

City of Newton Long-Range Financial Plan & Five-Year Financial Forecast

FY2022 - FY2026

Mayor Ruthanne Fuller
October 19, 2020



Addressing Climate Change & Sustaining Our Environment

Providing Academic Excellence and Educational Equity

Keeping Newton Safe

Weather Events

Promoting Village Centers and Commercial Corridors

Do All of This While Maintaining Financial Sustainability

Maintaining Roads, Snow Plowing, Solid Waste

Economic Downturn & Interest Rate Spikes

Protecting Parks, Recreation, and Open Space

Preserving Neighborhoods and Creating Affordable Housing

Arts, Culture & Community Life

Providing Excellent City Services

“Accessible” and “Supportive” City

Settling Union Contracts Providing Fair Employee Compensation and Benefits

Making Newton “All Age Friendly”

Long Term Liabilities Pension & OPEB

Video Footage taken from Smithsonian Institute

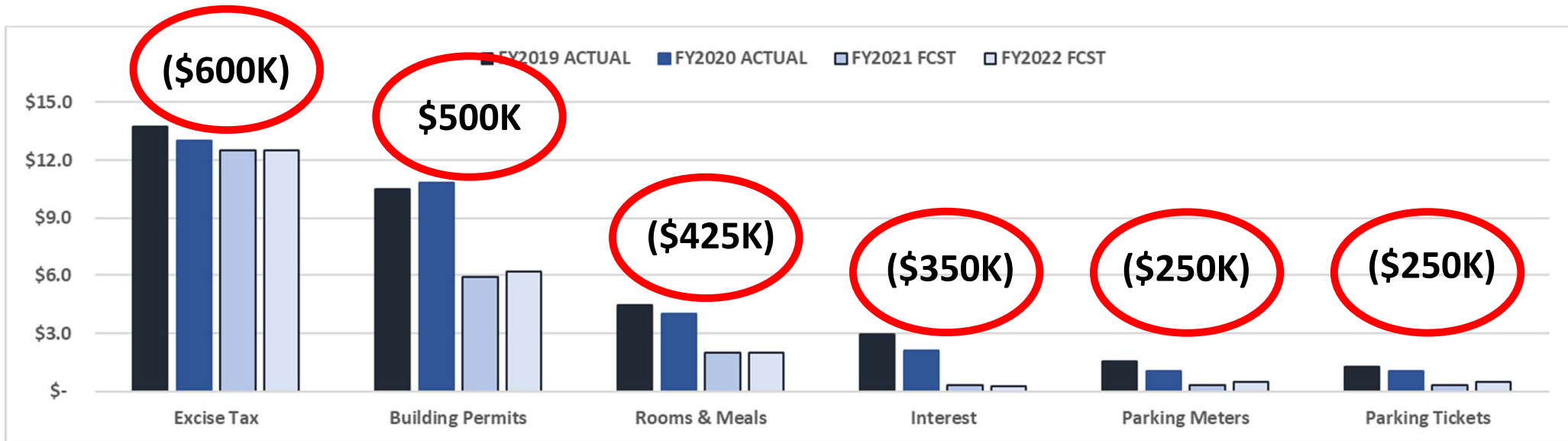
A large, rectangular iceberg with a flat top and steep sides floats in a deep blue ocean. The sky is a clear, bright blue with some light, wispy clouds. The iceberg's surface is white and shows some texture from melting. The water is calm, reflecting the sky and the iceberg. The overall scene is serene and majestic.

ICEBERG STRAIGHT AHEAD

COVID-19

Coronavirus Pandemic – Q4 FY2020

COVID-19 Revenue Impact FY2020 Q4



Coronavirus Pandemic – FY2021 BUDGET

COVID-19 IMPACT TO FY21 REVENUE BUDGET

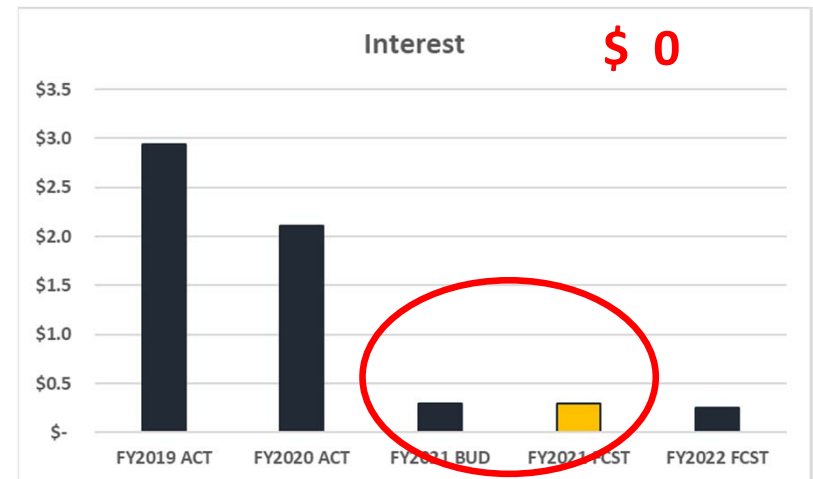
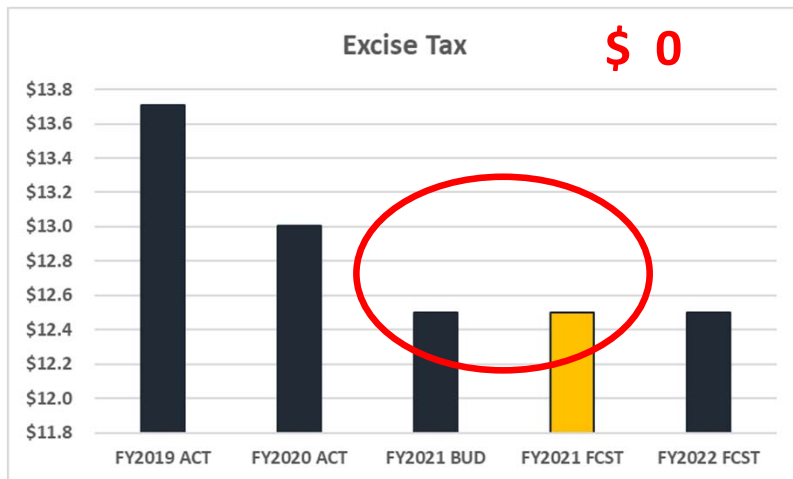
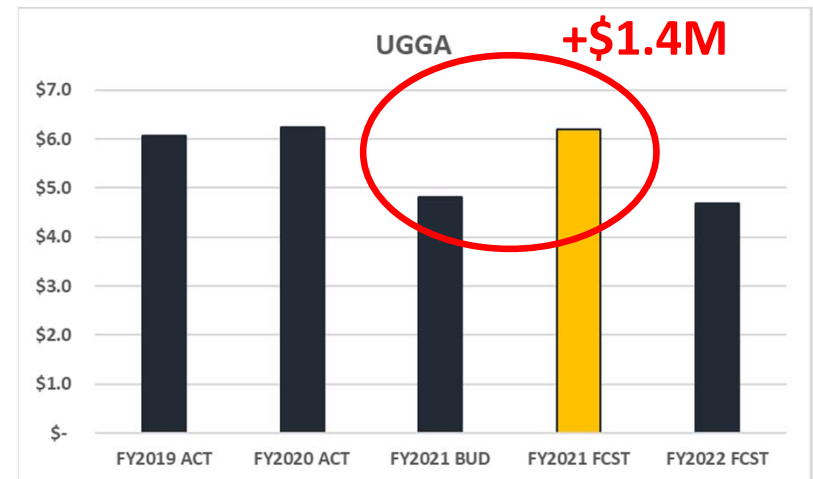
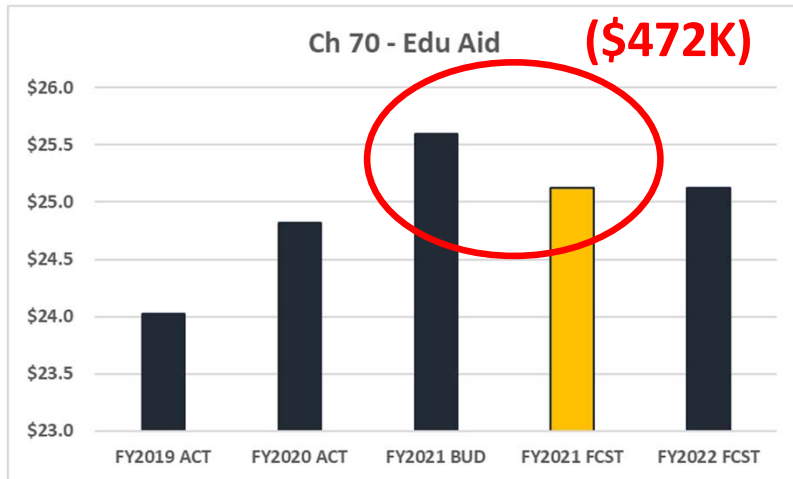
(\$ M)		FY21 Projected	FY21 Projected	
	<u>FY20 Budget</u>	<u>Pre COVID-19</u>	<u>Post COVID-19</u>	<u>Variance</u>
Property Taxes	\$356.89	\$371.41	\$371.41	\$0.00
Ch 70 State Education Funding	\$24.68	\$25.60	\$25.60	\$0.00
Unrestricted State Funding	\$6.24	\$6.42	\$4.81	(\$1.60)
Motor Vehicle Excise Tax	\$13.50	\$13.50	\$12.50	(\$1.00)
Permitting/Licensing Revenues	\$5.90	\$6.90	\$5.90	(\$1.00)
Meals & Rooms Tax	\$4.40	\$4.50	\$2.00	(\$2.50)
Interest Income	\$1.75	\$2.00	\$0.30	(\$1.70)
Parking Meter Receipts	\$1.37	\$1.30	\$0.75	(\$0.55)
Parting Ticket Receipts	\$1.35	\$1.20	\$0.75	(\$0.45)
All Other	\$12.70	\$12.27	\$11.52	(\$0.75)
Projected Revenue	\$428.78	\$445.09	\$435.54	(\$9.55)
Free Cash	\$1.50	\$1.50	\$4.00	\$2.50
TOTAL BUDGETED REVENUE	\$430.28	\$446.59	\$439.54	(\$7.05)

COVID-19 IMPACT TO FY21 EXPENDITURE BUDGET

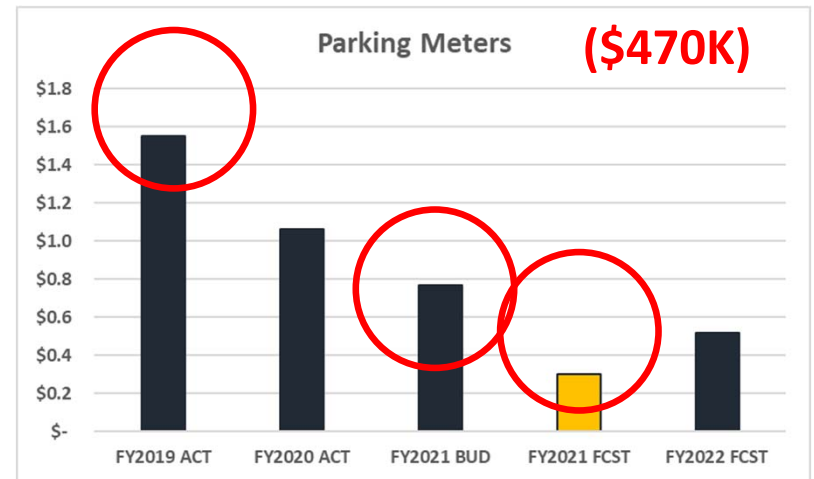
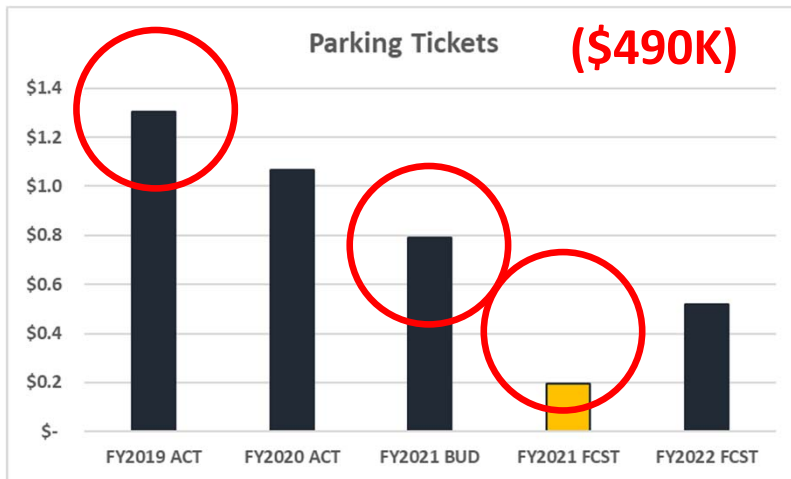
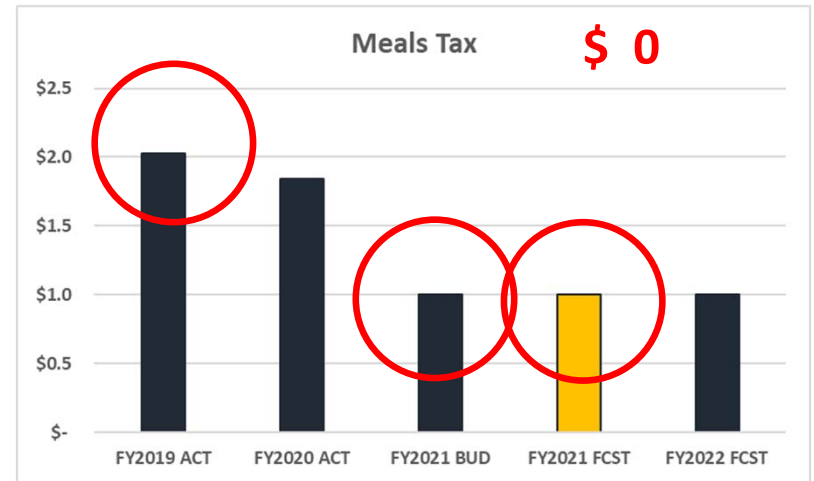
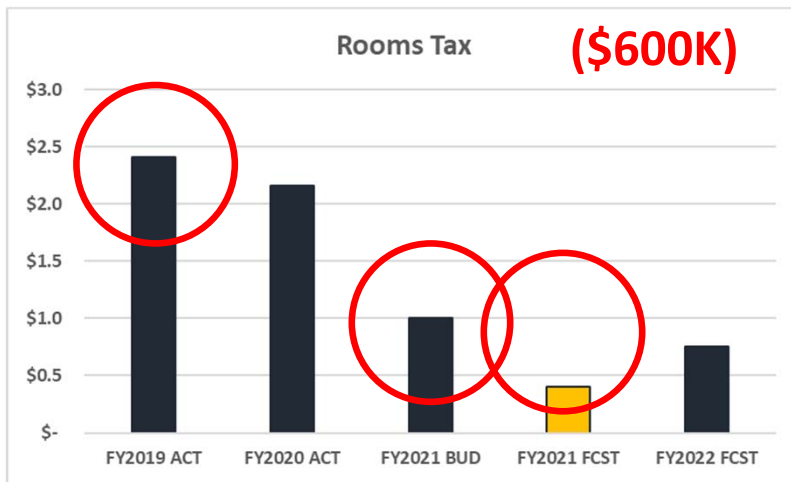
(\$ M)		FY21 Projected	FY21 Projected	
		<u>Pre COVID-19</u>	<u>Post COVID-19</u>	<u>Variance</u>
<u>Projected Expenses</u>				
Newton Public Schools		\$ 244.65	\$ 243.15	\$ (1.50)
Debt Service		\$ 25.12	\$ 25.12	\$ -
Pensions/Muni Ret Health		\$ 44.93	\$ 43.37	\$ (1.56)
Municipal Departments		\$ 131.90	\$ 127.91	\$ (3.99)
TOTAL BUDGETED EXPENSES		\$ 446.59	\$ 439.54	\$ (7.05)

