.72%	1.92%	3.64%	3.70%
VARIANCE +/-	\$ 0	\$ (1,097,145)	\$ (2,883,526)	\$ (4,572,244)	\$ (5,473,649)	\$ (7,260,655)	\$ (10,636,114)	\$ (13,142,172)	\$ (3,522,280)	\$ (5,217,649)	\$ (7,322,446)
GAP AS % OF REVENUE		-0.20%	-0.51%	-0.78%	-0.90%	-1.16%	-1.65%	-1.97%	-0.51%	-0.73%	-0.99%

8.0 Strengths; Challenges; Risks, Opportunities and Uncertainties

The Fuller Administration continuously is looking for ways to capitalize on our strengths, manage our challenges effectively, plan for known risks, look for opportunities, and be prepared when the unexpected occurs. We are acutely aware that a host of factors can impact the City budget and quickly change the financial forecast. These uncertainties, such as a pandemic with stay-at-home orders, high unemployment, a recession, a war, or unusual inflation, are one of the primary reasons why we maintain reserves and forecast conservatively. We know that revenues can, and hopefully will, exceed our forecast. (As noted earlier, we consciously forecast for 99% of revenues and 100% of expenditures.) If major new developments with positive net fiscal impacts are constructed or new revenue sources such as additional recreational retail cannabis establishments are approved, there can be a positive financial impact. Likewise, drops in City revenues, additional competition for Massachusetts School Building Authority (MSBA) building improvement matching funds, and escalating building, maintenance, energy, busing, or recycling/trash costs may yield negative financial impacts.

Capitalizing on Our Strengths

- Strong residential and commercial sectors
- Diverse regional economy
- Manageable capital debt levels
- Conservative budgets
- Strong cash reserves

Managing Our Challenges

- Paying for long-term retiree obligations
 - Pensions
 - Retiree Health Care or OPEB
- Funding appropriately capital assets
- Balancing annual operating budgets
- Incorporating all expenditures fully into the operating budget
- Depending on State and Federal funding
- Rising costs

Preparing for Risks, Opportunities and Uncertainties

- Managing the City during an economic contraction
 - Declining stock market impacting both pension investments and residents
 - Increased unemployment
 - Retail and commercial vacancies
- Responding to Demographic and Social Trends
 - Significant shifts in:
 - Student enrollment
 - Number of older residents
 - Opioid use and mental health issues
 - Housing costs
- Staffing Shortages and Paying for Additional Public Safety during More Emergencies and Weather Events
- Funding Unexpected Spikes in Costs
 - Student transportation
 - Out of district tuitions
 - Waste and recycling costs
 - Interest rates on bond financing

- Energy
- Medical costs
- Construction costs
- Road repair costs
- Technology
- State and Federal Legislation with Unfunded Mandates
 - Stormwater regulations
- Implementing New Initiatives
 - Climate change actions
 - Cooper Center for Active Living
 - Newton Public School initiatives

9.0 Beyond the General Fund: Water, Sewer, and Stormwater

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 required to supply these critical services.

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). The Fee Rates are set on an annual basis and must cover all operations of each enterprise activity. Combined fee revenue for all three services for FY2025 approximates \$68.4 million, with almost \$40 million, or 58%, of that payable to the MWRA for water and sewer treatment.

Several years ago, the City recognized that the aging water, sewer, and stormwater infrastructure needed a strategic investment plan for its repair and maintenance. At that time, the capital investment needs for these three enterprise funds exceeded \$100 million. Therefore, the City developed a capital improvement plan and funding schedule with the commitment of maintaining no more than a 3.9% total annual increase in fees in the combination of these three funds.

Although this plan has served the City well for more than a decade, requirements have become far more by the federal Environmental Protection Agency (EPA) and the Massachusetts Department of Environmental Protection (Mass DEP) under the City’s Municipal Separate Storm Sewer System Permit (MS4) which they grant for the City to discharge stormwater, and accompanying pollutants, into U.S. water systems. The City is currently re-evaluating these new requirements to determine what the operational and financial impacts will be on the future infrastructure projects of these three enterprise funds.

9.1 Water Enterprise Fund

The City of Newton has been identifying, evaluating and improving Newton’s water distribution system for many years. In fact, in 2016, the Newton Fire Department was rated a “Class 1” agency, the highest possible ranking from the Insurance Service Organization (ISO). Improvements made over the prior several years to the City’s Water Distribution System played an integral part in this upgrade. The ISO grades on a point system, with fire department operations accounting for 50 percent of the rating, fire flow or available water supply accounting for 40 percent of the grade, and dispatch operations constituting the remaining 10 percent. The City’s investment in ensuring excellent water supply from fire hydrants made a difference.

The City recognized the need to increase the renewal of the aging water distribution pipe network, much of which dates back to the 1870's, 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, focusing on replacement of pipes, not just cleaning and lining old pipes. We completed a hydraulic model analysis in 2016, and we redirected our efforts to target and replace leak prone pipes, especially the leak-prone pipes installed circa World War II. We are currently in construction of phases eight and ten of a 20-phase water main cleaning and lining program. Phase nine of the program was the replacement of the Ward Street water main, which was completed last year.

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 showing by pipe type how much replacement is required annually. The results of the analysis indicate that the City should be replacing or cleaning and lining approximately 4 to 5 miles of water main pipes per year.

In addition, a risk-based system was developed for integrating and managing the water system pipe asset rankings. The ranking takes into account the consequence of the failure of the pipe and the probability of its failure. Consequence of failure takes into account 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 (e.g., 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, as well as cleaning and cement lining.

The City is in the process of removing and replacing 125 commercial electromagnetic water meters, upgrading our automatic reporting system with a new advanced metering infrastructure (AMI) system, and replacing all our +/-26,000 residential and small commercial water meters. As of August 2024, we have replaced 76% of our residential and small commercial water meters.

Public Works is also completing a system-wide lead/copper service line inventory to be submitted to the Environmental Protection Agency by October 16, 2024. This inventory will be used to determine lead reduction efforts. Fortunately there are very few lead service lines remaining in the City. The results of the inventory will be public and the City will work with the few homeowners with lead service lines to make sure they are replaced.

More detailed information on the City's water system infrastructure plan can be found in the City's FY2026-FY2030 Capital Improvement Plan.

9.2 Sewer Enterprise Fund

Prior to the development of the City's comprehensive strategic plan for the improvement of its sewer infrastructure, it was estimated that 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 gets into the sewer pipes through cracks and other imperfections). The additional flow to MWRA in the form of inflow and infiltration was costing the City well in excess of \$5 million per year. Furthermore, back-ups in the sewer lines due to insufficient capacity with the additional groundwater/stormwater resulted in sewer surcharges from some street and park manholes during intense rain events.

The City developed an 11-year program to systematically address the approximately 300 miles of sewer mains and related manhole structures, beginning 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 accomplished in 3 steps:

- Inspection and Assessment, including heavy cleaning;
- Design of repair work; and
- Construction, including post-construction flow assessment.

The work in each project area from inspection & assessment through construction has been expected to be completed over a 2-year period.

As a result of the financial benefits of recent MWRA sewer assessment increases that are much lower for Newton than most other MWRA communities, but prior to the onset of COVID-19, this program had been accelerated so it would be completed in 10 years. However, based on the economic downturn, and escalating costs of sewer repairs, we are bifurcating the construction of some of the remaining project areas over two construction seasons, rather than one, ultimately extending the number of years it will take to complete each individual project area and all of this work.

As a result of this sustained work, the percentage of sewage and wastewater that is the result of inflow and infiltration has dropped from more than 60% to 43% from the mid 2010s to the latest MWRA three-year data in 2023. These reductions have saved Newton's ratepayers millions of dollars a year.

More detailed information on the City's sewer system infrastructure plan can be found in the City's FY2026-FY2030 Capital Improvement Plan.

9.3 Stormwater Enterprise Fund

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

While the City had completed a number of localized storm water drainage repairs, the Department of Public Works recognized the need to develop a comprehensive plan to identify and address all storm water needs throughout the City and to establish a funding plan to accomplish this work. A Stormwater Fee was approved in 2006 to pay for this work and a Stormwater Infrastructure Improvement Plan was created in 2015. In addition, the National Pollutant Discharge Elimination System (NPDES) MS4 Permit, which is mandated for all communities by the EPA, took effect on July 1, 2018. The NPDES MS4 Permit significantly increases requirements for the City of Newton for maintaining and improving storm water quality. These needs must also be factored into all storm water planning and funding.

The system-wide assessment conducted to develop the 20-year Storm Water Infrastructure Improvement Plan includes four primary areas: National Pollutant Discharge Elimination System (NPDES) compliance; localized flooding; stream improvements; and culvert maintenance. Recommended projects include removal of debris within the stream bed and on nearby embankments; removal of sediment in stream beds, culverts and ponds; structural and capacity evaluation and improvement; rehabilitation and maintenance of pipes and culverts; repair of failing retaining walls; and public education.

The NPDES MS4 Permit has increased requirements for maintaining and improving storm water quality. Developing solutions to address the impact of stormwater runoff is paramount to the long-term sustainability of local waters, including the Charles River. The City submitted a Phosphorus Control Plan, due in September 2023 as part of the MS4 Permit requirements and is currently in the process of preparing our submission requesting an alternate

schedule. In anticipation of the requirements, the City implemented an updated Storm Water Ordinance with rules and regulations in 2022 to require stormwater mitigation on residential and commercial properties. The City has applied for substantial low-interest loans with the State Revolving Fund at MassDEP to begin construction of phosphorus control structures at multiple locations to begin compliance efforts with the new EPA rules for the Charles River Basin.

The City has recently completed the dredging of the City Hall ponds, is finalizing design options on the Bulloughs Pond dam repair, completing the Illicit Discharge and Detection Elimination Investigations in the Laundry Brook Drainage Basin, and preparing for construction of the Union Street Drainage Project.

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. While it will not address very intense rainfall amounts, it provides much improved storm water mitigation in nearly all rain events.

Methodology and rating criteria are being used to prioritize the list of storm water projects based on probability of failure and consequence of failure. Probability of failure is based entirely on the condition of the asset. Consequence of failure takes into consideration the potential impacts related to the potential failure of the asset including: public health and safety, property damage, cost of deferred maintenance, number of people impacted, and impacts to traffic and infrastructure in the City. Combined with regulatory timelines for implementation of projects associated with the NPDES MS4 Permit and the financial impacts for each of the identified projects, the City has prioritized the work in the Stormwater Infrastructure Improvement Plan.

The DPW Utilities team anticipates that the needed investments in the City's stormwater system will be increasing significantly in the years ahead for the City to be in compliance with the NPDES MS4 Permit. We will be analyzing the costs and working with the City Council in the coming months on the necessary fee structures and the financial impact on our property owners.

More detailed information on the City's stormwater system infrastructure plan can be found in the City's FY2026-FY2030 Capital Improvement Plan.

10. Summary - Long-Range Financial Plan

A well-managed, fiscally-sound City is essential to providing exceptional teaching and learning to our more than 11,700 students, delivering top-notch city services to our residents and people who work here, helping our residents and businesses prosper, and making important updates to our infrastructure.

Similarly, we must ensure our tax dollars are being used in an effective and accountable manner.

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. The pandemic, for example, reminded us that unexpected events upend our neat and tidy forecasts and encouraged us to continue to build slack (e.g., healthy reserves and conservative revenue forecasts) into our financial strategy so we can respond effectively when this inevitably happens.

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 must remain committed to and disciplined in our resolve to follow the planned funding schedules for pension and retiree health insurance or OPEB liabilities, to settle collective bargaining agreements that maintain parity between revenue and expenditures, and remain vigilant in our oversight of every hard earned taxpayer dollar that has been entrusted to us in order to provide the level of municipal services that the people of Newton expect and deserve.

We will continue to carefully evaluate the many needs within our community and the opportunities we have. We will be judicious in our deliberations and transparent in our decision making. We will maintain parity between the growth rate of our revenues and expenditures, and above all else, we will ensure that every investment we make will be in the best interest of the people of this good city.

This is difficult work. Decision making on where to invest and how much challenges all of us to listen carefully to those with whom we may disagree and build consensus born of pragmatism as we chart the path forward.

APPENDIX I

Responding to the Coronavirus Pandemic:

Federal, State and Local Funding

1.0 Responding to the Coronavirus - Federal, State and Local Funding

Beginning immediately in March 2020, the Fuller Administration focused on helping people, students, businesses and non-profits during the pandemic and took advantage of a variety of funding opportunities to support those efforts.

Federal and state agencies created a wide array of programs and the rules and restrictions of each often changed. We kept track of each of them and moved quickly to take advantage of the help they offered. We kept re-thinking what we needed to do locally to support our community even as federal and state legislation and the virus itself kept evolving. We also retained detailed records of our expenditures so we could take full advantage of reimbursement opportunities. When a program expanded what expenses and how much of them could be reimbursed (e.g., the Federal Emergency Management Agency (FEMA)), we nimbly reallocated our expenses to match those opportunities.

To track these revenues and expenditures, the City of Newton established several accounts, comprised of state and federal reimbursements, grants, and taxpayer funds. The two most significant federal aid packages were the federal Coronavirus Aid, Relief, and Economic Security Act (known as the CARES Act) and the American Rescue Plan Act (known as ARPA).

1.1 The CARES Act - \$7.8 Million

The Federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), enacted on March 27, 2020, was a \$2.2 trillion economic stimulus bill in response to the economic fallout of the COVID-19 pandemic in the United States. The legislation provided for a one-time cash payment to certain individuals (typically \$1,200); increased unemployment benefits; created the Paycheck Protection Program that provided forgivable loans to small businesses; gave loans to corporations; and provided funding for state and local governments.

The CARES Act included funds for local governments to use to pay costs incurred in responding to the COVID-19 outbreak. Under federal law, eligible uses must have met three conditions:

1. “Necessary expenditures incurred due to the public health emergency with respect to ... COVID–19.” Funds could not be used to substitute for lost revenue.
2. Expenditures not budgeted as of March 27, 2020 when the CARES Act was enacted. The funds could not supplant municipal spending.
3. Expenditures must have been incurred on or after March 1, 2020 up to December 31, 2021 (including the time extension).

The City of Newton received \$7,838,462. The Fuller Administration focused over 80 percent of our CARES funding (\$6.4 million of our \$7.8 million appropriation) on the Newton Public Schools. \$4.9 million was spent to improve the ventilation systems throughout all school buildings, almost \$1.0 million was spent on the health and safety of our educators, staff, and students through COVID-19 medical screenings and testing, and another approximately \$500K was spent on tents for outdoor learning, reconfiguration of space, and other social distancing strategies in our schools. In addition, the Fuller Administration invested CARES funds to help vulnerable residents with housing and utility costs, new COVID election related expenditures, and municipal COVID expenses such as ventilation upgrades, PPE and cleaning services. See the table below for more details.

