

FINANCIAL AUDIT ADVISORY COMMITTEE

Agenda

Thursday, October 10, 2013 @ 8:15 AM

Room 222, City Hall

Agenda Items

- Review draft Request for Proposals for an external auditor (current contract ends in December 2013)
- Risk Assessment, Compliance and Monitoring Sub-committee update on the draft report for organizations affiliated with the City
- Upcoming Committee and Sub-committee dates

Upcoming Financial Audit Advisory Committee Meeting Dates

- Thursday, December 5, 2013 @ 8:15 AM

CITY OF NEWTON, MASSACHUSETTS
FINANCIAL AUDIT SERVICES
SCHEDULE FOR SELECTION OF PUBLIC ACCOUNTING FIRM
TO PERFORM THE ANNUAL FINANCIAL AUDIT FOR
Fiscal Years 2014 – 2018

- Finalize Request for Competitive Proposal Document – December 2, 2013
- Docket item before Board of Aldermen for Selection of Independent Financial Auditor for the next five year period – December 2, 2013
- Issue Request for Competitive Proposals Document – December 12, 2013
- Audit Services Proposals Due – January 9, 2014
- Distribution of Audit Services Proposals to Finance Committee & Financial Audit Advisory Committee – January 10, 2014.
- Finance Committee/Financial Audit Advisory Committee Interviews – January 13 – 27, 2014 (prior to the start of the Finance Committee regular business meeting)
- Finance Committee vote on recommended audit firm to full Board of Aldermen – February 10, 2014
- Board of Aldermen vote to select audit firm – February 17, 2014
- Engagement letter/contract signing – March 14, 2014
- Preliminary audit work begins – April/May 2014
- Final audit work begins – September 2014

October 3, 2013

October 3, 2013
DRAFT OUTLINE FOR REVIEW

Financial Audit Advisory Committee
Risk Assessment, Monitoring, and Compliance Sub-committee Report:
Affiliated Organizations of the City of Newton

Background

As part of the review of the FY 2012 Audit of the city, the Financial Audit Advisory Committee identified affiliated organizations – defined as affiliated units (AUs) by GASB - as an area requiring review because of potential impact on the City’s financial reporting and risks (e.g. ethics violations, litigation, public relations) to the city.

Topics discussed included:

- Treatment of AUs in the city’s audit and financial reporting as Component Units (CUs) under GASBS 14
- Practices of the AUs that do not meet the criteria of CUs but which warrant attention because of one or more of the following factors: shared (free or otherwise) office space provided by the City, shared employees (i.e., AU volunteers also on the payroll of the city), purchases with City funds and ownership of those items, use of the name “City of Newton” which might imply endorsement or financial guarantee or oversight by the City, use of the name “City of Newton” in advertising, promotion, and fund raising
- Whether the city can and/or should require financial statements, audited or not, for AUs and, if the City receives financial statements, who would review them and, if deficiencies were noted, what actions would be appropriate, if any

Objectives

- Review a list of “affiliated organizations” of the City (see Appendix A)
- Determine whether specific AUs are classified correctly in the City’s annual audit, i.e. are properly classified as CUs or not
- Determine whether any other AUs should be treated as CUs
- Determine if the City would be well served by having additional information on the use of City funds, City employees helping and/or coordinating with AUs, financial health of the AUs, shared office space, access to city information systems, etc.
- Ensure that the City is not placing an undue burden on AUs for reporting and auditing requirements
- Make any other recommendations to the City regarding the treatment of AUs

Work Undertaken

1. Discussed with external auditor the government reporting standards (GASB14) for CUs and affiliated organizations, i.e. whether AUs meet the definition of “Component Unit” (CU)
2. Reviewed a checklist, furnished by the City’s external auditor to determine whether an affiliated organization meets the criteria of a CU (see Appendix B)
 - Affiliated unit legally separate
 - AU appointing a majority of its Board
 - Whether the City can impose its will on the AU
 - Whether the City has access to its revenues and/or assumes its deficits
 - Whether the AUs resources directly benefit the City of Newton
 - Whether the City’s financial statements would be misleading without them
3. Reviewed financial statements for Newton Community Farm, NewTV, the Newton Municipal Credit Union, the Newton Historical Society, Newton Schools Foundation and Newton Pride
4. Discussed with the City Law Department the use of “City of Newton” in fundraising efforts for AUs.
5. Discussed with the City Law Department the treatment of Area Councils and similar organizations

