

## **City of Newton - Introduction**

The City of Newton, a suburban city with a population of just under 82,000, is located approximately seven miles west of Boston, Massachusetts. Newton was settled in 1630 as part of “the newe towne”, which was renamed Cambridge in 1638. It was incorporated as a separate town, known as Cambridge Village, in 1688, then renamed Newtown in 1691, and finally Newton in 1766. It became a city in 1873.

Newton is known as the Garden City. Unlike many communities that are established around a single Main Street or Downtown, Newton is comprised of thirteen different and distinct villages. Although the total population has declined in the past 10 years by approximately 2,000 individuals, or 2.4%, the number of school age children attending the Newton Public School system has increased in that same timeframe by approximately 530 students or 4.5%.

The City of Newton is home to 3 colleges, Boston College, Lasell College and Mount Ida College. The three colleges combine to add more than 9,500 college age residents to the City’s population from September to May of each year.

The City boasts a fully accredited Police Department and has been ranked one of the safest cities in America several times during the last decade. Newton’s Fire Department has fully trained EMT’s on all apparatus and is currently in the process of a comprehensive upgrade of all station houses.

The Department of Public Works maintains over 300 miles of public streets, sidewalks, water mains, sewer lines and storm water drains, collects and disposes of more than 20,000 tons of municipal solid waste and 10,000 tons of recyclable materials, and plows or treats the City’s roadways during an average of 10 snow and ice events during each winter season.

Home to the Newton Free Library, the busiest single library building in the Commonwealth, the City also provides a number of recreational opportunities for residents of all ages, through camps, sports clinics, after school programs, swim facilities, senior trips and activities, and one of the largest special needs programs in the state. The City maintains approximately 1,060 acres of parkland, playgrounds, school grounds, and burial grounds, as well as all municipal grounds and recreation buildings.

While all of these amenities and statistics combine to make Newton the special community that it is – they also combine to present financial challenges to the administration in these times of declining revenues and rising costs.

## **Financial Principles**

Throughout the past few months the City has been in the process of updating the City's Financial Management Guidelines. There are several guiding principles that will be incorporated into that document which have been included as an integral part of the FY2012 Municipal 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.

### **Sustainable Budget Strategy**

For the budget to be sustainable, it must provide a “balance” of revenue and expenditures, while simultaneously addressing infrastructure needs and developing and maintaining an appropriate level of reserves. A sustainable budget strategy must take steps to create parity in the rate of growth of revenue and expenditures. General Fund revenue estimates are expected to capture 99% of total expected revenue for the year. Estimates will be modified when necessary to take into consideration unusual economic conditions, recent trends and anticipated state aid. The expenditure recommendations put forth in this budget will make significant progress toward the goal of budgeting 100% of projected operating requirements for the next fiscal year, while enabling the City to eliminate the “structural” deficit by FY2015.

## **Executive Summary**

As has been widely reported, the City of Newton Operating Budget has been developed with a “structural deficit” over the past several years, with no prospect of change unless the current revenue and expense trend rates are adjusted. A “structural deficit” occurs when a municipality’s appropriations and expenditures consistently exceed its revenue. Unfortunately, the City of Newton currently finds itself in just such a predicament. Although recent budgets have been “balanced”, that has been accomplished through the utilization of “Free Cash” and “Reserves”. In fact, in addition to funding operating expenditures by utilizing “free cash” throughout the years, recent budgets have been crafted utilizing the City’s Capital Stabilization Fund, as well as surplus from the annual set-aside for property tax abatements as interfund revenue transfers in order to balance the budget.

The Fiscal Year 2011 Municipal Budget was developed with the recognition that approximately \$11 million of Reserve Funds and/or Free Cash would be necessary to support the projected level of expenditures. The Fiscal Year 2012 Municipal Budget has been developed with the expectation that approximately 7.5 million of Reserves and/or Free Cash will be necessary to support the projected level of expenditures. It is anticipated that the Capital Stabilization Fund will be depleted in Fiscal Year 2014. Therefore, the City must work toward developing Operating Budgets that are no longer dependent upon the utilization of reserve accounts to create balance.

The City of Newton has recently opened its state-of-the-art new Newton North High School, and although the debt service on this project is substantial, it is not entirely responsible for the City’s current financial challenges. Over the past several years the City has experienced a decline in many different revenue streams, such as State Aid, Interest Income and Permitting Fees. Concurrently, the City has experienced double digit increases in employee/retiree health insurance benefits, thus contributing to the continuation of the structural deficit.

## **2011 Town Hall Meetings**

Throughout the winter of 2011 the Mayor and Superintendent of Newton Public Schools conducted 8 Town Hall meetings, one in each ward, in order to explain the financial position of the City, to engage residents in meaningful, open dialogue, and most importantly, to solicit their opinions. When administrators set out to begin to develop this year’s budget, the City faced a gap which exceeded \$9 million, between appropriations needed to continue operating at current levels and available revenues to fund those appropriations, and consequently faced many difficult decisions. Although school and municipal administrators intended to craft the most cost effective budgets possible, conversations were had regarding potential strategies to close the remaining gap. Potential strategies included increasing both municipal and school related fees, instituting a “pay as you throw” solid waste collection system, increasing class sizes, reducing the breadth of program in the schools, and revising the school department’s transportation policy.

Throughout those meetings, it became clear that Education, Public Safety, and maintenance of the City's Streets and Sidewalks are clearly the priorities of the citizens of Newton – and so too are they the priorities of the Fiscal Year 2012 Municipal Budget.

### **Minimizing the Impact to the Newton Public Schools**

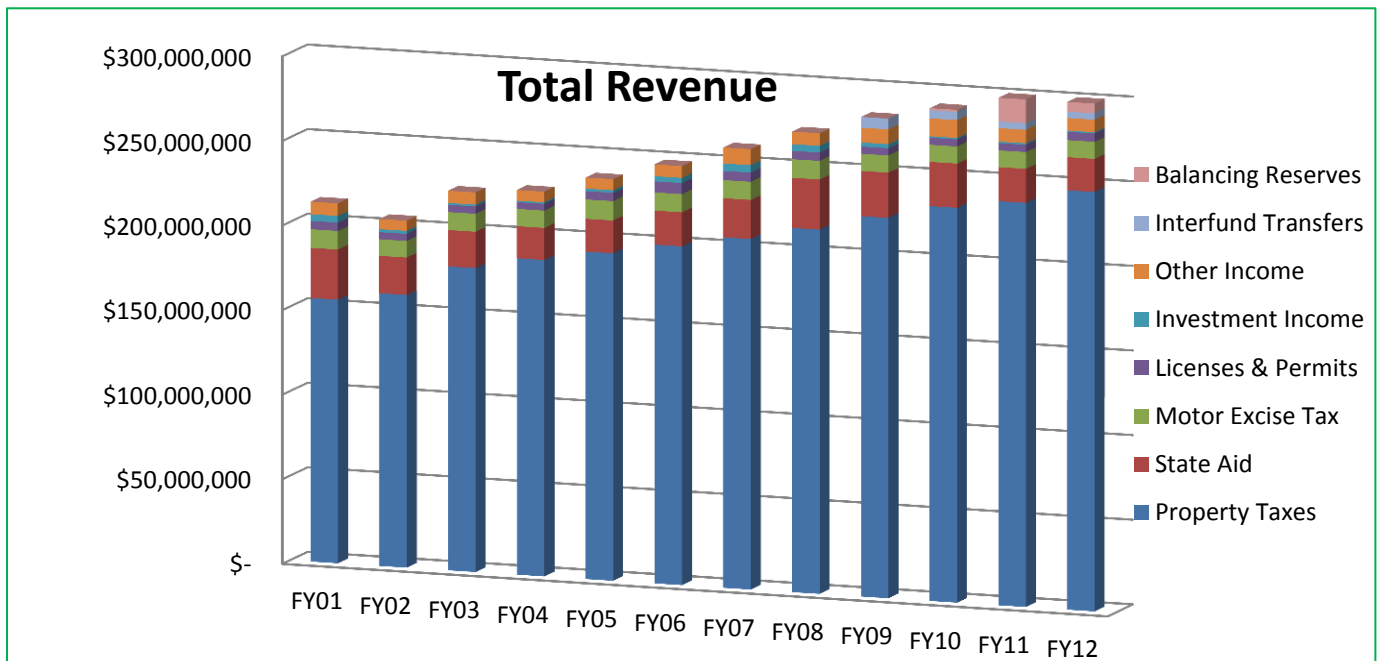
The City's Administration has worked very closely with the School Administration. This Budget was developed with the specific intent of minimizing the budgetary impact on the educational experience of Newton's school children. Every effort has been made to devote the resources necessary to maintain class size (especially in grades K through 2), to maintain the breadth of program that Newton is known for, and to continue to maximize savings from non-curriculum based initiatives, such as the privatization of the school lunch program, and administrative, purchasing and bidding efficiencies.