Coronavirus Pandemic – Q1 FY2021

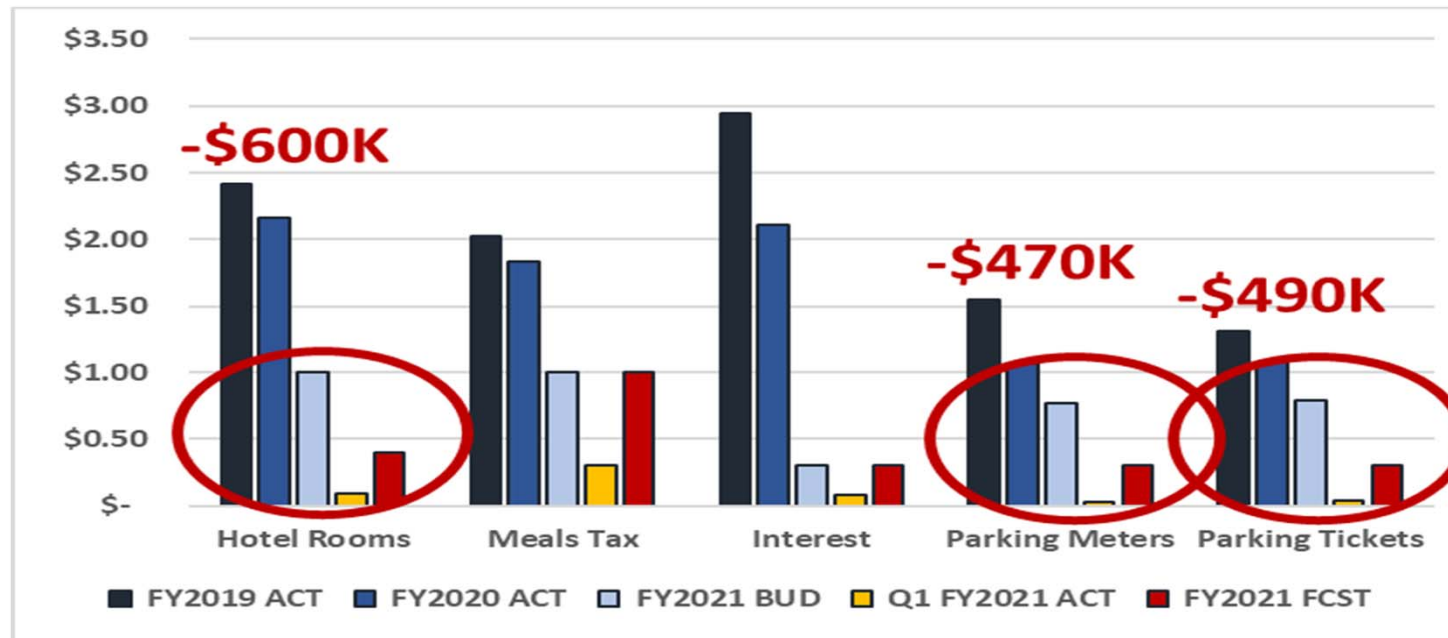
FY2021 FORECAST vs FY2021 BUDGET BASED ON Q1 RESULTS & GOVERNOR'S BUDGET



FY2021 FORECAST BASED ON Q1 RESULTS



Key Non-Property Tax Revenues - Q1 FY2021 (\$ Millions)



Coronavirus Pandemic – Grants, Reimbursements, and Costs

**FEMA Application
\$ 1.07 M**

**COVID-19 Response Financial Implications
Available Funding Sources
As of October 15, 2020**

<-----REIMBURSEMENTS----->

<u>FUNDING SOURCES</u>	<u>AVAILABLE FUNDING</u>	<u>INCURRED TO DATE</u>	<u>AVAILABLE</u>	<u>SUBMITTED TO FEMA</u>	<u>RECEIVED CARES ACT</u>	<u>RECEIVED</u>	<u>REMAIN AVAIL</u>
FUNDING SOURCES - MUNICIPAL EXPENDITURES							
General Fund Non Lapsing Fund	\$ 1,000,000						
Overtime - Incident Command		\$ 26,567		\$ 26,567			
Overtime - 1st Responders		\$ 230,781		\$ 230,781	\$ 220,000		
Overtime - Cleaning/Disinfecting		\$ 104,038		\$ 90,889			
Overtime - Office Reconfigurations for Social Distancing, and Public Health & Safety		\$ 126,242		\$ 106,860			
Respirators - Including N95 Masks and Faceshields		\$ 23,888		\$ 23,888			
Gloves		\$ 23,000		\$ 23,000			
Masks		\$ 75,754		\$ 75,754			
Isolation Gowns		\$ 21,418		\$ 21,418			
Police Equipment Sanitizer		\$ 51,838		\$ 51,838			
Hand Sanitizer, Disinfecting Wipes, etc		\$ 45,772		\$ 45,772			
Pre School Air Filters, Air Handling Supplies		\$ 11,041		\$ 11,041			
Grab-n-Go Meals - Adults		\$ 149,571		\$ 149,571			
Postage - Elections		\$ 40,000		\$ -			
Office Reconfigurations		\$ 41,050		\$ -			
Total General Fund Non-Lapsing Fund	\$ 1,000,000	\$ 970,960	\$ 29,040	\$ 857,379	\$ 220,000	\$ -	\$ 249,040
NPS Expenditures							
NPS Expenditures	\$ 222,222						
NPS Masks		\$ 39,106		\$ 39,106			
NPS Isolation Gowns		\$ 119,850		\$ 119,850			
NPS Hand Sanitizer, Disinfecting Wipes, etc		\$ 63,266		\$ 63,266			
Total General Fund Non-Lapsing Fund	\$ 222,222	\$ 222,222	\$ -	\$ 222,222	\$ -	\$ -	\$ -

**From Gen'l Fund
\$ 1.0 M**

**Rec'd \$220 K
CARES Act**

COVID-19 Response Financial Implications
Available Funding Sources
As of October 15, 2020

FUNDING SOURCES	AVAILABLE FUNDING	INCURRED TO DATE	←-----REIMBURSEMENTS----->			
			AVAILABLE	SUBMITTED TO FEMA	RECEIVED CARES ACT	RECEIVED REMAIN AVAIL
CARES ACT Funding - Estimated	\$ 1,500,000					
NPS HVAC Maintenance - Estimated		\$ 1,500,000				
Total General Fund Non-Lapsing Fund	\$ 1,500,000	\$ 1,500,000	\$ -	\$ -	\$ -	\$ -
U.S. Conference of Mayors - Elections Assistance	\$ 37,146	\$ 37,146	\$ -		\$ 37,146	\$ -
Massachusetts Legislature Earmark - Office Reconfiguration	\$ 85,000	\$ -	\$ 85,000			\$ 85,000
Massachusetts Department of Public Health	\$ 200,000				\$ 200,000	
Part Time <20 Hrs/Wk		\$ 7,941				
Regular Overtime		\$ 85,772				
Cellular Telephones		\$ 1,382				
Computer Supplies		\$ 11,748				
Medicare Payroll Tax		\$ 528				
Total Mass DPH Grant	\$ 200,000	\$ 107,371	\$ 92,629	\$ -	\$ -	\$ 200,000

**CARES Application
 ≈\$ 1.5 M**

**Other Misc Grants
 ≈\$350 K**

COVID-19 Response Financial Implications
Available Funding Sources
As of October 15, 2020

FUNDING SOURCES	AVAILABLE FUNDING	INCURRED TO DATE	←-----REIMBURSEMENTS-----→					
			AVAILABLE	SUBMITTED TO FEMA	RECEIVED CARES ACT	RECEIVED	REMAIN AVAIL	
CESF -	\$ 47,041						\$ 47,041	
Police		\$ 26,177						
Fire		\$ 20,864						
Total CESF Grants	\$ 47,041	\$ 47,041	\$ 0	\$ -	\$ -	\$ -	\$ 47,041	\$ 0
Community Dev't Block Grant - CDBG	\$ 1,743,641						\$ 1,136,128	
Small Business Recovery Funds - Grants to 27 Small Business ranging from \$10K to \$15K		\$ 305,000						
Food and Essential Shopping Relief		\$ 30,150						
Metro West Collaborative		\$ 466,250						
Newton Comm Dev't Community Residential Services		\$ 24,606						
Emergency COVID-19 Food Relief		\$ 20,000						
Pathway to Possible - COVID-19 Support		\$ 23,549						
Riverside - Telehealth Psychiatry		\$ 16,500						
Barry Price Center		\$ 14,100						
Newton Housing Authority		\$ 16,460						
Friends of 2Life		\$ 20,000						
Miscellaneous		\$ 69,442						
Total CDBG	\$ 1,743,641	\$ 1,006,057	\$ 737,584	\$ -	\$ -	\$ -	\$ 1,136,128	\$ 737,584
Emergency Solutions Grant	\$ 1,480,667						\$ 575,660	
City of Waltham		\$ 67,564						
The Second Step		\$ 80,000						
Reach Beyond Domestic Violence		\$ 119,570						
Brookline Community Mental Health		\$ 95,336						
Miscellaneous		\$ 2,733						
	\$ 1,480,667	\$ 365,203	\$ 1,115,464	\$ -	\$ -	\$ -	\$ 575,660	\$ 1,115,464
Community Preservation Funds - T0 Metro West Collaborative	\$ 2,000,000	\$ 530,257	\$ 1,469,743	\$ -	\$ -	\$ -	\$ 2,000,000	\$ 1,469,743

Human Svcs
\$ 5.2 M

COVID-19 Response Financial Implications

Available Funding Sources

As of October 15, 2020

<-----REIMBURSEMENTS----->

FUNDING SOURCES	AVAILABLE FUNDING	INCURRED TO DATE	AVAILABLE	SUBMITTED TO FEMA	RECEIVED CARES ACT	RECEIVED	REMAIN AVAIL
NEWTON PUBLIC SCHOOLS FUNDING SOURCES							
NPS CARES Act Funding - CvRF 102	\$ 2,886,525				\$ 2,886,525		
Outdoor Tents		\$ 209,240					
Stipend - Planning		\$ 100,000					
Transportation Expenses		\$ 500,000					
Food Service Expenses		\$ 250,000					
Remote Learning Technology		\$ 1,300,000					
Facilities COVID Related Modifications		\$ 350,000					
Student Services COVID Related Expenses		\$ 177,285					
NPS CARES Act - CvRF 102	\$ 2,886,525	\$ 2,886,525	\$ -	\$ -	\$ 2,886,525	\$ -	\$ -
ESSER 113 - Remote Learning Technology	\$ 671,153	\$ 671,153	\$ -	\$ -	\$ 671,153	\$ -	\$ -
Learning Technologies Essentials Grant - Chrome	\$ 97,086	\$ 97,086	\$ -	\$ -	\$ -	\$ 97,086	\$ -
Newton Schools Foundation - Chromebooks	\$ 85,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SUBTOTAL	\$ 12,050,000	\$ 12,050,000	\$ 1,079,601	\$ 1,079,601	\$ 3,777,678	\$ 4,093,061	\$ 3,749,460
PROJECTED AVAILABLE CARES FUNDING	\$ 6,018,462	\$ -	\$ 6,018,462	\$ -	\$ -	\$ -	\$ 6,018,462
TOTAL	\$ 18,073,943	\$ 8,526,021	\$ 9,547,922	\$ 1,079,601	\$ 3,777,678	\$ 4,093,061	\$ 9,767,922

