

Monday, Oct. 7, 2024

Mayor's Newton Update



This evening Chief Financial Officer Maureen Lemieux and I presented to the City Council the Long-Range Financial Plan & Five-Year Financial Forecast FY2026-FY2030.

I began with the following remarks. Following my remarks is the Executive Summary from the Long-Range Financial Plan and Five-Year Financial Forecast.

Good evening,

It's a difficult time in the world. Today is the one-year anniversary of a brutal attack on civilians in Israel with hostages seized and a time with two active war zones overseas. People worldwide are grieving the widespread suffering, grasping for hope, and praying for peace. At home, we have a neck and neck race in the Presidential election, feeding our sense of economic uncertainty. The rates of unemployment, inflation, wage growth and housing production dominate the headlines. Another powerful hurricane is bearing down on Florida.

Here in Newton, we can feel a sense of reassurance in our financial future as this Long-Range Financial Plan and Five-Year Financial Forecast shows the financial health of the City of Newton is strong and stable with steady and predictable growth projected. We have every reason to expect that the City of Newton will continue to receive the highest rating possible, a triple Aaa, from Moody's.

What are the key principles of the financial strategy that Maureen Lemieux, our experienced and wise Chief Financial Officer, and I have crafted?

- We are careful with every tax dollar and conservative with permanent, ongoing expenditures because we face so many unknowns and changing conditions. Being careful and conservative allowed us to be nimble and flexible when we faced the financial calamity of the pandemic in the recent past, and will allow us to be so again if we face something like a devastating hurricane or a deep recession in the future.
- We balance intentionally the day-to-day needs of our residents, students and business community with our significant long-term costs for debt service and retiree benefits. We plan a decade ahead so we don't create a financial cliff. We reinvest in our capital infrastructure and manage our bonding schedule while systematically pulling down the close to \$1 billion dollars of retiree liabilities that we faced when I first took my oath of office

as Mayor. Importantly, with consistent investments, we have turned a corner with our pension plan and will have it fully funded in 7 short years.

- We keep feathering in responsibly and responsively more funding for areas that need investment. This ranges from roads and sidewalks to traffic calming and bicycle infrastructure to athletic fields and snow and tree operations. It includes funding for multiple school buildings and a center for older adults, plus two brand new outdoor pools and a splash pad. We are consciously running a financial marathon, not a sprint. With this Plan, we continue to increase the budget for the Newton Public Schools every year going forward in close approximation to or slightly more than the growth in City revenues. I have increased the NPS budget every year I have been Mayor; our Financial Plan continues this important commitment.
- We carefully invest one time funding into our one time needs; we avoid the temptation of putting these monies into ongoing operations which too often leads to layoffs and service cuts when the one-time funding sources dry up. We have also found opportunities to transform a portion of our one-time funding into ongoing savings by repurposing them to lower our debt service payments on large projects. Further, we have established an ongoing Education Stabilization Fund of more than \$20 million dollars from legal settlements of property tax abatement cases to support the Newton Public Schools. This financial strategy for one-time funds has guided our actions with the American Rescue Plan Act (a.k.a., ARPA) funds as well as with Free Cash.
- We intentionally match the growth in our personnel costs with the growth in the City of Newton revenues. Our employees are the reason we have great schools and great City services. Not surprisingly, personnel costs are also by far our largest expenditure category. We never want to lay off employees by signing a contract we cannot afford.

We will continue to double down on excellence in schools and services and we will continue to deliver on these goals if we continue to follow these financial principles.

We hear regularly from City Councilors, School Committee members and residents about literally scores of initiatives that would be great for Newton. We would love to do them all. But we must continue to be careful about the scale of investments and the pace with which they are implemented so we do not compromise the fiscal health and financial sustainability of our City.

I meant it when I said in 2018 that our City's greatest strength is our community. We have carefully built and nurtured this good city and the relationships between us. We have proudly invested heavily in the education of our children. We have wonderful parks and sports and recreation activities, a library which is arguably the best in the Commonwealth, and a multitude of arts, culture, faith, environmental, conservation, school, neighborhood and village groups.

Drawing on the strength of our community is essential. As we observe a national scene where civil discourse is frayed, the strength of our community here in

Newton and the relationships between us become paramount. Join Superintendent Anna Nolin, the City Councilors and I by signing up for training sessions that foster and strengthen our ability to engage in respectful and meaningful public dialogue.

Executive Summary of the Long-Range Financial Plan & Five-Year Financial Forecast FY2026-FY2030. (Click [here](#) to read the complete Long-Range Financial Plan & Five-Year Financial Forecast FY2026-FY2030.)

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.

Mayor Ruthanne Fuller and Chief Financial Officer Maureen Lemieux



Mayor Ruthanne Fuller | 1000 Commonwealth Avenue | Newton, MA 02459 US

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