### **Minimizing the Impact to the Delivery of Municipal Services**

Additionally, this budget has been developed with the specific intent of minimizing any impact on the delivery of core municipal services. In fact, although there are reductions in municipal staffing throughout this budget, there will be no reductions in City services. Zero based budgeting, performance management and performance metrics were utilized within the municipal departments to institute change and create efficiencies in the delivery of services, and consequently reduce costs within administrative and middle management areas of government, without incurring a reduction in the level of municipal services.

## Total Revenue

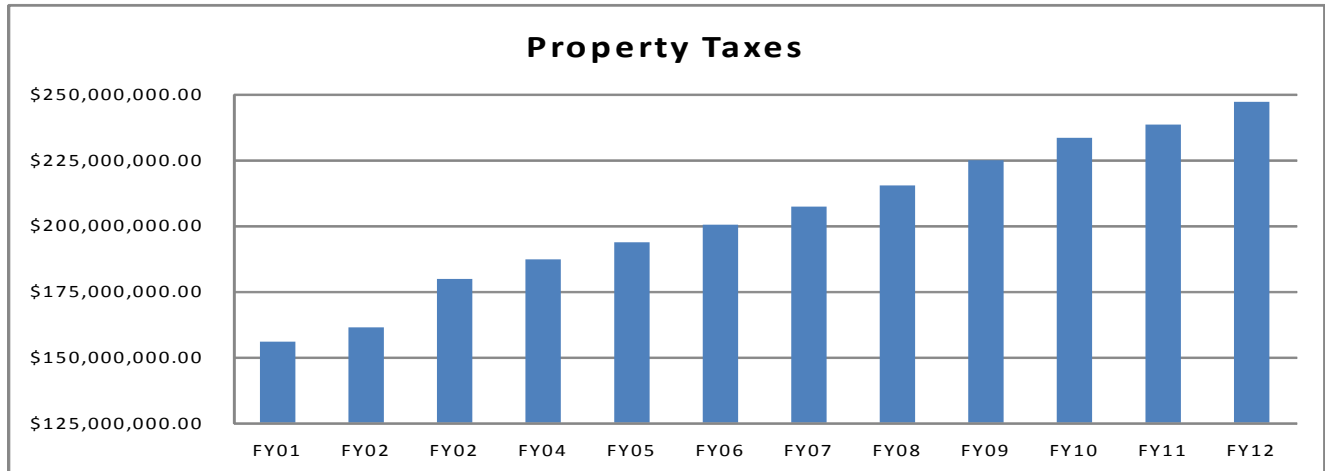
It has been widely believed, and was probably true in better economic times, that the total annual increase in revenue for the City is approximately 3.5%. However, actual recent revenue growth rates have averaged only 2.4% over the last five years. Although Real Estate Tax Revenues increase annually by 2.5%, and new revenues as a result of new growth and redevelopment of real estate have increased by approximately 1%, revenues derived from Building Permit Fees, Interest Income and State Aid have been falling year after year throughout the past few years as a result of the current economic downturn. A crucial component in the development of the Revenue Projections was the desire to avoid under budgeting revenues, thereby causing reductions in public safety or education where they were not truly necessary. Therefore, the FY12 Revenue Projections include a 2.5% increase to the property tax levy, \$2.5 million of additional revenue from “new growth” (FY09 Actual totaled \$2.497 while FY10 Actual totaled \$2.5), Licensing/Permitting Fees of \$4.9 million and Interest Income in the amount of \$750K.



## Property Tax Revenue

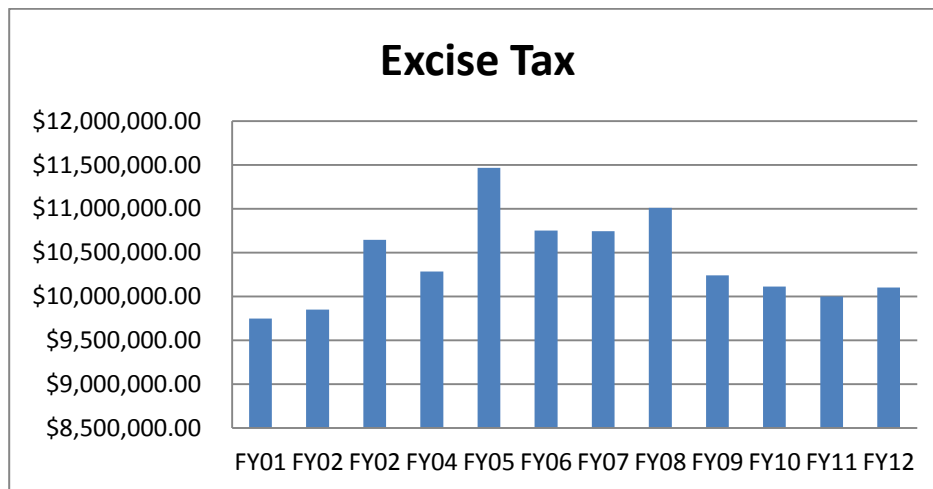
In 1980 an initiative petition known as Proposition 2½ was passed by the voters of the Commonwealth of Massachusetts and went into effect in 1982. Under Proposition 2½, the annual increase of the property tax levy for the City of Newton cannot exceed 2.5% of the prior year’s tax levy, plus the amount attributable to taxes that are from new real property. It has been the policy of the City to increase the City’s revenue projections by the full 2.5% for the past 20 years. The FY2012 Revenue Budget was developed utilizing this same policy.

Additionally the City has benefited over the years from real estate tax revenue attributable to increased assessed values as a result of new growth and redevelopment. The FY2012 Revenue Budget includes \$2.5 million due to new growth/redevelopment.



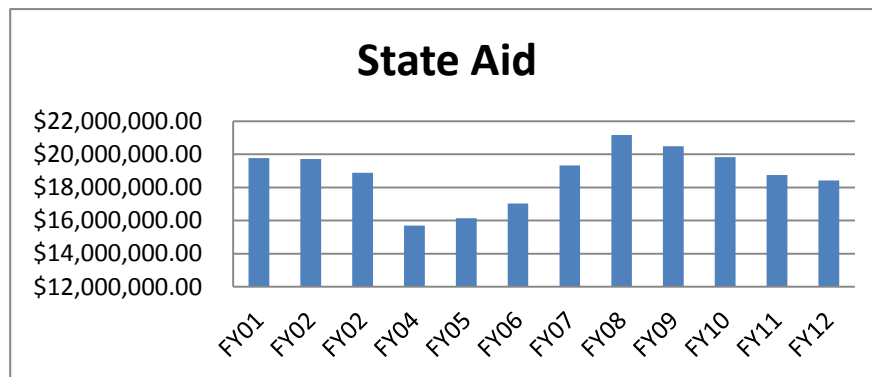
### **Excise Tax Revenue**

Under Massachusetts General Laws Chapter 60A, all Massachusetts residents who own and register a motor vehicle must annually pay a motor vehicle excise for the privilege of road use and the revenues become part of the local community treasury. An excise at the rate of \$25 per one thousand dollars of valuation is levied on each motor vehicle. During the past ten year period, Total Excise Tax Revenue has fluctuated between just under \$10,000,000 and approximately \$11,500,000, subject to the strength of the economy. The FY2012 Excise Tax Budget is \$10,100,000.