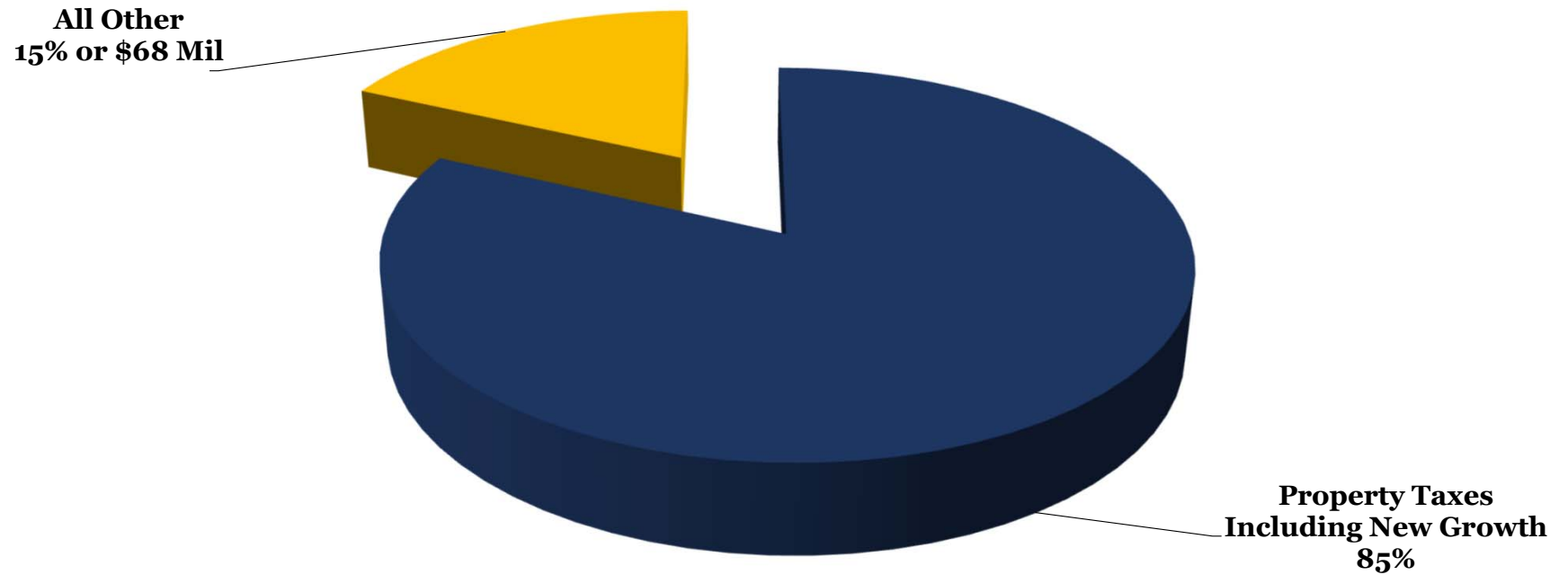
**NPS
\$ 3.7 M**

**Committed to
Date
≈ \$ 8.5 M**

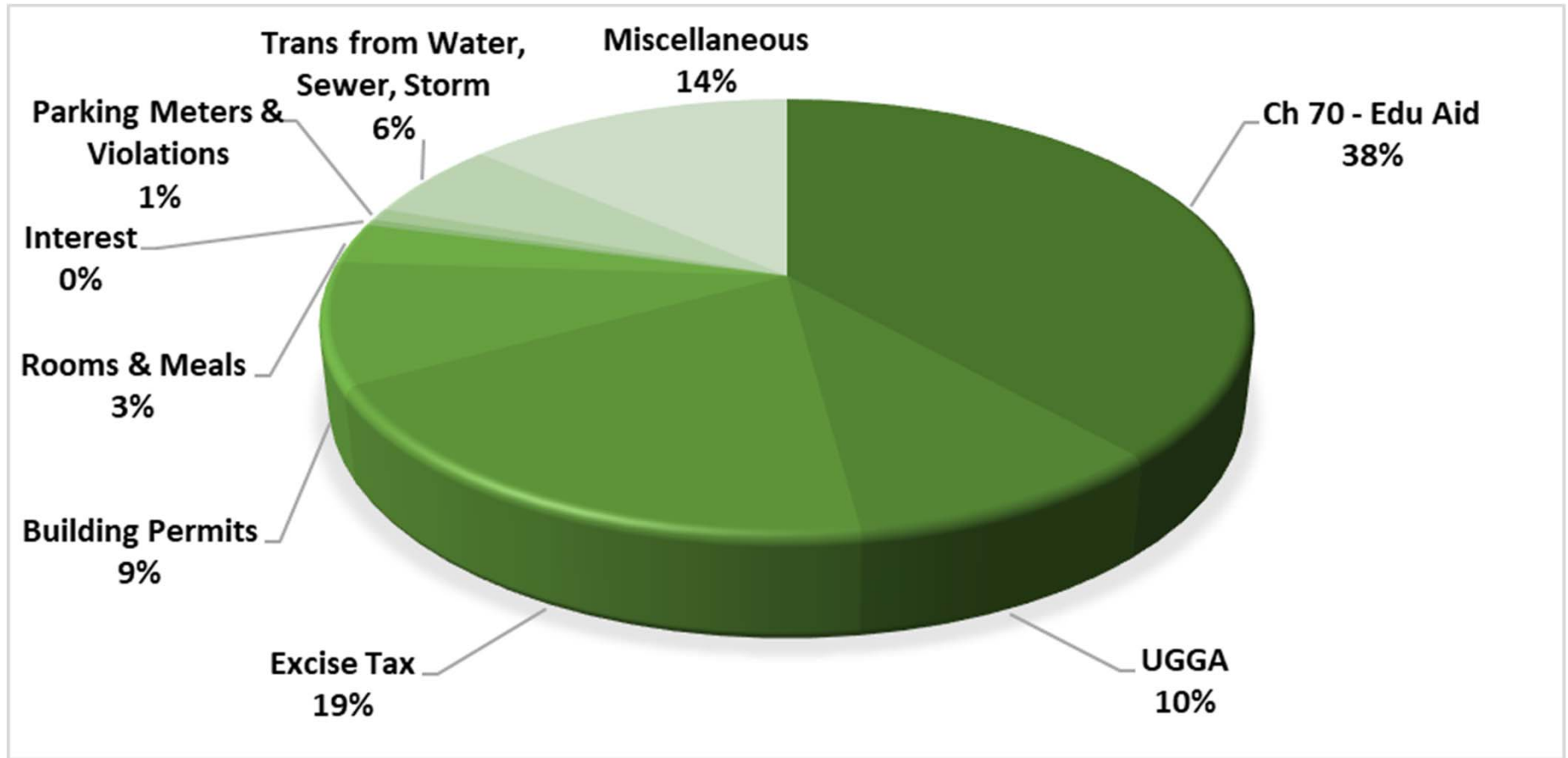
**Avail CARES
≈ \$ 6.0 M**

**The Long-Range Financial Planning
Process Begins with
REVENUE**

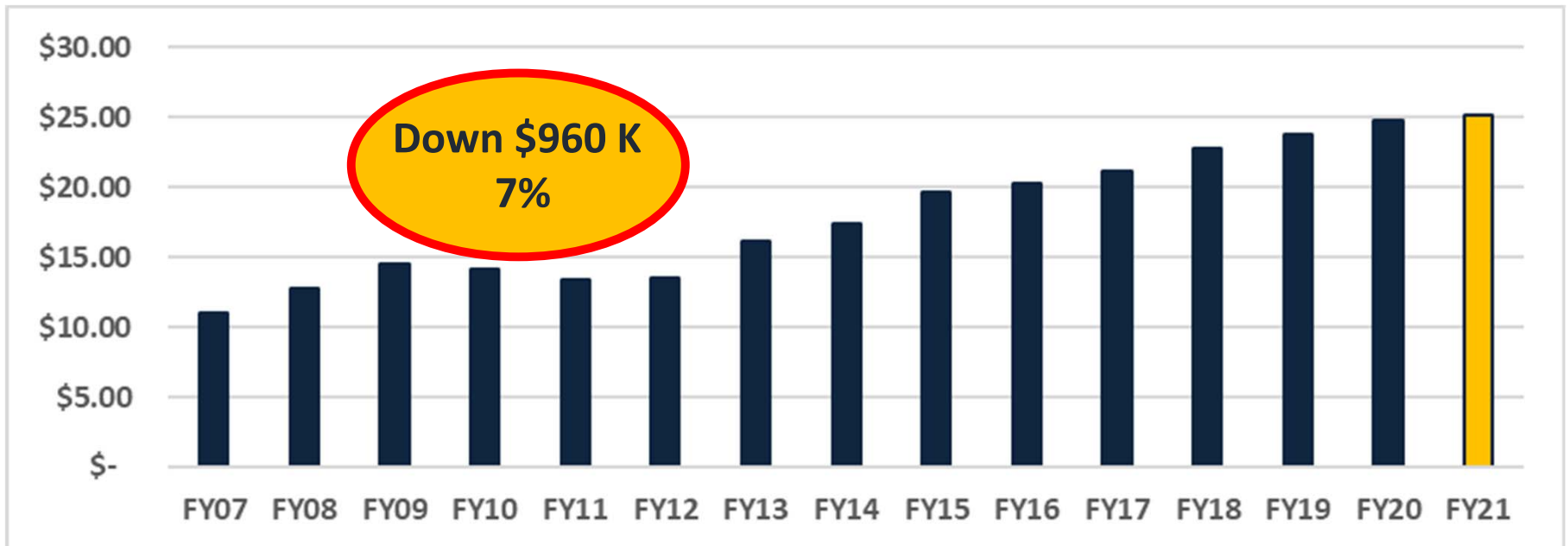
Fiscal Year 21 – Property Taxes = \$371m



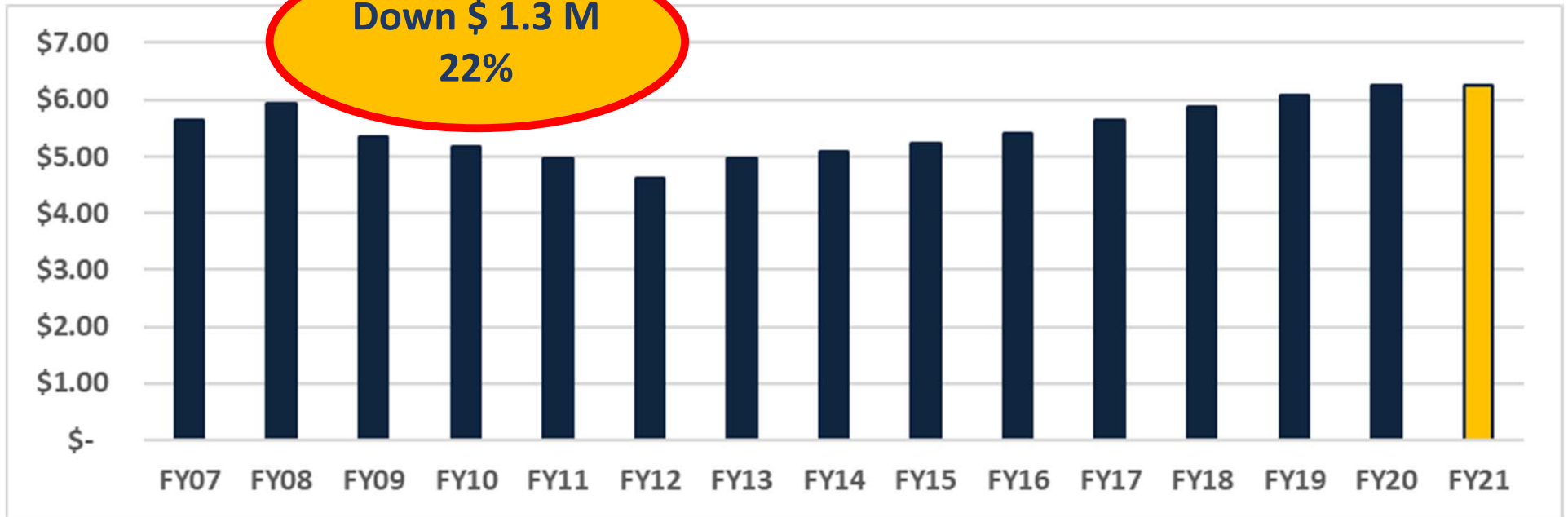
Fiscal Year 21 – All Other Revenues = \$68m



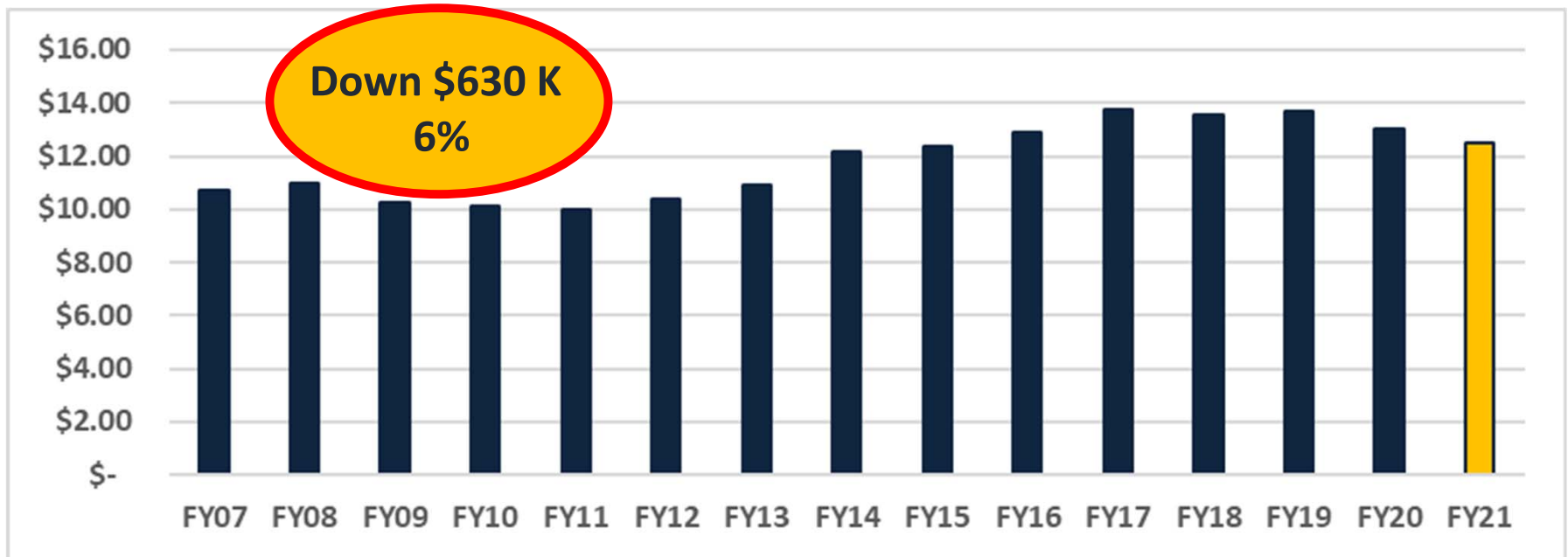
FY2021 Chapter 70 State Education Aid – \$25,128,716
Final Budget Increase of \$314K (1.26%)
(\$ Millions)



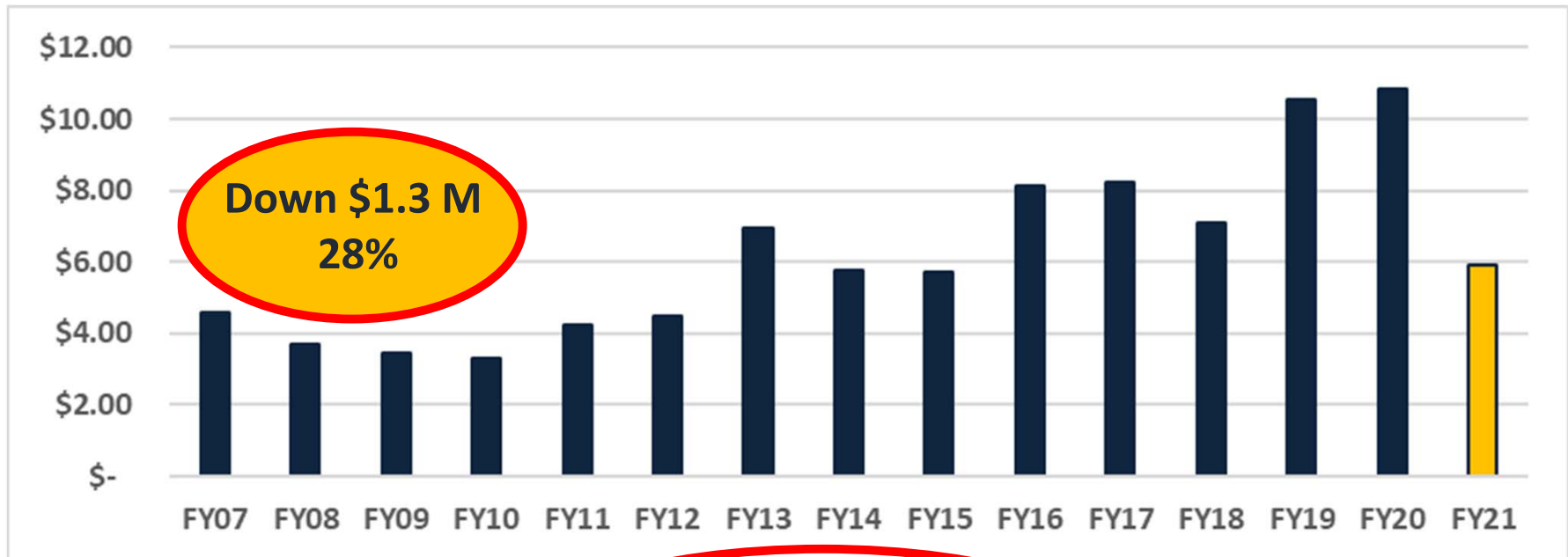
FY2021 Unrestricted General State Aid
Level Funded - \$6,240,334
(\$ Millions)



Excise Tax
FY2021 Projection - \$12,500,000
(\$ Million)



