

**CITY OF NEWTON**  
**IN BOARD OF ALDERMEN**  
**LONG RANGE PLANNING COMMITTEE REPORT**

Wednesday, September 27, 2006

Present: Ald. Vance (Chairman), Ald. Danberg, Baker, Hess-Mahan, Johnson, Lennon, Parker and Sangiolo.

Also present: Ald. Linsky, Burg, Mansfield and Weisbuch

City personnel present: City Clerk David Olson, Chief Administrative Officer Sandy Pooler, Comptroller David Wilkinson, Chief Budget Officer Susan Burstein and Deputy Commissioner of Parks and Recreation Robert DeRubeis.

The meeting was called to order at 7:45 p.m. by Chairman Vance, who announced that the first item for discussion was a presentation of the General Fund Multi-Year Operating Budget Forecast by Chief Administrative Officer Sandy Pooler, assisted by Comptroller Wilkinson and former Acting Chief Budget Officer DeRubeis. Chief Budget Officer Burstein, who began in her position on September 18<sup>th</sup> was in attendance.

Mr. Pooler began the presentation of the multi-year budget forecast, which covered fiscal years 2008 through 2012 and included actual revenues and expenditures for fiscal years 2002 through 2007, with an explanation of how the City of Newton has historically managed its annual operating budget on a year to year basis. The City Charter and the municipal finance laws of the Commonwealth require that the Mayor annually submit a recommended twelve-month operating budget to the Board of Aldermen. Within forty-five days of its receipt, the Board of Aldermen must accept, reject or decrease this budget. The Board may not increase the budget.

Mr. Pooler explained that the budget is adopted by approval of an annual appropriation order, specifying authorizations for departmental expenditures. School appropriations are adopted at a single bottom line level for the school system. Municipal budget appropriations are voted by department with a single total for the following: Salaries and wages, expenses, debt service and capital outlay, fringe benefits and intergovernmental charges. Any transfers between budget appropriation units after the budget is adopted require approval of both the Mayor and the Board of Aldermen.

Mr. Pooler stated that the decision was made early in 2006 to transition from a yearly budget planning process to one that projects a number of years into the future. In the spring of 2006, a preliminary multi-year budget forecast was developed through a coordinated effort among the Mayor's office, the Board of Aldermen, the School Committee and the Comptroller's Office, which will serve as a basis for the FY08 budget planning process.

Mr. Pooler explained that this budget forecast model includes historical operating budget revenue and expenditure information for the previous five fiscal years (2002 through 2006 and the current fiscal year (2007), and a forecast of available revenues and expenditures needed to maintain current levels of service through the year 2012.

Mr. Pooler laid out forecast assumptions, which he characterized as the driving forces of any budget forecast. He said that the report presents fourteen major revenue categories, which are itemized below. Forecasted revenue is based on separate formulas for each category or sub-category.

### **Sources of Revenue**

The main revenue categories are: statutory formulas (such as Proposition 2 ½); an average annual percentage increase derived by applying average annual past increases to future years; level revenue estimates for items unlikely to change; an average of actual revenue for those categories that show no clear pattern of change; and other estimates based on the best estimate of the Executive, in consultation with the Comptroller and the Assistant School Superintendent for Business and Finance.

The fourteen major revenue categories in the forecast are as follows:

Property Taxes: Total levy can increase by 2.5% per year, plus the amount of new growth, assumed to be \$2million per year.

Motor Vehicle Excise Tax: Assumed to increase by the average annual increase over the past five years, or 1% per year.

Interest and Penalties on Taxes: Assumed to increase by the average annual increase over the past five years, or 1%.

Payment in Lieu of Taxes: Assumed to stay level over the next five years.

Hotel/Motel Tax: Assumed to increase by 1% annually.

Charges for Services: I.e., School tuitions, recreation facilities use, and all other fees and charges, assumed to increase annually by 5%, 3% and 4%, respectively. Rental income is assumed to remain constant at the average of the past five years.

Fines and Forfeitures: Assumed to remain constant at the previous five year average, since any change would require a change in local ordinance or state law.

Licenses and Permits: Assumed to remain constant at the average of the previous five years.

Investment Income: Assumed to remain level with actual FY06 revenue; dependent on potential changes in interest rates.

Special Assessments: Assumed to equal the average of such assessments over the previous five years.

Miscellaneous Local Revenue: Assumed to remain constant at the average of the previous five years.

State Cherry Sheet Aid: Assumed to increase by \$2Million per year, primarily from Chapter 70 Aid and/or increases in Lottery distributions.

Other State and Federal Aid: Assumed to remain constant at FY07 levels, except state reimbursement for non-contributory COLA reimbursements, which will decrease by 5% per year.

Transfers from Other Funds: Assumed to remain constant at FY07 levels, except that the transfers from the Water and Sewer Funds will increase by 3% each year.

### **Sources of Financing**

Mr. Pooler pointed out that financing sources of the General Fund Operating Budget grew by \$43.2 million between 2002 and 2006; an average of \$8.6 million per year.

While property taxes, the single largest source of operating budget financing, grew from \$161.2 million to \$200.2 million (representing a growth from 77.6% to 79.8% of total revenue) intergovernmental revenue (general purpose state and federal assistance) over the same period fell by \$2 million, from \$22.1 to \$20.1 million. This represented a decline from 10.6% to 8% of total revenue.

Hotel room and motor vehicle excise taxes and interest and penalties on delinquent taxes increased by almost \$1 million over the past five years, but declined by .3% as a percentage of total revenue. Other non-tax sources of revenue, including investment income, charges for services, licenses and permits and fines, increased by \$5.4 million over the same five-year period.