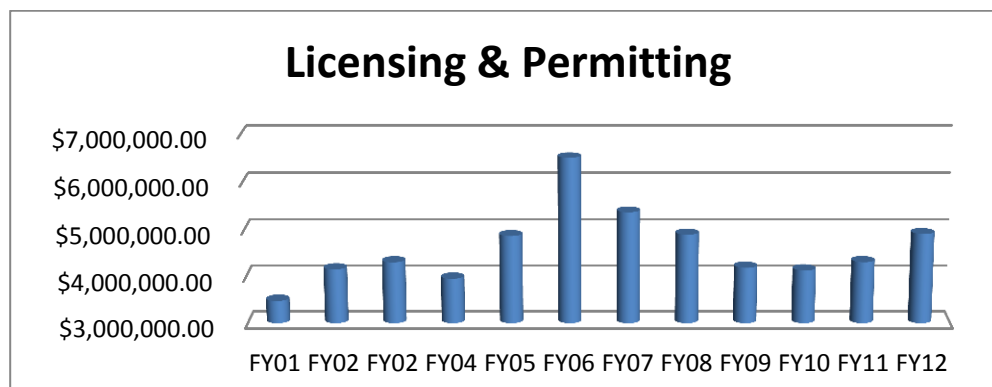
## Revenue from State Aid

Revenue from State Aid which peaked in Fiscal Year 2008 at just over \$21 million has been declining in each of the past several years. Lottery Revenues and Other State Aid which reached a high of \$7.3 million in Fiscal Year 2008, have been replaced over the past few years with “Unrestricted General Government Aid”. The Governor’s proposed FY12 allocation of \$4.6 million represents a decrease of \$2.7 million over the past 4 years, and a \$360,000 or approximately 7% decrease from last year. Additionally, the City receives Chapter 70 School Aid which has been increased by \$200,000 for the City of Newton in the Governor’s proposed FY2012 Budget. The City has taken a conservative approach in this area, and has budgeted \$200,000 less than the Governor’s proposed amount. Therefore, the FY2012 State Aid amount is budgeted at slightly over \$18.4 million. Should the Legislature pass the full amount proposed by the Governor, 100% of the additional \$200,000 of general fund aid will be allocated to the Newton Public Schools.



## Revenue from Permitting/Licensing Fees

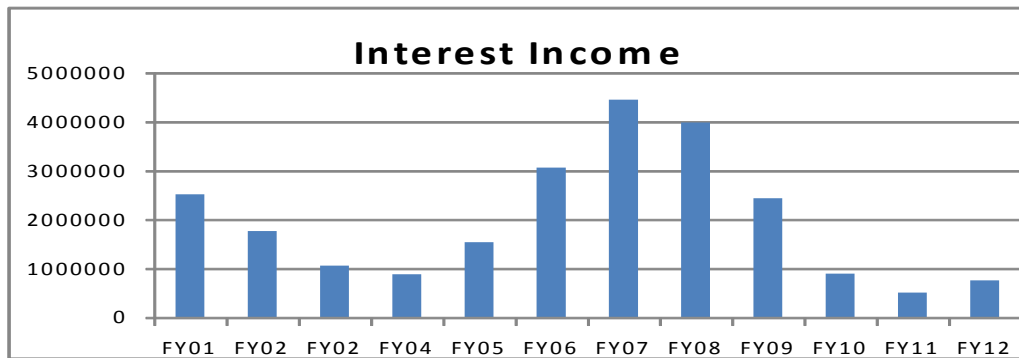
Revenue from Permitting and Licensing Fees totaled approximately \$6.5 million in FY06 – resulting from significant commercial development. However, as the economy declined over the past few years, so too has the revenue realized from the issuance of building permits. However, the City has seen an increased interest in property development and as such has adjusted the building permit fees upward by \$1.5 million.





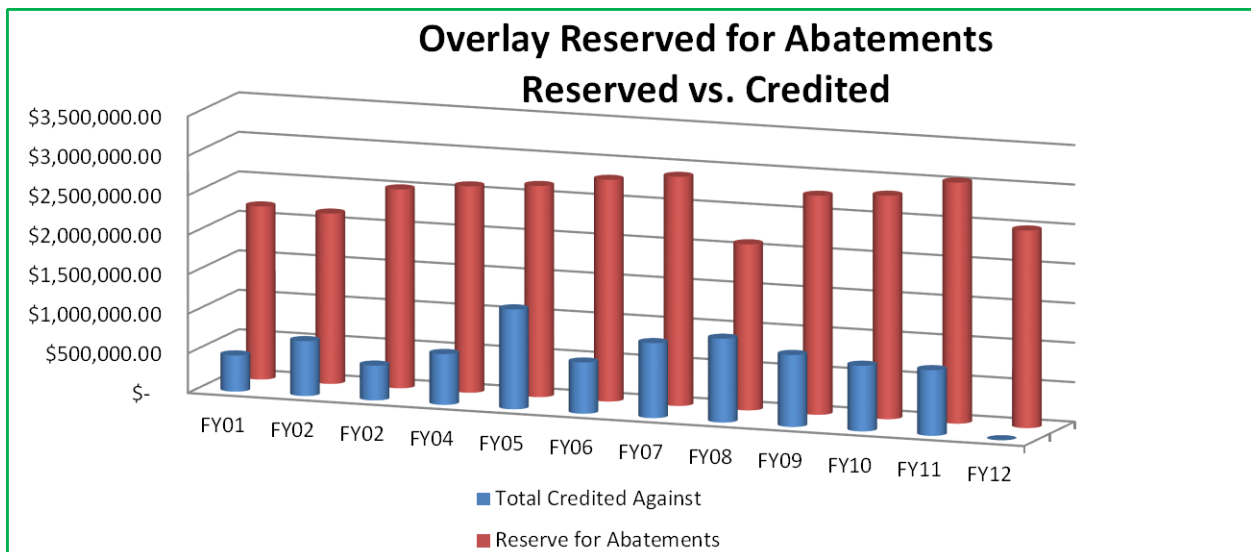
## Interest Income

Interest Income has also been falling over the past few years. Two factors have contributed to this significant decline. First, the City benefitted from the float associated with the bonding of the Newton North High School Project during the past few years, and second, the City is now only receiving approximately 0.25% on its investments. The combination of these factors has resulted in \$4 million less revenue for the City. Interest Income, which reached a peak of \$4.5 million in FY07 is projected to total only \$500,000 in FY2011, and is projected to total \$750,000 in FY2012 (assuming a slight increase mid-year in interest rates).