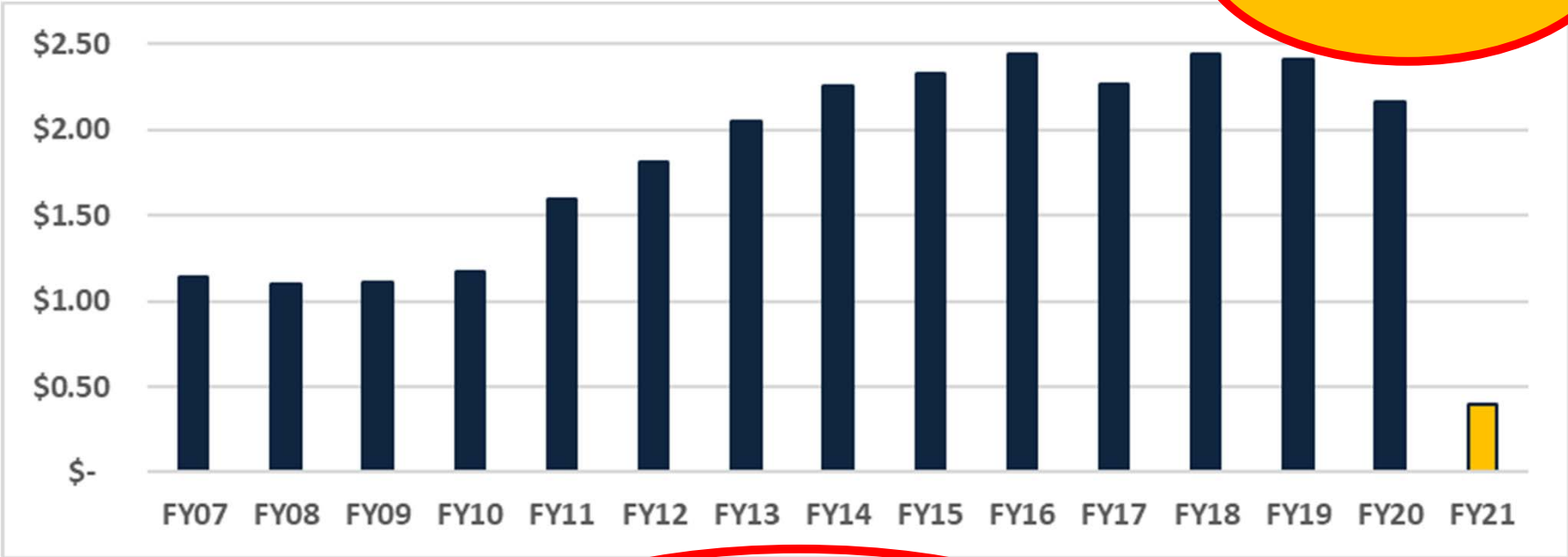
Inspectional Services
FY2020 Actual \$10.8 M - FY2021 Budget \$5.9 M
(\$ Millions)



YTD Receipts = \$ 2M

Hotel Rooms Taxes
FY2021 Projection - \$400,000
(\$ Million)

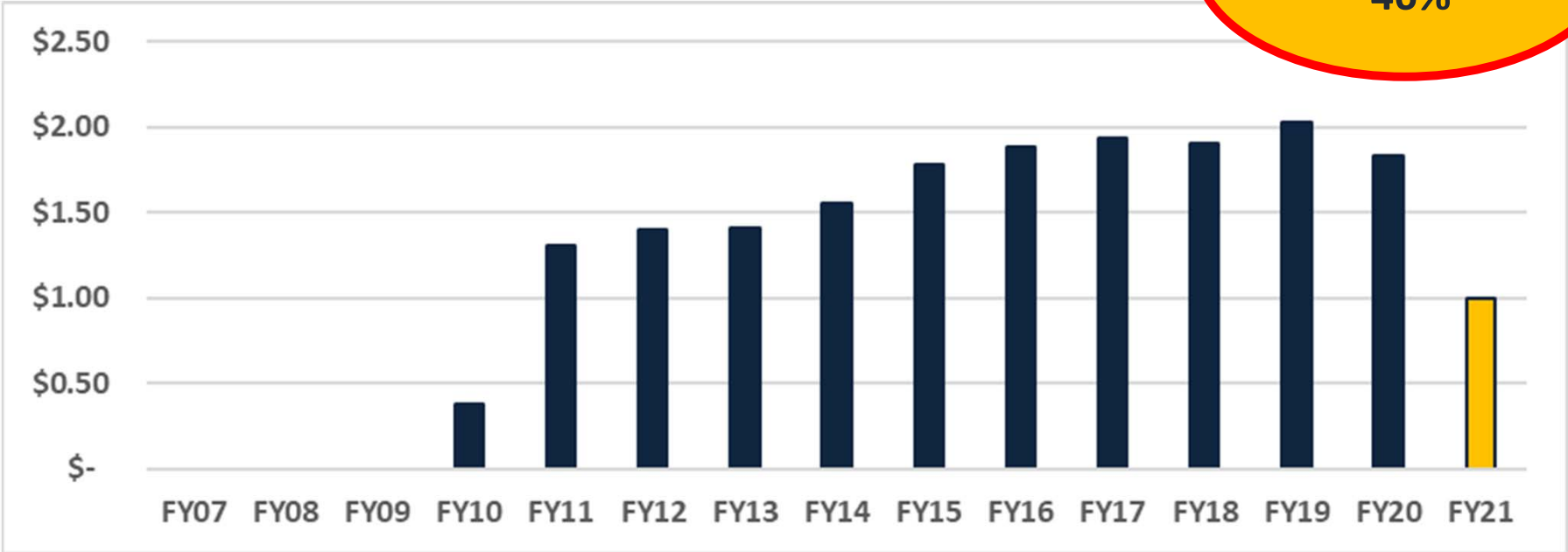
Q1
Down \$668 K
88%



Q1 FY20 = \$760K
Q1 FY21 = \$91K

Meals Taxes
FY2021 Projection - \$1,000,000
(\$ Million)

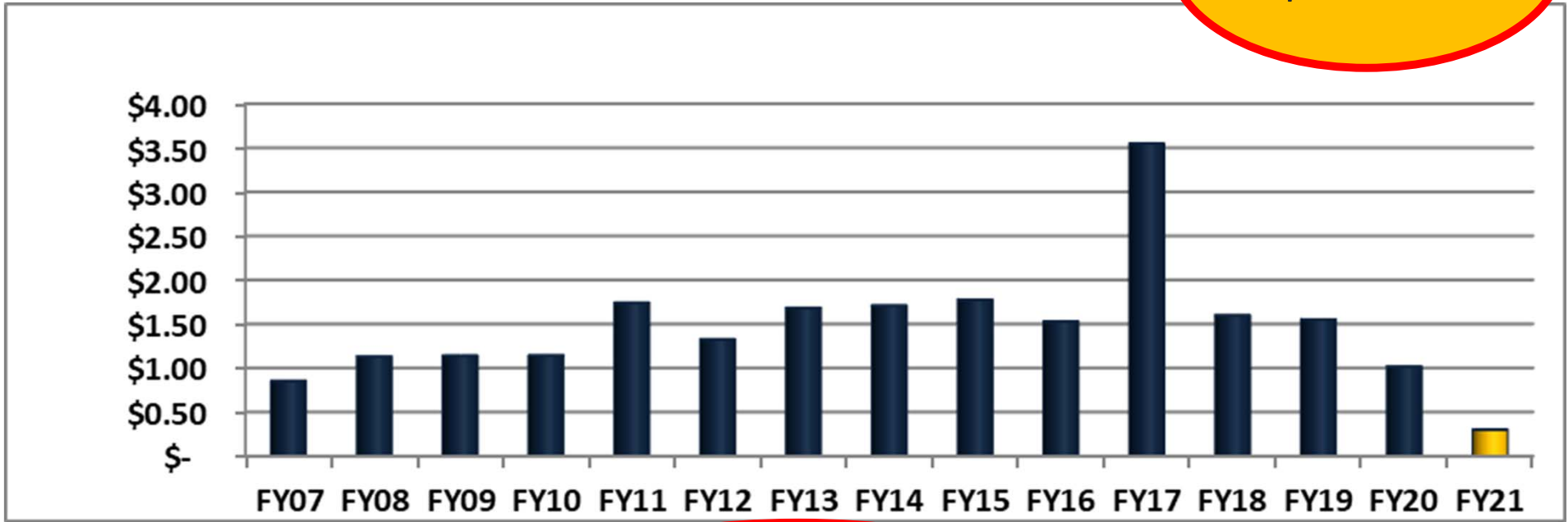
Q1
Down \$252 K
46%



Q1 FY20 = \$549K
Q1 FY21 = \$298K

Revenue from Parking Meter Receipts
FY2021 Current Forecast - \$250 K
(\$ Millions)

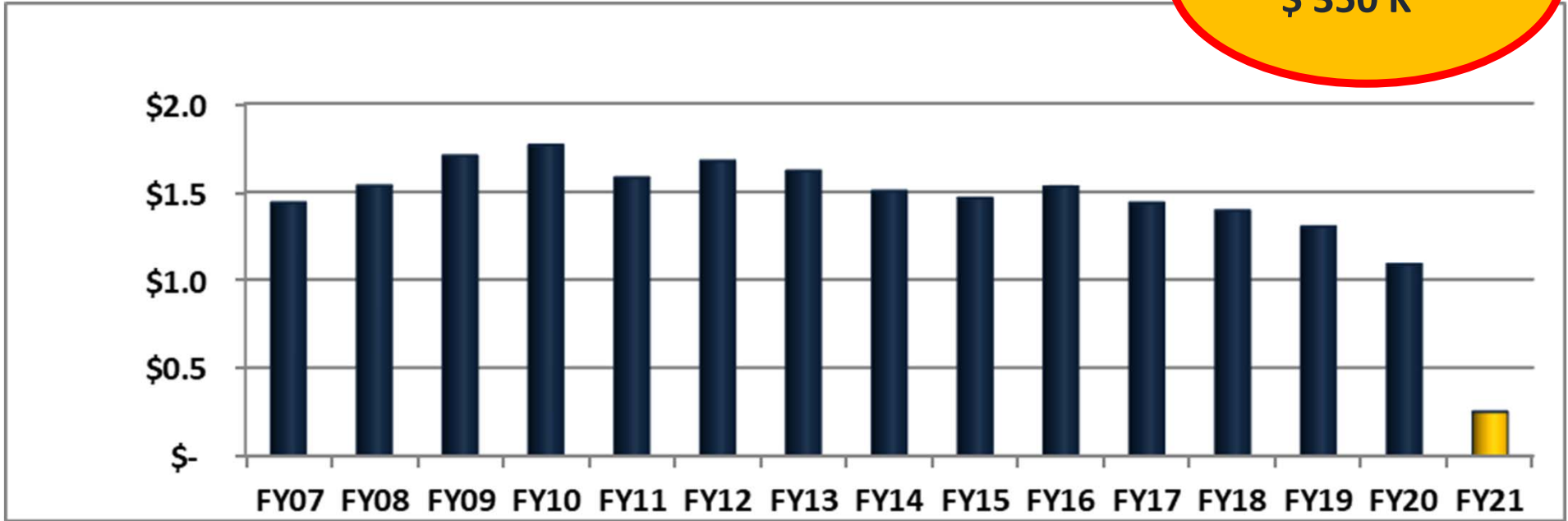
**Average Quarter
\$ 350 K**



YTD Receipts = \$29K

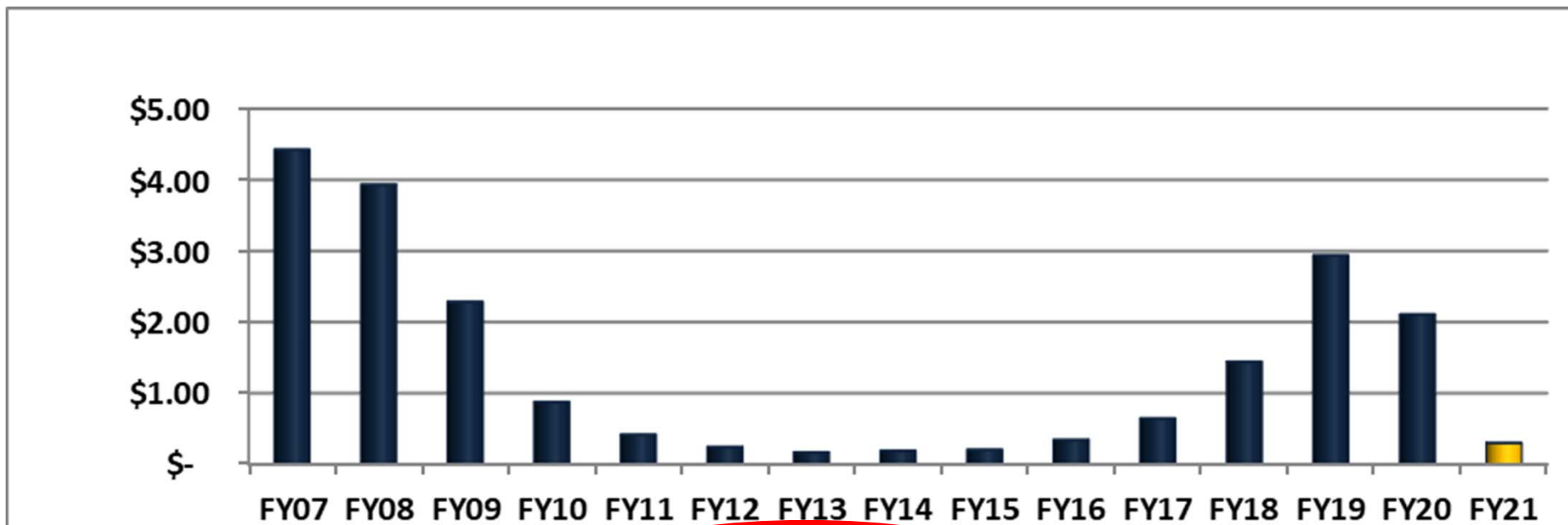
Revenue from Parking Violations
FY2021 Current Forecast - \$250K
(\$ Millions)

Average Quarter
\$ 350 K



YTD Receipts = \$44K

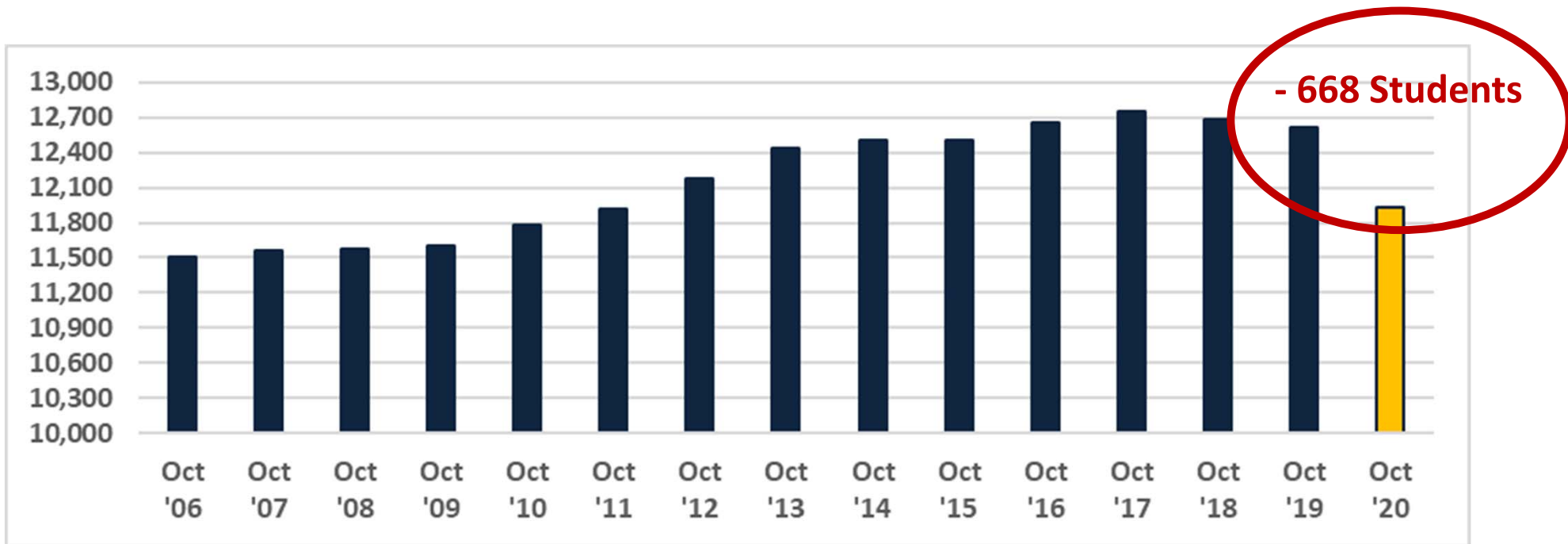
Revenue from Interest Income
FY2021 Projection - \$300 K
(\$ Millions)