FEDERAL CARES ACT FUNDS				
CITY OF NEWTON GRANT - \$7,838,462				
	FY20 ACTUAL	FY21 ACTUAL	FY22 ACTUAL	TOTAL
CARES FUNDS - CITY DEPT OPERATIONS				
2020 PRESIDENTIAL ELECTION		\$ 125,682		\$ 125,682
CLEANING/CUSTODIAL SUPPLIES & SVCS	\$ 39,711	\$ 187,443	\$ 99,629	\$ 326,783
PUBLIC HEALTH STAFFING			\$ 19,517	\$ 19,517
UNEMPLOYMENT BENEFITS		\$ 85,120	\$ 16,983	\$ 102,103
MISC MUNICIPAL EXPENSES		\$ 38,874		\$ 38,874
TOTAL CITY DEPT OPERATIONS	\$ 39,711	\$ 437,119	\$ 136,129	\$ 612,959
CARES FUNDS - CITY INFRASTRUCTURE				
BUILDING VENTILATION/RECONFIGURATIONS		\$ 364,707		\$ 364,707
TOTAL CITY DEPT INFRASTRUCTURE	\$ -	\$ 364,707	\$ -	\$ 364,707
CARES FUNDS - NPS OPERATIONS				
REGULAR OVERTIME		\$ 151,497		\$ 151,497
CLEANING/CUSTODIAL SVS		\$ 6,739		\$ 6,739
MEDICAL SCREENINGS		\$ 909,876		\$ 909,876
MEDICAL SERVICES		\$ 23,900		\$ 23,900
OFFICE SUPPLIES		\$ 56,231		\$ 56,231
BUILDING MAINT SUPPLIES		\$ 134,004		\$ 134,004
TENTS THROUGHOUT DISTRICT		\$ 247,623		\$ 247,623
TESTING SUPPLIES		\$ 27,232		\$ 27,232
CONSTRUCTION SUPPLIES		\$ 13,130		\$ 13,130
PUBLIC SAFETY SUPPLIES		\$ 2,431		\$ 2,431
TOTAL NPS OPERATIONS	\$ -	\$ 1,572,663	\$ -	\$ 1,572,663
CARES FUNDS - NPS INFRASTRUCTURE				
NPS HVAC/VENTILATION/RECONFIGURATION		\$ 4,514,031	\$ 249,372	\$ 4,763,403
NPS PROJECT- PUB BLDG'S PT MGMT		\$ 106,730		\$ 106,730
TOTAL NPS INFRASTRUCTURE	\$ -	\$ 4,620,761	\$ 249,372	\$ 4,870,133
CARES FUNDS - VULNERABLE RESIDENTS				
ASSISTANCE TO RESIDENTS FOR HOUSING & UTILITY COSTS			\$ 418,000	\$ 418,000
CARES ASSISTANCE-VULNERABLE RESIDENTS	\$ -	\$ -	\$ 418,000	\$ 418,000
TOTAL NEWTON CARES GRANT	\$ 39,711	\$ 6,995,250	\$ 803,501	\$ 7,838,462

1.2 The American Rescue Plan Act – (ARPA) - \$63.6 Million

By far, the largest federal pandemic package 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, a year after the pandemic began, to further respond to the economic and health effects of the COVID-19 pandemic.

The American Rescue Plan Act provides funding for expanded unemployment benefits; \$1,400 direct payments to certain individuals; emergency paid sick leave; extension of a 15% increase in food stamps; child tax credits and other tax credit provisions; grants to small businesses; funds to reopen schools; funds for housing and rental assistance, vaccines, testing and contact tracing, health care and public health; public transit; and funds to state and local governments to bridge budget shortfalls and mitigate the fiscal impact of the pandemic.

The City of Newton has received approximately \$63.6 million dollars from the American Rescue Plan Act of 2021, often called ARPA.

Congress created specific guidelines for how these funds can be used with two key 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.

The original legislation as passed in March 2021 outlined the requirements as follows:

REQUIREMENTS:

(1) USE OF FUNDS.—Subject to paragraph (2), and except as provided in paragraph (3), a State, territory, or Tribal government shall only use the funds provided under a payment made under this section, or transferred pursuant to section 603(c)(4), to cover costs incurred by the State, territory, or Tribal government, by December 31, 2024—

(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

(B) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers of the State, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;

(C) for the provision of government services to the extent of the reduction in revenue of such State, territory, or Tribal government due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year of the State, territory, or Tribal government prior to the emergency; or

(D) to make necessary investments in water, sewer, or broadband infrastructure.

(2) FURTHER RESTRICTION ON USE OF FUNDS.—

(A) IN GENERAL.—A State or territory shall not use the funds provided under this section or transferred pursuant to section 603(c)(4) to either directly or indirectly offset a reduction in the net tax revenue of such State or territory resulting from a change in law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase.

(B) PENSION FUNDS.—No State or territory may use funds made available under this section for deposit into any pension fund.

The U.S. Department of the Treasury issued the "Final Rule" effective April 1, 2022 to implement the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund established under the American Rescue Plan Act. It includes the following guidance:

Section (1A) - ARPA Funds - Responding to the Public Health Emergency and Negative Economic Impact

Accordingly, to assess whether a program or service is included in this category of eligible uses, a recipient should consider whether and how the use would respond to the COVID-19 public health emergency.

Assessing whether a program or service “responds to” the COVID-19 public health emergency requires the recipient to, first, identify a need or negative impact of the COVID-19 public health emergency and, second, identify how the program, service, or other intervention addresses the identified need or impact. While the COVID-19 public health emergency affected many aspects of American life, **eligible uses under this category must be in response to the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.**

Section (1C) - Reduction in Revenue due to the COVID-19 Health Emergency

Sections 602(c)(1)(C) and 603(c)(1)(C) of the Act allow **recipients facing budget shortfalls to use payments from the Fiscal Recovery Funds to avoid cuts to government services** and, thus, enable State, local, and Tribal governments to continue to provide valuable services and ensure that fiscal austerity measures do not hamper the broader economic recovery. The Interim Final Rule implements these provisions by establishing a definition of “general revenue” for purposes of calculating a loss in revenue and by providing a methodology for calculating revenue lost due to the COVID-19 public health emergency.

Calculation of Loss. In general, recipients will compute the extent of the reduction in revenue by comparing actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic. This approach measures losses in revenue relative to the most recent fiscal year prior to the COVID-19 public health emergency by using the most recent pre-pandemic fiscal year as the starting point for estimates of revenue growth absent the pandemic.

For purposes of measuring revenue growth in the counterfactual trend, **recipients may use a growth adjustment of either 4.1 percent per year⁷ or the recipient’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, whichever is higher.**

Recipients should calculate the extent of the reduction in revenue as of four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023.

Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending December 31, 2020.

1.2.1 Lost Revenue Calculation for the City of Newton

Calculating the lost revenue for the City of Newton using the formula provided by the Department of Treasury begins with the City of Newton’s most recent fiscal year prior to the COVID-19 public health emergency which was Fiscal Year 2019 (FY2019). FY2019 covered the twelve-month period beginning July 1, 2018 and ending June 30, 2019. FY2019 total City of Newton Revenue from all sources was \$656 million, while net revenue after adjustments for federal funds, bond sale proceeds, interfund transfers and other miscellaneous revenues totaled just over \$486 million. This net FY2019 Revenue amount of \$486 million is used as the most recent pre-pandemic fiscal year and will be the starting point for estimates of revenue growth absent the pandemic.

⁷ Originally, the Department of Treasury’s *Interim Final Rule* allowed a counterfactual revenue growth rate of 4.1%. However, the Department of Treasury’s *Final Rule* adjusted the allowable growth rate to 5.2%. This change in growth rate benefits the City of Newton, in that now all of our expenditure of ARPA funds can qualify for the *Section (1C) - Reduction in Revenue due to the COVID-19 Health Emergency*.

The City must next determine whether the growth adjustment of 5.2 percent per year (see Footnote 7 below) or the City’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency is higher. We have done these calculations; we have determined that the City’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency is not higher than 5.2%. Therefore, we will use the U.S. Treasury guideline of 5.2% for all calculations for the growth adjustment for the counterfactual trend.

The Administration has now calculated the Calendar Year (CY) 2020 through 2023 Counterfactual Revenue as well as CY 2020 through 2023 Actual Revenue. This new calculation (based on 5.2%) has yielded a Total Lost Revenue Factor of \$38.4 million for the four year period CY 2020 through CY 2023, significantly higher than and a CY 2021 Lost Revenue factor of just under \$30 million. Simply put, this means that to date, the City is able to use the guidelines of “the provision of government services” for the full amount of ARPA funds that have been allocated to the City of Newton. While the Lost Revenue expenditures in Category (C) are less restrictive than those in Category (A), we are mindful of the importance of using the ARPA funds to respond to the negative impacts of the pandemic. Calendar Year 2022 lost revenue was measured as \$33.5 million, and Calendar Year 2023 lost revenue totaled \$42.8 million. Our total lost revenue, Calendar Year 2020 through 2023, totaled \$145.9 million, significantly above the City’s total ARPA allocation of \$63.6 million. This granted the City significant leeway, as to how we allocated our ARPA disbursement.

The *Final Rule* also includes the guideline that in Category (C) which allows ARPA funds to provide government services to the extent of the reduction in revenues from COVID-19 that the definition of government services is broad, including infrastructure, health services, education and public safety. Specifically, the guideline states: *Government services can include, but are not limited to, maintenance or pay-go funded building of infrastructure, including roads; modernization of cybersecurity, including hardware, software, and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire, and other public safety services.*

AMERICAN RESCUE PLAN ACT - ARPA - \$63.6 MILLION	
CALCULATION OF LOST REVENUE	
MOST RECENT FULL FISCAL YEAR PRE-PANDEMIC - FY2019	
FISCAL YEAR 2019 NET REVENUE	\$ 486,267,673
COUNTERFACTUAL GROWTH RATE	5.20%
ALLOWABLE REVENUE CALENDAR YEAR 2020	\$ 524,853,985
CALENDAR YEAR 2020 ACTUAL REVENUE	\$ 485,795,813
REVENUE LOSS CALENDAR YEAR 2020	\$ 39,058,172
ALLOWABLE REVENUE CALENDAR YEAR 2021	\$ 552,146,393
CALENDAR YEAR 2021 ACTUAL REVENUE	\$ 521,679,721
REVENUE LOSS CALENDAR YEAR 2021	\$ 30,466,672
ALLOWABLE REVENUE CALENDAR YEAR 2022	\$ 580,858,005
CALENDAR YEAR 2022 ACTUAL REVENUE	\$ 547,321,345
REVENUE LOSS CALENDAR YEAR 2022	\$ 33,536,660
ALLOWABLE REVENUE CALENDAR YEAR 2023	\$ 611,062,621
CALENDAR YEAR 2023 ACTUAL REVENUE	\$ 568,239,603
REVENUE LOSS CALENDAR YEAR 2023	\$ 42,823,018
TOTAL REVENUE LOSS THROUGH DECEMBER 31, 2023	\$ 145,884,522

1.2.2 Investing ARPA Funds to Recover and to Build a Better Future

Mayor Fuller has set out several goals for how we invest these one-time ARPA funds. We should seed those initiatives that will help Newtonians and our City not just stabilize and recover but permanently be more resilient, more livable, more vibrant, more inclusive, and more sustainable. We should invest the funds using the lens of equity, ensuring all geographic areas of Newton, all ages, all ethnicities and all people are supported while we help those hurt by the pandemic.

Our ARPA investments have been strategic so as to complement those of State and Federal programs. We invested early in the design of “shovel-ready” infrastructure projects, so we are well positioned to take advantage of Federal and State infrastructure aid. Simultaneously we have paid close attention to Federal and State spending decisions, so we didn’t inadvertently use Newton’s ARPA monies when other funding streams were available.

Many people provided great ideas. Our City Councilors and School Committee members weighed in. Residents, community groups, business owners and the heads of non-profits spoke up. Monies must be incurred by December 2024 or encumbered by that date (i.e., specifically set aside in a special account) and spent by December 2026.

On September 15, 2022, Mayor Fuller shared the next set of transformative investments we are making with the City of Newton’s American Rescue Plan Act (ARPA) funds. These investments reflect input from across our community, and they will make Newton more resilient, more livable, more vibrant, more inclusive, and more sustainable for years to come.

Prior to September 15, 2022 we were already underway with investments of a little over one half (\$34 million) of the City’s \$63.5 million in ARPA funds. On September 15, 2022 we committed another \$23 million towards pressing needs facing Newton:

Schools & Students

- \$2 million towards new reading curriculum materials for students and teachers, Kindergarten – 5th Grade in all 15 elementary schools;
- \$100,000 towards professional services to inform facility decisions for the Ward and Underwood elementary schools.

Housing & Human Services

- \$3.5 million towards the creation of affordable housing and/or energy retrofits for affordable housing;
- \$500,000 in accessibility investments in curb ramps and playgrounds.

Roads & Traffic Calming

- \$4 million to repave roads in the worst condition in our neighborhoods;
- \$2 million for traffic calming measures to improve safety.

Parks, Recreation & Culture

- \$2.5 million for investments in our athletic fields, Gath Pool, Crystal Lake beach, parks, playgrounds and recreation facilities;
- \$200,000 towards revitalizing the exhibits at Newton’s History Museum to better reflect our diverse heritage.

Economic Recovery & Village Centers

- \$3 million to make Washington Street along the Mass Pike safer and more inviting;

- \$1 million for the final design of improvements to Newton Highlands to support a business-friendly, multimodal (pedestrians, bicyclists, drivers, public transit users), resilient and inviting village center.

City of Newton Financial Recovery

- \$2 million to recover from lost revenues in the City’s General Fund in FY24 and \$1 million for FY25 to support our services and programs for students, residents and businesses.

In September 2024, we are committing the final \$2.73 million to several new smaller projects and adding funds back to other projects:

Roads & Traffic Calming

- \$1.75 million additional funds to pave priority roads in the worst condition;
- \$300,000 million for traffic calming measures to improve safety.

Parks, Recreation & Culture

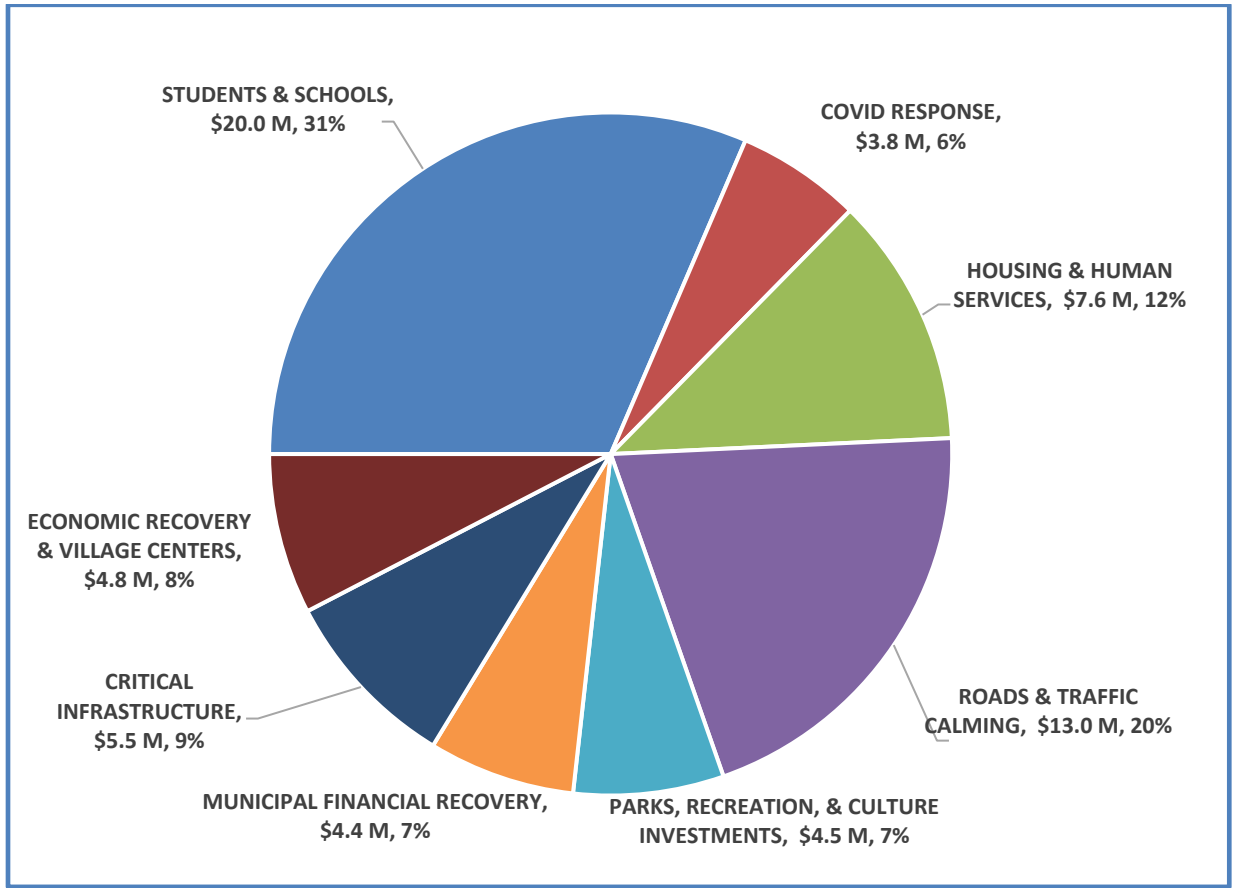
- \$150,000 to complete the Gath Pools and Splash Pad project;
- \$100,000 to improve Captain Ryan’s Park in West Newton Square;
- \$30,000 to improve the East Burying Grounds along Centre Street.

