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## HOW TO USE INFORMATION IN THE BUDGET BOOK

The budget book can be split into three broad sections:

1. High level overviews of the City's operations and expenses. This includes the Mayor's Summary highlighting key strategies and guidelines to achieving financial stability, a synopsis of the City's different funds, and personnel comparisons across multiple years.
2. In-depth information detailing each of the City's 22 municipal departments' achievements and goals, organizational structure and the expenses associated with their operations.
3. Activity in all the other areas of the City, including grants, enterprise funds and the School Department. This section also gives detailed personnel information for each employee by department.

All municipal departments have a number of cost centers reflecting the activity that occurs within each one. Each cost center is represented by a unique seven digit budget code broken down as follows:

Example: 01 101 03

- 01: The first two digits represent the **fund**.  
101: The next three digits represent the **department**.  
03: The last two digits represent the specific **cost center** within the department.

In this case, 01-101-03 is the budget code for the Archives Management office (the cost center) in the City Clerk's department (the department), which is part of the general fund (the fund).

See below for a full listing of the different funds and departments and their corresponding numbers:

### FUND

01	General Fund
15	CDBG Grant Program
21	CPA Fund
26	Stormwater Management Fund
27	Sanitary Sewer Fund
28	Water Fund

### DEPARTMENT

101	City Clerk
103	Mayor's Office
104	Comptroller's Office
105	Purchasing
106	Assessing
107	Treasury
108	Law Department
109	Human Resources
111	Information Technology
114	Planning and Development
115	Public Buildings
118	Financial Information Systems
201	Police Department
210	Fire Department
220	Inspectional Services

## DEPARTMENTS (CONT'D)

401	Department of Public Works
501	Health & Human Services
502	Senior Services
503	Veterans' Services
601	Newton Free Library
602	Parks & Recreation
603	Historic Newton

## ACCOUNT NUMBERS

Similarly, there is a specific purpose to the nomenclature associated with each of the City's specific account numbers.

- 51xxx All Account numbers beginning with "51" represent expenditures associated with salaries, wages and other compensation.
- 52xxx – 56xxx All account numbers beginning with "52" through "56" represent expenditures associated with normal operating expenditures.
- 57xxx All account numbers beginning with "57" represent employee reimbursement and employee benefits.
- 58xxx All account numbers beginning with "58" represent debt service and capital expenditures.

	ACTUAL FY2016	ACTUAL FY2017	AMENDED 2018	YTD 4/12/2018	RECOMMENDED 2019	CHANGE 2018 to 2019	
<b>0111402 - CONSERVATION</b>							
<b>PERSONAL SERVICES</b>							
Salaries and Compensation	511001	63,477	65,135	118,853	75,161	128,244	9,391
	514001	0	0	0	0	750	750
	515005	0	0	0	350	0	0
	515102	500	500	1,000	500	500	-500
	<b>TOTAL PERSONAL SERVICES</b>	<b>63,977</b>	<b>65,635</b>	<b>119,853</b>	<b>76,011</b>	<b>129,494</b>	<b>9,641</b>
<b>EXPENSES</b>							
Normal Operating Expenditures	5341	447	936	1,000	93	1,000	0
	5342	0	83	100	0	100	0
	5420	0	145	200	195	200	0
	5730	148	0	700	135	700	0
<b>TOTAL EXPENSES</b>	<b>595</b>	<b>1,164</b>	<b>2,000</b>	<b>423</b>	<b>2,000</b>	<b>0</b>	
<b>FRINGE BENEFITS</b>							
Benefits and Employee Reimbursements	57DENTAL	0	0	0	71	226	226
	57HLTH	0	0	6,278	0	0	-6,278
	57MEDA	938	1,030	976	1,101	1,878	901
	57OPEB	0	0	3,863	0	0	-3,863
<b>TOTAL FRINGE BENEFITS</b>	<b>938</b>	<b>1,030</b>	<b>11,117</b>	<b>1,172</b>	<b>2,104</b>	<b>-9,013</b>	
<b>DEBT AND CAPITAL</b>							
Debt Service and Capital	5841	92,462	57,026	25,000	0	25,000	0
	<b>TOTAL DEBT AND CAPITAL</b>	<b>92,462</b>	<b>57,026</b>	<b>25,000</b>	<b>0</b>	<b>25,000</b>	<b>0</b>
<b>TOTAL CONSERVATION</b>	<b>157,972</b>	<b>124,856</b>	<b>157,970</b>	<b>77,606</b>	<b>158,598</b>	<b>628</b>	