Findings

The existing AU’s are properly classified in the City’s Financial Statements and external audit (e.g. NCDA and Newton Commonwealth Golf Foundation are each properly classified as a CU; Newton Community Farm does not meet the criteria of a CU)

The City is enriched by the presence of affiliated units; most operate with unpaid volunteers; all contribute to the social, neighborhood, historic, commercial and civic fabric of the City. For example, Article 9 of the City Charter, specifically calls for the creation and governance of Neighborhood Area Councils (see Appendix C). Co-locating certain AU’s, e.g. Credit Unions, in City-owned buildings is a convenience to City employees.

The City has a responsibility to manage its financial obligations and exposure, manage and mitigate risks to the City, and guard against potential reputational damage of actions taken by independent organizations linked to the “City of Newton” name. Consequently, the City should make every effort to make clear to all stakeholders that these AUs are truly independent entities.

Recommendations

While not required by GASB 14, the City should consider the following, to ensure that AUs are and remain clearly independent organizations from the City:

1. The policies of the City should clearly identify AUs as independent entities, not managed by the City, and not financially “backstopped” by the City. For example, Boards that are appointed by the City need to act independently of Boards of AUs, even when the City-appointed Board supports the activities of the AU.
2. The HR Department of the City and the School Department should have clear policies regarding city employee participation in the governance and management of AUs.
3. The Law Department of the City should establish guidelines for AUs regarding the use of the City on Newton’s name in fundraising events, and remind city employees involved with AU’s of the prohibition with respect to fund raising activities.
4. The Public Buildings Department of the City should have clear policies regarding the use, including the appropriate charging of rent of City property. Similarly, The School Committee should have clear policies for the use of schools and school department buildings. With clear policies, we would encourage the City to promote equitable treatment of AUs.
5. The Information Technology Department of the City should review the use of city e-mail addresses and access to city servers by non-employees of AUs. In general, use of city e-mail addresses and servers should be discouraged since it erodes the independence of AUs.
6. Where practical, e.g. in charters establishing AUs, contracts or other agreements with AUs, the City should require that all such organizations file annual reports with the Clerk of the Board of Aldermen and that such filings be noted on the reports docket of the Board. In the absence of a charter requirement or contract, the City should request the same from all AUs. It is not our intent to require AUs to have audited financial statements; that determination should be made by the Board and Management of each AU. These financial statements will be reviewed by the Financial Audit Advisory Committee. To reduce the burden on the AUs and the Committee, we would suggest that such reviews be conducted on a rotating three-year basis. The reviews would focus on compliance with GASBS 14, and maintenance of the independence of the AUs

Appendix A: List of Affiliated Unit (Organizations)

Appendix B: Checklist for Evaluating Potential Component Units’s Inclusion in Reporting Entity under GASBS No. 14 as Amended by GASBS No. 61

Appendix C: Article 9 of the City Charter: Neighborhood Area Councils

| | | | <u>G/L</u> <u>Control</u> | <u>Cash with</u> <u>City Treasurer</u> | <u>Reporting</u> <u>Entity/Audit</u> |
|--|---|--|------------------------------|---|---|
| Newton Community Access Center, Inc. (NEWTV) | Local cable access | Received cable access fees from City CATV licensees per contract with the City | NO | NO | NO |
| Newton Historical Society | History museum partner | Shares space and staff in Newton History Museum & receives funding from the City for the development of a second museum. | NO | NO | NO |
| Newton PRIDE | Cultural affairs | Provides cultural affairs programs in conjunction with the Mayor's Office of Cultural Affairs and the Parks Dept. Arts in the Parks program. | NO | NO | NO |
| Newton Community Development Authority (NCDA) | Low/moderate income revolving loan program for housing rehabilitation | Makes loans for housing rehabilitation with federal CDBG grant funds and loan program income. Shares staff with City Planning Department | YES | YES | YES |
| Newton Community Farm, Inc. | Angino Farm operator | Operates the Angino Farm under the oversight of the Farm Commission | NO | NO | NO |
| Newton Commonwealth Golf Foundation | Commonwealth Golf course management | Operates the Commonwealth Golf course under contract with the City. | NO | NO | YES |
| Newton Highlands Neighborhood Area Council | Neighborhood Council | Official charter neighborhood council | NO | NO | NO |
| Newton Upper Falls Neighborhood Area Council | Neighborhood Council | Official charter neighborhood council | NO | NO | NO |
| Newton School Foundation | Fund raising organization for Newton Public Schools | Shares space at the Newton Education Center and provides direct funding of education purposes, not in the form of grants to the City. | NO | NO | NO |
| Newton Teachers Credit Union | Teachers Credit Union | Shares space in the NNHS and provides credit union services to Newton Public School teachers | NO | NO | NO |
| Newton Municipal Employees Credit Union | Municipal Employee Credit Union | Shares space in Newton City Hall and provides credit union services to City employees | NO | NO | NO |
| Newton Conservators | | | | | |
| Newton Serves | | | | | |