Critical Infrastructure

- \$100,000 to convert the remaining gas street lamps to solar;
- \$300,000 for Police Headquarters improvements.

With the unprecedented one-time federal funding from the American Rescue Plan Act, the City of Newton is supporting those most impacted by the pandemic, investing in the operations of the Newton Public Schools and the City, and seeding initiatives that will help Newtonians and our City not just stabilize and recover but permanently become more resilient, livable, vibrant, inclusive, and sustainable. We are investing these funds with the lens of equity, ensuring all geographic areas of Newton, all ages, and all people are supported while we help those disproportionately hurt by COVID-19.

We have invested heavily in our students and schools, our COVID response, and in affordable housing and human services. We moved forward with one-time infrastructure investments – from roads and traffic calming to village centers and commercial corridors, and police facilities to multiple elementary school building. We supported the recovery of small businesses, restaurateurs and artists. We helped the youngest users of our Library and the oldest residents of our City. We improved our parks, athletic fields, playgrounds and recreation facilities as well as added more trees. The pie chart below shows our strategic intent.



Please visit the City website for any updates made after October 7, 2024.

AMERICAN RESCUE PLAN ACT (ARPA) GRANT CITY OF NEWTON GRANT - \$63.6 MILLION EXPENDITURES BY FISCAL YEAR					
	FY2022	FY2023	FY2024	FY2025	TOTAL
STUDENTS & SCHOOLS					
NPS OPERATING BUDGET	\$ 2,485,968	\$ 1,620,000	\$ 1,080,000	\$ -	\$ 5,185,968
NPS COVID EXPENDITURES	\$ 2,315,448	\$ -	\$ -	\$ -	\$ 2,315,448
NPS STAFF RECOGNITION	\$ 3,293,650	\$ -	\$ -	\$ -	\$ 3,293,650
LINCOLN ELIOT DESIGN	\$ 350,000	\$ -	\$ -	\$ -	\$ 350,000
HORACE MANN DESIGN	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
HORACE MANN PLAYGROUND	\$ 250,000	\$ -	\$ -	\$ -	\$ 250,000
HIGH SCHOOL FIELD LIGHTS	\$ 1,400,000	\$ -	\$ -	\$ -	\$ 1,400,000
NPS TECHNOLOGY	\$ -	\$ 1,050,000	\$ -	\$ -	\$ 1,050,000
AUBURNDALE FAMILY AFFORDABLE HOUSING & WILLIAMS SCHOOL (40% of \$2.45M)	\$ -	\$ 980,000	\$ -	\$ -	\$ 980,000
NNHS SYNTHETIC TURF FIELD AT ALBEMARLE	\$ -	\$ -	\$ 2,200,000	\$ -	\$ 2,200,000
NSHS SYNTHETIC TURF FIELD	\$ -	\$ -	\$ 332,000	\$ -	\$ 332,000
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
	\$ 10,195,066	\$ 3,650,000	\$ 6,163,120	\$ -	\$ 20,008,186
COVID RESPONSE					
COVID ANTIGEN TESTS	\$ 76,100	\$ -	\$ -	\$ -	\$ 76,100
BUILDING VENTILATION (NPS, CITY HALL, FIRE, POLICE)	\$ -	\$ 2,158,993	\$ -	\$ -	\$ 2,158,993
CITY STAFF RECOGNITION	\$ 1,095,942	\$ -	\$ -	\$ -	\$ 1,095,942
UNREIMBURSED COVID EXPENSES FROM FEMA	\$ -	\$ -	\$ 192,440	\$ -	\$ 192,440
COVID-RELATED UNEMPLOYMENT PAYMENTS	\$ -	\$ -	\$ 230,791	\$ -	\$ 230,791
	\$ 1,172,042	\$ 2,158,993	\$ 423,231	\$ -	\$ 3,754,266

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

	FY2022	FY2023	FY2024	FY2025	TOTAL
HOUSING & HUMAN SERVICES					
COMMUNITY NEEDS ASSESSMENT	\$ 41,500				\$ 41,500
ECONOMIC STABILITY AND MOBILITY	\$ 1,898,868				\$ 1,898,868
EMERGENCY HOUSING RELIEF PROGRAM	\$ 575,700				\$ 575,700
ACCESSIBILITY PROJECTS		\$ 500,000			\$ 500,000
AUBURNDALE FAMILY AFFORDABLE HOUSING (60% of \$2.45M) & WILLIAMS SCHOOL		\$ 1,470,000			\$ 1,470,000
AFFORDABLE HOUSING & CLIMATE RESILIENCY			\$ 3,000,000		\$ 3,000,000
NEWMO TRANSITIONAL OPERATIONS			\$ 75,000		\$ 75,000
	\$ 2,516,068	\$ 1,970,000	\$ 3,075,000	\$ -	\$ 7,561,068
ROADS & TRAFFIC CALMING					
ACCELERATED NEIGHBORHOOD ROAD REPAIR & PAVING	\$ 2,500,000	\$ 4,000,000	\$ 2,000,000	\$ 1,652,530	\$ 10,152,530
ACCELERATED TRAFFIC CALMING		\$ 2,000,000		\$ 500,000	\$ 2,500,000
BICYCLE/PEDESTRIAN MASTER PLAN	\$ 80,000				\$ 80,000
CARRIAGEWAY EASEMENTS			\$ 230,000		\$ 230,000
	\$ 2,580,000	\$ 6,000,000	\$ 2,230,000	\$ 2,152,530	\$ 12,962,530
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
TENNIS COURT RESURFACING			\$ 100,000		\$ 100,000
NAHANTON PARK SURVEY FOR CONSERVATION RESTRICTION			\$ 60,000		\$ 60,000
CONTINGENCY FOR STATE-FUNDED PROJECTS (Farlow, Pellegrini, Chaffin)			\$ 638,000		\$ 638,000
GATH POOLS & SPLASH PAD PROJECT COMPLETION				\$ 150,000	\$ 150,000
CAPTAIN RYAN'S PARK IMPROVEMENTS				\$ 100,000	\$ 100,000
REMOVAL OF EAST BURYING GROUNDS FENCE				\$ 30,000	\$ 30,000
	\$ 750,000	\$ 2,700,000	\$ 798,000	\$ 280,000	\$ 4,528,000
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	\$ 1,486,228				\$ 1,486,228
NEWCAL (COOPER CENTER) DESIGN (and acquisition of 47 Walnut Place)	\$ 1,985,000				\$ 1,985,000
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
CONVERSION OF REMAINING GAS STREET LAMPS TO SOLAR				\$ 100,000	\$ 100,000
POLICE HQ FACILITY IMPROVEMENTS				\$ 300,000	\$ 300,000
	\$ 3,471,228	\$ 500,000	\$ 1,147,621	\$ 400,000	\$ 5,518,849
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	\$ 600,000			\$ 850,000
PETTEE SQUARE/CHESTNUT-OAK INTERSECTION		\$ 1,100,000			\$ 1,100,000
WASHINGTON STREET PILOT		\$ 2,770,000			\$ 2,770,000
	\$ 368,930	\$ 4,470,000	\$ -	\$ -	\$ 4,838,930
FUNDS DELIBERATELY HELD IN RESERVE					
REMAINING UNASSIGNED FUNDS					\$ -
			\$ -		\$ -
TOTAL NEWTON ARPA COMMITMENTS	\$ 23,171,010	\$ 22,828,993	\$ 14,756,972	\$ 2,832,530	\$ 63,589,505

ARPA FUNDS – Students & Schools

FY22-FY25 NPS Financial Recovery - \$5,508,000

The partial shutdown of the economy continues to have a negative impact on many of the City's revenue sources with lower revenues expected to continue from sources such as Rooms & Meals Taxes, Parking Meter Receipts, Payments of Parking Violations, and more, approximating \$7 million in FY2022. Therefore, for the FY22 budget the Mayor committed \$4.6 million in ARPA funds to supplement the overall City Operating Budget, with another \$3 million in FY23, \$2 million in FY24 and \$600K in FY25. As the NPS budget is approximately 54% of the City's overall operating budget, they will receive \$5,508,000 from FY22-FY25 in ARPA funding to supplement their budget. The utilization of these funds to augment our projected revenues enables the School Department to have additional funds to continue supporting the teaching and learning.

Lincoln Eliot Elementary School - Schematic Design - \$350,000

The City of Newton and the Newton Public Schools continue to plan for the renovation and renewal of our school buildings. As part of this program, we are investing \$350,000 of ARPA funds to allow us to continue the schematic design phase for a wonderful facility, new playgrounds, fields, and so much more at 150 Jackson Road, the future home of the Lincoln Eliot community.

Horace Mann Elementary School – Feasibility Study - \$100,000

In addition to \$250,000 of ARPA funds for a new playground at Horace Mann, \$100,000 of ARPA funds will be invested to allow us to further the design efforts that began before COVID for much needed additional space at the new home of the Horace Mann Elementary School.

Horace Mann Elementary School Playground Equipment - \$250,000

When the Horace Mann Elementary School community moved in September 2019 to a recently renovated former elementary school, they were not able to bring their large playground structure with them. We will invest \$250,000 of ARPA funds to provide new playground equipment that will allow for the physical and social growth of the Kindergarten through 5th grade students.

High School Field Lights - \$1,400,000

Throughout the pandemic, it became clear that outdoor recreational space was critical. That fact, coupled with the change to a later high school start time and the limited number of playing fields in the City, highlighted the need for high-quality lighting systems to allow for late afternoon/evening playing time at our two unlit artificial turf fields (one at Newton South High School known as the Brandeis Field and the other at Newton North High School's stadium on the Lowell Avenue side). The Mayor committed \$1,400,000 of ARPA funds for this purpose.

Ward and Underwood - \$100,000

School Committee members and Newton Public Schools staff began to work with the Ward and Underwood Task Force just before the Covid-19 pandemic began. The Ward and Underwood communities have been patiently waiting for this process to restart after the pandemic forced us to put the work on hold. We are now poised to tackle the facility and enrollment challenges that exist at both schools, and to determine how best to address them. Last fall, Mayor Fuller announced the City was reserving ARPA funds to make sure that Newton Public Schools and the Ward and Underwood Task Force have resources to move this important initiative forward. The City allocated \$100,000 in ARPA funding to support the Newton Public Schools and the Ward and Underwood school communities. These funds helped NPS provide professional services to evaluate the facilities, analyze enrollments and educational models, and clarify the challenges and opportunities to help with the decision making.

Newton Public Schools Elementary Reading Curriculum - \$2,000,000

The Newton Public Schools have had a terrific committee of elementary teachers and administrators reviewing materials for a new reading curriculum for grades K-5. Our current reading units were written between 2002-2012 and developed in-house by multiple teachers and literacy specialists. The work on finding the best curriculum for Newton began in 2019 (before the pandemic) and continued last year. The team reviewed a wide range of elementary reading programs, visited schools using different curricula, and piloted materials at various grade levels to find the best one for Newton — comprehensive, engaging, high-quality, cohesive, culturally responsive, standards-aligned and research-based. I set aside \$2 million to fund this critical one-time investment to equip our students and teachers with the materials they need across our 15 elementary schools. Strong literacy skills (reading, writing, speaking, listening and language) in the elementary years are foundational to student success and supporting these efforts in the wake of the pandemic is an excellent investment of Newton’s one-time ARPA funds.

Underwood Elementary School Roof Repair - \$41,120

Immediate roof repairs at the 99-year old Underwood Elementary School are a top priority of Newton Public Schools. These repairs, while not a complete replacement of the roof, will extend the life of the roof for many years.

Newton Public Schools Summer Maintenance - \$410,000

As part of the FY24 NPS budget process the School Committee reduced the Superintendent’s proposed budget for “Charter Maintenance” funds by \$410,000, in order to restore some teaching positions. This funding will fill the gap for expected FY24 summer maintenance in elementary, middle, and high schools.

ARPA FUNDS – COVID Response

COVID-19 Antigen Test Kits - \$76,100

Testing plays a key role in our efforts to contain and mitigate the COVID-19 pandemic by identifying infected individuals to help prevent further person-to-person transmission of the virus. Therefore, the City has utilized \$76,100 of ARPA funds to secure 7,560 over the counter at-home rapid antigen test kits to be distributed to our financially disadvantaged and/or our vulnerable residents in order to provide another tool to combat the spread of COVID-19.

NPS Covid Expenditures - \$2,315,448

The COVID-19 pandemic created significant costs for the Newton Public Schools along with revenue losses, both somewhat offset by direct state and federal grants to NPS. The City of Newton, separate from NPS, has also faced new costs and revenue losses and also received state and federal grants. My goal since the pandemic began has been to provide the Newton Public Schools with financial support to help teaching and learning in these difficult times. We have been “all in” on using CARES and ARPA funds to cover their COVID-19 related costs.

As State and Federal grants directly to NPS have only partially made up for pandemic costs and revenue losses, the City has invested significant portions of its state/federal grants to assist the students. In addition to previously allocated support, we providing NPS with \$820,000 in ARPA funds to cover important COVID-19 related expenditures. These include classroom air quality monitoring devices, air purifiers, medical supplies, and Wi-Fi hotspots. We also providing \$1.51 million in ARPA funds to cover additional COVID-19 related projects that the NPS financial team found in April, 2022 and a number of summer projects involving ventilation and new space for specialized programs.

NPS Technology - \$1,050,000

Prior to the pandemic, the Newton Public Schools had invested heavily in technology and various types of computers for both students and educators. During the pandemic, NPS expanded the program so all students from Kindergarten on had an age-appropriate computer/laptop loaded with educational software. Learning could be

done remotely, homework would be facilitated, communicating between teachers and students improved, and in-class pedagogy and individualized learning supported. During 2021-2022-2023, Newton Public Schools continues to update their Chromebook program for students and classrooms and make several one-time technology infrastructure improvements, including improving their complex network. In addition, NPS made hotspots available to students to allow better internet access from home, facilitating remote learning and communication.

