

City of Newton

# Citizen Advisory Group

Defining Important Choices facing the City,  
Improving the City's Operational Efficiency and Effectiveness, and  
Developing New or Enhanced Sources of Funding

## Summary of Previously Issued Draft Reports

- Revenue Report
- Municipal Cost Structure Report
- School Cost Structure Report
- Capital Infrastructure & Planning Report

*February 11, 2009*

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## 1. INTRODUCTION

Mayor David Cohen, Board of Aldermen President Lisle Baker, and School Committee Chair Dori Zaleznik appointed the Citizen Advisory Group in May 2008. They asked the committee to help (1) define the choices facing Newton with respect to municipal and educational service levels and their long-term funding requirements and identify, within this context, (2) innovative ways of increasing short- and long-term operational efficiency and effectiveness, and (3) identify new or enhanced sources of funding for City services.

As of February 2009, four of six reports have been released in draft form: Revenues, Municipal Cost Structure, School Cost Structure and Capital Infrastructure and Planning. (They are lengthy (over 300 pages in total) and can be found at: <http://www.ci.newton.ma.us/CitizenAdvisoryGroup/reports.html>.) We continue to receive helpful feedback on all four reports. Two more reports will be released in the March – April timeframe: A Report on Performance Management and a synthesis of all five reports with an overarching view of Newton’s current situation.

To bring everyone up-to-date on the preliminary conclusions and recommendations from our first four reports, Figure 1 below presents a summary in graphic form.

These conclusions and recommendations strongly suggest that Newton’s current economic model is no longer viable. Forecasts show revenues in the Operating Budget increasing at a rate of 2.9% per year from 2009 through 2014, with expenditures growing at a significantly higher 5.9% annual rate in order to fund the current range and level of public service. This 3% mismatch in growth rates means that Newton will be short an estimated \$7.3 million in 2010, \$25 million the next year, and, by 2013, \$45 million. All this is before considering what to do about to about funding Newton’s sizeable, unfunded health care liabilities and post-retirement benefits.

In addition, the financial problem that shows up in the Operating Budget is compounded by a large gap in the Capital Budget between what the City is currently spending on infrastructure maintenance, renewal, and replacement (about \$28 million in 2008) and what is required to deliver the quality and scale of public services that Newton has historically provided (about \$60 million per year for the foreseeable future). This gap is so large because deferred maintenance and the failure to fund the investment necessary to replace normal depreciation has created a (conservatively estimated) \$300 million backlog of capital improvement projects for our municipal buildings, schools, roadways, equipment, parks, and recreational facilities.

The collective message of these four draft reports is that even if the full potential of our recommended revenue increases and operating efficiencies is instantaneously achieved, which is highly unlikely, Newton will still not be able to close *revenue-expenditure gap* in the Operating Budget for more than a year or so. Neither will available savings or efficiencies in day-to-day operations be able to make any meaningful impact on the *investment gap* in the Capital Budget.

*Basic Choices*

The Citizen Advisory Group has repeatedly advised that if we want to preserve what we value most in Newton's quality of life while the city's growth in tax revenues lags behind its growth in expenditures, we first need to identify what we value most and then consider whether we need to increase revenues and/or reduce spending on what may be peripheral in order to preserve what we deem essential.

We have also said that in the absence of some systematic public discussion of what constitutes essential versus peripheral priorities, there can be no broadly acceptable logic for making unavoidable decisions about either revenue increases or budgetary cuts. Municipal budgeting, we have noted, is by definition an exercise in public choice.

In addition, we have argued that without some vision of the kind of City we want Newton to be, few guidelines about resource generation and allocation can be sensibly made. This was a principal message of the Blue Ribbon Commission over two years ago, and it is our principal message today.

Laying out this vision, which must define and defend essential community values, is of course a key leadership function. While individual members of the Citizen Advisory Group naturally have their own version of such a vision, our task is not to express either our individual views or a collective view on this matter. But to give readers a sense of the diverse values and themes that vision statements could build upon, consider the following. The headline of one vision statement might read, "Restoration Rather Than Devaluation of Newton's Brand." Another headline might reflect the theme of "Right-Sizing Newton According to Our Financial Means." Yet another vision statement may be rooted in the notion of reducing the proportion of tax-based revenues as a percent of total City revenues. Each of these themes and political images, and many others reflecting different preferences, could lead to very distinctively dissimilar visions for the City and widely divergent resource generation and allocation priorities.

Once some explicit vision exists for the kind of City we aspire to be, then more operational choices facing the City can be systematically identified and addressed. As implied above, these operational choices sort themselves into two groups: those related primarily to the Operating Budget and those related primarily to the Capital Budget.

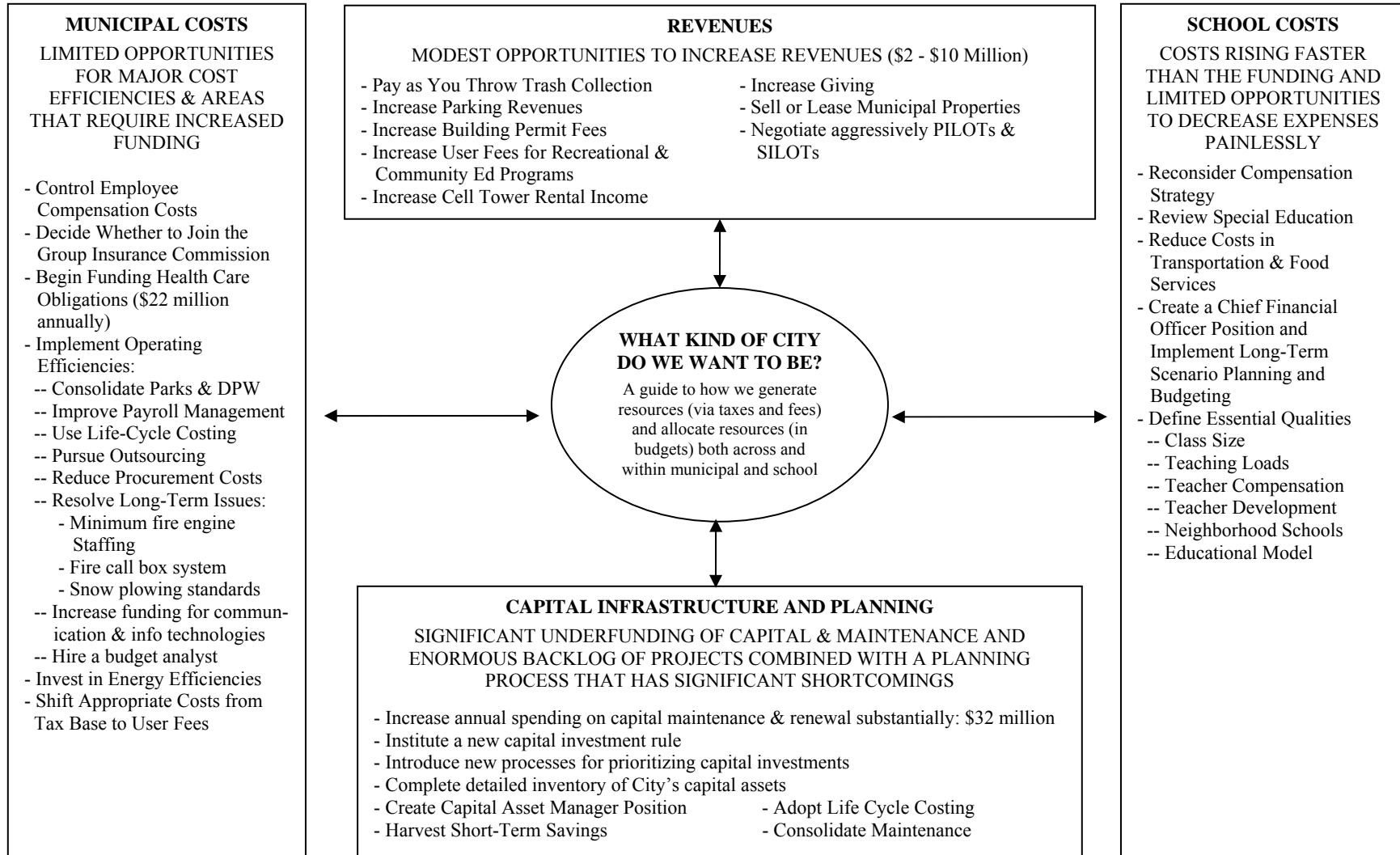
For example, choices tied to the Operating Budget relate to the revenue enhancement and cost reduction opportunities identified in our draft reports. They also relate to the priorities for funding services and programs both within and across municipal and school operations.