**ALG-CX-1.1.3: Evaluating Potential
Component Units' Inclusion in Reporting Entity under GASBS No. 14 as Amended by
GASBS No. 61**

Reporting Entity: [Client Name]

Financial Statement Date: [Engagement Date]

Unit Being Evaluated: []

Completed by: []

Date: []

Instructions: This checklist may be completed for each potential component unit being considered for inclusion in the financial reporting entity under *GASB Statement (GASBS) No. 14, The Financial Reporting Entity* ([link](#)), as amended by both *GASBS No. 39, Determining Whether Certain Organizations Are Component Units* ([link](#)) and *GASBS No. 61, The Financial Reporting Entity: Omnibus*. GASBS No. 61 is effective for periods beginning after June 15, 2012, with earlier implementation encouraged. [ALG-CX-1.1.2](#) may be completed for entities that have not implemented GASBS No. 61. A component unit is a legally separate organization for which the primary government is financially accountable or closely related. A component unit may be a governmental organization (except for a primary government), a nonprofit corporation, or a for-profit corporation. The term *reporting entity* as used in this checklist means the primary government and its component units. The term *PCU* refers to the potential component unit under consideration. The term *PG* refers to the primary government. The term *CU* refers to a PCU that has been determined to be a component unit.

For additional guidance on GASBS No. 61 implementation issues, accountants may refer to Appendix 4-6 of Chapter 4 of the *Comprehensive Implementation Guide—2011–2012* issued by the GASB. That Appendix has updated current *GASB Comprehensive Implementation Guide* questions and answers for the effects of GASBS No. 61.

Legally Separate Organization

1. Are the financial statements of the PCU material to the financial statements of the PG?

YES [] Go to Step 2.

NO [] Go to Step 17 and check "NO."

Practical Consideration:

- [Materiality is a matter of professional judgment and includes qualitative as well as quantitative considerations. If management chooses to include the PCU financial statement \(regardless of the amounts involved\), check "YES" and go to Step 2.](#)

2. Does the PCU have separate corporate powers that would distinguish it as being legally separate from the PG? ([GASBS No. 14, para. 15](#))

YES [] Go to Step 3.

NO [] Go to Step 16 and check "YES."

Comments: []

Practical Considerations:

- [The PCU is generally considered to be a legally separate organization if any one of the following three questions is "Yes."](#)
 - [Does the PCU have the capacity to have its own name?](#)
 - [Does the PCU have the right to sue and be sued in its own name without recourse to a state or local governmental unit?](#)
 - [Does the PCU have the right to buy, sell, lease, and mortgage property in its own name?](#)
- [The corporate powers granted to a separate organization are described in its corporate charter or in the legislation authorizing its creation.](#)

- A PCU that is not legally separate from a PG should be considered, for financial reporting purposes, part of the PG that holds the corporate powers. Its financial data should be blended with the financial data of the PG.

Financial Accountability

3. Does the PG appoint a voting majority of the PCU's governing body? (GASBS No. 14, paras. 21–24 , and GASBS No. 61, para. 6a)

YES [] Go to Step 4.
NO [] Go to Step 6.