[COVID-19 Building Adaptations – Police, Fire and City Hall - \\$2,158,593](#)

Police Headquarters: These ARPA funds will allow us to replace the rooftop air handling units, chillers, controls, and also make improvements to the insulation and efficiency of the various equipment. These systems will all be fully electric with no use of fossil fuels onsite. This work will be coordinated with the installation of new emergency communication /equipment and computer upgrades.

Fire Stations 1 & 2: Upgrades at two fire stations will allow for a significant increase in the passive and active ventilation rates and fresh air introduction which are both pillars of the layered prevention strategy recommended by CDC and DPH. The work will include:

- Replacement of all windows at Station #2 with operable units to compliment the restoration of the central ventilation system in the attic completed in 2020, and
- Installation of central and localized ventilation systems at Station #1 to compliment the window replacement project completed in 2020.

City Hall: The ventilation system at the War Memorial auditorium in City Hall will receive upgrades to allow us to once again use this incredible asset for community events, public meetings, cultural programs, and staff meetings. Additionally, we will improve the basement spaces at City Hall, including operable windows to allow for increased fresh air flow and better ventilation.

[City Employee Public Health & Public Service Stipend - \\$1,095,942](#)

In recognition of the commitment of our municipal employees to public service and public health, we have provided a one-time stipend to every permanent employee in the unions that signed agreements with the City as well as our permanent non-union employees. Those who worked through the most challenging months of the pandemic have received a stipend of \$1,500. Employees who joined our team more recently received \$500. In all cases, these amounts were pro-rated for part-time employees.

[School Employee Public Health, Public Service & Public Education Stipend - \\$3,293,650](#)

The Mayor has allocated \$3.3 million in ARPA funds to NPS so they provide stipends to NPS employees in recognition of their commitment to public service, public health and public education. Like City employees, those NPS employees who worked through the most challenging months of the pandemic will receive a stipend of \$1,500. Employees who joined our team more recently will receive \$500. In all cases, these amounts will be pro-rated for part-time employees.

[Unreimbursed COVID Expenses From FEMA - \\$192,440](#)

The Mayor prioritized the reimbursement of COVID related expenses from other state and federal funding sources. FEMA reimbursed the City for significant expenses, but certain expenses ended up not being allowed. This allocation covered those City COVID related expenses.

[COVID-Related Unemployment Payments - \\$230,791](#)

During the pandemic a number of part-time City and School employees became eligible for pandemic-era unemployment benefits for periods of time. Most of these benefits were eventually covered by other state or

federal sources, however, in the final analysis, the City was required to pay \$230,791 for a full settling of accounts with the state for those obligations.

ARPA FUNDS – Housing & Human Services

Community Needs Assessment - \$41,500

The community needs assessment focused specifically on hearing from our low-income residents regarding their needs and how we could best develop responsive strategies for promoting economic stability. The Center for Governmental Research consulting group delivered the assessment report in February 2022. They found that the most pressing challenges faced by lower-resourced Newton households included the ability to pay bills, finding a job or sufficient hours, meeting mental and physical health needs, finding stable housing, securing affordable childcare and having food security. Our team is working on responsive programs that we look forward to implementing during the calendar year 2022 and beyond.

Economic Stability & Economic Mobility - \$1,898,868

We are using ARPA funding to assist those Newtonians who suffered disproportionately as a result of the pandemic. ARPA investments complement funding previously deployed, including \$418,000 in CARES funds, \$2.7 million of CPA funds, \$1.7 million in Community Development funds, and \$1.1 million in Emergency Solutions Grants. All of these dollars have supported pandemic relief, housing and rental assistance, and health and human services.

More is needed. I, along with our social services and housing staff, are acutely aware that the human impact of the pandemic is still being felt. A few days ago, I announced that our Annual Action Plan uses an additional \$3.5 million in Federal funds to support affordable housing, rental assistance, human services, and architectural access here in Newton in Fiscal Year 2023.

I am proud to announce that we will dedicate another \$2 million in ARPA funds to support low-income residents and residents impacted by the pandemic, both of which are disproportionately people of color. This allocation of funds comes after the completion of the Community Needs Assessment in February 2022, which includes a series of short-term and long-term recommended actions. We will make \$250,000 available for low-barrier emergency expenses such as rent and utility assistance to address immediate hardships and \$1.75 million for long-term economic mobility and self-sufficiency initiatives that address systemic barriers. This funding again complements the approximately \$2 million in ARPA funds that we have already committed to rent and utility relief and affordable housing.

One of our important goals is to make a permanent impact on affordable housing availability and stability. These ARPA investments, coupled with the development of the West Newton Armory and our support of the good work of partners such as 2LifeCommunities, the Newton Housing Authority, the Newton Community Development Foundation, and MetroWest, reinforces our forward momentum.

Emergency Housing Relief Program - \$575,750

We have committed \$575,750 of ARPA funds to our Emergency Housing and Utility Relief Program to provide eligible households with up to two months of rental or mortgage assistance, with possible extensions, and up to \$700 of utility assistance. The program will cover 70% of a household's monthly rent or mortgage payment, with a maximum monthly assistance amount of \$2,500 per household. Eligible recipients must currently live in Newton, have had a negative economic impact caused by COVID-19, and have a total household income at or below 80% of the area median income.

Accessibility Projects (Intersections, Playgrounds) - \$500,000

We have been laser focused while improving many of our buildings, roads, sidewalks, parks, programs and services to consistently use universal design to provide accessibility. With the leadership of our Commission On Disability, the insights and wholehearted collaboration of our ADA Coordinator Jini Fairley, and our staffs from our Departments of Public Works, Public Buildings and Parks, Recreation and Culture, we continue to act vigorously to make our built environment one that all of our residents, businesspeople, employees and visitors are able to access and enjoy. This, in turn, helps make us an all-age friendly community. I am allocating \$500,000 in ARPA funds to accelerate the critical work of making our community more accessible. This funding will accelerate the construction of a significant number of accessible curb ramps and playground surfaces that the Commission On Disability recently prioritized, including:

- Newton Centre Curb Ramps: 12 new accessible curb ramps at the Beacon Street – Sumner Street – Langley Road intersections.
- Beacon Street Curb Ramps in Waban: Construction of accessible curb ramps along Beacon Street from Washington Street to Angier School
- Walnut Street/Dexter Road Accessibility in Newtonville: Construction of 3 new accessible curb ramps and new bump outs on both sides of Dexter Road.
- Accessible Playground Mats: Installation of playground matting at three playgrounds: in Auburndale Cove, at Davis Playground in West Newton, and at Williams Elementary School in Auburndale.

Auburndale Family Affordable Housing & Williams Elementary School Expansion - \$2,450,000

We invested ARPA funds in the amount of \$2,450,000 to acquire land and buildings located in the village of Auburndale directly adjacent to the Williams Elementary School and its playground and ballfield. The land will help us to expand the playground, have flexibility for future school renovations, while also allowing us to preserve four existing homes for permanently affordable family-sized homes next to an elementary school and playground, in walking distance to three forms of mass transit, and nestled into a residential neighborhood. We are attributing half of the purchase price to helping the Williams Elementary School.

Affordable Housing & Affordable Housing Climate Resiliency- \$3,000,000

I am allocating \$3,000,000 (1) to advance the creation of affordable housing and (2) to assist our already deed-restricted affordable housing properties in the City undertake important energy and electrification retrofits in a timely manner.

In the City of Newton, we are deeply committed to working together to ensure we have more permanently affordable homes and apartments so that our next generation can live here, our older residents have a place to downsize to so they can stay here, and people of all incomes can live here and be our neighbors. Our new Affordable Housing Trust is up and running and our Planning team is working closely with them to invest in affordable housing.

Simultaneously, the City's Sustainability team is actively seeking to help property owners shift away from fossil fuels to electricity to heat/cool their homes, heat their water, cook, and keep on their lights. These actions are essential to meeting the urgency of the climate crisis by reducing greenhouse gas emissions as we can make the electric grid cleaner and greener with renewable energy sources, especially solar and wind.

The City of Newton Planning and Sustainability teams will partner together to develop the Affordable Housing Climate Resiliency Grant Program. The City of Newton has over 2,000 deed restricted affordable housing units, many of which need deep energy retrofits. These energy retrofits will have the dual effect of reducing the property's overall present and future operating costs for energy with efficiency measures, and of aligning with our Climate goals to get to zero carbon emissions through electrification of HVAC systems and conversion to heat pump-based

technology. In other words, this funding will help residents “Use Less and Green the Rest,” the City of Newton Climate Action Plan’s motto. A first round of grants will be awarded next year.

As we convert City-owned buildings to non-fossil-fuel systems and actively promote homeowners to do likewise with the “4ourFuture Program, the City is working with larger commercial building owners and with non-profit affordable housing managers. The City of Newton’s program will be designed to complement State funding opportunities which are also available for deep energy retrofits to affordable housing properties.

We will simultaneously continue to be actively supporting opportunities for the creation of affordable housing, an ongoing effort of our Planning and Development staff.

NewMo Transitional Operations- \$75,000

NewMo has been a highly successful shared ride service that makes getting around easier, faster and more sustainable. State grants have been the bulk of the funding source over the past several years but are now beginning to phase out. In September 2023 the City made a major change to the program to restrict use to seniors, low-income individuals and people with disabilities. The City also decided to put out a bid for a new ride service contract with a particular focus on seniors. The ARPA funds helped supplement City budget and grant funding to pay NewMo bills during the transition from a full program to the new program.

ARPA FUNDS – Roads & Traffic Calming

Accelerated Neighborhood Road Paving - \$10,352,000

In the City of Newton’s FY2021 Budget, developed in the early months of the pandemic in May 2022 when the economy shut down, we cut \$4 million dollars of spending out of our DPW paving budget. In May 2021, I used \$2.5 million of ARPA funds to restore partially the road repair and paving investments as our streets need so much work.

In the Fall of 2022, I designated an additional \$4 million in ARPA funds to supplement the City’s accelerated road repair program. The funds will allow us to repave those roads in our neighborhoods which are in the poorest condition along their full length.

The City’s Pavement Condition Index (PCI) program rates all roadways in Newton on a 0-100 scoring system (0 being a poor roadway, 100 being a new one). The scores are based on data obtained from a sophisticated truck-based road radar system conducted City-wide every other year; the scores determine the prioritization of the street repairs. We expect this funding to allow us to repair the full length of those neighborhood roads which currently stand under a Pavement Condition Index (PCI) of 50 in the next two years. (We also have segments of roads that fall below a PCI of 50; we expect to make a lot of progress on these in the next few years as well.) Please know that following our protocols, the decisions on timing may be influenced by underground utility infrastructure improvements.

In late 2022, we identified approximately 80 neighborhood roads spread across the City that met the under 50 PCI classification. Some required a maintenance overlay while others needed more substantial rehabilitation. The repairs were conducted over the next two construction seasons in 2023 and 2024.

The goal of the repairs on these roads and segments was to create a good riding surface and extend the useful life of the roadways for 10+ years. Roadways were resurfaced with 1.5”-2” of new asphalt pavement. Utility structures in the roadway were brought flush to the new pavement surface and driveway aprons were blended. These repairs allowed users to travel the roads by vehicle, bicycle or other means of transportation without having to worry about bumps and potholes. Some roads also required sidewalk repairs or replacement.

In May 2023 I provided an additional \$2 million to begin addressing streets with PCIs in the 50-55 range, which are also in poor condition. These efforts were focused on elevating the overall pavement condition index to help us transition from reactive to preventative maintenance. DPW was able to pave dozens of roads during the 2023-2024 period in every section of the City using these additional funds.

This focus on smaller neighborhood roads compliments the City's larger road repair program that is addressing the major thoroughfares. In 2023 portions of Walnut, Lowell, Wheeler, Homer and the Commonwealth Avenue Carriageway were paved. In 2024 and 2025 portions of Austin, Valentine, Auburndale, Hammond, Waltham and Albemarle are in the process of being paved.

In October 2024 I am providing an additional \$1.7 million to continue paving residential roads in poor condition. These funds will allow the City to pave approximately 7.6 miles of roads. The focus will continue to be roads with PCI ratings in the 50s. A new PCI rating review is being conducted this fall with results to be published, and used for prioritization, this coming winter.

Accelerated Traffic Calming Top Priorities - \$2,300,000

Beginning with our first budget in FY2019, the Fuller Administration included a first-ever budget line for traffic calming projects, initially at \$150,000. While that budget allocation has since more than doubled to \$350,000, we continue to have quite a few traffic calming needs across the 300+ miles of roads and 2,500 intersections in the City.

Newton's Department of Public Works has developed a multi-factor prioritization system to evaluate the hundreds of traffic calming requests that come in from residents and City Councilors concerned about traffic volumes, speeds and safety. This data-driven evaluation process prioritizes the traffic calming requests and is updated annually.

In September 2022 I designated \$2 million in ARPA funding to accelerate the City's efforts to address the next set of high priority traffic calming projects identified by DPW's prioritization system. The investments include:

- Chestnut Street, between Commonwealth Avenue and Beacon Street: Intersection traffic calming at Chestnut Street and Fuller Street.
- Webster Street, between Cherry Street and Rowe Street: New crosswalks and Rectangular Rapid-Flashing Beacons (RRFBs) to meet pedestrian needs.
- Brookline Street, between Dudley Road and Oak Hill Street: Construction of a raised table intersection at the Brookline Street/Spaulding Lane/Hartman Road intersection near the Memorial-Spaulding Elementary School.
- Lexington Street, between River Street and Auburndale Avenue: Sidewalk bump-outs at the two existing crosswalk locations with RRFBs.
- Waverley Avenue, between Kenrick Street and Church Street: Construction of a raised table intersection at Waverley Avenue and Franklin Street.
- Installation of an additional 15 Rectangular Rapid-Flashing Beacons at 15 existing crosswalk locations based on the RRFB prioritization evaluation. RRFBs allow people using a crosswalk to press a button which turns on solar powered flashing yellow lights to help drivers see people in the crosswalks sooner, thereby making crossing streets safer.

DPW continues to move forward with additional traffic calming projects. These traffic calming projects use a variety of techniques, including intersection improvements, flex posts, pavement markings, signage, speed feedback displays, increased enforcement, , and RRFB installations at crosswalks.

In October 2024 I am adding \$500,000 to move additional traffic calming projects forward using the latest prioritization list of projects that are ready for construction.

[Bicycle/Pedestrian Master Plan - \\$80,000](#)

ARPA funds are being used to develop a comprehensive, long-term bicycle and pedestrian master plan (called the Walk, Ride & Roll Network Plan) to help reduce greenhouse gas emissions, increase public health, and support community and economic development. The goal is to support safe, smart, accessible, livable and sustainable multi-modal transportation. The plan will be released this fall.

Carriageway Easements - \$230,000

The City of Newton and the Massachusetts Department of Transportation Highway Division (MassDOT) are working together to reconstruct Commonwealth Avenue and the Carriage Way in Auburndale from Lyons Field (approximately Higgins Road) to the Newton Marriott Hotel (approximately Auburn Street). This project will improve safety and access for drivers, bicyclists and pedestrians, create new green space, construct a continuous shared walking and bicycle path along the Carriage Way, as well as improve transit access by upgrading bus stops.