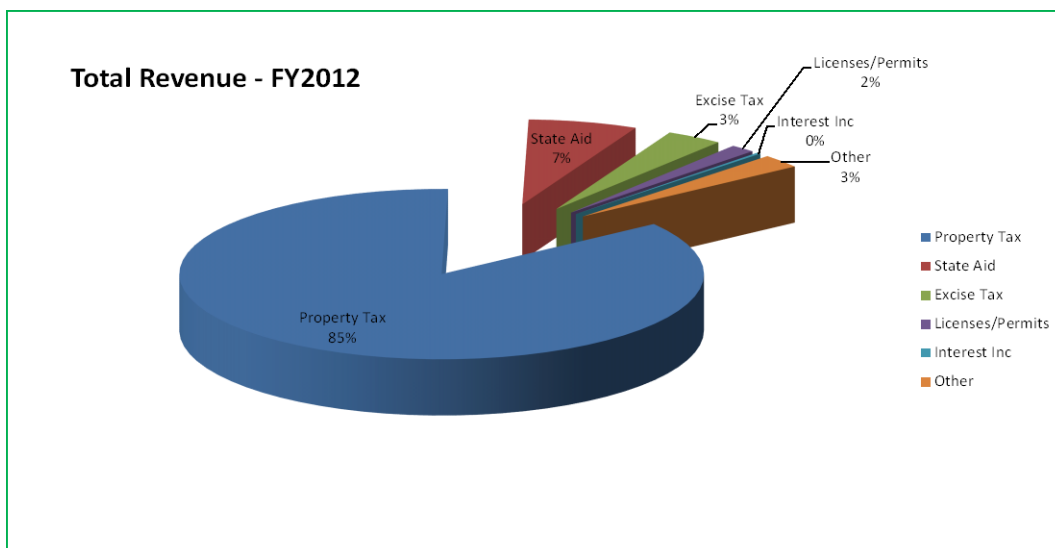
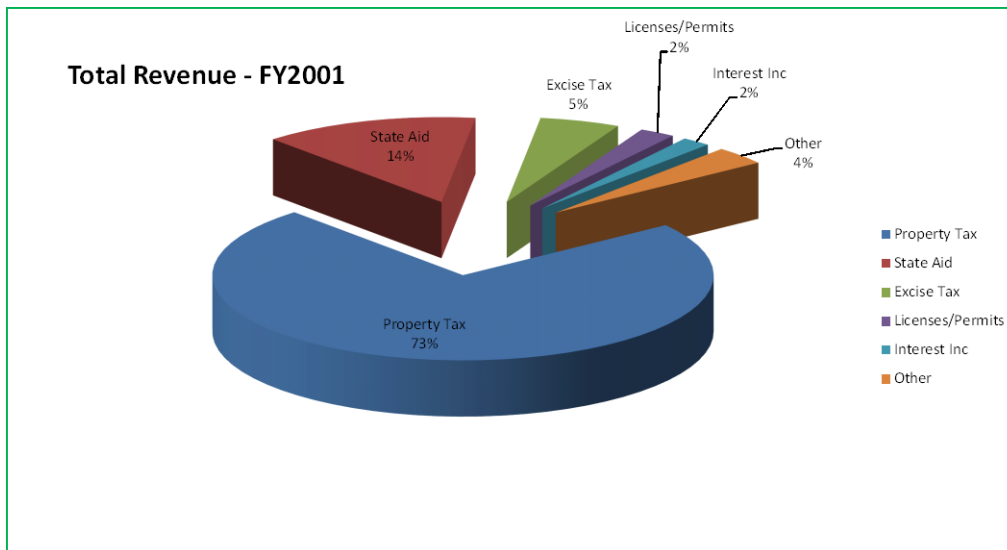
## Reserve for Abatements

Each year the City must set aside a reserve for those property owners who successfully challenge the assessed valuation of their property. The City of Newton has been extremely successful in defending its assessed values. In the recent past it has been the policy of the City to “set aside” 1.25% of the total Property Tax Levy for Abatements. However, as is evident from the chart below, the City has not abated more than 0.5% of the property tax levy in any given year. Therefore, the Reserve for Abatements included in the Fiscal Year 2012 Budget has been reduced to approximately 1.0%, or \$2.5 million, the lowest set aside in all but 1 of the last 10 years.



## Summary of Revenue

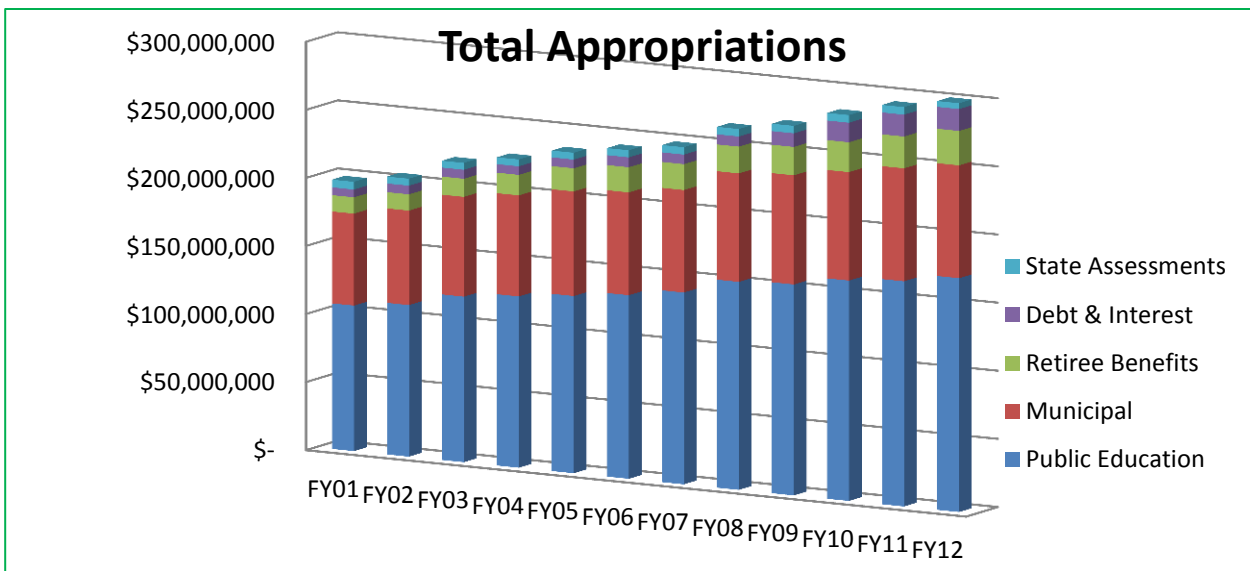
As a result of the aforementioned factors, Fiscal Year 2012 Revenue is projected to total approximately \$295 million (prior to the addition of \$6.8 million of budget balancing reserves) – an increase of \$10.5 million over the Fiscal Year 2011 Budget (prior to the addition of \$8.3 million of budget balancing reserves). As is evident from the comparative charts shown below, the City has become much more dependent on Property Tax Revenues to fund operations over the years. State Aid as a percent of revenues has declined from 14% of revenue in FY2001, to less than 7% of revenue in FY2012. Concurrently, Investment Income, Licensing & Permitting Fees and Excise Tax have also declined in the past few years from more than 9% of total revenue to just over 5%. Inasmuch as the City is relying less and less on outside forces for revenues, this phenomenon has forced the City to become more and more dependent on its citizens and commercial base to support its operations.