Comments: []

Practical Considerations:

- PG officials serving on the governing body of the PCU as required by law (and, thus, technically not appointed by the PG) are, for purposes of this test, treated as though they were appointed by the PG.
 - If financial decisions require the approval of a simple majority, and the PG appoints a simple majority, the PG appoints a voting majority. On the other hand, if financial decisions require the approval of a two-thirds majority, the PG must appoint at least two-thirds of the voting members in order to appoint a voting majority.
 - A PG's appointment authority should be substantive and not be limited by a nomination process. For instance, state statutes or local ordinances may require a PG to select its appointees from a slate of candidates provided by one or more individuals or groups other than the PG's officials or appointees. This would not be substantive appointment authority. It is also not substantive if the PG's responsibility is limited to confirming appointments made by individuals or groups other than the PG's officials or appointees. This responsibility has more to do with compliance than substantive authority.
 - A PG is considered to be accountable for a PCU as long as continuing appointments are made by the PG, even if those appointments are made by a subsequent administration.
 - In the absence of continuing appointment authority, the ability of a PG to unilaterally abolish a PCU also provides the basis for ongoing accountability.
 - A PG that appoints a voting majority of the governing board of a PCU of another government should make the disclosures required for related organizations.
4. Can the PG impose its will on the PCU by significantly influencing the program, projects, activities, or level of service performed by the PCU? (GASBS No. 14, paras. 25–26 , and GASBS No. 61, para. 6b)
- YES [] Go to Step 10.
NO [] Go to Step 5.

Comments: []

Practical Considerations:

- The existence of any one of the situations covered by the first five bullets clearly indicates that the PG has the ability to impose its will on the PCU. Other conditions, covered by the last bullet, may also indicate a similar ability.
 - Can the PG remove appointed members of the PCU's governing board at will?
 - Does the PG have the ability to modify or approve the budget of the PCU?
 - Does the PG have the ability to modify or approve rate or fee changes affecting revenues, such as water usage rate increases?
 - Does the PG have the ability to veto, overrule, or modify the decisions (other than those in the two preceding bullets) of the PCU's governing body?
 - Does the PG have the ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the PCU?
 - Are there other conditions that indicate that the PG has the ability to impose its will on the PCU?
- In determining whether imposition of will exists, a distinction should be made between substantive approvals and ministerial (or compliance) approvals. For example, budgetary approval is substantive if the PG has the authority to reduce a PCU's budget. An example of ministerial approval is a requirement for a state agency to review a local government's budget in evaluating qualifications for state funding. Only substantive approvals show imposition of will. Even though both are called approvals, compliance approval is basically a review function.

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5. Does a financial benefit or burden exist? (GASBS No. 14, paras. 27–33 , as amended by GASBS No. 61, para. 6)

YES Go to Step 9.
 NO Go to Step 17 and check “NO.”

Comments:

Practical Considerations:

- A PCU has a financial benefit or burden relationship with the PG if any one of the following is “Yes.”
 - Is the PG legally entitled to or can it otherwise access the PCU’s resources?
 - Is the PG legally obligated or has it otherwise assumed the obligation to finance the deficits of, or provide financial support to, the PCU?
 - Is the PG obligated in some manner for the debt of the PCU?
- Exchange transactions, such as the purchase or sale of goods or services, between the PCU and the PG should not be considered manifestations of a financial benefit or burden relationship.
- A financial benefit or burden relationship exists if the PG is either directly or indirectly entitled to the resources of or is either directly or indirectly obligated for the deficits or debts of a PCU. An indirect benefit or burden exists if one or more of the PG’s CUs is entitled to the resources or is obligated for the deficits or debts of the PCU.
- Including a CU is subject to the considerations in GASBS No. 14, paragraph 38 , as amended, regarding the potential for dual inclusion.

Financial Accountability as a Result of Fiscal Dependency

A PG may be financially accountable for a PCU even though Step 2. is answered “No,” if the PCU is fiscally dependent.

6. Is the PG financially accountable for the PCU as a result of fiscal dependency? (GASBS No. 14, paras. 16–18 and 34–37 , and GASBS No. 61, para. 6b–f)

YES Go to Step 7.
 NO Go to Step 8.

Comments:

Practical Considerations:

- The PG is financially accountable for the PCU except when all three of the following are “Yes.” If all three are “Yes,” the PCU is not considered fiscally dependent.
 - Can the PCU determine its budget without the PG’s having the authority to approve and modify that budget?
 - Can the PCU levy taxes or set rates or charges without approval by the PG?
 - Can the PCU issue bonded debt without approval by the PG?
 - PCU may be fiscally dependent on a PG regardless of whether it receives financial assistance from the PG.
7. Does a financial benefit or burden relationship exist? (GASBS No. 14, paras. 21b and 27 , as amended by GASBS No. 61, para. 6)

YES Go to Step 10.
 NO Go to Step 8.