As part of the reconstruction project, the City is required to take temporary construction easements from abutting properties along their frontage to the construction zone. This requirement is due to the Federal and State funding for this project. The City is required to offer financial compensation to the abutters for the taking of these temporary easements for up to three years (3 construction seasons), per Mass DOT requirements. The City's consulting engineer and their appraisal subconsultant, have prepared land appraisals for each of the temporary easements.

The total cost of the three-year temporary easements along the entire project area is approximately \$230,000. The State is funding the rest of the \$6.8 million construction project, as part of a larger Route 30 project to reconstruct the bridge over the Charles River and revamp the Auburn Street intersection into a roundabout.

ARPA FUNDS – Parks, Recreation, and Culture Investments

[Investing in Neighborhood Parks & Gardens - \\$300,000](#)

Funds have been allocated for our Parks, Recreation and Culture staff (PRC) and residents to explore the possibility of a community garden at Spears Park, a small quarter acre green space, and to supplement neighborhood-funded park projects in village centers and pocket parks, as well as within traffic islands. These funds will be used toward smaller-scale park improvements as well as bike racks, benches, waste receptacles, and signage.

[Parks, Conservation Trails, Accessible Improvements - \\$150,000](#)

We will use ARPA funds to upgrade our conservation trails and create accessible pathways to provide greater opportunities improved physical, mental and emotional health. By investing \$150,000 of ARPA funds into our trails and accessible pathways, more residents will be able to enjoy the natural beauty of our wonderful city.

[Street Trees and Tree Canopy Program - \\$250,000](#)

We know trees provide beauty and make Newton more livable, improve air quality, help stormwater runoff, and reduce temperatures in hot weather. We will use ARPA funds to help revitalize our tree canopy through strategic planting and care of young trees, identification and removal of dangerous trees, and stump removal and grinding. Funds will also be used to purchase a new watering truck that will be designed and built specific to the tasks of tree planting, watering, tree mulching, and young tree care.

[Newton Centre Outdoor Pavilion Architecture & Engineering \(A&E\) Feasibility Study - \\$50,000](#)

Mayor Fuller has authorized the use of \$50,000 in American Rescue Plan Act (ARPA) funding to conduct a feasibility study for an outdoor pavilion in the Newton Centre bowl. An outdoor performance venue in Newton Centre could

be a wonderful new community resource and gathering spot, while also creating economic benefits. The ideas of our artists, performers, non-profits, businesses, residents, and City Councilors will shape our decisions during the feasibility study.

[Athletic Fields/Parks/Beach/Gath Pool - \\$2,500,000](#)

The pandemic dramatically reminded us that getting outside, interacting with nature, playing and exercising is good for the body, the mind, and the soul. In the most challenging time of our generation, Newton's parks, playgrounds, athletic fields and recreation facilities were there for us – to nurture and to comfort, and to host safe and happy gatherings and sports outings.

The Parks, Recreation & Culture Department (PRC) has worked with the Parks and Recreation Commissioner and the Community Preservation Committee, City Councilors and residents – to identify and bring forward improvements across our city to support active and passive recreation and community engagement in our parks and open/green spaces.

I am allocating \$2.5 million dollars to accelerate the reinvestment in our parks and recreation areas, including Gath Pool, Crystal Lake, playgrounds, playing fields and open spaces. These additional ARPA funds will supplement the \$300,000 of ARPA funding going towards a new community garden at Spears Park in Nonantum and to support neighborhood pocket parks and traffic islands as well as the \$150,000 of ARPA funds being invested to improve our trails and paths in conservation areas and parks.

The additional infusion of \$2.5 million will be used to accomplish work in a number of areas:

- Gath Pool: PRC and the Public Buildings Department worked with the Community Preservation Committee (CPC) to move forward with the design and construction of a new pool, pool deck area and splash pad at Albemarle Park. Construction was completed in June 2024. ARPA funds will be used to supplement substantial CPC funding, and a state earmark, for the project.
- Athletic Fields: PRC is working with the CPC on the design/engineering and then construction of major athletic field projects at Albemarle/Halloran Sports Complex, Burr School fields, and McGrath Park fields. These projects will transform tired playing fields for many athletes and a variety of sports teams and leagues into high quality surfaces that will support heightened athletic use with the City's substantially upgraded maintenance program. As of October 2024 the Burr Fields are under construction and the Albemarle project is out to bid. ARPA funds have also been used for hydrogeological investigations to identify groundwater sources for irrigation systems that are critical for the long-term sustainability of grass athletic fields.
- Crystal Lake Beach and Park Improvements: PRC is working with the community to design renovations to the park and the "Left Beach" at Crystal Lake. These improvements will protect the shoreline, improve accessibility, improve resiliency to impacts from climate change, and enable more fun and exercise. ARPA funds have been used to complete the Levingston Cove Improvement Project and make repairs at Cronin's Cove.
- Park Improvements: This funding will accelerate needed investments at PRC facilities, including courts, playgrounds, pathways and open spaces.

[Jackson Homestead & Museum Exhibits - \\$200,000](#)

I am allocating \$200,000 to jumpstart the updates to the permanent exhibits at Newton's Jackson Homestead and Museum. In this City-owned historic building run by a public/private partnership between the Newton Historical Society and the City of Newton, the museum has extraordinary rotating and permanent exhibits that bring alive the history of Newton, Massachusetts as well as the Underground Railroad.

The federal-style house built in 1809 sits at the corner of Washington Street and Jackson Road. It has operated as the City's official museum since 1950 with exhibitions for adults and children that range from the history of farming, and family life to slavery and anti-slavery. The current Newton history permanent exhibits were created in the 1980s and after 40 years no longer represent the full diversity of our heritage.

The Historic Newton staff is excited to document a more comprehensive history of the immigration of a wide variety of cultural groups, to lift up the extensive Black and Indigenous history in Newton, and to fill in gaps of the later 20th century. Historic Newton is planning to request CPA funds and to launch a special fundraising campaign by the Newton Historical Society to contribute to the funding for the new exhibits.

[Newton North Synthetic Turf Field at Albemarle - \\$2,200,000](#)

The Newton North High School campus has only one synthetic turf field that can provide the high-traffic recreational playing surface that is necessary for the wide range of athletic team sports at a modern high school of its size. Newton South has two fields, which are both being replaced this summer as they are at end-of-life conditions. The Newton North campus does not have space for a second synthetic turf that wouldn't overlap with other playing areas such as baseball and softball fields. The main full-sized rectangular field at Albemarle, up against Craft Street, is currently grass but has not been able to withstand the heavy demand for field sports by both schools and leagues. With the remainder of the north end of the sports complex getting a \$7.4 million remake using CPA funds, this is the best time to convert this field to synthetic turf using the new and improved surfaces and Infill that will be installed this summer at Newton South.

The new field surface at Albemarle will be used by Newton North for football, soccer, lacrosse, field hockey, ultimate frisbee, and other teams that can't be sufficiently accommodated on campus. Synthetic turf provides a consistent surface that allows for uninterrupted practice and game time. In addition to being a critical asset to the organized sports activities, this field will be a tremendous amenity for the entire community, particularly youth sports, and it will help alleviate the usage pressure and impacts on our other natural grass fields. Coupled with the improved field house and brand-new field light systems, Albemarle Park will serve a satellite sport complex for NNHS student athletes.

[Newton South Synthetic Turf Field Replacement, Supplemental Funding - \\$332,000](#)

Based on early project cost estimates, the City Council approved the Mayor's request for \$3,240,000 in Free Cash funding to replace the two aging synthetic turf fields at Newton South as well as repair the track surface. The last few years have been very challenging times for project estimators given price escalations, supply chain problems and labor availability. The bid results for the South project came in \$332,000 high than the amount approved by the Council and we have decided to use ARPA to quickly fully-fund this project so the contract can be awarded and scheduled for summer installation. The turf fields and track are critically important in supporting the incredible school athletic programs and are also used heavily by the entire community.

[Tennis Court Resurfacing and Crack Repair - \\$100,000](#)

Many of PRC's sixty-four tennis courts were constructed 20-30 years ago and are in need of either complete resurfacing or crack repairs to maintain a playable surface. PRC will target four high-need courts with these funds.

[Nahanton Park Survey Needed for Completing Conservation Restriction - \\$60,000](#)

In 2013 the City temporarily moved Fire Station 10 to a portion of Nahanton Park while a new station was under construction. As part of that temporary use of the park, the City worked with the Parks & Recreation Commission, Newton Conservators and Friends of Nahanton Park to set an agreement that would provide site remediation and the placement of a permanent conservation restriction (CR) on the entire park. In order to complete the CR process the City needs to complete a boundary survey of the park, which is estimated to cost \$60,000. Once completed, the Law Department can finalize the CR process and obtain City Council approval.

Contingency for State-Funded Projects (Farlow, Pellegrini, Chaffin) - \$638,000

Three city facilities received state FY24 budget funding – Farlow Park pond improvements, Newton Corner former library (Chaffin House), and Pellegrini Park Fieldhouse (Nonantum) exterior work. \$650,000 was allocated to ensure that improvements to these three facilities were completed in conjunction with the state funding. As of October 2024 the Farlow Pond and Chaffin House work is completed and Pellegrini Fieldhouse work is underway.

Gath Pools & Splash Pad Project Completion - \$150,000

This \$9.3 million project, completed in summer 2024, was funded largely with CPC funds, along with \$1 million in ARPA funds and a \$400,000 state earmark. Public Buildings and PRC identified a number of improvements that were not part of the original plan but deemed to be high-value, low cost improvements that would make for a measurably better guest experience.

Captain Ryan’s Park Improvements - \$100,000

This important park sits in the heart of West Newton Square next to Police Headquarters. A \$100,000 investment will be made to improve landscaping and park accommodations. The work is expected to be done this fall through the spring.

Removal of East Parish Burying Grounds Fence - \$30,000

This project will remove the old chain link fence on top of a stone wall along Centre Street in front of the historic East Parish Burying Grounds. The grounds are open to the public but the fence mars the visibility along this heavily traveled road. A similar fence was removed recently in front of the South Burying Grounds (Winchester Street at Needham Street) resulting in a substantially nicer view of that historic area. The project estimate is \$30,000 and the work is expected to be done this winter or next spring.

ARPA FUNDS – Municipal Financial Recovery

FY22-FY24 Municipal Revenue Replacement - \$4,417,677

The partial shutdown of the economy continues to have a negative impact on many of the City’s revenue sources with lower revenues expected to continue from sources such as Rooms & Meals Taxes, Parking Meter Receipts, Payments of Parking Violations, and more, approximating \$7 million in FY2022. Therefore, for the FY22 budget the Mayor committed \$4.6 million in ARPA funds to supplement the overall City Operating Budget, with another \$3 million in FY23, and \$2 million in FY24. As the Municipal budget is approximately 46% of the City’s overall operating budget, they will receive \$4,417,677 from FY22-FY24 in ARPA funding to supplement the budget.

ARPA FUNDS – Critical Infrastructure

Library Children’s Room Expansion - \$1,486,228

The Library Children’s Room Expansion Project is a transformative investment that will align the inefficient space with the incredible demand of our families with young children for our collections, services and programs. The project increased the size of the Children’s Room, allowed for expanded program space, and provided ventilation system upgrades that will sustain a high-quality indoor environment. The new Children’s Room was opened in August, 2022.

Cooper Center for Active Living (formerly “NewCAL”) Design Funds - \$500,000

Groundbreaking on this exciting project was held in March 2024, with completion expected in fall 2025. To get this project off the ground, we invested ARPA funds to move from the feasibility phase into the beginning of schematic design. This included a schematic structural design, architectural site and building design, building renderings, floor plans and the detailed cost estimate for construction. We held many community meetings where we worked with all stakeholders to refine the design and site plan.

Acquisition of 47 Walnut Place - \$1,500,000

The City used \$1.5 million of American Rescue Plan Act (ARPA) funds for the acquisition of a property located adjacent to the site of the former Senior Center in Newtonville. The acquisition of this property will eventually create open space to support and benefit the Cooper Center for Active Living.

Police Headquarters Improvements Feasibility Study - \$500,000

The Newton Police Department Headquarters buildings have needed significant work for decades to support the department's goals of 21st Century community policing, training, outreach, positive police interactions and officer wellbeing. The CIP has included a series of investments on the interior and exterior to support the work of NPD and its interactions with the public over the next five years.

As we embarked on the HVAC and communications work at Police HQ, it became clear that the next phases of reconfiguring interior spaces, developing an on-site well configured training space, reimagining the future of the Dispatch Center, upgrading the bathrooms, offices and locker rooms, improving site security and the condition of the parking lot, repairing the roof, installing a new back-up generator, and updating the evidence room could be done more effectively and efficiently if we looked comprehensively at the building's needs.

We will use \$500,000 of ARPA funds to fund the master design needed to address our Police HQ in West Newton Square. We will be working with the entire Police Department and a firm with deep experience with police facilities, Kaestel Boos Associates, to perform a comprehensive needs assessment and feasibility study to begin the process of a strategic renovation of the Police facilities. This will ensure that we are providing the physical resources needed in a high-quality working environment which is used 24/7, 365 days a year. The needs assessment and feasibility studies will define the project. That said, we know and expect that we will make investments in technology, building systems, the building envelope, security systems, the configuration of spaces, finishes, and much more. This project will also include Dispatch. This project will complement the \$1.4M project currently in process to replace and upgrade the HVAC, communications, and data systems at Police Headquarters.

This new consolidated project is the combination of six projects previously listed in the CIP, including: - Police Training Facility and Space Upgrades, Police Site Security, Parking Lot, Accessibility, Police Headquarters – Roof, Police Headquarters – Interior, Police Headquarters – Plumbing and Finishes, Police Headquarters – Emergency Electrical.

Cheesecake Brook Bike/Ped Bridge at Albemarle Playground - \$700,000

With the new Gath Memorial Pool set for construction later this year, and new athletic fields and facilities planned on the north end of the Albemarle park complex, there is a need for better access to the north end of the park from the west side of Cheesecake Brook. Currently there is one footbridge at the southern end which provides a route over the brook for students and park users from Watertown Street, the Warwick/Wildwood neighborhood passage, and parking spots along this southbound section of Albemarle Road. The new bridge, located halfway between Craft Street and the current bridge, will allow for better access to the pool, fields, courts, and Day Middle School pathway route from parking locations along a large portion of the southbound lane of Albemarle Road near the Fessenden fields. The City is exploring investigating the possibility of coordinated parking improvements with the private school in this area. The second bridge will also help crowds navigate the area during the annual 4th of July celebration and fireworks, and the major sporting events. This project will include minor modifications to the existing bridge to make it fully accessible for people using wheelchairs and for little ones in strollers and wagons. When complete this project will ensure there are two fully-accessible means of crossing Cheesecake Brook for the tens of thousands of bicyclists, walkers, runners, and the residents and visitors who come to enjoy one of our premier destinations.

[Albemarle Fieldhouse Exterior Improvements - \\$50,000](#)

The Albemarle Fieldhouse, built in 1956, is located next to Gath Pool and allows the Parks, Recreation & Culture (PRC) Department to provide summer camps, senior programs, and bathroom facilities for this large recreational complex. The building is located at a critical entrance area to the complex; the building exterior needs attention. It has dutifully served as a workhorse for park guests. Improving the integrity and appearance of this building is important and will be coordinated with the larger pool and park improvement projects slated for construction during 2023 and 2024.

