



City of Newton, Massachusetts Mayor's Proposed Budget Fiscal Year 2016

CITY OF NEWTON, MASSACHUSETTS

Setti D. Warren, Mayor

21 April 2015

City of Newton, Massachusetts
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Setti D. Warren, Mayor

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Robert DeRubeis, Comm, Parks & Recreation
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Lisa Dady, Dir, Historic Newton

School Administration

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21 April 2015

To: The Honorable Board of Aldermen
Newton Residents and Taxpayers

When I delivered our State of the City address last month, I mentioned that we have to think big, not just about making the right decisions for today's citizens, but for those that come after us, 20 to 30 years from now. To do this we must ensure our finances, infrastructure, environment, education and public safety meet the needs of our residents now and in the future. We also can't be afraid to make tough decisions to move our City forward.

We owe it to those who came before us who did the same. We know the demographics of our city will continue to evolve now and in the future. More families with children want to move to Newton to take advantage of our excellent education system and the growing senior population would like to stay in our city because of our great quality of life.

This year's FY16 budget represents the tremendous progress we have made in the last five years as well as the great course we have set for the next 20 to 30 years. The long-term capital needs of our education system and the need for community space have been a priority for our administration as outlined in our capital plan. We have made fantastic strides in addressing the needs of our students in the next five years with major elementary school projects that are on time and on budget.

These include the Carr School, which is now fully renovated and operates as swing space; the Angier School, which opens at the beginning of 2016; the Zervas School, slated to open in the fall of 2017 and Cabot, scheduled to be completed and open in the winter of 2019. We know that in the next five years we need to address the needs of our growing preschool program, renovate the Lincoln Eliot School and establish a space for a community center for all ages.

In recent weeks the owners of the Aquinas property in Newton made it clear to the City that the land on Jackson Road was back on the market and available for sale. As a result, I am pleased to share that we have reached an agreement to purchase the property for \$15,750,000, contingent upon affirmative vote of the School Committee and two thirds of the members of the Honorable Board of Aldermen.

This acquisition will enable our city to consolidate our growing preschool program into one site at Aquinas and provide a renovated, new site for the Lincoln Eliot School at Aquinas. The current Lincoln Eliot School would become swing space after completion of the Cabot School in 2019 as we continue work renovating our schools over the next twenty years. This move will allow us to move the Horace Mann School into the newly renovated Carr School and use the current Horace Mann for needed space for programming for our youth and the creation of an intergenerational community center and space for Parks

and Recreation year-round activities and programming. Equally important, it would also allow us to accelerate the capital program for the schools and City at a lower cost.

We will be docketing a detailed signed letter of intent to purchase the Aquinas property for School Committee and Board of Alderman approval in the coming weeks. This is a very exciting opportunity that has presented itself to the Administration within the past few weeks, one that is cost effective and efficient. If approved by both bodies, we believe this will dramatically alter our opportunity to address the needs of preschoolers, students, educators and parents in Newton for the next 20 to 30 years.

Through collaboration with the Chairman of the Aldermanic Finance Committee, the Comptroller, members of the Board of Aldermen and the Administration, the rainy day fund, which did not exist in 2010, has reached its goal of 5% of the total operating budget for FY 2015. The current fund balance is over \$17 million dollars. The City intends to continue to contribute to the fund each fiscal year to maintain the target goal of 5% of the annual operating budget.

Although the City had been willing to extend plans to fully fund its Retirement System to 2038, when leaders were dealing with the financial crisis of the structural deficit, financial sustainability required more. Therefore, the City of Newton Contributory Retirement Board, with full support from the Administration, voted to implement a funding schedule, which will fully fund the Newton Retirement System by the year 2029, shaving 9 years off the prior plan. The FY 2016 Budget includes an annual increase of 8.5% in support of this decision.

When we first took office, the City established an Other Post-Employment Benefits (O.P.E.B.) Liability Trust Fund and then established an OPEB Trust Agreement for the purpose of providing an irrevocable, dedicated trust fund as a vehicle to make advance contributions for OPEB benefits. We developed a plan where we would set aside a certain percentage of the salaries of all newly insured employees, a plan that would grow exponentially. What started with a meager appropriation of \$137,000 in FY2011 has now grown to a \$1.4 million appropriation in the FY2016 Budget. For the next 15 years the City will continue to increase the percentage of funds set aside and the number of employees involved, and will continue the policy of “pay as you go” for employees and retirees hired prior to July 1, 2012.

All of this will change in the year 2029. With the projected full-funding of the Pension Plan, the City will then be able to focus on repurposing pension liability appropriations to the O.P.E.B. Trust Fund, creating a viable, sustainable financial model by which to fully fund our O.P.E.B. Costs.

In January of 2015, the City of Newton once again earned a “Aaa – Stable” rating, the highest possible, from Moody’s Investor Services. Particularly noted in the rating was the City’s strong fiscal management.

As we have stated, part of our zero-based and outcome-based approach to the fiscal management of this City, has been to question all expenditures to determine whether or not we can find a more cost effective way to accomplish the same outcome. Prior to our taking office, the City had never done an advanced refunding of any of its bonds. Two years ago there were certain bonds that made sense to refund and consequently we saved the City more than \$400,000 in interest payments over the remaining life of those loans. This year I am pleased to announce that we had a very successful refunding of \$20 million of bonds that had been sold in 2006 and 2007. This action will save more than \$2 million in interest payments over the next 11 years.