Comments:

Practical Consideration:

- See Practical Considerations for Step 5.

PCUs Included in the Reporting Entity Although the PG Is Not Financially Accountable

In some instances, the PCU should be included in the reporting entity (even if the previous criteria are not met), if exclusion would render the reporting entity’s financial statements incomplete or misleading.

(GASBS No. 14, paras. 12 , 39 , 40 , and 41 , as amended by GASBS No. 61, paras. 5–6; GASBS No. 39, para. 6)

8. Should the PCU be included in the reporting entity because of the nature and significance of its relationship with the primary government? (GASBS No. 14, para. 40a , as amended by GASBS No. 39)

- YES [] Go to Step 15 and check “YES.”
NO [] Go to Step 9.

Comments: []

Practical Considerations:

- The PCU should be included in the reporting entity if *all* of the following criteria established by GASBS No. 39, para. 5 , are met:
 - Is the PCU a tax-exempt organization?
 - Are the economic resources received or held by the PCU held entirely, or almost entirely, for the direct benefit of the PG, its CUs , or its constituents? (Direct benefit is not dependent upon an actual transfer during the period, but rather on the notion that all or almost all of their sources received or held will ultimately be used for the PG, its CUs, or its constituents. This criteria is intended to exclude organizations that benefit multiple constituent groups, such as federated fund-raising organizations. If the organization has the ability to redirect its resources at its discretion, so that all or almost all would not be used for the benefit of the PG, it would not meet this criteria.)
 - Is the PG, or its CUs, entitled to, or does it have the ability to otherwise access, a majority of the economic resources received by the PCU?
 - Are the economic resources received or held by the PCU that the PG or its CUs is entitled to, or has the ability to otherwise access, significant to the PG?
- The ability of a PG to “otherwise access” resources does not necessarily mean control. The ability to otherwise access may be demonstrated in various ways. For example:
 - The PG or its CUs have historically received, directly or indirectly, a majority of the economic resources of the PCU.
 - The PCU has previously received and honored requests from the PG for resources.
- An example of an affiliated organization that may be included is a nonprofit corporation whose purpose is to benefit a PG by soliciting contributions and managing the funds.

9. In management’s professional judgment, should this PCU be included in the reporting entity because, due to its close relation to, or financial integration with, the PG, its exclusion would render the financial statements misleading? (GASBS No. 14, para. 12 , as amended by GASBS No. 61, para. 4)

- YES [] Go to Step 10.
NO [] Go to Step 17 and check “NO.”

Comments: []

Practical Consideration:

- GASBS No. 14, para. 39 , as amended by GASBS No. 61, para. 4, states that the inclusion decision should be based on the nature and significance of the PCU’s relationship with the PG.

Including the PCU

In some instances, an organization may meet the criteria for inclusion in more than one reporting entity. However, an organization should be included in only one reporting entity. In these cases, judgment must be exercised by management (of the reporting entities) as to which reporting entity the organization should be included. (GASBS No. 14, para. 38 , as amended by GASBS No. 61, para. 6g)

10. Could the PCU be part of another financial reporting entity?

- YES [] Go to Step 11.
NO [] Go to Step 12.

Comments: []

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11. Has the accountant concluded that the PCU should be included in the financial statements of this reporting entity?

- YES Go to Step 12.
 NO Go to Step 17 and check "NO."

Comments:

Financial Statement Presentation

12. Is the CU's governing body substantively the same as the governing body of the PG and (1) there is a financial benefit or burden relationship between the primary government and the CU (i.e., Question 5 or 7 is answered "Yes"), or (2) management of the primary government has operational responsibility for the CU? (GASBS No. 14, para. 53, as amended by GASBS No. 61, para. 8a)

- YES Go to Step 16 and check "YES."
 NO Go to Step 13.

Comments:

Practical Considerations:

- "Substantively the same" means sufficient representation of the PG's entire governing body on the CU's governing body to allow complete control of the CU's activities.
- Management of a primary government has operational responsibility for a component unit if it manages the component unit's activities essentially the same as it manages its own programs, departments, or agencies. For this purpose, *management* is considered to be the person(s), below the level of the governing board, responsible for day-to-day operations of the primary government (for example, a city manager).