[The Newton Centre Fieldhouse \(aka “The Hut”\) Exterior Improvements - \\$100,000](#)

This 1892 building located on Tyler Terrace in Newton Centre Playground provides gym, program, and bathroom facilities for the Mason Rice after-school program, rentals, and summer programs. The exterior of the building is in tough shape, in need of paint, spot repairs and some security improvements to maintain the integrity of the building. This area is also now the home to a summer concert series in “The Bowl”, which provides natural stadium seating created by the hill off Tyler Terrace.

[Crystal Lake Bathhouse and Parking Lot Improvements - \\$40,000](#)

The beach, park and bathhouse at Crystal Lake receive a tremendous amount of welcome day-time traffic through the swim season, as well as some unwelcome activities at night and off-season. Security improvements, including cameras, are needed to deter the unwanted activities and protect the facility. In addition, there are several minor projects at the bathhouse that will improve the user experience and help improve the general building condition. Striping improvements are also needed in the parking lot to better accommodate visitors using accessible parking spots. This package of improvements will improve the 2023 swim season.

[Library Plaza Repairs - \\$100,000](#)

Newton Free Library was opened in 1991 with an extensive front plaza featuring brick surfacing. While these bricks matched the library exterior they have not weathered well over 32 years of winter snow removals and salting. This effort will repair the brick and railings and make the surface fully accessible, safe for all users, welcoming, and will hold up over time.

[Replacement of Fire Department Vehicles - \\$160,000](#)

The Fire Department has two high-use aging Ford Taurus vehicles in the Fire Prevention unit that need replacement. The department will purchase two hybrid Ford Explorers, starting their conversion of passenger vehicles to hybrid/electrics.

[Conversion of Remaining Gas Street Lamps to Solar - \\$100,000](#)

There are approximately 70 remaining gas street lamps that not only burn a fossil fuel but also have frequent service issues. DPW has worked with a solar lamp manufacture to create an attractive light that can easily and appropriately replace the gas lamps. The gas lines to the lamp bases will be permanently capped. This project helps the City meet the spirit of the Climate Action Plan’s goal of reducing greenhouse gas emissions from City-owned facilities. About 10 of the 70 gas lamps are located in local historic districts in Auburndale and Newtonville. DPW will work with the districts on the conversion process.

[Police Headquarters Facility Improvements - \\$300,000](#)

In partnership with Chief McMains and his staff, we are pleased to allocate the sum of \$300,000 for the purposes of making improvements to the condition and function of the Police Headquarters locker rooms, restrooms, and weight room. These spaces are heavily used by the men and women of the department, and as such this project

will have a very positive impact on the team. This project will include improvements to the HVAC, finishes, lockers, and other building systems to improve the physical condition, indoor environment, and function of the spaces.

ARPA FUNDS – Economic Recovery & Village Centers

Restaurant On-Street Dining - \$15,330

Over the last two years we expedited licensing and permitting of outdoor dining throughout the City, created brightly decorated communal picnic areas near village restaurants, and created on-street dining with free jersey barriers painted by Newton artists. ARPA funds have been used for one-time payments to restaurants to assist with breakdown, storage and reassembly of their on-street dining equipment (platforms, lighting, heaters, planters, tables, chairs, etc.) during the winter of 2021-2022. While we set aside \$50,000 originally for this program, only \$15,330 was utilized.

Newton Hires - \$28,600

The Newton Hires program offered cash incentives of up to \$1,000 to unemployed or underemployed individuals who registered with MassHire, secured employment of up to 20 hours per week or more with a qualifying Newton employer, and remained employed with the business/non-profit for at least four weeks for an initial \$500 cash award and an additional \$500 cash award for individuals who stayed as employees with the same employer for at least an additional four weeks. While the City had set aside \$200,000 for this program, ultimately only \$28,600 was utilized.

Non-Profit Arts & Culture Grants- \$75,000

I am allocating \$75,000 in ARPA funding for Revitalize Creative Newton, a grant program for the arts and culture sector of Newton to cover expenses related to reopening and resuming cultural programming and services. Newton arts and cultural organizations of any budget size that can demonstrate they have been economically impacted by COVID-19 are eligible to apply. This funding will provide much needed support to organizations within our arts community as they work to recover, rebuild and re-energize our city.

Newton Highlands Village Center Design - \$850,000

ARPA funds are being used for a streetscape improvement project that will update the heart of Newton Highlands. Upon completion, this exciting infrastructure project will support a multi-modal, business-friendly, resilient, inviting village center to accommodate all modes of transportation (pedestrian, bicycle, vehicular, and public transit users).

The project will proceed in phases. We'll begin by gathering ideas and information from residents, business owners, City officials, Area Council members and key constituent groups; by thoroughly analyzing and assessing existing conditions; and by identifying conceptual alternatives for improvements. The one selected as the preferred alternative at the conclusion of this Engagement and Conceptual Design Phase will be advanced through the Preliminary and Final Design Phases, and ultimately the Construction Phase. This ARPA funding will allow this project to get to the construction phase.

Pettee Square/Chestnut-Oak Intersection Improvements - \$1,100,000

Pettee Square, nestled in the heart of Upper Falls at the intersection of Chestnut and Oak Streets, is at an exciting turning point.

In recent years, the City of Newton completed the Greenway project which transformed an old rail line into a vibrant and beautiful walkway trail. Right next door, almost a billion dollars of private investment from Northland is moving forward for housing, restaurants, shops, offices and a splash park on 22.6 acres at Needham and Oak Streets after approvals from the City Council and our voters.

We also previously completed a community informed design and engineering streetscape plan that will improve the look, function, accessibility and safety of Pettee Square.

Now, Secretary of Housing & Economic Development Mike Kennealy announced that Newton will receive \$2 million from the MassWorks Infrastructure Program to implement these plans. I have also set aside approximately \$1.1 million from ARPA for the City's matching funds.

The work in Pettee Square is exciting. It includes a raised table intersection and cross walks, traffic signal replacements, utility pole relocations, roadway milling and new paving, new concrete sidewalks, new ADA accessible curb cut ramps, upgrades to the drainage system, new pavement marking, lighting upgrades, benches and trees.

This work will improve the safety of the intersection for drivers, bicyclists and pedestrians. The area will be fresh and more beautiful and inviting. For bocce ball players, for people walking on the Greenway, for visitors to the Depot Coffee Shop, the Biltmore Bar & Grille and the other stores, this will be a nicer environment.

Washington Street Pilot and Design - \$2,770,000

For some time now, we have been exploring how we might make improvements to the stretch of Washington Street from West Newton Square to Newton Corner along the Mass Pike. This is one of the most important transportation corridors in the City, serving many businesses and residents along its route. Currently, the corridor is not very attractive or safe. Along many sections, it is wide with four travel lanes and two parking lanes. Cars and trucks drive at high speeds. It has no bicycle facilities and unappealing pedestrian accommodations.

The City Council approved \$500,000 (from marijuana HCA funds) in May 2022 to design the first phase of a major, long-term "complete streets" redesign of Washington Street. The long-term goals are to:

- Create a vibrant, welcoming and inviting boulevard for customers, businesses, and residents of all ages through streetscape and sidewalk improvements, such as improved street lighting, better stormwater management, more plantings, and the addition of street furniture.
- Improve safety and accessibility for everyone, with a particular focus on vulnerable users such as people with disabilities as well as older and younger users.
- Improve biking and walking, including increasing the number and safety of pedestrian crossings, ensuring accessibility, and providing dedicated bike lanes.
- Support public transit service, optimizing MBTA bus operations and enhancing access for transit riders to the commuter rail and buses.

One of the first steps is to finish the design and then pilot changes of a section of the Washington Street corridor from Chestnut Street to Lowell Avenue in between West Newton Square and Newtonville. Once designed, we will trial a realignment of this portion of the corridor. It is likely to include a redesign from four to two travel lanes, plus turn lanes where needed. The pilot will maintain as much parking as possible and add bikes lanes. After the pilot, the City will move forward, applying complete streets design principles that work well for this unique street for the entire length of Washington Street along the Mass Pike.

I am allocating \$2.77 million in ARPA funds to advance this key project with construction funding for the pilot. The larger scale project for the entire length of Washington Street will take many years and will require funding from the State.

1.3 Other COVID-19 Funding

Federal Emergency Management Agency (FEMA) – 100% of Qualified Expenditures

The FEMA Public Assistance Program reimburses cities for eligible disaster related costs, including:

- Management, control and reduction of immediate threats to public health and safety (including Emergency Operation Center costs),
- Emergency medical care,
- Medical sheltering,
- Household pet sheltering and containment actions,
- Purchase and distribution of food, water, ice, medicine, and other consumable supplies, to include personal protective equipment and hazardous material suits, movement of supplies, and persons,
- Security and law enforcement,
- Communications of general health and safety information to the public,
- Search and rescue to locate and recover members of the population requiring assistance, and
- Reimbursement for local government force account overtime costs.

The City of Newton submitted an application and was reimbursed for \$1.08 million for FEMA reimbursement for a variety of costs that we incurred in the pandemic. These costs include overtime for first responders and custodians, personal protective equipment (PPE), cleaning supplies, N95 masks, disposable gloves, hand sanitizer, and emergency meals for low-income adults.

Federal Community Development Block Grant (CDBG) – CARES Funds - \$1,743,641

Additional Community Development Block Grant funds through the CARES Act have been awarded to the City. These funds are being used for the following initiatives:

Community Development Block Grant Program - CARES FUNDS								
PROJECT NAME	CURRENT BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL YTD	TOTAL BILLED	%	BALANCE REMAINING
Emergency Housing Assistance Program	\$ 500,000.00	\$ 391,800.00	\$ 108,200.00	\$ -	\$ -	\$ 500,000.00	100%	\$ -
Small Business Recovery Grant Program	\$ 610,000.00	\$ 290,000.00	\$ 320,000.00	\$ -	\$ -	\$ 610,000.00	100%	\$ -
2Life Communities / Emergency COVID-19 Food Relief	\$ 40,000.00	\$ -	\$ 40,000.00	\$ -	\$ -	\$ 40,000.00	100%	\$ -
Barry Price Rehabilitation Center / Ensuring Safe and Enriching Se	\$ 17,500.00	\$ -	\$ 17,500.00	\$ -	\$ -	\$ 17,500.00	100%	\$ -
Family ACCESS of Newton / Childcare Scholarships	\$ 155,000.00	\$ -	\$ 61,934.16	\$ 93,065.84	\$ -	\$ 155,000.00	100%	\$ -
Horace Cousens Industrial Fund / Emergency Assistance for Utilitie	\$ 75,720.04	\$ -	\$ 67,196.36	\$ 8,523.68	\$ -	\$ 75,720.04	100%	\$ -
Newton Community Development Foundation / Resident Services T	\$ 24,606.00	\$ 12,303.00	\$ 12,303.00	\$ -	\$ -	\$ 24,606.00	100%	\$ -
Newton Housing Authority / Resident Services Program	\$ 16,460.00	\$ -	\$ 16,460.00	\$ -	\$ -	\$ 16,460.00	100%	\$ -
Newton Senior Services / Food and Essential Item Shopping Progr	\$ 40,150.00	\$ 1,662.87	\$ 20,002.09	\$ 18,485.04	\$ -	\$ 40,150.00	100%	\$ -
Pathway to Possible / P2P COVID-19 Support	\$ 43,905.00	\$ -	\$ 35,950.00	\$ 7,955.00	\$ -	\$ 43,905.00	100%	\$ -
Boys & Girls Club / Out of School Time	\$ 33,500.00	\$ -	\$ 23,275.00	\$ 10,225.00	\$ -	\$ 33,500.00	100%	\$ -
West Suburban YMCA / Out-of-School Time Financial Aid	\$ 98,500.00	\$ -	\$ 32,080.30	\$ 66,419.70	\$ -	\$ 98,500.00	100%	\$ -
CDBG-CV Program Administration	\$ 88,299.96	\$ 18,415.39	\$ 49,997.51	\$ 8,217.26	\$ 114.80	\$ 76,744.96	87%	\$ 11,555.00
CDBG Total	\$1,743,641.00	\$714,181.26	\$804,898.42	\$ 212,891.52	\$ 114.80	\$1,732,086.00	99.34%	\$ 11,555.00

Federal Emergency Solutions Grant Funds - \$1,483,400

ESG-CV funds were provided through the City of Newton to prevent, prepare for, and respond to COVID-19 among individuals and families who are homeless or at-risk of homelessness in the Brookline-Newton-Waltham-Watertown (BNWW) region. The City of Newton serves as the administrator of this fund and distribution across the four communities is determined by a committee of members from these communities.

Emergency Solutions Grant								
PROJECT NAME	CURRENT BUDGET	FY20 ACTUAL	FY21 ACTUAL	FY22 ACTUAL	FY23 ACTUAL YTD	TOTAL BILLED	%	BALANCE REMAINING
Waltham Shelter Programs affected by the COVID-19 Pandemic --	\$ 211,191.00	\$ -	\$ 157,821.12	\$ 53,369.88	\$ -	\$ 211,191.00	100%	\$ -
City of Waltham's Temporary COVID-19 Emergency Tent Shelter --	\$ 67,564.00	\$ -	\$ 67,564.00	\$ -	\$ -	\$ 67,564.00	100%	\$ -
Post-Pandemic Re-Structuring -- Community Day Center of Waltham	\$ 52,320.00	\$ -	\$ 52,320.00	\$ -	\$ -	\$ 52,320.00	100%	\$ -
Winter Night Program -- Community Day Center of Waltham	\$ 428,835.00	\$ -	\$ 141,590.00	\$ 153,140.00	\$ 70,110.00	\$ 364,840.00	85%	\$ 63,995.00
Safe Housing for Emergency Shelter Guests during COVID-19 Pandemic	\$ 356,520.00	\$ -	\$ 325,707.52	\$ 30,812.48	\$ -	\$ 356,520.00	100%	\$ -
Homelessness Prevention COVID-19 Response Program -- Brookline	\$ 184,055.17	\$ -	\$ 103,371.31	\$ 77,223.24	\$ 3,460.62	\$ 184,055.17	100%	\$ -
Homelessness Prevention for Survivors Impacted by COVID-19 --	\$ 60,000.00	\$ -	\$ 34,675.77	\$ 25,324.23	\$ -	\$ 60,000.00	100%	\$ -
Rapid Re-housing COVID-19 Response Program -- Brookline Community	\$ 100,664.83	\$ -	\$ 50,640.27	\$ 46,825.84	\$ 3,198.72	\$ 100,664.83	100%	\$ -
ESG-CV Program Administration	\$ 22,250.00	\$ 2,732.53	\$ 18,529.31	\$ 988.16	\$ -	\$ 22,250.00	100%	\$ -
ESG Total	\$ 1,483,400.00	\$ 2,732.53	\$ 952,219.30	\$ 387,683.83	\$ 76,769.34	\$ 1,419,405.00	96%	\$ 63,995.00

Federal Assistance to Firefighters' Grant Funds - \$20,708

The Newton Fire Department secured a grant from the Homeland Security FY2020 Assistance to Firefighter Grant program to be used to purchase PPE and related supplies, such as respirators, eye protection, and coveralls for the protection of our Firefighters when responding to COVID-19 calls.

Commonwealth of Massachusetts Funding

MA Department of Public Health Grant - \$349,457

The Massachusetts Department of Public Health COVID-19 Emergency Grant covers additional compensation in the form of overtime, additional personnel resources, and the purchase of emergency supplies necessary to help the City of Newton Health & Human Services Department prepare for and respond to COVID-19.