# CITY OF NEWTON

## FINANCIAL MANAGEMENT GUIDELINES

### Financial Principles

On April 20, 2011 the Honorable City Council adopted a revised set of Financial Management Guidelines. There are several guiding principles that are incorporated into these guidelines which have been included as an integral part of the Fiscal Year 2014 Budget. These guidelines include the following:

- **Long Range Financial Planning:** The City will follow financial planning processes that assess the long-term financial implications of current and proposed operating and capital budgets, budget policies, cash management and investment policies, and programs.
- **Revenue Budgeting:** General Fund revenue budgets are expected to capture 99% of total expected revenue for the year.
- **Expenditure Budgeting:** Expenditure budget estimates will strive to be sufficient to address not less than 100% of projected operating requirements of the various departments of the City for the next fiscal year. It is anticipated that this guideline will take 2 to 3 years to fully implement.
- **Capital Outlay and Improvements:** It is the practice of the City to issue a minimum of \$3.5 million in bonds for capital improvements annually; financing for the associated debt service will come from the General Fund. A minimum of 5% of the annual General Fund operating budget will be budgeted for capital outlay and improvements.
- **Free Cash:** Free Cash represents the accumulated difference of unrestricted funds between General Fund revenues and expenditures, on a cash basis of accounting. The City expects to generate a limited amount of Free Cash which comes from unanticipated actual revenues in excess of revenue estimates (including overlay surplus), unexpected unspent funds in operating budget line items, and/or unanticipated unexpended free cash from the previous year.
- **Utilization of Free Cash:** It is the intent of the City to use Free Cash in the following manner, understanding that this will take a number of years to implement fully. First, a maximum of \$1.5 million will be used as a general revenue source for the ensuing year's operating budget. Second, Free Cash will be used to replenish Reserve Funds depleted in the previous year. Third, a minimum of forty percent (40%) of the remaining certified Free Cash will be put in the Rainy Day Stabilization Fund until the Rainy Day Stabilization Fund reaches its target level. Fourth, any additional Free Cash will be used for one-time, non-recurring expenditures. In unusual economic circumstances, an additional portion of Free Cash may be used for the ensuing year's school or municipal operating budget.
- **Inclement Weather Stabilization Reserve:** The Administration intends to establish an Inclement Weather Stabilization Reserve Fund which will be used for unusual (but not extraordinary) weather related costs in departments such as Public Works, Parks and Recreation, Police and Fire. For example, such costs may stem from floods, an unusual number of winter storms, or an unusual level of snow or ice. The goal of this reserve fund is to make sure monies are set aside for unusual weather conditions.

- **Rainy Day Stabilization Reserve:** The Rainy Day Stabilization Fund will be used when the City faces a multiple year economic recession or a rare, catastrophic expenditure. These funds may be utilized to assist in addressing cyclical declines in operating revenues, generally resulting from economic factors outside the control of the City, or an unusually large expenditure resulting from a rare legal settlement or catastrophic weather event. The primary reason for the segregation of such monies is to prevent these reserves from being used for unrelated City needs, and to demonstrate that resources are in fact being set aside specifically for extraordinary and unforeseen revenue disruption or catastrophic expenditure need.
  
- **Debt Management Policy:** Massachusetts municipal finance law limits the total amount of long term debt that the City can incur for most purposes to not more than 5% of the City's equalized valuation (taxable value of the real estate tax base). The City's current (October 2016) equalized valuation is approximately \$26 billion, which means that the current statutory debt limit is approximately \$1.3 billion. In addition to the statutory debt limit, the City of Newton has a self-imposed policy of limiting debt service on long term bonded debt to between 4.0% and 7.5% of the annual General Fund budget.