## Projected Expenditures – Fiscal Year 2012

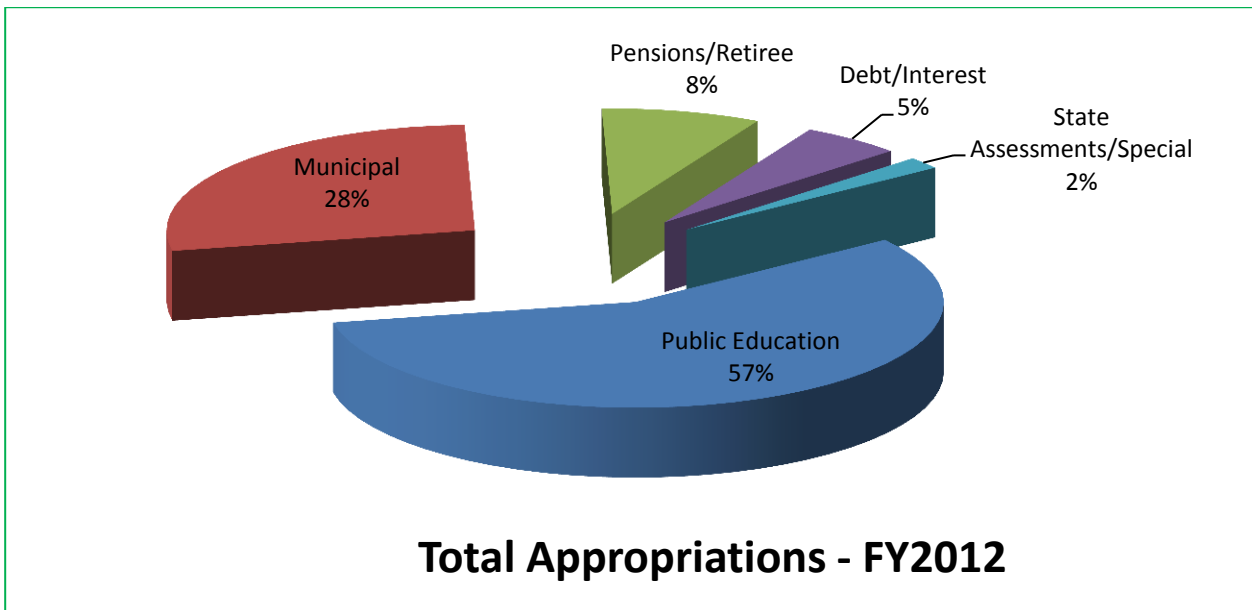
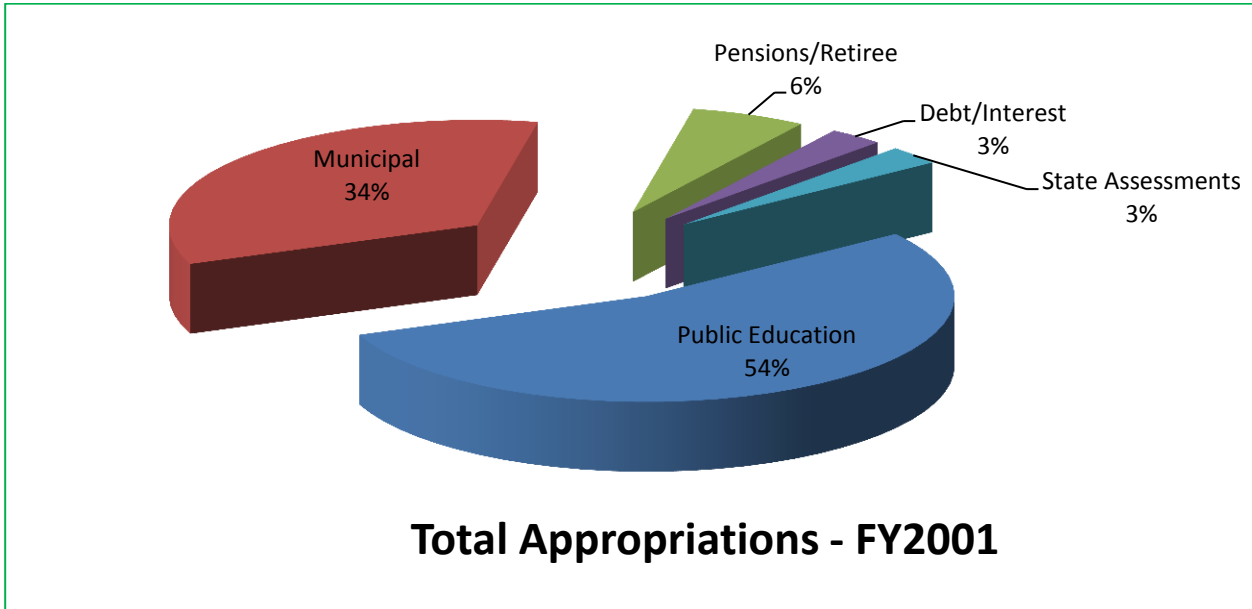
Perhaps one of the most important departures from past practice in the development of the City of Newton Fiscal Year 2012 Budget is the significant progress that has been made toward the inclusion of 100% of the normal anticipated municipal operating costs of the City. Although it will take the City a few years to reach that goal, if the City is to eliminate the need to utilize free cash, and if the City is to eliminate the current structural deficit, it is absolutely necessary.

In order to accomplish this goal, it was necessary to analyze all expenditures and commitments, both past and present, and make adjustments in several areas in order to begin to reduce the City's dependency on reserve accounts to balance the budget. In the development of the Fiscal Year 2012 Municipal Budget the highest priority was given to education, public safety personnel and maintenance of the current level of city services. In order to accomplish these goals, all departments were required to propose the most cost effective and efficient means of providing core services, with adjustments being made in administrative and duplicative areas.



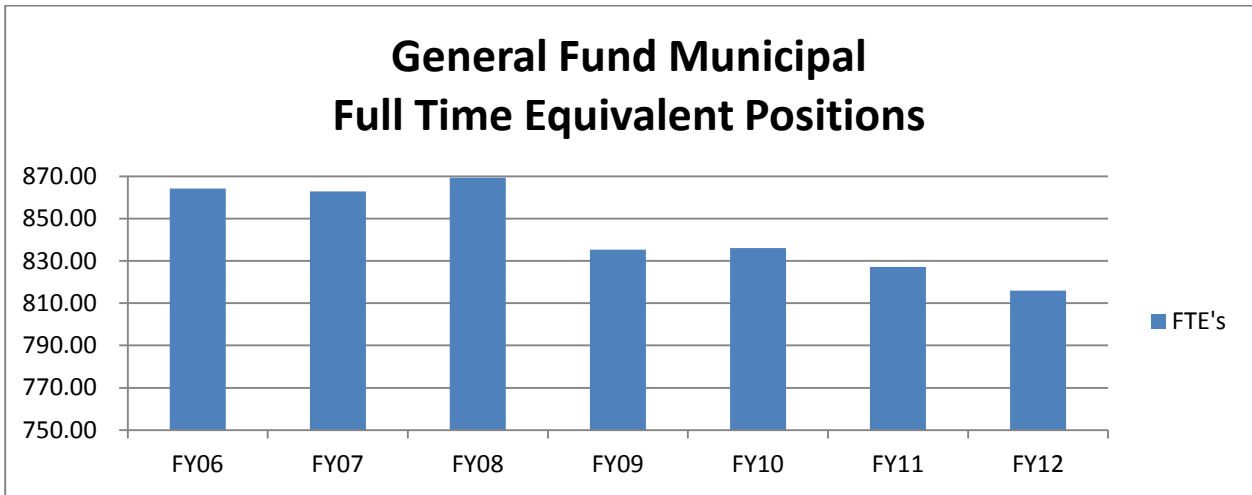
As is evident from the comparative charts below, the financial commitment to Public Education in the City of Newton has grown over the years, with the Newton Public Schools now encompassing 57% of the FY2012 City Budget as opposed to 54% of the FY2001 City Budget. Additionally, Debt Service (largely comprised of debt service on school buildings) has increased over the years to 5% of the City Budget.

It should be noted that “Municipal Expenditures” have declined as a percentage of total spending from 34% in FY2001 to only 28% in the FY2012 Budget. This is a very important fact, if the City is to maintain its Moody’s Aaa bond rating, deliver core City services and maintain infrastructure. It is critical that the City of Newton strike a balance between the many needs and desires of the community – excellence in education, commitment to public safety, exceptional public infrastructure, quality of life, etc.