Similarly, choices tied to the Capital Budget concern the pace of capital maintenance and renewal: "When do start to work off our \$300 million backlog?" "How fast do we want to go in reducing this backlog." A potentially longer-term choice gets to the core of "what kind of City we want to be." This choice, best posed as a simplistic mind

experiment, can be stated as follows: Would we prefer to be a City with a first-rate reputation for municipal and educational services and single A bond rating, or a City with a diminished reputation pertaining to municipal and educational operations and a triple A bond rating? This is clearly an over-simplification of reality, but such a stark question at least has the benefit of flushing out preferences that would otherwise remain hidden.

How these choices are made will have clear implications for the future scope and scale of our municipal and school services. Indeed, how these choices are made will both reflect and define the kind of City we really want to be.

**Figure 1: Citizen Advisory Group Preliminary Conclusions (February 2009)**



## 2. REVENUE REPORT (Draft) : SUMMARY

Newton's opportunities to increase revenues are modest. Exploiting these opportunities by themselves will not close the widening gap between the City's expenditures and revenues. Neither will their successful exploitation fill the gap between the kind of city Newton's residents say they would like and that which residents are willing or able to afford. Nevertheless, given voters' current antipathy toward higher property taxes and possible reductions in aid from the Commonwealth, converting *potential* non-property-tax municipal revenue gains into *actual* gains is an important step towards ensuring Newton's fiscal health.

The Citizen Advisory Group looked expansively for incremental revenue gains outside of the City's property tax regime. We found potential, one-time revenue increases amounting to 1% to 4% of the annual General Fund budget (\$2 to \$10 million). These are maximum figures and assume swift implementation of our specific recommendations, which relate primarily to moving some services from the tax base to user fees, along with price increases for fees and services.

It is noteworthy that the financial effects of an immediate and full implementation of our recommendations would be short-term in nature—meaning that they could only fill our budget gap for the next 12 to 24 months. This gap can be further forestalled, to some extent, by parallel efforts devoted to achieving incremental operating efficiencies in Newton's municipal and educational operations, as outlined in the Citizen Advisory Group reports on the municipal and school cost structures. However, even if the full potential of these recommended operating efficiencies and the revenue enhancements presented in this report is achieved, Newton will still not be able to fully fund the scope and quality of public services that Newton has historically provided.

This conclusion is consistent with the *Report of the Blue Ribbon Commission on the Municipal Budget* (February 1, 2007), which concluded that Newton faced a significant structural deficit. The Mayor's office updated the Commission's budget forecast in the spring of 2008. That revised forecast shows revenues in the operating budget increasing at a rate of 2.9 percent per year from 2009 through 2014, with expenditures growing at a significantly higher 5.9 percent annual rate in order to fund the current range and level of public service. This 3 percent mismatch in growth rates means that Newton will be short an estimated \$7.3 million in 2010, \$25 million the next year and, by 2013, \$45 million.

Since, by law, Massachusetts municipalities must have a balanced budget, the "big choices" currently facing Newton's residents and their elected leaders are more profound than simply increasing revenues or reducing costs. Rather, we must consider reductions in the historic scope and scale of municipal and educational services. If voters' recent rejection of the property tax override ballot question suggests limited support for increasing revenues through tax increases, then Newton's residents and their elected leaders must make these difficult choices.

*Choices*

Identifying potential new revenue choices starts with understanding the current sources of Newton's revenues. In fiscal year 2007, Newton's General Fund revenue totaled \$260 million.<sup>1</sup> Sources of revenue are reflected in Exhibit I.

Newton is overwhelmingly dependent on the property tax. Fully 80% of revenues in the General Fund come from locally assessed property taxes. Since 1980, following passage of Proposition 2 1/2, these revenues are limited to 2.5% annual increases plus any new growth from property development.<sup>2</sup> In a mature suburban city like Newton, new growth has averaged about 1% per year since 1980. Hence, 80% of Newton's revenues, regardless of expense growth, can be expected to continue to grow at about 3.5% per year, and assuming no other revenue growth, total revenues will grow 2.8% annually.

Non-property-tax municipal revenue accounts for only 20% of Newton's annual budget. Unfortunately, of this 20%, two-thirds is state aid and state-mandated motor vehicle excise and hotel taxes -- 13.4% of Newton's annual budget -- over which there is no local control. In the past, state aid has proved difficult to predict as it ebbed and flowed with the Commonwealth's fiscal health. In the short-term, there are considerable fears about decreases in state aid, reflecting current economic strains.

Less than 7% of Newton's revenues come from controllable local fees. The issuance of building permits accounts for the largest portion of these fees -- about 27% of the total (\$4.6 million—less than 2% of the General Fund. Parking violation fines are the second largest, about 10% (\$1.4 million -- less than 1% of the General Fund). All other local fees account for less than 3.5% of the General Fund.

Given this breakdown in revenues, it is easy to see why policymakers seeking to fill budget gaps have turned to Proposition 2½ overrides: property taxes are overwhelmingly Newton's largest revenue source. All other revenue sources are just a fifth as large and less than 7% are controllable. Without Proposition 2 1/2 overrides, **if** state funding remains constant, only those 7% of revenues controlled locally can be managed to fill the gap. While a doubling of locally controlled non-property revenues would cover one year's budget gap, the next year's expense growth will create the same gap once again.

Going forward, then, the first "big question" currently facing Newton's decision makers is whether or not to transfer some of the services paid for by taxes currently into fee-based services and to increase fees for local services to plug projected budget gaps. If the answer to this question is "yes," then there are choices regarding which municipal services should carry a user fee and which services should not. There are also choices related to enhancing the flows from property-tax-based sources.