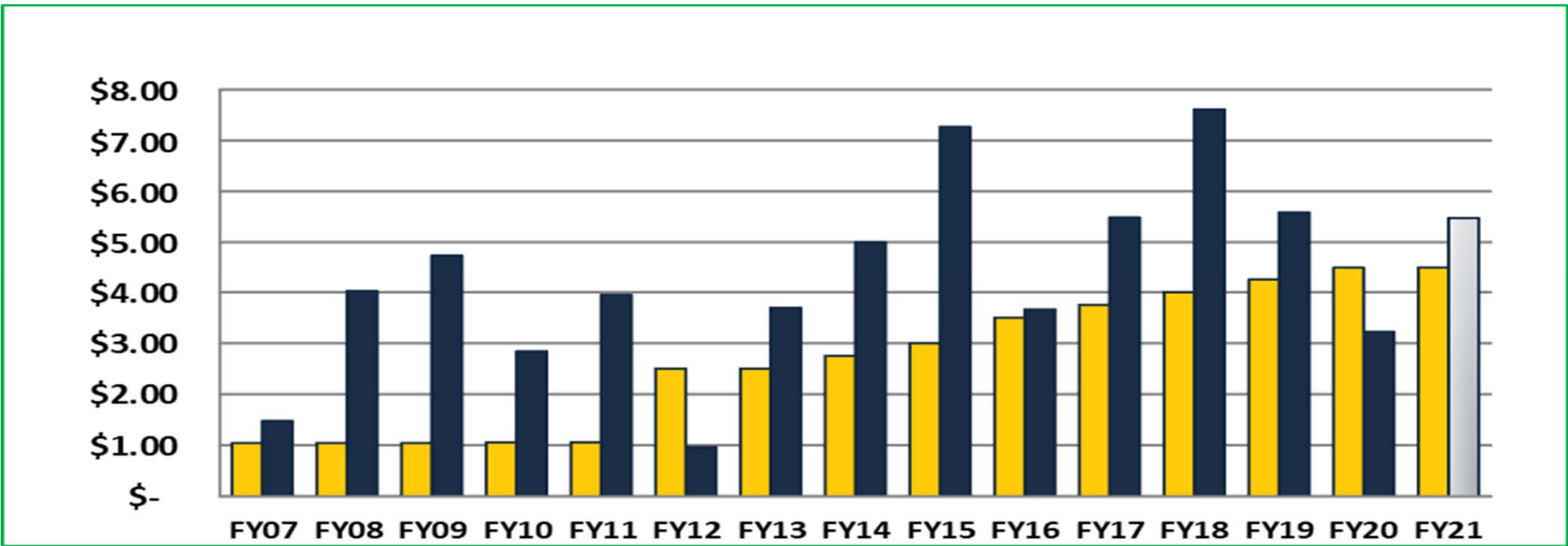
YTD Receipts = \$84K

Significant Cost Drivers

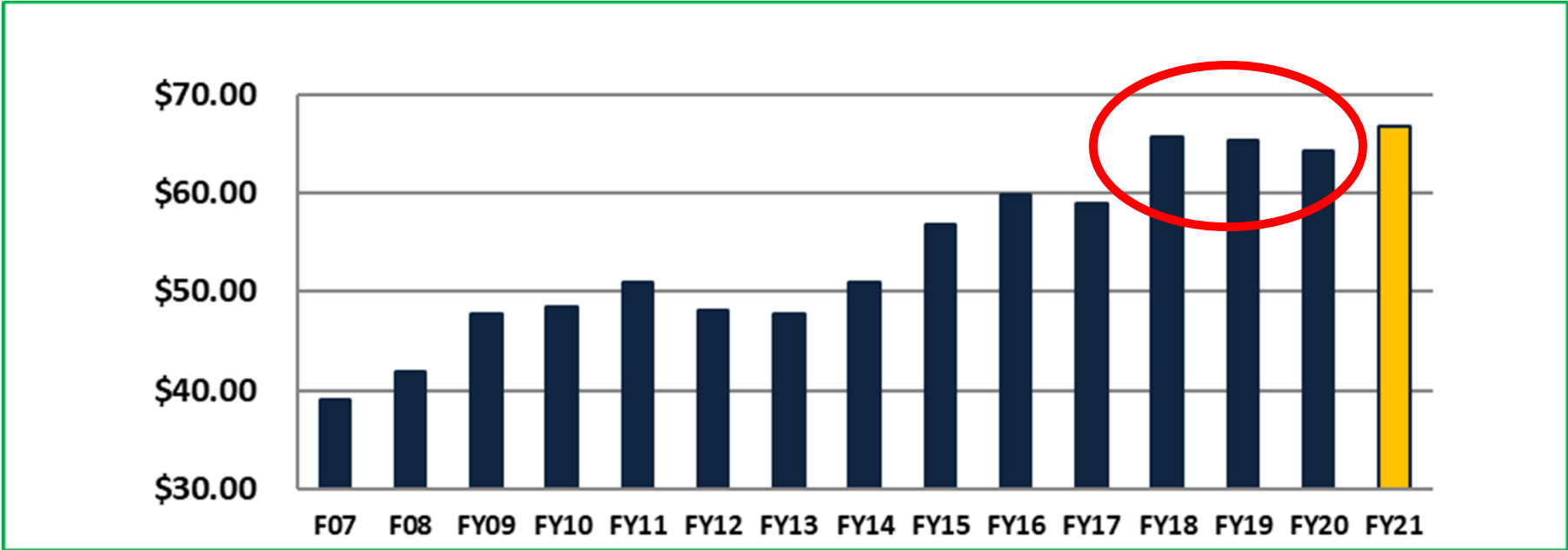
Newton Public Schools – Enrollment
October 1, 2020 – 11,928



Snow/Ice/Tree Removal – Current 5 Yr Avg Annual Cost - \$5.7m FY2021 Appropriation - \$4,500,000



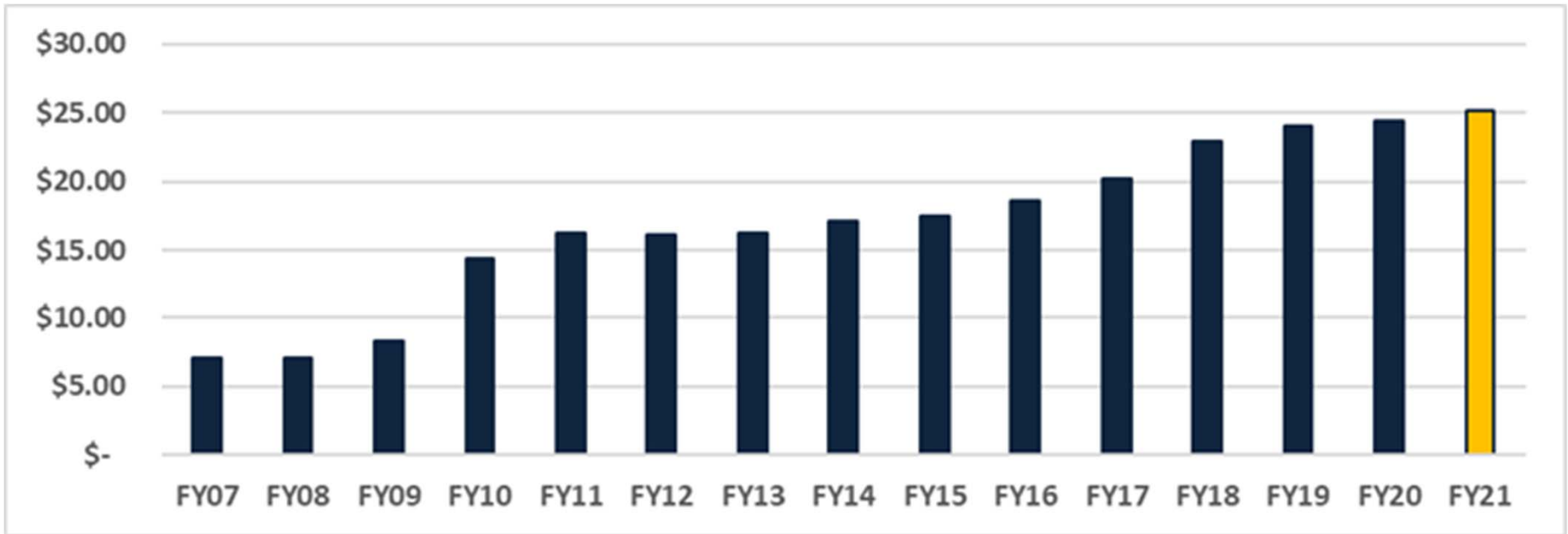
Total Cost of Newton's Health Insurance Program
Including City, Employee and Retiree Contributions
(\$ Millions)



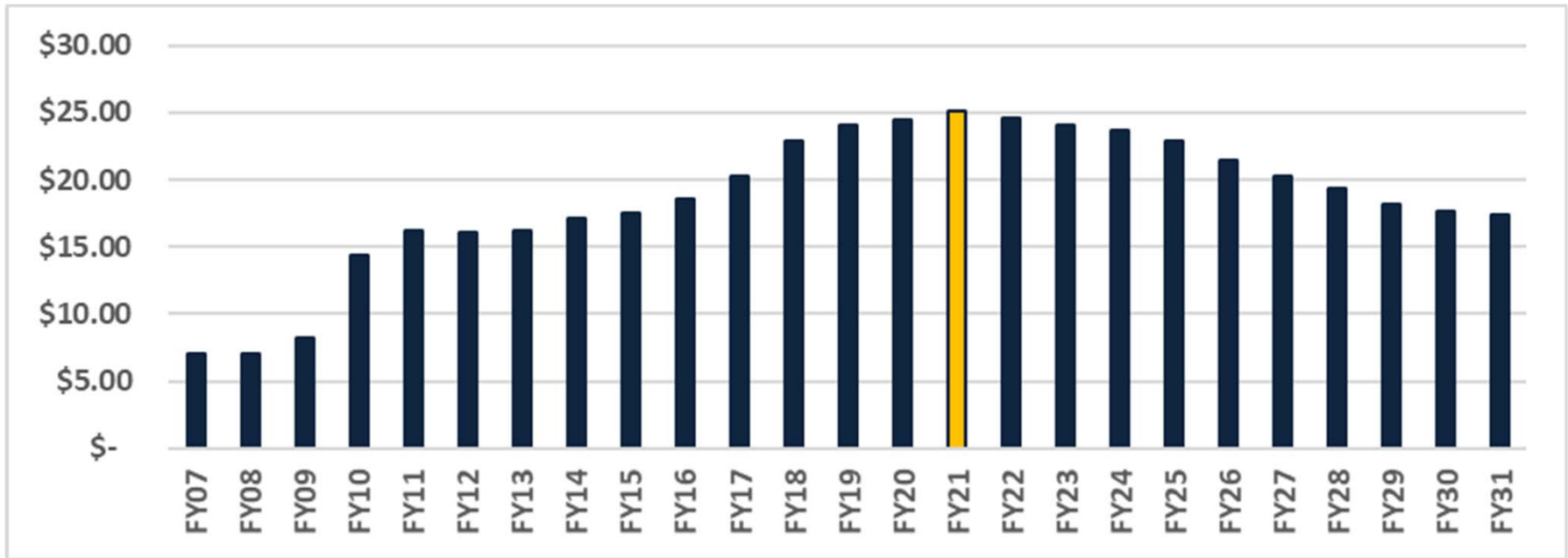
Debt Service

Investment in School & City Buildings, Fleet, Bridges, Equipment, Parks, Transportation Initiatives, Water/Sewer/Stormwater Systems

FY2021 Debt Service - \$25.1M
(\$Millions)



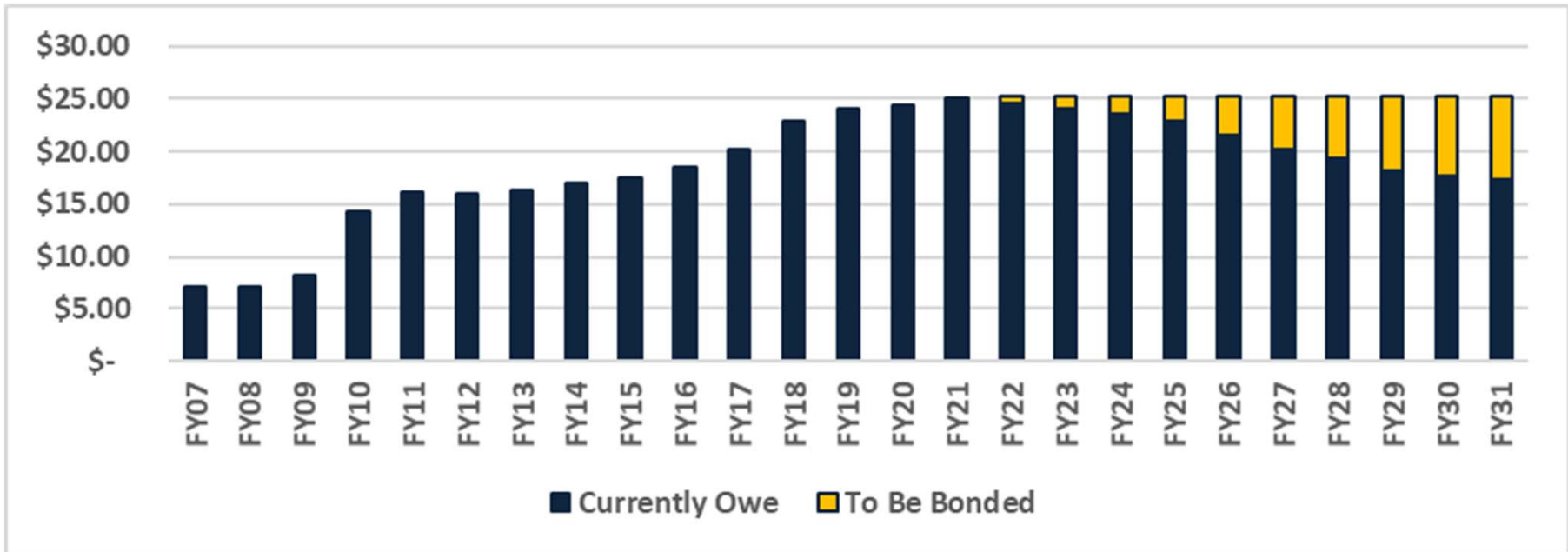
Current Debt Service Schedule (What We Already Owe)