MA Executive Office of Public Safety and Security – Coronavirus Emergency Supplemental Funding (CESF) Program: \$47,575

The Executive Office of Public Safety and Security offered one-time federal grant funding to address local public safety equipment, enforcement and programming needs. Newton Police Department received \$26,711, while the Newton Fire Department received \$20,864. Each department utilized these funds to purchase supplies and services to support the City during this pandemic.

MA – Secretary of the Commonwealth Grant: \$13,778

The Massachusetts Secretary of the Commonwealth awarded the City a grant in the amount of \$13,778 for the purpose of funding a portion of the additional postage expenses incurred during the November 2020 election resulting from the COVID-19 pandemic.

City of Newton Taxpayer Funded Accounts

City of Newton General Fund Non-Lapsing Appropriation - \$1,000,000

At the outset of the pandemic, the Mayor requested a General Fund Non-Lapsing Appropriation in the amount of \$1 million to enable the Administration to meet the urgent needs of our residents, employees, and businesses. Expenditures for Overtime for our First Responders, the City's Food Distribution Program, Personal Protective Equipment (PPE), plexiglass shields and partitions, and costs associated with workspace reconfigurations to address physical distancing have been charged to this account. It is our expectation that most, if not all, of the expenditures in this account will be reimbursed.

City of Newton Community Preservation Funds - \$3,200,000

Early in the pandemic, the Mayor requested \$2M in Community Preservation Funds which both the CPC and the City Council approved.

The Covid-19 Emergency Housing Relief Program was designed to provide short-term rental and mortgage payment assistance to Newton households who have been negatively impacted by the ongoing Covid-19 pandemic. The program pays up to 70% of a household's monthly rent or mortgage payments (up to \$2,500 per month, \$7,500 over three months) for households who are below 80% AMI. While the program is primarily focused on rental assistance, it may also provide mortgage assistance to households who own existing affordable deed-restricted units. The program is administered by Metro West Collaborative Development, which handles the application and initial review process, issues the checks to landlords monthly, and recertifies participants every three months.

While the program was initially created to provide 3 months of assistance, it quickly became clear that most households would need assistance for much longer. The program was extended several times, and in January 2021 a second request for another \$1.2 million was made to allow the program to extend through June 2021 and provide up to 12 months of assistance to households. The program was anticipated to stop accepting applications in June 2021 and to begin winding down at that time.

The initial \$2 million in CPA funding was approved for the program in FY20, along with \$500,000 in CDBG-CV (CARES Act) funding. The CDBG-CV funding was the first to be used for the program, so no CPA funding was released until August 2020. To date, the City has used \$2,727,018 of the \$3.2 million in CPA funding approved for this project which covers rental assistance through September 1, 2021. Final applications for the program were due June 30, 2020. The following is a summary of the program outcomes:

- A total of 253 households were assisted by the program since July 2020, including six households in deed-restricted affordable ownership units;
- Average monthly payments were \$1,100/household;
- 62% of participating households identified as a racial minority
- 82% of participating households had incomes below 65% AMI;
- 55% of participating households had incomes below 30% AMI.

Additional Funding Sources

U.S. Conference of Mayors – Assistance to Elections Officials - \$37,146

The U.S. Conference of Mayors, through its Youth Involvement Task Force, established a grant to help cover election administration costs related to COVID-19. The City Clerk's Office applied for this grant and received \$37,146.

Funds Administered by the Newton Public Schools (NPS)

Federal Funds

NPS CARES Act – Coronavirus Relief Fund School Re-Opening Grant - \$2,886,525

This program in the amount of \$225 per student is focused on providing schools and school districts with funding needed to deliver educational services and develop plans for the return to normal operations. Funds may be used for a wide variety of purposes, including, but not limited to staff; student services; food and transportation services; building services/temporary facilities; central costs; and other innovative efforts to support the safe reopening of schools.

Elementary and Secondary School Emergency Relief Fund (ESSER I) - \$745,725

The Elementary and Secondary School Emergency Relief Fund (ESSER I), authorized under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides school districts with emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools.

School districts must provide equitable services to students and teachers in non-public schools, as required under the CARES Act, so not all of these funds will go to NPS. The Newton Public School portion is expected to approximate \$683,985. These funds were set aside to purchase Chromebooks/technology to allow all Newton Public School students to participate in distance and remote learning programs.

Elementary and Secondary School Emergency Relief Fund (ESSER II) - \$1,508,665

The Elementary and Secondary School Emergency Relief Fund, (ESSER II), authorized under the Coronavirus Response and Relief Supplemental Appropriations (CRRSE) Act, 2021, enacted on December 27, 2020, provides school districts with further emergency relief funds to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools.

Elementary and Secondary School Emergency Relief Fund (ESSER III) - \$3,365,788

The American Rescue Plan Elementary and Secondary School Emergency Relief (ARPA ESSER III) Fund, under the American Rescue Plan (ARPA) Act of 2021, enacted on March 11, 2021 provides further funding to the Newton Public Schools of which at least 20% must be used to support students who have not made satisfactory progress over the past year and are currently below grade level. In addition, authorized uses include sanitation and PPE, school facility repairs, technology for online learning, student mental health services, and continuity of services.

State Grants to NPS

FY2021 State Coronavirus Prevention Fund Grant - \$421,400

In January 2021, the state legislature authorized funding to school districts for additional assistance to support coronavirus prevention efforts and to maintain and increase educational quality during the pandemic. Eligible uses for the funds include, but are not limited to, personal protective equipment, hygienic supplies, costs associated with socially distanced onsite learning, remote learning, or hybrid approaches as determined by the district.

Recipients can also use their funds for any expenses required to ensure that low-income and other vulnerable students receive assistance and support that provides them equal access to educational opportunities, including but not limited to, assistance overcoming technological hurdles to learning and access to social services, mental health, and behavioral health resources to address the potential trauma and other effects of the pandemic on students.

Remote Learning Technology Essentials Grant - \$67,050

The RLTE Funds provided by the Department of Elementary and Secondary Education (DESE) were used to purchase Chromebooks to enable students to participate in distance and remote learning.

Newton Schools Foundation - \$85,000

Funds provided by the Newton Schools Foundation were also used to purchase Chromebooks.

MUNICIPAL AND NEWTON PUBLIC SCHOOLS CORONAVIRUS PANDEMIC TOTAL GRANTS, REIMBURSEMENTS, AND OTHER REVENUES	
TOTAL MUNI GRANTS/REIMB/APPROP'S, ETC.	AMOUNT
FEDERAL FUNDS TO "CITY" ACCOUNTS	
American Rescue Plan Act of 2021	\$ 43,581,319
Coronavirus Aid, Relief, and Economic Security Act (CARES)	\$ 1,395,666
FEMA - Federal Emergency Mgmt Agency	\$ 1,008,254
Community Development Block Grant	\$ 1,743,641
Emergency Solutions Grant	\$ 1,483,400
Assistance to Firefighter's Grant	\$ 20,708
STATE FUNDS TO "CITY" ACCOUNTS	
Mass Department of Public Health	\$ 349,457
Mass Office of Public Safety & Security	\$ 47,575
Mass Secretary of the Commonwealth	\$ 13,778
TAXPAYER FUNDS TO "CITY" ACCOUNTS	
Community Preservation Act Funds	\$ 3,200,000
City Council Free Cash Appropriation	\$ 1,000,000
OTHER FUNDING SOURCES	
U.S. Conf of Mayors - Youth Involvement	\$ 37,146
TOTAL MUNI GRANTS/REIMB/APPROP'S, ETC.	\$ 53,880,944
TOTAL NPS GRANTS/REIMB/APPROP'S, ETC.	
FEDERAL FUNDS TO "NPS" ACCOUNTS	
American Rescue Plan Act of 2021	\$ 20,008,186
Coronavirus Aid, Relief, and Economic Security Act (CARES) - NPS portion of City allocation	\$ 6,442,796
NPS-specific CARES Act Funding - CvRF 102	\$ 2,886,525
ESSER 1 Funds	\$ 745,725
ESSER 2 Funds	\$ 1,508,665
ESSER 3 Funds	\$ 3,365,788
STATE FUNDS TO "NPS" ACCOUNTS	
DESE Coronavirus Prevention Fund Grant	\$ 421,400
State Remote Learning Technology Grant	\$ 67,086
Newton Schools Foundation Tech Grant	\$ 85,000
TOTAL NPS GRANTS/REIMB/APPROP'S, ETC.	\$ 35,531,171
TOTAL NEWTON GRANTS/REIMB/APPROP'S, ETC.	\$ 89,412,115

APPENDIX II
City of Newton Finance and Budgeting Background Information

City of Newton Annual General Fund Revenue Forecast
 FY2020 - FY2024 Actual/FY2025 Budget/FY2026 - FY2030 Forecast

	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL	2024 ACTUAL	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST
TOTAL REVENUE	\$ 352,802,258	\$ 373,732,886	\$ 385,483,559	\$ 401,923,282	\$ 419,481,306	\$ 433,323,914	\$ 450,273,106	\$ 467,463,105	\$ 485,192,885	\$ 503,596,398	\$ 522,699,243
PROPERTY TAXES W/O DEBT EXCL, DEFERD/ACCR'D, EXTRAORD PMTS	\$ 352,802,258	\$ 373,732,886	\$ 385,483,559	\$ 401,923,282	\$ 419,481,306	\$ 433,323,914	\$ 450,273,106	\$ 467,463,105	\$ 485,192,885	\$ 503,596,398	\$ 522,699,243
% ANNUAL INCREASE	3.18%	5.93%	3.14%	4.26%	4.37%	3.30%	3.91%	3.82%	3.79%	3.79%	3.79%
MOTOR VEHICLE EXCISE TAX	\$ 13,139,308	\$ 13,526,885	\$ 13,904,618	\$ 13,987,098	\$ 15,651,120	\$ 13,750,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
% ANNUAL INCREASE	-5.19%	2.95%	2.79%	0.59%	11.90%	-12.15%	9.09%	0.00%	0.00%	0.00%	0.00%
SALES TAXES: ROOMS, MEALS & CANNABIS	\$ 4,267,219	\$ 2,029,882	\$ 3,671,505	\$ 5,014,960	\$ 5,559,232	\$ 5,300,000	\$ 5,500,000	\$ 5,506,500	\$ 5,513,065	\$ 5,519,696	\$ 5,526,393
% ANNUAL INCREASE	-3.84%	-52.43%	80.87%	36.59%	10.85%	-4.66%	3.77%	0.12%	0.12%	0.12%	0.12%
ISD BUILDING/MECHANICAL PERMITS	\$ 10,860,897	\$ 7,498,230	\$ 11,662,686	\$ 11,984,004	\$ 11,948,158	\$ 9,180,000	\$ 10,180,000	\$ 10,905,000	\$ 10,905,000	\$ 10,905,000	\$ 10,905,000
% ANNUAL INCREASE	3.18%	-30.96%	55.54%	2.76%	-0.30%	-23.17%	10.89%	7.12%	0.00%	0.00%	0.00%
OTHER PERMITS, FEES, AND REVENUES	\$ 5,845,854	\$ 6,036,952	\$ 7,974,814	\$ 7,870,973	\$ 6,403,514	\$ 4,654,671	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171	\$ 4,610,171
% ANNUAL INCREASE	-5.30%	3.27%	32.10%	-1.30%	-18.64%	-27.31%	-0.96%	0.00%	0.00%	0.00%	0.00%
STATE REVENUE/CHERRY SHEET	\$ 31,250,688	\$ 31,457,905	\$ 32,931,577	\$ 33,744,594	\$ 35,132,269	\$ 35,328,895	\$ 36,940,379	\$ 37,835,139	\$ 38,777,892	\$ 39,744,215	\$ 40,734,695
% ANNUAL INCREASE	3.15%	0.66%	4.68%	2.47%	4.11%	0.56%	4.56%	2.42%	2.49%	2.49%	2.48%
INTEREST INCOME FROM INVESTMENTS	\$ 2,106,940	\$ 288,974	\$ 771,959	\$ 9,513,879	\$ 14,122,011	\$ 6,700,771	\$ 7,000,000	\$ 6,500,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
% ANNUAL INCREASE	-28.33%	-86.28%	167.14%	1132.43%	48.44%	-52.55%	4.47%	-7.14%	-7.69%	0.00%	0.00%
TOTAL PARKING METER RECEIPTS	\$ 1,061,016	\$ 199,437	\$ 844,382	\$ 1,132,875	\$ 1,203,756	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000	\$ 1,080,000
% ANNUAL INCREASE	-31.55%	-81.30%	323.38%	34.17%	6.26%	-10.28%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL PARKING VIOLATIONS	\$ 1,068,152	\$ 176,338	\$ 630,983	\$ 1,049,776	\$ 1,051,762	\$ 1,000,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000	\$ 1,050,000
% ANNUAL INCREASE	-18.03%	-83.49%	257.85%	66.37%	0.19%	-4.92%	5.00%	0.00%	0.00%	0.00%	0.00%
SUBTOTAL OPERATING REVENUES	\$ 422,402,332	\$ 434,947,490	\$ 457,876,083	\$ 486,221,440	\$ 510,553,128	\$ 510,318,251	\$ 531,633,656	\$ 549,949,915	\$ 568,129,014	\$ 587,505,479	\$ 607,605,502
% ANNUAL INCREASE	2.26%	2.97%	5.27%	6.19%	5.00%	-0.48%	4.18%	3.45%	3.31%	3.41%	3.42%
TOTAL TAX DEFERRALS/ACCRUALS	\$ 3,064,429	\$ 3,330,692	\$ 3,610,159	\$ 2,771,945	\$ 3,138,757	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ARPA - AMERICAN RESCUE PLAN ACT	\$ -	\$ -	\$ 4,603,645	\$ 3,000,000	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL INTERFUND TRANSFERS	\$ 6,077,926	\$ 5,585,153	\$ 7,433,323	\$ 5,755,705	\$ 7,508,765	\$ 7,331,007	\$ 5,850,305	\$ 6,052,181	\$ 6,261,930	\$ 6,479,859	\$ 6,706,288
TOTAL EXTRAORDINARY PAYMENTS	\$ 449,449	\$ 160,507	\$ 14,646,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUES W/DEFERRALS/ACCRUALS & INTERFUND TRANSFERS	\$ 431,994,136	\$ 444,023,841	\$ 488,169,511	\$ 497,749,090	\$ 523,200,650	\$ 517,649,258	\$ 537,483,961	\$ 556,002,096	\$ 574,390,944	\$ 593,985,338	\$ 614,311,789
% ANNUAL INCREASE	2.54%	2.78%	9.94%	1.96%	5.11%	3.83%	3.45%	3.31%	3.41%	3.41%	3.42%
2013 DEBT EXCLUSION	\$ 3,336,395	\$ 3,139,763	\$ 3,129,345	\$ 3,225,358	\$ 3,118,903	\$ 3,199,319	\$ 3,099,728	\$ 3,094,103	\$ 3,079,253	\$ 3,067,328	\$ 3,057,901
2023 DEBT EXCLUSION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 470,888	\$ 1,571,320	\$ 3,569,320	\$ 5,993,320	\$ 7,073,320	\$ 6,813,320
REVENUES INCL'G DEBT EXCLUSIONS	\$ 435,330,531	\$ 447,163,604	\$ 491,298,856	\$ 500,974,448	\$ 526,319,553	\$ 521,319,465	\$ 542,155,010	\$ 562,665,519	\$ 583,463,517	\$ 604,125,986	\$ 624,183,011
% ANNUAL INCREASE	2.60%	2.72%	9.87%	1.97%	5.06%	4.00%	3.78%	3.70%	3.54%	3.54%	3.32%
NPS EDUCATIONAL STABILIZATION FUND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,100,000	\$ 5,100,000	\$ 6,100,000	\$ 4,100,000	\$ 4,108,299	\$ 3,215,378
TOTAL REVENUE	\$ 435,330,531	\$ 447,163,604	\$ 491,298,856	\$ 500,974,448	\$ 526,319,553	\$ 525,419,465	\$ 547,255,010	\$ 568,765,519	\$ 587,563,517	\$ 608,234,285	\$ 627,998,389
% ANNUAL INCREASE	2.60%	2.72%	9.87%	1.97%	5.06%	4.16%	3.93%	3.31%	3.52%	3.52%	3.15%