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<sup>1</sup> All dollar and percentages quoted are based on FY 2007 Actual as presented in the Mayor's Recommended FY 2009 Operating Budget. The General Fund excludes dedicated enterprise funds, chiefly the Water and Sewer Fund, through which the City reimburses the cost of participation in the regional Massachusetts Water Resources Authority (MWRA).

<sup>2</sup> See Appendix IV, p.46 for a discussion of the property tax.



The Citizen Advisory Group addresses these choices by examining operating strategies for enhancing revenue streams from both sources, as well as streams from other, less established revenue sources. It is the opinion of the Citizen Advisory Group that Newton has no choice but to adopt these strategies in order to fill its growing budget gap.

Before proceeding to the committee's recommendations, a special word is in order regarding the use of tax overrides and debt exclusions as means of reducing the City's budget gap and structural deficit.

Given the possible, but still relatively small, increases to Newton's non-property tax related revenue sources, it is inevitable that tax overrides and debt exclusions will remain important options in Newton's financial future. Deciding when and under what conditions these options should be considered is a political judgment beyond the scope of this committee's work. As a practical matter, however, this committee expects that any future consideration of tax overrides or debt exclusions would be in conjunction with an assessment of the actual gains from the new revenue sources identified in this report and the kind of operating efficiencies identified and recommended in forthcoming reports from the Citizen Advisory Group.

### *Recommendations*

There are no magic bullets and no free lunches to increase Newton's revenues. Each identified revenue enhancement will be incremental and virtually all will require some group to pay more -- either compulsorily, through increased fees, or voluntarily, through greater generosity. These choices will force Newton's citizens to re-examine what municipal services they pay for, what they are willing to pay, and what they can afford. In general, the Citizen Advisory Group believes that fee levels should be transparent and generally should reflect the full cost of services or, if appropriate, private market pricing, with subsidies available for low-income residents. Such transparency will help Newton's citizen make better decisions about what they expect and can afford from local government. The Committee's specific recommendations are summarized below in the following table.

**Table 1: Recommended Revenue Enhancement Strategies**

<u>Item</u>	<u>Recommendation</u>	<u>Revenue Impact (millions)</u>	<u>Implementation</u>
1	Convert to a “Pay As You Throw” (PAYT) trash collection regime requiring residents to pay only for trash services they use and encouraging increased recycling.	\$1.0 - \$6.8	Short- to Medium-Term
2	Increase parking revenue through meter increases, new meters, and longer hours for paid parking as well as implementation of collection automation and other technology.	\$0.5 - \$1.0	Short-Term
3	Increase building permit fees and continue enhanced enforcement and auditing to ensure construction costs are accurately reported.	\$0.35 - \$0.5	Short- to Medium-Term
4	Increase user fees to cover more fully the costs of recreational, community educational, and cultural programs with appropriate abatements for low income residents including, but not limited to, Gath Pool and Crystal Lake, summer camps, and playing fields. Consolidate these programs in one department to decrease costs, improve effectiveness and increase revenues.	\$0.1 - \$0.5	Short- to Medium-Term
5	Increase cell tower rental income by leasing municipal properties.	\$0.1-0.175	Short- to Medium-Term
6	Increase individual, corporate, and foundation giving to the Newton Public Schools and to the City of Newton by working more closely with these constituencies and increase grants to the City by retaining a grant writer.	\$0.1 - 0.5	Short- to Medium-Term
7	Sell or lease underutilized municipal properties, especially when redevelopment of such properties can enhance the vitality of the City’s villages.	To Be Determined	Longer-Term
8	Negotiate aggressively PILOTs (payments in lieu of taxes) or SILOTs (services in lieu of taxes) with local institutions like colleges and hospitals.	Indeterminate	Longer -Term
<b>TOTAL</b>		\$2 - \$10 million 1% to 4% of General Fund	

### 3. MUNICIPAL COST STRUCTURE REPORT (Draft) : SUMMARY

The Municipal Cost Structure Committee of the Citizen Advisory Group has found that opportunities for major cost efficiencies in Newton's municipal operations, over and above those implemented in recent years, are limited. We have also identified a number of areas that require increased funding, including health care liabilities, technology and a budget analyst. When these findings are considered with the primary conclusion of the Revenue Report that Newton's opportunities to increase revenues are modest, it becomes increasingly clear that there is no painless way to resolve the long-term imbalance between the costs of maintaining existing municipal service levels and the revenues available to cover these costs.

The Citizen Advisory Group Report on School Cost Structure, which also identifies only limited possible operating efficiencies in the Newton public schools, reinforces this sober conclusion. To complicate this economic picture even more, the Report on Newton's Capital Infrastructure reveals substantial underfunding of Newton's physical capital assets and calls for significant additional investments in this area.

#### *Choices*

These findings lead the Citizen Advisory Group to conclude that fiscal responsibility requires the community to face up to difficult choices about which municipal services and programs should be cut back or even mothballed. In the face of the serious mismatch between projected revenues and historical levels of expenditures and little apparent appetite for a property tax override, we can no longer sidestep the task of setting explicit spending and investment priorities as part of the budgeting and resource allocation process.

Newton's fiscal health naturally requires moving forward relentlessly in implementing whatever operating efficiencies exist. The Municipal Cost Structure Report identifies a variety of such opportunities. However, since much cost cutting has taken place in recent years, some of the remaining opportunities are, by themselves, quite modest, and many require further analysis of both financial and community effects. In recent years, municipal cost cutting has been significant. In fiscal year 2001 (FY01), expenditures by municipal departments - public safety, public works, culture and recreation, etc. - (exclusive of education) represented 33% of the City of Newton's total operating budget. In each succeeding year, these municipal expenditures have slowly decreased as a share of the total operating budget, declining to a 29.5% in FY09. At the same time the annual growth rate of municipal, non-education departmental budgets has been 2.9%, noticeably below the annual growth in Newton's revenues.

Not surprisingly, most of the cost reductions came from staff reductions (78% of the municipal budget consists of salaries and benefits). Full-time equivalent staffing in FY01 was 911 positions. In the FY09 operating budget, this has dropped to 821 - a staffing reduction of 90 people or almost 10%. Staff reductions have occurred in almost every department and division of the city government, large and small departments alike. While in the 1980s and 1990s, the reduction in staffing reflected outsourcing of services, no large number of employees have been let go since 2001 as a result of outsourcing. It is difficult for us to conclude that these staff reductions have been the consequence of improved efficiencies; rather, what we have observed is

that the remaining administrative staff is significantly burdened with handling the day-to-day tasks with little remaining time to devote to innovative, forward planning.

It is also clear to us that these staff reductions have led to service reductions, curtailments, and modifications in a gradual but inexorable way that has not necessarily been immediately evident to Newton residents. While the City has maintained a balanced budget by law, the level and quality of services over a decade has not remained constant. Indeed, the combined effect of constrained revenues, the Mayor's desire to support the Newton Public Schools, the rapid growth of health care benefit costs, and the necessity of compensating remaining staff in an environment that is competitive for talent and skills has led to a continuous and cumulatively significant down-sizing of the city's staff.