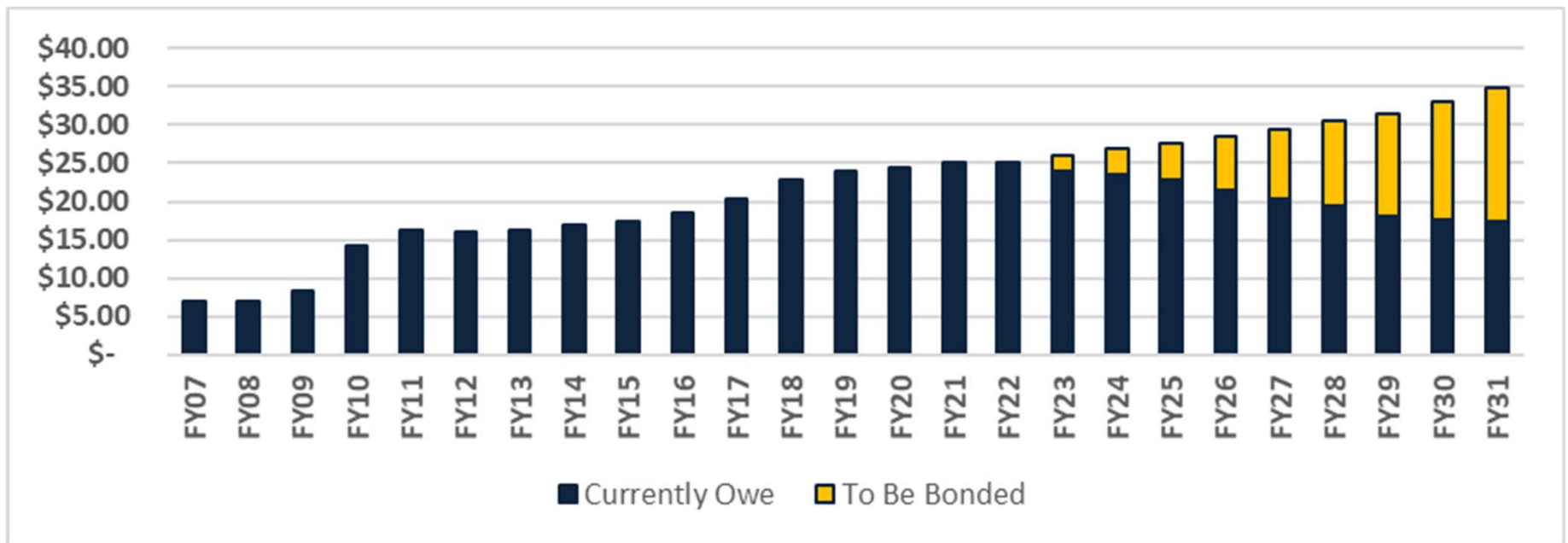
Maintaining Current Debt Level

\$25.2 Million per Year

(\$ Millions)



Projected Debt Service Costs
based on 5.5% Debt to Revenue Ratio
(\$ Millions)

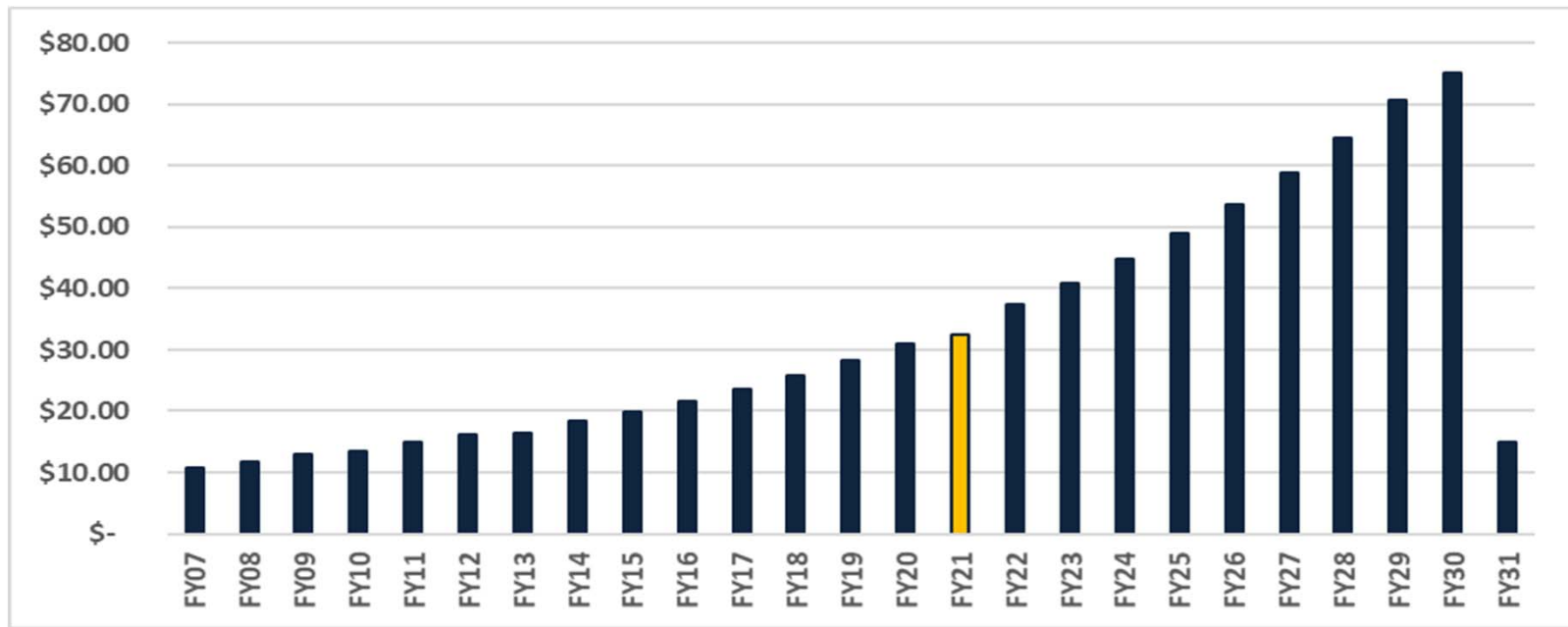


Pension Liability = \$318 m

Newton Public Schools' Employees as a Percent of City of Newton Retirement System

- **43.6% of Employees**
 - **NPS: Aides, Custodians, Secretaries**
- **21% of the Retirement System's Liability**
 - **NPS Employees**

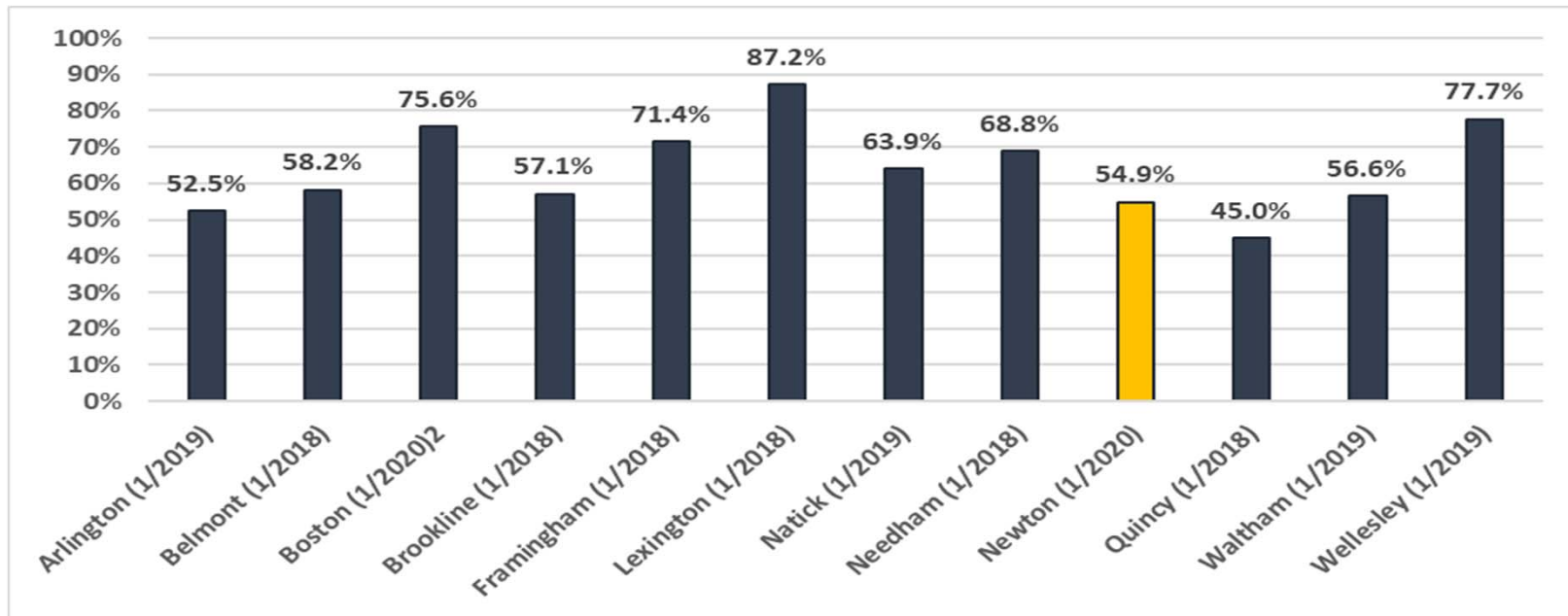
Projected Newton Contributory Retirement System Funding Schedule through 2030 – 9.6% Annual Increase



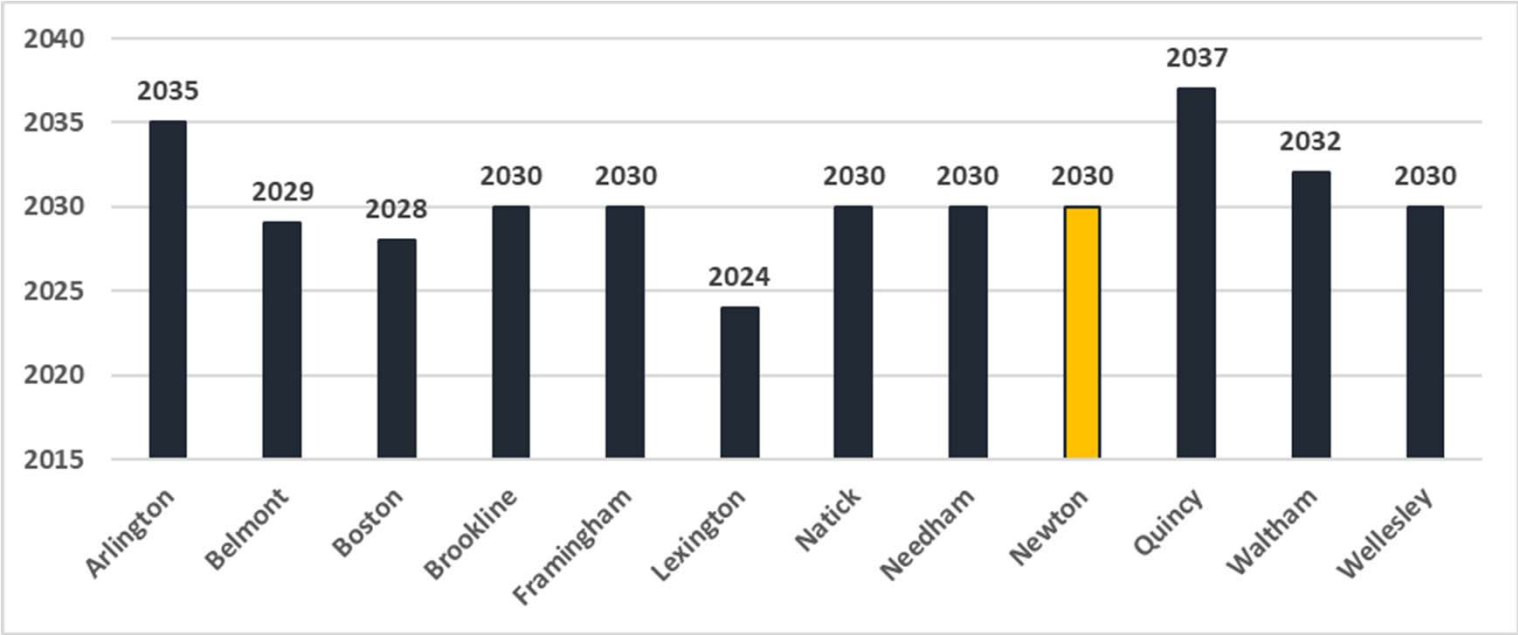
**54.9%
Funded**

**100%
Funded**

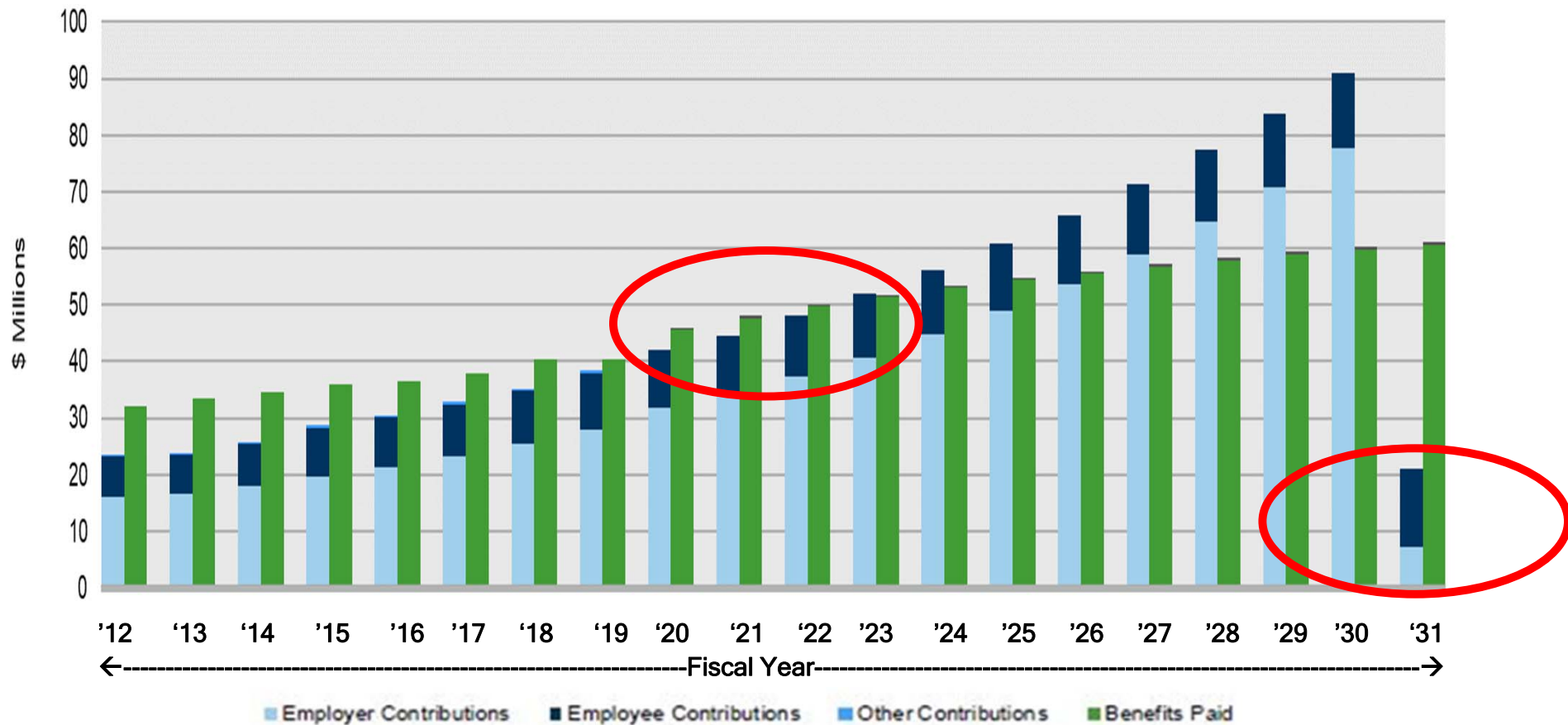
Current Pension System Funding by Community January 1, 2020 – or Most Recent Available



