

Mayor Ruthanne Fuller  
City of Newton  
FY2021 Budget Address to City Council  
May 11, 2020

I'm so glad to see all of you tonight even though we are not together in the Council Chamber.

This certainly is a trying time for all of us in Newton.

Under the dark shadow of COVID-19, we are facing illness and infection, death and grief, job loss and financial distress, anxiety and loneliness.

At the same time, thank goodness, we are witnessing stoicism and strength, kindness and generosity, support and togetherness.

While we are still surrounded by significant uncertainties about the duration and depth of this health crisis and the timing and sequence of restarting the economy, spring has sprung, the curve is flattening, stores are beginning to reopen, our Newton Public Schools teachers connect and engage, and we can see glimmers of the other side of this crisis.

In the midst of all of this, I needed to craft a Recommended Budget for our honorable City Council.

In the end of February, just a few short months ago, I put the finishing touches on the Proposed Budget for our next fiscal year which runs from July 1, 2020 to June 30, 2021. I met with members of the City Council and School Committee to share how we would invest in new initiatives and ongoing operations to achieve Newton's goals.

Then, the world shifted. The pandemic arrived. Businesses were shuttered. Most of us stayed home.

I present tonight this Recommended Budget for Fiscal Year 2021 of \$439.5 million in the operating budget, \$57.4 million in water, sewer and stormwater enterprise funds and \$4.7 million in Community Preservation Funds. The operating budget is \$9.3 million or 2.15% more than the FY2020 Budget but \$9.6 million lower than the one I had expected to present ten weeks ago.

This Budget is built on a strong foundation. Because of the careful stewardship of this City by Mayors, City Councilors and Aldermen over many years, the City of Newton is in a position to help our residents and businesses weather this crisis, offer assistance to those who are suffering from food and housing insecurity, teach and reach our students via computers and cell phones, help our older residents who are alone and lonely, preserve our core services and make sure our employees are healthy and safe.

Our team has been judicious in our spending and investment decisions during my two and half years as Mayor so we could accomplish three goals simultaneously:

- First, move forward to achieve our shared goals which include excellent schools, first-rate public safety, outstanding services, better streets and sidewalks, new and renovated school buildings, up-to-date facilities, and a vibrant community;
- Second, fulfill obligations made by prior Mayors and City Councils that we have not yet funded sufficiently, including those to our current employees for the future retiree benefits and to our employees who have already retired; and,
- Third, protect the City's financial strength and budgetary flexibility to face evolving and sometimes unpredictable conditions and risks, such as COVID-19.

In this Recommended Budget, important initiatives and investments are postponed but the City of Newton's financial situation remains strong and resilient.

Budgets are always a reflection of values. This one is too. Our essential services are protected now and for the coming years. Teachers will be teaching, police officers will be in their cruisers and fire fighters in their trucks, snow will be plowed, potholes fixed, and trash collected. Human services for our older and vulnerable residents will be provided.

This is a realistic budget and takes into account a lot of bad news. Jobless claims in Massachusetts by the end of April topped 893,000 or 24% of the labor force. The unemployment rate which was at 2.8% in February, now in early May is closer to 27%. We also know worse outcomes may be ahead. The Commonwealth might be forced to cut aid to cities and towns. Some of our property owners simply may not be able to pay their property taxes. The virus might reemerge ferociously so restaurants, shops, hotels, universities and colleges take a second serious hit. Thus, we will have to continue to stay nimble, responding to these changing economic conditions by holding back on some spending and providing even more assistance to those in need.

Yet, this is not a time to feel hopeless. Our City is rock solid.

This Recommended Budget is still larger than last year's. We did not have to cut into the bone.

This Budget defers investments and initiatives until revenues rebound. But these are dreams deferred, not dreams dashed.

This Budget preserves our core services and helps those who are suffering.

While some part-time employees are on furlough and City Hall is currently closed to the public, we are open for business and have kept our full-time employees working and productive.

The crisis showcased our flexibility, our creativity, and our heart. Employees across our departments have stepped up, moved around, leaned in and helped out.

COVID-19 has shown that making decisions based on the best expertise and data available and leavened with compassion, that preparing for emergencies ahead of time and having an incident command structure already in place, and that communicating frequently and speaking plainly helps when the unimaginable becomes our new reality.

The pandemic has reinforced our commitment to our shared core values of acceptance, respect and diversity. In this time of great stress and distress, we clearly and forthrightly say that Newton is committed to being a welcoming City that embraces all our residents and those who are a part of our Newton family — including NPS students who live out of district and employees who support our city. We embrace all in our family — diversity is our keystone and another heartbreak during this time is the intolerance and hate we have seen, including toward the Asian community in our city. We must stand together in Newton.

Let me turn to the Budget itself. Tonight, I am going to focus only on a few key points. I look forward to joining the Councilors for a Committee of the Whole in the coming days to discuss the important details.