### *Recommendations*

Within this context, the Citizen Advisory Group's recommendations on Municipal Costs fall into six clusters:

#### 1. Control Employee Compensation Costs.

The greatest potential savings in municipal operating costs lie in improving the management of employee compensation and benefits, which comprises nearly 80% of all municipal costs. The Citizen Advisory Group recommends that the City undertake a comprehensive evaluation of possible changes in salary, health care benefits, sick time, vacation, holidays, life insurance, dental and vision benefits, short and long term disability, workers compensation, and retirement benefits. The purpose of such a review is to specify changes that address both employee needs and Newton's fiscal situation. The benefits portion of this review will be especially important, because *Newton may not be able to bear the same level of benefits in the future that it has committed to in the past.*

#### 2. Decide Whether Joining the Group Insurance Commission (GIC) will Decrease Health Insurance Costs.

The City and the employee unions need to actively consider joining the state's health insurance program, the Group Insurance Commission (GIC). An in-depth analysis should be done immediately. Certainly the decision to join the GIC will be easier if legislation is passed that would allow municipalities to join without union approval. But, the analysis should be done regardless of whether such legislation is passed. *Savings of \$1 to \$4 million* are conceivable.

#### 3. Begin Funding Health Care Obligations.

Newton needs to immediately convene a task force including Aldermen and staff members, and perhaps citizens, to analyze and make recommendations on how to start funding immediately the currently unfunded liability of \$433 million for retiree health care and other non-pension benefits. Newton is passing to future citizens costs that should be paid currently. Furthermore, these costs are considerably less if paid for now. Such a task force needs to address the investment vehicle for holding contributed funds, the management structure for overseeing the

investment vehicle, the amount of the annual required contribution, and the sources of funding for the annual required contribution. *The additional cost may be as much as \$22 million annually.*

#### 4. Implement Operating Efficiencies.

The Citizen Advisory Group identified a variety of opportunities for further cost savings in municipal operations, including:

- Consolidating the Parks functions of the current Parks and Recreation Department within the Department of Public Works (DPW). *Potential savings of at least \$100,000 - \$250,000;*
- Improving payroll management efficiency by converting the City payroll from a weekly to a biweekly cycle and the school payroll from bimonthly to biweekly. *Potential savings of over \$140,000, primarily in equivalent administrative time;*
- Analyzing regularly all capital investments on a life-cycle cost basis;
- Pursuing outsourcing opportunities;
- Reducing procurement costs;
- Resolving long-term issues regarding:
  - Reducing minimum staffing requirements on fire engines to one officer and two firefighters year-round, instead of for nine months of the year. *Potential savings of \$700,000;*
  - Eliminating the fire call box system. *Potential savings of \$200,000;*
  - Decreasing snow plowing standards. *Potential savings of \$125,000 to \$250,00.*
- Investing now to achieve future savings:
  - Increasing funding for communication and information technologies to facilitate a more efficient marshalling of resources on a daily basis;
  - Hiring a budget analyst to facilitate continuous search for operational efficiencies and efficiency planning, oversight of budget appropriations, and long-term planning;
- Allocating greater decision authority to Department managers by removing restrictions on municipal department managers on their ability to move funds between "personnel" and "operating" portions of their budgets so that all least-cost options can be more easily pursued.

#### 5. Invest in Energy Efficiencies.

These energy cost saving opportunities may seem small on an individual basis but collectively the combined effect can be significant. They include banning incandescent bulbs in public buildings, replacing gas burning streetlights with high efficiency bulbs, requiring the Energy Star rating on all applicable purchases, providing an energy-saving training program for appropriate City employees, and implementing a comprehensive recycling program for all municipal operations. In addition, Newton should investigate the opportunity of becoming a customer for

peak demand management companies, thereby reducing demand and potentially providing energy on-site through cogeneration.

6. Shift Appropriate Costs from the Tax Base to User Fees.

The most obvious candidates for cost-shifting involve a Pay as You Throw (PAYT) Trash Program and increased user fees for selected recreation, community education, and cultural programs.

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Some of these recommendations may require changes in future collective bargaining agreements and even legislative action at the State House and/or home rule petitions from the City.

No stone should be left unturned in our efforts to narrow the growing, long-term imbalance between City revenues and expenditures. Ultimately, though, Newton must prioritize as it faces reductions in the scope and scale of some of our municipal and school services.

#### 4. SCHOOL COST STRUCTURE REPORT (Draft): SUMMARY

The School Cost Structure Committee of the Citizen Advisory Group was pleased to find the School Committee and the Newton Public Schools' administrators working proactively in developing a long-term strategic plan and re-thinking Newton's educational model, while showing a deep interest in technology and online learning as possible vehicles to improve the educational model.

However, in the course of our work, we became deeply concerned that, in the absence of new revenues, the Newton Public Schools would be unable to maintain its current level of services and programs or to continuously improve, one of the essential elements of excellence in the field of education.

Related to this major concern, we found:

- Evidence of a long-standing gap between the funding of the Newton Public Schools and what it costs to run the system under the current educational model. In other words, we found an educational model (including programs, services, compensation, utilities, etc.) that requires a 5.9% increase annually in the budget to sustain itself; ergo, the necessity to make cuts whenever the school budget increases less than 5.9%. Since 2003 (shortly after an override vote), the Newton Public Schools budget has grown at a compound annual rate of 4.3% per year (FY03 – FY09). If the Newton Public Schools continues to receive budget increases of 4.3%, this creates a funding gap of \$2.5 million next year, growing to almost \$20 million by FY15, with a cumulative deficit in the next six years of more than \$60 million.
- Key costs increasing at a faster rate than the overall budget:
  - Benefits
  - Special Education
  - Utilities
- A number of factors that are contributing to the erosion in quality as financial resources have become more constrained:
  - Diminished administrative and leadership support
  - Reduced capacity to supervise of teachers
  - Shrinking professional development opportunities
  - Insufficient technology
  - Inadequate building maintenance
  - Increases in class size
- Near-term opportunities to save money, perhaps as much as \$1 to \$2 million, in two areas:
  - Transportation — by increasing user fees and reducing service
  - Food Services — through outsourcing both management and labor
- A need to examine more rigorously and regularly educational areas, programs and approaches for both educational effectiveness and financial sustainability. In particular,

- For Special Education, we see the need for developing internal standards and for the use of outside consultants to do this examination comprehensively and effectively.
- For METCO, we see the need to periodically assess and communicate how this program supports our core values and how effectively it is achieving our educational goals.
- The need to bolster long-term planning, budgeting, and scenario planning under the direction of a Chief Financial Officer.
- The urgent need to increase the quality of and to consider new vehicles for communication about the financial condition of the Newton Public Schools and the programmatic choices it faces, as a means of regaining trust and fostering the necessary dialogue about the future of the school system.
- As part of the above and in response to the difficult economic circumstances of the City of Newton and the nation, it is necessary for the Newton Public Schools to distinguish between the *essential* and the *desirable* qualities of an excellent school system. In particular, in the absence of new revenues, Newton Public Schools will very likely need to reevaluate some of its past practices and choices that significantly affect the economics and performance of the school system, including:
  - Class size
  - Teaching loads
  - Compensation
  - Teacher development

### *Choices*

The Newton Public Schools face difficult choices. Almost every choice will be painful because so many of the potential levers affect the quality of education. Making these choices will put a premium on the leadership and vision of the School Committee and Newton Public School administrators. The Citizen Advisory Group sees the absolute need for these leaders to re-engage in a discussion about the future of the Newton Public Schools and discuss the following questions:

- What are the choices we need to make?
- How can we most effectively and efficiently meet the needs of all our students, including those students requiring special education?
- How do we maintain the high quality of our teachers?
- How can we control expenses, including benefits and utilities?
- Most importantly, what are our priorities? What as a community are we willing to pay for? What are we willing to sacrifice?
- What is *essential*? What is *desirable*?