Our administration has continued to be committed to a cleaner environment as well as saving taxpayer money. Since 2010, we have added 820 Kilowatts of solar power on school and municipal buildings throughout the City. Our energy projects will save the City over \$600,000 in FY 2016 and over \$12

million over the course of the next 20 years. Currently, the City is involved in plans for Phase 2 of these projects that will more than double these savings. The City of Newton has also received \$800,000 in energy rebates from Eversource (NSTAR) and National Grid for energy efficiency projects implemented in 2014.

Increasing the commercial tax base and economic vitality are critical for Newton's future. The Chestnut Hill Square project, now complete, generates more than \$1 million annually in additional property tax revenues to the City. The Administration continues to work closely with the Honorable Board of Aldermen to facilitate the successful completion of several other development opportunities including Austin Street, the Atrium Center, and Riverside. Additional economic development initiatives that will be active in FY16 focus on two major regional partnerships we have built – the N2 Corridor with the Town of Needham, which includes both Needham St. and Wells Avenue, and the Charles River Mill District with Watertown and Waltham, which includes the Chapel Street business district. We believe that the innovation sector and entrepreneurship are major growth industries for the future. In addition to attracting and retaining these businesses, we will also focus on transportation improvements supporting both areas as innovation corridors.

We know unparalleled public safety is incredibly important in making Newton what it is today. We are pleased to report that the Fire Station 10 renovation project will be complete July of 2015 and the Fire Station 3 project is on time with a projected completion date of spring 2019. And, in this year's budget, we add two police officers to meet our multi-year staffing requirements to keep our streets and villages safe.

Reducing traffic congestion is important in improving the quality of life in Newton. This summer we will start work on upgrading 17 traffic signals and intersections with smart technology to improve traffic flow in all parts of the city. We will complete eight intersections during FY16 in strategically identified locations in Newton.

We know we must continue to repair streets and sidewalks after many years of neglect. We have paved 50% more roadway each year than we had when I took office in 2010, and repaired 131% more sidewalks. We will meet the same commitment in this year's FY16 budget.

Through the work of our aggressive Inflow and Infiltration program, the City has already saved \$1.5 million in MWRA sewer charges. In the next fiscal year alone, we will see an additional \$2 million in savings. We will continue to aggressively pursue this program and find savings for the City.

Since 2010, our administration has implemented a zero-based approach to budgeting and has adopted outcome-based budgeting for all city departments. As a result we have saved millions of taxpayer dollars and have achieved great outcomes for our residents in the last 5 years.

This year, the City has taken the next step in data-driven decision making, with the launch of the new DataStat Newton program. This program will track on a monthly basis everything from recycling rate and number of potholes filled, to auto-pedestrian accidents and changes in our commercial tax base. On a monthly basis, our administration will meet collectively with all City Department Heads to review the data and use the information to inform decision making on each of our budget outcomes. These items and hundreds of other metrics will be tracked regularly and posted on the City's website. In addition to increasing transparency, this new program helps ensure that the City is addressing the needs of the community and identifying problem areas as quickly as possible. DataStat Newton is currently available on our city's website, www.newtonma.gov.

Finally, as I said earlier this year, Newton must continue to promote the innovation economy that encourages economic growth and will increase our commercial tax base. This is our vision for Newton, but to achieve any of this will require proactive planning. We need more diverse housing options in Newton. We have set a goal to achieve at least 10% affordable housing by 2021.

We know that in order for Newton to continue to be successful it needs to be a place where our increasing senior population can not only age in place but continue providing meaningful contributions to our community. Newton needs to be a place where my children and yours can afford to settle if they wish. Newton has to be a place that welcomes diversity and a place where those who work here — our teachers, our firefighters, police officers and municipal workers can also live and raise their families. Newton must provide our most vulnerable residents (and others to come in the future) with the support and programming that will allow them to get an education, find a job and achieve financial sustainability.

Newton has to continue to create a pathway to the middle class and beyond for all of our citizens. In order to make this happen, next month we look forward to filing a project proposal for the Austin Street development. In addition, in the coming weeks we will file four specific policy proposals for discussion with the Honorable Board and our citizens, to accomplish the following:

- 1) grow opportunities for our city employees to attain affordable housing in our city;
- 2) consider ordinance changes to allow accessory apartments geared toward seniors;
- 3) increase the inclusionary housing requirement to 20% and expand it in order to increase Newton's middle class; and lastly
- 4) adopt 40R, a state program that allows by-right development with affordable housing in City specified areas under requirements adopted by the Board of Alderman and with payments from the state to offset development costs and support Newton schools.

Together these actions, and others we will be introducing over the next year, are aimed at increasing the supply of affordable housing for young families and people of all backgrounds as well as the economic vitality in our villages.

And so, in accordance with Chapter 44, Section 32 of the Massachusetts General Laws, and Section 5 of our City Charter, it is my honor and privilege to submit the City of Newton, Massachusetts Fiscal Year 2016 Mayor's Proposed Budget. We look forward to working with the Honorable Board of Aldermen and the residents of each and every village of this city to bring people together to meet Newton's full potential.

Sincerely,



Setti D. Warren,
Mayor

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