The City would have had revenues of more than \$75 million from sources that are now potentially impacted by the pandemic. These include revenues from the Commonwealth such as the \$25 million of State Education Aid (also known as Chapter 70) and the \$6.4 million of Unrestricted Government Aid. Other revenues for the City stem from expenditures by people in hotels and restaurants which leads normally to \$4.5 million in Rooms & Meals Tax Revenues, on

new vehicles which is reflected in the \$13.5 million in the City's Motor Vehicle Excise Tax Revenue, and shopping in village centers and driving in Newton that shows up in \$1.3 million in Parking Meter Collections and \$1.3 million in Parking Violation Tickets. The City would have anticipated \$2 million in interest income but interest rates decrease in down economic cycles. Thus, the partial shuttering of the economy will negatively impact many revenue sources with our current projections showing a reduction of \$9.55 million in City revenues compared to what we were assuming just ten weeks ago.

To deal with this projected reduction in anticipated revenue, we created a multi-pronged plan. We intentionally built a conservative Budget as we know it is easier to relax spending constraints during the course of the year if revenues are higher than anticipated, than to scramble to make cuts if we experience a shortfall. We judiciously reviewed each and every line item, including vacancies, fixed costs, discretionary expenditures, and capital investments. We slowed or stopped spending except on necessary expenditures. We are only filling open positions that are critical and have revised our plans for future new hires. We adjusted our departments' budgets based on strategic decisions, prioritizing key services, including spending to address the pandemic. We worked closely with the leaders of the Newton Public Schools to determine the appropriate budget adjustment to our largest department while continuing our deep commitment to teaching and learning. We have also paused many major capital projects, except those for which we have already received funding, or those that are crucial to the operations of the City. We will monitor our revenues and expenses frequently in the months ahead, with close analyses of budgets-to-actuals and are prepared to make any adjustments, if necessary.

What are some of the major changes from the Budget we had prepared ten weeks ago?

We are forgoing \$2.5 million of spending on our roads from this year's Free Cash to soften the impact of the reduction of the \$9.6 million in revenues.

This left us with another \$7.1 million in expenditure reductions to make in order to balance the budget.

I am deeply committed to the delivery of an excellent education to our students by the Newton Public Schools (NPS), perhaps the single most important municipal service as education is a bedrock value of our community. I continued a significant commitment to NPS in the City's Fiscal Year 2021 Operating Budget of \$243.1 million, an increase of 2.9% or \$6.8 million. I am grateful that the Newton Public Schools agreed to adjust their FY2021 Proposed Budget by \$1.5 million compared to ten weeks ago.

The Newton Public Schools found two ways to manage the lower allocation. NPS is using \$1 million in savings from this spring when in-person teaching and learning stopped suddenly. These savings include, for example, lower costs for utilities and transportation. In addition, NPS will reduce the scope of summer facility maintenance projects at our school buildings by \$500,000, which are needed but can be deferred.

I also turned to our pension system. We have promised our employees that when they retire, they will have pensions and health insurance; I will honor the promises our City has made. I met with the Newton Contributory Retirement Board of Trustees in April and requested a one-time adjustment to the Newton Pension Funding Schedule, an increase by the City of \$1.4 million or 4.8% rather than the \$2.8 million or 9.6% increase that I had recommended ten weeks ago. On April 22, 2020, the members of the Newton Retirement Board approved the motion unanimously. Notably, full funding of the pension system will stay on track for 2030 with this \$1.4 million contribution.

I also turned to the expenditure budget for the municipal departments. Every effort has been made to develop an expenditure budget that addresses projected operating requirements of the various departments of the City for the next fiscal year while being mindful of the complicated, unprecedented times that we face. In all, I decided on \$4 million in budget adjustments by the municipal departments.

Naturally one of the places in municipal operations that we had to evaluate was personnel. The costs of salaries and benefits comprise 74% of municipal costs once we set aside retiree benefits, debt service and state assessments. Funding the appropriate number of employees to provide City services, keep Newton safe, improve streets, sidewalks, and mobility as well as public buildings and infrastructure, cultivate economic, artistic and cultural development, plan for Newton's future, make Newton more "all age" friendly, address climate change, and provide appropriate financial and administrative staff to support the operations of the City continues to be critical.

This Recommended Budget contains no layoffs of permanent, full-time employees. But we have made many adjustments to the number of positions that will be funded. For Fiscal Year 2021, we have proposed the creation of only a few new positions while eliminating historically vacant positions and putting many other open positions on hold for either six months or a year. Thus, we will begin Fiscal Year 2021 with 19 fewer full-time equivalents in the budget but, to repeat, with no layoffs of permanent, full-time employees. Last month, I did make the difficult decision to furlough approximately 100 positions of part-time employees who had not been working due

to COVID-19. In total, these personnel decisions have yielded approximately \$1.3 million of the \$4 million in budget adjustments by the municipal departments.

A series of other changes in the municipal departments account for the other reductions. For example, we trimmed the use of consultants and new computer purchases. We tightened up on overtime opportunities. We deferred buying vehicles and equipment. We suspended Sunday hours at the Library. We delayed investments in playground equipment. We postponed some work on fields. We skipped this summer's community flowerpots.