The Citizen Advisory Group calls upon the Newton Public Schools administration and the School Committee to lead the community in this discussion. We look to their experience and



expertise to help frame our long-term choices and priorities, present an overarching vision, and clarify our values.

### *Recommendations*

The cycle of trying to maintain Newton’s reputation for excellence *without* clearly defining and communicating the choices that school leaders have already made—and the resultant losses—has complicated the financial challenges that confront the Newton Public Schools.

It is from this understanding that the Citizen Advisory Group has divided its recommendations into two clusters: overarching recommendations followed by detailed recommendations related to budgets, compensation, special education, METCO, transportation, and food services. The following summary reproduces the Committee’s “overarching recommendations” only. More detailed recommendations are presented in the full report.

#### 1. Implement Cost Saving, Program Assessment and Budgeting Recommendations.

- Compensation:
  - The School Committee and Administration should develop and articulate a philosophy for staff and teachers’ compensation – does the Newton Public Schools want to continue to be among the top levels for teacher pay, and, if so, how do these investments impact the funding available for other parts of the educational program?
  - In particular, the School Committee and Administration should review the compensation structure of Newton’s special education aides as the number of aides are increasing and their salaries are growing at 8.4% annually.
  - The Newton Public Schools should survey teachers on a regular basis to assess “what matters most” to teachers; this will help the Newton Public Schools focus its limited funds in ways that will continue to attract and retain the highest quality teachers possible.
  - The City and the Newton Public Schools should actively consider joining the state’s health insurance program, the Group Insurance Commission (GIC). An in-depth analysis should be done immediately.
- Special Education:
  - The School Committee should have an outside evaluation done to determine how well and how efficiently the special education program is delivered; this type of evaluation is needed on a periodic basis, perhaps every ten years.
  - The Newton Public Schools should establish its own set of metrics to measure the effectiveness of its special education programs. In establishing those benchmarks, the Citizens Advisory Group suggests Newton Public Schools involve special education

parents, educators, and administrators.

- The Newton Public Schools should systematically capture and report costs and revenues in a more “reader friendly,” accessible manner.
  - The Newton Public Schools should partner with the Special Education PAC to continually evaluate and improve upon programs and practices, including substantive issues of quality and the delivery of services.
  - The Newton Public Schools should continue to work with the Special Education PAC to improve communication, transparency and public understanding of Newton’s special education programs.
- METCO:
    - The School Committee and the Newton Public Schools should periodically assess and communicate how this program supports our core values and how effectively it is achieving our educational goals. In particular, the assessment should review the impact (e.g., educational, social, financial, curricular, class size, teacher load, etc.) of the METCO program, its level of participation, and the quality of this longstanding program.
  - Transportation:
    - Reduce costs by providing transportation or free transportation to fewer students and increase fees (Range of savings: \$30,000 to \$1.67 million)
  - Food Services:
    - Outsource Food Services, both management and labor (Range of savings: \$300,000 to \$1.2 million)
2. Create a Chief Financial Officer (CFO) position and Implement a Long-Term Scenario Planning and Budgeting Process.

While the school administration does an excellent job of accounting, control, and forecasting, the Citizen Advisory Group believes that creating an *additional* Chief Financial Officer position would enable the school system to focus more attention on analysis and in developing and implementing a long-term financial strategy. As the ninth largest school system in Massachusetts and with responsibility for managing a \$160 million enterprise, comprising 55% of Newton’s total expenditures, this is a good investment.<sup>1</sup> The School Department (like most city departments) appears locked into a short-term budgeting process that inhibits its ability to make long-term decisions on funding critical priorities. The current strategic planning process is essential to creating a long-term vision for the school system, but without integrating this plan

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<sup>1</sup> Only Boston, Springfield, Worcester, Brockton, Lowell, Lynn, New Bedford, and Lawrence have more students. Department of Elementary and Secondary Education, 2007-08 data.

into a long-term financial framework, the Newton Public Schools will remain mired in short-term priorities.

### 3. Define Essential Qualities of the Newton Public Schools.

While efficiencies will make a marked difference, ultimately they will not close the gap between the amount of revenue needed to sustain the current breadth and quality of Newton Public School programs and services and the rising costs of areas such as utilities, legal mandates for special education, and health care benefits. Given this reality, the Citizen Advisory Group believes that it is critical for the Newton Public Schools to *make choices* by distinguishing between what is *desirable* and what is *essential* for maintaining a quality school system. While many communities would like the distinction of being the best or a leader among many, we think we should keep our eye on the target of consistently delivering a high quality program in the essential areas.

While there is near consensus about certain parameters, such as the central importance of skilled and dedicated educators, there is less unanimity and inconsistent research findings that support with reasonable certainty, other factors, such as class size. Continued and expanded “education” of the public is desperately needed, especially on the complexity of programs, mandates, funding, and most importantly, the factors that maintain and produce an excellent school system. In particular, the School Committee and the Superintendent need to be clear about what are the markers of high quality that Newton wants to use to judge its progress.

As part of this community education outreach, we think that there needs to be a more thorough explanation of *fixed costs* with an emphasis on how costs, even ones that appear fixed, are a function of past choices and priorities. Teacher load, while contractual in nature at this current time, can change through negotiation. Salaries and the associated steps and lanes are also negotiable. Factors like small class size are not contractual and thus any substantive shifts in class size guidelines could impact the number of teachers and thus the amount of costs that are *fixed* in the short term.

As part of that process, we think the following areas should be reviewed in depth with completely open minds. These are potential levers to use to reduce costs in the face of financial constraints. The School Committee and the Superintendent should answer questions *like* the following:

- Class Size: What are the upper limits of class size that still support quality teaching learning and does it vary across elementary, middle, and high schools? Can class size be increased with minimal effect on education? If so, by how much? We have seen some significant shifts in class size from last year to this year. When can the Newton Public Schools provide to the public, data, in addition to teacher and administrative observations, that show educational trends related to these increases (e.g., achievement, special education referrals)? For example, last year approximately 56% of Newton’s first grade and Kindergarten classes met the target guideline of fewer than 20 students. This year, due to the failed override, approximately 20% of those classes met the target guideline. This is a significant shift in enrollment parameters. Can the Newton Public Schools document both the qualitative and quantitative differences that flow from this

change? The evidence on detrimental effects of larger class size, especially of small increases in class size starting from Newton's current levels, is very mixed at best, and any such deleterious effects can probably be more than offset by making sure that one hires and supports top quality teachers.