Achievement Year of Fully Funded Pension System by Community



Comparison of Contributions with Benefits For FY2012 - FY2031



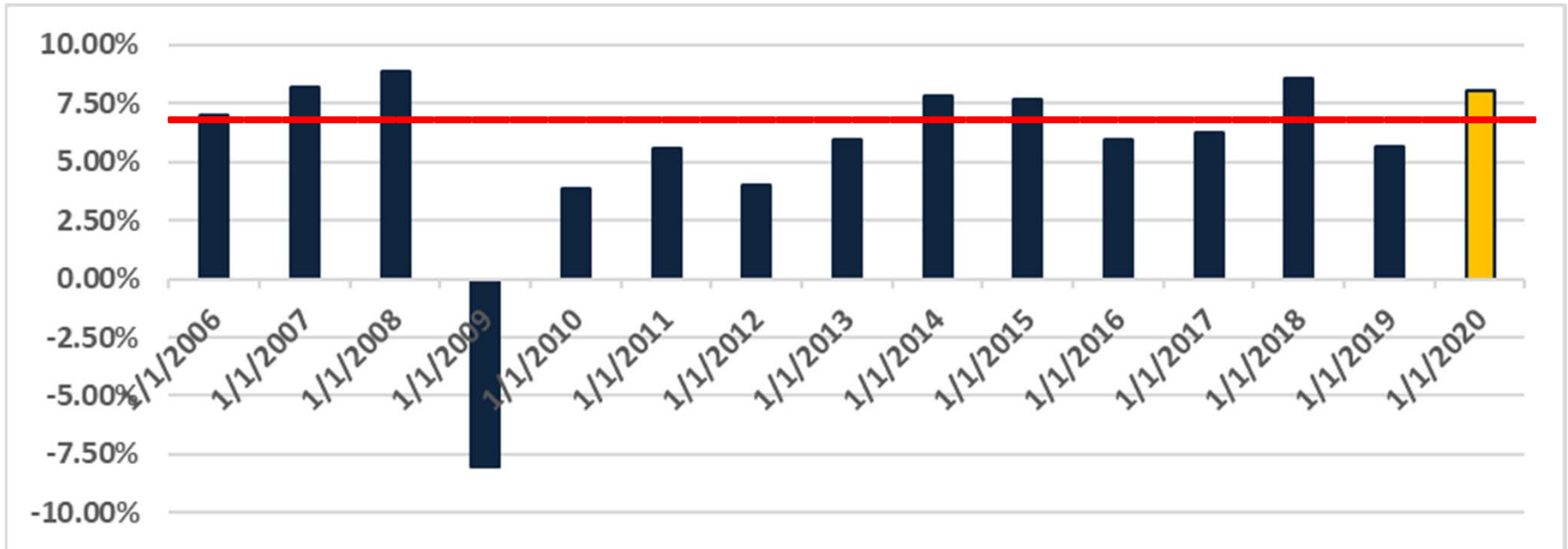
Note: Excludes administrative expenses and administrative expense appropriation.

15-Year Actual Rate of Return

Funding Schedule Projected Rate of Return = 7.25%

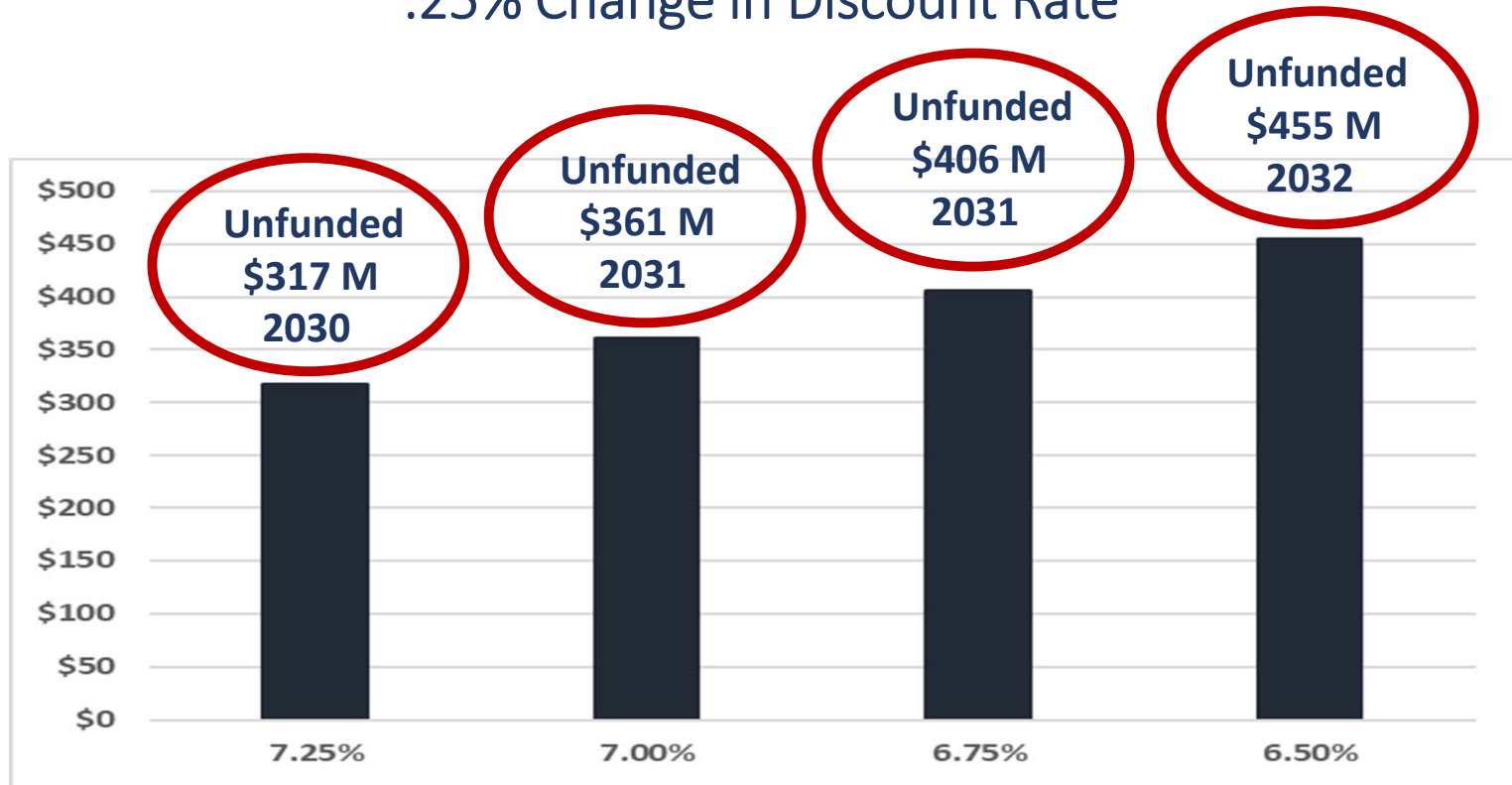
10 YEAR ACTUAL AVERAGE RATE OF RETURN = 6.54%

15 YEAR ACTUAL AVERAGE RATE OF RETURN = 5.68%



7.25%

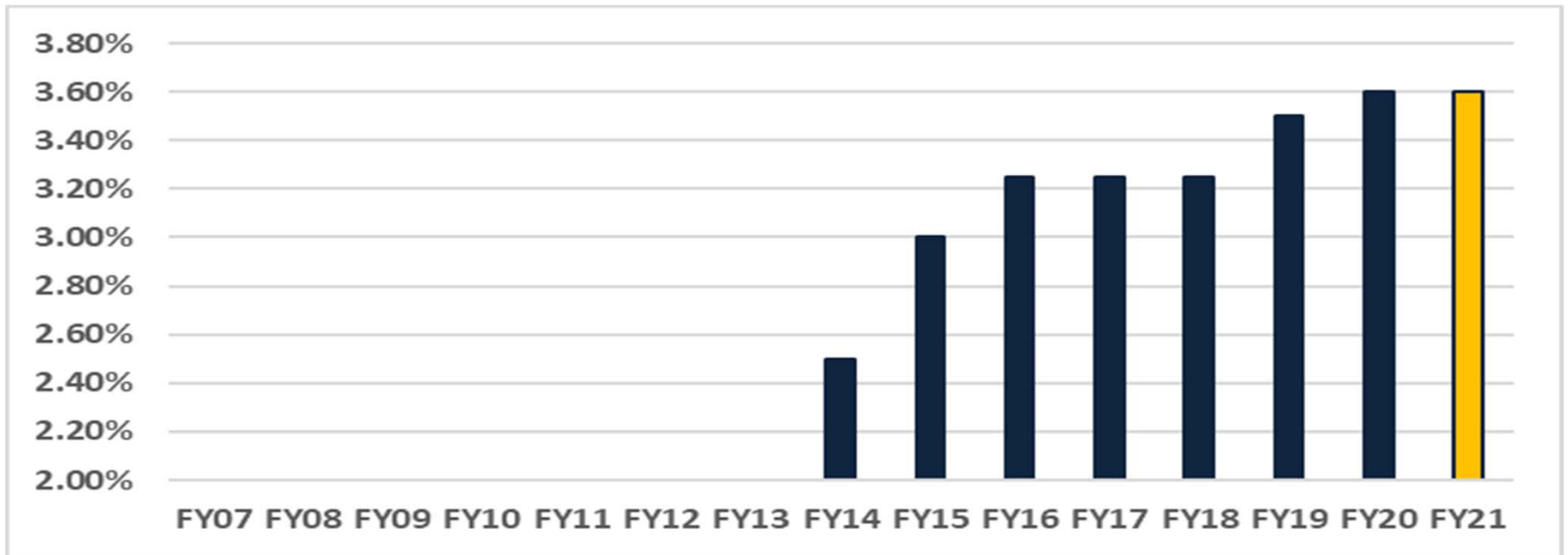
Sensitivity Analysis .25% Change in Discount Rate



O.P.E.B. Liability

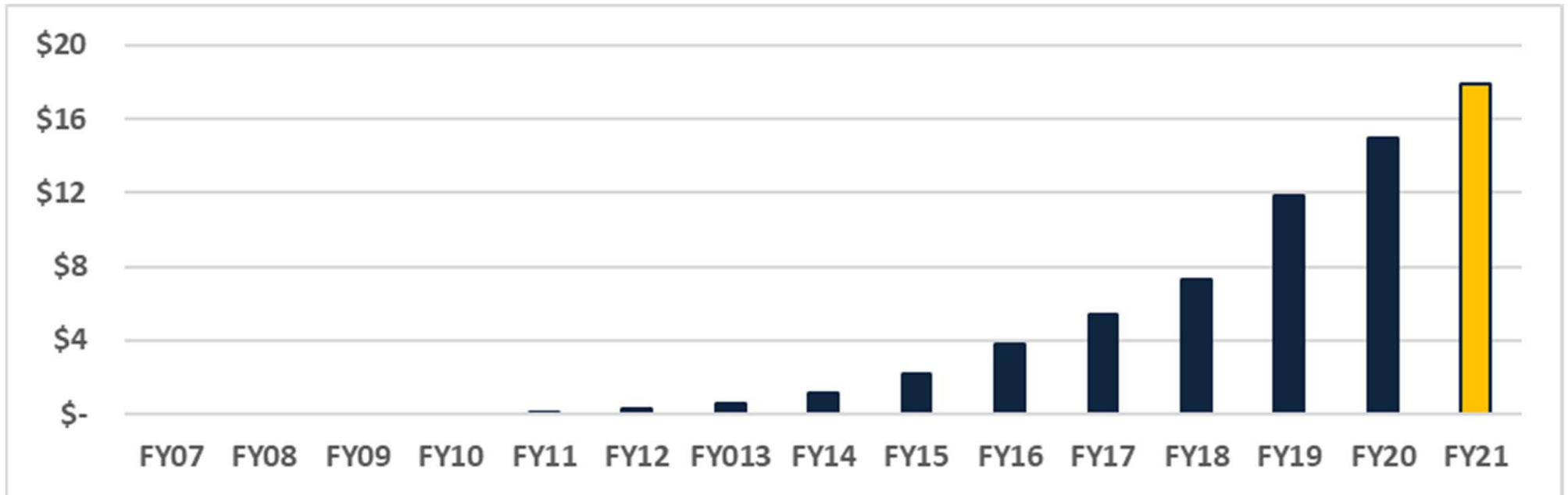
Other Post Employment Benefits/Retiree Health Insurance

O.P.E.B. FY2021 - 3.60%
of
Employees Newly Insured since 7/1/2012

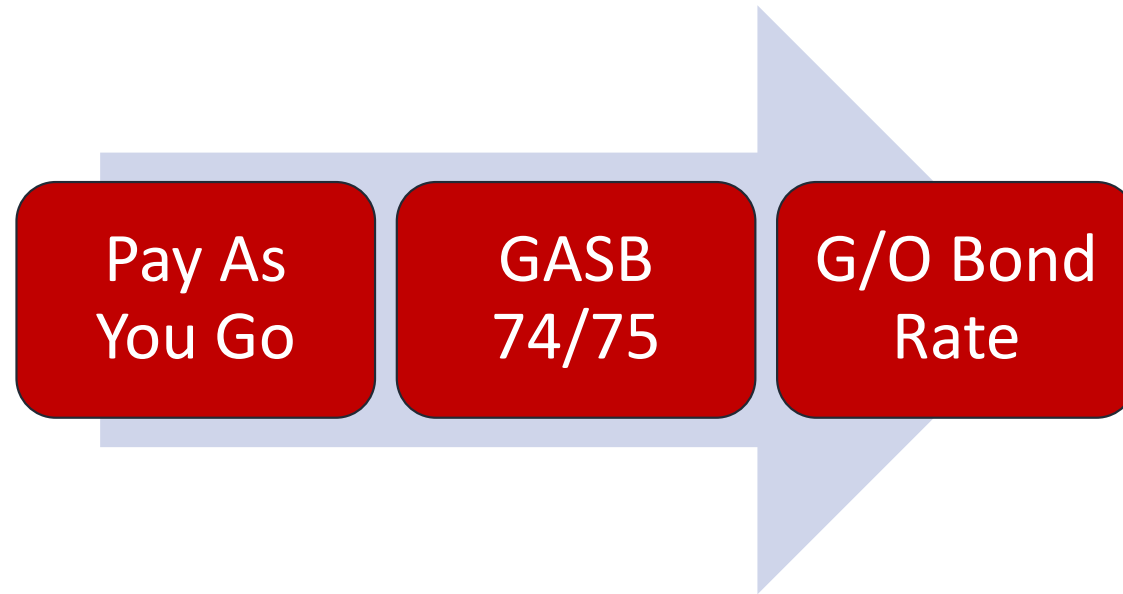


Annual Appropriation	\$0.6m	\$1.0m	\$1.4m	\$1.7m	\$2.0m	\$2.5m	\$3.0m
# of Employees	400	645	789	942	1,041	1,179	1,254

O.P.E.B. Actual Trust Fund Total – June 30, 2020 - \$14.9M
FY2021 Budget \$3.3 Million