One of the most important decisions I have made is to not dip into the City's Rainy Day Stabilization Reserve Fund. Although we are currently experiencing unprecedented and tremendously uncertain times, and we know "it is raining, and raining very hard," we do not yet know what is ahead of us. We may be facing a deep and protracted crisis. We have maintained this Fund to help us absorb any additional reductions in state aid and revenues, catastrophic weather events that may happen within the next year or two, and most notably, the economic impact of a new surge in Coronavirus cases that many predict will happen. Instead, we chose to address the current revenue decreases in the Fiscal Year 2021 budget. We are saving the Rainy Day Stabilization Fund for the "unknown unknowns" that may confront the City in the coming months and years.

One of my priorities is to maintain and improve the City of Newton's infrastructure. Our school buildings, police and fire stations, parks, library, roadways, and emergency and public works vehicles are some of the many assets that require regular replacement and maintenance to continue to meet the needs of this active city.

The submittal of the Supplemental Capital Improvement Plan which accompanies the Recommended Budget comes at a very difficult time. The financial impact to our current 2020 fiscal year City of Newton's revenues and expenditures from the COVID-19 economic shutdown are already significant. This impact will continue to be felt not just in Fiscal Year 2021 but also for at least the following year, Fiscal Year 2022.

My highest priorities during this challenging time are to protect our core municipal and educational services, assist vulnerable residents and businesspeople, and safeguard the health and safety of our employees.

As a result, the City is not in a position to commit to significant capital investments, often funded with bonds that require payments over many years, given the financial risks the City faces currently. I have made the disappointing but necessary decision to delay or put "on hold"

most capital improvement projects and investments for now. Only those with funding in place or those that are the most critical will move forward at this time.

Another aspect of this Budget is that it supports the needs that the COVID-19 emergency has created in our community, an additional critical goal. The City has a comprehensive approach to address public health, to assist residents with food support, to support small businesses impacted by the shuttering of the economy, and to help vulnerable residents with temporary rental and mortgage assistance. To pay for these programs, we are using \$1 million from Free Cash approved by the City Council for emergency response, \$200,000 in state grants to Newton Health & Human Services, \$1.1 million in new federal Community Development Block Grant (CDBG) Program funds and \$578,393 in federal Emergency Solutions Grant (ESG) Program funds from the U.S. Department of Housing and Urban Development resulting from the federal CARES Act. We expect \$500,000 of the new CDBG funding to supplement the Community Preservation Committee's recommended allocation of \$2 million in Newton Community Preservation Act funding for an Emergency Housing Assistance Program for rental and mortgage assistance.

While not a part of the Budget, let me also speak tonight about how we are now fully engaged in re-opening planning for the City and in each department. Each department is creating a plan for work operations, the use of personal protective equipment (PPE), changes if needed in physical spaces, cleaning requirements, technology use, transportation, etc. The needs of employees will be paramount with training expected. Health monitoring considerations are also being explored. Some of the principles that are guiding our efforts are how each department will:

- Maintain a physical distance of 6 feet or more between everyone – employees and the public
- Make sure hand hygiene is practiced with the use of soap and water as the preferred method when possible
- Clean, especially high touch surfaces
- Use face coverings which are required when physical distancing is not possible
- Maintain strict medical confidentiality for all, both staff and members of the public

These plans will be reviewed by the Health and Human Services staff, Human Resources, and the Emergency Management Director and shared with our employees. We expect the plans to be fluid as we learn more and adapt to the virus itself.

A few thank yous are in order. Maureen Lemieux, Jonathan Yeo and our department heads developed not one but two budgets. We finished our first one at the end of February. We put the finishing touches on our second yesterday. While coping with stresses in their own lives, they put the City of Newton front and center and I am so grateful.

I also want to thank the army of City of Newton employees who have helped the sick and the suffering in the last ten weeks and reimagined how to deliver education and services in a safe way to our residents and businesses. Newton Public School teachers and staff, Health and Human Services public health nurses and social workers, ISD inspectors, Police and Fire First Responders, Human Resources employees, our City lawyers, employees from Public Buildings, DPW, Parks, Rec and Culture, and Planning, our City Clerk, Treasury, Purchasing, Assessing, FIS, Comptroller and IT staff, our librarians and historians, our Senior and Veteran Services folks: you make me proud.

In closing, we are facing this adversity together as a community.

We have risen admirably to the responsibilities it required.

We stay home.

We wear masks.

We keep 6 feet apart.

We wrap those in mourning in our virtual embrace.

We give in big ways and small if we can and raise our hand for help when needed.

We may grow tired as the impact of COVID-19 on our lives and livelihoods may last for years. Reopening and recovering will be difficult. Waiting to rebuild schools and repave streets will be frustrating.

But we Newtonians will bring our sense of purpose, determination, compassion and togetherness to our work in the years ahead.

Each of us individually and all of us together have made Newton strong and good. Stay apart for a while longer so we can be sure that we will be together sooner rather than later.