13. Does the CU provide services entirely, or almost entirely, to the PG or otherwise exclusively, or almost exclusively, benefit the PG even though it does not provide services directly to it? (GASBS No. 14, para. 53, as amended by GASBS No. 61, para. 8b)

- YES Go to Step 16 and check "YES."
 NO Go to Step 14.

Comments:

Practical Considerations:

- Usually, the services provided by a blended CU are financing services provided solely to the PG.
- A CU that provides services to more than just the PG should be blended if the services provided to others are insignificant to the overall activities of the CU.
- Other component units that should be blended are those that exclusively, or almost exclusively, benefit the PG by providing services indirectly, such as a CU that provides services on behalf of the PG to its employees rather than directly to the PG itself.

14. Is the CU's total outstanding debt, including leases, expected to be repaid entirely or almost entirely with resources of the PG? (GASBS No. 14, para. 53, as amended by GASBS No. 61, para. 8c)

- YES Go to Step 16 and check "YES."
 NO Go to Step 15 and check "YES".

Practical Consideration:

- Repayment generally occurs through a continuing pledge and appropriation by the PG to the CU that, in turn, pledges those appropriation payments as the primary source of repayment for its debt.

Conclusion

15. YES. This PCU should be included in the financial reporting entity and should be presented discretely.
16. YES. This PCU should be included in the financial reporting entity and should be presented as a blended entity.

___ 17. NO. This PCU should not be included in the financial reporting entity.

Practical Consideration:

- If PG officials appoint some, or all, governing board members of an organization that is not included as a component unit in the PG's reporting entity, the PG should disclose, in the notes to its financial statements, the nature of its accountability for the related organization. The disclosures may be summarized for groups of related organizations with similar relationships with the PG (GASB No. 14, para 68). The required disclosure is in the "Government Disclosure Checklist" at ALG-CX-13.1 under The Financial Reporting Entity caption.

Comments on Conclusion: []

such office, the candidates whose petitions have thus been filed shall be deemed to have been nominated to said office, and their names shall be voted on for such office at the succeeding regular or special election, as the case may be, and the Election Commission shall not print said names upon the ballot to be used at said preliminary election and no other nomination to said office shall be made. If in consequence it shall appear that no names are to be printed upon the official ballot to be used at any preliminary election in any ward or wards of the city, no preliminary election shall be held in any such ward or wards.

Sec. 8-4. Special Elections.

Special elections to fill the office of alderman, Mayor or school committeeman, as provided in Sections 2-5, 3-10 and 4-5, shall be held within one hundred and twenty days following the date on which the election is called. Persons elected at such elections shall immediately be sworn and assume their office.

Sec. 8-5. Wards.

The territory of the City shall be divided into eight wards.

Sec. 8-6. Application of State Laws.

Except as expressly provided in the charter and authorized by state law, all City elections shall be governed by the laws of the Commonwealth relating to the composition, powers, and duties of the Election Commission, the right to vote, the registration of voters, the nomination of candidates, the conduct of preliminary, regular, and special elections, the submission of charter amendments and other propositions, the counting of votes and the declaration of results.

ARTICLE 9. NEIGHBORHOOD AREA COUNCILS

Sec. 9-1. Purpose.

It is the purpose of this article to encourage citizen involvement in government at the neighborhood level by permitting limited self-government through the establishment of neighborhood area councils as legal entities of the City government.

Sec. 9-2. Establishment of Neighborhood Service Areas.

The Board of Aldermen may establish one or more neighborhood service areas to provide services or functions that the neighborhood area council is authorized to undertake.

Sec. 9-3. Creation by Petition.

(a) A petition may be submitted to the board of Aldermen requesting the establishment of a neighborhood service area to provide any service or services which the City is otherwise authorized by law to provide. Such petition must be signed by twenty per cent of the voters residing in such area. The petition shall describe the territorial boundaries of the proposed service area, shall specify the services to be provided, and shall indicate the size of the neighborhood area council.

(b) Upon receipt of the petition, the Board shall submit the petition for verification of signatures thereon, and within thirty days following verification, the Board of Aldermen shall hold a public hearing on the question of whether or not the requested neighborhood service area shall be established. The hearing may be adjourned from time to time but shall be completed within sixty days of its commencement.

(c) Within thirty days following the public hearing, the Board of Aldermen shall by resolution approve or disapprove the establishment of the requested neighborhood service area.