### **Expenditures**

Mr. Pooler reminded the committee that this forecast does not include increases for future collective bargaining increases. Each one percent increase in salaries would increase annual operating costs by approximately \$1.5 million.

He pointed out that employee health insurance, the largest benefit category, is expected to continue its double digit increase, and predicted that increase to average 11% per year. This number, he stated, is consistent with the pattern of health insurance cost increases over the past ten years. Other employee-related costs, including workers' compensation insurance, life insurance, Medicare payroll tax deductions and Medicare part B reimbursement to retirees are expected to continue to increase by the average annual increase over the past five years. All other benefit costs, he stated, are expected to remain constant.

Mr. Pooler explained that the pension contribution forecast includes a combination of the City's annual actuarially required contribution to defined benefit pension plans and the annual 'pay as you go' funding of retirement benefits for non-contributory retirees (such as veterans of World War II with pre-1932 service to the City).

The 2008 forecast represents the true actuarially required contribution to the City's pension plan. The annual increase for the years 2009 through 2012 the annual pension contribution is projected at 5% per year and non-contributory 'pay as you go' benefits are projected to decline by approximately \$30,000 per year.

Mr. Pooler has projected the following other annual increases in costs: Refuse collection and disposal at 3.5% annually; out of district tuitions at 8%; school transportation at 10%; energy and utilities at 5%; services and supplies at 2%. Appropriations for capital outlay will remain constant at FY2007 levels. Budget reserve is projected at 1% of projected revenue.

Projected debt service payments are based on the Mayor's long-term capital financing plan previously presented to the Board of Aldermen and are projected at slightly less than 3% of total revenue. Transfer to Capital Fund consists of state School Building Assistance Program payments from previously completed projects, plus, starting in 2008, \$500,000 of new growth revenue, increased by \$250,000 each year thereafter. It is assumed that the City will budget 99% of revenue and reserve 1% for the creation of Free Cash.

Mr. Pooler explained that operating budget expenditures increased by \$37.5 million, an average of \$7.5 million per year between 2002 and 2006, while employee compensation showed an increase of \$30.4 million. The portion of total compensation devoted to salaries and wages increased by 11.5% as compared to the 50.7% increase in the amount devoted to employee benefit and pension contributions.

During the same period, energy and utility expense increased by \$3.9Million (78%). He noted that 59% of the increase occurred during fiscal 2006.

Debt services expenditures, while remaining at approximately 3% of total operating expenditures, increased by nearly \$1million to \$7.2 million. Capital outlay expenditures declined during this period from \$1.9 million to \$1.1 million per year.

In summary, total forecast sources of revenue in FY2008 are \$267 million and are projected in 2012 to be \$299 million. Total uses of revenue in FY2008 are projected at \$271 million and are projected in 2012 to be \$310 million, showing a shortfall of slightly less than \$11 million, before collective bargaining is figured in, for that year.

Alderman Vance then opened discussion on the status of the Board of Aldermen's self-study.

The committee in general agreed with the wording of the proposed survey, with some suggestions for change as follows:

1.1 The Board of Aldermen serves as the legislative branch of Newton's government. In that capacity, it has enacted laws regulating such matters as smoking in public places, removal of trees, demolition of buildings, light pollution and dogs in public places.

The reason for change is that the present language "laws to protect the quality of life of Newton residents" is normative rather than neutral. The survey should strive to be phrased in neutral terms.

1.2 As Newton's legislative branch, the Board of Aldermen is also responsible for enacting laws to regulate parking and traffic, such as parking prohibitions, limits on hours of permitted parking and placement of stop signs and other traffic control devices.

1.3 The Board of Aldermen also establishes land-use policy in Newton through enactment of the City's zoning and other land-use ordinances and through serving as the City's authority for acting on requests for special permits under provisions of the zoning ordinance that allow certain uses of property in particular areas only if such uses serve the public interest and are not detrimental to the surrounding neighborhood.

1.4 Another responsibility of the Board is to act on requests by the Mayor for appropriations of funds, such as the annual City budget, and issuance of debt, to provide for the operating and capital needs of the City. While the Mayor must initiate all spending requests, The Board of Aldermen has the authority to approve, to reject, or to cut the Mayor's requests. The Board also has the authority to act on recommendations by the citizens' Community Preservation Committee for expenditure of funds raised under the Community Preservation Act for open space, historic preservation, community housing and/or recreation by approving, rejecting or cutting such recommended expenditures.

The reason for change is that the inclusion of the reference to certain resolutions from this year's budget debate is confusing in that it suggests that the Board has a power that it does not have. It carries the possible suggestion that the Board effected a change in the budget that it did not in fact achieve.

1.5 The Board is also responsible for acting on tax rates, non-school user fees such as water/sewer use fees and fines for violation of such ordinances as parking and traffic ordinances.

The reason for change is to try to make this language more neutral. The references to the new storm drain fee and taxing commercial properties at a higher rate than residential properties could put a kind of "spin" on the question.

Alderman Vance expressed concern about section 2 on priorities of the Board. He felt that the way this section is set up suggests that the Board's duties discussed in section 1

are non or lesser priorities. Alderman Vance suggests changing the title of section 2 to "Other Roles of the Board". He further feels that section 2 should focus only on our informal role in assisting constituents in dealing with City government and in understanding how its actions relate to them.

Suggested changes or additions to Section 2.6 are as follows:

Assisting constituents in dealing with City departments

Informing constituents of proposed or finalized actions of City government and of the impact on them

Where appropriate, advocating on behalf of constituents

Assisting constituents through such things as neighborhood meetings and other means in dealing with proposed actions of City government that may affect them.

Respectfully submitted,

Verne Vance, Chair  
Victoria Danberg, Vice Chair