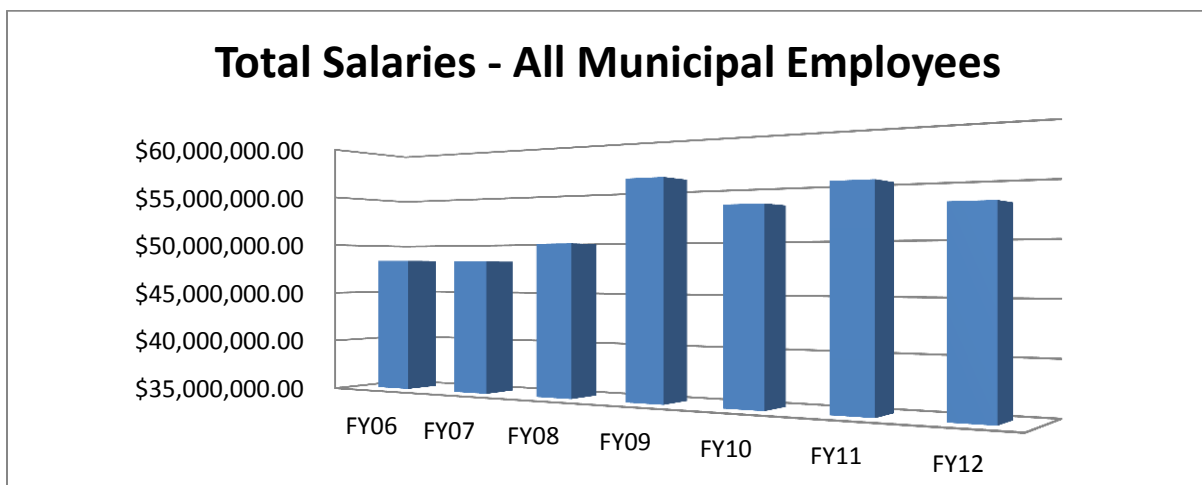
## **Municipal Personnel**

Protecting core services and maintaining emergency police/fire personnel, public works employees, customer service staff, nurses in the schools, etc. – are the principles upon which this budget was developed. As a result, administrative and duplicative positions have been eliminated. The FY2012 General Fund Municipal Budget includes a net reduction of 12.3 Full Time Equivalent (FTE) Positions, or a 9% reduction in municipal employees over the past 5 years.



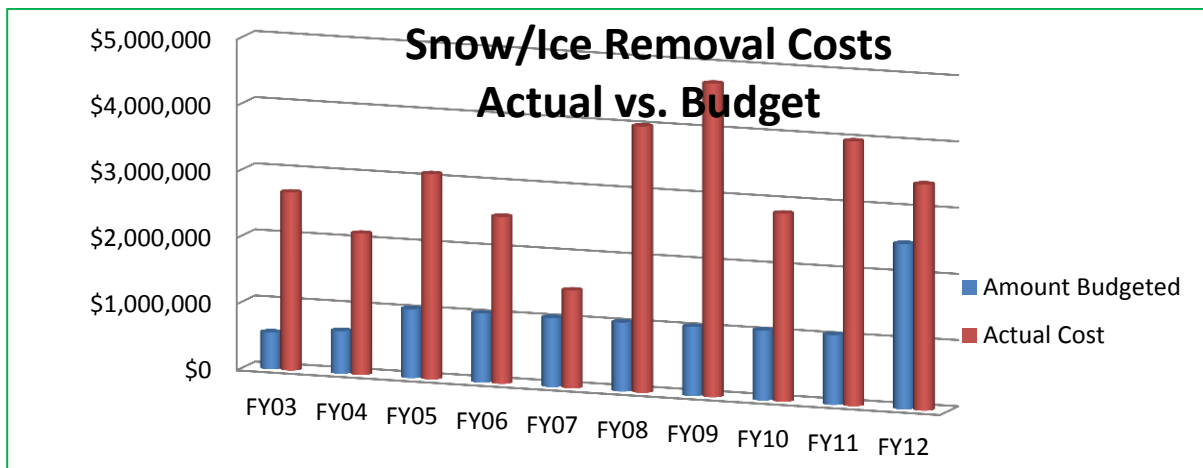
## **Total Salaries – All General Fund Municipal Employees**

The reduction in FTE's is reflected in the Total Salaries for all Municipal Employees. As a result of the cost cutting measures and efficiencies that have been put in place, the FY2012 Budget reflects more than \$1 million decrease in Total Salary Costs.



## Removal of Snow/Ice

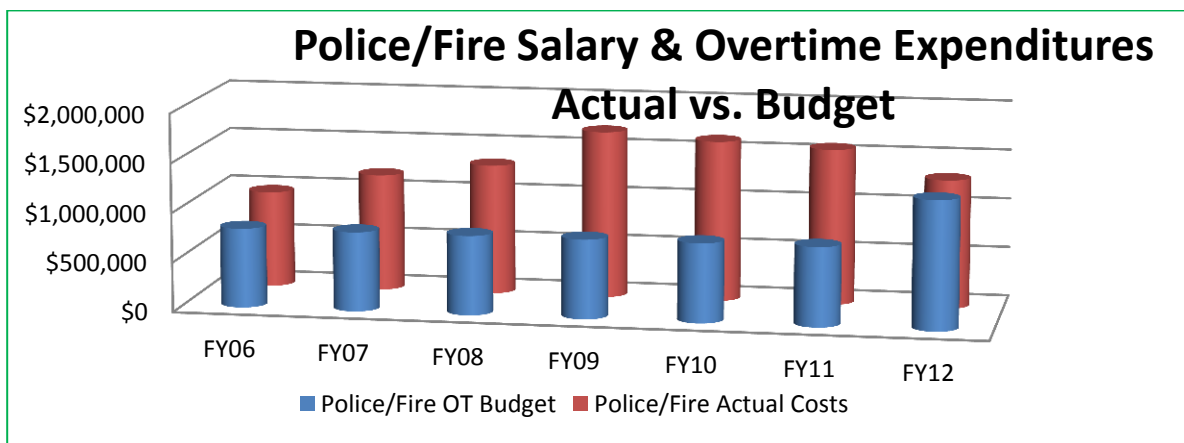
For many years it has been the practice of the City to “under budget” costs associated with the removal of snow and ice, or to budget approximately 33% of the average annual snow removal costs and to fund any additional costs through “Free Cash”. Although it is the intent of the administration to include the five year average snow removal expenditures as a part of the annual budget – that goal is too ambitious to accomplish in a single year. Therefore, the Fiscal Year 2012 Municipal Budget includes \$2.5 million for expenditures associated with the removal of snow and ice – or approximately 70% of the five year average.



(FY12 Cost of Snow/Ice Removal is projected @ 5 year average)