(d) A resolution approving the creation of the neighborhood service area may contain amendments or modifications of the area's boundaries, functions, or the size of the neighborhood area council as set forth in the petition. (Referendum of 11-4-75)

Sec. 9-4. Boundary Changes of a Neighborhood Service Area.

The board of Aldermen may, pursuant to a request from a neighborhood area council accompanied by a petition signed by at least twenty per cent of the voters residing in the area to be added or deleted, enlarge, diminish, or otherwise alter the boundaries of any existing neighborhood service area following the procedures set forth in Section 9-3 (b), (c), and (d).

Sec. 9-5. Considerations in Setting Boundaries.

In establishing neighborhood service area boundaries and determining those services to be undertaken by a neighborhood area council, the Board of Aldermen shall study and take into consideration, but not be limited to, the following:

- (1) The extent to which the area constitutes a neighborhood with common concerns and a capacity for local neighborhood initiative, leadership, and decision-making with respect to City government.
- (2) City agency authority and resources which may appropriately be either transferred or shared with the neighborhood council.
- (3) Population density, distribution, and growth within a neighborhood service area to assure that its boundaries reflect the most effective territory for local participation and control.
- (4) Citizen access to, control of, and participation in neighborhood service area activities and functions.

Sec. 9-6. Dissolution of a Neighborhood Service Area.

(a) The Board of Aldermen may, after a public hearing, dissolve a neighborhood service area on the initiative of the Board of Aldermen or pursuant to a petition signed by at least twenty per cent of the voters living within the neighborhood service area.

(b) The Board of Aldermen shall give notice, in a newspaper of general circulation in the neighborhood service area, of its intention to hold a public hearing on a proposed dissolution. Such notice shall be given not less than fourteen days before the date of the public hearing.

Sec. 9-7. Election of Council; Vacancies.

(a) A neighborhood area council shall consist of five to nine members. The term of office of each member shall be two years, and until a successor is qualified.

(b) The council members shall be elected at large by and from voters residing in the neighborhood service area at the time of the election. The board of Aldermen shall determine the time and manner of holding such elections. The ward alderman or ward aldermen who represent any portion of the area included in a neighborhood service area shall serve, ex officio with no power to vote, as members of the neighborhood area council.

(c) A vacancy shall be filled by the neighborhood area council, by appointment. Members so appointed shall serve for the remainder of the unexpired term and until their successors are qualified.

Sec. 9-8. Neighborhood Area Council Powers and Functions.

A neighborhood area council may exercise any powers and perform any functions within the neighborhood service area expressly authorized by the Board of Aldermen, which may include but not be limited to:

- (1) Advisory or delegated substantive authority, or both, with respect to such programs as a community action program, urban renewal, relocation, public housing, planning and zoning actions, and other physical development programs, crime prevention and juvenile delinquency programs, health services, code inspection, recreation, education, and manpower training. Nothing contained herein shall be construed to authorize the Board of Aldermen to delegate to any neighborhood area council any substantive authority with regard to zoning.
- (2) Self-help projects, such as supplemental refuse collection, beautification, minor street and sidewalk repair, establishment and maintenance of neighborhood community centers, street fairs and festivals, cultural activities, recreation, and housing rehabilitation and sale.
- (3) Acceptance of funds from public, but not including the City of Newton, and private sources, including public subscriptions; and expenditure of monies to meet overhead cost of council administration and support for neighborhood service area projects.

Sec. 9-9. Compensation; Meetings; By-Laws; Quorum.

(a) Members of a neighborhood area council shall receive no compensation but may receive reimbursement of actual and necessary travel and other expenses incurred in performance of official duties.

(b) A neighborhood area council shall adopt by-laws providing for the conduct of its business and the selection of a presiding officer and other officers. Copies of all by-laws adopted by neighborhood area councils shall be made available to the public upon request.

(c) A majority of the voting members of a neighborhood area council shall constitute a quorum for the transaction of business. Each member entitled to vote shall have one vote.

Sec. 9-10. Annual Report.

Each neighborhood area council shall make an annual report of its activities to the Board of Aldermen which annual report shall be open to the public.

Sec. 9-11. Financial Records.

Each neighborhood area council shall keep complete financial records which shall be subject to city audit.

**ARTICLE 10.
FREE PETITION; INITIATIVE; REFERENDUM**

Sec. 10-1. Individual, Discretionary Petitions.

The board of aldermen and the School Committee shall receive all petitions addressed to either of them and may,