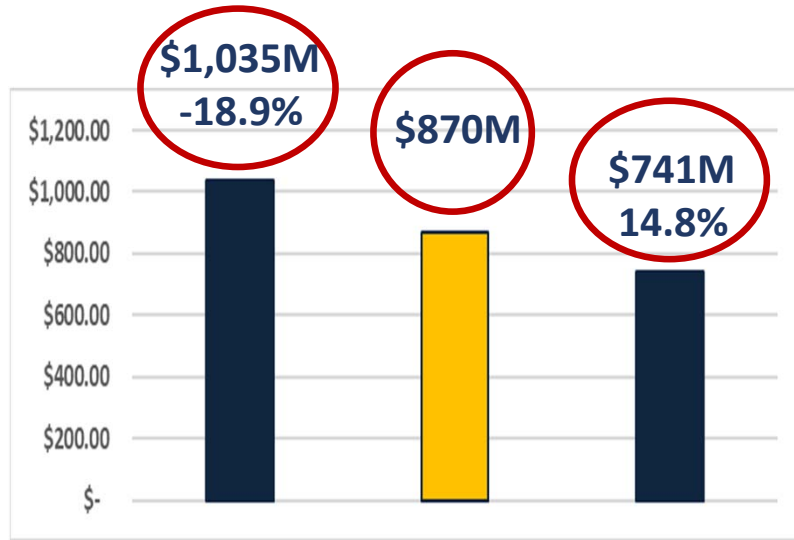
GASB 74/75



G/O Bond Rate 3.5% one year ago – now 2.21%

**Liability increased by \$182 million
from
\$688 to \$870 Million**

Sensitivity Analysis 1% Change in Discount Rate



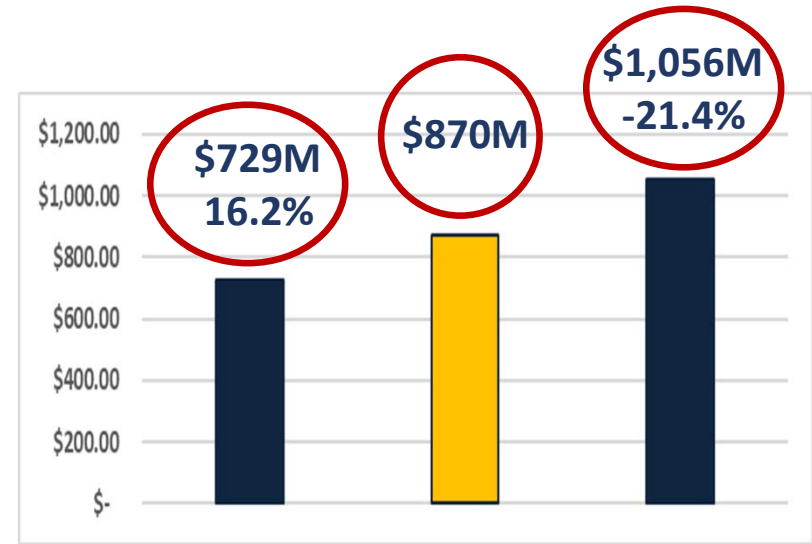
-\$165M

If Discount Rate
Goes Down by 1.0%

\$129M

If Discount Rate
Goes Up by 1.0%

Sensitivity Analysis 1% Change in Health Insurance Trend Rates



\$141M

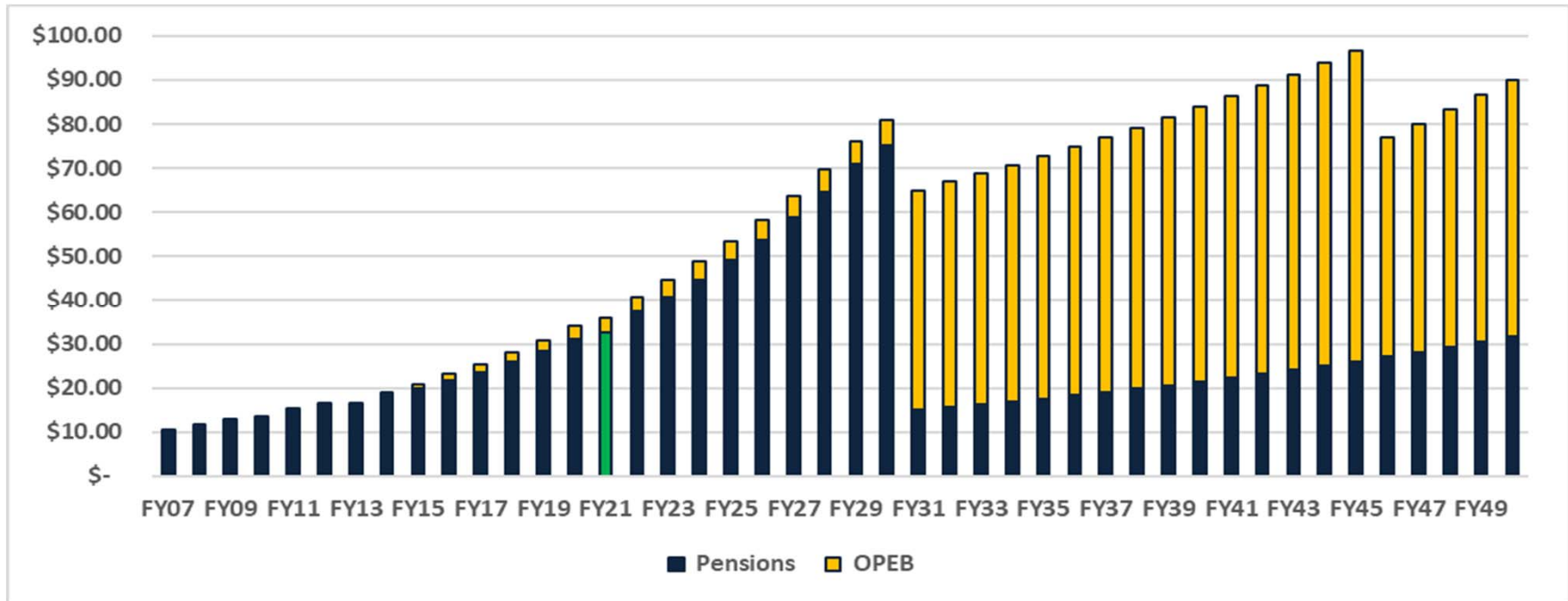
If Health Costs
Go Down by 1.0%

-\$186M

If Health Costs
Go Up by 1.0%

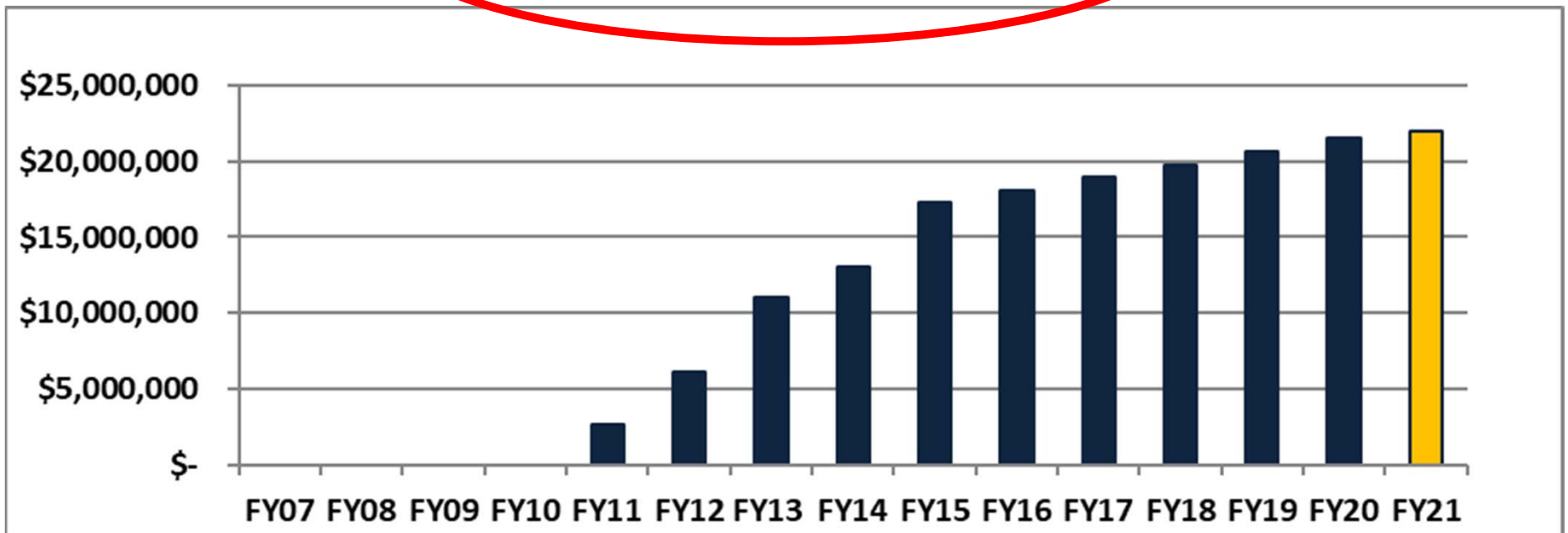
OPEB Funding Strategy

The Challenge is Getting to FY2030 and FY2045



Rainy Day Fund

Rainy Day Stabilization Fund
≈ \$900,000 must be added each year
Investment Return is Key

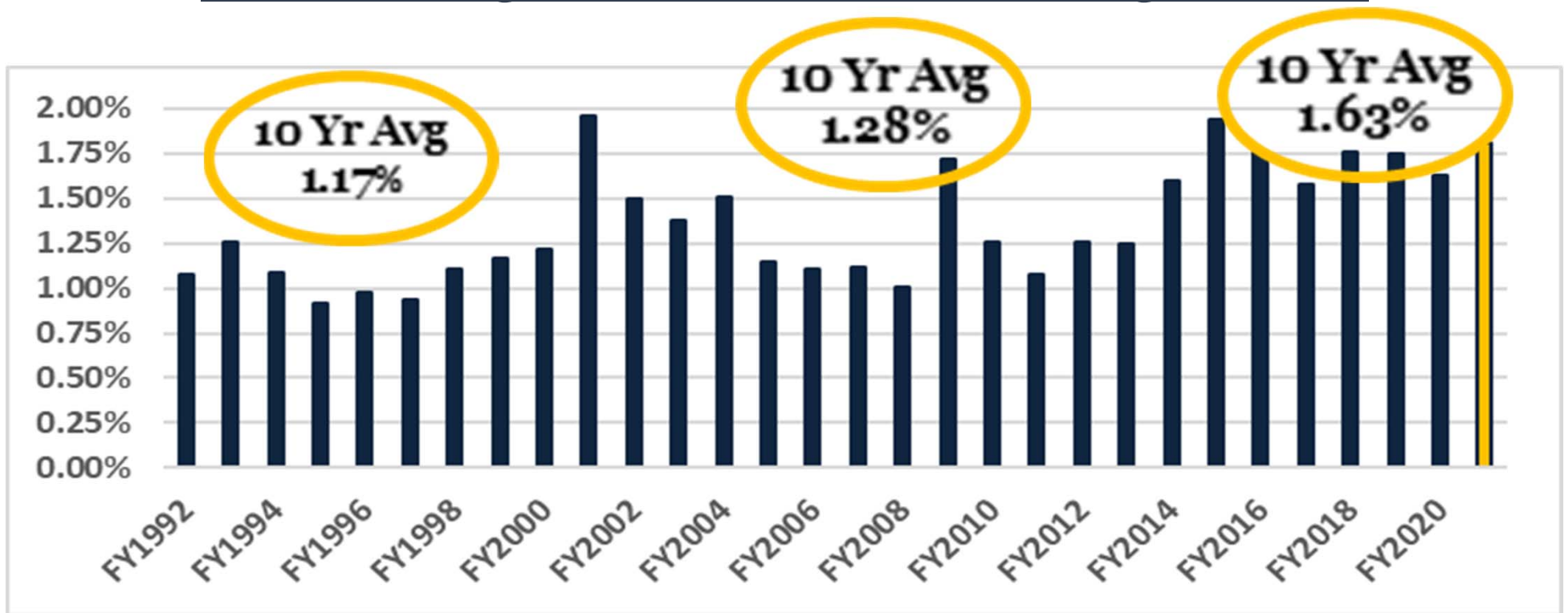


Revenue from “New Growth and Redevelopment”

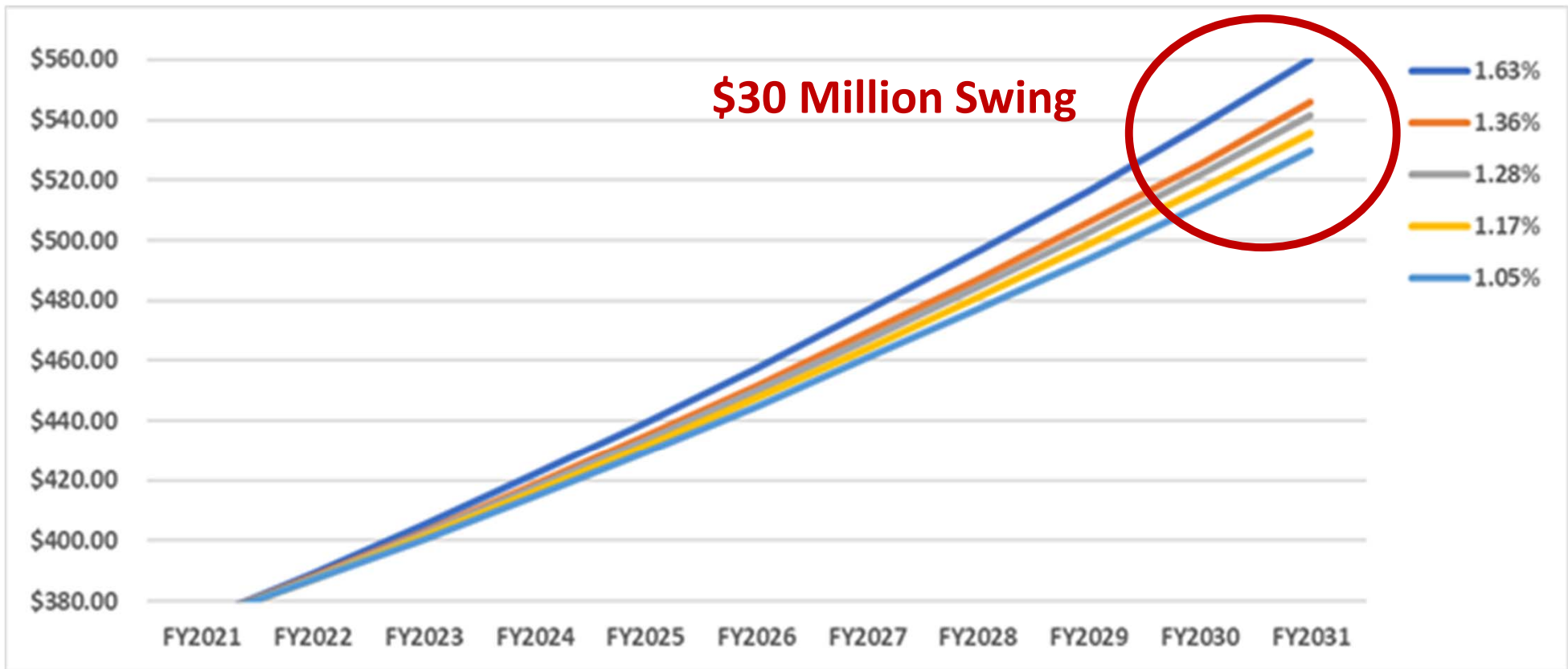
New Growth as a Percent of Property Tax Levy

30 Year Average = 1.36%

20 Year Average = 1.46%



Total Revenue through FY2031
New Growth & Redevelopment Ratios: 1.05% - 1.63%
(\$ Millions)



Summary

Our Financial Strategy

- Motor Vehicle Excise Tax
- The Commonwealth's FY2022 Budget – State Aid
- Revenue from New Growth and Redevelopment