City of Newton Annual General Fund Expenditure Forecast
 FY2020 - FY2024 Actual/FY2025 Budget/FY2026 - FY2030 Forecast

	2020 ACTUAL	2021 ACTUAL	2022 ACTUAL	2023 ACTUAL	2024 ACTUAL	2025 BUDGET	2026 FCST	2027 FCST	2028 FCST	2029 FCST	2030 FCST
TOTAL REVENUE	\$ 435,330,531	\$ 447,163,604	\$ 491,298,856	\$ 500,974,448	\$ 526,319,553	\$ 525,419,465	\$ 547,255,010	\$ 568,765,519	\$ 587,563,517	\$ 608,234,285	\$ 627,398,389
% ANNUAL INCREASE	2.60%	2.72%	9.87%	1.97%	5.06%	4.16%	3.93%	3.31%	3.11%	3.52%	3.15%
CURRENT PROJECTED EXPENSES											
NEWTON PUBLIC SCHOOLS	\$ 236,372,312	\$ 243,145,343	\$ 253,207,930	\$ 262,070,208	\$ 268,655,413	\$ 268,655,412	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467
NPS 3.5% ANNUAL INCREASE	\$ 236,372,312	\$ 243,145,343	\$ 253,207,930	\$ 262,070,208	\$ 268,655,413	\$ 278,058,351	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467
CITY PROVIDED FUNDING FOR 2 COVID POSITIONS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,000	\$ -	\$ -	\$ -	\$ -	\$ -
ADDITIONAL 0.1% INCREASE - FY25	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,655	\$ -	\$ -	\$ -	\$ -	\$ -
PURPOSE PENSION APPROPRIATION	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NPS ALLOCATION	\$ 236,372,312	\$ 243,145,343	\$ 253,207,930	\$ 262,070,208	\$ 268,655,413	\$ 278,547,007	\$ 288,296,153	\$ 298,386,519	\$ 308,830,047	\$ 319,639,098	\$ 330,826,467
NPS EDUCATIONAL STAB FUND	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,100,000	\$ 5,100,000	\$ 6,100,000	\$ 4,100,000	\$ 4,108,299	\$ 3,215,378
PROJECTED NPS AVAILABLE FUNDS W/NPS STAB FUNDS	\$ 236,372,312	\$ 243,145,343	\$ 253,207,930	\$ 262,070,208	\$ 268,655,413	\$ 282,647,007	\$ 293,396,153	\$ 304,486,519	\$ 312,930,047	\$ 323,747,397	\$ 334,041,845
% ANNUAL INCREASE	2.87%	2.87%	4.14%	3.50%	2.51%	3.21%	3.80%	3.78%	2.77%	3.48%	3.18%
MUNICIPAL EXPENDITURES	\$ 122,861,437	\$ 123,190,271	\$ 135,485,369	\$ 138,317,333	\$ 150,899,810	\$ 157,643,905	\$ 163,053,357	\$ 168,760,224	\$ 174,666,832	\$ 180,780,171	\$ 187,107,477
% ANNUAL INCREASE	8.38%	0.27%	9.88%	2.09%	9.10%	4.47%	3.50%	3.50%	3.50%	3.50%	3.50%
DEBT SERVICE	\$ 24,456,169	\$ 25,117,481	\$ 24,599,140	\$ 24,936,069	\$ 25,264,715	\$ 24,390,474	\$ 23,494,211	\$ 22,242,740	\$ 21,358,657	\$ 20,060,348	\$ 19,287,004
DEBT MATURITIES - CURRENTLY OWED	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
INTEREST ON DEBT - CURRENTLY OWED	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL DEBT - CURRENTLY OWED	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% ANNUAL INCREASE	1.76%	2.70%	-2.06%	1.37%	1.32%	-3.48%	-3.67%	-3.33%	-3.97%	-6.08%	-3.86%
<i>Forecasted Projects Totals</i>											
<i>Debt Exclusion Totals</i>											
DEBT SERVICE - TOTALS	\$ 24,456,169	\$ 25,117,481	\$ 24,599,140	\$ 24,936,069	\$ 25,264,715	\$ 26,457,703	\$ 29,535,531	\$ 32,106,060	\$ 34,065,977	\$ 34,267,668	\$ 33,877,524
% ANNUAL INCREASE	1.76%	2.70%	-2.06%	1.37%	1.32%	4.72%	11.63%	8.70%	6.10%	0.59%	-1.14%
PENSIONS & RETIREE HEALTH INSURANCE	\$ 41,058,809	\$ 42,916,424	\$ 47,772,419	\$ 52,020,527	\$ 58,182,289	\$ 58,670,850	\$ 62,367,114	\$ 66,296,242	\$ 70,472,905	\$ 74,912,698	\$ 79,632,198
% ANNUAL INCREASE	4.18%	4.52%	11.32%	8.89%	11.04%	0.84%	6.30%	6.30%	6.30%	6.30%	6.30%
TOTAL PROJECTED EXPENDITURE BUDGETS	\$ 424,748,727	\$ 434,369,519	\$ 461,064,858	\$ 477,344,137	\$ 503,002,227	\$ 525,419,465	\$ 548,352,155	\$ 571,649,045	\$ 592,135,761	\$ 613,707,935	\$ 634,659,044
% ANNUAL INCREASE	2.27%	2.27%	6.13%	3.53%	5.39%	4.39%	4.23%	3.58%	3.58%	3.64%	3.41%
VARIANCE +/-	\$ 10,581,804	\$ 12,794,085	\$ 30,233,998	\$ 23,630,311	\$ 23,317,326	\$ 0	\$ (1,097,145)	\$ (2,883,526)	\$ (4,572,244)	\$ (5,473,649)	\$ (7,260,655)
GAP AS % OF REVENUE							-0.20%	-0.51%	-0.78%	-0.90%	-1.16%

APPENDIX III
Financial Management Guidelines

CITY OF NEWTON FINANCIAL MANAGEMENT GUIDELINES

Financial Principles

On April 20, 2011 the Honorable City Council adopted a revised set of Financial Management Guidelines. There are several guiding principles that are incorporated into these guidelines which have been included as an integral part of this plan. These guidelines include the following:

Long Range Financial Planning: The City will follow financial planning processes that assess the long-term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, and programs.

Revenue Budgeting: General Fund revenue budgets are expected to capture 99% of total expected revenue for the year.

Expenditure Budgeting: Expenditure budget estimates will strive to be sufficient to address not less than 100% of projected operating requirements of the various departments of the City for the next fiscal year. It is anticipated that this guideline will continue to take several years to fully implement.

Debt Management Policy: 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 (taxable value of the real estate tax base). The City's current (October 2018) equalized valuation is approximately \$29 billion, which means that the current statutory debt limit is approximately \$1.4 billion. In addition to the statutory debt limit, the City of Newton has a self-imposed policy of limiting debt service on long term bonded debt to between 4.0% and 7.5% of the annual General Fund budget.

Free Cash: Free Cash represents the accumulated difference of unrestricted funds between General Fund revenues and expenditures, on a cash basis of accounting. The City expects to generate a limited amount of Free Cash which 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.

Utilization of Free Cash: It is the intent of the City to use Free Cash in the following manner, understanding that this will take a number of years to implement fully. First, a maximum of \$1.5 million will be used as a general revenue source for the ensuing year's operating budget. Second, Free Cash may be used to replenish Reserve Funds depleted in the previous year. Third, a minimum of forty percent (40%) of the remaining certified Free Cash will be put in the Rainy Day Stabilization Fund until the Rainy Day Stabilization Fund reaches its target level. Fourth, any additional Free Cash will be used for one-time, non-recurring expenditures.

Inclement Weather Stabilization Reserve: The Administration has established an Inclement Weather Stabilization Reserve Fund which will be used for unusual (but not extraordinary) weather related costs in departments such as Public Works, Parks and Recreation, Police and Fire. For example, such costs may stem from floods, an unusual number of winter storms, or an unusual level of snow or ice. The goal of this reserve fund is to make sure monies are set aside for unusual weather conditions.

Rainy Day Stabilization Reserve: The Rainy Day Stabilization Fund will be used when the City faces a multiple year economic recession or a rare, catastrophic expenditure. These funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the control of the City, or an unusually large expenditure resulting from a rare legal settlement or catastrophic weather event. The primary reason for the segregation of such monies is to prevent these reserves from being used for unrelated City needs, and to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need.

APPENDIX IV
Debt Management Guidelines

CITY OF NEWTON

DEBT MANAGEMENT POLICY

November 28, 2016

The City of Newton uses a variety of capital assets for the purpose of providing community services. The assets consist of land, public buildings, recreation facilities, community infrastructure (road networks, storm and sanitary sewer networks, and water distribution networks) and major pieces of equipment.

The annual Capital Improvement Program (Section 5-3) of the City Charter is used to prioritize capital asset acquisition and improvement plans for the ensuing five (5) year period. The Capital Improvement Program represents the City's plan for meeting capital needs. Individual project funding appropriations and funding orders recommended by the Mayor and approved by the Council are required to execute the capital plan.

Since Newton residents, businesses, visitors and taxpayers benefit from capital assets over a period of years, long-term debt financing is the City's primary -- but not exclusive-- means of funding capital assets and improvements. In addition, as the community benefits from capital assets over a long period of time, the term of the debt generally coincides with the projected useful life of the asset.

All bond authorizations and related capital asset and improvement appropriations originate with a recommendation of the Mayor and require a two-thirds vote of approval by the City Council. Since bond authorizations and related capital appropriations are subject to the referendum provision of the City Charter (Section 10), no such authorization or appropriation is available for obligation until 20 days has passed from the Mayor's signature of the City Council vote on the matter. All authorized and unissued long-term debt and issued long term debt is accounted for on the City's general ledger in one of four General Long Term Debt Account Groups. The first group is for debt being repaid from general revenues of the City and the other three are for Stormwater, Sanitary Sewer, and Water debt that is expected to be repaid from the dedicated revenues from the individual enterprise funds.

Debt limits: 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 taxable value of the real estate tax base). As of October 2016, the City's current equalized valuation is approximately \$26 billion, which means that the current statutory debt limit is approximately \$1.3 billion.⁸ In addition to the statutory debt limit, the City of Newton has a self-imposed policy of limiting debt service on long term bonded debt to between 4% and 7.5% of the annual General Fund budget.⁹ Massachusetts General Law Chapter 44, Sections 7 and 8 identify both the purposes for which the City is authorized to fund with long term debt and the maximum term for which debt can be issued. Although all debt issued by the City is general obligation debt (meaning that the full faith and credit of the City has been pledged to support full and timely repayment of all long-term debt obligations), debt service on bonded debt that is related to public services that are financed principally from dedicated revenues (water and sewer utilities and community preservation activities) is funded from the dedicated revenue sources and not from general revenues of the City.

Debt structuring: Insofar as the municipal finance laws of the Commonwealth of Massachusetts allow, the City makes every effort to issue debt for a term that approximates the projected useful life of the capital asset or improvement. All bonded debt of the City is issued at fixed rates of interest, based upon open and competitive sales. Although bond maturity schedules are generally issued so as to have an equal amount of debt retired each year, the City may structure maturity schedules such that the result is equal annual debt service, if this is determined to be in the best interests of the City.

Debt issuance: In order to assist the City in the efficient and effective planning for new debt issuance and refunding of outstanding debt, the City utilizes the services of an independent professional investment advisor and

⁸ As of November 2016, the City has \$334 million of debt.

⁹ As of November 2016, the total debt represents 5.7% of the annual general fund budget.

an attorney with expertise in tax-exempt bond law. Both are compensated on a fee for services basis.

In order to fund necessary capital projects as expenditures are being incurred, the City expects to sell long term debt on an annual basis. The timing of annual bond sales is expected to occur following the issuance of the audited Comprehensive Annual Financial Report for the prior fiscal year (typically by December 31st) and at a date that the City's independent financial advisor determines is likely to generate the most favorable financial terms for the City.

A financial goal of the City of Newton is to continue to have the highest credit rating available in order to borrow new money and to refinance existing debt at the lowest interest rates.

Although the City has historically utilized the services of a single credit rating agency for purposes of reporting on the creditworthiness of the City bonded debt, a second credit rating was sought in 2016. Multiple ratings will continue to be acquired if it is determined to be in the best interests of the City by the independent financial advisor and the City's senior financial management team.

All bond sales of the City are to be done through an open and competitive process, with the award being made to the financial institution offering the lowest net interest cost to the City over the term of the debt (including any premium offering).

The City will annually look for potential savings in the cost of debt by amazing the benefits of refunding opportunities.

Debt management practices: In addition to accounting for each debt authorization and debt issuance, the Comptroller of the City is responsible for maintaining a separate accounting of bond proceed sources and uses by individual capital project and improvement within one of several capital project funds on the City's general ledger. The department head to whom a debt financed capital project has been voted has primary responsibility for authorizing expenditures for those purposes specifically approved in the bond authorization and appropriation recommended by the Mayor and approved by the Council. The Comptroller is authorized to deny any proposed expenditure that he or she determines is outside the project scope and/or the term of the debt that has been issued for the project exceeds the projected useful life of the capital asset.

Premiums earned on the sale of long-term debt are generally general revenues of the City. However, premiums earned on projects that have been approved by the voters of the City for a Proposition 2 ½ debt exclusion are reserved on the general ledger for appropriation by the Mayor and Council for purposes of reducing the total amount of debt that will be issued for the debt excluded project.

In order to demonstrate compliance with federal requirements for the timely disbursement of bond proceeds, all cash proceeds from the sale of bonds are deposited in a separate money market account maintained by the Treasurer. Based upon the Comptroller's quarterly reports of debt financed project disbursements, the Treasurer reimburses general cash for the prior quarter's disbursements. The Comptroller maintains detailed records of debt financed capital project expenditures for arbitrage monitoring purposes.

The City's CFO, Treasurer, and Comptroller are responsible for monitoring the proposed and actual use of the assets funded by tax exempt bond proceeds for any potential "private activity uses" and for promptly notifying bond counsel of any potential issues for his or her review and final advice. In order to provide investors and credit rating agencies with current information on the financial position and operating results of the City, every effort is made to issue the Budgetary Basis Annual Financial Report by September 1 of each year and the audited Comprehensive Annual Financial Report by December 31 of each year and to make all other required disclosures on a timely and accurate basis. Interim monthly and quarterly financial reports are also posted on the Comptroller's page of the City web site.

Pursuant to the Massachusetts municipal finance law, any balance that remains in a debt financed capital project, after the project has been completed, is available for re-appropriation by the Mayor and Council for another project for which the City could have borrowed for a term equal or greater than the original purpose.