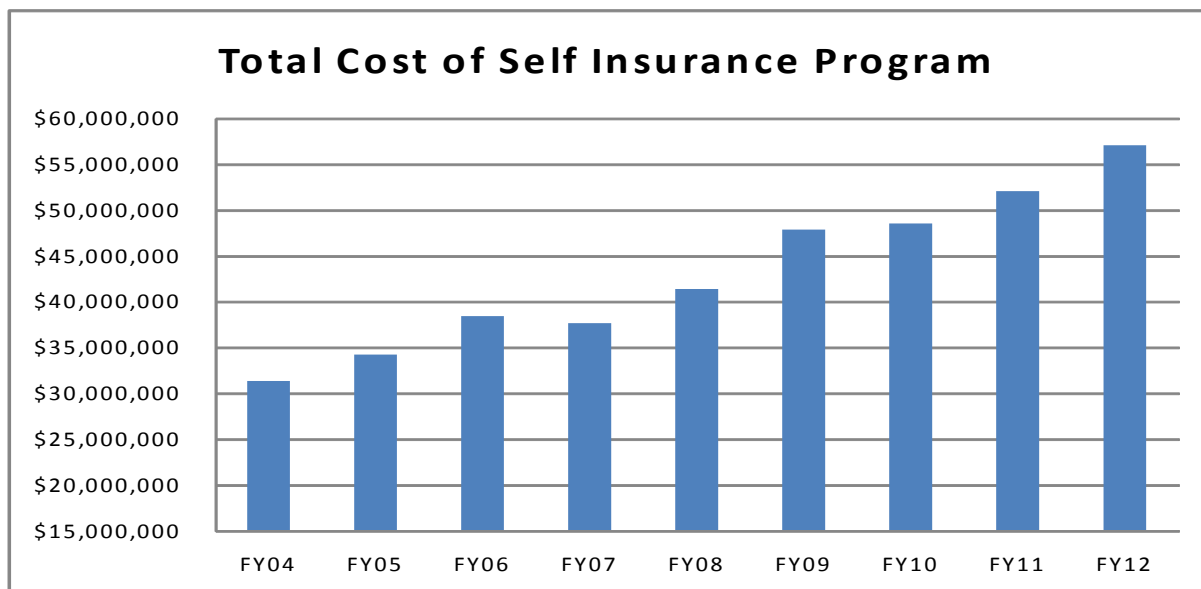
## Public Safety

Additionally, the City has had a practice of “under budgeting” costs associated with public safety overtime, in particular the contractual costs associated with “winter manning” of fire apparatus during the months of January, February, and March. The Fiscal Year 2012 Budget fully funds the projected overtime for all police and fire personnel, including the overtime costs associated with winter manning and shift coverage in both departments. The chart below depicts overtime budget vs. actual comparisons for the past five years.



## Health Insurance Benefits

The City of Newton provides health insurance benefits for approximately 2,500 employees and their dependents, as well as more than 2,600 retirees, for a total insured population of more than 8,500 people. Because the City's insured population is as large as it is, the City is "Self Insured". The cost of a Self Insured Health Insurance Program is comprised of costs in three main areas: the actual cost of claims, the administrative fees charged by the health carriers, and the cost of an excess policy to protect the City from exposure due to unusually large claims (greater than \$250,000). Rather than paying "premium" rates, the City works with its insurance carriers and health consultants to develop "working" rates. These working rates are projections of costs. If actual costs are less than projected, the City benefits and "saves" money. Conversely, if the actual costs are more than projected, the City must pay the difference. In order to do this, the City maintains a Health Insurance Trust Fund to manage any variances between the projections and actuals. It is anticipated that the Fiscal Year 2011 total cost of the health insurance program will approximate \$52,000,000, with the City responsible for 80% or \$41.6 million of that cost. The average increase of health insurance costs over the past 10 years has been approximately 10%. Therefore, the Fiscal Year 2012 Budget includes \$4 million in additional appropriations for projected health insurance costs.

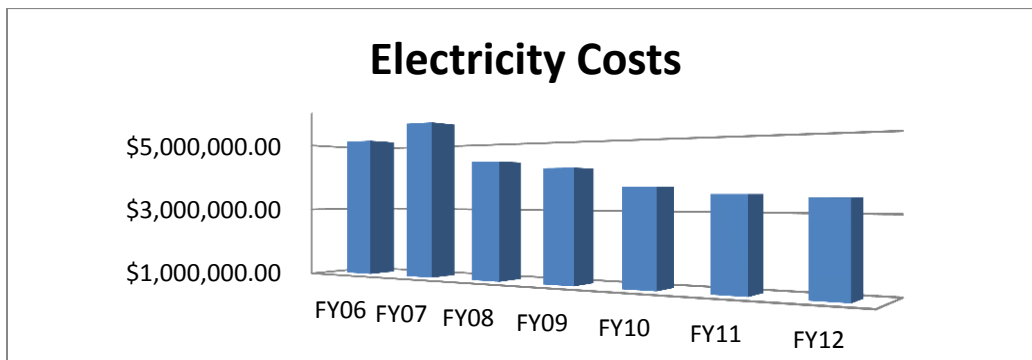
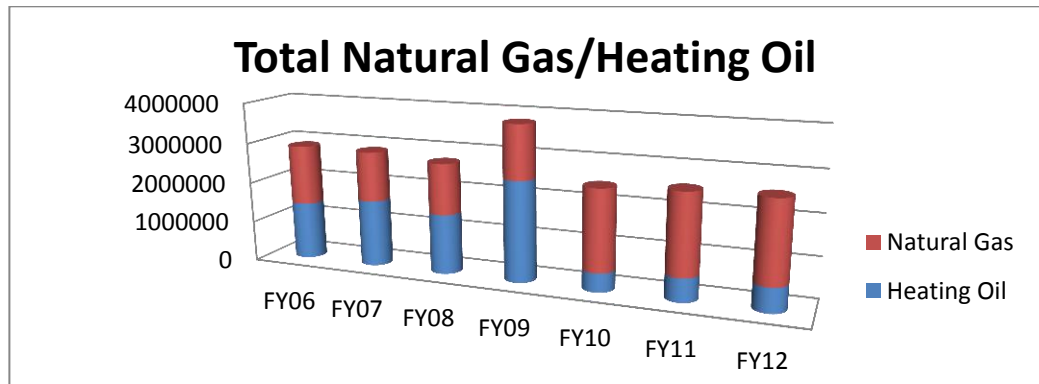


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Note: The City is responsible for 80% of this amount

## Utilities

The City of Newton has aggressively pursued Energy Saving Solutions for many years. As such, the City has been certified as a 'green community', has received more than \$170,000 in Grant Funding in FY11, and has been able to control or minimize utility costs such as electricity, natural gas, etc. as shown below. Therefore, the FY2012 Electricity, Natural Gas, and Heating Oil projections have been adjusted accordingly.



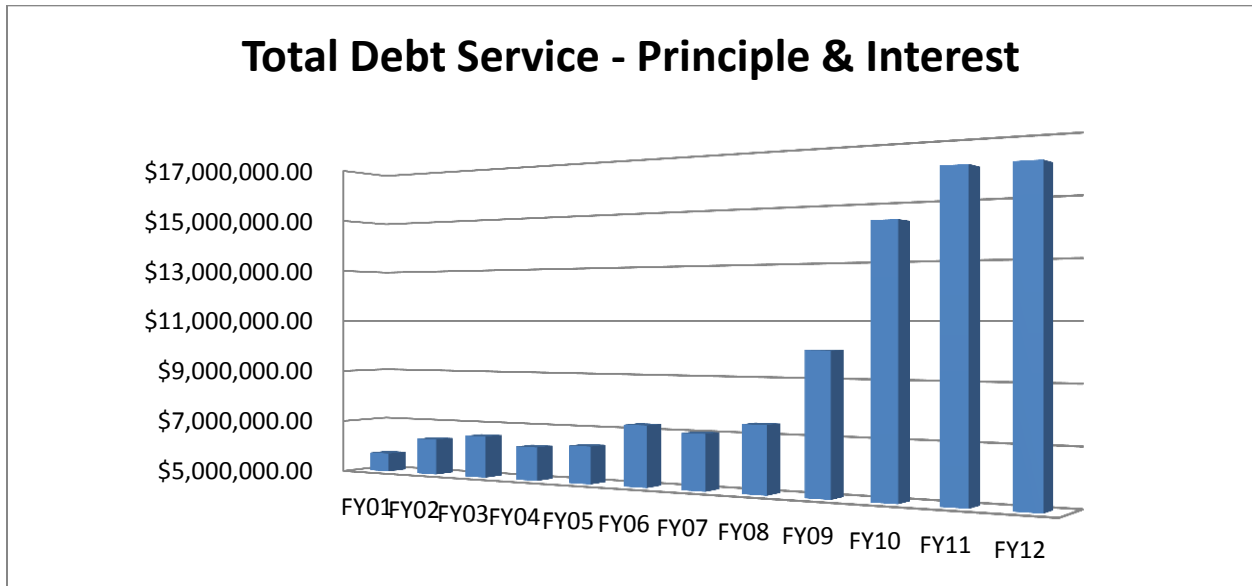
## Additional Expenditures Funded in FY2012

In addition to making significant progress toward fully funding the costs associated with the removal of snow and ice, public safety overtime and utilities, the City has also made significant progress toward including the full operating costs in many other areas. Such areas include annual environmental remediation costs (\$75,000), costs for the annual maintenance of the more than 30,000 street trees throughout the City (an additional \$100,000), the treatment of mosquitoes and their larvae (\$26,000), and the costs of providing flu vaccines on an annual basis (\$30,000).