- Teaching Loads: As teacher loads increase, educators will have less time per student for feedback and instructional interaction. What teaching loads at Newton's high schools are desirable or essential? We know that communities that have a similar dedication to excellence have, in some cases, similar load configurations. Others, though, have a higher load than academic teachers at Newton's high schools. Would the savings accrued by having higher loads produce gains in other areas of instruction (e.g., elementary schools) without sacrificing essential levels of quality?
- Teacher Compensation and Development: While hiring skilled and talented teachers is central to high quality education, what is done to support the ongoing development of those teachers may be even more critical. What kinds of professional development, administrative supports, and educational collaboration are essential to the growth and development of skilled teachers? Can Newton's strategy for salaries and benefits be modified without endangering our talent pool? While everyone can agree that skilled and dedicated teachers are critical, the specific role of salaries and benefits, class size, student load, student mix, professional development, and working conditions are less understood. Can salary increases be scaled back with minimal impact on hiring and retention? Would increased supervision and collaboration significantly improve teacher satisfaction, retention, and skills?
- Neighborhood Schools: While optimal class sizes and neighborhood schools are desirable in Newton, are both essential to the quality of educational programming? If not, which should have the higher priority? As the Newton Public Schools plans its renovations for elementary and/or middle schools, should it consider having fewer, larger schools? What are the costs and benefits – educationally and financially – of maintaining the current number or reducing the number of school buildings? Can larger schools still nurture smaller learning communities, another goal of the Newton Public Schools?
- Re-Thinking Education: We applaud the efforts of the School Committee's Strategic Planning team initiative. Thinking about how to provide a quality education, both in a period of fiscal constraint and in an era of technological innovation, is critical. This strategic planning process is addressing such important questions as, "What does a child graduating in 2020 need from the Newton Public Schools? What are the key strengths of our school system so that we can let those competencies be a driving force in future decision-making? What could it mean for the Newton Public Schools to be a "permeable" campus?" Recommendations that the Newton Public Schools expand and explore online learning options for pre K – 12 students and use other online resources for students and teachers could have profound implications for the nature and cost of education in the future.

None of the recommendations for increased efficiencies developed elsewhere in the Committee's report will close the gap between the greater rate of growth in expenses compared to revenues in the Newton school system. However, we believe that providing the public with the information, education, and distinctions listed above will result in improved confidence in the leadership and direction of the schools as it makes difficult decisions about the *desirable* and the *essential*. This confidence in turn will improve the likelihood that if elected officials decide to put an override on a ballot, voters might support additional funding for the schools. Educating the public will also provide citizens with a more complete and accurate understanding of the budgetary choices that have to be made in order to protect and acquire the essential and core qualities of the schools that they embrace.

In some ways, our recommendations, especially the ones centered on communication, might cause frustration because it is easy to conclude that the kind of communication we recommend is precisely what has been and is occurring. In our investigation, we did not meet a single citizen who wanted anything but a strong Newton Public School system. However, we did hear sufficient doubt and/or confusion around whether or not the money currently funding the schools was carefully and wisely spent. We also did not sense a deep and broad understanding of how the current educational needs that have not been funded sufficiently in the eyes of the administration were critical and essential to sustaining the quality that they espoused for the schools.

Our report is aimed at shaping a mission that we believe must be undertaken by school leaders in coordination with the School Committee. This boils down to providing a blue print that clearly outlines what is essential to maintaining a high quality educational system.

## 5. CAPITAL INFRASTRUCTURE & PLANNING REPORT (Draft): SUMMARY

The Capital Infrastructure and Planning Committee of the Citizen Advisory Group sought to evaluate (a) the condition of Newton's roughly \$1 billion in physical capital assets and (b) the process by which these capital assets are renewed, maintained, and replaced. We found serious causes for concern in both areas.

The Committee's report elaborates these concerns in great detail. The principal findings can be summarized as follows:

- Newton is spending far too little money maintaining its infrastructure. Capital spending for schools and municipal purposes in FY 2008 was roughly \$13 million, apart from the Newton North High School project. Likewise, maintenance spending was on the order of \$15 million for a combined capital and maintenance spending of \$28 million. This compares with the \$48 million that we estimate is required to keep up with annual needs. If we take these amounts for FY 2008 as typical, they imply an annual gap in combined capital and maintenance on the order of \$20 million.
- In addition, Newton has an enormous backlog of capital spending that has accumulated over the years as a result of infrastructure under-spending. This backlog may be \$300 million or more. (It would be larger if not for the recent investment in Newton North High School.) The financial implications of this number are substantial. If, for example, the City were to try to "work off" only the school building part of this \$300 million backlog (roughly \$220 million) over 15 years, that would require an additional \$14 million per year of capital expenditures. As a result, we believe Newton would need to increase its capital spending so that it averages approximately \$60 million per year for the foreseeable future (the \$48 million in capital and maintenance spending noted above plus \$14 million per year to partially catch up on the backlog).
- Newton's capital planning and budgeting process has features that detract substantially from its effectiveness as a resource allocation tool. To a large extent, Newton lives with a highly incremental, short-term, pay-as-you-go capital planning and budgeting process. It is not guided by either an explicit, long-term vision for the City or formal, analytic buildings blocks. As a result Newton does not have a city-wide master plan with carefully laid out growth projections, level-of-service standards, and capital spending priorities.

Another problematic feature is that that the rolling submissions of capital projects throughout the year deprive budget reviewers, including the Board of Aldermen, of the chance to view individual capital projects as part of a unified Capital Budget and assess the relative importance of different capital projects.

There are other concerns as well: the process is insulated from the general public, contributing to its reactive rather than proactive nature; it lacks an up-to-date inventory of municipal assets and capital asset management plan, which greatly inhibits a preventive maintenance regime; the absence of a "Reserve for Depreciation" account in the City's Operating Budget contributes to the expanding backlog of infrastructure maintenance; capital projects are not evaluated on the total costs over their life cycle; and Newton's historic commitment to setting total debt service to a restrictive "3% of revenues" has

contributed to the City's persistent underfunding of capital investment and reinforced the City's short-term bias in both planning and investment.

### *Choices*

These findings suggest that Newton faces a tough choice with respect to its capital investments:

- Either the amount of capital stock in the City needs be reduced, leaving residents to live with reduced services that utilize significant capital assets,
- Or capital spending needs to be substantially increased to “catch up” for historical underfunding of the maintenance, renewal, and replacement of our physical plant and equipment.

Whatever the decision, it seems quite likely that the schools' physical plant and equipment will loom large in the consideration since about 80 percent of the City's infrastructure is devoted to the schools. So, too, will the deteriorating condition of Newton's roadways.

The Mayor's Office also faces an important choice with respect to capital planning and budgeting:

- Whether to retain the predominantly reactive, short-term, pay-as-you-go approach to capital maintenance, renewal, and replacement,
- Or to commit to a more strategic planning and budgeting process built upon an long-term vision for the City that has been publicly vetted, and linked to a more proactive, multi-year capital budget embodying clear level-of-service standards and capital spending priorities.

It is doubtful that the significant shortfalls in infrastructure funding can be reversed without eliminating shortcomings in the way Newton's capital investment decisions are made.

This Committee is not neutral with respect to these choices. We believe that a commitment to reverse the current underfunding of Newton's infrastructure and re-engineer the capital budgeting process is required for two reasons: to preserve the quality of life in Newton that has taken so many years to build up, and to avoid leaving the younger members of our community with a depleted and worn out infrastructure. In our view, continuing on the current course is inappropriately transferring the costs of capital renewal from older to younger (and future) members of the community.

Whatever our views in this matter, the choice should be clear: either we commit to renewing and properly maintaining Newton's infrastructure as we recommend, or we explicitly plan to cut back our capital stock, along with the scope of services it presently supports.

### *Recommendations*

Of the Committee's eight recommendations, the first three address the attitudes, financial commitments, and administrative processes that define the essence of Newton's capital planning and budgeting policy. Five additional recommendations support and extend these broad

recommendations for change.

1. Increase Annual Spending on Capital Maintenance and Renewal Substantially.

Newton needs to allocate a higher portion of its roughly \$300 million Operating Budget to the maintenance, renewal, replacement of infrastructure required to maintain the quality of public services for which the City has traditionally been known. We estimate Newton needs to increase its combined capital spending and maintenance from \$28 million in fiscal year 2008 (excluding Newton North) to \$48 - \$60 million per year.

In FY 2008, the City's capital investment spending for schools and municipal building, equipment, roadways and public land improvements amounted to \$13.4 million. Our estimate of maintenance spending is about \$15 million. Thus, the total infrastructure spending—gross investment plus maintenance—amounted to approximately \$28 million (excluding the Newton North High School project). We think that a rough but prudent estimate of the spending that would have been necessary to maintain the assets in good working condition is approximately \$48 million, implying a gap between required and actual spending of about \$20 million per year (\$48 M - \$28 M). To be sure, the loss of existing capital through depreciation does not have to be replaced with new investment each year. The City can wait until an asset has deteriorated substantially before re-investing in it or replacing it outright. However, letting the depreciation accumulate over time only delays the needed expenditure. It does not remove it. Further, if the assets are not properly maintained, that depreciation rate will be faster and the day of reckoning will come sooner.

In many ways, we believe that the City is facing that day of reckoning now. Under-maintenance and deferred replacement have left Newton with a weakened infrastructure and a sizeable backlog of needed investment. This backlog includes capital projects with a value of at approximately \$300 million and probably much more. A good guess is that addressing only the school building part of this backlog would require annual expenditures on the order of \$14 million for over 15 years.

Accordingly, to work down the existing backlog and to keep the existing capital assets intact will require expenditures that, in present value terms, are equivalent to annual capital expenditures (gross investment plus maintenance) of about \$60 million (\$48 million for current assets plus \$14 million to address the current backlog). As noted previously, the city can defer the annual expenditures of about \$25 million needed to cover the depreciation on existing assets. If it does, however, within ten to twenty years, an even larger new backlog of capital projects will have accumulated.

The bottom line then is this. Annual capital expenditures of about \$48 million (in 2008 dollars) are necessary to maintain the quality and quantity of public services that the City now provides.

Addressing the backlog of existing projects to restore the infrastructure to earlier levels would require an additional \$14 million annually (again, in present value terms).

This shortfall or gap needs to be considered explicitly throughout the City's capital planning and budgeting processes, and decisions to either close or live with this gap should be reported and explained to residents by the Mayor's Office and the Board of Aldermen.



## 2. Institute a New Capital Investment Rule.

The City needs to establish a Capital Investment Rule to require setting aside an adequate annual reserve of funds to ensure that infrastructure can be maintained, repaired and replaced when necessary. This rule would have 5 components

- a. Determine annually the replacement cost and useful life of Newton's infrastructure.
- b. Each year, set aside in the budget an amount equal to the replacement cost of Newton's infrastructure divided by its useful life in the "Capital Investment Reserve" account.
- c. Draw annual capital investments from this Capital Investment Reserve.
- d. The Capital Investment Reserve cannot be used for anything other than capital investment in existing infrastructure.
- e. Any repayments or amortization of principal of the City's debt are to be "counted" as if invested in the Capital Investment Reserve account.

Only the establishment of this rule can ensure that the City is "saving" for the required maintenance, repair or replacement of each of its capital investments. An example will help illustrate this point. Consider the construction of a new public building costing \$40 million. Assume that this building will last exactly 40 years, after which point it will fall down, but that this building will require no capital investment over the next 40 years. Under Newton's current accounting, no expense will be recognized in the budget for the next 40 years. However, when the building's life expires in 40 years, no funds will have been set aside to deal with the required new investment (at that time, after 40 years of inflation, likely much more than \$40 million!). With the Capital Investment Rule above, the City would deposit \$1 million each year (or more, if the replacement cost of the building increased over time with inflation) into the Capital Investment Reserve. The City would then be able to replace this building after its 40-year life without straining its debt burden. Of course, in reality no building will fall down after 40 years, but neither will a building go 40 years without any required capital investment in repair or maintenance. The Capital Investment Reserve need not build unused for 40 years, but could also be used for this interim capital investment as well. Without the establishment of a rule like this one, there will always be an incentive to defer capital spending in favor of current programs, causing an ever-larger future capital investment liability.

Repayment (or amortization) of the principal of indebtedness could also be considered reserving capital investment for the future. In the example above, instead of setting aside \$1 million each year to "save" funds until a replacement of the building is required, the City could borrow the \$40 million today and repay that loan over 40 years. Then, when the building had to be replaced, a new \$40 million could be borrowed. The City should avail itself of this borrowing capacity where appropriate by reevaluating its so-called "3% rule."

Capital spending in Newton on amounts over \$500,000 has historically been funded by the issuance of debt. This makes sense: the City is matching long-lived capital investments with long-term financing that allows the City to pay for these investments over a number of years. However, until the new high school project, Newton has essentially limited the amount of debt it would borrow to a self-imposed policy that debt service should not be more than 3% of revenues. The 3% policy was originally intended as a placeholder since that was the historical number and no one knew what level of capital spending might be required in the future. However, in the years since 1981, this guideline has appeared in annual capital plans reviewed and approved by the Board of Aldermen

and been accepted by both the executive and legislative branches of city government as both a floor below which debt service should not drop and a ceiling above which debt would not increase. Over the past 28 years, Newton has been true to this policy: annual interest and principal payments on bonded debt have varied little from the 3% of revenue rule.

The application of this rule of thumb has historically led to much lower borrowing in Newton than in other similar communities that also maintain debt rated AAA. Prior to the current fiscal year, Newton's debt per capita was approximately half the level of other benchmark communities with AAA bond rating. This has contributed directly to Newton's underfunding of capital investment. In the last two fiscal years Newton's debt has increased by \$42 million from \$68 million to \$110 million, driven largely by school financing. This brings Newton's current debt service close to 5% of revenues, already a major departure from past practice. But by increasing its debt service to 6% of revenues or even higher, Newton can raise tens of millions of additional dollars to fund capital investment without necessarily jeopardizing its credit rating, although Moody's would need to be the final arbiter on this matter once the full debt burden of Newton North High School is factored in. Significantly, debt service as a percent of revenues for comparable communities with AAA credit ratings was 7.4% in 2007, so some unused debt capacity apparently exists even after the commitment to Newton North. Increasing debt service limits would of course have the effect of spending proportionally more of the Operating Budget on interest and principal repayment and less on other non-capital expenditures until new sources of revenue can be found or developed.