## **Debt Service**

The doors of the new Newton North High School (NNHS) opened in September, 2010. The FY2012 debt service associated with the much discussed new high school is approximately \$9.3 million. It is expected that the Total Debt Service budget will peak in FY2013 with the inclusion of the final segment of NNHS funding – including up to \$15 million of low interest loans from the MSBA. After reaching the peak in FY2013, debt service associated with the North High School will begin to decline year over year until such time as the debt service has been retired in FY2041.



(FY2007 Adjusted for Fire Department Loan Settlement)

## **Contributory Retirement Plan**

The City of Newton Contributory Retirement Plan covers approximately 3,600 active and retired employees. Prior to the recent downturn in the economy the total unfunded actuarial accrued liability was approximately 33%. However, as a result of the less than favorable economic pressures experienced by the fund in the past few years, the total unfunded actuarial accrued liability had increased to 45% as of January 1, 2010. This increase in the unfunded liability is not unique to Newton, and consequently the Massachusetts State Legislature passed legislation last fall enabling cities and towns to have until the year 2040 to “fully fund” retirement plans. The City of Newton Contributory Retirement Board voted to implement a funding schedule which will fully fund the Newton Retirement Fund by the year 2038. Therefore, an additional \$1 million has been appropriated in the Fiscal Year 2012 budget for that purpose.

## **Other Post Employment Benefits (OPEB)**

Additionally, the City has identified an updated OPEB (Other Post Employment Benefits) unfunded liability of roughly \$531 million, requiring a \$43 million Annually Required Contribution or (ARC). The City established an OPEB Trust Fund and appropriated \$137,000 in last's year's budget as "seed" money for the initial funding of the trust. In FY2012 the City of Newton intends to appropriate \$175,000, or half, of the \$350,000 premium received from the sale of the City's FY2011 Bond Sale to the OPEB Trust Fund as the FY12 contribution to the fund. The City will begin to set aside the actuarial value of OPEB liabilities for new employees beginning in FY2013, and intends to continue to "pay as you go" for all OPEB liabilities for current and former employees.

## **The City of Newton's Aaa Bond Rating**

According to one of Moody's Investors Service's most recent newsletters dated March 17, 2011, this calendar year will be the toughest year for local governments since the economic downturn began. Consequently, Moody's is maintaining its negative outlook on local governments – citing that downgrades are likely to outpace upgrades this year.

However, on March 31, 2011, the City of Newton once again earned a Aaa rating (the highest possible) from Moody's for its General Obligation Municipal Purpose Loan of 2011 Bonds. Concurrently, Moody's reaffirmed the Aaa rating assigned to \$166 million of previously-rated long-term general obligation debt.

*Per the official statement issued by Moody's - The Aaa rating incorporates the city's wealthy and diverse tax base, manageable debt profile with moderate future borrowing plans, and the city's historically well-managed financial position with stabilization reserves that are largely earmarked for future capital needs.*

Moody's statement continued to opine on the financial condition of the City of Newton by stating: *Newton's financial position is expected to remain strong, although reserves may decline in the medium term as the city's \$15 million capital stabilization fund is exhausted to support medium-term debt service requirements for the city's two high school projects. Zero-based budgeting and strategic expenditure re-allocations have allowed the new administration to maintain balanced operations while addressing shifting short- and long-term priorities.*

Strengths were cited as follows:

- *Sizeable, wealthy and diverse tax base with favorable location and institutional presence,*
- *Low direct debt burden and manageable future capital needs, and*
- *Strengthened financial policies and conservative budgeting approach.*

Conversely, challenges were cited as follows:

- *Slim financial position with additional declines likely,*
- *Limited ability to raise property taxes under Proposition 2 ½,*
- *High liabilities for OPEB and pension, and*
- *Reliance on annual free cash appropriations for operations.*

The City is very pleased to have maintained the Moody's Aaa Bond Rating issued in March of 2011 and has worked diligently to establish and follow refined, responsible, and forward-looking financial management guidelines.

## **ACHIEVING FINANCIAL SUSTAINABILITY**

It is clear that the City of Newton faces many financial challenges if it is to continue to provide a high quality of educational and municipal services. The City has and will continue to utilize the following strategies in order to accomplish its goals.

### **Zero-Based Budgeting**

The City has utilized a zero-based budgeting strategy to ensure that every department function was reviewed comprehensively, that all expenditures were analyzed, and that planning and decision making were enhanced in order to maximize administrative and operational efficiencies. The zero-based budgeting approach required all departments to justify and prioritize all activities before the City allocated any resources. This process resulted in a more efficient allocation of resources, drove managers to find cost effective ways to improve operations, detected inflated forecasts, increased communication and coordination, identified and eliminated waste or duplication, and identified opportunities for efficiencies.

The City will continue to utilize this process of budgeting and expects to identify further cost saving measures and efficiencies in the years to come.

### **Performance Management**

The City has embarked on a new performance-based management initiative whereby it has instituted a systematic approach to "mapping", analyzing and improving the City's current processes, throughout operational as well as administrative departments, in order to make the delivery of services more effective, more efficient, and more capable of adapting to an ever-changing environment. Achieving the overall goal will require several ongoing activities, including redesign of identified processes, implementation of process improvement action plans, and identification and tracking of metrics that measure progress toward the desired results. Reaching the overall goal will also require exchanging ongoing feedback among those participants working to achieve results, operationally and administratively, periodically reviewing progress and performance, reinforcing activities that achieve improvements and intervening to improve progress where needed.

## **Collective Bargaining**

The City is currently in collective bargaining with all but one of the City's unions – that contract is set to expire on June 30, 2011. The administration has met with union leadership and the negotiating teams to work cooperatively to identify opportunities to structure change, create efficiencies and work together to create parity in the growth rate of revenues and expenditures. While the City hopes to collaborate with union leadership to develop mutually beneficial agreements for both the City's valued employees, as well as the citizens of Newton, the Fiscal Year 2012 Budget assumes no changes to health care contributions, health insurance plans, or cost of living increases.

## **Comprehensive Citywide Infrastructure Assessment**

For too many years the City has allowed budgetary pressures to impede capital program expenditures and investments in the maintenance of the City's Capital Assets. Therefore, the City is currently developing a Comprehensive Citywide Infrastructure Assessment in order to ascertain the current condition of its facilities, maintenance history, operating cost information, and to develop long-range maintenance and replacement plans which will enable the City to continue to provide the level of services that contribute to the public health, safety, and quality of life of the residents of the City of Newton. The Fiscal Year 2012 Budget has made provisions for the continuation of the policy of bonding \$3.5 million in infrastructure improvements, as well as enhancing the number and type of craftsmen employed by the Public Buildings Department

## **Economic Development**

It is in the City's best interest to pursue Economic Development, where it makes sense, to improve the quality of life in each of Newton's thirteen villages. The City has worked diligently with all involved to encourage economic development decisions that benefit the City of Newton and most importantly the people who live here. As has been widely reported there are a few significant development projects "in the works", and therefore, the Fiscal Year 2012 Budget reflects Licensing and Permitting Fees in anticipation of these projects.