### 3. Introduce New Processes for Prioritizing Capital Investments.

The City needs to develop processes, both for its Capital Improvement Plan and for its capital budgeting, to anticipate and forecast capital spending, and to explicitly prioritize specific projects for the purpose of ensuring that high priority capital projects are funded, and the only funded projects are high priority. (Note, in theory there is no need to set priorities for capital maintenance, because once one commits to a capital project, one also commits to its maintenance.) To this end, the City should seriously consider adopting an Integrated Operating and Capital Budget, because the City's currently separate operating and capital budgets include funds directed to the maintenance, renewal, and replacement of physical capital assets. As a minimum, this integrated budget needs to include capital spending as one or more "line-items" in its annual budget. The City should elevate the importance of a formal Capital Improvement Plan process, and ensure that the resulting Capital Improvement Plan represents City agencies' and residents highest priorities, preferably through a standardized system that is comparable across departments, fact-based, and uses an agreed-upon scoring and weighting process. The City should budget for both planned capital spending (consistent with priorities in the CIP that are known at the beginning of the budget process) and unplanned capital spending. The City should also budget for "unanticipated capital maintenance." Although it may not be clear what capital stock items need to be repaired or replaced at the time the budget is proposed, submitted, or acted on by the Board of Aldermen, it is clear that each year *something* needs to be repaired or replaced. By budgeting a specific amount, the City will avoid the need to defer planned and prioritized projects because of otherwise unplanned exigencies. Finally, building on precedents for village-based or neighborhood-based capital planning in Newton, the City's experience with ad hoc citizen groups, and the positive experience of other communities, the City should consider developing a more decentralized process for establishing and vetting investment priorities before capital projects become high priority funding items in the City's Capital Budget.

4. Complete Detailed Inventory of the City's Stock of Capital Assets.

A necessary first step in long-term capital planning and budgeting is completing an inventory of the City's capital stock and identifying asset maintenance and replacement priorities. The School Department has already done this for its buildings. The rest of the City's capital stock needs to be inventoried in the next year. Many cities hire an outside consultant to catalogue municipal capital assets and evaluate their condition. The resulting report is then updated very five years. The Department of Public Works' new pavement management software looks like another productive step in this direction.

5. Create and Fully Support a New "Capital Asset Manager" Position.

To facilitate the above, the City should create the position of a Capital Asset Manager, reporting to the Chief Administrative Officer or, possibly, a new Chief Financial Officer, endowed with the necessary capabilities and resources to (1) inventory and evaluate the condition of the City's existing capital infrastructure, (2) confirm this Committee's assessment of working off the current maintenance backlog for municipal buildings and infrastructure and putting the maintenance and replacement of municipal facilities back on an economic basis, (3) develop a system to quantify the cost of delaying maintenance, (4) monitor the progress and costs of systematic capital asset renewal, (5) validate or reject the accuracy of the data submitted by department heads and citizens groups in support of new or contested capital projects, (6) conduct cost-benefit analyses of alternative or competing capital investment projects, (7) assist the chief budgeting officer in regularly comparing the fully loaded costs (including overhead, worker's compensation, pension, benefits, etc.) of internally provided services with the costs of outsourcing these same services to external suppliers, and (8) help the Mayor prioritize capital requests and needs of the City on a purely financial basis.

6. Adopt Life Cycle Costing for All Significant Capital Projects.

The City has a long history of focusing only on "first costs." As an antidote to this shortsighted focus, the economics of all significant capital investments should be assessed using life cycle costing. Life cycle costs are the anticipated expenditures for each stage in the life of a facility and its components. They include capital investment costs, financing, operations and maintenance, repair and replacement, facility alterations and improvements, and functional use costs. Life cycle costing is a critical step in ensuring better-managed operating expenses over the life of a building or any other capital asset. What can seem like a large expense in vetting full life-cycle costs of large projects can in fact save the City money over the long run. The adoption of life cycle costing requires political will because normal political processes tend to promote and reinforce a short-term time horizon in matters of capital spending.

7. Harvest Short-Term Savings from Increased Attention to Capital Renewal and Maintenance.

There are a number of possible efficiencies in the way Newton invests its maintenance and renovation dollars. While these will not solve the chronic and critical underfunding of capital projects in general, they illustrate the kind of savings that could flow from increased attention to renewal and maintenance of the City's capital issues. As a first example, it makes sense to replace all boilers in City buildings that have a lower life cycle cost with a replacement boiler. Currently, only boilers that fail are being replaced. Second, it also makes sense to upgrade boilers to run on natural gas so the City has the option to switch from oil to natural gas depending on which fuel is cheaper. Third, any major municipal renovation or new building should be required to meet Energy Star rating to reduce overall energy expenses over the life of the buildings. Fourth, the City should invest in software that will allow more effective management of infrastructure and associated costs, thereby improving prioritization and deferred costs (as the DPW is currently doing with its new pavement management software program). Fifth, given that regular maintenance can often prolong the life of capital assets, it would serve the City well to support this effort by bringing together all maintenance under the supervision of one manager to better control costs and to prioritize work.

8. Consolidate Municipal and School Maintenance in the Public Buildings Department.

Under the current system of managing the upkeep of City buildings, maintenance responsibilities are split between the Public Buildings Department and the School Operations. The Public Buildings Department is responsible for all maintenance of municipal buildings (City Hall, libraries, office buildings, and other facilities), while school maintenance is conducted by both Newton Public Schools' Operations and the Public Buildings Department. (This process is detailed in full report.)

As a result of this split process, maintaining accountability and control of costs is extremely difficult. By bringing all of the maintenance under the Public Building Department's responsibility, the City can realize many benefits including; (1) scheduling efficiencies, (2) better assessment of which projects to outsource, (3) greater accountability, (4) better scheduling control, (5) better effectiveness through eliminated process redundancies, and (6) greater ability to prioritize. This consolidation will also enable many of the previous recommendations to be implemented and maintained much more effectively than under the current configuration.

While on the surface it may appear that the School Department would lose control of its maintenance work, it would actually enable greater control because all accountability and responsibility would lie with one manager (the Public Buildings Commissioner). Under the current situation, there is very little control by the Newton Public Schools despite what may be perceived. Of course, it will be important to identify performance metrics and goals to ensure that the Public Buildings Department has the ability to prioritize and manage the maintenance of the school facilities in line with the specific goals of the School Department.

*Caveats*

While we are confident that the "big picture" drawn by our findings is reasonably accurate, there are two qualifications that should be noted at the outset. First, our quantitative assessment of the city's current stock of capital assets and the spending to maintain and renew those assets is a

very rough estimation. The truth is that Newton does not currently keep an up-to-date inventory of the condition and extent of its capital assets. Indeed, it is absolutely critical that the City allocate the funds necessary to develop such accounts. Without a systematic evaluation of its capital assets, rationalization of Newton's infrastructure planning is impossible. Our second qualification is equally straightforward. It is that readers should understand that the investigative work of our Committee did not address the City's water and sewer operations and capital budgeting, since the maintenance and renewal of these assets are funded separately from the rest City's physical capital structure by a combination of user fees and State grants.